BOBCAPS
TRUST | INNOVATION | EXCELLENCE

FIRST LIGHT

15 November 2019

RESEARCH

BOB Economics Research | Wholesale Inflation

WPI inflation eases to more than 3-year low

ONGC | Target: Rs 210 | +54% | BUY

Low costs drive profitability

Pidilite Industries | Target: Rs 1,215 | –10% | SELL

Volumes and margins disappoint

Dilip Buildcon | Target: Rs 560 | +41% | BUY

Subdued execution drives guidance cut

Cera Sanitaryware | Target: Rs 3,040 | +25% | BUY

Weak product mix crimps margins

SUMMARY

India Economics: Wholesale Inflation

WPI inflation cooled off to 0.2% in Oct'19 from 0.3% in Sep'19 led by fuel and power index which declined by (-) 8.3% in Oct'19. Manufactured product inflation too dropped to (-) 0.8% in Oct'19. However, as was the case with CPI, wholesale food inflation also edged up to 7.6% in Oct'19 (6% in Sep'19) led by 142% increase in tomato prices. Subdued WPI inflation is symptomatic of current economic slowdown. Reviving growth is a bigger challenge and calls for lower real rates for which RBI will cut rates by 25bps in Dec'19.

Click here for the full report.

ONGC

ONGC's Q2FY20 earnings outperformed at Rs 62.6bn (–24% YoY). Key Q2 highlights: (a) production trends below estimates – oil at 5.8mmt (–2.7% YoY) / gas at 6.3bcm (–1.9% YoY), (b) operating costs at US$ 7/bbl led to earnings beat (US$ 8/bbl est.), and (c) oil price realisation at US$ 60.3/bbl (–17% YoY) fell short of estimates, on higher discount to Brent. We trim FY20/FY21/FY22 earnings by 6%/6.5%/5% on lower oil/gas production assumptions. Our Sep'20 TP rises to Rs 210 (from Rs 200) on higher value estimated for HPCL.

Click here for the full report.

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	570
ONGC	Buy	210
Petronet LNG	Buy	400
Reliance Industries	Buy	1,670
TCS	Add	2,230

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,290
Future Supply	Buy	680
Greenply Industries	Buy	210
Laurus Labs	Buy	480
PNC Infratech	Buy	250

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.89	(5bps)	16bps	(124bps)
India 10Y yield (%)*	6.73	(4bps)	0bps	(100bps)
USD/INR	72.09	(0.9)	(1.5)	0.3
Brent Crude (US$/bbl)	62.37	0.5	3.1	(5.7)
Dow	27,784	0.3	3.6	10.8
Shanghai	2,905	(0.3)	(2.3)	10.4
Sensex	40,116	(0.6)	5.2	14.2
India FII (US$ mn)	**11 Nov**	**MTD**	**CYTD**	**FYTD**
FII-D	48.1	676.4	5,363.2	4,818.6
FII-E	748.6	1,596.7	11,819.4	4,974.2

Source: Bank of Baroda Economics Research | *7.26% GS 2029

BOBCAPS Research
research@bobcaps.in

Pidilite Industries

Pidilite Industries (PIDI) reported below-expected consolidated Q2FY20 revenue growth of 2.8% YoY as CBP volumes dipped 0.9%, offsetting industrial volume growth of 12.6%. Operating margins fell 50bps YoY to 20.4%, resulting in flat EBITDA growth. Management expects margins to remain steady in light of benign RM prices, but indicated that demand conditions are challenging. We cut FY20-FY22 PAT estimates by 5-6% due to a soft H1. On rolling valuations over, we move to a Sep'20 TP of Rs 1,215 (earlier Rs 1,240).

Click here **for the full report.**

Dilip Buildcon

Dilip Buildcon's (DBL) Q2FY20 standalone revenue was in line at Rs 18.1bn (+11% YoY), but PAT (–31% YoY) missed estimates on higher depreciation and taxes. EBITDA margin expanded 45bps YoY to 17.8% (18% est.). DBL's order backlog totals ~Rs 203bn or 2.2x TTM revenue (ex-L1 of Rs 31.8bn). Management has cut FY20 revenue guidance to <Rs 100bn from Rs 105bn-110bn due to execution delays amid a prolonged monsoon. We crop FY20/FY21 EPS by 9%/14% and roll to a revised Sep'20 TP of Rs 560 (vs. Rs 610).

Click here **for the full report.**

Cera Sanitaryware

Cera Sanitaryware (CRS) reported tepid Q2FY20 standalone revenue of Rs 3.3bn (–1.1% YoY), with the sanitaryware segment contracting 9% YoY. Operating margins declined 105bps YoY to 12.7% as gross margins slipped 60bps and employee expense climbed 50bps YoY. EBITDA/PBT thus decreased 9%/16% YoY. Management expects a better H2 despite the challenging demand environment. We cut FY20-FY22 earnings estimates by 6-9% and roll forward to a revised Sep'20 TP of Rs 3,040 (earlier Rs 3,135).

Click here **for the full report.**

WHOLESALE INFLATION

14 November 2019

WPI inflation eases to more than 3-year low

Sameer Narang
Jahnavi | Sonal Badhan
chief.economist@bankofbaroda.com

WPI inflation cooled off to 0.2% in Oct'19 from 0.3% in Sep'19 led by fuel and power index which declined by (-) 8.3% in Oct'19. Manufactured product inflation too dropped to (-) 0.8% in Oct'19. However, as was the case with CPI, wholesale food inflation also edged up to 7.6% in Oct'19 (6% in Sep'19) led by 142% increase in tomato prices. Subdued WPI inflation is symptomatic of current economic slowdown. Reviving growth is a bigger challenge and calls for lower real rates for which RBI will cut rates by 25bps in Dec'19.

Uptick in Food prices: Food inflation accelerated to 7.6% in Oct'19 from 6% in Sep'19 on the back of fruits and vegetable inflation which edged up to 23% in Oct'19. Vegetable inflation rose by 38.9% in Oct'19 (19.4% in Sep'19). Led by supply disruption due to excess rains, prices of tomato surged by 142% in Oct'19 (55% in Sep'19). Prices of both paddy and wheat also increased by 4.5% and 6.3% respectively in Oct'19. Amongst protein based items, egg prices have also risen by 6.5% in Oct'19 compared with 4.1% in Sep'19 on account of seasonality.

Crude drags fuel prices down: Fuel & power inflation fell by (-) 8.3% in Oct'19 compared with (-) 7.1% decline in Sep'19. The 39-month low print was owing to both higher base (18.7% in Oct'18) and lower global crude prices (-26% YoY in Oct'19). Mineral oil index continued to lead the fall at (-) 13.6% versus (-) 11.2% in Sep'19. Electricity prices too declined, albeit less sharply. Coal prices have also begun to come off, a first since Apr'19. In Nov'19 as well, international oil prices remain lower at US$ 62/bbl versus US$ 71/bbl last year.

Deflation in core continues: Both core and manufactured product inflation declined further in Oct'19. While core inflation fell from (-) 1.1% in Sep'19 to (-) 1.6% in Oct'19, manufactured product inflation dropped to (-) 0.8% from (-) 0.4% in Sep'19. Of the 22 commodities, 9 witnessed upward momentum in prices led by tobacco, printing & reproduction of recorded media and motor vehicles. On the other hand, prices of basic metals, textiles, paper products, transport equipment and furniture items declined. International commodity prices too declined by (-) 6.4% in Oct'19 on a YoY basis. In Nov'19 the YoY trend is again downward at (-) 5.7%.

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 210 | ⮝ 54%

ONGC | Oil & Gas | 15 November 2019

Low costs drive profitability

ONGC's Q2FY20 earnings outperformed at Rs 62.6bn (–24% YoY). Key Q2 highlights: (a) production trends below estimates – oil at 5.8mmt (–2.7% YoY) / gas at 6.3bcm (–1.9% YoY), (b) operating costs at US$ 7/bbl led to earnings beat (US$ 8/bbl est.), and (c) oil price realisation at US$ 60.3/bbl (–17% YoY) fell short of estimates, on higher discount to Brent. We trim FY20/FY21/FY22 earnings by 6%/6.5%/5% on lower oil/gas production assumptions. Our Sep'20 TP rises to Rs 210 (from Rs 200) on higher value estimated for HPCL.

Rohit Ahuja | Harleen Manglani
research@bobcaps.in

Drop in oil and gas production remains a concern: While the decline in oil output (–3.9% YoY in Q2FY20) was along expected lines, the fall in gas production was surprising (–1.6% YoY). Post the Q2 underperformance, we cut our gas production estimates for FY20-FY22 by 5-7%. ONGC's guidance for a ~20mmscmd increase in gas output over FY21-FY23 now looks increasingly unrealistic, as it continues to miss near-term guidance.

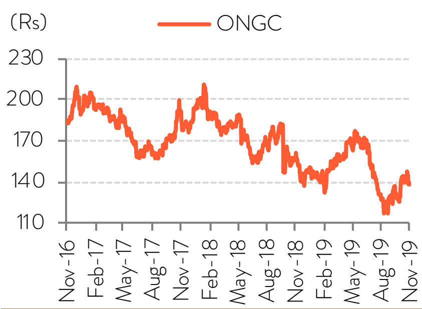
Low operating costs appear sustainable: Q2 operating cost at US$ 7/bbl (almost at Q1 levels) was well below our estimates and led to above-expected standalone EBITDA of Rs 133bn (–16% YoY). Operating costs have been very volatile over the last few quarters and hence a stable cost outlook (at <US$ 8/bbl levels) could have a positive impact on the earnings outlook for ONGC. We estimate costs at ~US$ 9/bbl over FY20-FY22.

Trading at distressed valuations: At 4.9x/4.2x FY21E/FY22E EPS, ONGC is trading at distressed valuations, implying oil prices at ~US$ 53/bbl (vs. US$ 63/bbl currently). With ~6% dividend yield (FY20E), an improved outlook from relatively stable oil prices and higher valuations for HPCL (on probable BPCL privatisation), we find the risk-reward favourable.

Ticker/Price	ONGC IN/Rs 136
Market cap	US$ 23.8bn
Shares o/s	12,580mn
3M ADV	US$ 22.5mn
52wk high/low	Rs 179/Rs 116
Promoter/FPI/DII	64%/8%/28%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	3,622,462	4,534,606	4,158,474	4,939,293	5,522,471
EBITDA (Rs mn)	658,350	838,648	645,102	720,737	814,129
Adj. net profit (Rs mn)	234,323	348,309	296,505	352,961	406,087
Adj. EPS (Rs)	18.3	27.7	23.6	28.1	32.3
Adj. EPS growth (%)	(3.5)	51.6	(14.9)	19.0	15.1
Adj. ROAE (%)	11.8	16.4	12.9	14.3	15.2
Adj. P/E (x)	7.5	4.9	5.8	4.9	4.2
EV/EBITDA (x)	3.5	3.2	4.2	3.7	3.3

Source: Company, BOBCAPS Research

SELL
TP: Rs 1,215 | ∨ 10%

PIDILITE INDUSTRIES | Construction Materials | 14 November 2019

Volumes and margins disappoint

Pidilite Industries (PIDI) reported below-expected consolidated Q2FY20 revenue growth of 2.8% YoY as CBP volumes dipped 0.9%, offsetting industrial volume growth of 12.6%. Operating margins fell 50bps YoY to 20.4%, resulting in flat EBITDA growth. Management expects margins to remain steady in light of benign RM prices, but indicated that demand conditions are challenging. We cut FY20-FY22 PAT estimates by 5-6% due to a soft H1. On rolling valuations over, we move to a Sep'20 TP of Rs 1,215 (earlier Rs 1,240).

Arun Baid
research@bobcaps.in

Revenue growth below estimates: PIDI's consolidated Q2 revenue grew 2.8% YoY to Rs 18.1bn, with 13.7% YoY constant currency growth in overseas subsidiaries. Standalone revenue increased 3.6% YoY to Rs 15.7bn, as volumes grew just 0.6% YoY (–0.9% in the consumer & bazaar (CBP) segment and +12.6% in the industrial segment). Management indicated that the continued demand slump has hit CBP volumes, but expects some recovery in FY21.

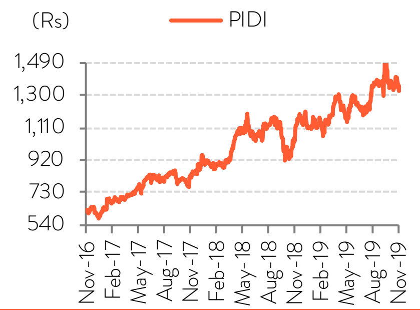
Operating margins decline: Although gross margins expanded 400bps YoY, consolidated operating margins dipped 48bps to 20.4% due to higher other expenses (+305bps) and employee expenses (+140bps) – consequently, EBITDA was flat and PBT growth soft at 5.3% for the quarter. Gross margins increased as raw material prices softened, whereas other expenses moved up due to higher A&P spends (+240bps YoY in Q2, +150bps in H1). Management expects margins to hold at current levels as RM prices remain benign in Q3.

Maintain SELL on expensive valuations: We prune our PAT estimates for FY20-FY22 by 5-6% to build in the H1FY20 underperformance. While we like PIDI for its strong franchise and broad portfolio, valuations at 47.9x FY21E P/E look rich, especially against the backdrop of weakening demand.

Ticker/Price	PIDI IN/Rs 1,344
Market cap	US$ 9.5bn
Shares o/s	508mn
3M ADV	US$ 11.3mn
52wk high/low	Rs 1,494/Rs 1,046
Promoter/FPI/DII	70%/11%/19%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	60,324	70,787	76,847	88,275	1,00,879
EBITDA (Rs mn)	13,412	13,682	16,753	19,332	22,193
Adj. net profit (Rs mn)	9,159	8,901	12,097	14,266	16,523
Adj. EPS (Rs)	18.0	17.5	23.8	28.1	32.5
Adj. EPS growth (%)	7.5	(2.9)	35.9	17.9	15.8
Adj. ROAE (%)	26.0	23.1	27.0	27.4	27.3
Adj. P/E (x)	74.5	76.7	56.5	47.9	41.3
EV/EBITDA (x)	50.9	49.9	40.7	35.1	30.6

Source: Company, BOBCAPS Research

BUY
TP: Rs 560 | ⮝ 41%

DILIP BUILDCON | Infrastructure | 15 November 2019

Subdued execution drives guidance cut

Dilip Buildcon's (DBL) Q2FY20 standalone revenue was in line at Rs 18.1bn (+11% YoY), but PAT (–31% YoY) missed estimates on higher depreciation and taxes. EBITDA margin expanded 45bps YoY to 17.8% (18% est.). DBL's order backlog totals ~Rs 203bn or 2.2x TTM revenue (ex-L1 of Rs 31.8bn). Management has cut FY20 revenue guidance to <Rs 100bn from Rs 105bn-110bn due to execution delays amid a prolonged monsoon. We crop FY20/ FY21 EPS by 9%/14% and roll to a revised Sep'20 TP of Rs 560 (vs. Rs 610).

Jiten Rushi
research@bobcaps.in

Prolonged monsoon clouds growth: DBL's Q2 revenue growth remained subdued at 11.4% YoY to Rs 18.1bn as the heavy monsoon hit project execution. Management has cut FY20 revenue guidance to sub-Rs 100bn levels mainly due to monsoon-led execution delays and tardy award of appointed dates (AD) for HAM projects.

PAT drops 30%: Adoption of Ind-AS 116 saw depreciation expense rising 37% YoY. Contrary to expectations, DBL did not shift to the new tax regime due to unutilised MAT credit of Rs 4bn. PAT thus declined 30.6% YoY to Rs 577mn.

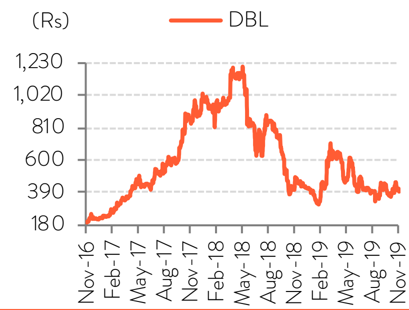
Improvement in leverage and working capital: Led by recovery of receivables and mobilisation advances (Rs 4.8bn), standalone gross debt fell by Rs 0.9bn QoQ to Rs 34.8bn. Net D/E stood at 0.9x and Mar'20 guidance is at 0.8x. This shall be achieved by a mix of HAM/EPC projects advance receipts and marginal-to-nil capex. Net working capital improved to 141 days as against 160 as on Mar'19.

Maintain BUY: We cut FY20/FY21 earnings 9%/14% to bake in lower revenues and a higher effective tax rate. Rolling forward, our Sep'20 TP changes to Rs 560.

Ticker/Price	DBL IN/Rs 398
Market cap	US$ 757.0mn
Shares o/s	137mn
3M ADV	US$ 2.1mn
52wk high/low	Rs 735/Rs 312
Promoter/FPI/DII	75%/10%/5%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	77,459	91,182	98,527	1,10,411	1,23,641
EBITDA (Rs mn)	14,028	16,044	17,415	19,356	21,658
Adj. net profit (Rs mn)	6,355	7,607	5,226	6,142	7,487
Adj. EPS (Rs)	46.5	55.6	38.2	44.9	54.7
Adj. EPS growth (%)	63.4	19.7	(31.3)	17.5	21.9
Adj. ROAE (%)	29.5	26.9	15.1	15.3	16.0
Adj. P/E (x)	8.6	7.2	10.4	8.9	7.3
EV/EBITDA (x)	5.6	5.1	5.1	4.3	3.9

Source: Company, BOBCAPS Research

BUY
TP: Rs 3,040 | ⮝ 25%

CERA SANITARYWARE | Construction Materials | 14 November 2019

Weak product mix crimps margins

Cera Sanitaryware (CRS) reported tepid Q2FY20 standalone revenue of Rs 3.3bn (–1.1% YoY), with the sanitaryware segment contracting 9% YoY. Operating margins declined 105bps YoY to 12.7% as gross margins slipped 60bps and employee expense climbed 50bps YoY. EBITDA/PBT thus decreased 9%/16% YoY. Management expects a better H2 despite the challenging demand environment. We cut FY20-FY22 earnings estimates by 6-9% and roll forward to a revised Sep'20 TP of Rs 3,040 (earlier Rs 3,135).

Arun Baid
research@bobcaps.in

Revenue decline led by sanitaryware segment: CRS reported a 1.1% YoY decrease in standalone revenue to Rs 3.3bn in Q2. The sanitaryware segment fell 9% YoY whereas faucets/tiles grew ~6%/5% YoY. As per management, revenue performance was undermined by a lacklustre demand climate. Management nonetheless expects some improvement in H2 over H1 due to the company's strong branding, distribution and product portfolio.

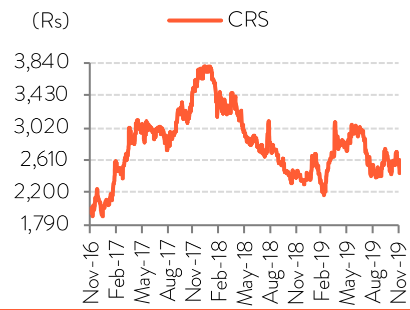
Margins contract on weak product mix: CRS's standalone operating margins declined 105bps YoY to 12.7% due to lower gross margins (–60bps YoY) and higher employee expenses (+50bps YoY) – this caused EBITDA/PBT to contract 8.7%/15.5% YoY. Gross margin slippage stemmed from an adverse product mix marked by a reduced share of high-margin sanitaryware products. Management aims to maintain operating margins in the region of 14-15% over the medium term.

Maintain BUY: We trim PAT estimates for FY20-FY22 by 6-9% due to the difficult demand environment. Maintain BUY as we roll to a revised Sep'20 target price of Rs 3,040 (earlier Rs 3,135), set at unchanged 26x one-year forward P/E.

Ticker/Price	CRS IN/Rs 2,440
Market cap	US$ 441.5mn
Shares o/s	13mn
3M ADV	US$ 0.3mn
52wk high/low	Rs 3,195/Rs 2,144
Promoter/FPI/DII	55%/8%/37%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	11,776	13,444	14,016	15,391	17,047
EBITDA (Rs mn)	1,699	1,917	1,920	2,155	2,421
Adj. net profit (Rs mn)	970	1,010	1,233	1,418	1,622
Adj. EPS (Rs)	74.6	77.7	94.8	109.1	124.7
Adj. EPS growth (%)	0.9	4.1	22.0	15.1	14.4
Adj. ROAE (%)	17.2	15.5	16.4	16.5	16.5
Adj. P/E (x)	32.7	31.4	25.7	22.4	19.6
EV/EBITDA (x)	18.5	16.2	16.2	14.5	12.8

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

Rating distribution

As of 31 October 2019, out of 79 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 18 are rated ADD, 7 are rated REDUCE and 6 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this 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 BOBCAPS.

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Institutional 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 2020. 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 where such an offer or solicitation would be illegal. 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.

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 act as market makers or 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.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

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.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does 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.

BOBCAPS is not engaged in any market making activities for 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.