

India

HOLD (no change)

Consensus ratings*: Buy 29 Hold 7 Sell 0

Current price:	Rs303
Target price:	Rs305
Previous target:	Rs285
Up/downside:	0.7%
InCred Research / Consensus:	-13.4%
Reuters:	HPCL.NS
Bloomberg:	HPCL IN
Market cap:	US\$5,764m
	Rs430,459m
Average daily turnover:	US\$20.4m
	Rs1524.6m
Current shares o/s:	1,418.5m
Free float:	45.1%

*Source: Bloomberg

Key changes in this note

- FY22F EPS increased by 19.2%
- FY23F EPS increased by 8%
- FY24F EPS increased by 6.7%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.5	11.2	62.0
Relative (%)	(0.6)	(0.3)	8.7

Major shareholders	% held
ONGC	54.9
HDFC Equity Fund	5.2
LIC	2.2

Analyst(s)



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Hindustan Petroleum

More refinery shutdown pain

- HPCL's refinery shutdown lasted longer than planned, impacting both refining volumes and margins in 2QFY22.
- We adjust our estimates for higher marketing margins and capex and lower auto fuel volumes. We now include estimates of inventory gains in 1HFY22.
- We reiterate our Hold rating and roll forward our TP from Rs285 to Rs305 (Sep-22). Large off-balance sheet debt will keep valuations in check.

Refinery shutdowns extended longer than planned

2QFY22 refinery throughput at 2.53mt was down 38% yoy, while gross refining margin (GRM) was US\$2.44/bbl which was significantly lower than its peers. Based on peer group data, we estimate inventory gains at Rs20bn in 1HFY22. Total debt including lease liabilities dropped from Rs429bn in Mar 2021 to Rs407bn in Sep 2021 and this drop was lower than for its peers. Compared to its peers, HPCL has opted not to declare any interim dividend. We raise our FY22-24F Brent oil forecasts and cut our auto fuel volume estimates by 4-5%. Auto fuel marketing margins (MMs) remain robust in FY22F YTD and we now assume these higher MMs to sustain over FY23-24F. We cut our FY22F refining throughput estimate by 22% due to the extended shutdown. Given the high level of likely inventory gains in 1HFY22, we have incorporated our estimates of these gains in FY22F.

Management commentary provided an update on operations

Capex has been maintained at Rs145bn for both FY22F and FY23F (actual for 1HFY22 was Rs63bn). Both the Mumbai and Visakh refineries were shut down in 1H, which continued longer than expected and impacted refining volumes as well as GRMs (via high fuel and loss). The expansion of the Mumbai refinery will be fully operational by 4QFY22F and of the Visakh refinery by 1QFY23F (except bottom upgradation part which will benefit from 4QFY23F). HPCL has no plans to add large new capex in refining after existing projects are executed. Relative to pre-Covid levels, volumes in Oct 2021 have risen by 1.3% for diesel and 8.2% for gasoline. HPCL added 440 new retail outlets in 2Q, taking the total to 19,200. Interest capitalized in 1HFY22 was Rs6.35bn vs Rs2.64bn (yoy).

Maintain Hold, TP Rs305

Business fundamentals are set to improve as Indian oil demand should recover, aiding higher utilization of refining as well, in our view. Marketing margins remain robust while GRMs surge (though we believe they will moderate by 4QFY22, but still settle at higher levels relative to 1HFY22). We believe HPCL's valuations will remain constrained due to the large off balance sheet debt in its JVs. Firstly, HPCL Mittal Energy (HMEL) had effective net debt of Rs372bn at Mar 2021. So, any hiccups in the execution of its petchem cracker (Rs225bn cost, start by Mar 2022F) would pose a significant risk. Secondly, our channel checks suggest the project cost of the Rajasthan 9mt refinery JV has gone up from Rs431bn to nearly Rs700bn which will strain HPCL's finances, in our view. 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	3,403,595	2,846,395	2,655,864
Operating EBITDA (Rsm)	55,350	160,034	114,685	135,297	142,434
Net Profit (Rsm)	26,387	106,629	66,994	67,913	69,609
Core EPS (Rs)	17.3	70.6	47.0	47.9	49.1
Core EPS Growth	(60.6%)	307.5%	(33.4%)	1.9%	2.5%
FD Core P/E (x)	17.52	4.13	6.43	6.34	6.18
DPS (Rs)	9.8	22.8	14.0	14.0	14.0
Dividend Yield	3.21%	7.80%	4.64%	4.61%	4.61%
EV/EBITDA (x)	13.66	4.62	6.95	5.49	4.94
P/FCFE (x)	45.44	13.13	11.56	37.91	42.81
Net Gearing	124.1%	99.0%	125.7%	111.4%	102.1%
P/BV (x)	1.49	1.16	1.07	0.96	0.87
ROE	8.6%	30.9%	17.1%	16.0%	14.7%
% Change In Core EPS Estimates			19.24%	8.03%	6.68%
InCred Research/Consensus EPS (x)			1.01	0.90	0.83

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 2 NOV 2021

More refinery shutdown pain

The contribution from the JVs mainly reflects the profit share from Mangalore Refinery and Petrochemicals (MRPL) and HMEL.

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

Rsm	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	yoy %	qoq %
EBITDA	36,081	32,973	47,367	31,937	30,263	-16%	-5%
Interest	-2,724	-1,323	-2,246	-2,593	-1,593	-42%	-39%
Depreciation	-8,833	-8,944	-9,647	-9,267	-9,596	9%	4%
Other income	7,782	8,421	4,900	3,465	4,313	-45%	24%
Share of profit from associates/JVs	6,074	569	323	3,002	177	-97%	-94%
Profit before tax	38,380	31,696	40,698	26,545	23,564	-39%	-11%
Tax	-8,621	-7,959	-10,091	-6,506	-4,376	-49%	-33%
Net profit	29,758	23,737	30,607	20,039	19,189	-36%	-4%
EPS (Rs)	19.53	15.84	20.42	14.13	13.53	-31%	-4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

In the absence of any information from HPCL, we have made assumptions for refining and marketing inventory gains based on peer group data. Adjusted for inventory gains, EBITDA was Rs22bn vs our estimate of Rs18bn and this beat is below that of the peer group. For 2QFY22, HPCL reported GRM of US\$2.44/bbl, significantly below peer group, and we estimate that included inventory gain of around US\$2/bbl. The drop in debt from Rs400bn in Mar 2021 to Rs377bn in Sep 2021 was again lower than for the peer group. Interest capitalized in 1HFY22 was Rs6.35bn vs Rs2.64bn (yoy).

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

Rsm	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	yoy %	qoq %
EBITDA	36,039	33,015	46,664	31,930	30,136	-16%	-6%
Interest	-2,604	-1,274	-2,053	-2,542	-1,545	-41%	-39%
Depreciation	-8,683	-8,811	-9,372	-9,139	-9,473	9%	4%
Other income	8,168	8,648	5,446	3,720	4,494	-45%	21%
Profit before tax	32,920	31,579	40,685	23,969	23,612	-28%	-1%
Tax	-8,146	-8,032	-10,506	-6,019	-4,377	-46%	-27%
Net profit	24,775	23,546	30,180	17,950	19,235	-22%	7%
EPS (Rs)	16.26	15.71	20.78	12.65	13.56	-17%	7%
Operating data							
Refining throughput (mmt)	4.06	4.00	4.39	2.51	2.53	-38%	1%
Pipeline throughput (mmt)	4.70	5.52	5.36	4.34	4.75	1%	9%
Domestic sales volumes (mmt)	8.10	10.03	9.83	8.45	8.79	9%	4%
Exports (mmt)	0.33	0.37	0.31	0.38	0.31	-6%	-18%
Singapore GRM (US\$/bbl)	0.08	1.20	1.80	2.00	3.70	4525%	85%
HPCL reported GRM (US\$/bbl)	5.11	1.87	8.11	3.31	2.44	-52%	-26%
HPCL GRM ex-inventory (US\$/bbl)	2.77	-0.95	3.48				
Other financial data							
Staff costs	10,053	8,836	4,352	8,359	7,828	-22%	-6%
Inventory gains/(loss)							
In refining	5,230	6,160	10,970				
In marketing	12,570	7,070	29,550				
EBITDA excl inventory/forex	18,239	19,785	14,557				
Forex (loss/gain)	5,240	2,970	1,410	-710	1,130		
Debt excl lease liability (Rs bn)	320	306	400	352	377	18%	7%
Capex (Rs bn)	28	38	60	30	33	16%	10%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Broadly, industry transportation fuel volumes have been trending below expectations and we have cut our FY22-24F estimates.

Figure 3: Transportation fuels marketing performance

	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	yoy %	qoq %
Gasoline sales (mmt)	1.71	1.95	1.90	1.63	1.93	12.9%	18.4%
Diesel sales (mmt)	3.41	4.64	4.44	3.96	3.72	9.1%	-6.1%
Jet fuel sales (mmt)	0.08	0.12	0.15	0.10	0.11	37.5%	10.0%
Gasoline market share	24.1%	24.3%	24.3%	24.0%	24.4%		
Diesel market share	21.5%	21.9%	21.6%	21.5%	21.6%		
Jet fuel market share	10.0%	10.3%	11.1%	10.7%	10.0%		

SOURCES: INCRED RESEARCH, COMPANY REPORTS

HPCL's debt levels will remain elevated due to ongoing capex on its own balance sheet and its JVs. Our estimates have built in an escalation in the Rajasthan refinery JV project (currently under execution) from Rs431bn to around Rs700bn.

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

Y/E Mar	2019	2020	2021	2022F	2023F	2024F
EBITDA	1,20,209	49,941	1,59,255	1,14,055	1,34,667	1,41,804
Interest	-7,259	-10,817	-9,147	-10,088	-24,186	-25,365
Depreciation	-30,126	-33,044	-35,527	-40,749	-49,526	-55,653
Other income	10,563	9,647	27,887	16,947	17,598	18,297
Pre-tax profit	93,387	15,726	1,42,468	80,166	78,553	79,083
Tax	-33,100	10,646	-35,829	-20,202	-19,795	-19,929
Net profit	60,287	26,373	1,06,639	59,964	58,758	59,154
EPS (Rs)	39.6	17.3	70.6	42.1	41.4	41.7
Book value per share (Rs)	184.9	190.1	239.5	265.3	294.0	321.7
ROE	23.1%	9.2%	32.7%	16.2%	14.8%	13.5%
Net debt equity	78%	130%	103%	133%	119%	110%
Staff costs	29,385	31,935	31,884	35,000	36,750	38,588

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Our estimates for FY22F now take into account inventory gains in refining and marketing (our estimate is based on peer group data) earned in 1HFY22.

Figure 5: HPCL's 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	24,707	69,478	78,293
Auto fuels	83,613	77,181	98,961	93,517	96,795	1,00,132
LPG/kero marketing	26,961	28,777	30,048	30,588	31,171	31,770
Balance products/lubricants/pipeline	42,054	44,316	38,995	44,194	45,950	47,348
Sub total	1,92,375	1,88,942	1,84,647	1,93,006	2,43,393	2,57,542
Less: Labour cost	-29,385	-31,935	-31,884	-35,000	-36,750	-38,588
Less: other operational expenses	-56,441	-64,536	-64,728	-64,351	-71,976	-77,151
Sub total	1,06,549	92,471	88,035	93,655	1,34,667	1,41,804
<u>Plus: Non-operational items</u>						
Subsidy borne	0	0	0	0	0	0
Inventory in refining	7,410	-29,600	17,710	5,400		
Inventory in marketing	6,250	-12,930	53,510	15,000		
EBITDA	1,20,209	49,941	1,59,255	1,14,055	1,34,667	1,41,804

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

We have adjusted our estimates for higher oil price, lower auto fuel volumes and higher auto fuel marketing margins. We cut our FY22F estimates for refining throughput and raise it for GRM taking into account estimated inventory gains in 1HFY22.

Figure 6: HPCL assumptions

Y/E Mar	2020	2021	2022F	2023F	2024F
HPCL crude throughput (mmt)	17.18	16.42	14.10	23.50	26.00
HPCL reported GRM (US\$/bbl)	1.02	3.86	3.90	5.40	5.50
HPCL ex-inventory GRM (US\$/bbl)	2.32	1.87	3.20	5.40	5.50
Auto fuel volumes (mmt)	24.95	22.47	24.51	25.35	26.20
Auto fuels margins (Rs/kl)	2,439	3,467	3,000	3,000	3,000
Brent crude oil, US\$/bbl	61.00	44.90	70.00	65.00	60.00
Rupee dollar rate year average	70.89	74.23	75.00	75.00	75.00
HMEL refinery throughput (mmt)	12.20	10.07	11.79	12.73	12.73
HMEL GRM (US\$/bbl)	5.35	4.65	7.00	8.00	8.00

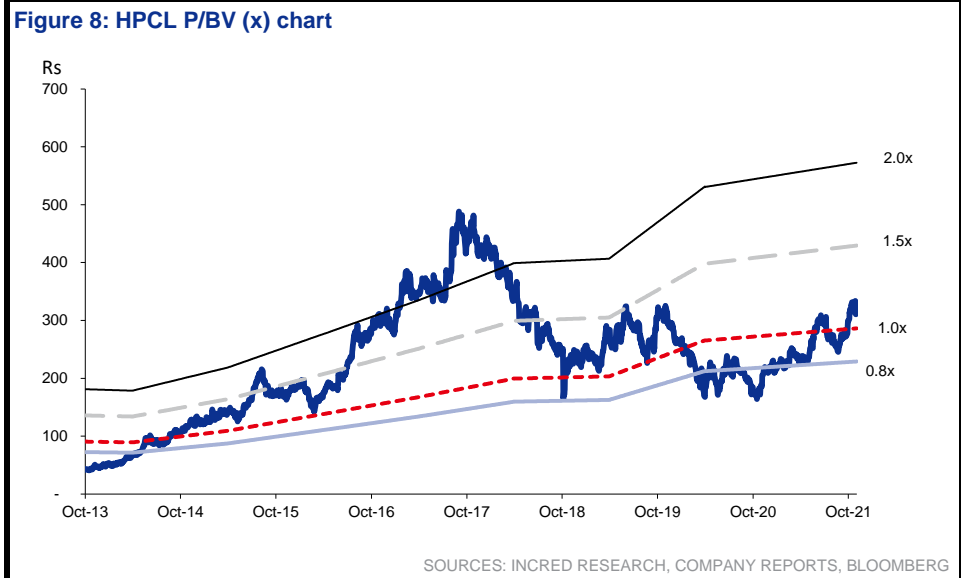
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 7: HPCL – Changes in estimates

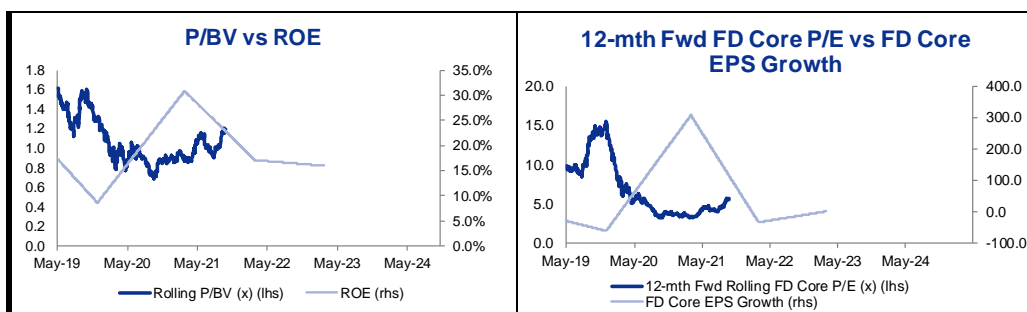
Year to 31 Mar	Old			New			Change %		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
HPCL crude throughput (mmt)	18.00	23.50	26.00	14.10	23.50	26.00	-21.7%	0.0%	0.0%
HPCL GRM (US\$/bbl)	3.30	5.40	5.50	3.90	5.40	5.50	18.2%	0.0%	0.0%
Auto fuel volumes (mmt)	25.64	26.68	27.57	24.51	25.35	26.20	-4.4%	-5.0%	-5.0%
Auto fuels margins (Rs/kl)	3,000	2,676	2,679	3,000	3,000	3,000	0.0%	12.1%	12.0%
Brent crude oil, US\$/bbl	60.00	55.00	50.00	70.00	65.00	60.00	16.7%	18.2%	20.0%
Rupee US dollar average	75.00	75.00	75.00	75.00	75.00	75.00	0.0%	0.0%	0.0%
HMEL refinery throughput (mmt)	11.79	12.73	12.73	11.79	12.73	12.73	0.0%	0.0%	0.0%
HMEL GRM (US\$/bbl)	8.00	9.00	9.00	7.00	8.00	8.00	-12.5%	-11.1%	-11.1%
EBITDA (Rsm)	1,07,388	1,32,744	1,40,433	1,14,685	1,35,297	1,42,434	6.8%	1.9%	1.4%
Net profit (Rs m)	57,368	63,100	65,490	66,994	67,913	69,609	16.8%	7.6%	6.3%
EPS (Rs)	39.41	44.32	46.00	46.99	47.88	49.07	19.2%	8.0%	6.7%

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 dividends thereby supporting the stock price. Further re-rating is contingent on the improvement in core GRMs and normalization of Indian oil demand, in our view. Also relative to peers, HPCL has massive off balance sheet debt in its JVs which is a risk until the projects in those JVs are executed successfully.



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	3,403,595	2,846,395	2,655,864
Gross Profit	151,614	262,916	221,097	250,433	263,932
Operating EBITDA	55,350	160,034	114,685	135,297	142,434
Depreciation And Amortisation	(33,699)	(36,255)	(40,883)	(49,660)	(55,787)
Operating EBIT	21,651	123,779	73,802	85,637	86,647
Financial Income/(Expense)	(11,389)	(9,633)	(10,018)	(24,117)	(25,295)
Pretax Income/(Loss) from Assoc.	(4,582)	1,387	6,050	8,176	9,474
Non-Operating Income/(Expense)	8,062	26,437	16,874	17,525	18,224
Profit Before Tax (pre-EI)	13,743	141,970	86,708	87,221	89,050
Exceptional Items					
Pre-tax Profit	13,743	141,970	86,708	87,221	89,050
Taxation	12,644	(35,341)	(19,714)	(19,307)	(19,441)
Exceptional Income - post-tax					
Profit After Tax	26,387	106,629	66,994	67,913	69,609
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	26,387	106,629	66,994	67,913	69,609
Recurring Net Profit	26,387	106,629	66,994	67,913	69,609
Fully Diluted Recurring Net Profit	26,387	106,629	66,994	67,913	69,609

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	55,350	160,034	114,685	135,297	142,434
Cash Flow from Invt. & Assoc.	8,062	26,437	16,874	17,525	18,224
Change In Working Capital	4,395	45,902	(29,111)	73,933	26,759
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(22,385)	(7,754)	(1,322)	(2,198)	(2,198)
Net Interest (Paid)/Received	(11,389)	(9,633)	(10,018)	(24,117)	(25,295)
Tax Paid	(1,670)	(35,862)	(20,041)	(19,638)	(19,771)
Cashflow From Operations	32,364	179,123	71,067	180,802	140,154
Capex	(181,917)	(136,394)	(117,406)	(117,734)	(91,634)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	1,629	(6,252)	(45,302)	(45,100)	(45,099)
Other Investing Cashflow					
Cash Flow From Investing	(180,287)	(142,646)	(162,708)	(162,834)	(136,733)
Debt Raised/(repaid)	158,100	(2,927)	128,889	(6,614)	6,635
Proceeds From Issue Of Shares					
Shares Repurchased		(16,356)	(7,625)		
Dividends Paid	(17,251)	(14,857)	(36,001)	(19,860)	(19,860)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	140,849	(34,140)	85,263	(26,473)	(13,225)
Total Cash Generated	(7,075)	2,337	(6,378)	(8,506)	(9,805)
Free Cashflow To Equity	10,176	33,551	37,248	11,354	10,055
Free Cashflow To Firm	(136,535)	46,110	(81,623)	42,084	28,716

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	59,925	59,925	59,925	59,925
Total Debtors	39,342	68,700	64,854	54,227	50,593
Inventories	193,260	287,639	288,825	271,196	259,503
Total Other Current Assets	126,981	62,095	65,157	66,176	67,215
Total Current Assets	415,263	478,359	478,761	451,523	437,235
Fixed Assets	663,125	763,264	839,788	907,861	943,708
Total Investments	90,508	96,759	142,061	187,161	232,260
Intangible Assets	167	3,216	3,216	3,216	3,216
Total Other Non-Current Assets					
Total Non-current Assets	753,799	863,239	985,065	1,098,239	1,179,184
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	333,805	436,723	408,014	454,709	467,181
Other Current Liabilities					
Total Current Liabilities	333,805	436,723	408,014	454,709	467,181
Total Long-term Debt	440,015	437,088	565,977	559,363	565,998
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	440,015	437,088	565,977	559,363	565,998
Total Provisions	85,436	86,978	87,138	87,295	87,454
Total Liabilities	859,256	960,789	1,061,130	1,101,368	1,120,633
Shareholders Equity	309,806	380,809	402,696	448,394	495,787
Minority Interests					
Total Equity	309,806	380,809	402,696	448,394	495,787

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	(2.3%)	(13.3%)	45.9%	(16.4%)	(6.7%)
Operating EBITDA Growth	(54.4%)	189.1%	(28.3%)	18.0%	5.3%
Operating EBITDA Margin	2.1%	6.9%	3.4%	4.8%	5.4%
Net Cash Per Share (Rs)	(252.22)	(259.75)	(356.74)	(352.08)	(356.75)
BVPS (Rs)	203.31	262.26	283.88	316.09	349.50
Gross Interest Cover	1.90	12.85	7.37	3.55	3.43
Effective Tax Rate		24.9%	22.7%	22.1%	21.8%
Net Dividend Payout Ratio	56.3%	32.2%	29.8%	29.2%	28.5%
Accounts Receivables Days	6.51	8.45	7.16	7.63	7.20
Inventory Days	28.58	42.41	33.06	39.37	40.49
Accounts Payables Days	51.56	67.95	48.44	60.65	70.34
ROIC (%)	2.4%	12.4%	6.5%	7.6%	7.6%
ROCE (%)	4.1%	17.9%	9.6%	9.9%	9.6%
Return On Average Assets	3.1%	9.1%	5.3%	5.7%	5.6%

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.