

TMT STEEL PLC

No. 144/2025
29 August 2025

CORPORATES

Company Rating: BBB
Outlook: Stable

Last Review Date: 06/08/24

Company Rating History:

Date	Rating	Outlook/Alert
15/02/18	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on TMT Steel PLC (TMT) at “BBB” with a “stable” rating outlook. The rating reflects TMT’s efficient working capital management and steady sales volumes, supported by its leading position in Thailand’s steel processing and cold-forming businesses. However, high financial leverage and the cyclical nature of the steel industry continue to weigh on the rating.

KEY RATING CONSIDERATIONS

Efficient working capital management helped mitigate volatile earnings

TMT’s earnings and margins are highly sensitive to hot-rolled coil (HRC) price movements, which are largely driven by supply-demand dynamics in China, the world’s largest steel producer and consumer. In 2024, a sharp drop in HRC prices, coupled with some shipment delays, resulted in the company’s first-ever net loss of around THB42 million. EBITDA also weakened, falling from a peak of THB2.2 billion in 2021 to THB0.7-THB0.8 billion in 2022-2023, and further to THB0.4 billion in 2024. In the first half of 2025, EBITDA rebounded to around THB0.3 billion as steel prices stabilized and inventory turnover improved.

A key factor enabling the company to weather such volatility is its disciplined working capital management. Over the past three years, TMT has consistently maintained a cash conversion cycle of about 90-100 days, supported by prudent inventory control. By keeping inventory days in the 40-50 range, the company avoids excessive stockpiling and limits losses when steel prices fall. This strategy has helped cushion profitability and reduce earnings swings across steel industry cycles.

Looking ahead, earnings are expected to improve modestly, supported by recovering sales from steel processing and cold-forming operations. Under our base case, EBITDA is projected at THB0.6-THB0.7 billion during 2025-2027, with margins around 4%. Financial resilience will remain closely tied to the company’s ability to sustain efficient working capital discipline. We expect the cash conversion cycle to stay at about 95-100 days, with inventory days averaging around 42, providing an ongoing buffer against steel price volatility.

Growing sales volume despite market challenges

Despite sluggish domestic demand and intense competition from imported steel, TMT’s sales volume continued to expand, rising 3.7% year-on-year (y-o-y) in 2024 to about 0.8 million tonnes, and a further 6.5% y-o-y in the first half of 2025 to around 0.4 million tonnes.

TMT’s growth has been driven by the company’s one-stop steel supplier strategy, which leverages a broad product range to serve diverse market segments. This approach broadens its customer base and helps mitigate the impact of demand volatility in some segments. In the first half of 2025, about 84% of TMT’s sales came from steel processing and cold-forming operations, with the remainder from steel trading. The company distributes its products through wholesalers, dealers, and project owners, ensuring wide market reach.

Looking ahead, we expect demand from construction-related industries to gradually recover, supported by ongoing public infrastructure investment while demand in the residential property development sector remains

stagnated. Under our base case, we project TMT's sales volume to grow by 3%-3.5% per year to around 0.80-0.85 million tonnes during 2025-2027.

High financial leverage

TMT's capital structure remains highly leveraged, reflecting its dependence on debt funding and exposure to the cyclical nature of steel prices. The company's debt to capitalization ratio has been persistently elevated in the 60%-62% range during 2021-2024, up from around 57% in 2020. Volatility in steel prices has also led to wide swings in its credit metrics. For example, the debt to EBITDA ratio surged to around 12 times in 2024, compared with 2.5 times in 2021 and 5-7 times in 2022-2023. Similarly, the funds from operations (FFO) to debt ratio dropped sharply to about 5% in 2024, after standing at 32% in 2021 and 10%-12% in the prior two years.

Looking ahead, we expect TMT's leverage profile to gradually improve as earnings recover and debt levels trend lower. Stabilized steel prices should support stronger EBITDA and cash flow generation. Capital expenditures (CAPEX) are projected to be moderate at around THB0.5 billion over 2025-2027, as the company has just completed its capacity expansion to 925,200 tonnes per year as of June 2025, up from 806,400 tonnes in 2023. As a result, we forecast the debt to EBITDA ratio to decline to about 6-7 times, with the FFO to debt ratio improving to 10%-12% over the same period. Meanwhile, we expect the debt to capitalization ratio to stay within the 56%-60% range, still high but showing signs of gradual improvement.

Manageable liquidity

We assess TMT's liquidity as manageable over the next 12 months, given its significant debt obligations. The company's uses of liquidity total about THB4.9 billion, comprising THB4.1 billion short-term loans, THB0.6 billion long-term loans, THB29 million lease liabilities, and expected CAPEX of THB0.3 billion. Its sources of liquidity include THB0.3 billion cash on hand, undrawn credit facilities of around THB4 billion, and estimated FFO of THB0.5 billion.

We expect repayment of short-term loans to remain relatively flexible, as the company typically rolls over these facilities to align with its working capital cycle. TMT intends to service its maturing long-term loans and lease liabilities through FFO and cash on hand, while CAPEX is expected to be funded by either bank loans or internal cash flow.

A key financial covenant on TMT's bank loans requires its total liabilities to total equity ratio to remain below 2 times. As of June 2025, the company was in compliance, with the ratio at about 1.8 times. We believe TMT will maintain compliance with this covenant over the forecast period.

Debt structure

As of June 2025, the company's total debt stood at around THB5.0 billion. The company's borrowings are generally on a clean loan basis under a negative pledge condition. However, trust receipt (TR) facilities are treated as borrowings with preferential claims, as lenders retain rights over the financed goods under these facilities, effectively providing additional protection. Including these borrowings at both the company and subsidiary levels, priority debt amounted to about THB2.6 billion, translating into a priority debt to total debt ratio of roughly 53%. This indicates that unsecured creditors are significantly disadvantaged relative to lenders under such facilities in terms of claims on the company's assets.

BASE-CASE ASSUMPTIONS

- Sales volume to increase by 3%-3.5% per year during 2025-2027.
- EBITDA margin of around 4% during 2025-2027.
- Capital expenditures around THB100-THB270 million per annum during 2025-2027.
- Cash conversion cycle of around 95-100 days during 2025-2027.

RATING OUTLOOK

The "stable" outlook reflects our expectation that TMT will maintain its market position, cash generation, and leverage in line with forecasts. We also expect TMT will maintain its prudent working capital management and continue its disciplined approach in pricing its products.

RATING SENSITIVITIES

A rating upgrade could occur if TMT materially enlarges its cash generation relative to debt obligations, while maintaining a net debt to EBITDA ratio below 3.5 times or an FFO to debt ratio above 20% on a sustained basis.

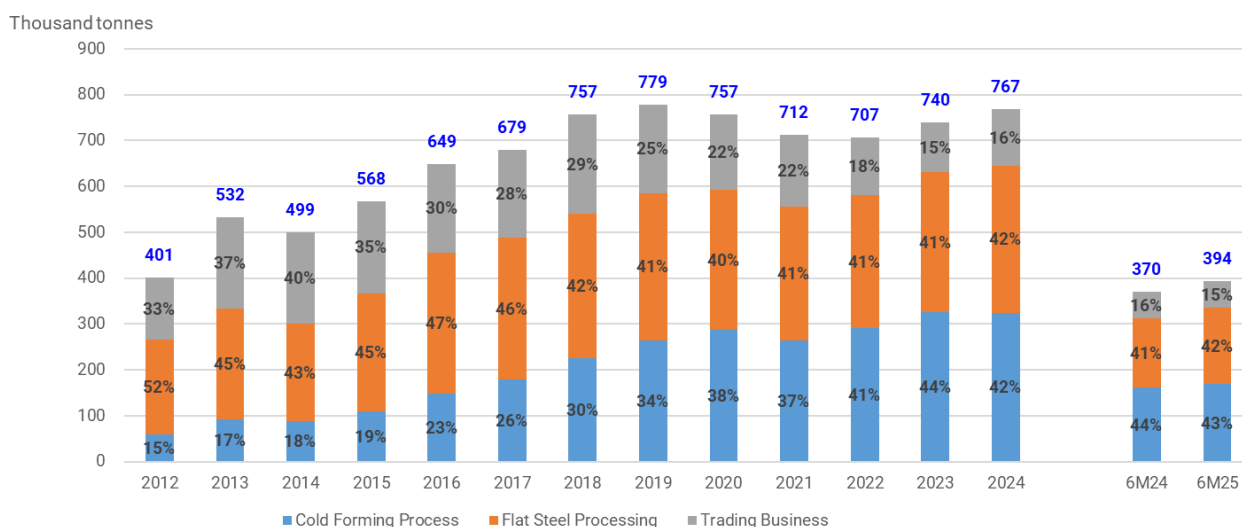
Conversely, a downgrade could occur if TMT's operating performance falls short of estimates, causing its FFO to debt ratio to drop below 10% for an extended period. Downward rating pressure could be triggered by persistently sluggish domestic demand for steel over a long period or by a significant rise in the company's debt level.

COMPANY OVERVIEW

TMT is a steel solution provider in Thailand. The company engages in steel manufacturing, processing, trading, and consulting services. It was established in 1992 and listed on the Stock Exchange of Thailand (SET) in 2005. The Tarasansombat Family, the founding shareholder, owned around 70% of TMT's stake as of March 2025. The main factory and warehouse are located in Ayutthaya province, and the company also operates a distribution center in Bangkok. TMT's production capacity has gradually expanded to 925,200 tonnes per annum as of June 2025, up from 390,000 tonnes per annum in 2013. The company primarily offers steel products processed from HRC, such as hot-rolled sheets, round tubes, and rectangular tubes, and also sources structural steel products, including H-beams and I-beams, for its customers. In 2023, TMT established Red Rocco Digital Company Limited as its first subsidiary (70% ownership) and launched an online business-to-business platform to connect with customers and partners.

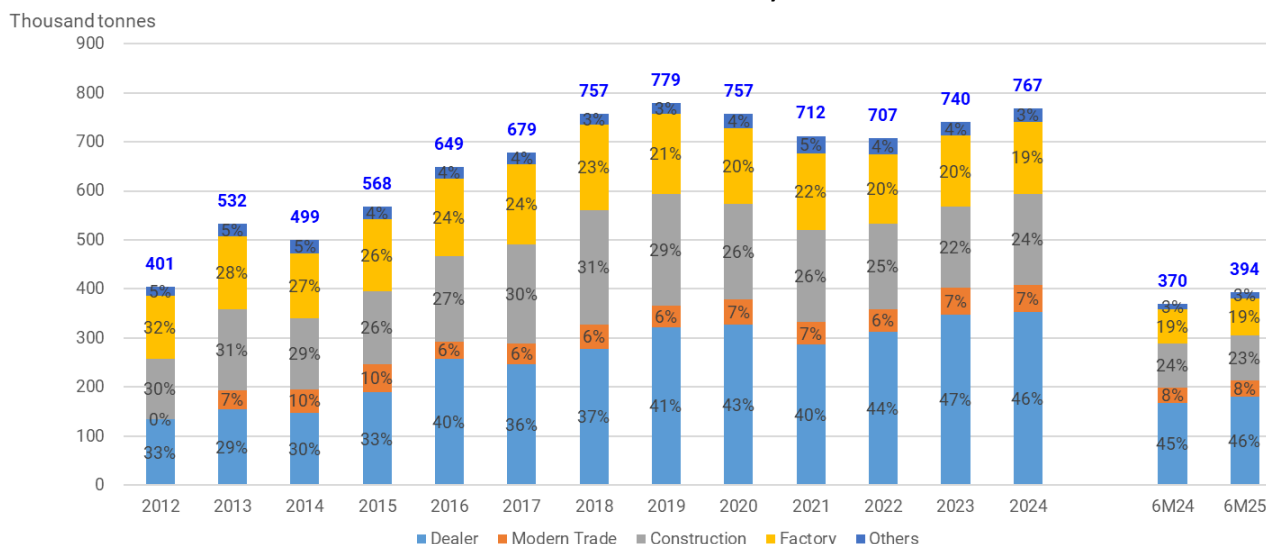
KEY OPERATING PERFORMANCE

Chart 1: Sales volume breakdown by products



Source: TMT

Chart 2: Sales volume breakdown by customers



Source: TMT

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS *

Unit: Mil. THB

	Jan-Jun 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	8,851	19,335	20,064	22,260	21,616
Earnings before interest and taxes (EBIT)	182	127	586	421	2,006
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	344	434	887	713	2,276
Funds from operations (FFO)	250	248	644	526	1,791
Adjusted interest expense	71	186	173	121	104
Capital expenditures	186	322	478	376	408
Total assets	8,995	8,700	8,941	9,062	10,067
Adjusted debt	4,840	5,145	5,256	5,103	5,636
Adjusted equity	3,187	3,108	3,326	3,250	3,754
Adjusted Ratios					
EBITDA margin (%)	3.9	2.2	4.4	3.2	10.5
Pretax return on permanent capital (%)	0.8 **	1.5	6.8	4.7	22.3
EBITDA interest coverage (times)	4.9	2.3	5.1	5.9	21.9
Debt to EBITDA (times)	12.4 **	11.8	5.9	7.2	2.5
FFO to debt (%)	4.6 **	4.8	12.3	10.3	31.8
Debt to capitalization (%)	60.3	62.3	61.2	61.1	60.0

* Consolidated financial statements

** Annualized from trailing 12 months

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

TMT Steel PLC (TMT)

Company Rating:	BBB
Rating Outlook:	Stable

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