

HOLD

TP: Rs 140 | ▲ 10%

ORIENT CEMENT

Cement

04 May 2023

Listless performance

- Focus on realisation gains curbed Q4 volume growth at 5% YoY, indicating lacklustre demand in key areas
- Operating efficiencies lags behind industry, keeping margins under pressure
- Maintain HOLD for a TP of Rs 140 (unchanged), valuing the stock at 5x FY25E EV/EBITDA

Milind Raginwar | Yash Thakur
 research@bobcaps.in

Steady revenue growth, focus on realisation gains: ORCMNT's Q4FY23 revenue grew 9% YoY (+20% QoQ) to Rs 8.7bn. Volume recovery was slow at 5% YoY (+20% QoQ) to 1.7mn tonnes as the company focused on realisation gains (+4% YoY, flat QoQ as prices were 0.5% lower than Q3).

Cost driven by high energy cost, softening QoQ: Operating cost rose 8% YoY (-5% QoQ) to Rs 4,287/t due to higher energy expenses which climbed 22% YoY (+2% QoQ) to Rs 1,620/t (Rs 2,242/t adjusting for raw material cost, +15% YoY, flat QoQ). Logistics cost rose 6% YoY (-1% QoQ) to Rs 1,364/t owing to higher transportation by road during Q4 (84% from 75% in the year-ago quarter) and average distance slightly above 300km. Other expenditure declined 6% YoY (-2% QoQ) to Rs 797mn.

Cost inflation keeps margins under pressure: EBITDA declined 9% YoY (+54% QoQ) to Rs 1.4bn with 315bps YoY margin contraction to 15.9% (+360bps QoQ from a lower base of 12.3%). EBITDA/t was at Rs 812/t vs. Rs 933/t in Q4FY22. Adj. PAT fell 8% YoY (+145% QoQ) to Rs 674mn.

Capacity expansion plans: Chittapur expansion will double capacity from the current 3mt (2mt clinker), with work to commence from Q3FY24. Devapur expansion is guided to be delayed until the grinding unit is under construction as the Tiroda project has been cancelled. The company plans to set up a 2mt grinding unit at Madhya Pradesh, with work to commence by FY26.

Performance triggers weak, retain HOLD: We expect the pace of capacity expansion to slow considerably following the cancellation of Tiroda plans and attendant delays for the linked Devapur clinkerisation. The Chittapur and Madhya Pradesh grinding units are unlikely to fructify before FY26. This would guard the balance sheet from stress but cap growth triggers. Cost inflation is likely to constrain margin gains as well. We thus maintain our HOLD rating for a TP of Rs 140 (unchanged), valuing the stock at 5x FY25E EV/EBITDA, which implies a replacement cost of Rs 40bn/mt – 42% below the industry average.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ORCMNT IN/Rs 127
Market cap	US\$ 317.5mn
Free float	62%
3M ADV	US\$ 0.7mn
52wk high/low	Rs 149/Rs 96
Promoter/FPI/DII	38%/6%/11%

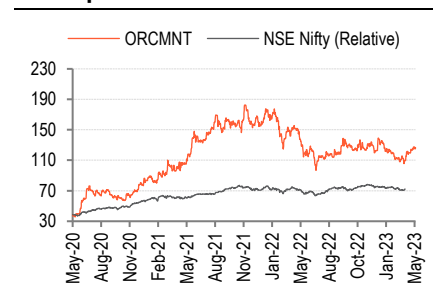
Source: NSE | Price as of 4 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	29,375	37,917	42,259
EBITDA (Rs mn)	3,738	4,693	6,017
Adj. net profit (Rs mn)	1,228	1,757	2,725
Adj. EPS (Rs)	6.0	8.6	13.3
Consensus EPS (Rs)	6.0	11.7	12.4
Adj. ROAE (%)	7.8	10.5	14.6
Adj. P/E (x)	21.1	14.8	9.5
EV/EBITDA (x)	7.7	5.8	4.3
Adj. EPS growth (%)	(53.4)	43.1	55.1

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

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY23	Q3FY23	Our view
Volume and Realisation	Volume target for FY24 is 6.5mt. Pricing 0.5% lower than Q3FY23. OPC share has gone up to 43%; thus, capacity utilisation of clinker is 98% and cement 80%. Trade sales reduced to 51% from 61% a year-ago. Premium product share increased 22% YoY. Exposure to the western region rose to 61% from 53% a year-ago.	Volumes guided to grow above 10% in FY24 though ORCMNT is targeting growth above 15%. Capacity utilisation was above 70% in Q3, and management expects sale volumes of ~5.8mt for FY23. Share of B2B was above 51% against 41% in Q3FY22. OPC share has gone up to 47%. Better traction seen in the western region with 56% share of volumes sold.	Volume target looks achievable but shift towards OPC will put margins under pressure.
Margin	The fuel mix is 53% domestic coal, 35% pet coke and alternative fuel for the balance. Power and fuel cost stood at Rs 1,570/t, an increase of 19% YoY, with pet coke prices softening (benefits to accrue with a lag). There has been no change in domestic coal price.	Power and fuel cost was below Rs 2.2/kcal. The fuel mix was equally divided between domestic coal and pet coke at 40% and the rest towards alternate fuel and raw material. Management expects coal prices to soften but pet coke prices to remain high.	No major operating efficiency levers; fuel cost the only major respite.
Capacity	Chittapur expansion will double capacity from the current 3mt (2mt clinker); work to commence from Q3FY24. Plans to set up a 2mt grinding unit at Madhya Pradesh; work to commence by FY26.	NA	Capacity expansion unlikely in the near term.
Capex	Chittapur expansion to cost Rs 15bn-16bn, of which Rs 6bn is to be spent in FY24. Capex for Devapur forest clearance will be Rs 1.5bn and land acquisition for Rajasthan greenfield will cost Rs 1bn. Total capex including for waste heat recovery system and solar plant guided at Rs 10.5bn for FY24.	Capex for FY23 to be limited to Rs 1.5bn.	Aggressive capex plan; needs equally aggressive execution which is unlikely.
Debt	Total debt of Rs 4bn. Management expects debt to be in the range of Rs 6bn-7bn towards capacity expansion, with a maximum debt/equity ratio of 1.5x.	Total debt as on date was ~Rs 4bn, of which interest-bearing debt was ~Rs 3.7bn	Debt commentary indicative of only grinding unit addition in the near future.

Source: Company, BOBCAPS Research

Fig 2 – Key metrics

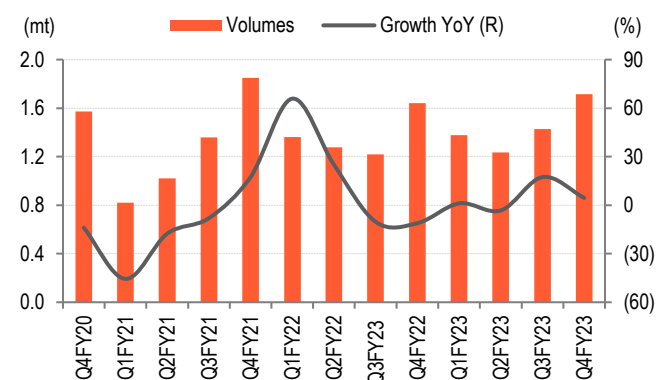
(Rs)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Volumes (mn mt)	1.7	1.6	4.6	1.4	20.1
Cement realisations (Rs/mt)	5,099	4,893	4.2	5,121	(0.4)
Operating costs (Rs/mt)	4,287	3,959	8.3	4,489	(4.5)
EBITDA (Rs/mt)	812	933	(13.0)	632	28.5

Source: Company, BOBCAPS Research

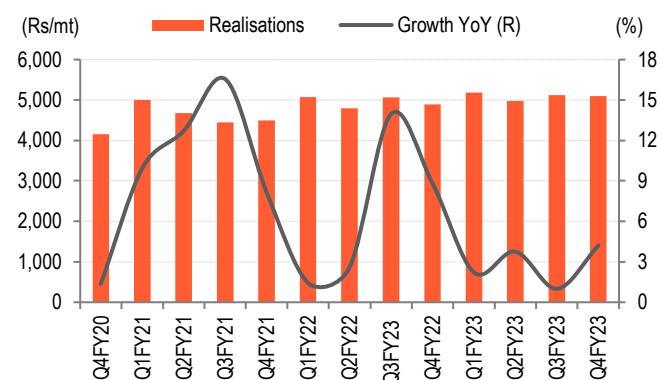
Fig 3 – Quarterly performance

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Net Sales	8,760	8,039	9.0	7,323	19.6
Expenditure					
Change in stock	(206)	(86)		(44)	
Raw material	1,274	1,104	15.5	989	28.8
purchased products	0	0	0.0	0	0
Power & fuel	2,783	2,183	27.5	2,274	22.4
Freight	2,344	2,119	10.6	1,963	19.4
Employee costs	372	340	9.7	426	(12.5)
Other expenditure	797	845	(5.7)	811	(1.8)
Total Operating Expenses	7,366	6,505	13.2	6,420	14.7
EBITDA	1,395	1,533	(9.1)	903	54.4
EBITDA margin (%)	15.9	19.1	(316bps)	12.3	358bps
Other Income	48	20	143.9	11	328.0
Interest	95	49	95.1	97	(1.9)
Depreciation	365	366	(0.4)	371	(1.7)
PBT	983	1,138	(13.6)	446	120.2
Non-recurring items	-	-	-	-	-
PBT (after non-recurring items)	983	1,138	(13.6)	446	120.2
Tax	309	406		171	80.5
Tax Rate (%)	31	36	(11.8)	38	
Reported PAT	674	732	(8.0)	275	144.9
Adjusted PAT	674	732	(8.0)	275	144.9
NPM (%)	7.7	9.1	(15.6)	3.8	393bps
Adjusted EPS (Rs)	3.3	3.6	(8.0)	1.3	144.9

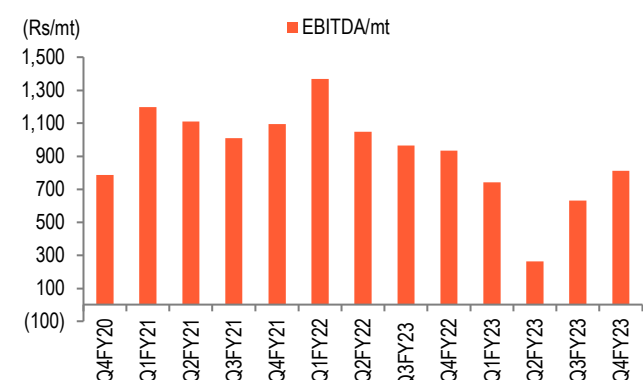
Source: Company, BOBCAPS Research

Fig 4 – Volume growth continues to be restricted

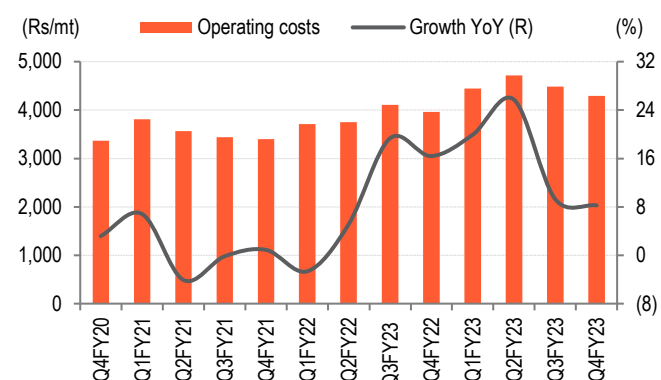
Source: Company, BOBCAPS Research

Fig 5 – Non-remunerative markets dent realisation gains

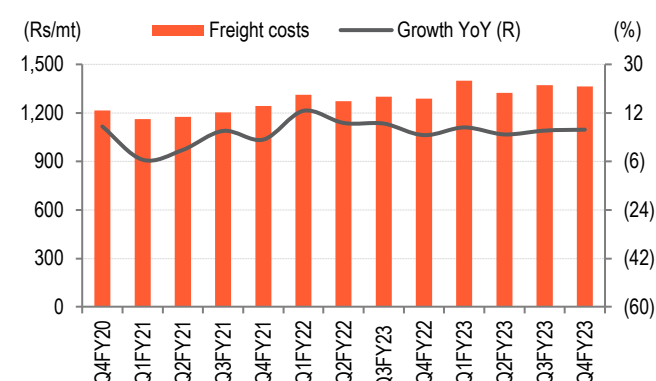
Source: Company, BOBCAPS Research

Fig 6 – Operating profits continue to be under pressure

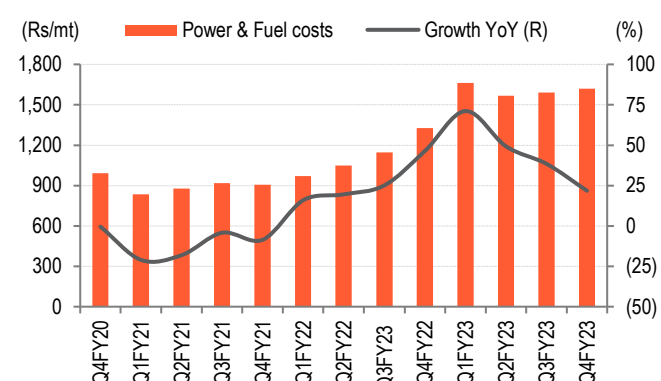
Source: Company, BOBCAPS Research

Fig 7 – Limited cost respite

Source: Company, BOBCAPS Research

Fig 8 – Logistics cost stays elevated, above the industry

Source: Company, BOBCAPS Research

Fig 9 – Fuel cost respite as coal/pet coke prices soften

Source: Company, BOBCAPS Research

Valuation methodology

We model for a modest revenue CAGR of 11% for ORCMNT over FY22-FY25 with flat EBITDA and PAT growth. On the capacity expansion front, we anticipate a considerable slowdown following the cancellation of Tiroda (Maharashtra) plans and attendant delays for the linked Devapur (Telangana) clinkerisation. Further, the Chittapur (Karnataka) and Madhya Pradesh grinding units are unlikely to fructify before FY26. This would guard the balance sheet from stress but cap growth triggers. Cost inflation is likely to constrain margin gains as well.

We thus maintain our HOLD rating for a TP of Rs 140 (unchanged), valuing the stock at 5x FY25E EV/EBITDA, which implies a replacement cost of Rs 40bn/mt – 42% below the industry average. Though our valuation is at a steep discount to the industry, we believe maintaining the critical balance between balance sheet stress and growth will be the key for ORCMNT and expect the discount to shrink once clarity on growth and margin improvement emerges.

Fig 10 – Key assumptions

Parameter	FY22	FY23	FY24E	FY25E
Volumes (mt)	5.5	5.8	6.5	7.1
Realisations (Rs/mt)	5,555	5,100	5,793	5,924
Operating costs (Rs/mt)	4,512	4,467	5,091	5,094
EBITDA/mt (Rs)	1,059	633	703	830

Source: Company, BOBCAPS Research

Fig 11 – Valuation summary

Business (Rs mn)	FY25E
Target EV/EBITDA (x)	5
EBITDA	6,017
Target EV	28,882
Total EV	28,882
Net debt	200
Target market capitalization	28,682
Target price (Rs/sh)	140
Weighted average shares (mn)	205

Source: BOBCAPS Research

Fig 12 – Peer comparison

Ticker	Rating	TP (Rs)	EV/EBITDA (x)			EV/tonne (US\$)			ROE (%)			ROCE (%)		
			FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
ORCMNT IN	HOLD	140	7.6	5.7	4.3	43	41	39	7.8	10.5	14.6	10.6	14.1	19.0
STRCEM IN	BUY	138	12.2	10.6	7.6	111	129	120	9.6	10.7	13.3	13.3	15.4	18.1
JKLC IN	SELL	551	13.7	12.1	10.8	98	96	105	12.7	13.6	14.6	16.8	17.7	17.4

Source: Company, BOBCAPS Research

Key risks

- Faster softening of fuel cost than expected will be a key upside risk to earnings.
- Any further competitive pressure in key operating regions will increase the downside risk to earnings.
- Prolonged demand weakness will translate into stress on realisations and could prove detrimental to growth.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
ACC	ACC IN	4.1	1,766	1,964	HOLD
Ambuja Cements	ACEM IN	9.4	388	375	HOLD
Dalmia Bharat	DALBHARA IN	4.6	2,024	1,917	HOLD
JK Cement	JKCE IN	2.9	3,024	3,371	BUY
JK Lakshmi Cement	JKLC IN	1.1	767	551	SELL
Orient Cement	ORCMNT IN	0.3	127	140	HOLD
Shree Cement	SRCM IN	10.8	24,456	24,656	HOLD
Star Cement	STRCEM IN	0.6	123	138	BUY
The Ramco Cements	TRCL IN	2.2	754	534	SELL
Ultratech Cement	UTCEN IN	26.5	7,502	8,678	BUY

Source: BOBCAPS Research, NSE | Price as of 4 May 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Total revenue	25,652	30,640	29,375	37,917	42,259
EBITDA	5,507	5,911	3,738	4,693	6,017
Depreciation	(1,419)	(1,452)	(1,468)	(1,581)	(1,483)
EBIT	4,272	4,555	2,297	3,186	4,611
Net interest inc./(exp.)	(936)	(514)	(378)	(342)	(300)
Other inc./(exp.)	183	96	27	74	77
Exceptional items	0	0	0	0	0
EBT	3,336	4,040	1,919	2,844	4,310
Income taxes	(1,194)	(1,407)	(691)	(1,087)	(1,586)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	2,142	2,633	1,228	1,757	2,725
Adjustments	0	0	0	0	0
Adjusted net profit	2,142	2,633	1,228	1,757	2,725

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Accounts payables	1,844	2,310	2,397	3,104	3,385
Other current liabilities	2,665	2,599	3,252	2,676	2,715
Provisions	903	802	854	827	839
Debt funds	7,838	3,135	3,383	2,614	2,549
Other liabilities	1,811	2,517	2,869	2,912	2,955
Equity capital	205	205	205	205	205
Reserves & surplus	12,854	15,050	15,832	17,282	19,700
Shareholders' fund	13,059	15,255	16,037	17,487	19,905
Total liab. and equities	28,121	26,617	28,792	29,619	32,349
Cash and cash eq.	362	438	743	1,719	2,474
Accounts receivables	1,102	1,273	1,689	2,026	2,258
Inventories	1,705	1,866	3,509	2,285	2,547
Other current assets	1,315	1,391	1,353	1,614	1,740
Investments	1,151	100	0	0	0
Net fixed assets	21,228	20,292	20,042	19,024	18,068
CWIP	413	398	516	1,850	4,000
Intangible assets	844	859	940	1,101	1,262
Deferred tax assets, net	0	0	0	0	0
Other assets	0	0	0	0	0
Total assets	28,120	26,617	28,792	29,619	32,349

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Cash flow from operations	5,467	4,653	1,880	4,110	4,103
Capital expenditures	(517)	(463)	(1,478)	(2,058)	(2,974)
Change in investments	(1,151)	1,051	58	(83)	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(1,668)	587	(1,420)	(2,142)	(2,974)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(3,532)	(4,703)	248	(769)	(65)
Interest expenses	0	0	0	0	0
Dividends paid	(256)	(461)	(307)	(307)	(307)
Other financing cash flows	(10)	0	(138)	0	0
Cash flow from financing	(3,798)	(5,164)	(197)	(1,076)	(372)
Chg in cash & cash eq.	2	76	263	893	756
Closing cash & cash eq.	362	438	743	1,719	2,474

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23P	FY24E	FY25E
Reported EPS	10.5	12.9	6.0	8.6	13.3
Adjusted EPS	10.5	12.9	6.0	8.6	13.3
Dividend per share	1.3	2.2	1.5	1.5	1.5
Book value per share	63.7	74.5	78.3	85.4	97.2

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23P	FY24E	FY25E
EV/Sales	1.3	0.9	1.0	0.7	0.6
EV/EBITDA	6.1	4.8	7.7	5.8	4.3
Adjusted P/E	12.1	9.9	21.1	14.8	9.5
P/BV	2.0	1.7	1.6	1.5	1.3

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23P	FY24E	FY25E
Tax burden (Net profit/PBT)	64.2	65.2	64.0	61.8	63.2
Interest burden (PBT/EBIT)	78.1	88.7	83.6	89.3	93.5
EBIT margin (EBIT/Revenue)	16.7	14.9	7.8	8.4	10.9
Asset turnover (Rev./Avg TA)	89.8	112.0	106.0	129.8	136.4
Leverage (Avg TA/Avg Equity)	2.4	1.9	1.8	1.7	1.7
Adjusted ROAE	17.7	18.6	7.8	10.5	14.6

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23P	FY24E	FY25E
YoY growth (%)					
Revenue	(1.1)	19.4	(4.1)	29.1	11.5
EBITDA	43.8	7.3	(36.8)	25.6	28.2
Adjusted EPS	147.3	22.9	(53.4)	43.1	55.1

Profitability & Return ratios (%)

EBITDA margin	21.5	19.2	12.7	12.3	14.2
EBIT margin	16.6	14.8	7.8	8.4	10.9
Adjusted profit margin	8.3	8.6	4.2	4.6	6.4
Adjusted ROAE	17.7	18.6	7.8	10.5	14.6
ROCE	18.4	20.9	10.6	14.1	19.0

Working capital days (days)

Receivables	16	15	21	20	20
Inventory	24	22	44	22	22
Payables	33	34	34	34	34

Ratios (x)

Gross asset turnover	0.9	1.0	0.9	1.2	1.3
Current ratio	0.8	0.9	1.1	1.2	1.3
Net interest coverage ratio	4.6	8.9	6.1	9.3	15.4
Adjusted debt/equity	0.6	0.2	0.2	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%

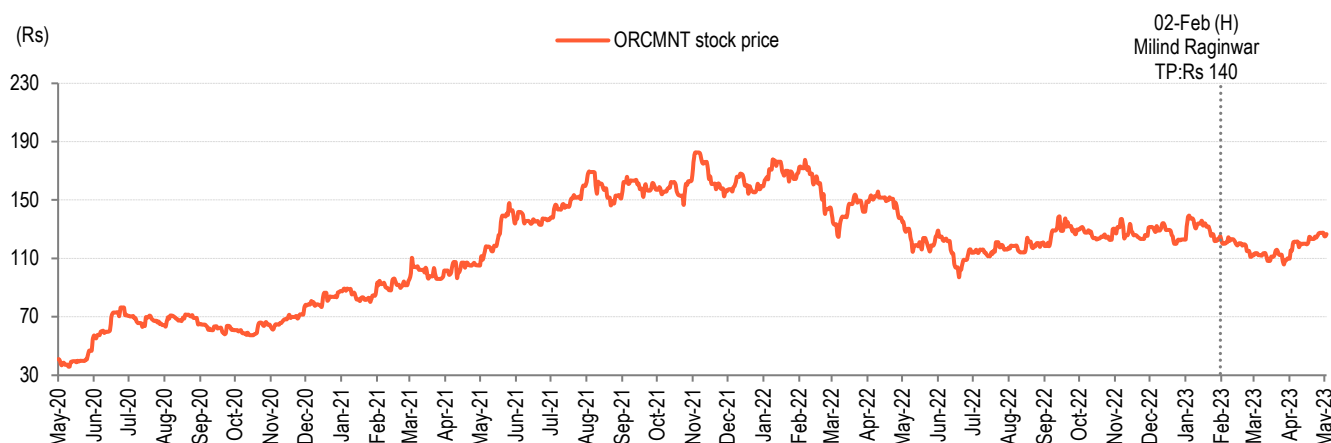
HOLD – Expected return from -6% to +15%

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): ORIENT CEMENT (ORCMNT 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. 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.