TRIS RATING
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AAPICO HITECH PLC

No. 100/2025
30 June 2025

CORPORATES

Company Rating: A-
Outlook: Stable

Last Review Date: 28/06/24

Company Rating History:

Date	Rating	Outlook/Alert
23/06/23	A-	Stable
30/06/21	BBB+	Stable
07/07/20	BBB+	Negative
22/07/19	BBB+	Stable
24/08/18	BBB+	Positive
12/11/14	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on AAPICO Hitech PLC (AH) at "A-", with a "stable" outlook. The rating continues to reflect AH's strong position as a Tier-1 automotive parts manufacturer in Thailand, its geographical diversification, and low gearing. However, these strengths are tempered by the company's customer concentration risk and the cyclical nature of the automotive industry, which closely follows economic cycles.

KEY RATING CONSIDERATIONS

Highly competitive auto parts manufacturer

The rating factors in AH's strong competitive edge in auto parts manufacturing, stemming from its large production scale, which creates significant barriers for competitors. The company can handle large orders from major automakers and Tier-1 parts makers such as Isuzu, Dana, Ford, Mazda, and Continental, with original equipment manufacturer (OEM) auto parts sales totaling about THB20 billion annually.

In addition to its large scale, AH's long-track record of delivering high-quality products on time and within budget has solidified customer relationships. Also, its car dealership business has enhanced ties with automakers, boosting OEM customer orders.

Geographical diversification mitigates domestic market slowdown

AH keeps expanding internationally, with about 40% of its revenue currently generated from overseas markets, including Malaysia, Europe, and China. Market diversification not only enables AH to tap into global demand but also offers protection against unexpected domestic challenges.

In 2024, Thailand's automotive production fell by 20%, with domestic sales down 26% and exports falling 9%. Isuzu, AH's major customer, experienced a sales decline of over 40%. Meanwhile, AH's total operating revenue decreased by significantly less - 11% to about THB27 billion, as a 16% OEM revenue drop was partly offset by a 2% increase in dealership revenue. Also, new OEM orders for Proton vehicles in Malaysia and European vehicles in Portugal helped cushion against the order loss from Isuzu.

AH has recently collaborated with its Tier-1 partner to establish a joint venture aimed at expanding into the US market. The project is currently in initial stages, and the long-term outcomes are yet to be assessed.

Exposure to customer concentration risk

AH is likely to continue concentrating on key customers. The company is the sole supplier of pickup chassis frames to Isuzu and Mazda BT-50 in Thailand. Sales to Isuzu have accounted for 15%-30% of its total revenue, while sales to Ford and Auto Alliance (AAT; a Ford and Mazda joint venture) have made up 7% over the past three years. Isuzu and AAT are among the top five largest automakers in Thailand.

This concentration risk is mitigated by AH's longstanding relationships with key customers and the continued orders it has received. Generally, automakers and Tier-1 parts manufacturers are reluctant to change primary suppliers due to high switching costs and concerns over product quality. Also, AH is expanding its customer base, including Malaysian automaker Proton and European vehicle Tier-1 parts manufacturers, while planning to secure more orders from Chinese electric vehicle (EV) manufacturers such as BYD, Great Wall Motor (GWM), and Changan. These efforts should help lower the customer concentration risk. Currently, sales to these EV makers remain modest, representing less than 5% of the total.

Flat growth expected this year, gradual improvement following

Given the domestic economic slowdown and global trade tensions, we forecast AH's total operating revenue will remain stable at around THB26-THB27 billion in 2025. The revenue should gradually recover to THB28-THB29 billion annually in 2026-2027, supported by new orders for stamped parts from major clients and improving market conditions. The company's ongoing overseas expansion is expected to contribute to revenue growth in its OEM business.

Our forecast projects AH's annual EBITDA to remain around THB2.5 billion in 2025 and recover to THB2.8-THB2.9 billion by 2026-2027, with an EBITDA margin of 9%-10%. Funds from operations (FFO) are estimated at THB2-THB2.5 billion per annum throughout the forecast periods. AH's efficient production management, coupled with its ability to pass on raw material cost increases to automakers, is expected to help sustain profitability at the projected levels.

Low financial leverage

We expect AH to maintain low financial leverage, which is a key supporting factor for the rating. The company's continued expansion will likely involve joint ventures and minimal investments. Our base-case forecast assumes capital expenditures and investments will stay below THB2 billion annually during 2025-2027, keeping the debt to capitalization ratio between 20%-30%. The debt to EBITDA ratio is estimated to stay below 2 times and the FFO to debt ratio should hover around 50%. We expect AH and its subsidiaries to remain compliant with the financial covenants associated with the loan obligations.

Priority debt

At the end of March 2025, AH's consolidated debt (excluding lease obligations) amounted to THB5.3 billion, of which THB3.2 billion was priority debt, comprising all borrowings incurred by its operating subsidiaries. This resulted in a priority debt to total debt ratio of 61%. A low financial leverage, with a sustained debt to EBITDA ratio below 2 times, should significantly mitigate the structural subordination risk borne by its unsecured creditors relative to creditors at subsidiary level.

Sufficient liquidity

We assess AH to have sufficient liquidity. As of March 2025, the company had THB2.6 billion in debt maturing within the next 12 months, consisting of THB1.5 billion in short-term loans for working capital and THB1.1 billion in long-term bank loans. Sources of cash amounted to THB4.3 billion, comprising cash and deposits of THB2.2 billion and projected FFO of THB2.1 billion. Also, the company had undrawn uncommitted credit facilities of THB4.3 billion.

BASE-CASE ASSUMPTIONS

Key assumptions in TRIS Rating's base-case forecast during 2025-2027 are as follows:

- Total operating revenue to be THB26-THB27 billion in 2025, rising to THB28-THB29 billion annually during 2026-2027.
- EBITDA margin to range from 9%-10%.
- Capital expenditures and investments to stay below THB2 billion per annum.

RATING OUTLOOK

The "stable" outlook reflects our expectation of AH's sustained competitiveness. The company's reliable operations with a passthrough mechanism for raw material prices, on-going international expansion strategy, and conservative financial policy should support satisfactory earnings performance and financial status.

RATING SENSITIVITIES

A rating upgrade is unlikely in the near term, unless AH significantly boosts its earnings and keeps financial leverage low. Conversely, a rating downgrade could occur if its performance drops significantly below expectations, with EBITDA under THB2.5 billion annually and/or the debt to EBITDA ratio exceeding 3 times for a prolonged period.

COMPANY OVERVIEW

Established in 1996, AH is a large Tier-1 manufacturer of automotive parts in Thailand. The company started as a Ford distributor, before expanding to the manufacture of auto parts. It was listed on the Stock Exchange of Thailand (SET) in 2002. As of March 2025, the major shareholder of AH remained the Yeap family, holding about 39% of the outstanding shares.

AH has two core lines of business: OEM auto parts and car dealerships. Its OEM products comprise its key products of stamped or pressed components, as well as forged, cast and machine parts, plastic components, and jigs and dies. The car dealership business sells Mitsubishi and MG vehicles in Thailand, as well as Honda and Proton vehicles in Malaysia.

AH expanded its presence into international markets, making a substantial investment of about THB7 billion with the Sakthi Group in 2017. As a result, it acquired a production base in Portugal for casting products targeted at European markets, generating additional revenue of THB3-THB4 billion per annum. Following these major investment expenditures, AH has kept overseas expansion at a reduced spending of below THB 1 billion per annum.

Currently, the OEM auto parts business accounts for about 70% of AH's total revenue annually, while the car dealership business constitutes the rest. In the first quarter of 2025, operations in Thailand contributed 59% of total revenue, followed by operations in Malaysia (20%), Portugal (16%), and China (5%).

KEY OPERATING PERFORMANCE

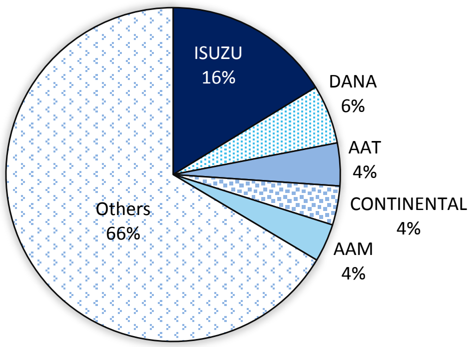
Table 1: Revenue Breakdown

Unit: %

Sources of Revenue	2021	2022	2023	2024	Jan-Mar 2025
OEM auto parts	74	73	72	68	72
Car dealerships	26	27	28	32	28
Total	**100**	**100**	**100**	**100**	**100**
Total revenue (mil. THB)	**20,433**	**27,967**	**30,034**	**26,588**	**6,746**

Source: AH

Chart 1: Major Customers in 1Q25 (as a % of total revenue)



Source: AH

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

			------------Year Ended 31 December -----------			
	Jan-Mar 2025		2024	2023	2022	2021
Total operating revenues	6,829		26,976	30,389	28,285	20,746
Earnings before interest and taxes (EBIT)	426		1,262	2,411	2,312	1,279
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	696		2,529	3,738	3,252	2,138
Funds from operations (FFO)	575		2,026	3,154	2,746	1,696
Adjusted interest expense	78		419	470	346	350
Capital expenditures	257		1,160	882	1,005	1,469
Total assets	23,815		23,076	25,293	25,469	22,722
Adjusted debt	3,674		3,906	3,480	7,288	7,726
Adjusted equity	11,398		10,993	11,317	9,929	8,815
Adjusted Ratios						
EBITDA margin (%)	10.2		9.4	12.3	11.5	10.3
Pretax return on permanent capital (%)	7.0	**	7.2	13.3	13.1	7.3
EBITDA interest coverage (times)	8.9		6.0	7.9	9.4	6.1
Debt to EBITDA (times)	1.5	**	1.5	0.9	2.2	3.6
FFO to debt (%)	55.0	**	51.9	90.6	37.7	22.0
Debt to capitalization (%)	24.4		26.2	23.5	42.3	46.7

* *Consolidated financial statements*
** *Adjusted with trailing 12 months*

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

AAPICO Hitech PLC (AH)

Company Rating:	A-
Rating Outlook:	Stable

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