Fitch Ratings

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Fitch Affirms KCE Electronics at 'A-(tha)'; Outlook Stable

Fitch Ratings - Bangkok - 25 Aug 2026: Fitch Ratings (Thailand) Limited has affirmed KCE Electronics Public Company Limited's (KCE) National Long-Term Rating at 'A-(tha)'. The Outlook is Stable.

The affirmation reflects Fitch's expectation that KCE's earnings will recover from the 2025 cyclical trough and its financial profile will remain commensurate with the rating during construction of the new Rojana plant. We expect the EBITDA margin to improve from 2H26 as price increases take effect, revenue to return to growth on higher realised prices and a richer product mix. We believe EBITDA net leverage will peak around 1.2x in 2027-2028, below the 1.5x negative sensitivity, before declining.

Key Rating Drivers

Margin Recovery from 2H26: Fitch expects KCE's EBITDA margin to rebound from 2H26 and return to 16%-18% over the medium term, from 13.8% in 2025 and 1H26. The flat 1H26 margin reflected higher copper and fiberglass costs ahead of price pass-through, which we view as a timing issue rather than structural erosion.

The recovery is likely to be supported by price increases effective from 3Q26, a higher proportion of high-margin high-density interconnect (HDI) products, better fixed-cost absorption as utilization improves, and continuing efficiency initiatives.

Revenue to Return to Growth: Fitch expects revenue to resume growth in 2026, after falling about 12% in 2025, driven by higher realized prices and a richer product mix. KCE is also likely to gain market share as an industry-wide fiberglass and laminate shortage constrains competitors, while its captive laminate supply through Thai Laminate Manufacturers secures materials. Demand is further supported by KCE's position as a qualified supplier outside China and Taiwan, which benefits from re-shoring by US and European carmakers.

Manageable Leverage Headroom: KCE was in a net cash position at end-2025, providing ample room to absorb its planned investments. Fitch expects EBITDA net leverage to peak at about 1.2x in 2027-2028 during the Rojana investment phase, below the 1.5x negative sensitivity, before falling thereafter. Capex also remains flexible. KCE has historically postponed investment when the demand outlook was uncertain, and retains the option to reduce or defer capex, which would preserve additional headroom.

Auto PCB Strength: KCE's rating reflects its position among the world's 10 largest automotive printed circuit board (PCB) makers, with a revenue market share of 3%-5%. Automotive PCBs have longer product cycles and deeper customer engagement than consumer-electronics PCBs, providing higher entry barriers and a wider EBITDA margin.

Long-Term Growth Opportunities: Fitch believes the automotive PCB industry is set for long-term growth, due to rising electronics content per vehicle and shift of safety, driver-assistance and infotainment systems into the mass market, despite near-term cyclicality. KCE's growing HDI capability extends its addressable market into higher-value applications, including AI-related, satellite and robotics uses. We expect KCE to slowly ramp up in the military segment, which is a higher-margin, higher-barrier market that will support diversification over time.

Reduced Customer Concentration: KCE's expansion into the HDI segment, including non-automotive products, is likely to reduce customer concentration gradually over the medium term. The five largest customers contributed about 50% of PCB revenue in 2025, down from about 65% in 2010.

Small Scale Constrains Rating: KCE's rating remains constrained by its small operating scale and limited end-market and customer diversification relative to international peers, with automotive PCBs accounting for the majority of revenue.

Currency Volatility: KCE's EBITDA margin is volatile because of currency mismatches. Around 85%-95% of revenue is in US dollars and euros, while around 50%-60% of costs are in baht and mostly unhedged. Earnings therefore weaken when the baht appreciates.

Peer Analysis

KCE and Eastern Polymer Group Public Company Limited (EPG, A-(tha)/Stable) both supply the automotive industry, but with different products. EPG is a manufacturer of polymer and plastic automotive parts and accessories, which accounts for about half of its revenue, and has a more diversified customer base through its thermal insulation and packaging business.

The two companies have comparable operating scales. KCE EBITDA margin has typically been wider, although the 2025 downturn narrowed the gap and we expect KCE's advantage to be restored as prices are passed through. The ratings are the same, reflecting comparable business profiles and similarly low financial leverage.

KCE's is rated two notches above the 'bbb(tha)' Standalone Credit Profile (SCP) of SCGJWD Logistics Public Company Limited's (BBB+(tha)/Stable). KCE has a stronger business profile as automotive PCBs carry higher barriers to entry and less intense competition than SCGJWD's logistics services, and KCE has lower financial leverage. SCGJWD's National Rating incorporates a one-notch uplift from its SCP, reflecting the moderate incentives of its parent, The Siam Cement Public Company Limited, to provide support.

KCE is rated one notch below SCG Packaging Public Company Limited (SCGP, A(tha)/Stable), Southeast Asia's leading producer of packaging paper and corrugated containers. SCGP has a stronger business profile, with much larger revenue and EBITDA, and broader geographic and end-market diversification. KCE's lower financial leverage does not fully offset this difference, resulting in the one-notch rating gap.

Fitch's Key Rating-Case Assumptions

-- Revenue to rise by about 12%-13% in 2026, from a low base in 2025 (2025: -11.9%; 2024: -9.2%), driven by improved pricing and a richer product mix, with continued strong demand for special-grade PCBs, including HDI products, and 5% in 2027;

-- Revenue to increase by about 25%-30% in 2028, supported by additional HDI capacity at the new Rojana plant, to be completed by end-2027;

-- EBITDA margin to recover to around 16% in 2026 (2025: 13.8%) on higher capacity utilisation, a higher proportion of sales from high-margin special-grade PCB products, and efficiency-improvement measures. EBITDA margin to be temporarily pressured during the initial ramp-up of the new plant before improving thereafter;

-- Total capex for the Rojana project, production-efficiency improvements and maintenance of around THB7.6 billion during 2026-2028 (2025: THB615 million);

-- Dividend payout ratio maintained at around 80%.

RATING SENSITIVITIES

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

-- Lower cash flow or higher investments than Fitch expects, or acquisitions, leading to EBITDA net leverage being above 1.5x on a sustained basis;

-- A decline in the operating EBITDA margin to below 13% for a sustained period;

-- A weakening in the company's market position or loss of key customers.

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

-- We do not foresee an upgrade over the rating horizon of the next few years, but an upgrade in the longer term is possible if KCE successfully expands its business scale and diversifies its customer mix.

Liquidity and Debt Structure

KCE's liquidity is strong. Cash of about THB1.7 billion at end-June 2026 comfortably covers debt maturing in the next 12 months of around THB1.1 billion. Of the maturing amount, THB855 million are short-term packing credits and bank loans for financing export activity that are routinely rolled over. Fitch expects the Rojana investment to be funded by internal cash flow and new long-term bank loans.

Issuer Profile

KCE is one of the 10-largest automotive PCB operators in the world by revenue. Automotive PCB accounted for around 81% of its PCB sales. KCE exports its PCB products globally, with Europe contributing 49% of PCB revenue in 2025, the US 23% and Asia 28%.

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
KCE Electronics Public Company Limited	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)

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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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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