

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

Fitch Ratings-Bangkok-12 July 2018: Fitch Ratings (Thailand) has affirmed Finansa Public Company Limited's (FNS) National Long-Term Rating at 'BBB-(tha)' with a Stable Outlook. It also affirmed the company's National Short-Term Rating at 'F3(tha)'.

KEY RATING DRIVERS

The ratings reflect FNS's limited domestic franchise with investment banking being its core business. The company has diversified its revenue through investments in warehouses and factories that provide stable rental income.

The ratings 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 two years. FNS's capitalisation and leverage profile have improved. The gross debt/adjusted EBITDA ratio is now less prone to fluctuation compared with pre-2015 levels. The gross leverage ratio has also eased, even though absolute debt remains high. FNS's smoother earnings profile could, in a benign environment, eventually lead to gradual capital accumulation and a stronger equity base.

The company faces refinancing risk due to its dependence on short- to medium-term debentures. These risks are mitigated by committed credit lines from lenders, ongoing cash generation, and an established investor base for its debentures.

RATING SENSITIVITIES

Fitch may take rating action if the agency believes there are changes in FNS's credit strength. For example, Fitch may downgrade FNS's ratings if the company has a weaker-than-expected performance that leads to significant and sustained deterioration in key financial ratios, particularly in liquidity and leverage. Fitch may also downgrade the ratings if there is any diversion from the debt repayment plan that stems from a higher risk appetite, significant losses from main operations, or signs of a withdrawal in creditors' confidence.

Fitch may upgrade FNS's ratings if the company successfully executes its debt repayment plan, together with improving profitability on a sustained basis so that leverage steadily declines.

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Additional information is available on www.fitchratings.com

Applicable Criteria

National Scale Ratings Criteria (pub. 07 Mar 2017) (<https://www.fitchratings.com/site/re/895106>)

Non-Bank Financial Institutions Rating Criteria (pub. 22 Jun 2018) (<https://www.fitchratings.com/site/re/10034715>)

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