

BOONTHAVORN CERAMIC 2000 CO., LTD.

No. 179/2018
9 November 2018

CORPORATES

Issue Rating:

Guaranteed

AA+

Outlook:

Stable

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RATIONALE

TRIS Rating assigns the rating of “AA+” on guaranteed bonds of Boonthavorn Ceramic 2000 Co., Ltd. (BTV Ceramic 2000). The bonds are guaranteed by Kasikorn Bank PLC (KBank: rated “BBB+/Stable” by S&P Global Ratings) and Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF: rated “AAA/Stable” by TRIS Rating). The issue rating reflects the credit worthiness of KBank and CGIF as the guarantors of the guaranteed bonds.

KEY RATING CONSIDERATIONS

The rating of BTV Ceramic 2000’s guaranteed bonds reflects the ratings of KBank and CGIF. Under the terms of the guarantee, KBank and CGIF each provide an irrevocable and unconditional guarantee to cover 50% of the principal and interest payments for the guaranteed bonds. The guarantee obligations rank at least pari passu with all other present and future unsecured and unsubordinated indebtedness of the guarantors.

The rating of the guaranteed bonds also takes into account the following conditions:

- The guarantors are entitled to determine either to make the payment in full (accelerated basis) or in accordance with the original payment schedule at any time after the occurrence of an Issuer Event of Default (as defined in the Guarantee Agreement) or the receipt of a Demand (as defined in the Guarantee Agreement). However, KBank and CGIF will no longer have obligations to make payments, amongst other terms and conditions of the bonds, under the following conditions: 1) the bondholders’ representative, at its discretion, so decides to accelerate the bonds other than pursuant to a CGIF Non-Payment Event or KBank Non-Payment Event; 2) the issuer chooses to accelerate the bonds at its instigation; or 3) the bondholders’ representative does not deliver the demand for payment within a pre-specified period.

- The bondholders might not receive the payment portion guaranteed by CGIF in Thai baht if CGIF determines that it is impossible or impracticable and that reasonable efforts have been made to obtain Thai baht. In such an event, CGIF may make an equivalent payment in US dollars or such other currencies as it may determine. However, TRIS Rating views the likelihood of such risk as very low. TRIS Rating also holds the view that there is no such risk for the payment portion guaranteed by KBank, as its main functional currency is Thai baht.

RATING OUTLOOK

The rating and outlook for BTV Ceramic 2000’s guaranteed bonds solely reflect the creditworthiness of its guarantors, KBank and CGIF.

RATING SENSITIVITIES

The rating of BTV Ceramic 2000’s guaranteed bonds may change if the ratings of any of its guarantors, KBank or CGIF, change.

COMPANY OVERVIEW

BTV Ceramic 2000 is a company 99.8% owned by Boonthavorn Group Co., Ltd. The company has the following key subsidiaries: Boonthavorn Lighting Center Co., Ltd. (70%), Boonthavorn Marble Co., Ltd. (44%), Wattana Ceramic Co., Ltd.

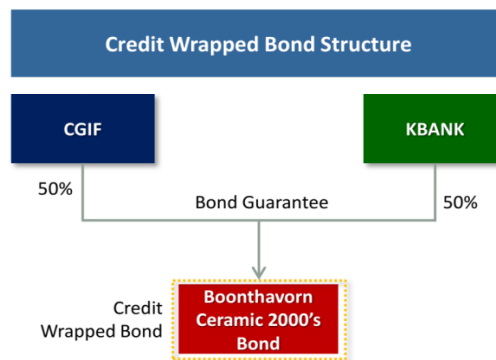
(33%), Boonthavorn Training Center and Skill Development Co., Ltd. (23%) and Boonthavorn Development Co., Ltd. (15%).

BTV Ceramic 2000 sells and distributes ceramic tiles, lighting, kitchen appliances and home furniture. Most products are imported from overseas. The company also owns and operates Boonthavorn's Ratchadaphisek branch, the group's largest branch by revenue.

CGIF was founded in 2010 under the initiative of 10 ASEAN countries, together with China, Japan, Korea, and the Asian Development Bank. CGIF's main objective is to provide credit guarantees which allow eligible issuers to access regional local currency bond markets. Issuers can thus avoid currency and maturity mismatches by issuing bonds within the region. ADB is the trustee of CGIF. It holds in trust all of CGIF's capital and is responsible for managing that capital. CGIF finances its operations solely from capital contributions. It is not allowed to borrow from any source, except for cash management purposes.

KBank was founded in 1945, by Mr. Choti Lamsam and other co-founders, as a commercial bank. Initially, the bank focused on retail segments, especially Thai farmers. In 1976, the bank was listed on the Stock Exchange of Thailand (SET). Currently, the bank diversifies into corporate customers, SME customers, and retail customers, with total assets of Bt3,054 billion, ranked 4th among Thai commercial banks. As of June 2018, SME loans comprised 37% of KBank's outstanding loans; 34% and 25% were corporate loans and retail loans, respectively. The bank's other businesses include transaction banking, securities trading, securities brokerage, fund management, leasing, and insurance, etc.

Based on the guarantee structure, KBank and CGIF each guarantees 50% of the principal and interest payments for the guaranteed bonds.



FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

The Guarantor Credit Guarantee and Investment Facility (CGIF), a trust fund of the Asian Development Bank (ADB)

Unit: US\$ million

	Jan-Jun 2018	-----Year Ended 31 December -----			
		*	2017	2016	2015
Income on investment	9.2	12.5	10.4	9.4	8.8
Income from guarantee	4.1	8.4	7.7	4.8	1.3
Other revenue**	0.5	0.1	1.1	0.8	0.5
Total revenue	13.8	21.0	19.2	14.8	10.1
Net income from operations	8.5	10.7	10.8	8.2	3.6
Total assets	930.1	779.1	772.0	751.6	740.5
Total liabilities	37.1	39.9	44.5	29.0	24.0
Shareholders' equity	893.0	739.2	727.5	722.6	716.5

* Not annualised and unaudited

** Including realised gain (loss) from securities, fair value changes from derivatives and miscellaneous income

The Guarantor
Kasikorn Bank (KBank)*

Unit: Bt million

	Jan-Jun 2018	-----Year Ended 31 December -----			
		2017	2016	2015	2014
Assets	3,025,197	2,900,841	2,843,278	2,555,305	2,389,137
Deposits	1,902,535	1,878,672	1,794,835	1,705,379	1,629,831
Loan	1,838,402	1,802,783	1,697,581	1,609,887	1,527,080
NPL gross	72,446	69,674	65,087	49,490	36,067
NPL net	41,895	38,570	33,553	24,586	15,494
Reserve	108,730	103,435	85,212	64,317	50,992
Interest income	60,651	119,337	115,873	114,354	113,578
Interest expense	12,589	25,176	26,195	29,341	30,446
Non-interest income	31,350	62,695	63,725	62,503	55,523
Other operating expenses (non-interest expense)	32,665	66,372	63,854	66,656	61,419
EBPT	46,747	90,484	89,548	80,859	77,237
Net profit	21,682	34,338	40,174	39,474	46,153

Unit: %

	Jan-Jun 2018	-----Year Ended 31 December -----			
		2017	2016	2015	2014
Performance ratio					
ROA	1.46	1.20	1.49	1.60	1.97
ROE	12.22	10.24	13.23	14.54	19.38
NIM	3.4	3.4	3.5	3.7	3.8
Efficiency ratio	41.1	42.3	41.6	45.2	44.3
Asset quality ratio					
NPL gross/loan	3.3	3.3	3.3	2.7	2.2
NPL net/loan	1.9	1.9	1.7	1.4	1.0
Reserve/NPL gross	150.1	148.5	130.9	130.0	141.4
Capital					
CAR	18.1	18.0	18.8	18.0	17.3
Tier-1	15.6	15.7	15.2	14.5	13.5

* Based on data provided on KBank's website (www.kasikornbank.com).

RELATED CRITERIA

- Rating Methodology – Corporate, 31 October 2007

Boonthavorn Ceramic 2000 Co., Ltd. (BTV)

Issue Rating:

Up to Bt2,000 million guaranteed bonds due within 5 years

AA+

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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