

THANACHART CAPITAL PLC

No. 75/2023
7 July 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 12/10/22

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

Contacts:

Pawin Thachasongtham

pawin@trisrating.com

Siriwan Weeramethachai

siriwan@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

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 a rating of "A" to TCAP's proposed senior unsecured debentures of up to THB2 billion due within four years. The company intends to use the proceeds from the proposed debenture issue for debt refinancing.

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 rating also considers TCAP's low financial leverage and diversified sources of earnings.

The issue ratings on TCAP's debt issues 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. However, the notching is offset by a one-notch uplift from its large investment in TMBThanachart Bank PLC (TTB) that consistently generates sizeable cash flows to TCAP through dividend payments.

The SACPs of TCAP's key subsidiaries are supported by the strong market positions in their respective business lines. THANI is a dominant player with long-standing presence in the truck and luxury car hire purchase market segments. TNS has a competitive advantage in the institutional brokerage business with a revenue market share of 5.5% in the domestic institution segment in 2022. TNI ranked fifth in the motor insurance market in terms of direct premiums received in 2022. TNI's market share increased to 6% in 2022 from 4.8% in 2021, mainly due to the increase in sales through the broker and dealer channels.

TCAP has gradually increased its stakes in several subsidiaries and affiliates over the past two years. Its stake in TTB was 24.95% at the end of March 2023, a marginal increase from 24.85% at the end of 2022. The company also acquired a 40% additional stake in TNS and TNI in the fourth quarter of 2022. As a result, the company currently holds a 89.96% stake in both TNS and TNI.

TCAP's double leverage (investments in subsidiaries and associates to shareholders' equity) was relatively high at 112.8% at the end of March 2023, up from 101.9% at the end of 2021. 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 continued to report strong operating performance. The company's net profit in the first quarter of 2023 rose 28.5% year-on-year (y-o-y) to THB1.8 billion. This was mainly due to the improved performance of TTB, thanks to its balance sheet optimization strategy and prudent asset quality management.

As of June 2023, TCAP has liquidity on hand of around THB1.7 billion including cash and domestic marketable securities. The proceeds from the proposed debentures will be used for debt refinancing.

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%.

RATING SENSITIVITIES

The company rating on TCAP could be revised upward, should there be upward revisions of the SACPs of TCAP's key subsidiaries to the 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)

Company Rating:	A
Issue Ratings:	
TCAP238A: THB500 million senior unsecured debentures due 2023	A
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
TCAP258A: THB900 million senior unsecured debentures due 2025	A
TCAP260A: THB1,690 million senior unsecured debentures due 2026	A
TCAP260B: THB640 million senior unsecured debentures due 2026	A
TCAP300A: THB800 million senior unsecured debentures due 2030	A
TCAP300B THB1,770 million senior unsecured debentures due 2030	A
Up to THB2,000 million senior unsecured debentures due within 4 years	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria