17 April 2021

4QFY21 Results Update | Sector: Technology

Mindtree

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	MTCL IN
Equity Shares (m)	165
M.Cap.(INRb)/(USDb)	340.6 / 4.6
52-Week Range (INR)	2275 / 722
1, 6, 12 Rel. Per (%)	5/33/106
12M Avg Val (INR M)	1798

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	79.7	94.1	109.4
EBIT Margin (%)	17.5	17.4	17.5
PAT	11.1	12.8	14.9
EPS (INR)	67.4	77.7	90.6
EPS Gr. (%)	75.7	15.3	16.7
BV/Sh. (INR)	262	305	355
Ratios			
RoE (%)	29.7	27.4	27.5
RoCE (%)	24.1	23.5	23.5
Payout (%)	37.1	45.0	45.0
Valuations			
P/E (x)	30.4	26.3	22.6
P/BV (x)	7.8	6.7	5.8
EV/EBITDA (x)	18.7	15.6	13.0
Div Yield (%)	1.2	1.7	2.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	61.0	67.6	73.6
DII	10.6	12.0	6.2
FII	13.3	12.0	10.5
Others	15.1	8.4	9.7

FII Includes depository receipts

CMP: INR2,068 **TP: INR2,180 (+5%)** **Neutral**

Strong 4QFY21, tailwind from the Travel vertical to boost growth in FY22E

Current valuations fairly pricing in growth

- Mindtree (MTCL) delivered another strong quarter, with USD revenue growth of 5.1% QoQ, above our estimate of 4.3%, driven by robust growth outside of the top 10 accounts (+8.6% QoQ USD) and end of discounts in the Travel and Hospitality vertical (+17% QoQ USD). Deal TCV rose 20% QoQ to USD375m in 4QFY21 and the management indicated that deal pipeline is at a record high.
- It was able to deliver better than expected EBIT margin in 4QFY21 (18.6%, down 100bp QoQ) as wage hike impact (-240bp QoQ) was partially compensated by operational efficiency and higher utilization (84.3%, +120bp QoQ).
- While 4QFY21 growth was aided by end of discounts in the Travel vertical, FY22 should be broad based on scaling of deals in BFSI and return of business in the Travel industry. We see MTCL benefitting from strong demand in Cloud (19% of revenue) and in its top account. Combined with a strong 2HFY21 exit, it should deliver USD revenue growth of 19% YoY, one of the highest in our coverage universe.
- This strong growth should help the company maintain its EBITDA margin at 20.8% (flat YoY), despite higher investment in sales, selective employee interventions, and significant ramp up in its employee base (to bring down historical high utilization).
- We maintain our Neutral rating on the stock due to higher client concentration (top account constitutes 28% of revenue), lack of growth in the top 2-10 accounts, and fair valuations (23x FY23E P/E).
- Cash conversion remained strong in 4QFY21 as well (100% FCF/PAT ratio) led by robust operating income and lower capex. In FY21, reported revenue (USD)/EBIT/PAT in IT Services moved by -1.1%/62%/76%.
- We upgrade our FY22E/FY23E EPS estimate by 3%/4% as we increase our growth estimates on the back of a strong deal pipeline and expectations of decent conversions in FY22E. This will be partially offset by expectations of lower margin on account of normalization of utilization levels and investments. The stock is trading at 22.6x FY23E EPS. The key positives are already captured, and we see limited upside hereafter. Our TP of INR2,180 per share implies 24x FY23E EPS. **Maintain Neutral.**

Strong all-round beat

- USD revenue grew 5.1% QoQ to USD288.2m, above our estimate of 4.3%.
- EBIT margin reduced by 100bp QoQ to 18.6% (v/s our expectation of 17.7%), despite an impact from a full wage hike cycle.
- The impact of the wage hike was offset by a 120bp sequential increase in utilization (which was at a record high) and a 10bp increase in offshore mix.
- MTCL added over 1,600 employees, its highest ever.
- PAT declined 2.8% QoQ, but increased by 53.9% YoY, to INR3.2b, as against our expectation of INR2.8b. This was primarily due to higher operational income and lower ETR (24.2% v/s our estimate of 26.5%).

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- Growth during 4QFY21 was driven by Travel and Hospitality (17% QoQ) – on a lower base and end of discounts, Retail and Manufacturing (9% QoQ), and Technology, Media, and Services (4.1% QoQ). The BFSI vertical declined by 1.3% QoQ.
- On the geographical side, growth was broad based, with US/Europe growing by 4.3%/8.6% QoQ. RoW reported a growth of 6.5% QoQ.
- In terms of Services, growth was majorly skewed towards Data and Intelligence (12.9% QoQ). Other service lines – Cloud (6.2% QoQ) and Customer Success (6.5% QoQ) – also reported robust growth. Enterprise IT saw a decline of 1.3% QoQ.
- Revenue from top customer grew 3.3% QoQ, below overall growth. Growth was driven by customers beyond the top 10, which grew by 8.6% sequentially.
- Total TCV in 4QFY21 was USD375m, implying a book-to-bill ratio of 1.3x.
- Free cash flow in 4QFY21 stood at INR3.2b (against INR147m in 4QFY20), indicating ~100% FCF/PAT conversion.
- For FY21, FCF stood at INR19.3b, an increase of 175% YoY. The FCF/PAT ratio for FY21 stands at 174%.
- Payout for FY21 stood at 37.1 v/s 41.7 in FY20. The company declared a dividend of INR17.5 per share in 4QFY21.

Key highlights from the management commentary

- Clients are showing a lot of interest in Data, Cloud, and other disruptive technologies. There is a sustained growth momentum and the management aspires to deliver industry-leading double-digit growth in FY22, with EBITDA margin of over 20%.
- In the case of the BFSI vertical, the management is optimistic of growth returning in 1QFY22, given that certain closures were pushed to the first quarter. It expects mid-tier clients to spend on the key areas of Cloud, Data, and Security.
- EBITDA margin in 4QFY21 faced: 1) negative impact of 240bp from wage hikes across the organization, 2) FX headwind of 50bp, and 3) tailwind of 150bp on the back of revenue growth and operational efficiencies.

Valuations fair, upside limited

- Since Jul'19, post the disruption pertaining to the ownership change, MTCL has taken steps to stabilize its client and employee counts.
- The management's increased focus on annuity revenue and tail account rationalization is already reflected in revenue and client mixes.
- A stable outlook for the top account, decent deal signings, and the ability to sustain improved margin are key positives.
- Consistent margin expansion and a positive outlook on the same are key positives. Higher exposure to the Travel, Transport, and Hospitality segment remains a drag on overall recovery.
- The stock is currently trading at 23x FY23E EPS. It has been one of the best performers in the IT sector in the last one-year, with returns of 175%. The key positives are already captured, and we see limited upside hereafter. Our TP of INR2,180 per share implies 24x FY23E EPS. Maintain Neutral.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%/bp)
Revenue (USD m)	**264**	**271**	**275**	**278**	**253**	**261**	**274**	**288**	**1,089**	**1,077**	**286**	**0.8**
QoQ (%)	0.8	2.6	1.5	1.2	-9.1	3.1	5.0	5.1	8.7	-1.1	4.3	87bp
Revenue (INR m)	**18,342**	**19,143**	**19,653**	**20,505**	**19,088**	**19,260**	**20,237**	**21,093**	**77,643**	**79,678**	**20,837**	**1.2**
YoY (%)	11.9	9.1	10.0	11.5	4.1	0.6	3.0	2.9	10.6	2.6	1.6	125bp
GPM (%)	**26.6**	**26.9**	**29.1**	**30.4**	**26.3**	**27.5**	**30.6**	**29.9**	**28.3**	**28.6**	**28.6**	**122bp**
SGA (%)	14.0	13.9	13.5	13.2	8.1	7.9	7.5	7.9	13.6	7.8	7.4	52bp
EBITDA (INR m)	**2,318**	**2,482**	**3,063**	**3,512**	**3,478**	**3,784**	**4,679**	**4,626**	**11,375**	**16,567**	**4,424**	**4.6**
EBITDA margin (%)	12.6	13.0	15.6	17.1	18.2	19.6	23.1	21.9	14.7	20.8	21.2	70bp
EBIT (INR m)	**1,649**	**1,775**	**2,364**	**2,833**	**2,881**	**3,215**	**3,962**	**3,913**	**8,621**	**13,971**	**3,694**	**5.9**
EBIT margin (%)	9.0	9.3	12.0	13.8	15.1	16.7	19.6	18.6	11.1	17.5	17.7	82bp
Other income	-387	59	215	-220	17	232	489	275	-333	1,013	146	88.5
ETR (%)	26.5	26.4	23.6	21.1	26.5	26.4	26.6	24.2	23.9	25.9	26.5	-226bp
PAT	**927**	**1,350**	**1,970**	**2,062**	**2,130**	**2,537**	**3,265**	**3,173**	**6,309**	**11,105**	**2,823**	**12.4**
QoQ (%)	-53.3	45.6	45.9	4.7	3.3	19.1	28.7	-2.8			-13.6	1073bp
YoY (%)	-41.4	-34.6	3.0	3.9	129.8	87.9	65.7	53.9	-16.3	76.0	36.9	1700bp
EPS (INR)	**5.6**	**8.2**	**12.0**	**12.5**	**12.9**	**15.4**	**19.8**	**19.2**	**38.3**	**67.4**	**17.1**	12.4

Key performance indicators

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Margins										
Gross Margin	26.6	26.9	29.1	30.4	26.3	27.5	30.6	29.9	28.3	28.6
EBIT Margin	9.0	9.3	12.0	13.8	15.1	16.7	19.6	18.6	11.1	17.5
Net Margin	5.1	7.1	10.0	10.1	11.2	13.2	16.1	15.0	8.1	13.9
Operating metrics										
Headcount	20,935	21,267	21,561	21,991	21,955	21,827	22,195	23,814	21,991	23,814
Attrition (%)	15.1	16.5	17.2	17.4	16.6	13.8	12.5	12.1	17.4	12.1
Utilization	77.2	77.0	75.9	75.3	75.5	78.8	83.1	84.3	76.4	80.4
Deal win TCV (USD m)	324.0	307.0	207.0	393.0	391.0	303.0	312.0	375.0	1231.0	1381.0
Top Client (YoY %)										
Top client	13.3	12.2	26.4	33.1	43.5	35.1	22.9	16.9	21.5	28.5
Outside Top 10	10.4	13.4	6.5	-2.1	-19.3	-14.4	-6.6	3.7	6.8	-9.3
Key geographies (YoY %)										
North America	10.9	10.1	11.2	10.7	2.7	1.1	3.1	3.4	10.7	2.6

Highlights from the management commentary

4QFY21 performance and demand outlook

- MTCL reported revenue growth of 5.1% QoQ. 4QFY21 had the highest revenue and was the second consecutive quarter with over 5% sequential growth.
- Order book stood at USD1.4b in FY21. In 4QFY21, it grew 20% sequentially. The management said the deal pipeline has never been as high as it is right now.
- The pipeline continues to be robust with a healthy mix of annuity deals. Growth in FY22 should come from robust deal signings made over the past two quarters, along with expected closures in 1QFY22.
- Clients are showing a lot of interest in Data, Cloud, and other disruptive technologies. There is a sustained growth momentum and the management is confident of strong growth in FY22.
- The management aspires to deliver industry-leading double-digit growth in FY22, with EBITDA margin of over 20%.

- In the case of the BFSI vertical, it is optimistic of growth returning in 1QFY22, given that certain closures were pushed to the first quarter. It expects mid-tier clients to spend on the key areas of Cloud, Data, and Security.
- Top 2-10 clients showed a decline due to two clients in the Travel segment.
- Within Travel, the company has not lost any client and the management is seeing some greenshoots emerge. MTCL has taken up some discretionary work in terms of contact-less travel. However, a reversal of revenue in this vertical is a couple of quarters away.

Margin performance

- EBITDA margin in 4QFY21 faced: 1) negative impact of 240bp from wage hikes across the organization, 2) FX headwind of 50bp, and 3) tailwind of 150bp on the back of revenue growth and operational efficiencies.
- DSO for 4QFY21 stood at 60 days, a reduction of a day QoQ.
- Utilization in 4QFY21 increased by 120bp and stood at 84.3%, while attrition dropped to 12.1%. The spike in utilization was due to immediate demand in 4QFY21, but the same will come down.
- In terms of salary hikes, the management is looking at selective increments in FY22, but nothing has been concluded on the same. This has been factored into their EBITDA margin aspiration of over 20%.
- While customers are increasing their Digital spend, there is a cut in their legacy spends. This is why billing rates have yet not increased, but is expected to stabilize going forward.
- In the Travel vertical, the absence of price discounts to customers has led to higher margin, which is sustainable ahead.

Other highlights

- MTCL rationalized 70 tail accounts in FY21 and will continue to do so ahead.
- EBITDA-to-operating cash flow stood at 76.8%/120.5% in 4Q/FY21. Free cash flow-to-EBITDA ratio stood at 68.5%/116% in 4Q/FY21.

Exhibit 1: BFSI declined while other verticals reported sequential growth

Verticals	Contribution to revenue (%)	Growth (QoQ %)	Growth (YoY %)
Communications, Media, and Technology	49.4	4.1	18.7
BFSI	18.4	-1.3	-6.6
Manufacturing, CPG, and Retail	22.4	9.0	14.2
Travel and Hospitality	9.9	17.0	-36.7

Source: Company, MOFSL

Exhibit 2: Growth was broad based across geographies

Geographies	Contribution to revenue (%)	Growth (QoQ %)	Growth (YoY %)
North America	76.6	4.3	3.4
Continental Europe	7.1	5.1	3.5
UK and Ireland	8.6	0.9	-3.3
Asia Pacific	7.7	15.9	14.1

Source: Company, MOFSL

Exhibit 3: Data and Intelligence reported strong growth sequentially

Service offerings	Contribution to revenue (%)	Growth (QoQ %)	Growth (YoY %)
Customer success	38.6	6.5	-1.3
Data and Intelligence	16.0	12.9	10.4
Cloud	19.4	6.2	21.7
Enterprise IT	26.0	-1.7	-3.9

Source: Company, MOFSL

Valuations fair, upside limited

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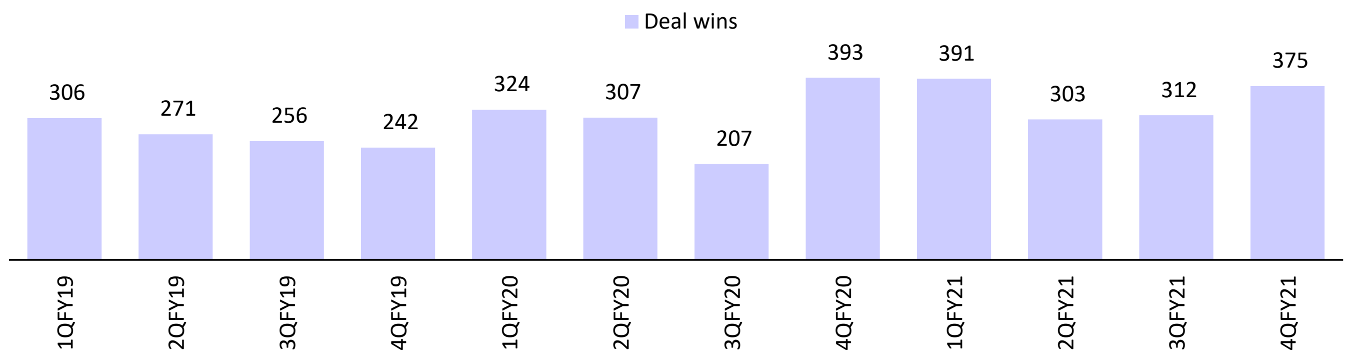
Exhibit 4: Revisions to our estimates

	Revised			Earlier			Change		
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
USD:INR	74.1	73.5	74.5	74.0	73.5	74.5	0.1%	0.0%	0.0%
Revenue (USD m)	1,077	1,281	1,469	1,074	1,254	1,426	0.2%	2.1%	3.0%
Growth (%)	(1.1)	19.0	14.7	(1.3)	16.8	13.7	20bps	220bps	100bps
EBIT margin (%)	17.5	17.4	17.5	17.3	17.6	17.6	20bps	-30bps	-20bps
PAT (INR m)	11,105	12,804	14,942	10,755	12,427	14,319	3.3%	3.0%	4.3%
EPS	67.4	77.7	90.6	65.3	75.4	86.9	3.2%	3.0%	4.3%

Source: MOFSL

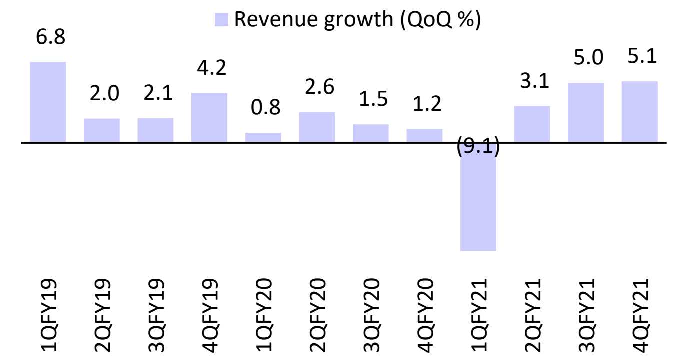
Story in charts

Exhibit 5: Robust deal wins during 4QFY21



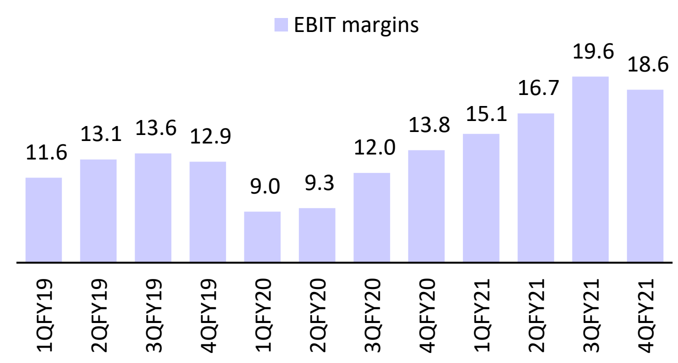
Source: Company, MOFSL

Exhibit 6: MTCL reports robust growth in 4QFY21



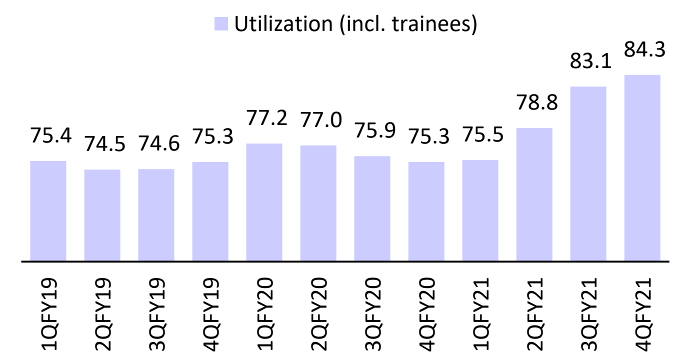
Source: Company, MOFSL

Exhibit 7: Margin declines QoQ due to wage hikes



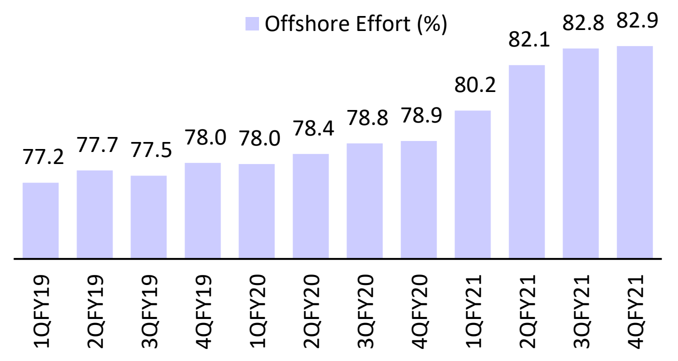
Source: Company, MOFSL

Exhibit 8: Utilization at record high



Source: Company, MOFSL

Exhibit 9: Offshoring increases marginally in 4QFY21



Source: Company, MOFSL

Operating metrics

Exhibit 10: Operating metrics

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Geographic mix (%)*												
North America						73.7	74.6	76.7	79.0	77.4	77.2	76.6
Continental Europe						8.9	8.3	7.6	6.6	7.5	7.4	7.1
UK and Ireland						8.7	8.7	7.8	6.5	7.9	7.8	8.6
Asia Pacific						8.7	8.4	7.9	7.9	7.2	7.6	7.7
Vertical mix (%)												
Hi-Tech and Media	38.9	39.3	39.4	39.6	39.4	39.8	41.5	43.1	51.0	49.8	49.9	49.4
BFSI	22.3	22.4	21.7	21.8	21.6	21.6	21.3	20.4	20.3	20.4	19.6	18.4
Manufacturing, CPG, and Retail	23.1	21.7	22.3	22.2	22.2	21.7	20.6	20.3	20.6	21.5	21.6	22.4
Travel and Hospitality	15.8	16.7	16.7	16.4	16.8	16.9	16.6	16.2	8.1	8.3	8.9	9.9
Utilization (%)												
Including trainees	75.4	74.5	74.6	75.3	77.2	77.0	75.9	75.3	75.5	78.8	83.1	84.3
Client Metrics												
No. of Active clients	339	341	340	349	346	343	320	307	292	283	276	270
New clients added	24	18	23	15	12	14	7	5	6	8	8	4
Client buckets												
USD1m clients	117	111	116	120	122	130	134	134	127	125	120	118
USD5m clients	39	44	44	45	46	47	47	47	44	43	43	44
USD10m clients	19	21	21	23	23	21	22	23	23	24	21	20
USD25m clients	4	4	4	4	4	4	5	5	5	5	4	4
USD50m clients	1	1	1	1	1	1	1	1	1	1	1	1
USD100m clients	1	1	1	1	1	1	1	1	1	1	1	1
Client contribution (%)												
Top client	19.4	20.2	20.0	19.8	20.1	20.6	23.1	24.8	30.1	28.9	28.5	28.0
Top five	32.3	33.8	33.8	33.2	33.6	33.2	36.1	37.9	42.9	40.6	39.8	38.6
Top 10	43.5	44.8	44.1	42.9	43.0	43.1	45.6	47.4	52.0	49.4	49.0	47.3
Service lines (%)*												
Customer success						41.8	39.8	40.5	39.8	38.9	38.1	38.6
Data and Intelligence						12.1	14.0	15.0	13.9	14.2	14.9	16.0
Cloud						14.5	15.9	16.5	20.1	19.0	19.2	19.4
Enterprise IT						31.6	30.3	28.0	26.2	27.9	27.8	26.0

Source: MOFSL, Company. Note: Geography and service line mix has been reclassified from 2QFY21

Financials and valuations

Income Statement (INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Sales	**46,730**	**52,365**	**54,628**	**70,215**	**77,643**	**79,678**	**94,118**	**1,09,430**
Change (%)	31.8	12.1	4.3	28.5	10.6	2.6	18.1	16.3
Cost of Services	31,591	36,500	38,192	47,997	55,686	56,862	66,858	77,639
SG&A Expenses	7,054	8,681	9,021	11,522	10,582	6,249	7,698	8,973
EBITDA	**8,085**	**7,184**	**7,415**	**10,696**	**11,375**	**16,567**	**19,562**	**22,818**
% of Net Sales	17.3	13.7	13.6	15.2	14.7	20.8	20.8	20.9
Depreciation and Amortization	1,523	1,850	1,715	1,692	2,754	2,596	3,200	3,721
Other Income	652	216	1,723	864	-333	1,013	941	1,094
PBT	**7,214**	**5,550**	**7,423**	**9,868**	**8,288**	**14,984**	**17,303**	**20,192**
Tax	1,691	1,390	1,722	2,327	1,979	3,879	4,499	5,250
Rate (%)	23.4	25.0	23.2	23.6	23.9	25.9	26.0	26.0
PAT	**5,523**	**4,160**	**5,701**	**7,541**	**6,309**	**11,105**	**12,804**	**14,942**
Change (%)	3.8	-24.7	37.0	32.3	-16.3	76.0	15.3	16.7

Balance Sheet (INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Share Capital	1,678	1,680	1,639	1,642	1,646	1,647	1,647	1,647
Other components	1,353	1,019	0	993	0	0	0	0
Reserves	21,148	23,072	25,775	30,430	29,922	41,543	48,585	56,803
Net Worth	**24,179**	**25,771**	**27,414**	**33,065**	**31,568**	**43,190**	**50,232**	**58,450**
Loans	829	991	3,009	10	0	0	0	0
Long term liabilities	832	301	85	174	6,762	4,498	5,313	6,178
Capital Employed	**25,840**	**27,063**	**30,508**	**33,249**	**38,330**	**47,688**	**55,546**	**64,628**
Gross Block	13,342	14,288	15,988	12,321	14,321	16,421	18,921	21,421
Less: Depreciation	6,327	7,995	9,710	889	3,643	6,239	9,439	13,160
Net Block	**7,015**	**5,942**	**5,121**	**5,234**	**9,496**	**8,250**	**7,550**	**6,329**
Goodwill	4,815	4,470	4,539	4,732	4,732	4,732	4,732	4,732
Other LT Assets	2,578	2,826	2,616	2,952	3,985	3,717	4,391	5,105
Investments	62	58	58	1,200	804	1,161	1,161	1,161
Curr. Assets	**18,278**	**20,610**	**25,031**	**27,672**	**32,549**	**45,754**	**56,180**	**67,367**
Current Investments	2,016	5,869	10,287	6,920	8,905	19,307	21,307	23,307
Debtors	11,860	11,187	10,155	16,347	17,194	15,665	19,752	22,965
Cash and Bank Balance	2,332	2,508	3,289	2,562	3,909	7,597	11,407	16,777
Other Current Assets	2,070	1,046	1,283	1,843	2,541	3,144	3,714	4,318
Current Liab. and Prov.	**6,908**	**6,843**	**6,857**	**8,541**	**13,236**	**15,926**	**18,468**	**20,066**
Trade payables	1,889	1,651	1,710	2,131	2,587	2,676	4,384	5,097
Other liabilities	4,269	4,087	3,929	5,666	8,925	11,023	11,454	11,911
Provisions	750	1,105	1,218	744	1,724	2,227	2,631	3,059
Net Current Assets	**11,370**	**13,767**	**18,174**	**19,131**	**19,313**	**29,828**	**37,712**	**47,301**
Application of Funds	**25,840**	**27,063**	**30,508**	**33,249**	**38,330**	**47,688**	**55,546**	**64,628**

E: MOSL estimates

Financials and valuations

Ratios								
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Basic (INR)								
EPS	**32.9**	**24.7**	**34.2**	**45.8**	**38.3**	**67.4**	**77.7**	**90.6**
Cash EPS	41.9	35.7	44.5	56.1	55.1	83.1	97.1	113.2
Book Value	144.2	153.5	164.9	201.5	191.9	262.2	305.0	354.8
DPS	10.5	10.0	9.0	33.0	16.0	25.0	35.0	40.8
Payout (%)	32.0	40.4	26.3	72.0	41.7	37.1	45.0	45.0
Valuation (x)								
P/E	62.2	82.7	59.8	44.6	53.4	30.4	26.3	22.6
Cash P/E	48.8	57.2	45.9	36.4	37.1	24.6	21.1	18.1
EV/EBITDA	42.0	46.8	44.4	30.5	28.4	18.7	15.6	13.0
EV/Sales	7.3	6.4	6.0	4.6	4.2	3.9	3.2	2.7
Price/Book Value	14.2	13.3	12.4	10.2	10.7	7.8	6.7	5.8
Dividend Yield (%)	0.5	0.5	0.4	1.6	0.8	1.2	1.7	2.0
Profitability Ratios (%)								
RoE	24.3	16.7	21.4	24.9	19.5	29.7	27.4	27.5
RoCE	21.5	15.6	16.3	22.7	18.3	24.1	23.5	23.5
Turnover Ratios								
Debtors (Days)	93	78	68	85	81	72	77	77
Fixed Asset Turnover (x)	6.7	8.8	10.7	13.4	8.2	9.7	12.5	17.3

Cash Flow Statement								(INR m)
Y/E March	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
CF from Operations	6,651	5,318	6,477	8,716	9,792	13,868	15,063	17,568
Cash for Working Capital	-2,211	902	-819	-2,371	-1,541	6,092	-1,932	-2,069
Net Operating CF	**4,440**	**6,220**	**5,658**	**6,345**	**8,251**	**19,960**	**13,131**	**15,499**
Net Purchase of FA	-1,315	-846	-1,011	-1,759	-1,220	-160	-2,500	-2,500
Free Cash Flow	**3,125**	**5,374**	**4,647**	**4,586**	**7,031**	**19,800**	**10,631**	**12,999**
Net Purchase of Invest.	-2,928	-3,687	-989	-225	991	-11,673	-1,059	-906
Net Cash from Invest.	**-4,243**	**-4,533**	**-2,000**	**-1,984**	**-229**	**-11,833**	**-3,559**	**-3,406**
Proc. from equity issues	24	8	1	3	4	1	0	0
Proceeds from LTB/STB	407	550	1,906	-3,044	-1,024	-1,346	0	0
Dividend Payments	-2,151	-1,934	-4,782	-2,180	-5,940	-2,880	-5,762	-6,724
Cash Flow from Fin.	**-1,720**	**-1,376**	**-2,875**	**-5,221**	**-6,960**	**-4,225**	**-5,762**	**-6,724**
Exchange difference	92	-135	-2	133	285	-214	0	0
Net Cash Flow	**-1,431**	**176**	**781**	**-727**	**1,347**	**3,688**	**3,810**	**5,369**
Opening Cash Bal.	**3,763**	**2,332**	**2,508**	**3,289**	**2,562**	**3,909**	**7,597**	**11,407**
Add: Net Cash	-1,431	176	781	-727	1,347	3,688	3,810	5,369
Closing Cash Bal.	**2,332**	**2,508**	**3,289**	**2,562**	**3,909**	**7,597**	**11,407**	**16,776**

E: MOSL estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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