

SRI TRANG AGRO-INDUSTRY PLC

No. 94/2024

25 November 2024

CORPORATES

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

Last Review Date: 31/05/24

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 assigns a rating of “A-” to Sri Trang Agro-Industry PLC (STA)’s proposed issue of up to THB6.0 billion senior unsecured debentures due within 10 years. The company intends to use the proceeds from the new debenture issuance to refinance its existing debts and to fund its working capital/investment. TRIS Rating also affirms the company rating on STA and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook.

The ratings reflect STA’s leading position in the natural rubber (NR) industry, the proven expertise of its management team, and competitive edge in vertical integration. However, the ratings also take into consideration the company’s rising financial leverage from rising NR price, cyclical fluctuations in NR supplies and prices, the slim profit margins of rubber business, and intense price competition in the rubber glove market amid global economic uncertainties.

For the first nine months of 2024, STA’s operating performance achieved more than 80% of our full-year forecast, mainly due to robust demand from tire producers. Operating revenue and EBITDA reached THB81.3 billion and THB5.3 billion, respectively. However, the adjusted debt as of 30 September 2024 was THB36.8 billion, higher than our year-end expectation. Adjusted net debt to EBITDA rose to 5.9 times and funds from operations (FFO) to adjusted net debt was 12.1%.

We anticipate the full-year operating performance will exceed our projections, with EBITDA increasing to approximately THB7 billion. However, year-end debt level is expected to remain high to support raw material seasonality. Consequently, the year-end adjusted net debt to EBITDA and FFO to adjusted net debt ratios are projected to reach around 6 times and 12%, respectively.

RATING OUTLOOK

The “stable” outlook reflects the prospect of a recovery in rubber glove demand and continued strong global demand for NR, coupled with improvements in STA’s efficiency and cost control.

RATING SENSITIVITIES

A rating upgrade could occur if STA’s performance improves materially, with the adjusted net debt to EBITDA ratio remaining below 3 times and EBITDA staying above THB10 billion for an extended period. On the other hand, a downgrade situation could emerge if STA’s performance falls significantly short of our expectations. Any aggressive debt-funded expansion, which would materially weaken the company’s balance sheet and cash flow protection, could also lead to a downgrade scenario.

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

Sri Trang Agro-Industry PLC (STA)

Company Rating:	A-
Issue Ratings:	
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-
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-
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-
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-
STA343A: THB1,500 million senior unsecured debentures due 2034	A-
Up to THB6,000 million senior unsecured debentures due within 10 years	A-
Rating Outlook:	Stable

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