FIRST LIGHT

27 January 2023

RESEARCH

HDFC AMC | TARGET: Rs 2,310 | +18% | BUY

Muted growth; raise to BUY on price correction

BOB ECONOMICS RESEARCH | CAPEX

Spending by states

CIPLA | TARGET: Rs 1,250 | +21% | BUY

US-led growth; margins strong

DR REDDY'S LABS | TARGET: Rs 4,700 | +12% | HOLD

Strong US sales; recovery in EM and PSAI businesses

DIXON TECHNOLOGIES | TARGET: Rs 4,100 | +22% | BUY

Dull Q3 as mobiles business dials down

Daily macro indicators

Indicator	23-Jan	24-Jan	Chg (%)
US 10Y yield (%)	3.51	3.45	-6bps
India 10Y yield (%)	7.35	7.35	0bps
USD/INR	81.39	81.72	(0.4)
Brent Crude (US$/bbl)	88.2	86.1	(2.3)
Dow	33,630	33,734	0.3
Hang Seng	21,651	22,045	1.8
Sensex	60,942	60,979	0.1
India FII (US$ mn)	**20-Jan**	**23-Jan**	**Chg ($ mn)**
FII-D	42.5	3.8	(38.7)
FII-E	(202.0)	27.6	229.6

Source: Bank of Baroda Economics Research

SUMMARY

HDFC AMC

- Q3 net profit growth muted at 3% YoY owing to weak revenue pickup and higher operating expense
- Equity dominance continues at 53.8% of QAAUM; share of debt and liquid funds declined whereas ETF was stable
- Upgrade from HOLD to BUY post 8% correction over the last two weeks; TP unchanged at Rs 2,310

Click here **for the full report.**

INDIA ECONOMICS: CAPEX

With Union budget in focus, and expectations of a higher capital outlay by the central government to boost investment, we here analyse the role of state governments in the overall public sector spending. RBI data shows that in terms of capital expenditure, both central and state governments are broadly equal partners. Thus, at a time when we are looking at the central government to give public investment a nudge, performance of state governments should also be keenly watched. In this study, we note that while some states like Gujarat, Karnataka, Tamil Nadu, Madhya Pradesh are closer to meeting their budgetary targets for FY23, some other states like Uttar Pradesh and Maharashtra, are still far behind, dragging the overall capex spent to only 39% of the budgeted amount.

Click here **for the full report.**

BOBCAPS Research
research@bobcaps.in

CIPLA

- Q3 revenue grew 6% YoY to Rs 58bn (11% ex-Covid sales last year) driven by US business and despite a sharp decline in SAGA
- Product mix improvement and contribution of gRevlimid aided gross/ EBITDA expansion of 460bps/170bps YoY
- We cut FY23-FY24 EBITDA 2-3% and rollover to a revised TP of Rs 1,250 (vs. Rs 1,320); retain BUY

Click here for the full report.

DR REDDY'S LABS

- Q3 revenue growth strong at 27% YoY to Rs 67.7bn, supported by US contribution and launches
- Gross/EBITDA margins robust at 59.2%/30.4% with expansion of 545bps/ 780bps YoY
- We raise FY23-FY24 EBITDA by 2-5% but maintain our TP at Rs 4,700 on rollover; retain HOLD

Click here for the full report.

DIXON TECHNOLOGIES

- Q3 topline down 22% YoY with weakness across key segments; however, EBITDA margin a beat at 4.6%
- FY23 revenue guidance dropped to Rs 122-127bn from Rs 150bn on delays in marquee client addition in mobiles division
- We cut FY23/FY24 EPS 26%/28% on reduced guidance; TP revised to Rs 4,100 (vs. Rs 5,200) post rollover – retain BUY

Click here for the full report.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 2,310 | ⮝ 18%

HDFC AMC | NBFC | 25 January 2023

Muted growth; raise to BUY on price correction

- **Q3 net profit growth muted at 3% YoY owing to weak revenue pickup and higher operating expense**
- **Equity dominance continues at 53.8% of QAAUM; share of debt and liquid funds declined whereas ETF was stable**
- **Upgrade from HOLD to BUY post 8% correction over the last two weeks; TP unchanged at Rs 2,310**

Mohit Mangal
research@bobcaps.in

Muted growth: HDFC AMC reported subdued Q3FY23 net profit growth of 3% YoY to Rs 3.7bn, owing to low revenue growth (+2%) and higher operating expense (+8%). Other income rose 20% YoY, leading to better total income growth of 4%. QAAUM dipped 1% YoY to Rs 4.4tn with debt declining 27% and equity growing 15%. SIP AUM grew 21% YoY to Rs 848bn, of which ~77% has a tenure of >10Y.

Equity tilt continues: Equity constituted 53.8% of QAAUM at end-Q3 vs. 51.9% in Q2; the share of debt and liquid funds declined whereas ETF remained stable. The company generated 50bps of revenue yield, down 1% QoQ despite a higher equity component because the total expense ratio transitioned to a lower slab as three large funds crossed the Rs 50bn mark. The operating margin was stable at 35bps.

Market share maintained: HDFC AMC, the #3 player in the industry, has maintained 11% QAAUM market share for the past three quarters, after ceding ground to competitors over a prolonged period (~-270bps, FY20-9MFY23). Whereas the company gained share QoQ in the actively managed equity and liquid segments, this was offset by a decline in debt. In addition, it maintained 17% market share in unique customers. In Q3, the company launched a thematic 'Business Cycle Fund', which garnered AUM of Rs 2.3bn during the offer period. It also launched a debt index fund.

Raise to BUY on price correction: The stock is currently trading at 24x FY25E EPS, and we value it at an unchanged 28x FY25E EPS, 1SD below the long-term mean, translating to a TP of Rs 2,310. Over the last two weeks since we initiated coverage on HDFC AMC, the stock price has fallen 8%. This raises the potential upside to our TP to 18%, prompting our upgrade from HOLD to BUY. The company has key moats in the form of its brand strength, large AUM base and retail-oriented strategy. Management is also focused on reclaiming market share through launches, though we believe this could be a long slog amid stiff competitive headwinds.

Key changes

Target	Rating
◀ ▶	▲

Ticker/Price	HDFCAMC IN/Rs 1,964
Market cap	US$ 5.1bn
Free float	13%
3M ADV	US$ 6.8mn
52wk high/low	Rs 2,480/Rs 1,690
Promoter/FPI/DII	63%/12%/12%

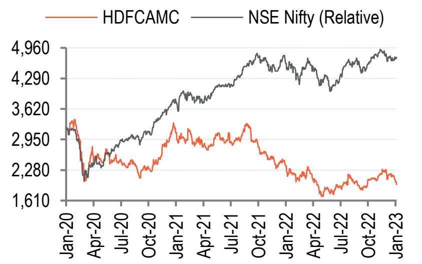
Source: NSE | Price as of 24 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Core PBT (Rs mn)	15,375	16,022	17,334
Core PBT (YoY)	9.8	4.2	8.2
Adj. net profit (Rs mn)	13,931	14,525	16,067
EPS (Rs)	65.3	68.0	75.3
Consensus EPS (Rs)	65.3	67.5	75.4
MCap/AAAUM (%)	9.7	9.1	8.3
ROAAAUM (bps)	32.2	31.4	32.0
ROE (%)	27.0	25.3	25.9
P/E (x)	30.1	28.9	26.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

CAPEX

25 January 2023

Spending by states

Sonal Badhan
Economist

With Union budget in focus, and expectations of a higher capital outlay by the central government to boost investment, we here analyse the role of state governments in the overall public sector spending. RBI data shows that in terms of capital expenditure, both central and state governments are broadly equal partners. Thus, at a time when we are looking at the central government to give public investment a nudge, performance of state governments should also be keenly watched. In this study, we note that while some states like Gujarat, Karnataka, Tamil Nadu, Madhya Pradesh are closer to meeting their budgetary targets for FY23, some other states like Uttar Pradesh and Maharashtra, are still far behind, dragging the overall capex spent to only 39% of the budgeted amount.

Performance of state capex thus far:

RBI study on state finances shows that total capital expenditure in FY23 (BE) for all the states and UTs put together had been pegged at Rs 7.54 lakh crore, up from Rs 6.34 lakh crore last year (FY22RE) and Rs 4.18 lakh crore during pre-pandemic period (FY20). This is in line with union government's target of Rs 7.50 lakh crore for FY23 (BE), Rs 6.03 lakh crore for FY22 (RE) and Rs 3.36 crore in FY20. Thus, implying that states have a marginally higher share in driving public sector investment growth.

For the purpose of this study, we have analysed state-wise capex data for 24 states and UTs and have excluded Manipur, Meghalaya and Mizoram, Goa, J&K, Delhi and Puducherry from our sample due unavailability of latest data. Total capital outlay for these 24 states is budgeted at Rs 6.85 lakh crore for FY23 (BE) versus Rs 5.75 lakh crore as per FY22RE. This is 90% of the total amount budgeted by states. The total projected expenditure on capital for FY23 for this set of states is just tad lower than that of the centre which is Rs 7.5 lakh crore (which also includes Rs 1.40 lakh crore of loans to be given to states). If the loan part is excluded then it would mean that the states are targeting to spend higher than centre in terms of capex.

The centre for the first 8 months of the year has spent Rs 4.5 lakh crore which is 60% of the budgeted amount. The states on the other hand have been slower with just 39% of the budgeted amount being spent so far which is Rs 2.7 lakh crore. Hence, there is considerable slack here which needs to be made up during the course of the remaining 4 months of the year. If that is not the case, then we can expect downward revision in the capex print when revised estimates (RE) for FY23 are published.

Of the Rs 6.85 lakh crore, 5 major states alone contribute to 47% of the total capex. These include Uttar Pradesh (Rs 1.2 lakh crore), Maharashtra (Rs 65,000 crore), Madhya Pradesh (Rs 46,000 crore), Karnataka (Rs 44,000 crore) and Tamil Nadu (Rs 43,000 crore). If we add other major states to the list which have share more than 4% (Odisha, Gujarat, Rajasthan, W. Bengal, Andhra Pradesh, Bihar and Telangana) then share of these 12 states jumps to 81%.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,250 | 21%

CIPLA | Pharmaceuticals | 26 January 2023

US-led growth; margins strong

- **Q3 revenue grew 6% YoY to Rs 58bn (11% ex-Covid sales last year) driven by US business and despite a sharp decline in SAGA**
- **Product mix improvement and contribution of gRevlimid aided gross/ EBITDA expansion of 460bps/170bps YoY**
- **We cut FY23-FY24 EBITDA 2-3% and rollover to a revised TP of Rs 1,250 (vs. Rs 1,320); retain BUY**

Saad Shaikh
research@bobcaps.in

US-led growth: Cipla reported Q3FY23 revenue growth of 6% YoY to Rs 58.1bn (+11% adjusted for Covid sales in the base quarter), led primarily by 30% YoY growth in the US business to US$ 195mn (+9% QoQ). US growth was supported by a steady contribution from Lenalidomide and market share expansion in respiratory and peptide products, which offset price erosion in the base business. Domestic market growth was limited to 2% YoY but rises to 11% if we exclude ~Rs 2bn in Covid sales during Q3FY22.

Supply challenges impact SAGA business: SAGA (South Africa, Sub-Saharan Africa and Cipla Global Access) business continued to decline for the third straight quarter, falling 24% YoY marred by supply challenges. Per management, the SAGA business is being transitioned towards the private market as against the earlier low-margin tender business. Management expects sales to normalise from Q1FY24.

International market hit by currency headwinds: International market, impacted by volatile currency, reported YoY growth of 3.3% (6% ex-Covid base quarter sales). The active pharma ingredient (API) business declined 2% YoY. As per management, API inventory levels have normalised for European customers.

Product mix change and new launches lift margins: Despite a sharp decline in SAGA (tender) business, Cipla's gross margin expanded 460bps YoY to 65.5% in Q3, backed by contribution from new launches (including gRevlimid) and an overall mix change. EBITDA margin expansion (+175bps YoY to 24.2%) was despite higher R&D spend for the quarter. The company expects Q4 margins to moderate with seasonality but is confident of achieving its FY23 guidance of 21-22%.

Retain BUY; TP raised to Rs 1,250: Based on a continued slowdown in SAGA business and volatile international/API business, we cut our FY23-FY24 EBITDA estimates by 2-3%. Estimate revision coupled with rollover to 1Y forward earnings leads to a reduced TP of Rs 1,250 (vs. Rs 1,320), based on an unchanged 17x EV/EBITDA multiple – ~10% premium to the stock's 5Y average.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	CIPLA IN/Rs 1,035
Market cap	US$ 10.2bn
Free float	63%
3M ADV	US$ 19.5mn
52wk high/low	Rs 1,185/Rs 881
Promoter/FPI/DII	36%/25%/21%

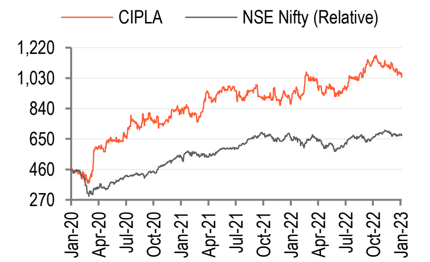
Source: NSE | Price as of 25 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	2,17,731	2,39,636	2,60,508
EBITDA (Rs mn)	45,625	51,554	60,298
Adj. net profit (Rs mn)	27,086	31,852	39,445
Adj. EPS (Rs)	33.6	39.5	49.0
Consensus EPS (Rs)	33.6	39.1	50.1
Adj. ROAE (%)	13.9	14.5	15.7
Adj. P/E (x)	30.8	26.2	21.1
EV/EBITDA (x)	18.2	15.7	13.2
Adj. EPS growth (%)	12.6	17.6	23.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD

TP: Rs 4,700 | ⮝ 12%

DR REDDY'S LABS | Pharmaceuticals | 26 January 2023

Strong US sales; recovery in EM and PSAI businesses

- **Q3 revenue growth strong at 27% YoY to Rs 67.7bn, supported by US contribution and launches**
- **Gross/EBITDA margins robust at 59.2%/30.4% with expansion of 545bps/ 780bps YoY**
- **We raise FY23-FY24 EBITDA by 2-5% but maintain our TP at Rs 4,700 on rollover; retain HOLD**

Saad Shaikh
research@bobcaps.in

US business robust; QoQ recovery in EM and PSAI: DRRD reported strong 27% YoY (7% QoQ) revenue growth to Rs 67.7bn in Q3FY23 driven by the US (51% YoY and 7% QoQ to US$ 375mn) and emerging markets (EM: 14% YoY and 7% QoQ). Management expects the contribution from gRevlimid to remain meaningful in the next few quarters, though revenue could fluctuate from quarter to quarter. US growth was also supported by five new launches and favourable currency movement. PSAI business grew strongly sequentially at 21% driven by higher volumes and launches.

Slew of initiatives guided to drive double-digit growth in India: India sales grew 10% YoY (-2% QoQ) to Rs 11.3bn for the quarter. DRRD is working to create several growth engines for the India business over Horizon-1 and Horizon-2, including ramping up the internal portfolio, collaborations, innovation and inorganic opportunities. The company is focusing more on brands from a long-term perspective and also considering divestiture of non-core brands. Management expects India growth to remain in double digits backed by these initiatives.

Strong margins; long-term guidance intact: As in the previous quarter, DRRD reported robust gross/EBITDA margins of 59.2%/30.4% in Q3 (+545bps/+780bps YoY and +15bps/+30bps QoQ), led by an improved mix and gRevlimid contribution. Management retained its long-term EBITDA margin guidance of 25%.

Retain HOLD: We raise our FY23-FY24 EBITDA estimates by 2-5% to bake in the 9MFY23 results. Our TP remains unchanged at Rs 4,700 (rounded off) as we roll over to 1Y forward earnings and ascribe the stock an unchanged 12.5x EV/EBITDA multiple – in-line with the 5Y average. With upsides from gRevlimid already in the price, a slowdown in meaningful launches in the US and subdued growth in other regions off a high base, we see limited upside triggers for the stock and hence maintain HOLD.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	DRRD IN/Rs 4,201
Market cap	US$ 8.6bn
Free float	73%
3M ADV	US$ 23.0mn
52wk high/low	Rs 4,645/Rs 3,654
Promoter/FPI/DII	27%/29%/16%

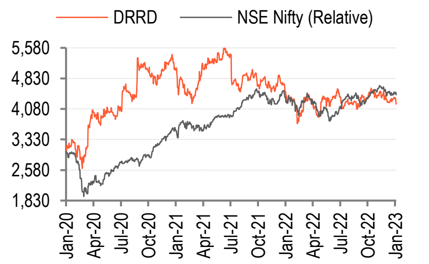
Source: NSE | Price as of 25 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	2,14,392	2,40,879	2,61,052
EBITDA (Rs mn)	46,632	57,811	62,652
Adj. net profit (Rs mn)	31,130	37,116	39,615
Adj. EPS (Rs)	187.1	223.1	238.1
Consensus EPS (Rs)	187.1	229.4	250.3
Adj. ROAE (%)	18.2	18.8	16.9
Adj. P/E (x)	22.5	18.8	17.6
EV/EBITDA (x)	14.9	12.0	10.8
Adj. EPS growth (%)	17.8	19.2	6.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY

TP: Rs 4,100 | ⮝ 22%

DIXON TECHNOLOGIES | Consumer Durables | 25 January 2023

Dull Q3 as mobiles business dials down

- **Q3 topline down 22% YoY with weakness across key segments; however, EBITDA margin a beat at 4.6%**
- **FY23 revenue guidance dropped to Rs 122-127bn from Rs 150bn on delays in marquee client addition in mobiles division**
- **We cut FY23/FY24 EPS 26%/28% on reduced guidance; TP revised to Rs 4,100 (vs. Rs 5,200) post rollover – retain BUY**

Vinod Chari | Nilesh Patil
Tanay Rasal
research@bobcaps.in

Dismal Q3: Dixon reported below-par numbers for Q3FY23 amidst weakness in all its major business segments. The topline at Rs 24bn (-38% QoQ) was well below our estimate of Rs 39.6bn, primarily due to a dismal performance in the mobiles (-42% QoQ) and consumer electronics (-43% QoQ) divisions. However, EBITDA margin improved 130bps QoQ to 4.6% (vs. 3.8% expected) on the back of cost optimisation and improving original design manufacturing (ODM) capabilities.

Guidance lowered: Management dropped FY23 revenue guidance from Rs 150bn+ to Rs 122bn-127bn over weakness in the mobiles vertical and sluggish demand coupled with poor realisations in other key divisions. The mobiles business is now guided to close FY23 with revenue of Rs 3.8bn-4bn against Rs 4.5bn-5bn stated earlier. Management remains optimistic about FY24, guiding for an overall topline of Rs 190bn-210bn as it banks on an upswing in mobiles (to Rs 80bn in revenue premised on the addition of two marquee clients by end-FY23) and lighting.

Margins improving: The gradual shift towards ODM from OEM (original equipment manufacturing) is delivering benefits by way of EBITDA margin gains. Additionally, management has made a concerted effort to optimise costs and improve the product mix. Margins are guided to remain in a similar range for Q4 (4%+), indicating early signs of a shift towards margin-driven products from mass manufacturing.

Long-term outlook intact: Dixon has maintained leadership in electronics manufacturing services (EMS) over the years on account of rapid capacity expansion, prudent backward integration, and new large client additions. Portfolio diversification through entry into newer verticals with an ODM focus is an added positive. Though the near-term business outlook appears subdued, expected client additions and ramp-up of newer verticals buoys prospects for FY24.

Maintain BUY: We cut our FY23/FY24 EPS estimates by 26%/28% in light of the reduced guidance. This, coupled with rollover of valuations to Dec'24E, yields a lower TP of Rs 4,100 (vs. Rs 5,200). We value the stock at an unchanged P/E multiple of 55x – a 18% premium to the 5Y average on 2Y forward basis.

Key changes

Target	Rating
▼	◄►

Ticker/Price	DIXON IN/Rs 3,364
Market cap	US$ 2.4bn
Free float	66%
3M ADV	US$ 7.9mn
52wk high/low	Rs 4,830/Rs 3,181
Promoter/FPI/DII	34%/17%/19%

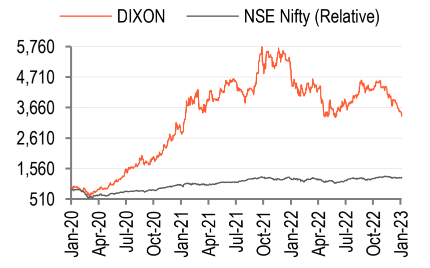
Source: NSE | Price as of 25 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	106,971	128,642	182,627
EBITDA (Rs mn)	3,791	5,137	7,161
Adj. net profit (Rs mn)	1,903	2,625	3,620
Adj. EPS (Rs)	32.1	44.2	61.0
Consensus EPS (Rs)	32.1	62.7	92.0
Adj. ROAE (%)	22.0	23.4	25.4
Adj. P/E (x)	104.9	76.0	55.1
EV/EBITDA (x)	52.7	38.9	27.9
Adj. EPS growth (%)	19.1	37.9	37.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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

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

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this 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).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

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 has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

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.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does 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.

BOBCAPS is not engaged in any market making activities for 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.