

SRI TRANG GLOVES (THAILAND) PLC

No. 90/2025
30 May 2025

CORPORATES

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

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
15/06/21	A-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Sri Trang Gloves (Thailand) PLC (STGT) and the ratings on its existing senior unsecured debentures at “A-” but revises the rating outlook to “negative” from “stable”. The “negative” outlook follows the same rating action on Sri Trang Agro-Industry PLC (STA, rated “A-/Negative”), reflecting a weakening of the company’s balance sheet due to a significant increase in working capital requirements. As a core subsidiary of STA, the ratings on STGT are tied to those on STA.

KEY RATING CONSIDERATIONS

Core subsidiary of STA

STGT was established for gloves production as part of STA’s strategy to enhance vertical integration, which spans the natural rubber (NR) business from upstream to downstream. As of March 2025, STA held a 56% ownership stake in STGT, giving it controls over STGT’s financial and operational strategies. STA’s top management also plays a key role in shaping STGT’s strategic direction. To support STGT’s operations, STA has an agreement to provide NR latex to STGT to ensure a stable supply of raw materials. The two companies also share resources in several other areas, including logistics, information systems, and research and development.

STGT contributes significantly to STA’s overall performance. In 2024, STGT contributed 22% of STA’s revenue and 42% of its EBITDA.

Revenue on the rise, supported by demand and price recovery

STGT reported operating revenue of THB25.6 billion in 2024, marking a 29% increase from 2023. This growth was primarily driven by a rebound in glove restocking following a few years of destocking and an increase in selling prices. The destocking occurred because of the high inventory levels built up during the COVID-19 pandemic. Additionally, cutback in the production capacity of major glove producers, coupled with the exit of smaller producers from the market, has mitigated the oversupply situation and tempered the intense price competition in the glove market.

STGT’s selling prices are continuing to rise in 2025. In the first quarter of 2025 (1Q25), the average selling price per unit rose to THB0.7 per piece, a 10% increase from 2024.

Thus, we expect STGT’s operating revenue to range from THB28-THB31 billion over the forecast period, supported by a recovery of demand and higher selling prices.

Limited margin growth

In 2024 and 1Q25, the EBITDA margin rose to 13% and 17%, respectively, from 12% in 2023, mainly due to a slight ease of price competition, improved cost efficiency, and a higher utilization rate. The utilization rate increased to above 80% in 2024 and 1Q25, from 60% in 2023.

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

STGT's glove exports to the US contributed approximately 20% of its operating revenue over the past five years. We expect the EBITDA margin to remain consistent with the 2024 level throughout the forecast period, though the company keeps improving its productivity.

With selling prices at the 1Q25 level, a utilization rate of around 80%, and the EBITDA margin kept at 2024 level of around 13%, EBITDA should range from THB3.9-THB4.1 billion in 2025-2027.

Adequate liquidity

At the end of March 2025, the company's sources of funds comprised cash and cash equivalents of THB5.2 billion and undrawn uncommitted credit facilities of THB4.6 billion. Funds from operations (FFO) over the next 12 months are expected to be around THB3.5 billion. On the other hand, the company will have long-term loans and debentures of THB2.3 billion due over the next 12 months. Planned capital expenditures as well as estimated interest and dividend costs over the coming year are estimated to total around THB2.7 billion.

A key financial covenant on STGT's debentures and bank loans requires the company to maintain a net debt to equity ratio below 3.0 times. As of March 2025, the ratio was 0.03 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, STGT's total interest-bearing debt stood at THB6.3 billion. This included THB35 million of priority debt comprising secured debts at STGT and unsecured debts at the subsidiary level. The priority debt to total debt ratio was 0.6%.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumption is that STGT will remain a core subsidiary of STA.

RATING OUTLOOK

The "negative" outlook mirrors the outlook on STA. We expect the business model and the level of integration between STA and STGT to remain unchanged.

RATING SENSITIVITIES

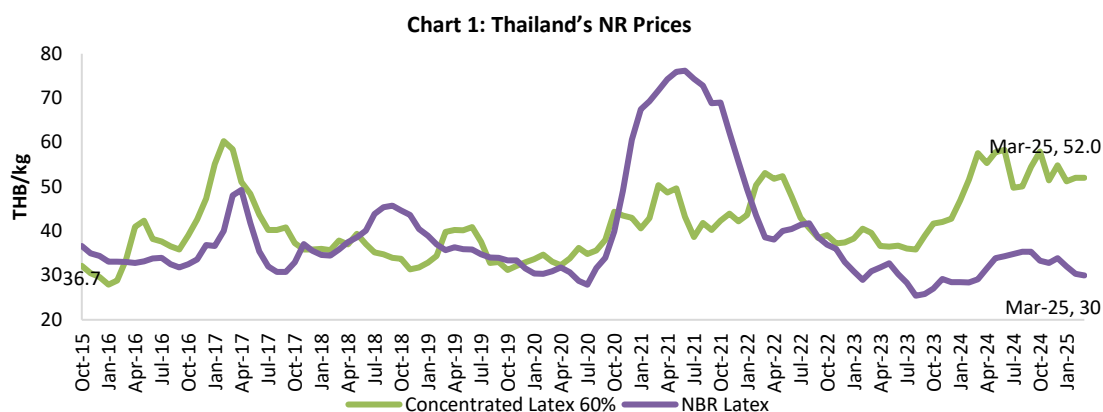
As a core subsidiary of STA, the ratings on STGT are tied to the ratings on STA. Any change in the ratings on STA, or STGT's group status, will affect the ratings on STGT accordingly.

COMPANY OVERVIEW

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 175 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 largest 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. The net proceeds of THB14.6 billion were primarily used to expand capacity to serve global demand for gloves, with an annual production target of 56 billion pieces by 2024. The first increase in capacity came from the new Surat Thani plant (SR2) in June 2021. However, after facing an oversupply situation following the COVID-19 pandemic, STGT delayed further expansion of its production capacity. Following the IPO, from 3Q20 onwards, STA has been a major shareholder of STGT. As of March 2025, STA held a 56.1% stake in STGT.

KEY OPERATING PERFORMANCE



Sources: Rubber Authority of Thailand (RAOT) and Rubber Intelligence Unit

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Mar 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total operating revenues	6,594	25,616	19,877	23,504	47,909
Earnings before interest and taxes (EBIT)	518	1,367	658	2,069	26,013
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	1,092	3,416	2,334	3,550	27,261
Funds from operations (FFO)	986	3,026	1,953	3,100	24,506
Adjusted interest expense	66	306	351	275	240
Capital expenditures	287	1,256	1,076	7,076	10,649
Total assets	48,101	48,919	46,582	48,529	51,303
Adjusted debt	1,459	2,055	0	0	0
Adjusted equity	38,771	38,522	36,837	36,811	38,213
Adjusted Ratios					
EBITDA margin (%)	16.6	13.3	11.7	15.1	56.9
Pretax return on permanent capital (%)**	3.6	3.0	1.5	4.5	60.5
EBITDA interest coverage (times)	16.6	11.2	6.7	12.9	113.6
Debt to EBITDA (times)**	0.4	0.6	0.0	0.0	0.0
FFO to debt (%)**	233.6	147.3	n.m.	n.m.	n.m.
Debt to capitalization (%)	3.6	5.1	0.0	0.0	0.0

n.m. = Not meaningful

* 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 Gloves (Thailand) PLC (STGT)

Company Rating:	A-
Issue Ratings:	
STGT259A: THB550 million senior unsecured debentures due 2025	A-
STGT299A: THB400 million senior unsecured debentures due 2029	A-
STGT329A: THB550 million senior unsecured debentures due 2032	A-
Rating Outlook:	Negative

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