

HOLD
 TP: Rs 7,100 | ▲ 12%

POLYCAB INDIA

Consumer Durables

19 July 2024

Decent quarter across; eyes on project LEAP revisions

- Revenue growth reasonable at 21% YoY, but EBITDA margin falls on lower exports and change in business mix
- Project LEAP target of Rs 200bn milestone to be achieved ahead of schedule, updated targets anticipated in FY25
- We maintain our FY25E/26E EPS and value the stock at 45x FY26E P/E. We maintain our TP of Rs 7,100 and HOLD rating

Arshia Khosla

research@bobcaps.in

Decent quarter across: POLYCAB reported strong 21% YoY growth with revenue at Rs 46.9bn, driven by robust performances in the Wires and Cables, EPC, and FMEG segments. EBITDA grew by 6% YoY, though EBITDA margin declined 170bps YoY to 12.4% due to a shift towards lower-margin segments. POLYCAB's international business saw a 28% decline YoY, impacting overall profitability. Adj PAT stood at Rs 4bn, which is a 0.3% decline from Q1FY24.

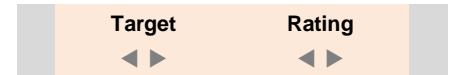
Severe heat wave fuels FMEG growth: The FMEG business demonstrated robust growth of ~23% in the quarter, driven by heightened demand for fans amid a heat wave nationwide. The fan segment achieved its highest quarterly sales in recent years, while switches, switchgears and conduit pipes showed strong growth supported by demand from the real estate sector. The lights and luminaires segment faced challenges from pricing pressures and weak consumer demand.

On track with Project LEAP; mid-term guidance forthcoming: POLYCAB expects to achieve its target of Rs 200bn in annual topline, ahead of its initial target, by FY26 end. Management indicated further guidance to be announced this fiscal year as it expects targets to be achieved sooner than anticipated. Management reiterated its plan for annual capex of Rs 10bn-11bn over the next two years, with Rs 2.8bn incurred in Q1FY25.

Guidance retained: Management reiterated its EBITDA guidance of 11-13% for FY25 and capex guidance of Rs 10bn-11bn for FY25 and the next two to three years.

Valuation outlook: POLYCAB is a market leader in the wires and cables industry, and continues to gain market share. It has a strong topline and its margins are healthy and ahead of its industry peers. We maintain our EPS estimate for FY25 and raise it marginally for FY26. We continue to value POLYCAB at FY26E P/E of 45x. We maintain our HOLD rating for the stock with an unchanged TP of Rs 7,100 due to the absence of imminent catalysts, while we await potential revisions to project LEAP targets by management.

Key changes



Ticker/Price	POLYCAB IN/Rs 6,350
Market cap	US\$ 11.6bn
Free float	37%
3M ADV	US\$ 55.7mn
52wk high/low	Rs 7,331/Rs 3,801
Promoter/FPI/DII	63%/12%/8%

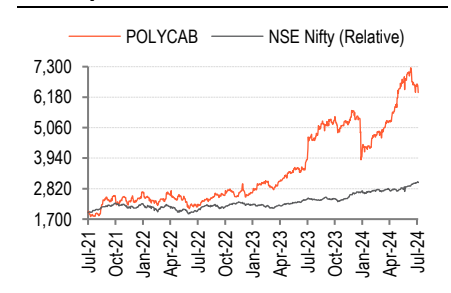
Source: NSE | Price as of 19 Jul 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	180,394	211,132	240,653
EBITDA (Rs mn)	24,918	29,821	33,843
Adj. net profit (Rs mn)	17,840	20,713	23,618
Adj. EPS (Rs)	118.9	138.0	157.4
Consensus EPS (Rs)	118.9	137.5	160.0
Adj. ROAE (%)	24.1	23.0	21.9
Adj. P/E (x)	53.4	46.0	40.4
EV/EBITDA (x)	38.1	31.9	28.1
Adj. EPS growth (%)	40.5	16.1	14.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenue	46,980	38,894	20.8	55,919	(16.0)
EBITDA	5,834	5,486	6.3	7,615	(23.4)
EBITDA Margin (%)	12.4	14.1	(170bps)	13.6	(120bps)
Depreciation	671	571		657	
Interest	413	249		244	
Other Income	584	640		538	
PBT	5,334	5,305	0.5	7,253	(26.5)
Tax	1,317	1,277		1,718	
Adjusted PAT	3,960	3,993	(0.8)	5,460	(27.5)
Exceptional item	-	-		0	
Reported PAT	3,960	3,993	(0.8)	5,460	(27.5)
Adj. PAT Margin (%)	8.4	10.3	(180bps)	9.8	(130bps)
EPS (Rs)	26.8	26.9	(0.3)	37.0	(27.4)

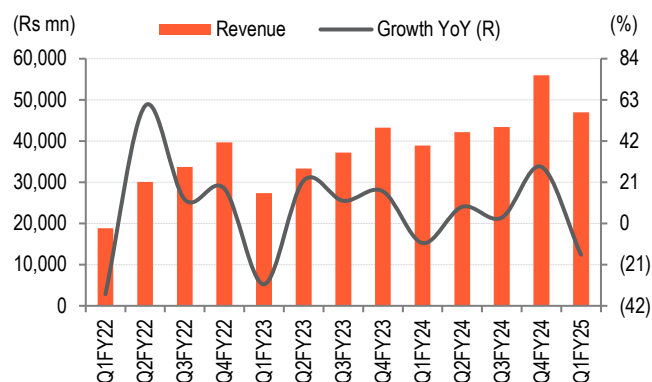
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Segment revenue													
Wires & Cables	16,269	26,281	29,988	35,400	24,057	29,517	33,418	40,783	35,338	38,047	39,041	48,647	39,421
Growth YoY (%)	97.2	43.9	24.6	39.1	47.9	12.3	11.4	15.2	46.9	28.9	16.8	19.3	11.6
% of sales	83.12	79.83	87.22	87.98	85.50	87.79	87.72	90.28	88.32	87.74	87.78	84.97	81.33
FMEG	1,919	3,429	3,404	3,792	3,082	3,054	3,420	3,052	3,145	3,300	2,962	3,581	3,855
Growth YoY (%)	39.2	40.6	11.4	9.3	60.6	(11.0)	0.5	(19.5)	2.1	8.1	(13.4)	17.3	22.6
% of sales	9.8	10.4	9.9	9.4	11.0	9.1	9.0	6.8	7.9	7.6	6.7	6.3	8.0
EBIT													
Wires & Cables	1,073	2,305	3,089	4,106	2,773	3,463	4,593	5,896	5,223	5,547	5,474	7,363	4,967
EBIT margin (%)	6.6	8.8	10.3	11.6	11.5	11.7	13.7	14.5	14.8	14.6	14.0	15.1	12.6
FMEG	(143)	172	63	105	64	(27)	(24)	(70)	(57)	(60)	(366)	(459)	(28)
EBIT margin (%)	(7.5)	5.0	1.8	2.8	2.1	(0.9)	(0.7)	(2.3)	(1.8)	(1.8)	(12.4)	(12.8)	(0.7)

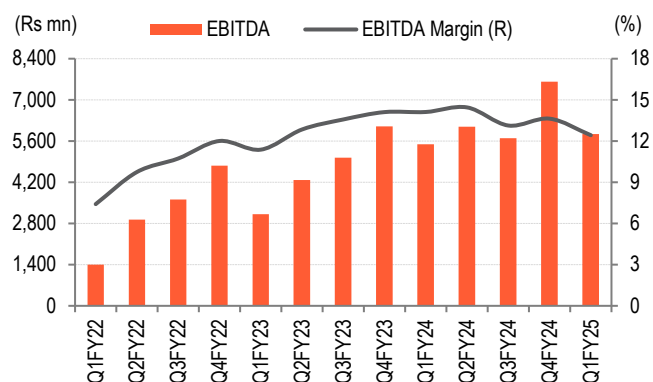
Source: Company, BOBCAPS Research

Fig 3 – Revenue trend



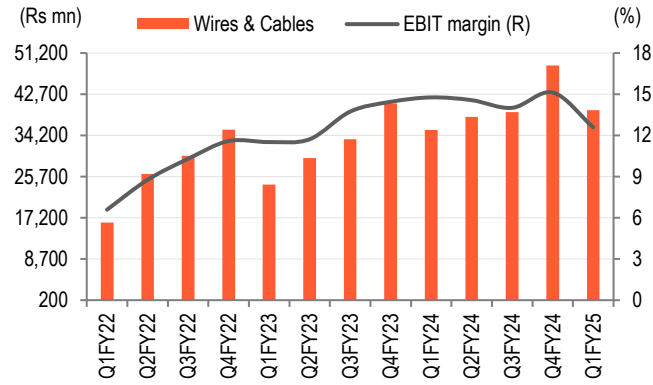
Source: Company, BOBCAPS Research

Fig 4 – EBITDA trend



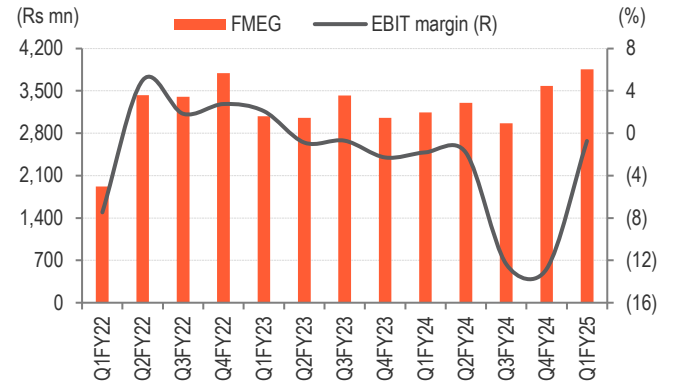
Source: Company, BOBCAPS Research

Fig 5 – Segment performance – W&C



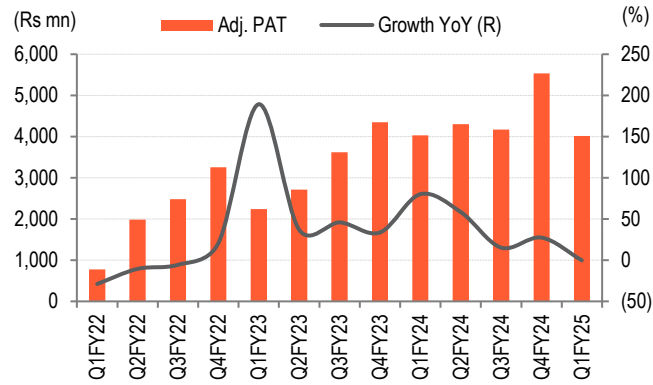
Source: Company, BOBCAPS Research

Fig 6 – Segment performance – FMEG



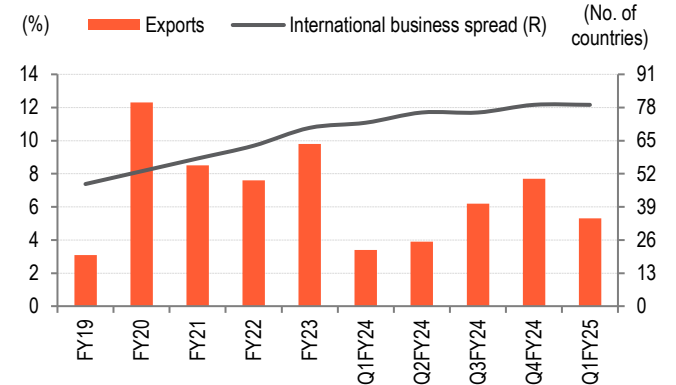
Source: Company, BOBCAPS Research

Fig 7 – PAT growth



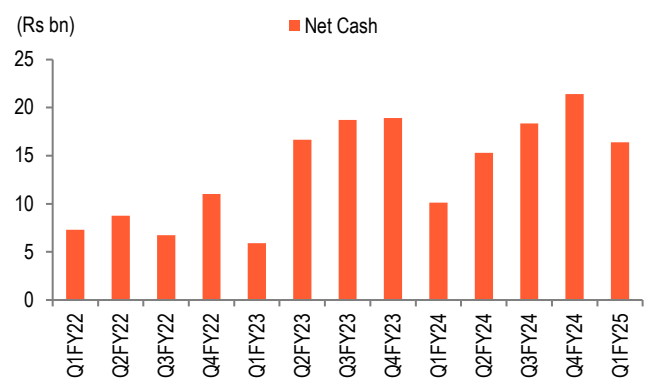
Source: Company, BOBCAPS Research

Fig 8 – Export trend



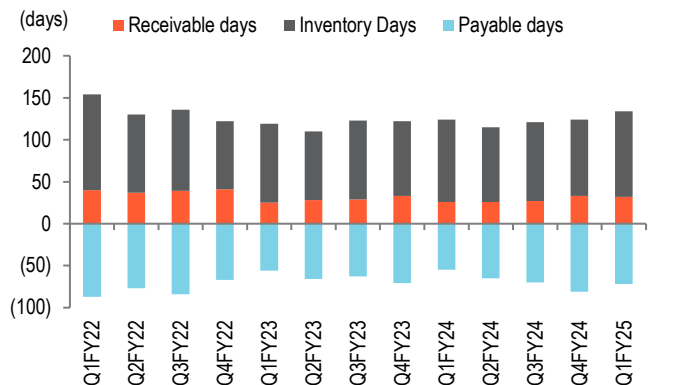
Source: Company, BOBCAPS Research

Fig 9 – Net cash position



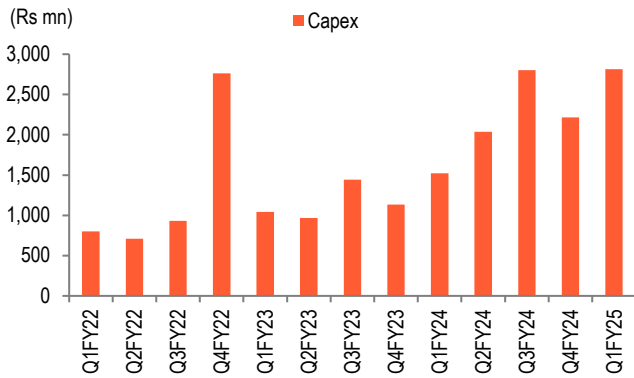
Source: Company, BOBCAPS Research

Fig 10 – Working capital management



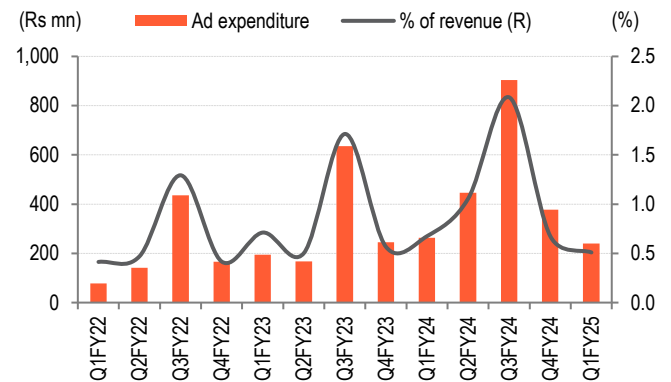
Source: Company, BOBCAPS Research

Fig 11 – Capex spends



Source: Company, BOBCAPS Research

Fig 12 – Ad spends



Source: Company, BOBCAPS Research

Earnings call highlights

Wires & Cables (W&C)

- Segment performance:** In Q1FY25, the W&C segment achieved ~12% YoY growth in its topline. However, the EBIT margin contracted by 220bps to 12.6%, primarily due to channel destocking in the wires segment following a sharp decline in raw material prices in Jun'24. POLYCAB maintains a 75-25 mix between cables and wires in this segment.
- Volume growth:** POLYCAB achieved 10% growth in volume terms for Q1FY25, reflecting a strong performance despite facing a high base from the previous year. Cables continued to outperform wires in this period, contributing significantly to the company's overall growth in the quarter.
- Guidance:** POLYCAB anticipates achieving a robust EBIT margin of 12-13% for this segment in the medium to long term. It expects wires to drive higher margins of 14-15%, and cables to maintain a margin profile of 9-11% for the medium to long term.
- Peer comparison:** POLYCAB outperformed its peer Havells in Q1FY25 with stronger financial performance. While Havells reported a modest 2.4% increase in topline growth for W&C, POLYCAB achieved a higher EBIT margin of 12.6%, compared to Havells's 11.2% for the same period. This indicates POLYCAB's effective operational management and competitive positioning in the industry.
- Domestic business:** Distribution business continued to show healthy performance, with the institutional business growing faster.
- Capacity utilisation factor:** Capacity utilisation factor (CUF) for W&C was 70-75% in Q1FY25.

FMEG

- Segment performance:** The fast-moving electrical goods (FMEG) segment saw robust revenue growth of 23% in the seasonally strong demand quarter, driven significantly by a severe heat wave across India. However, despite revenue growth, this segment reported an EBIT loss of Rs 28mn in Q1, primarily attributable to the challenge of achieving economies of scale at this stage.

- **Product mix:** In terms of product mix, fans and lights collectively constitute a significant portion, accounting for 50% to 55% of the FMEG segment's revenue. Switches and switchgears are also key contributors, alongside conduit pipes and fittings, while other businesses make smaller yet complementary contributions.
- **Switches and switchgears:** The growth momentum in this segment remained strong and consistent.
- **Lighting:** The lights and luminaires segment continued to face challenges from pricing pressures and subdued consumer demand. However, there has been a reduction in losses, driven by reduced advertising costs and increased contributions from switchgears, conduit pipes, and fittings product segments, leading to improved profitability overall.

Others

- **Segment performance:** The Others segment, primarily comprising the engineering, procurement and construction (EPC) business, experienced 239% YoY growth in Q1. The company has secured a robust order book for its EPC division.
- **Profitability:** Segmental EBIT margin contracted 100bps to 11% for Q1FY25 from 12% for Q1FY24. Management expects steady high single-digit margins over the medium to long term.

International business

- **Performance:** The international business faced challenges this quarter due to a slowdown in a key economy, which traditionally accounts for a significant portion of POLYCAB's business. International operations contributed 5.3% to the total revenue. However, management remains optimistic about achieving a 10% revenue contribution from exports by FY26, driven by initiatives under Project LEAP.
- **Strategy:** POLYCAB is moving to a distribution model in the exports business, similar to that of its domestic business, and has begun with the US. It expects the US to be soft while it stabilises in the short term, and other geographies to continue to perform well.

Other highlights

- **Update on Income Tax department case:** Since the Income Tax department conducted a raid on POLYCAB's premises in Dec'23, the department has not yet issued the company any orders or demands for tax penalties.
- **Capex:** POLYCAB invested Rs 2.8bn in capital expenditures in Q1FY25. Moving forward, it plans to sustain this momentum over the next two to three years with annual capex guidance of between Rs 10bn and Rs 11bn, aimed at expanding its manufacturing capacities.
- **Demand:** W&C demand remains robust, supported by the Indian government's continuous focus on infrastructure development and a pickup in private capex. Management sees growth visibility for the next couple of years.
- **Promotional expenses:** Management reiterated that A&P spends will remain between 3% and 5% of B2C sales on an annual basis.

- **Working capital management:** POLYCAB reported a working capital cycle of 62 days in Q1, driven by elevated inventory days at 102, primarily due to a buildup of finished goods in the wires and cables segment following a sharp decline in demand at the quarter's end amid plummeting commodity prices. Management expects inventory days to normalise in the upcoming quarters.

Valuation methodology

POLYCAB is a market leader in the wires and cables industry, and continues to gain market share. It has a strong topline and healthy margin, well above its industry peers. We tweak our forecasts and continue to value POLYCAB at FY26E P/E of 45x. We maintain our HOLD rating for the stock with an unchanged TP of Rs 7,100 due to the absence of imminent catalysts, while we await potential revisions to Project LEAP targets by management.

Fig 13 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	211,132	240,653	278,611	210,338	237,013	NA	0.4	1.5	NA
EBITDA	29,821	33,843	39,676	29,683	33,221	NA	0.5	1.9	NA
PAT	20,713	23,618	27,497	20,716	23,506	NA	(0.0)	0.5	NA
EPS (Rs)	138.0	157.4	183.2	138.0	156.6	NA	(0.0)	0.5	NA
EBITDA Margin (%)	14.1	14.1	14.2	14.1	14.0	NA	0bps	0bps	NA

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- higher-than-anticipated demand, and
- faster growth in the FMEG business.

Key downside risks to our estimates are:

- commodity price volatility, and
- delays in EPC business execution.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	141,078	180,394	211,132	240,653	278,611
EBITDA	18,521	24,918	29,821	33,843	39,676
Depreciation	2,092	2,451	3,239	3,938	4,718
EBIT	16,430	22,468	26,582	29,905	34,958
Net interest inc./(exp.)	(598)	(1,083)	(1,143)	(1,198)	(1,269)
Other inc./(exp.)	1,333	2,209	2,319	2,435	2,557
Exceptional items	0	0	0	0	0
EBT	17,165	23,593	27,758	31,143	36,247
Income taxes	4,250	5,564	6,995	7,474	8,699
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(93)	0	0	0	0
Reported net profit	12,700	17,840	20,713	23,618	27,497
Adjustments	0	0	0	0	0
Adjusted net profit	12,700	17,840	20,713	23,618	27,497

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	20,326	28,633	34,707	39,559	45,799
Other current liabilities	4,430	6,474	7,577	8,637	9,999
Provisions	0	0	0	0	0
Debt funds	1,551	898	2,286	2,396	2,537
Other liabilities	1,636	2,913	3,313	3,698	4,192
Equity capital	1,498	1,502	1,502	1,502	1,502
Reserves & surplus	64,814	80,369	96,579	115,694	138,689
Shareholders' fund	66,311	81,871	98,081	117,197	140,191
Total liab. and equities	94,255	120,789	145,964	171,487	202,719
Cash and cash eq.	6,952	4,024	11,450	17,473	28,164
Accounts receivables	12,466	20,471	21,308	25,798	28,993
Inventories	29,514	36,751	43,591	49,357	57,333
Other current assets	6,650	7,670	8,976	10,231	11,845
Investments	13,505	18,224	18,224	18,224	18,224
Net fixed assets	20,104	21,678	28,439	34,501	39,783
CWIP	2,508	5,784	6,770	7,717	8,934
Intangible assets	203	206	206	206	206
Deferred tax assets, net	0	0	0	0	0
Other assets	2,352	5,981	7,000	7,979	9,237
Total assets	94,255	120,789	145,964	171,487	202,719

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	14,275	12,963	22,145	21,957	27,033
Capital expenditures	(4,584)	(8,580)	(10,000)	(10,000)	(10,000)
Change in investments	(5,213)	(3,839)	0	0	0
Other investing cash flows	(2,229)	4,900	(1,604)	(1,541)	(1,981)
Cash flow from investing	(12,026)	(7,519)	(11,604)	(11,541)	(11,981)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	332	(1,071)	1,388	110	141
Interest expenses	0	0	0	0	0
Dividends paid	(2,570)	(2,803)	(4,503)	(4,503)	(4,503)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(2,238)	(3,874)	(3,115)	(4,393)	(4,362)
Chg in cash & cash eq.	11	1,570	7,426	6,023	10,691
Closing cash & cash eq.	6,952	4,024	11,450	17,473	28,164

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	84.6	118.9	138.0	157.4	183.2
Adjusted EPS	84.6	118.9	138.0	157.4	183.2
Dividend per share	20.0	30.0	30.0	30.0	30.0
Book value per share	441.8	545.4	653.4	780.8	934.0

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	6.7	5.3	4.5	3.9	3.4
EV/EBITDA	51.3	38.1	31.9	28.1	23.9
Adjusted P/E	75.1	53.4	46.0	40.4	34.7
P/BV	14.4	11.6	9.7	8.1	6.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.0	75.6	74.6	75.8	75.9
Interest burden (PBT/EBIT)	104.5	105.0	104.4	104.1	103.7
EBIT margin (EBIT/Revenue)	11.6	12.5	12.6	12.4	12.5
Asset turnover (Rev./Avg TA)	7.0	8.3	7.4	7.0	7.0
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.3	0.3
Adjusted ROAE	20.9	24.1	23.0	21.9	21.4

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	15.6	27.9	17.0	14.0	15.8
EBITDA	46.4	34.5	19.7	13.5	17.2
Adjusted EPS	51.3	40.5	16.1	14.0	16.4
Profitability & Return ratios (%)					
EBITDA margin	13.1	13.8	14.1	14.1	14.2
EBIT margin	11.6	12.5	12.6	12.4	12.5
Adjusted profit margin	9.0	9.9	9.8	9.8	9.9
Adjusted ROAE	20.9	24.1	23.0	21.9	21.4
ROCE	23.1	26.6	23.9	22.2	21.6
Working capital days (days)					
Receivables	32	41	37	39	38
Inventory	76	74	75	75	75
Payables	53	58	60	60	60
Ratios (x)					
Gross asset turnover	4.9	5.4	5.2	4.8	4.6
Current ratio	2.6	2.4	2.4	2.5	2.5
Net interest coverage ratio	27.5	20.7	23.3	25.0	27.6
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

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%

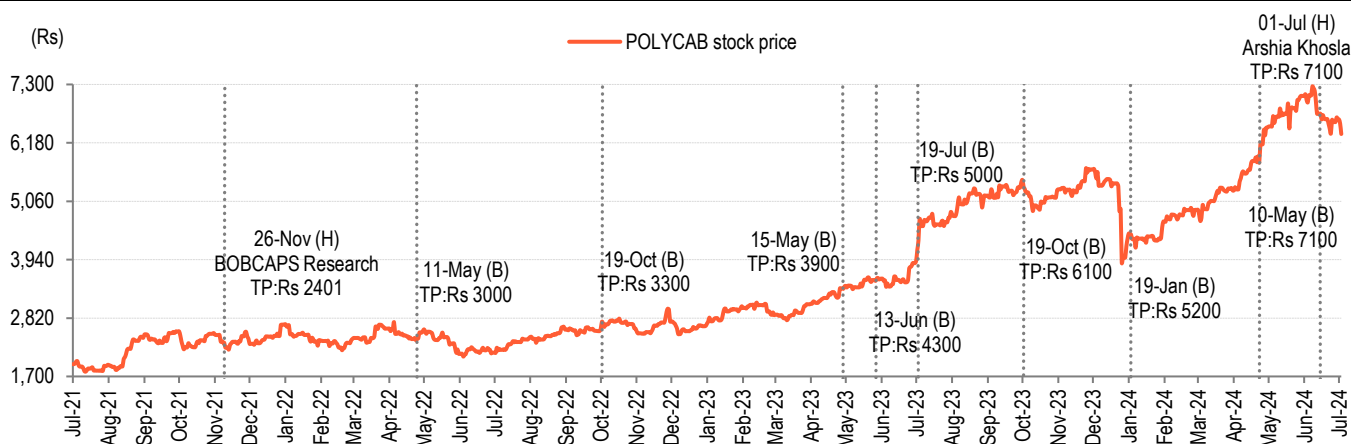
HOLD – Expected return from -6% to +15%

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): POLYCAB INDIA (POLYCAB 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.