

MUANGTHAI CAPITAL PLC

No. 49/2023
3 May 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 01/02/23

Company Rating History:

Date	Rating	Outlook/Alert
30/04/19	BBB+	Stable
19/08/15	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Muangthai Capital PLC (MTC) and the ratings on its outstanding senior unsecured debentures at “BBB+” with a “stable” rating outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to MTC’s proposed issue of up to THB10 billion senior unsecured debentures due within five years and one month. The proceeds will be used for debt refinancing and loan portfolio expansion.

The ratings reflect MTC’s superior market position in the title loan business and strong capital base. The ratings also reflect the company’s earnings stability, as well as its diversified and adequate funding sources, and sufficient liquidity. However, the ratings are constrained by signs of its deteriorating asset quality due to the uncertain economic recovery.

MTC’s expertise in the title loan business and continuous branch network expansion should enable the company to maintain its top market position over the next few years. Its outstanding loans increased by 31% year-on-year (y-o-y) to THB121 billion at the end of 2022. We assume MTC’s overall loan portfolio will increase by 16%-18% per year in 2023-2024, backed mainly by title loans whose demand remains resilient.

In terms of overall asset quality, MTC’s non-performing loans (NPL) or stage-3 receivables to total loans (NPL ratio) has shown signs of an upward trend, increasing to 2.9% at the end of December 2022 from 1.4% as of December 2021. NPL formation surged to 3.1% in 2022 from 0.93% in 2021. At the same time the expected credit loss (ECL) provisions to average loans (credit cost) also rose to 2.7% in 2022 from about 1% in the past.

Deterioration in asset quality was driven mainly by increased delinquency in unsecured personal loans, nano finance, and especially new motorcycle hire purchase (HP), in line with most peers. Going forward, MTC is likely to expand these businesses more cautiously. Further deterioration in asset quality could pressure the earnings capabilities and the ratings. TRIS Rating expects asset quality to remain manageable and have an immaterial impact on the company’s risk position over the forecast period.

We believe MTC should be able to maintain its profitability over the next few years, despite higher provision expenses and a lower interest spread compared with the past, as we expect the company will focus on controlling operating expenses. The company’s earnings capability, measured by earnings before taxes to average risk-weighted assets (EBT/ARWA) remained moderate. In 2022, the EBT/ARWA ratio was 4.9%, while net profit increased by 3% y-o-y to THB5.1 billion. We estimate its EBT/ARWA to stay around 5% range during 2023-2024.

In terms of capital, MTC’s risk-adjusted capital (RAC) ratio remains strong at around 20% at the end of 2022. Its debt to equity (D/E) ratio stood at 3.4 times at the end of 2022 compared with the D/E covenant on its debt obligations of 4.5 times. We expect the company’s earnings and conservative dividend payout policy will support its stable equity base despite robust credit growth.

We assess the company’s funding and liquidity position as adequate. The company’s access to both debt and equity capital markets as well as credit facilities from financial institutions provide it with sufficient and diversified funding sources to support growth and mitigate liquidity risk. At the end of March

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.

2023, the company had available credit facilities from various financial institutions totaling THB41.3 billion, 16% of which were undrawn.

RATING OUTLOOK

The “stable” outlook is based on our expectation that MTC will maintain its market position in the title loan segment. The outlook also assumes that its profitability and capital stay strong, while asset quality remains manageable.

RATING SENSITIVITIES

An upward revision on the ratings and/or outlook could occur if MTC’s RAC rises well above 25% on a sustained basis while financial performance measured by EBT/ARWA remains sound, at around the current level. Conversely, the ratings and/or outlook could be revised downward should there be significant deterioration in MTC’s asset quality, or if the company’s capital position weakens materially, with the RAC ratio falling below 15% for an extended period.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Muangthai Capital PLC (MTC)

Company Rating:	BBB+
Issue Ratings:	
MTC237A: THB1,756.70 million senior unsecured debentures due 2023	BBB+
MTC23NB: THB1,319.20 million senior unsecured debentures due 2023	BBB+
MTC23NC: THB2,836.60 million senior unsecured debentures due 2023	BBB+
MTC243B: THB2,486 million senior unsecured debentures due 2024	BBB+
MTC248A: THB1,641.80 million senior unsecured debentures due 2024	BBB+
MTC248C: THB2,728.20 million senior unsecured debentures due 2024	BBB+
MTC248D: THB1,328.40 million senior unsecured debentures due 2024	BBB+
MTC240A: THB2,367 million senior unsecured debentures due 2024	BBB+
MTC24NA: THB1,902 million senior unsecured debentures due 2024	BBB+
MTC252A: THB1,609 million senior unsecured debentures due 2025	BBB+
MTC253A: THB1,969.50 million senior unsecured debentures due 2025	BBB+
MTC256A: THB2,200 million senior unsecured debentures due 2025	BBB+
MTC258A: THB1,361.80 million senior unsecured debentures due 2025	BBB+
MTC258B: THB2,124.50 million senior unsecured debentures due 2025	BBB+
MTC25NA: THB1,598 million senior unsecured debentures due 2025	BBB+
MTC262A: THB1,391 million senior unsecured debentures due 2026	BBB+
MTC263A: THB1,995.20 million senior unsecured debentures due 2026	BBB+
MTC264A: THB1,634.60 million senior unsecured debentures due 2026	BBB+
MTC266A: THB1,831.10 million senior unsecured debentures due 2026	BBB+
MTC268A: THB996.40 million senior unsecured debentures due 2026	BBB+
MTC26NA: THB1,000 million senior unsecured debentures due 2026	BBB+
MTC272A: THB1,000 million senior unsecured debentures due 2027	BBB+
MTC273A: THB927.70 million senior unsecured debentures due 2027	BBB+
MTC276A: THB933.20 million senior unsecured debentures due 2027	BBB+
MTC283A: THB1,121.10 million senior unsecured debentures due 2028	BBB+
Up to THB10,000 million senior unsecured debentures due within 5 years 1 month	BBB+
Rating Outlook:	Stable

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