

BUY
 TP: Rs 258 | ▲ 23%

ORIENT ELECTRIC

Consumer Durables

26 October 2024

Strong topline; margins in line. Upgrade to BUY

- Decent 16% revenue surge with 210bps gross margin boost from smart cost cuts and strategic price hikes
- ORIENTEL accelerates premiumisation in fans, while ensuring quality through in-house PCB production
- We pare FY25E/FY26E/FY27E EPS by 6% each, following sharp 30% correction in stock price since our last update. Upgrade to BUY

Arshia Khosla
 research@bobcaps.in

Strong revenue growth: Revenue grew 16% YoY to Rs 6.6bn, supported by strong demand in appliances and fans, boosted by digital initiatives, festive sales, and higher realisations, surpassing our and consensus estimates by 7% each. Gross margin improved by 210bps YoY to 32.4%, driven by effective cost optimisation, a favourable product mix and the impact of recent price hikes. EBITDA saw a notable 73% YoY increase to Rs 357mn, with margins rising 180bps YoY to 5.4%, in line with our estimates. Depreciation increased 38% YoY and 12% QoQ to Rs 196mn due to the new Hyderabad plant, while PAT rose to Rs 104mn.

ECD sales surge with strong performance across segments: ORIENTEL's ECD segment grew a strong 21% YoY to Rs 4.4bn, driven by a favourable product mix and increased volumes. Despite being a non-seasonal quarter, fans recorded high-teens growth, particularly in the general trade (GT) segment, while appliances, including water heaters, coolers, and kitchen appliances, experienced robust double-digit gains. EBIT margin improved by 60bps YoY to 8.8%, benefiting from better product offerings and strategic price hikes.

Lighting strong; despite price erosion: Lighting and switchgear sales grew 8% YoY to Rs 2.2bn, fueled by high-teens volume growth in lighting despite LED price erosion. Although switchgear and wires faced challenges from pricing pressures and commodity cost fluctuations, overall, EBIT margin rose 40bps YoY to 13.6%, with capital employed in lighting and switchgears increasing to Rs 1.1bn.

Upgrade to BUY: Following ORIENTEL's Q2 results, we cut our EPS estimates by 6% each for FY25/FY26/FY27 to factor in a gradual pick up in the festive season and muted international business. We anticipate robust 19% revenue CAGR from FY24-27E, fueled by a low base and margin normalisation, which should drive a strong ~50% earnings CAGR. Maintaining a P/E of 30x, we upgrade ORIENTEL to BUY, driven by management's optimism regarding market share growth with the upcoming Hyderabad facility launch. We roll forward our valuations to Sep'26, with a new TP of Rs 258 (from Rs 300). With the stock down 30% since our last update, we view this as a strategic entry point to capture impressive growth ahead.

Key changes

Target	Rating
▼	▲

Ticker/Price	ORIENTEL IN/Rs 210
Market cap	US\$ 530.6mn
Free float	62%
3M ADV	US\$ 0.9mn
52wk high/low	Rs 297/Rs 189
Promoter/FPI/DII	38%/6%/28%

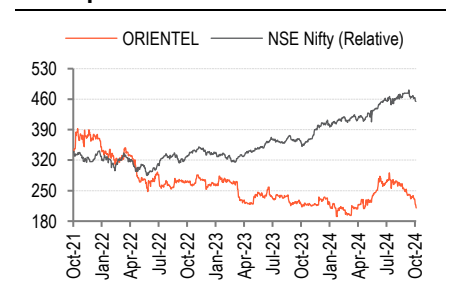
Source: NSE | Price as of 25 Oct 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	28,121	33,150	39,471
EBITDA (Rs mn)	1,443	2,443	3,140
Adj. net profit (Rs mn)	566	1,066	1,531
Adj. EPS (Rs)	2.7	5.0	7.2
Consensus EPS (Rs)	2.7	5.5	7.8
Adj. ROAE (%)	9.3	15.9	20.4
Adj. P/E (x)	79.1	42.0	29.2
EV/EBITDA (x)	30.9	18.3	14.2
Adj. EPS growth (%)	(25.4)	88.4	43.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Rs mn	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)	Q2FY25E	Variance (%)
Revenue	6,602	5,669	16.4	7,549	(12.5)	14,150	12,725	11.2	6,123	(7.3)
EBITDA	357	207	72.5	401	(11.0)	757	647	17.1	317	(11.0)
EBITDA Margin (%)	5.4	3.6	180bps	5.3	10bps	5.4	5.1	30bps	5.2	(4.0)
Depreciation	196	142		175		372	285			
Interest	60	52		57		117	111			
Other Income	42	34		25		67	62			
PBT	142	47	203.4	193	(26.1)	335	313	7.0		
Tax	38	49		49		87	118			
Adjusted PAT	104	(2)	N/M	143	(27.2)	248	195	27.3	91	(12.9)
Exceptional item		(187)		0		-	(187)			
Reported PAT	104	185	(43.4)	143	(27.2)	248	381	(35.0)		
Adj. PAT Margin (%)	1.6	0.0	160bps	1.9	(16.8)	1.8	1.5	20bps		
EPS (Rs)	0.5	0.0		0.7	(27.2)	1.2	0.9	27.3		

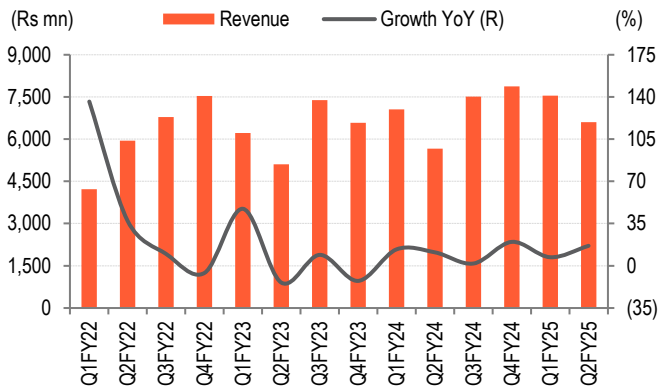
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue													
Electrical Consumer Durables (ECD)	4,198	4,813	5,741	4,453	3,100	5,388	4,577	5,150	3,634	5,352	5,691	5,449	4,395
Growth YoY (%)	37.9	4.5	(11.1)	37.4	(26.1)	11.9	(20.3)	15.6	17.2	(0.7)	24.3	5.8	20.9
Lighting & Switchgear	1,746	1,971	1,792	1,763	2,006	2,003	2,003	1,906	2,035	2,167	2,186	2,100	2,206
Growth YoY (%)	34.9	24.8	14.8	79.5	14.9	1.6	11.8	8.1	1.4	8.2	9.1	10.2	8.4
EBIT													
ECD	516	534	736	372	137	645	445	492	297	603	465	494	389
Margin (%)	12.3	11.1	12.8	8.3	4.4	12.0	9.7	9.5	8.2	11.3	8.2	9.1	8.8
Lighting & Switchgear	276	289	281	232	227	311	391	307	269	307	281	390	300
Margin (%)	15.8	14.7	15.7	13.2	11.3	15.6	19.5	16.1	13.2	14.2	12.8	18.6	13.6

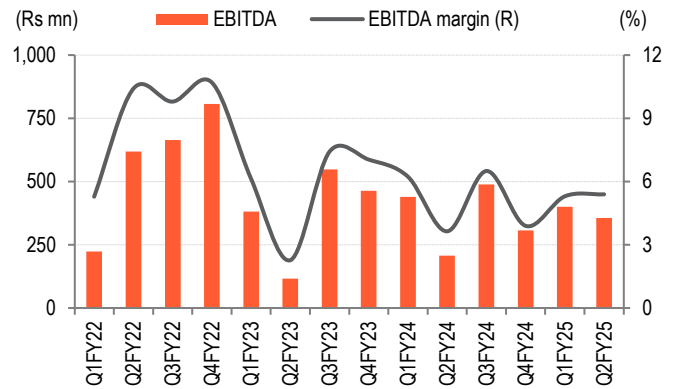
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



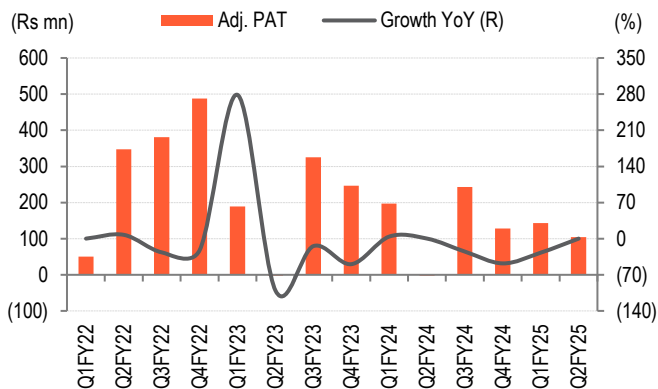
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



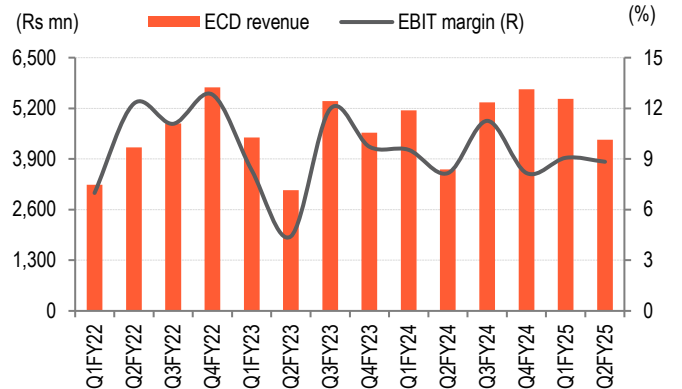
Source: Company, BOBCAPS Research

Fig 5 – Profit growth



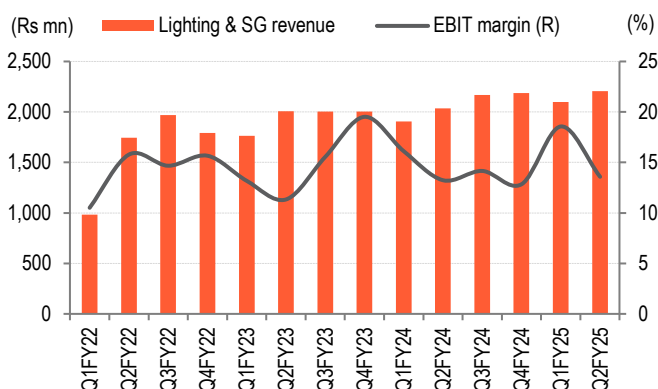
Source: Company, BOBCAPS Research

Fig 6 – ECD segment performance



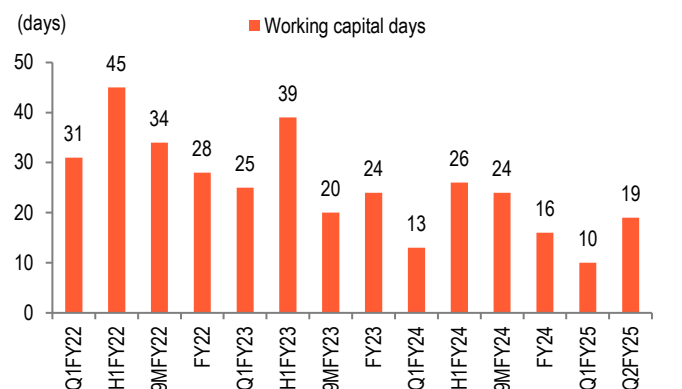
Source: Company, BOBCAPS Research

Fig 7 – Lighting & Switchgear performance



Source: Company, BOBCAPS Research

Fig 8 – Working capital cycle



Source: Company, BOBCAPS Research

Earnings call highlights

Electrical Consumer Durables

- BLDC and premium fans drive growth in ECD segment:** The ECD segment continues to benefit from strong growth in the brushless DC motors (BLDC) and premium fan categories. Currently, BLDC fans contribute 25% to total ceiling fan sales, while premium fans account for 35% of the overall fan sales. ORIENTEL has also enhanced its manufacturing capabilities by producing PCBs for BLDC fans in-house, covering 25% of PCB demand. The direct-to-market (DTM) model has seen significant success, with fan sales in the 10 DTM states growing by 35% YoY in Q2 and capturing 30% of GT fan sales, as multiple states report notable market share gains.
- Expanded export capacity and double-digit growth in appliances:** ORIENTEL is strengthening its service model by transferring the network from master distributors to direct company management, supporting faster and more reliable service. With exports comprising 20% of fan sales from TPW (table, pedestal, wall), the newly commissioned Hyderabad plant will enable further export capacity for TPW fans, though intense competition with Chinese manufacturers will affect export margins. In the appliances sector, ORIENTEL achieved double-digit growth, driven primarily by water heaters and coolers, which experienced robust 5-6x growth.

Fans

- In-house PCB production ensures quality and reliability:** To enhance product quality and minimise complaints, ORIENTEL has moved to in-house production of printed circuit boards (PCBs) for BLDC fans. This shift has allowed the company to fulfill about 75% of its PCB requirements internally, ensuring tighter quality control and a more reliable product for consumers.
- Spark venture programme drives innovation and margin protection:** Through its Spark Venture programme, ORIENTEL has launched 36 products in the first half of the financial year, with a commitment to surpass previous performance by the year-end. The initiative aims for “box leadership” by enhancing innovation, which directly supports gross margin delivery. By developing and protecting margins from commodity fluctuations, the Spark Venture programme is a strategic asset in ORIENTEL’s portfolio expansion and premiumisation efforts.

Lighting

- ORIENTEL lighting achieves double-digit growth amid price pressures:** ORIENTEL’s lighting division posted strong double-digit growth, driven by high-teens volume growth despite ongoing price erosion. The company has focused on expanding its range of value-added premium products, which now accounts for 60% of lighting sales – significantly above the industry average. ORIENTEL’s B2B lighting sales represent 30% of total lighting sales, with new category entries like tunnel lighting aligning with its focus on ramping up B2B operations.

Switchgears

- **Switchgears expand internationally; wires face outsourcing challenges:** ORIENTEL recently expanded switchgear exports with its first batch shipped to Europe, where margins are marginally better than domestic sales. At the gross margin level, switchgears have a higher profitability compared to other segments. However, in the wires segment, ORIENTEL faced challenges due to outsourced production, resulting in a disadvantage in Sep'24 when trade was up-stocking.
- **Expanded reach in switchgears amid muted growth:** The switchgear segment experienced moderate growth due to commodity fluctuations and pricing pressures but continues to expand sequentially. The company is focusing on strengthening its distribution network by actively engaging with electricians, introducing festival promotions, and conducting market development activities to enhance brand presence.

Other highlights

- **Demand recovery and preparing for festive surge:** In the latter half of the quarter, ORIENTEL observed a demand recovery across urban and rural markets, with all strategic initiatives progressing as planned. Festive season offtake, especially leading up to Diwali, looks promising, reflecting a rebound in consumer sentiment. The company's Sanchay savings programme generated Rs 360mn in cost savings for H1FY25. ORIENTEL's Hyderabad fan plant is now fully commissioned, and the Faridabad facility has been upgraded to enhance manufacturing excellence. This increased capacity is expected to provide operational leverage, with margins anticipated to approach previous levels of 9% by FY26, aided by ongoing premiumisation.
- **Enhanced margins and efficient capital utilisation strengthen financial health:** ORIENTEL improved its gross margin through better product mix and cost optimisation, bringing it back to pre-COVID levels, with expectations to sustain this range. Variable expenses – dominated by transportation and advertising – comprise 65% of other expenses, while EPR costs are projected at Rs 210mn-220mn in FY25.
- **DTM model fuels strong growth:** ORIENTEL's DTM model outpaced growth in all regions, achieving a robust 35% increase for the quarter and capturing notable market share gains across multiple states.
- **Capex:** Maintenance to be Rs 500mn per annum.
- **Balance sheet:** The company's OCF in H1FY25 was Rs 193mn vs negative Rs 492mn in the previous year.
- **Cash conversion cycle:** The company's working capital cycle continued to improve, decreasing to 19 days in Q2FY25 compared to 27 days in Q2FY24.

Valuation methodology

ORIENTEL is embarking on an exciting product strategy, strategically targeting B2B clients to propel its growth. We believe that initiatives such as the DTM for fans, expanding alternative channels, rising premiumisation, and the commissioning of the new Hyderabad facility are key drivers poised to elevate growth and margins.

Following ORIENTEL's Q2 results, we lower our EPS estimates by 6% each for FY25, FY26 and FY27 to factor in the gradual pick up in the festive season and muted international business. We anticipate a robust 19% revenue CAGR from FY24 to FY27E, fueled by a low base and margin normalisation, which should drive a strong ~50% earnings CAGR. Maintaining a P/E of 30x, we upgrade the stock to BUY, driven by management's optimism on market share growth with the upcoming Hyderabad facility launch. We roll forward our valuations to Sep'26, and marginally cut our TP to Rs 258 from Rs 300. Considering the 30% decline since our last note on 2 August 2024, we view this as a strategic entry point that captures ORIENTEL's strong growth story.

Fig 9 – Revised estimates

Rs mn	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	33,150	39,471	47,095	33,686	40,337	48,345	(1.6)	(2.1)	(2.6)
EBITDA	2,443	3,140	4,011	2,529	3,279	4,211	(3.4)	(4.2)	(4.8)
PAT	1,066	1,531	2,122	1,128	1,631	2,267	(5.5)	(6.2)	(6.4)
EPS (Rs)	5.0	7.2	10.0	5.3	7.7	10.7	(5.5)	(6.2)	(6.4)
EBITDA Margin (%)	7.4	8.0	8.5	7.5	8.1	8.7	(10bps)	(20bps)	(20bps)

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- delays in ramping up the Hyderabad facility, and
- excessive raw material price volatility.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	25,292	28,121	33,150	39,471	47,095
EBITDA	1,510	1,443	2,443	3,140	4,011
Depreciation	535	590	903	964	1,026
EBIT	975	853	1,540	2,176	2,985
Net interest inc./(exp.)	(222)	(233)	(285)	(317)	(355)
Other inc./(exp.)	266	155	171	188	207
Exceptional items	0	0	0	0	0
EBT	1,019	776	1,426	2,047	2,837
Income taxes	261	210	359	516	715
Extraordinary items	0	(187)	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	759	753	1,066	1,531	2,122
Adjustments	0	(187)	0	0	0
Adjusted net profit	759	566	1,066	1,531	2,122

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	4,530	5,439	6,812	8,110	9,677
Other current liabilities	1,000	1,270	1,497	1,783	2,127
Provisions	0	0	0	0	0
Debt funds	973	1,116	951	1,056	1,183
Other liabilities	297	295	348	414	494
Equity capital	213	213	213	213	213
Reserves & surplus	5,634	6,176	6,816	7,734	9,008
Shareholders' fund	5,846	6,389	7,029	7,948	9,221
Total liab. and equities	12,646	14,509	16,637	19,311	22,702
Cash and cash eq.	1,642	663	887	1,194	1,792
Accounts receivables	3,560	4,620	5,446	6,484	7,736
Inventories	2,846	3,151	3,714	4,422	5,276
Other current assets	647	761	848	1,010	1,205
Investments	0	0	0	0	0
Net fixed assets	2,902	4,442	4,742	5,042	5,342
CWIP	0	0	0	0	0
Intangible assets	216	167	167	167	167
Deferred tax assets, net	0	0	0	0	0
Other assets	833	707	833	992	1,184
Total assets	12,646	14,510	16,637	19,312	22,703

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	1,897	1,183	2,092	2,172	2,757
Capital expenditures	(1,136)	(1,400)	(300)	(300)	(300)
Change in investments	(58)	(376)	0	0	0
Other investing cash flows	95	70	(977)	(1,057)	(1,137)
Cash flow from investing	(1,099)	(1,705)	(1,277)	(1,357)	(1,437)
Equities issued/Others	1	1	0	0	0
Debt raised/repaid	(292)	(183)	(165)	105	127
Interest expenses	0	0	0	0	0
Dividends paid	(370)	(274)	(427)	(612)	(849)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(661)	(457)	(591)	(507)	(722)
Chg in cash & cash eq.	137	(980)	224	307	598
Closing cash & cash eq.	1,642	663	887	1,194	1,792

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	3.6	3.5	5.0	7.2	10.0
Adjusted EPS	3.6	2.7	5.0	7.2	10.0
Dividend per share	1.5	1.5	2.0	2.9	4.0
Book value per share	27.5	30.0	33.0	37.3	43.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	1.8	1.6	1.3	1.1	0.9
EV/EBITDA	29.5	30.9	18.3	14.2	11.1
Adjusted P/E	59.0	79.1	42.0	29.2	21.1
P/BV	7.7	7.0	6.4	5.6	4.9

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.4	72.9	74.8	74.8	74.8
Interest burden (PBT/EBIT)	104.6	90.9	92.6	94.1	95.0
EBIT margin (EBIT/Revenue)	3.9	3.0	4.6	5.5	6.3
Asset turnover (Rev./Avg TA)	8.7	6.3	7.0	7.8	8.8
Leverage (Avg TA/Avg Equity)	0.5	0.7	0.7	0.7	0.6
Adjusted ROAE	13.5	9.3	15.9	20.4	24.7

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	3.3	11.2	17.9	19.1	19.3
EBITDA	(34.7)	(4.4)	69.3	28.5	27.7
Adjusted EPS	(40.3)	(25.4)	88.4	43.6	38.6
Profitability & Return ratios (%)					
EBITDA margin	6.0	5.1	7.4	8.0	8.5
EBIT margin	3.9	3.0	4.6	5.5	6.3
Adjusted profit margin	3.0	2.0	3.2	3.9	4.5
Adjusted ROAE	13.5	9.3	15.9	20.4	24.7
ROCE	14.3	10.2	16.5	20.8	24.6
Working capital days (days)					
Receivables	51	60	60	60	60
Inventory	41	41	41	41	41
Payables	65	71	75	75	75
Ratios (x)					
Gross asset turnover	10.5	7.7	7.2	8.1	9.1
Current ratio	1.5	1.3	1.2	1.2	1.3
Net interest coverage ratio	4.4	3.7	5.4	6.9	8.4
Adjusted debt/equity	0.2	0.2	0.1	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%

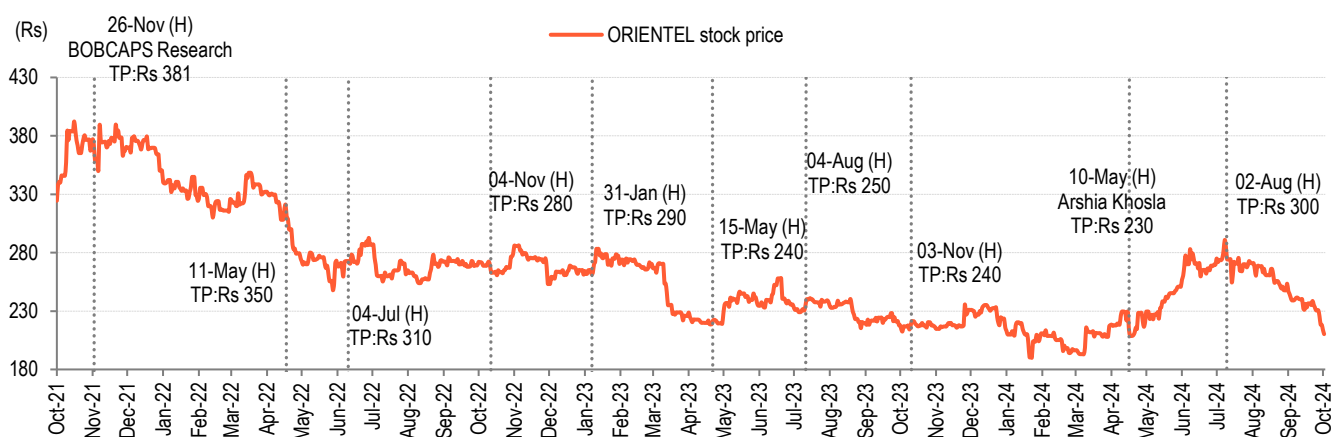
HOLD – Expected return from -6% to +15%

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): ORIENT ELECTRIC (ORIENTEL 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.