

NGERN TID LOR PLC

No. 126/2023
25 October 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 09/08/23

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 a rating of "A" to TIDLOR's proposed issue of up to THB4 billion senior unsecured debentures maturing within four years inclusive of over-allotment option of up to THB3 billion. The company intends to use the proceeds from the new debentures for business expansion.

The ratings incorporate a one-notch enhancement from TIDLOR's stand-alone credit profile (SACP) assessed at "a-" level. The enhancement reflects our assessment of TIDLOR's status as a "strategic" affiliate of Bank of Ayudhya PLC (BAY, rated "AAA/stable"), taking into consideration the business and financial support TIDLOR receives from BAY.

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, manageable asset quality, 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.

TIDLOR's performance in the first half of 2023 (1H23) was in line with our expectations. At the end of second quarter of 2023 (2Q23), TIDLOR's outstanding loan portfolio stood at THB87.2 billion, a 23.5% growth year-on-year (y-o-y) and 7.4% year-to-date (y-t-d). We believe that loan growth in 2H23 will likely exceed the growth in 1H23. Net income was THB1.9 billion, -2% y-o-y. This was led by higher credit costs as well as funding costs which has been on a rising trend from 2.8% for 1H23 compared to the 2.5% in 2022.

In terms of asset quality, non-performing loan (NPL) ratio remained relatively flat at 1.54% at the end of 2Q23 thanks to the active write-off policy to clean up portfolio. However, NPL formation increased quarter-on-quarter (q-o-q). We expect NPL formation to peak in 3Q23. We continue to believe that TIDLOR's asset quality remains manageable, although we note that the uncertain economic environment, coupled with the expiration of debt forbearance measures, may put pressure on its asset quality. On a positive note, allowance for expected credit loss (ECL) remained stronger than its direct peers with NPL coverage ratio at 266% at the end of 2Q23.

As for capital, TIDLOR's capitalization remains one of its credit strengths. At the end of 2Q23, the company's risk-adjusted capital (RAC) ratio dropped to 30.1% from 31.2% at the end of 1Q23. The company's profitability measured by earnings before taxes to average risk weighted assets (EBT/ARWA) stood at 5.5% (annualized) in 1H23 compared with 6.3% in 2022.

The company's profitability could be pressured by higher credit cost in 2023. Nonetheless, we believe that the company's robust risk management under BAY's guidance will play a vital role in mitigating credit risk through the uncertain economic environment. Overall, we expect healthy profitability and strong capital will continue to support the current ratings.

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 only if the SACP is revised up. This could be the case if the company improves 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 SACP is revised down, or we remove the rating enhancement. The SACP could be revised down if TIDLOR’s business position weakens materially, or asset quality deteriorates to the point that earnings capacity decline significantly and RAC ratio falls well below 25%.

The rating enhancement could be removed if we view that the degree of importance of TIDLOR to the BAY Group weakens materially. This could be caused by a dilution of BAY’s shareholding in TIDLOR.

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:	
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
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
TIDLOR268A: THB1,000 million senior unsecured debentures due 2026	A
TIDLOR278A: THB800 million senior unsecured debentures due 2027	A
Up to THB4,000 million senior unsecured debentures due within 4 years inclusive of over-allotment of up to THB3,000 million	A
Rating Outlook:	Stable

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