

BUY

TP: Rs 460 | ▲ 15%

MAHINDRA LOGISTICS

Logistics

05 February 2020

Auto weakness persists, non-auto on steady footing

Mahindra Logistics' (MLL) Q3FY20 consolidated revenue/EBITDA declined 7%/20% YoY (adj. for Ind-AS 116), marginally below estimates. While revenue from Mahindra Group continued to plummet (-18% YoY), healthy growth in focus non-auto verticals (+25% YoY), strong warehousing momentum (+30%) and new client wins were key positives. The PV slowdown may have bottomed, per management, but broad-based recovery in the auto segment is still a few quarters away. We prune FY20-FY22 EPS by ~4% but maintain our Mar'21 TP of Rs 460.

Sayan Das Sharma
 research@bobcaps.in

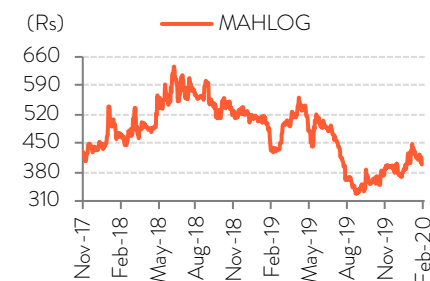
Slump in anchor client segment continues: SCM revenue declined 7% YoY owing to plunging anchor/non-anchor revenue in the auto vertical (-17%/-7% YoY). While this was on the cards, the dip in PTS revenue (-9% YoY) was a disappointment. Management sees some green shoots in PV demand, but expects CV recovery to be more protracted. Auto logistics is likely to exhibit some uptick in Q4 due to BS-VI channel filling and expected pre-buying.

Ticker/Price	MAHLOG IN/Rs 400
Market cap	US\$ 400.6mn
Shares o/s	71mn
3M ADV	US\$ 0.2mn
52wk high/low	Rs 578/Rs 317
Promoter/FPI/DII	58%/17%/12%

Source: NSE

Non-auto verticals on steady footing: The non-Mahindra, non-auto sales print (+12% YoY) was healthy, notwithstanding a high base (+16% YoY in Q3FY19), and loss of a large bulk client in Q1FY20. Key verticals of consumer, pharma and e-commerce sustained strong momentum (+25% YoY). Non-Mahindra warehousing grew apace at 30%. Robust client wins and increasing wallet share is expected to drive continued growth for the non-Mahindra, non-auto vertical.

STOCK PERFORMANCE



Source: NSE

EBITDA margin contracts: Higher warehousing and value-added contribution led to lower opex (-205bps YoY, adj. for Ind-AS 116). But margins dipped 50bps YoY to 3.1% as the revenue decline led to lower absorption of fixed expenses.

Reiterate BUY: We prune FY20-FY22 EPS by ~4% but move to a target P/E of 26x (vs. 25x) as we expect gradual recovery in FY21. Our TP stays at Rs 460.

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	34,161	38,513	36,566	41,070	47,280
EBITDA (Rs mn)	1,197	1,512	1,171	1,518	1,937
Adj. net profit (Rs mn)	640	856	715	980	1,258
Adj. EPS (Rs)	9.0	12.0	10.0	13.7	17.6
Adj. EPS growth (%)	34.1	33.2	(16.5)	37.0	28.3
Adj. ROAE (%)	16.7	18.7	13.6	16.6	19.1
Adj. P/E (x)	44.4	33.3	39.9	29.1	22.7
EV/EBITDA (x)	23.0	18.4	23.6	17.9	13.8

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



FIG 1 – QUARTERLY PERFORMANCE – CONSOLIDATED (ADJUSTED FOR IND-AS 116 IMPACT)

Y/E Mar (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Total revenues	9,081	9,811	(7.4)	8,526	6.5	26,598	28,367	(6.2)
Operating expenses	7,795	8,626	(9.6)	7,322	6.5	22,890	24,873	(8.0)
% of sales	85.8	87.9	(207bps)	85.9	(4bps)	86.1	87.7	(162bps)
Employee expenses	802	686	16.9	764	4.9	2,311	1,924	20.1
% of sales	8.8	7.0	184bps	9.0	(14bps)	8.7	6.8	191bps
Other expenses	198	141	41.1	194	2.0	571	466	22.4
% of sales	2.2	1.4	75bps	2.3	(10bps)	2.1	1.6	50bps
Total expenditure	8,795	9,452	(7.0)	8,281	6.2	25,772	27,263	(5.5)
EBITDA	286	359	(20.4)	245	16.7	826	1,104	(25.2)
EBITDA margin (%)	3.1	3.7	(51bps)	2.9	27bps	3.1	3.9	(79bps)
Depreciation	65	57	13.7	58	11.5	177	159	11.4
EBIT	221	302	(26.8)	187	18.3	648	945	(31.4)
Interest expenses	11	9	20.7	9	20.7	28	25	15.5
Other income	20	16	27.7	18	8.8	108	57	88.3
PBT	230	309	(25.4)	196	17.3	728	977	(25.5)
PBT margin (%)	2.5	3.1	(61bps)	2.3	23bps	2.7	3.4	(71bps)

Source: Company, BOBCAPS Research

FIG 2 – QUARTERLY PERFORMANCE – CONSOLIDATED (AS PER IND-AS 116)

Y/E Mar (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Total revenues	9,079	9,811	(7.5)	8,524	6.5	26,594	28,367	(6.2)
Operating expenses	7,668	8,626	(11.1)	7,200	6.5	22,541	24,873	(9.4)
% of sales	84.5	87.9	(346bps)	84.5	(1bps)	84.8	87.7	(292bps)
Employee expenses	802	686	16.9	764	4.9	2,311	1,924	20.1
% of sales	8.8	7.0	184bps	9.0	(14bps)	8.7	6.8	191bps
Other expenses	185	141	31.8	182	1.8	539	466	15.8
% of sales	2.0	1.4	61bps	2.1	(9bps)	2.0	1.6	39bps
Total expenditure	8,655	9,452	(8.4)	8,146	6.2	25,391	27,263	(6.9)
EBITDA	424	359	18.2	378	12.3	1,203	1,104	9.0
EBITDA margin (%)	4.7	3.7	101bps	4.4	24bps	4.5	3.9	63bps
Depreciation	188	57	229.6	177	6.3	514	159	223.3
EBIT	236	302	(21.8)	201	17.6	689	945	(27.1)
Interest expenses	43	9	390.8	42	2.9	120	25	388.6
Other income	20	16	29.7	19	8.6	109	57	90.0
PBT	213	309	(30.9)	178	20.1	678	977	(30.7)
PBT margin (%)	2.4	3.1	(80bps)	2.1	27bps	2.5	3.4	(90bps)
Extraordinary income/(expense)	-	-	-	-	-	-	-	-
Income tax	57	115	(50.8)	65	(12.4)	221	350	(36.8)
Effective tax rate (%)	26.6	37.4	(1,078bps)	36.4	(984bps)	32.6	35.8	(318bps)
Reported PAT – before profit/(loss) from JVs/Minority/Associates	157	193	(19.0)	113	38.7	457	627	(27.2)
Profit/(loss) from JVs/Minority/Associates	1	2	NM	1	NM	1	5	NM
Reported PAT – after profit/(loss) from JVs/Minority/Associates	158	195	(19.1)	114	38.5	458	632	(27.5)
Adjustments	-	-	-	-	-	-	-	-
Adjusted PAT	158	195	(19.1)	114	38.5	458	632	(27.5)
Adjusted PAT margin	1.7	2.0	(25bps)	1.3	40bps	1.7	2.2	(51bps)

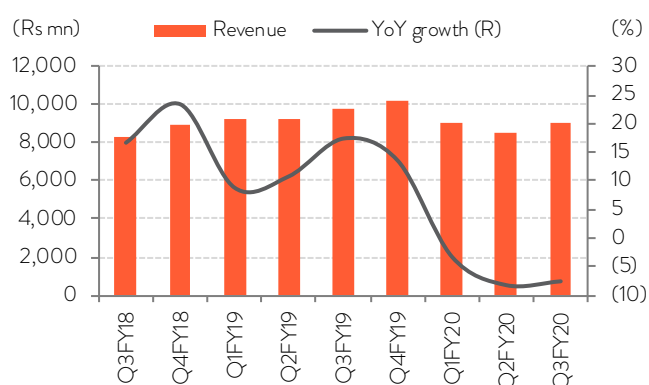
Source: Company, BOBCAPS Research

FIG 3 – SEGMENT-WISE REVENUE BREAK-DOWN – CONSOLIDATED

Y/E Mar (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
Supply Chain Management (SCM) segment (A)	8,169	8,812	(7.3)	7,553	8.2	23,732	25,484	(6.9)
Mahindra Group	4,243	5,167	(17.9)	4,185	1.4	13,318	15,571	(14.5)
Non-Mahindra clients	3,926	3,645	7.7	3,368	16.6	10,414	9,913	5.1
Total SCM - Service-wise break-up								
Transportation	6,537	7,448	(12.2)	5,972	9.5	19,127	21,682	(11.8)
Warehousing	1,632	1,364	19.6	1,581	3.2	4,604	3,804	21.0
Total SCM - Industry-wise break-up								
Auto	4,993	5,908	(15.5)	4,850	2.9	15,485	17,882	(13.4)
Non-auto	3,176	2,904	9.4	2,703	17.5	8,246	7,604	8.4
Non-Mahindra SCM - Service-wise break-up								
Transportation	2,707	2,704	0.1	2,221	21.9	7,088	7,354	(3.6)
Warehousing	1,219	941	29.5	1,147	6.3	3,326	2,559	30.0
Non-Mahindra SCM - Industry-wise break-up								
Auto	801	865	(7.4)	709	13.0	2,320	2,546	(8.9)
Non-auto	3,125	2,780	12.4	2,659	17.5	8,094	7,367	9.9
Mahindra Group SCM - Service-wise break-up								
Transportation	3,830	4,744	(19.3)	3,751	2.1	12,039	14,328	(16.0)
Warehousing	413	423	(2.4)	434	(4.8)	1,278	1,245	2.7
Mahindra Group SCM - Industry-wise break-up								
Auto	4,192	5,043	(16.9)	4,141	1.2	13,165	15,336	(14.2)
Non-auto	51	124	(58.9)	44	15.9	152	237	(35.9)
People Transport Solution (PTS) segment (B)	911	1,000	(8.9)	971	(6.2)	2,863	2,881	(0.6)
Total consolidated revenue (A+B)	9,081	9,811	(7.4)	8,526	6.5	26,598	28,367	(6.2)

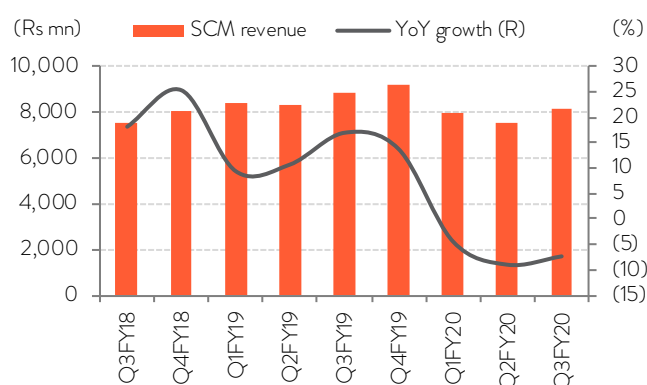
Source: Company, BOBCAPS Research

FIG 4 – CONSOLIDATED REVENUE DECLINED 7% YOY TO RS 9.1BN



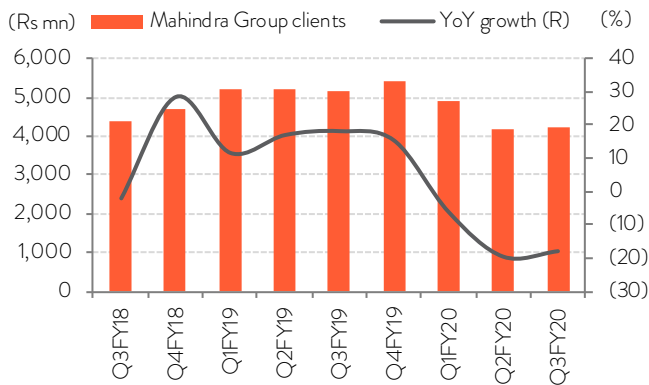
Source: Company, BOBCAPS Research

FIG 5 – SCM REVENUE DECLINED 7.3% YOY...



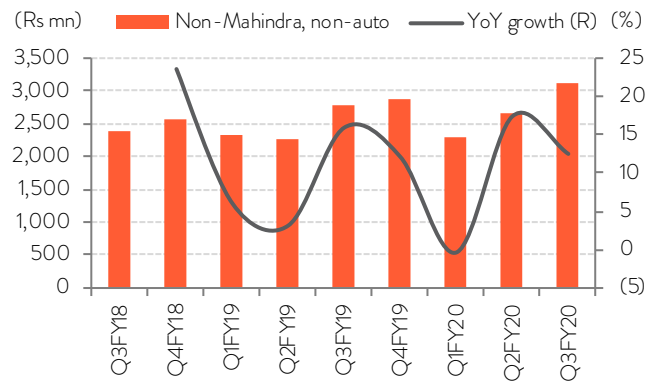
Source: Company, BOBCAPS Research

FIG 6 – ...DUE TO A SHARP 18% YOY DROP IN REVENUE FROM ANCHOR CLIENT SEGMENT



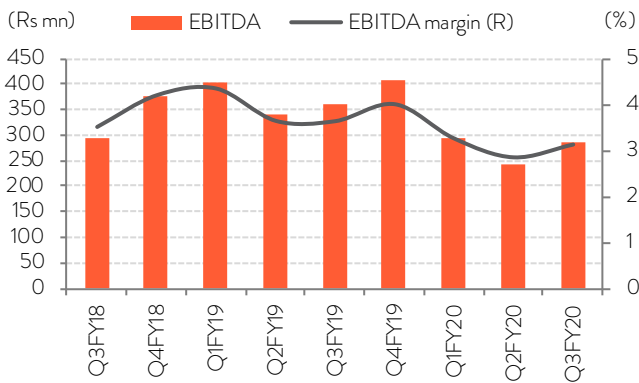
Source: Company, BOBCAPS Research

FIG 7 – BUT NON-MAHINDRA, NON-AUTO VERTICAL MAINTAINED GROWTH TRAJECTORY (+12% YOY)



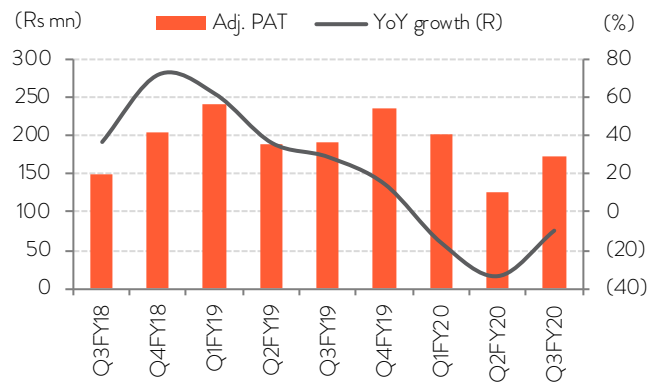
Source: Company, BOBCAPS Research

FIG 8 – LOWER REVENUE LED TO A 20% YOY DROP IN EBITDA (ADJ. FOR IND-AS 116)



Source: Company, BOBCAPS Research

FIG 9 – ADJ. PAT (AFTER MINORITY) FELL 19% YOY



Source: Company, BOBCAPS Research

Earnings call highlights

- Auto production and distribution logistics may see some uptick in Q4FY20 led by channel filling for new BS-VI inventory and expected pre-buying. However, OEMs are facing supply chain issues for BS-VI models which poses a risk.
- The slowdown in the PV segment appears to have bottomed out with retail sales picking up. CV demand, however, is likely to remain tepid. Tractor demand should improve, but management does not expect high growth in the segment in the near-to-medium term. For MLL, PV is the largest segment, followed by farm equipment and CV.
- During the quarter, the decline in revenue from anchor client Mahindra & Mahindra (MM; -18% YoY) was steeper than MM's own volume decline (-6.5% domestic sales). This was due to (1) a fall in inbound logistics as MM reduced purchases to lower BS-IV inventory, and (2) a drop in lead distance for outbound transportation, with rail gaining share in long-distance deliveries.
- MLL added several clients during the quarter – two tier-I automotive component manufacturers with multi-product portfolios, large apparel brands, and a leading pharma company. It has set up a temperature-controlled warehouse in North India for the latter.
- Focus verticals within the non-Mahindra, non-auto SCM segment – pharma, consumer and e-commerce – continued to grow at a fast clip (+25% YoY). Wallet share gain in existing client accounts contributed to ~50% of this incremental revenue, while new clients accounted for the rest.
- Leading FMCG players are gradually consolidating their supply chain network, as per management. The company believes it is well placed to take advantage of this trend.
- MLL remains a critical service provider to its non-anchor clients. It is one of the top two service providers for its 20 largest client accounts.
- PTS revenues declined as two large customers scaled down their operations. The company has added some new customers and expects to bounce back to growth from Q1FY21 onwards.
- The freight forwarding business (Lords subsidiary) has witnessed healthy growth as MLL was successful in cross-selling its 3PL and freight forwarding offerings to some clients.
- Management is targeting the addition of 1.5-2mn sq ft of warehousing space per year going forward.

Valuation methodology

We cut our FY20-FY22 revenue and earnings estimates by ~3% and ~4% each respectively, considering the prolonged cyclical downturn in the key auto industry (~65% of total SCM revenue in 9MFY20). We increase our target P/E multiple slightly to 26x (vs. 25x earlier) considering that Q4FY20 growth is likely to be slightly better, with a more broad-based recovery in FY21. Consequently, we maintain our Mar'21 target price at Rs 460.

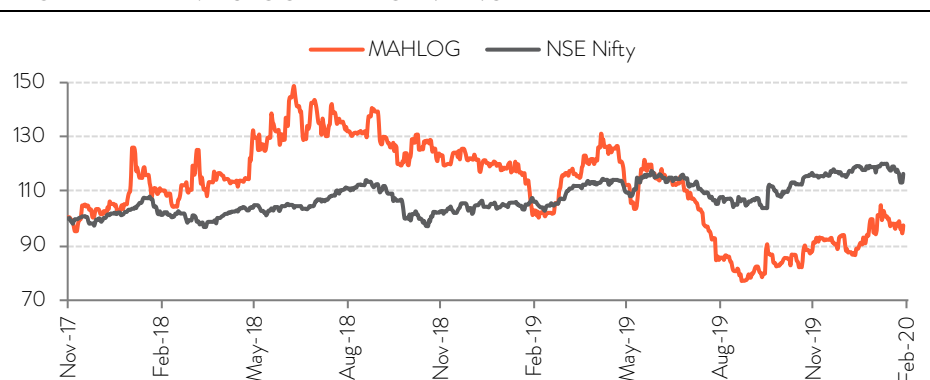
Reiterate BUY as we remain positive on MLL's long-term prospects given (1) its entrenched competitive positioning in India's burgeoning 3PL industry, (2) robust clientele and increasing presence in the key auto, consumer and pharma verticals within the 3PL industry, (3) impressive return ratios (ROIC of ~35% in FY19), and (4) strong, net-cash balance sheet.

FIG 10 – REVISED ESTIMATES – CONSOLIDATED

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenues	37,531	36,566	(2.6)	42,247	41,070	(2.8)	48,673	47,280	(2.9)
EBITDA	1,220	1,171	(4.0)	1,587	1,518	(4.3)	2,025	1,937	(4.4)
EBITDA margin (%)	3.2	3.2	(5bps)	3.8	3.7	(6bps)	4.2	4.1	(6bps)
PAT	747	715	(4.2)	1,019	980	(3.8)	1,312	1,258	(4.1)
PAT margin (%)	2.0	2.0	(3bps)	3.0	2.4	(57bps)	3.2	2.7	(53bps)

Source: Company, BOBCAPS Research

FIG 11 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

Key downside risks to our estimates are:

- lower-than-estimated traction in the non-Mahindra client segment,
- high churn in the non-anchor client segment, and
- delayed recovery in auto demand.

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	34,161	38,513	36,566	41,070	47,280
EBITDA	1,197	1,512	1,171	1,518	1,937
Depreciation	197	220	239	297	353
EBIT	1,000	1,293	932	1,221	1,583
Net interest income/(expenses)	(38)	(35)	(40)	(18)	(8)
Other income/(expenses)	59	76	129	132	126
Exceptional items	0	0	0	0	0
EBT	1,021	1,334	1,021	1,335	1,702
Income taxes	(368)	(468)	(296)	(342)	(425)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	(13)	(10)	(9)	(13)	(18)
Reported net profit	640	856	715	980	1,258
Adjustments	0	0	0	0	0
Adjusted net profit	640	856	715	980	1,258

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	4,863	6,001	6,011	6,751	7,772
Other current liabilities	205	419	301	338	389
Provisions	180	215	204	229	264
Debt funds	346	377	235	115	40
Other liabilities	0	0	0	0	0
Equity capital	711	715	715	715	715
Reserves & surplus	3,554	4,325	4,861	5,596	6,225
Shareholders' fund	4,266	5,039	5,576	6,311	6,940
Total liabilities and equities	9,860	12,051	12,327	13,744	15,405
Cash and cash eq.	1,161	1,475	2,032	1,939	2,083
Accounts receivables	5,200	6,317	6,512	7,314	8,420
Inventories	0	0	0	0	0
Other current assets	1,480	2,046	1,942	2,181	2,511
Investments	0	38	38	38	38
Net fixed assets	605	660	797	849	846
CWIP	6	26	0	0	0
Intangible assets	54	53	53	53	53
Deferred tax assets, net	141	187	187	187	187
Other assets	1,213	1,250	767	1,183	1,268
Total assets	9,860	12,051	12,327	13,744	15,405

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	837	1,076	955	1,278	1,611
Interest expenses	38	35	40	18	8
Non-cash adjustments	(9)	(46)	0	0	0
Changes in working capital	(614)	(332)	273	(655)	(414)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	252	732	1,267	640	1,206
Capital expenditures	(240)	(294)	(350)	(350)	(350)
Change in investments	0	(38)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(240)	(332)	(350)	(350)	(350)
Equities issued/Others	31	3	0	0	0
Debt raised/repaid	3	31	(142)	(120)	(75)
Interest expenses	(38)	(35)	(40)	(18)	(8)
Dividends paid	(129)	(155)	(179)	(245)	(629)
Other financing cash flows	197	72	0	0	0
Cash flow from financing	66	(84)	(360)	(383)	(712)
Changes in cash and cash eq.	78	316	557	(93)	144
Closing cash and cash eq.	1,161	1,475	2,032	1,939	2,083

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	9.0	12.0	10.0	13.7	17.6
Adjusted EPS	9.0	12.0	10.0	13.7	17.6
Dividend per share	1.5	1.8	2.5	3.4	8.8
Book value per share	59.0	69.7	77.4	87.8	96.9

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	0.8	0.7	0.8	0.7	0.6
EV/EBITDA	23.0	18.4	23.6	17.9	13.8
Adjusted P/E	44.4	33.3	39.9	29.1	22.7
P/BV	6.8	5.7	5.2	4.5	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	62.7	64.2	70.1	73.4	73.9
Interest burden (PBT/EBIT)	102.1	103.2	109.6	109.4	107.5
EBIT margin (EBIT/Revenue)	2.9	3.4	2.5	3.0	3.3
Asset turnover (Revenue/Avg TA)	7.8	7.4	6.3	6.5	6.9
Leverage (Avg TA/Avg Equity)	1.1	1.1	1.1	1.1	1.0
Adjusted ROAE	16.7	18.7	13.6	16.6	19.1

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

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	28.1	12.7	(5.1)	12.3	15.1
EBITDA	57.0	26.3	(22.6)	29.6	27.6
Adjusted EPS	34.1	33.2	(16.5)	37.0	28.3
Profitability & Return ratios (%)					
EBITDA margin	3.5	3.9	3.2	3.7	4.1
EBIT margin	2.9	3.4	2.5	3.0	3.3
Adjusted profit margin	1.9	2.2	2.0	2.4	2.7
Adjusted ROAE	16.7	18.7	13.6	16.6	19.1
ROCE	23.6	25.8	16.6	19.9	23.6
Working capital days (days)					
Receivables	56	60	65	65	65
Inventory	0	0	0	0	0
Payables	54	59	62	62	62
Ratios (x)					
Gross asset turnover	33.3	32.4	24.4	22.1	21.4
Current ratio	1.5	1.5	1.6	1.6	1.6
Net interest coverage ratio	26.5	37.2	23.4	69.7	203.8
Adjusted debt/equity	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

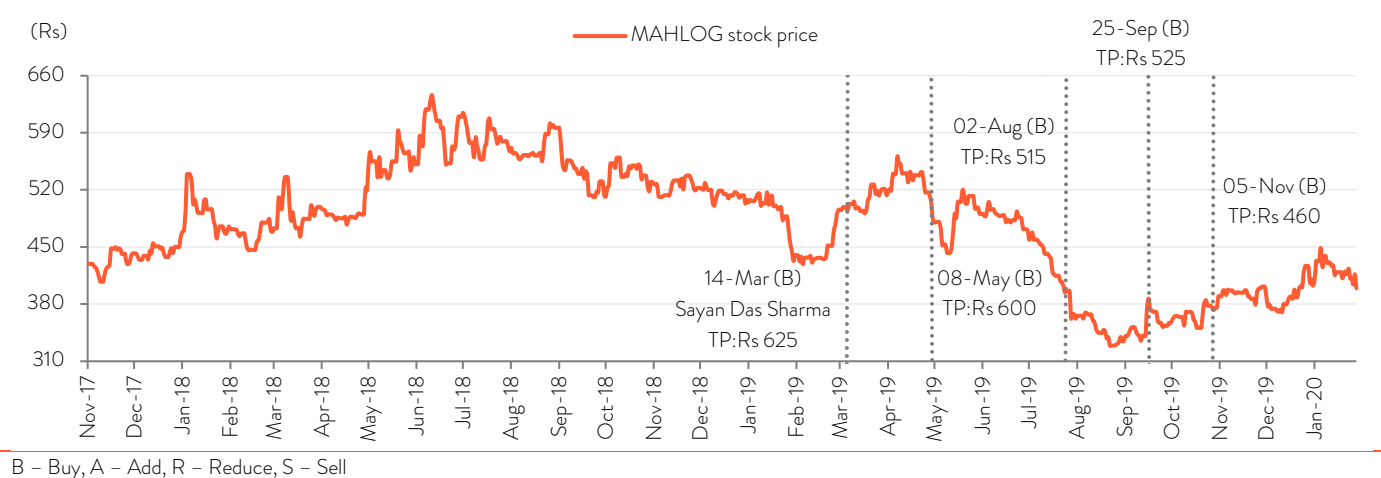
ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: MAHINDRA LOGISTICS (MAHLOG IN)



Rating distribution

As of 31 January 2020, out of 85 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 50 have BUY ratings, 18 are rated ADD, 8 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

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 BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional 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 2020. 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 where such an offer or solicitation would be illegal. 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.

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 act as market makers or 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.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

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 in the past 12 months. 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.