

MUANGTHAI CAPITAL PLC

No. 38/2019
10 June 2019

FINANCIAL INSTITUTIONS

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

Last Review Date: 30/04/19

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 rating on its outstanding senior unsecured debentures at “BBB+”. At the same time, TRIS Rating assigns the rating to MTC’s proposed issue of up to Bt5,000 million in senior unsecured debentures at “BBB+”. The proceeds from the new debentures will be used for debt refinancing and loan portfolio expansion.

The ratings reflect the company’s sustainable track record as a market leader in its core secured personal loan products, consistently strong profitability, well-controlled asset quality, and more diversified funding sources as well as adequate liquidity.

MTC’s leading position stems from its thorough understanding of the market and extensive nationwide branch network covering Bangkok and its vicinity as well as sub-districts of the provincial areas. As of March 2019, the number of branches reached 3,444, increasing from 506 in 2014. The size of the loan portfolio has grown from Bt48.05 billion at the end of 2018 to Bt50.59 billion, a year-to-date increase of 5.3%. The return on average assets (ROAA) slightly declined to 8.0% (annualized) for the first three months of 2019 from 8.6% in 2018, whereas interest income rose 25% quarter-on-quarter. Asset quality has been well-controlled and relatively resilient to weak economic environment as reflected by its low and stable ratio of non-performing loans (or NPLs, loans more than 90 days past due) to total loans over the years. As at March 2019, the company’s NPL ratio declined to 1.0% from 1.1% at the end of December 2018. Leverage, as measured by debt to equity (D/E) ratio dropped to 2.9 times in March 2019 from 3 times in 2018. The issue of debenture as well as strong profit accumulation is in line with our projection and hence, we believe that MTC will be able to keep its D/E ratio at around 3 times in 2019.

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 rating and/or outlook is unlikely in the near term after the recent upgrade. However, the rating and/or outlook could be strengthened if leverage and financial performance improve significantly. In contrast, the rating and/or outlook could be revised downward should loan quality or profitability deteriorate which consequently impact the company’s capital, leverage, financial performance, or risk position.

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018

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.

Muangthai Capital PLC (MTC)

Company Rating:	BBB+
Issue Ratings:	
MTLS19NA: Bt469 million senior unsecured debentures due 2019	BBB+
MTC222A: Bt1,650.30 million senior unsecured debentures due 2022	BBB+
MTC22NB: Bt2,349.70 million senior unsecured debentures due 2022	BBB+
Up to Bt5,000 million senior unsecured debentures due within 4 years	BBB+
Rating Outlook:	Stable

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