

# NGERN TID LOR PLC

No. 96/2022  
5 September 2022

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 08/08/22

### 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 THB6.5 billion in senior unsecured debentures maturing within three years inclusive of an allotment option of THB1 billion. The new issue rating replaces the issue rating previously assigned on 8 August 2022, following TIDLOR's request to increase the issue size to up to THB6.5 billion, from up to THB1.5 billion. The company intends to use the proceeds from the proposed debenture issue for debt repayment and for funding its operation.

The ratings incorporate a one-notch enhancement from TIDLOR's stand-alone credit profile (SACP) assessed at "a-". The enhancement reflects our assessment of TIDLOR's status as a "strategic" affiliate of Bank of Ayudhya PLC (BAY, rated "AAA/Stable" by TRIS Rating). We believe TIDLOR will continue to receive business and financial support from BAY in the foreseeable future.

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, healthy asset quality achieved through prudent risk management practices, 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 half of 2022 (1H22) is in line with our expectation. At the end of second quarter 2022 (2H22), TIDLOR's outstanding loan portfolio increased to THB70.7 billion, a 28.8% growth year-on-year (y-o-y) and 7.6% quarter-on-quarter (q-o-q), more than our base case assumption. Net income was THB1.9 billion, an increase of 23.1% y-o-y, driven by higher interest income from strong credit growth, higher fee and service income, and lower interest expenses. We start to see a rise in non-performing loan (NPL) formation in the past two quarters, a trend that we also observe among TIDLOR's peers. The NPL ratio rose to 1.39% at the end of the second quarter of 2022 (2Q22) from 1.19% at the end of 2021. We expect the pressure from bad debts to continue for the rest of the year given the still-weak economy, rising inflation, and expiration of debt relief programs. Nonetheless, the company's NPL coverage ratio remains higher than peers at 270% in 2Q22.

TIDLOR's capitalization remains at a strong level and is a positive factor for the ratings. At the end of 2Q22, the company's risk-adjusted capital (RAC) ratio fell to 32.9% from 35.8% at the end of 2021, due to strong expansion of loan portfolio. The company's profitability measured by earning before taxes to average risk weighted assets (EBT/ARWA) stood at 7.1% (annualized) in 1H22 compared to 6.9% in 2021. Looking forward, we expect the company's profitability to be pressured by the credit cost which could rise given the uncertain economic environment exacerbated by rising inflation. However, despite the pressure, we believe that with a robust risk management culture, the company should remain comfortable with the current rating provided the cushion of the company's profitability and strong capital level.

**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 is able to improve 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 in our view, there are material changes on the degree of importance of TIDLOR to the BAY Group, the ratings could also be revised to reflect the view.

## RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020

## Ngern Tid Lor PLC (TIDLOR)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TIDLOR22DA: THB450 million senior unsecured debentures due 2022	A
TIDLOR234A: THB1,000 million senior unsecured debentures due 2023	A
TIDLOR234C: THB5,450 million senior unsecured debentures due 2023	A
TIDLOR236A: THB300 million senior unsecured debentures due 2023	A
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
Up to THB6,500 million senior unsecured debentures due within 3 years	A
<b>Rating Outlook:</b>	Stable

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