

RATCHTHANI LEASING PLC

No. 6/2019
14 March 2019

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
CreditAlert:	Negative

Last Review Date: 30/01/19

Company Rating History:

Date	Rating	Outlook/Alert
19/10/16	A-	Stable
25/01/12	BBB+	Stable

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RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the company rating currently assigned to Ratchthani Leasing PLC (THANI) at “A-” and the ratings on THANI’s senior unsecured debentures at “A-”. The CreditAlert follows the signing of non-binding memorandum of understanding (MOU) by five parties including: TMB Bank PLC (TMB), Thanachart Bank PLC (TBANK), Thanachart Capital PLC (TCAP), ING Groep N.V. (ING), and The Bank of Nova Scotia (BNS) on 26 February 2019 to proceed with a merger between TMB and TBANK.

We note that at this point the transaction remains uncertain and subject to the precedent conditions specified in the Stock Exchange of Thailand (SET) disclosure, as the due diligence process will span over the next few months. The transaction remains to be approved by relevant regulators, including the Ministry of Finance (MOF), the Bank of Thailand, and the Securities and Exchange Commission, as well as the shareholders of both banks. If the transaction is approved, the entire process is expected to be completed by end-2019.

We note that the company and issue ratings of THANI remain unchanged as of this CreditAlert announcement. However, based on our rating methodology, we placed the “negative” CreditAlert on THANI as THANI’s ratings could be downgraded or remain unchanged from the current level. This is because THANI’s ratings may no longer benefit from its linkage to TBANK as a majority-owned parent of THANI, once TBANK is amalgamated with TMB to form a new bank and/or THANI becomes a controlled subsidiary of TCAP. THANI’s ratings will depend largely on its stand-alone financial performance and profile and/or its relationship with TCAP.

TRIS Rating expects to resolve the CreditAlerts upon completion of the transaction or when available data is sufficient to enable us to make in-depth analysis and conclusion on the ratings of THANI.

Details of transaction

According to the announced plan, the merger only focuses on TBANK’s banking business. TBANK is therefore required to divest its holding in most of its subsidiaries and other investments to its shareholders based on respective shareholding (TCAP 51%; BNS 49%). As a consequence THANI, which is currently 65%-owned by TBANK, will be divested along with other subsidiaries including Thanachart Securities PLC (TNS; 100%), Thanachart Insurance PLC (TNI; 100%), and TS Asset Management Co., Ltd. (TS AMC; 100%). Ultimately, THANI is likely to become TCAP’s affiliated company or subsidiary pending on the final conclusion of divestments, if the transaction is successful.

TMB estimates the total consideration at about Bt130-Bt140 billion. The transaction will be 70% equity-funded and 30% debt-funded (part of this may come from TMB’s excess liquidity). The equity financing will derive from new share offering, comprising: 1) a rights offering to TMB’s existing shareholders (Bt40-Bt45 billion); and 2) share offering to TCAP and BNS at 1.1 times TMB’s book value post-recapitalization (Bt50-Bt55 billion).

If the merger is successful, ING and TCAP are expected to hold more than 20% each in the combined bank. MOF is expected to hold less than 20%, while BNS

CreditAlert, as part of TRIS Rating's monitoring process as a public warning when there is insufficient information to fully assess and reconsider a debt instrument's current rating or when significant events have occurred that may affect the company's rating already assigned by TRIS Rating. Credit Alert designations may be "positive" or "negative" or "developing", depending on the likely impact of a particular situation. The existing rating continues unchanged for the present. Monitoring is done until the debt instrument matures or the company's rating contract expires.

is likely to hold a minimal stake in the new bank.

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018
- Group Rating Methodology, 10 July 2015

Ratchthani Leasing PLC (THANI)

Company Rating:	A-
Issue Ratings:	
THANI201A: Bt1,510 million senior unsecured debentures due 2020	A-
THANI203A: Bt1,450 million senior unsecured debentures due 2020	A-
THANI205A: Bt1,000 million senior unsecured debentures due 2020	A-
THANI206A: Bt2,000 million senior unsecured debentures due 2020	A-
THANI208A: Bt1,500 million senior unsecured debentures due 2020	A-
THANI209B: Bt665 million senior unsecured debentures due 2020	A-
THANI20DA: Bt1,400 million senior unsecured debentures due 2020	A-
THANI20DB: Bt600 million senior unsecured debentures due 2020	A-
THANI20DC: Bt2,500 million senior unsecured debentures due 2020	A-
THANI211A: Bt175 million senior unsecured debentures due 2021	A-
THANI212A: Bt1,800 million senior unsecured debentures due 2021	A-
THANI212D: Bt720 million senior unsecured debentures due 2021	A-
THANI221A: Bt2,070 million senior unsecured debentures due 2022	A-
CREDIT ALERT:	Negative

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