

**HOLD**

TP: Rs 2,100 | ▲ 3%

**AMBER ENTERPRISES**

Consumer Durables

24 January 2023

### Strong topline but margins remain muted

- Q3 topline grew 38% YoY but EBITDA margin disappoints at 5.8% (6.2% est.), dragging PAT well below expectations
- Capex guided to normalise to Rs 2.5bn from FY24 after spends in excess of Rs 6bn in FY23
- We cut FY23/FY24 EPS by 26%/10% on margin underperformance; TP unchanged at Rs 2,100 post rollover – retain HOLD

Vinod Chari | Nilesh Patil  
Tanay Rasal  
research@bobcaps.in

**Mixed performance:** Amber reported strong Q3FY23 topline growth of 38% YoY to Rs 13.5bn, ahead of our estimate (Rs 11.7bn). However, EBITDA margin and adj. PAT disappointed at 5.8% and Rs 151mn vs. our forecasts of 6.2% and Rs 251mn respectively. While the standalone room air conditioner (RAC) and component business led the topline, better profitability at subsidiaries propped up operational performance for the quarter.

**Ancillary business taking centerstage:** Amber is focused on diversifying toward the electronics and motors division given its healthy growth prospects as well as the structural downshift in the core RAC business due to increased insourcing by OEMs. The company has acquired two marquee clients for its electronics business in its newer verticals of hearables and wearables. Further, it has started providing PCBA support for the BLDC motors used in fans. Management anticipates 50% revenue growth in electronics and 30-40% in the motors business in FY24.

**Capex drive to normalise in FY24E:** Amber expects capex to exceed Rs 6bn for FY23 with the addition of four new facilities along with the Sri City plant. Thereafter, capex is guided to moderate to ~Rs 2.5bn in FY24. The intensive capex has resulted in increased debt, elevated finance cost and higher depreciation, which is visible in the quarter. Net debt stood at Rs 9bn as at end-Q3FY23, and management aims to bring it down to Rs 4bn-4.5bn by FY23-end.

**Retain HOLD:** A thrust on diversifying away from the core RAC business toward the high-growth electronics and motors segments will help Amber mitigate the structural overhang arising from insourcing of AC production by OEMs. That said, delayed margin recovery leads us to cut our FY23/FY24 EPS estimates by 26%/10% and reiterate our HOLD rating. We maintain our TP of Rs 2,100 as we roll valuations over to Dec'24E, valuing the stock at an unchanged P/E multiple of 27x – a 50% discount to the 3Y average on 2Y forward basis.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	AMBER IN/Rs 2,043
Market cap	US\$ 843.2mn
Free float	60%
3M ADV	US\$ 1.7mn
52wk high/low	Rs 4,026/Rs 1,843
Promoter/FPI/DII	40%/27%/12%

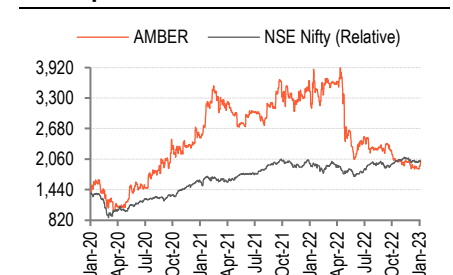
Source: NSE | Price as of 24 Jan 2023

### Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	42,064	56,605	73,303
EBITDA (Rs mn)	2,754	3,428	4,966
Adj. net profit (Rs mn)	1,113	1,281	1,992
Adj. EPS (Rs)	33.0	38.0	59.1
Consensus EPS (Rs)	33.0	53.7	83.0
Adj. ROAE (%)	6.7	7.1	10.2
Adj. P/E (x)	61.8	53.7	34.6
EV/EBITDA (x)	25.0	20.1	13.9
Adj. EPS growth (%)	33.7	15.1	55.5

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE

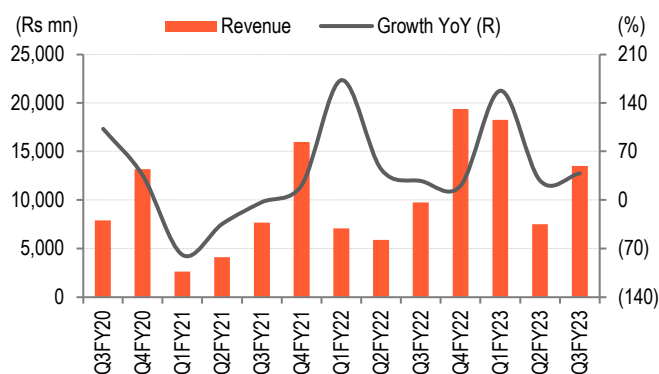


**Fig 1 – Quarterly performance**

Particulars (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Revenue	13,483	9,743	38.4	7,504	79.7	39,244.8	22,697.0	72.9
EBITDA	785	736	6.6	367	114.2	2,144.3	1,501.0	42.9
EBITDA Margin (%)	5.8	7.6	(170bps)	4.9	90bps	5.5	6.6	(110bps)
Depreciation	363	271	-	318	-	1,002.8	776.7	-
Interest	289	123	-	244	-	743.6	278.7	-
Other Income	89	86	-	122	-	339.7	238.6	-
PBT	222	428	(48.2)	(73)	NA	737.5	684.1	7.8
Tax	71	99	-	(50)	-	180.8	163.9	-
Adjusted PAT	151	321	(53.1)	(23)	NA	556.8	520.2	7.0
Exceptional item	-	-	-	0	-	0.0	0.0	-
Reported PAT	142	321	(55.9)	(30)	NA	532.2	519.8	2.4
Adj. PAT Margin (%)	1.1	3.3	(220bps)	(0.3)	NA	1.4	2.3	(90bps)
EPS (Rs)	4.5	9.8	(54.2)	(0.7)	NA	16.5	15.4	7.0

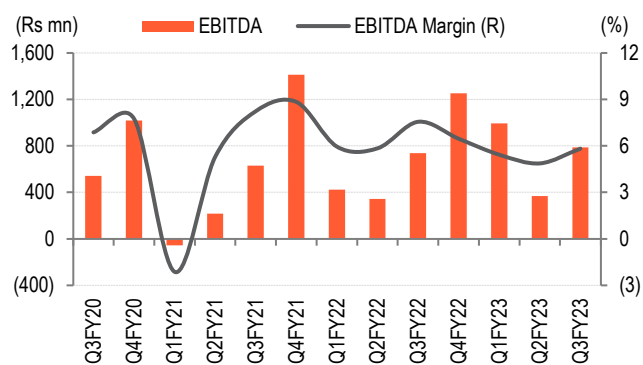
Source: Company, BOBCAPS Research

**Fig 2 – Revenue growth rebounded...**



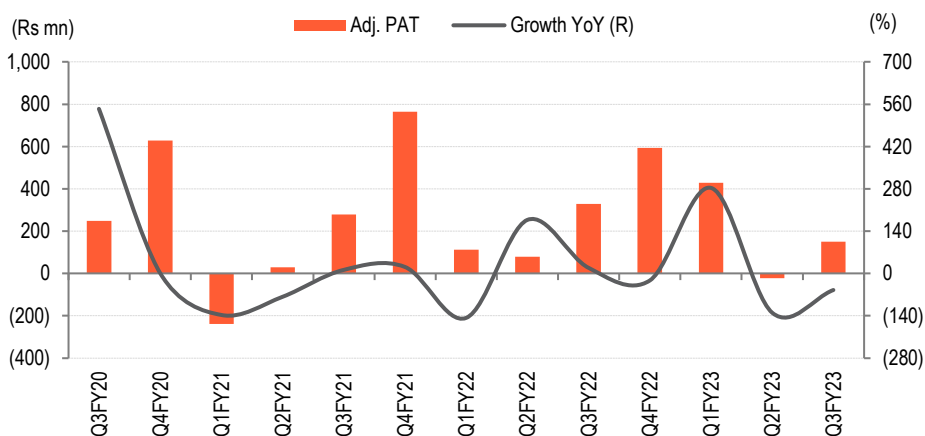
Source: Company, BOBCAPS Research

**Fig 3 – ...while EBITDA margin remained muted**



Source: Company, BOBCAPS Research

**Fig 4 – PAT remains weak**



Source: Company, BOBCAPS Research

## Earnings call highlights

- **Electronics:** Amber has added two new categories in its electronics division – hearables and wearables – and also garnered two marquee clients for these products. Hearables, wearables and telecom contribute 70-75% of revenue in the vertical with ACs bringing in the balance. The company expects a ~50% increase in electronics business revenue for FY24. Its new facility in South India aims to cater to the new clients, with another four client additions expected in FY24.
- **Mobility:** Growth in the mobility business is being led by the government's thrust on railways. In addition to rail, the metro, defence and bus AC-led segments are aiding growth. Amber commands ~50% market share for HVAC panels, 60-70% share for defence related products and 5% share in bus ACs under its mobility vertical.
- **Motors:** In the motors business, the company is providing printed circuit board assembly (PCBA) support for brushless DC motors (BLDC) and has received approval from a few clients. Management expects the business to grow by 30-40% in FY24.
- **RAC:** RAC players were optimistic going into Q3FY23 but demand proved to be muted. October and November were weak months though demand did rise from mid-December. The industry has already undertaken price hikes for most AC models, in the range of Rs 1,200-1,300, due to the Bureau of Energy Efficiency (BEE) rating change.
- **RAC contribution:** After contributing a bulk of Amber's revenues (~80%) over the last 4-5 years, RAC share has come down to 40% in FY23 YTD. RAC is guided to remain at 35-40% of the mix for the next 2-3 years.
- **Guidance:** Amber aims to sustain its 26-28% market share in RAC manufacturing, with a ~30% growth in EBITDA. Management remains bullish on demand recovery with the advent of the summer season, and also maintained its double-digit growth guidance for the RAC industry over the long term.
- **Capex:** Amber has added four new facilities in FY23 (operating at 25-30% utilisation which is guided to rise to 50-60% in FY24), taking capex for the year in excess of Rs 6bn. In addition to Sri City, the company has added a facility in Tamil Nadu. Management expects moderate capex of Rs 2.5bn-2.75bn for FY24.
- **Finance cost:** Finance cost and depreciation rose in Q3FY23 due to higher capex and interest rates. Net debt was inflated at Rs 9bn on account of higher inventory levels. Management is targeting a reduction to Rs 4bn-4.5bn by FY23-end.
- **Exports:** Amber is using a two-pronged export strategy – (i) expanding its components business – exports have begun in the motor division and management expects 30-40% growth in FY24, and (ii) exporting finished goods – where the company has received initial approvals but is awaiting final clearances.
- **Sub-assembly business:** Although sub-assemblies yield lower margins, they add volume to the business and increase customer engagement at no additional capex.

## Valuation methodology

Diversification away from the core RAC business toward the high-growth electronics and motors segments will help Amber mitigate the structural overhang arising from insourcing of AC production by OEMs who are looking to avail of PLI benefits. That said, delayed margin recovery leads us to cut our FY23/FY24/FY25 EPS estimates by 26%/10%/6% and reiterate our HOLD rating. Our TP remains at Rs 2,100 as we roll valuations over to Dec'24E, valuing the stock at an unchanged P/E multiple of 27x – a 50% discount to the three-year average on a two-year forward basis.

**Fig 5 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Sales	56,605	73,303	88,712	57,923	73,729	87,481	(2.3)	(0.6)	1.4
EBITDA	3,428	4,966	6,023	4,043	5,239	6,186	(15.2)	(5.2)	(2.6)
PAT	1,281	1,992	2,763	1,737	2,203	2,947	(26.3)	(9.5)	(6.2)
EPS (Rs)	38.0	59.1	82.0	51.6	65.4	87.5	(26.3)	(9.5)	(6.2)
EBITDA Margin (%)	6.1	6.8	6.8	7.0	7.1	7.1	(90bps)	(30bps)	(30bps)

Source: Company, BOBCAPS Research

## Key risks

- Increased insourcing by OEMs poses a threat to growth in the RAC business.
- Ancillary business diversification can yield lower growth than expected, presenting a downside risk to our estimates.
- Better than expected market share gain in RAC pose an upside risk to estimates

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	0.8	2,043	2,100	HOLD
Blue Star	BLSTR IN	1.5	1,246	1,350	HOLD
Crompton Greaves	CROMPTON IN	2.6	339	500	BUY
Dixon Technologies	DIXON IN	2.5	3,477	5,200	BUY
Havells India	HAVL IN	9.2	1,193	1,500	BUY
KEI Industries	KEI IN	1.7	1,514	1,900	BUY
Orient Electric	ORIENTEL IN	0.7	264	280	HOLD
Polycab India	POLYCAB IN	5.2	2,817	3,300	BUY
Syrma SGS	SYRMA IN	0.6	265	390	BUY
V-Guard Industries	VGRD IN	1.3	251	250	HOLD
Voltas	VOLT IN	3.2	778	950	HOLD

Source: BOBCAPS Research, NSE | Price as of 24 Jan 2023

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Total revenue</b>	<b>30,305</b>	<b>42,064</b>	<b>56,605</b>	<b>73,303</b>	<b>88,712</b>
EBITDA	2,203	2,754	3,428	4,966	6,023
Depreciation	923	1,079	1,364	2,147	2,162
EBIT	1,280	1,675	2,064	2,819	3,861
Net interest inc./(exp.)	(410)	(464)	(834)	(734)	(863)
Other inc./(exp.)	331	332	482	578	694
Exceptional items	0	0	0	0	0
EBT	1,201	1,543	1,712	2,662	3,693
Income taxes	369	429	431	670	929
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>833</b>	<b>1,113</b>	<b>1,281</b>	<b>1,992</b>	<b>2,763</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>833</b>	<b>1,113</b>	<b>1,281</b>	<b>1,992</b>	<b>2,763</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	13,169	17,021	22,952	29,723	35,971
Other current liabilities	1,402	2,263	3,045	3,944	4,773
Provisions	0	0	0	0	0
Debt funds	3,843	10,318	11,913	14,690	17,252
Other liabilities	1,410	2,180	2,800	3,512	4,169
Equity capital	337	337	337	337	337
Reserves & surplus	15,704	17,005	18,232	20,157	22,819
Shareholders' fund	16,041	17,342	18,569	20,494	23,156
<b>Total liab. and equities</b>	<b>35,866</b>	<b>49,125</b>	<b>59,280</b>	<b>72,363</b>	<b>85,321</b>
Cash and cash eq.	2,899	5,626	1,400	3,174	6,461
Accounts receivables	10,690	13,149	17,679	22,904	27,713
Inventories	7,163	8,408	11,321	14,657	17,740
Other current assets	1,207	2,497	3,360	4,351	5,266
Investments	0	0	0	0	0
Net fixed assets	7,864	10,791	15,427	15,529	14,868
CWIP	288	1,056	1,421	1,840	2,227
Intangible assets	3,721	4,487	4,487	4,487	4,487
Deferred tax assets, net	0	0	0	0	0
Other assets	2,033	3,110	4,186	5,420	6,560
<b>Total assets</b>	<b>35,866</b>	<b>49,125</b>	<b>59,280</b>	<b>72,363</b>	<b>85,321</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Cash flow from operations</b>	<b>2,051</b>	<b>1,418</b>	<b>1,053</b>	<b>2,257</b>	<b>3,195</b>
Capital expenditures	(1,845)	(4,137)	(6,000)	(2,250)	(1,500)
Change in investments	(1,433)	(1,482)	0	0	0
Other investing cash flows	(1,531)	(1,365)	(820)	(942)	(869)
<b>Cash flow from investing</b>	<b>(4,810)</b>	<b>(6,984)</b>	<b>(6,820)</b>	<b>(3,192)</b>	<b>(2,369)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	4,097	6,031	1,595	2,777	2,562
Interest expenses	0	0	0	0	0
Dividends paid	(397)	(476)	(54)	(67)	(101)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>3,700</b>	<b>5,555</b>	<b>1,541</b>	<b>2,709</b>	<b>2,461</b>
<b>Chg in cash &amp; cash eq.</b>	<b>941</b>	<b>(11)</b>	<b>(4,226)</b>	<b>1,774</b>	<b>3,287</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,899</b>	<b>5,626</b>	<b>1,400</b>	<b>3,174</b>	<b>6,461</b>

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	24.7	33.0	38.0	59.1	82.0
Adjusted EPS	24.7	33.0	38.0	59.1	82.0
Dividend per share	1.6	1.6	1.6	2.0	3.0
Book value per share	476.1	514.7	551.1	608.2	687.3

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	2.3	1.6	1.2	0.9	0.8
EV/EBITDA	31.2	25.0	20.1	13.9	11.4
Adjusted P/E	82.7	61.8	53.7	34.6	24.9
P/BV	4.3	4.0	3.7	3.4	3.0

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	69.3	72.2	74.8	74.8	74.8
Interest burden (PBT/EBIT)	93.9	92.1	82.9	94.5	95.6
EBIT margin (EBIT/Revenue)	4.2	4.0	3.6	3.8	4.4
Asset turnover (Rev./Avg TA)	3.9	3.9	3.7	4.7	6.0
Leverage (Avg TA/Avg Equity)	0.6	0.6	0.9	0.8	0.7
Adjusted ROAE	6.1	6.7	7.1	10.2	12.7

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
<b>YoY growth (%)</b>					
Revenue	(23.5)	38.8	34.6	29.5	21.0
EBITDA	(28.8)	25.0	24.5	44.9	21.3
Adjusted EPS	(49.3)	33.7	15.1	55.5	38.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	7.3	6.5	6.1	6.8	6.8
EBIT margin	4.2	4.0	3.6	3.8	4.4
Adjusted profit margin	2.7	2.6	2.3	2.7	3.1
Adjusted ROAE	6.1	6.7	7.1	10.2	12.7
ROCE	6.4	6.0	6.5	7.7	8.9
<b>Working capital days (days)</b>					
Receivables	129	114	114	114	114
Inventory	86	73	73	73	73
Payables	159	148	148	148	148
<b>Ratios (x)</b>					
Gross asset turnover	2.8	3.2	3.2	3.3	3.7
Current ratio	1.3	1.1	1.0	1.0	1.0
Net interest coverage ratio	3.1	3.6	2.5	3.8	4.5
Adjusted debt/equity	0.2	0.6	0.6	0.7	0.7

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

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

**BUY** – Expected return >+15%

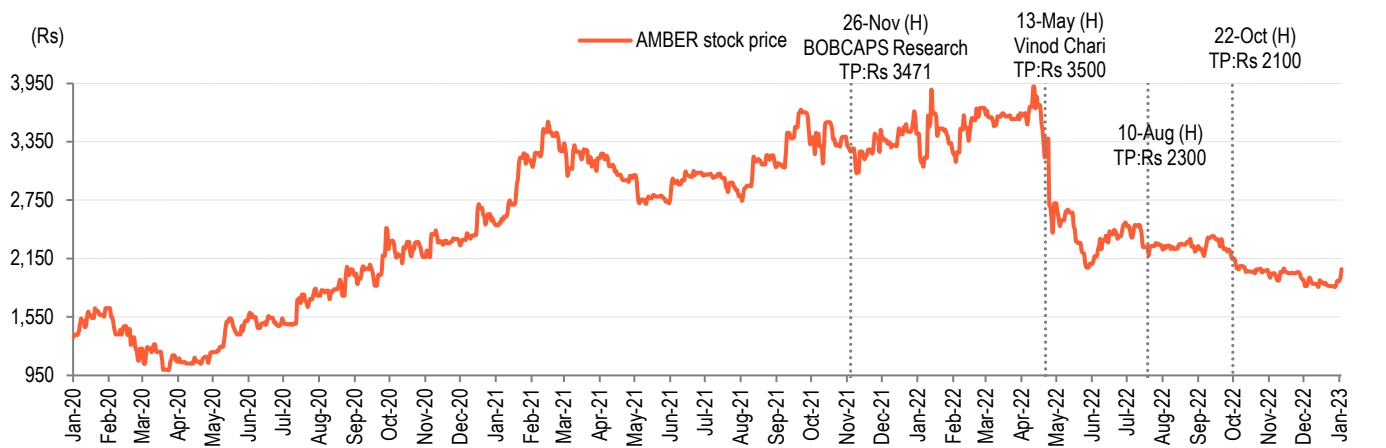
**HOLD** – Expected return from -6% to +15%

**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): AMBER ENTERPRISES (AMBER 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 has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

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, except for Research Analyst Vinod Chari having 875 shares of Voltas (VOLT IN). 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.