

# HCL Technologies

Estimate change

TP change

Rating change



**CMP: INR1,038**

**TP: INR1,250 (+20%)**

**Buy**

## Defensive portfolio to help navigate macro headwinds

### ER&D slowdown leads to 4QFY23 miss

Bloomberg	HCLT IN
Equity Shares (m)	2714
M.Cap.(INRb)/(USDb)	2815.6 / 34.3
52-Week Range (INR)	1157 / 876
1, 6, 12 Rel. Per (%)	-9/2/-8
12M Avg Val (INR M)	3392

### Financials & Valuations (INR b)

Y/E Mar	2023	2024E	2025E
Sales	1,015	1,115	1,253
EBIT Margin (%)	18.2	18.4	18.8
PAT	148	164	188
EPS (INR)	54.8	60.6	69.3
EPS Gr. (%)	10.0	10.6	14.4
BV/Sh. (INR)	242	239	235

### Ratios

RoE (%)	23.3	25.3	29.3
RoCE (%)	21.1	23.2	27.1
Payout (%)	87.6	90.0	90.0

### Valuations

P/E (x)	18.9	17.1	15.0
P/BV (x)	4.3	4.4	4.4
EV/EBITDA (x)	12.1	11.0	9.6
Div Yield (%)	4.6	5.3	6.0

### Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	60.7	60.7	60.3
DII	15.9	16.5	13.8
FII	18.5	17.4	20.6
Others	4.9	5.3	5.3

FII Includes depository receipts

- HCL Technologies (HCLT)'s 4QFY23 revenue declined 1.2% QoQ in constant currency (CC), dragged by seasonal weakness in Software business (-14.6% QoQ in CC) along with a sudden ramp down in ER&D vertical (-3.8% QoQ in CC). IT Services, however, grew by a reasonable 1.6% QoQ in CC despite slowing demand environment. Net new deal TCV was also soft at USD2.1b (down 12% QoQ and 8% YoY) in 4Q, while FY23 TCV (USD8.86b) was up 6.7% YoY. Management guided for FY24 USD revenue growth of 6-8% YoY in CC (6.5%-8.5% YoY in CC for Services).
- EBIT margin for 4QFY23 (at 18.2%, down 140bp QoQ) was in line and dipped due to seasonal weakness in Software business coupled with the adverse impact from revenue decline in ER&D business. Management guided for FY24 EBIT margin to be in the 18-19% range and it maintained its medium-term margin aspiration of 19-20%.
- While HCLT's IT Services vertical (+1.6% QoQ in CC) fared better than its larger peers (TCS and INFO), cutbacks in discretionary spends in tech and telecom verticals hit ER&D and overall Services business (up 0.6% YoY in CC). With continued traction in renewals and vendor consolidation, we expect the IT services vertical to deliver decent growth of 8.5% YoY in CC despite muted TCV (book-to-bill of 0.6x). The ER&D business should remain soft in 1QFY24E, which would pull down the performance of Services segment to 7.3% YoY in CC in FY24E, a little below the mid-point of its guidance.
- There is a visible weakness in macro with delays in decision making and cuts in discretionary spending. Management suggested that 'Run the Business' spends are not impacted though. There is increased traction in cost takeout and vendor consolidation deals. Though there will be a few mega deals starting in 1QFY24, we expect growth to be back-ended for FY24.
- HCLT has delivered good margin improvement over the last few quarters. Its guidance of 18-19% EBIT margin in FY24, despite the prevailing uncertainties and larger share of cost take out deals in pipeline, suggests good cost control measures. We expect HCLT to deliver an FY24 EBIT margin of 18.4% and further improve this to 18.8% in FY25.
- We continue to view HCLT's defensive business as positive in a demand-constrained environment. On a combined basis, HCLT is expected to deliver USD revenue growth of 10.2% and a corresponding PAT CAGR of 12.5% over FY23-25. The stock is currently trading at an inexpensive 15x FY25E EPS.
- We have cut our EPS estimates by 3-4% to account for 4QFY23 miss and weak macro. Reiterate **BUY** with a TP of INR1,250 (based on 18x FY25E EPS).

### Revenue misses estimates; margins in line

- Revenue declined 1.2% QoQ in CC and 0.3% in USD terms v/s our estimate of 0.6%. New deal TCV stood at USD2.1b (down 12% QoQ and 8% YoY) in 4Q.
- For FY23, HCLT delivered USD Revenue/INR EBIT/INR PAT growth of 9.6%/14.3%/9.9%.

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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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- FY23 OCF to Net Income stood at 121%. Cash and Cash equivalents were at USD2.5b.
- For FY24, revenue growth guidance was at 6-8% YoY in CC (6.5-8.5% CC for Services). Management guided EBIT margin at 18.0-19.0% in FY24.
- HCLT's EBIT margin was in line at 18.2%, down 140bp QoQ in 4QFY23.
- LTM attrition was down 220bp QoQ to 19.5%. HCLT added 3.7k employees in 4QFY23.
- Management declared a dividend of INR18/share bringing the full-year (FY23) dividend at INR48. This translates into 87.5% payout.
- FCF/Net Income conversion remains strong at 110%

#### Key highlights from the management commentary

- For ER&D, management saw the impact in technology and telecom due to cuts in discretionary spends. The weakness is expected to continue in 1QFY24 too.
- The macro environment remains a concern. HCLT is seeing delays and ramp downs on discretionary spends. However, it does not see much stress on 'Run the Business' services.
- Client budgets are contracting for industries that are witnessing high inflation. Clients are adjusting to the new budgets.
- There is a huge uptick in cost optimization and vendor consolidation deals in pipeline.
- HCLT hired 25k+ freshers in FY23 and sees good opportunity for improvement there. It will continue to hire high number of freshers over the next 2-3 years.

#### Valuations offer a margin of safety; reiterate BUY

- Higher exposure to Cloud, which comprises a larger share of non-discretionary spends, offers a better resilience to its portfolio in the current context, with higher demand for Cloud, Network, Security, and Digital workplace services.
- An easing supply scenario and a strong margin trajectory provide comfort on margins for the company.
- Given its capabilities in the IMS and Digital space along with strategic partnerships and investments in Cloud, we expect HCLT to emerge stronger on the back of healthy demand for these services in the medium term. The stock is trading at ~15x FY25E EPS, which offers a margin of safety. Our TP of INR1,250 is based on 18x FY25E EPS. We reiterate our **BUY** rating.

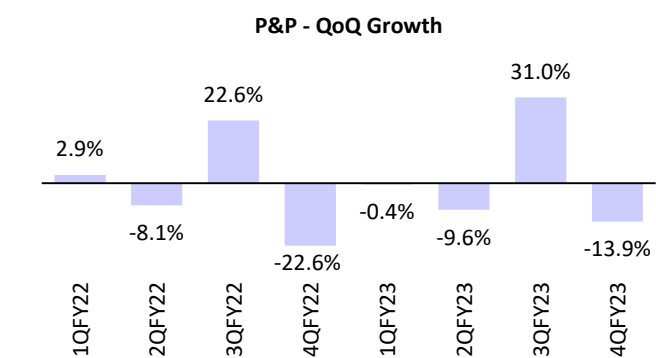
#### Quarterly performance

Y/E March	FY22				FY23				FY22	FY23	FY23	(INR b)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. (%/bp)
Revenue (USD m)	2,720	2,791	2,978	2,993	3,025	3,082	3,244	3,235	11,481	12,586	3,306	-2.2
QoQ (%)	0.9	2.6	6.7	0.5	1.1	1.9	5.3	-0.3	12.8	9.6	1.9	-221bp
Revenue (INR b)	201	207	223	226	235	247	267	266	857	1,015	272	-2.1
YoY (%)	12.5	11.1	15.7	15.0	16.9	19.5	19.6	17.7	13.6	18.5	20.3	-256bp
GPM (%)	39.2	38.2	38.2	36.8	35.8	35.8	37.4	36.5	38.1	36.4	36.5	2bp
SGA (%)	12.8	13.0	12.4	12.7	12.9	12.2	12.0	12.8	12.7	12.5	12.6	24bp
EBITDA	49	50	54	52	50	54	63	59	202	226	61	-2.3
EBITDA margin (%)	24.5	24.0	24.1	23.1	21.1	22.0	23.7	22.3	23.6	22.3	22.3	-3bp
EBIT	39	39	43	41	40	44	52	48	162	185	49	-1.7
EBIT margin (%)	19.6	19.0	19.1	18.0	17.0	17.9	19.6	18.2	18.9	18.2	18.1	9bp
Other income	2	2	2	3	3	2	1	4	8	10	3	31.3
ETR (%)	21.7	20.5	22.2	16.7	24.3	23.9	23.8	23.4	20.3	23.8	24.0	-62bp
Adjusted PAT	32	33	34	36	33	35	41	40	135	148	39	0.9
QoQ (%)	34.7	1.5	5.5	4.4	-8.7	6.3	17.4	-2.8			-3.7	90bp
YoY (%)	10.0	3.9	0.3	50.6	2.1	6.9	19.0	10.8	13.7	9.9	9.7	103bp
EPS	11.8	12.0	12.7	13.3	12.1	12.9	15.1	14.7	49.8	54.8	14.5	1.0

## Key performance indicators

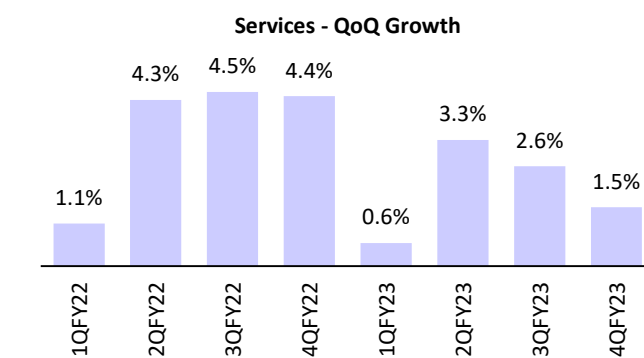
Y/E March	FY22				FY23				FY22	FY23
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenue (QoQ CC %)	0.7	3.5	7.6	1.1	2.7	3.8	5.0	-1.2	12.7	13.7
<b>Costs (as a percentage of revenue)</b>										
COGS	60.8	61.8	61.8	63.2	64.2	64.2	62.6	63.5	61.9	63.6
SGA	12.8	13.0	12.4	12.7	12.9	12.2	12.0	12.8	12.7	12.5
<b>Margins</b>										
Gross margin	39.2	38.2	38.2	36.8	35.8	35.8	37.4	36.5	38.1	36.4
EBIT margin	19.6	19.0	19.1	18.0	17.0	17.9	19.6	18.2	18.9	18.2
Net margin	16.0	15.8	15.4	15.9	14.0	14.1	15.3	15.0	15.8	14.6
<b>Operating metrics</b>										
Headcount (k)	176	188	198	209	211	219	222	226	209	226
Attrition (%)	11.8	15.7	19.8	21.9	23.8	23.8	21.7	19.5	21.9	19.5
<b>Key verticals (YoY CC %)</b>										
BFSI	8.8	6.3	13.5	10.2	16.4	15.4	8.8	9.6	9.6	12.4
Manufacturing	5.3	11.9	12.2	16.6	19.1	21.8	21.2	11.8	10.8	18.3
<b>Key geographies (YoY CC %)</b>										
North America	13.5	10.7	15.0	13.0	17.5	18.2	12.3	10.0	13.0	14.4
Europe	5.1	9.0	12.0	13.6	22.5	21.8	23.3	14.6	10.1	20.5

## Exhibit 1: QoQ growth in the P&amp;P segment



Source: MOFSL, Company

## Exhibit 2: QoQ growth in the Services segment



Source: MOFSL, Company



## Key highlights from the management commentary

### Demand and industry outlook

- Growth was dragged by HCL Software (-14.6% QoQ CC) and ER&D (-3.8% QoQ CC). IT Services rose 1.6% in CC.
- Among geographies for Services, growth was led by the US (+1.8% QoQ CC), while Europe was weak (-1.4% QoQ CC).
- For Services on industry front, Financial Services saw strong growth at 6.9% QoQ in CC (strong Cloud demand + ramp-ups). Manufacturing was hit by one-time ramp down and project completion.
- For ER&D, management saw the impact in technology and telecom due to cuts in discretionary spends. The weakness is expected to continue in 1QFY24 too.
- Though net new deals TCV for FY23 grew only at 6.6%, renewals led to strong 19% growth in total bookings.
- The deal pipeline is close to record high and remains well diversified.
- HCLT continues to see good synergies for Services from Software business.
- The macro environment remains a concern. HCLT is seeing delays and ramp downs on discretionary spends. However, it does not see much stress on 'Run the Business' services.
- Client budgets are contracting for industries that are witnessing high inflation. Clients are adjusting to the new budgets.
- There is a huge uptick in cost optimization and vendor consolidation deals in pipeline.
- It remains optimistic about growth in financial services. Though there would be some pressure on Banking side; Capital markets and Insurance should remain strong. HCLT has minimal (less than 1% of Financial Services) exposure to banks with bad health.
- Mega deals are commencing on-time that will support 1QFY24 growth.
- In CC terms, management has guided FY24 growth to be in the range of 6-8% CC with +6.5-8.5% CC in Services. There should be 70bp forex tailwind in FY24E.

### Margin performance

- Margin was hit by seasonal weakness in Software business (125bp), and drop in Services business margin (30bp – largely on account of USD18m topline impact flowing down for ER&D business). The margin recovery in ER&D is expected to be gradual.
- Management does not see huge possibility of price hikes in FY24. Higher share of cost optimization projects will also have some impact on margins.
- Management expects FY24 margin 18-19%. It has reiterated its medium-term margin aspiration of 19-20%.

### Other highlights

- HCLT hired 25k+ freshers in FY23 and sees good opportunity for improvement there. It will continue to hire high number of freshers over the next 2-3 years.
- HCLT will utilize available MAT credit equally over FY24 and FY25.
- LTM attrition moderated to 19.5%, down 220bp QoQ.

**Exhibit 3: Good growth in the Americas (Services)**

Geographies	Contribution to revenue (%)	CC QoQ growth (%)	CC YoY growth (%)
Americas	63.8	1.8	10.0
Europe	28.9	-1.4	14.6
RoW	7.3	-1.9	1.4

Source: Company, MOFSL

**Exhibit 4: Financial Services drove the growth in 4QFY23 for HCL Services**

Verticals	Contribution to revenue (%)	CC QoQ growth (%)	CC YoY growth (%)
Financial Services	21.2	6.9	9.6
Manufacturing	19.0	-3.5	11.8
Technology	14.8	-1.6	17.9
Life Sciences and Healthcare	17.5	3.6	1.6
Telecom MP&E	8.8	-5.6	8.9
Retail and CPG	9.0	0.6	11.8
Public Services	10.2	0.0	7.6

Source: Company, MOFSL

**Exhibit 5: ER&D was soft during 4QFY23**

Segments	Contribution to revenue (%)	CC QoQ growth (%)	CC YoY growth (%)
IT and Business Services	73.8	1.6	11.4
Engineering and R&D Services	16.1	-3.8	7.3
HCL Software (P&P)	10.1	-14.6	8.2

Source: Company, MOFSL

**Valuations offer a margin of safety**

- Higher exposure to Cloud, which comprises a larger share of non-discretionary spends, offers a better resilience to its portfolio in the current context, with higher demand for Cloud, Network, Security, and Digital workplace services.
- An easing supply scenario and a strong margin trajectory provide comfort on margins for the company.
- Given its capabilities in the IMS and Digital space along with strategic partnerships and investments in Cloud, we expect HCLT to emerge stronger on the back of healthy demand for these services in the medium term. The stock is trading at ~15x FY25E EPS, which offers a margin of safety. Our TP of INR1,250 is based on 18x FY25E EPS. We reiterate our **BUY** rating.

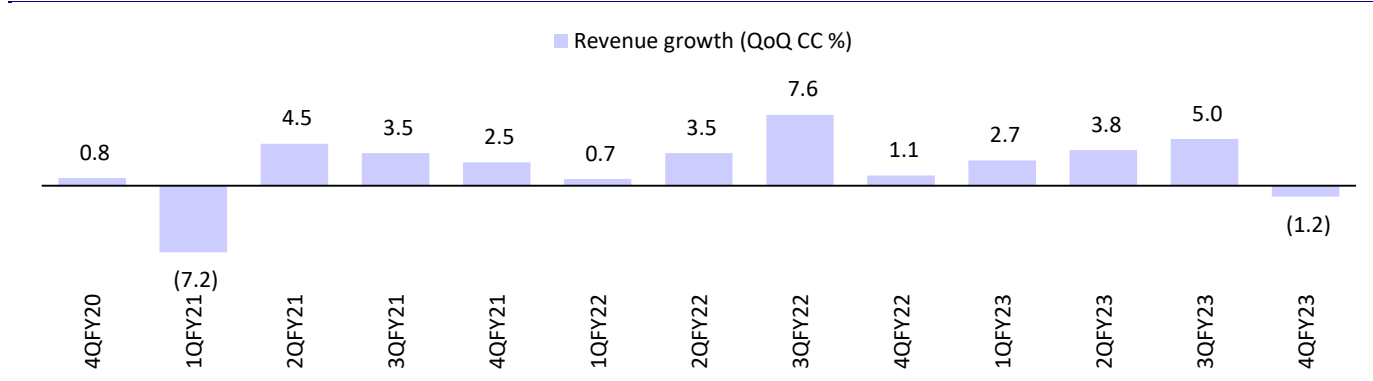
**Exhibit 6: Revisions to our estimates**

	Revised		Earlier		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
USD:INR	82.0	82.0	82.5	82.5	-0.6%	-0.6%
Revenue (USD m)	13,592	15,276	14,018	15,654	-3.0%	-2.4%
Growth (%)	8.0	12.4	10.8	11.7	-280bps	70bps
EBIT margin (%)	18.4	18.8	18.7	19.0	-30bps	-20bps
PAT (INR b)	164	188	171	194	-4.1%	-3.2%
EPS	60.6	69.3	63.1	71.6	-4.0%	-3.2%

Source: MOFSL

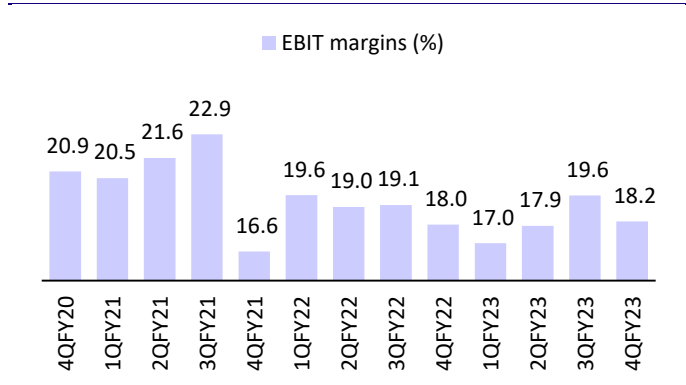
## Story in charts

**Exhibit 7: Reported 1.2% sequential decline in CC revenue on weak ER&D business**



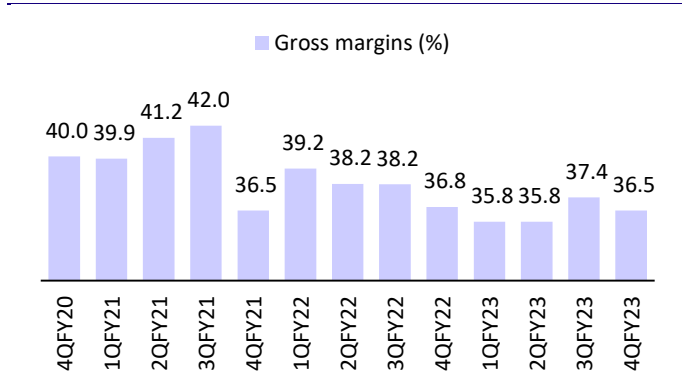
Source: Company, MOFSL

**Exhibit 8: Margin saw 80bp QoQ dip in 4QFY23**

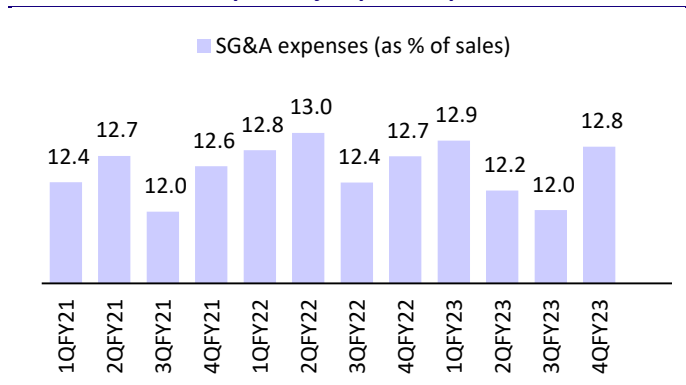


Source: Company, MOFSL

**Exhibit 9: Gross margin saw 90bp QoQ decline**

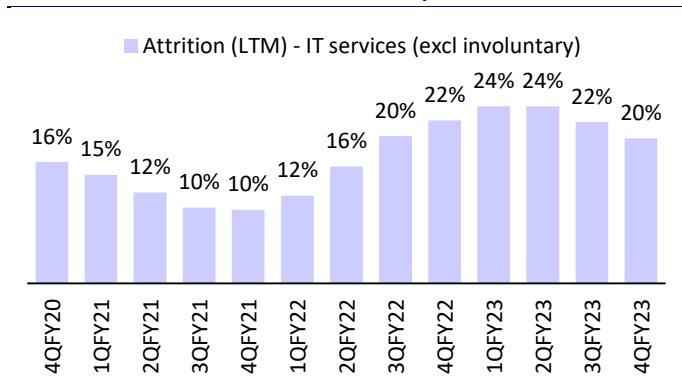


**Exhibit 10: SG&A expenses jumped 80bp QoQ in 4QFY23**



Source: Company, MOFSL

**Exhibit 11: Attrition moderated 220bp in 4QFY23**



Source: Company, MOFSL

## Operating metrics

Exhibit 12: Operating metrics

	4QFY21*	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23
<b>Service-wise (%)</b>									
IT and Business Services	71.9	71.6	72.6	70.6	73.4	72.8	73.6	71.7	73.8
Engineering and R&D Services	14.8	15.3	15.7	15.9	16.4	16.6	17.0	16.6	16.1
Products and Platform	13.3	13.1	11.7	13.5	10.3	10.6	9.4	11.7	10.1
<b>Vertical-wise (Services) (%)</b>									
BFSI	21.6	21.9	21.6	21.4	21.6	21.1	20.6	19.9	21.2
Manufacturing	17.7	17.2	17.9	17.5	18.0	18.3	18.3	18.3	18.3
Technology and Services	17.2	17.3	17.2	18.4	17.5	15.4	15.4	15.4	15.4
Retail and CPG	10.1	10.6	9.8	10.8	9.8	9.4	9.2	8.9	9.0
Telecom MP&E	8.1	8.4	8.5	8.4	9.0	9.2	9.2	9.4	8.8
Life Sciences	14.1	14.7	16.7	16.1	16.2	16.4	16.5	17.1	17.5
Public Services	11.2	10.8	10.4	10.3	10.5	10.2	10.2	10.2	10.2
<b>Geography-wise (Services) (%)</b>									
US	62.0	64.2	62.8	63.4	63.1	63.1	64.8	63.5	63.8
Europe	29.1	27.8	28.9	28.7	28.7	28.6	27.5	29.1	28.9
RoW	8.9	8.0	8.3	7.9	8.2	8.3	7.7	7.4	7.3
<b>Client-wise (%)</b>									
Top five clients	13.2	13.0	12.7	12.2	11.6	11.2	10.7	10.3	10.1
Top 10 clients	20.9	20.8	20.7	20.3	19.8	19.4	18.8	18.2	17.7
Top 20 clients	30.8	30.4	29.9	29.4	29.1	28.9	28.6	28.2	27.8

\*Overall split for 4QFY21 (Vertical and Geography) Source: Company, MOFSL:

## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Sales</b>	<b>506</b>	<b>604</b>	<b>707</b>	<b>754</b>	<b>857</b>	<b>1,015</b>	<b>1,115</b>	<b>1,253</b>
Change (%)	8.2	19.5	17.0	6.7	13.6	18.5	9.9	12.4
Cost of Goods Sold	332	393	453	467	546	662	724	805
<b>Gross Profit</b>	<b>173</b>	<b>212</b>	<b>254</b>	<b>287</b>	<b>311</b>	<b>353</b>	<b>390</b>	<b>448</b>
Selling and Admin Exp.	59	72	87	93	109	127	140	159
<b>EBITDA</b>	<b>114</b>	<b>140</b>	<b>167</b>	<b>193</b>	<b>202</b>	<b>226</b>	<b>250</b>	<b>288</b>
As a percentage of Net Sales	22.6	23.1	23.6	25.6	23.6	22.3	22.4	23.0
Depreciation	15	21	28	40	40	41	45	53
<b>EBIT</b>	<b>100</b>	<b>118</b>	<b>139</b>	<b>153</b>	<b>162</b>	<b>185</b>	<b>205</b>	<b>236</b>
As a percentage of Net Sales	19.8	19.6	19.6	20.4	18.9	18.2	18.4	18.8
Other Income	11	8	2	7	8	10	11	11
<b>PBT</b>	<b>111</b>	<b>126</b>	<b>140</b>	<b>160</b>	<b>170</b>	<b>195</b>	<b>216</b>	<b>247</b>
Tax	23	25	29	41	34	46	52	59
Rate (%)	20.9	19.6	20.9	25.4	20.3	23.8	24.0	24.0
<b>PAT</b>	<b>88</b>	<b>101</b>	<b>111</b>	<b>119</b>	<b>136</b>	<b>148</b>	<b>164</b>	<b>188</b>
<b>Net Income</b>	<b>88</b>	<b>101</b>	<b>111</b>	<b>119</b>	<b>135</b>	<b>148</b>	<b>164</b>	<b>188</b>
Change (%)	3.8	15.3	9.3	7.4	13.7	9.9	10.6	14.4

Balance Sheet							(INR b)	
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Reserves	368	422	517	615	620	654	646	636
<b>Net Worth</b>	<b>368</b>	<b>422</b>	<b>517</b>	<b>615</b>	<b>620</b>	<b>654</b>	<b>646</b>	<b>636</b>
Loans	4	40	51	39	39	21	21	21
Other liabilities	13	15	55	55	43	45	47	50
<b>Capital Employed</b>	<b>385</b>	<b>477</b>	<b>623</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>714</b>	<b>707</b>
Gross Block	274	335	511	546	560	596	641	691
Less: Depreciation	78	100	128	168	208	249	295	347
<b>Net Block</b>	<b>196</b>	<b>235</b>	<b>383</b>	<b>378</b>	<b>352</b>	<b>347</b>	<b>346</b>	<b>344</b>
Other assets	40	57	65	69	57	51	52	55
Investments	83	55	105	140	85	112	112	112
<b>Curr. Assets</b>	<b>165</b>	<b>243</b>	<b>279</b>	<b>291</b>	<b>397</b>	<b>425</b>	<b>439</b>	<b>462</b>
Debtors	123	146	178	175	207	255	278	310
Cash and Bank Balance	17	59	38	65	105	91	74	53
Other Current Assets	25	37	64	50	85	80	87	98
<b>Current Liab. and Prov.</b>	<b>99</b>	<b>111</b>	<b>209</b>	<b>168</b>	<b>188</b>	<b>214</b>	<b>235</b>	<b>265</b>
<b>Net Current Assets</b>	<b>66</b>	<b>131</b>	<b>70</b>	<b>123</b>	<b>209</b>	<b>211</b>	<b>204</b>	<b>197</b>
<b>Application of Funds</b>	<b>385</b>	<b>477</b>	<b>623</b>	<b>709</b>	<b>703</b>	<b>720</b>	<b>714</b>	<b>707</b>



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Diluted (INR)</b>								
<b>EPS</b>	<b>31.3</b>	<b>36.8</b>	<b>40.7</b>	<b>43.8</b>	<b>49.8</b>	<b>54.8</b>	<b>60.6</b>	<b>69.3</b>
Cash EPS	36.4	44.6	51.2	58.5	64.6	70.1	77.2	88.8
Book Value	131.4	153.5	190.4	226.7	228.6	241.6	238.5	234.9
DPS	6.0	4.0	8.0	26.0	44.0	48.0	54.5	62.4
Payout (%)	23.1	50.4	19.6	59.4	88.3	87.6	90.0	90.0
<b>Valuation (x)</b>								
P/E	33.2	28.2	25.5	23.7	20.8	18.9	17.1	15.0
Cash P/E	28.5	23.3	20.3	17.7	16.1	14.8	13.4	11.7
EV/EBITDA	25.3	20.3	17.0	14.4	13.6	12.1	11.0	9.6
EV/Sales	5.7	4.7	4.0	3.7	3.2	2.7	2.5	2.2
Price/Book Value	7.9	6.8	5.5	4.6	4.5	4.3	4.4	4.4
Dividend Yield (%)	0.6	0.4	0.8	2.5	4.2	4.6	5.3	6.0
<b>Profitability Ratios (%)</b>								
RoE	25.0	25.6	23.6	21.0	21.9	23.3	25.3	29.3
RoCE	22.2	22.8	21.3	18.7	19.6	21.1	23.2	27.1
<b>Turnover Ratios</b>								
Debtors (Days)	88	88	92	85	88	92	91	90
Asset Turnover (x)	2.6	2.6	1.8	2.0	2.4	2.9	3.2	3.6

### Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
CF from Operations	102	123	149	166	174	193	209	241
Chg. in Working Capital	-35	-34	-16	30	-5	-13	-9	-13
<b>Net Operating CF</b>	<b>68</b>	<b>88</b>	<b>134</b>	<b>196</b>	<b>169</b>	<b>180</b>	<b>200</b>	<b>227</b>
Net Purchase of FA	-49	-61	-18	-18	-16	-14	-45	-50
Net Purchase of Invest.	30	29	-105	-40	30	-25	0	0
<b>Net Cash from Inv.</b>	<b>-19</b>	<b>-32</b>	<b>-124</b>	<b>-57</b>	<b>15</b>	<b>-39</b>	<b>-45</b>	<b>-50</b>
Issue of shares/other adj.	0	0	0	0	0	0	0	0
Proceeds from LTB/STB	-1	35	-15	-79	-31	-29	0	0
Dividend Payments	-20	-51	-16	-33	-114	-130	-173	-198
<b>Net CF from Finan.</b>	<b>-21</b>	<b>-16</b>	<b>-32</b>	<b>-112</b>	<b>-145</b>	<b>-159</b>	<b>-173</b>	<b>-198</b>
Free Cash Flow	18	28	115	179	153	166	156	177
<b>Net Cash Flow</b>	<b>27</b>	<b>41</b>	<b>-22</b>	<b>27</b>	<b>39</b>	<b>-18</b>	<b>-17</b>	<b>-20</b>
Forex difference	-27	5	0	1	1	4	0	0
<b>Opening Cash Balance</b>	<b>13</b>	<b>13</b>	<b>60</b>	<b>38</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>74</b>
<b>Closing Cash Balance</b>	<b>13</b>	<b>60</b>	<b>38</b>	<b>66</b>	<b>106</b>	<b>91</b>	<b>74</b>	<b>54</b>

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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