

MUANGTHAI CAPITAL PLC

No. 28/2020
30 April 2020

FINANCIAL INSTITUTIONS

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

Last Review Date: 10/06/19

Company Rating History:

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

Contacts:

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Sithakarn Tongphiphat, CFA, FRM

sithakarn@trisrating.com

Taweekok Jiamsakunthum

taweekok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Muangthai Capital PLC (MTC) and the rating on its outstanding senior unsecured debentures at “BBB+” with a “stable” outlook. At the same time, TRIS Rating assigns the rating on MTC’s proposed issue of up to Bt6 billion 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 diversified funding sources as well as adequate liquidity.

MTC’s leading market 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. At the end of December 2019, the number of branches reached 4,107, a multiple-times increase from 506 branches in 2014. Its loan portfolio also expanded to Bt60.3 billion at the end of December 2019, a 26% growth from 2018. As we believe that the company will continue to build on its expertise in microfinance business and keep expanding its branch network as well as client base, its market position is expected to remain strong over the medium-term.

In terms of profitability, despite some weakness in 2019 due to narrower loan spreads and higher operating expenses, we believe the company’s financial performance will remain strong as we expect that the company will continue to keep its funding and operating costs under control while maintaining its target loan growth. In 2019, the company’s return on average assets (ROAA) slightly decreased to 7.6%, from 8.6% in 2018, due to a narrower interest spread and an increase in operating expenses. Its ratio of earnings before tax to average risk-weighted assets (EBT/ARWAs) also declined to 8.5% in 2019, from 9.7% in 2018.

We anticipate a moderate decline in asset quality, resulting from a sluggish economy induced by the COVID-19 pandemic. Nonetheless, we assess the weaker asset quality to be manageable and to have limited impact on the company’s risk profile. We also expect the company will continue to maintain its prudent credit policies and efficient debt collection processes to control potential credit losses. At the end of December 2019, the company’s ratio of non-performing loans (or NPLs, loans more than 90 days past due) to total loans remained low at 1.0%, a decrease from 1.1% in 2018. The company aims to keep its NPL ratio not exceeding 2% this year.

The company’s leverage, as measured by its debt to equity (D/E) ratio, also declined to 2.9 times at the end of December 2019, from 3.0 times in 2018. Inclusive of the debentures to be issued, we expect its D/E ratio to remain around 3 times in 2020, which is appropriate for the current rating.

We assess the company to have sufficient funding and liquidity over the next 12 months due to its diversified funding sources. Its access to both equity and debt capital markets also enhances its financial flexibilities. In addition, the company also had available credit facilities from several financial institutions totaling Bt17 billion at the end of March 2020, 50% of which is undrawn.

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 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 limited in the near-term. However, the rating and/or outlook could be strengthened if leverage and financial performance improve significantly. Contrarily, the rating and/or outlook could be revised downward should loan quality or profitability deteriorate, leading to a significant increase in refinancing risk or liquidity risk and a weaker capital position.

RELATED CRITERIA

- Nonbank Financial Institution Methodology, 17 February 2020

Muangthai Capital PLC (MTC)

Company Rating:	BBB+
Issue Ratings:	
MTC217A: Bt1,200 million senior unsecured debentures due 2021	BBB+
MTC222A: Bt1,650.30 million senior unsecured debentures due 2022	BBB+
MTC227B: Bt2,043.30 million senior unsecured debentures due 2022	BBB+
MTC22NB: Bt2,349.70 million senior unsecured debentures due 2022	BBB+
MTC237A: Bt1,756.70 million senior unsecured debentures due 2023	BBB+
Up to Bt6,000 million senior unsecured debentures due within 4 years	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

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