

**ADD**  
TP: Rs 390 | ▲ 6%

**HEXWARE  
TECHNOLOGIES**

| IT Services

| 09 August 2019

## Strong margin showing

Hexaware’s (HEXW) operating margins outperformed at 14.6% (+90bps QoQ vs. –30bps est.), taking the Jun’19 quarter ahead of expectations. Management pointed to stability in the BFSI segment as against a dull outlook earlier, though constraints in one large mortgage account led to a cut in CY20 revenue growth guidance from 20% to 19%. We tweak CY19/CY20/ CY21 EPS estimates by +5%/–1%/–1% and raise our TP to Rs 390 (Rs 370 earlier) on rolling valuations over to Jun’21. Retain ADD.

Ruchi Burde

research@bobcaps.in

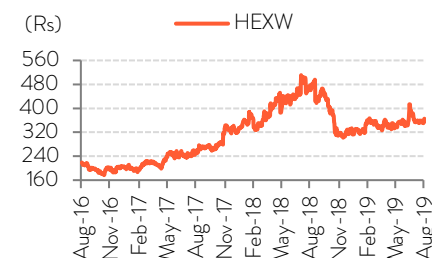
**Beat on margins:** HEXW’s EBIT margins at 14.6% improved 90bps QoQ vs. our estimate of a 30bps QoQ decline. Revenue at US\$ 188.5mn (+4.7% QoQ and 5% QoQ CC) was largely on par with our estimates, aided by ~US\$ 3.5mn (or 190bps) in inorganic income.

Ticker/Price	HEXW IN/Rs 368
Market cap	US\$ 1.6bn
Shares o/s	301mn
3M ADV	US\$ 4.5mn
52wk high/low	Rs 501/Rs 294
Promoter/FPI/DII	71%/15%/14%

Source: NSE

**CY20 outlook pruned:** Management lowered its CY19 revenue growth guidance a notch to 19% from 20% earlier to factor in rising challenges at one of its large secondary-mortgage industry clients. HEXW is still optimistic about achieving CY19 organic growth within its earlier stated range of 12-14%. Management expects Q3CY19 growth (including organic revenue) to be better than that in Q2 and hinted at the possibility of lower seasonal softness in Q4 as contracts won in recent quarters scale up.

## STOCK PERFORMANCE



Source: NSE

**Secular BFSI weakness subsides:** Management sees improvement in the capital market and secondary mortgage segments after broad-based weakness had delayed budgetary allocation and slowed decision-making last quarter. At the moment, only one large secondary mortgage client is facing continued challenges due to internal top leadership changes. Management expects the non-BFSI vertical to accelerate further in H2CY19, surpassing the 17.3% YoY dollar revenue growth clocked in H1CY19.

## KEY FINANCIALS

Y/E 31 Dec	CY17A	CY18A	CY19E	CY20E	CY21E
Adj. net profit (Rs mn)	4,993	5,833	6,521	7,160	8,079
Adj. EPS (Rs)	16.6	19.3	21.6	23.7	26.7
Adj. EPS growth (%)	21.1	16.6	11.5	9.8	12.8
Adj. ROAE (%)	26.9	26.5	24.9	23.1	22.2
Adj. P/E (x)	22.2	19.0	17.0	15.5	13.8
EV/EBITDA (x)	16.2	14.4	12.2	10.0	8.4

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



## Earnings call highlights

- **Mobiquity acquisition update:** Mobiquity was consolidated for half a month in Q2CY19 (~US\$ 3.5mn revenues). Full quarter consolidation would have contributed an additional US\$ 17.6mn to the topline. Management indicated a large joint deal pipeline with Mobiquity, albeit at the early development stage. On the attrition front, Mobiquity has had no senior leader attrition since the takeover in June.
- **Deal wins:** HEXW won net new deals worth US\$ 36mn in Q2CY19 vs. US\$ 41mn in Q2CY18 (flat sequentially). Improved traction in existing clients led by account management investments in recent years has reduced the company's dependence on net new deal wins for incremental growth, as per management.
- **Tax rate:** The effective tax rate for the Jun'19 quarter was 17.9% (on reported basis which include impact of one time charges related to Mobiquity acquisition) vs. 18.4% in the Mar'19 quarter and 20% in the year-ago period, aided by a shift in delivery to tax-efficient centres and tax savings flowing from the Mobiquity acquisition. Management expects a CY19 effective tax rate of 18.5% (vs. our forecast of ~20%) and foresees continued tax savings beyond CY19.
- **Ind-AS 116:** The company will adopt the Ind-AS 116 lease standard from Jan'19 as it follows the December ending financial year vs. March year-end for peers who have transitioned already.
- **Dividend payout:** HEXW announced an interim dividend of Rs 1.5/sh vs. Rs 2.5/sh paid out in each of the previous four quarters. The reduction is along expected lines considering management's prior indication of a payout cut post sizable M&A allocation (acquired Mobiquity in June for a consideration of US\$ 182mn).

**FIG 1 – JUN'19 QUARTER PERFORMANCE**

(Rs mn)	Q1CY18	Q2CY18	Q3CY18	Q4CY18	Q1CY19	Q2CY19	YoY (%)	QoQ (%)	H1CY18	H1CY19	YoY (%)
<b>Revenues (US\$ mn)</b>	<b>162</b>	<b>168</b>	<b>171</b>	<b>176</b>	<b>180</b>	<b>189</b>	<b>12.0</b>	<b>4.7</b>	<b>331</b>	<b>369</b>	<b>11.5</b>
<b>Revenue</b>	<b>10,490</b>	<b>11,367</b>	<b>12,096</b>	<b>12,524</b>	<b>12,640</b>	<b>13,083</b>	<b>15.1</b>	<b>3.5</b>	<b>21,857</b>	<b>25,723</b>	<b>17.7</b>
<b>Operating Expenditure</b>	<b>8,864</b>	<b>9,594</b>	<b>10,073</b>	<b>10,611</b>	<b>10,753</b>	<b>10,966</b>	<b>14.3</b>	<b>2.0</b>	<b>18,458</b>	<b>21,719</b>	<b>17.7</b>
Cost of revenues	6,949	7,659	8,038	8,476	8,781	8,808	15.0	0.3	14,608	17,589	20.4
as % of sales	66.2	67.4	66.5	67.7	69.5	67.3	-	-	66.8	68.4	-
SG&A expenses	1,915	1,935	2,035	2,135	1,972	2,158	11.5	9.4	3,850	4,130	7.3
as % of sales	18.3	17.0	16.8	17.0	15.6	16.5	-	-	17.6	16.1	-
<b>EBITDA</b>	<b>1,626</b>	<b>1,773</b>	<b>2,023</b>	<b>1,913</b>	<b>1,887</b>	<b>2,117</b>	<b>19.4</b>	<b>12.2</b>	<b>3,399</b>	<b>4,004</b>	<b>17.8</b>
Depreciation	151	182	159	158	148	205	-	-	333	353	6.0
<b>EBIT</b>	<b>1,475</b>	<b>1,591</b>	<b>1,864</b>	<b>1,755</b>	<b>1,739</b>	<b>1,912</b>	<b>20.2</b>	<b>9.9</b>	<b>3,066</b>	<b>3,651</b>	<b>19.1</b>
Other Income	204	327	264	(215)	(42)	99	-	-	531	57	(89.3)
<b>PBT</b>	<b>1,679</b>	<b>1,918</b>	<b>2,128</b>	<b>1,540</b>	<b>1,697</b>	<b>2,011</b>	<b>4.8</b>	<b>18.5</b>	<b>3,597</b>	<b>3,708</b>	<b>3.1</b>
Total Tax	336	384	406	306	312	329	-	-	720	641	(11.0)
<b>Adjusted PAT</b>	<b>1,343</b>	<b>1,534</b>	<b>1,722</b>	<b>1,234</b>	<b>1,385</b>	<b>1,682</b>	<b>9.6</b>	<b>21.4</b>	<b>2,877</b>	<b>3,067</b>	<b>6.6</b>
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0	-	-	0	0	-
<b>APAT after MI</b>	<b>1,343</b>	<b>1,534</b>	<b>1,722</b>	<b>1,234</b>	<b>1,385</b>	<b>1,682</b>	<b>9.6</b>	<b>21.4</b>	<b>2,877</b>	<b>3,067</b>	<b>6.6</b>
<b>Extra ordinary items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(170)</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(170)</b>	<b>-</b>
<b>Reported PAT</b>	<b>1,343</b>	<b>1,534</b>	<b>1,722</b>	<b>1,234</b>	<b>1,385</b>	<b>1,512</b>	<b>(1.4)</b>	<b>9.2</b>	<b>2,877</b>	<b>2,897</b>	<b>0.7</b>
<b>Reported EPS</b>	<b>4.5</b>	<b>5.1</b>	<b>5.7</b>	<b>4.1</b>	<b>4.6</b>	<b>4.4</b>	<b>(12.9)</b>	<b>(3.1)</b>	<b>10</b>	<b>9</b>	<b>(5.6)</b>
<b>Margins (%)</b>							<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBITDA	15.5	15.6	16.7	15.3	14.9	16.2	58	125	15.6	15.6	1
EBIT	14.1	14.0	15.4	14.0	13.8	14.6	62	86	14.0	14.2	17
EBT	16.0	16.9	17.6	12.3	13.4	15.4	(150)	195	16.5	14.4	(204)
PAT	12.8	13.5	14.2	9.9	11.0	12.9	(64)	190	13.2	11.9	(124)
Effective tax rate	20.0	20.0	19.1	19.9	18.4	16.4	(366)	(203)	20.0	17.3	(273)

Source: Company, BOBCAPS Research

**FIG 2 – JUN'19 QUARTER OPERATING METRICS**

(in Dollar terms)	Q2CY19 (% Contr. to Revenue)	Growth	
		QoQ (%)	YoY (%)
<b>Revenue by Vertical</b>			
BFSI	39.8	2.2	2.2
TTHL	10.1	11.3	11.3
Healthcare and Insurance	19.2	9.9	9.9
Manufacturing and Consumers	16.0	(2.6)	11.3
Professional Services	14.9	9.1	29.4
<b>Revenue by Service Line</b>			
ADM	37.0	12.3	12.3
EAS	9.4	3.6	3.6
Digital Assurance	17.7	5.9	5.9
Business Intelligence & Analytics	12.3	(1.7)	(1.7)
BPO	8.0	10.2	10.2
IMS	15.6	(8.2)	26.6
<b>Revenue by Geography</b>			
US	76.8	5.7	5.7

(in Dollar terms)	Q2CY19 (% Contr. to Revenue)	Growth	
		QoQ (%)	YoY (%)
Europe	14.0	16.4	16.4
ROW	9.2	(14.7)	(14.7)
<b>Onsite-Offshore Revenue Mix</b>			
Onsite	63.0	3.6	3.6
Offshore	37.0	5.4	5.4
<b>Client Concentration</b>			
Top 5 clients	37.3	(6.3)	(6.3)
Top 10 clients	46.4	(4.9)	(4.9)
Non-Top 10 client revenues	53.6	14.8	14.8
Total Headcount	18,294	19	11

Source: Company, BOBCAPS Research

### Valuation methodology

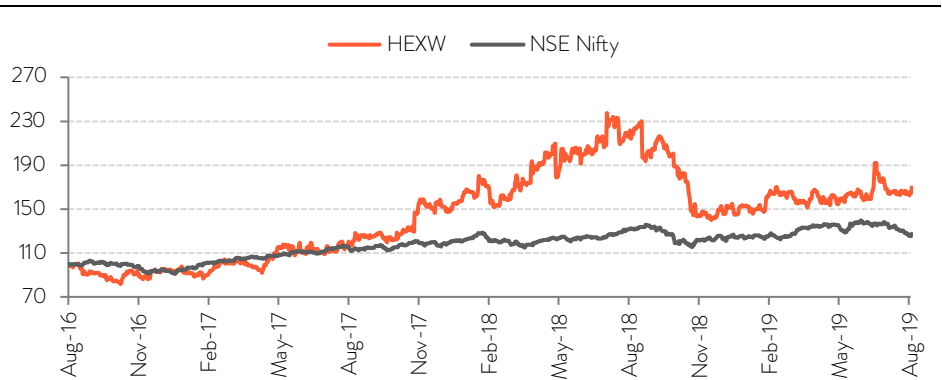
We tweak CY19/CY20/CY21 EPS estimates by +5%/–1%/–1% to factor in the Mobiquity acquisition (including amortisation charges) and Jun'19 quarter operating margin beat. On rolling valuations forward, we move to a revised Jun'20 target price of Rs 390 (vs. Rs 370), based on an unchanged target P/E of 15.5x. Retain ADD.

**FIG 3 – REVISED ESTIMATES**

(Rs mn)	CY19E			CY20E			CY21E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenues (US\$ mn)	761	800	5.2	867	907	4.5	977	1011	3.4
YoY growth (%)	12.2	18.0	-	14.0	13.4	-	12.7	11.5	-
Revenues	53,281	55,486	4.1	60,709	63,470	4.5	68,417	70,772	3.4
EBITDA	8,091	8,465	4.6	9,375	9,803	4.6	10,744	11,114	3.4
EBITDA margins (%)	15.2	15.3	-	15.4	15.4	-	15.7	15.7	-
Net profits	6,188	6,521	5.4	7,227	7,160	(0.9)	8,138	8,079	(0.7)
EPS (Rs)	20.5	21.6	5.4	23.9	23.7	(0.9)	26.9	26.7	(0.7)

Source: BOBCAPS Research

**FIG 4 – RELATIVE STOCK PERFORMANCE**



Source: NSE

### Key risks

Downside risks to our estimates include:

- sharp adverse currency movements, and
- an inability to replicate success in newly launched services.

## FINANCIALS

### Income Statement

Y/E 31 Dec (Rs mn)	CY17A	CY18A	CY19E	CY20E	CY21E
<b>Total revenue</b>	<b>39,419</b>	<b>46,477</b>	<b>55,486</b>	<b>63,470</b>	<b>70,772</b>
EBITDA	6,553	7,335	8,465	9,803	11,114
EBIT	5,920	6,685	7,531	8,419	9,601
Net interest income/(expenses)	0	0	0	0	0
Other income/(expenses)	484	580	282	366	312
Exceptional items	0	0	(170)	0	0
EBT	6,404	7,265	7,983	8,785	9,913
Income taxes	1,411	1,432	1,462	1,625	1,834
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>4,993</b>	<b>5,833</b>	<b>6,521</b>	<b>7,160</b>	<b>8,079</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>4,993</b>	<b>5,833</b>	<b>6,521</b>	<b>7,160</b>	<b>8,079</b>

### Balance Sheet

Y/E 31 Dec (Rs mn)	CY17A	CY18A	CY19E	CY20E	CY21E
Accounts payables	0	0	0	0	0
Other current liabilities	4,463	6,425	6,081	6,956	7,756
Provisions	887	916	3,800	4,347	4,847
Debt funds	0	0	0	0	0
Other liabilities	31	76	76	76	76
Equity capital	594	595	595	595	595
Reserves & surplus	19,479	23,324	27,889	32,901	38,556
Shareholders' fund	20,074	23,919	28,484	33,495	39,151
<b>Total liabilities and equities</b>	<b>25,454</b>	<b>31,335</b>	<b>38,440</b>	<b>44,874</b>	<b>51,830</b>
Cash and cash eq.	5,298	8,205	12,484	16,818	21,992
Accounts receivables	5,360	8,031	7,297	8,347	9,307
Inventories	0	0	0	0	0
Other current assets	5,269	5,201	7,905	9,042	10,083
Investments	213	127	127	127	127
Net fixed assets	7,977	7,986	8,301	8,212	7,994
CWIP	2,563	2,244	2,244	2,244	2,244
Intangible assets	1,656	1,809	1,809	1,809	1,809
Deferred tax assets, net	1,336	1,784	1,784	1,784	1,784
Other assets	0	0	0	0	0
<b>Total assets</b>	<b>25,453</b>	<b>31,335</b>	<b>37,897</b>	<b>44,331</b>	<b>51,287</b>

Source: Company, BOBCAPS Research

### Cash Flows

Y/E 31 Dec (Rs mn)	CY17A	CY18A	CY19E	CY20E	CY21E
Net income + Depreciation	5,291	6,483	7,455	8,543	9,592
Interest expenses	(8)	(580)	(282)	(366)	(312)
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(901)	(612)	572	(766)	(700)
Other operating cash flows	380	0	0	0	0
<b>Cash flow from operations</b>	<b>4,763</b>	<b>5,292</b>	<b>7,745</b>	<b>7,412</b>	<b>8,580</b>
Capital expenditures	(957)	(652)	(1,249)	(1,295)	(1,295)
Change in investments	(1)	0	0	0	0
Other investing cash flows	12	580	282	366	312
<b>Cash flow from investing</b>	<b>(946)</b>	<b>(72)</b>	<b>(966)</b>	<b>(929)</b>	<b>(983)</b>
Equities issued/Others	12	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(1,380)	0	0	0	0
Dividends paid	(1,428)	(2,855)	(1,956)	(2,148)	(2,424)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,796)</b>	<b>(2,855)</b>	<b>(1,956)</b>	<b>(2,148)</b>	<b>(2,424)</b>
<b>Changes in cash and cash eq.</b>	<b>1,021</b>	<b>2,364</b>	<b>4,822</b>	<b>4,335</b>	<b>5,173</b>
<b>Closing cash and cash eq.</b>	<b>5,297</b>	<b>7,662</b>	<b>12,484</b>	<b>16,818</b>	<b>21,992</b>

### Per Share

Y/E 31 Dec (Rs)	CY17A	CY18A	CY19E	CY20E	CY21E
Reported EPS	16.6	19.3	21.6	23.7	26.7
Adjusted EPS	16.6	19.3	21.6	23.7	26.7
Dividend per share	3.9	8.0	5.4	5.9	6.7
Book value per share	66.6	79.3	94.2	110.7	129.4

### Valuations Ratios

Y/E 31 Dec (x)	CY17A	CY18A	CY19E	CY20E	CY21E
EV/Sales	2.7	2.3	1.9	1.5	1.3
EV/EBITDA	16.2	14.4	12.2	10.0	8.4
Adjusted P/E	22.2	19.0	17.0	15.5	13.8
P/BV	5.5	4.6	3.9	3.3	2.8

### DuPont Analysis

Y/E 31 Dec (%)	CY17A	CY18A	CY19E	CY20E	CY21E
Tax burden (Net profit/PBT)	78.0	80.3	81.7	81.5	81.5
Interest burden (PBT/EBIT)	108.2	108.7	106.0	104.3	103.2
EBIT margin (EBIT/Revenue)	15.0	14.4	13.6	13.3	13.6
Asset turnover (Revenue/Avg TA)	161.3	163.7	160.3	154.4	148.0
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	26.9	26.5	24.9	23.1	22.2

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**Ratio Analysis**

Y/E 31 Dec	CY17A	CY18A	CY19E	CY20E	CY21E
<b>YoY growth (%)</b>					
Revenue	11.5	17.9	19.4	14.4	11.5
EBITDA	14.0	11.9	15.4	15.8	13.4
Adjusted EPS	21.1	16.6	11.5	9.8	12.8
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	16.6	15.8	15.3	15.4	15.7
EBIT margin	15.0	14.4	13.6	13.3	13.6
Adjusted profit margin	12.7	12.6	11.8	11.3	11.4
Adjusted ROAE	26.9	26.5	24.9	23.1	22.2
ROCE	33.4	35.1	38.6	41.8	46.0
<b>Working capital days (days)</b>					
Receivables	45	53	50	45	46
Inventory	0	0	0	0	0
Payables	50	51	49	44	45
<b>Ratios (x)</b>					
Gross asset turnover	4.8	5.8	6.8	7.7	8.7
Current ratio	3.0	2.9	2.8	3.0	3.3
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.4)	(0.5)	(0.6)

Source: Company, BOBCAPS Research



## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

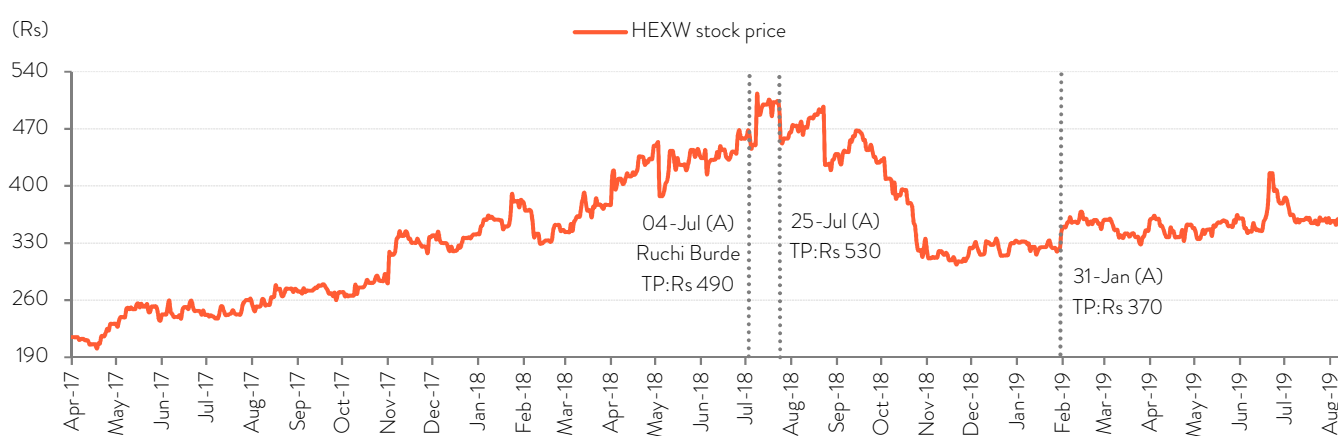
**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: HEXAWARE TECHNOLOGIES (HEXW IN)



B – Buy, A – Add, R – Reduce, S – Sell

### Rating distribution

As of 31 July 2019, out of 77 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 44 have BUY ratings, 16 are rated ADD, 8 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

### 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 BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Institutional 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, wealth management and portfolio 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 2020. 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 where such an offer or solicitation would be illegal. 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.

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 act as market makers or 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.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

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 in the past 12 months. 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.