

# SRISAWAD CORPORATION PLC

No. 134/2022

23 December 2022

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
Guaranteed	BBB+
<b>Outlook:</b>	Stable

**Last Review Date:** 02/06/22

### Company Rating History:

Date	Rating	Outlook/Alert
28/06/19	BBB+	Stable
05/06/17	BBB	Stable
06/01/17	BBB	Alert Developing
26/12/14	BBB	Stable

### Contacts:

Jantana Taveeratanasilp  
jantana@trisrating.com

Siriwan Weeramethachai  
siriwan@trisrating.com

Jittrapan Pantaleard  
jittrapan@trisrating.com

Taweekchok Jiamsakunthum  
taweekchok@trisrating.com

Narumol Charnchanavivat  
narumol@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Srisawad Corporation PLC (SAWAD) and the ratings on its outstanding guaranteed debentures at “BBB+” with a “stable” outlook. At the same time, TRIS Rating assigns the “BBB+” rating to SAWAD’s proposed issue of guaranteed debentures of up to THB20 billion due within five years. The company intends to use the proceeds from the proposed debenture issue for debt repayment and for funding its loan portfolio expansion.

The ratings reflect the company’s strong market position in the title loan business, robust capital, leverage, and earnings, as well as diversified funding source and sufficient liquidity. However, the ratings are constrained by the intensifying competition, fragile economic climate, and the company’s sizeable proportion of higher risk property-backed and motorcycle hire purchase (HP) loans.

SAWAD’s performance in the first nine months of 2022 (9M22) is in line with our expectations. At the end of the third quarter of 2022 (3Q22), SAWAD’s outstanding loan portfolio increased to THB47.8 billion, a 35.7% growth year-on-year (y-o-y) and 13.5% quarter-on-quarter (q-o-q), stronger than our base case assumption. Despite the strong loan portfolio expansion, net income declined 7.9% y-o-y to THB3.5 billion. This was due to the one-time gains from the sale of Fast Money shares in 1Q21 and higher reversal of expected credit losses in 9M21.

Operating expenses in 9M22 also increased y-o-y. The increase was driven mainly by higher commissions paid to its motorcycle dealers, following its plan to expand motorcycle HP lending. Marketing expenses also increased given the company’s strategy to boost loan volume and expand its branch network.

Thanks to its robust loan expansion as well as more effective debt collection and asset foreclosure, the non-performing loan (NPL) ratio dropped to 2.65% at the end of 3Q22 from 3.65% at the end of 2021. NPL formation in 3Q22 increased slightly from the previous few quarters, a trend that we have also observed among SAWAD’s peers.

We expect some pressure on asset quality going forward on the back of a weak economy, rising inflation, and the company’s resumption of aggressive loan expansion, especially in the higher-risk motorcycle HP segment. Nevertheless, we expect the company’s overall asset quality and credit losses to remain at a manageable level over the next few years.

SAWAD’s capitalization remains at a strong level and continue to support its credit profile. However, given the rapid expansion of motorcycle HP, the company’s risk-adjusted capital (RAC) ratio has declined considerably, falling to 35.2% in 3Q22 from 49.4% at the end of 2021.

The company’s profitability measured by earning before taxes to average risk weighted assets (EBT/ARWA) stood at 9.0% (annualized) in 9M22 compared to 12.6% in 2021. We expect the company’s profitability to continue to be pressured by the higher operating expenses required to support its motorcycle HP business. We also expect credit cost to rise given the uncertain economic environment and the generally weak credit profile of its customers. Despite the pressure, we expect SAWAD’s earnings capability, measured by EBT/ARWAs, to

**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.

remain strong at around 9%-10% over the next few years. However, further deterioration in the RAC ratio and earnings capability could pressure the ratings.

#### RATING OUTLOOK

The “stable” outlook reflects our expectation that SAWAD’s market position and financial performance will remain strong, while asset quality will be maintained at an acceptable level and at a strong level.

#### RATING SENSITIVITIES

An upward rating revision could occur if the company’s asset quality improves materially for a sustained period, while market position is maintained without further expansion of property-backed loans. Conversely, the ratings and/or outlook could be revised downward if SAWAD’s asset quality weakens significantly causing credit cost to rise above 3%, or capital, leverage, and earnings positions deteriorate substantially with the RAC ratio falling below 25% for an extended duration.

#### RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

#### Srisawad Corporation PLC (SAWAD)

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
SAWAD253A: THB657 million guaranteed debentures due 2025	BBB+
SAWAD258A: THB2,882.6 million guaranteed debentures due 2025	BBB+
SAWAD266A: THB1,343 million guaranteed debentures due 2026	BBB+
Up to THB20,000 million guaranteed debentures due within 5 years	BBB+
<b>Rating Outlook:</b>	Stable

#### TRIS Rating Co., Ltd.

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

© Copyright 2022, 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](http://www.trisrating.com/rating-information/rating-criteria)