

SRISAWAD CAPITAL 1969 PLC

No. 106/2023
9 June 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 10/04/23

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) and the rating on its senior unsecured debentures of up to THB2 billion due within five years at “BBB+” with a “stable” outlook. The company rating on SCAP is equivalent to the company rating on Srisawad Corporation PLC (SAWAD) (rated “BBB+/stable”). The rating largely reflects the company’s status as a core member of SAWAD due to its role as a major asset and revenue contributor, and the group’s growth engine as well as the continuous support we expect it to receive from SAWAD.

KEY RATING CONSIDERATIONS

“Core” status supports the ratings

Following the recent group restructuring in the third quarter of 2022 (3Q22), SCAP remains a core subsidiary of SAWAD given SAWAD’s majority control through a 72% shareholding. The board of directors include four representatives from SAWAD out of a total of eight board members, including the chairman.

SCAP’s business strategy and risk management policies are controlled mainly by SAWAD. The company serves as one of SAWAD’s key growth engines that enables the group to provide comprehensive products and services. SCAP’s flagship product, motorcycle hire purchase (HP) loans operated by its two subsidiaries, S Leasing Co., Ltd. (SLS) and Cathay Leasing Co., Ltd. (CTL), complements SAWAD’s existing title loans business.

SCAP’s operation is also highly integrated with that of SAWAD. The company uses SAWAD’s branches for debt collection and as regional hubs for new motorcycle HP loan underwriting and processing.

Increasing asset and revenue contribution

SCAP’s rapid expansion, strong financial performances, and significant revenue contribution to the group also reinforce its status as a core entity of SAWAD. As of March 2023, SCAP’s loan portfolio stood at THB26.5 billion, accounting for 41% of SAWAD’s total consolidated loans. SCAP’s loan portfolio has expanded remarkably since 1Q21. By the end of 1Q23, the company’s loan book had already risen by 26% year-to-date, following a strong incremental increase in new loans of THB12.0 billion since the group restructuring.

In 1Q23, SCAP reported revenue of THB1.6 billion, representing 39% of SAWAD’s consolidated revenue. With the company’s robust target for new loan booking of around THB20 billion in 2023, we expect its revenue contributions to continue to increase in the next few years.

Constant financial support from SAWAD

We believe SAWAD has a strong, long-term commitment to provide timely financial and other supports to SCAP, if needed. This is despite SCAP’s plan to depend less on SAWAD for credit lines by sourcing funding through the issuance of debentures and from credit facilities from financial institutions to support future growth. As of March 2023, SCAP had used credit lines of THB18.6 billion from SAWAD.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumption is that SCAP will remain a core subsidiary of SAWAD.

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 support 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.

COMPANY OVERVIEW

SCAP was established in 1972 as a finance company, initially named Bangkok First Investment & Trust PLC (BFIT). In 2017, SAWAD became BFIT's major shareholder, with an equity stake of 36.35%. In the same year, SAWAD, as the non-operating holding company, filed documents to the Bank of Thailand (BOT) to form a financial conglomerate.

BFIT was renamed Srisawad Finance PLC in June 2017 (but continued to use BFIT as its trading symbol on the stock exchange). Srisawad Finance PLC (BFIT) began offering secured personal loans backed by customer vehicles under loan agreements. In 2019, SAWAD injected THB5.9 billion into the company, increasing its shareholding to 82% from 45% in 2018.

In 2022, SAWAD Group underwent another business restructuring, with BFIT acquiring a 100% stake of Srisawad Capital Co., Ltd., a subsidiary of SAWAD, through a share swap transaction and returned its finance business license to the BOT. As part of the restructuring, Srisawad Capital was merged into BFIT via Entire Business Transfer (EBT) in December 2022. The name Srisawad Finance PLC (BFIT) was later changed to Srisawad Capital 1969 PLC (referred to hereinafter as "SCAP"). After completion of the transaction in 3Q22, SAWAD's shareholding in SCAP was 72.05%, compared with the 82% stake SAWAD held in BFIT previously.

SCAP's existing business includes unsecured personal loans under the BOT's supervision, buy-now-pay-later (BNPL) loans, and new motorcycle HP that has become its flagship business. Motorcycle HP is operated through SCAP's two subsidiaries, SLS (90%-owned by SCAP) and CTL (100%-owned by SCAP).

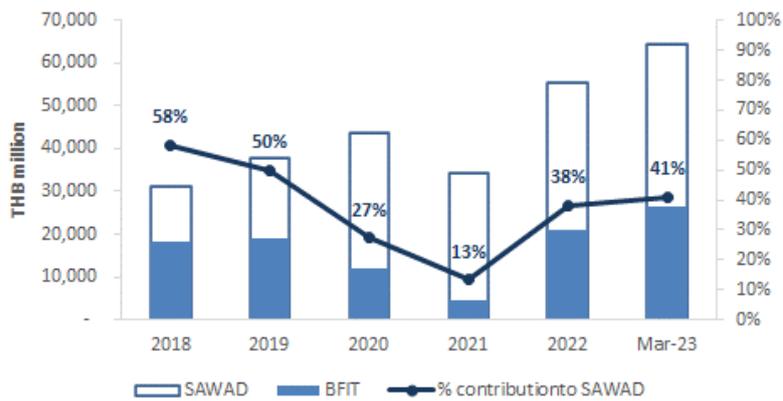
KEY OPERATING PERFORMANCE

Chart 1: Outstanding Loans



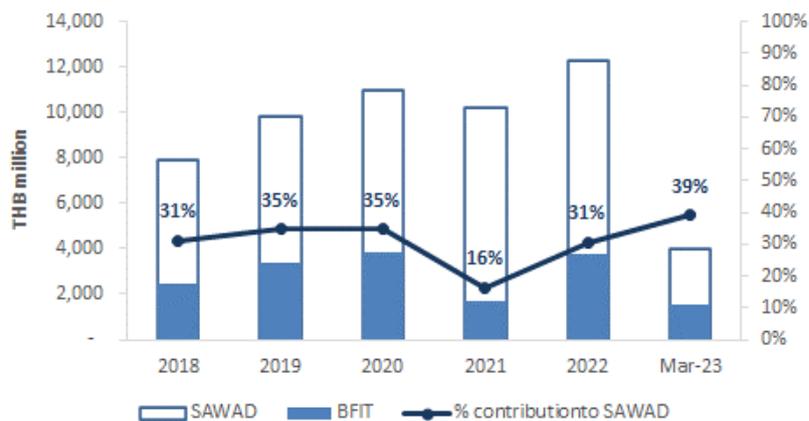
Source: SCAP

Chart 2: SCAP's Loan Contribution to SAWAD



Sources: SCAP and SAWAD

Chart 3: SCAP's Revenue Contribution to SAWAD



Sources: SCAP and SAWAD

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS
Unit: Mil. THB

	Jan-Mar 2023	----- Year Ended 31 December -----			
		2022	2021	2020	2019
Total assets	30,858	25,042	14,250	19,582	20,699
Total loans	26,522	21,074	4,528	11,941	19,004
Allowance for expected credit loss	329	255	214	456	709
Short-term debts	10,944	4,768	3,874	4,058	2,641
Long-term debts	7,230	7,562	0	0	2,000
Shareholders' equity	10,391	11,033	9,744	9,597	9,282
Net interest income	1,150	2,679	1,355	3,201	2,634
Expected credit loss	122	90	(255)	83	87
Non-interest income	271	706	259	394	310
Operating expenses	800	1,924	726	1,554	1,840
Earnings before taxes	498	1,371	1,143	1,959	1,016
Net income	394	1,137	913	1,567	811

Unit: %

	Jan-Mar 2023	----- Year Ended 31 December -----			
		2022	2021	2020	2019
Profitability					
Net interest and dividend income/average assets	16.45 *	1.83	8.01	15.90	13.05
Non-interest income/average assets	3.88 *	3.12	1.53	1.95	1.53
Operating expenses/total income	51.57 *	50.91	43.31	40.72	53.96
Operating profit/average assets	7.13 *	6.05	6.76	9.72	5.03
Earnings before taxes/average risk-weighted assets	3.97 *	3.09	7.59	10.86	5.22
Return on average assets	5.64 *	5.02	5.40	7.78	4.02
Return on average equity	14.73 *	10.64	9.44	16.60	13.74
Asset Quality					
Non-performing loans/total loans	2.33	1.85	12.74	7.23	5.56
Expected credit loss/average loans	2.06	0.58	(3.10)	0.53	0.47
Allowance for expected credit loss/non-performing loans	53.09	65.21	37.05	52.84	67.05
Capitalization					
Risk-adjusted capital ratio	18.66	24.62	69.77	59.44	46.59
Debt/equity (times)	1.97	1.27	0.46	1.04	1.23
Funding and Liquidity					
Stable funding ratio	93.55	119.13	109.25	335.42	612.79
Liquidity coverage measure (times)	0.08	0.12	0.27	0.55	0.21
Short-term debts/total debts	60.22	38.67	100.00	100.00	56.91

** Annualized*
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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