

AURORA DESIGN PLC

No. 110/2025
4 July 2025

CORPORATES

Company Rating: BBB
Issue Rating:
Secured BBB
Outlook: Stable

Last Review Date: 08/11/24

Company Rating History:

Date	Rating	Outlook/Alert
08/11/24	BBB	Stable

Contacts:

Tulyawat Chatkam
tulyawatc@trisrating.com

Preeyaporn Kosakarn
preeyaporn@trisrating.com

Parat Mahuttano
parat@trisrating.com

Pramuansap Phonprasert
pramuansap@trisrating.com



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RATIONALE

TRIS Rating affirms the company rating on Aurora Design PLC (AURA) at “BBB” with a “stable” rating outlook. At the same time, TRIS Rating assigns a rating of “BBB” to AURA’s proposed issue of up to THB2.5 billion senior secured debentures due within two years. The company intends to use proceeds from the new debenture issuance for debt refinancing, funding investments, and/or for working capital needs.

Despite the company’s high priority debt ratio, the assigned issue rating on its senior secured debentures is equal to the company rating, as the proposed debentures are backed by the company’s gold inventory, which is valued at an amount equivalent to the proposed debentures. Furthermore, debenture holders are entitled to an equal claim on the secured assets, ranking pari passu with other major secured creditors.

The ratings reflect AURA’s market position as one of the leading gold jewelry retailers in Thailand, its long track record with well-recognized brands, and extensive branch network covering all regions of the country. The rating is weighed down by an expected rise in financial leverage from the company’s ambitious expansion plans and its exposure to fluctuations in gold prices.

KEY RATING CONSIDERATIONS

Leading gold jewelry retailer

AURA is ranked among the leading gold jewelry retailers in Thailand. The company offers a full range of gold products and related services, including retail sales and purchases of gold, as well as gold-backed financing. AURA has an extensive network of branches across all regions of Thailand, allowing the company to reach a broad range of customers. Since its initial public offering on the Stock Exchange of Thailand (SET) in late 2022, the company has expanded its store network significantly. As of March 2025, the company operated 507 stores, up from 406 stores in 2023. This expansion is primarily attributed to the addition of 83 new Thong Ma Ngern Pai gold financing outlets and 13 Seng Heng and Aurora stores.

Operating performance expected to improve

The company’s revenue increased by 10% to THB32.7 billion in 2024, driven mainly by higher gold prices despite gold sales volume dropping by around 11%. The company’s profitability improved, with the EBITDA margin increasing to 7.1% in 2024 from 5.9% in 2023. Its EBITDA rose to THB2.3 billion in 2024 from THB1.7 billion in 2023. This was driven by a higher modern gold margin and increased interest income generated by the gold-backed financing business.

Looking forward, we forecast AURA’s revenue to grow to THB36.9-THB40.7 billion per annum in 2025-2027, driven by higher domestic gold prices, expected to average around THB50,000-THB51,000 per baht weight of gold in the same period. We forecast the company’s gold sales volume to drop by 9% in 2025 as we expect gold prices to remain high, before increasing by 4% per annum in 2026-2027 in line with the company’s store expansion strategy. We expect the company to add around 80 new locations per year between 2025 and 2027, with a focus on Thong Ma Ngern Pai gold financing outlets. We project the company will generate EBITDA of roughly THB2.7-THB2.9 billion per year in 2025-2027, with an EBITDA margin hovering around 7%-8%.

Well-accepted brands and effective control system

The gold retail market in Thailand is characterized by its high fragmentation, with a large number of sellers and little product differentiation. However, AURA's gold jewelry brand AURORA is widely recognized, thanks to the company's long track record in the business, extensive branch coverage, and reliable products and services with consistent standards across all branches. In addition, AURA has introduced brands such as Seng Heng, Khong Kwan by AURORA, and AURORA Diamond to reach a broader spectrum of customers. The company's main products are gold ornaments, which may be considered fashion accessories, gifts for special occasions, or as a form of savings or investment. The company offers three categories of products, comprising modern gold, design gold, and diamond products. Modern gold is the major revenue contributor, accounting for 96% of total revenue and 69% of gross profit in 2024.

Given the high value of AURA's products, rigorous inspection and control systems are essential in daily operations. The company undertakes scheduled product counts and random inspections to mitigate the risk of product loss and fraudulent incidents. AURA has installed security systems such as closed-circuit television (CCTV) cameras and alarms to minimize the potential theft or robbery at its stores. The company also has insurance to mitigate event-related risk.

Exposure to gold price volatility

The company's profitability could be severely affected if there is a persistent decline in gold prices for an extended period. However, such occurrences have previously been infrequent. The company has mitigated the risk of gold price volatility through effective inventory management. Also, the company uses a daily net settlement mechanism for gold trading volume to maintain inventory at appropriate levels. This approach effectively eliminates gold price speculation and instead focuses on generating earnings through margins on gold sales and discounts on purchases.

Changes in gold prices benefit the company in different aspects. Generally, AURA sells more gold when prices are decreasing, enabling the business to earn more fees. On the other hand, customers sell more gold as prices increase, which enables the company to purchase more gold at discounts from gold reference prices, reducing the company's cost of gold inventory.

Ambitious expansion plan in gold-backed financing business

AURA offers gold-backed financing services at all its AURORA branches and Seng Heng stores, and in stand-alone stores that mainly focus on gold financing called Thong Ma Ngeri Pai. The company provides loans to customers secured by gold or diamond jewelry collateral, with the majority backed by gold. The loans have two-month terms with a loan amount discounted by 7% to 12% from the collateral value. This discount serves as a buffer against potential declines in gold prices during the loan term.

AURA's gold financing portfolio has grown significantly, with account receivables increasing to THB5.2 billion in the first quarter of 2025 from THB1.9 billion in 2022 and THB2.7 billion in 2023. The company intends to further grow this portfolio significantly over the next three years. Our base-case forecast projects a significant rise in its gold-backed account receivables to around THB7-THB11 billion in 2025-2027. The company's effective lending rate on gold financing was about 14% in 2024. We expect the company to maintain this rate throughout the forecast period. Therefore, we project interest income to increase from around THB540 million in 2024 to THB1.47 billion in 2027.

Financial leverage expected to rise due to business expansion

TRIS Rating expects the company's expansion strategy, particularly in its gold-backed financing business, to lead to a rise in debt levels. We project AURA's capital expenditures of around THB90-THB180 million per annum between 2025 and 2027 for store decoration and information technology (IT) system upgrades. Also, the company is expected to require additional funding to increase its inventory by around THB2.6 billion and expand its gold financing portfolio by around THB6.8 billion over the next three years. We expect these factors to contribute to an increase in the company's adjusted debt to THB10.1-THB15.0 billion in 2025-2027. Consequently, we forecast the debt to EBITDA ratio to rise to 3.5 times in 2025, 4.7 times in 2026, and 5.1 times in 2027.

AURA should be able to comply with the financial covenants on its bank loans over the next 12 to 18 months. The key financial covenants require the company to maintain the debt to equity ratio below 2.25 times, the debt service coverage ratio (DSCR) above 1.5 times, and the debt to EBITDA ratio below 5 times. As of March 2025, the ratios stood at 1.62 times, 1.65 times, and 3.04 times, respectively, in compliance with the financial covenants.

Acceptable liquidity

We view AURA as having an acceptable liquidity profile, with sources of liquidity consisting of cash and equivalents of THB440 million and short-term undrawn credit lines of around THB380 million as of March 2025. In addition, the company secured an additional syndicated loan of THB3.3 billion from financial institutions in April 2025. We expect the company to generate funds from operations (FFO) of around THB2 billion in 2025. Uses of liquidity consist of bank loans coming due over the next 12 months totaling THB6.7 billion, comprising short-term loans of THB6 billion and long-term loans of THB700 million. The

company also seeks additional funding to support expected capital expenditure totaling around THB180 million in 2025, along with a funding requirement of roughly THB3.5 billion for the expansion of its inventory and gold financing portfolio in 2025. We expect the company will be able to roll over most of its short-term loans, while the proposed issued THB2.5 billion senior secured debentures will support its funding needs.

Debt structure

As of March 2025, most of the company's total debt was priority debt, which is secured debt at the company level. As the priority debt ratio exceeds the threshold of 50% according to TRIS Rating's "Issue Rating Criteria", we view that AURA's senior unsecured creditors could be significantly disadvantaged compared to its priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

- Revenue to range upward from THB36.9-THB40.7 billion per annum in 2025-2027.
- EBITDA margin to stay around 7%-8%.
- Capital expenditure of around THB180 million in 2025 and THB90 million per annum in 2026-2027.
- Additional funding required for increased inventory totaling THB2.6 billion and for expansion of gold financing receivables totaling THB6.8 billion in 2025-2027.

RATING OUTLOOK

The "stable" outlook reflects our expectation that the company will maintain its status as a major player in the gold retail industry in Thailand and that its operating performance will expand in line with our forecast. We expect the company to utilize its experience to scale up its business in the future while maintaining stringent controls and managing operational risk at acceptable levels.

RATING SENSITIVITIES

The ratings could be upgraded if AURA's operating performance turns out to be significantly better than expected, such that the debt to EBITDA ratio stays below 3.5 times and debt to capitalization remains below 55% on a sustainable basis. In contrast, the rating could be revised downward if the company's operating performance deteriorates materially from our expectation or if the company makes substantial debt-funded investments, causing its leverage to rise above our expectations.

COMPANY OVERVIEW

AURA was founded by Mr. Prasit Srirungthum in 1973 and was listed on SET in November 2022. As of March 2025, the Srirungthum Family was the major shareholder controlling 66% of the company's paid-up shares. AURA operates a retail business of gold ornaments, diamond jewelry, and other related businesses. The company offers one-stop services, including selling and buying gold jewelry, after-sales services such as cleaning and repairing gold jewelry, and credit lending with gold or diamond jewelry as collateral. AURA reaches its customers through an extensive branch network, with 507 stores as of March 2025. It has six retail brands including AURORA, Seng Heng, Khong Kwan by AURORA, AURORA Diamond, Thong Ma Ngern Pai, and D' Ultimate, to target different customer segments. AURA has three retail product categories including modern gold, which is gold ornaments made from 96.5% gold, design gold, which is gold ornaments with a percentage other than 96.5% gold, and diamond products. Modern gold contributed 96% of total sales in 2024, while the remainder came from design gold and diamond products.

KEY OPERATING PERFORMANCE

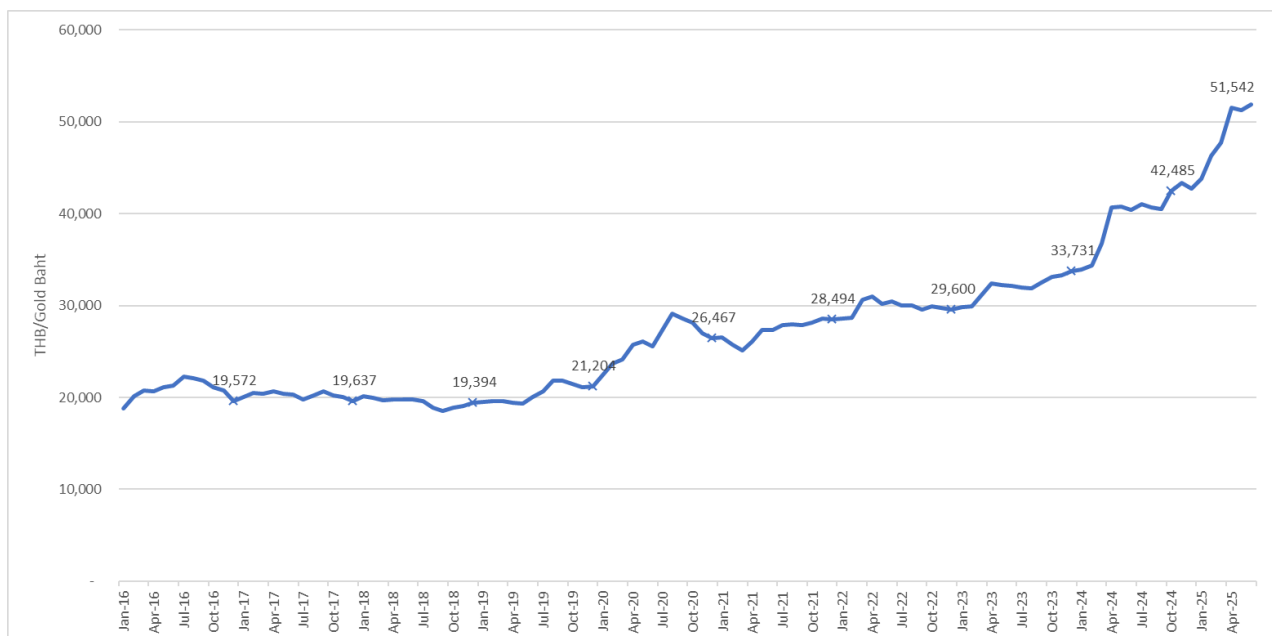
Chart 1: Revenue and Gross Profit Breakdown

Revenue Contribution	2021	2022	2023	2024	1Q25
Modern gold	95%	95%	95%	96%	97%
Design gold & diamond	5%	5%	5%	4%	3%
Total revenue from sales (mil. THB)	22,095	29,358	29,578	32,616	8,685

Gross Profit Contribution	2021	2022	2023	2024	1Q25
Modern gold	68%	67%	71%	81%	83%
Design gold & diamond	32%	33%	29%	19%	17%
Total gross profit (mil. THB)	1,817	2,295	2,554	3,130	905

Source: AURA

Chart 2: Thai Gold Price



Source: Gold Traders Association

Chart 3: Gold Financing

Gold Financing	2021	2022	2023	2024	1Q25
Outstanding loans (mil. THB)	1,208	1,899	2,724	4,898	5,185
Interest income (mil. THB)	160	222	302	536	178
Effective interest rate	13.2%	14.3%	13.1%	14.1%	14.1%

Source: AURA

Chart 4: Number of Outlets

Unit: Outlets	2021	2022	2023	2024	1Q25
AURORA	206	211	225	221	225
Seng Heng	15	22	36	47	49
Khong Kwan by AURORA	2	2	2	2	2
AURORA Diamond	8	4	3	6	7
D'Ultimate	-	-	2	2	3
Thong Ma Ngern Pai	19	40	138	209	221
Total	250	279	406	487	507

Source: AURA

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	8,699	32,651	29,626	29,381	22,106
Earnings before interest and taxes (EBIT)	609	1,817	1,316	1,094	886
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	743	2,331	1,735	1,481	1,250
Funds from operations (FFO)	533	1,637	1,268	1,080	914
Adjusted interest expense	108	404	265	221	201
Capital expenditures	37	137	125	95	70
Total assets	17,822	16,669	13,412	10,814	9,600
Adjusted debt	8,189	7,514	5,045	3,731	4,796
Adjusted equity	6,797	6,399	5,678	4,931	2,402
Adjusted Ratios					
EBITDA margin (%)	8.5	7.1	5.9	5.0	5.7
Pretax return on permanent capital (%)	14.6	13.9	12.9	13.0	11.8
EBITDA interest coverage (times)	6.9	5.8	6.5	6.7	6.2
Debt to EBITDA (times)	3.2	3.2	2.9	2.5	3.8
FFO to debt (%)	21.8	21.8	25.1	28.9	19.1
Debt to capitalization (%)	54.6	54.0	47.1	43.1	66.6

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

Aurora Design PLC (AURA)

Company Rating:	BBB
Issue Rating:	
Up to THB2,500 million senior secured debentures due within 2 years	BBB
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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

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