

DHANARAK ASSET DEVELOPMENT CO., LTD.

No. 60/2025
29 April 2025

CORPORATES

Company Rating: AA-
Outlook: Stable

Last Review Date: 29/03/24

Company Rating History:		
Date	Rating	Outlook/Alert
29/03/24	AA-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Dhanarak Asset Development Co., Ltd. (DAD) at “AA-” with a “stable” rating outlook. The rating reflects DAD’s integral linkage with the Thai government and its limited role as a state enterprise responsible for developing and managing the Government Complex and properties owned by the state.

The rating also takes into consideration DAD’s stable rental income from government agencies, close monitoring of project development and capital expenditure funding by government entities, and the likelihood that the company will receive financial support from the government if needed. These factors partially help address our concerns over DAD’s project development risk and high financial leverage.

KEY RATING CONSIDERATIONS

Rating underpinned by integral linkage with the government

DAD was established on 25 May 2004, according to a Cabinet resolution, as a state enterprise under the supervision of the Treasury Department (TD), Ministry of Finance (MOF). MOF holds a 99.99% stake in DAD. DAD has 11 directors on the board of directors, most of whom are representatives from government entities.

DAD’s activities are closely linked with the government since its operations, investments, and financing plan are monitored and approved by government agencies. Its operating performance and dividend payments are under the oversight of the State Enterprise Policy Office (SEPO). Any investment budget worth more than THB1 billion, is subject to the approval of the Office of the National Economic and Social Development Council (NESDC) and the Cabinet. In addition, its debt service and funding plans are closely supervised by the Public Debt Management Office (PDMO).

Limited degree of importance

DAD’s main responsibilities are to develop and manage the Government Complex Zone A, Zone B, and Zone C, and other governmental properties. Most of its projects, including offices, retail spaces, and residences, are developed primarily to serve government agencies.

We view DAD’s roles and responsibilities as being quite limited. Although it would be more efficient to delegate DAD to develop and manage the government’s assets on behalf of various government agencies, many agencies are still investing in and developing property projects by themselves. In addition, we view that DAD’s activities and services can be substituted by private enterprises.

Since its inception, DAD has completed seven projects, including the Government Complex Zone A and Zone B. Three projects are currently under development, including the Government Complex Zone C, while seven projects are undergoing feasibility studies.

Investment in Zone C supported by 30-year lease with TD

According to a Cabinet resolution on 26 November 2018, DAD is approved to develop the Government Complex Zone C, with an investment budget of THB30 billion. DAD is responsible for the construction and property management of the project, while MOF is in charge of sourcing funds.

DAD expects to complete and transfer the project phase-by-phase within this year. Once the project is completed, TD is obliged to lease the whole usable area of 510,000 square metres (sq.m.), on behalf of various government agencies, from DAD for 30 years. The 30-year rental budget of THB98.9 billion was approved by the Cabinet in January 2023. As a result, DAD will receive a secured rental income from this project, starting from October 2024, for the duration of the lease period.

For the commercial area in Zone C, DAD is responsible for securing tenants and setting rental rates. The net leasable area (NLA) of commercial space is 13,000 sq.m., with 70% of the total NLA currently occupied. The remaining vacant space is expected to fill up within 2025. The rental rates are expected to be higher than those of Zone A and Zone B. Rental income from the Zone C commercial area is projected to be around THB20-THB60 million per annum during 2025-2027.

Low project development risk

We assess that DAD has a low project development risk, as rental payments from each government agency are expected to fully cover both operating costs and total investment. For the Rama-Dhanarak Seniors Living Complex Project in Samut Prakan Province, the company is responsible for market management, project construction, and ongoing operations, in accordance with conditions set by the NESDC. Before starting the project, 100% of the units must be leased. Currently, 577 individuals have reserved units, representing 66% of the total availability. However, the project designer has reviewed and updated the construction cost estimates, finding that construction costs have increased by approximately 22% from the original budget. As such, the company must revise the project's investment framework and obtain approvals from the relevant government agencies, including the TD, NESDC, and the Cabinet, before construction can proceed under the approved development plan.

Debt burden to gradually decline

We expect DAD's debt burden to gradually decline over the next three years, following the completion of its Zone C investment in 2025 and the start of rental income payments from the project. Additionally, DAD's high financial leverage risk is mitigated by stable and predictable rental income streams, mainly from TD but also from other government agencies. DAD's funding and debt repayment plans are closely monitored by the PDMO. Given its status as a wholly owned state enterprise, we believe that the government will promptly provide financial support to DAD, if needed.

Before 2019, DAD's debt comprised mainly structured-finance debentures issued by its subsidiary, DAD SPV Co., Ltd. (the SPV), to fund the construction of Government Complex Zones A and B. These debentures were backed by the rights to receive lease payments from TD over a 30-year period, from 2008 to 2037. As of December 2024, the remaining debt of the SPV was THB16.5 billion. For the development of Government Complex Zone C, DAD financed the project through long-term bank loans, with total capital expenditures of about THB20 billion during 2019-2024. As a result, DAD's debt to EBITDA ratio rose to 10 times during 2022-2024, up from 7-8 times in 2019-2021. Over the last five years, the company's EBITDA interest coverage ratio has remained in the range of 1.8-2.0 times.

Under our base-case forecast, we estimate DAD will require capital expenditures of approximately THB4.4 billion in 2025, followed by THB1.5-THB1.6 billion annually during 2026-2027. About 60% of this spending will be allocated to the Zone C project. Our base case assumes ongoing maintenance expenditures for Zone A and Zone B of THB85 million, along with investment in the Rama-Dhanarak Seniors Living Complex of THB1.3 billion, the Revenue Department Residential Project (Sukhumvit 11) of THB992 million, and the Construction project of the Government Lottery Office Printing House Office Building, including the residential area and renovation of the Government Lottery Office Printing House Building of THB950 million. Accordingly, we forecast DAD's debt to EBITDA ratio to decline gradually from 8.7 times in 2025 to 7.5 times by 2027. The EBITDA interest coverage ratio is expected to improve and remain in the 2.5-3.5 times range over the forecast period.

Tight but manageable liquidity

DAD's liquidity position is considered tight but manageable over the next 12 months. As of December 2024, the company's maturing debts over the next 12 months amounted to THB20.5 billion, comprising THB16.5 billion debentures issued by the SPV and THB4 billion bank loans. The THB16.5 billion debentures will be partially repaid using proceeds from the principal reserve account of the SPV amounting to THB5.8 billion. The remaining THB10.7 billion debentures will be refinanced through the issuance of new debentures. These new debentures will be backed by the rights to receive lease payments from TD during 2025-2037. For bank loans, DAD plans to refinance these loans either by issuing new debentures or obtaining new loans from banks.

The company's sources of liquidity as of December 2024 included cash on hand of THB2.3 billion and short-term deposits amounting to THB1.3 billion. Additionally, DAD had undrawn short-term credit facilities of THB2.3 billion and undrawn long-term credit facilities totaling THB4.4 billion. We project DAD's funds from operations (FFO) in 2025 to be around THB2 billion.

BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for DAD's operations in 2025-2027:

- Total annual operating revenue ranging from THB5.5 billion to THB6.5 billion, with completion of Government Complex Zone C in 2025.
- Annual EBITDA ranging from THB4.0 billion to THB4.5 billion.
- Aggregate capital expenditure of THB7.6 billion during 2025-2027.

RATING OUTLOOK

The "stable" outlook reflects our expectation that DAD's linkage with the government and the importance of its role as a state enterprise responsible for developing and managing the Government Complex and properties owned by the state remain unchanged in the foreseeable future.

RATING SENSITIVITIES

The rating could be changed should DAD's linkage and/or level of importance to the government change.

COMPANY OVERVIEW

DAD was incorporated on 25 May 2004, according to a Cabinet resolution, as a state enterprise. The company is under the supervision of TD, MOF. Since its inception, MOF has owned a 99.99% share in DAD. DAD's main responsibilities are to develop and manage the Government Complex and other state properties. As of December 2024, DAD had three projects under development. The largest project is the Government Complex Zone C, with an investment budget of THB30 billion and a five-year development period. Other projects under development include the residential project for government officers and the Rama-Dhanarak Seniors Living Complex. DAD is in the initial stage of development for the Rama-Dhanarak Seniors Living Complex. Feasibility studies are being undertaken for projects of the Department of Physical Education, the Ministry of Public Health, The Customs Department, The Revenue Department, and The Government Lottery Office.

Nearly all of DAD's revenue in the past five years was derived from the Government Complex Zone A and Zone B. Revenue from the projects includes interest income from financial lease, income from office-related services, and rental and service income from retail areas. Revenue from office areas contributed around 80% of its total revenue. Most of the rental and service income received from TD has been assigned to DAD SPV.

KEY OPERATING PERFORMANCE

Table 1: Revenue from Sales and Services Breakdown

Unit: %

	2018	2019	2020	2021	2022	2023	2024
Interest income from financial lease	43	41	43	44	43	40	33
Revenue from rendering of services							
- Government Complex Zones A & B	35	36	37	37	37	38	34
- Government Complex Zones C							14
- Bangpra golf club, Chonburi	4	4	3	1			
- Chiang Mai International Exhibition and Convention Centre		1	1	1	1	1	1
- Residential projects for government officers				1			
- Others (not existing projects)							
Rental and service income from retail area of Government Complex Zones A & B	18	18	16	16	19	21	18
Total	100	100	100	100	100	100	100
Total revenue from sales and services (Mil. THB) (excluding amortization adjustment)	2,591	2,672	2,553	2,467	2,513	2,592	3,036

Source: DAD

Table 2: Under Development Projects

No.	Project Name	Investment by DAD (Mil. THB)	Expense by DAD (Mil. THB)	Construction Start	Construction Completion
1	Government Complex Zone C	30,000		Jul-2019	2025
2	Residential projects for government officers		16	Aug-2021	May-2025
3	Rama-Dhanarak seniors living complex	1,345.93			18 months after construction start

Source: DAD

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total operating revenues	3,629	3,146	2,933	2,825	2,903
Earnings before interest and taxes (EBIT)	2,297	1,932	1,735	1,848	2,017
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,981	2,574	2,256	2,309	2,472
Funds from operations (FFO)	1,369	1,195	1,051	1,131	1,072
Adjusted interest expense	1,612	1,379	1,205	1,179	1,400
Capital expenditures	5,496	5,762	2,750	2,225	1,685
Total assets	47,500	37,956	32,846	28,883	25,546
Adjusted debt	31,680	26,703	21,781	19,457	16,950
Adjusted equity	5,865	5,005	4,475	4,140	3,607
Adjusted Ratios					
EBITDA margin (%)	82.1	81.8	76.9	81.8	85.1
Pretax return on permanent capital (%)	6.1	6.2	6.4	7.7	8.6
EBITDA interest coverage (times)	1.8	1.9	1.9	2.0	1.8
Debt to EBITDA (times)	10.6	10.4	9.7	8.4	6.9
FFO to debt (%)	4.3	4.5	4.8	5.8	6.3
Debt to capitalization (%)	84.4	84.2	83.0	82.5	82.5

* Adjusted financial information by TRIS Rating Co., Ltd.

RELATED CRITERIA

- Rating Methodology for Real Estate for Rent Companies, 16 December 2024
- Rating Methodology for Government-related Entities, 27 October 2023
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Dhanarak Asset Development Co., Ltd. (DAD)

Company Rating:	AA-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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