

I India
ADD (Initiating coverage)

Consensus ratings*: Buy 9 Hold 2 Sell 0

Current price:	Rs570
Target price:	Rs781
Previous target:	NA
Up/downside:	37.0%
EIP Research / Consensus:	2.3%
Reuters:	KVRI.BO
Bloomberg:	KSCL IN
Market cap:	US\$462m
	Rs34,376m
Average daily turnover:	US\$2.6m
	Rs190.4m
Current shares o/s:	60.3m
Free float:	44.5%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.3	4.4	49.9
Relative (%)	13.7	5.7	(3.0)

Major shareholders	% held
Promoter & Promoter Group	55.5
Massachusetts Institute of	2.8
Vantage Equity Fund	2.7

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Kaveri Seed Co Ltd

Stands to benefit from structural tailwinds

- We estimate Kaveri Seed's revenue will grow at 12% CAGR and EPS at 11% CAGR over FY21-24F.
- The Indian seed market grew at 26% CAGR over CY16-20 (Source: Seed World 2019), which provided significant tailwinds to Kaveri.
- We value the company at 11x FY23F EPS (average P/E of last three years) to arrive at a TP of Rs781. Initiate coverage on Kaveri Seed with an Add rating.

A leader in cotton seed market and increasing share in other seeds

Kaveri Seed is a leading seed producing company in India. It has emerged as a multi-crop seed-producing company in India. It specialises in the production of crop seeds, including maize, cotton, rice, pearl millet, mustard, wheat, sorghum, sunflower and a number of vegetables. Kaveri Seed had 13.8% market share in cotton seed, 8.5% in hybrid rice, 7% in maize and 0.9% in open pollinated varieties (OPV) of rice, according to FY20 market share data sourced from Agricultural Statistics at a Glance, by Government of India (GoI). The growth tailwind is likely to come from maize, hybrid rice and vegetable seeds. We are bullish on the vegetable seed market and India still imported ~US\$115m worth of vegetable seeds in FY19 (Source: Agricultural Statistics at a Glance, by GoI) and, hence, there is a big opportunity for import substitution.

Kaveri has wide distribution network and is launching new seeds

In our view, success in the seed business has two basic ingredients – continuous innovation, to cater to changing farmer needs, and wide distribution network. Kaveri's distribution network is wide with over 6,000 retail touch points (Source: Company website). It has not invested significantly in R&D (development of new seeds) previously. Increasing the R&D budget from 1% of sales in FY15 to 3.2% of sales in FY20 is bearing fruit and the company has launched multiple new vegetables, maize and hybrid rice seeds. The company maintains a germplasm (seed trait bank) repository; with more R&D expenditure Kaveri will be able to launch new products faster.

We value company at 11x FY23F EPS; initiate with Add

We value Kaveri Seed at 11x FY23F EPS to arrive at a TP of Rs781. Our target P/E is based on the average P/E of the last three years, which is at a 33% discount to the average of the last eight years. We value the stock at a discount to the historical average as FY21-24F EPS CAGR is 11% against the last decade's (FY11-21F) EPS CAGR of 23%. We believe revenue growth over FY21-24F at 12% CAGR will lag historical growth of 16% CAGR (over FY11-21F). Risks: In India, the seed business falls under the jurisdiction of the state governments. There have been cases where price controls were imposed on cotton seeds, making regulatory action this sector's biggest risk. The second big risk is weather – India's monsoon season. A poor monsoon in India will be bad for agriculture, and hurt seed sales.

Financial Summary

	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	8,094	9,302	10,442	11,572	13,350
Operating EBITDA (Rsm)	2,115	2,532	3,110	3,642	4,143
Net Profit (Rsm)	2,174	2,608	3,283	3,494	3,926
Core EPS (Rs)	33.6	42.2	54.4	57.9	65.1
Core EPS Growth	7.4%	25.6%	28.8%	6.4%	12.4%
FD Core P/E (x)	16.94	13.49	10.47	9.84	8.76
DPS (Rs)	3.0	3.1	4.1	4.3	4.9
Dividend Yield	0.63%	0.66%	0.71%	0.76%	0.86%
EV/EBITDA (x)	13.83	12.05	8.90	6.67	4.88
P/FCFE (x)	17.16	11.60	11.07	9.35	7.88
Net Gearing	(0.2%)	(0.2%)	(22.8%)	(39.7%)	(53.2%)
P/BV (x)	3.57	3.59	2.73	2.17	1.77
ROE	21.5%	26.5%	29.6%	24.6%	22.3%
% Change In Core EPS Estimates					
EIP Research/Consensus EPS (x)			1.06	1.01	0.99

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, PRICED AS AT 16 APR 2021

Stands to benefit from structural tailwinds

Kaveri Seed is a leading seed-producing company in India. With over three decades of industry experience, it has emerged as a multi-crop seed-producing company. The company specialises in the production of crop seeds, including maize, cotton, rice, pearl millet, mustard, wheat, sorghum, sunflower and a number of vegetables. The company owns /leases over 600 acres (own and leased) farmland and 65,000 acres for seed production across different agro-climatic regions. Kaveri Seed helps farmers to implement best agricultural practices to ensure higher yield and better productivity.

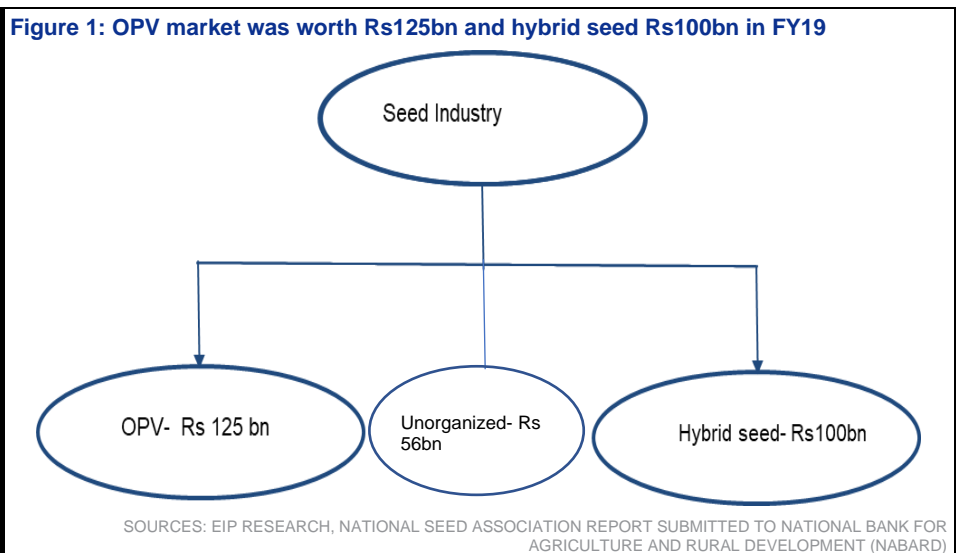
Seed demand depends on crop acreage and shift from OPV to hybrid seeds

Seed demand's basic driver is crop acreage, and market share gain/ loss is the competitive factor. The quality of seeds, i.e., better yields or resistance to diseases, is a factor that would make a farmer prefer one variety of seed to another. The Indian farmer mostly uses hybrid seeds, but the law does not allow the use of the terminator gene, and, hence, the increasing fall of the seed replacement ratio (SRR) is another important factor in seed demand. The terminator gene is an inserted trait in seed DNA that does not allow its reuse

Seeds can be classified into OPV and hybrid seeds ➤

Open pollinated generally refers to seeds that will breed true, i.e., identical to the parent. When the plants of an open-pollinated variety self pollinate, or are pollinated by another representative of the same variety, the resulting seeds will produce plants roughly identical to their parents. On the other hand, hybrid seeds produced by plants that are the result of a recent cross are likely to show a variety of differing characteristics.

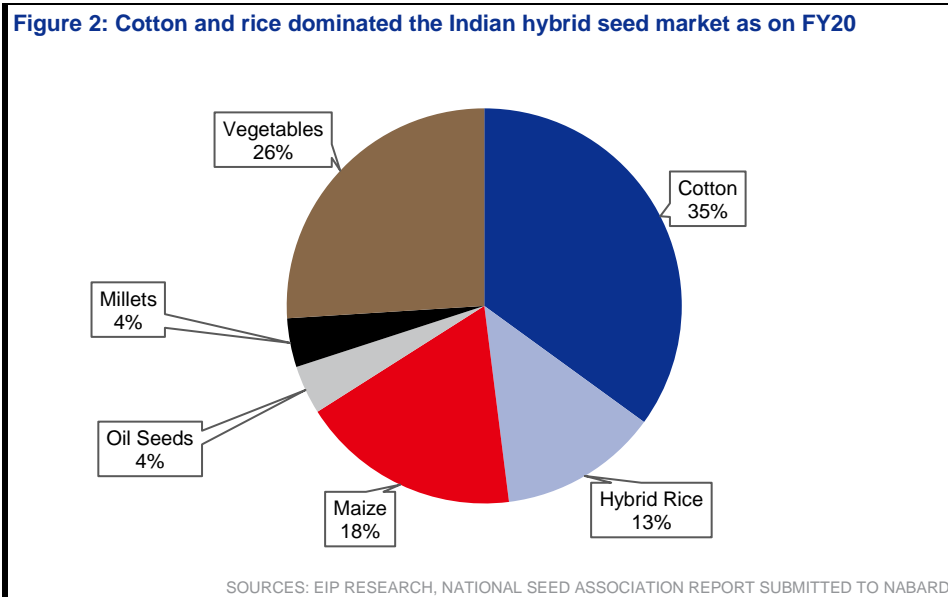
Indian seed industry was Rs280bn (~US\$4bn) in FY19 value terms ➤



Hybrid seed industry led by cotton, vegetables & maize ➤

According to the National Seed Association Report submitted to NABARD (CY19), India's hybrid seed industry is worth Rs10,000 crores or US\$1.33bn (FY19). The entire hybrid cotton seed market comprises genetically modified (GM) cotton seed and, therefore, GM seeds are nearly 16% of the total seed market and 35% of the hybrid seed market (FY19). The crop-wise share of the Indian seed industry for hybrid seeds is given below.

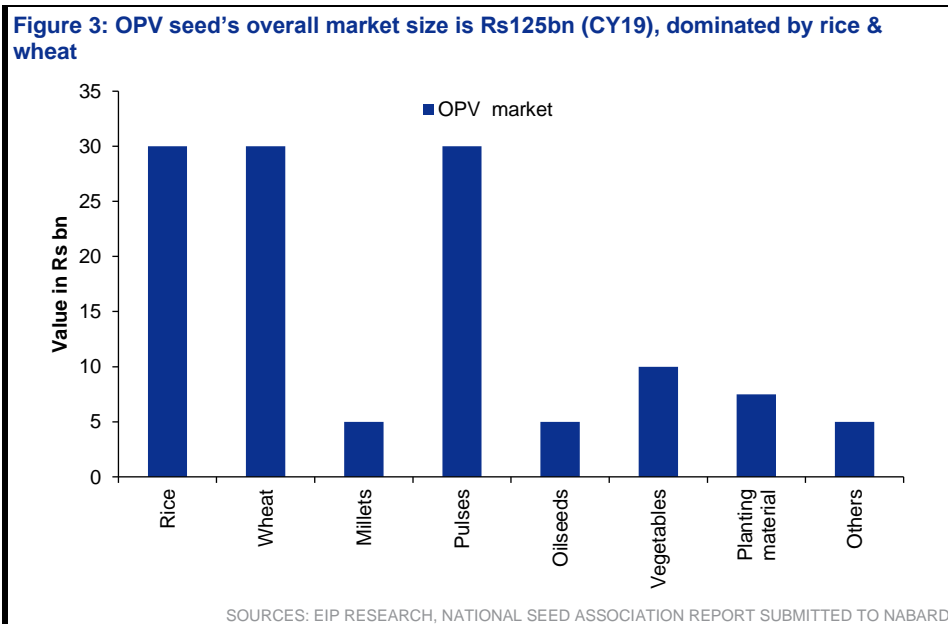
Figure 2: Cotton and rice dominated the Indian hybrid seed market as on FY20



Rice, wheat, pulses & vegetables dominate OPV seed market

The Indian OPV seed industry is estimated at Rs125bn (FY19), including nurseries and crops where vegetative planting material is utilised as seed or propagating material. The commercial OPV seed industry falls under the organised and unorganised sectors.

Figure 3: OPV seed’s overall market size is Rs125bn (CY19), dominated by rice & wheat



Unorganised sector has at least 20% of Indian seed industry market share

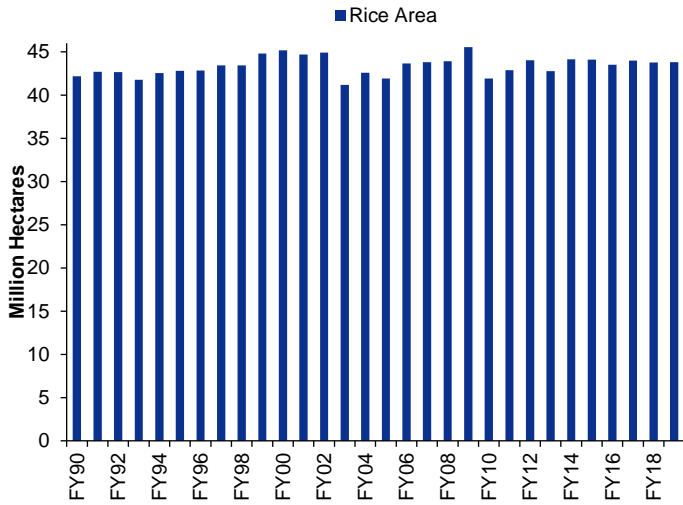
We estimate that unorganised seed sector and FSS (farm-saved seeds) are not available and may be valued at 20-25% more than the estimated value of the seed industry which pegs the market size at ~Rs280bn (Source: Agriculture Statistics FY19). The FSS comprises farmers’ seeds, which is part of farm produce and used for sowing and exchanged between farmers in an unbranded manner.

Increase in acreage or replacing OPV seeds are the main demand drivers for Kaveri Seed

Kaveri Seed is a hybrid seed producer, and its sales can increase through 1) an increase in crop acreages, and 2) replacement of OPV seeds with hybrid seeds.

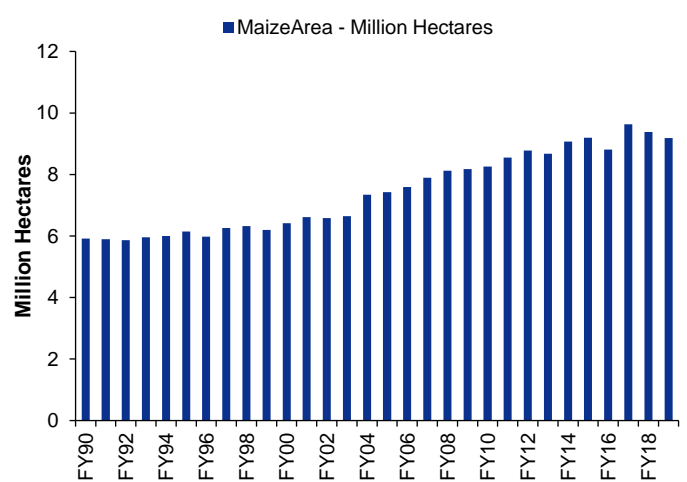
Apart from maize, other important crop acreages in India have not seen major increases in the last 30 years ➤

Figure 4: Rice acreage in India was stagnant at ~44m hectares



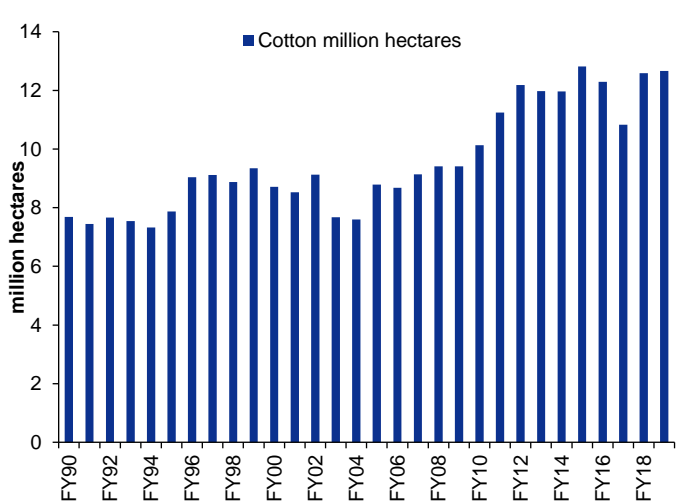
SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOVERNMENT OF INDIA

Figure 5: Maize acreage rose significantly over last 3 decades



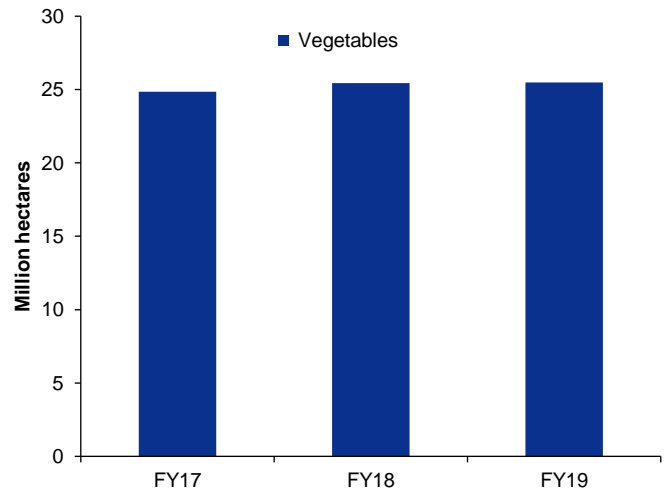
SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

Figure 6: Cotton acreage remained around 14m hectares



SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

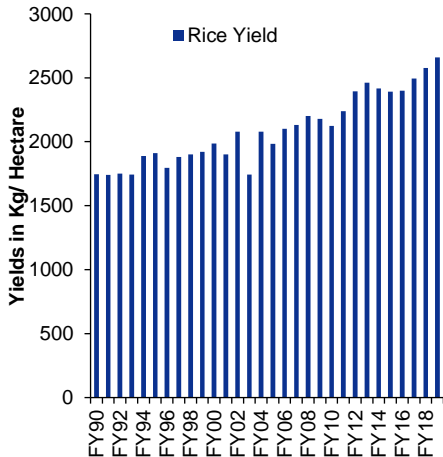
Figure 7: Vegetable acreage remained at ~25m hectares



SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

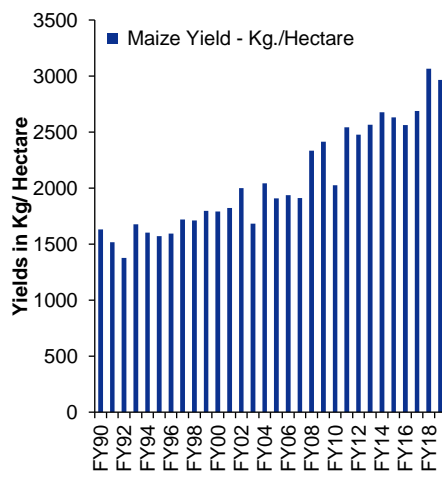
Yields of all major crops increased significantly ➤

Figure 8: Rice yield remained on an upswing for last 3 years



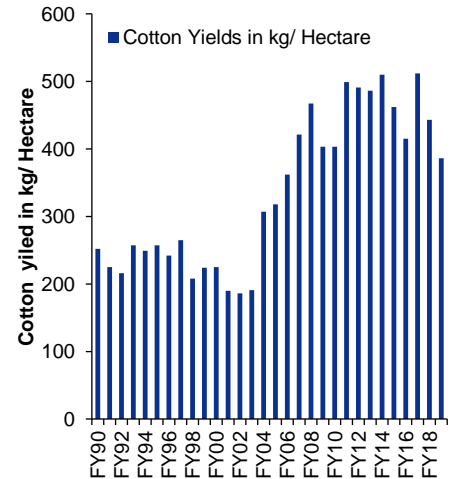
SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

Figure 9: Maize yield also increased



SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

Figure 10: Marked decline in cotton yields over the last 2 years



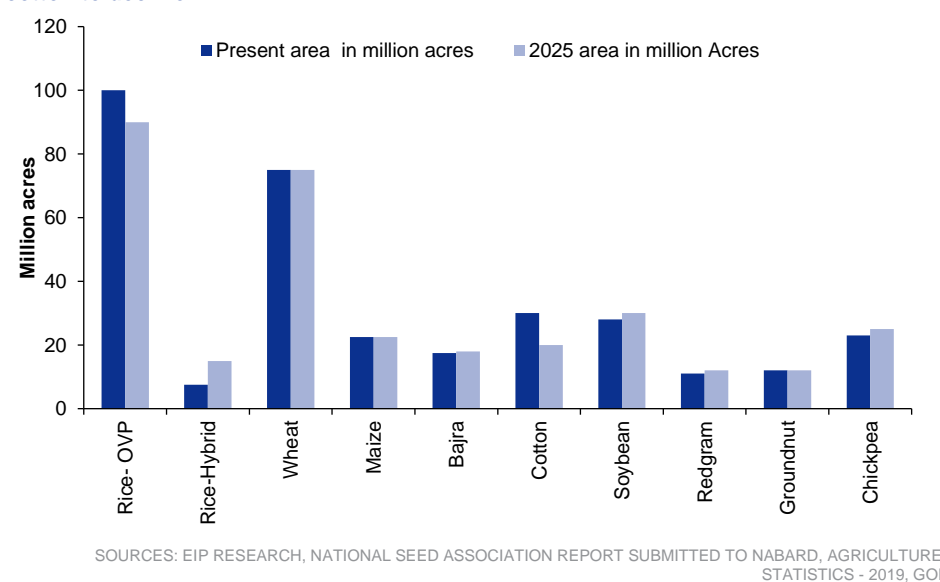
SOURCES: EIP RESEARCH, AGRICULTURE STATISTICS - 2019, GOI

Future growth seed business depends on increase in acreage and higher seed replacement ratio in OPV products ➤

Our demand supply projection for the seed industry depends on SRR in the OPV category increasing to 75% by 2025F; and maize and bajra becoming 100% hybrid categories by 2025F.

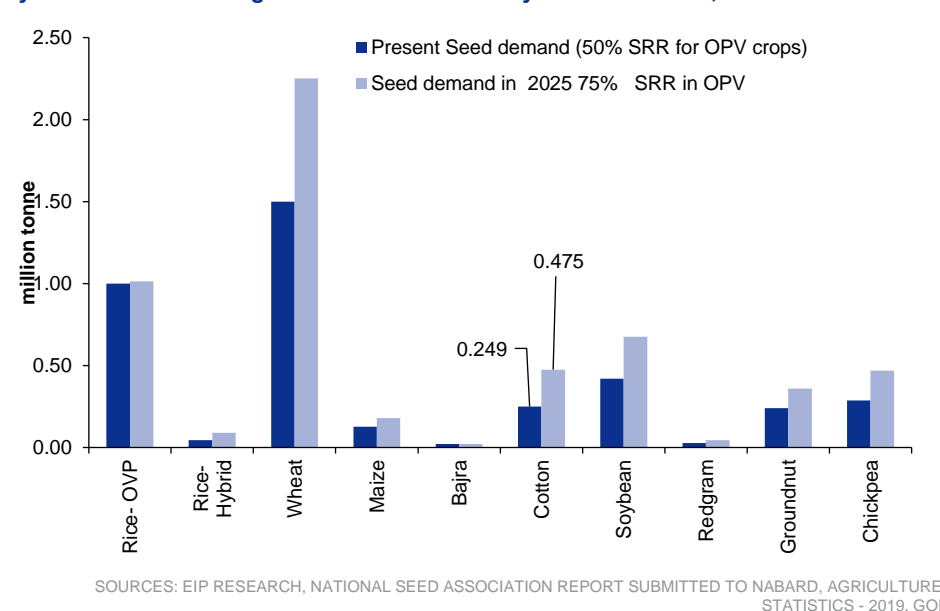
Our assumptions for millions of acres of sowing are given in the chart below.

Figure 11: We expect rice hybrid seed penetration to rise. Overall acreage will likely see a minor decline. Areas under wheat, maize & bajra to remain constant, but expect cotton to decline



Based on these assumptions, we forecast the following demand for seeds by 2025.

Figure 12: While OPV product demand drivers will be higher, SRR for cotton and other hybrids' increased usage of seeds will be the key demand drivers, in our view

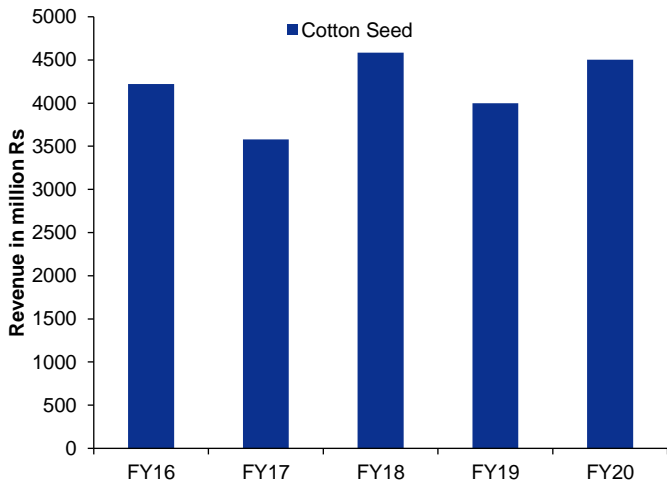


Kaveri will benefit from this structural demand driver

With the structural demand driver in place, we believe Kaveri stands to benefit. The key for the company is to keep launching new products and reaching farmers on a continuous basis. Helping farmers gain an edge in terms of knowledge goes a long way in building trust and we think Kaveri should do it more aggressively.

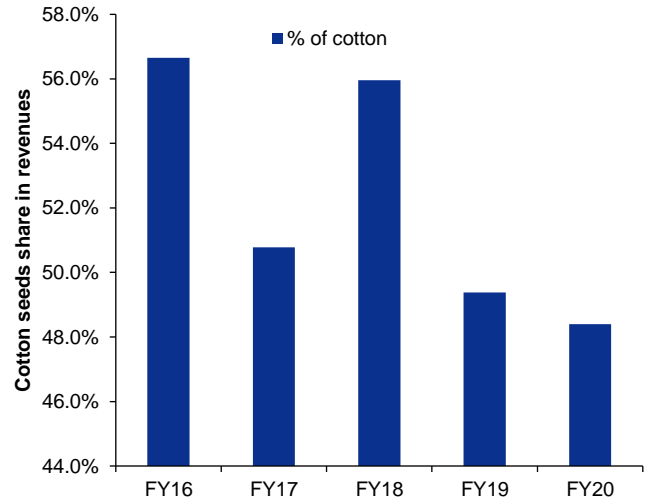
Cotton seeds remain Kaveri's base product >

Figure 13: Cotton seed revenues were ~Rs4.5bn in FY20



SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 14: But cotton's overall revenue contribution fell in the last couple of years

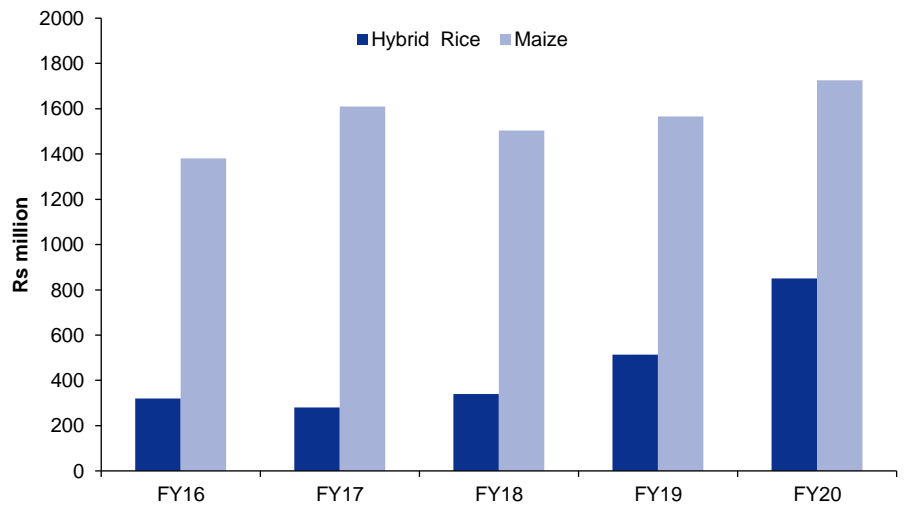


SOURCES: EIP RESEARCH, COMPANY REPORTS

Company is making significant progress in hybrid rice and maize segment >

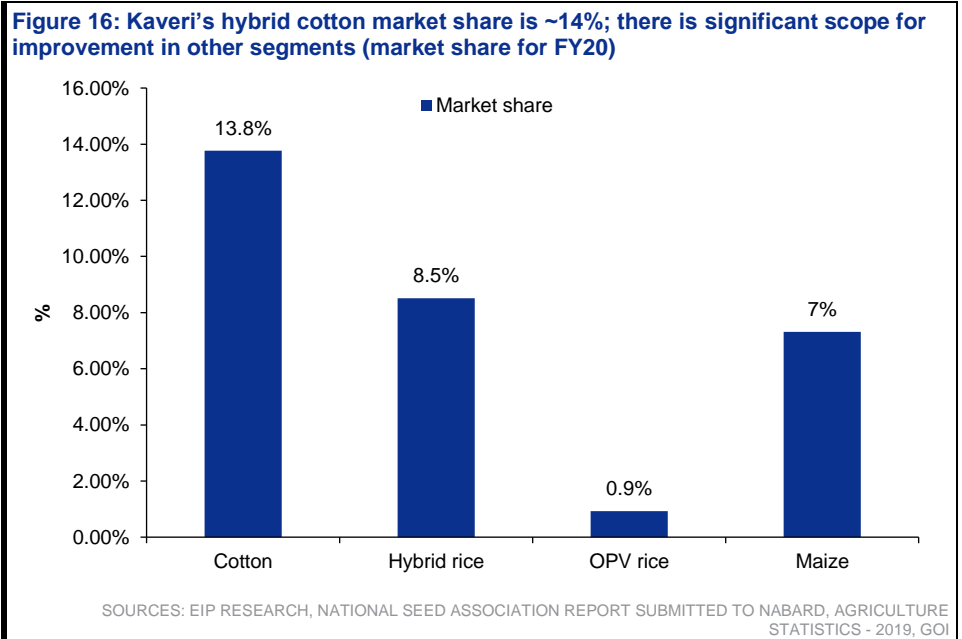
Kaveri has already reached 8.5% market share in the rice hybrid seed market. We estimate that with the launch of the new variant of hybrid seed Kaveri's market share should reach 12% by FY23F.

Figure 15: Hybrid rice & maize revenues have risen; hybrid rice's growth rate is higher



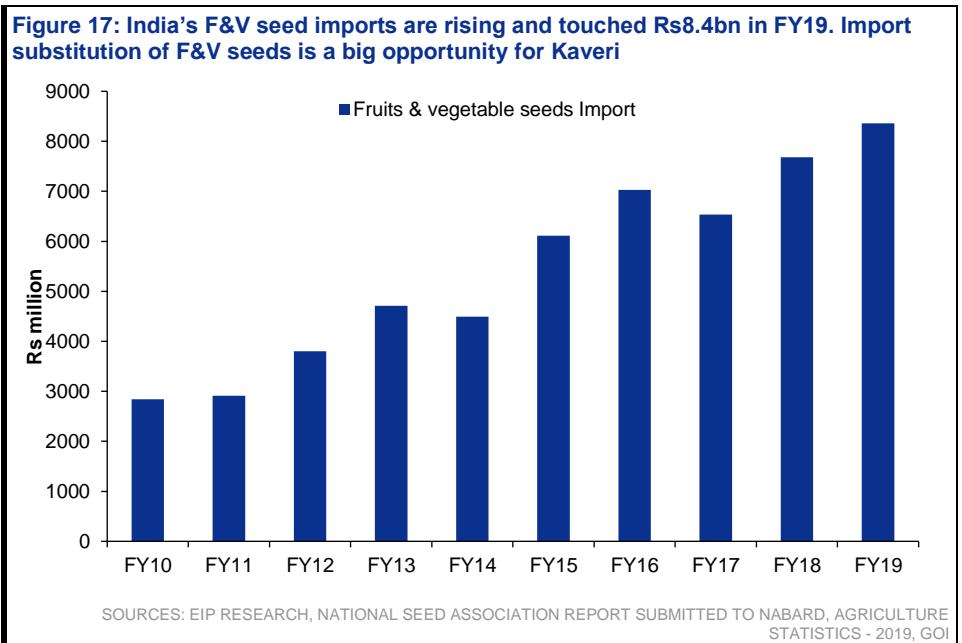
SOURCES: COMPANY REPORTS, EIP RESEARCH

Still Kaveri’s market share is not high in 3 main crop segments ➤



Fruits & vegetable seeds is another segment with significant growth opportunity, in our view ➤

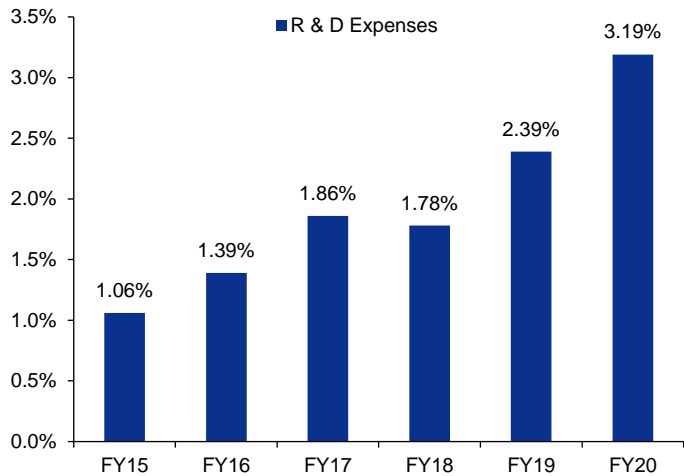
The Indian fruits & vegetables (F&V) seeds market is close to Rs20bn (FY19) [in value terms, (Source: Kaveri Seed earnings call transcripts), which include imports of Rs8bn (FY19).



New seed development and continuous innovation is the only way forward, in our view; Kaveri’s R&D investment is rising ➤

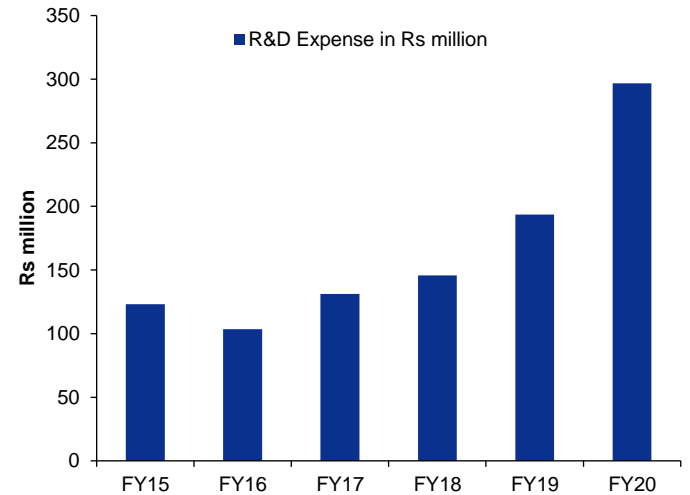
Earlier Kaveri’s investments in R&D were not material enough to make a significant contribution, but Kaveri tripled its R&D expenses over FY19 and FY20.

Figure 18: In % of sales terms R&D expenses increased 3x over last 5 years



SOURCES: EIP RESEARCH, COMPANY REPORTS

Figure 19: In rupee terms it has become 2.5x. We think annual expense is now significant to generate new products



SOURCES: EIP RESEARCH, COMPANY REPORTS

Company has strong brand presence in a few South Indian states >

Kaveri is dominant in India's southern states of Karnataka and Andhra Pradesh

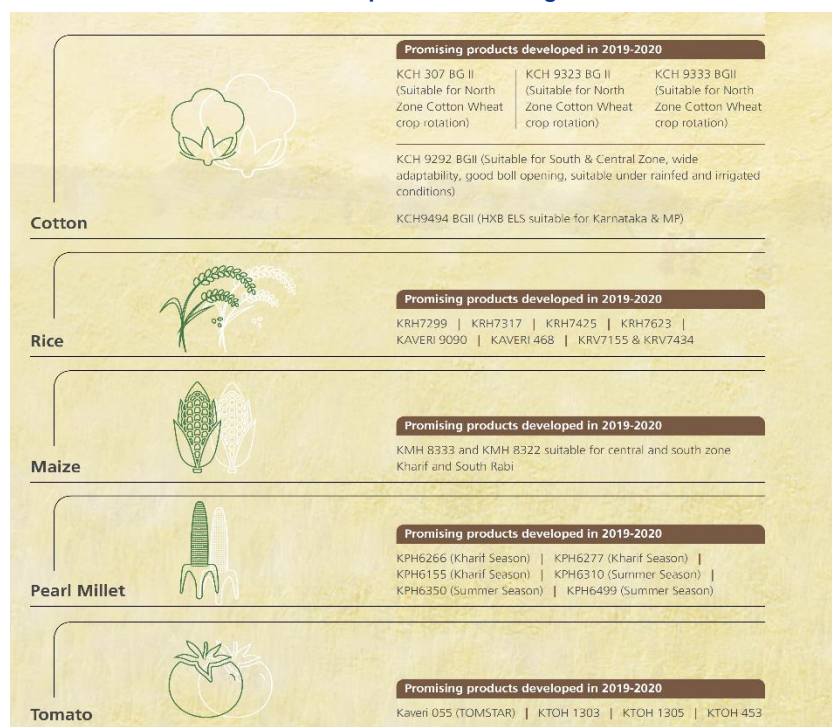
Kaveri's distribution network is strong & spread across India >

Kaveri Seed has a strong distribution network consisting of about 40,000 dealers/distributors. It partners with more than 100,000 farmers through farm engagement programmes for seed production. Having such a large distribution network has benefits like getting timely feedback and help in the optimal distribution of products.

Kaveri has to be on the path of continuous innovation and new product development >

Kaveri appears to be on the right path as it developed multiple new seed variants in FY20.

Figure 20: Kaveri's increase in R&D expenses is leading to results



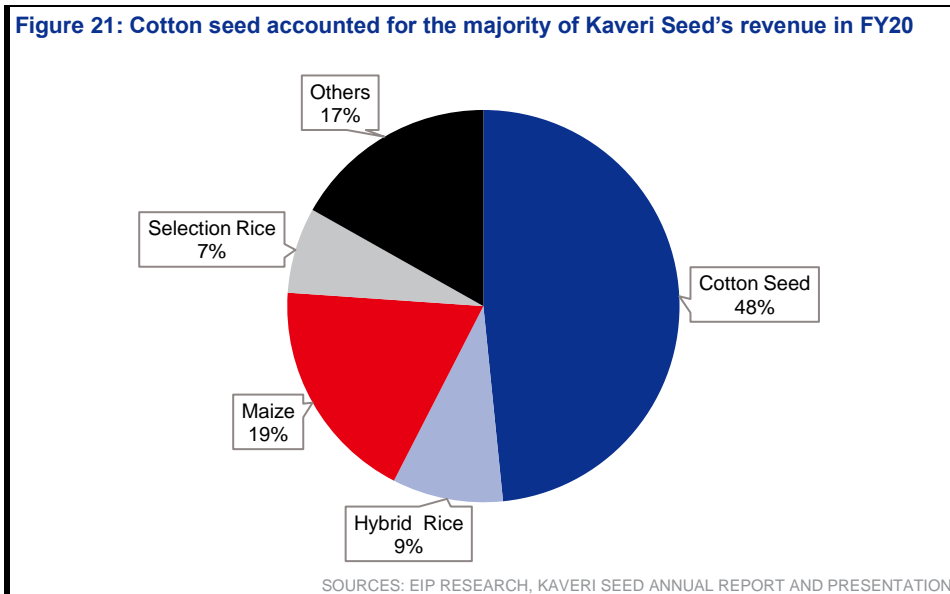
SOURCES: COMPANY REPORTS, EIP RESEARCH

Earnings and valuation

Cotton seeds to remain the key driver of Kaveri's revenue ➤

In FY20 48% of Kaveri Seed's revenue came from cotton seeds. We believe cotton seeds are likely to remain the key revenue driver going forward as well.

Figure 21: Cotton seed accounted for the majority of Kaveri Seed's revenue in FY20



Cotton will remain a key product for Kaveri, although its revenue share will come down to 36% by FY24F ➤

We expect 8m packets of cotton seeds to be sold in FY24F. Apart from cotton, we expect maize and rice will remain critical drivers of revenue. Cotton seed's share in overall revenue is likely to come down to 36% by FY24F from 48% in FY20

Figure 22: We expect Kaveri to sell 8m cotton seed packets in FY24F. Maize & rice will remain critical revenue drivers

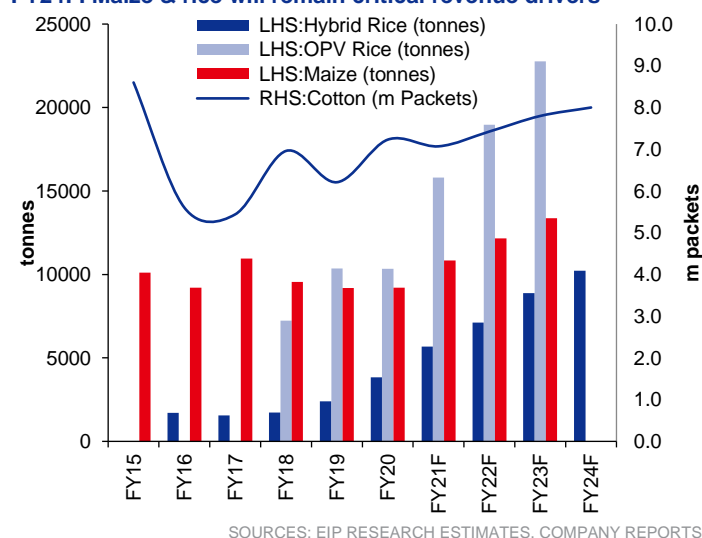
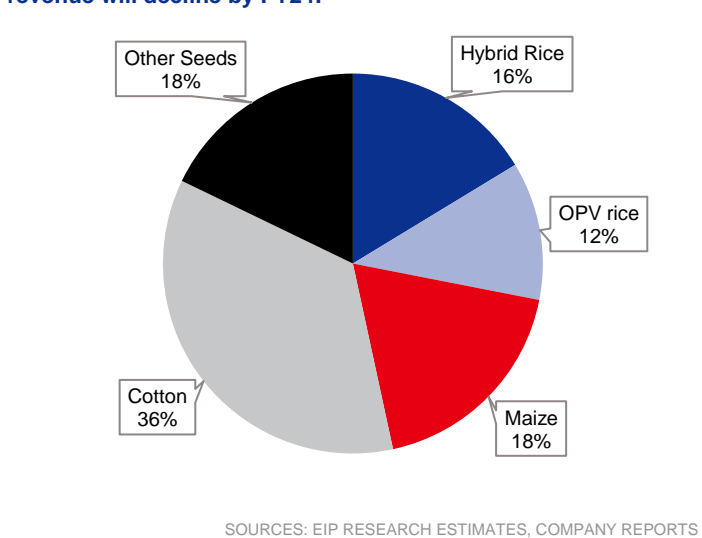
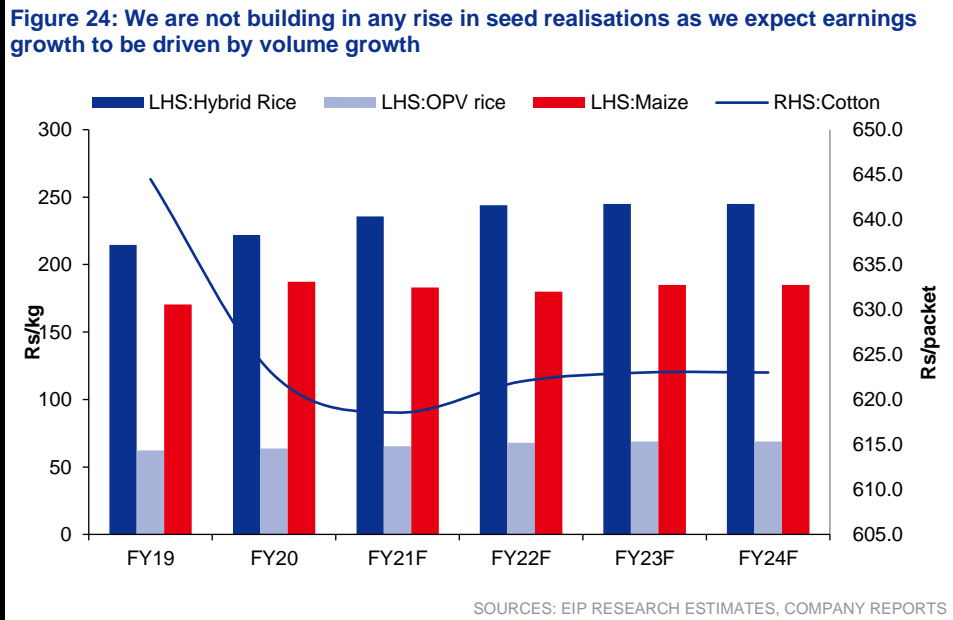


Figure 23: Kaveri's cotton seed revenue share in overall revenue will decline by FY24F



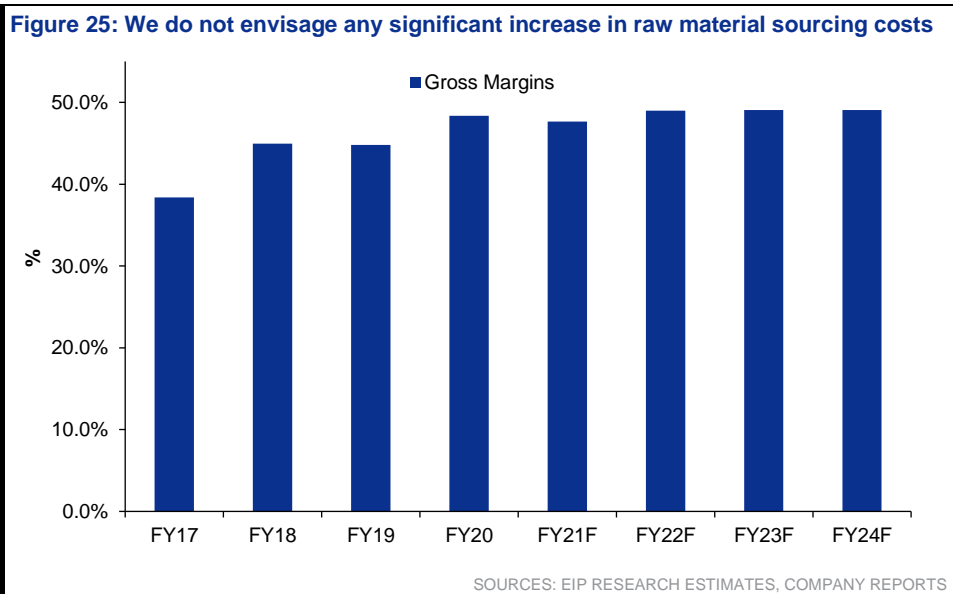
We don't build in any rise in seed realisations >

Seeds are a volume-driven business and any attempt to raise their prices becomes a political matter. Hence, seed companies normally never raise seed prices rapidly. Therefore, we have not built in any rise in seed realisations over the forecast period.



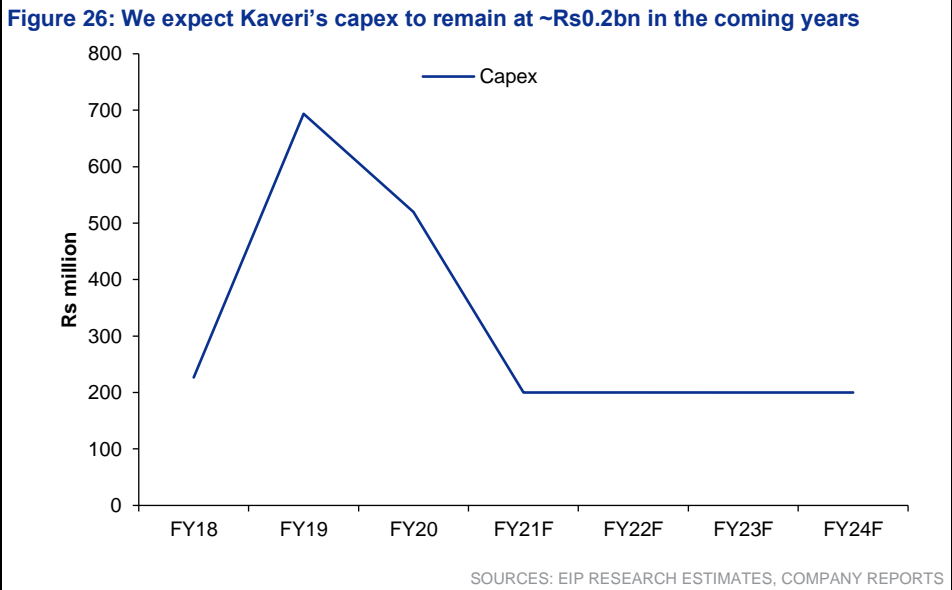
Gross margins to remain steady at around present levels >

Most raw material costs depend on end product prices for the sector. Any increase in end product prices results in an equal rise in raw material (RM) costs and vice versa. We expect gross margins to remain constant as we do not envisage any significant increase in raw material prices over the forecast period.



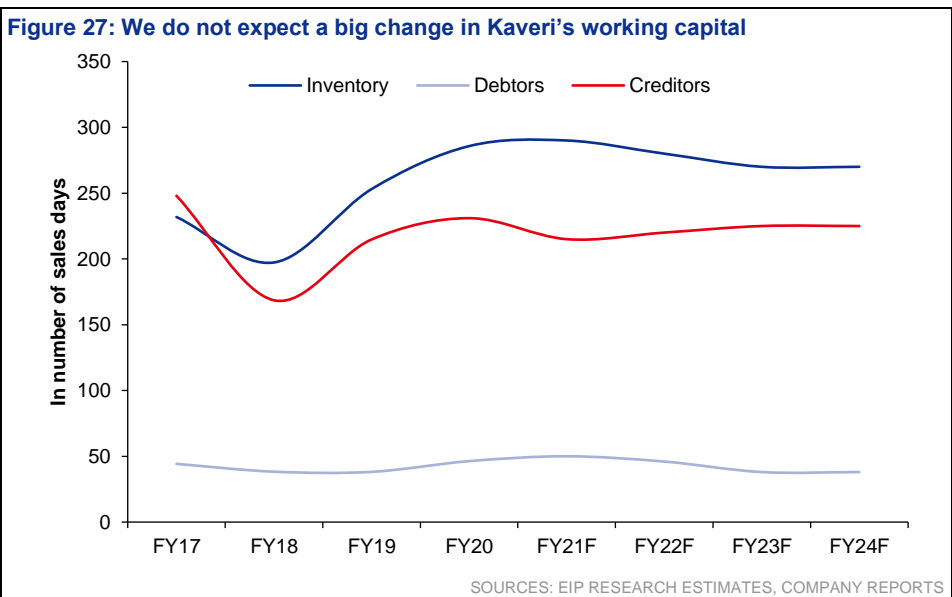
Capex to remain moderate ➤

The seed business does not require any significant capex apart from the regular need for maintenance capex. We do not envisage any need for significant capex in the near term and, hence, do not build it into our numbers for Kaveri Seed.



Working capital to remain at historical levels ➤

As we do not believe there is likely to be any change in trade terms (debtors/ creditor days), Kaveri Seed’s overall working capital is likely to remain at historical levels.



Revenue and EBITDA to grow at healthy pace from the low base of FY21F ➤

We expect Kaveri’s revenue to be driven primarily by maize, OPV rice and hybrid rice variants.

Figure 28: We estimate revenue to grow at 12% CAGR over FY21F-24F to touch ~Rs14.5 bn by FY24F

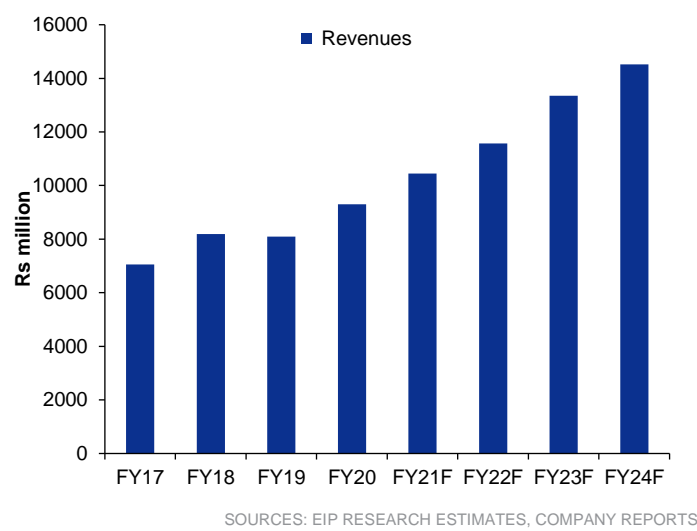
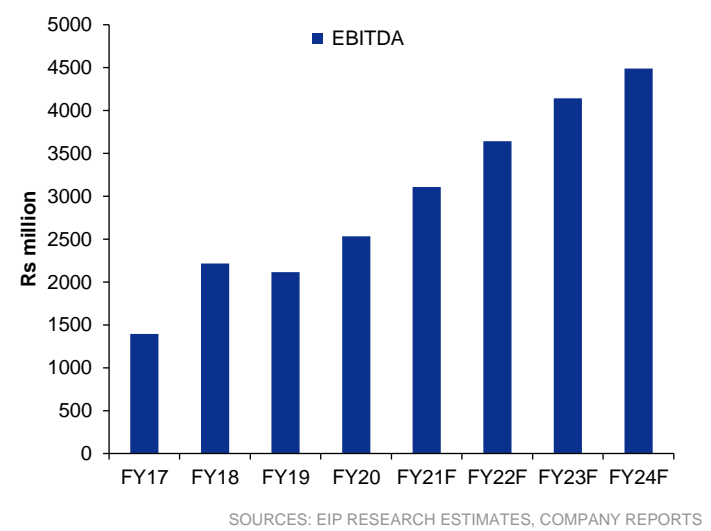


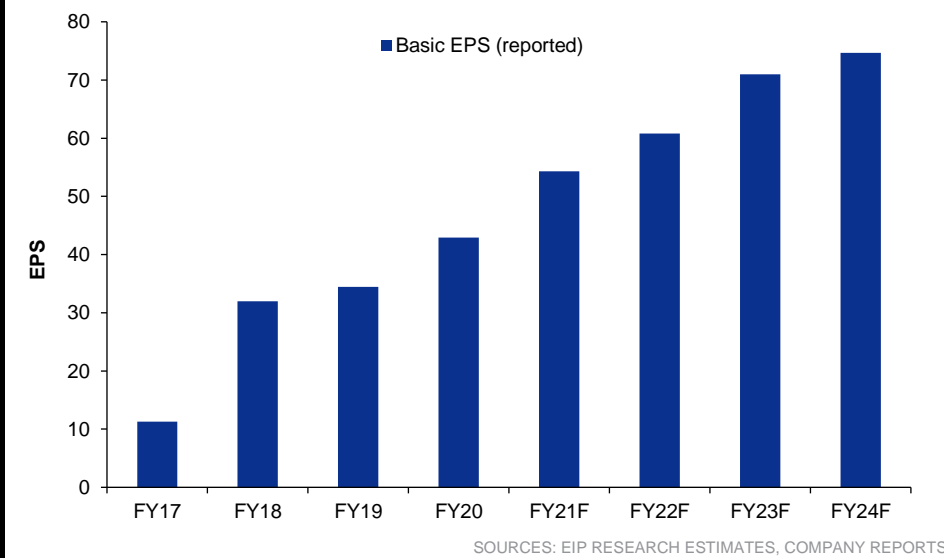
Figure 29: EBITDA to grow at 12% CAGR over FY21F-24F as we expect fixed cost to rise faster than revenue growth



EPS growth at 11% CAGR over FY21F-24F, in our view ➤

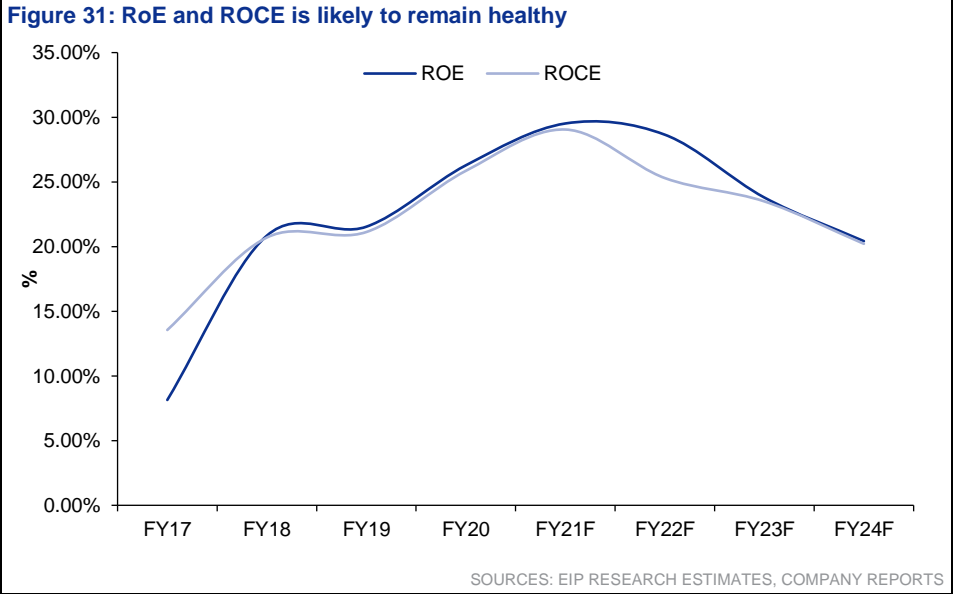
Our EPS CAGR projection at 11% over FY21-24F is much lower than historical average (FY11-21F) EPS CAGR of 23%

Figure 30: We estimate EPS will grow at 11% CAGR over FY21F-24F (%)



RoE and RoCE to remain healthy ▶

Kaveri Seed is a debt free company, hence RoE and RoCE are very close to each other.

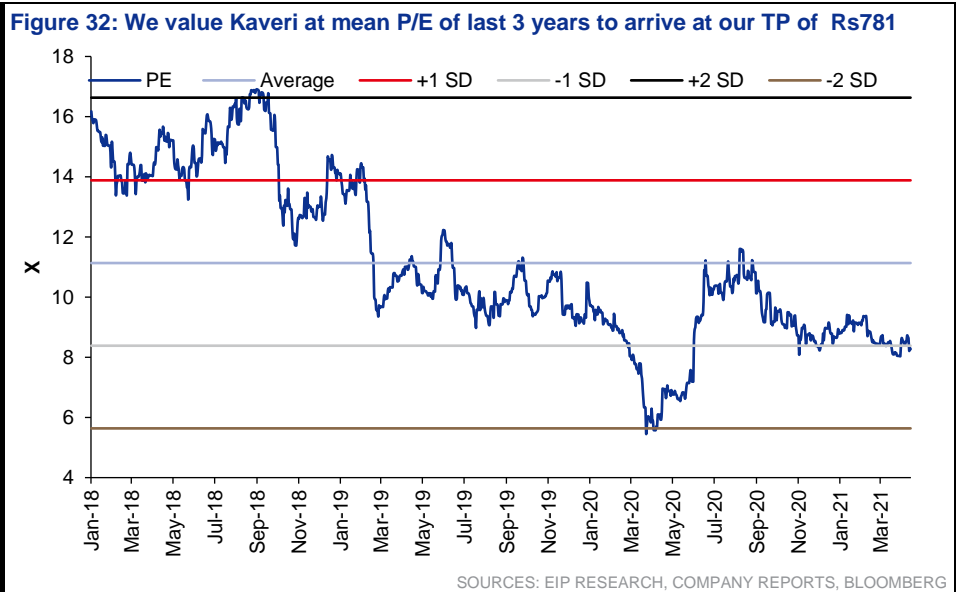


Valuation & recommendation

We value Kaveri with a P/E methodology ►

We value Kaveri Seed on a P/E basis as we consider it a more appropriate valuation method for seed companies than DCF or EV/EBITDA. In our view, DCF is not a suitable valuation method because the earnings of seed companies are highly cyclical and forecasting long-term earnings reliably is difficult. We think a balance sheet-based valuation is inappropriate as short-term debt may rise because of inventory cycles or delay in subsidy payments which could distort the balance sheet for a short period (in many cases, for only one quarter).

We value Kaveri at 11x FY23F EPS; initiate with Add ►



While the stock is currently trading at 8.2x FY23F EPS, we value the company at 11x FY23F EPS, which is the long-term mean P/E of the last three years, to arrive at our TP of Rs781. At the CMP, our target price implies upside potential of 36.8% from current levels. We initiate coverage on Kaveri Seed with an Add rating.

Figure 33: We value Kaveri Seed at 11x FY23F EPS to arrive at a TP of Rs781

FY22F EPS	Rs/Share	60.8
FY23F EPS	Rs/Share	71.0
P/E (1-year forward on FY23F EPS)	x	11.0
Target Price	Rs/Share	781

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

- Core EPS growth will likely be 11% CAGR over FY21F-24F. This EPS growth is half of the last decade's (FY11-21F) EPS CAGR of 23%. Also, revenue growth over FY21F-24F at 12% CAGR will lag historical growth of 16% CAGR (over FY11-21F). Hence, we value the company at the average P/E of the last three years, which is at a 33% discount to the last eight-year average mean P/E of 16.3x.
- We have not built any significant gross margin expansion into our estimates as price rises are exceedingly difficult to come by in the seed business.

Peer comparison

Figure 34: Sector Peer Comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price* (LC)	% Upside	Rating	Market cap (US\$ m)	EV/EBITDA (x)		P/BV (x)		RoE (%)		P/E (x)	
							CY21F	CY22F	CY21F	CY22F	CY21F	CY22F	CY21F	CY22F
UPL Ltd	UPLL IN	596	578	-3%	HOLD	6,078	9.3	8.4	2.0	1.7	14.4	13.9	18.3	15.1
Rallis India Ltd	RALI IN	267	355	33%	ADD	694	13.2	12.0	3.3	3.0	16.6	16.0	21.2	19.6
SRF Limited	SRF IN	6,145	6,227	1%	ADD	4,862	18.9	16.3	4.9	4.2	18.8	17.6	29.8	25.8
PI Industries Limited	PI IN	2,472	2,505	1%	ADD	5,007	30.6	23.2	6.2	5.7	17.9	15.6	45.2	38.0
Vinati Organics Ltd	VO IN	1,614	1,603	-1%	ADD	2,215	40.9	29.7	10.0	8.4	20.1	23.3	53.2	39.0
Dhanuka Agritech	DAGRI IN	706	689	-2%	REDUCE	439	13.0	11.9	4.2	3.5	26.3	22.7	17.1	16.8
Heranba Industries Ltd	HERANBA IN	625	457	-27%	REDUCE	334	17.5	17.8	6.0	4.9	34.5	24.9	24.2	25.4
Anupam Rasayan India Ltd	ANURAS IN	552	379	-31%	REDUCE	736	44.1	40.8	3.8	3.4	3.7	6.7	136.8	53.4
Laxmi Organics Ltd	LXCHEM IN	184	110	-40%	REDUCE	648	15.9	16.5	3.6	3.2	12.3	10.5	38.6	32.3
Aarti Industries	ARTO IN	1,393	1,087	-22%	REDUCE	3,240	23.2	21.7	6.2	5.0	16.1	13.1	34.6	22.0
Navin Fluorine International Ltd	NFIL IN	3,090	2,599	-16%	HOLD	2,042	41.7	33.5	7.9	7.1	12.8	15.4	54.0	48.6
Insecticide India Ltd	INST IN	462	461	0%	HOLD	128	7.3	6.8	1.2	1.1	10.7	9.9	12.2	12.0
Coromandel International Ltd	CRIN IN	728	1,000	37%	ADD	2,853	11.8	11.4	4.2	3.6	25.9	22.6	17.8	17.2
Atul Ltd	ATLP IN	7,626	6,370	-16%	REDUCE	3,013	24.9	21.9	6.2	5.4	17.7	16.3	37.8	35.6
Bayer Cropscience Ltd	BYRCS IN	5,070	6,621	31%	ADD	3,043	35.3	27.4	7.9	6.7	19.3	19.0	43.8	38.1
Astec Lifesciences Ltd	ASTEL IN	1,046	1,073	3%	HOLD	274	18.8	17.7	6.4	5.2	22.6	18.6	32.0	30.8
Kaveri Seed Co Ltd	KSCL IN	575	781	36%	ADD	463	8.7	6.4	2.6	2.0	29.7	25.8	9.9	8.9
Bayer	BAYN GR	55	NR	NR	NR	64,457	7.7	7.1	1.2	1.1	7.7	7.7	9.1	8.3
BASF	BAS GR	72	NR	NR	NR	79,740	8.6	8.4	1.5	1.5	2.8	2.8	16.5	15.5
Corteva	CTVA US	48	NR	NR	NR	35,180	13.0	11.5	1.4	1.3	3.4	3.4	25.0	21.0

SOURCES: NR COMPANY ESTIMATES ARE FROM BLOOMBERG CONSENSUS

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 16 APRIL 2021

Risks

- India's seed business falls under the jurisdiction of its state governments. There have been cases where price controls were imposed on cotton seeds. Regulatory action is the biggest risk for this sector.
- The second big risk is weather – India's monsoon season. A bad rainy season would affect agriculture and may hurt the business.
- The company is now investing in R&D and launches new seeds regularly. But in FY15-17, R&D expenditure was minimal. We do not build a cut in R&D expenditure into our estimates. However, if the company does cut R&D expense, it would be negative for Kaveri's growth prospects and, hence, P/Es.

SWOT Analysis

Figure 35: Kaveri Seeds

Strength	Weakness
Leader in cotton GM seeds.	Has not been able to make any significant progress in the vegetable seed market, which presents an import substitution opportunity.
Opportunity	Threat
The Indian seed market grew at 26% CAGR over CY16-20 (Source: Seed World 2019). This growth tailwind and substitution of unbranded and imported seeds represent a big opportunity.	Regulatory action is the biggest threat for the company.

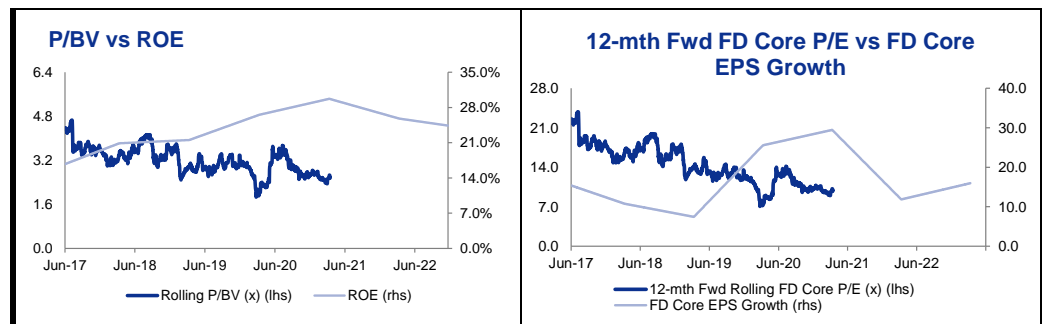
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Annexure

Figure 36: Key management profiles at Kaveri Seed as on FY21

Mr. G. V. Bhaskar Rao Chairman & Managing Director	Mr. G.V. Bhaskar Rao is the Chairman and MD at Kaveri Seed. Mr. Rao founded Kaveri Seed in 1976 and it has become a pioneer and trendsetter in India's seed industry. Mr. Rao is a graduate in Agriculture from Andhra Pradesh Agricultural University. The company has developed about 150 high-quality hybrids and varieties across field crops and vegetables.
Mr. C. Mithun Chand, Whole- Time Director	Mr. Mithun Chand is the Whole-Time Director at Kaveri Seed and has been associated with the company for about a decade. He oversees and monitors the operational aspects of administration, finance and accounts. Mr. Chand has experience in marketing and finance and advises Kaveri Seed's management on financial issues related to the company. While his innovation drives new business platforms, he has contributed significantly to sales and marketing of Kaveri Microteck and other subsidiaries of the company.

SOURCE: COMPANY WEBSITE

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Net Revenues	8,094	9,302	10,442	11,572	13,350
Gross Profit	3,625	4,498	4,977	5,670	6,551
Operating EBITDA	2,115	2,532	3,110	3,642	4,143
Depreciation And Amortisation	(230)	(257)	(222)	(237)	(247)
Operating EBIT	1,886	2,275	2,888	3,405	3,896
Financial Income/(Expense)	(5)	(5)	(4)	(2)	(2)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	431	456	482	230	192
Profit Before Tax (pre-EI)	2,311	2,727	3,366	3,633	4,085
Exceptional Items					
Pre-tax Profit	2,311	2,727	3,366	3,633	4,085
Taxation	(137)	(127)	(94)	(151)	(159)
Exceptional Income - post-tax					
Profit After Tax	2,174	2,599	3,272	3,482	3,926
Minority Interests		9	11	12	
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,174	2,608	3,283	3,494	3,926
Recurring Net Profit	2,174	2,608	3,283	3,494	3,926
Fully Diluted Recurring Net Profit	2,174	2,608	3,283	3,494	3,926

Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
EBITDA	2,115	2,532	3,110	3,642	4,143
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(743)	(529)	197	(147)	(392)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	414	442	474	230	192
Other Operating Cashflow	(391)	(395)	(844)	78	594
Net Interest (Paid)/Received	(5)	(5)	(4)	(2)	(2)
Tax Paid	(111)	(129)	(94)	(151)	(159)
Cashflow From Operations	1,280	1,917	2,838	3,650	4,375
Capex	(694)	(520)	(200)	(200)	(200)
Disposals Of FAs/subsidiaries	6	14			
Acq. Of Subsidiaries/investments	1,528	1,594			
Other Investing Cashflow	(17)	38	474	230	192
Cash Flow From Investing	824	1,125	274	30	(8)
Debt Raised/(repaid)	42	(8)	(6)	(6)	(6)
Proceeds From Issue Of Shares	(2,000)	(2,404)			
Shares Repurchased					
Dividends Paid	228	228	245	260	294
Preferred Dividends					
Other Financing Cashflow	(462)	(830)	(482)	(511)	(591)
Cash Flow From Financing	(2,191)	(3,014)	(243)	(256)	(302)
Total Cash Generated	(88)	27	2,869	3,424	4,065
Free Cashflow To Equity	2,146	3,033	3,107	3,675	4,362
Free Cashflow To Firm	2,109	3,046	3,116	3,683	4,369

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	87	81	2,927	6,327	10,392
Total Debtors	846	1,180	1,430	1,458	1,390
Inventories	5,612	7,282	4,342	4,527	5,029
Total Other Current Assets	439	311	522	521	601
Total Current Assets	6,984	8,853	9,222	12,834	17,412
Fixed Assets	2,783	2,677	2,655	2,618	2,570
Total Investments	5,096	3,839	3,839	3,839	3,839
Intangible Assets					
Total Other Non-Current Assets	538	401	418	405	147
Total Non-current Assets	8,417	6,916	6,911	6,861	6,556
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	4,763	5,886	3,219	3,557	4,191
Other Current Liabilities					
Total Current Liabilities	4,763	5,886	3,219	3,557	4,191
Total Long-term Debt	68	58	52	47	41
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	68	58	52	47	41
Total Provisions	508	236	245	253	266
Total Liabilities	5,338	6,180	3,516	3,857	4,498
Shareholders Equity	10,069	9,587	12,603	15,812	19,444
Minority Interests	(6)	2	14	26	26
Total Equity	10,063	9,589	12,617	15,838	19,470

Key Ratios					
	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue Growth	(1.2%)	14.9%	12.3%	10.8%	15.4%
Operating EBITDA Growth	(4.5%)	19.7%	22.8%	17.1%	13.7%
Operating EBITDA Margin	26.1%	27.2%	29.8%	31.5%	31.0%
Net Cash Per Share (Rs)	0.30	0.38	47.65	104.10	171.57
BVPS (Rs)	159.49	158.91	208.90	262.10	322.30
Gross Interest Cover	344.80	484.13	681.84	1,372.24	1,765.63
Effective Tax Rate	5.9%	4.7%	2.8%	4.2%	3.9%
Net Dividend Payout Ratio	10.4%	8.7%	7.4%	7.4%	7.5%
Accounts Receivables Days	38.45	39.76	45.63	45.56	38.94
Inventory Days	410.00	489.81	388.17	274.27	256.53
Accounts Payables Days	348.96	404.52	304.06	209.55	207.99
ROIC (%)	40.2%	39.8%	47.1%	53.1%	62.7%
ROCE (%)	18.3%	22.6%	25.5%	23.6%	21.8%
Return On Average Assets	14.5%	16.7%	20.5%	19.4%	18.0%

SOURCES: EIP RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	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 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.