

## INOUE RUBBER (THAILAND)

THAILAND / AUTOMOTIVE

## IRC TB

HOLD

FROM BUY

## ต้นทุนที่ลดลงจะช่วยชดเชยยอดขายที่อ่อนแอ

- คาดกำไรปกติ 1QFY24 จะปรับตัวลดลง 1.3% q-q แต่กำไรโตเพิ่ม 235% y-y
- รายได้สูญเสีย Momentum เราคาดว่า 1QFY24 จะเป็นไตรมาสที่ 5 ติดต่อกันที่รายได้ลดลง q-q
- คงประมาณการกำไรและราคาเป้าหมายที่ 15 บาท ปรับลดคำแนะนำเป็นถือจาก Upside ที่มีจำกัด

TARGET PRICE	THB15.00
CLOSE	THB14.30
UP/DOWNSIDE	+4.9%
PRIOR TP	THB15.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.0%

## KEY STOCK DATA

YE Sep (THB m)	2023	2024E	2025E	2026E
Revenue	5,417	5,728	6,129	6,552
Net profit	160	166	205	207
EPS (THB)	0.83	0.86	1.06	1.08
vs Consensus (%)	-	11.7	23.3	1.9
EBITDA	513	545	587	611
Recurring net profit	160	166	205	207
Core EPS (THB)	0.83	0.86	1.06	1.08
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	51.2	3.9	23.2	1.0
Core P/E (x)	17.2	16.6	13.4	13.3
Dividend yield (%)	2.9	3.0	3.7	3.8
EV/EBITDA (x)	3.1	3.3	3.0	2.9
Price/book (x)	0.7	0.7	0.7	0.7
Net debt/Equity (%)	(29.2)	(24.1)	(23.8)	(23.1)
ROE (%)	4.1	4.2	5.0	5.0

## คาดการณ์รายได้จะสูญเสีย Momentum

เราคาดว่า IRC จะรายงานกำไรปกติ 1QFY24 อยู่ที่ 53 ลบ. (-1.3% q-q) ตามรายได้จากการขายที่คาดว่าจะลดลงเล็กน้อย อย่างไรก็ตามกำไรจะโตเพิ่ม 235% y-y เนื่องจากบริษัทได้รับผลกระทบอย่างรุนแรงจากต้นทุนวัตถุดิบที่ปรับขึ้นใน 1QFY23 เช่นเดียวกับใน 4QFY23 ผลประกอบการน่าจะปรับจี้ยูนลงจากต้นทุนวัตถุดิบที่ลดลง เราคาดว่ารายได้ 1QFY24 จะอยู่ที่ 1.2 พัน ลบ. (-1.4% q-q, -15.5% y-y) นับเป็นไตรมาสที่ 5 ติดต่อกันที่รายได้ลดลง q-q และเป็นไตรมาสที่ 4 ติดต่อกันที่รายได้ลดลง y-y เราคาดว่าอัตรากำไรขั้นต้นจะปรับขึ้น 20bps จากต้นทุนที่เกี่ยวข้องกับพลังงานที่ลดลงซึ่งจะช่วยหนุนกำไรของบริษัท

## ส.อ.ท. คาดว่ายอดขายรถจักรยานยนต์ในประเทศจะปรับตัวดีขึ้น

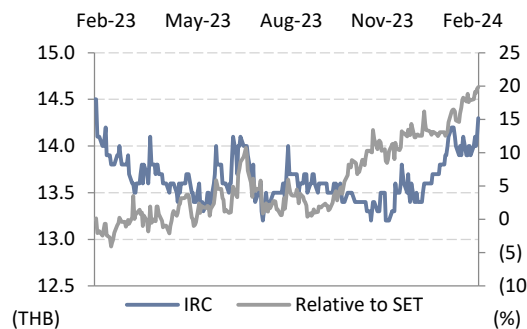
ในปี 2023 ยอดขายรถจักรยานยนต์ในประเทศเพิ่มขึ้น 3.6% y-y เป็น 1.8 ล้านคันโดยมีรถที่ใช้เครื่องยนต์สันดาปภายในคิดเป็นเกือบ 100% ในขณะที่มีรถที่ใช้แบตเตอรี่เพียง 420 คัน การส่งออกรถจักรยานยนต์เพิ่ม 10.8% y-y เนื่องจากปัญหาการขาดแคลนชิ้นส่วนและชิปลดลงอย่างต่อเนื่อง อย่างไรก็ตาม 80% ของรถจักรยานยนต์ที่ผลิตในประเทศไทยเป็นการขายในประเทศ ส.อ.ท. คาดว่าการผลิตรถจักรยานยนต์ในปี 2024 จะทรงตัวที่ 2.1 ล้านคันโดยได้ปรับจี้ยูนลงจากยอดขายในประเทศ ในขณะที่คาดว่า การส่งออกจะลดลงเนื่องจากประเทศเพื่อนบ้านวางแผนผลิตรถจักรยานยนต์เพิ่มขึ้น

## คงประมาณการไว้ตามเดิมในขณะที่มีความท้าทายอยู่ข้างหน้า

ประมาณการ 1QFY24 คิดเป็น 32% ของประมาณทั้งปีของเรา อย่างไรก็ตามเราเลือกที่จะคงประมาณการของเราไว้อย่างน้อยในอีก 2 ไตรมาสข้างหน้า เราเชื่อว่ายอดขายรถจักรยานยนต์น่าจะทรงตัวในปีนี้เนื่องจากอัตราดอกเบี้ยสำหรับสินเชื่รถจักรยานยนต์ยังอยู่ที่ไม่เกิน 23% (ตั้งแต่เดือน ม.ค. 2023) ซึ่งทำให้นักการชะลอการขยายสินเชื่อ

## ปรับลดคำแนะนำเป็นถือจาก Upside ที่มีจำกัด

เราคงราคาเป้าหมายที่ 15.00 บาทซึ่งคิดจากค่า P/E ที่ 17x เท่ากับค่าเฉลี่ย 5 ปีย้อนหลัง อย่างไรก็ตามราคาหุ้นของ IRC ในปัจจุบันมี Upside น้อยกว่า 10% เพราะฉะนั้นเราจึงปรับลดคำแนะนำเป็นถือจากซื้อ ในด้านบวก IRC มีรากฐานที่มั่นคงในฐานะที่เป็นผู้ผลิตผลิตภัณฑ์ Elastomer เพื่ออุตสาหกรรมและยางรถจักรยานยนต์ชั้นนำมาเป็นเวลากว่า 50 ปี นอกจากนี้บริษัท ยังไม่มีหนี้โดยมีเงินสดสูงถึง 6.0 บาทต่อหุ้น ณ สิ้นเดือน ก.ย. 2023



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.9	5.9	(0.7)
Relative to country (%)	6.5	7.4	20.7
Mkt cap (USD m)			78
3m avg. daily turnover (USD m)			0.0
Free float (%)			24
Major shareholder		Inoue Rubber Co Ltd (34%)	
12m high/low (THB)			17.00/13.10
Issued shares (m)			192.21

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 5 กุมภาพันธ์ 2024

## Investment thesis

We expect IRC to post a 1QFY24 core profit of THB53m, (-1.3% q-q), in line with the slight drop in sales revenue. Its 1QFY24 core profit should grow 235% y-y because 1QFY23 was hit hard by rising raw material costs. Our projected profit in 1QFY24 accounts for 32% of our full-year forecast, but we prefer to maintain our projection for at least the next two quarters as a bumpy road lies ahead.

IRC's current share price offers less than a 10% upside. We downgrade our rating to HOLD from Buy. IRC, however, has a strong base as a leading manufacturer of industrial elastomer products and motorcycle tires and tubes for over 50 years and is a cash-rich company.

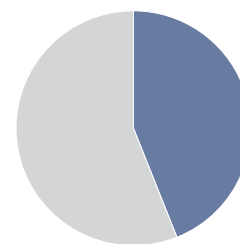
## Company profile

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](http://www.ircthailand.com)

## Principal activities (revenue, 2023)

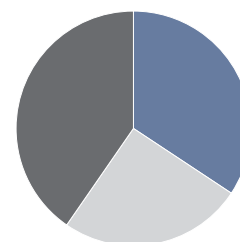
- Motorcycle tires and tubes - 44.0 %
- Industrial elastomer parts - 56.0 %



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

## Risks to our call

Downside and upside risks to our P/E-based TP include 1) weaker or stronger demand from the automotive industry; 2) a sharp rise or decrease in the price of crude oil; and 3) chip supply shortages or oversupply.

## Event calendar

Date	Event
February 2024	1QFY24 earnings announcement

## Key assumptions

YE Sep	FY24E (THB m)	FY25E (THB m)	FY26E (THB m)
Industrial elastomer parts	3,208	3,432	3,669
Growth (%)	4.6	7.0	6.9
Motorcycle tire & tube	2,520	2,697	2,883
Growth (%)	7.3	7.0	6.9
Gross margin (%)	8.9	9.4	9.6
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 FY24 net profit to change by 13%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast IRC's FY24 net profit to change by 2%, all else being equal.

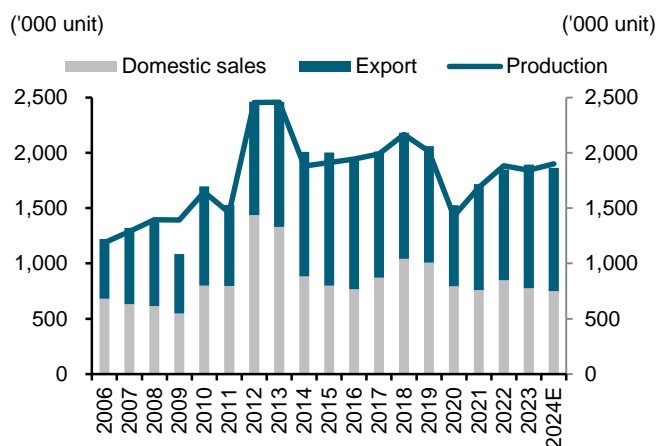
Source: FSSIA estimates

## Exhibit 1: 1QFY24 earnings preview

Year to Sep 30	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24E	----- Change -----		FY23	FY24E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	FY24E
Sales	1,464	1,441	1,258	1,255	1,237	(1.4)	(15.5)	5,417	5,728	5.7	21.6
Cost of sales	(1,361)	(1,298)	(1,145)	(1,123)	(1,105)	(1.6)	(18.8)	(4,927)	(5,218)	5.9	21.2
Gross profit	102	144	112	132	132	0.2	29.3	491	511	4.1	25.9
Operating costs	(88)	(97)	(98)	(94)	(92)	(1.6)	5.2	(380)	(371)	(2.5)	24.9
Operating profit	15	47	15	39	40	4.5	171.2	110	140	26.8	28.8
Operating EBITDA	105	146	119	143	142	(0.9)	35.9	513	545	6.3	26.0
Other income	11	19	12	17	15	(10.6)	32.6	60	49	(18.5)	30.8
Interest expense	(0)	(0)	(0)	(0)	(0)	0.0	(24.0)	(0)	(0)	0.0	23.3
Profit before tax	17	65	31	57	56	(1.4)	229.1	170	189	10.9	29.7
Tax	(1)	(4)	(1)	(3)	(3)	(2.0)	153.6	(10)	(23)	119.2	14.6
Associates	0	0	0	0	0	0.0	0.0	0	0	0.0	0.0
Minority interests	0	0	0	(0)	0	0.0	0.0	(0)	(0)	0.0	0.0
<b>Reported net profit</b>	<b>16</b>	<b>61</b>	<b>30</b>	<b>53</b>	<b>53</b>	<b>(1.3)</b>	<b>235.4</b>	<b>160</b>	<b>166</b>	<b>3.9</b>	<b>31.7</b>
<b>Core profit</b>	<b>16</b>	<b>61</b>	<b>30</b>	<b>53</b>	<b>53</b>	<b>(1.3)</b>	<b>235.4</b>	<b>160</b>	<b>166</b>	<b>3.9</b>	<b>31.7</b>
Reported EPS (THB)	0.08	0.30	0.15	0.27	0.26	(1.3)	229.4	0.83	0.86	4.1	30.5
Core EPS (THB)	0.08	0.30	0.15	0.27	0.26	(1.3)	235.4	0.83	0.86	4.1	30.5
<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	7.0	10.0	8.9	10.5	10.7	0.2	3.7	9.1	8.9	(0.1)	
Operating margin	1.2	4.5	2.5	4.5	4.5	0.0	3.4	3.1	3.3	0.2	
EBITDA margin	7.1	10.1	9.5	11.4	11.5	0.1	4.3	9.5	9.5	0.1	
Recurring net margin	1.1	4.2	2.4	4.3	4.3	0.0	3.2	2.9	2.9	(0.1)	
SG&A / Sales	6.6	6.8	7.4	7.3	7.4	0.0	0.8	7.0	6.5	(0.5)	

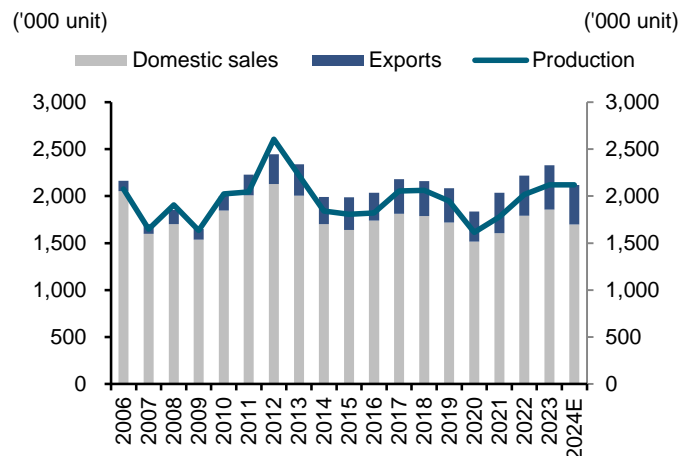
Sources: IRC, FSSIA estimates

## Exhibit 2: Car production, domestic sales, exports



Sources: The Federation of Thai Industries, FSSIA's compilation

## Exhibit 3: Motorcycle production, domestic sales, exports



Sources: The Federation of Thai Industries, FSSIA's compilation

## Financial Statements

Inoue Rubber (Thailand)

Profit and Loss (THB m) Year Ending Sep	2022	2023	2024E	2025E	2026E
Revenue	5,883	5,417	5,728	6,129	6,552
Cost of goods sold	(5,804)	(5,269)	(5,574)	(5,905)	(6,275)
<b>Gross profit</b>	<b>80</b>	<b>148</b>	<b>154</b>	<b>224</b>	<b>276</b>
Other operating income	429	402	405	403	401
Operating costs	(386)	(380)	(371)	(395)	(419)
<b>Operating EBITDA</b>	<b>483</b>	<b>513</b>	<b>545</b>	<b>587</b>	<b>611</b>
Depreciation	(361)	(343)	(357)	(354)	(352)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>122</b>	<b>170</b>	<b>189</b>	<b>232</b>	<b>258</b>
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
<b>Profit before tax</b>	<b>122</b>	<b>170</b>	<b>189</b>	<b>232</b>	<b>258</b>
Tax	(12)	(10)	(23)	(28)	(52)
<b>Profit after tax</b>	<b>110</b>	<b>160</b>	<b>166</b>	<b>205</b>	<b>207</b>
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>110</b>	<b>160</b>	<b>166</b>	<b>205</b>	<b>207</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>110</b>	<b>160</b>	<b>166</b>	<b>205</b>	<b>207</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.55	0.83	0.86	1.06	1.08
Reported EPS	0.55	0.83	0.86	1.06	1.08
DPS	0.29	0.42	0.43	0.53	0.54
Diluted shares (used to calculate per share data)	200	192	192	192	192
<b>Growth</b>					
Revenue (%)	11.1	(7.9)	5.7	7.0	6.9
Operating EBITDA (%)	(38.2)	6.2	6.3	7.6	4.1
Operating EBIT (%)	(70.9)	39.0	10.9	23.2	11.1
Recurring EPS (%)	(67.7)	51.2	3.9	23.2	1.0
Reported EPS (%)	(67.7)	51.2	3.9	23.2	1.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	1.4	2.7	2.7	3.7	4.2
Gross margin exc. depreciation (%)	7.5	9.1	8.9	9.4	9.6
Operating EBITDA margin (%)	8.2	9.5	9.5	9.6	9.3
Operating EBIT margin (%)	2.1	3.1	3.3	3.8	3.9
Net margin (%)	1.9	2.9	2.9	3.3	3.2
Effective tax rate (%)	10.1	6.1	12.0	12.0	20.0
Dividend payout on recurring profit (%)	52.9	50.3	50.0	50.0	50.0
Interest cover (X)	2,461.9	4,349.5	4,823.8	5,943.5	6,604.9
Inventory days	54.6	54.8	51.4	55.8	54.7
Debtor days	59.9	64.4	60.5	63.3	62.4
Creditor days	72.9	72.0	61.8	65.0	62.4
Operating ROIC (%)	4.2	5.9	6.5	7.5	(2.0)
ROIC (%)	3.0	4.3	4.7	5.6	(1.5)
ROE (%)	2.8	4.1	4.2	5.0	5.0
ROA (%)	2.1	3.1	3.2	3.9	3.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Motorcycle tires and tubes	2,586	2,381	2,548	2,726	2,944
Industrial elastomer parts	3,297	3,036	3,180	3,403	3,607

Sources: Inoue Rubber (Thailand); FSSIA estimates

## Financial Statements

### Inoue Rubber (Thailand)

Cash Flow (THB m) Year Ending Sep	2022	2023	2024E	2025E	2026E
Recurring net profit	110	160	166	205	207
Depreciation	361	343	357	354	352
Associates & minorities	0	0	0	0	0
Other non-cash items	12	15	0	0	0
Change in working capital	(142)	19	(419)	(268)	(264)
<b>Cash flow from operations</b>	<b>340</b>	<b>536</b>	<b>103</b>	<b>291</b>	<b>295</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(292)	(227)	(235)	(218)	(218)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	16	(4)	0	0	0
<b>Cash flow from investing</b>	<b>(276)</b>	<b>(231)</b>	<b>(235)</b>	<b>(218)</b>	<b>(218)</b>
Dividends paid	(170)	(56)	(83)	(102)	(103)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	-	-	-	-	-
<b>Cash flow from financing</b>	<b>(170)</b>	<b>(56)</b>	<b>(83)</b>	<b>(102)</b>	<b>(103)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	39	42	19
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>42</b>	<b>19</b>
<b>Movement in cash</b>	<b>(106)</b>	<b>249</b>	<b>(176)</b>	<b>13</b>	<b>(7)</b>
Free cash flow to firm (FCFF)	64.17	305.01	(131.39)	73.33	76.68
Free cash flow to equity (FCFE)	64.12	304.97	(92.88)	115.32	96.00

#### Per share (THB)

FCFF per share	0.33	1.59	(0.68)	0.38	0.40
FCFE per share	0.33	1.59	(0.48)	0.60	0.50
Recurring cash flow per share	2.41	2.69	2.72	2.91	2.91

Balance Sheet (THB m) Year Ending Sep	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	6,928	6,474	6,136	5,800	5,465
Less: Accumulated depreciation	(5,294)	(4,951)	(4,595)	(4,240)	(3,888)
<b>Tangible fixed assets (net)</b>	<b>1,634</b>	<b>1,523</b>	<b>1,541</b>	<b>1,559</b>	<b>1,577</b>
<b>Intangible fixed assets (net)</b>	<b>49</b>	<b>40</b>	<b>42</b>	<b>42</b>	<b>42</b>
Long-term financial assets	444	566	566	566	566
Invest. in associates & subsidiaries	235	108	108	108	108
Cash & equivalents	897	1,146	970	983	976
A/C receivable	1,047	863	1,036	1,092	1,149
Inventories	838	642	829	867	909
Other current assets	8	6	11	12	13
<b>Current assets</b>	<b>2,791</b>	<b>2,657</b>	<b>2,847</b>	<b>2,954</b>	<b>3,047</b>
Other assets	119	139	126	130	135
<b>Total assets</b>	<b>5,272</b>	<b>5,032</b>	<b>5,230</b>	<b>5,359</b>	<b>5,474</b>
Common equity	3,832	3,929	4,015	4,121	4,228
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>3,832</b>	<b>3,929</b>	<b>4,015</b>	<b>4,121</b>	<b>4,228</b>
Long term debt	1	0	0	0	0
Other long-term liabilities	287	298	235	227	216
<b>Long-term liabilities</b>	<b>287</b>	<b>299</b>	<b>235</b>	<b>227</b>	<b>217</b>
A/C payable	1,147	795	972	1,004	1,022
Short term debt	0	0	0	0	0
Other current liabilities	6	9	7	8	8
<b>Current liabilities</b>	<b>1,153</b>	<b>804</b>	<b>979</b>	<b>1,011</b>	<b>1,031</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,272</b>	<b>5,032</b>	<b>5,230</b>	<b>5,359</b>	<b>5,475</b>
Net working capital	741	707	897	959	1,040
Invested capital	3,222	3,082	3,281	3,365	3,468

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

#### Per share (THB)

Book value per share	19.16	20.44	20.89	21.44	22.00
Tangible book value per share	18.91	20.24	20.67	21.22	21.78

#### Financial strength

Net debt/equity (%)	(23.4)	(29.2)	(24.1)	(23.8)	(23.1)
Net debt/total assets (%)	(17.0)	(22.8)	(18.5)	(18.3)	(17.8)
Current ratio (x)	2.4	3.3	2.9	2.9	3.0
CF interest cover (x)	7,163.6	13,610.5	3,625.8	8,522.3	8,028.3

Valuation	2022	2023	2024E	2025E	2026E
<b>Recurring P/E (x) *</b>	<b>26.0</b>	<b>17.2</b>	<b>16.6</b>	<b>13.4</b>	<b>13.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>27.3</b>	<b>18.0</b>	<b>17.4</b>	<b>14.1</b>	<b>14.0</b>
Reported P/E (x)	26.0	17.2	16.6	13.4	13.3
Dividend yield (%)	2.0	2.9	3.0	3.7	3.8
Price/book (x)	0.7	0.7	0.7	0.7	0.7
Price/tangible book (x)	0.8	0.7	0.7	0.7	0.7
EV/EBITDA (x) **	4.1	3.1	3.3	3.0	2.9
EV/EBITDA @ target price (x) **	4.4	3.4	3.5	3.2	3.1
EV/invested capital (x)	0.6	0.5	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

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																				
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
<a href="#">Morningstar Sustainability</a>	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.																				
		<table border="1"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

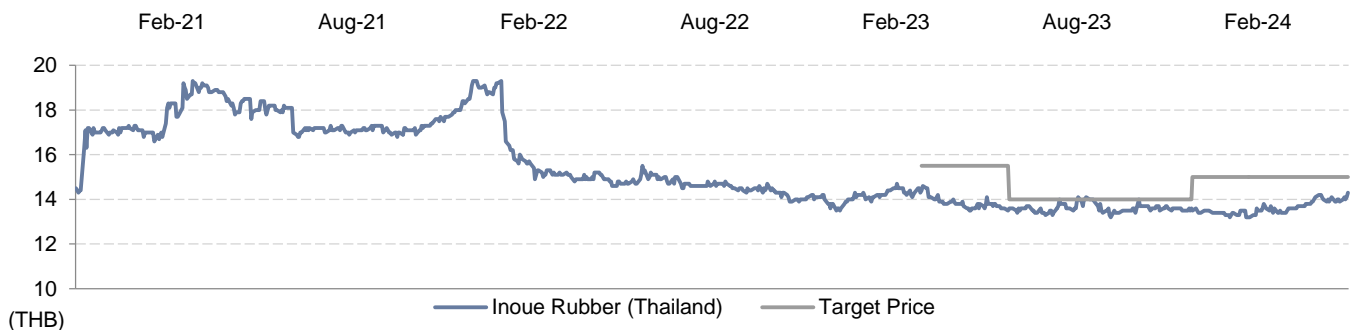
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### 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	17-Apr-2023	HOLD	14.00	21-Sep-2023	BUY	15.00

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Inoue Rubber (Thailand)	IRC TB	THB 14.30	HOLD	Downside and upside risks to our P/E-based TP include 1) weaker or stronger demand from the automotive industry; 2) a sharp rise or decrease in the price of crude oil; and 3) chip supply shortages or oversupply.

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.

All share prices are as at market close on 02-Feb-2024 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.