

Thailand Utilities

Electricity price cut starts in Sep-23

- Thailand cabinet approved a new electricity price of THB4.10/kWh, down from THB4.45/kWh, effective in Sep 2023.
- The new electricity price is slightly lower than our expectation, but the effective period is sooner than we expected (Jan-Apr 2024 previously).
- GULF would have the smallest earnings impact. However, our top pick is GPSC.

THB4.10/kWh – new electricity price, down from THB4.45/kWh

On 13 Sep 2023, Thailand's new cabinet approved an electricity price cut to THB4.10/kWh from THB4.45/kWh. The new price will be effective in Sep 2023.

Implies lower Ft by THB0.35/kWh – slightly more than our expectation

The new electricity price implies a decrease in the Ft by THB0.35/kWh, slightly more than our expectation of THB0.30/kWh. However, the effective period is immediate contrary to our estimate of Jan-Apr 2024. This provides a material downside to our 2023 earnings forecasts for utilities stocks.

Smallest impact on GULF

We estimate that for the stocks under our coverage, GPSC and BCPG would have the highest earnings impact of 12-13% in 2023, followed by BGRIM (8%) and presumably no impact on GULF (1%) (Exhibit 1).

Time to accumulate the stocks; our top pick is GPSC

We believe the news will provide negative momentum for utilities share prices, especially for small power producers (SPPs), such as BGRIM and GPSC which are the most sensitive to the Ft movement. However, we anticipate that it would only have an impact in the short term and that the downside is limited. This is because the 3M share price performance of SPPs has underperformed peers and the market (Exhibit 2), so we believe the prices have already priced in most of the impact from the news. Therefore, we think it is time to accumulate the stocks. Our top pick is GPSC, as its 2H23E earnings recovery momentum is the strongest despite the lower Ft, and we estimate attractive EPS growth of 31-33% in 2024-25 from SPP's margin improvements and more contributions from its investment in renewables abroad.



Kwanwaree Apichartsatporn

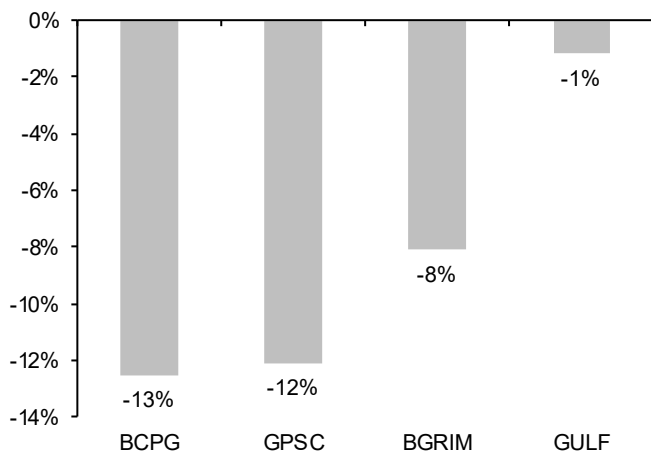
Analyst register no. 117055

kwanwaree.a@fssia.com, +66 2646 9968

The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also BCPG's Independent Director.

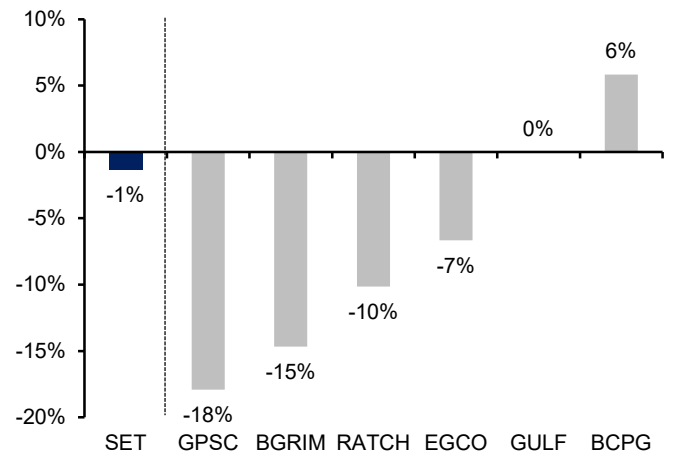
Key charts

Exhibit 1: % 2023E earnings impact from the new electricity price



Sources: Bloomberg, FSSIA estimates

Exhibit 2: 3M share price performance



Source: FSSIA estimates

Exhibit 3: Summary of key valuations

Company	BBG code	--- Share price ---		Up side (%)	----- Recurring profit -----			- EPS growth -		----- P/E -----			DivYld (%)	ROE (%)	PBV (x)
		Current (THB)	Target (THB)		22A (THB m)	23E (THB m)	24E (THB m)	23E (y-y%)	24E (y-y%)	23E (x)	24E (x)	25E (x)			
Gulf Energy Development	GULF TB	46.75	52.30	12	12,637	16,409	19,874	29.9	21.1	33.4	27.6	22.0	1.5	14.2	4.6
B.Grimm Power	BGRIM TB	33.00	45.00	36	(1,244)	2,558	3,026	(305.6)	18.3	33.6	28.4	26.3	1.3	7.6	2.3
BCPG	BCPG TB	10.10	15.10	50	2,066	1,731	1,986	(16.2)	14.7	17.0	14.8	13.5	2.4	5.8	1.0
Global Power Synergy	GPSC TB	50.00	60.30	21	2,779	4,434	5,803	59.5	30.9	31.8	24.3	18.3	2.6	4.2	1.3

Share prices as of 12 Sep 2023

Source: 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).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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

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

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

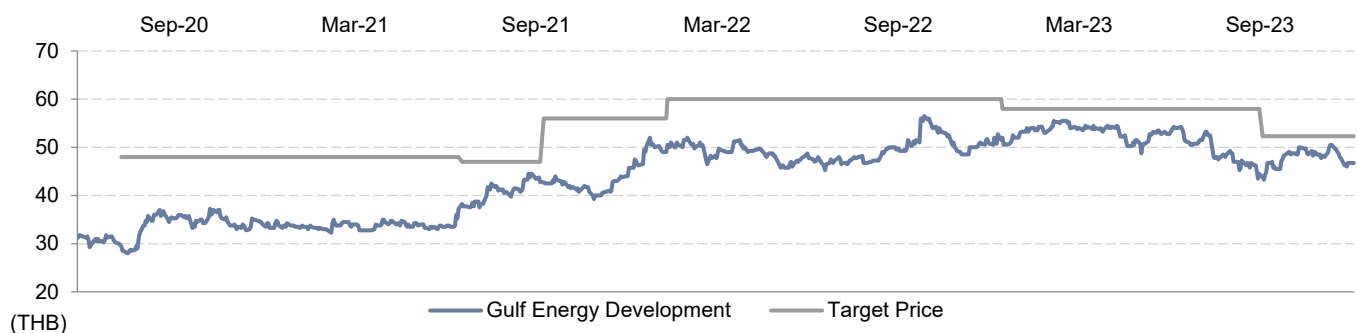
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Gulf Energy Development (GULF TB)



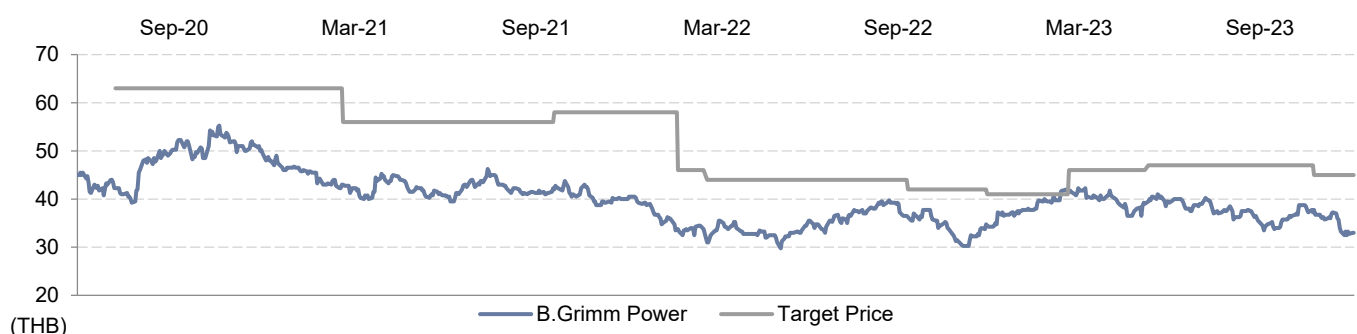
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Oct-2020	BUY	48.00	15-Oct-2021	BUY	56.00	14-Nov-2022	BUY	58.00
06-Aug-2021	BUY	47.00	31-Jan-2022	BUY	60.00	23-Jun-2023	BUY	52.30

Kwanwaree Apichartsatoporn started covering this stock from 23-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

B.Grimm Power (BGRIM TB)

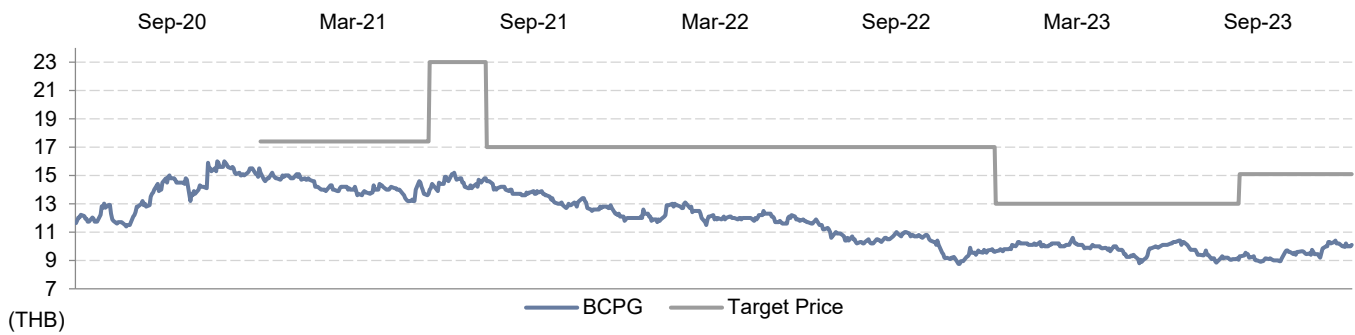


Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Oct-2020	BUY	63.00	04-Mar-2022	BUY	44.00	17-Mar-2023	BUY	47.00
28-Apr-2021	BUY	56.00	25-Aug-2022	BUY	42.00	08-Aug-2023	BUY	45.00
26-Oct-2021	BUY	58.00	01-Nov-2022	BUY	41.00			
09-Feb-2022	BUY	46.00	10-Jan-2023	BUY	46.00			

Kwanwaree Apichartsatoporn started covering this stock from 08-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

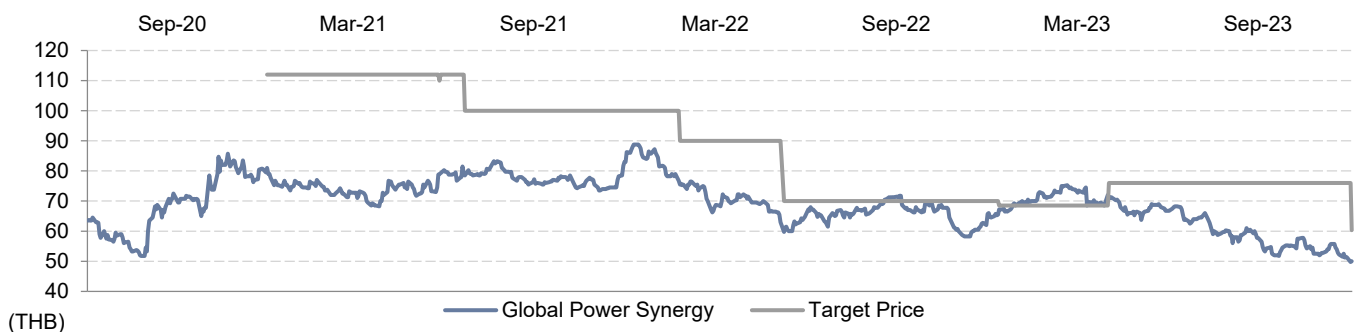
BCPG (BCPG TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Feb-2021	BUY	17.40	31-Aug-2021	BUY	17.00	07-Jun-2023	BUY	15.10
13-Jul-2021	BUY	23.00	10-Nov-2022	BUY	13.00			

Kwanwaree Apichartsatoporn started covering this stock from 07-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Global Power Synergy (GPSC TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Feb-2021	BUY	112.00	05-Aug-2021	BUY	100.00	10-Nov-2022	HOLD	68.50
14-Jul-2021	BUY	110.00	07-Feb-2022	BUY	90.00	13-Feb-2023	BUY	76.00
15-Jul-2021	BUY	112.00	06-May-2022	HOLD	70.00	11-Sep-2023	BUY	60.30

Kwanwaree Apichartsatoporn started covering this stock from 11-Sep-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Gulf Energy Development	GULF TB	THB 46.75	BUY	The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.
B.Grimm Power	BGRIM TB	THB 33.00	BUY	The downside risks to our DCF-based TP include 1) the volatility of gas costs and Ft rates; 2) lower-than-expected industrial user demand; and 3) unplanned shutdowns.
BCPG	BCPG TB	THB 10.10	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand and the Philippines; and 2) government intervention by way of electricity tariff subsidies; 3) lower-than-expected gas prices for gas-fired plants in the US and; 4) abnormal solar and wind factors.
Global Power Synergy	GPSC TB	THB 50.00	BUY	The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.

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-Sep-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.