

India

ADD (no change)

Consensus ratings*: Buy 8 Hold 1 Sell 2

Current price:	Rs2,834
Target price:	Rs3,100
Previous target:	Rs2,875
Up/downside:	9.4%
InCred Research / Consensus:	18.5%
Reuters:	SKFB.NS
Bloomberg:	SKF IN
Market cap:	US\$1,883m
	Rs140,122m
Average daily turnover:	US\$1.9m
	Rs139.7m
Current shares o/s:	49.4m
Free float:	47.4%

*Source: Bloomberg

Key changes in this note

- Raise FY22-24F sales by 4-5%
- Raise FY22-24F EBITDA by 7-9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	8.8	28.2	80.0
Relative (%)	9.0	18.7	29.2

Major shareholders	% held
Promoter	52.6
HDFC Mutual Fund	8.8
MIRAE Mutual Fund	5.5

Analyst(s)



Sachin MANIAR

T (91) 22 4161 1545

E sachin.maniar@incredcapital.com

Abhishek JOSHI

T (91) 22 4161 1559

E abhishek.joshi@incredcapital.com

SKF India Ltd

Increasing capex, reach to drive growth

- 1QFY22 PAT was 7% above our estimate, aided by higher-than-estimated gross margin led by favourable mix, pricing actions and transfer pricing.
- We expect increased penetration, new product launches, localization and pricing to aid growth and margins going forward.
- Maintain Add with higher TP of Rs3,100.

PAT beat led by sharp improvement in gross margin

1QFY22 sales (+130% yoy, -18% qoq) was in line with our estimates with auto/industrial/exports contributing 38%/53%/9% vs 33%/60%/8% in 1QFY21. 1Q EBITDA margin came in at a solid 16.4% (-109bp qoq), better than our estimate of 15% led by improvement in gross margin to 45.4% (+645bp yoy, +434 bp qoq) aided by favourable mix (lower traded goods share yoy), pricing actions, and one-off transfer pricing benefits. PAT was 7% above our estimates, aided by higher-than-estimated EBITDA margin.

Increasing capex, reach to drive growth

As per management, the gross margin trend may flatten to decline, as some inflationary cost pressure has not yet fully reflected in margins, though the company has taken price actions to mitigate it. Most of the cost reduction measures on the fixed cost side could likely sustain. The company was not able to meet demand in a few products and has planned capex of Rs1.5bn-1.7bn p.a. for expansion as well as on new products. The company is able to reach almost 50% of the country's pin codes and expand to drive growth. SKF made progress in rotating equipment performance (REP) with a pay-per-ton contract with SAIL, gaining a competitive advantage in split truck HUB units (sTHU), and increased its share of TVS Motor's business in FY21.

Traction seen in a few industrial segments

In the industrial segment, the company sees traction in distribution, general machinery (pump, drives, motors), F&B and textiles though overall industrial OEMs is yet to pick up. For electric (EV) two wheelers, the company is in talks with various players though current volumes are low. It expects realization to be stable despite lower number of bearings in EV, due to material, technology upgradation requirement for EV applications. In railways, the company expects to improve its share in the freight market going forward. In FY21, SKF launched new products for European and Asian auto customers and expects volumes to ramp up from 2HFY22. It had ~113 new products in the pipeline in FY21.

Maintain Add

Despite near-term hiccups in commodity prices, the gradual pass through of prices, localisation, and increasing REP share should aid margins. We raise our FY22-24F EPS by 7-9% factoring in higher sales and margins, and raise TP to Rs3,100 based on 30x Sep 2023F EPS (five-year average). Demand revival not sustaining, and higher commodity prices are downside risks.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	28,416	26,707	33,176	37,265	41,868
Operating EBITDA (Rsm)	3,952	4,579	5,486	6,405	7,298
Net Profit (Rsm)	3,347	3,355	3,974	4,711	5,453
Core EPS (Rs)	67.7	67.9	80.4	95.3	110.3
Core EPS Growth	(8.8%)	0.2%	18.4%	18.6%	15.7%
FD Core P/E (x)	41.87	41.76	35.26	29.74	25.70
DPS (Rs)	12.0	130.0	14.0	16.0	16.0
Dividend Yield	0.42%	4.59%	0.49%	0.56%	0.56%
EV/EBITDA (x)	33.95	29.54	24.40	20.50	17.55
P/FCFE (x)	177.62	17.95	71.16	42.22	34.92
Net Gearing	(31.3%)	(30.9%)	(33.2%)	(38.6%)	(43.7%)
P/BV (x)	7.35	8.96	7.41	6.14	5.10
ROE	17.6%	21.5%	21.0%	20.6%	19.8%
% Change In Core EPS Estimates			9.18%	8.28%	6.82%
InCred Research/Consensus EPS (x)			1.08	1.08	1.08

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 26 JUL 2021

Increasing capex, reach to drive growth

1QFY22 results

SKF India 1QFY22 concall highlights >

- **On gross/EBITDA margins:** Gross margin was aided by favourable mix (lower traded share yoy), pricing actions and one-off transfer pricing benefits. Gross margin trend may flatten to decline as per management, as some of the inflationary cost pressure has not yet fully reflected due to long effect of purchase of raw material, which could come in ensuing quarters. The company expects gross margin of 6-8% for traded goods going forward. Manufacturing gross margin would likely sustain and the company would try to mitigate any inflationary pressure on the raw material side through pricing. Most of the cost reduction measures taken by the company on the fixed cost side could likely sustain.
- **On industrial segment demand:** Management saw good traction in the distribution business in terms of demand as well as pricing, while it is a likely link to utilization of sectors like steel, cement, etc. General machinery (pumps, drives and motors) is showing good traction, which is a good proxy to small scale machinery. The demand for the domestic wind segment is very tepid, although there is good export side demand for the wind segment. F&B and textiles have grown sharply in the last two years, and the size of these segments has increased considerably. The company is investing in new resources, new technologies and new manufacturing to be able to supply to these segments
- **EV market:** The number of bearings remains the same on the wheel side, but the number of non-wheel bearings would drop from 10-12 to 6-7 for electrical two wheelers. However, the company does not expect any change in realization due to material, technology upgradation requirement for EV applications. The current electrical two-wheelers component and vehicle companies have not reached the desired scale to be profitable. SKF is in talks with all OEMs and is working with 8-9 OEMs and 25 component manufacturers. The company has the technology to serve the market as and when it develops to maturity.
- **Railways:** Four subsegments of the Indian Railways include freight, passenger, locomotive and metros. a) Freight segment: The Railways has 3lac freight wagons and adds 10-12k wagons p.a. Traditionally, the company has not been strong in the new build freight wagons, but has got product approvals for both new build wagons and aftermarket. SKF got its first order for 2400 K-class bearings, but delays in the completion of the Dedicated Freight Corridor (DFC) has impacted further orders. The company would see a pick-up in class-K bearings once the DFC becomes fully operational by Jun 2022. The freight segment aftermarket has not been as badly affected due to COVID as the passenger segment. b) Passenger segment: New passenger wagons production has stopped for the last one-and-a-half years, while low utilization has also impacted the aftermarket. c) Locomotives: The company has been strong in locomotives. d) Metros: The company is in various stages of the approval process in the metros segment. The demand of bearings from large cities metro projects – Delhi and Mumbai are about 55-60% of the total bearings demand for metro projects in India. The company's focus is on both large city and small city metros (25 small cities to launch metro projects).
- **Capex:** The company expects to do capex of Rs1.5bn-1.7bn in the next few years. Capex has been delayed by 3-6 months due to the second COVID wave. The company was not able to meet demand in a few products, where the company would go in for expansion. The company is also looking at new product offerings.

- **Increase reach through E-market:** The company is able to cater to 9,500 of the 19k pin codes in India. The E-market platform would not only help to increase its reach, but control sales of counterfeit bearings.
- **On rotating equipment performance:** The company is still at level-I and II of its rotating equipment performance strategy, which is a hybrid mode, where the company has contracts with customers for bearings and services. The company is still transforming into level-III REP which involves purely performance-based contracts and would take some time achieve.

1QFY22 result highlights ►

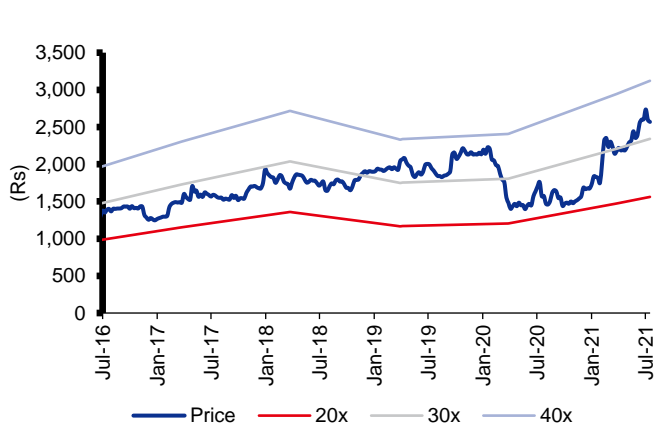
- SKF reported 1QFY22 net sales of Rs6.94bn (130% yoy, -18% qoq), in line with our estimate of Rs7bn (2.5% above Bloomberg consensus), aided by overall revival in demand. A recent management interview highlighted that demand remains strong especially in the Industrial side (except Railways) and production was running at full capacity. In fact, the company has to selectively turn down some orders.
- 1QFY22 reported EBITDA of Rs1.14bn (-Rs6m in 1QFY21, -23% qoq), 8.5% above our estimates of Rs1.05bn (11% above Bloomberg consensus).
- EBITDA margin came in at a solid 16.4% (-109bp qoq), better than our estimate of 15% (vs the Bloomberg consensus estimate of 15.1%) led by solid improvement in gross margin offset to some extent by higher-than-estimated other expenses and personnel expenses.
- Gross margin improved to 45.4% (+645bp yoy, +434 bp qoq). Year-on-year gross margin is not comparable due to the reset in transfer pricing with the parent for trading goods. Gross margin was aided by its favourable mix (lower traded share yoy), pricing actions, and one-off transfer pricing benefits. Other/personnel expense was up 117%/20% yoy, which is 19%/8% higher than our estimates.
- Other income at Rs64m (-58% yoy) was below our estimate of Rs80m.
- 1QFY22 PBT was at Rs1.06bn (-Rs3m in 1QFY21, -24% qoq), 8% above our estimate of Rs983m.
- The tax rate stood at 25.2%, in line with our estimate of 25%.
- Accordingly, core PAT stood at Rs791m (vs -Rs2m in 1QFY21, -25% qoq), 7% above our estimated PAT of Rs737m (8% above Bloomberg consensus estimate) led by higher margins.

Figure 1: Standalone quarterly analysis

YE March (Rs m)	1Q FY22	1Q FY21	yoy % chg	4Q FY21	qoq % chg	FY21	FY20	yoy % chg	1Q FY22F	Deviation
Total Revenue	6,935	3,012	130.2%	8,475	-18.2%	26,707	28,416	-6.0%	6,987	-0.7%
Less:										
Net Raw Material consumed	3,786	1,839	105.9%	4,994	(24.2%)	15,612	17,905	(12.8%)	4,192	(9.7%)
Other Expenses	1,333	613	117.5%	1,353	(1.5%)	4,434	4,620	(4.0%)	1,118	19.2%
Personnel	680	567	19.8%	646	5.3%	2,463	2,397	2.8%	629	8.1%
Total Expenditure	5,798	3,019	92.1%	6,993	(17.1%)	22,509	24,921	(9.7%)	5,939	
EBITDA	1,138	(6)	NA	1,483	(23.3%)	4,198	3,495	20.1%	1,048	8.5%
Less: Depreciation	140	145	(3.1%)	137	2.3%	580	571	1.5%	145	
EBIT	997	(151)	NA	1,345	(25.9%)	3,619	2,923	23.8%	903	
Less: Interest paid	4	5	(30.0%)	5	(30.0%)	18	95	(80.9%)	-	
Non-operating Income	64	153	(58.0%)	47	37.6%	362	690	(47.5%)	80	
Extraordinary Income	-	0	NA	-	NA	-	349	NA	-	
Profit Before Tax	1,058	(3)	NA	1,387	(23.7%)	3,963	3,868	2.5%	983	7.6%
Profit Before Tax Excl. extra-ordinaries	1,058	(3)	NA	1,387	(23.7%)	3,963	3,519	12.6%	983	
Less: Total Tax	267	(1)	NA	338	(21.1%)	986	978	0.8%	246	
Core PAT	791	(2)	NA	1,049	(24.6%)	2,978	2,542	17.1%	737	7.3%
Reported PAT	791	(2)	NA	1,049	(24.6%)	2,978	2,890	3.0%	737	7.3%
Diluted Shares Outstanding (m)	49	49		49		49	49		49	
Reported EPS (Rs)	16.00	(0.1)	NA	21.2	(24.5%)	60.2	58.5	2.9%	14.9	7.3%
Proforma EPS (Rs)	16.00	(0.1)	NA	21.2	(24.6%)	60.2	51.4	17.1%	14.9	
Margin Analysis			yoy bp chg		qoq bp chg			yoy bp chg		
Raw Material % of Total Revenue	54.6%	61.0%	(645.5)	58.9%	(434.0)	58.5%	63.0%	(455.4)	60.0%	
Other Expenses % of Total Revenue	19.2%	20.3%	(112.6)	16.0%	324.9	16.6%	16.3%	34.4	16.0%	
Personnel % of Total Revenue	9.8%	18.8%	(903.1)	7.6%	218.0	9.2%	8.4%	78.9	9.0%	
EBITDA Margin	16.4%	-0.2%	1,661.2	17.5%	(108.9)	15.7%	12.3%	342.2	15.0%	
EBIT Margin	14.4%	-5.0%	1,939.4	15.9%	(149.3)	13.5%	10.3%	326.2	12.9%	
PBT Margin (%)	15.3%	-0.1%	1,536.5	16.4%	(111.0)	14.8%	13.6%	122.8	14.1%	
Proforma NPM	11.4%	-0.1%	1,149.1	12.7%	(126.0)	11.3%	9.8%	143.3	10.6%	
Effective Tax Rate (%)	25.2%	24.2%	97.5	24.4%	82.7	24.9%	25.3%	(41.4)	25.0%	

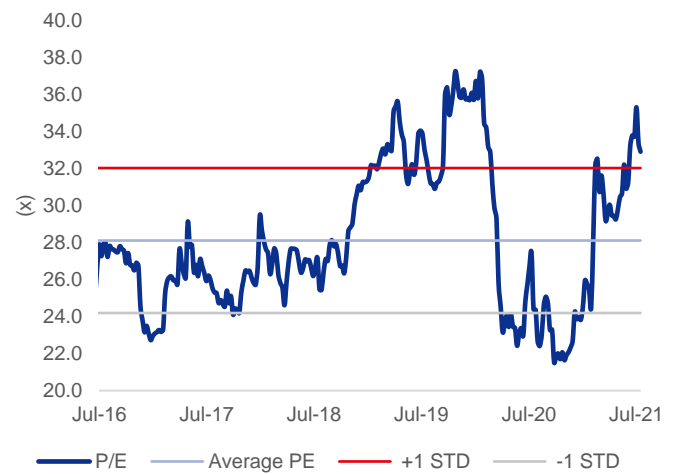
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: SKF India – one-year forward P/E chart



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 3: SKF India – current P/E at above 5-year average



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 4: Earnings revision summary

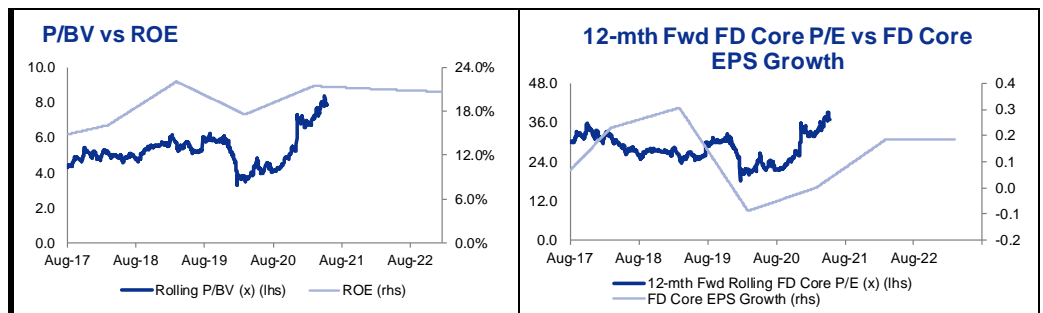
Rs m	Old Estimates			New Estimates			Change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	31,784	35,541	39,749	33,176	37,265	41,868	4.4%	4.9%	5.3%
EBITDA	5,039	5,915	6,846	5,486	6,405	7,298	8.9%	8.3%	6.6%
PAT	3,640	4,351	5,105	3,974	4,711	5,453	9.2%	8.3%	6.8%
EPS (Rs)	74	88	103	80	95	110	9.2%	8.3%	6.8%

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: Peer comparison

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs	Mkt cap (US\$ m)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
						FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
SKF	SKF IN	Add	2,832	3,100	1,742	47	36	30	9.0	7.5	6.2	32	25	21	4.5	0.5	0.6
Schaeffler	SCHFL IN	Add	6,853	6,500	2,264	74	41	35	6.8	6.0	5.3	38	24	21	0.5	0.6	0.7
Timken	TMKN IN	Hold	1,607	1,200	1,586	83	54	41	8.8	7.6	6.5	46	32	26	3.2	0.1	0.1

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 26 JUL 2021

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	28,873	27,085	33,176	37,265	41,868
Gross Profit	10,968	11,473	13,768	15,539	17,459
Operating EBITDA	3,952	4,579	5,486	6,405	7,298
Depreciation And Amortisation	(571)	(580)	(596)	(651)	(709)
Operating EBIT	3,381	4,000	4,890	5,754	6,589
Financial Income/(Expense)	(95)	(21)			
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,039	362	430	553	711
Profit Before Tax (pre-EI)	4,325	4,341	5,320	6,307	7,300
Exceptional Items					
Pre-tax Profit	4,325	4,341	5,320	6,307	7,300
Taxation	(978)	(986)	(1,346)	(1,596)	(1,847)
Exceptional Income - post-tax					
Profit After Tax	3,347	3,355	3,974	4,711	5,453
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,347	3,355	3,974	4,711	5,453
Recurring Net Profit	3,347	3,355	3,974	4,711	5,453
Fully Diluted Recurring Net Profit	3,347	3,355	3,974	4,711	5,453

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	3,952	4,579	5,486	6,405	7,298
Cash Flow from Invt. & Assoc.	(84)	(616)	(166)	(98)	2
Change In Working Capital	906	(16)	(1,225)	(843)	(949)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	571	580	596	651	709
Other Operating Cashflow	(737)	(231)	(430)	(553)	(711)
Net Interest (Paid)/Received	(95)	(21)			
Tax Paid	(1,215)	(1,057)	(1,346)	(1,596)	(1,847)
Cashflow From Operations	3,298	3,218	2,915	3,966	4,502
Capex	(953)	(736)	(1,200)	(1,200)	(1,200)
Disposals Of FAs/subsidiaries	361	43			
Acq. Of Subsidiaries/investments	(1,530)				
Other Investing Cashflow	582	5,282	430	553	711
Cash Flow From Investing	(1,540)	4,589	(770)	(647)	(489)
Debt Raised/(repaid)	(969)		(176)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(715)	(6,427)	(692)	(791)	(791)
Preferred Dividends					
Other Financing Cashflow	(95)	(21)			
Cash Flow From Financing	(1,779)	(6,448)	(868)	(791)	(791)
Total Cash Generated	(21)	1,359	1,277	2,528	3,222
Free Cashflow To Equity	789	7,807	1,969	3,319	4,013
Free Cashflow To Firm	1,852	7,828	2,145	3,319	4,013

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	6,183	5,003	6,280	8,808	12,030
Total Debtors	4,357	5,834	5,908	6,636	7,456
Inventories	4,518	4,680	5,454	6,126	6,882
Total Other Current Assets	3,568	3,185	3,143	3,423	3,738
Total Current Assets	18,626	18,703	20,785	24,993	30,107
Fixed Assets	3,927	4,100	4,704	5,253	5,743
Total Investments	1,972	25	25	25	25
Intangible Assets					
Total Other Non-Current Assets	228	228	228	228	228
Total Non-current Assets	6,127	4,353	4,957	5,506	5,997
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	4,120	5,769	4,999	5,615	6,309
Other Current Liabilities	1,303	1,444	1,793	2,014	2,263
Total Current Liabilities	5,423	7,213	6,793	7,630	8,572
Total Long-term Debt	218	176			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	218	176			
Total Provisions					
Total Liabilities	5,641	7,388	6,793	7,630	8,572
Shareholders Equity	19,053	15,638	18,920	22,840	27,502
Minority Interests					
Total Equity	19,053	15,638	18,920	22,840	27,502

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(6.4%)	(6.0%)	24.2%	12.3%	12.4%
Operating EBITDA Growth	(24.7%)	15.9%	19.8%	16.7%	14.0%
Operating EBITDA Margin	13.9%	17.1%	16.5%	17.2%	17.4%
Net Cash Per Share (Rs)	120.65	97.64	127.03	178.16	243.33
BVPS (Rs)	385.37	316.30	382.68	461.98	556.27
Gross Interest Cover	35.66	187.78			
Effective Tax Rate	22.6%	22.7%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	17.7%	191.6%	17.4%	16.8%	14.5%
Accounts Receivables Days	60.49	68.67	64.59	61.43	61.43
Inventory Days	93.04	107.52	95.29	97.27	97.26
Accounts Payables Days	(77.58)	(115.60)	(101.25)	(89.16)	(89.15)
ROIC (%)	30.3%	37.0%	38.7%	41.0%	42.6%
ROCE (%)	17.5%	25.3%	25.8%	25.2%	24.0%
Return On Average Assets	13.9%	14.6%	15.4%	15.4%	15.1%

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Auto OEM	(22.4%)	8.8%	22.5%	11.0%	11.0%
Auto aftermarket	(8.0%)	N/A	21.0%	10.0%	10.0%
Exports (largely Auto)	60.0%	(33.0%)	27.0%	10.0%	10.0%
Total auto	(7.7%)	(3.0%)	22.7%	10.6%	10.6%
Industrial OEM	(6.0%)	(11.5%)	24.0%	14.0%	14.0%
Industrial after market	(4.0%)	(6.0%)	27.0%	14.0%	14.0%
Total Industrials	(6.0%)	(11.5%)	24.0%	14.0%	14.0%
Total sales	(5.0%)	(8.7%)	25.6%	14.0%	14.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of January 30, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.