

BUY

TP: Rs 2,050 | ▲ 24%

AJANTA PHARMA

Pharmaceuticals

11 May 2022

Margin stress continues

- Q4 revenue 6% ahead of our estimate but margins disappointed with gross/EBITDA margin contraction of 530bps/1050bps YoY to ~72%/24%
- RM inflation and US price erosion continued to take a toll on margins; FY23 gross/EBITDA margins guided at 75%/28%
- We cut FY23-FY24 EBITDA 9-11% and pare our EV/EBITDA multiple to 15x (vs. 17x), yielding a new TP of Rs 2,050 (vs. Rs 2,655); retain BUY

Surajit Pal | Saad Shaikh
researchreport@bobcaps.in

Asia and India led the growth: AJP's Q4FY22 revenue of Rs 8.7bn was 6% ahead of our estimate led by a strong focus on branded sales in Asia (+50% YoY) and India formulations (+12% YoY). US sales remained lacklustre. With price hikes taken in India from April, management expects the domestic market to continue to perform well for the company.

US launches delayed due to pending inspections: US generics revenue grew only 1.2% QoQ in Q4 as strong headwinds in core portfolio pricing largely negated the growth in volumes. AJP's earlier launch guidance has been delayed due to pending approvals as the USFDA has not yet fully resumed plant inspections.

Margins pressure continues: AJP reported Q4 gross/EBITDA margin declines of 530bps/1,050bps YoY to 72.5%/23.7%. Gross margin contracted due to higher raw material cost, price erosion in the US (~150bps impact) and a one-time hit from the of two products (150bps). US price erosion has risen to ~18% for the company in Q4 vs. the normal average of 10%. Per management, pricing is now stabilising and should have a reduced impact as the company launches more products from the pending pipeline. For FY22, AJP's EBITDA margin contracted 670bps.

FY23 revenue guided to grow in mid-teens; margin to remain flat: Management has guided for mid-teens growth in the FY23 topline. However, it expects margins to remain at FY22 levels of ~28% as the industry continues to see higher input costs as well as a return of other costs to pre-Covid levels.

Maintain BUY, TP revised to Rs 2,050: We reduce our FY23-FY24 EBITDA estimates by 9-11% in light of margin pressure arising from raw material cost inflation, US price erosion and expenses retracing to normal levels. Given these headwinds, we also lower our target FY24E EV/EBITDA multiple to 15x (vs. 17x), translating to a reduced TP of Rs 2,050 (vs. Rs 2,655). Maintain BUY as we find branded EM franchise robust and valuation attractive at 14x/12x FY23E/24E EV/EBITDA vs 5-year average of 20x.

Key changes

| Target | Rating |
|--------|--------|
| ▼ | ◀ ▶ |

| | |
|------------------|-------------------|
| Ticker/Price | AJP IN/Rs 1,658 |
| Market cap | US\$ 1.8bn |
| Free float | 31% |
| 3M ADV | US\$ 1.9mn |
| 52wk high/low | Rs 2,435/Rs 1,631 |
| Promoter/FPI/DII | 70%/9%/12% |

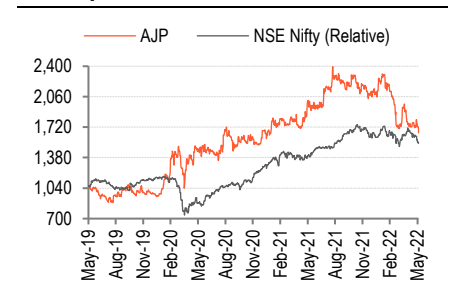
Source: NSE | Price as of 10 May 2022

Key financials

| Y/E 31 Mar | FY22P | FY23E | FY24E |
|-------------------------|--------|--------|--------|
| Total revenue (Rs mn) | 33,410 | 37,073 | 40,328 |
| EBITDA (Rs mn) | 9,293 | 10,393 | 11,508 |
| Adj. net profit (Rs mn) | 7,127 | 7,223 | 8,106 |
| Adj. EPS (Rs) | 81.3 | 82.4 | 92.4 |
| Consensus EPS (Rs) | 83.2 | 99.5 | 111.9 |
| Adj. ROAE (%) | 22.5 | 20.1 | 19.2 |
| Adj. P/E (x) | 20.4 | 20.1 | 17.9 |
| EV/EBITDA (x) | 15.1 | 13.5 | 12.1 |
| Adj. EPS growth (%) | 5.8 | 1.3 | 12.2 |

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

Stock performance



Source: NSE



Fig 1 – Quarterly performance

| (Rs mn) | Q4FY22 | Q4FY21 | YoY (%) | Q3FY22 | QoQ (%) | FY22 | FY21 | YoY (%) |
|-------------------------|--------------|--------------|---------------|--------------|---------------|---------------|---------------|--------------|
| Net Sales | 8,703 | 7,568 | 15.0 | 8,379 | 3.9 | 33,410 | 28,897 | 15.6 |
| EBITDA | 2,067 | 2,594 | (20.3) | 2,396 | (13.7) | 9,293 | 9,986 | (6.9) |
| Depreciation | 312 | 306 | 1.8 | 317 | (1.8) | 1,253 | 1,161 | - |
| EBIT | 1,755 | 2,288 | (23.3) | 2,079 | (15.6) | 8,040 | 8,825 | - |
| Interest | 73 | 26 | 186.7 | 10 | 672.6 | 102 | 83 | - |
| Other Income | 295 | 25 | 1065.2 | 240 | 22.7 | 1,157 | 260 | - |
| PBT | 1,977 | 2,288 | (13.6) | 2,309 | (14.4) | 9,095 | 9,002 | 1.0 |
| Less: Taxation | 465 | 695 | (33.2) | 392 | 18.6 | 1,968 | 2,463 | - |
| Less: Minority Interest | - | - | - | - | - | 0 | 0 | - |
| Recurring PAT | 1,512 | 1,593 | (5.1) | 1,918 | (21.2) | 7,127 | 6,539 | 9.0 |
| Exceptional items | 0 | 0 | - | 0 | | 0 | 0 | - |
| Reported PAT | 1,512 | 1,593 | (5.1) | 1,918 | (21.2) | 7,127 | 6,539 | 9.0 |
| Key Ratios (%) | | | (bps) | | (bps) | | | (bps) |
| Gross Margin | 72.5 | 77.8 | (531) | 77.4 | (494) | 75.1 | 77.7 | (259) |
| EBITDA Margin | 23.7 | 34.3 | (1053) | 28.6 | (484) | 27.8 | 34.6 | (674) |
| Tax / PBT | 23.5 | 30.4 | - | 17.0 | - | 21.6 | 27.4 | - |
| NPM | 17.4 | 21.0 | (367) | 22.9 | (551) | 21.3 | 22.6 | - |
| EPS (Rs) | 17.4 | 18.3 | - | 22.1 | - | 81 | 75 | 9.0 |

Source: Company, BOBCAPS Research

Fig 2 – Segmental mix

| (Rs mn) | Q4FY22 | Q4FY21 | YoY (%) | Q3FY22 | QoQ (%) | FY22 | FY21 | YoY (%) |
|----------------------|--------------|--------------|-------------|--------------|------------|---------------|---------------|-------------|
| Domestic Formulation | 2,450 | 2,180 | 12.4 | 2,560 | (4.3) | 9,780 | 8,140 | 20.1 |
| Exports Formulation | 6,160 | 5,260 | 17.1 | 5,630 | 9.4 | 23,000 | 20,294 | 13.3 |
| Africa | 1,860 | 1,790 | 3.9 | 2,030 | (8.4) | 7,910 | 6,810 | 16.2 |
| Asia | 2,620 | 1,740 | 50.6 | 1,940 | 35.1 | 8,120 | 7,114 | 14.1 |
| US | 1,680 | 1,730 | (2.9) | 1,660 | 1.2 | 6,960 | 6,370 | 9.3 |
| Other op Income | 93 | 128 | (27.6) | 189 | (50.9) | 630 | 478 | 31.7 |
| Revenues | 8,703 | 7,568 | 15.0 | 8,379 | 3.9 | 33,410 | 28,912 | 15.6 |
| USDINR | 75 | 73 | 3.2 | 75 | 0.4 | 75 | 74 | 0.7 |
| US revenue (US\$ mn) | 22 | 24 | (5.9) | 22 | 0.8 | 93 | 86 | 8.5 |

Source: Company, BOBCAPS Research

Earnings call takeaways

- **Branded sales focus:** AJP's added focus on branded sales in EMs (mainly Africa and Asia) and on India formulations drove sales growth in Q4FY22. US generics revenue grew only 1.2% QoQ as strong headwinds in core portfolio pricing largely negated the growth in volumes.
- **Guidance for FY23:** Management has guided for consolidated sales growth in the mid-teens and EBITDA margin to be maintained at ~28%. While AJP expects higher input costs to impact Q1FY23, it has guided for a 75% gross profit margin. The company expects COGS to be restricted to 25% of sales as its strong focus on launches and higher sales reach of branded generics in EMs and India will likely offset margin loss in US generics in FY23.
- **US generics:** US generics grew 1.2% QoQ in Q4 but declined 2.9% YoY due to price erosion from strong competition in old products and the core portfolio. AJP plans to file 10-12 ANDAs (vs. 8 in FY22), has launched 3 products and received approval for 2. It expects similar price competition to continue in FY23 as current annual price erosion is 18% vs. normalised levels of 8-10%.
- **R&D expense:** R&D expense is guided to remain at 7% of sales in FY23, with 55% to be spent on US generics and the balance on development of branded generics in India and EMs.
- **NLEM portfolio in India:** The NLEM portfolio receives benefits of a 10.3% price rise, in line with FY22 inflation (WPI), and the portfolio currently contributes 20% of India formulation revenue. NPPA allowed companies a maximum price increase of 10% in the non-NLEM portfolio in case of higher input prices.
- **Capex:** AJP incurred Rs 1.5bn of capex in FY22 and plans to spend Rs 2bn in FY23 including maintenance outlay.
- **Working capital:** Inventory days declined to 88 (vs. 98 days YoY) in FY22 while receivable days increased to 113 (vs. 95 days YoY). Management guided that similar working capital days will be maintained in FY23 as business and overhead costs have normalised post pandemic in India and EMs.

Valuation methodology

We reduce our FY23-FY24 EBITDA estimates by 9-11% in light of margin pressure arising from raw material cost inflation, US price erosion and expenses retracing to pre-pandemic levels. Given these headwinds, we also lower our target FY24E EV/EBITDA multiple to 15x (vs. 17x), translating to a reduced TP of Rs 2,050 (vs. Rs 2,655). AJP is currently trading at 14x/12x on FY23/24 EV/EBITDA well below 5-year average of 20x. Maintain BUY as we believe the branded generic franchise (India and EM) is robust and likely to remain resilient – this alongside improving FCF/EBITDA conversion with nearing of capex and strong ROIC of 31% should result in rerating going forward.

Fig 3 – Revised estimates

| (Rs bn) | New | | Old | | Change (%) | |
|-------------------|-------|-------|-------|-------|------------|----------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Revenue | 37.1 | 40.3 | 37.3 | 42.4 | (0.7) | (4.8) |
| EBITDA | 10.4 | 11.5 | 11.4 | 13.0 | (9.2) | (11.4) |
| EBITDA Margin (%) | 28.0 | 28.5 | 30.7 | 30.7 | (262bps) | (212bps) |
| EPS (Rs) | 83.1 | 92.4 | 96.8 | 110.7 | (14.2) | (16.5) |

Source: BOBCAPS Research

Fig 4 – Key assumptions

| (Rs bn) | FY22A | FY23E | FY24E |
|-------------------|-------|-------|-------|
| India Formulation | 9.8 | 10.9 | 12.1 |
| Africa | 7.9 | 9.0 | 9.8 |
| Asia | 8.1 | 8.9 | 9.8 |
| US | 7.0 | 7.5 | 7.9 |
| Others | 0.0 | 0.0 | 0.0 |
| OOI | 0.6 | 0.6 | 0.6 |

Source: Company, BOBCAPS Research

Fig 5 – Peer comparison

| Company | Ticker | Rating | Target Price (Rs) | EBITDA CAGR FY21-24E (%) | EV/EBITDA (x) | | ROE (%) | | Target EV/EBITDA (x) |
|----------------|----------|--------|-------------------|--------------------------|---------------|-------|---------|-------|----------------------|
| | | | | | FY23E | FY24E | FY23E | FY24E | |
| Ajanta Pharma | AJP IN | BUY | 2,050 | 4.1 | 13.4 | 12.1 | 20.1 | 19.2 | 15.0 |
| Alkem Labs | ALKEM IN | BUY | 4,000 | 5.7 | 14.0 | 12.3 | 22.8 | 21.7 | 17.0 |
| Alembic Pharma | ALPM IN | HOLD | 770 | 3.2 | 9.6 | 8.5 | 11.5 | 15.0 | 11.0 |

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- Concentration and regulatory risk in India business:** AJP's domestic formulation business is concentrated around three key therapies – ophthalmology, cardiology and dermatology – which drive 90% of sales. Any adverse regulatory action here can slow down overall business momentum. The current portfolio under price control contributes 20% of its India sales.

- **US execution:** We estimate that the US business will contribute a third of our EPS over the next three years. This is mainly dependent on two key units – Paithan (~90% of existing US sales) and Dahej (future growth driver). Establishment inspection reports (EIR) for both units are in place (last inspected in Jul-Aug'19). Thus, better cGMP compliance is key.
- **Slower offtake in branded generic exports:** Currency devaluation and repatriation concerns could lead to slower growth in branded generics markets.

Sector recommendation snapshot

| Company | Ticker | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|-------------------|-----------|----------------------|------------|-------------|--------|
| Ajanta Pharma | AJP IN | 1.8 | 1,658 | 2,050 | BUY |
| Alembic Pharma | ALPM IN | 1.8 | 719 | 770 | HOLD |
| Alkem Labs | ALKEM IN | 4.6 | 2,972 | 4,000 | BUY |
| Aurobindo Pharma | ARBP IN | 4.6 | 603 | 850 | BUY |
| Cipla | CIPLA IN | 9.6 | 926 | 1,200 | BUY |
| Divi's Labs | DIVI IN | 14.8 | 4,296 | 5,250 | BUY |
| Dr Reddy's Labs | DRRD IN | 8.4 | 3,914 | 4,700 | HOLD |
| Eris Lifesciences | ERIS IN | 1.2 | 669 | 970 | BUY |
| Laurus Labs | LAURUS IN | 3.7 | 526 | 645 | HOLD |
| Lupin | LPC IN | 4.2 | 714 | 800 | HOLD |
| Sun Pharma | SUNP IN | 26.7 | 862 | 1,100 | BUY |

Source: BOBCAPS Research, NSE | Price as of 10 May 2022

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22P | FY23E | FY24E |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Total revenue | 25,878 | 28,897 | 33,410 | 37,073 | 40,328 |
| EBITDA | 6,833 | 10,192 | 9,293 | 10,393 | 11,508 |
| Depreciation | 957 | 1,161 | 1,253 | 1,292 | 1,388 |
| EBIT | 5,876 | 9,031 | 8,040 | 9,102 | 10,120 |
| Net interest inc./(exp.) | (119) | (83) | (102) | (15) | (15) |
| Other inc./(exp.) | 921 | 251 | 1,157 | 294 | 561 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 6,678 | 9,199 | 9,095 | 9,380 | 10,665 |
| Income taxes | 1,962 | 2,463 | 1,968 | 2,157 | 2,560 |
| Extraordinary items | 39 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 4,756 | 6,736 | 7,127 | 7,223 | 8,106 |
| Adjustments | 39 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 4,716 | 6,736 | 7,127 | 7,223 | 8,106 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22P | FY23E | FY24E |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Accounts payables | 3,622 | 3,739 | 3,272 | 4,063 | 4,420 |
| Other current liabilities | 1,831 | 2,677 | 3,070 | 1,854 | 2,016 |
| Provisions | 246 | 296 | 301 | 334 | 364 |
| Debt funds | 436 | 198 | 250 | 250 | 250 |
| Other liabilities | 0 | 0 | 0 | 0 | 0 |
| Equity capital | 175 | 174 | 172 | 172 | 172 |
| Reserves & surplus | 26,398 | 30,203 | 32,935 | 38,732 | 45,250 |
| Shareholders' fund | 26,573 | 30,377 | 33,107 | 38,903 | 45,422 |
| Total liab. and equities | 32,708 | 37,286 | 40,000 | 45,404 | 52,472 |
| Cash and cash eq. | 2,049 | 2,096 | 2,118 | 5,456 | 10,591 |
| Accounts receivables | 7,753 | 7,384 | 10,198 | 9,141 | 9,944 |
| Inventories | 4,956 | 7,665 | 7,911 | 8,633 | 9,392 |
| Other current assets | 1,211 | 1,891 | 1,656 | 2,966 | 3,226 |
| Investments | 794 | 1,846 | 1,554 | 1,554 | 1,554 |
| Net fixed assets | 14,509 | 15,214 | 14,946 | 15,654 | 15,766 |
| CWIP | 1,318 | 1,082 | 1,529 | 2,000 | 2,000 |
| Intangible assets | 117 | 108 | 90 | 0 | 0 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 0 | 0 | 0 | 0 | 0 |
| Total assets | 32,707 | 37,286 | 40,000 | 45,404 | 52,472 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY20A | FY21A | FY22P | FY23E | FY24E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash flow from operations | 4,414 | 5,971 | 5,590 | 7,161 | 8,236 |
| Capital expenditures | (3,294) | (1,550) | (1,540) | (2,000) | (1,500) |
| Change in investments | (18) | (1,051) | 292 | 0 | 0 |
| Other investing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (3,313) | (2,601) | (1,248) | (2,000) | (1,500) |
| Equities issued/Others | 0 | (2) | (2) | 0 | 0 |
| Debt raised/repaid | 96 | (238) | 53 | 0 | 0 |
| Interest expenses | (119) | (83) | (102) | (15) | (15) |
| Dividends paid | (943) | (1,347) | (1,407) | (1,426) | (1,587) |
| Other financing cash flows | 910 | (1,654) | (2,861) | (381) | 0 |
| Cash flow from financing | (56) | (3,323) | (4,320) | (1,823) | (1,602) |
| Chg in cash & cash eq. | 1,045 | 47 | 22 | 3,338 | 5,134 |
| Closing cash & cash eq. | 2,049 | 2,096 | 2,118 | 5,456 | 10,591 |

Per Share

| Y/E 31 Mar (Rs) | FY20A | FY21A | FY22P | FY23E | FY24E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 53.3 | 76.8 | 81.3 | 82.4 | 92.4 |
| Adjusted EPS | 53.8 | 76.8 | 81.3 | 82.4 | 92.4 |
| Dividend per share | 10.8 | 15.5 | 16.4 | 16.6 | 18.5 |
| Book value per share | 303.0 | 346.4 | 377.5 | 443.6 | 517.9 |

Valuations Ratios

| Y/E 31 Mar (x) | FY20A | FY21A | FY22P | FY23E | FY24E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 5.5 | 4.9 | 4.2 | 3.8 | 3.4 |
| EV/EBITDA | 20.7 | 13.9 | 15.1 | 13.5 | 12.1 |
| Adjusted P/E | 30.8 | 21.6 | 20.4 | 20.1 | 17.9 |
| P/BV | 5.5 | 4.8 | 4.4 | 3.7 | 3.2 |

DuPont Analysis

| Y/E 31 Mar (%) | FY20A | FY21A | FY22P | FY23E | FY24E |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Tax burden (Net profit/PBT) | 70.6 | 73.2 | 78.4 | 77.0 | 76.0 |
| Interest burden (PBT/EBIT) | 113.6 | 101.9 | 113.1 | 103.1 | 105.4 |
| EBIT margin (EBIT/Revenue) | 22.7 | 31.3 | 24.1 | 24.6 | 25.1 |
| Asset turnover (Rev./Avg TA) | 25.8 | 25.1 | 26.1 | 25.6 | 23.8 |
| Leverage (Avg TA/Avg Equity) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Adjusted ROAE | 19.1 | 23.7 | 22.5 | 20.1 | 19.2 |

Ratio Analysis

| Y/E 31 Mar | FY20A | FY21A | FY22P | FY23E | FY24E |
|----------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| YoY growth (%) | | | | | |
| Revenue | 25.9 | 11.7 | 15.6 | 11.0 | 8.8 |
| EBITDA | 20.9 | 49.1 | (8.8) | 11.8 | 10.7 |
| Adjusted EPS | 21.9 | 42.8 | 5.8 | 1.3 | 12.2 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 26.4 | 35.3 | 27.8 | 28.0 | 28.5 |
| EBIT margin | 22.7 | 31.3 | 24.1 | 24.6 | 25.1 |
| Adjusted profit margin | 18.2 | 23.3 | 21.3 | 19.5 | 20.1 |
| Adjusted ROAE | 19.1 | 23.7 | 22.5 | 20.1 | 19.2 |
| ROCE | 27.2 | 32.2 | 28.8 | 25.9 | 25.2 |
| Working capital days (days) | | | | | |
| Receivables | 109 | 93 | 111 | 90 | 90 |
| Inventory | 70 | 97 | 86 | 85 | 85 |
| Payables | 51 | 47 | 36 | 40 | 40 |
| Ratios (x) | | | | | |
| Gross asset turnover | 1.3 | 1.4 | 1.5 | 1.5 | 1.6 |
| Current ratio | 2.8 | 2.8 | 3.3 | 4.2 | 4.9 |
| Net interest coverage ratio | 49.4 | 109.2 | 78.8 | 606.0 | 673.8 |
| Adjusted debt/equity | (0.1) | (0.1) | (0.1) | (0.1) | (0.2) |

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

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

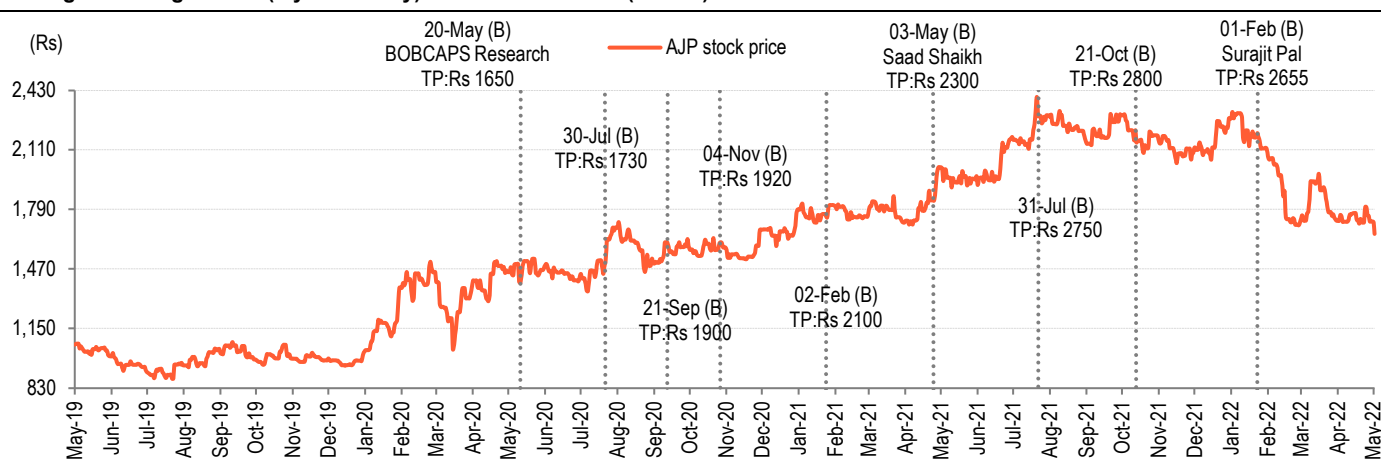
HOLD – Expected return from -6% to +15%

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): AJANTA PHARMA (AJP IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Rating distribution

As of 30 April 2022, out of 116 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 66 have BUY ratings, 30 have HOLD ratings, 5 are rated ADD*, 1 is rated REDUCE* and 14 are rated SELL. One company rated ADD has been an investment banking client in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

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 BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional 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 has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH00000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

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 where such an offer or solicitation would be illegal. 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.

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 act as market makers or 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.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

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 in the past 12 months. 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.