

# BANGKOK COMMERCIAL ASSET MANAGEMENT PLC

No. 43/2023  
19 April 2023

## FINANCIAL INSTITUTIONS

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

**Last Review Date:** 31/03/23

### Company Rating History:

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

### Contacts:

Sithakarn Tongphiphat, CFA, FRM

sithakarn@trisrating.com

Pawin Thachasongtham

pawin@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Taweekchok Jiamsakunthum

taweekchok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Bangkok Commercial Asset Management PLC (BAM) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” outlook. At the same time, TRIS Rating assigns a rating of “A-” to BAM’s proposed issue of up to THB7.7 billion senior unsecured debentures due within 10 years. The new issue rating replaces the issue rating previously assigned on 7 March 2023, following the increase in issue size from up to THB3 billion. The proceeds will be used for debt repayment, funding its operation, and business expansion.

The ratings reflect the company’s long experience and dominant market position as the top ranked distressed asset management company (AMC). The ratings also take into consideration BAM’s moderate financial leverage and diversified funding sources.

BAM’s ratings are partly constrained by several risk factors. Apart from macro risk and uncertain cashflow, other key risks are related to the company’s real estate exposure including asset pricing risk and concentration risk. These risks could have a significant impact on its financial performance if not well managed. However, we view that BAM’s expertise in asset pricing, selective investment strategy, and diversification in terms of types and locations of assets help mitigate these risks to some extent.

BAM’s financial performance in 2022 is slightly below our expectation due to the lower cash collections from non-performing assets (NPAs). In 2022, its net profit increased by 4.8% year-on-year (y-o-y) to THB2.7 billion, thanks to the improvement in non-performing loan (NPL) business that helped reduce the impact of fallen NPA revenue. In 2022, its total cash collection improves 6% y-o-y, NPL cash collection improved 16% y-o-y, while NPA cash collection dropped by 6% y-o-y. The decline in NPA cash collection was due to less aggressive pricing strategy and more selective promotional activities compared with 2021. NPL cash collection improved from cash received from Legal Execution Department (LED) and long-term debt restructuring.

In 2022, BAM acquired NPLs and NPAs in total of THB8.3 billion, 124% higher y-o-y. This was largely due to increased supply of distressed assets in the market. Looking ahead, we anticipate the supply of NPLs to continue to rise, driven by the expiration of debt relief measures that allow relaxation of bank loan classification until the end of 2023. As a result, commercial banks are likely to dispose of NPLs more rapidly in the second half of 2023 and through 2024, which should support BAM’s asset acquisition plan.

The key challenge for BAM in 2023 is the pressure from rising interest rates as financing cost remains as one of the company’s main expenses comprising nearly half of the company’s total expenses. Nonetheless, the impact on its funding cost will be gradual as most of the company’s borrowing costs have already been fixed by long-term debentures. We estimate BAM’s funding cost will increase by 15 basis points (bps) to 20 bps in 2023, which translates into 7% higher interest expenses, based on our projection.

At the end of 2022, the company still had plenty of liquidity in forms of cash and cash equivalents amounting to THB7.2 billion. Including the new debenture issuance, BAM’s debt-to-equity (D/E) ratio is estimated to be at 2.2 times from 2.0 times at the end of 2022 (excluding debt repayments in 2023).

**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.

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**RATING OUTLOOK**

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The “stable” outlook is based on TRIS Rating’s expectation that BAM will maintain its strong financial performance and moderate financial leverage.

**RATING SENSITIVITIES**

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

The ratings and/or outlook could be revised downward if BAM’s leverage increases significantly due to aggressive expansion, with the D/E ratio rising above 2.75 times for a sustained period or a prolonged deterioration in financial performance with return on average asset (ROAA) falling below 1.5% on a sustained basis.

**RELATED CRITERIA**

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- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

## Bangkok Commercial Asset Management PLC (BAM)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
BAM235A: THB4,050 million senior unsecured debentures due 2023	A-
BAM239A: THB3,800 million senior unsecured debentures due 2023	A-
BAM23DA: THB1,100 million senior unsecured debentures due 2023	A-
BAM244A: THB1,000 million senior unsecured debentures due 2024	A-
BAM244B: THB3,750 million senior unsecured debentures due 2024	A-
BAM245A: THB650 million senior unsecured debentures due 2024	A-
BAM246A: THB1,400 million senior unsecured debentures due 2024	A-
BAM247A: THB4,500 million senior unsecured debentures due 2024	A-
BAM24DA: THB500 million senior unsecured debentures due 2024	A-
BAM251A: THB1,845 million senior unsecured debentures due 2025	A-
BAM256A: THB370 million senior unsecured debentures due 2025	A-
BAM259A: THB3,200 million senior unsecured debentures due 2025	A-
BAM25NA: THB5,370 million senior unsecured debentures due 2025	A-
BAM25NB: THB1,000 million senior unsecured debentures due 2025	A-
BAM264A: THB6,000 million senior unsecured debentures due 2026	A-
BAM267A: THB405 million senior unsecured debentures due 2026	A-
BAM26DA: THB1,300 million senior unsecured debentures due 2026	A-
BAM274A: THB2,545 million senior unsecured debentures due 2027	A-
BAM276A: THB1,500 million senior unsecured debentures due 2027	A-
BAM279A: THB5,000 million senior unsecured debentures due 2027	A-
BAM27NA: THB850 million senior unsecured debentures due 2027	A-
BAM284A: THB1,300 million senior unsecured debentures due 2028	A-
BAM286A: THB2,400 million senior unsecured debentures due 2028	A-
BAM28DA: THB1,200 million senior unsecured debentures due 2028	A-
BAM294A: THB1,065 million senior unsecured debentures due 2029	A-
BAM297A: THB5,000 million senior unsecured debentures due 2029	A-
BAM304A: THB700 million senior unsecured debentures due 2030	A-
BAM307A: THB1,050 million senior unsecured debentures due 2030	A-
BAM30NA: THB580 million senior unsecured debentures due 2030	A-
BAM30NB: THB2,000 million senior unsecured debentures due 2030	A-
BAM317A: THB3,500 million senior unsecured debentures due 2031	A-
BAM324A: THB2,140 million senior unsecured debentures due 2032	A-
BAM347A: THB1,000 million senior unsecured debentures due 2034	A-
Up to THB7,700 million senior unsecured debentures due within 10 years	A-
<b>Rating Outlook:</b>	Stable

### TRIS Rating Co., Ltd.

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

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