

SRI TRANG AGRO-INDUSTRY PLC

No. 89/2025
30 May 2025

CORPORATES

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Negative

Last Review Date: 25/11/24

Company Rating History:

Date	Rating	Outlook/Alert
31/05/24	A-	Stable
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 outstanding senior unsecured debentures at “A-” but revises the rating outlook to “negative” from “stable”. The “negative” outlook reflects the weakening of its balance sheet due to a significant increase in working capital requirements.

The rating continues to reflect STA’s leading position in the natural rubber (NR) industry, its experienced and proven management team, and its competitive advantage in vertical integration. However, these strengths are weighed by several challenges, including the inherent cyclicity of NR supply and pricing, thin profit margins among mid-stream NR producers, intensifying price competition in the glove business, and the potential impacts of the United States (US) tariffs that induce global economic uncertainties.

KEY RATING CONSIDERATIONS

Higher financial leverage than expected

STA’s financial leverage exceeded our earlier projections. The adjusted net debt to EBITDA ratio stood at 5.5 times in 2024 and 4.3 times in the first quarter of 2025 (1Q25), both are higher than our prior estimates of 4.5 times in 2024 and 3.3 times by the end of 2025. The elevated leverage primarily stemmed from increased inventory levels needed to support rising demand, expanded production capacity, and higher raw material prices. Typically, the year-end and first quarter are the seasonal period for raw material stocking in the rubber industry.

Debt levels are likely to rise due to the increased working capital needed for inventory stocking as well as from capital investments of up to THB3-THB4 billion annually over the next couple of years. The bulk of the capital investment will be used to expand production capacity, establishing raw material procurement units, and enhancing cost efficiency, together with investments in new solar energy systems and upgrades of aging production lines.

However, EBITDA is also likely to increase, offsetting the rise in debt to some extent. Thus, we project the adjusted net debt to EBITDA ratio to gradually fall to around 4 times over the next two years, and below 4 times in 2027, from 4.3 times in 1Q25.

Operating revenue on the rise

We expect STA’s operating revenue to remain on an upward trend, staying above THB110 billion throughout the forecast period, supported by an improvement in supply conditions and a rebound in demand driven by restocking of NR and gloves products. These improvements should materialize despite the implementation of European Union Deforestation Regulation (EUDR) being postponed for one year to December 2025.

In 2024, STA reported operating revenue of THB115 billion, marking a 36% increase from 2023, largely due to a supply recovery following the 2023 drought and reviving market demand. Looking ahead, its total operating revenue is projected to be in the range of THB115-THB132 billion during 2025-2027.

Projected EBITDA Margin remain at current level

We expect STA's EBITDA margin to remain at current levels, as the commodity nature of its products continues to limit margin increase. The EBITDA margin is projected to stay at around 7% throughout the forecast period, in line with the levels seen in 2024 and 1Q25. However, an increased contribution from sales of EUDR-compliant products could lead to an improvement in the EBITDA margin.

However, there remains uncertainty surrounding the potential impact of US tariffs. At present, midstream NR products are exempt from US tariffs, while glove products are subject to an additional 10% tariff, applicable to all exporting countries except China, which faces a higher rate of 30%.

Due to STA's glove exports to the US contributed approximately 5% of its operating revenue in 2024 and 1Q25, we have factored the possible impact of the tariffs based on the current situation into our projection.

EBITDA is expected to slowly increase from THB9 billion in 2025 to almost THB10 billion in 2027.

Adequate liquidity for the next 12 months

At the end of March 2025, the company's sources of funds comprised cash and cash equivalents of THB8.4 billion and undrawn uncommitted credit facilities of THB31 billion. Funds from operations (FFO) over the next 12 months are expected to be around THB7 billion.

On the other hand, the company will have a significant amount of debt due over the next 12 months, comprising short-term loans worth THB20.7 billion, long-term loans of THB1.8 billion, and debentures of around THB3.2 billion. We expect STA to be able to roll over its short-term loans. Planned capital expenditures as well as estimated interest and dividend are expected to come to around THB4 billion and THB2 billion, respectively.

A key financial covenant on STA's debentures requires the company to maintain a net debt to equity ratio below 3.0 times. As of March 2025, the ratio was 0.6 times. We believe the company will remain in compliance with the covenant over the next 12 to 18 months.

Debt structure

As of March 2025, STA's total interest-bearing debt stood at THB49.2 billion. This included THB13.3 billion of priority debt comprising secured debts at Sri Trang Group and unsecured debts at the subsidiary level. The priority debt to total debt ratio was 27%.

BASE-CASE ASSUMPTIONS

- Total revenues to be THB115 billion in 2025, gradually increasing by 2% per annum in 2026-2027.
- Gross profit margin of around 9%-10% per annum in 2025-2027.
- Total capital spending of around THB4.0 billion per annum during 2025-2027.

RATING OUTLOOK

The "negative" outlook reflects the weakening of the company's balance sheet due to an increase in working capital requirements, which has led to a higher debt burden.

RATING SENSITIVITIES

We could lower the ratings over the next 12 months if the company's operating performance and margins deteriorate materially such that EBITDA remaining below THB10 billion and the adjusted net debt to EBITDA ratio staying above 3.5 times on a sustained basis.

The outlook could be revised back to "stable" if STA's performance surpasses our base-case projection and the net debt to EBITDA improves to a level below 3.5 times.

A rating upgrade could occur if STA's performance improves substantially, with EBITDA above THB10 billion and the adjusted net debt to EBITDA ratio sustaining well below 3 times.

COMPANY OVERVIEW

STA is a leading worldwide processor and merchandiser of NR. The company has 35 rubber processing plants for block rubber, ribbed smoked sheet, and concentrated latex, located in Thailand, Indonesia, Myanmar, and Ivory Coast, together with six glove processing plants in Thailand. As of 31 March 2025, the company had a total installed NR processing capacity of 3.7 million tonnes per year and a glove production capacity of 51 billion pieces per year.

The company's NR products are sold directly to customers and dealers, mostly comprising tire manufacturers. Its exports accounted for 86% of total NR sales. China is the company's largest export market, accounting for 52% of its NR export sales in 2024.

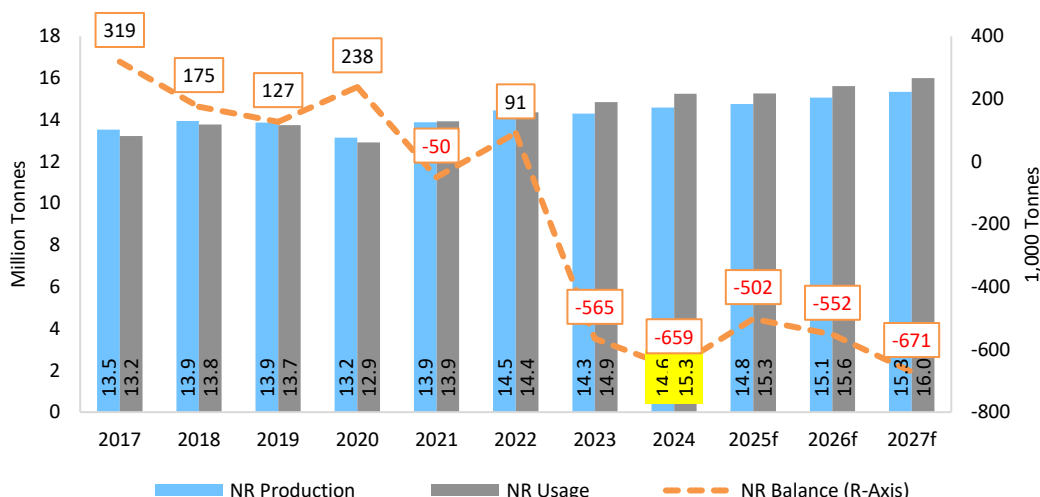
Currently, the major NR producing nations are Thailand, Indonesia, Ivory Coast, and Vietnam. These four countries are forecast to account for 70% of the NR produced worldwide in 2025. Thailand is the largest producer, with a total production volume of 5.1 million tonnes, followed by Indonesia (1.9 million tonnes), Ivory Coast (1.7 million tonnes), and Vietnam (1.4 million tonnes). In terms of consumption, demand for NR worldwide is expected to reach 15.3 million tonnes in 2025. China consumes around 45% of the global NR output.

Sri Trang Gloves (Thailand) PLC (STGT), one of Sri Trang Group's flagships companies, engages in the production and distribution of latex and nitrile examination gloves as well as industrial gloves for customers in over 170 countries around the world. The main markets are Asia, the US, and the European Union (EU). With an annual installed production capacity of 51 billion pieces as of 31 March 2025, STGT is Thailand's biggest glove producer and is ranked among the world's leading producers.

STGT, which is a subsidiary of STA, successfully raised funds via an initial public offering (IPO) on the Stock Exchange of Thailand (SET) on 2 July 2020. Net proceeds of THB14.6 billion were primarily used toward a planned capacity expansion to serve the global demand for gloves, a system application & product (SAP) program installation to improve efficiency and loan repayment, as well as for working capital. Following the IPO, from 3Q20 onwards, STA has been a major shareholder of STGT with a 56% direct and indirect shareholding.

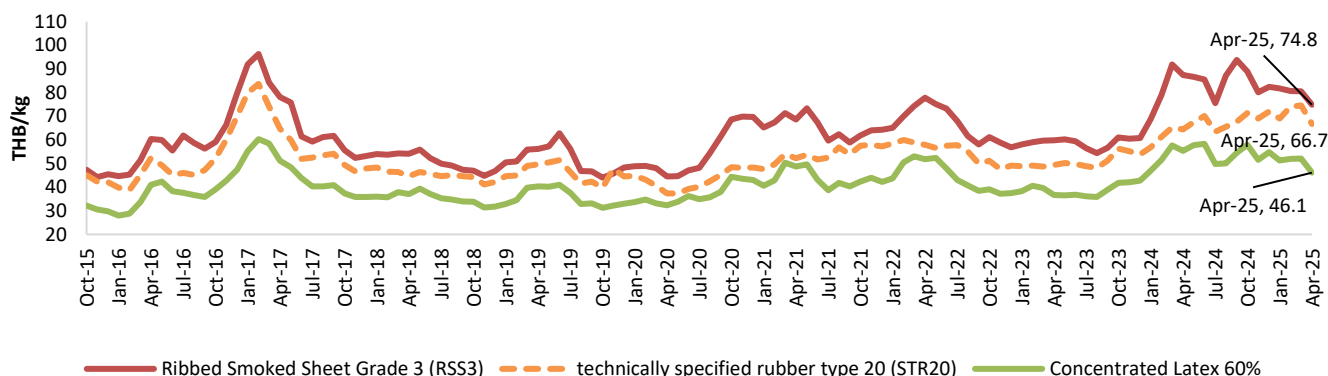
KEY OPERATING PERFORMANCE

Chart 1: World NR Production and Usage



Source: International Rubber Study Group (IRSG)

Chart 2: Thailand's NR Prices



Source: Rubber Authority of Thailand (RAOT)

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	34,452	115,056	84,474	110,876	118,648
Earnings before interest and taxes (EBIT)	1,334	4,058	1,081	7,354	29,574
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,452	8,192	5,077	10,438	32,534
Funds from operations (FFO)	1,912	6,127	3,431	8,559	28,981
Adjusted interest expense	481	1,776	1,531	1,343	848
Capital expenditures	616	2,802	5,344	10,490	11,755
Total assets	127,048	131,208	111,737	117,084	114,527
Adjusted debt	41,871	45,228	25,684	18,527	18,826
Adjusted equity	70,665	69,695	68,146	69,186	65,049
Adjusted Ratios					
EBITDA margin (%)	7.1	7.1	6.0	9.4	27.4
Pretax return on permanent capital (%)**	4.5	3.5	1.0	6.8	30.6
EBITDA interest coverage (times)	5.1	4.6	3.3	7.8	38.4
Debt to EBITDA (times)**	4.3	5.5	5.1	1.8	0.6
FFO to debt (%)**	17.9	13.5	13.4	46.2	153.9
Debt to capitalization (%)	37.2	39.4	27.4	21.1	22.4

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Sri Trang Agro-Industry PLC (STA)

Company Rating:	A-
Issue Ratings:	
STA257A: THB500 million senior unsecured debentures due 2025	A-
STA257B: THB1,000 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-
STA26NA: THB678.7 million senior unsecured debentures due 2026	A-
STA26NB: THB979.3 million senior unsecured debentures due 2026	A-
STA273A: THB500 million senior unsecured debentures due 2027	A-
STA277A: THB2,400 million senior unsecured debentures due 2027	A-
STA282A: THB1,096.9 million senior unsecured debentures due 2028	A-
STA28DA: THB1,250 million senior unsecured debentures due 2028	A-
STA293A: THB1,000 million senior unsecured debentures due 2029	A-
STA297A: THB1,100 million senior unsecured debentures due 2029	A-
STA302A: THB1,804.1 million senior unsecured debentures due 2030	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-
STA327A: THB1,000 million senior unsecured debentures due 2032	A-
STA332A: THB193.2 million senior unsecured debentures due 2033	A-
STA343A: THB1,500 million senior unsecured debentures due 2034	A-
STA352A: THB555.8 million senior unsecured debentures due 2035	A-
Rating Outlook:	Negative

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