

BANGKOK COMMERCIAL ASSET MANAGEMENT PLC

No. 71/2020
17 September 2020

FINANCIAL INSTITUTIONS

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

Last Review Date: 21/02/20

Company Rating History:

Date	Rating	Outlook/Alert
17/02/20	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Bangkok Commercial Assets Management PLC (BAM) and the ratings on BAM's outstanding senior unsecured debentures at "A-" with a "stable" outlook. TRIS Rating assigns a "A-" rating to BAM's proposed issues of up to THB5 billion in senior unsecured debentures of tenor up to 10 years. The ratings reflect the company's expertise and dominant market position in the distressed asset management industry. The company will use the proceeds from the proposed issues to fund its operation and the expansion of its business.

The ratings consider BAM's relatively strong core earnings, low leverage and well diversified funding sources. These strengths are partly offset by the risk factors, primarily pricing risk and concentration risk, related to its real estate exposure. Nonetheless, we believe BAM's expertise in asset pricing and diversification in terms of type and location of assets help mitigate such risk to a large extent.

For the first half of 2020 (1H20), BAM' net profit declined to THB835 million, 79% lower year-on-year (y-o-y) and below our expectation. This was primarily a result of lower interest income (adjusted on cash basis). Total cash collection from both non-performing loan (NPL) and non-performing asset (NPA) management in 1H20 fell to THB5.9 billion, down by 46% y-o-y. The large drop was due to partly to the base effect of extra cash collection from debt settlement of one large account in the first quarter of 2019. Apart from this, the impacts from the Coronavirus Disease 2019 pandemic (COVID-19) in the second quarter of 2020 (2Q20) contributed to the lower cash collection and adjusted interest income. These include: 1) the temporary closure of legal execution department (LED) in April-May 2020, which disrupted BAM's debt settlement; and 2) the moratorium program on principal and interest payments BAM offers to eligible debtors, which also impacted revenue and cash collection. With BAM's operations becoming normalized in 2H20, we expect BAM's cash collection and operating performance to improve in 2H20.

The potential influx of NPLs and NPAs in the market due to the weak economy should provide opportunity for BAM to acquire more assets. However, if asset expansion leads to higher financial leverage on a sustained basis, it could put pressure on the company's ratings. At the end of June 2020, the debt to equity (D/E) ratio stood at 2.26 times, increasing from 2.12 times at the end of 2019. With additional THB5 billion in new issue debenture, we estimate D/E ratio to be around 2.4 times.

RATING OUTLOOK

The "stable" outlook is based on TRIS Rating's expectation that BAM will maintain strong financial performance and low financial leverage.

RATING SENSITIVITIES

The ratings and/or outlook could be revised upward if financial performance improves steadily, while the D/E ratio falls below 1.5 times for a sustained period.

The ratings and/or outlook could be revised downward if leverage increases significantly due to aggressive expansions, with D/E rising above 2.75 times for a sustained period or with financial performance deteriorating materially.

RELATED CRITERIA

- Nonbank Financial Institutions, 17 February 2020

Bangkok Commercial Asset Management PLC (BAM)

Company Rating:	A-
Issue Ratings:	
BAM211A: THB3,000 million senior unsecured debentures due 2021	A-
BAM216A: THB3,000 million senior unsecured debentures due 2021	A-
BAM219A: THB1,000 million senior unsecured debentures due 2021	A-
BAM226A: THB1,400 million senior unsecured debentures due 2022	A-
BAM227A: THB3,000 million senior unsecured debentures due 2022	A-
BAM239A: THB3,800 million senior unsecured debentures due 2023	A-
BAM23DA: THB1,100 million senior unsecured debentures due 2023	A-
BAM246A: THB1,400 million senior unsecured debentures due 2024	A-
BAM247A: THB4,500 million senior unsecured debentures due 2024	A-
BAM256A: THB370 million senior unsecured debentures due 2025	A-
BAM259A: THB3,200 million senior unsecured debentures due 2025	A-
BAM276A: THB1,500 million senior unsecured debentures due 2027	A-
BAM279A: THB5,000 million senior unsecured debentures due 2027	A-
BAM286A: THB2,400 million senior unsecured debentures due 2028	A-
BAM297A: THB5,000 million senior unsecured debentures due 2029	A-
BAM317A: THB3,500 million senior unsecured debentures due 2031	A-
BAM347A: THB1,000 million senior unsecured debentures due 2034	A-
Up to THB5,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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