

SELL

TP: Rs 2,380 | ▼ 10%

PIDILITE INDUSTRIES

Construction Materials

10 November 2022

Margin expansion ahead but valuations lofty; reiterate SELL

- Consolidated Q2 net revenue increased 15% YoY to Rs 30bn as the C&B/B2B segments grew 14%/17%
- Gross margin contracted 440bps YoY to 41% due to a spike in VAM prices to US\$ 2,491/mt from US\$ 2,071/mt in Q2FY22
- We raise FY23/FY24 PAT by 10%/23% and revise our TP to Rs 2,380 (vs. Rs 1,870) based on a higher 64x P/E; retain SELL

Ruchitaa Maheshwari

research@bobcaps.in

Steady revenue growth: PIDI's consolidated Q2FY23 net revenue grew 15% YoY to Rs 30bn led by a combination of product mix, distribution expansion, product innovation, digital initiative and measured price hikes. Consumer & Bazaar (C&B) segment revenue increased 14% YoY to Rs 24.3bn, but segmental EBIT margin contracted 570bps to 21.7%. The B2B segment grew 17% YoY to Rs 6.2bn with EBIT margin expanding 300bps to 7.9%.

Margins contract: Gross margin contracted 440bps YoY to 41% owing to raw material inflation, weaker currency and high-priced inventory. However, selective pricing action along with mix enrichment helped to maintain gross margins sequentially (-70bps). Key raw material VAM soared to US\$ 2,491/mt from US\$ 2,071/mt in Q2FY22 (US\$ 2,231/mt in Q1FY23) vs. current orders at US\$ 1,200-1,400/mt. Hence, EBITDA margin contracted by 435bps YoY to 16.6%.

Solid standalone performance: PIDI's standalone sales grew 23% YoY to Rs 27.2bn. C&B segment revenue grew 22% YoY to Rs 22bn. Segment EBIT margin declined 520bps YoY to 23.3%. B2B segment revenue grew 26% YoY to Rs 5.5bn with EBIT margin declining 140bps YoY to 8.3%. Gross/EBITDA margins contracted 525bps/455bps YoY to 40.3%/17.1%.

Margin expansion ahead: PIDI saw broad-based demand across product categories during the quarter and expects H2FY23 to be driven by good monsoons and continued pickup in the housing market. Per management, VAM prices have currently softened to US\$1,200-1,400/mt vs. US\$ 2,491/mt in Q2, which will benefit margins from Q3FY23.

We raise FY23/FY24 PAT estimates by 10%/23% and have increased our target FY24E P/E multiple to 64x (vs. 62x) to incorporate better H1 numbers and the margin expansion. While the earnings outlook is healthy, valuations are rich at ~72x FY24E EPS (5Y median P/E of ~70x). Despite factoring the better H2FY23, our estimates are below consensus. We maintain SELL with a revised TP of Rs 2,380 (earlier Rs 1,870).

Key changes

Target	Rating
▲	◀ ▶

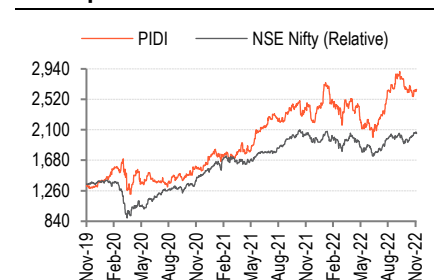
Ticker/Price	PIDI IN/Rs 2,656
Market cap	US\$ 16.5bn
Free float	30%
3M ADV	US\$ 13.5mn
52wk high/low	Rs 2,919/Rs 1,989
Promoter/FPI/DII	70%/11%/19%

Source: NSE | Price as of 10 Nov 2022

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	99,210	1,10,824	1,34,820
EBITDA (Rs mn)	18,473	21,611	28,312
Adj. net profit (Rs mn)	11,965	14,179	18,883
Adj. EPS (Rs)	23.5	27.9	37.2
Consensus EPS (Rs)	23.5	33.1	38.9
Adj. ROAE (%)	19.9	21.2	25.6
Adj. P/E (x)	112.8	95.2	71.5
EV/EBITDA (x)	72.9	62.4	47.6
Adj. EPS growth (%)	5.5	18.5	33.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Earnings call highlights

- With a good monsoon, management is cautiously optimistic on improving demand conditions as well as increased construction activity. Further, the declining VAM prices (key input) should improve profitability considerably in H2FY23.
- Growth was broad-based across the C&B and B2B segments in Q2FY23 with both segments reporting double-digit volume growth, enabled by distribution expansion, innovation, a responsive supply chain and digital initiatives.
- International subsidiaries witnessed good sales growth, but EBITDA remained under pressure due to higher input costs. US revenue grew 8% YoY while EBITDA was down 72%. Asia reported revenue growth of 36% and EBITDA growth of 40%. Middle East and Africa revenue grew 23% and EBITDA turned positive to Rs 32mn vs. a loss of Rs 6mn in Q2FY22.
- Management expects normalcy in raw-material and business from Q1FY24.
- The urban market grew faster than the rural market in Q2FY23.
- Per management, the objective is profitable volume growth. H1FY23 volume growth stood at 21%. For Q2FY23, C&B grew 1.2-1.5% YoY (~0.7% overall).
- Selective pricing action along with mix enrichment helped maintain gross margins sequentially.
- For now, PIDI is not contemplating any price hike on the back of softening VAM prices. Further, it is looking for reduction in prices in B2B.
- Management is not looking at a price reduction in the B2C segment as company took price hike in 75% of the product basket and the USDINR rate has risen to +80. As the products are 15% premium, the company may provide relief via discounts or other schemes if required.
- Two-third of the business comes from renovation and repair while a third comes from new construction.
- Per management, one-third of the growth will come from innovation and two-third from expanding the core business.
- PIDI is planning to roll out new product in the next six months.

Fig 1 – Consolidated quarterly performance

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	H1FY23	H1FY22	YoY (%)
Net revenues	30,112	26,264	14.7	31,011	(2.9)	61,123	45,631	33.9
Raw Material Cost	17,769	14,339	23.9	18,080	(1.7)	35,849	24,197	48.2
Employee cost	3,032	2,731	11.0	3,157	(4.0)	6,190	5,537	11.8
Other expenses	4,311	3,697	16.6	4,479	(3.8)	8,790	6,926	26.9
EBITDA	4,999	5,496	(9.0)	5,295	(5.6)	10,294	8,972	14.7
EBITDA margin (%)	16.6	20.9	(433bps)	17.1	(47bps)	16.8	19.7	(282bps)
Depreciation and amortization	636	603	5.5	613	3.8	1,250	1,170	6.8
EBIT	4,362	4,893	(10.8)	4,682	(6.8)	9,044	7,802	15.9
EBIT Margin (%)	14.5	18.6	(414bps)	15.1	(61bps)	14.8	17.1	(230bps)
Net Interest expenses	117	124	(5.5)	90	29.3	207	220	(5.8)
Foreign exchange gain (loss), net	0	0	n.m.	0	n.m.	0	0	n.m.
Other income	110	139	(21.0)	107	2.8	217	200	8.2
EBT and except. Items	4,355	4,908	(11.3)	4,698	(7.3)	9,053	7,783	16.3
Exceptional items	0	0	n.m.	0	n.m.	0	0	n.m.
Earnings before tax	4,355	4,908	(11.3)	4,698	(7.3)	9,053	7,783	16.3
Income taxes	1,009	1,159	(13.0)	1,157	(12.8)	2,166	1,880	15.2
Income tax as % of PBT	23.2	23.6	(46bps)	24.6	(147bps)	23.9	24.2	(24bps)
Earnings after tax	3,347	3,749	(10.7)	3,541	(5.5)	6,888	5,902	16.7
Profit in associate company	31	7	373.8	34	(9.9)	65	29	121.8
Minority interest (expense) income	(53)	(9)	n.m.	(39)	n.m.	(92)	16	(694.8)
Net income (loss), reported	3,324	3,747	(11.3)	3,536	(6.0)	6,861	5,947	15.4

Source: Company, BOBCAPS Research

Fig 2 – Consolidated segmental performance

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	H1FY23	H1FY22	YoY (%)
Revenue								
Consumer & Bazaar Products	24,315	21,304	14.1	24,358	(0.2)	48,673	36,167	34.6
Business to Business	6,237	5,324	17.2	7,220	(13.6)	13,457	10,144	32.7
Others	224	146	53.6	258	(13.1)	482	245	96.9
Total	30,776	26,774	14.9	31,836	(3.3)	62,612	46,555	34.5
Less: Inter Segment revenue	(665)	(510)	30.2	(825)	(19.4)	(1,489)	(924)	61.2
Net revenues	30,112	26,264	14.7	31,011	(2.9)	61,123	45,631	33.9
EBIT								
Consumer & Bazaar Products	5,265	5,827	(9.6)	5,352	(1.6)	10,617	9,531	11.4
Business to Business	495	263	88.4	748	(33.8)	1,244	683	82.1
Others	(3)	(8)	n.m.	14	(123.2)	11	(2)	(705.6)
Total	5,757	6,082	(5.3)	6,114	(5.8)	11,871	10,212	16.2
EBIT Margin (%)								
Consumer & Bazaar Products	21.7	27.4	(570bps)	22.0	(32bps)	21.8	26.4	(454bps)
Business to Business	7.9	4.9	300bps	10.4	(243bps)	9.2	6.7	251bps
Total	19.1	23.2	(404bps)	19.7	(60bps)	19.4	22.4	(296bps)

Source: Company, BOBCAPS Research

Fig 3 – Standalone quarterly performance

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	H1FY23	H1FY22	YoY (%)
Net revenues	27,152	22,134	22.7	27,897	(2.7)	55,049	39,328	40.0
Raw material exp	16,208	12,052	34.5	16,510	(1.8)	32,717	20,853	56.9
Employee exp	2,533	2,230	13.6	2,652	(4.5)	5,184	4,575	13.3
Other exp	3,771	3,062	23.2	3,864	(2.4)	7,635	5,869	30.1
EBITDA	4,641	4,790	(3.1)	4,872	(4.7)	9,513	8,031	18.5
EBITDA margin (%)	17.1	21.6	(455bps)	17.5	(37bps)	17.3	20.4	(314bps)
Depreciation and amortization	527	443	18.8	504	4.5	1,031	896	15.0
EBIT	4,114	4,347	(5.3)	4,368	(5.8)	8,482	7,135	18.9
EBIT Margin (%)	15.2	19.6	(449bps)	15.7	(51bps)	15.4	18.1	(273bps)
Net Interest expenses	71	87	(18.0)	44	60.0	115	150	(23.0)
Other income	283	164	72.7	107	164.4	390	229	70.7
PBT	4,326	4,424	(2.2)	4,431	(2.4)	8,757	7,214	21.4
Income taxes	958	1,721	(44.4)	1,097	(12.7)	2,055	2,436	(15.6)
Income tax as % of PBT	22.1	38.9	(1,678bps)	24.8	(263bps)	23.5	33.8	(1,031bps)
Earnings after tax, adjusted	3,369	2,703	24.6	3,334	1.1	6,702	4,778	40.3
Extraordinary	0	0	n.m.	0	-	0	0	n.m.
Net income (loss), reported	3,369	2,703	24.6	3,334	1.1	6,702	4,778	40.3

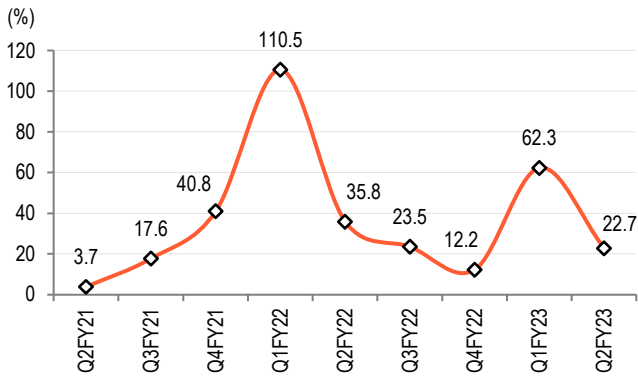
Source: Company, BOBCAPS Research

Fig 4 – Standalone segmental performance

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	H1FY23	H1FY22	YoY (%)
Revenue								
Consumer & Bazaar Products	21,964	18,026	21.8	21,983	(0.1)	43,947	31,239	40.7
Business to Business	5,517	4,394	25.5	6,329	(12.8)	11,846	8,598	37.8
Others	224	146	53.6	258	(13.1)	482	245	96.9
Total	27,705	22,566	22.8	28,570	(3.0)	56,274	40,082	40.4
Less: Inter Segment revenue	(553)	(432)	27.8	(672)	(17.8)	(1,225)	(754)	62.3
Net revenues	27,152	22,134	22.7	27,897	(2.7)	55,049	39,328	40.0
EBIT								
Consumer & Bazaar Products	5,118	5,143	(0.5)	5,104	0.3	10,221	8,632	18.4
Business to Business	456	426	7.0	749	(39.1)	1,206	978	23.3
Others	(3)	(11)	n.m.	14	(123.2)	11	(2)	(705.6)
Total	5,571	5,558	0.2	5,867	(5.1)	11,438	9,608	19.0
EBIT Margin (%)								
Consumer & Bazaar Products	23.3	28.5	(523bps)	23.2	8bps	23.3	27.6	(437bps)
Business to Business	8.3	9.7	(143bps)	11.8	(357bps)	10.2	11.4	(119bps)
Others	(1.5)	(7.4)	593bps	5.5	(698bps)	2.3	(0.7)	300bps
Total	20.5	25.1	(460bps)	21.0	(51bps)	20.8	24.4	(365bps)

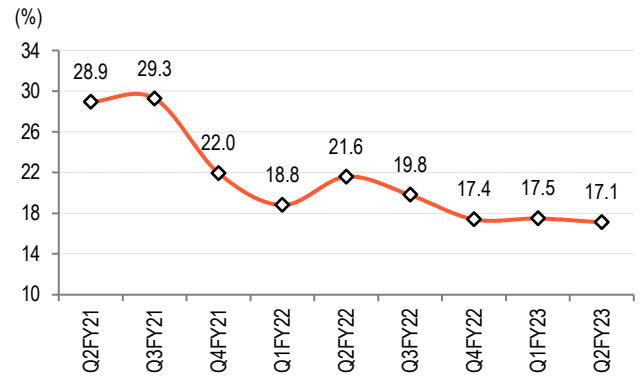
Source: Company, BOBCAPS Research

Fig 5 – Standalone revenue growth



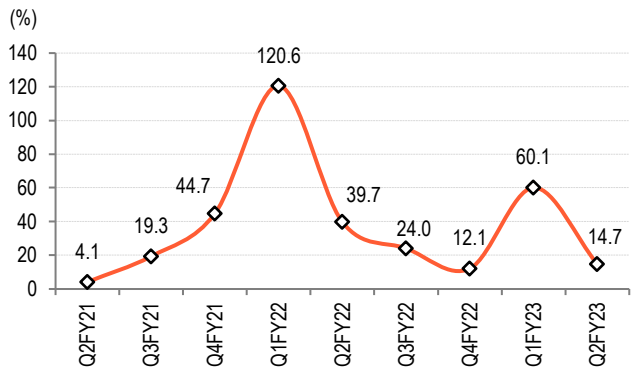
Source: Company, BOBCAPS Research

Fig 6 – Standalone EBITDA margin



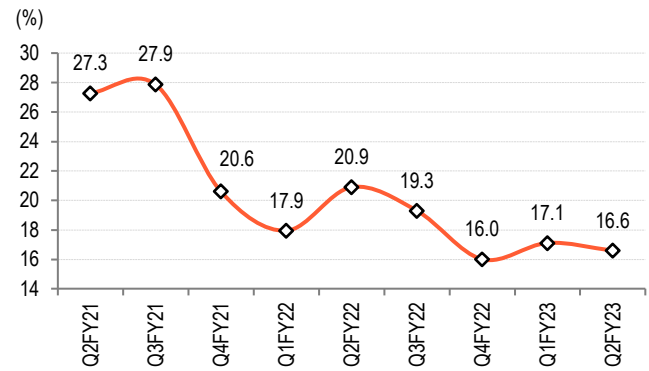
Source: Company, BOBCAPS Research

Fig 7 – Consolidated revenue growth



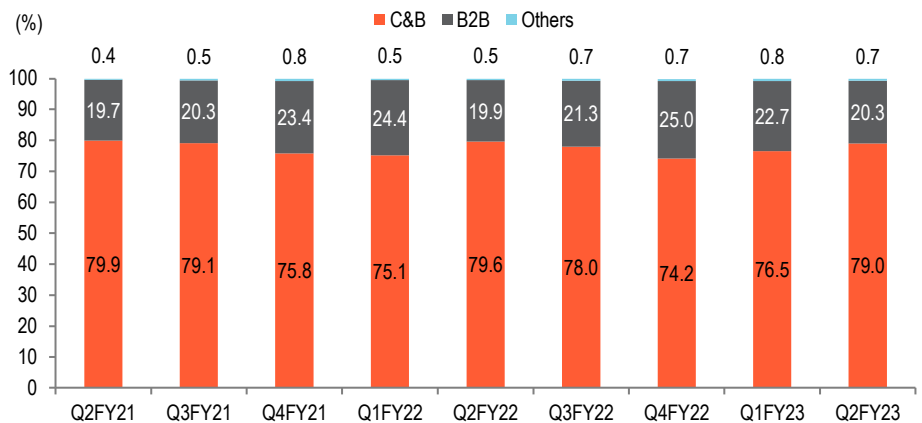
Source: Company, BOBCAPS Research

Fig 8 – Consolidated EBITDA margin



Source: Company, BOBCAPS Research

Fig 9 – Consolidated revenue break-up



Source: Company, BOBCAPS Research

Valuation methodology

PIDI saw broad-based demand across product categories during the quarter and expects H2FY23 to be driven by good monsoons and continued pickup in the housing market. Per management, VAM prices have currently softened to US\$1,200-1,400/mt vs. US\$ 2,491/mt in Q2, which will benefit margins from Q3FY23.

We raise FY23/FY24 PAT estimates by 10%/23% and have increased our target FY24E P/E multiple to 64x (vs. 62x) to incorporate better H1 numbers and the margin expansion. While the earnings outlook is healthy, valuations are rich at ~72x FY24E EPS (five-year median P/E of ~70x). Despite factoring the better H2FY23, our estimates are below consensus. We thus maintain SELL with a revised TP of Rs 2,380 (earlier Rs 1,870).

Fig 10 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Sales	1,10,824	1,34,820	1,03,920	1,19,726	6.6	12.6
EBITDA	21,611	28,312	19,745	23,347	9.5	21.3
EBITDA Margin (%)	19.5	21.0	19.0	19.5	50bps	150bps
PAT	14,179	18,883	12,932	15,307	9.6	23.4

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- a sharp decline in raw material prices which could drive above-expected margins,
- a stronger revival in the housing market than anticipated which can take growth ahead of estimates, and
- a strong performance in international subsidiaries.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Century Plyboards	CPBI IN	1.7	607	735	BUY
Cera Sanitaryware	CRS IN	0.8	5,287	5,225	HOLD
Greenpanel Industries	GREENP IN	0.6	379	595	BUY
Greenply Industries	MTLM IN	0.2	164	215	BUY
Kajaria Ceramics	KJC IN	2.0	1,027	1,325	BUY
Pidilite Industries	PIDI IN	16.5	2,656	2,380	SELL
Somany Ceramics	SOMC IN	0.3	527	830	BUY

Source: BOBCAPS Research, NSE | Price as of 10 Nov 2022

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Total revenue	72,945	72,927	99,210	1,10,824	1,34,820
EBITDA	15,760	16,806	18,473	21,611	28,312
Depreciation	(1,699)	(2,007)	(2,396)	(2,771)	(3,033)
EBIT	14,061	14,800	16,077	18,840	25,279
Net interest inc./(exp.)	(336)	(372)	(421)	(130)	(60)
Other inc./(exp.)	396	794	363	361	213
Exceptional items	0	0	0	0	0
EBT	15,219	15,221	16,019	19,071	25,432
Income taxes	(3,477)	(3,964)	(4,165)	(4,958)	(6,612)
Extraordinary items	(552)	(36)	0	0	0
Min. int./Inc. from assoc.	(26)	91	111	66	63
Reported net profit	11,164	11,312	11,965	14,179	18,883
Adjustments	426	27	0	0	0
Adjusted net profit	11,590	11,339	11,965	14,179	18,883

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Accounts payables	6,210	10,067	9,598	10,985	13,116
Other current liabilities	9,185	12,958	11,779	11,279	10,779
Provisions	735	829	895	1,045	1,195
Debt funds	1,691	2,139	2,873	850	850
Other liabilities	823	3,980	3,985	3,985	3,985
Equity capital	508	508	508	508	508
Reserves & surplus	44,048	55,421	63,529	69,317	77,025
Shareholders' fund	44,556	55,930	64,037	69,825	77,533
Total liab. and equities	65,357	88,304	95,156	1,00,028	1,09,612
Cash and cash eq.	7,033	4,515	3,552	3,550	5,158
Accounts receivables	10,885	13,210	14,305	15,181	18,468
Inventories	9,295	12,342	16,951	18,855	21,534
Other current assets	10,157	9,190	6,263	9,254	10,095
Investments	7,197	1,765	4,586	4,723	4,880
Net fixed assets	12,890	14,428	41,170	40,136	41,147
CWIP	2,593	2,939	2,939	2,939	2,939
Intangible assets	5,178	29,751	5,178	5,178	5,178
Deferred tax assets, net	130	166	213	213	213
Other assets	0	0	0	0	0
Total assets	65,357	88,304	95,156	1,00,028	1,09,612

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash flow from operations	13,474	14,866	10,472	12,415	17,044
Capital expenditures	(4,687)	(24,088)	(2,976)	(3,325)	(4,045)
Change in investments	4,317	5,433	(2,822)	(137)	(157)
Other investing cash flows	33	1,203	0	0	0
Cash flow from investing	(337)	(17,452)	(5,798)	(3,461)	(4,202)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	581	448	734	(2,023)	0
Interest expenses	(336)	(372)	(421)	(130)	(60)
Dividends paid	(8,254)	(7)	(5,951)	(6,802)	(11,175)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(8,009)	69	(5,637)	(8,956)	(11,234)
Chg in cash & cash eq.	5,128	(2,517)	(963)	(2)	1,608
Closing cash & cash eq.	7,032	4,515	3,552	3,550	5,158

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22A	FY23E	FY24E
Reported EPS	22.0	22.3	23.5	27.9	37.2
Adjusted EPS	22.8	22.3	23.5	27.9	37.2
Dividend per share	13.5	8.5	11.1	13.1	17.5
Book value per share	87.7	110.1	126.0	137.4	152.6

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22A	FY23E	FY24E
EV/Sales	18.5	18.5	13.6	12.2	10.0
EV/EBITDA	85.6	80.1	72.9	62.4	47.6
Adjusted P/E	116.4	119.0	112.8	95.2	71.5
P/BV	30.3	24.1	21.1	19.3	17.4

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22A	FY23E	FY24E
Tax burden (Net profit/PBT)	76.2	74.5	74.7	74.3	74.2
Interest burden (PBT/EBIT)	108.2	102.8	99.6	101.2	100.6
EBIT margin (EBIT/Revenue)	19.3	20.3	16.2	17.0	18.8
Asset turnover (Rev./Avg TA)	117.2	94.9	108.2	113.6	128.6
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.5	1.4
Adjusted ROAE	26.9	22.6	19.9	21.2	25.6

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22A	FY23E	FY24E
YoY growth (%)					
Revenue	3.0	0.0	36.0	11.7	21.7
EBITDA	15.2	6.6	9.9	17.0	31.0
Adjusted EPS	30.2	(2.2)	5.5	18.5	33.2
Profitability & Return ratios (%)					
EBITDA margin	21.6	23.0	18.6	19.5	21.0
EBIT margin	19.3	20.3	16.2	17.0	18.8
Adjusted profit margin	15.9	15.5	12.1	12.8	14.0
Adjusted ROAE	26.9	22.6	19.9	21.2	25.6
ROCE	23.3	20.1	18.4	19.7	24.4
Working capital days (days)					
Receivables	54	60	51	49	46
Inventory	100	117	98	109	103
Payables	38	53	44	42	41
Ratios (x)					
Gross asset turnover	2.9	2.5	2.2	1.8	2.1
Current ratio	2.1	1.5	1.8	2.0	2.2
Net interest coverage ratio	41.8	39.8	38.2	144.6	424.9
Adjusted debt/equity	(0.1)	0.0	0.0	0.0	(0.1)

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%

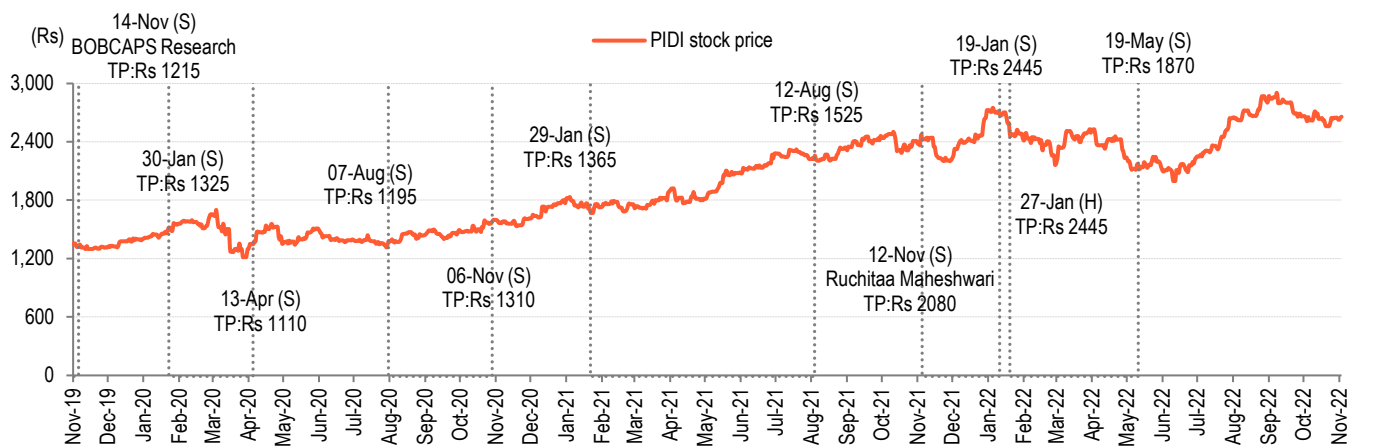
HOLD – Expected return from -6% to +15%

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): PIDILITE INDUSTRIES (PIDI 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.