

SUKHUMVIT ASSET MANAGEMENT CO., LTD.

No. 221/2024
28 November 2024

FINANCIAL INSTITUTIONS

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

Last Review Date: 16/11/23

Company Rating History:

Date	Rating	Outlook/Alert
24/11/21	AA+	Stable

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RATIONALE

TRIS Rating affirms the company rating on Sukhumvit Asset Management Co., Ltd. (SAM) and the ratings on SAM’s outstanding senior unsecured debentures at “AA+” with a “stable” rating outlook.

The ratings reflect our view of the company’s status as a “very important” government-related entity (GRE) that is “integral” to the Financial Institutions Development Fund (FIDF), a separate legal entity set up under Bank of Thailand (BOT) Act. The strong linkage and role imply a high likelihood of support from FIDF in times of need.

KEY RATING CONSIDERATIONS

Full ownership and supervision by FIDF

TRIS Rating assess the linkage of SAM to FIDF as “integral”, the highest level of linkage assessment. SAM is entirely owned and governed by FIDF, with the company’s operational, business, and financial strategies directly guided and closely monitored by FIDF’s board representatives. This oversight is reinforced through monthly board meetings and quarterly strategic sessions with FIDF.

Also, the board of SAM comprises representatives from BOT, the Ministry of Finance, and other key government bodies, emphasizing its strong ties to the government. In addition, the company’s president is nominated by the board of directors (BOD) under the guidance from FIDF.

Strong policy role as national AMC

TRIS Rating considers SAM a “very important” GRE due to its significant role for FIDF and BOT in implementing financial policies. As the sole national asset management company, SAM's importance will grow during financial stress, particularly with current system non-performing loans (NPLs) at THB511 billion. This highlights SAM's essential role in managing non-performing loans through long-term debt restructuring.

SAM serves as an intermediary in the BOT-initiated “Debt Clinic” scheme. The initiative aims to assist individuals with multiple NPLs by consolidating their debts into a single, long-term loan with lower interest rates. The program has been revised several times to expand its scope and include more debtors, providing broader relief to borrowers. At the end of June 2024, the cumulative principal debt obligation balance managed by Debt Clinic was THB13.6 billion.

Strong support from FIDF

We believe FIDF can provide financial support to SAM during stress, even without explicit backing. No regulatory or policy barriers prevent this financial support.

FIDF has offered zero-interest loans to SAM since its inception with flexible repayment terms, indicating strong funding support. As of December 2023, outstanding borrowings were THB228.6 billion. SAM has annually repaid THB1.5 billion to FIDF over the past five years, with adjustments possible as needed.

Leverage to remain low

SAM's debt obligations include credit lines from financial institutions and debentures. As of the end of June 2024, bank borrowings totaled THB2.8 billion, while outstanding debentures amounted to THB2.5 billion.

The company's financial leverage, measured by interest-bearing debt to equity (excluding the zero-coupon borrowings from FIDF), remained low at 0.35 times as of the end of 2023. The ratio increased moderately to 0.51 times at the end of the second quarter of 2024 (2Q24), despite no change in debt obligations. This increase was due to lower equity resulting from net losses reported in the first half of 2024 (1H24). Including the zero-coupon debt from FIDF, the ratio was 2.7 times at the end of 2023 and 3.4 times at the end of 2Q24.

Looking ahead, we do not anticipate a significant rise in the company's financial leverage. This is based on the recent change in top management and shift in policy to prioritize organizational restructuring. NPL acquisitions are expected to proceed at a more measured pace. For 1H24, NPL purchases significantly declined to THB535 million down from THB5.7 billion in 2023. In the medium term, cash collections are expected to be the main source of funding for NPL acquisitions, according to management.

Cash collection likely to remain weak

SAM's cash collections have declined, dropping from over THB11 billion before 2020 to THB6.8 billion in 2022 and THB6.7 billion in 2023, reflecting a weak economic environment. In 2023, NPA sales fell despite lower prices due to buyers' difficulty in obtaining mortgage loans from commercial banks. Although in 1H24, collections rose 7% year-on-year (y-o-y) to THB2.4 billion, we expect ongoing challenges in the next 12 months due to a sluggish economy and stagnant property market.

RATING OUTLOOK

The "stable" outlook reflects our expectation that SAM will retain its status as a GRE and maintain its "integral" linkage and "very important" role with FIDF and BOT.

RATING SENSITIVITIES

The ratings and/or outlook of the company could change if our view on the level of linkage with and importance to FIDF and BOT changes.

COMPANY OVERVIEW

SAM was established on 18 April 2000 and wholly owned by FIDF, a separate legal entity under BOT with a registered and paid-up capital of THB25 million with the objective of acquiring and managing the NPLs of Krungthai Bank PLC (KTB) with the outstanding balance totaling THB519 billion.

In 2001, the company was required to transfer THB309 billion NPLs to Thai Asset Management Corporation (TAMC) as stipulated by the Emergency Decree on Asset Management Company A.D. 2001. In 2004, the FIDF passed a resolution for the company to acquire Petchburi Asset Management Co., Ltd. (PAM). The resolution involved PAM selling all its restructured debts to Siam City Bank PLC (SCIB) and transferring its remaining assets, liabilities, and commitments to SAM.

Since 2006, the company has acquired NPLs and non-performing assets (NPA) from other institutions. In 2012, the company also acquired NPLs and NPAs from TAMC after being closed down in 2011. The company currently has four provincial offices in Chiang Mai, Khon Kaen, Surat Thani, and Phitsanulok providing services to its clients.

In 2017, the company was assigned by the BOT to act as an intermediary in the BOT-initiated Consumer Debt Relief Program (CDRP) or "Debt Clinic" for the relief of household debt problems, especially unsecured loans. The program's objective is to help individuals resolve their unsecured debts with various financial institutions with SAM acting as the main vehicle in the process.

As of the end of 2023, SAM was the second largest AMC in terms of asset size in Thailand's distressed asset management industry. The company's total assets amounted to THB47 billion at the end of June 2024, ranking behind Bangkok Commercial Asset Management PLC (BAM, rated "A-/Stable") whose assets totaled THB140 billion. Together, BAM and SAM have accounted for over 60% of the industry's total assets over the past several years.

As of the end of June 2024, SAM's portfolio comprises two parts: the company's newly acquired NPL portfolio (80% of total) and the legacy NPLs transferred from KTB, TAMC, and PAM (20%).

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2024	Year Ended 31 December			
		2023	2022	2021	2020
Total assets	47,093	49,226	50,184	48,196	47,576
Total managed assets	42,762	45,439	44,243	41,284	39,493
Loan purchased – net	28,911	32,057	31,264	29,152	28,762
Properties foreclosed – net	13,851	13,382	12,979	12,132	10,732
Total borrowings	35,167	33,543	34,458	33,808	33,267
Short-term borrowings	1,367	786	915	1,459	1,040
Long-term borrowings	33,800	32,757	33,543	32,349	32,227
Shareholder's equity	10,327	12,643	13,650	12,749	10,900
Total revenue	2,494	6,244	6,452	6,543	6,538
Interest expenses	839	1,674	1,622	1,633	1,611
Operating expenses	663	1,290	1,214	1,217	1,502
Net income	(2,286)	(1,030)	1,053	1,599	1,944

Unit: %

	Jan-Jun 2024	Year Ended 31 December			
		2023	2022	2021	2020
Profitability					
Operating income**/average assets	6.41 *	9.19	9.82	10.23	10.65
Operating income**/total income	64.80	73.19	74.86	75.01	75.35
Operating profit***/average assets	3.66 *	6.60	7.35	7.69	7.40
Earnings before tax/ average assets	(9.44) *	(2.03)	2.17	3.37	4.23
Return on average assets	(9.49) *	(2.07)	2.14	3.34	4.20
Return on average equity	(39.80) *	(7.83)	7.98	13.52	(2.11)
Capitalization					
Debt/equity (times)	3.56	2.89	2.68	2.78	3.36
Shareholders' equity/total managed assets	24.15	27.82	30.58	30.88	27.60
Funding and Liquidity					
Stable funding ratio	30.36	31.31	33.81	33.61	32.96
Liquidity coverage measure (times)	2.20	3.02	4.67	3.42	6.10
Short-term borrowings/total liabilities	3.72	2.15	2.50	4.12	2.84
Total managed assets/total assets	90.80	92.31	88.16	85.66	83.01
Operating efficiency					
Operating expenses /operating income	42.95	28.22	25.14	24.84	30.49
NPL Cash collection to net NPL	12.15 *	13.51	14.56	10.14	19.59
NPA Cash collection to net NPA	13.09 *	15.50	19.15	22.45	26.83

* Annualized

** Total income – Interest expenses

*** Operating income – Operating expenses

RELATED CRITERIA

- Rating Methodology for Government-related Entities, 27 October 2023

- Issue Rating Criteria, 15 June 2021

Sukhumvit Asset Management Co., Ltd. (SAM)

Company Rating:	AA+
Issue Ratings:	
SAMAMC25DA: THB800 million senior unsecured debentures due 2025	AA+
SAMAMC27DA: THB1,000 million senior unsecured debentures due 2027	AA+
SAMAMC29DA: THB700 million senior unsecured debentures due 2029	AA+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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