

SELL

TP: Rs 3,918 | ▼ 30%

PERSISTENT SYSTEMS

| IT Services

| 24 July 2025

Growth slows down a tad. Poised for mediocre returns at 48x

- CC QoQ revenue growth at 3.3% was a tad soft. The company talked about delayed decision making and delayed ramp ups to be reasons
- Delayed salary hikes due to adverse demand conditions. Sticks to aspiration of US\$2bn revenue and +200-300bps margin hike by FY27
- Estimates broadly maintained. maintain our target PE multiple which is at a premium to that of TCS by 25%. Retain SELL on valuation

Girish Pai

research@bobcaps.in

Modest revenue slowdown: Against a run rate of >4% on a QoQ basis for the last few quarters, PSYS delivered 3.3% in CC growth in QoQ terms due to delayed ramp ups, delayed decision making and offshore shift of a large client. Despite this the company reiterated its aim to deliver industry leading growth in FY26. It also reiterated its FY27 target of hitting US\$2bn through a combination of organic and inorganic growth with 200-300bps margin expansion from FY24 levels. It stated that the focus is on profitable growth and not on hitting the revenue target at any cost.

Macroeconomic uncertainty remains: Leading to a cautious behavior among clients. There is a delay in decision-making and deal closures. After driving growth in FY25 the healthcare and life sciences division is going to take a back seat. The BFSI and high-tech verticals are going to drive growth in FY26 with healthcare and life sciences growing but bringing up the rear.

Cost takeout and vendor consolidation deals will impact margins for Tier-2 players: With very little discretionary spending and the market largely driven by cost take out and vendor consolidation driven deals and clients wanting to work with vendors who can provide multi-tower services at the lowest cost, Tier-2 players like PSYS are at small disadvantage. This will force them to bid aggressively, impacting margins. This is already visible in the form of delayed salary hike in FY26, keeping utilization (including trainees) high at ~88-89%, reversing some of its earn out provisions (FY25), changing depreciation policy (FY25), etc.

Margin may not be a big lever to drive EPS growth from here on: Believe EBIT margins at 15-16% are high when compared to its peer set (which are at 13-15%) and even some of the Tier-1 companies. EPS growth, which benefited from margin expansion during the last 5 years will now be solely dependent on revenue growth.

Will give mediocre returns at 48x 12 forward earnings: With earnings likely to be largely revenue led (that too slowing) we believe that 48x 12 month forward PE is excessive. While returns in the long term may be positive if it executes well, we think they may be pedestrian in comparison to that seen since the pandemic.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	PSYS IN/Rs 5,606
Market cap	US\$ 10.1bn
Free float	68%
3M ADV	US\$ 32.4mn
52wk high/low	Rs 6,789/Rs 4,149
Promoter/FPI/DII	31%/24%/28%

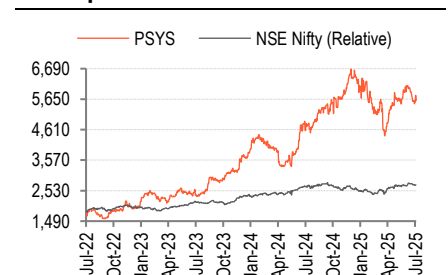
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	119,387	141,357	171,701
EBITDA (Rs mn)	20,581	25,738	32,053
Adj. net profit (Rs mn)	14,001	17,334	21,869
Adj. EPS (Rs)	90.2	111.0	140.0
Consensus EPS (Rs)	90.2	112.6	138.1
Adj. ROAE (%)	24.8	25.2	26.9
Adj. P/E (x)	62.2	50.5	40.0
EV/EBITDA (x)	41.8	33.3	26.7
Adj. EPS growth (%)	26.7	23.1	26.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- 1QFY26 revenue stood at US\$389.7mn, reflecting CC QoQ growth of 3.3% (in line with our estimate of 3.5%). In USD terms the revenue was up QoQ by 3.9% and YoY by 18.8%
- EBIT margin for Q1 FY26 was 15.5% (against our estimate of 16.2%), decreasing by 10 bps QoQ
 - QoQ EBIT margin impact: Lower ESOP cost contributed +230 bps to margin; Absence of earnout reversal caused 60 bps headwind; Retention of on-site resources to derisk project caused -100 bps impact due to delayed ramp-in and transition delays; Higher amortization cost caused -40 bps margin impact; Unfavorable currency movements caused -40 bps margin impact
- Annual wage hike postponed by one quarter due to an uncertain business scenario. It will now most likely happen starting 1 October instead of the usual 1 July.
- Billing DSO was 56 days, improved by 2 days QoQ; Unbilled DSO was 20 days, improved by 3 days QoQ.
- Total headcount was 25,340 up QoQ by ~750; TTM attrition was 13.9%
- TCV for the quarter was US\$520.8mn; New bookings TCV was US\$337mn
- ACV of new bookings was US\$211.8mn out of total ACV US\$385.3mn
- Geographical USD revenue YoY growth: North America +17.4%, Europe +37.5%, India +18.3%, Rest of World -1.7%
- Industry segment YoY growth: BFSI +30.7%, Software +14.1%, Hi-Tech & Emerging +12.4%
- Healthcare Life Sciences declined by 1.9% QoQ in USD terms due to planned transition of effort from onsite to offshore and large customer impact but is not expected to see further decline.
- Goal remains reaching \$2 billion revenue by end of FY27 with EBIT margin expansion of 200-300bps from FY24 level of 14.4%.
- The current business environment is cautious with slower decision-making. Improvement in macroeconomic conditions is expected to facilitate better growth in upcoming quarters
- BFSI is expected to lead overall growth, followed by hi-tech, and then healthcare and life sciences. All three verticals are expected to show growth during the year
- The company expects EBIT margins to improve by 200 to 300 bps by FY27. Recent quarters showed margins around 15%, up from 14.7% last year, indicating they are on track. ESOP costs have reduced recently and will remain flat for the next few quarters before potentially declining further in FY27. Several initiatives—such as pricing improvements, better utilization, and SG&A leverage—are driving

margin improvement. Investments made are starting to yield results, helping operational efficiency without proportionally increasing costs as revenue grows

- The healthcare vertical includes scientific instruments, medical devices, pharma/biotech, providers, and payers. Overall healthcare growth has been strong over recent quarters and years. The top customer saw some sequential decline due to a planned offshore shift of work to reduce costs, which caused some overlap in expenses during transition. Offshore headcount has grown sequentially, but subcontractor costs remain flat, explaining some margin pressure in healthcare. The healthcare pipeline is healthy, and growth is expected to continue
- Delayed ramp-ups were observed primarily in the healthcare and life sciences vertical. These delays are seen as customer-specific and are not reflective of a wider industry trend. The company expects these issues to be resolved over time
- Healthcare is facing headwinds due to tariff issues with China and reduced federal research funding, leading to cost pressures and increased offshoring. In contrast, BFSI is seeing strong growth driven by large deals, AI adoption, and optimization efforts
- Attrition increase is not directly linked to the wage hike deferral. A slight industry-wide uptick in attrition is observed, possibly due to increased hiring activity by GCCs, product companies, etc
- The company does not anticipate any significant near-term margin headwinds as costs such as higher onsite expenses and the temporary overlap during transitions are expected to normalize in the coming quarters.
 - This normalization could help margins, though some of the benefits will be reinvested into the business to support future growth
 - The increased amortization costs are due to recent asset acquisitions. This level of amortization is expected to continue without major further increases
- ESOP costs are expected to remain stable through FY26 based on current grants. However, new grants could increase costs. Overall, ESOP costs are likely to decline in FY27 due to standard amortization
- There haven't been specific delays in deal awards, but overall decision-making cycles are taking longer due to market uncertainty. While some deals may spill into the next quarter, there's no expectation of a sudden spike. Future bookings will depend on how macro conditions evolve
- As the company grows and pursues bigger deals, costs will fluctuate—some onshore contractor costs may reduce over time, but other expenses could increase as new deals ramp up. So, while some cost reduction is expected eventually, it won't be a sudden drop next quarter
- SASVA, its AI platform, is helping unlock new opportunities by improving the entire software development lifecycle, not just coding. It supports everything from requirement gathering to testing and modernization of legacy tech
- Unlike some peers facing revenue deflation due to AI productivity, they haven't seen that with existing customers

- There's no rush to hit the US\$2 bn revenue mark; the focus is on healthy, profitable growth. They're open to slight margin dilution if it helps build capabilities for larger deals but won't sacrifice margins just to grow quickly
- It aims to reach \$2 billion revenue by FY27, which requires 19-20% CAGR. The growth will mainly come from organic efforts and tuck-in acquisitions. A larger acquisition might happen in Europe, where they want to grow their revenue share to about 15%
- The company focuses on three main verticals: software/hi-tech, banking/financial services/insurance, and healthcare/life sciences. The plan is to deepen presence in these areas over the next 1-3 years. Expansion into other sectors like automotive or industrial will be considered later, either organically or through acquisitions, depending on opportunities

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 12th 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

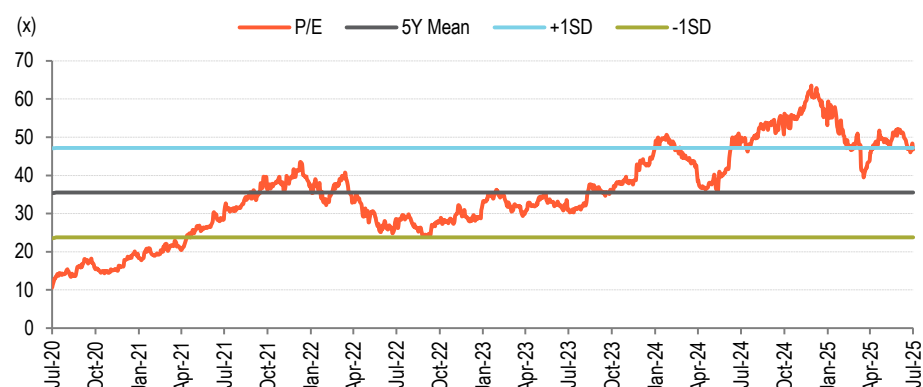
The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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.

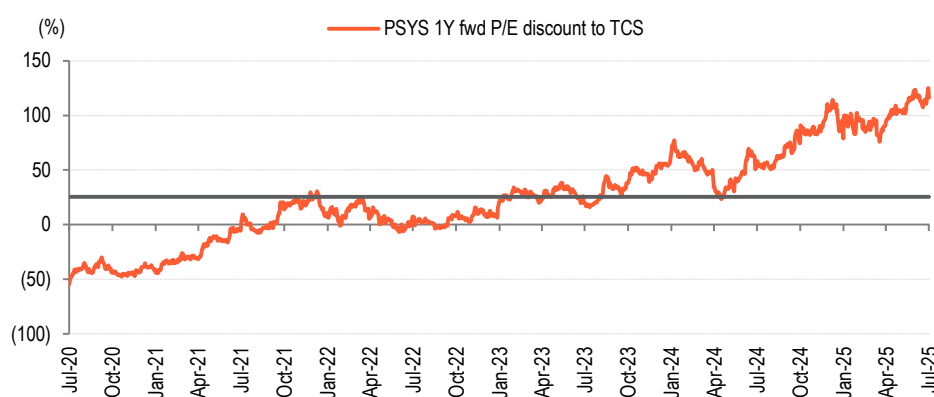
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Dev (%)
Net Sales (USD mn)	328.2	375.2	389.9	18.8	3.9	391.7	(0.5)
Net Sales	27,372	32,421	33,336	21.8	2.8	33,880	(1.6)
Direct Cost	18,329	21,117	21,576	17.7	2.2	22,479	(4.0)
% of Sales	67.0	65.1	64.7			66.3	
Gross Margin	9,043	11,304	11,760	30.0	4.0	11,401	3.1
% of Sales	33.0	34.9	35.3			33.7	
SG&A	4,491	5,460	5,644	25.7	3.4	5,083	11.0
% of Sales	16.4	16.8	16.9			15.0	
EBITDA	4,552	5,844	6,116	34.4	4.7	6,318	(3.2)
EBITDA Margin (%)	16.6	18.0	18.3			18.6	
Depreciation and Amortisation	712	791	938			815	15.1
EBIT	3,840	5,053	5,178	34.8	2.5	5,503	(5.9)
EBIT Margin (%)	14.0	15.6	15.5			16.2	
Other Income, Net	173	154	187	8.6	22.0	201	(6.6)
Forex Gain/(Losses)	(7)	(154)	189	(2684.9)	(222.3)	-	
PBT	4,005	5,052	5,554	38.7	9.9	5,704	(2.6)
Provision for Tax	941	1,095	1,305	38.6	19.2	1,454	(10.3)
Effective Tax Rate	23.5	21.7	23.5			25.5	
PAT	3,064	3,958	4,249	38.7	7.4	4,249	0.0
NPM (%)	11.2	12.2	12.7			12.5	

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	86.6	89.3	91.1	87.3	89.3	91.1	(0.7)	-	-
USD Revenue (USD mn)	1,631	1,923	2,265	1,632	1,923	2,265	(0.0)	0.0	0.0
USD Revenue Growth (%)	15.8	17.9	17.8	15.8	17.8	17.8			
Revenue (Rs mn)	141,357	171,701	206,308	142,708	171,691	206,276	(0.9)	0.0	0.0
EBIT (Rs mn)	21,874	27,890	33,478	22,114	27,787	33,466	(1.1)	0.4	0.0
EBIT Margin (%)	15.5	16.2	16.2	15.5	16.2	16.2			
PAT (Rs mn)	17,334	21,869	26,316	17,221	21,682	26,221	0.7	0.9	0.4
FDEPS (Rs)	111.0	140.0	168.5	110.5	139.1	168.2	0.5	0.7	0.2

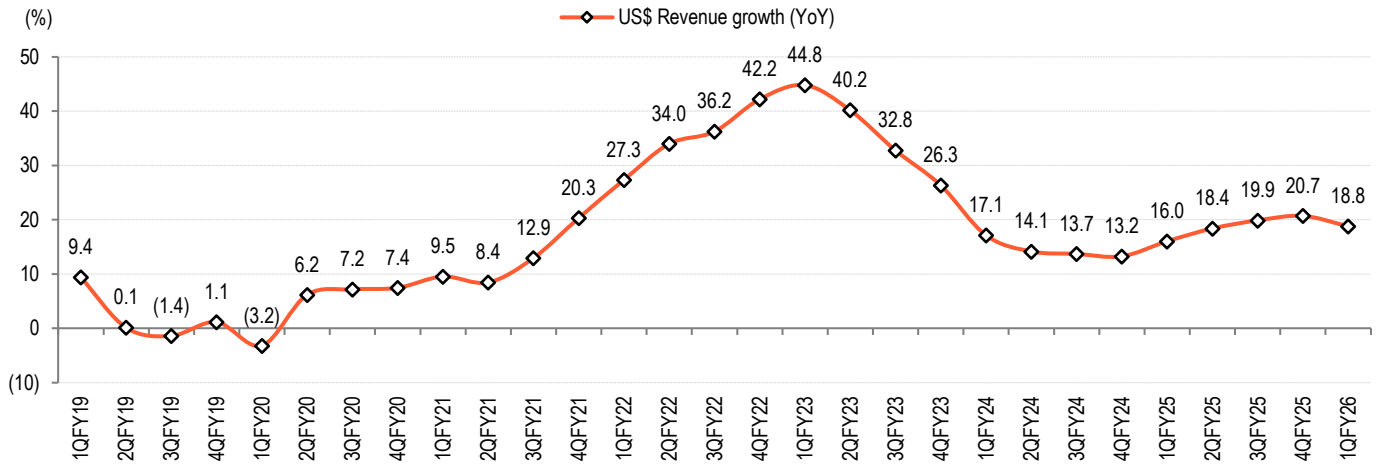
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

(Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	57.4	60.8	61.3	65.6	67.1	64.5	70.0	71.1	74.0	74.5	80.5	82.8	84.7	86.6	89.3	91.1
Net Sales (USD mn)	238	274	308	352	429	471	481	502	566	766	1,036	1,186	1,409	1,631	1,923	2,265
YoY Growth (%)	15.2	12.4	14.2	22.0	9.7	2.2	4.3	12.9	35.2	35.3	14.5	18.8	15.8	17.9	17.8	
Net Sales	12,945	16,692	18,913	23,123	28,784	30,337	33,659	35,658	41,879	57,107	83,506	98,217	119,387	141,357	171,701	206,308
YoY Growth (%)	29.4	28.9	13.3	22.3	24.5	5.4	11.0	5.9	17.4	36.4	46.2	17.6	21.6	18.4	21.5	20.2
Cost of Sales & Services	7,311	9,517	11,317	14,305	18,518	19,704	21,378	23,494	27,650	37,895	55,315	65,231	78,740	93,028	112,711	135,562
% of sales	56.5	57.0	59.8	61.9	64.3	65.0	63.5	65.9	66.0	66.4	66.2	66.4	66.0	65.8	65.6	65.7
Gross Margin	5,634	7,174	7,596	8,819	10,266	10,633	12,281	12,164	14,229	19,213	28,191	32,986	40,647	48,329	58,990	70,746
% of sales	43.5	43.0	40.2	38.1	35.7	35.0	36.5	34.1	34.0	33.6	33.8	33.6	34.0	34.2	34.4	34.3
SG& A	2,283	2,872	3,690	4,647	5,727	5,946	6,476	7,234	7,398	9,631	12,999	15,729	20,066	22,591	26,937	32,807
% of sales	17.6	17.2	19.5	20.1	19.9	19.6	19.2	20.3	17.7	16.9	15.6	16.0	16.8	16.0	15.7	15.9
EBITDA	3,352	4,303	3,906	4,171	4,539	4,687	5,805	4,930	6,830	9,582	15,191	17,257	20,581	25,738	32,053	37,939
% of sales	25.9	25.8	20.7	18.0	15.8	15.4	17.2	13.8	16.3	16.8	18.2	17.6	17.2	18.2	18.7	18.4
Depreciation and Amortization	783	1,026	939	965	1,490	1,585	1,573	1,660	1,756	1,660	2,719	3,094	3,069	3,864	4,163	4,462
EBIT	2,569	3,277	2,967	3,206	3,049	3,102	4,233	3,270	5,075	7,922	12,472	14,163	17,512	21,874	27,890	33,478
% of sales	19.8	19.6	15.7	13.9	10.6	10.2	12.6	9.2	12.1	13.9	14.9	14.4	14.7	15.5	16.2	16.2
Other income (net)	61	150	932	750	958	1,190	631	1,254	1,020	1,321	(64)	813	710	782	693	918
PBT	2,630	3,427	3,900	3,956	4,007	4,292	4,863	4,524	6,094	9,243	12,409	14,976	18,223	22,657	28,583	34,396
-PBT margin (%)	20.3	20.5	20.6	17.1	13.9	14.1	14.4	12.7	14.6	16.2	14.9	15.2	15.3	16.0	16.6	16.7
Provision for tax	754	934	993	983	992	1,062	1,347	1,121	1,588	2,339	3,198	3,541	4,222	5,322	6,714	8,080
Effective tax rate (%)	28.7	27.3	25.5	24.8	24.8	24.7	27.7	24.8	26.1	25.3	25.8	23.6	23.2	23.5	23.5	23.5
Net profit	1,876	2,493	2,906	2,974	3,015	3,231	3,517	3,403	4,507	6,904	9,211	11,435	14,001	17,334	21,869	26,316
-Growth (%)	32.3	32.9	16.6	2.3	1.4	7.2	8.9	-3.2	32.4	53.2	33.4	18.9	27.9	23.8	26.2	20.3
-Net profit margin (%)	14.5	14.9	15.4	12.9	10.5	10.6	10.4	9.5	10.8	12.1	11.0	11.6	11.7	12.3	12.7	12.8

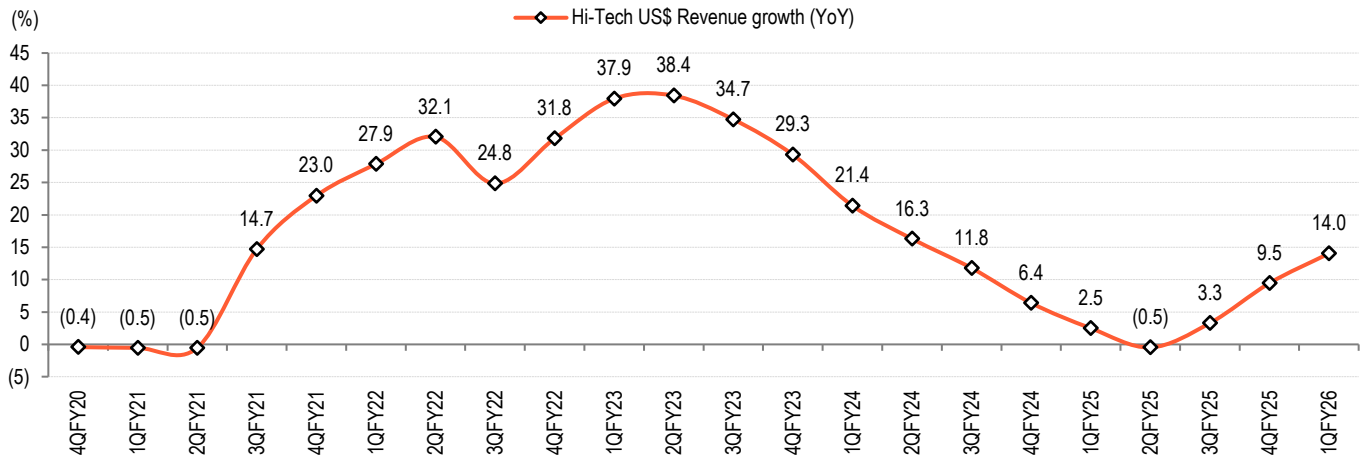
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue growth (YoY)



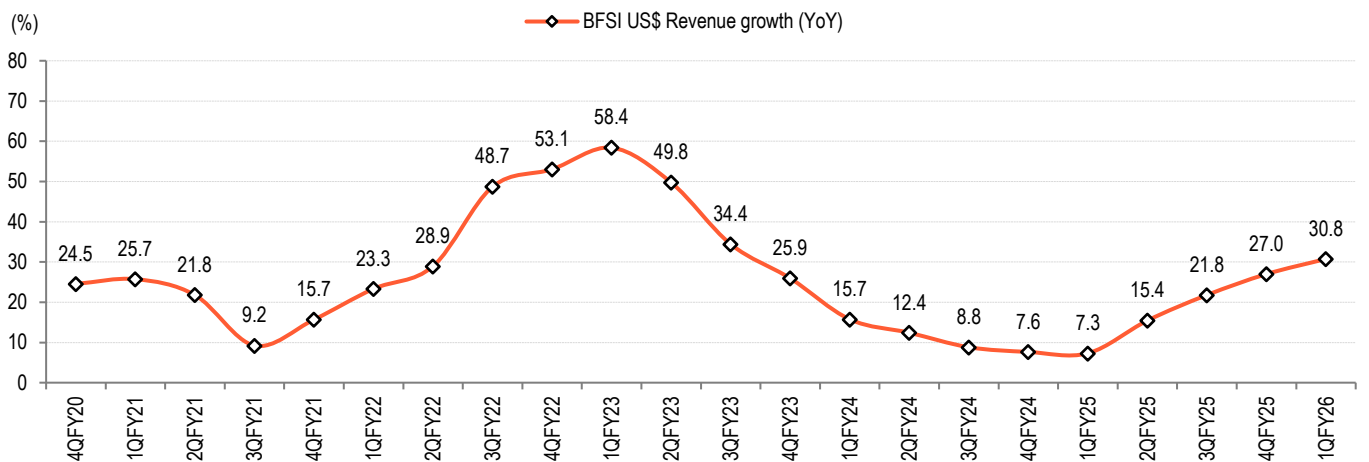
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue growth of Hi-Tech vertical (YoY)

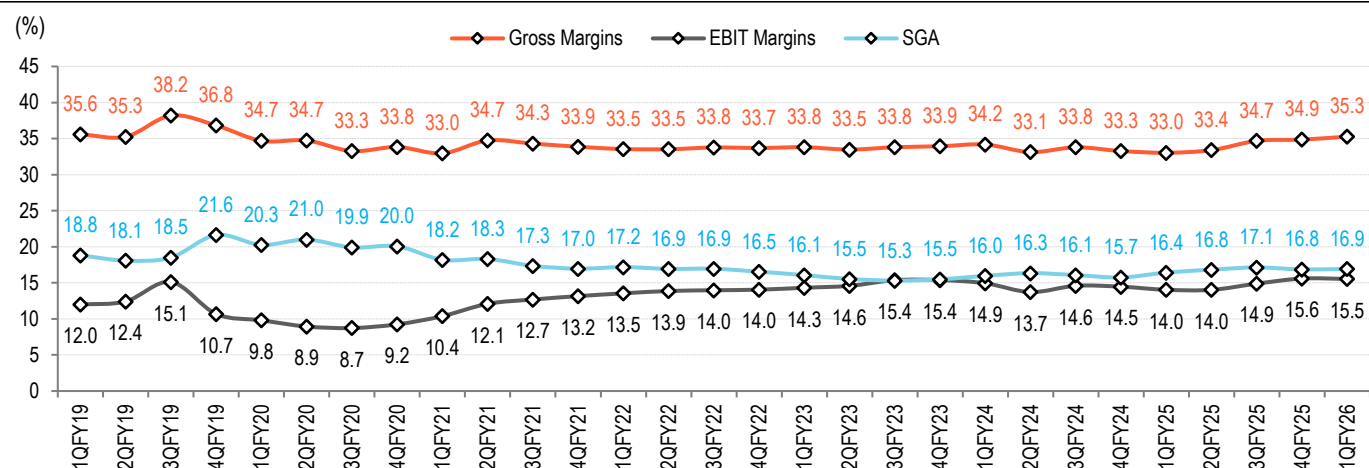


Source: Company, BOBCAPS Research

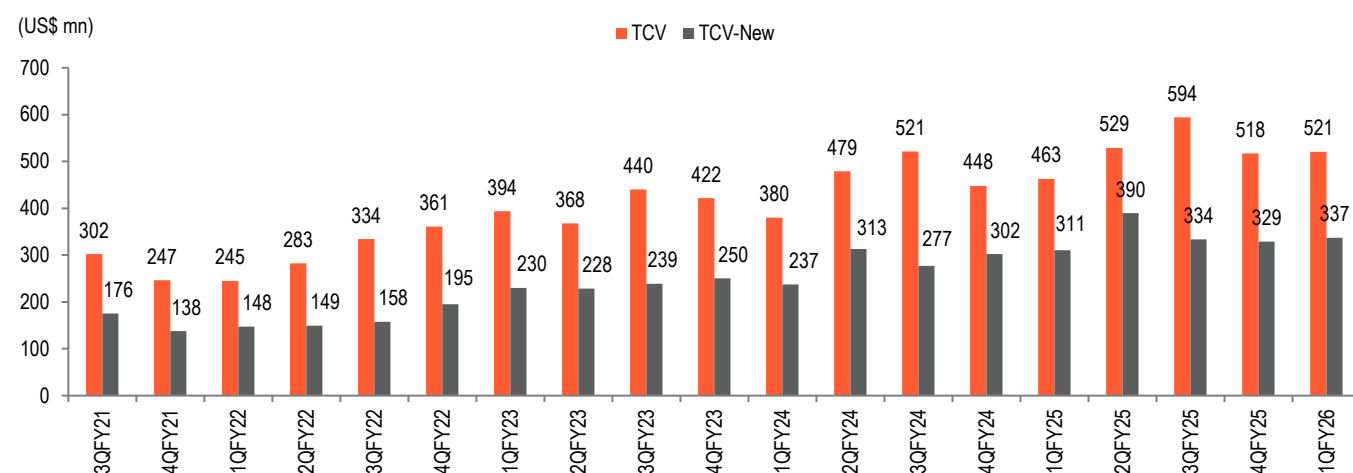
Fig 8 – USD Revenue growth of BFSI vertical (YoY)



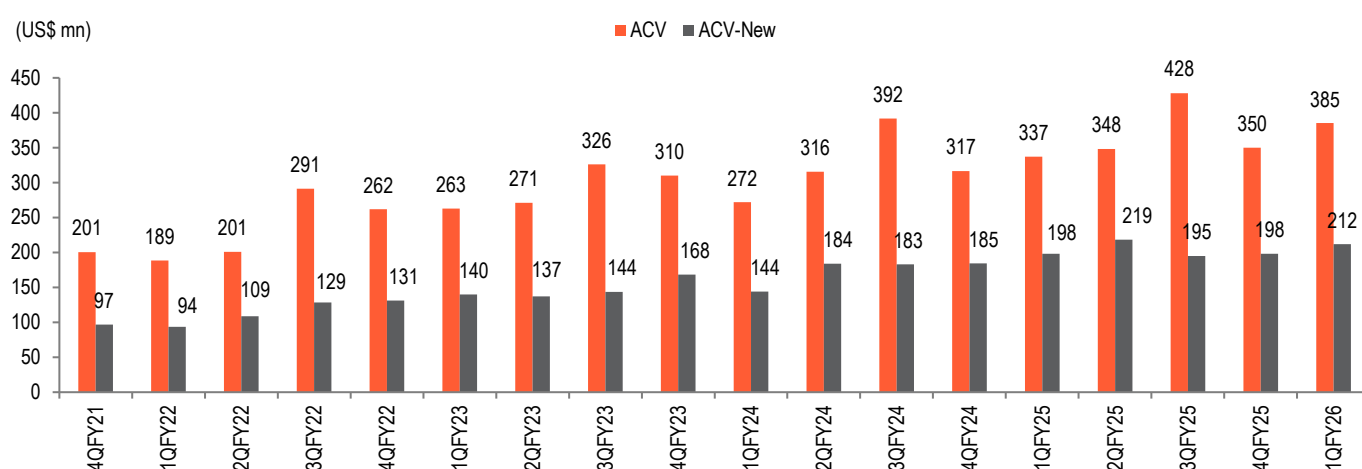
Source: Company, BOBCAPS Research

Fig 9 – Gross Margin, SG&A and EBIT Margin

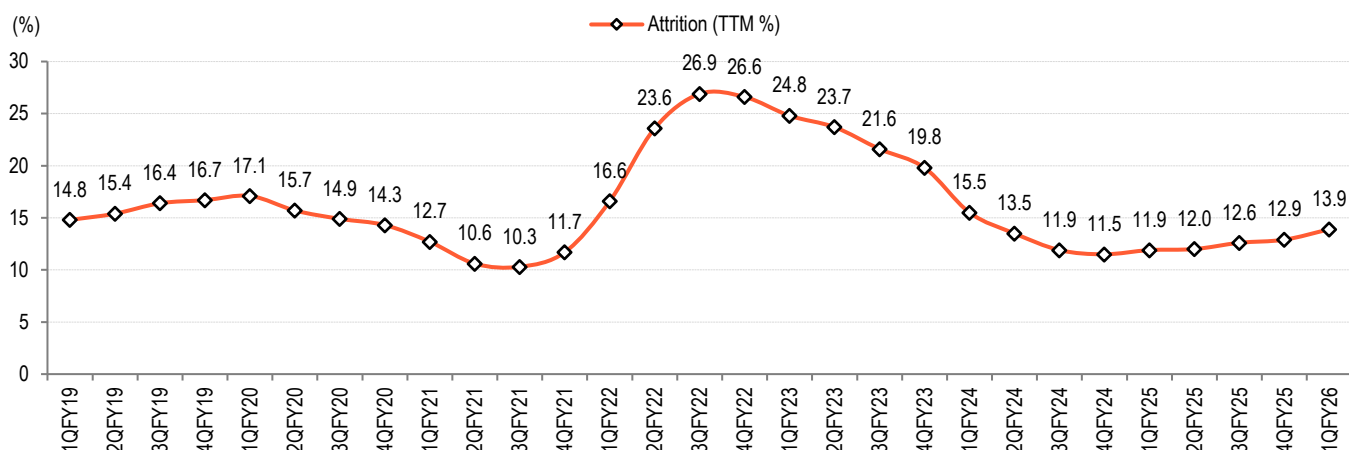
Source: Company, BOBCAPS Research

Fig 10 – The TCV trend

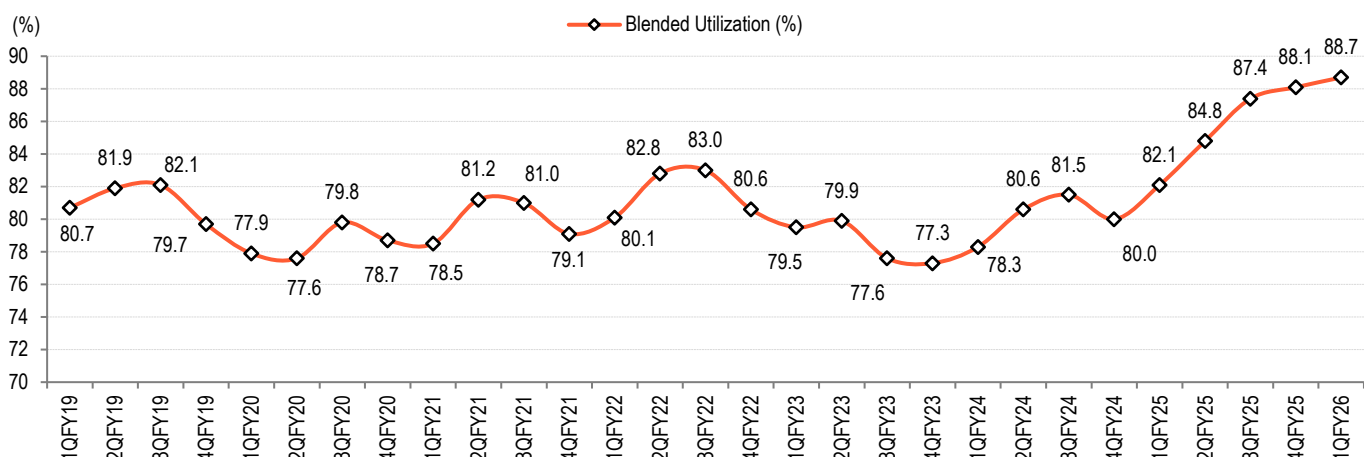
Source: Company, BOBCAPS Research

Fig 11 – The ACV trend

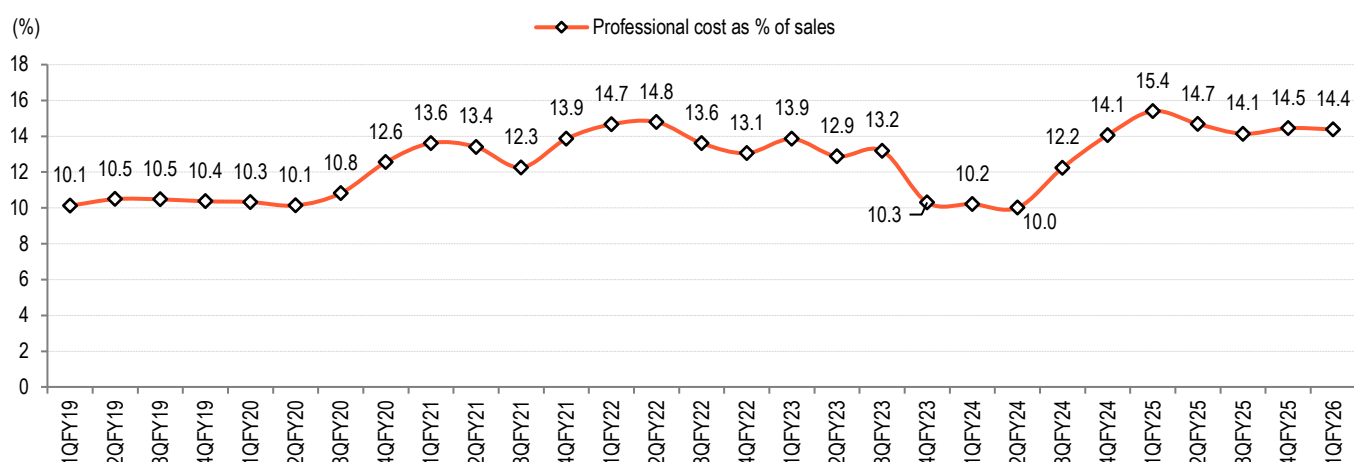
Source: Company, BOBCAPS Research

Fig 12 – LTM Attrition Rate

Source: Company, BOBCAPS Research

Fig 13 – Employee Utilization (including trainees)

Source: Company, BOBCAPS Research

Fig 14 – Subcontractor Cost as % of Revenue

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Rs mn	1304												
INR/USD	77.8	80.2	82.1	82.1	82.1	82.7	83.1	83.3	83.4	83.9	85.0	86.4	85.5
USD Revenue (USD mn)	242	256	264	275	283	292	301	311	328	345	360	375	390
INR Revenue	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421	33,336
Gross Margin	6,348	6,858	7,334	7,651	7,933	7,990	8,443	8,620	9,043	9,678	10,622	11,304	11,760
SGA	3,015	3,178	3,318	3,488	3,704	3,938	4,012	4,075	4,491	4,870	5,244	5,460	5,644
EBITDA	3,333	3,680	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844	6,116
Dep & Amortization	645	693	684	697	763	744	787	799	712	745	821	791	938
EBIT	2,688	2,987	3,332	3,466	3,466	3,308	3,644	3,745	3,840	4,062	4,557	5,053	5,178
Other income (net)	131	(31)	(104)	(60)	90	250	262	210	165	283	263	(1)	376
PBT	2,819	2,956	3,228	3,406	3,070	3,558	3,906	3,956	4,005	4,345	4,820	5,052	5,554
Tax	703	756	848	891	783	925	1,032	802	941	1,095	1,091	1,095	1,305
PAT	2,116	2,200	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958	4,249
YoY Growth (%)													
USD Revenue	44.8	40.2	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7	18.8
INR Revenue	52.7	51.6	45.4	37.6	23.6	17.7	15.2	14.9	17.9	20.1	22.6	25.1	21.8
Gross Profit	53.8	51.4	45.6	38.6	25.0	16.5	15.1	12.7	14.0	21.1	25.8	31.1	30.0
EBIT	61.4	59.4	60.0	50.7	29.0	10.8	9.4	8.1	10.8	22.8	25.1	34.9	34.8
Net Profit	39.9	36.0	34.9	25.1	8.1	19.7	20.8	25.4	33.9	23.4	29.8	25.5	38.7
QoQ Growth (%)													
USD Revenue	11.1	5.8	3.4	3.85	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2	3.9
INR Revenue	14.7	9.1	5.9	3.9	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.9	2.8
EBIT	16.8	11.1	11.6	4.0	0.0	(4.6)	10.2	2.8	2.5	5.8	12.2	10.9	2.5
Net Profit	5.3	4.0	8.2	5.7	(9.0)	15.1	9.2	9.7	(2.9)	6.1	14.8	6.1	7.4
Margins (%)													
Gross Margin	33.8	33.5	33.8	33.9	34.2	33.1	33.8	33.3	33.0	33.4	34.7	34.9	35.3
SGA	16.1	15.5	15.3	15.5	16.0	16.3	16.1	15.7	16.4	16.8	17.1	16.8	16.9
EBITDA	17.7	18.0	18.5	18.5	18.2	16.8	17.7	17.5	16.6	16.6	17.6	18.0	18.3
EBIT	14.3	14.6	15.4	15.4	14.9	13.7	14.6	14.5	14.0	14.0	14.9	15.6	15.5
PBT	15.0	14.4	14.9	15.1	13.2	14.8	15.6	15.3	14.6	15.0	15.7	15.6	16.7
PAT	11.3	10.7	11.0	11.2	9.9	10.9	11.5	12.2	11.2	11.2	12.2	12.2	12.7

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (USD mn)													
Revenue	242	256	264	275	283	292	301	311	328	345	360	375	390
EBIT	35	37	41	42	42	40	44	45	46	48	54	58	61
PAT	27	27	29	31	28	32	35	38	37	39	44	46	50
P and L (Rs mn)													
Revenue	18,781	20,486	21,694	22,545	23,212	24,117	24,982	25,906	27,372	28,972	30,623	32,421	33,336
EBITDA	3,333	3,680	4,016	4,163	4,229	4,052	4,431	4,545	4,552	4,807	5,378	5,844	6,116
PAT	2,116	2,200	2,380	2,515	2,288	2,633	2,874	3,154	3,064	3,250	3,730	3,958	4,249
Geographical Mix (%)													
North Americas	78.4	78.6	77.1	77.9	79.2	79.2	79.7	80.1	80.7	81.3	80.5	80.5	79.8
Europe	8.5	8.3	9	10.3	9.7	9.5	8.9	7.8	7.8	7.9	8.2	8.4	9
India	11.3	11.5	12.3	10.0	9.9	9.7	10.0	10.1	9.8	9.2	9.4	9.3	9.8
ROW	1.8	1.6	1.6	1.8	1.2	1.6	1.4	2	1.7	1.6	1.9	1.8	1.4
Utilization (%) (including Trainees)	79.5	79.9	77.6	77.3	78.3	80.6	81.5	80.0	82.1	84.8	87.4	88.1	88.7
Revenue Mix (Delivery of IT services)													
Revenue mix-Onsite	14.7	14.4	14.3	13.1	13.1	12.7	13.8	14.8	15.2	15.8	15.1	14.8	14.5
Revenue mix-Offshore	85.3	85.6	85.7	86.9	86.9	87.3	86.2	85.2	84.8	84.2	84.9	85.2	85.5
Clients Concentration (%)													
Top 5 clients	30.8	26.9	24.7	26.5	27.9	28.3	28.0	29.2	30.7	31.4	30.8	32.7	31.8
Top 10 clients	40.7	36.7	35.0	37.4	39.6	39.5	39.3	40.0	41.5	41.5	40.0	42.2	42.0
Top 20 clients	51.2	48.4	47.8	47.9	50.4	50.6	51.4	51.1	51.9	52.1	50.9	53.0	53.8
Top 50 clients	66.1	64.0	63.9	64.4	66.1	66.5	66.7	67.3	67.8	67.9	67.4	68.7	70.0
Business Mix (%)													
BFSI	33.7	32.8	32.6	32.3	33.3	32.3	31.2	30.7	30.8	31.5	31.7	32.3	33.9
Healthcare & Life Science	19.9	19.7	19.6	19.7	18.6	19.3	21.8	24.2	26.7	27.8	27.8	26.8	25.3
Tech. Cos. & Emerging Verticals	46.4	47.5	47.8	48.0	48.1	48.4	47.0	45.1	42.5	40.7	40.5	40.9	40.8
Employee Metrics													
Employees	21,638	22,476	22,598	22,889	23,130	22,842	23,336	23,850	23,519	23,237	23,941	24,594	25,340
Net addition of employees (QoQ)	3,039	838	122	291	241	-288	494	514	-331	-282	704	653	746
Attrition LTM (%)	24.8	23.7	21.6	19.8	15.5	13.5	11.9	11.5	11.9	12.0	12.6	12.9	13.9
Productivity Metrics													
Per Capita (Annualised) - (USD)													
Revenue	44,649	45,483	46,794	47,977	48,923	51,085	51,518	52,140	55,818	59,441	60,193	61,030	61,546
EBIT	6,390	6,631	7,187	7,376	7,306	7,006	7,515	7,538	7,831	8,334	8,958	9,512	9,560
PAT	5,031	4,885	5,133	5,352	4,822	5,577	5,927	6,348	6,248	6,668	7,331	7,450	7,845
Direct and opex cost per capita	38,259	38,852	39,607	40,601	41,617	44,079	44,003	44,602	47,988	51,107	51,235	51,519	51,986

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

(in US terms)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth (%)													
Company	11.1	5.8	3.4	3.8	3.0	3.1	3.0	3.4	5.6	5.2	4.3	4.2	3.9
Geography													
North Americas	10.9	6.1	1.5	4.9	4.8	3.1	3.7	4.0	6.4	6.0	3.3	4.2	3.0
Europe	12.5	3.3	12.2	18.8	(3.0)	1.0	(3.5)	(9.3)	5.6	6.6	8.3	6.7	11.3
India	14.2	7.7	10.6	(15.6)	2.0	1.0	6.2	4.5	2.4	(1.2)	6.6	3.0	9.5
ROW	0.0	(5.9)	3.4	16.8	(31.3)	37.5	(9.9)	47.8	(10.3)	(1.0)	23.9	(1.3)	(19.2)
Client Concentration													
Top 1	(7.1)	(21.3)	(12.0)	30.5	13.0	3.1	(6.1)	(11.0)					
Top 5	5.3	(7.6)	(5.0)	11.4	8.5	4.6	1.9	7.9	11.0	7.6	2.3	10.6	1.0
Top 10	7.4	(4.6)	(1.4)	11.0	9.1	2.9	2.5	5.3	9.5	5.2	0.6	9.9	3.4
Top 20	9.2	0.0	2.2	4.1	8.4	3.5	4.7	2.8	7.2	5.6	1.9	8.5	5.5
Top 50		2.5	3.3	4.7	5.8	3.7	3.3	4.4	6.4	5.4	3.6	6.2	5.9
Vertical Mix													
BFSI	15.6	3.0	2.8	2.9	6.2	0.0	(0.5)	1.8	5.9	7.6	5.0	6.1	9.1
Healthcare & Life Science	6.8	4.8	2.9	4.4	(2.7)	7.0	16.4	14.8	16.5	9.5	4.3	0.4	(1.9)
Tech. Cos. & Emerging Verticals	10.0	8.3	4.1	4.3	3.3	3.8	0.0	(0.7)	(0.5)	0.8	3.8	5.2	3.6
YoY Growth (%)													
Company	44.8	40.2	32.8	26.3	17.1	14.1	13.7	13.2	16.0	18.4	19.9	20.7	18.8
Geography													
North Americas	43.9	40.0	29.3	25.2	18.3	15.0	17.5	16.4	18.2	21.5	21.1	21.3	17.5
Europe	29.5	32.2	44.0	54.9	33.7	30.6	12.4	(14.2)	(6.7)	(1.6)	10.4	30.0	37.1
India	66.9	53.5	49.8	14.8	2.6	(3.7)	(7.6)	14.4	14.8	12.3	12.7	11.1	18.8
ROW	44.8	12.1	32.8	13.7	(21.9)	14.1	(0.5)	25.8	64.4	18.4	62.7	8.6	(2.2)
Client Concentration													
Top 1	(0.4)	(27.8)	(43.9)	(16.1)	2.1	33.8	42.9	(2.6)					
Top 5	22.2	5.3	(9.2)	3.0	6.1	20.1	28.9	24.8	27.7	31.3	31.9	35.2	23.1
Top 10	26.2	13.3	3.3	12.2	14.0	22.9	27.7	21.1	21.6	24.4	22.0	27.3	20.2
Top 20				16.1	15.3	19.3	22.3	20.8	19.5	21.9	18.7	25.2	23.1
Top 50					17.1	18.6	18.7	18.3	19.0	20.9	21.1	23.2	22.7
Vertical Mix													
BFSI	58.4	49.8	34.4	25.9	15.7	12.4	8.8	7.6	7.3	15.4	21.8	27.0	30.8
Healthcare & Life Science	40.5	30.3	25.7	20.2	9.5	11.8	26.5	39.1	66.5	70.5	52.9	33.7	12.6
Tech. Cos. & Emerging Verticals	37.9	38.4	34.7	29.3	21.4	16.3	11.8	6.4	2.5	(0.5)	3.3	9.5	14.0

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	98,217	119,387	141,357	171,701	206,308
EBITDA	17,257	20,581	25,738	32,053	37,939
Depreciation	3,094	3,069	3,864	4,163	4,462
EBIT	14,163	17,512	21,874	27,890	33,478
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	813	710	782	693	918
Exceptional items	0	0	0	0	0
EBT	14,976	18,223	22,657	28,583	34,396
Income taxes	3,541	4,222	5,322	6,714	8,080
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	11,435	14,001	17,334	21,869	26,316
Adjustments	0	0	0	0	0
Adjusted net profit	11,435	14,001	17,334	21,869	26,316

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	18,511	17,299	23,715	29,200	34,843
Provisions	3,331	4,029	2,093	2,577	3,076
Debt funds	99	0	0	0	0
Other liabilities	2,218	2,848	2,792	2,792	2,792
Equity capital	770	779	782	782	782
Reserves & surplus	48,807	62,411	73,817	86,939	102,728
Shareholders' fund	49,577	63,191	74,599	87,721	103,510
Total liab. and equities	73,736	87,366	103,200	122,290	144,221
Cash and cash eq.	10,229	10,255	15,136	22,922	33,539
Accounts receivables	17,491	19,142	23,473	28,902	34,488
Inventories	0	0	0	0	0
Other current assets	11,902	18,926	22,867	28,156	33,598
Investments	8,266	9,803	12,915	14,915	16,915
Net fixed assets	11,302	13,805	12,800	11,386	9,674
CWIP	335	42	128	128	128
Intangible assets	10,913	12,338	12,370	12,370	12,370
Deferred tax assets, net	1,360	2,024	2,091	2,091	2,091
Other assets	1,938	1,031	1,419	1,419	1,419
Total assets	73,736	87,366	103,200	122,290	144,221

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	8,911	8,433	17,186	21,282	25,892
Capital expenditures	1,769	(3,787)	(2,835)	(2,749)	(2,749)
Change in investments	(2,179)	(1,367)	(3,444)	(2,000)	(2,000)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(410)	(5,154)	(6,279)	(4,749)	(4,749)
Equities issued/Others	6	9	3	0	0
Debt raised/repaid	(1,958)	51	42	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(3,933)	(5,387)	(9,258)	(8,748)	(10,526)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(5,886)	(5,327)	(9,213)	(8,748)	(10,526)
Chg in cash & cash eq.	1,196	26	4,882	7,786	10,616
Closing cash & cash eq.	10,229	10,255	15,136	22,922	33,539

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	72.6	91.2	111.9	141.2	169.9
Adjusted EPS	71.2	90.2	111.0	140.0	168.5
Dividend per share	26.0	34.9	59.8	56.5	67.9
Book value per share	322.3	405.4	477.7	561.7	662.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.8	7.2	6.1	5.0	4.1
EV/EBITDA	49.9	41.8	33.3	26.7	22.4
Adjusted P/E	78.8	62.2	50.5	40.0	33.3
P/BV	17.4	13.8	11.7	10.0	8.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.6	76.8	76.5	76.5	76.5
Interest burden (PBT/EBIT)	102.3	104.1	103.6	102.5	102.7
EBIT margin (EBIT/Revenue)	14.4	14.7	15.5	16.2	16.2
Asset turnover (Rev./Avg TA)	215.0	211.3	204.7	211.1	215.3
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	24.5	24.8	25.2	26.9	27.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	17.6	21.6	18.4	21.5	20.2
EBITDA	13.6	19.3	25.1	24.5	18.4
Adjusted EPS	18.1	26.7	23.1	26.2	20.3
Profitability & Return ratios (%)					
EBITDA margin	17.6	17.2	18.2	18.7	18.4
EBIT margin	14.4	14.7	15.5	16.2	16.2
Adjusted profit margin	11.6	11.7	12.3	12.7	12.8
Adjusted ROAE	25.6	24.8	25.2	26.9	27.5
ROCE	23.4	23.8	24.2	26.2	26.7

Working capital days (days)

Receivables	65	59	61	61	61
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	8.7	8.6	11.0	15.1	21.3
Current ratio	1.8	2.3	2.4	2.5	2.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)

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%

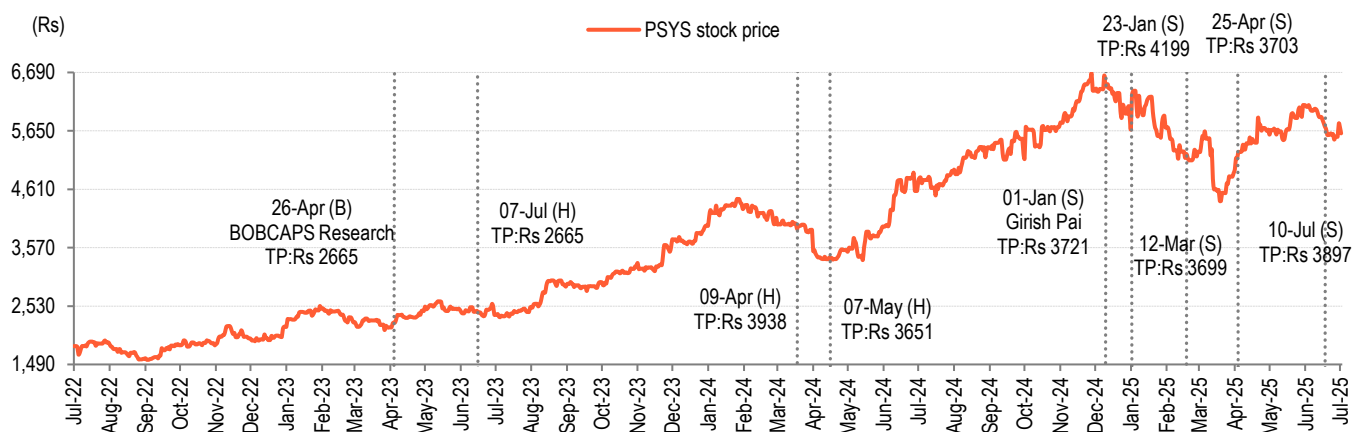
HOLD – Expected return from -6% to +15%

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): PERSISTENT SYSTEMS (PSYS 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.