

ROLEX RINGS LIMITED

Issue highlights

- ❑ **Rolex Rings Limited ("Rolex Rings")** was originally started as a business in partnership under the name of 'Rolex Industries' in 1977-1978. The partnership firm was, thereafter, converted into a joint stock company in the name of 'Rolex Rings Private Limited', as on February 13, 2003. Rolex Rings is one of the top five forging companies in India and a manufacturer and global supplier of **hot rolled forged and machined bearing rings, and automotive components** for segments of vehicles including two wheelers, passenger vehicles, commercial vehicles, off-highway vehicles, electric vehicles), industrial machinery, wind turbines and railways, amongst other segments.
- ❑ Rolex Rings has **3 manufacturing units in Rajkot** with product portfolio which includes a wide range of bearing rings, parts of gear box and automotive components, among others. They are offering a diverse range of hot forged and **machined alloy steel bearing rings weighing from 0.01 kg to over 163 kg, and with inner diameter of 25 mm to outer diameter of 900 mm.**
- ❑ Currently they have **22 forging lines** with a combined installed capacity of 1,44,750 MTPA, machining facilities consisting of 528 spindles with a combined installed capacity of 69 million parts p.a. and other machinery including heat treatment furnaces, cold rolling machines and other infrastructure.
- ❑ For Fiscal 2021, **Rolex Rings supplied bearing rings and automotive components to over 60 customers in 17 countries**, primarily located in India, USA and in European countries such as Germany, France, Italy, and Czech Republic, and Thailand. They have been able to maintain long standing relations with their customers and 70% of their 10 largest customers for Fiscal 2021 have been with them for over a decade.
- ❑ The company **intends to de-risk their business' dependence on changes in power tariffs** and reduce their carbon footprint through investment in renewable energy. Currently, they have windmills with installed capacity of 8.75 MW. They are in the process of expanding capacity of their solar projects by an installed capacity of 16 MW and have already placed purchase orders for equipment with installed capacity of 7.35 MW.

Brief Financial Details*

(₹ In Cr)

	As at Mar' 31,		
	2021	2020	2019#
Equity Share Capital	23.98	23.98	23.98
Reserves as stated	332.75	244.12	191.36
Net worth as stated	356.73	268.10	215.34
Revenue from Operations	616.33	665.99	904.32
Revenue Growth (%)	(7.46)	(26.35)	-
EBITDA as stated	112.29	130.78	208.02
EBITDA (%) as stated~	18.12%	19.36%	22.83%
Profit Before Tax	75.19	72.08	140.56
Net Profit for the period	86.96	52.94	59.04
Net Profit (%)	14.03%	7.84%	6.48%
EPS - Basic (₹)	36.26	22.08	24.62
RoNW (%)	24.38%	19.75%	27.42%
NAV(₹)	148.76	111.80	89.80

Source: RHP *Summary Statement, #Proforma, ~ EBITDA Margin on Total Income

Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 56 Crore and Offer for sale of upto 7,500,000 Equity Shares

Issue size: ₹ 716 – 731 Cr

No. of shares: 8,136,363 – 81,22,222

Face value: ₹ 10

Price band : ₹ 880 – 900

Bid Lot: 16 Shares and in multiple thereof

Post Issue Implied Market Cap:

₹ 2,398 – 2,451 Cr

BRLMs: Equirus Capital, IDBI Capital, JM Financial

Registrar: Link Intime India Pvt. Ltd.

Issue opens on: Wednesday, 28th Jul'2021

Issue closes on: Friday, 30th Jul'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	04-08-2021
Refunds/Unblocking ASBA Fund	05-08-2021
Credit of equity shares to DP A/c	06-08-2021
Trading commences	09-08-2021

Issue break-up

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	4,068,180 – 4,061,110	358.00-365.50	50%
NIB	1,220,455 – 1,218,334	107.40-109.65	15%
Retail	2,847,728 – 2,842,778	250.60-255.85	35%
Total	8,136,363 – 8,122,222	716.00-731.00	100%

Listing : BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue~	Post issue^
26,611,090	27,247,453	27,233,312

~@Lower price Band ^@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	58.99%	57.64%
Public	41.01%	42.36%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company started its business under the partnership firm by the name of 'Rolex Industries' by two of their Promoters, Rupesh Dayashankar Madeka and Manesh Dayashankar Madeka in 1977-1978. The partnership firm was, thereafter, converted into a joint stock company in the name of 'Rolex Rings Private Limited', as per the certificate of incorporation dated February 13, 2003.

The Promoters of the company are Rupesh Dayashankar Madeka, Jiten Dayashankar Madeka, Manesh Dayashankar Madeka, Pinakin Dayashankar Madeka, and Bhautik Dayashankar Madeka. Currently the Promoters hold an aggregate of 12,987,407 Equity Shares and 10,711,856 NCRPS, comprising 48.80% of the pre-Offer issued, subscribed and paid-up Equity Share capital and 78.73% of the issued, subscribed and paid-up NCRPS, respectively, of the company.

Brief Biographies of Directors

Manesh Dayashankar Madeka is the Chairman and Managing Director. He together with Rupesh Dayashankar Madeka started the business under the partnership firm by the name of Rolex Industries in 1978. He has over 40 years of work experience in marketing, production and finance.

Bhautik Dayashankar Madeka is the Whole Time Director. He has over 18 years of work experience in production, planning and control. He joined the company on December 31, 2002 when it was still a partnership firm.

Mihir Rupeshkumar Madeka is the Whole Time Director. He has over 18 years of work experience in marketing functions and in the development of new customers and products. He joined the company on December 31, 2002 when it was still a partnership firm.

Vivek Sett is the Nominee Director. He was previously associated with Ispat Industries as its director (commercial) and Tata Realty & Infrastructure, Tata Teleservices Ltd and Hughes Telecom (India) Ltd as their chief financial officer. He is currently a Partner at New Silk Route Advisors.

Pravinchandra Ratilal Dholakia, Dipesh Dhirajlal Kundaliya, Jignasa Pravinchandra Mehta and Ashit Ravishankar Vankani are the Independent Directors of the company.

Key Managerial Personnel

Bharat Jiten Madeka is the President - Operations & Human Resources of the company. He joined the company in the year 2007 and has had over 13 years of experience in tool designing and forging lines.

Hemal Paresh Madeka is the President – Supply chain & Quality Assurance of the company. He has over 18 years of experience with the company.

Hiren Dilipbhai Doshi is the Chief Financial Officer of the company. Prior to joining the company, he worked with Atul Auto Ltd for over 11 years.

Jiten Dayanshankar Madeka is the Joint head of Plant & Maintenance of the company. He has over 42 years of work experience with the company in tool development and optimum utilisation for of operational equipment efficiency.

Pinakin Dayashankar Madeka is the Head of Forgings of the company. He has over 31 years of work experience with the company.

Rupesh Dayashankar Madeka is the Joint head of Plant & Maintenance of the company. He together with Manesh Dayashankar Madeka started the business under the partnership firm by the name of Rolex Industries in 1978 and has over 42 years of work experience.

Hardik Dhimantbhai Gandhi is the Company Secretary and Compliance Officer. He has over 5 years of experience in legal and secretarial compliance.

OBJECTS OF THE ISSUE

(₹ In Cr)	
Objects	Amount
Funding long-term working capital requirements	45.00
General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer

Fresh Issue (₹ 56 Cr)	Upto 636,363~ - 622,222^ Equity Shares
	(~ at lower price band and ^ upper price band)

* Offer for sale by: Upto 7,500,000 Equity Shares

Rivendell PE LLC – The Investor Selling Shareholder	Up to 7,500,000 Equity Shares
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BUSINESS OVERVIEW

Rolex Rings Limited (“Rolex Rings”) is one of the top five forging companies in India and a manufacturer and global supplier of **hot rolled forged and machined bearing rings, and automotive components** for segments of vehicles including two wheelers, passenger vehicles, commercial vehicles, off-highway vehicles, electric vehicles), industrial machinery, wind turbines and railways, amongst other segments. They supply domestically and internationally to large marquee customers including some of the leading bearing manufacturing companies, tier-I suppliers to global auto companies and some auto OEMs. As per ICRA Report, SKF India Ltd, Schaeffler India Ltd, Timken India Ltd, NEI and NRB collectively account for 81% of the market share of Indian bearing industry. Rolex Rings is one of the key manufacturers of bearing rings in India and cater to most of the leading bearing companies in India.

Rolex Rings started their manufacturing operations in 1988 with their first manufacturing plant set up in Rajkot. Currently they have 3 manufacturing units in Rajkot. Their manufacturing infrastructure includes high-speed hot formers from Sakamura (such as Sakamura model HBP-160, Sakamura Model HBP – 120SS and Sakamura Model: HFW-1000-4 Hot Former) and Hatebur (such as Hatebur Hotmatic – HM75XL Hot Former and Hatebur-Hotmatic@ HM 35 Machine) and vertical forging lines from Manyo (Manyo 600 tons Auto Forging Press), Mistubishi, SMS Meer (such as SMS MEER Ring Rolling line), Enomoto (such as Enomoto Model 1000ZESH and Servomoto Driven Screw Press 16000kN), Eumoco and conventional forging lines integrated with induction heating furnaces. A large part of their existing machining lines consist of spindles from DMG, FUJI, ACE, TSUGAMI, Hyundai, Mazak, Muratec and domestic CNC Turning centres as well. Currently they have 22 forging lines with a combined installed capacity of 1,44,750 MTPA, machining facilities consisting of 528 spindles with a combined installed capacity of 69 million parts per annum and other machinery including heat treatment furnaces, cold rolling machines and other infrastructure.

Company’s product portfolio includes a wide range of bearing rings, parts of gear box and automotive components, among others. Their manufacturing capabilities are complemented by their tool design, engineering and product development capabilities. Till date, they have offered a diverse range of hot forged and machined alloy steel bearing rings weighing from 0.01 kg to over 163 kg and with inner diameter of 25 mm to outer diameter of 900 mm. This makes their products suitable for a wide range of end-user industries such as automotive, railways, industrial infrastructure and renewable energy, among others.

For Fiscal 2021, Rolex Rings supplied bearing rings and automotive components to over 60 customers in 17 countries, primarily located in India, USA and in European countries such as Germany, France, Italy, and Czech Republic, and Thailand. They have been able to maintain long standing relations with their customers and 70% of their 10 largest customers for Fiscal 2021 have been with them for over a decade.

In the past, they have received awards from their customers in relation to their products, such as ‘Supplier Quality Excellence Award’ from General Motors in 2018 and 2019 and ‘Excellence in New Product Development’ from Timken in 2018. They have also received various certifications, demonstrating their dedication and commitment to quality and service excellence. Further, the company is in the process of renewing its IATF 16949 (International Standard for Automotive Quality Management Systems) and ISO 9001 certifications which pertains to quality management systems and such renewal has been recommended by TUV NORD - Germany. The company has recently also received ‘Q1 Preferred Quality Status’ award in May 2021 from Ford.

The company **intends to de-risk their business’ dependence on changes in power tariffs** and reduce their carbon footprint through investment in renewable energy. Currently, they have windmills with installed capacity of 8.75 MW. They are in the process of expanding capacity of their solar projects by an installed capacity of 16 MW and have already placed purchase orders for equipment with installed capacity of 7.35 MW. The proposed expansion will help them in reducing their carbon footprint and expanding their profit margins.

Revenue from Operations: Business Segment-wise

Particulars	Year Ended March 31,					
	2021		2020		2019	
	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total	Revenue (₹ in Cr)	% to Total
Revenue from contracts with customers	568.33	92.21%	615.89	92.48%	828.95	91.67%
• Sale of goods	568.33		615.89		828.95	
– Bearing rings	330.97		349.82		534.53	
– Auto components	237.37		266.08		294.41	
Other operating revenue	48.00	7.79%	50.10	7.52%	75.38	8.34%
• Scrap sales	33.42		26.49		43.15	
• Export incentives	9.49		15.81		24.21	
• Windmill income	5.09		7.80		8.01	
Total for Revenue from operations	616.33	100.00%	665.99	100.00%	904.32	100.00%

Revenue from Operations: Geographical segment-wise

(₹ in Cr)

	For the Year Ended 31 st March,		
	2021	2020	2019
India	270.43	307.53	395.45
Overseas	345.90	358.46	508.87
Total	616.33	665.99	904.32

PRODUCT DESCRIPTIONS

The product description for some of the products forming part of company's product portfolio is as follows:

Bearing Rings: Bearing Rings forms a critical part of bearings and provide a surface on which the rolling elements of bearings ride. The larger ring that goes into a bore is called the outer ring, and the small ring that the shaft rides in is called the inner ring. The design and machining of the bearing rings is dependent on the expected end-use, load requirements, shape of rolling elements and other considerations. Bearing ring design, raw material specifications, machining requirements, precision sought, processing requirements and other parameters are decided by the customers.

Automotive components: Rolex Rings is manufacturing a wide range of **automotive components including wheel hubs, shafts and spindles, gears**, etc. These components are manufactured as per their customer specifications and comprise of parts of gear box, among others.

GLOBAL FOOTPRINTS



MANUFACTURING UNITS

The various processes undertaken at manufacturing facilities:

Unit details	Process undertaken
Unit I, Rajkot	<ul style="list-style-type: none"> • Forging • Heat treatment • Shot blasting
Unit II, Rajkot	<ul style="list-style-type: none"> • Forging • Heat treatment • Shot blasting • Cold rolling • Machining • Quality control and testing • Packing and dispatch
Unit III, Rajkot	<ul style="list-style-type: none"> • Tool and die making • Shot blasting • Machining • Quality control and testing • Finished good warehouse • Packing and dispatch

The company has in the past produced hot forged and machined alloy steel bearing rings weighing from 0.01 kg to over 163 kg and with inner diameter of 25 mm to outer diameter of 900 mm.

The forging lines have the following production capacity:

	No. of Lines	Fiscal 2020-21			Fiscal 2019-20			Fiscal 2018-19		
		Achievable Capacity	Utilized Capacity	% of Total Utilization	Achievable Capacity	Utilized Capacity	% of Total Utilization	Achievable Capacity	Utilized Capacity	% of Total Utilization
Conventional	6	11,250	4,726	42.01%	11,250	4,638	41.23%	11,250	7,287	64.77%
Manyo	6	25,000	8,478	33.91%	25,000	10,940	43.76%	25,000	15,137	60.55%
Mitsubishi	2	8,750	3,313	37.86%	8,750	3,559	40.67%	8,750	4,617	52.77%
Sakamura 160 Hot Former High Speed	1	17,500	5,693	32.53%	17,500	3,920	22.40%	17,500	7,981	45.61%
Sakamura 120 Hot Former High Speed	1	12,500	6,112	48.90%	12,500	4,974	39.79%	12,500	8,216	65.73%
Hatebur-HM75 Hot Former High Speed	1	18,750	6,101	32.54%	18,750	5,596	29.85%	18,750	8,892	47.42%
SMS-MEER	1	9,000	2,868	31.87%	9,000	3,316	36.84%	9,000	2,343	26.03%
Hatebur- HM35 Hot Former High Speed	1	12,500	4,460	35.68%	12,500	4,693	37.54%	12,500	6,530	52.24%
Sakamura HFW-1000	1	18,750	4,928	26.28%	18,750	2,898	15.46%	18,750	6,009	38.46%
Enomoto Press	1	6250	1562	24.99%	1,563	100	6.40%	-	-	-
Eumoco	1	2250	220	9.78%	-	-	-	-	-	-

COMPETITIVE STRENGTHS

• A comprehensive product portfolio

Currently Rolex Rings offers a diverse range of hot forged and machined alloy steel bearing rings weighing from 0.01 kg to over 163 kg and with inner diameter of 25 mm to outer diameter of 900 mm. This makes their products suitable for a wide range of end-user industries such as automotive, railways, industrial infrastructure and renewable energy, among others. They also offer auto components such as wheel hubs, shafts and spindles, gears, etc. Their strength in their product portfolio is shown by the fact that they supply domestically and internationally in each of their product segments.

Their product portfolio helps them in offering a wide range of products to their customers, enhances their ability to attract new customers, improve their share of business amongst existing customers and helps de-risk the business through limited dependence on any single product category.

- ***Manufacturing capabilities which offer scale, flexibility and locational advantage***

The company has 3 manufacturing units that are all in Rajkot with an annual achievable capacity of 144,750 MTPA in forging and 69 million parts p.a. machining. They are one of the key manufacturers of bearing rings in India. Their investment in infrastructure permits them the flexibility to manufacture high volume parts in a cost effective manner. Also, the location of their manufacturing facilities at Rajkot help them in accessing the various automotive clusters in North India, West India and South India as well as cater to the export markets through close proximity to the ports of Kandla, Mundra and Pipavav. They have also been benefited by the presence of smaller machining units in Rajkot which they opportunistically use for pre-machining and the presence of trained manpower which helps them in hiring for their manufacturing operations.

Further, their investment in wind and solar energy helps them to mitigate risks posed by changes in cost of power and fuel and helps them in reducing their carbon footprint. They are in process of setting up a 16 MW ground mounted solar power facility at Taluka Muli (Gujarat) which should further de-risk their business vis-à-vis the cost of power and fuel.

The company has unutilized land area of 32,071.44 sq.mtr. at Rajkot which can be utilized for any further expansion. In addition, they also own 691,312 square metres of land in Taluka Gondal (Gujarat).

- ***Long standing customer relationships and geographically diversified revenue base***

For Fiscal 2020, the company supplied bearing rings and automotive components to over 60 customers in 17 countries, primarily located in India, USA and in European countries such as Germany, France, Italy, Czech Republic and Thailand. Notably, they supply domestically and internationally to some of the leading manufacturers of bearings, Tier-I and Tier-II auto-component suppliers and certain auto OEMs. They have been able to maintain long standing relations with their customers and 70% of their 10 largest customers for Fiscal 2021 have been with them for over a decade. Company's products find end use across automobile sector (including two-wheelers, passenger vehicles, commercial vehicles, off-highway vehicles and electric vehicles), industrial machinery, wind turbines and railways, amongst other segments.

- ***Experienced Promoters and management team with strong domain expertise***

Rolex Rings is led by an experienced management team that has the expertise and vision to manage and grow their business. Manesh Madeka, Chairman and Managing Director, has over 40 years of experience in the industry and has been engaged with the company since its inception. Their production and planning related business is led by Bhautik Madeka, whole time Director and the marketing functions and the development of new customers and products related business is led by Mihir Madeka, both of whom have over 18 years of experience in the industry. In addition to their Promoters, members of their senior management team have an average experience of over 24 years with most of such team members having been in the company for more than a decade.

The senior management team contributes to the overall strategic planning and business development of the company and is also instrumental in the growth in their revenues and operations. The experienced Promoters, senior management team and technically skilled employee base have contributed to the growth of their operations and the development of in-house processes and competencies.

- ***Strong financial performance over the past few years***

Rolex Rings has significantly improved its financial profile with debt-equity ratio improving from 1.79 times as at March 31, 2019 to 0.70 times as of March 31, 2021 which is also reflected in the credit rating CARE BB, Outlook Stable. They have been able to achieve this through strong net cash flow from operating activities.

During Fiscal 2021, 2020 and 2019, the company has spent ₹ 38.73 crore, ₹ 16.09 crore, ₹ 36.74 crore respectively towards purchase of property, plant and equipment and intangible assets (including capital advances) and capital work in progress. These investments have been made towards expanding their forging and machining capacity, heat treatment facilities, and investments into equipment for generation of solar energy.

KEY BUSINESS STRATEGIES

- ***Increasing the share of business amongst existing customers***

Over the years Rolex Rings has developed longstanding, extensive relationships with their customers and they are amongst the preferred suppliers or partners to some of the OEMs and Tier 1 suppliers. They intend to leverage their long-standing relationships, knowledge of requirements and preferences of their customers, to develop and supply

more complex, higher margin products. Further, they shall strive to consolidate their relationship by continuing to provide quality products at competitive prices and focus on developing their products in line with the changing customer requirements.

- **Expand the customer base**

Historically, company's ability to enter into new customer relationships has been critical to their growth. Certain of their customers are part of large groups with operations across geographies and legal entities. Company's pre-approval for certain other entities across the same group including adherence to quality standards and track-record should enable them to expand into such units where they do not have a supply relationship as on date. The company has recently entered into a multiyear long-term agreement with a leading Tier-I supplier (for supply of components to its plant at Europe) with an estimated annual value of approximately 10 million Euros.

- **Continuing focus on improving operational efficiency**

The company aims to continue to improve profitability by constant cost optimization, improving product mix by enhancing contribution of higher-value added machined products and increasing capacity utilization. They have implemented automation solutions in certain of their machining centres to reduce cycle times and reduce manpower requirements. They continuously evaluate the cost-benefit of outsourcing non-critical operations so that they can focus their efforts on delivering the best quality products within their core areas.

- **Further enhance the manufacturing infrastructure and product portfolio**

The company successfully manufacture and sell a larger variety of forged and machined bearing rings and automotive components, at competitive prices. They intend to enhance their capabilities in machining and post machining processes so that they can increase the share of value-added and high-margin components. They are also in the process of expanding the cold rolling facilities, machining capacities and heat treatment facilities including their existing order for cold rolling lines from Kyoei Seiko. Further, they continue to evaluate changes in technology, market trends, and customer's preferences and will seek to make investments to cater to such change in market landscape.

- **Reduce the power costs and reduce the carbon footprint**

Power and fuel expenses contributes one of the largest single expense for the company and accounted for 8.98%, 8.45%, 8.14% and 7.91% of the corresponding total revenue from operations for Fiscal 2021, 2020 and 2019, respectively. Currently, they depend on state electricity board for most of their power requirements and are subject to changes in power tariffs by state electricity board. They are in the process of expanding capacity of their solar projects which will help them in expanding their profit margins.

- **Further improve the financial risk profile**

The company has scheduled to exit the CDR scheme in March 2022 which should offer them improved flexibility in managing their borrowings and taking other business related decisions. **For Fiscals 2021, 2020 and 2019, the net cash flow from operating activities was ₹ 59.21 crore, ₹ 183.78 crore, ₹ 193.81 crore respectively.** They intend to use the net proceeds from the IPO and internal accruals to further improve their financial profile.

INDUSTRY OVERVIEW

Installed capacities of major forging companies in India

Company Name	Installed Capacity (MTPA)
Bharat Forge Limited	406,150
Amtek Group	300,000+
Mahindra CIE Automotive Limited*	170,000+
Ramkrishna Forgings Limited	170,000
Rolex Rings Limited	144,750
MM Forgings Limited	100,000
Echjay Industries Pvt Limited	70,000
Happy Forge Limited	60,000
Sadhu Forging Limited	40,000
Super Autoforge Pvt Limited	30,000

*including 120,000 MTPA capacity of Bill Forge Pvt Ltd;

List excludes forging capacity setup by customers for internal consumption

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

Name of the Company	Consolidated/ Standalone	Face Value	Total Income	EPS (Basic)	NAV [^]	P/E [~]	RoNW (%)
Rolex Rings Ltd	Restated	10	619.76	36.26	148.76	[•]	24.38%
Peer Group							
Bharat Forge Ltd	Consolidated	1	6,505.16	(2.71)	112.11	NM	NM
Ramkrishna Forgings Ltd	Consolidated	10	1,294.52	6.44	276.00	116.39	2.30%
MM Forgings Ltd	Consolidated	10	761.83	19.35	201.80	38.64	9.60%

Source: RHP; P/E Ratio has been computed based on the closing market price of the equity shares (Source: BSE) on March 31, 2021, NM Stand for Not Meaningful.

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