TRIS RATING
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SNC FORMER PCL

No. 53/2025
11 April 2025

CORPORATES

Company Rating:	BBB
Issue Rating:	
Guaranteed	AAA
Outlook:	Stable

Last Review Date: 11/04/24

Company Rating History:

Date	Rating	Outlook/Alert
11/04/24	BBB	Negative
19/06/23	BBB	Stable

Contacts:

Rapeepol Mahapant

rapeepol@trisrating.com

Pravit Chaichamnapai, CFA

pravit@trisrating.com

Parat Mahuttano

parat@trisrating.com

Sermwit Sriyotha

sermwit@trisrating.com

WWW.TRISRATING.COM

RATIONALE

TRIS Rating revises the rating outlook on SNC Former PLC (SNC) to “stable” from “negative” and affirm the company rating at “BBB”. We also affirm the rating on SNC’s guaranteed debenture at “AAA”. The debenture is guaranteed by Credit Guarantee and Investment Facility (CGIF, rated “AAA/Stable”).

The outlook revision to “stable” is based on an expected improvement in SNC’s financial profile, attributed to deleveraging efforts and the prospect of an earnings recovery.

The company rating reflects SNC’s standing as a competitive leader in the air conditioning parts manufacturing industry in Thailand, its cost-effective production, and disciplined financial policy. However, the rating is tempered by emerging uncertainty in the global trade environment, heavy reliance on a few customers, and risks associated with new ventures.

KEY RATING CONSIDERATIONS

Financial health on the mend

We anticipate an improvement in SNC’s financial profile, due in large part to deleveraging through asset disposal. The recent unused assets sales are expected to generate about THB2 billion in cash by 2025, materially reducing SNC’s adjusted net debt to THB1.4 billion by the end of 2025, from THB3.2 billion in 2023.

In addition to the reduced leverage, we foresee a recovery in SNC’s earnings, with EBITDA increasing to THB1-THB1.1 billion annually in 2026-2027, from THB0.8 billion in 2025. While revenue may drop to THB7.5-THB8.5 billion in 2026-2027 from THB9.9 billion in 2025 due to loss of original equipment manufacturer (OEM) orders, we expect higher-margin sales from parts and industrial estate land to offset this revenue impact.

Our base-case projection expects SNC’s debt to EBITDA ratio to improve to about 2 times in 2025, compared with 3.6-3.8 times during 2023-2024. Looking ahead, the debt to EBITDA ratio could fall below 1 time, mainly attributable to significant cash flow generated from the company’s industrial estate project. We estimate capital expenditures will total THB2 billion during 2025-2027.

Emerging uncertainty in global trade

We see potential impacts from the increasingly uncertain global trade environment, following the recently announced increase in US import tariffs on goods from Thailand and other countries. The US is a primary export market for air conditioners from Thailand. While trade negotiations are expected to take place in the next few months, it is unclear how and when a settlement can be reached.

Given the possibility of reduced sales orders and lower profits for SNC, we have adopted more conservative assumptions than the company’s targets in our base-case forecast. In our view, the heightened business risk should be balanced by decreased financial leverage. We assess that for the company to maintain its financial health, it should keep a debt to EBITDA ratio below 3 times, to be commensurate with the current rating.

No track record in new ventures

We believe SNC's new ventures in power and industrial estate development pose significant risk in the absence of expertise and an operational track record. The company's first 3-megawatt (MW) WTE project carries significant operational risks due to its complexity and the unpredictable quality of municipal waste, which could impact operational stability. Our base-case forecast assumes this project will commence operations in the second half of 2025, generating annual revenue of THB140 million and EBITDA of THB60 million upon achieving full operational capacity.

SNC is also developing an industrial estate in Chonburi Province, with total saleable lands of 875 rai. The development and execution risks have created challenges, while the large investment costs totaling about THB3 billion has increased the financial burden on the company. However, these risks are considered manageable due to the project's strategic location. Our base-case estimate expects the industrial estate will generate revenue of about THB1 billion per annum from 2026-2028, with an EBITDA of THB260 million per annum. The land sales will largely reduce SNC's debt load in the upcoming years.

Strength in air conditioning parts

We believe SNC will remain competitive and retain a leading position in the air conditioning parts manufacturing industry in Thailand. The company's long history of delivering reliable production at low cost has established robust customer relationships. These include prominent Japanese manufacturers such as Daikin, Mitsubishi, Fujitsu, Sharp, and Toshiba, as well as leading Chinese manufacturers like Hisense and Midea.

Cost competitiveness

We anticipate SNC will sustain cost efficiency, primarily through its proficiency in manufacturing. By adopting automated production and using robots, the company enhances productivity while maintaining low overhead costs. This enables SNC to maintain an edge in a highly competitive environment, keeping a positive EBITDA and funds from operations (FFO) despite a notable decline in sales during 2023-2024.

Heavy reliance on few customers

SNC's strengths in air conditioning parts are partly offset by the company's significant business concentration, with its top three customers accounting for 50%-60% of revenue. Losing orders from one or two customers could significantly impact overall performance. Notably, one key OEM customer plans to start self-production from 2026. Despite gaining additional customers, we anticipate SNC's new orders are unlikely to fully make up for the loss. Nonetheless, we expect an increased profit margin from parts sales while additional income from other business ventures to compensate for the revenue impact.

Sufficient liquidity

We believe SNC will adequately manage its liquidity. The proceeds from asset disposals should cover SNC's short-term and long-term interest-bearing debts of THB1.9 billion coming due in 2025. No debentures are due until 2028.

We expect SNC will continue to pursue a disciplined financial policy that ensures sufficient liquidity. The company matches inventory days and accounts receivable days with accounts payable days to reduce working capital needs, maintaining a low cash conversion cycle. It also holds high levels of cash as a liquidity cushion.

In 2024, SNC did not meet the financial covenants specified in the guaranteed agreement with CGIF, as measured by the debt to EBITDA ratio and the debt service coverage ratio (DSCR). However, SNC has received covenant waivers from CGIF, with an additional requirement to reserve cash in exchange. We expect the company to manage the financial covenants more effectively in the future, based on its debt reduction and anticipated earnings recovery.

Debt structure

We view SNC's unsecured creditors as significantly disadvantaged to its priority debt holders with respect to claims against its assets. At the end of 2024, the company's consolidated debt, excluding lease liabilities, was THB3.8 billion. Of this, THB2.6 billion was priority debt, comprising secured debt owed by SNC and all borrowings incurred by its operating subsidiaries, translating to a priority debt to total debt ratio of 68%.

BASE-CASE ASSUMPTIONS

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

- Annual operating revenue to fall to THB7.5-THB8.5 billion in 2026-2027, from THB9.9 billion in 2025.
- EBITDA margin to improve to 13% in 2026-2027, from 8% in 2025, mainly due to changes in product mix.
- Capital expenditures to total THB2 billion throughout the next three years.

RATING OUTLOOK

The "stable" outlook reflects our expectations of a healthier financial position and reviving earnings. That is, SNC would be able to secure new orders to offset the loss of a major customer and will receive the remaining proceeds from asset disposals as scheduled. We also expect projects in the pipeline to be developed as planned, yielding satisfactory results.

RATING SENSITIVITIES

A rating downgrade may occur if SNC's performance falls materially short of forecasts due to significant drops in sales orders, project delays, or cost overruns. A sustained debt to EBITDA ratio above 3 times could weigh negatively on the rating. While the prospect is limited, an upgrade is possible if SNC significantly enhances its earnings base, while maintaining low financial leverage.

The rating and outlook on SNC's guaranteed debentures solely reflect and follow those on CGIF.

COMPANY OVERVIEW

Established in 1994, SNC originally engaged in the manufacture of parts for air conditioners, household appliances, and air conditioning parts in cars. The main products included copper and aluminum pipes, metal sheets, pipe kits, plastic parts, and heat exchangers. In 2007, the company expanded into the OEM business for leading air conditioner producers. The OEM products consisted of air conditioners, refrigerators, heat pumps, etc.

The company has been listed on the Stock Exchange of Thailand (SET) since 2004. As of March 2025, the major shareholder was the Thaisa-nguanvolrakul family, owning about 35% of total outstanding shares.

Currently, SNC's core businesses can be separated into three units, comprising OEM, Parts, and Auto. In 2024, the OEM segment accounted for the majority (55% of total revenue), followed by Parts (36%) and Auto (9%). The company is broadening its business scope by developing a 3-MW WTE plant in Yala Province, as well as establishing an industrial estate in Chonburi Province.

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown

Unit: %

	2020	2021	2022	2023	2024
OEM	63	72	76	57	55
Part	29	22	19	33	36
Auto	9	6	5	10	9
Others	0	0	0	0	0
Total	**100**	**100**	**100**	**100**	**100**
Total revenue (million THB)	**8,961**	**15,398**	**19,071**	**9,333**	**8,732**

Source: SNC

Table 2: EBITDA Breakdown

Unit: %

	2020	2021	2022	2023	2024
OEM	32	46	51	29	23
Part	50	41	41	52	62
Auto	13	9	7	16	15
Others	6	3	1	3	0
Total	**100**	**100**	**100**	**100**	**100**
Total EBITDA (million THB)	**899**	**1,320**	**1,640**	**819**	**753**

Source: SNC

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-------------------Year Ended 31 December				-----------------
	2024	2023	2022	2021	2020
Total operating revenues	8,789	9,372	19,126	15,561	9,080
Earnings before interest and taxes (EBIT)	121	169	995	819	473
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	753	819	1,640	1,320	899
Funds from operations (FFO)	535	616	1,406	1,161	809
Adjusted interest expense	193	158	113	76	52
Capital expenditures	943	2,496	1,433	1,772	1,133
Total assets	13,848	11,699	13,657	13,947	7,770
Adjusted debt	2,720	3,151	1,324	769	569
Adjusted equity	4,871	4,969	5,259	4,911	3,578
Adjusted Ratios					
EBITDA margin (%)	8.6	8.7	8.6	8.5	9.9
Pretax return on permanent capital (%)	1.3	1.8	11.6	12.2	10.3
EBITDA interest coverage (times)	3.9	5.2	14.5	17.3	17.3
Debt to EBITDA (times)	3.6	3.8	0.8	0.6	0.6
FFO to debt (%)	19.7	19.6	106.2	151.0	142.3
Debt to capitalization (%)	35.8	38.8	20.1	13.5	13.7

* *Consolidated financial statements*

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

SNC Former PLC (SNC)

Company Rating:	BBB
Issue Rating:	
SNC281A: THB1,000 million guaranteed debentures due 2028	AAA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.
Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000