

SRISAWAD FINANCE PLC

No. 87/2021
7 June 2021

FINANCIAL INSTITUTIONS

Company Rating: BBB+
Outlook: Stable

Last Review Date: 10/06/20

Company Rating History:

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

Contacts:

Preeyaporn Kosakarn
preeyaporn@trisrating.com

Siriwan Weeramethachai
siriwan@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweechok Jiamsakunthum
taweechok@trisrating.com

Narumol Charnchanavivat
narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Srisawad Finance PLC (BFIT) at “BBB+” with a “stable” outlook. The rating primarily reflects the company’s status as a core subsidiary of Srisawad Corporation PLC (SAWAD). The rating on BFIT is equivalent to the company rating on SAWAD (“BBB+/Stable” rated by TRIS Rating).

KEY RATING CONSIDERATIONS

High level of integration

TRIS Rating assesses BFIT as a core subsidiary of SAWAD. The company serves as one of SAWAD’s business units that enables the group to provide its products and services to a more comprehensive client base. BFIT’s business also remained highly integrated with SAWAD, with its business strategy and risk control policies dictated by SAWAD. In terms of operations, BFIT relies on SAWAD’s branch network for underwriting and lending activities. In recent years, BFIT’s loan portfolio has made up 50% of SAWAD’s total consolidated loans. However, the proportion decreased to around 25%-30% in 2020 and the first quarter of 2021 due partly to BFIT’s more stringent underwriting criteria. Despite the decrease, we believe that BFIT is likely to remain a core member of SAWAD over the medium term, considering the benefits of stronger loan yields thanks to BFIT’s higher interest rate ceiling of 36% allowed for specific product programs under the finance company license.

Declining, but still important revenue contribution

BFIT’s ability to continuously deliver satisfactory financial performances and provide significant revenue contributions to SAWAD is a factor supporting its status as a core subsidiary of the group. Over the past few years, the company’s revenue accounted for 30%-35% of SAWAD’s consolidated revenue. Even though BFIT’s loan portfolio has been contracting, causing the revenue contribution to drop to 22% at the end of the first quarter of 2021, it remains sizeable and important for the group, in our view. However, a continuous decline in the company’s revenue contribution to the group could potentially alter our view on the company’s level of strategic importance to the group, which could lead to a negative implication for the rating assigned to the company.

Ongoing financial support

Past records show that SAWAD previously provided credit lines to BFIT of THB1.0-2.5 billion. SAWAD also injected THB5.9 billion in capital that raised its shareholding in BFIT to 82% in 2019. The increase in shareholding, in our view, demonstrates a long-term commitment. We believe SAWAD will provide timely support to BFIT if needed.

BASE-CASE ASSUMPTIONS

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

RATING OUTLOOK

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

RATING SENSITIVITIES

The rating and outlook on BFIT move in tandem with those on SAWAD, given its status as a core subsidiary of SAWAD. The rating can also be downgraded if TRIS Rating perceives a weakening in the degree of importance of the company to SAWAD or any indication of reduced support from SAWAD, although we view that such a scenario is unlikely in the next few years.

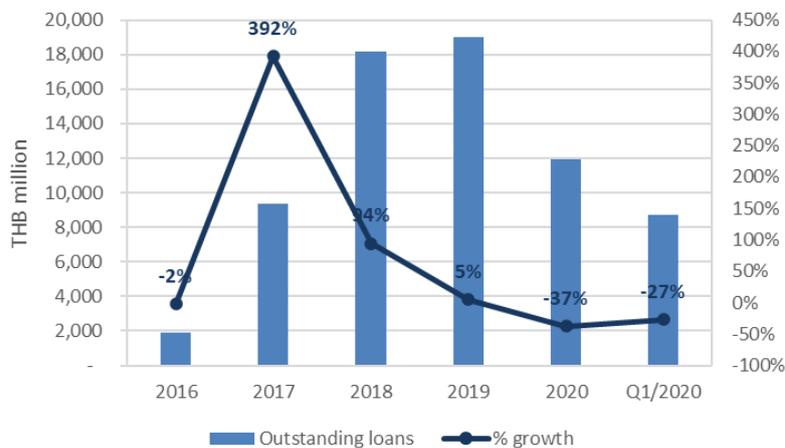
COMPANY OVERVIEW

BFIT was established in 1972 as a finance company initially named Bangkok First Investment & Trust PLC. BFIT held four finance licenses including business of finance for commerce, business of finance for development, business of finance for deposition and consumption, and business of finance for housing. The company also acted as a debentureholder representative and/or trustee.

In 2017, SAWAD became BFIT’s major shareholder, with an equity stake of 36.35%. SAWAD, as the non-operating holding company, filed documents to the Bank of Thailand (BOT) in order to form a financial conglomerate. BFIT was renamed Srisawad Finance PLC in June 2017 and began offering secured personal loans backed by customer vehicles under loan agreements. In 2019, SAWAD injected THB5.9 billion, increasing its shareholding in BFIT to 82.04% from 45% in 2018.

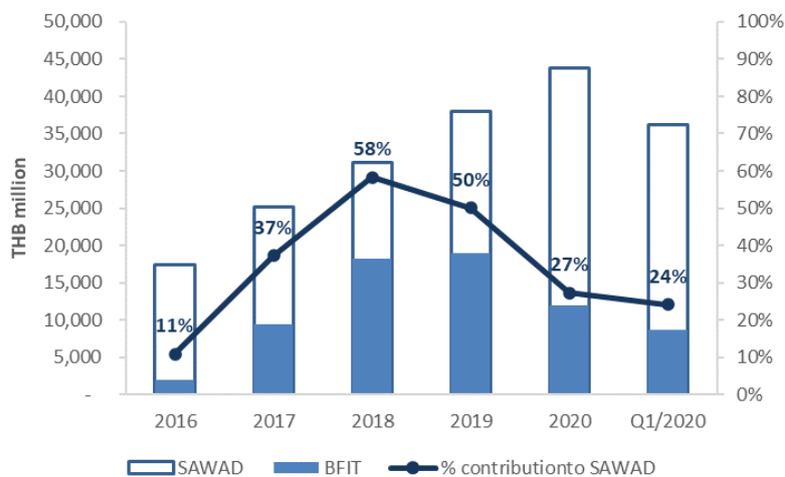
KEY OPERATING PERFORMANCE

Chart 1: Outstanding Loans



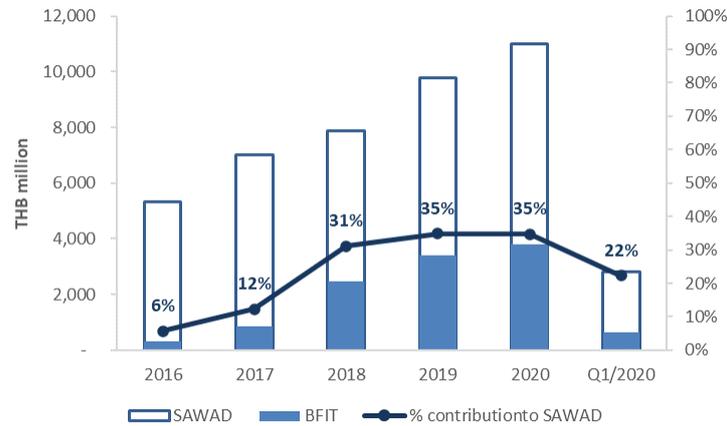
Source: BFIT

Chart 2: BFIT's Loan Contribution to SAWAD



Sources: BFIT and SAWAD

Chart 3: BFIT's Revenue Contribution to SAWAD



Sources: BFIT and SAWAD

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2021	Year Ended 31 December			
		2020	2019	2018	2017
Total assets	18,220	19,582	20,699	19,677	11,294
Average assets	18,901	20,141	20,188	15,486	8,443
Investment in securities	183	217	180	195	401
Loans and receivables	8,731	11,941	19,004	18,172	9,372
Allowance for doubtful accounts	366	456	709	860	662
Deposits	3,322	5,234	6,348	7,274	6,068
Borrowings	6	6	2,006	8,506	2,506
Shareholders' equities	9,910	9,597	9,282	2,517	2,150
Average equities	9,753	9,439	5,900	2,333	2,112
Net interest income	487	3,201	2,634	1,760	496
Non-interest income	112	394	310	206	248
Total revenue	627	3,816	3,411	2,455	861
Operating expenses	296	1,554	1,840	1,297	308
Pre-provision operating profit (PPOP)	221	1,650	898	577	394
Impairment losses on loans and securities	(87)	83	87	200	160
Net income	308	1,567	811	377	235
Net fee and service income	50	138	214	145	12
Gains on investments	49	115	0	3	172

Unit: %

	Jan-Mar 2021	----- Year Ended 31 December -----			
		2020	2019	2018	2017
Earnings					
Return on average assets	6.51*	7.78	4.02	2.44	2.78
Interest spread	17.09	18.76	12.68	12.09	7.42
Net interest margins	3.18*	17.00	12.89	11.00	5.51
Net interest income/average assets	2.58*	15.90	13.05	11.37	5.87
Non-interest income/average assets	0.59*	1.95	1.53	1.33	2.94
Net fee and commission income/total revenue	7.93	3.62	6.27	5.89	1.41
Cost-to-income	47.21	40.72	53.96	52.84	35.77
Capitalization					
CET-1 ratio	46.99	45.34	45.16	13.33	22.80
Tier-1 ratio	46.99	45.34	45.16	13.33	22.80
BIS ratio	47.48	45.84	45.16	13.63	22.80
CET-1/BIS ratio	98.97	98.91	100.00	97.80	100.00
Asset Quality					
Credit costs	(3.35)	0.53	0.47	1.45	2.83
Non-performing loans/total loans	10.16	7.23	5.56	3.79	2.83
Non-performing assets/total assets	4.87	4.41	5.11	3.50	2.35
Allowance for loan losses/non-performing loans	41.22	52.84	67.05	124.96	249.41
Funding & Liquidity					
CASA/total deposits	2.80	3.81	1.50	5.56	1.12
Loan/total deposits	262.81	228.12	299.33	249.77	154.43
Deposits/total liabilities	39.97	52.42	55.60	42.39	66.36
Liquid assets/total deposits	148.68	94.56	27.26	26.84	40.30
Liquid assets/short-term liabilities	148.41	94.45	27.24	25.09	40.26

* Annualized

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021

Srisawad Finance PLC (BFIT)

Company Rating:	BBB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

© Copyright 2021, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria