

July 17, 2017

Cyient Ltd (CYILIM)

₹ 510

Reiterates its double digit growth guidance...

- US\$ revenues declined 0.3% QoQ to \$140.6 million and were below our 2.2% QoQ growth and US\$144.2 million estimate
- Revenues in rupees declined 3.6% QoQ to ₹ 907 crore and were below our ₹ 929 crore estimate
- EBITDA margins declined 50 bps QoQ to 12.8% and were above our 12.5% estimate mainly due to lower sub-contractor cost (down 11.3% QoQ) and material cost (down 28.7% QoQ) offset by currency headwind and partial wage hike
- Reported PAT of ₹ 87.8 crore was below our ₹ 93.6 crore estimate on account of lower-than-expected revenue growth and significantly higher tax rate (effective tax rate: 31.1% in Q1FY18 vs. 18.1% in Q4FY17)

DLM sees seasonal decline; services in line with expectations

US\$ revenues declined 0.3% QoQ to \$140.6 million led by the weak performance in DLM (Rangsons) business owing to weak quarter seasonality. Rangsons clocked in US\$11.8 million in revenue, decline of 26.2% sequentially. On the other hand, core services business was in line with expectations and grew 3.1% to US\$128.8 million. Growth in core services was led by transportation, semiconductor and communications business units. Cyient reiterated its guidance of double digit revenue growth in core services and 20% YoY growth in DLM led by healthy growth in its key verticals and strong order backlog. Consequently, we expect US\$ revenues to grow 12.2%, 12.3% YoY in FY18E, FY19E.

Margins beat expectations, upholds FY18E guidance

EBITDA margins declined 50 bps QoQ to 12.8% and were above our 12.5% estimate mainly due to lower sub-contractor cost (down 11.3% QoQ) and material cost (down 28.7% QoQ) offset by currency headwind and partial wage hike (-90 bps impact). With revenue growth and operational efficiencies kicking in, management expects an improvement in margins in Q2FY18, despite the partial wage hike impact (~90 bps). The management maintains its expectation of margins expanding ~50 bps in FY18E owing to operational efficiency with levers such as utilisation, pyramid correction offset by wage hike and pricing. Hence, we expect margins at 13.9%, 14.4% in FY18E, FY19E, respectively.

Strong order intake, growth of 8.6% YoY

Cyient's services order intake (executable in FY18E) witnessed growth of 85.7% QoQ to US\$127.6 million in Q1FY18. DLM order intake (executable in FY18E) in the quarter was at US\$25.9 million vs. US\$0.7 million in Q4FY17. Total order intake was at US\$160.2 million, growth of 8.6% YoY. Strong order intake to be executed in FY18 in both services and DLM enhances growth visibility for the company to achieve its annual targeted growth.

Maintain HOLD with revised target price of ₹ 545

With Cyient gaining momentum in its articulated strategy execution and optimistic outlook for FY18E led by traction in most key verticals, healthy deal pipeline and order intake seem to be triggers in the direction of growth. However, stability in the financial performance of the company could be closely watched. Hence, we have revisited our EPS estimates. We expect Cyient to report rupee revenue, adjusted PAT CAGR of 11.4%, 12.6%, respectively, in FY17-19E (average 13.9% EBITDA margins in FY17-19E). We continue to maintain our **HOLD** recommendation with a revised target price of ₹ 545 (at 13x FY19E EPS).

Rating matrix		
Rating	:	Hold
Target	:	₹ 545
Target Period	:	12 months
Potential Upside	:	7%

What's Changed?	
Target	Changed from ₹ 580 to ₹ 545
EPS FY18E	Changed from ₹ 35.9 to ₹ 35.2
EPS FY19E	Changed from ₹ 41.5 to ₹ 41.7
Rating	Unchanged

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	907	835	8.6	941	(3.6)
EBITDA	116	109	6.4	125	(7.1)
EBITDA (%)	12.8	13.1	-27 bps	13.3	-48 bps
PAT	88	74	18.6	105	(16.0)

Key Financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	3,096	3,607	3,895	4,476
EBITDA	425	485	541	642
Net Profit	326	344	396	469
EPS (₹)	29.0	30.5	35.2	41.7

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	17.6	16.7	14.5	12.2
Target P/E	18.8	17.8	15.5	13.1
EV / EBITDA	12.1	10.2	8.0	6.8
P/BV	3.1	2.7	2.4	2.2
RoNW (%)	17.8	16.2	16.8	17.6
RoCE (%)	20.3	19.7	20.7	21.6

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	5,742.2
Total Debt (₹ Crore)	182.8
Cash and Investments (₹ Crore)	981.3
EV (₹ Crore)	4,926.0
52 week H/L	564 / 416
Equity capital	56.3
Face value	₹ 5

Price performance (%)				
	1M	3M	6M	12M
Cyient	0.6	11.6	7.5	5.0
KPIT	15.8	4.3	(2.1)	(9.7)
Mindtree	(2.8)	17.9	0.2	(19.8)
NIIT Tech	6.0	37.2	36.7	17.1

Research Analysts	
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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Revenue	907.0	929.3	834.9	8.6	941.0	-3.6	Dollar revenues declined 0.3% QoQ to \$140.6 million and were below our estimate of 2.2% QoQ growth owing to seasonal weak performance in Rangsons
Cost of revenue	590.4	613.3	542.4	8.8	617.7	-4.4	
Gross Margin	316.6	316.0	292.5	8.2	323.3	-2.1	
Gross margin (%)	34.9	34.0	35.0	-13 bps	34.4	55 bps	
SG&A expenses	200.6	199.5	183.5	9.3	198.4	1.1	
EBITDA	116.0	116.5	109.0	6.4	124.9	-7.1	
EBITDA Margin (%)	12.8	12.5	13.1	-27 bps	13.3	-57 bps	Margins were above our expectations mainly due to lower sub-contractor cost and material cost
Depreciation & amortisation	26.1	17.7	22.3	17.0	25.5	2.4	
EBIT	89.9	98.8	86.7	3.7	99.4	-9.6	
EBIT Margin (%)	9.9	10.6	10.4	-47 bps	10.6	-65 bps	
Other income (less interest)	29.9	19.9	6.3	376.9	22.7	31.7	
PBT	119.8	118.7	93.0	28.9	122.1	-1.9	
Tax paid	37.3	28.5	23.7	57.4	22.1	68.8	
PAT	87.8	93.6	74.0	18.6	104.5	-16.0	PAT was below our expectation on account of lower-than-expected revenue growth and significantly higher tax rate

Key Metrics

Closing employees	13,206	13,100	12,965	1.9	13,084	0.9
Voluntary attrition (%)	16.6	19.0	19.9	-330 bps	15.6	100 bps
Overall utilisation (%)	74.1	73.5	73.5	60 bps	77.4	-330 bps
Average \$/₹	64.5	64.5	67.0	-3.7	66.7	-3.3

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	3,942.9	3,895.1	-1.2	4,496.2	4,475.7	-0.5	
EBITDA	544.1	541.4	-0.5	627.2	642.3	2.4	
EBITDA Margin (%)	13.8	13.9	10 bps	14.0	14.4	40 bps	
PAT	421.9	396.1	-6.1	489.1	469.4	-4.0	
EPS (₹)	37.5	35.2	-6.1	43.4	41.7	-4.0	Tweaked our estimates as per margin revision estimates

Source: Company, ICICIdirect.com Research

Assumptions

	Current			Earlier	Introduced	Earlier
	FY15	FY16	FY17	FY18E	FY18E	FY19E
Closing employees (ex-Rangson)	12,367	12,498	13,084	13,718	13,718	14,232
Voluntary attrition (%)	17.2	18.4	20.2	18.0	18.0	0.2
Overall utilisation (%)	74.7	75.2	76.0	76.8	76.8	77.0
Average \$/₹	61.2	65.5	67.0	64.5	65.0	66.0

*Exclude Rangsons' headcount, Source: Company, ICICIdirect.com Research

Conference call highlights

- **FY18E outlook:** The management has maintained its double digit revenue growth in core services business and ~20% growth in the DLM business unit. The management anticipates EBITDA margins will expand ~50 bps in FY18E led by operational efficiency with a substantial improvement in Q2FY18 backing it
- **Tax rate:** Effective tax rate increased to 31.1% in Q1FY18 compared to 18.1% in Q4FY17 due to SEZs moving out from tax free status
- **DLM business:** DLM business (Rangsons) declined ~26% sequentially at \$11.8 million due to a seasonally weak quarter. DLM business order book was at US\$29.9 million. It expects the division to perform well in FY18E with ~20% YoY growth
- **Continue to focus on Inorganic strategy:** The management indicated that M&A pipeline continues to be strong and several discussions are going on with regard to the same
- **Employee details:** The company's employee strength was at 13,206 (vs. 13,084 as at end of Q4FY17). Voluntary attrition increased 100 bps QoQ to 16.6% while it declined 330 bps YoY. Further, overall utilisation declined 330 bps QoQ to 74.1% while increasing 60 bps YoY
- **Clientele update:** Client growth remains under pressure as top five, top10 clients further declined from Q4 by 12.2%, 11.6%, respectively. Client additions were steady as 29 clients were added in the quarter while five clients transitioned out of \$1 million+ bucket during the current quarter
- **Cash position:** Cash & cash equivalent crossed the ₹ 1,000 crore mark for the first time to ₹ 1,032 crore vs. ₹ 970.3 crore in Q4FY17. Going ahead, it expects to generate strong cash flow with continued focus on strategic investments

Company Analysis

Business units update...

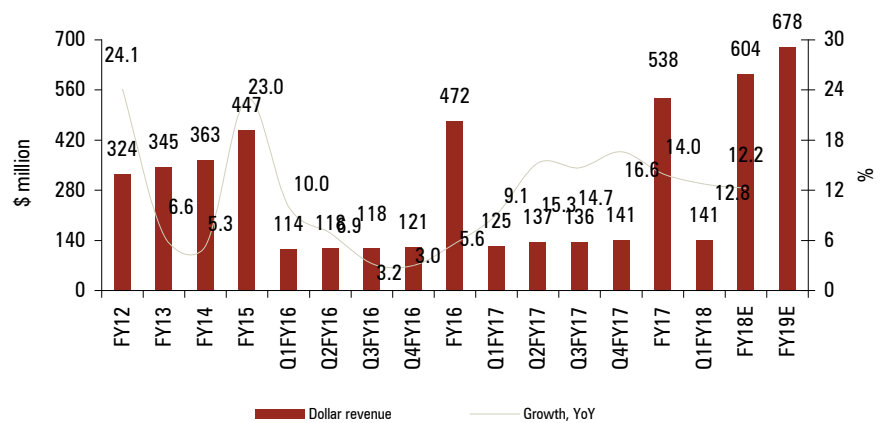
The management has said that the pipeline continues to be strong for the company led by deal signings across business segments. Growth in services business was driven by communications, transportation and semiconductor business units. Segregating across large industries: 1) **Aerospace** – Grew 1.6% QoQ. Momentum is seen from some new wins in EMEA. 2) **Transportation** – Strong growth of 11.5% QoQ supported by increased momentum in key engagements. It added four new customers in the quarter. The management continues to be optimistic about the growth momentum in the vertical for FY18E. 3) **Medical Technology and Healthcare** – Growth of 8.5% QoQ. Cyient added three new customers in Q1 and expects to play out in next two quarters. 4) **Communication** – It grew 9.8% QoQ on top of 2.5% decline in the prior quarter. Growth was driven by key accounts. The management expects growth momentum to continue in FY18. 6) **Utilities & geospatial** – Declined 7.5% QoQ after four consecutive quarter of growth. The decline was on the back of de-growth in few key accounts. Outlook for the year was positive backed by strong deal pipeline. 8) **Design led Manufacturing (DLM)** – Declined 26.2% QoQ (in US\$ terms) owing to weak Q1 seasonality. Addition of new assembly line would become operational in Q2FY18, leading to better vertical performance, going ahead. Management expects the division to perform well in FY18E with ~20% YoY growth led by strong order intake.

Reiterates guidance for both DLM & core services...

US\$ revenues declined 0.3% QoQ to \$140.6 million led by weak performance in DLM (Rangsons) business owing to weak quarter seasonality. Rangsons clocked in US\$11.8 million in revenue, decline of 26.2% sequentially. On the other hand, core services business was in-line with expectations and grew 3.1% to US\$128.8 million. Growth in core services was led by transportation, semiconductor and communications business units. Cyient reiterated its guidance of double digit revenue growth in core services and 20% YoY growth in DLM led by healthy growth in its key verticals and strong order backlog. Consequently, we expect US\$ revenues to grow 12.2%, 12.3% YoY in FY18E, FY19E.

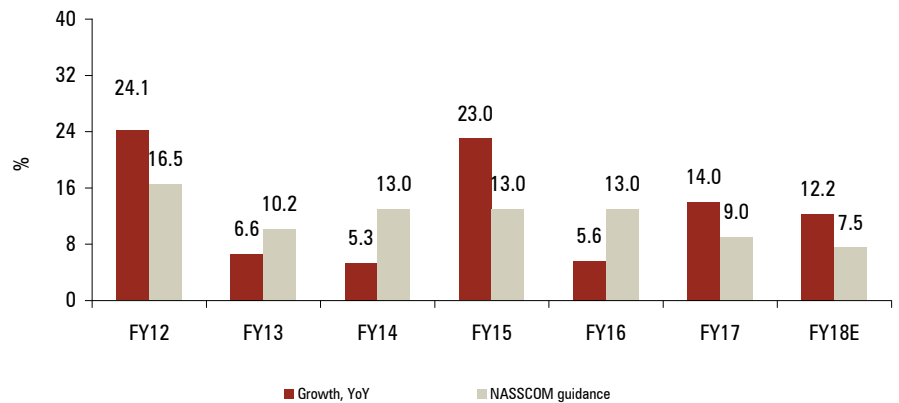
Among geographies, EMEA (26.6% of revenue) led the growth with 9.2% QoQ followed by Asia pacific (17.6% of revenue) and North America (55.8% of revenue) reporting 1.9% and 0.7% growth, respectively. Strong growth in Europe was led by momentum in wins in aerospace vertical and ramp up in engagement with International cable TV and broadband company Liberty Global. Going ahead, the management has upheld its double digit revenue growth in core services business led by healthy growth in its key verticals and strong order intake. The management anticipates services will grow in double digits with DLM growing ~20% YoY in FY18E. Consequently, we expect dollar revenues to grow 12.2%, 12.3% YoY in FY18E, FY19E, respectively.

Exhibit 2: Dollar revenues may grow at 12.3% CAGR during FY17-19E



Source: Company, ICICIdirect.com Research

Exhibit 3: Cyient vs. Nasscom guidance



Source: Company, ICICIdirect.com Research

Strong order intake enhances growth visibility...

Cyient services order intake (executable in FY18E) witnessed growth of 85.7% QoQ to US\$127.6 million in Q1FY18. Services order intake executable after FY18E was at US\$2.7 million vs. US\$117 million in Q4FY17 with total services order intake now at US\$130.3 million down 2% YoY. DLM order intake (executable in FY18E) in the quarter was at US\$25.9 million vs. US\$0.7 million in Q4FY17. DLM order intake executable after FY18E was at US\$4 million vs. US\$70 million in Q4FY17 with total DLM order intake now at US\$29.9 million with growth of ~106% YoY. Total order intake was at US\$160.2 million, growth of 8.6% YoY. Strong order intake to be executed in FY18 in both services and DLM enhances the growth visibility for the company to achieve its annual targeted growth.

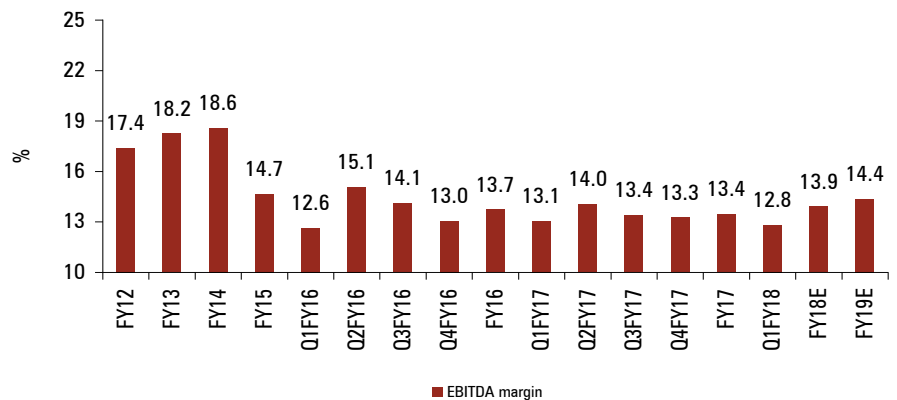
Top 10 clients' decline 11.6% QoQ vs. 2.4% decline in Q4...

Client growth remains under pressure as top five customers (41% of revenues) declined 12.2% QoQ on top of 1.9% sequential decline in the previous quarter. Top 10 accounts (54.8% of revenues) also declined 11.6% sequentially after a 2.4% decline in Q4FY17. As observed, non-top 10 customer revenues declined in Q1 for a third consecutive year. However, the company cited that softness in top accounts was just the quarterly volatility with double digit YoY growth and there were no concerns in top 20 clients. Client additions were steady as 29 clients were added in the quarter while five transitioned out of \$1 million+ bucket.

Lower sub-contractor & material cost lead to margins above estimates...

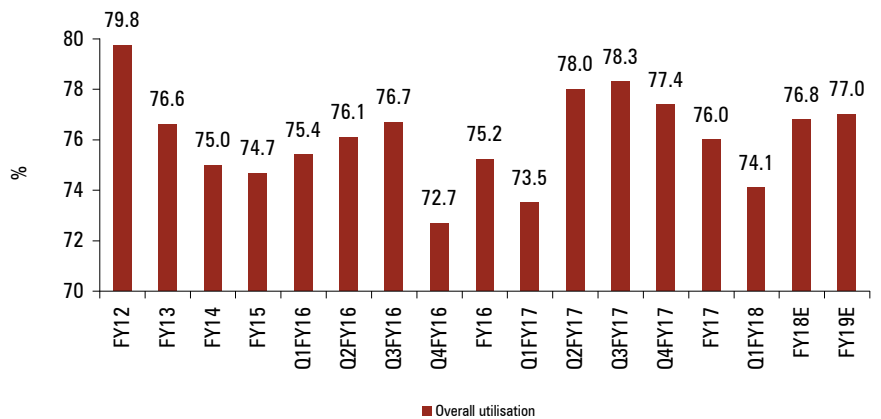
EBITDA margins declined 50 bps QoQ to 12.8% and were above our 12.5% estimate mainly due to lower sub-contractor cost (down 11.3% QoQ) and material cost (down 28.7% QoQ) offset by currency headwind and partial wage hike (90 bps impact). With revenue growth and operational efficiencies kicking in, the management expects improvement in margins in Q2FY18, despite the partial wage hike impact (~90 bps). The management maintains its expectations of margins expanding ~50 bps in FY18E owing to operational efficiency with levers like utilisation, pyramid correction offset by wage hike and pricing. Hence, we expect margins at 13.9%, 14.4% in FY18E, FY19E, respectively.

Exhibit 4: Expects margin to expand 50 bps to 13.8% in FY18E



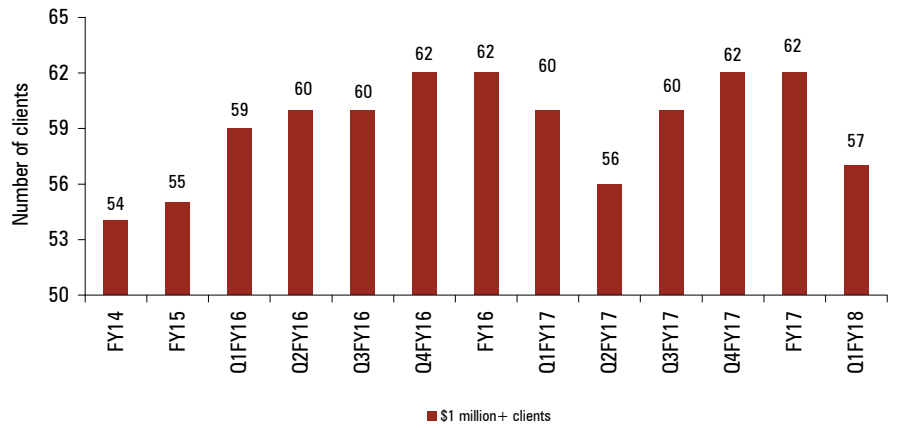
Source: Company, ICICIdirect.com Research

Exhibit 5: Utilisation declines 330 bps QoQ



Source: Company, ICICIdirect.com Research

Exhibit 6: Clients in \$1 million+ bucket



Source: Company, ICICIdirect.com Research

Cash generated crossed ₹ 1,000 crore mark...

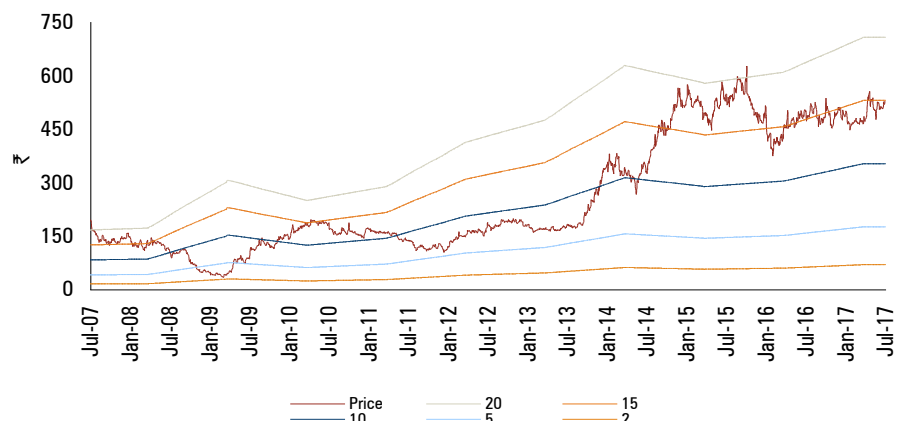
Cash & cash equivalent crossed the ₹ 1,000 crore mark for the first time to ₹ 1,032 crore vs. ₹ 970.3 crore in Q4FY17. Going ahead, it expects to generate strong cash flow with continued focus on strategic investments. Further DSO days were at 79 days (vs. 73 in Q4) including billed and unbilled revenue.

Outlook and valuation

Cyient reported Q1FY18 earnings, which were below our expectation on topline and bottomline front while margins were above our expectations owing to lower sub-contractor and material costs. Revenue growth was dragged owing to revenue decline of 28.6% to ₹ 76.3 crore in Rangsons business. Overall, the management maintained its double digit revenue growth in core services business in FY18E with its Rangsons business growing ~20% YoY with ~50 bps expansion in margins in FY17.

With Cyient gaining momentum in its articulated strategy execution and optimistic outlook for FY18E led by traction in most key verticals, healthy deal pipeline and order intake seem to be triggers in the direction of growth. However, stability in the financial performance of the company could be closely watched. Hence, we have revisited our EPS estimates. We expect Cyient to report rupee revenue, adjusted PAT CAGR of 11.4%, 12.6%, respectively, in FY17-19E (average 13.9% EBITDA margins in FY17-19E). We continue to maintain our HOLD recommendation with a revised target price of ₹ 545 (at 13x FY19E EPS).

Exhibit 7: One year forward rolling PE



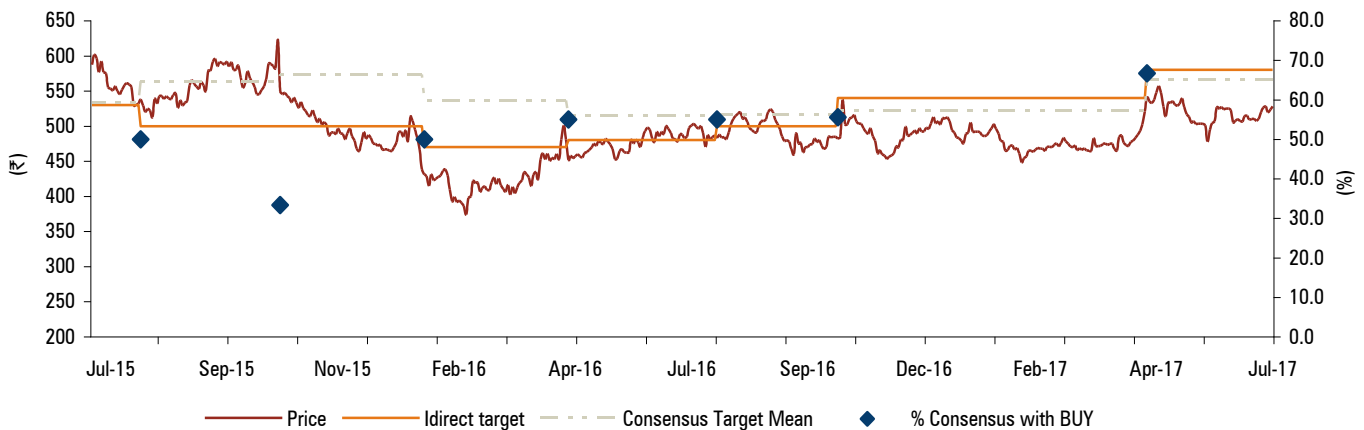
Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	3,096	13.1	29.0	(7.7)	17.6	12.1	17.8	20.3
FY17	3,607	16.5	30.5	5.4	16.7	10.2	16.2	19.7
FY18E	3,895	8.0	35.2	15.2	14.5	8.0	16.8	20.7
FY19E	4,476	14.9	41.7	18.5	12.2	6.8	17.6	21.6

Source: Company, ICICIdirect.com Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Apr-16	Company sets up a wholly owned subsidiary at China - Cyient Engineering (Beijing) Ltd
May-16	Cyient honoured with Boeing 2015 Supplier of the Year Award for the third time
Aug-16	Declares a special dividend of ₹ 2.50 per share to commemorate the company's silver jubilee, with total cash flow amounting to ~₹ 34 crore
Aug-16	Declares a special dividend of ₹ 2.50 per share to commemorate the company's silver jubilee, with the record date being 9th September 2016
Nov-16	Acquires UK-based geospatial services provider Blom Aerofilms Ltd, in an all-cash transaction. Blom had CY15 revenues of ~ 6 million Pound and an sustainable EBITDA margin of 10%
Jan-17	Acquires US based Certion Software Inc for US\$ 7.5 million to bolster its presence in Avionics solutions for Aerospace and Defence space.
Feb-17	Cyient Inc, subsidiary of Cyient Ltd signs a joint go to market agreement with a privately owned Italian company ASE SpA, a leading provider of electricity generation and distribution systems to the international aerospace and defense industry
Mar-17	According to media sources, Cyient inks agreement with Thyssenkrupp elevator to support its MAX platform
Mar-17	Selected by the world's largest international cable TV and broadband company Liberty Global, to support its new GIGAWorld initiative to bring Gigabit broadband speeds to its operations in Europe
Apr-17	Cyient collaborates with Amdocs to implement GIS services as part of Netlink's trust B/OSS project
Jul-17	Cyient signs agreement with Kii Corporation, a global leader in Internet of Things (IoT) solutions, to explore, bid and address business opportunities around 'smart city' deployments. Under the terms of the agreement, Cyient would also provide Kii with project delivery and implementation services.

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	United Technologies Corp	31-Mar-17	13.6%	15.3	0.0
2	Vineyard Point Software Pvt. Ltd.	31-Mar-17	10.0%	11.3	11.3
3	The Carlyle Group	31-Mar-17	9.9%	11.1	0.0
4	First State Investments (Singapore)	31-Mar-17	5.9%	6.6	6.2
5	ICICI Prudential Asset Management Co. Ltd.	31-Mar-17	5.7%	6.4	4.6
6	Infocad Enterprises Pvt. Ltd.	31-Mar-17	5.0%	5.6	5.6
7	Stewart Investors	31-Mar-17	4.6%	5.1	0.4
8	Lavender Investments, Ltd.	31-Mar-17	4.2%	4.7	0.0
9	Amansa Capital Pte Ltd.	31-Mar-17	3.7%	4.2	0.0
10	Reddy (Mohan B V R)	31-Mar-17	3.0%	3.4	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Sep-16	Dec-16	Mar-17
Promoter	22.19	22.18	22.18
Public	77.81	77.82	77.82
Others	--	--	--
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Vineyard Point Software Pvt. Ltd.	81.1m	11.3m	JPMorgan Asset Management U.K. Limited	-3.8m	-0.5m
First State Investments (Singapore)	45.0m	6.2m	SBI Funds Management Pvt. Ltd.	-2.5m	-0.4m
Infocad Enterprises Pvt. Ltd.	40.6m	5.6m	BlackRock Institutional Trust Company, N.A.	-1.3m	-0.2m
ICICI Prudential Asset Management Co. Ltd.	33.5m	4.6m	The Vanguard Group, Inc.	-0.8m	-0.1m
State Street Global Advisors (US)	10.6m	1.5m	BlackRock Advisors (UK) Limited	-0.2m	-0.0m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
	FY16	FY17	FY18E	FY19E	
Total Revenues	3,096	3,607	3,895	4,476	
Growth (%)	13.1	16.5	8.0	14.9	
COGS	2,008	2,365	2,536	2,894	
Other expenditure	663	757	818	940	
EBITDA	425	485	541	642	
Growth (%)	5.9	14.1	11.6	18.6	
Depreciation	89	95	101	116	
Other Income	106	87	109	115	
Interest	20	19	20	20	
PBT before Exceptional Items	422	458	529	621	
Growth (%)	(5.3)	8.5	15.5	17.3	
Tax	99	105	148	168	
PAT before Exceptional Items	305	301	391	463	
Exceptional items	(9)	(26)	-	-	
PAT before MI	314	327	391	463	
Minority Int & Pft. from associates	13	17	5	6	
PAT	326	344	396	469	
Growth (%)	(7.6)	5.4	15.2	18.5	
EPS	29.0	30.5	35.2	41.7	
EPS (Growth %)	(7.7)	5.4	15.2	18.5	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
	FY16	FY17	FY18E	FY19E	
Liabilities					
Equity	56	56	56	56	
Reserves & Surplus	1,774	2,061	2,299	2,611	
Networth	1,831	2,117	2,355	2,667	
Minority Interest	7	3	(2)	(7)	
Borrowings	183	165	165	165	
Long term Liabilities & provisions	159	138	138	138	
Source of funds	2,179	2,423	2,656	2,963	
Assets					
Net fixed assets	302	302	317	320	
Net intangible assets	92	139	142	143	
CWIP	2	9	9	9	
Goodwill	271	328	328	328	
Other non current assets	191	184	184	184	
Investments	81	103	113	124	
Inventories	98	94	117	134	
Debtors	615	650	649	843	
Cash & Cash equivalents	695	878	1,441	1,418	
Other current assets	384	450	406	440	
Trade payables	310	402	680	563	
Current liabilities	222	288	265	281	
Provisions	20	24	105	137	
Application of funds	2,179	2,423	2,656	2,963	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
	FY16	FY17	FY18E	FY19E	
PBT	422	432	529	621	
Depreciation	89	95	101	116	
WC changes	(129)	37	358	(315)	
Other non cash adju.	(23)	(44)	(89)	(95)	
Income taxes pd.	(102)	(100)	(148)	(168)	
CF from operations	257	420	751	160	
Other Investments	43	(77)	109	115	
Acq. Of business	-	-	-	-	
(Purchase)/Sale of Fixed Assets	(128)	(104)	(120)	(120)	
CF from investing Activities	(85)	(180)	(11)	(5)	
Inc / (Dec) in Equity Capital	2	2	-	-	
Change in debt funds	49	(20)	(20)	(20)	
Dividend & DDT	(162)	(75)	(158)	(158)	
CF from Financial Activities	(111)	(93)	(178)	(178)	
Exchange rate differences	30	28	-	-	
Opening cash balance	570	683	857	1,420	
Cash as margins/associates	52	21	21	21	
Cash c/f to balance sheet	695	878	1,441	1,418	

Source: Company, ICICIdirect.com Research

Key ratios		FY16	FY17	FY18E	FY19E
Per share data (₹)					
Adjusted EPS (Diluted)		29.0	30.5	35.2	41.7
Cash per Share		61.7	78.0	127.9	125.9
BV per share		162.5	188.0	209.1	236.8
DPS		9.0	10.5	12.0	12.0
Operating Ratios (%)					
EBITDA Margin		13.7	13.4	13.9	14.4
PAT Margin		10.5	9.5	10.2	10.5
Debtor days		72	66	61	69
Creditor days		37	41	64	46
Return Ratios (%)					
RoE		17.8	16.2	16.8	17.6
RoCE		20.3	19.7	20.7	21.6
RoIC		35.8	42.3	75.8	58.5
Valuation Ratios (x)					
P/E		17.6	16.7	14.5	12.2
EV / EBITDA		12.1	10.2	8.0	6.8
EV / Net Sales		1.7	1.4	1.1	1.0
Market Cap / Sales		1.9	1.6	1.5	1.3
Price to Book Value		3.1	2.7	2.4	2.2
Solvency Ratios					
Debt/EBITDA		0.4	0.3	0.3	0.3
Debt / Equity		0.1	0.1	0.1	0.1
Current Ratio		2.0	1.7	1.1	1.4
Quick Ratio		1.8	1.5	1.0	1.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (IT)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE(%)		
	(₹)	TP(₹)	Rating		FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E	FY16	FY17P	FY18E
Cyient (INFENT)	510	545	Hold	5,742	29.0	30.5	35.2	17.6	16.7	14.5	12.1	10.2	8.0	20.3	19.7	20.7	17.8	16.2	16.8
Eclerx (ECLSER)	1,290	1,145	Sell	5,318	87.9	88.4	79.5	14.7	14.6	16.2	9.8	9.9	10.2	42.6	35.4	31.2	33.5	29.5	23.9
Firstsource (FIRSOU)	39	45	Buy	2,582	3.8	4.1	4.4	10.2	9.4	8.9	7.7	6.7	6.0	11.7	12.1	12.1	12.9	11.5	11.0
HCL Tech (HCLTEC)	850	930	Buy	119,994	52.1	60.0	59.6	16.3	14.2	14.3	12.6	10.3	9.7	31.2	30.3	30.6	26.9	26.6	25.1
Infosys (INFTEC)	972	1,040	Hold	222,164	59.0	62.8	64.7	16.5	15.5	15.0	11.0	10.4	10.6	30.2	28.8	31.2	21.8	20.8	22.4
KPIT Tech (KPISYS)	128	140	Hold	2,547	14.1	10.6	11.0	9.1	12.0	11.6	5.4	7.0	6.6	23.7	16.3	16.3	20.4	15.4	12.8
Mindtree (MINCON)	442	485	Hold	7,422	35.9	24.9	29.1	12.3	17.7	15.2	8.4	9.1	8.2	31.1	21.1	23.9	25.2	16.0	18.0
NIIT Technologies (NIITEC)	496	520	Hold	1,777	45.8	43.2	45.3	10.8	10.5	11.0	2.9	2.5	2.2	30.5	29.9	28.1	17.6	14.9	14.1
Persistent (PSYS)	580	700	Buy	4,639	37.2	37.6	40.1	15.6	15.4	14.5	9.7	8.5	7.1	23.8	21.3	20.4	18.1	16.2	15.4
TCS (TCS)	2,399	2,400	Hold	469,892	122.9	133.4	133.1	19.5	18.0	18.0	14.4	13.1	13.1	42.2	38.0	37.6	33.1	29.8	29.5
Tech Mahindra (TECMAH)	429	490	Buy	42,158	31.7	31.8	33.9	13.5	13.5	12.7	8.8	8.7	7.8	25.5	21.9	20.6	21.7	17.2	16.2
Wipro (WIPRO)	494	500	Hold	121,676	36.1	35.2	34.1	13.7	14.0	14.5	9.9	8.7	8.7	19.6	17.3	15.9	19.1	15.7	14.1

Company, ICICIdirect.com Research

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