

Media Release:

Yulon Finance And Subsidiaries Upgraded After Similar Parent Action; Outlooks Stable

September 23, 2024

Overview

- We recently upgraded **Yulon Finance Corp.'s** parent, **Yulon Motor Co. Ltd.**, to 'twA-/twA-2' to reflect sustainable improvement in the parent's debt leverage.
- We continue to view Yulon Finance's stand-alone credit characteristics to be superior to those of the parent group. We also view Yulon Finance as an insulated group entity which under our rating criteria allows for a one notch uplift to the long-term issuer credit rating on Yulon Finance above the group credit profile.
- We raised our long- and short-term issuer credit ratings on Yulon Finance and its core subsidiaries **Carplus Auto Leasing Corp.**, **Shinshin Credit Corp.**, and **Yu Rich Financial Services Co. Ltd.** to 'twA/twA-1' from 'twA-/twA-2'.
- The outlook on the long-term ratings is stable and in line with the outlook on Yulon Motor.

Rating Action

Taiwan Ratings Corp. today raised its long- and short-term issuer credit ratings on Yulon Finance and its core subsidiaries Carplus, Shinshin, and Yu Rich to 'twA/twA-1' from 'twA-/twA-2' (see Ratings List). The outlook on the long-term ratings is stable.

Rationale

The upgrade of Yulon Finance follows our similar rating action on its parent Yulon Motor. Our decision to raise the ratings on Yulon Finance reflects our view of credit linkage and name association between the finance company and its parent group in the local financial market. Nonetheless, we continue to view Yulon Finance as an insulated entity with operational separation from the parent group. At the same time, we consider Yulon Finance's stand-alone credit profile (SACP) to be superior to the group credit profile. Under our assessment of the extent of this credit insulation, our issuer credit rating on Yulon Finance can be no more than one-notch higher than the group credit profile.

Our rating action on the three subsidiaries reflects continuing resource support from Yulon Finance. We continue to view Carplus, Shinshin, and Yu Rich as core subsidiaries to Yulon Finance, given their stable contribution to the parent's consolidated profile and business strategies. We therefore believe Yulon Finance will provide timely financial support to the subsidiaries, if needed. As a result, the ratings on the subsidiaries move in tandem with our assessment of Yulon Finance's consolidated credit profile.

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Outlook

The stable rating outlook reflects our view that Yulon Finance will maintain its strong market position in the domestic car financing and leasing sectors, as well as strong capitalization over the next one to two years. In addition, we anticipate Yulon Motor maintaining a stable credit profile over the same period.

Downward scenario

We may lower the long-term rating on Yulon Finance if:

- Yulon Motor's credit profile materially deteriorates over the next one to two years, leading us to lower our assessment of the parent group credit profile; or
- Yulon Finance's SACP weakens over the same period, as demonstrated by a consolidated risk-adjusted capital ratio below 10%, or if the finance company's asset quality substantially deteriorates.

Upward scenario

We may raise the long-term rating on Yulon Finance if we raise our assessment of the company's SACP and our ratings on the parent at the same time. This could happen if Yulon Finance can sustain its capitalization at a very strong level, as demonstrated by a consolidated RAC ratio sustainably above 15%. Simultaneously, Yulon Motor would have to strengthen its credit profile significantly. However, we view this to be remote over the next two years.

Related Criteria & Research

Related Criteria

- General Criteria: Group Rating Methodology - July 01, 2019
- General Criteria: National And Regional Scale Credit Ratings Methodology - June 08, 2023
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions - March 02, 2022
- 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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Media Release: Yulon Motor Co. Ltd. Upgraded To 'twA-/twA-2' On Deleveraging; Outlook Stable – September 23, 2024
- Taiwan Ratings' Ratings Definitions – November 11, 2021

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

Ratings List

Ratings Affirmed

	To	From
Yulon Finance Corp.		
Issuer Credit Ratings	twA/Stable/twA-1	twA-/Positive/twA-2
Carplus Auto Leasing Corp.		
Issuer Credit Ratings	twA/Stable/twA-1	twA-/Positive/twA-2
Shinshin Credit Corp.		
Issuer Credit Ratings	twA/Stable/twA-1	twA-/Positive/twA-2
Yu Rich Financial Services Co. Ltd.		
Issuer Credit Ratings	twA/Stable/twA-1	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 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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