

# RATCHTHANI LEASING

## THAILAND / FINANCE & SECURITIES

# THANI TB

# HOLD

UNCHANGED

## Further slowdown expected

- We expect THANI's 3Q24 performance to remain muted under sluggish industry trends and strict quality control.
- 3Q24 asset quality is expected to show further deterioration, with both the NPL ratio and credit cost edging up q-q.
- Maintain HOLD call for THANI with 2025 TP of THB2.00.

TARGET PRICE	THB2.00
CLOSE	THB1.95
UP/DOWNSIDE	+2.6%
PRIOR TP	THB1.88
CHANGE IN TP	+6.4%
TP vs CONSENSUS	-4.1%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	1,641	1,395	1,555	1,678
Net profit	1,287	1,116	1,244	1,342
EPS (THB)	0.23	0.18	0.20	0.22
vs Consensus (%)	-	(6.7)	(3.8)	(3.5)
Recurring net profit	1,287	1,116	1,244	1,342
Core EPS (THB)	0.23	0.18	0.20	0.22
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(26.6)	(18.8)	8.2	7.9
Core P/E (x)	8.6	10.6	9.8	9.0
Dividend yield (%)	1.0	5.2	5.6	6.1
Price/book (x)	0.9	0.9	0.8	0.8
ROE (%)	10.3	8.5	8.9	9.2
ROA (%)	2.4	2.1	2.3	2.3

## Loans to contract further

We expect THANI to report a 3Q24 net profit at THB254m, stable both q-q and y-y. The overall operations should continue to be pressured by the sluggish industry conditions. We expect loans to contract by 1.7% q-q, 9.0% y-y, and 7.1% YTD, as the demand for trucks remains weak and the firm continues to emphasize quality over growth. As a result, we project NII to dwindle by 0.9% q-q and 9.2% y-y over a flat q-q loan spread at 3.47% (loan yield should rise q-q due to seasonality, but would be offset by a rise in the cost of funds). The same trend goes for non-NII, which we expect to drop by 1.3% q-q and 5.1% y-y on lower loan and insurance fees. 3Q24E OPEX increases by 4.1% q-q, but drops 16.6% y-y over a declining underwriting volume of cTHB4.5b (c27% y-y decline). Accordingly, the 3Q24E CIR is at 22.6% from 21.8% in 2Q24. Our 9M24E secures 76% of our 2024E net profit.

## Seasonality and flooding aggravating pressures on quality

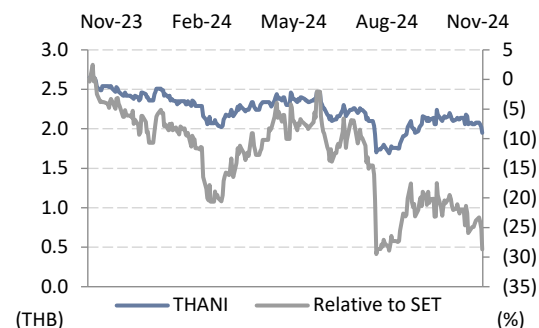
3Q24 asset quality should continue to be under industry pressure and weaken further, given the impact of flooding in Chiang Rai in Sep-24 and a heavier-than-usual rainfall over the period, causing the firm's weaker collection performance. Therefore, we expect the 3Q24 NPL ratio to rise further to 3.53% from 3.41% in 2Q24. The 3Q24E credit cost is at 2.15% from 2.03% in 2Q24, while we project the coverage ratio to decline further to 89% from 92% in 2Q24. We expect THANI's monthly new truck foreclosures to continue at a high level of 140-150 units. However, we expect fewer monthly unit sales due to the slowing demand for used trucks, leading to a higher net booking value of 3Q24E NPAs at THB500m from THB454m in 2Q24.

## Maintain forecasts; continue to expect a contraction in 2024

We maintain our 2024-26E net profit, with 2024 plunging 13.3% over the rising credit cost pressure and declining loan portfolio before an average recovery of 10% CAGR during 2025-26, with a conservative estimate of 5.3% CAGR loan growth and a decline in credit cost to 1.5-1.6% from 1.7% in 2024.

## Maintain HOLD call with 2025 TP of THB2.00

With the unfavorable business landscape expected to persist, we maintain our UNDERWEIGHT recommendation for the truck hire-purchase industry over credit quality and foreclosed truck concerns. Accordingly, we retain our HOLD rating for THANI with a 2025 GGM-based TP of THB2.00, implying a P/BV of 0.87x over LT ROE of 9.2% (from 9.1%) and COE of 10.0%, which currently offers limited upside from the trading share price.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.7)	10.2	(23.4)
Relative to country (%)	(10.8)	(0.7)	(27.8)
Mkt cap (USD m)	360		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	41		
Major shareholder	Thanachart SPV1 Co., LTD (57%)		
12m high/low (THB)	2.76/1.67		
Issued shares (m)	5,663		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We have a HOLD recommendation for THANI due to:

- We have a soft outlook for the hire-purchase truck industry, as companies' asset quality should not unwind rapidly over a backdrop of delayed government spending, soft export/import performance, and declining farm income.
- Regarding THANI's unfavorable landscape, we expect it to focus on proactive asset quality management, while the new lending volume is likely to decline sharply y-y, pressuring loan growth and revenue performance. Therefore, our projections suggest a 2024 bottom-line contraction of 13.3% y-y before a recovery in 2025-26 at an average of 9.7% CAGR.
- Our GGM-based 2025 TP of THB2.00, implying a P/BV ratio of 0.86x (LT ROE 9.2%, COE 10.0%), offers limited upside to the current share price.

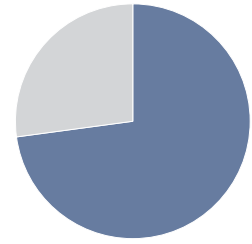
## Company profile

Main businesses of the company are hire purchase loans, targeting new and used trucks, and financial leasing, as well as services related to its core businesses.

[www.ratchthani.com](http://www.ratchthani.com)

## Principal activities (revenue, 2023)

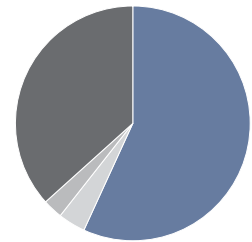
- Net interest income - 72.9 %
- Non-interest income - 27.1 %



Source: Ratchthani Leasing

## Major shareholders

- Thanachart SPV1 Co., LTD - 56.8 %
- Thanachart Capital PCL - 3.8 %
- C.S.B. DRUG FACTORY CO.,LTD. - 2.7 %
- Others - 36.7 %



Source: Ratchthani Leasing

## Catalysts

1. Better-than-expected new loan bookings and loan growth.
2. Better-than-expected improvement in asset quality.
3. Lower-than-expected credit cost and losses on NPA sales.
4. Increases in the average price of trucks.

## Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.

## Event calendar

Date	Event
12-13 Nov 2024	3Q24 results announcement

## Key assumptions

	2024E (THB m)	2025E (THB m)	2026E (THB m)
Net profit	1,116	1,244	1,342
Growth (y-y%)	(13.3)	11.5	7.9
Gross loan	49,870	52,518	55,341
Growth (y-y%)	(7.8)	5.3	5.4
Cost-to-income	24.43	24.21	24.11
NIM	4.01	4.08	3.99
Credit cost	1.70	1.60	1.50
NPL ratio	3.50	3.37	3.25

Source: FSSIA estimates

## Earnings sensitivity

			2025E	
Loan growth (%)	±1ppt	4.3	5.3	6.3
% change in net profit		(0.8)	-	0.8
Interest spread (%)	±5bp	3.50	3.55	3.60
% change in net profit		(1.6)	-	1.6
Credit cost (bp)	±10bp	150	160	170
% change in net profit		3.3	-	(3.3)

Source: FSSIA estimates

## Exhibit 1: THANI – 3Q24 earnings preview

	3Q23	4Q23	1Q24	2Q24	3Q24E	----- Change -----		9M24E	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)	24E	(THB m)	(y-y %)
Interest income	924	913	885	847	839	(0.9)	(9.2)	2,571	(6.7)	76	3,405	(7.2)
Interest expense	304	319	316	308	296	(4.0)	(2.7)	920	7.9	71	1,289	10.0
Net interest income	620	594	569	539	543	0.9	(12.4)	1,651	(13.2)	78	2,116	(15.2)
Non-interest income	236	191	227	227	224	(1.3)	(5.1)	677	(8.4)	75	899	(3.3)
Operating income	856	785	795	765	767	0.2	(10.4)	2,328	(11.9)	77	3,015	(12.0)
Operating expenses	208	175	187	166	173	4.1	(16.6)	527	(6.2)	71	737	0.0
Pre-provisioning operating profit	648	610	608	599	594	(0.8)	(8.4)	1,801	(13.4)	79	2,278	(15.3)
Expected credit loss	340	386	177	263	272	3.7	(19.9)	712	7.5	81	883	(15.7)
Income tax	58	63	88	82	68	(17.4)	16.3	238	(18.6)	85	279	(21.3)
<b>Net profit</b>	<b>250</b>	<b>161</b>	<b>343</b>	<b>255</b>	<b>254</b>	<b>(0.2)</b>	<b>1.4</b>	<b>852</b>	<b>(24.3)</b>	<b>76</b>	<b>1,116</b>	<b>(13.3)</b>
EPS (THB)	0.04	0.03	0.06	0.04	0.04	(3.1)	(7.8)	0.14	(28.4)	77	0.18	(18.8)
Key balance sheet items												
Gross loans	55,163	54,061	52,178	51,096	50,203	(1.7)	(9.0)	50,203	(9.0)		49,870	(7.8)
Interest bearing debt	42,140	41,742	41,773	37,958	37,057	(2.4)	(12.1)	37,057	(12.1)		38,567	(7.6)
Leverage ratios	(x)	(x)	(x)	(x)	(x)			(x)			(x)	
D/E	3.4	3.4	3.3	3.0	2.8			2.8			2.9	
IBD/E	3.4	3.3	3.2	2.9	2.8			2.8			2.8	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)		(%)	(%)
Gross NPL (THB m)	1,506	1,726	1,719	1,741	1,772	1.8	17.7	1,772	17.7		1,747	1.2
NPL / TL	2.73	3.19	3.29	3.41	3.53			3.53			3.50	
LLR	1,542	1,678	1,642	1,609	1,584	(1.6)	2.7	1,584	2.7		1,626	(3.1)
Coverage ratio	102	97	95	92	89			89			93	
Credit cost	2.46	2.83	1.33	2.03	2.15			1.80			1.70	
Profitability ratios	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Cost-to-income ratio	24.27	22.34	23.49	21.75	22.59			22.62			24.43	
Average loan yield	6.69	6.69	6.66	6.56	6.63			6.51			6.55	
Cost of funds	2.86	3.04	3.03	3.09	3.16			3.10			3.21	
Loan yield spreads	3.83	3.65	3.64	3.47	3.47			3.41			3.34	
Net interest margins (NIM)	4.54	4.39	4.19	4.08	4.32			4.23			4.01	
Non-NII / Revenue	27.54	24.30	28.48	29.62	29.15			29.08			29.81	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
q-q	(0.3)	(2.0)	(3.5)	(2.1)	(1.7)							
y-y	3.9	0.7	(4.7)	(7.6)	(9.0)			(9.0)			(7.8)	
YTD	2.8	0.7	(3.5)	(5.5)	(7.1)			(7.1)				

Sources: THANI; FSSIA estimates

**Exhibit 2: THANI – Staged loans and ECL**

	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2Q24 (THB m)	2022 (%)	2023 (%)	1Q24 (%)	2Q24 (%)
<b>Staged loans</b>								
Stage 1	46,181	45,527	43,651	42,524	86.1	84.2	83.7	83.2
Stage 2	6,132	6,808	6,807	6,831	11.4	12.6	13.0	13.4
Stage 3	1,347	1,726	1,719	1,741	2.5	3.2	3.3	3.4
Total	53,660	54,061	52,178	51,096	100.0	100.0	100.0	100.0
<b>Allowance for ECL</b>								
Stage 1	289	254	235	227	0.6	0.6	0.5	0.5
Stage 2	845	855	833	798	13.8	12.6	12.2	11.7
Stage 3	424	568	574	585	31.5	32.9	33.4	33.6
Total	1,558	1,678	1,642	1,609	2.9	3.1	3.1	3.1
<b>LLR/ Loans</b>								
Stage 1	0.6	0.6	0.5	0.5				
Stage 2	13.8	12.6	12.2	11.7				
Stage 3	31.5	32.9	33.4	33.6				
Total	2.9	3.1	3.1	3.1				
NPL / TL	2.5	3.2	3.3	3.4				
NPL vs Stage 2 loans / TL	13.9	15.8	16.3	16.8				
LLR / NPL	116	97	95	92				
LLR / (NPL vs Stage 2)	21	20	19	19				

Sources: THANI; FSSIA's compilation

**Exhibit 3: THANI – 2025 GGM-based TP**

	New (%)	Previous (%)
Sustainable ROE	9.2	9.1
Terminal growth	4.1	4.0
Risk-free	3.0	3.0
Expected market return	8.0	8.0
Market risk premium	5.0	5.0
Cost of equity	10.0	10.0
Beta	1.4	1.4
<b>Target PBV (x)</b>	<b>0.87</b>	<b>0.86</b>
<b>Fair price (THB)</b>	<b>2.00</b>	<b>1.88</b>

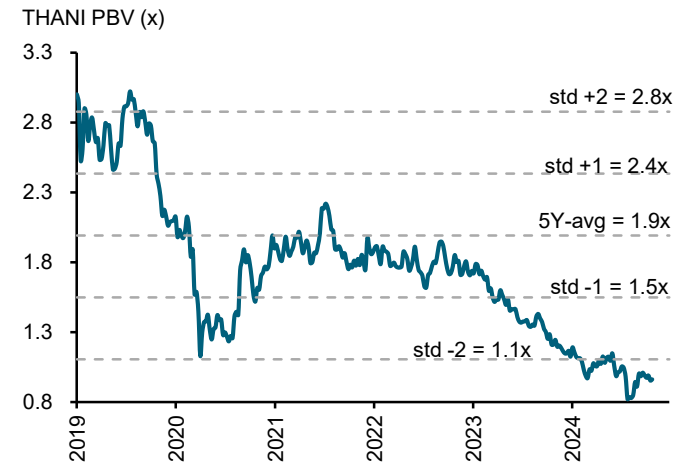
Source: FSSIA estimates

**Exhibit 4: Share price performance of non-banks under coverage, as of 31 October 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(3.3)	11.3	(15.3)	(4.9)	(18.4)
MTC TB	2.5	23.8	11.5	36.2	12.8
SAWAD TB	(1.2)	28.6	14.7	12.6	16.1
SAK TB	3.8	0.9	11.1	35.7	29.8
AEONTS TB	(1.8)	19.7	(13.3)	(5.4)	(12.5)
KTC TB	(2.6)	22.4	11.0	7.9	9.8
ASK TB	(10.9)	7.0	(27.4)	(39.6)	(38.7)
<b>THANI TB</b>	<b>(11.4)</b>	<b>8.3</b>	<b>(18.8)</b>	<b>(23.4)</b>	<b>(17.5)</b>
JMT TB	8.7	65.8	(3.9)	(36.3)	(22.0)
BAM TB	(14.0)	19.4	(16.6)	(6.2)	1.8
CHAYO TB	(12.1)	21.7	(21.3)	(37.9)	(36.1)
<b>SETFIN</b>	<b>(2.3)</b>	<b>21.6</b>	<b>(2.3)</b>	<b>(2.9)</b>	<b>(6.1)</b>
<b>SET</b>	<b>0.1</b>	<b>10.8</b>	<b>7.2</b>	<b>6.2</b>	<b>3.5</b>

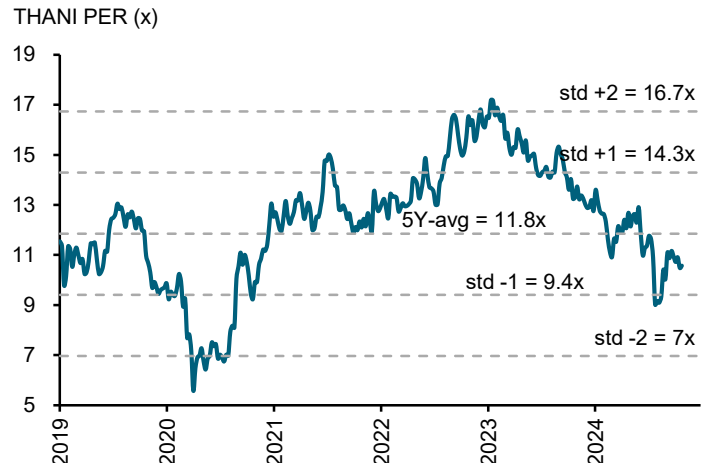
Source: Bloomberg

Exhibit 5: THANI – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: THANI – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Peer comparisons, as of 31 October 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	----- PE -----		----- PBV -----		----- ROE -----		---- Div yld ----	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	50.75	62.00	22.2	17.1	13.2	2.9	2.4	18.1	19.7	0.5	0.7
Srisawad Corp	SAWAD TB	HOLD	42.75	37.00	(13.5)	12.4	11.1	1.9	1.7	17.0	16.2	0.2	0.9
Ngern Tid Lor	TIDLOR TB	HOLD	17.70	17.64	(0.3)	11.7	10.1	1.6	1.4	14.5	15.1	2.6	3.0
Saksiam Leasing	SAK TB	BUY	5.40	5.28	(2.2)	13.6	11.9	1.8	1.7	13.7	14.4	3.1	3.5
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	140.00	142.00	1.4	11.8	10.9	1.3	1.2	11.7	11.9	3.6	3.9
Krungthai Card	KTC TB	HOLD	47.75	44.00	(7.9)	16.5	15.5	3.1	2.8	19.8	18.9	2.7	2.9
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	12.20	11.00	(9.8)	14.5	11.4	0.6	0.6	4.2	5.3	3.5	4.4
Ratchthani Leasing	THANI TB	HOLD	1.95	2.00	2.6	10.6	9.8	0.9	0.8	8.5	8.9	5.2	5.6
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	BUY	8.30	11.00	32.5	14.7	13.6	0.6	0.6	4.1	4.4	5.4	5.9
JMT Network services	JMT TB	HOLD	19.90	11.00	(44.7)	17.7	14.7	1.1	1.0	6.1	7.2	3.4	4.1
Chayo Group	CHAYO TB	BUY	3.48	4.00	14.9	14.1	8.2	1.0	0.9	7.9	11.8	1.9	1.8
Average						14.1	11.9	1.5	1.4	11.4	12.2	2.9	3.3

The Chairman of The Board of Directors of Finansia Syrus Securities PCL is also AEONTS's Director.

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Ratchthani Leasing

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	3,511	3,668	3,405	3,503	3,696
Interest expense	(926)	(1,172)	(1,289)	(1,321)	(1,427)
Net interest income	2,585	2,496	2,116	2,182	2,269
Net fees & commission	469	439	408	436	467
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	464	491	491	515	541
Non interest income	933	929	899	952	1,008
Total income	3,518	3,426	3,015	3,133	3,277
Staff costs	(666)	(623)	(623)	(642)	(667)
Other operating costs	(108)	(114)	(114)	(117)	(123)
Operating costs	(774)	(737)	(737)	(759)	(790)
Pre provision operating profit	2,744	2,689	2,278	2,375	2,487
Expected credit loss	(555)	(1,048)	(883)	(819)	(809)
Other provisions	-	-	-	-	-
Operating profit	2,189	1,641	1,395	1,555	1,678
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	2,189	1,641	1,395	1,555	1,678
Tax	(436)	(354)	(279)	(311)	(336)
Profit after tax	1,753	1,287	1,116	1,244	1,342
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,753	1,287	1,116	1,244	1,342
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,753	1,287	1,116	1,244	1,342
<b>Per share (THB)</b>					
Recurring EPS *	0.31	0.23	0.18	0.20	0.22
Reported EPS	0.31	0.23	0.18	0.20	0.22
DPS	0.17	0.02	0.10	0.11	0.12
<b>Growth</b>					
Net interest income (%)	2.7	(3.4)	(15.2)	3.1	4.0
Non interest income (%)	17.1	(0.3)	(3.3)	5.9	5.9
Pre provision operating profit (%)	0.6	(2.0)	(15.3)	4.2	4.7
Operating profit (%)	2.2	(25.0)	(15.0)	11.5	7.9
Reported net profit (%)	2.5	(26.6)	(13.3)	11.5	7.9
Recurring EPS (%)	2.5	(26.6)	(18.8)	8.2	7.9
Reported EPS (%)	2.5	(26.6)	(18.8)	8.2	7.9
<b>Income Breakdown</b>					
Net interest income (%)	73.5	72.9	70.2	69.6	69.2
Net fees & commission (%)	13.3	12.8	13.5	13.9	14.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	13.2	14.3	16.3	16.4	16.5
<b>Operating performance</b>					
Gross interest yield (%)	6.94	6.88	6.45	6.55	6.49
Cost of funds (%)	2.40	2.85	3.21	3.29	3.32
Net interest spread (%)	4.54	4.03	3.24	3.26	3.17
Net interest margin (%)	5.1	4.7	4.0	4.1	4.0
Cost/income(%)	22.0	21.5	24.4	24.2	24.1
Cost/assets(%)	1.5	1.3	1.4	1.4	1.4
Effective tax rate (%)	19.9	21.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	54.9	8.8	55.0	55.0	55.0
ROE (%)	14.7	10.3	8.5	8.9	9.2
ROE - COE (%)	4.7	0.3	(1.5)	(1.1)	(0.8)
ROA (%)	3.4	2.4	2.1	2.3	2.3
RORWA (%)	-	-	-	-	-
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Ratchthani Leasing; FSSIA estimates

## Financial Statements

### Ratchthani Leasing

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	59,772	60,023	55,356	58,277	61,387
Allowance for expected credit loss	(1,558)	(1,678)	(1,626)	(1,728)	(1,782)
interest in suspense	(6,113)	(5,966)	(5,486)	(5,759)	(6,046)
<b>Net customer loans</b>	<b>52,100</b>	<b>52,380</b>	<b>48,244</b>	<b>50,790</b>	<b>53,559</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	652	1,434	3,404	4,457	4,920
Other interesting assets	-	-	-	-	-
Tangible fixed assets	380	576	501	433	423
Associates	0	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	50	49	49	49	49
Other assets	726	817	907	1,108	1,274
<b>Total assets</b>	<b>53,909</b>	<b>55,260</b>	<b>53,105</b>	<b>56,837</b>	<b>60,224</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	40,593	41,742	38,567	41,649	44,358
Non interest bearing liabilities	955	833	851	870	890
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>41,548</b>	<b>42,575</b>	<b>39,418</b>	<b>42,519</b>	<b>45,248</b>
Share capital	5,663	5,663	6,229	6,229	6,229
Reserves	6,698	7,022	7,458	8,089	8,747
<b>Total equity</b>	<b>12,361</b>	<b>12,685</b>	<b>13,687</b>	<b>14,318</b>	<b>14,976</b>
Non-controlling interest	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>53,909</b>	<b>55,260</b>	<b>53,105</b>	<b>56,837</b>	<b>60,224</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	50,614	53,351	52,799	53,517	56,936
Average interest bearing liabilities	38,555	41,168	40,154	40,108	43,003
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	51,528	53,860	51,965	51,194	53,930
<b>Per share (THB)</b>					
Book value per share	2.18	2.24	2.20	2.30	2.40
Tangible book value per share	2.17	2.23	2.19	2.29	2.40
<b>Growth</b>					
Gross customer loans	9.1	0.4	(7.8)	5.3	5.3
Average interest earning assets	5.2	5.4	(1.0)	1.4	6.4
Total asset (%)	9.5	2.5	(3.9)	7.0	6.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.9	23.0	25.8	25.2	24.9
Tangible equity/assets (%)	22.8	22.9	25.7	25.1	24.8
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	5.8	4.5	(3.5)	(1.5)	5.3
NPL/gross loans (%)	86.2	89.7	93.9	87.8	87.9
Allowance for ECL/gross loans (%)	2.6	2.8	2.9	3.0	2.9
Allowance for ECL/NPL (%)	3.0	3.1	3.1	3.4	3.3
<b>Valuation</b>					
Recurring P/E (x) *	6.3	8.6	10.6	9.8	9.0
Recurring P/E @ target price (x) *	6.5	8.8	10.8	10.0	9.3
Reported P/E (x)	6.3	8.6	10.6	9.8	9.0
Dividend yield (%)	8.7	1.0	5.2	5.6	6.1
Price/book (x)	0.9	0.9	0.9	0.8	0.8
Price/tangible book (x)	0.9	0.9	0.9	0.9	0.8
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.9	0.8

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

# Ratchthani Leasing PCL (THANI TB)

## FSSIA ESG rating


**55.07 /100**

### Exhibit 8: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★☆	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★☆☆	>39-59	<b>Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.</b>
★★☆☆☆	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★☆☆☆☆	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

### Exhibit 9: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
ASK	25.25	--	--	--	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
THANI	55.07	--	Y	Y	5.00	5.00	Certified	Medium	41.07	B	--	53.43	23.00	2.29	41.91
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

### Exhibit 10: ESG score by Bloomberg

FY ending Dec 31	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>2.23</b>	<b>3.10</b>
BESG environmental pillar score	3.25	3.80
BESG social pillar score	1.24	2.51
BESG governance pillar score	3.87	3.92
<b>ESG disclosure score</b>	<b>42.22</b>	<b>42.56</b>
Environmental disclosure score	25.28	25.28
Social disclosure score	20.13	21.16
Governance disclosure score	81.10	81.10
<b>Environmental</b>		
Emissions reduction initiatives	Yes	Yes
Climate change policy	Yes	Yes
Climate change opportunities discussed	No	No
Risks of climate change discussed	No	No
GHG scope 1	—	—
GHG scope 2 location-based	0	0
GHG Scope 3	—	—
Carbon per unit of production	—	—
Biodiversity policy	No	No
Energy efficiency policy	Yes	Yes
Total energy consumption	—	—
Renewable energy use	—	—
Electricity used	1	1
Fuel used - natural gas	—	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 11: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No
Waste reduction policy	Yes	Yes
Hazardous waste	—	—
Total waste	0	0
Waste recycled	—	—
Waste sent to landfills	—	—
Environmental supply chain management	Yes	Yes
Water policy	Yes	Yes
Water consumption	4	4
<b>Social</b>		
Human rights policy	Yes	Yes
Policy against child labor	No	No
Quality assurance and recall policy	No	No
Consumer data protection policy	No	Yes
Equal opportunity policy	Yes	Yes
Gender pay gap breakout	No	No
Pct women in workforce	55	55
Pct disabled in workforce	0	0
Business ethics policy	Yes	Yes
Anti-bribery ethics policy	Yes	Yes
Health and safety policy	Yes	Yes
Lost time incident rate - employees	0	0
Total recordable incident rate - employees	0	0
Training policy	No	No
Fair remuneration policy	No	No
Number of employees – CSR	465	482
Employee turnover pct	—	—
Total hours spent by firm - employee training	1,339	2,993
Social supply chain management	Yes	Yes
<b>Governance</b>		
<b>Board size</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>5</b>	<b>5</b>
No. of women on board	2	2
No. of non-executive directors on board	10	10
Company conducts board evaluations	Yes	Yes
No. of board meetings for the year	6	6
Board meeting attendance pct	100	100
Board duration (years)	3	3
Director share ownership guidelines	No	No
Age of the youngest director	45	46
Age of the oldest director	83	77
<b>No. of executives / company managers</b>	<b>6</b>	<b>6</b>
No. of female executives	1	1
Executive share ownership guidelines	No	No
<b>Size of audit committee</b>	<b>5</b>	<b>5</b>
No. of ID on audit committee	5	5
Audit committee meetings	4	4
Audit meeting attendance %	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	2	2
No. of compensation committee meetings	2	2
Compensation meeting attendance %	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	2	2
Nomination meeting attendance %	100	100
<b>Sustainability governance</b>		
Verification type	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
<a href="#">Morningstar Sustainalytics</a>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.  
Source: FSSIA's compilation

## GENERAL DISCLAIMER

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#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Ratchthani Leasing	THANI TB	THB 1.95	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Muangthai Capital	MTC TB	THB 50.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Ngern Tid Lor	TIDLOR TB	THB 17.70	HOLD	Downside risks to our GGM-based TP include 1) further weakening asset quality could potentially hit both loan yields and credit costs; and 2) tighter supervision from related regulators. Upside risks are 1) lower-than-expected credit costs from better asset quality management; and 2) higher-than-expected loan and insurance premium growth from the positive effects of more favorable economic situations.
Krungthai Card	KTC TB	THB 47.75	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 140.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Srisawad Corp	SAWAD TB	THB 42.75	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Saksiam Leasing	SAK TB	THB 5.40	BUY	Downside risks include 1) competition from existing and new players 2) regulatory changes by the Bank of Thailand (BoT) and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Asia Sermkij Leasing PCL	ASK TB	THB 12.20	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.30	BUY	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market.
JMT Network Services	JMT TB	THB 19.90	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense.
Chayo Group	CHAYO TB	THB 3.48	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 31-Oct-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.