

# MUANGTHAI CAPITAL PLC

No. 32/2024  
17 April 2024

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
Senior unsecured	BBB+
<b>Outlook:</b>	Stable

Last Review Date: 22/03/24

### Company Rating History:

Date	Rating	Outlook/Alert
30/04/19	BBB+	Stable
19/08/15	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Muangthai Capital PLC (MTC) and the ratings on its outstanding senior unsecured debentures at “BBB+” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “BBB+” to MTC’s proposed issue of up to THB7.5 billion senior unsecured debentures due within four years and one month. The proceeds will be used for debt refinancing and loan portfolio expansion.

The ratings reflect MTC’s leading market position in the title loan business, strong capital base, as well as diversified and adequate funding sources and liquidity. However, the strengths are weighed down by our concerns over the company’s declining asset quality. This may constrain the company’s profitability over the next few years.

MTC's extensive experience in the title loan industry and continuous expansion of its branch network have been instrumental in solidifying its leading position in the market. At the end of 2023, MTC's loan portfolio reached THB143 billion, marking a 19% year-on-year (y-o-y) increase, surpassing our forecast of 17%. Primarily driven by auto title loans, we anticipate its loan growth to continue at a robust rate in 2024-2025 with the estimated annual growth rate remaining in the high single digits.

In 2023, MTC’s asset quality deteriorated due to the challenging credit environment. The ratio of stage-3 loans (non-performing loan -- NPL) to total loans slightly rose to 3.1% by the end of 2023, up from 2.9% at the end of 2022. Also, the credit cost, represented by expected credit loss (ECL) provisions to average loans, increased to 3.7% in 2023 from 2.6% in the previous year. Although asset quality improved slightly in the fourth quarter of 2023, it tended to decline further due to the ongoing weak credit environment. However, we anticipate that the company will effectively manage its overall credit quality.

In the longer term, the company still aims to keep its NPL ratio below 3.2%. The company plans to focus on title lending, with delinquency lower than other products. In our view, given the trend of weakening asset quality, it would be prudent for MTC to maintain high NPL coverage. At the end of 2023, the company’s NPL coverage ratio was 116%.

In 2023, MTC experienced a modest decline in financial performance compared to the previous year. Net income slightly decreased to THB4.9 billion, marking a 4% y-o-y decrease. This decline was primarily attributed to heightened provisions and funding costs, despite strong revenue growth. In 2024-2025, we anticipate that MTC’s financial performance could remain under pressure as credit costs are likely to remain elevated, reflecting our view of the ongoing signs of asset quality deterioration.

Its earnings capacity, measured by earnings before tax to average risk weighted assets (EBT/ARWA) stood at 3.9% in 2023. If the EBT/ARWA ratio falls below 3.5% on a prolonged basis, the ratings on MTC could come under pressure. We project its EBT/ARWA ratio to stay at around 4% in 2024-2025 despite higher provision expenses and a lower interest spread, on the basis that operating expenses will be well controlled with a cost-to-income ratio of around 40%.

In terms of capital, MTC’s risk-adjusted capital (RAC) ratio remains strong, at around 19% at the end of 2023. Its debt to equity (D/E) ratio stood at 3.7 times at

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the end of 2023 compared with the D/E covenant on its debt obligations of 4 times. We expect the company's capital strength will be preserved by relatively stable earnings and a conservative dividend policy.

We assess the company's funding and liquidity position as adequate. The company's access to both debt and equity capital markets as well as credit facilities from financial institutions provide it with sufficient and diversified funding sources to support growth and mitigate liquidity risk. As of December 2023, the company had available credit facilities from various financial institutions totaling THB43.4 billion, 8% of which were undrawn. MTC also obtained additional credit lines from foreign financial institutions which will be drawn in the first quarter of 2024.

#### **RATING OUTLOOK**

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The "stable" outlook reflects our expectation that MTC will improve its asset quality over the next 12 months, with a declining trend in credit costs. We also expect MTC to maintain its leading market position in the title loan segment while its capital position remains strong.

#### **RATING SENSITIVITIES**

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The ratings and/or outlook could be revised downward if there are no signs of improvement in MTC's asset quality, with credit cost remaining high and earnings capability as measured by EBT/ARWA ratio falling well below 3.5%.

An upgrade in the ratings and/or outlook is unlikely in the near term. However, a rating upside could be supported by material improvement in the company's capital position, with the RAC ratio rising well above 25%, while earnings capability and market position remain strong.

#### **RELATED CRITERIA**

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- Financial Institution Rating Methodology, 24 November 2023
- Issue Rating Criteria, 15 June 2021

## Muangthai Capital PLC (MTC)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
MTC248A: THB1,641.80 million senior unsecured debentures due 2024	BBB+
MTC248C: THB2,728.20 million senior unsecured debentures due 2024	BBB+
MTC248D: THB1,328.40 million senior unsecured debentures due 2024	BBB+
MTC240A: THB2,367 million senior unsecured debentures due 2024	BBB+
MTC24NA: THB1,902 million senior unsecured debentures due 2024	BBB+
MTC24NB: THB1,147.40 million senior unsecured debentures due 2024	BBB+
MTC252A: THB1,609 million senior unsecured debentures due 2025	BBB+
MTC253A: THB1,969.50 million senior unsecured debentures due 2025	BBB+
MTC254A: THB3,630 million senior unsecured debentures due 2025	BBB+
MTC256A: THB2,200 million senior unsecured debentures due 2025	BBB+
MTC256B: THB1,443.20 million senior unsecured debentures due 2025	BBB+
MTC256C: THB1,235.10 million senior unsecured debentures due 2025	BBB+
MTC258A: THB1,361.80 million senior unsecured debentures due 2025	BBB+
MTC258B: THB2,124.50 million senior unsecured debentures due 2025	BBB+
MTC258C: THB1,767.90 million senior unsecured debentures due 2025	BBB+
MTC25NA: THB1,598 million senior unsecured debentures due 2025	BBB+
MTC25NB: THB1,158.3 million senior unsecured debentures due 2025	BBB+
MTC262A: THB1,391 million senior unsecured debentures due 2026	BBB+
MTC263A: THB1,995.20 million senior unsecured debentures due 2026	BBB+
MTC263B: THB1,042.30 million senior unsecured debentures due 2026	BBB+
MTC264A: THB1,634.60 million senior unsecured debentures due 2026	BBB+
MTC264B: THB2,620 million senior unsecured debentures due 2026	BBB+
MTC266A: THB1,831.1 million senior unsecured debentures due 2026	BBB+
MTC266B: THB1,980.20 million senior unsecured debentures due 2026	BBB+
MTC266C: THB592.2 million senior unsecured debentures due 2026	BBB+
MTC268A: THB996.40 million senior unsecured debentures due 2026	BBB+
MTC268B: THB1,399.70 million senior unsecured debentures due 2026	BBB+
MTC26NA: THB1,000 million senior unsecured debentures due 2026	BBB+
MTC26NB: THB1,064.4 million senior unsecured debentures due 2026	BBB+
MTC272A: THB1,000 million senior unsecured debentures due 2027	BBB+
MTC273A: THB927.70 million senior unsecured debentures due 2027	BBB+
MTC273B: THB1,999.70 million senior unsecured debentures due 2027	BBB+
MTC273C: THB250 million senior unsecured debentures due 2027	BBB+
MTC274A: THB250 million senior unsecured debentures due 2027	BBB+
MTC276A: THB933.20 million senior unsecured debentures due 2027	BBB+
MTC276B: THB1,519.20 million senior unsecured debentures due 2027	BBB+
MTC278A: THB1,332.40 million senior unsecured debentures due 2027	BBB+
MTC27NA: THB812.7 million senior unsecured debentures due 2027	BBB+
MTC283A: THB1,121.10 million senior unsecured debentures due 2028	BBB+
MTC283B: THB958 million senior unsecured debentures due 2028	BBB+
MTC283C: THB250 million senior unsecured debentures due 2028	BBB+
Up to THB7,500 million senior unsecured debentures due within 4 years and 1 month	BBB+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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