

BUY
 TP: Rs 4,200 | ▲ 15%

AIA ENGINEERING

Capital Goods

06 November 2023

Volume spillover to FY25

- Q2 sales flat YoY but operating leverage enables EBIDTA margin gains of 600bps to 29.5%
- FY24 volume guidance cut from 330,000t to 310,000t with balance likely spilling over to FY25; capacity expansion plans on track
- We revise FY24/FY25 EPS -1%/+5% to bake in guidance and Q2 print; retain BUY with revised TP of Rs 4,200 (vs. Rs 4,000)

Vinod Chari | Swati Jhunjunwala
 Arshia Khosla
 research@bobcaps.in

Topline flat, margins expand: AIAE’s Q2FY24 topline was flattish at Rs 13bn. However, gross/EBITDA margin expanded 110bps/600bps YoY to 57.8%/29.5% due to a reduction in raw material and freight costs combined with a better product mix. PAT grew 32% YoY to Rs 3.2bn.

FY24 volume guidance to be missed by a quarter: AIAE reduced its forecast of incremental volumes of 30,000mt for FY24 to 10,000-15,000mt, totalling to ~310,000mt (330,000t earlier). Of this, 150,000mt of production was achieved in H1FY24. The guidance cut was attributed to international mining orders that take ~1-1.5 years for approval and hence possible delays of 1-2 quarters at most, pushing the incremental volumes to FY25. AIAE continues to guide for a 22-24% EBITDA margin as a bottom range in the medium term.

Capex to spur growth: To capitalise on the conversion trend from forged media to high chrome mill internals in the mining industry, AIAE is expanding capacity from 440,000mt to 520,000mt by the end of FY24 with brownfield capex of Rs 2bn. The company has a healthy balance sheet (net cash of Rs 31.4bn in H1FY24) with negligible leverage and strong free cash flow generation. We believe this will keep ROCE at ~20% for the fiscal.

Brazilian market could open up in near term: The 5Y sunset review for anti-dumping duty in Brazil has begun. AIAE had supplied 6,000-8,000mt to Brazil in FY23 and expects to export a marginally higher quantity in FY24. Management is not worried about the ruling as the worst possible scenario is a continuation of the status quo, i.e., no duty removal.

Maintain BUY: We adjust our FY24/FY25 EPS estimates by -1%/+5% to incorporate the Q2FY24 numbers as well as volume spillover to FY25. Following rollover of valuations to Sep’25E, we have a revised TP of Rs 4,200 (from Rs 4,000). Our TP is set at an unchanged 30x P/E multiple – a 10% premium to the stock’s 5Y average. We retain BUY as we remain positive on AIAE’s structural growth story.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	AIAE IN/Rs 3,637
Market cap	US\$ 4.2bn
Free float	42%
3M ADV	US\$ 3.2mn
52wk high/low	Rs 3,830/Rs 2,384
Promoter/FPI/DII	59%/18%/21%

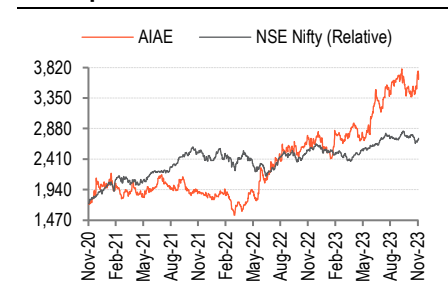
Source: NSE | Price as of 6 Nov 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	49,088	52,304	57,393
EBITDA (Rs mn)	12,406	14,081	15,511
Adj. net profit (Rs mn)	10,559	11,639	12,770
Adj. EPS (Rs)	112.0	123.4	135.4
Consensus EPS (Rs)	112.0	118.8	128.5
Adj. ROAE (%)	20.2	18.9	17.8
Adj. P/E (x)	32.5	29.5	26.9
EV/EBITDA (x)	27.7	24.0	21.8
Adj. EPS growth (%)	70.4	10.2	9.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

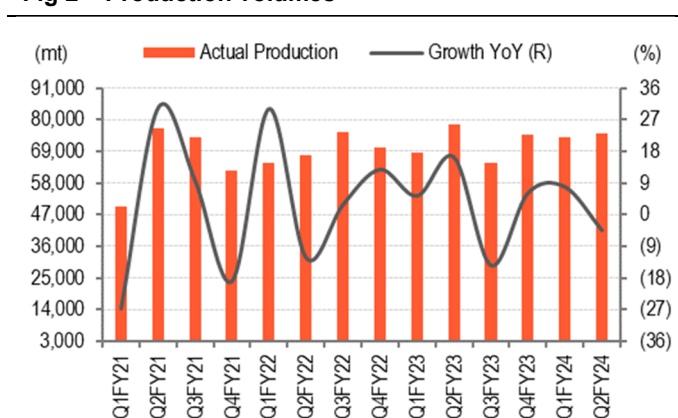


Fig 1 – Quarterly performance

Particulars (Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	12,948	13,287	(2.5)	12,396	4.5	25,344	24,084	5.2
EBITDA	3,821	3,120	22.5	3,430	11.4	7,251	5,592	29.7
EBITDA Margin (%)	29.5	23.5	600bps	27.7	180bps	28.6	23.2	540bps
Depreciation	245	246	(0.2)	242	1.1	488	454	7.5
Interest	74	39	91.5	75	(1.0)	149	50	200.3
Other Income	623	321	93.9	596	4.7	1,219	528	130.9
PBT	4,125	3,157	30.7	3,708	11.2	7,833	5,616	39.5
Tax	884	708	24.9	983	(10.0)	1,867	1,253	49.0
Adjusted PAT	3,231	2,448	32.0	2,724	18.6	5,966	4,364	36.7
Exceptional item	0	0		0		0	0	
Reported PAT	3,231	2,448	32.0	2,724	18.6	5,954	4,353	36.8
Adj. PAT Margin (%)	25.0	18.4	652.7	22.0	298.0	23.5	18.1	542.2
EPS (Rs)	34.4	26.0	32.3	28.9	18.9	63.3	188.6	(66.5)

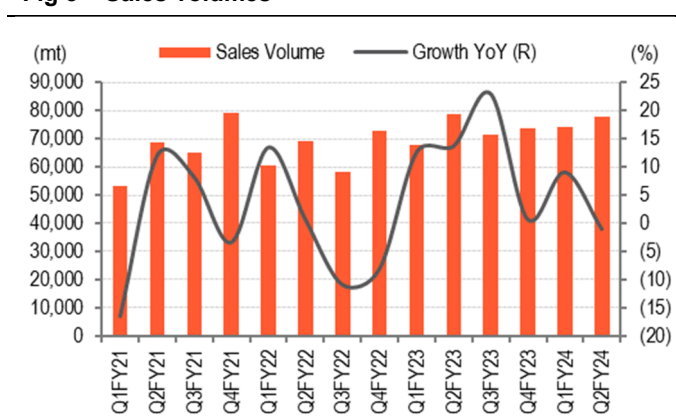
Source: Company, BOBCAPS Research

Fig 2 – Production volumes



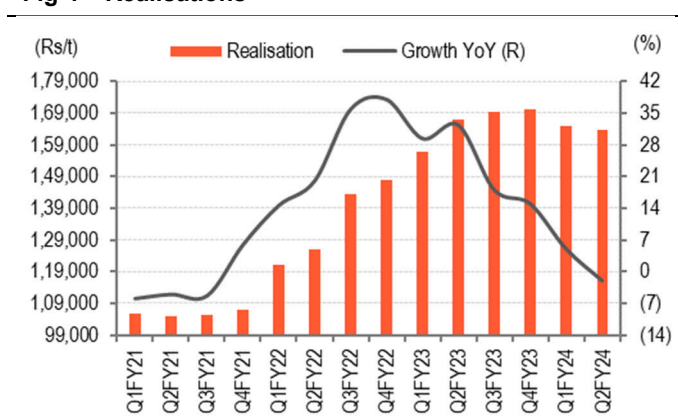
Source: Company, BOBCAPS Research

Fig 3 – Sales volumes



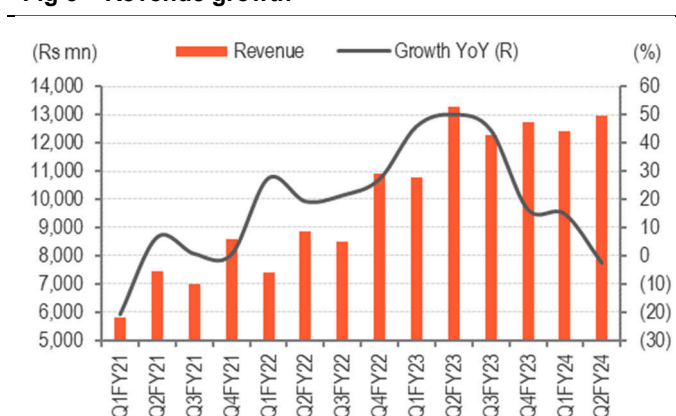
Source: Company, BOBCAPS Research

Fig 4 – Realisations



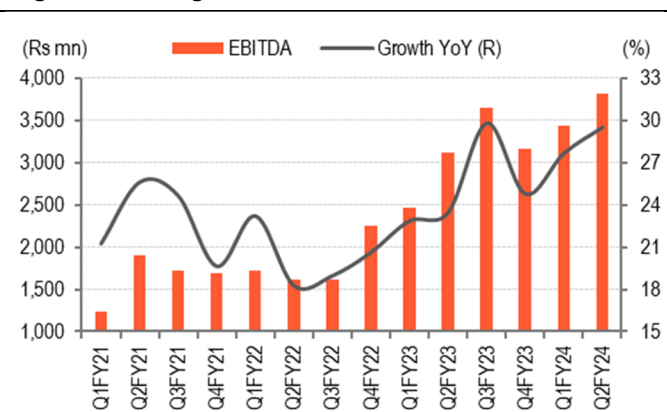
Source: Company, BOBCAPS Research

Fig 5 – Revenue growth



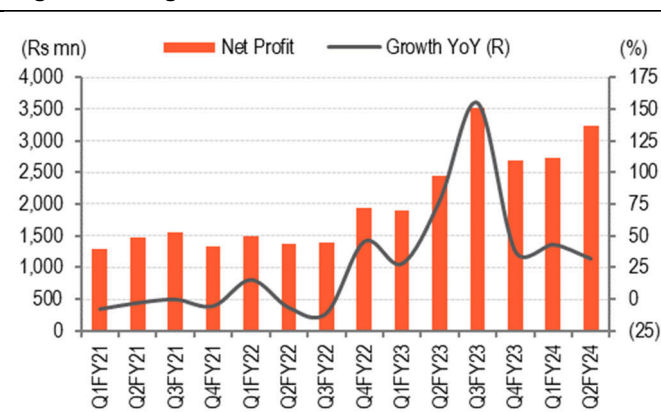
Source: Company, BOBCAPS Research

Fig 6 – EBITDA growth



Source: Company, BOBCAPS Research

Fig 7 – Profit growth



Source: Company, BOBCAPS Research

Earnings call highlights

- **Realisation:** AIAE's realisation stood at Rs 160/kg in Q2FY24 as compared to Rs 163/kg in Q1. Management expects a range of Rs 155-160/kg over the next 3-4 quarters given lower raw material costs, which are a pass-through for the company.
- **Margin:** Management expects a long-term EBITDA margin upward of 22-24%. It believes the 29.5% EBITDA margin achieved during Q2 will subside gradually as the reduced freight costs are passed on to customers.
- **Foreign exchange:** The rupee depreciated from Rs 79/USD in H1FY23 to Rs 83/USD in H1FY24, which contributed to better operating numbers YoY. Rupee depreciation generally has a positive impact on AIAE's profitability.
- **Mill liners:** The company is targeting India's 300,000mt mill liners industry with existing capacity of 20,000mt and 50,000mt of greenfield additions.
- **Working capital:** Working capital improved to 95 days in Q2 as compared to 118-120 days at the peak of freight rates post-Covid.
- **Capex:** After spending Rs 1bn in H1FY24, management expects to incur Rs 5bn in capex during H2, of which Rs 2bn is earmarked for grinding media, Rs 500mn each for land and captive power, and the balance Rs 2bn for debottlenecking and other expenses.
- **Tax:** AIAE had a tax rate of 26.4% in H1FY24 due to tax refund issues, which management is hopeful will be reversed during the fiscal.

Valuation methodology

AIAE's strategy is to serve as a complete solution provider for grinding media and mill liners. The company has indicated that core client industries remain strong and that it does not anticipate any major macroeconomic challenges for customers in the mining, cement and utilities verticals over the next 12 months.

To capitalise on the conversion trend from forged media to high chrome mill internals in the mining industry, AIAE plans to expand capacity from 440,000mt to 520,000mt by FY24-end through brownfield capex of Rs 2bn. The company has a healthy balance sheet (net cash of Rs 31.4bn as of H1FY24) with negligible leverage and strong free cash flow generation. We believe this will keep ROCE at ~20% for the fiscal.

We adjust our FY24/FY25 EPS estimates by -1%/+5% to incorporate the Q2FY24 numbers as well as volume spillover to FY25. This apart, we introduce FY26 forecasts in this report. Upon rollover of valuations to Sep'25E, we have a revised TP of Rs 4,200 (from Rs 4,000), which is set at an unchanged 30x P/E multiple – a 10% premium to the stock's five-year average. We retain BUY as we remain positive on AIAE's structural growth story.

Fig 8 – Revised estimates

Particulars (Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	52,304	57,393	55,246	57,099	(5.3)	0.5
EBITDA	14,081	15,511	14,261	14,713	(1.3)	5.4
PAT	11,639	12,770	11,774	12,173	(1.1)	4.9
EPS	123.4	135.4	124.8	129.1	(1.1)	4.9
EBITDA Margin (%)	26.9	27.0	25.8	25.8	110bps	130bps

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- continued protectionist measures leading to anti-dumping duties, and
- a slowdown in mining capex.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ABB India	ABB IN	10.8	4,204	4,400	HOLD
AIA Engineering	AIAE IN	4.2	3,637	4,200	BUY
Cummins India	KKC IN	5.8	1,725	2,110	BUY
Hitachi Energy	POWERIND IN	2.3	4,405	4,400	HOLD
KEC International	KECI IN	1.8	582	670	HOLD
Larsen & Toubro	LT IN	50.9	2,975	3,500	BUY
Siemens India	SIEM IN	14.6	3,367	3,900	HOLD
Thermax	TMX IN	4.2	2,895	3,000	HOLD

Source: BOBCAPS Research, NSE | Price as of 6 Nov 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	35,665	49,088	52,304	57,393	59,729
EBITDA	7,209	12,406	14,081	15,511	16,110
Depreciation	921	930	1,096	1,265	1,321
EBIT	6,288	11,476	12,985	14,246	14,788
Net interest inc./(exp.)	39	201	120	140	140
Other inc./(exp.)	1,563	2,345	2,697	2,967	3,264
Exceptional items	0	0	0	0	0
EBT	7,813	13,620	15,562	17,073	17,912
Income taxes	1,617	3,055	3,917	4,297	4,508
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	(6)	(6)	(6)	(6)
Reported net profit	6,196	10,559	11,639	12,770	13,398
Adjustments	0	0	0	0	0
Adjusted net profit	6,196	10,559	11,639	12,770	13,398

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	1,967	2,614	2,866	3,145	3,273
Other current liabilities	1,057	1,176	2,149	2,359	2,455
Provisions	0	0	0	0	0
Debt funds	28	4,960	5,285	5,799	6,035
Other liabilities	654	649	691	755	787
Equity capital	189	189	189	189	189
Reserves & surplus	47,361	56,725	66,269	76,740	87,727
Shareholders' fund	47,550	56,913	66,457	76,929	87,915
Total liab. and equities	51,256	66,312	77,449	88,986	1,00,465
Cash and cash eq.	15,610	30,595	35,068	43,907	54,347
Accounts receivables	8,001	8,608	11,464	12,579	13,091
Inventories	12,260	12,180	12,897	14,152	14,728
Other current assets	1,395	1,741	2,723	2,988	3,109
Investments	5	8	9	9	10
Net fixed assets	8,000	10,027	11,931	11,666	11,345
CWIP	2,102	1,074	1,145	1,256	1,307
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	3,882	2,077	2,214	2,429	2,528
Total assets	51,256	66,312	77,449	88,986	1,00,465

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	(392)	8,677	9,413	11,894	13,739
Capital expenditures	(1,253)	(1,924)	(3,000)	(1,000)	(1,000)
Change in investments	1,490	(10,746)	(71)	(112)	(52)
Other investing cash flows	762	587	(99)	(157)	(72)
Cash flow from investing	999	(12,083)	(3,170)	(1,270)	(1,124)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,816)	4,932	325	514	236
Interest expenses	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(859)	(982)	(2,095)	(2,299)	(2,412)
Cash flow from financing	(2,676)	3,950	(1,770)	(1,784)	(2,176)
Chg in cash & cash eq.	(2,069)	544	4,473	8,840	10,440
Closing cash & cash eq.	15,610	30,595	35,068	43,907	54,347

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	65.7	112.0	123.4	135.4	142.0
Adjusted EPS	65.7	112.0	123.4	135.4	142.0
Dividend per share	9.0	16.0	22.2	24.4	25.6
Book value per share	504.1	603.4	704.6	815.6	932.1

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	9.6	7.0	6.5	5.9	5.6
EV/EBITDA	47.3	27.7	24.0	21.8	20.9
Adjusted P/E	55.4	32.5	29.5	26.9	25.6
P/BV	7.2	6.0	5.2	4.5	3.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	79.3	77.5	74.8	74.8	74.8
Interest burden (PBT/EBIT)	124.2	118.7	119.8	119.8	121.1
EBIT margin (EBIT/Revenue)	17.6	23.4	24.8	24.8	24.8
Asset turnover (Rev./Avg TA)	72.2	83.5	72.8	69.0	63.1
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.2	1.2	1.1
Adjusted ROAE	13.8	20.2	18.9	17.8	16.3

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	23.8	37.6	6.6	9.7	4.1
EBITDA	10.0	72.1	13.5	10.2	3.9
Adjusted EPS	9.4	70.4	10.2	9.7	4.9
Profitability & Return ratios (%)					
EBITDA margin	20.2	25.3	26.9	27.0	27.0
EBIT margin	17.6	23.4	24.8	24.8	24.8
Adjusted profit margin	17.4	21.5	22.3	22.3	22.4
Adjusted ROAE	13.8	20.2	18.9	17.8	16.3
ROCE	13.0	19.9	19.3	18.3	16.7
Working capital days (days)					
Receivables	82	64	80	80	80
Inventory	125	91	90	90	90
Payables	20	19	20	20	20
Ratios (x)					
Gross asset turnover	2.2	2.7	2.5	2.5	2.5
Current ratio	12.3	6.1	6.0	6.5	7.2
Net interest coverage ratio	163.3	57.1	108.2	101.8	105.6
Adjusted debt/equity	0.0	0.0	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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:  **BOBCAPS**
TRUST | INNOVATION | EXCELLENCE

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%

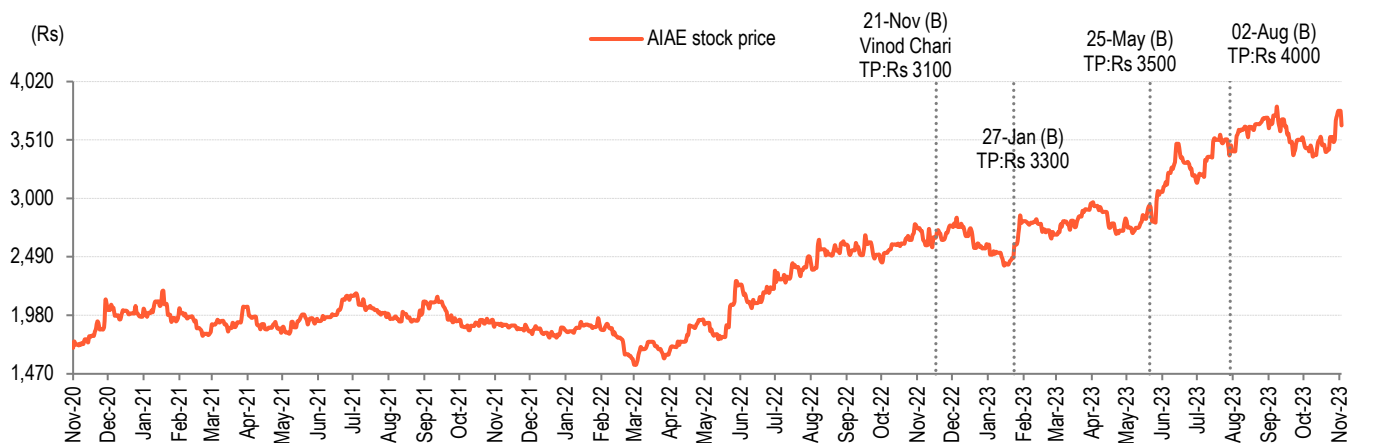
HOLD – Expected return from -6% to +15%

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): AIA ENGINEERING (AIAE 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, except for Research Analyst Vinod Chari having 55 shares of Larsen & Toubro (LT IN). 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.