

# Tech Mahindra

Estimate change 

TP change 

Rating change 

**CMP: INR962**

**TP: INR 1,095 (+14%)**

**Neutral**

## Inexpensive valuation with elevated operational risk

### Margin to undershoot expectations

Bloomberg	TECHM IN
Equity Shares (m)	919
M.Cap.(INRb)/(USDb)	930.5 / 13
52-Week Range (INR)	1081 / 461
1, 6, 12 Rel. Per (%)	2/21/7
12M Avg Val (INR M)	3642

### Financials & Valuations (INR b)

Y/E Mar	2021E	2022E	2023E
Sales	383	435	488
EBIT Margin (%)	13.9	14.6	14.8
PAT	46	53	60
EPS (INR)	52.6	60.4	68.6
EPS Gr. (%)	8.8	14.8	13.6
BV/Sh. (INR)	283.4	322.8	367.4

### Ratios

RoE (%)	19.9	20.1	20.0
RoCE (%)	19.0	20.3	20.4
Payout (%)	35.0	35.0	35.0

### Valuations

P/E (x)	18.1	15.8	13.9
P/BV (x)	3.4	3.0	2.6
EV/EBITDA (x)	10.9	9.0	7.6
Div Yield (%)	1.9	2.2	2.5

### Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	35.8	35.8	35.9
DII	13.7	14.4	13.1
FII	39.1	38.0	39.8
Others	11.5	11.8	11.3

FII Includes depository receipts

- TECHM's 3QFY21 USD revenue growth of 2.8% QoQ CC came in ahead of our expectation as it continued to benefit from strong demand in its BPO business (+11% QoQ), which accounted for half of incremental growth in the second consequent quarter. Performance in the Communications vertical improved with 3.6% QoQ CC growth, while Enterprise was up 2.6%.
- New deal wins rose marginally to USD455m, although TECHM continued to see a record high deal pipeline, including in 5G Network services.
- We were surprised by the 170bp QoQ EBIT margin expansion in 3Q as it was on top of ~400bp increase in 2QFY21. TECHM achieved it through stretching its utilization (+200bp) to a record high of 87% along with a ~2% reduction in employees.
- While we expect TECHM to deliver double-digit revenue growth in FY22E, helped by healthy order book and improving demand environment, it should continue to lag its peers (FY22E USD growth of 13% v/s ~18% YoY for INFO) as the initial ramp up in 5G would be in the smaller Network Services space.
- While TECHM's margin performance has been excellent, we see elevated risk on account of the stretched supply-side position. It should have a high impact from expected tightening of industry talent supply in CY21-22 due to less aggressive talent interventions v/s peers who have proactively given variable pay and a full wage hike.
- As the business is running at elevated operational levers (utilization, employee expenses, etc.), we expect some normalization in EBITDA margin from 4QFY21. We upgrade our FY21E/FY22E/FY23E EPS estimate by 11%/7%/10% as we consider strong margin beat during 3QFY21 and factor it in for our FY22E/FY23E margins. Our TP implies 16x FY23E EPS. **Remain Neutral.**

### Strong operational performance; big beat on margin

- Revenue declined 3.3% YoY in 3QFY21 (in line). EBIT increased 30% YoY v/s our estimate of 13%. PAT grew 14% v/s our expectation of a 5% decline.
- In dollar terms, revenue grew 3.4% QoQ to USD1,309m, which is marginally ahead of our estimate of USD1,294m.
- This implies a CC revenue growth of 2.8% QoQ.
- In CC terms, Communications had a strong quarter, up 3.6% QoQ, while Enterprises grew 2.6%.
- Among verticals, growth was led by Retail, Transportation, and Logistics at 8.4% QoQ. Communication/Manufacturing saw strong growth at +4.4%/+4.2% QoQ. TMT remained flat sequentially after posting strong growth in the previous two quarters.
- BPO (11% of revenue) again drove 50% of the growth, while IT Services was up 2.5% QoQ.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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- EBIT margin stood at 15.9%, up +170bp QoQ and 190bp above our estimate. Historically, the quarter sees high utilization (87%) and attrition (12%), however both improved by 200bp.
- PAT was up 23% QoQ and 14% YoY to INR13.1b.
- Total TCV stood at USD455m, of which USD352m/USD104m was in Enterprise/Communications.
- FCF stood at USD226m, implying a FCF-to-PAT ratio of 127.2%.
- DSO at 97 days was the lowest in four years.
- Headcount of software professionals declined by 778 QoQ to 68,734. BPO headcount too fell by 1,630 in 3QFY21 to 46,832. Overall headcount decreased by 2,357 QoQ to 121,901.
- LTM attrition was the lowest at 12%.

#### Key highlights from the management commentary

- Net new deal wins in 3QFY21 stood at USD455m and is expected to improve going forward. The Communications segment saw temporary postponements. However, the management expects strong growth in deals wins and deals to ramp up.
- A large part of margin expansion was on account of offshoring and other operational metrics (80bp). The balance is due to operating leverage. Utilization levels are expected to normalize going forward. The management intends to offer standard wage hikes over the next couple of quarters starting from 4QFY21.
- 5G has more than a double-digit share in the Network business, which is driving growth in Telecom. The management is seeing 5G Networks within Enterprises.

#### Valuation and view – A further re-rating would require a pick-up in revenue

- TECHM's high exposure to the Communications vertical remains a potential opportunity as a broader 5G rollout can lead to a new spending cycle in this space. However, significant traction from the same isn't visible yet.
- While EBITDA margin has seen a very strong improvement, the management has maintained their 15% guidance band (although with an upside bias). For normalization of EBITDA margin, it would need to invest back in the business (utilization, employee wage hikes, etc.) after keeping a tight leash on the same during 9MFY21.
- We expect TECHM to deliver double-digit growth in FY22. However, the extent of the same is likely to be lower than its peers. We expect some normalization in margin, which would lead to a lower P/E multiple. We value the stock at 16x FY23E EPS, a 40% discount to our target P/E for TCS. **Remain Neutral.**

## Quarterly performance

(INR b)

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue (USD m)	1,247	1,287	1,353	1,295	1,208	1,265	1,309	1,361	5,182	5,143	1,294	1.1
QoQ (%)	-1.6	3.2	5.1	-4.3	-6.7	4.8	3.4	4.0	4.3	-0.8	2.3	117bp
Revenue (INR b)	87	91	97	95	91	94	96	102	369	383	95	1.0
YoY (%)	4.6	5.1	7.9	6.7	5.2	3.3	-0.1	7.6	6.1	4.0	-1.1	101bp
GPM (%)	28.8	29.6	30.3	29.5	28.5	31.4	32.9	31.7	29.5	31.2	31.4	152bp
SGA (%)	13.6	13.0	14.1	15.3	14.2	13.3	13.3	13.0	14.0	13.4	13.3	-2bp
EBITDA	13	15	16	13	13	17	19	19	57	68	17	9.7
EBITDA Margin (%)	15.2	16.5	16.2	14.2	14.3	18.2	19.6	18.7	15.5	17.8	18.1	155bp
EBIT	10	12	12	9	9	13	15	15	43	53	13	15.0
EBIT Margin (%)	11.5	12.8	12.2	10.0	10.1	14.2	15.9	14.9	11.6	13.9	14.0	193bp
Other income	3	2	3	2	4	1	2	2	10	8	1	87.8
ETR (%)	25.9	16.9	24.6	20.2	25.5	24.6	24.8	24.5	22.0	24.8	24.0	84bp
PAT	10	11	11	10	10	11	13	13	43	46	11	20.2
QoQ (%)	-15.3	17.2	2.0	-10.9	-4.8	9.5	23.0	-1.8			2.4	2064bp
YoY (%)	6.8	5.6	-4.7	-9.8	1.3	-5.3	14.3	25.9	-1.1	9.0	-4.9	1917bp
EPS (INR)	10.9	12.8	13.0	11.6	11.1	12.1	14.9	14.6	48.3	52.6	12.4	19.9

## Key performance indicators

Y/E March	FY20				FY21				FY20	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue (QoQ CC, %)	-1.0	4.1	4.3	-3.3	-6.3	2.9	2.8		5.6	
<b>Margins (%)</b>										
Gross Margin	28.8	29.6	30.3	29.5	28.5	31.4	32.9	31.7	29.5	31.2
EBITDA margin	15.2	16.5	16.2	14.2	14.3	18.2	19.6	18.7	15.5	17.8
EBIT Margin	11.5	12.8	12.2	10.0	10.1	14.2	15.9	14.9	11.6	13.9
Net Margin	11.1	12.4	11.9	10.8	10.7	11.4	13.6	12.6	11.5	12.1
<b>Operating Metrics</b>										
Headcount (k)	126	132	131	125	123	124	122		125	
Util. excl. trainees (%)	82.0	83.0	85.0	84.0	82.0	85.0	87.0		83.5	
Attrition (%)	21.0	21.0	20.0	19.0	17.0	14.0	12.0		19.0	
Offshore rev. (%)	34.7	34.6	34.7	34.8	36.0	37.0	37.0		34.7	
Deal TCV (USD m)	475	1490	1230	505	290	421	455		3,700	
<b>Key Verticals (QoQ, %)</b>										
Communication	-3.2	1.0	8.9	-8.4	-8.6	3.0	4.5		5.3	
Enterprise	-0.4	5.0	2.3	-1.3	-5.5	6.0	2.7		3.6	
<b>Key Geographies (QoQ, %)</b>										
North America	0.9	5.2	4.9	-5.7	-3.6	2.9	0.0		6.0	
Europe	-5.0	-0.2	6.3	-6.1	-9.2	2.4	8.3		-4.0	

## Key highlights from the management commentary

## Growth and demand outlook

- TECHM reported 2.8% QoQ growth in CC terms, with a tailwind of 60bp.
- Net new deal wins in 3QFY21 stood at USD455m and is expected to improve going forward. Of this, one deal pertains to Network services for a 5G rollout.
- The Communications segment saw temporary postponements. However, the management expects strong growth in deals wins and deals to ramp up.
- Within Europe, there has been an extraordinary focus on Cloud, Data Management, and AI. The geography had a few bad quarters, but is now seeing a recovery.

- BPS had a very strong quarter. Quarterly revenue has doubled over the past 15 quarters. The management sees some opportunities in 4QFY21 as it is sitting on its best ever pipeline. The business is gaining market share and the management is very positive on its outlook for FY22.
- In terms of funnel conversion, TECHM expects 4Q to be better than 3Q FY21.
- The company has one of the best deal pipelines in the past six quarters.

### 5G rollouts

- TECHM has won a large deal of USD50m for layer modernization in Networks during 3QFY21.
- In the overall Network business, 5G continues to increase and the management continues to transform the Network portfolio.
- 5G has more than a double-digit share in the Network business, which is driving growth in Telecom. The management is seeing 5G Networks within Enterprises.

### Margin drivers and outlook

- EBITDA currently stands at a 24-quarter high with a 140bp QoQ expansion.
- A large part of this expansion was on account of offshoring and other operational metrics (80bp). The balance is due to operating leverage.
- Utilization levels are expected to normalize going forward.
- The management intends to offer standard wage hikes over the next couple of quarters starting from 4QFY21.
- It expects some pressure on margin as costs return, but is confident that operational efficiency would be enough to compensate for this.
- The management is confident it would be able to sustain margins in 4QFY21.
- It has guided at a margin band of 14-15% for FY22.

### Other highlights

- FCF conversion for 3QFY21 stood at 127%.
- TECHM's continued focus and support of customers have helped reduce DSO by 17 days over the past 2-3 quarters.
- The company has started campus recruitments and expects headcount to return to previous levels. The management expects more than 5,000 additions over the next few quarters.

### Exhibit 1: TME and BFSI report flattish performance while others grew sequentially

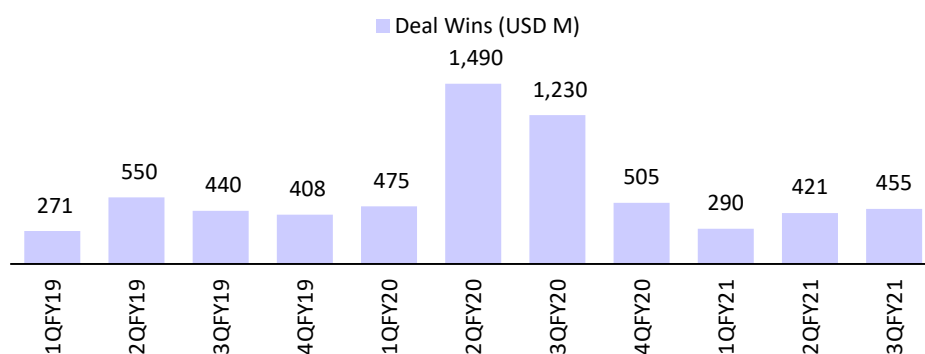
Verticals	Contribution to rev (%)	Growth (QoQ %)
Telecom	39.7	4.5
Manufacturing	16.3	4.7
Tech   Media   Entertainment	9.4	-0.8
BFSI	16	0.9
Retail   Transport   Logistics	7.9	8.9
Others	10.7	1.5

**Exhibit 2: Europe and RoW posted robust growth while Americas was flat**

Geographies	Contribution to revenue (%)	Growth (QoQ %)
Americas	46.8	0.0
Europe	26.4	8.3
Rest of World	26.8	5.0

**Exhibit 3: TECHM witnesses sequential decline in top 11-20 bucket**

	Contribution to revenue (%)	Growth (QoQ %)
Top 5	22.0	3.4
Top 10	31.0	6.9
Top 20	42.0	1.0

**Exhibit 4: Deal wins rose sequentially, but below FY20 trend**

Source: MOFSL, Company

**Valuation and view – A further re-rating would require a pick-up in revenue**

- TECHM's high exposure to the Communications vertical remains a potential opportunity as a broader 5G rollout can lead to a new spending cycle in this space. However, significant traction from the same isn't visible yet.
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**Exhibit 5: Revisions to our estimates**

	Revised			Earlier			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
USD:INR	74.6	75.0	75.0	74.6	75.0	75.0	0.0%	0.0%	0.0%
Revenue (USD m)	5,143	5,806	6,502	5,109	5,746	6,351	0.7%	1.0%	2.4%
Growth (%)	(0.8)	12.9	12.0	(1.4)	12.5	10.5	60bp	40bp	140bp
EBIT margin (%)	13.9	14.6	14.8	12.6	13.6	13.6	130bp	100bp	110bp
PAT (INR b)	46	53	60	42	50	55	11.5%	7.1%	10.0%
EPS	52.6	60.4	68.6	47.3	56.5	62.5	11.3%	6.9%	9.8%

Source: MOFSL, Company

## Exhibit 6: Operating metrics

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
<b>Revenue by Geography (%)</b>											
Americas	48.2	47.0	47.4	46.4	47.6	48.5	48.4	47.7	49.3	48.4	46.8
Europe	30.0	29.6	28.9	28.6	27.6	26.7	27.0	26.5	25.8	25.2	26.4
Rest of World	21.9	23.4	23.7	24.9	24.8	24.9	24.6	25.8	24.9	26.4	26.8
<b>Vertical Split (%)</b>											
Telecom	39.6	41.5	41.1	42.7	42.0	41.1	42.6	40.8	40.0	39.3	39.7
Manufacturing	20.0	20.1	20.5	20.2	19.4	18.0	17.3	17.7	16.8	16.1	16.3
Tech   Media   Entertainment	7.2	7.3	7.0	7.5	7.6	8.1	7.6	7.4	9.0	9.8	9.4
BFSI	13.6	13.5	13.4	13.1	12.8	13.0	13.2	15.3	15.7	16.4	16.0
Retail   Transport   Logistics	6.1	6.5	6.7	6.4	6.2	7.0	7.2	7.3	7.3	7.5	7.9
Others	13.5	11.1	11.3	10.1	12.0	12.8	12.1	11.5	11.2	10.9	10.7
<b>On-site-Offshore Mix (%)</b>											
On-site	66.6	64.5	65.5	65.2	65.3	65.4	65.3	65.2	64.0	63.0	63.0
Offshore	33.4	35.5	34.5	34.8	34.7	34.6	34.7	34.8	36.0	37.0	37.0
<b>Client Metrics</b>											
No. of active clients	926	930	935	938	941	946	964	973	981	988	997
% of repeat business	98.5	97.4	94.6	88.7	97.7	94.8	91.2	86.1	97.0	95.0	94.0
<b>No. of million dollar clients</b>											
USD1m+	396	407	416	425	429	437	446	446	451	460	454
USD5m+	154	157	157	156	160	155	164	160	161	165	162
USD10m+	86	86	88	83	81	80	83	85	81	82	83
USD20m+	47	45	46	50	49	49	50	49	48	50	50
USD50m+	16	17	18	20	21	22	22	22	21	21	21
<b>Client concentration (%)</b>											
Top 5 Clients	21.9	23.3	22.6	22.8	21.4	21.6	22.3	21.4	22.0	22.0	22.0
Top 6-10	10.6	9.4	9.0	9.2	9.3	9.9	8.7	9.6	9.0	8.0	9.0
Top 11-20	13.7	12.9	12.4	13.1	12.9	12.1	11.1	12.6	12.0	13.0	11.0
<b>Headcount</b>											
Software professionals	72,462	72,534	71,785	71,477	74,093	72,597	73,079	71,515	71,020	69,512	68,734
BPO	34,700	39,407	43,439	43,081	45,000	52,193	51,096	46,816	45,554	48,462	46,832
Sales and support	6,390	6,450	6,618	6,524	6,680	6,732	6,664	6,905	6,842	6,284	6,335
Total	1,13,552	1,18,391	1,21,842	1,21,082	1,25,773	1,31,522	1,30,839	1,25,236	1,23,416	1,24,258	1,21,901
IT Attrition (LTM %)	19	20	21	21	21	21	20	19	17	14	12
IT Utilization (%)	81	81	82	82	80	82	84	83	82	85	87
IT Utilization (excl. trainees)	84	83	83	82	82	83	85	84	82	85	87
DSO - incl. unbilled	108	112	107	102	110	114	112	112	107	97	95
Borrowings (USD m)	363.2	353.3	316.0	288.5	296.1	311.4	288.9	326.7	280.0	230.0	262.0
Cash and Cash Equivalent (USD m)	1,228.7	1,089.8	1,251.8	1,401.4	1,216.0	1,066.5	1,154.0	1,164.3	1,378.0	1,564.0	1,625.0
Capital Expenditure (USD m)	27.7	21.3	31.6	29.2	29.4	31.1	31.8	26.9	26.0	34.0	16.0

Source: Company, MOFSL

## Financials and valuations

### Income Statement

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Sales</b>	<b>265</b>	<b>291</b>	<b>308</b>	<b>347</b>	<b>369</b>	<b>383</b>	<b>435</b>	<b>488</b>
Change (%)	17.9	10.0	5.6	12.9	6.1	4.0	13.6	12.0
COGS	183	206	215	234	260	264	296	329
SGA expenses	39	44	45	50	52	51	59	68
Total Expenses	222	250	261	284	311	315	355	397
<b>EBITDA</b>	<b>43</b>	<b>42</b>	<b>47</b>	<b>63</b>	<b>57</b>	<b>68</b>	<b>80</b>	<b>91</b>
% of Net Sales	16.1	14.4	15.3	18.2	15.5	17.8	18.4	18.6
Depreciation	8	10	11	11	14	15	17	19
Other Income	4	6	12	3	10	8	7	7
<b>PBT</b>	<b>39</b>	<b>39</b>	<b>49</b>	<b>55</b>	<b>53</b>	<b>61</b>	<b>70</b>	<b>79</b>
Tax	8	10	11	13	12	15	17	19
Rate (%)	20.9	25.4	22.4	22.6	22.0	24.8	24.5	24.5
<b>PAT</b>	<b>31</b>	<b>29</b>	<b>38</b>	<b>43</b>	<b>41</b>	<b>46</b>	<b>53</b>	<b>60</b>
Minority interest	0	0	0	0	-1	-1	0	-1
Share from associates	0	0	0	0	0	0	0	0
<b>PAT before EO</b>	<b>31</b>	<b>28</b>	<b>38</b>	<b>43</b>	<b>43</b>	<b>46</b>	<b>53</b>	<b>60</b>
Change (%)	18.0	-7.4	33.9	13.1	-1.1	9.0	14.8	13.6
Extraordinary Items (EO)	0	0	0	0	-2	0	0	0
<b>Reported PAT</b>	<b>31</b>	<b>28</b>	<b>38</b>	<b>43</b>	<b>40</b>	<b>46</b>	<b>53</b>	<b>60</b>
Change (%)	16.7	-7.4	33.9	13.1	-6.2	14.9	14.8	13.6

### Balance Sheet

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	5	4	4	4	4	4	4	4
Reserves	139	160	184	198	214	243	278	317
<b>Net Worth</b>	<b>144</b>	<b>164</b>	<b>188</b>	<b>203</b>	<b>218</b>	<b>248</b>	<b>282</b>	<b>321</b>
Minority Interest	2	5	5	5	4	4	4	4
Loans	10	12	17	14	24	24	24	24
Other LT liabilities	6	12	12	9	28	29	32	36
Amount pending invest.	12	12	12	12	12	12	12	12
<b>Capital Employed</b>	<b>174</b>	<b>205</b>	<b>235</b>	<b>243</b>	<b>287</b>	<b>317</b>	<b>355</b>	<b>397</b>
<b>Applications</b>								
<b>Assets</b>	<b>50</b>	<b>68</b>	<b>79</b>	<b>73</b>	<b>89</b>	<b>83</b>	<b>76</b>	<b>69</b>
Investments	13	7	15	12	2	2	2	2
Other non-current assets	23	22	30	33	50	52	59	66
<b>Curr. Assets</b>	<b>150</b>	<b>163</b>	<b>181</b>	<b>216</b>	<b>232</b>	<b>268</b>	<b>316</b>	<b>369</b>
Debtors	58	53	65	70	76	77	89	102
Cash and Bank Balance	76	83	94	119	88	120	146	175
Other Current Assets	16	27	22	28	68	72	82	91
<b>Current Liab. and Prov.</b>	<b>62</b>	<b>56</b>	<b>70</b>	<b>91</b>	<b>87</b>	<b>89</b>	<b>99</b>	<b>110</b>
<b>Net Current Assets</b>	<b>88</b>	<b>108</b>	<b>111</b>	<b>124</b>	<b>145</b>	<b>180</b>	<b>217</b>	<b>260</b>
<b>Application of Funds</b>	<b>174</b>	<b>205</b>	<b>235</b>	<b>243</b>	<b>287</b>	<b>317</b>	<b>355</b>	<b>397</b>

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Basic (INR)</b>								
EPS	35.3	32.4	43.0	48.5	48.7	53.0	60.8	69.1
Diluted EPS	35.3	31.9	42.7	47.7	48.3	52.6	60.4	68.6
Cash EPS	44.1	42.9	54.8	60.3	62.3	69.6	79.2	89.7
Book Value	166.1	187.9	213.4	228.7	249.9	283.4	322.8	367.4
DPS	12.0	9.0	14.0	14.0	15.0	18.4	21.1	24.0
Payout (%)	34.0	28.2	32.8	29.3	31.0	35.0	35.0	35.0
<b>Valuation (x)</b>								
P/E	27.2	29.6	22.3	19.8	19.7	18.1	15.8	13.9
Cash P/E	21.8	22.4	17.5	15.9	15.4	13.8	12.1	10.7
EV/EBITDA	18.0	18.4	16.4	11.8	13.5	10.9	9.0	7.6
EV/Sales	2.9	2.6	2.5	2.2	2.1	1.9	1.7	1.4
Price/Book Value	5.8	5.1	4.5	4.2	3.8	3.4	3.0	2.6
Dividend Yield (%)	1.2	0.9	1.5	1.5	1.6	1.9	2.2	2.5
<b>Profitability Ratios (%)</b>								
RoE	23.0	18.4	21.5	22.0	20.2	19.9	20.1	20.0
RoCE	22.9	17.7	17.2	22.8	17.3	19.0	20.3	20.4
<b>Turnover Ratios</b>								
Debtors (Days)	79	67	77	73	75	73	75	77
Fixed Asset Turnover (x)	5.3	4.3	3.9	4.7	4.1	4.6	5.7	7.1
<b>Leverage Ratio</b>								
Debt/Equity Ratio (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

### Cash Flow Statement

(INR b)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
CF from Operations	36	35	43	55	49	61	70	78
Change in Working Capital	-5	6	-8	-11	-5	-4	-15	-16
<b>Net Operating CF</b>	<b>31</b>	<b>41</b>	<b>36</b>	<b>44</b>	<b>44</b>	<b>57</b>	<b>54</b>	<b>62</b>
Net Purchase of FA	-9	-8	-8	-8	-8	-9	-10	-11
<b>Free Cash Flow</b>	<b>23</b>	<b>33</b>	<b>28</b>	<b>37</b>	<b>35</b>	<b>48</b>	<b>44</b>	<b>51</b>
Net Purchase of Invest.	-6	-21	-26	-13	19	-30	-30	-30
<b>Net Cash from Invest.</b>	<b>-15</b>	<b>-29</b>	<b>-34</b>	<b>-21</b>	<b>10</b>	<b>-39</b>	<b>-40</b>	<b>-41</b>
Inc./ (Dec.) in Equity	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	0	-4	6	-6	-19	0	0	0
Dividend Payments	-6	-12	-9	-17	-25	-16	-18	-21
<b>Cash Flow from Fin.</b>	<b>-5</b>	<b>-16</b>	<b>-3</b>	<b>-23</b>	<b>-43</b>	<b>-16</b>	<b>-18</b>	<b>-21</b>
Other adjustments	-12	0	0	0	1	0	0	0
<b>Net Cash Flow</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>1</b>	<b>11</b>	<b>2</b>	<b>-4</b>	<b>0</b>
<b>Opening Cash Balance</b>	<b>24</b>	<b>24</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>31</b>	<b>34</b>	<b>29</b>
Add: Net Cash	0	-4	0	1	11	2	-4	0
<b>Closing Cash Balance</b>	<b>24</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>31</b>	<b>34</b>	<b>29</b>	<b>29</b>



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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