

HOLD

TP: Rs 4,700 | ▲ 12%

DR REDDY'S LABS

Pharmaceuticals

26 January 2023

Strong US sales; recovery in EM and PSAI businesses

- Q3 revenue growth strong at 27% YoY to Rs 67.7bn, supported by US contribution and launches
- Gross/EBITDA margins robust at 59.2%/30.4% with expansion of 545bps/780bps YoY
- We raise FY23-FY24 EBITDA by 2-5% but maintain our TP at Rs 4,700 on rollover; retain HOLD

Saad Shaikh

research@bobcaps.in

US business robust; QoQ recovery in EM and PSAI: DRRD reported strong 27% YoY (7% QoQ) revenue growth to Rs 67.7bn in Q3FY23 driven by the US (51% YoY and 7% QoQ to US\$ 375mn) and emerging markets (EM: 14% YoY and 7% QoQ). Management expects the contribution from gRevlimid to remain meaningful in the next few quarters, though revenue could fluctuate from quarter to quarter. US growth was also supported by five new launches and favourable currency movement. PSAI business grew strongly sequentially at 21% driven by higher volumes and launches.

Slew of initiatives guided to drive double-digit growth in India: India sales grew 10% YoY (-2% QoQ) to Rs 11.3bn for the quarter. DRRD is working to create several growth engines for the India business over Horizon-1 and Horizon-2, including ramping up the internal portfolio, collaborations, innovation and inorganic opportunities. The company is focusing more on brands from a long-term perspective and also considering divestiture of non-core brands. Management expects India growth to remain in double digits backed by these initiatives.

Strong margins; long-term guidance intact: As in the previous quarter, DRRD reported robust gross/EBITDA margins of 59.2%/30.4% in Q3 (+545bps/+780bps YoY and +15bps/+30bps QoQ), led by an improved mix and gRevlimid contribution. Management retained its long-term EBITDA margin guidance of 25%.

Retain HOLD: We raise our FY23-FY24 EBITDA estimates by 2-5% to bake in the 9MFY23 results. Our TP remains unchanged at Rs 4,700 (rounded off) as we roll over to 1Y forward earnings and ascribe the stock an unchanged 12.5x EV/EBITDA multiple – in-line with the 5Y average. With upsides from gRevlimid already in the price, a slowdown in meaningful launches in the US and subdued growth in other regions off a high base, we see limited upside triggers for the stock and hence maintain HOLD.

Key changes

Target	Rating
◀▶	◀▶

Ticker/Price	DRRD IN/Rs 4,201
Market cap	US\$ 8.6bn
Free float	73%
3M ADV	US\$ 23.0mn
52wk high/low	Rs 4,645/Rs 3,654
Promoter/FPI/DII	27%/29%/16%

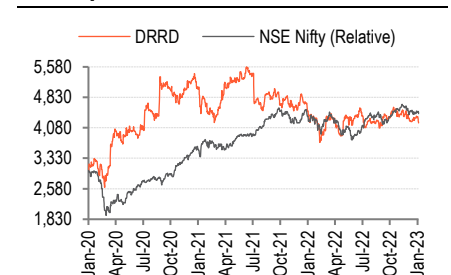
Source: NSE | Price as of 25 Jan 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	2,14,392	2,40,879	2,61,052
EBITDA (Rs mn)	46,632	57,811	62,652
Adj. net profit (Rs mn)	31,130	37,116	39,615
Adj. EPS (Rs)	187.1	223.1	238.1
Consensus EPS (Rs)	187.1	229.4	250.3
Adj. ROAE (%)	18.2	18.8	16.9
Adj. P/E (x)	22.5	18.8	17.6
EV/EBITDA (x)	14.9	12.0	10.8
Adj. EPS growth (%)	17.8	19.2	6.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Net Sales	67,700	53,197	27.3	63,057	7.4	1,82,911	1,60,023	14.3
EBITDA	20,562	12,018	71.1	18,943	8.5	48,743	34,400	41.7
Depreciation	3,271	2,976	9.9	3,125	-	9,446	8,866	-
EBIT	17,291	9,042	91.2	15,818	9.3	39,297	25,534	53.9
Interest	139	(289)	(148.1)	156	-	(2,054)	(1,260)	-
Other Income	(732)	240	-	334	-	(12)	2,470	-
PBT	16,420	9,571	71.6	15,996	2.7	41,339	29,264	41.3
Less: Taxation	3,875	2,644	-	4,983	-	11,637	7,122	-
Less: Minority Interest	(60)	(185)	-	(140)	-	(294)	(598)	-
Recurring PAT	12,605	7,112	77.2	11,153	13.0	29,996	22,740	31.9
Exceptional items	(134)	(47)	-	(25)	-	5,479	(47)	-
Reported PAT	12,471	7,065	76.5	11,128	12.1	35,475	22,693	56.3
Key Ratios (%)			(bps)		(bps)			(bps)
Gross Margin	59.2	53.8	544	59.1	15	56.5	53.2	332.3
EBITDA Margin	30.4	22.6	778	30.0	33	26.6	21.5	515.2
Tax / PBT	23.6	27.6	-	31.2	-	28.2	24.3	-
NPM	18.6	13.4	-	17.7	-	16.4	14.2	-
Adj. EPS (Rs)	75.8	42.7	77.2	67.0	13.0	180.3	136.7	31.9

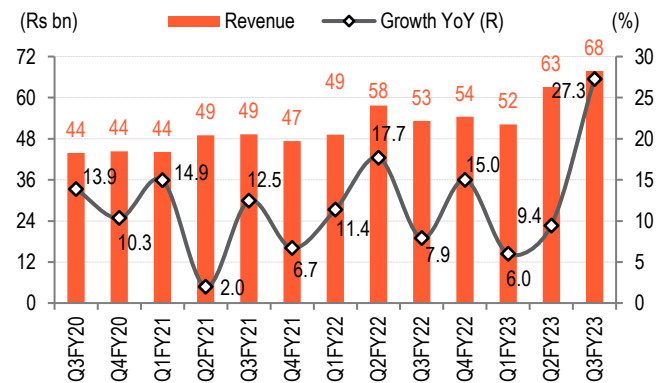
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Global generics	59,241	44,508	33.1	55,946	5.9	1,59,510	1,33,052	19.9
North America	30,567	18,645	63.9	28,001	9.2	76,383	54,944	39.0
Europe	4,303	4,058	6.0	4,199	2.5	12,643	12,187	3.7
India	11,274	10,266	9.8	11,500	(2.0)	36,113	32,268	11.9
ROW	13,097	11,539	13.5	12,246	6.9	34,371	33,653	2.1
PSAI	7,758	7,271	6.7	6,434	20.6	21,282	23,183	(8.2)
Others	701	1,418	(50.6)	677	3.5	2,118	3,788	(44.1)
Net Sales	67,700	53,197	27.3	63,057	7.4	1,82,911	1,60,023	14.3
USDINR	81.5	75	8.7	80.2	1.6	81.5	75	8.7
US revenue (US\$ mn)	375	249	50.8	349	7.4	375	249	50.8

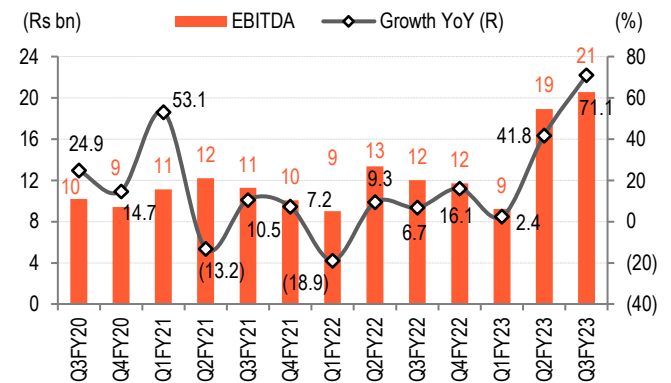
Source: Company, BOBCAPS Research

Fig 3 – Revenue



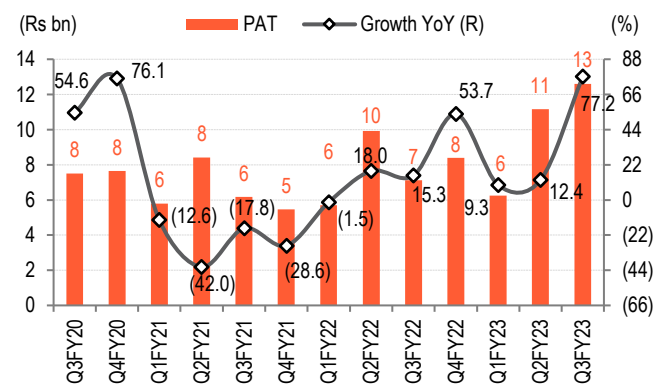
Source: Company, BOBCAPS Research

Fig 4 – EBITDA



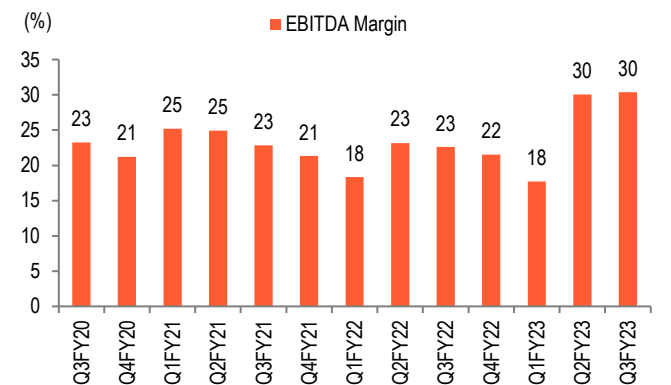
Source: Company, BOBCAPS Research

Fig 5 – PAT



Source: Company, BOBCAPS Research

Fig 6 – EBITDA Margin



Source: Company, BOBCAPS Research

Earnings call highlights

- **Revenue:** DRRD reported strong 27% YoY (+7% QoQ) revenue growth in Q3FY23 underpinned by North America business and aided by India and EM sales.
 - **North America:** The US business posted 7% QoQ and 51% YoY growth to US\$ 375mn, driven by gRevlimid contribution, five new launches in Q3 (Desmopressin MDV, OTC Guaifenesin ER, Fingolimod capsules, Thiotepa injection and Biorphen injection), and further supported by favourable currency movement.
 - **India:** India grew 10% YoY (-2% QoQ) to Rs 11.3bn. Per management, the Wockhardt portfolio is performing well above expectations. DRRD launched two new products in India and is working to create several growth engines for the business over Horizon-1 and Horizon-2, which it expects will support double-digit growth.
 - **Europe:** Europe grew 6% YoY and 3% QoQ in Q3. A total of 11 new products were launched across various European countries, and management expects to maintain the launch momentum in the rest of FY23.

- **Emerging Markets:** EM sales increased 14% YoY and 7% QoQ in Q3. DRRD launched 29 products across various countries and expects growth momentum to continue. Russia business grew 29% YoY and 8% QoQ CC supported by higher sales of biosimilar products.
- **PSAI:** PSAI business was up 7% YoY and 21% QoQ (-2% YoY, +18% QoQ CC to US\$ 95mn), driven by an increase in volumes and product launches. As per management, the business has started to show signs of recovery and is largely past the challenges faced over the last 18 months.
- **New launches:** DRRD plans to launch ~30 products in FY24 but is not focusing on those covered under Section 505(B)(2).
- **China:** Typically, approval in China takes 18-24 months. The company has 20 products pending for approval and expects to have a further 40-50 filings in the next 3-4 years.
- **Biosimilars:** DRRF has completed a phase 3 clinical study for Rituximab and phase 1 clinical studies for Tocilizumab biosimilars.
- **Guidance:** Management reiterated long-term guidance of double-digit revenue growth, 25% EBITDA, 25% ROCE, and no debt.

Valuation methodology

We raise our FY23/FY24 EBITDA estimates by 5%/2% to bake in the 9MFY23 results. Our TP remains unchanged at Rs 4,700 (rounded off) as we roll over to one-year forward earnings and ascribe the stock an unchanged 12.5x EV/EBITDA multiple – in-line with the five-year average. With upsides from gRevlimid already in the price, a slowdown in meaningful launches in the US and subdued growth in other regions off a high base, we see limited upside triggers for the stock and hence maintain HOLD.

Fig 7 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Sales	240.9	261.1	279.1	240.5	260.6	NA	0.2	0.2	-
EBITDA	57.8	62.7	67.0	55.3	61.2	NA	4.5	2.3	-
EBITDA margin (%)	24.0	24.0	24.0	23.0	23.5	NA	100bps	50bps	-
EPS (Rs)	223.1	238.1	267.2	211.9	231.1	NA	5.3	3.0	-

Source: BOBCAPS Research

Fig 8 – Key assumptions

Revenue (Rs bn)	FY22A	FY23E	FY24E	FY25E
Global generics	179.2	208.5	226.4	241.8
North America	74.9	96.2	100.3	102.4
Europe	16.6	17.6	18.7	19.2
India	42.0	47.0	53.1	58.4
EM	45.7	47.7	54.2	61.7
PSAI	30.7	29.2	31.2	33.4
Others	4.5	3.1	3.5	3.8

Source: Company, BOBCAPS Research

Key risks

- **Upside risks:** Speedy resolution of regulatory issues in key manufacturing units.
- **Downside risks:** (1) Irregular flow of USFDA product approvals, which may lead to a bunching up of key launches for limited-competition products, and (2) adverse USFDA observations on manufacturing plants.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Ajanta Pharma	AJP IN	1.9	1,199	1,470	HOLD
Alembic Pharma	ALPM IN	1.3	546	615	HOLD
Alkem Labs	ALKEM IN	4.4	3,020	2,700	SELL
Aurobindo Pharma	ARBP IN	3.0	418	635	BUY
Cipla	CIPLA IN	10.2	1,035	1,320	BUY
Divi's Labs	DIVI IN	10.9	3,336	3,450	HOLD
Dr Reddy's Labs	DRRD IN	8.6	4,201	4,700	HOLD
Eris Lifesciences	ERIS IN	1.0	624	810	BUY
Glenmark Life Sciences	GLS IN	0.6	390	535	BUY
Laurus Labs	LAURUS IN	2.3	342	540	HOLD
Lupin	LPC IN	4.2	747	700	HOLD
Sun Pharma	SUNP IN	30.6	1,040	1,100	HOLD

Source: BOBCAPS Research, NSE | Price as of 25 Jan 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	1,89,722	2,14,392	2,40,879	2,61,052	2,79,056
EBITDA	45,247	46,632	57,811	62,652	66,974
Depreciation	12,288	11,652	12,424	13,140	13,776
EBIT	32,959	34,980	45,387	49,513	53,198
Net interest inc./(exp.)	(970)	(958)	(1,185)	(1,185)	(1,185)
Other inc./(exp.)	3,605	5,838	5,955	4,492	7,273
Exceptional items	0	0	0	0	0
EBT	35,594	39,860	50,157	52,820	59,286
Income taxes	9,175	8,730	13,041	13,205	14,822
Extraordinary items	(6,903)	(7,562)	5,613	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	19,516	23,568	42,729	39,615	44,465
Adjustments	(6,903)	(7,562)	5,613	0	0
Adjusted net profit	26,419	31,130	37,116	39,615	44,465

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	21,916	25,572	23,098	25,032	26,759
Other current liabilities	34,129	42,335	40,949	44,379	50,230
Provisions	3,493	4,315	4,848	5,254	5,616
Debt funds	30,299	33,845	33,845	33,845	33,845
Other liabilities	0	0	0	0	0
Equity capital	832	832	832	832	832
Reserves & surplus	1,63,832	1,76,974	2,15,543	2,50,998	2,91,303
Shareholders' fund	1,64,664	1,77,806	2,16,375	2,51,830	2,92,135
Total liab. and equities	2,54,501	2,83,873	3,19,116	3,60,340	4,08,585
Cash and cash eq.	14,829	14,852	32,885	72,619	1,13,983
Accounts receivables	49,759	66,818	65,994	71,521	76,454
Inventories	45,412	50,884	57,415	53,641	57,340
Other current assets	19,457	19,987	24,088	26,105	27,906
Investments	27,717	37,499	39,749	39,749	39,749
Net fixed assets	57,111	62,169	64,745	63,605	61,830
CWIP	0	0	0	0	0
Intangible assets	40,216	31,664	34,240	33,100	31,325
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	2,54,501	2,83,873	3,19,116	3,60,340	4,08,585

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	29,884	25,801	43,203	55,939	56,932
Capital expenditures	(10,000)	(14,700)	(15,000)	(12,000)	(12,000)
Change in investments	(939)	(9,782)	(2,250)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(10,939)	(24,482)	(17,250)	(12,000)	(12,000)
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	8,288	3,546	0	0	0
Interest expenses	(970)	(958)	(1,185)	(1,185)	(1,185)
Dividends paid	(4,160)	(4,160)	(4,160)	(4,160)	(4,160)
Other financing cash flows	(9,328)	276	(2,576)	1,140	1,776
Cash flow from financing	(6,169)	(1,296)	(7,920)	(4,205)	(3,569)
Chg in cash & cash eq.	12,776	23	18,033	39,734	41,364
Closing cash & cash eq.	14,829	14,852	32,885	72,619	1,13,983

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	117.6	142.0	257.4	238.6	267.9
Adjusted EPS	158.8	187.1	223.1	238.1	267.2
Dividend per share	25.0	25.0	25.0	25.0	25.0
Book value per share	992.0	1,071.1	1,303.5	1,517.0	1,759.8

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	3.7	3.2	2.9	2.6	2.3
EV/EBITDA	15.6	14.9	12.0	10.8	9.7
Adjusted P/E	26.5	22.5	18.8	17.6	15.7
P/BV	4.2	3.9	3.2	2.8	2.4

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	74.2	78.1	74.0	75.0	75.0
Interest burden (PBT/EBIT)	108.0	114.0	110.5	106.7	111.4
EBIT margin (EBIT/Revenue)	17.4	16.3	18.8	19.0	19.1
Asset turnover (Rev./Avg TA)	26.4	26.4	26.1	24.4	22.8
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.1	1.1
Adjusted ROAE	17.2	18.2	18.8	16.9	16.3

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	8.7	13.0	12.4	8.4	6.9
EBITDA	10.5	3.1	24.0	8.4	6.9
Adjusted EPS	(18.2)	17.8	19.2	6.7	12.2
Profitability & Return ratios (%)					
EBITDA margin	23.8	21.8	24.0	24.0	24.0
EBIT margin	17.4	16.3	18.8	19.0	19.1
Adjusted profit margin	13.9	14.5	15.4	15.2	15.9
Adjusted ROAE	17.2	18.2	18.8	16.9	16.3
ROCE	20.3	20.1	22.2	20.2	19.8
Working capital days (days)					
Receivables	96	114	100	100	100
Inventory	87	87	87	75	75
Payables	42	44	35	35	35
Ratios (x)					
Gross asset turnover	0.9	0.9	1.0	1.0	1.0
Current ratio	2.2	2.1	2.6	3.0	3.3
Net interest coverage ratio	34.0	36.5	38.3	41.8	44.9
Adjusted debt/equity	0.1	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%

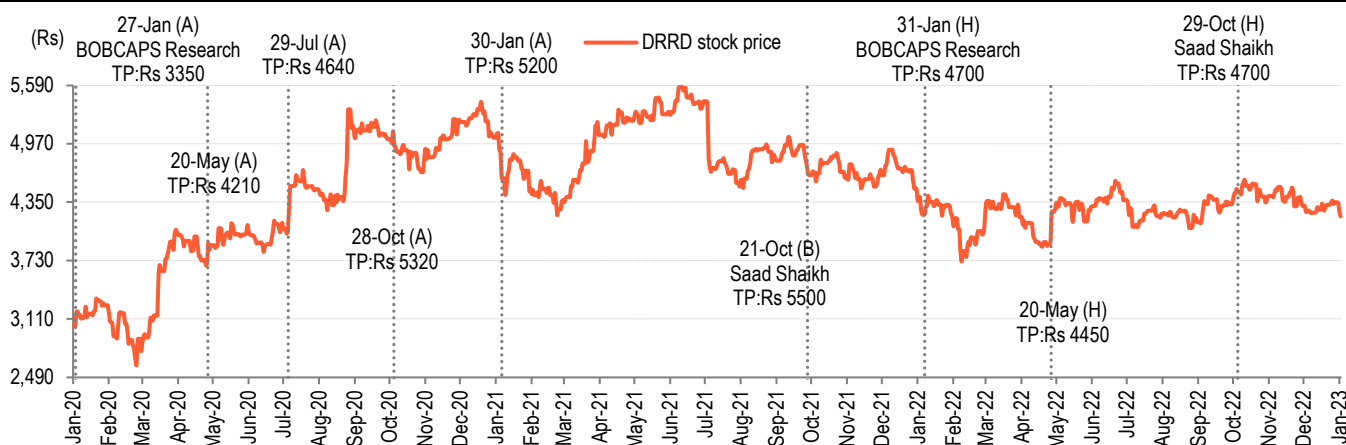
HOLD – Expected return from -6% to +15%

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): DR REDDY'S LABS (DRRD 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.