

Another soft quarter on poor demand and intense competition

- **Tepid quarter on intense competition in a weak demand environment; pipe segment remains the best performer, wood panel the worst**
- **Near-term pain to persist; positive medium-term outlook is captured well in the current expensive valuations**
- **Positive on select names (SOMC, MTLM, HINDWARE) that carry strong earnings prospects with reasonable valuations**

Utkarsh Nopany
 research@bobcaps.in

Tepid quarter: Our building materials universe revenue grew at +8.3% YoY in Q4FY24, but EBITDA de-grew by 5.2% YoY in Q4FY24 due to margin pressure seen across segments on increased competitive intensity in a weak demand environment. Sector-wise, plastic pipe performed relatively better again as it plays a part in the early stage of the real estate construction cycle, and due to improved demand from agriculture and infrastructure sectors, whereas the wood panel sector performed the worst due to steep margin pressure in MDF. Company-wise, SI fared the best in plastic pipes, SOMC in tiles and MTLM in wood panels.

Pipes: Despite a healthy demand environment (volume up 28.1% YoY), our pipe universe EBITDA de-grew by 6.4% in Q4FY24 due to sharp margin contraction (-276bps YoY to 16.2%) on account of the rise of competitive intensity in the sector as well as MTM inventory gain booked last year.

Bathware: Our bathware universe revenue grew at a muted pace (+3.1% YoY) for the fourth consecutive quarter, but EBITDA grew by 6.5% YoY in Q4FY24 mainly on account of rationalisation of advertisement spend.

Tiles: Our tile universe EBITDA was relatively flat (+1.2% YoY) in Q4FY24 due to tepid volumes (+6.1%) and margin contraction (-45bps YoY to 11.0%) on increased competition from Morbi players in a weak market environment.

Wood panels: Our wood panel universe EBITDA contracted (-5.1% YoY) for the seventh straight quarter due to muted demand and margin stress across segments resulting from supply-side pressures and elevated timber prices.

Positive on selective BM stocks: We are quite positive on the fundamental outlook of the building materials (BM) sector over the medium term, but we maintain our cautious view on most of our coverage stocks due to expensive valuations (our BM universe is trading at 45.5x on 1Y forward P/E vs 5Y average of 33.7x). We are positive on select names (SOMC, MTLM and HINDWARE), where we see relatively better earnings prospects and reasonable valuations.

Recommendation snapshot

Ticker	Price	Target	Rating
APOLP IN	668	650	HOLD
ASTRA IN	2,149	2,200	HOLD
CPBI IN	671	700	HOLD
CRS IN	7,154	7,700	HOLD
FNXP IN	342	265	HOLD
GREENP IN	295	340	HOLD
GRLM IN	568	550	HOLD
HINDWARE IN	371	600	BUY
KJC IN	1,210	1,400	BUY
MTLM IN	268	320	BUY
PRINCPIN IN	614	750	HOLD
SI IN	5,730	4,650	HOLD
SOMC IN	722	900	BUY

Price & Target in Rupees | Price as of 6 Jun 2024



Building Materials: Q4FY24 review

Tepid quarter on poor demand and intense competition

Our BM universe revenue grew at +8.3% YoY in Q4FY24. Plastic pipe sector saw good recovery in demand on a sequential basis whereas the demand for other building material products remained subdued in Q4FY24. Our BM universe EBITDA de-grew by 5.2% YoY in Q4FY24 due to margin pressure seen across segments resulting from increased competitive intensity. Sector-wise, plastic pipe again performed relatively better as it plays a part in the early stage of real estate construction cycle and improved demand from the agriculture and infrastructure sectors, whereas the wood panel sector performed the worst again due to steep margin pressures in MDF. Company-wise, SI fared the best in plastic pipes, SOMC in tiles and MTLM in wood panels.

Our view: We are quite positive on the fundamental outlook of the building materials sector over the medium term due to the recovery in India's real estate sector. However, we maintain our cautious view on most of our coverage stocks as their valuations are expensive (our BM universe is trading at 45.5x on 1Y forward P/E vs 5Y average of 33.7x). We are positive on select names (SOMC, MTLM and HINDWARE), where we see relatively better earnings prospects and reasonable valuations.

Pipes: Strong demand; but margin pressure on intense competition

Q4FY24 review: Our pipe universe volumes grew sharply by 28.1% YoY (5Y CAGR: +9.6%) in Q4FY24, driven by strong demand across applications (i.e. agriculture, real estate and infrastructure). However, our pipe universe's consolidated EBITDA de-grew by 6.4% YoY in Q4FY24 due to sharp margin contraction (-276bps YoY to 16.2%) due to increased competitive intensity in the sector and MTM inventory gain booked last year. On a sequential basis, our pipe universe EBITDA per unit rose by 11.4% QoQ to Rs 21.3/kg in Q4FY24 driven by favourable resin prices and operating leverage benefits. In our coverage, SI continued to gain market share for the ninth consecutive quarter, whereas APOLP continued to lose ground for the second straight quarter.

Outlook: Domestic PVC resin prices moved up by 9% in Q1FY25 (till date) over Mar'24. This is likely to positively impact the plastic pipe industry demand (due to restocking of inventories) and margin (due to MTM inventory gain) in the near future as seen in the past. Over the medium term, we expect our pipe universe volumes to log a healthy 17% CAGR over FY24-FY26 on a strong base (+24% CAGR over FY22-FY24) given improved affordability due to low resin prices (for agriculture pipes), pickup in real estate activity and higher government spend on infrastructure.

Our view: We maintain our cautious stance on the plastic pipe's space as we believe the positive outlook is captured well in the current valuations (our pipe universe is trading at 51.6x on 1Y forward P/E – a steep premium to its 5Y average of 35.8x).

Bathware: Weak quarter on soft demand

Our bathware universe revenue grew at a muted pace (+3.1% YoY) for the fourth consecutive quarter due to a weak demand environment. However, our universe EBITDA grew by 6.5% YoY in Q4FY24 due to margin expansion (+53bps YoY to 16.4%) mainly on account of rationalisation of advertisements spend.

Outlook: We expect the bathware industry's demand environment to improve from H2FY25 in anticipation of increase in pace of completion of ongoing real estate projects undertaken over the past two to three years. Note that more than 70-80% of bathware product demand comes from new construction activities.

Our view: We continue to prefer HINDWARE over CRS as (a) it has been gaining market share in bathware over CRS in the past three years; (b) better allocation of cash flow of bathware business to aggressively grow its presence in plastic pipe sector (whereas there is no concrete cash usage plan by CRS); and (c) it has relatively better earnings growth prospects along with reasonable valuations (HINDWARE is trading at 24.7x on 1Y forward P/E vs 5Y average of 41.6x).

Tiles: Weak quarter on muted demand & intense competition from Morbi

Our tile universe EBITDA was relatively flat (+1.2% YoY) in Q4FY24 due to tepid volumes (+6.1%) and margin contraction (-45bps YoY to 11.0%) on account of increased competition from Morbi players in weak market conditions. Tiles realisation fell by 2.6% YoY/1.1% QoQ in Q4FY24. Among the top three tile companies, SOMC's performance was the outlier in Q4FY24 as it gained market share by posting better volume growth (SOMC: +7.3% YoY; Johnson: +5.5%; KJC: +5.5%) and witnessed an improved margin profile in a challenging environment (SOMC: +180bps YoY to 10.8%; KJC: -74bps YoY to 13.9%; Johnson: -206bps YoY to 6.2%).

Outlook: We expect the tile sector demand environment to improve from H2FY25 due to increase in pace of completion of real estate projects and recovery in exports. Tiles realisation appears to have bottomed, but the imposition of anti-dumping duty on Indian tile products by the US may dampen the pricing environment in the near future.

Our view: We maintain KJC's rating at BUY post its Q4FY24 results as its valuation has now become reasonable after a steep correction in its stock price over the past few months (stock trading at 37.3x on 1Y forward P/E vs 5Y average of 39.2x). However, SOMC remains our preferred name in the tiles space as we see (a) scope of better volume growth prospects in the near future on the back of completion of growth capex projects (SOMC operated at 86% vs 96% for KJC in FY24); (b) good scope for margin improvement (to around 11% in FY26 from 9.8% in FY24) due to a rising share of high-margin glazed vitrified tile (GVT) products and operating leverage benefits; and (c) reasonable valuations (SOMC is trading at 24.8x on 1Y forward P/E – near its 5Y average of 23.5x), despite sharp improvement in its return ratio profile (ROIC to improve to 20.4% over FY25-FY26 vs 5Y average of 12.8%).

Wood panels: Weak quarter on excess supply and high timber prices

Our wood panel universe EBITDA contracted (-5.1% YoY) for the seventh straight quarter due to muted demand and margin stress across segments resulting from supply-side pressures and elevated timber prices. Within our universe, MTLM reported sharp growth in operating profit (+21% YoY) again due to market share gain in plywood and fast ramp-up of its MDF plant, whereas GREENP’s EBITDA contracted sharply (-33% YoY) due to severe margin pressure in the MDF segment.

Outlook: We expect wood panel demand in the domestic market to improve from H2FY25, but we maintain our cautious stance on this space as we believe industry margin may remain under pressure in anticipation of pricing pressure from large capacity additions in the domestic market (particularly in MDF and particleboard) over the next two years as well as expensive valuations (our wood panel universe is trading at 36.9x on 1Y forward P/E vs 5Y average of 26.7x), despite moderation in the return ratio profiles (ROIC to decline to 16.5% over FY25-FY26 vs 5Y average of 21.3%).

Our view: MTLM remains our only preference in the wood panel space given (a) market share gains in its core plywood segment following better revenue growth (MTLM: +15% YoY; CPBI: +5%) in Q4; (b) fast ramp-up of the MDF plant in a challenging environment where the industry leader is struggling to grow its volume; (c) divestment of its controlling stake in the loss-making subsidiary in Gabon; (d) entry into a fast-growing and profitable furniture fitting business; and (e) strong earnings growth prospects (we expect EPS to post 51% CAGR over FY24-FY26) with reasonable valuations (trading at 23.9x on 1Y forward P/E vs 5Y average of 22.7x).

Fig 1 – Building Materials universe earnings snapshot – Q4FY24

Particulars (%)	Revenue Growth (YoY)	EBITDA Growth (YoY)	Revenue Growth 5Y CAGR trend				EBITDA Growth 5Y CAGR trend			
	Q4FY24	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY24	Q2FY24	Q3FY24	Q4FY24
SI	15.8	2.2	12.0	11.8	11.7	14.5	11.6	10.4	16.6	19.4
ASTRA	7.9	(5.6)	21.9	16.9	16.8	16.0	21.1	18.5	17.0	19.6
FNXP	8.3	(3.9)	7.3	10.2	6.1	5.1	(4.7)	(3.8)	(2.9)	7.4
PRINCIPIP	(3.2)	(37.8)	11.0	11.3	11.4	8.2	8.2	12.6	11.8	9.6
APOLP	1.5	(13.6)	20.8	24.2	20.5	23.4	15.0	27.9	18.7	19.2
Pipe (excludes non-pipe)	10.6	(6.1)	15.2	15.3	14.1	13.7	18.2	20.3	16.6	19.5
Pipes (consolidated)	9.6	(6.4)	12.9	13.1	11.8	12.2	8.3	10.0	11.7	15.6
CRS	3.1	8.9	13.5	9.8	5.7	7.4	13.5	9.8	5.7	7.4
HINDWARE	0.8	(32.3)	NA	NA	2.2	18.6	NA	NA	2.2	18.6
Bathware (consolidated)	1.7	(11.1)	NA	NA	4.0	10.8	NA	NA	4.0	10.8
KJC	3.0	(2.2)	10.1	9.1	8.7	8.8	11.8	10.5	8.1	6.9
SOMC	8.6	30.3	9.0	10.9	7.5	7.3	10.0	19.3	11.0	2.4
Tiles	5.0	6.1	9.7	9.7	8.3	8.2	11.4	12.5	8.8	5.4
CPBI	9.9	(9.4)	10.4	12.0	10.1	12.4	8.8	17.7	8.5	13.2
GRLM	16.9	12.8	12.3	13.6	12.4	11.6	13.8	14.0	11.6	13.5
MTLM	27.8	21.2	9.0	10.9	12.2	8.9	7.7	7.7	7.4	3.6
GREENP	(10.2)	(32.7)	24.4	24.4	19.0	17.8	22.8	65.6	16.6	20.4
Wood Panel	11.3	(5.8)	12.3	13.6	12.3	12.0	12.2	18.7	10.4	12.1
BM universe	8.3	(5.2)	12.0	12.2	11.0	11.0	9.9	12.1	10.2	12.8

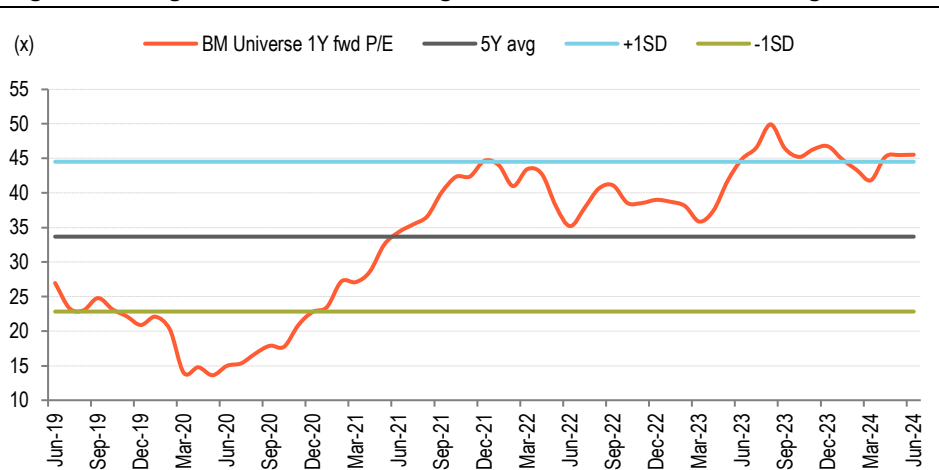
Source: Company, BOBCAPS Research

Fig 2 – Building Materials universe – Relative valuation

Particulars	Revenue	Historical (%)			Future (%)			Valuation		
	(Rs bn)	Revenue	EBITDA	ROIC	Revenue	EBITDA	ROIC	P/E (x)		
	FY24	5Y CAGR (FY19-FY24)	5Y avg (FY20-FY24)	2Y CAGR (FY24-FY26E)	2Y avg (FY25E-FY26E)	FY25E	FY26E	5Y avg		
SI	101	12.5	14.5	40.1	16.8	19.0	45.4	54.3	47.5	29.1
ASTRA	56	17.6	19.0	32.1	19.1	23.4	34.5	82.8	67.3	69.3
FNXP	43	6.9	(0.7)	41.5	11.9	26.0	45.1	31.0	27.2	19.4
PRINCPIP	26	10.4	11.6	25.0	15.6	22.5	17.1	32.4	24.0	32.6
APOLP	10	22.2	19.6	15.7	33.4	34.6	14.7	40.5	32.5	41.1
Pipes		12.4	11.1	30.9	16.0	23.8	31.4	48.2	39.7	38.3
CRS	19	6.8	8.8	37.3	10.0	7.7	50.1	34.2	31.4	32.4
HINDWARE	28	10.9	13.9	16.9	11.3	31.4	19.4	28.6	17.6	41.6
Bathware		9.1	10.9	27.1	10.8	19.9	34.7	31.4	24.5	37.0
KJC	46	9.1	9.3	25.3	12.3	14.3	26.4	38.7	33.8	39.2
SOMC	26	8.6	8.9	12.8	7.6	11.9	20.4	27.1	19.8	23.5
Tiles		11.3	11.6	19.0	10.6	13.7	23.4	32.9	26.8	31.3
CPBI	39	11.2	11.2	26.1	13.7	17.1	15.5	47.5	37.2	30.0
GRLM	23	12.5	12.9	19.5	19.4	23.9	14.3	52.6	34.8	32.3
MTLM	22	9.1	4.3	18.8	12.2	27.9	17.0	26.4	18.6	22.7
GREENP	16	21.2	26.0	20.7	12.4	19.9	19.0	26.2	17.1	19.3
Wood Panel		12.3	12.4	21.3	14.5	20.9	16.5	38.2	26.9	26.1
BM Universe		11.5	11.3	24.6	14.9	20.4	26.5	37.6	29.5	33.7

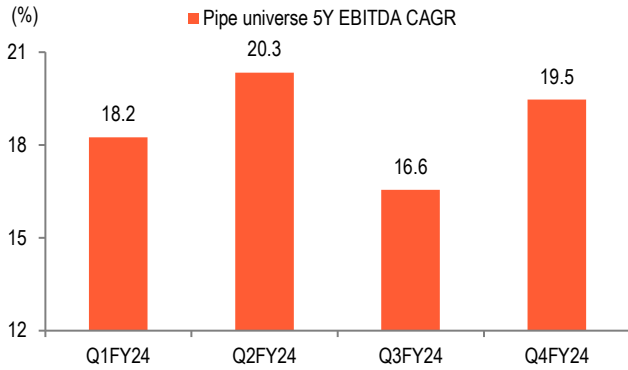
Source: Company, BOBCAPS Research

Fig 3 – Building Materials sector trading at 45.5x on 1Y fwd P/E vs 5Y avg of 33.7x



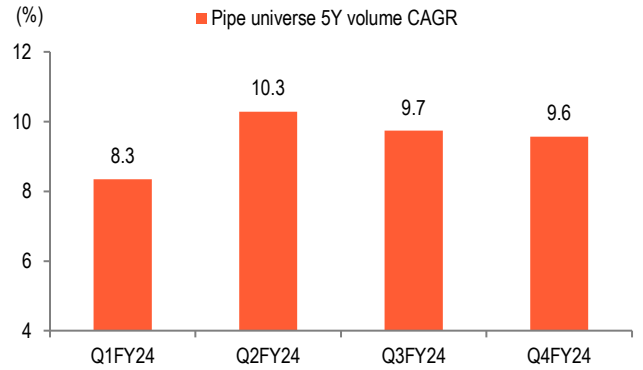
Source: Bloomberg, BOBCAPS Research

Fig 4 – Pipe universe EBITDA de-grew by 6.1% YoY, but grew at a healthy 19.5% on 5Y CAGR basis in Q4FY24



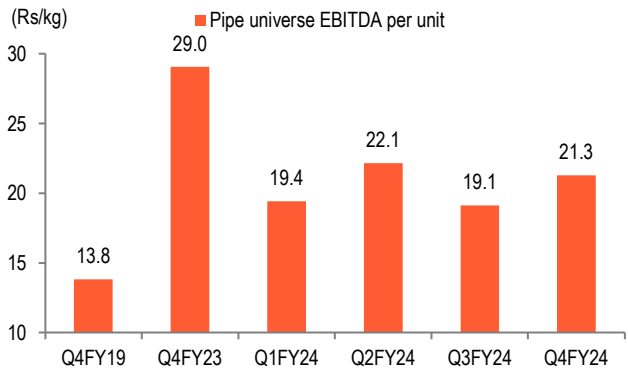
Source: Company, BOBCAPS Research; excludes profit from non-pipe segment

Fig 5 – Pipe volumes grew at 28.1% YoY and 9.6% on a 5Y CAGR basis in Q4FY24



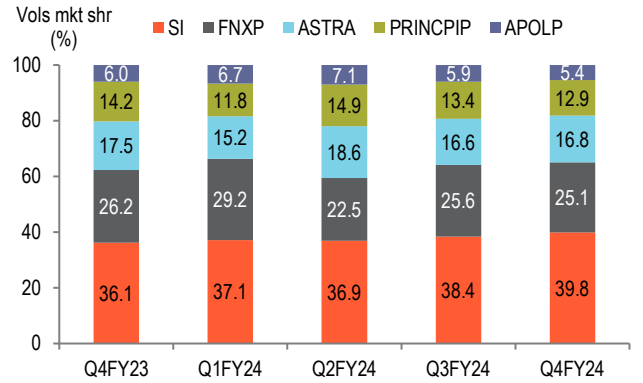
Source: Company, BOBCAPS Research

Fig 6 – Pipe EBITDA per unit was down on YoY basis, but up sharply in Q4FY24 over pre-COVID level



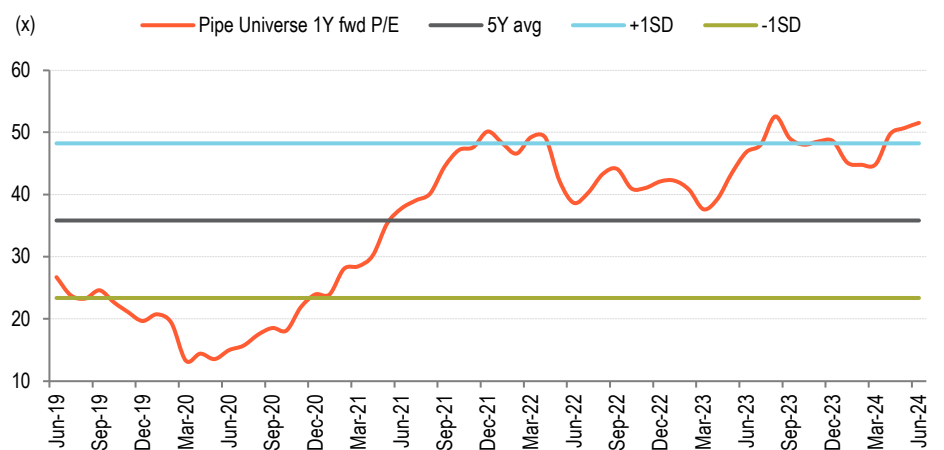
Source: Company, BOBCAPS Research

Fig 7 – In our pipe universe, SI continued to gain market share, whereas APOLP lost market share in Q4FY24



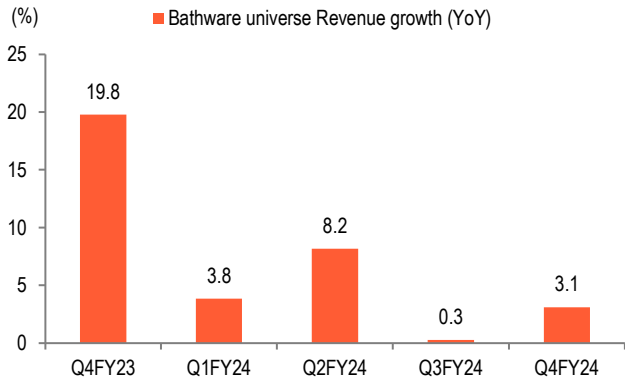
Source: Company, BOBCAPS Research

Fig 8 – Pipe universe trading at 51.6x on 1Y fwd P/E vs 5Y avg of 35.8x



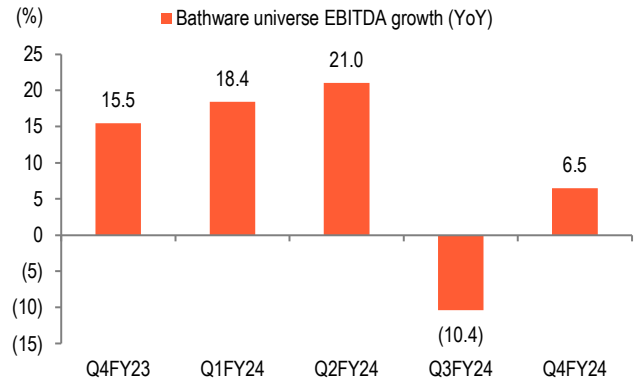
Source: Bloomberg, BOBCAPS Research

Fig 9 – Bathware universe revenue grew at a slow pace for the fourth consecutive quarter in Q4FY24



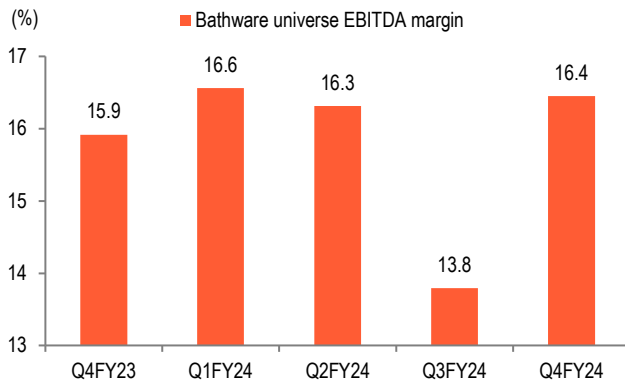
Source: Company, BOBCAPS Research

Fig 10 – However, our bathware universe EBITDA was up 6.5% YoY in Q4FY24...



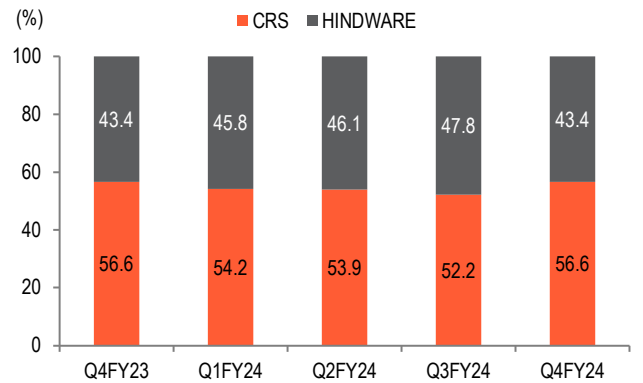
Source: Company, BOBCAPS Research

Fig 11 – ...due to margin expansion on account of rationalisation of advertisement expenditure



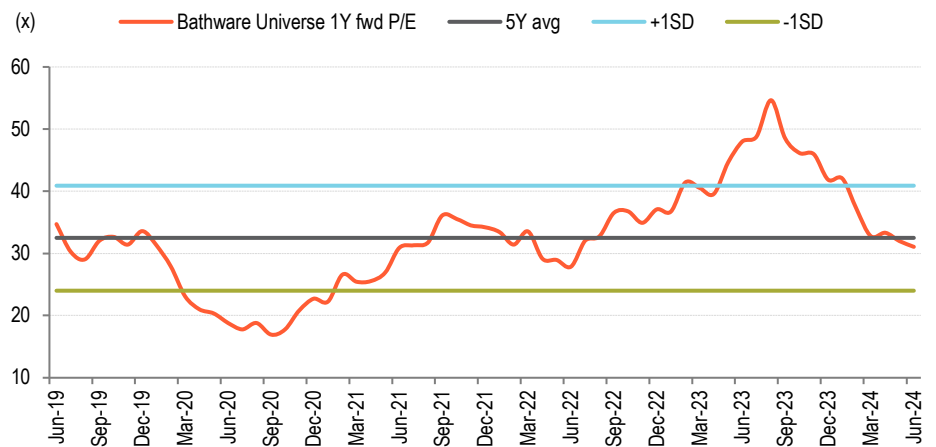
Source: Company, BOBCAPS Research

Fig 12 – CRS and HINDWARE bathware revenue market shares were flat on YoY basis in Q4FY24



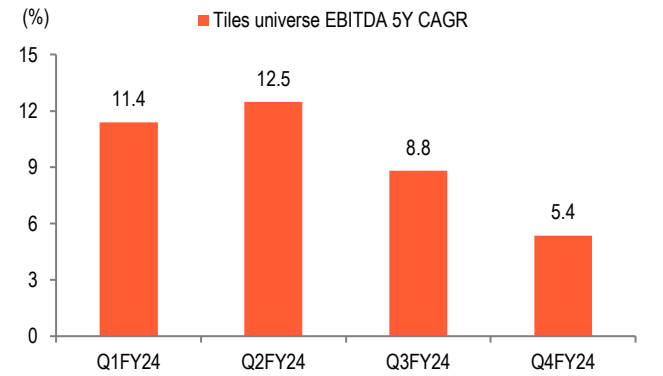
Source: Company, BOBCAPS Research

Fig 13 – Bathware universe trading at 31.0x on 1Y fwd P/E vs 5Y avg of 32.5x



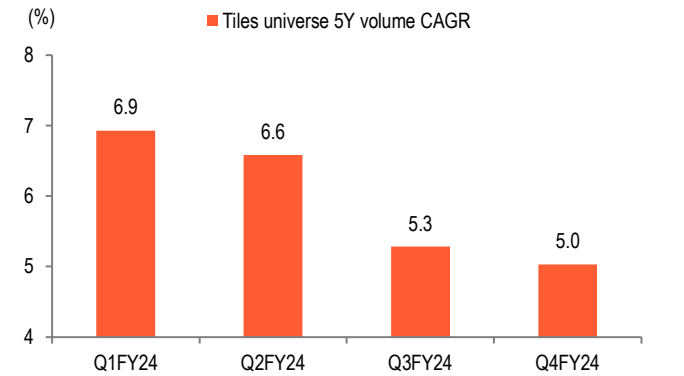
Source: Bloomberg, BOBCAPS Research

Fig 14 – Tiles universe EBITDA grew by 6.1% YoY and 5.4% on a 5Y CAGR basis in Q4FY24



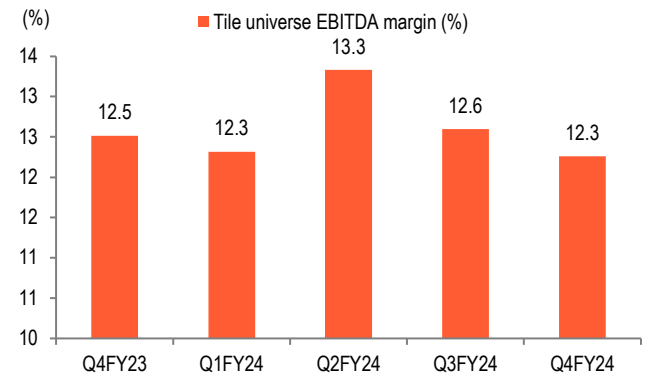
Source: Company, BOBCAPS Research

Fig 15 – Tiles volume grew at 6.1% YoY and 5.0% on a 5Y CAGR basis in Q4FY24



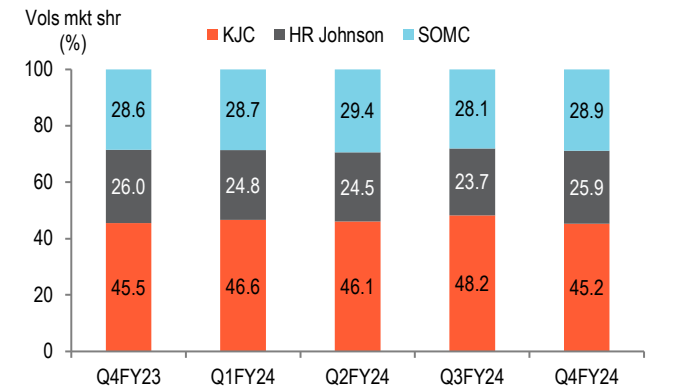
Source: Company, BOBCAPS Research

Fig 16 – Tiles universe EBITDA margin was down in Q4FY24 on rising competition from Morbi players



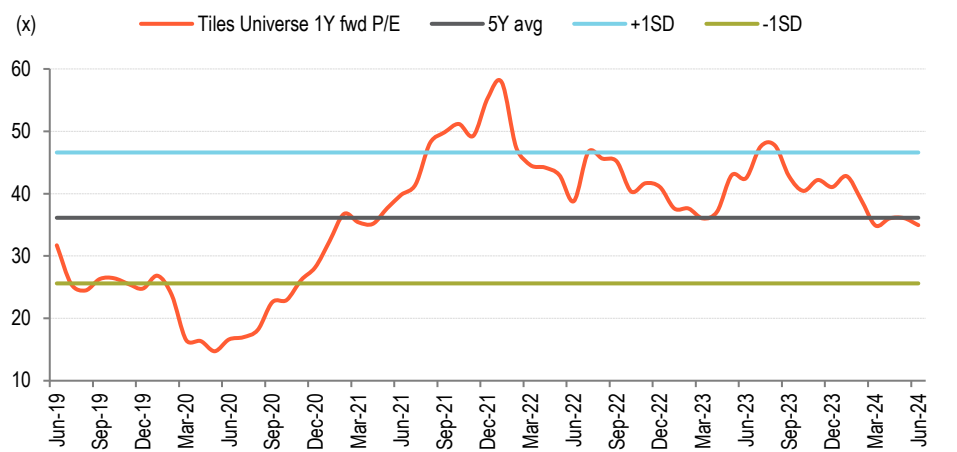
Source: Company, BOBCAPS Research

Fig 17 – Among top 3 tiles companies, SOMC gained market share in Q4FY24



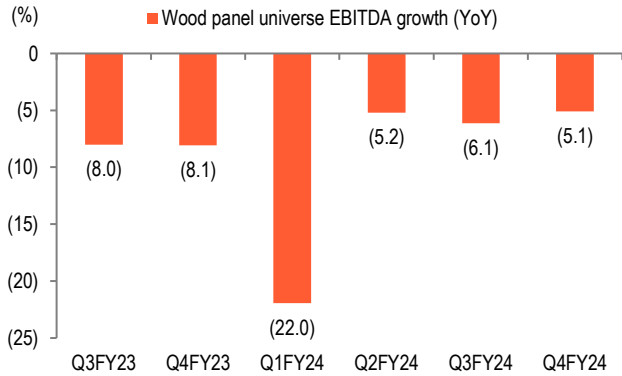
Source: Company, BOBCAPS Research

Fig 18 – Tiles universe trading at 36.2x on 1Y fwd P/E vs. 5Y avg of 35.9x



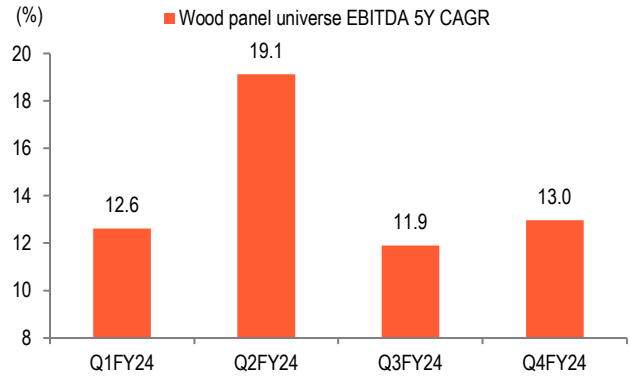
Source: Bloomberg, BOBCAPS Research

Fig 19 – Wood Panel universe EBITDA contracted YoY for the seventh consecutive quarter...



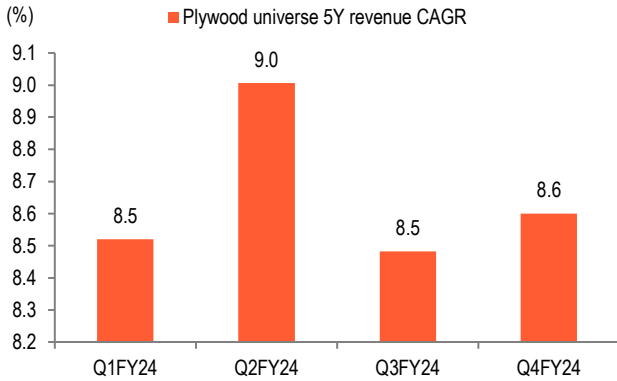
Source: Company, BOBCAPS Research

Fig 20 – ... but it still grew at a healthy 13.0% rate on a 5Y CAGR basis in Q4FY24



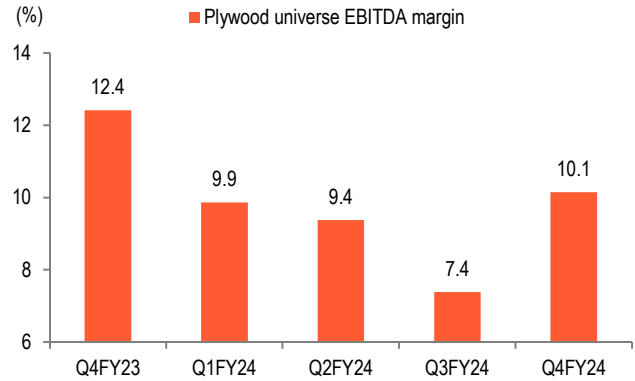
Source: Company, BOBCAPS Research

Fig 21 – Plywood universe revenue grew at 5.5% YoY and 8.6% on a 5Y CAGR basis in Q4FY24



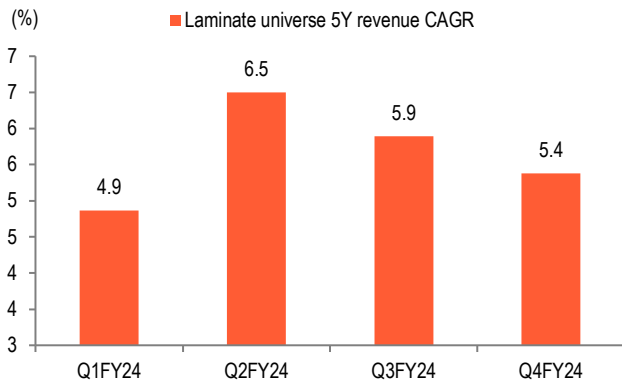
Source: Company, BOBCAPS Research

Fig 22 – Plywood EBITDA margin was down 228bps YoY in Q4FY24 on weak demand & higher timber prices



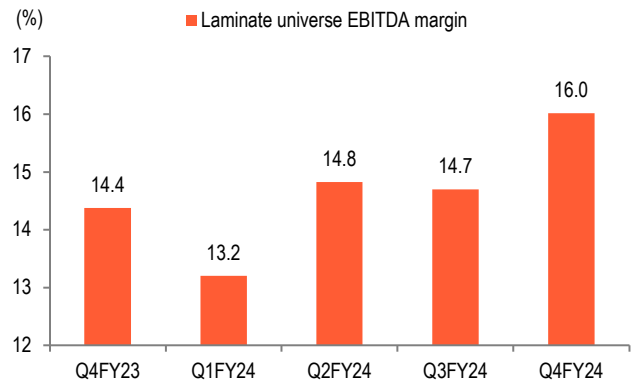
Source: Company, BOBCAPS Research

Fig 23 – Laminate universe revenue grew at 9.5% YoY and 5.4% on a 5Y CAGR basis in Q4FY24



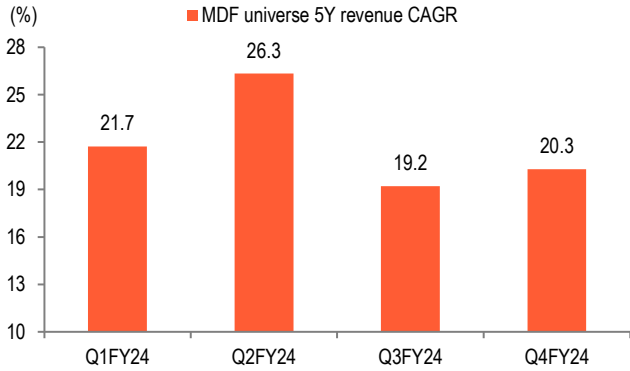
Source: Company, BOBCAPS Research

Fig 24 – Laminate universe EBITDA margin improved by 164bps to 16.0% in Q4FY24



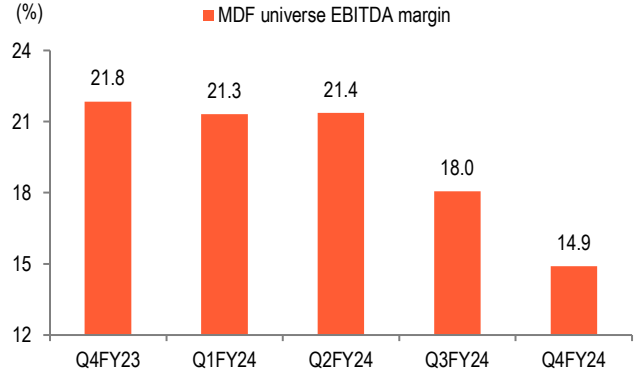
Source: Company, BOBCAPS Research

Fig 25 – MDF universe volumes grew at 24.2% YoY and 20.3% on a 5Y CAGR basis in Q4FY24



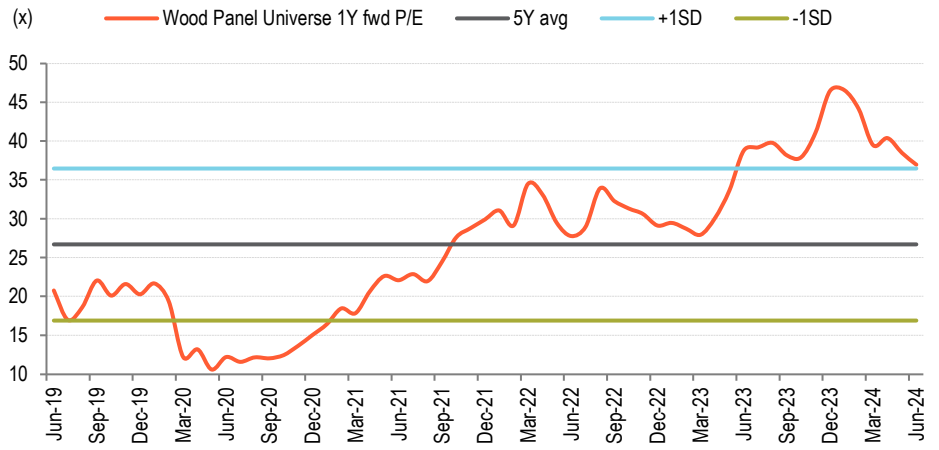
Source: Company, BOBCAPS Research

Fig 26 – MDF EBITDA margin fell sharply due to supply glut and rising timber prices



Source: Company, BOBCAPS Research

Fig 27 – Wood Panel universe trading at 36.9x on 1Y fwd P/E vs 5Y avg of 26.7x



Source: Bloomberg, BOBCAPS Research

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.

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.