

# RATCHTHANI LEASING PLC

No. 72/2023  
28 June 2023

### FINANCIAL INSTITUTIONS

**Company Rating:** A-  
**Issue Ratings:**  
Senior unsecured A-  
**Outlook:** Stable

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**Last Review Date:** 23/05/23

**Company Rating History:**

Date	Rating	Outlook/Alert
10/04/20	A-	Stable
14/03/19	A-	Alert Negative
19/10/16	A-	Stable
25/01/12	BBB+	Stable

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### RATIONALE

TRIS Rating affirms the company rating on Ratchthani Leasing PLC (THANI) and the ratings on THANI’s outstanding senior unsecured debentures at “A-” with a “stable” outlook. At the same time, TRIS Rating assigns a rating of “A-” to THANI’s proposed issue of up to THB1 billion senior unsecured debentures and an over-allotment of up to THB500 million due within three years and six months. The proceeds are intended for use in business operations and debt repayment.

The company rating on THANI incorporates a rating enhancement from its stand-alone credit profile (SACP) of “bbb+” to reflect the company’s status as a “strategically important” entity of Thanachart Capital PLC (TCAP, rated “A/stable”). The enhancement reflects THANI’s strong revenue and cashflow contributions to TCAP. THANI also receives business and financial support from TCAP.

The SACP on THANI reflects its strong market position in the hire-purchase loan market, focusing on the commercial truck and luxury car segments. The rating also considers the company’s ability to maintain its market position, strong capital base, and sound financial performance. However, the strengths are pressured by concerns over intense competition in the commercial truck loan market and the uncertain economic environment.

THANI’s expertise in the truck hire-purchase segment should enable the company to maintain its position as one of the leaders in the segment in terms of total outstanding loans despite its conservative growth strategy in recent years. At the end of the first quarter of 2023 (1Q23), outstanding loans reached to THB54.7 billion, up by 8% year-on-year (y-o-y) or 2% year-to-date.

We assume its new loans to increase 5% per year in 2023-2024. The growth should be backed by its marketing strategy, strong demand for truck loans, and gradual economic recovery. The company has also started offering auto title loans to existing customers this year, which we expect to provide the impetus for THANI’s overall portfolio expansion. The new product should also help alleviate pressure on loan yields as competition in the hire purchase loan market intensifies.

On asset quality, THANI’s cautious growth strategy over the last two years and efficient collection system resulted in improved asset quality. The ratio of stage-3 loans (non-performing loans -- NPL) fell to 2.6% at the end of 1Q23 from 3.8% at the end of 2021. In our view, NPL could potentially rise in the next few years given more active expansion in an environment of intense competition and economic uncertainty. Nonetheless, the rise in NPL should be manageable.

THANI’s capital base, measured by the risk-adjusted capital ratio (RAC), is assessed as ‘strong’. The company’s RAC was 23% at the end of 1Q23. The company’s earnings capability, measured by earnings before taxes to average risk-weighted assets (EBT/ARWA), is still assessed as ‘moderate’ with a ratio of 4% (annualized) in 1Q23. Both capital and earnings metrics still support the current ratings. We estimate its RAC and EBT/ARWA to remain strong in the next few years.

**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.

The company reported THB1.8 billion of net profit in 2022, a 2.5% increase y-o-y, and THB450 million of net profit in 1Q23, flat y-o-y. This was due to its ability to maintain spread that helped mitigate the impact from higher credit cost and operating expenses.

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 diversified funding sources that support its business expansion.

#### RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s expectation that THANI will maintain its current market position, capital position, and earnings capability. The outlook also takes into consideration our anticipation that the company’s asset quality will remain manageable amid an uncertain economic environment.

#### RATING SENSITIVITIES

THANI’s SACP could be revised upward if its capital base is materially strengthened, with the RAC ratio hovering well above 25% for a sustained period. The issuer credit rating (ICR) could be upgraded if the rating on TCAP is upgraded. The SACP could be revised downward if the company’s capital position weakens materially, with the RAC ratio falling below 12% and/or asset quality deteriorates substantially to the extent of EBT/ARWA falling below 1.5%. A rating downgrade on TCAP could also pressure the ratings on THANI.

#### RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

#### Ratchthani Leasing PLC (THANI)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
THANI237A: THB486.3 million senior unsecured debentures due 2023	A-
THANI23NA: THB3,439 million senior unsecured debentures due 2023	A-
THANI247A: THB593.7 million senior unsecured debentures due 2024	A-
THANI24DA: THB500 million senior unsecured debentures due 2024	A-
THANI251B: THB1,000 million senior unsecured debentures due 2025	A-
THANI254A: THB1,000 million senior unsecured debentures due 2025	A-
THANI255A: THB593 million senior unsecured debentures due 2025	A-
THANI25DA: THB2,000 million senior unsecured debentures due 2025	A-
THANI25DB: THB1,000 million senior unsecured debentures due 2025	A-
THANI262A: THB1,000 million senior unsecured debentures due 2026	A-
THANI262B: THB1,000 million senior unsecured debentures due 2026	A-
THANI264A: THB700 million senior unsecured debentures due 2026	A-
THANI265A: THB2,500 million senior unsecured debentures due 2026	A-
THANI268A: THB2,000 million senior unsecured debentures due 2026	A-
THANI272A: THB1,000 million senior unsecured debentures due 2027	A-
THANI274A: THB1,300 million senior unsecured debentures due 2027	A-
Up to THB1,000 million senior unsecured debentures and an over-allotment of up to THB500 million due within 3 years and 6 months	A-
<b>Rating Outlook:</b>	Stable

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