

# PHATRA LEASING PLC

No. 32/2023  
8 March 2023

## FINANCIAL INSTITUTIONS

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

**Last Review Date:** 15/08/22

### 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) at “BBB+” with “stable” outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to PL’s proposed issue of up to THB500 million senior unsecured debentures due within three years. The proceeds will be used for the company’s business operations.

The ratings on PL reflect the company’s leading market position in the car rental business and increasing portfolio diversification. The ratings also reflect the company’s improving cash flow protection, moderate financial leverage, and adequate liquidity.

We expect PL will maintain its leading market position in the car rental business over the next three years. This is supported by its relatively large scale of operations and long-standing relationship with its major clients. PL is the second largest operating lease provider in Thailand, based on TRIS Rating’s database. At the end of 2022, PL’s total lease portfolio stood at THB8.9 billion, a 4.7% decrease year-on-year (y-o-y) due to the company’s selective growth strategy.

We expect PL to maintain its total lease portfolio at around THB9 billion over the next three years, with higher contribution from non-automobile segments in line with its strategy to improve profitability. Over the next three years, non-automobile leasing is likely to expand to around 40% of the company’s total lease portfolio from 34% at the end of 2022. Medical equipment, heavy industrial equipment, and new specialized lease assets will provide the main growth impetus.

In 2022, PL’s performance improved significantly, in line with our expectation. Earnings before interest and tax (EBIT) in 2022 reached THB340 million, up 8.4% y-o-y. PL’s EBIT margin surged to 11.6% in 2022 from 9.7% in 2021. PL’s cash flow protection, measured by the EBIT interest coverage ratio, also improved, rising to 1.7 times in 2022 from 1.2-1.5 times in 2020-2021. The improvement was driven mainly by better-managed operating costs and the higher gross profit margin from sales of retired assets, thanks to the retail-focused strategy via its “SA-BUY CAR” platform.

We expect its EBIT margin and EBIT interest coverage ratio to be sustained at around the current levels over the next three years, supported by the company’s increased focus on higher-return specialized lease assets, while it continues to trim down operating costs.

We assess PL’s funding structure as strong over the next three years. Asset-liability mismatch is low, in our view. Long-term borrowings (including the portions due within one year) accounted for 79% of total borrowings at the end of 2022. At the end of January 2023, available credit lines totaling THB1.66 billion from various financial institutions 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.

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**RATING OUTLOOK**

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The “stable” outlook reflects our expectation that the company will maintain its competitive position, earnings capacity, and profitability in its core business to support its financial performance and cash flow protection at the current levels.

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**RATING SENSITIVITIES**

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PL’s credit upside would materialize if the company’s profitability and cash flow protection improve, with its EBIT interest coverage ratio rising above 1.7 times for a sustained period. On the contrary, the ratings and/or outlook could be revised downward if the company’s profitability or cash flow protection declines from the current level, with the EBIT interest coverage ratio falling below 1.3 times for an extended duration.

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**RELATED CRITERIA**

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

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**Phatra Leasing PLC (PL)**

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|---|--------|
| <b>Company Rating:</b>  | BBB+   |
| <b>Issue Rating:</b>  |        |
| Up to THB500 million senior unsecured debentures due within 3 years | BBB+   |
| <b>Rating Outlook:</b>  | Stable |

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**TRIS Rating Co., Ltd.**

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

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