

Kapital Faktoring A.S. (/gws/en/esp/issr/96243330)



Fitch Rates Kapital Faktoring 'A+(tur)'; Stable Outlook

Fitch Ratings-London-13 October 2017: Fitch Ratings has assigned Turkey's Kapital Faktoring A.S. (Kapital) a National Long-Term Rating of 'A+(tur)' with a Stable Outlook.

KEY RATING DRIVERS

The rating reflects Kapital's position as a leading, independent company in Turkey's factoring sector. Kapital is the largest non-bank owned factoring company in Turkey by domestic factoring receivables (6% market share at end-1H17), and has a track record of sound financial metrics. In absolute terms, however, Kapital is small relative to Turkey's financial sector.

Factoring receivables made up 98% of Kapital's total assets at end-1H17, reflecting a monoline business model. Kapital mainly targets the SME and micro-commercial customer segments, in which competition has been intensified by bank-owned factoring companies. Fitch believes these customer segments are more susceptible to downturns in the Turkish economic environment.

Kapital's performance metrics are sound. Credit losses to date have been limited and the impaired receivables ratio (based on amounts overdue by 90+ days) reached a low 1.9% at end-1H17, which compares well with peers' and the sector average (4.6%). However, the rating also captures the short-term and concentrated nature of factoring receivables, which heightens risks at Kapital. Concentration risk has increased at Kapital with the 25 largest borrowers making up 53% of receivables at end-1H17. However, this risk is mitigated by most of the receivables being backed by granular cheque portfolios.

Kapital operates with high capital ratios (equity/assets of 35% at end-1H17), supported by strong internal capital generation (19% in 1H17) and supportive shareholders, and its significant capital buffers should enable the company to absorb unexpected losses. Leverage and gearing ratios are also comfortable for the rating and Kapital has consistently operated with a debt/equity ratio of around 1.8x or below. Planned rapid growth in 2H17 should be manageable, in Fitch's view.

The rating also captures Kapital's reliance on typically short-term wholesale funding. Kapital has credit lines available from Turkish banks, although these are not committed. Nevertheless, market access has been reasonable.

RATING SENSITIVITIES

Fitch believes independent factoring companies are more vulnerable to asset quality deterioration than their bank-owned peers, which could lead to liquidity and performance pressures.

The rating could be downgraded if there is significant deterioration in asset quality and a material increase in leverage or receivables concentrations. Kapital's rating is also sensitive to a marked deterioration in the operating environment.

Kapital's rating is unlikely to be upgraded given the already high rating in the context of the company's business model. However, a continued successful track record of operations, with an improved franchise and diversification of funding sources could create moderate upside for Kapital's rating.

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Relevant committee date: 12 October 2017

Additional information is available on www.fitchratings.com

Applicable Criteria

Global Non-Bank Financial Institutions Rating Criteria (pub. 10 Mar 2017) (<https://www.fitchratings.com/site/re/895236>)

National Scale Ratings Criteria (pub. 07 Mar 2017) (<https://www.fitchratings.com/site/re/895106>)

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