

NGERN TID LOR PLC

No. 22/2021
17 March 2021

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
CreditAlert:	Developing

Last Review Date: 11/01/21

Company Rating History:

Date	Rating	Outlook/Alert
11/01/21	A-	Alert Developing
06/12/18	A-	Stable
12/10/18	A	Alert Developing
19/09/16	A	Stable
24/04/14	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ngern Tid Lor PLC (NTL) and the ratings on NTL's outstanding senior unsecured debentures at "A-". At the same time, TRIS Rating assigns the "A-" rating to NTL's proposed issue of up to THB3.8 billion in senior unsecured debentures due within three years. The company intends to use the proceeds from the proposed issue to fund its operation and refinance its existing debts.

The ratings on NTL are enhanced from the stand-alone rating based on the company's status as a strategic subsidiary of Bank of Ayudhya PLC (BAY, rated "AAA/Stable" by TRIS Rating). The ratings incorporate the business and financial support NTL receives from BAY.

On a stand-alone basis, the ratings reflect NTL's solid market position as one of the leading lenders of auto title loans. Other factors taken into account include healthy asset quality achieved through prudent risk management practices and ample funding and liquidity. However, the intense competition in the consumer finance segment remains a constrain on the ratings, to some extent.

NTL's 2020 operating results remained sound and in line with our expectations despite the impact of the economic downturn induced by the Coronavirus Disease 2019 (COVID-19). The company's performance recovered to pre-COVID levels in the last quarter of 2020.

In 2020, the company reported outstanding loans of THB51.3 billion, expanding by 7% year-on-year (y-o-y). The ratio of non-performing loans to total loans (NPL ratio) increased to 1.66% at the end of 2020 from 1.28% at the end of 2019. Net income for 2020 was at THB2.4 billion, 9.7% higher y-o-y. The risk-adjusted capital (RAC) ratio further improved to 22.6% at the end of 2020 from 19.5% at the end of 2019.

CREDIT ALERT

TRIS Rating has placed CreditAlert with a "developing" implication on the company rating assigned to NTL and the ratings on NTL's outstanding senior unsecured debentures since 11 January 2021. The CreditAlert follows the announcement made by Bank of Ayudhya (BAY, rated "AAA/Stable" by TRIS Rating) on 24 December 2020, regarding the on-going process of NTL's initial public offering (IPO) and share listing on the SET.

The CreditAlert with a "developing" implication means that the event could result in positive or negative action, or no change to the ratings and/or outlook.

A capital increase is generally a positive credit event. However, it may or may not result in a positive rating action on NTL. This will depend on the amount of capital being raised and is measured by RAC ratio of higher than 25%. But more importantly, NTL's ability to demonstrate that the strengthened capital will be preserved over the longer horizon.

With regards to the group support, our view on NTL's group status as a strategic member of BAY remains unchanged at this point. Should this view remain unchanged after the dilution of BAY's shareholding in NTL, the rating enhancement currently in place could be maintained. Conversely, should we

view support from BAY as weakening or have the propensity to be weakening, the rating enhancement could be removed, and a negative rating action may follow.

We expect to resolve the CreditAlert upon NTL's completion of the IPO and listing process or when sufficient information is available to enable us to conclude on the impact.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Ngern Tid Lor PLC (NTL)

Company Rating:	A-
Issue Ratings:	
NTL21DA: THB1,500 million senior unsecured debentures due 2021	A-
NTL217A: THB1,900 million senior unsecured debentures due 2021	A-
NTL221A: THB4,000 million senior unsecured debentures due 2022	A-
NTL22DA: THB450 million senior unsecured debentures due 2022	A-
NTL224A: THB3,400 million senior unsecured debentures due 2022	A-
Up to THB3,800 million senior unsecured debentures due within 3 years	A-
CreditAlert:	Developing

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