

Research Update

Formosa Taffeta Co. Ltd. Ratings Affirmed At 'twA+/twA-1' Despite Its Planned Swiss Investment; Outlook Stable

October 22, 2019

Taiwan Ratings Corp. today affirmed its 'twA+' long-term and 'twA-1' short-term issuer credit ratings on **Formosa Taffeta Co. Ltd.** The outlook on the long-term rating is stable.

The ratings reflect our expectation of Formosa Taffeta's stable market position in its core fabric business over the next one to two years, underpinned by the company's well-established long-term customer relationships, good technology capabilities, and low cost overseas capacity in Vietnam and China. Several factors temper these strengths, including stagnant global demand and increasing competition. In addition, the company faces somewhat high, albeit moderating, business risk in its IC assembly and packaging subsidiary because of customer concentration and industry volatility.

The ratings on Formosa Taffeta also incorporate our assessment that the company's diversified business portfolio should help to lower its overall performance volatility. In addition, the ratings reflect our view that the company will maintain its moderately strategic status within the Formosa Plastics Corp. group over the next two years.

Formosa Taffeta recently announced its plan to purchase a 50% stake in Swiss-based textile company, Schoeller Textil AG, in 2020. The investment amount will be for no more than \$40 million Swiss Franc (about NT\$1.2 billion), which we have already factored into our base case assumptions, and will not have material impact on Formosa Taffeta's financial strength or our rating and outlook on the company over the next one to two years.

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- Understanding Taiwan Ratings' Rating Definitions, www.taiwanratings.com - June 26, 2018
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Technology Hardware And Semiconductors Industry - November 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012

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– General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

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Ratings List

Ratings Affirmed

Formosa Taffeta Co. Ltd.

Issuer Credit Rating	twA+/Stable/twA-1
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