

NOT RATED**BIRLASOFT**

| IT Services

| 24 October 2024

Pains of trying to match Industry growth

- Birlasoft is trying to pivot to address both annuity and transformation deals to remain on the growth path with decent margins
- The texture of the market has changed, and pain felt on the margin front is largely to do with the pivot to address cost take out deals
- Birlasoft says that client budgets are on hold due to uncertainty on upcoming elections in the US. Initiating coverage soon

Girish Pai

research@bobcaps.in

Pick-up in growth was weaker than expected: Revenue grew QoQ 2.2% in CC terms against our estimate of 4% (there was a 2.7% CC QoQ decline in 1Q). It was driven by initiation of postponed projects from 1Q, resulting in broad-based growth across most industry verticals. The manufacturing and energy & E&U verticals grew by ~4.7% QoQ, while BFSI increased by 1.4% QoQ. The life sciences vertical (~21% of rev.) remained weak and is expected to stay soft for a few more quarters before returning to growth.

Cost takeout deals impacting margins: EBITDA margin has contracted from ~16% in FY24 to ~13.5% in 1HFY25. New business is driven by cost take out deals that typically require upfront investments and flexible pricing, impacting short- to medium-term margins. But over time margins are expected to improve. There is a higher onsite component to them which is expected to reduce over time.

3Q should be decent revenue wise but margins to pick up later: Despite furloughs momentum is expected to continue. The annual salary hike to hit margins further in 3Q before picking up from 4QFY25.

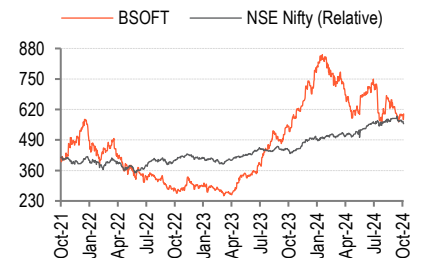
3Q TCV growth has been weak: US\$136mn was down ~50% YoY and ~15% QoQ. Net new TCV was down ~47% YoY and ~5% QoQ. BSOFT acknowledged deal signings remain unsatisfactory and emphasized a strong focus on increasing them. Pipeline includes numerous transformation deals where conversion has been delayed due to "wait and watch" approach in the U.S which is 87% of the business. There is an initiative to broaden the markets addressed and a new leadership is in place to do that.

Focus on both growth and margins: BSOFT emphasized the need to address all three key parameters: revenue, margins, and order book. The strategy includes improving margins through efficiency gains and cost-cutting within existing programs while pursuing market share through vendor consolidation and digital deals.

Ticker/Price	BSOFT IN/Rs 601
Market cap	US\$ 2.0bn
Free float	59%
3M ADV	US\$ 29.3mn
52wk high/low	Rs 862/Rs 510
Promoter/FPI/DII	41%/12%/24%

Source: NSE | Price as of 23 Oct 2024

Stock performance



Source: NSE



Regarding the 260bps margin drop QoQ in EBITDA terms, it was attributed approximately equally to the increase in onsite revenue, which typically has lower margins, and to pricing flexibility associated with new deals.

Infrastructure business, which had a had strong 1Q (+36.8% QoQ), declined 18.9% QoQ in 2Q. ERP grew 4.4% QoQ and pipeline is looking strong.

BSOFT confirmed that the underlying core business growth is indeed higher than reported due to a significant reduction in pass-through revenues, estimating core growth around 4.5% QoQ. This reflects the initiation of projects in the ERP space and indicates that as the infrastructure business matures, pass-throughs will become integrated into service deals, rather than being treated as separate items.

BSOFT expects transformation projects will resume post-election, likely with a six-month lag. Six to seven quarters may be needed to see significant improvement in deal flow.

Management indicated that vendor consolidation deals range from US\$10mn to US\$30mn in size.

In the healthcare vertical, growth has been muted over the past few quarters not due to sector-specific issues but linked to project completion and timing of new project starts which are anticipated to materialize in coming quarters.

The management is committed to cutting down the "long tail" of customers, aiming to redeploy resources for growth considering current market uncertainties. They believe further reductions are necessary to adapt to the changing environment.

BSOFT is of the view that the market is volatile and extremely competitive.

Shift of the onsite revenue ratio to nearly 51%, significantly impacted margins due to the concentration of consolidation deals in the onsite space. The management indicated that there is an intention to shift revenue from onsite to offshore over time. Decline in offshore revenue QoQ was attributed to the conclusion of certain engagements.

BSOFT acknowledged that deal wins are currently below last year's levels, with approximately ~US\$300mn in signings for the half-year (down ~33% YoY). Believes it has not lost deals, but that customer decision-making has been delayed to 3Q and 4Q and expects an increase in deal flow during those quarters.

The management addressed concerns about TCV trends, noting that while YoY declines are evident, win ratios currently range from 30% to 32%, with an aspiration to reach 35% to 38%.

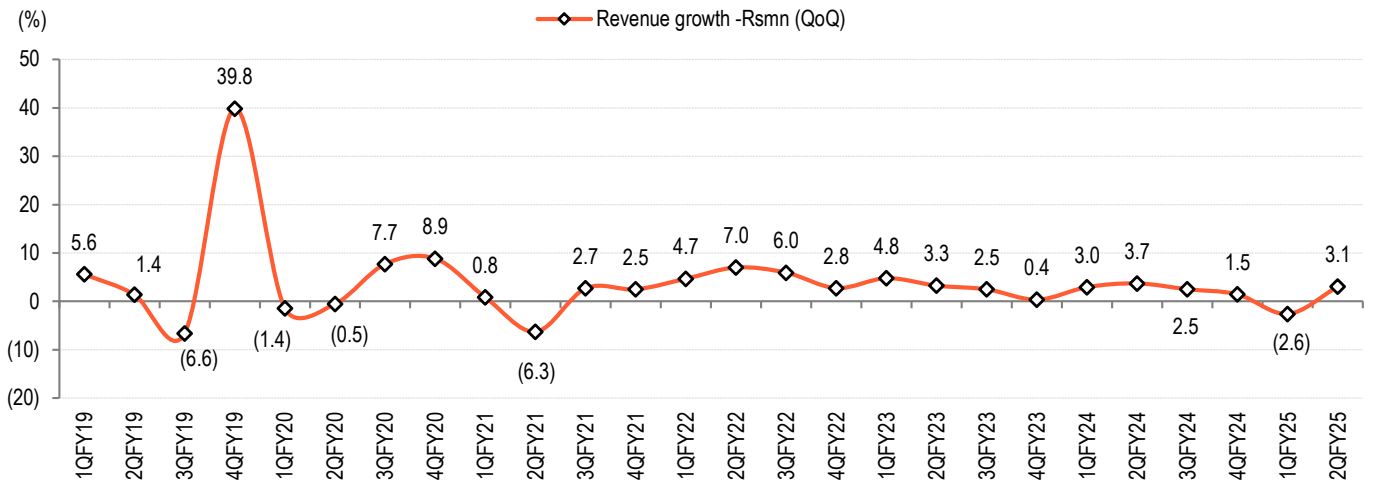
Renewal rates are expected to increase in the third and fourth quarters, as the renewal cycle typically occurs between October and March. Consequently, net new and existing new business will represent a lower percentage of the overall order inflow. Ongoing discussions with clients are in progress, but it is unclear whether renewal work will face pricing pressure.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	2QFY25E	Deviation (%)
Net Sales (US\$ mn)	158	159	163	3.2	2.6	166	(1.5)
Net Sales	13,099	13,274	13,682	4.5	3.1	13,925	(1.7)
Employee Cost	7,441	7,602	8,296	11.5	9.1	8,024	3.4
% of Sales	56.8	57.3	60.6			57.6	
Gross Margin	5,657	5,673	5,386	(4.8)	(5.1)	5,901	(8.7)
% of Sales	43.2	42.7	39.4			42.4	
Operating Expenses	3,586	3,722	3,732	4.1	0.3	3,797	(1.7)
% of Sales	27.4	28.0	27.3			27.3	
EBIT	1,856	1,745	1,431	(22.9)	(18.0)	1,883	(24.0)
EBIT Margin (%)	14.2	13.1	10.5			13.5	
Other Income	156	345	334	113.8	(3.4)	383	(12.8)
PBT	1,955	2,049	1,697	(13.2)	(17.2)	2,200	(22.9)
Provision for Tax	504	547	422	(16.3)	(22.8)	587	(28.2)
Effective Tax Rate	25.8	26.7	24.9			26.7	
Minority share in Profit / Loss	0	0	0			0	
PAT (Reported)	1,451	1,502	1,275	(12.2)	(15.1)	1,613	(21.0)
NPM (%)	11.1	11.3	9.3			11.6	

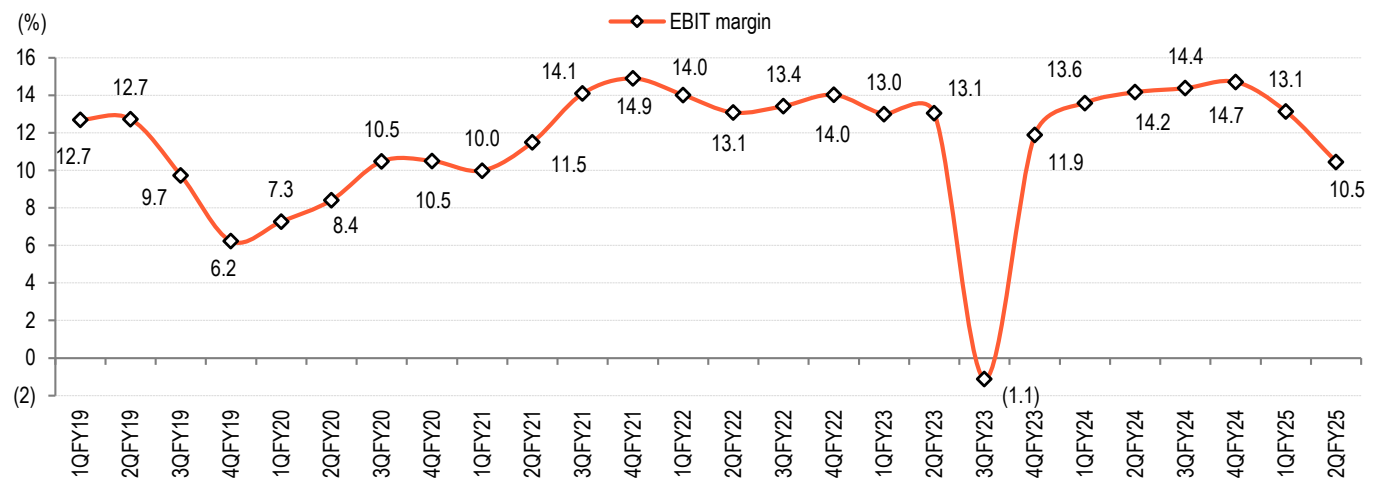
Source: Company, BOBCAPS Research

Fig 2 – Revenue Growth QoQ in INR terms



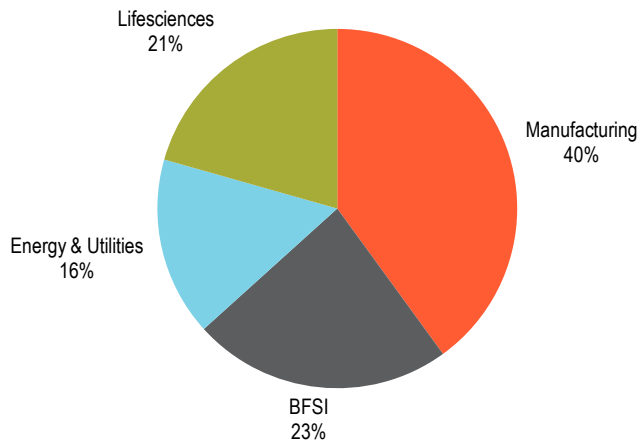
Source: Company, BOBCAPS Research

Fig 3 – EBIT Margin trend



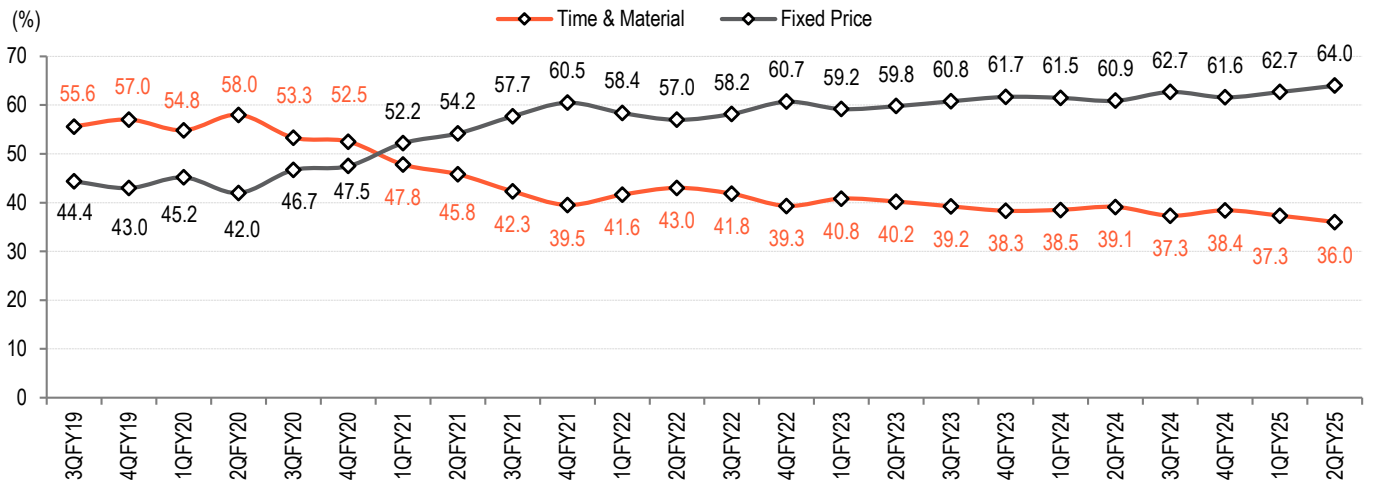
Source: Company, BOBCAPS Research

Fig 4 – Vertical Mix – 2QFY25



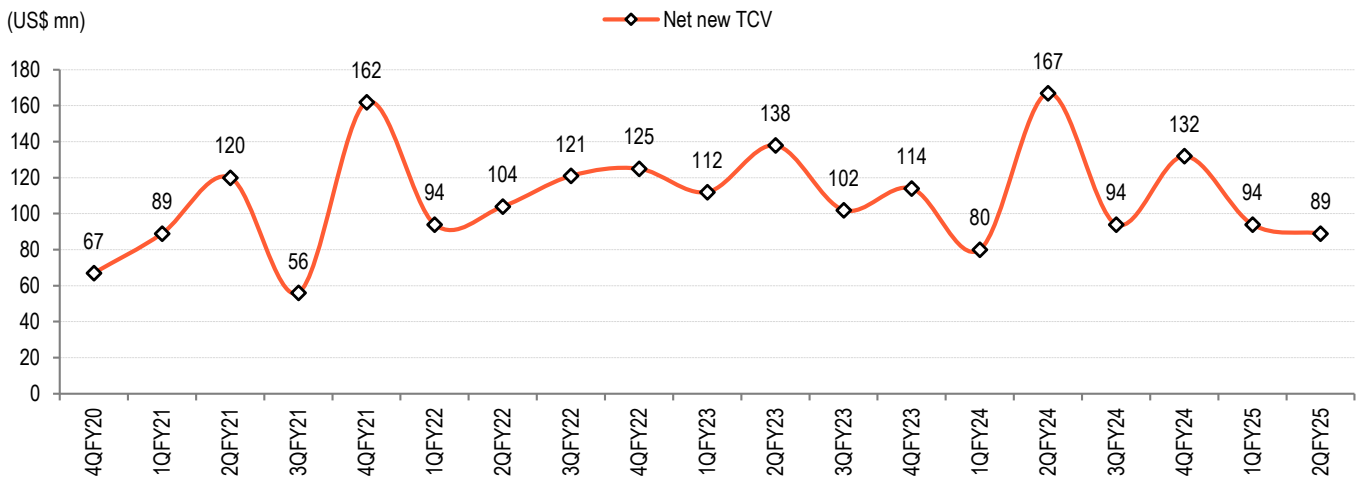
Source: Company, BOBCAPS Research

Fig 5 – Time and Material vs Fixed Price mix



Source: Company, BOBCAPS Research

Fig 6 – Net New TCV



Source: Company, BOBCAPS Research

Fig 7 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
INR/US\$	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8
Revenue (in US\$ mn)	149	149	148	149	154	158	161	164	159	163
(Rs mn)										
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682
Gross margin	4,966	4,983	4,899	4,970	5,200	5,657	5,495	5,946	5,673	5,386
SGA	3,268	3,219	4,826	3,300	3,268	3,586	3,352	3,729	3,722	3,732
EBITDA	1,698	1,764	74	1,670	1,931	2,071	2,143	2,217	1,951	1,653
Depreciation	196	207	210	210	214	215	211	211	206	222
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431
Other income	155	(27)	124	(23)	141	156	282	457	345	334
PBT	1,624	1,472	(68)	1,397	1,816	1,955	2,154	2,422	2,049	1,697
Tax	417	321	95	276	440	504	544	621	547	422
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275
Number of shares	280	272	273	275	275	276	276	276	278	278
EPS	4.3	4.2	(0.6)	4.1	5.0	5.3	5.8	6.5	5.4	4.6
YoY Growth (%)										
US\$ Revenue	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2
INR Revenues	22.1	17.8	14.0	11.3	9.4	9.9	9.9	11.1	5.1	4.5
Gross profit	27.6	14.5	5.3	5.3	4.7	13.5	12.2	19.6	9.1	(4.8)
EBIT	13.2	17.6	(109.5)	(5.5)	14.4	19.2	(1,517.1)	37.4	1.6	(22.9)
Net profit	6.2	11.6	(114.4)	(15.6)	13.9	26.2	(1,084.4)	60.5	9.2	(12.2)
QoQ Growth (%)										
US\$ Revenues	1.5	0.1	(0.3)	0.47	3.02	3.06	1.9	1.6	(2.9)	2.6
INR Revenues	4.8	3.3	2.5	0.4	3.0	3.7	2.5	1.5	(2.6)	3.1
EBIT	(2.9)	3.7	(108.8)	(1,170.8)	17.6	8.1	4.1	3.8	(13.0)	(18.0)
Net profit	(9.2)	(4.7)	(114.2)	(785.7)	22.6	5.5	11.0	11.8	(16.6)	(15.1)
Margins (%)										
Gross margin	43.0	41.8	40.1	40.5	41.2	43.2	40.9	43.6	42.7	39.4
EBITDA margin	14.7	14.8	0.6	13.6	15.3	15.8	16.0	16.3	14.7	12.1
EBIT	13.0	13.1	(1.1)	11.9	13.6	14.2	14.4	14.7	13.1	10.5
PAT	10.5	9.7	(1.3)	9.1	10.9	11.1	12.0	13.2	11.3	9.3
SGA	28.3	27.0	39.5	26.9	25.9	27.4	25.0	27.4	28.0	27.3

Source: Company, BOBCAPS Research

Fig 8 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
P and L (Rs mn)										
Revenue	11,544	11,921	12,219	12,264	12,628	13,099	13,430	13,625	13,274	13,682
EBIT	1,502	1,557	(136)	1,460	1,717	1,856	1,932	2,006	1,745	1,431
PAT	1,207	1,151	(164)	1,122	1,375	1,451	1,611	1,801	1,502	1,275
Vertical Mix (%)										
Manufacturing	47	47	46	47	41	41	41	42	39	40
BFSI	18	19	20	21	21	21	21	21	24	23
Energy & Utilities	14	14	14	15	14	14	15	15	16	16
Lifesciences	21	20	20	18	24	24	24	22	21	21
Services (%)										
Business & Technology Transformation	39	40	42	43	35	34	34	33		
Enterprise Solutions	40	38	35	36	33	32	32	34		
Cloud & Base Services	21	23	23	22	32	34	34	33		
Services - Reclassified (%)										
Digital and Data					54	56	55	54	53	55
ERP					37	36	36	38	35	36
Infra					9	8	9	9	12	10
Geographic Mix (%)										
USA	85	84	84	85	84	86	86	87	84	87
Rest of the world	6	6	6	6	6	6	14	14	16	13
Europe	9	10	10	9	10	8	0	0	0	0
Revenue Mix (%)										
Onsite	51	48	49	49	49	49	46	48	44	51
Offshore	49	52	51	51	51	51	54	52	57	50
Revenue Contract Type (%)										
Time & Material	41	40	39	38	39	39	37	38	37	36
Fixed Price	59	60	61	62	62	61	63	62	63	64
Utilization (%)	83	82	84	85	85	87	87	86	82	82
Clients Concentration (%)										
Top 5 clients	31	31	32	33	33	34	35	35	36	37
Top 10 Clients	47	47	48	49	50	51	52	52	53	53
Top 20 Clients	63	64	64	64	64	64	65	65	65	65
No of millions \$ clients										
US\$ 1mn clients+	82	76	83	83	86	85	83	87	88	89
US\$ 5mn clients+	25	27	24	26	27	27	26	26	23	24
US\$ 10mn clients+	13	14	13	13	13	11	11	12	12	12
Total Headcount	12,565	12,758	12,530	12,193	12,235	12,322	12,356	12,595	12,865	12,578
Net Addition	361	193	(228)	(337)	42	87	34	239	270	(287)
Attrition (%)	27.9	27.4	25.5	22.1	18.8	15.0	12.6	12.4	11.6	11.8
INR/US\$	77.7	80.1	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8
Financials (in US\$ mn)										
Revenue	148.6	148.8	148.4	149.1	153.6	158.3	161.3	163.9	159.1	163.3
EBIT	19.3	19.4	(1.7)	17.8	20.9	22.4	23.2	24.1	20.9	17.1
PAT	15.5	14.4	(2.0)	13.6	16.7	17.5	19.3	21.7	18.0	15.2

Source: Company, BOBCAPS Research

Fig 9 – QoQ and YoY performance on various parameters

(US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
QoQ Growth (%)										
Revenue	1.5	0.1	(0.3)	0.5	3.0	3.1	1.9	1.6	(2.9)	2.6
Geographical Data (%)										
USA	4.8	(0.8)	(0.7)	2.4	1.4	5.3	1.8	2.6	(5.7)	6.7
Europe	(16.6)	4.5	7.0	(12.2)	14.5	(15.5)	-	-	-	-
Rest of the world	(9.3)	6.9	(5.0)	(4.6)	8.4	3.1	142.9	(4.1)	15.0	(18.5)
Verticals (%)										
Manufacturing	2.8	1.2	(2.6)	2.7	(11.1)	4.2	1.9	3.6	(9.2)	4.7
BFSI	5.0	7.4	5.0	2.5	3.8	5.3	(0.5)	4.6	8.1	1.3
Energy & Utilities	(3.9)	(1.3)	(1.7)	7.7	(1.1)	(1.3)	7.8	3.7	3.6	4.6
Lifesciences	(0.4)	(7.4)	1.3	(11.1)	42.8	1.4	1.5	(6.0)	(6.0)	(1.2)
Services (%)										
Business & Technology Transformation	7.3	3.4	5.5	1.5	(15.1)	(1.6)	3.1	(1.4)		
Enterprise Solutions	(0.2)	(6.2)	(7.0)	2.5	(3.9)	(0.3)	0.6	7.3		
Cloud & Base Services	(4.8)	6.3	0.8	(4.6)	50.2	11.9	1.9	(0.8)		
Services – Reclassified (%)										
Digital and Data						5.5	1.7	(1.9)	(4.4)	6.5
ERP						0.8	1.9	6.1	(10.1)	4.4
Infra						(2.7)	3.1	5.2	36.8	(18.9)
YoY Growth (%)										
Revenue	15.7	8.7	3.5	1.8	3.4	6.4	8.7	9.9	3.6	3.2
Geographical Data (%)										
USA	21.8	11.2	4.5	5.7	2.3	8.5	11.3	11.5	3.6	5.0
Europe	(9.8)	(0.6)	(0.4)	(18.2)	12.4	(9.1)	-	-	-	-
Rest of the world	(9.0)	(6.2)	(3.0)	(12.0)	5.1	1.3	159.1	160.4	176.2	118.4
Verticals (%)										
Manufacturing	22.3	18.2	5.5	4.1	(10.0)	(7.4)	(3.1)	(2.2)	(0.1)	0.4
BFSI	17.7	14.7	17.5	21.4	19.9	17.5	11.4	13.7	18.4	13.9
Energy & Utilities	11.1	7.2	(2.8)	0.5	3.4	3.4	13.4	9.2	14.4	21.2
Lifesciences	4.9	(12.0)	(7.7)	(17.0)	19.0	30.3	30.5	38.0	(9.2)	(11.5)
Services (%)										
Business & Technology Transformation	20.4	17.4	18.9	18.9	(6.0)	(10.6)	(12.6)	(15.1)		
Enterprise Solutions	7.9	(0.2)	(12.7)	(10.9)	(14.1)	(8.7)	(1.2)	3.5		
Cloud & Base Services	23.9	10.7	8.5	(2.7)	53.6	61.7	63.4	70.0		
Services – Reclassified (%)										
Digital and Data									0.7	1.7
ERP									(2.0)	1.4
Infra									44.3	20.4

Source: Company, BOBCAPS Research

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**

Logo:  **BOBCAPS**
TRUST | INNOVATION | EXCELLENCE

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.

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.