

Thailand Automotive

The road is tough

- In January 2025, vehicle production dropped by 24.6% y-y to 107,000 units, accounting for only 7% of the full-year target of the FTI.
- Domestic sales declined 12.3% y-y, with the sharpest declines seen in pickup trucks and commercial vehicles, reflecting weak business confidence.
- Maintain Underweight despite cheap valuations.

The year 2024 was gloomy

The year 2024 has been a difficult year for Thailand's automotive industry. Both production and domestic sales declined continuously every quarter due to a sluggish economy, high household debt, and stricter financial regulations. As a result, total vehicle production in 2024 stood at 1.47m units, -20.2% y-y, marking the lowest level in four years, driven mainly by a sharp contraction in domestic sales, which dropped by 26.2% y-y to only 573,000 units, the lowest in 15 years, even falling below levels seen during the COVID-19 crisis. Also, vehicle exports decreased by 8.8% y-y.

All manufacturers experienced a decline in 2024 profits

Automakers in Thailand faced intense competition, particularly on pricing, driven by the rise of electric vehicles (EVs). The year 2024 marked the beginning of local EV production, supported by the government's EV 3.0 policy. As a result, revenue and profits for automotive businesses contracted to the lowest level in four years since the recovery from COVID-19. The four companies under our coverage reported total sales and service revenue of THB53.0b in 2024 (-10.2% y-y), with all of them experiencing a decline. Their core profit also dropped by 25.7% y-y to THB3.5b, primarily due to shrinking gross margins, as well as persistently high SG&A expenses and interest costs.

Vehicle production and domestic sales in January 2025 continued to contract

For 2025, the Federation of Thai Industries (FTI) has set a vehicle production target of 1.5m units, remaining stable compared to 2024. However, in January 2025, vehicle production dropped by 24.6% y-y to 107,000 units, accounting for only 7% of the full-year target. Moreover, vehicle exports stood at 62,321 units, -28.1% y-y, while domestic sales reached 48,092 units, -12.3% y-y. The sharpest declines were seen in pickup trucks and commercial vehicles, reflecting weak business confidence, which has yet to show signs of improvement. In January 2025, the Business Confidence Index stood at 48.5, remaining close to December 2024's level of 48.4, and staying below the 50 threshold for the 17th consecutive month.

Maintain Underweight despite cheap valuations

We maintain the auto sector at Underweight due to slower profit growth and a prolonged recovery, which we expect to take at least half a year. Although the stocks are undervalued, we believe it is too early to invest.



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Exhibit 1: Thailand vehicle production by market

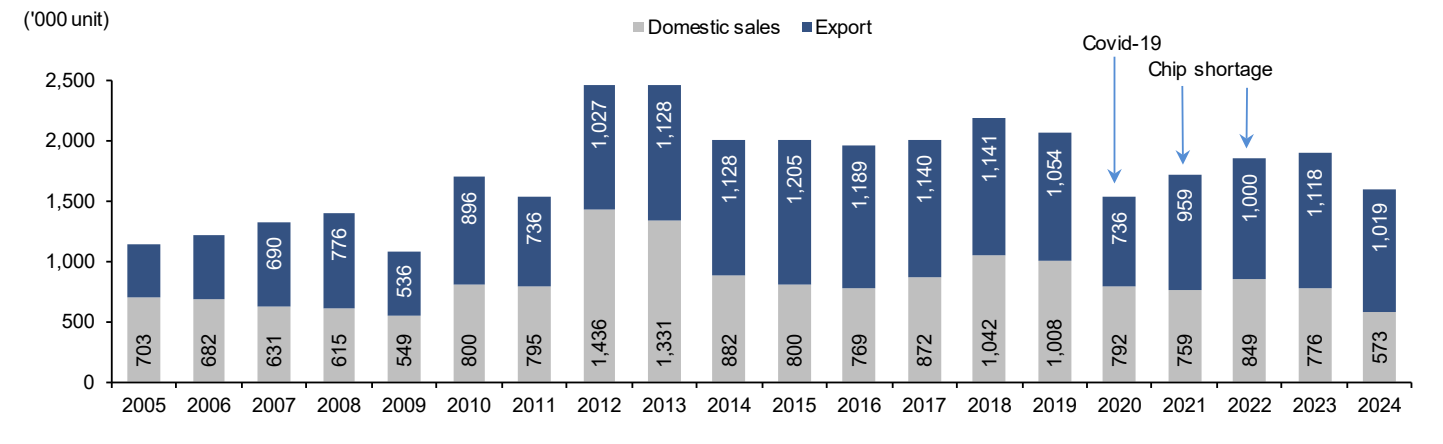


Exhibit 2: Thailand vehicle production by type

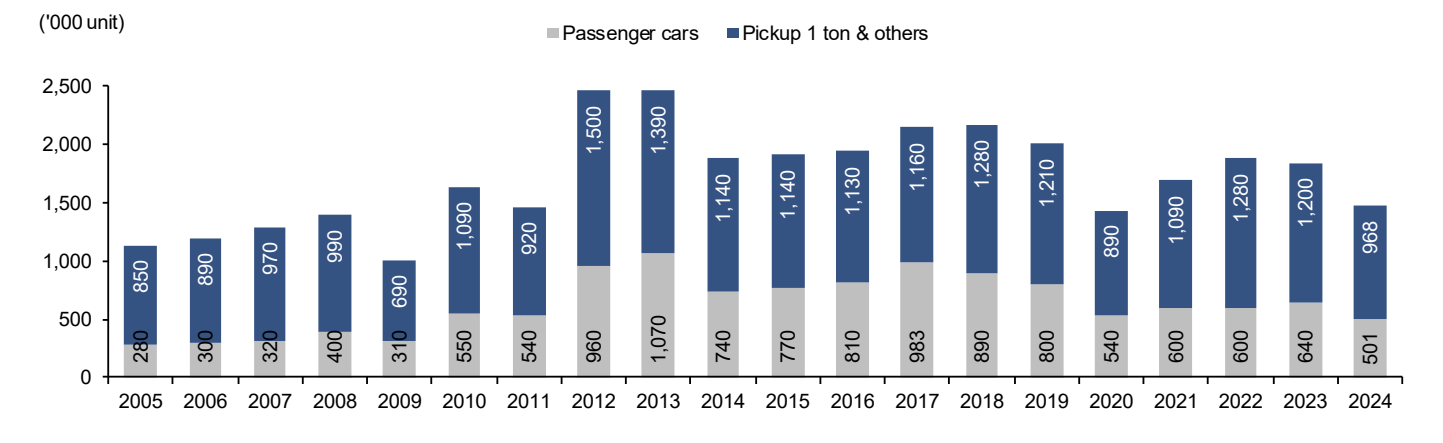
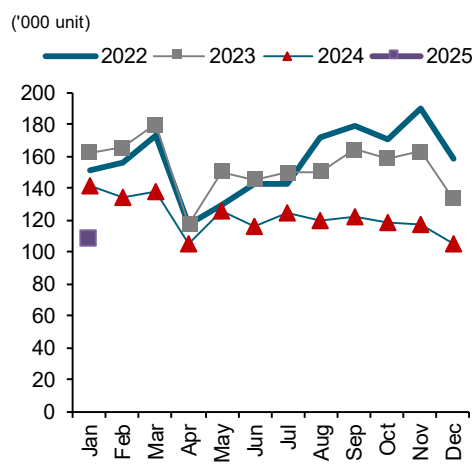
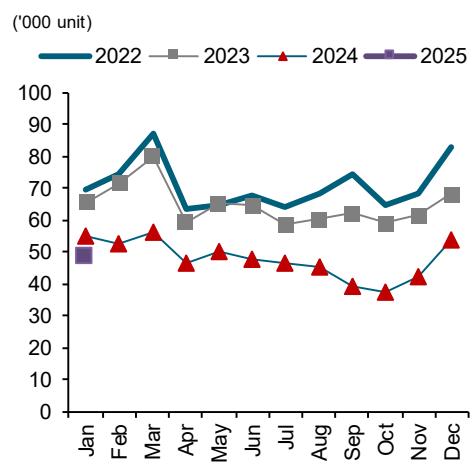


Exhibit 3: Car production



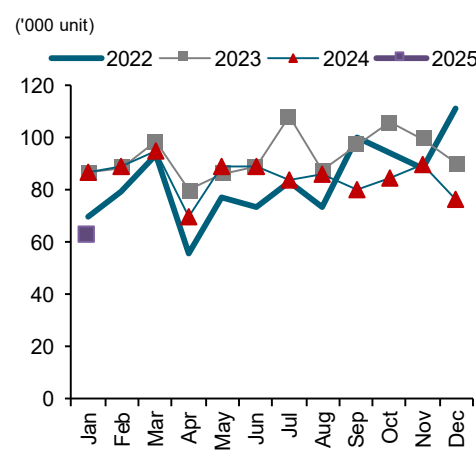
Source: The Federation of Thai Industries

Exhibit 4: Domestic car sales



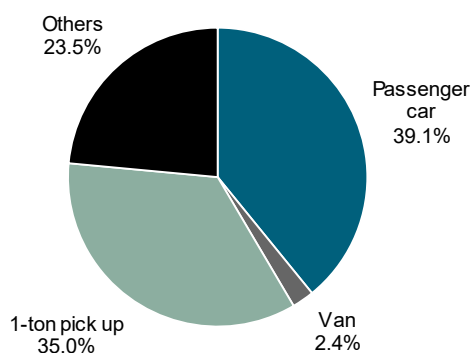
Source: The Federation of Thai Industries

Exhibit 5: Car exports



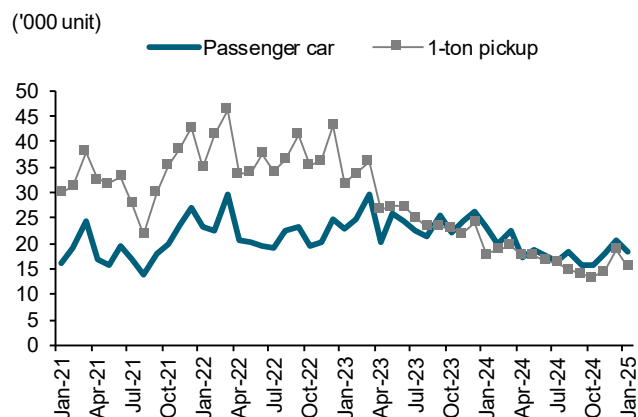
Source: The Federation of Thai Industries

Exhibit 6: Domestic car sales by type, 2024



Source: The Federation of Thai Industries

Exhibit 7: Passenger car & one-ton pickup sales



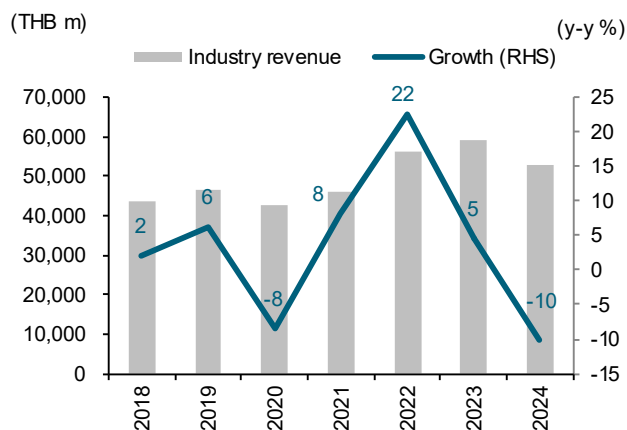
Source: The Federation of Thai Industries

Exhibit 8: Aggregate auto industry – sales revenue

	2018	2019	2020	2021	2022	2023	2024
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
AH	16,738	18,389	17,172	20,433	27,967	30,034	26,588
IRC	5,562	5,430	4,364	5,297	5,883	5,417	4,581
SAT	8,194	8,006	5,883	8,598	8,931	9,089	7,429
STANLY	13,220	14,635	15,150	11,728	13,582	14,448	14,380
Industry revenue	43,715	46,459	42,569	46,056	56,364	58,988	52,977
Growth (y-y %)	2.1	6.3	(8.4)	8.2	22.4	4.7	(10.2)

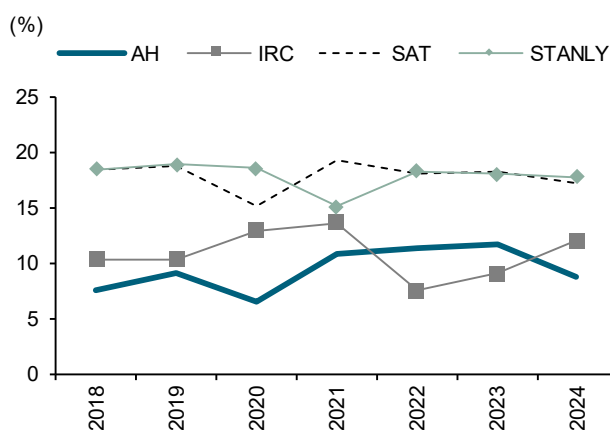
Sources: Company data, FSSIA's compilation

Exhibit 9: Aggregate auto industry – revenue and growth



Sources: Company data, FSSIA's compilation

Exhibit 10: Aggregate auto industry – gross margins



Sources: Company data, FSSIA's compilation

Exhibit 11: Aggregate auto industry – core profit

	2018	2019	2020	2021	2022	2023	2024
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
AH	1,314	941	146	792	1,708	1,771	721
IRC	359	237	219	340	110	160	312
SAT	912	894	384	955	948	979	701
STANLY	1,639	2,027	1,981	1,034	1,496	1,742	1,724
Industry core profit	4,224	4,098	2,730	3,121	4,262	4,651	3,457
Growth (y-y %)	9.7	(3.0)	(33.4)	14.3	36.6	9.1	(25.7)

Sources: Company data, 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 Sustainabilitycs	The Sustainabilitycs' 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+										
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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

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

AAPICO Hitech (AH TB)



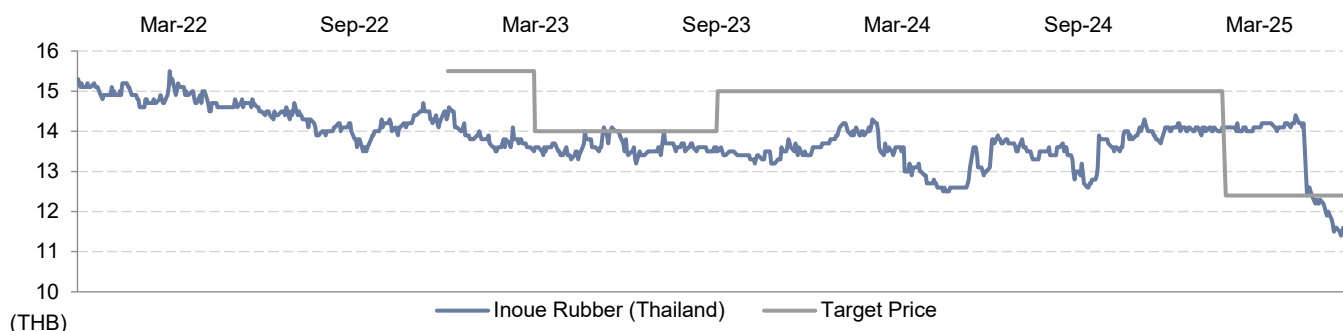
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Apr-2022	BUY	28.00	25-Nov-2022	BUY	42.00	29-May-2024	BUY	29.00
01-Aug-2022	BUY	29.50	11-Oct-2023	BUY	45.00	19-Mar-2025	HOLD	13.50
28-Oct-2022	BUY	35.50	14-Mar-2024	BUY	35.00			

Jitra Amornthum started covering this stock from 11-Oct-2023

Price and TP are in local currency

Source: FSSIA estimates

Inoue Rubber (Thailand) (IRC TB)



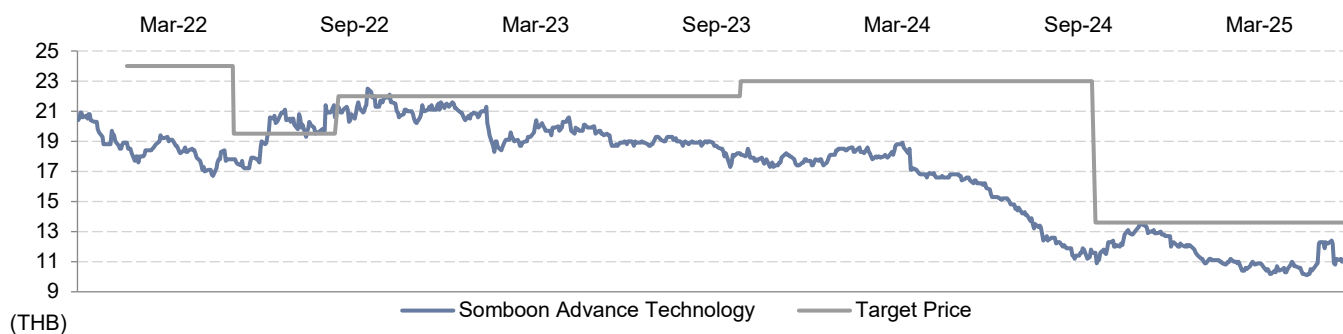
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Feb-2023	HOLD	15.50	21-Sep-2023	BUY	15.00	29-Nov-2024	REDUCE	12.40
17-Apr-2023	HOLD	14.00	05-Feb-2024	HOLD	15.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Somboon Advance Technology (SAT TB)



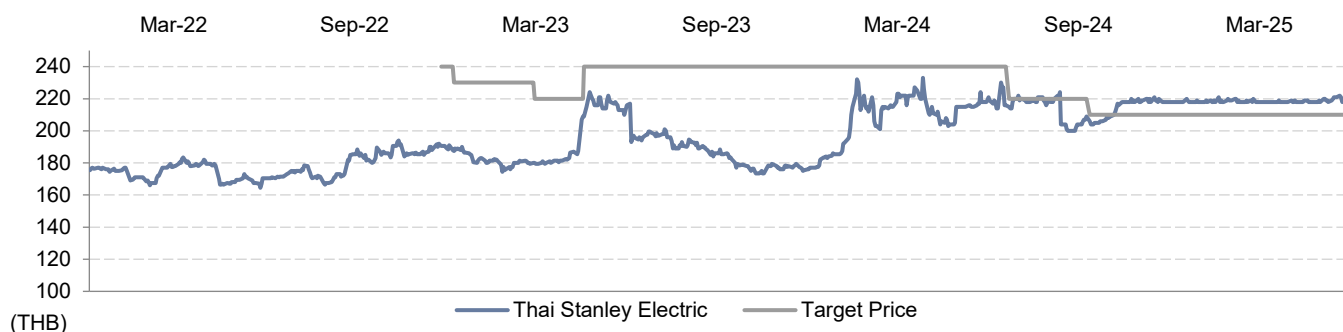
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Apr-2022	BUY	24.00	28-Oct-2022	HOLD	22.00	09-Aug-2024	BUY	13.60
01-Aug-2022	HOLD	19.50	11-Oct-2023	BUY	23.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Thai Stanley Electric (STANLY TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2023	BUY	240.00	10-Apr-2023	BUY	220.00	24-May-2024	HOLD	220.00
30-Jan-2023	BUY	230.00	23-May-2023	BUY	240.00	02-Aug-2024	HOLD	210.00

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
AAPICO Hitech	AH TB	THB 12.70	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. Upside risks to our P/E-based TP include 1) consumer spending recovering quicker than anticipated; 2) financial institutions easing lending restrictions; and 3) the government implementing policies to boost automotive sales.
Inoue Rubber (Thailand)	IRC TB	THB 11.40	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.
Somboon Advance Technology	SAT TB	THB 11.50	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 221.00	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.

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 19-Mar-2025 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.