

HOLD

TP: Rs 3,580 | ▲ 10%

TATA CONSULTANCY SERVICES

Technology & Internet

12 April 2023

Steady quarter but macro headwinds cloud outlook

- Q4 dollar revenue growth of 1.7% QoQ in line with our estimate and broad-based across verticals
- EBIT margin strong at 24.5% but 40bps below our forecast; order book stable at US\$ 10bn
- Maintain HOLD with unchanged TP of Rs 3,580, set at 25x FY25E EPS

Saptarshi Mukherjee
research@bobcaps.in

Broad-based revenue growth: Considering recent global headwinds in the BFSI space, TCS has reported a steady Q4FY23 performance with dollar revenue growth of 1.7% QoQ and 7.5% YoY to US\$ 7.2bn. The quarter saw a broad-based uptick across services, led by cloud, consulting & service integration, cognitive business operations and enterprise application services. Revenue growth was driven by North America (+9.6% CC YoY) and the UK (+17% CC YoY), along with market share gains through vendor consolidation. All the verticals grew, with a strong uptick in retail & CPG (+13% CC YoY) and life sciences & healthcare (+12.3% CC YoY).

Deal wins to drive growth: TCS registered deal bookings worth US\$ 10bn in Q4, with a book-to-bill ratio of 1.4x (vs. 1.1x in Q3FY23), above the average deal TCV of US\$ 8.4bn for the last six quarters. Wins included contracts worth US\$ 3.1bn in BFSI and US\$ 1.3bn in retail & CPG, with US\$ 5bn coming from North America. TCS also saw positive traction in cost takeout and transformation projects

Hiring strategy led to higher utilisation: A meagre addition of ~900 employees in Q4 led to a total addition of ~22,000+ staff which pushed up the utilisation Attrition decreased to 20% in Q4 (-120bps QoQ), and management expects further moderation in FY24.

Margin expected to stabilise at 25% near term: TCS's EBIT margin remained flattish at 24.5% in Q4 as pressure from higher onsite expenses offset utilisation gains. We are likely to see improvement by end-H1FY24 on the back of a more efficient employee pyramid, lower subcontracting costs and productivity gains as it appears that the high costs towards backfilling attrition, wage revision, subcontracting and capacity building have peaked out.

Maintain HOLD: The stock is trading at 24.7x/22.6x FY24E/FY25E EPS. We believe TCS is well positioned to deliver industry-leading growth and margins in the long run. However, considering the current volatile macro environment, poor quality of deal wins and delays in client decision-making, we retain HOLD and continue to value the stock at 25x FY25E EPS for an unchanged TP of Rs 3,580.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TCS IN/Rs 3,242
Market cap	US\$ 144.5bn
Free float	28%
3M ADV	US\$ 72.4mn
52wk high/low	Rs 3,710/Rs 2,926
Promoter/FPI/DII	72%/17%/11%

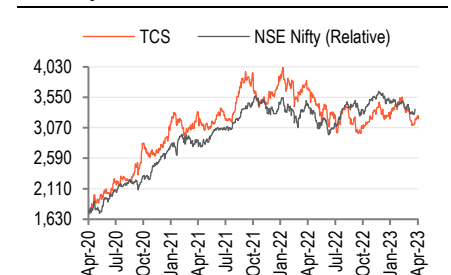
Source: NSE | Price as of 12 Apr 2023

Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	19,17,540	22,23,757	24,76,435
EBITDA (Rs mn)	5,30,570	5,82,248	6,66,207
Adj. net profit (Rs mn)	3,83,270	4,16,294	4,80,791
Adj. EPS (Rs)	103.6	113.8	131.4
Consensus EPS (Rs)	103.6	113.8	131.4
Adj. ROAE (%)	43.3	43.5	44.5
Adj. P/E (x)	31.3	28.5	24.7
EV/EBITDA (x)	22.3	20.3	17.7
Adj. EPS growth (%)	13.9	9.8	15.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

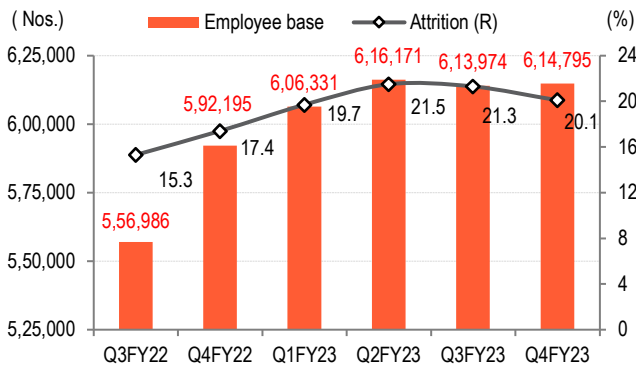


Fig 1 – Quarterly performance

(Rs mn)	Q4FY23	Q3FY23	Q2FY22	QoQ (%)	YoY (%)	Estimates	Variance (%)
US\$ Revenue (US\$ mn)	7,195	7,075	6,696	1.7	7.5	7,195	0.0
INR Revenue	5,91,620	5,82,290	5,05,910	1.6	16.9	5,95,027	(0.6)
EBIT	1,44,800	1,42,840	1,26,478	1.4	14.5	1,47,864	(2.1)
PAT	1,13,920	1,08,830	99,158	4.7	14.9	1,16,030	(1.8)
EBIT Margin (%)	24.5	24.5	25.0	(5bps)	(52bps)	24.9	(37bps)
PAT Margin (%)	19.3	18.7	19.6	56bps	(34bps)	19.5	(24bps)

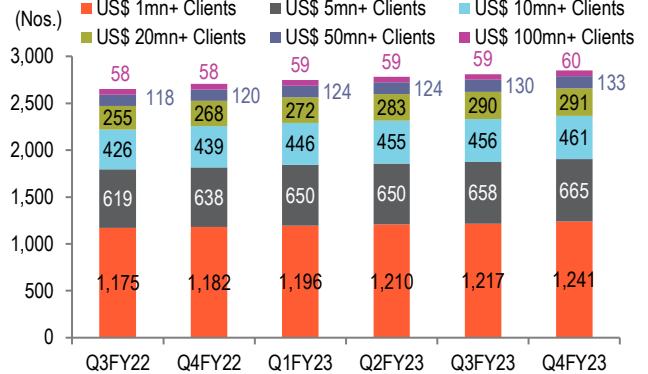
Source: Company, BOBCAPS Research

Fig 2 – Employee base & Attrition



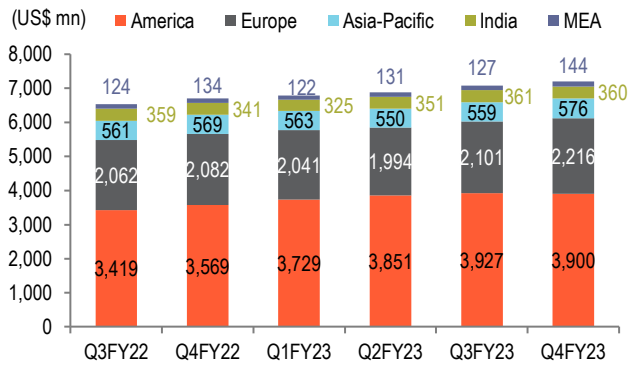
Source: Company, BOBCAPS Research

Fig 3 – Client contribution



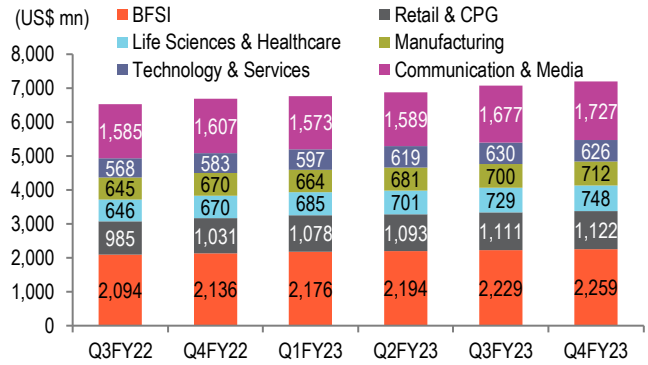
Source: Company, BOBCAPS Research

Fig 4 – Revenue contribution by geography



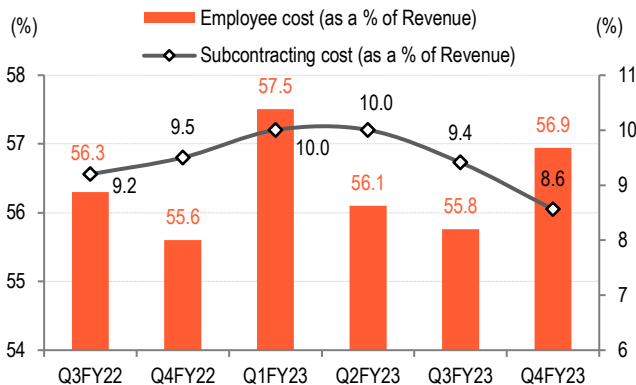
Source: Company, BOBCAPS Research

Fig 5 – Revenue contribution by vertical



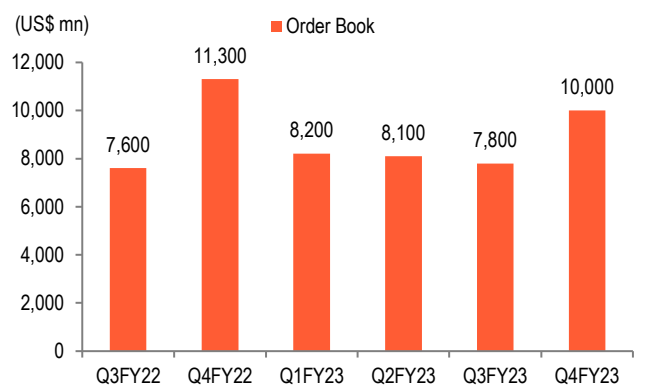
Source: Company, BOBCAPS Research

Fig 6 – Employee cost and Subcontracting cost



Source: Company, BOBCAPS Research

Fig 7 – Order book



Source: Company, BOBCAPS Research

Earnings call highlights

- Despite macro concerns, TCS indicated that it is not seeing any further weakness in terms of budget cuts or clients spend deferrals. The company, however, pointed to a potential reduction in discretionary spends along with elongated decision-making cycles in some pockets.
- TCS witnessed strong deal wins in Q4FY23, especially in continental Europe and the UK whereas the US market has faced recent challenges in the BFSI segment. However, the company has not reported any project cancellations or client strategy shifts so far.
- A majority of the Q4 BFSI deal wins were from the UK/Continental Europe and Asia Pacific markets, with the largest win (~US\$ 750mn) coming from Phoenix Group in the UK. Other major BFSI wins include clients such as Bitcoin Suisse AG, M&G, Scot West Credit Union, and Taiwan's CTBC Bank.
- Growth in the retail and consumer packaged goods (CPG) verticals during the quarter was led by higher spending on channel strategy transformation by retailers (mostly regional), along with an uptick in travel and hospitality (like to normalise in the near term). BFSI growth, barring the mortgage and insurance segments, was powered by strong spending on cloud, data, analytics and customer experience (CX).
- With the hiring slowdown in the technology sector and moderating salary expectations, supply-side issues have started to ease and could soften further in H2FY24.
- Management indicated that attrition has begun to taper down and should continue to head south in the coming quarters.
- The plan to hire 40,000+ freshers in FY23 has already been achieved with ~46,000+ recruited thus far.
- Easing of supply-side constraints and onsite travel restrictions led to lower subcontracting cost at 8.5% of revenue in Q4, which TCS expects will reduce further, aiding positive margin traction.
- The company announced a dividend of Rs 24/sh.

Valuation methodology

The stock is trading at 24.7x/22.6x FY24E/FY25E EPS. We believe TCS is well positioned to deliver industry-leading growth and margins in the long run, given its size, steadfast market leadership, best-in-asset class execution and robust order book (especially its exposure to longer duration contracts). However, considering the current volatile macro environment, poor quality of deal wins and delays in decision-making, we retain HOLD and continue to value the stock at 25x FY25E EPS for an unchanged TP of Rs 3,580.

Fig 8 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	Revenue CAGR FY23-25E (%)	EPS (Rs)		ROE (%)		Target P/E (x)
					FY23E	FY24E	FY23E	FY24E	
TCS	TCS IN	HOLD	3,580	10.7	113.8	131.4	41.3	38.7	25.0
Infosys	INFO IN	BUY	1,760	14.9	58.7	73.0	30.6	33.5	20.5
HCL Tech	HCLT IN	BUY	1,240	10.4	52.0	59.8	21.7	22.3	18.7
Wipro	WPRO IN	HOLD	440	9.9	20.1	23.9	16.7	19.5	16.0
Tech Mahindra	TECHM IN	HOLD	1,160	12.4	60.5	77.9	18.4	21.4	12.5

Source: BOBCAPS Research

Key risks

- Multiple digital deal wins, including in the domestic market, represent an upside risk to our estimates.
- A further decline in interest rate would be a key downside risk.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HCL Technologies	HCLT IN	36.2	1,095	1,240	BUY
Infosys	INFO IN	73.2	1,428	1,760	BUY
Tata Consultancy Services	TCS IN	144.5	3,242	3,580	HOLD
Tech Mahindra	TECHM IN	11.8	1,110	1,160	HOLD
Wipro	WPRO IN	24.9	372	440	HOLD

Source: BOBCAPS Research, NSE | Price as of 12 Apr 2023

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Total revenue	16,41,770	19,17,540	22,23,757	24,76,435	27,26,137
EBITDA	4,65,460	5,30,570	5,82,248	6,66,207	7,37,388
Depreciation	40,650	46,400	50,377	55,894	61,731
EBIT	4,24,810	4,84,530	5,31,871	6,10,313	6,75,658
Net interest inc./(exp.)	0	0	0	0	1
Other inc./(exp.)	24,970	32,340	29,203	39,021	34,471
Exceptional items	0	0	0	0	0
EBT	4,49,780	5,16,870	5,61,074	6,49,333	7,10,128
Income taxes	1,11,980	1,32,380	1,43,430	1,67,342	1,84,633
Extraordinary items	0	0	0	0	1
Min. int./Inc. from assoc.	(1,320)	(1,220)	(1,350)	(1,200)	(1,200)
Reported net profit	3,36,480	3,83,270	4,16,294	4,80,791	5,24,295
Adjustments	0	0	0	0	1
Adjusted net profit	3,36,480	3,83,270	4,16,294	4,80,791	5,24,296

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	0	0	0	0	1
Other current liabilities	3,71,480	4,53,000	5,17,861	5,08,857	5,60,165
Provisions	0	0	0	0	0
Debt funds	65,030	63,680	63,680	63,680	63,680
Other liabilities	0	0	0	0	0
Equity capital	3,700	3,660	3,660	3,660	3,660
Reserves & surplus	0	0	0	0	0
Shareholders' fund	8,71,080	8,98,460	10,15,700	11,46,238	12,69,338
Total liab. and equities	13,07,590	14,15,140	15,97,241	17,18,775	18,93,183
Cash and cash eq.	68,580	1,24,880	1,87,896	2,55,510	3,10,158
Accounts receivables	3,00,790	3,40,740	3,96,011	4,07,085	4,48,132
Inventories	0	0	0	0	0
Other current assets	2,95,170	2,47,870	3,04,624	3,39,238	3,73,443
Investments	3,18,440	3,62,180	3,62,180	3,62,180	3,62,180
Net fixed assets	1,96,690	1,96,150	2,01,367	2,07,384	2,13,807
CWIP	0	0	0	0	0
Intangible assets	22,780	28,880	28,880	28,880	28,880
Deferred tax assets, net	39,310	37,080	37,080	37,080	37,080
Other assets	65,830	77,360	79,202	81,417	1,19,502
Total assets	13,07,590	14,15,140	15,97,241	17,18,775	18,93,183

Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash flow from operations	3,72,880	5,30,710	3,89,811	4,41,958	4,90,727
Capital expenditures	(38,930)	(29,490)	(55,594)	(61,911)	(68,153)
Change in investments	44,680	(15,220)	(1,00,000)	(1,20,000)	(1,50,000)
Other investing cash flows	24,970	27,000	29,203	39,021	34,471
Cash flow from investing	30,720	(17,710)	(1,26,391)	(1,42,890)	(1,83,683)
Equities issued/Others	(2,59,499)	0	0	0	0
Debt raised/repaid	0	(14,170)	0	0	0
Interest expenses	0	(6,980)	0	0	0
Dividends paid	(1,61,981)	(1,33,170)	(2,00,404)	(2,31,453)	(2,52,396)
Other financing cash flows	0	0	0	0	1
Cash flow from financing	(4,21,480)	(1,54,320)	(2,00,404)	(2,31,453)	(2,52,395)
Chg in cash & cash eq.	(17,880)	3,58,680	63,016	67,615	54,650
Closing cash & cash eq.	68,580	1,24,880	1,87,896	2,55,510	3,10,158

Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	90.9	103.6	113.8	131.4	143.3
Adjusted EPS	90.9	103.6	113.8	131.4	143.3
Dividend per share	36.4	41.4	45.5	52.6	57.3
Book value per share	235.4	242.8	277.6	313.3	346.9

Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	7.2	6.2	5.3	4.8	4.3
EV/EBITDA	25.4	22.3	20.3	17.7	15.9
Adjusted P/E	35.6	31.3	28.5	24.7	22.6
P/BV	13.8	13.3	11.7	10.3	9.3

DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	74.8	74.2	74.2	74.0	73.8
Interest burden (PBT/EBIT)	105.9	106.7	105.5	106.4	105.1
EBIT margin (EBIT/Revenue)	25.9	25.3	23.9	24.6	24.8
Asset turnover (Rev./Avg TA)	130.5	140.9	147.6	149.4	151.0
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.6	1.5	1.5
Adjusted ROAE	39.2	43.3	43.5	44.5	43.4

Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
YoY growth (%)					
Revenue	4.6	16.8	16.0	11.4	10.1
EBITDA	10.5	14.0	9.7	14.4	10.7
Adjusted EPS	5.5	13.9	9.8	15.5	9.0
Profitability & Return ratios (%)					
EBITDA margin	28.4	27.7	26.2	26.9	27.0
EBIT margin	25.9	25.3	23.9	24.6	24.8
Adjusted profit margin	20.5	20.0	18.7	19.4	19.2
Adjusted ROAE	39.2	43.3	43.5	44.5	43.4
ROCE	37.6	42.3	45.8	49.1	50.6
Working capital days (days)					
Receivables	67	61	60	59	57
Inventory	0	0	0	0	0
Payables	103	108	108	104	98
Ratios (x)					
Gross asset turnover	8.3	9.8	11.2	12.1	12.9
Current ratio	2.0	1.7	1.9	2.1	2.2
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	(0.1)	(0.2)	(0.2)

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

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

BUY – Expected return >+15%

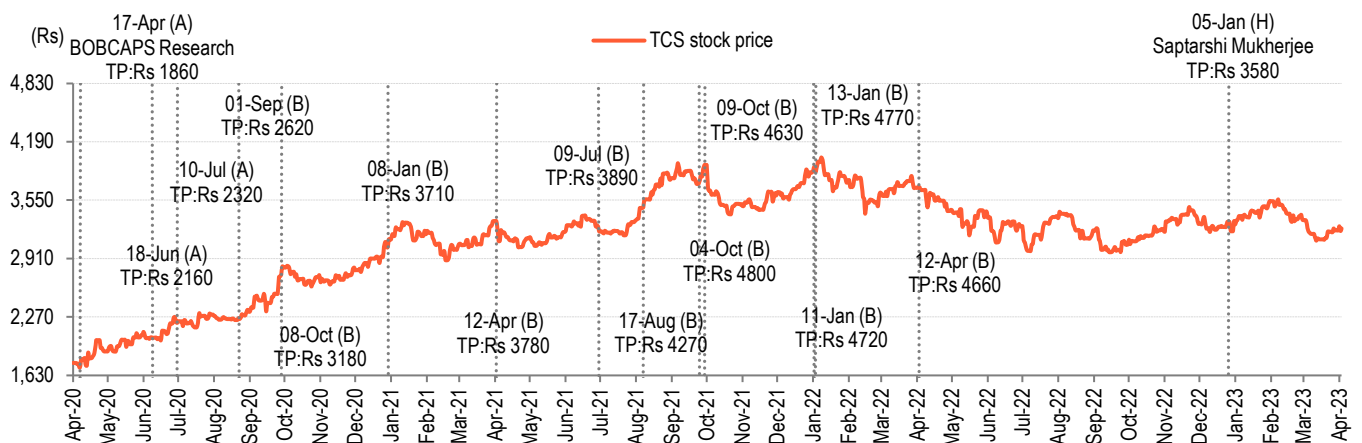
HOLD – Expected return from -6% to +15%

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): TATA CONSULTANCY SERVICES (TCS 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 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. 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 Saptarshi Mukherjee having 20 shares of Infosys (INFO 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.