

SINGER THAILAND PLC

No. 21/2025
19 March 2025

FINANCIAL INSTITUTIONS

Company Rating: BB+
Outlook: Stable

Last Review Date: 14/03/24

Company Rating History:

Date	Rating	Outlook/Alert
04/10/23	BB+	Stable
26/05/23	BBB	Negative
18/03/22	BBB	Stable
22/09/21	BBB-	Positive
31/08/20	BBB-	Stable
12/09/18	BBB-	Negative
31/08/17	BBB-	Stable
22/10/15	BBB	Stable
12/06/15	BBB	Alert Developing
03/05/13	BBB	Stable
29/11/12	BBB	Alert Developing
20/01/12	BBB	Stable

Contacts:

Siriwan Weeramethachai
siriwan@trisrating.com

Sithakarn Tongphiphat, CFA, FRM
sithakarn@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweekchok Jiamsakunthum
taweekchok@trisrating.com

Narumol Charnchanavivat
narumol@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on SINGER Thailand PLC (SINGER) at “BB+” with a “stable” outlook. The rating reflects the company’s solid capital base, gradual recovery in asset quality and earnings capacity, sufficient funding, and adequate liquidity position.

However, these supporting factors are offset by SINGER’s title loan asset quality which has been adversely affected by the weak economic environment. The stability of growth and quality of the company’s new revenue driver, lock phone hire-purchase (HP), remain to be established.

KEY RATING CONSIDERATIONS

Solid capital position underpins group credit profile

SINGER’s capital position is expected to remain robust and continue to serve as a key credit strength. At the end of December 2024, the company’s risk-adjusted capital (RAC) ratio stood at 77%, a “very strong” level, which is deemed adequate to support its strong growth plans.

We project the RAC ratio to remain above 60%, assuming that the company will have THB14-THB15 billion in outstanding loans and a 50% dividend payout in 2025-2027. In terms of financial leverage, the company maintained a debt-to-equity (D/E) ratio of 0.2 times at the end of 2024, significantly below the 3-times D/E covenant limit on its debt obligations.

New lock phone financing business supports group’s business stability

SINGER continues to focus on its core businesses of selling electrical appliances and mobile phones. Its core subsidiary, SG Capital PLC (SGC), serves as the group’s lending arm, offering title loans and electrical appliance HP. The group recently introduced lock phone HP, which provides instalment loans for buyers of Chinese-brand mobile phones on the “SG Finance+” digital platform. This addition is expected to support the group’s business position as it helps boost mobile phone sales for SINGER and loan growth for SGC.

The consolidated loan portfolio of the group totaled THB14.5 billion at the end of 2024, including THB14.4 billion from SGC and the rest from SINGER, including loans for second-hand electrical appliances and petrol vending machines. With the new business, the mix of SINGER’s consolidated loan portfolio consists of 63% title loans, 18% lock phone HP, 14% electrical appliance HP, and 5% other loans.

Moving forward, we expect SINGER and SGC to slow the expansion of electrical appliance HP, having already stopped extending new title loans in August 2024 given asset quality concerns. They will focus on the lower-risk lock phone HP. We estimate the group’s consolidated loans to range from about THB14-THB15 billion in 2025-2027, with HP for electrical appliances and lock phones comprising 50%-70%, and title loans gradually declining to 20% by 2027.

Asset quality improvement at SGC is positive for group credit profile.

The group’s asset quality improved in 2024 and is expected to remain stable despite some challenges. This resilience is driven by a cautious growth strategy and enhanced debt collection processes. Non-performing loan (NPL) formation declined to 5.2% of average loans in 2024, a significant improvement from the 32% peak in 2023. Due to lower loan write-offs, the NPL ratio increased slightly,

reaching 23% by the end of 2024 from 21% in 2023. Most of this increase originated from the title loan segment, which remains affected by a sluggish economic recovery.

The lock phone HP segment is increasingly contributing to the group's earnings due to its higher yield and minimal asset quality deterioration. The NPL ratio for this segment remained below 1% at the end of 2024.

Credit costs are expected to rise but should be manageable due to stricter loan approvals and efficient debt collection. We project credit costs to range from 10%-12% in 2025-2027, with an anticipated increase in NPL write-offs from 3%-15% of average loans, leading to a gradual decline in the NPL ratio. As of December 2024, SINGER's NPL coverage stood at 76%.

Decline in market position, with increase in mobile phone sales expected

SINGER's sales revenue declined by 37% in 2024 to THB0.5 billion, mainly due to a cautious marketing strategy, stricter underwriting policies for electrical appliances, and a shift in mobile phone sales to a consignment model. In 2024, the sales mix was 65% home and commercial appliances, 11% mobile phones, 21% inventory, and 3% other items.

We expect SINGER's annual sales revenue, including inventory sales, to stabilize at around THB1 billion in 2025-2027. This rebound will be driven by launching new home appliance models, expanding mobile phone sales through physical and online channels, and enhancing the sales network with a focus on retail stores, e-commerce platforms, and promotional events.

SINGER also aims to broaden its portfolio by introducing small appliances for cash purchases and venturing into electric vehicle (EV) products like electric bikes, EV motorcycles, and solar rooftop systems. The company is exploring new product brands to diversify its offerings and drive future growth.

Despite this expansion, margins are expected to remain in the range of 24%-26%, as the higher proportion of lower-margin mobile phone sales will impact overall profitability.

Improving yield and manageable costs to help recover earnings capacity

We expect SINGER's earnings to continue to recover in 2025-2027, driven by portfolio expansion into higher-yield products, which will support stronger revenue growth, increase non-interest income, and control operating expenses, despite persistently high provision expenses.

SINGER's net profit has shown consistent improvement from the third quarter of 2023 (3Q23) to 4Q24, with the company reporting a net profit of THB52 million in 2024. Additionally, its earnings capability, measured by earnings before taxes to average risk-weighted assets (EBT/ARWA), turned positive in 2024. This was mainly due to a substantial decrease in credit costs.

We anticipate EBT/ARWA to gradually recover to a range of 1%-2% in 2025-2027. The company's expansion into lock phone HP, which yields higher returns than title loans, is expected to drive loan yields up to 18%-23% in 2025-2027, compared to 14% in 4Q24. With stable funding costs, the spread is projected to increase to 11%-16%. Additionally, we expect higher non-interest income from the lock phone business, particularly through marketing campaigns and commission-based revenue from "SG Shield" insurance products.

However, we anticipate credit costs to rise to 10%-12% in 2025-2027, up from 4.7% in 2024, due to higher write-off rates in lock phone HP and further deterioration in title loans amid a weak economic environment.

On the expense side, the ratio of operating expenses to total income is expected to decline to 35%-42% in 2025-2027, compared to 46% in 2024, reflecting cost reduction initiatives implemented in 2023-2024.

Sound funding and liquidity position

SINGER's funding position is considered "moderate" due to its reliance on debentures, which must be secured by receivables. This requirement may restrict the company's ability to obtain additional credit facilities in times of financial stress. The company has only short-term credit facilities from financial institutions at around THB0.1 billion.

However, SINGER's liquidity is also assessed as "adequate". Based on company data, cash on hand and stable monthly loan repayments of approximately THB0.7 billion should be sufficient to meet liquidity needs in the short to medium term. Additionally, the company maintains financial flexibility through access to both equity and debt capital markets for funding.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for SINGER's operations in 2025-2027 are as follows:

- Sales revenue of around THB1 billion per annum.
- Outstanding loans of around THB14-THB15 billion per annum.
- Gross margin to range from 24%-26% per annum.

- Loan yield to be in the range of 18%-23% per annum.
- Credit cost to range from 10%-12% per annum.
- Operating expenses to total income ratio to be in the range of 35%-42% per annum.

RATING OUTLOOK

The “stable” outlook reflects the company’s solid capital base and manageable asset quality.

RATING SENSITIVITIES

The rating may be upgraded if there is a significant and sustained improvement in asset quality and operating performance. Additionally, we expect SINGER to uphold its strong capital position. Conversely, a downgrade could occur if asset quality declines or operating performance worsens over an extended period.

COMPANY OVERVIEW

SINGER was established in 1969 and listed on the Stock Exchange of Thailand (SET) in 1984. SINGER distributes products under the “SINGER” trademark. The company offers instalment plans or HP contracts for the products it sells. Around 95% of the products are sold under the instalment sale service program.

The company has a strong brand name in the electrical home appliance market, nationwide branch and sales distribution networks, and a proven track record of financing electrical home appliance purchases.

In mid-2015, SINGER’s major shareholder, Singer (THAILAND) B.V., sold its entire 40% stake in SINGER on the SET. Jaymart PLC (JMART) became SINGER’s new major shareholder, owning 24.99% of the outstanding shares. The license for SINGER’s trademark was extended. JMART is a retailer and wholesaler of mobile phones and related products. JMART utilizes SINGER’s direct sales channels to distribute its products, such as mobile phones, to SINGER’s customers.

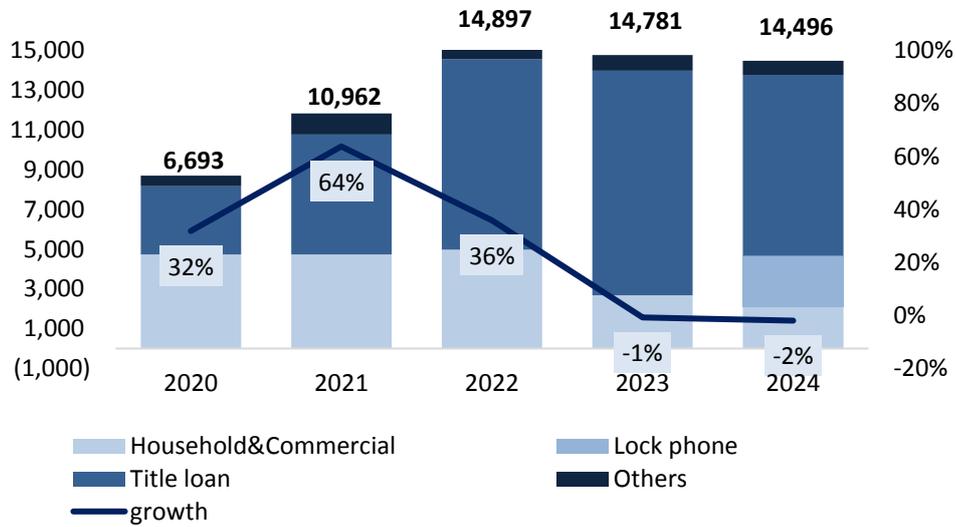
SINGER remains focused on its core business, sales of home electrical appliances, with a lengthy track record in this segment. The company has also expanded its product line to include the sale of income-generating products and commercial electrical appliances, such as freezers and air-time vending machines. SINGER introduced another product to its line-up in 2017, “Rod Tum Ngern” loans, secured by vehicles through its subsidiary, SGC.

SGC, provides financing services for SINGER’s customers. SGC was listed on the SET on 13 December 2022 with SINGER remaining the company’s largest shareholder with a 75% stake. At the present, SINGER holds a 78% share of SGC. SINGER has two other subsidiaries, SG Service Plus Co., Ltd. and SG Broker Co., Ltd. SG Service Plus provides maintenance services to SINGER’s customers while SG Broker is an insurance agent.

In 2021, the private placement of Rabbit Holdings PLC and rights offering (RO) to JMART and existing shareholders raised THB1.65 billion for the company. After the capitalization, JMART remained a major shareholder with 25.4% and Rabbit Holdings 23.7% of the outstanding shares of SINGER (as of 1 November 2022). As of December 2024, the company’s sales network comprised around 100 branches with roughly 140 staff.

KEY OPERATING PERFORMANCE

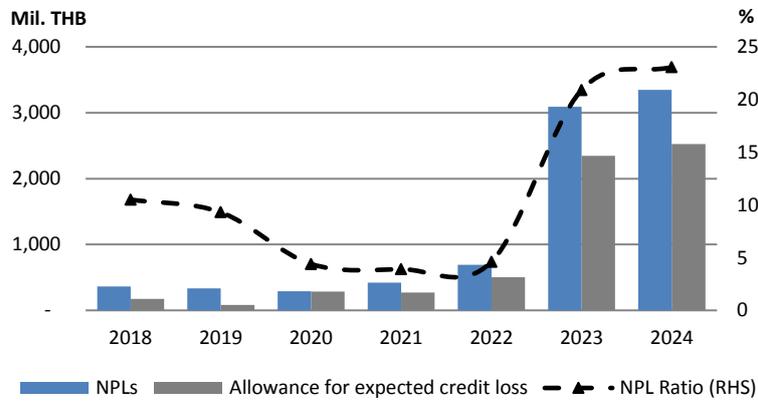
Chart 1: SINGER's Outstanding Loan Portfolio



Source: SINGER

Others including mobile phone loans, personal loans, and loans to Burirum Sugar PLC.

Chart 2: SINGER's NPLs and NPL Ratio



Sources: SINGER's financial statements

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	17,203	19,181	25,894	24,201	9,255
Total loans	14,496	14,781	14,897	10,962	6,693
Allowance for expected credit loss	2,526	2,348	507	273	287
Short-term debts	1,731	3,071	1,936	1,554	1,132
Long-term debts	324	1,827	4,879	6,661	4,512
Shareholders' equity	14,798	13,951	18,308	14,839	2,810
Net interest income	1,583	1,732	1,854	1,074	781
Expected credit loss	689	4,169	356	152	194
Non-interest income	263	192	179	132	131
Operating expenses	1,161	1,400	1,688	1,446	1,387
Earnings before taxes	70	(4,506)	1,193	902	439
Net profit	52	(3,780)	941	701	443

* Consolidated financial statements

Unit: %

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Profitability					
Net interest income/average assets	8.70	7.69	7.40	6.42	10.30
Non-interest income/average assets	1.44	0.85	0.71	0.79	1.73
Operating expenses/total income	45.73	46.06	32.43	32.88	38.63
Operating profit/average assets	0.38	(19.99)	4.76	5.39	5.79
Earnings before taxes/average risk-weighted assets	0.35	(19.25)	4.63	5.06	5.47
Return on average assets	0.29	(16.77)	3.76	4.19	5.85
Return on average equity	0.36	(23.44)	5.68	7.94	17.20
Asset Quality					
Non-performing loans (NPL)/total loans	23.08	20.91	4.64	3.85	4.36
Expected credit loss/average loans	4.70	28.09	2.75	1.72	3.77
Allowance for expected credit loss/NPL	75.51	75.95	73.33	64.54	98.27
Capitalization					
Risk-adjusted capital ratio	76.55	66.09	70.74	57.59	27.56
Debt to equity (times)	0.16	0.37	0.41	0.63	2.29
Funding and Liquidity					
Stable funding ratio	207.59	160.52	229.91	311.61	160.64
Liquidity coverage measure (times)	1.36	1.21	3.84	7.45	0.99
Short-term debts/total liabilities	71.97	58.72	25.51	16.60	17.57

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024
- Group Rating Methodology, 7 September 2022

Singer Thailand PLC (SINGER)

Company Rating:	BB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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