

 **IT SERVICES**

Q1FY25 Preview

10 July 2024

**Earnings cycle to turn up? Too early to call, in our view**

- After multiple quarters of earnings downgrades, 1QFY25 will likely see a pause. We think it is too early to call if the cycle has turned up for good
- Commentary from players indicates growth upturn is unlikely in FY25. Consensus assumes it will happen in FY26. We think the odds are even.
- We expect better QoQ growth on an aggregate basis, which we believe is in the price. We will be reinitiating coverage on the sector soon.

**Girish Pai**

research@bobcaps.in

---

**Demand commentary:** We expect the demand commentary to be largely like what we have heard in the last few quarters. Need to see if customers are becoming increasingly wary of changes in economic policies due to changes/likely changes in governments in various parts of the world – the US, the UK, France, etc. We do not expect any change in the guidance given by INFO and HCLT either on revenue or on margins post 1QFY25.

**Contrasting narratives:** The market is grappling with two contrasting narratives (1) a sharp demand upturn in FY26 (backed by a US soft-landing scenario) and (2) a 'slower-for-much-longer' situation under a not-so-soft-landing. We think a new US presidency under Donald Trump (seems likely at this stage) could lead to greater uncertainty in 1HCY25.

**US economy:** The US economy has been very resilient thus far despite high interest rates, helped by excess household savings from the pandemic and a looser fiscal stance by the US government. But the latest economic data is pointing to weakness.

**IT spends:** IT spending has broadly held up in this environment and grown at a muted pace in 2022, 2023 and 1H2024. Growth has slowed materially for India's IT services sector compared to the pandemic frenzy, but it has not felt significant pain yet.

**Gen AI and Productivity:** There still is no sign that discretionary spending is making a decisive comeback. Enterprise Generative AI uptake has been slow. We will watch for commentary if that is eating into other IT services spend. It remains to be seen if the 'surround services' business needs to be compressed to generate savings for the Gen AI initiatives. Different players have given out different numbers regarding the extent of productivity increase due to Gen AI – from 10-15% to as much as 30-40%. The bigger question is how much is retained by the vendors and how much is passed on to customers.



**Growth trajectory mixed:** We believe the trajectory of growth in FY25 is likely to be mixed, with players like INFO likely to see a strong 1H while others see a relatively stronger 2HFY25.

**Mega deal activity:** Mega deal activity seems muted for the sector since Sep'23. We think total contract value (TCV) for players will be broadly at average levels. The large deal activity does not seem to be translating into revenue due to (1) higher tenure of deals, (2) compression in the existing book of business. We need to see if the leakage in the existing book has slowed.

The BFS, Telecom, Hi Tech and Retail sectors have generally been weaker than the rest in the last 12-24 months. We think most of these sectors have probably hit a temporary bottom and may not show further deterioration.

**Margin:** We think the utilisation and subcontractor cost levers have broadly played out for most players in FY24. The start of cost take-out projects won in FY24 will require upfront investments. Plus, Visa charges have been hiked by the US government and that will likely show up in 1QFY25 assuming the number of visas applied for remain the same. However, margins will play out differently for different players as the salary cycles were changed quite a bit in FY24 with the increments being pushed back by as much as three to six months. The timing and extent of salary increases is a key monitorable. There has been discussion around value-based pricing by various players, and we need to see if players are able to extract that, and also the cost-of-living adjustment-related (COLA) changes based on the higher cost of living in developed countries.

**Hiring:** On the hiring front we expect companies to be in pause mode even in 1QFY25, with no material addition expected. At the same time, we do not think there is going to be a net material cut in employees for the industry in the current quarter unlike in past quarters.

**Are GCCs structural threats?:** The buzz around global capability centres (GCCs) has been high during the last 12-24 months with a large net employee addition being discussed when IT services players have been shedding staff. While GCCs have been around in some form or other in the last three decades, their role in the IT services context has waxed and waned. Recent commentary indicates that these have become much more central and critical to developed market customers than they have been in the past decades. To that extent the question to be asked is whether GCCs are eating into the outsourcing opportunity.

**Expectations around revenue growth in FY25:** While the general expectation has been that FY25 is going to be a better year than FY24, the guidance given by INFO and HCLT and the commentary from various global players indicates that it will likely be at best similar and more likely worse.

**Fig 1 – Summary of financial performance by Indian IT services industry for 1QFY25**

Company Name	1QFY25E Revenue	QoQ CC	US\$ revenue growth (%)		EBIT Margin (%)		
	US\$ mn	Growth (%)	QoQ	YoY	1QFY24	4QFY24	1QFY25E
TCS	7,436	1.5	1.0	2.9	23.2	26.0	24.0
Infosys	4,655	2.5	2.0	0.8	20.8	20.1	20.1
HCLT	3,351	(2.0)	(2.3)	4.7	17.0	17.6	17.4
Wipro	2,623	(0.5)	(1.3)	(5.6)	15.1	15.9	16.2
Tech Mahindra	1,550	1.0	0.1	(3.2)	6.8	7.4	7.9
LTI Mindtree	1,087	2.0	1.6	2.7	16.7	14.7	15.4
Mphasis	418	2.0	1.8	5.0	15.4	14.9	15.2
Persistent Systems	326	5.0	4.9	15.3	14.9	14.5	14.0
Coforge	290	1.9	1.2	6.8	11.5	14.4	10.9
Birlasoft	167	2.0	1.7	8.6	13.6	14.7	14.8
Zensar	150	1.5	1.0	0.2	15.3	14.6	14.7

Source: Company, BOBCAPS Research

**Fig 2 – TCS**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	7.2	7.4	7.4	1.0%	2.9%	▪ Had an exceptional FY24 with TCV up 25% (a decline of 1% in FY23). Expect US\$ 9bn-11bn TCV in 1QFY25.
Revenue (Rs bn)	594	612	620	1.2%	4.4%	▪ TCS had been sounding incrementally positive on the BFSI vertical. Need to see if that is playing out.
EBIT (Rs bn)	138	159	149	-6.5%	8.3%	▪ Had a better-than-expected margin performance in FY24 due to significant subcontractor cost compression. That may be a mild headwind in FY25.
PAT (Rs bn)	111	124	115	-7.1%	4.3%	▪ Compression of existing book of business has been a key issue with TCS with clients curtailing projects or pushing them back. Need to see if that behaviour has undergone a change.
EBIT Margin (%)	23.2%	26.0%	24.0%	(197bps)	86bps	▪ While the company has stated that FY25 will be better than FY24 it has not indicated by how much.
PAT Margin (%)	18.6%	20.3%	18.6%	(168bps)	(2bps)	

Source: Company, BOBCAPS Research

**Fig 3 – Infosys**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	4,617	4,564	4,655	2.0	0.8	▪ Revenue growth guidance for FY25 of 1-3% CC will be maintained. Margin guidance to remain at 20-22%.
Revenue (Rs bn)	379,330	379,230	388,000	2.3	2.3	▪ Likely to report the best among Tier-1 revenue growth of 2.5% QoQ in CC terms.
EBIT (Rs bn)	78,910	76,210	78,062	2.4	(1.1)	▪ 1QFY25 TCV should be US\$ 3bn-4bn.
PAT (Rs bn)	59,450	79,690	61,920	(22.3)	4.2	▪ Things to watch out for: (1) The timing and extent of salary hikes in FY25. (2) Any disclosure of Gen AI revenue or order inflow numbers.
EBIT Margin (%)	20.8	20.1	20.1	2bps	(68bps)	
PAT Margin (%)	15.7	21.0	16.0	(505bps)	29bps	

Source: Company, BOBCAPS Research | CC = Constant currency, TCV = Total contract value

**Fig 4 – HCL Technologies**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	3,200	3,430	3,351	(2.3)	4.7	<ul style="list-style-type: none"> <li>Expect revenue growth guidance for FY25 at 3-5% in CC terms to be maintained and so too the EBIT margin guidance of 18-19%.</li> </ul>
Revenue (Rs bn)	262,960	284,990	279,358	(2.0)	6.2	
EBIT (Rs bn)	44,600	50,180	48,548	(3.3)	8.9	<ul style="list-style-type: none"> <li>Likely the worst QoQ growth numbers in 1QFY25 among Tier-1 peers – 2% decline. Flagged off during 4QFY24 largely due to offshoring of a large client and productivity pass through for others.</li> </ul>
PAT (Rs bn)	35,340	39,860	38,229	(4.1)	8.2	<ul style="list-style-type: none"> <li>Expect TCV to come in at US\$ 2bn-2.5bn (entirely net new).</li> </ul>
EBIT Margin (%)	17.0	17.6	17.4	(23bps)	42bps	<ul style="list-style-type: none"> <li>Margin is a key monitorable especially in services as this has been quite volatile in the past and has in certain quarters surprised on the downside.</li> </ul>
PAT Margin (%)	13.4	14.0	13.7	(30bps)	25 bps	

Source: Company, BOBCAPS Research

**Fig 5 – Wipro**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	2,779	2,657	2,623	(1.3)	(5.6)	<ul style="list-style-type: none"> <li>Estimate (0.5%) CC QoQ revenue growth in 1QFY25 as against (1.5%) to 0.5% CC growth guidance</li> </ul>
Revenue (Rs bn)	228,310	222,083	219,550	(1.1)	(3.8)	
EBIT (Rs bn)	34,516	35,373	35,510	0.4	2.9	<ul style="list-style-type: none"> <li>EBIT margin will remain range-bound at ~16%</li> <li>TCV should be in the US\$ 3bn-US\$4bn</li> </ul>
PAT (Rs bn)	28,701	28,346	29,273	3.3	2.0	<ul style="list-style-type: none"> <li>Conversion of TCV to revenue a key monitorable as it seems to be more acute than its peers.</li> <li>The market is watching how much the new CEO Srinii Pallia has had an impact in terms of order inflow and revenue growth and if he can deliver a revenue growth surprise in 2QFY25. We believe a positive revenue growth guidance may help keep the stock up after a strong performance in the last 2-3 months.</li> </ul>
EBIT Margin (%)	15.1	15.9	16.2	25bps	106bps	
PAT Margin (%)	12.6	12.8	13.3	57bps	76bps	

Source: Company, BOBCAPS Research

**Fig 6 – Tech Mahindra**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	1,601	1,548	1,550	0.1	(3.2)	<ul style="list-style-type: none"> <li>1.0% CC QoQ growth. Likely impacted by weakness in CME vertical (~37% of sales).</li> </ul>
Revenue (Rs bn)	131,590	128,713	129,175	0.4	(1.8)	
EBIT (Rs bn)	8,914	9,464	10,142	7.2	13.8	<ul style="list-style-type: none"> <li>Expect TCV to be higher than 4QFY24 TCV of US\$ 500mn after remaining below the guided range of US\$ 700mn-1bn for the fifth consecutive quarter.</li> <li>Expect adjusted EBIT margin to expand QoQ in 1QFY25. TML recorded its lowest-ever EBIT margin of 4.7% in 2QFY24 followed by 5.4% in 3QFY24 and 7.4% in 4QFY24 due to business restructuring, including termination of unprofitable contracts. Its goal is to reach 15% EBIT margin by FY27.</li> </ul>
PAT (Rs bn)	6,925	6,610	9,148	38.4	32.1	
EBIT Margin (%)	6.8	7.4	7.9	50bps	108bps	<ul style="list-style-type: none"> <li>Things to watch out for: (1) Is there demand recovery in the CME vertical? (2) Update to increase BFSI contribution. (3) Specific actions taken to bring down the average resource cost.</li> </ul>
PAT Margin (%)	5.3	5.1	7.1	195bps	182bps	

Source: Company, BOBCAPS Research | CME = Communications, Media, and Entertainment

Fig 7 – LTI Mindtree

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	1,059	1,069	1,087	1.6	2.7	<ul style="list-style-type: none"> <li>President of Sales Sudhir Chaturvedi has been quoted in the media recently saying that FY25 will be better than FY24 - our question will be by how much. The company failed to deliver on its double-digit revenue growth guidance which it gave at the beginning of FY24.</li> <li>Will the quarter see a material pickup in the TCV numbers – they have been underwhelming thus far for the company's size.</li> <li>Progress on the client mining strategy articulated at its 2023 analyst meet.</li> <li>When is it going to achieve the EBIT margin target of 17-18% as it is looking to reinvest more in the business?</li> </ul>
Revenue (Rs bn)	87,021	88,929	90,610	1.9	4.1	
EBIT (Rs bn)	14,508	13,087	13,965	6.7	(3.7)	
PAT (Rs bn)	11,523	11,007	11,948	8.6	3.7	
EBIT Margin (%)	16.7	14.7	15.4	70bps	(126bps)	
PAT Margin (%)	13.2	12.4	13.2	81bps	(6bps)	

Source: Company, BOBCAPS Research

Fig 8 – Mphasis

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	398	411	418	1.8	5.0	<ul style="list-style-type: none"> <li>Could possibly see the second successive quarter of growth after 12 months of QoQ CC decline due to continued pressure from the Mortgage business amid high interest rates in the US.</li> <li>It reported TCV of US\$ 177mn for 4QFY24, which was the lowest of the last 10 quarters. After 1QFY24 TCV at US\$ 707mn, the highest in the company's history, TCV numbers could not cross US\$ 300mn in any of the remaining three quarters of FY24. For 1QFY25, TCV will likely rebound and cross the US\$ 300mn mark.</li> <li>Key monitorables - (1) Performance and outlook for the non-mortgage BFS part of the business. (2) Progress in growth beyond BFSI and top 10 clients.</li> </ul>
Revenue (Rs bn)	32,520	34,121	34,851	2.1	7.2	
EBIT (Rs bn)	4,995	5,081	5,287	4.1	5.9	
PAT (Rs bn)	3,961	3,933	4,040	2.7	2.0	
EBIT Margin (%)	15.4	14.9	15.2	28bps	(19bps)	
PAT Margin (%)	12.2	11.5	11.6	7bps	(59bps)	

Source: Company, BOBCAPS Research

Fig 9 – Persistent Systems

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	283	311	326	4.9	15.3	<ul style="list-style-type: none"> <li>Expect the strongest in the Tier-2 peer set QoQ growth of 5% CC driven by its strong net new TCV addition in FY24.</li> <li>Expect margin to contract QoQ (50bps) due to upfront costs on large deal execution. The possibility of a higher contraction is not ruled out. The company has clearly stated that its focus is on revenue growth.</li> <li>TCV to be around the US\$ 400mn+ mark in 1QFY25E after strong TCV of US\$ 447.7mn in 4QFY24. ACV is likely above US\$ 300mn. PSYS has been investing in building a company that is for a larger size and we believe that should be reflected in higher TCV.</li> <li>What is happening in the Hi-tech vertical – where it has the maximum exposure.</li> </ul>
Revenue (Rs bn)	23,212	25,906	27,184	4.9	17.1	
EBIT (Rs bn)	3,466	3,745	3,804	1.6	9.7	
PAT (Rs bn)	2,288	3,154	2,979	(5.6)	30.2	
EBIT Margin (%)	14.9	14.5	14.0	(47bps)	(94bps)	
PAT Margin (%)	9.9	12.2	11.0	(122bps)	110bps	

Source: Company, BOBCAPS Research

**Fig 10 – Coforge**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	272	287	290	1.2	6.8	<ul style="list-style-type: none"> <li>Coforge unlike in the past has not given specific revenue growth guidance for FY25, though in a recent media interview the CEO indicated organic growth of 10%.</li> </ul>
Revenue (Rs bn)	22,210	23,585	24,206	2.6	9.0	<ul style="list-style-type: none"> <li>It reiterated its goal of achieving revenue of US\$ 2bn by FY27 (including inorganic elements) and margin expansion of 150-200bps by FY27 (adjusted EBITDA margin for FY24 was 17.6%).</li> </ul>
EBIT (Rs bn)	2,559	3,405	2,650	(22.2)	3.6	<ul style="list-style-type: none"> <li>Expect 1.9% CC QoQ growth in 1QFY25. Expect EBIT margin to contract by 350bps QoQ to 10.9% as full salary hikes have been given from 1 Apr 2024. The new ESOP scheme will also have an impact on margins and these costs will be frontloaded in FY25.</li> </ul>
PAT (Rs bn)	1,653	2,238	1,939	(13.4)	17.3	
EBIT Margin (%)	11.5	14.4	10.9	(349bps)	(57bps)	<ul style="list-style-type: none"> <li>Coforge is likely to report US\$ 300mn+ TCv like what it did for nine consecutive quarters.</li> </ul>
PAT Margin (%)	7.4	9.5	8.0	(148bps)	57bps	<ul style="list-style-type: none"> <li>Things to watch out for: (1) BFSI demand in the UK where the bulk of its revenue comes from, (2) trajectory of SG&amp;A costs, and (3) an update on Cigniti M&amp;A</li> </ul>

Source: Company, BOBCAPS Research

**Fig 11 – Birlasoft**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	154	164	167	1.7	8.6	<ul style="list-style-type: none"> <li>We expect 2.0% CC QoQ growth in 1QFY25.</li> </ul>
Revenue (Rs bn)	12,628	13,625	13,901	2.0	10.1	<ul style="list-style-type: none"> <li>We expect EBIT margin to expand by 10bps QoQ to 14.8% as it looks to invest in capability and Sales and marketing which will be offset by better operational efficiencies.</li> </ul>
EBIT (Rs bn)	1,717	2,006	2,060	2.7	20.0	<ul style="list-style-type: none"> <li>Birlasoft to likely report TCv of US\$ 200mn+ same as the average for the past 13 quarters.</li> </ul>
PAT (Rs bn)	1,375	1,801	1,703	(5.4)	23.8	
EBIT Margin (%)	13.6	14.7	14.8	10bps	122bps	<ul style="list-style-type: none"> <li>Things to watch out for: (1) Birlasoft has done a lot of hiring at seniors' levels in both verticals and geos. We would like to hear plans laid down for FY25 and FY26 in these areas. (2) Birlasoft indicated industry-leading growth for FY25 –want to see if it sticks to this.</li> </ul>
PAT Margin (%)	10.9	13.2	12.3	(96bps)	136bps	

Source: Company, BOBCAPS Research

**Fig 12 – Zensar Technologies**

	1QFY24	4QFY24	1QFY25E	QoQ growth (%)	YoY growth (%)	Comments
Revenue (US\$ mn)	149	148	150	1.0	0.2	<ul style="list-style-type: none"> <li>We expect 1.5% CC QoQ growth in 1QFY25.</li> </ul>
Revenue (Rs bn)	12,272	12,297	12,468	1.4	1.6	<ul style="list-style-type: none"> <li>We expect TCv for 1QFY25 to remain above the US\$ 150mn mark, which has been the case for the past five quarters.</li> </ul>
EBIT (Rs bn)	1,878	1,793	1,836	2.4	(2.2)	<ul style="list-style-type: none"> <li>It created a net new engine for deals in FY24. Will watch out if it starts delivering.</li> </ul>
PAT (Rs bn)	1,562	1,733	1,721	(0.7)	10.2	
EBIT Margin (%)	15.3	14.6	14.7	15bps	(58bps)	<ul style="list-style-type: none"> <li>Things to watch out for: (1) whether revenue growth will pick up in FY25 after a weak FY24 - though margin expansion was commendable in that year. (2) Update on the new healthcare vertical.</li> </ul>
PAT Margin (%)	12.7	14.1	13.8	(29bps)	107bps	

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**



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.