India

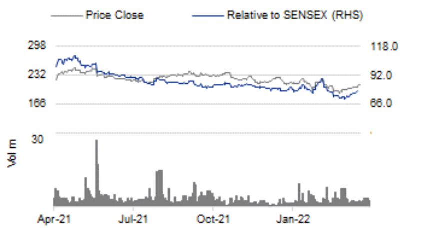
## HOLD *(no change)*

| Consensus ratings*: | Buy 23 Hold 9 Sell 5 |
|---|---|
| Current price: | Rs207 |
| Target price: | Rs228 |
| Previous target: | Rs240 |
| Up/downside: | 10.1% |
| InCred Research / Consensus: | -14.4% |
| Reuters: | PLNG.NS |
| Bloomberg: | PLNG IN |
| Market cap: | US$4,053m |
| | Rs309,975m |
| Average daily turnover: | US$7.3m |
| | Rs556.6m |
| Current shares o/s: | 1,500.0m |
| Free float: | 50.0% |

*Source: Bloomberg*

### Key changes in this note

- We shift to P/E-based valuation.
- We value Petronet LNG at 11.5x FY24F EPS to arrive at our TP of Rs228.




*Source: Bloomberg*

| Price performance | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 6.1 | (2.9) | (7.4) |
| Relative (%) | 6.4 | (1.8) | (22.5) |

| Major shareholders | % held |
|---|---|
| BPCL/GAIL/IOC/ONGC each | 12.5 |
| FMR LLC | 5.3 |
| Republic of Singapore | 3.7 |

# Petronet LNG

## We cut EPS estimates; retain Hold

- In the current global backdrop, consensus hopes of increased capacity utilization of regasification terminals of Petronet LNG are misplaced.
- Given the world's propensity to supply Europe first so that it can gain energy independence from Russia, LNG prices and their slope will remain high.
- Because of global turmoil, we shift to near-term P/E-based valuation. We value Petronet LNG at 11.5x FY24F EPS to arrive at our TP of Rs228. Retain Hold.

### Risk of lower capacity utilization emanates

In the current backdrop of the global LNG crisis, consensus hopes of increased capacity utilization of regasification terminals of Petronet LNG are misplaced. We know for sure that for the next two-to-three years, LNG will be in short supply in the international market, but we don't know how the global scenario will change after two-to-three years. The European quest to move away from Russian gas has two components: 1) Start coal-fired plants which can save ~90mt of natural gas. 2) Increase imports of LNG from the global market. We estimate that over next three years, Europe will come as a new buyer of ~60mt LNG from international market. Given the current global liquefaction capacity, all these plants need to operate at ~100% utilization level for the next four years - something that is difficult for a sustained period. This in turn means that there will frequent shortage of LNG in global market and the slope will remain elevated. Elevated slope has two aspects: 1) In a higher crude oil price scenario, LNG will be extremely costly and hence, there is volume risk. 2) In a lower crude oil price scenario, its attractiveness will be lesser with comparative fuels and hence, lower volume. Consensus earnings are at risk, but to some extent it's priced in and hence, we retain Hold rating on Petronet LNG.

### We shift to P/E-based valuation

In the above-mentioned scenario, discounted cash flow or DCF-based valuation has no meaning and that's why we shift to P/E-based valuation. We cut our earnings estimates and we forecast EPS CAGR of -1.3% over FY22-25F. Our below consensus EPS estimates can also have a downside as we still don't know how volume growth will pan out. Even if the pipeline to Kochi is ready, we are sure that at Rs100/SCM there will be hardly any buyers for LNG. Transporting LNG through specialized vehicles is too costly in a higher crude oil price environment. With so much of uncertainty, forecasting the next quarter's EPS is fraught with a huge risk, forget about multi-year cash flow projections. We have valued the stock at -1SD of the long-term one-year forward mean EPS. We have valued Petronet LNG at 11.5x FY24F EPS to arrive at our revised target price of Rs228 (from Rs240 earlier). We retain Hold rating on the stock. **Risks:** 1) Sudden, though extremely unlikely, thaw in Europe-Russia relationship can present a significant upside risk to our EPS estimates and hence, target price. 2) We have assumed that Europe will start coal-fired plants but if its unable to do so, then gas prices and its slope can go even higher and hence, LNG volume for Petronet LNG may decline significantly.

| Financial Summary | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|---|---|---|---|---|---|
| Revenue (Rsm) | 354,520 | 260,230 | 415,232 | 451,557 | 454,277 |
| Operating EBITDA (Rsm) | 39,174 | 46,996 | 50,987 | 45,117 | 47,283 |
| Net Profit (Rsm) | 27,034 | 29,392 | 32,856 | 28,166 | 29,826 |
| Core EPS (Rs) | 18.0 | 19.6 | 21.9 | 18.8 | 19.9 |
| Core EPS Growth | 21.2% | 8.7% | 11.8% | (14.3%) | 5.9% |
| FD Core P/E (x) | 11.47 | 10.55 | 9.43 | 11.01 | 10.39 |
| DPS (Rs) | 12.5 | 11.5 | 11.5 | 11.0 | 12.0 |
| Dividend Yield | 5.83% | 7.26% | 5.08% | 5.37% | 5.61% |
| EV/EBITDA (x) | 7.75 | 6.15 | 5.50 | 6.05 | 5.88 |
| P/FCFE (x) | 16.42 | 9.36 | 16.81 | 17.36 | 50.69 |
| Net Gearing | (5.7%) | (17.6%) | (21.9%) | (25.3%) | (20.0%) |
| P/BV (x) | 2.79 | 2.63 | 2.29 | 2.11 | 1.95 |
| ROE | 25.3% | 25.6% | 25.9% | 20.0% | 19.5% |
| % Change In Core EPS Estimates | | | | (9.78%) | (11.98%) |
| InCred Research/Consensus EPS (x) | | | 1.03 | 0.90 | 0.89 |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Analyst(s)

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# We cut EPS estimates; retain Hold

## Asset details

Petronet LNG has two main assets - Dahej and Kochi terminals. The company has 17.5mt regas capacity in Dahej and 5mt capacity in Kochi. The long-term gas tie-up for these terminals is 7.5mt for Dahej and 1.4mt for Kochi. Various companies have booked regas capacity at take-or-pay contracts at Dahej terminal, but not at Kochi.

### Dahej and Kochi terminal details

Petronet LNG has set up India's first LNG receiving and regasification terminal at Dahej, Gujarat, and another terminal at Kochi, Kerala. Dahej and Kochi terminals collectively supply 70MMSMD. While the Dahej terminal has a nominal capacity of 17.5MMTPA, the Kochi terminal has a capacity of 5MMTPA.

**Figure 1: Details of Dahej and Kochi terminals**

| Contract Type | Contract Parties | Period up to | Sourcing/ Delivery |
|---|---|---|---|
| Gas Sales and Purchase Agreement (GSPA) | Ras Gas of Qatar | 2028 | 7.5mt |
| Gas Sales and Purchase Agreement (GSPA) | Mobil Australia Resource Company | 2035 | 1.425mt |
| Long-term/short-term/spot basis | ONGC Limited for extraction | 2028 | 0.973mt |
| Regasification services agreements | GAIL | 2036 | 2.5mt |
| Regasification services agreements | IOCL | 2036 | 1.5mt |
| Regasification services agreements | BPCL | 2036 | 1mt |
| Spot/Short-term | GAIL, IOCL, BPCL, ONGC & affiliates | - | - |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Company has entered into the following long-term LNG purchase agreements:

1. 7.5mt with Ras Laffan Liquified Natural Gas Company Limited (2), Qatar for the period up to Apr 2028.
2. 1.44mt with Mobil Australia Resources Company Pty Ltd, Australia for the period up to 2035.
3. Balance sourcing on a spot/short-term basis.
4. Since the company has entered into materially back-to-back sale agreements against the above purchase agreements, there is no foreseeable loss on these agreements.
5. The company has issued a Standby Letter of Credit of Rs31bn to Ras Laffan Liquified Natural Gas Company Limited and Rs8.1bn to Mobil Australia Resource Company PTY Ltd against the long-term purchase agreements.

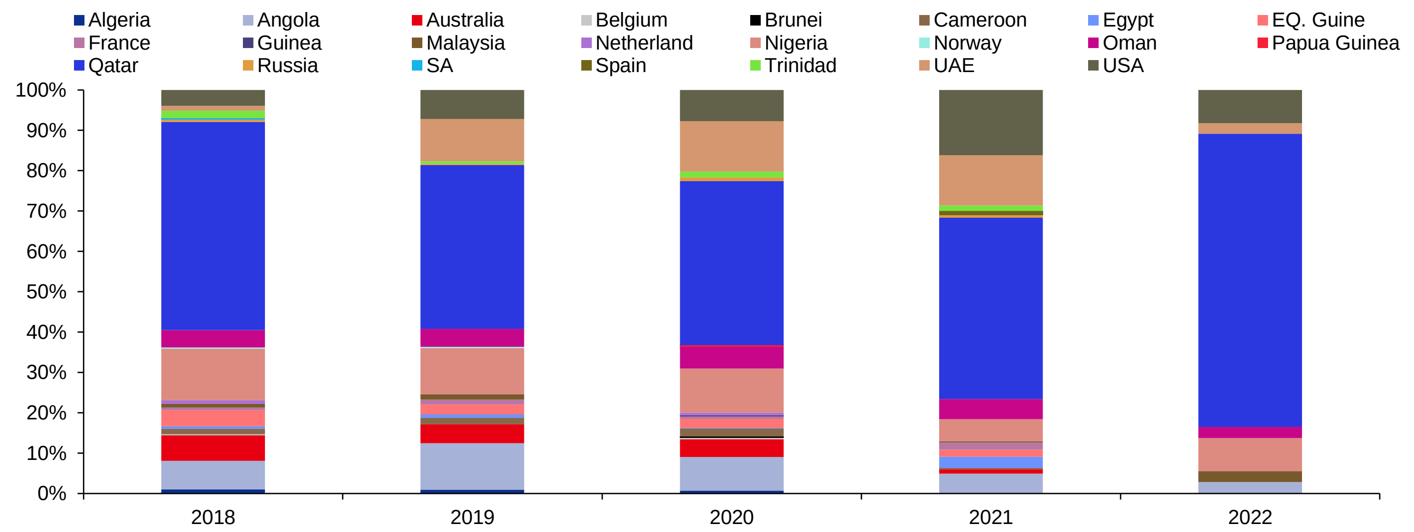
### Agreements for sale of natural gas and regasified natural gas

1. Gas sales and purchase agreement (GSPA) of 7.5mt (as amended from time to time) entered in 2003 with GAIL, IOCL, and BPCL, in the ratio of 60:30:10 respectively, with validity till 2028.
    a. These agreements have been entered as back-to-back arrangements for LNG sale and purchase agreements from Ras Gas of Qatar. The long-term sales agreements are materially back-to-back in terms of duration, quantity, price, foreign exchange fluctuation, etc., in line with the long-term LNG purchase contracts.
2. Gas sales and purchase agreement (GSPA) of 1.425mt (as amended from time to time), entered in 2010 with BPCL, IOCL, and GAIL, in the ratio of 40:30:30 respectively, with validity till 2035.
    a. These agreements have been entered as back-to-back arrangements for LNG sale and purchase agreements from Mobil Australia Resource Company. The long-term sales agreements are materially back-to-back in terms of duration, quantity, price, foreign exchange fluctuation, etc., in line with the long-term LNG purchase contracts.

3. The company also has an agreement with ONGC Limited for extraction of higher hydrocarbons from LNG imported, which is replenished through LNG sourced on a long-term/short-term/spot basis and is valid till 2028. This contract is for a volume of up to 0.973mt.
4. The company also has long-term capacity regasification services agreements including an agreement for 2.5mt capacity with GAIL, 1.5mt with IOCL, and 1mt with BPCL at Dahej terminal, valid till 2036. These long-term capacity regasification agreements are firm commitment contracts, on a use-or-pay basis.
5. Further, the company also supplies LNG/RLNG to the above said related parties on a spot/short-term basis from time to time in its normal course of business. In addition, the company also provides regasification and other related services to GAIL, IOCL, BPCL, ONGC, and their affiliates.

### Over the years, Qatar has been a major gas exporter to India

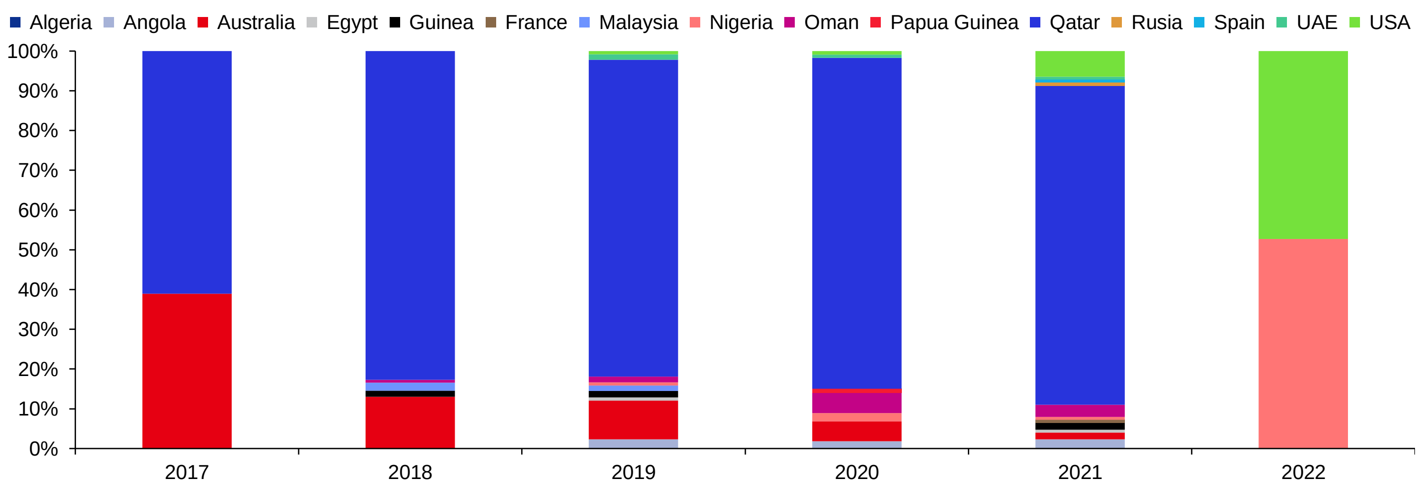
**Figure 2: Qatar has accounted for around 40-50% of overall liquified natural gas imports by India**




SOURCES: COMPANY REPORTS, INCRED RESEARCH

### For PLNG as well, Qatar has been a major source of gas imports

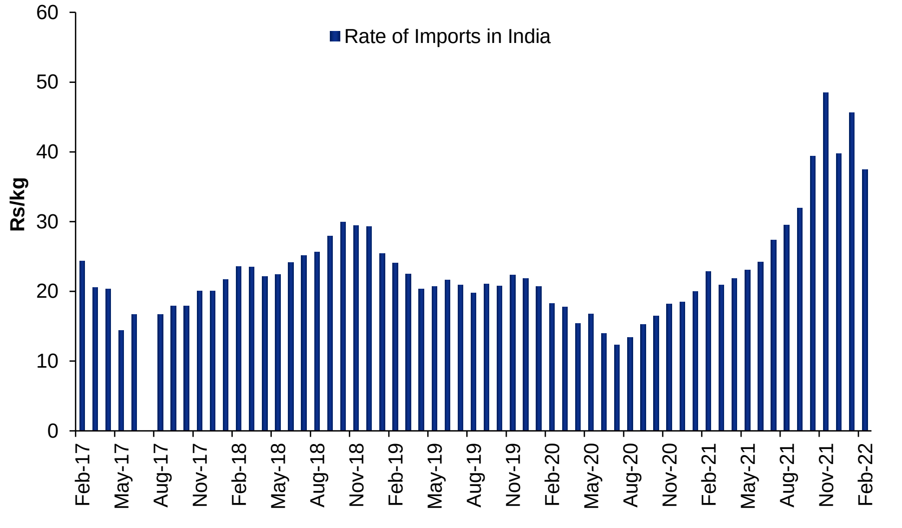
**Figure 3: Ras Gas (Qatar) has been a major exporter of PLNG as well**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Landed cost of gas (excluding taxes) has been rising, which is negative for Indian gas consumption ➤

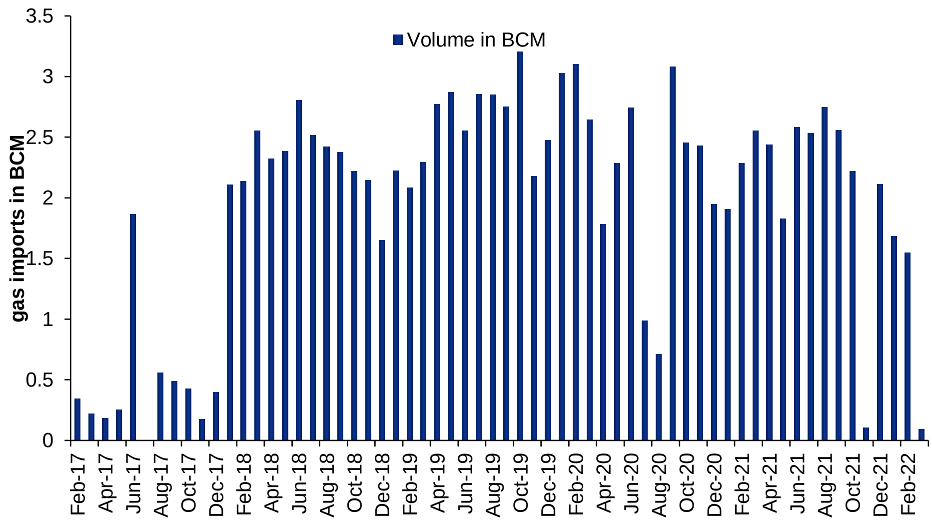
**Figure 4: Landed cost of gas imports in India has nearly doubled in last 12 months**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Hence, it's natural that gas imports in India are on the decline ➤

**Figure 5: Rising gas prices in the international market are leading to reduced gas imports by India**

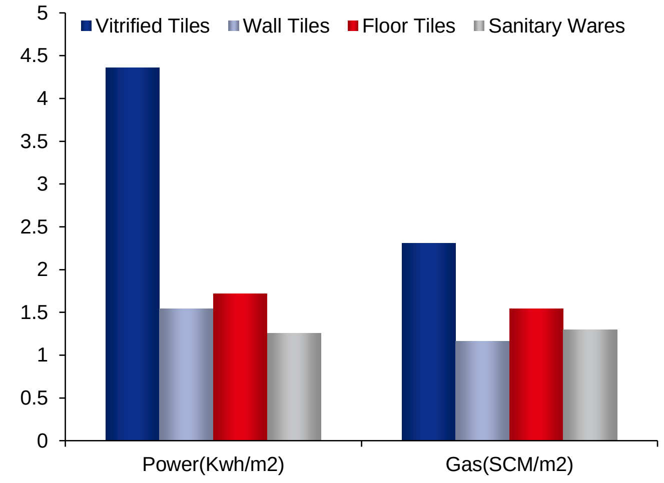



SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Current prices are making gas usage difficult for domestic users ➤

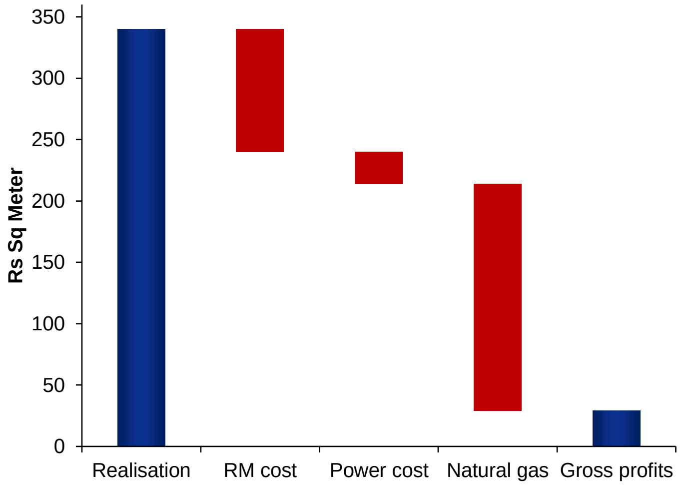
Industrial and power sector gas users will suffer immensely because of the high prices of gas. The power sector cannot operate at the landed cost of LNG in India and neither do the biggest industrial users - tiles manufacturers.

**Figure 6: The best example of a struggling industry is tiles manufacturers who use significant gas/SqM of tiles made**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

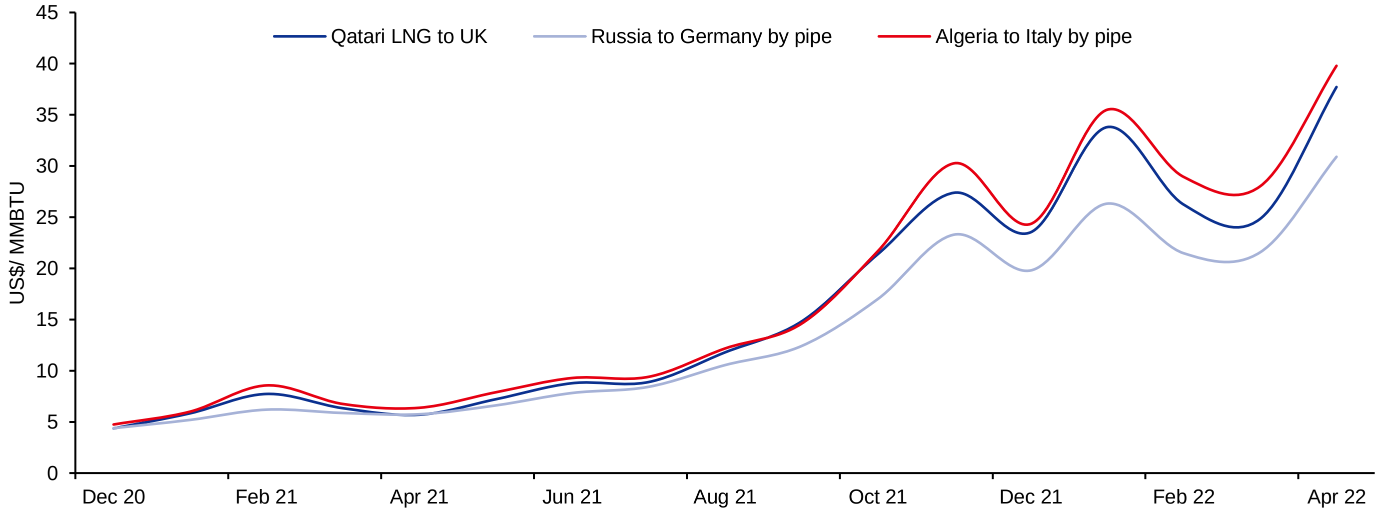
**Figure 7: The price at which Gujarat Gas is supplying piped gas to Morbi tiles makers will result in nil gross profit for most small companies**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

## International gas prices don't show any signs of cooling ➤

**Figure 8: Europe - the hotbed for global LNG - is still witnessing a stupendous spike in natural gas prices**

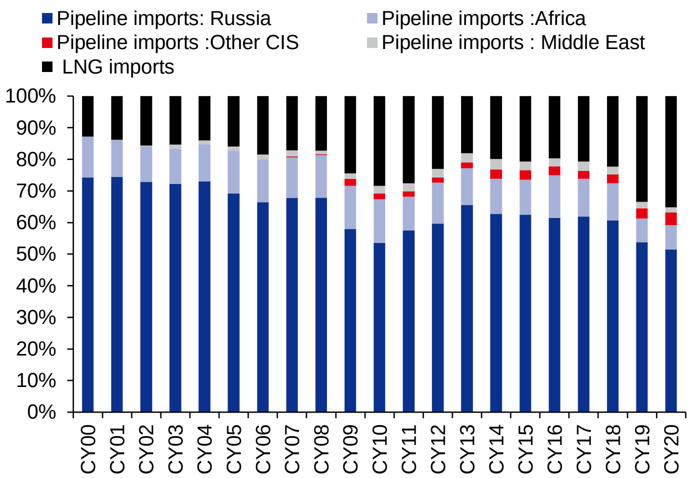



SOURCES: INCRED RESEARCH, HTTPS://WWW.ENERGYINTEL.COM/WORLD-GAS-INTELLIGENCE-DATA

## Europe needs all the help it can get to tide over the current crisis ➤

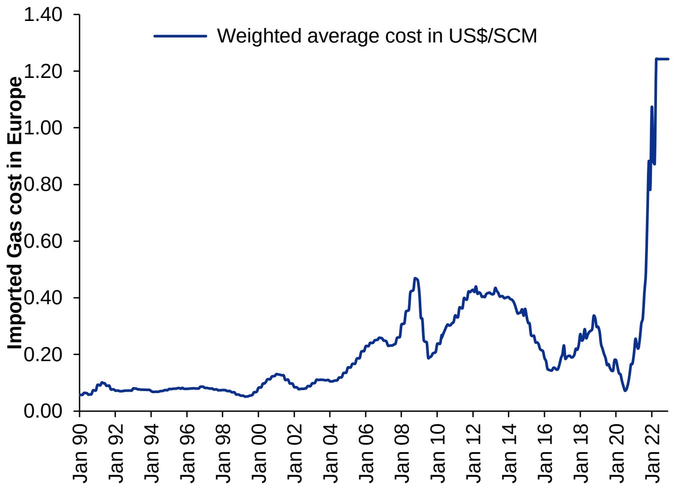
80% of European gas imports are from Russia and it has been the case for the last several years. It's difficult to believe that Europe was heavily dependent on Russia all the time and didn't read the warning signals.

**Figure 9: While we don't have data for CY21, preliminary estimates indicate that Russia exported around 200bcm and hence, more than 70% of the import basket**




SOURCES: INCRED RESEARCH, HTTPS://WWW.ENERGYINTEL.COM/WORLD-GAS-INTELLIGENCE-DATA

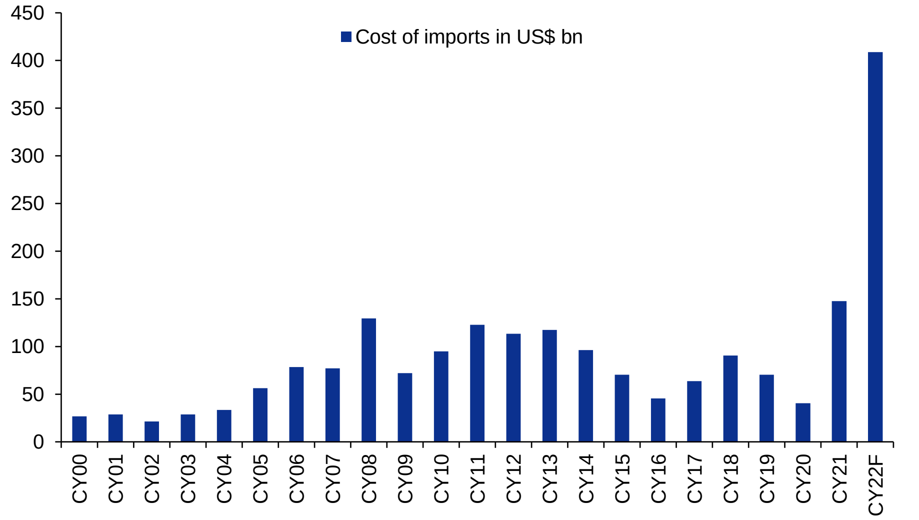
**Figure 10: The weighted average cost of gas imports has increased 3x over CY21 and 10x over CY20**




SOURCES: INCRED RESEARCH, HTTPS://WWW.ENERGYINTEL.COM/WORLD-GAS-INTELLIGENCE-DATA

This means assuming the same average mix of gas sourcing as the average of the last five years, Europe's gas import bill will rise to US$410bn in CY22F (assuming the Apr 2022 average price holds the for rest of the year).

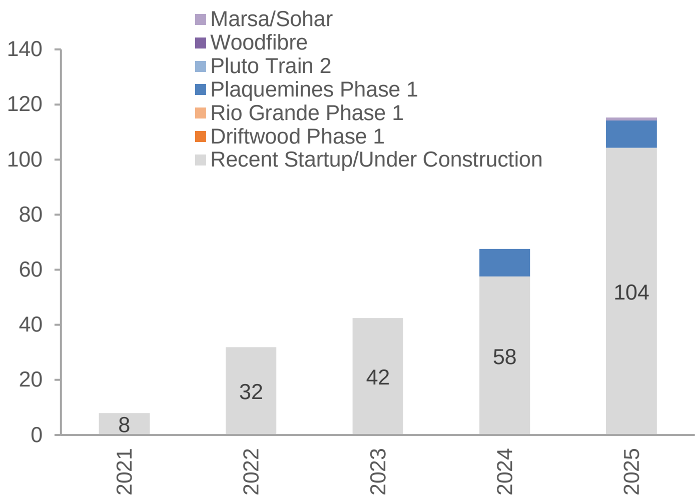
**Figure 11: European gas import bill is likely to rise to US$410bn in CY22F**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

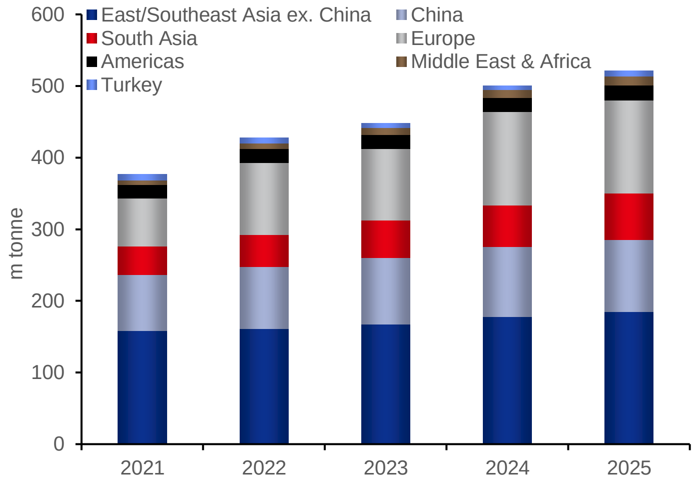
## Europe can reduce Russian gas imports by starting thermal plants and increasing LNG imports by 60mt over the next three years

Figure 12: Various new LNG projects are in the pipeline




SOURCES: INCRED RESEARCH, ENERGY INTELLIGENCE GLOBAL LNG RESEARCH PROJECTIONS

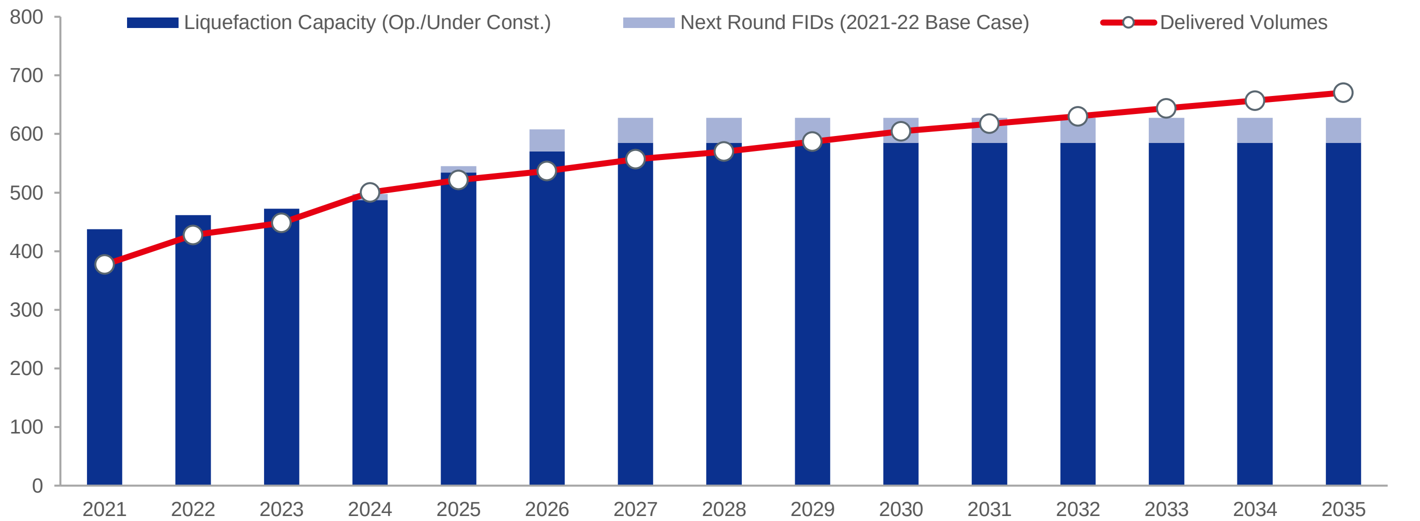
Figure 13: However, the changed geopolitical situation has led to increased demand for LNG




SOURCES: INCRED RESEARCH, ENERGY INTELLIGENCE GLOBAL LNG RESEARCH PROJECTIONS

For projecting demand-supply, we have assumed European LNG supply to peak out at 130mt by 2023F (we have inherently assumed that Europe will try to reduce dependence on Russian gas). Starting of thermal power plants will reduce gas requirement by 94mt and over the period of the time renewables will take the place of coal-fired plants. However, Europe still needs to reduce Russian gas imports by 60mt over a two-to-three years' timeframe, and hence, in our view, LNG requirement will rise to 130mt by CY24F.

Figure 14: Assuming Europe aims to reduce the purchase of Russian gas to nil over the next three years, it needs to increase LNG imports by 60mt

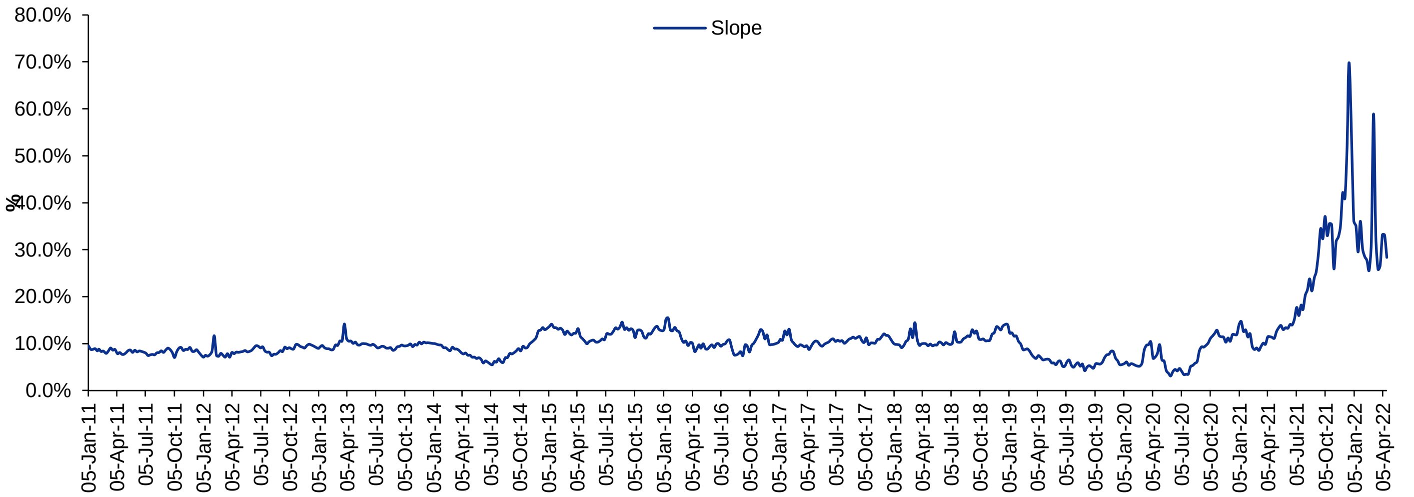



SOURCES: INCRED RESEARCH, ENERGY INTELLIGENCE GLOBAL LNG RESEARCH PROJECTIONS

## This means that the demand-supply situation for LNG is extremely tight, and the LNG slope can explode

Fig.14 indicates that to balance the market, global LNG capacity needs to operate at near 100% utilization for the next four years. It's just not possible to operate these kinds of plants for such a long time at a 100% capacity utilization level. The end result is an inevitable shortage of LNG which can lead a to rise in LNG slope.

**Figure 15: While the LNG slope vis-à-vis crude oil is already way above the historical average, we expect it to rise further**




SOURCES: COMPANY REPORTS, INCRED RESEARCH

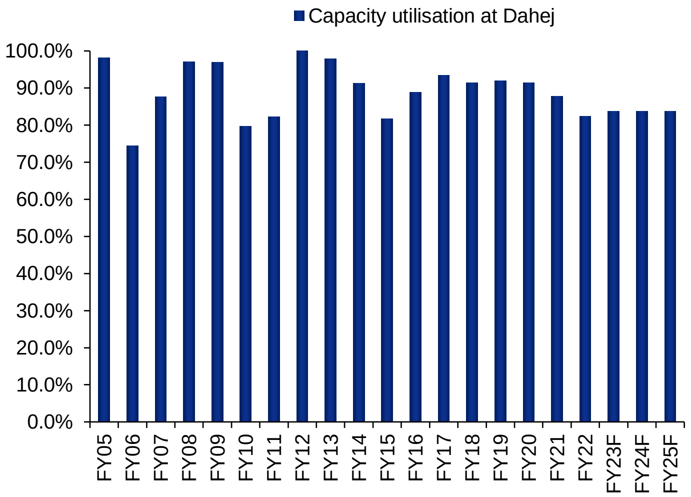
## At such a high slope, domestic LNG demand may suffer ➤

At US$30/MMBtu price, most Indian gas users won't be able to operate their businesses. While crude oil prices can fall, don't expect LNG prices to decline vis-à-vis crude oil. With the fall in crude oil price, expect the LNG slope to only rise. At US$30/MMBtu price, importing LNG doesn't make sense.

## This in turn means that the capacity utilization of Petronet LNG terminals cannot rise ➤

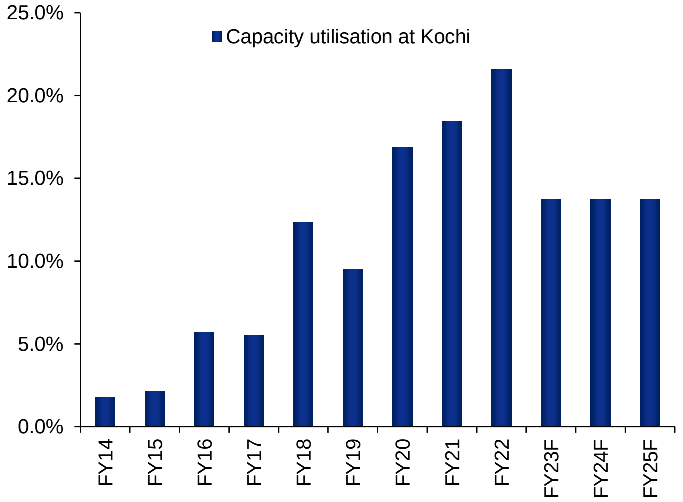
We don't believe Ras Gas can renege on its long-term contract with Petronet LNG. One can expect 8.5mt of gas volume for Ras Gas, but increased capacity utilization at the Kochi terminal can remain a challenge.

**Figure 16: Capacity utilization at Dahej can remain around 80%; this utilization in builds take-or-pay contract**




SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 17: However, don't expect more than 1mt volume at Kochi**



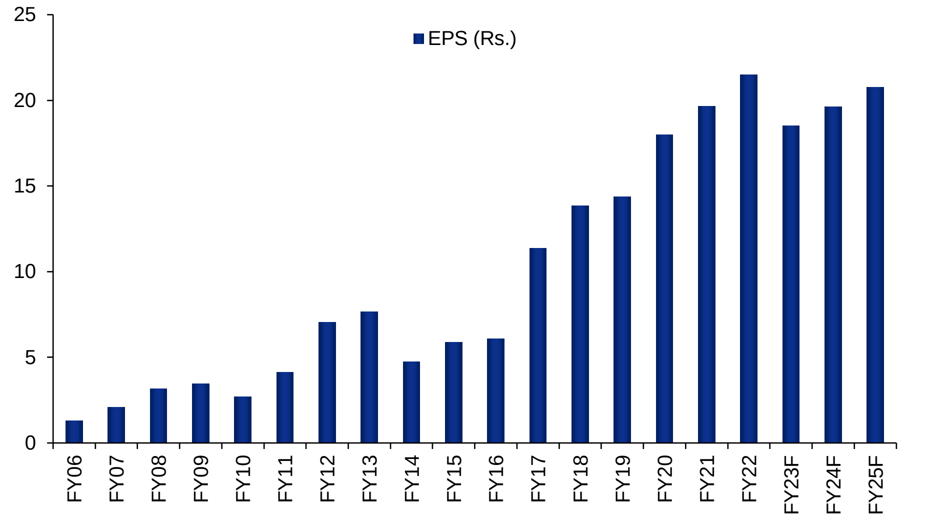

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Earnings and valuation

We expect an earnings CAGR of -1.2 % over FY22F-25F. Our earnings projection assumes at least 8.5mt of supply from Ras Gas and if there is any decline in domestic demand, then volume can fall as well. Our earnings estimates assume take-or-pay revenue at a contractual minimum level. We value the stock at a historical average P/E of 11.7x.

### EPS CAGR of -1.2% over FY22-25F

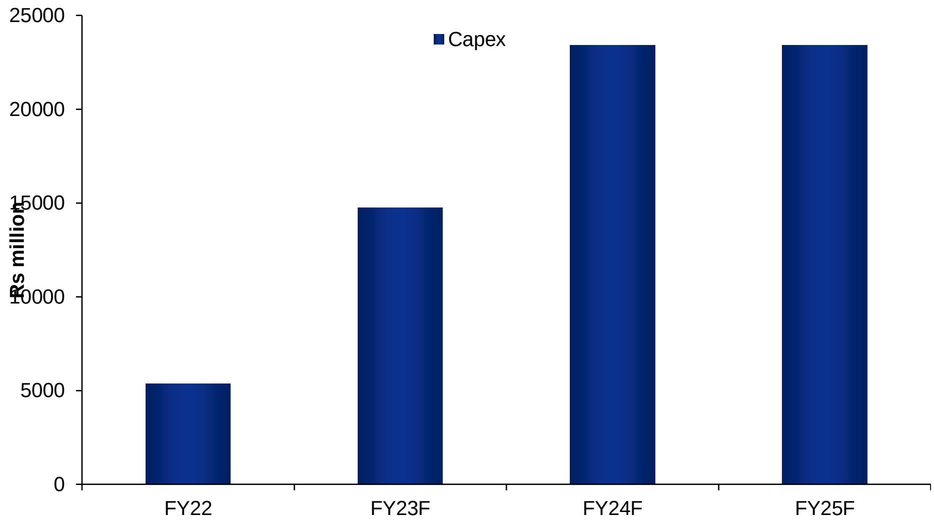
Figure 18: EPS CAGR, in our view, to be at -1.2% over FY22-25F




SOURCES: INCRED RESEARCH, COMPANY REPORTS

### FY23F capex to remain around Rs15bn

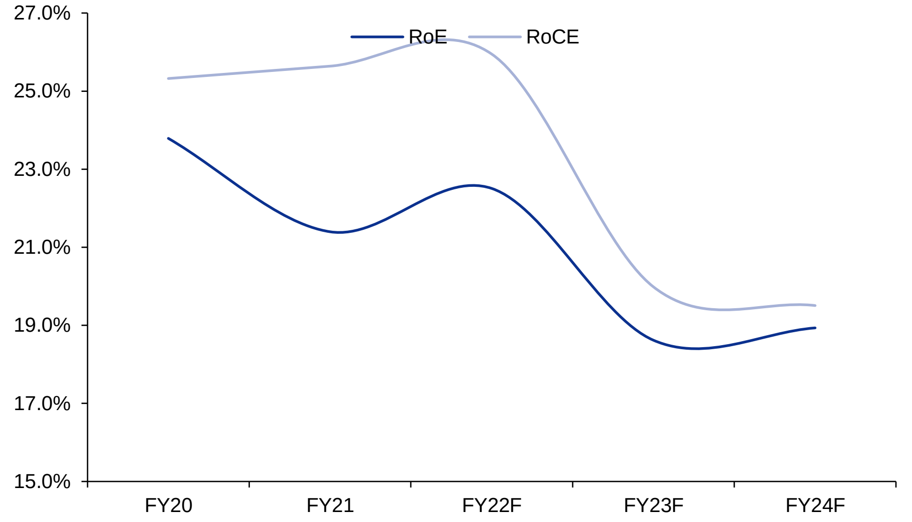
Figure 19: We expect FY23F capex to remain around Rs15bn




SOURCES: INCRED RESEARCH, COMPANY REPORTS

## RoE and RoCE will deteriorate ➤

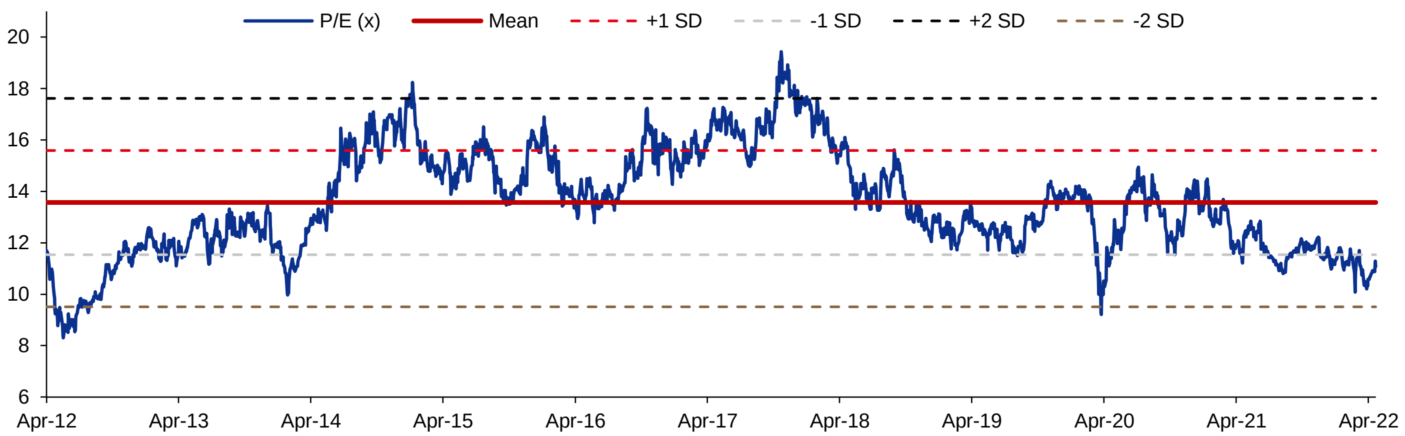
Figure 20: RoE and RoCE will deteriorate




SOURCES: INCRED RESEARCH, COMPANY REPORTS

## On an average, the stock trades at a P/E of 13.6x but given the lack of EPS growth, it can remain at -1 SD ➤

Figure 21: While on an average the stock trades at 13.6x one-year forward P/E, given the lack of growth it can languish at -1 SD




SOURCES: INCRED RESEARCH, COMPANY REPORTS

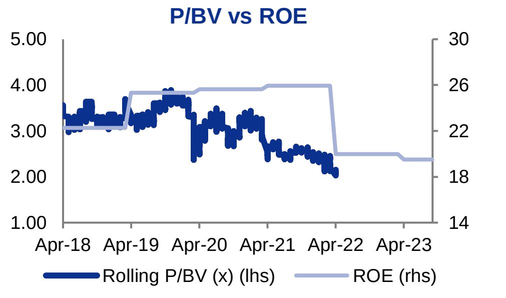
## We have valued Petronet LNG at 11.5xFY24F EPS to arrive at our target price of Rs228 ➤

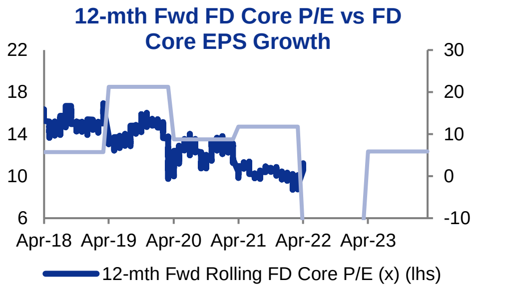
Figure 22: We value the stock at -1 SD of long-term P/E to arrive at a TP of Rs228

| | Value | Units |
|---|---|---|
| FY23F EPS | 18.78 | Rs/share |
| FY24F EPS | 19.88 | Rs/share |
| P/E multiple | 11.50 | x |
| Target price | 228.0 | Rs/share |

SOURCES: COMPANY REPORTS, INCRED RESEARCH

## BY THE NUMBERS




### Profit & Loss

| (Rs mn) | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|---|---|---|---|---|---|
| **Total Net Revenues** | **354,520** | **260,230** | **415,232** | **451,557** | **454,277** |
| **Gross Profit** | **49,561** | **53,415** | **59,052** | **52,924** | **55,475** |
| **Operating EBITDA** | **39,174** | **46,996** | **50,987** | **45,117** | **47,283** |
| Depreciation And Amortisation | (7,761) | (7,841) | (7,692) | (7,842) | (7,842) |
| **Operating EBIT** | **31,413** | **39,155** | **43,294** | **37,275** | **39,441** |
| Financial Income/(Expense) | (4,032) | (3,360) | (3,164) | (3,139) | (3,120) |
| Pretax Income/(Loss) from Assoc. | 148 | 189 | 630 | 400 | 400 |
| Non-Operating Income/(Expense) | 3,636 | 3,591 | 2,953 | 2,984 | 3,019 |
| **Profit Before Tax (pre-EI)** | **31,164** | **39,575** | **43,713** | **37,520** | **39,740** |
| Exceptional Items | | | | | |
| **Pre-tax Profit** | **31,164** | **39,575** | **43,713** | **37,520** | **39,740** |
| Taxation | (4,131) | (10,183) | (10,857) | (9,354) | (9,914) |
| Exceptional Income - post-tax | | | | | |
| **Profit After Tax** | **27,034** | **29,392** | **32,856** | **28,166** | **29,826** |
| Minority Interests | | | | | |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| **Net Profit** | **27,034** | **29,392** | **32,856** | **28,166** | **29,826** |
| Recurring Net Profit | 27,034 | 29,392 | 32,856 | 28,166 | 29,826 |
| **Fully Diluted Recurring Net Profit** | **27,034** | **29,392** | **32,856** | **28,166** | **29,826** |

### Cash Flow

| (Rs mn) | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|---|---|---|---|---|---|
| EBITDA | 39,174 | 46,996 | 50,987 | 45,117 | 47,283 |
| Cash Flow from Invt. & Assoc. | 3,783 | 3,780 | 3,583 | 3,384 | 3,419 |
| Change In Working Capital | (4,840) | (980) | (9,983) | 3,133 | (1,834) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | (47) | (33) | | | |
| Net Interest (Paid)/Received | (4,032) | (3,360) | (3,164) | (3,139) | (3,120) |
| Tax Paid | (8,608) | (10,260) | (10,771) | (9,280) | (9,835) |
| **Cashflow From Operations** | **25,431** | **36,144** | **30,651** | **39,216** | **35,913** |
| Capex | (39,515) | 660 | (5,360) | (14,740) | (23,400) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | (34) | 106 | (630) | (400) | (400) |
| Other Investing Cashflow | | | | | |
| **Cash Flow From Investing** | **(39,550)** | **766** | **(5,990)** | **(15,140)** | **(23,800)** |
| Debt Raised/(repaid) | 32,997 | (3,801) | (6,217) | (6,217) | (5,998) |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (18,083) | (22,500) | (15,750) | (16,650) | (17,400) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | | | | | |
| **Cash Flow From Financing** | **14,914** | **(26,301)** | **(21,967)** | **(22,867)** | **(23,398)** |
| Total Cash Generated | 795 | 10,608 | 2,695 | 1,209 | (11,285) |
| **Free Cashflow To Equity** | **18,878** | **33,108** | **18,445** | **17,859** | **6,115** |
| **Free Cashflow To Firm** | **(10,087)** | **40,270** | **27,825** | **27,215** | **15,233** |

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 | 46,667 | 57,275 | 59,969 | 61,178 | 49,892 |
| Total Debtors | 16,026 | 18,745 | 28,441 | 24,743 | 24,892 |
| Inventories | 4,809 | 3,372 | 5,254 | 5,822 | 5,864 |
| Total Other Current Assets | 5,916 | 4,866 | 5,314 | 5,809 | 6,354 |
| **Total Current Assets** | **73,417** | **84,258** | **98,978** | **97,552** | **87,001** |
| Fixed Assets | 111,929 | 103,427 | 101,095 | 107,993 | 123,551 |
| Total Investments | 3,323 | 3,218 | 3,848 | 4,248 | 4,648 |
| Intangible Assets | | | | | |
| Total Other Non-Current Assets | | | | | |
| **Total Non-current Assets** | **115,252** | **106,645** | **104,943** | **112,241** | **128,198** |
| Short-term Debt | | | | | |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 27,916 | 26,515 | 29,011 | 29,509 | 28,411 |
| Other Current Liabilities | | | | | |
| **Total Current Liabilities** | **27,916** | **26,515** | **29,011** | **29,509** | **28,411** |
| Total Long-term Debt | 40,331 | 36,530 | 30,313 | 24,097 | 18,099 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | | | | | |
| **Total Non-current Liabilities** | **40,331** | **36,530** | **30,313** | **24,097** | **18,099** |
| Total Provisions | 9,213 | 9,789 | 9,422 | 9,496 | 9,575 |
| **Total Liabilities** | **77,460** | **72,834** | **68,747** | **63,103** | **56,085** |
| Shareholders Equity | 111,209 | 118,069 | 135,175 | 146,691 | 159,116 |
| Minority Interests | | | | | |
| **Total Equity** | **111,209** | **118,069** | **135,175** | **146,691** | **159,116** |

### Key Ratios

| | Mar-20A | Mar-21A | Mar-22F | Mar-23F | Mar-24F |
|---|---|---|---|---|---|
| Revenue Growth | (7.7%) | (26.6%) | 59.6% | 8.7% | 0.6% |
| Operating EBITDA Growth | 18.9% | 20.0% | 8.5% | (11.5%) | 4.8% |
| Operating EBITDA Margin | 11.0% | 18.1% | 12.3% | 10.0% | 10.4% |
| Net Cash Per Share (Rs) | 4.22 | 13.83 | 19.77 | 24.72 | 21.20 |
| BVPS (Rs) | 74.14 | 78.71 | 90.12 | 97.79 | 106.08 |
| Gross Interest Cover | 7.79 | 11.65 | 13.68 | 11.88 | 12.64 |
| Effective Tax Rate | 13.3% | 25.7% | 24.8% | 24.9% | 24.9% |
| Net Dividend Payout Ratio | 66.9% | 76.6% | 47.9% | 59.1% | 58.3% |
| Accounts Receivables Days | 15.37 | 24.38 | 20.74 | 21.49 | 19.94 |
| Inventory Days | 6.29 | 7.22 | 4.42 | 5.07 | 5.35 |
| Accounts Payables Days | 34.19 | 48.03 | 28.45 | 26.79 | 26.51 |
| ROIC (%) | 21.2% | 28.2% | 29.2% | 24.3% | 22.3% |
| ROCE (%) | 24.7% | 26.4% | 27.4% | 22.7% | 23.2% |
| Return On Average Assets | 17.6% | 16.8% | 17.8% | 14.8% | 15.1% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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**Corporate Governance Report**:

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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.

| **Score Range:** | 90 - 100 | 80 – 89 | 70 - 79 | Below 70 | No Survey Result |
|---|---|---|---|---|---|
| **Description:** | 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, **CCET** – n/a, n/a, **CENTEL** – 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. |