

MIDA ASSETS PLC

No. 161/2024
19 September 2024

FINANCIAL INSTITUTIONS/CORPORATES

Company Rating: BB
Outlook: Stable

Last Review Date: 13/09/23

Company Rating History:

Date	Rating	Outlook/Alert
31/08/22	BB	Stable
31/08/21	BB	Negative
11/08/20	BB+	Negative
10/04/20	BB+	Alert Negative
11/07/17	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Mida Assets PLC (MIDA) at “BB” with a “stable” outlook. The rating reflects the company’s small but diversified business and its improving hotel operations. However, the rating is constrained by its stagnant hire-purchase and residential property businesses, moderately high level of financial leverage, and tight liquidity.

KEY RATING CONSIDERATIONS

Modest but diversified business scale

We view MIDA’s business scale to remain modest compared with other rated entities with the company’s operating revenue ranging between THB2-THB3 billion per annum over the past five years. Its EBITDA was around THB600 million in 2023 and around THB140 million for the first six months of 2024.

Nonetheless, the company’s credit profile remains supported by its diversified sources of revenue from three uncorrelated businesses. For the first six months of 2024, revenue from the electrical home appliance hire-purchase business contributed around 22% of total revenue from sales and services, the vehicle hire-purchase business around 23%, with real estate sales and hotels and services 20% and 32% respectively.

Improved hotel performance to continue

We expect the company’s hotel performance to continue improving over the next few years underpinned by sustained demands for leisure travel and the resumption of meetings, incentives, conferences, and exhibitions (MICE) activities.

Our base-case forecast projects the overall occupancy rate (OR) of the company’s hotel portfolio to stay around 55%-65% with overall average daily rate (ADR) to increase by around 1%-5% per annum in 2024-2026. The company’s revenue from hotel operations is projected to be THB0.6-THB0.8 billion per year in 2024-2026.

The company’s hotel performance continued to improve in 2023 and the first six months of 2024 in tandem with the recovery of Thailand’s tourism industry. Company revenue from hotel operations increased by 47% year-on-year (y-o-y) to THB550 million in 2023 and increased by 17% y-o-y to THB321 million for the first six months of 2024. For the first six months of 2024, the company’s overall revenue per available room (RevPar) increased by 20% y-o-y with an overall OR of 55% and 2% y-o-y increase in ADR.

Residential property business supported by condo sales

We believe the residential property business is vulnerable to the negative effects of persistently high interest rates and increasing household debt. Mortgage lenders have adopted more cautious lending policies, which has resulted in higher mortgage rejection rates. In our view, the company’s residential unit sales may be impacted by the reduced purchasing power of homebuyers due to unfavorable economic conditions, particularly among middle- to low-income groups. This is in addition to competition from established property developers, especially in landed property projects.

In our base-case forecast, we expect the company’s revenue from real estate sales to stay around THB0.6-THB0.7 billion per annum in 2024-2025 and reach THB1.4 billion in 2026. This revenue is supported primarily by the transfer of

its condominium projects in Pattaya: The Panora Pattaya and The Panora Estuaria. At the end of June 2024, the company's backlog amounted to THB276 million, around THB200 million of which is expected to be recognized as revenue in 2024 and the rest in 2025. Due to its land cost advantage, we expect the company's gross profit margin from sales of residential property to remain healthy at around 36%-38% over the forecast period.

Stagnant growth of hire purchase business

We anticipate slow growth in the company's loan portfolio over the next few years. This is primarily due to economic challenges and heightened competition in the auto hire-purchase business. We expect no loan growth in 2024 and a loan growth of 1%-3% per annum in 2025-2026, driven mainly by the portfolio expansion at Mida Leasing PLC (ML). Therefore, the company's loan portfolio is expected to range from THB3.4-THB3.5 billion per annum in 2024-2026. We expect the earnings capacity of the company's hire-purchase businesses to remain below pre-pandemic levels over the next few years. This is due to continued pressure on loan yields from the declining purchasing power of its electrical appliance hire-purchase customers, as well as the interest rate ceiling introduced in early 2023 for the auto hire-purchase sector. The company's overall loan yield is projected to remain around 20% in 2024-2026. For the first six months of 2024, the company's overall loan yield declined further to 20%, down from 22% in 2023 and around 28% pre-pandemic. The interest income from the hire-purchase business is expected to range from THB0.6-THB0.7 billion per annum in 2024-2026.

We anticipate that the asset quality of the company's loan portfolio will remain vulnerable over the next few years due to the bleak economic conditions for the remainder of 2024 and uncertainty surrounding the economic recovery. The company's non-performing loan (NPL) ratio is expected to stay around 12%-13% in 2024-2026. For the first six months of 2024, the company's NPL ratio was 13%, compared with around 9% in 2022. Nonetheless, we expect the company to maintain its prudent underwriting criteria, such as customer screening by National Credit Bureau (NCB) scores for high value purchases to sustain its quality of asset. We expect MIDA to maintain its reserve coverage at around 50% over the forecast period. This level is deemed sufficient, in our view, as the company's hire-purchase loans have assets pledged as collateral.

Moderate financial leverage

We expect the company's financial leverage to remain moderately high over the forecast period with an expected debt to capitalization ratio of 50%-55% in 2024-2026. Our base-case assumption projects the company to launch new residential projects over the next three years. The budget for the land acquisition and rental and service business is expected to total around THB0.6 billion in three years. As we expect subdued earnings in 2024 from a slowdown in hire-purchase and in sales of residential property, the company's funds from operations (FFO) to total debt ratio is expected to remain marginal in 2024-2025 before reverting to around 6% in 2026 as operating performance improves.

The key financial covenant on MIDA's debt obligations require the company to maintain its debt to equity ratio below 2.5 times. At the end of June 2024, the ratio was 1.2 times. We expect the company to remain compliant with the financial covenants over the next 12 months.

Tight but manageable liquidity

We assess MIDA's liquidity to remain tight but manageable over the next 12 months. As of June 2024, MIDA's maturing debts over the next 12 months amounted to TH4.3 billion. This comprised THB2.1 billion in short-term borrowings from related parties, THB1.1 billion in short-term borrowings from financial institutions, THB0.7 billion in debentures, and THB0.3 billion in long-term loans. The company's source of liquidity includes cash on hand of THB0.2 billion, principal of hire purchase receivables due within one year of THB1.3 billion, and unencumbered land plots worth THB110 million at book value, which can be used as collateral for additional liquidity. ML, the company's subsidiary, plans to refinance its maturing bond, while MIDA does not currently have outstanding debentures at the parent company level.

Debt structure

As of June 2024, the company had total debt of THB5.0 billion (per priority debt consideration). The company's priority debt ratio was 67%. As this ratio exceeds the 50% threshold according to TRIS Rating's "Issue Rating Criteria", we view the company's unsecured creditors as being significantly disadvantaged to its priority debt holders with respect to the priority of claims against the company's assets.

BASE-CASE ASSUMPTIONS

These are the key assumptions in TRIS Rating's base-case forecast for MIDA's operations during 2024-2026:

- Total operating revenue to range from THB2.4-THB3.4 billion.
- Outstanding hire purchase loans to stay around THB3.4-THB3.5 billion.
- NPL ratio to stay around 12%-13%.
- Credit cost to stay around 4%-6%, and yield on loans around 20%.

- Revenue from hotel operations to range between THB600-THB800 million.
- Annual investment in land acquisition and construction for residential projects to range between THB0.7-THB0.9 billion.

RATING OUTLOOK

The “stable” outlook reflects our expectations that MIDA’s operating performance will continue to recover and that liquidity and refinancing risks will remain manageable.

RATING SENSITIVITIES

A credit upside would materialize if the company’s earnings and cash generation increase significantly, and its financial profile does not deteriorate from the current level. Conversely, the rating and/or outlook could be revised downward if the operating performance of MIDA and/or ML deteriorates further from the current level or if the liquidity risk of the group increases.

COMPANY OVERVIEW

MIDA was established by Mr. Kamol leosivikul and Mr. Thanee Diloksakayavitoon in 1991 and listed on the Stock Exchange of Thailand (SET) in 2003. As of March 2021, the leosivikul family was the largest shareholder, owning a 33% stake, followed by the Diloksakayavitoon family, with a 12% stake.

MIDA has long experience in the hire purchase business. The company provides installment sales financing for the purchase of electrical home appliances through a headquarters office and 103 branches in various provinces. MIDA focuses on hire purchase for medium- to small-scale customers in rural areas. The company has business alliances with several leading brand name electrical appliance manufacturers. Washing machines, refrigerators, and television and audiovisual facilities have been the major contributors to MIDA’s hire purchase revenue. MIDA also renders automobile hire purchase services through MIDA Laos, a subsidiary in which MIDA holds a 60% stake.

As of June 2024, outstanding hire purchase loans consisted of vehicle hire purchase loans operated by ML (79%), electrical home appliance hire purchase loans operated by MIDA (12%), and vehicle hire purchase loans operated by MIDA Laos (9%).

MIDA currently operates eight hotels in Bangkok, Petchaburi, Kanchanaburi, Nakhonpathom, Rayong, and Phuket Provinces, with a total of 1,260 rooms. The company manages the hotels under its own brands: MIDA, MIDA Grande Resort, MIDA De Sea, Ace, Xen, and Aksorn. Most hotels target the MICE (meetings, incentive travel, conventions, exhibitions) customer segment.

MIDA’s residential property business focuses on developing landed property projects and targets the middle- to low- income segments. The company offers single-detached houses (SDH), Semi-DH, and townhouse units priced between THB1-THB7 million per unit and condominium units with a selling price of THB130,000-THB140,000 per square meter (sq.m.). Most existing projects are located in Nakhon Pathom Province, while others are located in Petchaburi, Chonburi, Ratchaburi, Prachuap Khiri Khan, Khon Kaen, and Kanchanaburi Provinces.

MIDA’s hire purchase business, including hire purchase financing income and electrical home appliance sales, has contributed around 60% of total revenue from sales and services during the past five years. The residential property and hotel businesses have each contributed around 20%. Revenue from rental assets and service income remained insignificant.

KEY OPERATING PERFORMANCE

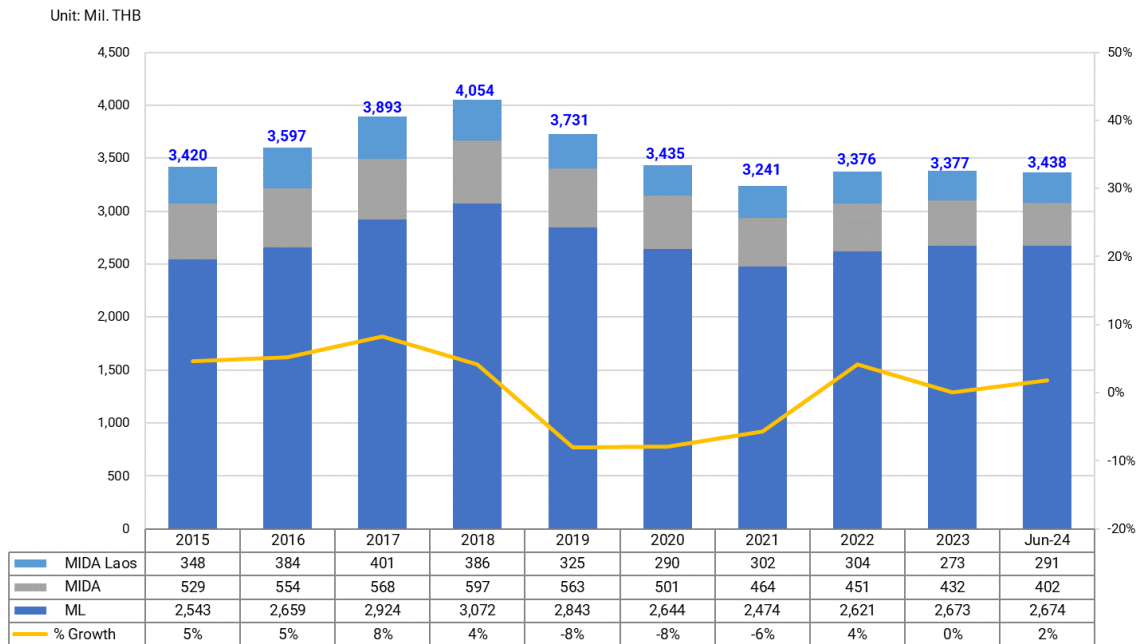
Table 1: MIDA's Revenue Breakdown by Business

Unit: %

Revenue Breakdown	2016	2017	2018	2019	2020	2021	2022	2023	Jan-Jun 2024
Sales of merchandises	20	19	18	16	14	17	15	9	10
Hire purchase financing income	41	42	42	43	45	48	40	26	34
Property sales	26	20	21	20	24	23	24	45	20
Golf course service and rental income	-	1	-	-	-	-	1	-	1
Hotel operations	10	14	16	19	16	11	19	19	32
Services	3	4	3	2	1	1	1	1	3
Revenue from sales and services	100	100	100	100	100	100	100	100	100
Revenue from sales and services (Mil. THB)	2,459	2,534	2,649	2,585	2,182	1,771	1,934	2,856	993

Source: MIDA

Chart 1: MIDA's Hire Purchase Outstanding Loans



Source: MIDA

Table 2: MIDA's Hotel Performance

Hotel	2016	2017	2018	2019	2020	2021	2022	2023	6M-24
No. of Room	822	830	942	1,005	1,306	1,283	1,279	1,276	1,204
ARR (THB/room/night)	1,141	1,322	1,352	1,429	1,550	1,530	1,627	1,689	1,782
OR (%)	52	52	55	56	27	17	31	47	55
RevPar (THB /room/night)	597	688	750	796	422	254	499	795	979

Source: MIDA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	1,072	3,022	2,105	1,915	2,311
Earnings before interest and taxes (EBIT)	69	525	190	92	259
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	141	628	342	245	417
Funds from operations (FFO)	(25)	185	(18)	(53)	93
Adjusted interest expense	166	349	336	263	289
Hire purchase receivables (after allowance)	3,147	3,171	3,231	3,100	3,264
Total assets	10,900	10,533	11,027	10,931	11,218
Adjusted debt	4,970	4,621	5,341	5,130	4,830
Adjusted equity	4,898	4,918	4,644	4,811	5,029
Adjusted Ratios					
Operating income as % of total operating revenues (%)	0.2	10.0	4.1	1.6	7.4
Pretax return on permanent capital (%)	4.0 **	5.3	1.9	0.9	2.5
EBITDA interest coverage (times)	0.8	1.8	1.0	0.9	1.4
Debt to EBITDA (times)	10.0 **	7.4	15.6	21.0	11.6
FFO to debt (%)	1.5 **	4.0	(0.30)	(1.0)	1.9
Debt to capitalization (%)	50.4	48.4	53.5	51.6	49.0
Interest-Bearing Debt to Equity (times)	1.0	1.0	1.2	1.1	1.1

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Financial Institution Rating Methodology, 24 November 2023
- Homebuilders and Real Estate Developers Rating Methodology, 12 January 2023
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Mida Assets PLC (MIDA)

Company Rating:	BB
Rating Outlook:	Stable

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