

NGERNTURBO PLC

No. 83/2025
23 May 2025

FINANCIAL INSTITUTIONS

Company Rating: BBB-
Outlook: Stable

Last Review Date: 10/05/24

Company Rating History:		
Date	Rating	Outlook/Alert
02/05/23	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Ngernturbo PLC (TURBO) at “BBB-” with a “stable” outlook. The rating reflects the company’s strong capital base, sufficient funding, adequate liquidity, and moderate standing within the auto title loan market.

However, these supporting factors are offset by our concerns over TURBO’s weakened earnings capabilities primarily driven by high operating costs and high credit risk stemming from the weak economy. Intense competition within the auto title loan market may further challenge the company’s profitability going forward.

KEY RATING CONSIDERATIONS

Capital position to remain strong

TURBO’s strong capital continues to support its credit profile. At the end of 2024, its risk-adjusted capital (RAC) ratio stood at 17.8%, a level we believe is sufficient to support its planned business expansion.

We expect the RAC ratio to remain within the “strong” range over the medium term, assuming moderate loan growth of 2%-3% and a conservative dividend policy. The company’s planned initial public offering (IPO) could further strengthen its capital base, potentially leading to a positive rating impact.

TURBO also maintains sound financial leverage, with an adjusted debt to equity ratio (excluding shareholder loans) of 1.7 times as of December 2024, well below its covenant.

Conservative credit growth strategy

We expect TURBO to continue to hold a relatively modest market share compared to larger peers as its tighter loan underwriting standards, aimed at controlling asset quality, are likely to result in a gradual portfolio expansion in 2025-2027.

As of December 2024, TURBO reported outstanding loans of THB11.7 billion, representing a 10% year-on-year (y-o-y) increase, significantly lower than the growth rate of around 40% recorded in 2022-2023. The deceleration is consistent with industry trends and reflects a deliberate shift toward a more conservative growth strategy, as demonstrated in part by the company’s decision to slow down its branch network expansion.

We project TURBO’s loan growth to remain at a modest 2%-3% annually during 2025-2027. According to management, this growth will primarily stem from improved efficiency of existing branches. In 2024, TURBO’s average loan per branch was approximately THB11 million. The company plans to improve this figure to THB12-THB13 million over the next three years.

Asset quality to gradually improve

TURBO experienced a sharper deterioration in asset quality during 2024 than we had anticipated, similar to other rated non-bank financial institutions. Non-performing loan (NPL) formation increased to 6.9% of average loans in 2024 from 4.7% in 2023. The NPL ratio rose to 4.2% at the end of 2024 from 3.1% at the end of 2023. Additionally, losses on sales of repossessed vehicles, triggered by a plunge in used car prices starting in the second half of 2023, also contributed to the rise in credit costs.

The company addressed the rise in NPLs by expediting write-offs, resulting in a write-off to average asset ratio of 6.9% in 2024, up from 3.3% in 2023. The write-offs led to an increase in credit costs to 6.8%, compared with 5.5% in 2023. NPL coverage ratio remained strong at 114% at the end of 2024.

Despite pressures stemming from heightened credit risk, early signs of improvement emerged in the first quarter of 2025, supported by a more conservative lending policy implemented in 2024. We expect asset quality to gradually recover through 2025-2027, driven by continued tightening of underwriting standards, proactive debt collection, and accelerated write-offs of NPLs.

TURBO's strategic focus for 2025 includes the establishment of a new, specialized collection system, along with strengthened credit control measures such as lower loan-to-value (LTV) thresholds, refined credit score cutoffs, and enhanced borrower identity verification.

Assuming NPL formation and write-offs of 5%-6% of average loans during 2025-2027, the NPL ratio should remain within target below 5%. Credit costs are projected to stay within the target range over the same period. Based on these assumptions, TURBO's NPL coverage ratio is expected to stay at a healthy level of slightly above 100%, broadly in line with industry peers.

Cost control to support earnings recovery

TURBO's earnings capacity is still within the "moderate" range, despite weaker performance during 2023-2024. The company's earnings before tax to average risk-weighted assets (EBT/ARWA) fell to 1.4% in 2023 and further to 1.2% in 2024, down significantly from 5.7%-6.2% in 2021-2022. This decline was largely driven by increased credit costs due to deteriorating asset quality during the period.

TURBO reported a net profit of THB142 million in 2024, an 8% y-o-y increase. The improvement was supported by a strategic shift in portfolio mix toward nano-finance loans, which offer higher yields than auto title loans. Consequently, the average loan yield rose to 23.3% in 2024, up from 22.2% in 2023. At the end of 2024, the loan portfolio consisted of 80% title loans, 19% nano-finance, and 1% other loans.

However, the higher loan yield was partially offset by rising funding costs, which increased to 4.6% in 2024 from 4.1% in the prior year, leading to a marginal rise in the interest spread of only 40 basis points (bps) to 18.6%. Operating expenses to total income improved to 54.6% in 2024, down from 59.6% in 2023, primarily due to the significantly scaled down branch expansion. In 2024, TURBO opened only six new branches, compared to 252 branches opened in 2023.

Looking forward, effective cost control and credit risk management will likely prove critical in sustaining earnings recovery. We project EBT/ARWA to gradually improve to 3% by 2027, a level of profitability that remains supportive of the company's current rating. This is based on assumptions of an 18%-19% interest spread and 5%-6% credit cost. Operational efficiency is also anticipated to improve, with the cost-to-income ratio projected to decline to around 50% over the next three years. Additionally, TURBO plans to grow non-interest income, particularly from insurance premiums targeting both loan and non-loan customers.

Moderate funding profile

TURBO's funding position remains "moderate," despite improvements in its funding structure and access to sizable credit lines. The proportion of long-term debt, which is made up of long-term credit lines from banks and debenture issuances, has increased significantly and now represents 58% of total borrowings, up from 55% in prior years. At the end of 2024, TURBO had secured credit facilities totaling THB10.9 billion from various financial institutions, with over THB1.2 billion or 11% still available for drawdown.

However, as the company's credit lines are required to be secured by receivables, we consider this a constraint on its ability to obtain additional funding under financial stress. Furthermore, the company's priority debt ratio stood at a high 73% at the end of 2024.

Adequate liquidity backed by strong cash flow

TURBO's "adequate" liquidity position is underpinned by strong operational cash flow and established banking relationships. Over the 12-month period from January 2025 to December 2025, TURBO projects cash inflows of approximately THB6 billion from receivables, which are more than sufficient to cover upcoming obligations totaling THB2.8 billion. Overall, liquidity is expected to remain adequate, further supported by available credit facilities. Apart from the credit facilities offered by commercial banks, TURBO also has strong support from shareholders. At the end of 2024, its outstanding shareholder loans stood at THB2.1 billion.

Challenges and risks remain for title loan operators

In 2023, the aggregate outstanding loans of title loan operators under the supervision of the Bank of Thailand (BOT) continued to grow strongly by 36% y-o-y. However, the growth rate has clearly slowed down since 2024. At the end of 2024, aggregate loans of title loan operators reported by the BOT expanded by 11% year to date (YTD), as a result of the stricter underwriting policies of lenders.

With the uneven economic recovery and weakened debt serviceability of borrowers, we expect credit expansion in 2025 to decelerate from previous years. At the same time, the financial performance of title loan operators has also been pressured by intense competition and weaker asset quality, resulting in higher credit costs and narrower interest spreads. These negative factors will likely remain the major challenges facing title loan operators in the medium term.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for TURBO's operations in 2025-2027 are as follows:

- Outstanding loans to grow by 2%-3% per annum.
- Interest spread to be in the range of 18%-19%.
- Credit cost to be in the range of 5%-6%.
- Operating expenses to total income to be around 50%.

RATING OUTLOOK

TRIS Rating maintains a "stable" outlook for TURBO, reflecting expectations that the company will retain its current market position as well as solid capital base and earnings performance. The outlook also factors in the assumption that its asset quality will remain manageable despite ongoing economic uncertainty.

RATING SENSITIVITIES

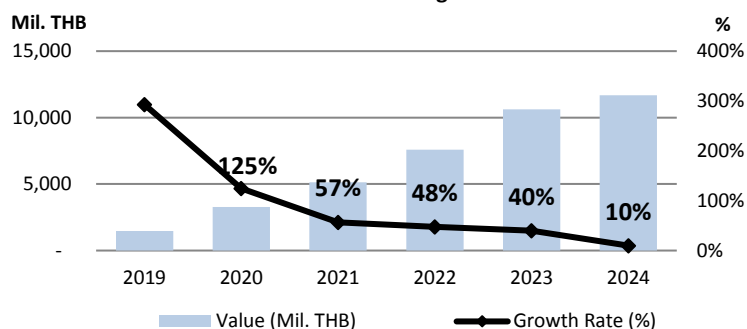
An upgrade in the rating or outlook may be considered if TURBO demonstrates a significant strengthening of its capital base, particularly with the RAC ratio remaining well above 25%, alongside sustained earnings capacity. Conversely, the rating could face downward pressure if there is a notable deterioration in TURBO's asset quality or a substantial weakening in its operating performance, with EBT/ARWA dropping below 1.5% or the RAC ratio falling below 15% for a prolonged period.

COMPANY OVERVIEW

TURBO was founded in 2017 by Mr. Sutach Ruangsuttipap and the Tangmitrphracha Family to offer title loan services, with initial registered capital of THB1 billion. The company mainly offered title loans in provinces in the eastern and northeastern regions. It also started offering nano-finance services in 2022. In December 2022, Kasikorn Vision Co., Ltd., a subsidiary of Kasikorn Bank PLC (KBANK), became a strategic partner of TURBO with a THB1.3-billion capital injection. As of December 2024, Mr. Sutach and the Tangmitrphracha Family remained the major shareholder of TURBO with an 88.8% stake while Kasikorn Vision held 10% and other shareholders held 1.2%. As of December 2024, its outstanding loans comprised title loans (80%), nano-finance (19%), and others (1%). Collateralized loans comprised loans for passenger cars and pick-up trucks (49%), motorcycles (19%), land (12%), as well as other collaterals and unsecured loans (20 %).

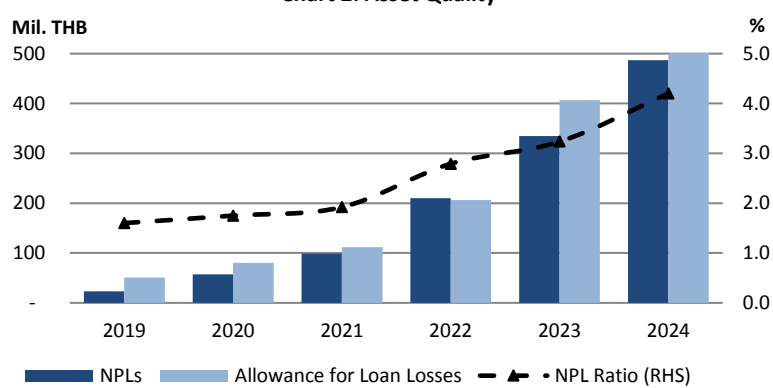
KEY OPERATING PERFORMANCE

Chart 1: Outstanding Loans



Sources: TURBO's financial statements

Chart 2: Asset Quality



Sources: TURBO's financial statements

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	12,817	12,112	8,794	6,020	3,765
Total loans	11,685	10,632	7,589	5,143	3,282
Allowance for expected credit loss	554	406	206	112	80
Short-term debts	5,368	5,362	3,980	3,685	2,255
Long-term debts	4,705	4,127	2,323	1,214	656
Shareholders' equity	2,611	2,471	2,339	1,011	775
Net interest income	2,144	1,705	1,124	726	427
Expected credit loss	762	504	171	87	52
Non-interest income	438	406	469	414	186
Operating expenses	1,659	1,452	999	759	506
Earnings before taxes	161	156	423	295	54
Net profit	142	132	338	235	43

* Consolidated financial statements

Unit: %

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Profitability					
Net interest income/average assets	17.20	16.31	15.17	14.84	15.01
Non-interest income/average assets	3.51	3.88	6.33	8.47	6.52
Operating expenses/total income	54.69	59.72	56.15	59.90	72.55
Operating profit/average assets	1.29	1.49	5.71	6.03	1.91
Earnings before taxes/average risk-weighted assets	1.19	1.43	5.68	6.18	2.01
Return on average assets	1.14	1.26	4.57	4.81	1.53
Return on average equity	5.57	5.47	20.2	26.36	6.23
Asset Quality					
Non-performing loans (NPL)/total loans	4.17	3.15	2.77	1.92	1.75
Expected credit loss/average loans	6.83	5.53	2.68	2.06	2.21
Allowance for expected credit loss/NPL	113.82	121.36	98.21	113.41	139.32
Capitalization					
Risk-adjusted capital ratio	17.83	18.39	25.15	16.47	20.82
Debt to equity (times)	3.91	4.1	2.76	4.95	3.86
Funding and Liquidity					
Stable funding ratio	89.55	85.68	86.55	58.61	65.38
Liquidity coverage measure (times)	0.04	0.04	0.04	0.02	0.06
Short-term debts/total liabilities	52.60	55.62	61.65	73.56	75.42

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024

Ngernturbo PLC (TURBO)

Company Rating:	BBB-
Rating Outlook	Stable

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