

HOLD

TP: Rs 300 | ▲ 1%

V-GUARD INDUSTRIES

Consumer Durables

01 November 2023

Average topline, margins improve

- Q2 topline up 15% YoY with gross margin expansion of 460bps; markets outside South India grew 11%
- Margins guided to rise further in H2 aided by festive season demand
- Our TP stands revised to Rs 300 (vs. Rs 290) on rollover – maintain HOLD

Vinod Chari | Arshia Khosla
 Swati Jhunjhunwala
 research@bobcaps.in

Topline growth average; gross margin shoots up: VGRD posted a Q2FY24 topline of Rs 11.3bn (Rs 10.7bn ex-Sunflame acquisition), growing 15% YoY (8.7% ex-Sunflame). Gross margin swelled 460bps YoY to 33.8% aided by softer raw material prices, whereas EBITDA margin expanded by a lower 80bps YoY to 8.2% owing to higher employee and other expenses. Management expects festive season demand to boost Q3 margins. It further indicated that lower raw material costs have helped with inventory and working capital management, but these benefits are likely to be partly offset by higher A&P spends going forward.

Consumer durables margin subdued: Electrical and electronics segments performed fairly well in Q2, with topline growth of 10% and 12% YoY respectively. EBIT margin expanded 290bps and 20bps YoY respectively, but the consumer durables vertical posted an EBIT loss due to negative operating leverage and low revenue growth of 5% due to subdued demand.

Higher growth in non-South markets: Revenue from VGRD's traditional South India market grew 7% YoY for the quarter whereas the non-southern markets increased by 11%. In terms of mix, markets outside the south contributed close to 44% of the quarter's revenue.

Sunflame disappoints: Sunflame – which the company intends to run as a separate entity – posted a disappointing topline and underperformed the kitchen industry. Though margins for the segment were intact, management believes that the kitchen industry is facing headwinds and that internal gaps in the portfolio undermined the company's performance vis-à-vis peers.

Maintain HOLD: Although VGRD has guided for stronger margins, the company is still facing headwinds in the form of inflation and rising competition in the sector. We thus retain HOLD and continue to value the stock at a 30x P/E multiple, which is a 15% discount to the 3Y average. On rolling valuations over to Sep'25E, we have a revised TP of Rs 300 (vs. Rs 290).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	VGRD IN/Rs 298
Market cap	US\$ 1.6bn
Free float	44%
3M ADV	US\$ 1.8mn
52wk high/low	Rs 335/Rs 229
Promoter/FPI/DII	56%/13%/19%

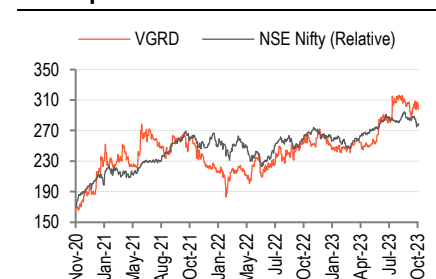
Source: NSE | Price as of 1 Nov 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	41,260	51,095	57,608
EBITDA (Rs mn)	3,199	5,507	6,145
Adj. net profit (Rs mn)	1,891	3,458	3,849
Adj. EPS (Rs)	4.4	8.0	8.9
Consensus EPS (Rs)	4.4	6.6	8.4
Adj. ROAE (%)	12.5	19.8	18.8
Adj. P/E (x)	68.1	37.2	33.5
EV/EBITDA (x)	40.3	23.4	21.0
Adj. EPS growth (%)	(16.9)	82.9	11.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

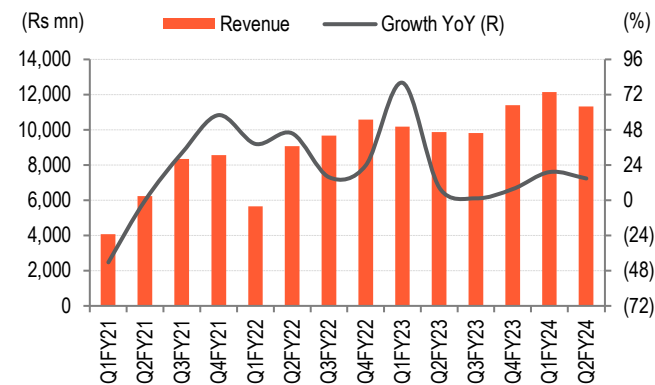
Particulars (Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	11,338	9,861	15.0	12,148	(6.7)	23,485	20,044	17.2
EBITDA	925	727	27.2	1,048	(11.7)	1,972	1,547	27.5
EBITDA Margin (%)	8.2	7.4	80bps	8.6	(50bps)	8.4	7.7	70bps
Depreciation	198	150		198		396	287	
Interest	93	19		109		202	36	
Other Income	142	33		118		260	84	
PBT	775	592	31.0	859	(9.8)	1,634	1,308	24.9
Tax	186	155		217		403	338	
Adjusted PAT	590	437	35.0	642	(8.2)	1,232	970	26.9
Exceptional item	-	-	-	-	-	-	-	-
Reported PAT	590	437	35.0	642	(8.2)	1,232	970	27.0
Adj. PAT Margin (%)	5.2	4.4	80bps	5.3	(10bps)	5.2	4.8	40bps
EPS (Rs)	1.4	1.0	34.8	1.5	(8.2)	2.9	2.2	26.8

Source: Company, BOBCAPS Research

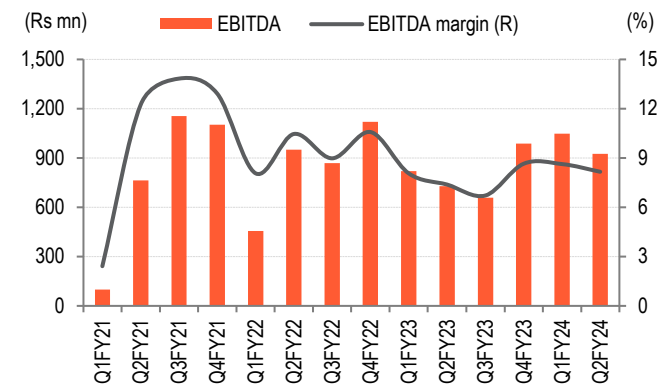
Fig 2 – Segment-wise performance

(Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Revenues													
Consumer Durables	1,634	2,641	2,237	1,497	2,794	3,384	2,959	2,991	3,372	3,537	2,862	3,312	3,547
Growth YoY	(6.6)	30.8	55.2	75.1	71.0	28.1	32.3	99.7	20.7	4.5	(3.3)	10.7	5.2
Electricals	2,886	3,635	3,888	2,565	4,188	4,292	5,152	4,159	4,216	4,358	5,253	4,567	4,623
Growth YoY	2.8	31.6	57.6	38.8	45.1	18.1	32.5	62.1	0.7	1.6	2.0	9.8	9.6
Electronics	1,710	2,074	2,428	1,590	2,092	1,999	2,471	3,034	2,274	1,914	2,717	3,637	2,551
Growth YoY	2.0	34.9	61.5	15.5	22.3	(3.6)	1.8	90.8	8.7	(4.3)	10.0	19.9	12.2
Sunflame	-	-	-	-	-	-	-	-	-	-	569	632	617
EBIT													
Consumer Durables	136	264	89	(59)	85	96	50	38	97	(45)	(11)	9	(9)
Margin (%)	8.3	10.0	4.0	(3.9)	3.0	2.8	1.7	1.3	2.9	(1.3)	(0.4)	0.3	(0.3)
Electricals	287	331	427	254	421	355	555	283	228	397	478	290	383
Margin (%)	9.9	9.1	11.0	9.9	10.1	8.3	10.8	6.8	5.4	9.1	9.1	6.3	8.3
Electronics	306	512	531	207	392	338	431	429	333	222	325	585	378
Margin (%)	17.9	24.7	21.9	13.0	18.7	16.9	17.4	14.1	14.6	11.6	12.0	16.1	14.8
Sunflame	-	-	-	-	-	-	-	-	-	-	80	58	37
Margin (%)	-	-	-	-	-	-	-	-	-	-	14.1	9.2	6.0

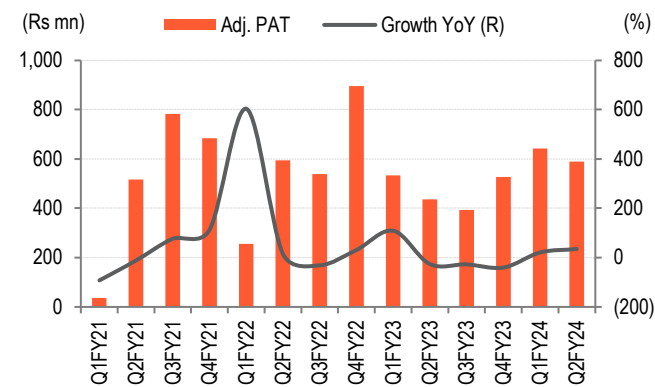
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth trend

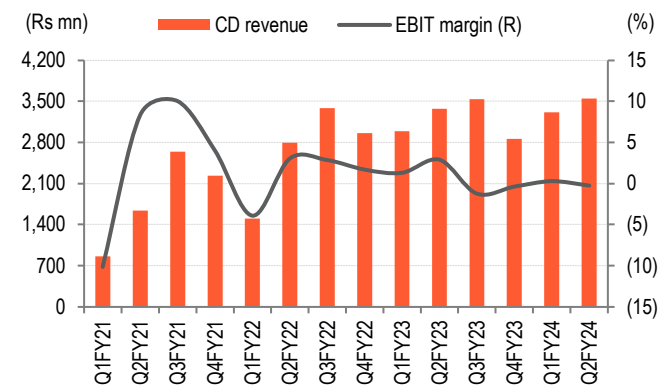
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

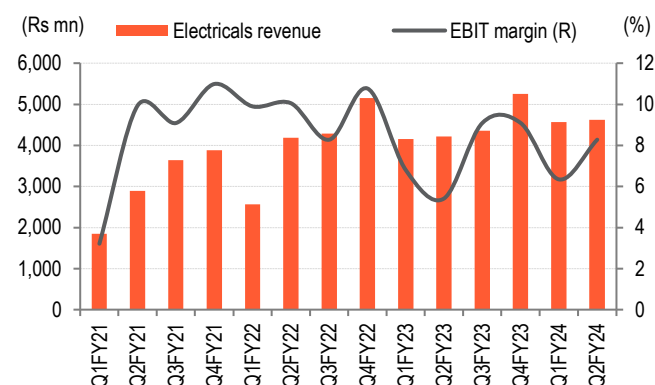
Source: Company, BOBCAPS Research

Fig 5 – Profit growth trend

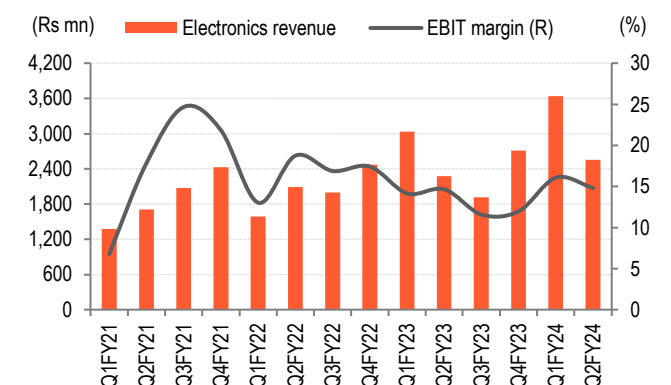
Source: Company, BOBCAPS Research

Fig 6 – Consumer durables (CD) performance

Source: Company, BOBCAPS Research

Fig 7 – Electricals performance

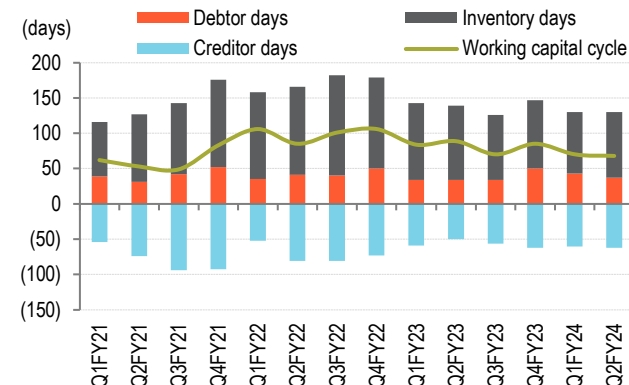
Source: Company, BOBCAPS Research

Fig 8 – Electronics performance

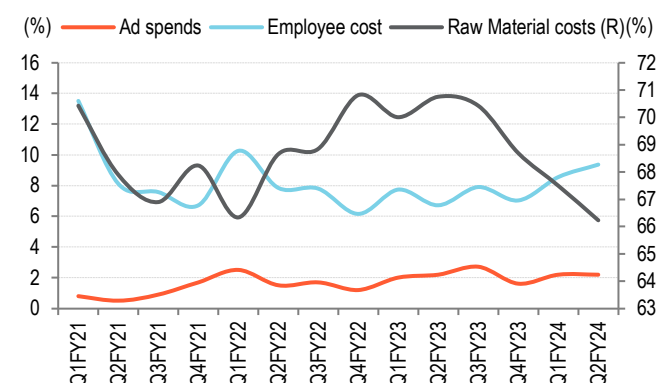
Source: Company, BOBCAPS Research

Fig 9 – Capital levels

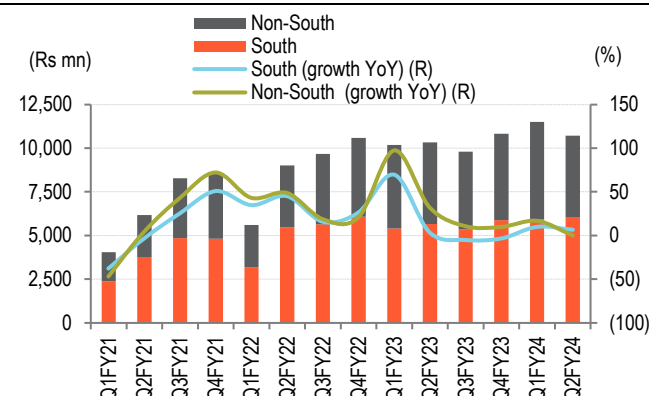
Source: Company, BOBCAPS Research

Fig 10 – Working capital cycle

Source: Company, BOBCAPS Research

Fig 11 – Cost profile

Source: Company, BOBCAPS Research

Fig 12 – Geographical revenue breakup

Source: Company, BOBCAPS Research

Earnings call highlights

- **Expansion:** VGRD's Tanzania plant has reached its planned output, and the new battery and kitchen products units are expected to be commissioned in Q3FY24, followed by ramp-up in the subsequent quarter.
- **Electricals:** The electricals business is VGRD's largest segment, accounting for 41% of the topline and comprising wires, pumps, switchgears, cables and switches. Pumps grew at a normal rate of 8-12% in Q2FY24, but pumps performance was flattish and has not yet returned to normal. Other categories posted strong growth, surpassing that in cables.
- **Sunflame:** The kitchen industry declined sharply during the quarter and Sunflame underperformed the industry. Per management, this is largely due to internal gaps in the portfolio, even as the operating margin is intact at 5.4%.
- **Consumer durables:** The consumer durables segment posted mere 5% YoY topline growth due to subdued demand. Management expects a pickup in the segment with the water heater season coming up and expects full recovery in FY25. Ceiling fans continue to face headwinds on account of the transition from traditional to BLDC (brushless direct current) fans, which makes the clearing of old inventory difficult.

Valuation methodology

VGRD is a prominent player in South India and fast expanding its reach beyond its traditional market. We expect sales of fans and water heaters to accelerate growth in the company's consumer durables segment, in turn offsetting potentially lower revenue from kitchen appliances (Sunflame) due to the slowdown in the kitchen industry. Our FY24/FY25 estimates remain unchanged and we now introduce FY26 forecasts for the company.

Although management has guided for stronger margins, the company is still facing headwinds in the form of inflation and rising competition in the sector. We thus retain HOLD and continue to value the stock at a 30x P/E multiple, which is a 15% discount to the three-year average. On rolling valuations over to Sep'25E, we have a revised TP of Rs 300 (vs. Rs 290). On the whole, we prefer HAVL in the consumer durables space.

Fig 13 – Key assumptions

(Rs mn)	FY24E	FY25E	FY26E
Sales	51,095	57,608	63,234
EBITDA	5,507	6,145	6,989
PAT	3,458	3,849	4,410
EPS (Rs)	8.0	8.9	10.2
EBITDA Margin (%)	10.8	10.7	11.1

Source: Company, BOBCAPS Research

Key risks

- Above-expected growth in northern regions is a key upside risk to our estimates.
- Increased competition in the kitchen appliances segment, resulting in fewer synergistic benefits from the Sunflame acquisition, is a primary downside risk.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Amber Enterprises	AMBER IN	1.2	2,919	2,900	HOLD
Blue Star	BLSTR IN	2.2	934	1,100	BUY
Crompton Greaves	CROMPTON IN	2.1	277	360	BUY
Dixon Technologies	DIXON IN	3.8	5,181	6,300	BUY
Havells India	HAVL IN	9.5	1,241	1,600	BUY
KEI Industries	KEII IN	2.7	2,470	2,400	HOLD
Orient Electric	ORIENTEL IN	0.6	214	250	HOLD
Polycab India	POLYCAB IN	8.9	4,901	6,100	BUY
V-Guard Industries	VGRD IN	1.6	298	300	HOLD
Voltas	VOLT IN	3.3	830	910	HOLD

Source: BOBCAPS Research, NSE | Price as of 1 Nov 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	35,002	41,260	51,095	57,608	63,234
EBITDA	3,402	3,199	5,507	6,145	6,989
Depreciation	491	644	799	966	1,116
EBIT	2,911	2,555	4,708	5,179	5,873
Net interest inc./(exp.)	(79)	(162)	(268)	(238)	(208)
Other inc./(exp.)	108	164	184	206	231
Exceptional items	0	0	0	0	0
EBT	2,940	2,557	4,624	5,147	5,896
Income taxes	655	667	1,165	1,297	1,486
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,277	1,891	3,458	3,849	4,410
Adjustments	0	0	0	0	0
Adjusted net profit	2,277	1,891	3,458	3,849	4,410

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	4,880	4,885	7,699	8,681	9,528
Other current liabilities	1,166	1,814	2,247	2,533	2,781
Provisions	0	0	0	0	0
Debt funds	118	4,196	2,679	2,379	2,079
Other liabilities	732	2,097	2,597	2,928	3,214
Equity capital	432	432	432	432	432
Reserves & surplus	13,638	15,644	18,454	21,569	25,157
Shareholders' fund	14,070	16,076	18,886	22,001	25,589
Total liab. and equities	20,966	29,069	34,108	38,522	43,192
Cash and cash eq.	613	670	67	122	1,084
Accounts receivables	4,841	5,687	6,999	8,207	9,009
Inventories	8,596	7,674	11,199	13,415	15,592
Other current assets	1,152	1,021	1,265	1,426	1,565
Investments	0	0	0	0	0
Net fixed assets	4,842	5,683	5,884	6,418	6,803
CWIP	92	237	293	331	363
Intangible assets	200	6,822	6,822	6,822	6,822
Deferred tax assets, net	0	0	0	0	0
Other assets	631	1,274	1,578	1,779	1,953
Total assets	20,966	29,069	34,108	38,522	43,192

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	1,390	4,238	2,423	2,497	3,504
Capital expenditures	0	(1,012)	(1,000)	(1,500)	(1,500)
Change in investments	0	(6,615)	0	0	0
Other investing cash flows	(1,198)	(85)	140	92	80
Cash flow from investing	(1,198)	(7,712)	(860)	(1,408)	(1,420)
Equities issued/Others	0	1	0	0	0
Debt raised/repaid	(12)	1,349	(1,517)	(300)	(300)
Interest expenses	0	0	0	0	0
Dividends paid	(603)	1,912	(648)	(735)	(821)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(615)	3,262	(2,165)	(1,035)	(1,121)
Chg in cash & cash eq.	(423)	(212)	(603)	55	962
Closing cash & cash eq.	613	670	67	122	1,084

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	5.3	4.4	8.0	8.9	10.2
Adjusted EPS	5.3	4.4	8.0	8.9	10.2
Dividend per share	1.3	1.3	1.5	1.7	1.9
Book value per share	32.6	37.2	43.7	50.9	59.2

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	3.7	3.1	2.5	2.2	2.0
EV/EBITDA	37.9	40.3	23.4	21.0	18.4
Adjusted P/E	56.6	68.1	37.2	33.5	29.2
P/BV	9.2	8.0	6.8	5.9	5.0

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	77.5	73.9	74.8	74.8	74.8
Interest burden (PBT/EBIT)	101.0	100.1	98.2	99.4	100.4
EBIT margin (EBIT/Revenue)	8.3	6.2	9.2	9.0	9.3
Asset turnover (Rev./Avg TA)	7.2	7.3	8.7	9.0	9.3
Leverage (Avg TA/Avg Equity)	0.4	0.4	0.3	0.3	0.3
Adjusted ROAE	17.4	12.5	19.8	18.8	18.5

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	28.6	17.9	23.8	12.7	9.8
EBITDA	9.0	(6.0)	72.1	11.6	13.7
Adjusted EPS	13.4	(16.9)	82.9	11.3	14.6
Profitability & Return ratios (%)					
EBITDA margin	9.7	7.8	10.8	10.7	11.1
EBIT margin	8.3	6.2	9.2	9.0	9.3
Adjusted profit margin	6.5	4.6	6.8	6.7	7.0
Adjusted ROAE	17.4	12.5	19.8	18.8	18.5
ROCE	17.6	11.7	17.5	17.5	17.5

Working capital days (days)

Receivables	45	47	50	52	52
Inventory	78	72	80	85	90
Payables	50	43	55	55	55

Ratios (x)

Gross asset turnover	6.1	5.8	6.1	6.0	5.7
Current ratio	2.5	1.8	1.9	2.0	2.2
Net interest coverage ratio	36.9	15.8	17.6	21.8	28.2
Adjusted debt/equity	0.0	0.3	0.1	0.1	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

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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

BUY – Expected return >+15%

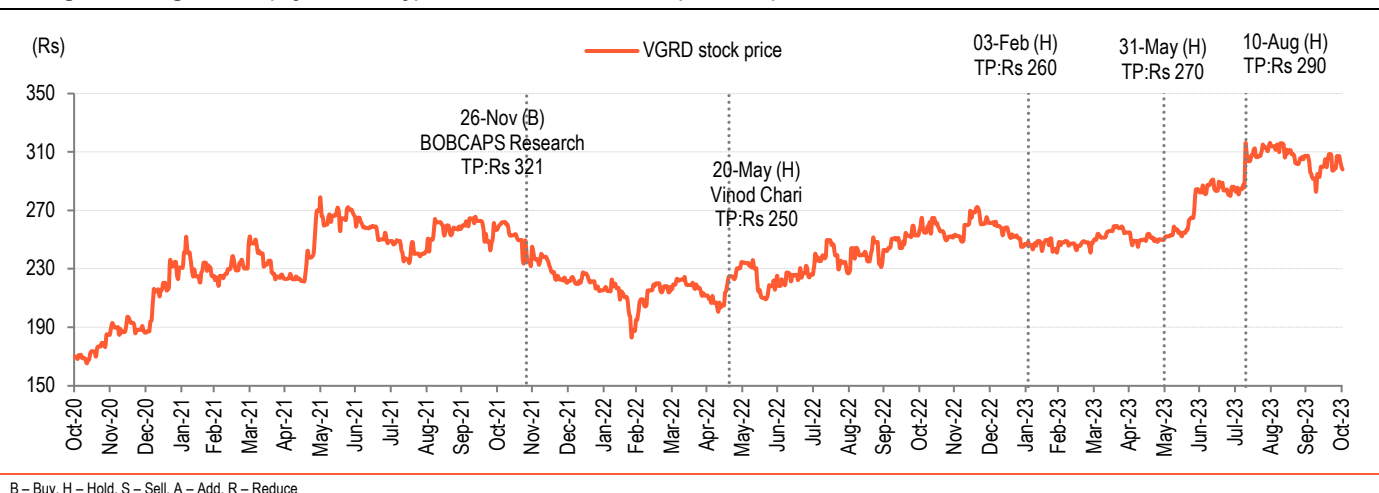
HOLD – Expected return from -6% to +15%

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): V-GUARD INDUSTRIES (VGRD 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 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. 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, except for Research Analyst Vinod Chari having 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 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.