

# THANACHART CAPITAL PLC

No. 77/2023  
13 July 2023

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 07/07/23

### Company Rating History:

Date	Rating	Outlook/Alert
10/04/20	A	Stable
14/03/19	A+	Alert Negative
16/01/12	A+	Stable
12/03/10	A	Positive
14/07/05	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Thanachart Capital PLC (TCAP) and the ratings on TCAP's senior unsecured debentures at "A", with a "stable" outlook. At the same time, TRIS Rating assigns a rating of "A" to TCAP's proposed senior unsecured debentures of up to THB2.2 billion due within four years. The new issue rating replaces the issue rating previously assigned on 7 July 2023, following TCAP's decision to increase the issue size from the previously announced size of up to THB2 billion. The company intends to use the proceeds from the proposed debenture issue for debt refinancing.

The company rating is equivalent to the group credit profile (GCP) of Thanachart Group (TGROUPE), which reflects the integrated stand-alone credit profiles (SACP) of its key subsidiaries, including Ratchthani Leasing PLC (THANI), Thanachart Securities PLC (TNS), and Thanachart Insurance PLC (TNI). The rating also considers TCAP's low financial leverage and diversified sources of earnings.

The issue ratings on TCAP's debt issues are subject to a one-notch downward adjustment from its company rating due to structural subordination or the lower priority of claims and/or recovery prospects of TCAP's debt obligations compared with claims against its operating subsidiaries. However, the notching is offset by a one-notch uplift from its large investment in TMBThanachart Bank PLC (TTB) that consistently generates sizeable cash flows to TCAP through dividend payments.

The SACPs of TCAP's key subsidiaries are supported by the strong market positions in their respective business lines. THANI is a dominant player with long-standing presence in the truck and luxury car hire purchase market segments. TNS has a competitive advantage in the institutional brokerage business with a revenue market share of 5.5% in the domestic institution segment in 2022. TNI ranked fifth in the motor insurance market in terms of direct premiums received in 2022. TNI's market share increased to 6% in 2022 from 4.8% in 2021, mainly due to the increase in sales through the broker and dealer channels.

TCAP has gradually increased its stakes in several subsidiaries and affiliates over the past two years. Its stake in TTB was 24.95% at the end of March 2023, a marginal increase from 24.85% at the end of 2022. The company also acquired a 40% additional stake in TNS and TNI in the fourth quarter of 2022. As a result, the company currently holds a 89.96% stake in both TNS and TNI.

TCAP's double leverage (investments in subsidiaries and associates to shareholders' equity) was relatively high at 112.8% at the end of March 2023, up from 101.9% at the end of 2021. A double leverage higher than 120% could result in a one-notch downward adjustment of TCAP's company rating and the issue rating on its senior unsecured debentures.

TCAP continued to report strong operating performance. The company's net profit in the first quarter of 2023 rose 28.5% year-on-year (y-o-y) to THB1.8 billion. This was mainly due to the improved performance of TTB, thanks to its balance sheet optimization strategy and prudent asset quality management.

As of June 2023, TCAP has liquidity on hand of around THB1.7 billion including cash and domestic marketable securities. The proceeds from the proposed debentures will be used for debt refinancing.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that TCAP's key subsidiaries should be able to maintain their SACPs, while TCAP continues to receive sizeable dividends from TTB given its major stake in the bank. TCAP should also be able to maintain its strong liquidity position and double leverage of not more than 120%.

## RATING SENSITIVITIES

The company rating on TCAP could be revised upward, should there be upward revisions of the SACPs of TCAP's key subsidiaries to the degree that triggers a rating upgrade on TCAP. Conversely, a rating downgrade could happen should there be downward revisions of the SACPs of TCAP's key subsidiaries to the extent that triggers a rating downgrade on TCAP. A rating downgrade could also result from TCAP's heightened short-term liquidity risk or refinancing risk, or an increase in double leverage above 120%. The issue ratings could also be downgraded should TCAP dilute its holding in TTB materially such that the dividends received from the bank becomes materially less meaningful.

## RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021

## Thanachart Capital PLC (TCAP)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TCAP238A: THB500 million senior unsecured debentures due 2023	A
TCAP230A: THB1,300 million senior unsecured debentures due 2023	A
TCAP246A: THB400 million senior unsecured debentures due 2024	A
TCAP248B: THB200 million senior unsecured debentures due 2024	A
TCAP240A: THB100 million senior unsecured debentures due 2024	A
TCAP256A: THB3,100 million senior unsecured debentures due 2025	A
TCAP258A: THB900 million senior unsecured debentures due 2025	A
TCAP260A: THB1,690 million senior unsecured debentures due 2026	A
TCAP260B: THB640 million senior unsecured debentures due 2026	A
TCAP300A: THB800 million senior unsecured debentures due 2030	A
TCAP300B THB1,770 million senior unsecured debentures due 2030	A
Up to THB2,200 million senior unsecured debentures due within 4 years	A
<b>Rating Outlook:</b>	Stable

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