

# PHATRA LEASING PLC

No. 62/2024  
15 July 2024

## FINANCIAL INSTITUTIONS

**Company Rating:** BBB+  
**Issue Ratings:**  
Senior unsecured BBB+  
**Outlook:** Stable

**Last Review Date:** 02/02/24

### Company Rating History:

Date	Rating	Outlook/Alert
07/08/20	BBB+	Stable
07/08/19	A-	Negative
25/07/13	A-	Stable
30/03/11	A-	Positive
09/08/05	A-	Stable
12/07/04	BBB+	Stable
10/10/02	BBB+	-
23/08/00	BBB	-

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## RATIONALE

TRIS Rating assigns a rating of “BBB+” to Phatra Leasing PLC’s (PL) proposed issue of up to THB1 billion senior unsecured debentures maturing within three years with an over-allotment option of up to THB500 million. The proceeds from the new debentures will be used for the company’s debt repayments and/or working capital.

At the same time, TRIS Rating affirms the company rating on PL and the ratings on PL’s outstanding senior unsecured debentures at “BBB+” with a “stable” outlook.

The ratings reflect the company’s prominent market position in the operating lease business and its strategic diversification towards non-automobile financial leasing. The diversification has served to enhance profitability and mitigate the potential impact of increasing electric vehicle adoption.

The ratings also take into consideration the company’s moderate financial leverage, conservative funding profile, and ample liquidity. However, the ratings are tempered by its moderate cash flow protection, lower profitability due to intense competition in the operating lease industry, and high customer concentration risk.

In the first quarter of 2024 (1Q24), PL reported EBIT of THB98 million, up 20.5% year-on-year (y-o-y). This was in line with our projection. The growth was primarily driven by an improved gross profit margin (GPM) in the operating lease business. The GPM of operating lease business increased to 16.4% in 1Q24 from 13.9% in 1Q23. However, this positive trend was partially offset by a decrease in the GPM from sales of retired assets, which fell to 8.8% in 1Q24 from 10.4% in 1Q23.

PL’s cash flow protection, measured by the EBIT interest coverage ratio, fell to 1.24 times in 1Q24 from 1.67 times in 2023. The decline was mainly due to higher funding costs, which stemmed from a higher proportion of long-term borrowings. This strategy aligns with the company’s intention to secure stable funding sources amid economic uncertainties. Consequently, the company’s funding cost rose to 3.8% in the first quarter of 2024, compared with 3.2% in 2023.

We project PL’s EBIT interest coverage to improve marginally in the second half of 2024 (2H24) and 2025, driven by a gradual recovery in used car prices. We also expect the GPM from sales of retired assets to rebound to 10% in 2H24 and 2025. However, PL is likely to continue facing high funding costs, which we forecast to be around 4% in 2024.

PL’s funding profile remains relatively conservative, as evidenced by the high proportion of long-term borrowings (including the current portions), making up 89% of total borrowings at the end of March 2024. This could help mitigate the risk of asset-liability mismatches to some extent. At the end of March 2024, PL had available credit lines totaling THB1.9 billion from various financial institutions. This should be sufficient to support liquidity needs over the next 12 months. PL’s financial flexibility is supported by its ability to access the debt and equity capital markets, if needed.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that the company will maintain its market position and financial performance as well as cashflow protection at the current levels.

## RATING SENSITIVITIES

PL’s credit upside would materialize if the company’s cash flow protection, measured by the EBIT interest coverage ratio rises well above 1.7 times for a sustained period, while EBIT improves in tandem. Conversely, the ratings and/or outlook could be revised downward if the company’s EBIT interest coverage ratio falls below 1.3 times for an extended duration.

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Issue Rating Criteria, 15 June 2021

## Phatra Leasing PLC (PL)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
PL258A: THB600 million senior unsecured debentures due 2025	BBB+
PL263A: THB500 million senior unsecured debentures due 2026	BBB+
PL268A: THB900 million senior unsecured debentures due 2026	BBB+
PL272A: THB440 million senior unsecured debentures due 2027	BBB+
PL282A: THB560 million senior unsecured debentures due 2028	BBB+
Up to THB1,000 million senior unsecured debentures with over-allotment option of up to THB500 million due within 3 years	BBB+
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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