

SELL

TP: Rs 6,272 | ▼ 17%

BAJAJ AUTO

| Automobiles

| 27 January 2024

Healthy revival but priced in; downgrade to SELL

- Q3 revenue grew 30% YoY backed by healthy domestic 2W volume growth and revival in exports
- Gross margin stayed flat at 29% despite softer input cost; operating leverage added 100bps YoY to EBITDA margin
- Our TP rises to Rs 6,272 (vs. Rs 5,139) on a higher target P/E of 18x (vs. 17x) and rollover; cut from HOLD to SELL post rally

Milind Raginwar | Shree Kirloskar
research@bobcaps.in

Revenue gains YoY backed by motorcycle volumes: BJAUT's Q3FY24 revenue jumped 30% YoY (+12% QoQ) to Rs 121.1bn aided by healthy volume growth of 22% (+14%) to 1.2mn units. Growth was driven by BJAUT's focus on the 125cc+ segment which outpaced the industry average. Average realisation per vehicle grew only 7% YoY (-1% QoQ) to Rs 101.2k, pointing to competitive pressure.

Gross Margin flat, operating efficiencies aide EBIDTAM: Raw material cost as a percentage of sales was stable at 71% following a softening of key input costs. Even so, gross margin was flat YoY and QoQ at 29%, whereas better operating leverage and cost management aided EBITDA margin expansion of 102bps YoY (+27bps QoQ) to 20.1%. Other expenditure fell 7% YoY (flat QoQ) to Rs 5.8k per vehicle. EBITDA for the quarter increased 37% (+14% QoQ) to Rs 24bn.

Triumph gains strong traction, other segments also fare well: Triumph sold 15k units in Q3FY24 (8k in Q2) and Pulsar sold 400k units with a market share of 40% in the 150-200cc segment (32% in FY23). Chetak had monthly sales of >10k units in Q3 and management is aiming for >15k units in Q4FY24. Additionally, 3W sales surpassed 40k units for the month of December vs. 30k units in Q3FY23.

Exports improve sequentially: Export volumes fell 4% YoY but inched up 2% QoQ to stand at 70% of the peak levels achieved in FY22, as Red Sea disruptions affected shipments in December. BJAUT has set up a new motorcycle plant in Manaus, Brazil, which is expected to commence production by Q1FY25

Positives priced in; cut to SELL: We adjust our FY24/FY25 EPS estimates by +4%/-1% and introduce FY26 forecasts, now pencilling in an EBITDA/PAT CAGR of 21%/19% over FY23-FY26 based on BJAUT's healthy product pipeline, EV launches and gradual export revival. On rolling valuations over FY26E and valuing the stock at 18x P/E vs. 17x earlier (a 15% premium over the 10Y average), we arrive at a higher TP of Rs 6,272 (vs. Rs 5,139). However, the stock has rallied recently and current valuations of 22x P/E FY26E appear rich, prompting our downgrade from HOLD to SELL.

Key changes

Target	Rating
▲	▼

Ticker/Price	BJAUT IN/Rs 7,598
Market cap	US\$ 26.8bn
Free float	46%
3M ADV	US\$ 41.6mn
52wk high/low	Rs 7,625/Rs 3,626
Promoter/FPI/DII	54%/10%/13%

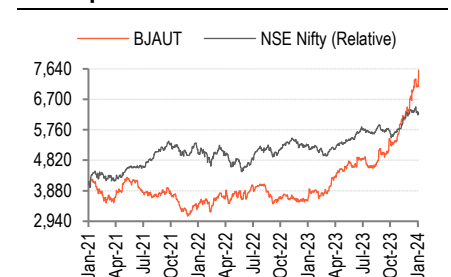
Source: NSE | Price as of 25 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	3,64,276	4,45,551	5,05,765
EBITDA (Rs mn)	65,491	86,820	98,229
Adj. net profit (Rs mn)	56,276	73,145	82,854
Adj. EPS (Rs)	197.9	258.5	292.8
Consensus EPS (Rs)	197.9	259.0	297.0
Adj. ROAE (%)	21.6	24.9	24.6
Adj. P/E (x)	38.4	29.4	25.9
EV/EBITDA (x)	33.9	25.2	22.2
Adj. EPS growth (%)	21.7	30.6	13.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY24	Q2FY24	Our view
Volumes	Domestic motorcycle industry (retail) volumes grew ~11% YoY in Q3FY24 and management expects the industry to grow 8-10% in the coming months.	Domestic motorcycle industry volumes grew 10% QoQ (retail) in Q2. Management expects 5-8% growth in industry retail volumes for FY24 (and ~20% QoQ growth pre-festive season).	BJAUT is likely to further consolidate its position with above-industry growth.
Exports	Exports in Q3FY24 fell 4% YoY (grew 2% QoQ) and stood at 70% of peak levels achieved in FY22. African and South Asian markets are at 50% of peak levels whereas the LATAM, Philippines and Middle East markets are performing 103-107% above FY22 peaks. Management expects exports markets to recover steadily.	BJAUT's Q2FY24 export volumes accounted for ~66% of its peak exports clocked in FY22, with both retail sales and shipments growing 8-10% QoQ driven by double-digit growth in African markets (incl. Nigeria). Asia, MENA and LATAM markets grew in single digits. Management expects steady export recovery back to peak levels.	The revival in export demand across regions catered to by BJAUT would further boost sales both in the 2W and CV segments.
Three-wheelers (3W)	The monthly sales run-rate for 3Ws in December surpassed 40k units (against 30k units for the whole of Q3FY23). BJAUT's market share in Q3FY24 was ~80% in the passenger segment and ~85% in CNG 3Ws (which accounts for ~60% of the industry).	With 50k units sold in September alone, BJAUT's 3W volumes touched a new high of 130k units in Q2, growing 81% YoY and 34% QoQ. The company's market share held at 80% in September.	3W volumes are likely to gain further traction as EV infrastructure falls into place and CNG vehicles transition to the EV space where BJAUT leads the market.
Electric vehicles (EV)	Electric 3W (E3W) sold during Dec'23 were at ~1.8k units across 23 cities. Management intends to expand its EV presence to ~50 cities by Q4FY24. <i>Chetak</i> volumes have breached the monthly 10k-unit mark in Q3FY24 and management has a target of crossing ~15k units by Q4FY24. Market share for Chetak EV has increased from 4% in FY23 to 14% in December.	In Q2, the company launched E3Ws in Agra and captured 70% market share. Management is looking to enter markets where traditional autorickshaws are not permitted, as EV autos do not need government permits. Management aims to expand sales of e-scooter <i>Chetak</i> to ~10k units per month. BJAUT held 11% market share in the 2W EV segment in September.	Though EVs are a focus area for BJAUT, competition is intense and can dilute its overall margin profile.
Price hikes	No price hikes were taken during Q3FY24.	BJAUT did not undertake significant price hikes during the quarter.	Competitive intensity catching up in every segment is likely to keep margins rangebound.
Currency	USDINR realisations were at Rs 83.2.	USDINR realisations were at Rs 82.6.	-
Commodities	Commodity cost softened during Q3FY24, particularly on the noble metals side, except steel and lead where slight inflation was observed in the beginning of Q3FY24. Management expects a slight increase in commodity cost in Q4FY24.	Commodity costs have softened, particularly on the metals side, aiding margins. Management expects commodity prices to remain flattish in Q3.	Easing commodity costs will provide some respite on margins.
Cash position	Cash position as on Q3FY24 was ~Rs 185bn and management expects to close FY24 with a surplus of ~Rs 200bn after adjusting for the Rs 40bn buyback announced in Q4FY24.	Surplus cash totalled Rs 175bn with net free cash flow addition of Rs 36bn in Q2.	The company's healthy balance sheet can facilitate further capex with ease, especially in the capex-intensive EV space.

Parameter	Q3FY24	Q2FY24	Our view
Key product segments	<p>The 125cc segment accounted for ~70% of sales volume in Q3.</p> <p>Management intends to enter the 100cc segment and convert customers to 125cc where it enjoys segment leadership.</p> <p><i>Triumph</i> does not have any pending order book now and is available off the shelf.</p> <p>Spares revenue stood at ~Rs 13bn.</p>	<p>The 125cc segment accounted for ~65% of sales volume in Q2 vs. 70% in Q1.</p> <p>Management expects its 2Ws to continue outperforming the industry based on product differentiation and positioning.</p> <p><i>Triumph's</i> pending order book as on Q2 is ~10k units.</p> <p>Spares revenue stood at Rs 12bn-12.5bn.</p>	<p>A focus on high-end motorcycles and new launches will help BJAUT boost sales, new launches may keep margins listless.</p>

Source: Company, BOBCAPS Research

Fig 2 – Quarterly performance (Standalone)

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Volume	1,196,974	983,276	21.7	1,050,975	13.9	3,275,040	3,067,934	6.8
Avg. Realisation per Vehicle	101,201	94,736	6.8	102,545	(1.3)	101,374	89,711	13.0
Net Revenues	121,135	93,151	30.0	107,773	12.4	332,006	275,228	20.6
Total Income (A)	121,135	93,151	30.0	107,773	12.4	332,006	275,228	20.6
Operating Expenses:								
Raw materials consumed	86,096	65,775	30.9	76,511	12.5	236,733	198,414	19.3
Employee Expenses	3,846	3,511	9.5	3,816	0.8	11,503	10,905	5.5
Other Expenses	6,895	6,125	12.6	6,118	12.7	18,603	17,703	5.1
Total Expenditure (B)	96,836	75,412	28.4	86,444	12.0	266,839	227,022	17.5
EBITDA (A-B)	24,299	17,740	37.0	21,329	13.9	65,167	48,206	35.2
Other Income	3,461	2,691	28.6	3,614	(4.2)	10,538	9,223	14.3
Depreciation	881	740	19.2	876	0.6	2,593	2,088	24.2
EBIT	26,879	19,691	36.5	24,066	11.7	73,112	55,341	32.1
Finance Costs	121	85	42.7	65	85.3	307	237	29.4
PBT after exceptional items	26,758	19,606	36.5	24,000	11.5	72,804	55,104	32.1
Tax expense	6,339	4,721	34.3	5,639	12.4	17,377	13,272	30.9
Reported PAT	20,419	14,886	37.2	18,361	11.2	55,428	41,832	32.5
Adjusted PAT	20,419	14,886	37.2	18,361	11.2	55,428	43,813	26.5
EPS (Rs)	72.2	52.6	37.2	64.9	11.2	194.6	152.6	27.5
Key Ratios (%)			(bps)		(bps)			(bps)
Gross Margin	28.9	29.4	(46)	29.0	(8)	28.7	27.9	79
EBITDA Margin	20.1	19.0	102	19.8	27	19.6	17.5	211
EBIT Margin	22.2	21.1	105	22.3	(14)	22.0	20.1	191
PBT Margin	22.1	21.0	104	22.3	(18)	21.9	20.0	191
Tax Rate	23.7	24.1	(39)	23.5	19	23.9	24.1	(22)
Adj PAT Margin	16.9	16.0	88	17.0	(18)	16.7	15.9	78

Source: Company, BOBCAPS Research

Valuation methodology

We adjust our FY24/FY25 EPS estimates by +4%/-1% following the Q3FY24 results and introduce FY26 forecasts for BJAUT, now pencilling in an EBITDA/PAT CAGR of 21%/19% over FY23-FY26. Our growth projections are based on the company's healthy product pipeline both in the entry-level and premium segments, EV launches which mark its re-entry into scooters, and gradual export revival, especially in the 3W cargo space. Our gross/EBITDA margin forecasts remain at ~29%/20% over FY24-FY26.

On rolling valuations over to FY26E and valuing the stock at 18x P/E vs. 17x earlier (a 15% premium over the 10Y average), we arrive at a higher TP of Rs 6,272 (vs. Rs 5,139). However, we downgrade the stock from HOLD to SELL as current valuations of 22x P/E FY26E appear rich following the recent run-up. In our view, rising cost and margin pressures arising from the EV space, intense competitive headwinds in the motorcycle business, and sustainability of export revival are key monitorables for the stock.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	445,551	505,765	582,961	437,376	510,630	NA	1.9	(1.0)	NA
EBITDA	86,820	98,229	1,16,315	81,685	97,483	NA	6.3	0.8	NA
Adj PAT	73,145	82,854	96,245	70,434	83,798	NA	3.8	(1.1)	NA
Adj EPS (Rs)	259	293	340	248	295	NA	4.4	(0.6)	NA

Source: BOBCAPS Research

Fig 4 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
2W volume (nos)	34,40,704	37,50,367	40,87,900	44,96,690
3W volume (nos)	4,85,018	6,54,774	7,20,252	8,06,682
ASP (Rs)	92,792	1,01,143	1,05,189	1,09,923
Revenues (Rs mn)	3,64,276	4,45,551	5,05,765	5,82,961
EBITDA (Rs mn)	65,491	86,820	98,229	1,16,315
EBITDA margin (%)	18.0	19.5	19.4	20.0
Adj. PAT (Rs mn)	56,276.0	73,145.2	82,854.1	96,244.6
EPS (Rs)	197.9	258.5	292.8	340.1

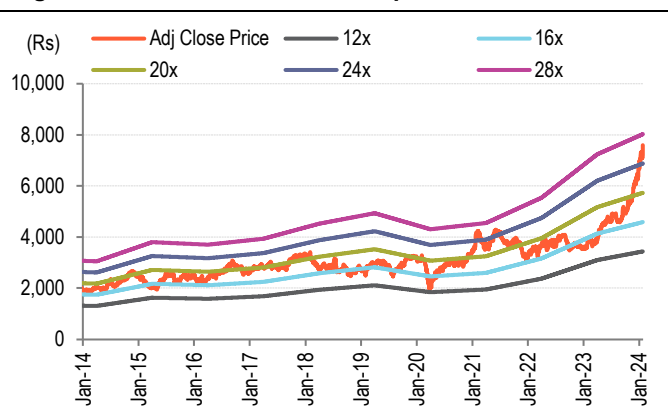
Source: Company, BOBCAPS Research

Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY24E	FY25E	FY24E	FY25E
Bajaj Auto	BJAUT IN	SELL	6,272	258.5	292.8	26.7	26.3
TVS Motor	TVSL IN	HOLD	1,531	40.8	56.7	28.1	30.0
Eicher Motors	EIM IN	HOLD	3,601	119.9	138.1	23.0	22.1

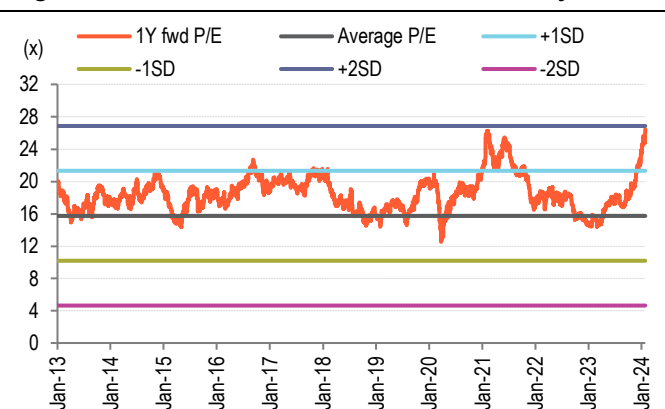
Source: BOBCAPS Research

Fig 6 – P/E band: Stock has run-up off late...



Source: Company, Bloomberg, BOBCAPS Research

Fig 7 – ...and trades at +2SD which we feel is unjustified



Source: Company, Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- market share gains, especially in the high-end motorcycle segment,
- faster-than-expected domestic demand recovery in the lower-end segment, and
- higher commodity price relief than assumed.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ashok Leyland	AL IN	6.1	170	210	BUY
Bajaj Auto	BJAUT IN	26.8	7,598	6,272	SELL
Eicher Motors	EIM IN	12.0	3,616	3,601	HOLD
Escorts	ESCORTS IN	4.7	2,945	2,343	SELL

Source: BOBCAPS Research, NSE | Price as of 25 Jan 2024

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	3,31,447	3,64,276	4,45,551	5,05,765	5,82,961
EBITDA	52,586	65,491	86,820	98,229	1,16,315
Depreciation	2,692	2,824	3,152	3,552	4,152
EBIT	61,987	74,481	97,402	1,09,872	1,29,205
Net interest inc./(exp.)	(87)	(395)	(435)	(446)	(466)
Other inc./(exp.)	12,092	11,814	13,734	15,196	17,043
Exceptional items	3,153	0	0	0	0
EBT	65,053	74,086	96,967	1,09,426	1,28,739
Income taxes	14,865	17,810	23,822	26,572	32,495
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	50,189	56,276	73,145	82,854	96,245
Adjustments	(3,153)	0	0	0	0
Adjusted net profit	47,036	56,276	73,145	82,854	96,245

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	36,332	40,739	43,548	51,087	59,415
Other current liabilities	9,385	9,916	7,918	9,289	10,079
Provisions	1,551	1,668	1,979	2,322	2,387
Debt funds	1,231	1,242	1,367	1,503	1,654
Other liabilities	3	0	0	0	0
Equity capital	2,894	2,830	2,830	2,830	2,830
Reserves & surplus	2,63,790	2,51,429	2,91,335	3,33,804	3,84,218
Shareholders' fund	2,66,684	2,54,258	2,94,165	3,36,634	3,87,047
Total liab. and equities	3,15,185	3,07,823	3,48,977	4,00,835	4,60,582
Cash and cash eq.	5,884	2,858	5,602	3,261	5,175
Accounts receivables	15,164	17,761	19,968	24,760	29,082
Inventories	12,305	13,979	17,750	22,154	26,100
Other current assets	25,053	18,396	24,759	29,782	33,574
Investments	2,38,188	2,29,233	2,48,485	2,80,057	3,17,943
Net fixed assets	18,340	27,160	34,008	42,455	50,303
CWIP	768	819	475	395	395
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(4,033)	(3,452)	(4,002)	(4,312)	(4,622)
Other assets	3,518	1,071	1,931	2,281	2,631
Total assets	3,15,187	3,07,825	3,48,977	4,00,835	4,60,582

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	38,850	56,778	50,048	65,448	79,662
Capital expenditures	(4,991)	(11,695)	(9,656)	(11,920)	(12,000)
Change in investments	(11,878)	8,954	(19,252)	(31,572)	(37,886)
Other investing cash flows	12,092	11,814	13,734	15,196	17,043
Cash flow from investing	(4,777)	9,073	(15,173)	(28,296)	(32,843)
Equities issued/Others	0	(64)	0	0	0
Debt raised/repaid	(1,018)	12	124	137	150
Interest expenses	(87)	(395)	(435)	(446)	(466)
Dividends paid	(40,511)	(39,811)	(39,811)	(45,385)	(50,831)
Other financing cash flows	(1,191)	(582)	550	310	310
Cash flow from financing	(42,807)	(40,840)	(39,572)	(45,384)	(50,837)
Chg in cash & cash eq.	(8,734)	25,011	(4,698)	(8,233)	(4,018)
Closing cash & cash eq.	5,884	2,858	5,602	3,261	5,175

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	162.5	197.9	258.5	292.8	340.1
Adjusted EPS	173.4	197.9	258.5	292.8	340.1
Dividend per share	140.0	140.0	140.7	160.4	179.6
Book value per share	921.6	894.1	1,039.6	1,189.7	1,367.9

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	6.6	6.1	4.9	4.3	3.8
EV/EBITDA	41.9	33.9	25.2	22.2	18.9
Adjusted P/E	43.8	38.4	29.4	25.9	22.3
P/BV	8.2	8.5	7.3	6.4	5.6

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	72.3	76.0	75.4	75.7	74.8
Interest burden (PBT/EBIT)	104.9	99.5	99.6	99.6	99.6
EBIT margin (EBIT/Revenue)	18.7	20.4	21.9	21.7	22.2
Asset turnover (Rev./Avg TA)	127.1	139.2	161.7	159.6	160.4
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	18.2	21.6	26.7	26.3	26.6

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	19.5	9.9	22.3	13.5	15.3
EBITDA	9.0	24.5	32.6	13.1	18.4
Adjusted EPS	5.7	21.7	30.6	13.3	16.2
Profitability & Return ratios (%)					
EBITDA margin	15.9	18.0	19.5	19.4	20.0
EBIT margin	18.7	20.4	21.9	21.7	22.2
Adjusted profit margin	14.2	15.4	16.4	16.4	16.5
Adjusted ROAE	18.2	21.6	24.9	24.6	24.9
ROCE	18.3	21.6	26.7	26.3	26.6
Working capital days (days)					
Receivables	23	16	15	16	17
Inventory	15	13	13	14	15
Payables	62	54	48	48	49
Ratios (x)					
Gross asset turnover	0.1	0.2	0.1	0.2	0.2
Current ratio	1.2	1.0	1.3	1.3	1.3
Net interest coverage ratio	(715.8)	(188.7)	(223.9)	(246.4)	(277.3)
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%

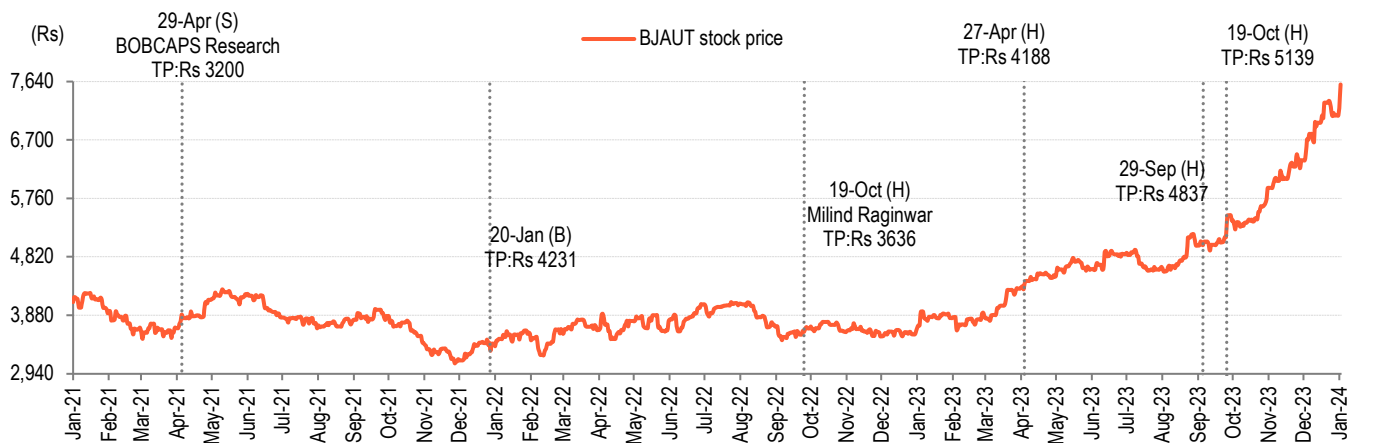
HOLD – Expected return from -6% to +15%

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): BAJAJ AUTO (BJAUT 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.