

DHIPAYA GROUP HOLDINGS PUBLIC COMPANY LIMITED

No. 50/2023
3 May 2023

FINANCIAL INSTITUTIONS

Company Rating: AA
Issue Rating:
Senior unsecured AA
Outlook: Stable

Last Review Date: 21/09/22

Company Rating History:

Date	Rating	Outlook/Alert
21/09/22	AA	Stable

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RATIONALE

TRIS Rating affirms the company rating on Dhipaya Group Holdings Public Company Limited (TIPH) at “AA” with a “stable” outlook. At the same time, TRIS Rating assigns the rating of “AA” to TIPH’s proposed issue of up to THB1 billion senior unsecured debentures due within 5 years. The company intends to use the proceeds from the new debentures for business expansion, working capital, and debt refinancing.

The ratings reflect TIPH's status as an insurance holding company of Dhipaya Insurance PLC (TIP, rated “AAA/stable”) and other investment under TIPH (TIPH Group). As a non-operating holding company (NOHC), TIPH relies on dividend payments from group members to service its debt obligations. The group credit profile (GCP) of TIPH Group is assigned at “aaa”.

The GCP reflects the credit profile of TIPH Group, whose core operating entity is TIP. The GCP therefore largely reflects TIP’s excellent business risk profile and very strong financial risk profile, and the highly regulated insurance industry. We also take into consideration the strong governance and liquidity position of TIPH as well as TIP.

The overall profitability of TIPH in 2022 was in-line with our forecasts. The company achieved strong premium growth, healthy net fee and commission income, and relatively stable investment income. However, an elevated loss ratio and smaller investment gains detracted from a return to pre-COVID-19 profitability. In particular, a return on average equity (ROAE) of 12.4% in 2022 echoes our view that the ratio normalises to a 20% level in 2023-2024. A loss ratio for 2022 of 83.8%, above our forecast of 68%-70%, was due to large COVID-19 claims, which have ended in the year, and a strong growth in underwriting exposure during the second half of the year. Growth in direct premium was 10.8% in 2022, above our prior view of growth staying flat. The expense ratio improved to 10.9% in 2022, below our estimate of 13%-15%, thanks to healthy contribution from the net fee and commission income.

Capital adequacy ratio (CAR) of TIP fell to 207% at end-2022, which remained strong, from 243% at the end of June 2022, above the Office of Insurance Commission (OIC)’s minimum requirement of 140%. This largely reflects a total dividend payment of THB900 million from the year 2022 performance. This is equivalent to a dividend payout ratio of 72.68% in 2022. Over the next few years, we expect TIP’s CAR to remain above 240%, assuming the company will maintain the dividend payout ratio of 50%. Liquidity remains healthy with the OIC-compliant liquidity coverage ratio of TIP at 175% at end-2022, above the minimum requirement of 100%.

Leverage should remain moderate. We expect the financial leverage ratio of TIPH after incorporating the proposed bond issuance to remain below 20%.

RATING OUTLOOK

The “stable” outlook reflects our expectation that TIPH will remain a NOHC of TIPH Group, which means that TIPH will continue to rely on its core insurance subsidiary, TIP, for dividend income. We also expect the group's core non-life insurance business will remain solid, underpinned by excellent business risk profile, healthy underwriting performance, strong capital, prudent risk management, and adequate liquidity on a sustained basis.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING SENSITIVITIES

An upward rating revision on TIPH could occur due to a narrower notch-down from the GCP if there is evidence that TIPH's ability to service its own obligations has been enhanced. This could happen if the company has controls over multiple material operating units that are diverse and independent; if the company is able to generate enough cash flows from its own operations or investments or from its controlled unregulated operating subsidiaries; and/or if the company maintains significant unencumbered cash or high-quality fixed income investments on a sustained basis.

A downward rating revision could be triggered by a downward revision on the GCP of TIPH Group. This could happen if there is material deterioration in TIP's capital or liquidity position, possibly resulting from potential or sustained large losses. Any evidence of a material deficiency in the risk management and governance could also pressure the ratings. We could also downgrade the ratings from a wider notch-down from the GCP if there are significantly heightened asset-liability risk, liquidity risk, or high double leverage at the TIPH level, defined as TIPH's investments in subsidiaries relative to its shareholders' equity.

RELATED CRITERIA

- Insurance Rating Methodology, 9 September 2022
- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021

Dhipaya Group Holdings Public Company Limited (TIPH)

Company Rating:	AA
Issue Rating:	
Up to THB1,000 million senior unsecured debentures due within 5 years	AA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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