

DAD SPV CO., LTD.

No. 107/2025
2 July 2025

STRUCTURED FINANCE/CMBS Presale Report

Preliminary Issue Ratings*:

Structured finance AAA(sf)

Issue Ratings:

Structured finance AAA(sf)

Last Review Date: 20/11/24

Issue Rating History:

Date	Rating
23/11/11	AAA(sf)
22/11/05	AAA

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* The preliminary ratings are based on the information provided to TRIS Rating as of 4 June 2025. The final rating may differ from the preliminary rating set forth in this report, based on subsequent changes in information after reviewing the final version of all documents. This report does not constitute a recommendation to buy, hold, or sell securities.

RATIONALE

TRIS Rating assigns preliminary issue ratings of “AAA (sf)” to the THB10.7 billion of six series of debentures, with tenors of two, three, four, five and eight years, to be issued by DAD SPV Co., Ltd. (DAD SPV or Issuer). We also affirm the issue ratings on THB16.5 billion of DAD SPV’s existing debentures at “AAA(sf)”.

Table1: List of Debentures

New Issuance	Amount (Bil. THB)	Principal Repayment Frequency	Legal Maturity Date	Preliminary Issue Ratings*
Series 1	Up to 1.0	Callable after November 2026	2027	AAA(sf)
Series 2	Up to 1.0	Bullet	2027	AAA(sf)
Series 3	Up to 1.0	Bullet	2028	AAA(sf)
Series 4	Up to 1.5	Bullet	2029	AAA(sf)
Series 5	Up to 1.7	Bullet	2030	AAA(sf)
Series 6	Up to 4.5	Amortizing THB1.5billion in 2031-2033	2031-2033	AAA(sf)
Existing Debentures	Amount (Bil. THB)	Principal Repayment Frequency	Legal Maturity Date	Issue Ratings
DAD25NA	5.0	Bullet	2025	AAA(sf)
DAD25NB	6.0	Bullet	2025	AAA(sf)
DAD25NC	5.5	Bullet	2025	AAA(sf)

Source: DAD SPV

Proceeds from the new debenture issuance in conjunction with the THB5.8 billion received from the swap counterparty (Hongkong and Shanghai Banking Corporation Ltd. (HSBC)) will be used to redeem the outstanding THB16.5 billion debentures. These new debentures will be supported by the remaining lease and service payments from the Treasury Department (TD or Tenant) under a 30-year lease and service agreement, spanning 2008 - 2038, for the Bangkok Metropolitan Government Office Center (Government Office Center).

The ratings reflect the creditworthiness of TD as the sole tenant, the reliability and adequacy of cash flow from lease and service payments by TD to repay all rated debentures by the final legal maturity dates, and sound transaction structure.

KEY RATING CONSIDERATIONS

Strong credit quality of sole tenant

The issue ratings reflect the credit profile of TD, which is the sole tenant of the Government Office Center. TD is a department of the Thai government. Consequently, the credit profile of TD reflects the credit strength of the Thai government, which is rated “AAA” according to the TRIS Rating scale.

The Cabinet resolution on 25 May 2004 allowed TD, on behalf of other government agencies, to set up a budget and lease the Government Office Center from Dhanarak Asset Development Co., Ltd. (DAD, rated “AA-/Stable”) for 30 years, starting from 2008.

A budget of THB 82.1 billion for the entire 30-year lease period was approved by the Cabinet as of 9 May 2006. Consequently, this budget is allocated to TD annually without requiring additional approval from the Cabinet. Although the

budget amount must receive cabinet approval each year, if the budget appropriation process is not finalized within the specified timeframe, TD is still able to disburse funds for lease and service payments using the previous year's budget as a reference.

Reliable, adequate cash flow streams from lease, and service payments

Under the lease and service agreements, TD is not allowed to terminate the lease as long as the debentures issued under this securitization program, or any new debentures issued to replace the existing debentures remain outstanding. In addition, TD is obliged to make full and timely lease and service payments, even if the building is partially or entirely damaged or destroyed due to force majeure.

The reliability of these cash flows is evidenced by TD's 16-year track record of timely lease and service payments. Despite periods of political uncertainty, TD has consistently made the payments within the specified timeframes, enabling the transaction administrator to receive and allocate the payments to the designated reserve accounts without disruption.

Also, the remaining lease and service payments from TD, totaling THB37 billion during 2026-2038, significantly exceed the new debentures issuance of THB10.7 billion. With refinancing rates expected to be lower than initially projected at the commencement of the transaction, the new debentures will benefit from a greater cushion. DAD SPV expects to repay its newly issued debentures within 2033.

Based on the cash inflows during 2026-2033 of around THB21 billion, the proposed debentures can withstand an interest yield of up to 4.3%-5.0% before the required cash for three reserve accounts in 2026 becomes insufficient or the debt service coverage ratio (DSCR) drops below 1.0 times in 2026. As of 20 June 2025, the yield on government bonds with maturities ranging from two to eight years is around 1.46%-1.66%. The credit spread for "AAA" rated debentures is around 40-100 basis points. Considering its buffer, DAD SPV should have no difficulty refinancing its debentures and maintaining a DSCR at a minimum of 1.0 times for its newly issued debentures.

Sound transaction structure

According to the transaction structure, TD will make the annual lease and service payments directly to DAD SPV at the beginning of each fiscal year (October-September), thereby eliminating commingling risk. The transaction administrator will allocate cash from TD into three reserve accounts: the general reserve, liquidity reserve, and principal reserve, prior to repaying subordinated debentures and subordinated promissory notes (sub-P/Ns).

The funds in the general reserve account and the liquidity reserve account will be sufficient to cover all expenses, including interest payments, taxes, fees, and third-party expenses for the next 12 months following [•] November of that year and three months from [•] November of the following year, respectively. Additionally, the cash reserve in the principal reserve account will be adequate to repay rated debentures due within the forthcoming 12 months. The Issuer's cash reserves will only be invested in treasury bills or deposited with banks that have at least "T1+/AA-" credit rating for the short-term investments (≤365 days) or "AAA" credit rating for the long-term investments (>365 days).

The Issuer is expected to receive a corporate tax exemption from the Revenue Department, as the structure of the new debentures ensures compliance with the required conditions that the Issuer will be paid out at least 70% of the average revenue over the life of the project and no less than 60% of the revenue in each fiscal year.

RATING SENSITIVITIES

In this transaction, the issue ratings reflect the creditworthiness of TD, which is the sole tenant of the Government Office Center, and the sufficiency of cash flow streams from lease and service payments to repay all rated debentures by the legal maturity date. Under the terms of the transaction, TD is obliged to make the specified annual lease and service payments to DAD SPV for 30 years, regardless of the condition of the buildings. As a result, the ratings will be revised downward only if TD breaches the underlying agreements that it has contracted with DAD. However, a breach of agreement is highly unlikely for this transaction.

TRANSACTION OVERVIEW

Table 2: Transaction Summary

TRANSACTION PARTICIPANTS	
Issuer	DAD SPV Co., Ltd. (DAD SPV)
Seller/originator	Dhanarak Asset Development Co., Ltd. (DAD)
Transaction administrator	Conduit Management Services Co., Ltd.
Debentureholders' representative	Bank of Ayudhya PLC (BAY)
Registrar and paying agent	BAY
Financial advisors	Bangkok Bank PLC, BAY, and Krungthai Bank PLC
Underwriters	Bangkok Bank PLC, BAY, Krungthai Bank PLC, and Government Savings Bank
Legal and tax counsel	Chandler Mori Hamada Ltd.
Auditor	EY Office Ltd.
COLLATERAL DETAILS	
Assets	The rights to receive lease and service payments from TD under the following agreements to the Issuer:
	1. the 30-year Building Space Lease Agreement (2008-2038);
	2. the 30-year Service Agreement (2008-2038)
	3. the 5-year Furniture Procurement Agreement (2008-2013)
PROPERTY - THE GOVERNMENT OFFICE CENTER	
Project developer and property manager	DAD
Total usable area	Office rental space: 484,000 sq.m.
	Commercial area: 27,500 sq.m.
	Common area: 49,000 sq.m.
Office space rental rate	THB144 per sq.m./month for the first five years, increasing 10% every five years
Service fee	THB216 per sq.m./month for the first five years, increasing 10% every five years
Furniture procurement	THB50 per sq.m./month, only for the first five years

Source: DAD SPV

A Cabinet resolution on 25 May 2004 approved the financing of the construction of the Government Office Center on Chaeng Wattana Road through the issuance of securitized debentures. In this transaction, DAD was responsible for the construction and rental of the buildings to TD. TD, on behalf of other government agencies, leases the Government Office Center from DAD for the whole 30-year period (2008-2038). The lease and service payments over 30 years amount to THB82.1 billion. DAD SPV acquired the rights from DAD to receive the 30-year lease and service payments from TD using proceeds from issuing the securitized debentures and the issuance of sub-P/Ns. Thus, the debentures will be repaid by the lease and service payments from TD over 30 years. DAD SPV's excess cash flow after repaying debentures will be used to repay subordinated debentures and the sub-P/Ns owed to DAD.

The Originator:

DAD, rated "AA-/Stable", is a government wholly-owned state enterprise. Established in 2004 by the MOF, DAD builds and operates the Government Office Center and other government real estate projects. Under the terms of this transaction, DAD has entered into two land lease agreements with the Ministry of Finance (MOF) for a total of 33 years. The initial agreement pertains to a three-year lease for building construction, while the subsequent agreement extends over a 30-year period for building administration. DAD is also responsible for property management after construction is complete.

In 2024 and the first three months of 2025, DAD reported unconsolidated net profit of THB845 million and THB547 million, respectively. At the end of March 2025, its unconsolidated shareholders' equity was THB2.7 billion.

The Issuer:

DAD SPV is a limited liability company established under Thai law on 31 March 2005 and granted special purpose vehicle status by the Securities and Exchange Commission (SEC) on 18 November 2005. Its major shareholders are DAD (49%) and individuals (51%). At the beginning of the transaction, DAD SPV paid THB40 billion to DAD for the rights to receive the 30-year lease and service payments from TD using proceeds from issuing THB24 billion of debentures and the issuance of sub-P/Ns worth around THB16 billion.

The Assets:

The assets comprise the rights to receive lease and service payments from TD under the following agreements:

1. The 5-year Furniture Procurement Agreement (2008-2013)
2. The 30-year Building Space Lease Agreement (2008-2038)
3. The 30-year Service Agreement (2008-2038)

TD will provide the annual lease and service payments to the Issuer directly and in advance, based on the building space lease rate starting at THB144 per square meter (sq.m.) per month, the service rate at THB216 per sq.m. per month, and the furniture procurement rate at THB50 per sq.m. per month. These rates are based on the total office space area of 484,000 sq.m. The lease rate for the building space and the service fee will be subject to a 10% increase every five years. In this transaction, DAD will be responsible for remitting VAT under the Underlying Agreements at the current rate of 7% to the Revenue Department and will be responsible for withholding tax on lease and service payments received from TD. Any increase in future taxes, fees, and other expenses under the underlying agreements will be absorbed by TD.

Table 3: List of Agreements

Period	Building Space Lease Agreement (Mil. THB)	Service Agreement (Mil. THB)	Furniture Procurement Agreement (Mil. THB)	Total Payments (Mil. THB)
Jul 08-Jun 13	4,182	6,273	1,452	11,906
Jul 13-Jun 18	4,600	6,900	-	11,500
Jul 18-Jun 23	5,060	7,590	-	12,650
Jul 23-Jun 28	5,566	8,349	-	13,915
Jul 28-Jun 33	6,123	9,184	-	15,306
Jul 33-Jun 38	6,735	10,102	-	16,837
Total	32,265	48,397	1,452	82,114

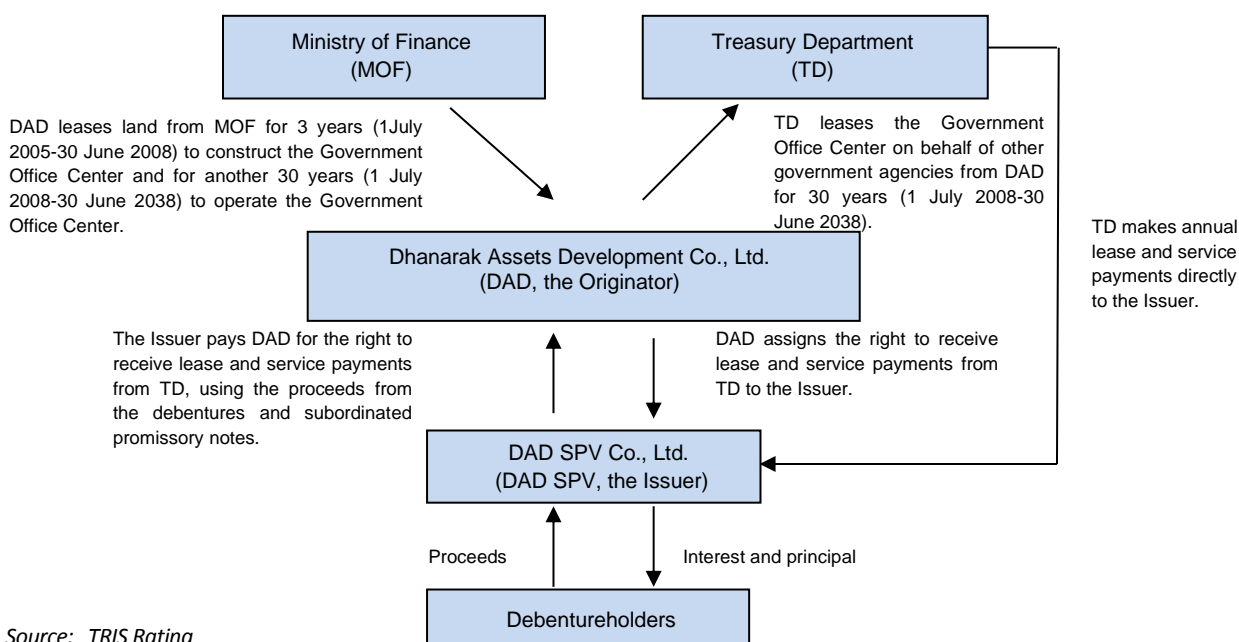
Source: DAD SPV

The Property:

The Government Office Center, located on Chaeng Wattana Road, comprises three main buildings: the Administrative Court, Building A, and Building B. The office rental space totals 484,000 sq.m. Construction was completed by the end of 2010. Currently, 45 government office units have moved in, occupying 100% of the office rental space.

TRANSACTION STRUCTURE

Chart 1: Transaction Structure



Source: TRIS Rating

PERFORMANCE ANALYSIS

The rating approach taken by TRIS Rating is to assess whether the cash flows from the lease and service payments made by TD to DAD SPV are sufficient for DAD SPV to make timely interest payments and repay the principal by the final legal maturity date.

Debt Service Coverage Ratio (DSCR):

In 2025, DAD SPV has to refinance THB16.5 billion of its outstanding debentures. DAD SPV expects to repay its outstanding debentures with THB10.7 billion of new debentures issuance and THB5.8 billion to be received from its swap counterparty, HSBC (rated “AA-” by S&P Global Ratings and Aa3 by Moody’s Investors Service).

In our view, the remaining gross lease and service payments from TD, amounting to THB37 billion during 2026-2038, are substantially exceeding the new debentures issuance of THB10.7 billion. Most of third-party expenses, taxes, and fees are fixed and relatively minimal. In addition, refinancing rates are now expected to be lower than initially projected at the commencement of the transaction. Therefore, DAD SPV should be well-positioned to issue new debentures to refinance its outstanding ones as scheduled.

Given the substantial cash inflows expected during the remaining lease period, DAD SPV plans to repay its new debentures issuance by the end of 2033. With projected cash inflows of approximately THB21 billion during 2026-2033, the proposed debentures could withstand an interest yield of up to 4.3%-5.0% before the available cash in 2026 falls short of the requirements for the three reserve accounts.

As of 20 June 2025, government bond yields for maturities of two to eight years ranged from around 1.46% to 1.66%, while the credit spread for “AAA” rated debentures is around 40-100 basis points. Considering the available cushion in refinancing costs, DAD SPV should be able to issue new debentures to refinance the existing ones while maintaining a DSCR of at least 1.0 times.

Table 4: Lease and Service Payments from TD During 2026-2038

Unit: Mil. THB			
Period	Lease of office space	Service	Annual cash flow
Oct 2026 - Sep 2027	1,113	1,670	2,783
Oct 2027 - Sep 2028	1,141	1,712	2,853
Oct 2028 - Sep 2032	1,225	1,837	3,061
Oct 2032 - Sep 2033	1,255	1,883	3,138
Oct 2033 - Sep 2037	1,347	2,020	3,367
Oct 2037 - Jun 2038	1,010	1,515	2,526

Source: DAD SPV

Table 5: Planned Debentures Issuance

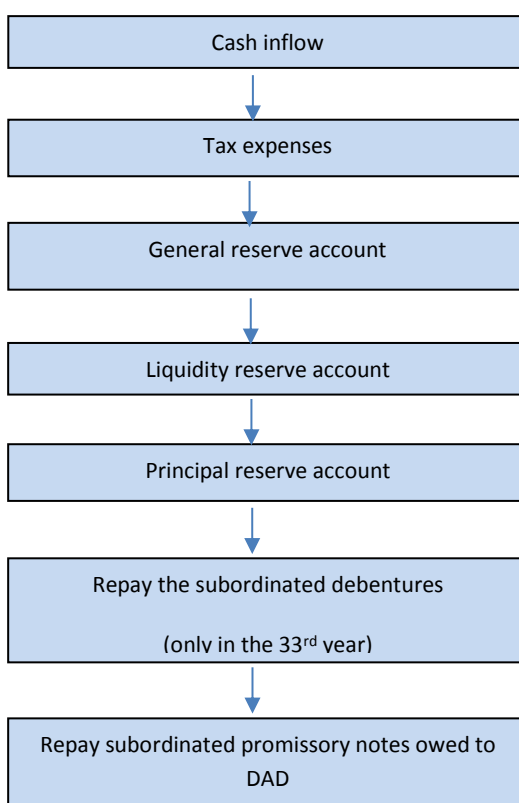
Series	Amount (Bil. THB)	Principal Repayment Frequency	Legal Maturity
1	1.0	Callable after November 2026	2027
2	1.0	Bullet	2027
3	1.0	Bullet	2028
4	1.5	Bullet	2029
5	1.7	Bullet	2030
6	4.5	Amortizing THB1.5 billion in 2031, 2032, and 2033	2031-2033
Total	10.7		

Source: DAD SPV

Reserve Accounts:

After receiving the lease and service payments from TD within October of each year, the transaction administrator will calculate all the expenses and put the money in the reserve accounts as shown in Chart 2. The remaining cash balance will be used to repay the subordinated debentures (only in the 33rd year) and repay the sub-P/Ns owed to DAD. The Issuer’s cash reserves will only be invested in treasury bills or deposited with banks that have at least “T1+/AA-” credit rating for the short-term investments (≤365 days) or “AAA” credit rating for the long-term investments (>365 days).

Chart 2: Cash Flow Waterfall



Source: DAD SPV

General Reserve Account:

The cash reserve in this account will cover taxes, fees, third-party expenses, and interest payments on the senior and subordinated debentures during the next 12-month period following [•] November of that year.

Liquidity Reserve Account:

The cash reserve in this account will be maintained at an amount equal to taxes, fees, third-party expenses, and interest payments due in the next three months from [•] November of the following year.

Principal Reserve Account:

Cash remaining after satisfying the general reserve and the liquidity reserve accounts will be deposited into the principal reserve account. For the new debentures, the cash inflows will be directly deposited in in the principal reserve account every year according to the new debentures repayments schedule:

Table 6: Debentures Repayment Schedules

Unit: Bil. THB		
Period	Required Principal Reserve Amount	Debentures Repayment Schedule
2026	2.0	
2027	1.0	2.0
2028	1.5	1.0
2029	1.7	1.5
2030	1.5	1.7
2031	1.5	1.5
2032	1.5	1.5
2033		1.5

Sources: DAD SPV

Legal and Tax Analysis

- Based on legal opinion, the assignment of rights to receive lease and service payments to the Issuer will not be required to be treated as assets of DAD in any bankruptcy or reorganization proceedings of the Seller under the Thai law.
- The Issuer receives a corporate tax waiver from the Revenue Department on condition that cash inflows to DAD SPV must be paid out at an amount of at least 70% of the average revenue over the life of the project and no less than 60% of the revenue in each fiscal year. The Issuer is currently able to comply with these requirements.
- DAD will be responsible for remitting VAT to the Revenue Department and will be responsible for withholding tax only at the current rates. Any increase in future taxes will be absorbed by TD.

MONITORING PROCESS

TRIS Rating monitors the assigned ratings on DAD SPV's debentures regularly, through information from the following reports:

- Property management report (if any),
- Transaction administrator's report, and
- Auditor's report

Surveillance will be maintained on this transaction until the debentures mature or are otherwise retired, to ensure that the ratings on the debentures reflect current risks.

RELATED CRITERIA

- Structured Finance Debt Rating Criteria, 20 December 2024

NOTE

The Issuer has not informed TRIS Rating whether the Issuer is publicly disclosing all relevant information about the structured finance instruments that are subject to this rating report or whether relevant information remains non-public.

DAD SPV Co., Ltd. (DAD SPV)

Preliminary Issue Ratings*:

Up to THB1,000 million structured finance securities due within 2027	AAA(sf)
Up to THB1,000 million structured finance securities due within 2027	AAA(sf)
Up to THB1,000 million structured finance securities due within 2028	AAA(sf)
Up to THB1,500 million structured finance securities due within 2029	AAA(sf)
Up to THB1,699.9 million structured finance securities due within 2030	AAA(sf)
Up to THB4,500 million structured finance securities due within 2033	AAA(sf)

Issue Ratings:

DAD25NA: THB5,000 million structured finance securities due 2025	AAA(sf)
DAD25NB: THB6,000 million structured finance securities due 2025	AAA(sf)
DAD25NC: THB5,499.90 million structured finance securities due 2025	AAA(sf)

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