

HOLD

TP: Rs 15,225 | ▲ 1%

DIXON TECHNOLOGIES

Consumer Durables

25 October 2024

Strong performance; elevated valuations prompt HOLD

- Q2 revenue jumped 133% YoY, driven by Mobile and EMS growth; EBITDA margin slid 30bps on change in business mix
- Management upbeat on growth, especially in the Mobile segment comprising about ~80% of the topline
- Raise our FY25E-FY27E by 8%-9% to bake in strong Q2, and value stock at P/E of 70x on strong return ratios. Raise TP to Rs 15,225. HOLD

Arshia Khosla

research@bobcaps.in

Revenue surges; Mobile leads: In Q2FY25, DIXON's revenue jumped by 133% YoY to Rs 115bn, primarily fueled by 235% growth in the Mobiles and EMS segment, which contributed Rs 94.4bn. Despite this remarkable growth, EBITDA margin contracted slightly by 30bps, settling at 3.7%, due to a shift in the product mix. Management remains optimistic about future growth, particularly in the Mobile segment, which now accounts for 80% of the company's total revenue.

Enhanced financial metrics: In H1FY25, DIXON's financial performance demonstrated substantial improvement, with ROE rising by 580bps YoY to 31%, and ROCE increasing by 90bps to 38.9%. Looking forward, management is dedicated to maintaining these positive performance metrics. The focus will be on enhancing profitability, optimising working capital, and increasing asset turnover. With a strategic approach, particularly in the mobile and IT hardware sectors, DIXON aims to drive growth while ensuring continued financial strength and operational efficiency.

Client signups continue in Mobile business: The acquisition of Ismartu on 13 August 2024 enhanced the company's capabilities and bolstered its order book for brands like Tecno, Infinix, Airtel, and Nothing. The company maintained steady production volumes for Motorola, consistently achieving a rate of 1mn units per month, with a positive outlook ahead. It has secured promising export orders for the North American market. Notably, volumes for key clients Xiaomi and Oppo experienced significant QoQ growth in Q2, positioning the company for continued success.

Downgrade to HOLD post rally: Following DIXON's strong Q2FY25 performance and promising guidance, we have raised our EPS estimates by 8% for FY25 and about 9% each for FY26/FY27, now valuing the stock at 70x – 15% premium to its five-year average (previously 60x). While DIXON remains a leader in the EMS space, the stock's price tripled over the past year, prompting us to downgrade it from BUY to HOLD. With the valuations rollover, our new TP is Rs 15,225 (previously Rs 13,800).

Key changes

Target	Rating
▲	▼

Ticker/Price	DIXON IN/Rs 15,055
Market cap	US\$ 10.7bn
Free float	66%
3M ADV	US\$ 90.3mn
52wk high/low	Rs 15,600/Rs 5,076
Promoter/FPI/DII	34%/12%/24%

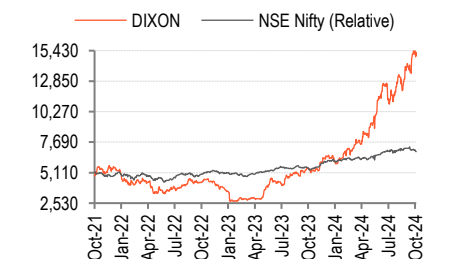
Source: NSE | Price as of 24 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	176,909	338,444	479,639
EBITDA (Rs mn)	6,976	12,731	17,543
Adj. net profit (Rs mn)	3,678	7,334	10,930
Adj. EPS (Rs)	61.8	123.1	183.5
Consensus EPS (Rs)	61.8	125.0	186.0
Adj. ROAE (%)	24.7	33.9	34.5
Adj. P/E (x)	243.8	122.3	82.0
EV/EBITDA (x)	128.5	70.4	51.1
Adj. EPS growth (%)	43.9	99.4	49.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)	Q2FY25E	Variance (%)
Revenue	115,341	49,432	133.3	65,798	75.3	181,139	82,147	120.5	84,034	37.3
EBITDA	4,264	1,989	114.4	2,479	72.0	6,743	3,308	103.8	3,441	23.9
EBITDA Margin (%)	3.7	4.0	(30bps)	3.8	(10bps)	3.7	4.0	(30bps)	4.1	(9.7)
Depreciation	660	364		545		1,205	702			
Interest	379	171		293		672	311			
Other Income	(57)	7		82		25	36			
PBT	3,167	1,461	116.8	1,723	83.8	4,890	2,331	109.8		
Tax	1,172	352		400		1,572	580			
Adjusted PAT	1,803	1,073	68.0	1,337	34.8	3,140	1,729	81.6	2,054	(12.2)
Exceptional item	(2,096)	-		0		(2,096.1)	0.0			
Reported PAT	3,899	1,073	263.3	1,337	191.6	5,236	1,729	202.9		
Adj. PAT Margin (%)	1.6	2.2	(60bps)	2.0	(50bps)	1.7	2.1	(40bps)		
EPS (Rs)	33.5	18.6	79.9	22.2	50.8	55.7	29.4	89.5		

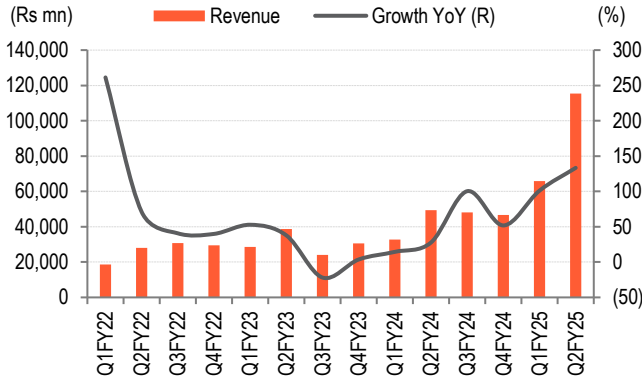
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Rs mn	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue														
Consumer electronics	12,623	14,865	14,104	10,104	9,322	15,007	8,640	9,810	8,820	14,400	9,290	8,970	8,550	14,130
Growth YoY (%)	262.0	54.8	3.4	(14.3)	(26.2)	1.0	(38.7)	(2.9)	(5.4)	(4.0)	7.5	(8.6)	(3.1)	(1.9)
Lighting products	1,535	3,957	4,304	3,046	2,312	2,904	2,630	2,700	2,220	1,810	1,870	1,970	2,270	2,330
Growth YoY (%)	97.5	33.8	23.5	(20.2)	50.6	(26.6)	(38.9)	(11.3)	(4.0)	(37.7)	(28.9)	(27.0)	2.3	28.7
Home appliances	706	2,240	1,801	2,341	2,556	3,629	2,440	2,810	2,590	3,640	2,880	2,940	3,050	4,440
Growth YoY (%)	193.0	54.1	56.4	59.8	262.3	62.0	35.5	20.0	1.3	0.3	18.0	4.6	17.8	22.0
Mobile & EMS	3,059	5,986	9,397	12,941	13,049	15,944	9,150	14,100	17,950	28,190	32,140	30,910	51,920	94,440
Growth YoY (%)	476.3	203.2	214.1	346.4	326.6	166.4	(2.6)	9.0	37.6	76.8	251.3	119.2	189.2	235.0
EBIT														
Consumer electronics	297	318	303	284	248	428	260	370	300	490	320	300	290	520
EBIT margin (%)	2.4	2.1	2.1	2.8	2.7	2.9	3.0	3.8	3.4	3.4	3.4	3.3	3.4	3.7
Lighting products	69	333	280	217	167	238	239	260	190	120	130	142	150	170
EBIT margin (%)	4.5	8.4	6.5	7.1	7.2	8.2	9.1	9.6	8.6	6.6	7.0	7.2	6.6	7.3
Home appliances	44	199	121	186	207	327	250	310	280	420	300	300	320	490
EBIT margin (%)	6.3	8.9	6.7	7.9	8.1	9.0	10.2	11.0	10.8	11.5	10.4	10.2	10.5	11.0
Mobile & EMS	42	179	303	457	328	423	330	590	530	930	1,040	1,050	1,710	3,080
EBIT margin (%)	1.4	3.0	3.2	3.5	2.5	2.7	3.6	4.2	3.0	3.3	3.2	3.4	3.3	3.3

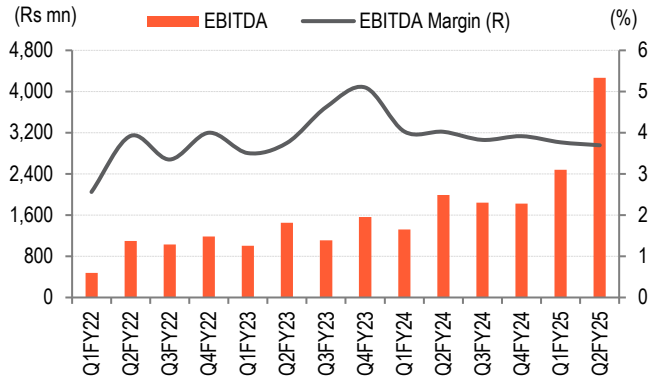
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



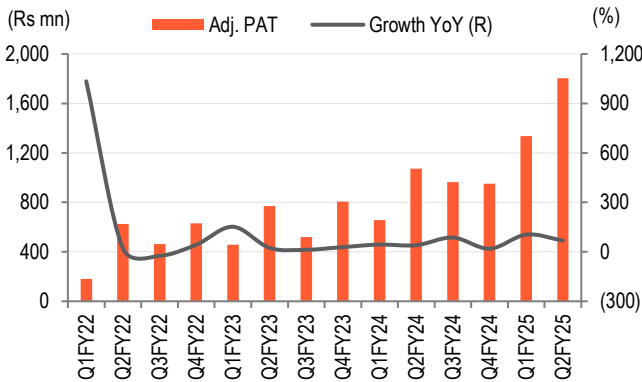
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



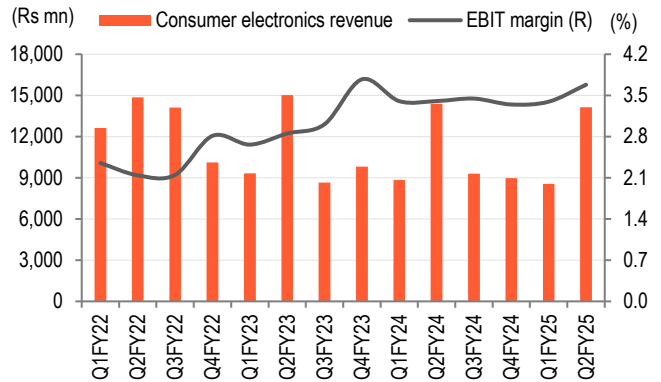
Source: Company, BOBCAPS Research

Fig 5 – PAT growth



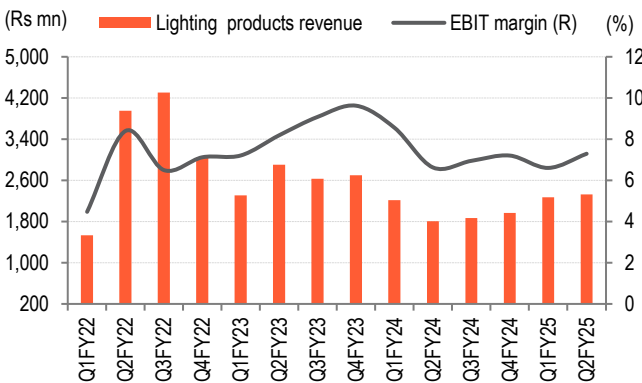
Source: Company, BOBCAPS Research

Fig 6 – Consumer Electronics business growth



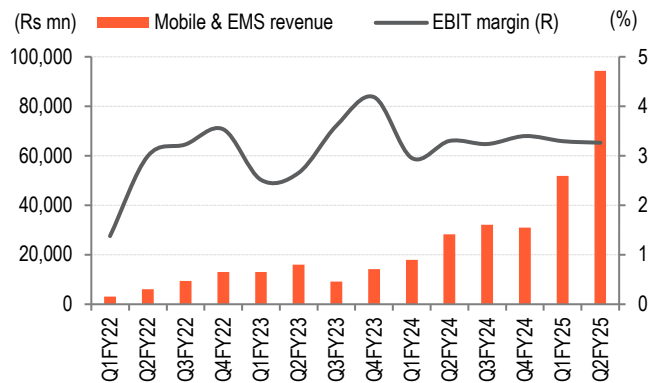
Source: Company, BOBCAPS Research

Fig 7 – Lighting business growth

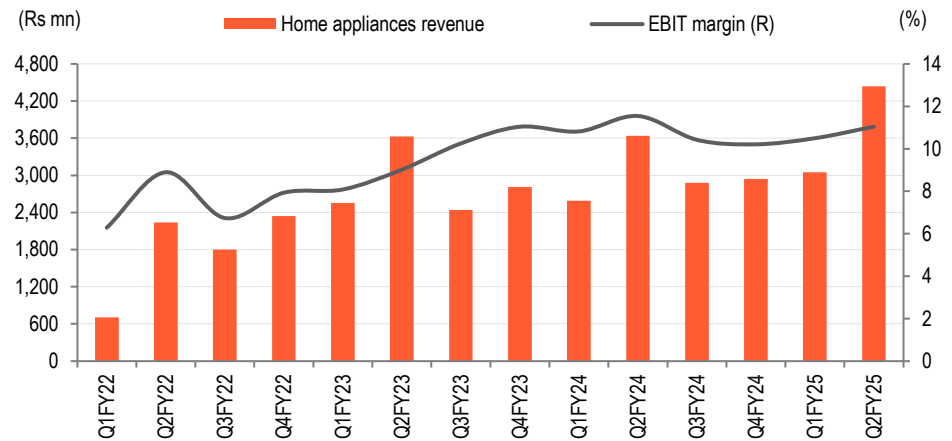


Source: Company, BOBCAPS Research

Fig 8 – Mobiles business growth



Source: Company, BOBCAPS Research

Fig 9 – Home appliances business growth

Source: Company, BOBCAPS Research

Earnings call highlights

Mobile Phones and EMS

- Exceptional growth:** The Mobile Phones and EMS division delivered an outstanding performance this quarter, with revenue surging 235% YoY to Rs 94.44bn. Operating profit grew 231% YoY to Rs 3.08bn. To meet increasing demand from a key customer, the company expanded its capacity by leasing an additional 1.5mn square feet facility in Noida, which will add a production capacity of 400k smartphones per month and is expected to become operational this quarter. This comes on top of the existing four operational facilities and another 1mn square foot facility under construction.
- Strategic acquisitions and expanding client portfolio:** The successful acquisition of Ismartu on 13 August 2024 further strengthened the company's capabilities, contributing to a strong order book for brands such as Tecno, Infinix, Airtel, and Nothing. The company has also maintained steady volumes for Motorola, consistently achieving a production rate of 1mn units per month, with a healthy outlook for the coming months. Also, the company has secured promising export orders for the North American market. The volumes for key clients Xiaomi and Oppo saw significant QoQ growth in Q2, positioning the company for further success.
- Partnerships and new production initiatives:** Production for a major global brand through a partnership with Compal is set to commence by Nov'24, while the company is also in advanced discussions with another global brand.

Consumer Electronics

- Growth and profitability:** In Q2, the consumer electronics division, which includes LED TVs and refrigerators, generated revenues of Rs 14.13bn, with an operating profit of Rs 520mn, representing an EBITDA margin of 3.7%. Out of this, the refrigerator segment contributed Rs 1.88bn. The company has onboarded several multinational brands for its TV OEM solutions, including Hisense and Acer Pure for the Google TV and Linux platforms. The company is collaborating with Amazon

Fire TV Solutions and LG for the webOS platform, which is expected to launch in Q4FY25.

- **Expansion in TV and display solutions:** DIXON has also ventured into manufacturing digital signage solutions, ranging from 65 inches to 100 inches, alongside its existing interactive flat-panel displays (IFVDs). A state-of-the-art R&D centre for display devices has been established in Noida, focusing on advanced product development in TVs, IFVDs, and signage displays. To further strengthen its position in the TV market, the company is exploring a partnership with a global player to set up an open-cell bonding facility, while also investigating opportunities in manufacturing industrial, institutional, and automotive displays.
- **Refrigerator business performance and capacity expansion:** The refrigerator division continues to perform well, with a current capacity of 1.2mn direct-cooled refrigerators (ranging from 135 to 190 litres) operating at 90% capacity utilisation. The company expects to maintain this strong performance in the coming months and is now planning to expand its production capacity to 1.6mn units. The company has secured orders from key Indian brands, including Voltas, Kelvinator, Acer, Lloyd, and BPL, driving its mass production capabilities.
- **Future growth and diversification:** Looking ahead, the company is focused on further backward integration of its production processes and is exploring new investments in deep freezers and wine chillers.

Home Appliances

- **Sees strong revenue growth:** The home appliances division reported a robust Rs 4.44bn in revenue for the quarter, marking 22% YoY growth. Operating profit saw a healthy rise, reaching Rs 490mn, up 17% compared to the same period last year. This growth was driven by the strong performance in the fully automatic washing machine category, where the company achieved a monthly run rate of 30,000 units, reflecting a 50% YoY increase.
- **Backward integration strategy boosts efficiency:** In line with its backward integration strategy, the company has made significant investments in molds and injection molding machines, reducing its reliance on imports. This strategic move not only enhances efficiency but also extends molding support to other business segments, including lighting and telecom. These efforts have positioned the company such that it optimises production and lowers costs, contributing to its long-term competitiveness.
- **Outlook for continued growth:** With a healthy order book, the company is targeting double-digit growth in the home appliances division for the current fiscal year.

Lighting Division

- **Strong growth:** The lighting division posted quarterly revenue of Rs 2.33bn with an operating profit of Rs 170mn, both showing steady QoQ growth.
- **Strategic partnerships and product expansion:** In a significant move, the company has onboarded IKEA as a marquee global customer for the domestic market, further enhancing its presence in the lighting space. The company has

expanded into networking products, adding a new platform to diversify its offerings and capture opportunities in adjacent markets, positioning itself for future growth.

Telecom and Networking Products

- **See strong revenue growth:** The telecom and networking products segment posted quarterly revenues of Rs 6.6bn, marking a significant step towards the company's target of achieving more than 3x growth in revenue this fiscal year compared to the previous one. To meet rising demand, the company has added a new facility in Noida and ramped up production for 5G, fixed wireless access, and both indoor and outdoor units for the domestic market.
- **Expansion into new product lines:** As part of its expansion strategy, the company is set to introduce IPTV boxes for the domestic market during this fiscal year, further diversifying its telecom and networking offerings. This product extension is aimed at tapping into the growing demand for advanced telecom solutions, positioning the company as a key player in the IPTV and broadband equipment market.
- **IT hardware partnerships with leading brands:** In the IT hardware space, the company has made significant strides by finalising partnerships with HP and ASUS, with definitive agreements in the final stages. This adds to its existing relationships with Acer and Lenovo, securing four of the top five global brands in India. Production for Acer has already begun, while manufacturing for Lenovo is expected to commence this quarter at the Noida facility. The company's 300k square foot facility in Chennai is set to be operational by the end of Dec'24, with production for HP and ASUS scheduled to start by Q4FY25.
- **Future growth prospects:** With an expanded production footprint and new partnerships in place, the company is well-positioned to capitalise on growing demand in the telecom, networking, and IT hardware sectors. The aggressive scaling of capacity and introduction of new product lines will drive sustained revenue growth, reinforcing its leadership position in both domestic and global markets.

Wearables segment performance

- **Strong performance in wearables segment:** The wearables segment posted quarterly revenues of Rs 2.63bn, supported by a healthy operating margin and superior return on capital employed (ROCE). The company's focus on this high-growth market has yielded strong results, with a solid order book in place to ensure sustained momentum in the coming quarters. This performance highlights the company's strategic positioning in the rapidly expanding wearables market.
- **Outlook for wearables and JV business:** Looking ahead, the company is well-positioned to capitalise on the increasing demand for wearables, backed by a strong order book and key client engagements. The ongoing success of the Rexam JV and its ability to generate consistent revenues even in off-peak quarters underscores the strength of its business model. With a diversified portfolio and strong market presence, the company is poised for continued growth in the wearables and electronics sectors.

Valuation methodology

DIXON remains a leader in the Electronics Manufacturing Services (EMS) sector, with a robust asset turnover and ROCE of 38.9% in H1FY25. The company boasts a substantial order book across sectors, reflecting strong and ongoing demand. Supported by solid liquidity and well-executed growth strategies, DIXON is positioned to leverage its competitive advantages. These strengths highlight DIXON's prominent status in the EMS industry and reinforce its potential for sustained growth and value creation in the foreseeable future.

Following DIXON's strong Q2FY25 performance, where results exceeded our estimates by 37%, and optimistic guidance, we have raised our EPS estimates by 8% for FY25 and by about 9% each for FY26/FY27. This revision reflects strong management forecasts and a robust order book, now valuing the stock at 70x earnings – 15% premium to its five-year average (previously 60x). Despite our confidence in DIXON's leadership in the EMS space, the stock has tripled over the past year, driving valuations to elevated levels. As a result, we are downgrading DIXON from BUY to HOLD. Our new target price is Rs 15,225 (previously Rs 13,800).

Fig 10 – Revised estimates

Particulars (Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	338,444	479,639	629,158	274,643	372,627	487,463	23.2	28.7	29.1
EBITDA	12,731	17,543	23,021	11,930	16,352	21,222	6.7	7.3	8.5
PAT	7,334	10,930	14,973	6,814	10,074	13,674	7.6	8.5	9.5
EPS (Rs)	123.1	183.5	251.4	114.4	169.2	229.6	7.6	8.5	9.5
EBITDA Margin (%)	3.8	3.7	3.7	4.3	4.4	4.4	(60bps)	(70bps)	(70bps)

Source: Company, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- above-anticipated customer acquisitions, and
- faster volume ramp up in the Mobiles segment.

Key downside risks to our estimates are:

- volatility in Mobiles business revenue, and
- margins reverting to lower levels on reduced Original Design Manufacturing contribution.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	121,920	176,909	338,444	479,639	629,158
EBITDA	5,128	6,976	12,731	17,543	23,021
Depreciation	1,146	1,619	2,619	2,680	2,731
EBIT	3,981	5,358	10,112	14,864	20,290
Net interest inc./(exp.)	(606)	(747)	(706)	(689)	(755)
Other inc./(exp.)	56	226	248	273	300
Exceptional items	0	0	0	0	0
EBT	3,432	4,836	9,654	14,447	19,835
Income taxes	897	1,189	2,433	3,641	4,999
Extraordinary items	0	0	(2,096)	0	0
Min. int./Inc. from assoc.	16	102	113	124	136
Reported net profit	2,555	3,678	9,430	10,930	14,973
Adjustments	0	0	(2,096)	0	0
Adjusted net profit	2,555	3,678	7,334	10,930	14,973

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	24,519	40,598	73,252	103,812	136,174
Other current liabilities	4,341	6,074	11,620	16,467	21,601
Provisions	0	0	0	0	0
Debt funds	4,531	4,890	5,232	5,746	6,290
Other liabilities	555	1,404	2,322	3,098	4,051
Equity capital	119	120	120	120	120
Reserves & surplus	12,730	16,829	26,139	36,951	51,805
Shareholders' fund	12,849	16,949	26,259	37,070	51,924
Total liab. and equities	46,794	69,914	118,685	166,193	220,040
Cash and cash eq.	2,592	2,087	8,087	16,733	30,632
Accounts receivables	17,155	23,179	45,982	64,004	84,717
Inventories	9,579	16,950	29,509	43,887	56,212
Other current assets	2,068	6,147	11,761	16,667	21,863
Investments	0	0	0	0	0
Net fixed assets	9,425	16,367	16,749	17,069	17,338
CWIP	1,197	643	1,230	1,742	2,286
Intangible assets	3,012	3,635	3,635	3,635	3,772
Deferred tax assets, net	0	0	0	0	0
Other assets	1,768	906	1,733	2,456	3,221
Total assets	46,794	69,914	118,684	166,193	220,040

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	7,258	7,061	9,162	11,587	16,829
Capital expenditures	(4,502)	(5,686)	(3,000)	(3,000)	(3,000)
Change in investments	984	344	0	0	0
Other investing cash flows	(38)	33	(384)	(336)	(356)
Cash flow from investing	(3,556)	(5,309)	(3,384)	(3,336)	(3,356)
Equities issued/Others	336	469	0	0	0
Debt raised/repaid	(2,776)	(276)	342	514	544
Interest expenses	0	0	0	0	0
Dividends paid	(856)	(893)	(119)	(119)	(119)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(3,296)	(700)	223	395	425
Chg in cash & cash eq.	406	1,052	6,001	8,646	13,899
Closing cash & cash eq.	2,592	2,087	8,087	16,733	30,632

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	42.9	61.8	158.3	183.5	251.4
Adjusted EPS	42.9	61.8	123.1	183.5	251.4
Dividend per share	3.0	2.0	2.0	2.0	2.0
Book value per share	215.8	284.6	441.0	622.5	871.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	7.4	5.1	2.6	1.9	1.4
EV/EBITDA	174.8	128.5	70.4	51.1	38.9
Adjusted P/E	350.9	243.8	122.3	82.0	59.9
P/BV	69.8	52.9	34.1	24.2	17.3

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.5	76.0	76.0	75.7	75.5
Interest burden (PBT/EBIT)	86.2	90.3	95.5	97.2	97.8
EBIT margin (EBIT/Revenue)	3.3	3.0	3.0	3.1	3.2
Asset turnover (Rev./Avg TA)	12.9	10.8	20.2	28.1	36.3
Leverage (Avg TA/Avg Equity)	0.8	1.1	0.8	0.5	0.4
Adjusted ROAE	22.4	24.7	33.9	34.5	33.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	14.0	45.1	91.3	41.7	31.2
EBITDA	35.3	36.1	82.5	37.8	31.2
Adjusted EPS	34.3	43.9	99.4	49.0	37.0
Profitability & Return ratios (%)					
EBITDA margin	4.2	3.9	3.8	3.7	3.7
EBIT margin	3.3	3.0	3.0	3.1	3.2
Adjusted profit margin	2.1	2.1	2.2	2.3	2.4
Adjusted ROAE	22.4	24.7	33.9	34.5	33.6
ROCE	18.8	21.5	29.2	30.7	30.7
Working capital days (days)					
Receivables	51	48	50	49	49
Inventory	29	35	32	33	33
Payables	73	84	79	79	79
Ratios (x)					
Gross asset turnover	10.1	10.5	14.9	18.7	22.0
Current ratio	1.1	1.0	1.1	1.2	1.2
Net interest coverage ratio	6.6	7.2	14.3	21.6	26.9
Adjusted debt/equity	0.4	0.3	0.2	0.2	0.1

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%

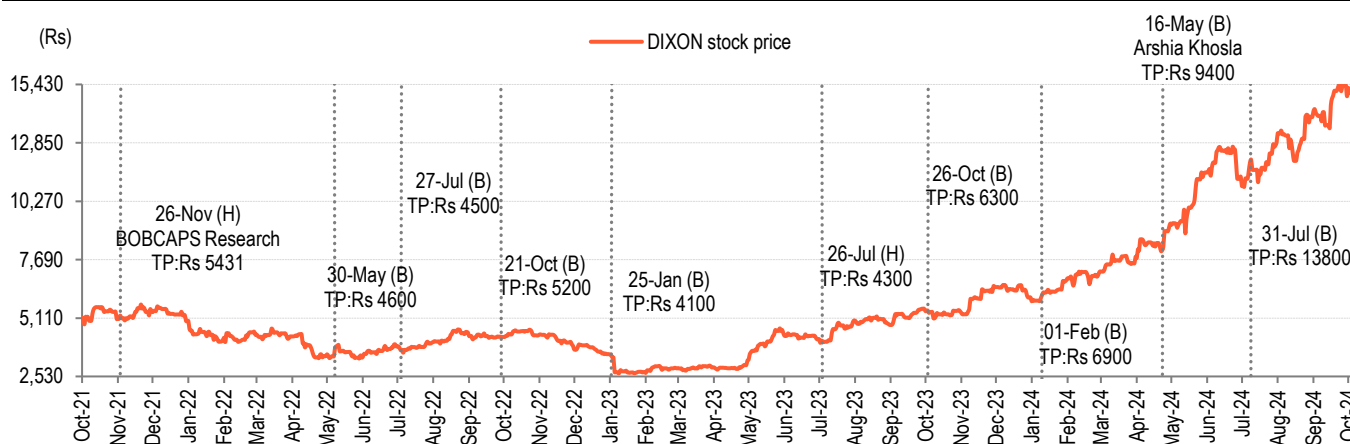
HOLD – Expected return from -6% to +15%

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): DIXON TECHNOLOGIES (DIXON 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.