

BUY

TP: Rs 169 | ▲ 16%

ASHOK LEYLAND

| Automobiles

| 17 November 2022

Healthy performance all round

- Q2 topline healthy at Rs 83bn backed by volume growth of 15% QoQ to 45.3k vehicles (+65% YoY on a weak base)
- Gross margins improved 130bps QoQ to 22% as easing commodity inflation offset higher inventory cost
- We assume coverage with BUY, valuing AL at 22x FY24E EPS of Rs7 (+Rs12/sh HLF) for a TP of Rs 169

Milind Raginwar

research@bobcaps.in

Healthy quarter: AL's Q2FY23 net sales at Rs 82.6bn were driven by volume growth of 15% QoQ to 45.3k vehicles (+65% YoY on a weak base). Net realisation per vehicle (NRPV) stood at Rs 1,824k (flat QoQ, +13% YoY). Raw material cost spiked 13% QoQ but appears to have peaked at 78% of sales. Gross margin expanded 130bps QoQ to 22%. With other expenditure reined in (+4% QoQ), EBITDA jumped 68% QoQ to Rs 5.4bn and EBITDA margin swelled to 6.5% from 4% in Q1FY23. PAT nearly quadrupled QoQ to Rs 1.9bn despite higher interest cost.

Price hikes and easing cost to boost margins: AL took price hikes of 1.8-1.9% in Q1FY23 followed by a 1% increase in Q2 and 1.5% in Q3 thus far. Despite the frequent hikes, customer retention remains high and the company has managed to gain market share across geographies. We expect lower costs and improved pricing to aid margin improvement in the medium term.

Market share addition: AL's domestic market share in medium & heavy commercial vehicles (MHCV) has risen 10ppt YoY to ~32% (27% end-FY22). Though the uptick in the CV cycle has been a contributing factor, the company's advanced vehicle transformation (AVTR) range of products has also supported gradual market share gains. In the bus segment, AL retains its leadership and is looking to expand volumes. Its network expansion strategy has also supported growth

New launches in LCVs and EVs: Volume growth in the 'Dost' and 'Bada Dost' light commercial vehicles (LCV) has been healthy in Q2 but would have been stronger if not for the semiconductor shortage. These products carry export potential for AL. In the EV segment, the company plans to launch the electric version of Dost and Bada Dost by mid-2023, which should lend a boost to volumes and margins.

BUY, TP Rs 169: We expect AL's EBITDA margin to expand 290bps over FY23-FY25 to 10% basking in softer raw material cost, revival in the key CV market, leadership in the bus segment, new launches and entry into EVs. Revival in exports will add further comfort. We assume coverage with BUY and a TP of Rs 169, valuing AL at Rs 157/sh (22x FY24E EPS) plus Rs 12/sh for Hinduja Leyland Finance.

Key changes

Target	Rating
▲	▲

Ticker/Price	AL IN/Rs 145
Market cap	US\$ 5.2bn
Free float	49%
3M ADV	US\$ 25.1mn
52wk high/low	Rs 169/Rs 93
Promoter/FPI/DII	52%/17%/15%

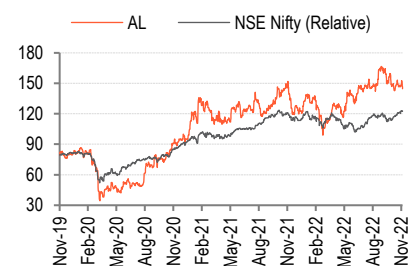
Source: NSE | Price as of 17 Nov 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	216,883	315,621	368,421
EBITDA (Rs mn)	9,945	21,788	36,031
Adj. net profit (Rs mn)	310	9,460	20,403
Adj. EPS (Rs)	1.8	3.2	7.0
Consensus EPS (Rs)	1.8	5.9	7.1
Adj. ROAE (%)	0.4	11.7	20.6
Adj. P/E (x)	78.4	44.9	20.8
EV/EBITDA (x)	45.2	20.7	12.2
Adj. EPS growth (%)		2951.5	115.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings call highlights

Revenue

- AL's domestic truck business (32% market share) posted a 10% YoY increase in revenue in Q2FY23. With new launches and continued network expansion, management expects to sustain the market share achieved in the last four quarters.
- Higher LCV and MHCV truck sales were supported by improved freight availability and growth in end-user industries, in addition to pent-up replacement demand. AL expects domestic CV industry volumes to grow in FY23, in line with economic recovery.
- LCVs Dost and Bada Dost have been growing stronger, but volumes are limited by the availability of semiconductors. Per management, both products hold large export potential and are an apt fit for their addressable markets.
- Regarding funding of EV subsidiary Switch, management is actively looking for suitable investors. AL will launch the electric version of Dost and Bada Dost in the middle of 2023.
- The excellent performance of the AVTR range of products has helped ALL earn marginally better realisations.

Margins

- The softening of commodity prices, particularly steel, should benefit margins. With volumes increasing, economies will start to kick in with larger suppliers. Management expects commodity prices to ease further going forward
- AL took price hikes of 1.8-1.9% in Q1FY23 followed by a 1% increase in Q2 and 1.5% in Q3 thus far. Despite the frequent hikes, customer retention remains high
- The benefits of price hikes and easing steel cost will be fully reflected in Q3 and Q4FY23 as the opening stock had to be sold first this quarter

Capex

- Capex was at Rs 1bn in Q2FY23 and Rs 2.2bn in H1FY23. Management expects to spend a total of Rs 6bn for FY23. A majority of the outlay that AL had envisaged has already been incurred with BS6 and 'Avatar', so management expects capex to be in the range of Rs 5bn-7bn annually.
- This does not include capex to be incurred on EVs, which is guided at US\$ 200mn-250mn cumulatively for the next 2-3 years.

Working capital

- Operating working capital in Q2 was at Rs 4.9bn against the negative Rs 1.7bn as on Jun'22. The increase is because the company is keeping inventory slightly higher in case of any sudden upside in sales.
- Management indicated that the working capital situation is under control.

Net Debt and D/E

- Net debt has increased by Rs 4bn in Q2FY23 and the D/E ratio is at 0.4x.
- The company indicated that there will be a significant reduction in short-term debt.

Other highlights

- AL has given short-term loans of Rs 2bn to its own subsidiary Switch in order to help it execute orders.
- Hinduja Leyland Finance is expected to be listed around Jun'23. The subsidiary has AUM of Rs 317bn, Revenue of Rs16.2bn, PAT of Rs 2.2bn, GNPA of 6.3% and NNPA of 4.4%. It has also raised capital of Rs 9.1bn from qualified institutional buyers.

Fig 1 – Quarterly performance (Standalone)

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	H1FY23	H1FY22	YoY (%)
Volume	45,295	27,543	64.5	39,372	15.0	84,667	45,530	86.0
Avg. Realisation per Vehicle	1,824,914	1,618,506	12.8	1,834,514	(0.5)	1,829,379	1,627,244	12.4
Net Revenues	82,660	44,579	85.4	72,229	14.4	154,888	74,088	109.1
Other Operating Income	-	-	NA	-	NA	-	-	NA
Total Income (A)	82,660	44,579	85.4	72,229	14.4	154,888	74,088	109.1
Operating Expenses:								
Raw materials consumed	64,466	34,185	88.6	57,281	12.5	121,746	56,058	117.2
Employee Expenses	5,271	4,003	31.7	4,454	18.3	9,725	8,246	17.9
Other Expenses	7,550	5,043	49.7	7,291	3.5	14,841	9,839	50.8
Total Expenditure (B)	77,286	43,232	78.8	69,026	12.0	146,312	74,143	97.3
EBITDA (A-B)	5,373	1,347	298.9	3,203	67.8	8,576	(54)	
Other Income	199	209	(4.9)	256	(22.4)	455	343	32.7
Depreciation	1,768	1,843	(4.1)	1,824	(3.1)	3,592	3,678	(2.3)
EBIT	3,804	(286)	(1,427.9)	1,635	132.7	5,440	(3,388)	(260.5)
Finance Costs	771	871	(11.5)	689	11.9	1,459	1,578	(7.5)
PBT before exceptional items	3,034	(1,157)	(362.2)	946	220.6	3,980	(4,967)	(180.1)
Exceptional items	(82)	(2)	-	(130)	-	212	(15)	NA
PBT after exceptional items	3,116	(1,155)	(369.8)	1,077	189.5	4,193	(4,981)	(184.2)
Tax expense	1,124	(325)	(446.0)	396	183.9	1,520	(1,328)	(214.5)
Reported PAT	1,992	(830)	(340.0)	681	192.8	2,673	(3,653)	(173.2)
Adjusted PAT	1,910	(832)	(329.4)	550	247.0	2,460	(3,639)	(167.6)
Adj EPS (Rs)	0.7	(0.3)	(329.4)	0.2	247.0	0.8	(1.2)	(167.6)
Key ratios (%)			(bps)		(bps)			(bps)
Gross Margin	22.0	23.3	(130)	20.7	131	21.4	24.3	(294)
EBITDA Margin	6.5	3.0	348	4.4	207	5.5	(0.1)	561
EBIT Margin	4.6	(0.6)	525	2.3	234	3.5	(4.6)	809
PBT Margin	3.7	(2.6)	627	1.3	236	2.6	(6.7)	927
Tax Rate	36.1	28.1	794	36.8	(71)	36.3	26.7	959
Adj PAT Margin	2.3	(1.9)	418	0.8	155	1.6	(4.9)	650

Source: Company, BOBCAPS Research

Valuation methodology

We expect AL's EBITDA margin to expand 290bps over FY23-FY25 to 10% by FY25 baking in softer raw material cost, revival in the key CV market, leadership in the bus segment, new launches and entry into EVs. Revival in exports will add further comfort. We assume coverage with BUY and a TP of Rs 169, valuing AL at Rs 157/sh (22x FY24E EPS) plus Rs 12/sh for Hinduja Leyland Finance. The multiple assigned is in line with the long-term average commanded by AL.

Fig 2 – Key assumptions

Key Assumptions	FY23E	FY24E	FY25E
M&HCV volumes (nos)	96,051	107,577	123,175
LCV volumes (nos)	68,051	74,856	84,213
Total volume sold (Nos)	164,102	182,433	207,389
M&HCV (%)	59	59	59
LCV (%)	41	41	41
Revenue per vehicle (Rs)	1,923,323	2,019,489	2,140,659
RMC per vehicle (Rs)	1,495,384	1,514,617	1,616,197
As a % of revenue	77.8	75.0	75.5
Gross margin per vehicle (Rs)	427,939	504,872	524,461
As a % of revenue	22.3	25.0	24.5
Staff cost per vehicle (Rs)	117,206	114,918	109,176
As a % of revenue	6.1	5.7	5.1
Other expense per vehicle (Rs)	182,716	191,851	207,644
As a % of revenue	9.5	9.5	9.7
EBITDA per vehicle (Rs)	128,018	198,103	207,641
As a % of revenue	6.7	9.8	9.7
Other Income (Rs mn)	972	1,065	1,251
Depreciation (Rs mn)	7,730	7,905	8,887
Interest (Rs mn)	2,824	2,864	3,016
PAT per vehicle (Rs)	57,644	111,837	122,181
As a % of revenue	3.0	5.5	5.7

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- The cost inflation reviving that can dent our margin assumptions.
- Slower economic revival leading to lower CV/bus segment demand.
- Delay in new launches in the EV segment

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	155,984	216,883	315,621	368,421	443,948
EBITDA	5,351	9,945	21,788	36,031	43,347
Depreciation	7,477	7,528	7,730	7,905	8,887
EBIT	(931)	3,179	15,030	29,190	35,712
Net interest inc./(exp.)	(3,068)	(3,011)	(2,824)	(2,864)	(3,016)
Other inc./(exp.)	1,195	761	972	1,065	1,251
Exceptional items	(121)	5,108	0	0	0
EBT	(4,119)	5,276	12,206	26,326	32,696
Income taxes	(983)	(142)	2,746	5,923	7,356
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	(3,136)	5,418	9,460	20,403	25,339
Adjustments	121	(5,108)	0	0	0
Adjusted net profit	(3,016)	310	9,460	20,403	25,339

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	51,647	70,342	73,410	91,361	108,028
Other current liabilities	14,859	16,408	8,338	(17,031)	(17,543)
Provisions	6,545	6,705	7,040	7,603	8,363
Debt funds	37,163	35,071	27,680	28,198	30,368
Other liabilities	2,805	0	0	0	0
Equity capital	2,936	2,936	2,936	2,936	2,936
Reserves & surplus	66,837	70,433	77,642	96,103	119,403
Shareholders' fund	69,772	73,369	80,578	99,039	122,339
Total liab. and equities	182,792	201,894	197,046	209,170	251,556
Cash and cash eq.	8,230	10,470	4,986	3,124	6,900
Accounts receivables	28,160	31,110	40,642	46,431	54,125
Inventories	21,423	20,752	26,806	32,300	37,705
Other current assets	16,603	24,858	21,618	24,225	31,624
Investments	30,687	48,196	38,216	35,216	48,216
Net fixed assets	70,504	62,342	62,722	66,317	69,430
CWIP	3,719	1,111	3,500	3,000	5,000
Intangible assets	0	4,499	0	0	0
Deferred tax assets, net	(1,708)	(1,444)	(1,444)	(1,444)	(1,444)
Other assets	5,174	0	0	0	0
Total assets	182,792	201,895	197,046	209,170	251,556

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	6,443	26,951	(3,618)	3,634	26,377
Capital expenditures	(7,722)	(1,257)	(6,001)	(11,000)	(14,000)
Change in investments	(3,491)	(17,509)	9,981	3,000	(13,000)
Other investing cash flows	1,195	761	972	1,065	1,251
Cash flow from investing	(10,018)	(18,005)	4,952	(6,935)	(25,749)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	4,349	(2,092)	(7,391)	518	2,170
Interest expenses	(3,068)	(3,011)	(2,824)	(2,864)	(3,016)
Dividends paid	(1,761)	(1,761)	(1,849)	(1,942)	(2,039)
Other financing cash flows	(940)	157	(401)	0	0
Cash flow from financing	(1,421)	(6,707)	(12,465)	(4,288)	(2,885)
Chg in cash & cash eq.	(4,995)	2,239	(11,131)	(7,589)	(2,257)
Closing cash & cash eq.	8,230	10,470	4,986	3,124	6,900

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	(1.0)	0.1	3.2	7.0	8.6
Adjusted EPS	(1.1)	1.8	3.2	7.0	8.6
Dividend per share	0.6	0.6	0.6	0.7	0.7
Book value per share	23.8	25.0	27.4	33.7	41.7

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	2.8	2.1	1.4	1.2	1.0
EV/EBITDA	80.5	45.2	20.7	12.2	9.9
Adjusted P/E	(135.5)	78.4	44.9	20.8	16.8
P/BV	6.1	5.8	5.3	4.3	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	73.2	5.9	77.5	77.5	77.5
Interest burden (PBT/EBIT)	442.6	166.0	81.2	90.2	91.6
EBIT margin (EBIT/Revenue)	(0.6)	1.5	4.8	7.9	8.0
Asset turnover (Rev./Avg TA)	142.8	198.8	291.3	312.9	317.2
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.3	1.3
Adjusted ROAE	(4.2)	0.4	12.3	22.7	22.9

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	(12.8)	39.0	45.5	16.7	20.5
EBITDA	(54.4)	85.8	119.1	65.4	20.3
Adjusted EPS			2951.5	115.7	24.2
Profitability & Return ratios (%)					
EBITDA margin	3.4	4.6	6.9	9.8	9.8
EBIT margin	(0.6)	1.5	4.8	7.9	8.0
Adjusted profit margin	(1.9)	0.1	3.0	5.5	5.7
Adjusted ROAE	(4.3)	0.4	11.7	20.6	20.7
ROCE	(0.6)	3.0	10.8	19.2	19.8
Working capital days (days)					
Receivables	47	50	41	43	41
Inventory	40	35	27	29	29
Payables	125	133	107	109	109
Ratios (x)					
Gross asset turnover	0.7	0.5	0.4	0.3	0.3
Current ratio	1.0	0.9	1.1	1.3	1.3
Net interest coverage ratio	0.3	(1.1)	(5.3)	(10.2)	(11.8)
Adjusted debt/equity	0.5	0.5	0.3	0.3	0.2

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%

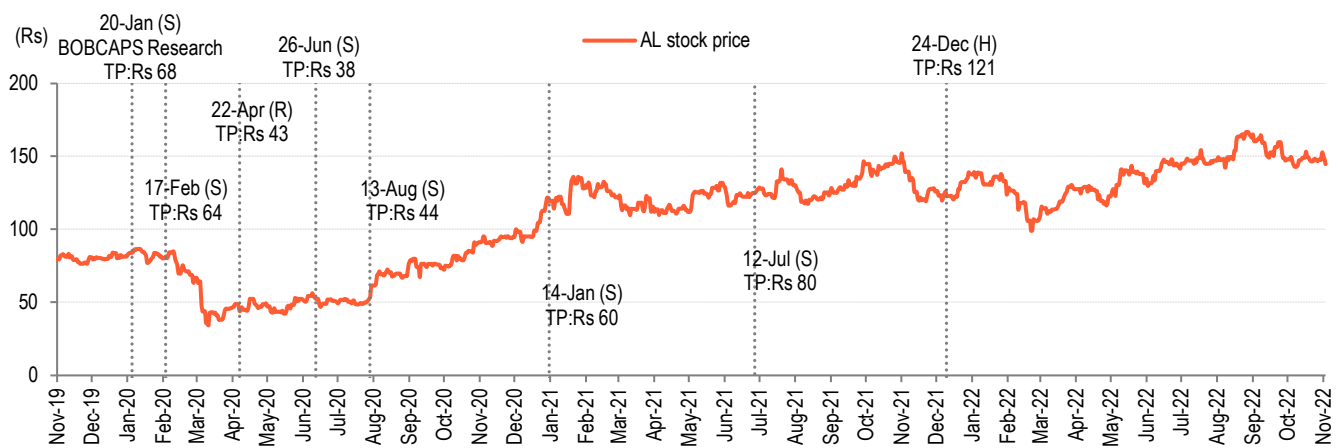
HOLD – Expected return from -6% to +15%

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): ASHOK LEYLAND (AL 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. 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.