

RATCHTHANI LEASING PLC

No. 54/2022
26 May 2022

FINANCIAL INSTITUTIONS

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

Last Review Date: 11/02/22

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

Contacts:

Siriwan Weeramethachai

siriwan@trisrating.com

Pawin Thachasongtham

pawin@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Taweechok Jiamsakunthum

taweechok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

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 THB2 billion in 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 assessment of THANI's group status is mainly based on its strong revenue and cash-flow 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 takes into consideration 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 the company's 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 recent slowdown in business volume will likely continue, 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 likely 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 THB50.6 billion at the end of March 2022, an increase of 3% year-to-date.

THANI's asset quality has improved during the first quarter of 2022. The ratio of stage-3 loans to total loans (NPL ratio) fell to 2.99% at the end of March 2022, from 3.77% at the end of December 2021. With management's prudent credit policy, improved loan collection, and adequate loan loss reserves, we expect THANI's asset quality to remain manageable.

THANI's capital base, measured by the risk-adjusted capital ratio (RAC), is relatively strong. The company's RAC was 23.6% at the end of March 2022. 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 4.5% (annualized). THANI reported net profit of THB455 million for the first quarter of 2022, an increase of 7% year-on-year. This is due to effective management of provision expenses, interest spread, and operating expenses. We estimate its RAC to remain strong at 23% with EBT/ARWA of 4.2% during 2022-2023.

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 provide a variety of available funding sources that support its funding and liquidity profile.

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.

RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that THANI will maintain its current market position, capital standing, 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%, materially 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-
THANI262A: THB1,000 million senior unsecured debentures due 2026	A-
THANI264A: THB700 million senior unsecured debentures due 2026	A-
THANI274A: THB1,300 million senior unsecured debentures due 2027	A-
Up to THB2,000 million senior unsecured debentures due within 4 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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