

BUY

TP: Rs 2,735 | ▲ 15%

SUPREME INDUSTRIES

Plastic Products

23 October 2021

Long-term structural story intact; OPM disappoints

- Strong Q2 revenue growth led by high realisations (+38% YoY) and healthy volumes in plastics (+9% YoY)
- EBITDA margin contracted 250bps YoY to 16.1% as RM-to-sales cost surged 675bps
- We raise earnings and upgrade from HOLD to BUY with a new TP of Rs 2,735 (vs. Rs 1,990) on robust growth and margin prospects

Ruchitaa Maheshwari

researchreport@bobcaps.in

Healthy volume growth, high realisations: SI reported strong revenue growth of 40.3% YoY to Rs 19.3bn led by a robust 32% YoY rise in blended realisations to Rs 186/kg. Overall volumes grew 8.3% YoY and 44.1% QoQ to 1,02,673mt driven by higher offtake in the agriculture and housing segments. Segment-wise, plastic pipe volumes/value grew 9%/50% YoY, packaging products grew 5%/26%, industrial products 10%/39%, and consumer products 4%/30%. We expect revival in construction activity and improving consumer demand to fuel growth ahead.

EBITDA margin contracts 250bps: Gross margin declined 675bps YoY to 31.5% owing to higher polymer prices (up 7-28% QoQ). A decline in total expenses (-250bps YoY) limited the fall in EBITDA margin to 250bps YoY at 16.1%.

Expansion plans on track: SI maintained its capex guidance for FY22 at Rs 5.2bn which it believes can add Rs 9bn to the topline. As per the capex plan, plastic products capacity is slated to increase from ~7kt to ~7.5kt in FY22, with major capacity additions also coming onstream in piping and industrial products. The upcoming plants at Guwahati, Cuttack and Erode are progressing smoothly and are scheduled to become operational between January and May'22.

Robust growth outlook: Management has guided for 3-4% volume growth in plastic products in FY22 and expects a healthy demand climate coupled with capacity additions to support double-digit revenue growth over FY22-FY24. We remain positive on the company's growth and margin prospects supported by incremental capacity as well as improving housing demand and benefits from government schemes such as 'Nal Se Jal'.

Earnings raised; upgrade to BUY: Factoring in higher realisations from rising PVC prices as well as a stronger demand outlook, we raise our FY22/FY23 EPS estimates by 36%/44% and upgrade the stock from HOLD to BUY. We have a revised Sep'22 TP of Rs 2,735 (vs. Rs 1,990), valued at an unchanged 30x FY23E P/E.

Key changes

Target	Rating
▲	▲

Ticker/Price	SI IN/Rs 2,368
Market cap	US\$ 4.0bn
Free float	0%
3M ADV	US\$ 3.4mn
52wk high/low	Rs 2,694/Rs 1,379
Promoter/FPI/DII	49%/10%/41%

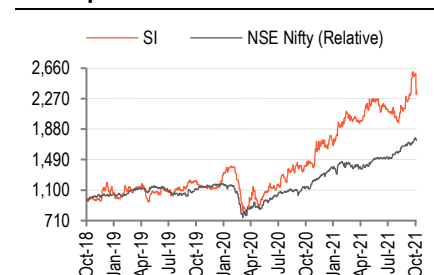
Source: NSE | Price as of 22 Oct 2021

Key financials

Y/E 31 Mar	FY21A	FY22E	FY23E
Total revenue (Rs mn)	63,496	81,985	95,547
EBITDA (Rs mn)	12,786	13,751	16,351
Adj. net profit (Rs mn)	9,592	9,675	11,580
Adj. EPS (Rs)	75.5	76.2	91.2
Consensus EPS (Rs)	75.5	62.1	69.2
Adj. ROAE (%)	35.3	28.5	29.9
Adj. P/E (x)	31.4	31.1	26.0
EV/EBITDA (x)	23.4	21.8	18.5
Adj. EPS growth (%)	97.1	0.9	19.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Earnings call highlights

- **Pipes:** SI saw good demand for CPVC pipes with volumes up 30% YoY in Q2FY22 due to the narrowing price gap with PVC pipes.
- **Packaging:** The company has been able to take price hikes in tarpaulins and other products due to healthy demand. The focus here is to boost exports.
- **Industrial products:** As per management, the H2FY22 outlook for the segment looks promising.
- **Bath fittings:** SI has launched various products during the quarter and expects the segment to clock revenue of Rs 750mn in FY22.
- **Value-added products:** Revenue share was stable at ~40%, with revenue growth of 42% YoY to Rs 7.6bn.
- **PVC prices:** PVC prices continued to trend higher during the quarter and are expected to remain firm for the next six months. The high prices are passed through after a lag of 2-3 weeks.
- **Inventory:** Inventory is high due to stocking of PVC resins and finished goods. During Q2, SI did not have any inventory gain.
- **Outlook:** The PVC segment has no new capacity coming into the market for the next two years (Reliance and Adani's capacity due in FY24) and hence SI expects to witness strong growth over this period. Imports form 55% share of the Indian market. However, ship movement is slow due to Covid-19 and hence reliance on imports has reduced.

As per management, the company will recover loss of business due to the pandemic in H2FY22. It is adding distributors every quarter and expects to take a price hike on 1 November.

- **Balance sheet and cash flows:** Cash levels have reduced by Rs 4.3bn since Mar'21 as a significant increase in inventories stretched working capital.
- **Capex:** The company has ongoing capex of Rs 5.2bn for FY22 at Guwahati, Cuttack and Erode. Expansion is on track and will become operational in phases by May'22.
- **Dividend:** SI has announced dividend of Rs 6/sh during the quarter.

Fig 1 – Quarterly performance

(Rs mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	H2FY22	H2FY21	YoY (%)
Total revenues	19,285	13,748	40.3	13,421	43.7	32,706	24,287	34.7
Total raw material consumed	13,207	8,486	55.6	8,662	52.5	21,869	16,030	36.4
% of sales	68.5	61.7	675bps	64.5	394bps	66.9	66.0	86bps
Employee expense	866	727	19.1	803	7.8	1,669	1,360	22.7
% of sales	4.5	5.3	(80bps)	6.0	(149bps)	5.1	5.6	(50bps)
Power & fuel expense	566	535	5.8	444	27.6	1010	884	14.2
% of sales	2.9	3.9	(96bps)	3.3	(37bps)	3.1	3.6	(55bps)
Other expense	1,539	1,441	6.8	1,292	19.1	2,831	2,283	24.0
% of sales	8.0	10.5	(250bps)	9.6	(165bps)	8.7	9.4	(75bps)
EBITDA	3,108	2,559	21.5	2,220	40.0	5,328	3,730	42.9
EBITDA margin (%)	16.1	18.6	(249bps)	16.5	(43bps)	16.3	15.4	93bps
Depreciation	571	523	9.2	561	1.8	1,132	1,031	9.9
Other income	41	1	5012.5	43	(5.3)	84	4	2236.1
Interest cost	7	25	(72.7)	21	(68.1)	28	103	(72.7)
PBT	2,571	2,011	27.8	1,681	52.9	4,252	2,600	63.6
Taxes	674.7	527.0	28.0	429.6	57.1	1,104.3	673.4	64.0
Effective tax rate (%)	26	26	5bps	26	69bps	26	26	7bps
PAT	1,896	1,484	27.7	1,251	51.5	3,147	1,926	63.4
Share of profit of associate	391	265	47.5	450	(13.1)	841	229	268.0
RPAT	2,287	1,750	30.7	1,702	34.4	3,989	2,155	85.1

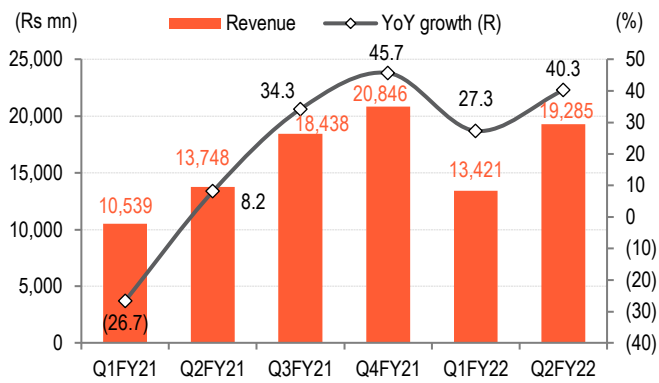
Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)	H2FY22	H2FY21	YoY (%)
Segment revenue								
Plastic Piping Products	12,673	8,473	49.6	8,311	52.5	20,983	16,118	30.2
Industrial Products	2,530	1,815	39.4	1,989	27.2	4,519	2,519	79.4
Packaging Products	2,773	2,198	26.1	2,441	13.6	5,214	4,074	28.0
Consumer Products	1,112	855	30.1	485	129.4	1,596	1,135	40.7
Others	199	408	(51.3)	195	1.7	394	440	(10.5)
Net Revenue from Operations	19,285	13,748	40.3	13,421	43.7	32,706	24,287	34.7
EBIT								
Plastic Piping Products	1,940	1,475	31.5	1,416	37.1	3,356	2,140	56.8
Industrial Products	192	120	60.2	122	57.5	314	44	615.5
Packaging Products	255	256	(0.4)	171	48.7	426	439	(3.0)
Consumer Products	175	127	37.9	6	2722.6	181	82	121.2
Others	22	100	(78.6)	(6)	(483.9)	16	99	(84.0)
Total Segment EBIT	2,584	2,079	24	1,710	51.1	4,293	2,804	53.1
EBIT margin (%)								
Plastic Piping Products	15.3	17.4	(210bps)	17.0	(172bps)	16.0	13.3	272bps
Industrial Products	7.6	6.6	99bps	6.1	146bps	7.0	1.7	521bps
Packaging Products	9.2	11.6	(245bps)	7.0	217bps	8.2	10.8	(261bps)
Consumer Products	15.7	14.8	89bps	1.3	1446bps	11.4	7.2	413bps

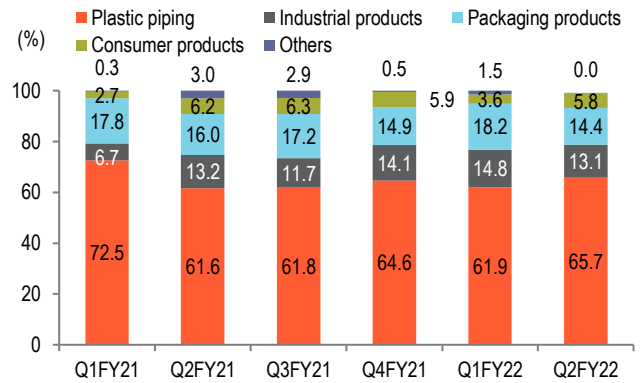
Source: Company, BOBCAPS Research

Fig 3 – Consolidated revenue growth



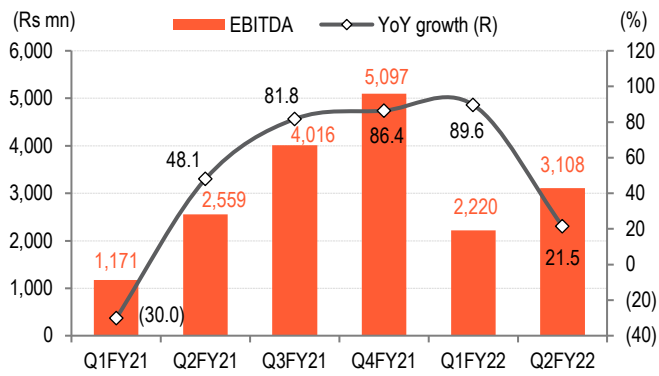
Source: Company, BOBCAPS Research

Fig 4 – Revenue mix



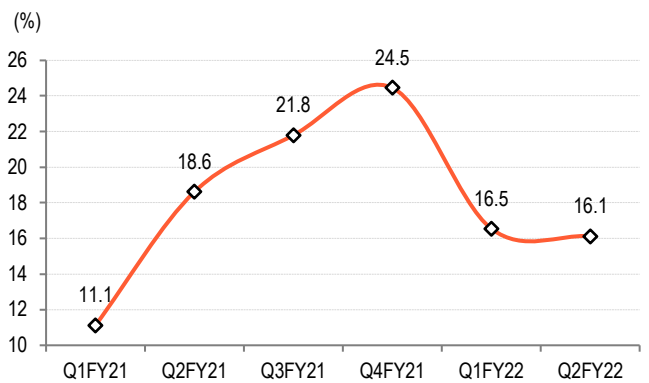
Source: Company, BOBCAPS Research

Fig 5 – Consolidated EBITDA growth



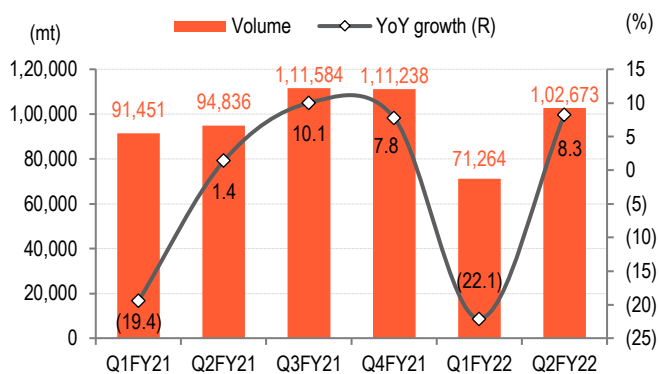
Source: Company, BOBCAPS Research

Fig 6 – Consolidated EBITDA margin



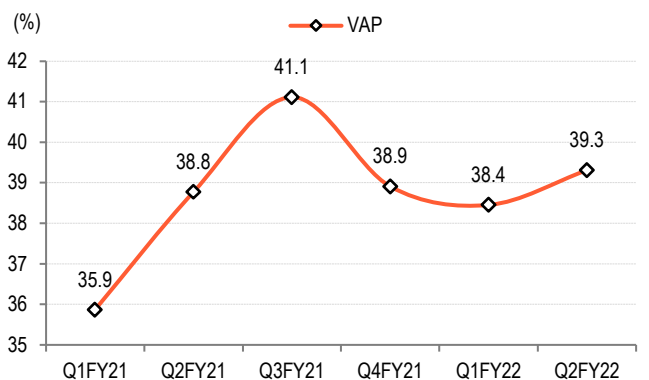
Source: Company, BOBCAPS Research

Fig 7 – Volume growth



Source: Company, BOBCAPS Research

Fig 8 – Revenue share of value-added products



Source: Company, BOBCAPS Research

Fig 9 – Segmental volume growth

(mt)	Q2FY22	Q2FY21	YoY (%)	Q1FY22	QoQ (%)
Plastic Piping	72,480	66,609	8.8	48,111	50.7
Packaging Products	12,905	12,239	5.4	9,512	35.7
Industrial Products	12,390	11,285	9.8	11,532	7.4
Consumer Products	4,898	4,703	4.1	2,109	132.2
Total	1,02,673	94,836	8.3	71,264	44.1

Source: Company, BOBCAPS Research

Valuation methodology

We believe SI is well placed in the plastic piping segment considering its strong product portfolio, large scale of operations, healthy balance sheet and varied products mix. Management has guided for 3-4% volume growth in plastic products in FY22 and expects a healthy demand environment coupled with capacity additions to support double-digit revenue growth over FY22-FY24. Improvement in housing demand and benefits from government schemes such as 'Nal Se Jal' would further bolster growth, in our view.

Factoring in higher realisations from rising PVC prices as well as a stronger demand outlook, we raise our FY22/FY23 EPS estimates by 36%/44% and upgrade the stock from HOLD to BUY. We have a revised Sep'22 TP of Rs 2,735 (vs. Rs 1,990), valued at an unchanged 30x FY23E P/E.

Fig 10 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	81,985	95,547	69,590	78,526	17.8	21.6
EBITDA	13,751	16,351	10,352	11,633	32.8	40.5
PAT	9,675	11,580	7,130	8,048	35.7	43.9
EPS	76.2	91.2	56.1	63.4	35.8	43.8

Source: BOBCAPS Research

Fig 11 – Key assumptions

Parameter	FY21	FY22E	FY23E	FY24E
Volume (mt)				
Plastic Piping	2,94,357	3,06,131	3,55,112	4,04,828
YoY (%)	(2.1)	4.0	16.0	14.0
Packaging Products	54,833	60,865	69,994	78,394
YoY (%)	6.8	11.0	15.0	12.0
Industrial Products	41,451	51,814	58,031	64,995
YoY (%)	7.3	25.0	12.0	12.0
Consumer Products	18,468	22,716	26,123	30,564
YoY (%)	(11.1)	23.0	15.0	17.0
Total	4,09,109	4,41,525	5,09,261	5,78,781
YoY (%)	(0.6)	7.9	15.3	13.7
EBITDA (Rs/kg)	30.3	31.1	32.1	33.3
YoY (%)	49.0	3.0	3.0	4.0

Source: Company, BOBCAPS Research

Fig 12 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	Revenue CAGR FY21-23E (%)	EPS (Rs)		ROE (%)		Target P/E (x)
					FY22E	FY23E	FY22E	FY23E	
Kajaria Ceramics	KJC IN	HOLD	1,405	19.5	24.2	29.8	20.1	23.4	40
Somany Ceramics	SOMC IN	BUY	640	16.4	21.8	29.1	13.2	15.3	22
Greenply Ind	MTLM IN	HOLD	230	18.7	9.2	11.3	23.0	22.9	20
Century Plyboard	CPBI IN	SELL	370	19.5	11.9	14.7	19.1	19.6	25
Cera Sanitaryware	CRS IN	HOLD	4,145	16.1	115.4	138.1	16.2	17.1	30
Astral Ltd	ASTRA IN	SELL	1,210	16.3	20.2	25.2	20.3	22.6	48
Finolex Ind	FNXP IN	HOLD	185	4.2	7.3	7.5	13.9	13.2	24
Supreme Ind	SI IN	BUY	2,735	22.7	76.2	91.2	28.5	29.9	30

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- slowdown in offtake demand,
- adverse commodity price fluctuation which might impact the margin profile, and
- delay in capacity expansion.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Total revenue	55,087	63,496	81,985	95,547	1,10,097
EBITDA	8,563	12,786	13,751	16,351	19,263
Depreciation	(2,057)	(2,128)	(2,406)	(2,727)	(3,024)
EBIT	6,506	10,658	11,346	13,623	16,239
Net interest inc./(exp.)	(297)	(221)	(102)	(90)	(75)
Other inc./(exp.)	84	37	191	248	298
Exceptional items	(192)	189	0	0	0
EBT	6,293	10,473	11,435	13,782	16,461
Income taxes	(1,739)	(2,341)	(3,260)	(3,901)	(4,627)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	312	1,460	1,500	1,700	1,900
Reported net profit	4,674	9,781	9,675	11,580	13,734
Adjustments	192	(189)	0	0	0
Adjusted net profit	4,866	9,592	9,675	11,580	13,734

Balance Sheet

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Accounts payables	5,475	6,462	7,862	9,162	10,557
Other current liabilities	2,347	3,377	3,145	3,665	4,223
Provisions	313	364	574	669	771
Debt funds	4,113	10	500	400	350
Other liabilities	947	919	919	919	919
Equity capital	254	254	254	254	254
Reserves & surplus	22,358	31,438	35,845	41,120	47,376
Shareholders' fund	22,612	31,692	36,099	41,374	47,630
Total liab. and equities	35,807	42,823	49,098	56,189	64,450
Cash and cash eq.	1,614	1,039	2,713	2,791	2,846
Accounts receivables	3,128	3,898	5,166	6,021	6,938
Inventories	8,906	7,608	11,680	13,612	15,685
Other current assets	2,379	2,614	3,145	3,665	4,223
Investments	2,773	10,011	6,011	6,811	8,511
Net fixed assets	15,917	17,033	19,878	21,650	23,126
CWIP	929	508	508	508	508
Intangible assets	160	112	112	112	112
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	35,807	42,823	49,212	55,170	61,949

Cash Flows

Y/E 31 Mar (Rs mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash flow from operations	6,038	14,491	7,690	13,006	15,341
Capital expenditures	(2,953)	(2,774)	(5,250)	(4,500)	(4,500)
Change in investments	(550)	(7,238)	4,000	(800)	(1,700)
Other investing cash flows	(211)	0	0	0	0
Cash flow from investing	(3,714)	(10,012)	(1,250)	(5,300)	(6,200)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	2,500	(4,103)	490	(100)	(50)
Interest expenses	(297)	(221)	(102)	(90)	(75)
Dividends paid	(3,522)	(635)	(5,268)	(6,305)	(7,478)
Other financing cash flows	235	(94)	0	0	0
Cash flow from financing	(1,084)	(5,053)	(4,880)	(6,495)	(7,603)
Chg in cash & cash eq.	1,240	(575)	1,560	1,211	1,538
Closing cash & cash eq.	1,613	1,039	2,599	3,810	5,348

Per Share

Y/E 31 Mar (Rs)	FY20A	FY21A	FY22E	FY23E	FY24E
Reported EPS	36.8	77.0	76.2	91.2	108.1
Adjusted EPS	38.3	75.5	76.2	91.2	108.1
Dividend per share	14.0	14.0	34.3	41.0	48.7
Book value per share	178.0	249.5	284.2	325.7	375.0

Valuations Ratios

Y/E 31 Mar (x)	FY20A	FY21A	FY22E	FY23E	FY24E
EV/Sales	5.4	4.7	3.7	3.2	2.8
EV/EBITDA	34.9	23.4	21.8	18.5	15.7
Adjusted P/E	61.8	31.4	31.1	26.0	21.9
P/BV	13.3	9.5	8.3	7.3	6.3

DuPont Analysis

Y/E 31 Mar (%)	FY20A	FY21A	FY22E	FY23E	FY24E
Tax burden (Net profit/PBT)	79.8	90.0	84.6	84.0	83.4
Interest burden (PBT/EBIT)	93.8	100.0	100.8	101.2	101.4
EBIT margin (EBIT/Revenue)	11.8	16.8	13.8	14.3	14.7
Asset turnover (Rev./Avg TA)	162.6	161.5	178.2	183.1	188.0
Leverage (Avg TA/Avg Equity)	1.5	1.4	1.4	1.3	1.3
Adjusted ROAE	22.0	35.3	28.5	29.9	30.9

Ratio Analysis

Y/E 31 Mar	FY20A	FY21A	FY22E	FY23E	FY24E
YoY growth (%)					
Revenue	(1.8)	15.3	29.1	16.5	15.2
EBITDA	9.6	49.3	7.6	18.9	17.8
Adjusted EPS	32.1	97.1	0.9	19.7	18.6
Profitability & Return ratios (%)					
EBITDA margin	15.5	20.1	16.8	17.1	17.5
EBIT margin	11.8	16.8	13.8	14.3	14.7
Adjusted profit margin	8.8	15.1	11.8	12.1	12.5
Adjusted ROAE	22.0	35.3	28.5	29.9	30.9
ROCE	18.7	28.5	23.8	24.9	26.0
Working capital days (days)					
Receivables	23	20	20	21	21
Inventory	84	75	66	74	75
Payables	43	43	38	39	40
Ratios (x)					
Gross asset turnover	1.9	2.0	2.3	2.3	2.4
Current ratio	1.3	1.5	1.9	1.9	1.9
Net interest coverage ratio	21.9	48.2	111.3	151.4	216.5
Adjusted debt/equity	0.1	0.0	(0.1)	(0.1)	(0.1)

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

Disclaimer

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

BUY – Expected return >+15%

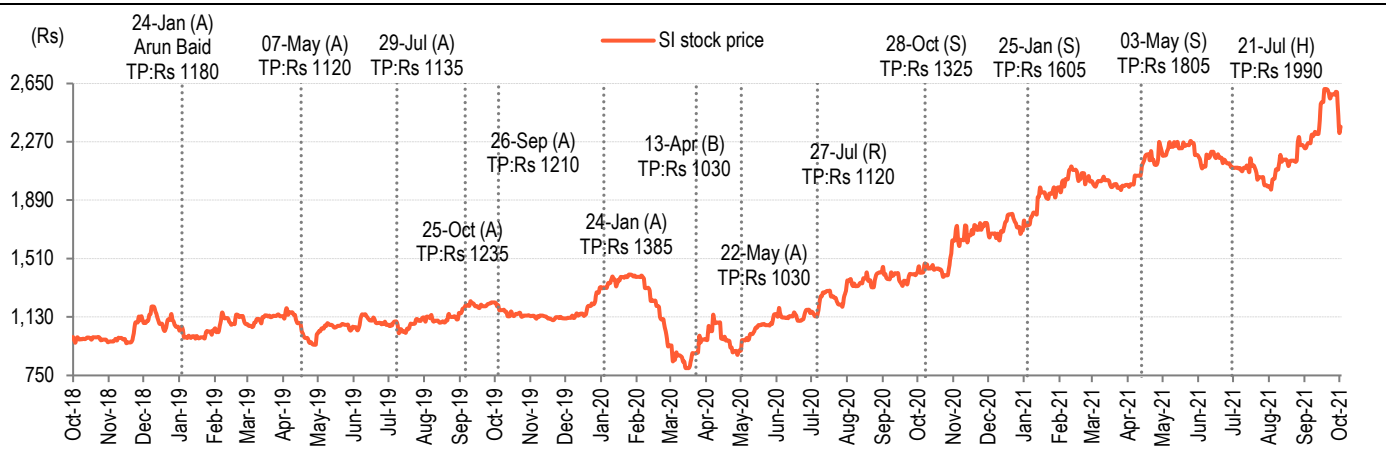
HOLD – Expected return from -6% to +15%

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): SUPREME INDUSTRIES (SI IN)



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

Rating distribution

As of 30 September 2021, out of 105 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 25 have HOLD ratings, 10 are rated ADD*, 2 are rated REDUCE* and 20 are rated SELL. None of these companies have been investment banking clients 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. 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.