

Media Release:

Fortune Motors Co. Ltd. Ratings Affirmed At 'twA/twA-1'; Outlook Stable

December 18, 2023

Overview

- We have affirmed the 'twA' long-term and 'twA-1' short-term issuer credit ratings on **Fortune Motors Co. Ltd.**
- The stable rating outlook reflects the company's strategically important group status to its parent China Motor Corp., and our view that Fortune Motors will maintain its very strong capitalization over the next one to two years.

Rating Action

Taiwan Ratings Corp. today affirmed its 'twA' long-term and 'twA-1' short-term issuer credit ratings on Fortune Motors Co. Ltd.

Rationale

The affirmation reflects Fortune Motors' very strong capitalization and link to the parent China Motor group. We believe Fortune Motors benefits from its association with its parent group in terms of new car sales and financing business. Fortune Motors' more relaxed underwriting standard compared with that in Taiwan's banking industry, and the company's high reliance on market-sensitive wholesale funding temper these strengths.

We continue to view Fortune Motors' prudent capital management, good earnings ability and average growth provide solid support for its very strong capitalization. In addition, we assess Fortune Motors' credit profile is linked to its parent's consolidated group credit profile.

Outlook

The stable rating outlook on Fortune Motors reflects our view that the company will remain a strategically important subsidiary to its parent China Motor group over the next two years. We see the financing company's credit profile as linked with the overall China Motor group credit profile. That's because the financing business from the group channel contributes a significant portion of Fortune Motors' overall revenue.

The outlook also reflects our view that China Motor's overall market position could improve slightly over the next two years, mainly underpinned by China Motor's introduction of the competitive MG brand in its passenger car sales segment. This is despite China Motor's

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weakened market position in Taiwan's light commercial vehicle segment amid competition from Toyota's Town Ace van. Meanwhile, strong and stable operating cash flow could continue to help China Motor to maintain a net cash position over the next two years, despite ongoing competition and industry volatility in Taiwan's car market.

Downward scenario

We may lower the long-term rating on Fortune Motors if:

- China Motor's market position in Taiwan's auto market deteriorates substantially, possibly due to a materially weakened position within the overall vehicle market;
- China Motors' cost competitiveness weakens; or
- China Motors' cash dividend received from its equity method investment weakens due to rising competition in China's commercial auto market.

Upward scenario

Conversely, we may raise the long-term rating on Fortune Motors if both the company's and its parent's credit strength improve despite our view that this is remote over the next one to two years. That's because China Motors faces stronger competition in Taiwan's commercial car market over the period.

Nonetheless, China Motor's credit strength could improve if it acquires a considerable and sustainable market share from its competitors in both commercial and passenger car segments. At the same time, Fortune Motors' stand-alone credit profile would also need to improve possibly due to a consistent track record of steady asset quality metrics or material improvement in its business stability to be comparable with that of the top industry leaders in Taiwan.

Related Criteria & Research

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology, Jun 08 2023
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec 09 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec 09 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct 10 2021
- General Criteria: Group Rating Methodology, Jul 01 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, Jul 20 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, Apr 07 2017
- General Criteria: Principles Of Credit Ratings, Feb 16 2011

Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

Fortune Motors 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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