

BURIRAM SUGAR PLC

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CORPORATES

Company Rating: BBB-
Outlook: Stable

Last Review Date: 26/07/24

Company Rating History:		
Date	Rating	Outlook/Alert
24/06/22	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Buriram Sugar PLC (BRR) at “BBB-” with a “stable” rating outlook. The rating continues to reflect the company’s long experience in the sugar industry, as well as the benefits of its diversification into the power and packaging businesses. However, these strengths are constrained by its single sugar mill production, cyclical nature of sugar prices, and volatility of sugarcane supplies.

KEY RATING CONSIDERATIONS

Improved performance in 2024, but downward trend expected

BRR’s operating performance in 2024 improved significantly, driven by recovery in sugarcane output following flooding in northeastern Thailand and high sugar prices, which made up 81% of total sales. The company’s operating revenue grew by 25% to THB7.6 billion and EBITDA rose by 45% to THB1.7 billion.

However, sugar prices are projected to decline over the coming years due to increased global supply from favorable weather conditions and potentially weaker demand amid slowing global economic growth. In the first five months of 2025, average raw sugar prices fell by 12% compared to the same period in 2024 (source: United States Department of Agriculture). In the first quarter of 2025, BRR reported operating revenue of THB2.4 billion, reflecting an 8% year-on-year decrease.

Under our baseline scenario, we project BRR’s operating revenue to be around THB5.7-THB6.0 billion annually during 2025-2027. We predict the EBITDA margin to be around 17% in 2025 and 14% in 2026-2027, assuming sugar prices continue a downward trend.

Relatively small business scale with a single mill

The company operates a single mill in Buriram province with a crushing capacity of 23,000 tonnes of cane per day. This single mill production exposes BRR to concentration risk in terms of operations and procurement. However, the procurement risk is partly offset by the company’s position as the only sugar producer in Buriram. Also, BRR and other mills in nearby provinces agree on allocated zoning for sugarcane procurement to prevent competition for supplies.

BRR’s sugar production volume is also relatively small compared with other millers in Thailand. The company has held a 2%-3% market share of the country’s sugarcane volume over the past five years. However, despite its small scale, BRR ranks among the top three of 58 Thai sugar millers in terms of sugar yield. This high yield is mainly due to the quality of sugarcane produced in the areas surrounding its plant.

Diversification into related businesses

BRR has expanded along the sugar value chain to maximize the utilization of sugarcane and by-products of the sugar manufacturing process. BRR uses filter cake to produce fertilizer for contract farmers and external customers, utilizes bagasse as fuel in its power plants, and processes bagasse pulp into food packaging products such as plates and bowls. In 2024, revenue from fertilizer, electricity sales, and biodegradable packaging accounted for 8%, 7% and 2% of BRR’s total revenue, respectively.

The power business partially offsets the impact of volatile sugar prices by providing a stable revenue stream. BRR operates three biomass power plants with a combined electricity generating capacity of 29.7 megawatts (MW). Of this, 16 MW is sold to the Provincial Electricity Authority (PEA) under long-term power purchase agreements (PPAs).

For the biodegradable packaging business, BRR aims to find alternative sources to utilize by-products once the PPAs end in 2028 and 2035. The company is targeting international markets that value environmentally friendly products, particularly in the U.S. market. BRR invested in new machinery and upgraded its existing production line to enhance efficiency. We anticipate the packaging's operating performance will turn positive in fiscal 2026.

Moderate financial leverage

In 2024, BRR's financial leverage ratios improved thanks to enhanced operating performance. BRR's adjusted debt declined to THB3.3 billion in 2024 from THB4.4 billion in 2023. The debt to EBITDA ratio dropped to 2.0 times, while the debt to capitalization ratio was around 46%.

We expect BRR's leverage ratios to remain at moderate levels throughout the forecast period. We project total capital expenditure and investments to total THB200-THB440 million per year in 2025-2027, primarily allocated toward expanding refined sugar production capacity, enhancing packaging operations, and covering maintenance needs. We project the company's debt to capitalization ratio to hold at around 44%-46%, and the debt to EBITDA ratio to hover around 3.3-3.8 times in 2025-2027.

As of March 2025, BRR recorded THB1.3 billion of priority debt out of total interest-bearing debt (excluding lease liabilities) of THB2.2 billion. The priority debt comprises debts at subsidiary level and secured debts at parent level. As its priority debt ratio was 57%, we view that BRR's senior unsecured creditors are significantly disadvantaged to its priority debt holders with respect to claims against the company's assets.

Manageable liquidity

We assess BRR's liquidity as manageable over the next 12 months. Our base case projects its funds from operations (FFO) to be around THB640 million in 2025. At the end of March 2025, BRR had THB186 million cash and cash equivalents and around THB3.6 billion in unused uncommitted short-term credit facilities. The main uses of funds in the coming year will be long-term loans and debentures due totaling THB1.2 billion and planned capital expenditures of THB300 million.

As of December 2024, the company was able to comply with all financial covenants on its bank loan obligations. We expect the company to remain in compliance with the financial covenants over the next 12 months.

BASE-CASE ASSUMPTIONS

- Operating revenues are projected to be around THB5.7-THB6.0 billion annually during 2025-2027.
- EBITDA margin of 14%-17% range during 2025-2027.
- Total capital spending of around THB200-THB440 million per year during 2025-2027.

RATING OUTLOOK

The "stable" outlook reflects our expectation that BRR will sustain its competitive position in the sugar industry in Thailand. We expect BRR to maintain sufficient liquidity or back-up credit facilities to meet its repayment obligations. Thailand's sugar revenue sharing system, reliable revenue from the power business, as well as contributions from the packaging business should alleviate the effects of volatility in the sugar production business.

RATING SENSITIVITIES

A rating upgrade could occur if BRR enlarges its earnings without weakening its balance sheet, such that EBITDA exceeds THB1.5 billion and the net debt to EBITDA ratio stays below 4 times for a sustained period. Conversely, a rating downgrade could occur if its operating performance is materially weaker than expected or if BRR makes any high debt-funded investment that weakens its balance sheet and cash flow protection.

COMPANY OVERVIEW

BRR, formerly named Sahathairungruang Sugar Co., Ltd., was established in 1963 and listed on the Stock Exchange of Thailand (SET) in 2014. The company's major shareholder is the Tangtongwechakit family, holding a stake of about 67% in the company at the end of 2024.

BRR's business profile is underpinned by its track record of 60 years in the sugar industry. The company's major products are raw sugar and brown sugar. To broaden its product portfolio, BRR has added refined sugar production over the past few years. Its own brands comprise "Double Key" and "BRUM".

About 80% of BRR’s sugar products are exported through international traders, with the remainder (20%) sold domestically. In the domestic market, most of BRR’s products are sold through distributors. Its products are well-known in the local communities of Buriram province and northeastern Thailand. BRR has also expanded its market through wholesalers in the southern, central, and eastern regions, as well as distributing through modern trade and food service channels.

The company’s crushing yield is high. During the crushing seasons spanning 2021 to 2025, the yield ranged from 119-124 kilograms (kg) per cane ton. These yields placed BRR among the top three sugar millers in Thailand. BRR’s crushing yield has consistently exceeded the annual industry average of 107-118 kg per cane ton over the past five years.

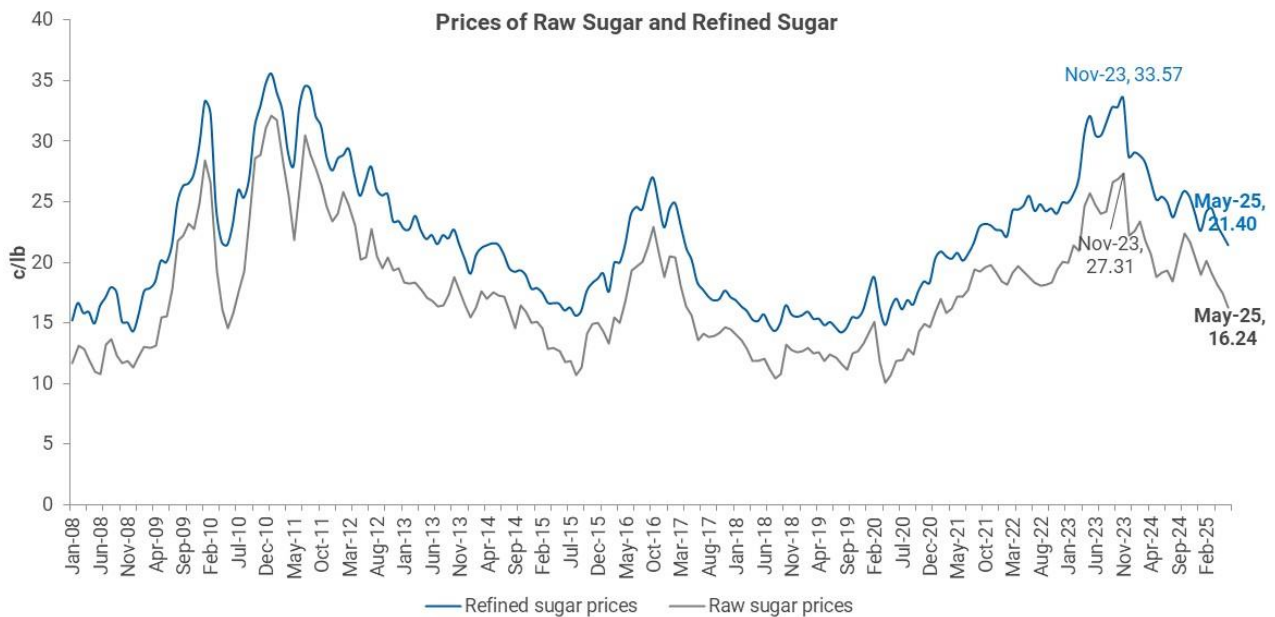
BRR has built good relationships with individual cane growers. The company offers broad-based support to cane growers, including advances of cash, fertilizer, chemical, sugarcane varieties, as well as agricultural machinery and equipment. At the end of 2024, BRR had around 200,000 rai of contract planting area.

BRR’s sugar-related businesses include the production of electricity, fertilizer, and packaging. Sales from the sugar business contributed 81% of BRR’s total revenue in 2024, followed by fertilizer (8%), electricity (7%), packaging (2%), and others (2%).

For the electricity business, BRR has three power plants, two of which have long-term contracts to sell a total of 16 MW of power to PEA under the very small power producer (VSPP) scheme. In 2017, BRR sold its future income streams from these two power plants to BRRGIF for THB3.6 billion, while the company also invested in a 33.3% stake in BRRGIF. Also, BRR has expanded into the packaging business utilizing bagasse from sugarcane.

KEY OPERATING PERFORMANCE

Chart 1: Raw Sugar Prices Worldwide



Note: Monthly prices of Futures Contract No. 11
Source: United States Department of Agriculture (USDA)

Table 1: Sugar Production in Thailand

Unit: Mil. tonnes

Sugar Producer	Growing Season				
	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025
Mitr Phol	1.68	2.34	2.36	2.11	2.21
Thai Roong Ruang	1.24	1.45	1.82	1.26	1.62
KSL	0.53	0.70	0.75	0.57	0.70
Thai Ekkalak	0.47	0.64	0.80	0.51	0.67
Korat	0.40	0.58	0.62	0.57	0.55
Wangkanai	0.24	0.36	0.50	0.33	0.39
Eastern Sugar	0.32	0.36	0.42	0.38	0.37
Khonburi	0.23	0.31	0.35	0.28	0.34
BRR	0.22	0.29	0.24	0.28	0.26
Banpong	0.27	0.28	0.32	0.21	0.25
Kumpawapee	0.17	0.29	0.22	0.17	0.23
Others	1.80	2.55	2.66	2.14	2.46
Total	7.59	10.13	11.06	8.81	10.05

Source: Office of the Cane and Sugar Board (OCSB)

Table 2: BRR's Revenue Breakdown by Business

Unit: %

Product	2021	2022	2023	2024	Jan-Mar 2025
Sugar and molasses sales	76	80	77	81	79
Electricity sales	10	6	8	7	6
Fertilizer sales	8	8	10	8	9
Packaging sales	1	3	2	2	1
Others	5	2	3	2	5
Total sales	100	100	100	100	100
Total sales (THB mil)	3,788	7,353	6,069	7,543	2,361

Source: BRR

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	2,418	7,597	6,089	7,370	3,966
Earnings before interest and taxes (EBIT)	528	1,367	882	1,164	319
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	599	1,660	1,146	1,471	597
Funds from operations (FFO)	473	1,198	810	1,129	391
Adjusted interest expense	44	229	230	231	197
Capital expenditures	63	217	218	164	104
Total assets	10,160	8,921	8,899	9,459	9,057
Adjusted debt	4,225	3,262	4,404	4,673	6,103
Adjusted equity	4,245	3,842	2,991	2,614	1,937
Adjusted Ratios					
EBITDA margin (%)	24.8	21.9	18.8	20.0	15.0
Pretax return on permanent capital (%) **	14.5	17.6	11.1	14.2	4.0
EBITDA interest coverage (times)	13.7	7.3	5.0	6.4	3.0
Debt to EBITDA (times)	2.7	2.0	3.8	3.2	10.2
FFO to debt (%) **	27.3	36.7	18.4	24.2	6.4
Debt to capitalization (%)	49.9	45.9	59.6	64.1	75.9

* Consolidated financial statements

** Annualized with trailing 12 months

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Buriram Sugar PLC (BRR)

Company Rating:	BBB-
Rating Outlook:	Stable

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