

# MUANGTHAI CAPITAL PLC

No. 1/2019  
3 January 2019

## FINANCIAL INSTITUTIONS

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

Last Review Date: 08/06/18

### Company Rating History:

Date	Rating	Outlook/Alert
19/08/15	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Muangthai Capital PLC (MTC) and the rating on its outstanding senior unsecured debentures at “BBB”. At the same time, TRIS Rating assigns the rating on MTC’s proposed issue of up to Bt4,000 million in senior unsecured debentures at “BBB”. The proceeds from the new debentures will be used for loan portfolio expansion.

The ratings reflect the company’s track record of providing secured personal loans and its strong market position as a market leader. The ratings also take into consideration other strengths such as solid profitability, adequate loan loss reserves, and an extensive branch network. However, the ratings are constrained by intense competition in the secured personal loan market and the fact that MTC’s target customers are in a high risk segment; however, customer risks are partially balanced by diversified portfolio. In addition, forthcoming regulations will cover all non-bank financial institutions. Because the regulations are not yet in force, there remains a significant amount of uncertainty surrounding the effect that the regulations will have on interest rates, fees, and market conduct.

MTC has steadily added new branches to serve its target customers. The number of branches surged to more than 3,000 at the end of 2018. The company’s loan portfolio continued to rise to Bt44,778 million at the end of September 2018, up 25.7% from the end of 2017. The ratio of non-performing loans (NPLs) to total loans has remained relatively low, 1.3% at the end of September 2018. The NPL coverage ratio was 259% at the end of September 2018, nearly the same as the 265% at the end of 2017. The return on average assets (ROAA) rose to 8.8% (annualized) for the first three quarters of 2018 from 8.1% in 2017.

## RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that MTC will maintain its market position, deliver satisfactory performance, control the quality of the loan portfolio, and keep leverage at an acceptable level.

## RATING SENSITIVITIES

The upside case for the ratings and/or outlook would be strengthened if the forthcoming regulations affect loan growth, financial performance, and the quality of the loan portfolio in a manner consistent with TRIS Rating’s expectation. In contrast, the ratings and/or outlook could be revised downward should leverage rise steadily or if asset quality or MTC’s competitive position deteriorates significantly.

## RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018

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**Muangthai Capital PLC (MTC)**

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<b>Company Rating:</b>	BBB
<b>Issue Ratings:</b>	
MTLS19NA: Bt469 million senior unsecured debentures due 2019	BBB
Up to Bt4,000 million senior unsecured debentures due within 4 years	BBB
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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