

India

ADD (no change)

Consensus ratings*: Buy 11 Hold 4 Sell 12

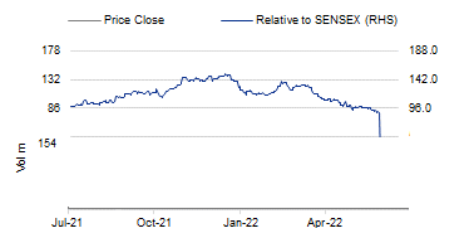
Current price:	Rs3,093
Target price:	Rs3,749
Previous target:	Rs4,720
Up/downside:	21.2%
InCred Research / Consensus:	-3.3%

Reuters:	
Bloomberg:	LTTS IN
Market cap:	US\$4,496m
	Rs326,451m
Average daily turnover:	US\$20.6m
	Rs1492.4m
Current shares o/s:	105.7m
Free float:	26.0%

*Source: Bloomberg

Key changes in this note

- Lower FY22-24F revenue CAGR by 2.4%.
- Lower FY22-24F EBIT CAGR by 1%.
- Lower FY22-24F PAT CAGR by 2.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.0)	(31.4)	(10.4)
Relative (%)	(10.2)	(27.0)	(11.5)

Major shareholders	% held
FPI	6.3
MF	3.5
LIC	2.4

Analyst(s)



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L&T Technology Services Ltd

Encouraging start to the year

- Retains FY23F revenue guidance but invariably increases it in CC terms.
- Robust deal wins provide comfort in an uncertain macro environment.
- Margin performance remains resilient despite persistent headwinds.

Demand commentary was more forthcoming

L&T Technology Services' (LTTS) 1QFY23 was in line with expectations while deal wins remained robust. Demand commentary was forthcoming with the company highlighting that although broad industry demand trends are encouraging (which helped increase FY23F constant currency or CC revenue growth guidance to 14.5%-16.5% and retain US\$ growth guidance at 13.5-15.5%), the overall macro-economic situation has worsened relative to the start of FY23 with caution emerging in select customer pockets (start-up ecosystem, newer business lines, and low product profitability is being questioned) due to budget constraints. We moderate our estimates and target price but continue to believe that LTTS could be a key beneficiary of the demand upcycle post macro uncertainty.

Deal wins remain healthy in an uncertain macro environment

LTTS has signed one US\$50m+ deal, four US\$15m+ deals and two US\$10m+ deals each in 1QFY23. Despite an uncertain macro environment, the quarterly number of large deals (in terms of value and count) was higher than FY22 quarterly average. Ramp-up of deals won, and conversion of deal pipeline led LTTS to retain its FY23F revenue growth guidance. However, we trim our FY22-24F US\$ revenue CAGR assumption by 2.4% to 15.1% to account for potential client-specific challenges amid the current uncertain macro.

Margin performance resilient

1QFY23 EBIT margin was down 30bp qoq at 18.3% as elevated delivery cost headwinds were offset by tailwinds from operational efficiency and Indian rupee or INR depreciation. Wage hike headwinds could impact 2QFY23F margins, which could be offset by quality of growth and operational efficiency. LTTS aspires to sustain 18%+ EBIT margin in FY23F (18.3% in FY22) led by growth leverage and improvement in employee utilization while higher wage inflation, rise in travel cost and organic investments are key headwinds. Consequently, we retain our FY23F-24F average EBIT margin estimate of 18.2%.

Retain Add rating with new target price of Rs3,749

We have moderated our earnings estimates to factor in an uncertain macro environment. We now factor in a 15.1% US\$ revenue CAGR over FY22-24F (vs. 17.5% earlier) and 18.4% PAT (Rs) CAGR (vs. 21%). Change in PAT and reduction in target PE/G multiple to 1.6x (vs 1.7x earlier) lowers our target P/E multiple to 29.5x (vs. 35.6x earlier) and our target price to Rs3,749 (vs. Rs4,720 earlier). Strong long-term prospects in ER&D services, sustained cash generation, net cash (Rs212/share) and average payout ratio of 35%+ provide cushion to our view. Client-specific problems, EBIT margin compression due to challenges in large verticals, and high employee attrition are key downside risks.

Financial Summary	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	56,191	54,497	65,697	79,152	92,138
Operating EBITDA (Rsm)	11,288	10,074	14,149	16,858	19,598
Net Profit (Rsm)	8,185	6,634	9,570	11,413	13,426
Core EPS (Rs)	79.2	62.8	90.6	108.0	127.0
Core EPS Growth	9.2%	(20.7%)	44.2%	19.2%	17.6%
FD Core P/E (x)	39.91	49.22	34.13	28.64	24.35
DPS (Rs)	21.0	22.0	35.0	43.2	50.8
Dividend Yield	0.76%	0.71%	1.13%	1.40%	1.64%
EV/EBITDA (x)	28.51	31.08	21.94	18.02	15.18
P/FCFE (x)	67.30	26.12	43.71	32.14	32.27
Net Gearing	(17.9%)	(38.6%)	(39.2%)	(47.7%)	(51.9%)
P/BV (x)	11.80	9.40	7.85	6.74	5.78
ROE	31.9%	21.3%	25.1%	25.3%	25.6%
% Change In Core EPS Estimates				(2.29%)	(4.11%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

YE Mar (Rs m)	1QFY23	1QFY22	YoY (%)	4QFY22	QoQ (%)	1QFY23E	Var. (%)
Revenue (US\$ m)	239.5	206	16.4	232	3.2	239.8	(0.1)
Net sales (Rs m)	18,737	15,184	23.4	17,561	6.7	18,515	1.2
USD-INR realization	78.2	73.8	6.0	75.7	3.4	77.2	1.3
EBITDA	4,010	3,177	26.2	3,805	5.4	3,944	1.7
EBITDA Margin (%)	21.4	20.9	48 bp	21.7	(27 bp)	21.3	10 bp
EBIT	3,434	2,623	30.9	3,274	4.9	3,397	1.1
EBIT Margin (%)	18.3	17.3	105 bp	18.6	(32 bp)	18.35	(2 bp)
Depreciation	576	554	4.0	531	8.5	546	5.5
Net other income	340	334	1.8	314	8.3	331	2.8
PBT	3,774	2,957	27.6	3,588	5.2	3,728	1.2
Provision for tax	1,024	787	30.1	956	7.1	951	7.7
% tax rate	27.1	26.6	52 bp	26.6	49 bp	25.5	163 bp
Net Profit	2,742	2,162	26.8	2,620	4.7	2,766	(0.9)
EPS (Rs)	26.0	20.4	27.0	24.8	4.7	26.2	(0.8)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Key conference call take-aways

- Though the company retained its US\$ revenue growth guidance (13.5-15.5%) for FY23F, management highlighted that constant currency (CC) revenue guidance stands at 14.5-16.5%.
- Transportation vertical growth (5% qoq in CC terms) was broad-based across sub-segments with demand witnessed in designing, digital cockpit, analytics and connected car, with the company pursuing four large deals. The growth trajectory is likely to sustain.
- Plant engineering growth (7.5% qoq in CC terms) was broad-based across FMCG, oil & gas, and chemicals sectors. Capacity expansion, automation and plant modernization remain the common demand themes and sustainability witnessing growing traction. Overall growth momentum is likely to continue.
- Industrial products vertical's growth was led by electrical and building automation areas. Digital engineering, internet of things, electrification and sustainability, and design & development for renewable segment are likely to drive growth in the medium term.
- Telecom & hitech vertical's growth was muted during 1QFY23 but the company won two large deals. Investments in 5G labs are paying off well, as per management. Large deal pipeline remains promising but the company remains selective to drive higher profitability. The pace of growth is likely to improve in coming quarters.
- Demand commentary across sub-segments of hi-tech vertical: a) consumer electronics (uneven decision-making), b) semi-conductor (good traction), c) telecom operators & Infrastructure (some pockets of 5G witnessing budget constraints), d) media & entertainment (good traction), and e) independent software firm (monetary tightening drives selective decision-making delay).
- Digital health, software usage in existing devices and chipsets, and investment in image processing solutions are driving growth for medical vertical customers while tightening of budgets due to inflation is impacting some customers.
- 2QFY23F EBIT margin to witness headwinds due to wage hike but management intends to offset them partially via quality of growth and operational efficiency. It retains the aspiration of sustaining 18%+ EBIT margin in the medium term.
- Though LTM attrition rate remains elevated, management is witnessing signs of stabilization.

Figure 2: Operating metrics trend

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Operating trends									
Revenue (\$ m)	171.0	178.0	190.1	197.5	205.7	217.4	225.1	232.0	239.5
Growth YoY (%)	-11.8	-10.0	-4.6	1.1	20.3	22.1	18.4	17.5	16.4
Growth QoQ (%)	-12.5	4.1	6.8	3.9	4.2	5.7	3.5	3.1	3.2
CC Growth YoY (%)	-10.9	-10.6	-5.2	0.6	18.6	22.3	19.5	19.4	19.9
CC Growth QoQ (%)	-12.7	2.9	6.6	3.8	4.3	6.0	4.2	3.6	4.7
Revenue (Rs m)	12,947	13,138	14,007	14,405	15,184	16,077	16,875	17,561	18,737
Growth YoY (%)	-3.9	-6.3	-1.6	-0.4	17.3	22.4	20.5	21.9	23.4
Growth QoQ (%)	-10.5	1.5	6.6	2.8	5.4	5.9	5.0	4.1	6.7
EBIT Margin (%)	12.1	13.7	15.2	16.6	17.3	18.4	18.6	18.6	18.3
\$-Rs realized rate	75.7	73.8	73.7	72.9	73.8	74.0	75.0	75.7	78.2
Headcount	16,641	15,902	16,069	16,452	16,972	17,983	20,118	20,861	21,433
Attrition (%)	11.4	10.8	10.7	12.2	14.5	16.5	17.5	20.4	23.2
Utilization (%)	70.9	75.4	77.5	78.9	79.2	78.1	75.9	75.1	NA
Vertical (%)									
Transportation	31.5	31.5	30.4	31.2	31.2	31.4	31.8	33.3	33.2
Process Industry	13.8	14.4	14.7	15.5	15.5	15.3	15.4	15.4	16.0
Industrial Products	19.4	19.5	19.3	18.9	19.5	20.0	19.5	18.8	19.0
Medical Industry	12.8	13.2	12.7	12.3	11.7	12.2	11.9	11.5	11.5
Telecom and Hitech	22.4	21.4	22.9	22.1	22.0	21.1	21.4	21.0	20.3
Vertical (\$ m)									
Transportation	53.9	56.1	57.8	61.6	64.2	68.3	71.6	77.3	79.5
Process Industry	23.6	25.6	27.9	30.6	31.9	33.3	34.7	35.7	38.3
Industrial Products	33.2	34.7	36.7	37.3	40.1	43.5	43.9	43.6	45.5
Medical Industry	21.9	23.5	24.1	24.3	24.1	26.5	26.8	26.7	27.5
Telecom and Hitech	38.3	38.1	43.5	43.6	45.3	45.9	48.2	48.7	48.6
Vertical YoY (%)									
Transportation	-20.4	-19.0	-19.0	-11.7	19.1	21.7	23.9	25.4	23.9
Process Industry	-20.4	-20.0	-18.5	-2.1	35.1	29.8	24.0	16.7	20.2
Industrial Products	-12.6	-9.5	-4.1	-1.5	20.9	25.3	19.6	16.8	13.4
Medical Industry	41.5	35.1	28.9	20.7	10.0	12.9	11.0	9.8	14.4
Telecom and Hitech	-11.3	-6.5	18.1	19.5	18.1	20.4	10.7	11.6	7.4
Vertical QoQ (%)									
Transportation	-22.8	4.1	3.1	6.6	4.2	6.4	4.9	7.9	2.9
Process Industry	-24.5	8.6	9.0	9.5	4.2	4.3	4.2	3.1	7.3
Industrial Products	-12.5	4.6	5.7	1.7	7.5	8.4	1.0	-0.6	4.3
Medical Industry	8.8	7.3	2.8	0.6	-0.9	10.2	1.0	-0.4	3.2
Telecom and Hitech	4.8	-0.6	14.3	0.3	3.7	1.4	5.0	1.1	-0.2
Incremental revenue (\$ m)									
Transportation	-16	2	2	4	3	4	3	6	2
Process Industry	-8	2	2	3	1	1	1	1	3
Industrial Products	-5	2	2	1	3	3	0	0	2
Medical Industry	2	2	1	0	0	2	0	0	1
Telecom and Hitech	2	0	5	0	2	1	2	1	0
Geography (%)									
North America	61.2	60.0	61.2	61.5	62.3	62.9	62.5	62.3	62.9
Europe	16.0	16.0	16.1	16.7	16.8	16.7	16.5	16.1	16.4
India	13.0	13.6	13.9	13.1	12.9	13.0	13.7	14.5	13.2
ROW	9.8	10.4	8.8	8.8	8.0	7.4	7.4	7.0	7.4
Geography (\$ m)									
North America	104.7	106.8	116.3	121.5	128.2	136.7	140.7	144.5	150.6
Europe	27.4	28.5	30.6	33.0	34.6	36.3	37.1	37.4	39.3
India	22.2	24.2	26.4	25.9	26.5	28.3	30.8	33.6	31.6
ROW	16.8	18.5	16.7	17.4	16.5	16.1	16.7	16.2	17.7
Geography YoY (%)									
North America	-11.4	-12.4	-4.6	1.6	22.5	28.0	20.9	19.0	17.6
Europe	-9.5	0.0	8.9	1.1	26.3	27.5	21.4	13.2	13.7
India	-10.4	-6.5	0.4	3.4	19.4	16.7	16.7	30.0	19.1
ROW	-19.2	-12.5	-26.4	-3.3	-1.8	-13.1	-0.4	-6.6	7.7
Geography QoQ (%)									
North America	-12.5	2.1	8.9	4.4	5.5	6.7	2.9	2.7	4.2
Europe	-16.2	4.1	7.5	7.8	4.8	5.1	2.3	0.6	5.2
India	-11.1	8.9	9.2	-2.1	2.6	6.5	9.1	9.1	-6.0
ROW	-6.8	10.5	-9.6	3.9	-5.3	-2.2	3.5	-2.5	9.1
Incremental revenue (\$ m)									
North America	-15	2	10	5	7	9	4	4	6
Europe	-5	1	2	2	2	2	1	0	2
India	-3	2	2	-1	1	2	3	3	-2
ROW	-1	2	-2	1	-1	0	1	0	1
Client (%)									
Top 5	17.8	17	16.3	16.1	16.4	17	17.3	17.2	16.7
Top 6-10	11.9	11.3	11	10.8	11	11.2	11.2	11.1	10.9
Top 11-20	17.1	16.6	16.7	16.9	16.5	15.9	15.3	15.2	15.6
Non top 20	53.2	55.1	56	56.2	56.1	55.9	56.2	56.5	56.8
Client (\$ m)									
Top 5	30.4	30.3	31.0	31.8	33.7	37.0	38.9	39.9	40.0
Top 6-10	20.3	20.1	20.9	21.3	22.6	24.3	25.2	25.8	26.1
Top 11-20	29.2	29.5	31.7	33.4	33.9	34.6	34.4	35.3	37.4
Non top 20	91.0	98.1	106.5	111.0	115.4	121.5	126.5	131.1	136.0
Client YoY (%)									
Top 5	-36.4	-33.2	-26.3	-15.2	10.8	22.1	25.7	25.5	18.6
Top 6-10	-12.5	-20.5	-18.0	-13.4	11.2	21.1	20.6	20.7	15.4

Top 11-20	-4.6	-4.2	0.2	2.3	16.1	17.0	8.5	5.7	10.1
Non top 20	-1.2	1.9	6.4	10.3	26.8	23.9	18.8	18.1	17.9
Client QoQ (%)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Top 5	-18.9	-0.6	2.4	2.6	6.1	9.6	5.4	2.5	0.2
Top 6-10	-17.3	-1.2	4.0	2.0	6.1	7.6	3.5	2.1	1.4
Top 11-20	-10.4	1.0	7.4	5.1	1.7	1.8	-0.4	2.4	5.9
Non top 20	-9.6	7.8	8.5	4.3	4.0	5.3	4.1	3.6	3.8
Incremental revenue (\$ m)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Top 5	-7.1	-0.2	0.7	0.8	1.9	3.2	2.0	1.0	0.1
Top 6-10	-4.3	-0.2	0.8	0.4	1.3	1.7	0.9	0.5	0.4
Top 11-20	-3.4	0.3	2.2	1.6	0.6	0.6	-0.1	0.8	2.1
Non top 20	-9.7	7.1	8.4	4.5	4.4	6.1	5.0	4.6	5.0
Client metrics	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
No of active clients	270	283	296	306	305	314	318	324	337
Revenue per active client	2.8	2.6	2.5	2.4	2.5	2.6	2.7	2.7	2.7
\$ 30 m+	1	1	1	0	0	1	2	2	2
\$ 20 m+	4	5	4	3	5	6	6	6	7
\$ 10 m+	22	20	18	20	20	21	22	22	23
\$ 5 m+	43	44	41	39	43	45	44	48	51
\$ 1 m+	113	116	118	122	122	125	126	136	142
Per employee analysis	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Revenue (\$ m) - TTM	763	744	735	737	771	811	846	880	914
Employees (average TTM)	15,592	15,383	15,225	15,142	15,246	15,770	16,770	17,820	18,867
Revenue per employee (TTM)	48,963	48,347	48,242	48,645	50,590	51,407	50,429	49,394	48,446

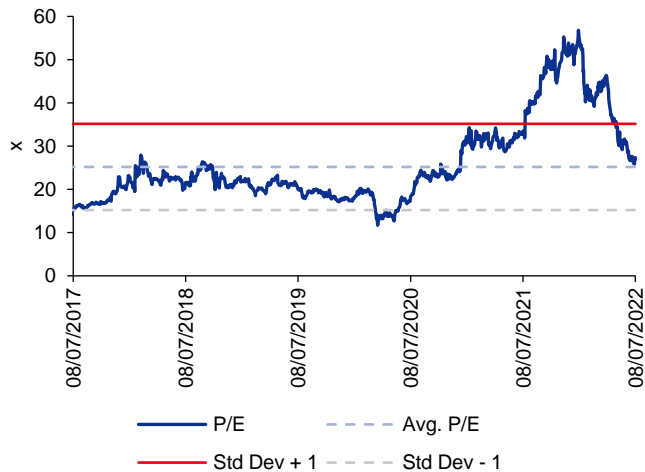
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in our earnings estimates

Y/E, Mar (Rs m)	FY23F			FY24F		
	New	Old	% change	New	Old	% change
US\$ revenue	1,014	1,048	-3.2	1,166	1,215	-4.0
Revenue	79,152	79,633	-0.6	92,138	93,580	-1.5
EBIT	14,409	14,414	0.0	16,834	17,125	-1.7
EBIT Margin (%)	18.2	18.1	10 bp	18.3	18.3	(3) bp
Net PAT	11,413	11,681	-2.3	13,426	14,001	-4.1
EPS (Rs)	108.0	110.5	-2.3	127.0	132.5	-4.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: One-year forward P/E multiple at ~27x

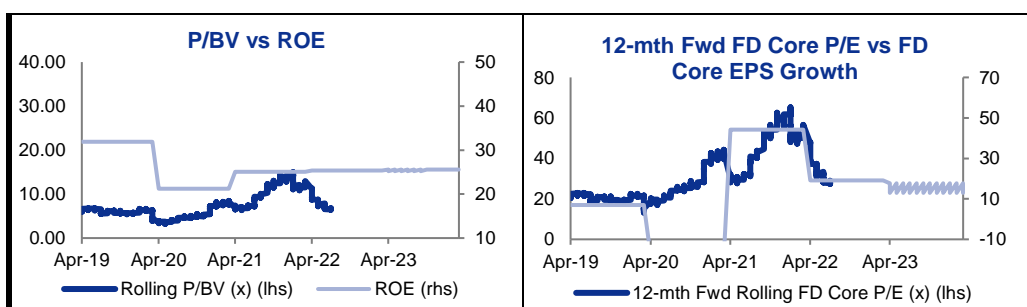


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: One-year forward EV/EBITDA multiple at ~17x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Net Revenues	56,191	54,497	65,697	79,152	92,138
Gross Profit	22,282	20,947	29,192	35,067	40,974
Operating EBITDA	11,288	10,074	14,149	16,858	19,598
Depreciation And Amortisation	(1,829)	(2,183)	(2,144)	(2,449)	(2,764)
Operating EBIT	9,459	7,891	12,005	14,409	16,834
Financial Income/(Expense)	(1)	(173)	1,087	1,191	1,502
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,727	1,255			
Profit Before Tax (pre-EI)	11,185	8,973	13,092	15,600	18,335
Exceptional Items					
Pre-tax Profit	11,185	8,973	13,092	15,600	18,335
Taxation	(2,778)	(2,307)	(3,486)	(4,155)	(4,877)
Exceptional Income - post-tax	(183)				
Profit After Tax	8,224	6,666	9,606	11,445	13,458
Minority Interests	(39)	(32)	(36)	(32)	(32)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8,185	6,634	9,570	11,413	13,426
Recurring Net Profit	8,368	6,634	9,570	11,413	13,426
Fully Diluted Recurring Net Profit	8,368	6,634	9,570	11,413	13,426

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
EBITDA	11,288	10,074	14,149	16,858	19,598
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(4,287)	4,245	(1,452)	(801)	(3,060)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,499	1,477	(36)	(32)	(32)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(2,119)	(2,523)	(3,563)	(4,155)	(4,877)
Cashflow From Operations	6,381	13,273	9,098	11,871	11,629
Capex	(1,527)	(771)	(1,624)	(1,700)	(1,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(695)	(9,283)	(2,859)	1,611	1,922
Cash Flow From Investing	(2,222)	(10,054)	(4,483)	(89)	422
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,636)	(2,198)	(3,633)	(4,565)	(5,370)
Preferred Dividends					
Other Financing Cashflow	(1,424)	(1,429)	(1,349)	(420)	(420)
Cash Flow From Financing	(4,060)	(3,627)	(4,982)	(4,985)	(5,790)
Total Cash Generated	99	(408)	(367)	6,796	6,260
Free Cashflow To Equity	4,854	12,502	7,474	10,171	10,129
Free Cashflow To Firm	4,159	3,219	4,615	11,782	12,050

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Cash And Equivalents	8,549	17,476	20,660	27,452	33,708
Total Debtors	17,317	14,761	19,569	21,035	24,486
Inventories					
Total Other Current Assets	3,236	2,789	3,022	3,022	3,022
Total Current Assets	29,102	35,026	43,251	51,509	61,216
Fixed Assets	5,676	6,379	6,496	5,747	4,483
Total Investments	1,137	1,644	3,225	3,225	3,225
Intangible Assets	6,146	6,564	6,430	6,430	6,430
Total Other Non-Current Assets	972	1,116	1,507	1,507	1,507
Total Non-current Assets	13,931	15,703	17,658	16,909	15,645
Short-term Debt	303				
Current Portion of Long-Term Debt					
Total Creditors	1,975	2,352	1,720	2,385	2,777
Other Current Liabilities	8,110	8,630	12,069	12,069	12,069
Total Current Liabilities	10,388	10,982	13,789	14,454	14,846
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4,890	4,915	5,359	5,359	5,359
Total Non-current Liabilities	4,890	4,915	5,359	5,359	5,359
Total Provisions					
Total Liabilities	15,278	15,897	19,148	19,813	20,205
Shareholders Equity	27,686	34,731	41,624	48,472	56,528
Minority Interests	69	101	137	137	137
Total Equity	27,755	34,832	41,761	48,609	56,665

Key Ratios					
	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue Growth	10.7%	(3.0%)	20.6%	20.5%	16.4%
Operating EBITDA Growth	23.3%	(10.8%)	40.5%	19.1%	16.3%
Operating EBITDA Margin	20.1%	18.5%	21.5%	21.3%	21.3%
Net Cash Per Share (Rs)	47.14	127.53	155.02	219.29	278.48
BVPS (Rs)	262.20	329.03	393.83	458.63	534.85
Gross Interest Cover	25.92	17.34	27.47	34.31	40.08
Effective Tax Rate	24.8%	25.7%	26.6%	26.6%	26.6%
Net Dividend Payout Ratio	29.6%	34.8%	38.5%	40.0%	40.0%
Accounts Receivables Days	98.67	107.42	95.37	93.62	90.16
Inventory Days					
Accounts Payables Days	20.74	23.54	20.36	17.00	18.41
ROIC (%)	42.9%	25.2%	42.7%	45.5%	53.1%
ROCE (%)	25.0%	16.7%	20.8%	21.4%	21.7%
Return On Average Assets	21.9%	14.5%	15.8%	16.3%	17.0%

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	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 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **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** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **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** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - 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 2021 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 August 5, 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.