

India

ADD (no change)

Consensus ratings*: Buy 6 Hold 0 Sell 0

Current price:	Rs1,336
Target price:	Rs1,530
Previous target:	Rs1,530
Up/downside:	14.5%
InCred Research / Consensus:	-20.8%
Reuters:	HIAE.NS
Bloomberg:	HNAL IN
Market cap:	US\$5,833m Rs446,591m
Average daily turnover:	US\$15.0m Rs1149.0m
Current shares o/s:	334.4m
Free float:	24.9%

*Source: Bloomberg

Key changes in this note

- Reduce FY22F-24F EBITDA by 1-9%.
- Reduce FY23F-24F EPS by 1-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.6)	3.3	25.4
Relative (%)	1.8	11.2	17.6

Major shareholders	% held
Promoter	75.2
LIC	11.7
HDFC Mutual Fund	3.8

Analyst(s)



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Hindustan Aeronautics Ltd

Faces near-term revenue growth challenge

- HAL has enough inventory of Russian supplies to take care of its needs till 1HFY23F, but payment mechanism must be sorted out for long-term supplies.
- We expect a decline in FY23F revenue, while order finalization is critical for orders like SU-30 to ensure that revenue growth registers an uptick in FY24F.
- We reiterate our Add rating on HAL with a higher target price of Rs1,530.

No near-term disruption as inventory in place for Russian parts

Hindustan Aeronautics Limited or HAL procures ~Rs43bn p.a. worth of spares/parts from Russia to maintain its aircraft fleet out of its total repair & overhaul (ROH) revenue (~Rs125bn in FY21). HAL has inventory for nine months of sales (Russian-origin inventory worth Rs21.6bn) and hence, there would not be any immediate effect of the Russia-Ukraine conflict till 1HFY23F. As per management, future supplies would not be impacted significantly if the payment mechanism with Russia is sorted out by the Indian government. HAL is working on indigenization or on finding an alternate source of procurement of materials - which are procured not only from Russia but also from other western countries.

FY23F revenue shortfall likely; SU-30 order finalization remains a risk

SU-30 order depends on the government's decision in respect of finalization of this order which is expected to be done in 1QFY23F. HAL expects to deliver 38 aircraft in FY22F and maintain delivery of 40 aircraft in FY23F (which includes SU-30 ROH order). 9MFY22 manufacturing/ ROH revenue share stands at 27%/65%, respectively. In FY23F, HAL expects some revenue shortfall to be compensated with higher ROH revenue. We have estimated revenue decline in FY23F and a pick-up in FY24F, but any delay in awarding of SU-30 order would impact our FY24F revenue estimates as well.

Order pipeline remains solid

HAL expects order inflows worth Rs300bn over FY22F-23F for which Acceptance of Necessity has been granted by the Ministry of Defence which includes 70 numbers of Hindustan Turbo Trainer-40 (HTT-40) worth ~Rs70bn, 25 numbers of advanced light helicopter (ALH), 12 numbers of Sukhoi-30 (SU-30) worth Rs100bn, 12 numbers of light utility helicopter (LUH), mid-life upgrade of Do-228 for Indian Navy worth ~Rs25bn. HAL expects ~200 AL-31 FP engines and 60 RD-33 engines orders totally worth Rs250-300bn with an execution timeframe of six years.

Reiterate Add rating on the stock

We raise our FY22 EPS estimates by 3%, but lower FY23F/24F EPS by 1-5% on lower sales. Order pipeline is solid, but order finalization timeline is vital to maintain growth momentum in FY23F as service revenue growth moderates and Tejas MK1A starts contributing from FY24F. We retain our TP of Rs1,530 on HAL as we roll over to Mar-2024F EPS (P/E of 12x), and also maintain Add rating. Delay on expected large new orders, setback on aircraft delivery and lower-than-estimated margins are downside risks.

Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	214,384	227,546	241,755	237,544	276,044
Operating EBITDA (Rsm)	48,621	53,469	54,743	51,653	64,853
Net Profit (Rsm)	27,134	32,309	34,905	32,887	42,633
Core EPS (Rs)	81.1	96.6	104.4	98.3	127.5
Core EPS Growth	19.0%	19.1%	8.0%	(5.8%)	29.6%
FD Core P/E (x)	16.46	13.82	12.79	13.58	10.48
DPS (Rs)	33.3	30.0	32.4	30.5	39.6
Dividend Yield	2.49%	2.25%	2.43%	2.28%	2.96%
EV/EBITDA (x)	10.31	7.01	6.46	6.93	5.44
P/FCFE (x)	22.84	5.49	14.13	71.45	23.81
Net Gearing	41.5%	(46.6%)	(52.2%)	(44.3%)	(41.0%)
P/BV (x)	3.39	2.91	2.51	2.23	1.94
ROE	21.5%	22.6%	21.1%	17.4%	19.8%
% Change In Core EPS Estimates			2.85%	(4.65%)	(0.78%)
InCred Research/Consensus EPS (x)			0.84	0.72	0.85

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 11 NOV 2021

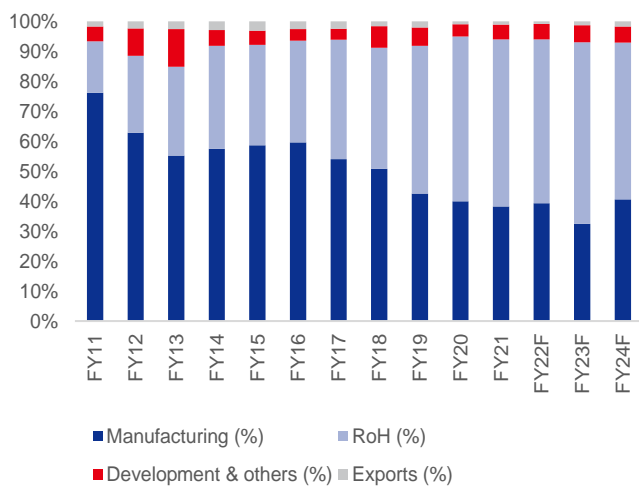
Faces near-term revenue growth challenge

Key takeaways from conference call ►

- **Exposure to Russia for spares/parts:** HAL procures ~Rs43bn p.a. worth of spares/parts from Russia to maintain its aircraft fleet out of its total ROH revenue (~Rs125bn in FY21). HAL has inventory for nine months of sales, (Russian-origin inventory worth Rs21.55bn), and hence, as per management, would not have any immediate effect from the Russia-Ukraine conflict till 1HFY23F. Usually, the company places orders in advance by two-to-three years with one-year firm order and two-year estimated orders. As per management, future supply would not have a major impact if the payment mechanism with Russia is sorted out by the Indian government. HAL is working on indigenization or finding an alternate source of procurement of materials - which are procured not only from Russia but also from western countries - in case of any supply chain disruption in future.
- **SU-30 order:** It depends on the government's decision on finalization of this order, which would be most probably finalized during the first quarter of next year. Order delivery would take 30 months from receipt of the order. SU-30 aircraft has 62% indigenized content and the rest 38% content is imported.
- **Orders in FY22F-23F:** HAL expects order inflow worth Rs300bn over FY22F-23F for which Acceptance of Necessity has been granted by the Ministry of Defence (MoD) which includes 70 numbers of Hindustan Turbo Trainer-40 (HTT-40) worth ~Rs70bn, 25 numbers of advanced light helicopter (ALH), 12 numbers of Sukhoi-30 (SU-30) worth Rs100bn, 12 numbers of light utility helicopter (LUH), mid-life upgrade of Do-228 for Indian Navy worth ~Rs25bn, and 73 numbers of AL-31 engines worth ~Rs60bn.
- **Aircraft delivery in FY22F/FY23F:** HAL expects to deliver 38 aircraft in FY22F excluding 6 Do-228 aircraft produced without receipt of an order (sale for which would not be completed during FY23F). HAL expects to deliver 40 aircraft during FY23F, which includes 6 LCH, 4 LUH, 20 SU-30 (for ROH), 4 Dorniers, and 4-6 LCA trainer aircraft. There would be a sharp rise in ROH during FY23F, till the company starts executing order of 83 LCA M-I Tejas aircraft from FY24F.
- **Order execution:** HAL expects execution of 10 FOC LCA aircraft order by FY22F and deliver 8 LCA trainer aircraft over the next two years (4 each in FY23F/24F). HAL expects to execute the pending order of for 20 ALH worth about Rs30bn by FY22. Another 25 units of ALH order from Indian Army is still some time away. 8 LCH has been already produced against the Letter of Intent and would produce seven more after receipt of the order. HAL would be producing 4 LUH during FY23F.
- **Delivery of LCA 1A Tejas:** HAL would be delivering 2 aircraft during FY24F, 8 aircraft during FY25F and 16 aircraft from FY26F onwards and may ramp up the numbers further going ahead.
- **LCH and LUH orders:** HAL expects minimum orders for 140 LCH and 200 LUH aircraft in next 7-8 years. But based on past trend, management expects 1.5 times of aircraft to be ordered of what was planned initially.
- **Engine orders:** HAL expects orders for more than 200 AL-31 FP engines and 60 RD-33 engines. It expects the value of these orders to be around Rs250-300bn, with a delivery period of 6 years, starting from 24 months from the date of receipt of these orders.
- **Chip shortage:** HAL has not witnessed any any disruption in order execution due to chip shortage but could see some delay in execution of orders going ahead.
- **Tumkuru manufacturing facility:** Phase-1 and phase-2 would be completed by FY22F. But the production would start from Jun 2022F, after which it would be able to produce 30 helicopters and on the completion of the other remaining phase would be able to manufacture a total of 60 helicopters.

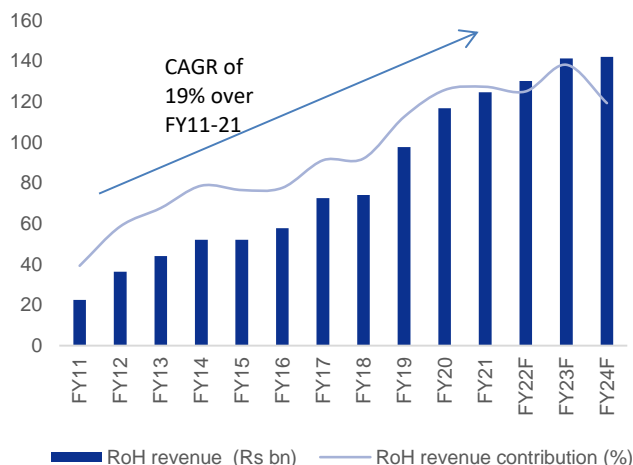
- **ROH:** Currently, the company has 3 basic ROH platforms for SK-30, MIG-29 and Mig-21 with Russian supplies. In addition, Indian Air Force or IAF depends on Russian supplies for its Mi-17 and AN-32 aircraft.
- **FY22 revenue and margin guidance:** HAL expects revenue growth of 6% and EBITDA margin of ~24% in FY22F.
- **Line Replaceable Units (LRU)-** LRUs form 30%-45% of the cost of an aircraft due to advanced electronics parts. Through indigenization of LRUs, dependence on foreign procurement can be reduced to a large extent. Many of the designs of these LRUs have been by the Defence Research and Development Organisation, HAL or Bharat Electronics Limited, through which Indian industry can take advantage and increase indigenization.

Figure 1: Share of manufacturing sales and ROH sales stood at 27% and 65%, respectively, in 9MFY22



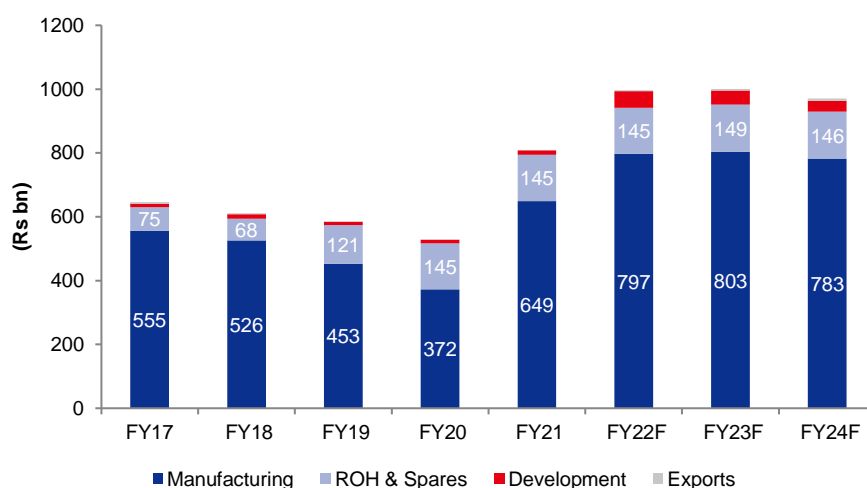
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: Services sales grew at a 19% CAGR over FY11-21, although growth may moderate over FY21-23F



SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: Large order finalization over FY21-23F to boost order backlog, in our view



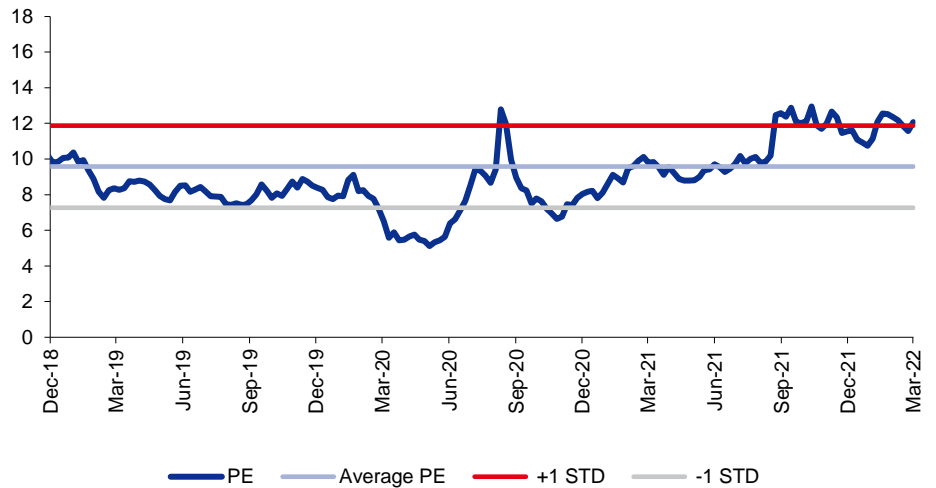
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: Earnings revision summary

(Rs m)	Old estimates			New estimates			Change (%)		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Revenue	2,40,523	2,44,614	2,77,847	2,41,755	2,37,544	2,76,044	0.5%	-2.9%	-0.6%
EBITDA	55,506	56,434	65,604	54,743	51,653	64,853	-1.4%	-8.5%	-1.1%
Core PAT	33,937	34,492	42,970	34,905	32,887	42,633	2.9%	-4.7%	-0.8%

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 5: One-year forward P/E ratio is near +1SD

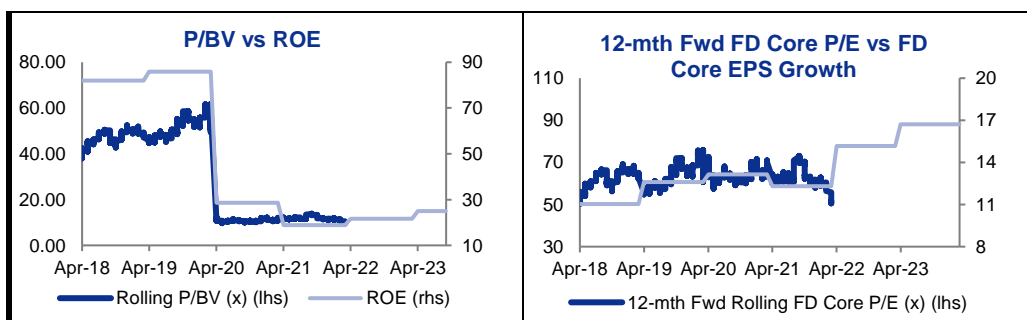


SOURCES: INCRED RESEARCH, BLOOMBERG, COMPANY REPORTS

Figure 6: Sector comparison

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs	Mkt cap (US\$ m)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
						FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
ABB India	ABB IN	Reduce	2,297	1,620	5,836	110	77	64	11.2	10.1	8.9	74	54	44	0.2	0.3	0.3
Bharat Heavy Electricals	BHEL IN	Reduce	51	38	2,192	-35	48	23	0.7	0.7	0.7	-43	21	12	0.0	1.0	2.2
Cummins India	KKC IN	Add	999	1,060	3,364	35	29	25	5.9	5.3	4.8	30	25	21	1.7	1.7	1.7
Larsen & Toubro	LT IN	Add	1,634	2,125	29,612	28	22	18	3.0	2.7	2.4	18	15	14	2.1	1.2	1.2
Siemens India	SIEM IN	Hold	2,281	2,315	10,372	59	48	41	7.1	6.4	5.8	38	32	27	0.4	0.5	0.6
Thermax	TMX IN	Hold	1,874	2,042	2,785	64	42	35	6.0	5.4	4.8	43	28	23	0.4	0.5	0.6
Voltas	VOLT IN	Hold	1,158	1,180	4,947	67	47	39	7.1	6.4	5.7	51	37	31	0.5	0.6	0.7
KEC International	KECI IN	Add	422	570	1,398	22	14	11	2.7	2.4	2.0	12	8	7	0.8	1.4	1.8
Bharat Electronics	BHE IN	Add	222	240	6,828	23	20	18	4.5	4.0	3.6	17	15	13	1.9	2.2	2.4
Bharat Dynamics	BDL IN	Hold	461	575	1,050	17	13	11	2.8	2.5	2.2	11	8	7	2.3	3.1	3.6
Hindustan Aeronautics	HNAL IN	Add	1,335	1,530	5,770	13	14	10	2.5	2.2	1.9	6	7	5	2.4	2.3	3.0

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 11 NOV 2021

BY THE NUMBERS

Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Net Revenues	214,384	227,546	241,755	237,544	276,044
Gross Profit	120,422	117,034	124,504	122,335	142,162
Operating EBITDA	48,621	53,469	54,743	51,653	64,853
Depreciation And Amortisation	(9,976)	(11,776)	(13,654)	(13,642)	(13,760)
Operating EBIT	38,645	41,693	41,089	38,010	51,093
Financial Income/(Expense)	(3,484)	(2,591)	(170)	(100)	(100)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,933	3,587	5,933	6,233	6,233
Profit Before Tax (pre-EI)	38,094	42,689	46,852	44,143	57,226
Exceptional Items					
Pre-tax Profit	38,094	42,689	46,852	44,143	57,226
Taxation	(10,960)	(10,379)	(11,947)	(11,257)	(14,593)
Exceptional Income - post-tax					
Profit After Tax	27,134	32,309	34,905	32,887	42,633
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	27,134	32,309	34,905	32,887	42,633
Recurring Net Profit	27,134	32,309	34,905	32,887	42,633
Fully Diluted Recurring Net Profit	27,134	32,309	34,905	32,887	42,633

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
EBITDA	48,621	53,469	54,743	51,653	64,853
Cash Flow from Invt. & Assoc.	(9,241)	(10,760)	(7,891)	(7,509)	(7,627)
Change In Working Capital	(31,819)	91,651	(4,113)	(26,379)	(23,737)
(Incr)/Decr in Total Provisions	366	115			
Other Non-Cash (Income)/Expense	10,294	12,414	13,654	13,642	13,760
Other Operating Cashflow	12,503	11,282			
Net Interest (Paid)/Received	(2,840)	(1,711)	5,763	6,133	6,133
Tax Paid	(18,199)	(7,186)	(11,947)	(11,257)	(14,593)
Cashflow From Operations	15,367	152,696	38,683	14,017	26,523
Capex	(8,899)	(7,619)	(13,000)	(14,000)	(14,000)
Disposals Of FAs/subsidiaries	16	12			
Acq. Of Subsidiaries/investments	(850)	(504)			
Other Investing Cashflow	(3,608)	(4,699)	5,933	6,233	6,233
Cash Flow From Investing	(13,341)	(12,811)	(7,067)	(7,767)	(7,767)
Debt Raised/(repaid)	17,527	(58,598)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(13,404)	(10,032)	(10,831)	(10,204)	(13,229)
Preferred Dividends					
Other Financing Cashflow	(3,484)	(2,620)	(170)	(100)	(100)
Cash Flow From Financing	639	(71,249)	(11,001)	(10,304)	(13,329)
Total Cash Generated	2,665	68,637	20,615	(4,054)	5,427
Free Cashflow To Equity	19,552	81,288	31,616	6,250	18,756
Free Cashflow To Firm	5,509	142,477	31,786	6,350	18,856

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	2,979	71,663	92,802	88,748	94,175
Total Debtors	115,834	56,394	66,234	65,080	75,628
Inventories	194,539	165,603	185,456	182,225	211,759
Total Other Current Assets	110,630	119,043	123,178	121,032	140,649
Total Current Assets	423,982	412,703	467,671	457,086	522,212
Fixed Assets	93,916	95,598	94,945	95,302	95,542
Total Investments	9,402	9,891	9,891	9,891	9,891
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	103,318	105,490	104,836	105,194	105,434
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	40,892	22,462	23,864	23,448	27,249
Other Current Liabilities	301,457	342,599	370,912	338,418	370,579
Total Current Liabilities	342,349	365,060	394,776	361,867	397,828
Total Long-term Debt	57,752	91	91	91	91
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	57,752	91	91	91	91
Total Provisions					
Total Liabilities	400,101	365,151	394,867	361,958	397,919
Shareholders Equity	131,900	153,566	177,640	200,322	229,727
Minority Interests					
Total Equity	131,900	153,566	177,640	200,322	229,727

Key Ratios					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	7.1%	6.1%	6.2%	(1.7%)	16.2%
Operating EBITDA Growth	6.6%	10.0%	2.4%	(5.6%)	25.6%
Operating EBITDA Margin	22.7%	23.5%	22.6%	21.7%	23.5%
Net Cash Per Share (Rs)	(163.80)	214.04	277.26	265.13	281.36
BVPS (Rs)	394.45	459.25	531.24	599.07	687.01
Gross Interest Cover	11.09	16.09	241.70	380.10	510.93
Effective Tax Rate	28.8%	24.3%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	41.0%	31.0%	31.0%	31.0%	31.0%
Accounts Receivables Days	204.67	138.13	92.57	100.89	93.03
Inventory Days	760.18	594.74	546.42	582.44	537.06
Accounts Payables Days	(130.56)	(104.62)	(72.11)	(74.95)	(69.11)
ROIC (%)	22.4%	58.2%	54.8%	37.3%	40.6%
ROCE (%)	22.0%	24.3%	24.8%	20.1%	23.8%
Return On Average Assets	5.9%	6.7%	6.4%	5.8%	7.2%

Key Drivers					
	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Manufacturing	84,692	85,640	93,420	75,930	110,610
yoy growth (%)	N/A	1	9	(19)	46
RoH	116,720	124,600	130,163	141,230	142,056
yoy growth (%)	20	7	4	9	1
Total Sales	214,384	227,546	241,755	237,544	276,044
Book to bill ratio	3	4	4	4	4
Order backlog	529,650	806,390	993,491	958,604	928,417
yoy growth (%)	(10)	52	23	(4)	(3)
EBITDA margin	23	23	23	22	23

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:

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.