UNION BUDGET REVIEW

01 February 2023

FY24 Union Budget: Quality over Quantity

- **Budget attempts to balance employment generation, social support, and infrastructure creation while keeping the fiscal glide path intact**
- **Consistency visible in government policies despite being the last full budget prior to general elections in 2024**
- **Expect a multiplier effect from the near-term consumption boost due to tax breaks and targeted expenditure**

Kumar Manish | Vinod Chari
Anupam Goswami
research@bobcaps.in

Setting the stage for growth: The FY24 Budget carries the longstanding themes of the current government forward – these include ease of living, digitalisation, ease of doing business, formalisation of the economy, reduction in the scope for abuse and arbitrage, boosting Make in India, and last but not least, providing an ecosystem to bolster India's per capita income. Note, the capex allocation is 33% higher YoY. Moreover, the level of monitoring and, therefore, execution has improved significantly, implying that the actual economic impact of the capex is far more than in the past.

Fiscal prudence: The government has reiterated a credible glide path towards a 4.5% fiscal deficit by FY26 without affecting expenditure, with the FY24BE deficit at 5.9%.

Building blocks: A key feature of government policies has been the efforts to uplift the poorer sections of society while remaining focused on ease of doing business and boosting infrastructure spend. This means that subsidy expenditure remains elevated, though it is lower as a percentage of GDP. Separately, the hike in TCS (tax collection at source) for overseas tour packages to 20% will serve the twin purpose of prioritising local tourism over overseas tourism and capturing flows that may not have been subject to income tax. Lastly, funds have been allocated to catalyse the startup ecosystem in agriculture, a sector that is yet to see the full benefits of digitisation.

Tax rationalisation: Another important aspect of the Budget was rationalisation of direct and indirect taxes to remove anomalies and improve compliance. Measures include a hike in TCS on certain types of overseas expenses, removal of tax exemption on life insurance policies exceeding annual premium of Rs 500,000, plugging the tax loophole in Infrastructure Investment Trust (InvIT) payment to unitholders, and capping capital gains tax exemption on reinvestment of house sale proceeds. The Budget also proposes to hike the limit for the presumptive tax scheme.

Winners & losers: We believe the capital goods, auto and power sectors are among the biggest beneficiaries of this capex-centric budget, with the next rung of gainers being consumer staples and discretionary. Some of the tax provisions are negative for life insurance companies. We have outlined the sectoral impact in this report.

Salient announcements & implications

Fig 1 – FY24 Union Budget: Sector-wise implications

Sector	Budget announcement	Implications for the Sector
Auto	▪ Fund allocation for central and state governments to scrap polluting vehicles	▪ Scrapping of polluting government vehicles to support replacement demand in the auto sector
	▪ 5% concessional duty on lithium-ion cells for batteries extended for another year ▪ Basic customs duty exemption for capital goods/machinery for manufacture of lithium-ion cells for use in batteries of electrically operated vehicles (EV)	▪ Extension of 5% concessional duty on lithium-ion cells positive for battery manufacturers
	▪ Basic customs duty increased from 60% to 70% on vehicles in completely built unit (CBU) form and EVs in CBU form, albeit for high-end vehicles ▪ Basic customs duty increased from 30% to 35% on vehicles, including EVs, in semi-knocked down (SKD) form	▪ Duty hike on CBU will have minimum impact on OEMs as this is largely targeted at the ultra-rich seeking high-end imported cars
	▪ Duty on compounded rubber raised from 10% to 25% or Rs 30/kg, whichever is lower	▪ No material impact as the contribution of compounded rubber in the raw material basket is minimal as it comes with specialised adhesives
Capital Goods	▪ Infrastructure capex hiked by 33% to Rs 10tn (LY: Rs 7.5tn); effective capex at Rs 13.7tn.	▪ Positive for the sector. Key beneficiaries: L&T, Siemens
	▪ Railways capex highest ever at Rs 2.4tn (LY: Rs 1.4tn); rolling stock capex increased to Rs 376bn, up from Rs 152bn	▪ Key beneficiaries: Siemens, KEC, Hitachi Energy
	▪ Defence outlay increased by 13% YoY to Rs 5.9tn with Rs 1.6tn allocated to purchasing new weapons, aircraft, warships and other military hardware	▪ Key beneficiaries: Defence PSUs
	▪ Green initiatives: (i) Green Hydrogen Mission – outlay of Rs 197bn, government targets annual production of 5mmt by 2030; (ii) Energy transition – allocation of Rs 350bn; (iii) Energy storage projects – capacity of 4,000MWh to be supported by viability gap funding	▪ Key beneficiaries: L&T, Honeywell Automation
	▪ Drinking Water and Sanitation Department allotted Rs 772bn, up from Rs 600bn a year ago	▪ Key beneficiaries: L&T
Cement	▪ Outlay of PM Awas Yojana enhanced by 66% to Rs 790bn ▪ Capital investment outlay raised 33% to Rs 10tn, i.e. 3.3% percent of GDP; effective capex of the Centre budgeted at Rs 13.7tn, i.e. 4.5% of GDP	▪ Higher allocation to PM Awas Yojana a boost to the cement sector as it will further enhance demand, especially in the eastern region
	▪ Investment of Rs 750bn, including Rs 150bn from private sector, allocated towards 100 transport infrastructure projects for ports, coal, steel, fertilizer, and food grains sectors ▪ Rs 100bn p.a. allocated to urban infrastructure development fund	▪ Critical infrastructure projects including ports/coal/steel with Rs 150bn private participation will boost current low private capex, aiding demand for the cement sector
	▪ 50-year interest-free loan to state governments continued for one more year, with outlay of Rs 1.3tn	▪ Cheap funding will continue to spur a state government infrastructure push, helping balance growth between the states and Centre and further encouraging cement demand
	▪ Basic customs duty on imported coal hiked from 1% to 2.5%	▪ Customs duty hike on imported coal/peat/lignite a negative surprise, especially for coastal cement manufacturers, as it will inflate costs

Sector	Budget announcement	Implications for the Sector
Consumer Durables	▪ Customs duty reduced by 2.5% on imports of key parts for electronics such as televisions (open cell) and mobile phones (camera lens & other input parts)	▪ Lower duties to benefit India's nascent electronics manufacturing sector
	▪ Basic customs duty increased for electric kitchen chimneys (by 7.5%) and reduced for heat coil manufacture of such chimneys (by 5%)	▪ Higher customs duty will prevent the import of electric chimneys, promoting domestic production and benefiting leading local manufacturers
	▪ PM Awas Yojana (affordable housing) outlay raised 66% YoY to Rs 790bn (LY: ~Rs 480bn)	▪ Home development should drive demand for fast moving electrical goods (wires & cables) in the initial stage and for consumer durables in the final stage
FMCG	▪ Rationalisation of personal income tax structure	▪ Increase in rebate limit on personal income tax to Rs 700,000 from Rs 500,000 under the new regime will ensure more money in the hands of the lower middle class and give a moderate boost to domestic consumption
	▪ Increase in National Calamity Contingent Duty (NCCD) on cigarettes by 16% ▪ Duty on other than filter cigarettes, of length (i) not exceeding 65mm, raised from Rs 200 to Rs 230 per 1000; (ii) exceeding 65mm but not exceeding 70mm, raised from Rs 250 to Rs 290 per 1000 ▪ Duty on filter cigarettes of length (i) not exceeding 70mm, raised from Rs 440 to Rs 510 per 1000; (ii) exceeding 70mm but not exceeding 75mm, raised from Rs 545 to Rs 630 per 1000 ▪ For others, duty raised from Rs 735 to Rs 850 per 1000	▪ Increase in NCCD on certain cigarettes will have a nominal impact on the sector ▪ We see a nominal impact for ITC as it can easily take a small price hike of 2-4% which is unlikely to impact sales as there have been hardly any price increases in the last three years
	▪ Increase in rural spending	▪ Higher rural spending is expected to improve the overall health of the rural economy, which in turn will bolster demand for FMCG companies
Healthcare	▪ Total expenditure under Ministry of Family and Healthcare raised by 12.8% to Rs 861.7bn from FY23RE of Rs 763.7bn (down 8% from FY23BE of Rs 830bn) ▪ Budget allocation for Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) increased by 12% to Rs 72bn from FY23RE of Rs 64.3bn ▪ Rs 6.5bn allocated for the Ayushman Bharat Health Infrastructure Mission (PM-ABHIM)	▪ No big-ticket announcements for the sector, though higher fund allocations will help strengthen the Indian healthcare ecosystem
	▪ 157 new nursing colleges to be established ▪ Sickle Cell Anaemia Elimination Mission to be launched which aims to eliminate the disease by 2047 ▪ Facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams to encourage collaborative research and innovation ▪ A new programme to promote research and innovation in pharmaceuticals will be taken up through centres of excellence. Government shall also encourage industry to invest in research and development in specific priority areas ▪ Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing, and research	▪ Greater emphasis on R&D, innovation and results-based financing to drive the much-needed shift towards quality and higher value ▪ Announcement of dedicated multidisciplinary courses for medical devices to help strengthen the sector

Sector	Budget announcement	Implications for the Sector
Infrastructure	▪ Capital outlay of Rs 2.4tn provided for the Railways ▪ 100 critical transport infrastructure projects for last and first mile connectivity for ports, coal, steel, fertilizer, and food grain sectors have been identified. These will be taken up on priority with investment of Rs 750bn (incl. Rs 150bn from private sources)	▪ Higher capex will boost infrastructure projects and drive higher order inflow across the board for construction companies
Insurance	▪ Removal of tax exemption on income earned from life insurance policies (ex-ULIP) exceeding annual premium of Rs 500,000 (for policies issued after 1 Apr 2023)	▪ Negative for the sector as big-ticket customers will be discouraged from investing in life insurance products. Last year, the government curbed exemptions for ULIP policies, and this can be viewed as a gradual extension to other products ▪ On the flip side, this announcement will encourage customers to focus on pure term plans
	▪ Push for new tax regime which offers lower income tax rates and more slabs with no option of availing tax exemptions and deductions	▪ Push for the new tax regime will be detrimental to the life insurance business as a large chunk of taxpayers take policies only to garner Section 80C tax deductions, which are not available under the new regime
Internet Software and Services	▪ Digital India Programme: R&D in IT, Electronics, CCBT (including Incubator, Innovation & IPRs, Technology Development for Indian Languages (TDIL), Technology Incubation and Development of Entrepreneurs (TIDE) 2.0, and IoT & Emerging Technologies)	▪ Under the 'Make Artificial Intelligence in India' concept, the government has already been supporting incubators and specialised Electropreneur Parks. We are also seeing government support for the AI and start-up/innovation-led ecosystem ▪ New IPR, Proof of Concept, R&D prototype and products are expected to drive digital growth in India
	▪ 3 Centres of Excellence (CoE) for Artificial intelligence (AI) will be set up in top educational institutes	▪ The CoEs along with leading technology companies are encouraged to conduct interdisciplinary research, develop cutting-edge applications and scalable solutions in the areas of agriculture, health, and sustainable cities. Probable outcomes (IPR products) to be beneficial for the government as well as for tech companies ▪ Indian technology companies are likely to see solid traction in agricultural AI on the back of the Agricultural Accelerator Fund
	▪ One-stop solution for identity and address updating, as well as a common business identifier	▪ An expanded scope of documents in the DigiLocker will be available for individuals, with setup of an entity DigiLocker for MSME, large business and charitable trusts along with PAN (permanent account number) as a common identifier ▪ This will create a new path for revenue generation for BPM/back-end services of tier I & II Indian tech companies
Metals & Mining	▪ Increase in effective government capex from Rs 10.5tn in FY23RE to Rs 13.7tn in FY24BE with increase across PM Awas Yojana, railways, and transport infrastructure projects ▪ Additional funding for vehicle scrappage by central and state governments	▪ Positive – Infrastructure push and additional funding for vehicle scrappage to improve demand environment for metal and mining sectors in medium term
	▪ Development of green hydrogen, energy storage, solar energy and renewables projects (refer Oil & Gas section for details)	▪ This could support green transition for the sector over the longer term
	▪ Increase in import duty on silver ore, bars and articles to align with that on gold and platinum	▪ Higher duty on silver items has the potential to increase import-parity price and benefit silver miners such as Hindustan Zinc
	▪ Exemption of basic customs duty on zinc metal recovered by toll smelting or toll processing from zinc concentrates exported from India extended till 31 Mar 2024	▪ Extension of exemption on zinc for tollers is positive. Limited impact for listed companies as exposure as a percentage of business is limited

Sector	Budget announcement	Implications for the Sector
	▪ Exemptions on ferrous waste & scrap and on raw materials used in manufacture of cold rolled grain oriented (CRGO) steel extended to 31 Mar 2024 ▪ Concessional basic customs duty on copper scrap extended to 31 Mar 2024	▪ Continuation of exemption and concessional duty positive for smaller manufacturers
NBFC	▪ PM Awas Yojana outlay increased by 66% to Rs 790bn (LY: Rs 480bn)	▪ Positive for low-cost/affordable housing financiers (last year's target was to complete 8mn houses for eligible beneficiaries in both rural and urban areas)
	▪ Revamping of the credit guarantee scheme under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) with the infusion of Rs 90bn in the corpus, effective 1 Apr 2023, which will enable additional collateral-free guaranteed credit of Rs 2tn and reduce cost of credit by 1%	▪ Positive for last-mile lenders who extend financing to the underserved MSME (micro, small & medium enterprises) sector
Oil & Gas	▪ Capital support of Rs 300bn to oil marketing companies (OMC)	▪ We are still awaiting details to understand implications of capital support to OMCs
	▪ GOBARdhan scheme – Rs 100bn allocated for investment in 500 new waste-to-wealth plants to convert cattle dung and solid waste on farms into compost, biogas and bio-CNG. This will involve 200 compressed biogas (CBG) plants, including 75 in urban areas, and 300 community or cluster-based plants. In due course, government plans to introduce a 5% CBG mandate for gas marketers	▪ GOBARdhan scheme can help support development of the CNG industry in India. The eventual 5% mandate has the potential to reduce LNG usage
	▪ Indradhanush Gas Grid – Rs 18bn outlay in FY24 targeting 500km development of North-East Gas Grid	▪ Development of Indradhanush gas grid is positive for northeast-based gas players
	▪ Indian Strategic Petroleum Reserve – Award of concessionaire for Phase 2 construction of caverns	▪ Progress on Indian Strategic Petroleum Reserve could help improve energy security
	▪ Green Hydrogen – National Green Mission with an outlay of Rs 197bn to support development of 5mmtpa of green hydrogen by 2030 ▪ Energy storage – Viability gap funding for 4,000MWh of energy storage projects. Plan to formulate a detailed framework for pumped storage projects ▪ Solar energy projects – Extension of customs duty exemption on manufacture of preform of silica, EVA sheets or back sheets used in manufacture of solar cells or modules	▪ Development of green hydrogen, energy storage and solar energy projects could support green transition for the sector over the longer term
	▪ Petroleum subsidy increased from Rs 58bn in FY23BE to Rs 92bn in FY23RE and set at Rs 23bn for FY24BE	▪ Petroleum subsidy is restricted only to controlled products
	▪ Basic customs duty on denatured ethyl alcohol reduced from 5% to Nil	▪ Reduction in customs duty on ethyl alcohol has the potential to support the ethanol blending programme subject to economic viability of imports
	▪ VCM basic customs duty raised from 2% to 2.5%	▪ Increase in import duty on VCM is marginally negative for a standalone PVC player using VCM to produce PVC, like Chemplast Sanmar

Sector	Budget announcement	Implications for the Sector
Power	Green Credit Programme will be notified under the Environment (Protection) Act	Strong focus on green energy shows government's commitment to achieving renewable energy target of 500GW by 2030
	Inter-state transmission system for evacuation and grid integration of 13GW of renewable energy from Ladakh will be constructed with an investment of Rs 207bn	New arena of grid connectivity will open up more bids and ensure last mile reach and 24-hour electricity
	Battery energy storage systems with capacity of 4,000MWh will be supported via viability gap funding	Announcements on battery and pump storage would lend a fillip to such projects
Wealth	Market Linked Debentures (MLD) to be taxed as short-term capital gains effective 1 Apr 2024 (vs. current taxation as long-term capital gains at the rate of 10% without indexation)	Higher taxation will increase the cost of funds and could make MLDs unpopular. Companies' ability to pass the burden on will remain the key as will their agility in realigning their borrowing mix

Source: Budget documents, BOBCAPS Research | BE: Budget Estimates, Revised Estimates, LY: Last Year

Fig 2 – Other key tax provisions

Provision	Measures
Personal Income tax	▪ Tax exempt income raised from Rs 500,000 to Rs 700,000 ▪ Highest tax bracket reduced from 42.74% to 39% ▪ Slabs changed for the new tax regime to the following: **Slab** — **Rate (%)** Rs 0-300,000 — nil Rs 300,000-600,000 — 5% Rs 600,000-900,000 — 10% Rs 900,000-12,00,000 — 15% Rs 12,00,000-15,00,000 — 20% >Rs 15,00,000 — 30%
Presumptive tax regime	Under this scheme, a fixed percentage of the turnover or gross receipts is deemed to be the profits and gains from business subject to certain conditions. The turnover limit for micro enterprise and consultants has been raised from Rs 20mn and Rs 5mn to Rs 30mn and Rs 7.5mn respectively. There is also exemption from audit in specific cases.
Online gaming	Minimum threshold of Rs 10,000 for TDS (tax deducted at source) has now been removed
Carry forward of losses	Carry forward of losses allowed on strategic disinvestment, including that of IDBI Bank
Capital gain on sale of residential house	Maximum deduction limited to Rs 100mn. Further, if the cost of the new asset purchased is more than Rs 100mn, the cost of such asset shall be deemed to be Rs 100mn
Conversion of gold to electronic gold receipt and vice versa	Mere conversion will not attract capital gain tax
Distribution by REIT/InVITs	Rationalisation to remove loophole in taxation in hands of unitholder
TCS on certain foreign remittances	Except for education or medical treatment, TCS stands raised from 5% to 20%, including on sale of overseas tour packages

Source: Budget Documents, BOBCAPS Research

Fig 3 – Fiscal estimates

(Rs bn)	FY22	FY23BE	FY23RE	FY24BE	Increase (%)	
					FY23RE/FY22	FY24BE/FY23RE
Tax Revenue						
Corporation Tax	7,120	7,200	8,350	9,227	17.3	10.5
Taxes on Income	6,962	7,000	8,150	9,006	17.1	10.5
Indirect Taxes	12,935	13,300	13,850	15,292	7.1	10.4
Total - Tax Revenue	27,093	27,578	30,431	33,609	**12.3**	**10.4**
Less: State's Share	8,984	8,166	9,484	10,214	5.6	7.7
Centre's Tax Revenue	18,048	19,348	20,867	23,306	15.6	11.7
Total Non-Tax Revenue	3,651	2,697	2,618	3,017	**-28.3**	**15.2**
Centre's Revenue (net)	21,699	22,044	23,484	26,323	**8.2**	**12.1**
Capital Receipts						
Internal Debt Market Borrowing	7,041	11,186	11,082	11,809	57.4	6.6
Disinvestment	136	650	600	610	340.3	1.7
Others	9,036	5,561	6,739	6,407	(25.4)	(4.9)
Total Capital Receipts	16,214	17,397	18,421	18,826	**13.6**	**2.2**
Total Receipts	37,913	39,442	41,905	45,149	**10.5**	**7.7**
Expenditure						
Total Expenditure	37,937	39,449	41,872	45,031	10.4	7.5
Revenue	32,008	31,947	34,590	35,021	8.1	1.2
Capital	5,929	7,502	7,283	10,010	22.8	37.4
Revenue Deficit	10,310	9,902	11,105	8,699	-	-
Fiscal Deficit	15,845	16,612	17,553	17,868	**-**	**-**
% of GDP	**6.7**	**6.4**	**6.4**	**5.9**	**-**	**-**

Source: Budget Documents, Bank of Baroda Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS 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.

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.