TRIS RATING 20th ANNIVERSARY
CreditNews ข่าวเครดิต

CENTRAL PLAZA HOTEL PLC

No. 64/2013 9 August 2013

Company Rating: A

Outlook: Stable

New Issue Rating: -

Rating History:

Date	Company	Issue (Secured/ Unsecured)
28/07/11	A-/Sta	-/A-
03/07/09	A-/Neg	-/A-
08/11/05	A-/Sta	-/A-
21/10/04	A-/Sta	-

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Rating Rationale

TRIS Rating upgrades the company and senior debenture ratings of Central Plaza Hotel PLC (CENTEL) to “A” from “A-”. The upgrades come from the improved ability of CENTEL to generate cash flow after expanding in the hotel and quick service restaurant (QSR) portfolio. The ratings reflect the company’s strong market position and diverse sources of cash flows, along with the support from the Central Group. However, these factors are partially offset by the low margins of the QSR industry and the nature of the hotel industry, which is seasonal and highly sensitive to uncontrollable external factors. Both industries are viewed as highly competitive, considering the huge supply of hotel rooms in key tourist destinations and the aggressive promotions regularly offered in the QSR segment.

CENTEL was founded in 1980 by the Chirathivat family to own and operate a hotel in Thailand. As of March 2013, CENTEL’s hotel portfolio consisted of 7,340 rooms at 31 hotel properties in key tourist destinations in Thailand, and seven hotel properties overseas. Properties owned by CENTEL account for 52% of the total amount of rooms across its 15 hotels, which include one joint venture (JV) and one property leased back from a property fund. CENTEL manages the hotel properties under its own “Centara” and “Centra” brand names.

All activities in the QSR segment are conducted through its subsidiary, Central Restaurants Group (CRG). CRG currently operates 12 QSR brands, consisting of several international franchised QSR chains and two of its own brands, “RYU Shabu Shabu” and “The Terrace”. The QSR segment comprised a combined total of 681 outlets countrywide at the end of March 2013.

During the past five years, revenue from the QSR business contributed approximately 54%-58% of CENTEL’s total revenue, while revenue from the hotel segment contributed the rest. The hotel business has typically comprised over 60% of CENTEL’s total earnings before interest, tax, depreciation, and amortization (EBITDA) each year during the past five years. However, in some years the percentage was lower because the hotel business was affected by uncontrollable external events.

Thank to the strong hospitality industry in Thailand, the number of tourist arrivals recovered vigorously after a series of event risks during the past few years. Foreign tourist arrivals grew by 19.8% in 2011, 16.8% in 2012, and 19.0% year-on-year (y-o-y) in the first four months of 2013. As a result, the overall occupancy rate (OR) of CENTEL’s own properties increased from 63.9% in 2011 to 69.9% in 2012 and stood at 84.3% in the first quarter of 2013. According to the Tourism Authority of Thailand (TAT), the industry-wide OR of hotels in Thailand picked up from 58.0% in 2011 to 60.9% in 2012 and to 70.5% in the first quarter of 2013. CENTEL’s average revenue per available room (RevPAR) also increased, rising from Bt2,339 per night in 2011 to Bt2,617 per night in 2012 and to Bt4,311 million in the first quarter of 2013. The rise was due in part to the higher room rates at CENTEL’s new hotels.

In 2012, the company’s total revenue grew by 29% to Bt14,504 million, due to the impressive growth in both the hotel and QSR segments. In 2012, sales in the QSR business rose by 28% following the first full year consolidation of revenue from the “Ootoya” chain. Hotel revenue increased by 32% owing to the growth in the number of foreign tourist arrivals and the additional revenue from several recently completed hotel properties. In the first quarter of 2013, total revenue continued to rise, increasing by 21% y-o-y to Bt4,420 million. The operating profit margin of CENTEL improved from 18.6% in 2011 to 19.6% in 2012 and stood at 26.9% in the first quarter of 2013, as hotel operations improved and the tourism industry passed the peak season.

CENTEL's funds from operations (FFO) jumped from Bt1,548 million in 2011 to Bt2,344 million in 2012 and stood at Bt1,087 million in the first quarter of 2013. Thus, the FFO to total debt ratio increased from 14.4% in 2011 to 17.6% in 2012 and to 7.8% (non-annualized) in the first quarter of 2013. The EBITDA interest coverage ratio also improved from 4.9 times in 2011 to 5.5 times in 2012 and stood at 8.3 times in the first quarter of 2013. As of March 2013, the company had available commercial bank credit lines of approximately Bt2,000 million.

CENTEL's capital structure weakened during the last five years due to the expansion in the hotel segment. CENTEL spent over Bt14,000 million mainly to construct and invest in hotel properties in key tourist destinations, such as Bangkok, Krabi, Pattaya, Phuket, and the Maldives. The debt to capitalization ratio peaked at 65% at the end of December 2011 but declined to 57.6% at the end of March 2013 due in part to a larger equity base following the assets revaluation. In the medium term, the debt to capitalization ratio may decline as CENTEL's operating cash flow is sufficient to support its working capital need. However, CENTEL is likely to seek new investments to pursue its growth strategy. TRIS Rating expects that CENTEL will carefully manage its financing needs and maintain a healthy capital structure.

Rating Outlook

The "stable" outlook reflects the expectation that the company will be able to maintain the strong market positions of its major hotel and QSR brands. Operating cash flow is expected to grow continuously and be adequate for CENTEL's future investments.

Central Plaza Hotel PLC (CENTEL)

Company Rating:	A
Issue Ratings:	
CENTEL163A: Bt500 million senior debentures due 2016	A
CENTEL163B: Bt300 million senior debentures due 2016	A
Rating Outlook:	Stable

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		------------- Year Ended 31 December -----------			
	Jan-Mar 2013	2012	2011	2010	2009
Sales	4,420	14,504	11,278	9,141	8,277
Gross interest expense	121	486	414	310	274
Net income from operations	649	1,065	550	(56)	53
Funds from operations (FFO)	1,087	2,344	1,625	1,158	958
Capital expenditures	527	1,359	1,525	2,294	2,803
Total assets	27,885	27,975	21,684	20,438	19,817
Total debt	11,632	12,054	10,003	9,453	8,320
Annual lease capitalization	2,252	1,296	1,274	1,248	1,221
Shareholders' equity	10,238	9,755	6,049	5,779	5,965
Operating income before depreciation and amortization as % of sales	26.94	19.59	18.77	16.17	14.96
Pretax return on permanent capital (%)	3.63**	8.50	7.18	3.28	2.96
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	8.27	5.54	4.87	4.90	4.92
FFO/total debt (%)	7.83**	17.56	14.41	10.82	10.04
Total debt/capitalization (%)	57.56	57.78	65.09	64.93	60.34

Note: All ratios are operating lease adjusted
** Consolidated financial statements*
*** Non-annualized*

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