

NGERN TID LOR CO., LTD.

No. 68/2020
2 September 2020

FINANCIAL INSTITUTIONS

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

Last Review Date : 29/11/19

Company Rating History:

Date	Rating	Outlook/Alert
06/12/18	A-	Stable
12/10/18	A	Alert Developing
19/09/16	A	Stable
24/04/14	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ngern Tid Lor Co., Ltd. (NTL) and the ratings on NTL's outstanding senior unsecured debentures at "A-" with a "stable" outlook. At the same time, TRIS Rating assigns a "A-" rating to NTL's proposed issues of up to THB1.5 billion in senior unsecured debentures. The company will use the proceeds from the proposed issues to fund its operation and refinance its existing debts.

The ratings on NTL are enhanced from the stand-alone rating based on the company's status as an important subsidiary of Bank of Ayudhya PLC (BAY, rated "AAA/Stable" by TRIS Rating). The ratings consider the business and financial support NTL receives from BAY.

On a stand-alone basis, the ratings reflect NTL's solid market position as one of the leading lenders of auto title loans. Other factors taken into account include: healthy asset quality achieved through prudent risk management practices and ample funding and liquidity. However, the intense competition in the consumer finance segment still constrains the ratings to some extent.

NTL's operating results for the first half of 2020 remained sound despite the impact of economic lockdown induced by the Coronavirus Disease 2019 (COVID-19). For June 2020, the company reported outstanding loans at THB46.7 billion, lower by 2.7% year-to-date. The ratio of non-performing loans to total loans (NPL ratio) increased to 1.66% at the end of June 2020 from 1.28% at the end of 2019. The rise in NPL ratio was attributed to the weakening economy and the company's optimization of risk appetite given higher yields and ample loan loss reserve levels, which reflect the risk-adjusted pricing doctrine adopted by the company.

Net income for the first half 2020 was at THB982 million, lower 5% year-on-year (y-o-y) compared with the same period of previous year. The drop in net income was mainly contributed by lowering interest income in the second quarter of 2020 due to the debt relief program given to customers.

RATING OUTLOOK

The "stable" outlook is based on TRIS Rating's expectation that NTL will maintain its market position and deliver satisfactory performance. Loan quality is expected to be controlled at an acceptable level. The support NTL receives from its parent bank is expected to continue, especially the financial support.

RATING SENSITIVITIES

A rating upward revision could arise if NTL significantly improves its market position, continues to deliver strong financial performance, and controls credit cost at an acceptable level. The ratings could be revised downward if NTL's competitive position or asset quality deteriorates significantly or the risk adjusted capital (RAC) ratio drops below 15%. If there are any changes in the degree of importance of NTL to the BAY Group, the ratings may change.

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 Financial Institutions Rating Methodology, 17 February 2020
- Group Rating Methodology, 10 July 2015

Ngern Tid Lor Co. Ltd. (NTL)

Company Rating:	A-
Issue Ratings:	
NTL20DA: THB400 million senior unsecured debentures due 2020	A-
NTL20NA: THB1,000 million senior unsecured debentures due 2020	A-
NTL21DA: THB1,500 million senior unsecured debentures due 2021	A-
NTL217A: THB1,900 million senior unsecured debentures due 2021	A-
NTL221A: THB4,000 million senior unsecured debentures due 2022	A-
NTL22DA: THB450 million senior unsecured debentures due 2022	A-
Up to THB1,500 million senior unsecured debentures due within 3 years	A-
Rating Outlook:	Stable

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