

HOLD

TP: Rs 2,445 | ▼ 2%

HDFC AMC

| NBFC

| 25 July 2023

Strong quarter but upsides capped; maintain HOLD

- Q1 AUM growth robust at 17% YoY with debt seeing inflows after several quarters of outflow; revenue and EBITDA impressive
- Market share improved in overall and equity AUM; yields lower due to large AUM size
- TP raised to Rs 2,445 (vs. Rs 1,946) on a 12%/11% increase in FY24/FY25 PAT estimates and a higher target P/E of 28.5x (vs. 25x)

Mohit Mangal

research@bobcaps.in

Strong growth: HDFC AMC's AUM grew 17% YoY to Rs 4.9tn in Q1FY24 with actively managed equity funds growing at an even higher 26% YoY. Revenue/EBITDA at Rs 7.3bn/Rs 5.9bn increased 37.5%/46.3% YoY. Revenue growth was bumped up by abnormal other income (MTM gains) of Rs 1.6bn. SIP AUM rose 46% YoY to Rs 1tn, of which ~77% has a tenure of >10Y. Based on the Q1 print, we increase our AUM estimates by 10%/13% for FY24/FY25 to Rs 5.2tn/Rs 5.9tn and raise net profit forecasts by 11-12% each.

Equity tilt; market share improves: HDFC AMC maintained its #3 rank in overall MAAUM with 11.4% market share in Q1FY24 while equity MAAUM share moved up to 12.4% from 12.2% at end-FY23. Equity constituted 56% of MAAUM at end-Q1FY24 vs. 57% in FY23. Debt came as a surprise with both the industry and company witnessing inflows. Calculated revenue yield stood at 47bps of AUM in Q1 (48bps in Q4) and operating margin held at 34bps (35bps in Q4).

Diversified distribution network: HDFC AMC has 229 branches (151 in B30 cities) and tie-ups with over 75,000 distribution partners, servicing customers across ~99% of India's pin-codes. Direct channels contributed 42% of AUM in Q1FY24 whereas MFDs contributed 28%. HDFC Bank, however, brought in only 5.8% of business as compared to 10.3% in FY18, which the company intends to increase now that the bank's merger with HDFC is complete. Within equity AUM, direct channels accounted for 23% share whereas MFDs brought in 40% of business. The company asserted that it maintains a high wallet share in each distribution channel.

Maintain HOLD: The stock is trading at 29.3x FY25E EPS. Apart from raising profit estimates, we also value the stock at a higher 28.5x FY25E EPS vs. 25x earlier, translating to a revised TP of Rs 2,445 (vs. Rs 1,946). Our multiple upgrade stems from a gradual recouping of market share, new scheme launches, improved equity scheme performance, and expectations of a conducive TER rule framework. However, the low share of HDFC Bank in generating business and soft industry net flows will likely remain a drag on growth for a big player like HDFC AMC and thus we value it at a 20% discount to the long-term mean. Our TP carries 2% downside; HOLD.

Key changes

Target	Rating
▲	◀▶

Ticker/Price	HDFCAMC IN/Rs 2,498
Market cap	US\$ 6.5bn
Free float	37%
3M ADV	US\$ 19.4mn
52wk high/low	Rs 2,589/Rs 1,590
Promoter/FPI/DII	63%/8%/18%

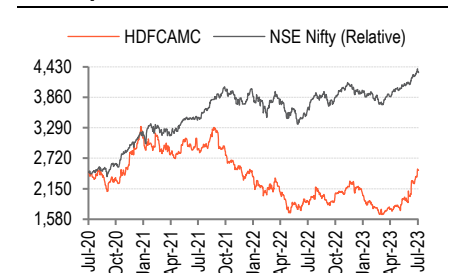
Source: NSE | Price as of 24 Jul 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Core PBT (Rs mn)	15,549	16,955	19,457
Core PBT (YoY)	1.1	9.0	14.8
Adj. net profit (Rs mn)	14,239	16,825	18,299
EPS (Rs)	66.7	78.8	85.8
Consensus EPS (Rs)	66.7	71.2	81.0
MCap/AAAUM (%)	11.9	10.2	9.0
ROAAAUM (bps)	31.7	32.1	30.9
ROE (%)	24.5	26.5	26.6
P/E (x)	37.4	31.7	29.1

Source: Company, Bloomberg, BOBCAPS Research

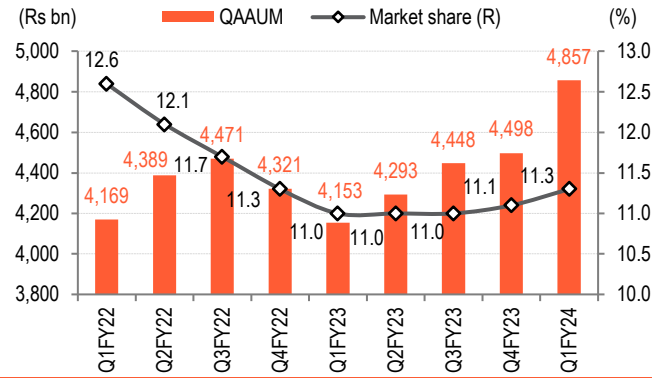
Stock performance



Source: NSE

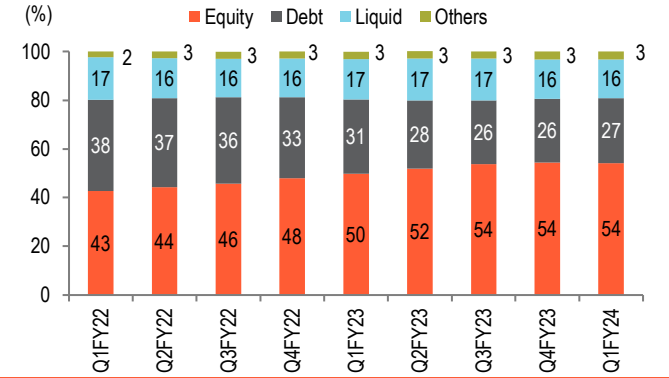


Fig 1 – Market share expands in Q1



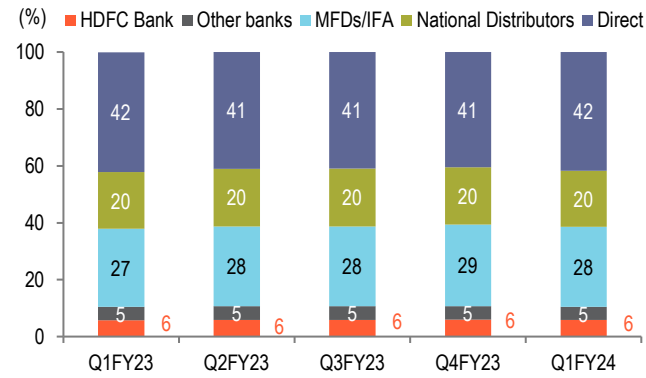
Source: Company, BOBCAPS Research

Fig 2 – Equity component maintained at 54% at end-Q1



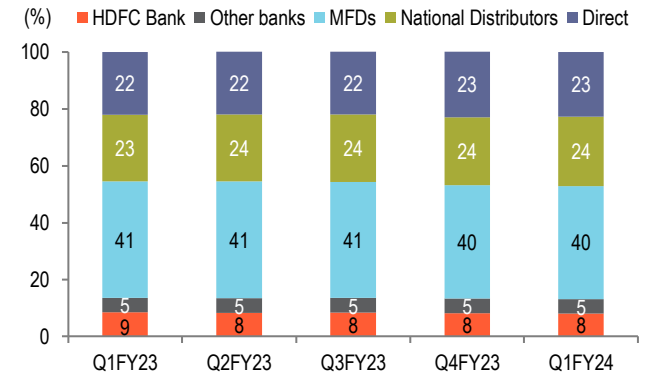
Source: Company, BOBCAPS Research / Note: AUM = QAAUM

Fig 3 – Direct channel plays an important role in QAAUM distribution mix



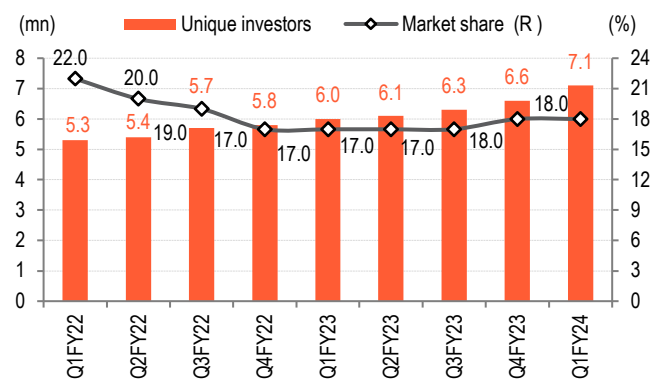
Source: Company, BOBCAPS Research | IFA: Independent Financial Advisor

Fig 4 – Equity QAAUM largely dependent on mutual fund distributors (MFD)



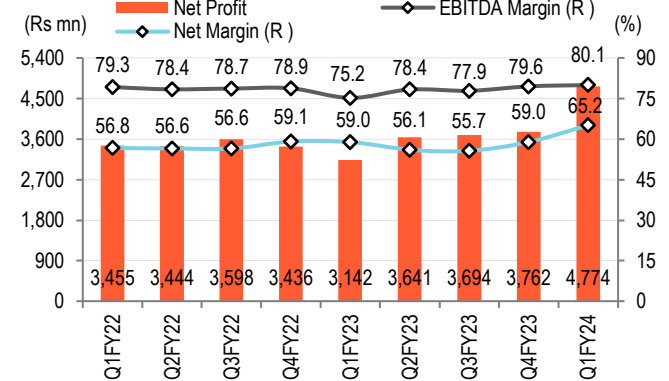
Source: Company, BOBCAPS Research

Fig 5 – Unique investors’ market share stable



Source: Company, BOBCAPS Research

Fig 6 – PAT up 52% YoY



Source: Company, BOBCAPS Research

Fig 7 – Profit and Loss account

(Rs mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Revenue from Operations								
Asset Management Services	5,745	5,216	10.1	5,410	6.2	21,668	21,154	2.4
Other Income	1,581	113	1,298.9	969	63.2	3,158	3,178	(0.7)
Total Income	7,326	5,329	37.5	6,378	14.9	24,826	24,332	2.0
Expenses								
Fees and Commission Expenses	10	14	(29.3)	6	67.8	37	54	(32.0)
Employee Benefits Expenses	838	780	7.4	719	16.6	3,127	3,122	0.2
Other Expenses	613	525	16.8	580	5.8	2,326	1,978	17.6
Total Operating Expenses	1,461	1,319	10.8	1,304	12.0	5,489	5,154	6.5
EBITDA	5,865	4,010	46.3	5,074	15.6	19,336	19,178	0.8
Depreciation, Amortisation and Impairment	129	135	(4.4)	133	(2.6)	533	539	(0.9)
Finance Costs	23	25	(6.4)	24	(1.7)	97	86	12.2
Profit Before Tax	5,713	3,850	48.4	4,918	16.2	18,706	18,553	0.8
Tax Expense								
Current Tax	1,282	898	42.8	1,055	21.5	4,213	4,190	0.5
Deferred Tax Charge/(Credit)	(344)	(190)	80.7	101	(442.1)	254	432	(41.1)
Total Tax Expense	939	708	32.6	1,156	(18.8)	4,467	4,622	(3.3)
Profit After Tax	4,774	3,142	51.9	3,762	26.9	14,239	13,931	2.2

Source: Company, BOBCAPS Research

Fig 8 – Key performance indicators

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
AUM (Rs bn)								
QAAUM	4,857	4,153	17.0	4,498	8.0	4,498	4,321	4.1
Actively Managed Equity-oriented QAAUM	2,488	1,968	26.4	2,317	7.4	2,317	1,980	17.0
Debt - QAAUM	1,296	1,268	2.2	1,179	9.9	1,179	1,441	(18.2)
Liquid - QAAUM	774	691	12.0	730	6.0	730	686	6.4
Market share (%)								
QAAUM	11.3	11.0	30bps	11.1	20bps	11.1	11.3	(20bps)
Actively managed equity-oriented - QAAUM	12.1	11.5	60bps	12.0	10bps	12	11.5	50bps
Debt - QAAUM	13.2	13.6	(40bps)	13.3	(10bps)	13.3	14.1	(80bps)
Liquid - QAAUM	13.7	13.1	60bps	13.1	60bps	13.1	13.3	(20bps)
Others								
Number of Live Individual Accounts (mn)	12.1	10.1	19.7	11.3	6.9	11.3	9.8	15.4
Individual MAAUM (Rs bn)	3,328	2,564	29.8	2,992	11.2	2,992	2,599	15.1
Unique Investors (mn)	7.1	6.0	18.3	6.6	7.6	6.6	5.8	13.8
Systematic Transactions (Rs bn)	18.9	12.8	47.7	17.1	10.5	NA	NA	NA
SIP AUM (Rs bn)	1,002	685	46.3	859	16.6	859	712	20.6
B-30 share in AUM (%)	17.2	16.9	1.8	17.8	(3.4)	17.8	16.5	130bps

Source: Company, BOBCAPS Research

Fig 9 – Margin indicators

Margins	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
EBITDA margin (%)	80.1	75.2	481bps	79.6	50bps	77.9	78.8	(93bps)
Net margin (%)	65.2	59.0	620bps	59.0	618bps	57.4	57.3	10bps
Revenue yield (bps)	47.3	50.2	(292bps)	48.1	(79bps)	48.2	49.0	(78bps)

Source: BOBCAPS Research

Earnings call highlights

Industry highlights

- Industry QAAUM grew 14% YoY to Rs 43.1tn at end-Q1FY24. QAAUM for actively managed equity-oriented funds stood at Rs 20.6tn while that for equity-oriented index funds was close to Rs 0.6tn.
- Net flows into equity-oriented funds amounted to Rs 198bn at end-Q1FY24, with Rs 172bn coming into actively managed equity-oriented funds and the remaining Rs 26bn (or 13%) into equity-oriented index funds. Industry SIPs reached flows of Rs 147bn in Jun'23 compared to Rs 123bn in Jun'22.
- June saw positive industry flows in ultra-short-term debt funds and money market funds as investors looked to take advantage of declining interest rates.

Business highlights

- HDFC AMC's revenue from asset management operations grew at a strong 10% YoY to Rs 5.7bn. Owing to MTM gains in a buoyant equity market, other income was abnormally high at Rs 1.6bn as compared to Rs 113mn in Q1FY23.
- Employee expenses grew 7% YoY to Rs 838mn. Excluding non-cash charge towards ESOPs, this figure reduces to Rs 728mn as against Rs 677mn in Q1FY23, an increase of 8% YoY.
- Other expenses rose 6% QoQ owing to CSR expenses.
- Operating profit margin stood at 34bps of AUM for the quarter, whereas operating revenue margin stood at 47bps. Operating expenses were at 13bps.
- PAT grew 52% YoY to Rs 4.8bn on revenue of Rs 7.3bn (+38% YoY) in Q1FY24.
- HDFC AMC's debt QAAUM market share was at 13.2%. The ratio of equity-oriented and non-equity oriented QAAUM was 54:46 at end-Q1FY24, compared to the industry ratio of 49:51. Actively managed QAAUM market share was at 12.2%.
- As of Jun'23, 65% of the company's total MAAUM was contributed by individual investors compared to 57% for the industry.
- Live accounts totalled 12.1mn as on June and unique customers clocked in at 7.1mn compared to 38.3mn for the industry, a market share of 18%.

Yields

- Management expects operating margin to be diluted further as new flows come in and existing low-cost move out. However, the pace of dilution has slowed meaningfully due to rationalisation of brokerages.
- Yields would fall as AUM rises because regulation states that an increase in AUM will entail a fall in TER (slab-wise). For instance, the AUM of HDFC Balanced Advantage Fund was ~Rs 520bn as on 31 March with a corresponding TER of 1.5%. AUM increased to Rs 570bn at the end of June with TER declining to 1.47%, a 3bps dip solely due to the change in AUM.

- Blended equity yields stood at 68-69bps in Q1FY24.

Market share

- HDFC AMC has a high market share on equity businesses across distribution channels, i.e. national distributors (ND), banks, mutual fund distributors (MFD), fintech and direct channels.
- The company aims to garner a large share of flows but not at the cost of profitability. Management sees no direct correlation between paying higher brokerage and securing higher market share.

Promoter change

- HDFC AMC has ~30% share in the equity flows being generated by HDFC Bank (HDFCB).
- Management is optimistic about the merger between HDFC and HDFCB and aims to focus on alignment of interests and to capitalise on synergies. The bank is maintaining an open architecture, but the company's vast range of products gives management confidence that wallet share in the bank's distribution will move up.

Others

- HDFC AMC launched an equity-oriented thematic sectoral fund in Q1, viz. HDFC Defense Fund. Two NFOs are to be launched this month: (i) HDFC Transportation and Logistics Fund, and (ii) HDFC Charity Fund for Cancer Cure.
- The number of employees has increased by 42 sequentially in junior roles and will not cause any material change in the employee cost ratios.

Valuation methodology

HDFC AMC is one of the largest fund houses in India and enjoys considerable moats in the form of brand strength, pedigree and a large AUM base. Based on the robust Q1FY24 print, we increase our AUM estimates by 10%/13% for FY24/FY25 to Rs 5.2tn/Rs 5.9tn and raise net profit forecasts by 12%/11%.

The stock is currently trading at 29.3x FY25E EPS. We now value the stock at 28.5x FY25E EPS (vs. 25x earlier) considering a gradual recouping of market share, new scheme launches, improved equity scheme performance, and expectations of a conducive TER framework.

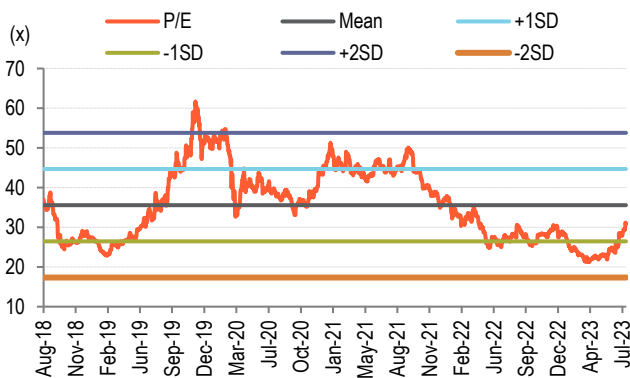
That said, the low share of HDFC Bank in generating business (5.8% of QAAUM in Q1FY24 vs. 10.3% in FY18) and soft industry net flows (Rs 762bn in FY23 vs. Rs 2.5tn in FY22 and a mere Rs 279bn in Q1FY24) will likely remain a drag on growth for a big player like HDFC AMC and thus our multiple is set at a 20% discount to the long-term mean. Based on our revisions, we have a new TP of Rs 2,445 (vs. Rs 1,946), which carries 2% downside; maintain HOLD.

Fig 10 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Total Income	29,628	32,164	26,599	29,149	11.4	10.3
EBITDA	23,215	25,224	20,752	22,837	11.9	10.5
Profit After Tax (PAT)	16,825	18,299	15,002	16,532	12.2	10.7
AUM	5,248	5,927	4,760	5,260	10.3	12.7
EBITDA Margin (%)	78.4	78.4	78.0	78.3	34bps	8bps
Net Margin (%)	56.8	56.9	56.4	56.7	39bps	18bps

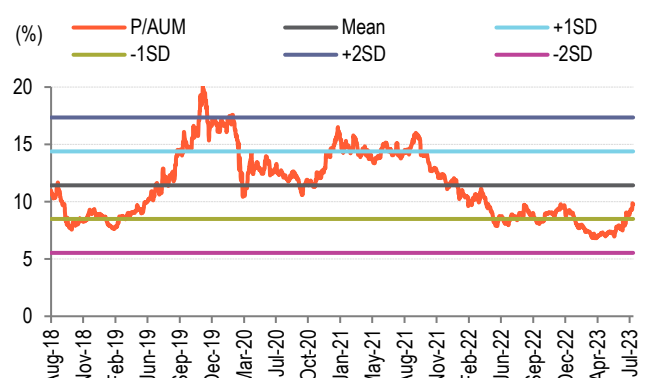
Source: BOBCAPS Research

Fig 11 – 1Y fwd P/E band



Source: BOBCAPS Research

Fig 12 – 1Y fwd P/AUM band



Source: BOBCAPS Research

Key risks

- **Decline in AUM growth due to increased competition:** HDFC AMC has witnessed intense competitive pressure that has eroded market share over the past five years. Higher competition coupled with new entrants could dampen AUM growth and hurt revenue.
- **Prolonged weakness in equity markets:** Equity assets constitute a significant portion of the company's AUM. Thus, a decline in Indian equity markets would cause AUM to decline directly as the value of the underlying securities fall, and indirectly as securities investments become less attractive for investors, resulting in net outflows or redemptions. Any decrease in AUM will impact fees and hence net profit.
- **Regulatory risks:** AMCs are regulated by SEBI and could be adversely impacted in case of unfavourable policy changes.
 - In the event the regulator mandates a further decline in TER, yields could reduce further.
 - SEBI in Apr'22 had barred fund houses from floating new schemes till the industry complied with its direction to discontinue mutual fund investments by distributors and brokers from their pool accounts.
- **Covid-like disruptions:** While Covid-related lockdowns are unlikely to be unduly harsh in future, we believe that any such lockdowns/disruptions due to any pandemic/virus mutations would be a risk to retail customer acquisition and could also result in higher redemptions.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Aditya Birla Sun Life AMC	ABSLAMC IN	1.4	401	375	HOLD
HDFC AMC	HDFCAMC IN	6.5	2,498	2,445	HOLD

Source: BOBCAPS Research, NSE | Price as of 24 Jul 2023

Glossary

Glossary			
AUM	Assets Under Management	MF	Mutual Fund
AAAUM	Average Annual Assets Under Management	MTM	Mark to Market
B30	Beyond the Top 30 cities	ND	National Distributor
CSR	Corporate Social Responsibility	NFO	New Fund Offer
IFA	Investment Financial Advisor	QAAUM	Quarterly Average Assets Under Management
MAAUM	Monthly Average Assets Under Management	SIP	Systematic Investment Plan
MFD	Mutual Fund Distributor	TER	Total Expense Ratio

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Investment mgmt. fees	18,525	21,154	21,668	24,149	27,223
YoY (%)	(7.5)	14.2	2.4	11.5	12.7
Operating expenses	3,884	5,154	5,489	6,413	6,940
Core operating profits	14,641	15,999	16,179	17,736	20,282
Core operating profits growth (%)	(6.9)	9.3	1.1	9.6	14.4
Depreciation and Interest	644	625	630	782	825
Core PBT	13,997	15,375	15,549	16,955	19,457
Core PBT growth (%)	(7.5)	9.8	1.1	9.0	14.8
Other income	3,492	3,178	3,158	5,479	4,942
PBT	17,490	18,553	18,706	22,433	24,399
PBT growth (%)	5.8	6.1	0.8	19.9	8.8
Tax	4,232	4,622	4,467	5,608	6,100
Tax rate (%)	24.2	24.9	23.9	25.0	25.0
Reported PAT	13,258	13,931	14,239	16,825	18,299

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity capital	1,065	1,066	1,067	1,067	1,067
Reserves & surplus	46,697	54,234	60,017	65,065	70,554
Net worth	47,762	55,300	61,084	66,132	71,621
Borrowings	0	0	0	0	0
Other liab. & provisions	3,185	3,503	4,281	5,349	6,772
Total liab. & equities	50,947	58,804	65,365	71,480	78,393
Cash & bank balance	47,556	55,783	60,832	67,792	75,103
Fixed & Other assets	3,078	2,714	4,229	3,688	3,290
Total assets	50,947	58,804	65,365	71,480	78,393

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
EPS	62.2	65.3	66.7	78.8	85.8
Dividend per share	34.0	42.0	48.0	55.2	60.0
Book value per share	223.9	259.2	286.3	309.9	335.6

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23A	FY24E	FY25E
P/E	40.2	38.2	37.4	31.7	29.1
P/BV	11.2	9.6	8.7	8.1	7.4
Dividend yield (%)	1.4	1.7	1.9	2.2	2.4

DuPont Analysis

Y/E 31 Mar (bps of AAAUM)	FY21A	FY22A	FY23A	FY24E	FY25E
Operating income	44.6	49.0	48.2	46.0	45.9
Operating expenses	9.3	11.9	12.2	12.2	11.7
EBITDA	43.6	44.4	43.0	44.2	42.6
Depreciation and Others	1.5	1.4	1.4	1.5	1.4
Core PBT	33.7	35.6	34.6	32.3	32.8
Other income	8.4	7.4	7.0	10.4	8.3
PBT	42.1	42.9	41.6	42.8	41.2
Tax	10.2	10.7	9.9	10.7	10.3
ROAAAUM	31.9	32.2	31.7	32.1	30.9

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
YoY growth (%)					
Investment mgmt. fees	(7.5)	14.2	2.4	11.5	12.7
Core operating profit	(6.9)	9.3	1.1	9.6	14.4
EPS	4.9	5.1	2.2	18.2	8.8
Profitability & Return ratios (%)					
Operating income to Total inc.	84.1	86.9	87.3	81.5	84.6
Cost to Core income ratio	21.0	24.4	25.3	26.6	25.5
EBITDA margin	82.4	78.8	77.9	78.4	78.4
Core PBT margin	63.6	63.2	62.6	57.2	60.5
PBT margin (on total inc.)	79.4	76.2	75.3	75.7	75.9
ROE	30.1	27.0	24.5	26.5	26.6
Dividend payout ratio	54.7	64.3	71.9	70.0	70.0

Annual Average AUM

Y/E 31 Mar	FY21A	FY22A	FY23A	FY24E	FY25E
AAAUM (Rs bn)	4,156	4,321	4,498	5,248	5,927
YoY Growth (%)	12.4	4.0	4.1	16.7	12.9
% of AAAUM					
Equity	40	46	52	52	53
Debt	38	33	26	26	25
Liquid	19	16	16	16	15
Others	3	5	6	6	7

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**
TRUST | INNOVATION | EXCELLENCE

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%

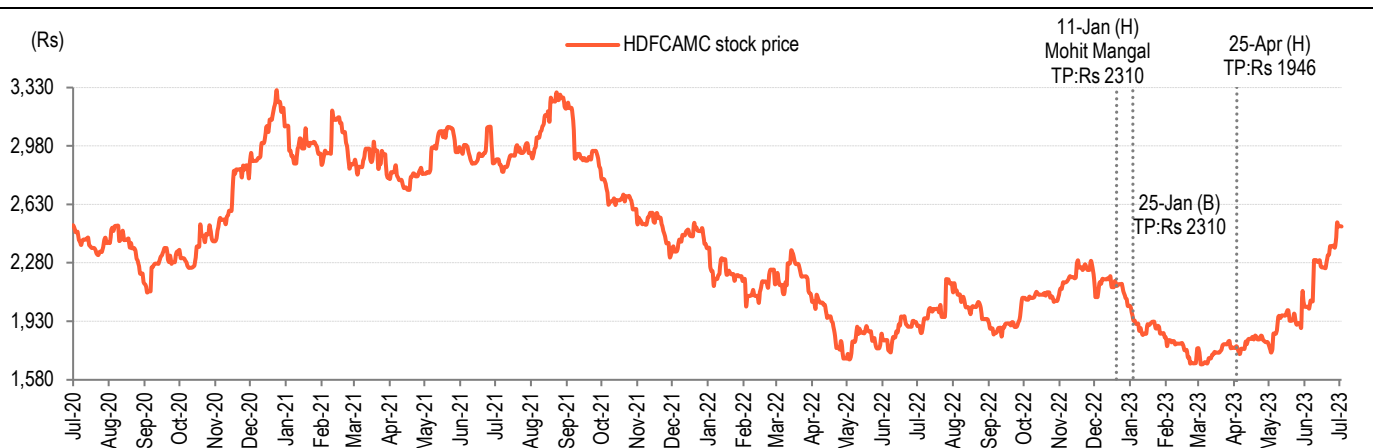
HOLD – Expected return from -6% to +15%

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): HDFC AMC (HDFCAMC 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.