

Finance Sector – Overweight

News update

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Another round of hearing in January

- **HP players are still not satisfied with the revised version**
 - **New settlement condition raises moral hazard concern**
 - **The 3rd hearing is expected in late January 2022**
 - **The final HP law could likely lift overhang concern**
-
- There remains concerns and disagreements to the Office of The Consumer Protection board (OCPB)'s revised version auto and motorcycle hire purchase loans regulations. OCPB has then decided to incorporate information from Credit Bureau in order to get better picture of HP operators' cost structures.
 - According to news, The OCPB will review proposals of each related parties and the 3rd hearing is expected to be held in late January 2022 while the enactment of new regulations of auto and motorcycle hire purchase loans will be in May 2022.
 - As current market rates are lower than 10%, the proposed interest rate ceiling of 15% for new car HP loans are acceptable.
 - The issue is on motorcycle and used car HP loans as the proposed interest rate ceiling of 20% is too low to justify with risk costs related to this lending segment.
 - HP operators sees the interest cap of 28-33% is more justified and applicable to current market condition.
 - It is likely that OCPB will consider increasing motorcycle and used car HP loans ceilings. It may compromise half-way i.e. at 24%, similar to the titled loans' ceiling rates.
 - If this is true, we view it as being positive to MTC and SAK as they have extended motorcycle HP loans at interest charge of 23-24% pa. This is while motorcycle HP operators i.e. S11, TK, NCAP and S Leasing whose charge higher interest rate as they have to pay commissions to dealers would have to find new lending ways to compensate lower interest charge.
 - As for the settlement condition, operators have proposed step-up loss sharing approach instead of flat 50% loss sharing in any case as suggested by OCPB.
 - We believe the finalization of HP loans' new regulations will lift overhang concern on the finance sector. Judging from the respond of OCPB, we believe the final conditions are not going to be too harsh to undermine growth potential of HP lending. Being de-rated on regulatory risks and pricing competition, share price downsides look to be limited in our view. We maintain OW on valuation and continued strong loan growth. TIDLOR remains our top pick in the sector.

Ex 1: Interest Rate Ceilings**Interest rate ceiling of HP loans**

	OCPB's version	HP operators' proposals
New car HP loans	Not exceeding 15% pa	—
Used car and motorcycle HP loans	Not exceeding 20%	Not exceeding 28% pa

Source: Prachachat

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 133 Derivative Warrants which are ACE16C2201A, ACE16C2202A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2204A, AOT16C2112A, AOT16C2202A, BAM16C2204A, BAM16C2112A, BANP16C2112A, BANP16C2201A, BANP16C2202A, BBL16C2204A, BBL16C2201A, BBL16C2203A, BCH16C2201A, BCH16C2203A, BEC16C2202A, BGRI16C2112A, CBG16C2204A, CBG16C2201A, CBG16C2202A, CHG16C2112A, CHG16C2202A, COM716C2112A, COM716C2203A, CPAL16C2204A, CPAL16C2112A, CPAL16C2203A, CPF16C2112A, CPN16C2202A, CRC16C2204A, DELT16C2112A, DELT16C2202A, DELT16C2203A, DOHO16C2112A, DOHO16C2202A, DTAC16C2112A, EA16C2201A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2201A, GPSC16C2201B, GPSC16C2203A, GULF16C2112A, GULF16C2202A, GUNK16C2112A, GUNK16C2201A, GUNK16C2203A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2112A, IVL16C2202A, JAS16C2202A, JMAR16C2201A, JMAR16C2202A, JMT16C2201A, JMT16C2203A, KBAN16C2201A, KBAN16C2202A, KCE16C2201A, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2204A, MINT16C2112A, MINT16C2203A, MTC16C2204A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, OR16C2203A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTT16C2203A, PTTE16C2112A, PTTE16C2203A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112B, S5016C2112C, S5016C2112D, S5016C2203A, S5016P2112A, S5016P2112B, S5016P2112C, S5016P2112D, S5016P2203A, SAWA16C2204A, SAWA16C2112A, SAWA16C2202A, SCB16C2112A, SCB16C2201A, SCB16C2202A, SCC16C2204A, SCC16C2112A, SCGP16C2201A, SCGP16C2202A, SPAL16C2202A, SPRC16C2201A, STA16C2203A, STA16C2112A, STA16C2201A, STEC16C2201A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TRUE16C2203A, TU16C2204A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTT, PTTEP, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)