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Fitch Affirms Eastern Polymer Group at 'A-(tha)'; Outlook Stable

Fitch Ratings - Bangkok - 11 Sep 2025: Fitch Ratings (Thailand) has affirmed Eastern Polymer Group Public Company Limited's (EPG) National Long-Term Rating and the National Long-Term Rating on its senior unsecured debt at 'A-(tha)'. The Outlook is Stable.

The affirmation reflects Fitch's expectation that EPG will maintain a strong financial profile, with EBITDA net leverage remaining below 1.0x over the next three years. This would be supported by strong operating cash flow, alongside moderate capex.

The ratings reflect EPG's sufficient leverage headroom and its leading position in a niche market with geographically diverse cash flow. EBITDA net leverage decreased to 0.9x in FY25 from a peak of 1.3x in FY23, following an acquisition in Australia. However, the ratings are constrained by its smaller operating scale compared with higher-rated peers.

Key Rating Drivers

FCF Supports Deleveraging: Fitch expects EPG's leverage to decline to 0.8x in FY26 and further fall to below 0.5x in the medium term. We expect EPG to generate free cash flow (FCF) of approximately THB200 million-500 million per year, supported by stable operating cash flow and moderate capital expenditure. Positive FCF will support deleveraging in the medium term. EPG's leverage had been below 0.5x prior to its acquisition of 4 Way Suspension Products Pty Ltd. (4WS) in FY23, and increased to 1.3x following it.

Steady Operating Cash Flow: We expect revenue growth of 1%-2% annually over the medium term, supported by increased insulation demand from the US and a recovery in the automotive sector. Volume growth is likely to be offset by lower selling prices due to Thai baht appreciation in FY26. We project a gradual improvement in the EBITDA margin to 15% in FY27, from 14% in FY25, driven by normalised freight costs from reduced trade tensions, supply sourcing strategies, and lower administrative expenses as EPG's joint venture operation stabilises.

Moderate Capex: We expect moderate investments of around THB1 billion in FY26, primarily focused on auto parts expansion in South Africa and insulation capacity in the US. Capex is likely to be minimal in the medium term, mainly for maintenance at around THB600 million per year, as existing production capacity is sufficient to support medium-term revenue growth. The company expects to fund the capex with operating cash flow, which is projected at around THB1.7 billion annually.

Fitch does not forecast any major acquisitions in the medium term. We believe EPG will prioritise value

creation from the previous acquisitions in Australia.

Diversity Across Products, End-Uses: EPG's products are diversified across end-uses, including auto parts, insulation and packaging. This helps to mitigate sector-specific risks, such as the cyclical nature of the automotive and construction industries, and the low barriers to entry and intense competition in the food and beverage plastic-packaging industry. EPG's businesses have synergies in terms of raw-material sourcing and R&D. The acquisition of 4WS further diversifies its automotive product portfolio, in addition to its existing polymer-based products.

Geographically Diverse Customers: EPG distributes 50%-60% of its automotive parts and accessories to leading global automakers as an original design or equipment manufacturer. The remainder is marketed under its own brand to automobile dealers in Thailand and over 100 other countries. About 30% of EPG's thermal insulation sales are within Thailand, with half of that volume directed to construction projects. About 90% of its rigid plastic-packaging products are sold locally, of which about 40% are to leading food and beverage companies and modern trades.

Small Size; Feedstock Price Volatility: EPG's rating is constrained by its smaller scale relative to local peers and exposure to raw-material price volatility, particularly polymers and plastic beads. These account for 40%-50% of the cost of goods sold and are influenced by crude oil prices. Fitch expects crude oil prices to moderate, mitigating risks to margins, but a surge in polymer prices due to macroeconomic factors could temporarily hurt its profitability.

EPG has historically passed on higher feedstock costs in the automotive parts, accessories and thermal insulation segments with about a two-month lag, reflecting the limited competition.

Peer Analysis

EPG's business profile is moderate relative to that of Thai national peers, but its financial profile is stronger. EPG can be compared with KCE Electronics Public Company Limited (A-(tha)/Stable), one of the world's top-10 automotive printed circuit board (PCB) producers by revenue. KCE operates in the higher-risk industry of component electronics, but this is offset by its focus on the niche segment of automotive PCBs, which has higher barriers to entry. KCE and EPG exhibit similar operating scales, with higher EBITDA margins at KCE typically. They are rated at the same level due to their similar business profiles and equally low financial leverage.

Nava Nakorn Electricity Generating Company Limited (NNEG, A-(tha)/Stable), a small power producer located in the Nava Nakorn Industrial Zone, serves state-owned utility Electricity Generating Authority of Thailand (EGAT, BBB+/Stable) and industrial users. EPG benefits from superior business diversification and a marginally larger operating scale compared with NNEG. However, NNEG has a stronger business risk profile, supported by long-term cash flow visibility via long-term sales contracts and steady demand for its generated electricity. EPG is rated at the same level as NNEG due to its significantly lower leverage.

EPG's business scale is much smaller than that of SCG Packaging Public Company Limited (SCGP, A-(tha)/Stable), a key packaging arm of Siam Cement Group, one of Thailand's largest industrial

conglomerates. SCGP has a dominant position in the paper-based packaging business in South-east Asia. These are counterbalanced by EPG's more diverse array of end-markets and products. SCGP has materially higher financial leverage, but its stronger business profile and scale result in a one-notch higher rating.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Revenue growth of 1%-2% a year during FY26-FY28
- Operating EBITDA margin of about 14%-15% (FY25: 13.8%)
- Selling, general and administrative expenses to decrease to around 26%, supported by lower freight cost (FY25: 27.3%)
- Total capex of about THB1 billion in FY26 and THB600 million per year from FY27
- Dividend payout ratio of approximately 60%-65%

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Lower cash flow or higher investments than Fitch expects, leading to EBITDA net leverage sustained above 1.5x;
- A weakening in business profile or competitive position, reflected in a sustained decline in EBITDA.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- We do not expect positive rating action in the next 24 months due to EPG's smaller operating scale than that of higher-rated peers.

Liquidity and Debt Structure

EPG's debt maturing in the 12 months to end-June 2026 totalled THB2,821 million, comprising about THB1,871 million of short-term debt used mainly to support working capital, THB600 million in debentures, and THB350 million representing the current portion of long-term loans. Liquidity was supported by cash and cash equivalents of THB2,791 million and undrawn working-capital facilities of THB4.2 billion.

EPG plans to refinance the debentures maturing in September 2025 with bank loans. We believe liquidity is also supported by the company's strong access to domestic banks, given its solid operating record and sound credit profile.

Issuer Profile

EPG is a leading manufacturer of ethylene propylene diene monomer rubber insulation, polymer and plastic automotive parts and accessories, and food and beverage plastic packaging. The automotive parts and insulation businesses contributed around 51% and 31% of total group revenue in FY25, respectively. The plastic packaging business made up the remaining 18%.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Fitch Ratings Analysts

Wipawan Siriphaosuwankul

Associate Director

Primary Rating Analyst

+66 2 108 0160

Fitch Ratings (Thailand) Limited Park Ventures, Level 17 57 Wireless Road, Lumpini Bangkok 10330

Sittipon Samakkeenitch

Associate Director

Secondary Rating Analyst

+66 2 108 0161

Nitin Soni

Senior Director

Committee Chairperson

+65 6796 7235

Media Contacts

Leslie Tan

Singapore

+65 6796 7234

leslie.tan@thefitchgroup.com



Peter Hoflich

Singapore

+65 6796 7229

peter.hoflich@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Eastern Polymer Group Public Company Limited	Natl LT	A-(tha) 	Affirmed	A-(tha) 
• senior unsecured	Natl LT	A-(tha)	Affirmed	A-(tha)

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[Corporate Rating Criteria \(pub.27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub.02 Aug 2024\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub.22 Dec 2020\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub.27 Jun 2025\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 [\(1\)](#)

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