

INOUE RUBBER (THAILAND)
THAILAND / AUTOMOTIVE

IRC TB

HOLD

UNCHANGED

คาดการณ์หุ้นตัวใน 2QFY23 จะเลื่อนออกไป

- ยอดขายรถจักรยานยนต์ในประเทศไทยจะลดลง 2% y-y ในปี 2023 เนื่องจากผู้บริโภคยังมีความระมัดระวังในการซื้อสินค้าราคาสูง
- เราปรับลดประมาณการกำไรปกติปี FY23-FY25 ลง 16%/15%/7% เพื่อสะท้อนการเติบโตที่คาดว่าจะอยู่ที่ 48%/23%/26% ตามลำดับ
- คงแนะนำถือหลังปรับลดราคาเป้าหมายลงเล็กน้อยเหลือ 14 บาท

TARGET PRICE	THB14.00
CLOSE	THB13.60
UP/DOWNSIDE	+2.9%
PRIOR TP	THB15.50
CHANGE IN TP	-9.7%
TP vs CONSENSUS	-7.3%

KEY STOCK DATA

YE Sep (THB m)	2022	2023E	2024E	2025E
Revenue	5,883	6,208	6,653	7,104
Net profit	110	162	199	252
EPS (THB)	0.55	0.81	1.00	1.26
vs Consensus (%)	-	(15.6)	(14.5)	(7.4)
EBITDA	483	562	606	669
Core net profit	110	162	199	252
Core EPS (THB)	0.55	0.81	1.00	1.26
Chg. In EPS est. (%)	-	(15.7)	(14.8)	(7.3)
EPS growth (%)	(67.7)	47.7	22.8	26.1
Core P/E (x)	24.7	16.8	13.6	10.8
Dividend yield (%)	2.1	3.0	3.7	4.6
EV/EBITDA (x)	3.8	3.2	3.0	2.7
Price/book (x)	0.7	0.7	0.7	0.6
Net debt/Equity (%)	(23.4)	(22.4)	(21.5)	(21.4)
ROE (%)	2.8	4.1	4.8	5.9

ตลาดส่งออกผลิตภัณฑ์ยางรถยนต์และรถจักรยานยนต์ในช่วง 2M23

ในรอบ 2M23 การผลิตรถยนต์ของไทยอยู่ที่ 328K คัน (+7% y-y) โดยได้ปัจจัยผลักดันจากการส่งออกซึ่งเพิ่มขึ้น 17% y-y มาอยู่ที่ 175K คันหลังการขาดแคลนชิปและชิ้นส่วนยานยนต์บรรเทาลง อย่างไรก็ตามยอดขายในประเทศลดลง 5% y-y มาอยู่ที่ 137K คันเนื่องจากผู้บริโภคมีความระมัดระวังเกี่ยวกับการใช้จ่ายในสินค้าคงทน ยอดขายรถจักรยานยนต์ในประเทศไทยเพิ่มขึ้น 9% y-y ในขณะที่ยอดขายส่งออกเพิ่มขึ้น 13% y-y ในช่วง 2M23 สมาอุตสาหกรรมแห่งประเทศไทย (FTI) คาดตัวเลขการผลิตรถยนต์รวมที่ 1.95 ล้านคันในปี 2023 คิดเป็นอัตราการเติบโตที่ 4% y-y โดยจะเป็นการผลิตเพื่อส่งออก 1.05 ล้านคัน (+5% y-y) และการผลิตเพื่อขายในประเทศ 900K คัน (+6% y-y)

ตลาดรถจักรยานยนต์ของไทยเผชิญความท้าทายในปี 2023

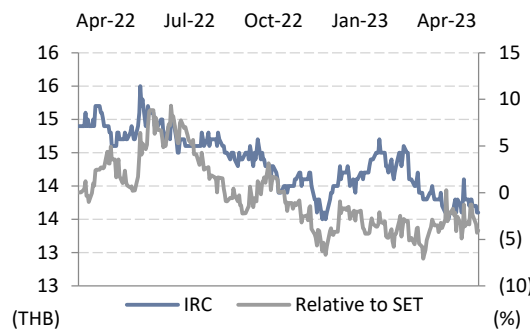
FTI คาดยอดขายรถจักรยานยนต์ในประเทศไทยไว้ที่ 1.75 ล้านคัน (-2% y-y) และตัวเลขการส่งออกรถจักรยานยนต์ไว้ที่ 350K คัน (-18% y-y) นอกจากนี้ Thai Honda ซึ่งเป็นบริษัทอันดับ 1 ในตลาดรถจักรยานยนต์ของไทยมาเป็นระยะเวลา 34 ปีด้วยส่วนแบ่งตลาด 77% ในปี 2022 ยังคงคาดด้วยว่ายอดขายรถจักรยานยนต์ในประเทศไทยจะลดลง 2% y-y ในปี 2023 เทียบกับที่เคยโต 12% ในปี 2022 จากหนี้ครัวเรือนที่อยู่ในระดับสูง อัตราดอกเบี้ยที่สูงขึ้นและเงินเฟ้อ เนื่องจากประมาณ 80% ของรายได้รวมของ IRC มาจากตลาดในประเทศและ 45% มาจากยางและยางในรถจักรยานยนต์ เราคาดว่าภาพฟื้นตัวของรายได้ของ IRC ในปี FY23 จะยืดออกไป

ปรับประมาณการกำไรจากมุมมองเกี่ยวกับแนวโน้มยอดขายที่เป็นลบมากยิ่งขึ้น

เราคาดว่ารายได้ใน 2QFY23 จะปรับขึ้นเพียง 3.5% q-q แต่ลดลง 3% y-y อย่างไรก็ตามกำไรสุทธิน่าจะได้รับการหนุนจากต้นทุนที่เกี่ยวกับพลังงานที่ลดลง การควบคุมค่าใช้จ่ายการขายและบริหารที่ดีและรายได้เงินปันผลจากบริษัทย่อย เราคาดว่ากำไรสุทธิ 2QFY23 ที่ 34 ลบ. เพิ่มขึ้น 114% q-q จากฐานที่ต่ำใน 1QFY23 แต่ลดลง 48% y-y พร้อมคาดว่ากำไรสุทธิ 1HFY23 จะลดลง 46% y-y ด้วยเหตุดังกล่าวเราปรับลดประมาณการกำไรปกติ FY23-FY25 ลง 16%/15%/7% เพื่อสะท้อนมุมมองเกี่ยวกับแนวโน้มยอดขายที่เป็นลบมากขึ้น กำไรปกติจะโตในอัตราที่ลดลงที่ 48% ในปี FY23 จากที่เคยคาดไว้ที่ 75% ในประมาณการก่อนหน้า แต่จะเพิ่มเป็น 23% และ 26% in FY24-FY25 จากที่เคยคาดไว้ที่ 22% และ 16%

คงแนะนำถือหลังปรับลดราคาเป้าหมายลงเล็กน้อยเหลือ 14 บาท

เราปรับลดราคาเป้าหมายลงเหลือ 14 จาก 15.5 บาท (17x ของค่า FY23E P/E) เท่ากับค่าเฉลี่ย 5 ปีย้อนหลัง แม้ว่าภาพฟื้นตัวจะเลื่อนออกไป IRC มีจุดแข็งอยู่ที่โครงสร้างทางการเงินที่ไม่มีหนี้และแนวโน้มอุตสาหกรรมระยะยาวที่ยังคงดี เราคงแนะนำถือ IRC



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.7)	(7.5)	(8.7)
Relative to country (%)	(2.0)	(2.3)	(4.0)
Mkt cap (USD m)	77		
3m avg. daily turnover (USD m)	0.0		
Free float (%)	24		
Major shareholder	Inoue Rubber Co Ltd (34%)		
12m high/low (THB)	16.50/13.40		
Issued shares (m)	200.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

jitra.a@fssia.com
+66 2646 9966

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 17 เมษายน 2023

Investment thesis

We maintain our HOLD rating on IRC with a slight cut in our TP to THB14.00 from THB15.50, following the cuts in our projections to reflect our more cautious view of its sales revenue. The overall market for the motorcycle industry in Thailand in 2023 may see challenges as household debt is still high and interest rates keep rising. This could lead to consumers holding off on major purchases until the economy is fully recovered.

IRC, however, has a strong base as a leading manufacturer of industrial elastomer products and motorcycle tires and tubes for over 50 years. IRC, as a debt-free company, is also cash rich at THB4 per share at end-December 2023, or 30% of its current share price.

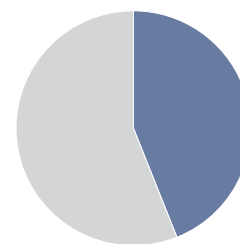
Company profile

Inoue Rubber (Thailand) (IRC) was established by Inoue Rubber Co Ltd Japan and the Leeissaranukul family in 1969. IRC manufactures elastomer products for automotive and other industries, along with motorcycle tires and tubes. The company has two plants at Rangsit, Pathumtani province, producing tires and tubes, and Ayutthaya province producing automotive and industrial elastomer.

www.ircthailand.com

Principal activities (revenue, 2022)

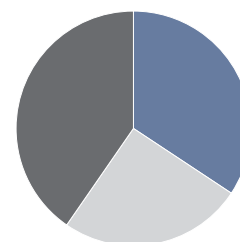
- Motorcycle tires and tubes - 44.0 %
- Industrial elastomer parts - 56.0 %



Source: Inoue Rubber (Thailand)

Major shareholders

- Inoue Rubber Co Ltd - 34.3 %
- KK International Co Ltd - 25.3 %
- Others - 40.4 %



Source: Inoue Rubber (Thailand)

Catalysts

Key catalysts include 1) stronger demand for cars and motorcycles in the region; 2) China's reopening, which should boost the global economy; and 3) lower costs for raw materials.

Risks to our call

Downside risks to our P/E-based TP include 1) weaker demand from the automotive industry; 2) a sharp rise in the price of crude oil; and 3) chip supply shortages. Upside risks are lower costs for raw materials.

Event calendar

Date	Event
May 2023	2QFY23 (Jan-Mar 2023) results announcement

Key assumptions

YE Sep	FY23E	FY24E	FY25E
	(THB m)	(THB m)	(THB m)
Industrial elastomer parts	3,477	3,726	3,978
<i>Growth (%)</i>	5.5	7.2	6.8
Motorcycle tires & tubes	2,732	2,927	3,126
<i>Growth (%)</i>	5.6	7.2	6.8
Gross margin (%)	8.7	9.2	9.9
SG&A to sales (%)	6.5	6.5	6.4

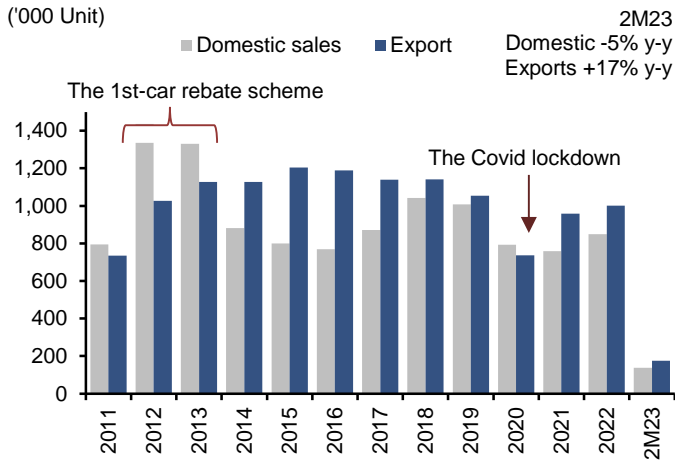
Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in its gross margin, we project IRC's FY23 net profit to change by 13%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast IRC's FY23 net profit to change by 2%, all else being equal.

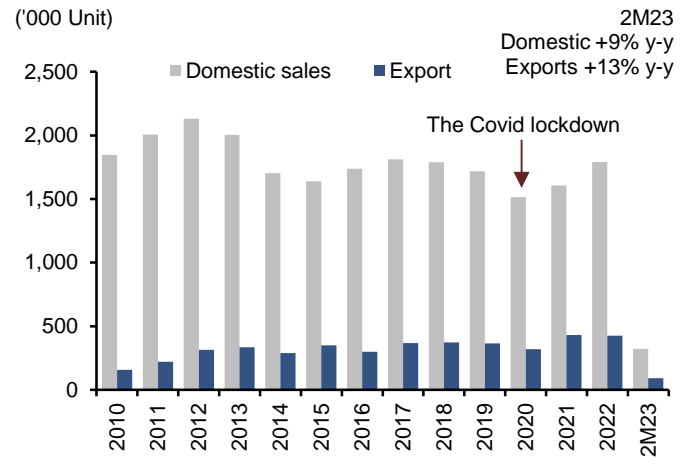
Source: FSSIA estimates

Exhibit 1: Thailand's domestic car sales and exports



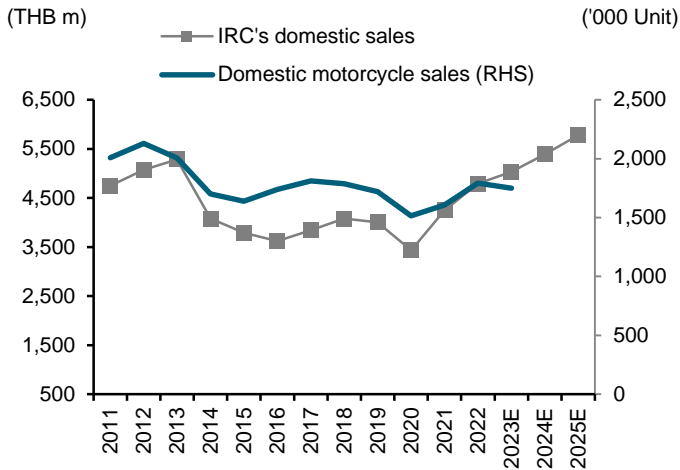
Sources: The Federation of Thai Industries

Exhibit 2: Thailand's domestic motorcycle sales and exports



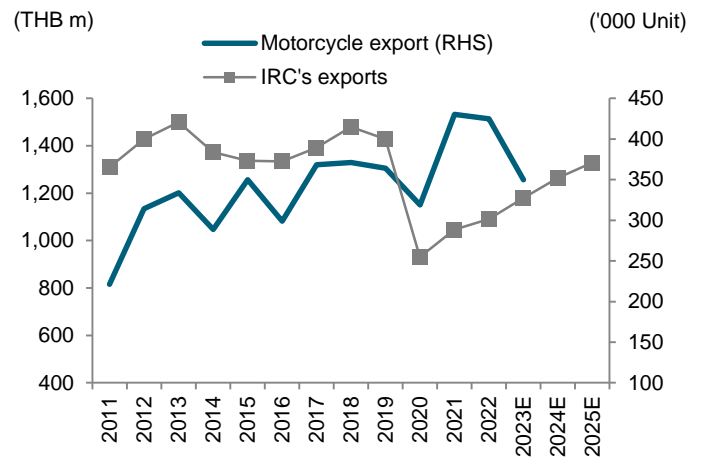
Sources: The Federation of Thai Industries

Exhibit 3: IRC's local sales vs Thai domestic car & motorcycle sales



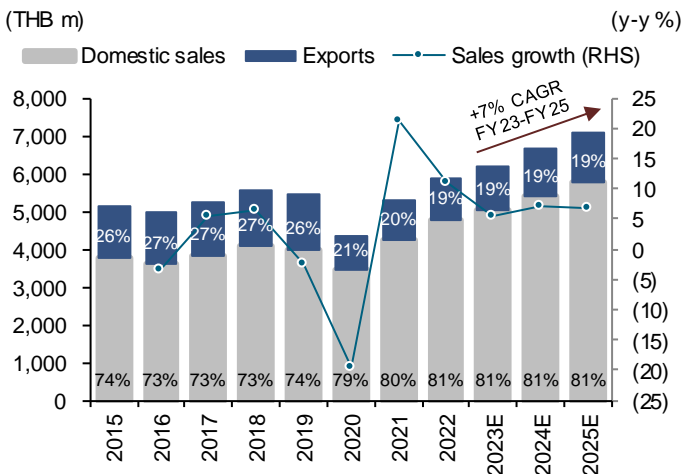
Sources: The Federation of Thai Industries, IRC, FSSIA estimates

Exhibit 4: IRC's exports vs Thai domestic car & motorcycle exports



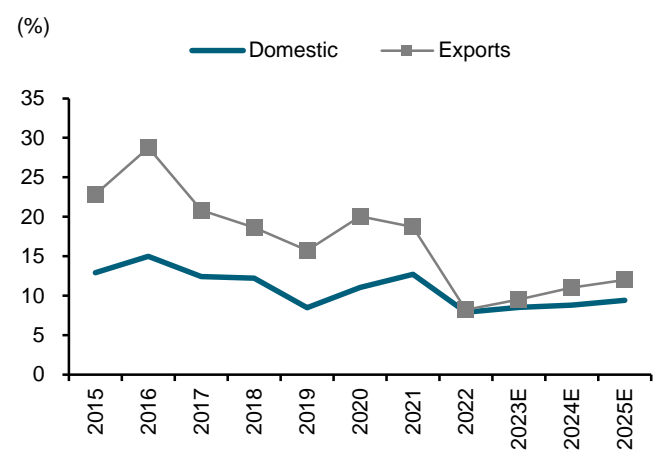
Sources: Federation of Thai Industries, IRC, FSSIA estimates

Exhibit 5: IRC's revenue and growth projections



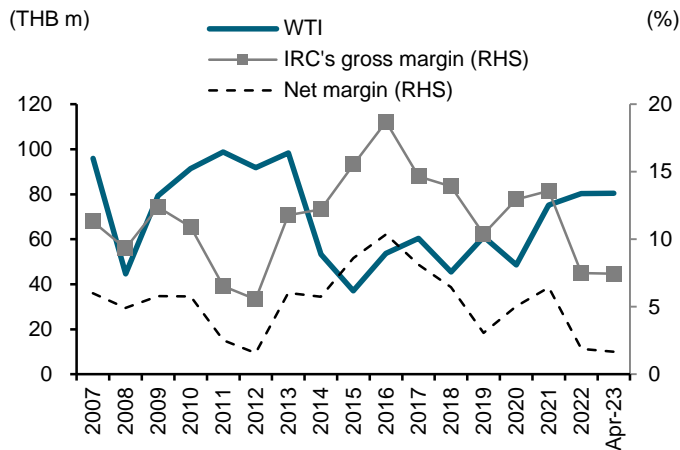
Sources: IRC, FSSIA estimates

Exhibit 6: IRC's gross margins by geography



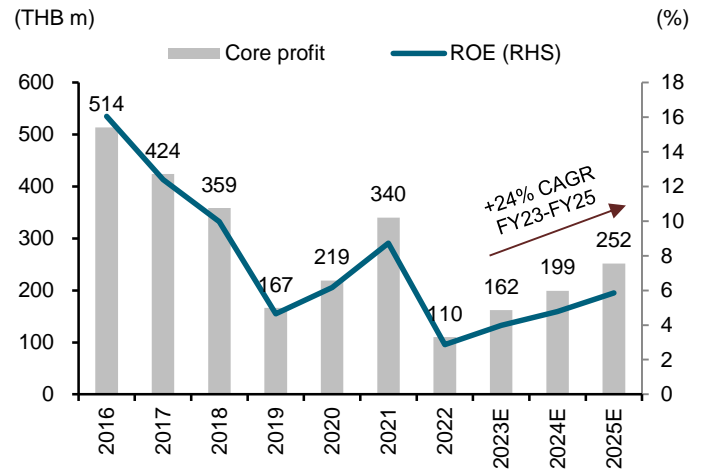
Sources: IRC, FSSIA estimates

Exhibit 7: IRC's gross and net margins vs oil price



Sources: IRC, FSSIA estimates

Exhibit 8: IRC's core profit and ROE



Sources: IRC, FSSIA estimates

Exhibit 9: 2QFY23 results preview

Year to Sep 30	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23E	-----Change-----		1HFY22	1HFY23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	
Sales	1,568	1,387	1,525	1,464	1,515	3.5	(3.4)	2,971	2,978	0.2
Cost of sales	1,424	1,316	1,421	1,361	1,395	2.5	(2.0)	2,706	2,756	1.9
Gross profit	145	71	104	102	120	16.8	(17.3)	265	222	(16.3)
Operating costs	103	101	94	88	97	10.4	(6.3)	204	184	(9.7)
Operating profit	41	(30)	10	15	23	54.7	(44.5)	61	38	(38.2)
Operating EBITDA	155	81	124	105	129	23.0	(17.2)	279	233	(16.3)
Other income	27	10	17	11	20	75.2	(25.4)	41	31	(24.0)
Interest expense	0	0	0	0	0	0.0	0.0	0	0	(7.7)
Profit before tax	486	306	459	382	422	10.7	(13.0)	102	58	(43.2)
Tax	6	1	1	1	7	466.5	20.4	11	9	(19.7)
Associates	0	0	0	0	0	nm	nm	0	0	nm
Minority interests	0	0	0	0	0	nm	nm	0	0	nm
Reported net profit	64	(13)	32	16	34	114.1	(47.6)	91	49	(46.0)
Core profit	64	(13)	32	16	34	114.1	(47.6)	91	49	(46.0)
Reported EPS (THB)	0.33	(0.07)	0.16	0.08	0.17	110.2	(49.6)	0.46	0.25	(46.0)
Core EPS (THB)	0.32	(0.07)	0.16	0.08	0.17	114.1	(47.6)	0.46	0.25	(46.0)
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)
Gross margin	9.2	5.1	6.8	7.0	7.9	0.9	(1.3)	8.9	7.5	(1.5)
Operating margin	4.5	(0.9)	2.2	1.2	2.7	1.5	(1.8)	3.4	1.9	(1.5)
EBITDA margin	9.9	5.8	8.1	7.1	8.5	1.3	(1.4)	9.4	7.8	(1.6)
Recurring net margin	4.1	(1.0)	2.1	1.1	2.2	1.1	(1.9)	3.1	1.7	(1.4)
SG&A / Sales	6.4	6.8	5.7	6.6	6.5	(0.1)	0.1	6.9	6.6	(0.3)
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Domestic sales	1,264	1,130	1,241	1,150	1,197	4.1	(5.3)	2,421	2,347	(3.1)
Export sales	305	257	284	314	318	1.4	4.5	550	632	14.8
Gross margin	(%)	(%)	(%)	(%)	(%)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Domestic sales	7.6	3.7	5.1	5.2	6.0	0.8	(1.6)	7.2	5.6	(1.6)
Export sales	15.9	11.4	14.3	13.6	14.1	0.5	(1.8)	16.5	13.8	(2.7)

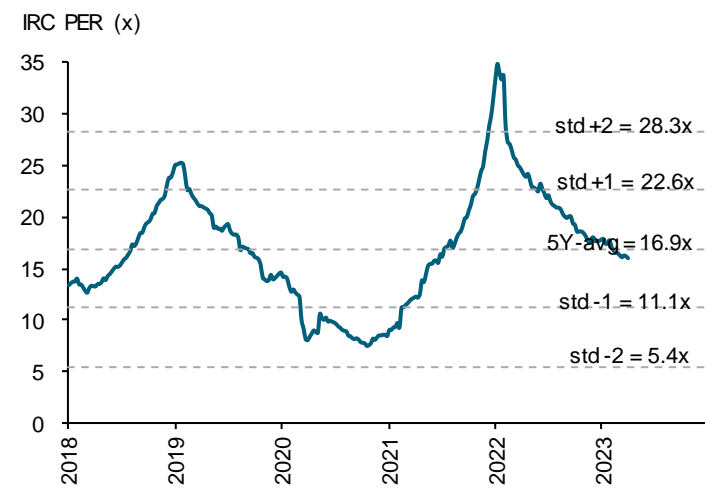
Sources: IRC, FSSIA estimates

Exhibit 10: Changes in key assumptions

	Current			Previous			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total revenue	6,208	6,653	7,104	6,316	6,724	7,158	(1.7)	(1.0)	(0.7)
Industrial elastomer parts	3,454	3,679	3,922	3,445	3,652	3,871	0.3	0.7	1.3
Motorcycle tire & tube	2,754	2,974	3,183	2,871	3,072	3,287	(4.1)	(3.2)	(3.2)
Cost of goods sold	5,669	6,040	6,402	5,731	6,057	6,427	(1.1)	(0.3)	(0.4)
Gross profit	540	613	702	585	666	731	(7.8)	(8.0)	(3.9)
SG&A	402	430	458	412	446	468	(2.5)	(3.4)	(2.3)
EBITDA	562	606	669	599	649	694	(6.3)	(6.7)	(3.6)
EBIT	203	249	314	241	293	339	(15.7)	(14.8)	(7.3)
Core profit	162	199	252	193	234	271	(15.7)	(14.8)	(7.3)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	8.7	9.2	9.9	9.3	9.9	10.2	(0.6)	(0.7)	(0.3)
EBITDA margin	9.0	9.1	9.4	9.5	9.7	9.7	(0.4)	(0.5)	(0.3)
EBIT margin	3.3	3.7	4.4	3.8	4.4	4.7	(0.5)	(0.6)	(0.3)
Core profit margin	2.6	3.0	3.5	3.0	3.5	3.8	(0.4)	(0.5)	(0.3)
Growth	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Revenue	5.5	7.2	6.8	7.4	6.5	6.5	(1.8)	0.7	0.3
Core profit	47.7	22.8	26.1	75.2	21.5	16.0	(27.5)	1.3	10.2

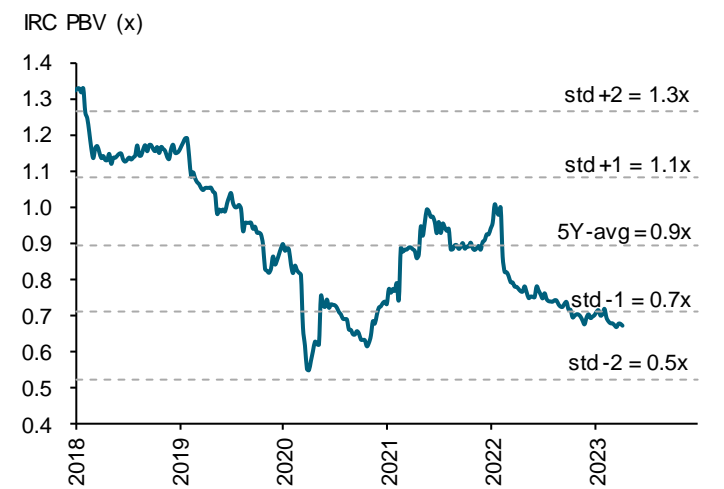
Sources: IRC, FSSIA estimates

Exhibit 11: Rolling one-year forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 12: Rolling one-year forward P/BV band



Sources: Bloomberg, FSSIA estimates

Exhibit 13: Peers comparison as of 12 April 2023

Company	BBG	Rec	Share price			Market Cap	3Y EPS CAGR	PE		DivYld		ROE		PBV	
			Current	Target	Upside			22E	23E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Aapico Hitech	AH TB	BUY	31.75	42.00	32	330	(100)	6.8	6.5	5.9	6.2	16.3	15.6	1.1	1.0
Somboon Advance Tech.	SAT TB	HOLD	19.30	22.00	14	240	(100)	7.9	7.2	8.3	9.1	12.7	13.1	1.0	0.9
Thai Stanley Electric	STANLY TB	BUY	179.50	220.00	23	403	13	8.6	7.3	4.7	5.4	7.8	8.8	0.7	0.6
Inoue Rubber(Thailand)	IRC TB	HOLD	13.60	14.00	3	77	32	16.8	13.6	3.0	3.7	4.1	4.8	0.7	0.7
Average						1,050	4	10.0	8.6	5.5	6.1	10.2	10.6	0.8	0.8

Sources: Bloomberg, FSSIA estimates

Financial Statements

Inoue Rubber (Thailand)

Profit and Loss (THB m) Year Ending Sep	2021	2022	2023E	2024E	2025E
Revenue	5,297	5,883	6,208	6,653	7,104
Cost of goods sold	(4,577)	(5,443)	(5,669)	(6,040)	(6,402)
Gross profit	720	440	540	613	702
Other operating income	435	429	424	423	424
Operating costs	(373)	(386)	(402)	(430)	(458)
Operating EBITDA	782	483	562	606	669
Depreciation	(361)	(361)	(359)	(357)	(354)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	421	122	203	249	314
Net financing costs	0	0	0	0	0
Associates	0	0	0	0	0
Recurring non-operating income	0	0	0	0	0
Non-recurring items	0	0	0	0	0
Profit before tax	421	122	203	249	314
Tax	(81)	(12)	(41)	(50)	(63)
Profit after tax	340	110	162	199	252
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	340	110	162	199	252
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	340	110	162	199	252
Per share (THB)					
Recurring EPS *	1.70	0.55	0.81	1.00	1.26
Reported EPS	1.70	0.55	0.81	1.00	1.26
DPS	0.88	0.29	0.41	0.50	0.63
Diluted shares (used to calculate per share data)	200	200	200	200	200
Growth					
Revenue (%)	21.4	11.1	5.5	7.2	6.8
Operating EBITDA (%)	27.1	(38.2)	16.3	7.9	10.4
Operating EBIT (%)	59.3	(70.9)	65.9	22.8	26.1
Recurring EPS (%)	55.2	(67.7)	47.7	22.8	26.1
Reported EPS (%)	55.2	(67.7)	47.7	22.8	26.1
Operating performance					
Gross margin inc. depreciation (%)	6.8	1.4	2.9	3.9	4.9
Gross margin of key business (%)	13.6	7.5	8.7	9.2	9.9
Operating EBITDA margin (%)	14.8	8.2	9.0	9.1	9.4
Operating EBIT margin (%)	7.9	2.1	3.3	3.7	4.4
Net margin (%)	6.4	1.9	2.6	3.0	3.5
Effective tax rate (%)	19.2	10.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	52.0	52.9	50.0	50.0	50.0
Interest cover (X)	6,965.7	2,461.9	4,084.0	5,016.4	6,325.7
Inventory days	49.8	54.6	56.5	56.7	55.9
Debtor days	58.6	59.9	64.3	64.3	63.4
Creditor days	68.9	72.9	72.4	67.3	65.1
Operating ROIC (%)	14.3	4.2	6.5	7.6	9.2
ROIC (%)	11.1	3.0	4.9	5.7	7.0
ROE (%)	9.1	2.8	4.1	4.8	5.9
ROA (%)	6.9	2.1	3.0	3.6	4.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Motorcycle tires and tubes	2,369	2,586	2,754	2,974	3,183
Industrial elastomer parts	2,929	3,297	3,454	3,679	3,922

Sources: Inoue Rubber (Thailand); FSSIA estimates

Financial Statements

Inoue Rubber (Thailand)

Cash Flow (THB m) Year Ending Sep	2021	2022	2023E	2024E	2025E
Recurring net profit	340	110	162	199	252
Depreciation	361	361	359	357	354
Associates & minorities	0	0	0	0	0
Other non-cash items	(1)	12	0	0	0
Change in working capital	(90)	(142)	(187)	(247)	(243)
Cash flow from operations	610	340	334	309	363
Capex - maintenance	-	-	-	-	-
Capex - new investment	(225)	(292)	(240)	(235)	(218)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(177)	16	0	0	0
Cash flow from investing	(402)	(276)	(240)	(235)	(218)
Dividends paid	(110)	(170)	(81)	(100)	(126)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	-	-	-	-	-
Cash flow from financing	(110)	(170)	(81)	(100)	(126)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	5	8	4
Net other adjustments	(125)	0	5	8	4
Movement in cash	(27)	(106)	18	(17)	23
Free cash flow to firm (FCFF)	208.02	64.17	93.95	74.69	144.97
Free cash flow to equity (FCFE)	82.96	64.12	98.91	82.49	148.96

Per share (THB)

FCFF per share	1.04	0.32	0.47	0.37	0.72
FCFE per share	0.41	0.32	0.49	0.41	0.74
Recurring cash flow per share	3.50	2.41	2.60	2.78	3.03

Balance Sheet (THB m) Year Ending Sep	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	6,707	6,928	6,565	6,226	5,890
Less: Accumulated depreciation	(5,014)	(5,294)	(4,935)	(4,579)	(4,225)
Tangible fixed assets (net)	1,693	1,634	1,629	1,647	1,665
Intangible fixed assets (net)	45	49	49	52	52
Long-term financial assets	217	444	444	444	444
Invest. in associates & subsidiaries	550	235	235	235	235
Cash & equivalents	1,003	897	915	898	921
A/C receivable	884	1,047	1,140	1,203	1,265
Inventories	790	838	916	960	1,000
Other current assets	12	8	12	13	14
Current assets	2,689	2,791	2,983	3,074	3,200
Other assets	102	119	122	128	132
Total assets	5,295	5,272	5,463	5,579	5,728
Common equity	3,894	3,832	4,072	4,172	4,298
Minorities etc.	0	0	0	0	0
Total shareholders' equity	3,894	3,832	4,072	4,172	4,298
Long term debt	1	1	1	1	1
Other long-term liabilities	350	287	279	273	263
Long-term liabilities	351	287	280	273	263
A/C payable	1,026	1,147	1,103	1,125	1,158
Short term debt	0	0	0	0	0
Other current liabilities	24	6	8	8	9
Current liabilities	1,050	1,153	1,111	1,134	1,167
Total liabilities and shareholders' equity	5,295	5,272	5,463	5,579	5,728
Net working capital	636	741	958	1,043	1,113
Invested capital	3,242	3,222	3,438	3,548	3,641

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	19.47	19.16	20.36	20.86	21.49
Tangible book value per share	19.25	18.91	20.12	20.60	21.23

Financial strength

Net debt/equity (%)	(25.7)	(23.4)	(22.4)	(21.5)	(21.4)
Net debt/total assets (%)	(18.9)	(17.0)	(16.7)	(16.1)	(16.1)
Current ratio (x)	2.6	2.4	2.7	2.7	2.7
CF interest cover (x)	5,096.1	7,163.6	6,818.3	6,381.4	7,383.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	8.0	24.7	16.8	13.6	10.8
Recurring P/E @ target price (x) *	8.2	25.5	17.2	14.0	11.1
Reported P/E (x)	8.0	24.7	16.8	13.6	10.8
Dividend yield (%)	6.5	2.1	3.0	3.7	4.6
Price/book (x)	0.7	0.7	0.7	0.7	0.6
Price/tangible book (x)	0.7	0.7	0.7	0.7	0.6
EV/EBITDA (x) **	2.2	3.8	3.2	3.0	2.7
EV/EBITDA @ target price (x) **	2.3	3.9	3.4	3.1	2.8
EV/invested capital (x)	0.5	0.6	0.5	0.5	0.5

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Inoue Rubber (Thailand); FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

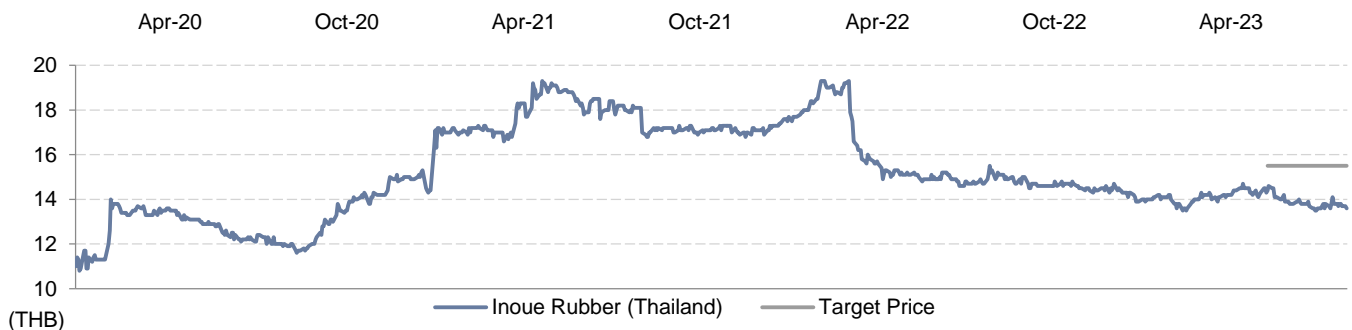
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Inoue Rubber (Thailand) (IRC TB)



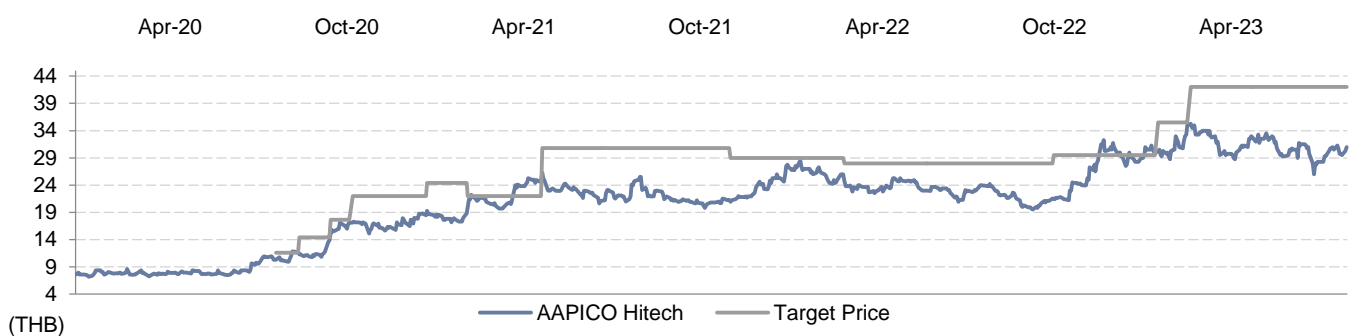
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Feb-2023	HOLD	15.50	-	-	-	-	-	-

Jitra Amornthum started covering this stock from 01-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

AAPICO Hitech (AH TB)

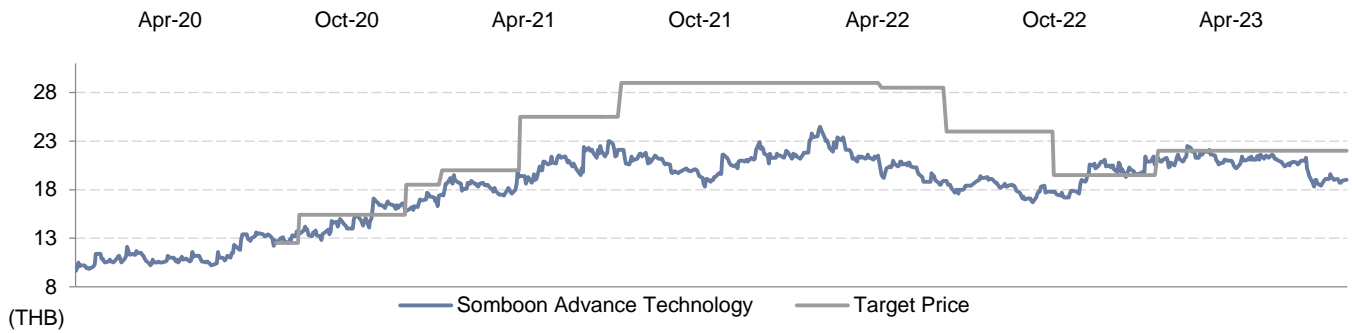


Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	11.60	15-Mar-2021	BUY	22.00	01-Aug-2022	BUY	29.50
21-Oct-2020	BUY	14.40	18-May-2021	BUY	30.80	28-Oct-2022	BUY	35.50
17-Nov-2020	BUY	17.60	27-Oct-2021	BUY	29.00	25-Nov-2022	BUY	42.00
04-Dec-2020	BUY	22.00	02-Feb-2022	HOLD	28.00			
08-Feb-2021	BUY	24.40	16-Mar-2022	BUY	28.00			

Naruedom Mujjalinkool started covering this stock from 01-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

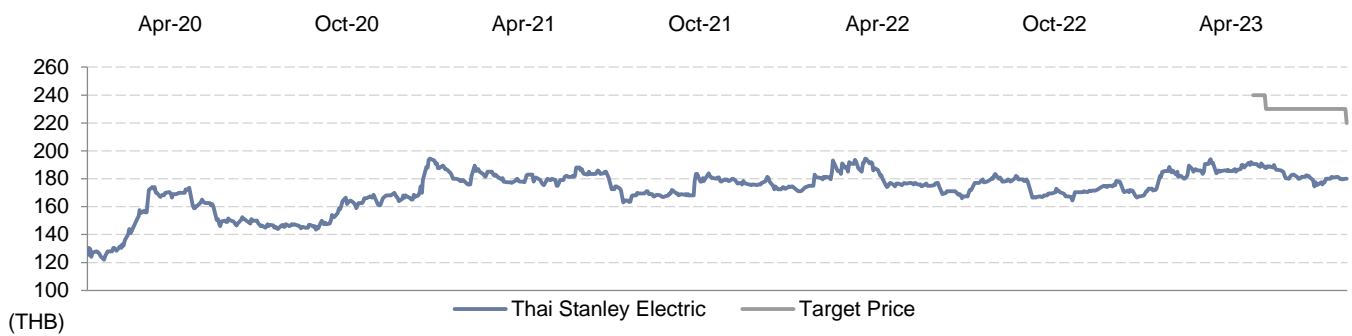
Somboon Advance Technology (SAT TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Oct-2020	HOLD	12.50	29-Apr-2021	BUY	25.50	01-Aug-2022	HOLD	19.50
21-Oct-2020	BUY	15.40	23-Jul-2021	BUY	29.00	28-Oct-2022	HOLD	22.00
21-Jan-2021	BUY	18.50	04-Mar-2022	BUY	28.50			
19-Feb-2021	BUY	20.00	29-Apr-2022	BUY	24.00			

Naruedom Mujjalinkool started covering this stock from 01-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Thai Stanley Electric (STANLY TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2023	BUY	240.00	30-Jan-2023	BUY	230.00	10-Apr-2023	BUY	220.00

Jitra Amornthum started covering this stock from 19-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Inoue Rubber (Thailand)	IRC TB	THB 13.60	HOLD	Downside risks to our P/E-based TP include 1) weaker demand from the automotive industry; 2) a sharp rise in the price of crude oil; and 3) chip supply shortages. Upside risks are lower costs for raw materials.
AAPICO Hitech	AH TB	THB 31.75	BUY	Key downside risks to our P/E-derived TP include lower-than-expected car production volumes and lower car sales in both Thailand and Malaysia, higher steel prices, semiconductor shortages, and exchange rate risk.
Somboon Advance Technology	SAT TB	THB 19.30	HOLD	The key downside and upside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower or faster than expected, a faster-than-expected adoption rate for electric vehicles in Thailand, higher raw material prices, and worse global demand for pickup trucks.
Thai Stanley Electric	STANLY TB	THB 179.50	BUY	Downside risks to our P/E-based TP include 1) weak global automotive demand; 2) higher raw material prices and utility costs; 3) global semiconductor shortages; and 4) fluctuations in the THB.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 12-Apr-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.