

# MIDA ASSETS PLC

No. 80/2017

11 July 2017

**Company Rating:** BBB-  
**Outlook:** Stable

## Rating Rationale

TRIS Rating assigns the company rating of Mida Assets PLC (MIDA) at “BBB-”. The rating reflects MIDA’s diversified business line, its proven track record in installment sales financing businesses, and the stable earnings from its auto hire purchase business, the core operation operated by its subsidiary, Mida Leasing PLC (ML). The rating also takes into consideration MIDA’s relatively small revenue base in the real estate development projects and hotel operations as well as its less diversified sources of funding. In addition, the rating is constrained by a slowdown in the domestic economy, which may limit its revenue expansion in the short to medium term.

MIDA was established by Mr. Kamol leosivikul and Mr. Thanes Diloksakayaviton in 1991 and listed on the Stock Exchange of Thailand (SET) in 2003. As of December 2016, the leosivikul family continued to be the company’s largest shareholder, owning a 27% stake, with the Diloksakayaviton family owning a 12% stake.

MIDA’s business profile is supported by its business diversity among hire purchase, hotel, and real estate development businesses, with revenue contribution of 70%, 16%, and 10%, respectively, in the first quarter of 2017. Apart from the three major business lines, MIDA also had revenue from the golf course rental service and other services, which contributed 4% of total revenue.

MIDA has experience in the hire purchase business. As of March 2017, MIDA provided installment sales financing for the purchase of home electrical appliances through a headquarters office and 91 branches nationwide. MIDA also renders the automobile hire purchase service in Thailand through ML and in the Lao People’s Democratic Republic (Lao PDR) through Mida (Lao) Financing Co., Ltd. (MIDA Lao), the subsidiaries in which MIDA holds a 47% share and a 60% share, respectively.

As of December 2016, the company’s outstanding loan portfolio was Bt3,597 million, comprising used car receivables from ML at 75% of total loans, home electrical appliances at 15%, and car receivables from MIDA Lao at 10%. MIDA has strengthened its underwriting criteria and implemented stringent control of collections. The non-performing loan (NPL) ratio (the non-performing hire purchase receivables more than 90 days past to total hire purchase receivables) was 3%-4% over the past few years.

In the property development business, MIDA has had an acceptable track record for 10 years. However, the company needs time to prove its ability to deliver impressive operating and financial performances in the medium term. The company focuses on developing low-rise housing projects and targets the middle-to-low-income segment. As of March 2017, MIDA had 11 housing projects remaining in its portfolio, with total project value of Bt4,365 million. MIDA was successful in developing three condominium projects in Nakhon Pathom and Nonthaburi provinces. New single detached house (SDH) and townhouse projects have been launched in Nakhon Pathom and Khon Kaen provinces.

MIDA entered into the hotel business about five years ago. The company made a huge investment in new hotel projects during 2015 and 2016. Currently, MIDA’s hotel portfolio consists of 822 rooms at six hotel properties located in Bangkok, Kanchanaburi, Nontaburi, Nakhon Pathom, and Petchaburi. As a new business, the hotel business generated a relatively small revenue base and needs time to demonstrate success in the medium term.

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MIDA manages the hotel properties under its own “MIDA” and “Xen” brands. The target customers are the operators of business meetings and seminars requiring audiovisual facilities as well as conference and banquet equipments. In addition, MIDA has hired an international hotel chain, “Redisson Blu” to handle the leisure tourist segment. The company is now constructing a new hotel in Rayong which is expected to be completed and operational in late 2017. Revenue contribution from hotel operation increased to 9% in 2016 and 16% in the first quarter of 2017, from 5%-7% during 2012-2014.

MIDA’s profitability is considered weak due to the huge investment in the hotel business during 2015 and 2016, but has a potential to improve in the next three years. MIDA reported Bt2,200 million to Bt2,500 million in total consolidated revenue during 2013-2016 and Bt546 million in the first quarter of 2017. MIDA’s operating profit margin, as measured by operating income before depreciation and amortization as a percentage of sales and adjusted with interest expense, maintained at around 10%-12% during 2013 to 2016. The profit margin is forecast to stay around 12%-14% during 2017-2019. The strengthened profitability was due primarily to the hotel business, which generates a higher profit margin.

MIDA has a strong capital base. According to its financial covenant, MIDA has to keep its interest-bearing debt to equity ratio below 2 times. The interest-bearing debt to equity ratio increased to 0.8-0.9 times during 2015 to March 2017, from around 0.6 times during 2013-2014. The interest-bearing debt to equity ratio is expected to stay below 1 time over the next three years from its investment plans.

MIDA’s liquidity profile is adequate. The ratio of funds from operations (FFO) to total debt was around 8.2% in 2016 and 8.25% for the first quarter of 2017. The ratio of earnings before interest, tax, depreciation, and amortization (EBITDA) to interest coverage was sustained at around 3 times during 2013-2016.

MIDA’s financial flexibility, as of March 2017, was supported by cash on hand of Bt68 million and credit facilities from long-term project loans of Bt1,375 million. In addition, MIDA receives monthly installment from the hire purchase business of approximately Bt200 million, which should be sufficient to cover its debt due of around Bt1,700 million over the next 12 months.

#### **Rating Outlook**

The “stable” outlook is based on TRIS Rating’s expectation that the market positions and financial performances of all of MIDA’s main businesses will remain satisfactory. In addition, the company is expected to complete the new residential project on schedule and transfer the finished units to customers as planned.

The credit upside case would arise if MIDA improves its market position and competitive position while still delivering strong financial results on a sustainable basis. The rating could be revised downward should MIDA’s operating performance or asset quality significantly deteriorate.

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BBB-

**Rating Outlook:**

Stable

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Financial Statistics and Key Financial Ratios\*

Unit: Bt million

	Jan-Mar 2017	----- Year Ended 31 December -----			
		2016	2015	2014	2013
Revenue	546	2,459	2,356	2,235	2,249
Gross interest expense	56	178	139	141	170
Net income from operations	31	185	175	141	290
Funds from operations (FFO)	99	377	424	323	271
Capital expenditures	95	648	769	452	107
Total assets	10,231	10,227	9,051	7,851	6,953
Total debts	4,554	4,603	3,549	2,718	2,102
Shareholders' equity	4,898	4,873	4,758	4,384	4,178
Operating income before depreciation and amortization as % of sales***	13.93	9.91	12.10	12.62	10.14
Pretax return on permanent capital (%)***	3.59**	3.61	3.58	2.86	5.99
Earnings before interest, tax, depreciation, and amortization (EBITDA) interest coverage (times)	2.54	3.17	3.10	2.82	3.43
FFO/total debt (%)	8.25**	8.20	11.94	11.89	12.91
IBD to equity (times)	0.93	0.94	0.75	0.62	0.50

- \* Consolidated financial statements  
 \*\* Annualized with trailing 12 months  
 \*\*\* Including interest expense

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