

**SELL**

TP: Rs 1,389 | ▼ 14%

**HCL TECHNOLOGIES**

| IT Services

| 15 July 2025

## EBIT Margin guidance lowering the big negative

- Against the aspiration to move margin higher at its August 2024 analyst meet, the lower guidance for FY26 has come as a disappointment
- Says not impacted by macro issues as much as anticipated at the beginning of 1Q leading to upping of lower end of revenue guidance
- Negative margin surprises over the years have been one the reasons for our lower Target PE multiple. Retain our SELL rating

**Girish Pai**

research@bobcaps.in

**Direction of margin guidance contrary to analyst meet aspiration:** During August 2024 analyst meet, HCLT had indicated its aspiration to move up EBIT margin from the 18-19% (FY22-FY25) that it has been clocking to a higher number. However, regression to a lower number is a negative development. While some of the costs connected with the lowering are indicated to be one off, we believe these are integral to the services business and can't be called strictly one off.

**TCV at US\$1.8bn is also a disappointment.** Here too HCLT at its analyst meet a year back had indicated its dissatisfaction of being stuck at US\$2-2.5bn on a quarterly basis and wanted it to move higher so that revenue growth could accelerate. While it is indicating that some of the large deals from 1Q were pushed into 2Q and it also won a large vendor consolidation deal in FS vertical in 2Q pointing to a spike in TCV in 2QFY26, it remains to be seen of TCV (all net new) would be higher for FY26 on a YoY basis.

**Demand commentary is better than that of TCS:** While TCS indicated macro deterioration (towards the latter part of the quarter) for the weaker performance in 1Q (by 100bps on a QoQ basis in the international business), HCLT stated that demand did not deteriorate as much as it had feared at the beginning of 1Q. And hence the rise of the revenue guidance at the lower end to 3-5% from the 2-5% it indicated three months back.

**HCL Software disappoints:** While some parts of the street (including us) had the view that HCL Software will be the path breaking initiative of HCLT to break away from the head count led model, the growth has disappointed for multiple years now. It has not been the serious value generator that we thought it would turn out to be.

**Cut estimates for FY26-FY28:** More so for FY26 due to the big EBIT margin cut. Broadly retain the USD revenue and EBIT margin in FY26/FY27. Retain our target 10% PE multiple discount to our sector benchmark TCS and use a Target PE of 19.2x on June 27 EPS. The target price is lowered a tad. Retain our 'SELL' rating on the stock.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	HCLT IN/Rs 1,620
Market cap	US\$ 51.1bn
Free float	39%
3M ADV	US\$ 51.0mn
52wk high/low	Rs 2,012/Rs 1,303
Promoter/FPI/DII	61%/19%/16%

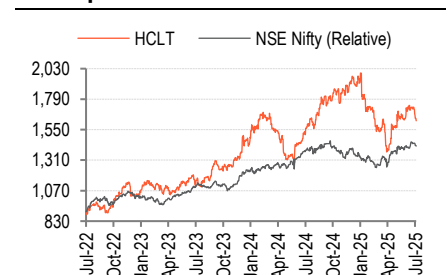
Source: NSE | Price as of 14 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,170,550	1,244,186	1,342,442
EBITDA (Rs mn)	255,050	262,332	291,816
Adj. net profit (Rs mn)	173,910	170,708	192,362
Adj. EPS (Rs)	64.1	62.9	70.9
Consensus EPS (Rs)	64.1	67.3	73.8
Adj. ROAE (%)	25.2	24.4	27.3
Adj. P/E (x)	25.3	25.7	22.8
EV/EBITDA (x)	16.9	16.5	14.8
Adj. EPS growth (%)	10.8	(1.8)	12.7

Source: Company, Bloomberg, BOBCAPS Research |

## Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- Revenue stood at US\$3,545mn. Declined 0.8% QoQ (in line with our estimates of 1.0% CC decline QoQ) and grew 3.7% YoY in CC terms
  - YoY growth driven by technology and services, telecom and media, retail and CPG, and financial services verticals
  - Technology and services vertical growth significantly contributed by ramp-up in March
  - Geographic growth driven by Europe and ROW
  - Overall environment stable with variations across verticals; did not deteriorate as feared at the beginning of the quarter
- Services revenue stood at US\$3,227mn, declined 0.1% QoQ and grew 4.5% YoY in CC terms; Software revenue stood at US\$330mn, declined 3% YoY in CC terms
- IT and business services grew 3% YoY; Engineering and R&D services grew 11.8% YoY
- USA grew 0.5% YoY, Europe 9.6% YoY, RoW 15% YoY, and India 1.3% YoY CC terms
- Top verticals (YoY CC growth): technology and services: 13.7%, telecom and media: 13%, retail and CPG: 8.2%, and financial services: 6.8%
- EBIT stood at US\$578mn, 16.3% of revenue (against our estimate of 17.5%). This has been the biggest negative surprise in the quarter.
- EBIT Margin dropped 161 bps QoQ.
  - Impact on margins by Sales and marketing investments: 30 bps; Lower utilization due to specialized hiring and skill/location mismatch: 80 bps; Client bankruptcy: 30 bps; Lower software share in revenue mix: 20 bps
  - No margin benefit from Forex due to offsetting factors
  - Project Ascent helped offset increased average resource cost
- Net income stood at US\$450mn, 12.7% of revenue
- Utilization dropped due to capacity building in March for specialized skills and large deal ramp-up delays
- Ramp-down in automotive and inability to redeploy people due to skill and location mismatch impacted utilization
- Continued investments in AI and go-to-market capabilities despite margin pressure
- Accelerated generative AI and platform investments due to growth momentum
- Employee count at 223,151, reduction of 269 QoQ. IT services voluntary attrition (LTM) at 12.8%

- Net new bookings at US\$1.8bn in 1Q. This was the second big disappointment. Expected a number between US\$2-2.5bn. But we believe it is a timing issue. Won large consolidation deal in financial services in 2QFY26, not included in 1Q TCV
- Large deals expected in 1Q moved to 2Q due to non macro factors like procedural delays.
- Bookings balanced across service lines, geographies, and verticals. Portfolio becoming more balanced over time
- Increased wins in digital business and engineering services aligned with medium-term roadmap

### Guidance

- FY26 revenue guidance raised to 3%–5% in constant currency. This was against 2-5% indicated three months back (Includes 100bps of inorganic). The lower end was raised as 1Q performance was better than the company's own expectations and expects better performance throughout the rest of the year.
- EBIT guidance adjusted to 17%–18% due to Q1 impact, investments, and restructuring plans. The 100 bps drop in margin guidance is explained by
  - 1Q margin being 80 bps lower than last year. So that itself would hurt the full year margins by 20 bps
  - Higher S&M investment would cost 30 bps
  - lower Utilization due to slower than expected ramp up of specialized hiring in March to cost 10-20 bps
  - restructuring costs of 30-40 bps

### Demand Environment

- HCLT stated that the environment remained stable at an overall level, while there were some variations across verticals, and it did not deteriorate as feared at the start of the quarter. This is different from the view expressed by TCS just a few days back during its 1Q analysis.
- Discretionary spending varies across verticals: Financial services and technology are showing promise; Public services and telecom are stable; Stress seen in manufacturing driven by auto, life sciences, retail & CPG segments
- The pipeline continues to remain strong; Healthy demand for efficiency-led deals
- Digital business is seeing several large deals due to an engineering-led approach and strong client conviction of AI propositions and data and AI capabilities
- Clients are continuing to look for AI-led transformational propositions in software development and IT operation services
  - Share of AI and GenAI continue to grow as they become central to nearly every deal

- Agentic AI is gaining traction, especially in operational efficiency and accelerating application modernization programs

#### Other Points

- While full year margin expected in 17%–18% range; exit margins to reach last year's levels on a YoY basis as
  - Utilization gap to significantly moderate in 2Q; margins expected to align by 3Q
  - Restructuring costs to be mostly incurred in 2Q, with minor portion in 3Q
- 6% sequential growth in Tech vertical was driven by one large conversational AI-based contact center transformation deal onboarded in March. Ramp-up for the deal is gradual; expected to be fully optimized by 3Q
- AI adoption driving needs for data center modernization. HCLTech launched cognitive infrastructure proposition; early wins seen
- GenAI and go-to-market investments expected to continue through FY26. Expectation is that these costs will normalize in FY27 as growth catches up. SG&A as a percentage of revenue expected to return to normal levels in FY27. FY27 margins anticipated to improve and revert toward previous expectations
- Restructuring driven by past acquisition cost rationalization and automotive ramp-down with offshore shift. Some headcount released due to productivity gains is not redeployable due to skill mismatch and automation. Industry evolution and changing service models also contributing. Future impact expected to moderate with proactive upskilling and planning
- HCLT is calibrating fresher intake by focusing on specialized skills rather than just volumes. Those specialized skills are being paid 3-4x the normal people with normal skills. While the fresher intake is expected to be much larger than the ~7500 made in FY25, about 15-20% will be for specialized skills.
- Lower utilization impact was mainly due to: Ramp-up of new hires in March not yet fully productive. People released due to productivity gains but not immediately redeployed. Ongoing decline in automotive business is reducing demand for certain skills. This caused a decoupling between revenue growth and headcount changes, leading to some underutilized resources despite overall people count aligning with revenue trends.
- The collaboration with OpenAI offers three main benefits: 1. Partnering to serve OpenAI's customers by helping with their forward engineering and driving OpenAI adoption. 2. Internal adoption within the company to boost productivity. 3. Enhancing existing solutions by integrating OpenAI's models for co-selling in the market.
- No unexpected pricing pressure EBIT from clients. Renewals come with competitive pressures, so proactive discussions happen to optimize costs using AI-driven productivity. This sometimes leads to lower revenue but is offset by increased wallet share with clients
- GenAI-driven productivity gains will disrupt some areas like contact centers and BPM significantly but also spur modernization-led growth, moderating the overall impact

## 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 that view with an update on 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

### Multiple speed breakers post FY25 drive our Underweight stance

**Trump policies raise uncertainty:** The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

**Gen AI and GCCs are going to disrupt growth:** We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the 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 those who have lower bargaining power – the global IT services players.

**Higher competition:** Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

**Weak TCV:** The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

**How we are valuing companies:** We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

#### **Tier- 2 valuation reflects growth gap with Tier-1**

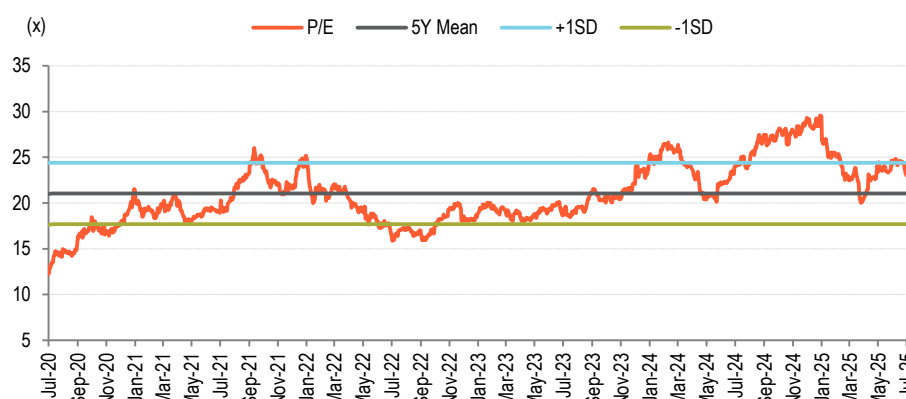
The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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

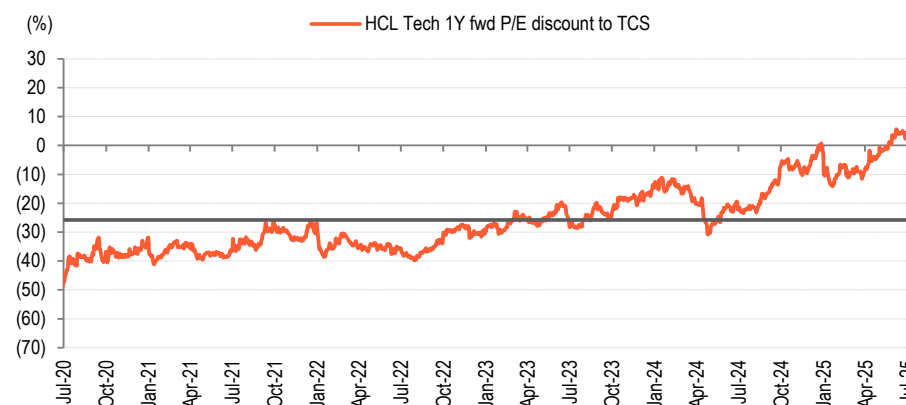
**Fig 1 – Quarterly Results: comparison of actuals with estimates**

Y/E March (Rsbn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Dev (%)
Net Sales (USD mn)	3,364	3,498	3,545	5.4	1.3	3,529	0.5
Net Sales	281	302	303	8.2	0.3	305	(0.6)
Employee Costs	184	197	201	9.6	2.0	199	0.9
Gross margin % of Sales	34.5	34.7	33.7			34.7	
SG&A	39	40	42	7.4	4.1	40	3.6
% of Sales	13.9	13.3	13.8			13.2	
Depreciation and Amortisation	10	10	11	9.5	5.1	12	(9.1)
% of Sales	3.6	3.4	3.6			3.9	
EBIT	48.0	54.4	49.4	3.0	(9.2)	53.4	(7.5)
EBIT Margin (%)	17.1	18.0	16.3			17.5	
Other Income	8	3	2	(70.9)	(18.8)	3	(18.8)
Forex Gain/(Loss)	1	(0)	0			(0)	
PBT	57	57	52	(9.1)	(9.5)	56	(7.9)
Provision for Tax	14	14	13	(7.1)	(5.7)	14	(4.0)
Effective Tax Rate	25.4	24.9	25.9			24.9	
Minority share in Profit / Loss	0	0	0			0	
One time Bonus and DTL for Goodwill	0	0	0			0	
PAT (Reported)	42.6	43.1	38.4	(9.7)	(10.8)	42.3	(9.2)
NPM (%)	15.2	14.2	12.7			13.9	

Source: Company, BOBCAPS Research

**Fig 2 – 5 Year PE trend**

Source: Company, BOBCAPS Research

**Fig 3 – Premium/ Discount to TCS**

Source: Company, BOBCAPS Research

**Fig 4 – Revised Estimates**

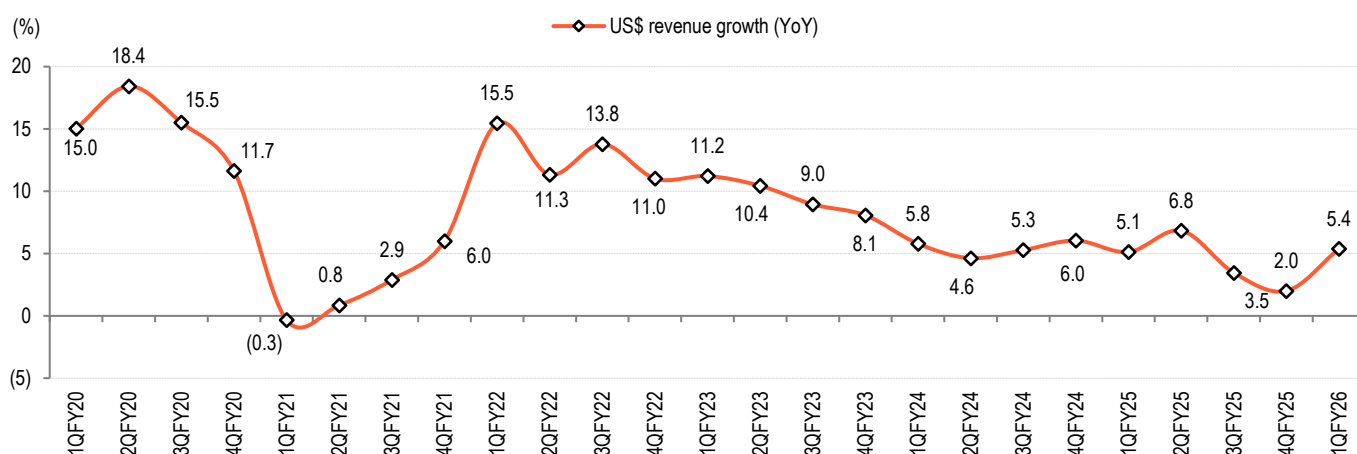
	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.7	89.3	91.1	87.3	89.3	91.1	(0.7)	-	-
USD Revenue (USD mn)	14,356	15,039	16,082	14,091	15,003	16,050	1.9	0.2	0.2
USD Revenue Growth (%)	3.7	4.8	6.9	1.8	6.5	7.0			
Revenue (Rsbn)	1,244	1,342	1,465	1,229	1,339	1,461	1.2	0.2	0.2
EBIT (Rsbn)	218	247	270	230	248	271	(5.3)	(0.2)	(0.4)
EBIT Margin (%)	17.5	18.4	18.4	18.7	18.5	18.5			
PAT (Rsbn)	171	192	209	182	195	213	(6.3)	(1.5)	(1.7)
FDEPS (Rs)	62.9	70.9	77.1	67.1	71.9	78.4	(6.2)	(1.4)	(1.6)

Source: Company, BOBCAPS Research

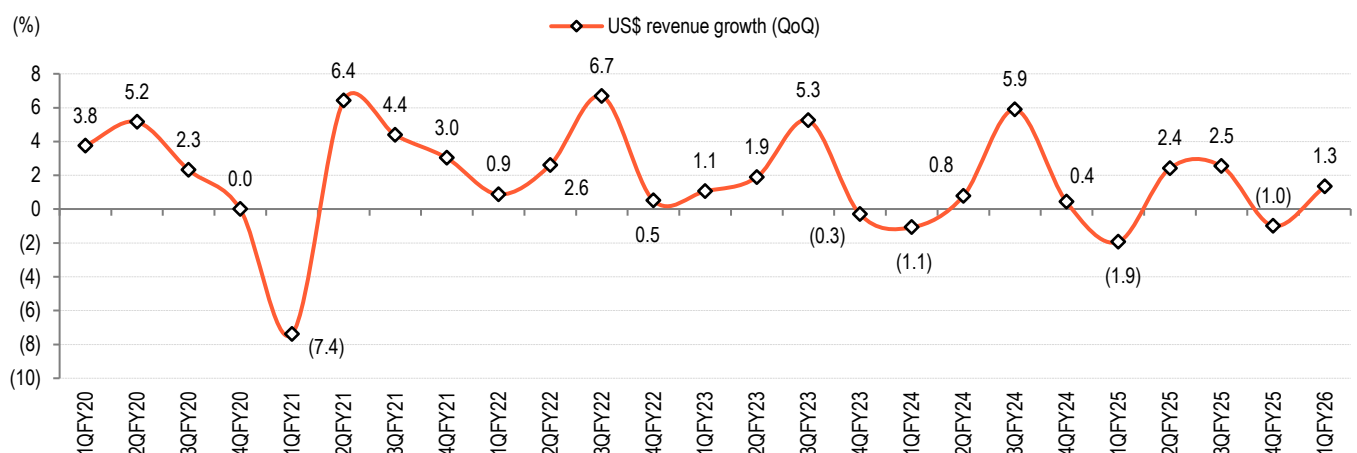
**Fig 5 – P&L at a glance**

YE March	FY13	FY14	FY15	FY16*	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Average INR/USD	54.9	61.5	62.4	66.3	67.0	64.5	69.9	72.2	74.2	74.6	80.6	82.8	84.6	86.7	89.3	91.1
<b>Net Sales (USD mn)</b>	<b>4,686</b>	<b>5,360</b>	<b>5,952</b>	<b>4,698</b>	<b>6,975</b>	<b>7,838</b>	<b>8,633</b>	<b>9,936</b>	<b>10,175</b>	<b>11,481</b>	<b>12,586</b>	<b>13,270</b>	<b>13,840</b>	<b>14,356</b>	<b>15,039</b>	<b>16,082</b>
YoY Growth (%)		14.4	11.1	(21.1)	48.5	12.4	10.1	15.1	2.4	12.8	9.6	5.4	4.3	3.7	4.8	6.9
INR Net Sales (Rsbn)	258	329	371	311	467	506	604	707	754	857	1,015	1,099	1,171	1,244	1,342	1,465
YoY Growth (%)	22.5	27.7	12.6	(16.0)	50.1	8.2	19.5	17.0	6.6	13.6	18.5	8.3	6.5	6.3	7.9	9.1
Cost of Sales & Services	165	202	238	204	309	332	393	443	440	528	645	705	762	801	861	946
Gross Margin	93	127	133	108	158	173	212	264	314	329	369	394	409	443	481	518
% of sales	35.9	38.6	35.8	34.6	33.9	34.3	35.0	37.3	41.7	38.4	36.4	35.9	34.9	35.6	35.9	35.4
SG&A	35	40	46	40	55	59	72	97	106	124	143	152	154	181	190	203
% of sales	13.4	12.3	12.3	12.7	11.8	11.7	11.9	13.7	14.1	14.4	14.1	13.9	13.2	14.5	14.1	13.9
EBITDA	58	87	87	68	103	114	140	167	208	205	226	242	255	262	292	315
% of sales	22.5	26.3	23.5	21.9	22.1	22.6	23.1	23.6	27.6	24.0	22.3	22.0	21.8	21.1	21.7	21.5
Depreciation and Amortization	7	7	5	4	8	15	21	28	46	43	41	42	41	44	45	45
% of sales	2.6	2.2	1.2	1.4	1.8	2.9	3.6	4.0	6.1	5.1	4.1	3.8	3.5	3.5	3.3	3.1
<b>EBIT</b>	<b>51</b>	<b>79</b>	<b>83</b>	<b>64</b>	<b>95</b>	<b>100</b>	<b>118</b>	<b>139</b>	<b>162</b>	<b>162</b>	<b>185</b>	<b>200</b>	<b>214</b>	<b>218</b>	<b>247</b>	<b>270</b>
<b>% of sales</b>	<b>19.9</b>	<b>24.1</b>	<b>22.3</b>	<b>20.5</b>	<b>20.3</b>	<b>19.8</b>	<b>19.6</b>	<b>19.6</b>	<b>21.4</b>	<b>18.9</b>	<b>18.2</b>	<b>18.2</b>	<b>18.3</b>	<b>17.5</b>	<b>18.4</b>	<b>18.4</b>
Other income (net) (incl forex gain/loss)	2	(0)	9	8	9	11	8	2	4	7	10	9	18	12	12	12
PBT	53	79	92	72	104	111	126	140	166	170	195	210	233	230	260	282
Provision for tax	12	15	19	15	20	23	25	29	36	34	46	53	59	60	67	73
Effective tax rate (%)	23.1	19.5	20.8	20.9	18.8	20.9	19.8	21.0	21.8	20.2	23.8	25.1	25.2	25.9	25.9	25.9
Minority Interest	(2)	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net profit</b>	<b>41</b>	<b>64</b>	<b>73</b>	<b>57</b>	<b>84</b>	<b>88</b>	<b>101</b>	<b>111</b>	<b>129</b>	<b>135</b>	<b>149</b>	<b>157</b>	<b>174</b>	<b>171</b>	<b>192</b>	<b>209</b>
-Growth (%)	60.7	56.9	13.9	(21.9)	49.0	4.0	15.3	9.3	17.0	4.3	10.0	5.7	10.8	(1.8)	12.7	8.7
<b>-Net profit margin (%)</b>	<b>15.8</b>	<b>19.4</b>	<b>19.6</b>	<b>18.2</b>	<b>18.1</b>	<b>17.4</b>	<b>16.8</b>	<b>15.7</b>	<b>17.2</b>	<b>15.8</b>	<b>14.6</b>	<b>14.3</b>	<b>14.9</b>	<b>13.7</b>	<b>14.3</b>	<b>14.3</b>

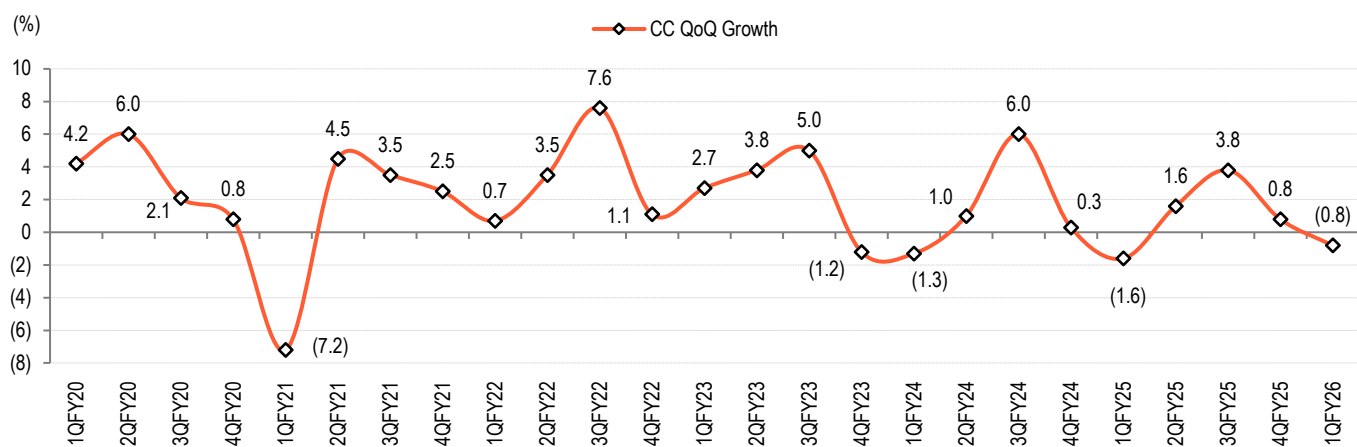
Source: Company, BOBCAPS Research

**Fig 6 – US\$ revenue growth (YoY)**

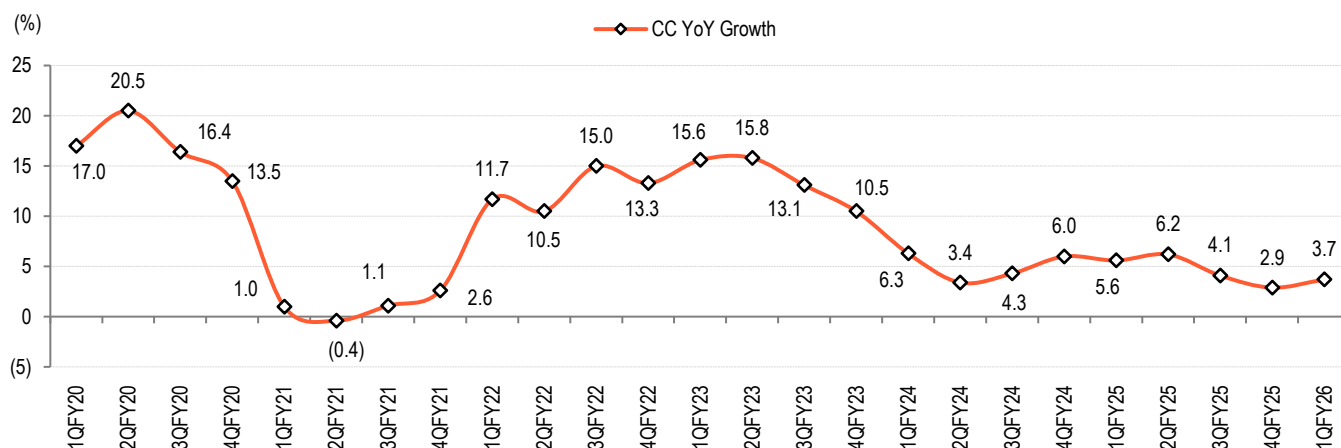
Source: Company, BOBCAPS Research

**Fig 7 – US\$ revenue growth (QoQ)**

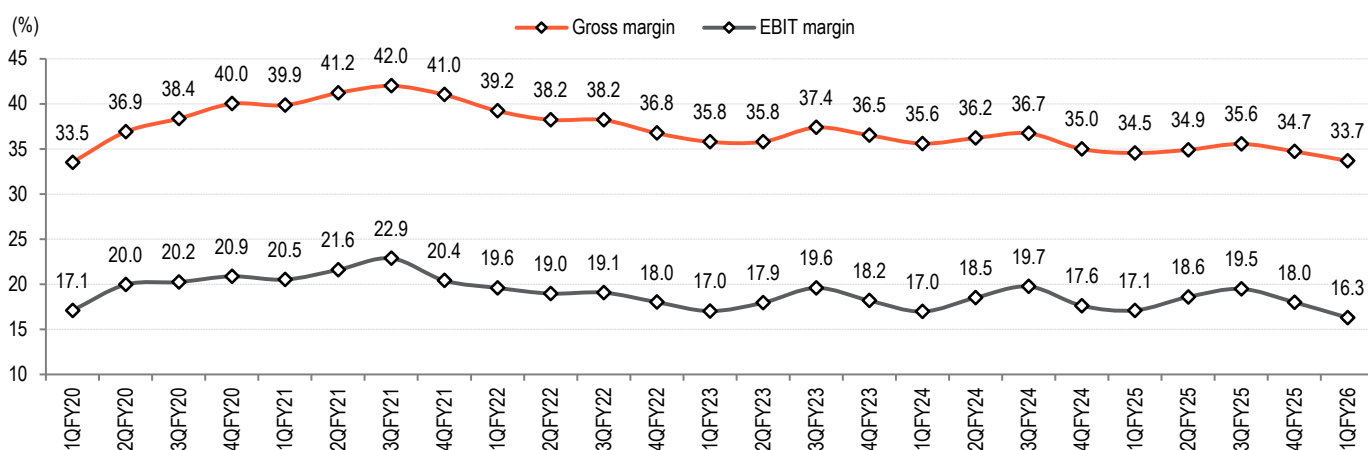
Source: Company, BOBCAPS Research

**Fig 8 – QoQ CC revenue growth**

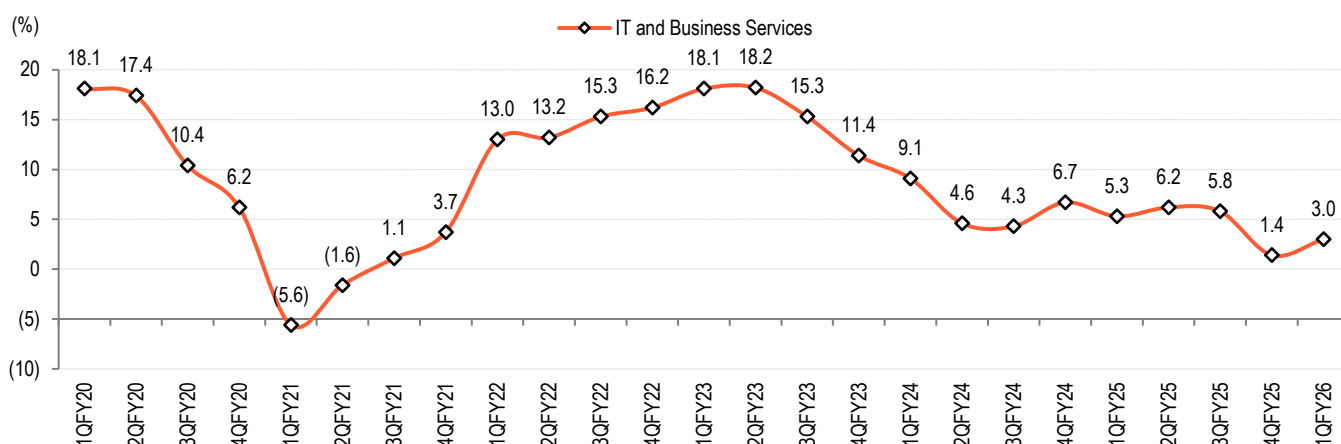
Source: Company, BOBCAPS Research

**Fig 9 – YoY CC Revenue growth**

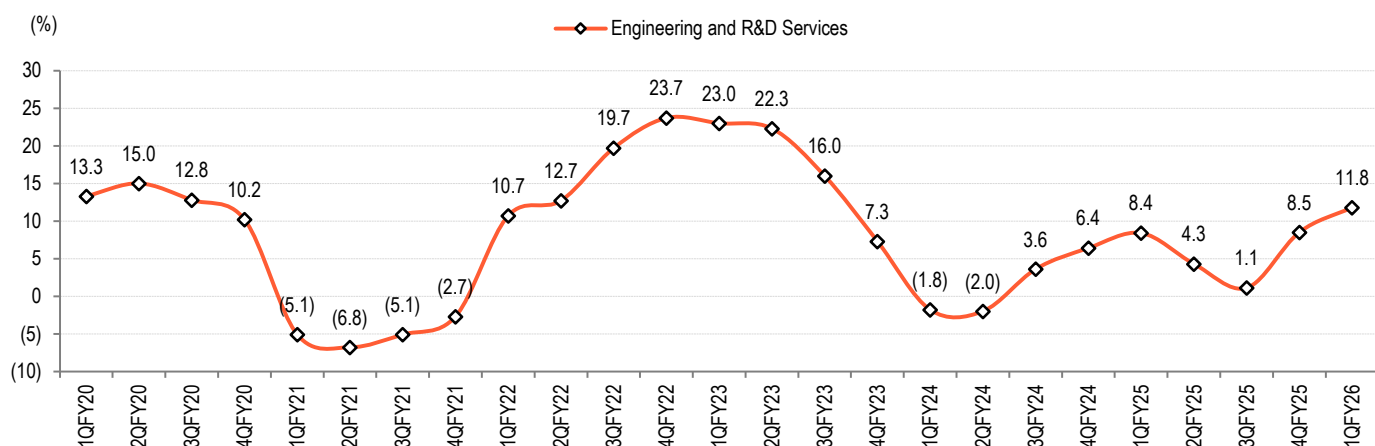
Source: Company, BOBCAPS Research

**Fig 10 – Gross margin and EBIT margin**

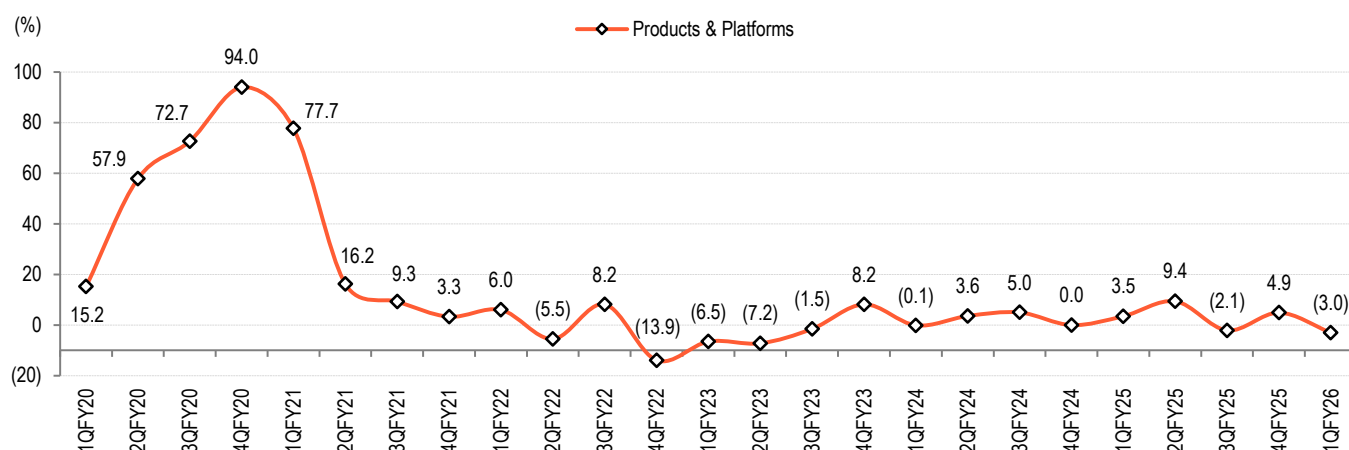
Source: Company, BOBCAPS Research

**Fig 11 – ITBS growth YoY CC**

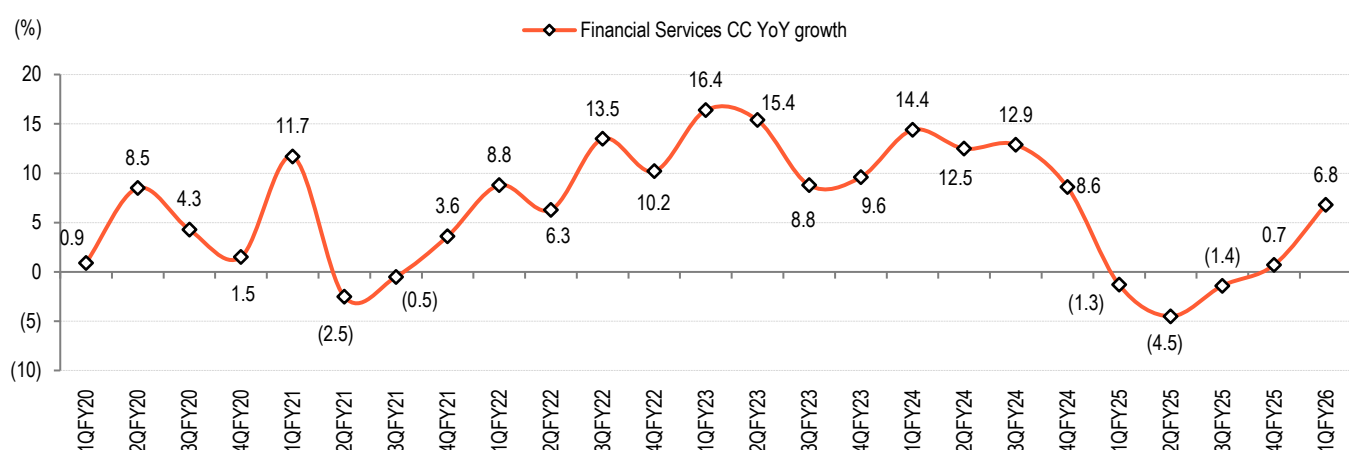
Source: Company, BOBCAPS Research

**Fig 12 – ERDS growth YoY CC**

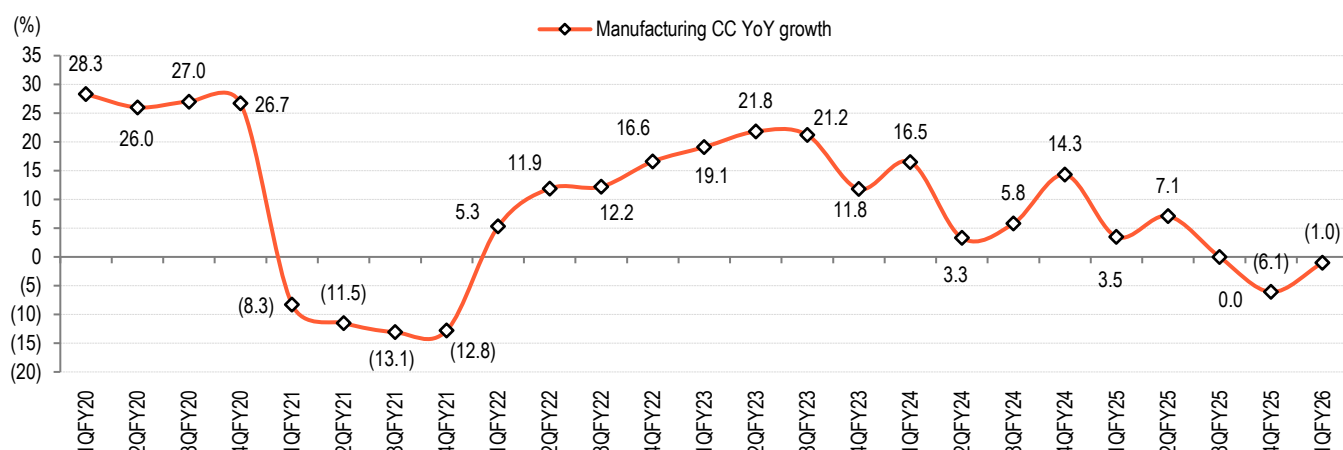
Source: Company, BOBCAPS Research

**Fig 13 – Products and Platforms growth YoY CC**

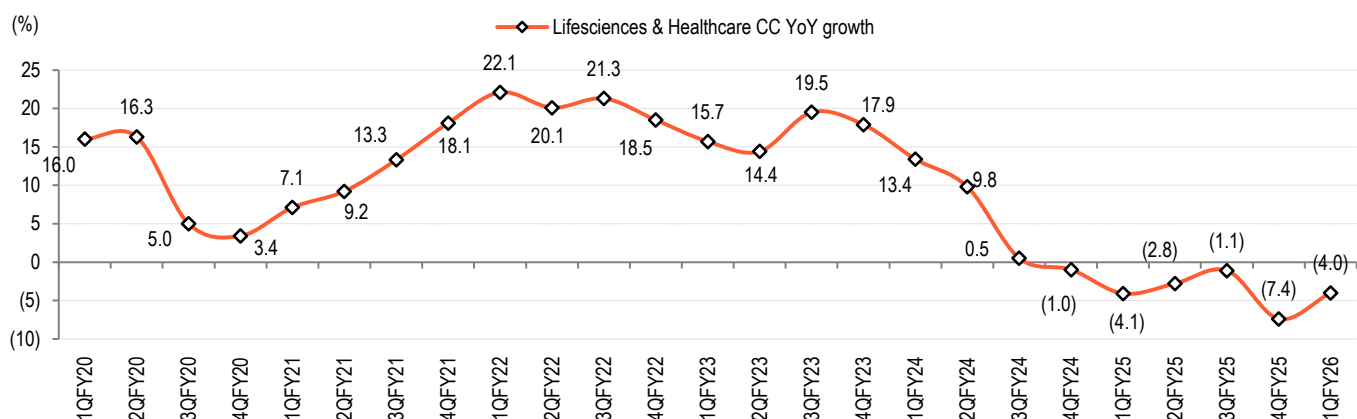
Source: Company, BOBCAPS Research

**Fig 14 – BFSI growth YoY CC**

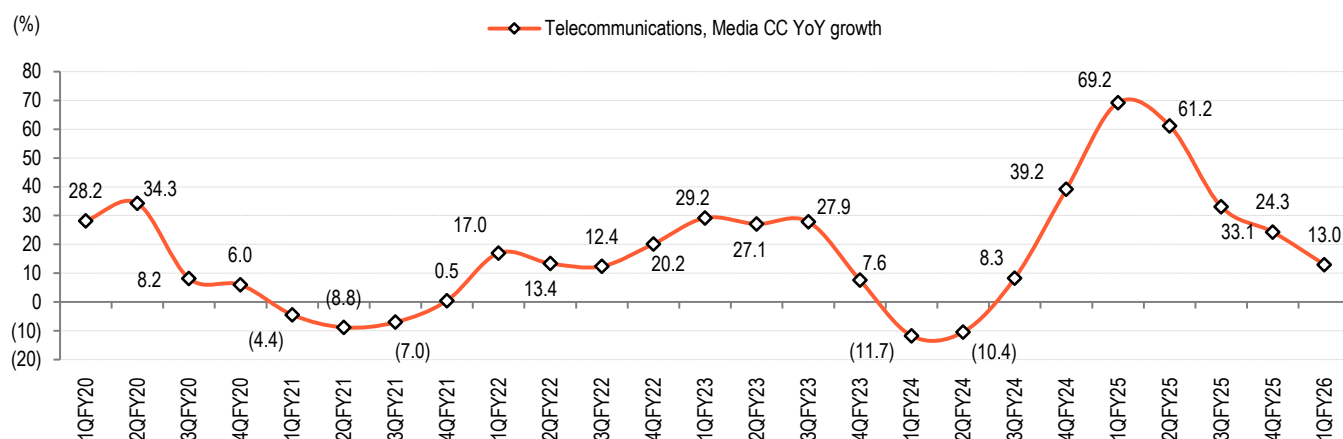
Source: Company, BOBCAPS Research

**Fig 15 – Manufacturing growth YoY CC**

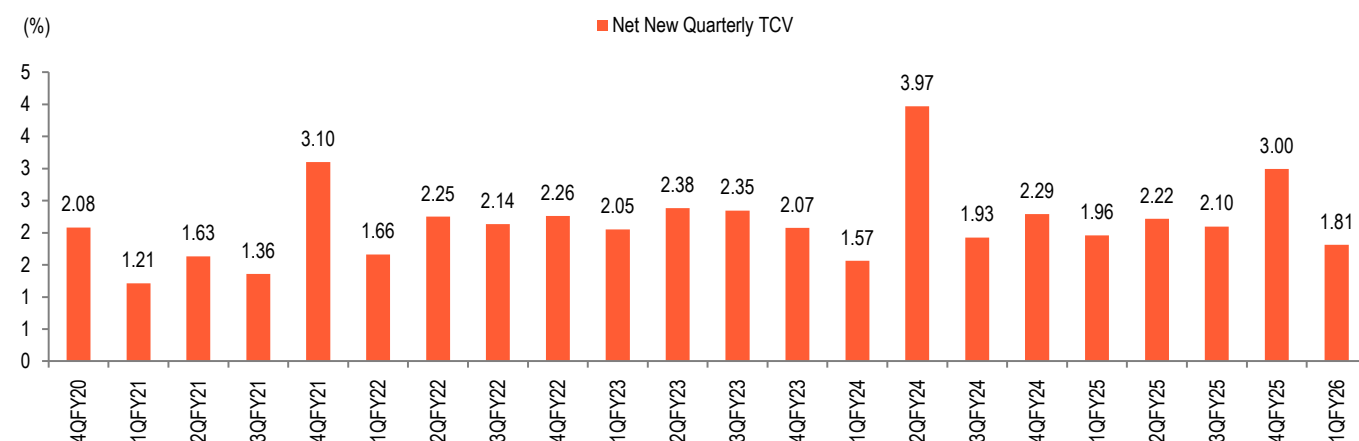
Source: Company, BOBCAPS Research

**Fig 16 – Lifesciences and Healthcare growth YoY CC**

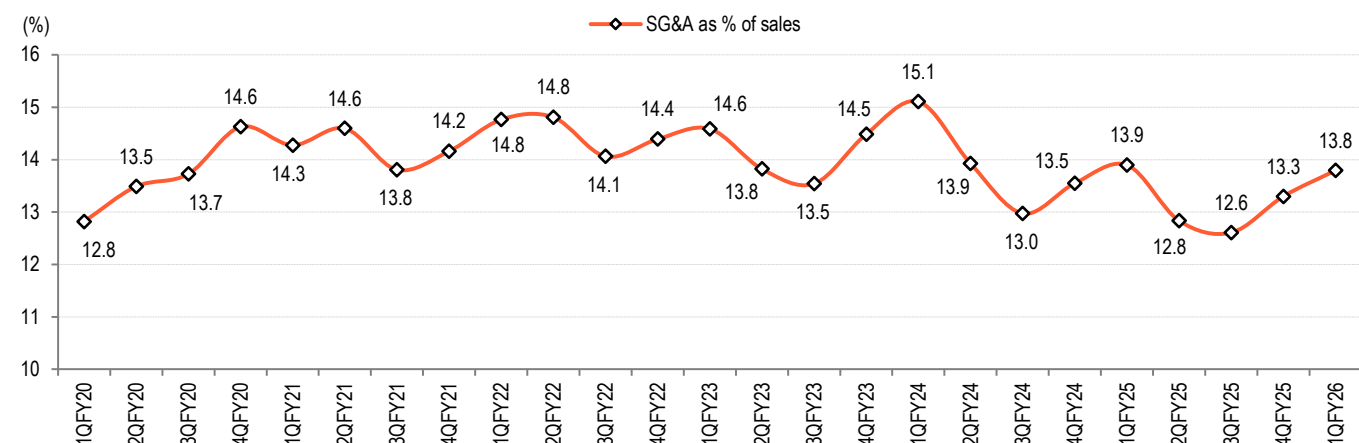
Source: Company, BOBCAPS Research

**Fig 17 – Telecom, Media growth YoY CC**

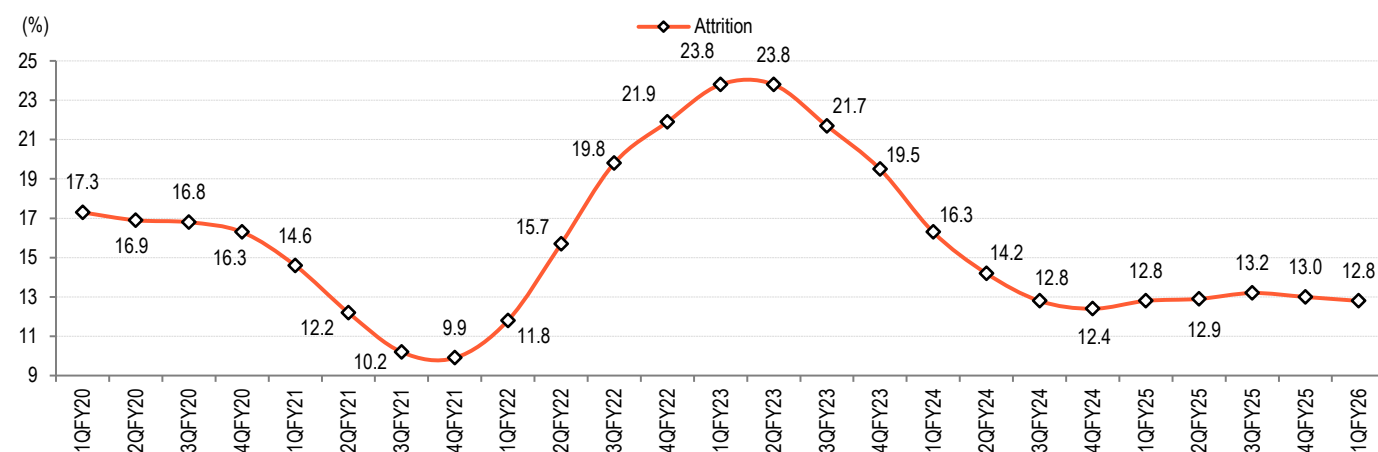
Source: Company, BOBCAPS Research

**Fig 18 – Quarterly net new TCV wins (US\$ bn)**

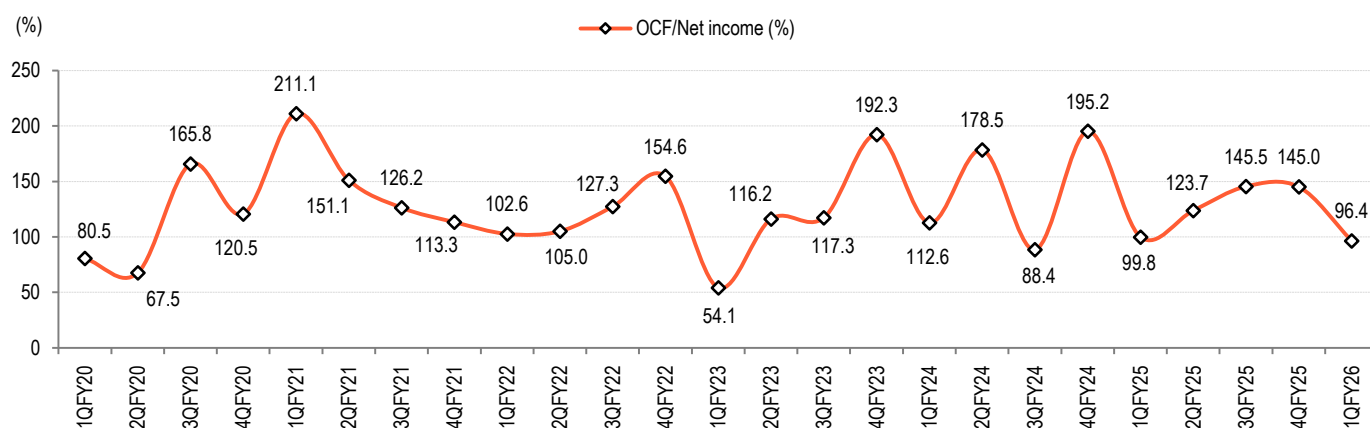
Source: Company, BOBCAPS Research

**Fig 19 – SG&A spending**

Source: Company, BOBCAPS Research

**Fig 20 – Attrition trend**

Source: Company, BOBCAPS Research

**Fig 21 – OCF/ net income trend**

Source: Company, BOBCAPS Research

**Fig 22 – Quarterly Snapshot**

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>Rs mn</b>													
INR/USD	77.62	79.98	82.34	82.30	82.17	82.72	83.28	83.10	83.40	83.79	84.66	86.45	85.62
USD Revenue (USD mn)	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545
INR Revenue	234,640	246,860	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490
Gross margin	83,980	88,380	99,800	97,170	93,600	96,590	104,480	99,720	96,930	100,730	106,280	105,040	102,210
EBITDA	49,750	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350
EBIT	39,920	44,280	52,290	48,360	44,600	49,340	56,150	50,180	47,960	53,620	58,210	54,420	49,420
Other income	3,450	1,570	1,440	3,570	2,360	1,940	2,590	2,510	9,120	3,250	3,110	2,930	2,470
PBT	43,370	45,850	53,730	51,930	46,960	51,280	58,740	52,690	57,080	56,870	61,320	57,350	51,890
Tax	10,560	10,960	12,760	12,120	11,650	12,950	15,230	12,740	14,480	14,500	15,380	14,260	13,450
<b>One time bonus</b>													
PAT	32,830	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430
EPS	12.1	12.9	15.1	14.7	13.0	14.1	16.0	14.7	15.7	15.6	16.9	15.9	14.2
<b>YoY growth (%)</b>													
USD Revenue	11.2	10.4	9.0	8.1	5.8	4.6	5.3	6.0	5.1	6.8	3.5	2.0	5.4
INR Revenue	16.9	19.5	19.6	17.7	12.1	8.0	6.5	7.1	6.7	8.2	5.1	6.1	8.2
Gross Profit	6.7	11.9	17.0	17.0	11.5	9.3	4.7	2.6	3.6	4.3	1.7	5.3	5.4
EBITDA	1.4	12.2	18.0	16.0	8.3	9.5	6.2	4.2	7.6	7.2	1.5	6.1	4.2
EBIT	1.6	13.1	22.8	18.8	11.7	11.4	7.4	3.8	7.5	8.7	3.7	8.4	3.0
Net Profit	2.1	6.9	19.0	10.9	7.6	9.8	6.2	0.1	20.5	10.5	5.5	8.1	-9.7
<b>QoQ growth (%)</b>													
USD Revenue	1.1	1.9	5.3	(0.3)	(1.1)	0.8	5.9	0.4	(1.9)	2.4	2.5	(1.0)	1.34
INR Revenue	3.8	5.2	8.2	(0.4)	(1.2)	1.4	6.7	0.2	(1.6)	2.9	3.6	1.2	0.3
EBITDA	(1.5)	9.1	17.3	(7.9)	(8.1)	10.3	13.7	(9.6)	(5.2)	9.9	7.7	(5.5)	(6.9)
EBIT	(1.9)	10.9	18.1	(7.5)	(7.8)	10.6	13.8	(10.6)	(4.4)	11.8	8.6	(6.5)	(9.2)
Net Profit	(8.6)	6.3	17.4	(2.8)	(11.3)	8.4	13.5	(8.4)	6.8	(0.5)	8.4	(6.2)	(10.8)
<b>Margins (%)</b>													
Gross Margin	35.8	35.8	37.4	36.5	35.6	36.2	36.7	35.0	34.5	34.9	35.6	34.7	33.7
EBITDA	21.2	22.0	23.8	22.0	20.5	22.3	23.8	21.4	20.7	22.1	23.0	21.4	19.9
EBIT	17.0	17.9	19.6	18.2	17.0	18.5	19.7	17.6	17.1	18.6	19.5	18.0	16.3
PAT	14.0	14.1	15.3	15.0	13.4	14.4	15.3	14.0	15.2	14.7	15.4	14.2	12.7
SGA	14.6	13.8	13.5	14.5	15.1	13.9	13.0	13.5	13.9	12.8	12.6	13.3	13.8

Source: Company, BOBCAPS Research

**Fig 23 – Key Metrics**

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>P and L (Rs mn)</b>													
Revenue	234,640	246,860	267,000	266,060	262,960	266,720	284,460	284,990	280,570	288,620	298,900	302,460	303,490
EBITDA	49,750	54,260	63,650	58,630	53,870	59,440	67,580	61,110	57,940	63,690	68,600	64,820	60,350
PAT	32,830	34,900	40,970	39,830	35,340	38,320	43,500	39,860	42,580	42,350	45,910	43,070	38,430
<b>Vertical Mix (%)</b>													
Banking, FS & Insurance (BFSI)	21.1	20.6	19.9	21.2	22.6	22.6	21.7	21.6	21.0	20.5	20.3	21.1	21.6
Hi-tech - Manufacturing	18.3	19.2	19.7	19.0	19.9	19.3	20.1	20.4	19.4	19.5	19.1	18.6	18.6
Telecom	9.2	9.2	9.4	8.8	7.6	8.0	9.7	11.5	12.2	12.1	12.3	13.9	13.1
Retail & CPG	9.4	9.2	8.9	9.0	9.1	9.6	9.6	9.1	9.4	9.6	10.6	9.7	9.7
Life Sciences	16.4	16.5	17.1	17.5	17.5	17.5	16.4	16.3	15.9	16.0	15.5	14.7	14.5
Energy-Utilities-Public Sector	10.2	10.2	10.2	10.2	10.0	9.9	9.7	8.8	9.1	9.2	8.9	8.6	8.5
Technology and Services	15.4	15.1	14.8	14.4	13.4	13.1	12.8	12.3	13.0	13.1	13.3	13.4	14.0
<b>Geographical Mix (%)</b>													
Americas	64.2	64.8	63.5	63.8	64.5	64.5	64.5	65.2	66.0	65.1	64.5		
USA												57.4	56.5
Europe	27.8	27.5	29.1	28.9	28.7	28.5	29.0	28.9	27.9	28.4	29.2	27.5	28.3
India												3.1	3.3
RoW	8.0	7.7	7.4	7.3	6.8	7.0	6.4	5.9	6.1	6.5	6.3	12.0	11.9
Employees	210,966	219,325	222,270	225,944	223,438	221,139	224,756	227,481	219,401	218,621	220,755	223,420	223,151
Net new addition	2,089	8,359	2,945	3,674	(2,506)	(2,299)	3,617	2,725	(8,080)	(780)	2,134	2,665	(269)
Attrition (%)	23.8	23.8	21.7	19.5	16.3	14.2	12.8	12.4	12.8	12.9	13.2	13.0	12.8
<b>Segmental revenue mix</b>													
IT and Business Services	72.8	73.7	71.6	73.7	74.7	74.6	71.7	74.4	74.5	74.6	73	73.3	74
Engineering and R&D Services	16.6	17	16.6	16.1	15.4	16	16.4	16.1	15.9	15.8	16	17.1	17
Products & Platforms	11	9.8	12.3	10.6	10.4	9.9	12.3	10	9.9	9.9	11.3	9.9	9.3
Inter Segment	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.4)	(0.3)
<b>Productivity Metrics</b>													
(USD mn)													
Revenue	3,025	3,082	3,244	3,235	3,200	3,225	3,415	3,430	3,364	3,445	3,533	3,498	3,545
EBIT	515	553	635	584	543	597	675	603	575	640	689	627	578
PAT	423	436	496	481	430	463	523	481	496	506	544	496	450

Source: Company, BOBCAPS Research

**Fig 24 – QoQ and YoY growth of various parameters**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>QoQ Growth (%)</b>													
<b>Geography Wise</b>													
Americas	3.3	2.8	3.1	0.2	0.0	0.8	5.9	1.5	(0.7)	1.0	1.6		
USA													(0.3)
Europe	(0.7)	0.8	11.4	(1.0)	(1.8)	0.1	7.8	0.1	(5.3)	4.3	5.4	(6.7)	4.3
India													7.9
RoW	(9.2)	(1.9)	1.2	(1.6)	(7.8)	3.7	(3.2)	(7.4)	1.4	9.1	(0.6)	88.6	0.5
Total	1.1	1.9	5.3	(0.3)	(1.1)	0.8	5.8	0.5	(1.9)	2.4	2.5	(1.0)	1.3
Non-US	(2.7)	0.2	9.1	(1.1)	(3.0)	0.8	5.6	(1.3)	(4.2)	5.1	4.3	18.8	3.5
<b>Vertical Wise</b>													
Banking, FS & Insurance (BFSI)	2.0	(0.5)	1.7	6.2	5.5	0.8	1.7	(0.0)	(4.7)	(0.0)	1.5	2.9	3.7
Hi-tech - Manufacturing	2.7	6.9	8.0	(3.8)	3.6	(2.3)	10.3	1.9	(6.7)	2.9	0.4	(3.6)	1.3
Telecom	8.1	1.9	7.5	(6.7)	(14.6)	6.1	28.4	19.1	4.0	1.6	4.2	11.9	(4.5)
Retail	1.1	(0.3)	1.8	0.8	0.0	6.3	5.9	(4.8)	1.3	4.6	13.2	(9.4)	1.3
Life Sciences	11.2	2.5	9.1	2.0	(1.1)	0.8	(0.8)	(0.2)	(4.3)	3.1	(0.7)	(6.1)	(0.0)
Energy-Utilities-Public Sector	(3.7)	1.9	5.3	(0.3)	(3.0)	(0.2)	3.8	(8.9)	1.4	3.5	(0.8)	(4.3)	0.2
Technology & Services	(11.1)	(0.1)	3.2	(3.0)	(7.9)	(1.5)	3.5	(3.5)	3.7	3.2	4.1	(0.2)	5.9
<b>Client Concentration</b>													
Top 5 clients	(2.4)	(2.7)	1.3	(2.2)	(4.0)	0.8	5.9	0.4	14.1	8.7	6.8	(0.2)	0.5
Top 10 clients	(1.0)	(1.3)	1.9	(3.0)	(3.9)	0.8	9.0	0.4	8.6	5.0	3.6	(1.5)	1.3
Top 20 clients	0.4	0.8	3.8	(1.7)	(3.2)	1.1	8.6	0.4	5.4	4.8	2.9	(2.6)	(0.3)
<b>Segment wise</b>													
IT and Business Services	0.2	3.2	2.3	2.6	0.3	0.6	1.8	4.2	(1.8)	2.6	0.3	(0.6)	2.3
Engineering and R&D Services	2.5	4.3	2.8	(3.3)	(5.4)	4.7	8.5	(1.4)	(3.1)	1.8	3.8	5.8	0.7
Products & Platforms	3.3	(9.2)	32.1	(14.1)	(2.9)	(4.1)	31.6	(18.3)	(2.9)	2.4	17.0	(13.2)	(4.8)
<b>YoY Growth (%)</b>													
<b>Geography Wise</b>													
Americas	13.2	14.0	9.8	9.8	6.3	4.1	6.9	8.4	7.6	7.8	3.5		
Europe	10.8	7.3	12.0	10.4	9.2	8.4	4.9	6.0	2.2	6.5	4.2	(2.9)	6.9
India													NA
RoW	(1.1)	(4.4)	(7.3)	(11.4)	(10.1)	(4.9)	(9.0)	(14.3)	(5.7)	(0.8)	1.8	107.4	105.6
Total	11.2	10.4	9.0	8.1	5.8	4.6	5.2	6.0	5.1	6.8	3.6	2.0	5.4
Non-US	7.9	4.5	7.5	5.2	4.9	5.5	2.1	1.9	0.7	5.0	3.7	24.9	34.8
<b>Vertical Wise</b>													
Banking, FS & Insurance (BFSI)	6.2	6.8	2.8	9.6	13.3	14.8	14.8	8.0	(2.3)	(3.1)	(3.2)	(0.4)	8.4
Hi-tech - Manufacturing	18.3	18.5	22.6	14.1	15.0	5.2	7.4	13.9	2.5	7.9	(1.7)	(7.0)	1.0
Telecom	29.5	28.6	26.4	10.6	(12.6)	(9.0)	8.6	38.6	68.7	61.6	31.2	23.3	13.2
Retail	4.6	3.7	(4.0)	3.5	2.4	9.2	13.6	7.2	8.6	6.8	14.2	8.7	8.8
Life Sciences	24.1	19.1	29.4	26.9	12.9	11.0	1.0	(1.2)	(4.5)	(2.3)	(2.2)	(8.0)	(3.9)
Energy-Utilities-Public Sector	5.0	6.3	6.9	3.0	3.7	1.5	0.1	(8.5)	(4.3)	(0.7)	(5.1)	(0.3)	(1.6)
Technology & Services	(1.0)	(3.0)	(12.4)	(11.1)	(8.0)	(9.2)	(9.0)	(9.4)	2.0	6.8	7.5	11.1	13.5
<b>Client Concentration</b>													
Top 5 clients	(4.2)	(7.0)	(8.0)	(5.9)	(7.4)	(4.2)	0.2	2.9	22.3	31.9	33.0	32.2	16.5
Top 10 clients	3.7	0.3	(2.3)	(3.4)	(6.2)	(4.3)	2.4	6.0	19.8	24.9	18.6	16.4	8.6
Top 20 clients	5.7	5.6	4.5	3.2	(0.4)	(0.1)	4.5	6.8	16.3	20.5	14.2	10.7	4.7
<b>Segment wise</b>													
IT and Business Services	13.2	12.1	10.5	8.5	8.5	5.9	5.4	7.0	4.8	6.8	5.3	0.5	4.7
Engineering and R&D Services	20.5	19.6	13.8	6.3	(1.9)	(1.5)	4.0	6.0	8.5	5.5	0.9	8.3	12.7
Products & Platforms	(9.9)	(11.0)	(4.1)	6.4	0.0	5.7	5.3	0.0	0.1	6.8	(5.0)	1.0	(1.0)

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>1,099,130</b>	<b>1,170,550</b>	<b>1,244,186</b>	<b>1,342,442</b>	<b>1,464,510</b>
EBITDA	242,000	255,050	262,332	291,816	315,139
Depreciation	41,730	40,840	44,027	44,574	45,083
EBIT	200,270	214,210	218,305	247,242	270,057
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	9,400	18,410	12,187	12,481	12,322
Exceptional items	0	0	0	0	0
EBT	209,670	232,620	230,492	259,723	282,379
Income taxes	52,570	58,620	59,744	67,321	73,193
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	80	90	40	40	40
<b>Reported net profit</b>	<b>157,020</b>	<b>173,910</b>	<b>170,708</b>	<b>192,362</b>	<b>209,146</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>157,020</b>	<b>173,910</b>	<b>170,708</b>	<b>192,362</b>	<b>209,146</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	215,320	244,710	247,481	273,228	295,666
Provisions	0	0	0	0	0
Debt funds	23,270	22,910	22,930	22,930	22,930
Other liabilities	76,550	91,270	97,282	102,948	107,886
Equity capital	5,430	5,430	5,430	5,430	5,430
Reserves & surplus	677,200	691,120	696,051	704,123	728,978
Shareholders' fund	682,630	696,550	701,481	709,553	734,408
<b>Total liab. and equities</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,069,174</b>	<b>1,108,659</b>	<b>1,160,890</b>
Cash and cash eq.	94,560	82,450	79,638	72,704	83,985
Accounts receivables	194,830	195,230	208,751	230,469	249,396
Inventories	0	0	0	0	0
Other current assets	303,920	343,410	344,913	359,730	372,642
Investments	3,810	12,970	9,540	9,540	9,540
Net fixed assets	322,610	332,150	336,916	340,789	344,662
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	78,040	89,230	89,415	95,427	100,666
<b>Total assets</b>	<b>997,770</b>	<b>1,055,440</b>	<b>1,069,174</b>	<b>1,108,659</b>	<b>1,160,890</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>205,170</b>	<b>233,950</b>	<b>190,091</b>	<b>226,189</b>	<b>244,868</b>
Capital expenditures	(41,120)	(50,380)	(48,793)	(48,447)	(48,956)
Change in investments	(47,780)	(38,770)	15,860	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(88,900)</b>	<b>(89,150)</b>	<b>(32,933)</b>	<b>(48,447)</b>	<b>(48,956)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	9,700	5,200	2,790	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(140,714)	(162,528)	(162,609)	(184,291)	(184,291)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(131,014)</b>	<b>(157,328)</b>	<b>(159,819)</b>	<b>(184,291)</b>	<b>(184,291)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>3,910</b>	<b>(12,021)</b>	<b>(3,087)</b>	<b>(6,548)</b>	<b>11,622</b>
<b>Closing cash &amp; cash eq.</b>	<b>94,560</b>	<b>82,539</b>	<b>79,363</b>	<b>73,090</b>	<b>84,326</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	58.0	64.2	63.0	71.0	77.2
Adjusted EPS	57.9	64.1	62.9	70.9	77.1
Dividend per share	52.0	60.0	60.0	68.0	68.0
Book value per share	251.2	256.5	258.7	261.6	270.8

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	3.9	3.7	3.5	3.2	3.0
EV/EBITDA	17.9	16.9	16.5	14.8	13.8
Adjusted P/E	28.0	25.3	25.7	22.8	21.0
P/BV	6.4	6.3	6.3	6.2	6.0

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.9	74.8	74.1	74.1	74.1
Interest burden (PBT/EBIT)	104.7	108.6	105.6	105.0	104.6
EBIT margin (EBIT/Revenue)	18.2	18.3	17.5	18.4	18.4
Asset turnover (Rev./Avg TA)	113.8	114.0	117.1	123.3	129.1
Leverage (Avg TA/Avg Equity)	1.4	1.5	1.5	1.5	1.6
Adjusted ROAE	23.5	25.2	24.4	27.3	29.0

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	8.3	6.5	6.3	7.9	9.1
EBITDA	6.9	5.4	2.9	11.2	8.0
Adjusted EPS	5.5	10.8	(1.8)	12.7	8.7
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	22.0	21.8	21.1	21.7	21.5
EBIT margin	18.2	18.3	17.5	18.4	18.4
Adjusted profit margin	14.3	14.9	13.7	14.3	14.3
Adjusted ROAE	23.5	25.2	24.4	27.3	29.0
ROCE	19.8	20.1	19.8	22.1	23.5
<b>Working capital days (days)</b>					
Receivables	65	61	61	63	62
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
<b>Ratios (x)</b>					
Gross asset turnover	3.4	3.5	3.7	3.9	4.2
Current ratio	2.9	2.7	2.7	2.5	2.5
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)

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 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%

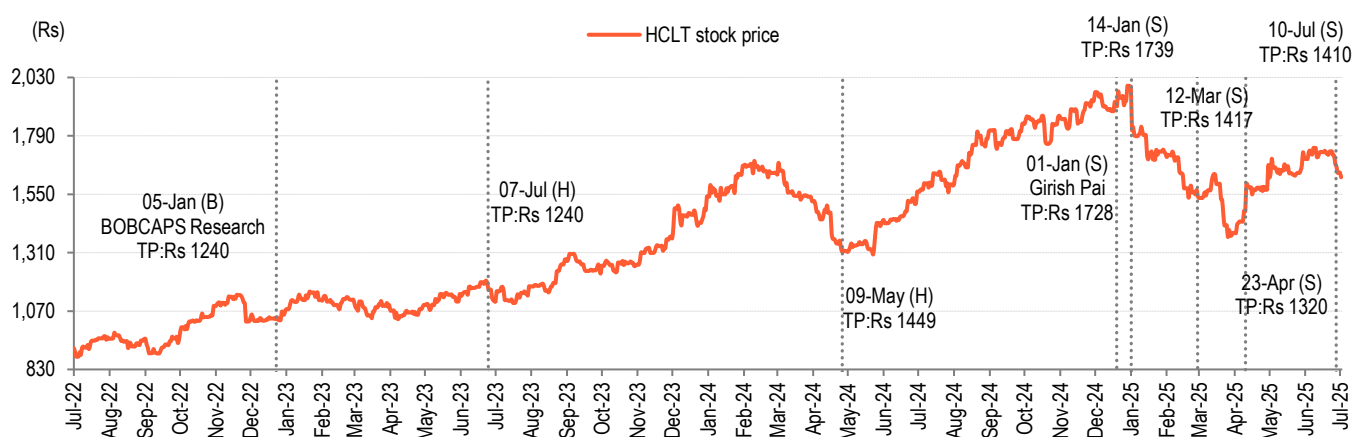
**HOLD** – Expected return from -6% to +15%

**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.

## 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 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.