

**HOLD**

TP: Rs 3,304 | ▼ 2%

**TATA CONSULTANCY SERVICES**

| IT Services

| 11 July 2025

## Slowdown intensified. Impacting multiple sectors and margins

- 1QFY26 was weaker than expected on both international and BSNL fronts. Even BFSI on a QoQ basis was impacted (Europe driven)
- While the narrative was that there was no deterioration beyond what was indicated post 4QFY25, the weakness intensified
- Retain estimates, target PE multiple and rating. While valuation from a historical 5-year perspective looks cheap, see no immediate triggers

**Girish Pai**

research@bobcaps.in

**Worse than the positive narrative:** Much against the industry perspective that the worst was largely behind in 4QFY25, it looks like that uncertainty's impact on demand intensified in 1QFY26 leading to even sectors like BFSI declining on a QoQ basis. BSNL contract too declined QoQ much more than what the company indicated in the previous quarter. The slowdown intensification has caught TCS by surprise leading to lowering of Utilization and therefore impacting its margins adversely. Thus, against our flat growth revenue estimate in CC terms, TCS delivered a 3.3% decline and an EBIT margin (which improved 30bps QoQ) that was lower than our expectation by 70bps.

**Key sectors declined QoQ:** The three largest sectors, BFSI, consumer and Healthcare and Lifesciences, declined by 0.5%, 2.2% and 1.7% QoQ in CC terms respectively. India declined by ~33% (comes under regional markets) and drove the 3.3% QoQ revenue decline overall. International revenues contributed 50bps to the 330bps decline while 280bps came from India. The YoY picture is a tad different.

**Company expects clarity by end July 2025. We are not as sanguine:** While there is likely to be a kicker in a follow through order of BSNL (us\$350mn) to be largely executed in 2Q and 3Q. We expect international business to be under pressure as we believe the uncertainty will linger as indicated in our recent note ([Uncertainty stays and 'eating the tariff' may impact even FY27](#)). While optically in USD terms the annual growth seems to have picked up due to cross currency tailwinds, on a CC basis, we believe international business will struggle to show growth in FY26

**The company is talking of a pent-up demand uptick:** In the past these upticks have been post sharp declines in tech spending. What we see here is a shallow weakness and hence do not expect a major rebound. Hence, we expect a growth pick up to mid-single digits in FY27 and FY28 but not a rebound to high single digits.

**Not sure if TCS's performance should be applicable to others too:** The readthrough for TCS's peers is not too good. But there could be variations across players based on their vertical mix and customer set.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TCS IN/Rs 3,382
Market cap	US\$ 142.9bn
Free float	28%
3M ADV	US\$ 96.6mn
52wk high/low	Rs 4,592/Rs 3,056
Promoter/FPI/DII	72%/12%/11%

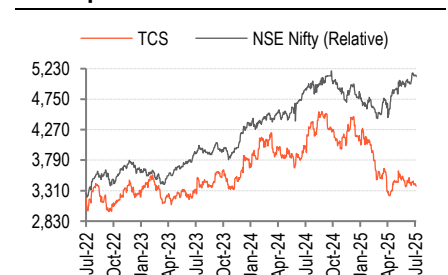
Source: NSE | Price as of 10 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	2,553,240	2,661,695	2,857,269
EBITDA (Rs mn)	674,070	713,838	760,723
Adj. net profit (Rs mn)	485,530	523,111	551,938
Adj. EPS (Rs)	134.2	144.6	152.5
Consensus EPS (Rs)	134.2	143.2	156.9
Adj. ROAE (%)	51.9	55.9	58.9
Adj. P/E (x)	25.2	23.4	22.2
EV/EBITDA (x)	18.0	16.9	15.9
Adj. EPS growth (%)	4.2	7.7	5.5

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## Key Points from the quarter and the earnings call

- Revenue in US\$ terms was \$7.42 bn, reflecting a YoY decline of 1.1%. In CC terms it declined 3.1% YoY and 3.3% QoQ. We estimated a flat QoQ number in CC terms.
  - Revenue decline QoQ was driven by continued and intensified delays in discretionary decision-making and project starts
  - Global businesses faced disruptions from conflicts, economic uncertainty, and supply chain challenges. Customer cost pressures led to higher project costs, delays, and deferrals, causing lower-than-expected revenue conversion
- Of the 3.3% decline in revenue in CC QoQ, 50bps was due to wean international business and 280bps was due to BSNL order wind down.
- TCS indicated that if there are no further delays in decision making and execution, then 2Q should look better than 1Q.
- Our estimate (which turned out to be quite optimistic) was based on the view that the company conveyed in the previous analyst interactions that the old BSNL order would slow down but stretch right until 2QFY26. Also, there was a hint that a small portion of a newly won second order of US\$350mn would also be executed in the quarter.
- The EBIT margin stood at 24.5%, with a QoQ improvement of 30 bps. This is against our expectation of 25.2%
  - Demand contraction impacted utilization but was offset by lower third-party costs and favorable currency effects
  - From what we can make out there were higher variable payouts that impacted the margin number.
- Net income margin: 20.1%, helped by higher other income and a lower effective tax rate.
- DSO: 75 days, up 5 days YoY.
- Headcount stood at 613,069 employees, with net addition of over 5,000 during the quarter QoQ; Employee attrition in IT services was 13.8% LTM, up 50 bps QoQ. It was indicated that the attrition was higher than company's comfort zone.
- TCV signed: \$9.4 bn, up 13.2% YoY. , North America TCV was US\$4.4bn, BFSI TCV was US\$2.5bn and Consumer Business Group contributed to \$1.6 billion
- Enterprises focus on cost optimization, vendor consolidation, and efficiency-led transformations.
- Discretionary spending remains under heightened scrutiny
- Deal pipeline remains strong. Focus on AI, GenAI, and automation expected to drive future growth

### Vertical Commentary

- YoY CC Revenue growth: BFSI: 1%; Consumer Business: -3.1%; Life Sciences & Healthcare: -9.6%; Manufacturing: -4%; Technology & Services: 1.8%; Communication & Media: -9.6%; Energy, Resources and Utilities: 2.8%; Regional Markets & Others: -8.6%
- In Americas, BFSI sector is cautious on tech investments amid economic uncertainty
  - Growth drivers in BFSI include GenAI advancements, cloud adoption, platform modernization, and automation. Banks are actively pursuing legacy and mainframe modernization to improve system resilience.
  - Discretionary spending remains under pressure. The earlier softness in US Insurance persisted, while insurance is performing well in Europe. BFS remains cautious in Europe and the UK
  - Management believes the current caution in BFSI is temporary due to significant unmet demand
- Consumer Business Group: One of the most affected sectors this quarter due to funding delays, project postponements, and delayed milestone completion. However, the company continues to work on transformative programs across all industry segments
- Manufacturing vertical showed minor growth despite challenges in automotive with reduced spending
  - Despite the uncertain environment, clients are aiming to reduce their overall technology debt and are investing in initiatives to prepare their technology infrastructure for future demands
- Life sciences and healthcare customers remain cautious, focusing on essential activities with some growth initiatives postponed.
  - The pharmaceutical sector faces pricing pressure, supply chain issues, and export risks. Companies are prioritizing R&D, profit margin, and operational efficiency
  - Vendor consolidation and AI adoption ongoing among leading firms in US, UK, Europe, and Japan
  - Healthcare payers focus on cost optimization amid changes in US healthcare legislation, aiming for affordability, transparency, and improved patient experiences
  - Medtech industry faces regulatory scrutiny, demand shifts, cost pressure, regional consolidation, new business model and higher customer expectations. This has put pressure on supply chain to cut costs
- Energy, resources, and utilities sector sees reduced spending and capital investment due to policy changes and geopolitical tensions

- The technology and services industry grew across all markets this quarter, with AI becoming a key driver of product innovation across all tech subsegments
- The company is seeing strong growth in the high tech segment

#### Other Points

- TCS indicated that besides the BSNL deal there were no other client specific issues in the quarter
- TCS expects international markets to perform better in FY26 vs FY25, while aiming for overall growth across the company
- Improvement in client decision-making has not yet been seen, as uncertainty persists due to pending finalization of key trade deals (e.g., with China).
- Most project delays were already factored into 1Q results; only minor residual impact expected in 2Q, assuming no new delays.
- Margins are down 20bps YoY primarily due to continued investments in people and capacity aimed at future growth. Demand contraction created a mismatch with capacity, affecting current operating leverage, but expected to benefit future growth. However one should remember that in the base quarter salary hikes were given to the entire employee base, something not done in 1QFY26.
- The company has not decided on the date and quantum of the salary hike in FY26 indicating lack of visibility of the turn around in growth.
- Capacity was built anticipating 1Q demand, which didn't materialize. As growth picks up, employee costs (currently high at 47.6% of revenue) are expected to decline
- Pricing is largely stable overall though it indicated that there were pressures in large deals.
- The pipeline remains strong across industries and geographies. Recent deal closures in 1Q have been fully replenished
- The upcoming BSNL ramp-up (for the new order) might pressure margins, but the company aims to improve operating leverage through better utilization, enhanced productivity, focus on pyramid optimization
- Utilization improvement will come from both revenue growth and optimizing existing built-up capacity
- The BFSI decline (QoQ) was mainly due to a large engagement ending in Europe, while North America and UK BFSI showed marginal growth
  - Despite a cautious commentary, BFSI deal wins are up 12% over the TTM. However, there are pockets of project pauses and scope reductions in some areas. Deal signings and pipeline remain healthy, but some clients are reprioritizing or extending deal durations, leading to slower ramp-ups or reduced immediate execution. This causes a mismatch between deal wins and quarterly revenue

- The new BSNL order hasn't ramped yet—only an advance purchase order is received, and execution will begin once circle-wise POs come
- The company is not losing market share in North America and is actively participating in and winning major deals. However, project delays and ramp-downs have offset growth, resulting in flat to slightly negative revenue trends
- A couple of clients fell below the \$100mn revenue bucket mainly due to borderline revenue decreases or currency fluctuations and hence the decline in clients in that bucket. Not alarming, says TCS, as these clients can return to the \$100M+ range when growth resumes
- The increase in employee costs isn't just due to headcount growth but also due to higher promotions and tactical interventions
- AI-related productivity gains do not impact revenue conversion, as they are accounted for during deal signings. Revenue is not affected mid-term due to those terms being fixed upfront
- Monetization of Agentic AI Solutions: Contract structures vary as the space evolves—some clients prefer outcome-based models, others Time & Material initially to assess benefits, eventually moving to fixed-price contracts

## 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**

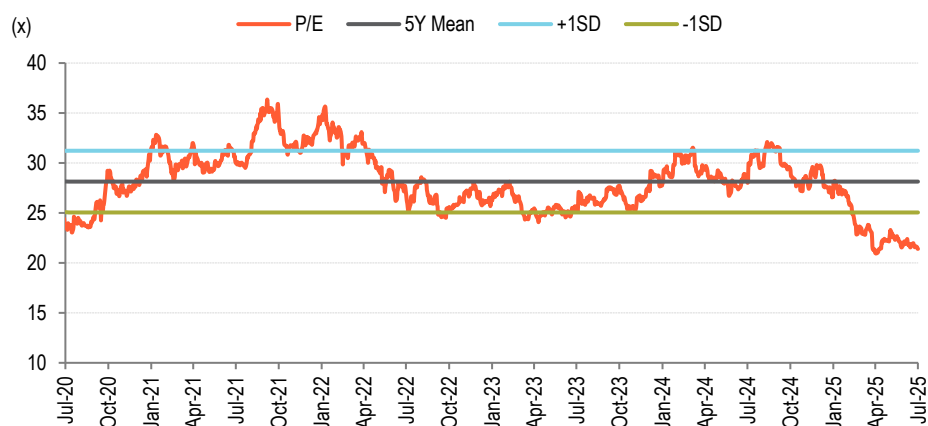
The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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 Mar (Rs mn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Deviation (%)
Net Sales (USD mn)	7,505	7,465	7,421	(1.1)	(0.6)	7,625	(2.7)
Net Sales	626,130	644,790	634,370	1.3	(1.6)	659,606	(3.8)
Software Expenses	376,610	394,740	386,120	2.5	(2.2)	394,740	(2.2)
% of Sales	60.1	61.2	60.9			59.8	
Gross Margin	249,520	250,050	248,250	(0.5)	(0.7)	264,866	(6.3)
% of Sales	39.9	38.8	39.1			40.2	
Operating Expenses	95,100	94,040	93,110	(2.1)	(1.0)	98,742	(5.7)
% of Sales	15.2	14.6	14.7			15.0	
EBIT	154,420	156,010	155,140	0.5	(0.6)	166,124	(6.6)
EBIT Margin (%)	24.7	24.2	24.5			25.2	
Other Income	7,890	8,010	14,650	85.7	82.9	7,655	91.4
PBT	162,310	164,020	169,790	4.6	3.5	173,779	(2.3)
Provision for Tax	41,260	41,090	41,600	0.8	1.2	43,535	(4.4)
Effective Tax Rate	25.4	25.1	24.5			25.1	
Minority share in Profit / Loss	650	690	590	(9.2)	(14.5)	690	(14.5)
Less: One-off Items	0	0	0	0.0		0	
Reported PAT	120,400	122,240	127,600	6.0	4.4	129,554	(1.5)
PAT Adjusted	120,400	122,240	127,600	6.0	4.4	129,554	(1.5)
NPM (%)	19.2	19.0	20.1			19.6	

Source: Company, BOBCAPS Research

**Fig 2 – 5 Year PE trend. Appears cheap but need to assess this from a 10/15 year basis.**

Source: Company, BOBCAPS Research



**Fig 3 – Revised Estimates**

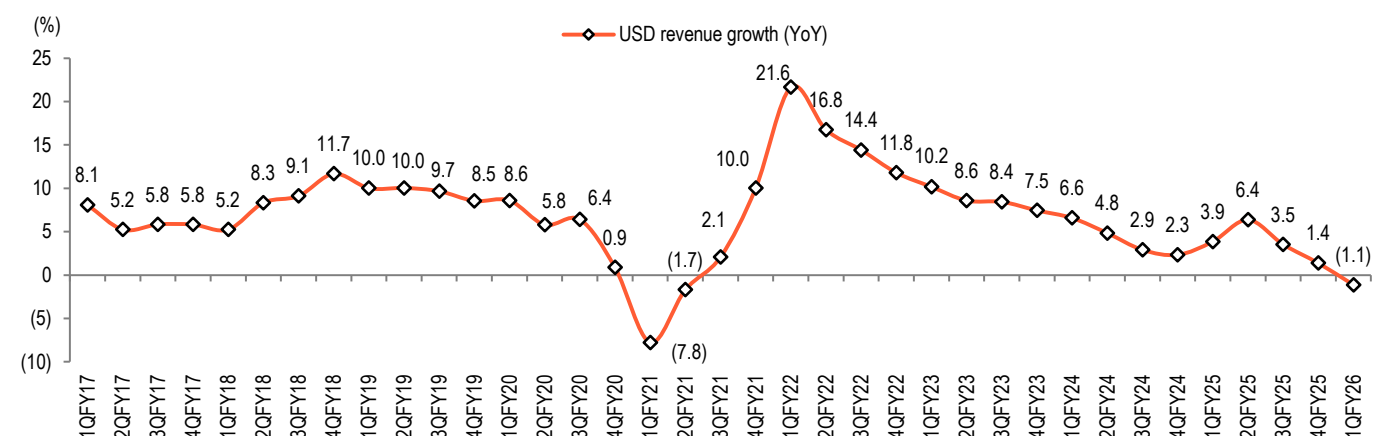
	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.6	89.3	91.1	87.3	89.3	91.1	(0.7)	-	-
USD Revenue (USD mn)	30,720	32,012	33,365	30,339	31,993	33,580	1.3	0.1	(0.6)
USD Revenue Growth (%)	1.8	4.2	4.2	0.5	5.5	5.0			
Revenue (Rsbn)	2,662	2,857	3,038	2,647	2,856	3,058	0.6	0.1	(0.6)
EBIT (Rsbn)	659	704	751	666	708	757	(1.1)	(0.6)	(0.7)
EBIT Margin (%)	24.7	24.6	24.7	25.2	24.8	24.8			
PAT (Rsbn)	523	552	589	521	551	586	0.3	0.1	0.5
FDEPS (Rs)	144.6	152.5	162.9	144.1	152.4	162.0	0.3	0.1	0.5

Source: BOBCAPS Research

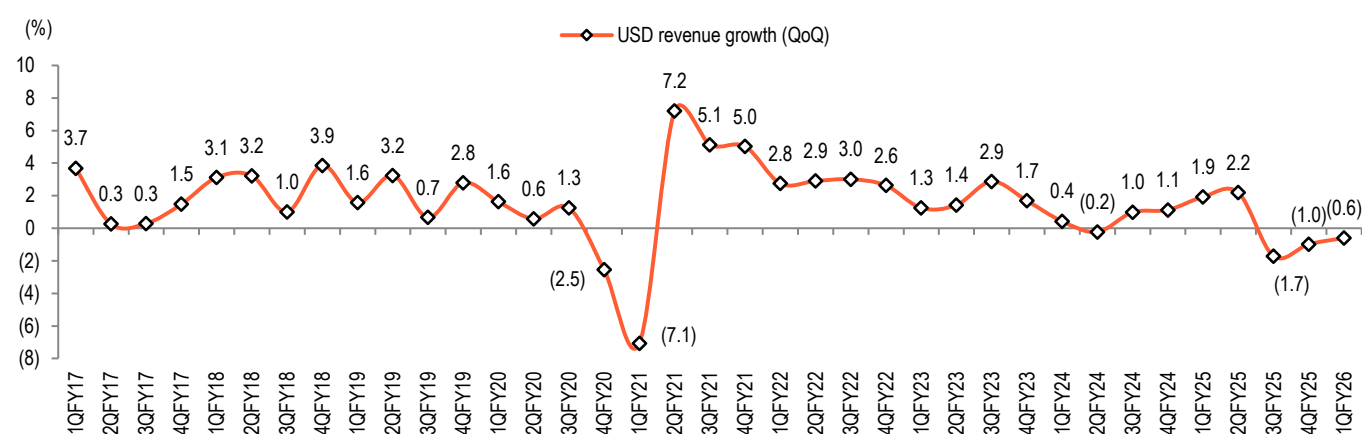
**Fig 4 – P&L at a glance**

(YE March)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	60.8	61.2	65.6	67.1	64.5	70.1	71.0	74.1	74.6	80.7	82.8	84.6	86.6	89.3	91.1
<b>Net Sales (USD mn)</b>	<b>13,443</b>	<b>15,454</b>	<b>16,544</b>	<b>17,575</b>	<b>19,089</b>	<b>20,913</b>	<b>22,032</b>	<b>22,174</b>	<b>25,707</b>	<b>27,927</b>	<b>29,080</b>	<b>30,179</b>	<b>30,720</b>	<b>32,012</b>	<b>33,365</b>
-Growth (%)	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	3.8	1.8	4.2	4.2
Net Sales	818	946	1,086	1,180	1,231	1,465	1,569	1,642	1,918	2,255	2,409	2,553	2,662	2,857	3,038
-Growth (%)	29.9		14.8	8.6	4.4	19.0	7.2	4.6	16.8	17.6	6.8	6.0	4.2	7.3	6.3
Cost of Sales & Services	431	525	609	669	713	852	923	971	1,146	1,363	1,436	1,560	1,578	1,690	1,783
Gross Margin	387	421	477	511	518	613	646	670	771	892	973	993	1,084	1,167	1,256
% of sales	47.4	44.5	43.9	43.3	42.1	41.9	41.2	40.8	40.2	39.6	40.4	38.9	40.7	40.8	41.3
SG& A	149	167	190	208	213	239	260	246	287	350	380	372	425	463	504
% of sales	18.3	17.6	17.4	17.6	17.3	16.3	16.6	15.0	15.0	15.5	15.8	14.6	16.0	16.2	16.6
<b>EBIT</b>	<b>238</b>	<b>254</b>	<b>288</b>	<b>303</b>	<b>305</b>	<b>375</b>	<b>386</b>	<b>425</b>	<b>485</b>	<b>542</b>	<b>593</b>	<b>622</b>	<b>659</b>	<b>704</b>	<b>751</b>
<b>EBIT Margin (%)</b>	<b>29.1</b>	<b>26.9</b>	<b>26.5</b>	<b>25.7</b>	<b>24.8</b>	<b>25.6</b>	<b>24.6</b>	<b>25.9</b>	<b>25.3</b>	<b>24.1</b>	<b>24.6</b>	<b>24.3</b>	<b>24.7</b>	<b>24.6</b>	<b>24.7</b>
Other income (net)	15	31	31	42	36	41	37	25	32	27	37	32	37	31	32
PBT	254	286	318	345	341	416	422	450	517	569	630	653	696	734	784
-PBT margin (%)	31.0	30.2	29.3	29.3	27.7	28.4	26.9	27.4	27.0	25.2	26.2	25.6	26.1	25.7	25.8
Provision for tax	61	67	75	82	82	100	98	115	132	146	163	165	171	180	192
Effective tax rate (%)	23.9	23.3	23.6	23.6	24.1	24.1	23.2	25.5	25.6	25.7	25.8	25.3	24.5	24.5	24.5
Minority Interest	2	2	1	1	1	1	1	1	1	2	2	2	2	2	2
<b>Net profit</b>	<b>191</b>	<b>217</b>	<b>242</b>	<b>263</b>	<b>258</b>	<b>315</b>	<b>323</b>	<b>334</b>	<b>383</b>	<b>421</b>	<b>466</b>	<b>486</b>	<b>523</b>	<b>552</b>	<b>589</b>
<b>-Growth (%)</b>	<b>38.2</b>	<b>13.5</b>	<b>11.6</b>	<b>8.6</b>	<b>-1.8</b>	<b>21.9</b>	<b>2.8</b>	<b>3.2</b>	<b>14.8</b>	<b>10.0</b>	<b>10.5</b>	<b>4.2</b>	<b>7.7</b>	<b>5.5</b>	<b>6.8</b>
<b>-Net profit margin (%)</b>	<b>23.4</b>	<b>22.9</b>	<b>22.3</b>	<b>22.3</b>	<b>21.0</b>	<b>21.5</b>	<b>20.6</b>	<b>20.3</b>	<b>20.0</b>	<b>18.7</b>	<b>19.3</b>	<b>19.0</b>	<b>19.7</b>	<b>19.3</b>	<b>19.4</b>
Average Shares outstanding- Basic	3,917	3,918	3,941	3,941	3,829	3,790	3,752	3,728	3,697	3,658	3,618	3,618	3,618	3,618	3,618

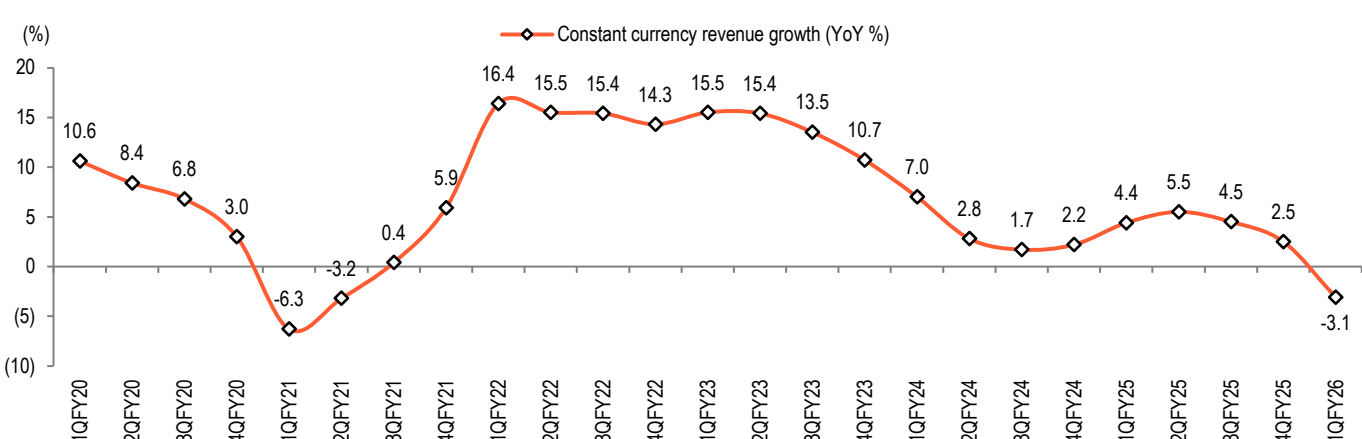
Source: Company, BOBCAPS Research

**Fig 5 – US\$ revenue growth rate (YoY)**

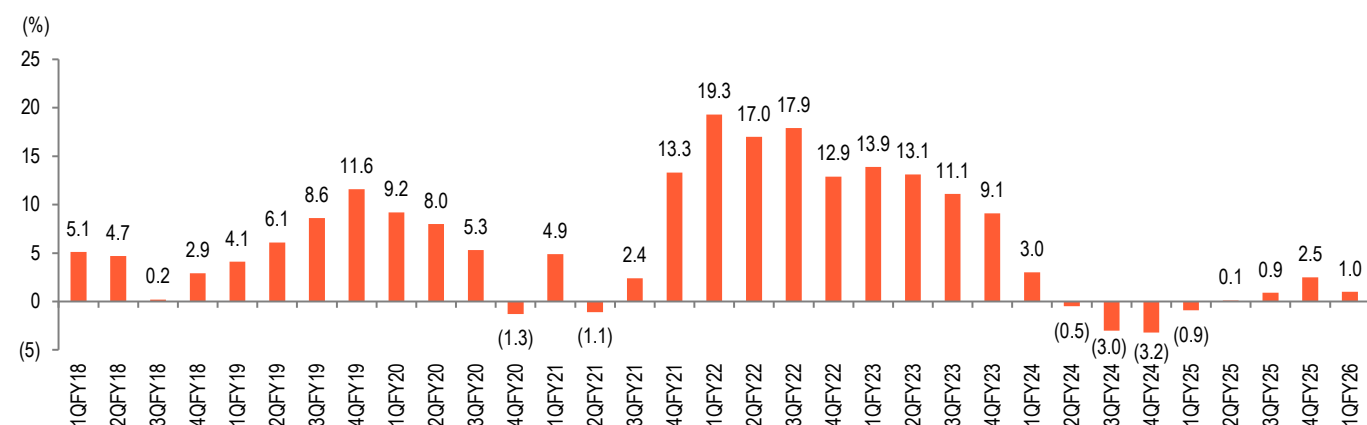
Source: Company, BOBCAPS Research

**Fig 6 – US\$ revenue growth rate (QoQ)**

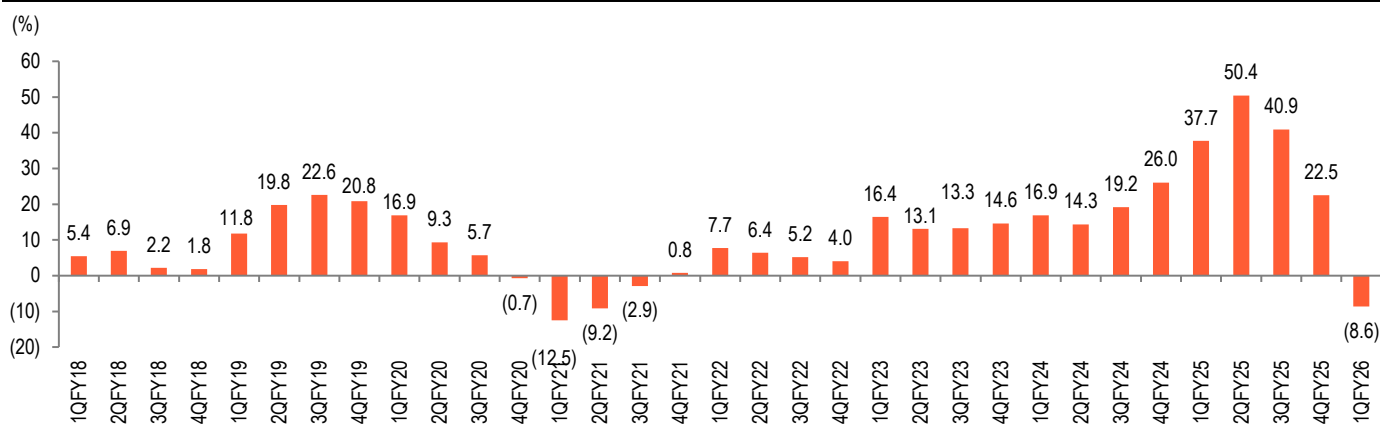
Source: Company, BOBCAPS Research

**Fig 7 – CC Revenue Growth (YoY)**

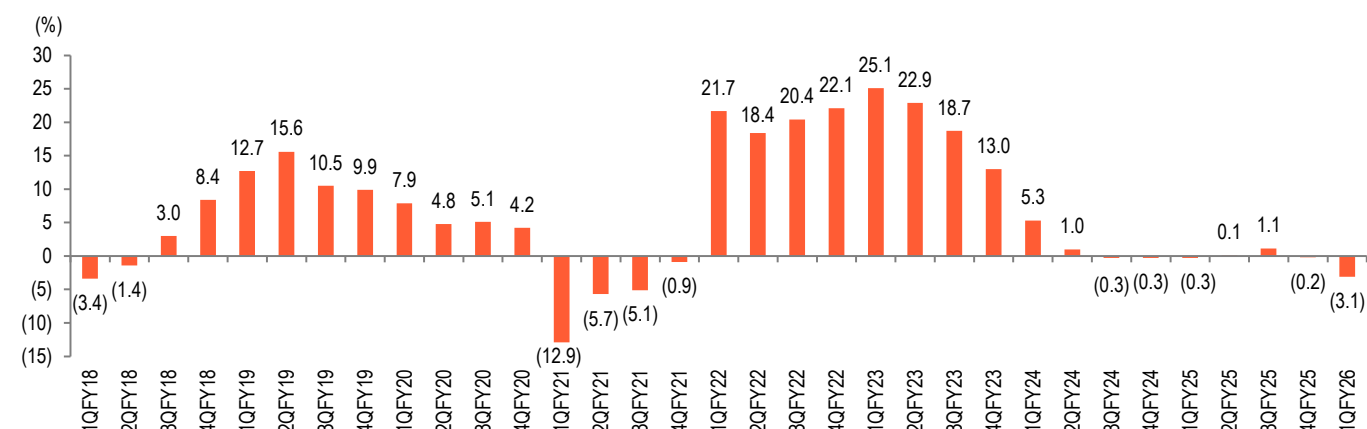
Source: Company, BOBCAPS Research

**Fig 8 – CC BFSI Vertical Growth (YoY)**

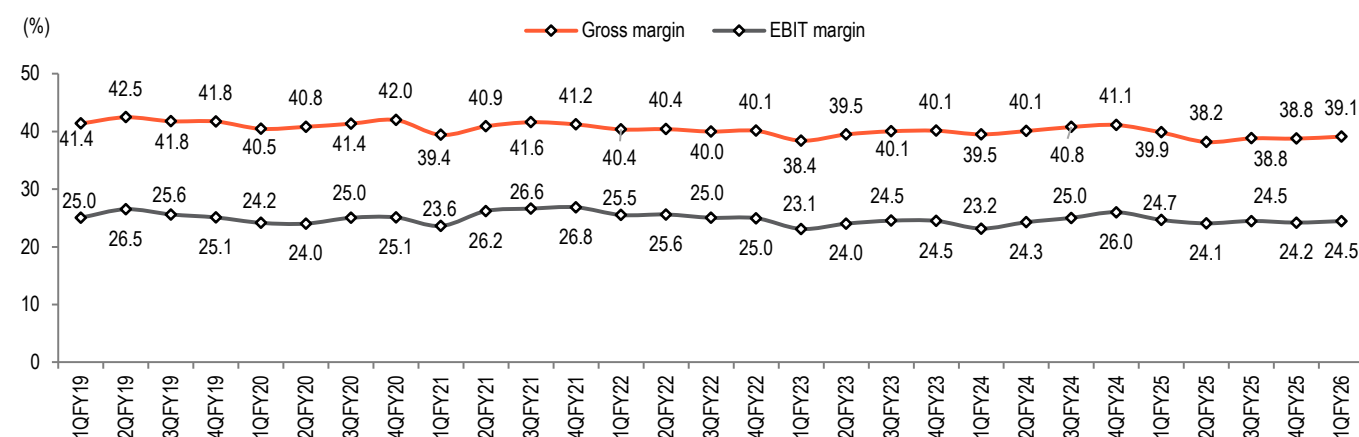
Source: Company, BOBCAPS Research

**Fig 9 – CC Regional Market and Others Vertical Growth (YoY)**

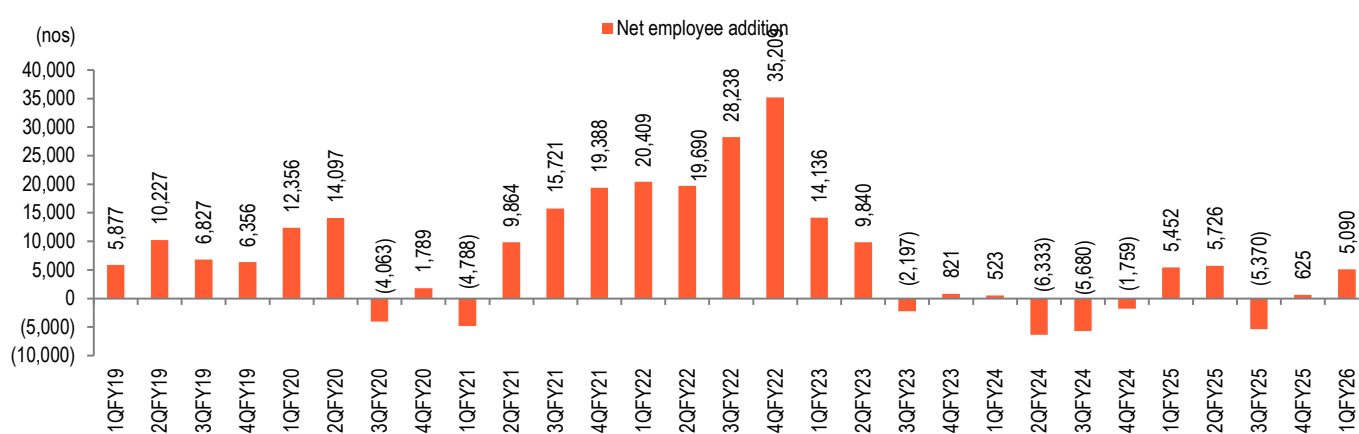
Source: Company, BOBCAPS Research

**Fig 10 – CC Retail and CPG Vertical Growth (YoY)**

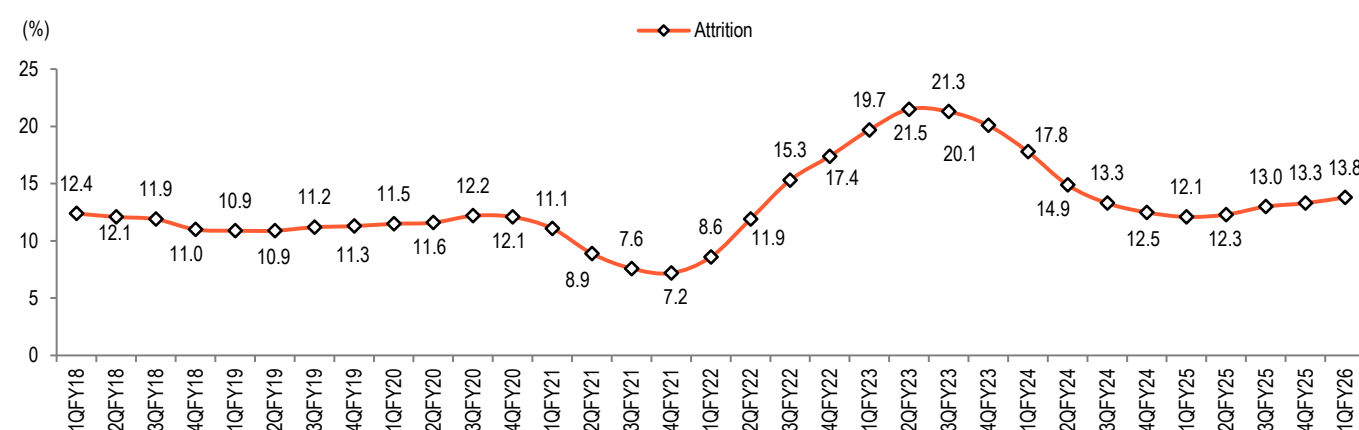
Source: Company, BOBCAPS Research

**Fig 11 – Gross and EBIT margin trend**

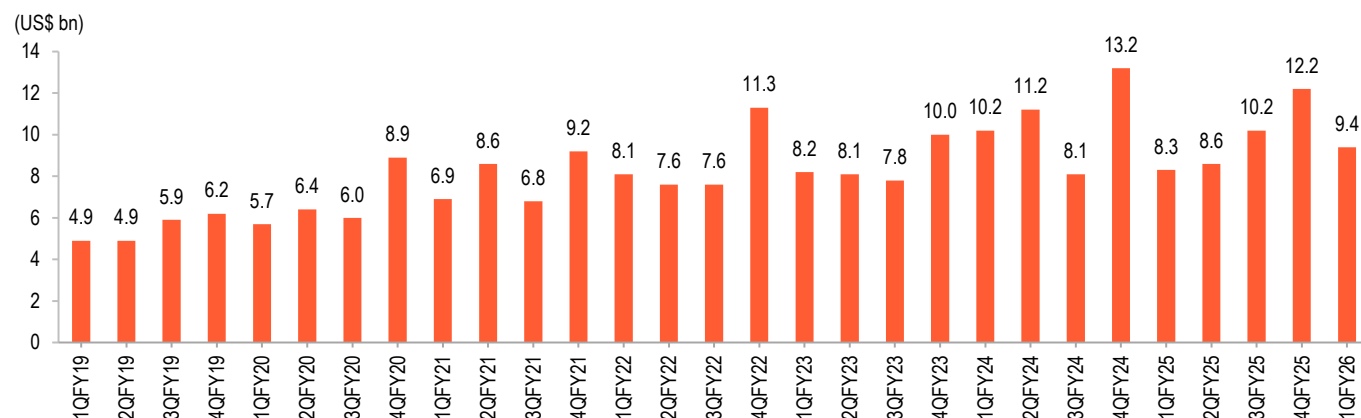
Source: Company, BOBCAPS Research

**Fig 12 – Net employee addition (QoQ)**

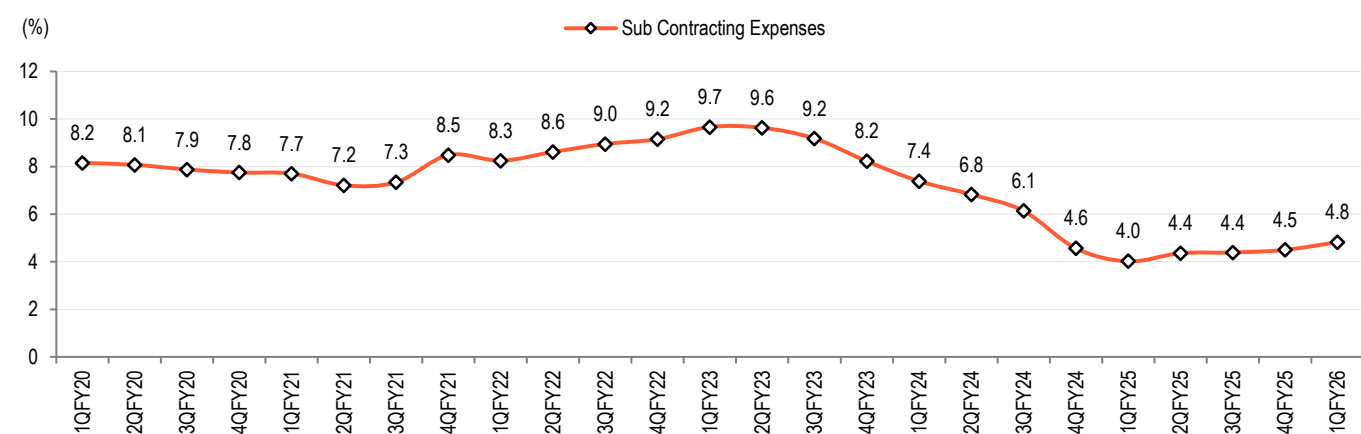
Source: Company, BOBCAPS Research

**Fig 13 – LTM Attrition rate**

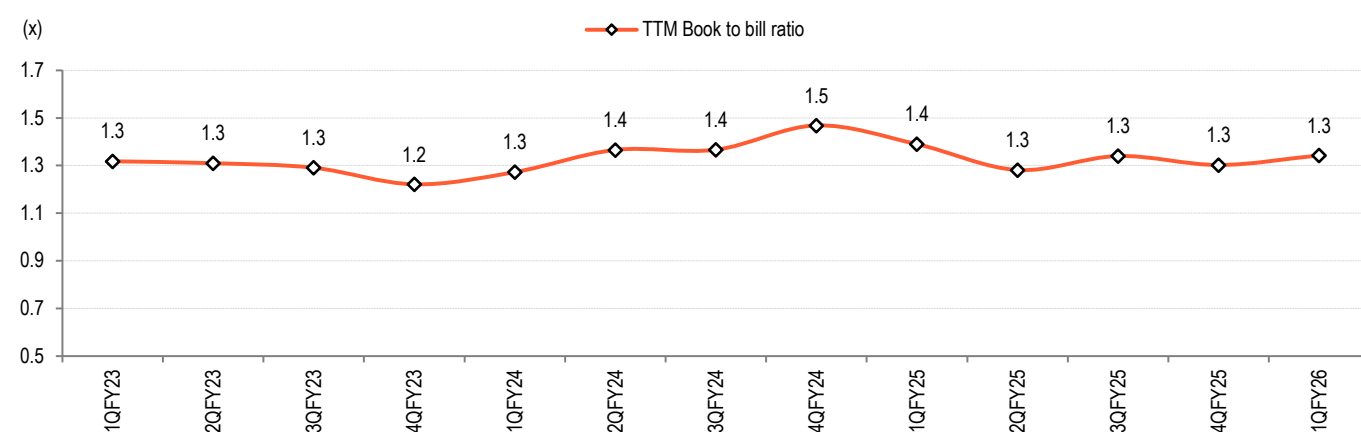
Source: Company, BOBCAPS Research

**Fig 14 – Order book TCV picture**

Source: Company, BOBCAPS Research

**Fig 15 – Subcontractor charges (% of revenue)**

Source: Company, BOBCAPS Research

**Fig 16 – TTM Book/ Bill Ratio**

Source: Company, BOBCAPS Research

**Fig 17 – Quarterly Snapshot**

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
INR/USD	77.8	80.4	82.3	82.2	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4	85.5
Revenue (in USD bn)	6.8	6.9	7.1	7.2	7.2	7.2	7.3	7.4	7.5	7.7	7.5	7.5	7.4
<b>(Rs bn)</b>													
Revenue	527.6	553.1	582.3	591.6	593.8	596.9	605.8	612.4	626.1	642.6	639.7	644.8	634.4
Gross margin	202.7	218.5	233.2	237.5	234.7	239.3	247.1	251.9	249.5	245.4	248.3	250.1	248.3
EBIT	121.9	132.8	142.8	144.9	137.6	144.8	151.6	159.2	154.4	154.7	156.6	156.0	155.1
Other income	5.9	8.2	3.6	9.0	12.3	8.5	7.2	9.3	7.9	5.7	10.1	8.0	14.7
PBT	127.8	141.0	146.4	153.9	149.9	153.3	158.7	168.5	162.3	160.3	166.7	164.0	169.8
Tax	32.6	36.3	37.6	39.6	38.7	39.5	41.0	43.5	41.3	40.8	42.2	41.1	41.6
PAT	94.8	104.3	108.5	113.9	110.7	113.4	117.4	124.3	120.4	119.1	123.8	122.2	127.6
Number of shares	3,659	3,659	3,659	3,658	3,660	3,659	3,610	3,618	3,618	3,618	3,618	3,618	3,618
EPS	25.9	28.5	29.6	31.1	30.3	31.0	32.5	34.4	33.3	32.9	34.2	33.8	35.3
<b>YoY Growth</b>													
USD Revenue	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	-1.1
INR Revenues	16.2	18.0	19.1	16.9	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	1.3
Gross profit	10.6	15.3	19.3	17.0	15.8	9.5	6.0	6.1	6.3	2.5	0.5	-0.7	-0.5
EBIT	5.2	10.7	16.7	14.7	12.9	9.1	6.1	9.9	12.3	6.8	3.3	-2.0	0.5
Net profit	5.2	8.4	11.0	14.8	16.8	8.7	8.2	9.1	8.7	5.0	5.5	-1.7	6.0
<b>QoQ Growth</b>													
USD Revenues	1.25	1.4	2.9	1.70	0.43	(0.22)	1.0	1.1	1.93	2.20	(1.71)	(0.98)	(0.59)
INR Revenues	4.3	4.8	5.3	1.6	0.4	0.5	1.5	1.1	2.2	2.6	(0.4)	0.8	(1.6)
EBIT	(3.5)	9.0	7.6	1.4	(5.1)	5.3	4.6	5.0	(3.0)	0.1	1.2	(0.4)	(0.6)
Net profit	(4.5)	10.1	4.0	5.0	(2.8)	2.4	3.5	6.0	(3.2)	(1.1)	4.0	(1.3)	4.4
<b>Margins (%)</b>													
Gross margin	38.4	39.5	40.1	40.1	39.5	40.1	40.8	41.1	39.9	38.2	38.8	38.8	39.1
EBIT	23.1	24.0	24.5	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.5
PAT	18.0	18.9	18.6	19.3	18.6	19.0	19.4	20.3	19.2	18.5	19.4	19.0	20.1
SGA	15.3	15.5	15.5	15.7	16.4	15.8	15.8	15.1	15.2	14.1	14.3	14.6	14.7

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>P and L (Rs mn)</b>													
Revenue	527,580	553,090	582,290	591,620	593,810	596,920	605,830	612,370	626,130	642,590	639,730	644,790	634,370
EBITDA	121,860	132,790	142,840	144,880	137,550	144,830	151,550	159,180	154,420	154,650	156,570	156,010	155,140
PAT	94,780	104,310	108,460	113,920	110,740	113,420	117,350	124,340	120,400	119,090	123,800	122,240	127,600
<b>Vertical Mix (%)</b>													
BFSI	32.1	33.6	33.1	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0
Manufacturing	9.9	8.2	8.2	8.2	8.3	8.6	8.7	8.8	8.8	8.6	8.4	8.4	8.7
Communication and Media	6.8	7.3	7.2	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8
Life Sciences	10.1	10.7	10.8	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2
Retail & Distribution	15.9	16.1	16.0	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6
Hi-Tech	8.8	9.1	9.0	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4
Energy And Utility	-	5.0	5.2	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9
Others	16.4	10.0	10.5	10.6	10.9	10.9	12.2	12.9	14.0	15.5	16.3	15.4	13.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Geographic Mix (%)</b>													
North America	53.2	54.3	53.7	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7
UK	14.9	14.5	14.9	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0
Europe	15.2	14.5	14.8	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0
India	4.8	5.1	5.1	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8
APAC	8.3	8.0	7.9	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4
Ibero America	1.8	1.7	1.8	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9
MEA	1.8	1.9	1.8	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Number of Client</b>													
\$100mn +	59	59	59	60	60	61	61	62	63	66	64	64	62
\$50mn +	124	124	130	133	137	137	137	139	140	136	134	130	131
Employee Number	606,331	616,171	613,974	614,795	615,318	608,985	603,305	601,546	606,998	612,724	607,354	607,979	613,069
Net Addition	14,136	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090
Attrition (%)	19.7	21.5	21.3	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8
Net Employee Growth (YoY%)	19%	17%	10%	4%	1%	-1%	-2%	-2%	-1%	1%	1%	1%	1%
<b>P&amp;L (USD mn)</b>													
Revenue	6,780	6,877	7,075	7,195	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421
EBIT	1,566	1,652	1,736	1,761	1,674	1,749	1,821	1,915	1,850	1,846	1,845	1,807	1,815
PAT	1,218	1,299	1,318	1,385	1,347	1,370	1,410	1,497	1,441	1,421	1,459	1,418	1,493
<b>Per Capita (Annualised) (USD)</b>													
Revenue	44,728	44,643	46,093	46,812	46,974	47,357	48,274	48,961	49,457	50,071	49,651	49,114	48,419
EBIT	10,333	10,721	11,311	11,456	10,880	11,488	12,072	12,732	12,190	12,051	12,148	11,891	11,842
PAT	8,038	8,430	8,588	9,009	8,755	8,999	9,347	9,953	9,495	9,276	9,606	9,332	9,741
Direct and Opex cost per capita	34,395	33,922	34,782	35,357	36,094	35,869	36,202	36,228	37,266	38,021	37,503	37,222	36,577

Source: Company, BOBCAPS Research

**Fig 19 – QoQ and YoY growth of various parameters**

(in US\$)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
<b>QoQ Growth (%)</b>													
Revenue	1.3	1.4	2.9	1.7	0.4	-0.2	1.0	1.1	1.9	2.2	-1.7	-1.0	-0.6
<b>Geographical Data</b>													
Americas	4.4	3.5	1.7	(0.8)	(0.3)	(0.8)	(1.2)	(0.1)	0.9	(1.7)	(1.5)	0.1	0.4
UK	(3.3)	(1.3)	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2	6.5
Europe	(0.7)	(3.2)	5.0	3.8	(0.9)	(0.2)	1.7	(1.6)	0.5	3.6	(6.4)	1.9	4.3
India	(4.7)	7.8	2.9	(0.3)	(1.6)	(0.2)	25.7	11.1	14.1	21.3	8.2	(15.1)	(31.4)
APAC	(1.1)	(2.2)	1.6	3.0	(2.1)	(0.2)	1.0	1.1	1.9	4.8	(4.2)	2.8	3.1
Ibero America	7.2	(4.2)	8.9	1.7	11.6	(0.2)	6.0	(3.7)	(3.2)	(3.2)	3.8	(6.2)	4.9
MEA	(8.9)	7.1	(2.5)	13.0	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3	(8.9)
<b>Verticals</b>													
BFSI	1.9	6.2	1.3	1.1	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3	2.0
Manufacturing	0.2	(16.0)	2.9	1.7	1.7	3.4	2.2	2.3	1.9	(0.1)	(4.0)	(1.0)	3.0
Communication and Media	2.8	8.9	1.5	0.3	(1.0)	(1.6)	(1.9)	(0.4)	(4.2)	(2.7)	(3.4)	(1.0)	(0.6)
Life Science & Healthcare	2.3	7.5	3.8	2.6	1.4	(1.1)	1.0	1.1	2.9	(3.4)	(4.5)	(1.0)	0.4
Retail and distribution	4.5	2.7	2.2	1.7	1.1	(1.5)	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)	1.4
Hi-Tech (Now Technology Services)	2.4	4.9	1.7	0.6	(1.8)	(1.4)	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3	3.1
Energy and Utilities	0.0	0.0	7.0	5.6	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8	2.9
Regional Market & Others	(4.0)	(38.2)	8.0	2.7	3.3	(0.2)	13.0	6.9	10.6	13.1	3.4	(6.4)	(13.5)
<b>YoY Growth (%)</b>													
Revenue	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)
<b>Geographical Data</b>													
Americas	18.6	17.2	14.9	9.1	4.2	(0.2)	(3.0)	(2.4)	(1.1)	(2.1)	(2.4)	(2.3)	(2.7)
UK	0.7	(2.2)	3.6	8.1	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4	5.3
Europe	0.3	(1.0)	0.3	4.7	4.5	7.7	4.3	(1.1)	0.4	4.2	(4.0)	(0.7)	3.0
India	15.0	8.6	0.6	5.3	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1	(23.5)
APAC	(1.7)	(3.5)	(0.4)	1.1	0.2	2.2	1.6	(0.2)	3.9	9.1	3.5	5.3	6.5
Ibero America	23.9	15.4	14.8	13.8	18.4	23.3	20.1	13.7	(1.3)	(4.3)	(6.3)	(8.8)	(1.1)
MEA	(5.6)	3.2	2.7	7.5	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9	8.8
<b>Verticals</b>													
BFSI	8.8	12.6	11.8	10.8	7.9	1.7	(1.4)	(2.6)	(1.3)	0.5	(0.4)	1.1	2.4
Manufacturing	11.3	(10.1)	(10.2)	(11.9)	(10.6)	10.0	9.2	9.8	10.1	6.4	(0.0)	(3.2)	(2.2)
Communication and Media	17.1	22.0	20.1	13.9	9.7	(0.9)	(4.2)	(4.9)	(8.0)	(9.0)	(10.4)	(10.9)	(7.5)
Life Science & Healthcare	9.1	16.2	18.3	17.1	16.1	6.8	3.9	2.3	3.9	1.5	(4.1)	(6.1)	(8.3)
Retail and distribution	18.4	16.6	14.9	11.6	7.9	3.5	1.0	0.4	(0.7)	1.0	0.9	(1.2)	0.2
Hi-Tech	12.7	12.3	12.2	9.9	5.4	(0.9)	(3.9)	(5.7)	(3.3)	(1.0)	(1.4)	0.1	2.5
Energy and Utilities	0.0	0.0	0.0	0.0	0.0	17.4	12.8	6.1	5.7	8.3	1.7	3.2	4.2
Regional Market & Others	2.1	(37.6)	(36.0)	(34.2)	(29.2)	14.3	19.6	24.5	33.4	51.3	38.3	21.0	(5.4)

Source: Company, BOBCAPS Research



## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>2,408,930</b>	<b>2,553,240</b>	<b>2,661,695</b>	<b>2,857,269</b>	<b>3,038,197</b>
EBITDA	642,950	674,070	713,838	760,723	810,274
Depreciation	49,840	52,420	55,165	57,099	59,032
EBIT	593,110	621,650	658,673	703,625	751,242
Net interest inc./(exp.)	(7,780)	(7,960)	(7,950)	(8,000)	(8,000)
Other inc./(exp.)	45,050	39,620	45,272	38,553	40,480
Exceptional items	0	0	0	0	0
EBT	630,380	653,310	695,995	734,178	783,722
Income taxes	162,620	165,340	170,525	179,880	192,019
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,910	2,440	2,360	2,360	2,360
<b>Reported net profit</b>	<b>465,850</b>	<b>485,530</b>	<b>523,111</b>	<b>551,938</b>	<b>589,343</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>465,850</b>	<b>485,530</b>	<b>523,111</b>	<b>551,938</b>	<b>589,343</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	99,810	139,090	161,146	169,785	182,202
Other current liabilities	344,780	373,580	423,990	438,642	459,700
Provisions	1,400	1,800	1,860	1,860	1,860
Debt funds	0	0	0	0	0
Other liabilities	105,310	124,110	128,301	130,027	132,508
Equity capital	3,620	3,620	3,620	3,620	3,620
Reserves & surplus	909,570	954,090	910,849	956,255	1,039,066
Shareholders' fund	913,190	957,710	914,469	959,875	1,042,686
<b>Total liab. and equities</b>	<b>1,464,490</b>	<b>1,596,290</b>	<b>1,629,766</b>	<b>1,700,188</b>	<b>1,818,956</b>
Cash and cash eq.	132,860	154,630	104,209	193,100	239,760
Accounts receivables	537,200	591,750	645,287	679,882	729,604
Inventories	280	280	250	250	250
Other current assets	148,930	180,670	210,958	220,081	233,192
Investments	314,810	306,890	273,520	203,520	203,520
Net fixed assets	109,400	125,240	130,017	134,494	138,971
CWIP	0	0	0	0	0
Intangible assets	23,420	28,000	26,890	26,890	26,890
Deferred tax assets, net	34,030	35,780	39,682	41,810	44,867
Other assets	163,560	173,120	198,952	200,162	201,902
<b>Total assets</b>	<b>1,464,490</b>	<b>1,596,360</b>	<b>1,629,766</b>	<b>1,700,188</b>	<b>1,818,956</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>486,970</b>	<b>551,930</b>	<b>553,133</b>	<b>597,358</b>	<b>627,060</b>
Capital expenditures	(44,600)	(68,260)	(59,943)	(61,575)	(63,509)
Change in investments	54,010	7,980	33,450	70,000	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>9,410</b>	<b>(60,280)</b>	<b>(26,493)</b>	<b>8,425</b>	<b>(63,509)</b>
Equities issued/Others	(207,400)	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(7,780)	(7,960)	(7,950)	(8,000)	(8,000)
Dividends paid	(318,888)	(549,334)	(614,731)	(610,371)	(610,371)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(534,068)</b>	<b>(557,294)</b>	<b>(622,681)</b>	<b>(618,371)</b>	<b>(618,371)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>22,540</b>	<b>21,770</b>	<b>(50,040)</b>	<b>88,491</b>	<b>46,259</b>
<b>Closing cash &amp; cash eq.</b>	<b>132,860</b>	<b>154,630</b>	<b>104,590</b>	<b>192,700</b>	<b>239,360</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	128.8	134.2	144.6	152.5	162.9
Adjusted EPS	128.8	134.2	144.6	152.5	162.9
Dividend per share	73.2	126.0	141.0	140.0	140.0
Book value per share	252.4	264.7	252.7	265.3	288.2

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.0	4.7	4.5	4.2	4.0
EV/EBITDA	18.8	18.0	16.9	15.9	14.9
Adjusted P/E	26.3	25.2	23.4	22.2	20.8
P/BV	13.4	12.8	13.4	12.7	11.7

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.9	74.3	75.2	75.2	75.2
Interest burden (PBT/EBIT)	106.3	105.1	105.7	104.3	104.3
EBIT margin (EBIT/Revenue)	24.6	24.3	24.7	24.6	24.7
Asset turnover (Rev./Avg TA)	166.1	166.8	165.0	171.6	172.7
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.8	1.7	1.7
<b>Adjusted ROAE</b>	<b>51.0</b>	<b>50.7</b>	<b>57.2</b>	<b>57.5</b>	<b>56.5</b>

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	6.8	6.0	4.2	7.3	6.3
EBITDA	8.5	4.8	5.9	6.6	6.5
Adjusted EPS	11.8	4.2	7.7	5.5	6.8

### Profitability & Return ratios (%)

EBITDA margin	26.7	26.4	26.8	26.6	26.7
EBIT margin	24.6	24.3	24.7	24.6	24.7
Adjusted profit margin	19.3	19.0	19.7	19.3	19.4
Adjusted ROAE	51.0	51.9	55.9	58.9	58.9
ROCE	33.6	33.8	35.0	36.5	36.9

### Working capital days (days)

Receivables	81	85	88	87	88
Inventory	NA	NA	NA	NA	NA
Payables	15	20	22	21	22

### Ratios (x)

Gross asset turnover	22.0	20.4	20.5	21.2	21.9
Current ratio	1.8	1.8	1.6	1.8	1.9
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>

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**

Logo:  **BOBCAPS**  
TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

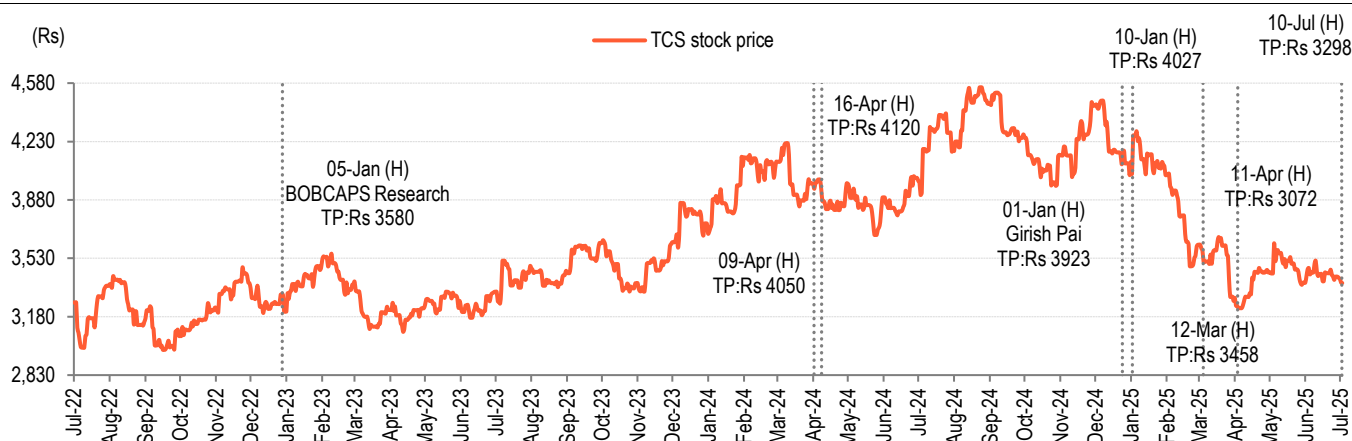
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

## Ratings and Target Price (3-year history): TATA CONSULTANCY SERVICES (TCS 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.