BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL

TP: Rs 1,067 | ∀ 13%

HCL TECHNOLOGIES | IT Services | 14 July 2026

Tad better than expected

- **Revenue was a tad better than our and HCLT's own expectation. Revenue and margin guidance held on to, as expected**
- **TCV tad better than expected and is likely good in 2Q (including mega deal). Rev guidance not raised on macro and client specific issues**
- **Maintain EPS estimates. Retain Target PE multiple and SELL rating. While it is fastest growing Tier-1, that has come at expense of margins**

Girish Pai
Research Analyst
Lopa Notaria, CFA
Research Associate
research@bobcaps.in

1Q tad better than expected on both revenue and EBIT margin: In USD terms QoQ Financial services and Retail& CPG were the drivers of growth. TCV (all net new) at US$2.4bn was also a tad better than expected and 2QFY27 TCV is also expected to be good thanks to the mega deal of US$1.14bn clocked in early July. Revenue guidance has been maintained despite these positives as macro headwinds (West Asia war) and sector/client specific issues continue to impact growth. The ramp up of the mega deal will only be reflected in FY28, says HCLT.

HCLT follows TCS' footsteps and plans to invest in AI data center and address the Indian market for AI services: It is planning to set up a 50MW AI data center which will let it play across the full AI stack. The initial investment indicated is Rs35bn. This is akin to the view taken by TCS. This investment Is over and above the US$150mn investment in Sarvam AI- India's AI model. This indicates a desire to address the Indian market in AI services – private sector, Indian public sector and governments – in much bigger way than in the past. The Indian market in recent days has been eyed by many of its Tier-1 peers. This geo is typically price sensitive (lower margin) and working capital intensive. The AI data center and AI model related investment indicates a desire to control the cost of compute and of 'intelligence' as clients become more price sensitive and want to sign output-based agreements with their vendors.

Maintain Target PE multiple and retain SELL rating: Post 1QFY27 we largely maintain estimates (which are entirely organic). We believe HCLT's organic revenue growth in USD terms over the next 2-3 years will likely be low to mid-single digits and may be the best in the India heritage Tier-1 set. However, we do not think it deserves premium to the Tier-1 average as we believe that extra growth has come at the expense of margins as EBIT margins have moved down from 19-20% levels during the FY17-FY22 timeframe to 17-18% levels now. Our changed valuation methodology is addressed in our recent note (**'Show me the growth'**). We give it a Target PE of 14.1x on June 2028 EPS. Retain Sell rating.

Key changes

Target	Rating
▼	◄ ►

Ticker/Price	HCLT IN/Rs 1,221
Market cap	US$ 34.8bn
Free float	39%
3M ADV	US$ 59.6mn
52wk high/low	Rs 1,780/Rs 1,030
Promoter/FPI/DII	61%/16%/19%

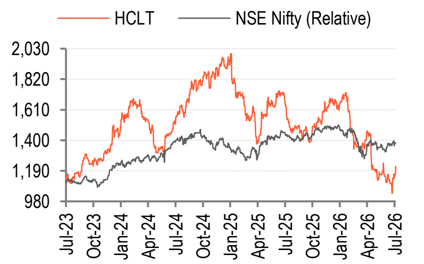
Source: NSE | Price as of 13 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,301,440	1,430,714	1,496,440
EBITDA (Rs mn)	267,520	290,370	300,215
Adj. net profit (Rs mn)	166,420	195,820	202,297
Adj. EPS (Rs)	61.4	72.2	74.6
Consensus EPS (Rs)	61.4	72.4	77.5
Adj. ROAE (%)	23.0	26.0	26.5
Adj. P/E (x)	19.9	16.9	16.4
EV/EBITDA (x)	12.6	11.8	11.5
Adj. EPS growth (%)	(4.2)	17.7	3.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue at US$3,650mn, down 0.5% QoQ (our estimate of 1.2% decline) and up 2.6% YoY in CC terms. The performance was not only a tad better than our expectation but also a tad better than HCLT's own expectation.
  - HCLT Services' revenue stood at US$3,351mn, down 0.7% QoQ and up 3.5% YoY (CC terms)
  - IT and Business Services revenue flat QoQ and up 4.2% YoY (CC terms)
  - Engineering and R&D Services revenue was down 3.7% QoQ and up 0.3% YoY (CC terms). ER&D decline was driven by weakness in the Technology and Telecom, Media & Entertainment verticals. Sharp discretionary spending cuts by two large US telecom clients continued to impact ER&D
  - HCL Software revenue stood at US$313 mn, up 2.2% QoQ and down 5.3% YoY (CC terms)
- Reported EBIT margin increased 39 bps QoQ from 16.5% in 4QFY26 to 16.9% (our estimate 16.7%) in 1QFY27
  - Tailwinds: Lower restructuring expenses contributed 70 bps and PDD benefit contributed 20 bps; Forex provided a 60-bps benefit
  - Headwinds: Seasonality from annual productivity benefits and decline in ERS revenue resulted in a 110-bps headwind
  - Adjusted for 62 bps restructuring expenses, 1QFY27 EBIT margin stood at 17.5% versus 17.7% in the previous quarter
- HCLT did not indicate when it will return to the erstwhile 18–19% margin band, indicating FY28 guidance will address the medium-term trajectory.
- 1Q is typically a weaker quarter for the company due to planned revenue declines driven by productivity commitments in large managed services contracts
- Advanced AI Revenue stood at USD 171mn, up 10.6% QoQ and 62.1% YoY in CC terms
- Geography-wise growth (YoY CC terms): USA: 2.9% YoY, Europe: 0.1%, Rest of World: 10.8%, and India: 16.9%
- Vertical-wise growth (YoY CC terms): Financial Services: 5.3%, Manufacturing: 3.7%, Technology & Services: 7.3%, Lifesciences & Healthcare: 0.4%, Telecommunications, Media, Publishing & Entertainment: -10.9%, Retail & CPG: 10.1%, Public Services: 12.1%
  - Growth was broad-based with 6 of 7 verticals registering YoY growth
- New bookings stood at US$2.4 bn, growing at 24% QoQ and 33% YoY
  - Bookings remained strong and well balanced across verticals, service lines, and geographies.

- The TCV number does not include the mega deal of US$1.14bn that won from a Fortune 50 European enterprise recently which will now appear in 2QFY27.
- HCLT on July 3 announced that it has secured a $1.14 billion strategic contract from a Europe-headquartered Fortune Global 50 company to transform its digital workplace and enterprise network operations using an artificial intelligence-driven operating model.
- HCLT stated that the agreement will run from July 2026 through December 2031, with an option to extend it by another five years
- The deal transition is expected to begin in the next couple of months and reach steady state only by April 2027. Mega deal expected to have negligible revenue contribution in FY27

Vertical outlook

- BFSI has seen sustained momentum with YoY growth among the highest in the industry, driven by an AI-native approach to large clients and higher wallet share within top BFSI accounts.
- Traction seen in data & analytics, which is preparatory work for clients to build out their enterprise AI stack- a tailwind in recent quarters.
- Life Sciences & Healthcare: it has declined over roughly the past 8 to 9 quarters. Growth was earlier supported by regulatory-related engineering work for medical device clients, a key driver ~3 years ago - which has since rolled off without adequate refill.
- Technology: Near-term softness has come from discretionary spending cuts at two large US telecom clients, which is expected to continue weighing on engineering work in subsequent quarters. Deal pipeline remains healthy
- Headcount stood at 223,889, down 3,292 QoQ. This is one of the largest people number reductions in the last 8 quarters; LTM attrition stood at 12.7%

FY27 Guidance:

- Retained organic revenue growth guidance of 1% - 4% and EBIT Margin guidance of 17.5% - 18.5% for FY27
  - Services Revenue growth guidance: 1.5% - 4.5%
  - Guidance excludes acquisitions, including Jaspersoft. Jaspersoft acquisition completed in early July and will contribute ~US$10–15 mn of revenue per quarter, subject to seasonality
  - Jaspersoft adds the visualization layer to the Data Management portfolio
  - Management said that the guidance band remains unchanged as it is only the first quarter and visibility over the next quarter is still required
  - CTG acquisition is yet to close and is expected to complete later in the current quarter. No details were given about it.

  - We have not incorporated either Jaspersoft or CTG acquisitions in our numbers.

- Macro environment remains unchanged from March
- AI Native and AI Amplified services continue to witness strong demand, while AI disrupted services face ongoing optimization from AI-led automation. Strong execution and increasing mix of AI Native and AI Amplified services expected to drive growth
- Strategic investment of US$150 mn announced in Sarvam to build a full-stack sovereign AI platform for governments and enterprises spanning models, platforms, applications, and managed services
  - This opens up the Indian sovereign AI market for the company across industries and the government sectors
  - This is an early-stage market opportunity to build industry and client-specific SLMs. These models have higher efficiency, lower cost, and better domain accuracy versus large general-purpose models
  - Sarvam's data-efficient approach delivers performance comparable to larger models with significantly lower compute and data requirements. Data efficiency approach and research capabilities can be leveraged beyond Indian language models for broader AI model development
  - For the company, model dependency need not be on Sarvam, as other model options are also available; strategic partnership with Sarvam strengthens execution
- Announced entry into the AI data center business, targeting a rapidly growing market driven by AI demand and sovereign data requirements
  - The company will create full-stack offerings by combining its capabilities across AI data center design, DevOps, and Cloud operations, as well as the software portfolio with its new data center business
  - Management said that the biggest opportunity is not to rent AI, but to own the full stack, the data centers, the compute, the models, built to address client-specific needs.
  - As demand grows and supply catches up, the players who win will be the ones who will offer full-stack offerings. In this regard, the company will make strategic investment of up to Rs35bn in setting up an advanced AI-ready data center campus in India, initially offering 20 MW of capacity and with the potential to scale to 50 MW of capacity. This would also position the company as a key enabler of India's Sovereign AI ecosystem, expanding its presence in the fastest-growing market among largest economies with differentiated offerings around sovereign cloud, secure AI, and managed AI infrastructure
  - Future investments in the AI data center business will follow a disciplined approach based on free cash flow generation

- AI data center strategy is a full-stack play and not a traditional colocation business
- Funding could include partnerships with silicon and OEM vendors, committed capacity from clients and consumption models where hardware is financed against contracted demand. Investment could also be funded through a mix of equity and debt. Entire investment will not be deployed on the balance sheet in a single year
- Rs35bn investment should not be correlated with the long-term 50 MW capacity target, as the announced investment is only for the initial phase of a full-stack AI data center offering

- Impact of token consumption costs depends on the specific AI models being implemented
  - Tiered AI architecture is emerging as the preferred enterprise model, driven by both data sovereignty requirements and better price-performance
  - While token costs may decline over time, total token consumption is expected to increase, resulting in higher total cost
  - Hybrid AI stack with enterprise-trained SLMs, Zero Trust architecture, and a policy enforcement gateway is emerging as the preferred enterprise AI model, creating a meaningful services opportunity as SLM training requires significant data engineering and model training effort
- Private AI stacks are expected to become the preferred enterprise architecture. Private AI infrastructure offers better data security and more attractive price-performance for SLM-based deployments, while frontier models will be used selectively

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 12-24 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

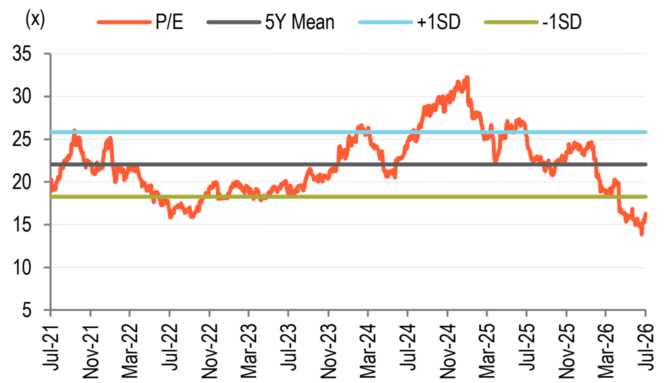
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rsbn)	1QFY26	4QFY26	1QFY27	YoY (%)	QoQ (%)	1QFY27E	Dev(%)
Net Sales (USD mn)	**3,545**	**3,682**	**3,650**	**3.0**	**(0.9)**	**3,632**	**0.5**
Net Sales	**303**	**340**	**346**	**13.9**	**1.8**	**344**	**0.5**
Employee Costs	201	225	230	14.4	2.2	225	2.2
Gross margin % of Sales	33.7	33.7	33.4			34.5	
SG&A	42	47	47	12.0	(1.0)	50	(6.2)
% of Sales	13.8	13.9	13.6			14.5	
Depreciation and Amortisation	11	11	10	(4.9)	(4.9)	11	(5.9)
% of Sales	3.6	3.2	3.0			3.2	
EBIT	**49.4**	**56.2**	**58.3**	**18.0**	**3.8**	**57.6**	**1.2**
EBIT Margin (%)	**16.3**	**16.5**	**16.9**	**58**		**16.7**	
Other Income, Net	2	2	3	30.2	50.0	3	(3.7)
Forex Gain/(Loss)	0	(1)	(0)			(0)	
PBT	52	57	61	17.7	7.1	61	0.4
Provision for Tax	13	12	15	10.2	22.3	15	(2.6)
Effective Tax Rate	25.9	21.3	24.3			25.0	
Minority share in Profit / Loss	0	0	0			0	
One time Bonus and DTL for Goodwill	0	0	0			0	
PAT (Reported)	**38.4**	**44.9**	**46.2**	**20.3**	**3.0**	**45.6**	**1.4**
NPM (%)	**12.7**	**13.2**	**13.4**			**13.3**	
Adjusted PAT	38.4	52.4	46.2	20.3	(11.8)	45.6	1.4
NPM (%)	12.7	15.4	13.4			13.3	

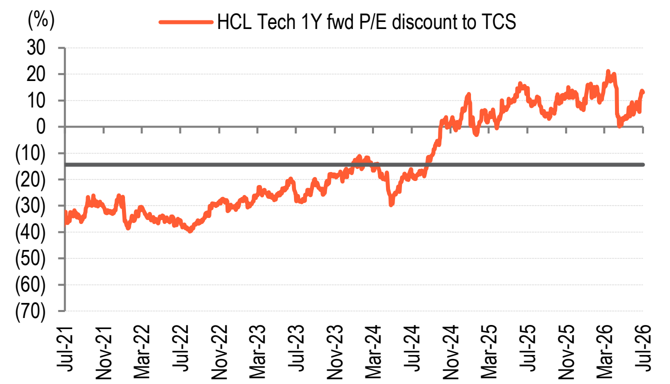
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.1	96.1	97.1	95.1	96.1	97.1	0.0	0.0	0.0
USD Revenue (USD mn)	15,042	15,570	16,122	14,987	15,518	16,069	0.4	0.3	0.3
USD Revenue Growth (%)	2.6	3.5	3.5	2.2	3.5	3.5			
Revenue (Rsbn)	1,431	1,496	1,566	1,425	1,491	1,560	0.4	0.4	0.4
EBIT (Rsbn)	249	258	272	248	258	270	0.4	0.2	0.8
EBIT Margin (%)	17.4	17.3	17.4	17.4	17.3	17.3			
PAT (Rsbn)	196	202	213	195	203	213	0.3	(0.3)	0.3
FDEPS (Rs)	72.2	74.6	78.7	72.0	74.9	78.4	0.3	(0.3)	0.3

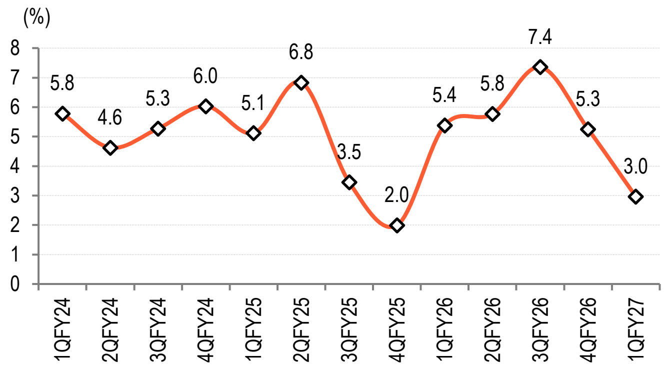
Source: BOBCAPS Research

Fig 5 – P&L at a glance

YE March (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.6	88.7	95.1	96.1	97.1
Net Sales (USD mn)	**6,975**	**7,838**	**8,633**	**9,936**	**10,175**	**11,481**	**12,586**	**13,270**	**13,840**	**14,664**	**15,042**	**15,570**	**16,122**
YoY Growth (%)	**48.5**	**12.4**	**10.1**	**15.1**	**2.4**	**12.8**	**9.6**	**5.4**	**4.3**	**6.0**	**2.6**	**3.5**	**3.5**
INR Net Sales (Rs bn)	467	506	604	707	754	857	1,015	1,099	1,171	1,301	1,431	1,496	1,566
YoY Growth (%)	50.1	8.2	19.5	17.0	6.6	13.6	18.5	8.3	6.5	11.2	9.9	4.6	4.6
Cost of Sales & Services	309	332	393	443	440	528	645	705	762	858	953	997	1,052
Gross Margin	158	173	212	264	314	329	369	394	409	443	478	499	514
% of sales	33.9	34.3	35.0	37.3	41.7	38.4	36.4	35.9	34.9	34.1	33.4	33.4	32.8
SG&A	55	59	72	97	106	124	143	152	154	176	187	199	199
% of sales	11.8	11.7	11.9	13.7	14.1	14.4	14.1	13.9	13.2	13.5	13.1	13.3	12.7
EBITDA	103	114	140	167	208	205	226	242	255	268	290	300	315
% of sales	22.1	22.6	23.1	23.6	27.6	24.0	22.3	22.0	21.8	20.6	20.3	20.1	20.1
Depreciation and Amortization	8	15	21	28	46	43	41	42	41	44	42	42	42
% of sales	1.8	2.9	3.6	4.0	6.1	5.1	4.1	3.8	3.5	3.3	2.9	2.8	2.7
EBIT	**95**	**100**	**118**	**139**	**162**	**162**	**185**	**200**	**214**	**224**	**249**	**258**	**272**
% of sales	**20.3**	**19.8**	**19.6**	**19.6**	**21.4**	**18.9**	**18.2**	**18.2**	**18.3**	**17.2**	**17.4**	**17.3**	**17.4**
Other income (net) (incl forex gain/loss)	9	11	8	2	4	7	10	9	18	(3)	10	9	9
PBT	104	111	126	140	166	170	195	210	233	221	259	267	282
Provision for tax	20	23	25	29	36	34	46	53	59	55	63	65	68
Effective tax rate (%)	18.8	20.9	19.8	21.0	21.8	20.2	23.8	25.1	25.2	24.7	24.3	24.3	24.3
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	**84**	**88**	**101**	**111**	**129**	**135**	**149**	**157**	**174**	**166**	**196**	**202**	**213**
-Growth (%)	**49.0**	**4.0**	**15.3**	**9.3**	**17.0**	**4.3**	**10.0**	**5.7**	**10.8**	**(4.3)**	**17.7**	**3.3**	**5.4**
-Net profit margin (%)	**18.1**	**17.4**	**16.8**	**15.7**	**17.2**	**15.8**	**14.6**	**14.3**	**14.9**	**12.8**	**13.7**	**13.5**	**13.6**

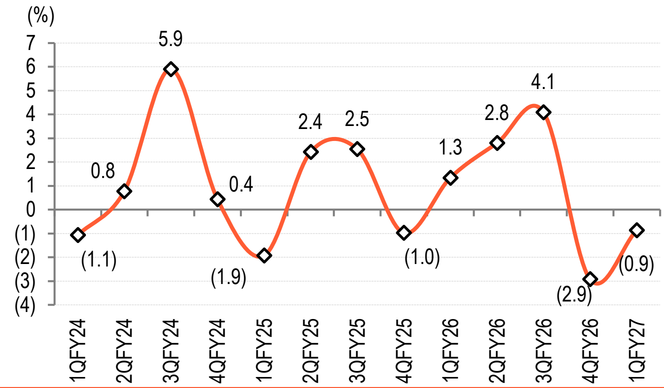
Source: Company, BOBCAPS Research

Fig 6 – YoY US$ revenue growth



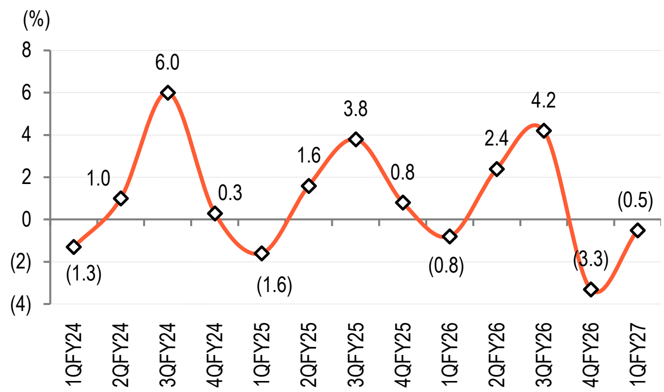
Source: Company, BOBCAPS Research

Fig 7 – QoQ US$ revenue growth



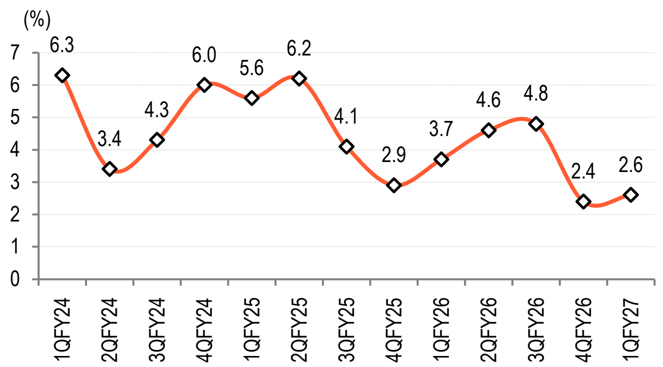
Source: Company, BOBCAPS Research

Fig 8 – QoQ CC revenue growth



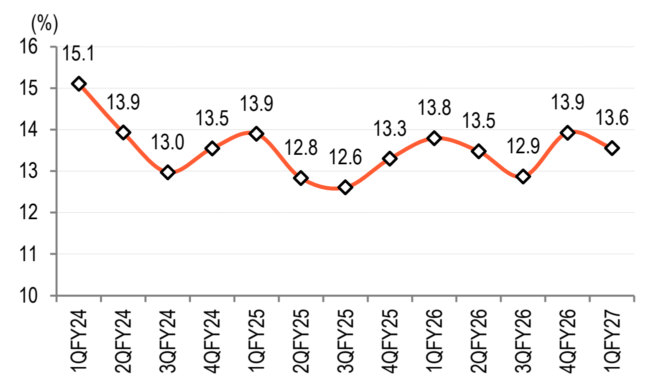
Source: Company, BOBCAPS Research

Fig 9 – YoY CC Revenue growth



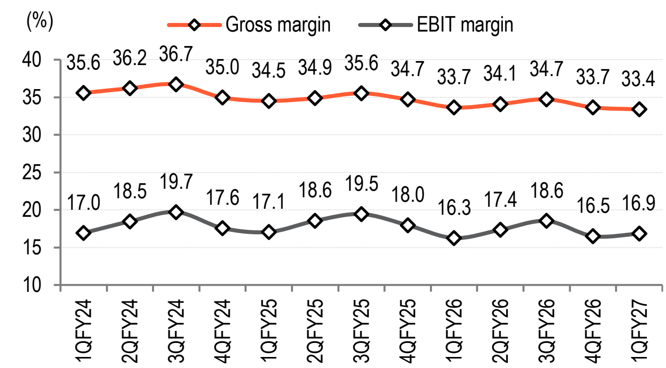
Source: Company, BOBCAPS Research

Fig 10 – SG&A as % of sales



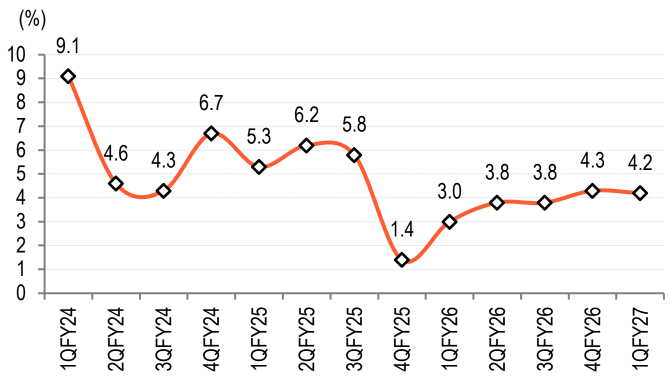
Source: Company, BOBCAPS Research

Fig 11 – Gross margin and EBIT margin



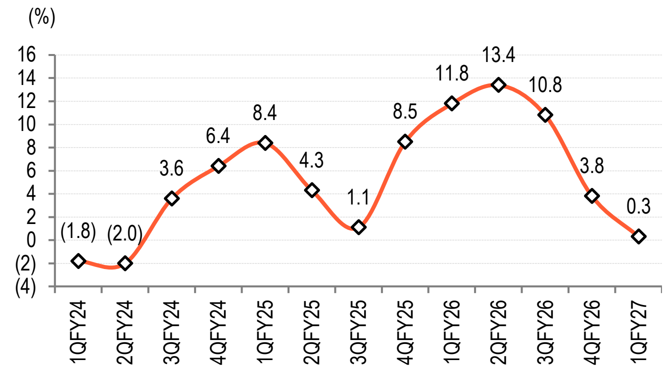
Source: Company, BOBCAPS Research

Fig 12 – IT and Business Services growth YoY CC



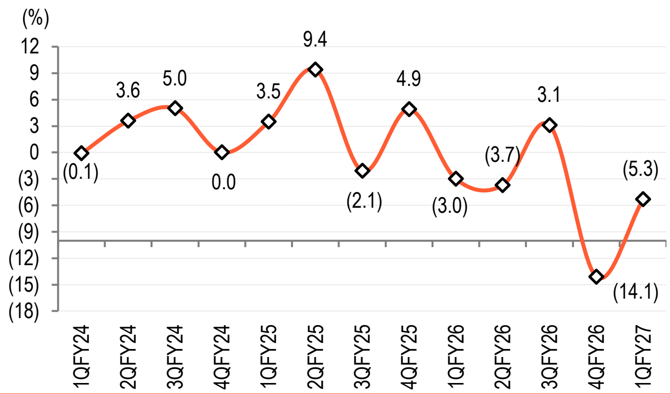
Source: Company, BOBCAPS Research

Fig 13 – Engineering and R&D Services YoY CC Growth



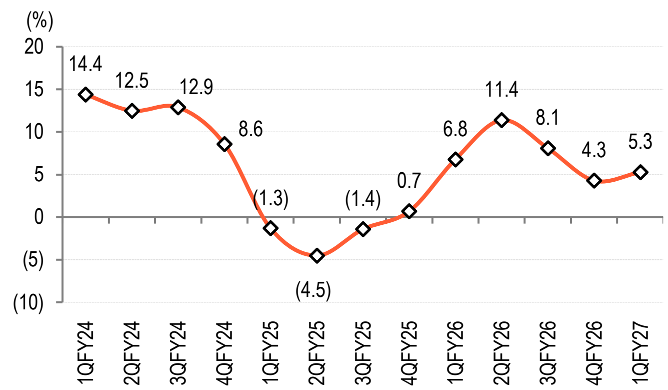
Source: Company, BOBCAPS Research

Fig 14 – Products and Platforms growth YoY CC



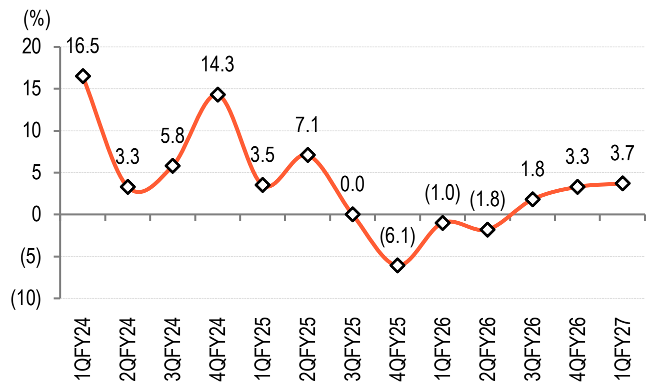
Source: Company, BOBCAPS Research

Fig 15 – Financial Services growth YoY CC



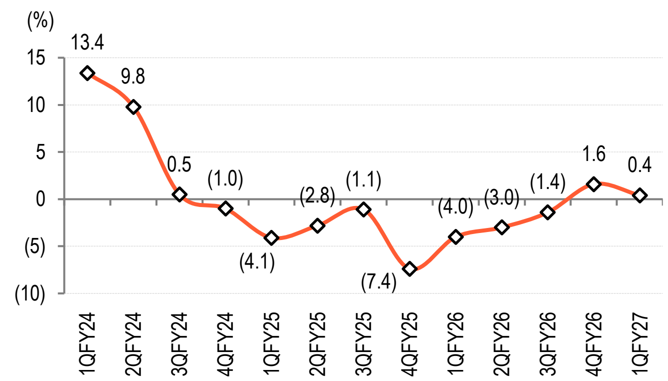
Source: Company, BOBCAPS Research

Fig 16 – Manufacturing YoY CC growth



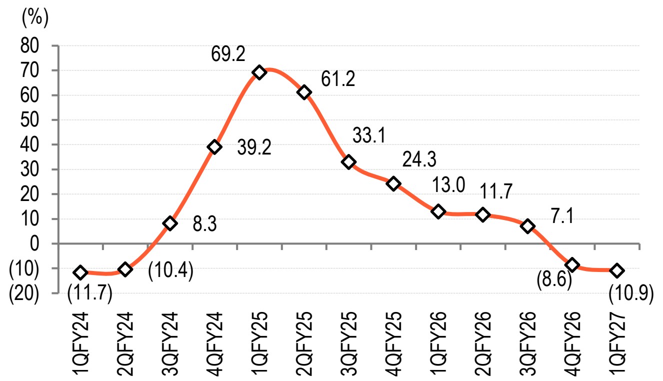
Source: Company, BOBCAPS Research

Fig 17 – Lifesciences and Healthcare YoY CC growth



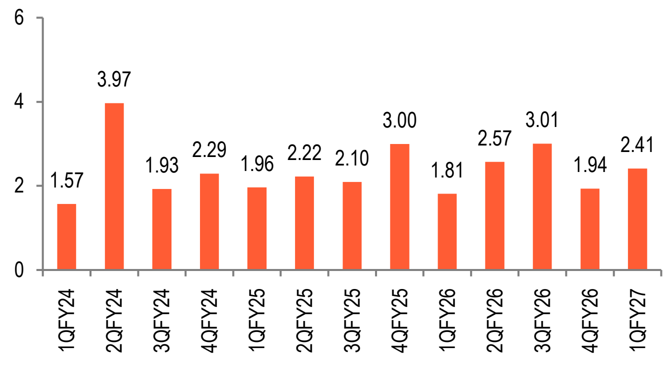
Source: Company, BOBCAPS Research

Fig 18 – Telecommunications, Media, Publishing and Entertainment YoY CC growth



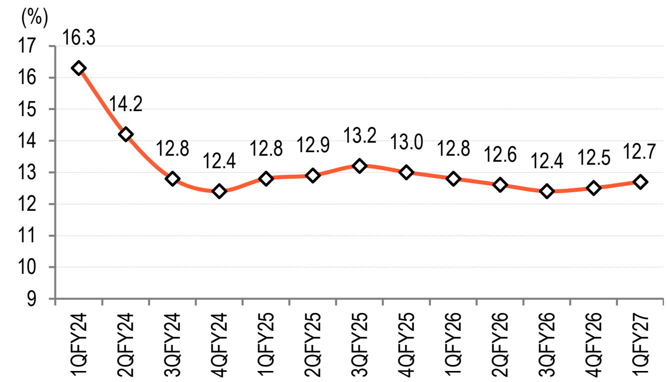
Source: Company, BOBCAPS Research

Fig 19 – Quarterly net new TCV wins (US$ bn)



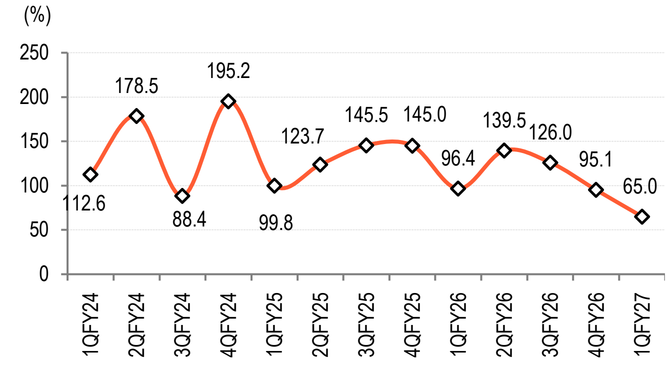
Source: Company, BOBCAPS Research

Fig 20 – Attrition trend



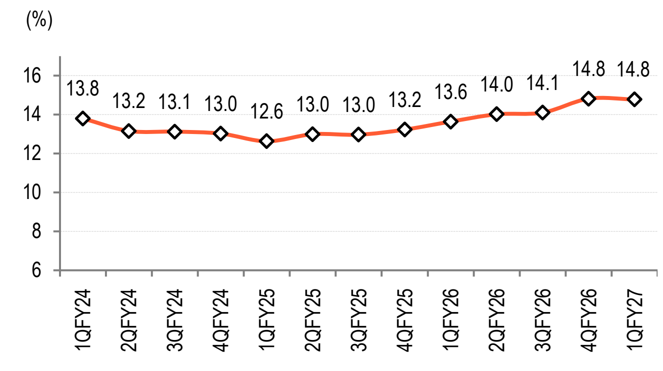
Source: Company, BOBCAPS Research

Fig 21 – OCF/Net income (%)



Source: Company, BOBCAPS Research

Fig 22 – Outsourcing cost as % of sales



Source: Company, BOBCAPS Research

Fig 23 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Rsmn													
INR/USD	82.17	82.72	83.28	83.10	83.40	83.79	84.66	86.45	85.62	87.63	89.34	92.28	94.73
USD Revenue (USD mn)	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644	3,793	3,682	3,650
INR Revenue	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420	338,720	339,810	345,790
Gross margin	93,600	96,590	104,480	99,720	96,930	100,730	106,280	105,040	102,210	108,980	117,700	114,440	115,570
EBITDA	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930	74,120	67,120	68,700
EBIT	44,600	49,340	56,150	50,180	47,960	53,620	58,210	54,420	49,420	55,500	62,850	56,200	58,310
Other income	2,360	1,940	2,590	2,510	9,120	3,250	3,110	2,930	2,470	1,520	(7,760)	820	2,770
PBT	46,960	51,280	58,740	52,690	57,080	56,870	61,320	57,350	51,890	57,020	55,090	57,020	61,080
Tax	11,650	12,950	15,230	12,740	14,480	14,500	15,380	14,260	13,450	14,660	14,270	12,120	14,820
PAT	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350	40,760	44,880	46,240
EPS	13.0	14.1	16.0	14.7	15.7	15.6	16.9	15.9	14.2	15.6	15.1	16.6	17.1
YoY growth (%)													
USD Revenue	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4	5.8	7.4	5.3	3.0
INR Revenue	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2	10.7	13.3	12.3	13.9
Gross Profit	11.5	9.3	4.7	2.6	3.6	4.3	1.7	5.3	5.4	8.2	10.7	8.9	13.1
EBITDA	8.3	9.5	6.2	4.2	7.6	7.2	1.5	6.1	4.2	3.5	8.0	3.5	13.8
EBIT	11.7	11.4	7.4	3.8	7.5	8.7	3.7	8.4	3.0	3.5	8.0	3.3	18.0
Net Profit	7.6	9.8	6.2	0.1	20.5	10.5	5.5	8.1	(9.7)	0.0	(11.2)	4.2	20.3
QoQ growth (%)													
USD Revenue	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.5	(1.0)	1.3	2.8	4.1	(2.9)	(0.87)
INR Revenue	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6	1.2	0.3	5.2	6.0	0.3	1.8
EBITDA	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7	(5.5)	(6.9)	9.2	12.4	(9.4)	2.4
EBIT	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6	(6.5)	(9.2)	12.3	13.2	(10.6)	3.8
Net Profit	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4	(6.2)	(10.8)	10.2	(3.8)	10.1	3.0
Margins (%)													
Gross Margin	35.6	36.2	36.7	35.0	34.5	34.9	35.6	34.7	33.7	34.1	34.7	33.7	33.4
EBITDA	20.5	22.3	23.8	21.4	20.7	22.1	23.0	21.4	19.9	20.6	21.9	19.8	19.9
EBIT	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3	17.4	18.6	16.5	16.9
PAT	13.4	14.4	15.3	14.0	15.2	14.7	15.4	14.2	12.7	13.3	12.0	13.2	13.4
SGA	15.1	13.9	13.0	13.5	13.9	12.8	12.6	13.3	13.8	13.5	12.9	13.9	13.6

Source: Company, BOBCAPS Research

Fig 24 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rs mn)													
Revenue	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490	319,420	338,720	339,810	345,790
EBITDA	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350	65,930	74,120	67,120	68,700
PAT	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430	42,350	40,760	44,880	46,240
Vertical Mix (%)													
Financial Services	22.6	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6	21.7	21.1	21.4	22.1
Manufacturing	19.9	19.3	20.1	20.4	19.4	19.5	19.1	18.6	18.6	18.3	18.8	18.6	18.7
Telecommunications, Media, Publishing & Entertainment	7.6	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1	12.7	12.5	12.1	11.2
Retail & CPG	9.1	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7	9.6	9.9	9.7	10.3
Lifesciences & Healthcare	17.5	17.5	16.4	16.3	15.9	16.0	15.5	14.7	14.5	14.7	14.4	14.2	14.0
Public Services	10.0	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5	8.9	9.1	9.2	9.3
Technology and Services	13.4	13.1	12.8	12.3	13.0	13.1	13.3	13.4	14.0	14.0	14.2	14.8	14.4
Geographical Mix (%)													
Americas	64.5	64.5	64.5	65.2	66.0	65.1	64.5						
USA								57.4	56.5	56.2	56.3	56.3	56.0
Europe	28.7	28.5	29.0	28.9	27.9	28.4	29.2	27.5	28.3	28.3	27.7	27.1	27.6
India								3.1	3.3	3.2	3.3	2.9	3.3
RoW	6.8	7.0	6.4	5.9	6.1	6.5	6.3	12.0	11.9	12.4	12.8	13.7	13.1
Employees	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151	226,640	226,379	227,181	223,889
Net new addition	-2,506	-2,299	3,617	2,725	-8,080	-780	2,134	2,665	-269	3,489	-261	802	-3,292
Attrition (%)	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8	12.6	12.4	12.5	12.7
Segmental revenue mix													
IT and Business Services	74.7	74.6	71.7	74.4	74.5	74.6	73.0	73.3	74.0	74.2	72.3	75.0	75.3
Engineering and R&D Services	15.4	16.0	16.4	16.1	15.9	15.8	16.0	17.1	17.0	17.0	16.8	17.0	16.5
Products & Platforms	10.4	9.9	12.3	10.0	9.9	9.9	11.3	9.9	9.3	9.1	11.2	8.3	8.6
Inter Segment	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)
Productivity Metrics													
(USD mn)													
Revenue	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545	3,644	3,793	3,682	3,650
EBIT	543	597	675	603	575	640	689	627	578	637	704	607	616
PAT	430	463	523	481	496	506	544	496	450	486	538	486	488

Source: Company, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

Fig 25 – QoQ and YoY growth of various parameters

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
QoQ Growth (%)													
Geography Wise													
Americas	0.0	0.8	5.9	1.5	(0.7)	1.0	1.6						
USA									(0.3)	2.2	4.3	(2.9)	(1.4)
Europe	(1.8)	0.1	7.8	0.1	(5.3)	4.3	5.4	(6.7)	4.3	2.8	1.9	(5.0)	1.0
India									7.9	(0.3)	7.3	(14.7)	12.8
RoW	(7.8)	3.7	(3.2)	(7.4)	1.4	9.1	(0.6)	88.6	0.5	7.1	7.4	3.9	(5.2)
Total	(1.1)	0.8	5.8	0.5	(1.9)	2.4	2.5	(1.0)	1.3	2.9	4.1	(3.0)	(0.9)
Non-US	(3.0)	0.8	5.6	(1.3)	(4.2)	5.1	4.3	18.8	3.5	3.7	3.9	(3.1)	(0.2)
Vertical Wise													
Financial Services	5.5	0.8	1.7	(0.0)	(4.7)	(0.0)	1.5	2.9	3.7	3.3	1.2	(1.5)	2.4
Manufacturing	3.6	(2.3)	10.3	1.9	(6.7)	2.9	0.4	(3.6)	1.3	1.1	6.9	(4.0)	(0.3)
Telecommunications, Media, Publishing & Entertainment	(14.6)	6.1	28.4	19.1	4.0	1.6	4.2	11.9	(4.5)	(0.3)	2.4	(6.0)	(8.2)
Retail & CPG	0.0	6.3	5.9	(4.8)	1.3	4.6	13.2	(9.4)	1.3	1.7	7.3	(4.9)	5.3
Lifesciences & Healthcare	(1.1)	0.8	(0.8)	(0.2)	(4.3)	3.1	(0.7)	(6.1)	(0.0)	4.2	2.0	(4.3)	(2.3)
Public Services	(3.0)	(0.2)	3.8	(8.9)	1.4	3.5	(0.8)	(4.3)	0.2	7.6	6.4	(1.9)	0.2
Technology and Services	(7.9)	(1.5)	3.5	(3.5)	3.7	3.2	4.1	(0.2)	5.9	2.8	5.6	1.2	(3.5)
Client Concentration													
Top 5 clients	(4.0)	0.8	5.9	0.4	14.1	8.7	6.8	(0.2)	0.5	1.2	2.4	(5.3)	(3.4)
Top 10 clients	(3.9)	0.8	9.0	0.4	8.6	5.0	3.6	(1.5)	1.3	1.3	3.0	(5.9)	(2.9)
Top 20 clients	(3.2)	1.1	8.6	0.4	5.4	4.8	2.9	(2.6)	(0.3)	1.4	2.7	(4.9)	(2.6)
Segment wise													
IT and Business Services	0.3	0.6	1.8	4.2	(1.8)	2.6	0.3	(0.6)	2.3	3.1	1.4	0.7	(0.5)
Engineering and R&D Services	(5.4)	4.7	8.5	(1.4)	(3.1)	1.8	3.8	5.8	0.7	2.8	2.9	(1.8)	(3.8)
Products & Platforms	(2.9)	(4.1)	31.6	(18.3)	(2.9)	2.4	17.0	(13.2)	(4.8)	0.6	28.1	(28.1)	2.7
YoY Growth (%)													
Geography Wise													
Americas	6.3	4.1	6.9	8.4	7.6	7.8	3.5						
USA												3.2	2.1
Europe	9.2	8.4	4.9	6.0	2.2	6.5	4.2	(2.9)	6.9	5.4	1.8	3.7	0.4
India												(1.5)	3.0
RoW	(10.1)	(4.9)	(9.0)	(14.3)	(5.7)	(0.8)	1.8	107.4	105.6	101.8	118.1	20.2	13.3
Total	5.8	4.6	5.2	6.0	5.1	6.8	3.6	2.0	5.4	5.9	7.5	5.3	3.0
Non-US	4.9	5.5	2.1	1.9	0.7	5.0	3.7	24.9	34.8	33.0	32.5	8.0	4.1
Vertical Wise													
Financial Services	13.3	14.8	14.8	8.0	(2.3)	(3.1)	(3.2)	(0.4)	8.4	12.0	11.6	6.8	5.3
Manufacturing	15.0	5.2	7.4	13.9	2.5	7.9	(1.7)	(7.0)	1.0	(0.7)	5.7	5.3	3.5
Telecommunications, Media, Publishing & Entertainment	(12.6)	(9.0)	8.6	38.6	68.7	61.6	31.2	23.3	13.2	11.0	9.1	(8.4)	(12.0)
Retail & CPG	2.4	9.2	13.6	7.2	8.6	6.8	14.2	8.7	8.8	5.8	0.3	5.3	9.3
Lifesciences & Healthcare	12.9	11.0	1.0	(1.2)	(4.5)	(2.3)	(2.2)	(8.0)	(3.9)	(2.8)	(0.3)	1.7	(0.6)
Public Services	3.7	1.5	0.1	(8.5)	(4.3)	(0.7)	(5.1)	(0.3)	(1.6)	2.3	9.8	12.6	12.7
Technology and Services	(8.0)	(9.2)	(9.0)	(9.4)	2.0	6.8	7.5	11.1	13.5	13.0	14.6	16.3	5.9
Client Concentration													
Top 5 clients	(7.4)	(4.2)	0.2	2.9	22.3	31.9	33.0	32.2	16.5	8.4	4.0	(1.4)	(5.2)
Top 10 clients	(6.2)	(4.3)	2.4	6.0	19.8	24.9	18.6	16.4	8.6	4.7	4.2	(0.5)	(4.7)
Top 20 clients	(0.4)	(0.1)	4.5	6.8	16.3	20.5	14.2	10.7	4.7	1.3	1.1	(1.3)	(3.6)
Segment wise													
IT and Business Services	8.5	5.9	5.4	7.0	4.8	6.8	5.3	0.5	4.7	5.2	6.3	7.7	4.8
Engineering and R&D Services	(1.9)	(1.5)	4.0	6.0	8.5	5.5	0.9	8.3	12.7	13.8	12.7	4.6	(0.1)
Products & Platforms	0.0	5.7	5.3	0.0	0.1	6.8	(5.0)	1.0	(1.0)	(2.8)	6.4	(11.8)	(4.8)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,170,550**	**1,301,440**	**1,430,714**	**1,496,440**	**1,565,615**
EBITDA	255,050	267,520	290,370	300,215	314,739
Depreciation	40,840	43,550	41,512	41,915	42,395
EBIT	214,210	223,970	248,858	258,300	272,344
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	18,410	(2,950)	9,800	8,911	9,368
Exceptional items	0	0	0	0	0
EBT	232,620	221,020	258,659	267,211	281,712
Income taxes	58,620	54,500	62,759	64,834	68,353
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	90	100	80	80	80
Reported net profit	**173,910**	**166,420**	**195,820**	**202,297**	**213,279**
Adjustments	0	0	0	0	0
Adjusted net profit	**173,910**	**166,420**	**195,820**	**202,297**	**213,279**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	244,710	298,280	289,116	300,996	314,898
Provisions	0	0	0	0	0
Debt funds	22,910	1,590	1,510	1,510	1,510
Other liabilities	91,270	111,060	111,860	114,375	117,317
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	691,120	746,220	748,967	767,278	796,571
Shareholders' fund	696,550	751,650	754,397	772,708	802,001
Total liab. and equities	**1,055,440**	**1,162,580**	**1,156,884**	**1,189,589**	**1,235,726**
Cash and cash eq.	82,450	82,650	136,869	145,582	164,305
Accounts receivables	195,230	235,850	241,003	250,906	262,494
Inventories	0	0	0	0	0
Other current assets	343,410	386,920	306,520	314,047	322,856
Investments	12,970	21,760	34,940	34,940	34,940
Net fixed assets	332,150	338,470	336,916	340,796	344,676
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	89,230	96,930	100,636	103,318	106,455
Total assets	**1,055,440**	**1,162,580**	**1,156,884**	**1,189,589**	**1,235,726**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**233,950**	**195,940**	**195,465**	**238,741**	**249,259**
Capital expenditures	(50,380)	(49,870)	(39,958)	(45,795)	(46,275)
Change in investments	(38,770)	(25,220)	94,850	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(89,150)**	**(75,090)**	**54,892**	**(45,795)**	**(46,275)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	5,200	(10,610)	(310)	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(162,528)	(129,852)	(162,341)	(183,986)	(183,986)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(157,328)**	**(140,462)**	**(162,651)**	**(183,986)**	**(183,986)**
Chg in cash & cash eq.	**(12,021)**	**388**	**54,707**	**8,960**	**18,999**
Closing cash & cash eq.	**82,539**	**82,838**	**137,357**	**145,829**	**164,580**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	64.2	61.5	72.4	74.8	78.8
Adjusted EPS	64.1	61.4	72.2	74.6	78.7
Dividend per share	60.0	48.0	60.0	68.0	68.0
Book value per share	256.5	277.3	278.3	285.1	295.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	2.9	2.6	2.4	2.3	2.2
EV/EBITDA	13.2	12.6	11.8	11.5	11.0
Adjusted P/E	19.1	19.9	16.9	16.4	15.5
P/BV	4.8	4.4	4.4	4.3	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.8	75.3	75.7	75.7	75.7
Interest burden (PBT/EBIT)	108.6	98.7	103.9	103.4	103.4
EBIT margin (EBIT/Revenue)	18.3	17.2	17.4	17.3	17.4
Asset turnover (Rev./Avg TA)	114.0	117.4	123.4	127.5	129.1
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	25.2	23.0	26.0	26.5	27.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.5	11.2	9.9	4.6	4.6
EBITDA	5.4	4.9	8.5	3.4	4.8
Adjusted EPS	10.8	(4.2)	17.7	3.3	5.4
Profitability & Return ratios (%)					
EBITDA margin	21.8	20.6	20.3	20.1	20.1
EBIT margin	18.3	17.2	17.4	17.3	17.4
Adjusted profit margin	14.9	12.8	13.7	13.5	13.6
Adjusted ROAE	25.2	23.0	26.0	26.5	27.1
ROCE	20.1	20.1	21.8	22.3	22.8
Working capital days (days)					
Receivables	61	66	61	61	61
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	3.5	3.8	4.2	4.4	4.5
Current ratio	2.7	2.5	2.5	2.5	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.2)	(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

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 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

Brand Name: **BOBCAPS**
Website: **https://www.bobcaps.in/**
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%

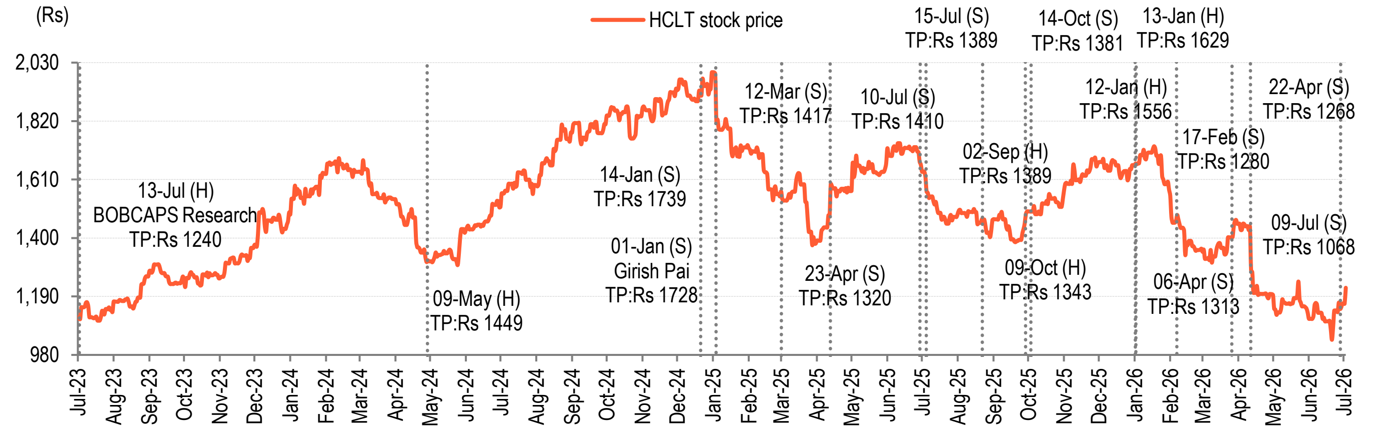
HOLD – Expected return from -6% to +15%

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.

Ratings and Target Price (3-year history): HCL TECHNOLOGIES (HCLT 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 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.