

INOUE RUBBER (THAILAND)

THAILAND / AUTOMOTIVE

IRC TB

REDUCE

FROM HOLD

TARGET PRICE	THB12.40
CLOSE	THB14.00
UP/DOWNSIDE	-11.4%
PRIOR TP	THB15.00
CHANGE IN TP	-17.3%
TP vs CONSENSUS	-

The situation remains difficult

- IRC reported a net profit of only THB10m in 4QFY24, -93.4% q-q and -80.5% y-y, marking the lowest profit in the past nine quarters.
- Cut profit forecast by 10% and 8% in FY25-FY26, respectively, mainly from a downward revision in our sales revenue estimate.
- Cut TP to THB12.40 after lowering our target P/E to 11.5x.

4QFY24 profit marked the lowest profit in nine quarters

IRC reported a net profit of only THB10m in 4QFY24 (ended September 2024), -93.4% q-q and -80.5% y-y, marking the lowest profit in the past nine quarters. This was due to a decrease in the gross margin, which fell to just 10.1%, while SG&A expenses increased due to higher marketing expenditures. Although revenue improved from the previous quarter due to more working days, the profit significantly dropped by 93.4% q-q, as there was no dividend income of THB146m as in the previous quarter. The sharp decline in y-y profit was attributed to decreased revenue and higher marketing expenses.

Dividends were a crucial contributor to FY24

Excluding a THB146 dividend received from IRC's JV in Vietnam, its core profit for FY24 would be THB160m, +21.9% y-y, instead of growing 95.0% y-y as reported. The profit growth in FY24 was attributable to declines in commodity-linked raw materials rather than sales growth. Interestingly, the sales in FY24 dropped for the second consecutive year by 15.4% y-y, aligning with the industry's car sales.

The industry is limiting the company's growth

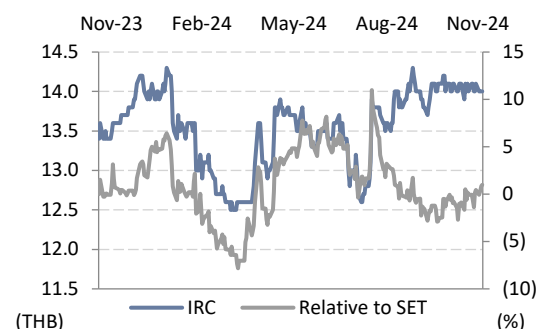
As Thailand's automotive industry looks dull, and we expect a swift recovery at the earliest in 2H25, we cut our profit forecast for IRC by 10% and 8% in FY25-FY26, respectively, mainly from a downward revision in our sales revenue assumption, both domestic and export. We expect the FY25 net profit to decrease 33.4% y-y, partly due to the substantial dividend received of THB146m, which may not recur. However, the FY26E net profit should recover 12.6% y-y in line with the industry.

Despite strong financial position, valuations are relatively high

We downgrade our rating to REDUCE after slashing our TP to THB12.40 from the previous THB15.00, following a reduction in our profit estimates and a lower target FY25E P/E of 11.5x, down from 17x due to slower growth and a sluggish industry outlook. However, our target P/E is higher than the industry average due to IRC's strong financial position. The company is debt-free, making it possible to pay consistent dividends at a high payout ratio of 50% of its profit for several consecutive years.

KEY STOCK DATA

YE Sep (THB m)	2024	2025E	2026E	2027E
Revenue	4,581	4,794	5,115	5,337
Net profit	312	207	233	253
EPS (THB)	1.62	1.08	1.21	1.32
vs Consensus (%)	-	-	-	-
EBITDA	678	558	587	611
Recurring net profit	312	207	233	253
Core EPS (THB)	1.62	1.08	1.21	1.32
Chg. In EPS est. (%)	nm	1.4	13.0	nm
EPS growth (%)	95.0	(33.4)	12.6	8.4
Core P/E (x)	8.6	13.0	11.5	10.6
Dividend yield (%)	6.2	3.9	4.3	4.7
EV/EBITDA (x)	0.9	1.2	1.0	0.8
Price/book (x)	0.6	0.6	0.6	0.6
Net debt/Equity (%)	(49.4)	(47.7)	(48.9)	(50.1)
ROE (%)	7.7	5.0	5.5	5.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.7)	3.7	2.2
Relative to country (%)	1.0	(0.8)	0.3
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)	14.50/9.10		
Issued shares (m)	192.21		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

IRC reported a net profit of only THB10m in 4QFY24 (ended September 2024), -93.4% q-q and -80.5% y-y, marking the lowest profit in the past nine quarters. It resulted in FY24 net profit of THB312m, +95.0% y-y, largely from THB146m dividends received from its JV in Vietnam in 3QFY24.

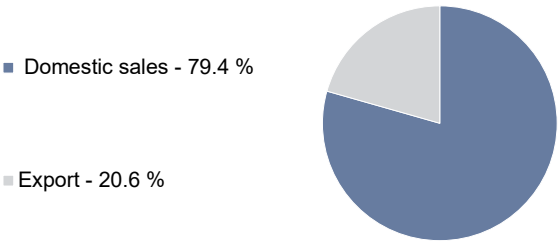
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Company profile

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, and motorcycle tires and tubes. The company has two plants in Rangsit, Pathumtani province, producing tires and tubes, and Ayutthaya province, producing automotive and industrial elastomers.

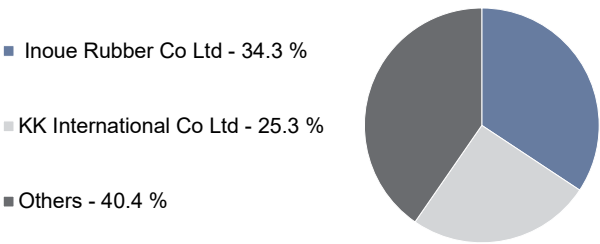
www.ircthailand.com

Principal activities (revenue, 2024)



Source: Inoue Rubber (Thailand)

Major shareholders



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

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

Event calendar

Date	Event
10 February 2025	Ex-dividend date of THB0.868 per share
February 2025	1QFY25 earnings announcement

Key assumptions

YE Sep	FY26E (THB m)	FY27E (THB m)	FY28E (THB m)
Domestic sales	3,897	4,158	4,339
Growth (%)	7.1	6.7	4.4
Exports	896	956	998
Growth (%)	(4.9)	6.7	4.3
Gross margin (%)	11.6	11.8	12.0
SG&A to sales (%)	8.2	8.0	8.0

Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in its gross margin, we project IRC’s FY25 net profit to change by 13%, all else being equal.
- For every 1% change in its SG&A to sales, we forecast IRC’s FY25 net profit to change by 2%, all else being equal.

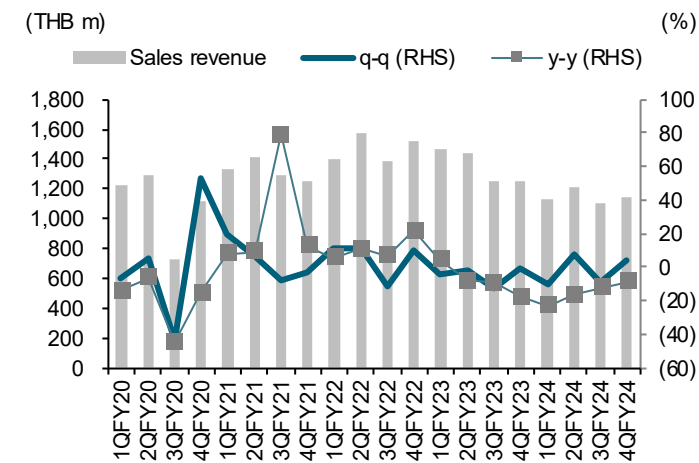
Source: FSSIA estimates

Exhibit 1: IRC - 4QFY24 earnings results

Year to Sep 30	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Sales	1,255	1,127	1,209	1,101	1,144	3.9	(8.8)
Cost of sales	(1,123)	(996)	(1,033)	(974)	(1,028)	5.6	(8.4)
Gross profit	132	131	176	127	116	(8.8)	(12.2)
Operating costs	(94)	(92)	(90)	(98)	(98)	0.5	5.1
Operating profit	39	39	86	29	18	(39.7)	(54.4)
Operating EBITDA	143	139	172	266	101	(62.0)	(29.5)
Dividend & other income	17	17	21	163	15	(91.1)	(13.1)
Interest expense	(0)	(0)	(0)	(0)	(0)	14.4	(24.7)
Reported net profit	53	52	91	159	10	(93.4)	(80.5)
Reported EPS (THB)	0.27	0.26	0.47	0.83	1.83	120.5	585.3
Key Ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Gross margin	10.5	11.6	14.5	11.5	10.1	(1.4)	(0.4)
EBITDA margin	11.4	12.3	14.3	24.2	8.8	(15.3)	(2.6)
Core profit margin	4.3	4.6	7.5	14.4	0.9	(13.5)	(3.3)
SG&A / Sales	7.3	8.0	8.1	8.9	10.1	1.2	2.8

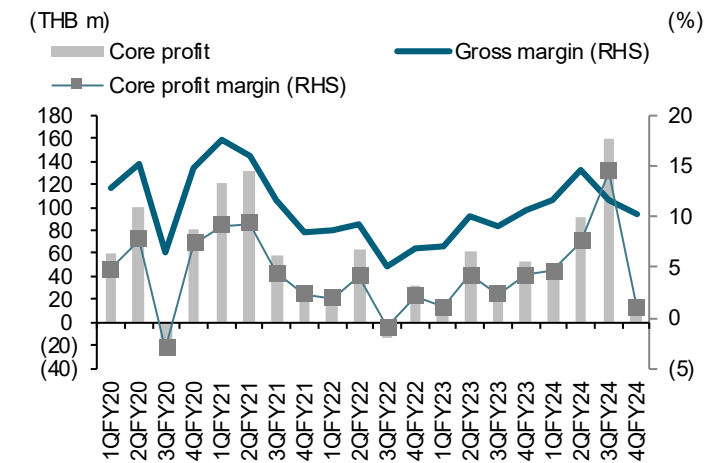
Sources: IRC, FSSIA's compilation

Exhibit 2: Revenue and growth



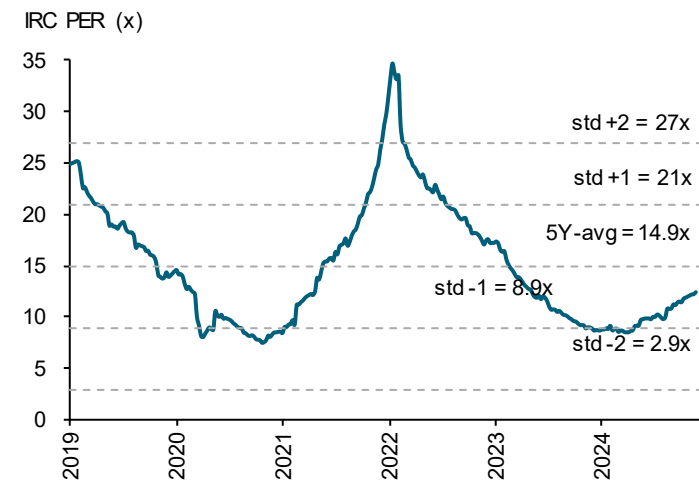
Sources: IRC, FSSIA's compilation

Exhibit 3: Core profit and margins



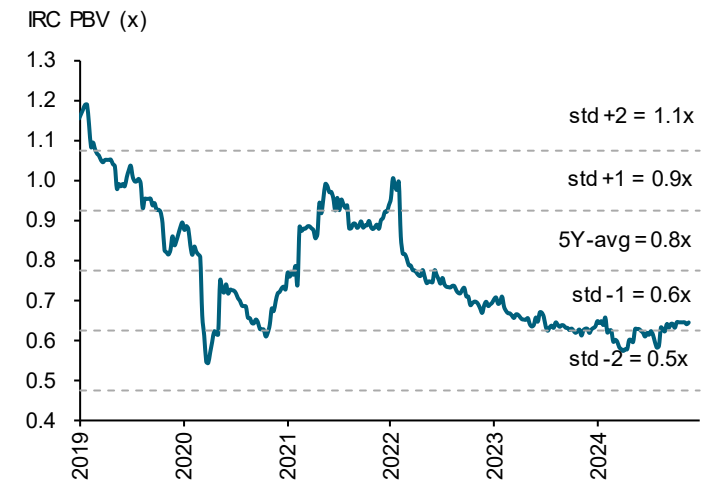
Sources: IRC, FSSIA's compilation

Exhibit 4: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 5: One-year rolling forward P/BV band



Sources: Bloomberg, FSSIA estimates

Exhibit 6: Key changes in assumptions

	Current			Previous			Change		
	FY25E (THB m)	FY26E (THB m)	FY27E (THB m)	FY25E (THB m)	FY26E (THB m)	FY27E (THB m)	FY25E (%)	FY26E (%)	FY27E (%)
Total revenue	4,794	5,115	5,337	5,829	6,027	5,337	(17.8)	(15.1)	0.0
Domestic sales	3,638	3,897	4,158	4660	4914	4158	(21.9)	(20.7)	0.0
Export	943	896	956	1,169	1,113	956	(19.4)	(19.5)	0.0
Gross profit	556	604	640	579	629	640	(3.9)	(4.0)	0.0
SG&A	395	409	424	395	419	424	(0.1)	(2.4)	0.0
EBITDA	558	587	611	547	570	611	2.1	2.9	0.0
EBIT	244	275	298	232	258	298	4.9	6.3	0.0
Core profit	207	233	253	230	253	253	(9.8)	(7.7)	0.0
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	11.6	11.8	12.0	9.9	10.4	12.0	1.7	1.4	0.0
EBITDA margin	11.6	11.5	11.4	8.9	8.7	11.4	2.7	2.8	0.0
EBIT margin	5.1	5.4	5.6	3.8	3.9	5.6	1.3	1.4	0.0
Core profit margin	4.3	4.6	4.7	4.0	4.2	4.7	0.3	0.4	0.0

Sources: IRC, FSSIA estimates

Exhibit 7: Peer comparison as of 28 November 2024

Company name	BBG	Share	Target	Upside	Market	-- NPAT growth--		---- PE ----		---- ROE ----		---- PBV ----	
	code	price	price		Cap.	24E	25E	24E	25E	24E	25E	24E	25E
		(LCY)	(LCY)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand													
Aapico Hitech*	AH TB	18.20	29.00	59	178	(1.1)	7.1	4.1	3.8	14.0	13.7	0.5	0.5
Inoue Rubber (Thailand)*	IRC TB	14.00	12.40	(11)	78	95.0	(33.4)	8.6	13.0	7.7	5.0	0.6	0.6
Somboon Asvanx Technology*	SAT TB	11.00	13.60	24	136	(26.0)	9.0	6.5	5.9	8.7	9.2	0.6	0.5
Thai Stanly Electric*	STANLY TB	218.00	210.00	(4)	485	0.6	(27.8)	9.7	11.0	8.0	6.9	0.8	0.8
Eastern Polymer Group*	EPG TB	4.12	6.00	46	335	10.3	2.9	8.0	8.1	11.8	11.2	0.9	0.9
Panjawattana Plastic*	PJW TB	2.38	3.00	26	43	(25.3)	38.0	13.1	9.5	8.2	11.3	1.1	1.1
Thailand average					1,255	8.9	(0.7)	8.3	8.6	9.8	9.5	0.8	0.7
Global													
Asvance Auto Part	AAP US	44.44	n/a	n/a	2,655	(53.6)	677.6	206.7	25.7	0.2	3.7	1.1	1.0
AutoZone	AZO US	3,190.10	n/a	n/a	53,926	(1.1)	6.9	20.5	18.2	(57.5)	(71.2)	n/a	n/a
Bapcor Ltd	BAP AU	4.54	n/a	n/a	989	(163.3)	13.0	15.2	13.5	10.6	11.5	1.6	1.5
Genuine Parts	GPC US	126.87	n/a	n/a	17,640	(14.6)	2.8	15.6	14.9	23.0	22.8	3.7	3.4
LKQ Corp	LKQ US	39.13	n/a	n/a	10,172	(3.6)	2.7	11.4	10.7	11.4	14.3	1.6	1.5
Lumax Auto Technologies	LMAX IN	514.40	n/a	n/a	415	20.8	34.5	22.3	16.6	19.2	22.2	3.9	3.3
SJS Enterprises	SJS IN	1,243.15	n/a	n/a	461	41.6	19.7	31.6	26.5	19.0	19.3	5.8	4.8
Global average					86,257	(24.8)	108.2	46.2	18.0	3.7	3.2	2.9	2.6
Overall average					87,512	(9.3)	57.9	28.7	13.6	6.5	6.1	1.8	1.7

Sources: Bloomberg, *FSSIA estimates

Financial Statements

Inoue Rubber (Thailand)

Profit and Loss (THB m) Year Ending Sep	2023	2024	2025E	2026E	2027E
Revenue	5,417	4,581	4,794	5,115	5,337
Cost of goods sold	(5,269)	(4,347)	(4,552)	(4,823)	(5,010)
Gross profit	148	234	242	292	327
Other operating income	402	531	397	392	395
Operating costs	(380)	(402)	(395)	(409)	(424)
Operating EBITDA	513	678	558	587	611
Depreciation	(343)	(316)	(314)	(312)	(313)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	170	362	244	275	298
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	170	362	244	275	298
Tax	(10)	(51)	(37)	(41)	(45)
Profit after tax	160	312	207	233	253
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	160	312	207	233	253
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	160	312	207	233	253
Per share (THB)					
Recurring EPS *	0.83	1.62	1.08	1.21	1.32
Reported EPS	0.83	1.62	1.08	1.21	1.32
DPS	0.42	0.87	0.54	0.61	0.66
Diluted shares (used to calculate per share data)	192	192	192	192	192
Growth					
Revenue (%)	(7.9)	(15.4)	4.6	6.7	4.4
Operating EBITDA (%)	6.2	32.3	(17.8)	5.1	4.1
Operating EBIT (%)	39.0	113.0	(32.7)	12.6	8.4
Recurring EPS (%)	51.2	95.0	(33.4)	12.6	8.4
Reported EPS (%)	51.2	95.0	(33.4)	12.6	8.4
Operating performance					
Gross margin inc. depreciation (%)	2.7	5.1	5.0	5.7	6.1
Gross margin exc. depreciation (%)	9.1	12.0	11.6	11.8	12.0
Operating EBITDA margin (%)	9.5	14.8	11.6	11.5	11.4
Operating EBIT margin (%)	3.1	7.9	5.1	5.4	5.6
Net margin (%)	2.9	6.8	4.3	4.6	4.7
Effective tax rate (%)	6.1	14.0	15.0	15.0	15.0
Dividend payout on recurring profit (%)	50.3	53.6	50.0	50.0	50.0
Interest cover (X)	4,349.5	13,003.3	6,443.6	7,253.6	7,865.1
Inventory days	54.8	57.7	55.4	54.1	53.7
Debtor days	64.4	64.0	57.3	55.8	55.4
Creditor days	72.0	70.4	65.7	64.0	64.2
Operating ROIC (%)	5.9	13.5	9.4	(2.6)	(17.0)
ROIC (%)	4.3	10.5	8.0	(2.2)	(14.4)
ROE (%)	4.1	7.7	5.0	5.5	5.8
ROA (%)	3.1	6.0	3.9	4.4	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Domestic sales	4,359	3,638	3,897	4,158	4,339
Export	1,058	943	896	956	998

Sources: Inoue Rubber (Thailand); FSSIA estimates

Financial Statements

Inoue Rubber (Thailand)

Cash Flow (THB m) Year Ending Sep	2023	2024	2025E	2026E	2027E
Recurring net profit	160	312	207	233	253
Depreciation	343	316	314	312	313
Associates & minorities	0	0	0	0	0
Other non-cash items	15	(144)	0	0	0
Change in working capital	19	71	(286)	(206)	(203)
Cash flow from operations	536	554	235	340	363
Capex - maintenance	-	-	-	-	-
Capex - new investment	(227)	(247)	(202)	(205)	(207)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(4)	(686)	0	0	0
Cash flow from investing	(231)	(932)	(202)	(205)	(207)
Dividends paid	(56)	(80)	(104)	(117)	(127)
Equity finance	0	0	0	0	0
Debt finance	0	0	0	0	0
Other financing cash flows	-	-	-	-	-
Cash flow from financing	(56)	(80)	(104)	(117)	(127)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	1,375	11	91	86
Net other adjustments	0	1,375	11	91	86
Movement in cash	249	917	(60)	109	116
Free cash flow to firm (FCFF)	305.01	(378.14)	33.24	134.69	156.31
Free cash flow to equity (FCFE)	304.97	996.84	44.13	225.49	242.59
Per share (THB)					
FCFF per share	1.59	(1.97)	0.17	0.70	0.81
FCFE per share	1.59	5.19	0.23	1.17	1.26
Recurring cash flow per share	2.69	2.52	2.71	2.84	2.95
Balance Sheet (THB m) Year Ending Sep	2023	2024	2025E	2026E	2027E
Tangible fixed assets (gross)	7,081	7,153	7,449	7,746	8,046
Less: Accumulated depreciation	(5,558)	(5,692)	(6,006)	(6,318)	(6,631)
Tangible fixed assets (net)	1,523	1,461	1,443	1,428	1,415
Intangible fixed assets (net)	40	36	36	35	35
Long-term financial assets	566	45	45	45	45
Invest. in associates & subsidiaries	108	123	123	123	123
Cash & equivalents	1,146	2,062	2,003	2,112	2,228
A/C receivable	863	742	763	800	820
Inventories	642	633	653	683	698
Other current assets	6	37	48	51	53
Current assets	2,657	3,474	3,468	3,647	3,799
Other assets	139	141	163	169	173
Total assets	5,032	5,280	5,277	5,447	5,591
Common equity	3,929	4,173	4,196	4,316	4,445
Minorities etc.	0	0	0	0	0
Total shareholders' equity	3,929	4,173	4,196	4,316	4,445
Long term debt	0	0	0	0	0
Other long-term liabilities	298	307	273	271	261
Long-term liabilities	299	307	273	271	261
A/C payable	795	760	766	816	836
Short term debt	0	0	0	0	1
Other current liabilities	9	40	42	44	46
Current liabilities	804	800	808	860	884
Total liabilities and shareholders' equity	5,032	5,280	5,277	5,447	5,591
Net working capital	707	611	657	675	689
Invested capital	3,082	2,417	2,467	2,475	2,480
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	20.44	21.71	21.83	22.45	23.13
Tangible book value per share	20.24	21.52	21.64	22.27	22.95
Financial strength					
Net debt/equity (%)	(29.2)	(49.4)	(47.7)	(48.9)	(50.1)
Net debt/total assets (%)	(22.8)	(39.1)	(37.9)	(38.8)	(39.8)
Current ratio (x)	3.3	4.3	4.3	4.2	4.3
CF interest cover (x)	13,610.5	44,625.6	6,500.9	11,369.7	11,874.2
Valuation	2023	2024	2025E	2026E	2027E
Recurring P/E (x) *	16.8	8.6	13.0	11.5	10.6
Recurring P/E @ target price (x) *	14.9	7.7	11.5	10.2	9.4
Reported P/E (x)	16.8	8.6	13.0	11.5	10.6
Dividend yield (%)	3.0	6.2	3.9	4.3	4.7
Price/book (x)	0.7	0.6	0.6	0.6	0.6
Price/tangible book (x)	0.7	0.7	0.6	0.6	0.6
EV/EBITDA (x) **	3.0	0.9	1.2	1.0	0.8
EV/EBITDA @ target price (x) **	2.4	0.5	0.7	0.5	0.3
EV/invested capital (x)	0.5	0.3	0.3	0.2	0.2
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Inoue Rubber (Thailand); FSSIA estimates

INOUE RUBBER (THAILAND) (IRC TB)

FSSIA ESG rating

★ ★

Exhibit 8: FSSIA ESG score implication

26.17 /100

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

Exhibit 9: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	67.71	5.69	4.38	4.05	4.77	4.43	4.02	Medium	57.34	BBB	22.70	60.82	67.31	1.19	35.34
Coverage	66.17	5.16	4.33	3.94	4.81	4.43	3.83	Medium	56.41	BBB	18.92	59.20	65.82	1.38	35.46
AH	35.14	--	Y	A	5.00	4.00	Certified	--	--	--	--	30.05	--	--	47.73
IRC	26.17	--	--	A	5.00	5.00	--	--	--	--	--	49.34	--	--	--
SAT	43.39	--	Y	AA	5.00	5.00	Certified	--	--	--	--	55.29	29.00	--	57.08
STANLY	9.00	--	--	--	4.00	--	--	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 10: ESG disclosure from the company's one report

FY ending Sep 30		FY 2023	FY ending Sep 30		FY 2023
Environmental			Governance		
Climate change policy			Board size / Independent directors (ID) / Female		
Climate change opportunities discussed			No. of board meetings for the year / % attendance		
GHG scope 2 location-based policy			Company conducts board evaluations		
Biodiversity policy			Number of non-executive directors on board		
Energy efficiency policy			Director share ownership guidelines		
Electricity used			Board age limit		
Fuel used - crude oil/diesel			Age of the youngest / oldest director		
Waste reduction policy			Number of executives / female		
Water policy			Executive share ownership guidelines		
Water consumption			Size of audit committee / ID		
Social			Audit committee meetings		
Human rights policy			Audit committee meeting attendance (%)		
Policy against child labor			Size of compensation committee		
Quality assurance and recall policy			Number of compensation committee meetings		
Consumer data protection policy			Compensation committee meeting attendance (%)		
Equal opportunity policy			Size of nomination committee / ID		
Gender pay gap breakout			Number of nomination committee meetings		
Pct women in workforce			Nomination committee meeting attendance (%)		
Business ethics policy			Board compensation (THB m)		
Anti-bribery ethics policy			Auditor fee (THB m)		
Health and safety policy			(PricewaterhouseCoopers ABAS Ltd.)		
Lost time incident rate - employees					
Training policy					
Fair remuneration policy					
Number of employees - CSR					
Total hours spent by firm - employee training					
Social supply chain management					

Source: FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) 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.																				
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 SETESG inclusion , 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. SETESG Index is extended from the SET ESG Ratings 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.																				
CG Score 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%).																				
AGM level 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&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.																				
Thai CAC 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.																				
Morningstar Sustainalytics	The Sustainalytics' 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 & 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	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.																				
MSCI	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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</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>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	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.																					
Refinitiv ESG rating	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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	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.																					
Bloomberg	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

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Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Inoue Rubber (Thailand)	IRC TB	THB 14.00	REDUCE	Upside risks to our P/E-based TP include 1) stronger demand from the automotive industry; 2) a sharp decrease in the price of crude oil; and 3) chip oversupply.
AAPICO Hitech	AH TB	THB 18.20	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 11.00	BUY	The key downside risks to our P/E-based TP are the domestic car manufacturing industry recovering slower 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 218.00	HOLD	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.
Eastern Polymer Group	EPG TB	THB 4.12	BUY	Downside risks to our EV/EBITDA-based TP include 1) slow demand for pickup trucks and plastic packaging; 2) rising costs of oil-linked raw materials; 3) rising cost of funds; and 4) the fluctuation in foreign exchange rates.
Panjawattana Plastic	PJW TB	THB 2.38	BUY	Downside risks ต่อราคาเป้าหมายของเรา ได้แก่ 1) ราคาเม็ดพลาสติกปรับตัวสูงขึ้นอย่างรวดเร็วโดยบริษัทไม่สามารถปรับราคาขายได้ทัน 2) อัตราดอกเบี้ยเงินกู้ปรับสูงขึ้น

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 28-Nov-2024 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.