

India

**ADD** (no change)

Consensus ratings\*: Buy 28 Hold 4 Sell 0

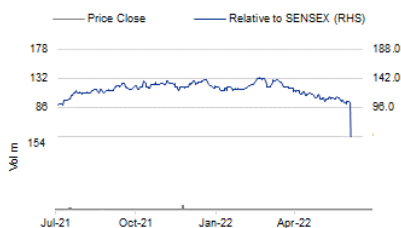
Current price:	Rs2,233
Target price:	Rs3,201
Previous target:	Rs3,925
Up/downside:	43.3%
InCred Research / Consensus:	2.2%

Reuters:	
Bloomberg:	MPHL IN
Market cap:	US\$5,783m
	Rs419,939m
Average daily turnover:	US\$21.3m
	Rs1547.0m
Current shares o/s:	189.9m
Free float:	44.0%

\*Source: Bloomberg

**Key changes in this note**

- Lower FY22-24F US\$ revenue CAGR by 3.2%.
- Lower FY22-24F EBIT and PAT CAGR by 2.4% and 2.1%, respectively.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	(11.5)	(29.4)	3.5
Relative (%)	(11.8)	(23.6)	(0.4)

<b>Major shareholders</b>	% held
Mirae Asset fund	2.0
HDFC LIFE INSURANCE	1.4
Government Pension fund Global	1.3

**Analyst(s)**



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# Mphasis

## FY22 annual report analysis

- OCF growth was 18% in FY22 at Rs17.2bn with OCF/EBITDA at 81%.
- Contingent liabilities were up 25.9% in FY22 at Rs21bn (Rs111 per share).
- Payout ratio remains healthy.

**Summary**

Mphasis Ltd's (MPHL IN) FY22 annual report analysis highlighted 1) the engines which helped revenue growth acceleration in FY22, and future-relevant principles embedded in operations to sustain the current momentum, 2) launch of Tribes 2.0, and 3) expansion of a) geography, b) market, and c) capabilities, newer verticals. Other highlights include a) employee expenses up 25% yoy (58.8% of revenue vs. 57.9% in FY21), b) sub-contractor charges up 30.9% yoy (14.4% vs. 13.5%), c) OCF before working capital changes up 21.1% while increased working capital impacted operating cash flow growth (up 18% in FY22), and d) a 57.8% increase in goodwill to Rs1.7bn led by Blink UX acquisition.

**Digital Risk LLC witnesses substantial improvement in profitability**

One of the subsidiary Digital Risk LLC (part of Digital Risk group which provides risk, compliance, and technology-related services to mortgage industry customers) saw a significant improvement in operating performance with PBT of Rs3,247m vs. losses in last 3 years. Rising US mortgage rates could impact Digital Risk and drag overall profitability.

**CEO's compensation witnesses a sharp increase**

Managing Director and Chief Executive Officer Mr. Nitin Rakesh's overall salary was at Rs351.4m (vs. Rs116m in FY21) comprising Rs112.1m (up 200.7% yoy) as salary and Rs239.3m (up 845.8% yoy) as perquisites. Please note that Mr. Nitin Rakesh was appointed as MD & CEO effective Oct 2021 (he was CEO and executive director earlier). He holds 11,22,226 stock options and 345,196 restricted stock units (RSUs).

**Retain Add rating but trim our estimates and target price to Rs3,201**

We have cut our US\$ revenue assumptions for FY23F/FY24F to account for macro uncertainty & EBIT margin assumption given significant cost pressure and changed our INR/US\$ assumption to 78/79 vs. 76/77 earlier. This changes our FY22-24F US\$ revenue CAGR to 15.4% (from 18.6% earlier) and PAT (Rs) CAGR to 19.8% (from 21.9%) and a 20bp decline in average EBIT margin assumption to 15.5%. Revised PAT CAGR, increase in P/EG discount to Tata Consultancy Services' multiple to 25% (vs. 20% earlier) lowers our target PE/G multiple to 1.5x (vs. 1.6x), implied P/E to 29.6x (vs. 35x earlier) and the target price to Rs3,201 vs. Rs3,925 earlier. Strong cash conversion (OCF/EBITDA at 81% in FY22), net cash (Rs98/share) and a high dividend payout ratio (~60%+) provide cushion while moderation in deal velocity, material decline in digital risk and DXC businesses are key downside risks.

**Financial Summary**

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	88,435	97,223	119,614	146,399	169,012
Operating EBITDA (Rsm)	16,504	18,028	21,175	25,942	30,253
Net Profit (Rsm)	11,849	12,167	14,456	17,473	20,520
Core EPS (Rs)	62.7	65.0	76.4	92.0	108.0
Core EPS Growth	12.0%	3.7%	17.7%	20.4%	17.4%
FD Core P/E (x)	35.64	34.37	29.22	24.27	20.67
DPS (Rs)	35.0	65.0	46.0	55.2	64.8
Dividend Yield	1.89%	2.89%	2.04%	2.47%	2.90%
EV/EBITDA (x)	25.01	22.34	19.34	15.60	13.09
P/FCFE (x)	35.34	31.49	28.56	26.03	21.54
Net Gearing	(16.3%)	(23.7%)	(18.3%)	(25.5%)	(33.1%)
P/BV (x)	7.13	6.44	6.11	5.55	5.01
ROE	21.4%	19.7%	21.5%	24.0%	25.5%
% Change In Core EPS Estimates				(1.65%)	(3.54%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Quotes from MD & CEO

- “Unveiled brand transformation campaign – ‘Engineering is in our DNA’ – a fresh approach that helps organization to unlock their new digital future. At the core, the campaign is aligned to Mphasis’s priorities of addressing clients’ complex problems with design thinking principles and digital technology to deliver outcomes.”
- “Diversified sales and operations into multiple geographies such as Germany, Canada and Mexico.”
- “Strategic partnerships with companies such as Securonix and Stonebrook.”
- “In FY23, we will continue to focus on superior client service and investments in newer technologies.”

## Key takeaways from management discussions & analysis

- Three engines powering Mphasis’ growth include **a) IT services market growth** – global tech spending has significantly increased over last two years and is expected to stay elevated relative to pre-Covid era. Growth of overall offshore IT services has increased and continues to drive expansion for the share of Indian IT services market, especially for firms aligned to digital transformation competencies, **b) increasing discretionary opex spend vis-à-vis capex spend** – in the ongoing dynamics of run-the-business and change-the-business related tech spend, the market for change is growing much faster as enterprises rationalize run to fund change and Mphasis aligning its offerings accordingly using ‘Tribes and Squads’ competency model, and **c) opening up of newer tech spend areas** – expansion in total addressable market (TAM) as technology themes are getting closely aligned with business growth and transformation.
- “Blink UX acquisition, a user experience research, strategy and design firm, will significantly expand addressable market in rapidly growing upstream phases of digital transformation.”
- Mphasis has embedded three future relevant principles in its operations – a) hybrid workplaces – reconfigured workspaces for collaborative work for anywhere, b) inclusion & sustainability – accelerated efforts to reduce carbon footprint, and c) web 3.0 – capabilities in blockchain, expertise in architecting cloud-native platforms and user experience design & implementation.
- **Geography & market expansion**
  - New Canadian headquarters in Calgary, Alberta, in partnership with Government of Alberta and University of Calgary.
  - Accelerated European expansion with the launch of a German hub in Dusseldorf for delivery of operational and digital services.
  - As a partner of choice in core verticals of banking, capital markets and insurance, the company expanded European operations in the UK, Ireland, Nordics, Benelux, and Germany.
- **Capability expansion through centres of excellence**
  - Co-innovation with University of Calgary to establish the Quantum Centre of Excellence dedicated to promoting commercial application of quantum.
  - Established ‘Hi-tech Centres’ in Mexico, Costa Rica, and Taiwan to enable large-scale operations in the areas of application development, support, testing, operations, and financial analysis and offer nearshore services to other strategic customers.
  - Awarded US patent for AI-driven application and infrastructure management solutions which enables enterprises to optimize their technology investment through in-depth data analysis.
- **Domain expansion**
  - Mphasis’ next-gen full-stack solutions portfolio will focus on domain and engineering expertise, intellectual property or IP assets and applied

- technology as it has helped make strong foray into healthcare and life-sciences, travel and transportation, and hi-tech industries.
- **To illustrate:**
    - Mphasis is migrating TPA applications of a healthcare company to its Javelin platform to manage future business needs and operations, develop and support EMR applications.
    - Mphasis' Airline Data platform – a cloud-native platform with ready-to-use business models – and AWS partnership enabled the company to acquire marquee logos and significant wins. Mphasis is working with a major US airline in its digital transformation journey including cloud migration, modernization, application security, disaster recovery implementation along with supporting key airline products.
    - Mphasis works with hi-tech industry leaders across four focused sub-sectors – server, storage and network, print and personal systems, ISV and MedTech.
    - The company has developed an innovative solution – a software-as-a-medical-device for a leading manufacturer of optical systems and opto electronics.
  - **Collaborative**
    - Mphasis has doubled down its focus and commitment to grow Cloud business and Cloud Guild, a replicable, differentiated end-to-end cloud offering.
    - AWS: One of the world's largest providers of financial market data modernized its legacy systems to enable faster and better data services.
    - Microsoft cloud: A leading Australian manufacturer modernized its IT systems and achieved >25% operational cost-savings by migrating to Azure.
    - Google cloud platform: Enabled a tier-I wealth and brokerage firm to bulk migrate complex PB scale legacy data to BigQuery and achieve faster business integration and expansion.
    - Snowflake: Built a next-generation cloud data-sharing platform for a space communications company facilitating cross-functional analytics, bringing the power of data to business.
    - VMWare Tanzu: Simplified business operations moving workload from mainframes and improved agility by 40% through modern engineering and cloud-native apps on Tanzyu platform for a global tier-I logistics company.
  - Mphasis launched Tribes 2.0 (go-to-market strategy) focusing on areas of Experience, Next Ops and Next Gen IT Ops. The company highlighted that these tribes have constantly evolved in the past 18 months and helped win large deals and mine existing customers. Zero Cost Transformation, Cost Take Out, Platformization, Tech Ops and Data Driven DevOps, Comprehensive Cyber Security Solutions including Nextgen Security Ops Centre, etc. have helped improve the quality of revenue, resulting in accelerated growth across new-gen offerings (>75% of revenue).

## Employee metrics

- Employee count increased by **7,061 in FY22 to 36,534**. Onsite utilization (including trainees) for technology services business was down 400bp yoy in 4QFY22 at 89% and offshore utilization (including trainees) was down 16pp yoy in 4QFY22 at 68%.
- Median remuneration of employees in FY22 increased by 9% (vs. no change in FY21).
- Mphasis Learning Academy, which enables campus hires to become business-ready, trained and inducted 163% more fresh talent than the previous year. Campus hires were trained on Java/.Net full stack development, Next-gen technologies such as DevOps, Data Engineering, User experience, Cyber-security, and legacy technologies such as Mainframe and iSeries.

- Number of lateral employees trained and certified in digital skills went up by 201% and 243%, respectively, over the previous year.
- Assessing risk by categorizing employees into Critical Risk, High Risk and Low Risk profiles and providing mitigation plans like role/project change, onsite assignments, salary hikes, and promotions have helped in maintaining the right workforce.

## Acquisitions

On 21 Sep 2021, the company through its wholly-owned subsidiary, Mphasis Corporation, acquired 100% of shares of Blink Interactive Inc and its subsidiaries ('Blink') in cash. Blink is a user experience research, strategy, and design firm that works with leading enterprises to create transformative digital products, brands, and experiences for clients. The acquisition boosts Mphasis' Experience competencies with end-to-end capabilities in User Experience Research, Strategy, Design, and Implementation. The company paid US\$93.37m (Rs6,930.99m) including earnout of US\$18.58m (Rs1,378.99m). Goodwill of Rs5,183.36m comprises the value of acquired workforce and expected synergies arising from the acquisition.

## Financials

### P&L takeaways:

- FY22 US\$ revenue was up 21.7% at US\$1,593m vs. 5.6% growth in FY21 while Indian Rupee or INR reported revenue was up 23% at Rs119.6bn vs. Rs97.2bn (yoy growth of 9.9% in FY21).
- FY22 EBITDA was up 17.5% yoy at Rs21.2n with 17.7% EBITDA margin vs. 18.5% in FY21. Margin walk for an 80bp decline: employee expenses (90bp headwind), sub-contractor expenses (90bp headwind) and software support charges (30bp headwind) offset by growth leverage, travel expenses (10bp tailwind) and miscellaneous expenses (70bp tailwind). EBIT margin down by 80bp to 15.3% as depreciation & amortization expenses were up 20.3% yoy and formed 2.4% of revenue (vs. 2.5% in FY21) while absolute EBIT was up 17% yoy at Rs18.3bn. Reported PAT was up 17.6% yoy at Rs14.3bn.
- Employee cost was up 25% yoy at Rs70.3bn (58.8% of revenue vs. 57.9% in FY21) while sub-contractor charges were up 30.9% yoy in FY22 at Rs17.2bn and formed 14.4% of revenue (vs. 13.5% in FY21).
- Other income was up 20.7% at Rs1,604.5m led by a 22.4% increase in interest income (Rs352.5m), and a 422.1% increase in foreign exchange gain (Rs485.5m) offset by a 19.2% decrease in miscellaneous income (Rs766.6m).
- Tax expenses were up 16.5% yoy at Rs4,820.1m led by a 18.7% increase in current tax to Rs4,859.7m while deferred tax credit was Rs39.5m in FY22 vs. a charge of Rs43.73m in FY21. Effective tax rate for FY22 stood at 25.2% vs. 25.4% in FY21. On cashflow basis, the tax outflow was Rs3,686m.

**Figure 1: Growth leverage helped offset elevated employee and sub-contractor expenses**

Particulars (Rs m)	FY19	FY20	FY21	FY22
Revenue	77,310	88,435	97,223	1,19,614
yoy growth	18.1%	14.4%	9.9%	23.0%
Employee expenses	42,987	49,226	56,298	70,345
% of revenue	55.6%	55.7%	57.9%	58.8%
Sub-contractor charges	9,216	13,500	13,113	17,170
% of revenue	11.9%	15.3%	13.5%	14.4%
Software support & maintenance charges	1,324	1,477	1,902	2,687
% of revenue	1.7%	1.7%	2.0%	2.2%
Travel	2,062	2,046	754	856
% of revenue	2.7%	2.3%	0.8%	0.7%
Legal & professional expenses	3,173	1,751	2,742	2,798
% of revenue	4.1%	2.0%	2.8%	2.3%
Other expenses	5,309	3,931	4,386	4,582
% of revenue	6.9%	4.4%	4.5%	3.8%
EBITDA	13,238	16,504	18,029	21,176
% of revenue	17.1%	18.7%	18.5%	17.7%
Depreciation	758	2,316	2,418	2,908
% of revenue	1.0%	2.6%	2.5%	2.4%
EBIT	12,480	14,188	15,611	18,269
% of revenue	16.1%	16.0%	16.1%	15.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: BFS vertical's growth and operating profitability was healthy**

Particulars (Rs m)	BFS	Insurance	Logistics & Transportation	TMT	Others	Total
Segmental revenue						
FY22	63,756	10,771	15,552	15,743	12,789	1,18,611
FY21	49,861	9,509	12,681	12,925	11,944	96,920
Growth %	27.9%	13.3%	22.6%	21.8%	7.1%	22.4%
% of revenue	53.8%	9.1%	13.1%	13.3%	10.8%	
Segmental operating income						
FY22	15,551	2,914	5,494	3,148	4,674	31,780
FY21	12,204	3,129	5,122	2,629	4,226	27,310
Growth %	27.4%	-6.9%	7.3%	19.8%	10.6%	16.4%
Segment operating margin (%)						
FY22	24.4%	27.1%	35.3%	20.0%	36.5%	26.8%
FY21	24.5%	32.9%	40.4%	20.3%	35.4%	28.2%
YoY change	-0.1%	-5.9%	-5.1%	-0.3%	1.2%	-1.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BFS IS BANKING AND FINANCIAL SERVICES, TMT IS TECHNOLOGY, MEDIA &amp; TELECOM

### Balance sheet takeaways:

- Liquidity: As on 31 Mar 2022, Mphasis has current cash investments of Rs23,846m vs. Rs25,968m in FY21. Rs14,352m has been invested in mutual funds, bonds & debentures; Rs8,268m as cash & cash equivalents and Rs1,225.9m as bank balances other than cash & cash equivalents.
- Capex: Gross block addition in property, plant & equipment stood at Rs1,122.6m (vs. Rs1,117.8m in FY21) which was mostly led by addition in computers (Rs903.3m), server & networks (Rs153.98m), and office equipment (Rs34.52m). Capital work-in-progress stood at Rs109.8m (vs. Rs31.3m in FY21).
- Goodwill increased from Rs21,325.7m to Rs27,348m led by Blink acquisitions while gross addition in intangibles was Rs45m and Rs1,123m due to acquisitions at Rs4,652m while net carrying amount of intangibles stood at Rs1,695m vs. Rs1,074.5m in FY21.
- Non-current contingent consideration payable is Rs936.56m while current contingent consideration payable is Rs1,063.2m.

**Figure 3: Goodwill comprises 25.4% of balance sheet size while current cash & investment forms 22.2%**

Particulars (Rs m)	FY19	FY20	FY21	FY22
Cash & investments	17,116	21,035	25,968	23,846
Trade receivables & unbilled revenue	18,487	17,696	18,505	22,269
Other current assets	5,427	5,400	6,929	11,048
<b>Total current assets</b>	<b>41,031</b>	<b>44,131</b>	<b>51,403</b>	<b>57,164</b>
Net fixed assets	1,218	8,010	7,826	8,803
Other long-term assets	31,462	35,394	34,761	41,595
Total long-term Assets	32,680	43,404	42,587	50,398
<b>Total assets</b>	<b>73,711</b>	<b>87,535</b>	<b>93,989</b>	<b>1,07,561</b>
Short-term debt & lease liabilities	5,426	7,109	6,441	6,679
Accounts payable	7,850	6,667	5,964	8,496
Other current liabilities	6,661	7,895	9,032	13,925
<b>Total current liabilities</b>	<b>19,937</b>	<b>21,672</b>	<b>21,437</b>	<b>29,100</b>
Long-term debt & lease liabilities	0	5844	5370	5840
Other long-term liabilities	1,275	1,723	1,915	3,189
<b>Total long-term liabilities</b>	<b>1,275</b>	<b>7,567</b>	<b>7,285</b>	<b>9,030</b>
<b>Total debt</b>	<b>5,426</b>	<b>12,954</b>	<b>11,811</b>	<b>12,519</b>
Total equity	52,498	58,296	65,267	69,431
<b>Total equity &amp; liabilities</b>	<b>73,711</b>	<b>87,535</b>	<b>93,989</b>	<b>1,07,561</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### Cash flow takeaways:

- Operating cash flow (OCF) was up by 18% in FY22 at Rs17,157m as higher operating profit before working capital changes (up 21.1%) was offset by higher working capital led by unbilled revenue (up 36.7% yoy) and trade receivables (up 4.2% yoy) though conversion (OCF/EBITDA was at 81% in FY22 vs 80.7% in FY21) was still healthy. Net capex was lower by 4.8% in FY22 at Rs1,192m while free cash flow was up 20.1% at Rs15,965m. The company's board has proposed a final dividend of Rs46 per share for FY22 (vs. Rs 65 in FY21) with the payout ratio being ~61% in FY22 vs. ~101% in FY21.

**Figure 4: Cash flow growth, conversion and payout remains healthy**

Particulars (Rs m)	FY19	FY20	FY21	FY22
OCF before working capital changes	14,345	16,748	18,447	22,344
Changes in working capital	-1,421	422	-453	-1,501
Taxes paid	-3,427	-3,960	-3,448	-3,686
<b>Operating cash flow</b>	<b>9,497</b>	<b>13,210</b>	<b>14,545</b>	<b>17,157</b>
Capex	-815	-1,243	-1,252	-1,192
<b>Investing cash flow</b>	<b>2,893</b>	<b>1,408</b>	<b>-8,219</b>	<b>-2,820</b>
Payout	14,604	6,065	6,527	12,177
<b>Financing cash flow</b>	<b>-13,418</b>	<b>-8,247</b>	<b>-8,615</b>	<b>-13,887</b>
OCF/revenue	12.3%	14.9%	15.0%	14.3%
OCF/EBITDA	71.7%	80.0%	80.7%	81.0%
Payout % free cash flow	168.2%	50.7%	49.1%	76.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Performance of Digital Risk LLC subsidiary**

Particulars (Rs mn)	FY19	FY20	FY21	FY22
Revenue (Rs mn)				
Digital risk LLC	3,493	3,566	5,277	9,088
PBT (Rs mn)				
Digital risk LLC	-170	-485	-445	3247

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Compensation trend of MD & CEO**

Particular (Rs m)	FY20	FY21	FY22
Salary	45.7	37.3	112.1
Benefits / Perquisite	31.7	25.3	239.3
Others	45.4	53.4	0.0
Total	122.8	116.0	351.4
% of PAT	1.0%	1.0%	2.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Contingent liabilities were up 25.9% in FY22**

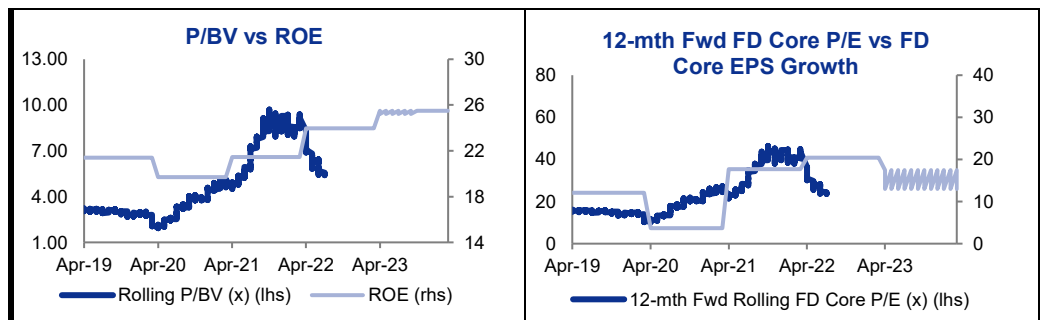
Contingent liabilities (Rs m)	FY21	FY22
Direct & indirect taxes	9,033	13,658
Bank guarantees	6,857	6,858
Other claims	800	490
Total contingent liabilities	16,690	21,005
Total contingent liabilities per share	87.9	110.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Change in our earnings estimates**

Y/E, Mar (Rs m)	FY23F			FY24F		
	New	Old	% change	New	Old	% change
US\$ revenue	1,877	1,935	-3.0	2,139	2,261	-5.4
Revenue	1,46,399	1,47,090	-0.5	1,69,012	1,74,111	-2.9
EBIT	22,502	22,872	-1.6	26,366	27,422	-3.9
EBIT margin (%)	15.4	15.6	(18) bp	15.6	15.8	(15) bp
Net PAT	17,473	17,756	-1.6	20,520	21,261	-3.5
EPS (Rs)	92.0	93.5	-1.6	108.0	112.0	-3.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>88,435</b>	<b>97,223</b>	<b>119,614</b>	<b>146,399</b>	<b>169,012</b>
<b>Gross Profit</b>	<b>25,484</b>	<b>29,500</b>	<b>34,950</b>	<b>42,339</b>	<b>48,929</b>
<b>Operating EBITDA</b>	<b>16,504</b>	<b>18,028</b>	<b>21,175</b>	<b>25,942</b>	<b>30,253</b>
Depreciation And Amortisation	(2,316)	(2,418)	(2,908)	(3,440)	(3,887)
<b>Operating EBIT</b>	<b>14,188</b>	<b>15,610</b>	<b>18,268</b>	<b>22,502</b>	<b>26,366</b>
Financial Income/(Expense)	701	493	1,008	952	1,178
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	266	202			
<b>Profit Before Tax (pre-EI)</b>	<b>15,154</b>	<b>16,306</b>	<b>19,276</b>	<b>23,454</b>	<b>27,544</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>15,154</b>	<b>16,306</b>	<b>19,276</b>	<b>23,454</b>	<b>27,544</b>
Taxation	(3,305)	(4,138)	(4,820)	(5,981)	(7,024)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,473</b>	<b>20,520</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,473</b>	<b>20,520</b>
Recurring Net Profit	11,849	12,167	14,456	17,473	20,520
<b>Fully Diluted Recurring Net Profit</b>	<b>11,849</b>	<b>12,167</b>	<b>14,456</b>	<b>17,473</b>	<b>20,520</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>16,504</b>	<b>18,028</b>	<b>21,175</b>	<b>25,942</b>	<b>30,253</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	422	(453)	(1,501)	(2,671)	(2,540)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	244	419			
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(3,960)	(3,448)	(3,686)	(5,981)	(7,024)
<b>Cashflow From Operations</b>	<b>13,210</b>	<b>14,545</b>	<b>15,989</b>	<b>17,290</b>	<b>20,690</b>
Capex	(1,261)	(1,262)	(1,200)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,670	(6,957)	(1,620)	1,786	2,011
<b>Cash Flow From Investing</b>	<b>1,408</b>	<b>(8,219)</b>	<b>(2,820)</b>	<b>786</b>	<b>1,011</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,065)	(6,527)	(12,177)	(10,484)	(12,312)
Preferred Dividends					
Other Financing Cashflow	(2,182)	(2,088)	(1,710)	(834)	(834)
<b>Cash Flow From Financing</b>	<b>(8,247)</b>	<b>(8,615)</b>	<b>(13,887)</b>	<b>(11,318)</b>	<b>(13,146)</b>
Total Cash Generated	6,372	(2,288)	(719)	6,758	8,555
<b>Free Cashflow To Equity</b>	<b>11,949</b>	<b>13,284</b>	<b>14,788</b>	<b>16,290</b>	<b>19,690</b>
<b>Free Cashflow To Firm</b>	<b>14,619</b>	<b>6,327</b>	<b>13,168</b>	<b>18,076</b>	<b>21,701</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS



**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	21,035	25,968	23,846	30,605	39,160
Total Debtors	17,696	18,505	22,269	25,269	29,172
Inventories					
Total Other Current Assets	5,400	6,929	11,048	11,048	11,048
<b>Total Current Assets</b>	<b>44,131</b>	<b>51,403</b>	<b>57,164</b>	<b>66,922</b>	<b>79,380</b>
Fixed Assets	8,010	7,826	8,803	6,362	3,475
Total Investments	4,284	4,590	4,776	4,776	4,776
Intangible Assets	22,292	22,400	29,043	29,043	29,043
Total Other Non-Current Assets	8,818	7,770	7,775	7,775	7,775
<b>Total Non-current Assets</b>	<b>43,404</b>	<b>42,587</b>	<b>50,398</b>	<b>47,957</b>	<b>45,070</b>
Short-term Debt	5,713	5,135	5,272	5,272	5,272
Current Portion of Long-Term Debt					
Total Creditors	6,667	5,964	8,496	8,824	10,187
Other Current Liabilities	9,292	10,339	15,332	15,332	15,332
<b>Total Current Liabilities</b>	<b>21,672</b>	<b>21,437</b>	<b>29,100</b>	<b>29,428</b>	<b>30,791</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,567	7,285	9,030	9,030	9,030
<b>Total Non-current Liabilities</b>	<b>7,567</b>	<b>7,285</b>	<b>9,030</b>	<b>9,030</b>	<b>9,030</b>
Total Provisions					
<b>Total Liabilities</b>	<b>29,239</b>	<b>28,722</b>	<b>38,130</b>	<b>38,458</b>	<b>39,821</b>
Shareholders Equity	58,296	65,267	69,431	76,421	84,629
Minority Interests					
<b>Total Equity</b>	<b>58,296</b>	<b>65,267</b>	<b>69,431</b>	<b>76,421</b>	<b>84,629</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	14.4%	9.9%	23.0%	22.4%	15.4%
Operating EBITDA Growth	24.7%	9.2%	17.5%	22.5%	16.6%
Operating EBITDA Margin	18.7%	18.5%	17.7%	17.7%	17.9%
Net Cash Per Share (Rs)	50.89	82.08	67.04	102.63	147.67
BVPS (Rs)	313.00	346.45	365.56	402.36	445.57
Gross Interest Cover	17.47	24.62	30.64	26.99	31.63
Effective Tax Rate	21.8%	25.4%	25.0%	25.5%	25.5%
Net Dividend Payout Ratio	66.3%	99.8%	59.7%	60.0%	60.0%
Accounts Receivables Days	74.67	67.95	62.21	59.26	58.79
Inventory Days					
Accounts Payables Days	42.09	34.04	31.17	30.38	28.89
ROIC (%)	29.1%	25.2%	29.1%	30.4%	35.5%
ROCE (%)	17.4%	16.0%	17.5%	19.9%	21.4%
Return On Average Assets	14.0%	13.0%	13.6%	15.1%	16.4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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#### Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework**

**Stock Ratings**

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.