

T-Buy (from Buy)

CGR Scoring Rating


 Share price: THB29.25
 Target price: THB32.00 (from 48.00)

Suttatip Peerasub

<http://www.maybank-ke.co.th>

(662) 658-6300

Stock Information

Description : The Company operates mass media businesses; Modernine TV, MCOT radio stations and the Thai News Agency with subsidiaries in television programming, documentary production and other entertainment businesses. In addition, it also operates joint operating agreements with Bangkok Entertainment Co., Ltd. operating television Channel 3 and True Visions PCL operating a cable TV operation under the name of True Visions.

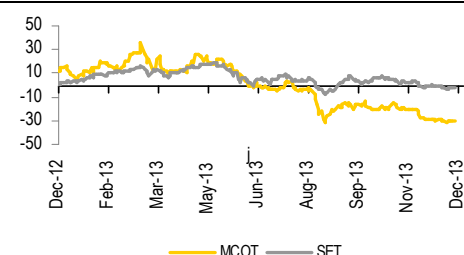
Ticker :	MCOT
Shares Issued (m):	687
Market Cap (THB m)	88,997
Market Cap (US\$ m)	614.61
3-mth Avg Daily Turnover (THB m)	451.40
SET INDEX	1,342.72
Free float (%)	22.71

Major Shareholders :	%
The Ministry of Finance	65.80
Government Savings Bank	11.48

Key Indicators

ROE – annualised (%)	20.8
Net cash (THB m):	Net cash
NTA/shr (THB):	11.7
Interest cover (x):	230.5

Historical Chart



Performance

52-week High/Low	THB 56.75/THB 28.50				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	-12.0	-16.4	-29.1	-29.9	-37.8
Relative (%)	-7.5	-7.5	-28.0	-28.1	-35.5

MCOT Plc. (MCOT)

Downgrade earnings and recommendation

We have downgraded MCOT rating from Buy to Trading Buy to price in the slower ad industry growth and declining market share of Channel 9. The advent of Digital TV in February 2014 will increase competition level. With the earnings revision, our DCF-based TP is cut to Bt32. However, we have not priced in networking business which is expected to add Bt2 value to our TP. MCOT still has strong financial position with expected dividend yield of around 7%.

Downgrade earnings. We cut the 2013-14 earnings projection down 10-11% to factor in the slowdown ad industry growth, declining market share & audience share of Channel 9 and provisioning for litigation after the Administrative Court ruling on MCOT to pay compensation to the Rai Som Company. The net profit is now forecast at Bt1.672bn (-5% YoY) in 2013 and Bt1.803bn (+8% YoY) in 2014.

4Q13 profit to recover QoQ but flat YoY. We expect the 4Q13 earnings to improve QoQ from the seasonal impact, more revenues from producing government programs and more marketing activities such as Miss Thailand contest. However, the profit is estimated to remain flat YoY due to a declining market share and rising production costs.

Higher competition. The slower ad industry growth, a declining market share of Channel 9, and the increasing production costs due to more own-produced programs should hurt MCOT profitability. The advent of Digital TV after the bid on 26-27 Dec will raise the competition level in TV industry and will likely affect Channel 9 revenue.

Networking business to add Bt2. MCOT has received the license to operate the network business for DTV, with MUX income of Bt4.76mn/month for SD channel and Bt14.28mn/month for HD. Assuming the network service for 2 HD Channels and 6 SD Channels, we expect the networking business to add 4-7% to the 2014-2015 bottom line or add Bt2 to our current TP.

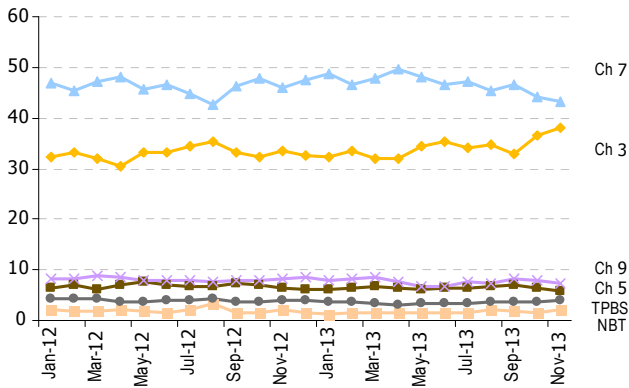
Risks : Lower utilization rate, losing the law suit, political uncertainty affecting government project revenue and higher competition with the advent of DTV.

MCOT – Summary Earnings Table

FYE: Dec 31 (THB m)	2011	2012	2013F	2014F	2015F
Revenue	5,142	5,729	5,889	6,219	6,576
EBITDA	2,598	2,872	2,723	2,905	3,085
Recurring Net Profit	1,356	1,759	1,717	1,803	1,928
Net profit	1,356	1,759	1,672	1,803	1,928
EPS (Bt)	1.97	2.56	2.43	2.62	2.81
EPS growth (%)	(4.7)	29.7	(4.9)	7.8	6.9
DPS (Bt)	2.00	2.30	2.00	2.20	2.30
PER	14.8	11.4	12.0	11.1	10.4
EV/EBITDA (x)	6.1	5.4	5.6	5.4	4.9
Div Yield (%)	6.8	7.9	6.8	7.5	7.9
P/BV(x)	2.6	2.5	2.5	2.4	2.3
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	17.8	22.6	20.8	21.9	22.3
ROA (%)	12.8	16.1	14.5	14.9	15.5
Cons. Net Profit (THB m)	-	-	1,728	1,836	1,956

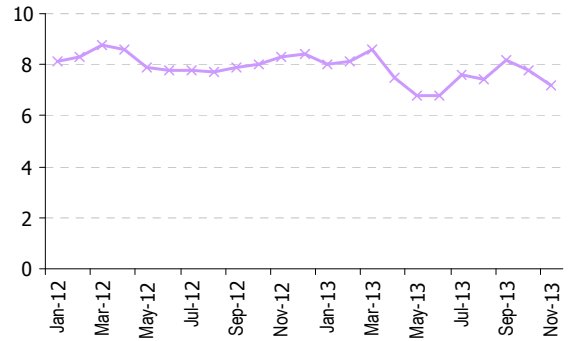
Source: Company reports and MBKET.

Figure 1: Audience share



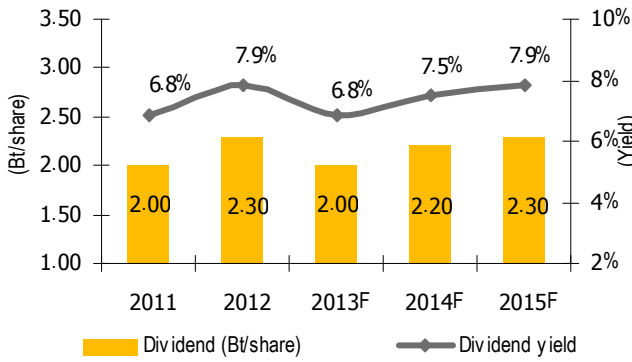
Source: The Nielsen Company (Thailand)

Figure 2: Audience share of Channel 9



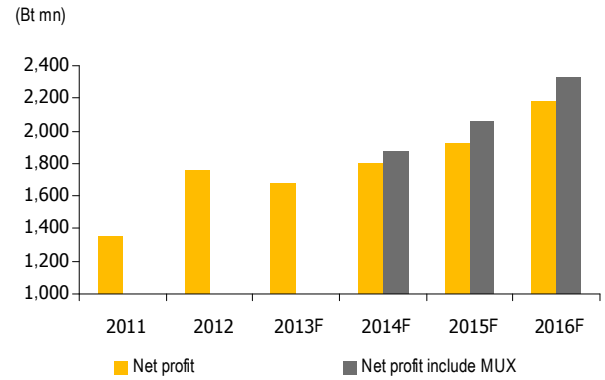
Source: The Nielsen Company (Thailand)

Figure 3: Dividend payment and yield



Source: Company reports and MBKET

Figure 4: Net profit and net profit including MUX



Source: Company reports and MBKET

INCOME STATEMENT (Btmn)

FY December	2012	2013F	2014F	2015F
Revenue	5,729	5,889	6,219	6,576
EBITDA	2,872	2,723	2,905	3,085
Depreciation & Amortisation	542	563	628	659
Operating Profit (EBIT)	2,330	2,159	2,277	2,426
Interest (Exp)/Inc	10	9	19	12
Associates	0	0	0	0
One-offs	0	-45	0	0
Pre-Tax Profit	2,319	2,150	2,258	2,414
Tax	551	430	452	483
Minority Interest	10	3	3	3
Net Profit	1,759	1,672	1,803	1,928
Recurring Net Profit	1,759	1,717	1,803	1,928
Revenue Growth %	11.4	2.8	5.6	5.7
EBITDA Growth (%)	10.5	(5.2)	6.7	6.2
EBIT Growth (%)	13.3	(7.3)	5.4	6.6
Net Profit Growth (%)	29.7	(4.9)	7.8	6.9
Recurring Net Profit Growth (%)	29.7	(2.4)	5.0	6.9
Tax Rate %	23.8	20.0	20.0	20.0

BALANCE SHEET (Btmn)

FY December	2012	2013F	2014F	2015F
Fixed Assets	4,250	4,532	5,151	5,039
Other LT Assets	760	760	760	760
Cash/ST Investments	4,610	4,997	4,711	5,054
Other Current Assets	1,627	1,595	1,714	1,747
Total Assets	11,248	11,883	12,337	12,601
ST Debt	6	126	178	16
Other Current Liabilities	1,952	2,197	2,234	2,348
LT Debt	5	98	140	12
Other LT Liabilities	1,247	1,328	1,288	1,308
Minority Interest	59	62	65	68
Shareholders' Equity	7,980	8,073	8,432	8,848
Total Liabilities-Capital	11,248	11,884	12,337	12,601
Share Capital (m)	3,435	3,435	3,435	3,435
Gross Debt/(Cash)	10	224	318	28
Net Debt/(Cash)	Net cash	Net cash	Net cash	Net cash
Working Capital	-325	-602	-520	-601
BVPS	11.61	11.75	12.27	12.88

CASH FLOW (Btmn)

FY December	2012	2013F	2014F	2015F
Profit before taxation	2,319	2,150	2,258	2,414
Depreciation	542	563	628	659
Net interest receipts/(payments)	10	9	19	12
Working capital change	232	277	-82	81
Cash tax paid	-551	-430	-452	-483
Others (incl'd exceptional items)	-20	-12	-23	-14
Cash flow from operations	2,533	2,558	2,348	2,670
Capex	-572	-845	-1,247	-548
Disposal/(purchase)	0	0	0	0
Others	-759	-216	200	-300
Cash flow from investing	-1,330	-1,061	-1,047	-848
Debt raised/(repaid)	177	-133	44	-22
Equity raised/(repaid)	-4	3	3	3
Dividends (paid)	-1,374	-1,580	-1,443	-1,512
Interest payments	10	-12	10	6
Others	-10	12	-10	-6
Cash flow from financing	-1,201	-1,710	-1,396	-1,531
Change in cash	2	-214	-95	291

RATES & RATIOS

FY December	2012	2013F	2014F	2015F
Gross margin %	57.7	54.9	55.5	55.9
EBITDA Margin %	48.4	44.0	44.8	45.1
Op. Profit Margin %	39.2	34.9	35.1	35.5
Net Profit Margin %	29.6	27.0	27.8	28.2
ROE %	22.6	20.8	21.9	22.3
ROA %	16.1	14.5	14.9	15.5
Net Margin Ex. EI %	29.6	27.7	27.8	28.2
Dividend Cover (x)	1.1	1.2	1.2	1.2
Interest Cover (x)	229.8	230.5	120.0	200.2
Asset Turnover (x)	0.5	0.5	0.5	0.5
Asset/Debt (x)	3.5	3.2	3.2	3.4
Debtors Turn (days)	44.6	47.0	45.0	44.0
Creditors Turn (days)	21.9	28.0	31.0	31.0
Inventory Turn (days)	4.9	7.0	7.0	7.0
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt/ EBITDA (x)	Net cash	Net cash	Net cash	Net cash
Debt/ Market Cap (x)	Net cash	Net cash	Net cash	Net cash

Source: Company reports and MBKET

RESEARCH OFFICES

REGIONAL

WONG Chew Hann, CA
Regional Head, Institutional Research
 (603) 2297 8686 wchewh@maybank-ib.com

Alexander GARTHOFF
Institutional Product Manager
 (852) 2268 0638 agarthoff@maybank-ke.com.sg

ONG Seng Yeow
Regional Head, Retail Research
 (65) 6432 1453 ongsengyeow@maybank-ke.com.sg

ECONOMICS

Suhaimi ILIAS
Chief Economist
 ▪ Singapore | Malaysia
 (603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO
 ▪ Philippines
 (63) 2 849 8836 luz_lorenzo@maybank-atrke.com

Tim LEELAHAPHAN
 ▪ Thailand
 (662) 658 1420 tim.l@maybank-ke.co.th

JUNIMAN
Chief Economist, BI
 ▪ Indonesia
 (62) 21 29228888 ext 29682 Juniman@bankbii.com

Josua PARDEDE
Economist / Industry Analyst, BI
 ▪ Indonesia
 (62) 21 29228888 ext 29695 JPardede@bankbii.com

MALAYSIA

WONG CHEW HANN, CA *Head of Research*
 (603) 2297 8686 wchewh@maybank-ib.com
 ▪ Strategy

DESMOND CH'NG, ACA
 (603) 2297 8680 desmond.chng@maybank-ib.com
 ▪ Banking & Finance

LIAW THONG JUNG
 (603) 2297 8688 tjliaw@maybank-ib.com
 ▪ Oil & Gas – Regional
 ▪ Shipping

ONG CHEE TING, CA
 (603) 2297 8678 ct.ong@maybank-ib.com
 ▪ Plantations – Regional

MOHSHIN AZIZ
 (603) 2297 8692 mohshin.aziz@maybank-ib.com
 ▪ Aviation – Regional
 ▪ Petrochem

YIN SHAO YANG, CPA
 (603) 2297 8916 samuel.y@maybank-ib.com
 ▪ Gaming – Regional
 ▪ Media

TAN CHI WEI, CFA
 (603) 2297 8690 chiwei.t@maybank-ib.com
 ▪ Power
 ▪ Telcos

WONG WEI SUM, CFA
 (603) 2297 8679 weisum@maybank-ib.com
 ▪ Property & REITs

LEE YEN LING
 (603) 2297 8691 lee.yl@maybank-ib.com
 ▪ Building Materials
 ▪ Glove producers

SINGAPORE

Ng Wee Siang *Head of Research*
 (65) 6432 1467 ngweesiang@maybank-ke.com.sg
 ▪ Banking & Finance

Gregory YAP
 (65) 6432 1450 gyap@maybank-ke.com.sg
 ▪ SMID Caps – Regional
 ▪ Technology & Manufacturing
 ▪ Telcos

Wilson LIEW
 (65) 6432 1454 wilsonliew@maybank-ke.com.sg
 ▪ Property Developers

ONG Kian Lin
 (65) 6432 1470 ongkianlin@maybank-ke.com.sg
 ▪ S-REITs

James KOH
 (65) 6432 1431 jameskoh@maybank-ke.com.sg
 ▪ Consumer – Regional

YEAK Chee Keong, CFA
 (65) 6432 1460 yeakcheekong@maybank-ke.com.sg
 ▪ Offshore & Marine

Derrick HENG
 (65) 6432 1446 derrickheng@maybank-ke.com.sg
 ▪ Transport (Land, Shipping & Aviation)

Wei Bin
 (65) 6432 1455 weibin@maybank-ke.com.sg
 ▪ Commodity
 ▪ Logistics
 ▪ S-chips

Alison FOK
 (65) 6432 1447 alisonfok@maybank-ke.com.sg
 ▪ Small & Mid Caps
 ▪ Construction

John CHEONG
 (65) 6432 1461 johncheong@maybank-ke.com.sg
 ▪ Small & Mid Caps
 ▪ Healthcare

THAILAND

Sukit UDOMSIRIKUL *Head of Research*
 (66) 2658 6300 ext 5090
 Sukit.u@maybank-ke.co.th

Mayuree CHOWIKRAN
 (66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th
 ▪ Strategy

Padon Vannarat
 (66) 2658 6300 ext 1450 Padon.v@maybank-ke.co.th
 ▪ Strategy

Surachai PRAMUALCHAROENKIT
 (66) 2658 6300 ext 1470 Surachai.p@maybank-ke.co.th
 ▪ Auto
 ▪ Conmat
 ▪ Contractor
 ▪ Steel

Suttatip PEERASUB
 (66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th
 ▪ Media
 ▪ Commerce

Sutthichai KUMWORACHAI
 (66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th
 ▪ Energy
 ▪ Petrochem

Termporn TANTIVIT
 (66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th
 ▪ Property

Woraphon WIROONSRI
 (66) 2658 6300 ext 1560 woraphon.w@maybank-ke.co.th
 ▪ Banking & Finance

Jaroopan WATTANAWONG
 (66) 2658 6300 ext 1404 jaroopan.w@maybank-ke.co.th
 ▪ Transportation
 ▪ Small cap

Chatchai JINDARAT
 (66) 2658 6300 ext 1401 chatchai.j@maybank-ke.co.th
 ▪ Electronics

INDONESIA

Lucky ARIESANDI, CFA
 (62) 21 2557 1127 lucky.ariesandi@maybank-ke.co.id
 ▪ Base metals
 ▪ Mining
 ▪ Oil & Gas
 ▪ Wholesale

Pandu ANUGRAH
 (62) 21 2557 1137 pandu.anugrah@maybank-ke.co.id
 ▪ Automotive
 ▪ Heavy equipment
 ▪ Plantation
 ▪ Toll road

Rahmi MARINA
 (62) 21 2557 1128 rahmi.marina@maybank-ke.co.id
 ▪ Banking
 ▪ Multifinance

Adi N. WICAKSONO
 (62) 21 2557 1128 adi.wicaksono@maybank-ke.co.id
 ▪ Generalist

Anthony YUNUS
 (62) 21 2557 1139 anthony.yunus@maybank-ke.co.id
 ▪ Cement
 ▪ Infrastructure
 ▪ Property

Institutional Research

Maria LAPIZ *Head of Institutional Research*
 Dir (66) 2257 0250 | (66) 2658 6300 ext 1399
 Maria.L@maybank-ke.co.th
 ▪ Consumer / Materials

Jesada TECHAHUSIN, CFA
 (66) 2658 6300 ext 1394 Jesada.T@maybank-ke.co.th
 ▪ Financial Services

Kittisorn PRUITIPAT, CFA, FRM
 (66) 2658 6300 ext 1395 Kittisorn.P@maybank-ke.co.th
 ▪ Real Estate

SITTICHAI DUANGRATTANACHAYA
 (66) 2658 6300 ext 1393 Sittichai.D@maybank-ke.co.th
 ▪ Services Sector

HONG KONG / CHINA

Howard WONG *Head of Research*
 (852) 2268 0648 howardwong@kimeng.com.hk
 ▪ Oil & Gas - Regional

Alexander LATZER
 (852) 2268 0647 alexanderlatzer@kimeng.com.hk
 ▪ Metals & Mining - Regional

Jacqueline Ko, CFA
 (852) 2268 0633 jacquelineko@kimeng.com.hk
 ▪ Consumer

Karen KWAN
 (852) 2268 0640 karenkwon@kimeng.com.hk
 ▪ HK & China Property

Philip TSE
 (852) 2268 0643 philiptse@kimeng.com.hk
 ▪ HK & China Property

Simon QIAN
 (852) 2268 0634 simonqian@kimeng.com.hk
 ▪ Telecom & Internet

Steven CHAN
 (852) 2268 0645 stevenchan@kimeng.com.hk
 ▪ Banking & Financials

Warren LAU
 (852) 2268 0644 warrenlau@kimeng.com.hk
 ▪ Technology – Regional

PHILIPPINES

Luz LORENZO *Head of Research*
 (63) 2 849 8836 luz_lorenzo@maybank-atrke.com
 ▪ Strategy

Laura DY-LIACCO
 (63) 2 849 8840 laura_dyliacco@maybank-atrke.com
 ▪ Utilities
 ▪ Conglomerates
 ▪ Telcos

Lovell SARREAL
 (63) 2 849 8841 lovell_sarreal@maybank-atrke.com
 ▪ Consumer
 ▪ Media
 ▪ Cement

Rommel RODRIGO
 (63) 2 849 8839 rommel_rodrigo@maybank-atrke.com
 ▪ Conglomerates
 ▪ Property
 ▪ Ports/Logistics
 ▪ Gaming

Katherine TAN
 (63) 2 849 8843 kat_tan@maybank-atrke.com
 ▪ Banks
 ▪ Construction

Ramon ADVIENTO
 (63) 2 849 8845 ramon_adviento@maybank-atrke.com
 ▪ Mining

VIETNAM

Nguyen Thi Ngan Tuyen
 (84) 844 55 58 88 x 8081 tuyen.nguyen@maybank-kimeng.com.vn
 ▪ Food and Beverage
 ▪ Oil and Gas

Hang Vu
 (84) 844 55 58 88 x 8087 hang.vu@maybank-kimeng.com.vn
 ▪ Banking

Trinh Thi Ngoc Diep
 (84) 844 55 58 88 x 8242 diep.trinh@maybank-kimeng.com.vn
 ▪ Technology
 ▪ Utilities
 ▪ Construction

Dang Thi Kim Thoa
 (84) 844 55 58 88 x 8083 thoa.dang@maybank-kimeng.com.vn
 ▪ Consumer

Nguyen Trung Hoa
 (84) 844 55 58 88 x 8088 hoa.nguyen@maybank-kimeng.com.vn
 ▪ Steel
 ▪ Sugar
 ▪ Resources

INDIA

Jigar SHAH *Head of Research*
 (91) 22 6623 2601 jigar@maybank-ke.co.in
 ▪ Oil & Gas
 ▪ Automobile
 ▪ Cement

Anubhav GUPTA
 (91) 22 6623 2605 anubhav@maybank-ke.co.in
 ▪ Metal & Mining
 ▪ Capital goods
 ▪ Property

Urmil SHAH
 (91) 22 6623 2606 urmil@maybank-ke.co.in
 ▪ Technology
 ▪ Media

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

- Malaysia**
Maybank Investment Bank Berhad
 (A Participating Organisation of Bursa Malaysia Securities Berhad)
 33rd Floor, Menara Maybank,
 100 Jalan Tun Perak,
 50050 Kuala Lumpur
 Tel: (603) 2059 1888;
 Fax: (603) 2078 4194
- Stockbroking Business:
 Level 8, Tower C, Dataran Maybank,
 No.1, Jalan Maarof
 59000 Kuala Lumpur
 Tel: (603) 2297 8888
 Fax: (603) 2282 5136
- Philippines**
Maybank ATR Kim Eng Securities Inc.
 17/F, Tower One & Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines 1200
- Tel: (63) 2 849 8888
 Fax: (63) 2 848 5738
- South Asia Sales Trading**
 Kevin FOY
 kevinfoy@maybank-ke.com.sg
 Tel: (65) 6336-5157
 US Toll Free: 1-866-406-7447
- Singapore**
Maybank Kim Eng Securities Pte Ltd
Maybank Kim Eng Research Pte Ltd
 9 Temasek Boulevard
 #39-00 Suntec Tower 2
 Singapore 038989
- Tel: (65) 6336 9090
 Fax: (65) 6339 6003
- Hong Kong**
Kim Eng Securities (HK) Ltd
 Level 30,
 Three Pacific Place,
 1 Queen's Road East,
 Hong Kong
- Tel: (852) 2268 0800
 Fax: (852) 2877 0104
- Thailand**
Maybank Kim Eng Securities (Thailand) Public Company Limited
 999/9 The Offices at Central World,
 20th - 21st Floor,
 Rama 1 Road Pathumwan,
 Bangkok 10330, Thailand
- Tel: (66) 2 658 6817 (sales)
 Tel: (66) 2 658 6801 (research)
- North Asia Sales Trading**
 Eddie LAU
 eddielau@kimeng.com.hk
 Tel: (852) 2268 0800
 US Toll Free: 1 866 598 2267
- London**
Maybank Kim Eng Securities (London) Ltd
 6/F, 20 St. Dunstan's Hill
 London EC3R 8HY, UK
- Tel: (44) 20 7621 9298
 Dealers' Tel: (44) 20 7626 2828
 Fax: (44) 20 7283 6674
- Indonesia**
PT Kim Eng Securities
 Plaza Bapindo
 Citibank Tower 17th Floor
 Jl Jend. Sudirman Kav. 54-55
 Jakarta 12190, Indonesia
- Tel: (62) 21 2557 1188
 Fax: (62) 21 2557 1189
- Vietnam**
In association with
Maybank Kim Eng Securities JSC
 1st Floor, 255 Tran Hung Dao St.
 District 1
 Ho Chi Minh City, Vietnam
- Tel : (84) 844 555 888
 Fax : (84) 838 38 66 39
- New York**
Maybank Kim Eng Securities USA Inc
 777 Third Avenue, 21st Floor
 New York, NY 10017, U.S.A.
- Tel: (212) 688 8886
 Fax: (212) 688 3500
- India**
Kim Eng Securities India Pvt Ltd
 2nd Floor, The International 16,
 Maharishi Karve Road,
 Churchgate Station,
 Mumbai City - 400 020, India
- Tel: (91).22.6623.2600
 Fax: (91).22.6623.2604
- Saudi Arabia**
In association with
Anfaal Capital
 Villa 47, Tujjar Jeddah
 Prince Mohammed bin Abdulaziz
 Street P.O. Box 126575
 Jeddah 21352
- Tel: (966) 2 6068686
 Fax: (966) 26068787

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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2013

						Score Range	Number of Logo	Description
▲▲▲▲▲	ADVANC	CIMBT	HEMKAJ	PAP	RS	SNC		
	AOT	CK	ICC	PG	S&J	SPALI	90-100	▲▲▲▲▲
	ASIMAR	CPF	INTUCH	PHOL	SAMART	SPI	80-89	▲▲▲▲▲
	BAFS	CPN	IRPC	PR	SAMTEL	SSI	70-79	▲▲▲▲
	BANPU	CSL	IVL	PRANDA	SAT	SSSC	60-69	▲▲▲
	BAY	DRT	KBANK	PS	SC	SM	50-59	▲▲
	BBL	DTAC	KKP	PSL	SCB	SYMC	Lower than 50	▲
	BCP	EASTW	KTB	PTT	SCC	TCAP		No logo given
	BECL	EGCO	LPN	PTTEP	SCSMG	THAI		
	BKI	ERW	MCOT	PTTGC	SE-ED	THCOM	TIT	TRC
	BROOK	GRAMMY	MINT	QH	SIM	THRE	TM6	TRUE
	BTS	HANA	NKI	RATCH	SIS	TIP	TNITY	TIN
			NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO
								UV
								VGI
								WACOAL
▲▲▲▲▲								
	2S	BH	ECL	JAS	MAKRO	PE	SINGER	THANI
	ACAP	BIGC	EE	JUBILE	MBK	PF	SIRI	THIP
	AF	BJC	EIC	KBS	MBKET	PJW	SKR	TICON
	AHC	BLA	ESSO	KCE	MFC	PM	SMT	TIPCO
	AIT	BMCL	FE	KGI	MFEC	PPM	SNP	TK
	AKP	BWG	FORTH	KKC	MODERN	PPP	SPCG	TLUXE
	AMANAH	CCET	GBX	KSL	MTI	PREB	SPPT	TMILL
	AMARIN	CENDEL	GC	KWC	NBC	PRG	SSF	TMT
	AMATA	CFRESH	GFPT	L&E	NCH	PT	STANLY	TNL
	AP	CGS	GL	LANNA	NINE	PYLON	STEC	TOG
	APCO	CHOW	GLOW	LH	NMG	QTC	SUC	TPC
	APCS	CM	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP
	ASIA	CNT	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL
	ASK	CPALL	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT
	ASP	CSC	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU
	AYUD	DCC	HTC	LRH	OGC	SCG	TF	TSC
	BEC	DELTA	IFEC	LST	OISHI	SEAFCD	TFD	TSTE
	BFIT	DTC	INET	MACO	PB	SFP	TFI	TSTH
			ITD	MAJOR	PDI	SIAM	THANA	TTA
▲▲▲▲▲								
	A	BGT	DEMCO	HTECH	KWH	PAE	SIMAT	TIC
	AAV	BLAND	DNA	HYDRO	LALIN	PATO	SLC	TIES
	AEC	BOL	DRACO	IFS	LEE	PICO	SMT	TIW
	SAEONTS	BROCK	EA	IHL	MATCH	PL	SMK	TKS
	AFC	BSBM	EARTH	ILINK	MATI	POST	SOLAR	TMC
	AGE	CHARAN	EASON	INOX	MBAX	PRECHA	SPC	TMD
	AH	CHUO	EMC	IRC	MDX	PRIN	SPG	TMI
	AI	CI	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT
	AJ	CIG	F&D	IT	MJD	QLT	SSC	TNPC
	AKR	CITY	FNS	JMART	MK	RCI	STA	TOPP
	ALUCON	CMR	FOCUS	JMT	MOONG	RCL	SUPER	TPAC
	ANAN	CNS	FPI	JTS	MPIC	ROJNA	SVA	TPP
	ARIP	CPL	FSS	JUTHA	MSC	RPC	SWC	TR
	ASIA	CRANE	GENCO	KASET	NC	SCBLIF	SYNEK	TTI
	BAT-3K	CSP	GFM	KC	NIPPON	SCP	TBSP	TVD
	BCH	CSR	GJS	KCAR	NNCL	SENA	TCCC	TM
	BEAUTY	CTW	GLOBAL	KDH	NTV	SF	TEAM	TWZ
			HFT	KTC	OSK	SGP	TGCI	UBIS

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