

**India**
**ADD** (no change)

Consensus ratings\*: Buy 8 Hold 5 Sell 3

Current price:	Rs1,096
Target price:	Rs1,290
Previous target:	Rs1,294
Up/downside:	17.7%
InCred Research / Consensus:	26.6%
Reuters:	NATP.NS
Bloomberg:	NTCPH IN
Market cap:	US\$2,705m Rs199,806m
Average daily turnover:	US\$7.9m Rs586.2m
Current shares o/s:	182.5m
Free float:	51.1%

\*Source: Bloomberg

**Key changes in this note**

- Cut FY22F/23F revenue by 1.4%/1.5%
- Cut FY22F/23F EPS by 2.9%/2.2%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.7	33.9	76.7
Relative (%)	13.6	27.5	17.3

**Major shareholders**

	% held
Promoter & Promoter Group	48.9
Mirae Asset Bluechip Fund	3.7
East Bridge Capital Master Fund I	2.6

**Analyst(s)**

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# Natco Pharma Ltd

## Weak quarter; long-term outlook intact

- 4QFY21 earnings were below our estimates by 31%, mainly due to lower sales in the domestic oncology segment and oseltamivir in the US.
- Management expects to launch gRevlimid in Mar 2022 as per the innovator settlement and expects a high single-digit market share in the first year.
- We reiterate our Add rating with a lower TP of Rs1,290 on an SOP basis.

**4QFY21 earnings below estimates**

Revenue de-grew by 27% yoy in 4Q to Rs3.3bn (our estimate Rs4.3bn). EBITDA declined by 40.6% yoy and 8% qoq to Rs762m (our estimate Rs1bn), and EBITDA margins contracted by 520bp yoy and 20bp qoq to 23.0% in 4Q. PAT of Rs530m (our estimate Rs776m) de-grew 44% yoy. Revenue and profits declined mainly due to lower sales in the domestic oncology segment and weak realisation of profit from the oseltamivir product in the US.

**Oncology sales continues to drag domestic business growth**

India revenue de-grew by 20% in 4QFY21 mainly due to lower chemotherapy sales in oncology impacted by COVID-19 on lower patient footfalls for hospital therapies. Oral oncology sales recovered and is showing growth. Management expects the base business to improve as vaccinations speed up and patients start visiting hospitals again. Management highlighted that the domestic business is pivoted towards COVID-19 portfolio like anti-fungal drugs and anticoagulant drugs and guided for 10-12 product launches in FY22. We expect its domestic business revenue CAGR to be 20% over FY21-FY23F on a low base, assuming recovery in oncology segment, ramp up in the COVID portfolio and new launches.

**Lower oseltamivir sales impacted export formulation growth**

Export formulations including subsidiaries fell by 27% yoy, mainly impacted by lower profit realisations from the oseltamivir product in the US on the back of a weak flu season. We believe some of the anticipated near-term launches in the US like gAfitinor, gZortress and gNexavar would support sales growth in FY22F/23F. gRevlimid's launch would have the most impact, supporting Natco's revenue growth in the US beyond FY22F, in our view.

**Reiterate Add rating with lower TP of Rs1,290**

We lower our EPS estimates by 3%/2% in FY22F/FY23F assuming lower-than-expected domestic oncology/ US sales. We believe Natco has a strong PARA-IV product pipeline, while execution remains key. We reiterate our Add rating with lower SOP-based TP of Rs1,290 (from Rs1,294). We ascribe 1) a P/E of 22x FY23F to its base business EPS of Rs48.5, valuing its base business at Rs1,063/share, 2) a P/E of 10x FY23F to product gCopaxone's EPS of Rs5.7 to arrive at a value of Rs57, and 3) an NPV of Rs170/share for its key products opportunity. Downside risk: Delay in any high-value launches estimated in the US. Key catalyst: Earlier-than-expected high-value product launches.

**Financial Summary**

	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
Revenue (Rsm)	20,945	19,150	20,521	26,386	47,240
Operating EBITDA (Rsm)	7,948	5,826	6,062	9,394	21,966
Net Profit (Rsm)	6,444	4,608	4,409	6,978	16,632
Core EPS (Rs)	35.1	25.3	24.2	38.2	91.1
Core EPS Growth	(9.5%)	(28.0%)	(4.3%)	58.0%	138.4%
FD Core P/E (x)	31.20	43.34	45.30	28.66	12.02
DPS (Rs)	16.1	7.0	6.3	9.6	22.8
Dividend Yield	0.60%	0.80%	0.57%	0.87%	2.08%
EV/EBITDA (x)	25.30	34.77	32.97	21.22	9.10
P/FCFE (x)	48.85	(142.45)	41.04	77.83	50.96
Net Gearing	3.1%	6.6%	(0.4%)	(1.5%)	(0.3%)
P/BV (x)	5.73	5.29	4.85	4.31	3.39
ROE	19.6%	12.7%	11.2%	15.9%	31.6%
% Change In Core EPS Estimates				(3.19%)	(2.50%)
InCred Research/Consensus EPS (x)				1.23	1.50

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, PRICED AS AT 18 JUNE 2021

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## Weak quarter; long-term outlook intact

### Key takeaways from the results conference call

#### On domestic formulations >

- The pandemic hit the domestic oncology business very hard in FY21 as patients were reluctant to visit hospitals for treatment. Management stated that the oncology business is competitive in India. The domestic base business was not only affected by COVID-19, but also price controls by the government.
- Management expects the base business to improve as vaccinations speed up and patients start visiting hospitals again. It expects FY22 domestic business growth to be better than FY21.
- Management highlighted that the domestic business is pivoted towards COVID-19 portfolio like anti-fungal drugs (Amphotericin B and many more) and anticoagulant drugs.
- On Molnupiravir, management stated that clinical trials are currently in progress and there is no key patent for the drug. The company is not a licensee but open to having an alliance.
- The company launched Eltrombopag and is in litigation for which a decision is reserved by the court. The company launched 10-12 products in FY21, and 30-40% of the domestic portfolio came from the oncology segment in 4QFY21.
- It expects the domestic business to do well in 1QFY22 due to the company's COVID-19 portfolio.
- The company witnessed moderate sales of Hepatitis-C portfolio in 4QFY21.

#### On the US business/ Revlimid >

- Management highlighted that Revlimid (except for 2.5mg & 20mg strength where it does not have exclusivity) will be launched in Mar 2022 as per the litigation settlement with the innovator. It is also expecting high single-digit market share for Revlimid in the first year of the launch. The company will receive a third of the profit share in Revlimid, which it will sell through its partner Teva.
- The US will be a huge market for Revlimid, while Canada will be reasonably large. The company has filed for the product in Australia. Management expects these regions to contribute significantly through the product Revlimid.
- The US base business is doing reasonably well, and the company has not seen any decline in gCopaxone sales. However, gTamiflu sales have completely declined due to weak flu season and price erosion.
- Natco has settled litigation with the innovator for product gNexavar and believes it will get 180 days of exclusivity. The product's launch date has not been disclosed.
- Management believes Everolimus to be a good opportunity which would support its base business. It has launched a lower dosage strength and expects approval for 10mg strength in the near term.
- The company is optimistic of achieving its target of 7-8 filings in the US in FY22.
- Management added that Imbruvica's launch is some time away but could be a key product in future and the company has 180 days of exclusivity.

#### On agri-chem business >

- The company intends to launch the brand Natmate, licensed from ATGC Biotech, which is a pheromones product used to control pink bollworm in cotton crops. It added that the product could be a large product for the company but a ramp-up in sales will be gradual. 90% of sales happen in the months of Jun, Jul, Aug for such products. The company will be targeting four states – Andhra Pradesh, Telangana, Madhya Pradesh and Gujarat.

- On chlorantraniliprole, management stated that the court case judgement is expected in Jul. Normally this product's sales are higher in the kharif season (65-70%) compared to the rabi season (30-35%).

### Other highlights ►

- In FY21, the company's inventory levels went up due to the build-up of its pandemic and agri-chem products portfolios.
- Management stated that the subsidiaries contributed around 25% of the company's profits in FY21.

**Figure 1: Quarterly consolidated summary**

YE 31 March	4QFY20	4QFY21	% yoy	3QFY21	% qoq	FY20	FY21	% yoy
Sales (Rsm)	4,548	3,313	(27.2)	3,552	(6.7)	19,150	20,521	7.2
Gross Profit (Rsm)	3,599	2,768	(23.1)	2,721	1.7	15,334	15,407	0.5
Gross Margin (%)	79.1	83.5	442bp	76.6	694bp	80.1	75.1	-499bp
EBITDA (Rsm)	1,283	762	(40.6)	825	(7.6)	5,826	6,062	4.1
EBITDA margin (%)	28.2	23.0	-521bp	23.2	-23bp	30.4	29.5	-88bp
Interest (Rsm)	35	35	-	34	2.9	215	133	(38.1)
Depreciation (Rsm)	305	304	(0.3)	298	2.0	998	1,169	17.1
Other income (Rsm)	224	284	26.8	308	(7.8)	1,074	1,036	(3.5)
PBT before extra-ordinary items (Rsm)	1,167	707	(39.4)	801	(11.7)	5,687	5,796	1.9
Extraordinary income	-	-	-	-	-	-	-	-
Extraordinary expenses	-	-	-	-	-	-	-	-
PBT after extra-ordinary items (Rsm)	1,167	707	(39.4)	801	(11.7)	5,687	5,796	1.9
Tax (Rsm)	262	258	(1.5)	77	235.1	1,311	1,478	12.7
Effective tax rate (%)	20.1	25.0	NM	20.8	NM	19.4	23.7	NM
Reported PAT (Rsm)	941	530	(43.7)	627	(15.5)	4,608	4,409	(4.3)
Adjusted PAT (Rsm)	941	530	(43.7)	627	(15.5)	4,608	4,409	(4.3)

SOURCES: INCRED RESEARCH, COMPANY REPORTS  
 NM: NOT MEASURABLE

**Figure 2: Natco's quarterly sales breakdown**

YE March (Rsm)	4QFY20	4QFY21	% yoy	3QFY21	%qoq	FY20	FY21	% yoy
<b>Formulations</b>	<b>3,219</b>	<b>2,406</b>	<b>-25.3</b>	<b>2,574</b>	<b>-6.5</b>	<b>13,291</b>	<b>14,873</b>	<b>11.9</b>
Domestic	1,025	818	-20.2	953	-14.2	5,404	4,102	-24.1
Exports (incl. subsidiaries)	2,194	1,588	-27.6	1,621	-2.0	7,887	10,771	36.6
<b>API</b>	<b>965</b>	<b>708</b>	<b>-26.6</b>	<b>978</b>	<b>-27.6</b>	<b>3,552</b>	<b>5,120</b>	<b>44.1</b>
<b>Other Operating Income</b>	<b>364</b>	<b>186</b>	<b>-48.9</b>	<b>0</b>	<b>NM</b>	<b>2,307</b>	<b>507</b>	<b>-78.0</b>
<b>Crop Health Sciences</b>	<b>0</b>	<b>13</b>	<b>NM</b>	<b>0</b>	<b>NM</b>	<b>0</b>	<b>21</b>	<b>NM</b>
<b>Total</b>	<b>4,548</b>	<b>3,313</b>	<b>-27.2</b>	<b>3,552</b>	<b>-6.7</b>	<b>19,150</b>	<b>20,521</b>	<b>7.2</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Revised earnings estimates**

Rsm	Old estimates		New estimates		Change (%)	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Revenue	26,748	47,973	26,386	47,240	-1.4	-1.5
EBITDA	9,522	22,308	9,394	21,966	-1.4	-1.5
EBITDA Margin (%)	35.6	46.5	35.6	46.5	0bp	0bp
PAT	7,188	17,011	6,978	16,632	-2.9	-2.2
EPS (Rs)	39.4	93.2	38.2	91.1	-2.9	-2.2

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 4: SOP valuation**

Particulars	EPS Rs/share	P/E Multiple (x)	Value Rs
Base Business EPS- FY23F	48.5	22	1,063
Product- gCopaxone EPS-FY23F	5.7	10	57
<b>Key products opportunity</b>			<b>Value Rs</b>
gRevlimid			135
gImbruvica			35
<b>Target Price arrived</b>			<b>1290</b>

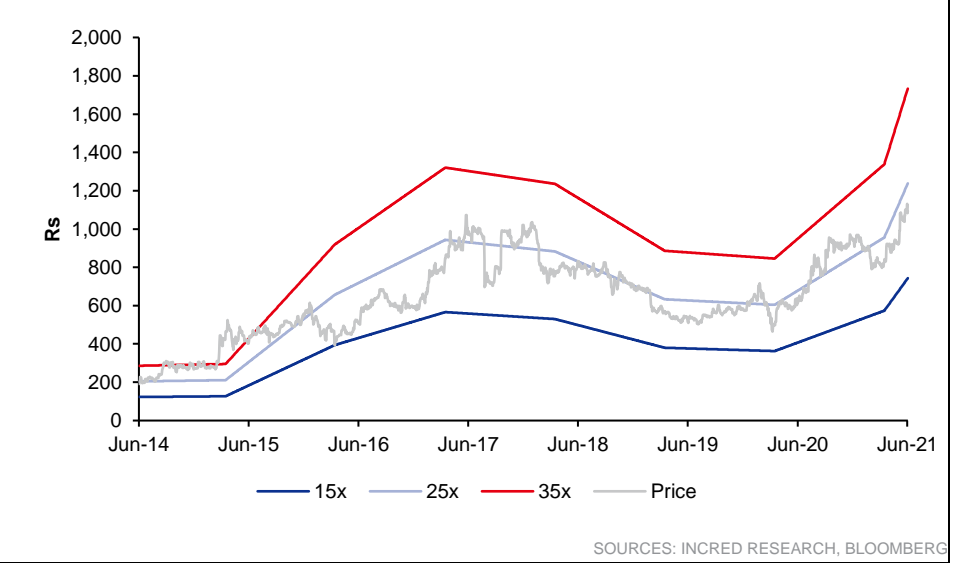
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 5: Annual revenue breakdown assumptions**

Particulars (Rsm)	FY20	FY21	FY22F	FY23F
<b>Domestic formulations</b>	<b>5,404</b>	<b>4,102</b>	<b>5,374</b>	<b>5,890</b>
% sales	28.2	20.0	20.4	12.5
% yoy	(26.4)	(24.1)	31.0	9.6
<b>Export formulations (incl. subsidiaries)</b>	<b>7,887</b>	<b>10,771</b>	<b>14,358</b>	<b>33,477</b>
% sales	41.2	52.5	54.4	70.9
% yoy	(22.6)	40.0	30.6	115.8
<b>API</b>	<b>3,552</b>	<b>5,120</b>	<b>5,888</b>	<b>6,771</b>
% sales	18.5	25.0	22.3	14.3
% yoy	17.7	44.1	15.0	15.0
<b>Other Operating Income</b>	<b>2,307</b>	<b>507</b>	<b>355</b>	<b>373</b>
% sales	12.0	2.5	1.3	0.8
% yoy	(0.1)	15.0	53.7	246.0
<b>Crop Health Sciences</b>		<b>21</b>	<b>412</b>	<b>730</b>
% sales			1.6	1.5
% yoy			1861.9	77.1
<b>Total</b>	<b>19,150</b>	<b>20,521</b>	<b>26,386</b>	<b>47,240</b>

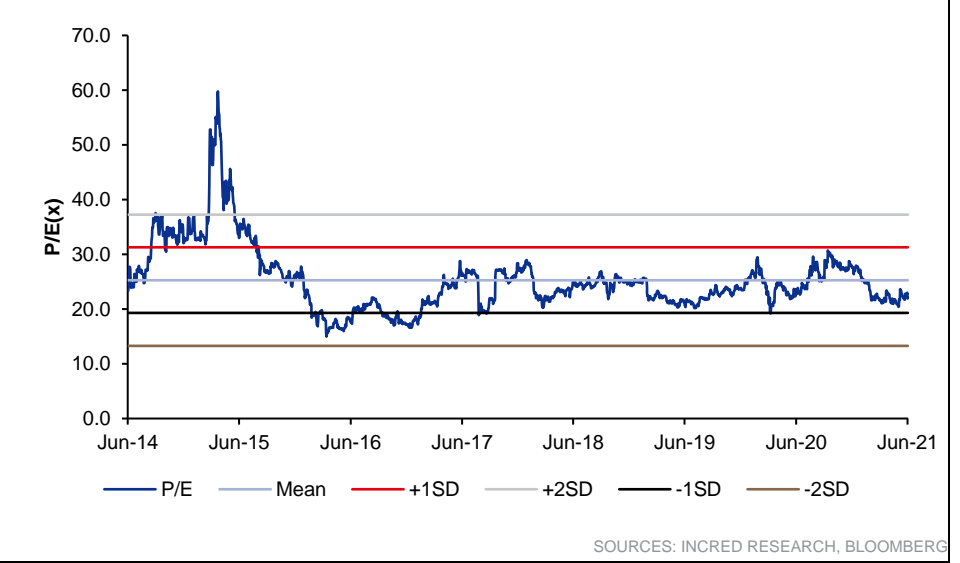
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 6: P/E band: One-year forward**

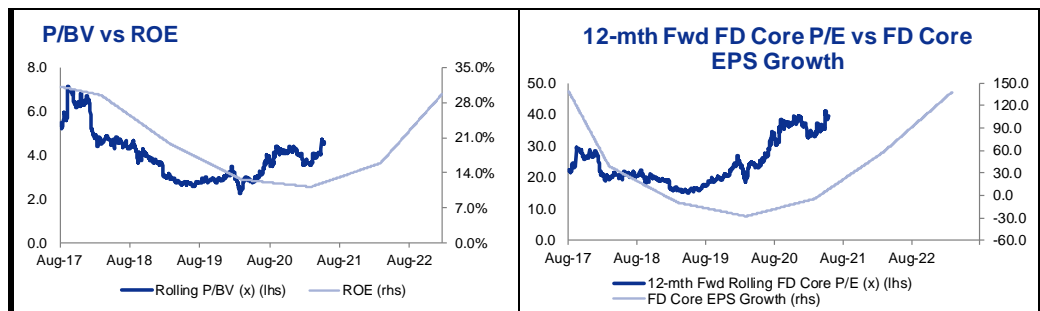


SOURCES: INCRED RESEARCH, BLOOMBERG

**Figure 7: P/E Standard deviation: One-year forward**



SOURCES: INCRED RESEARCH, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
<b>Total Net Revenues</b>	<b>20,945</b>	<b>19,150</b>	<b>20,521</b>	<b>26,386</b>	<b>47,240</b>
<b>Gross Profit</b>	<b>17,403</b>	<b>15,334</b>	<b>15,407</b>	<b>20,054</b>	<b>39,209</b>
<b>Operating EBITDA</b>	<b>7,948</b>	<b>5,826</b>	<b>6,062</b>	<b>9,394</b>	<b>21,966</b>
Depreciation And Amortisation	(810)	(998)	(1,169)	(1,320)	(1,471)
<b>Operating EBIT</b>	<b>7,138</b>	<b>4,828</b>	<b>4,893</b>	<b>8,073</b>	<b>20,495</b>
Financial Income/(Expense)	(193)	(215)	(133)	(132)	(129)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,302	1,074	1,036	1,140	1,254
<b>Profit Before Tax (pre-EI)</b>	<b>8,247</b>	<b>5,687</b>	<b>5,796</b>	<b>9,081</b>	<b>21,620</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,247</b>	<b>5,687</b>	<b>5,796</b>	<b>9,081</b>	<b>21,620</b>
Taxation	(1,823)	(1,106)	(1,372)	(2,089)	(4,973)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,424</b>	<b>4,581</b>	<b>4,424</b>	<b>6,993</b>	<b>16,647</b>
Minority Interests	20	27	(15)	(15)	(15)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>6,444</b>	<b>4,608</b>	<b>4,409</b>	<b>6,978</b>	<b>16,632</b>
Recurring Net Profit	6,444	4,608	4,409	6,978	16,632
<b>Fully Diluted Recurring Net Profit</b>	<b>6,444</b>	<b>4,608</b>	<b>4,409</b>	<b>6,978</b>	<b>16,632</b>

**Cash Flow**

(Rs mn)	Mar-19A	Mar-20A	Mar-21A	Mar-22F	Mar-23F
<b>EBITDA</b>	<b>7,948</b>	<b>5,826</b>	<b>6,062</b>	<b>9,394</b>	<b>21,966</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(717)	(2,689)	2,473	(2,188)	(10,639)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(193)	(215)	(133)	(132)	(129)
Tax Paid	(1,883)	(1,311)	(1,478)	(2,089)	(4,973)
<b>Cashflow From Operations</b>	<b>5,155</b>	<b>1,611</b>	<b>6,924</b>	<b>4,985</b>	<b>6,226</b>
Capex	(4,472)	(3,374)	(2,611)	(3,505)	(3,505)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,302	1,074	1,036	1,140	1,254
<b>Cash Flow From Investing</b>	<b>(3,170)</b>	<b>(2,300)</b>	<b>(1,575)</b>	<b>(2,365)</b>	<b>(2,251)</b>
Debt Raised/(repaid)	2,131	(713)	(483)	(50)	(50)
Proceeds From Issue Of Shares	(4)	(1)	1		
Shares Repurchased					
Dividends Paid	(3,120)	(1,536)	(1,141)	(1,744)	(4,158)
Preferred Dividends					
Other Financing Cashflow	(34)	804	(1,551)	(319)	(349)
<b>Cash Flow From Financing</b>	<b>(1,027)</b>	<b>(1,446)</b>	<b>(3,174)</b>	<b>(2,113)</b>	<b>(4,557)</b>
Total Cash Generated	958	(2,135)	2,175	506	(583)
<b>Free Cashflow To Equity</b>	<b>4,116</b>	<b>(1,402)</b>	<b>4,866</b>	<b>2,569</b>	<b>3,924</b>
<b>Free Cashflow To Firm</b>	<b>2,178</b>	<b>(474)</b>	<b>5,482</b>	<b>2,751</b>	<b>4,103</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Total Cash And Equivalents	2,795	660	2,835	3,341	2,758
Total Debtors	5,062	5,513	4,129	5,309	9,505
Inventories	5,290	5,580	7,982	9,398	16,825
Total Other Current Assets	8,838	11,216	6,984	7,053	7,122
<b>Total Current Assets</b>	<b>21,985</b>	<b>22,969</b>	<b>21,930</b>	<b>25,101</b>	<b>36,210</b>
Fixed Assets	18,561	20,936	22,372	24,552	26,581
Total Investments	1,686	1,123	3,037	3,341	3,675
Intangible Assets	87	88	94	99	104
Total Other Non-Current Assets	712	762	486	531	692
<b>Total Non-current Assets</b>	<b>21,046</b>	<b>22,909</b>	<b>25,989</b>	<b>28,523</b>	<b>31,051</b>
Short-term Debt	3,863	3,150	2,667	2,617	2,567
Current Portion of Long-Term Debt					
Total Creditors	2,170	2,554	1,462	1,862	2,770
Other Current Liabilities	1,254	1,149	1,127	1,198	1,453
<b>Total Current Liabilities</b>	<b>7,287</b>	<b>6,853</b>	<b>5,256</b>	<b>5,678</b>	<b>6,789</b>
Total Long-term Debt	8	8	11	11	11
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities		9	9	9	9
<b>Total Non-current Liabilities</b>	<b>8</b>	<b>17</b>	<b>20</b>	<b>20</b>	<b>20</b>
Total Provisions	826	1,161	1,409	1,459	1,514
<b>Total Liabilities</b>	<b>8,121</b>	<b>8,031</b>	<b>6,685</b>	<b>7,156</b>	<b>8,320</b>
Shareholders Equity	34,890	37,735	41,216	46,449	58,923
Minority Interests	20	112	18	18	18
<b>Total Equity</b>	<b>34,910</b>	<b>37,847</b>	<b>41,234</b>	<b>46,467</b>	<b>58,941</b>

<b>Key Ratios</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Revenue Growth	(4.9%)	(8.6%)	7.2%	28.6%	79.0%
Operating EBITDA Growth	(14.4%)	(26.7%)	4.1%	55.0%	133.8%
Operating EBITDA Margin	37.9%	30.4%	29.5%	35.6%	46.5%
Net Cash Per Share (Rs)	(5.90)	(13.73)	0.86	3.91	0.99
BVPS (Rs)	191.18	207.34	225.84	254.52	322.87
Gross Interest Cover	36.98	22.46	36.79	61.28	158.56
Effective Tax Rate	22.1%	19.4%	23.7%	23.0%	23.0%
Net Dividend Payout Ratio	14.4%	27.8%	19.7%	19.2%	19.2%
Accounts Receivables Days	99.65	100.78	85.75	65.28	57.23
Inventory Days	498.45	519.86	483.98	500.86	595.92
Accounts Payables Days	250.46	225.93	143.32	95.80	105.26
ROIC (%)	20.3%	12.0%	12.4%	18.4%	36.2%
ROCE (%)	20.0%	12.0%	11.4%	17.2%	36.8%
Return On Average Assets	21.1%	13.3%	12.6%	18.1%	36.0%

<b>Key Drivers</b>					
	<b>Mar-19A</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>
Unit sales grth (% , main prod./serv.)	(4.9%)	(8.6%)	7.2%	28.6%	79.0%
R&D Cost/sales(%)	9.4%	8.6%	8.0%	8.0%	8.0%

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, **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:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	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:

<b>Overweight</b>	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.