

RATCHTHANI LEASING PLC

No. 17/2022
11 February 2022

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 15/10/21

Company Rating History:

Date	Rating	Outlook/Alert
10/04/20	A-	Stable
14/03/19	A-	Alert Negative
19/10/16	A-	Stable
25/01/12	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ratchthani Leasing PLC (THANI) and the ratings on THANI's existing senior unsecured debentures at "A-" with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "A-" to THANI's proposed issue of up to THB1 billion senior unsecured debentures due within four years. The proceeds from the new debentures are intended for use in business operations and for debt repayment.

The company rating on THANI incorporates a rating enhancement from its stand-alone credit profile (SACP) to reflect the company's status as a "strategically important" entity of Thanachart Capital PLC (TCAP), rated "A/Stable" by TRIS Rating. The enhancement reflects THANI's strong revenue and cashflow contributions to TCAP. THANI also receives business and financial support from TCAP.

The SACP on THANI at "bbb+" reflects its strong niche-market position in the hire-purchase loan market, focusing on the commercial truck and luxury car segments. The rating also considers the company's ability to maintain its market position, strong capital base, and sound financial performance. However, the strengths are pressured by concerns over intense competition in the commercial truck loan market and its deteriorating asset quality due to the weak economic environment. These factors might constrain the company's profitability over the next few years.

We expect THANI to maintain its market position over the next few years as we believe the gradual expansion after the slower business volume should be in line with the industry as a whole. We estimate that THANI's loan portfolio will grow by 6% per year in 2022-2023. This will be driven mainly by truck loans in the logistics segment and luxury car loans - the company's main areas of expertise. The company's outstanding loans stood at THB49 billion at the end of September 2021, an increase of 2% year-to-date (YTD).

THANI's asset quality declined moderately due to the weak economy. Nonetheless, we expect credit risk to remain manageable, supported by its prudent credit policy, improved loan collection, and adequate loan loss reserves. The ratio of non-performing or stage-3 loans to total loans (NPL ratio) was 4.3% at the end of September 2021, up from 3.1% at the end of 2020.

THANI's capital base, measured by risk-adjusted capital ratio (RAC), is relatively strong. The company's RAC was 22.5% at the end of September 2021. The company's earnings capability, measured by earnings before taxes to average risk-weighted assets (EBT/ARWA), is assessed as moderate with a ratio of 4.3% (annualized). THANI reported net profit of THB1.3 billion for the first nine months of 2021. We estimate its RAC to remain strong at 23% with EBT/ARWA of 4.2% during 2022-2023. This is due to effective management of provision expenses, interest spread, and operating expenses.

We assess the company to have an adequate funding and liquidity position. The company's access to both debt and equity capital markets as well as credit facilities from financial institutions provides a variety of available funding sources that support its funding and liquidity profile.

RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that THANI will maintain its current market position, capital position, and earnings capability. The outlook also takes into consideration our anticipation that the company’s asset quality will remain manageable amid a weak credit environment.

RATING SENSITIVITIES

THANI’s SACP could be revised upward if its capital base is materially strengthened, with the RAC ratio hovering at a level above 25% for a sustained period. The issuer credit rating (ICR) could be upgraded if TCAP’s rating is upgraded. The SACP could be revised downward if the company’s capital position weakens materially, with the RAC ratio falling below 9%, or if asset quality deteriorates substantially with credit cost rising above 5%, significantly affecting profitability and capital. A downgrade of the rating on TCAP could also pressure the rating on THANI.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Ratchthani Leasing PLC (THANI)

Company Rating:	A-
Issue Ratings:	
THANI227A: THB1,745.2 million senior unsecured debentures due 2022	A-
THANI220A: THB1,200 million senior unsecured debentures due 2022	A-
THANI237A: THB486.3 million senior unsecured debentures due 2023	A-
THANI23NA: THB3,439 million senior unsecured debentures due 2023	A-
THANI247A: THB593.7 million senior unsecured debentures due 2024	A-
THANI254A: THB1,000 million senior unsecured debentures due 2025	A-
THANI255A: THB593 million senior unsecured debentures due 2025	A-
THANI264A: THB700 million senior unsecured debentures due 2026	A-
THANI274A: THB1,300 million senior unsecured debentures due 2027	A-
Up to THB1,000 million senior unsecured debentures due within 4 years	A-
Rating Outlook:	Stable

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