

Research Update

Taiwan High Speed Rail Corp. 'twAA+/twA-1+' Ratings Affirmed; Liquidity Raised To Exceptional; Outlook Stable

September 10, 2019

Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twAA+' long-term and 'twA-1+' short-term issuer credit ratings on **Taiwan High Speed Rail Corp.** (THSRC). The outlook on the long-term rating is stable. The ratings on THSRC reflect the company's leading market share in commercial and long-distance trips in Taiwan, strong profitability, and operating cash flow generation. The ratings also reflect our view of very high likelihood of timely and sufficient extraordinary support from the government of Taiwan, if needed. THSRC's high debt leverage partly offsets these strengths.

We have revised our assessment of THSRC's liquidity to exceptional from strong, which has no impact on the ratings. Given a material decline in the company's debt maturities, we expect the ratio of liquidity sources to liquidity uses to be over 2x in the next 24 months.

We also expect that THSRC can absorb high-impact, low-probability events without refinancing, given its stable operating cash flow. We expect THSRC's liquidity sources will continue to exceed uses even if the company's EBITDA was to decline by 50% supported by stable cash flow and sufficient cash on hand. The liquidity assessment also reflects our view that the company has a sound business relationship with banks in Taiwan due to its strong credit standing in Taiwan as a government related entity. We expect the company to meet its loan covenants with sufficient headroom over the next one to two years backed by its good performance and declining debt. We also expect THSRC to maintain its prudent financial management, as the company uses strong cash flow generation to repay its long-term debt earlier.

Related Criteria

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Transportation Infrastructure Industry - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013

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- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

Taiwan High Speed Rail Corp.

Issuer Credit Ratings	twAA+/Stable/twA-1+
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