SELL
TP: Rs 64 | ∀ 20%

ASHOK LEYLAND | Automobiles | 17 February 2020

Weak Q3FY20; recovery still some time away

Navin Matta | Nishant Chowhan, CFA
research@bobcaps.in

Ashok Leyland's (AL) Q3FY20 EBITDA missed estimates by 14% as weak demand and BS-IV inventory de-stocking hurt gross margins. This effect will continue to play out in Q4 as well. While AL hopes for H2FY21 CV demand recovery, it has begun to rationalise costs and prune recurring capex. We believe the CV upcycle, and hence a return to previous peaks, is some time away. At 21x FY22E EPS, current valuations are expensive. We cut FY20-FY22 EBITDA by 5-17% post the weak Q3 and revise our Mar'21 TP from Rs 68 to Rs 64.

Weak Q3: AL's topline declined 37% YoY to Rs 40.2bn due to weak volumes and an 11% YoY drop in ASPs on inferior tonnage mix and elevated discounts. Gross margins fell 450bps QoQ which management attributed to the de-stocking impact (that includes overheads). EBITDA declined 65% YoY to Rs 2.25bn with EBITDA margin contracting 470bps YoY and 20bps QoQ to 5.6%. Margin decline was partly restricted by a 37% sequential reduction in employee expenses on account of a reversal in bonus provision for 9MFY20.

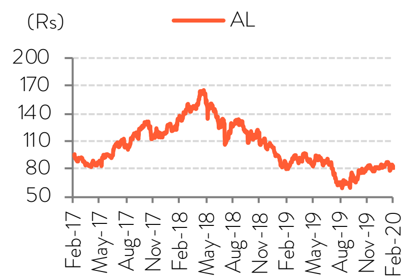
Aggressive cost and capex rationalisation plans: AL believes that demand could recover from Q3FY21 onwards, with hopes pegged on an economic recovery and a low base. Along with its de-risking strategy (aiming to grow LCVs, exports and defense), the company plans to restructure the organisation to remain profitable even with a lower revenue base (~Rs 180bn). AL has also pruned capex by Rs 7bn-8bn to Rs 12bn-13bn for FY20 and plans to reduce outlay to ~Rs 5bn/year (ex-new product development/investments) for ~3-4 years.

Maintain SELL: We cut FY20-FY22 EBITDA estimates by 5-17% to factor in the weak Q3 performance and below-expected volume push from pre-buying ahead of BS-VI transition. We remain negative on the CV cycle given the capacity overhang and potential impact from DFC commissioning.

Ticker/Price	AL IN/Rs 80
Market cap	US$ 3.3bn
Shares o/s	2,935mn
3M ADV	US$ 19.9mn
52wk high/low	Rs 98/Rs 57
Promoter/FPI/DII	51%/23%/10%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	263,564	290,550	196,713	224,900	250,497
EBITDA (Rs mn)	29,635	31,357	14,482	17,227	22,163
Adj. net profit (Rs mn)	17,405	20,292	6,054	7,555	10,957
Adj. EPS (Rs)	5.9	6.9	2.1	2.6	3.7
Adj. EPS growth (%)	41.1	16.6	(70.2)	24.8	45.0
Adj. ROAE (%)	24.0	24.4	7.1	8.5	11.8
Adj. P/E (x)	13.5	11.6	38.9	31.2	21.5
EV/EBITDA (x)	8.2	7.1	15.0	13.9	11.2

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda
Important disclosures, including any required research certifications, are provided at the end of this report.

FIG 1 – QUARTERLY PERFORMANCE – STANDALONE

Y/E Mar (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Net Revenues	**40,157**	**63,252**	**(36.5)**	**39,295**	**2.2**	**136,290**	**201,833**	**(32.5)**
Raw Materials	29,532	44,357	(33.4)	27,133	8.8	96,402	143,157	(32.7)
% of Net Sales	73.5	70.1	-	69.0	-	70.7	70.9	-
Personnel	2,728	5,001	(45.4)	4,321	(36.9)	12,053	15,104	(20.2)
% of Net Sales	6.8	7.9	-	11.0	-	8.8	7.5	-
Manufacturing & Other Exp	5,645	7,398	(23.7)	5,555	1.6	17,928	22,542	(20.5)
% of Net Sales	14.1	11.7	-	14.1	-	13.2	11.2	-
Total Expenditure	37,905	56,756	(33.2)	37,009	2.4	126,383	180,802	(30.1)
EBITDA	**2,252**	**6,496**	**(65.3)**	**2,286**	**(1.5)**	**9,907**	**21,031**	**(52.9)**
EBITDA Margin (%)	**5.6**	**10.3**	**-**	**5.8**	**-**	**7.3**	**10.4**	**-**
Depreciation	1,575	1,607	(2.0)	1,600	(1.6)	4,821	4,439	8.6
EBIT	**677**	**4,890**	**(86.2)**	**685**	**(1.2)**	**5,086**	**16,592**	**(69.3)**
Interest Expenses	337	192	75.7	301	11.8	764	481	58.6
Non-operating income	223	208	7.4	455	(50.9)	889	989	(10.1)
Extraordinary Expenses	22	61	NA	648	NA	871	367	NA
Extraordinary Income	0	(9)	NA	0	NA	0	(72)	NA
PBT	**542**	**4,836**	**(88.8)**	**191**	**183.5**	**4,340**	**16,661**	**(74.0)**
Tax-Total	264	1,027	(74.3)	(198)	(233.7)	1,372	4,556	(69.9)
Tax Rate (%) - Total	48.8	21.2	-	(103.4)	-	31.6	27.3	-
Reported PAT	**278**	**3,808**	**(92.7)**	**389**	**(28.6)**	**2,968**	**12,105**	**(75.5)**
Adj. PAT	**299**	**3,858**	**(92.2)**	**842**	**(65.3)**	**3,839**	**12,544**	**(69.4)**
PAT Margin	**0.7**	**6.1**	**-**	**2.1**	**-**	**2.8**	**6.2**	**-**

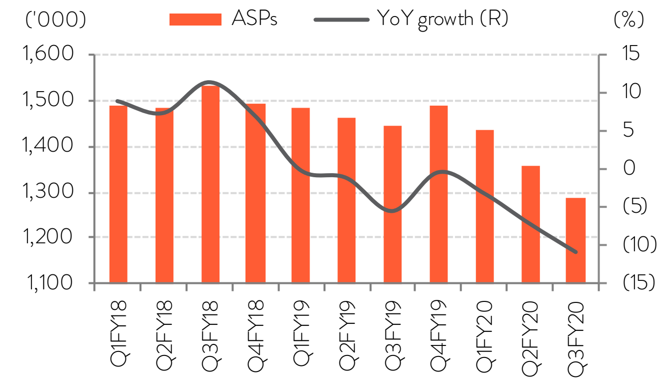
Source: Company, BOBCAPS Research

FIG 2 – PER UNIT PARAMETERS

(Rs)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Sales Volume (nos)	**31,200**	**43,760**	**(28.7)**	**28,938**	**7.8**	**99,746**	**137,847**	**(27.6)**
Net Realisation/Vehicle	1,287,067	1,445,439	(11.0)	1,357,903	(5.2)	1,366,372	1,464,185	(6.7)
Material cost/Vehicle	946,548	1,013,647	(6.6)	937,625	1.0	966,474	1,038,518	(6.9)
Gross Profit/Vehicle	340,519	431,792	(21.1)	420,278	(19.0)	399,898	425,667	(6.1)
Employee cost/Vehicle	87,433	114,276	(23.5)	149,326	(41.4)	120,841	109,572	10.3
Other expenses/Vehicle	180,923	169,063	7.0	191,962	(5.8)	179,735	163,526	9.9
EBITDA/Vehicle	72,163	148,453	(51.4)	78,990	(8.6)	99,322	152,568	(34.9)
Net Profit/Vehicle	9,360	88,154	(89.4)	29,109	(67.8)	38,491	91,001	(57.7)

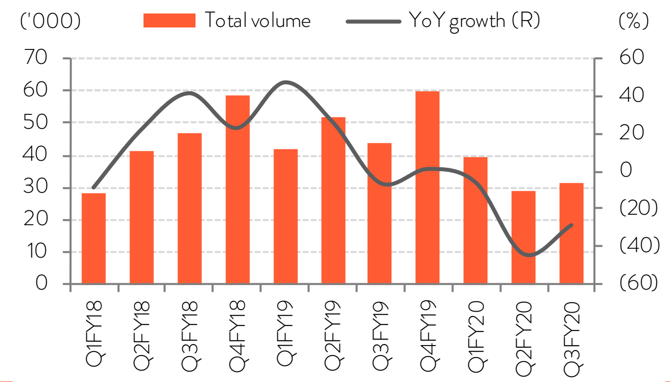
Source: Company, BOBCAPS Research

FIG 3 – AVERAGE SELLING PRICE (ASP)



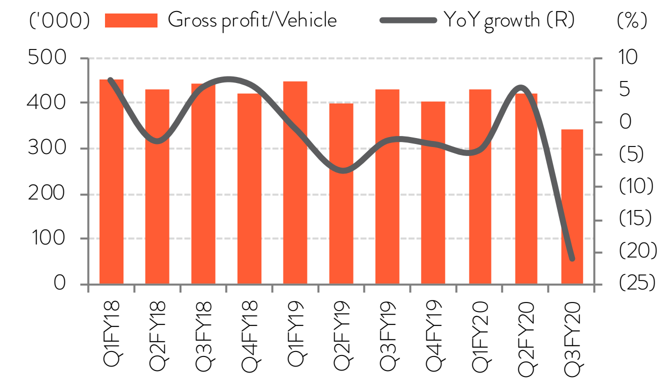
Source: Company, BOBCAPS Research

FIG 4 – VOLUME GROWTH TREND



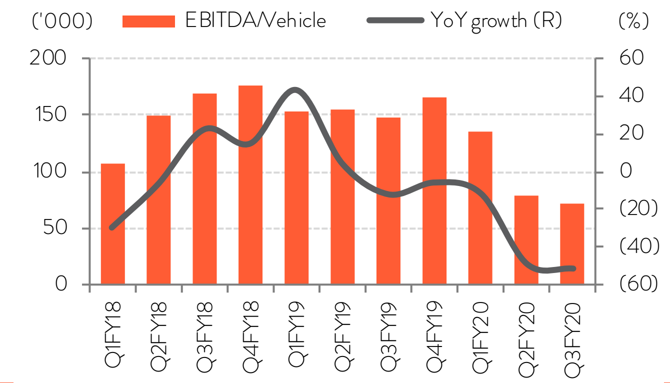
Source: SIAM, ET Autolytics, BOBCAPS Research

FIG 5 – GROSS PROFIT/VEHICLE



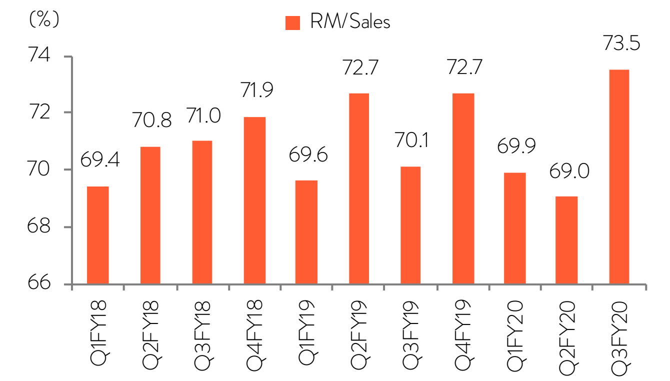
Source: BOBCAPS Research, Company

FIG 6 – EBITDA/VEHICLE



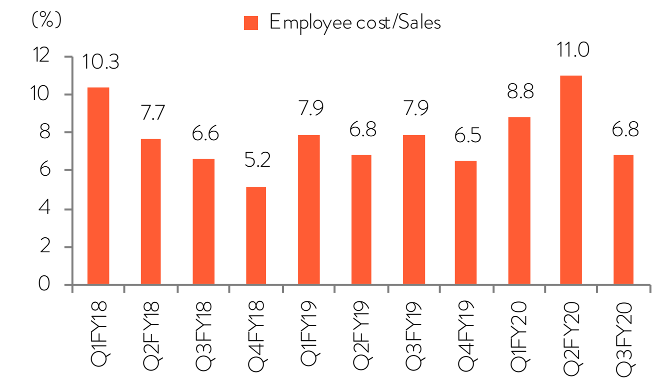
Source: BOBCAPS Research, Company

FIG 7 – RM COST/SALES TREND



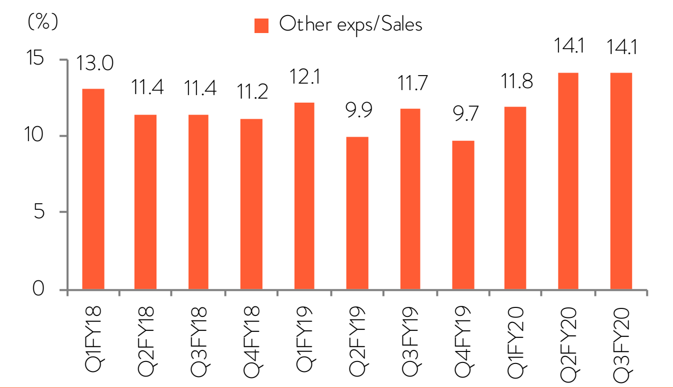
Source: Company, BOBCAPS Research

FIG 8 – EMPLOYEE COST/SALES TREND



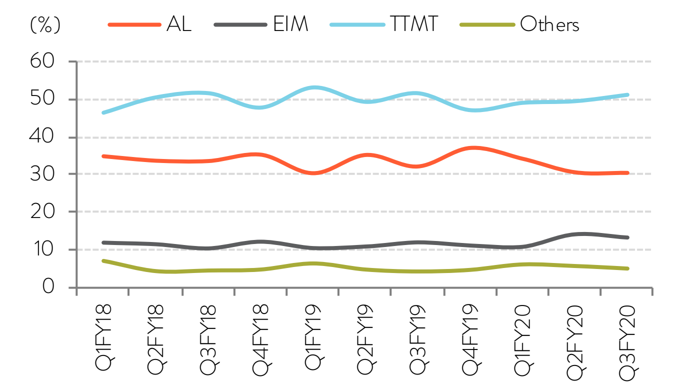
Source: Company, BOBCAPS Research

FIG 9 – OTHER EXPENSES/SALES TREND



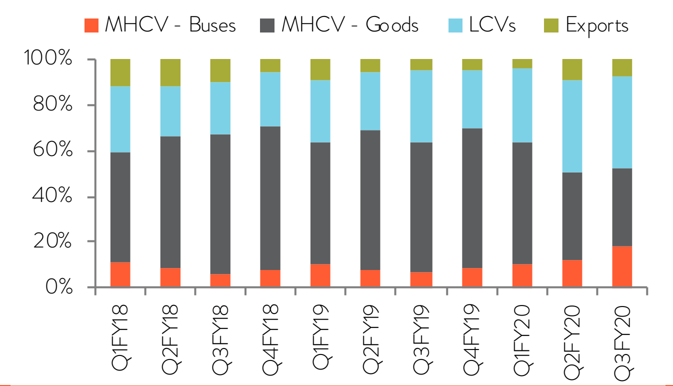
Source: Company, BOBCAPS Research

FIG 10 – MHCV MARKET SHARE TRENDS



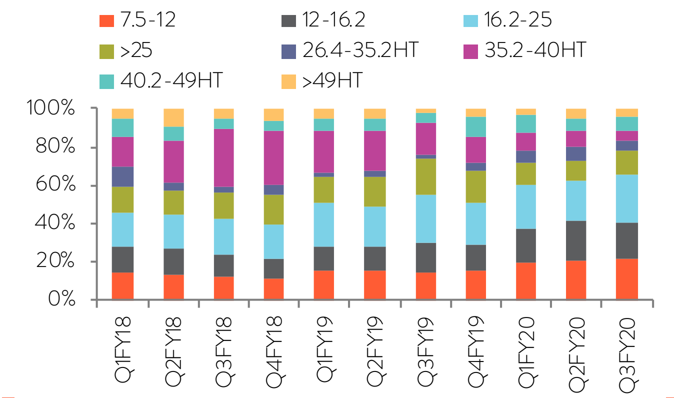
Source: SIAM, ET Autolytics, BOBCAPS Research

FIG 11 – AL'S VOLUME MIX – SEGMENT-WISE



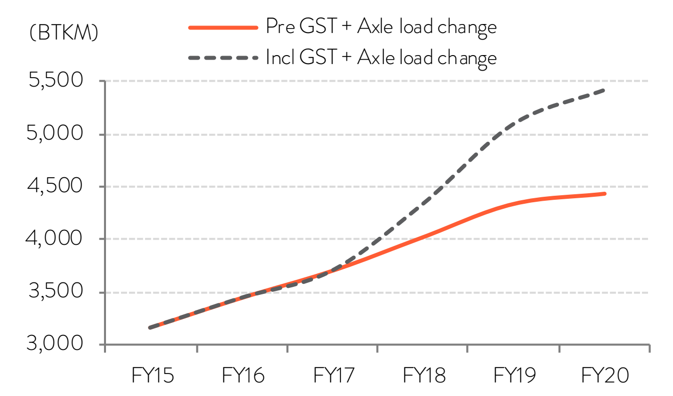
Source: SIAM, ET Autolytics, BOBCAPS Research

FIG 12 – AL'S DOMESTIC MHCV MIX – TONNAGE-WISE



Source: Company, BOBCAPS Research | Note: HT= Haulage tractors

FIG 13 – ESTIMATED BTKM FOR MHCV TRUCKS



Source: SIAM, ET Autolytics, BOBCAPS Research, Ministy of Road transport & Highways

FIG 14 – DFC COMMISSIONING FROM NEXT YEAR POSES ADDITIONAL HEADWIND FOR MHCVs

Particulars	FY19	FY26E (ex-DFC)	CAGR (%)	FY26E (DFC)	CAGR (%)
NKTM (mn) on route impacted by WDFC	157,346	189,758	3	324,803	11
NKTM (mn) on route impacted by EDFC	106,618	128,581	3	220,087	11
NTKM on West and East routes relevant to DFC (mn)	263,964	318,339	3	544,890	11
Remaining routes NTKM (mn)	437,420	527,525	3	527,525	3
Total NTKM by on Rail (mn)	701,384	845,864	3	1,072,415	6
Incremental freight NTKM due to DFC (mn)	-	-	-	226,551	-
Potential truck volumes impacted (nos)	**-**	**-**	**-**	**152,560**	**-**

Source: Indian Railways, BOBCAPS Research

Earnings call highlights

- Management expects demand to be weak in Q1FY21 and flattish in Q2, with an uptick only in Q3/Q4 of FY21.
- MHCV inventory currently stands at 6,400 units (3,000 with dealers and 3,400 with AL). LCV inventory is at 10 days.
- Average discounts on MHCVs remained high at Rs 525k in Q3FY20.
- AL has begun test production of BS-VI vehicles and will start commercial production from Apr'20. Fully built BS-IV vehicle production would continue till the end of Mar'20 and production for front-end structures will be carried on till February-end.
- Since AL has indirect exposure to China in terms of sourcing its raw materials and certain parts, management foresees potential supply-side disruptions due to the ongoing coronavirus epidemic.
- Capex spent in 9MFY20 stood at Rs 9.6bn and AL has earmarked a total outlay of Rs 12bn-13bn for FY20, lower than its earlier guidance of Rs 20bn. Investments made in 9MFY20 totalled Rs 580mn and the company plans to invest another Rs 500mn-600mn in Q4FY20. AL has guided for routine annual capex of Rs 4bn-5bn for the next four years (which excludes investments and capex towards product development).
- Current debt stands at ~ Rs 20bn (against Rs 27bn in Q2FY20). Long-term debt is at Rs 10bn.
- The company aims to expand its exports business by 20% in FY21 on the back of healthy growth in Africa and Sri Lanka, along with revival in Bangladesh (which saw low sales in FY20).
- Hinduja Leyland Finance (HLF) is guided to have a Rs 270bn book by FY20-end (~15% YoY growth). Close to 50% of the book is towards domestic trucks.
- Repossession of CVs is at elevated levels but is not yet alarming, as per management.
- In terms of the government's proposed scrappage policy, management believes that unless material incentives are provided to encourage disposal of older vehicles, the scheme will not have a large positive impact on volumes.

Valuation methodology

We cut FY20-FY22 EBITDA estimates by 5-17% to factor in the weak Q3FY20 performance and below-expected pre-buying volumes ahead of BS-VI transition. Consensus has baked in a sharp earnings recovery for AL from FY21 which we think is premature. The stock has risen ~40% in the past 4-5 months on hopes of a scrappage scheme being rolled out. Even if it were announced soon, we see low probability of any substantial volume boost from the scheme.

Valuations at 31x/21x FY21E/FY22E EPS are not cheap considering impending headwinds from BS-VI and DFC commissioning. We maintain SELL with a revised Mar'21 target price of Rs 64 (earlier Rs 68), based on 17x FY22E EPS.

FIG 15 – REVISED ESTIMATES

Change (%)	FY20E	FY21E	FY22E
Volume	(5.0)	(0.4)	(0.3)
Income	(4.6)	(1.2)	(1.2)
EBITDA	(17.4)	(5.2)	(5.3)
EBITDA Margin (bps)	(110)	(30)	(40)
Profit	(27.6)	(7.4)	(6.4)
EPS (Rs)	(27.6)	(7.4)	(6.4)

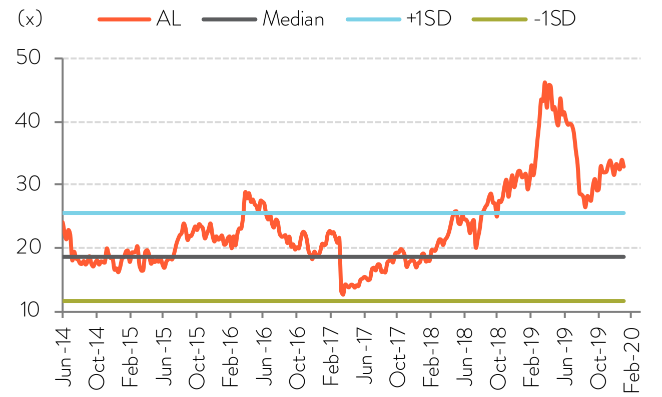
Source: BOBCAPS Research

FIG 16 – KEY VOLUME ASSUMPTIONS

	FY20E	FY21E	FY22E
Total volumes	**141,346**	**147,476**	**162,691**
YoY growth (%)	(28)	4	10
Domestic	**131,547**	**136,661**	**150,287**
YoY growth (%)	(29)	4	10
MHCVs	80,862	88,386	98,585
YoY growth (%)	(39)	9	12
LCVs	50,684	48,274	51,702
YoY growth (%)	(5)	(5)	7
Exports	**9,799**	**10,816**	**12,404**
YoY growth (%)	(20)	10	15

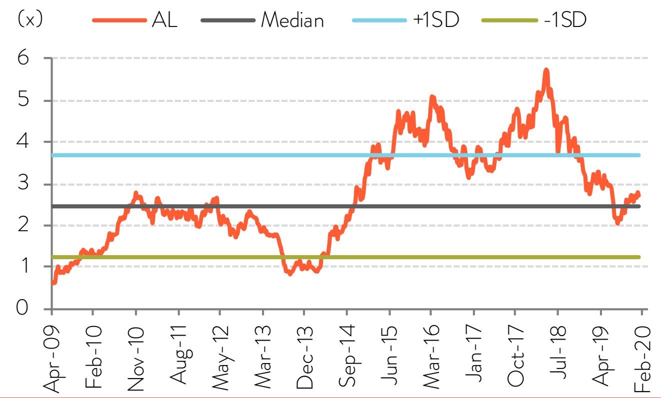
Source: Company, BOBCAPS Research

FIG 17 – P/E MULTIPLE



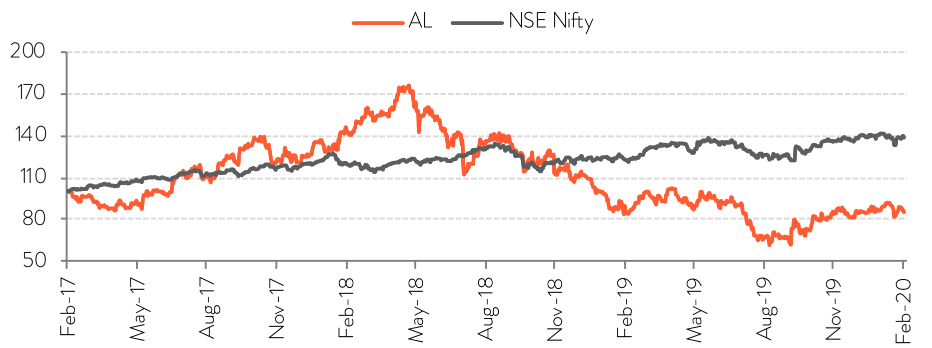
Source: Company, BOBCAPS Research

FIG 18 – P/B MULTIPLE



Source: Company, BOBCAPS Research

FIG 19 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- A scrappage scheme with significant government support in the form of large incentives for fleet replacement could lend a short-term boost to CV demand.
- Economic recovery backed by additional fiscal stimulus from the government could drive a faster-than-expected revival in CV volumes.
- Delay in DFC commissioning could defer the potential volume shift from road to rail.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	**263,564**	**290,550**	**196,713**	**224,900**	**250,497**
EBITDA	29,635	31,357	14,482	17,227	22,163
Depreciation	5,985	6,210	6,471	7,063	7,570
EBIT	23,650	25,147	8,011	10,164	14,593
Net interest income/(expenses)	(1,473)	(704)	(1,030)	(1,311)	(1,311)
Other income/(expenses)	1,966	1,099	1,155	1,301	1,445
Exceptional items	(285)	(575)	(871)	0	0
EBT	23,858	24,968	7,265	10,154	14,727
Income taxes	6,681	5,136	2,083	2,599	3,770
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	**17,177**	**19,832**	**5,183**	**7,555**	**10,957**
Adjustments	228	460	871	0	0
Adjusted net profit	**17,405**	**20,292**	**6,054**	**7,555**	**10,957**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	48,879	50,189	26,348	38,609	43,042
Other current liabilities	25,971	29,353	20,547	20,547	20,547
Provisions	10,635	10,524	10,524	10,524	10,524
Debt funds	12,438	6,356	16,356	16,356	16,356
Other liabilities	0	0	0	0	0
Equity capital	2,927	2,936	2,936	2,936	2,936
Reserves & surplus	69,528	80,389	82,568	85,706	90,303
Shareholders' fund	72,455	83,324	85,504	88,642	93,239
Total liabilities and equities	**170,378**	**179,747**	**159,279**	**174,678**	**183,708**
Cash and cash eq.	41,973	13,736	1,011	7,335	9,489
Accounts receivables	9,448	25,055	18,444	21,114	22,866
Inventories	17,583	26,847	17,917	21,114	23,539
Other current assets	20,138	27,520	27,790	28,060	28,330
Investments	24,515	26,365	27,365	29,365	31,365
Net fixed assets	55,480	56,145	62,674	63,611	64,041
CWIP	4,226	6,576	6,576	6,576	6,576
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(2,986)	(2,497)	(2,497)	(2,497)	(2,497)
Other assets	0	0	0	0	0
Total assets	**170,378**	**179,747**	**159,279**	**174,678**	**183,708**

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	23,162	26,042	11,654	14,618	18,527
Interest expenses	1,473	704	1,030	1,311	1,311
Non-cash adjustments	1,717	(488)	0	0	0
Changes in working capital	32,915	(27,671)	(17,376)	6,123	(13)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	**59,266**	**(1,413)**	**(4,692)**	**22,051**	**19,825**
Capital expenditures	(13,924)	(9,225)	(13,000)	(8,000)	(8,000)
Change in investments	(4,444)	(1,850)	(1,000)	(2,000)	(2,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(18,368)**	**(11,075)**	**(14,000)**	**(10,000)**	**(10,000)**
Equities issued/Others	81	8	0	0	0
Debt raised/repaid	(9,307)	(6,082)	10,000	0	0
Interest expenses	(1,473)	(704)	(1,030)	(1,311)	(1,311)
Dividends paid	(8,598)	(10,971)	(3,003)	(4,416)	(6,360)
Other financing cash flows	2,535	1,999	0	0	0
Cash flow from financing	**(16,762)**	**(15,749)**	**5,967**	**(5,727)**	**(7,671)**
Changes in cash and cash eq.	**24,136**	**(28,237)**	**(12,725)**	**6,324**	**2,154**
Closing cash and cash eq.	**41,973**	**13,736**	**1,011**	**7,335**	**9,489**

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	5.9	6.8	1.8	2.6	3.7
Adjusted EPS	5.9	6.9	2.1	2.6	3.7
Dividend per share	2.4	3.1	0.9	1.3	1.8
Book value per share	24.8	28.4	29.1	30.2	31.8

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	0.9	0.8	1.1	1.1	1.0
EV/EBITDA	8.2	7.1	15.0	13.9	11.2
Adjusted P/E	13.5	11.6	38.9	31.2	21.5
P/BV	3.2	2.8	2.8	2.7	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	72.0	79.4	71.3	74.4	74.4
Interest burden (PBT/EBIT)	100.9	99.3	90.7	99.9	100.9
EBIT margin (EBIT/Revenue)	9.0	8.7	4.1	4.5	5.8
Asset turnover (Revenue/Avg TA)	170.3	166.0	116.0	134.7	139.8
Leverage (Avg TA/Avg Equity)	231.5	224.8	200.8	191.8	197.0
Adjusted ROAE	24.0	24.4	7.1	8.5	11.8

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

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	30.9	10.2	(32.3)	14.3	11.4
EBITDA	34.6	5.8	(53.8)	19.0	28.7
Adjusted EPS	41.1	16.6	(70.2)	24.8	45.0
Profitability & Return ratios (%)					
EBITDA margin	11.2	10.8	7.4	7.7	8.8
EBIT margin	9.0	8.7	4.1	4.5	5.8
Adjusted profit margin	6.6	7.0	3.1	3.4	4.4
Adjusted ROAE	24.0	24.4	7.1	8.5	11.8
ROCE	29.1	28.5	8.8	10.7	14.3
Working capital days (days)					
Receivables	13	31	34	34	33
Inventory	24	34	33	34	34
Payables	68	63	49	63	63
Ratios (x)					
Gross asset turnover	3.0	3.1	1.8	2.0	2.2
Current ratio	1.0	1.0	1.1	1.1	1.1
Net interest coverage ratio	16.1	35.7	7.8	7.8	11.1
Adjusted debt/equity	(0.4)	(0.1)	0.2	0.1	0.1

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

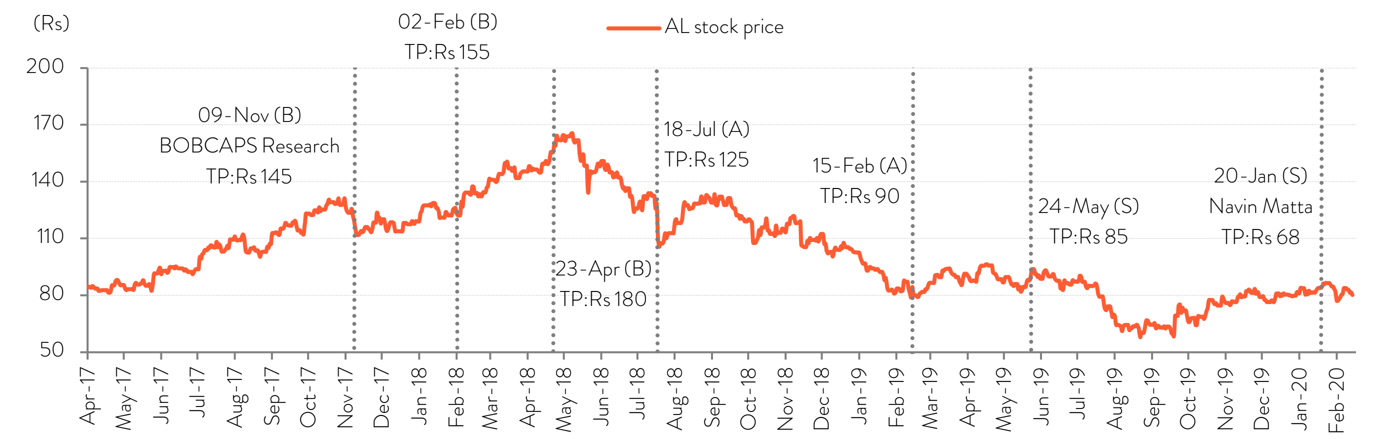
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: ASHOK LEYLAND (AL IN)



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

Rating distribution

As of 31 January 2020, out of 85 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 50 have BUY ratings, 18 are rated ADD, 8 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

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.: INH000000040 valid till 03 February 2020. 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 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.