

Research Update:

TECO Electric & Machinery Co. Ltd. Ratings Affirmed At 'twA+/twA-1'; Outlook Stable

February 24, 2023

Rating Action Rationale

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

The ratings reflect TECO's stable market position and enhancing product mix for its core motor business, which helps to strengthen the stability of its profitability. The ratings also reflect our view that TECO's sustainable operating cash flow generation will enable it to maintain low debt leverage, with the ratio of debt to EBITDA below 0.5x over the next one to two years. This is despite likely heightened capital expenditure for the construction of a biotech park in Taipei City's Nangang district, expenditure for capacity expansion and maintenance for TECO's core business, and potential investment in solar power. Several factors temper these strengths. These include the company's high profit concentration on motor business, slightly weaker technology capability and product mix than that of its global peers, and the relatively weak, albeit improving, profit performance of TECO's non-motor businesses.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- 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
- 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
- General Criteria: Principles Of Credit Ratings - February 16, 2011

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Related Research

– Taiwan Ratings' Ratings Definitions – November 11, 2021

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

TECO Electric & Machinery Co. Ltd.

Issuer Credit Rating	twA+/Stable/twA-1
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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 for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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