

# SG CAPITAL PLC

No. 62/2023  
26 May 2023

## FINANCIAL INSTITUTIONS

**Company Rating:** BBB  
**Outlook:** Negative

**Last Review Date:** 28/02/23

### Company Rating History:

Date	Rating	Outlook/Alert
28/02/23	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on SG Capital PLC (SGC) at “BBB” and revises the rating outlook to “negative” from “stable”. The revision in rating outlook follows the outlook revision of the company rating on SINGER Thailand (SINGER, rated “BBB”) to “negative” from “stable”.

According to TRIS Rating’s “Group Rating Methodology”, the rating and outlook on SGC are equivalent to and move in tandem with those on SINGER, given SGC’s status as a core subsidiary of SINGER.

TRIS Rating views SGC as a core subsidiary of SINGER, the company’s largest shareholder with a 75% stake. SGC’s business is highly integrated with that of SINGER. The company’s business strategy is directly controlled by SINGER. The company is also part of business referrals and cross-selling activities among companies within the SINGER group.

Risk policies and management of credit risk are monitored by the group risk management committee. Given the challenge of managing asset quality, SINGER’s strategy is to expand its own business more cautiously as well as impose a more prudent credit policy on SGC’s lending activities. This is likely to result in SGC’s loan portfolio expanding at a slower pace in the next few years.

SGC receives ongoing financial support from SINGER in the form of credit lines, which amounted to THB10 billion as of the end of the first quarter of 2023 (1Q23). This support helps underpin SGC’s funding and liquidity profile and enhances its business expansion. SINGER had also injected capital into the company. The capital increase underscores the crucial role of SGC as a financial arm of SINGER. We believe SINGER has a strong long-term commitment as well as propensity and capability to provide extraordinary support to SGC in a stress scenario.

On a stand-alone basis, SGC continues to enhance its market position, as shown in the constant growth of its loan portfolio over the past few years. SGC operates its own auto title loan services collateralized mainly by truck fleets extended to small- and medium-sized customers. SGC also serves SINGER’s retail customers by providing financing for purchases of SINGER’s home and commercial appliance products. At the end of 1Q23, its outstanding loans had increased by 4% year-to-date to THB15.5 billion. The growth was driven mainly by the expansion into auto title loans.

Although SGC has been able to contribute meaningful revenue of around 40% for the group over the past few years, its financial performance weakened substantially in 1Q23. The company reported a net loss of THB368 million, mainly caused by a sharp increase in provisions for expected credit losses. We expect SGC to report a net loss in 2023 and turnaround with positive earnings in 2024-2025. This will require more effective management of credit costs and operating expenses.

## RATING OUTLOOK

The “negative” 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.

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**RATING SENSITIVITIES**

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The ratings and outlook on SGC are equivalent to and move in tandem with those of SINGER, given its status as a core subsidiary of SINGER. The ratings can also be downgraded if TRIS Rating views the degree of importance of the company to SINGER to be materially weakening or there is any indication of significantly reduced support from SINGER, although we consider such a scenario to be highly unlikely in the medium term.

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**COMPANY OVERVIEW**

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SG Capital PLC (SGC) initially started business under the name SINGER Capital Co., Ltd. (SGC), which was a wholly-owned subsidiary of SINGER, to provide financing services for SINGER's customers. The company was set up on 27 June 2012 with a registered capital of THB1.45 billion. In 2016, SINGER Capital changed its name to SG Capital Co., Ltd. and then SG Capital PLC in 2022. The company received a capital injection of THB1 billion in June 2021. SGC was listed on the Stock Exchange of Thailand (SET) on 13 December 2022. SINGER remained the company's largest shareholder with a 75% stake., The company had over 370 relationship managers at SINGER branches, as of December 2022, with broad geographical coverage.

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**RELATED CRITERIA**

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- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

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**SG Capital PLC (SGC)**

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<b>Company Rating:</b>	BBB
<b>Rating Outlook:</b>	Negative

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**TRIS Rating Co., Ltd.**

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