

India
HOLD (no change)

Consensus ratings*: Buy 31 Hold 7 Sell 0

Current price:	Rs265
Target price:	Rs285
Previous target:	Rs285
Up/downside:	7.5%
InCred Research / Consensus:	-17.0%
Reuters:	HPCL.NS
Bloomberg:	HPCL IN
Market cap:	US\$5,068m
	Rs375,915m
Average daily turnover:	US\$23.6m
	Rs1748.3m
Current shares o/s:	1,418.5m
Free float:	46.5%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(13.0)	8.3	24.4
Relative (%)	(15.6)	(2.8)	(13.2)

Major shareholders	% held
ONGC	53.5
HDFC Equity Fund	5.0
LIC	2.1

Analyst(s)

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Hindustan Petroleum

Refining hit by shutdown

- Earnings in 1QFY22 were higher than our estimates, likely due to additional inventory gains which HPCL has declined to disclose (following IOC's lead).
- We expect a recovery in volumes and GRMs in FY22-24F, assuming the recent negative impact on economic activity due to Covid to be short-lived.
- We maintain Hold with unchanged TP of Rs285 (1x Mar 23F P/BV, 15% ROE in FY23F). Large off-balance sheet debt will keep valuations in check.

Inventory gains likely to have been higher than expected

HPCL unfortunately followed IOC's lead and did not disclose the level of inventory gains in reported earnings, making it difficult to work out core profitability. Broadly, we believe that the bulk of profits coming in above our expectations would be due to higher-than-anticipated inventory gains. HPCL reported 1QFY22 standalone EBITDA of Rs31.9bn compared to our estimate of Rs21.3bn (which included inventory gains of Rs16bn, Rs4bn in refining and Rs12bn in marketing). GRM was US\$3.31/bbl compared to our estimate of US\$4.9/bbl (US\$1.9 core plus inventory gain of US\$3). Refining throughput at 2.51mt was the lowest in the last 20 years as the Mumbai refinery was virtually shut down to commission the expansion project. We estimate that auto fuel marketing margins (MMs) were down 36% qoq in 1Q and hence marketing inventory gains are likely to have been higher than our estimate of Rs12bn. MMs in 1QFY22 were one of the lowest in recent quarters due to state elections but have since recovered. In Jun/Jul 2021 they were at 56% above 1QFY22 levels and we expect these higher margins to sustain during the rest of FY22. In line with seasonal trends, HPCL debt (excluding lease liability) dropped from Rs400bn in Mar 2021 to Rs352bn in Jun 2021.

Management commentary provided update on operations

Capex for FY22F was maintained at Rs145bn with similar amount likely in FY23F. Capex on expansion at Mumbai and Visakh was updated to Rs55bn and Rs267bn (of which Rs150bn has been spent) respectively. The Rajasthan refinery capex (Rs431bn disclosed earlier) is being revised and will be disclosed on finalization. The Mumbai refinery expansion is getting commissioned while completion for Visakh would be by Mar 2022 (bottom upgradation portion by Dec 2022), the petchem cracker of Hindustan Mittal Energy (HMEL) by Mar 2022 and the Rajasthan refinery by Mar 2024. Effective capacity of Mumbai and Visakh refineries should touch 9.5mt and 13mt respectively by Mar 2022. HPCL expects an additional US\$6/bbl GRM from the Visakh expansion.

Maintain Hold, TP Rs285

Recent higher earnings have been driven by inventory gains. Core earnings were poor and we expect them to improve over FY22-24F due to normalization of Indian oil demand and rise in GRMs. HPCL's apparent cheap valuations can be attributed to large debt sitting in its two JVs – HMEL and Rajasthan Refinery – which is not consolidated. Downside risk is a sharp spurt in global oil prices, while upside risk is better-than-expected GRMs.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	2,690,915	2,332,485	2,770,408	2,455,527	2,268,648
Operating EBITDA (Rsm)	55,350	160,034	107,388	132,744	140,433
Net Profit (Rsm)	26,387	106,629	57,368	63,100	65,490
Core EPS (Rs)	17.3	70.6	39.4	44.3	46.0
Core EPS Growth	(60.6%)	307.8%	(44.2%)	12.5%	3.8%
FD Core P/E (x)	16.43	69.60	38.24	42.06	43.65
DPS (Rs)	9.8	22.8	14.0	14.0	14.0
Dividend Yield	3.68%	8.92%	5.40%	5.28%	5.28%
EV/EBITDA (x)	12.10	4.01	6.42	4.96	4.33
P/FCFE (x)	39.68	12.69	9.50	28.88	29.48
Net Gearing	124.1%	98.5%	118.0%	109.8%	90.8%
P/BV (x)	1.30	1.00	0.95	0.86	0.79
ROE	8.6%	30.7%	14.7%	15.1%	14.3%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)			0.88	0.83	0.86

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 05 AUG 2021

Refining hit by shutdown

The contribution from the JVs mainly reflects the profit share from Mangalore Refinery and Petrochemicals (MRPL) and HMEL. We believe the larger JV profit contribution in 1QFY22 would be on account of mainly inventory gains for both entities. HMEL JV share was Rs1.25bn in 1QFY22

HPCL's decision to stop disclosing inventory gains/losses will make it difficult to estimate core underlying earnings. EBITDA of Rs31.93bn compared to our estimate of Rs21.3bn (which included inventory gains of Rs16bn, Rs4bn in refining and Rs12bn in marketing). For 1QFY22, HPCL reported GRM of US\$3.31/bbl which compares to our estimate of US\$4.9/bbl (US\$1.9/bbl core plus US\$3/bbl inventory gains). Sharp drop in refining throughput was due to the near-shutdown at Mumbai refinery due to the commissioning of expansion project. We estimate that auto fuel marketing margins were down 36% qoq in 1QFY22 and hence believe that marketing inventory gains are likely to have been higher than our estimate of Rs12bn. In line with seasonal trends, HPCL's debt dropped from Rs400bn in Mar 2021 to Rs352bn in Jun 2021.

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

Figure 1: HPCL consolidated quarterly result trends (Rs m)

Rsm	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	yoy %	qoq %
EBITDA	43,613	36,081	32,973	47,367	31,937	-27%	-33%
Interest	-3,340	-2,724	-1,323	-2,246	-2,593	-22%	15%
Depreciation	-8,831	-8,833	-8,944	-9,647	-9,267	5%	-4%
Other income	5,334	7,782	8,421	4,900	3,465	-35%	-29%
Share of profit from associates/JVs	-5,579	6,074	569	323	3,002	-154%	828%
Profit before tax	31,197	38,380	31,696	40,698	26,545	-15%	-35%
Tax	-8,671	-8,621	-7,959	-10,091	-6,506	-25%	-36%
Net profit	22,527	29,758	23,737	30,607	20,039	-11%	-35%
EPS (Rs)	14.78	19.53	15.84	20.42	14.13	-4%	-31%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: HPCL standalone quarterly result trends (Rs m)

Rsm	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	yoy %	qoq %
EBITDA	43,536	36,039	33,015	46,664	31,930	-27%	-32%
Interest	-3,217	-2,604	-1,274	-2,053	-2,542	-21%	24%
Depreciation	-8,661	-8,683	-8,811	-9,372	-9,139	6%	-2%
Other income	5,626	8,168	8,648	5,446	3,720	-34%	-32%
Profit before tax	37,284	32,920	31,579	40,685	23,969	-36%	-41%
Tax	-9,146	-8,146	-8,032	-10,506	-6,019	-34%	-43%
Net profit	28,138	24,775	23,546	30,180	17,950	-36%	-41%
EPS (Rs)	18.47	16.26	15.71	20.78	12.65	-31%	-39%
Operating data							
Refining throughput (mmt)	3.97	4.06	4.00	4.39	2.51	-37%	-43%
Pipeline throughput (mmt)	3.54	4.70	5.52	5.36	4.34	23%	-19%
Domestic sales volumes (mmt)	7.24	8.10	10.03	9.83	8.45	17%	-14%
Exports (mmt)	0.38	0.33	0.37	0.31	0.38	0%	23%
Singapore GRM (US\$/bbl)	-0.94	0.08	1.20	1.80	2.00	-313%	11%
HPCL reported GRM (US\$/bbl)	0.04	5.11	1.87	8.11	3.31	8175%	-59%
HPCL GRM ex-inventory (US\$/bbl)	-0.86	2.77	-0.95	3.48			
Other financial data							
Staff costs	8,643	10,053	8,836	4,352	8,359	-3%	92%
Inventory gains/(loss)							
In refining	2,010	5,230	6,160	10,970			
In marketing	4,320	12,570	7,070	29,550			
EBITDA excl inventory/forex	37,206	18,239	19,785	14,557			
Forex (loss/gain)	490	5,240	2,970	1,410	-710		
Debt excl lease liability (Rs bn)	340	320	306	400	352	3%	-12%
Capex (Rs bn)	9	28	38	60	30	225%	-50%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Transportation fuels marketing performance

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	yoy %	qoq %
Gasoline sales (mmt)	1.19	1.71	1.95	1.90	1.63	37.0%	-14.2%
Diesel sales (mmt)	3.24	3.41	4.64	4.44	3.96	22.2%	-10.8%
Jet fuel sales (mmt)	0.04	0.08	0.12	0.15	0.10	150.0%	-33.3%
Gasoline market share	23.7%	24.1%	24.3%	24.3%	24.0%		
Diesel market share	21.5%	21.5%	21.9%	21.6%	21.5%		
Jet fuel market share	10.3%	10.0%	10.3%	11.1%	10.6%		

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Commissioning of refining projects will lead to higher interest and depreciation costs over FY22-24F. The exact impact on the bottomline will depend on the extent to which these refining projects contribute to higher GRMs. Hence, an improvement in the GRM cycle is key to earnings upside.

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

Y/E Mar	2019	2020	2021	2022F	2023F	2024F
EBITDA	1,20,209	49,941	1,59,254	1,05,258	1,30,613	1,38,303
Interest	-7,259	-10,817	-9,147	-12,381	-26,212	-27,084
Depreciation	-30,126	-33,044	-35,527	-40,616	-48,196	-52,985
Other income	10,563	9,647	27,887	17,027	17,767	18,568
Pre-tax profit	93,387	15,726	1,42,467	69,288	73,973	76,802
Tax	-33,100	10,646	-35,829	-17,461	-18,641	-19,354
Net profit	60,287	26,373	1,06,638	51,827	55,332	57,448
EPS (Rs)	39.6	17.3	70.6	35.6	38.9	40.3
Book value per share (Rs)	184.9	190.1	241.9	256.0	286.6	312.9
ROE	23.1%	9.2%	32.6%	14.0%	14.2%	13.5%
Net debt equity	78%	130%	102%	123%	116%	96%
Staff costs	29,385	31,935	31,884	35,000	36,750	38,588

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Inventory and forex gains (latter included in other income) contributed to 56% of FY21 net profit. Our FY22-24F estimates do not factor in any gains or losses on inventory or forex. We expect improvement in refining profits to be accompanied by some moderation in auto fuel marketing margins.

Figure 5: HPCL standalone EBITDA working (Rs m)

Y/E Mar	2019	2020	2021	2022F	2023F	2024F
<u>Gross margins from all business segments</u>						
Refinery (excl inventory)	39,748	38,668	16,643	32,522	69,478	78,293
Auto fuels	83,613	77,181	1,01,103	97,934	90,947	94,214
LPG/kero marketing	26,961	28,777	30,048	31,200	32,411	33,675
Balance products/lubricants/pipeline	42,054	44,316	40,179	44,194	45,950	47,348
Sub total	1,92,375	1,88,942	1,87,973	2,05,849	2,38,786	2,53,530
Less: Labour cost	-29,385	-31,935	-31,884	-35,000	-36,750	-38,588
Less: other operational expenses	-56,441	-64,536	-68,056	-65,591	-71,422	-76,640
Sub total	1,06,549	92,471	88,034	1,05,258	1,30,613	1,38,303
<u>Plus: Non-operational items</u>						
Subsidy borne	0	0	0	0	0	0
Inventory in refining	7,410	-29,600	17,710			
Inventory in marketing	6,250	-12,930	53,510			
EBITDA	1,20,209	49,941	1,59,254	1,05,258	1,30,613	1,38,303

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

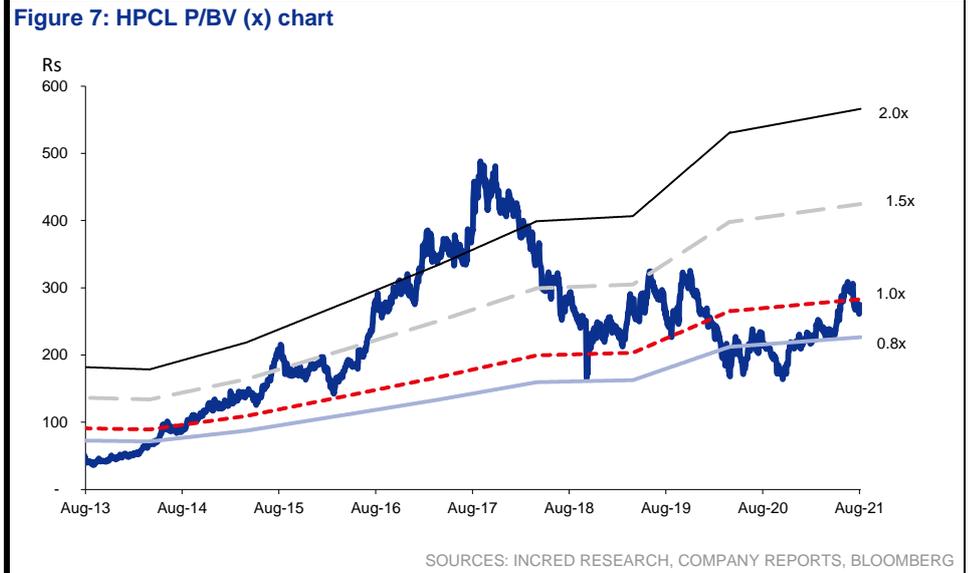
We expect crude throughputs to rise as expansions at both the Mumbai and Visakh refineries are implemented (with some negative impact in FY22F [already seen in 1Q] due to Covid and expansion-related shutdowns). HPCL has sought to compensate for poor GRMs by raising auto fuel marketing margins in FY21. We believe that GRMs in FY22-24F will recover while marketing margins will moderate.

Figure 6: HPCL assumptions

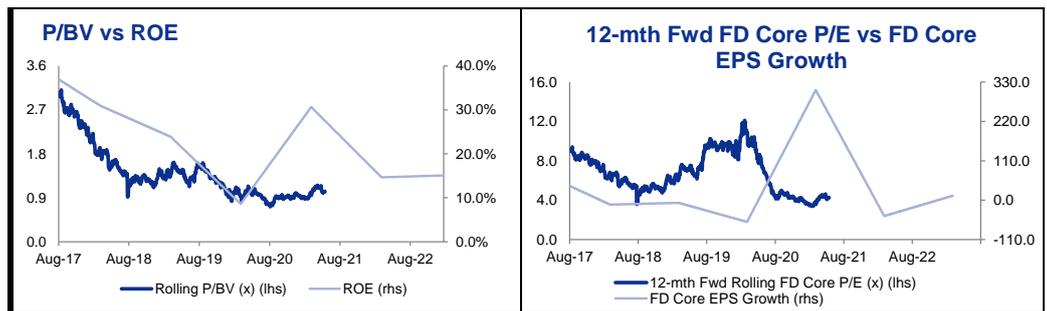
Y/E Mar	2020	2021	2022F	2023F	2024F
HPCL crude throughput (mmt)	17.18	16.42	18.00	23.50	26.00
HPCL reported GRM (US\$/bbl)	1.02	3.86	3.30	5.40	5.50
HPCL ex-inventory GRM (US\$/bbl)	2.32	1.87	3.30	5.40	5.50
Auto fuel volumes (mmt)	24.95	22.54	25.64	26.68	27.57
Auto fuels margins (Rs/kl)	2,439	3,531	3,000	2,676	2,679
Brent crude oil, US\$/bbl	61.00	44.90	60.00	55.00	50.00
Rupee dollar rate year average	70.89	74.23	75.00	75.00	75.00
HMEL refinery throughput (mmt)	12.20	10.08	11.79	12.73	12.73
HMEL GRM (US\$/bbl)	6.22	7.80	8.00	9.00	9.00

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Valuations in 2020 dropped to trough levels due to a sharp downturn in refining and large inventory losses. Record profits from inventory gains in FY21 have allowed HPCL to implement buyback and pay generous dividend thereby supporting the stock price. Further re-rating is contingent on improvement in core GRMs and normalization of Indian oil demand, in our view.



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	2,690,915	2,332,485	2,770,408	2,455,527	2,268,648
Gross Profit	151,614	262,935	207,557	240,135	254,522
Operating EBITDA	55,350	160,034	107,388	132,744	140,433
Depreciation And Amortisation	(33,699)	(36,255)	(40,613)	(48,194)	(52,983)
Operating EBIT	21,651	123,779	66,775	84,550	87,450
Financial Income/(Expense)	(11,389)	(9,633)	(12,261)	(26,091)	(26,963)
Pretax Income/(Loss) from Assoc.	(4,582)	1,387	4,789	7,016	7,290
Non-Operating Income/(Expense)	8,062	26,437	15,525	16,266	17,067
Profit Before Tax (pre-EI)	13,743	141,970	74,828	81,741	84,844
Exceptional Items					
Pre-tax Profit	13,743	141,970	74,828	81,741	84,844
Taxation	12,644	(35,341)	(17,460)	(18,641)	(19,354)
Exceptional Income - post-tax					
Profit After Tax	26,387	106,629	57,368	63,100	65,490
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	26,387	106,629	57,368	63,100	65,490
Recurring Net Profit	26,387	106,629	57,368	63,100	65,490
Fully Diluted Recurring Net Profit	26,387	106,629	57,368	63,100	65,490

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	55,350	160,034	107,388	132,744	140,433
Cash Flow from Invt. & Assoc.	8,062	26,437	15,525	16,266	17,067
Change In Working Capital	4,395	36,975	9,447	23,070	21,793
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(22,385)	364	(2,037)	(2,029)	(2,521)
Net Interest (Paid)/Received	(11,389)	(9,633)	(12,261)	(26,091)	(26,963)
Tax Paid	(1,670)	(35,862)	(17,321)	(18,493)	(19,200)
Cashflow From Operations	32,364	178,315	100,741	125,467	130,609
Capex	(181,917)	(121,178)	(109,005)	(80,498)	(67,998)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	1,629	(23,618)	(40,104)	(44,332)	(5,367)
Other Investing Cashflow					
Cash Flow From Investing	(180,287)	(144,796)	(149,109)	(124,829)	(73,364)
Debt Raised/(repaid)	158,100	(3,159)	88,103	12,427	(44,447)
Proceeds From Issue Of Shares					
Shares Repurchased		(16,356)	(7,625)		
Dividends Paid	(17,251)	(14,721)	(36,759)	(19,934)	(19,934)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	140,849	(34,236)	43,718	(7,506)	(64,380)
Total Cash Generated	(7,075)	(717)	(4,650)	(6,869)	(7,136)
Free Cashflow To Equity	10,176	30,360	39,734	13,065	12,798
Free Cashflow To Firm	(136,535)	43,152	(36,108)	26,729	84,208

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	55,680	56,871	56,871	56,871	56,871
Total Debtors	39,342	44,404	52,754	46,749	43,186
Inventories	193,260	204,223	248,598	235,205	222,838
Total Other Current Assets	126,981	63,180	66,091	67,060	68,049
Total Current Assets	415,263	368,677	424,313	405,885	390,942
Fixed Assets	663,125	748,048	816,439	848,743	863,758
Total Investments	90,508	114,125	154,230	198,561	203,928
Intangible Assets	167	167	167	167	167
Total Other Non-Current Assets					
Total Non-current Assets	753,799	862,340	970,835	1,047,471	1,067,852
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	333,805	323,003	388,086	392,728	399,579
Other Current Liabilities					
Total Current Liabilities	333,805	323,003	388,086	392,728	399,579
Total Long-term Debt	440,015	436,856	524,959	537,386	492,939
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	440,015	436,856	524,959	537,386	492,939
Total Provisions	85,436	85,403	85,541	85,689	85,843
Total Liabilities	859,256	845,262	998,586	1,015,803	978,361
Shareholders Equity	309,806	385,755	396,562	437,552	480,433
Minority Interests					
Total Equity	309,806	385,755	396,562	437,552	480,433

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(2.3%)	(13.3%)	18.8%	(11.4%)	(7.6%)
Operating EBITDA Growth	(54.4%)	189.1%	(32.9%)	23.6%	5.8%
Operating EBITDA Margin	2.1%	6.9%	3.9%	5.4%	6.2%
Net Cash Per Share (Rs)	(252.22)	(261.37)	(328.75)	(337.48)	(306.27)
BVPS (Rs)	203.31	265.34	278.52	307.31	337.42
Gross Interest Cover	1.90	12.85	5.45	3.24	3.24
Effective Tax Rate		24.9%	23.3%	22.8%	22.8%
Net Dividend Payout Ratio	56.3%	32.2%	35.5%	31.6%	30.4%
Accounts Receivables Days	6.51	6.55	6.40	7.40	7.23
Inventory Days	28.58	35.05	32.25	39.85	41.50
Accounts Payables Days	51.56	57.92	50.64	64.32	71.79
ROIC (%)	2.4%	12.6%	6.3%	7.9%	8.2%
ROCE (%)	4.1%	17.9%	8.9%	10.0%	10.2%
Return On Average Assets	3.1%	9.5%	5.1%	5.8%	5.9%

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.