

# HONDA LEASING (THAILAND) CO., LTD.

No. 88/2021

19 October 2021

## FINANCIAL INSTITUTIONS

### Issue Ratings:

Guaranteed AAA

Outlook: Stable

Last Review Date: 21/12/20

### Issue Rating History:

| Date     | Rating | Outlook/Alert |
|----------|--------|---------------|
| 29/05/20 | AAA    | Negative      |
| 20/02/20 | AAA    | Stable        |

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## RATIONALE

TRIS Rating affirms the ratings on the guaranteed debentures of Honda Leasing (Thailand) Co., Ltd. (HLTC) at “AAA”, but revises the rating outlook to “stable” from “negative”.

The revised outlook reflects the outlook revision on the rating of Honda Motor Co., Ltd. (HMC), which is the keep-well provider and the parent company of Honda Automobile (Thailand) Co., Ltd. (HATC), the Guarantor of HLTC’s debentures. HMC is rated “A-” with a “stable” outlook by S&P Global Ratings. The rating action reflects an expectation that HMC will improve its profitability in the automobile business by improving operating efficiency and releasing new car models. The North America and China operations remain the major sales contributors. New car sales should gradually recover to the level before the Coronavirus Disease 2019 (COVID-19) pandemic over the next few years.

The ratings on HLTC’s guaranteed debentures at “AAA” are based on the unconditional and irrevocable guarantee by HATC, whose creditworthiness is enhanced by the keep-well agreement provided by its ultimate parent company, HMC. Although the keep-well agreement is not a guarantee, TRIS Rating is of the view that with the highly rated credit profile of HMC and HATC’s status as a core subsidiary of HMC, HMC will provide sufficient financial support to HATC to ensure that all of HATC’s obligations are met. In our view, HATC has a strong market position in the Thai passenger car market. HATC also has a healthy financial profile with stable cash flow and no debt obligations. TRIS Rating believes that HLTC will continue to receive business support from HATC given HLTC’s status as a captive finance arm set up to provide financial services for HATC’s clients.

Under the guarantee terms, HATC provides a guarantee to cover all of the amount due under the terms of the debentures of up to 110% of face value, including the principal, plus any accrued interest, and other related expenses. The guarantee agreement is governed by the laws of the Kingdom of Thailand.

## RATING OUTLOOK

The “stable” outlook for HLTC’s guaranteed debentures reflects our expectation that the profitability of the company’s keep-well provider, HMC, will recover due to improvements in productivity and the launch of new automobile models as well as a sound financial position over the next 1-2 years.

## RATING SENSITIVITIES

The ratings on HLTC’s guaranteed debentures could be downgraded if HMC’s rating is downgraded.

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**RELATED CRITERIA**

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- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

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**Honda Leasing (Thailand) Co., Ltd. (HLTC)**

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**Issue Ratings:**

|   |     |
|---|-----|
| HLTC233A: THB3,000 million guaranteed debentures due 2023 | AAA |
| HLTC242A: THB2,000 million guaranteed debentures due 2024 | AAA |

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**Rating Outlook:**

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Stable

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**TRIS Rating Co., Ltd.**

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