RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 1,934 | ⩔ 4%

DALMIA BHARAT | Cement | 08 August 2023

Slow start; expected to catch up in H2

- **Q1 muted as DBL restricted supply to safeguard prices but still failed to stave off a decline in realisations (-3% YoY)**
- **Cost/t softened marginally by 1.5% YoY but more could follow as the full benefit of lower energy cost unfolds**
- **TP revised marginally to Rs 1,934 (vs. Rs 1,917); retain HOLD**

Milind Raginwar
research@bobcaps.in

Volume push restricted to safeguard realisations: Dalmia Bharat's (DBL) Q1FY23 revenue growth was muted at 10% YoY (-7% QoQ) to Rs 36.2bn as volumes and pricing were tepid. Volumes grew just 13% YoY (-5% QoQ) to 7mt while realisation fell 3% (-2% QoQ) to Rs 5,177/t as DBL restricted its volume push in a bid to safeguard pricing, indicating listless demand in its key operating regions.

Operational cost rises but cost curve turning favourable: Per-unit raw material cost rose 4% QoQ (+9% YoY) due to higher fly ash and slag prices, whereas logistics cost increased 5% QoQ (and YoY) pushed up by freight surcharge and increased interregional clinker movement. Despite this, the cost curve is showing signs of heading down as per-unit power and fuel cost fell 15% YoY.

EBITDA growth muted: EBITDA increased only 4% YoY (-14% QoQ) to Rs 6.1bn and the margin fell to 16.8% from 17.8% in the year-ago quarter on account of the soft realisations. EBITDA/t fell 9% YoY and QoQ to Rs 844 while adj. PAT dropped 34% YoY (-36% QoQ) to Rs 1.3bn.

Capacity expansion underway: DBL's cement capacity is currently at 41.6mn tonnes (Q1FY24) and the company is targeting 46.6mt by FY24-end. Further, it will add 2mt of clinker capacity over the same period to 23.7mt. The company has incurred Rs 9bn in capex during Q1 and expects to spend Rs 6bn-7bn in Q2 with total annual capex at Rs 63bn, of which Rs 35bn will be financed by debt.

Fairly valued; retain HOLD: With the ongoing expansion by FY24, DBL will have enough headroom to cater to incremental demand. Narrowing of the gap between regional dispatches and capacities will, however, be a challenge. The company has focused on sustainable balance sheet improvement and made a conscious effort to control debt. Even so, its relentless capex mode does imply intermittent periods of higher leverage going forward. Overall, we find current valuations fair at 11x FY25E EV/EBITDA. We revise our TP slightly to Rs 1,934 (vs. Rs 1,917), set at an unchanged 11x FY25E EV/EBITDA – an implied replacement cost of Rs 8.4bn/mt. HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	DALBHARA IN/Rs 2,016
Market cap	US$ 4.5bn
Free float	44%
3M ADV	US$ 6.1mn
52wk high/low	Rs 2,289/Rs 1,476
Promoter/FPI/DII	56%/12%/8%

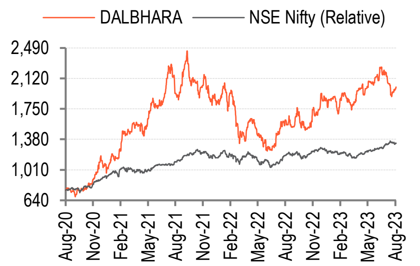
Source: NSE | Price as of 8 Aug 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,35,400	1,53,921	1,73,932
EBITDA (Rs mn)	23,160	27,895	35,108
Adj. net profit (Rs mn)	6,321	9,537	15,078
Adj. EPS (Rs)	34.2	51.5	81.5
Consensus EPS (Rs)	34.2	53.7	72.2
Adj. ROAE (%)	4.7	6.4	10.0
Adj. P/E (x)	59.0	39.1	24.7
EV/EBITDA (x)	16.4	14.5	11.3
Adj. EPS growth (%)	(41.9)	50.9	58.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY24	Q4FY23	Our view
Volume and Realisation	Q1 volume growth was limited to 12% YoY as DBL focused on preserving realisations. Management expects recovery of regional market share from Q2. Volume growth will also be aided by contract manufacturing with Jaypee. Realisations were down in southern states, especially Tamil Nadu (TN). Management believes current prices are unsustainable and forecasts a marginal price hike post monsoon.	Net sales realisation grew ~4% YoY led by the stability and strengthening of prices in the east and northeast regions. However, this has not been sufficient to offset the adverse impact of input price inflation. DBL delivered double-digit sales volume growth in its southern and eastern markets.	We expect volume growth to pick up from H2FY24 but pricing recovery can be a challenge due to oversupply,
Margins	Tight pricing in southern and eastern regions suppressed margins. Further, cost inflation due to plant shutdowns and freight hikes (busy season surcharge continued through the year) added to the woes. States have imposed new surcharges on power consumption; hence, reduced grid usage is expected to sustain margin expansion.	Fuel cost was at Rs 2.1/kcal for Q4 and Rs 2.2 for the full year. Management expects ~5% reduction in cost for FY24. During Q4, variable cost was impacted due to consumption of high-cost opening inventory of clinker and cement. Pet coke price spiked from US$ 141/t in FY22 to US$ 198 in FY23, a 40% increase. DBL has taken initiatives such as commissioning of a 7MW WHRS and 4.5MW solar capacity. Benefits will accrue from FY24 onwards.	Captive power has become viable again as pet coke and thermal coal prices have reduced. This in addition to alternate sources of power will provide a respite on costs.
Capacity	Management has guided for cement capacity expansion of 2mt greenfield at Sattur, TN; 1mt brownfield at Ariyalur, TN, and Kadapa, Andhra Pradesh; and 0.9mt debottlenecking at Belgaum, Karnataka, by the end of FY24. This should raise total capacity from 41.6mt as of Q1 to 46.6mt. The Sattur plant is undergoing trial runs and will commence commercial operations at the tail end of Q2. DBL has also entered a contract manufacturing agreement with Jaypee until the acquisition's completion. Management has guided for clinker capacity expansion from 9.2mt to 10.4mt in the south, from 7.7mt to 8.3mt in the east, and from 2.7mt to 2.9mt in the north-east, thus raising total capacity from 21.7mt to 23.7mt by end-FY24.	With the Jaypee acquisition, DBL has reassessed its original expansion plan of 49mt and decided to defer the 2.5mt grinding unit expansion in Bihar. Due to this, organic expansion now stands at 46.6mt and total expansion, including Jaypee, moves to 56mt by end-FY24. With respect to grinding units in South India, cement capacity will first be expanded by Q1FY24 in Sattur (TN), followed by the setup of two cement units in Kadapa (Andhra Pradesh) and Ariyalur (TN). On account of exploration and revalidation of mining leases, DBL has been able to build limestone visibility of 18-20 years at its Murli (Maharashtra) plant. Renewable energy capacity has increased from 17MW in FY19 to 166MW by FY23-end. During FY24, DBL aims to take this to 184MW.	DBL has enough headroom capacity to handle incremental demand. Sweating of assets will be more challenging compared to capacity addition.

Parameter	Q1FY24	Q4FY23	Our view
Capex	Capex incurred in Q1FY24 stood at Rs 9bn. Management has guided for budgeted capex of Rs 6bn-7bn in Q2 and Rs 63bn in FY24, of which Rs 35bn will be financed by debt.	Capex was close to Rs 27bn during FY23. Budgeted capex for FY24 is in the range of Rs 50bn-55bn, including the payment made to JPA for the new acquisition in the central region. In FY25 as well, capex to be incurred on the JPA acquisition would be Rs 8bn-10bn.	Prudent capex for organic and inorganic capacity addition will be key for DBL.
Other key points	DBL has a target debt level of Rs 70bn-75bn by end-FY24. Debt will be used to finance capex and the Jaypee acquisition. Consequently, financing costs will rise. Depreciation charge has risen due to debottlenecking expenses, with Q2/FY24 depreciation charges guided to be higher by Rs 540mn/Rs 1.5bn for the same reason. The Jaypee acquisition is expected to be completed by FY24-end, delayed from this quarter due to delays in regulatory and lender approvals.	Sales-related incentives accrued in Q4 amounted to Rs 0.9bn, which takes the FY23 accrual to Rs 2.7bn. The collections during Q4 have been Rs 0.96bn (FY23: Rs 2.5bn). Average receivables as of 31 March stood at Rs 7bn. Including the Murli plant, management expects incentive accruals to be Rs 2.75bn-Rs 3bn for FY24. Gross debt has increased by Rs 6.2bn and the closing debt as of 31 March stood at Rs 37.6bn. Net debt/EBITDA was 0.3x.	DBL needs to keenly watch balance sheet health while maintaining the pace of capacity addition.

Source: Company, BOBCAPS Research | WHRS: Waste Heat Recovery System

Fig 1 – Key metrics

(Rs)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Volumes (mn mt)	7.0	6.2	12.9	7.4	(5.4)
Cement realisations (Rs/mt)	5,177	5,326	(2.8)	5,286	(2.1)
Operating costs (Rs/mt)*	4,306	4,376	(1.6)	4,331	(0.6)
EBITDA/t (Rs)	844	923	(8.5)	928	(9.0)

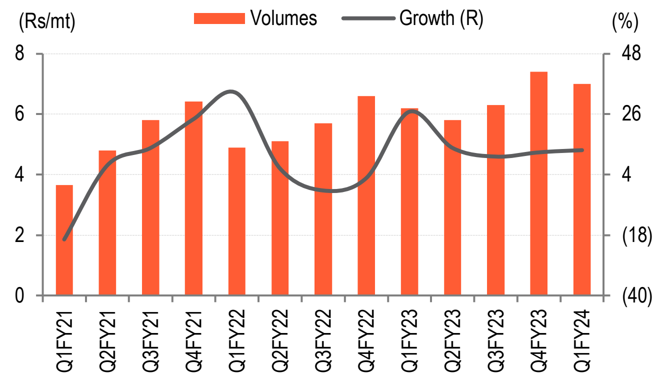
Source: Company, BOBCAPS Research *Aggregate cost

Fig 2 – Quarterly performance

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Net Sales	**36,240**	**33,020**	**9.8**	**39,120**	**(7.4)**
Expenditure					
Change in stock	(680)	(210)	223.8	1,720	(139.5)
Raw material	5,380	4,390	22.6	5,320	1.1
Purchased products	960	20	4,700.0	460	108.7
Power & fuel	9,020	9,520	(5.3)	8,710	3.6
Freight	8,090	6,820	18.6	8,220	(1.6)
Employee costs	2,220	1,980	12.1	1,910	16.2
Other expense	5,150	4,610	11.7	5,710	(9.8)
Total Operating Expenses	30,140	27,130	11.1	32,050	(6.0)
EBITDA	**6,100**	**5,890**	**3.6**	**7,070**	**(13.7)**
EBITDA margin (%)	16.8	17.8	(101bps)	18.1	(124bps)
Other Income	570	220	159.1	410	39.0
Interest	830	470	76.6	640	29.7
Depreciation	3,990	3,120	27.9	3,360	18.8
Share of profit from associate and joint venture	0	170	(100.0)	0	0
PBT	1,850	2,520	(26.6)	3,480	(46.8)
Non-recurring items	0	0	0.0	3,850	(100.0)
PBT (after non-recurring items)	1,850	2,520	(26.6)	7,330	(74.8)
Tax	410	640	(35.9)	1,250	(67.2)
PAT	1,300	1,960	(33.7)	5,880	(77.9)
Minority Interest	(140)	(90)	55.6	(200)	(30.0)
Adjusted PAT	**1,300**	**1,960**	**(33.7)**	**2,030**	**(36.0)**
NPM (%)	3.6	5.9	(235bps)	5.2	(160.2)
Adjusted EPS (Rs)	7.0	10.6	(33.7)	11.0	(36.0)

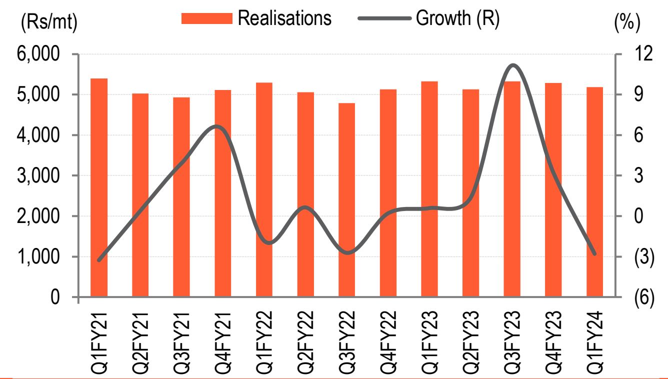
Source: Company, BOBCAPS Research

Fig 3 – Volume growth slowed in Q1FY24



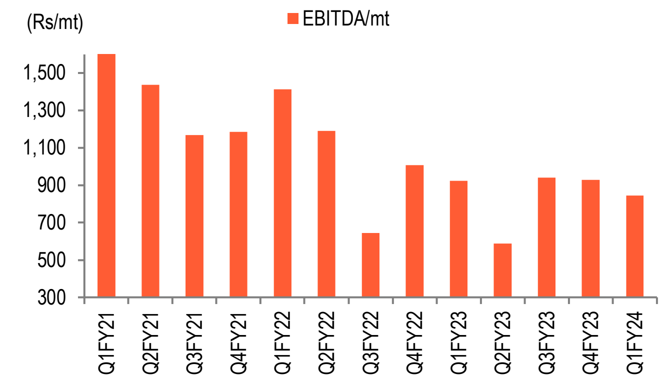
Source: Company, BOBCAPS Research

Fig 4 – Realisations disappointed as well



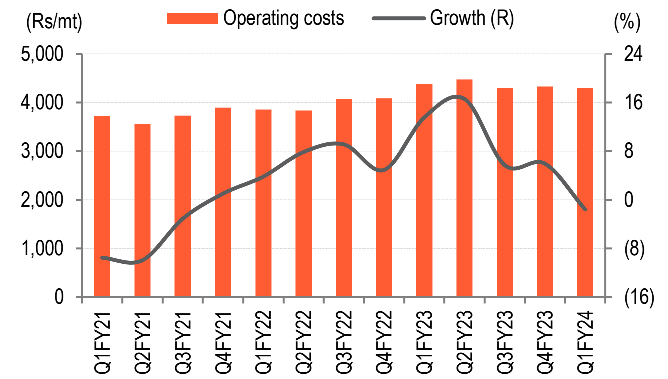
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t dragged down by lower realisations



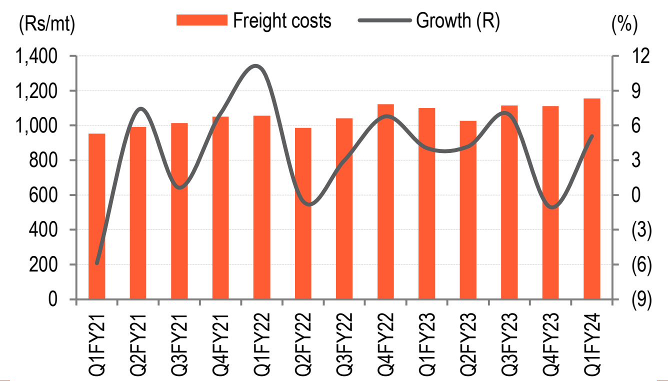
Source: Company, BOBCAPS Research

Fig 6 – Cost reduction commendable; more could follow



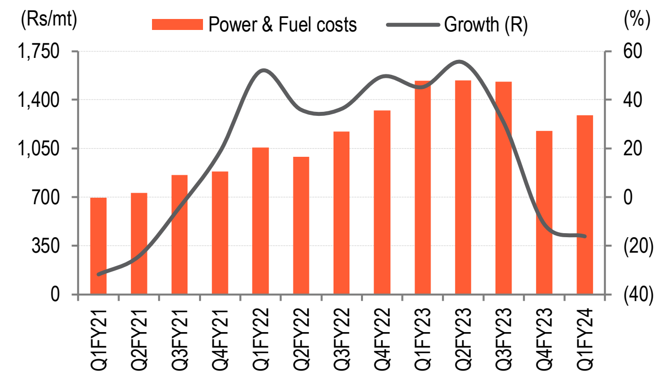
Source: Company, BOBCAPS Research

Fig 7 – Freight cost hardens due to inward movement



Source: Company, BOBCAPS Research

Fig 8 – Fuel cost reduction benefit to reflect from Q2FY24



Source: Company, BOBCAPS Research

Valuation methodology

With the ongoing expansion to 46mt by end-FY24, DBL will have enough headroom to cater to incremental demand. Narrowing of the gap between regional dispatches and capacities (~20mt) will, however, be a challenge. The company has focused on sustainable balance sheet improvement over the last 3-4 years and made a conscious effort to control debt. Even so, its relentless capex mode does imply intermittent periods of higher leverage going forward.

Overall, we believe current valuations are fair at 11x FY25E EV/EBITDA. We revise our TP slightly to Rs 1,934 (vs. Rs 1,917), set at an unchanged 11x FY25E EV/EBITDA – an implied replacement cost of Rs 8.4bn/mt. Maintain HOLD.

Fig 9 – Key assumptions

Parameter	FY22	FY23	FY24E	FY25E
Volumes (mt)	22.41	24.86	28.10	31.33
Realisations (Rs/mt)	4,956	5,229	5,360	5,440
Operating costs (Rs/mt)	3,951	4,514	4,486	4,431
EBITDA/mt (Rs)	1,095	931	993	1,121

Source: Company, BOBCAPS Research

Fig 10 – Valuation summary

Business (Rs mn)	FY25E
Target FY25E EV/EBITDA (x)	11
EBITDA (FY25E)	351,08
Target EV	382,678
Total EV	382,678
Net debt (FY25E)	24,989
Target market capitalisation	357,689
Target price (Rs/sh)	1933.5
Weighted average shares (mn)	185.0

Source: BOBCAPS Research

Fig 11 – Peer comparison

Ticker	Rating	TP	EV/EBITDA (x)			EV/tonne (US$)			ROE (%)			ROCE (%)		
		(Rs)	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
DALBHARA IN	HOLD	1,934	16.5	14.5	11.4	126	127	124	4.0	6.3	9.9	5.4	7.2	10.0
SRCM IN	HOLD	24,656	28	20	15	207	205	201	6	11	14	9	15	18
ACC IN	HOLD	2,090	19.1	13.8	8.1	95	94	87	5.1	7.0	11.3	6.7	9.4	14.9

Source: BOBCAPS Research

Key risks

- Faster-than-expected cost deflation and better realisations pose upside risks to our earnings estimates.
- Slower-than-expected market recovery, sluggish demand pickup and fuel cost inflation represent key downside risks to earnings.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	4.6	2,001	1,964	HOLD
Ambuja Cements	ACEM IN	11.3	466	375	HOLD
Dalmia Bharat	DALBHARA IN	4.5	2,016	1,934	HOLD
JK Cement	JKCE IN	3.1	3,283	3,474	HOLD
JK Lakshmi Cement	JKLC IN	0.9	655	551	SELL
Shree Cement	SRCM IN	10.7	24,270	24,656	HOLD
The Ramco Cements	TRCL IN	2.4	848	585	SELL
Ultratech Cement	UTCEM IN	28.6	8,157	9,396	HOLD

Source: BOBCAPS Research, NSE | Price as of 8 Aug 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Total revenue	**1,01,100**	**1,12,860**	**1,35,400**	**1,53,921**	**1,73,932**
EBITDA	27,700	24,310	23,160	27,895	35,108
Depreciation	(12,500)	(12,360)	(13,050)	(14,225)	(15,078)
EBIT	17,010	13,500	11,490	15,267	21,873
Net interest inc./(exp.)	(3,030)	(2,020)	(2,349)	(3,292)	(3,181)
Other inc./(exp.)	1,810	1,550	1,380	1,597	1,843
Exceptional items	(340)	(20)	3,850	0	0
EBT	13,640	11,460	12,991	11,975	18,692
Income taxes	(1,780)	140	(2,420)	(2,286)	(3,461)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(150)	(160)	(400)	(153)	(153)
Reported net profit	**11,710**	**11,440**	**10,171**	**9,537**	**15,078**
Adjustments	(340)	(20)	3,850	0	0
Adjusted net profit	**12,050**	**11,460**	**6,321**	**9,537**	**15,078**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Accounts payables	14,890	15,300	18,120	28,529	30,452
Other current liabilities	15,220	15,810	20,630	21,407	20,362
Provisions	3,170	6,060	3,200	3,520	3,872
Debt funds	40,530	33,600	39,800	48,777	47,138
Other liabilities	17,810	19,620	14,940	19,784	19,686
Equity capital	390	390	370	370	370
Reserves & surplus	1,28,070	1,57,210	1,56,900	1,44,303	1,57,430
Shareholders' fund	1,28,800	1,58,320	1,58,430	1,45,229	1,58,454
Total liab. and equities	**2,20,420**	**2,48,710**	**2,55,120**	**2,67,245**	**2,79,964**
Cash and cash eq.	35,400	45,590	32,200	18,062	22,149
Accounts receivables	5,110	6,730	7,000	8,198	9,543
Inventories	7,600	9,450	13,160	15,049	17,129
Other current assets	18,590	23,340	30,300	30,033	31,535
Investments	7,400	13,050	5,890	5,890	9,890
Net fixed assets	95,510	1,01,220	96,351	1,21,658	1,18,630
CWIP	10,070	10,480	18,590	14,872	14,723
Intangible assets	40,740	38,850	51,629	53,484	56,365
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	**2,20,420**	**2,48,710**	**2,55,120**	**2,67,245**	**2,79,964**

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash flow from operations	**21,780**	**17,430**	**19,870**	**32,403**	**20,125**
Capital expenditures	(11,630)	(12,580)	(36,159)	(32,627)	(8,394)
Change in investments	(12,170)	(16,710)	21,800	16,706	(5,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(23,800)**	**(29,290)**	**(14,359)**	**(15,922)**	**(13,394)**
Equities issued/Others	(4,010)	340	250	(757)	(55)
Debt raised/repaid	(10,370)	(6,930)	6,200	8,977	(1,639)
Interest expenses	0	0	0	0	0
Dividends paid	0	(1,000)	(1,690)	(1,665)	(1,850)
Other financing cash flows	14,840	18,580	(9,021)	(20,469)	(100)
Cash flow from financing	**460**	**10,990**	**(4,261)**	**(13,915)**	**(3,644)**
Chg in cash & cash eq.	**(1,560)**	**(870)**	**1,250**	**2,567**	**3,087**
Closing cash & cash eq.	**35,400**	**45,590**	**32,200**	**18,062**	**22,149**

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
Reported EPS	60.1	58.7	55.0	51.5	81.5
Adjusted EPS	61.8	58.8	34.2	51.5	81.5
Dividend per share	0.0	5.1	9.1	9.0	10.0
Book value per share	660.5	811.9	856.4	785.0	856.5

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23A	FY24E	FY25E
EV/Sales	3.7	3.2	2.8	2.6	2.3
EV/EBITDA	13.6	14.8	16.4	14.5	11.3
Adjusted P/E	32.6	34.3	59.0	39.1	24.7
P/BV	3.1	2.5	2.4	2.6	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23A	FY24E	FY25E
Tax burden (Net profit/PBT)	87.0	101.2	81.4	80.9	81.5
Interest burden (PBT/EBIT)	82.2	85.0	79.6	78.4	85.5
EBIT margin (EBIT/Revenue)	16.8	12.0	8.5	9.9	12.6
Asset turnover (Rev./Avg TA)	47.1	48.1	53.7	58.9	63.6
Leverage (Avg TA/Avg Equity)	1.8	1.6	1.6	1.7	1.8
Adjusted ROAE	10.3	8.1	4.7	6.4	10.0

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
YoY growth (%)					
Revenue	4.5	11.6	20.0	13.7	13.0
EBITDA	33.0	(12.2)	(4.7)	20.4	25.9
Adjusted EPS	437.9	(4.9)	(41.9)	50.9	58.1
Profitability & Return ratios (%)					
EBITDA margin	27.4	21.5	17.1	18.1	20.2
EBIT margin	16.8	12.0	8.5	9.9	12.6
Adjusted profit margin	11.9	10.2	4.7	6.2	8.7
Adjusted ROAE	10.3	8.1	4.7	6.4	10.0
ROCE	9.5	6.8	5.4	7.2	10.0
Working capital days (days)					
Receivables	18	22	19	19	20
Inventory	27	31	35	36	36
Payables	74	63	59	83	80
Ratios (x)					
Gross asset turnover	0.6	0.6	0.6	0.6	0.7
Current ratio	2.0	2.3	2.0	1.3	1.5
Net interest coverage ratio	5.6	6.7	4.9	4.6	6.9
Adjusted debt/equity	0.3	0.2	0.3	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**

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%

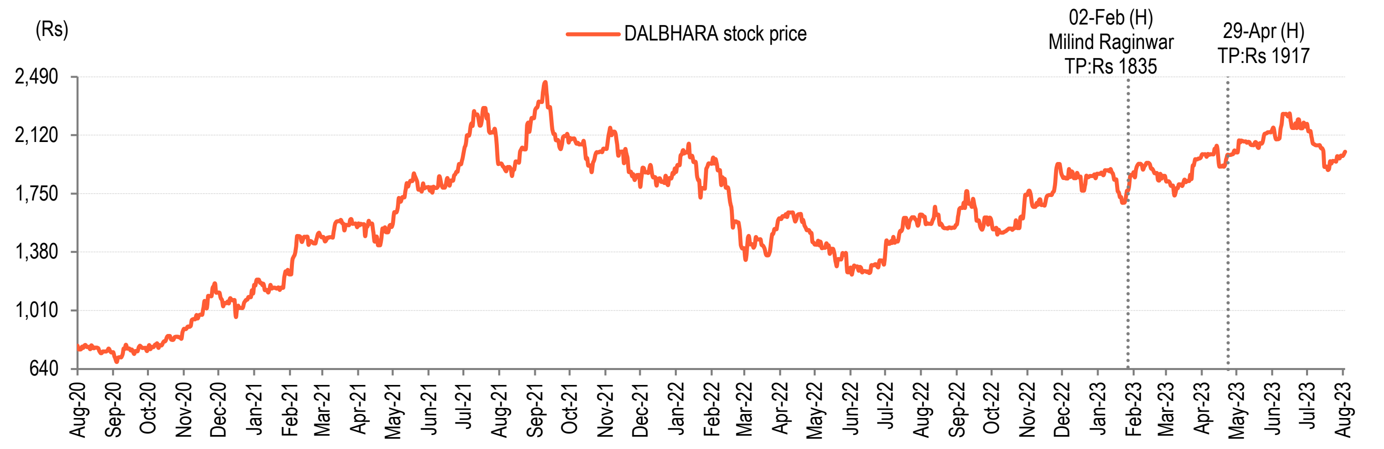
HOLD – Expected return from -6% to +15%

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): DALMIA BHARAT (DALBHARA 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.