

SRI TRANG AGRO-INDUSTRY PLC

No. 73/2022
8 July 2022

CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A
Outlook:	Stable

Last Review Date: 23/05/22

Company Rating History:

Date	Rating	Outlook/Alert
23/05/22	A	Stable
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

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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 “stable” outlook. At the same time, TRIS Rating assigns the rating of “A” to STA’s proposed issue of up to THB8 billion in senior unsecured debentures. The proceeds from the new debenture issuance will be used to support STA’s working capital needs and planned capital expenditures.

STA’s total operating revenue shrank by 11% year-on-year (y-o-y) in the first quarter of 2022 following a sharp decline in revenue from gloves. However, rising demand for natural rubber (NR) partially offset the revenue decline. The company’s gross margin (including gains or losses from derivatives instruments) narrowed to 16.6% in the first quarter of 2022, compared with 39.5% in the same period of the previous year. The lower gross margin was due primarily to a less favorable product mix. Earnings before interest, taxes, depreciation, and amortization (EBITDA) also dropped by 74% y-o-y to THB3.1 billion in the first quarter of 2022, compared with THB12.1 billion for the same period in 2021. STA reported a net profit of THB2 billion in the first quarter of 2022, compared with THB10 billion for the same period in the prior year.

As of March 2022, the company’s total debt to capitalization ratio rose to 24.2%. This was due to an increase in short-term loans to support working capital needs, especially in inventory, and long-term loans to fund capital expenditure. Under our base-case scenario, STA’s total debt to capitalization ratio is projected to range from 27%-31% during 2022-2024.

We expect STA will have strong liquidity over the next 12-18 months. The company has scheduled debt repayments of THB2.7-THB4.4 billion per annum during 2022-2024. Our base-case forecast projects STA’s EBITDA will be THB12-THB15 billion per annum. At the end of March 2022, cash on hand and short-term investments stood at THB21.1 billion, while unused credit facilities totaled more than THB20 billion.

RATING OUTLOOK

The “stable” outlook reflects the prospect of a recovery in the NR industry and continued strong global demand for rubber gloves, plus STA’s improved efficiency and cost control.

RATING SENSITIVITIES

STA’s credit upside is limited in the near term following the recent upgrade in May. A rating downgrade could occur if the company’s performance weakens materially, with the adjusted debt to EBITDA ratio remaining above 3 times and EBITDA staying below THB10 billion per annum 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)

Company Rating:	A
Issue Ratings:	
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
STA324A: THB1,180 million senior unsecured debentures due 2032	A
STA343A: THB1,500 million senior unsecured debentures due 2034	A
Up to THB8,000 million senior unsecured debentures due within 12 years	A
Rating Outlook:	Stable

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