

**SELL**

TP: Rs 4,450 | ▼ 15%

**ALKEM LABS**

| Pharmaceuticals

| 29 May 2024

**Misses estimates; steep sequential margin decline**

- ALKEM reported a weak fourth quarter with EBITDA/PAT missing Bloomberg consensus by 9%/16% to Rs 4.0bn/2.9bn
- Gross margin remains strong but EBITDA margin contracted 760bps QoQ to 13.7% due to higher R&D and other expenses
- We pare our FY25E-FY26E EBITDA 5-6% and reduce our TP to Rs 4,450 based on an unchanged EV/EBITDA of 18x. Maintain SELL

Saad Shaikh

research@bobcaps.in

**Slowdown in acute therapies takes a toll on domestic business:** ALKEM reported muted revenue growth in Q4 of 1% YoY (-12% QoQ) to Rs 29.4bn, missing Bloomberg consensus estimate by 8%. This was on account of continued slowdown in acute therapies in the Indian Pharma Market (IPM) due to base correction and some impact of seasonality which resulted in domestic revenue decline of -2%/-12% YoY/QoQ for ALKEM. Sporadic season for largest therapy (anti-infectives) especially in eastern India impacted domestic revenues as well. The company outperformed IPM growth in Anti-diabetic, Derma and VMN therapies in Q4FY24, and in Anti-diabetic, Derma, GI and VMN therapies in FY24. For the full year, the India business grew at 5%.

**Seasonality & supply chain impact on US business:** US business declined 9% QoQ in constant currency (cc) terms to US\$ 75mn due to seasonality impact and some supply issues that lasted two months. The US business reported 8% growth for the year to US\$ 334mn. Positive momentum in non-US international markets, with a stabilisation of price erosion in the US at low single digits, contributed to growth in international markets for the full year.

**Margin for FY25 to remain in line with FY24:** ALKEM ended the year with gross and EBITDA margin gains over FY23 due to softening raw material prices and reduced intensity of US price erosion in addition to operational efficiencies. EBITDA margin in Q4, however, came short of expectations despite better gross margins. Gross margin improved QoQ/YoY by +150bps/+550bps to 62.3%, but EBITDA margin contracted -760bps QoQ and improved +150bps YoY. The steep sequential decline in EBITDA margin (-760bps) was on account of higher R&D and higher other expenses along with decline in revenues.

**Maintain SELL; revise TP to Rs 4,450:** We lower our FY25-FY26 estimates by 5-6% to factor in higher opex and margin outlook and lower our TP to Rs 4,450 (Rs 4,800) based on an unchanged EV/EBITDA of 18x – in line with the stock’s five-year average. The current valuations look expensive at 24.4x/20.9x FY25E/FY26E EV/EBITDA. Thus, we maintain a SELL rating on the stock.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	ALKEM IN/Rs 5,262
Market cap	US\$ 7.7bn
Free float	41%
3M ADV	US\$ 11.3mn
52wk high/low	Rs 5,579/Rs 3,307
Promoter/FPI/DII	57%/6%/16%

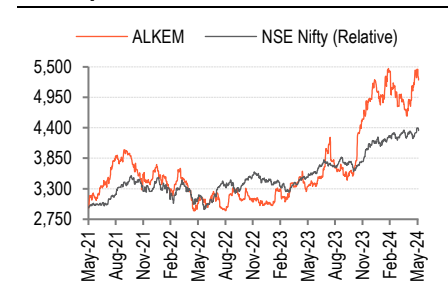
Source: NSE | Price as of 29 May 2024

**Key financials**

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	126,677	141,464	154,594
EBITDA (Rs mn)	22,456	25,453	29,383
Adj. net profit (Rs mn)	19,174	19,126	23,730
Adj. EPS (Rs)	160.4	160.0	198.5
Consensus EPS (Rs)	160.4	181.0	210.0
Adj. ROAE (%)	23.2	20.2	21.6
Adj. P/E (x)	32.8	32.9	26.5
EV/EBITDA (x)	27.7	24.4	20.9
Adj. EPS growth (%)	76.4	(0.2)	24.1

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

**Stock performance**



Source: NSE



**Fig 1 – Quarterly performance**

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Revenue</b>	<b>29,358</b>	<b>29,026</b>	<b>1.1</b>	<b>33,239</b>	<b>(11.7)</b>	<b>126,676</b>	<b>115,993</b>	<b>9.2</b>
<b>EBITDA</b>	<b>4,020</b>	<b>3,533</b>	<b>13.8</b>	<b>7,076</b>	<b>(43.2)</b>	<b>22,455</b>	<b>16,095</b>	<b>39.5</b>
Depreciation	834	783	6.5	696	-	2,993	3,104	-
EBIT	3,186	2,749	15.9	6,380	-	19,462	12,990	49.8
Interest	269	290	(7.3)	255	5.5	1,124	1,074	-
Other Income	882	687	28.4	936	(5.8)	3,108	2,161	-
PBT	3,799	3,146	20.7	7,062	(46.2)	21,446	14,078	52.3
Less: Taxation	629	1,440	-	506	-	2,117	2,980	(29.0)
Less: Minority Interest	109	(33)	-	93	-	157	226	-
<b>Recurring PAT</b>	<b>3,061</b>	<b>1,740</b>	<b>75.9</b>	<b>6,463</b>	<b>(52.6)</b>	<b>19,173</b>	<b>10,872</b>	<b>76.4</b>
Exceptional items	(125)	(1,030)	-	(513)	-	(1,215)	(1,030)	-
<b>Reported PAT</b>	<b>2,936</b>	<b>710</b>	<b>313.6</b>	<b>5,950</b>	<b>(50.7)</b>	<b>17,958</b>	<b>9,842</b>	<b>82.5</b>
<b>Key Ratios (%)</b>			<b>(bps)</b>		<b>(bps)</b>			<b>(bps)</b>
Gross Margin	62.3	56.7	553	60.8	153	61.0	57.7	332
EBITDA Margin	13.7	12.2	152	21.3	(760)	17.7	13.9	385
Tax / PBT	16.5	45.8	-	7.2	-	9.9	21.2	-
NPM	10.4	6.0	443	19.4	(902)	15.1	9.4	576
EPS (Rs)	25.6	14.6	-	54.1	-	160.4	90.9	-

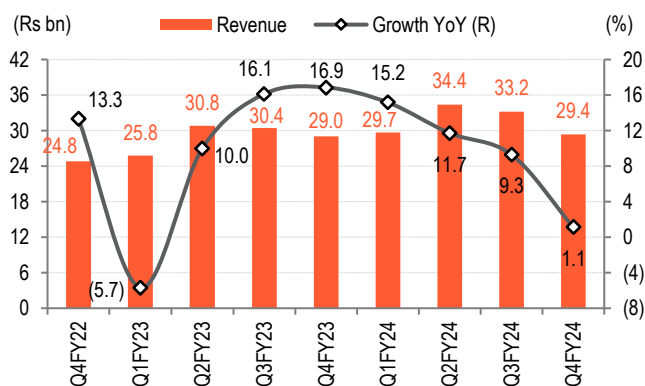
Source: Company, BOBCAPS Research

**Fig 2 – Revenue mix**

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
India	19,724	20,113	(1.9)	22,328	(11.7)	84,337	80,011	5.4
US	6,241	5,916	5.5	6,838	(8.7)	27,709	25,133	10.2
RoW	2,855	2,654	7.6	3,402	(16.1)	12,314	9,260	33.0
<b>Net Sales</b>	<b>28,820</b>	<b>28,683</b>	<b>0.5</b>	<b>32,568</b>	<b>(11.5)</b>	<b>124,360</b>	<b>114,404</b>	<b>8.7</b>
Other Op. Income	538	343	56.9	671	(19.8)	2,316	1,589	45.8
<b>Revenue</b>	<b>29,358</b>	<b>29,026</b>	<b>1.1</b>	<b>33,239</b>	<b>(11.7)</b>	<b>126,676</b>	<b>115,993</b>	<b>9.2</b>
INR/US\$	83.4	82.2	1.4	83.3	0.1	83	81	2.1
US revenue (US\$ mn)	75	72	4.0	82	(8.8)	334	309	7.9

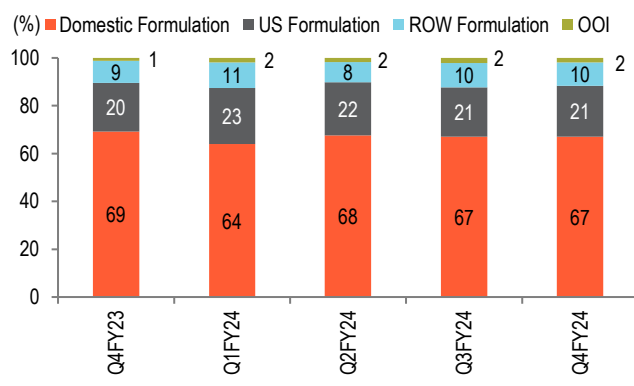
Source: Company, BOBCAPS Research

**Fig 3 – Total revenue**



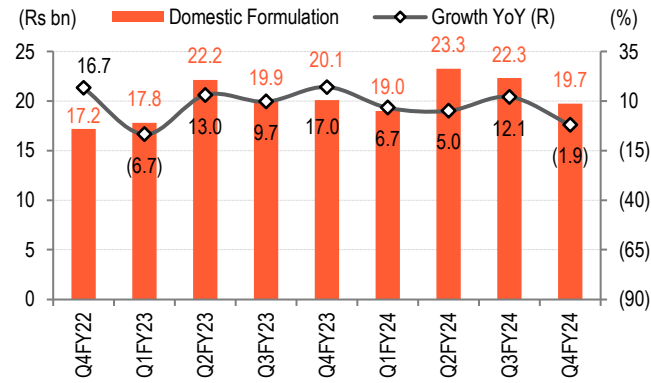
Source: Company, BOBCAPS Research

**Fig 4 – Revenue mix**



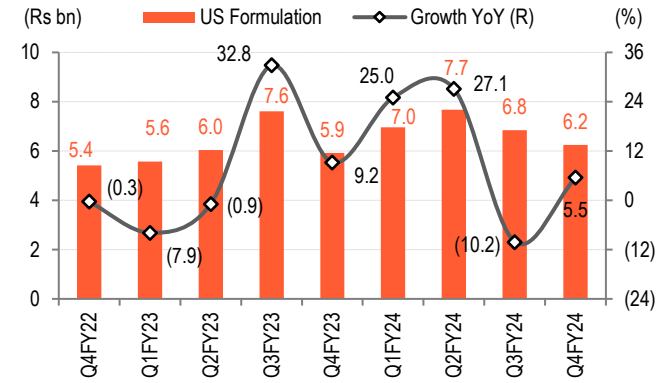
Source: Company, BOBCAPS Research | OOI = Other operating income

**Fig 5 – Domestic formulation**



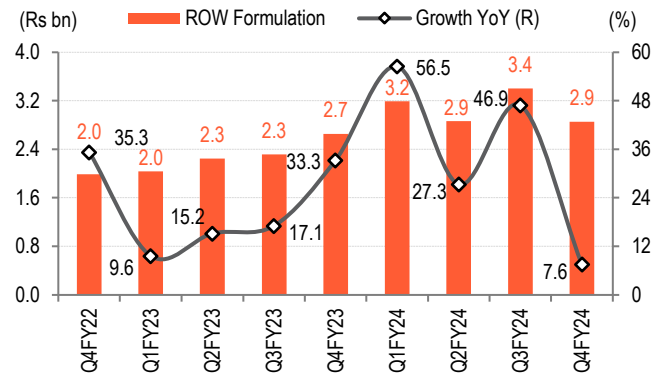
Source: Company, BOBCAPS Research

**Fig 6 – US formulation**



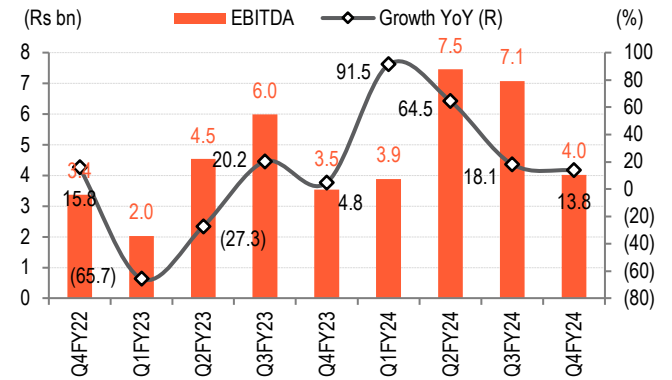
Source: Company, BOBCAPS Research

**Fig 7 – ROW formulation**



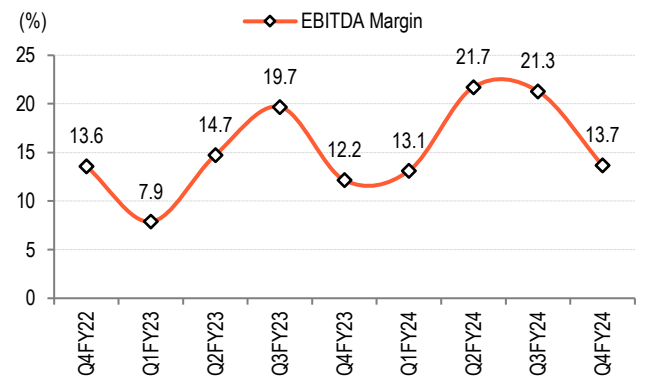
Source: Company, BOBCAPS Research | ROW: Rest of World

**Fig 8 – EBITDA**



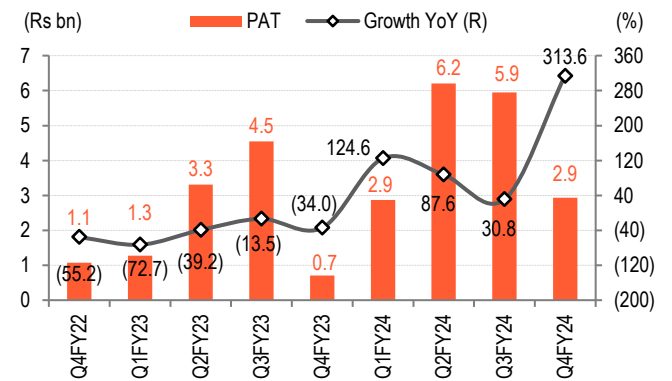
Source: Company, BOBCAPS Research

**Fig 9 – EBITDA margin**



Source: Company, BOBCAPS Research

**Fig 10 – PAT**



Source: Company, BOBCAPS Research

## Earnings call takeaways

### Financial performance

- Alkem registered net profit before tax of over Rs 20.0bn for the first time.
- The international business crossed the Rs 40.0bn-revenue mark in FY24.
- The company generated about Rs 14.0bn in cash, leading to a substantial net cash position of around Rs 35.5bn.
- Net profit after tax for Q4FY24 stood at Rs 2.94bn, significantly impacted by a deferred tax adjustment of Rs 1.2bn. Without this adjustment, the profit growth for Q4FY24 would have been approximately 54%.
- Alkem remains one of the top five companies in the Indian pharmaceutical market.

### Margins

- Enhanced gross margins were achieved due to lower raw material costs and reduced price erosion in the US market.

### India

- Strong performance in the anti-diabetic, dermatology (Derma), gastrointestinal (GI), and vitamins, minerals, and nutrients (VMN) therapies, outperforming the Indian Pharmaceutical Market.
- Continued leadership in the anti-infective segment despite sluggish market growth in FY24.

### The US

- **Q4FY24:** Sequential decline in US revenue on account of seasonality impact and some supply issues that spanned approximately two months.
- Faced supply chain issues amounting to Rs 300mn in Q4. These issues are expected to stabilise, particularly in the US business.

### ROW

- Positive momentum in non-US international markets, with a stabilisation of price erosion in the US at low single digits, contributing to expected growth.

### Enzene Biosciences

- As on 31 Mar 2024, ALKEM has seven bio-similar products in domestic market. All products are witnessing good market demand.
- The biosimilar business is showing significant traction with a portfolio of seven products. The company aims to sustain this performance momentum into the next financial year.

- Continued investment in R&D and new product launches are planned to support future growth. These investments might impact overall EBITDA margins in the short term but drive long-term growth.

#### **Trade generics and market competition**

- Alkem is the largest trade generic player in India and continues to see growth in this segment along with its prescription (RX) business.
- Despite competitive pressures, the company is optimistic about the growth and margin improvement in its trade generic business.

#### **Cost efficiency and investments**

- Ongoing focus on cost efficiency measures, with improvements reflected in gross margins.
- Potential for further EBITDA improvement at the business unit level, though corporate-level EBITDA might stabilise due to planned investments for future growth.

#### **Outlook for FY25**

- Expected revenue growth to be in line with market growth, estimated around 10%.
- Gross and EBITDA margins for FY25 are expected to remain within current ranges (FY24).
- The company anticipates that API prices will remain stable, barring unforeseen events.

#### **Capex**

- Capex for FY25 to be around Rs 6.0bn to Rs 7.0bn, of which Rs 4.0bn will go towards the new Enzene facility in the US.

## Valuation methodology

We believe lower price erosion in the US, softer raw material costs and recent cost optimisation initiatives will help Alkem sustain EBITDA margins above 17%, with further gradual improvement as the share of chronic business rises in the domestic portfolio. The company continues to invest in its biosimilar franchise and has successfully launched seven products in the domestic market, with the business guided to break even this fiscal year. It is also setting up a facility in the US over the next 2-3 years (with capex of ~Rs 4.0bn) to cater to the contract manufacturing business focusing on biosimilars.

We lower our FY25-FY26 estimates by 5-6% to factor in higher opex and margin outlook and lower our TP to Rs 4,450 (previously Rs 4,800) based on an unchanged EV/EBITDA of 18x – in line with the stock’s five-year average. The current valuations look expensive at 24.4x/20.9x FY25E/FY26E EV/EBITDA. Thus, we maintain our SELL rating on the stock.

**Fig 11 – Revised estimates**

(Rs bn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	141.5	154.6	145.8	159.4	(3.0)	(3.0)
EBITDA	25.5	29.4	26.9	31.1	(5.5)	(5.7)
EBITDA margin (%)	18.0	19.0	18.5	19.5	(49bps)	(53bps)
EPS (Rs)	160	198	179	208	(10.7)	(4.5)

Source: BOBCAPS Research

**Fig 12 – Key assumptions**

Revenue (Rs bn)	FY24E	FY25E	FY26E
Domestic	84.3	93.1	102.9
US	27.7	32.2	33.9
Rest of World	12.3	13.5	14.9
Other operating income	2.3	2.6	2.8

Source: Company, BOBCAPS Research

## Key risks

Key upside risks to our estimates are:

- pickup in the anti-infective therapy segment for the industry as well as the company, as this is a large component of Alkem’s domestic business;
- positive surprises on margins stemming from lower US price erosion and softening raw material prices; and,
- faster growth in chronic sales that can drive margins higher.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ajanta Pharma	AJP IN	3.7	2,395	2,585	BUY
Alembic Pharma	ALPM IN	2.3	947	970	HOLD
Alkem Labs	ALKEM IN	7.7	5,262	4,450	SELL
Aurobindo Pharma	ARBP IN	8.7	1,219	1,200	HOLD
Cipla	CIPLA IN	14.7	1,494	1,576	BUY
Divi's Labs	DIVI IN	14.4	4,448	3,000	SELL
Dr Reddy's Labs	DRRD IN	12.2	6,001	5,900	HOLD
Eris Lifesciences	ERIS IN	1.5	912	1,200	BUY
Glenmark Life Sciences	GLS IN	1.2	831	790	HOLD
Laurus Labs	LAURUS IN	2.9	441	305	SELL
Lupin	LPC IN	8.9	1,601	1,600	HOLD
Sun Pharma	SUNP IN	43.2	1,479	1,530	HOLD

Source: BOBCAPS Research, NSE | Price as of 29 May 2024

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
<b>Total revenue</b>	<b>106,342</b>	<b>115,993</b>	<b>126,677</b>	<b>141,464</b>	<b>154,594</b>
EBITDA	20,529	16,095	22,456	25,453	29,383
Depreciation	3,040	3,104	2,993	3,290	3,658
EBIT	17,489	12,991	19,463	22,163	25,725
Net interest inc./(exp.)	(524)	(1,074)	(1,124)	(1,149)	(919)
Other inc./(exp.)	1,627	2,161	3,108	1,444	3,049
Exceptional items	0	0	0	0	0
EBT	18,592	14,078	21,447	22,459	27,855
Income taxes	1,640	2,980	2,117	3,144	3,900
Extraordinary items	(150)	(1,030)	(1,215)	0	0
Min. int./Inc. from assoc.	347	226	157	188	226
<b>Reported net profit</b>	<b>16,456</b>	<b>9,842</b>	<b>17,959</b>	<b>19,126</b>	<b>23,730</b>
Adjustments	(150)	(1,030)	(1,215)	0	0
<b>Adjusted net profit</b>	<b>16,606</b>	<b>10,872</b>	<b>19,174</b>	<b>19,126</b>	<b>23,730</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Accounts payables	11,734	11,650	17,481	17,122	18,711
Other current liabilities	7,739	10,178	12,672	11,110	12,141
Provisions	6,064	7,421	4,267	4,765	5,208
Debt funds	26,682	13,967	14,184	11,347	9,078
Other liabilities	0	0	0	0	0
Equity capital	239	239	239	239	239
Reserves & surplus	75,142	81,086	91,757	105,307	122,120
Shareholders' fund	75,381	81,325	91,996	105,547	122,359
<b>Total liab. and equities</b>	<b>127,599</b>	<b>124,542</b>	<b>140,601</b>	<b>149,892</b>	<b>167,497</b>
Cash and cash eq.	25,786	26,169	15,794	38,724	49,410
Accounts receivables	18,846	21,322	22,528	24,732	27,027
Inventories	30,055	26,075	26,612	32,342	35,343
Other current assets	16,790	14,696	40,516	15,971	17,453
Investments	3,710	6,218	4,838	4,838	4,838
Net fixed assets	29,017	26,829	28,728	31,938	32,280
CWIP	3,395	3,232	1,586	1,348	1,146
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>127,599</b>	<b>124,542</b>	<b>140,601</b>	<b>149,892</b>	<b>167,497</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
<b>Cash flow from operations</b>	<b>6,223</b>	<b>21,331</b>	<b>(315)</b>	<b>38,754</b>	<b>24,590</b>
Capital expenditures	(4,418)	1,354	(3,250)	(6,500)	(4,000)
Change in investments	(382)	(2,508)	1,380	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(4,800)</b>	<b>(1,154)</b>	<b>(1,870)</b>	<b>(6,500)</b>	<b>(4,000)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	9,980	(12,715)	217	(2,837)	(2,269)
Interest expenses	(524)	(1,074)	(1,124)	(1,149)	(919)
Dividends paid	(4,739)	(3,169)	(5,589)	(5,575)	(6,917)
Other financing cash flows	(258)	(2,836)	(1,694)	238	202
<b>Cash flow from financing</b>	<b>4,458</b>	<b>(19,794)</b>	<b>(8,190)</b>	<b>(9,323)</b>	<b>(9,904)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>5,881</b>	<b>383</b>	<b>(10,375)</b>	<b>22,930</b>	<b>10,686</b>
<b>Closing cash &amp; cash eq.</b>	<b>25,786</b>	<b>26,169</b>	<b>15,794</b>	<b>38,724</b>	<b>49,410</b>

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
Reported EPS	137.6	82.3	150.2	160.0	198.5
Adjusted EPS	138.9	90.9	160.4	160.0	198.5
Dividend per share	34.0	22.7	40.1	40.0	49.6
Book value per share	613.0	647.7	735.9	849.2	989.8

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
EV/Sales	5.9	5.4	4.9	4.4	4.0
EV/EBITDA	30.6	38.9	27.7	24.4	20.9
Adjusted P/E	37.9	57.9	32.8	32.9	26.5
P/BV	8.6	8.1	7.2	6.2	5.3

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Tax burden (Net profit/PBT)	89.3	77.2	89.4	85.2	85.2
Interest burden (PBT/EBIT)	106.3	108.4	110.2	101.3	108.3
EBIT margin (EBIT/Revenue)	16.4	11.2	15.4	15.7	16.6
Asset turnover (Rev./Avg TA)	29.0	29.4	31.4	31.7	31.1
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.2	1.2	1.1
Adjusted ROAE	24.4	14.4	23.2	20.2	21.6

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
<b>YoY growth (%)</b>					
Revenue	20.0	9.1	9.2	11.7	9.3
EBITDA	5.7	(21.6)	39.5	13.3	15.4
Adjusted EPS	4.8	(34.5)	76.4	(0.2)	24.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	19.3	13.9	17.7	18.0	19.0
EBIT margin	16.4	11.2	15.4	15.7	16.6
Adjusted profit margin	15.6	9.4	15.1	13.5	15.3
Adjusted ROAE	24.4	14.4	23.2	20.2	21.6
ROCE	20.9	15.4	22.4	21.2	23.2
<b>Working capital days (days)</b>					
Receivables	65	67	66	65	65
Inventory	103	82	78	85	85
Payables	40	37	51	45	45
<b>Ratios (x)</b>					
Gross asset turnover	2.5	2.9	2.9	2.8	2.8
Current ratio	3.6	3.0	3.1	3.4	3.6
Net interest coverage ratio	33.4	12.1	17.3	19.3	28.0
Adjusted debt/equity	0.0	(0.2)	0.0	(0.3)	(0.4)

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



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

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**  
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**  
 SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**  
 Brand Name: **BOBCAPS**  
 Trade Name: **www.barodaetrade.com**  
 CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.  
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

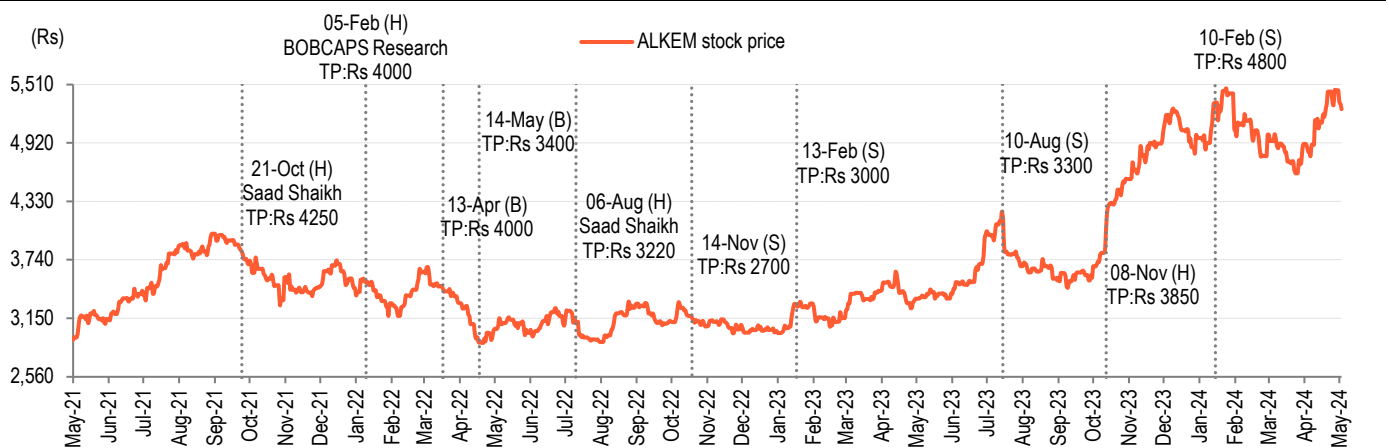
### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- BUY** – Expected return >+15%
- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ALKEM LABS (ALKEM 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.