

HOLD

TP: Rs 387 | ▲ 7%

AMBUJA CEMENT

| Cement

| 11 February 2023

Steady growth continues, maintain HOLD

- Q4 revenue growth of 11% YoY contributed by volume gains of 8% with realisations up 3%
- Cost inflation well in check; guided to moderate in the near term, helping EBITDA/t retrace to Rs 1,000/t
- Maintain HOLD with SOTP-based TP of Rs 387 as positives baked into valuations

Milind Raginwar | Yash Thakur
 research@bobcaps.in

Steady topline growth: ACEM's revenue grew 11% YoY (+13% QoQ) to Rs 41.3bn in Q4CY22 driven by volume growth of 8% YoY (+9% QoQ) to 7.7mt, alongside realisation gains of 3% YoY (+4% QoQ) to 5,362/t. The company has a healthy presence in the remunerative central and western regions, supporting higher pricing.

Cost inflation well in check: Operating cost increased just 3% YoY to Rs 4,549/t (-4% QoQ) as a decline in logistics cost and other expenses offset higher fuel expense. Energy cost adjusted for raw materials increased by 22% YoY (+6% QoQ) to Rs 2,544/t. Logistics cost/t fell 8% YoY and QoQ due to efficiencies from network optimisation following the market supply agreement with ACC. Other expenditure at Rs 5.5bn declined 16% YoY and 17% QoQ despite the higher sale volumes.

Scope for further EBITDA improvement: ACEM's EBITDA increased 10% YoY (+106% QoQ) to Rs 6.3bn and margins recovered to Q4CY21 levels of 15.2% (8% in Q3CY22). EBITDA/t grew by 3% YoY (+90% QoQ) to Rs 813/t, and management expects to reach Rs 1,000/t in the next couple of quarters backed by cost optimisation. Adj. PAT came in at Rs 4.3bn for Q3, rising sharply due to tax adjustment provisions in Q4CY21. Reported PAT grew by 47% YoY (+168% QoQ) to Rs 3.7bn, similarly aided by lower tax provisions on prior-period reversals.

Aggressive capex plans: ACEM has earmarked Rs 100bn for capex for synergetic improvement. This includes a WHRS, debottlenecking, greenfield clinker grinding units and a brownfield kiln to be undertaken over the next ~18 months. The Ametha plant is to be commissioned in Mar'23 which includes a 3.3mt clinker and 1mt grinding unit as well as debottlenecking. Commercial production is scheduled to commence by Q2FY24.

Maintain HOLD: While we like ACEM for its operating efficiency, presence in key demand centres and recent thrust on capacity building, we believe these positives are factored into valuations. We maintain HOLD and retain our SOTP-based TP of Rs 387 which values the standalone business at 13x CY24E EV/EBITDA and ACEM's 50% stake in ACC at 10% holding company discount. Our TP implies a replacement cost of Rs 14bn/mt (consolidated capacity) – a 2x premium to the industry average.

Key changes

Target	Rating
◀ ▶	◀ ▶

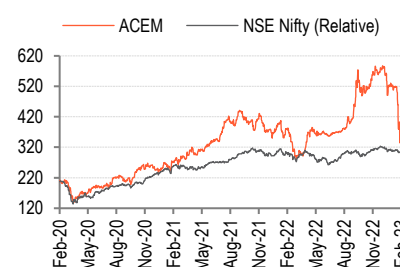
Ticker/Price	ACEM IN/Rs 361
Market cap	US\$ 8.7bn
Free float	37%
3M ADV	US\$ 68.3mn
52wk high/low	Rs 598/Rs 274
Promoter/FPI/DII	63%/11%/17%

Source: NSE | Price as of 10 Feb 2023

Key financials

Y/E 31 Dec	CY21A	CY22E	CY23E
Total revenue (Rs mn)	285,926	339,083	373,473
EBITDA (Rs mn)	62,103	55,103	57,656
Adj. net profit (Rs mn)	29,007	20,133	26,720
Adj. EPS (Rs)	14.6	10.1	13.5
Consensus EPS (Rs)	14.6	10.7	15.2
Adj. ROAE (%)	12.4	9.0	8.7
Adj. P/E (x)	24.7	35.6	26.8
EV/EBITDA (x)	9.7	10.3	9.4
Adj. EPS growth (%)	14.1	(30.6)	32.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Earnings call highlights

- Management expects EBITDA/t to rise to Rs 1,000 in the next couple of quarters backed by cost optimisation. This will be led by (i) a reduction in fuel cost (kiln fuel cost has fallen substantially QoQ from Rs 2.84/kcal to Rs 2.45/kcal, resulting in a 14% sequential drop in overall fuel cost in Q3FY23), and (ii) lower logistics cost (on account of operational synergies with ACC and Adani Logistics, leading to rationalising of the warehouse network).
- The Ametha plant is to be commissioned in Mar'23 which includes a 3.3mt clinker and 1mt grinding unit as well as debottlenecking. Commercial production is scheduled to commence by Q2FY24
- As a part of its growth strategy, Rs 100bn has been earmarked by ACEM for capex to improve synergies. This includes a waste heat recovery system (WHRS), debottlenecking, greenfield clinker grinding units and a brownfield kiln to be undertaken over the next ~18 months.
- ACEM plans to increase WHRS capacity to ~190MW by Mar'25 from the existing 65MW as of Dec'22 as part of its target of achieving a ~30% thermal substitution rate by 2027.
- The company currently has 78+ ready-mix concrete (RMC) plants and plans to expand to over 250 in the medium term.
- Per management, payment for coal contracts is not a related party transaction but a contractual agreement with suppliers for close to 1.6mmt of coal to be supplied over a period of six months. Management expects deliveries to be completed between Q4FY23 and Q1FY24, contributing to a reduction in overall fuel cost.
- The company has a captive coal mine, Gare Palma, that caters to almost one-third of its requirements. In contrast, ACC relies entirely on supplies from third parties; thus, the volume of ACC's coal/fuel-related imports is higher than ACEM's.
- Advance payments include payment for (i) fly ash to government power stations, (ii) coal procurement to Coal India, (iii) pet coke to government refineries, and (iv) advances for power to GEB (Gujarat Electricity Board).
- The company indicated that ACC and ACEM fall under the same management and function as a single entity for all operations (Finance/HR/Operations), but as independent entities for statutory and legal and regulatory purposes.
- No royalty payment to Holcim is pending.
- ACEM has zero debt with healthy cash and cash equivalents of Rs 95bn as of Dec'22.

Fig 1 – Key metrics

(Rs)	Q4CY22	Q4CY21	YoY (%)	Q3CY22	QoQ (%)
Volumes (mt)	7.7	7.2	7.5	7.1	8.5
Cement realisations (Rs/mt)	5,362	5,217	2.8	5,170	3.7
Operating costs (Rs/mt)	4,549	4,424	2.8	4,741	(4.1)
EBITDA (Rs/mt)	813	793	2.5	429	89.7

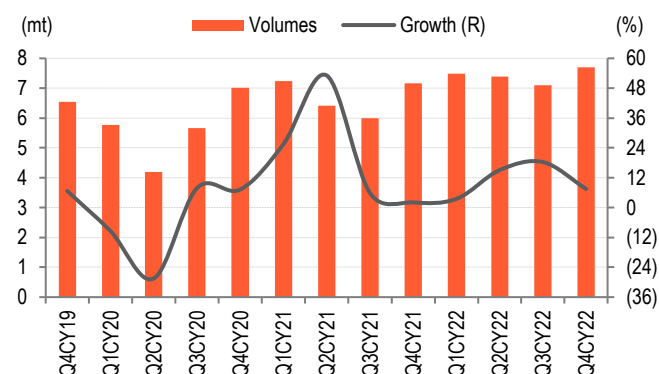
Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance

(Rs mn)	Q4CY22	Q4CY21	YoY (%)	Q3CY22	QoQ (%)
Net Sales	41,285	37,351	10.5	36,704	12.5
Expenditure					
Change in stock	1,632	(369)	(542.1)	(1,309)	(224.6)
Raw material	3,782	2,922	29.4	3,057	23.7
Purchased products	2,066	1,156	78.7	1,212	70.5
Power & fuel	12,111	11,263	7.5	14,147	(14.4)
Freight	8,362	8,441	(0.9)	8,395	(0.4)
Employee costs	1,595	1,778	(10.3)	1,532	4.1
Other expenditure	5,475	6,482	(15.5)	6,627	(17.4)
Total Operating Expenses	35,024	31,672	10.6	33,661	4.0
EBITDA	6,261	5,679	10.3	3,043	105.7
EBITDA margin (%)	15.2	15.2	(4bps)	8.3	687bps
Other Income	890	332	167.8	470	89.2
Interest	253	252	0.1	228	10.8
Depreciation	1,648	1,698	(2.9)	1,571	4.9
PBT	5,250	4,061	29.3	1,715	206.1
Non-recurring items	(614)	(657)		(152)	NM
PBT (after non-recurring items)	4,637	3,405	36.2	1,563	196.7
Tax	947	888	6.7	1,375	(31.1)
Reported PAT	3,690	2,517	46.6	1,379	167.6
Adjusted PAT	4,303	3,174	35.6	340	1,166.5
NPM (%)	10.4	8.5	193bps	0.9	950bps
Adjusted EPS (Rs)	2.2	1.6	35.6	0.2	1,166.5

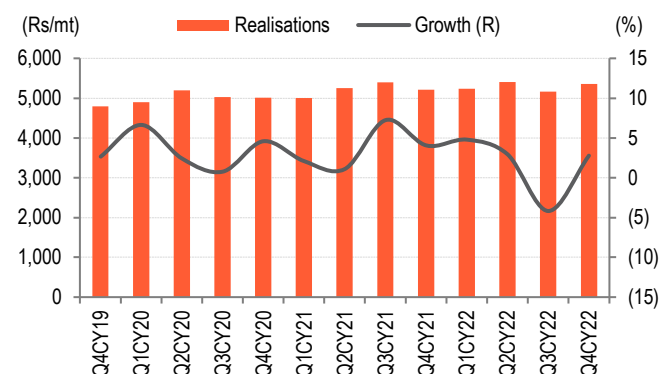
Source: Company, BOBCAPS Research

Fig 3 – Volume gains supported by West/East regions



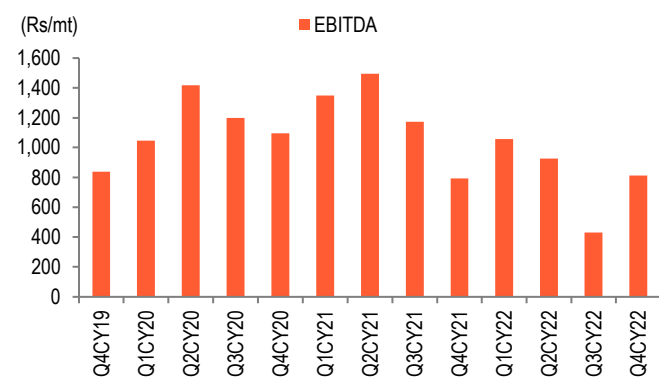
Source: Company, BOBCAPS Research

Fig 4 – Dominant presence in trade segment secures realisations



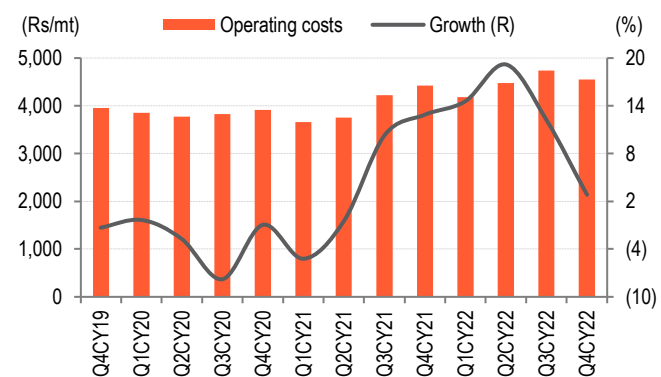
Source: Company, BOBCAPS Research

Fig 5 – EBITDA/t guided to recover to Rs 1,000 in the near term



Source: Company, BOBCAPS Research

Fig 6 – Fuel cost behind higher cost inflation YoY



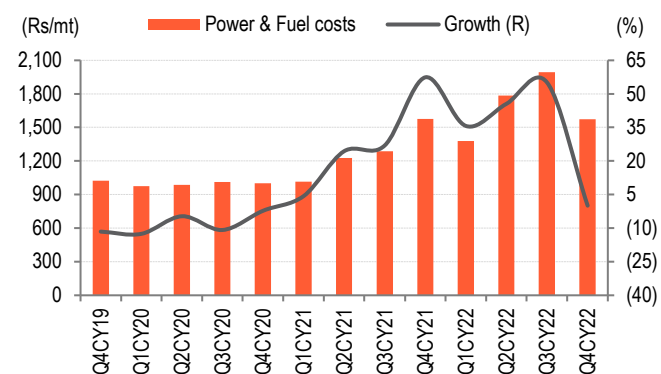
Source: Company, BOBCAPS Research

Fig 7 – ACC-ACEM synergies rein in logistics cost



Source: Company, BOBCAPS Research

Fig 8 – Fuel cost inflation expected to moderate in the near term



Source: Company, BOBCAPS Research

Valuation methodology

While we like ACEM for its operating efficiency, presence in key demand centres and recent thrust on capacity addition, we believe these positives are factored into current valuations. We thus maintain our HOLD rating. Our SOTP-based TP of Rs 387 (unchanged) values the standalone business at 13x CY24E EV/EBITDA and ACEM's 50% stake in ACC at 10% holding company discount. Our valuation implies a replacement cost of Rs 14bn/mt (consolidated capacity) – 2x premium to the industry average.

ACEM has traditionally followed a conservative capital allocation policy, causing the company to underperform the industry on volume growth. With the change in management from Holcim to the new domestic business group which is perceived as aggressive in its pursuit of growth, this policy is likely to be revised. As such, intensive capacity expansion going forward represents a key upside risk to our estimates.

Fig 9 – Key assumptions

Parameter	CY21	CY22E	CY23E	CY24E
Volumes (mt)	27.2	29.1	32.63	35.58
Realisations (Rs/mt)	5,060	5,212	5,473	5,637
Operating costs (Rs/mt)	3,892	4,471	4,493	4,634
EBITDA/mt (Rs)	1,247	818	1,082	1,101

Source: Company, BOBCAPS Research

Fig 10 – Valuation summary

Business (Rs mn)	CY24E
Target EV/EBITDA (x)	13
EBITDA (Rs mn)	39,060
Target EV (Rs mn)	5,07,785
Total EV	5,07,785
Net debt	(63,177)
Target market capitalisation	5,70,963
ACEM's standalone value (Rs/sh) (A)	287
Weighted average shares (mn)	1,986
ACC Target M-cap	4,38,930
ACEM Holding in ACC (50.05%)	2,19,465
Holding Co discount (10%)	21,946
ACEM Holding in ACC (50.05%) (Post Hold Co Discount)	1,97,518.5
Total Equity Shares O/S (mn)	1,986
ACEM's value in ACC (Rs/sh) (B)	99.5
Target price (Rs/sh) (A+B)	387

Source: BOBCAPS Research

Fig 11 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
ACEM IN	HOLD	387	10.2	9.4	7.3	221	211	200	6.0	7.4	8.0	13.1	12.8	14.7
ACC IN	HOLD	2,090	20.8	14.9	8.9	102	102	94	5.3	7.0	11.3	7.0	9.4	14.9
UTCEM IN	BUY	8,310	20.2	16.3	13.1	218	219	219	9.7	12.0	14.5	12.8	15.8	18.3

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- large capex announcements,
- strong pricing tailwinds in ACEM's key regions, and
- above-estimated cost savings.

Key downside risks are:

- ACEM's placement under the short-term additional surveillance measure framework (Stage I) by the Securities Exchange Board of India and Stock Exchanges in India,
- slower-than-expected capacity growth, and
- continued high cost inflation, especially fuel cost.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	4.3	1,880	2,090	HOLD
Ambuja Cement	ACEM IN	8.7	361	387	HOLD
Dalmia Bharat	DALBHARA IN	4.6	1,939	1,835	HOLD
JK Cement	JKCE IN	2.6	2,803	3,371	BUY
JK Lakshmi Cement	JKLC IN	1.1	758	551	SELL
Orient Cement	ORCMNT IN	0.3	123	140	HOLD
Shree Cement	SRCM IN	10.5	23,971	24,656	HOLD
Star Cement	STRCEM IN	0.6	113	138	BUY
The Ramco Cements	TRCL IN	2.1	734	534	SELL
Ultratech Cement	UTCEN IN	25.2	7,206	8,310	BUY

Source: BOBCAPS Research, NSE | Price as of 10 Feb 2023

Financials

Income Statement

Y/E 31 Dec (Rs mn)	CY20A	CY21A	CY22E	CY23E	CY24E
Total revenue	241,160	285,926	339,083	373,473	420,333
EBITDA	50,056	62,103	55,103	57,656	70,196
Depreciation	(11,618)	(11,525)	(12,435)	(12,875)	(14,059)
EBIT	42,934	54,103	45,567	47,663	59,005
Net interest inc./(exp.)	(1,402)	(1,457)	(1,667)	(1,735)	(1,665)
Other inc./(exp.)	4,496	3,524	2,899	2,883	2,868
Exceptional items	(1,760)	0	0	0	0
EBT	39,772	52,646	43,900	45,928	57,340
Income taxes	(8,848)	(14,534)	(13,722)	(14,320)	(17,686)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(7,270)	(9,104)	(10,045)	(4,888)	(8,510)
Reported net profit	23,654	29,007	20,133	26,720	31,144
Adjustments	1,760	0	0	0	0
Adjusted net profit	25,415	29,007	20,133	26,720	31,144

Balance Sheet

Y/E 31 Dec (Rs mn)	CY20A	CY21A	CY22E	CY23E	CY24E
Accounts payables	58,452	68,242	75,066	82,572	90,830
Other current liabilities	33,941	43,791	45,105	46,458	47,851
Provisions	2,926	3,062	3,215	3,376	3,544
Debt funds	4,644	4,429	4,472	4,517	4,562
Other liabilities	6,260	7,562	7,713	7,867	8,025
Equity capital	3,971	3,971	3,971	3,971	3,971
Reserves & surplus	223,605	249,566	263,186	283,393	308,024
Shareholders' fund	290,985	324,988	348,878	374,197	407,563
Total liab. and equities	397,207	452,073	484,448	518,987	562,375
Cash and cash eq.	89,356	116,943	156,030	179,782	210,132
Accounts receivables	5,611	6,458	9,754	10,744	12,092
Inventories	16,486	27,380	24,154	26,604	29,942
Other current assets	54,047	54,811	63,291	73,231	84,900
Investments	2,629	1,981	88	88	88
Net fixed assets	115,565	132,622	125,361	118,193	110,071
CWIP	110,996	109,160	103,056	107,634	112,441
Intangible assets	2,518	2,717	2,714	2,712	2,709
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	397,207	452,073	484,448	518,987	562,375

Cash Flows

Y/E 31 Dec (Rs mn)	CY20A	CY21A	CY22E	CY23E	CY24E
Cash flow from operations	49,551	57,534	42,506	40,279	47,335
Capital expenditures	(19,050)	(26,271)	933	(10,283)	(10,742)
Change in investments	6,741	7,547	(8,456)	(5,175)	(7,762)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(12,309)	(18,724)	(7,523)	(15,458)	(18,503)
Equities issued/Others	(654)	(1,063)	225	225	225
Debt raised/repaid	3,869	(215)	43	44	45
Interest expenses	0	0	0	0	0
Dividends paid	(36,738)	(2,070)	(6,513)	(6,513)	(6,513)
Other financing cash flows	(695)	(976)	0	0	0
Cash flow from financing	(34,218)	(4,324)	(6,245)	(6,244)	(6,243)
Chg in cash & cash eq.	3,024	34,486	28,738	18,577	22,588
Closing cash & cash eq.	89,356	116,943	156,030	179,782	210,132

Per Share

Y/E 31 Dec (Rs)	CY20A	CY21A	CY22E	CY23E	CY24E
Reported EPS	11.9	14.6	10.1	13.5	15.7
Adjusted EPS	12.8	14.6	10.1	13.5	15.7
Dividend per share	18.5	1.0	2.8	2.8	2.8
Book value per share	146.5	163.7	175.7	188.5	205.3

Valuations Ratios

Y/E 31 Dec (x)	CY20A	CY21A	CY22E	CY23E	CY24E
EV/Sales	2.6	2.1	1.7	1.4	1.2
EV/EBITDA	12.6	9.7	10.3	9.4	7.3
Adjusted P/E	28.2	24.7	35.6	26.8	23.0
P/BV	2.5	2.2	2.1	1.9	1.8

DuPont Analysis

Y/E 31 Dec (%)	CY20A	CY21A	CY22E	CY23E	CY24E
Tax burden (Net profit/PBT)	77.8	72.4	68.7	68.8	69.2
Interest burden (PBT/EBIT)	96.7	97.3	96.3	96.4	97.2
EBIT margin (EBIT/Revenue)	17.8	18.9	13.4	12.8	14.0
Asset turnover (Rev./Avg TA)	60.4	67.3	72.4	74.4	77.7
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.4	1.4	1.4
Adjusted ROAE	11.0	12.4	9.0	8.7	10.1

Ratio Analysis

Y/E 31 Dec	CY20A	CY21A	CY22E	CY23E	CY24E
YoY growth (%)					
Revenue	(9.2)	18.6	18.6	10.1	12.5
EBITDA	8.9	24.1	(11.3)	4.6	21.8
Adjusted EPS	21.3	14.1	(30.6)	32.7	16.6
Profitability & Return ratios (%)					
EBITDA margin	20.4	21.4	16.0	15.2	16.4
EBIT margin	17.5	18.6	13.2	12.5	13.8
Adjusted profit margin	10.5	10.1	5.9	7.2	7.4
Adjusted ROAE	11.0	12.4	9.0	8.7	10.1
ROCE	14.1	16.9	13.1	12.8	14.6
Working capital days (days)					
Receivables	8	8	11	11	11
Inventory	25	35	26	26	26
Payables	109	109	95	94	93
Ratios (x)					
Gross asset turnover	1.3	1.4	1.6	1.7	1.9
Current ratio	1.7	1.8	2.1	2.2	2.4
Net interest coverage ratio	30.6	37.1	27.3	27.5	35.4
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

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

BUY – Expected return >+15%

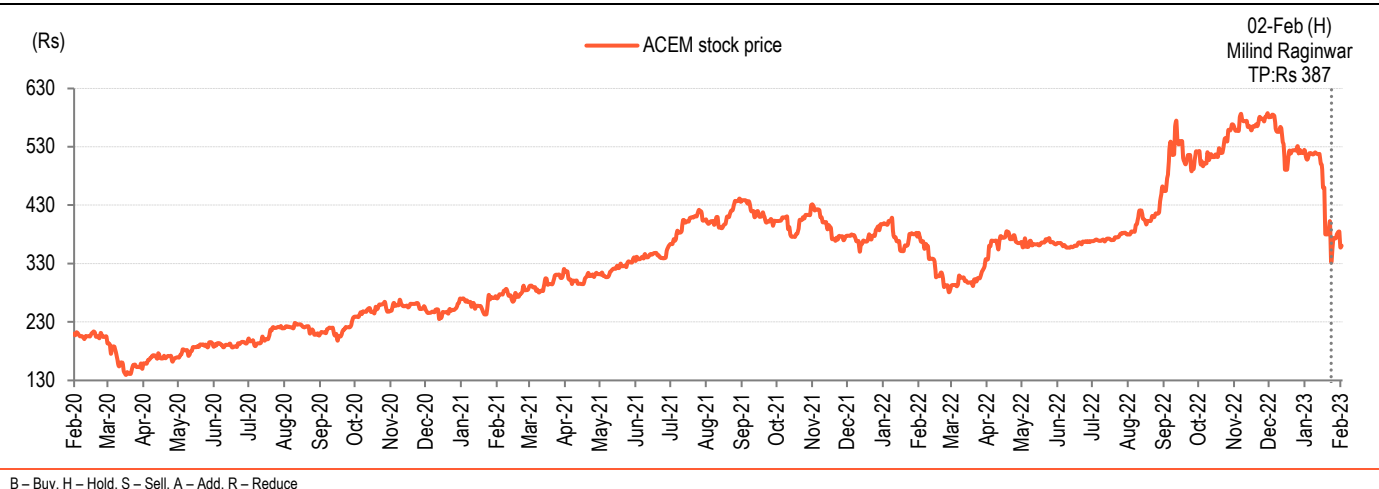
HOLD – Expected return from -6% to +15%

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): AMBUJA CEMENT (ACEM IN)



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. 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.