

BUY
 TP: Rs 1,648 | ▲ 28%

ERIS LIFESCIENCES

Pharmaceuticals

26 October 2024

Fully vertically integrated biologics segment; maintain BUY

- Q2 revenue/PAT above our estimates due to better traction in both base and acquired businesses
- EBITDA margin improvement led by fixed-cost synergies. FY25 EBITDA margin guidance of 36% for domestic business (90% of sales) retained
- We maintain our EPS estimates for FY25/FY26/FY27 and roll over valuations to Sep'26, valuing ERIS at 33x. Maintain BUY

Foram Parekh

research@bobcaps.in

Robust revenue growth: ERIS's revenue grew strongly at 47% YoY to Rs 7.4bn in Q2FY25, supported by traction in its base and acquired businesses. The newly-acquired business of Swiss Parenterals contributed Rs 820mn to revenue in Q2FY25. It expects the domestic branded formulations business to clock organic growth of Rs 2.6bn in FY25 from Rs 1bn in H1FY25. With its diversification strategy, ERIS's concentration in the top three therapies has reduced to 54% from 80%.

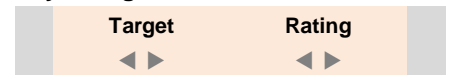
Synergies from acquisition drove margins: EBITDA for the quarter grew 46% YoY to Rs 2.6bn, 3% above Bloomberg expectations. This was due to the increase in production capacity and utilisation rate which drove base business gross margin to 86% and 79% for the Derma business. EBITDA margin was 35.7% on account of fixed-cost synergies from acquired businesses. We expect ERIS to maintain EBITDA margin of 34-35% in FY25 driven by (1) higher productivity, (2) fixed-cost synergies and (3) several new launches in H2 mostly First to File (FtF).

Participated in GLP1 opportunity: ERIS has acquired a 30% stake in Levim Lifetech for developed and commercialised Liraglutide, Streptokinase and Pegaspargase from basic stages. During the quarter, ERIS launched ERLY whose API would be manufactured in the Levim facility. With the success of Liraglutide, we believe the company can scale up to tap the opportunity of GLP1 products.

Fully-integrated biologics: ERIS is now fully vertically-integrated for its biologics presence, where it will conduct initial stage activities like product development and commercial manufacturing through Levim, fill finish through Chemman Labs and market products through Biocon's acquired portfolio of insulin, oncology and critical care business. This vertical integration is likely to lead to incremental profitability.

Valuation outlook: We maintain our BUY rating and value the stock at a P/E of 33x on Sep'26, ~54% premium to its five-year mean, which yields a TP of Rs 1,648. We expect such a premium valuation to sustain due to: (1) increased medical representative productivity, (2) higher traction in value-added products, and (3) synergies from scaling up acquired businesses.

Key changes



Ticker/Price	ERIS IN/Rs 1,292
Market cap	US\$ 2.1bn
Free float	29%
3M ADV	US\$ 4.7mn
52wk high/low	Rs 1,522/Rs 804
Promoter/FPI/DII	55%/13%/16%

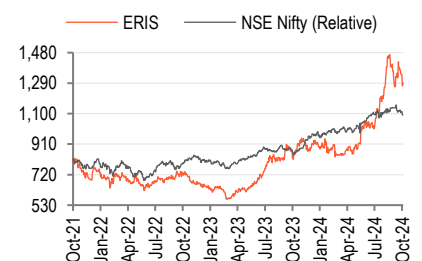
Source: NSE | Price as of 25 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	20,092	29,741	34,372
EBITDA (Rs mn)	6,748	10,214	11,924
Adj. net profit (Rs mn)	3,920	4,194	5,922
Adj. EPS (Rs)	28.9	30.9	43.6
Consensus EPS (Rs)	28.9	32.9	42.3
Adj. ROAE (%)	15.7	14.3	18.3
Adj. P/E (x)	44.8	41.8	29.6
EV/EBITDA (x)	26.6	18.3	16.0
Adj. EPS growth (%)	2.6	7.0	41.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Conference call highlights

Diabetes portfolio: ERIS's diabetes segment prior to acquiring Biocon's portfolio was Rs 6bn, which has scaled up to Rs 10bn post-acquisition. The productivity of this segment has increased from Rs 550k per month to Rs 700k.

Base portfolio: ERIS's base business is expected to grow by 9-10%, gross margin increased 359bps, while EBITDA margin increased 374bps. The return on capital in this business is more than 50%. The base business is on track to deliver FY25 sales of Rs 26bn and EBITDA margin of 36%.

Acquired portfolios: The company has completed the integration of Biocon's business and fixed-cost synergies led to an increase in margins in the branded formulation space. Pre-acquisition, the R&D team used to handle 80-90 projects and now its bandwidth has doubled to about 170 projects.

New product launches: ERIS has many new products launches, many of which are being launched in the second half of FY25 and which would enjoy FtF status. Currently, one FDC (fixed dose combination) in cardiovascular therapy was approved by the Drugs Controller General of India (DCGI), while four FDC were approved in diabetes therapy.

Insulin: The Insulin business has derived significant tailwind from the acquired portfolio of Biocon through ERIS's credibility. Management expects the insulin segment to grow by 18-20% till FY27.

Ahmedabad facility: ERIS increased production at its Ahmedabad facility to 220mn units in 2QFY25 from 140mn in 4QFY24 with a capacity utilisation of 65% in 4QFY25 from 42% in 4QFY24. This resulted in the base portfolio gross margin increasing from 83% in 4QFY24 to 86% in 2QFY25.

Derma in-house production: ERIS's Derma in-house production as a percentage of total production scaled up from 11% in 1QFY25 to 30% in 2QFY25. This resulted in Derma's gross margin increasing from 76% in 4QFY24 to 79% in 2QFY25.

Debt: Net debt reduced from Rs 30bn in FY24 to Rs 25bn in Q2FY25 as against guidance of Rs 26bn in FY25. Management aims to bring this down to Rs 20bn by the end of FY26.

Capex: Capex is likely to come down from Rs 2.2bn in FY25 to Rs 0.7bn in FY26. Capex of Rs 1bn-1.2bn is to be utilised primarily for insulin, MAB and Hormones.

GLP1 opportunity: ERIS has acquired a 30% stake in Levim. Through Levim, ERIS has access to product development and commercialisation in three products, Liraglutide, Streptokinase and Pegaspargase. The Liraglutide brand is to be driven by API manufactured at the Levim facility. ERIS's successful execution of Liraglutide will likely build confidence for future GLP play.

Fig 1 – Financial highlights

(Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	FY24	FY23	YoY (%)
Net Sales	7,412	5,053	46.7	7,197	3.0	20,091	16,852	19.2
EBITDA	2,645	1,811	46.0	2,500	5.8	6,748	5,368	25.7
Depreciation	805	421	91	759	6	1,826	1,171	56.0
EBIT	1,840	1,391	32.3	1,741	5.7	4,922	4,197	17.3
Interest	595	163	265	604	(1)	848	262	224.1
Other Income	46	35	31	16	177	238	112	113.5
PBT	1,291	1,262	2.3	1,153	12.0	4,312	4,047	6.6
Less: Taxation	328	39	735	259	26	342	305	12.1
Minority Interest/Associate	48	(11)	(526)	62	(24)	51	(80)	(163.4)
Recurring PAT	916	1,234	(25.8)	832	10.1	3,920	3,822	2.6
Exceptional items	0	0		0		0	0	
Reported PAT	916	1,234	(25.8)	832	10.1	3,920	3,822	2.6
Key Ratios (%)			(bps)		(bps)			(bps)
Gross Margin	74.9	81.3	(641)	74.9	(4)	81.1	79.1	199
EBITDA Margin	35.7	35.8	(16)	34.7	95	33.6	31.9	174
Tax / PBT	25.4	3.1	2227	22.5	291	7.9	7.5	39
NPM	12.4	24.4	(1207)	11.6	80	19.5	22.7	(317)
EPS (Rs)	6.7	9.1	(25.8)	6.1	10.1	28.9	28.2	2.6

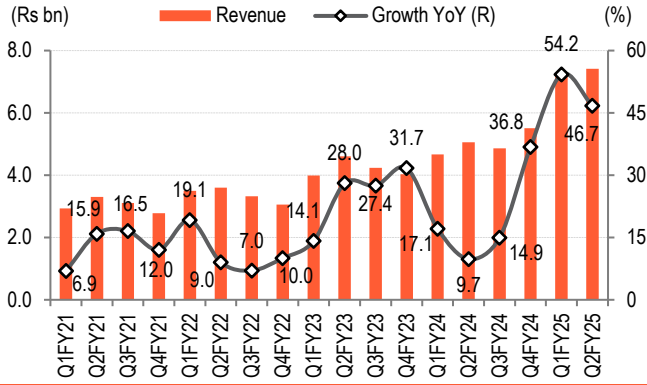
Source: Company, BOBCAPS Research

Fig 2 – Acquisition timeline

Year	Seller	Amount Paid (Rs mn)	Sales of target company/brands at the time of acquisition (Rs mn)	EV/Sales
FY17	Aprica (Amay Pharma)	329	398	0.8
FY18	Strides Pharma	5,000	2,000	2.5
FY18	UTH	129	70	1.8
FY18	Kindex	774	515	1.5
FY21	Zomelis	960	640	1.5
FY22	Oaknet	6,500	1,950	3.3
FY23	Glenmark Pharma	3,400	850	4.0
FY23	Dr.Reddy's	2,750	621	4.4
FY24	Biocon Biologics	3,660	1,000	3.7
FY24	Swiss Parentals	3,660	1,000	3.7
FY24	Biocon Biologics	12,420	3,600	3.5
	Total Consideration paid	39,582	12,644	3.1

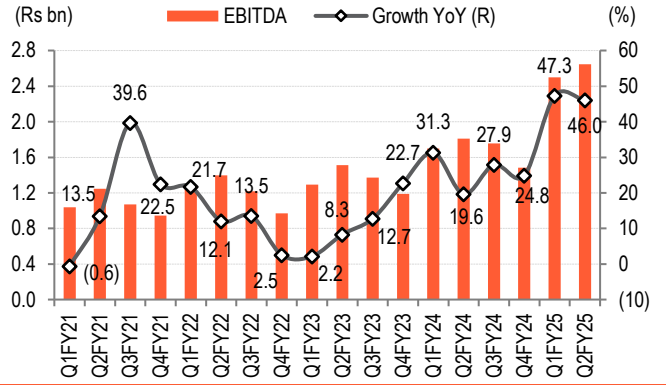
Source: Company, BOBCAPS Research

Fig 3 – Sales increased due to integration of Biocon’s portfolio



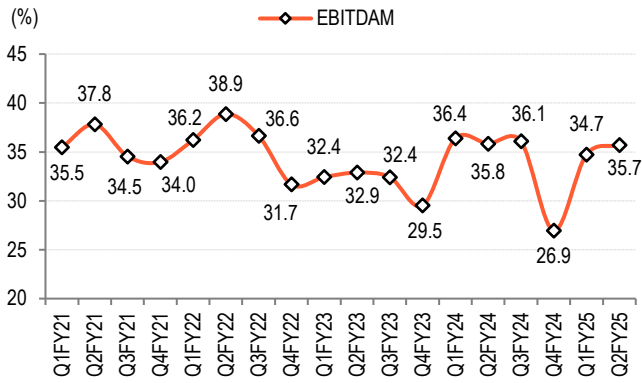
Source: Company, BOBCAPS Research

Fig 4 – Healthy product mix and better capacity utilisation resulted in higher EBITDA



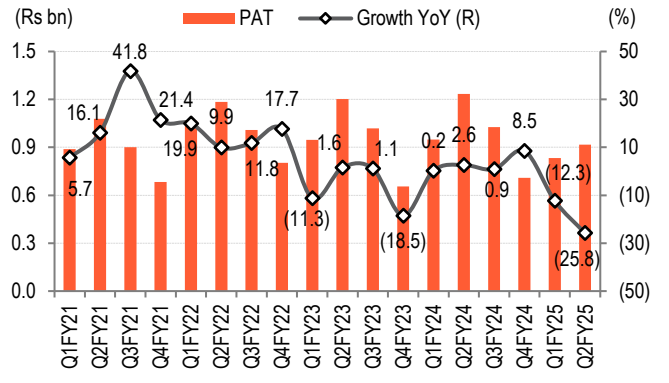
Source: Company, BOBCAPS Research

Fig 5 – Increase in capacity utilisation resulted in higher margins



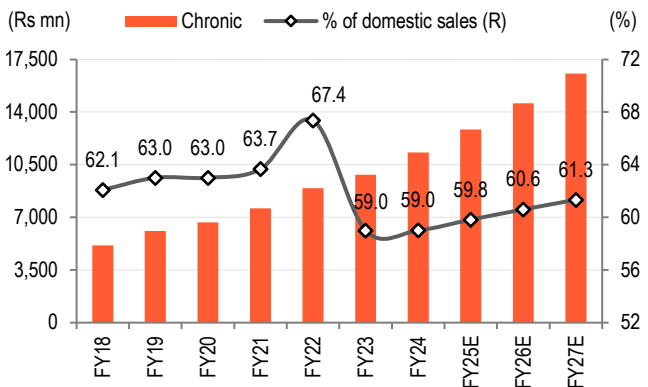
Source: Company, BOBCAPS Research

Fig 6 – Healthy operations resulted in strong bottomline



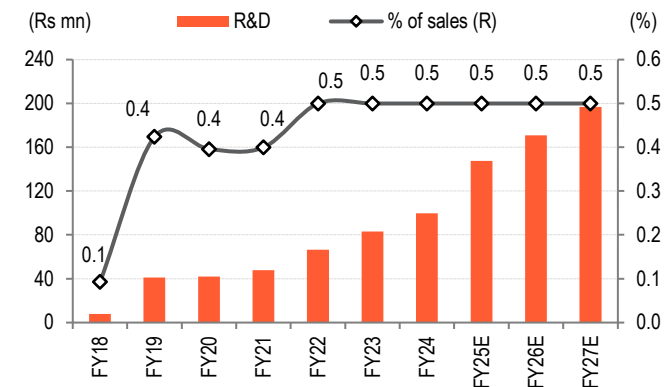
Source: Company, BOBCAPS Research

Fig 7 – Chronic portfolio share expected to increase due to higher traction in diabetes therapy



Source: Company, BOBCAPS Research

Fig 8 – Higher inorganic activity leads to minimal R&D spent as a % to sales



Source: Company, BOBCAPS Research

Valuation methodology

ERIS has transformed its earlier business focus from Anti Diabetes to Super Specialty Therapies like oncology, nephrology and auto immune by acquiring Biocon's portfolio. ERIS has acquired many assets over the past two years, and expects them to scale up further. It has largely acquired Chronic portfolios, which when scaled up are expected to increase its chronic contributions.

We remain positive on ERIS given sustained traction in base business and the acquired portfolios of Biocon. Hence, we expect the company's earnings to grow at a CAGR of 35% over FY25E-27E. We maintain a BUY rating and value the stock at a P/E of 33x on Sep'26, ~54% premium to its five-year mean, which yields a TP of Rs 1,648 to reflect visible gross margin improvement, healthy insulin sales and a fully vertically-integrated biologics facility.

Fig 9 – Key assumptions

(Rs mn)	FY24	FY25E	FY26E	FY27E
Sales	20,092	29,741	34,372	39,580
EBITDA	6,748	10,214	11,924	14,143
PAT	3,920	4,194	5,922	7,636
EPS	28.9	30.9	43.6	56.2
EBITDA Margin (%)	33.59	34.34	34.69	35.73
PAT Margin (%)	19.51	14.10	17.23	19.29

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- a delay in paring debt would impact earnings,
- delays in launching/ramping up new products, and
- weaker supply security of products not manufactured in-house.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	16,851	20,092	29,741	34,372	39,580
EBITDA	5,367	6,748	10,214	11,924	14,143
Depreciation	1,171	1,826	2,850	3,093	3,373
EBIT	4,197	4,922	7,364	8,831	10,770
Net interest inc./(exp.)	(262)	(848)	(2,408)	(2,080)	(1,780)
Other inc./(exp.)	112	238	420	842	800
Exceptional items	0	0	0	0	0
EBT	4,046	4,313	5,376	7,593	9,790
Income taxes	305	342	1,183	1,670	2,154
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(80)	51	0	0	0
Reported net profit	3,822	3,920	4,194	5,922	7,636
Adjustments	0	0	0	0	0
Adjusted net profit	3,822	3,920	4,194	5,922	7,636

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	1,248	2,683	4,854	7,488	10,786
Other current liabilities	966	1,196	1,477	1,708	1,969
Provisions	1,136	1,148	1,702	1,969	2,269
Debt funds	8,767	27,813	44,603	38,603	32,603
Other liabilities	0	0	0	0	0
Equity capital	136	136	136	136	136
Reserves & surplus	21,908	34,443	36,733	40,435	45,534
Shareholders' fund	22,044	34,579	36,869	40,571	45,670
Total liab. and equities	34,160	67,419	89,505	90,339	93,296
Cash and cash eq.	585	14,006	28,069	26,674	27,100
Accounts receivables	2,927	4,220	7,039	9,079	11,541
Inventories	1,314	1,890	2,832	3,276	3,775
Other current assets	3,068	3,675	5,345	6,183	7,126
Investments	367	155	155	155	155
Net fixed assets	3,560	5,046	3,196	2,103	730
CWIP	217	197	197	197	197
Intangible assets	22,121	38,229	42,672	42,672	42,672
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	34,160	67,419	89,505	90,339	93,296

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	4,102	5,797	7,027	10,905	12,744
Capital expenditures	(9,723)	(8,643)	(1,000)	(2,000)	(2,000)
Change in investments	4,837	212	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(4,886)	(8,431)	(1,000)	(2,000)	(2,000)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	7,923	19,046	16,790	(6,000)	(6,000)
Interest expenses	(262)	(848)	(2,408)	(2,080)	(1,780)
Dividends paid	(1,269)	(1,586)	(1,903)	(2,221)	(2,538)
Other financing cash flows	(5,547)	(556)	(4,443)	0	0
Cash flow from financing	846	16,056	8,036	(10,301)	(10,318)
Chg in cash & cash eq.	62	13,421	14,063	(1,395)	426
Closing cash & cash eq.	585	14,006	28,069	26,674	27,100

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	28.1	28.9	30.9	43.6	56.2
Adjusted EPS	28.1	28.9	30.9	43.6	56.2
Dividend per share	8.0	10.0	12.0	14.0	16.0
Book value per share	160.5	207.8	224.7	252.0	289.5

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	10.4	8.9	6.3	5.6	4.8
EV/EBITDA	32.6	26.6	18.3	16.0	13.4
Adjusted P/E	45.9	44.8	41.8	29.6	23.0
P/BV	8.0	6.2	5.7	5.1	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	94.4	90.9	78.0	78.0	78.0
Interest burden (PBT/EBIT)	96.4	87.6	73.0	86.0	90.9
EBIT margin (EBIT/Revenue)	24.9	24.5	24.8	25.7	27.2
Asset turnover (Rev./Avg TA)	17.3	10.8	10.3	10.7	12.6
Leverage (Avg TA/Avg Equity)	1.3	1.9	2.4	2.5	2.1
Adjusted ROAE	19.6	15.7	14.3	18.3	20.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	25.1	19.2	48.0	15.6	15.2
EBITDA	10.7	25.7	51.4	16.7	18.6
Adjusted EPS	(5.9)	2.6	7.0	41.2	28.9
Profitability & Return ratios (%)					
EBITDA margin	31.9	33.6	34.3	34.7	35.7
EBIT margin	24.9	24.5	24.8	25.7	27.2
Adjusted profit margin	22.7	19.5	14.1	17.2	19.3
Adjusted ROAE	19.6	15.7	14.3	18.3	20.8
ROCE	17.7	11.1	10.8	12.0	14.7
Working capital days (days)					
Receivables	64	77	87	97	107
Inventory	29	35	35	35	35
Payables	27	49	60	80	100
Ratios (x)					
Gross asset turnover	1.0	1.0	1.4	1.5	1.6
Current ratio	2.4	4.7	5.4	4.0	3.3
Net interest coverage ratio	16.0	5.8	3.1	4.2	6.0
Adjusted debt/equity	0.4	0.5	0.5	0.3	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%

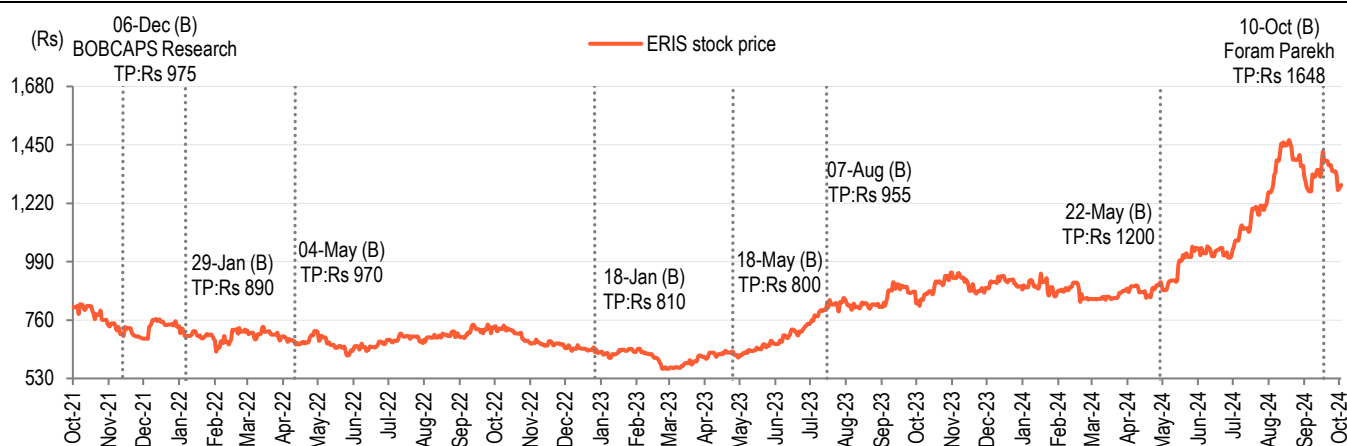
HOLD – Expected return from -6% to +15%

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): ERIS LIFESCIENCES (ERIS 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.