FitchRatings

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

Fitch Ratings - Bangkok - 11 Sep 2026: Fitch Ratings (Thailand) has affirmed Eastern Polymer Group Public Company Limited's (EPG) National Long-Term Rating and senior unsecured debt rating at 'A-(tha)'. The Outlook is Stable.

The affirmation reflects Fitch's expectation that growth in insulation and packaging will offset a slow automotive recovery, keeping earnings broadly stable. EPG is likely to continue repaying debt, lowering EBITDA net leverage to 0.3x by the financial year ending March 2028 (FY28) from 0.6x in FY26. Its leading position in a niche market with geographically diverse cash flow supports the ratings, although its small operating scale relative to higher-rated peers is a rating constraint.

Key Rating Drivers

Insulation Offsets Automotive Sales: Fitch expects EPG's revenue to grow at low-to-mid single digits over FY27-FY28, after a 2% decline in FY26 and a 9.2% rise in 1QFY27. Insulation sales grew by 20.8% on US demand for data centers and their associated supply chain, while packaging sales increased by 19.3%. Automotive sales slipped by 2.5%, well short of the 9.5% drop in FY26, as Australian sales returned to growth. Weak domestic automotive demand remains the main drag on revenue.

Margin Improvement Holds: EPG's EBITDA margin is likely to remain at around 15% over FY27-FY28, after rising to 14.6% in FY26 from 13.8% in FY25. Lower administrative costs drove the FY26 gain, arising from a reorganization at EPG. Gross margins rose in 1QFY27 across all three segments, but start-up costs in South Africa and higher US spending are likely to limit further gains.

Wide Leverage Headroom: EPG has wide leverage headroom at the current rating. We expect EBITDA net leverage of 0.5x in FY27, then improving sufficiently in FY28 to withstand a downturn in EPG's export markets. Leverage peaked at 1.3x in FY23, when EPG acquired 4 Way Suspension Products Pty Ltd. (4WS), and has declined since.

Capex Peaks, Then Moderates: Fitch expects EPG's capex to rise to around THB0.8 billion in FY27, from THB0.7 billion in FY26, to fund auto-part capacity expansion in South Africa and insulation capacity expansion in the US, on land EPG bought in FY26. Aeroklas Automotive South Africa started operating in 1QFY27 and began adding revenue and profit. Capex is likely to drop to about THB0.6 billion a year from FY28, mainly for maintenance. We do not expect major acquisitions.

Cash Flow Recovery: Free cash flow (FCF) is likely to be about THB200 million in FY27, then recover to around THB500 million a year over the medium term. It reached THB1.0 billion in FY26, above Fitch's expectation. EPG built up inventory in 1QFY27 to guard against raw material shortages, which cut operating cash flow in the quarter. Operating cash generation of about THB1.7 billion a year still covers its investment needs. EPG has used FCF to repay debt since FY23 and is likely to continue.

Diverse Products and End-Uses: The three different end-markets for EPG's three businesses are likely to keep group earnings steadier compared with single-market businesses. Auto parts follow the vehicle cycle, insulation is dependent on construction and industrial investment, and packaging relies on food and beverage demand. This mix limits exposure to a downturn in any single market and to the heavy competition for plastic packaging. The businesses also share raw material sourcing and R&D resources.

Geographically Diverse Customers: EPG distributes 50%-60% of its automotive parts and accessories to leading global automakers as an original design manufacturer or equipment manufacturer. It markets the remainder under its own brand to automobile dealers in Thailand and more than 100 other countries. About 20%-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% goes to leading food and beverage companies and modern-trade retailers.

Small Scale; Feedstock Volatility: EPG's smaller scale than higher-rated peers, which Fitch does not expect will change over the next 24 months, and swings in raw material prices are the main risks. Polymers and plastic beads make up 40%-50% of the cost of goods sold, and costs fluctuate based on crude oil prices. EPG typically passes higher feedstock costs on to customers of automotive parts, accessories and thermal insulation, with a lag of about two months, as it faces fewer competitors for these products. Nevertheless, a sharp rise in polymer prices would still squeeze margins during the lag.

Peer Analysis

EPG's business profile is moderate relative to Thai national peers, but it has a stronger financial profile. 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 automotive PCBs, a niche segment with higher barriers to entry. KCE and EPG have similar operating scales, typically with wider EBITDA margins at KCE. 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)/Negative), a small power producer located in the Nava Nakorn Industrial Zone, serves state-owned utility Electricity Generating Authority of Thailand (EGAT, BBB+/Negative) and industrial users. EPG benefits from superior business diversification and a marginally larger operating scale than 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 because its leverage is much lower. NNEG's Negative Outlook reflects the risk that it could fail to cut leverage after its debt-funded capacity expansion.

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, 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.

Fitch’s Key Rating-Case Assumptions

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

- Revenue growth of 2%-3% a year supported by strong insulation demand growth, partly counterbalanced by the automotive segment's slow recovery during FY27-FY29

- Operating EBITDA margin to remain around 15% in FY27-FY29 (FY26: 14.6%)

- Selling, general and administrative expenses to decline gradually to around 26% by FY29, supported by organizational restructuring and operational efficiency improvements (FY25: 26.9%)

- Total capex of about THB600 million-800 million per year in FY27-FY29

- Dividend payout ratio of 55%

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 being 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 due to EPG's smaller operating scale than that of higher-rated peers.

Liquidity and Debt Structure

EPG had THB2.5 billion of debt maturing in the 12 months to end-June 2027, including THB2.1 billion of short-term debt used for working capital and THB436 million for the current portion of long-term loans. This is comfortably covered by cash and cash equivalents of THB2.7 billion and undrawn committed working-capital facilities of THB5.1 billion.

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. Automotive parts contributed around 47% of revenue, insulation about 32% and packaging about 21%.

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 Sector Forecasts Monitor 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.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Eastern	Natl LT	A-(tha)	Affirmed		A-(tha)

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

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◈	◆
STABLE	⊡	

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (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.09 Jan 2026)

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)

Additional Disclosures

Solicitation Status

Endorsement Status

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Endorsement policy