

AYUDHYA CAPITAL AUTO LEASE PLC

No. 29/2020
20 April 2021

FINANCIAL INSTITUTIONS

Company Rating:	AA+
Issue Ratings:	
Senior unsecured	AA+
Outlook:	Stable

Last Review Date: 29/10/20

Company Rating History:

Date	Rating	Outlook/Alert
25/10/19	AA+	Stable
07/12/16	AA	Stable
29/12/14	AA-	Stable
26/12/13	A+	Alert Developing
24/04/09	A+	Stable
27/11/08	A	Positive
25/07/00	A+	Stable
03/02/00	A	Stable
18/02/98	A-	Stable
27/08/97	A	Stable
03/07/97	A	Negative
04/04/97	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ayudhya Capital Auto Lease PLC (AYCAL) and the ratings on its outstanding senior unsecured debentures at "AA+" with a "stable" rating outlook. At the same time, TRIS Rating assigns the rating to AYCAL's proposed issue of up to THB4 billion in senior unsecured debentures at "AA+". The proceeds from the new debenture issuance will be used for loan repayment and to fund business operations.

The ratings take into consideration the business support and financial support AYCAL receives from Bank of Ayudhya PLC (BAY), rated "AAA" with a "stable" rating outlook by TRIS Rating. The ratings of AYCAL are enhanced from its stand-alone credit profile as TRIS Rating assesses the company as a highly strategic subsidiary of BAY.

On a stand-alone basis, the rating reflects the company's solid market position as the leading operator of motorcycle hire purchase loans, strong capital base, ample liquidity, and well managed asset quality. However, the strengths are weighed down to some extent by concerns over intense competition that pressures loan yields, and a potential rise in credit risk due to the weak economy.

AYCAL's 2020 operating results are in line with our expectations despite the economic fallout from the Coronavirus Disease 2019 (COVID-19) pandemic. In 2020, the company reported outstanding loans of THB48.6 billion, down by 2% year-on-year (y-o-y). Net income for 2020 was THB2.6 billion, 23.5% lower y-o-y. The drop in net income can be attributed to a combination of a slowdown in new lending and higher credit cost. In 2020, credit cost rose to 2.0% of average loans from 1.4% in 2019. The ratio of non-performing loans to total loans (NPL ratio) increased slightly to 1.73% at the end of 2020 from 1.68% at the end of 2019.

RATING OUTLOOK

The "stable" outlook reflects our expectation that AYCAL's business direction will remain closely aligned with BAY's strategy, and that AYCAL will continue to receive strong support from its parent bank. The assessed outlook also takes into consideration the management team's ability to maintain AYCAL's solid market position as a leading motorcycle hire purchase lender. We also expect AYCAL's profitability and capital base will be sufficiently strong to serve as cushions against downside risks in the motorcycle hire purchase business.

RATING SENSITIVITIES

The ratings and/or outlook may be uplifted if AYCAL's status to the BAY group is elevated to a higher level, although this is unlikely in the foreseeable future in our view. In contrast, the ratings/outlook could be revised downward should the ratings/outlook on BAY is downgraded, or TRIS Rating assesses that AYCAL's status to the BAY group has weakened materially.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Ayudhya Capital Auto Lease PLC (AYCAL)

Company Rating:	AA+
Issue Ratings:	
AYCAL21NA: THB1,000 million senior unsecured debentures due 2021	AA+
AYCAL22NA: THB1,500 million senior unsecured debentures due 2022	AA+
AYCAL222A: THB1,000 million senior unsecured debentures due 2022	AA+
AYCAL232A: THB2,000 million senior unsecured debentures due 2023	AA+
Up to THB4,000 million senior unsecured debentures due within 5 years	AA+
Rating Outlook:	Stable

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