

SELL

TP: Rs 1,749 | ▼ 15%

ESCORTS

| Automobiles

| 12 May 2023

Medium-term pain to continue

- Unseasonal rains dented volumes (-12% QoQ) towards the end of Q4, offsetting momentum seen in the first half
- Cost inflation tailwinds benefitted gross margin QoQ, but reversal of price trends in Q1FY24 weakens margin outlook
- Short/medium-term pain to continue; we revise FY24/FY25 EPS -4%/+3% and roll to a TP of Rs 1,749 (vs. Rs 1,742) – retain SELL

Milind Raginwar | Yash Thakur
research@bobcaps.in

Topline up YoY but dips sequentially: Escorts' Q4FY23 revenue grew 17% YoY to Rs 21.8bn as volumes increased 13% YoY. However, the company posted a sequential revenue decline of 4% as volumes dropped 12% QoQ due to weak sales in March amid unseasonal rains and crop damage. Net realisation per vehicle (NRPV) in the tractor segment grew 1% YoY (+3% QoQ) to Rs 0.63mn on the back of price increases (1.5-2%) taken by the company at the end of Q3FY23.

Cost inflation hits performance, improvement QoQ: Raw material cost spiked 19% YoY to Rs 15.6bn due to commodity price inflation, while improving 7% QoQ as prices softened. Gross margin at 28.5% fell 140bps YoY but expanded 300bps QoQ. EBITDA margin contracted 265bps YoY while rising 240bps QoQ due to a 10.8% price hike, commodity softening and a better product mix. Reported PAT was down 8% YoY (-1% QoQ) to Rs 1.8bn due to impairment provisions, excluding which growth was at 4% YoY (+13% QoQ).

Rail and CE segments post strong growth: Revenue from the agricultural machinery, railways and construction equipment (CE) segments grew 14%, 37% and 21% YoY respectively. However, earnings for railways and CE improved 46% and 173% respectively, whereas agri machinery earnings declined 27%.

Margin outlook: Management is targeting a 14-15% EBITDA margin by FY24-end. However, commodity softening will be the key to achieve this objective, apart from benefits flowing from cost initiatives and a better product mix.

Maintain SELL: We revise FY24/FY25 EPS estimates by -4%/+3% to Rs 67/Rs 84 to factor in a marginal growth slowdown in the shorter term, and also roll valuations over to FY25E. Our TP moves to Rs 1,749 (earlier Rs 1,742) wherein we continue to value the core business at 20x EPS. Current valuations of 24.5x FY25E EPS appear unjustified given our expectations of slow margin expansion, stiff competition in the tractor business and Escorts' narrow focus on the compact tractor segment. The merger with global partner Kubota Corp has been delayed, adding further uncertainty. SELL.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ESCORTS IN/Rs 2,070
Market cap	US\$ 3.3bn
Free float	63%
3M ADV	US\$ 7.7mn
52wk high/low	Rs 2,358/Rs 1,307
Promoter/FPI/DII	37%/22%/8%

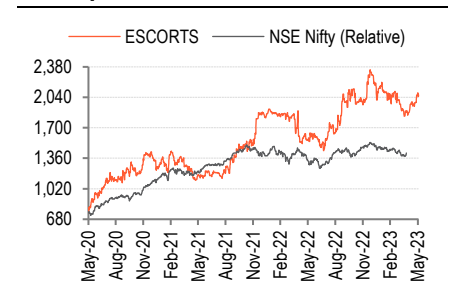
Source: NSE | Price as of 11 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	83,450	89,931	1,00,124
EBITDA (Rs mn)	7,737	10,306	12,976
Adj. net profit (Rs mn)	6,974	8,845	11,133
Adj. EPS (Rs)	52.9	67.0	84.4
Consensus EPS (Rs)	52.9	78.3	94.3
Adj. ROAE (%)	8.3	9.8	11.1
Adj. P/E (x)	39.2	30.9	24.5
EV/EBITDA (x)	34.2	26.7	20.8
Adj. EPS growth (%)	(5.3)	26.8	25.9

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY23	Q3FY23	Our view
Domestic volumes	Domestic tractor industry volumes grew 12.2% YoY in Q4 whereas Escorts grew by 9.4%. The company's market share dipped to 10.1% for FY23 from 10.3% in FY22 mainly due to a weak Q1FY23.	The domestic tractor industry was up 10.5% YoY and Escorts' volumes grew by 12.3%, aiding marginal gains in market share to 10.6% in Q3FY23 from 10.4% in the year-ago period.	Management expects the domestic tractor industry to register low-single-digit growth in FY24. We believe Escorts will continue to beat the industry.
Exports	Industry-wide exports dipped 3.2% YoY whereas Escorts grew by 11.7% aided by sales through Kubota Global Network that contributed more than 30% of its total export volumes in FY23.	Export volumes fell 8% YoY amid a 14.4% drop in tractor industry exports.	Escorts may continue to perform better in overseas markets.
Margins	EBITDA margin expanded 240bps QoQ to 10.8% on account of a price increase taken after the festive season ended (75bps benefit), softening of commodity prices (casting sheet, rubber & metal that contribute 50-60% of cost), and a better product mix (>40HP sales up 3%).	EBIT margin was flat QoQ as higher production volumes in Q2FY23 meant that operating leverage was already reflected in that quarter (100-125bps benefit).	Key inputs costs have hardened after Q4FY23 and thus margin pressure may continue.
Segment performance	In the CE business, demand was subdued in H1 but improved in H2FY23. Management expects a similar demand pattern in FY24. For the railway equipment division, Escorts plans three new product launches, and management expects 10-12% industry growth in FY24. Its order book stood at Rs 10.5bn, to be completed by FY24.	Segment revenue for CE grew 10.7% YoY led by the backhoe loader industry. Management expects growth momentum to continue in coming months. Railway equipment revenue went up by 43% YoY, and its order book for Q3FY23 stood at Rs 10bn.	We expect the 'others' segment to improve at a steady pace.
Regulations	TREM-IV emission norms will raise costs by 10-15% for 50HP-and-above tractors, with price hikes to be undertaken in Q1FY24. Management expects a delay of 18 months in applicability of norms for the lower HP segment.	Management believes higher costs related to new TREM IV norms will drive a switch in demand from >50HP to sub-50HP tractors, potentially in the near term.	The lower end segment tractors may see slower implementation of norms and hence may continue with steady sales.
Merger	Escorts is awaiting SEBI approval and expects the merger with Kubota to conclude by Jan'24.	Management expects the merger to be completed by Sep-Oct'23.	The merger is being delayed pending clearance from regulatory authorities.

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
Volume (nos)	24,765	21,895	13.1	28,025	(11.6)	103,290	94,228	9.6
Avg. Realization per Vehicle (Rs)	881,466	853,880	3.2	807,732	9.1	807,915	759,945	6.3
Net Revenues	21,830	18,696	16.8	22,637	(3.6)	83,450	71,608	16.5
Total Income (A)	21,830	18,696	16.8	22,637	(3.6)	83,450	71,608	16.5
Operating Expenses:								
Raw materials consumed	15,615	13,107	19.1	16,871	(7.4)	60,669	49,328	23.0
Employee Expenses	1,565	1,192	31.3	1,527	2.5	5,950	5,283	12.6
Other Expenses	2,291	1,881	21.8	2,336	(1.9)	9,026	7,403	21.9
Total Expenditure (B)	19,471	16,181	20.3	20,733	(6.1)	75,645	62,014	22.0
EBITDA (A-B)	2,358	2,515	(6.2)	1,903	23.9	7,804	9,594	(18.7)
Other Income	763	538	41.7	913	(16.4)	2,806	2,049	36.9
Depreciation	380	330	15.3	376	1.2	1,484	1,298	14.4
EBIT	2,741	2,724	0.6	2,440	12.3	9,126	10,346	(11.8)
Finance Costs	28	29	(4.8)	26	4.2	103	127	(19.1)
PBT before excep items	2,714	2,695	0.7	2,414	12.4	9,023	10,219	(11.7)
Tax expense	615	673	(8.6)	550	11.8	1,982	2,563	(22.7)
Reported PAT	1,855	2,022	-8.3	1,864	-0.5	6,070	7,656	-20.7
Adjusted PAT	2,099	2,022	3.8	1,864	12.6	7,041	7,656	-8.0
EPS (Rs)	15.9	15.3	3.8	14.1	12.6	53.4	58.6	(8.9)
Key Ratios (%)			(bps)		(bps)			(bps)
Gross Margin (%)	28.5	29.9	(142)	25.5	300	27.3	31.1	(382)
EBITDA Margin (%)	10.8	13.5	(265)	8.4	240	9.4	13.4	(405)
EBIT Margin (%)	12.6	14.6	(201)	10.8	178	10.9	14.4	(351)
PBT Margin (%)	12.4	14.4	(198)	10.7	177	10.8	14.3	(346)
Tax Rate (%)	22.7	25.0	(232)	22.8	(13)	22.0	24.9	(289)
Adj PAT Margin (%)	9.6	10.8	(120)	8.2	138	8.4	10.7	(225)

Source: Company, BOBCAPS Research

Valuation methodology

We revise our FY24/FY25 EPS estimates by -4%/+3% to Rs 67/Rs 84 to factor in a marginal growth slowdown for Escorts in the shorter term, and also roll valuations over to FY25E. Our TP thus moves to Rs 1,749 (earlier Rs 1,742), wherein we continue to value the core business at 20x EPS.

Current valuations of 24.5x FY25E EPS appear unjustified given our expectations of slow margin expansion, stiff competition in the tractor business and Escorts' narrow focus on the compact tractor segment. The merger with global partner Kubota Corp has been delayed, adding further uncertainty. Maintain SELL.

Fig 3 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	89,931	100,124	89,033	99,134	1.0	1.0
EBITDA	10,306	12,976	10,957	12,800	(5.9)	1.4
Adj PAT	8,845	11,133	9,215	10,854	(4.0)	2.6
Adj EPS (Rs)	67	84.4	69.8	82.3	(4.0)	2.6

Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY22	FY23	FY24E	FY25E
Volume	94,228	103,290	113,103	121,020
Blended Realisation (Rs)	759,945	807,915	795,129	827,337
EBITDA (Rs)	9,512	7,737	10,306	12,976
EBITDA margin (%)	13.1	9.3	11.5	13.0
Adj. PAT (Rs)	7,365	6,974	8,845	11,133
EPS (Rs)	55.8	52.9	67	84.4

Source: Company, BOBCAPS Research

Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY24E	FY25E	FY24E	FY25E
Escorts Kubota	ESCORTS IN	SELL	1,749	67.0	84.4	10.1	11.7
VST Tillers Tractors	VSTT IN	BUY	2,802	140.1	164.6	14.1	14.9
Mahindra & Mahindra	MM IN	BUY	1,496	69.3	75.9	17.3	16.3

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- faster margin revival than anticipated owing to earnings-accretive price hikes, and
- quicker easing of commodity prices than expected.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ashok Leyland	AL IN	5.3	149	169	BUY
Bajaj Auto	BJAUT IN	16.0	4,548	4,188	HOLD
Eicher Motors	EIM IN	11.3	3,405	3,543	HOLD
Escorts	ESCORTS IN	3.3	2,070	1,749	SELL
Hero MotoCorp	HMCL IN	6.3	2,585	2,712	HOLD
Mahindra & Mahindra	MM IN	19.1	1,251	1,496	BUY
Maruti Suzuki	MSIL IN	34.1	9,261	9,858	HOLD
TVS Motor	TVSL IN	7.2	1,240	1,252	HOLD
VST Tillers Tractors	VSTT IN	0.3	2,485	2,802	BUY

Source: BOBCAPS Research, NSE | Price as of 11 May 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Total revenue	70,144	72,384	83,450	89,931	1,00,124
EBITDA	11,268	9,512	7,737	10,306	12,976
Depreciation	1,183	1,218	1,484	1,390	1,474
EBIT	11,689	10,372	9,058	11,799	14,818
Net interest inc./(exp.)	(133)	(150)	(103)	(130)	(130)
Other inc./(exp.)	1,604	2,180	2,806	2,883	3,316
Exceptional items	0	0	(972)	0	0
EBT	11,548	9,928	7,984	11,669	14,688
Income taxes	2,832	2,572	1,982	2,824	3,554
Extraordinary items	0	(9)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	8,716	7,365	6,003	8,845	11,133
Adjustments	0	0	972	0	0
Adjusted net profit	8,716	7,365	6,974	8,845	11,133

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Accounts payables	11,954	9,855	14,526	16,830	18,209
Other current liabilities	3,980	3,486	2,103	5,582	6,642
Provisions	2,958	1,402	1,454	1,599	1,759
Debt funds	17	0	0	0	0
Other liabilities	837	0	0	0	0
Equity capital	1,348	1,319	1,319	1,319	1,319
Reserves & surplus	48,904	74,642	82,962	88,656	99,064
Shareholders' fund	50,252	75,961	84,281	89,976	1,00,383
Total liab. and equities	69,999	90,705	1,02,363	1,13,988	1,26,994
Cash and cash eq.	14,844	2,718	4,685	1,828	1,438
Accounts receivables	6,576	7,926	12,076	9,363	10,424
Inventories	7,182	8,466	11,590	10,348	11,521
Other current assets	2,122	5,258	4,405	6,363	6,999
Investments	19,380	48,358	50,305	65,483	75,483
Net fixed assets	18,197	18,172	19,188	19,798	20,324
CWIP	412	563	279	500	500
Intangible assets	0	553	553	553	553
Deferred tax assets, net	(233)	(1,311)	(717)	(248)	(248)
Other assets	1,520	0	0	0	0
Total assets	69,999	90,704	1,02,364	1,13,988	1,26,994

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Cash flow from operations	12,723	(2,927)	2,468	15,149	8,890
Capital expenditures	(1,521)	(2,000)	(2,216)	(2,221)	(2,000)
Change in investments	(11,407)	(28,978)	(1,947)	(15,178)	(10,000)
Other investing cash flows	1,604	2,180	2,806	2,883	3,316
Cash flow from investing	(11,324)	(28,798)	(1,357)	(14,516)	(8,684)
Equities issued/Others	10,583	17,932	0	0	0
Debt raised/repaid	(175)	(17)	0	0	0
Interest expenses	(133)	(150)	(103)	(130)	(130)
Dividends paid	(245)	(737)	(792)	(792)	(792)
Other financing cash flows	(40)	2,199	1,506	(2,727)	0
Cash flow from financing	9,989	19,226	612	(3,649)	(922)
Chg in cash & cash eq.	11,388	(12,499)	1,723	(3,015)	(716)
Closing cash & cash eq.	14,844	2,718	4,685	1,828	1,438

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
Reported EPS	79.0	68.6	52.9	67.0	84.4
Adjusted EPS	64.6	55.8	52.9	67.0	84.4
Dividend per share	1.8	5.6	6.0	6.0	6.0
Book value per share	372.8	576.0	638.8	682.7	761.1

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
EV/Sales	3.9	3.6	3.2	3.1	2.7
EV/EBITDA	24.0	27.1	34.2	26.7	20.8
Adjusted P/E	32.0	37.1	39.2	30.9	24.5
P/BV	5.6	3.6	3.2	3.0	2.7

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Tax burden (Net profit/PBT)	75.5	74.2	87.4	75.8	75.8
Interest burden (PBT/EBIT)	98.8	95.7	88.1	98.9	99.1
EBIT margin (EBIT/Revenue)	16.7	14.3	10.9	13.1	14.8
Asset turnover (Rev./Avg TA)	168.9	113.9	104.2	103.2	105.2
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	21.4	11.7	8.7	10.1	11.7

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
YoY growth (%)					
Revenue	20.7	3.2	15.3	7.8	11.3
EBITDA	70.1	(15.6)	(18.7)	33.2	25.9
Adjusted EPS	64.2	(13.7)	(5.3)	26.8	25.9
Profitability & Return ratios (%)					
EBITDA margin	16.1	13.1	9.3	11.5	13.0
EBIT margin	16.7	14.3	10.9	13.1	14.8
Adjusted profit margin	12.4	10.2	8.4	9.8	11.1
Adjusted ROAE	17.3	9.7	8.3	9.8	11.1
ROCE	21.2	12.1	8.5	10.3	11.8
Working capital days (days)					
Receivables	36	37	44	44	36
Inventory	42	39	44	45	40
Payables	98	80	73	88	90
Ratios (x)					
Gross asset turnover	0.4	0.4	0.4	0.4	0.4
Current ratio	1.6	1.7	1.8	1.2	1.1
Net interest coverage ratio	(87.6)	(69.3)	(88.3)	(90.8)	(114.0)
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

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

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%

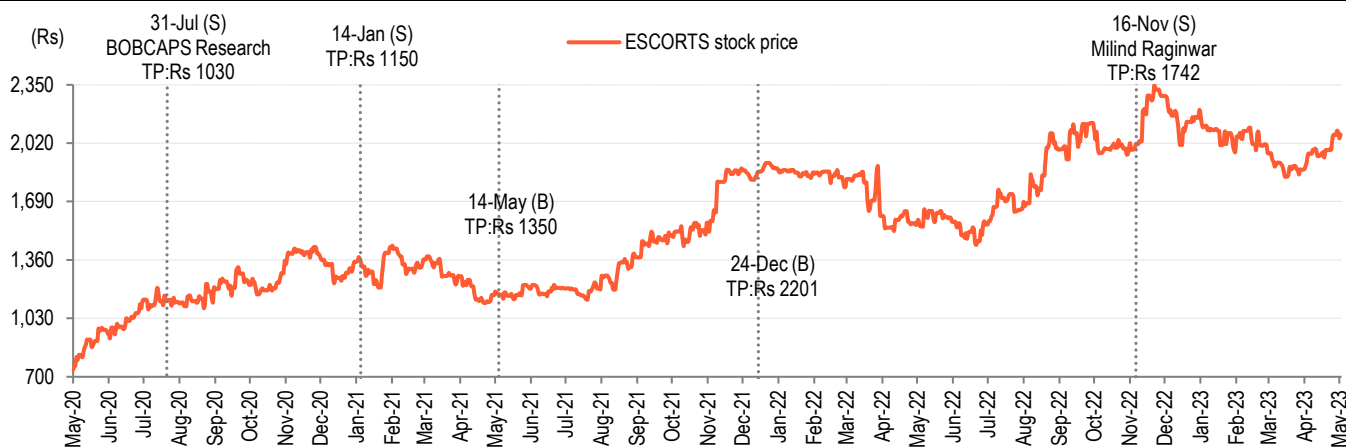
HOLD – Expected return from -6% to +15%

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): ESCORTS (ESCORTS 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 Malaysian 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.