

Fitch Affirms Finansa at 'BBB-(tha)'; Outlook Stable

Fitch Ratings-Bangkok-26 July 2016: Fitch Ratings has affirmed Thailand-based non-bank financial institution Finansa Public Company Limited's (FNS) National Long-Term Rating at 'BBB-(tha)' with Stable Outlook. It also affirmed the company's National Short-Term Rating at 'F3(th)'.

KEY RATING DRIVERS

The ratings reflect FNS's small niche domestic franchise and its improved revenue diversification following the completion of its business restructuring initiatives. Investment in the warehouse and factory rental business, which was part of the restructuring plan, has weakened FNS's capital profile. However, the risks could be mitigated by more stable revenue flow and profitability from the business.

FNS's performance will remain sensitive to market conditions over the longer term as deal-oriented investment banking remains its core strength. FNS plans to lengthen its maturity profile by replacing short-term debts with longer-term debts, which should help improve its liquidity profile. Over the medium term, liquidity risks could be mitigated by FNS's acceptable holdings of liquid assets, which have been able to cover short-term debts, as well as its current committed credit facility of THB150m and potential acquisition of additional credit facilities.

The ratings also take into account Fitch's expectation of a steady improvement in leverage and capital profile over the medium term based on FNS's debt repayment plan over the next three years and a more stable profitability outlook.

Over the medium term, FNS's profitability from core-operations is likely to remain weak due to the low-margin and low-growth nature of the rental business, while revenue from the higher-margin investment banking business is volatile. However, FNS's net profit could be moderately stronger due to profit sharing from its associate companies, which have better profitability prospects and track records.

RATING SENSITIVITIES

Potential rating upside is limited due to FNS's small scale, franchise business profile and persistent execution risks over the medium term from its business restructuring initiatives. A material departure from FNS's debt repayment plan, higher than expected projected leverage and weaker than expected capitalisation could lead to a negative rating action. Also, a material loss from core operations and any sign of loss in creditors' confidence could lead to a downgrade.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Non-Bank Financial Institutions Rating Criteria (pub. 15 Jul 2016)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=884128)

National Scale Ratings Criteria (pub. 30 Oct 2013)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=720082)

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