THAI EASTERN GROUP HOLDINGS PLC

No. 46/2025
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CORPORATES

Company Rating: BBB-
Outlook: Stable

Last Review Date: 11/04/24

Company Rating History:

Date	Rating	Outlook/Alert
21/04/23	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Thai Eastern Group Holdings PLC (TEGH) at "BBB-" with a "stable" outlook. The rating reflects the company's long track record in the natural rubber (NR) industry, its emphasis on quality and sustainability, as well as the potential revenue contribution from sales of EU Deforestation-free Regulation (EUDR) rubber. The rating is, however, constrained by the company's small earnings base and high debt level required to support business growth. The volatility of rubber and palm prices, and fluctuations in exchange rates also weigh on the rating.

KEY RATING CONSIDERATIONS

Continuous growth anticipated

TEGH's total operating revenue in 2024 recovered by 39% year-on-year (y-o-y) to THB16.9 billion. This was mainly driven by high natural rubber prices and a recovery in European Union (EU) sales volume from destocking. TEGH's operating revenue is projected to grow by 4%-5% annually in 2025-2027, supported by expanding capacity and increased sales of renewable energy and organic waste management services.

Long track record and sustainability leadership in the rubber industry

TEGH's business profile is strongly supported by its long track record in the natural rubber industry, which accounted for 88% of its total revenue in 2024. With over three decades of expertise, TEGH has established itself as a certified supplier for renowned tire producers worldwide.

In 2024, exports constituted 67% of its total rubber sales, while domestic sales made up 33%. The company's clients are distributed globally, with approximately 33% of total export sales directed to the EU markets, 19% to the United States (US), 18% to India, and 10% to China. The remaining 20% of export sales were primarily to South Korea, other parts of Asia, and Africa.

Additionally, TEGH has placed a strong emphasis on sustainability and environmentally friendly products. The company shows significant potential to meet the eligibility criteria for EUDR, which will be effective from 30 December 2025 onwards.

Under our base-case scenario, we expect TEGH's revenue from the rubber business to reach around THB16 billion in 2025 and increase to THB17 billion in 2027. This growth is expected to be driven by higher demand from both existing and new customers, particularly in India and China, along with the growing demand for EUDR rubber.

Growth in renewable energy and waste management

Initially, the company established a renewable energy and waste management business in alignment with its sustainability strategy and commitment to the bio-circular green economy, primarily for internal use. Subsequently, the company expanded its operations to offer waste management services to factories in the Eastern Economic Corridor (EEC) and central region and commenced commercial sales of renewable energy.

Although the revenue generated from this business unit is minimal, accounting for only 1% of the total revenue, TEGH anticipates a rapid growth in its revenue over the next few years. Moreover, the company plans to spin off Thai Eastern

Bio Power, its renewable energy and waste management subsidiary, to allow it to grow independently by the end of the year.

Moderate financial leverage

As of December 2024, the company's adjusted net debt to EBITDA ratio was 4.4 times, improved from 4.8 times in 2023. The reduction was mainly due to better operating performance and a higher earnings margin.

We project the ratio to rise to 4.7 times in 2025 due to an expected lower margin resulting from a lower EUDR contribution, which is caused by the postponed application of EUDR to 2026. However, the adjusted net debt to EBITDA ratio could decrease to approximately 3.8-4.4 times in 2026-2027 from an increase in earnings from higher EUDR contribution and lower funding needs to support the capacity expansion.

As of December 2024, TEGH had consolidated debt of THB4.8 billion, of which THB4.4 billion was considered priority debt. Priority debt comprised secured bank loans booked at its subsidiaries. As its priority debt ratio was 92%, we view that TEGH's senior unsecured creditors could be significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

Adequate liquidity profile

We assess TEGH to have adequate liquidity over the next 12 months. Its sources of funds comprised cash of THB111 million and unused credit facilities of THB1.8 billion at the end of December 2024. Its funds from operations (FFO) over the next 12 months are projected to be around THB750 million. On the other hand, TEGH has long-term loan repayment obligations of around THB200 million and lease liabilities of THB27 million coming due in the next 12 months, and an investment budget for capacity expansion and machine renovation of around THB800 million in 2025.

Under the key financial covenant on the company's bank facilities, TEGH is required to keep its debt service coverage ratio (DSCR) above 1.2 times and debt-to-equity ratio below 3.5 times. The ratios at the end of 2024 were 2.7 times and 0.2 times, respectively. We expect the company to have no problems complying with the bank loan covenants over the next 12 to 18 months.

BASE-CASE ASSUMPTIONS

- Operating revenues of around THB17.6 billion in 2025 on the back of expanding capacity, before rising to THB18.4-THB19.3 billion per annum in 2026-2027.
- EBITDA margin in the 6.2%-6.4% range during 2025-2027.
- Total capital spending of around THB1.4 billion in the next three years.

RATING OUTLOOK

The "stable" outlook reflects our expectation that TEGH will maintain its competitive position in the natural rubber industry and its operating performance will be in line with our base-case scenario.

RATING SENSITIVITIES

The rating upside could materialize if TEGH's EBITDA rises above THB2.5 billion and the net debt to EBITDA ratio remains below 2.5 times on a sustained basis. On the contrary, a downgrade could occur if its operating performance is weaker than expected or if TEGH makes any debt-funded investments that materially weaken its balance sheet and cash flow protection, such that the net debt to EBITDA ratio exceeds 5 times for an extended period.

COMPANY OVERVIEW

TEGH was incorporated in 2007 as a holding company. The company successfully raised funds via an initial public offering (IPO) on the Stock Exchange of Thailand (SET) in September 2022. TEGH's major shareholder is the Kokanutaporn family, holding a stake of about 75% at the end of 2024.

The group entered the oil palm business in 1991 and expanded into the rubber business in 1994. The group subsequently diversified into renewable energy in 2010 and waste management services in 2018. Besides its own investments, the group has established joint ventures with strategic partners, such as Sime Darby Group, a leading oil palm producer based in Malaysia, and Sumitomo Rubber Industries, a global tire and rubber company based in Japan.

TEGH is a holding company with operating subsidiaries in three core businesses comprising i) natural rubber, ii) crude palm oil, and iii) renewable energy and organic waste management. Natural rubber contributed 88% of TEGH's revenue in 2024, followed by palm (11%), and renewable energy and organic waste management (1%).

The group's plants are in Chonburi province and have a capacity of about 390,000 tonnes per year of rubber, and 520,000 tonnes per year of palm oil. The company also operates a biogas power plant with a generating capacity of 4 MW, 1 MW of which is sold to the Provincial Electricity Authority (PEA) under a long-term power purchase agreement (PPA).

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown by Business

Unit: %

Products	2020	2021	2022	2023	2024
Natural rubber business	84	83	77	83	88
Crude palm oil business	14	16	22	16	11
Renewable energy & organic waste management	1	1	1	1	1
Total sales	**100**	**100**	**100**	**100**	**100**
Total sales (Mil. THB)	**8,196**	**11,088**	**15,403**	**12,130**	**16,844**

Source: TEGH

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	--------------------Year Ended 31 December -------------------				
	2024	**2023**	**2022**	**2021**	**2020**
Total operating revenues	16,873	12,159	15,428	11,114	8,225
Earnings before interest and taxes (EBIT)	856	356	796	670	154
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,157	715	1,082	901	469
Funds from operations (FFO)	909	569	946	785	354
Adjusted interest expense	215	122	126	99	107
Capital expenditures	450	606	362	249	146
Total assets	9,612	7,410	6,938	6,482	5,288
Adjusted debt	5,049	3,465	3,033	3,889	3,454
Adjusted equity	3,632	3,180	3,246	2,084	1,439
Adjusted Ratios					
EBITDA margin (%)	6.9	5.9	7.0	8.1	5.7
Pretax return on permanent capital (%)	10.9	5.3	12.5	11.9	3.0
EBITDA interest coverage (times)	5.4	5.8	8.6	9.1	4.4
Debt to EBITDA (times)	4.4	4.8	2.8	4.3	7.4
FFO to debt (%)	18.0	16.4	31.2	20.2	10.2
Debt to capitalization (%)	58.2	52.1	48.3	65.1	70.6

RELATED CRITERIA

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

Thai Eastern Group Holdings PLC (TEGH)

Company Rating:	BBB-
Rating Outlook:	Stable

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