

AYUDHYA CAPITAL AUTO LEASE PLC

No. 119/2022

18 November 2022

FINANCIAL INSTITUTIONS

Company Rating:	AA+
Issue Ratings:	
Senior unsecured	AA+
Outlook:	Stable

Last Review Date: 28/10/22

Company Rating History:

Date	Rating	Outlook/Alert
25/10/19	AA+	Stable
07/12/16	AA	Stable
29/12/14	AA-	Stable
26/12/13	A+	Alert Developing
24/04/09	A+	Stable
27/11/08	A	Positive
25/07/00	A+	Stable
03/02/00	A	Stable
18/02/98	A-	Stable
27/08/97	A	Stable
03/07/97	A	Negative
04/04/97	A	Stable

Contacts:

Sithakarn Tongphiphat, CFA, FRM
sithakarn@trisrating.com

Pawin Thachasongtham
pawin@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweechok Jiamsakunthum
taweechok@trisrating.com

Narumol Charchanavivat
narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Ayudhya Capital Auto Lease PLC (AYCAL) and the ratings on its outstanding senior unsecured debentures at “AA+” with a “stable” rating outlook. At the same time, TRIS Rating assigns the “AA+” rating to AYPAL’s proposed issue of up to THB1.5 billion in senior unsecured debentures and an over-allotment of up to THB1.5 billion maturing within five years. The proceeds from the new debenture issuance will be used for debt repayment and working capital.

The ratings reflect AYPAL’s status as a highly strategic subsidiary of Bank of Ayudhya PLC (BAY), rated “AAA” with a “stable” outlook by TRIS Rating. The ratings take into consideration the business support and financial support AYPAL receives from BAY. According to TRIS Rating’s “Group Rating Methodology”, the company rating on AYPAL is assigned one notch below the company rating on BAY, based on the assessed group status.

The company maintains its strong market position as the leading operator of motorcycle hire purchase loans, thanks to the business and financial support the company receives from BAY despite the highly competitive environment in the industry. Other key strengths are strong capital base, ample liquidity, and well managed asset quality.

AYCAL’s 2021 operating results were slightly lower than our expectations given the economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic which led to new loan contraction in 2021. At the end of 2021, outstanding loans totaled THB44.8 billion, down by 6.3% year-on-year (y-o-y). Net income for 2021 was THB2.2 billion, 15% lower y-o-y. The drop in net income was caused by a combination of a slowdown in new lending and higher credit cost. In 2021, credit cost rose to 2.7% of average loans from 2.0% and 1.4% in 2020 and 2019, respectively. The ratio of non-performing loans to total loans (NPL ratio) dropped to 1.29% at the end of 2021 from 1.73% at the end of 2020. This is due to the high NPL write-offs in 2021.

Looking forward, the company’s asset quality could potentially weaken similar to peers given the still-weak economy and high inflation. Its loan yield is also likely to be under pressure due to fierce competition and the regulatory limit on interest rates for motorcycle hire purchase loans at 23%. Nevertheless, the impact on yield should be less for AYPAL compared to peers given the greater mix of loans for high-engine capacity motorcycles whose yields are already below the imposed ceiling. That said, the yield limit coupled with higher funding cost and credit cost may constrain company’s future performance and profitability.

RATING OUTLOOK

The “stable” outlook reflects our expectation that AYPAL’s business direction will remain closely aligned with BAY’s strategy. The outlook also assumes that AYPAL’s status as a highly strategic subsidiary of BAY will be maintained and that it will continue to receive strong support from its parent bank.

RATING SENSITIVITIES

The ratings and/or outlook could be upgraded if AYCAL's status to the group is elevated to a higher level, although this is unlikely in the foreseeable future in our view. In contrast, the ratings/outlook could be revised downward should BAY's ratings/outlook be downgraded, or TRIS Rating takes the view that AYCAL's status in the BAY Group has weakened materially.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 7 September 2022
- Nonbank Financial Institution Methodology, 17 February 2020

Ayudhya Capital Auto Lease PLC (AYCAL)

Company Rating:	AA+
Issue Ratings:	
AYCAL22NA: THB1,500 million senior unsecured debentures due 2022	AA+
AYCAL232A: THB2,000 million senior unsecured debentures due 2023	AA+
AYCAL23DA: THB1,300 million senior unsecured debentures due 2023	AA+
AYCAL245A: THB3,000 million senior unsecured debentures due 2024	AA+
AYCAL265A: THB1,000 million senior unsecured debentures due 2026	AA+
Up to THB1,500 million senior unsecured debentures and an over-allotment of up to THB1,500 million due within 5 years	AA+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria