



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

Fitch Ratings - Bangkok - 03 July 2019: Fitch Ratings (Thailand) has affirmed Finansa Public Company Limited's (FNS) National Long-Term Rating at 'BBB-(tha)' with a Stable Outlook. The agency has also affirmed the company's National Short-Term Rating at 'F3(th)'.

Key Rating Drivers

The ratings reflect FNS's small niche domestic franchise, volatile profitability and acceptable capital and liquidity position.

The ratings also take into account the company's less-established business model, weaker earnings prospects over the short term after the postponement of several investment-banking deals in its pipeline, the delay in launching an IPO of its private-equity investment business and the lower profit contribution from Finansia Syrus Securities Public Company Limited (FSS; BBB+(tha)/Stable) in which it has a 29.29% stake held under a subsidiary. Nevertheless, Fitch believes the stable cash inflows from its warehouse and factory rental business and liquid assets should provide it with financial flexibility.

FNS's leverage is unlikely to decrease substantially in 2019 but Fitch expects it to gradually decline over the medium term. The company is exposed to refinancing risk due to its dependence on wholesale funding. However, we believe the risk will be manageable due to its committed credit lines from banks and an established investor base for its debentures will also help to mitigate some of the risk. FNS's performance is likely to improve in 2020 with the booking of revenue from its investment-banking business. Furthermore, rising cash flows from exiting some of its investments in private-equity firms should support its ability to pay down debt over the medium term.

Rating Sensitivities

Fitch may downgrade FNS's rating if there is any sign of persistent weakening in its performance that would have a negative impact on the visibility of its business model, liquidity and creditor sentiment. For example, a persistent decline in profitability from the investment-banking business could lead to a reassessment of the business model and a change in Fitch's rating approach, resulting in a negative rating action. Also, a significant deterioration in key financial ratios, particularly liquidity and leverage, could lead to a downgrade. Any material diversion from its debt repayment plan that stems from higher risk appetite, significant losses at the core operations of its subsidiaries or affiliates, or signs of a withdrawal in creditors' confidence may also result in a negative rating action.

Fitch may upgrade FNS's ratings if the company materially strengthens its business model as well as improves its profitability on a sustained basis, leading to a steady decline in leverage. However, Fitch believes these scenarios are unlikely to occur over the short term.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Finansa Public Company Limited	Natl LT BBB-(tha) ● Affirmed	BBB-(tha) ●
	Natl ST F3(th) Affirmed	F3(th)

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Applicable Criteria

National Scale Ratings Criteria (pub. 18 Jul 2018)
Non-Bank Financial Institutions Rating Criteria (pub. 12 Oct 2018)

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