

# THAI AIRASIA CO., LTD.

No. 60/2021  
16 August 2021

## CORPORATES

<b>Company Rating:</b>	B
<b>Issue Ratings:</b>	
Senior unsecured	B-
<b>CREDIT ALERT:</b>	Negative

**Last Review Date:** 11/03/21

### Company Rating History:

Date	Rating	Outlook/Alert
11/03/21	B+	Alert Negative
13/08/20	BB	Alert Negative
02/04/20	BBB-	Alert Negative
20/02/20	BBB+	Negative
30/03/17	A-	Stable

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## RATIONALE

TRIS Rating downgrades the company rating on Thai AirAsia Co., Ltd. (TAA) to “B” from “B+” and downgrades the ratings on TAA’s senior unsecured debentures to “B-” from “B”. At the same time, TRIS Rating maintains CreditAlert with a “negative” implication on the ratings on TAA. The downgrade reflects our heightened concern over TAA’s liquidity, resulting from the prolonged outbreak of Coronavirus Disease 2019 (COVID-19) and slower-than-expected progress in its fund raising.

Our immediate concern is over the company’s stretched liquidity in the coming months. As of July 2021, TAA’s sources of funds comprised cash and liquid assets worth only around THB200 million. In contrast, scheduled repayment of outstanding debts (excluding operating lease obligations) over the next 12 months are THB2.5 billion, of which THB124 million will mature in the next three months. In addition, the company has THB1.35 billion in revolving short-term obligations. We expect TAA’s revenues to be minimal in the next few months, given the government lockdown measures in an attempt to contain the outbreak. Depending on how the COVID-19 situation evolves, we estimate that the company could be running a net cash outflow of up to THB200 million per month, except in August in which the company’s operation is temporarily closed that entitles the company and its employees to receive social security compensation.

The company has been pursuing various means to raise funds. It expects to receive net cash proceeds of around THB1 billion from aircraft sale and lease-back transactions in the next few months. In addition, the company is in the process of obtaining approval from regulators to raise THB2.7 billion from its initial public offering (IPO) and list on the Stock Exchange of Thailand (SET). The company also plans to issue THB3.15 billion in convertible debentures to a prearranged investor once regulators’ approval on listing TAA is obtained.

It is still possible for TAA to manage its liquidity through these challenging times, possibly by securing additional bridging loans from banks or its shareholder, and by completing the fund raising as planned. However, we view TAA’s liquidity risk has heightened to a new level, with its ability and the timeline to secure funding both uncertain.

The slow vaccine rollout and the rapid spread of COVID-19’s “Delta” variant has created new uncertainty on the recovery prospects of the aviation industry, the Thai economy, and consequently TAA’s operating results. After the full resumption of domestic flights in the last quarter of 2020, the company had to reduce its domestic capacity to around 20% of total domestic capacity in the first half of 2021, due to the slump in demand for air travel induced by successive waves of COVID-19 outbreaks. The worsening of the COVID-19 situation culminated in the company’s decision to suspend all flights on 12 July 2021 following the government’s strict lockdown measures. The resumption of international flights to and from Thailand is also being delayed as the pandemic continues to evolve.

In our base-case assumption, we project the current outbreak to be largely contained by the third quarter of 2021. TAA should be able to gradually resume domestic flights in the last quarter. International flights may not resume until

mid-2022. The company plans to recommence its international flights in the second half of 2022, gradually adding to its international capacity in 2023. Therefore, we expect TAA will post a significant net loss in 2021 and 2022, with operations gradually improving in 2023.

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**CREDIT ALERT**

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The “negative” CreditAlert reflects our concern over the company’s stretched liquidity in the near term, pressured by the upcoming scheduled repayments and the new uncertainty of its business recovery following the latest outbreak of COVID-19’s “Delta” variant. We will resolve the CreditAlert when we see a clearer recovery path and when the company has demonstrated an ability to secure the funding needed to improve its liquidity position.

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**COMPANY OVERVIEW**

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TAA was founded in 2003 through a joint venture between AirAsia Berhad (AAB) and Shin Corporation PLC (or SHIN, formally renamed Intouch Holdings PLC (INTOUCH) on 31 March 2014). In 2006, SHIN sold its 51% stake in TAA to Asia Aviation PLC (AAV), a holding company established by TAA’s management team at that time. AAV has held 55% of TAA’s outstanding shares since 2012 after purchasing 3,555,600 newly-issued shares, resulting in AAB’s shareholding standing at 45%.

TAA is the leading low-cost carrier (LCC) in Thailand. The company is a member of the AirAsia Group which launched services under the “TAA” brand in 2004. TAA’s strategy is to provide the lowest fares, with quality service, safety, and reliability. Its service trajectories cover point-to-point international and domestic destinations within a four-and-a-half-hour flight distance of Thailand.

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**RELATED CRITERIA**

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- Issue Rating Criteria, 15 June 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

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**Thai AirAsia Co., Ltd. (TAA)**

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<b>Company Rating:</b>	B
<b>Issue Ratings:</b>	
TAA216ARs: THB1,200 million senior unsecured debentures due 2022	B-
TAA225A: THB600 million senior unsecured debentures due 2022	B-
TAA236A: THB1,000 million senior unsecured debentures due 2023	B-
<b>CreditAlert:</b>	Negative

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**TRIS Rating Co., Ltd.**

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