

HOLD

TP: Rs 1,964 | ▲ 13%

ACC

| Cement

| 03 May 2023

Realisations soft; stock lacks strong triggers

- Volume-led topline growth truncated by muted realisations (+1% YoY) in Q4, an indication of market share pressure
- Cost inflation softened QoQ on the back of easing fuel cost, but EBITDA margin under pressure at sub-10% due to limited price headroom
- We revise FY24/FY25 EPS by +12%/-4% post accounting year change, yielding a new TP of Rs 1,964 (vs. Rs 2,090); retain HOLD

Milind Raginwar | Yash Thakur
research@bobcaps.in

Volume-led growth; realisations remain weak: ACC reported a 11% YoY (+6% QoQ) increase in Q4FY23 revenue to Rs 47.9bn led by volume growth of 8% YoY (+10% QoQ) to ~8.5mn tonnes. Volumes remained healthy despite a strike at the HP unit, as it was supported by an increase in blended cement, efficient route planning and operational synergies with ACEM. However, realisations grew only 1% YoY and declined 4% QoQ to Rs 5,269/t due to the volume push.

Cost inflation softens QoQ: Operating cost was up 6% YoY (but dipped 6% QoQ) to Rs 5,088/t, pushed up by energy cost/t (adj. for raw material cost) that rose 21% YoY (-6% QoQ) as the clinker factor declined 130bps QoQ. Energy cost/t fell 16% YoY (-24% QoQ) to Rs 1,108/t as fuel cost moved from Rs 2.6/kcal to Rs 2.4/kcal with a change in coal basket, group procurement synergies and higher alternates

Raw material cost/t increased 9% YoY (+19% QoQ) owing to higher purchase of clinker. Logistics cost/t declined 9% YoY (-7% QoQ) to Rs 1,219/t as the lead distance reduced by 165km to 161km (despite clinker sourced from other plants due to the HP strike) and direct dispatches improved (45% to 46%). Other expenditure declined 8% YoY (+5% QoQ) to Rs 5.6bn despite the strong volume push

Margins under pressure: EBITDA at Rs 4.7bn reduced 26% YoY due to higher fuel cost, EBITDA margin slipped 460bps YoY (-140bps QoQ) to 9.7%, and EBITDA/t shrank 32% YoY (+12% QoQ) to Rs 549/t. PAT at Rs 2.4bn contracted 40% YoY (+114% QoQ) due to restructuring cost of Rs 0.6bn incurred in Q4. Adjusted for this one-off, PAT declined 23% YoY (+60% QoQ) to Rs 3bn.

Maintain HOLD: ACC's accounting year-end change (Dec to Mar) has led to a realignment of +9%/-3% in our EBITDA and +12%/-4% in our earnings estimates for FY24/FY25. We see limited earnings levers for the company owing to the lower efficiencies at old plants and its presence in regions crowded with more economical peers. We thus retain HOLD and continue to value ACC at 10x FY25E EV/EBITDA, implying a replacement cost of Rs 7.8bn/mt (12% premium to the industry average). Post estimate revision, we have a new TP of Rs 1,964 (vs. Rs 2,090). Retain HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	ACC IN/Rs 1,744
Market cap	US\$ 4.0bn
Free float	43%
3M ADV	US\$ 16.6mn
52wk high/low	Rs 2,785/Rs 1,592
Promoter/FPI/DII	57%/12%/19%

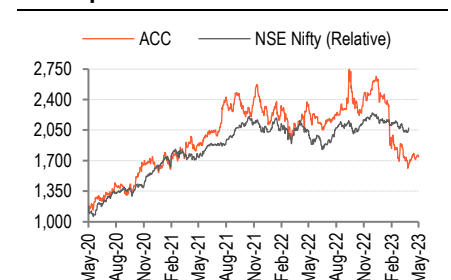
Source: NSE | Price as of 3 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	2,19,192	1,96,593	2,18,812
EBITDA (Rs mn)	19,400	20,823	28,754
Adj. net profit (Rs mn)	10,926	11,482	16,747
Adj. EPS (Rs)	46.5	61.1	89.1
Consensus EPS (Rs)	46.5	64.8	101.3
Adj. ROAE (%)	7.9	7.9	11.2
Adj. P/E (x)	37.5	28.5	19.6
EV/EBITDA (x)	16.4	12.2	8.1
Adj. EPS growth (%)	(54.3)	31.4	45.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional | FY23 is for 15 months due to a change in year-end from December to March

Stock performance



Source: NSE



Fig 1 – Key quarterly metrics

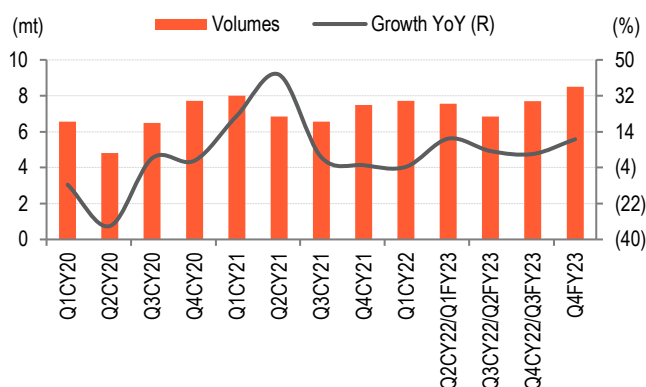
(Rs)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Volumes (mn mt)	8.5	7.9	7.6	7.7	10.4
Cement realisations (Rs/mt)	5,269	5,193	1.5	5,497	(4.1)
Operating costs (Rs/mt)	5,088	4,801	6.0	5,401	(5.8)
EBITDA/t (Rs/mt)	549	802	(31.6)	491	11.7

Source: Company, BOBCAPS Research

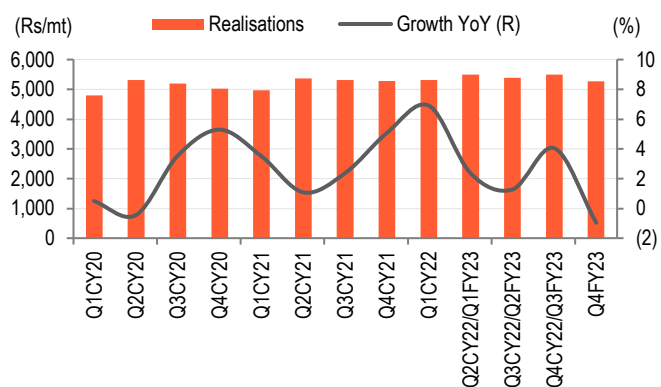
Fig 2 – Quarterly performance

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Net Sales	47,908	43,219	10.8	45,370	5.6
Expenditure					
Change in stock	1,568	(573)	(373.9)	1,186	32.3
Raw material	7,292	6,808	7.1	6,087	19.8
Purchased products	6,918	2,776	149.2	5,608	23.3
Power & fuel	9,420	10,395	(9.4)	11,292	(16.6)
Freight	10,363	10,539	(1.7)	10,073	2.9
Employee costs	2,121	1,925	10.2	2,048	3.5
Other expenditure	5,564	6,059	(8.2)	5,293	5.1
Total Operating Expenses	43,245	37,928	14.0	41,587	4.0
EBITDA	4,663	6,337	(26.4)	3,783	23.3
EBITDA margin (%)	9.7	14.3	(458bps)	8.3	139bps
Other Income	1,173	576	103.7	407	188.2
Interest	152	106	44.3	188	(19.1)
Depreciation	1,741	1,531	13.8	1,716	1.5
PBT	3,942	5,276	(25.3)	2,286	72.4
Non-recurring items	(664)	0	-	(791)	0
PBT (after non-recurring items)	3,278	5,276	(37.9)	1,495	119.3
Tax	912	1,358	(32.8)	390	133.6
Reported PAT	2,366	3,918	(39.6)	1,104	114.2
Adjusted PAT	3,030	3,918	(22.7)	1,895	59.8
NPM (%)	6.3	9.1	(274bps)	4.2	215bps
Adjusted EPS (Rs)	16.1	20.8	(22.7)	10.1	59.8

Source: Company, BOBCAPS Research

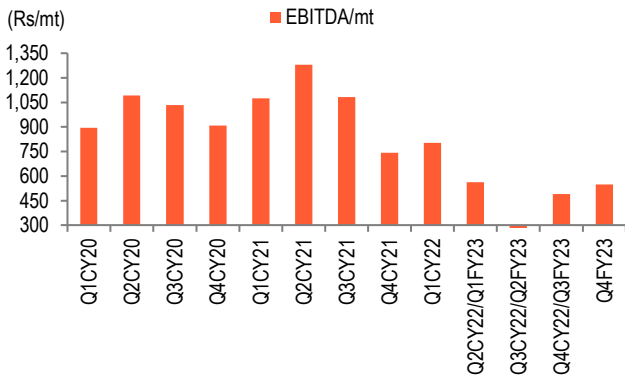
Fig 3 – Volume-led growth in Q4FY23

Source: Company, BOBCAPS Research | Note: ACC has changed its accounting Y/E from Dec to Mar, thus FY23 consists of 5 quarters

Fig 4 – Realisations capped by volume push

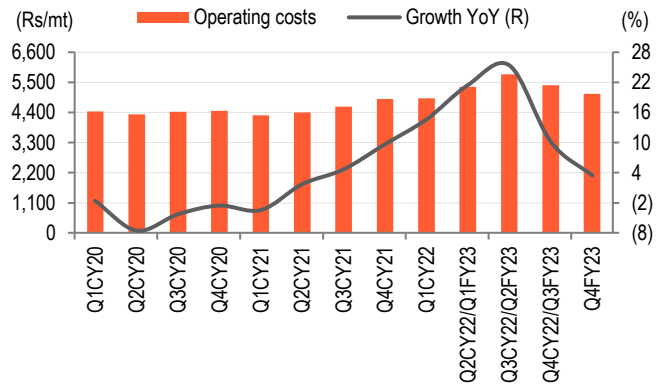
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t remains among the lowest in the industry



Source: Company, BOBCAPS Research

Fig 6 – Operating cost softening



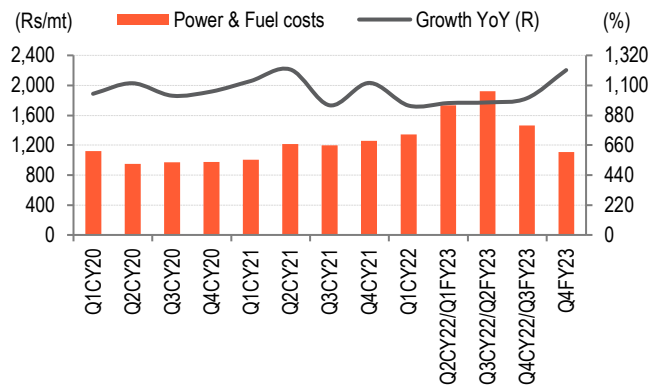
Source: Company, BOBCAPS Research

Fig 7 – Freight cost well-managed despite challenges



Source: Company, BOBCAPS Research

Fig 8 – Fuel cost likely to soften further



Source: Company, BOBCAPS Research

Valuation methodology

ACC's growth is restricted to the extent of capacities available and carries little upside despite capacity expansion in Central India in FY24, in our view. We see limited earnings levers for the company owing to the lower operating efficiencies at old plants and its presence in price-accretive regions that are crowded with more efficient players. This, in turn, will impact return ratios (ROE currently ~11%). However, given a strong cash position, brand loyalty in the northern and eastern regions, and support from ACEM (part-owner), we see limited downside risk either.

ACC's accounting year-end change (Dec to Mar) has led to a realignment of +9%/-3% in our EBITDA and +12%/-4% in our earnings estimates for FY24/FY25. We now model for a revenue CAGR of 12% for ACC over FY22-FY25, however given the cost pressure the EBITDA/PAT are marginally factored to be lower over the same period.

Due to the lack of stock triggers, we retain HOLD and continue to value ACC at 10x FY25E EV/EBITDA, implying a replacement cost of Rs 7.8bn/mt (12% premium to the industry average). Post estimate revision, we have a new TP of Rs 1,964 (vs. Rs 2,090). In our view, any rerating will only come from firm initiatives by the company to expand its capacities in the more remunerative geographies of Central and West India.

Fig 9 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	196,593	218,812	194,907	219,781	0.9	(0.4)
EBITDA	20,823	28,754	19,138	29,724	8.8	(3.3)
Adj PAT	11,482	16,747	10,226	17,469	12.3	(4.1)
Adj EPS (Rs)	61.1	89.1	54.4	92.9	12.3	(4.1)

Source: BOBCAPS Research

Fig 10 – Key assumptions

Parameter	CY21	FY23	FY24E	FY25E
Volumes (mt)	28.9	38.5	32.6	35.9
Realisations (Rs/mt)	5,118	5,365	5,350	5,430
Operating costs (Rs/mt)	4,551	5,269	5,489	5,388
EBITDA/mt (Rs)	1,038	498	680	772

Source: Company, BOBCAPS Research

Fig 11 – Valuation summary

Business (Rs mn)	FY25E
Target EV/EBITDA (x)	10
EBITDA	28,754
Target EV	273,165
Total EV	273,165
Net debt	(96,067)
Target market capitalisation	369,233
Target price (Rs/sh)	1,964
Weighted average shares (mn)	188

Source: BOBCAPS Research

Fig 12 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
ACC IN	HOLD	1,964	16.6	12.4	8.2	115	92	84	7.9	7.9	11.2	7.9	10.8	14.5
ACEM IN	HOLD	387	11.5	10.5	8.2	249	239	227	6.0	7.4	8.0	13.1	12.8	14.6
UTCEN IN	BUY	8,678	20.9	16.8	13.5	208	209	210	9.7	12.0	14.5	12.8	15.8	18.3
SRCM IN	HOLD	24,656	27.9	19.4	15.1	205	203.8	199	6.4	10.8	13.6	9.2	14.6	18.0

Source: Company, BOBCAPS Research

Key risks

- Better-than-expected realisation gains and above-expected synergies with ACEM would represent upside risks to our earnings estimates.
- Capacity addition faster than current estimates would be another upside risk.
- Cost structure inflation can keep earnings suppressed for longer than expected – a key downside risk.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	4.0	1,744	1,964	HOLD
Ambuja Cements	ACEM IN	9.3	384	387	HOLD
Dalmia Bharat	DALBHARA IN	4.5	2,001	1,917	HOLD
JK Cement	JKCE IN	2.8	2,990	3,371	BUY
JK Lakshmi Cement	JKLC IN	1.1	777	551	SELL
Orient Cement	ORCMNT IN	0.3	125	140	HOLD
Shree Cement	SRCM IN	10.7	24,259	24,656	HOLD
Star Cement	STRCEM IN	0.6	126	138	BUY
The Ramco Cements	TRCL IN	2.2	748	534	SELL
Ultratech Cement	UTCEN IN	26.5	7,507	8,678	BUY

Source: BOBCAPS Research, NSE | Price as of 3 May 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	CY20A	CY21A	FY23P	FY24E	FY25E
Total revenue	1,34,868	1,58,144	2,19,192	1,96,593	2,18,812
EBITDA	24,811	30,004	19,400	20,823	28,754
Depreciation	(6,353)	(5,973)	(8,351)	(7,365)	(8,550)
EBIT	20,498	26,078	14,421	15,967	22,964
Net interest inc./(exp.)	(570)	(546)	(772)	(555)	(485)
Other inc./(exp.)	2,040	2,048	3,372	2,509	2,759
Exceptional items	(3,049)	(548)	(1,618)	0	0
EBT	16,878	24,984	12,031	15,412	22,479
Income taxes	(5,422)	(6,401)	(2,723)	(3,930)	(5,732)
Extraordinary items	2,694	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	14,149	18,583	9,309	11,482	16,747
Adjustments	355	548	1,618	0	0
Adjusted net profit	14,505	19,131	10,926	11,482	16,747

Balance Sheet

Y/E 31 Mar (Rs mn)	CY20A	CY21A	FY23P	FY24E	FY25E
Accounts payables	33,640	40,320	58,320	64,318	70,549
Other current liabilities	14,949	20,458	7,292	22,836	24,300
Provisions	2,294	2,300	(6,337)	1,494	1,505
Debt funds	0	0	0	0	0
Other liabilities	3,762	3,827	4,331	4,331	4,331
Equity capital	1,880	1,880	1,880	1,880	1,880
Reserves & surplus	1,24,735	1,40,404	1,38,550	1,45,638	1,57,770
Shareholders' fund	1,26,614	1,42,284	1,40,430	1,47,517	1,59,650
Total liab. and equities	1,81,259	2,09,190	2,04,036	2,40,497	2,60,335
Cash and cash eq.	58,911	74,042	9,680	73,732	96,067
Accounts receivables	4,515	4,892	8,747	10,345	12,114
Inventories	9,005	12,733	16,235	18,740	21,008
Other current assets	34,583	35,961	75,753	37,716	36,964
Investments	2,206	1,927	1,927	1,927	1,927
Net fixed assets	64,384	66,492	82,596	89,874	83,892
CWIP	7,011	12,408	8,934	7,900	8,000
Intangible assets	644	736	163	263	363
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	1,81,259	2,09,190	2,04,036	2,40,497	2,60,335

Cash Flows

Y/E 31 Mar (Rs mn)	CY20A	CY21A	FY23P	FY24E	FY25E
Cash flow from operations	18,709	31,107	(36,363)	82,572	29,060
Capital expenditures	(5,220)	(13,342)	(18,374)	(14,126)	(2,110)
Change in investments	13,884	2,349	(3,360)	(2,500)	(2,500)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	8,663	(10,994)	(21,734)	(16,626)	(4,610)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(2,629)	(2,629)	(2,637)	(4,395)	(4,614)
Other financing cash flows	2,670	(5)	(6,988)	0	0
Cash flow from financing	41	(2,634)	(9,625)	(4,395)	(4,614)
Chg in cash & cash eq.	27,413	17,480	(67,722)	61,552	19,836
Closing cash & cash eq.	58,911	74,042	9,680	73,732	96,067

Per Share

Y/E 31 Mar (Rs)	CY20A	CY21A	FY23P	FY24E	FY25E
Reported EPS	75.3	98.9	39.6	61.1	89.1
Adjusted EPS	77.2	101.8	46.5	61.1	89.1
Dividend per share	14.0	14.0	15.2	20.0	21.0
Book value per share	673.5	756.9	747.0	784.7	849.2

Valuations Ratios

Y/E 31 Mar (x)	CY20A	CY21A	FY23P	FY24E	FY25E
EV/Sales	2.0	1.6	1.5	1.3	1.1
EV/EBITDA	10.8	8.5	16.4	12.2	8.1
Adjusted P/E	22.6	17.1	37.5	28.5	19.6
P/BV	2.6	2.3	2.3	2.2	2.1

DuPont Analysis

Y/E 31 Mar (%)	CY20A	CY21A	FY23P	FY24E	FY25E
Tax burden (Net profit/PBT)	67.9	74.4	77.4	74.5	74.5
Interest burden (PBT/EBIT)	97.2	97.9	94.6	96.5	97.9
EBIT margin (EBIT/Revenue)	15.2	16.5	6.6	8.1	10.5
Asset turnover (Rev./Avg TA)	79.0	83.2	113.8	87.4	94.2
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.6	1.5
Adjusted ROAE	11.7	14.8	7.9	7.9	11.2

Ratio Analysis

Y/E 31 Mar	CY20A	CY21A	FY23P	FY24E	FY25E
YoY growth (%)					
Revenue	(12.1)	17.3	10.9	12.1	11.3
EBITDA	3.0	20.9	(48.3)	34.2	38.1
Adjusted EPS	18.8	31.9	(54.3)	31.4	45.9
Profitability & Return ratios (%)					
EBITDA margin	18.0	18.6	8.7	10.4	12.9
EBIT margin	14.9	16.1	6.5	8.0	10.3
Adjusted profit margin	10.8	12.1	5.0	5.8	7.7
Adjusted ROAE	11.7	14.8	7.9	7.9	11.2
ROCE	16.3	18.9	7.9	10.8	14.5
Working capital days (days)					
Receivables	12	11	18	19	20
Inventory	24	29	34	35	35
Payables	109	112	131	131	133
Ratios (x)					
Gross asset turnover	1.4	1.5	1.7	1.4	1.5
Current ratio	2.1	2.0	1.9	1.6	1.7
Net interest coverage ratio	35.9	47.7	18.7	28.8	47.3
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets | FY23 is for 15 months due to a change in accounting year-end from December to March

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
 SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
 Brand Name: **BOBCAPS**
 Trade Name: **www.barodaetrade.com**
 CIN: **U65999MH1996GOI098009**

Logo: 

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): ACC (ACC IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.