

# ASIA CAPITAL GROUP PLC

No. 61/2017

12 June 2017

**Company Rating:** BB  
**Outlook:** Stable

## Rating Rationale

TRIS Rating assigns the company rating of Asia Capital Group PLC (ACAP) at “BB”. The rating reflects the company’s short track record in a newly-chosen core business, weak balance sheet due to unproven quality and growth in the loan portfolio, as well as high leverage. The company is also exposed to concentration risk because it provides loans to a small number of borrowers. However, the rating is supported by the company’s good prospects as small- and medium-sized enterprises (SMEs) have high demand for short-term loans. The company needs time to prove it can grow steadily and maintain a satisfactory financial performance.

ACAP was established in 1998 as Asian Capital Advisers Co., Ltd. to offer corporate finance and investment banking advisory services. In 2003, it became a public company and changed its name to ACAP Advisory PLC. The company was listed on the Market for Alternative Investment (MAI) in 2005. In 2015, Ms. Sugunya Sukjaroenkraisri became the major shareholder and Chief Executive Officer (CEO) of ACAP. The company then entered a new business: offering short-term loans. In 2016, the company became Asia Capital Group PLC. Currently, its paid-up capital is Bt152 million and the major shareholder is the Sukjaroenkraisri family, holding shares of approximately 18%.

As a new company, ACAP has a short track record, a weak balance sheet, few sources of external funding, and high leverage. However, the company’s financial performance has improved continuously since the first quarter of 2016. The ability to generate stable profits will support its credit profile.

ACAP chose a new core business in 2015: offering credit facilities to other companies, especially SMEs. The credit facilities are in the form of bills of exchange (B/Es) and short-term loans. ACAP also factors accounts receivable and operates a call center through a wholly-owned subsidiary, Global Service Center Co., Ltd. (GSC). ACAP’s corporate and retail loan portfolio jumped from Bt1,039 million in 2015 to Bt4,110 million in 2016, a growth rate of 290%. At the end of March 2017, the portfolio grew by 4.54% from the end of 2016 to Bt4,296 million, of which 60% were short-term loans; while B/Es comprised the rest.

ACAP has not reported any non-performing loans (or NPLs, loans more than 90 days past due) since becoming a short-term lender in 2015. The company’s stringent credit approval policies and efficient debt collection processes are its key strategies to limit the risks of lending to high-risk customers. However, due to the short track record and rapid growth of the loan portfolio, ACAP needs time to demonstrate its ability to handle its sizeable loan portfolio and maintain an acceptable level of loan quality on an ongoing basis.

After entering the new core business, ACAP’s financial performance improved substantially in 2016. Net income was Bt174 million in 2016 after a net loss of Bt25 million in 2015. Return on average assets (ROAA) rose to 6.1% in 2016 from -2.7% in 2015. For the first three months of 2017, ACAP reported net income of Bt74 million and annualized ROAA was 6.4%.

On the funding side, ACAP has a relatively high funding cost. The company has limited access to funds. Currently, the company’s sources of fund are short-term B/Es and long-term debentures, sold to small groups of investors through private placements. TRIS Rating believes ACAP must diversify its sources of external funding to give it more financial flexibility.

## Contacts:

Saowanit Woradit  
saowanit@trisrating.com

Siriwan Weeramethachai  
siriwan@trisrating.com

Taweekchok Jiamsakunthum  
taweekchok@trisrating.com

Raithiwa Naruemol  
raithiwa@trisrating.com

**WWW.TRISRATING.COM**

A rise in borrowings in 2016 brought a drop in the ratio of shareholders' equity to total assets, decreasing to 21.2% in 2016 from 59% in 2015. The debt to equity ratio (D/E ratio) rose to 3.7 times in 2016, from 0.7 times in 2015. At the end of March 2017, the ratio of shareholders' equity to total assets improved slightly to 22% and the D/E ratio dropped to 3.5 times. During the start-up period, TRIS Rating expects ACAP to maintain a strong capital base. A strong capital base will serve as a risk-absorbing cushion as the company expands.

#### **Rating Outlook**

The "stable" outlook is based on the expectation that ACAP will maintain its market position, deliver stable and satisfactory financial performance, and maintain a strong financial position. TRIS Rating expects that ACAP's loan quality will not decline markedly to the point that it will substantially affect the company's financial profile.

The rating and/or outlook upside are limited in the medium term due to the company's short track record. ACAP needs time to stabilize its business profile and financial profile, the factors that feature high profitability and a strong capital base. The rating or outlook could be revised downward if ACAP's asset quality deteriorates significantly, which will affect profitability and the capital base.

---

#### **Asia Capital Group PLC (ACAP)**

**Company Rating:**

BB

**Rating Outlook:**

Stable

---

**Financial Statistics\***
*Unit: Bt million*

	Jan-Mar 2017	----- Year Ended 31 December -----			
		2016	2015	2014	2013
Total assets	4,698	4,537	1,149	744	792
Total loans	4,331	4,142	1,039	100	84
Allowance for doubtful accounts	0	0	0	0	0
Short-term borrowings	1,146	1,543	451	0	0
Long-term borrowings	2,382	1,929	0	0	3
Shareholders' equity	1,036	962	678	697	740
Net interest income	78	172	34	0	0
Bad debts and doubtful accounts	0	0	0	0	0
Non-interest income	69	150	119	167	142
Operating expenses	54	204	178	208	247
Net income	74	174	(25)	(41)	(110)

*\* Consolidated financial statements*
**Key Financial Ratios\***
*Unit: %*

	Jan-Mar 2017	----- Year Ended 31 December -----			
		2016	2015	2014	2013
<b>Profitability</b>					
Net-interest income/average assets	1.69 **	6.06	3.57	0.00	0.00
Net-interest income/total income	40.20	40.95	21.90	0.00	0.00
Operating expenses/total income	27.64	48.44	115.59	124.30	173.89
Operating profit/average assets	2.01 **	4.16	(2.66)	(5.33)	(11.65)
Return on average assets	1.59 **	6.13	(2.66)	(5.39)	(12.12)
Return on average equity	7.36 **	21.26	(3.66)	(5.76)	(12.89)
<b>Asset Quality</b>					
Non-performing loans/total loans	0.00	0.00	0.00	0.00	0.00
Bad debts and doubtful accounts/average loans	0.00 **	0.00	0.00	0.00	0.00
Allowance for doubtful accounts/total loans	0.00	0.00	0.00	0.00	0.00
<b>Capitalization</b>					
Shareholders' equity/total assets	22.04	21.20	58.96	93.68	93.46
Shareholders' equity/total loans	23.91	23.22	65.22	696.69	876.87
Debt to equity (time)	3.54	3.72	0.70	0.07	0.08
<b>Liquidity</b>					
Short-term borrowings/total liabilities	31.29	43.16	95.64	0.00	0.00
Total loans/total assets	92.19	91.30	90.40	13.45	10.66

*\* Consolidated financial statements*
*\*\* Non-annualized*
**TRIS Rating Co., Ltd.**

Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com

© Copyright 2017, 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 [http://www.trisrating.com/en/rating\\_information/rating\\_criteria.html](http://www.trisrating.com/en/rating_information/rating_criteria.html).