

SELL

TP: Rs 637 | ▼ 34%

JK LAKSHMI CEMENT

Cement

19 February 2024

Volumes slow, headwinds continue – retain SELL

- Q3 volumes grew only 2% YoY due to cold weather and construction halt in northern markets; realisations only steady despite weak volume
- Flat operating cost and weak base led to 455bps YoY EBITDA margin expansion to 15.3%
- Rising competition and high capex-led leverage prompt us to maintain SELL; TP revised to Rs 637 (vs. Rs 551) on rollover

Milind Raginwar | Shree Kirloskar
research@bobcaps.in

Volumes muted, realisations steady: JKLC reported 7%/9% YoY/QoQ revenue growth to Rs 15.9bn in Q3FY24 as volumes grew only 2%/9% YoY/QoQ to 2.4mt (standalone) due to challenging market conditions in the North India. Realisations were steady despite weak volume at Rs 6,438/t, rising 4% YoY (flat QoQ).

Opex flattish despite savings on fuel: Operating cost was flattish YoY (-3% QoQ) at Rs 5,706/t as the fall in energy-adjusted raw material cost by 8%/4% YoY/QoQ to Rs 2,403/t was offset by a 5% YoY (flat QoQ) increase in logistic cost to Rs 1,330/t. Clinker purchase cost per tonne increased 22% YoY due to limited in-house availability. EBITDA for the quarter grew 52%/36% YoY/QoQ to Rs 2.4bn with healthy margin improvement to 15.3% mainly off a weak base. EBITDA/t increased 49%/25% YoY/QoQ to Rs 1,028 and adj. PAT rose 69%/49% YoY/QoQ to Rs 1.2bn.

Expansion plans progressing: UCWL's 1.5mt clinker unit went onstream in Q3FY24 and a 2.5mt grinding unit (GU) is targeted by Q4FY24-end. The 1.4mt GU expansion at Surat is expected by H1FY26. JKLC has also planned the addition of 2.3mt of clinker at the Durg plant (Chhattisgarh) and GU expansion projects of 4.6mt spread across Durg (1.2mt), Uttar Pradesh (1.2mt), Bihar (1.2mt) and Jharkhand (1mt, phase-I) – all to be completed by FY26-end. JKLC's board has approved the acquisition of 85% stake in Agrani Cement, offering access to 335mt of limestone reserves with plans to set up 1mt of clinker and a 1.5mt GU in phase-I.

Maintain SELL: We raise our FY24/FY25 EBITDA estimates by 4%/3% and adj. PAT by 5%/6% to factor in the impact of easing energy costs and healthy northern region realisations. We also introduce FY26 forecasts for the company. In our view, JKLC's performance will be determined by its ability to deliver volumes from the new capacity as its capex is largely backed by debt. We believe persistent balance sheet pressure, high leverage and growing competition in the eastern region will remain key challenges. The stock is trading at 12x FY26E EV/EBITDA. We maintain SELL and continue to value the stock at 8x while rolling valuations over to FY26E for a revised TP of Rs 637 (vs. Rs 551).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JKLC IN/Rs 963
Market cap	US\$ 1.4bn
Free float	54%
3M ADV	US\$ 3.5mn
52wk high/low	Rs 1,000/Rs 607
Promoter/FPI/DII	46%/14%/26%

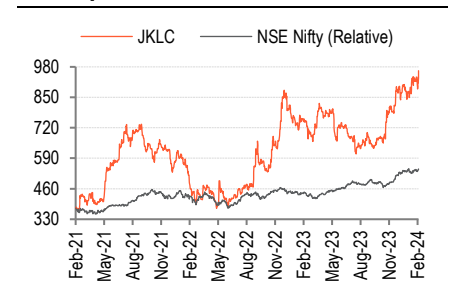
Source: NSE | Price as of 19 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	60,711	62,049	69,777
EBITDA (Rs mn)	7,043	8,183	9,841
Adj. net profit (Rs mn)	3,308	4,082	4,972
Adj. EPS (Rs)	28.1	34.7	42.2
Consensus EPS (Rs)	28.1	36.0	45.1
Adj. ROAE (%)	12.6	14.1	15.4
Adj. P/E (x)	34.3	27.8	22.8
EV/EBITDA (x)	15.7	13.9	12.3
Adj. EPS growth (%)	(26.4)	23.4	21.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY24	Q2FY24	Our view
Volumes and Realisations	JKLC's sales volume grew 2% YoY to 2.4mt in Q3FY24 and management has revised volume growth guidance to 8-10% for FY24, driven by higher demand expected in the eastern region. The company had 105% clinker utilisation and 79% cement utilisation during Q3.	JKLC's sales volume grew 9.8% YoY to 2.5mt in Q2FY24 and management expects volume growth of 12-15% for FY24 (vs. 19% earlier), with 8-10% growth in the eastern region. The company had 100% clinker utilisation and 75% cement utilisation during Q2.	JKLC will face a steep challenge to maintain realisation gains along with incremental volumes given fierce competition in its key regions.
Margins	Fuel cost stood at Rs 1.78/kcal in Q3FY24 and management expects a further decline to ~Rs 1.7/kcal in Q4. Management indicated that cement prices have softened in operating markets in mid-Q4FY24. EBITDA/t guidance of Rs 1,000 has been retained.	Fuel cost stood at Rs 2.04/kcal in Q2FY24 and management expects a further decline to ~Rs 1.9/kcal in Q3 with pet coke inventory at ~3 months in early November. Management expects cement prices to rise by Rs 50-100/bag QoQ in Q3FY24 given expected pricing improvement in the eastern, western and northern regions. EBITDA/t is guided at Rs 1,000 over the next 18-24 months.	We maintain our view that JKLC will face a challenge maintaining healthy realisations and strong volumes.
Capacity	JKLC's 1.35mt GU expansion in Surat is on schedule. The 1.5mt clinker line at UCWL has been commissioned in Q3FY24 and the 2.5mt GU expansion is due by end-Q4. The company is expanding clinker/cement capacity by setting up a 2.3mt clinker line at Durg (Chhattisgarh), 4.6mt of grinding capacity at Durg (1.2mt) and three split GUs at Prayagraj (UP)/Madhubani (Bihar)/Patratu (Jharkhand) of 1.2mt/1.2mt/1mt. Management expects phase-I (1.2mt each at Prayagraj and Durg) to be complete by FY26-end.	JKLC is setting up an additional 1.35mt GU at the Surat plant and expects to commission it by H1FY26. Management aims to commission the 2.5mt grinding unit at subsidiary Udaipur Cement Works (UCWL) by Q4FY24/Q1FY25. The AAC plant at Aligarh has been commissioned with 75% capacity utilisation (~11k cubic metre per month). Set up of the Alwar putty plant has been delayed due to a construction ban in the NCR.	Capacity expansion will be effective post FY26, though we note that the company's execution capabilities have remained below par in the past. Cost saving initiatives need to be expedited as well.
Capex	Capex outflow for FY24YTD is ~Rs 2.5bn for JKLC and ~Rs 4.5bn for UCWL. Expected capex for Q4FY24 is ~Rs 2.5bn and ~Rs 3bn respectively. Management estimates capex toward announced expansion projects at ~Rs 25bn, of which ~Rs 17.5bn is expected to be funded through bank terms loans and the balance through internal accruals.	Capex for JKLC and UCWL is guided at Rs 5bn and Rs 7bn respectively for FY24 (Rs 12bn consolidated). For FY25, capex is guided at Rs 5bn for JKLC and Rs 1bn for UCWL (Rs 6bn consolidated).	Aggressive expansion plans imply that the capex trajectory is likely to remain elevated.
Other key points	Non-cement revenue was at Rs 1.3bn in Q3, of which RMC made up ~Rs 670mn and the other segment made up ~Rs 670mn. JKLC has commenced sourcing of 40MW of solar power for the Durg plant from a private player, taking the share of renewable power to 80% as on Q3FY24. It is also undertaking projects to enhance the TSR from 4% to 16% at Sirohi, Rajasthan. The conveyor belt project at Durg plant remains delayed due to approval and procedural issues. Management expects the issues to be resolved in Q4FY24.	Management has applied for a performance-linked incentive (PLI) scheme for the upcoming 1.35mt GU in Surat and awaits confirmation. Non-cement revenue was at Rs 1.3bn in Q2, of which RMC made up ~Rs 600mn, AAC ~Rs 500mn and POP ~Rs 200mn. In Oct'23, JKLC commenced sourcing of 40MW of solar power for its integrated unit at Durg, Chattisgarh, that will raise renewable power share at Durg plant to 80% (from 36%). It is also undertaking projects to enhance the TSR from 4% to 16% at Sirohi plant, Rajasthan (target of 6% by end-FY24).	The Durg conveyor belt has been delayed for longer than expected. Setting up of a railway siding at the site will aid material movement.

JKLC is also setting up a railway siding at Durg and expects phase-I/phase-II completion by Q2FY25/Q4FY26.

The board has approved the acquisition of an 85% stake in Agrani Cement at a cost of Rs 3.2bn. Agrani holds rights to limestone reserves of 335mt. The acquisition is expected to be complete by Q4FY24-end and JKLC expects to set up 1mt/1.5mt of clinker/cement capacity in phase-I.

The impact of the Sanghi Industries acquisition is yet to be felt in Gujarat markets, according to management.

Approvals are yet to be received for conveyor belt project at Durg plant

Source: Company, BOBCAPS Research | AAC: Autoclaved Aerated Concrete; POP: Plaster of Paris; NCR: National Capital Region; RMC: Ready Mix Concrete; TSR – Thermal Substitution Rate; WHRS: Waste Heat Recovery System; UCWL: Udaipur Cement Works Ltd; GU: Grinding Unit

Fig 2 – Key metrics (standalone)

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Volumes (mt)	2.4	2.3	1.7	2.2	8.5
Cement realisations (Rs/t)	6,438	6,188	4.0	6,415	0.4
Operating costs (Rs/t)*	5,706	5,741	(0.6)	5,869	(2.8)
EBITDA (Rs/t)	1,028	689	49.2	822	25.0

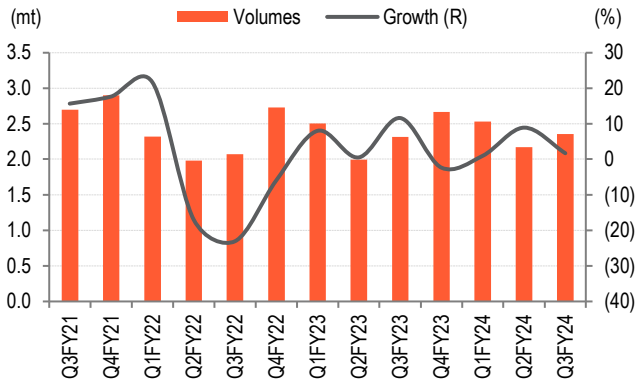
Source: Company, BOBCAPS Research | * Aggregate cost

Fig 3 – Quarterly performance (standalone)

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Net Sales	15,861	14,885	6.6	14,526	9.2
Expenditure					
Change in stock	(230)	(736)	NA	(245)	NA
Raw material	2,618	2,461	6.3	2,196	19.2
Purchased products	1,983	1,598	24.0	1,944	2.0
Power & fuel	3,272	4,345	(24.7)	3,476	(5.9)
Freight	3,131	2,942	6.4	2,848	10.0
Employee costs	977	877	11.4	937	4.2
Other expenses	1,688	1,802	(6.3)	1,584	6.6
Total Operating Expenses	13,439	13,289	1.1	12,741	5.5
EBITDA	2,422	1,596	51.8	1,785	35.6
EBITDA margin (%)	15.3	10.7	455bps	12.3	298bps
Other Income	171	156	9.3	151	13.1
Interest	206	247	(16.8)	228	(9.9)
Depreciation	512	480	6.6	476	7.5
PBT	1,875	1,025	83.0	1,232	52.2
Non-recurring items	0	0	0.0	0	0.0
PBT (after non-recurring items)	1,875	1,025	83.0	1,232	52.2
Tax	635	289	119.7	402	57.9
Tax Rate (%)	34	28	565bps	33	122bps
Reported PAT	1,241	736	68.6	830	49.4
Adjusted PAT	1,241	736	68.6	830	49.4
NPM (%)	7.8	4.9	288bps	5.7	211bps
Adjusted EPS (Rs)	10.5	6.3	68.6	7.1	49.4

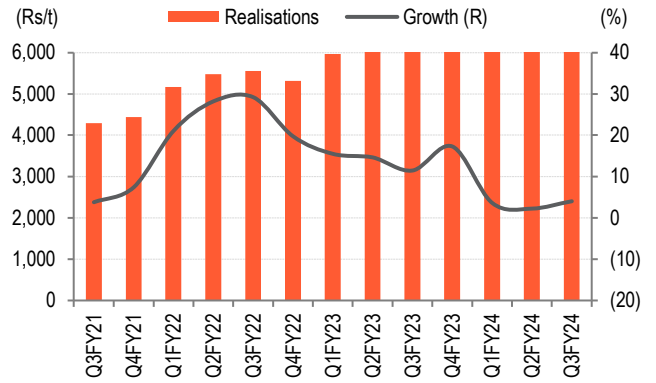
Source: Company, BOBCAPS Research

Fig 4 – Volume gains limited



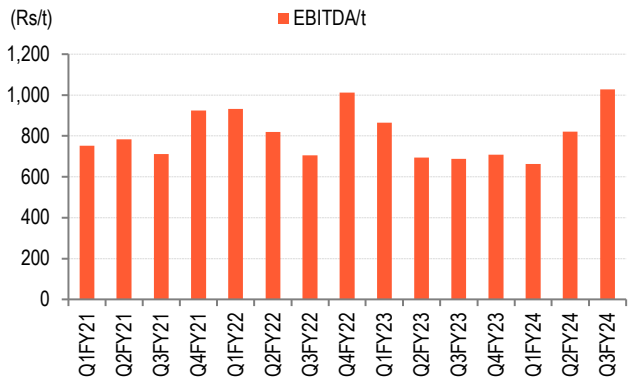
Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Fig 5 – Limited realization gains despite weak volume



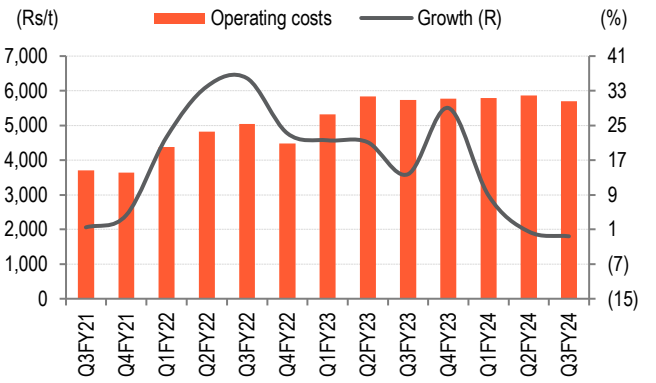
Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Fig 6 – Soft pricing aided EBITDA margin gains



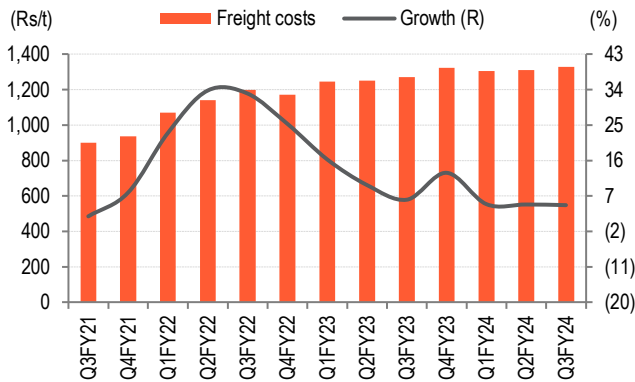
Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Fig 7 – Operating cost savings came from soft fuel cost



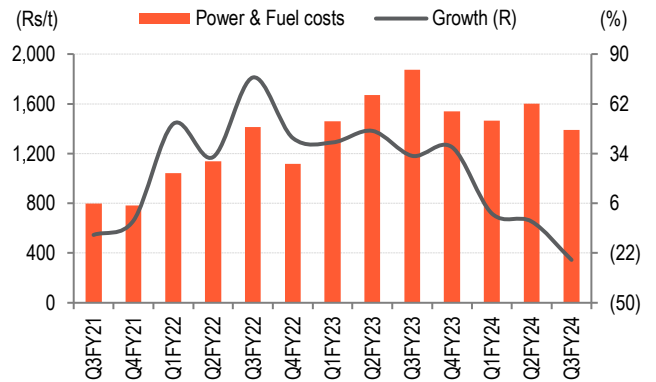
Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Fig 8 – Freight cost elevated



Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Fig 9 – Fuel cost savings commendable



Source: Company, BOBCAPS Research | Volumes numbers from Q1FY22 have been restated by the management

Valuation methodology

We raise our FY24/FY25 EBITDA estimates for JKLC by 4%/3% and adj. PAT forecasts by 5%/6% to factor in the impact of easing energy costs and healthy northern region realisations. We also introduce FY26 forecasts for the company, modelling for a moderate revenue/EBITDA/PAT CAGR of 6%/15%/17% over FY23-FY26 considering the slow pace of capex and limited operating efficiencies.

In our view, JKLC's performance will be determined by its ability to deliver volume growth from the new capacity as its capex is largely backed by debt. We believe persistent balance sheet pressure, high leverage and growing competition in the eastern region will remain key challenges for the company. The execution capacity of JKLC in the past has been below par. The stock is trading at 12x FY26E EV/EBITDA. We maintain SELL and continue to value the stock at 8x while rolling valuations over to FY26E for a revised TP of Rs 637 (vs. Rs 551).

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	62,049	69,777	71,662	67,356	73,729	NA	(7.9)	(5.4)	NA
EBITDA	8,183	9,841	10,760	7,869	9,555	NA	4.0	3.0	NA
Adj PAT	4,082	4,972	5,372	3,875	4,708	NA	5.3	5.6	NA
Adj EPS (Rs)	34.7	42.2	45.6	32.9	40.0	NA	5.5	5.5	NA

Source: BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Volumes (mt)	10.8	9.8	10.8	10.8
Realisations (Rs/t)	5,483	6,360	6,488	6,682
Operating costs (Rs/t)	4,831	5,488	5,552	5,641
EBITDA/t (Rs/t)	634	834	912	997

Source: Company, BOBCAPS Research

Fig 12 – Valuation summary

(Rs mn)	FY26E
Target EV/EBITDA (x)	8
EBITDA	10,760
Target EV	90,811
Total EV	90,811
Net debt	16,119
Target market capitalization	74,692
Target price (Rs/sh)	637
Weighted average shares (mn)	118

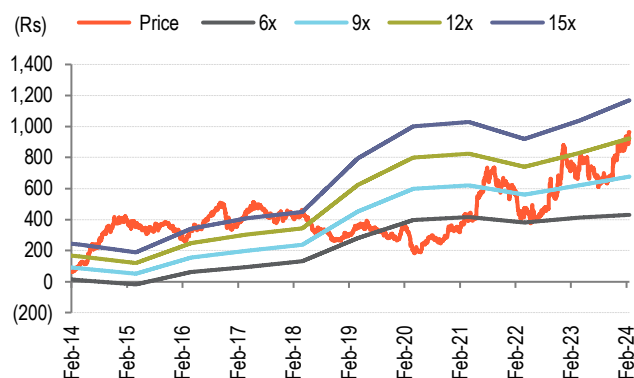
Source: BOBCAPS Research

Fig 13 – Peer comparison

Ticker	Rating	Target Price (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
JKLC IN	SELL	637	15.7	13.9	12.4	81	84	93	12.6	14.1	15.4	16.7	18.2	18.0
JKCE IN	HOLD	4,121	31.0	19.5	14.7	160	161	161	12.9	16.2	18.6	12.7	18.0	20.7
TRCL IN	SELL	728	22.4	16.6	13.6	134	133	135	5.2	5.8	7.2	5.8	7.7	9.2

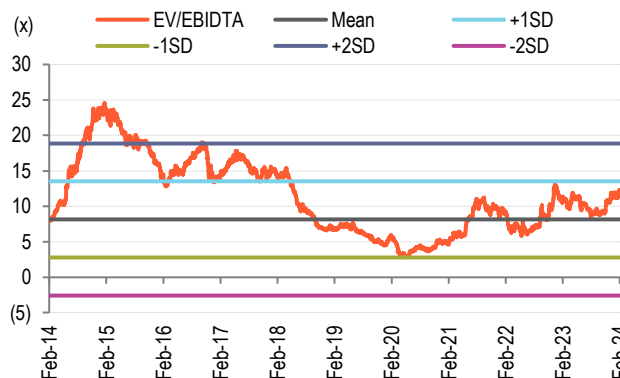
Source: BOBCAPS Research

Fig 14 – EV/EBITDA band: Stock trades at unjustified premium



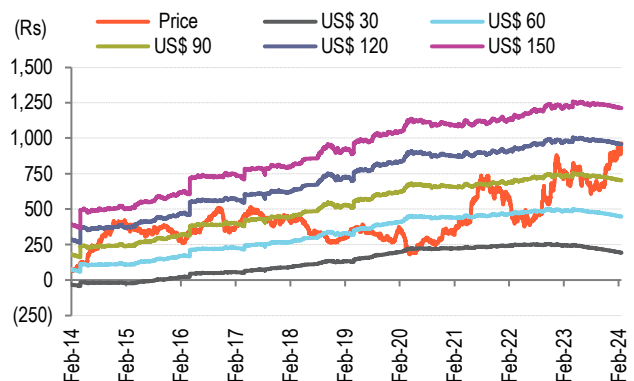
Source: Bloomberg, BOBCAPS Research

Fig 15 – EV/EBITDA 1Y fwd: Expect reversion to mean



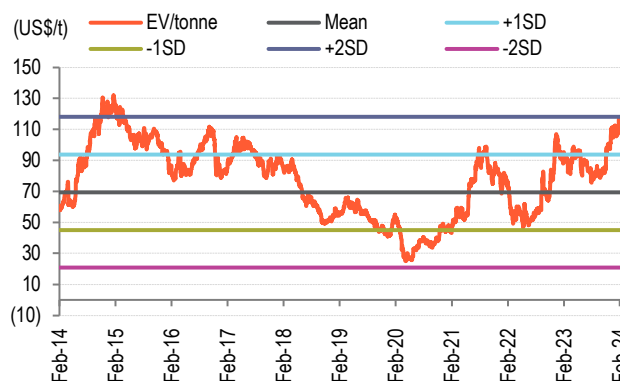
Source: Bloomberg, BOBCAPS Research

Fig 16 – EV/tonne: Replacement cost also at premium



Source: Bloomberg, BOBCAPS Research

Fig 17 – EV/tonne 1Y fwd: Premium likely to soften



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- strong pricing gains in key operating regions,
- further softening of energy cost, lending a boost to margins, and
- aggressive capex execution, leading to an above-expected performance.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	6.1	2,671	2,542	HOLD
Ambuja Cements	ACEM IN	14.1	585	552	HOLD
Dalmia Bharat	DALBHARA IN	4.7	2,102	2,443	HOLD
JK Cement	JKCE IN	4.0	4,206	4,121	HOLD
JK Lakshmi Cement	JKLC IN	1.4	963	637	SELL
Orient Cement	ORCMNT IN	0.7	273	168	SELL
Shree Cement	SRCM IN	11.8	26,815	27,836	HOLD
Star Cement	STRCEM IN	1.1	210	193	HOLD
The Ramco Cements	TRCL IN	2.5	881	728	SELL
Ultratech Cement	UTCEM IN	34.8	9,902	11,510	BUY

Source: BOBCAPS Research, NSE | Price as of 19 Feb 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	50,408	60,711	62,049	69,777	71,662
EBITDA	8,013	7,043	8,183	9,841	10,760
Depreciation	(1,905)	(1,935)	(1,973)	(2,289)	(2,696)
EBIT	6,780	5,730	7,046	8,410	8,943
Net interest inc./(exp.)	(963)	(915)	(884)	(1,038)	(1,213)
Other inc./(exp.)	673	622	837	858	879
Exceptional items	(234)	0	0	0	0
EBT	5,583	4,815	6,162	7,372	7,730
Income taxes	(1,321)	(1,507)	(2,080)	(2,400)	(2,358)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	4,262	3,308	4,082	4,972	5,372
Adjustments	234	0	0	0	0
Adjusted net profit	4,496	3,308	4,082	4,972	5,372

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	7,658	7,841	13,430	14,615	15,017
Other current liabilities	7,046	8,724	9,026	9,296	9,573
Provisions	267	156	668	720	745
Debt funds	7,953	5,846	11,921	16,720	17,939
Other liabilities	943	1,596	170	198	198
Equity capital	588	588	588	588	588
Reserves & surplus	23,419	25,960	29,527	33,949	38,770
Shareholders' fund	24,523	27,949	30,115	34,537	39,359
Total liab. and equities	48,390	52,112	65,330	76,086	82,832
Cash and cash eq.	8,869	8,450	11,445	8,609	1,820
Accounts receivables	345	605	1,615	2,007	1,963
Inventories	4,912	7,004	6,715	7,934	8,050
Other current assets	2,003	4,190	4,554	5,009	5,131
Investments	3,899	4,141	4,196	4,253	4,310
Net fixed assets	27,134	26,943	27,168	40,125	53,896
CWIP	1,127	649	9,500	8,000	7,500
Intangible assets	103	129	137	148	161
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	48,390	52,112	65,330	76,086	82,832

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	3,537	2,861	9,948	6,729	8,579
Capital expenditures	(1,386)	(1,049)	(11,057)	(13,757)	(15,979)
Change in investments	(1,867)	136	47	(1,057)	4,942
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(3,253)	(913)	(11,010)	(14,814)	(11,037)
Equities issued/Others	516	884	(1,400)	0	0
Debt raised/repaid	49	(2,107)	6,075	4,799	1,219
Interest expenses	0	0	0	0	0
Dividends paid	(441)	(588)	(441)	(471)	(471)
Other financing cash flows	(609)	(177)	(74)	(79)	(79)
Cash flow from financing	(486)	(1,989)	4,160	4,249	669
Chg in cash & cash eq.	(202)	(41)	3,098	(3,836)	(1,789)
Closing cash & cash eq.	8,869	8,450	11,445	8,609	1,820

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	36.2	28.1	34.7	42.2	45.6
Adjusted EPS	38.2	28.1	34.7	42.2	45.6
Dividend per share	3.8	5.0	3.8	4.0	4.0
Book value per share	208.4	237.5	255.9	293.5	334.5

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	2.2	1.8	1.8	1.7	1.5
EV/EBITDA	14.0	15.7	13.9	12.3	10.1
Adjusted P/E	25.2	34.3	27.8	22.8	21.1
P/BV	4.6	4.1	3.8	3.3	2.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	76.3	68.7	66.2	67.4	69.5
Interest burden (PBT/EBIT)	85.8	84.0	87.5	87.7	86.4
EBIT margin (EBIT/Revenue)	13.5	9.4	11.4	12.1	12.5
Asset turnover (Rev./Avg TA)	106.1	120.8	105.7	98.7	90.2
Leverage (Avg TA/Avg Equity)	2.1	1.9	2.0	2.2	2.2
Adjusted ROAE	19.6	12.6	14.1	15.4	14.5

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	15.0	20.4	2.2	12.5	2.7
EBITDA	1.5	(12.1)	16.2	20.3	9.3
Adjusted EPS	13.9	(26.4)	23.4	21.8	8.0
Profitability & Return ratios (%)					
EBITDA margin	15.9	11.6	13.2	14.1	15.0
EBIT margin	13.5	9.4	11.4	12.1	12.5
Adjusted profit margin	8.9	5.4	6.6	7.1	7.5
Adjusted ROAE	19.6	12.6	14.1	15.4	14.5
ROCE	21.6	16.7	18.2	18.0	16.4
Working capital days (days)					
Receivables	2	4	10	11	10
Inventory	36	42	40	42	41
Payables	66	53	91	89	90
Ratios (x)					
Gross asset turnover	1.3	1.5	1.4	1.2	1.0
Current ratio	1.1	1.2	1.1	1.0	0.7
Net interest coverage ratio	7.0	6.3	8.0	8.1	7.4
Adjusted debt/equity	0.3	0.2	0.4	0.5	0.5

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

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

Disclaimer

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

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

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

Brand Name: **BOBCAPS**

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

CIN: **U65999MH1996GOI098009**

Logo:  **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): JK LAKSHMI CEMENT (JKLC 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.