

ASIA CAPITAL GROUP PLC

No. 64/2019
18 September 2019

FINANCIAL INSTITUTIONS

Company Rating: B
Outlook: Negative

Last Review Date: 31/05/19

Company Rating History:

Date	Rating	Outlook/Alert
31/05/19	BB-	Negative
12/06/17	BB	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Asia Capital Group PLC (ACAP) to “B” from “BB-” and maintains a “negative” outlook. The rating downgrade reflects our eroding confidence that ACAP will be able to repay all its debt obligations. ACAP’s cash position has been strained by its inability to call in loans from its major debtors or foreclose the collaterals. The company has not been able to provide convincing evidence of its ability to secure sufficient cash or refinancing to meet its debt obligations that will become due in the near term.

The downgrade also addresses TRIS Rating’s view of the company’s weakened governance standard. Firstly, its subsidiary, Global Service Center PCL (GSC), in which ACAP hold 64%, failed to comply with the Securities and Exchange Commission’s (SEC) Notification on Connected Transactions involving ACAP and GSC. Secondly, both ACAP and GSC also demonstrated poor management of Conflict of Interest according to the published opinion of an independent financial advisor in relation to GSC’s lending to ACAP.

As of June 2019, ACAP’s outstanding debt totaled Bt3.34 billion, of which Bt2.68 billion are debentures, Bt80 million are bills of exchanges (B/E), Bt442 million are promissory notes (P/N) owed to related parties, and Bt142 million P/N borrowed from other parties.

We are currently monitoring ACAP’s ability to repay two of its debt obligations due in 2019. These include two separate tranches: (1) Bt130 million owed to GSC, scheduled for repayment on 23 September; and (2) Bt768.6 million debentures scheduled for repayment on 6 October 2019. For more details, please see ACAP’s debt obligation table.

Note that GSC’s Extraordinary General Meeting (EGM) is set on 25 September to rectify the connected transactions (detailed in the Opinion of Independent Financial Advisor posted on the Stock Exchange of Thailand (SET) website on 10 September 2019). The amount is part of the Bt442 million borrowed from related parties. The repayment schedule and name of lenders for the remaining P/N remained undisclosed.

RATING OUTLOOK

The “negative” outlook is based on our opinion that the liquidity risk and refinancing risk are likely to elevate in the short term and remain high in the foreseeable future. The most likely sources of cash flows to repay its debt obligations are the proceeds from enforcing collaterals of non-performing loans, which usually takes time due to lengthy legal procedures. Moreover, the company has not demonstrated a highly probable financing option to meet its short-term obligations.

RATING SENSITIVITIES

The outlook could be revised to “stable” if ACAP’s funding risk and liquidity risk improves and there are clear signs that of how its debt obligations are going to be repaid. The rating could be downgraded further if the situation progressed, in our view, to a highly-likely default scenario.

ACAP's Debt Obligations

Unit: Bt million

	Debentures	B/E	P/N Other parties	P/N Related parties	Total
23 Sep 19				130	
06 Oct 19	769				
07 Feb 20	395				
06 Jul 20	716				
14 Aug 20	197				
23 Nov 20	294				
15 Feb 21	230				
29 Mar 21	75				
Total	2,675	80	142	442*	3,339

Sources: ACAP, Thai Bond Market Association

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018

Asia Capital Group PLC (ACAP)

Company Rating:	B
Rating Outlook:	Negative

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