

# PHATRA LEASING PLC

No. 9/2024

2 February 2024

## FINANCIAL INSTITUTIONS

**Company Rating:** BBB+  
**Issue Ratings:**  
 Senior unsecured BBB+  
**Outlook:** Stable

**Last Review Date:** 08/08/23

### Company Rating History:

Date	Rating	Outlook/Alert
07/08/20	BBB+	Stable
07/08/19	A-	Negative
25/07/13	A-	Stable
30/03/11	A-	Positive
09/08/05	A-	Stable
12/07/04	BBB+	Stable
10/10/02	BBB+	-
23/08/00	BBB	-

### Contacts:

Pawin Thachasongtham  
 pawin@trisrating.com

Siriwan Weeramethachai  
 siriwan@trisrating.com

Jittrapan Pantaleard  
 jittrapan@trisrating.com

Taweechok Jiamsakunthum  
 taweechok@trisrating.com

Narumol Charnchanavivat  
 narumol@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Phatra Leasing PLC (PL) and the ratings on PL's outstanding senior unsecured debentures at "BBB+" with a "stable" outlook. At the same time, TRIS Rating assigns a rating of "BBB+" to PL's proposed issue of up to THB1 billion senior unsecured debentures due within four years. The proceeds from the new debentures will be used for the company's debt repayment and/or working capital.

The ratings on PL reflect the company's prominent market position in the operating lease (OL) business and its strategic shift towards non-automobile financial leasing. The diversification serves to enhance profitability and mitigate the potential impact of increasing electric vehicle (EV) adoption. The ratings also factor in moderate financial leverage and ample liquidity. However, the ratings are tempered by its cash flow protection, intense competition in the OL industry, and high customer concentration risk.

We expect PL to maintain its established market presence in the OL business, driven by its large scale of operations and long-standing relationship with its key clients and suppliers. These strengths are supported by its proven track record and strong data analysis capability. We expect PL to maintain its OL portfolio in the THB5.7-THB5.9 billion range over the next three years due to intense competition and its selective growth strategy in the automobile segment. At the end of September 2023, PL's OL portfolio amounted to THB6.2 billion, compared with THB5.7 billion at the end of 2022.

As for financial lease (FL) portfolio, we expect PL to further expand its non-automobile portfolio, which are mostly based on FL contracts. The growth will be mainly fueled by environment-friendly products, such as solar panels and waste sorting machines, and medical equipment. We expect PL to maintain the growth of around 7% per annum over the next three years.

PL's performance in the first nine months of 2023 (9M23) slightly missed our expectation. Earnings before interest and tax (EBIT) in 9M23 was THB257 million, marking a 3.6% year-on-year (y-o-y) decline. PL's cash flow protection, measured by the EBIT interest coverage ratio, dropped to 1.5 times in 9M23 from 1.7 times in 2022. This decline can be attributed to an increase in funding costs and pre-funding strategy to support its portfolio expansion over the next 1-2 quarters.

We expect its EBIT margin to be sustained in the 12%-13% range and EBIT interest coverage ratio to be at around 1.7 times over the next three years. These will be supported by the company's increasing focus on higher-return non-automobile assets, while it continues to trim down its operating costs.

In our view, PL's funding profile is relatively conservative, as evidenced by the high proportion of long-term borrowings (including the current portions), which constituted 77% of total borrowings at the end of September 2023. We view this helps mitigate asset-liability mismatch to some extent. At the end of December 2023, PL had available credit lines totaling THB1.7 billion from various financial institutions. This should be sufficient to support liquidity needs over the next 12 months. PL's financial flexibility is also enhanced by its ability to access the debt and equity capital markets, if needed.

**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 reflects our expectation that the company will maintain its market position and financial performance as well as cashflow protection at the current levels.

## RATING SENSITIVITIES

PL’s credit upside would materialize if the company’s cash flow protection, measured by EBIT interest coverage ratio rises well above 1.7 times for a sustained period, with financial performance, measured by EBIT, improving in tandem. Conversely, the ratings and/or outlook could be revised downward if the company’s EBIT interest coverage ratio falls below 1.3 times for an extended duration.

## RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Issue Rating Criteria, 15 June 2021

## Phatra Leasing PLC (PL)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
PL258A: THB600 million senior unsecured debentures due 2025	BBB+
PL263A: THB500 million senior unsecured debentures due 2026	BBB+
PL268A: THB900 million senior unsecured debentures due 2026	BBB+
Up to THB1,000 million senior unsecured debentures due within 4 years	BBB+
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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

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