

**HOLD**

TP: Rs 1,631 | ▲ 12%

**ZYDUS WELLNESS**

Consumer Staples

23 May 2023

### Price-led growth in Q4; HFD category a concern

- Q4 revenue grew 11.4% YoY on the back of continuous price hikes; volume growth muted at 4%
- Gross margin flattish YoY at 50.8% but increased overheads weakened EBITDA margin
- Slowing HFD business to weigh on performance; we assume coverage with HOLD and a TP of Rs 1,631, based on 22.7x FY25E EPS

**Vikrant Kashyap**

research@bobcaps.in

**Steady growth with gross margin recovery:** ZYWL reported sales growth of 11.4% YoY (3Y CAGR of 13.5%) during Q4FY23, driven by price hikes where as volume growth for the quarter stood at 4%. The company maintained its segmental leadership in five of six categories during the year. Adequate pricing and an improved product mix maintain gross margin at 50.8% in Q4, but EBITDA margin contracted 180bps to 20.3% due to a spike in other expenses (though close to half the increase was one-time in nature). Adj. PAT grew 14% YoY (3Y CAGR of 28.5%).

**Market share gains across most categories:** The company continues to strengthen its market leadership in most categories. *Glucon-D* remains the #1 brand in the energy drink category and reached market share of 60.1%, up 159bps YoY. ZYWL maintained market share in *Sugar Free* at 96% and improved share in *Nycil* prickly heat powder/*Everyuth* scrub/*Everyuth* peel-off by 157bps/ 68bps/7bps YoY. However, the company lost ground by 50bps YoY in *Complan* to 4.5% as the health food drink (HFD) category continued to witness a slowdown, dipping 1.1%.

**International expansion remains a focus area:** ZYWL continues to expand its global presence and is now present in 25 countries, with the top 5 contributing ~80% of revenue. During the year, the company operationalised a subsidiary in Bangladesh to expand its presence in the Indian subcontinent. The company aims for robust growth in international markets, where the sugar-free franchise and Complan constitute ~90% of the business.

**HOLD, TP Rs 1,631:** ZYWL has taken multiple price hikes which resulted in double-digit growth and market share gains during FY23. We expect softening of key raw material prices and further pricing action to result in gross margin recovery, but higher advertisement and other expenses to impact EBITDA margin going ahead. Market share loss and declining volumes in HFD could hurt the company's performance going forward. The stock is trading at 22.3x/20.2x FY24E/FY25E EPS. We assume coverage on ZYWL with HOLD and value the stock at 22.7x FY25E EPS, in line with the long-term mean, translating to a TP of Rs 1,631.

### Key changes

Target	Rating
▼	▼

Ticker/Price	ZYWL IN/Rs 1,451
Market cap	US\$ 1.1bn
Free float	23%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 1,791/Rs 1,370
Promoter/FPI/DII	66%/4%/30%

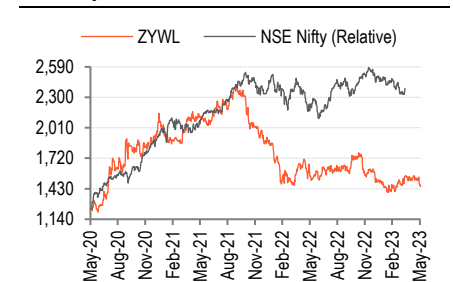
Source: NSE | Price as of 22 May 2023

### Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	22,549	25,242	28,288
EBITDA (Rs mn)	3,373	4,531	5,007
Adj. net profit (Rs mn)	3,205	4,135	4,573
Adj. EPS (Rs)	50.4	65.0	71.9
Consensus EPS (Rs)	50.4	66.2	69.9
Adj. ROAE (%)	6.1	7.6	7.9
Adj. P/E (x)	28.8	22.3	20.2
EV/EBITDA (x)	27.4	20.4	18.4
Adj. EPS growth (%)	0.5	33.2	10.6

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

### Stock performance



Source: NSE



## Performance of power brands

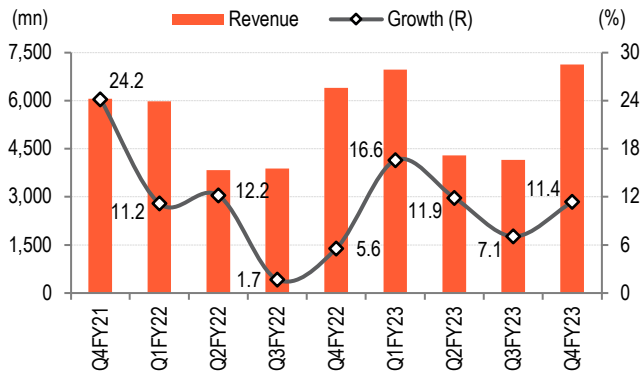
- Glucon-D:** The energy drinks category saw traction with the arrival of summer, and Glucon-D registered strong growth in Q4FY23, remaining the largest revenue contributor for ZYWL. The company managed to put up a strong show despite the inclement weather in some parts of the country in March, which delayed offtake. The glucose powder category grew ~11% in FY23. The company's focus remains on innovation with the launch of a new mango-flavoured Glucose powder variant during the quarter. The brand has maintained leadership in the glucose powder category with a value market share of 60.1% in Q4, up 159bps YoY.
- Complan:** Despite a slowdown in the HFD category, ZYWL focused on strengthening the core business by relaunching the product and supporting the brand with active communication, including 360-degree campaigns highlighting the highest protein (*Pack Palto, Farak Dekho*: Turn the Pack, See the Difference) and nutritional differentiation of the brand. The company continued to enhance reach and has added 100,000 stores since acquisition of the portfolio. Even so, the brand lost 50bps market share YoY to 4.5% in the HFD category in Q4.
- Everyuth:** Everyuth outpaced category growth during the year, delivering double-digit sales growth. The company remained focused on growing the core portfolio of face wash, scrubs, peel-offs and body lotions through media campaigns during the year. The face scrub category grew by 9% and peel-off category by 4.5% in FY23.
- Nycil:** Nycil maintained its dominant position and gained traction during the quarter with the arrival of summer. The brand registered strong growth in FY23 and increased its market share by 157bps YoY to 35.5% in prickly heat powder. The category grew by 13.4% in FY23.
- Sweeteners:** The sweeteners portfolio revived with mid-single-digit growth in Q4. ZYWL's Sugar Free brand maintained its dominant position with 96% market share and management believes it has the potential to be among the top 3 global brands. The company continues to build its natural sweetener Sugar Free Green franchise through aggressive media campaigns and enhanced distribution.
- Nutralite:** Nutralite continued to grow during FY23 with the support of digital and on-ground activations. The company supported the brand via print and digital media for the dairy portfolio under the umbrella of Nutralite Doodhshakti. ZYWL is leveraging its milk sourcing capabilities to expand the dairy segment with the launch of Doodhshati ghee in retail and institutional channels and probiotic butter.

**Fig 1 – Financial performance**

(Rs mn)	Q4FY23	Q3FY23	Q4FY22	QoQ (%)	YoY (%)	FY23	FY22	YoY (%)
Revenue	7,130	4,156	6,398	71.6	11.4	22,549	20,091	12.2
EBIDTA	1,446	282	1415	412.8	2.2	3,373	3,447	(2.1)
Adj. PAT	1,525	196	1333	678.1	14.4	3,205	3,088	3.8
Gross Margin (%)	50.8	43.9	50.9	690bps	(10bps)	49.2	51.2	(200bps)
EBITDA Margin (%)	20.3	6.8	22.1	1,350bps	(180bps)	15.0	17.2	(220bps)
Adj. PAT Margin (%)	21.4	4.7	20.8	1,670bps	60bps	16.9	14.2	270bps

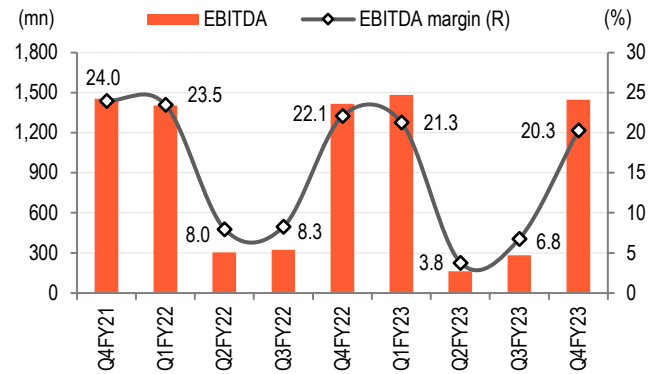
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly revenue and growth**



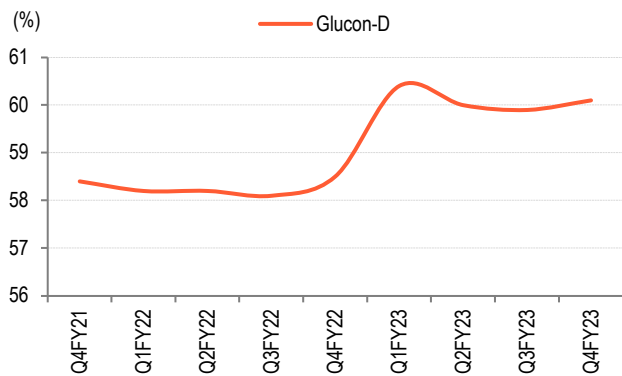
Source: Company, BOBCAPS Research

**Fig 3 – EBITDA and margin**



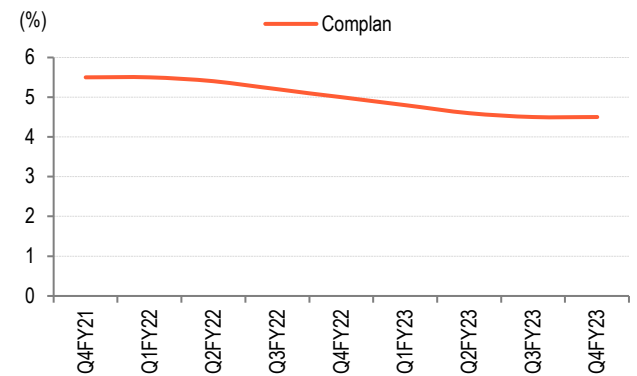
Source: Company, BOBCAPS Research

**Fig 4 – Glucon-D market share**



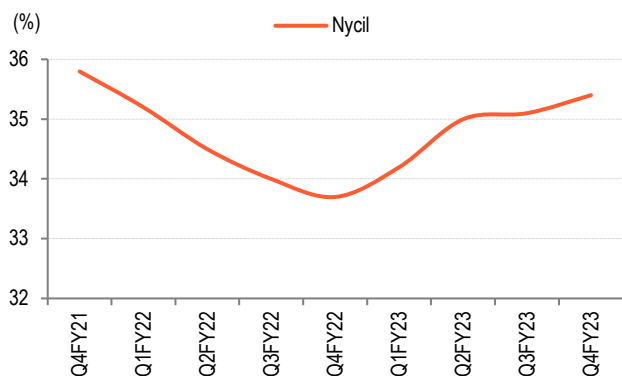
Source: Company, BOBCAPS Research

**Fig 5 – Complan market share**



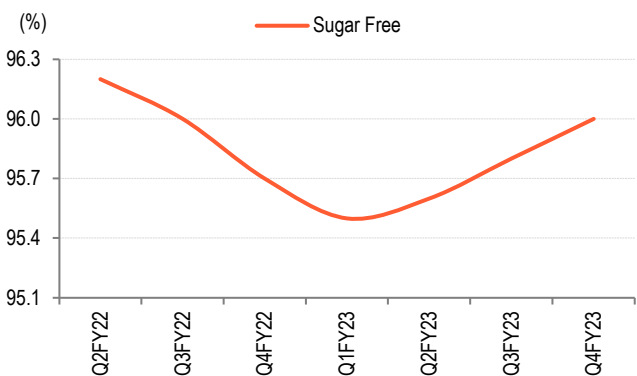
Source: Company, BOBCAPS Research

**Fig 6 – Nycil market share**



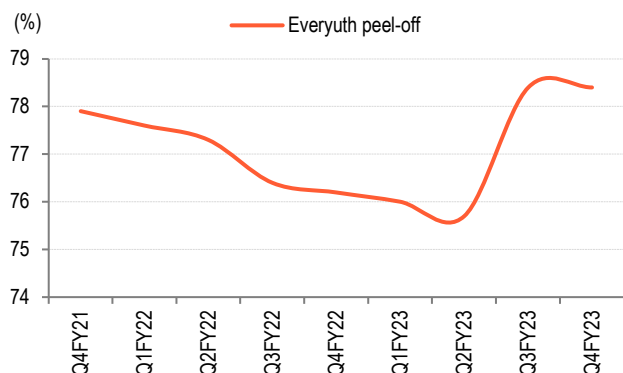
Source: Company, BOBCAPS Research

**Fig 7 – Sugar Free market share**



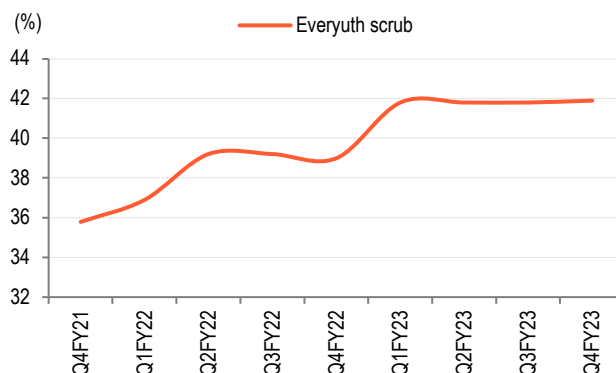
Source: Company, BOBCAPS Research

**Fig 8 – Everyuth peel-off market share**



Source: Company, BOBCAPS Research

**Fig 9 – Everyuth scrub market share**



Source: Company, BOBCAPS Research

### Earnings call highlights

- During Q4FY23, ZYWL has seen gradual recovery in consumer sentiment. Urban demand continues to outperform rural demand, but the latter appears to be bottoming out and management expects recovery ahead.
- ZYWL registered revenue growth of 12% YoY (3Y CAGR 8.5%) to Rs 22.5bn in FY23. During the year, gross/EBITDA margin contracted by 200bps/220bps. Adj. PAT (before exceptional items) grew 4% YoY (3Y CARG 19.9%) to Rs 3.2bn.
- ZYWL’s volume growth stood at 4.8% in FY23. Management remains confident of achieving high-single-digit volume growth in FY24 backed by market share gains in key categories and distribution expansion in a stable demand environment.
- Cumulative price hikes in Q4FY23 stood at ~7.8% and the company may increase prices further in some product categories (such as HFD) to mitigate the impact of high input cost inflation.
- The company continued to witness high inflation in alternative fuel and labour costs due to which other expenses grew by 36% in FY23. This was accentuated by temporary outsourcing of Glucon-D manufacturing to third parties.
- Almost half of the increase in other expenses was one-time in nature. ZYWL expects the change in manufacturing footprint coupled with cost optimisation programmes to result in lower expenses in coming quarters.
- Gross margin is guided to cross 51% in FY24 as prices of key commodities, except milk, have started softening. Margins could improve further if raw material prices softens and the mix improves towards higher-margin products. The company also plans to raise investments behind brands to support growth.
- The company retained its focus on innovation and launched various extensions such as sachets, *Kaccha Mango* under Immunovolt, and mango-flavoured glucose powder during FY23. New product launches contributed 3.5% to overall revenue in FY23, and the company pointed to a strong pipeline for FY24.

- During the year, international business remained flattish. However, management expects it to grow in double digits and to contribute 8-10% of overall revenue within the next five years.
- E-commerce and modern trade channel sales contributed 19.6% of revenue in FY23, up from 17.5% in FY22. Per management, these channels have the potential to contribute 25% in the next few years.
- WHO's new guidelines against the use of non-sugar sweeteners to control or reduce weight are unlikely to have any impact on the company's sugar-free products in the near term. Guidelines vary for different countries and management intends to take relevant steps in case of changes that impact its products.
- Direct distribution reach currently stands at 600,000 stores and is targeted to rise to 700,000 stores by FY24. Management plans to take the overall reach to 3mn outlets by FY24 from the current 2.5mn outlets.
- The tax rate is guided to remain nil in FY24 as well as FY25, but to normalise from FY26 onwards.

## Valuation methodology

ZYWL has taken multiple price hikes which resulted in double-digit growth and market share gains during FY23. We expect softening of key raw material prices and further pricing action to result in gross margin recovery, but higher advertisement and other expenses to impact EBITDA margin. Market share loss and declining volumes in the HFD category could hurt the company's performance going forward, while the WHO's cautionary guidelines on non-sugar sweeteners could pose a risk to growth. We also remain watchful of ZYWL's pricing strategy and volume growth trajectory in respective categories.

The stock is trading at 22.3x/20.2x FY24E/FY25E EPS. We assume coverage with a HOLD rating and value the stock at 22.7x FY25E EPS, in line with the long-term mean, translating to a TP of Rs 1,631.

## Key risks

Key downside risks to our estimates are:

- continued market share loss in HFD, and
- delayed recovery in rural markets.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Britannia Industries	BRIT IN	13.2	4,499	5,623	BUY
Dabur India	DABUR IN	11.3	522	628	BUY
Godrej Consumer Products	GCPL IN	12.6	1,017	1,159	BUY
Hindustan Unilever	HUVR IN	85.1	2,638	3,069	BUY
ITC	ITC IN	64.2	425	486	BUY
Marico	MRCO IN	8.3	530	629	BUY
Nestle India	NEST IN	25.2	21,495	24,670	BUY
Tata Consumer Products	TATACONS IN	8.7	766	924	BUY
Zydus Wellness	ZYWL IN	1.1	1,451	1,631	HOLD

Source: BOBCAPS Research, NSE | Price as of 22 May 2023

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Total revenue</b>	<b>18,667</b>	<b>20,091</b>	<b>22,549</b>	<b>25,242</b>	<b>28,288</b>
EBITDA	3,444	3,447	3,373	4,531	5,007
Depreciation	252	236	250	300	338
EBIT	3,192	3,211	3,122	4,231	4,669
Net interest inc./(exp.)	838	255	161	160	160
Other inc./(exp.)	89	104	49	65	65
Exceptional items	1,321	0	101	1	1
EBT	1,122	3,060	2,910	4,134	4,572
Income taxes	(65)	(29)	(195)	0	0
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>1,188</b>	<b>3,088</b>	<b>3,105</b>	<b>4,134</b>	<b>4,572</b>
Adjustments	1,321	0	101	1	1
<b>Adjusted net profit</b>	<b>2,509</b>	<b>3,088</b>	<b>3,205</b>	<b>4,135</b>	<b>4,573</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Accounts payables	4,386	3,643	3,133	2,707	2,967
Other current liabilities	470	345	386	432	484
Provisions	312	347	410	443	480
Debt funds	5,498	3,815	2,925	1,800	700
Other liabilities	321	333	250	273	299
Equity capital	636	636	636	636	636
Reserves & surplus	45,042	47,804	50,590	53,691	57,120
Shareholders' fund	45,678	48,440	51,227	54,327	57,756
<b>Total liab. and equities</b>	<b>56,664</b>	<b>56,922</b>	<b>58,331</b>	<b>59,982</b>	<b>62,687</b>
Cash and cash eq.	1,737	1,154	370	3,199	4,638
Accounts receivables	943	1,423	2,078	1,176	1,318
Inventories	3,647	3,616	4,575	3,722	4,079
Other current assets	2,142	1,673	1,356	1,434	1,605
Investments	0	270	700	700	700
Net fixed assets	1,996	2,445	2,704	3,003	3,365
CWIP	37	119	130	130	130
Intangible assets	44,678	44,655	44,620	44,620	44,620
Deferred tax assets, net	1,265	1,298	1,493	1,671	1,873
Other assets	219	268	300	328	360
<b>Total assets</b>	<b>56,664</b>	<b>56,922</b>	<b>58,331</b>	<b>59,982</b>	<b>62,687</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Cash flow from operations</b>	<b>2,866</b>	<b>2,409</b>	<b>930</b>	<b>5,879</b>	<b>4,711</b>
Capital expenditures	(197)	(754)	(450)	(600)	(700)
Change in investments	(19)	(205)	(413)	0	0
Other investing cash flows	111	100	14	(142)	(169)
<b>Cash flow from investing</b>	<b>(104)</b>	<b>(860)</b>	<b>(848)</b>	<b>(742)</b>	<b>(869)</b>
Equities issued/Others	9,866	0	0	0	0
Debt raised/repaid	(9,693)	(1,683)	(890)	(1,125)	(1,100)
Interest expenses	(1,012)	(325)	(159)	(160)	(160)
Dividends paid	(2)	(319)	(319)	(1,034)	(1,143)
Other financing cash flows	(1,324)	(12)	(17)	0	0
<b>Cash flow from financing</b>	<b>(2,164)</b>	<b>(2,338)</b>	<b>(1,385)</b>	<b>(2,319)</b>	<b>(2,403)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>599</b>	<b>(829)</b>	<b>(1,316)</b>	<b>2,818</b>	<b>1,439</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,526</b>	<b>1,697</b>	<b>381</b>	<b>3,199</b>	<b>4,638</b>

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
Reported EPS	18.7	48.6	48.8	65.0	71.9
Adjusted EPS	39.4	48.6	50.4	65.0	71.9
Dividend per share	118.0	74.5	12.2	16.3	18.0
Book value per share	718.2	761.6	805.4	854.2	908.1

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
EV/Sales	4.9	4.6	4.1	3.7	3.3
EV/EBITDA	26.8	26.8	27.4	20.4	18.4
Adjusted P/E	36.8	29.9	28.8	22.3	20.2
P/BV	2.0	1.9	1.8	1.7	1.6

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Tax burden (Net profit/PBT)	105.8	100.9	106.7	100.0	100.0
Interest burden (PBT/EBIT)	37.2	96.2	99.4	97.7	97.9
EBIT margin (EBIT/Revenue)	17.1	16.0	13.8	16.8	16.5
Asset turnover (Rev./Avg TA)	32.9	35.3	38.7	42.1	45.1
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.1	1.1	1.1
Adjusted ROAE	2.6	6.4	6.1	7.6	7.9

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
<b>YoY growth (%)</b>					
Revenue	5.7	7.6	12.2	11.9	12.1
EBITDA	17.0	0.1	(2.2)	34.3	10.5
Adjusted EPS	(24.0)	160.1	0.5	33.2	10.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	18.4	17.2	15.0	18.0	17.7
EBIT margin	17.1	16.0	13.8	16.8	16.5
Adjusted profit margin	13.4	15.4	14.2	16.4	16.2
Adjusted ROAE	2.6	6.4	6.1	7.6	7.9
ROCE	6.2	6.1	5.8	7.5	8.0
<b>Working capital days (days)</b>					
Receivables	18	26	17	17	17
Inventory	158	135	110	110	110
Payables	189	136	80	80	80
<b>Ratios (x)</b>					
Gross asset turnover	0.3	0.3	0.4	0.4	0.4
Current ratio	1.1	1.1	1.3	1.9	2.6
Net interest coverage ratio	3.8	12.6	19.4	26.4	29.1
Adjusted debt/equity	0.1	0.1	0.1	0.0	0.0

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%

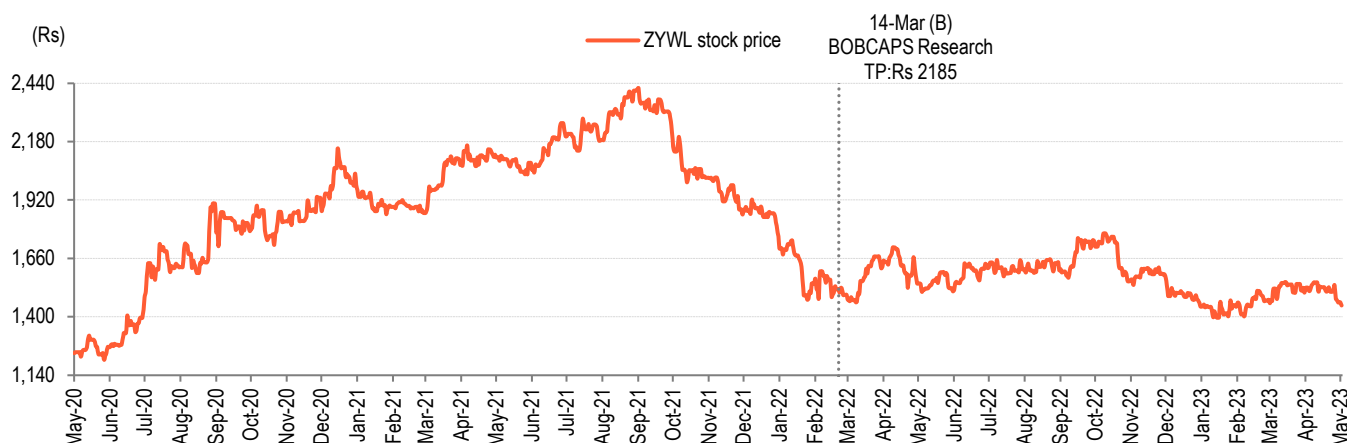
**HOLD** – Expected return from -6% to +15%

**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): ZYDUS WELLNESS (ZYWL 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.