

# SRI TRANG AGRO-INDUSTRY PLC

No. 37/2022  
8 April 2022

## CORPORATES

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
Senior unsecured	A-
<b>Outlook:</b>	Positive

**Last Review Date:** 25/02/22

### Company Rating History:

Date	Rating	Outlook/Alert
18/10/21	A-	Positive
26/10/20	A-	Stable
25/10/19	BBB+	Negative
27/10/17	BBB+	Stable
05/08/11	A-	Stable
20/11/10	BBB+	Positive
30/09/09	BBB+	Stable
14/09/07	BBB	Stable

### Contacts:

Jutatip Chitpromphan

jutatip@trisrating.com

Nauwarut Temwattanangkul

nauwarut@trisrating.com

Wajee Pitakpaibulkij

wajee@trisrating.com

Sasiporn Vajarodaya

sasiporn@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Sri Trang Agro-Industry PLC (STA) and the ratings on its existing senior unsecured debentures at “A-” with a “positive” outlook. At the same time, TRIS Rating assigns the rating of “A-” to STA’s proposed issue of up to THB2.0 billion in senior unsecured debentures. The proceeds from the new debenture issuance will be used to support STA’s working capital needs.

STA’s total operating revenue remained in line with TRIS Rating’s projection for 2021. Total operating revenue jumped by 57% year-on-year (y-o-y) to THB118.6 billion in 2021. Revenue contribution from the glove segment remained at 40% of total revenues during 2020-2021 following sustained strong demand for rubber gloves induced by the Coronavirus Disease 2019 (COVID-19) pandemic. The company’s gross margin (including gains or losses from derivatives instruments) increased to 31% in 2021, from 29% in 2020. The improvement was due primarily to a more favorable product mix and lower raw material costs. Earnings before interest, taxes, depreciation, and amortization (EBITDA) also improved to THB32.5 billion in 2021, compared with THB20.5 billion in 2020. As a result, STA reported a net profit of THB15.8 billion in 2021, compared with THB9.5 million in 2020.

We expect STA’s financial profile to remain strong over the forecast period. STA’s total debt to capitalization ratio stood at 22.4% as of December 2021, up from 10.5% at the end of December 2020. In our base-case projection, STA’s total debt to capitalization ratio is projected to remain in the 19%-23% range during 2022-2024.

We expect STA to have ample liquidity over the next 12-18 months. The company has scheduled debt repayments of THB2.7-THB4.4 billion per annum during 2022-2024. At the end of December 2021, its cash on hand and short-term investments stood at THB23 billion, with unused credit facilities of more than THB23.3 billion.

## RATING OUTLOOK

The “positive” outlook reflects the prospect of a recovery in the natural rubber (NR) industry and continued strong demand for rubber gloves globally, a continued shift in product mix from commodity products to consumer products, as well as improved efficiency and cost control.

## RATING SENSITIVITIES

STA’s ratings could be revised upward if the company’s capital structure and cash flow protection continue to improve in line with TRIS Rating’s projection. A rating downgrade could occur if the company’s performance weakens materially, with the adjusted debt to EBITDA ratio staying above 4 times for an extended period. Any aggressive debt-funded expansion, which would potentially weaken the company’s balance sheet and cash flow protection, could also lead to a downgrade scenario.

## RELATED CRITERIA

- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019

## Sri Trang Agro-Industry PLC (STA)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
STA234A: THB1,000 million senior unsecured debentures due 2023	A-
STA247A: THB1,500 million senior unsecured debentures due 2024	A-
STA24DA: THB1,000 million senior unsecured debentures due 2024	A-
STA253A: THB2,000 million senior unsecured debentures due 2025	A-
STA257A: THB500 million senior unsecured debentures due 2025	A-
STA25DA: THB1,000 million senior unsecured debentures due 2025	A-
STA264A: THB1,800 million senior unsecured debentures due 2026	A-
STA273A: THB500 million senior unsecured debentures due 2027	A-
STA28DA: THB1,250 million senior unsecured debentures due 2028	A-
STA293A: THB1,000 million senior unsecured debentures due 2029	A-
STA314A: THB700 million senior unsecured debentures due 2031	A-
STA31DA: THB1,250 million senior unsecured debentures due 2031	A-
STA323A: THB2,000 million senior unsecured debentures due 2032	A-
STA343A: THB1,500 million senior unsecured debentures due 2034	A-
Up to THB2,000 million senior unsecured debentures due within 12 years	A-
<b>Rating Outlook:</b>	Positive

### TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

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