

BUY

TP: Rs 370 | ▲ 29%

CROMPTON GREAVES

Consumer Durables

15 June 2023

Annual report analysis: Difficult year

- **New energy labelling norms hit the fans business and subdued demand dimmed lighting sales in FY23**
- **Butterfly merger and foray into large kitchen appliances to transform Crompton into an end-to-end kitchen player**
- **Among the stronger plays on premiumisation trends in fans; maintain BUY with a TP of Rs 370.**

Vinod Chari | Nilesh Patil
Swati Jhunjhunwala
research@bobcaps.in

Rating change in fans slowed growth: Though FY23 was a challenging year for the entire durables sector due to subdued consumer demand, the fans business had the added headwind of energy rating changes in Dec'22. Crompton's fans segment posted only 5% value growth in FY23. While the company has transitioned its entire portfolio to the new rating norms, channel stocking of older, cheaper products hurt the segment.

Lighting business subdued: The lighting division underperformed with value growth staying flat for both Q4FY23 and FY23, as the B2B and B2C divisions flagged. Whereas a lack of government orders weakened B2B sales, B2C performance was dented by price volatility in the market.

Butterfly merger to add synergies: Crompton owns 75% of Butterfly Gandhimathi and plans to merge with the latter. This will simplify its corporate structure and give it access to Butterfly's manufacturing units, R&D and distribution, thereby expanding its offering in small kitchen appliances and boosting its presence in South India. Similarly, Butterfly products can reach a broader audience via Crompton's pan-India network.

Foray into large kitchen appliances: In a bid to further broaden its product portfolio, Crompton has ventured into the large appliance market. As per the company, this would complete the kitchen play after Butterfly's acquisition.

Cost management to the fore: Crompton continues on the path of cost management with its *Unnati* project. FY23 saw the company achieve the highest savings under this programme at Rs 2.5bn, a 14.6% CAGR over 4Y from Rs 1.4bn.

New R&D centre to aid product development: The company commissioned its largest R&D centre during the year covering the areas of technology, IoT, energy efficiency, and smart testing technologies. R&D spend in FY23 was Rs 777mn.

Maintain BUY: Crompton pushed its new, compliant fans portfolio in FY23, outplaying peers who chose to clear old stock. We believe the company is a stronger play on the growing share of premium fans. Maintain BUY with a TP of Rs 370 (30x FY25E EPS).

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	CROMPTON IN/Rs 288
Market cap	US\$ 2.2bn
Free float	100%
3M ADV	US\$ 12.8mn
52wk high/low	Rs 429/Rs 251
Promoter/FPI/DII	0%/40%/44%

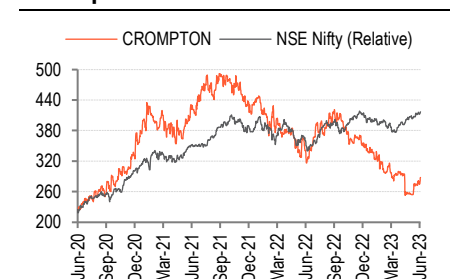
Source: NSE | Price as of 14 Jun 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	68,696	79,054	91,036
EBITDA (Rs mn)	7,705	9,629	11,532
Adj. net profit (Rs mn)	4,632	6,307	7,837
Adj. EPS (Rs)	7.3	9.9	12.3
Consensus EPS (Rs)	7.3	9.8	11.8
Adj. ROAE (%)	18.1	21.6	22.5
Adj. P/E (x)	39.5	29.0	23.4
EV/EBITDA (x)	24.4	18.5	15.3
Adj. EPS growth (%)	(21.7)	36.2	24.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

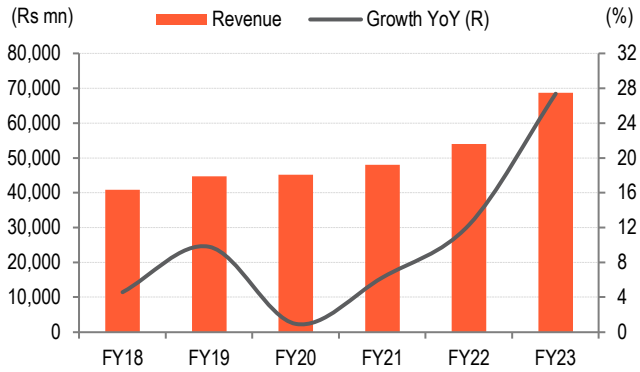


Source: NSE



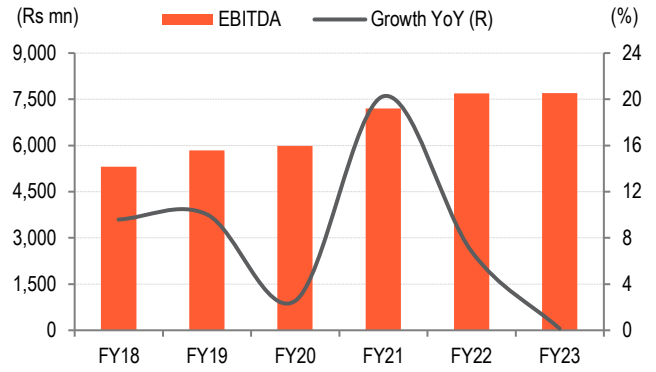
Growth trends and financial metrics

Fig 1 – Revenue trend



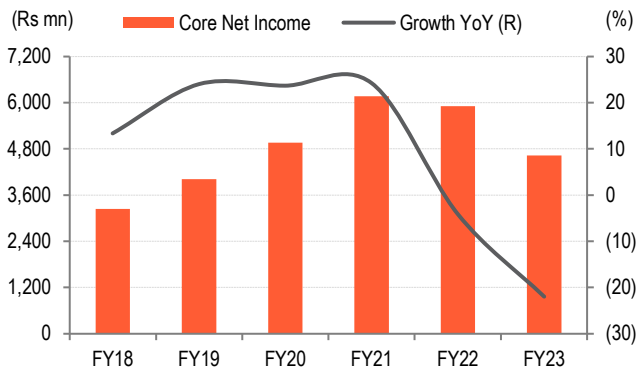
Source: Company, BOBCAPS Research

Fig 2 – EBITDA trend



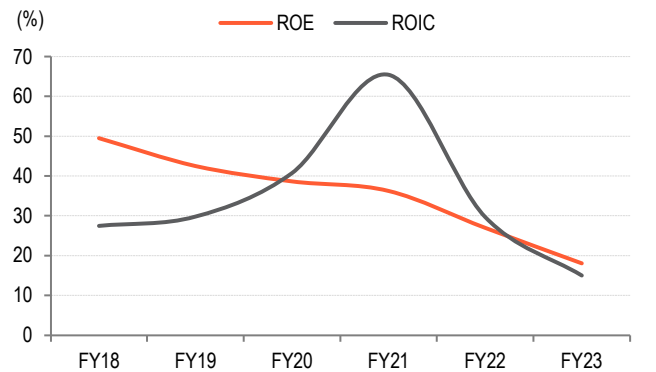
Source: Company, BOBCAPS Research

Fig 3 – PAT growth



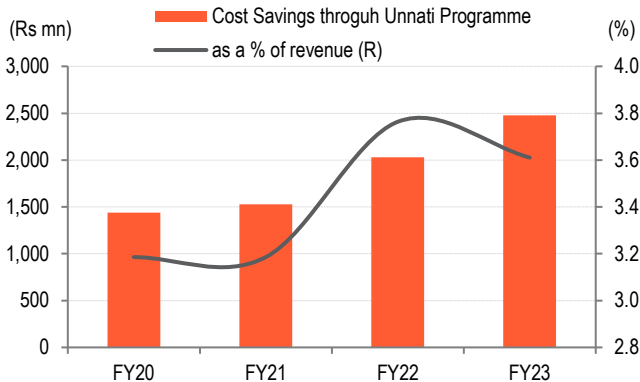
Source: Company, BOBCAPS Research

Fig 4 – Return ratios



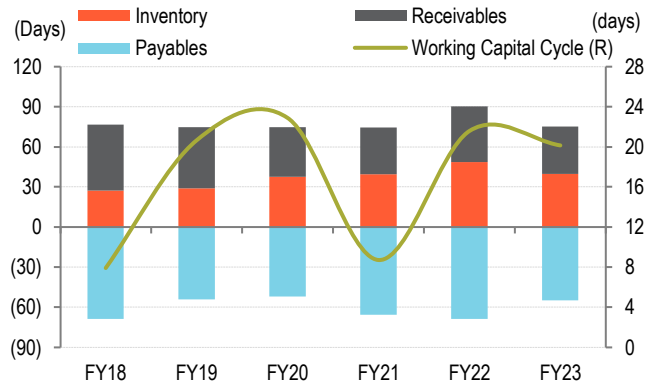
Source: Company, BOBCAPS Research

Fig 5 – Cost savings

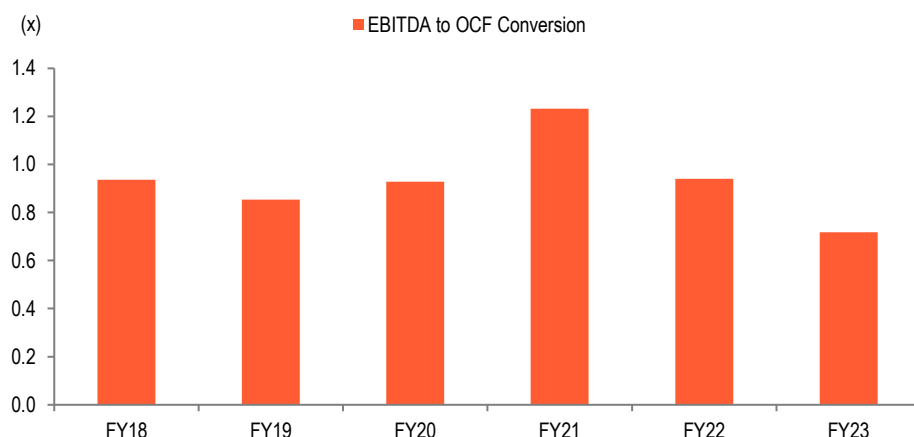


Source: Company, BOBCAPS Research

Fig 6 – Working capital cycle



Source: Company, BOBCAPS Research

Fig 7 – EBITDA to OCF conversion

Source: Company, BOBCAPS Research

Annual report takeaways

Crompton Greaves Consumer (Crompton) is a leading player in fans and lighting in India. It recently acquired Butterfly Gandhimathi Appliances (Butterfly), a kitchen appliances company, to further strengthen its portfolio. Crompton has a diverse product slate that includes fans, lighting solutions, kitchen appliances, pumps, and home appliances such as air coolers, mixer grinders, and irons.

Though FY23 was a challenging year for the entire durables sector due to subdued consumer demand, the core fans business had the added headwind of energy rating changes in Dec'22. Crompton's lighting division also underperformed with value growth staying flat for both Q4FY23 and FY23.

Segmental performance

Fig 8 – Segment financials

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Electric Consumer Durables	28,871	28,281	32,136	33,890	37,571	43,110	47,557
Growth YoY (%)	131.2	(2.0)	13.6	5.5	10.9	14.7	10.3
Lighting Products	11,296	12,770	12,653	11,312	10,464	10,831	10,581
Growth YoY (%)	100.7	13.1	(0.9)	(10.6)	(7.5)	3.5	(2.3)

Source: Company, BOBCAPS Research

Electric consumer durables (ECD)

- During FY23, Crompton restructured its pumps business into a new brand to better cater to consumer needs, and undertook pricing action to combat competition in a number of ECD segments.
- The pumps segment has grown well in India due to various factors such as the need for uninterrupted water supply, favourable government policies, and steady growth of wastewater treatment. The 'Har Ghar, Nal se Jal' scheme aims to bring piped drinking water to every rural household in India, and the government has allocated Rs 700bn to achieve this target by FY24.

Lighting products

- The lighting segment saw a 2% decline in topline and 230bps contraction in EBIT margin for FY23. This can be attributed to underperformance in both the B2B and B2C segments due to a lack of government orders and price volatility respectively.
- The company expects demand to improve as energy-efficient lighting continues to gain traction and the housing sector picks up.

Butterfly products (kitchen appliances)

- Crompton owns 75% of Butterfly Gandhimathi and on 25 March announced plans to merge with the latter to realise revenue and cost synergies. After the merger, Butterfly will become a wholly owned subsidiary.
- Butterfly is one of the top 3 players in mixers, cookers and stoves in South India, apart from being the No.1 player in the region for wet grinders and LPG stoves. It also capitalises on manufacturing strength, in contrast to Crompton's outsourcing play.
- Home appliances have seen an upsurge in sales after Covid as remote working raised demand for in-home products. Crompton also sees potential to grow in rural areas given significant under-penetration.

Business strategy

- Crompton is promoting its brand through multiple campaigns and investments in advertising and promotion (A&P), which stood at 3% of revenue in FY23 vs. 1.7% in FY22.
- The company is focused on driving premiumisation across segments. It is also advancing its technology by bringing energy efficiency across product lines, launching smart products such as water heaters/coolers and innovative antibacterial lamps, and ensuring better material substitution to enhance performance and optimise costs.
- The company's exposure to imports has increased after the foray into large appliances, and the lighting segment continues to depend on imports for components, in line with the industry practice. Crompton is, however, trying to reduce import dependency at the organisational level by shifting some of its sourcing to local vendors and scouting for alternate materials to mitigate inter-country risks.
- Cost savings under Project Unnati continue. The programme has a goal of optimising expenditure in terms of vendors, taxes, volatility hedging, demand management, alternate products and material re-engineering. The company estimates that it saved Rs 2.5bn in FY23 due to the efforts put into the project.

Manufacturing

- Crompton has seven manufacturing facilities spread across Goa, Himachal Pradesh (fans and lighting), Baroda in Gujarat (lighting), Ahmednagar in Maharashtra, and Chennai (Butterfly), with an installed capacity of 22.9mn units in fans, 98.4mn units in lighting, and 0.51mn units in pumps.
- Utilisation for the three segments was 39%, 36%, and 32% respectively in FY23.

Launches

- Crompton launched *Ozone Royal* in the air cooler segment during FY23 to fill gaps in litreage and provide premium features in the mid-segment portfolio.
- In mixer grinders, the company introduced two new models: *Questa* and *Nigella*.
- It also added six categories in the small kitchen appliances segment, including oven toaster grills, air fryers, rice cookers, hand blenders, electric choppers and pop-up toasters.
- In room heaters, the company launched two variants *Comfy* and *Quartz* and also introduced carbon heaters branded *Insta Flare*.
- In the lighting segment, it rolled out the *Trio* range of battens and *NightBuddy* lamps catering to a specialised market, and also expanded to wi-fi-enabled automated lighting solutions such as smart ceiling lights, battens and lamps.

Balance sheet and Cash flows

- The company had a cash balance of Rs 7.7bn at the end of FY23 vs. Rs 17.2bn in FY22 and net debt of Rs 8.7bn (vs. Rs 6.5bn).
- Crompton now has significant debt on account of the Butterfly acquisition. Leverage ratios, hence, have moved up.
- ROIC has been declining in the last two years due to the Butterfly acquisition, coming in at 15% for FY23 (Fig 4).

Key financial metrics

Fig 9 – Other expense

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Consumption of stores and spares	137	163	171	149	114	158	140
as a % of revenue	0.4	0.4	0.4	0.3	0.2	0.3	0.2
Power and fuel	68	86	62	56	46	57	193
as a % of revenue	0.2	0.2	0.1	0.1	0.1	0.1	0.3
Rent	178	187	192	134	147	116	156
as a % of revenue	0.5	0.5	0.4	0.3	0.3	0.2	0.2
Rates and taxes	188	387	134	43	22	22	53
as a % of revenue	0.5	0.9	0.3	0.1	0.0	0.0	0.1
Freight and forwarding outward	999	894	1,294	1,313	1,352	1,444	2,234
as a % of revenue	2.6	2.2	2.9	2.9	2.8	2.7	3.3
Packing materials	605	503	639	602	628	691	770
as a % of revenue	1.5	1.2	1.4	1.3	1.3	1.3	1.1
After sales service	374	377	480	513	441	576	762
as a % of revenue	1.0	0.9	1.1	1.1	0.9	1.1	1.1
Sales promotion	668	450	625	494	518	292	1,096
as a % of revenue	1.7	1.1	1.4	1.1	1.1	0.5	1.6
Corporate social responsibility expenses (Refer Note 36)	15	1	72	100	110	125	138
as a % of revenue	0.0	0.0	0.2	0.2	0.2	0.2	0.2
Advertising	388	557	287	495	304	602	969
as a % of revenue	1.0	1.4	0.6	1.1	0.6	1.1	1.4
Legal and professional charges	552	536	591	699	595	845	1,051
as a % of revenue	1.4	1.3	1.3	1.5	1.2	1.6	1.5
Bad Debts written off					141	60	79
as a % of revenue					0.3	0.1	0.1
Allowance for doubtful debt					-20	90	133
as a % of revenue					-0.0	0.2	0.2
Miscellaneous expenses	493	364	563	801	395	527	1,007
as a % of revenue	1.3	0.9	1.3	1.8	0.8	1.0	1.5
Total	4,664	4,506	5,109	5,399	4,792	5,605	8,780

Source: Company, BOBCAPS Research

Fig 10 – Contingent liabilities

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Claims against the Group not acknowledged as debts	5	7	7	237	237	235	242
Income tax liability	208	208	268	287	290	290	337
Excise duty/ customs duty / service tax liability	1	-	-	56	60	89	98
GST/ Entry Tax/ Sales tax / VAT liability	257	388	306	571	1,130	1,176	1,178
Employee State Insurance and Labour matter	-	-	-		-	5	
Total	469	603	582	1,151	1,717	1,794	1,855
Net worth	5,178	7,895	10,973	14,683	19,314	24,530	26,600
Contingent liabilities as a % of Net worth	9.1	7.6	5.3	7.8	8.9	7.3	7.0

Source: Company, BOBCAPS Research

Fig 11 – Auditor’s remuneration

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Auditor’s remuneration	6.5	7.1	7.6	9.0	8.4	10.2	11.6
as a % of EBITDA	0.1	0.1	0.1	0.2	0.1	0.1	0.2

Source: Company, BOBCAPS Research

Fig 12 – Working capital management

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Account receivables	4,728	5,536	5,660	4,635	4,608	6,154	6,706
Receivable days	44	50	46	37	35	42	36
Inventory	2,734	3,032	3,524	4,636	5,186	7,210	7,439
Inventory days	26	27	29	37	39	49	40
Account Payables	7,128	7,682	6,650	6,436	8,647	10,178	10,354
Payable days	67	69	54	52	66	69	55
Cash conversion cycle	3	8	21	23	9	22	20

Source: Company, BOBCAPS Research

Fig 13 – Trend in acceptances

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Acceptances	2,833	2,589	1,586	1,266	1,016	2,455	662
as a % of Trades payable	40	34	24	20	12	24	6

Source: Company, BOBCAPS Research

Fig 14 – Movement in debt

Particulars (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Short-term borrowings	-	-	-	-	1,800	16,030	3,250
Change YoY (%)						790.5	(79.7)
Long term borrowings	6,478	6,486	3,493	1,797	2,988	46	5,972
Change YoY (%)		0.1	(46.2)	(48.5)	66.2	(98.5)	NM

Source: Company, BOBCAPS Research

Fig 15 – Management remuneration

Particulars (Rs mn)	Designation	FY18	FY19	FY20	FY21	FY22	FY23
EBIT		5,184	5,714	5,723	6,908	7,272	6,546
Shantanu Khosla	Managing Director	73	75	81	52	112	98
as a % of EBIT		1.4	1.3	1.4	0.8	1.5	1.5
Mathew Job	Chief Executive Officer				37	80	74
as a % of EBIT					0.5	1.1	1.1
H. M. Nerurkar	Chairman, Independent Director	2	2	3	3	4	4
as a % of EBIT		0.0	0.0	0.0	0.0	0.1	0.1

Source: Company, BOBCAPS Research

Valuation methodology

We reiterate our BUY rating on Crompton with an unchanged TP of Rs 370, valuing the stock at a 30x P/E multiple on FY25E. Our target multiple represents a 15% discount to the stock's five-year average P/E on two-year forward basis to bake in the fluid demand environment in the fans business amidst the recent rating transition.

Though this transition has led to uncertainty in the fans industry, we believe Crompton is a stronger play than peers on account of its market leadership and growing share in premium fans. Additionally, its strategy of focusing on fans compliant with the new norms over extinguishing old inventory appears to be gaining traction.

Fig 16 – Key assumptions

Parameter (Rs mn)	FY22	FY23	FY24E	FY25E
Sales	53,941	68,696	79,954	91,036
EBITDA	7,694	7,705	9,629	11,532
EBITDA Margin (%)	14.3	11.2	12.2	12.7
EPS (Rs)	9.3	7.3	9.9	12.3

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- adopted fan strategy hurting growth,
- lighting business staying dull, and
- Butterfly Gandhimathi registering a decline with market share losses.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	0.9	2,123	2,260	HOLD
Blue Star	BLSTR IN	1.8	1,538	1,650	BUY
Crompton Greaves	CROMPTON IN	2.2	288	370	BUY
Havells India	HAVL IN	10.4	1,361	1,500	BUY
Orient Electric	ORIENTEL IN	0.6	242	240	HOLD
Polycab India	POLYCAB IN	6.5	3,588	4,300	BUY
Syrma SGS	SYRMA IN	0.9	426	440	BUY
V-Guard Industries	VGRD IN	1.3	253	270	HOLD
Voltas	VOLT IN	3.3	815	900	HOLD

Source: BOBCAPS Research, NSE | Price as of 14 Jun 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Total revenue	48,035	53,941	68,696	79,054	91,036
EBITDA	7,205	7,695	7,705	9,629	11,532
Depreciation	297	423	1,159	1,158	1,170
EBIT	6,908	7,272	6,546	8,471	10,361
Net interest inc./(exp.)	115	353	1,092	600	520
Other inc./(exp.)	443	727	668	735	808
Exceptional items	0	0	0	0	0
EBT	7,236	7,645	6,122	8,605	10,649
Income taxes	1,070	1,732	1,358	2,166	2,680
Extraordinary items	0	130	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	6,166	5,784	4,632	6,307	7,837
Adjustments	0	130	0	0	0
Adjusted net profit	6,166	5,914	4,632	6,307	7,837

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Accounts payables	8,647	10,178	10,354	11,915	13,721
Other current liabilities	5,010	3,948	3,496	4,023	4,632
Provisions	-	-	-	-	-
Debt funds	2,988	16,075	10,051	7,500	6,500
Other liabilities	214	1,931	1,567	1,803	2,076
Equity capital	1,255	1,267	1,272	1,272	1,272
Reserves & surplus	18,059	31,087	29,805	34,874	41,173
Shareholders' fund	19,314	32,354	31,077	36,146	42,445
Total liab. and equities	36,173	64,486	56,544	61,387	69,374
Cash and cash eq.	13,737	15,390	1,095	2,167	5,859
Accounts receivables	4,608	6,154	6,706	7,717	8,886
Inventories	5,186	7,210	7,439	8,560	9,858
Other current assets	2,264	2,246	7,344	8,451	9,732
Investments	-	-	-	-	-
Net fixed assets	9,150	32,735	32,710	33,052	33,381
CWIP	109	130	55	63	72
Intangible assets	0	0	0	0	0
Deferred tax assets, net	-	-	-	-	-
Other assets	1,119	621	1,197	1,377	1,586
Total assets	36,173	64,486	56,544	61,387	69,374

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash flow from operations	8,878	7,234	5,526	6,314	7,675
Capital expenditures	(202)	(1,706)	(708)	(1,500)	(1,500)
Change in investments	-	-	-	-	-
Other investing cash flows	(4,756)	(15,523)	3,340	48	55
Cash flow from investing	(4,957)	(17,229)	2,632	(1,452)	(1,445)
Equities issued/Others	73	603	416	0	0
Debt raised/repaid	0	14,069	9,250	(2,551)	(1,000)
Interest expenses	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other financing cash flows	(1,034)	(5,599)	(18,771)	(1,238)	(1,538)
Cash flow from financing	(962)	9,073	(9,105)	(3,789)	(2,538)
Chg in cash & cash eq.	2,959	(922)	(948)	1,072	3,692
Closing cash & cash eq.	13,737	15,390	1,095	2,167	5,859

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
Reported EPS	9.7	9.1	7.3	9.9	12.3
Adjusted EPS	9.7	9.3	7.3	9.9	12.3
Dividend per share	0.0	2.5	3.0	1.9	2.4
Book value per share	30.5	38.7	41.8	49.8	59.7

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23A	FY24E	FY25E
EV/Sales	3.9	3.5	2.7	2.3	1.9
EV/EBITDA	25.9	24.8	24.4	18.5	15.3
Adjusted P/E	29.6	30.8	39.5	29.0	23.4
P/BV	9.4	7.4	6.9	5.8	4.8

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23A	FY24E	FY25E
Tax burden (Net profit/PBT)	85.2	77.4	75.7	73.3	73.6
Interest burden (PBT/EBIT)	104.7	105.1	93.5	101.6	102.8
EBIT margin (EBIT/Revenue)	14.4	13.5	9.5	10.7	11.4
Asset turnover (Rev./Avg TA)	5.3	2.6	2.1	2.4	2.7
Leverage (Avg TA/Avg Equity)	0.5	1.0	1.3	1.1	1.0
Adjusted ROAE	36.3	27.0	18.1	21.6	22.5

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
YoY growth (%)					
Revenue	6.3	12.3	27.4	15.1	15.2
EBITDA	20.3	6.8	0.1	25.0	19.8
Adjusted EPS	24.2	(4.1)	(21.7)	36.2	24.3
Profitability & Return ratios (%)					
EBITDA margin	15.0	14.3	11.2	12.2	12.7
EBIT margin	14.4	13.5	9.5	10.7	11.4
Adjusted profit margin	12.8	11.0	6.7	8.0	8.6
Adjusted ROAE	36.3	27.0	18.1	21.6	22.5
ROCE	35.6	23.1	16.9	22.3	24.8
Working capital days (days)					
Receivables	35	42	36	36	36
Inventory	39	49	40	40	40
Payables	66	69	55	55	55
Ratios (x)					
Gross asset turnover	4.9	2.5	2.0	2.2	2.4
Current ratio	1.9	1.0	1.3	1.4	1.6
Net interest coverage ratio	59.9	20.6	6.0	14.1	19.9
Adjusted debt/equity	(0.3)	0.0	0.2	0.1	0.0

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: 

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%

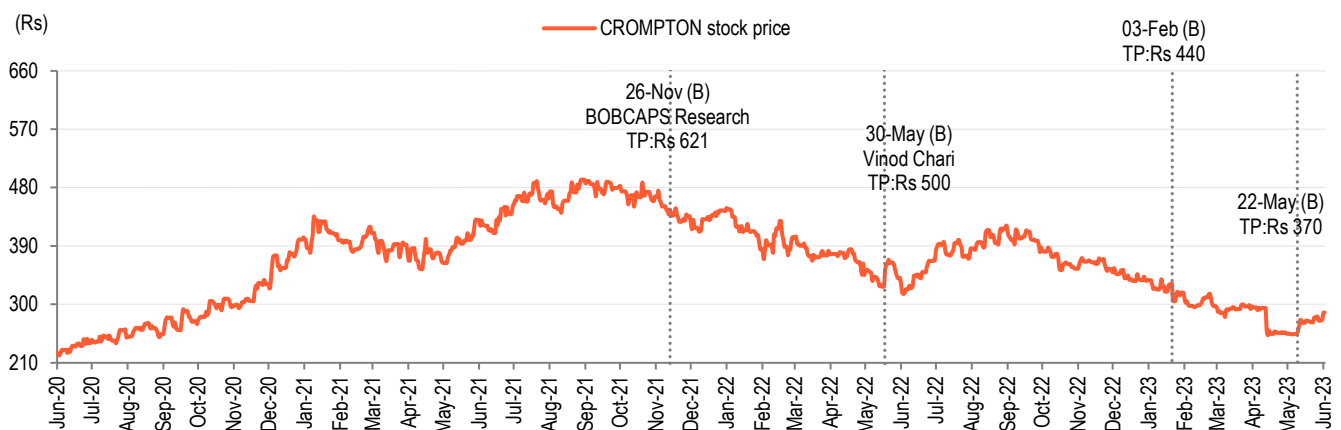
HOLD – Expected return from -6% to +15%

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): CROMPTON GREAVES (CROMPTON 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 875 shares of Voltas (VOLT 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.