

HOLD
 TP: Rs 400 | ▲ 3%

**GREENPANEL
 INDUSTRIES**

| Building Materials

| 01 February 2024

Dismal Q3FY24; No sigh of relief for MDF in near-future

- Sharp contraction in operating profit (-34% YoY) for fifth consecutive quarter owing to supply-side pressure in MDF industry
- Volume guidance downgraded once again on rising import pressure and elevated timber prices
- Maintain HOLD with unchanged TP of Rs 400 given tepid earnings growth profile and expensive valuations

Utkarsh Nopany
 research@bobcaps.in

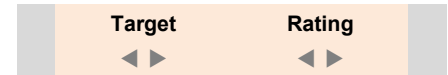
Dismal Q3: GREENP’s revenue/EBITDA/PAT fell by 8%/34%/8% YoY in Q3FY24. The company missed our EBITDA estimates by 24% due to weak volumes and relentless margin pressure (-160bps QoQ to 17.8%) in the MDF segment. While a 15% YoY drop in exports led to flat YoY volumes in MDF vs. 8% growth estimated, margin stress emanated from higher timber prices (North/South: +2%/+4% QoQ), increased brand spend (+140bps) and soft domestic realisations (-4%) due to an inferior product mix.

Key highlights: GREENP reported sharp YoY contraction in operating profit for the fifth consecutive quarter due to a continued supply overhang in the MDF industry. MDF sales volume was flat YoY (4Y CAGR: +8%) as domestic sales (+4%) absorbed the impact of weak exports (-15%). MDF segment EBITDA per unit fell 6% QoQ in Q3. The plywood segment reported a sharp volume decline for the sixth consecutive quarter (-23% YoY) due to the impact of internal restructuring and the company’s exit from the decorative veneer business.

Guidance downgraded: Management has cut its volume growth guidance for MDF from 3-4% to flat growth in FY24 due to rising import pressure in the domestic market and restricted exports to large buyers on account of low profit contribution. For FY25, GREENP is targeting volume growth of 15% YoY, including the contribution from a new expansion project in Q4FY25. On the margin front, we expect pressure to persist in the coming quarters as management sees pricing headwinds in the domestic market from rising competitive intensity and believes timber costs will remain high in FY25.

Maintain HOLD: Factoring in the disappointing Q3FY24 result, we cut our FY24/FY25/FY26 EPS estimates by 11%/2%/3%. We maintain our HOLD rating with an unchanged TP of Rs 400 as we expect GREENP to deliver a tepid 5% earnings CAGR over FY23-FY26, with ROE sliding from 21.1% in FY23 to 16.5% in FY26 due to supply-side pressure in the MDF industry. Current valuations also look expensive at 24.1x on 1Y forward P/E vs. the stock’s historical average of 16.7x. Our target P/E multiple remains unchanged at 20x on Sep’25E EPS – a 20% premium to the historical average.

Key changes



Ticker/Price	GREENP IN/Rs 388
Market cap	US\$ 578.5mn
Free float	47%
3M ADV	US\$ 2.0mn
52wk high/low	Rs 450/Rs 255
Promoter/FPI/DII	53%/4%/23%

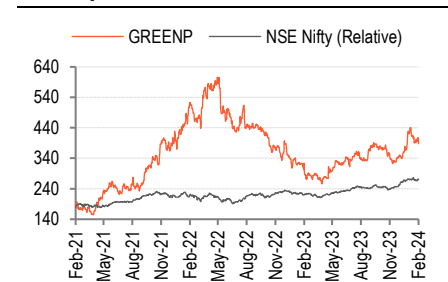
Source: NSE | Price as of 1 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	17,829	16,046	18,338
EBITDA (Rs mn)	4,165	2,722	3,576
Adj. net profit (Rs mn)	2,521	1,568	2,056
Adj. EPS (Rs)	20.6	12.8	16.8
Consensus EPS (Rs)	20.6	15.3	19.0
Adj. ROAE (%)	23.5	12.4	14.4
Adj. P/E (x)	18.9	30.3	23.1
EV/EBITDA (x)	10.9	17.7	13.5
Adj. EPS growth (%)	3.9	(37.8)	31.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance – Consolidated

Particulars (Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Total operating income	3,857	4,202	(8.2)	3,987	(3.3)	11,707	13,414	(12.7)
Raw Material expense	1,692	1,753	(3.5)	1,770	(4.4)	5,073	5,418	(6.4)
Gross Profit	2,166	2,449	(11.6)	2,218	(2.3)	6,633	7,997	(17.1)
Employee expense	335	353	(5.1)	354	(5.4)	1,021	1,078	(5.3)
Sales Promotion	85	42	102.0	32	166.0	267	143	86.3
Other expense	1,143	1,134	0.8	1,141	0.2	3,393	3,372	0.6
EBITDA	603	920	(34.5)	691	(12.7)	1,952	3,403	(42.6)
D&A	179	183	(2.1)	185	(3.1)	546	548	(0.3)
EBIT	424	737	(42.5)	506	(16.3)	1,405	2,855	(50.8)
Interest cost	62	114	(45.4)	19	225.1	121	158	(23.5)
Non-operating expense/(income)	(13)	40	(132.3)	(68)	(80.8)	(145)	(169)	(14.5)
PBT	374	583	(35.7)	555	(32.5)	1,429	2,866	(50.1)
Tax	28	208	(86.4)	145	(80.4)	300	990	(69.7)
Reported PAT	346	375	(7.8)	410	(15.6)	1,129	1,876	(39.8)
Adjusted PAT	347	375	(7.6)	410	(15.4)	1,130	1,836	(38.5)
As % of net revenues			(bps)		(bps)			(bps)
Gross margin	56.1	58.3	(214)	55.6	53	56.7	59.6	(295)
Employee cost	8.7	8.4	29	8.9	(20)	8.7	8.0	68
Sales Promotion	2.2	1.0	120	0.8	140	2.3	1.1	121
Other cost	29.6	27.0	265	28.6	103	29.0	25.1	385
EBITDA margin	15.6	21.9	(627)	17.3	(170)	16.7	25.4	(870)
Tax rate	7.6	35.6	(2,804)	26.1	(1,852)	21.0	34.6	(1,354)
APAT margin	9.0	8.9	6	10.3	(129)	9.6	13.7	(404)

Source: Company, BOBCAPS Research

Fig 2 – Segment financials

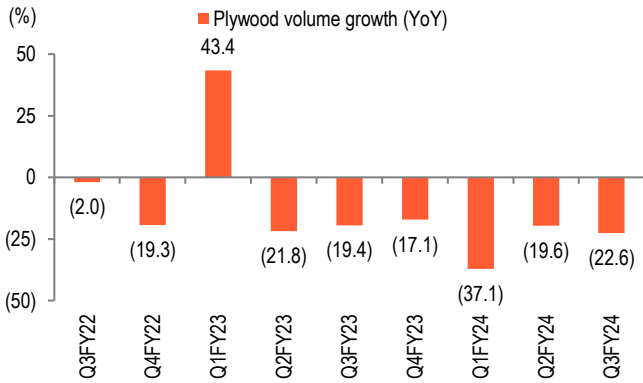
Particulars	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenue (Rs mn)								
Plywood	384	576	(33.4)	432	(11.2)	1,266	1,896	(33.2)
MDF	3,474	3,626	(4.2)	3,555	(2.3)	10,441	11,519	(9.4)
Total	3,857	4,202	(8.2)	3,987	(3.3)	11,707	13,414	(12.7)
Volumes								
Plywood (mn sqm)	1.5	2.0	(22.6)	1.64	(6.1)	4.8	6.5	(27.2)
MDF (cbm)	1,18,301	1,18,218	0.1	1,23,615	(4.3)	3,57,714	3,69,479	(3.2)
Realisation								
Plywood (Rs/sq ft)	249	289	(13.9)	263	(5.4)	266	290	(8.3)
MDF (Rs/cbm)	29,300	30,585	(4.2)	28,679	2.2	29,188	31,176	(6.4)
Adjusted EBITDA margin (%)								
Plywood	(4.4)	7.9	(1229bps)	(1.3)	(310bps)	(0.0)	0.8	(81bps)
MDF	17.8	24.0	(624bps)	19.4	(163bps)	1.9	2.8	(93bps)
Total	15.6	21.8	(624bps)	17.2	(159bps)	1.7	2.5	(85bps)

Source: Company, BOBCAPS Research

Earnings call highlights

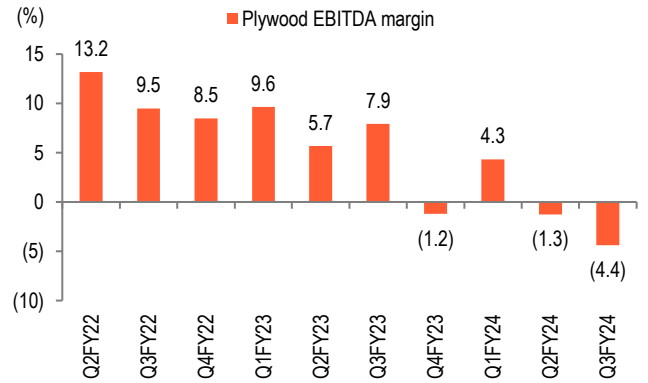
- **MDF demand:** GREENP registered weak MDF volume growth of 4% YoY in the domestic market during Q3FY24 due to soft demand conditions in the month of Nov'23 amid the festive season and rising import pressure. However, management expects its domestic quarterly volume run-rate to improve from Q4FY24 onwards.
- **MDF pricing:** GREENP did not take any price cuts in the domestic market during Q3FY24. However, the company's domestic MDF realisation fell 4% QoQ due to the introduction of cheaper products for OEMs, which accounted for 29% of domestic sales and are priced at a discount of ~30% compared to its other offerings. The share of such products for OEMs is likely to come down in coming quarters as domestic volumes increase.
- **MDF imports:** The monthly import run-rate for MDF has declined from 48,000cbm in Q2FY24 to 32,000cbm in Q3FY24, but still remains high. The price difference between domestic and imported plain industrial-grade MDF products remains at 18-20%.
- **BIS:** BIS (Bureau of Indian Standards) norms will become mandatory for the MDF sector from Feb'24 onwards. As per management, BIS implementation may result in relief for domestic players in terms of reduction in the pace of imports over the near term and increase in the cost of non-compliant products in the medium term.
- **Guidance:** Management has cut its volume growth guidance for MDF from 3-4% YoY to flat growth in FY24 due to rising import pressure in the domestic market and restricted exports to large buyers. The company is targeting volume growth of 15% YoY in FY25, including the contribution of 20,000-30,000cbm from a new expansion project in Q4FY25
- **MDF margin:** MDF margin came under pressure in Q3FY24 due to an increase in wood prices (North: +2% QoQ; South: +4% QoQ), higher brand spend and an unfavourable product mix. We believe margins will remain under pressure in coming quarters as management expects pricing headwinds in the domestic market from rising competitive intensity and timber prices to remain elevated in FY25. Timber prices in India are expected to moderate from FY26 onwards once new plantations come into the market.
- **Plywood:** GREENP's plywood segment has reported a sharp decline in volumes for the past few quarters due to the impact of team & distribution network restructuring as well as its exit from the decorative veneer business. Management expects plywood volumes of 7.8mn sqm in FY25 (vs. 9.3mn sqm in FY22).
- **Capex:** The company plans to add 231,000cbm of MDF capacity through the brownfield route at a cost of Rs 6bn (Rs 4bn in FY24 plus Rs 2bn in FY25). This is now planned for Q4FY25 from Q3FY25 earlier due to delays in shipment of equipment.
- **Dealer network:** GREENP added 186 new dealers in Q3FY24.

Fig 3 – GREENP reported a sharp decline in plywood volumes for the sixth consecutive quarter...



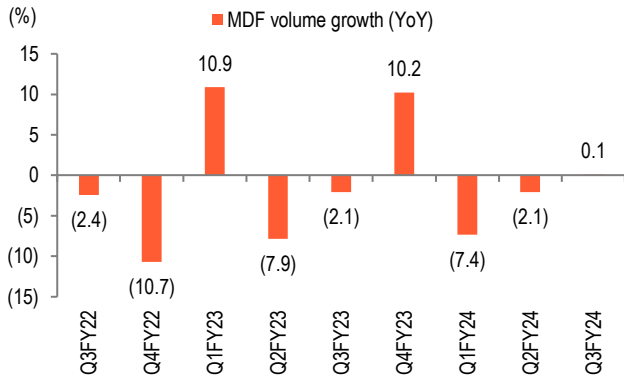
Source: Company, BOBCAPS Research

Fig 4 – ...with negative operating margin on high timber prices and negative operating leverage



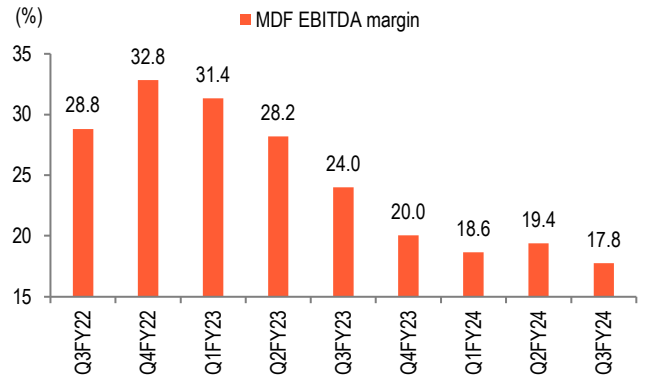
Source: Company, BOBCAPS Research

Fig 5 – MDF volumes stayed flat in Q3FY24 on a weak base...



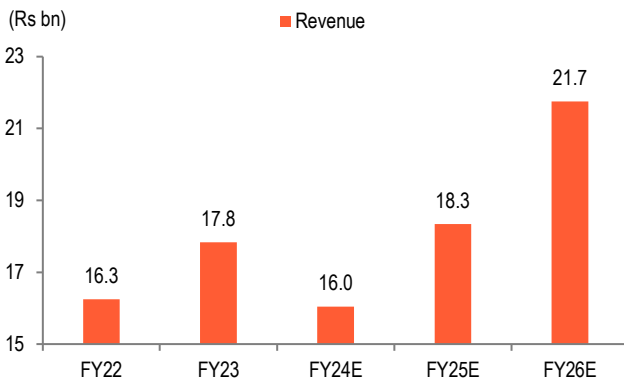
Source: Company, BOBCAPS Research

Fig 6 – ...and margins have come under severe stress over the past few quarters on supply-side pressure



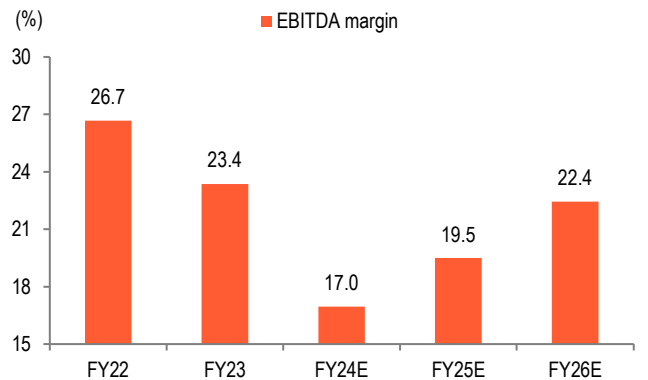
Source: Company, BOBCAPS Research

Fig 7 – GREENP’s revenue is projected to grow at a meagre 7% CAGR over FY23-FY26E



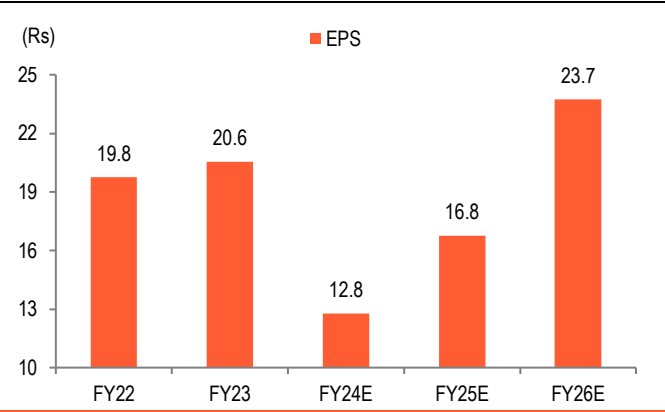
Source: Company, BOBCAPS Research

Fig 8 – EBITDA margin to fall from 23.4% in FY23 to 22.4% in FY26E due to supply overhang in MDF industry



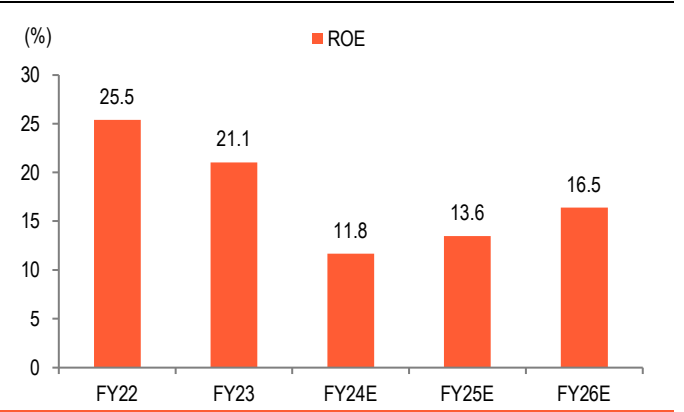
Source: Company, BOBCAPS Research

Fig 9 – EPS is projected to grow at a meagre 5% CAGR over FY23-FY26E...



Source: Company, BOBCAPS Research

Fig 10 – ...and ROE to fall from 21.1% in FY23 to 16.5% in FY26E



Source: Company, BOBCAPS Research

Valuation methodology

Factoring in the disappointing Q3FY24 result, we cut our FY24/FY25/FY26 EPS estimates by 11%/2%/3%. We maintain our HOLD rating on the stock with an unchanged TP of Rs 400 as we expect GREENP to deliver a tepid 5% earnings CAGR over FY23-FY26, with ROE sliding from 21.1% in FY23 to 16.5% in FY26 due to supply-side pressure in the MDF industry.

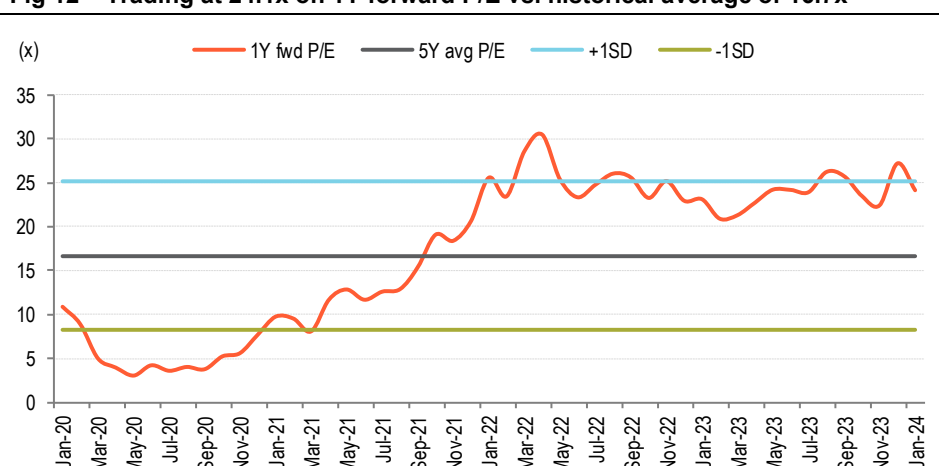
Current valuations also look expensive at 24.1x one-year forward P/E vs. the stock's historical average of 16.7x. Our target P/E multiple remains unchanged at 20x on Sep'25E EPS – a 20% premium to the historical average. See our report of 17 January, [Strong foundations](#), for a detailed view.

Fig 11 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total operating income	16.0	18.3	21.7	16.6	18.7	21.9	(3.4)	(2.1)	(0.7)
EBITDA	2.7	3.6	4.9	3.0	3.5	4.8	(8.1)	1.9	0.7
EBITDA Margin (%)	17.0	19.5	22.4	17.8	18.7	22.1	(86bps)	78bps	32bps
Adjusted PAT	1.6	2.1	2.9	1.8	2.1	3.0	(10.7)	(2.0)	(2.9)
EPS (Rs)	12.8	16.8	23.7	14.3	17.1	24.5	(10.7)	(2.0)	(2.9)

Source: BOBCAPS Research

Fig 12 – Trading at 24.1x on 1Y forward P/E vs. historical average of 16.7x



Source: Bloomberg, BOBCAPS Research

Fig 13 – Key assumptions

(%)	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue mix						
MDF	78.7	84.2	86.3	89.3	89.7	90.0
Plywood	21.3	15.8	13.7	10.7	10.3	10.0
Sales volume growth						
MDF	20.4	30.1	2.4	(2.3)	15.7	18.4
Plywood	(0.2)	9.5	(7.7)	(23.1)	15.0	15.0
EBITDA margin						
MDF	22.7	30.5	26.0	19.0	21.1	24.1
Plywood	10.4	9.9	5.0	0.6	4.6	7.0

Source: Company, BOBCAPS Research

Key risks

- Lower imports and a steep increase in global MDF prices are the key upside risks to our estimates.
- Weak domestic MDF prices and material delays along with cost escalation in ongoing capex projects are the key downside risks.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Apollo Pipes	APOLP IN	0.3	678	600	SELL
Astral	ASTRA IN	6.2	1,889	2,000	HOLD
Century Plyboards	CPBI IN	2.1	790	800	HOLD
Cera Sanitaryware	CRS IN	1.3	8,263	8,100	HOLD
Finolex Industries	FNXP IN	1.7	220	230	HOLD
Greenlam Industries	GRLM IN	0.8	539	600	HOLD
Greenpanel Industries	GREENP IN	0.6	388	400	HOLD
Greenply Industries	MTLM IN	0.4	245	300	BUY
Hindware Home Innovation	HINDWARE IN	0.4	466	700	BUY
Kajaria Ceramics	KJC IN	2.7	1,378	1,400	HOLD
Prince Pipes & Fittings	PRINCP IN	0.9	702	800	HOLD
Somany Ceramics	SOMC IN	0.4	748	900	BUY
Supreme Industries	SI IN	6.3	4,071	4,300	HOLD

Source: BOBCAPS Research, NSE | Price as of 1 Feb 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	16,250	17,829	16,046	18,338	21,746
EBITDA	4,334	4,165	2,722	3,576	4,880
Depreciation	734	720	736	894	1,053
EBIT	3,600	3,445	1,986	2,682	3,827
Net interest inc./(exp.)	(171)	(190)	(151)	(120)	(120)
Other inc./(exp.)	90	194	195	200	200
Exceptional items	29	0	0	0	0
EBT	3,489	3,449	2,030	2,762	3,907
Income taxes	1,085	944	462	706	994
Extraordinary items	0	(61)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,405	2,565	1,568	2,056	2,912
Adjustments	20	(45)	0	0	0
Adjusted net profit	2,425	2,521	1,568	2,056	2,912

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	1,378	1,111	1,003	1,146	1,359
Other current liabilities	534	578	578	578	578
Provisions	30	17	15	18	21
Debt funds	2,826	1,904	1,419	149	149
Other liabilities	1,139	1,499	1,499	1,499	1,499
Equity capital	123	123	123	123	123
Reserves & surplus	9,394	11,816	13,201	15,011	17,556
Shareholders' fund	9,516	11,939	13,323	15,134	17,678
Total liab. and equities	15,424	17,048	17,837	18,523	21,283
Cash and cash eq.	2,226	3,778	1,100	676	3,876
Accounts receivables	414	444	400	457	542
Inventories	1,658	1,525	1,782	1,716	1,900
Other current assets	564	592	569	599	644
Investments	0	0	0	0	0
Net fixed assets	9,948	9,453	8,981	14,344	13,591
CWIP	0	49	3,799	49	49
Intangible assets	434	463	463	463	463
Deferred tax assets, net	0	0	0	0	0
Other assets	179	744	744	218	218
Total assets	15,424	17,048	17,837	18,523	21,283

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	3,748	3,376	1,960	3,029	3,824
Capital expenditures	(302)	(823)	(4,013)	(1,981)	(300)
Change in investments	0	0	0	0	0
Other investing cash flows	60	255	195	165	165
Cash flow from investing	(241)	(569)	(3,819)	(1,816)	(136)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(1,642)	(922)	(485)	(1,271)	0
Interest expenses	(171)	(190)	(151)	(120)	(120)
Dividends paid	(184)	(184)	(184)	(245)	(368)
Other financing cash flows	(8)	41	0	0	0
Cash flow from financing	(2,005)	(1,255)	(820)	(1,636)	(488)
Chg in cash & cash eq.	1,501	1,552	(2,678)	(424)	3,200
Closing cash & cash eq.	2,226	3,778	1,100	676	3,876

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	19.6	20.9	12.8	16.8	23.7
Adjusted EPS	19.8	20.6	12.8	16.8	23.7
Dividend per share	1.5	1.5	1.5	2.0	3.0
Book value per share	77.6	97.4	108.6	123.4	144.2

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	2.6	2.5	3.0	2.6	2.2
EV/EBITDA	9.9	10.9	17.7	13.5	9.6
Adjusted P/E	19.6	18.9	30.3	23.1	16.3
P/BV	5.0	4.0	3.6	3.1	2.7

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	69.5	73.1	77.3	74.4	74.5
Interest burden (PBT/EBIT)	96.9	100.1	102.2	103.0	102.1
EBIT margin (EBIT/Revenue)	22.2	19.3	12.4	14.6	17.6
Asset turnover (Rev./Avg TA)	105.4	104.6	90.0	99.0	102.2
Leverage (Avg TA/Avg Equity)	1.6	1.4	1.3	1.2	1.2
Adjusted ROAE	25.5	21.1	11.8	13.6	16.5

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	59.2	9.7	(10.0)	14.3	18.6
EBITDA	112.0	(3.9)	(34.7)	31.4	36.5
Adjusted EPS	248.8	3.9	(37.8)	31.1	41.7
Profitability & Return ratios (%)					
EBITDA margin	26.7	23.4	17.0	19.5	22.4
EBIT margin	22.2	19.3	12.4	14.6	17.6
Adjusted profit margin	14.9	14.1	9.8	11.2	13.4
Adjusted ROAE	28.8	23.5	12.4	14.4	17.8
ROCE	29.9	26.3	14.8	18.9	22.6
Working capital days (days)					
Receivables	9	9	9	9	9
Inventory	37	31	41	34	32
Payables	31	23	23	23	23
Ratios (x)					
Gross asset turnover	1.1	1.3	1.1	1.0	1.0
Current ratio	1.6	2.7	1.7	1.8	3.3
Net interest coverage ratio	21.1	18.1	13.2	22.4	31.9
Adjusted debt/equity	0.1	(0.2)	0.0	0.0	(0.1)

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%

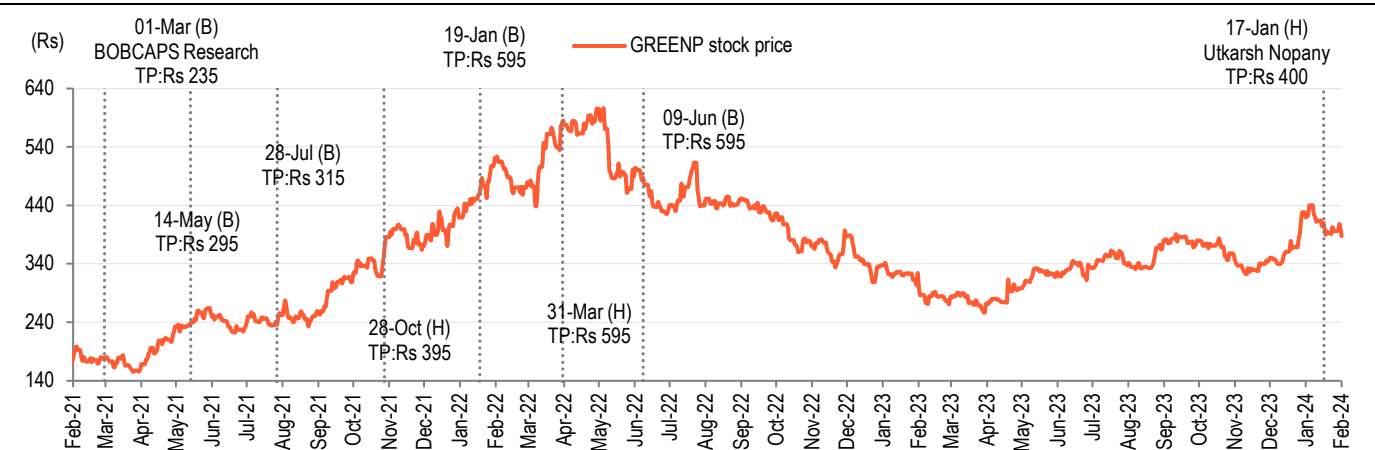
HOLD – Expected return from -6% to +15%

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): GREENPANEL INDUSTRIES (GREENP 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.