

BUY

TP: Rs 210 | ▲ 21%

ASHOK LEYLAND

| Automobiles

| 11 November 2023

On a winning wicket

- Q2 net realisation per vehicle grew at healthy 6% to Rs 1,933k on price hikes of 1-2% in CVs
- Gross margin at 26.5% expanded 445bps YoY with EBITDA margin rising 470bps to 11.2%
- Maintain BUY with unchanged SOTP-based TP of Rs 210, valuing standalone operations at 20x FY25E EPS

Healthy topline growth: AL's Q2FY24 revenue grew 17% YoY (+18% QoQ) to Rs 96.4bn in a part-festive-season quarter that saw volume growth of 10% to ~50k units and net realisation gains of 6% to Rs 1,933k per vehicle. A richer product mix coupled with price hikes of 1-2% taken by AL across CVs in March bolstered the quarter's realisations.

Better margins: Raw material cost improved to 73.5% of net sales from 78.0% in Q2FY23 (flat QoQ). Gross margin at 26.5% thus expanded 445bps YoY. A combination of better operating leverage, lower costs and healthy pricing saw EBITDA doubling to Rs 10.8bn from Rs 5.4bn in Q2FY23, with an 11.2% margin (+470bps YoY). Management expects AL's EBITDA margin to hold at this level over FY24-FY25. Adj. PAT increased to Rs 5.8bn from Rs 1.9mn in Q2FY23.

Higher inventory typical of festive season: Management indicated that channel inventory with dealers is high but that this is a typical festive season trend which depends on dealers' demand forecast assessment and is not indicative of weak buying. AL expects inventory to normalise after the festive season.

Four launches in Q2: During the quarter, AL launched two trucks (*Ecomet* 1915 and 1922 CNG), a bus (2820 G45 FES), and a tipper (N2825). Development of an electric bus designed for the European market is in progress. The company's order book pipeline for the defence business as on Q2FY24 is ~Rs 8bn.

Maintain BUY: AL continues to beat industry growth in the CV segment, maintain leadership in buses, deliver new launches and make progress on EVs. LCV segment recovery adds comfort. We maintain our estimates of 9-10% operating margins for FY24-FY25 as against management's aggressive double-digit target and keep our earnings projections unchanged. Our SOTP-based TP stays at Rs 210 as we continue to assign a 20x FY25E P/E multiple to the standalone business – in line with the 5Y average multiple. BUY.

Milind Raginwar | Shree Kirloskar
research@bobcaps.in

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	AL IN/Rs 174
Market cap	US\$ 6.2bn
Free float	49%
3M ADV	US\$ 28.3mn
52wk high/low	Rs 192/Rs 133
Promoter/FPI/DII	52%/17%/15%

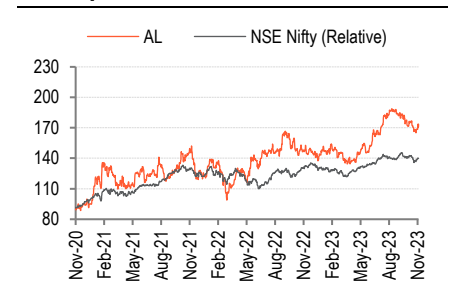
Source: NSE | Price as of 10 Nov 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	3,61,441	4,31,673	5,13,036
EBITDA (Rs mn)	29,307	40,155	49,472
Adj. net profit (Rs mn)	12,955	22,281	28,551
Adj. EPS (Rs)	4.7	7.6	9.7
Consensus EPS (Rs)	4.7	7.1	9.1
Adj. ROAE (%)	15.4	21.6	22.2
Adj. P/E (x)	37.0	22.9	17.9
EV/EBITDA (x)	18.3	13.1	9.7
Adj. EPS growth (%)	4079.0	72.0	28.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q2FY24	Q1FY24	Our view
Industry growth	<p>AL's domestic MHCV segment grew 10% YoY in H1FY24 (truck/tractor/tipper industries grew 15%/50%/20% YoY), backed by a favourable macroeconomic environment and healthy replacement demand. Management retains guidance of 8-10% industry growth for MHCVs in FY24.</p> <p>The LCV industry grew 3% YoY in H1FY24 against management's estimate of 4-5%. AL expects the LCV industry to perform well given healthy growth in agriculture, consumer deliveries, grain and e-commerce. Bus TIV volumes grew 46% YoY in Q2FY24, and AL grew 95% in the segment.</p>	<p>Industry M&HCV growth was slightly muted at 3% YoY in Q1FY24 owing to pre-buying in Q4FY23. AL's domestic M&HCV volumes grew 7% YoY while bus TIV grew 39%. The company clocked 93% YoY growth in the bus segment</p> <p>Management retained guidance of above-industry volume growth in CVs for FY24 and believes its EV buses are positioned for strong growth over the coming years.</p>	AL maintains its market share lead in CVs and is seeing revival in the LCV industry after a gap.
Market share	AL has 31.9% market share in MHCVs (31.2% in Q1) and ~20% in LCVs as of Q2FY24. Market share in buses is 37.8%, up from 28.3% in Q2FY23, and management expects the bus segment to further improve on the back on a large order pipeline from state transmission utilities (STU).	<p>Market share in the northern and eastern regions rose by 25% QoQ, taking overall share to 25% in Q1FY24. Bus market share at 28.1% was up 39.1% YoY and ICV bus share also improved significantly to 15%.</p> <p>Management continues to target 35% overall market share with a focus on the northern, eastern, and ICV bus markets.</p>	A focus on tapping newer domestic and international regions has helped AL beat industry growth.
Exports	The company sold 2,901 units in international markets (vs. 2,780 units in Q2FY23), whereas most of its peers have registered a sharp decline in export volumes.	<p>International operations remain weak, declining 12% YoY, due to a poor macroeconomic environment abroad.</p> <p>Management expects improvement as inflation softens in Europe.</p>	AL will continue to tap new geographies, aiding growth in exports.
Margins	Commodity prices have softened after a slight increase at the start of FY24 and management expects industry pricing to improve by 1.5-2% per quarter. Raw material cost made up 73.5% of sales (-450bps YoY). Operating margin grew 470bps to 11.2% on commodity cost softening, cost reduction programmes undertaken by AL and operating leverage. Management expects margins to hold at this level in FY24-FY25.	<p>EBITDA margin stood at 10% in Q1FY24, down 85bps QoQ but up 570bps YoY.</p> <p>Margins are guided to be around 10% in the next two years as cost reduction programmes yield significant benefits and volumes expand.</p>	We stay conservative on margins, though AL appears to be on the right track to retaining a ~10% EBITDA margin by improving efficiencies.
Launch pipeline	<p>During Q2FY24, AL launched two trucks (Ecomet 1915 and 1922 CNG), a bus (2820 G45 FES), and a tipper (N2825).</p> <p>Development of an electric bus designed for the European market is in progress.</p>	<p>During the quarter, AL launched a ready-mix concrete tipper (AVTR 6x4 EDPTO), three trucks (eComet Star 1915, 28 20 G45 FPS, eComet Star 16/18t 24ft), a micro air vehicle (4225 MAV), and a 13.5-meter bus with 19.5t gross weight.</p> <p>The launch pipeline includes two Switch EV LCVs in H2FY24, an Ather bus variant, and a potential European bus model.</p>	A strong launch pipeline will improve the product mix and protect or add to margins.

Parameter	Q2FY24	Q1FY24	Our view
Other key points	<p>AL has approved investments of ~Rs 12bn in Optare (holding company of Switch UK and Switch India) to support its electrification business under the <i>Switch</i> brand. The investment will be made in one or more tranches over the next 3-6 months.</p> <p>Hinduja Leyland Finance (HLF) has a loan book of ~Rs 420bn (capital adequacy ratio of 21%), and management expects HLF's listing to take place in Q4FY24.</p> <p>The order pipeline for the defense business as on Q2FY24 is ~Rs 8bn (~Rs 3bn revenue booked in H1FY24). AL is targeting ~Rs10bn revenue from the defense business.</p>	<p>Management is open to investments into Switch Mobility and incurred capex of Rs 910mn in Q1. It expects to transition Switch into a lower tax regime.</p> <p>Hinduja Leyland will reverse-merge into AL by the end of FY24.</p> <p>Net working capital days have risen by 11 days QoQ, causing net debt to rise to Rs 14.6bn from -Rs 2.4bn and operating working capital to rise to Rs 15.2bn. Cash generation is guided to improve YoY as working capital levels likely decline in H2.</p>	A healthy defence order book adds a cushion to revenues.

Source: Company, BOBCAPS Research | ICV: Intermediate Commercial Vehicles; TIV: Total Industry Volume

Fig 2 – Quarterly performance

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Volume	49,846	45,295	10.0	41,329	20.6
Avg. Realisation per Vehicle	1,933,563	1,824,914	6.0	1,981,488	(2.4)
Net Revenues	96,380	82,660	16.6	81,893	17.7
Total Income (A)	96,380	82,660	16.6	81,893	17.7
Operating Expenses:					
Raw materials consumed	70,866	64,466	9.9	60,282	17.6
Employee Expenses	5,728	5,271	8.7	5,376	6.6
Other Expenses	8,989	7,550	19.1	7,938	13.2
Total Expenditure (B)	85,583	77,286	10.7	73,595	16.3
EBITDA (A-B)	10,798	5,373	101.0	8,298	30.1
Other Income	475	199	138.5	512	(7.3)
Depreciation	1,803	1,768	2.0	1,794	0.5
EBIT	9,470	3,804	148.9	7,016	35.0
Finance Costs	587	771	(23.8)	699	(16.0)
PBT before exceptional items	8,882	3,034	192.8	6,317	40.6
Exceptional items	(229)	82	-	(6)	-
PBT after exceptional items	8,654	3,116	177.7	6,311	37.1
Tax expense	3,044	1,124	170.8	457	566.1
Reported PAT	5,610	1,992	181.6	5,854	(4.2)
Adjusted PAT	5,839	1,910	205.7	4,140	41.0
Adj EPS (Rs)	2.0	0.7	205.7	1.4	41.0
Key ratios (%)			(bps)		(bps)
Gross Margin	26.5	22.0	446	26.4	8
EBITDA Margin	11.2	6.5	470	10.1	107
EBIT Margin	9.8	4.6	522	8.6	126
PBT Margin	9.2	3.7	555	7.7	150
Tax Rate	35.2	36.1	(90)	7.2	2793
Adj PAT Margin	6.1	2.3	375	5.1	100

Source: Company, BOBCAPS Research

Valuation methodology

AL continues to beat industry growth in the CV segment, maintain leadership in buses, deliver new launches and make progress on EVs. LCV segment recovery adds comfort. We maintain our estimates of 9-10% operating margins for FY24-FY25 as against management's aggressive double-digit target and keep our earnings projections unchanged. Our SOTP-based TP stays at Rs 210 as we continue to assign a 20x FY25E P/E multiple to the standalone business – in line with the 5Y average multiple. Maintain BUY.

Fig 3 – Key assumptions

Parameter	FY23	FY24E	FY25E
M&HCV volumes (nos)	1,23,830	1,43,643	1,65,189
LCV volumes (nos)	48,042	50,925	52,962
Total volumes sold (Nos)	1,71,872	1,94,567	2,18,151
M&HCV (%)	72.0	73.8	75.7
LCV (%)	28.0	26.2	24.3
Revenue per vehicle (Rs)	21,02,968	22,18,632	23,51,750
RMC per vehicle (Rs)	16,20,342	16,69,520	17,55,581
As a % of revenue	77.1	75.3	74.7
Gross margin per vehicle (Rs)	4,82,626	5,49,111	5,96,169
As a % of revenue	22.9	24.8	25.4
Staff cost per vehicle (Rs)	1,22,990	1,21,681	1,21,550
As a % of revenue	5.8	5.5	5.2
Other expense per vehicle (Rs)	1,89,119	2,26,300	2,52,813
As a % of revenue	9.0	10.2	10.8
EBITDA per vehicle (Rs)	1,70,516	2,01,129	2,21,805
As a % of revenue	8.1	9.1	9.4
Other Income (Rs mn)	1,292	1,333	1,484
Depreciation (Rs mn)	7,759	8,054	8,429
Interest (Rs mn)	3,009	3,325	3,682
PAT per vehicle (Rs)	75,376	1,14,514	1,30,878
As a % of revenue	3.6	5.2	5.6

Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

Business	FY25E EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	9.7	20	198
Leyland Finance	-	-	12
Total	-	-	210

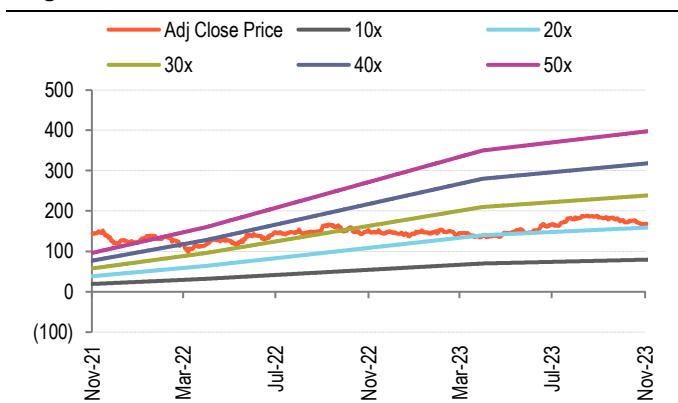
Source: BOBCAPS Research

Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY24E	FY25E	FY24E	FY25E
Ashok Leyland	AL IN	BUY	210	7.6	9.7	23.8	24.7
Mahindra & Mahindra	MM IN	BUY	1,824	78.0	90.7	19.4	18.7
Tata Motors	TTMT IN	NOT RATED	-	42.8	52.6	24.6	25.3

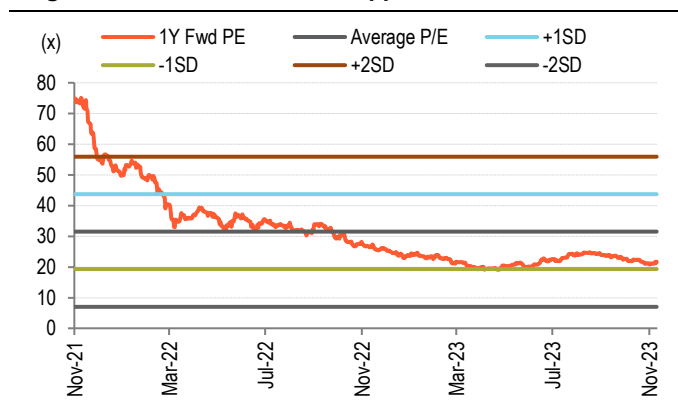
Source: BOBCAPS Research

Fig 6 – P/E band



Source: Bloomberg, BOBCAPS Research

Fig 7 – Headroom for further appreciation



Source: Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- delays in planned launches in the M&HCV and bus segments,
- fierce competition and hence pressure on margins, and
- slower revival in economic growth than expected.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ashok Leyland	AL IN	6.2	174	210	BUY
Bajaj Auto	BJAUT IN	19.0	5,392	5,139	HOLD
Eicher Motors	EIM IN	11.8	3,541	3,601	HOLD
Escorts	ESCORTS IN	5.1	3,167	2,343	SELL
Hero MotoCorp	HMCL IN	7.5	3,105	3,009	HOLD
Mahindra & Mahindra	MM IN	23.2	1,524	1,824	BUY
Maruti Suzuki	MSIL IN	38.2	10,389	11,562	HOLD
TVS Motor	TVSL IN	9.4	1,632	1,531	HOLD
VST Tillers Tractors	VSTT IN	0.4	3,757	3,858	HOLD

Source: BOBCAPS Research, NSE | Price as of 10 Nov 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Total revenue	1,55,984	2,16,883	3,61,441	4,31,673	5,13,036
EBITDA	5,351	9,945	29,307	40,155	49,472
Depreciation	7,477	7,528	7,320	8,054	8,429
EBIT	(931)	3,179	23,149	33,434	42,527
Net interest inc./(exp.)	(3,068)	(3,011)	(2,891)	(3,325)	(3,682)
Other inc./(exp.)	1,195	761	1,161	1,333	1,484
Exceptional items	(121)	5,108	846	0	0
EBT	(4,119)	5,276	21,104	30,109	38,845
Income taxes	(983)	(142)	7,303	7,828	10,294
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	(3,136)	5,418	13,801	22,281	28,551
Adjustments	121	(5,108)	(846)	0	0
Adjusted net profit	(3,016)	310	12,955	22,281	28,551

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Accounts payables	51,647	70,342	72,441	1,05,609	1,24,707
Other current liabilities	14,860	16,408	21,996	1,474	440
Provisions	6,545	6,705	10,377	11,216	12,338
Debt funds	37,163	35,071	31,801	33,084	35,422
Other liabilities	2,805	0	0	0	0
Equity capital	2,936	2,936	2,936	2,936	2,936
Reserves & surplus	66,837	70,433	81,322	1,00,070	1,25,385
Shareholders' fund	69,772	73,369	84,257	1,03,006	1,28,320
Total liab. and equities	1,82,792	2,01,894	2,20,873	2,54,389	3,01,228
Cash and cash eq.	8,230	10,470	5,013	40,066	46,299
Accounts receivables	28,160	31,111	40,627	54,403	62,548
Inventories	21,423	20,752	27,745	37,845	43,573
Other current assets	16,603	24,858	21,529	28,384	36,545
Investments	30,687	48,196	66,627	35,913	48,913
Net fixed assets	70,504	62,342	59,378	59,814	63,385
CWIP	3,719	1,111	490	3,000	5,000
Intangible assets	0	4,499	4,499	0	0
Deferred tax assets, net	(1,708)	(1,444)	(5,035)	(5,035)	(5,035)
Other assets	5,174	0	0	0	0
Total assets	1,82,792	2,01,895	2,20,872	2,54,389	3,01,228

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash flow from operations	6,443	28,126	18,994	11,219	31,600
Capital expenditures	(7,722)	(1,257)	(3,735)	(6,501)	(14,000)
Change in investments	(3,491)	(17,509)	(18,431)	30,714	(13,000)
Other investing cash flows	1,195	761	1,161	1,333	1,484
Cash flow from investing	(10,018)	(18,005)	(21,004)	25,546	(25,516)
Equities issued/Others	0	0	50	(50)	0
Debt raised/repaid	4,349	(2,092)	(3,270)	1,283	2,338
Interest expenses	(3,068)	(3,011)	(2,891)	(3,325)	(3,682)
Dividends paid	(1,761)	(2,936)	(7,632)	(5,871)	(5,871)
Other financing cash flows	(940)	157	3,669	(401)	0
Cash flow from financing	(1,421)	(7,881)	(10,075)	(8,364)	(7,215)
Chg in cash & cash eq.	(4,995)	2,240	(12,085)	28,402	(1,131)
Closing cash & cash eq.	8,230	10,470	5,013	40,066	46,299

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
Reported EPS	(1.0)	0.1	4.4	7.6	9.7
Adjusted EPS	(1.1)	1.8	4.7	7.6	9.7
Dividend per share	0.6	1.0	2.6	2.0	2.0
Book value per share	23.8	25.0	28.7	35.1	43.7

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23A	FY24E	FY25E
EV/Sales	3.3	2.5	1.5	1.2	0.9
EV/EBITDA	96.5	53.7	18.3	13.1	9.7
Adjusted P/E	(162.7)	94.2	37.0	22.9	17.9
P/BV	7.3	7.0	6.1	5.0	4.0

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23A	FY24E	FY25E
Tax burden (Net profit/PBT)	73.2	5.9	61.4	74.0	73.5
Interest burden (PBT/EBIT)	442.6	166.0	91.2	90.1	91.3
EBIT margin (EBIT/Revenue)	(0.6)	1.5	6.4	7.7	8.3
Asset turnover (Rev./Avg TA)	142.8	198.8	322.0	342.4	342.2
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.3	1.3
Adjusted ROAE	(4.2)	0.4	16.4	23.8	24.7

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
YoY growth (%)					
Revenue	(12.8)	39.0	66.7	19.4	18.8
EBITDA	(54.4)	85.8	194.7	37.0	23.2
Adjusted EPS			4079.0	72.0	28.1
Profitability & Return ratios (%)					
EBITDA margin	3.4	4.6	8.1	9.3	9.6
EBIT margin	(0.6)	1.5	6.4	7.7	8.3
Adjusted profit margin	(1.9)	0.1	3.6	5.2	5.6
Adjusted ROAE	(4.3)	0.4	15.4	21.6	22.2
ROCE	(0.6)	3.0	13.5	19.6	20.9
Working capital days (days)					
Receivables	47	50	36	40	42
Inventory	40	35	24	28	29
Payables	125	133	94	100	110
Ratios (x)					
Gross asset turnover	0.7	0.5	0.3	0.3	0.3
Current ratio	1.0	0.9	0.9	1.4	1.4
Net interest coverage ratio	0.3	(1.1)	(8.0)	(10.1)	(11.5)
Adjusted debt/equity	0.5	0.5	0.4	0.3	0.3

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**



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%

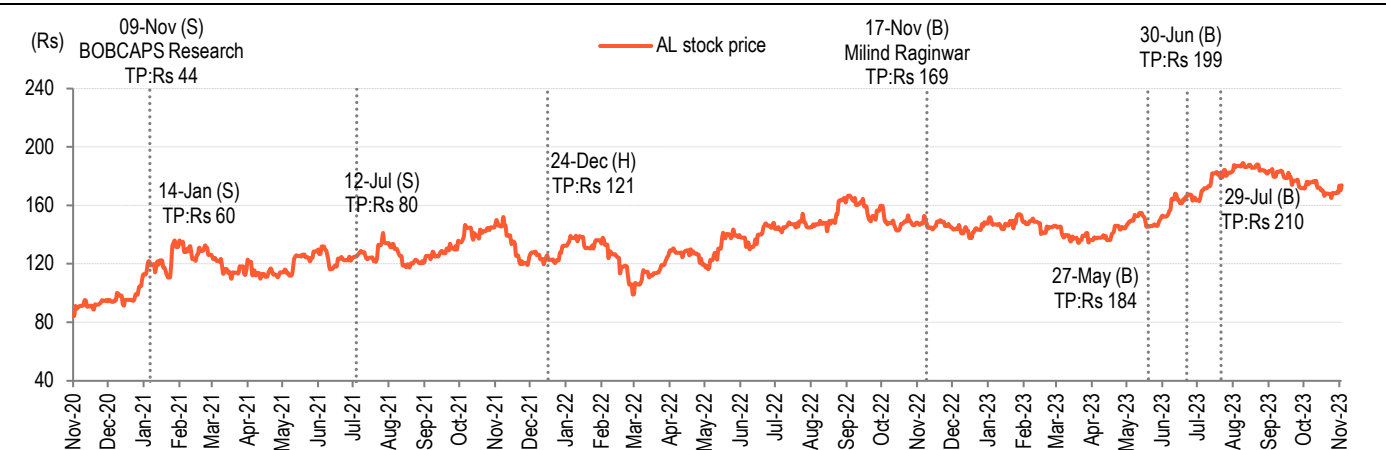
HOLD – Expected return from -6% to +15%

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): ASHOK LEYLAND (AL 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.