

THANACHART CAPITAL PLC

No. 42/2024

24 May 2024

FINANCIAL INSTITUTIONS

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 06/10/23

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 assigns the rating of "A" to a proposed issue of up to THB3.5 billion senior unsecured debentures due within seven years of Thanachart Capital PLC (TCAP). The proceeds from the new debentures will be used to refinance TCAP's outstanding debts and expand its businesses.

At the same time, TRIS Rating affirms the company rating on TCAP and the ratings on its outstanding senior unsecured debentures at "A", with a "stable" outlook. The company rating reflects TCAP's diversified sources of earnings from its subsidiaries and associate companies.

TCAP's key subsidiaries have strong market positions in their respective business lines, including primary auto leasing, non-life insurance businesses, and securities brokerage businesses. In the auto leasing segment, it has dominant presence in the truck and luxury car hire purchase markets. For the non-life insurance businesses, it stands out as a leading auto insurance company. As for securities brokerage, it has a competitive edge in the domestic institutional brokerage business.

TCAP reported net profit of THB1.9 billion in the first quarter of 2024 (1Q2024), increasing 7.7% year-on-year (y-o-y). This growth was largely driven by higher share of profit from TMB Thanachart Bank PLC (TTB), in which TCAP holds a 24.38% stake. TCAP's net profit in 2023 also rose by 12.1% due to TTB's strong financial performance improvement.

TCAP's double leverage ratio (investments in subsidiaries and associates to shareholders' equity) was at 110.6% at the end of 1Q2024, maintaining a similar level to that at end-2023. 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's issue ratings 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. Nonetheless, the notching is offset by a one-notch uplift from its large investment in TTB that has consistently generated sizeable dividend income.

As of March 2024, TCAP's priority debt totaled THB43.4 billion, representing about 66% of its total consolidated debt.

RATING OUTLOOK

The "stable" outlook reflects our expectation that TCAP's key subsidiaries should be able to maintain their stand-alone credit profiles (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

An upward rating revision is unlikely in the near term but could occur if there were upward revisions of the SACPs of TCAP's key subsidiaries to a degree that triggers a rating upgrade on TCAP.

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.

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)

Company Rating:	A
Issue Ratings:	
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
TCAP257A: THB1,400 million senior unsecured debentures due 2025	A
TCAP258A: THB900 million senior unsecured debentures due 2025	A
TCAP261A: THB1,100 million senior unsecured debentures due 2026	A
TCAP260A: THB1,690 million senior unsecured debentures due 2026	A
TCAP260B: THB640 million senior unsecured debentures due 2026	A
TCAP272A: THB1,500 million senior unsecured debentures due 2027	A
TCAP277A: THB800 million senior unsecured debentures due 2027	A
TCAP300A: THB800 million senior unsecured debentures due 2030	A
TCAP300B THB1,770 million senior unsecured debentures due 2030	A
Up to THB3,500 million senior unsecured debentures due within 7 years	A
Rating Outlook:	Stable

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