

HOLD

TP: Rs 2,572 | ▲ 3%

MAHINDRA & MAHINDRA | Automobiles

18 May 2024

Growth trajectory captured in the valuations

- Q4 revenue grew 11% YoY, led by 7% blended realisation gains and 4% volume growth (flat QoQ)
- EBITDA margin stayed stable YoY/QoQ at ~12.9%; lower input costs pushed up gross margin to 26.5% (vs. ~25% YoY/QoQ)
- We raise FY25E/FY26E EPS by 2%/9% and TP to Rs 2,572 (vs. Rs 2,077) as we now value MM at 20x FY26E P/E. Downgrade to HOLD from BUY

Milind Raginwar

research@bobcaps.in

Steady topline growth: MM's Q4FY24 revenue grew 11% YoY (flat QoQ) to Rs 251.0bn driven by blended realisation gains (per vehicle) at Rs 862.5k and 4% volume growth (flat QoQ) to 291,109 units.

Margins maintained: Inventory-adjusted raw material cost stayed benign at 73.5% of sales from 75% YoY/QoQ in Q4FY23, yielding nominal gross margin gains of ~150bps YoY to 26.5% (~190 bps QoQ). EBITDA grew 16% YoY (flat QoQ) to Rs 32.4bn, accompanied by a flat margin YoY/QoQ of 12.8%. Other expenses rose 22% YoY to Rs 23.1bn owing to the one-off impact of promotional expenses.

FES slow-moving amid weak market: MM's automotive business continued to dominate revenue, growing by 21%/7% YoY/QoQ, while the Farm Equipment segment (FES) dipped 6%/22% YoY/QoQ as tractor volumes fell 4%/22 YoY/QoQ due to weak sentiments. Auto business EBIT improved YoY/QoQ, while FES stayed under pressure YoY/QoQ.

Launches, capacity ramp-up on the cards: MM launched the XUV 3XO in 4QFY24 with very encouraging bookings in the initial phase. MM has planned aggressive launches with +20 new launches in the next 6 years in a phased manner in every segment (ICE + BEV + LCVs). The capacity will be expanded to 64k/72k by FY25/FY26. In FES, successful launches of OJA, Target and Naya Swaraj helped market share improve by ~13% in the 20-30 HP segment in Q4.

Focused on volumes, but upside captured; downgrade to HOLD: We raise our FY25/FY26 EPS estimates by 2%/9% to factor in the aggressive growth plans. We pencil in a 3Y EBITDA/PAT CAGR of 20%/27%. FES's revival is on the cards following predictions of a normal monsoon in India, the automotive segment maintaining strong momentum and benefitting from management's focus on driving volumes and market share. To factor in the same we now value MM's core business at 20x P/E (vs. 17x) at par with its long-term average resulting in a higher SOTP-based TP of Rs 2,572 (vs. Rs 2,077). This includes Rs 319/sh as the value of subsidiaries. However, the recent run up in valuation factors in the same, so we downgrade MM to HOLD from BUY.

Key changes

Target	Rating
▲	▼

Ticker/Price	MM IN/Rs 2,504
Market cap	US\$ 38.1bn
Free float	81%
3M ADV	US\$ 83.5mn
52wk high/low	Rs 2,558/Rs 1,237
Promoter/FPI/DII	19%/37%/29%

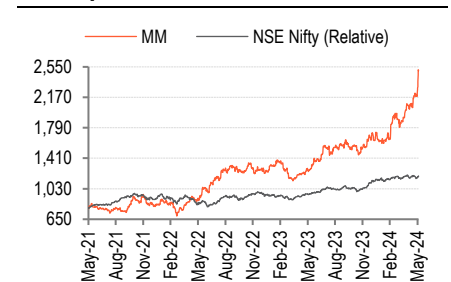
Source: NSE | Price as of 18 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	9,87,634	11,31,657	12,63,713
EBITDA (Rs mn)	1,26,662	1,57,872	1,80,253
Adj. net profit (Rs mn)	1,07,178	1,15,017	1,34,937
Adj. EPS (Rs)	89.5	96.0	112.6
Consensus EPS (Rs)	89.5	99.9	112.9
Adj. ROAE (%)	22.4	19.6	19.0
Adj. P/E (x)	28.0	26.1	22.2
EV/EBITDA (x)	24.5	19.4	16.9
Adj. EPS growth (%)	63.7	7.3	17.3

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

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY24	Q3FY24	Our view
Market share	MM's SUV revenue market share grew 130bps YoY to 20.4% in FY24, LCV share 350bps to 49.0%, and FES share 40bps to 41.6% in FY24 over FY23.	MM's SUV revenue market share grew 40bps YoY to 21% in Q3FY24, LCV 310bps to 49.6%, and FES 80bps to 41.8%.	The revival in the LCV segment seen in 9MFY24 continues. MM's FES, however, is likely to stay sluggish in the near term and revival hinges on monsoons.
Order book	The company's order book as on 1 Feb 2024 stands at ~220 units, led by the Scorpio family (~86k open bookings), followed by the Thar series (~59k), XUV700 (~8k), Bolero (~10k). The newly launched XUV 3XO had bookings of 50K (launched in Jan'24). MM has a cancellation rate of ~10% per month.	The company's order book as on 1 Feb'24 stands at ~226k units, led by the Scorpio family (~101k open bookings), followed by the Thar series (~71k), XUV700 (~35k), Bolero (~10k), and XUV300/400 (~8.8k). MM has a cancellation rate of ~10% per month.	The company's focus on lowering the wait period will bolster growth. We note that cancellations have been revisited to clear old inventory stock faster for new product/series launches.
Electric Vehicles	MM's EV penetration in the three-wheeler (3W) L5 category was ~11.0% in FY24. As per management, EV industry penetration in India is currently at 2% and the charging ecosystem remains weak and can be developed in a phased manner unlike in China where needs are assessed and worked on beforehand.	MM's EV penetration in the three-wheeler (3W) L5 category was ~11.6% in Q3FY24. As per management, EV industry penetration in India is currently at 1.5% and the charging ecosystem remains weak with an average wait time of ~30 minutes to charge an EV car.	Aggressive launch programme of ~24 launches in the next 6 years with clear policy of focus on growth over earnings augurs well for MM.
FES	FES volumes fell 20% YoY to ~71k units in Q4FY24. MM continues to be the #2 player in rotavators with 20.3% market share in FY24. Management expects tractor industry volumes to improve significantly on predictions of normal monsoon in FY25. Product launched in North American markets: rotary tillers, loaders & backhoes.	FES volumes fell 4% YoY to ~101k units in Q3FY24 (industry volumes down 5%). MM continues to be the #2 player in rotavators with 21.9% market share as on FY24 YTD. Management expects tractor industry volumes to fall 5-6% YoY in FY24. Exports of Oja tractors to North America have been delayed by 4-5 weeks due to the Red Sea crisis.	FES is weak owing to the patchy monsoon, low water levels in reservoirs and the shuffling of festive season. However, better monsoon predictions to help in FY25.
Margins	EBIT margin in the auto segment expanded 170bps YoY to 8.8% in Q4FY24, while FES saw margins maintained at 16.2% YoY in FY24 despite the inclusion of 0.2% one-time impact from Cricket World Cup sponsorship.	EBIT margin in the auto segment expanded 170bps YoY to 8.3% in Q3FY24, while FES declined 80bps YoY to 15.5% due to the inclusion of a 70bps one-time impact from Cricket World Cup sponsorship. Management indicated that the government's tractor subsidies have reduced, which will restrict early sales at lower margins.	We expect MM's automotive segment to improve and FES weakness to reverse in FY25 from the low base.
Balance sheet information	MM generated operating cash of Rs150bn in FY24. It had capital expenditure of Rs50bn. In addition to that, EV capex was Rs30bn and debt repayment of Rs35bn in FY24.	Consolidated cash balance at the end of Q3FY24 stood at ~Rs 150bn. Management aims to invest the cash in identified growth gems and the Classic Legends brand.	We see no concerns on the balance sheet given a prudent capital allocation policy.

Source: Company, BOBCAPS Research | PLI: Production Linked Incentive; SOP: Standard Operating Procedures

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)
Volume	2,91,109	2,78,958	4.4	3,13,115	(7.0)
Avg. Realisation per Vehicle	8,62,528	8,09,131	6.6	8,07,643	6.8
Net Revenues	2,51,090	2,25,714	11.2	2,52,885	(0.7)
Total Income (A)	2,51,090	2,25,714	11.2	2,52,885	(0.7)
Operating Expenses					
Raw materials consumed	1,84,462	1,69,219	9.0	1,90,660	(3.3)
Employee Expenses	11,112	9,490	17.1	11,343	(2.0)
Other Expenses	23,114	19,031	21.5	18,518	24.8
Total Expenditure (B)	2,18,689	1,97,740	10.6	2,20,521	(0.8)
EBITDA (A-B)	32,401	27,974	15.8	32,364	0.1
Other Income	5,474	3,339	64.0	7,370	(25.7)
Depreciation	9,770	8,385	16.5	8,179	19.5
EBIT	28,105	22,927	22.6	31,556	(10.9)
Finance Costs	387	698	(44.6)	348	11.1
PBT after excep items	27,718	22,229	24.7	31,207	(11.2)
Tax expense	6,123	1,621	277.7	6,668	(8.2)
Reported PAT	21,595	20,608	4.8	24,540	(12.0)
Adjusted PAT	21,595	20,608	4.8	24,540	(12.0)
EPS (Rs)	16.4	12.5	31.6	19.8	(16.9)
Key Ratios (%)			(bps)		(bps)
Gross Margin	26.5	25.0	151	24.6	193
EBITDA Margin	12.9	12.4	51	12.8	11
EBIT Margin	11.2	10.2	104	12.5	(128)
PBT Margin	11.0	9.8	119	12.3	(130)
Tax Rate	22.1	7.3	1480	21.4	72
Adj PAT Margin	8.6	9.1	(53)	9.7	(110)

Source: Company, BOBCAPS Research

Valuation methodology

We raise our FY25/FY26 EPS estimates by 2%/9% to factor in MM's aggressive growth plans. We pencil in a 3Y EBITDA/PAT CAGR of 20%/27%. FES's revival is on the cards following predictions of a normal monsoon, and the automotive segment maintaining strong momentum and benefitting from management's focus on driving volumes and market share. MM has a strong focus on launch programmes in the Automotive segment, which includes electric vehicles, and in FES. This is with sharp capital allocation focus that comforts the balance sheet health

To factor in the same, we now value MM's core business at 20x P/E (vs 17x) at par with its long-term average resulting in a revised SOTP-based TP of Rs 2,572 (vs. Rs 2,077). This includes Rs 319/sh as the value of subsidiaries. However, the recent run up in valuation factors in the same, hence we downgrade MM to HOLD from BUY earlier.

Fig 3 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	11,31,657	12,63,713	11,20,889	12,23,495	1.0	3.3
EBITDA	1,57,872	1,80,253	1,55,648	1,65,851	1.4	8.7
Adj PAT	1,15,017	1,34,937	1,13,327	1,23,912	1.5	8.9
Adj EPS (Rs)	96.0	112.6	94.6	103.4	1.5	8.9

Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY24P	FY25E	FY26E
Volume (units)	12,43,896	13,91,291	14,94,716
Revenues (Rs mn)	9,87,634	11,31,657	12,63,713
EBITDA (Rs mn)	1,26,662	1,57,872	1,80,253
EBITDA margin (%)	12.8	14.0	14.3
Adj. PAT (Rs mn)	1,07,178	1,15,017	1,34,937
EPS (Rs)	89.5	96.0	112.6

Source: Company, BOBCAPS Research

Fig 5 – Valuation summary

Business	Value (Rs/sh)	Valuation basis
Core Business	2,253	20x FY26E EPS
Subsidiaries	319	30% holding company discount
Total	2,572	-

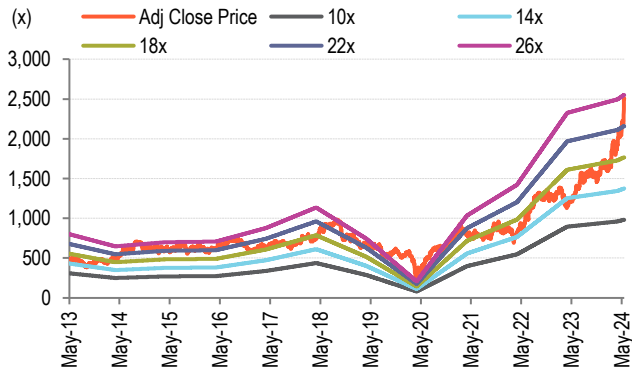
Source: BOBCAPS Research

Fig 6 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY25E	FY26E	FY25E	FY26E
Mahindra & Mahindra	MM IN	HOLD	2,572	96.0	112.6	19.6	19.0
Maruti Suzuki	MSIL IN	HOLD	12,965	472	529	15.8	15.5
Tata Motors*	TTMT IN	NOT RATED	-	64.5	78.6	30.9	28.9

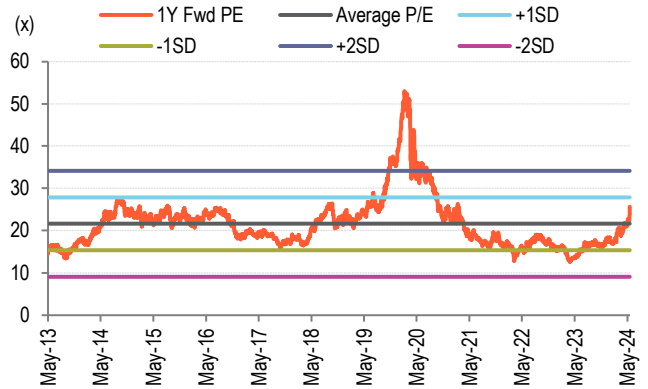
Source: BOBCAPS Research| Note: *Tata Motors in Bloomberg Consensus Estimates

Fig 7 – P/E band: We value MM at 20x (earlier 17x) FY26E core business EPS



Source: Company, Bloomberg, BOBCAPS Research

Fig 8 – P/E 1Y fwd Steep valuations offers limited upside



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key upside/downside risks to our estimates are:

- accelerated launches by competitors in the high-end automotive segment,
- faster than expected recovery in the farm equipment segment offers upside risk, and
- commodity inflation sustaining for longer-than-expected in the high-end segment.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ashok Leyland	AL IN	7.5	211	226	BUY
Bajaj Auto	BJAUT IN	31.0	8,814	6,823	SELL
Eicher Motors	EIM IN	15.6	4,684	4,633	HOLD
Escorts	ESCORTS IN	6.3	3,923	2,530	SELL
Hero MotoCorp	HMCL IN	12.4	5,110	4,776	HOLD
Mahindra & Mahindra	MM IN	38.1	2,504	2,572	HOLD
Maruti Suzuki	MSIL IN	46.3	12,600	12,965	HOLD
TVS Motor	TVSL IN	12.7	2,192	2,382	BUY
VST Tillers Tractors	VSTT IN	0.4	3,426	3,167	HOLD

Source: BOBCAPS Research, NSE | Price as of 18 May 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Total revenue	5,74,460	8,49,603	9,87,634	11,31,657	12,63,713
EBITDA	68,963	1,04,424	1,26,662	1,57,872	1,80,253
Depreciation	24,511	31,545	34,389	37,553	40,254
EBIT	66,671	98,331	1,36,217	1,53,798	1,79,034
Net interest inc./(exp.)	(2,230)	(2,728)	(1,388)	(1,457)	(1,486)
Other inc./(exp.)	20,759	25,452	43,944	33,479	39,035
Exceptional items	(2,087)	(14,295)	0	0	0
EBT	62,355	81,308	1,34,830	1,52,341	1,77,548
Income taxes	13,002	15,821	27,652	37,323	42,612
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	47,266	51,191	1,07,178	1,15,017	1,34,937
Adjustments	2,087	14,295	0	0	0
Adjusted net profit	49,352	65,486	1,07,178	1,15,017	1,34,937

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Accounts payables	1,37,389	1,81,336	1,76,375	1,93,909	2,16,537
Other current liabilities	46,298	59,797	84,344	87,092	97,118
Provisions	13,663	18,139	18,714	1,638	1,802
Debt funds	67,336	50,255	20,364	45,217	38,702
Other liabilities	0	0	0	0	0
Equity capital	5,983	5,991	5,996	5,996	5,996
Reserves & surplus	3,83,627	4,27,577	5,16,768	6,43,792	7,67,347
Shareholders' fund	3,89,609	4,33,567	5,22,765	6,49,789	7,73,343
Total liab. and equities	6,54,295	7,43,095	8,22,562	9,77,645	11,27,503
Cash and cash eq.	36,505	44,818	55,258	84,655	1,07,317
Accounts receivables	30,351	40,417	45,495	67,899	77,086
Inventories	58,829	88,814	95,048	1,13,166	1,32,690
Other current assets	98,852	1,15,271	1,29,519	1,81,065	2,02,194
Investments	2,51,098	2,70,871	2,99,954	3,42,488	3,95,098
Net fixed assets	1,80,453	1,88,106	1,85,525	1,87,972	2,07,718
CWIP	15,215	9,503	27,313	15,950	20,950
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(17,008)	(14,703)	(15,551)	(15,551)	(15,551)
Other assets	0	0	0	0	0
Total assets	6,54,295	7,43,095	8,22,562	9,77,645	11,27,503

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Cash flow from operations	38,916	74,304	90,834	28,773	1,17,647
Capital expenditures	(38,811)	(33,485)	(49,619)	(28,637)	(65,000)
Change in investments	(33,272)	(19,773)	(29,083)	(42,534)	(52,610)
Other investing cash flows	20,759	25,452	43,944	33,479	39,035
Cash flow from investing	(51,324)	(27,806)	(34,758)	(37,692)	(78,575)
Equities issued/Others	1,153	968	(24,888)	22,790	0
Debt raised/repaid	(10,528)	(17,080)	(29,891)	24,852	(6,514)
Interest expenses	(2,230)	(2,728)	(1,388)	(1,457)	(1,486)
Dividends paid	(9,315)	(8,986)	(9,585)	(10,783)	(11,382)
Other financing cash flows	3,508	(1,520)	17,340	0	0
Cash flow from financing	(17,412)	(29,346)	(48,411)	35,402	(19,383)
Chg in cash & cash eq.	(29,820)	17,152	7,665	26,483	19,689
Closing cash & cash eq.	36,505	44,818	55,258	84,655	1,07,317

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
Reported EPS	39.7	54.7	89.5	96.0	112.6
Adjusted EPS	39.7	54.7	89.5	96.0	112.6
Dividend per share	7.5	7.5	8.0	9.0	9.5
Book value per share	313.7	361.9	436.3	542.3	645.5

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
EV/Sales	5.3	3.6	3.1	2.7	2.4
EV/EBITDA	44.1	29.4	24.5	19.4	16.9
Adjusted P/E	63.0	45.8	28.0	26.1	22.2
P/BV	8.0	6.9	5.7	4.6	3.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Tax burden (Net profit/PBT)	75.8	63.0	79.5	75.5	76.0
Interest burden (PBT/EBIT)	93.5	82.7	99.0	99.1	99.2
EBIT margin (EBIT/Revenue)	11.6	11.6	13.8	13.6	14.2
Asset turnover (Rev./Avg TA)	129.9	180.6	192.3	182.8	167.7
Leverage (Avg TA/Avg Equity)	1.2	1.1	1.1	1.1	1.1
Adjusted ROAE	12.8	12.4	22.4	19.6	19.0

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
YoY growth (%)					
Revenue	28.7	47.9	16.2	14.6	11.7
EBITDA	0.9	51.4	21.3	24.6	14.2
Adjusted EPS	401.5	37.6	63.7	7.3	17.3
Profitability & Return ratios (%)					
EBITDA margin	12.0	12.3	12.8	14.0	14.3
EBIT margin	11.6	11.6	13.8	13.6	14.2
Adjusted profit margin	8.6	7.7	10.9	10.2	10.7
Adjusted ROAE	13.4	15.9	22.4	19.6	19.0
ROCE	11.8	16.9	21.0	18.7	18.0
Working capital days (days)					
Receivables	17	15	16	18	21
Inventory	34	32	34	34	36
Payables	108	90	88	80	80
Ratios (x)					
Gross asset turnover	0.6	0.5	0.5	0.4	0.4
Current ratio	1.1	1.1	1.2	1.6	1.6
Net interest coverage ratio	(29.9)	(36.0)	(98.2)	(105.6)	(120.5)
Adjusted debt/equity	0.2	0.1	0.0	0.1	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%

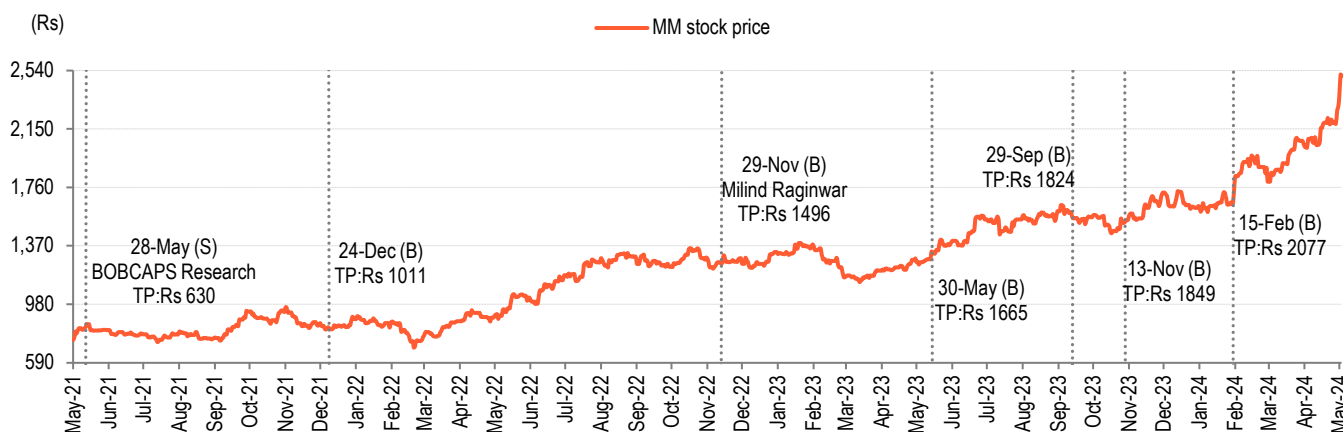
HOLD – Expected return from -6% to +15%

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): MAHINDRA & MAHINDRA (MM 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.