

NGERN TID LOR PLC

No. 81/2022
8 August 2022

FINANCIAL INSTITUTIONS

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

Last Review Date: 11/07/22

Company Rating History:

Date	Rating	Outlook/Alert
27/05/21	A	Stable
11/01/21	A-	Alert Developing
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 PLC (TIDLOR) and the ratings on TIDLOR's outstanding senior unsecured debentures at "A" with a "stable" outlook. At the same time, TRIS Rating assigns the "A" rating to TIDLOR's proposed issue of up to THB1.5 billion in senior unsecured debentures maturing within three years including an over-allotment option of up to THB 500 million. The company intends to use the proceeds from the proposed debenture issue for debt repayment and for funding its operation.

The ratings incorporate a one-notch enhancement from TIDLOR's stand-alone credit profile (SACP) assessed at "a-". The enhancement reflects our assessment of TIDLOR's status as a "strategic" affiliate of Bank of Ayudhya PLC (BAY, rated "AAA/Stable" by TRIS Rating). We believe TIDLOR will continue to receive business and financial support from BAY in the foreseeable future.

On a stand-alone basis, the ratings reflect TIDLOR's solid market position as one of the leading lenders of auto title loans and insurance brokers. Other factors taken into account include the company's strong capital base, healthy asset quality achieved through prudent risk management practices, as well as ample funding and liquidity. However, the intense competition in the consumer finance segment remains a constraint on the ratings to some extent.

The company's performance in the first quarter of 2022 (1Q22) is on track to meet our expectation. At the end of 1Q22, TIDLOR's outstanding loan portfolio increased to THB65.7 billion, a 23.2% growth year-on-year (y-o-y) and 6.9% quarter-on-quarter (q-o-q). Net income was THB940 million, an increase of 20.1% y-o-y, driven by higher interest income from strong credit growth, higher fee and service income, and lower interest expenses. Its well-controlled asset quality also helps keep the provisions for expected credit loss (ECL) low. The non-performing loan (NPL) ratio rose slightly to 1.25% at the end of 1Q22 from 1.19% at the end of 2021. This was a result of rising NPL formation in 1Q22, which we expect to continue for the rest of the year given the still-weak economy and expiration of debt relief programs. Nonetheless, its NPL coverage ratio remained high at 317%, compared with 357% at the end of 2021.

TIDLOR's capitalization remains at a strong level and is a positive factor for the ratings. At the end of 1Q22, the company's risk-adjusted capital (RAC) ratio fell marginally to 34.6% from 35.8% at the end of 2021, due to continuous loan portfolio expansion. With our assumption that loan portfolio would grow by 15% per year in 2022-2024, we estimate the company's RAC ratio will stay above 33% over the next few years.

RATING OUTLOOK

The "stable" outlook is based on our expectation that TIDLOR will maintain its strong capital base and leading market position while delivering satisfactory financial performance. We also expect TIDLOR to control its asset quality at an acceptable level.

RATING SENSITIVITIES

The ratings could be upgraded if the company is able to improve business stability by continuously strengthening its market position while maintaining

strong asset quality and sound financial performance. The ratings could be revised downward if TIDLOR's competitive position or asset quality deteriorates significantly causing the RAC ratio to fall below 25%.

If in our view, there are material changes on the degree of importance of TIDLOR to the BAY Group, the ratings could also be revised to reflect the view.

RELATED CRITERIA

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

Ngern Tid Lor PLC (TIDLOR)

Company Rating:	A
Issue Ratings:	
TIDLOR228A: THB1,000 million senior unsecured debentures due 2022	A
TIDLOR22DA: THB450 million senior unsecured debentures due 2022	A
TIDLOR234A: THB1,000 million senior unsecured debentures due 2023	A
TIDLOR234C: THB5,450 million senior unsecured debentures due 2023	A
TIDLOR236A: THB300 million senior unsecured debentures due 2023	A
TIDLOR238A: THB4,000 million senior unsecured debentures due 2023	A
TIDLOR244A: THB2,500 million senior unsecured debentures due 2024	A
TIDLOR244B: THB2,850 million senior unsecured debentures due 2024	A
TIDLOR247A: THB3,000 million senior unsecured debentures due 2024	A
Up to THB1,500 million senior unsecured debentures due within 3 years	A
Rating Outlook:	Stable

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