

SRISAWAD CAPITAL 1969 PLC

No. 40/2023
10 April 2023

FINANCIAL INSTITUTIONS

Company Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 02/06/22

Company Rating History:

Date	Rating	Outlook/Alert
28/06/19	BBB+	Stable
10/07/18	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Srisawad Capital 1969 PLC (SCAP) at “BBB+” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “BBB+” to SCAP’s proposed issue of up to THB2 billion senior unsecured debentures due within five years. The company intends to use the proceeds of the debentures for debt refinancing and loan portfolio expansion.

The rating on SCAP is equivalent to the company rating on Srisawad Corporation PLC (SAWAD, rated “BBB+/stable”), reflecting the company’s status as a core subsidiary of SAWAD. After the completion of group restructuring in the third quarter of 2022 (3Q22), SAWAD holds 72.05% of the shares in SCAP.

The company serves as one of SAWAD’s business units that enables the group to provide comprehensive products and services to its client base. Its products include unsecured personal loans and motorcycle hire purchase (HP), operated through SCAP’s two subsidiaries, S Leasing Co., Ltd. (SLS, 90%-owned) and Cathay Leasing Co., Ltd. (CTL, 100%-owned).

SCAP’s business is highly integrated with that of SAWAD, with its business strategy and risk management policies controlled mainly by SAWAD. In terms of operations, SCAP relies on SAWAD’s branches for debt collection and as regional hubs for motorcycle HP loan underwriting and processing. The board of directors includes four representatives from SAWAD out of a total of eight board members, including the chairman.

SCAP acts as a key growth engine for the SAWAD Group with a target for new loans booking of about THB20 billion in 2023. SCAP’s strong financial performances and significant revenue contribution to SAWAD are also factors supporting its status as a core subsidiary of the group. In 2022, SCAP’s reported revenue of THB3.8 billion, representing 31% of SAWAD’s consolidated revenue.

As of December 2022, the value of SCAP’s loan portfolio stood at THB21 billion, up 108% year-on-year (y-o-y) and accounting for 38% of SAWAD’s total consolidated loans. Net income declined 5.6% y-o-y to THB1.1 billion. This was due primarily to higher operating expenses in 2022 caused by increased personnel costs and marketing incentives to dealers for the fast-growing motorcycle HP segment. Thanks to its strong loan expansion, the non-performing loan (NPL) ratio dropped significantly, falling to 1.85% at the end of 2022, from 7.26% at the end of 2021. However, we anticipate NPLs to gradually rise as new motorcycle loans mature over the next few years.

RATING OUTLOOK

The “stable” outlook reflects our expectation that SCAP will maintain its status as a core subsidiary of SAWAD and continue to receive strong supports from its parent company.

RATING SENSITIVITIES

As a core subsidiary of SAWAD, the rating and outlook on SCAP move in tandem with those on SAWAD. The ratings can be revised downward if TRIS Rating views that SCAP’s group status has weakened materially or there are signs of reduced support from the parent company.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021

Srisawad Capital 1969 PLC (SCAP)

Company Rating:	BBB+
Issue Rating:	
Up to THB2,000 million senior unsecured debentures due within 5 years	BBB+
Rating Outlook:	Stable

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