

21 NOV 2024

## Fitch Affirms Asia Sermkij Leasing at 'A(tha)'/Stable

Fitch Ratings - Bangkok - 21 Nov 2024: Fitch Ratings (Thailand) has affirmed Asia Sermkij Leasing Public Company Limited's (ASK) National Long-Term Rating at 'A(tha)' and National Short-Term Rating at 'F1+(tha)'. The Outlook is Stable.

### Key Rating Drivers

**Shareholder Support Underpins Ratings:** ASK's ratings stem from our expectation of extraordinary support from its Taiwan-based parent, Chailease Holding Company Limited (BBB-/Stable), in the event of stress. The ratings also take into consideration ASK's support-driven credit profile relative to that of other entities within Fitch's Thai national rating universe.

**Strategic Importance to Group:** Chailease has an appetite for growth in emerging markets and we believe ASK forms an important part of the group's presence in south-east Asia. Chailease became ASK's major shareholder in 1997. ASK provides the group with a key footprint in Thailand and has gradually built up its local franchise, particularly in the truck hire purchase segment and solar rooftop financing. We believe ASK's strategic role in Chailease's regional franchise will remain unchanged over the medium term.

**Parent's Support Ability Intact:** We believe Chailease has a strong ability to provide support to ASK. We use Chailease's Long-Term Issuer Default Rating (IDR) as the anchor rating, which is driven by the group's longstanding franchise in Taiwan and consistent financial performance. In addition, the subsidiary's small size, with assets of less than 10% of Chailease's consolidated assets as of June 2024, means that any required support would be manageable for the parent.

**Ongoing Oversight and Synergies:** Chailease owns 50.4% of ASK, with a significant level of control via the board of directors, which include representatives from Chailease. The group maintains oversight and influence over ASK's operation, including its strategic initiatives and risk management processes. There are also product development synergies between ASK and Chailease, which we expect to be sustained in the medium term.

**Parent Supports Funding Profile:** ASK's funding profile is backed by consistent access to local capital markets and bank credit facilities, supported by its position as part of Chailease group. There is also ongoing ordinary funding support, such as via shareholder loans and capital injections, which provides an additional buffer against performance volatility.

**Near-Term Performance Challenges:** We expect Thailand's uncertain economic recovery to weigh on ASK's asset quality. However, this would not significantly alter the propensity of support from Chailease, based on ASK's medium-term strategic role. ASK's pre-tax income/average assets fell to 0.8%

in 1H24, from a four-year average through to 2023 of 2.7%, on higher provisions and losses on repossession. Meanwhile, its impaired-loan ratio rose to 6.3% (2023: 4.8%) amid the weak operating environment.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

ASK's ratings are sensitive to any deterioration in shareholder support prospects, while taking into account relativities within the Thai national ratings universe.

Negative rating action on Chailease would indicate a deterioration in the parent's ability to support its subsidiary and would likely lead to similar rating action for ASK.

A major weakening in Chailease's propensity to support ASK would also place downward pressure on the rating. For example, a decline in ASK's strategic value to Chailease, which may be indicated by weakened strategic alignment, a plan to reduce ownership in ASK to below 50%, combined with declining management control and integration. However, we do not expect any changes in the parent's propensity to support ASK in the near to medium term.

ASK's National Short-Term Rating could be downgraded if its National Long-Term Rating were to fall to 'A-(tha)' or below.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An improvement in Chailease's credit profile could lead to a positive re-assessment of ASK's support-driven profile relative to Thai national rating peers. We may also take positive rating action if ASK's importance within Chailease rises significantly. This may arise from an increase in Chailease's shareholding combined with greater reputational linkages or from a sustained increase in ASK's profit and asset contribution to over 20% that further strengthens its role in the group.

There is no upside to the National Short-Term Rating, which is at the top end of the scale.

## **DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS**

ASK's senior unsecured notes are rated at 'A(thai)', the same level as its National Long-Term Rating, as the instruments represent its unsecured and unsubordinated obligations and rank equally with other similar obligations.

## **DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES**

ASK's senior unsecured debt rating would move in tandem with its National Long-Term Rating.

## **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 linked to Chailease's credit profile, as denoted by the shareholder'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) ●	Affirmed	A(tha) ●

ENTITY/DEBT	RATING		RECOVERY	PRIOR
	Natl ST	F1+(tha)	Affirmed	F1+(tha)
• senior unsecured	Natl LT	A(th)	Affirmed	A(th)

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◆
NEGATIVE	⊖	◆
EVOLVING	⊕	◆
STABLE	⊙	

## Applicable Criteria

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub.17 Jan 2024\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

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