

SRI TRANG GLOVES (THAILAND) PLC

No. 87/2021
18 October 2021

CORPORATES

Company Rating: A-
Outlook: Positive

Last Review Date: 15/06/21

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 15/06/21 | A- | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Sri Trang Gloves (Thailand) PLC (STGT) at “A-” and revises the rating outlook to “positive” from “stable”. The outlook revision follows the same action on Sri Trang Agro-Industry PLC (STA) (rated “A-/Positive” by TRIS Rating).

TRIS Rating views STGT as a core subsidiary of STA, which means the rating on STGT is at the same level as that on STA according to TRIS Rating’s “Group Rating Methodology”. STGT’s core subsidiary status reflects a strong parent-subsidiary relationship between the two entities. STA is STGT’s ultimate shareholder, holding a 56.1% stake in the company. STA’s management has a dominant influence over STGT’s business strategies and financial policies.

TRIS Rating’s assessment of STGT’s stand-alone credit profile (SACP) remains at “a” level. The SACP continues to reflect STGT’s strong revenue growth and cash generation with stable working capital management, and its position as a leading rubber gloves manufacturer globally with a diversified customer base and strong financial profile.

For the first half of 2021, STGT’s total operating revenue jumped by 227% year-on-year (y-o-y) to THB28.5 billion. The earnings before interest, taxes, depreciation, and amortization (EBITDA) margin improved to 69%, from 26% over the same period in 2020. STGT’s total debt to capitalization ratio was at a minimal level as of June 2021.

RATING OUTLOOK

The “positive” outlook reflects the outlook revision on STA. We expect STGT’s status as a core subsidiary of STA will remain unchanged in the foreseeable future.

RATING SENSITIVITIES

The rating on STGT will move in tandem with the rating on STA. However, its stand-alone credit profile could strengthen further if the company stabilizes cash generation and profitability while maintaining a strong balance sheet on a sustained basis.

COMPANY OVERVIEW

STGT, one of Sri Trang Group’s flagship companies, engages in the production and distribution of latex and nitrile examination as well as industrial gloves for customers in over 170 countries globally. Its main markets are Asia, the US, and the EU. With an annual installed production capacity of 35 billion pieces as of 30 June 2021, STGT is Thailand’s biggest glove producer and is ranks 3rd among the world’s leading producers. In 2020, STGT had a market share of 8% of global glove consumption.

STGT, which is a subsidiary of STA, successfully raised funds via an initial public offering (IPO) on the SET on 2 July 2020. The net proceeds of THB14.6 billion will primarily be used toward a planned capacity expansion to serve the global demand for gloves. STGT intends to achieve an annual production capacity of 50 billion pieces by 2022 and 80 billion pieces by 2024. The additional capacity

will come first from the new Surat Thani plant (SR2) in June 2021, followed by another Surat Thani plant (SR3) in July 2021, and the Songkhla plant (PS) in September 2021. Following the IPO, from the third quarter of 2020 onwards, STA has become a major shareholder of STGT with a 56.1% direct and indirect shareholding.

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Sri Trang Gloves (Thailand) PLC (STGT)

| | |
|------------------------|----------|
| Company Rating: | A- |
| Rating Outlook: | Positive |

TRIS Rating Co., Ltd.

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