Phatra Leasing PLC

Financial Institution | Operating Lease 31 July 2026

Issuer Credit Rating: BBB+/Negative

Issue Ratings:

Senior Unsecured: BBB+/Negative

Rating Action

TRIS Rating revises the rating outlook on Phatra Leasing PLC (PL) to "Negative" from "Stable" and affirms the issuer credit rating and the issue ratings on PL's outstanding senior unsecured debentures at "BBB+". At the same time, TRIS Rating assigns a rating of "BBB+" to PL's proposed issue of up to THB500 million senior unsecured debentures with a tenor of up to three years.

The outlook revision reflects the slower-than-expected recovery of PL's financial performance, as evidenced by a modest EBIT (earnings before interest and taxes) interest coverage ratio.

The ratings continue to reflect PL's leading position in the operating lease (OL) business, moderate financial leverage, and manageable liquidity. These strengths are partly offset by modest cash flow protection and weaker-than-expected profits from the sale of leased vehicles at contract maturity.

Key Rating Considerations

Sustained leadership in corporate vehicle leasing amid fleet transition

OL remains PL's core business, and we expect PL to sustain its leading position in corporate vehicle leasing, supported by an established customer base, long track record, and fleet management expertise. Its sizable OL portfolio provides recurring revenue and cash flow visibility.

The company's OL portfolio remained at about THB7.0 billion during 2024 to the first quarter of 2026 (1Q26). However, the total portfolio, including OL, financial lease (FL) and loans, declined to THB10.4 billion at the end of 2025 from THB11.1 billion at the end of 2024. This was mainly due to lower FL assets, before stabilizing at THB10.3 billion in 1Q26. The higher OL share of the total portfolio, at 69% in 2025-1Q26, up from 65% in 2024, supports relatively stable earnings and reinforces PL's core franchise.

Based on the latest available data, PL is repositioning its fleet toward electrified vehicles (EVs) in response to evolving changes in consumer behavior and ESG-related (environmental, social, and governance) demand. Within the EV space, hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), and battery electric vehicles (BEVs) accounted for nearly 49% of its auto fleet portfolio in 2025, up from about 45% in 2024. BEVs represented only 1% of the total auto fleet portfolio. While this supports competitiveness, it also increases exposure to residual value risk and uncertainty over long-term resale values. However, we expect prudent salvage value assessment to mitigate residual value losses to a certain extent.

Over the medium term, we expect OL assets to grow at a measured pace, in line with management's 1%-3% annual growth target. ESG-driven demand and diversification into medical equipment leasing and other products should support earnings resilience and reduce exposure to used-car price volatility.

Profitability to improve amid ongoing pressure

Despite our expectation that the EBIT coverage ratio will remain modest over the medium term, we anticipate PL's profitability to improve gradually, supported by continuous OL margin expansion, higher utilization of retired assets, and a more diversified asset mix. These factors should help preserve its earnings, although residual value gains on retired vehicles are still likely to remain below historical levels.

The recent OL margin expansion is evidenced by OL gross margin rising to 20% in 2025 and 22% in 1Q26, up from 17% in 2024, which exceeded TRIS Rating's forecast. EBIT margin also recovered to 16.4% in 2025 from 15.0% in 2023 and 7.6% in 2024, a year heavily impacted by high provisioning. However, margins from retired asset sales remained around 8%–9%, below TRIS Rating's target of over 10%, which continued to weigh on overall EBIT.

We project PL's EBIT margin at around 15% during 2026-2028, with OL gross margins of 20%-21%, FL yields of about 6%, and retired asset sales margins of 8%-9%. Gains from retired asset sales are expected to remain modest, with used-car price volatility being a key downside risk.

Cash flow protection remains under pressure

PL's cash flow protection, measured by the EBIT interest coverage ratio, stayed at 1.28 times in 2025 and 1.27 times in 1Q26, continuing to weigh on the rating. We expect the ratio to remain modest at about 1.3 times in 2026-2028. This is despite our expectation that revenues from OL business will improve, underpinned by gradual expansion of the OL portfolio and a stable gross margin. While interest income from FL contracts may also improve, it is likely to do so at an increasingly cautious pace.

Additional earnings pressure could stem from persistently low margin from sales of retired assets as used-car prices have settled at a new, lower plateau compared with 2022 levels. In 2025-1Q26, asset disposal proceeds weakened as fewer vehicles reached contract maturity; however, the company strategically leveraged wholesale channels to accelerate cash flow realization from retired assets amid a shortage of used car demand.

Nonetheless, lower funding costs should help stabilize PL's financial performance and support debt service. Its funding cost declined to 3.6% in 1Q26 from 3.9% in 2025 and is expected to average around 3.7% during 2026-2028. Although the benefit of lower market rates will take time to materialize due to the predominance of fixed-rate borrowings, PL's liquidity position remains adequate. This is supported by available credit facilities that cover its funding needs.

Moderate financial leverage

We expect PL's financial leverage to remain moderate. As of 1Q26, the company reported a debt-to-capitalization ratio of 73%, broadly unchanged from the 73%-75% range recorded over the past few years, reflecting disciplined growth and stable capital management.

We project the ratio to stay at around 73% during 2026-2028, supported by conservative portfolio growth and a 60% dividend payout ratio. The total portfolio is expected to remain close to THB10 billion in 2026 before growing by 1%-3% annually during 2027-2028, led mainly by OL and FL expansion.

The company's interest-bearing debt to equity (IBD/E) ratio stood at 2.7 times as of 1Q26 and is expected to remain below 3.0 times throughout 2026-2028, well below the bond covenant threshold of 7.0 times. We view PL's leverage position as manageable and commensurate with its current credit profile.

Improved credit risk profile for the FL business

We view PL's overall credit risk profile for the FL business as manageable, despite the sharp increase in non-performing loans (NPLs) from a few major FL accounts in 2024. The NPL ratio of the FL portfolio rose to 22.5% at the end of 2024 and declined to about 12% at the end of 1Q26 following the resolution of one major account. After PL completes its debt restructuring and liquidation process for the remaining major NPL account, the NPL ratio is likely to fall further, approaching its historical level of 4%-5% in 2023.

While its FL business may be exposed to concentration risk given its corporate-focused nature, conservative LTV ratios and prudent underwriting across the FL and other loan portfolios provide collateral protection and should help limit future credit losses.

Conservative funding structure

We view PL's funding structure as appropriate for its leasing business, as long-term borrowings broadly match the three- to five-year tenor of its OL and FL portfolios, helping to manage asset-liability mismatch risk.

As of 1Q26, total IBD stood at THB8.3 billion, comprising 71% long-term debt and 29% short-term debt. Debt to capitalization fell moderately to 73% at the end of 2025 from 75% at the end of 2024.

Manageable liquidity

TRIS Rating expects PL's available liquidity to cover its needs over the 12 months ending March 2027. Sources comprise available and under-negotiation bank credit lines of THB3.5 billion, cash on hand and expected funds from operations (FFO) totaling THB1.4 billion, and projected asset sales of approximately THB650 million. These sources exceed debt obligations of THB3.3 billion and capital expenditures of around THB1.8 billion, supporting an adequate liquidity position. Established banking relationships and the ability to access capital markets should help preserve financial flexibility and keep the company's liquidity manageable.

OL industry growth remains subdued

Demand for OL services has softened amid sluggish economic conditions. Net assets of the top 10 operators in TRIS Rating's database declined by 3% at the end of 2025, following a 1% drop in 2024 and flat growth in 2023.

Used-car market conditions have shown signs of stabilization, albeit remaining uncertain, supported by fewer repossessed vehicles amid better asset quality among several hire-purchase lenders and targeted debt restructuring measures implemented by the Bank of Thailand (BOT). The BOT's used-car price index averaged 76.9 in the first five months of 2026, compared with the full-year average of 72.8 in 2025.

Base-Case Assumptions

TRIS Rating's base-case assumptions for PL's operations during 2026-2028 include:

- The total portfolio to remain close to THB10 billion in 2026 before growing by 1%-3% annually during 2027-2028.
- OL gross margin to remain in the range of 20%-21%.
- Gross margin on sales of retired assets to remain around 8%-9%.
- Cost of funds to remain around 3.7%.

Rating Outlook

The "Negative" outlook reflects PL's slower-than-expected financial recovery, resulting in limited buffer in its cash flow protection metrics and uncertainty over residual value gains for retired vehicles.

Rating Sensitivities

The outlook could return to "Stable" if PL's operating performance recovers sustainably, with the EBIT interest coverage ratio remaining comfortably above 1.3 times, while leverage, profitability and liquidity stay manageable.

A downgrade could occur if cash flow protection weakens further, with the EBIT interest coverage ratio falling well below 1.3 times for a sustained period, or if asset quality, profitability, or liquidity deteriorates significantly.

Company Overview

PL was established in 1987 by the Lamsam family to provide automobile leasing services and was listed on the Stock Exchange of Thailand (SET) in 1996. The company is currently affiliated with the Muang Thai Group, comprising Muang Thai Life PLC, Muang Thai Insurance PLC, and Muang Thai Holding Co., Ltd., which collectively hold 25.9% of PL's shares.

PL focuses on automobile operating leases for corporate clients, offering long-term leases for various vehicle types, including sedans, pickup trucks, luxury cars, and multi-purpose vehicles. The company also provides finance leases for selected specialized assets, supporting portfolio diversification and broader customer coverage.

Financial Statistics and Key Financial Ratios

Unit: Mil. THB

			Year Ended 31 December				
	Jan-Mar 2026		2025	2024	2023	2022	2021
Total operating revenues	602		2,670	2,702	2,699	2,966	3,237
Earnings before interest and taxes (EBIT)	97		439	204	406	343	313
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	374		1,554	1,351	1,580	1,605	1,756
Funds from operations (FFO)	298		1,212	1,015	1,337	1,407	1,543
Adjusted interest expense	76		342	336	243	198	212
Capital expenditures	333		1,664	2,049	3,304	1,532	1,281
Total assets	11,609		11,839	12,613	12,305	10,285	10,829
Adjusted debt	8,230		8,471	9,147	8,440	6,555	6,969
Adjusted equity	3,080		3,063	3,000	3,174	3,138	3,083
Adjusted Ratios							
EBIT margin (%)	16.0		16.4	7.6	15.0	11.6	9.7
Return on average assets (%)	0.6	*	0.5	(0.8)	1.0	1.1	1.1
EBIT interest coverage (times)	1.3		1.3	0.6	1.7	1.7	1.5
FFO to debt (%)	14.7	*	14.3	11.1	15.8	21.5	22.1
Debt to capitalization (%)	72.8		73.4	75.3	72.7	67.6	69.3

* *Annualized*

Related Criteria

- Corporate Rating Methodology, 29 December 2025
- Key Financial Ratios and Adjustments for Corporate Issuers, 7 November 2025
- Issue Rating Criteria, 26 December 2024

Phatra Leasing PLC (PL)

Issuer Credit Rating:	**BBB+**
Issue Ratings:	
PL268A: THB900 million senior unsecured debentures due 2026	BBB+
PL272B: THB428.5 million senior unsecured debentures due 2027	BBB+
PL272A: THB440 million senior unsecured debentures due 2027	BBB+
PL282A: THB560 million senior unsecured debentures due 2028	BBB+
Up to THB500 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	**Negative**

Rating History

Last Review Date: 29 August 2025

Date	Rating	Outlook/Alert
07-Aug-20	BBB+	Stable
07-Aug-19	A-	Negative
25-Jul-13	A-	Stable
30-Mar-11	A-	Positive
09-Aug-05	A-	Stable
12-Jul-04	BBB+	Stable
10-Oct-02	BBB+	-
23-Aug-00	BBB	-

Contacts:

Siriwan Weeramethachai | siriwan@trisrating.com
Taweechok Jiamsakunthum | taweechok@trisrating.com

No. 210/2026

TRIS Rating Co., Ltd.
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand | Tel: +66 2 098 3000