

## Cyient Ltd (CYILIM)

₹ 700

### Margin performance drags profitability...

- US\$ revenues declined 2.3% QoQ to \$160.8 million and were below our \$162.8 million and 1.1% QoQ decline estimate
- Revenues in rupees grew 1.7% QoQ to ₹ 1080.0 crore, below our ₹ 1090.6 crore estimate
- EBITDA margins declined sharply by 190 bps QoQ to 12.2% and were way below our 10 bps decline and 14% estimate. Margin decline was mainly due to lower offshore mix and a decline in utilisation (-120 bps impact) and partial wage hike (-70 bps impact)
- Reported PAT of ₹ 82.5 crore was below our ₹ 111.9 crore estimate on account of operating performance being below our expectations and a higher-than-expected tax rate (27.2% as percentage of PBT vs. our estimate of 24%) and lower-than-expected other income

#### Utilities weakness leads to revenue growth below expectations

US\$ revenues fell 2.3% QoQ to \$160.8 million wherein revenues from services grew marginally by 0.1% QoQ to \$142.8 million (vs. our estimate of \$146.3 million). On the service front, revenue weakness was mainly on account of utilities & geospatial vertical (14.2% of revenue), which declined 12.1% QoQ following a delay in project commitments. On the DLF business front, revenues declined 17.9% QoQ to \$18 million. On the positive side, Cyient's largest revenue contributor aerospace & defense (34.2% of revenues) grew 2.4% QoQ in \$ terms and may continue its growth momentum led by demand from key clients. For FY19E, the management maintained its double digit revenue growth in core services business and ~20% growth in the DLM business unit. Consequently, we expect US\$ revenues to grow at 13% CAGR in FY18-20E.

#### Sharp drag in margins in Q1; meeting full year forecast looks uphill task

There was disappointment at the margin level wherein the EBITDA margin declined sharply by 190 bps QoQ to 12.2%. Services margin was impacted by 200 bps QoQ to 13.2% (vs. 15.2% in Q4FY18) on account of a decline in utilisation, partial wage hike and SG&A absorption. DLM margin came in at 4.6% (vs. 6.8% in Q4FY18) on account of a revenue decline. For FY19E, the management retained its expectation of double digit growth in operating profit and flat EBITDA margin expectation (14%). However, meeting expectation of 14% seems to be a little demanding taking into account the weaker-than-expected performance at the margin level in Q1FY19. This is expected to translate to higher asking rates in the next three quarters of the year to reach 14% levels, which seems difficult. Hence, we tone down our margin estimates to 13.5%, 13.7% for FY19E, FY20E, respectively.

#### Seasonal decline in order intake; pipeline remains healthy

In terms of order intake, as seen from the past trend, it was a seasonally weak quarter wherein it declined 18.2% QoQ to US\$153 million in the service business. DLM's order intake witnessed a decline of 10.5% sequentially to US\$17 million. The management indicated there are some deals in the negotiation phase while the overall pipeline remains good.

#### Margin trajectory to be watched; maintain HOLD...

Cyient reported Q1FY19 numbers wherein the performance was below our expectations on all fronts with a major let down on margins. Although the outlook for the business remains optimistic, an improvement in margin trajectory from hereon has to be watched. Hence, we maintain **HOLD** recommendation with a target price at ₹ 760 (16x FY20E EPS).

Rating matrix		
Rating	:	Hold
Target	:	₹ 760
Target Period	:	12 months
Potential Upside	:	9%

What's Changed?	
Target	Changed from ₹ 870 to ₹ 760
EPS FY19E	Changed from ₹ 40.0 to ₹ 39.3
EPS FY20E	Changed from ₹ 48.3 to ₹ 47.6
Rating	Unchanged

Quarterly Performance					
	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	1,080	907	19.1	1,062	1.7
EBITDA	132	116	13.4	149	(11.8)
EBITDA (%)	12.2	12.8	-60 bps	14.1	-187 bps
PAT	83	88	(6.0)	122	(32.1)

Key Financials				
₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	3,607	3,918	4,729	5,311
EBITDA	485	549	638	728
Net Profit	344	405	443	536
EPS (₹)	30.5	36.0	39.3	47.6

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	22.9	19.4	17.8	14.7
Target P/E	24.9	21.1	19.3	16.0
EV / EBITDA	14.6	12.8	9.8	9.0
P/BV	3.7	3.4	3.0	2.7
RoNW (%)	16.2	17.3	17.0	18.1
RoCE (%)	19.7	21.4	20.2	21.5

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	7,881.4
Total Debt (₹ Crore)	241.0
Cash and Investments (₹ Crore)	1,093.7
EV (₹ Crore)	7,028.7
52 week H/L	887 / 475
Equity capital	56.3
Face value	₹ 5

Price performance (%)				
	1M	3M	6M	12M
Cyient	(0.5)	16.8	28.5	42.2
KPIT	5.5	29.1	46.8	117.5
Mindtree	1.8	25.2	65.5	104.4
NIIT Tech	1.3	23.9	61.2	96.2

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## Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	YoY (%)	Q4FY18	QoQ (%)	Comments
Revenue	1,080.0	1,090.6	907.0	19.1	1,061.8	1.7	Cyient reported revenues below our expectations owing to weakness in the utilities segment
Cost of revenue	710.1	711.4	590.4	20.3	691.9	2.6	
Gross Margin	369.9	379.2	316.6	16.8	369.9	0.0	
Gross margin (%)	34.3	34.8	34.9	-66 bps	34.8	-59 bps	
SG&A expenses	238.3	226.7	200.6	18.8	220.7	8.0	
EBITDA	131.6	152.5	116.0	13.4	149.2	-11.8	
EBITDA Margin (%)	12.2	14.0	12.8	-60 bps	14.1	-196 bps	Margins were way below our expectations
Depreciation & amortisation	28.5	17.9	26.1	9.2	25.7	10.9	
EBIT	103.1	134.6	89.9	14.7	123.5	-16.5	
EBIT Margin (%)	9.5	12.3	9.9	-37 bps	11.6	-208 bps	
Other income (less interest)	8.8	16.5	29.9	-70.6	34.1	-74.2	
PBT	111.9	151.2	119.8	-6.6	157.6	-29.0	
Tax paid	30.4	36.3	37.3	-18.5	33.6	-9.5	
PAT	82.5	111.9	87.8	-6.0	121.5	-32.1	Reported PAT was below our estimate on account of operating performance being below our expectations and higher-than-expected tax rate [effective tax rate (ETR) of 27.2% as a % of PBT vs. our estimate of 24%] and lower-than-expected other income

## Key Metrics

Closing employees	15,056	14,000	13,206	14.0	14,125	6.6
Voluntary attrition (%)	16.9	16.5	16.6	30 bps	16.9	0 bps
Overall utilisation (%)	75.0	76.0	74.1	90 bps	76.7	-170 bps
Average \$/₹	67.2	67.0	64.5	4.1	64.5	4.1

Source: Company, ICICI Direct Research

## Change in estimates

(₹ Crore)	FY19E			FY20E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	4,487	4,729	5.4	5,039	5,311	5.4	
EBITDA	628	638	1.6	731	728	-0.4	
EBITDA Margin (%)	14.0	13.5	-50 bps	14.5	13.7	-80 bps	Change in margin estimates on the back of Q1 performance
PAT	450	443	-1.6	544	536	-1.4	
EPS (₹)	40.0	39.3	-1.6	48.3	47.6	-1.4	

Source: Company, ICICI Direct Research

## Assumptions

	FY17	FY18	Earlier FY18E	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E
Closing employees (ex-Rangson)	13,084	14,125	13,718	14,561	14,561	14,915	14,915
Voluntary attrition (%)	20.2	16.1	19.0	19.0	19.0	19.0	19.0
Overall utilisation (%)	76.8	77.0	77.0	77.0	77.0	77.0	77.0
Average \$/₹	67.0	64.5	64.7	68.5	65.0	68.5	65.0

Source: Company, ICICI Direct Research

## Conference call highlights

- **Maintains revenue outlook stance for FY19E:** The management has maintained its double digit revenue growth in core services business and ~20% growth in the DLM business unit (excluding B&F acquisition)
- **DLM business:** DLM business (Rangsons) de-grew 17.9% sequentially to \$18 million (vs. our expectation of \$16.5 million). Total DLM order intake declined 10.5% sequentially to US\$17 million. The management indicated there are some deals in the negotiation phase while the overall pipeline remains good. Hence, it expects the division to grow 20% YoY
- **Margin outlook:** The management retained its expectation of double digit growth in operating profit and flat EBITDA margin expectation (14%) for FY19E. However, meeting the expectation of 14% seems to be a little demanding taking into account the weaker-than-expected performance at the margin level in Q1FY19
- **Acquisition of AnSem:** Cyient has completed the acquisition of AnSem NV in the quarter. The acquisition got consolidated for two months and contributed \$1.6 million in this quarter. Cyient has signed a definitive agreement to acquire 100% equity in AnSem NV (AnSem), Belgium for a consideration worth ~\$17 million. AnSem is a leading custom analog and mixed-signal application-specific integrated circuits (ASICs) design company with a revenue CAGR of 41.4% to \$10 million in CY15-17
- **Employee details:** The company's employee strength was at 15,056 employees. Voluntary attrition remained flat QoQ at 16.9%. A sharp decline in utilisation by 170 bps QoQ to 75% was one of the main factors for a sharp drag in margins in this quarter
- **Clientele update:** Top five customers (33.7% of revenues) and top 10 accounts (46.0% of revenues) witnessed a sequential decline of 2.6% and 1% QoQ, respectively. Client additions were steady with 20 clients added in the quarter
- **Cash position:** The cash & cash equivalent position was at ₹ 1,100 crore in the quarter. Further, DSO days were higher by eight days QoQ at 89 due to a spillover of collections, which is a kind of one-off. Hence, it expects DSO days to return to normal levels in coming quarters

## Company Analysis

### Exhibit 2: Geography-wise break-up

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19*
<b><u>Revenue by geography (%)</u></b>						
North America	57.1	55.8	54.2	55.1	53.3	52.5
Europe (EMEA and India)	25.1	26.6	26.7	27.7	29.2	24.6
Asia Pacific	17.8	17.6	19.1	17.2	17.5	23.0

### **Growth QoQ (%)**

North America	1.8	0.7	1.3	5.9	-1.4	NA
Europe (EMEA and India)	8.1	9.2	4.7	8.1	7.5	NA
Asia Pacific	2.2	1.9	13.2	-6.2	3.7	NA

\* Including DLM; Source: Company, ICICI Direct Research

### Exhibit 3: Vertical-wise break-up

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<b><u>Revenue by verticals (%)</u></b>						
Aerospace and Defense	35.7	35.2	34.7	34.7	33.4	34.2
Transportation	9.7	10.5	11.2	11.7	11.6	12.0
Industrial, Energy and Natural Resources	8.7	8.5	8.6	8.6	8.3	8.4
Semiconductor	4.2	4.5	4.1	3.7	3.9	5.5
Medical and Healthcare	1.9	2.0	2.2	2.0	1.9	1.8
Utilities & Geospatial	18.5	16.6	15.9	16.6	16.2	14.2
Communications	21.4	22.8	23.3	22.7	24.7	23.9

### **Growth QoQ (%)**

Aerospace and Defense	3.7	1.6	2.8	4.2	-1.9	2.4
Transportation	6.7	11.5	11.2	8.8	1.1	4.0
Industrial, Energy and Natural Resources	-3.3	0.7	5.5	4.2	-1.6	1.4
Semiconductor	11.3	10.4	-5.0	-6.0	7.5	40.2
Medical and Healthcare	3.4	8.5	14.7	-5.3	-3.1	-4.1
Utilities & Geospatial	11.2	-7.5	-0.1	8.7	-0.5	-12.1
Communications	-2.5	9.8	6.6	1.5	11.0	-3.2

Source: Company, ICICI Direct Research

Vertical-wise, growth was driven by aerospace, transportation and semiconductor vertical

Expects to continue its growth momentum led by demand from key clients in aerospace and defence

Growth in transportation and semiconductor due to momentum in key accounts and new client/project wins

Utilisation declined sharply by 170 bps QoQ to 75%

#### Exhibit 4: Client & human resource matrix

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19*
<b><u>Client metrics</u></b>						
USD 1 mn+ clients	62	57	65	66	63	66
USD 5 mn+ clients	20	21	22	23	23	25
USD 10 mn+ clients	9	9	9	11	12	11
USD 20 mn+ clients	5	5	5	5	4	4

#### **Headcount, Utilization, Attrition**

Total Employees	13084	13206	13568	13829	14125	15056
Utilization	77.4	74.1	75.9	78.6	76.7	75
Voluntary attrition	15.6	16.6	14.2	16.8	16.9	16.9

\*Including DLM; Source: Company, ICICI Direct Research

#### Exhibit 5: Order intake across services and DLM

	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<b><u>Order Intake (\$ million)</u></b>						
Cyient services	186	130	107	241	187	153
DLM	71	30	12	4	19	17
Group total order intake	256	160	119	245	206	170

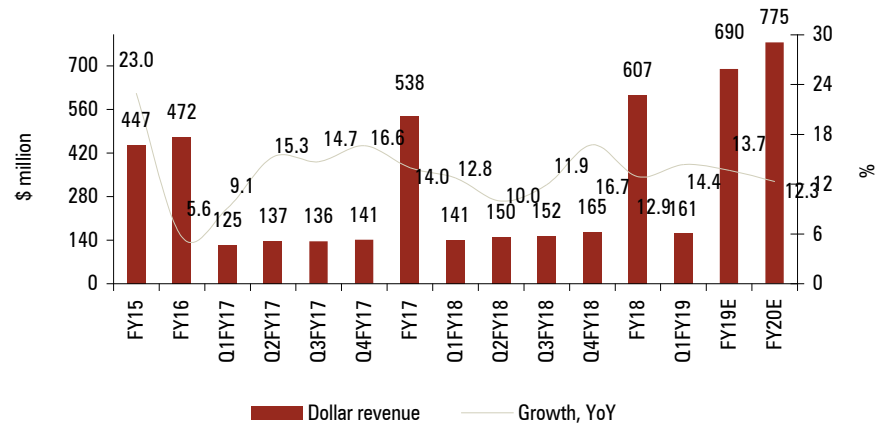
#### **Growth QoQ (%)**

Cyient services	-1.7	-29.8	-17.7	124.8	-22.4	-18.2
DLM	416.1	-57.7	-60.9	-65.8	375.0	-10.5
Group total order intake	26.6	-37.5	-25.8	106.1	-15.9	-17.5

Source: Company, ICICI Direct Research

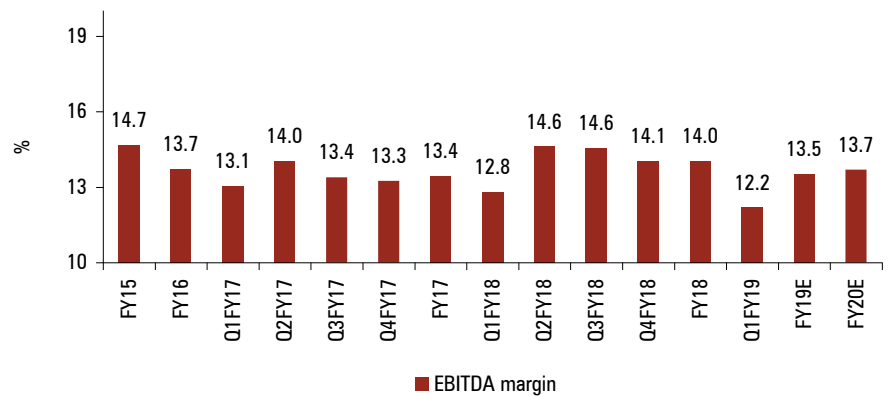
## Financial story in charts

**Exhibit 6: Dollar revenues may grow at 13% CAGR during FY18-20E**



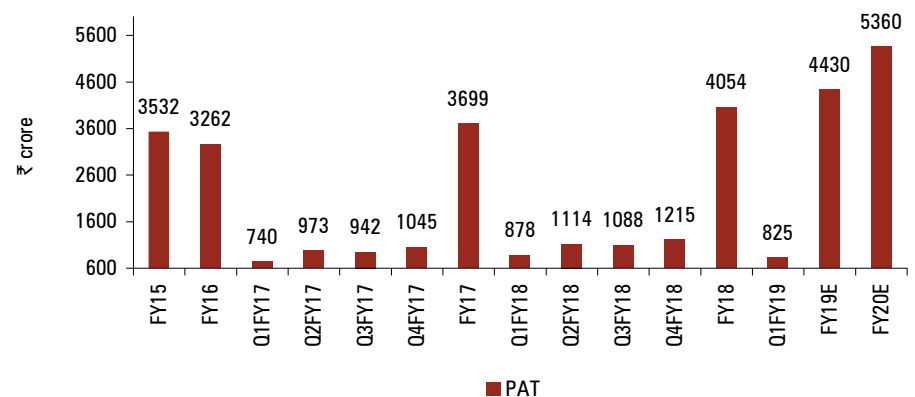
Source: Company, ICICI Direct Research

**Exhibit 7: Expects margin decline of 50 bps YoY for FY19E**



Source: Company, ICICI Direct Research

**Exhibit 8: PAT may grow at 15% CAGR during FY18-20E**

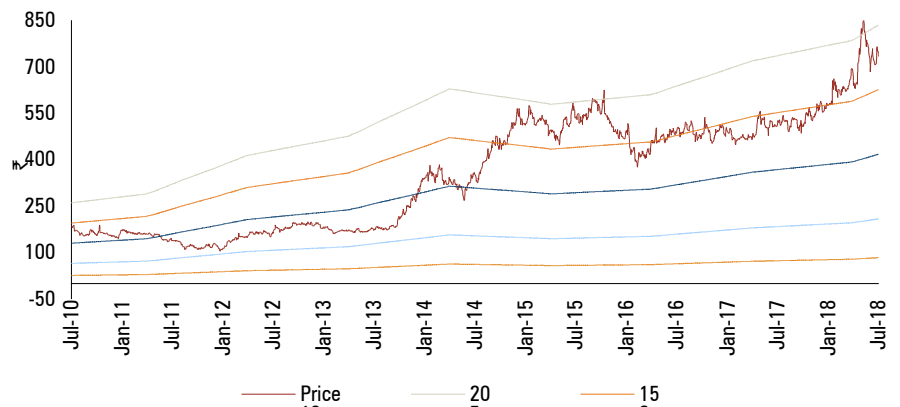


Source: Company, ICICI Direct Research

## Outlook and valuation

Cyient reported Q1FY19 numbers wherein the performance was below our expectations on all fronts with a major let down on margins. Although the outlook for the business remains buoyant, EBITDA margins continue to witness sharp volatility. In Q1FY19, EBITDA margins declined sharply at 12.2%. This translates to asking rate for the remaining three quarters above 14% to maintain the margin at FY18 level (14%) in line with its guidance. This looks to be an uphill task, in our view. Overall, we expect earnings to grow at 15% CAGR in FY18-20E. We maintain our **HOLD** recommendation with target price at ₹ 760 (16x FY20E EPS).

**Exhibit 9: One year forward rolling PE**



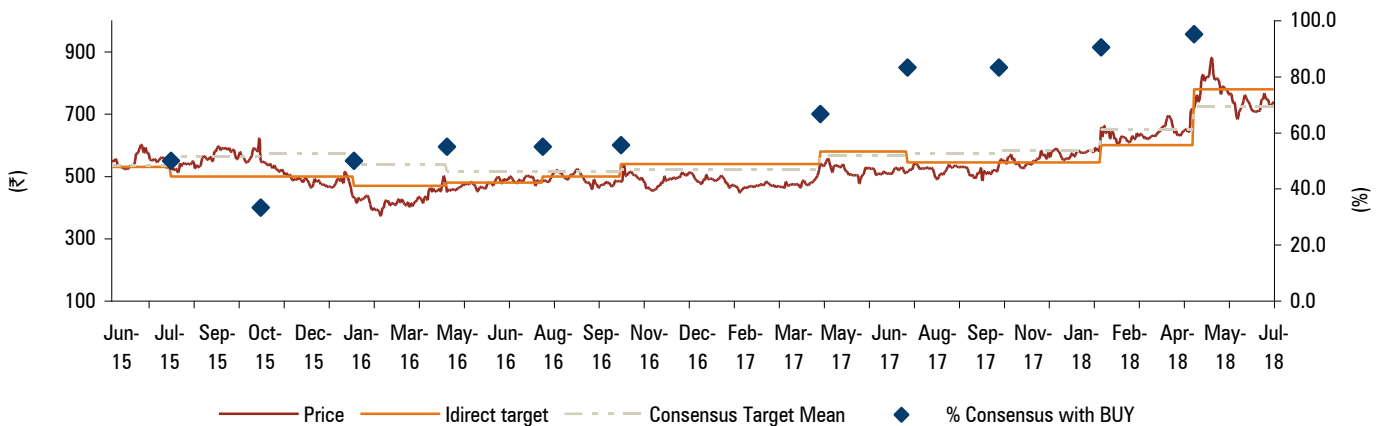
Source: Company, ICICI Direct Research

**Exhibit 10: Valuation**

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	3,096	13.1	29.0	(7.7)	24.2	17.2	17.8	20.3
FY17	3,607	16.5	30.5	5.4	22.9	14.6	16.2	19.7
FY18	3,918	8.6	36.0	17.9	19.4	12.8	17.3	21.4
FY19E	4,729	20.7	39.3	9.3	17.8	9.8	17.0	20.2
FY20E	5,311	12.3	47.6	21.0	14.7	9.0	18.1	21.5

Source: Company, ICICI Direct Research

## Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

## Key events

Date	Event
Jan-17	Acquires US based Certon 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	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
Apr-17	Cyient collaborates with Amdocs to implement GIS services as part of Netlink's trust B/OSS project
Jul-17	city' deployments. Under the terms of the agreement, Cyient would also provide Kii with project delivery and implementation services.
Sep-17	Cyient, through its step down subsidiary Cyient Defence Services Inc, US signs definitive agreement to acquire 100% equity ownership in B&F Design Inc, US. Enterprise value for the acquisition is \$5 million. B&F Design had CY15 & CY16 revenue of US\$ 7.8 million and US\$ 8.5 million, respectively, with ~47 employees. This engagement would strengthen the company's capabilities in aerospace and defence vertical (~35-40% of revenues)
Sep-17	Cyient signs definitive agreement to sell its entire stake of 49% in Infotech Aerospace Services Inc (IASI) to United Technologies Corporation. IASI contributed ₹ 11.8 crore to Cyient PAT in FY17. The company will receive US\$1.8 million (post additional dividend disbursement of US\$9.1 million from cash reserves) from transaction
Apr-18	Cyient enters joint venture with Israel-based BlueBird Aero Systems to offer field-proven unmanned aerial vehicle (UAV) systems to Indian defence, paramilitary, security, and police forces. The joint venture, named Cyient Solutions & Systems would manufacture, assemble, integrate, and test advanced UAV systems by leveraging Bluebird's technology and manufacturing know-how

Source: Company, ICICI Direct Research

## Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Vineyard Point Software Pvt. Ltd.	31-Mar-18	10.0%	11.3	0.0
2	Amansa Capital Pte Ltd.	31-Mar-18	6.4%	7.2	0.0
3	Aditya Birla Sun Life AMC Limited	31-Mar-18	5.4%	6.1	-0.2
4	Stewart Investors	31-Mar-18	5.3%	6.0	1.4
5	Reliance Nippon Life Asset Management Limited	31-Mar-18	5.2%	5.9	-0.4
6	Infocad Enterprises Pvt. Ltd.	31-Mar-18	5.0%	5.6	0.0
7	First State Investments (Singapore)	31-Mar-18	4.8%	5.5	-1.4
8	ICICI Prudential Asset Management Co. Ltd.	31-Mar-18	4.3%	4.9	4.2
9	Franklin Templeton Asset Management (India) Pvt. Ltd	31-Mar-18	4.1%	4.7	-0.8
10	T. Rowe Price International (UK) Ltd.	31-Mar-18	3.9%	4.3	0.0

Source: Reuters, ICICI Direct Research

## Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18
Promoter	22.18	22.18	22.18
Public	77.82	77.82	77.82
Others	--	--	--
Total	100.00	100.00	100.00

## Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ICICI Prudential Asset Management Co. Ltd.	44.7m	4.2m	Seafarer Capital Partners, LLC	-20.9m	-2.0m
State Bank of India	15.8m	1.5m	First State Investments (Singapore)	-14.9m	-1.4m
Stewart Investors	14.9m	1.4m	DSP BlackRock Investment Managers Pvt. Ltd.	-13.0m	-1.2m
Norges Bank Investment Management (NBIM)	12.1m	1.1m	First State Investments (U.K.) Ltd	-9.3m	-1.0m
Fidelity Institutional Asset Management	4.2m	0.4m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-8.6m	-0.8m

Source: Reuters, ICICI Direct Research



## Financial summary

Profit and loss statement		₹ Crore			
	FY17	FY18	FY19E	FY20E	
Total Revenues	3,607	3,918	4,729	5,311	
Growth (%)	16.5	8.6	20.7	12.3	
COGS	2,365	2,539	3,059	3,441	
Other expenditure	757	830	1,031	1,142	
EBITDA	485	549	638	728	
Growth (%)	14.1	13.3	16.2	14.0	
Depreciation	95	105	118	127	
Other Income	87	144	89	123	
Interest	19	23	23	23	
PBT before Exceptional Items	458	565	586	700	
Growth (%)	8.5	23.3	3.8	19.4	
Tax	105	138	141	161	
PAT before Exceptional Items	301	370	440	533	
Exceptional items	(26)	(29)	-	-	
PAT before MI	327	399	440	533	
Minority Int & Pft. from associates	17	7	3	3	
PAT	344	405	443	536	
Growth (%)	5.4	17.9	9.3	21.0	
EPS	30.5	36.0	39.3	47.6	
EPS (Growth %)	5.4	17.9	9.3	21.0	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
	FY17	FY18	FY19E	FY20E	
PBT	432	536	586	700	
Depreciation	95	105	118	127	
WC changes	37	(166)	594	(566)	
Other non cash adju.	(44)	(34)	(66)	(100)	
Income taxes pd.	(100)	(165)	(141)	(161)	
CF from operations	420	276	1,091	1	
Other Investments	(77)	60	89	89	
Acq. Of business	-	-	-	-	
(Purchase)/Sale of Fixed Assets	(104)	(147)	(178)	(178)	
CF from investing Activities	(180)	(87)	(89)	(77)	
Inc / (Dec) in Equity Capital	2	1	-	-	
Change in debt funds	(20)	53	(23)	(23)	
Dividend & DDT	(75)	(189)	(184)	(184)	
CF from Financial Activities	(93)	(136)	(207)	(207)	
Exchange rate differences	28	30	-	-	
Opening cash balance	683	878	981	1,776	
Cash as margins/associates	21	20	-	-	
Cash c/f to balance sheet	878	981	1,776	1,492	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity	56	56	56	56	
Reserves & Surplus	2,061	2,288	2,546	2,898	
Networth	2,117	2,344	2,603	2,954	
Minority Interest	3	0	3	6	
Borrowings	165	241	241	241	
Long term Liabilities & provisions	138	163	163	163	
Source of funds	2,423	2,749	3,010	3,364	
Assets					
Net fixed assets	302	322	382	454	
Net intangible assets	139	151	151	151	
CWIP	9	21	21	21	
Goodwill	328	355	355	355	
Other non current assets	184	208	208	208	
Non current Investments	103	30	30	30	
Inventories	94	131	123	159	
Debtors	650	691	885	885	
Cash & Cash equivalents	878	981	1,776	1,492	
Other current assets	450	542	477	514	
Trade payables	402	381	932	543	
Current liabilities	288	280	299	317	
Provisions	24	23	166	46	
Application of funds	2,423	2,749	3,010	3,364	

Source: Company, ICICI Direct Research

Key ratios		FY17	FY18	FY19E	FY20E
Per share data (₹)					
Adjusted EPS (Diluted)		30.5	36.0	39.3	47.6
Cash per Share		78.0	87.1	157.7	132.5
BV per share		188.0	208.1	231.1	262.3
DPS		10.5	13.0	14.0	14.0
Operating Ratios (%)					
EBITDA Margin		13.4	14.0	13.5	13.7
PAT Margin		9.5	10.3	9.4	10.1
Debtor days		66	64	68	61
Creditor days		41	36	72	37
Return Ratios (%)					
RoE		16.2	17.3	17.0	18.1
RoCE		19.7	21.4	20.2	21.5
RoIC		27.0	27.2	47.3	34.5
Valuation Ratios (x)					
P/E		22.9	19.4	17.8	14.7
EV / EBITDA		14.6	12.8	9.8	9.0
EV / Net Sales		2.0	1.8	1.3	1.2
Market Cap / Sales		2.2	2.0	1.7	1.5
Price to Book Value		3.7	3.4	3.0	2.7
Solvency Ratios					
Debt/EBITDA		0.3	0.4	0.4	0.3
Debt / Equity		0.1	0.1	0.1	0.1
Current Ratio		1.5	1.8	1.0	1.6
Quick Ratio		1.4	1.6	0.9	1.4

Source: Company, ICICI Direct Research

## ICICI Direct coverage universe (IT)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE(%)		
	(₹)	TP(₹)			FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E	FY18P	FY19E	FY20E
Cyient (INFENT)	700	760	Hold	7,881	36.0	39.3	47.6	19.4	17.8	14.7	12.8	9.8	9.0	21.4	20.2	21.5	17.3	17.0	18.1
Eclerx (ECLSER)	1,293	1,180	Hold	5,330	72.9	72.2	84.4	17.7	17.9	15.3	12.2	11.9	9.8	23.2	22.1	23.9	19.3	17.0	18.4
Firstsource (FIRSOU)	70	87	Buy	4,911	4.8	5.1	6.2	14.7	13.7	11.3	11.6	10.0	8.2	12.7	14.7	16.0	13.9	13.6	15.1
HCL Tech (HCLTEC)	960	1,000	Hold	135,523	62.6	64.9	71.5	15.3	14.8	13.4	11.2	9.5	8.2	27.3	26.7	26.4	23.8	21.7	21.2
Infosys (INFTEC)	1,292	1,180	Hold	295,290	71.0	67.5	73.7	18.2	19.1	17.5	14.2	13.3	11.9	30.9	29.2	29.5	24.7	20.9	21.1
KPIT Tech (KPISYS)	274	275	Hold	5,452	12.9	16.0	18.3	21.3	17.1	15.0	13.9	11.0	9.4	15.9	18.3	18.9	14.2	15.6	15.4
Mindtree (MINCON)	992	840	Hold	16,658	34.3	39.9	46.6	28.9	24.9	21.3	21.5	15.7	13.0	24.9	26.3	26.9	20.8	20.6	20.7
NIIT Technologies (NIITEC)	1,080	1,075	Hold	3,870	45.6	52.9	63.2	23.7	20.4	17.1	5.9	4.6	3.5	18.4	19.0	19.6	15.1	15.4	16.1
Persistent (PSYS)	834	825	Buy	6,671	40.5	43.7	50.9	20.6	19.1	16.4	12.8	11.1	9.1	19.9	19.1	19.9	15.2	14.7	15.3
TCS (TCS)	1,930	2,060	Hold	368,630	67.4	80.6	89.4	14.3	23.9	21.5	10.0	8.2	7.0	37.6	43.9	39.8	29.6	34.2	30.9
Tech Mahindra (TECMAH)	645	735	Hold	63,384	42.7	42.2	49.0	15.1	15.3	13.2	12.0	9.5	7.6	21.9	20.0	20.1	20.0	17.3	17.0
Wipro (WIPRO)	262	315	Buy	129,349	16.9	17.5	20.9	15.5	15.0	12.5	10.8	10.3	8.4	16.9	15.0	15.9	16.6	14.3	15.0

Company, ICICI Direct Research

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