

India

ADD (Initiating coverage)

Consensus ratings*:	Buy 14 Hold 4 Sell 4
Current price:	Rs272
Target price:	Rs355 ▲
Previous target:	Rs0
Up/downside:	30.5%
EIP Research / Consensus:	14.8%
Reuters:	RALL.NS
Bloomberg:	RALI IN
Market cap:	US\$724m Rs52,847m
Average daily turnover:	US\$2.8m Rs205.2m
Current shares o/s:	194.5m
Free float:	49.9%

*Source: Bloomberg

Rallis India Ltd

Growth is back, initiate with Add

- Rallis is doing well in agrochemical exports, CRAMS and in the seed business. We expect 10.3% revenue growth CAGR over FY21F-23F.
- Overall agrochemicals (agchem) represent a US\$1.7bn opportunity for Rallis. Also, it is doing well with Solvay in non agchems.
- We expect 10.1% EPS CAGR over FY21F-23F (with upside bias). We initiate coverage on Rallis with an Add rating and 12-month TP of Rs355.

Agchem exports, CRAMS, seeds have tailwinds; initiate with Add

Rallis has a contract research and manufacturing services (CRAMS) agreement with Solvay and Kureha Chemicals. It has agrochemical supply agreements with Syngenta, BASF and the Spanish company Industrias Quimicas Del Valles S.A., which bode well for future growth. The seed business in India appears to have significant tailwinds. Our analysis indicates India is unlikely to ban Acephate (principal insecticide for Rallis in the domestic market) for use on rice and cotton (91% use on these two crops in CY19), negating domestic side risk. We believe exports and CRAMS will grow at least double digits. We value Rallis in line with its historical trading average of 23.5x one-year forward EPS and arrive at our TP of Rs355.

CRAMS business comes of age, as do exports

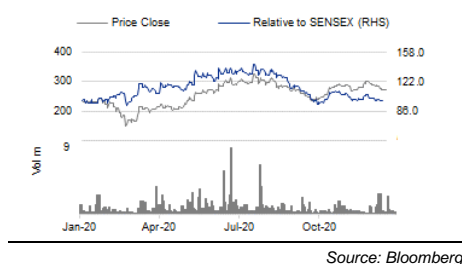
The Polyetherketoneketone (PEKK) supply contract with Solvay and the Metconazole contract with Kuhera Chemicals could give Rallis US\$20m of export revenues. The supply contracts for Hexaconazole (to Syngenta), Pendimethalin (test supply to BASF) and Metalalxyl (to Industrias Quimicas Del Valles S.A.) are positives for the company. The overall agrochemical supply opportunity apart from PEKK is ~US\$1.7bn (globally, according to IHS MARKIT). Rallis has barely scratched the surface here as exports in FY20 were US\$50m. While we have built in exports growth of 10%, our assumption has an upside risk as predicting the exact trajectory is not possible.

Hybrid seeds have structural tailwind; ground presence is key

The Indian seeds industry is in a tailwind for crops like paddy. For the majority of Indian crops, the seed replacement ratio (SRR) is lower than desired. A company like Rallis needs to educate farmers and have a presence on the ground. Rallis has 1,500 dealers and 40,000 retailers (FY20). Also, it has a team of 225 field officers and 1,000 crop advisors to help farmers. There is a structural push to use better seeds and raise SRR, potentially resulting in better productivity and farm incomes, in our view. Consequently, over the last three years, seed sales grew 26% CAGR. We believe that with better distribution network and brand recall Rallis is best positioned to reap the benefits of this structural change.

Risk to our rating

A blanket ban by the government of India on Acephate and bad weather are key risks.



Price performance	1M	3M	12M
Absolute (%)	(3.6)	9.7	16.6
Relative (%)	(5.1)	(10.6)	(4.7)

Major shareholders	% held
Promoter & Promoter Group	50.1
Nippon Life India	3.1
SBI Long Term Fund	2.9

Analyst(s)



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Financial Summary	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue (Rsm)	19,840	22,518	23,679	26,255	28,821
Operating EBITDA (Rsm)	2,470	2,737	3,685	4,015	4,530
Net Profit (Rsm)	1,554	1,849	2,495	2,697	3,007
Core EPS (Rs)	8.0	9.1	12.8	13.9	15.5
Core EPS Growth	(7.3%)	13.3%	41.7%	8.1%	11.5%
FD Core P/E (x)	34.01	28.59	21.18	19.60	17.57
DPS (Rs)	2.5	2.5	3.6	3.9	4.3
Dividend Yield	0.92%	0.92%	1.32%	1.43%	1.59%
EV/EBITDA (x)	21.09	18.28	13.23	11.96	10.47
P/FCFE (x)	128.90	67.24	25.85	34.27	35.70
Net Gearing	(6.1%)	(20.0%)	(25.8%)	(27.1%)	(27.1%)
P/BV (x)	4.11	3.75	3.33	2.96	2.64
ROE	12.5%	13.1%	16.6%	16.0%	15.9%
% Change In Core EPS Estimates					
EIP Research/Consensus EPS (x)			0.89	0.98	1.05

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 1 FEB 2021

Figure 1: About 2/3rd of Rallis's revenue is from international business (YTD refers to Dec FY20 and FY21)

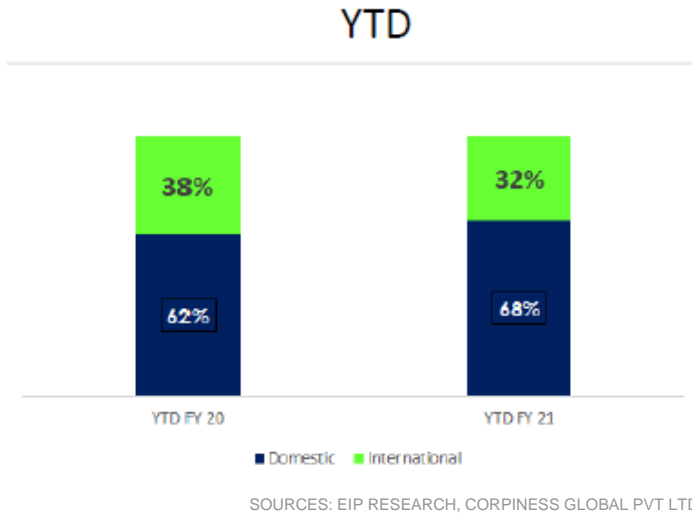


Figure 2: Agrochemicals form 84% of the overall revenue (FY20)

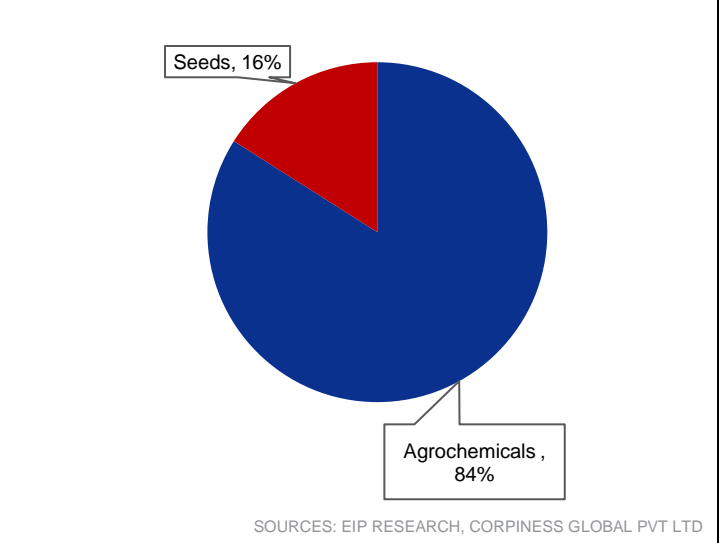


Figure 3: Insecticides is agrochemicals' main product stream

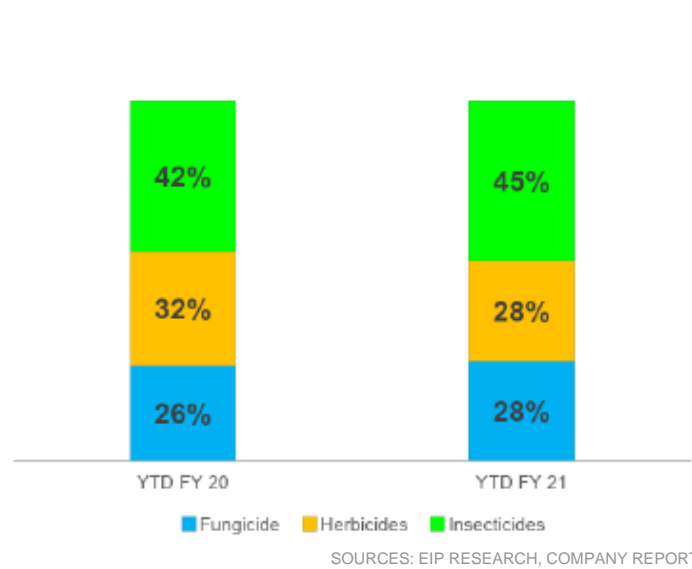


Figure 4: Acephate, Metribuzin, Hexaconazole and Kresoxim are the main chemicals for Rallis (CY19)

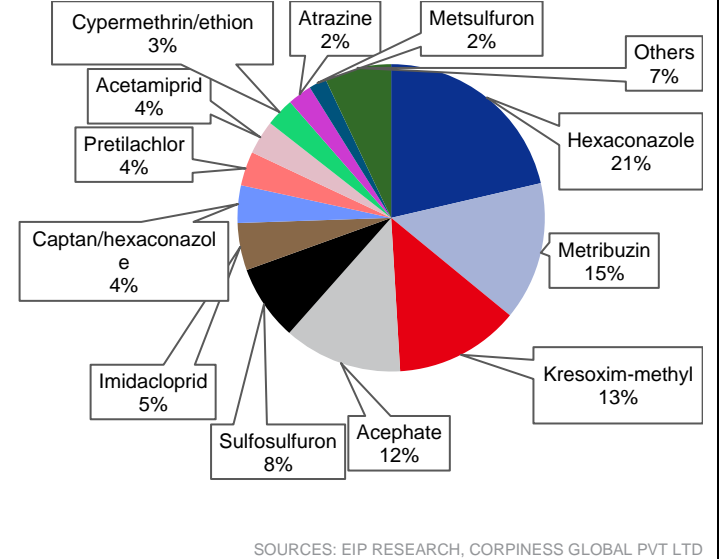


Figure 5: Indian seed market saw ~22% CAGR growth in last 10 years

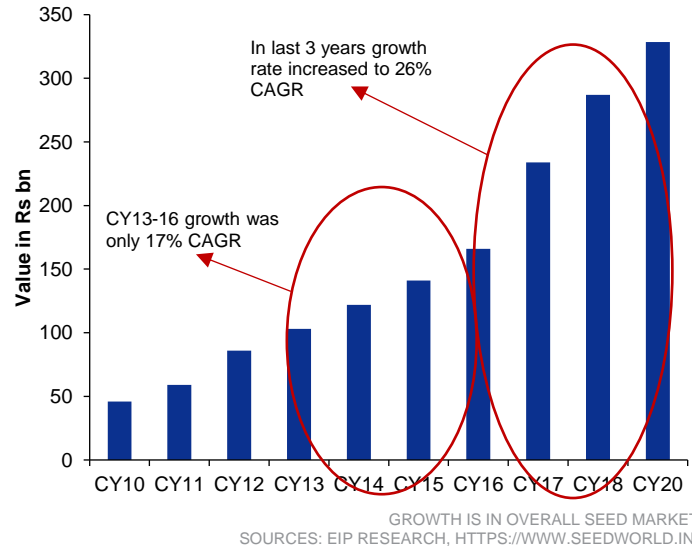


Figure 6: Rallis's seed business grew in line with Indian seed market

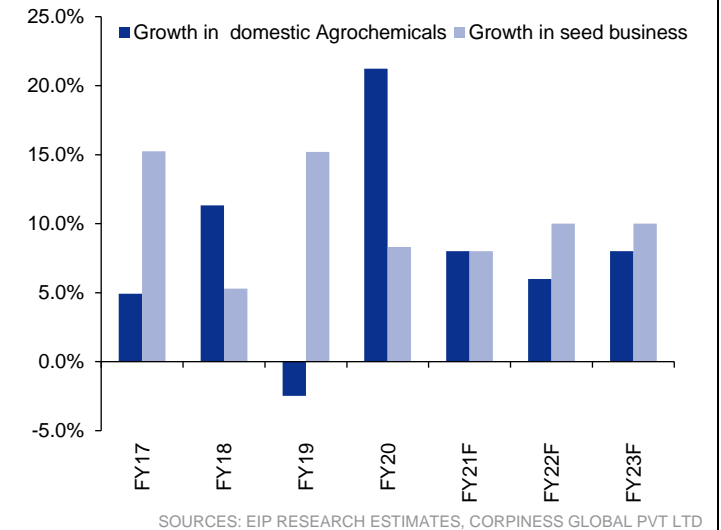
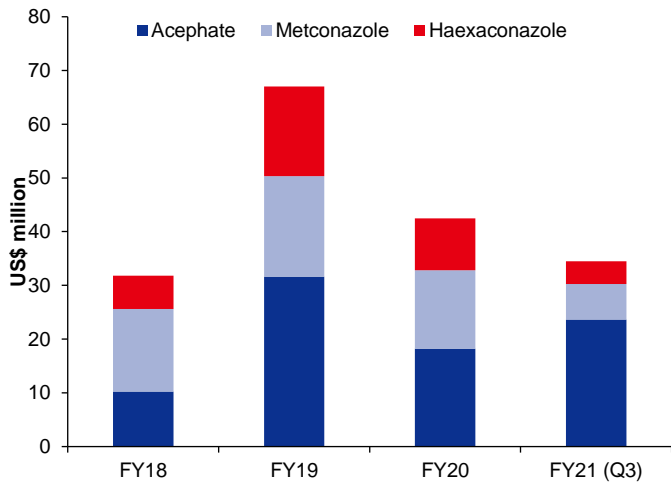
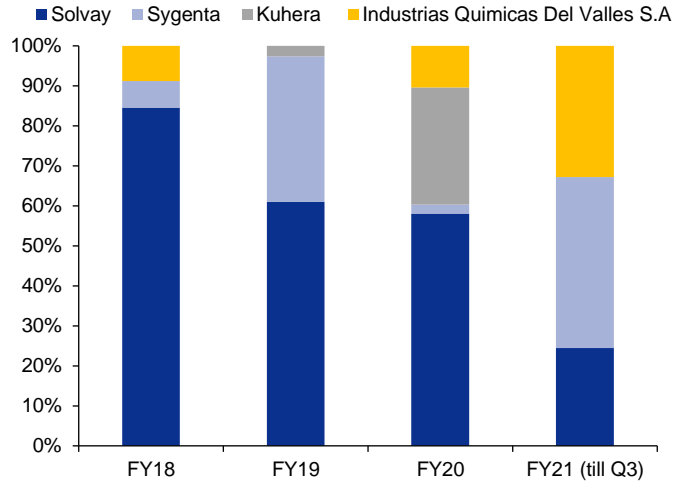


Figure 7: Acephate, Metconazole and Hexaconazole dominated exports



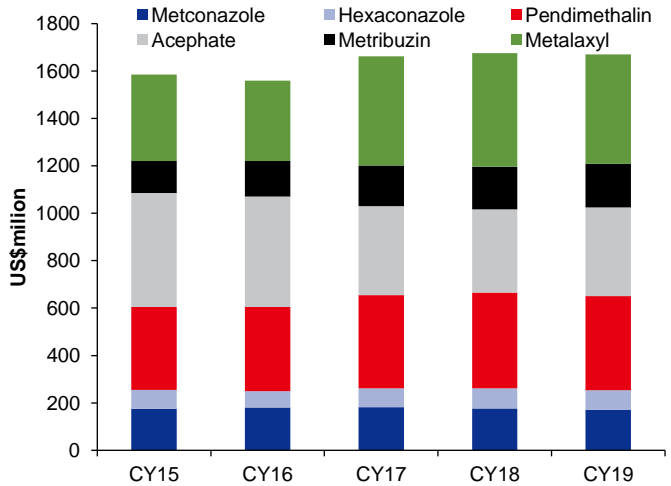
SOURCES: EIP RESEARCH, CORPINESS GLOBAL PVT LTD

Figure 8: Solvay, Syngenta, Kureha are main clients of CRAMS now. BASF evaluating CRAMS for Pendimethalin



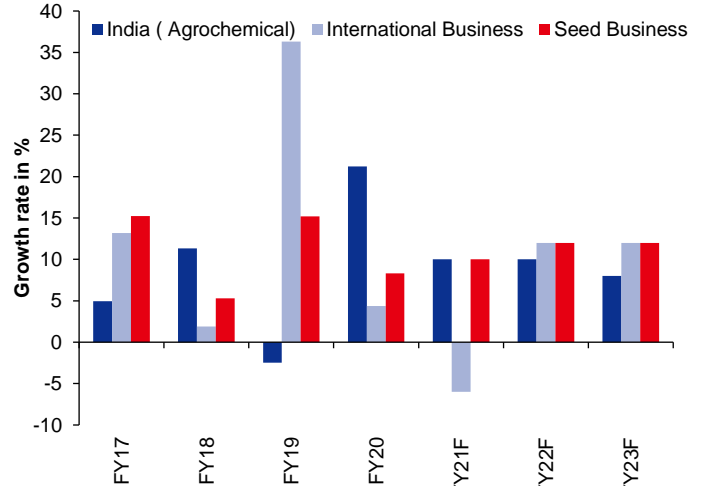
SOURCES: EIP RESEARCH, CORPINESS GLOBAL PVT LTD

Figure 9: If executed well Rallis's revenue could grow multifold as addressable CRAMS molecule market is ~US\$1.7bn



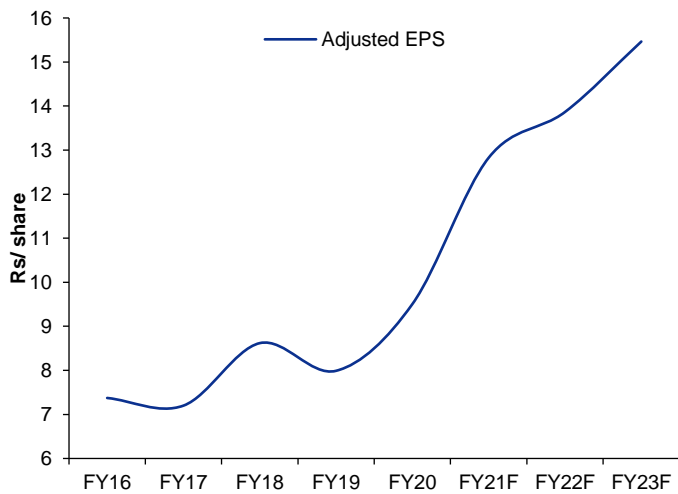
SOURCES: EIP RESEARCH, IHS MARKIT

Figure 10: We expect double-digit growth for Agrochemicals business (which has an upside bias)



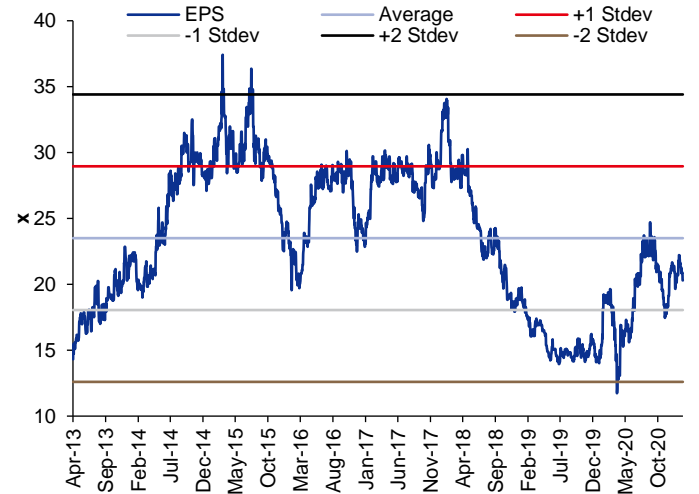
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 11: Expect sustained growth trajectory for Rallis



SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 12: On average Rallis trades at 23.5x 1-year forward P/E



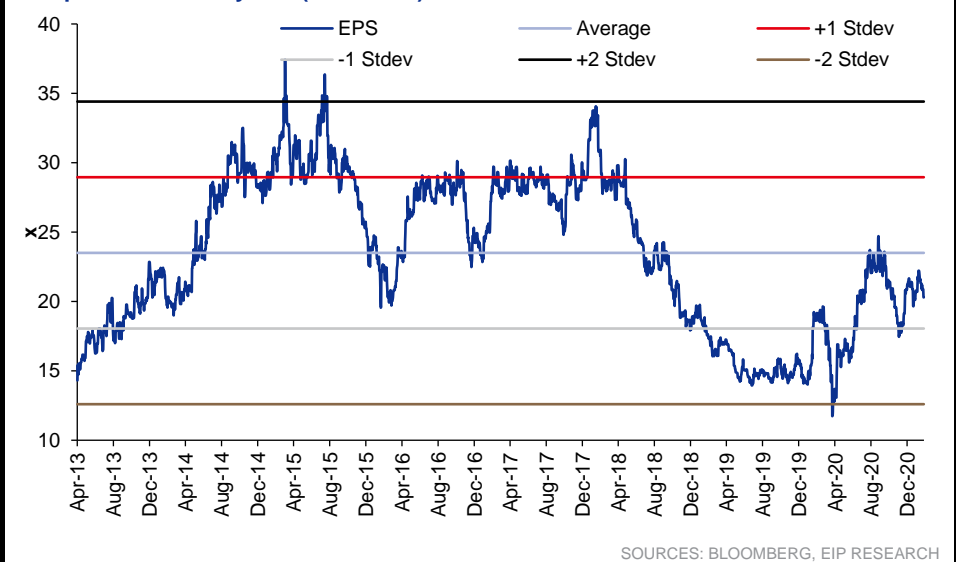
SOURCES: EIP RESEARCH, BLOOMBERG

Figure 13: We value UPL at 23.5x one-year forward EPS (last 8-year average, 2013-2020) to arrive at TP of Rs355

Target Price Methodology		
Item	Unit	Valuation
FY22F EPS	Rs/Share	13.9
FY23F EPS	Rs/Share	15.5
Dec'22F EPS	Rs/Share	15.1
P/E Multiple	x	23.5
Target Price	Rs/Share	355

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Rallis has been trading near 23.5x 1-year forward EPS, the average trading multiple of the last 8 years (2013-2020)



SOURCES: BLOOMBERG, EIP RESEARCH

Peer comparison

Figure 15: Peer Comparison

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
UPLL IN	534	578	8%	HOLD	5,576	9.1	8.2	1.9	1.6	14.4	13.9	17.5	14.5
RALI IN	272	355	31%	ADD	722	13.2	11.9	3.3	3.0	16.6	15.9	21.2	19.6
SRF IN	5,491	NR	NR	NR	4,445	17.6	15.2	5.0	4.3	18.8	17.6	29.3	24.7
PI IN	1,999	NR	NR	NR	4,144	28.3	22.8	5.9	5.1	18.48	18.48	43.0	34.1
BAYN GR	51	NR	NR	NR	59,977	6.9	6.2	1.1	1.0	2.85	2.85	8.2	7.4
BAS GR	65	NR	NR	NR	72,075	8.7	8.1	1.3	1.3	0.12	0.12	17.6	14.8
CTVA US	41	NR	NR	NR	30,314	13.0	11.6	1.2	1.2	3.66	3.66	22.7	19.8

NR DATA IS SOURCED FROM BLOOMBERG.
SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
PRICES S ON 1 FEB 2021

Risks

- Rallis gets 16% of its revenues from the Indian seeds business, which depends on weather. A bad rainy season in India can lead to a decline in seed revenues.
- The Government of India has not come out with any further guidelines on the proposal to ban Acephate after its draft proposals. We have not built in any revenue decline in agrochemical sales because of the low probability of an Acephate ban occurring (reasons are given in this report). However, if Acephate is banned our revenues and, hence, fair value will likely have a downside.

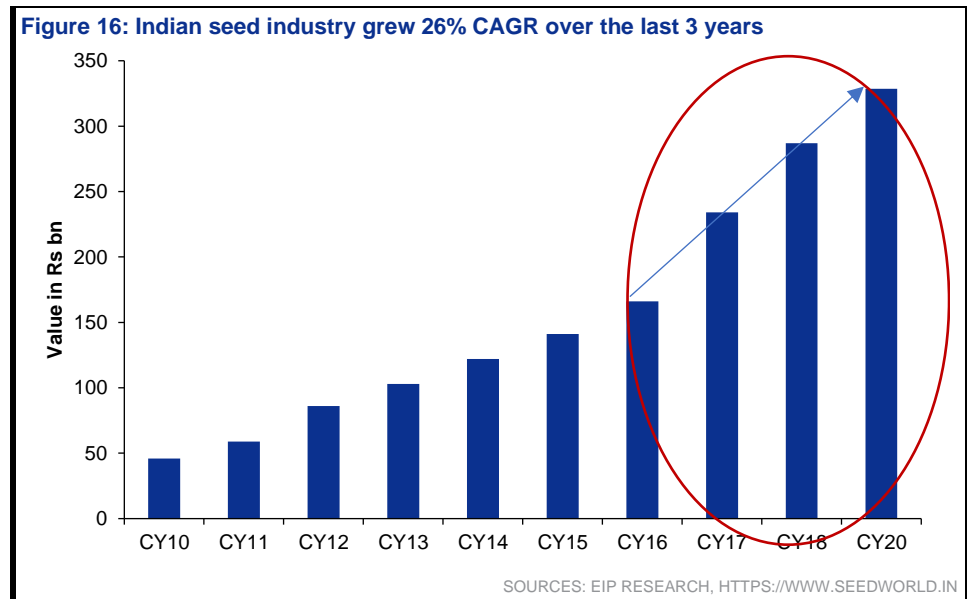
Growth is back; Add

Rallis was plagued by lack of growth for many years.

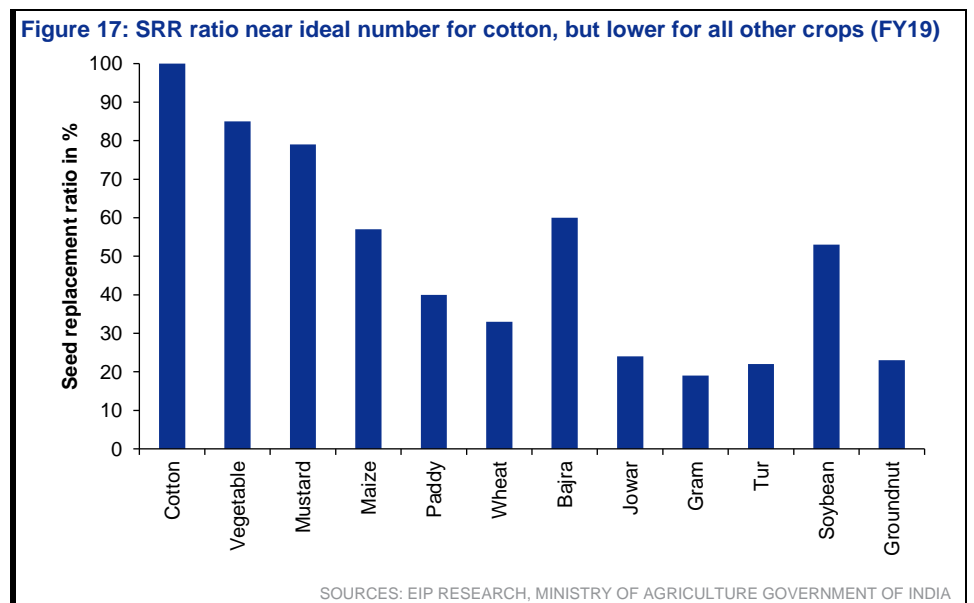
Seed business witnesses tailwinds

Driven by rising rural incomes and the Indian government’s push on doubling agricultural income, seeds are witnessing a great surge in demand. In the last three calendar years, the Indian seed industry grew 25% CAGR (in Rs terms). Rallis has both a brand and distribution network, which is essential for the success of its seed business.

Indian seed industry grew 26% CAGR over last 3 years ➤

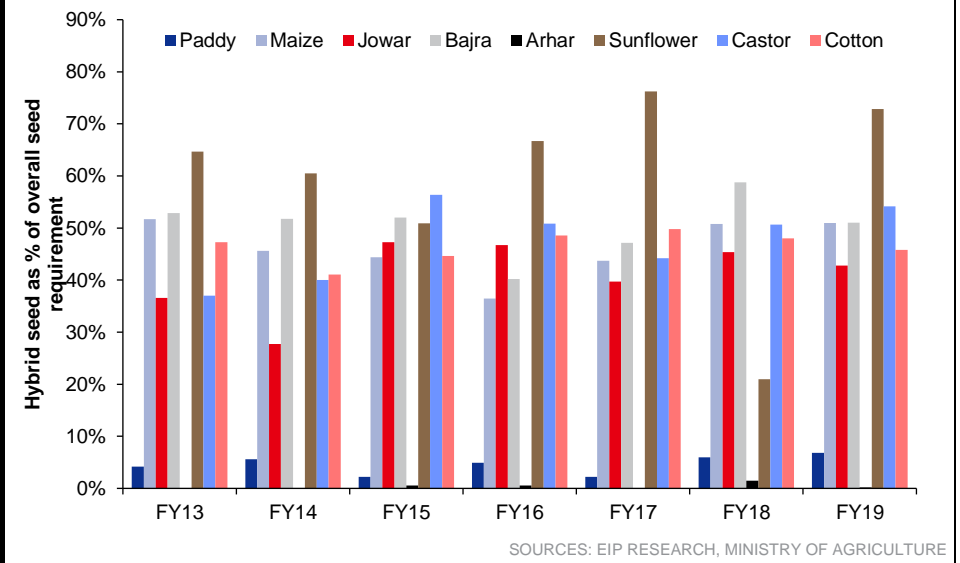


India’s current seed replacement ratio likely to spur growth ➤



Hybrid seeds positive for Rallis’s seed business ➤

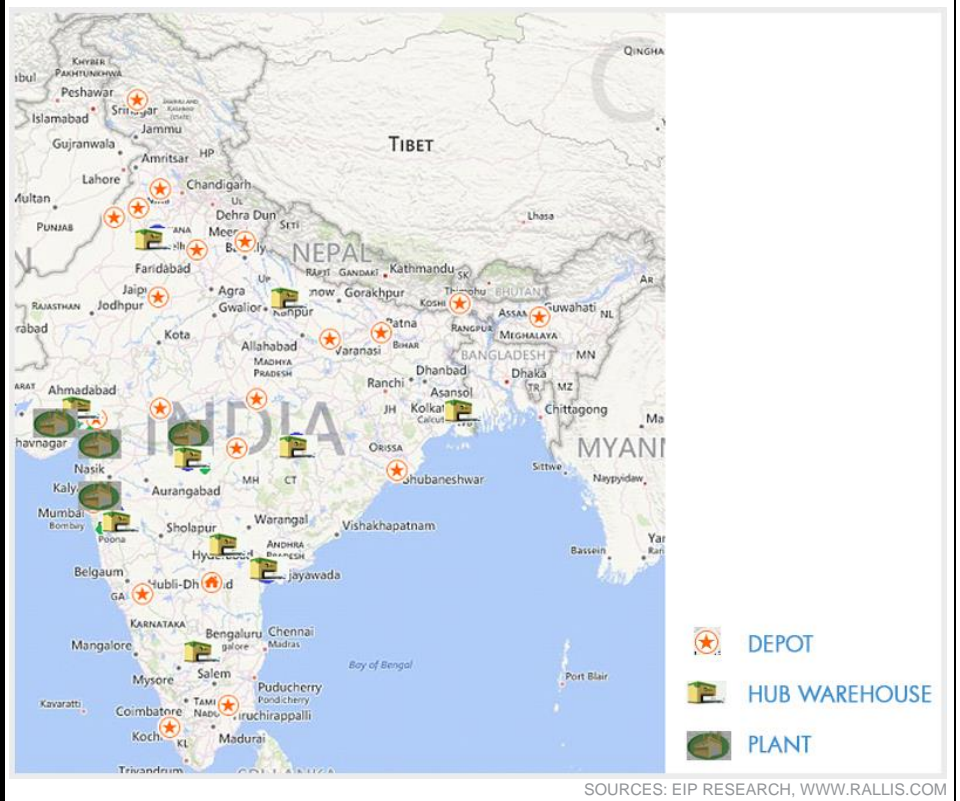
Figure 18: In India hybrid seed penetration is low in traditional crops like paddy, presenting Rallis an opportunity



Rallis’s farmer reach among India’s best; likely to benefit from move to hybrid seeds ➤

India's quest for higher crop yields can only be achieved if seeds of better quality are increasingly used, in our view. India does not use genetically-modified (GM) seeds in edible crops, but hybrid seeds are widely used for better productivity.

Figure 19: Rallis has 1,500 dealers and 40,000 retailers across India. It has a team of 225 field officers and 1,000 crop advisors to help farmers (FY20)

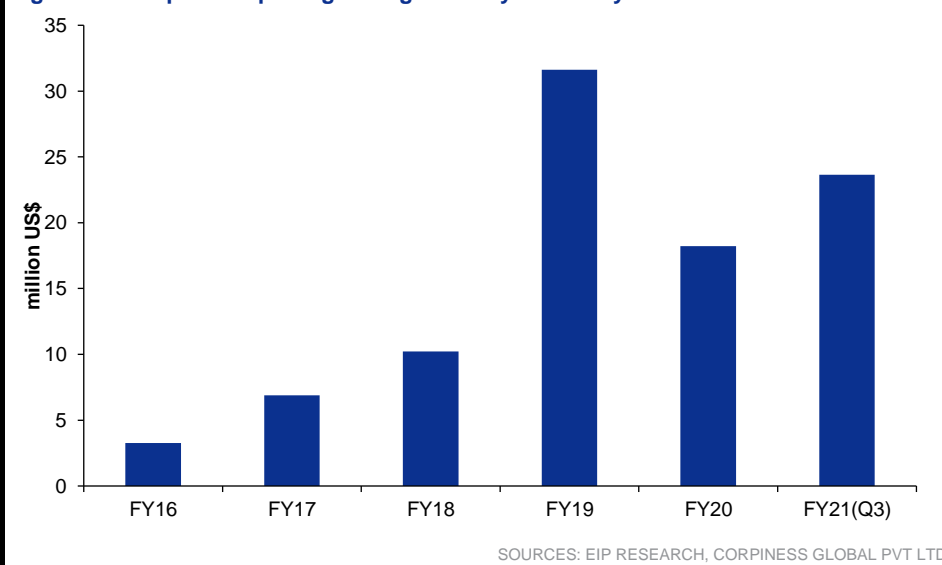


Agrochemical exports to grow by more than double digits

In the past few quarters Rallis has done well getting export customers. Earlier, it only mainly exported Acephate. However, now its product portfolio and clients base have expanded. Rallis's CRAMS already has two customers, with Solvay being a client now for close to four years. Supply relationships, mainly for generic agrochemicals, have strengthened across multiple companies. The market size of supplied agrochemicals is ~US\$1.7bn, which presents a big opportunity for Rallis. We expect Rallis's exports business to grow at 10-12% CAGR over the next few years.

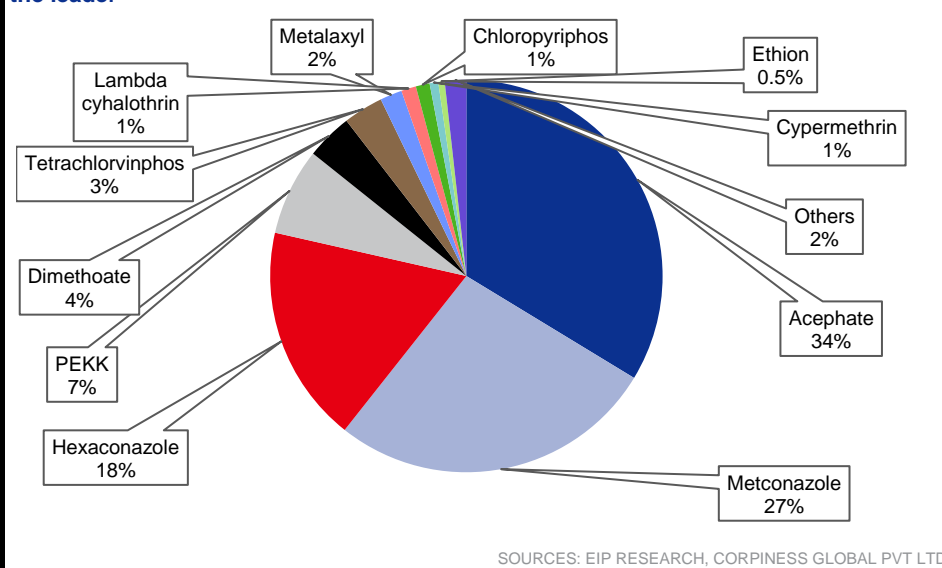
Acephate has been Rallis's best-selling chemical for years ➤

Figure 20: Acephate exports grew significantly over the years – 10x from FY16 levels



Rallis's exports portfolio has expanded over the years ➤

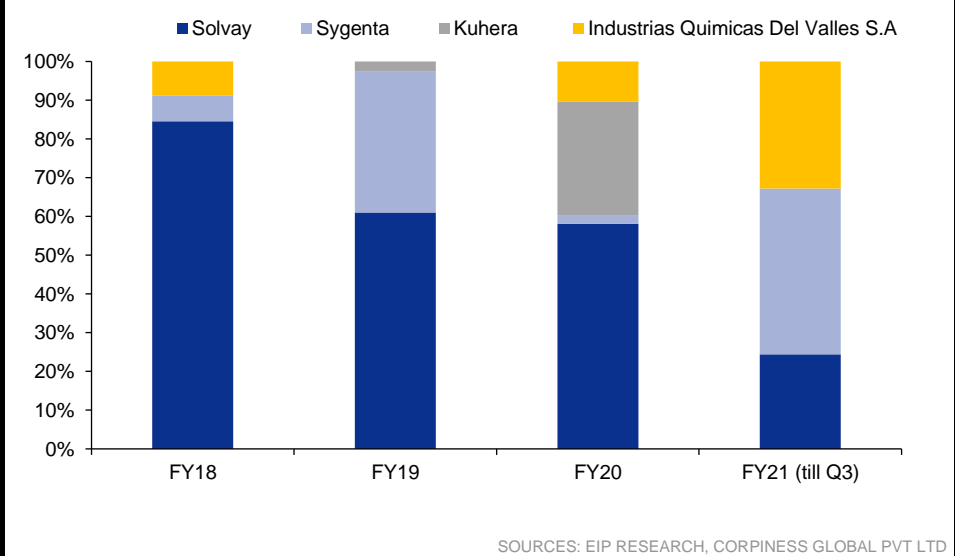
Figure 21: In FY20 Rallis exported ~US\$54m worth of molecules, but Acephate was still the leader



Contract research & manufacturing portfolio has expanded ▶

Rallis started its CRAMS work with PEKK (Polyetherketoneketone) for Solvay. It also began to supply the agrochemical Metconazole to Kuhera Chemicals of Japan. Rallis has signed supply agreements for Pendimethalin, Metalaxyl and Hexaconazole with various companies.

Figure 22: Solvay, Syngenta, Kuhera, Industrias Quimicas Del Valles SA and BASF are the main clients for exports. Limited purchases from BASF for now



Its top 5 chemicals (Figure 21), barring PEKK, had a US\$1.7bn market size in CY19; Rallis barely scratches the surface now ▶

Figure 23: Rallis' chemicals sales over the years

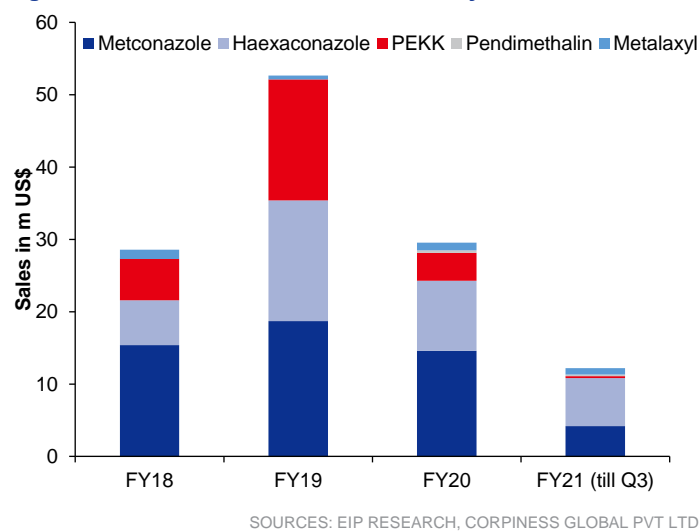
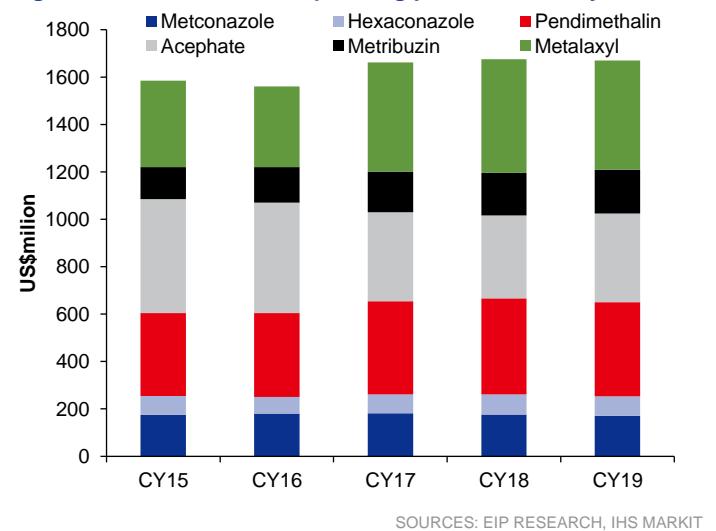


Figure 24: Sales of Rallis' top-selling products over 5 years

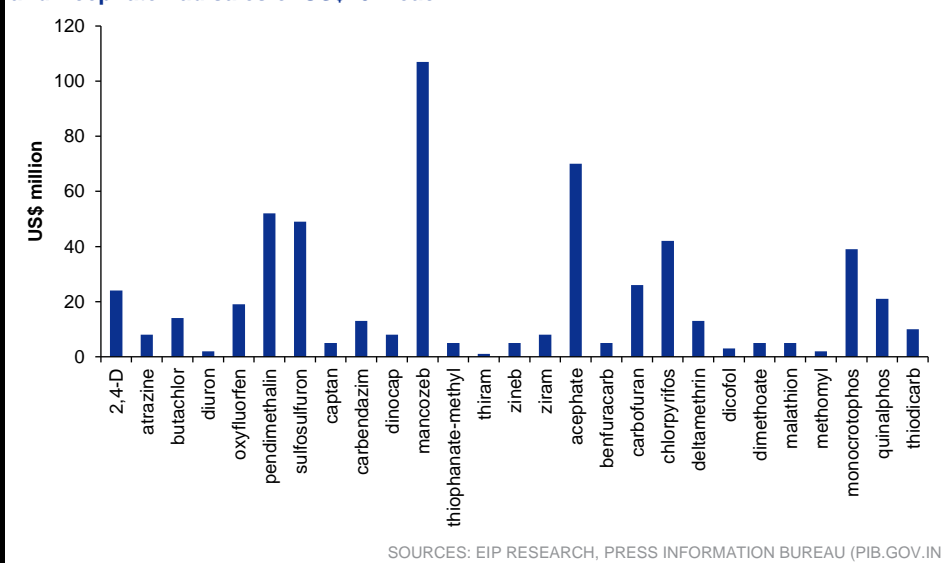


Domestic agrochemicals to grow 8-10% medium term; Acephate ban unlikely to be a big concern

In Jun 2020, the government of India announced it was contemplating a ban on 27 agrochemicals. Acephate, whose ban has been proposed, is a major chemicals product for Rallis India. Barring that, we expect 8-10% sales growth in the near to medium term but do not see any risk to Rallis sales.

GOI proposed a production ban on 27 chemicals in Jun 2020 ➤

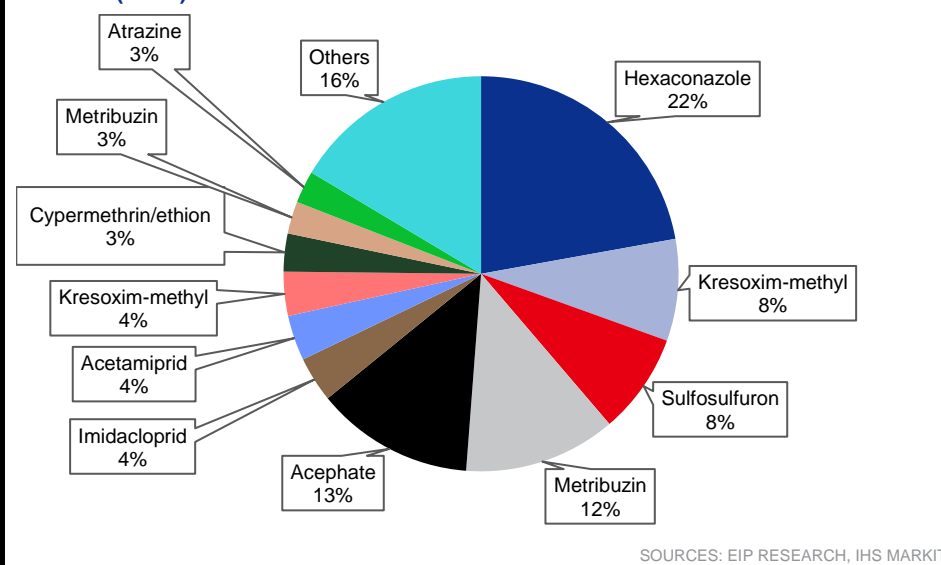
Figure 25: Domestic sales of these 27 molecules were US\$561m in CY18. Mancozeb and Acephate had sales of US\$70m each



Of these 27 chemicals, Rallis manufactures and sells 8 ➤

Rallis sells eight of the 27 chemicals that GOI is planning to ban – Atrazine, Pendimethalin, Sulfosulfuron, Captan, Mancozeb, Thiophanate-methyl, Acephate and Dimethoate. The combined sales of these eight molecules in the Indian market was ~ US\$300m for CY19 (Source: IHS MARKIT), however the critical molecule for Rallis is Acephate.

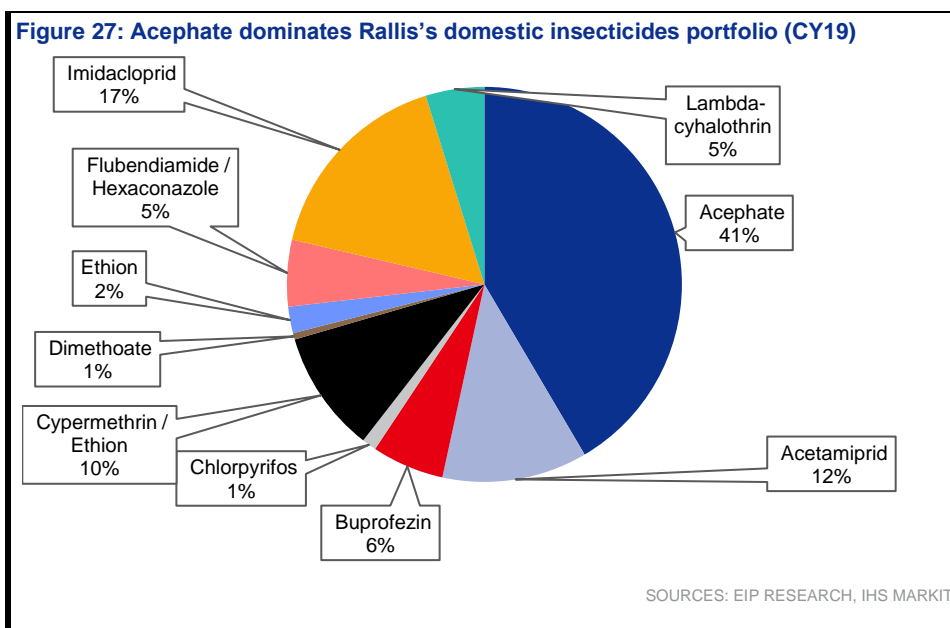
Figure 26: In the worst-case scenario, ~25% of Rallis’s domestic agrochem sales could be at risk (CY19)



We expect herbicide portfolio sales to increase; Metsulfuron could be a success if marketed well ➤

In India rice herbicides have been doing very well. Usage of Metsulfuron (Rallis portfolio) is cheaper than Bispyribac-sodium. On a per kg basis Acephate is costlier, but Metsulfuron’s per acre cost is cheaper. The key to Metsulfuron’s success is the marketing – like PI Industries (Not Rated) did for Bispyribac-sodium. PI sold Bispyribac-sodium under its brand name Nominee Gold and made it a household name.

Acephate is the mainstay in Rallis's insecticides portfolio ➤

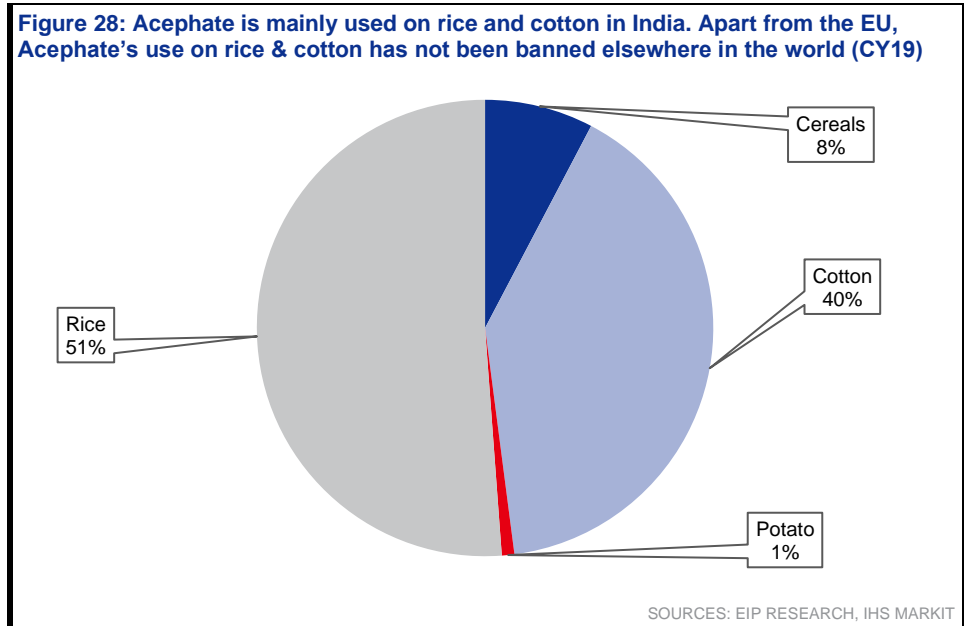


Global experience suggests a complete ban on Acephate is unlikely; at worst it could be banned for use on vegetables ➤

- The European Union (EU) has refused to register Acephate, and its use has been banned in New Zealand.
- The chemical received extra-use restrictions in Brazil, the leading country market for the product, in 2013 and further procedures were incorporated in the trade of Acephate in 2017.
- In April 2020, the Canadian Pest Management Regulatory Agency (PMRA) finalised its decision to restrict the use of Acephate, due to concerns over risks to human health and the environment. The PMRA confirmed its decision to cancel the use of Acephate on potatoes and prohibit foliar applications to trees and ornamentals trees in residential areas.
- In May 2020 India's Ministry of Agriculture proposed to ban 27 pesticides, including the active ingredients (AI). The government received representations from various pesticide associations and companies asking it to allow manufacturing for export purposes. The government subsequently agreed to this in Jun 2020.
- In Jul 2020 Vietnam announced it would ban the use of 41 insecticidal active ingredients, including Acephate, from use in products for use in homes and medical settings.

While the EU has always been conservative on the issue of pesticides or GM seeds, in all other countries their use has only been banned on direct consumables (vegetables) or on ornamental plants (kept inside homes). So, going by the precedence set in other countries, usage ban of Acephate on rice or wheat is unlikely.

Figure 28: Acephate is mainly used on rice and cotton in India. Apart from the EU, Acephate's use on rice & cotton has not been banned elsewhere in the world (CY19)



Earnings and Valuations

We expect Rallis to deliver 10% revenue CAGR over FY21F-FY23F. EPS is likely to grow at 9.8% CAGR. We have not assumed any recovery in the prices of chemicals. Despite high sales growth, increase in debt is leading to lower-than-topline growth.

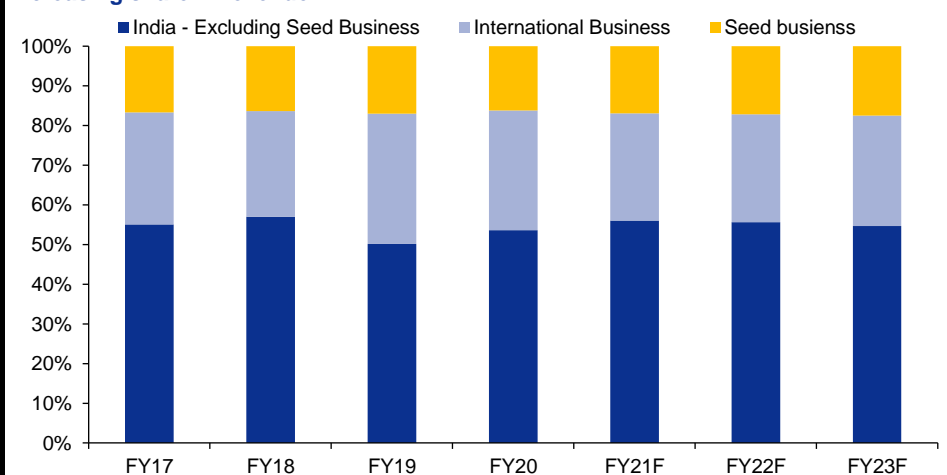
Figure 29: Our revenue and EBITDA assumptions for Rallis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F
Revenue (Rs mn)									
India - Excluding Seed Business	8,931	8,735	9,166	10,205	9,952	12,066	13,272	14,599	15,767
International Business	3,968	4,145	4,691	4,779	6,514	6,799	6,391	7,158	8,017
India Seed Business	5,239	2,411	2,778	2,925	3,370	3,650	4,015	4,497	5,036
Total Revenue	18,137	15,291	16,635	17,909	19,836	22,515	23,679	26,255	28,821
Revenue Growth (%)									
India - Excluding Seed Business	(12.4)	(2.2)	4.9	11.3	(2.5)	21.2	10.0	10.0	8.0
International Business	(35.3)	4.5	13.2	1.9	36.3	4.4	(6.0)	12.0	12.0
India Seed business	363.7	(54.0)	15.2	5.3	15.2	8.3	10.0	12.0	12.0
Total Revenue	3.9	(15.7)	8.8	7.7	10.8	13.5	5.2	10.9	9.8
Others									
EBITDA	2,815	2,339	2,672	2,645	2,470	2,737	3,685	4,015	4,530
EBITDA Margin (%)	15.5	15.3	16.1	14.8	12.4	12.2	15.6	15.3	15.7
Net Profit	1,598	1,471	2,971	1,670	1,548	1,837	2,495	2,697	3,007
Net Profit Margin (%)	8.8	9.6	17.9	9.3	7.8	8.2	10.5	10.3	10.4

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Sales mix will tilt towards international business and domestic seed business, in our view ►

Figure 30: Tailwinds to Indian seed business and agrochemical prices are seen in increasing share in revenue mix

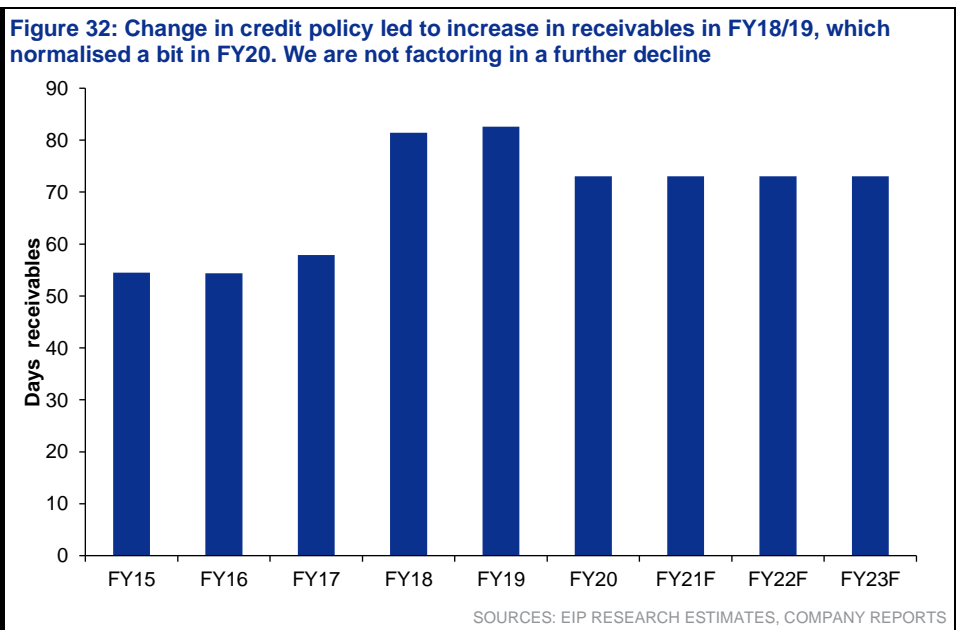


SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

We have not built in any significant increases in gross margins ➤

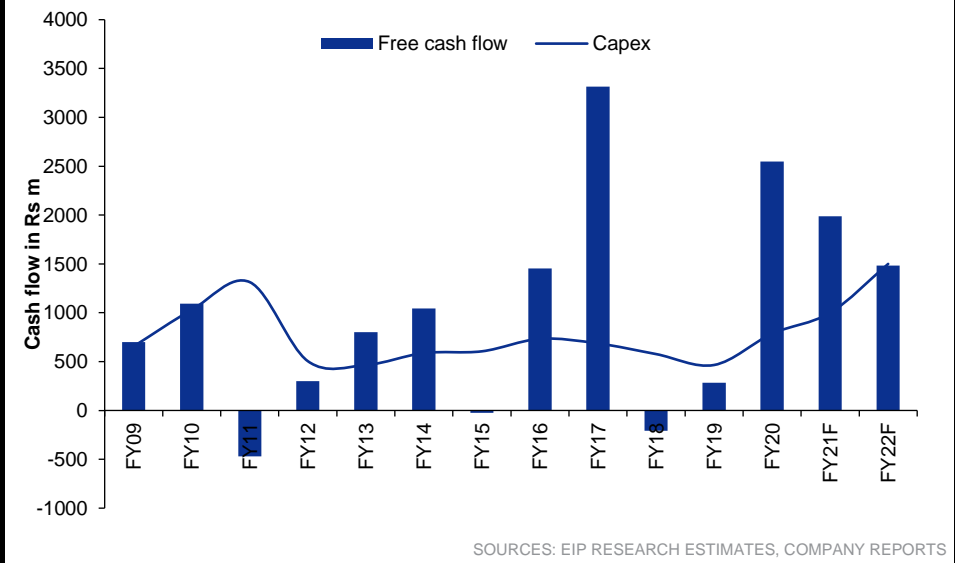


Receivables fell in FY20; we are not building in any further decline ➤



Free cash flow generation increasing despite higher capex ➤

Figure 33: In the next few years Rallis will likely increase capex in the CRAMS business; but FCF will rise as working capital normalises (as pointed out in Figure 32)



We rate Rallis an Add, with 12-month target price of Rs355 ➤

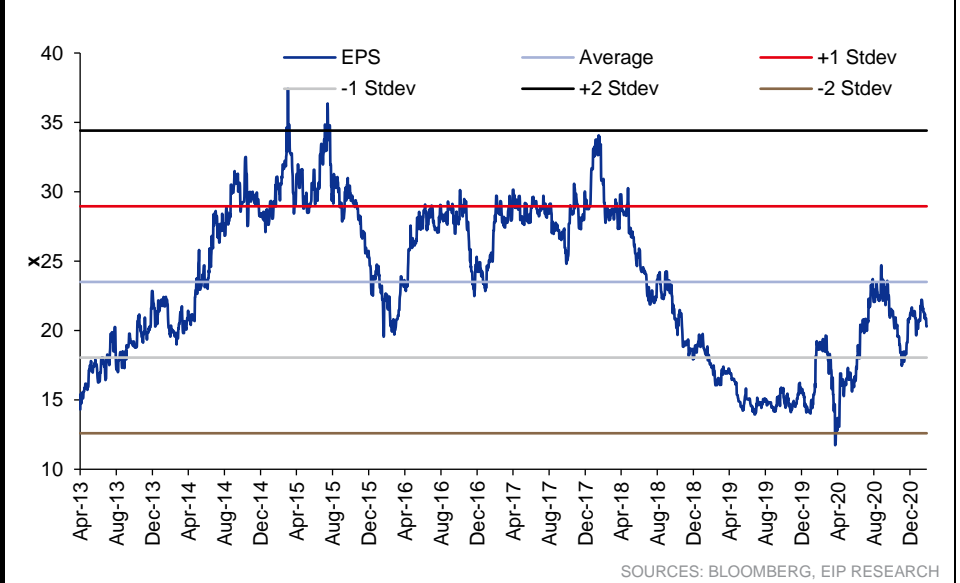
We are valuing Rallis at 23.5x one-year forward earnings (EPS), in line with its historical average of 23.5x (average for the last eight years from 2013-2020). While we have valued Rallis at historical trading multiples, as seen in the cases of SRF (Not Rated) and PI Industries (Not Rated), growth in the non-cyclical CRAMS/ international business will likely lead to multiple re-rating. Markets re-rate stocks for CRAMS as CRAMS' customers are loyal and using one client reference companies tend to get new clients thus creating a virtuous cycle (SRF re-rated in 2018-2020 and PI in 2019-2020). This presents an upside potential to our target price.

Figure 34: We value UPL at 23.5x one-year forward EPS (last 8-year average, 2013-2020) to arrive at TP of Rs355

Target Price Methodology		
Item	Unit	Valuation
FY22F EPS	Rs/Share	13.9
FY23F EPS	Rs/Share	15.5
Dec'22F EPS	Rs/Share	15.1
P/E Multiple	x	23.5
Target Price	Rs/Share	355

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

Figure 35: Rallis has been trading near 23.5x 1-year forward earnings, the average trading multiple of the last 8 years



Risks

- Rallis gets 16% of its revenues from the Indian seeds business, which depends on weather. A bad rainy season in Indian can lead to a decline in seed revenues.
- After its draft proposals, the Government of India has not come out with further guidelines to ban Acephate. We have not built in any revenue decline in agrochemical sales because of the low probability of Acephate being banned (reasons are given in this report). However, if Acephate is banned, our revenues, and hence fair value, will see downside.

SWOT Analysis

Figure 36: SWOT analysis for Rallis

Strengths	Weaknesses
Big distribution network	Rallis has been unable expand its seed business
High brand recall	No patented active ingredient
Opportunities	Threats
Agrochemical contract manufacturing is big opportunity	Entry of global agrochemical players in the Indian market
It can launch new products using existing distribution network	Government of India's permission to sell GM seeds could impact Rallis's hybrid seed market

SOURCES: EIP RESEARCH ESTIMATES, COMPANY REPORTS

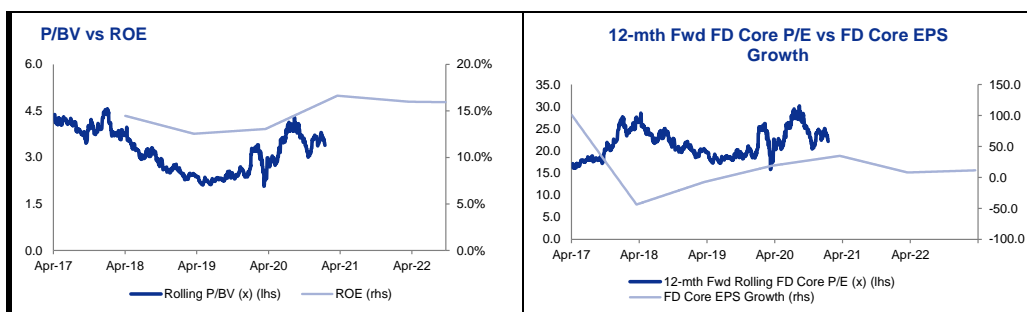
Appendix

Rallis is a TATA enterprise and a subsidiary of Tata Chemicals, with a business presence in the Farm Essentials vertical. It is one of India's leading crop care companies. The company's 2,300 distributors reach more than 40,000 retail counters across the country, covering more than 80% of India's districts. Rallis is known for its deep understanding of Indian agriculture, sustained contact with farmers, quality agrochemicals, branding and marketing expertise and its strong product portfolio of comprehensive crop care solutions. Rallis is closely connected to around 1m farmers through the Rallis Kisan Kutumb programme. It estimates that around 5m+ farmers benefit from the agricultural solutions provided by Rallis.

Figure 37: Key management personnel (currently as per company website)

<p>Mr. Bhaskar Bhatt, Charman</p>	<p>Mr. Bhat was appointed Chairman of the Board in Dec 2015. Mr Bhat has a B. Tech in Mechanical Engineering from IIT Madras and a post-graduate diploma in management from IIM, Ahmedabad. He was awarded the Distinguished Alumnus Award of IIT Madras in 2008. Mr Bhat started his career as a management trainee with Godrej & Boyce Manufacturing Company. In 1983, he joined the Tata Watch Project (initiated at Tata Press) and has since been associated with the company, which later became Titan Watches, and now Titan Company. At Titan, Mr Bhat has handled sales and marketing, HR, international business and various general managerial assignments. He took over as Managing Director of the company on 1 Apr 2002 and held the position till his superannuation on 30 Sep 2019. Subsequently, he was appointed a non-executive non-independent director of the company with effect from 1 Oct 2019.</p>
<p>Mr. Sanjiv Lal, MD and CEO</p>	<p>Mr. Sanjiv Lal was appointed to the company's board as Managing Director & CEO on 1 Apr 2019. Prior to his appointment, Mr. Lal was the Chief Operating Officer of the India Chemicals Business of Tata Chemicals. Since he joined Tata Chemicals in 2004, he has held manufacturing responsibilities at two of its units, handled its Agri Retail Business, headed the organisational transformation & business excellence function, headed the information technology function and was nominated as the Joint Managing Director of its JV in Morocco. Before joining Tata Chemicals, Mr. Lal worked with Hindustan Unilever for 21 years in various functions of the manufacturing and specialty chemicals business. Mr. Lal is a B. Tech in Chemicals Engineering and graduated from the Indian Institute of Technology, New Delhi in 1983.</p>

SOURCE: COMPANY WEBSITE

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Total Net Revenues	19,840	22,518	23,679	26,255	28,821
Gross Profit	19,840	22,518	23,679	26,255	28,821
Operating EBITDA	2,470	2,737	3,685	4,015	4,530
Depreciation And Amortisation	(461)	(615)	(699)	(789)	(916)
Operating EBIT	2,009	2,122	2,985	3,226	3,614
Financial Income/(Expense)	(52)	(61)	(58)	(58)	(58)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	246	200	406	435	463
Profit Before Tax (pre-EI)	2,203	2,261	3,334	3,604	4,019
Exceptional Items		114			
Pre-tax Profit	2,203	2,375	3,334	3,604	4,019
Taxation	(655)	(538)	(839)	(907)	(1,012)
Exceptional Income - post-tax					
Profit After Tax	1,548	1,837	2,495	2,697	3,007
Minority Interests	6	12			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,554	1,849	2,495	2,697	3,007
Recurring Net Profit	1,554	1,760	2,495	2,697	3,007
Fully Diluted Recurring Net Profit	1,554	1,760	2,495	2,697	3,007

Cash Flow

(Rs mn)	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
EBITDA	2,470	2,737	3,685	4,015	4,530
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,232)	969	(187)	(443)	(443)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	26	(88)	(21)	(58)	(58)
Other Operating Cashflow	(1,119)	(752)	(1,214)	(1,321)	(1,502)
Net Interest (Paid)/Received	(52)	(61)	(58)	(58)	(58)
Tax Paid	709	564	839	907	1,012
Cashflow From Operations	801	3,368	3,044	3,042	3,480
Capex	(462)	(656)	(1,000)	(1,500)	(2,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(52)	(1,803)			
Cash Flow From Investing	(514)	(2,459)	(1,000)	(1,500)	(2,000)
Debt Raised/(repaid)	124	(123)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(585)	(587)	(699)	(755)	(842)
Preferred Dividends					
Other Financing Cashflow	(54)	(34)	(58)	(58)	(58)
Cash Flow From Financing	(515)	(744)	(756)	(813)	(900)
Total Cash Generated	(229)	165	1,288	729	580
Free Cashflow To Equity	410	786	2,044	1,542	1,480
Free Cashflow To Firm	339	970	2,102	1,600	1,538

SOURCES: EIP RESEARCH ESTIMATES, 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	1,512	3,473	4,761	5,490	6,071
Total Debtors	4,491	4,506	4,738	5,254	5,767
Inventories	6,736	6,992	7,352	8,152	8,949
Total Other Current Assets	1,393	1,171	1,206	1,305	1,406
Total Current Assets	14,132	16,142	18,057	20,201	22,193
Fixed Assets	4,357	4,727	5,028	5,739	6,823
Total Investments	38	38	38	38	38
Intangible Assets	1,958	1,958	1,958	1,958	1,958
Total Other Non-Current Assets	1,359	1,619	1,652	1,728	1,804
Total Non-current Assets	7,711	8,342	8,676	9,463	10,624
Short-term Debt	530	496	496	496	496
Current Portion of Long-Term Debt					
Total Creditors	5,348	6,373	6,702	7,431	8,157
Other Current Liabilities	2,224	2,606	2,718	2,960	3,203
Total Current Liabilities	8,101	9,476	9,916	10,888	11,856
Total Long-term Debt	199	157	157	157	157
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	65	209	209	209	209
Total Non-current Liabilities	264	366	366	366	366
Total Provisions	601	541	554	572	590
Total Liabilities	8,966	10,383	10,835	11,825	12,812
Shareholders Equity	12,859	14,095	15,891	17,832	19,998
Minority Interests	18	7	7	7	7
Total Equity	12,878	14,101	15,898	17,839	20,004

Key Ratios					
	Mar-19A	Mar-20A	Mar-21F	Mar-22F	Mar-23F
Revenue Growth	10.8%	13.5%	5.2%	10.9%	9.8%
Operating EBITDA Growth	(6.6%)	10.8%	34.6%	9.0%	12.8%
Operating EBITDA Margin	12.4%	12.2%	15.6%	15.3%	15.7%
Net Cash Per Share (Rs)	4.03	14.50	21.12	24.87	27.86
BVPS (Rs)	66.12	72.48	81.71	91.70	102.83
Gross Interest Cover	38.28	34.72	51.68	55.85	62.56
Effective Tax Rate	29.7%	22.7%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	31.3%	28.0%	28.0%	28.0%	28.0%
Accounts Receivables Days	78.07	72.91	71.25	69.45	69.78
Inventory Days	nm	nm	nm	nm	Nm
Accounts Payables Days	nm	nm	nm	nm	Nm
ROIC (%)	15.8%	17.7%	23.9%	23.5%	23.5%
ROCE (%)	15.1%	14.6%	18.7%	18.1%	18.2%
Return On Average Assets	7.7%	7.7%	10.0%	9.8%	9.8%

SOURCES: EIP RESEARCH ESTIMATES, 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.