

BUY

TP: Rs 4,538 | ▲ 17%

JK CEMENT

Cement

22 May 2024

Focused on growth; earnings intact; upgrade to BUY

- Q4 revenue grew 10% YoY to Rs 29.4bn as grey cement volumes gained 13% YoY/QoQ; realisation resilient YoY with 1% drop
- EBITDA spiked to Rs 5.5bn with healthy margins of 18.6%, on healthy cost savings as cost dropped 7%/1% YoY/QoQ
- We raise our FY26E EBITDA by +4% (FY25 no change) and value JKCE at 14x EV/EBITDA FY26E earnings; upgrade to BUY with TP of Rs 4,538

Milind Raginwar

research@bobcaps.in

Double-digit revenue growth in challenging quarter: JKCE reported 10%/6% YoY/QoQ standalone revenue growth to Rs 29.4bn in Q4FY24. Grey cement volumes at ~4.7mn tonnes rose ~13% YoY/QoQ and realisations were down 2%/5% YoY/QoQ to Rs 4,928/t. White cement volumes (including putty) fell ~2% YoY/QoQ to 0.42mt and realisation declined 2% YoY but grew 2.4% QoQ to Rs 12,556/t.

Cost savings drove margins by 500bps: Operating cost savings continued with 7%/2% YoY/QoQ rise to Rs 4,697/t as raw material-adjusted energy cost dropped 23% (-3% QoQ) to Rs 1,907/t due to reduced pet coke prices. Logistics cost rose 2%/-1% YoY/QoQ to Rs 1,274/t owing to added lead distance to service new markets and busy season surcharge. Other expenditure jumped 15%/12% YoY/QoQ owing to the Rs150mn each spent on branding expenditure and technology shift from SAP. This helped EBITDA jump 50% YoY to Rs 5.5bn (-10% QoQ) with strong margin gain of 500bps YoY to 18.6%. EBITDA/t was up 35% YoY to Rs 1,075/t.

Expansion plans on track: JKCE's 1.5mtpa greenfield Ujjain expansion (grinding unit) is stabilising post commissioning in Q3FY24 and the 2mt greenfield Prayagraj grinding unit (GU) is due by Q2FY25. JKCE has announced a 3.3mt clinker line-II at Panna (with 1mt GU) to be completed by Q2/Q3 FY26. The 3mt grinding unit in Bihar and 1mt each in Hamirpur and Prayagraj will be completed by 2HFY26. The total estimated project cost is ~Rs 28.5bn. An 18MW WHRS unit at Karnataka is expected to be commissioned by Q1FY25 and benefits reflected from Q2FY25.

Poised to grow, upgrade to BUY: We maintain our FY25 estimates, but raise our FY26E EBITDA by +4%, modelling in an EBITDA/PAT CAGR of 36%/34% over FY23-FY26. To factor in higher depreciation and interest payment post capex execution, EPS growth is projected to be relatively slower in FY26. Our TP rises to Rs 4,538 (from Rs 4,121) as we now value JKCE at 14x (from 13x) EV/EBITDA FY26E earnings. This is at a premium to its long-term average due to JKCE's healthy growth outlook with timely capex, improving earnings quality, cushioning of white segment earnings and less balance sheet stress in capex phase. We upgrade JKCE to BUY from HOLD. At our TP, JKCE trades at replacement cost of ~Rs13bn.

Key changes

Target	Rating
▲	▲

Ticker/Price	JKCE IN/Rs 3,890
Market cap	US\$ 3.7bn
Free float	54%
3M ADV	US\$ 8.1mn
52wk high/low	Rs 4,575/Rs 2,893
Promoter/FPI/DII	46%/16%/22%

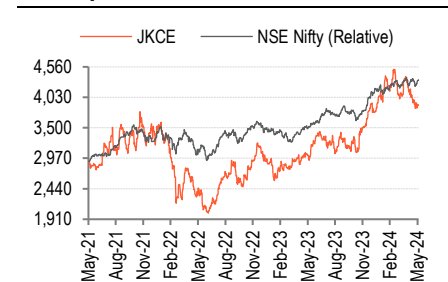
Source: NSE | Price as of 21 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	1,09,181	1,26,016	1,47,678
EBITDA (Rs mn)	20,050	23,914	27,835
Adj. net profit (Rs mn)	8,361	11,199	13,519
Adj. EPS (Rs)	108.2	144.9	175.0
Consensus EPS (Rs)	108.2	133.6	162.3
Adj. ROAE (%)	17.0	19.1	19.4
Adj. P/E (x)	35.9	26.8	22.2
EV/EBITDA (x)	17.2	13.7	9.5
Adj. EPS growth (%)	48.6	33.9	20.7

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY24	Q3FY24	Our view
Volumes	<p>Grey cement volumes grew 13% YoY/QoQ to ~4.7mt in Q4FY24, while consolidated white cement volumes fell 2% YoY/QoQ to 0.42mt. The white cement segment revenue fell ~ 4% YoY in 4QFY24 amid stiff competition, especially in the putty segment.</p>	<p>Grey cement volume grew 17% YoY (+6% QoQ) to ~4.2mt in Q3FY24, while consolidated white cement volume grew 10% YoY (+3% QoQ) to 0.42mt. The white cement segment grew 5% YoY during 9MFY24 amid stiff competition, especially in the putty segment.</p>	<p>Healthy volume growth will help JKCE to retain market share in the medium/long term, aided by timely capacity addition.</p>
Margins	<p>Fuel cost in Q4FY24 was ~Rs 1.79/kcal and could reduce slightly in FY25 as management expects pet coke cost to reduce marginally. Logistics cost increased 2% YoY (-1% QoQ) to Rs 1,294/t. The lead distance and prices softened QoQ but the impact was limited, which will lead to some more savings in FY25.</p> <p>Overall cost savings in FY25 are expected to be ~Rs 100-150/t as guided by management.</p>	<p>Fuel cost in Q3FY24 was ~Rs 1.82/kcal and could marginally reduce in Q4FY24 as management expects pet coke cost to fall. Logistics cost increased 4%/11% YoY/QoQ to Rs 1,290/t as a result of higher lead distance to service new markets and busy season surcharge on rail dispatches.</p> <p>Overall cost savings in Q3FY24 totalled ~Rs 100/t; management expects to save Rs 30-40/t in Q4.</p>	<p>JKCE's margin gain will be guided by sharp focus on the cost control in the next 12-18 months, driven by lower energy and logistics cost.</p>
Expansion	<p>JKCE's 1.5mtpa greenfield Ujjain expansion (grinding unit) is stabilising post commissioning in Q3FY24 and the 2mt greenfield Prayagraj GU is due by Q2FY25.</p> <p>JKCE has announced a 3.3mt clinker line-II at Panna (with 1mt GU) to be completed by Q2/Q3 FY26. The 3mt grinding unit in Bihar and 1mt each in Hamirpur and Prayagraj will be completed by 2HFY26.</p> <p>Further, an 18MW WHRS unit at Karnataka is expected to be commissioned by Q1FY25 and benefits reflecting from Q2FY25.</p>	<p>The 1.5mt Ujjain grinding unit expansion has been commissioned in Q3FY24 while the 2mt Panna expansion is expected to be complete by Q2FY25.</p> <p>Management has proposed a 6mt expansion in Central India (3mt additional grinding unit in Bihar, 1mt each at Panna, Hamirpur and Prayagraj). A 3.3mt clinker line-II at Panna has also been approved.</p> <p>The 18MW WHRS capacity at Karnataka is expected to be commissioned by Q1FY25.</p>	<p>No major change in the timelines in 4Q. All project execution is underway as per earlier guidance.</p>
Capex	<p>The total estimated project cost of the second phase of capex is ~Rs 28.5bn to be spent in a phased manner in FY25/FY26. Management guided for Rs19bn/Rs18bn in FY25/FY26.</p>	<p>Capex incurred till Q3FY24 is ~Rs 9bn and capex guidance for FY24 has been revised from Rs 14bn to ~Rs 12bn. Management indicated that the guidance shortfall of ~Rs 2bn shall be carried forward in the outlay for FY25, which is guided at ~Rs 22bn (~Rs 18bn in FY26).</p>	<p>No major change in capex guidance either, indicating focus on consistency by JKCE. Capex years are not impacting balance sheet health but do weigh on marginal risk.</p>
Other key points	<p>Gross debt at FY24-end was Rs 45.9bn and net debt Rs 25.8bn. Post capex, peak gross debt is expected to reach Rs 55bn by FY26. Net debt to EBITDA for FY24 was 1.3x.</p> <p>Revenue from the paints segment stood at Rs 1.5bn for FY24 with an EBITDA loss of Rs 60mn. Management is targeting topline of Rs ~Rs3bn by FY25.</p>	<p>Gross debt and net debt as at Q3FY24 stood at Rs 45.8bn and Rs 30bn respectively. Post capex, peak, gross debt is expected to reach Rs 55bn by FY26. Net debt to EBITDA for Q3FY24 was 1.6x.</p> <p>Revenue from the paints segment stood at Rs 1bn for 9MFY24 with an EBITDA loss of Rs 150mn. Management is targeting a topline of Rs 2.5bn-3bn by FY25.</p>	<p>Balance sheet woes are receding and expected to improve if growth momentum takes pace post the current lull</p>

Source: Company, BOBCAPS Research | WHRS: Waste Heat Recovery System | GU: Grinding Unit

Fig 2 – Key metrics

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Aggregate volumes (mn mt)	5.1	4.6	11.6	4.6	11.3
Grey cement (mn mt)	4.7	4.1	13.0	4.2	12.6
White Cement and Putty (mn mt)	0.4	0.4	(1.7)	0.4	(2.0)
Aggregate realisations (Rs/mt)	6,086	5,821	4.5	5,919	2.8
Operating costs (Rs/mt)	4,697	5,045	(6.9)	4,756	(1.2)
Aggregate EBITDA (Rs/mt)	1,075	797	34.9	1,330	(19.1)

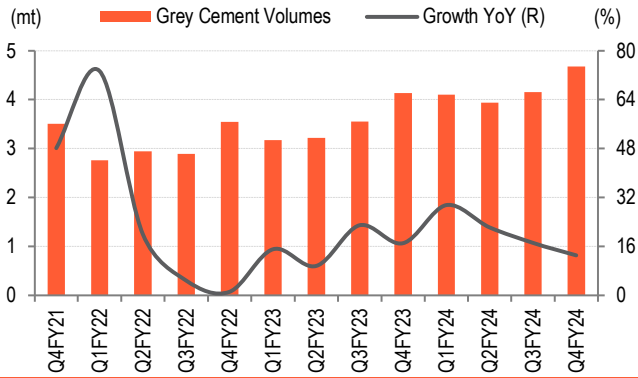
Source: Company, BOBCAPS Research

Fig 3 – Quarterly performance

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net Sales	29,389	26,646	10.3	27,848	5.5
Expenditure					
Change in stock	(242.0)	(121.0)	100.0	(1,187.5)	(79.6)
Raw material	4,079	3,939	3.6	4,056	0.6
Stores and Spares	0	0	0.0	0	0.0
purchased products	1,080	435	148.4	853	26.6
Power & fuel	5,873	7,523	(21.9)	6,153	(4.6)
Freight	6,484	5,678	14.2	5,905	9.8
Employee costs	1,963	1,479	32.8	1,820	7.9
Other expenses	4,678	4,078	14.7	4,164	12.4
Total Operating Expenses	23,914	23,010	3.9	21,764	9.9
EBITDA	5,475	3,636	50.6	6,084	(10.0)
EBITDA margin (%)	18.6	13.6	499bps	21.8	(322bps)
Other Income	431	361	19.4	352	22.5
Interest	1,112	976	13.9	1,109	0.2
Depreciation	1,307	1,117	17.0	1,178	10.9
PBT	3,488	1,904	83.2	4,149	(15.9)
Non-recurring items	(95.0)	0.0	-	0.0	-
PBT (after non-recurring items)	3,583	1,904	88.2	4,149	(13.6)
Tax	1,223	510	139.7	1,254	(2.5)
Reported PAT	2,360	1,394	69.3	2,895	(18.5)
Adjusted PAT	2,265	1,394	62.5	2,895	(21.8)
NPM (%)	7.7	5.2	247bps	10.4	(269bps)
Adjusted EPS (Rs)	29.3	18.0	62.5	37.5	(21.8)

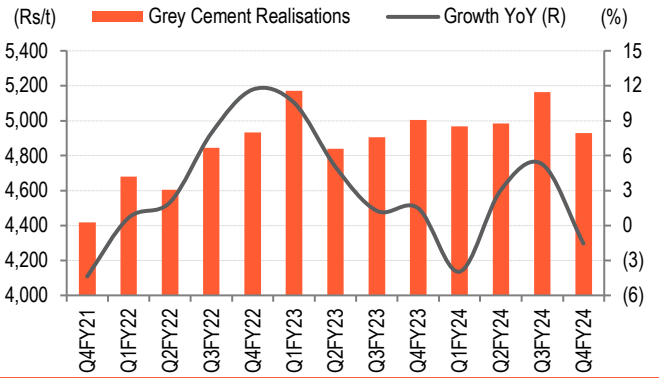
Source: Company, BOBCAPS Research

Fig 4 – Double-digit volume growth in challenging quarter



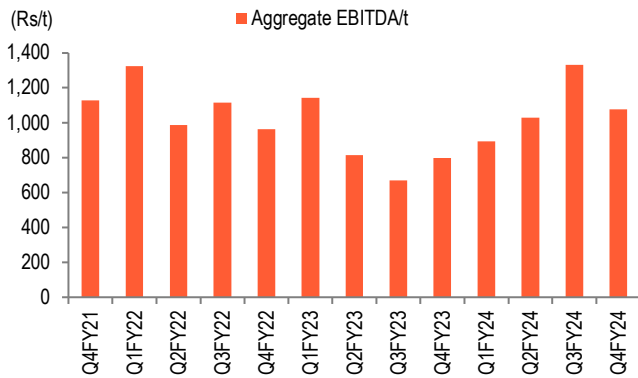
Source: Company, BOBCAPS Research

Fig 5 – Better regional mix aided realisation gains



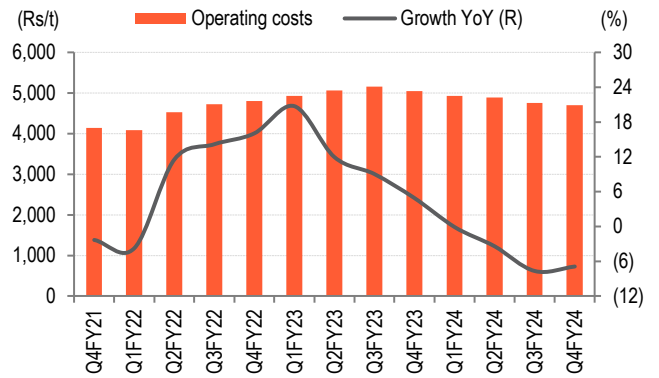
Source: Company, BOBCAPS Research

Fig 6 – Cost savings key driver to boost EBITDA/t YoY



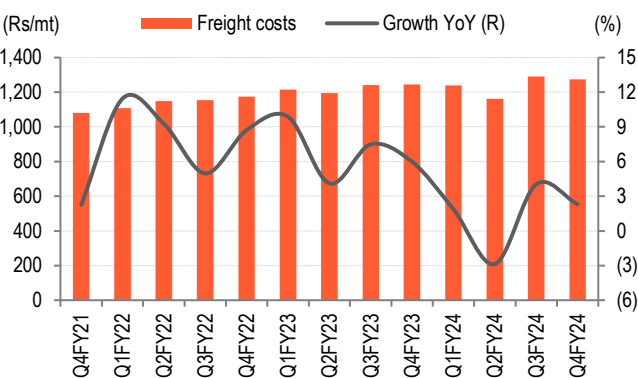
Source: Company, BOBCAPS Research

Fig 7 – Overall cost efficiencies aided better show



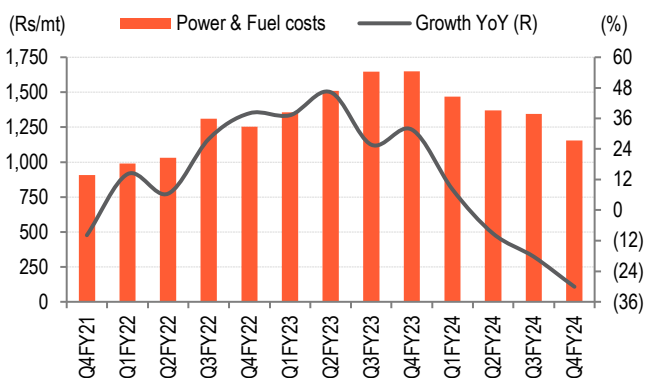
Source: Company, BOBCAPS Research

Fig 8 – Freight cost inched up due to new market seeding



Source: Company, BOBCAPS Research

Fig 9 – Power to contribute more energy cost savings from hereon than fuel



Source: Company, BOBCAPS Research

Valuation methodology

We maintain our FY25 estimates despite weak/recovering H1FY25 due to elections/monsoons given JKCE's efforts to maintain strong growth and earnings. We revise our FY26 EBITDA by +4%, modelling for an EBITDA/PAT CAGR of 36%/34% over FY23-FY26 as the next phase of growth gets reflected in the performance partially. To factor in higher depreciation and interest payment post capex execution, EPS growth is projected to be relatively slower in FY26.

Even so, our TP rises to Rs 4,538 (from Rs 4,121) as we now value JKCE at 14x (from 13x) EV/EBITDA FY26E earnings. This is at a premium to its long-term average – to account for JKCE's healthy growth outlook with timely capex that will help to maintain growth momentum beyond FY26, improve earnings quality (steady/better margins), cushion white segment earnings, and reduce balance sheet stress in the capex phase. We upgrade JKCE to BUY, and at our TP the stock trades at replacement cost of ~Rs13bn.

Fig 10 – Key assumptions

Parameter	FY23	FY24P	FY25E	FY26E
Volumes (mt)	13.4	18.5	20.3	23.3
Realisations (Rs/t)	4,878	5,011	5,113	5,317
Operating costs (Rs/t)	5,700	5,103	5,039	5,143
EBITDA/mt (Rs/t)	746	1054	1095	1115

Source: Company, BOBCAPS Research

Fig 11 – Valuation summary

Business (Rs mn)	FY26E
Target EV/EBITDA (x)	14.0
EBITDA	27,835
Target EV	389,683
Total EV	389,683
Net debt	39,050
Target market capitalisation	350,634
Target price (Rs/sh)	4,538
Weighted average shares (mn)	77

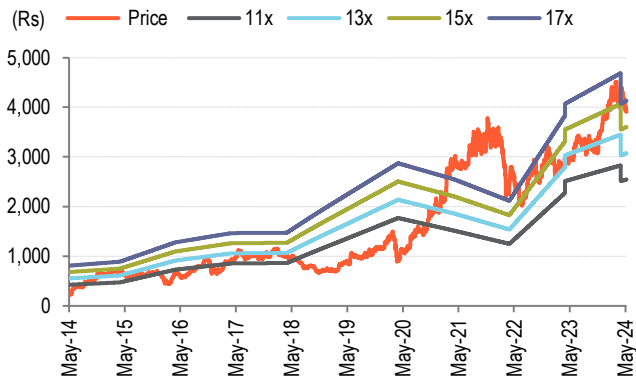
Source: BOBCAPS Research

Fig 12 – Peer comparison

Ticker	Rating	Target Price (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY24P	FY25E	FY26E	FY24P	FY25E	FY26E	FY24P	FY25E	FY26E	FY24P	FY25E	FY26E
JKCE IN	BUY	4,538	17.2	13.7	12.2	225	165	137	17.0	19.1	19.4	13.6	15.7	16.9
DALBHARA IN	BUY	2,346	12.8	11.8	8.1	82.0	87.0	86.0	5.3	6.6	9.5	6.6	7.7	10.8
TRCL IN	SELL	728	22.9	16.6	13.8	134	133	135	5.2	5.8	7.2	5.8	7.7	9.2

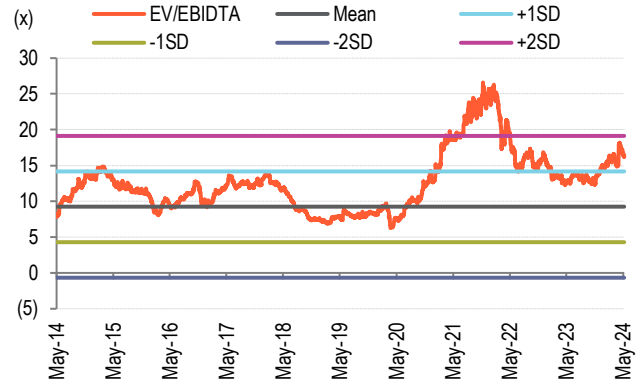
Source: BOBCAPS Research

Fig 13 – Current valuations leave healthy room for upside



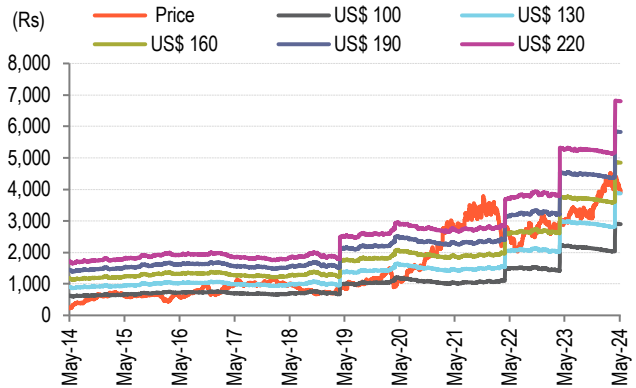
Source: Bloomberg, BOBCAPS Research

Fig 14 – Earnings trigger will keep valuations healthy



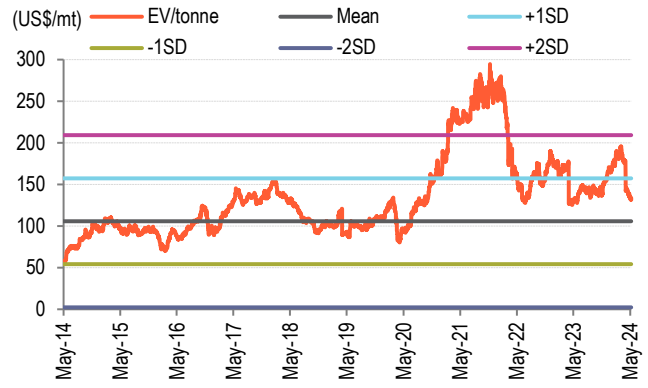
Source: Bloomberg, BOBCAPS Research

Fig 15 – Replacement cost premium factoring in white cement business



Source: Bloomberg, BOBCAPS Research

Fig 16 – Replacement cost likely to stay healthy



Source: Bloomberg, BOBCAPS Research

Key risks

- Hardening of fuel cost can lower margins below our estimates, representing a key downside risk to our estimates.
- Adverse pricing in Central India and delays in capacity addition are other key risks.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	5.8	2,528	2,657	HOLD
Ambuja Cements	ACEM IN	15.3	632	580	HOLD
Dalmia Bharat	DALBHARA IN	4.2	1,848	2,346	BUY
JK Cement	JKCE IN	3.7	3,890	4,538	BUY
JK Lakshmi Cement	JKLC IN	1.1	793	637	SELL
Orient Cement	ORCMNT IN	0.5	209	147	SELL
Shree Cement	SRCM IN	11.3	25,834	27,836	HOLD
Star Cement	STRCEM IN	1.2	245	193	HOLD
The Ramco Cements	TRCL IN	2.2	772	728	SELL
Ultratech Cement	UTCEN IN	34.4	9,789	11,510	BUY

Source: BOBCAPS Research, NSE | Price as of 21 May 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Total revenue	75,291	87,768	1,09,181	1,26,016	1,47,678
EBITDA	13,325	11,175	20,050	23,914	27,835
Depreciation	(2,820)	(3,615)	(4,859)	(5,286)	(6,758)
EBIT	13,429	10,608	16,544	21,809	24,298
Net interest inc./(exp.)	(2,493)	(2,605)	(4,366)	(5,810)	(6,029)
Other inc./(exp.)	2,924	3,048	1,353	3,181	3,221
Exceptional items	0	0	0	0	0
EBT	10,936	8,003	12,178	15,999	18,269
Income taxes	(3,329)	(2,377)	(3,817)	(4,800)	(4,750)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	7,608	5,626	8,361	11,199	13,519
Adjustments	0	0	0	0	0
Adjusted net profit	7,608	5,626	8,361	11,199	13,519

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Accounts payables	6,691	6,042	14,407	17,064	19,700
Other current liabilities	13,284	8,343	10,471	6,629	6,695
Provisions	1,303	1,402	1,555	1,479	1,536
Debt funds	32,201	32,077	52,282	37,357	40,171
Other liabilities	7,457	8,394	10,576	9,523	8,576
Equity capital	773	773	773	773	773
Reserves & surplus	41,713	43,915	52,859	62,787	75,051
Shareholders' fund	42,485	44,688	53,631	63,560	75,824
Total liab. and equities	1,03,422	1,00,946	1,42,923	1,35,612	1,52,502
Cash and cash eq.	2,826	5,677	7,777	10,050	1,122
Accounts receivables	3,978	3,712	4,604	5,524	6,474
Inventories	11,136	7,779	10,675	12,084	13,959
Other current assets	13,648	6,348	20,113	9,782	10,415
Investments	17,448	22,604	14,709	21,060	21,207
Net fixed assets	51,716	51,121	67,939	75,651	94,117
CWIP	2,526	3,551	16,949	1,300	5,046
Intangible assets	145	154	157	160	163
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	1,03,422	1,00,946	1,42,923	1,35,611	1,52,502

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Cash flow from operations	6,108	15,216	6,380	20,537	15,983
Capital expenditures	(3,583)	(3,661)	(32,962)	4,282	(26,324)
Change in investments	(9,378)	(5,156)	7,895	(6,351)	(147)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,960)	(8,817)	(25,067)	(2,069)	(26,471)
Equities issued/Others	(761)	(2,296)	2,426	78	94
Debt raised/repaid	1,242	(125)	20,205	(14,924)	2,814
Interest expenses	0	0	0	0	0
Dividends paid	(1,159)	(1,159)	(1,356)	(1,356)	(1,356)
Other financing cash flows	(1,262)	32	(488)	7	7
Cash flow from financing	(1,940)	(3,548)	20,787	(16,195)	1,559
Chg in cash & cash eq.	(8,792)	2,851	2,100	2,273	(8,928)
Closing cash & cash eq.	2,826	5,677	7,777	10,050	1,122

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
Reported EPS	98.5	72.8	108.2	144.9	175.0
Adjusted EPS	98.5	72.8	108.2	144.9	175.0
Dividend per share	15.0	15.0	15.0	15.0	15.0
Book value per share	549.8	578.3	694.1	822.6	981.3

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
EV/Sales	4.4	3.7	3.2	2.6	1.8
EV/EBITDA	24.8	29.3	17.2	13.7	9.5
Adjusted P/E	39.5	53.4	35.9	26.8	22.2
P/BV	7.1	6.7	5.6	4.7	4.0

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Tax burden (Net profit/PBT)	69.6	70.3	68.7	70.0	74.0
Interest burden (PBT/EBIT)	81.4	75.4	73.6	73.4	75.2
EBIT margin (EBIT/Revenue)	17.8	12.1	15.2	17.3	16.5
Asset turnover (Rev./Avg TA)	77.2	85.9	89.5	90.5	102.5
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.5	2.4	2.1
Adjusted ROAE	18.9	12.9	17.0	19.1	19.4

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
YoY growth (%)					
Revenue	20.8	16.6	24.4	15.4	17.2
EBITDA	(6.1)	(16.1)	79.4	19.3	16.4
Adjusted EPS	(1.2)	(26.0)	48.6	33.9	20.7
Profitability & Return ratios (%)					
EBITDA margin	17.7	12.7	18.4	19.0	18.8
EBIT margin	17.8	12.1	15.2	17.3	16.5
Adjusted profit margin	10.1	6.4	7.7	8.9	9.2
Adjusted ROAE	18.9	12.9	17.0	19.1	19.4
ROCE	17.1	12.7	16.4	19.2	20.7
Working capital days (days)					
Receivables	19	15	15	16	16
Inventory	54	32	36	35	35
Payables	39	29	59	61	60
Ratios (x)					
Gross asset turnover	1.0	1.2	1.2	1.2	1.1
Current ratio	1.5	1.5	1.6	1.5	1.1
Net interest coverage ratio	5.4	4.1	3.8	3.8	4.0
Adjusted debt/equity	0.8	0.7	1.0	0.6	0.5

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**

Logo:  **BOBCAPS**
TRUST | INNOVATION | EXCELLENCE

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%

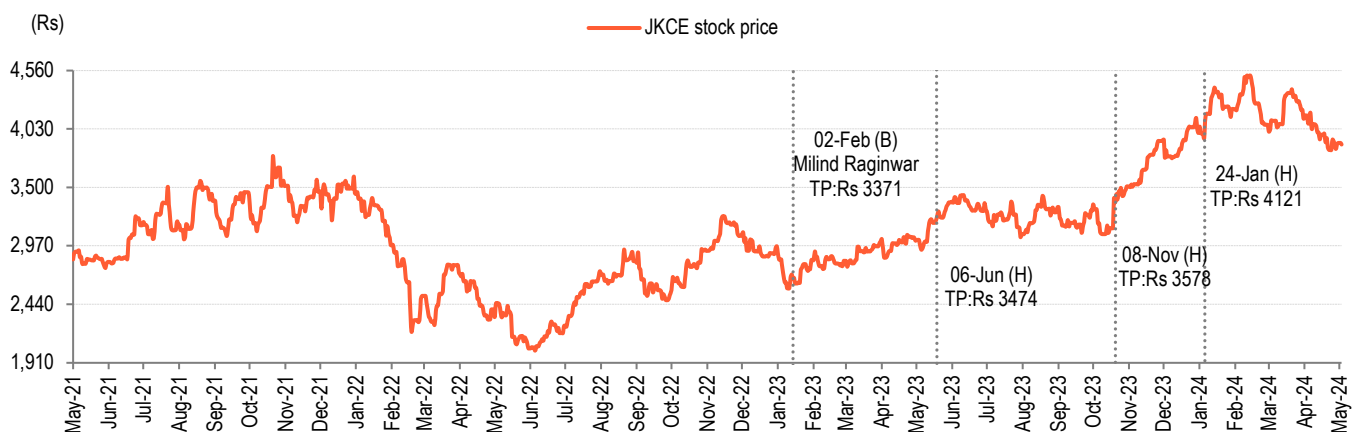
HOLD – Expected return from -6% to +15%

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): JK CEMENT (JKCE 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.