

India

HOLD (no change)

Consensus ratings*: Buy 11 Hold 7 Sell 4

Current price:	Rs1,031
Target price:	Rs1,106
Previous target:	Rs1,062
Up/downside:	7.3%
EIP Research / Consensus:	-0.9%
Reuters:	ALEM.NS
Bloomberg:	ALPM IN
Market cap:	US\$2,769m Rs2,02,598m
Average daily turnover:	US\$5.9m Rs429.0m
Current shares o/s:	188.5m
Free float:	30.2%

*Source: Bloomberg

Key changes in this note

- FY21F/22F/23F revenue fell by 2.5%/2.1%/1.8%
- FY21F/22F/23F EBITDA fell by 0.6%/1.1%/3.4%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.0)	6.0	72.2
Relative (%)	(11.6)	(13.3)	46.2

Major shareholders	% held
Promoters	69.8
Foreign Portfolio Investors	7.0
HDFC Life Insurance Co. Ltd	2.1

Analyst(s)

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Alembic Pharmaceuticals Ltd

Lack of triggers in the near term

- 3QFY21 revenues were below our estimates due to lower-than-expected US business; net profit was in line, led by higher profits from associates.
- Management lowered its R&D guidance from Rs7bn to Rs6.3bn-6.5bn in FY21F and Rs7bn-7.5bn in FY22F.
- We roll forward our target valuation to FY23F with higher TP of Rs1,106 at 18x FY23F P/E and reiterate our Hold rating.

3QFY21 revenues below estimates; earnings in line

Revenue grew by 8.7% yoy in 3Q to Rs13.1bn (our estimate: Rs14.1bn). EBITDA grew by 12% yoy to Rs3.6bn (our estimate: Rs3.9bn), and EBITDA margins expanded a mere 89bp yoy, mainly driven by a 240bp expansion in gross margins led by growth in domestic business and offset by higher operating expenses. Despite lower sales, the higher profit share of associates (milestone payment received by Rhizen Pharma) drove 3QFY21 PAT of Rs2.9bn (+24.9% yoy).

Strong domestic growth post muted 1HFY21 performance

India revenues grew by 14% in 3QFY21, led by 16% growth in the specialty segment driven by the cardio, diabeto, gynaec and gastro segments. The company launched one product in the acute segment and two in specialty. We expect 10% domestic business revenue CAGR in FY20-23F led by MR productivity, with the portfolio mix shifting towards the chronic segment and ramp-up of new launches in the specialty segment.

Muted US business performance in 3Q

US business revenue fell by 1% yoy and 12% qoq in 3QFY21, impacted by price erosion and loss of market share due to incremental competition in Sartan products which had low competition opportunities in the last eight quarters. The company launched seven products during the quarter, taking its total commercialised products to 82 through the front end and seven through partner labels. Management guided for 5-6 launches in 4QFY21 and we expect 15% US revenue CAGR over FY20-23F.

Limited upside potential; reiterate Hold with higher TP of Rs1,106

We downgrade our EPS estimates by 1%/1%/3% in FY21F/FY22F/FY23F assuming lower-than-expected US sales and adjusting Rhizen Pharma's profit share. We expect a mere 12% PAT CAGR over FY20-23F due to a decline in operating performance on the back of additional operating costs following the commercialisation of new facilities. Although we are confident of its prospects from the optimisation of new facilities and ramping up current business, near-term growth expectations are priced in. We roll forward our target valuation to FY23F with higher TP of Rs1,106 (from Rs1,062) at 18x FY23F P/E, equal to its five-year mean, and reiterate our Hold rating. Upside risks: Higher-than-expected price rises in the US generics portfolio. Downside risks: Price erosion in the US market, regulatory issues related to its facilities and adverse pricing regulations by NPPA in India.

Financial Summary	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	39,347	46,058	54,174	62,067	70,666
Operating EBITDA (Rsm)	8,736	12,230	15,656	14,625	17,808
Net Profit (Rsm)	5,844	8,288	11,875	9,832	12,070
Core EPS (Rs)	31.0	45.8	60.4	50.0	61.4
Core EPS Growth	41.6%	47.8%	34.6%	(18.9%)	22.8%
FD Core P/E (x)	33.25	23.44	16.71	20.60	16.78
DPS (Rs)	5.5	10.0	7.0	8.0	9.0
Dividend Yield	0.53%	0.97%	0.68%	0.78%	0.87%
EV/EBITDA (x)	23.01	17.21	12.58	13.28	10.65
P/FCFE (x)	89.45	111.35	(41.31)	64.89	104.60
Net Gearing	26.6%	52.2%	6.4%	0.6%	(6.0%)
P/BV (x)	7.15	6.03	4.04	3.47	2.95
ROE	23.7%	29.1%	28.8%	18.1%	19.0%
% Change In Core EPS Estimates					
EIP Research/Consensus EPS (x)			0.94	1.00	0.91

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 19 JAN 2021

Lack of triggers in the near term

Key takeaways from the results conference call

India ▶

- India's market growth was mainly driven by old brands in the portfolio and better operating performance. The company is now starting to see benefits of the restructuring exercise completed in the last financial year. It expects new brands to pick up in the coming quarters.
- After the strong ramp-up in its product Azithromycin in 1HFY21 due to COVID-19 demand, sales tapered in 3QFY21.
- The cough and cold segment continues to underperform the Indian pharmaceutical market (IPM) in the quarter.
- Field force activity and operating costs for the India business are almost back to pre-COVID-19 levels.
- In the last five months, one product was launched in the acute segment and two new products in the specialty segment (Rivaroxaban and Dapagliflozin).

US ▶

- US sales degrew 1% yoy and 12% qoq due to market share loss and price erosion in Sartan products with incremental competition.
- The company launched limited competition products Timolol and Asenapine, which should contribute to growth in the US business. On Asenapine, there are four players including an authorised generic and innovator. Alembic Pharma is the sole generic player for the Timolol gel. However, Sandoz supplies alternative dosage forms of Timolol.
- Management expects to maintain a quarterly sales run-rate of US\$70m in 4QFY21 and targets revenue of around US\$400m-500m in the next two to three years.
- Management is hopeful of an USFDA inspection in the F3 injectables facility in the next six months.
- One ANDA was filed during the quarter and eight approvals were received.
- The company plans to launch five to six products in 4QFY21.

API ▶

- 1HFY21 saw a lot of opportunities in APIs. However, as Chinese suppliers are back in the market, the API business is now getting normalised.

Other highlights ▶

- Alembic's associate company Rhizen Pharmaceuticals showed a profit for the first time. The milestone payment of Rs260m is reflected in Alembic's consolidated profits.
- Net borrowings as at Dec 2020 were Rs3bn, while gross borrowings were Rs6bn.
- Most of the borrowings comprise non-convertible debentures (NCDs) which should reduce by Rs1bn in FY22F and the balance by FY23F.
- R&D guidance for FY21F is Rs6.3bn-6.5bn and Rs7bn-7.5bn for FY22F.
- The company plans to make a few investments in the F3 injectables and API facilities in the near future.
- It is planning to set up around Rs10bn capex in the next two years, including maintenance capex.

The profit share of Alembic's associates was higher during the quarter as Rhizen Pharma received a milestone payment.

Figure 1: Quarterly consolidated summary

Rs m	3QFY20	3QFY21	% yoy	2QFY21	% qoq	9MFY20	9MFY21	% yoy
Sales (Rsm)	12,091	13,143	8.7	14,571	(9.8)	33,989	41,128	21.0
Gross Profit (Rsm)	9,106	10,214	12.2	11,451	(10.8)	26,234	31,700	20.8
Gross Margin (%)	75.3	77.7	240bps	78.6	-88bps	77.2	77.1	-11bps
R&D exp (Rsm)	1,457	1,480	1.5	1,846	(19.8)	4,597	4,751	3.3
EBITDA (Rsm)	3,251	3,651	12.3	4,434	(17.7)	8,955	12,159	35.8
EBITDA margin (%)	26.9	27.8	89bps	30.4	-266bps	26.3	29.6	322bps
Finance expenses (Rsm)	74	23	(68.6)	45	(48.4)	194	135	(30.7)
Depreciation (Rsm)	418	470	12.3	438	7.3	1,132	1,323	16.9
Other income (Rsm)	4	25	517.1	32	(21.4)	41	61	49.5
PBT before extraordinary items	2,763	3,183	15.2	3,984	(20.1)	7,670	10,762	40.3
Extraordinary income	-	-	-	-	-	-	-	-
Extraordinary expenses	-	-	-	-	-	328	-	(100.0)
PBT (Rsm)	2,763	3,183	15.2	3,984	(20.1)	7,342	10,762	46.6
Tax (Rsm)	486	591	21.7	730	(19.0)	1,371	1,989	45.1
Effective tax rate (%)	17.6	18.6	NM	18.3	NM	18.7	18.5	NM
Reported PAT (Rsm)	2,342	2,926	24.9	3,334	(12.2)	6,042	9,274	53.5
Adjusted PAT (Rsm)	2,342	2,926	24.9	3,334	(12.2)	6,370	9,274	45.6

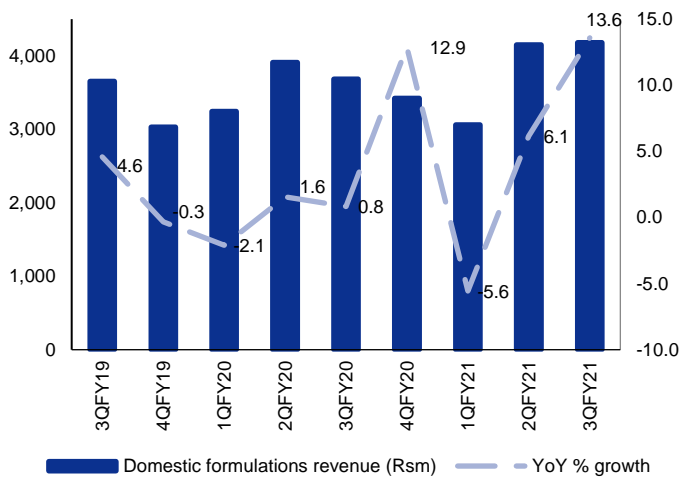
SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 2: Alembic Pharma's quarterly sales breakdown

Rsm	3QFY20	3QFY21	% yoy	2QFY21	% qoq	9MFY20	9MFY21	% yoy
Formulations	10,320	11,010	6.7	11,940	(7.8)	28,460	33,720	18.5
Domestic	3,680	4,180	13.6	4,150	0.7	10,830	11,390	5.2
% of sales	29.7	31.8		28.5		31.6	27.7	
International Generics	6,640	6,830	2.9	7,790	(12.3)	17,630	22,330	26.7
% of sales	53.7	51.9		53.5		51.4	54.3	
API	2,050	2,140	4.4	2,630	(18.6)	5,810	7,410	27.5
% of sales	16.6	16.3		18.1		17.0	18.0	
TOTAL	12,370	13,150	6.3	14,570	(9.7)	34,270	41,130	20.0

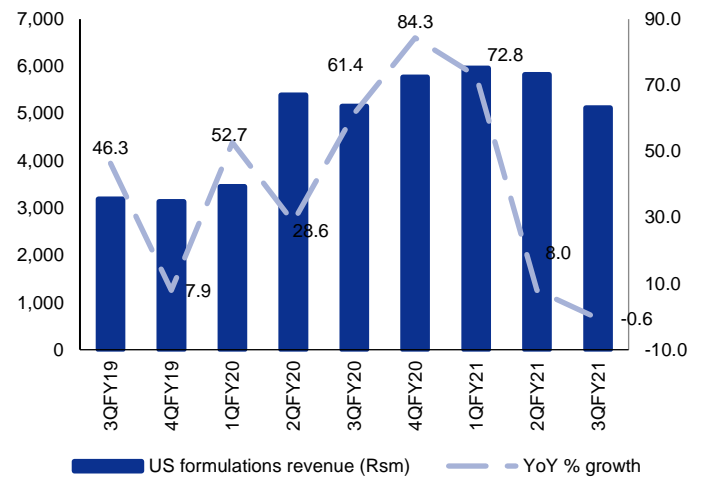
SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 3: India business grew by 14% yoy, led by strong specialty segment sales



SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 4: US business degrew by 1% yoy, due to competition in sartan products



SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 5: Revision in earnings estimates

Rs mn	Old estimates			New estimates			Change (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Revenue	55,591	63,427	71,986	54,174	62,067	70,666	(2.5)	(2.1)	(1.8)
EBITDA	16,066	14,700	17,986	15,656	14,625	17,808	(2.5)	(0.5)	(1.0)
EBITDA Margin (%)	28.9	23.2	25.0	28.9	23.6	25.2	0bps	39bps	22bps
PAT	11,945	9,937	12,492	11,875	9,832	12,070	(0.6)	(1.1)	(3.4)
EPS (Rs per share)	60.8	50.6	63.6	60.4	50.0	61.4	(0.6)	(1.1)	(3.4)

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 6: Performance according to key therapy areas

Therapy	3QFY21			3QFY20		
	Therapy growth %	Market share %	Alembic growth %	Therapy growth %	Market share %	Alembic growth %
Cardiology	15.0	1.9	15.0	9.0	1.9	4.0
Gynaecology	6.0	2.6	19.0	8.0	2.3	-4.0
Gastrology	13.0	1.4	19.0	7.0	1.4	-6.0
Anti Diabetic	11.0	0.8	30.0	10.0	-0.7	3.0
Orthopaedic	5.0	0.7	9.0	7.0	0.7	17.0
Nephro/Uro	8.0	2.0	9.0	9.0	1.9	6.0
Ophthalmology	4.0	1.5	6.0	11.0	1.4	2.0
Dermatological	8.0	0.2	0.0	9.0	0.2	-11.0
Anti Infective	-6.0	2.5	3.0	12.0	2.3	17.0
Cold & Cough	-15.0	4.3	-24.0	18.0	4.8	24.0
OVERALL	8.0	1.5	5.0	10.0	1.5	5.0

SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 7: Plant filing status as at Dec 2020

Location	Dosage form	Audit/ Filing status
International Generics		
F1- Panelav	General Oral Solids	Mar 20*
F2-Panelav	Oncology Oral Solids	Jun 19*
	Oncology Injectables	4QFY21#
F3- Karkhadi	General Injectables	Jan 20#
	Ophthalmic	
F4- Jarod	General Oral Solids	Jun 20#
Aleor (JV)- Karkhadi	Various derma forms	Jan 20*
API		
API I&II- Panelav		Dec 18*
API III- Karkhadi		Jan 20*

SOURCES: EIP RESEARCH, COMPANY REPORTS

*LAST USFDA INSPECTION

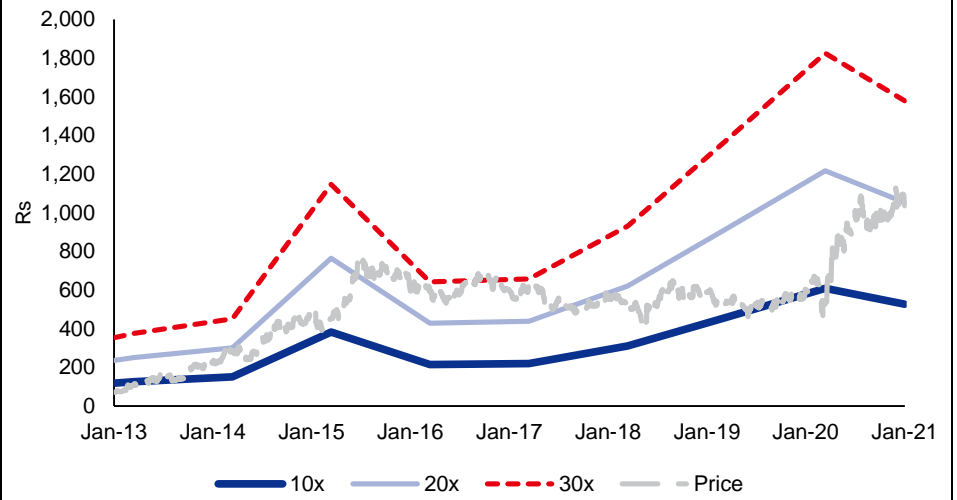
FILING / EXPECTED FILING

Figure 8: Annual sales assumption breakdown

Rsm	FY20	FY21F	FY22F	FY23F
Formulation	38,980	44,616	51,075	58,026
% of sales	84.6	82.4	82.3	82.1
% yoy	23.2	14.5	14.5	13.6
Domestic	14,250	15,135	16,952	18,986
% of sales	30.9	27.9	27.3	26.9
% yoy	3.1	6.2	12.0	12.0
International formulations	24,730	29,481	34,123	39,040
% of sales	53.7	54.4	55.0	55.2
% yoy	38.8	19.2	15.7	14.4
US	19,760	22,523	26,122	29,838
% of sales	42.9	41.6	42.1	42.2
% yoy	53.4	14.0	16.0	14.2
Non US	4,970	6,958	8,002	9,202
% of sales	10.8	12.8	12.9	13.0
% yoy	0.6	40.0	15.0	15.0
API	7,080	9,558	10,992	12,640
% of sales	15.4	17.6	17.7	17.9
% yoy	5.0	35.0	15.0	15.0
Total	46,060	54,174	62,067	70,666

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: P/E band: One-year forward

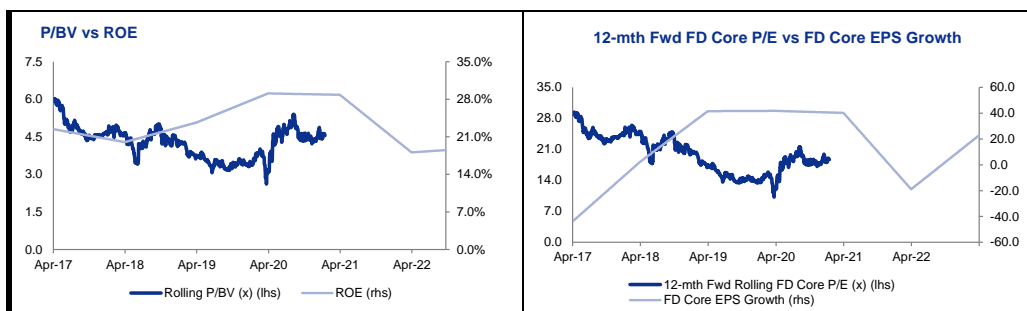


SOURCES: EIP RESEARCH, BLOOMBERG

Figure 10: Standard deviation: One year forward



SOURCES: EIP RESEARCH, BLOOMBERG

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Net Revenues	39,347	46,058	54,174	62,067	70,666
Gross Profit	29,420	35,664	41,768	47,667	54,272
Operating EBITDA	8,736	12,230	15,656	14,625	17,808
Depreciation And Amortisation	(1,152)	(1,573)	(1,733)	(2,986)	(3,489)
Operating EBIT	7,584	10,657	13,923	11,639	14,320
Financial Income/(Expense)	(184)	(272)	(210)	(97)	(52)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	94	49	67	70	74
Profit Before Tax (pre-EI)	7,493	10,435	13,779	11,613	14,342
Exceptional Items		(437)			
Pre-tax Profit	7,493	9,998	13,779	11,613	14,342
Taxation	(1,568)	(1,992)	(2,480)	(2,090)	(2,581)
Exceptional Income - post-tax					
Profit After Tax	5,926	8,007	11,299	9,522	11,760
Minority Interests	(82)	282	576	310	310
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	5,844	8,288	11,875	9,832	12,070
Recurring Net Profit	5,844	8,638	11,875	9,832	12,070
Fully Diluted Recurring Net Profit	5,844	8,638	11,875	9,832	12,070

Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
EBITDA	8,736	12,230	15,656	14,625	17,808
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(726)	(5,526)	816	(1,248)	(2,167)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,740)	(2,471)	(2,480)	(2,090)	(2,581)
Net Interest (Paid)/Received	(184)	(272)	(210)	(97)	(52)
Tax Paid					
Cashflow From Operations	6,086	3,961	13,782	11,190	13,009
Capex	(8,214)	(8,457)	(7,054)	(7,139)	(7,146)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	94	49	67	70	74
Cash Flow From Investing	(8,120)	(8,407)	(6,988)	(7,069)	(7,072)
Debt Raised/(repaid)	4,207	6,191	(11,598)	(1,000)	(4,000)
Proceeds From Issue Of Shares			16		
Shares Repurchased					
Dividends Paid	(1,248)	(1,885)	(1,376)	(1,572)	(1,769)
Preferred Dividends					
Other Financing Cashflow	233	(1,109)	8,036	305	305
Cash Flow From Financing	3,192	3,197	(4,921)	(2,268)	(5,464)
Total Cash Generated	1,157	(1,249)	1,873	1,854	472
Free Cashflow To Equity	2,172	1,745	(4,804)	3,122	1,936
Free Cashflow To Firm	(1,850)	(4,174)	7,004	4,218	5,988

SOURCES: EIP RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Cash And Equivalents	2,056	808	2,680	4,534	5,006
Total Debtors	4,889	8,648	7,421	8,502	9,680
Inventories	9,673	11,875	13,358	15,304	17,425
Total Other Current Assets	2,960	3,297	3,587	3,906	4,257
Total Current Assets	19,577	24,627	27,046	32,247	36,369
Fixed Assets	24,398	30,990	36,257	40,271	43,782
Total Investments	488	176	181	187	192
Intangible Assets	2,699	2,990	3,045	3,183	3,329
Total Other Non-Current Assets	616	1,107	1,162	1,220	1,281
Total Non-current Assets	28,200	35,263	40,644	44,861	48,584
Short-term Debt	4,291	8,605	7	7	7
Current Portion of Long-Term Debt					
Total Creditors	7,023	6,259	7,176	8,838	9,847
Other Current Liabilities	3,582	2,652	2,986	3,316	3,673
Total Current Liabilities	14,896	17,516	10,169	12,161	13,527
Total Long-term Debt	4,993	8,870	5,870	4,870	870
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities		733	862	988	1,125
Total Non-current Liabilities	4,993	9,603	6,732	5,858	1,995
Total Provisions	708	867	904	943	984
Total Liabilities	20,597	27,986	17,806	18,962	16,506
Shareholders Equity	27,188	32,194	50,175	58,435	68,736
Minority Interests	(8)	(290)	(290)	(290)	(290)
Total Equity	27,180	31,905	49,885	58,145	68,447

Key Ratios					
	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue Growth	25.7%	17.1%	17.6%	14.6%	13.9%
Operating EBITDA Growth	35.8%	40.0%	28.0%	(6.6%)	21.8%
Operating EBITDA Margin	22.2%	26.6%	28.9%	23.6%	25.2%
Net Cash Per Share (Rs)	(38.35)	(88.42)	(16.27)	(1.74)	21.01
BVPS (Rs)	144.23	170.79	255.31	297.34	349.75
Gross Interest Cover	41.19	39.24	66.25	120.26	276.53
Effective Tax Rate	20.9%	19.9%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	14.0%	17.6%	9.6%	13.2%	12.1%
Accounts Receivables Days	47.09	53.64	54.13	46.82	46.96
Inventory Days	312.75	378.34	371.20	363.27	364.33
Accounts Payables Days	268.71	233.22	197.64	202.97	208.01
ROIC (%)	21.9%	21.3%	25.5%	19.3%	21.6%
ROCE (%)	22.9%	24.7%	26.4%	19.6%	21.6%
Return On Average Assets	17.6%	19.9%	21.9%	16.2%	17.8%

Key Drivers					
	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Unit sales grth (% , main prod./serv.)	25.7%	17.1%	17.6%	14.6%	13.9%
R&D Cost/sales (%)	12.8%	14.0%	11.7%	12.0%	12.0%

SOURCES: EIP 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 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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.