FitchRatings

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# Fitch Assigns Asia Sermkij Leasing First-Time 'A(tha)' National Long-Term Rating; Outlook Stable

Fitch Ratings - Bangkok - 18 Aug 2022: Fitch Ratings (Thailand) has assigned Asia Sermkij Leasing Public Company Limited (ASK) a National Long-Term Rating of 'A(tha)'. The Outlook is Stable. And Fitch has also assigned a National Short-Term Rating of 'F1(tha)'.

## Key Rating Drivers

Thailand-based ASK's National Long-Term Rating reflects Fitch's assessment of extraordinary support from the ultimate controlling shareholder, Taiwan-based Chailease Holding Company Limited (BBB-/Stable).

Fitch believes that ASK is a strategically important subsidiary of Chailease. ASK plays an important role in supporting Chailease's expansion in south-east Asia. The Chailease group owns 50.4% of ASK and there is a significant level of management control and operational integration. The parent group has been supporting ASK's funding, and contributed to ASK's capital increase in 2021, while ASK has used the parent's know-how and risk management expertise in the vehicle finance and leasing segment.

Chailease became ASK's major shareholder in 1997. The Thai company has an established presence in the local hire purchase market, particularly for trucks. ASK has sustained a record of sound profitability and steady asset quality despite the challenging market conditions during the coronavirus pandemic. The pretax net income/average assets ratio was 3.1% in 1Q22, while the impaired loans ratio was 2.6%.

For details on Chailease's rating drivers and sensitivities, see our latest rating action commentary "Fitch Affirms Chailease Group's Ratings; Outlook Stable", dated 28 October 2021.

## Rating Sensitivities

### Factors that could, individually or collectively, lead to negative rating action/ downgrade:

A decline in the parent's ability to support ASK could lead to rating downside. This would be indicated by negative rating action on Chailease's Long-Term Issuer Default Rating (IDR), although Fitch would also take into account ASK's credit profile within our Thai national rating universe.

A decline in support propensity could also lead to rating downside. For example, any plans to reduce Chailease's shareholding in ASK to below 50%, combined with reduced parental control and integration, could lead to a re-assessment of support prospects.

### Factors that could, individually or collectively, lead to positive rating action/upgrade:

Positive rating action on Chailease's Long-Term IDR could be reflected in ASK's rating, although Fitch would also consider ASK's profile in comparison with other entities rated on our Thai national rating scale.

There could be rating upside if Fitch re-assesses ASK to be a core subsidiary of Chailease. This may stem from our belief that ASK has become an integral part of Chailease, perhaps due to significantly higher earnings or asset contribution from ASK of above 20%, combined with common branding and an assessment of a significant reputational risk to the parent in case of a failure by ASK, as well as a shareholding level above 75%.

## Date of Relevant Committee

08 August 2022

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## Public Ratings with Credit Linkage to other ratings

ASK's National Ratings are link to Chailease's Long-Term IDR.

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## Rating Actions

| ENTITY/DEBT | RATING | | | RECOVERY | PRIOR |
|---|---|---|---|---|---|
| Asia Sermkij Leasing Public Company Limited | Natl LT | A(tha) | New Rating | | |
| | Natl ST | F1(tha) | New Rating | | |

| RATINGS KEY | OUTLOOK | WATCH |
|---|---|---|
| POSITIVE | | |
| NEGATIVE | | |
| EVOLVING | | |
| STABLE | | |

## Applicable Criteria

National Scale Rating Criteria (pub.22 Dec 2020)

Non-Bank Financial Institutions Rating Criteria (pub.31 Jan 2022) (including rating assumption sensitivity)

## Additional Disclosures

Solicitation Status

Endorsement Status

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