FitchRatings

16 JUN 2026

Fitch Downgrades HMC Polymers to 'BBB-(tha)'; Outlook Negative

Fitch Ratings - Bangkok - 16 Jun 2026: Fitch Ratings (Thailand) has downgraded polypropylene (PP) manufacturer HMC Polymers Company Limited's National Long-Term Rating and senior unsecured rating to 'BBB-(tha)' from 'BBB(tha)'. The Outlook remains Negative.

The downgrade reflects Fitch's expectation that HMC's EBITDA net leverage will remain high through 2027, above the level commensurate with a 'BBB(tha)' rating. The company's 2025 EBITDA was significantly weaker than Fitch's previous forecast, as the recovery in PP-propylene spreads was slower than we expected due to an ongoing oversupply in the region.

The Negative Outlook reflects execution risk on the deleveraging path. Fitch forecasts leverage of about 7.2x in 2027, above our negative trigger, and 5.4x in 2028. A recovery would be contingent on sustained spread improvement, completion of non-core asset monetisation and refinancing of 2027 debt maturities.

HMC's rating incorporates a one-notch uplift from its 'bb+(tha)' Standalone Credit Profile (SCP), revised from 'bbb-(tha)'. The uplift reflects Fitch's assessment of 'Medium' strategic support incentives from PTT Global Chemical Public Company Limited (PTTGC, AA-(tha)/Negative, SCP: a(tha)), under the Parent and Subsidiary Linkage Rating Criteria. PTTGC is HMC's largest shareholder, holding a 41% stake, and HMC is its key polypropylene vehicle.

Key Rating Drivers

High Leverage and Slow Recovery: Fitch expects HMC's EBITDA net leverage to remain high at 10.8x in 2026 and 7.2x in 2027, before falling to 5.4x in 2028, below the negative trigger of 6.3x. Leverage was 21.7x in 2025, significantly above Fitch's previous forecast of 11.8x due to weaker PP-propylene spreads and new capacity oversupply in the region. We believe EBITDA will recover to about THB2.1 billion in 2028 (2025: THB643 million), supporting the leverage improvement.

Subdued Spreads; Iran Conflict Tailwinds: We expect industry PP-propylene spreads to recover gradually through 2028, supported by capacity shutdowns in Korea and Japan, although new capacity additions in China continue to weigh on near-term spreads. HMC's PP-propane spreads have widened since March 2026 due to the impact of the Iran conflict on the regional polyolefin supply, benefiting propane dehydrogenation-integrated producers. This benefit is likely to moderate from late 2026 as the regional supply normalises.

Capex Discipline; Turnaround Cycle: Fitch expects HMC's capex to rise to THB0.7 billion in 2026 and

THB1.0 billion in 2027 from THB0.4 billion in 2025, driven by a planned turnaround of its propane-dehydrogenation unit. Capex then declines to THB500 million-600 million a year in 2028-2029 for maintenance activities. The turnaround will extend the maintenance cycle to three years from two, supporting operational reliability over the medium term. We believe the higher capex in 2026-2027 will constrain free cash flow generation.

Deleveraging Levers and Liquidity: HMC has multiple deleveraging levers beyond organic cash generation. These include cost-saving initiatives and the monetisation of HMC's 1.85% PTTGC stake, to be completed in 2026. PTTGC also supports HMC's working capital by extending credit terms on feedstock purchases to 90 days. HMC had about THB6.0 billion of undrawn committed credit facilities at end-2025, against 2026 debt maturities of THB4.4 billion.

High-Value-Added Products: HMC's focus on specialty and differentiated products (SPDPs) supports profitability and partly offsets commodity-grade margin volatility through the cycle. The proportion of sales from these products increased to 55%-60% in 2024-2025, from about 35% in 2015. The company aims to raise the contribution to about 70% of sales by 2030. HMC's SPDPs command a price premium of about 10% over commodity PP.

Leading Technology and Product Innovation: HMC's technology partnership with key shareholder LyondellBasell Industries N.V. (BBB/Stable) supports its product differentiation and SPDP strategy. PP Line 4 is the only plant globally that uses a hexene co-monomer, enabling expansion into specialty applications. HMC is the leader in pipe- and medical-grade PP in Thailand and is the world's first producer of PP for dielectric film.

Linkage with Parent: PTTGC has 'Medium' strategic and 'Weak' operational and legal incentives to support HMC under Fitch's Parent and Subsidiary Linkage Rating Criteria. HMC is PTTGC's key polypropylene vehicle, with propylene off-take and non-compete arrangements in place. Operational and legal support incentives are 'Weak' as LyondellBasell, rather than PTTGC, is involved in HMC's director appointments, and LyondellBasell's brand names are used on HMC products.

PTTGC and SCG Chemical Public Company Limited signed a non-binding memorandum of understanding on 29 April 2026 to explore a potential petrochemical joint venture. Fitch treats this as an event risk and excludes it from the rating case, as the structure and implications for HMC have not been determined. We will assess the parent-subsidiary linkage if the joint venture is finalised in a manner that materially affects HMC's strategic role in the PTTGC group.

Peer Analysis

HMC's operating scale is larger than that of SCGJWD Logistics Public Company Limited's (BBB+(tha)/Stable, SCP: bbb(tha)), one of the largest integrated logistics service providers in Southeast Asia. However, HMC's business profile is less diversified than that of SCGJWD, which partially offsets the benefit of its larger scale. HMC's operating cash flow is also more volatile due to commodity price fluctuations in the chemical industry, resulting in higher financial leverage over the medium term than at SCGJWD. As a result, HMC's SCP is rated below that of SCGJWD.

HMC's business profile is slightly stronger than that of Eastern Polymer Group Public Company Limited (EPG, A-(tha)/Stable), an operator in the polymer and plastic-product business. Fitch believes HMC's leading market position in Southeast Asia offsets its lower number of end-user segments compared with EPG. However, HMC's much higher financial leverage leads to a lower SCP than that of EPG.

Fitch's Key Rating-Case Assumptions

- Sales volumes to decline slightly in 2026 due to the impact of the Iran conflict and to recover by 2% from the 2025 level in 2027-2028, as we expect a demand recovery;

- PP/propylene spreads to improve gradually in 2026-2028;

- Total capex of THB2.3 billion over 2026-2028;

- Extension of credit terms on feedstock supply from PTTGC to 90 days in 2026-2028;

- No dividend payment until 2028.

RATING SENSITIVITIES

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

- No clear trajectory for EBITDA net leverage to fall below 6.3x by 2028, driven by persistently weak PP-propylene spreads, delayed asset monetisation or a material deviation from HMC's deleveraging plan;

- Weakened incentive for PTTGC to provide support to HMC.

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

- The Outlook could be revised to Stable if EBITDA net leverage is on a clear trajectory to fall below 6.3x by 2028, while PTTGC's incentive to support remains unchanged.

Liquidity and Debt Structure

HMC's liquidity is manageable. Available cash and committed facilities, supplemented by proceeds from non-core asset monetisation, are sufficient to cover 2026 debt maturities. HMC had outstanding debt of THB15.6 billion at end-2025, with THB4.4 billion maturing in 2026, including short-term loans. The 2026 maturities are supported by cash on hand of THB693 million and THB6.0 billion in undrawn committed revolving credit facilities.

HMC plans to refinance THB1.4 billion of debentures and THB1.3 billion of the current portion of long-term loans maturing in 2026 with bank loans. Fitch views HMC's access to the local debt capital market and strong banking relationships as supportive, as evident from its successful issuance of THB2.8 billion of new debentures in 2025 while maintaining large, committed credit facilities with banks.

Issuer Profile

HMC is the first and largest PP manufacturer in Thailand. The company operates four lines of PP with a

total capacity of 1.06 million tonnes per annum. PP Line 4 started commercial operation in December 2022. Its products are sold under LyondellBasell brand names.

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.

Public Ratings with Credit Linkage to other ratings

HMC's rating receives a one-notch uplift based on our assessment of a 'Medium' incentive to support from the parent, PTTGC.

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
HMC Polymers Company Limited	Natl LT	BBB-(tha) ⊖	Downgrade	BBB(tha) ⊖
• senior unsecured	Natl LT	BBB-(tha)	Downgrade	BBB(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)

Parent and Subsidiary Linkage Rating Criteria (pub.27 Jun 2025)

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)

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Endorsement Status

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