

BUY**TP: Rs 3,000 | ▲ 24%****POLYCAB INDIA**

Consumer Durables

08 June 2022

Annual report analysis: W&C well capitalised; FMEG remains key

- Maintains leadership in wires & cables with ~23% market share; growth momentum in FMEG business sustained in FY22 (5Y CAGR of 30%)
- Management reaffirms long-term 'Project Leap' strategy with higher cost-savings target of Rs 200bn (Rs 122bn in FY22) by FY26, a 13% CAGR
- Balance sheet remains robust; emerging W&C opportunities plus high-growth FMEG foray reinforce our optimism; **BUY, TP Rs 3,000**

Vinod Chari | Tanay Rasal
Someel Shah
 research@bobcaps.in

Key takeaways from our analysis of Polycab's FY22 annual report:

Remains leader in W&C segment: Polycab's wires & cables (W&C) business grew 48% in FY22 driven by the inflation-led rise in price realisations, with cost pressures remaining largely constant throughout the year. Although mostly pass-through, Polycab made the tactical decision to absorb increased prices in select categories within the cables segment in order to bolster market share. The company remains the market leader with a 22-24% share in the organised W&C market. In addition to the traditional growth in W&C from construction, utilities and telecom, opportunities are opening up from electric vehicles, renewables, digital connectivity and defence.

Sales mix to improve as FMEG share rises: The FMEG segment grew 21% in FY22. Polycab expects to continue outperforming industry growth (pegged at high-single-digits over the medium term), backed by rising disposable incomes, changing consumer preferences, technological advancements and privatisation. Notably, the company believes most of the categories in which it operates will grow in high-single-digits to low-double-digits over the next few years.

Strengthening distribution: Polycab has increased the number of authorised dealers and distributors from 4,100 to 4,600+ at end-FY22. In addition, its retail outlet reach has risen nearly 25% YoY, from 165,000 to 205,000. About 21% of this network is exclusively for the W&C business, 54% is utilised by the FMEG segment and 25% is common to both segments.

Net cash up, capex steady: The company plans to maintain an annual capex rate of Rs 3bn-4bn over the next few years, with a focus on greenfield and brownfield projects. Its financial position is strong with net cash of over Rs 11bn and D/E of just 0.01x. ROE/ROCE stood at 16.5%/20.5% for FY22.

Maintain BUY, TP Rs 3,000: We continue to value the stock at 35x FY24E EPS, a 50% premium to the 3Y average, and maintain BUY with a TP of Rs 3,000. Key downside risks to growth include higher commodity prices and a weaker economy.

Key changes

Target	Rating
◀ ▶	◀ ▶

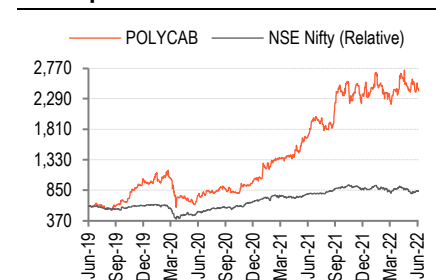
Ticker/Price	POLYCAB IN/Rs 2,418
Market cap	US\$ 4.6bn
Free float	32%
3M ADV	US\$ 12.0mn
52wk high/low	Rs 2,820/Rs 1,730
Promoter/FPI/DII	68%/6%/9%

Source: NSE | Price as of 7 Jun 2022

Key financials

Y/E 31 Mar	FY22P	FY23E	FY24E
Total revenue (Rs mn)	1,22,038	1,43,600	1,61,610
EBITDA (Rs mn)	12,688	16,241	20,062
Adj. net profit (Rs mn)	7,733	10,420	12,725
Adj. EPS (Rs)	51.7	69.6	85.1
Consensus EPS (Rs)	51.7	73.8	90.4
Adj. ROAE (%)	15.0	17.5	18.4
Adj. P/E (x)	46.8	34.7	28.4
EV/EBITDA (x)	28.2	22.0	17.9
Adj. EPS growth (%)	4.6	34.8	22.1

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

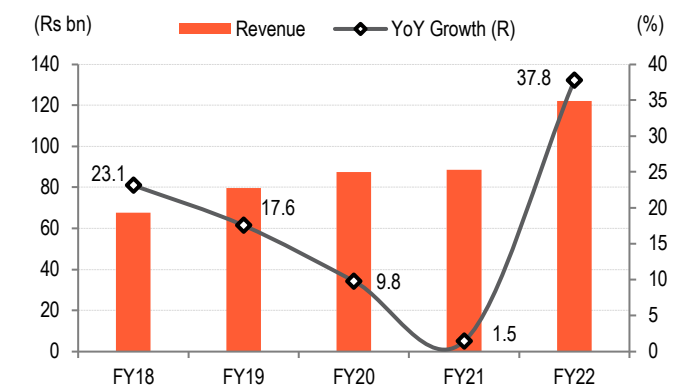
Stock performance

Source: NSE



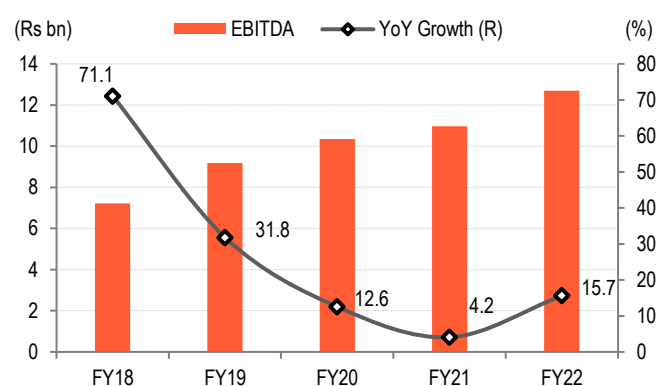
FY22 performance

Fig 1 – Revenue growth robust



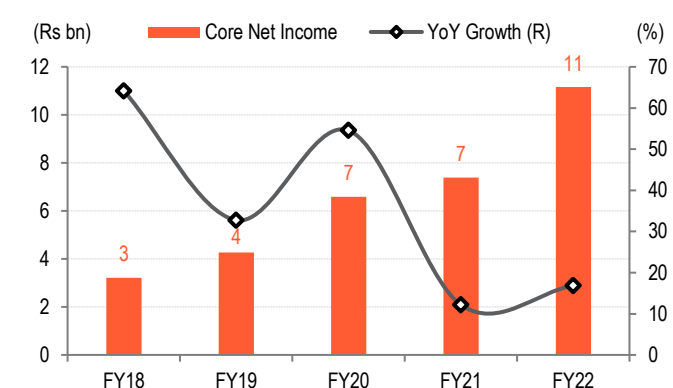
Source: Company, BOBCAPS Research

Fig 2 – EBITDA growth recovering



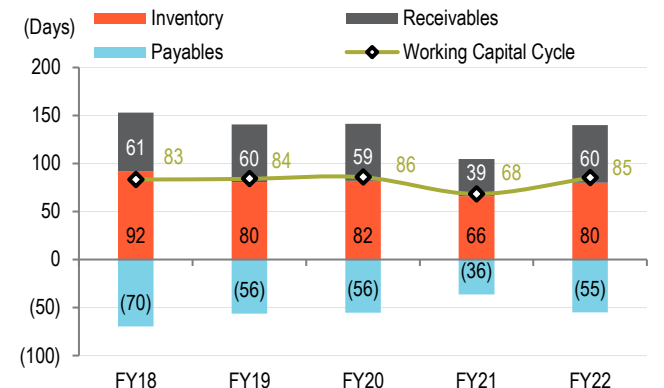
Source: Company, BOBCAPS Research

Fig 3 – PAT growth recovering



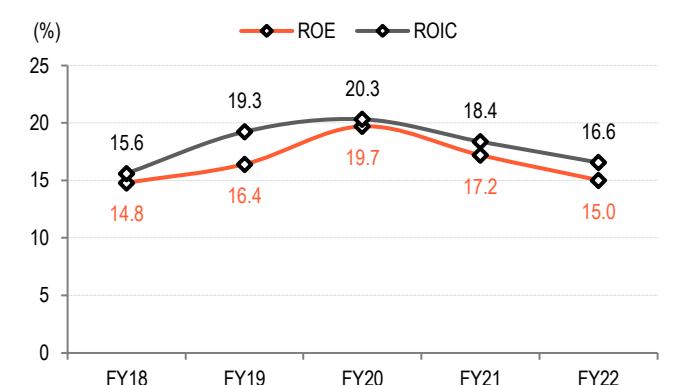
Source: Company, BOBCAPS Research

Fig 4 – Working capital cycle steady



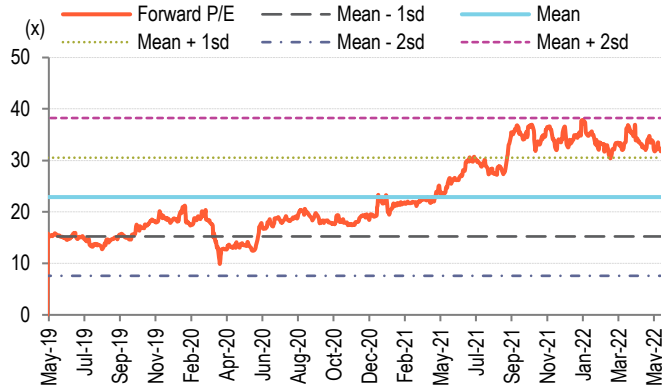
Source: Company, BOBCAPS Research

Fig 5 – ROE/ROIC muted due to ongoing investments

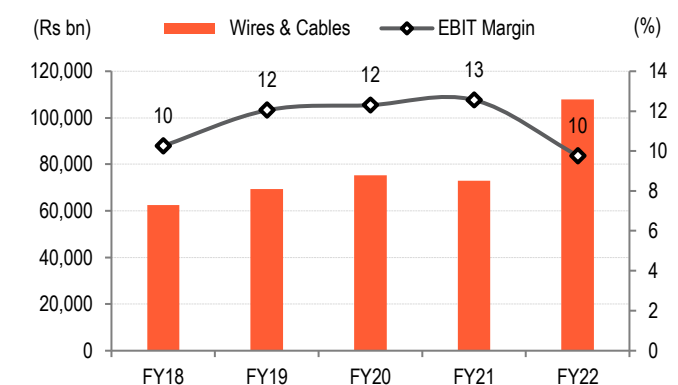


Source: Company, BOBCAPS Research

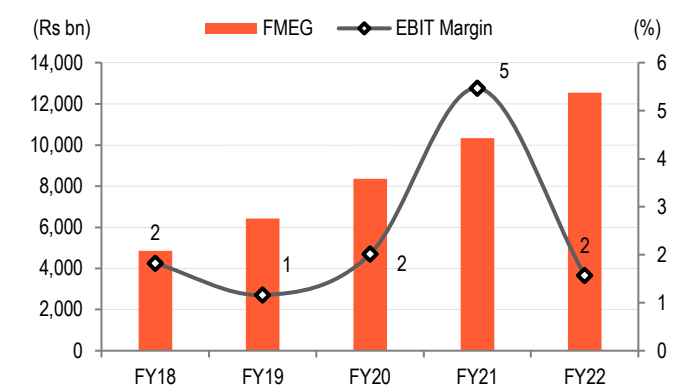
Fig 6 – 1Y fwd P/E valuation



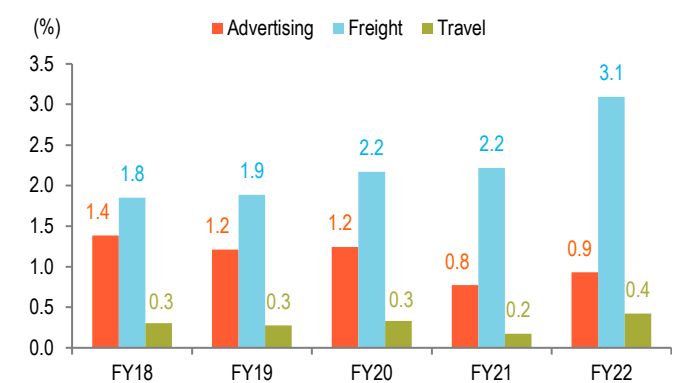
Source: Company, BOBCAPS Research

Fig 7 – W&C segment growth & profitability

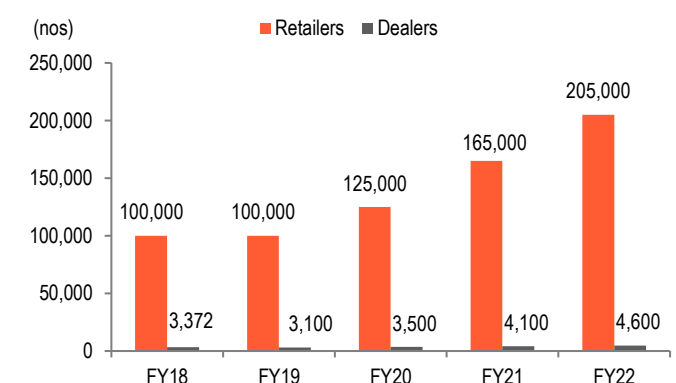
Source: Company, BOBCAPS Research

Fig 8 – FMEG segment growth & profitability

Source: Company, BOBCAPS Research

Fig 9 – Key expenses as % of sales

Source: Company, BOBCAPS Research

Fig 10 – Distribution footprint

Source: Company, BOBCAPS Research

Annual report analysis: Key takeaways

Polycab maintained its leadership in W&C in FY22, albeit at the expense of margins. The FMEG segment continued its momentum (30% CAGR over the last five years), and management expects to grow at twice the market rate with a 12% EBITDA margin in the medium term. The company has reaffirmed its long-term 'Project Leap' strategy with a higher cost-savings target of Rs 200bn (Rs 122bn in FY22) by FY26, implying a 13% CAGR. Its balance sheet remains strong, with an improvement in net cash position. Overall, we remain optimistic on the company's prospects given emerging opportunities for W&C from new-age businesses and ramp-up in the high-growth FMEG segment.

Wires & Cables

- The domestic W&C industry grew by 20-25% in FY22 on the back of higher realisations due to pass-along of rising costs. Polycab's W&C segment grew by 41% to Rs 107bn.
- The company's W&C growth was also driven by the inflation-led rise in price realisations, with cost pressures remaining largely constant throughout the year. Although mostly pass-through, Polycab made the tactical decision to absorb increased prices in select categories within the cables segment in order to bolster market share.
- Special purpose cables witnessed demand traction from rail and EV applications. Telecom (optic fibre) revenue more than doubled in FY22, albeit off a lower base. Management believes the growth surge was backed by traction in data centres, the growing number of mobile devices and increasing adoption of fibre-to-the-home (FTTH).
- Sales of domestic wires, which account for half of segment revenue, increased by 50% in FY22. Growth was broad-based across subcategories, with flexibles (low-duty cables) outpacing housing wires.
- To improve competitiveness in the economy range, the company launched new brand 'Etria'. In addition, it relaunched Polycab Green Wire with a new product proposition that highlights the benefit of its 5-in-1 GreenShield technology.
- Overall, management is optimistic about the medium-to-long-term growth prospects of the W&C business due to traction in the manufacturing sector, one of Polycab's key demand centres, and an upbeat housing sector. Further, sunrise segments such as EVs, renewable energy, data centres, digital connectivity and defence, among others, are expected to be growth levers in the coming years.

FMEG

- In FY22, FMEG growth was also price-driven with most product categories experiencing mid-single-digit to double-digit growth. Consolidation continued and large organised players remained in the lead led by branding and a better understanding of how to deal with uncertainties.
- Polycab's FMEG revenue increased by 21% YoY in FY22. Notably, this segment has clocked a CAGR of 30% over the last five years. That said, profitability has remained under pressure due to poor operating leverage and rising input costs.
- Per the company, the fans and appliances market increased by 9% YoY to Rs 131bn in FY22. During FY22, Polycab introduced over 30 new fan and appliance models in the premium, economy, BLDC, and other categories, with a focus on covering the entire price spectrum.
- The company estimates that the lighting and luminaires industry grew in the high single digits in FY22, owing primarily to price increases. The company's lighting and luminaires business grew significantly faster than the industry, owing to its expanding reach in newer towns, increased penetration in existing major cities, premiumisation initiatives, and leveraging of cross-selling opportunities through product expansion.
- Following the previous year's strategic interventions, Polycab's switchgear business maintained a healthy trajectory – growing more than 50% YoY while the industry grew by 30%.
- Overall, management believes the FMEG industry will grow in the high single digits over the medium term, driven by rising disposable incomes, evolving consumer preferences, technological advancements and premiumisation. Large, organised players are expected to grow at a much faster rate than the broader market as a result of increased consumer awareness, product availability, government regulations and the volatile business environment.

Other highlights

- The company has increased the number of authorised dealers and distributors from 4,100 to 4,600+ as at end-FY22. In addition, its retail outlet reach increased by nearly 25% YoY, from 165,000 to 205,000.
- Advertising & sales promotion rose to Rs 823mn from Rs 163mn, primarily focused on improving brand awareness through both digital and traditional channels.
- As part of its value unlocking strategy, the company merged the heavy duty and light duty cables verticals so as to increase cross-selling opportunities and improve operational proficiency.
- Polycab acquired a 100% stake in Silvan, a manufacturer of IoT-based automation products. Management believes that this, combined with the organic Hohm brand, can strengthen its offering in the Internet of Things (IoT) space.

- Polycab has sold its entire stake in Ryker for Rs 3.2bn owing to low utilisation and the planned divestment of non-core business. Nonetheless, Ryker will continue to supply high-quality copper rods at mutually beneficial prices.
- Management has guided for an annual capex of Rs 3bn-4bn over the next few years, with a focus on greenfield and brownfield projects. The company spent Rs 2bn in FY22 to acquire 55,000sq ft of office space.

Key financial metrics

Fig 11 – Contingent liabilities

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
1. Taxation matters					
sales tax/ VAT demand	359	371	9	4	2
service tax duty demand	-	-	-	18	18
excise duty demand	46	46	86	9	9
custom duty demand	16	22	17	17	17
2. Customs Duty on Capital goods imported	-	51	31	97	46
3. Customs Duty on RM imported	-	6	76	207	190
4. O/s corporate guarantees on behalf of subsidiaries	4,849	1,300	1,244	-	-
5. Claims not acknowledged as debt	-	634	634	-	-
Total	5,269	2,429	2,097	352	282
Net worth	23,476	28,470	38,364	47,539	55,437
CL as a % of Net worth	22.4	8.5	5.5	0.7	0.5

Source: Company, BOBCAPS Research

Fig 12 – Auditor's remuneration

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
Auditor's remunerations	18.5	21.7	10.47	11.35	12.77
as a % of EBITDA	0.3	0.2	0.1	0.1	0.1

Source: Company, BOBCAPS Research

Fig 13 – Working capital management

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22
Account receivables	12,908	13,343	14,336	14,358	12,964
Receivable days	70	61	60	59	39
Inventory	13,657	19,958	19,250	19,879	21,996
Inventory days	74	92	80	82	66
Account Payables	9,221	15,202	13,480	13,480	12,175
Payable days	50	70	56	56	36
Cash conversion cycle	94	83	84	86	68

Source: Company, BOBCAPS Research

Fig 14 – Remuneration of key management personnel (KMP)

Particulars (Rs mn)	FY19	FY20	FY21	FY22
Executive Directors				
Inder T Jaisinghani	86	115	141	138
Ramesh T Jaisinghani	28	31	32	4
Ajay T Jaisinghani	28	31	32	4
Bharat A Jaisinghani	-	-	-	19
Nikhil R Jaisinghani	-	-	-	19
Rakesh Talati	-	-	-	18
Shyam Lal Bajaj	26	31	28	3
Key Management Personnel				
Gandharv Tongia	-	-	15	22
Manita Gonsalves	-	-	1	4
Subramaniam Sai Narayana	3	5	2	-
Total	172	213	252	230
as a % of Employee expense	5.7	5.8	7.0	5.7

Source: Company, BOBCAPS Research

Valuation methodology

Being the market leader in wires and cables, we expect Polycab to not only pass on the higher raw material cost but also to gain market share given its superior product quality. Its recent entry into the economical category via the launch of 'Etira' will help the company cater to all strata of consumers. In addition, we believe the measures taken under Project Leap and constant efforts to strengthen distribution could aid significant market share gains across product categories.

We continue to value the stock at 35x FY24E EPS, a 50% premium to the three-year average, given its strong growth profile and potential rerating towards FMEG valuations. We maintain BUY and an unchanged TP of Rs 3,000.

Fig 15 – Key assumptions

Parameter (Rs bn)	FY22A	FY23E	FY24E
Revenue	122	144	162
EBITDA	12.7	16.2	20.0
EBITDA Margin (%)	10.4	11.3	12.4
EPS (Rs)	55.9	69.6	85.1

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- a drop in demand due to higher commodity prices,
- weakness in the economy which could erode disposable incomes,
- failure to gain market share in the FMEG segment, leading to loss of margins, and
- failure to penetrate into newer FMEG product categories.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	1.1	2,446	3,500	HOLD
Blue Star	BLSTR IN	1.2	958	1,200	HOLD
Crompton Greaves	CROMPTON IN	2.9	360	500	BUY
Dixon Technologies	DIXON IN	2.7	3,618	4,600	BUY
Havells India	HAVL IN	9.1	1,133	1,500	BUY
Orient Electric	ORIENTEL IN	0.8	275	350	HOLD
Polycab India	POLYCAB IN	4.6	2,418	3,000	BUY
V-Guard Industries	VGRD IN	1.3	233	250	HOLD
Voltas	VOLT IN	4.3	1,000	1,250	BUY
Whirlpool India	WHIRL IN	2.6	1,586	2,901	BUY

Source: BOBCAPS Research, NSE | Price as of 7 Jun 2022

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Total revenue	87,298	88,565	1,22,038	1,43,600	1,61,610
EBITDA	10,349	10,969	12,688	16,241	20,062
Depreciation	(1,609)	(1,866)	(2,051)	(2,269)	(2,516)
EBIT	8,740	9,103	10,637	13,972	17,546
Net interest inc./(exp.)	(287)	(404)	(224)	(161)	(650)
Other inc./(exp.)	720	1,154	771	139	139
Exceptional items	1,001	798	0	0	0
EBT	10,100	10,650	11,159	13,950	17,035
Income taxes	(2,444)	(1,791)	(2,706)	(3,530)	(4,310)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(140)	(40)	(113)	0	0
Reported net profit	7,591	8,821	8,365	10,420	12,725
Adjustments	(1,001)	(1,430)	(632)	0	0
Adjusted net profit	6,589	7,391	7,733	10,420	12,725

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Accounts payables	13,480	13,480	12,175	21,638	26,566
Other current liabilities	13,718	13,716	12,429	21,892	26,820
Provisions	256	251	264	264	264
Debt funds	1,221	1,926	1,181	6,610	0
Other liabilities	1,054	1,425	994	994	994
Equity capital	1,489	1,491	1,494	1,494	1,494
Reserves & surplus	36,875	46,048	53,943	62,276	72,923
Shareholders' fund	38,364	47,539	55,437	63,770	74,418
Total liab. and equities	59,616	70,147	74,119	97,343	1,06,309
Cash and cash eq.	2,813	5,313	4,071	7,262	9,368
Accounts receivables	14,336	14,358	12,964	23,605	26,566
Inventories	19,250	19,879	21,996	31,474	35,421
Other current assets	4,100	8,176	12,380	12,380	12,380
Investments	0	0	0	0	0
Net fixed assets	14,203	18,602	16,522	16,451	16,418
CWIP	0	0	0	0	0
Intangible assets	17	71	183	183	183
Deferred tax assets, net	10	0	0	0	0
Other assets	4,887	3,747	6,003	5,987	5,972
Total assets	59,616	70,147	74,119	97,343	1,06,309

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22P	FY23E	FY24E
Cash flow from operations	2,443	12,382	5,116	2,056	13,771
Capital expenditures	(2,901)	(1,870)	(5,265)	(2,183)	(2,467)
Change in investments	0	(304)	0	0	0
Other investing cash flows	35	(8,128)	764	(82)	0
Cash flow from investing	(2,866)	(10,302)	(4,502)	(2,265)	(2,467)
Equities issued/Others	4,000	0	0	0	0
Debt raised/repaid	0	0	0	5,428	(6,610)
Interest expenses	0	0	0	(150)	(639)
Dividends paid	0	0	0	(2,088)	(2,077)
Other financing cash flows	(7,890)	(1,606)	(2,007)	(3,190)	9,326
Cash flow from financing	(3,890)	(1,606)	(2,007)	0	0
Chg in cash & cash eq.	(69)	656	(1,160)	3,109	2,107
Closing cash & cash eq.	2,813	5,313	4,153	7,262	9,368

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22P	FY23E	FY24E
Reported EPS	51.0	59.0	55.9	69.6	85.1
Adjusted EPS	44.3	49.4	51.7	69.6	85.1
Dividend per share	7.0	10.0	14.0	13.9	17.0
Book value per share	257.7	318.8	371.8	427.6	499.1

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22P	FY23E	FY24E
EV/Sales	4.2	4.1	2.9	2.5	2.2
EV/EBITDA	35.1	32.7	28.2	22.0	17.9
Adjusted P/E	54.7	49.0	46.8	34.7	28.4
P/BV	9.4	7.6	6.5	5.7	4.8

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22P	FY23E	FY24E
Tax burden (Net profit/PBT)	72.4	75.0	69.3	74.7	74.7
Interest burden (PBT/EBIT)	104.1	108.2	104.9	99.8	97.1
EBIT margin (EBIT/Revenue)	10.0	10.3	8.7	9.7	10.9
Asset turnover (Rev./Avg TA)	150.6	136.5	169.2	167.5	158.7
Leverage (Avg TA/Avg Equity)	1.7	1.5	1.4	1.4	1.5
Adjusted ROAE	19.7	17.2	15.0	17.5	18.4

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22P	FY23E	FY24E
YoY growth (%)					
Revenue	9.8	1.5	37.8	17.7	12.5
EBITDA	12.7	6.0	15.7	28.0	23.5
Adjusted EPS	46.6	11.6	4.6	34.8	22.1
Profitability & Return ratios (%)					
EBITDA margin	11.9	12.4	10.4	11.3	12.4
EBIT margin	10.0	10.3	8.7	9.7	10.9
Adjusted profit margin	7.5	8.3	6.3	7.3	7.9
Adjusted ROAE	19.7	17.2	15.0	17.5	18.4
ROCE	25.1	20.3	19.9	22.7	24.8
Working capital days (days)					
Receivables	60	59	39	60	60
Inventory	80	82	66	80	80
Payables	56	56	36	55	60
Ratios (x)					
Gross asset turnover	4.6	3.8	4.2	4.4	4.6
Current ratio	2.0	2.4	3.0	2.4	2.7
Net interest coverage ratio	30.4	22.6	47.5	86.6	27.0
Adjusted debt/equity	0.0	0.0	0.0	0.1	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

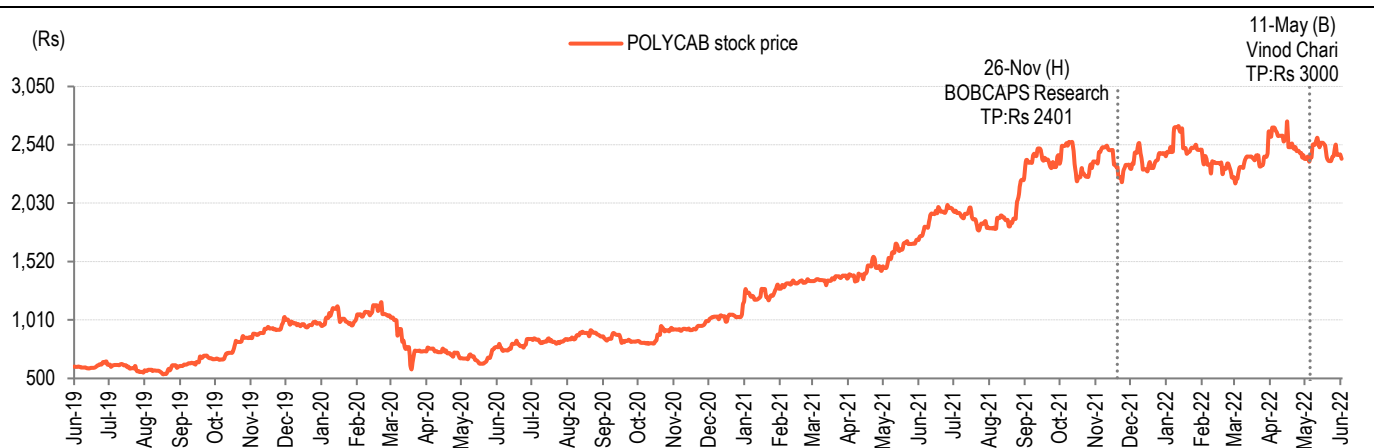
HOLD – Expected return from -6% to +15%

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): POLYCAB INDIA (POLYCAB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Rating distribution

As of 31 May 2022, out of 116 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 69 have BUY ratings, 25 have HOLD ratings, 5 are rated ADD*, 1 is rated REDUCE* and 16 are rated SELL. One company rated ADD has been an investment banking client in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

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 BOBCAPS.

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 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 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.

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. Research analyst Vinod Chari has 875 shares of Voltas (VOLT IN).

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 in the past 12 months. 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.