

AYUDHYA CAPITAL AUTO LEASE PLC

No. 4/2019
11 January 2019

FINANCIAL INSTITUTIONS

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

Last Review Date : 12/11/18

Company Rating History:

Date	Rating	Outlook/Alert
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

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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" outlook. At the same time, TRIS Rating assigns the rating on AYCAL's proposed issue of up to Bt2,000 million in senior unsecured debentures at "AA". The proceeds from the new debentures will be used for loan repayment. The ratings reflect the company's market position as the leading originator of motorcycle hire purchase loans, strong capital base, and rigorous risk management system.

In addition, the ratings take into consideration the business support and financial support AYCAL receives from Bank of Ayudhya PLC (BAY), rated "AAA" with a "stable" outlook by TRIS Rating. The ratings of AYCAL are enhanced from its stand-alone rating because TRIS Rating holds the view that the company is a strategically important subsidiary of BAY.

However, the strengths are weighed down by concerns over intense competition and potential rise in credit risk. The company's target customers are especially susceptible to economic downturns. In addition, there remains a significant amount of uncertainty surrounding the effect that the forthcoming regulations will have on the interest rates, fees, and market conduct of all non-bank financial institutions.

In the first half of 2018 (unaudited), AYCAL's loan portfolio is Bt50,845 million. The ratio of non-performing loans (NPLs) to total loans has remained relatively low, 2.0% at the end of June 2018. The NPL Coverage ratio was 247% at the end of June 2018, higher compared to 216% at the end of 2017. The capital base remains strong with debt to equity ratio of 0.77 times at the end of June 2018. Meanwhile, the return on average assets rose to 7.6% (annualized) for the first half of 2018, from 7.1% in 2017.

RATING OUTLOOK

The "stable" outlook reflects the expectation that AYCAL's business direction will remain closely aligned with BAY's strategy. The outlook reflects the assumption that AYCAL will continue to receive a high level of support from its parent bank. The outlook also considers the ability of the management team to maintain AYCAL's strong market position as a leading motorcycle hire purchase lessor. With its experienced management team, rigorous risk management system, and strong support from BAY, TRIS Rating expects AYCAL's profitability and capital base will stay strong enough to serve as cushions against any downside risks in the motorcycle hire purchase business.

RATING SENSITIVITIES

The ratings could be upgraded if the company's market position improves significantly while still maintaining a strong financial profile. In contrast, any deterioration in competitive position or asset quality would negatively affect the ratings. Should there be any change in TRIS Rating's view of the strategic importance of AYCAL to the BAY Group, the ratings may change. In addition, there remains a significant amount of uncertainty surrounding the effect that the forthcoming regulations will have on the interest rates, fees, and market conduct of all non-bank financial institutions.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018

Ayudhya Capital Auto Lease PLC (AYCAL)

Company Rating:	AA
Issue Ratings:	
AYCAL191A: Bt1,000 million senior unsecured debentures due 2019	AA
AYCAL197A: Bt1,700 million senior unsecured debentures due 2019	AA
AYCAL207A: Bt2,500 million senior unsecured debentures due 2020	AA
Up to Bt2,000 million senior unsecured debentures due within 1 year	AA
Rating Outlook:	Stable

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