

Press Release

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TRIS Rating Affirms Company Rating and Outlook of "ML" at "BBB-/Stable"

TRIS Rating has affirmed the company rating of Mida Leasing PLC (ML) at "BBB-" with "stable" outlook. The rating reflects ML's status as a consolidated subsidiary of Mida Assets PLC (MIDA), a hire purchase lender. MIDA finances a number of different brands of electrical home appliances and develops real estate. The rating takes into consideration ML's proven track record in auto financing and stable earnings. The rating also reflects ML's extensive, nationwide branch network and the strong relationships it has with its business partners. However, these strengths are mitigated by some important factors. ML still faces intense competition in the auto financing segment. In addition, it has a relatively weak market position, in terms of outstanding loans, compared with major competitors.

The "stable" outlook is based on TRIS Rating's expectation that ML can maintain its market position and financial performance, while keeping its capital base strong. The credit upside case would arise if ML can improve its market position and competitive position while still delivering strong financial results on a sustainable basis. The rating could be revised downward should ML's asset quality deteriorate, which would substantially affect its profitability and financial profile.

ML was established in 2000. ML's largest shareholder (owning 46.98%) is MIDA, its parent company. Since it was established, ML has focused on financing the purchase of used automobiles through hire purchase loans. The company's primary market is the financing of used automobiles that are over five years old. The size of ML's automobile loan portfolio has held steady at around Bt2,500 million since 2005. In 2016, the amount of outstanding automobile loans grew by 10.3%, to Bt2,859 million, comprising 93% hire purchase loans and 7% floor plan loans.

The ratio of non-performing loans (NPLs) to total loans oscillated in the range of 2.3% and 3.6% during 2010-2013. ML wrote off some bad debts during the second half of 2014, reducing the NPL ratio to 3.2% at the end of 2014. Despite the write-offs, the NPL ratio continued to deteriorate, climbing to 3.7% at the end of 2015 and 4.3% at the end of 2016. TRIS Rating expects ML to place a greater emphasis on the collection function and control loan quality at an acceptable level.

In 2011 and 2012, the government unveiled a tax rebate for first-time buyers of new cars. This government's program hurt ML and other lessors because the market prices of used automobiles plunged. Consumers bought brand-new automobiles instead. ML's financial performance was affected by higher losses on the sales of repossessed assets due to the plunge in used car prices. Net income was Bt112 million in 2013, a 16% drop from earnings of Bt134 million in 2012. In 2014, net income slid to Bt87 million, a 22.4% drop from 2013. The decline was due in part to a 14% rise in operating expenses, which included losses on the sales of repossessed assets. Operating expenses jumped to Bt250 million in 2014, from Bt219 million in 2013. In 2014, the company set aside Bt52 million as a provision for possible loan losses. The provision made in 2014 almost doubled the Bt37 million set aside in 2013. However, the ratio of the allowance for hire purchase loan losses to total hire purchase loans dropped slightly. The ratio fell to 2.3% in 2014 from 2.6% in 2013. Return on average assets (ROAA) dropped to 3.3% in 2014 from 4.2% in 2013. In 2015, net profit recovered to Bt103 million, up 18% from 2014, and ROAA improved to 3.7%. The rebound was mainly due to a drop in funding costs and a drop in provision expense. ML reported Bt118 million in net profits for 2016, and ROAA remained steady at 3.7%. The improvement in net profit was partly due to realized gains on the trading of securities, made possible by making temporary use of its excess cash balance.

Since 2010, ML's equity capital base has gradually increased. The ratio of shareholders' equity to total assets improved steadily, climbing to 54.6% as of December 2014 from 38.6% in 2010. The ratio dropped slightly to 53.1% at the end of 2015 and 47.3% at the end of 2016 as total assets grew, but the ratio is still sufficiently high. Steady profits bolstered shareholders' equity. ML's capital base is strong enough to support its growth plans even if it borrows more money to fund the expansion. A substantial expansion of the loan portfolio would pose a major challenge for ML. It has a relatively weak market position and no secure sources of funding, unlike its major competitors. However, TRIS Rating expects

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the company to maintain its relatively strong capital base. A strong capital base serves as a cushion to absorb the risk from customers with higher credit risk. These higher-risk customers are more vulnerable to adverse changes in the economy.

Mida Leasing PLC (ML)

Company Rating:

BBB-

Rating Outlook:

Stable

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