

India

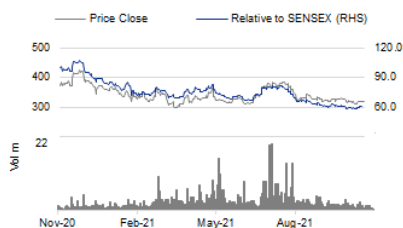
**ADD** (no change)

Consensus ratings*:	Buy 6	Hold 1	Sell 1
Current price:	Rs311		
Target price:	Rs404		
Previous target:	Rs447		
Up/downside:	29.9%		
InCred Research / Consensus:	-5.0%		
Reuters:	GRAN.NS		
Bloomberg:	GRAN IN		
Market cap:	US\$1,037m		
	Rs77,192m		
Average daily turnover:	US\$16.2m		
	Rs1207.0m		
Current shares o/s:	247.6m		
Free float:	58.0%		

\*Source: Bloomberg

**Key changes in this note**

- Cut FY22F/23F revenues by 7.6%/10.3%
- Cut FY22F/23F EBITDA by 25%/16.4%
- Cut FY22F/23F EPS by 29.4%/18.5%



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(5.7)	(16.4)	(18.0)
Relative (%)	(6.3)	(24.5)	(41.4)

<b>Major shareholders</b>	% held
Promoter & Promoter Group	42.0
Government Pension Fund Global	3.0
Fidelity Funds	1.8

**Analyst(s)**



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# Granules India Ltd

## Higher costs dent profitability

- 2QFY22 earnings were below our estimate, being adversely impacted due to difficulties in procuring raw materials from China and logistical disruptions.
- Management indicated that the company would do backward integration across some of the major products by 2024F.
- We retain ADD rating on the stock and roll over our target valuation to FY24F.

### 2QFY22 earnings below expectations

Granules' revenues grew by a mere 3% in 2QFY22 to Rs8.8bn (below our estimate of Rs9.1bn), mainly due to lower-than-expected API sales. Gross margin at 50.9% was below our estimate of 53%, down 700bp yoy/330bp qoq on account of a fall in margins of all major products, especially paracetamol, due to a rise in KSM prices. Pricing pressure in the US also resulted in a marginal drop in gross margin of core products. EBITDA at Rs1.5bn (below our estimate of Rs2.2bn) fell 41% yoy and 25% qoq, EBITDA margin at 17% contracted 1,290bp yoy on account of lower profitability in para products, higher logistics and freight costs and R&D expenses. Reported PAT stood at Rs807m (below our estimate of Rs1.4bn), down 50% yoy due to a lower-than-expected operating performance.

### Revenues flattish mainly impacted by lower API sales

The API segment declined 25% yoy/15% qoq, impacted mainly due to difficulties in procuring raw materials from China due to Chinese dual energy policy, increased procurement prices of almost all products and also supply chain disturbances due to higher logistics costs. However, finished dosages (FD) sales grew 17.8% yoy, supported by traction in market share in products recently launched in the US. While the headwinds continue, we believe the gradual pick-up in volume growth, as the company has already started sourcing KSMs for its major products from Indian sources and capacity expansion plans, would lead to a 13% revenue CAGR over FY21-24F.

### Higher input costs dent EBITDA margin

Lower gross margin due to higher KSM prices, pricing pressure in the US, higher freight costs and a rise in R&D expenses (due to accelerated R&D strategy) hit EBITDA margin. Granules is proactively taking price hikes to its B2B customers (60% of revenues) from 3QFY22F. We feel that with more price hikes, logistical costs stabilizing, and sourcing KSM from Indian sources, EBITDA margin improvement is likely in two-to-three quarters.

### Reiterate ADD rating with lower TP of Rs404

We introduce FY24F estimates and downgrade our EPS estimates by 29%/19% for FY22F/FY23F, respectively, assuming lower-than-expected API sales, gross margin and higher-than-expected operating costs. We reiterate ADD rating on Granules and roll forward our target valuation to FY24F with a lower TP of Rs404 (from Rs447 earlier), at 14x FY24F P/E. Key downward risks: Disruption in sourcing of key starting materials (KSMs), a further rise in the prices of raw materials, supply chain disruptions due to the second wave of Covid-19 infections, and market share erosion in core molecules.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	25,986	32,375	35,460	40,945	47,116
Operating EBITDA (Rsm)	5,253	8,552	6,762	9,622	11,214
Net Profit (Rsm)	3,354	5,495	3,947	6,012	7,149
Core EPS (Rs)	12.4	21.9	15.9	24.3	28.9
Core EPS Growth	33.2%	76.6%	(27.2%)	52.3%	18.9%
FD Core P/E (x)	25.11	14.22	19.53	12.82	10.78
DPS (Rs)	1.0	1.3	1.3	1.3	1.3
Dividend Yield	0.32%	0.40%	0.40%	0.40%	0.40%
EV/EBITDA (x)	16.22	9.81	12.15	8.36	6.74
P/FCFE (x)	1,012.52	37.41	85.71	38.75	14.92
Net Gearing	32.9%	26.4%	20.0%	10.7%	(3.9%)
P/BV (x)	4.29	3.55	3.04	2.48	2.03
ROE	18.7%	27.4%	16.8%	21.3%	20.7%
% Change In Core EPS Estimates			(29.36%)	(18.53%)	
InCred Research/Consensus EPS (x)			0.72	0.89	0.00

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, PRICE AS AT 12 NOV, 2021

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## Higher costs dent profitability

### Key takeaways from the results conference call

#### On API business, raw materials, Chinese dependency and freight costs ➤

- The two key starting materials (KSMs) for paracetamol - para-aminophenol (PAP) and acetic anhydride have seen price hikes of 165% and 120%, respectively.
- Granules sees good potential in losartan and has given undertakings to new customers that the product does not contain impurities. The company is backward integrated on losartan and management believes it has a good future potential.
- The company did not launch any new APIs in 2QFY22.
- Management stated that although PAP prices are increasing, its availability is improving as the company has an Indian source and a Chinese source, which are enough to keep the manufacturing facility occupied.
- Management is confident of reducing dependency on China significantly by the end of 2024F. It added that by 2024F, the company will not be buying intermediates or KSMs and everything would be made in-house.
- The company currently imports 35% of its raw materials from China, and 25% of this comprises import of PAP. The company is not completely dependent on China for dicyandiamide (DCDA) and has an alternative source in Europe.
- On acetic anhydride, management said it has started procuring the raw material mostly from an Indian source, while it also has a Chinese source for the same.
- The company had stocked up raw materials in 2QFY22 due to potential Covid disruptions and supply chain problems.
- Management does not see a reduction in freight rates soon but expects better availability of containers soon.
- There is a yoy increase in freight costs by Rs200m, and management expects freight costs to normalize by 4QFY22F.

#### On finished dosages (FD) business ➤

- The company launched four products in 2QFY22, and management stated that it has a decent market share in most of its products in the US market.

#### On margins ➤

- The yoy contraction in gross margin in 2QFY22 is due to a reduction in margin of almost all products, especially paracetamol, and the company's short-term inability to pass on the input price rise to customers. Going forward, management is confident of passing on the input cost increase, and hence it is likely that gross margin will improve.
- Management highlighted that gross margin in FY22F will not go back to previous levels but will be better than 2QFY22. Management did not give guidance of any specific level of gross margin.

#### Other highlights ➤

- Management highlighted that it has undertaken a voluntary reduction in managerial compensation by 40% as a cost-saving measure.
- Cash-to-cash cycle in 2QFY22 increased by 25 days - from 117 days in Mar 2021 to 142 days in Sep 2021.

- Operating cash flow in 2QFY22 was Rs1.01bn vs. Rs1.12bn in 2QFY21, mainly due to lower operational profit. Free cash flow stood at Rs320m vs. Rs520m in 2QFY21.
- The company incurred a capex of Rs680m in 2QFY22, and cumulative capex for 1HFY22 was Rs2.31bn.
- On the company's debt position, management stated that long-term borrowings will decline due to annual repayments, while short-term borrowings will go up due to working capital requirements. Hence, overall debt would remain almost at the same level.
- Management stated that a lot of work is going on for Fexofenadine and it is expected to grow in the future.
- Management stated that the new multi-unit pellet system (MUPS) block will be operational in Dec 2021F.
- The company has accelerated its R&D spending and will continue to spend more in line with its expansion plan.
- On B2B business, management said that customers are coming back to the company for long-term contracts. Improvement in the business would come from customers accepting the price hikes.
- The company's revenue split between B2C and B2B segments is 40% and 60%, respectively.

Management said the medium-term outlook for the company looks quite bright. It refrained from giving any guidance due to uncertainties in the business.

**Figure 1: Quarterly consolidated summary**

YE 31 Mar (Rsm)	2QFY21	2QFY22	% yoy	1QFY22	% qoq	1HFY21	1HFY22	% yoy
Sales (Rsm)	8,581	8,883	3.5	8,498	4.5	15,937	17,382	9.1
Gross Profit (Rsm)	4,970	4,517	-9.1	4,608	-2.0	4,934	5,599	13.5
Gross Margin (%)	57.9	50.9	-706bp	54.2	-337bp	31.0	32.2	126bp
EBITDA (Rsm)	2,564	1,512	-41.0	2,014	-24.9	4,417	3,526	-20.2
EBITDA margin (%)	29.9	17.0	-1,286bp	23.7	-668bp	27.7	20.3	-743bp
Finance expenses (Rsm)	63	55	-12.9	68	-19.6	122	123	0.3
Depreciation (Rsm)	361	398	10.5	394	1.2	701	792	13.0
Other income (Rsm)	32	44	34.6	76	-42.9	72	120	66.5
PBT before exceptional items (Rsm)	2,173	1,102	-49.3	1,629	-32.3	3,665	2,731	-25.5
Exceptional items (Rsm)	0	0	0.0	0	0.0	0	0	0.0
PBT after exceptional items (Rsm)	2,173	1,102	-49.3	1,629	-32.3	3,665	2,731	-25.5
Tax (Rsm)	537	296	-44.9	427	-30.7	914	722	-21.0
Effective tax rate (%)	24.7	26.8	NM	26.2	NM	24.9	26.4	NM
Reported PAT (Rsm)	1,636	807	-50.7	1,202	-32.9	2,751	2,009	-27.0
Adjusted PAT (Rsm)	1,636	807	-50.7	1,202	-32.9	2,751	2,009	-27.0

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Granules' quarterly sales breakdown**

Particulars	2QFY21	2QFY22	% yoy	1QFY22	% qoq	1HFY21	1HFY22	% yoy
<b>API</b>	<b>2,547</b>	<b>1,905</b>	<b>-25.2</b>	<b>2,240</b>	<b>-15.0</b>	<b>4,668</b>	<b>4,145</b>	<b>(11.2)</b>
% of sales	29.7	21.4		26.4		29.3	23.8	
<b>PFI</b>	<b>1,733</b>	<b>1,912</b>	<b>10.3</b>	<b>1,720</b>	<b>11.2</b>	<b>3,112</b>	<b>3,632</b>	<b>16.7</b>
% of sales	20.2	21.5		20.2		19.5	20.9	
<b>Finished Dosages</b>	<b>4,301</b>	<b>5,066</b>	<b>17.8</b>	<b>4,540</b>	<b>11.6</b>	<b>8,157</b>	<b>9,606</b>	<b>17.8</b>
% of sales	50.1	57.0		53.4		51.2	55.3	
<b>Total</b>	<b>8,581</b>	<b>8,883</b>	<b>3.5</b>	<b>8,500</b>	<b>4.5</b>	<b>15,937</b>	<b>17,383</b>	<b>9.1</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Revised earnings estimates**

Rsm	Old estimates		New estimates		Change (%)	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Revenues	38,394	45,626	35,460	40,945	(7.6)	(10.3)
EBITDA	9,016	11,512	6,762	9,622	(25.0)	(16.4)
EBITDA Margin (%)	23.5	25.2	19.1	23.5	-441bp	-173bp
PAT	5,587	7,379	3,947	6,012	(29.4)	(18.5)
EPS (Rs)	22.6	29.8	15.9	24.3	(29.4)	(18.5)

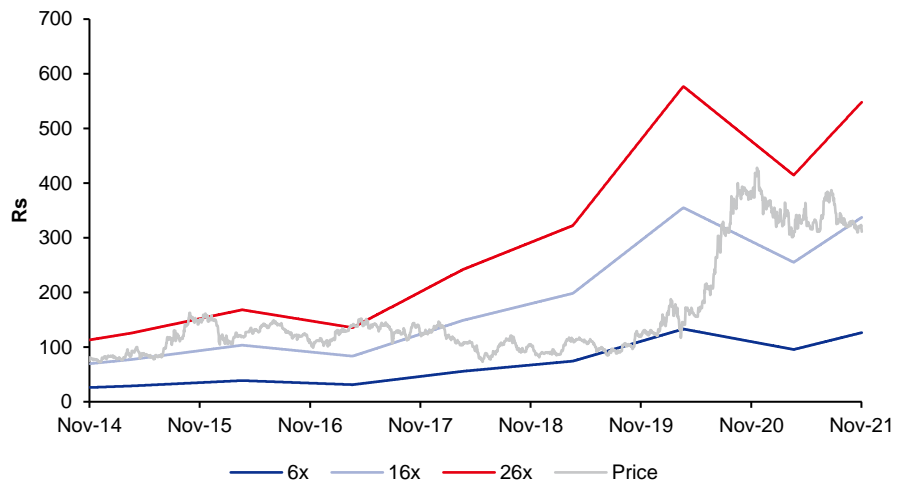
SOURCES: INCRED RESEARCH ESTIMATES

**Figure 4: Annual revenue breakdown assumptions**

Particulars (Rsm)	FY20	FY21	FY22F	FY24F
<b>Finished Dosages (FDs)</b>	<b>13,601</b>	<b>16,989</b>	<b>20,110</b>	<b>23,292</b>
% yoy	26.4%	24.9%	18.4%	15.8%
% sales	52.3%	52.5%	56.7%	56.9%
<b>Pharmaceutical Formulation Intermediates (PFIs)</b>	<b>4,214</b>	<b>6,262</b>	<b>7,139</b>	<b>8,209</b>
% yoy	8.9%	48.6%	14.0%	15.0%
% sales	16.2%	19.3%	20.1%	20.1%
<b>Active Pharmaceutical Ingredients (APIs)</b>	<b>8,171</b>	<b>9,124</b>	<b>8,212</b>	<b>9,443</b>
% yoy	-0.4%	11.7%	-10.0%	15.0%
% sales	31.4%	28.2%	23.2%	23.1%
<b>Total</b>	<b>25,986</b>	<b>32,375</b>	<b>35,460</b>	<b>40,945</b>
% yoy	<b>13.8%</b>	<b>24.6%</b>	<b>9.5%</b>	<b>15.5%</b>

SOURCES: INCRED RESEARCH ESTIMATES

**Figure 5: P/E band: One-year forward**

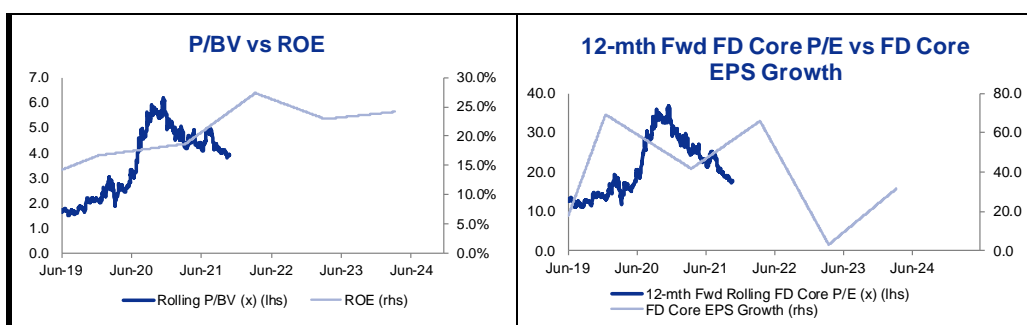


SOURCES: INCRED RESEARCH, BLOOMBERG

**Figure 6: P/E band: 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>25,986</b>	<b>32,375</b>	<b>35,460</b>	<b>40,945</b>	<b>47,116</b>
<b>Gross Profit</b>	<b>13,177</b>	<b>18,463</b>	<b>18,085</b>	<b>21,701</b>	<b>25,113</b>
<b>Operating EBITDA</b>	<b>5,253</b>	<b>8,552</b>	<b>6,762</b>	<b>9,622</b>	<b>11,214</b>
Depreciation And Amortisation	(1,370)	(1,515)	(1,661)	(1,856)	(1,986)
<b>Operating EBIT</b>	<b>3,884</b>	<b>7,038</b>	<b>5,102</b>	<b>7,766</b>	<b>9,228</b>
Financial Income/(Expense)	(270)	(263)	(258)	(255)	(255)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	366	269	282	296	311
<b>Profit Before Tax (pre-EI)</b>	<b>3,979</b>	<b>7,044</b>	<b>5,126</b>	<b>7,808</b>	<b>9,284</b>
Exceptional Items	277				
<b>Pre-tax Profit</b>	<b>4,256</b>	<b>7,044</b>	<b>5,126</b>	<b>7,808</b>	<b>9,284</b>
Taxation	(1,157)	(1,549)	(1,179)	(1,796)	(2,135)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>3,099</b>	<b>5,495</b>	<b>3,947</b>	<b>6,012</b>	<b>7,149</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	255				
<b>Net Profit</b>	<b>3,354</b>	<b>5,495</b>	<b>3,947</b>	<b>6,012</b>	<b>7,149</b>
Recurring Net Profit	3,152	5,495	3,947	6,012	7,149
<b>Fully Diluted Recurring Net Profit</b>	<b>3,152</b>	<b>5,495</b>	<b>3,947</b>	<b>6,012</b>	<b>7,149</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>5,253</b>	<b>8,552</b>	<b>6,762</b>	<b>9,622</b>	<b>11,214</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,333)	(1,828)	(631)	(2,827)	(2,012)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	277				
Net Interest (Paid)/Received	(270)	(263)	(258)	(255)	(255)
Tax Paid	(1,257)	(1,954)	(1,179)	(1,796)	(2,135)
<b>Cashflow From Operations</b>	<b>2,670</b>	<b>4,508</b>	<b>4,694</b>	<b>4,744</b>	<b>6,811</b>
Capex	(1,949)	(2,244)	(3,946)	(2,951)	(1,956)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	366	269	282	296	311
<b>Cash Flow From Investing</b>	<b>(1,584)</b>	<b>(1,975)</b>	<b>(3,663)</b>	<b>(2,655)</b>	<b>(1,645)</b>
Debt Raised/(repaid)	(1,008)	(446)	(131)	(100)	
Proceeds From Issue Of Shares					
Shares Repurchased		(1,400)			
Dividends Paid	(307)	(310)	(310)	(310)	(310)
Preferred Dividends					
Other Financing Cashflow	2,178	(508)	(38)	(46)	(55)
<b>Cash Flow From Financing</b>	<b>863</b>	<b>(2,663)</b>	<b>(479)</b>	<b>(455)</b>	<b>(364)</b>
Total Cash Generated	1,950	(129)	552	1,634	4,802
<b>Free Cashflow To Equity</b>	<b>78</b>	<b>2,088</b>	<b>899</b>	<b>1,989</b>	<b>5,167</b>
<b>Free Cashflow To Firm</b>	<b>1,357</b>	<b>2,796</b>	<b>1,289</b>	<b>2,344</b>	<b>5,422</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	2,839	2,710	3,262	4,896	9,698
Total Debtors	7,352	7,654	8,258	9,535	10,972
Inventories	4,384	7,822	8,744	9,535	10,972
Total Other Current Assets	1,344	1,784	1,429	2,300	2,307
<b>Total Current Assets</b>	<b>15,920</b>	<b>19,970</b>	<b>21,692</b>	<b>26,266</b>	<b>33,950</b>
Fixed Assets	13,520	15,168	17,507	18,652	18,666
Total Investments	193	190	228	273	328
Intangible Assets	1,461	543	489	440	396
Total Other Non-Current Assets	1,920	1,264	1,264	1,264	1,264
<b>Total Non-current Assets</b>	<b>17,095</b>	<b>17,164</b>	<b>19,487</b>	<b>20,629</b>	<b>20,654</b>
Short-term Debt	3,717	4,093	5,393	5,793	6,293
Current Portion of Long-Term Debt					
Total Creditors	4,300	5,410	5,950	6,063	6,932
Other Current Liabilities	677	1,274	1,274	1,274	1,274
<b>Total Current Liabilities</b>	<b>8,694</b>	<b>10,777</b>	<b>12,617</b>	<b>13,130</b>	<b>14,499</b>
Total Long-term Debt	5,187	4,365	2,934	2,434	1,934
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>5,187</b>	<b>4,365</b>	<b>2,934</b>	<b>2,434</b>	<b>1,934</b>
Total Provisions	697	259	259	259	259
<b>Total Liabilities</b>	<b>14,578</b>	<b>15,402</b>	<b>15,810</b>	<b>15,823</b>	<b>16,692</b>
Shareholders Equity	18,437	21,733	25,370	31,072	37,912
Minority Interests					
<b>Total Equity</b>	<b>18,437</b>	<b>21,733</b>	<b>25,370</b>	<b>31,072</b>	<b>37,912</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	14.0%	24.6%	9.5%	15.5%	15.1%
Operating EBITDA Growth	36.8%	62.8%	(20.9%)	42.3%	16.5%
Operating EBITDA Margin	20.2%	26.4%	19.1%	23.5%	23.8%
Net Cash Per Share (Rs)	(23.85)	(23.21)	(20.45)	(13.45)	5.94
BVPS (Rs)	72.52	87.75	102.43	125.46	153.07
Gross Interest Cover	14.37	26.78	19.76	30.45	36.19
Effective Tax Rate	27.2%	22.0%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	6.0%	4.4%	6.0%	4.0%	3.3%
Accounts Receivables Days	98.93	84.59	81.89	79.31	79.43
Inventory Days	117.21	160.11	173.99	173.34	170.09
Accounts Payables Days	107.35	127.38	119.33	113.93	107.79
ROIC (%)	16.9%	28.1%	18.5%	25.5%	26.8%
ROCE (%)	14.5%	24.3%	16.0%	21.3%	21.6%
Return On Average Assets	14.3%	20.8%	13.7%	18.3%	18.8%

<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.)	14.0%	24.6%	9.5%	15.5%	15.1%
R&D Cost/sales(%)	3.0%	3.1%	4.2%	4.0%	4.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS



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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 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:

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

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

**Sector Ratings**

Definition:

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

**Country Ratings**

Definition:

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