

# THANACHART CAPITAL PLC

No. 119/2023  
6 October 2023

## FINANCIAL INSTITUTIONS

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

Last Review Date: 14/09/23

### 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 the rating of "A" to TCAP's proposed issue of up to THB1.5 billion senior unsecured debentures due within four years. The proceeds from the new debentures will be used to refinance its outstanding debts.

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 ratings also consider TCAP's diversified sources of earnings and relatively high double leverage.

The 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 TMBThanachart Bank PLC (TTB) that consistently generates sizeable dividend income.

The SACPs of TCAP's key subsidiaries are supported by decent market positions in their respective business lines. THANI is a dominant player with long-standing presence in the truck and luxury car hire purchase (HP) market segments. TNS has a competitive edge in the domestic institutional brokerage business with a revenue market share of 5.7% in 2022. TNI is ranked fifth in the motor insurance market in terms of direct premiums in 2022. TNI's market share increased to 6% in 2022 from 4.8% in 2021, mainly due to stronger sales through the broker and dealer channels.

TCAP's double leverage (investments in subsidiaries and associates to shareholders' equity) increased to 112% at the end of June 2023 from the 102% at the end of 2021. This was due to an increased investment in its several subsidiaries and affiliates over the past two years. A double leverage higher than 120% could result in a one-notch downward adjustment of TCAP's company rating and the issue ratings on its senior unsecured debentures.

We expect TCAP to deliver resilient earnings over the next three years, supported by the company's diversified sources of earnings from its subsidiaries and associated companies. TCAP reported net profit of THB3.8 billion in the first half of 2023, a 7.1% year-on-year (y-o-y) increase, compared with THB3.5 billion in the first half of 2022. This was mainly supported by the improved performance of TTB, thanks to widened net interest margin, well-controlled operating expenses, and prudent asset quality management.

## 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%.

**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 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. 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>	
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
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
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 THB1,500 million senior unsecured debentures due within 4 years	A
<b>Rating Outlook:</b>	Stable

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