

India

REDUCE (no change)

Consensus ratings*: Buy 36 Hold 1 Sell 1

| | |
|------------------------------|--------------|
| Current price: | Rs468 |
| Target price: | Rs410 |
| Previous target: | Rs410 |
| Up/downside: | -12.4% |
| InCred Research / Consensus: | -20.6% |
| Reuters: | BPCL.NS |
| Bloomberg: | BPCL IN |
| Market cap: | US\$13,982m |
| | Rs10,14,885m |
| Average daily turnover: | US\$67.9m |
| | Rs4930.3m |
| Current shares o/s: | 2,169.2m |
| Free float: | 41.4% |

*Source: Bloomberg

Key changes in this note

- FY22F EPS decreased by 5.3%
- FY23F EPS decreased by 7.7%



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|-------|--------|
| Absolute (%) | 11.3 | 4.0 | 42.0 |
| Relative (%) | 8.3 | (0.1) | (10.5) |

| Major shareholders | % held |
|------------------------------|--------|
| Govt of India | 53.0 |
| LIC | 5.7 |
| BPCL trust (treasury shares) | 1.5 |

Analyst(s)

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Bharat Petroleum

Short-term gain, long-term pain

- Core EBITDA was 6% below our expectation. Final dividend of Rs58/share (21% of standalone book value) probably meets investor expectations.
- Large dividend and BORL consolidation will raise net debt equity from 69% in FY21 to 154% in FY22F. High gearing will impact valuations, in our view.
- We reiterate Reduce and SOP-based TP of Rs410, incorporating the large dividend commensurate with the reduction in core business value.

Large non-recurring gains drive FY21 earnings

BPCL reported 4QFY21 standalone net profit of Rs119.4bn due to large inventory gains (Rs36.4bn) and gain (Rs94.2bn) on sale of its entire stake in Numaligarh Refinery (NRL). Core EBITDA excluding inventory and exceptional items was Rs20.7bn, 6% below our expectation due to higher staff costs. BPCL declared final dividend of Rs58/sh (Rs122bn). Debt including lease liability was Rs342bn vs Rs309bn at Dec 2020. This was lower than peers due to a share issue of Rs55bn in 4QFY21. Consolidated debt was around Rs498bn (assuming lease liability of Rs78bn). We estimate FY21 consolidated net debt at Rs376bn in Mar 2021 to rise to Rs662bn in Mar 2022F. Of this increase of Rs286bn, Rs122bn will be due to dividend and around Rs108bn due to debt of Bharat Oman Refineries Limited (BORL) which will be consolidated from FY22F on full ownership (currently treated as JV).

Management commentary provided an update on operations

Capex (including equity contribution to JVs) was Rs111bn in FY21 and will rise to Rs120bn in FY22F. BPCL's petchem project at Kochi has three units of which two were commissioned in 4QFY21 (in process of stabilisation) and the third one is in the process of getting commissioned. BPCL expects GRM impact of US\$1/bbl once all three units are fully operational. The acquisition of Oman Oil stake in BORL is expected to complete by mid-Jun 2021. BPCL has no intention to sell its stake in Indraprastha Gas or Petronet LNG, though it may sell its balance treasury shares (33m). Government subsidy dues dropped to just Rs3bn in Mar 2021 compared to Rs60bn in Mar 2020.

Dividend at the cost of gearing

We have largely maintained our FY22F/23F EBITDA estimates and the EPS change is due to higher interest costs and incorporation of additional shares issued to employees (Rs43.4m) at a discounted price (Rs115) in FY22. While the large final dividend will provide a short-term positive upside, we believe it will be compensated by the longer-term negative of higher gearing. BPCL's significant premium valuations relative to its peers indicate that investors are focusing on the strategic sale by the government, rather than the fundamentals of the business itself. Our valuation does not consider any potential upside from a successful sale. However, given the renewed outbreak of Covid, we believe that the sale will be pushed back by at least six months to 2HFY22F.

Financial Summary

| | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (Rsm) | 28,45,719 | 23,01,626 | 26,27,546 | 25,32,252 | 24,06,404 |
| Operating EBITDA (Rsm) | 93,018 | 2,00,888 | 1,58,710 | 1,75,016 | 1,71,718 |
| Net Profit (Rsm) | 30,554 | 1,61,649 | 75,780 | 84,667 | 82,049 |
| Core EPS (Rs) | 15.5 | 81.8 | 35.5 | 39.6 | 38.4 |
| Core EPS Growth | (60.8%) | 426.3% | (56.6%) | 11.7% | (3.1%) |
| FD Core P/E (x) | 30.12 | 5.72 | 13.19 | 11.80 | 12.18 |
| DPS (Rs) | 16.5 | 79.0 | 18.0 | 18.0 | 18.0 |
| Dividend Yield | 4.71% | 18.61% | 4.21% | 4.21% | 4.21% |
| EV/EBITDA (x) | 15.14 | 5.85 | 9.41 | 8.65 | 8.92 |
| P/FCFE (x) | (5.69) | 4.16 | (6.82) | (65.01) | (72.31) |
| Net Gearing | 153.2% | 69.0% | 153.7% | 147.4% | 142.4% |
| P/BV (x) | 2.52 | 1.70 | 2.32 | 2.14 | 1.99 |
| ROE | 8.1% | 35.5% | 15.5% | 18.8% | 16.9% |
| % Change In Core EPS Estimates | | | (5.30%) | (7.72%) | |
| InCred Research/Consensus EPS (x) | | | 0.84 | 0.82 | 0.00 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 27 MAY 2021

Short-term gain, long-term pain

4QFY21 other income includes gain on sale of NRL shares (Rs64.7bn). NRL profits have been accounted in consolidated earnings till the date of sale (25 Mar 2021).

Figure 1: BPCL consolidated quarterly results (Rs m)

| | 4QFY20 | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | yoy % | qoq % |
|-------------------------------------|----------|----------|----------|----------|----------|-------|-------|
| Net sales | 6,89,978 | 3,79,993 | 4,94,086 | 6,60,749 | 7,66,799 | 11% | 16% |
| EBITDA | -18,902 | 42,599 | 49,425 | 49,690 | 59,039 | -412% | 19% |
| Interest | -6,895 | -6,911 | -1,078 | -3,454 | -5,791 | -16% | 68% |
| Depreciation | -10,434 | -10,728 | -10,650 | -10,728 | -11,237 | 8% | 5% |
| Other income | 4,012 | 5,370 | 3,047 | 7,345 | 71,494 | 1682% | 873% |
| Share of profit from associates/JVs | 2,630 | 478 | -678 | -7,268 | 4,356 | 66% | -160% |
| Profit before tax | -29,589 | 30,807 | 40,067 | 35,585 | 1,17,861 | -498% | 231% |
| Tax | 11,394 | -8,930 | -14,172 | -16,579 | -11,441 | -200% | -31% |
| Minority interest | -278 | -1,524 | -3,265 | -3,354 | -3,406 | 1125% | 2% |
| Net profit | -18,474 | 20,354 | 22,630 | 15,652 | 1,03,013 | -658% | 558% |
| EPS (Rs) | (9.4) | 10.3 | 11.5 | 7.8 | 51.2 | -646% | 558% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

4QFY21 core EBITDA (excluding inventory and exceptionals) at Rs20.7bn was 6% below expectations due to slightly higher staff costs. Reported EBITDA was robust at Rs46.6bn due to large inventory gains (Rs36.4bn) which were partially offset by a Rs6.5bn provision for loans given to below-poverty-line LPG consumers and Rs3.97bn cost relating to issue of shares to employees at discounted price (reported as exceptional, but included in staff costs by us). The big profit jump was on account of gain on sale of NRL shares (Rs94.2bn) which was partially offset by a Rs20.3bn impairment provision for investment in the E&P subsidiary – Bharat Petroresources (BPRL) – both items reported as exceptional, but included in other income by us. Total debt rose 11% qoq (lower than peers) due to equity issuance of Rs55bn in 4QFY21). BPCL moved to the lower tax regime in FY21.

Figure 2: BPCL standalone quarterly results (Rs m)

| | 4QFY20 | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | yoy % | qoq % |
|--|----------|----------|----------|----------|----------|-------|-------|
| EBITDA | -16,997 | 39,158 | 37,266 | 38,863 | 46,612 | -374% | 20% |
| Interest | -5,786 | -5,871 | -126 | -2,510 | -4,776 | -17% | 90% |
| Depreciation | -9,474 | -9,959 | -9,888 | -9,936 | -9,998 | 6% | 1% |
| Other income | 11,568 | 5,933 | 5,726 | 15,146 | 90,536 | 683% | 498% |
| Profit before tax | -20,689 | 29,262 | 32,978 | 41,562 | 1,22,374 | -692% | 194% |
| Tax | 7,079 | -8,500 | -10,500 | -13,786 | -2,973 | -142% | -78% |
| Net profit | -13,610 | 20,762 | 22,478 | 27,776 | 1,19,401 | -977% | 330% |
| EPS (Rs) | -6.92 | 10.56 | 11.43 | 14.12 | 57.05 | -924% | 304% |
| Operating data | | | | | | | |
| Refining throughput (mmt) | 8.39 | 5.14 | 5.63 | 7.24 | 8.39 | 0% | 16% |
| Domestic sales volumes (mmt) | 10.73 | 7.53 | 8.94 | 11.10 | 11.17 | 4% | 1% |
| Exports (mmt) | 0.51 | 0.79 | 0.28 | 0.25 | 0.63 | 24% | 152% |
| Singapore Reuters GRM (US\$/bbl) | 1.09 | -0.94 | 0.08 | 1.20 | 1.80 | 65% | 50% |
| Reported GRM-BPCL (US\$/bbl) | 0.75 | 0.39 | 5.80 | 2.47 | 6.64 | 785% | 169% |
| GRM ex-inventory -BPCL(US\$/bbl) | 7.38 | 1.93 | 1.54 | 1.23 | 2.46 | -67% | 100% |
| GRM ex-inventory -Mumbai(US\$/bbl) | 7.13 | 1.14 | 2.23 | 1.41 | 3.96 | -44% | 181% |
| GRM ex-inventory -Kochi(US\$/bbl) | 7.62 | 2.80 | 0.84 | 1.06 | 1.11 | -85% | 5% |
| Other financial data | | | | | | | |
| Staff costs | 9,308 | 9,029 | 16,965 | 12,890 | 15,295 | 64% | 19% |
| Inventory gains/(loss) | | | | | | | |
| In refining | -29,650 | -4,380 | 13,030 | 5,020 | 18,130 | | |
| In marketing | -19,370 | 10,030 | 11,500 | 2,690 | 18,290 | | |
| EBITDA excl inventory, forex, excep | 44,133 | 34,078 | 12,736 | 31,153 | 20,667 | -53% | -34% |
| Forex (loss)/gain | -12,110 | -570 | 1,520 | 760 | 290 | | |
| Total debt including lease liabilities | 4,78,190 | 4,05,460 | 3,39,453 | 3,09,020 | 3,41,600 | -29% | 11% |
| Capex | 44,020 | 6,770 | 19,710 | 29,780 | 26,710 | -39% | -10% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Broadly gasoline volumes have shown positive surprise while diesel has disappointed. Jet fuel volumes are still significantly below pre-Covid levels.

Figure 3: Transportation fuels marketing performance

| | 4QFY20 | 1QFY21 | 2QFY21 | 3QFY21 | 4QFY21 | yoy % | qoq % |
|-----------------------|--------|--------|--------|--------|--------|--------|-------|
| Gasoline sales (mmt) | 1.87 | 1.25 | 1.81 | 2.09 | 2.05 | 9.6% | -1.9% |
| Diesel sales (mmt) | 4.77 | 3.50 | 3.86 | 5.10 | 5.02 | 5.2% | -1.6% |
| Jet fuel sales (mmt) | 0.49 | 0.09 | 0.18 | 0.24 | 0.29 | -40.8% | 20.8% |
| Gasoline market share | 26.3% | 24.9% | 25.5% | 26.1% | 26.2% | | |
| Diesel market share | 24.1% | 23.3% | 24.4% | 24.0% | 24.4% | | |
| Jet fuel market share | 25.6% | 23.2% | 22.4% | 20.6% | 21.5% | | |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

4QFY21 final dividend of Rs58/sh is 21% of FY21 standalone book value and will be paid in FY22F. This will result in a sharp jump in net debt equity ratios over FY22-24F. FY21 interest costs were lower due to forex gains of Rs2.5bn and interest capitalisation of Rs2.6bn. In addition to NRL gains, FY21 other income included forex gains of Rs2bn and Rs17.7bn from the NRL dividend.

Figure 4: BPCL standalone P&L (Rs m)

| Y/E Mar | 2020 | 2021 | 2022F | 2023F | 2024F |
|---------------------------|---------|----------|----------|----------|----------|
| EBITDA | 72,207 | 1,61,900 | 1,46,173 | 1,54,920 | 1,50,597 |
| Interest | -21,819 | -13,284 | -22,271 | -22,216 | -22,048 |
| Depreciation | -37,869 | -39,781 | -44,252 | -47,140 | -48,704 |
| Other income | 14,191 | 1,17,341 | 22,175 | 20,318 | 20,560 |
| Pre-tax profit | 26,710 | 2,26,176 | 1,01,825 | 1,05,882 | 1,00,405 |
| Tax | 122 | -35,759 | -33,602 | -34,941 | -33,134 |
| Net profit | 26,832 | 1,90,417 | 68,223 | 70,941 | 67,272 |
| EPS (Rs) | 13.6 | 96.3 | 31.9 | 33.2 | 31.5 |
| Book value per share (Rs) | 168.9 | 271.2 | 211.0 | 226.3 | 239.7 |
| ROE | 7.7% | 43.9% | 13.8% | 15.2% | 13.5% |
| Net debt equity | 128% | 42% | 82% | 76% | 72% |
| Staff costs | 36,915 | 54,179 | 36,000 | 37,800 | 39,690 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Core earnings (excluding inventory) were weak in FY21 but should rebound over FY22-24F on the back of improving GRMs and domestic oil demand growth. Auto fuel marketing margins were exceptionally high in FY21 and should moderate over FY22-24F. FY21 staff costs of Rs54bn included Rs7.8bn redundancy costs and Rs9.4bn cost of share issue to employees.

Figure 5: BPCL standalone EBITDA working (Rs m)

| Y/E Mar | 2020 | 2021 | 2022F | 2023F | 2024F |
|---|----------|----------|----------|----------|----------|
| <u>Gross margins from all business segments</u> | | | | | |
| Refinery (excl inventory) | 71,264 | 28,148 | 61,650 | 81,450 | 76,725 |
| Auto fuels | 90,544 | 1,09,195 | 1,10,307 | 1,02,731 | 1,06,465 |
| LPG/kero marketing | 26,005 | 27,531 | 28,534 | 29,640 | 30,793 |
| Balance products/lubricants/pipeline | 47,237 | 43,869 | 49,252 | 50,676 | 52,153 |
| Sub total | 2,35,050 | 2,08,743 | 2,49,743 | 2,64,497 | 2,66,137 |
| Less: Labour cost | -36,915 | -54,179 | -36,000 | -37,800 | -39,690 |
| Less: other operational expenses | -78,749 | -66,923 | -67,571 | -71,777 | -75,850 |
| Sub total | 1,19,387 | 87,640 | 1,46,173 | 1,54,920 | 1,50,597 |
| <u>Plus: Non-operational items</u> | | | | | |
| Subsidy borne | 0 | 0 | 0 | 0 | 0 |
| Inventory in refining | -28,850 | 31,750 | | | |
| Inventory in marketing | -18,330 | 42,510 | | | |
| EBITDA | 72,207 | 1,61,900 | 1,46,173 | 1,54,920 | 1,50,597 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

In FY21, BPCL sought to compensate for poor core GRMs by raising auto fuel marketing margins to unsustainable levels. We believe that GRMs in FY22-24F will recover while marketing margins will moderate. The latest wave of Covid will result in some impact on refining volumes in FY22F.

Figure 6: BPCL assumptions

| Y/E Mar | 2020 | 2021 | 2022F | 2023F | 2024F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Brent crude oil, US\$/bbl | 61.00 | 44.90 | 60.00 | 55.00 | 50.00 |
| Rupee dollar rate yr avg | 70.89 | 74.23 | 75.00 | 75.00 | 75.00 |
| BPCL refinery throughput (mmt) | 31.91 | 26.50 | 31.10 | 32.00 | 32.00 |
| BPCL reported refinery GRM (\$/bbl) | 2.50 | 4.06 | 3.52 | 4.53 | 4.26 |
| BPCL ex-inventory GRM (US\$/bbl) | 4.20 | 1.85 | 3.52 | 4.53 | 4.26 |
| Auto fuel volumes (mmt) | 27.67 | 24.67 | 27.96 | 29.09 | 30.06 |
| Auto fuels margins (Rs/kl) | 2,583 | 3,490 | 3,102 | 2,776 | 2,781 |
| BORL throughput (mmt) | 7.82 | 6.12 | 7.21 | 7.96 | 8.42 |
| BORL GRM (US\$/bbl) | 4.18 | 7.36 | 7.00 | 8.00 | 8.00 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

BORL has struggled to post a profit. It reported a minor loss even in FY21 despite inventory gains equivalent to US\$3/bbl. Since commencement of refinery operations in FY12, it has reported a cumulative loss of Rs11bn. Recent profitability has been hit by exhaustion of indirect tax benefit (Rs6bn annual hit). Poor profits have led to debt of Rs108bn in FY21 (304% net debt equity). This debt will be reflected in BPCL consolidated in FY22F when it raises its ownership from 63.4% (currently accounted as JV) to 100%.

Figure 7: BORL standalone P&L (Rs m)

| Y/E Mar | 2020 | 2021 | 2022F | 2023F | 2024F |
|---------------------------|----------------|---------------|---------------|--------|--------|
| EBITDA | 3,800 | 11,360 | 9,865 | 17,424 | 18,449 |
| Interest | -7,120 | -5,585 | -6,041 | -5,543 | -4,787 |
| Depreciation | -7,179 | -7,545 | -7,533 | -7,721 | -7,909 |
| Other income | -1,675 | 679 | 1,015 | 1,006 | 1,006 |
| Pre-tax profit | -12,174 | -1,092 | -2,694 | 5,165 | 6,759 |
| Tax | 4,139 | 328 | 916 | -1,756 | -2,298 |
| Net profit | -8,035 | -763 | -1,778 | 3,409 | 4,461 |
| EPS (Rs) | -2.5 | -0.2 | -0.5 | 1.1 | 1.4 |
| DPS (Rs) | 0 | 0 | 0 | 0 | 0 |
| Book value per share (Rs) | 11.2 | 10.9 | 10.4 | 11.4 | 12.8 |
| ROE | -20.0% | -2.1% | -5.2% | 9.6% | 11.4% |
| Net debt equity | 230% | 304% | 308% | 257% | 198% |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

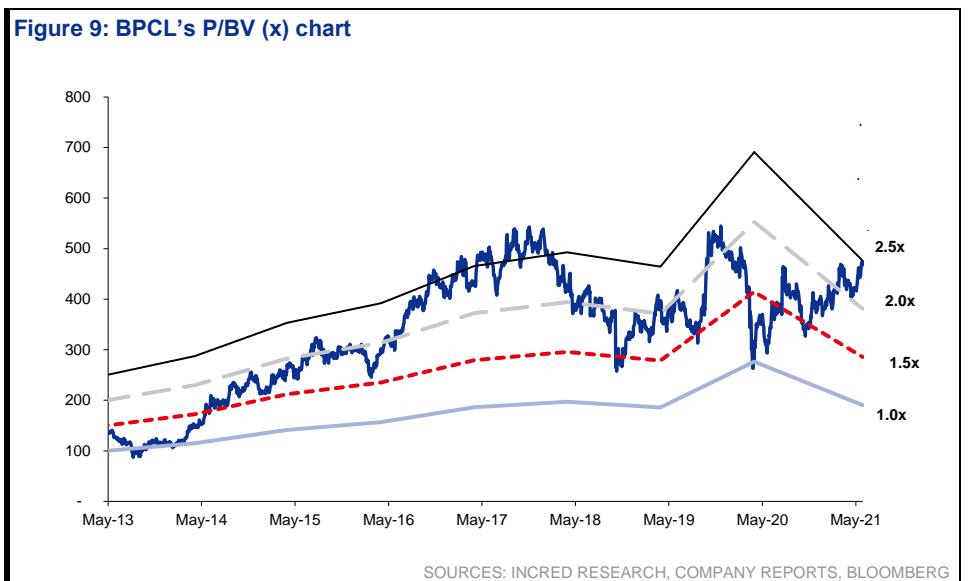
We have added the large final dividend of Rs58/share to our TP but accordingly reduced the valuation of the core business keeping our target price unchanged at Rs410.

Figure 8: Our SOP valuation of BPCL (Rs m)

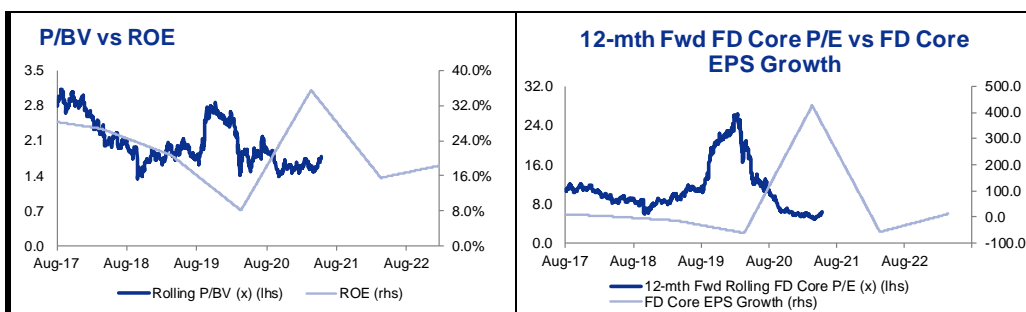
| | Book value | P/BV (x) | Value per share (Rs) |
|---|------------|----------|----------------------|
| Core refining and marketing business at Mar23F P/BV | 219 | 1.5 | 331 |
| Special dividend payable in FY22 | | | 58 |
| E&P value for Mozambique gas assets | | | 21 |
| Target price | | | 410 |

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

The BPCL stock price movement has been guided by news flow on the strategic sale of the government's holding in the company (which could be at a significant premium over normal market valuation) rather than fundamentals of the business itself. We believe divestment is pushed back to at least 2HFY22F. In recent weeks, the stock has rallied on expectation of a huge dividend, which has come true.



BY THE NUMBERS



Profit & Loss

| (Rs mn) | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|---|------------------|------------------|------------------|------------------|------------------|
| Total Net Revenues | 28,45,719 | 23,01,626 | 26,27,546 | 25,32,252 | 24,06,404 |
| Gross Profit | 3,06,694 | 4,27,639 | 3,61,450 | 3,84,920 | 3,90,131 |
| Operating EBITDA | 93,018 | 2,00,888 | 1,58,710 | 1,75,016 | 1,71,718 |
| Depreciation And Amortisation | (46,741) | (43,342) | (51,758) | (54,834) | (56,586) |
| Operating EBIT | 46,277 | 1,57,546 | 1,06,952 | 1,20,182 | 1,15,132 |
| Financial Income/(Expense) | (26,370) | (17,234) | (32,842) | (32,290) | (31,365) |
| Pretax Income/(Loss) from Assoc. | 14,007 | (3,255) | 15,587 | 16,568 | 16,568 |
| Non-Operating Income/(Expense) | 2,602 | 87,263 | 15,529 | 13,663 | 13,905 |
| Profit Before Tax (pre-EI) | 36,516 | 2,24,320 | 1,05,225 | 1,18,124 | 1,14,240 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 36,516 | 2,24,320 | 1,05,225 | 1,18,124 | 1,14,240 |
| Taxation | 142 | (51,122) | (29,222) | (33,233) | (31,967) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 36,658 | 1,73,198 | 76,003 | 84,891 | 82,273 |
| Minority Interests | (6,104) | (11,549) | (223) | (223) | (223) |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 30,554 | 1,61,649 | 75,780 | 84,667 | 82,049 |
| Recurring Net Profit | 30,554 | 1,61,649 | 75,780 | 84,667 | 82,049 |
| Fully Diluted Recurring Net Profit | 30,554 | 1,61,649 | 75,780 | 84,667 | 82,049 |

Cash Flow

| (Rs mn) | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|----------------------------------|-------------------|-----------------|-------------------|-------------------|-------------------|
| EBITDA | 93,018 | 2,00,888 | 1,58,710 | 1,75,016 | 1,71,718 |
| Cash Flow from Invt. & Assoc. | 2,602 | 87,263 | 15,529 | 13,663 | 13,905 |
| Change In Working Capital | (1,090) | 84,848 | (16,045) | 10,767 | 16,935 |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | (1,695) | (27,853) | (36,419) | (9,724) | (9,724) |
| Net Interest (Paid)/Received | (26,370) | (17,234) | (32,842) | (32,290) | (31,365) |
| Tax Paid | 142 | (51,122) | (29,222) | (33,233) | (31,967) |
| Cashflow From Operations | 66,607 | 2,76,790 | 59,711 | 1,24,200 | 1,29,501 |
| Capex | (1,97,000) | (57,176) | (2,38,147) | (1,32,450) | (1,36,198) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | (31,211) | 2,879 | 31,971 | (7,125) | (7,125) |
| Other Investing Cashflow | | | | | |
| Cash Flow From Investing | (2,28,211) | (54,297) | (2,06,176) | (1,39,575) | (1,43,323) |
| Debt Raised/(repaid) | | | | | |
| Proceeds From Issue Of Shares | | 55,119 | 4,989 | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (57,423) | (41,524) | (1,58,511) | (38,453) | (38,453) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | | | | | |
| Cash Flow From Financing | (57,423) | 13,596 | (1,53,522) | (38,453) | (38,453) |
| Total Cash Generated | (2,19,026) | 2,36,089 | (2,99,988) | (53,828) | (52,275) |
| Free Cashflow To Equity | (1,61,603) | 2,22,493 | (1,46,465) | (15,375) | (13,822) |
| Free Cashflow To Firm | (1,35,233) | 2,39,727 | (1,13,623) | 16,915 | 17,544 |

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 | 63,733 | 1,28,247 | 58,813 | 58,814 | 58,816 |
| Total Debtors | 53,780 | 52,755 | 79,186 | 76,697 | 73,671 |
| Inventories | 2,22,426 | 2,14,668 | 2,99,671 | 2,90,740 | 2,76,270 |
| Total Other Current Assets | 1,69,127 | 1,04,477 | 1,11,922 | 1,09,750 | 1,07,299 |
| Total Current Assets | 5,09,066 | 5,00,147 | 5,49,592 | 5,36,002 | 5,16,057 |
| Fixed Assets | 7,81,335 | 7,95,169 | 9,81,557 | 10,59,173 | 11,38,785 |
| Total Investments | 2,18,200 | 2,15,321 | 1,83,351 | 1,90,476 | 1,97,601 |
| Intangible Assets | | | | | |
| Total Other Non-Current Assets | | | | | |
| Total Non-current Assets | 9,99,535 | 10,10,490 | 11,64,908 | 12,49,649 | 13,36,386 |
| Short-term Debt | | | | | |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 3,69,672 | 3,82,126 | 4,80,699 | 4,77,875 | 4,74,863 |
| Other Current Liabilities | | | | | |
| Total Current Liabilities | 3,69,672 | 3,82,126 | 4,80,699 | 4,77,875 | 4,74,863 |
| Total Long-term Debt | 6,54,755 | 5,04,067 | 7,20,966 | 7,47,999 | 7,73,378 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | | | | | |
| Total Non-current Liabilities | 6,54,755 | 5,04,067 | 7,20,966 | 7,47,999 | 7,73,378 |
| Total Provisions | 98,286 | 79,616 | 81,945 | 92,171 | 1,02,502 |
| Total Liabilities | 11,22,713 | 9,65,809 | 12,83,609 | 13,18,046 | 13,50,742 |
| Shareholders Equity | 3,65,325 | 5,44,829 | 4,30,891 | 4,67,605 | 5,01,700 |
| Minority Interests | 20,563 | | | | |
| Total Equity | 3,85,888 | 5,44,829 | 4,30,891 | 4,67,605 | 5,01,700 |

| Key Ratios | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
| Revenue Growth | (4.6%) | (19.1%) | 14.2% | (3.6%) | (5.0%) |
| Operating EBITDA Growth | (41.2%) | 116.0% | (21.0%) | 10.3% | (1.9%) |
| Operating EBITDA Margin | 3.3% | 8.7% | 6.0% | 6.9% | 7.1% |
| Net Cash Per Share (Rs) | (300.49) | (190.07) | (309.96) | (322.61) | (334.49) |
| BVPS (Rs) | 185.74 | 275.54 | 201.70 | 218.89 | 234.85 |
| Gross Interest Cover | 1.75 | 9.14 | 3.26 | 3.72 | 3.67 |
| Effective Tax Rate | | 22.8% | 27.8% | 28.1% | 28.0% |
| Net Dividend Payout Ratio | 141.7% | 106.5% | 55.5% | 49.7% | 51.3% |
| Accounts Receivables Days | 7.88 | 8.45 | 9.16 | 11.23 | 11.40 |
| Inventory Days | 32.47 | 42.57 | 41.42 | 50.18 | 51.32 |
| Accounts Payables Days | 55.73 | 73.21 | 69.49 | 81.47 | 86.24 |
| ROIC (%) | 4.0% | 15.0% | 8.1% | 8.5% | 7.7% |
| ROCE (%) | 4.6% | 14.4% | 9.4% | 9.8% | 8.8% |
| Return On Average Assets | 3.9% | 12.3% | 6.2% | 6.2% | 5.8% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

| | | | | | |
|---------------------|-----------|-----------|---------|-------------|------------------|
| Score Range: | 90 - 100 | 80 – 89 | 70 - 79 | Below 70 or | No Survey Result |
| Description: | Excellent | Very Good | Good | N/A | N/A |

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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, **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. |