EASY BUY PLC

No. 36/2012 20 June 2012

Company Rating: BBB

Outlook: Positive

New Issue Ratings: BBB+/BBB

Outlooks: Stable/Positive

Rating History:

Date	Company	Issue (Secured/ Unsecured)
15/03/12	BBB/Pos	BBB+ (Sta)/BBB (Pos)
12/09/11	BBB/Pos	BBB+ (Neg)/-
31/03/11	BBB/Sta	BBB+ (Alert Neg)/-
19/01/11	BBB/Sta	A (Neg)/-
15/07/10	BBB/Sta	A+ (Neg)/-
03/06/10	BBB/Neg	A+ (Neg)/-
04/11/09	BBB/Neg	AA- (Neg)/-
16/06/09	BBB/Neg	AA (Neg)/-
28/05/09	BBB/Neg	AA (Alert Neg)/-
26/06/07	BBB/Sta	AA/-
12/07/04	BBB+/Sta	AA/BBB+
19/02/04	BBB+	AA/BBB+
05/11/02	BBB+	AA/-

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Rating Rationale

TRIS Rating affirms the company rating of EASY BUY PLC at “BBB”, and also affirms the ratings of the guaranteed debentures of EASY BUY at “BBB+”. At the same time, TRIS Rating assigns “BBB+” rating to EASY BUY’s proposed issue of up to Bt2,000 million in four-year guaranteed debentures and up to Bt1,500 million in three-year guaranteed debentures, and also assigned “BBB” rating to EASY BUY’s proposed issue of up to Bt1,500 million in three-year senior debentures. The last two tranches of three-year debentures (both guaranteed and senior debentures) will be combined in total up to Bt1,500 million.

The company rating reflects EASY BUY’s improvement in financial profile and asset quality during 2008 to 2011, and its strong market position in Thailand’s non-bank consumer finance business. The rating is constrained by weak credit profile of its parent company, ACOM Co., Ltd. (ACOM), a major shareholder, by the fact that the credit quality of its customers is sensitive to an unfavorable economy, and by intense competition in the consumer finance industry. These factors might limit business growth, profitability, and lead to a deterioration in asset quality in the future.

The guaranteed issue ratings reflect the credit profile of ACOM, who is the guarantor of the debentures. ACOM’s financial performance has been weaker since 2009 due to higher provision expenses for both possible loan losses and refunds of overpaid interest following the full implementation of the new Money Lending Business Law in Japan, and the worsening business environment in Japan. ACOM is currently rated “BB+” with “stable” outlook by Standard & Poor’s (S&P).

Under the guarantee agreement, which is governed by Japanese law, the guarantor irrevocably and unconditionally guarantees to promptly make full payments of obligations of the rated debentures. In any merger or consolidation of ACOM, the successor of ACOM shall assume these guarantee obligations. If the guarantor fails to pay the amount due after receiving a notice, the debenture holders’ representative can commence legal action against the guarantor in commercial court, in Japan, for the defaulted amount. The obligations of the guarantor under this guarantee agreement rank equally with other unsecured and unsubordinated debts of the guarantor.

ACOM reported net profit totaling 21 billion yen for FY2012 (ending March 2012), resulting from the sharp decrease of additional provisions for the refunds of overpaid interest and doubtful accounts, and operating expenses. The figure sharply improved from net losses totaling 203 billion yen in FY2011.

As of March 2012, the loan receivables of EASY BUY were 68 billion yen, made up 7% of ACOM’s consolidated receivables. EASY BUY is ACOM’s first overseas subsidiary in Southeast Asia and figures significantly in ACOM’s strategy to be a major regional player in the consumer finance industry. ACOM has shown a strong commitment to EASY BUY to provide financial and business support by passing along technology and business practice know-how.

The experience of almost 15 years in the non-bank consumer finance industry has provided EASY BUY with a sufficient track record and good brand recognition. Strong financial and business support from the parent company are crucial for EASY BUY’s future market position and to sustain growth. Although the nature of its business in providing small loans to a large number of customers helps diversify risk, the company is still exposed to credit risk as the credit profiles of its customers are generally higher than retail customers of commercial banks. In addition, the company is also exposed to regulatory risk as regulators strive to protect consumers' rights.

Asset quality of the company has improved continuously since 2008. Receivables with more than three months overdue to total receivables decreased from 5.62 % in 2007 to 2.14% in 2011 and 2.09% as of March 2012. The ratio of net write-offs to average receivables also declined from 13.22% in 2009 to 9.29%, 6.73% in 2010 and 2011, respectively. EASY BUY realized a small loss from the severe flooding in Thailand in the fourth quarter of 2011 as the company has shifted its customer base from factory workers to office workers since 2009. EASY BUY has adopted many of ACOM's business operation and risk management tools, including a modern credit-scoring model and effective vendor and information management systems, plus ACOM's loan collection methods and standards to ensure asset quality control.

EASY BUY had stronger financial performance after 2007. Net income turned positive, with net profits of Bt310 million in 2008, Bt329 million in 2009, Bt925 million in 2010, and Bt1,310 million in 2011. For the first quarter of 2012, net income significantly improved to Bt524 million from Bt346 million for the first quarter of 2011. The steady turnaround resulted from continued growth in the personal loan business, efficient control of operating costs, and improved customer credit profiles. Strong earning with conservative dividend payout has continuously strengthened its capital base. The ratio of total shareholders' equity to total assets rose from 5.70% in 2007 to 10.58% in 2010, 14.56% in 2011, and 15.67% as of March 2012. The ratio of total debts to total shareholders' equity also improved significantly from 14 times in 2008 to less than 6 times in 2011 and as of March 2012.

Issuer and Senior Issue Rating Outlooks

The "positive" outlook reflects the turnaround in performance as a result of improved asset quality and careful control of operating expenses. EASY BUY delivered strong earning power in 2010, 2011 and the first quarter of 2012, which generated a strong internal growth of its equity base, and strengthened its credit ratings. Since May 2012, EASY BUY has changed its status to be a foreign company operating in Thailand, after ACOM acquired all of EASY BUY's shares held by Thailand Equity Fund (25.5% stake), making ACOM hold a 74.5% stake in EASY BUY. Under the Foreign Business Act, EASY BUY is required to maintain sufficient capital in order to keep its debt equal to or no more than seven times of paid-up capital.

Guaranteed Issue Rating Outlook

The "stable" outlook for the guaranteed issue ratings of EASY BUY reflects improvement of ACOM's financial profile in FY2012 and stabilizing prospects for Japan's consumer finance industry. The pressure of ACOM's financial performance has declined due mainly to declining trend of provisioning expenses for both possible loan losses and refunds of overpaid interests. The review of the guaranteed issue ratings will be considered if TRIS Rating sees any changes in support from Mitsubishi UFJ Financial Group (MUFG), the largest commercial bank in Japan, to ACOM.

EASY BUY PLC (EASY BUY)

Company Rating:	BBB
Rating Outlook:	Positive
Issue Ratings:	
EB128A: Bt125 million guaranteed debentures due 2012	BBB+
EB128B: Bt2,710 million guaranteed debentures due 2012	BBB+
EB128C: Bt3,500 million guaranteed debentures due 2012	BBB+
EB133A: Bt1,000 million guaranteed debentures due 2013	BBB+
EB13DA: Bt500 million guaranteed debentures due 2013	BBB+
EB14DA: Bt500 million guaranteed debentures due 2014	BBB+
EB152A: Bt500 million guaranteed debentures due 2015	BBB+
EB15DA: Bt500 million guaranteed debentures due 2015	BBB+
EB162A: Bt1,000 million guaranteed debentures due 2016	BBB+
*Up to Bt1,500 million guaranteed debentures due within 2015	BBB+
Up to Bt2,000 million guaranteed debentures due within 2016	BBB+
Rating Outlook:	Stable
EB152B: Bt340 million senior debentures due 2015	BBB
*Up to Bt1,500 million senior debentures due within 2015	BBB
Rating Outlook:	Positive

**These two tranches will be combined in total up to Bt1,500 million and will be due within 2015.*

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