

# NGERN TID LOR PLC

No. 87/2023  
9 August 2023

## FINANCIAL INSTITUTIONS

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

Last Review Date: 30/11/22

### Company Rating History:

Date	Rating	Outlook/Alert
27/05/21	A	Stable
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 (TIDLOR) and the ratings on TIDLOR's outstanding senior unsecured debentures at "A", with a "stable" outlook. At the same time, TRIS Rating assigns the "A" rating to TIDLOR's proposed issue of up to THB6 billion senior unsecured debentures maturing within four years. The company intends to use the proceeds for debt repayment and for funding its working capital requirements.

The ratings incorporate a one-notch enhancement from TIDLOR's stand-alone credit profile (SACP) assessed at "a-" level. The enhancement reflects our assessment of TIDLOR's status as a "strategic" affiliate of Bank of Ayudhya PLC (BAY, rated "AAA/stable"), taking into consideration the business and financial support TIDLOR receives from BAY.

On a stand-alone basis, the ratings reflect TIDLOR's solid market position as one of the leading lenders of auto title loans and insurance brokers. Other factors taken into account include the company's strong capital base, manageable asset quality, as well as ample funding and liquidity. However, the intense competition in the consumer finance segment remains a constraint on the ratings to some extent.

TIDLOR's performance in the first quarter of 2023 (1Q23) was in line with our expectations. However, loan growth for 1Q23 was lower than our base-case assumption due to the company's policy to focus on controlling asset quality. At the end of 1Q23, TIDLOR's outstanding loan portfolio stood at THB83.0 billion, a 26.4% growth year-on-year (y-o-y) and 2.2% year-to-date (YTD). Net income was THB955 million, flat y-o-y. The impact of high credit costs was offset by low operating expenses as there was no new branch opened in 1Q23. Its funding costs remain unchanged compared with 4Q22, at 2.7%. We expect the funding costs to rise to around 3% by the end of 2023.

In terms of asset quality, the non-performing loan (NPL) ratio dropped to 1.50% at the end of 1Q23 from 1.58% at the end of 2022 thanks to the improved NPL formation quarter-on-quarter (q-o-q) and active write-off policy to clean up portfolio. Although we continue to believe that TIDLOR's asset quality remains manageable, we note that uncertain economic environment, coupled with the expiration of debt forbearance measures, will continue to put pressure on its asset quality. On a positive note, allowance for expected credit loss (ECL) remained strong with NPL coverage ratio higher than peers, at 270% at the end of 1Q23.

As for capital, TIDLOR's capitalization remains one of its credit strengths. At the end of 1Q23, the company's risk-adjusted capital (RAC) ratio rose to 31.2% from 30.8% at the end of 2022. The company's profitability measured by earnings before taxes to average risk weighted assets (EBT/ARWA) stood at 5.7% (annualized) in 1Q23 compared with 6.3% in 2022. Although we expect the company's profitability to be pressured by higher credit cost in 2023, we believe that the company's robust risk management culture will play a vital role in mitigating credit risk through an uncertain economic environment. The company's healthy profitability and strong capital will likely continue to support the current ratings.

**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 our expectation that TIDLOR will maintain its strong capital base and leading market position while delivering satisfactory financial performance. We also expect TIDLOR to control its asset quality at an acceptable level.

## RATING SENSITIVITIES

The ratings could be upgraded if the company improves business stability by continuously strengthening its market position while maintaining strong asset quality and sound financial performance.

The ratings could be revised downward if TIDLOR’s competitive position or asset quality deteriorates significantly causing the RAC ratio to fall below 25%.

If there are material changes in TRIS Rating’s view on the degree of importance of TIDLOR to the BAY Group, the ratings could also be revised to reflect the view.

## RELATED CRITERIA

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

## Ngern Tid Lor PLC (TIDLOR)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TIDLOR238A: THB4,000 million senior unsecured debentures due 2023	A
TIDLOR244A: THB2,500 million senior unsecured debentures due 2024	A
TIDLOR244B: THB2,850 million senior unsecured debentures due 2024	A
TIDLOR247A: THB3,000 million senior unsecured debentures due 2024	A
TIDLOR259A: THB6,500 million senior unsecured debentures due 2025	A
Up to THB6,000 million senior unsecured debentures due within 4 years	A
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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