

SG CAPITAL PLC

No. 22/2025
19 March 2025

FINANCIAL INSTITUTIONS

Company Rating: BB+
Outlook: Stable

Last Review Date: 14/03/24

Company Rating History:

Date	Rating	Outlook/Alert
04/10/23	BB+	Stable
26/05/23	BBB	Negative
28/02/23	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on SG Capital PLC (SGC) at “BB+” with a “stable” outlook. The rating on SGC reflects its status as a core subsidiary of Singer Thailand PLC (SINGER). According to TRIS Rating’s “Group Rating Methodology”, the rating on SGC is equivalent to the company rating on SINGER (rated “BB+/Stable”).

KEY RATING CONSIDERATIONS

A core subsidiary of SINGER

SINGER holds a majority share of 78% in SGC. SGC plays a key role in SINGER Group as a financial arm for SINGER by providing loans to SINGER’s retail customers. SGC’s operations, strategy, and risk management are closely aligned with those of SINGER. It also benefits from cross-selling opportunities and business referrals within the SINGER Group, which includes SG Service Plus Co., Ltd. and SG Broker Co., Ltd. These collaborations are further enhanced by SINGER’s marketing efforts and its branch network, which facilitates loan origination and insurance sales for both SINGER’s and SGC’s customers.

SGC also contributes significant revenues and earnings to the SINGER Group. As a core subsidiary, it benefits from strong financial support, including a credit facility from SINGER, ensuring a stable and reliable source of funding for long-term business growth.

Strong earnings contribution secures its core status

We view SGC’s material contribution to the group’s revenue as a key factor supporting its status as a core entity within the SINGER Group. Over the past few years, SGC has contributed approximately 50%-70% of the group’s total revenue, with its share rising to 77% of SINGER’s consolidated revenue in 2024.

SGC’s net profit has shown continuous improvement since the second half of 2023, reaching THB163 million in 2024 from a net loss of THB2.3 billion in 2023. This was primarily driven by a significant reduction in credit costs, higher loan yields, and lower operating expenses.

Risk management aligned with SINGER

SGC’s risk policies and credit risk management practices are aligned with SINGER’s overall risk management strategy. In 2024, both SINGER and SGC adopted a more cautious approach to business expansion, revamped their operations, and improved credit policy. The actions followed the major net losses recorded by both companies in 2023 due to rapid credit expansion, imprudent underwriting, and inadequate operational control within the group in 2021-2022.

As a result, SGC’s asset quality improved significantly, buoyed by a cautious growth strategy and enhanced debt collection processes. Non-performing loan (NPL) formation declined sharply to 5% of average loans in 2024 from the 30% peak in 2023. However, the NPL ratio remains high due to lower NPL write-offs, rising to 23% at the end of 2024 from 21% at the end of 2023. The majority of these NPLs stemmed from its core business, title loans secured by truck fleets used by small and medium enterprises (SMEs) which have been severely impacted by the sluggish economic recovery. We believe this situation is likely to continue in the medium term.

New business supports growth

SGC introduced a new lending business in 2024: lock phone hire purchase (HP), which provides instalment loans for buyers of Chinese-brand mobile phones through a digital lending platform called “SG Finance+”. The platform enhances credit expansion through its e-application and e-KYC, underwriting, and approval. SGC aims to expand its distribution network to reach a broader customer base across various regions.

With the SG Finance+ platform, SGC has achieved notable growth, with lock phone outstanding loans reaching THB2.6 billion at the end of 2024. At the end of 2024, SGC’s total outstanding loans remained relatively stable at THB14.4 billion, despite the contraction in electrical appliance HP and title loans.

As of December 2024, SGC’s loan portfolio breakdown comprised 63% title loans, 18% lock phone HP, 14% electrical appliance HP, and 5% others. SGC plans to decelerate expansion of electrical appliance HP and has ceased issuing new title loans since August 2024 to focus on lock phone HP. Based on the company’s plans, we expect SGC’s loan portfolio to remain stable in 2025-2027, with HP loans making up 50%-70%, while title loans will constitute 20%-40% over the next three years. This is due to lock phone HP is short-term (12-24 months) with a high turnover rate, helping to maintain a stable loan portfolio.

In terms of the asset quality of lock phone HP, so far, the NPL ratio has remained below 1%, as of the end of 2024. This is due to the system which restricts phone usage when customers fail to make payments. Active expansion may result in an increase in NPLs and credit cost, but we believe these should remain manageable, thanks to stricter loan approvals and improved debt collection processes. Additionally, lock phone HP offers an interest rate of no less than 28%.

Ongoing financial support from SINGER

SGC continues to receive steady financial support from SINGER, with credit lines maintained at THB6 billion as of December 2024. This ongoing backing is crucial in strengthening SGC’s funding and liquidity position, enabling its business expansion initiatives. Additionally, in September 2024, SINGER injected capital into SGC, reaffirming SGC’s strategic importance as the consumer finance arm within SINGER’s corporate framework. We remain confident in SINGER’s long-term commitment and financial capacity to provide strong support to SGC, particularly during challenging market conditions.

Rights offering strengthened capital base and lowered leverage

The company raised THB3.9 billion through a rights offering in September 2024. Its capital position, measured by the risk-adjusted capital (RAC) ratio, consequently improved to 40% at the end of 2024, up from 17% at the end of 2023. SGC utilized part of the proceeds to repay its maturing debts and the rest for business expansion. We expect the company’s capitalization to remain strong over the next few years with RAC ratio hovering above 35% in 2025-2027.

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% year-on-year (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 performances of title loan operators have 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 assumption is that SGC will remain a core subsidiary of SINGER.

RATING OUTLOOK

The “stable” outlook reflects the outlook of the rating on SINGER and our expectation that SGC will maintain its status as a core subsidiary of SINGER and continue to receive strong support from its parent company.

RATING SENSITIVITIES

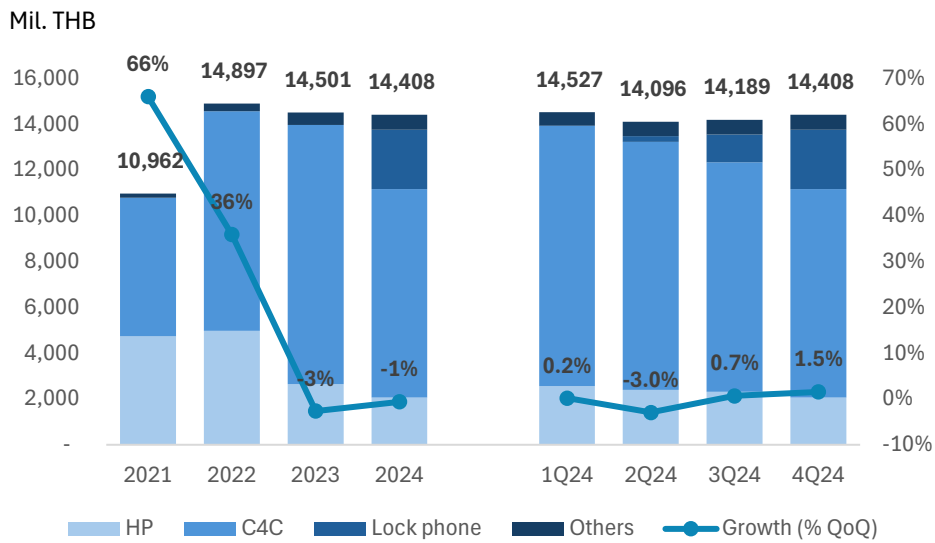
SGC’s rating and outlook align with those of SINGER, reflecting its status as a core subsidiary. A downgrade could occur if TRIS Rating determines that SGC’s importance to SINGER has significantly diminished or if there are signs of reduced support from SINGER. However, such a scenario is considered highly unlikely in the foreseeable future.

COMPANY OVERVIEW

SGC initially started business under the name Singer Leasing (Thailand) Co., Ltd. (Singer Leasing) as a wholly-owned subsidiary of SINGER, to provide financing services for SINGER’s customers. The company was set up on 27 June 2012 with registered capital of THB1 million. In 2016, Singer Leasing changed its name to SG Capital Co., Ltd. and then SG Capital PLC in 2022. SGC was listed on the Stock Exchange of Thailand (SET) on 13 December 2022. After the initial public offering (IPO), SINGER remained the company’s largest shareholder with a 75% stake. In September 2024, the company increased its paid-up capital to THB6.2 billion through an offering to existing shareholders. After the capital injection, SINGER continued to be the largest shareholder with a 78% stake. At the end of December 2024, the company had around 350 staff, with broad geographical coverage through SINGER’s network of 100 branches.

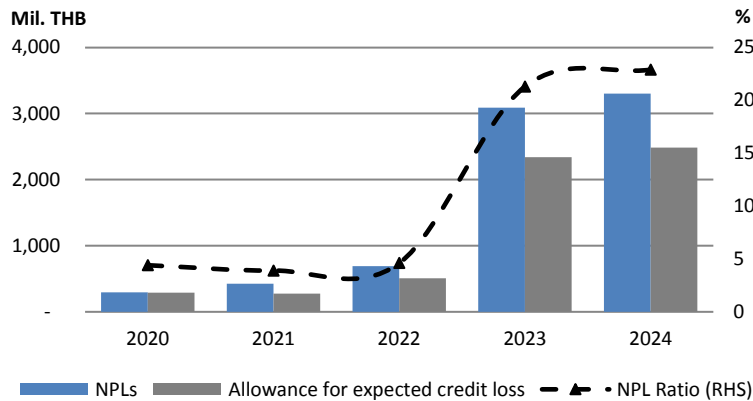
KEY OPERATING PERFORMANCE

Chart 1: SGC’s Outstanding Loan Portfolio



Source: SGC

Chart 2: SGC’s NPLs and NPL Ratio



Sources: SGC’s financial statements

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*
Unit: Mil. THB

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	14,084	13,455	17,783	11,430	7,003
Total loans	14,408	14,501	14,897	10,962	6,694
Allowance for expected credit loss	2,482	2,341	504	307	287
Short-term debts	6,283	2,368	74	17	4,778
Long-term debts	420	7,749	11,213	7,505	26
Shareholders' equity	7,144	3,121	5,751	2,414	820
Net interest income	1,265	1,497	1,799	1,383	1,103
Expected credit loss	652	3,771	395	211	191
Non-interest income	166	80	40	46	65
Operating expenses	570	641	642	492	470
Earnings before taxes	209	(2,835)	802	726	508
Net profit	163	(2,275)	667	593	417

* Consolidated financial statements

Unit: %

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Profitability					
Net interest income/average assets	9.19	9.58	12.32	15.00	20.05
Non-interest income/average assets	1.21	0.51	0.27	0.50	1.18
Operating expenses/total income	29.18	29.52	26.31	27.59	34.47
Operating profit/average assets	1.52	(18.15)	5.49	7.87	9.23
Earnings before taxes/average risk-weighted assets	1.15	(14.92)	4.85	6.55	7.91
Return on average assets	1.18	(14.57)	4.57	6.43	7.57
Return on average equity	3.17	(51.29)	16.34	36.67	56.37
Asset Quality					
Non-performing loans (NPL)/total loans	22.91	21.30	4.64	3.85	4.36
Expected credit loss/average loans	4.51	25.65	3.06	2.39	3.71
Allowance for expected credit loss/NPL	75.20	75.78	72.83	72.63	98.33
Capitalization					
Risk-adjusted capital ratio	40.18	16.61	29.81	17.48	9.78
Debt to equity (times)	0.97	3.31	2.09	3.74	7.54
Funding and Liquidity					
Stable funding ratio	115.70	119.77	188.98	155.65	21.30
Liquidity coverage measure (times)	0.15	0.07	41.70	22.44	0.03
Short-term debts/total liabilities	90.53	22.92	0.62	0.19	77.29

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024
- Group Rating Methodology, 7 September 2022

SG Capital PLC (SGC)

Company Rating:	BB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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