

NGERN TID LOR PLC

No. 77/2024

4 September 2024

FINANCIAL INSTITUTIONS

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

Last Review Date: 19/07/24

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 assigns a rating of “A” to Ngern Tid Lor PLC’s (TIDLOR) proposed issue of up to THB3 billion senior unsecured debentures maturing within four years. The company intends to use the proceeds from the new debentures for debt repayment.

At the same time, TRIS Rating affirms the company rating on TIDLOR and the ratings on its outstanding senior unsecured debentures at “A”, with a “stable” outlook.

The ratings incorporate a one-notch enhancement from TIDLOR’s stand-alone credit profile (SACP) assessed at “a-”. The enhancement reflects our view of its status as a strategic affiliate of Bank of Ayudhya PLC (BAY, rated “AAA/Stable”). The ratings take into consideration the business and financial support TIDLOR consistently receives from BAY.

The SACP takes into consideration TIDLOR’s strong market position, as one of the largest lenders in the auto title loan and non-life insurance broker. The company also has a strong capital base, adequate risk position, as well as adequate funding and liquidity. The potential decline in asset quality and funding cost leading to lower profitability, constrain the ratings to some extent.

TIDLOR’s performance in the first half of 2024 (1H24) was in line with our expectations. Net income was THB2.2 billion, up 16.6% year-on-year (y-o-y). At the end of June 2024, outstanding loans reached THB103.0 billion, a 18.1% growth y-o-y and a 5.7% growth from the end of December 2023.

Credit costs remain elevated and above our forecast, at 3.4% in 1H24. Nonetheless, this was offset by improving loan yield (17.8% in 1H24 compared with 17.4% in 2023) and well-controlled operating expenses. Funding costs continue to rise to 3.2% in 1H24 from 2.9% in 2023. We expect a further increase in funding costs by 20-30 basis points (bps) this year.

In terms of asset quality, TIDLOR’s non-performing loan (NPL) ratio increased to 1.86% in the second quarter of 2024 (2Q24) from 1.45% at the end of 2023. The credit qualities of TIDLOR and most peers in the same industry continue to decline reflecting the uneven economic recovery and weakened debt serviceability of customers.

TIDLOR’s NPL formation ratio¹ increase further above our forecast to 3.7% in 1H24. We believe the company’s credit cost for the rest of 2024 is likely to remain at a similar level of the 1H24 figure. On a positive note, its allowance for expected credit loss (ECL) remained stronger than its direct peers with NPL coverage ratio of 227% at the end of June 2024.

Meanwhile, TIDLOR’s risk-adjusted capital (RAC) ratio declined to 28.2% in 2Q24 from 28.3% at the end of 2023. However, we continue to assess its capital as “very strong”. The company’s profitability measured by earnings before taxes to average risk weighted assets (EBT/ARWA) improved to 5.4% in 1H24 from 5.2% in 2023, in line with our forecast. The solid capital and strong earnings continue to support its ratings.

¹ NPL formation ratio = (Ending NPL + Net written-off – Beginning NPL) / Average Loans

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 our expectation that TIDLOR will maintain its strong capital base and market position in the auto title loan business 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 only if the SACP of TIDLOR is revised upwards. This could occur if the company improves its business position by continuously strengthening its market position while maintaining strong asset quality and sound financial performance. Further rating enhancement due to group support is unlikely.

The ratings could be downgraded if the SACP is revised downwards, or we remove the rating enhancement. The SACP could be revised downwards if TIDLOR’s business position weakens materially, or its asset quality deteriorates to the point that earnings capacity declines significantly or the RAC ratio falls well below 25%.

The rating enhancement could be removed if we view the degree of importance of TIDLOR to the BAY Group is weakening materially. This could be caused by a dilution of BAY’s shareholding in TIDLOR or eroding financial support.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Ngern Tid Lor PLC (TIDLOR)

Company Rating:	A
Issue Ratings:	
TIDLOR258A: THB1,850 million senior unsecured debentures due 2025	A
TIDLOR258B: THB2,350 million senior unsecured debentures due 2025	A
TIDLOR259A: THB6,500 million senior unsecured debentures due 2025	A
TIDLOR25NA: THB1,900 million senior unsecured debentures due 2025	A
TIDLOR267A: THB3,400 million senior unsecured debentures due 2026	A
TIDLOR268A: THB1,000 million senior unsecured debentures due 2026	A
TIDLOR26NA: THB2,100 million senior unsecured debentures due 2026	A
TIDLOR26DA: THB1,500 million senior unsecured debentures due 2026	A
TIDLOR273A: THB2,000 million senior unsecured debentures due 2027	A
TIDLOR278A: THB800 million senior unsecured debentures due 2027	A
TIDLOR278B: THB2,000 million senior unsecured debentures due 2027	A
TIDLOR27NA: THB1,000 million senior unsecured debentures due 2027	A
TIDLOR283A: THB500 million senior unsecured debentures due 2028	A
TIDLOR288A: THB600 million senior unsecured debentures due 2028	A
Up to THB3,000 million senior unsecured debentures due within 4 years	A
Rating Outlook:	Stable

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