

AYUDHYA CAPITAL AUTO LEASE PLC

No. 31/2024
2 April 2024

FINANCIAL INSTITUTIONS

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

Last Review Date: 31/10/23

Company Rating History:

Date	Rating	Outlook/Alert
25/10/19	AA+	Stable
07/12/16	AA	Stable
29/12/14	AA-	Stable
26/12/13	A+	Alert Developing
24/04/09	A+	Stable
27/11/08	A	Positive
25/07/00	A+	Stable
03/02/00	A	Stable
18/02/98	A-	Stable
27/08/97	A	Stable
03/07/97	A	Negative
04/04/97	A	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ayudhya Capital Auto Lease PLC (AYCAL) and the ratings on AYCAL's outstanding senior unsecured debentures at "AA+" with a "stable" rating outlook. At the same time, TRIS Rating assigns the "AA+" rating to AYCAL's proposed issue of up to THB2 billion senior unsecured debentures and an over-allotment of up to THB1 billion maturing within two years. The proceeds from the new debenture issuance will be used for debt repayment and working capital.

The ratings reflect AYCAL's status as a highly strategic subsidiary of Bank of Ayudhya PLC (BAY), rated "AAA/Stable". The ratings factor in the business support and financial support AYCAL receives from BAY. According to TRIS Rating's "Group Rating Methodology", the company rating on AYCAL is one notch below the company rating on BAY.

The company maintains its strong market position as the leading operator of motorcycle hire purchase loans, thanks to the business and financial support the company receives from BAY despite the highly competitive environment in the industry. Other key strengths are strong capital base, ample liquidity, and well managed asset quality.

AYCAL's 2023 operating results were in-line with our expectations. At the end of 2023, outstanding loans totaled THB42.4 billion, down by 2.1% year-on-year (y-o-y). Net income for 2023 was THB1.8 billion, 25% lower y-o-y. The decline in net income was the result of lower yields due to the interest rate cap on motorcycle leasing, as well as higher funding cost and credit cost. The company's overall yield declined by 130 basis points (bps) to about 11.95% in 2023, while funding cost rose moderately by 18 bps to 2.83%. Both loan yield and funding cost were better than our estimate.

The company's ratio of non-performing loans to total loans (NPL ratio) increased to 2.7% at the end of 2023 from 2.2% at the end of 2022. The deterioration of asset quality is in line with the industry trend reflecting the still-weak economy. The company's credit cost was up by 30 bps to 2.8%, less than our estimate. At the same time, NPL coverage is down from 348% at the end of 2022 to 248% at the end of 2023, but still above most peers.

In terms of earnings, its earnings before tax (EBT) to average risk weighted assets (ARWA) dropped to 2.9% from 3.9% in 2022. However, this ratio remains higher than that of most peers, as the overall EBT/ARWA ratio among peers fell below 2% in 2023. Capital position, measured by risk-adjust capital (RAC), is still assessed as 'very strong', with RAC ratio at 40.9% at the end of 2023.

Despite various headwinds, we view that the company's performance remains more resilient compared to peers, thanks to its relatively lower NPLs and less-impacted funding cost. Looking forward in 2024, asset quality remains a key area that we continue to monitor.

RATING OUTLOOK

The "stable" outlook reflects our expectation that AYCAL's business direction will remain closely aligned with BAY's strategy. The outlook also assumes that AYCAL's status as a highly strategic subsidiary of BAY will be maintained and that it will continue to receive strong support from its parent bank.

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 SENSITIVITIES

The ratings and/or outlook could be upgraded if AYCAL's status to the group is elevated to a higher level, although this is unlikely in the foreseeable future in our view. In contrast, the ratings/outlook could be revised downward should BAY's ratings/outlook be downgraded, or TRIS Rating takes the view that AYCAL's status to the BAY Group has weakened materially.

RELATED CRITERIA

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

Ayudhya Capital Auto Lease PLC (AYCAL)

Company Rating:	AA+
Issue Ratings:	
AYCAL245A: THB3,000 million senior unsecured debentures due 2024	AA+
AYCAL251A: THB2,000 million senior unsecured debentures due 2025	AA+
AYCAL265A: THB1,000 million senior unsecured debentures due 2026	AA+
AYCAL271A: THB1,000 million senior unsecured debentures due 2027	AA+
Up to THB2,000 million senior unsecured debentures and an over-allotment of up to THB1,000 million due within 2 years	AA+
Rating Outlook:	Stable

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