

Media Release:

# Shinshin Credit Corp. Ratings Affirmed At 'twA-/twA-2'; Outlook Positive

June 29, 2022

## Overview

- We assess Shinshin Credit's capitalization has strengthened to strong from adequate previously, due to the parent group's sizeable capital injection to help the company control its financial leverage.
- We affirmed our 'twA-' long-term and 'twA-2' short-term issuer credit ratings on Shinshin Credit, given the company is a core group member under its parent, Yulon Finance Corp. and hence the rating on Shinshin Credit mirrors that on the parent.
- The rating outlook remains positive, which follows the direction of the outlook on its parent.

## Rating Action

Taiwan Ratings Corp. today affirmed its 'twA-' long-term and 'twA-2' short-term issuer credit ratings on **Shinshin Credit Corp.** The outlook on the long-term rating remains positive.

## Rationale

The rating affirmation reflects our view that Shinshin Credit's credit profile is identical to its parent, **Yulon Finance Corp.'s**, given our view that the leasing subsidiary will remain a core entity within the group's business development plan over the next two years. We believe Shinshin Credit fits the parent's strategy to offer corporate financing services in Taiwan. The company's operations also fulfil the parent's investment strategy in Taiwan's green energy industry.

Shinshin Credit's stand-alone credit profile has improved following the strengthening of its capitalization. We have raised our capital assessment for Shinshin Credit to strong from adequate following a recent new Taiwan dollar (NT\$) 3 billion capital injection from parent Yulon Finance. This upward revision reflects our view that Shinshin Credit's capitalization is now sufficient to absorb an intermediate level of unexpected credit costs while at the same time supporting the company's strong business growth over the coming two years.

We believe Shinshin Credit's management team will maintain its current growth appetite with at least a 20% increase in receivables annually, which follows its strategy to enhance earnings. The group's supportive capital policy including timely capital injections and full earnings retention is necessary to support the company's business development while controlling its financial leverage. We assess Shinshin Credit's capital strength according to its risk adjusted capital ratio, which we forecast will hover at 13.0%-14.3% before the end of 2023. We also assess the ratio of the firm's outstanding commercial papers to its net worth

### PRIMARY CREDIT ANALYST

**Jenny Lin**

Taipei

+886-2-2175-6811

jenny.lin

@spglobal.com

jenny.lin

@taiwanratings.com.tw

### SECONDARY CONTACT

**Patty Wang**

Taipei

+886-2-2175-6823

patty.wang

@spglobal.com

patty.wang

@taiwanratings.com.tw

will be closer to about 3x by the end of 2024, which is down from 4.7x after the capital injection at the end of May 2022.

## Outlook

The positive rating outlook mirrors the direction of the outlook on the parent, Yulon Finance. The ratings on Shinshin Credit move in tandem with those on its immediate parent, given Shinshin Credit's core group role.

### Downward scenario

We may revise the outlook to stable if the ultimate parent, **Yulon Motor Co. Ltd.** fails to strengthen its financial profiles as well as the overall group credit profile.

### Upward scenario

We may upgrade Shinshin Credit if Yulon Motor improves its credit profile.

## Related Criteria & Research

### Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - December 09, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology - December 09, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

### Related Research

- Taiwan Ratings' Ratings Definitions – August 10, 2020
- Media Release: Outlook On Yulon Finance Corp. And Subsidiaries Revised To Positive From Stable After Similar Parent Action; Ratings Affirmed – September 08, 2021

(Unless otherwise stated, these articles are published on [www.taiwanratings.com](http://www.taiwanratings.com))

## Ratings List

### Ratings Affirmed

#### Shinshin Credit Corp.

Issuer Credit Rating	twA-/Positive/twA-2
----------------------	---------------------

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

Copyright © by Taiwan Ratings Corp. All rights reserved.

Copyright © 2022 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, [www.taiwanratings.com](http://www.taiwanratings.com) (free of charge), and [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw) (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.