

THAI STANLEY ELECTRIC  
THAILAND / AUTOMOTIVE

## STANLY TB

BUY

UNCHANGED

## คาดการณ์ 2QFY24 จะปรับตัวดีขึ้น q-q

- คาดกำไรปกติ 2QFY24 จะเพิ่ม 39.0% q-q จากปัจจัยด้านฤดูกาลและรายได้จากเงินปันผล
- ประมาณการกำไรปกติใน 1HFY24 คิดเป็นเพียง 37% ของประมาณการทั้งปีของเรา
- คงแนะนำซื้อที่ราคาเป้าหมาย 240 บาท

TARGET PRICE	THB240.00
CLOSE	THB186.00
UP/DOWNSIDE	+29.0%
PRIOR TP	THB240.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+1.3%

## KEY STOCK DATA

YE Mar (THB m)	2023	2024E	2025E	2026E
Revenue	14,448	15,804	17,385	18,779
Net profit	1,746	1,955	2,216	2,401
EPS (THB)	22.78	25.52	28.92	31.34
vs Consensus (%)	-	19.5	17.7	18.3
EBITDA	3,311	3,495	3,815	4,027
Recurring net profit	1,742	1,955	2,216	2,401
Core EPS (THB)	22.73	25.52	28.92	31.34
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	16.4	12.3	13.3	8.4
Core P/E (x)	8.2	7.3	6.4	5.9
Dividend yield (%)	10.8	6.2	7.0	7.6
EV/EBITDA (x)	3.7	3.5	3.1	2.9
Price/book (x)	0.7	0.7	0.6	0.6
Net debt/Equity (%)	(9.8)	(8.7)	(10.0)	(10.9)
ROE (%)	8.4	9.2	10.2	10.5

## ยอดขายรถยนต์ในประเทศในช่วง 2H23 จะเจอแรงกดดัน

ยอดการผลิตรถยนต์ของไทยในเดือน ก.ค. 2023 อยู่ที่ 150K คัน (+4.7% y-y, +2.9% m-m) โดยได้ปัจจัยผลักดันจากการส่งออกซึ่งกระโดดเพิ่ม 30.0% y-y และ 21.6% m-m เป็น 108K คันหลังปัญหาการขาดแคลนชิปและชิ้นส่วนยานยนต์ลดลงอย่างต่อเนื่อง อย่างไรก็ตามยอดขายในประเทศกลับหดตัวต่อเนื่อง 8.8% y-y และ 9.3% m-m มาอยู่ที่เพียง 58K คันในเดือน ก.ค. นับเป็นระดับที่ต่ำที่สุดในรอบ 22 เดือนหลังธนาคารเข้มงวดในการปล่อยสินเชื่อรถยนต์จากระดับหนี้ครัวเรือนที่ปรับขึ้น เมื่อวันที่ 25 ก.ค. 2023 สมาอุตสาหกรรมแห่งประเทศไทย (FTI) ได้ปรับลดประมาณการยอดขายรถยนต์ในประเทศในปี 2023 ลงเหลือ 850K คันจาก 900K คัน ในประมาณการก่อนหน้า ในภาพรวม FTI ได้ปรับลดประมาณการตัวเลขการผลิตรถยนต์รวมจาก 1.95ล้านคันเป็น 1.9ล้านคันในปี 2023

## คาดการณ์กำไรขั้นต้น q-q จากปัจจัยด้านฤดูกาลและรายได้จากเงินปันผล

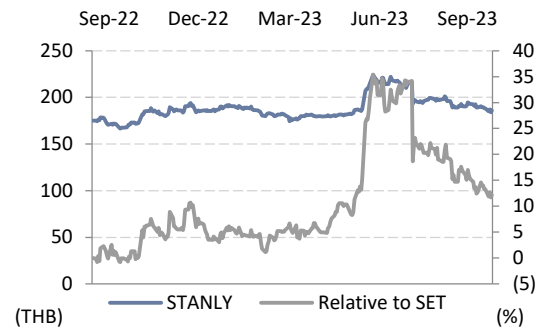
เราคาดว่ารายได้จากการขายของ STANLY จะเพิ่ม 1.1% y-y เป็น 3.6พัน ลบ. ใน 2QFY24 และคาดว่ายอดขายจะโต 8.6% q-q ใน 2QFY24 ส่วนมากจากปัจจัยด้านฤดูกาล โดยปกติ เม.ย. จะเป็นเดือนที่การผลิตต่ำที่สุดในรอบปีของอุตสาหกรรมยานยนต์เนื่องจากเป็นช่วงวันหยุดสงกรานต์ อัตรากำไรขั้นต้นน่าจะฟื้นตัวจาก 15.3% ใน 1QFY24 เป็น 17.0% ใน 2QFY24 เท่ากับในปีที่แล้ว เพราะฉะนั้นเราจึงคาดว่ากำไรปกติ 2QFY24 จะเพิ่ม 39.0% q-q แต่ลดลง 11.7% y-y มาอยู่ที่ 421.6 ลบ.

## ประมาณการกำไรในช่วง 1HFY24 คิดเป็นเพียง 37% ของประมาณการทั้งปีของเรา

รายได้จากเงินปันผลของกิจการร่วมค้าเป็นหนึ่งในปัจจัยสำคัญที่จะทำให้ประมาณการกำไรของ STANLY ใน 2QFY24 เพิ่มขึ้นหรือลดลง โดยปกติบริษัทฯ จะได้รับรายได้จากเงินปันผลจำนวนมากใน 2Q และปีที่แล้วเป็นปีทองของกลุ่มยานยนต์ในเวียดนามและอินโดนีเซียซึ่ง STANLY มีกิจการร่วมค้าอยู่ จากประมาณการของเรากำไรปกติของ STANLY ในช่วง 1HFY24 น่าจะอยู่ที่ 724.9 ลบ. เพิ่มขึ้น 7.3% y-y และคิดเป็น 37% ของประมาณการกำไรปกติทั้งปีของเราที่ 2พัน ลบ. (+12.3% y-y)

## คงแนะนำซื้อที่ราคาเป้าหมาย 240 บาท

แม้ว่าจะมีปัจจัยกดดัน STANLY ยังเป็นบริษัทที่ไม่มีหนี้โดยมีสัดส่วนหนี้สินต่อส่วนผู้ถือหุ้นต่ำเพียง 0.2x ใน 1QFY24 เราคงราคาเป้าหมายของเราที่ 240 บาทคิดเป็น 9.4x ของค่า FY24E P/E ใกล้กับค่าเฉลี่ย 5 ปีย้อนหลัง เราคงแนะนำซื้อ STANLY



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.6)	(12.0)	11.7
Relative to country (%)	(2.2)	(11.1)	19.7
Mkt cap (USD m)			398
3m avg. daily turnover (USD m)			0.3
Free float (%)			34
Major shareholder	Stanley Electric Holding Asia-Pacific Pte., Ltd. (36%)		
12m high/low (THB)			215.08/157.51
Issued shares (m)			76.63

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

Analyst register no. 014530  
jitra.a@fssia.com, +66 2646 9966

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 15 กันยายน 2023

### Investment thesis

We maintain our BUY call on STANLY, though the local sales situation looks challenging.

We like STANLY as it is in a low-competition industry with only a few players in the market. The company has a competitive advantage as a partner with a Japanese JV and as a listed company on the Stock Exchange of Thailand, which allows the company to seek lower-cost funding sources. Moreover, we think STANLY’s share price is undemanding at only 7.3x FY24E P/E and 0.7x FY24E P/BV.

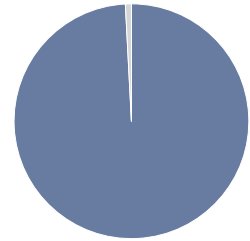
### Company profile

STANLY is a manufacturer and distributor of automotive lighting equipment, namely lamps, lighting sets, and metal molds to domestic and international automotive manufacturers. STANLY was founded by a Thai-Japanese joint venture between The Sittipol 1919 Co., Ltd. and Stanley Electric Co., Ltd. of Japan. The company has three plants in Thailand manufacturing auto bulbs, dies and molds, and auto lamps. The company has two joint ventures in Vietnam and Laos.

[www.thaistanley.com](http://www.thaistanley.com)

### Principal activities (revenue, 2023)

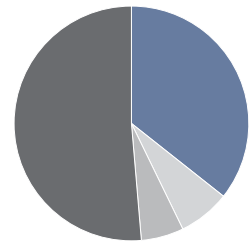
- Auto bulbs & automotive lighting equipment - 99.2 %
- Molds & dies and product designs - 0.8 %



Source: Thai Stanley Electric

### Major shareholders

- Stanley Electric Holding Asia-Pacific Pte., Ltd. - 35.7 %
- Mr. Apichart Lee-issaranukul - 7.1 %
- Mrs. Porndee Lee-issaranukul - 5.9 %
- Others - 51.4 %



Source: Thai Stanley Electric

### Catalysts

Key potential catalysts include 1) stronger demand for cars and motorcycles in the region; 2) new orders; and 3) lower costs for raw materials and electricity.

### Risks to our call

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.

### Event calendar

Date	Event
November 2023	2QFY24 earnings announcement

### Key assumptions

	FY24E	FY25E	FY26E
	(THB m)	(THB m)	(THB m)
Auto bulbs & lighting	15,676	17,243	18,623
Growth (%)	9.4	10.0	8.0
Dies & molds	129	141	156
Growth (%)	8.0	10.0	10.3
<b>Total revenue</b>	<b>15,804</b>	<b>17,385</b>	<b>18,779</b>
Growth (%)	9.4	10.0	8.0
Gross margin (%)	18.1	18.5	18.5
Core profit margin	12.4	12.7	12.8

Source: FSSIA estimates

### Earnings sensitivity

- For every 0.5% change in its gross margin, we project STANLY’s FY24 net profit to change by 3%, all else being equal.
- For every 10% change in utility costs, we project STANLY’s FY24 net profit to change by 2%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast STANLY’s FY24 net profit to change by 6%, all else being equal.

Source: FSSIA estimates

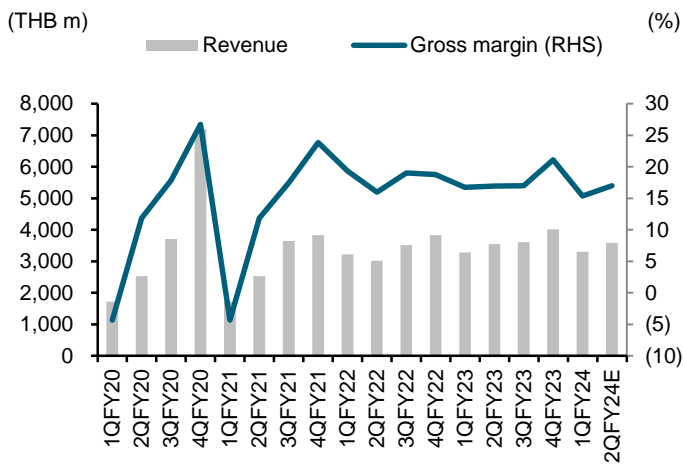


**Exhibit 1: 2QFY24E earnings preview**

Year to Mar 31	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24E	Change		1HFY23	1HFY24E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
Sales	3,551	3,602	4,012	3,306	3,590	8.6	1.1	6,834	6,896	0.9
Cost of sales	(2,949)	(2,991)	(3,165)	(2,799)	(2,980)	6.5	1.0	(5,683)	(5,778)	1.7
Gross profit	602	611	846	507	610	20.3	1.4	1,151	1,118	(2.9)
Operating costs	(278)	(274)	(271)	(268)	(273)	1.9	(1.9)	(548)	(541)	(1.4)
Operating profit	324	337	575	239	337	40.9	4.2	1,699	1,658	(2.4)
Operating EBITDA	848	772	996	685	838	22.4	(1.1)	1,543	1,523	(1.3)
Other income	135	44	40	46	102	119.8	(24.5)	163	148	(8.8)
Interest expense	0	0	0	0	0	0.0	0.0	0	0	0.0
Profit before tax	459	382	616	286	439	53.7	(4.3)	765	725	(5.2)
Tax	(103)	(94)	(133)	(78)	(88)	12.0	(14.3)	(182)	(166)	(8.4)
Associates	121	105	84	96	70	(27.0)	(42.2)	198	166	(16.2)
<b>Reported net profit</b>	<b>487</b>	<b>376</b>	<b>565</b>	<b>315</b>	<b>422</b>	<b>33.9</b>	<b>(13.4)</b>	<b>804</b>	<b>737</b>	<b>(8.4)</b>
<b>Core profit</b>	<b>478</b>	<b>392</b>	<b>568</b>	<b>303</b>	<b>422</b>	<b>39.0</b>	<b>(11.7)</b>	<b>782</b>	<b>725</b>	<b>(7.3)</b>
Reported EPS (THB)	6.35	4.91	7.38	4.11	5.50	33.9	(13.4)	10.49	9.61	(8.4)
Core EPS (THB)	6.23	5.12	7.41	3.96	5.50	39.0	(11.7)	10.20	9.46	(7.3)
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>
Gross margin	17.0	17.0	21.1	15.3	17.0	1.7	0.0	16.8	16.2	(0.6)
Operating margin	12.9	10.6	15.3	8.6	12.2	3.6	(0.7)	11.2	10.5	(0.7)
EBITDA margin	23.9	21.4	24.8	20.7	23.4	2.6	(0.5)	22.6	22.1	(0.5)
Core profit margin	13.5	10.9	14.1	9.2	11.7	2.6	(1.7)	11.4	10.5	(0.9)
SG&A / Sales	7.8	7.6	6.8	8.1	7.6	(0.5)	(0.2)	8.0	7.8	(0.2)

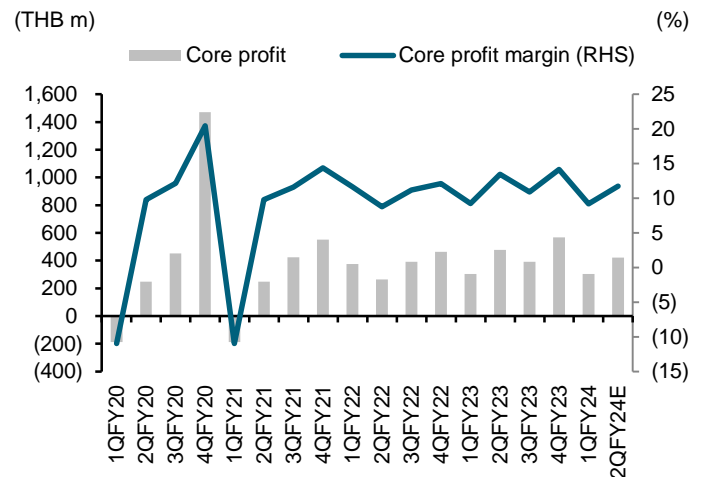
Sources: STANLY, FSSIA estimates

**Exhibit 2: Revenue and gross margin**



Sources: STANLY, FSSIA estimates

**Exhibit 3: Core profit and core profit margin**



Sources: STANLY, FSSIA estimates

## Financial Statements

### Thai Stanley Electric

Profit and Loss (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Revenue	13,582	14,448	15,804	17,385	18,779
Cost of goods sold	(12,666)	(13,387)	(14,517)	(15,767)	(16,928)
<b>Gross profit</b>	<b>916</b>	<b>1,061</b>	<b>1,287</b>	<b>1,618</b>	<b>1,851</b>
Other operating income	1,693	1,795	1,779	1,816	1,849
Operating costs	(1,024)	(1,093)	(1,144)	(1,217)	(1,296)
<b>Operating EBITDA</b>	<b>3,158</b>	<b>3,311</b>	<b>3,495</b>	<b>3,815</b>	<b>4,027</b>
Depreciation	(1,574)	(1,548)	(1,573)	(1,598)	(1,623)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,584</b>	<b>1,763</b>	<b>1,922</b>	<b>2,217</b>	<b>2,404</b>
Net financing costs	0	0	0	0	0
Associates	282	387	418	443	478
Recurring non-operating income	282	387	418	443	478
Non-recurring items	24	4	0	0	0
<b>Profit before tax</b>	<b>1,890</b>	<b>2,154</b>	<b>2,340</b>	<b>2,660</b>	<b>2,882</b>
Tax	(369)	(408)	(384)	(443)	(481)
<b>Profit after tax</b>	<b>1,521</b>	<b>1,746</b>	<b>1,955</b>	<b>2,216</b>	<b>2,401</b>
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,521</b>	<b>1,746</b>	<b>1,955</b>	<b>2,216</b>	<b>2,401</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(24)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,496</b>	<b>1,742</b>	<b>1,955</b>	<b>2,216</b>	<b>2,401</b>
<b>Per share (THB)</b>					
Recurring EPS *	19.53	22.73	25.52	28.92	31.34
Reported EPS	19.85	22.78	25.52	28.92	31.34
DPS	8.50	20.00	11.48	13.02	14.10
Diluted shares (used to calculate per share data)	77	77	77	77	77
<b>Growth</b>					
Revenue (%)	15.8	6.4	9.4	10.0	8.0
Operating EBITDA (%)	22.3	4.8	5.6	9.1	5.6
Operating EBIT (%)	54.3	11.3	9.0	15.3	8.4
Recurring EPS (%)	44.7	16.4	12.3	13.3	8.4
Reported EPS (%)	43.3	14.8	12.0	13.3	8.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	6.7	7.3	8.1	9.3	9.9
Gross margin exc. depreciation (%)	18.3	18.1	18.1	18.5	18.5
Operating EBITDA margin (%)	23.3	22.9	22.1	21.9	21.4
Operating EBIT margin (%)	11.7	12.2	12.2	12.8	12.8
Net margin (%)	11.0	12.1	12.4	12.7	12.8
Effective tax rate (%)	19.5	18.9	16.4	16.7	16.7
Dividend payout on recurring profit (%)	43.5	88.0	45.0	45.0	45.0
Interest cover (X)	-	-	-	-	-
Inventory days	19.7	20.2	17.8	18.2	18.3
Debtor days	69.4	65.4	60.5	56.7	53.9
Creditor days	34.4	31.7	29.6	28.2	25.5
Operating ROIC (%)	9.5	9.6	9.9	11.3	(3.0)
ROIC (%)	8.5	8.9	9.2	10.3	(2.7)
ROE (%)	7.7	8.4	9.2	10.2	10.5
ROA (%)	6.7	7.4	8.0	8.9	9.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Auto bulbs & automotive lighting equipment	13,490	14,329	15,676	17,243	18,623
Molds & dies and product designs	92	119	129	141	156

Sources: Thai Stanley Electric; FSSIA estimates

## Financial Statements

### Thai Stanley Electric

Cash Flow (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Recurring net profit	1,496	1,742	1,955	2,216	2,401
Depreciation	1,574	1,548	1,573	1,598	1,623
Associates & minorities	(282)	(387)	(418)	(443)	(478)
Other non-cash items	405	(504)	0	0	0
Change in working capital	(621)	(202)	22	(67)	(423)
<b>Cash flow from operations</b>	<b>2,573</b>	<b>2,197</b>	<b>3,133</b>	<b>3,305</b>	<b>3,124</b>
Capex - maintenance	0	0	0	0	0
Capex - new investment	(927)	(677)	(872)	(930)	(918)
Net acquisitions & disposals	0	-	-	-	-
Other investments (net)	(1,234)	(2,235)	(1,281)	(796)	(1,000)
<b>Cash flow from investing</b>	<b>(2,161)</b>	<b>(2,911)</b>	<b>(2,153)</b>	<b>(1,726)</b>	<b>(1,918)</b>
Dividends paid	(421)	(651)	(880)	(997)	(1,081)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	0	-	-	-	-
<b>Cash flow from financing</b>	<b>(421)</b>	<b>(651)</b>	<b>(880)</b>	<b>(997)</b>	<b>(1,081)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	2	794	0	0	209
<b>Net other adjustments</b>	<b>2</b>	<b>794</b>	<b>(329)</b>	<b>(201)</b>	<b>209</b>
<b>Movement in cash</b>	<b>(7)</b>	<b>(572)</b>	<b>(228)</b>	<b>381</b>	<b>334</b>
Free cash flow to firm (FCFF)	411.62	(714.86)	980.46	1,579.17	1,205.55
Free cash flow to equity (FCFE)	414.05	79.54	651.66	1,378.07	1,414.45

#### Per share (THB)

FCFF per share	5.37	(9.33)	12.80	20.61	15.73
FCFE per share	5.40	1.04	8.50	17.98	18.46
Recurring cash flow per share	41.68	31.31	40.60	44.00	46.28

Balance Sheet (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	24,589	24,700	23,099	21,530	19,925
Less: Accumulated depreciation	(15,512)	(16,231)	(14,657)	(13,059)	(11,436)
<b>Tangible fixed assets (net)</b>	<b>9,077</b>	<b>8,469</b>	<b>8,441</b>	<b>8,471</b>	<b>8,489</b>
<b>Intangible fixed assets (net)</b>	<b>989</b>	<b>940</b>	<b>987</b>	<b>1,187</b>	<b>1,387</b>
Long-term financial assets	1,485	1,702	1,702	1,702	1,702
Invest. in associates & subsidiaries	1,909	2,023	2,023	2,173	2,323
Cash & equivalents	2,656	2,084	1,856	2,237	2,571
A/C receivable	2,618	2,557	2,685	2,715	2,830
Inventories	718	591	674	738	797
Other current assets	3,548	5,933	5,934	5,935	5,936
<b>Current assets</b>	<b>9,539</b>	<b>11,165</b>	<b>11,148</b>	<b>11,624</b>	<b>12,133</b>
Other assets	58	25	79	122	150
<b>Total assets</b>	<b>23,057</b>	<b>24,325</b>	<b>24,381</b>	<b>25,279</b>	<b>26,184</b>
Common equity	20,027	21,287	21,241	22,340	23,541
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>20,027</b>	<b>21,287</b>	<b>21,241</b>	<b>22,340</b>	<b>23,541</b>
Long term debt	-	-	-	-	-
Other long-term liabilities	965	1,046	1,027	956	789
<b>Long-term liabilities</b>	<b>965</b>	<b>1,046</b>	<b>1,027</b>	<b>956</b>	<b>789</b>
A/C payable	1,054	1,001	1,099	1,087	1,048
Short term debt	0	-	-	-	-
Other current liabilities	1,011	991	1,013	896	807
<b>Current liabilities</b>	<b>2,065</b>	<b>1,992</b>	<b>2,112</b>	<b>1,983</b>	<b>1,855</b>
<b>Total liabilities and shareholders' equity</b>	<b>23,057</b>	<b>24,325</b>	<b>24,381</b>	<b>25,279</b>	<b>26,184</b>
Net working capital	4,818	7,089	7,180	7,404	7,707
Invested capital	18,335	20,249	20,412	21,059	21,759

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

#### Per share (THB)

Book value per share	261.36	277.80	277.21	291.55	307.22
Tangible book value per share	248.46	265.53	264.32	276.05	289.11

#### Financial strength

Net debt/equity (%)	(13.3)	(9.8)	(8.7)	(10.0)	(10.9)
Net debt/total assets (%)	(11.5)	(8.6)	(7.6)	(8.8)	(9.8)
Current ratio (x)	4.6	5.6	5.3	5.9	6.5
CF interest cover (x)	-	-	-	-	-

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>9.5</b>	<b>8.2</b>	<b>7.3</b>	<b>6.4</b>	<b>5.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>12.3</b>	<b>10.6</b>	<b>9.4</b>	<b>8.3</b>	<b>7.7</b>
Reported P/E (x)	9.4	8.2	7.3	6.4	5.9
Dividend yield (%)	4.6	10.8	6.2	7.0	7.6
Price/book (x)	0.7	0.7	0.7	0.6	0.6
Price/tangible book (x)	0.7	0.7	0.7	0.7	0.6
EV/EBITDA (x) **	3.7	3.7	3.5	3.1	2.9
EV/EBITDA @ target price (x) **	5.0	4.9	4.7	4.2	3.9
EV/invested capital (x)	0.6	0.6	0.6	0.6	0.5

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

Sources: Thai Stanley Electric; 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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> 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

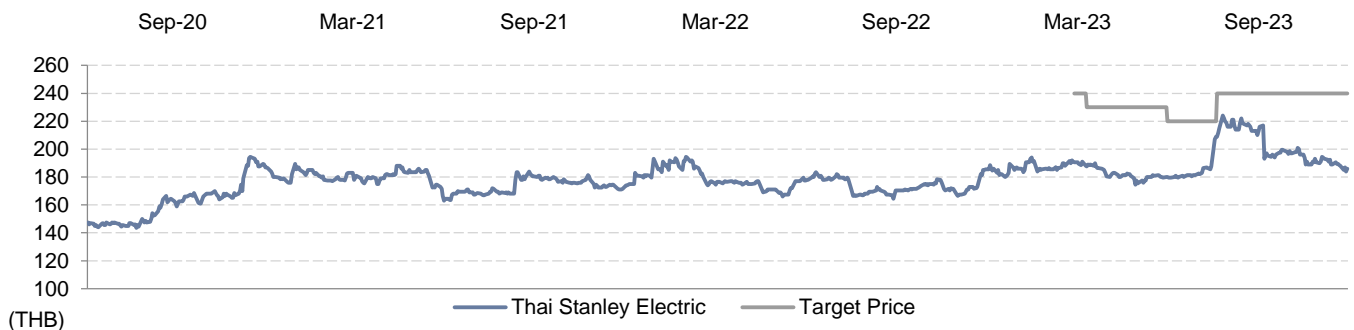
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**History of change in investment rating and/or target price**

**Thai Stanley Electric (STANLY TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2023	BUY	240.00	10-Apr-2023	BUY	220.00	-	-	-
30-Jan-2023	BUY	230.00	23-May-2023	BUY	240.00			

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
Thai Stanley Electric	STANLY TB	THB 186.00	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 Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 14-Sep-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.