

NGERN TID LOR PLC

No. 64/2024

19 July 2024

FINANCIAL INSTITUTIONS

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

Last Review Date: 28/05/24

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

Contacts:

Sithakarn Tongphiphat, CFA, FRM
 sithakarn@trisrating.com

Jantana Taveeratanasilp
 jantana@trisrating.com

Jittrapan Pantaleard
 jittrapan@trisrating.com

Taweechok Jiamsakunthum
 taweechok@trisrating.com

Narumol Charnchanavivat
 narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating assigns a rating of “A” to Ngern Tid Lor PLC’s (TIDLOR) proposed issue of up to THB6 billion senior unsecured debentures maturing within four years inclusive of over-allotment option of up to THB3 billion. The new issue rating replaces the issue rating previously assigned on 28 May 2024, following TIDLOR’s request to increase the issue size to up to THB6 billion, from up to THB5 billion. The company intends to use the proceeds from the new debentures for debt refinancing and business expansion.

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 segment. 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 higher funding cost leading to lower profitability, constrain the ratings to some extent.

TIDLOR’s performance in the first quarter of 2024 (1Q24) was in line with our expectations. At the end of March 2024, TIDLOR’s outstanding loan portfolio reached THB100 billion, a 20.6% growth year-on-year (y-o-y) and 2.7% year-to-date (y-t-d). Net income was THB1.1 billion, up 15.6% y-o-y.

Credit costs remain elevated at 3.3% in 1Q24. Nonetheless, this was offset by improving loan yield (17.7% in 1Q24 compared with 17.4% in 2023) and well-controlled operating expenses. Funding costs continued to rise as seen for other lenders, increasing to 3.2% in 1Q24 from 2.9% in 2023. We expect further increase in funding costs by 30-40 basis point (bp) this year.

In terms of asset quality, TIDLOR’s non-performing loan (NPL) ratio increased to 1.60% in 1Q24 from 1.45% at the end of 2023. The credit qualities of TIDLOR and peers in the same industry continue to weaken reflecting the uneven economic recovery. TIDLOR’s NPL formation in 1Q24 remains above 3%. We believe credit cost for the rest of 2024 could be similar to the 1Q24 figure. On a positive note, its allowance for expected credit loss (ECL) remained stronger than its direct peers with NPL coverage ratio at 264% at the end of March 2024.

Meanwhile, TIDLOR’s risk-adjusted capital (RAC) ratio improved to 29.2% in 1Q24 from 28.9% at the end of 2023. The company’s profitability measured by earnings before taxes to average risk weighted assets (EBT/ARWA) also strengthened to 5.5% in 1Q24 from 5.2% in 2023. The solid capital and strong earnings continue to support its ratings.

RATING OUTLOOK

The “stable” outlook is based on our expectation that TIDLOR will maintain its strong capital base and strong 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 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:	
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
TIDLOR25NA: THB1,900 million senior unsecured debentures due 2025	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
TIDLOR27NA: THB1,000 million senior unsecured debentures due 2027	A
TIDLOR283A: THB500 million senior unsecured debentures due 2028	A
Up to THB6,000 million senior unsecured debentures due within 4 years inclusive of over-allotment option of up to THB3,000 million	A
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

© Copyright 2024, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria