TRIS RATING
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S 11 GROUP PLC

No. 160/2025
29 September 2025

FINANCIAL INSTITUTIONS

Company Rating:	BB+
Outlook:	Positive

Last Review Date: 30/09/24

Company Rating History:

Date	Rating	Outlook/Alert
30/09/24	BB+	Stable
11/05/16	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on S 11 Group PLC (S11) at "BB+". At the same time, we revise the rating outlook to "positive" from "stable". The rating outlook reflects a notable improvement in S11's asset quality and profitability.

The rating is supported by the company's strong capital position as well as adequate funding and liquidity profile. The key rating constraint is the company's moderate business position. Should the current momentum in earnings and asset quality is sustained over the next 12-18 months, a rating upgrade could be possible.

KEY RATING CONSIDERATIONS

Strong operating performance recovery

S11's rating outlook upward revision to "positive" reflects a significant improvement in its asset quality, which has in turn strengthened earnings capacity beyond our base-case expectations. This stems from the company's tighter underwriting standards and enhanced collection processes, which were adapted to the new interest rate ceiling at 23%. In addition, the company has expanded its non-interest income from insurance commission, which partly helped offset the reduction in collection fees arising from stricter market conduct regulations.

We expect the company to sustain strong operating performance over the next two years, consistent with the recent trend. This will be supported by reduced competition in the motorcycle industry, improved underwriting standards, and stabilizing yields. The declining funding costs should also provide moderate support for its financial performance.

The company's earnings capacity, measured by earnings before taxes to average risk-weighted assets (EBT/ARWA), improved greatly from negative in the first half of 2024 (1H24) to 1.1% at end-2024, and further to 3.5% in 1H25. We expect the ratio to remain above 3% over the next few years.

Significant improvement in asset quality

S11's tightened credit underwriting and enhanced risk management helped improve asset quality over the past year, with the non-performing loan (NPL) ratio declining to 4.3% at the end of the second quarter of 2025 (2Q25) from the recent peak of 9.0% at the end of 2023. This is also reflected in the credit cost which fell to 4.8% in 1H25 from 11.5% in 2023, respectively. We expect the company to maintain disciplined risk management practices and project its credit costs to stay below 6% over the next few years, factoring in the downside risk from lingering economic weakness.

S11's profitability has also been supported by lower losses on repossessed motorcycle sales. Improved asset quality at S11 and industry peers led to fewer repossessions, with S11's repossessed units falling nearly 50% year-on-year (y-o-y) in 1H25, while market prices recovered.

Strong capital position

In the medium term, we expect S11 to maintain strong capitalization, which has been a key rating factor supporting its credit profile. At the end of June 2025, the company's capital, as measured by the risk-adjusted capital (RAC) ratio, improved to 27.9% from 23.9% at the end of 2023 due to loan contraction and the accumulation of profit.

Given the industry's slowdown in motorcycle leasing and the company's cautious stance on business expansion due to lower risk appetite and stronger focus on asset quality, we project the RAC ratio to increase further to around 30% over coming years. This forecast also assumes a dividend payout ratio of about 35%, in line with the trend over the recent years.

Moderate business position

S11's business position reflects its moderate market share and limited business diversity. The company was among the top six motorcycle hire purchase (HP) providers in 1H25, according to TRIS Rating's database. We categorize S11 as a mid-sized operator within the THB6-THB10 billion portfolio range. As of June 2025, S11's total motorcycle HP portfolio was THB6.7 billion, down by 4% y-o-y and flat year-to-date. We expect a measured growth in outstanding loans over the next few years as the company focuses on asset quality and profitability.

The company introduced motorcycle title loans to existing HP customers in 4Q23. However, expansion has been limited due to credit quality concerns, with the title loan portfolio declining to THB10 million as of June 2025 from THB33 million a year earlier. We expect the company to remain focused on its core new motorcycle leasing business.

Adequate liquidity and funding

S11's funding profile is assessed as "adequate". This is supported by the company's solid equity base and strong relationships with financial institutions. As of June 2025, the company's capital structure comprised 15% long-term borrowings, 28% short-term borrowings, and 56% shareholder's equity.

We believe S11's liquidity risk over the next 12 months will remain manageable. As of June 2025, the company had no outstanding debentures or bills of exchange but had around THB1 billion in available credit lines with financial institutions. We expect the company's debt obligations with financial institutions can be rolled over. The company estimates monthly cash inflows from customer repayments to be in the THB300 million range over the next 12 months, which should be sufficient to cover loan repayments.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for S11's operations during 2025-2027 are as follows:

- Outstanding portfolio to contract by around 3% in 2025 and expand by 3% in 2026-2027.
- RAC ratio to remain at around 30%.
- Net loan yield[1] to be in 15%-16% range.
- Credit costs to be in 5%-6% range.
- Operating expense to total income ratio to be in 25%-30% range.

RATING OUTLOOK

The "positive" outlook reflects a significant improvement in S11's asset quality which helped strengthen the company's earnings capacity above our base case assumption. If the company sustains profitability and maintains disciplined asset quality management over the next 12 months, the upside potential for a rating upgrade could emerge.

RATING SENSITIVITIES

A rating upgrade could be possible if S11 demonstrates sustained improvement in asset quality that leads to EBT/ARWA sustaining above 1.5% while maintaining solid capital and market position.

The outlook could be revised back to "stable" if the company fails to sustain EBT/ARWA above 1.5%. However, the rating could be downgraded if S11's market position weakens materially, or if capital adequacy, as measured by the RAC ratio, falls below 15% on a sustained basis.

COMPANY OVERVIEW

S11 was established in 2011. The company initially offered motorcycle HP loans in Bangkok and the vicinity and then expanded to provinces in the central and eastern regions of the country.

In 2015, S11 was listed on the Stock Exchange of Thailand (SET). The proceeds from the initial public offering (IPO) gave S11 a new route to the capital market and enabled S11 to expand its loan portfolio. Currently, S11's major shareholders are S Charter Co., Ltd. (98% held by the Chiradamrong Family, the co-founder of S11), holding 28.4% of the company's shares, and foreign strategic investors holding 32%.

[1] *Net loan yield = Gross yield – Commission expenses*

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2025	------------ Year Ended 31 December ---------- 2024	2023	2022	2021
Total assets	6,481	6,483	7,172	6,112	5,648
Total loans	6,691	6,678	6,968	6,546	6,010
Allowance for expected credit loss	583	625	980	872	808
Short-term debts	1,754	2,002	2,440	1,793	1,894
Long-term debts	962	875	1,301	806	528
Shareholders' equity	3,499	3,382	3,262	3,274	3,080
Net interest income	443	940	1,205	1,392	1,578
Expected credit loss	161	541	809	693	741
Non-interest income	88	143	130	134	122
Operating expenses	150	396	464	394	469
Earnings before taxes	220	145	62	440	500
Net profit	176	117	50	352	400

* *Consolidated financial statements*

Unit: %

	Jan-Jun 2025		---------- Year Ended 31 December ---------- 2024	2023	2022	2021
Profitability						
Net interest income/average assets	13.68	**	13.77	18.14	23.68	26.11
Non-interest income/average assets	2.71	**	2.09	1.95	2.28	2.17
Operating expenses/total income	25.09		31.63	30.99	24.36	25.71
Operating profit/average assets	6.80	**	2.13	0.93	7.48	8.26
Earnings before taxes/average risk-weighted assets	3.53	**	1.11	0.48	3.75	4.62
Return on average assets	5.45	**	1.71	0.75	5.98	6.62
Return on average equity	10.26	**	3.51	1.52	11.07	13.53
Asset Quality						
Non-performing loans***/total loans	4.34		5.03	8.98	8.24	6.99
Expected credit loss/average loans	4.81	**	7.59	11.46	11.03	1.54
Allowance for expected credit loss/non-performing loans***	200.86		185.92	143.93	161.65	179.91
Capitalization						
Risk-adjusted capital ratio	27.92		27.10	23.89	27.88	28.50
Debt/equity (times)	0.85		0.92	1.20	0.87	0.83
Liquidity						
Stable funding ratio	136.35		131.28	126.09	145.50	151.82
Liquidity coverage measure (times)	0.03		0.03	0.05	0.02	0.02
Short-term debts/total liabilities	58.83		64.55	62.39	63.18	73.77

* *Consolidated financial statements*
** *Annualized*
*** *Stage 3 loans for 2022/2023/2024/1H2025*

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024

S 11 GROUP PLC (S11)

Company Rating:	BB+
Rating Outlook:	Positive

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