

India

NOT RATED

Sonata Software

FY22 annual report analysis

- Sonata Software has appointed Mr. Samir Dhir as Chief Executive Officer (CEO) and Mr. P. Srikar Reddy as Executive Vice Chairman.
- Higher receivables impacted cash flow growth (up 9.7% yoy), although cash conversion was healthy at 104.8% of EBITDA.
- Net cash stood at Rs84 per share. Dividend payout ratio was 58% in FY22.

Summary

Sonata's FY22 annual report reflects the continued embrace of its Platformation™ strategy (completed five years in Mar 2022) by strengthening, co-creating and innovating offerings in collaboration with customers, partners, and ecosystem in focus markets. Strength in Microsoft practice, recovery in travel & retail verticals, scaling up presence in newer verticals, focus on improving absolute profitability and sustaining return ratios in the domestic market and strengthening of leadership team are key takeaways.

Other notable highlights include a) insourcing professional fees, up 40.4% yoy in FY22 and formed 8.9% of international IT services revenue (vs 8% in FY21), b) operating cash flow (OCF) before working capital changes increasing 38% yoy but net OCF up 9.7% yoy due to a rise in working capital, c) MD & CEO compensation up 118.2% in FY22 at Rs110.2m led by a 159% increase in salary & perquisites and a 42% increase in commission at Rs25m, and d) contingent liabilities up 2.8% in FY22 at Rs4.7bn (Rs46 per share).

Appoints new CEO; Mr Srikar Reddy is now Executive Vice Chairman

As part of the board's succession plan, Mr. P. Srikar Reddy (with Sonata since 1986, CEO over 2011-22) has voluntarily stepped down from his post, effective 7 Apr 2022. Mr. Reddy has been elevated as Executive Vice Chairman and will continue as managing director until the CEO's transition (in next 9-12 months) is complete.

Sonata has appointed Mr. Samir Dhir as a whole-time director and CEO for four years, effective 9 May/ 8 Apr 2022, respectively. He was CEO - Global Markets and Industries at Virtusa Corporation (Feb 2010-Mar 2022) and was responsible for developing and executing Virtusa's growth strategy and a P&L of >US\$1.6bn. In addition, he successfully integrated ETouch and Polaris Consulting & Services' capabilities into Virtusa. Mr. Dhir also previously worked for Wipro, managing its SAP business and managed services practice

Valuation

Sonata's Platformation™ strategy with focus on select verticals, client mining initiatives and new logo addition could, in our view, help sustain growth momentum while domestic business focus remains on improving absolute profit and RoCE. Steady cash generation, net cash of ~Rs8.76bn and a stable dividend payout ratio provide comfort. The stock trades at 19x TTM P/E.



Analyst(s)


Abhishek SHINDADKAR

T (91) 22 4161 1543

E abhishek.shindadkr@incredcapital.com

Tushar WAVHAL

T (91) 22 4161 1544

E tushar.wavhal@incredcapital.com

Financial Summary

	Mar-19A	Mar-20A	Mar-21A	Mar-22A
Revenue (Rsm)	29,609	37,433	42,281	55,534
Operating EBITDA (Rsm)	3,356	3,728	3,794	4,638
Net Profit (Rsm)	2,489	2,769	2,440	3,765
Core EPS (Rs)	23.9	26.6	23.5	36.2
Core EPS Growth	29.5%	11.3%	(11.9%)	54.3%
FD Core P/E (x)	28.78	25.86	29.36	19.02
DPS (Rs)	12.8	20.3	14.0	21.0
Dividend Yield	8.83%	2.94%	2.03%	3.05%
EV/EBITDA (x)	20.33	18.14	16.92	13.47
P/FCFE (x)	(503.35)	19.89	16.25	16.25
Net Gearing	(44.2%)	(59.9%)	(82.0%)	(83.2%)
P/BV (x)	9.32	10.70	7.91	6.52
ROE	35.0%	38.5%	31.0%	37.6%
% Change In Core EPS Estimates				
InCred Research/Consensus EPS (x)				

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Key takeaways from management discussion & analysis (MD&A)

- “Cloud market surpassed the non-cloud market in the enterprise application software market for the first time. Gartner predicts that by 2025, it will be double the size of the non-cloud industry.”
- “Organizations are focusing on upgrading their software stack to software-as-a-service (SaaS) to support continued flexibility and agility, and the cloud is responsible for almost 11% spending growth in the enterprise software segment in 2022.”
- Sonata’s unique trade-mark Platformation™ strategy for digital transformation completed five years in Mar 2022.
- Key leadership hires during the year:
 - Mr. Ankush Patel as Senior Vice President (Sr. VP) US sales.
 - Mr. Kartik Visweswaran as Sr. VP and Chief Digital Officer.
 - Mr. Ravindra Chandrashekara as Vice President (VP) growth initiatives.
 - Mr. Shravan Dantu as VP Services Asia.
 - Mr. Pravin Kumar Mishra as Lead Enterprise Architect - Microsoft Azure.
 - Mr. K. V. Suryaprakash as Sr. VP and Chief Capability Officer.
 - Mr. Abhijit Bhaumik - Associate VP Europe business, based in London.
- Sonata focused its efforts and built competencies in new technologies like IoT, chatbots, and machine learning and also strengthened other competencies like CX enhancement, multi-cloud, modern data platform infrastructure, e-commerce, and cloud security. Sonata invested in building differentiated IP and platforms across industry verticals (retail, distribution, service industry and software solutions).
- “C-level relationships, great stake holder management, both with clients and with Microsoft, strong credibility through clarity of thought and vision, solution and approach, leveraging Sonata’s proprietary tools to ensure faster time to market and cost savings and agile delivery have all helped in getting new customers as well as in becoming strategic to existing ones.”
- “Sonata has implemented its Platformation™ approach across all its service lines, including Cloud Transformation, Data & Analytics, Artificial Intelligence (AI), Machine Learning (ML), Platform Engineering, ERP/ Dynamics Services, Platformation™ consulting services across the value chain, helping them to future proof client’s digital investments while being flexible at delivering to growing needs of their business.”
- According to a study by Fortune Business Insights, the global customer experience (CX) market is predicted to touch US\$32.53bn by 2029F from US\$10.11bn in 2021 (growing at a CAGR of 16.2%). Sonata, which acquired GAPbusters Limited (GBW), has launched ‘CXe’, a unique enhanced integrated CX management solution designed for global customers looking for comprehensive end-to-end CX solutions and the company aims to continue its investments in its CX platform offering a 360-degree customer experience measurement and integrated insights.

Industry vertical commentary

- Sonata continues to focus on a) independent software vendors (ISV), b) retail c) consumer packaged goods (CPG), distribution, logistics and manufacturing, d) agri commodity business (added via Scalable Data systems acquisition), e) healthcare (added via Encore Software Services acquisition), and f) services industry (energy & utilities).

- ISV:
 - “Global ISV market is projected to reach US\$6,648.6bn by 2031 from US\$1,958.6bn in 2021, growing at a CAGR of 13% between 2021 to 2031 period, as per Market Research Report.”
 - The growing adoption of Software-as-a-Service (SaaS) and rising demand for multi-cloud and hybrid cloud systems are key growth drivers of the ISV market.
 - Sonata offers digital platform engineering, modern engineering, and sustenance engineering solutions to ISVs. The business contributed 32.4% to international IT services revenue in 4QFY22 and witnessed a 28.3% growth in US dollar terms. Sonata has been working with many marquee customers in Azure and AWS Cloud and has its engineering DevOps platform for building and delivering products.
- Retail
 - Sonata, over two decades, has been a preferred digital partner for retailers and consumer goods companies. As a leader in Microsoft technologies and industry-leading platforms, Sonata’s domain knowledge and signature approach to digital is encapsulated in its new offerings.
 - Sonata’s proficiency among leading retail, distribution, travel & transportation customers along with its range of IP-led platform solutions such as Brick & Click Retail, Kartopia, Modern Distribution, positions the company as a strong contender to gain most in the post-Covid pandemic transformation journey.
- CPG, Distribution, Manufacturing, and Logistics
 - CPG (consumer packaged goods) companies are looking to harvest new data sources in order to provide more meaningful and engaging consumer experience, innovate and experiment with new routes to market, build supply-chain resilience and invest in new emerging technologies to continuously grow and adapt their capabilities to be more efficient and cost-effective.
 - Sonata’s deep experience, industry-ready platforms, and a unique Platformation™ approach is helping industrial & consumer goods manufacturers and wholesale distributors to stay competitive with digital distribution platforms and solutions.
- Agri Manufacturing and Commodity Business
 - Disruptive technologies are leveraged to boost crop yields, maximize resource efficiency, and strengthen supply chains. Application of digital agriculture is on the rise, with its global market expected to touch US\$23bn by 2022F, ~20% average annual growth. In 2018, Sonata entered the agri-commodity business by acquiring Scalable Data Systems, an Australian company which designs digital platforms that can scale up or down as business demands, powered by Microsoft Dynamics.
 - In Jul 2021, Sonata announced the new brand identity of its acquisition ‘Sonata Scalable’ and reiterated the commitment and belief in the Australian market, leading to more investments. With Sonata’s unique ERP-integrated CTRM platform, customers can achieve better visibility on their commodity sourcing and trading needs, single source-of-trade data, superior control over trading decisions, and reduced cost structure for better profitability.
- Utilities & Service Industries
 - Sonata has 30+ years of experience working with services companies from the energy sector to specialty contractors, professional services firms, and a wide variety of field services and project-centric companies.
 - With the acquisition of Sopris Systems in 2019, which specializes in helping project-centric and field services companies, Sonata got access to enter utility services industries.

- Platformation™ strategy and the Microsoft Dynamics 365 Cloud are enabling modern energy and utilities companies to reinvent the customer experience, operate more efficiently and compete more effectively in a sector that is evolving faster than ever before.
- Healthcare
 - According to MarketsandMarkets, “the global healthcare IT market is estimated to touch US\$821bn by 2026 from US\$326bn in 2021, growing at a CAGR of 20.3%. The growth in this market is primarily driven by increasing usage of big data in healthcare, remote patient monitoring markets, and rising needs to curtail escalating healthcare costs.”
 - Sonata forayed into the healthcare vertical through acquisition of Encore in Jul 2021 and witnessed a 20.4% compounded quarterly growth rate over 2QFY22-4QFY22.

Acquisitions

In Aug 2022, Sonata acquired a 100% stake in Encore Service Inc for US\$14.9m, including US\$9.1m as deferred contingent consideration payable on completion of three years. The company also acquired a 100% stake in Encore India Pvt Ltd for US\$1.2m. Encore Services provides customized software development and testing, and related IT consulting services. It offers services in the areas of application management, quality assurance, analytics, information security, cloud enablement, cloud migration, and mobility. The company was founded in 1998 and is based at Santa Clara in California, with a delivery centre in India.

Encore’s acquisition has strengthened Sonata’s geographical presence in the US and enhances its Platformation™-led digital transformation strategy by strengthening Microsoft-led cloud transformation services and digital test automation services. It has also opened opportunities in healthcare and logistics verticals, apart from reinforcing ISV business & Microsoft cloud practice.

Employee metrics

- Employee count increased by 1,056 in FY22 to 5,158. Net addition in FY22 was higher than cumulative hiring of 626 over FY19-21. International business headcount increased by 1,042 in FY22 to 4,998 while domestic business headcount rose by 14 in FY22 to 160.
- Delivery headcount increased by 1,011 in FY22 to 4,678 while sales & marketing headcount increased by 22 in FY22 to 200. General & administrative headcount was up by 23 in FY22 to 280.
- Increase in median remuneration of employees in FY22 was 13% (vs. 15% in FY21) while average annual pay increase for employees excluding managerial staff was 10% in FY22 (vs. 10% in FY21) and average increase in remuneration of managerial positions was 55% in FY22 (vs. 40% in FY21).
- Sonata’s endeavour is to expand hiring from Tier-II cities in India and to have development centres in various parts of the world.
- FLEX (Focused Learning Experience), a leadership development journey for the new normal, was launched for aspiring and current leaders.

Financials

P&L takeaways:

- FY22 INR reported revenue was up 31.3% vs. 13% growth in FY21 to Rs 55.5bn led by a 32.7% growth in domestic products & services business and a 26.2% growth in international IT services business (up 26.6% in US\$ terms at US\$203m).
- FY22 EBITDA was up 22.2% yoy at Rs4.6bn with an 8.4% EBITDA margin vs. 9% in FY21. Margin walk for a 60bp decline: purchase of stock-in trade (170bp headwind) and professional fees (70bp headwind) offset by growth leverage and employee expenses (150bp tailwind). EBIT margin declined 50bp to 7.5%

with depreciation & amortization expenses unchanged at 0.9% of revenue while absolute EBIT was up 22.6% yoy at Rs4.1bn. Reported PAT was up 54.3% yoy at Rs3.7bn.

- Employee cost was up 17.8% yoy at Rs7.4bn (13.3% of revenue vs. 14.8% in FY21) and in-sourcing professional fees were up 40.4% yoy in FY22 at Rs1.3bn and formed 2.4% of revenue (up 20bp yoy).
- Other income was up 367.5% at Rs1,019.8m led by a 173.2% increase in interest income to Rs285m and a 467% increase in foreign exchange gains to Rs145m. Miscellaneous income accounted for Rs529m vs. Rs45.2m in FY21.
- Tax expenses were up 14.6% yoy at Rs1,239.3m led by a 42.6% increase in current tax to Rs1,454.7m and a deferred tax charge of Rs215.4m in FY22 vs. Rs148.4m in FY21. Effective tax rate for FY22 was down 600bp yoy at 24.8% led by the absence of one-time charge in FY21 of Rs209.9m. Cash tax outgo as per cash flow was Rs1,559m vs. Rs1,332m in FY21.

Figure 1: Key components of Profit and Loss statement

Particulars (Rs m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Revenue	19,405	23,708	24,539	29,609	37,433	42,281	55,534
yoy growth		22.2%	3.5%	20.7%	26.4%	13.0%	31.3%
Cost of services	15,698	19,543	20,018	23,492	30,761	36,171	47,601
% of revenue	80.9%	82.4%	81.6%	79.3%	82.2%	85.5%	85.7%
Other expenses	1,788	2,249	2,211	2,761	2,944	2,317	3,295
% of Revenue	9.2%	9.5%	9.0%	9.3%	7.9%	5.5%	5.9%
EBITDA	1,919	1,915	2,310	3,356	3,728	3,794	4,638
% of revenue	9.9%	8.1%	9.4%	11.3%	10.0%	9.0%	8.4%
Depreciation	62	109	124	127	365	396	473
% of revenue	0.3%	0.5%	0.5%	0.4%	1.0%	0.9%	0.9%
EBIT	1,857	1,807	2,186	3,229	3,363	3,398	4,164
% of revenue	9.6%	7.6%	8.9%	10.9%	9.0%	8.0%	7.5%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Employee cost likely to remain elevated in the near term

Particulars (Rs m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Revenue	19,405	23,708	24,539	29,609	37,433	42,281	55,534
yoy growth		22.2%	3.5%	20.7%	26.4%	13.0%	31.3%
Employee Cost	4,098	4,560	5,137	5,689	6,603	6,255	7,370
as % of Revenue	21.1%	19.2%	20.9%	19.2%	17.6%	14.8%	13.3%
Purchase of stock in trade	11,600	14,983	14,881	17,804	24,158	29,916	40,231
as % of Revenue	59.8%	63.2%	60.6%	60.1%	64.5%	70.8%	72.4%
In-sourcing professional fees	446	533	582	887	931	944	1,325
as % of Revenue	2.3%	2.2%	2.4%	3.0%	2.5%	2.2%	2.4%
Professional & technical fees	171	226	234	253	349	353	731
as % of Revenue	0.9%	1.0%	1.0%	0.9%	0.9%	0.8%	1.3%
Travel expenses	308	408	363	450	410	39	51
as % of Revenue	1.59%	1.72%	1.48%	1.52%	1.10%	0.09%	0.09%
Facility expenses	400	460	454	487	276	184	196
as % of Revenue	2.1%	1.9%	1.8%	1.6%	0.7%	0.4%	0.4%
Others	464	623	579	684	978	797	993
as % of Revenue	2.4%	2.6%	2.4%	2.3%	2.6%	1.9%	1.8%
Total Cost	17,486	21,792	22,230	26,253	33,705	38,487	50,896
as % of Sales	71.6%	71.6%	71.6%	71.6%	71.6%	71.6%	71.6%
EBITDA	1,919	1,915	2,310	3,356	3,728	3,794	4,638
as % of Sales	9.9%	8.1%	9.4%	11.3%	10.0%	9.0%	8.4%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 3: International IT services business continues to drive profitability

Particulars (Rs m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
International IT services revenue	7,071	8,184	9,285	11,205	12,724	11,838	14,938
Domestic products & services revenue	12,505	16,401	15,528	18,628	24,922	30,657	40,669
YoY growth							
International IT services revenue		15.7%	13.5%	20.7%	13.6%	-7.0%	26.2%
Domestic products & services revenue		31.2%	-5.3%	20.0%	33.8%	23.0%	32.7%
International EBITDA			1,737	2,647	2,794	2,850	3,229
Domestic EBITDA			603	751	951	956	1,425
Margins							
International EBITDA			18.7%	23.6%	22.0%	24.1%	21.6%
Domestic EBITDA			3.9%	4.0%	3.8%	3.1%	3.5%

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INTERNATIONAL EBITDA MARGINS ARE EXCLUDING OTHER INCOME

Balance Sheet takeaways:

- **Liquidity:** As on 31 Mar 2022, Sonata has cash & investments of Rs9,144m vs. Rs7,425m in FY21. Current investments, at Rs1,447.6m, have been invested in debt mutual funds, while Rs7,336.9m balance is with banks and Rs172.6m in fixed-deposit accounts.
- **Capex:** Gross block addition of Rs87.1m was mostly led by addition in plant & equipment (Rs817m) followed by leasehold improvement (Rs42m). Capital work-in-progress stood at Rs0.1m (Rs1.2m in FY21). Goodwill increased by Rs448.1m in FY22 to Rs2,207.2m led by acquisitions (Rs617.9m) and foreign exchange gains (Rs59.5m) offset by impairment loss on Sopris Systems (Rs229.3m). Net intangibles rose, up Rs352m in FY22 at Rs829m, led by acquisitions (Rs496.8m) and offset by amortization (Rs 144m).
- **Liabilities:** Payable contingent consideration stood at Rs704.5m (vs. Rs264.9m in FY21) and payable deferred consideration stood at Rs38.2m (vs. Rs36.9m in FY21).

Figure 4: Cash & investments accounted for ~36% of Balance Sheet size

Particulars (Rs m)	FY17	FY18	FY19	FY20	FY21	FY22
Cash & Investments	3,810	4,773	3,394	4,012	7,425	9,144
Account Receivables	5,529	4,376	8,558	7,408	6,525	9,440
Other Current Assets	604	376	516	476	742	819
Total current Assets	9,942	9,525	12,468	11,896	14,692	19,403
Net Fixed Assets	241	234	226	1,186	1,002	1,233
Other Long-term assets	1,794	2,565	2,587	3,083	3,776	4,916
Total Long-term Assets	2,035	2,799	2,813	4,269	4,777	6,149
Total Assets	11,977	12,324	15,281	16,165	19,469	25,552
Short term debt	18	0	156	860	897	380
Accounts Payable	4,483	4,323	5,873	5,619	6,510	10,547
Other Current Liabilities	1,093	1,155	1,134	1,832	1,987	1,973
Total Current Liabilities	5,593	5,478	7,163	8,311	9,394	12,900
Long term Debt	336	187	0	0	0	0
Other Long-term Liabilities	141	127	435	1,157	1,021	1,660
Total Long-term Liabilities	476	314	435	1,157	1,021	1,660
Total Debt	2,710	2,350	0	0	0	0
Total Equity	5,908	6,533	7,683	6,697	9,055	10,992
Total Equity & Liabilities	11,977	12,324	15,281	16,165	19,469	25,552

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Cash flow takeaways:

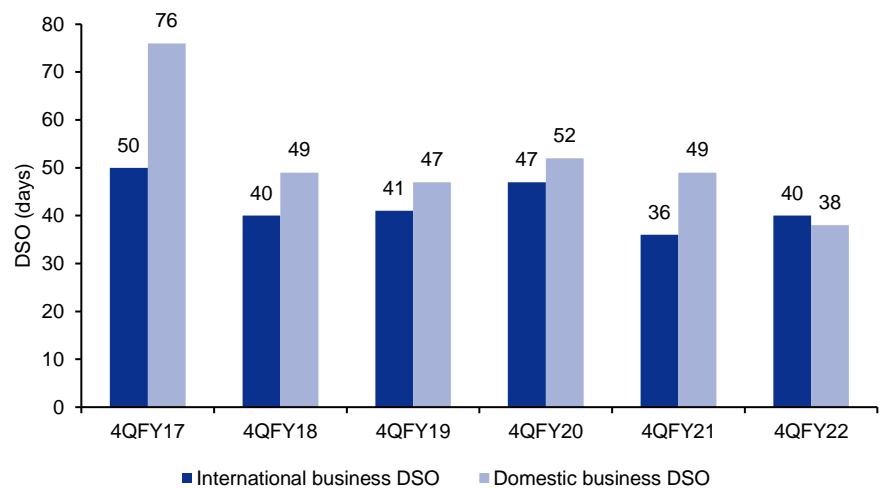
Operating cash flow (OCF) was up by 9.7% in FY22 at Rs4,858m led by higher operating profit before working capital changes (up 38.1% yoy) while working capital was higher led by receivables (up 44.9% yoy) and unbilled revenue (up 40.4% yoy). OCF/EBITDA was healthy at 104.8% in FY22 but moderated yoy. Capex was up by 412% in FY22 at Rs96.3m. Sonata's board has proposed a final dividend of Rs13 per share for FY22 while total dividend, including interim, was Rs21 per share in FY22 (vs. Rs 14 in FY21) with a 58% payout ratio.

Figure 5: Cash conversion & dividend payout remains encouraging

Particulars (Rs m)	FY17	FY18	FY19	FY20	FY21	FY22
OCF before WC Changes	2,084	2,646	3,220	3,999	3,919	5,413
Changes in working Capital	408	802	-2,415	976	1,840	1,004
Taxes Paid	-646	-552	-867	-1,289	-1,332	-1,559
Operating Cash Flow	1,845	2,896	-62	3,686	4,426	4,858
Capex	-97	-65	-80	-85	-19	-96
Investing Cash Flow	-1,91,360	28,860	15,960	85,650	-81,290	-1,189
Payout	437	1,146	1,434	3,541	407	1,869
Financing Cash Flow	-1,728	-1,404	-1,661	-3,098	-621	-2,706
OCF/revenue	7.8%	11.8%	NA	9.8%	10.5%	8.7%
OCF/EBITDA	96.3%	125.4%	NA	98.9%	116.7%	104.8%
Payout % free cash flow	25.0%	40.5%	NA	98.3%	9.2%	39.3%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Days sales outstanding (DSO) remains healthy



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Key subsidiaries' performance

Particulars (Rs m)	FY19	FY20	FY21	FY22
Sonata Information Technology				
Revenue	18,628	24,922	30,656	40,669
PBT	711	889	894	1,368
PAT	463	644	602	1,018
Sonata Software North America Inc				
Revenue	5,137	5,982	5,516	6,784
PBT	145	624	(37)	1,360
PAT	99	455	(28)	1,109
Sonata Europe Ltd				
Revenue	1,142	1,275	1,204	1,340
PBT	285	269	398	261
PAT	228	218	323	206
IBIS Inc				
Revenue	468	607	444	217
PBT	97	170	167	46
PAT	97	170	139	35
Sonata Australia Pty Ltd				
Revenue	85	314	523	767
PBT	23	61	86	185
PAT	23	43	60	130
Sopris Systems LLC				
Revenue	52	462	314	164
PBT	(8)	(40)	5	68
PAT	(8)	(40)	4	50

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Compensation trend

MD & CEO compensation (Rs m)	FY18	FY19	FY20	FY21	FY22
Salary & perquisites	43.9	36.4	25.5	32.9	85.2
Commissions	9.4	12.4	14.2	17.6	25.0
Total	53.3	48.8	39.7	50.5	110.2

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Contingent liabilities trend

Contingent liabilities (Rs m)	FY19	FY20	FY21	FY22
Guarantees	1,335	2,017	3,523	3,650
Disputed demand of service tax	171	103	103	103
Disputed demand of income tax	5,475	5,136	685	685
Other claims not acknowledged as debt	286	286	307	307
Total	7,267	7,542	4,617	4,744
Per share	69.8	72.5	44.4	45.6

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss				
(Rs mn)	Mar-19A	Mar-20A	Mar-21A	Mar-22A
Total Net Revenues	29,609	37,433	42,281	55,534
Gross Profit	6,117	6,672	6,110	7,933
Operating EBITDA	3,356	3,728	3,794	4,638
Depreciation And Amortisation	(128)	(365)	(396)	(473)
Operating EBIT	3,228	3,363	3,398	4,165
Financial Income/(Expense)	267	432	124	839
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)				
Profit Before Tax (pre-EI)	3,495	3,795	3,522	5,004
Exceptional Items				
Pre-tax Profit	3,495	3,795	3,522	5,004
Taxation	(1,006)	(1,026)	(1,082)	(1,239)
Exceptional Income - post-tax				
Profit After Tax	2,489	2,769	2,440	3,765
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	2,489	2,769	2,440	3,765
Recurring Net Profit	2,489	2,769	2,440	3,765
Fully Diluted Recurring Net Profit	2,489	2,769	2,440	3,765

Cash Flow				
(Rs mn)	Mar-19A	Mar-20A	Mar-21A	Mar-22A
EBITDA	3,356	3,728	3,794	4,638
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(2,415)	976	1,840	1,004
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(102)	422	279	600
Other Operating Cashflow				
Net Interest (Paid)/Received	(34)	(152)	(154)	(180)
Tax Paid	(867)	(1,289)	(1,332)	(1,559)
Cashflow From Operations	(62)	3,686	4,426	4,503
Capex	(80)	(85)	(19)	(96)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	194	1,475	(1,122)	(738)
Cash Flow From Investing	113	1,391	(1,141)	(835)
Debt Raised/(repaid)				
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(1,434)	(3,541)	(407)	(1,869)
Preferred Dividends				
Other Financing Cashflow	(226)	443	(215)	(837)
Cash Flow From Financing	(1,661)	(3,098)	(621)	(2,706)
Total Cash Generated	(1,609)	1,978	2,664	963
Free Cashflow To Equity	(142)	3,601	4,408	4,407
Free Cashflow To Firm	85	5,228	3,439	3,849

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet				
(Rs mn)	Mar-19A	Mar-20A	Mar-21A	Mar-22A
Total Cash And Equivalents	3,394	4,012	7,425	9,144
Total Debtors	8,558	7,408	6,525	9,440
Inventories				
Total Other Current Assets	516	476	742	819
Total Current Assets	12,468	11,896	14,692	19,403
Fixed Assets	226	1,186	1,002	1,233
Total Investments	253	294	301	518
Intangible Assets	1,774	1,796	2,236	3,036
Total Other Non-Current Assets	560	993	1,239	1,362
Total Non-current Assets	2,813	4,269	4,777	6,149
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	5,873	5,619	6,510	10,547
Other Current Liabilities	1,290	2,692	2,884	2,353
Total Current Liabilities	7,163	8,311	9,394	12,900
Total Long-term Debt				
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	435	1,157	1,021	1,660
Total Non-current Liabilities	435	1,157	1,021	1,660
Total Provisions				
Total Liabilities	7,598	9,468	10,415	14,560
Shareholders Equity	7,683	6,697	9,055	10,992
Minority Interests				
Total Equity	7,683	6,697	9,055	10,992

Key Ratios				
	Mar-19A	Mar-20A	Mar-21A	Mar-22A
Revenue Growth	20.7%	26.4%	13.0%	31.3%
Operating EBITDA Growth	45.3%	11.1%	1.8%	22.3%
Operating EBITDA Margin	11.3%	10.0%	9.0%	8.4%
Net Cash Per Share (Rs)	32.64	38.60	71.42	87.96
BVPS (Rs)	73.90	64.42	87.10	105.74
Gross Interest Cover	95.23	22.14	22.09	23.09
Effective Tax Rate	28.8%	27.0%	30.7%	24.8%
Net Dividend Payout Ratio	254.1%	76.0%	59.7%	58.0%
Accounts Receivables Days	79.72	77.84	60.14	52.47
Inventory Days				
Accounts Payables Days	79.21	68.18	61.19	65.40
ROIC (%)	195.3%	54.9%	66.4%	133.4%
ROCE (%)	31.9%	34.1%	29.9%	31.3%
Return On Average Assets	16.7%	15.6%	13.2%	13.9%

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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

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.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	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.