

HOLD
 TP: Rs 975 | ▲ 0%

JINDAL STEEL & POWER | Metals & Mining

25 July 2024

Expansion to deliver material growth even after delays

- Q1 result was ahead of consensus. Company announced another 6-9 months delay of Angul expansion project
- We see this as moving towards more realistic deadlines. We lower FY26 EBITDA by 14% and continue to build buffer over guidance
- Company still geared to deliver 22% EBITDA CAGR over FY24-27. We reiterate HOLD rating with a lower TP of Rs 975 from Rs 1,055

Kirtan Mehta, CFA
 research@bobcaps.in

Q1 beat: JSP's Q1FY25 EBITDA at Rs 28.4bn was 4% ahead of Bloomberg consensus's estimate and 12% ahead of ours on higher sales benefitting from 0.45mt of HRC production. EBITDA was up 13% sequentially, with 7% uptick in standalone operations backed by 4% growth in sales volume and 4% increase in margin to Rs 12.9k/t.

Expansion sees more delays: JSP announced a six-month delay for the BF/BOF 2 to Q4FY25, nine-month delay for BOF-3 to Q3FY26, and nine-month delay for slurry pipeline to Q4FY25. We see this announcement as setting more realistic targets from the initial set of aggressive targets. We have been highlighting this risk for some time and had downgraded JSP to HOLD from BUY on 3 Feb 2024, flagging that we **await better visibility on delivery of growth**.

Expansion to drive substantial growth: With 60% of capacity expansion planned, we believe the expansion could still deliver 22% EBITDA CAGR over FY24-27E at our estimates. We assume gradual ramp-up to 80% utilisation for BF-2 and 60% utilisation for BF-3 providing buffer against the revised guidance, 90% slurry pipeline utilisation and 14mt captive coal production in FY27.

Lower estimates and TP: Factoring in delays in project milestones, we lower our FY25E/FY26E EBITDA estimates by 7%/14%. Accordingly, we lower our TP to Rs 975 from Rs 1,055, while maintaining the target 1Y forward EV/EBITDA multiple at 6x. We maintain the target multiple below our sector multiple of 6.5x as we wait for JSP to demonstrate disciplined growth.

Maintain HOLD: With an 11% correction from a peak of Rs 1,097 on 21 Jun, we believe JSP's stock price currently factors in the impact of announced delays at our estimates. With the company primed to deliver 22% EBITDA CAGR over FY24-FY27 on the delivery of efficiency and capacity expansion projects even under our conservative assumptions, we maintain our rating at HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	JSP IN/Rs 972
Market cap	US\$ 11.8bn
Free float	39%
3M ADV	US\$ 26.0mn
52wk high/low	Rs 1,097/Rs 582
Promoter/FPI/DII	61%/13%/15%

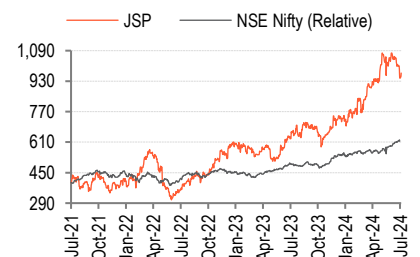
Source: NSE | Price as of 24 Jul 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	5,00,268	4,99,708	6,76,661
EBITDA (Rs mn)	1,02,008	1,13,029	1,35,950
Adj. net profit (Rs mn)	59,384	54,640	70,146
Adj. EPS (Rs)	58.2	53.6	68.8
Consensus EPS (Rs)	58.2	64.4	88.6
Adj. ROAE (%)	14.3	11.6	13.3
Adj. P/E (x)	16.7	18.2	14.1
EV/EBITDA (x)	10.6	9.7	8.2
Adj. EPS growth (%)	88.5	(8.0)	28.4

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

Stock performance



Source: NSE



Q1FY25 results ahead of estimates

- **Q1 EBITDA outperforms consensus and our estimates:** JSP's Q1FY25 EBITDA at Rs 28.4bn was 4% ahead of Bloomberg consensus and 12% ahead of our forecast. The EBITDA beat was primarily driven by 9% higher sales volume than our assumptions.
- **Sequential increase:** Q1 EBITDA was up 13% QoQ, driven by 8% growth in standalone EBITDA to Rs 26.9bn. Other subsidiaries also contributed Rs 1.4bn. Steel operations benefitted from 4% QoQ volume growth as well as 4% QoQ increase in EBITDA margin to Rs 12.9k/t.
- **Sequential margin increase:** The sequential margin increase was supported by the increase in steel realisation (1% QoQ), and reduction in coking coal costs (down US\$ 23/t QoQ).
- **Sales increase:** JSP attributed the increase in sales to the ramp-up of hot strip mill (HSM) to 0.45mt in Q1 and strength in long products segments. However, exports were weak at 0.15mt, contributing only 7% of sales.
- **Net debt marginally lower:** After the increase in Q3FY24, net debt was lower by Rs 7bn QoQ to Rs 105bn. Net debt to trailing 12M EBITDA at 1x remains well below the company's target of 1.5x.

FY25 outlook

- **Possibility of stable margin in Q2:** Steel margin is likely to be supported by cost reductions amid fall in steel prices. JSP guides for US\$ 30-35/t reduction in coking coal costs in Q2 and is currently seeing Rs 500-1,000/t reduction in iron ore price and 1% reduction in sales realisation in mid-Jul. While benchmark indicators have indicated steeper falls, JSP highlights that its basket of value added as well as import substitution products have seen a lower moderation so far. As per our calculations, cost reductions could contribute upwards of Rs 3k/t and margin can possibly remain stable if average fall in steel prices is contained in the same range.
- **Stable volumes:** JSP confirms that it will be able to maintain its quarterly production rate above 2mt. While JSP's agreement with Rashtriya Ispat Nigam (RINL) offers a possibility of getting additional billets, the start-up of the blast furnace at RINL has been delayed due to external strike.

Expansion project faces more delays

JSP has been normalising the project ramp-up period from its initial aggressive targets. In this context, JSP has announced another six to nine months of delays across various project milestones.

- **6-9 months delay in project implementation:** JSP has revised the start-up of BOF-2 (Basic Oxygen Furnace-2) and BF-2 (Blast Furnace 2) to Q4FY25, which is equivalent to a six-month delay from its previous guidance. With the delay in coke ovens as well, JSP will still be starting the blast furnace with external coke. JSP has also deferred BOF-3 to Q3FY26 implying nine months of delay in the start-up

of the units planned towards the end of the project. JSP's slurry pipeline, scheduled to start in Q1FY25, is now delayed by nine months to Q4FY25.

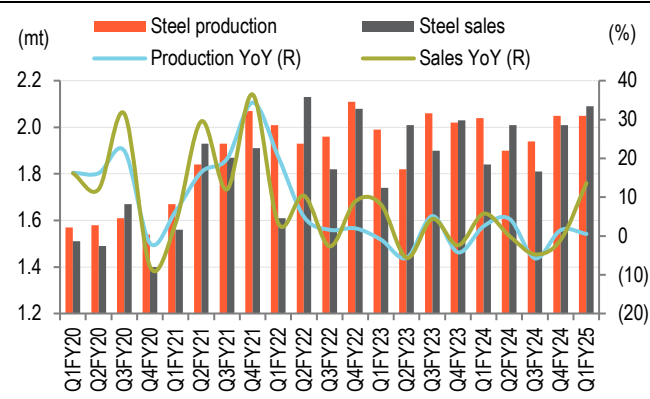
- **HSM and pellet plant ramping up well:** JSP highlights that it was successful in ramping up HSM within 29 months, delivered 0.45mt of HRC from HSM in Q1 and is targeting 3mtpa in FY25. Pellet plant 2, commissioned in Q2FY24, operated at a 4mtpa run rate in Q1 and is positioned well to run at full throughput of 6mtpa at the time of start-up of BF-2.
- **Coal mines ramping up:** After ramping up the Gare Palma IV/6 mine (4mt capacity) and Utkal C (3.37mt capacity) to their rated capacity in Q4FY25, in Q2, the company is close to starting up the Utkal B1 mine (5.5mt capacity) and still aiming to start-up the Utkal B2 mine in FY25. JSP is also working to enhance capacity for both Gare Palma IV/6 and Utkal C to ~5mt.
- **Angul capex:** JSP has spent Rs 185bn capex on Angul expansion project out of its budget of Rs 310bn. At this stage, JSP believes the delays will not result in capex escalations and can be managed within available project contingencies.

Fig 1 – Quarterly performance – JSP delivers sequential growth in EBITDA

(Rs bn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
Consolidated P&L					
Revenue from operations	136.2	134.9	1.0	125.9	8.2
EBITDA reported	28.4	24.4	16.2	26.3	8.0
EBITDA adjusted	28.3	25.1	12.7	27.0	4.7
EBIT	21.6	14.5	48.8	20.4	5.7
PBT before exceptionals	18.6	11.6	59.8	17.7	5.2
PAT reported	13.4	9.3	43.4	16.9	(20.9)
PAT adjusted	13.4	9.3	43.4	16.9	(20.9)
EPS (Rs)	13.3	9.3	42.5	16.8	(20.7)
Tax rate (%)	28.0	19.8		4.2	
EBITDA breakdown					
Standalone ¹	26.9	25.0	7.7	26.7	1.1
Consolidated	28.3	25.1	12.7	27.0	4.7
Standalone					
Production- steel (mt)	2.05	2.05	0.0	2.04	0.5
Sales- steel (mt)	2.09	2.01	4.0	1.84	13.6
Realisation (Rs/t)	61,449	68,524	(10.3)	66,905	(8.2)
EBITDA (Rs/t)	12,890	12,443	3.6	14,484	(11.0)

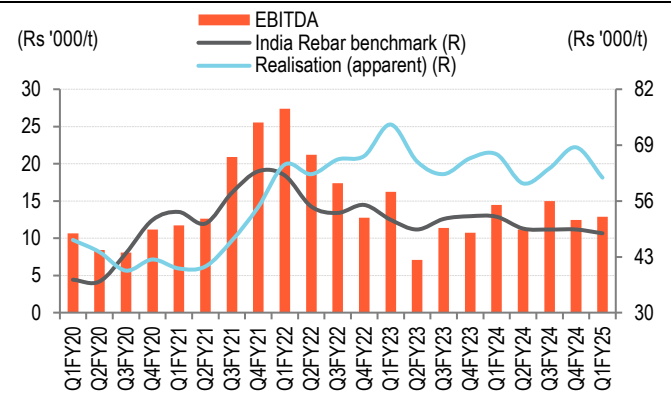
Source: Company, BOBCAPS Research

Fig 2 – Sales increase benefitting from HSM ramp-up



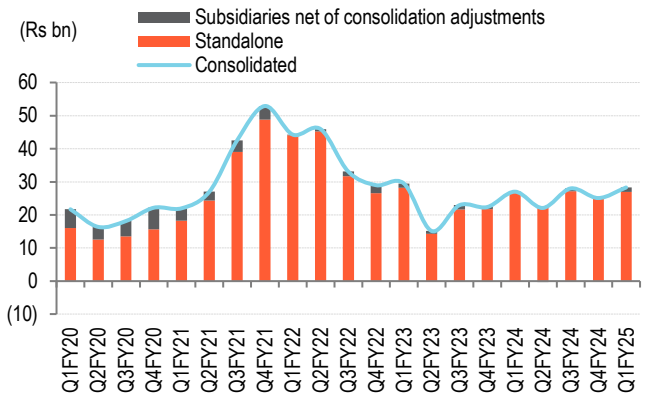
Source: Company, BOBCAPS Research

Fig 3 – EBITDA grew sequentially with higher sales and margin



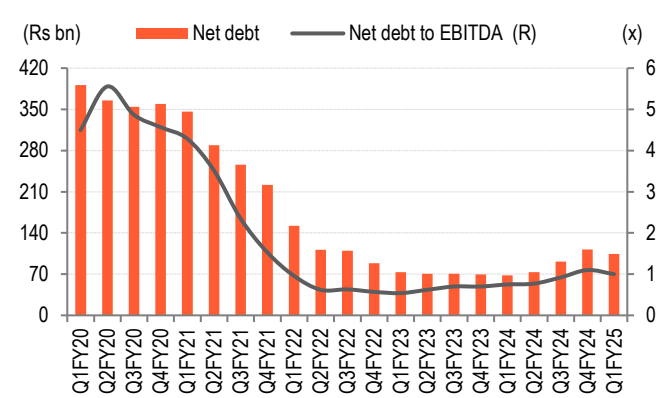
Source: Company, BOBCAPS Research

Fig 4 – Consolidated EBITDA growth driven by standalone operations and minor uptick in others



Source: Company, BOBCAPS Research

Fig 5 – Net debt marginally down QoQ



Source: Company, BOBCAPS Research

Valuation methodology

Forecast changes

We cut FY25E/FY26E EBITDA by 7%/14% factoring in a 6-9-month delay in implementation of the Angul expansion project. We introduce our FY27 forecasts, where we assume a significant ramp-up of the Angul project. We believe the company is primed to deliver 22% EBITDA CAGR over FY24-FY27E through expansion even with our conservative assumptions accounting for buffer against the revised guidance.

Fig 6 – Revised estimates

(Rs bn)	New			Old		Change (%)	
	FY25E	FY26E	FY27E	FY25E	FY26E	FY25E	FY26E
Revenue	500	677	776	498	677	0.4	(0.1)
EBITDA	113	136	185	121	158	(6.9)	(14.2)
Net income	55	70	106	65	91	(15.5)	(22.7)

Source: BOBCAPS Research

Volume assumptions

- Steel sales:** We now assume FY25E/FY26E/FY27E steel sales at 8.0mt/10.3mt/12.6mt, lowering by 3%/4% for FY25/FY26. While the RINL plant is resuming its efforts to restart blast furnace, we now assume availability of additional billets from FY26. We remain conservative on the gradual ramp-up of new plants accounting for 80% utilisation of 3.3mt blast furnaces (BF) and 60% utilisation for the 3mt blast furnace capacity in FY26, allowing a buffer for start-up beyond management's revised guidance.
- Hot strip mill:** We continue to assume 50%/90%/90% utilisation for HSM (hot strip mill) in FY25/FY26/FY27, which is in line with management guidance of HRC production of 3.0mt in FY25. JSP will now need to stabilise delivery of HRC across specifications and gradually move up the chain to maximise margins. The company has previously mentioned that it will start with the sale of coils to cold rolling mills/tube manufacturers and to players in construction sectors while working in parallel to get products qualified by white goods and automotive players.
- Coal mines:** We continue to assume captive coal availability of 9mt/12mt/14mt in FY25/FY26/FY27 as JSP ramped-up operations of Gare Palma IV/6 and Utkal C to the rated capacity at the end of FY24. The company is further targeting the start-up of Utkal B1 and B2 over FY25 as well as enhancing Gare Palma IV/6's production capacity to 5mt (from 4mt) and Utkal C's to 4.78mt (from 3.37mt).
- Pellets:** We assume external sales of 2-3mt over FY27 only after the ramp-up of pellet plant-II.
- Slurry pipeline:** We now assume 70%/90% utilisation in FY26/FY27 accounting for a delay in the start-up for Q4FY25.

Margin assumptions

- Modest improvement:** We continue to assume modest improvement in EBITDA/t from Rs 13.3k in FY24 to Rs 14.5k/t by FY27, with the implementation of cost-efficiency projects (captive coal production, pellets) and value-enhancing projects

(HSM). Our uptick in margin for FY24 is the result of our assumption of a reduction in semis with HSM ramp-up and benefits of captive coal on a smaller scale of operations prior to ramp-up.

Fig 7 – JSP: Key assumptions

Parameter	FY24P	FY25E	FY26E	FY27E
Sales (mt)	7.7	8.0	10.3	12.6
India HRC (US\$/t)	684	632	614	595
Realisation (Rs'000/t)	62.3	59.3	63.0	59.1
EBITDA/tonne (Rs'000/t)	13.3	14.0	13.0	14.5

Source: Company, BOBCAPS Research

JSP – HOLD with a lower TP of Rs 975

We cut our TP for JSP to Rs 975 (from Rs 1,055) factoring in the delay in start-up of the Angul expansion project. We use FY26 earnings as a valuation base to arrive at Mar'25 fair value and then roll it forward to Jun'25 to arrive at our 12-month forward TP.

- Our target multiple of 1Y fwd EV/EBITDA at 6x is above the stock's five-year average of 4.6x to reflect resumption of growth but below our sector target multiple of 6.5x for the early recovery phase as we wait for JSP to demonstrate disciplined growth delivery over this investment phase.
- While we use FY26 as a valuation base to give JSP credit for the expansion drive underway, it does not fully capture the full benefit of expansion. Hence, we account for incremental value from the full ramp-up of expansion by valuing incremental EBITDA from expansion in FY27 at the same target multiple and then discounting back to Jun'25.

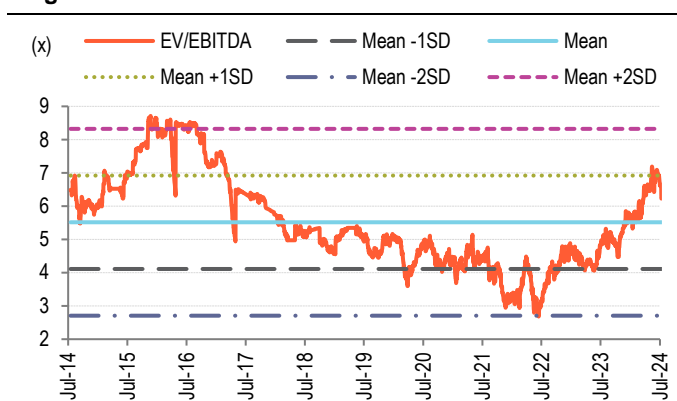
We maintain HOLD rating on JSP as we believe the stock needs to pause for breath till the company shows improved visibility on project delivery and a consequent increase in earnings.

Fig 8 – JSP: Valuation summary

(Rs bn)	Value
FY26E EBITDA	136
Target EV/EBITDA (x)	6
EV	816
Incremental value from full ramp-up	267
EV including benefit of full ramp-up as of Mar'25	1,083
FY25E Net debt	111
Equity Value Mar'25E	972
Fair value per share Mar'25E (Rs)	953
Fair value per share Jun'25E (Rs)	976
Target price Jun'25E (Rs) (rounded to nearest Rs 5)	975

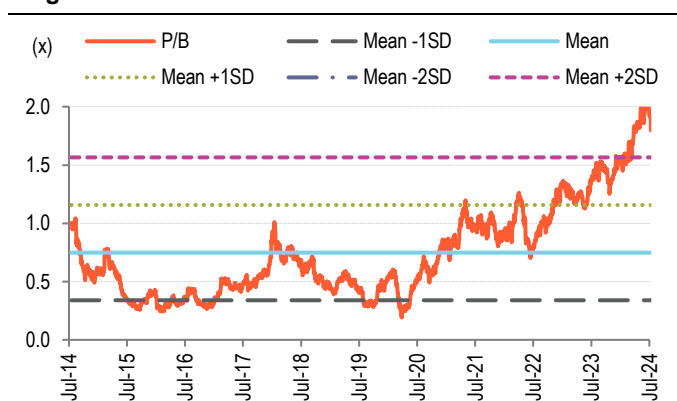
Source: BOBCAPS Research

Fig 9 – JSP 2Y fwd EV/EBITDA



Source: Bloomberg, BOBCAPS Research

Fig 10 – JSP 1Y fwd P/B



Source: Bloomberg, BOBCAPS Research

Fig 11 – Peer comparison

Ticker	CMP (Rs)	Rating	Target price (Rs)	Upside (%)	EV/Sales (x)		EV/EBITDA (x)		Net income (Rs bn)		P/B (x)		P/E (x)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24E	FY25E	FY25E	FY26E
TATA IN	160	HOLD	175	9.2	1.2	1.1	8.1	6.3	116	183	2.2	2.0	15.7	10.6
JSTL IN	881	HOLD	925	5.0	1.5	1.4	8.6	7.4	129	161	2.8	2.4	16.7	13.4
JSP IN	972	HOLD	975	0.3	2.2	1.6	9.7	8.2	55	70	2.2	2.0	18.2	14.1
SAIL IN	147	SELL	110	(25.2)	0.8	0.8	7.2	6.4	45	53	1.1	1.0	13.6	11.5

Source: BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- Steel producer valuations are highly sensitive to product and raw material prices. Key downside risks to our estimates are unfavourable changes in global demand-supply balance for steel and its raw materials, leading to lower prices and margins than assumed. Conversely, key upside risks to our estimates are favourable changes in global dynamics, leading to higher prices and margins than assumed.
- JSP is exposed to the risk of delays in implementing its capital investment plan, including expansion, which could slow earnings growth. Conversely, upside risks to our earnings could arise from faster implementation of its capital investment plan than our conservative assumptions.
- JSP needs to have senior management continuity to ensure timely delivery of its current vision. While JSP faced executive management churn in FY24, Sabyasachi Bandopadhyay and Sunil Aggarwal have taken over as interim MD and CFO respectively.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	11.8	972	975	HOLD
JSW Steel	JSTL IN	25.7	881	925	HOLD
SAIL	SAIL IN	7.3	147	110	SELL
Tata Steel	TATA IN	23.9	160	175	HOLD

Source: BOBCAPS Research, NSE | Price as of 24 Jul 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Total revenue	5,27,112	5,00,268	4,99,708	6,76,661	7,75,985
EBITDA	99,349	1,02,008	1,13,029	1,35,950	1,84,965
Depreciation	(26,910)	(28,218)	(30,692)	(34,626)	(39,004)
EBIT	72,439	73,790	82,337	1,01,324	1,45,960
Net interest inc./(exp.)	(16,164)	(14,648)	(16,472)	(16,472)	(15,472)
Other inc./(exp.)	2,274	3,270	2,952	3,494	3,507
Exceptional items	(13,695)	0	0	0	0
EBT	44,855	62,413	68,817	88,346	1,33,995
Income taxes	(12,923)	(2,980)	(13,763)	(17,669)	(26,799)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	31,511	59,384	54,640	70,146	1,06,392
Adjustments	0	0	0	0	0
Adjusted net profit	31,511	59,384	54,640	70,146	1,06,392

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Accounts payables	47,004	46,815	50,851	71,107	77,723
Other current liabilities	54,380	54,025	59,965	81,199	93,118
Provisions	971	734	733	993	1,138
Debt funds	1,30,463	1,64,721	1,64,721	1,54,721	1,44,721
Other liabilities	71,410	73,350	70,303	75,070	76,241
Equity capital	1,005	1,002	1,002	1,002	1,002
Reserves & surplus	3,86,061	4,42,158	4,94,339	5,61,329	6,62,934
Shareholders' fund	3,90,191	4,47,507	5,00,101	5,67,621	6,70,030
Total liab. and equities	6,94,419	7,87,152	8,46,674	9,50,712	10,62,972
Cash and cash eq.	47,168	40,241	53,345	34,054	53,887
Accounts receivables	9,745	16,645	10,268	13,904	15,945
Inventories	58,868	70,774	68,861	96,291	1,05,250
Other current assets	38,976	49,822	49,768	66,790	76,344
Investments	0	0	0	0	0
Net fixed assets	4,08,035	4,57,897	5,27,684	6,15,247	7,02,810
CWIP	71,059	88,720	73,720	53,720	33,720
Intangible assets	34,469	32,783	32,783	32,783	32,783
Deferred tax assets, net	0	0	0	0	0
Other assets	26,099	30,270	30,246	37,924	42,233
Total assets	6,94,419	7,87,152	8,46,674	9,50,712	10,62,972

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24P	FY25E	FY26E	FY27E
Cash flow from operations	1,01,176	70,673	1,18,079	1,14,136	1,57,919
Capital expenditures	(64,691)	(94,054)	(85,479)	(1,02,189)	(1,06,567)
Change in investments	0	0	0	0	0
Other investing cash flows	172	(2,466)	2,477	(4,860)	(1,578)
Cash flow from investing	(64,519)	(96,520)	(83,002)	(1,07,049)	(1,08,145)
Equities issued/Others	(6)	(3)	0	0	0
Debt raised/repaid	(4,553)	34,258	0	(10,000)	(10,000)
Interest expenses	(16,164)	(14,648)	(16,472)	(16,472)	(15,472)
Dividends paid	(2,040)	(2,040)	(2,459)	(3,157)	(4,788)
Other financing cash flows	(3,411)	1,352	(3,042)	3,250	319
Cash flow from financing	(26,174)	18,920	(21,973)	(26,379)	(29,940)
Chg in cash & cash eq.	10,483	(6,927)	13,104	(19,291)	19,833
Closing cash & cash eq.	36,685	47,168	40,241	53,345	34,054

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
Reported EPS	30.9	58.2	53.6	68.8	104.3
Adjusted EPS	30.9	58.2	53.6	68.8	104.3
Dividend per share	2.0	2.0	2.4	3.1	4.7
Book value per share	379.4	434.4	485.6	551.3	650.9

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
EV/Sales	2.2	2.2	2.2	1.6	1.4
EV/EBITDA	11.7	10.6	9.7	8.2	6.0
Adjusted P/E	31.5	16.7	18.2	14.1	9.3
P/BV	2.6	2.2	2.0	1.8	1.5

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	53.8	95.1	79.4	79.4	79.4
Interest burden (PBT/EBIT)	80.8	84.6	83.6	87.2	91.8
EBIT margin (EBIT/Revenue)	13.7	14.8	16.5	15.0	18.8
Asset turnover (Rev./Avg TA)	72.2	67.5	61.2	75.3	77.1
Leverage (Avg TA/Avg Equity)	2.0	1.8	1.7	1.7	1.6
Adjusted ROAE	8.5	14.3	11.6	13.3	17.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	3.2	(5.1)	(0.1)	35.4	14.7
EBITDA	(36.0)	2.7	10.8	20.3	36.1
Adjusted EPS	(61.8)	88.5	(8.0)	28.4	51.7
Profitability & Return ratios (%)					
EBITDA margin	18.8	20.4	22.6	20.1	23.8
EBIT margin	13.7	14.8	16.5	15.0	18.8
Adjusted profit margin	6.0	11.9	10.9	10.4	13.7
Adjusted ROAE	8.5	14.3	11.6	13.3	17.4
ROCE	12.7	12.1	12.0	13.7	17.7
Working capital days (days)					
Receivables	7	12	8	8	8
Inventory	41	52	50	52	50
Payables	(40)	(43)	(48)	(48)	(48)
Ratios (x)					
Gross asset turnover	0.7	0.7	0.6	0.8	0.8
Current ratio	1.0	1.1	1.1	1.0	1.1
Net interest coverage ratio	4.5	5.0	5.0	6.2	9.4
Adjusted debt/equity	0.2	0.3	0.2	0.2	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

BUY – Expected return >+15%

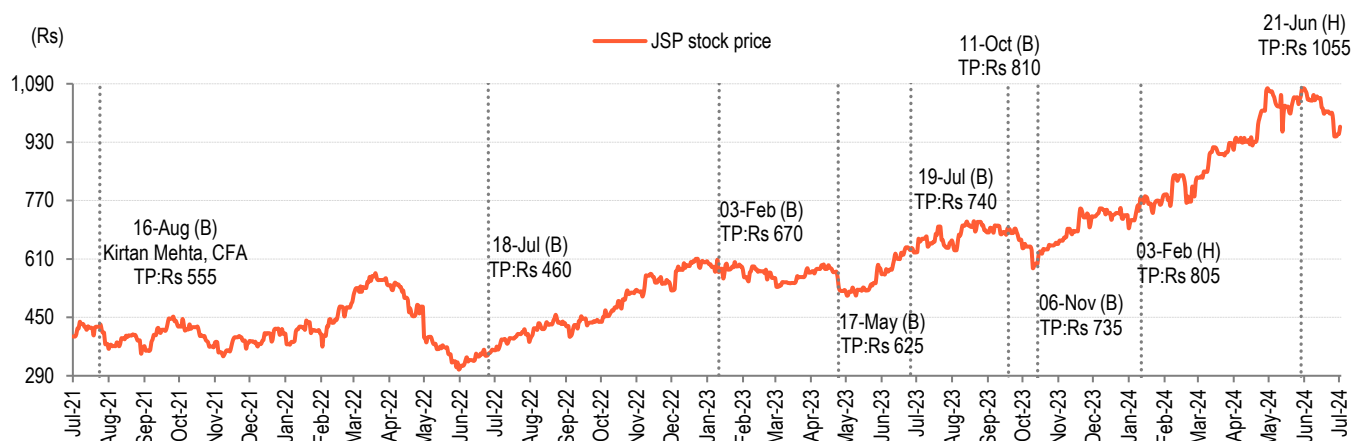
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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

Ratings and Target Price (3-year history): JINDAL STEEL & POWER (JSP 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.