

HOLD
 TP: Rs 2,443 | ▲ 11%

DALMIA BHARAT

| Cement

| 29 January 2024

Soft prices constrain growth

- Q3 revenue grew at a slow 7% YoY supported by 8% volume growth while realisations stayed flat
- EBITDA margin expanded 230bps YoY to 21.5% contributed by volume growth and stable cost structure
- We cut FY24/FY25 EBITDA 1%/9%; on rollover, our TP stands revised to Rs 2,443 (vs. Rs 2,286) – retain HOLD

Milind Raginwar | Shree Kirloskar
 research@bobcaps.in

Volumes rise, realisations weak: Dalmia Bharat (DBL) reported a muted 7% YoY (+14% QoQ) increase in revenue to Rs 36bn in Q3FY24 despite healthy volume growth of 8% YoY (+10% QoQ) to 6.8mn tonnes, as realisations were flat YoY (+4% QoQ) at Rs 5,294/t. Prices increased in the eastern and southern markets at the start of Q3 only to correct by the quarter’s end due to volume pressure.

Cost structure stable: Overall cost per tonne dipped 3% YoY (flat QoQ) to Rs 4,154 due to a 6% YoY decline (flat QoQ) in raw material-adjusted energy cost to Rs 1,988/t while logistics cost increased 7% YoY (-2% QoQ) to Rs 1,093/t owing to lower lead distance. Other expenditure increased 6% YoY (+8% QoQ) to Rs 5.1bn driven by shutdowns amid capacity addition.

EBITDA grows off a weak base: EBITDA rose 20% YoY (+32% QoQ) to Rs 7.8bn and the margin expanded 230bps YoY (280bps QoQ) to 21.5% aided by volume growth and a stable cost structure. EBITDA/t stood at Rs 1,113 (+12%/20% YoY/QoQ) and management has targeted levels of Rs 1,100-1,200/t in FY25.

Capacity expansion underway: DBL closed Q3 with cement capacity of 44.6mt (vs. 43.7mt in Q2) and is on track to reach 46.6mt by FY24-end and 49.5mt by FY25 backed by healthy clinker capacity. Capex guidance has been retained at ~Rs 30bn for FY24 (ex-Jaypee Cement deal outflows), with Rs 30bn-35bn guided for FY25 including maintenance outlay of ~Rs 2.5bn. We have not factored in Jaypee assets.

Fairly valued; retain HOLD: With the planned expansion in FY25/FY26, DBL will continue its efforts to drive market share. However, narrowing the gap between its regional dispatches and large capacities will be a challenge. The company has retained focus on improving the balance sheet and controlling debt with good success. However, its aggressive capex plans do imply intermittent periods of high leverage in the short-to-medium term. We cut FY24/FY25 EBITDA 1%/9% and roll valuations over to FY26, assigning the stock a 12x EV/EBITDA (vs. 11x). This yields a revised TP of Rs 2,443 (vs. Rs 2,286) – we maintain HOLD as current valuations look fair.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	DALBHARA IN/Rs 2,205
Market cap	US\$ 5.0bn
Free float	44%
3M ADV	US\$ 10.3mn
52wk high/low	Rs 2,431/Rs 1,672
Promoter/FPI/DII	56%/12%/8%

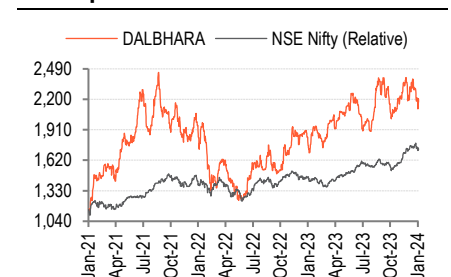
Source: NSE | Price as of 25 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,35,400	1,49,452	1,67,161
EBITDA (Rs mn)	23,160	27,584	34,057
Adj. net profit (Rs mn)	6,321	8,083	12,048
Adj. EPS (Rs)	34.2	43.7	65.1
Consensus EPS (Rs)	34.2	48.7	68.8
Adj. ROAE (%)	4.7	5.5	8.2
Adj. P/E (x)	64.5	50.5	33.9
EV/EBITDA (x)	17.9	16.0	13.0
Adj. EPS growth (%)	(41.9)	27.9	49.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY24	Q2FY24	Our view
Volumes and Realisations	<p>DBL's volumes grew 8% YoY to 6.8mt in Q3FY24. Cement prices improved 4% QoQ in eastern and southern markets. However, prices weakened and closed near Sep'23 levels by Q3-end. Management expects prices to recover marginally in Q4FY24 and is guiding for 15-16% volume growth in FY24 and FY25.</p>	<p>Q2 volume growth softened to 7% YoY due to loss of market share in the eastern region (West Bengal and Bihar). Management has made corrections for past pricing decisions taken in the east and expects to see results in terms of volume and market share from Q4. Overall, DBL expects above- industry volume growth for FY24.</p>	<p>We expect volume growth to pick up from H2FY24 but find the company's guidance aggressive even without pricing pressure.</p>
Margins	<p>Power and fuel cost declined 25% YoY due to a Rs 53/t fall in fuel consumption cost. Management expects fuel cost to reduce marginally by 3% in Q4FY24 as renewable energy share is back to 25-30% of the total. Freight cost per tonne dipped 2% YoY due to a 20km reduction in lead distance. Management expects EBITDA/t of Rs 1.1k-1.2k in FY25.</p>	<p>EBITDA grew 56% YoY (-3% QoQ) to Rs 5.9bn due to a weaker Q2FY23 base, improvement in cost structure (overall cost/t down 8% YoY) and price hikes taken in the eastern and southern regions.</p>	<p>Cost savings are commendable, and costs should soften further with the increasing use of captive power. While the reductions in pet coke and thermal coal prices could reverse, renewable power could provide further respite. Sustained pricing in the eastern and southern regions will be the key to earnings growth for DBL.</p>
Capacity	<p>Debottlenecking of 0.9mt of capacity at Belgaum, Karnataka, has been commissioned during Q3FY24. Debottlenecking of 1mt each at Ariyalur, Tamil Nadu, and Kadapa, Andhra Pradesh, is due to be completed by Q4, taking DBL's total capacity in the south to 17mt by FY24.</p> <p>A 0.5mt debottlenecking at Kalyanpur, Bihar, and 2.4mt greenfield expansion at Lanka, Assam, is expected to complete by H2FY25. Management intends to increase capacity to 46.6mt by Q4FY24 (excluding Jaypee capacity in Central India).</p>	<p>DBL expects to add 2.4mt of capacity in the northeast by FY26 with further additions of 0.5mt in Bihar (board approval received) and 2.9mt in the south by end-FY24.</p> <p>The 2mt Sattur plant at Tamil Nadu has been commercialised, taking DBL's total cement capacity to 43.7mt as on Q2FY24. Management aims to reach 46.6mt by the end of FY24.</p> <p>Clinker capacity has been increased to 22.2mt as on Q2FY24 following a 0.5mt debottlenecking activity in Tamil Nadu, and management aims to reach 22.9mt by end-FY24.</p>	<p>Sweating of assets will be challenging as the company walks a tightrope between balancing cement pricing and raising dispatches. DBL has enough capacity to handle incremental demand given the headroom capacity available and new additions planned.</p>
Capex	<p>Capex guidance for FY24 (ex-Jaypee deal) is maintained at ~Rs 30bn and Jaypee acquisition cash outflow is expected to be ~Rs 33bn. Capex guidance for FY25 stands at Rs 30bn-35bn (maintenance capex of ~Rs 2.5bn).</p>	<p>Capex guidance for FY24 is ~Rs 65bn, of which Rs 35bn is earmarked for the Jaypee acquisition and the balance Rs 30bn for organic expansion (including expansion projects in the northeast and at RCW).</p>	<p>Prudent capex for organic and inorganic capacity addition will be key.</p>
Other key points	<p>Gross debt as on Q3FY24 stood at Rs 49.2bn, net debt at ~Rs 4.3bn and net debt-to-EBITDA ratio at 0.16x (guided to remain below 2x post Jaypee deal).</p> <p>Incentive accruals during Q3FY24 were Rs 0.7bn and collections Rs 1.5bn. Incentive receivables as on 31 Dec 2023 were at Rs 7.2bn..</p>	<p>Gross debt as on Q2FY24 stood at Rs 52.9bn. Net debt totalled Rs 15bn (guidance of Rs 30bn-40bn post JPA deal) and net debt/EBITDA at 0.59x (guidance of 1x post Jaypee deal).</p> <p>Incentive accruals during Q2FY24 were ~Rs 0.5bn and collections ~Rs 0.3bn. Incentive receivables as on 30 Sep 2023 stood at ~Rs 7.8bn</p>	<p>The company must prioritise balance sheet health against its expansion needs.</p>

Parameter	Q3FY24	Q2FY24	Our view
	The Jaypee acquisition is expected to be completed by Q4FY24 as some approvals from lenders are still pending	<p>The Jaypee acquisition continues to be delayed with lender approvals pending from ~35 banks. Management expects to conclude the transaction by end-FY24.</p> <p>DBL will be acquiring a 20% additional stake in Calcom Cement via a rights issue, but the legal dispute with the Calcom promoters remains unresolved (judgement in favour of DBL in the High Court, but Calcom can challenge the same in the Supreme Court).</p>	

Source: Company, BOBCAPS Research | RCW: Rohtas Cement Works; WHRS: Waste Heat Recovery System

Fig 2 – Key metrics

(Rs)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Volumes (mn mt)	6.8	6.3	7.9	6.2	9.7
Cement realisations (Rs/mt)	5,294	5,325	(0.6)	5,079	4.2
Operating costs (Rs/mt)*	4,154	4,302	(3.4)	4,129	0.6
EBITDA/t (Rs)	1,113	997	11.6	923	20.6

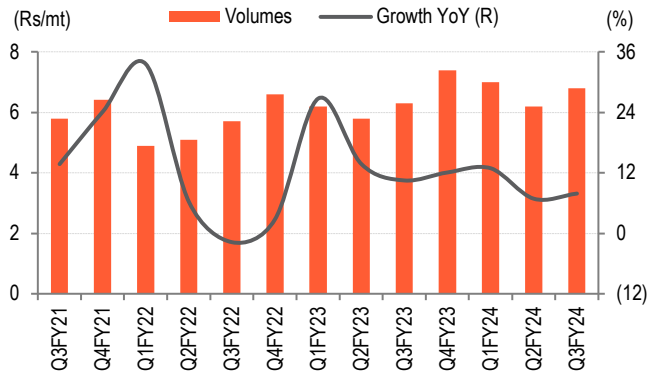
Source: Company, BOBCAPS Research | *Aggregate cost

Fig 3 – Quarterly performance

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Net Sales	36,000	33,550	7.3	31,490	14.3
Expenditure					
Change in stock	(140)	(1,240)	(88.7)	(390)	(64.1)
Raw material	5,000	4,930	1.4	4,550	9.9
Purchased products	1,400	10	13,900.0	1,170	19.7
Power & fuel	7,260	9,640	(24.7)	6,980	4.0
Freight	7,430	7,020	5.8	6,310	17.7
Employee costs	2,210	1,930	14.5	2,260	(2.2)
Other expense	5,090	4,810	5.8	4,720	7.8
Total Operating Expenses	28,250	27,100	4.2	25,600	10.4
EBITDA	7,750	6,450	20.2	5,890	31.6
EBITDA margin (%)	21.5	19.2	230bps	18.7	282bps
Other Income	640	350	82.9	850	(24.7)
Interest	1,080	690	56.5	1,010	6.9
Depreciation	3,700	3,250	13.8	4,010	(7.7)
Share of profit from associate and joint venture	0	20	(100.0)	0	0.0
PBT	3,610	2,880	25.3	1,720	109.9
Non-recurring items	0	0	0.0	0	0
PBT (after non-recurring items)	3,610	2,880	25.3	1,720	109.9
Tax	(950)	(740)	28.4	(480)	97.9
PAT	2,660	2,140	24.3	1,240	114.5
Minority Interest	(30)	(140)	(78.6)	(50)	(40.0)
Adjusted PAT	2,630	2,000	31.5	1,190	121.0
NPM (%)	7.3	6.0	134bps	3.8	353bps
Adjusted EPS (Rs)	13.8	10.5	31.5	6.3	121.0

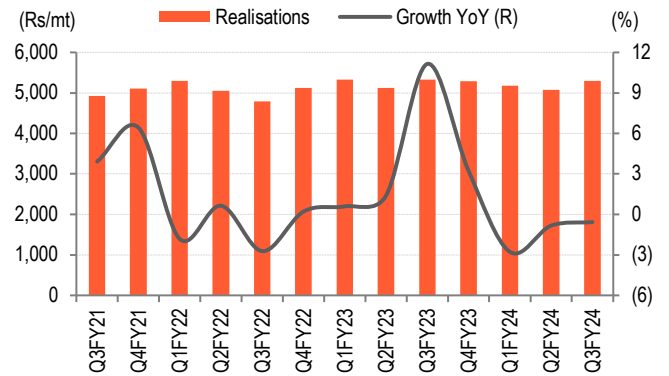
Source: Company, BOBCAPS Research

Fig 4 – Volume gains healthy but lack realisation support



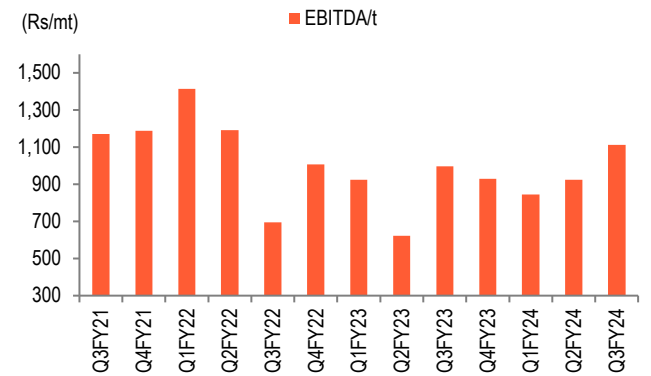
Source: Company, BOBCAPS Research

Fig 5 – Weak demand keeps pricing under pressure



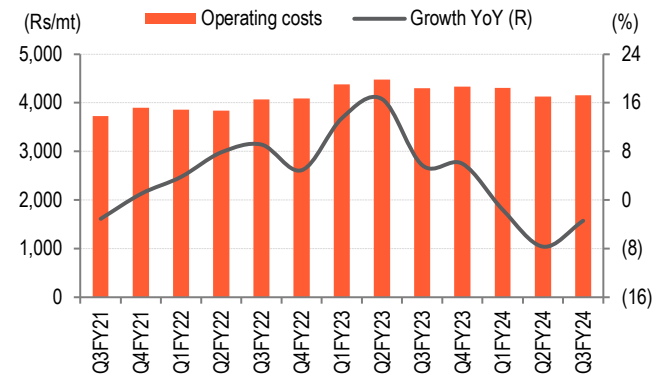
Source: Company, BOBCAPS Research

Fig 6 – Cost savings aid margin gains



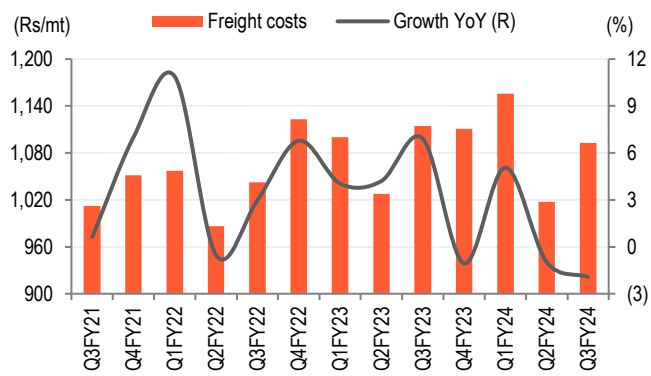
Source: Company, BOBCAPS Research

Fig 7 – Further levers available for operating cost savings



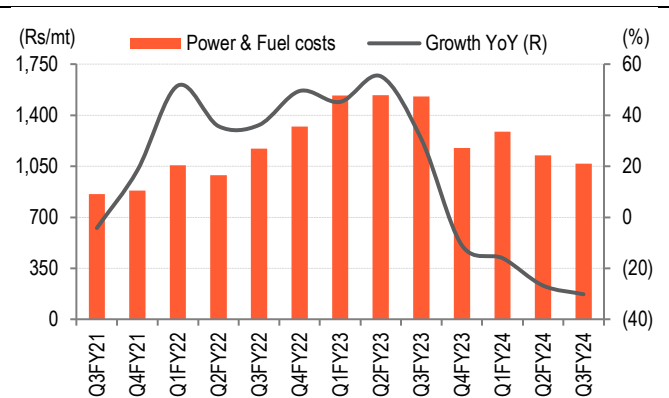
Source: Company, BOBCAPS Research

Fig 8 – Freight cost inches up due to higher clinker movement



Source: Company, BOBCAPS Research

Fig 9 – Limited scope for further power cost savings



Source: Company, BOBCAPS Research

Valuation methodology

Supported by planned capacity expansion in FY25/FY26, DBL will continue its efforts to drive market share. However, narrowing the gap between its regional dispatches and large capacities will be a challenge amid soft demand. The company has retained its focus on improving the balance sheet and controlling debt with good success, but its aggressive capex plans do imply intermittent periods of high leverage in the short-to-medium term.

We prune our FY24/FY25 EBITDA estimates by 1%/9% to bake in the Q3FY24 results and also introduce FY26 forecasts for the company. Assigning the stock, a 12x EV/EBITDA multiple (vs. 11x earlier) and rolling valuations over to FY26E, we have a revised TP of Rs 2,443 (vs. Rs 2,286) – which reflects an implied replacement cost of Rs 8.6bn. We maintain HOLD as current valuations look fair. The higher multiple is to factor in growth prospects, relatively better margin profile and improving balance sheet as a key focus area.

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	149,452	167,161	188,816	153,921	177,753	-	(2.9)	(6.0)	-
EBITDA	27,584	34,057	40,303	27,895	37,447	-	(1.1)	(9.1)	-
Adj PAT	8,083	12,048	15,606	9,537	15,138	-	(15.2)	(20.4)	-
Adj EPS (Rs)	43.7	65.1	84.4	51.5	81.8	-	(15.1)	(20.4)	-

Source: BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Volumes (mt)	24.9	27.6	30.9	34.6
Realisations (Rs/mt)	5,318	5,294	5,294	5,347
Operating costs (Rs/mt)	4,514	4,416	4,306	4,290
EBITDA/mt (Rs)	931	999	1,102	1,164

Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

Business (Rs mn)	FY26E
Target FY25E EV/EBITDA (x)	12.0
EBITDA (FY25E)	40,303
Target EV	483,631
Total EV	483,631
Net debt (FY25E)	31,436
Target market capitalisation	452,195
Target price (Rs/sh)	2,444
Weighted average shares (mn)	185.0

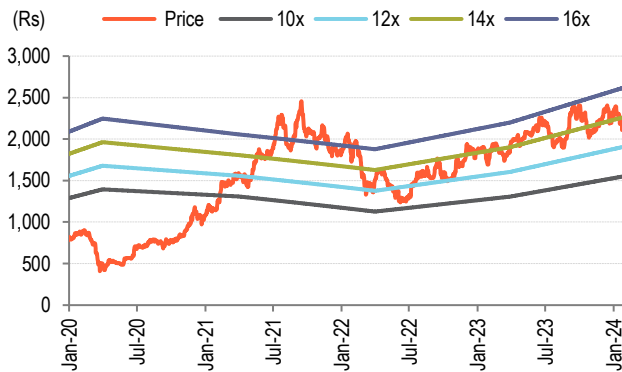
Source: BOBCAPS Research

Fig 13 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
DALBHARA IN	HOLD	2,443	17.9	16.0	13.0	130	109	105	4.7	5.5	8.2	5.4	6.6	9.1
SRM IN	HOLD	24,792	33.6	21.2	16.5	208	207	202	7.5	10.7	12.7	9.4	14.7	16.8
ACC IN	BUY	2,158	17.9	11.9	8.8	121	106	98	5.2	8.1	11.2	7.9	11.0	14.5

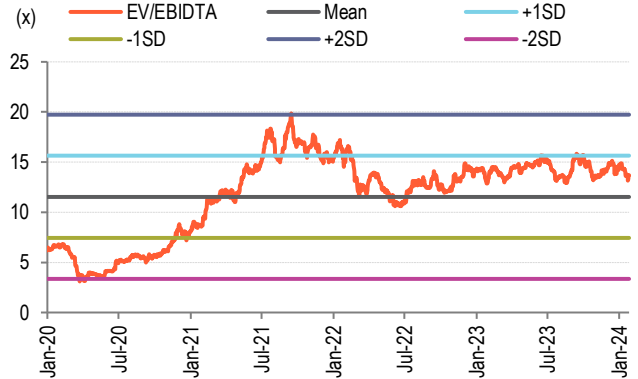
Source: BOBCAPS Research

Fig 14 – EV/EBITDA band: Stock appears fairly valued



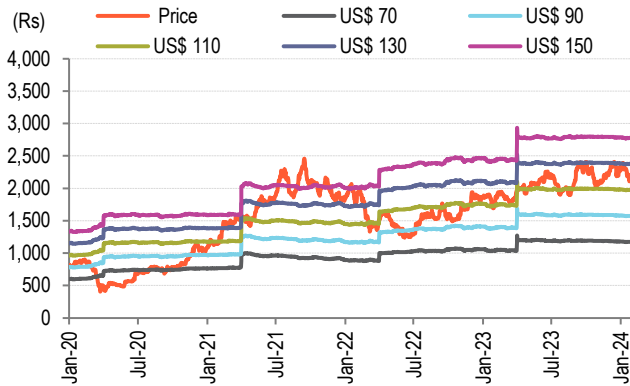
Source: Company, Bloomberg, BOBCAPS Research

Fig 15 – EV/EBITDA 1Y fwd: Likely to revert to mean



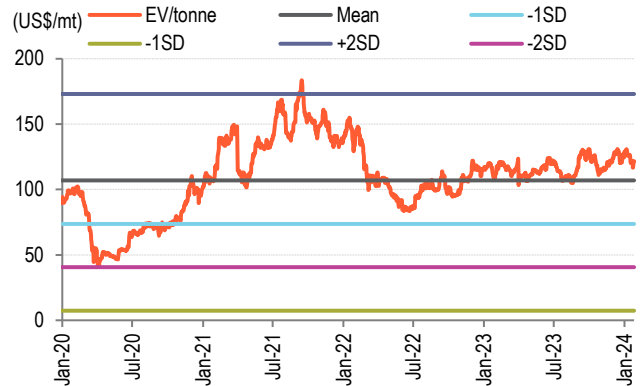
Source: Company, Bloomberg, BOBCAPS Research

Fig 16 – Replacement cost leaves no headroom for rerating



Source: Company, Bloomberg, BOBCAPS Research

Fig 17 – EV/t valuation likely to hover at current levels



Source: Company, Bloomberg, BOBCAPS Research

Key risks

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

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ambuja Cements	ACEM IN	13.5	560	449	HOLD
Dalmia Bharat	DALBHARA IN	5.0	2,205	2,443	HOLD
JK Cement	JKCE IN	3.9	4,167	4,121	HOLD
JK Lakshmi Cement	JKLC IN	1.3	931	551	SELL
Orient Cement	ORCMNT IN	0.7	275	128	SELL
Shree Cement	SRCM IN	12.3	27,949	24,792	HOLD
Star Cement	STRCEM IN	0.9	182	159	HOLD
The Ramco Cements	TRCL IN	2.8	969	661	SELL
Ultratech Cement	UTCEM IN	35.0	9,969	11,510	BUY

Source: BOBCAPS Research, NSE | Price as of 25 Jan 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	1,12,860	1,35,400	1,49,452	1,67,161	1,88,816
EBITDA	24,310	23,160	27,584	34,057	40,303
Depreciation	(12,360)	(13,050)	(15,138)	(16,046)	(17,009)
EBIT	13,500	11,490	14,043	19,704	25,187
Net interest inc./(exp.)	(2,020)	(2,349)	(3,892)	(4,215)	(4,187)
Other inc./(exp.)	1,550	1,380	1,597	1,693	1,893
Exceptional items	(20)	3,850	0	0	0
EBT	11,460	12,991	10,151	15,489	20,999
Income taxes	140	(2,420)	(1,916)	(3,288)	(5,150)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(160)	(400)	(153)	(153)	(243)
Reported net profit	11,440	10,171	8,083	12,048	15,606
Adjustments	(20)	3,850	0	0	0
Adjusted net profit	11,460	6,321	8,083	12,048	15,606

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	15,300	18,120	27,800	29,449	31,845
Other current liabilities	15,810	20,630	21,407	20,362	19,369
Provisions	6,060	3,200	3,520	3,872	4,259
Debt funds	33,600	39,800	48,777	48,993	47,855
Other liabilities	19,620	14,940	19,784	19,686	19,686
Equity capital	390	370	370	370	370
Reserves & surplus	1,57,210	1,56,900	1,42,849	1,52,947	1,66,603
Shareholders' fund	1,58,320	1,58,430	1,43,775	1,53,971	1,67,627
Total liab. and equities	2,48,710	2,55,120	2,65,062	2,76,333	2,90,641
Cash and cash eq.	45,590	32,200	16,569	14,983	16,419
Accounts receivables	6,730	7,000	7,954	9,158	10,650
Inventories	9,450	13,160	14,602	16,437	18,711
Other current assets	23,340	30,300	30,033	31,535	33,111
Investments	13,050	5,890	5,890	9,890	14,890
Net fixed assets	1,01,220	96,351	1,21,658	1,18,630	1,17,777
CWIP	10,480	18,590	14,872	19,334	19,527
Intangible assets	38,850	51,629	53,484	56,365	59,557
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,48,710	2,55,120	2,65,062	2,76,333	2,90,641

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	17,430	19,870	30,910	17,208	23,031
Capital expenditures	(12,580)	(36,159)	(32,627)	(13,005)	(13,265)
Change in investments	(16,710)	21,800	16,706	(5,000)	(6,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(29,290)	(14,359)	(15,922)	(18,005)	(19,265)
Equities issued/Others	340	250	(757)	(55)	(243)
Debt raised/repaid	(6,930)	6,200	8,977	217	(1,138)
Interest expenses	0	0	0	0	0
Dividends paid	(1,000)	(1,690)	(1,665)	(1,850)	(1,850)
Other financing cash flows	18,580	(9,021)	(20,469)	(100)	(100)
Cash flow from financing	10,990	(4,261)	(13,915)	(1,788)	(3,331)
Chg in cash & cash eq.	(870)	1,250	1,074	(2,585)	435
Closing cash & cash eq.	45,590	32,200	16,569	14,983	16,419

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	58.7	55.0	43.7	65.1	84.4
Adjusted EPS	58.8	34.2	43.7	65.1	84.4
Dividend per share	5.1	9.1	9.0	10.0	10.0
Book value per share	811.9	856.4	777.2	832.3	906.1

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	3.5	3.1	2.9	2.6	2.0
EV/EBITDA	16.3	17.9	16.0	13.0	9.3
Adjusted P/E	37.5	64.5	50.5	33.9	26.1
P/BV	2.7	2.6	2.8	2.6	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	101.2	81.4	81.1	78.8	75.5
Interest burden (PBT/EBIT)	85.0	79.6	72.3	78.6	83.4
EBIT margin (EBIT/Revenue)	12.0	8.5	9.4	11.8	13.3
Asset turnover (Rev./Avg TA)	48.1	53.7	57.5	61.8	66.6
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.7	1.8	1.8
Adjusted ROAE	8.1	4.7	5.5	8.2	9.9

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	11.6	20.0	10.4	11.8	13.0
EBITDA	(12.2)	(4.7)	19.1	23.5	18.3
Adjusted EPS	(4.9)	(41.9)	27.9	49.1	29.5
Profitability & Return ratios (%)					
EBITDA margin	21.5	17.1	18.5	20.4	21.3
EBIT margin	12.0	8.5	9.4	11.8	13.3
Adjusted profit margin	10.2	4.7	5.4	7.2	8.3
Adjusted ROAE	8.1	4.7	5.5	8.2	9.9
ROCE	6.8	5.4	6.6	9.1	11.0
Working capital days (days)					
Receivables	22	19	19	20	21
Inventory	31	35	36	36	36
Payables	63	59	83	81	78
Ratios (x)					
Gross asset turnover	0.6	0.6	0.6	0.6	0.7
Current ratio	2.3	2.0	1.3	1.3	1.4
Net interest coverage ratio	6.7	4.9	3.6	4.7	6.0
Adjusted debt/equity	0.2	0.3	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**



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%

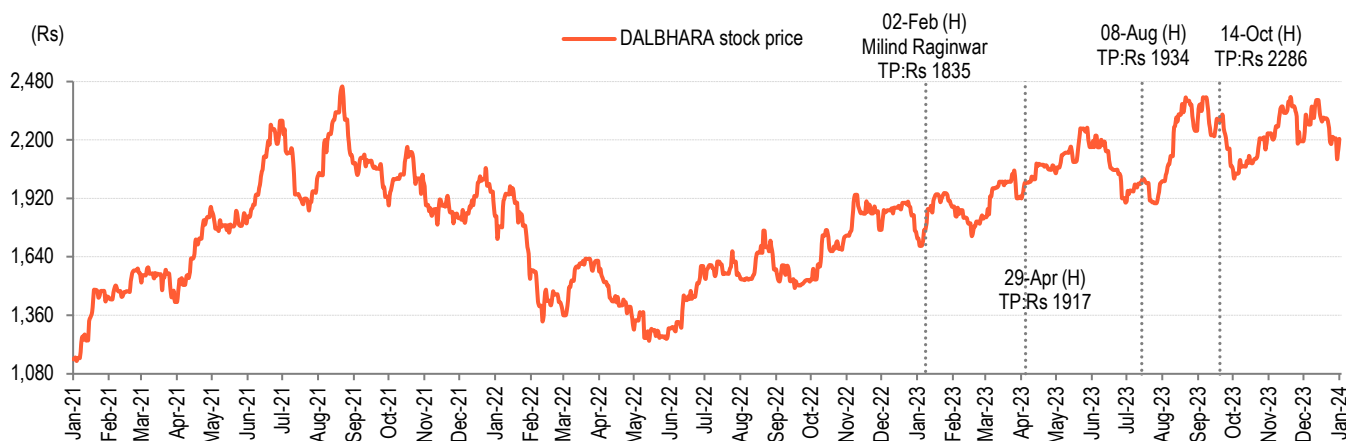
HOLD – Expected return from -6% to +15%

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.