

SINGER THAILAND PLC

No. 75/2021
22 September 2021

FINANCIAL INSTITUTIONS

Company Rating: BBB-
Outlook: Positive

Last Review Date: 02/07/21

Company Rating History:

Date	Rating	Outlook/Alert
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

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RATIONALE

TRIS Rating affirms the company rating on Singer Thailand PLC (SINGER) at “BBB-”. At the same time, the rating outlook is revised to “positive” from “stable” following the announcement on 27 August 2021 regarding the intention of U City PLC (U City) to invest in SINGER, via subscription of privately placed shares and SINGER’s rights offering (RO) to existing shareholders. The “positive” outlook reflects our expectation that SINGER’s capital and profitability will be significantly strengthened over the medium term. The company rating continues to reflect SINGER’s continuous improvement in market position, operating performance, and asset quality of consumer loans extended through its subsidiary, SG Capital Co., Ltd. (SGC).

The private placement and rights offering that will raise THB10.65 billion in fresh capital for the company is expected to be fully completed by end-2021. The transactions will include new shares issued to U City of THB7.2 billion as well as RO subscriptions of THB1.2 billion by Jaymart PLC (JMART) and THB2.3 billion by other existing shareholders (assuming full RO subscriptions). The fresh capital will add to SINGER’s already robust capital position, measured by a risk-adjusted capital ratio (RAC) of 30% at the end of June 2021. SINGER plans to utilize the proceeds to repay its maturing debts and to expand its businesses. We estimate its five-year average RAC to stay above 60%, taking into account robust loan growth targets. The plan will likely substantially improve its financial leverage and bolster its market position further.

At the end of the first half of 2021, SINGER’s loan growth continued at a fast pace, increasing by 30% year-to-date to THB8.6 billion, despite the still-weak economic environment. The growth was mainly driven by expansion in auto title loans. For the first half of 2021, SINGER’s annualized earnings before taxes to average risk-weighted assets (EBT/ARWA) ratio was 7.4% (annualized), with a net profit of THB323 million, 60% higher year-on-year. The improvement has been supported by consistent growth in loan portfolio, increased gross margin, lower provision expenses, and effective management of operating expenses.

At the same time, SINGER’s asset quality and credit cost remain under control. As of the end of the first half of 2021, the non-performing loan (NPL) ratio slightly decreased to 3.6% from 4.4% at the end of December 2020. NPL formation of the overall portfolio dropped to 0.9% (annualized) in the first half of 2021 from 4.6% in 2020. Credit cost also declined to 0.2% (annualized) in the first half of 2021 from 2.8% in 2020.

RATING OUTLOOK

The “positive” outlook is based on our expectation that SINGER’s capital position will likely be substantially strengthened on a sustained basis after the capital injections, which should help support its robust business expansion in the medium term. We also expect SINGER to maintain strong asset quality and sound financial performance.

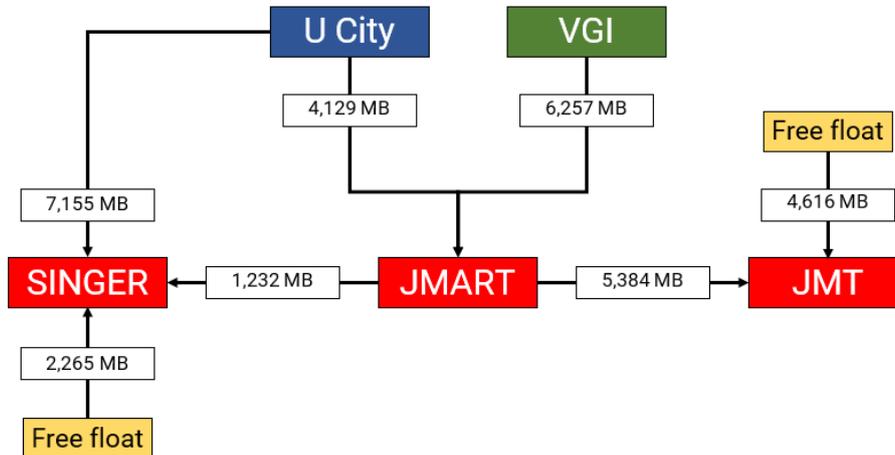
RATING SENSITIVITIES

The rating upgrade hinges on the completion of SINGER’s capital increase transactions. However, the outlook could be revised back to “stable” if the

transactions fail to materialize. The outlook could also be revised downward should asset quality deteriorate and credit cost increase to the point where EBT/ARWA falls below 2.5%, causing the RAC ratio to fall below 25%, which would indicate a significant weakening of its capital base.

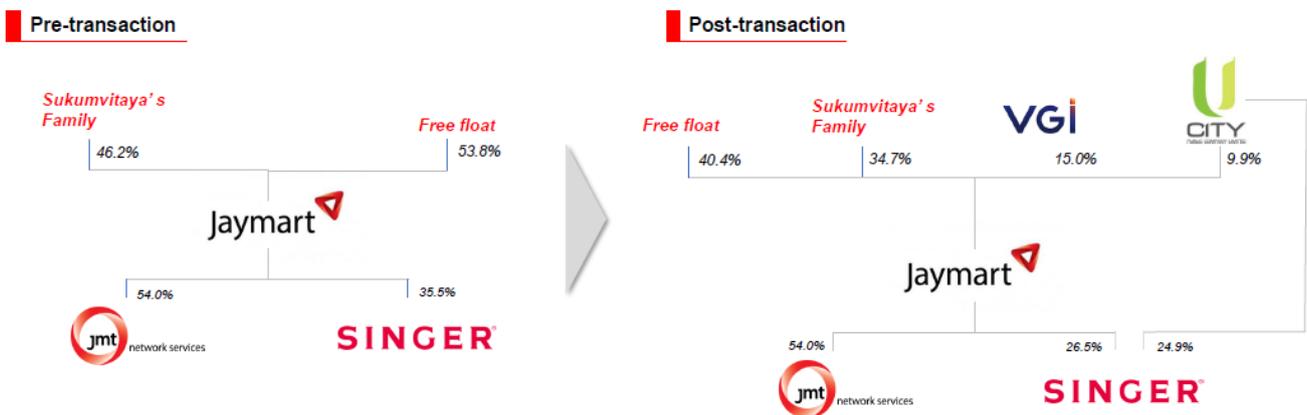
SUMMARY OF DEAL TRANSACTIONS

Chart 1: SINGER and BTS Group Transactions



Note: MB = million THB
Source: SINGER

Chart 2: Shareholding Structure



The transaction is subject to shareholders approval

Source: SINGER

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Rating Methodology, 17 February 2020

Singer Thailand PLC (SINGER)

Company Rating:

BBB-

Rating Outlook:

Positive

TRIS Rating Co., Ltd.

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