

Thailand Morning Cuppa

Top Story

Ratch Group (RATCH TB, BUY, TP: THB68.00)

Surprise Cash Call, New Huge Investment; BUY

Company Update

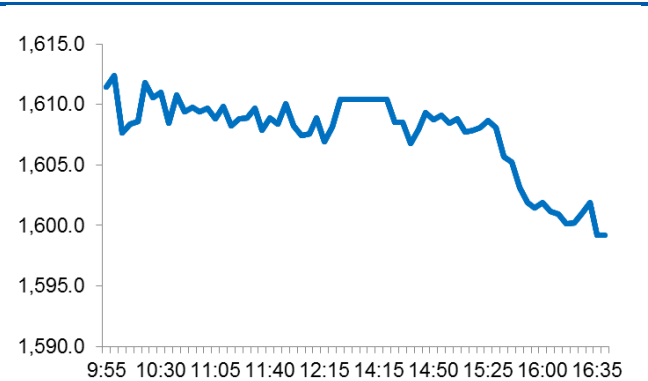
Keep BUY and THB68.00 TP, 35% upside with c.5% yield. We believe the latest capital increase will shock investors negatively and be a short-term overhang for Ratch Group. We also think its new huge Indonesia investment is a double-edged sword. That said, investors should look further for growth prospects via its future proceeds plans. The current share price also provides compelling 12x P/E with a well-paid yield.

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Today's Report: [Ratch Group : Surprise Cash Call, New Huge Investment; BUY \(23 Jun 2021\)](#)

Previous Report: [Ratch Group : Flagging Long-Term Targets In 2025; Keep BUY \(31 May 2021\)](#)

Chart 1: SET intra-day graph



SET	2019	2020	2021F	2022F
PE (x)	18.02	25.96	19.11	16.67
P/BV (x)	1.71	1.61	1.77	1.69
Yield (%)	3.28	3.26	2.61	2.86

SET Value by investor Type: Daily	Buy	Sell	Net
	(THBm)	(THBm)	(THBm)
Institution	3,548.05	3,825.46	-277.42
Proprietary	8,726.96	7,936.10	790.86
Foreign	30,993.74	32,311.73	-1,318.00
Retail	38,323.99	37,519.44	804.55

SET Value by investor Type	MTD	YTD
	(THBm)	(THBm)
Institution	-3,441.86	-40,078.74
Proprietary	3,567.17	5,737.56
Foreign	-4,504.66	-70,715.48
Retail	4,379.35	105,056.66

SET50 Index Future	Long	Short	Net	MTD	YTD
Institution	24,255	24,289	-34	5,272	42,951
Foreign	65,897	49,769	16,128	-35,003	-8,182
Local	58,520	74,614	-16,094	29,731	-34,769

Foreign Fund Flows (USDm)	MTD	YTD	YoY		
Thailand	-41.6	-144.1	-140.5	-2295.5	4993.4

Note: *As at 22 Jun 2021 closing

Table 1: Key market indices (23 Jun 2021)

	Index	Chg	Chg (%)	YTD (%)
Thailand (SET)	1599.23	-1.90	-0.12%	10.3%
Thailand (SET50)	961.99	-1.00	-0.10%	5.7%
Thailand (SET100)	2194.80	-1.74	-0.08%	7.7%
USA (Dow Jones)	33945.58	68.61	0.20%	10.9%
USA (S&P500)	4246.44	21.65	0.51%	13.1%
USA (Nasdaq)	14253.27	111.79	0.79%	10.6%
UK (FTSE)	7090.01	27.72	0.39%	9.7%
Singapore (FSSTI)	3109.20	-8.67	-0.28%	9.3%
Hong Kong (Hang Seng)	28309.76	-179.24	-0.63%	4.0%
Japan (Nikkei)	28884.13	873.20	3.12%	5.2%
Malaysia (KLIC)	1574.02	1.78	0.11%	-3.3%
China (SHANGHAI SE)	3557.41	28.23	0.80%	2.4%
Indonesia (JCI)	6087.84	91.59	1.53%	1.8%

Foreign Exchange Rates / Oil Market

USD	Closed	Chg	Chg (%)
Baht (Onshore)	31.69	-0.03	0.08
Yen	110.73	0.08	-0.07
Euro	1.19	0.00	-0.01

Oil Price (USD/barrel)		Chg	Chg (%)
Brent	74.52	-0.08	-0.11
Nymex-Crude Light	72.89	0.04	0.05

Note: *As at 22 Jun 2021 closing

Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
Banks NBFIs Tisco Financial Group (TISCO TB) Siam Commercial Bank (SCB TB) Muangthai Capital (MTC TB) Srisawad (SAWAD TB)	<p>According to a news report, Bank of Thailand (BoT) is likely to review only consumer loans that have a ceiling rate of over 20% pa. These include title (24%), personal (25%), and nano loans (33%), but not credit card loans (16%).</p> <p>BoT is expected to meet with financial institutions sometime this week to discuss the matter. The new policies are expected to be implemented, with a temporary term of 18 months (2H21-2022) and the ceiling interest rate lowered by about 1-2-ppts to help support customers affected by the pandemic. <i>(Kaohoon)</i></p>	<p>We believe the 1-2 ppts reduction in ceiling rates will not have any significant negative impact on financial institutions' consumer finance segments or their overall earnings. This is mainly because interest rates charged on the said customers loans are generally lower than the ceiling rates. Furthermore, banks do not have material exposure to the aforementioned loan types.</p> <p>Auto title loans, which account for c.15% of Tisco Financial Group's (TISCO) total loans, have an average yield of only c.11%. Siam Commercial Bank (SCB) has less than 6% of total loans consisting of personal loans with an average yield of c.18%. Meanwhile, Muangthai Capital (MTC) and Srisawad's (SAWAD) vehicle title loan rates are at c.11% and 15%.</p> <p>The lower effective rates charged by financial institutions for these consumer loans are partly due to keen competition within the industry. We believe the more gap there is between the ceiling rate and actual rates charged, the safer they are. Furthermore, our sensitivity analysis suggests that every 100bps change in NIM will result in a 6-8% change in the 2021F net profits of MTC and SAWAD. We maintain our calls and TPs for the stocks mentioned above (except SAWAD) while retaining the sector recommendations for banks and NBFIs.</p>	<p>Sectors: Banks: OVERWEIGHT NBFIs: NEUTRAL</p> <p>Stocks: TISCO: BUY, TP: THB11.00 SCB: NEUTRAL, TP: THB107.00 MTC: BUY, TP: THB73.00 SAWAD: NOT RATED</p>

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Airports of Thailand (AOT TB)	73.50	11.36	<ul style="list-style-type: none"> • 2QFY21F's performance may be the weakest of the year, before gradually improving with smaller losses throughout 2HFY21, while an earnings turnaround in FY22 may also support AOT's long-term outlook. • Local aviation sees favourable recovery: its domestic recovery may approach pre-pandemic levels by FY23, a year ahead of the international side. • The Government's latest approval for Phase 3 of the "We Travel Together" local tourism stimulus campaign, from May to August, may be a catalyst and boost flight numbers. • As the first-tier tourism player, AOT may strongly underpin the revival of the tourism industry, while the weakening short-term sentiment and earnings present investors with an opportunity to BUY.
Bangkok Bank (BBL TB)	153.00	31.33	<ul style="list-style-type: none"> • One of Thailand's large banks which operates its business conservatively but surely. • BBL has less NPL risks than peers due to its high exposure to corporate customers (c.40% of total loans) which are robust than other groups. This is also the reason why the bank has lowest proportion of customers under debt relief measures among peers. • BBL's strong capital ratio and manageable NPL level are enable it to ready to pay normal dividend without any concerns except the BoT's regulations. • FY21 earnings is expected to recover strongly YoY, underpinned by a decrease in provisions, improved cost structure, continued loan growth (mainly from corporate and international loans), and a rebound in fee incomes. • Undemanding valuation with current P/BV at 0.5x.
Central Pattana (CPN TB)	61.00	10.41	<ul style="list-style-type: none"> • Improving sentiment for its retail mall operations, based on indirect benefits from the year-end tax rebate for shopping campaigns. • Rental rate discounts may marginally improve, with no material impact from temporary political rallies, on store traffic. • Efficient cost control measures have lowered its variable and fixed costs, mainly utility and marketing expenses, while profit margins are likely on the uptrend on the back of reviving retail mall operations. • Residential business sees stronger sales momentum in 4Q20 – the industry's high season – based on more high-rise unit transfers, along with low-rise projects in Bangkok and upcountry.
Charoen Pokphand Foods (CPF TB)	38.00	40.74	<ul style="list-style-type: none"> • The uptrend of its core business should be prolonged, given the tighter supply conditions due to the African Swine Fever outbreak in Asia, with relatively low feed costs that remain in place – although Charoen Pokphand Foods should benefit from lower policy rates and a weakening THB. • Upside from the acquisition of Tesco Thailand and Tesco Malaysia. While we expect the company to enhance its fresh products distribution channel by tapping into the hypermarket network, we think CPF could also ramp up its food services in Tesco's retail space, going forward. • Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross-selling between retail trading formats.
CP All (CPALL TB)	75.00	22.95	<ul style="list-style-type: none"> • V-shaped earnings recovery, with continued opening of new stores, while Siam Makro's operations remain solid. • As it has the most extensive store network, CPALL may strongly benefit the new normal in terms of facilitating delivery of products and services through its developing omni-channel platform. • Still the best-in-class retailer with intact new store opening plan. Expect full-year earnings returning to pre-pandemic levels in 2021. • To finance the acquisition of Tesco Lotus with a combination of debt and perpetual debentures to balance its leverage.
Home Product Center (HMPRO TB)	17.00	13.33	<ul style="list-style-type: none"> • Expecting normalising earnings in FY21 – to be supported by full-year operations of all stores and retail malls vs a temporary closure from late March to mid-May, with profit margins approaching pre-pandemic levels. • HMPRO's investment in Vietnam may strongly benefit growing urbanisation and a potential rise in the construction sector. • Quarterly earnings momentum will continue its upward trajectory in 1Q21. • Rapid improvement in sustainability development may allow the stock to continue trading at a premium.

Top BUYs

	TP (THB)	Upside (%)	Catalysts
Krung Thai Bank (KTB TB)	14.30	32.41	<ul style="list-style-type: none"> The laggard of the sector with undemanding valuation plus an earnings recovery. Outstanding loan proportion from corporate and government & state-owned enterprise customers (43% of total loans). Public investment via Gov.'s disbursement scheme should help to drawdown loans from KTB. FY21F earnings is set to rebound like other banks, mainly on lower set of provisions, improved fee incomes, while its NII is likely to maintain following a gradual rise in loan offsetting lower NIM. The valuation is compelling with current P/BV at 0.4x.
Muangthai Capital (MTC TB)	73.00	25.32	<ul style="list-style-type: none"> One of the leaders in microfinance market which provides a variety of loan products. Ample opportunities to grow through the ocean of untapped customers who cannot reach credits from traditional banks. Management's extensive experiences, aggressive new branch expansion, well-known brand will be the keys to drive robust earnings over other players. FY21-23 earnings are expected to grow CAGR of 20%, driven by a growth in loan, lower CIR, sustained NIM, and controlled asset quality. The continued economic recovery should gradually help to improve loan demand, credit cost, and asset quality. TIDLOR's IPO plan in early-May 21 would be the short-term catalyst to drive MTC's share price.
PTT (PTT TB)	51.50	28.75	<ul style="list-style-type: none"> We expect strong earnings rebound in 2021 in tandem with economic recovery, on the back of gradual global vaccination rollout. E&P arm will benefit from higher oil prices while the refineries and petrochemical arms will see pick-up in refined product spreads and wider petrochemical spreads. PTT is targeting to increase its renewable energy capacity to 3GW by 2025, with the primary focus on solar and wind in countries such as China, Vietnam, Taiwan and India.
Siam Cement (SCC TB)	500.00	21.36	<ul style="list-style-type: none"> Petrochemicals is currently in an upcycle. HDPE-naphtha spread in 1Q21 should remain as high as levels recorded in 4Q20, while the polypropylene-naphtha spread reached another high in 1Q21. SCC's polyolefin sales volumes returned to normal levels after the turnaround of the Map Ta Phut olefin cracker was completed in 4Q20. The improvement in cement & building materials business should be noticeable in 1Q21, with cement demand growing 1-2% in Thailand. This would be due to stronger demand from the residential property sector in provincial areas, and continuously solid demand stemming from government infrastructure projects. FY21 will start out with strong earnings growth in 1Q21, while the petrochemical division may be driven by higher production volume after de-bottlenecking the Map Ta Phut olefin cracker finishing 2Q21. For 2H21, we expect a brighter outlook for the cement & building materials business especially in ASEAN countries, when construction activities resume to normal.

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