

India

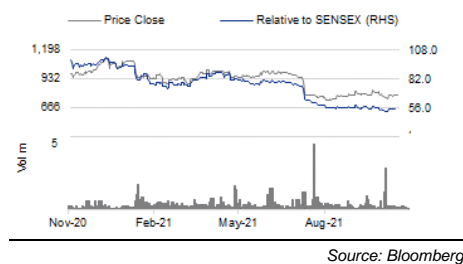
**HOLD** (no change)

Consensus ratings*:	Buy 7	Hold 6	Sell 5
Current price:	Rs795		
Target price:	Rs805		
Previous target:	Rs942		
Up/downside:	1.3%		
InCred Research / Consensus:	-9.9%		
Reuters:	ALEM.NS		
Bloomberg:	ALPM IN		
Market cap:	US\$2,101m		
	Rs156,307m		
Average daily turnover:	US\$5.2m		
	Rs389.5m		
Current shares o/s:	197.0m		
Free float:	30.5%		

\*Source: Bloomberg

**Key changes in this note**

- Cut FY22F/23F revenues by 2.9%/5.8%.
- Cut FY22F/23F EBITDA by 11.8%/19.8%.
- Cut FY22F/23F EPS by 14%/24.9%.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	2.3	3.4	(15.3)
Relative (%)	2.0	(6.6)	(38.8)

<b>Major shareholders</b>	% held
Promoters	69.5
Life Insurance Corporation of India	3.5
HDFC Life Insurance Company	2.1

**Analyst(s)**



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# Alembic Pharmaceuticals Ltd

## Challenges ahead

- Alembic's 2QFY22 revenues and PAT were in line, while EBITDA was above estimate due to better-than-expected gross margin.
- USFDA re-inspected Alembic's F3 plant (at Karkhadi) for three products and made 10 observations, despite an EIR received recently.
- We reiterate Hold rating on the stock and roll forward our TP to FY24F.

### 2QFY22 earnings in line

Revenues of Alembic Pharmaceuticals Ltd fell 11.3% yoy in 2QFY22 to Rs12.9bn, in line with our estimate of Rs13bn. EBITDA declined 42% yoy to Rs2.57bn (our estimate: Rs2.3bn) and EBITDA margin contracted by 1,050bp yoy but expanded 210bp qoq to 19.9%, above our estimate, due to higher-than-expected gross margin of 74.2% (our estimate: 71%). R&D expenses, at 13% of sales, were flattish sequentially. Despite a higher-than-expected EBITDA, PAT of Rs1.69bn (down 49% yoy,) was in line with our estimate due to higher-than-expected interest costs and tax rate.

### Strong India business driven by growth across segments

India revenues grew 22.7% yoy in 2QFY22 due to a 27% growth in the acute segment, which was mainly driven by anti-infectives and recovery in the cough and cold segment. The specialty segment grew 20% yoy, driven by the diabetes, gynaecology and gastro-intestinal segments. We expect a 15% domestic business revenue CAGR in FY21-24F led by market representative (MR) productivity, with the portfolio mix shifting towards the chronic segment and ramp-up of new product launches in the specialty segment.

### Price erosion in large products led to a decline in US business

US business revenues fell 40% yoy and 6% qoq in 2QFY22, impacted by price erosion and incremental competition in larger products like sartans, theophylline and timolol. Management believes 2Q US sales run-rate of US\$47m would be the new quarterly base. The company launched four/six products in 2Q/1HFY22. Management gave guidance of 15 product launches in FY22F. We expect US revenues to decline in FY22F due to price erosion across its higher revenue-generating products.

### Downgrade EPS estimates; reiterate Hold with a lower TP of Rs805

We downgrade our earnings estimates by 14%/25% for FY22F/FY23F, respectively, assuming lower-than-expected US, non-US and API sales and higher-than-assumed operating costs, and also introduce FY24F estimates. We believe the earnings will be under pressure because of lower US business and subdued operating performance over FY21-FY24F. We roll forward our target valuation to FY24F with a lower TP of Rs805 (from Rs942) at 18x FY24F P/E and reiterate Hold rating. Upside risks: Higher-than-expected price rise in the US generics portfolio, and higher-than-expected low-competition launches in the US. Downside risks: Price erosion in the US, regulatory problems relating to its facilities, adverse pricing norms of NPPA, and supply disruption due to Covid-19 pandemic.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	46,058	53,931	52,242	58,664	65,791
Operating EBITDA (Rsm)	12,230	15,576	9,926	11,733	13,487
Net Profit (Rsm)	8,288	11,781	6,639	7,727	8,785
Core EPS (Rs)	45.8	61.2	33.8	39.3	44.7
Core EPS Growth	47.8%	33.5%	(44.8%)	16.4%	13.7%
FD Core P/E (x)	17.35	12.99	23.54	20.22	17.79
DPS (Rs)	10.0	14.0	10.0	13.0	13.0
Dividend Yield	1.26%	1.76%	1.26%	1.63%	1.63%
EV/EBITDA (x)	13.58	9.82	16.17	13.66	11.81
P/FCFE (x)	85.89	(21.67)	37.48	62.24	49.15
Net Gearing	52.2%	1.9%	9.7%	8.4%	6.2%
P/BV (x)	4.66	3.05	2.79	2.56	2.32
ROE	29.1%	28.2%	12.4%	13.2%	13.7%
% Change In Core EPS Estimates			(13.98%)	(24.88%)	
InCred Research/Consensus EPS (x)			0.94	0.94	0.88

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, PRICED AS AT 10 NOV 2021

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## Challenges ahead

### Key takeaways from the results conference call

#### On India business ▶

- The domestic business, ex-Azithral, grew 35% in 2QFY22.
- The specialty business grew 20% yoy, mainly led by growth across major therapies, and management expects it to perform better than the market.
- Ophthalmology and dermatology segments contribute less to the domestic business. There were no significant launches in these therapies in 2QFY22.
- The company launched 10 stock-keeping units (SKUs) in 2Q, bringing the total new SKUs launches to 15 in 1HFY22.

#### On US generics business ▶

- The management continues to remain bullish on the US market for years to come.
- During 2QFY22, the company filed three abbreviated new drug applications or ANDAs and received five ANDA approvals, including one tentative approval. It plans to launch 8-10 products in 2HFY22F.
- The US Food & Drug Administration (USFDA) conducted an inspection at F3 injectable facility of the company recently and issued Form 483 with 10 observations. Management highlighted that none of the observations are related to data integrity and believes they are addressable in nature. The inspection was carried out for three products.
- Management stated that the current run-rate of US\$47-50m is the new base going ahead.
- The company saw the full impact of incremental competition in its bigger product, theophylline, in 2QFY22.
- The company, along with Rhizen Pharma, is the manufacturing and supply partner for Ukoniq (Umbralisib) and would receive single-digit royalties on its global sales.

#### Other operational highlights▶

- Gross margin improved sequentially due to strong performance of the domestic business and a better product mix.
- The company incurred a capex of Rs1.33bn in 2QFY22 and Rs2.7bn in 1HFY22. Out of this Rs2.7bn, Rs1.3bn were pre-operative expenses incurred. Cumulative capex for ongoing projects, including capital work-in-progress, is Rs19.81bn.
- The company undertook employee cost rationalization for its international business whose benefits will be reflected in 3QFY22F and 4QFY22F.
- The Aleor joint venture received a financial assistance of Rs450m in 2QFY22 from Alembic Pharmaceuticals Ltd.

**Figure 1: Quarterly consolidated summary**

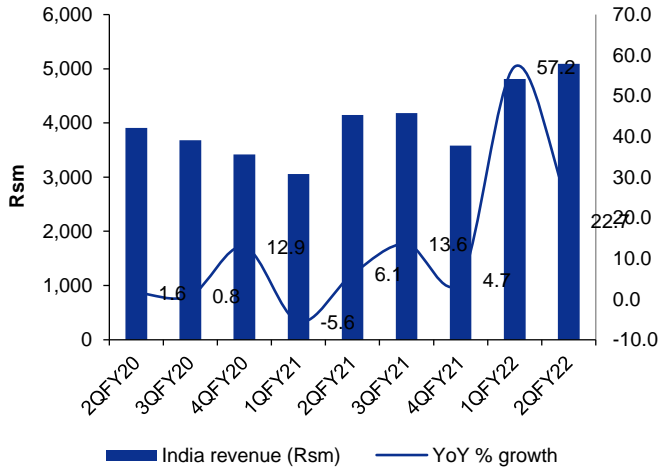
Rs m	2QFY21	2QFY22	% yoy	1QFY22	% qoq	1HFY21	1HFY22	% yoy
Sales (Rsm)	14,571	12,923	(11.3)	13,260	(2.5)	27,984	26,184	(6.4)
Gross Profit (Rsm)	11,451	9,594	(16.2)	9,410	2.0	21,487	19,004	(11.6)
Gross Margin (%)	78.6	74.2	-435bp	71.0	328bp	76.8	72.6	-420bp
R&D exp (Rsm)	1,846	1,678	(9.1)	1,670	0.5	3,272	3,348	2.3
EBITDA (Rsm)	4,434	2,572	(42.0)	2,359	9.0	8,508	4,932	(42.0)
EBITDA margin (%)	30.4	19.9	-1,053bp	17.8	211bp	30.4	18.8	-1,157bp
Finance expenses (Rsm)	45	46	2.2	21	117.1	112	67	(40.0)
Depreciation (Rsm)	438	546	(24.7)	532	2.7	853	1,078	26.3
Other income (Rsm)	32	22	(31.7)	19	17.0	35	41	15.3
PBT before extraordinary items	3,984	2,003	(49.7)	1,826	9.7	7,579	3,828	(49.5)
Extraordinary income	-	-	-	-	-	-	-	-
Extraordinary expenses	-	-	-	-	-	-	-	-
PBT (Rsm)	3,984	2,003	(49.7)	1,826	9.7	7,579	3,828	(49.5)
Tax (Rsm)	730	395	(45.9)	342	15.5	1,398	737	(47.3)
Effective tax rate (%)	18.3	19.7	NM	18.7	NM	18.4	19.3	NM
Reported PAT (Rsm)	3,334	1,693	(49.2)	1,645	2.9	6,348	3,338	(47.4)
Adjusted PAT (Rsm)	3,334	1,693	(49.2)	1,645	2.9	6,348	3,338	(47.4)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

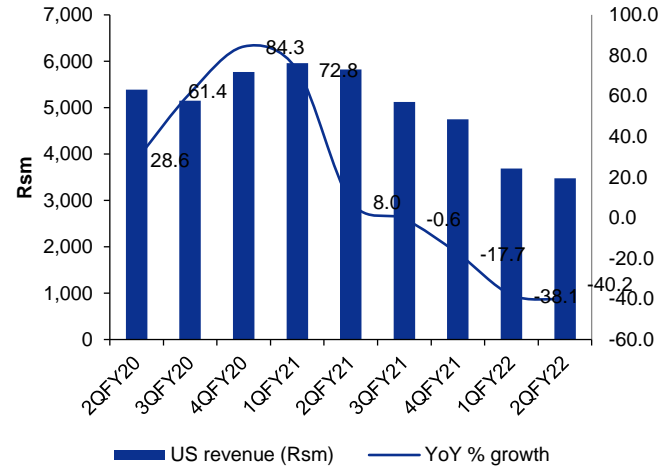
**Figure 2: Alembic's quarterly consolidated summary**

Rsm	2QFY21	2QFY22	% yoy	1QFY22	% qoq	1HFY21	1HFY22	% yoy
<b>Formulations</b>	<b>11,940</b>	<b>10,540</b>	<b>(11.7)</b>	<b>10,470</b>	<b>0.7</b>	<b>22,710</b>	<b>21,010</b>	<b>(7.5)</b>
Domestic	4,150	5,090	22.7	4,810	5.8	7,210	9,900	37.3
% of sales	28.5	39.4		36.3		25.8	37.8	
International Generics	7,790	5,450	(30.0)	5,660	(3.7)	15,500	11,110	(28.3)
% of sales	53.5	42.2		42.7		55.4	42.4	
<b>API</b>	<b>2,630</b>	<b>2,390</b>	<b>(9.1)</b>	<b>2,790</b>	<b>(14.3)</b>	<b>5,270</b>	<b>5,180</b>	<b>(1.7)</b>
% of sales	18.1	18.5		21.0		18.8	19.8	
<b>TOTAL</b>	<b>14,570</b>	<b>12,930</b>	<b>(11.3)</b>	<b>13,260</b>	<b>(2.5)</b>	<b>27,980</b>	<b>26,190</b>	<b>(6.4)</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Recovery in India formulations business driven by a healthy growth across specialty and acute businesses**


SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: US formulations business continued to be impacted by price erosion and increased competition**


SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Alembic's performance in key therapy areas**

Therapy	2QFY22			2QFY21		
	Therapy growth %	Market share %	Alembic growth %	Therapy growth %	Market share %	Alembic growth %
Cardiology	7	1.9	5	15	1.9	16
Gastrology	15	1.5	20	4	1.4	16
Gynaecology	18	2.6	29	1	2.4	7
Anti-Diabetic	5	1.2	28	11	1.0	12
Orthopaedic	17	0.7	28	0	0.7	-1
Nephro/Uro	13	1.8	4	4	2.0	12
Ophthalmology	27	1.6	43	-4	1.4	-9
Dermatological	9	0.2	45	5	0.1	-17
<b>SPECIALTY</b>	<b>12</b>	<b>1.4</b>	<b>19</b>	<b>6</b>	<b>1.3</b>	<b>11</b>
Anti-Infective	30	2.6	15	-13	2.9	22
Cold & Cough	75	4.4	86	-21	4.1	-31
<b>ACUTE</b>	<b>38</b>	<b>3.0</b>	<b>32</b>	<b>-15</b>	<b>3.1</b>	<b>3</b>
<b>OVERALL</b>	<b>15</b>	<b>1.6</b>	<b>20</b>	<b>4</b>	<b>1.5</b>	<b>4</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Plant filing status as at Sep 2021-end**

Location	Dosage form	Audit/ Filing status
<b>International Generics</b>		
F1- Panelav	General Oral Solids	Mar 20*
F2-Panelav	Oncology Oral Solids	Jun 19*
	Oncology Injectables	Feb 21#
F3- Karkhadi	General Injectables	Feb 21*
	Ophthalmic	
F4- Jarod	General Oral Solids	Jun 20#
Aleor (JV)- Karkhadi	Various derma forms	Jan 20*
<b>API</b>		
API I&II- Panelav		Dec 18*
API III- Karkhadi		Jan 20*

\* LAST USFDA INSPECTION # FILING  
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Revised earnings estimates**

Particulars (Rsm)	Old estimates		New estimates		Change (%)	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Revenues	53,785	62,303	52,242	58,664	(2.9)	(5.8)
EBITDA	11,248	14,636	9,926	11,733	(11.8)	(19.8)
EBITDA Margin (%)	20.9	23.5	19.0	20.0	-191bp	-349bp
PAT	7,718	10,287	6,639	7,727	(14.0)	(24.9)
EPS (Rs per share)	39.3	52.3	33.8	39.3	(14.0)	(24.9)

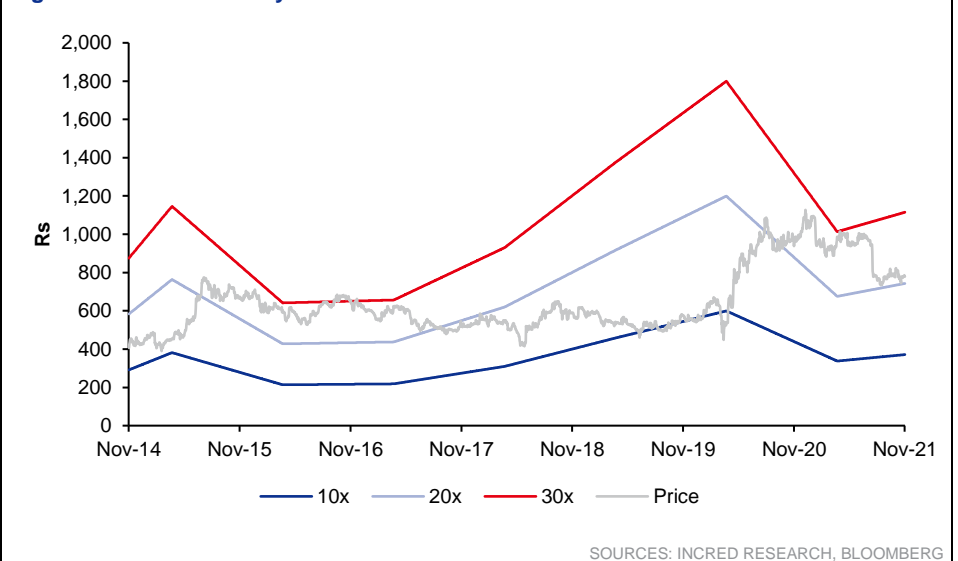
SOURCES: INCRED RESEARCH ESTIMATES

**Figure 8: Annual revenue breakdown assumptions**

Rsm	FY21	FY22F	FY23F	FY24F
<b>Formulation</b>	<b>44,390</b>	<b>42,024</b>	<b>47,219</b>	<b>52,972</b>
% of sales	82.3	80.4	80.5	80.5
% yoy	13.9	(5.3)	12.4	12.2
<b>Domestic</b>	<b>14,970</b>	<b>18,304</b>	<b>20,186</b>	<b>22,608</b>
% of sales	27.8	35.0	34.4	34.4
% yoy	5.1	22.3	10.3	12.0
<b>International formulations</b>	<b>29,420</b>	<b>23,720</b>	<b>27,033</b>	<b>30,364</b>
% of sales	54.5	45.4	46.1	46.2
% yoy	19.0	(19.4)	14.0	12.3
<b>US</b>	21,630	15,540	17,627	19,547
% of sales	40.1	29.7	30.0	29.7
% yoy	9.5	(28.2)	13.4	10.9
<b>Non-US</b>	7,790	8,180	9,406	10,817
% of sales	14.4	15.7	16.0	16.4
% yoy	56.7	5.0	15.0	15.0
<b>API</b>	<b>9,550</b>	<b>10,219</b>	<b>11,445</b>	<b>12,818</b>
% of sales	17.7	19.6	19.5	19.5
% yoy	34.9	7.0	12.0	12.0
<b>Total</b>	<b>53,940</b>	<b>52,242</b>	<b>58,664</b>	<b>65,791</b>
% yoy	17.1	(3.1)	12.3	12.1

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

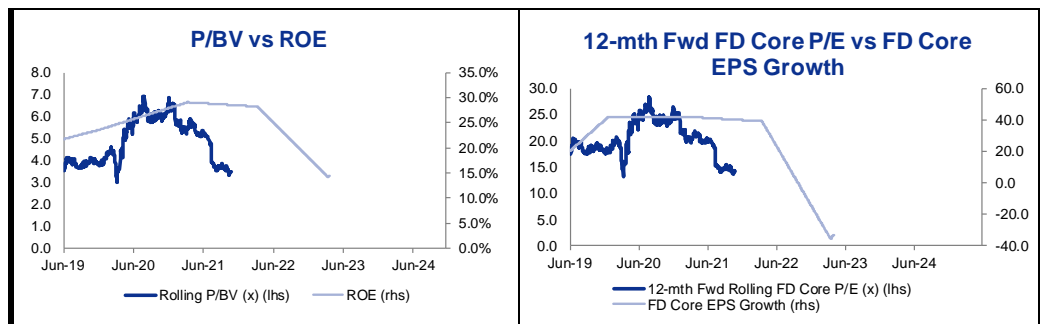
**Figure 9: P/E band: One-year forward**



**Figure 10: P/E standard deviation: One-year forward**



SOURCES: INCRED RESEARCH, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>46,058</b>	<b>53,931</b>	<b>52,242</b>	<b>58,664</b>	<b>65,791</b>
<b>Gross Profit</b>	<b>35,664</b>	<b>41,358</b>	<b>37,615</b>	<b>42,238</b>	<b>47,369</b>
<b>Operating EBITDA</b>	<b>12,230</b>	<b>15,576</b>	<b>9,926</b>	<b>11,733</b>	<b>13,487</b>
Depreciation And Amortisation	(1,573)	(1,835)	(2,096)	(2,535)	(3,003)
<b>Operating EBIT</b>	<b>10,657</b>	<b>13,741</b>	<b>7,830</b>	<b>9,197</b>	<b>10,484</b>
Financial Income/(Expense)	(272)	(160)	(170)	(212)	(212)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	49	100	105	116	127
<b>Profit Before Tax (pre-EI)</b>	<b>10,435</b>	<b>13,681</b>	<b>7,765</b>	<b>9,101</b>	<b>10,399</b>
Exceptional Items	(436)				
<b>Pre-tax Profit</b>	<b>9,999</b>	<b>13,681</b>	<b>7,765</b>	<b>9,101</b>	<b>10,399</b>
Taxation	(1,992)	(2,533)	(1,437)	(1,684)	(1,924)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>8,007</b>	<b>11,148</b>	<b>6,329</b>	<b>7,417</b>	<b>8,475</b>
Minority Interests	282	634	310	310	310
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>8,288</b>	<b>11,781</b>	<b>6,639</b>	<b>7,727</b>	<b>8,785</b>
Recurring Net Profit	8,638	11,781	6,639	7,727	8,785
<b>Fully Diluted Recurring Net Profit</b>	<b>8,638</b>	<b>11,781</b>	<b>6,639</b>	<b>7,727</b>	<b>8,785</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>12,230</b>	<b>15,576</b>	<b>9,926</b>	<b>11,733</b>	<b>13,487</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(5,526)	88	(1,137)	(817)	(1,667)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(436)				
Net Interest (Paid)/Received	(272)	(160)	(170)	(212)	(212)
Tax Paid	(2,035)	(2,629)	(1,437)	(1,684)	(1,924)
<b>Cashflow From Operations</b>	<b>3,962</b>	<b>12,874</b>	<b>7,183</b>	<b>9,020</b>	<b>9,683</b>
Capex	(8,457)	(7,564)	(6,619)	(6,625)	(6,631)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	49	100	105	116	127
<b>Cash Flow From Investing</b>	<b>(8,407)</b>	<b>(7,464)</b>	<b>(6,513)</b>	<b>(6,509)</b>	<b>(6,504)</b>
Debt Raised/(repaid)	6,191	(12,476)	3,500		
Proceeds From Issue Of Shares		16			
Shares Repurchased					
Dividends Paid	(1,885)	(2,751)	(1,965)	(2,555)	(2,555)
Preferred Dividends					
Other Financing Cashflow	(1,109)	10,052	(105)	295	294
<b>Cash Flow From Financing</b>	<b>3,197</b>	<b>(5,160)</b>	<b>1,430</b>	<b>(2,260)</b>	<b>(2,260)</b>
Total Cash Generated	(1,249)	251	2,100	251	919
<b>Free Cashflow To Equity</b>	<b>1,745</b>	<b>(7,066)</b>	<b>4,170</b>	<b>2,511</b>	<b>3,180</b>
<b>Free Cashflow To Firm</b>	<b>(4,174)</b>	<b>5,571</b>	<b>839</b>	<b>2,723</b>	<b>3,392</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	808	1,058	3,158	3,409	4,328
Total Debtors	8,648	3,486	5,439	6,107	6,849
Inventories	11,875	14,862	15,029	16,072	18,025
Total Other Current Assets	3,297	6,373	6,755	7,176	7,638
<b>Total Current Assets</b>	<b>24,627</b>	<b>25,779</b>	<b>30,381</b>	<b>32,764</b>	<b>36,841</b>
Fixed Assets	30,990	36,480	40,884	44,849	48,346
Total Investments	176	493	908	923	938
Intangible Assets	2,990	3,229	3,348	3,473	3,604
Total Other Non-Current Assets	1,107	1,108	1,164	1,222	1,283
<b>Total Non-current Assets</b>	<b>35,263</b>	<b>41,311</b>	<b>46,304</b>	<b>50,466</b>	<b>54,170</b>
Short-term Debt	8,605		8,499	8,499	8,499
Current Portion of Long-Term Debt					
Total Creditors	6,259	6,688	5,217	5,786	6,448
Other Current Liabilities	2,652	6,121	5,992	6,667	7,414
<b>Total Current Liabilities</b>	<b>17,516</b>	<b>12,808</b>	<b>19,708</b>	<b>20,952</b>	<b>22,361</b>
Total Long-term Debt	8,870	1,999			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	733	715	693	778	873
<b>Total Non-current Liabilities</b>	<b>9,603</b>	<b>2,714</b>	<b>693</b>	<b>778</b>	<b>873</b>
Total Provisions	867	897	940	985	1,032
<b>Total Liabilities</b>	<b>27,986</b>	<b>16,420</b>	<b>21,341</b>	<b>22,715</b>	<b>24,266</b>
Shareholders Equity	32,194	51,276	55,949	61,122	67,352
Minority Interests	(290)	(606)	(606)	(606)	(606)
<b>Total Equity</b>	<b>31,905</b>	<b>50,670</b>	<b>55,343</b>	<b>60,515</b>	<b>66,745</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	17.1%	17.1%	(3.1%)	12.3%	12.1%
Operating EBITDA Growth	40.0%	27.4%	(36.3%)	18.2%	15.0%
Operating EBITDA Margin	26.6%	28.9%	19.0%	20.0%	20.5%
Net Cash Per Share (Rs)	(88.42)	(4.79)	(27.18)	(25.90)	(21.22)
BVPS (Rs)	170.79	260.91	284.69	311.01	342.71
Gross Interest Cover	39.24	85.77	46.07	43.29	49.34
Effective Tax Rate	19.9%	18.5%	18.5%	18.5%	18.5%
Net Dividend Payout Ratio	17.6%	19.2%	24.3%	27.1%	23.9%
Accounts Receivables Days	53.64	41.06	31.18	35.92	35.94
Inventory Days	378.35	388.08	372.91	345.55	337.80
Accounts Payables Days	233.22	187.92	148.53	122.25	121.21
ROIC (%)	21.3%	26.1%	12.8%	13.8%	14.6%
ROCE (%)	24.7%	26.9%	13.4%	13.8%	14.5%
Return On Average Assets	19.9%	21.8%	11.0%	11.6%	12.2%

<b>Key Drivers</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Unit sales grth (% , main prod./serv.)	17.1%	17.1%	(3.1%)	12.3%	12.1%
R&D Cost/sales (%)	14.0%	12.4%	12.8%	12.5%	12.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

### Recommendation Framework

#### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

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

#### Country Ratings

Definition:

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