ICICI direct Research

Result Update

October 19, 2018

Rating matrix		
Rating	:	Hold
Target	:	₹ 720
Target Period	:	12 months
Potential Upside	:	8%

What's Changed?	
Target	Changed from ₹ 760 to ₹ 720
EPS FY19E	Changed from ₹ 39.3 to ₹ 42.6
EPS FY20E	Changed from ₹ 47.6 to ₹ 46.5
Rating	Unchanged

Quarterly Performance

	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	1,187	965	23.0	1,080	9.9
EBITDA	163	141	15.4	132	23.6
EBITDA (%)	13.7	14.6	-90 bps	12.2	152 bps
PAT	127	111	14.1	83	54.1

Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	3,607	3,918	4,867	5,431
EBITDA	485	549	657	717
Net Profit	344	405	481	524
EPS (₹)	30.5	36.0	42.7	46.5

Valuation summary

	FY17	FY18	FY19E	FY20E
P/E	21.9	18.6	15.7	14.4
Target P/E	23.6	20.0	16.9	15.5
EV / EBITDA	13.9	12.2	9.5	8.7
P/BV	3.6	3.2	2.9	2.5
RoNW (%)	16.2	17.3	18.2	17.6
RoCE (%)	19.7	21.4	21.6	20.9

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	7,532.4
Total Debt (₹ Crore)	241.0
Cash and Investments (₹ Crore)	1,093.7
EV (₹ Crore)	6,679.7
52 week H/L	887 / 520
Equity capital	56.3
Face value	₹ 5

Price performance (%)

	1M	3M	6M	12M
Cyient	(12.9)	(9.3)	4.4	28.9
KPIT	(29.5)	(25.7)	(4.4)	65.9
Mindtree	(15.2)	(7.3)	16.2	101.9
NIIT Tech	(18.1)	(4.1)	18.1	76.6

Research Analysts

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Cyient Ltd (CYILIM) ₹ 669

Steady quarter…

- **US$ revenues grew 5% QoQ to $168.9 million, in-line with our $169.2 million and 5.2% QoQ growth estimate. Revenues in constant currency grew 6.5% sequentially**
- **Revenues in rupees grew 9.9% QoQ to ₹ 1,187 crore**
- **EBITDA margins expanded by 150 bps QoQ to 13.7% and were way above our 70 bps expansion and 12.9% estimate. Margin expansion was mainly due to rupee depreciation (+80 bps), utilization & offshore mix (+130 bps), SG&A absorption (+100 bps) offset by partial wage hike (-100 bps impact)**
- **Reported PAT of ₹ 127.1 crore was above our ₹ 95.2 crore estimate on account of better than expected operating performance and higher other income (₹ 56.8 crore vs ₹ 17 crore in Q1FY19). Other income was higher due to benefits from incentives (₹ 23.4 crore) and unrealized restatement gain (₹ 20.7 crore)**

Services growth below expectations, healthy quarter for DLM…

Revenues from services grew 2.2% sequentially to $146 million (vs our estimate of $147.1 million). Although the growth was broad based across verticals, it was mainly on the back of communications, utilities & geospatial and energy & natural resources. On the DLM business (Design Led Manufacturing) (Rangsons) business front, revenues grew 27% sequentially to $22.9 million (vs our estimate of $22.1 million) in its seasonally strong quarter. Commentary across verticals is positive for FY19E, except no growth in utilities & geospatial. On the outlook for FY19E, management maintained its double digit revenue growth in core services business and 20% growth in the legacy DLM business unit. However, taking into account H1FY19 performance in services business, we tone down our growth estimates for full year. Consequently, we expect US$ revenues to grow at 11.8% CAGR during FY18-20E.

Meeting full year forecast of 14.5% looks challenging…

Margin expansion of 150 bps QoQ was driven by ~210 bps sequential expansion in services margin to 15.3%. DLM margin came in at 3.7% (vs 4.5% in Q1FY19). For FY19E, management has revised its EBITDA margin outlook of expansion by 50 bps YoY (14% margin in FY18) driven by operational efficiency and rupee depreciation. Management indicated that it is exiting low margin business in DLM mainly in communication vertical. This is expected to improve DLM margins, going ahead. However, taking into account weak performance in Q1FY19 and soft seasonality of H2FY19E, we keep our EBITDA margin estimates unchanged for FY19E. Further, investments in New Business Accelerator could keep margins in pressure. Hence, we expect EBITDA margins of 13.5%, 13.2% for FY19E, FY20E, respectively.

Healthy quarter from order intake perspective…

It was a healthy quarter from order intake (OI) perspective, wherein total OI witnessed growth of 15.3% QoQ to US$196 million. It was mainly aided by DLM OI which stood at $39 million (vs US$17 million in Q1FY19), representing robust growth. Management indicated that there are some deals in the negotiation phase and the overall pipeline remains good.

Growth in aerospace & Margin trajectory to be watched; maintain Hold…

Although growth was broad based across verticals, improving growth in aerospace vertical and margin trajectory has to be watched out for. Hence, we maintain HOLD recommendation with target price at ₹ 720 (~16x FY20E EPS).

Variance analysis

	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Revenue	1,187.0	1,185.6	965.4	23.0	1,080.0	9.9	Growth was driven by broad based growth across verticals
Cost of revenue	777.9	778.9	623.5	24.8	710.1	9.5	
Gross Margin	409.1	406.6	341.9	19.7	369.9	10.6	
Gross margin (%)	34.5	34.3	35.4	-95 bps	34.3	22 bps	
SG&A expenses	246.4	253.7	200.9	22.6	238.3	3.4	
EBITDA	162.7	152.9	141.0	15.4	131.6	23.6	
EBITDA Margin (%)	13.7	12.9	14.6	-90 bps	12.2	143 bps	Margins expanded due to rupee depreciation (+80 bps), utilization & offshore mix (+130 bps), SG&A absorption (+100 bps) offset by partial wage hike (-100 bps impact)
Depreciation & amortisation	28.8	29.6	25.9	11.2	28.5	1.1	
EBIT	133.9	123.3	115.1	16.3	103.1	29.9	
EBIT Margin (%)	11.3	10.4	11.9	-64 bps	9.5	173 bps	
Other income (less interest)	47.1	4.9	34.9	35.0	8.8	435.2	
PBT	181.0	128.2	150.0	20.7	111.9	61.8	
Tax paid	53.9	32.0	42.1	28.0	30.4	77.3	
PAT	127.1	95.2	111.4	14.1	82.5	54.1	Reported PAT was above our estimate on account of better than expected operating performance and higher other income
Key Metrics							
Closing employees	15,040	15,100	13,568	10.8	15,056	-0.1	
Voluntary attrition (%)	18.4	18.0	14.2	420 bps	18.2	20 bps	
Overall utilisation (%)	78.0	76.0	75.9	210 bps	75.0	300 bps	
Average $/₹	70.3	70.0	64.3	9.3	67.2	4.6	

Source: Company, ICICI Direct Research

Change in estimates

	FY19E			FY20E			
(₹ Crore)	Old	New	% Change	Old	New	% Change	Comments
Revenue	4,729	4,867	2.9	5,311	5,431	2.3	
EBITDA	638	657	2.9	728	717	-1.5	
EBITDA Margin (%)	13.5	13.5	0 bps	13.7	13.2	-50 bps	Change in margin estimates for FY20E mainly on the back of expectation of increased investments
PAT	443	480	8.4	536	524	-2.3	
EPS (₹)	39.3	42.6	8.5	47.6	46.5	-2.3	

Source: Company, ICICI Direct Research

Assumptions

	FY17	FY18	Current FY19E	Earlier FY19E	Current FY20E	Earlier FY20E	
Closing employees (ex-Rangson)	13,084	14,125	14,561	14,561	14,915	14,915	
Voluntary attrition (%)	20.2	16.1	19.0	19.0	19.0	19.0	
Overall utilisation (%)	76.8	77.0	77.0	77.0	77.0	77.0	
Average $/₹	67.0	64.5	70.9	68.5	71.5	68.5	Change in exchange rate assumption on account of rupee depreciation

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 legacy DLM business

- **DLM business:** With expected strong seasonality in DLM business, revenues from DLM grew 27% sequentially to $22.9 million (vs our estimate of $22.1 million. Total DLM order intake stood at US$39 million (vs US$17 million in Q1FY19), representing robust growth

- **Margin outlook**: For FY19E, management has revised its EBITDA margin outlook of expansion by 50 bps YoY driven by operational efficiency and rupee depreciation. Management indicated that it is exiting low margin business in DLM in communication vertical. This is expected to improve DLM margins

- **Vertical commentary:** Growth in this quarter was broad based across verticals. Providing the outlook for the year across verticals, management cited 1) Aerospace & Defence- Expect it to witness a mid to high single digit services revenue growth in the year 2) Communications- Expect to witness double digit growth through the year with good momentum across geographies 3) Utilities & geospatial- Expect to be flat in the year 4) Transportation- Expect to witness double digit growth through the year with demand driven from key clients 5) I&ENR- Expect to witness low double digit growth in the year 6) Semiconductor- Expects high double digit growth for FY19E

- **JV with Bluebird Aerosystems:** Cyient Solutions & Systems Pvt Ltd (CSS), a joint venture between Cyient Ltd and BlueBird Aero Systems, Israel, has received its first supply order from a unit of the Indian Army for SpyLite mini Unmanned Arial Vehicle (UAV) systems for high altitude aerial surveillance. Company identified $190 mn opportunity pipeline and is currently in investment phase. This is expected to be growth accretive in FY21

- **Employee details:** The company's employee strength stood at 15,040 employees. Voluntary attrition increased 20 bps QoQ to 18.4%. Sharp increase of 300 bps QoQ to 78% was one of the main contributor factors in margin improvement

- **Clientele update:** Top five customers (32.7% of revenues) and top 10 accounts (44.1% of revenues) witnessed an increase of 1.9% and 0.7% QoQ, respectively. While, clients other than top 10 buckets grew 8.7% QoQ. Client additions were steady with 15 clients added in the quarter with 2 added in $10 million+ category

- **Cash position:** The cash & cash equivalent position stood at ₹ 1,211 crore in the quarter. Further, DSO days were lower by 7 days QoQ at 82 due to improved collection

- **Tax rate-** Expected tax rate for FY20E is expected to be 22-23%

Company Analysis

See some challenges in Europe and is working through them

Exhibit 2: Geography-wise Break-up

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Revenue by geography (%)						
North America	55.8	54.2	55.1	53.3	55.3	56.2
Europe (EMEA and India)	26.6	26.7	27.7	29.2	26.3	26.4
Asia Pacific	17.6	19.1	17.2	17.5	18.4	17.4
Growth QoQ (%)						
North America	0.7	1.3	5.9	-1.4	3.9	3.9
Europe (EMEA and India)	9.2	4.7	8.1	7.5	-9.8	2.7
Asia Pacific	1.9	13.2	-6.2	3.7	5.2	-3.3

Source: Company, ICICI Direct Research

Vertical-wise, growth was broad based across verticals

Aerospace- Expect it to witness a mid to high single digit services revenue growth in the year

Communication- Expect to witness double digit growth through the year with good momentum across geographies

U&G- Expect to be flat in the year

Transportation- Expect to witness double digit growth through the year with demand driven from key clients

Exhibit 3: Vertical-wise Break-up

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Revenue by verticals (%)						
Aerospace and Defense	35.2	34.7	34.7	33.4	34.2	33.8
Transportation	10.5	11.2	11.7	11.6	12.0	11.8
Industrial, Energy and Natural Resources	8.5	8.6	8.6	8.3	8.4	8.6
Semiconductor	4.5	4.1	3.7	3.9	5.5	5.8
Medical and Healthcare	2.0	2.2	2.0	1.9	1.8	1.9
Utilities & Geospatial	16.6	15.9	16.6	16.2	14.2	14.3
Communications	22.8	23.3	22.7	24.7	23.9	23.9
Growth QoQ (%)						
Aerospace and Defense	1.6	2.8	4.2	-1.9	2.4	1.1
Transportation	11.5	11.2	8.8	1.1	4.0	0.2
Industrial, Energy and Natural Resources	0.7	5.5	4.2	-1.6	1.4	4.6
Semiconductor	10.4	-5.0	-6.0	7.5	40.2	8.6
Medical and Healthcare	8.5	14.7	-5.3	-3.1	-4.1	6.7
Utilities & Geospatial	-7.5	-0.1	8.7	-0.5	-12.1	2.8
Communications	9.8	6.6	1.5	11.0	-3.2	2.3

Source: Company, ICICI Direct Research

Utilisation increased sharply by 300 bps QoQ to 78%

Exhibit 4: Client & Human resource Matrix

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Client metrics						
USD 1 mn+ clients	57	65	66	63	66	81
USD 5 mn+ clients	21	22	23	23	25	31
USD 10 mn+ clients	9	9	11	12	11	13
USD 20 mn+ clients	5	5	5	4	4	4
Headcount, Utilization, Attrition						
Total Employees	13206	13568	13829	14125	15056	15040
Utilization	74.1	75.9	78.6	76.7	75	78
Voluntary attrition	16.6	14.2	16.8	16.9	18.2	18.4

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

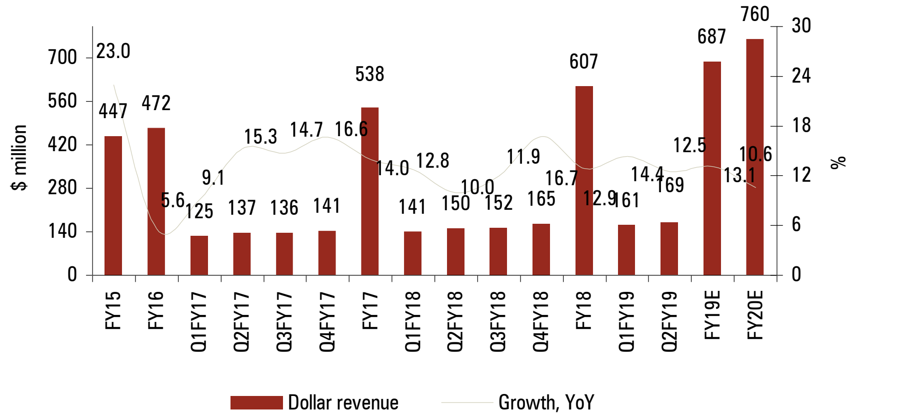
Exhibit 5: Order Intake across Services and DLM

	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Order Intake ($ million)						
Cyient services	130	107	241	187	153	157
DLM	30	12	4	19	17	39
Group total order intake	160	119	245	206	170	196
Growth QoQ (%)						
Cyient services	-29.8	-17.7	124.8	-22.4	-18.2	2.6
DLM	-57.7	-60.9	-65.8	375.0	-10.5	129.4
Group total order intake	-37.5	-25.8	106.1	-15.9	-17.5	15.3

Source: Company, ICICI Direct Research

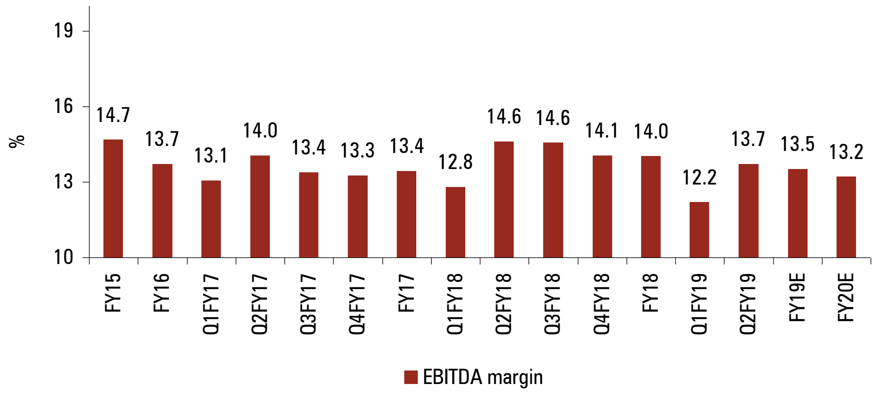
Financial story in charts

Exhibit 6: Dollar revenues may grow at 11.8% CAGR during FY18-20E



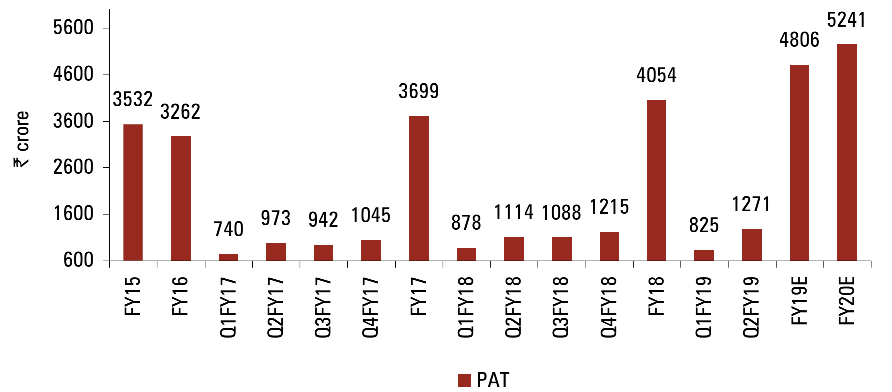
Source: Company, ICICI Direct Research

Exhibit 7: Expects margin decline of 80 bps during FY18-20E



Source: Company, ICICI Direct Research

Exhibit 8: PAT may grow at 13.7% CAGR during FY18-20E

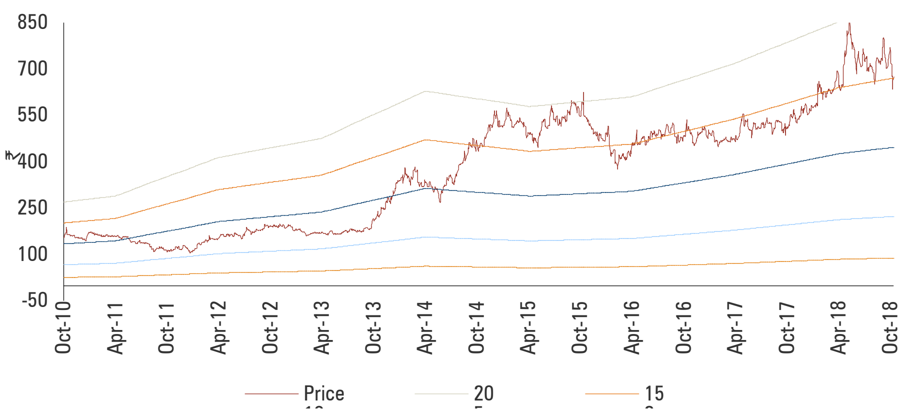


Source: Company, ICICI Direct Research

Outlook and valuation

Cyient reported Q2FY19 numbers wherein margin performance was better than our expectations. Growth in dollar terms was led by aerospace and defence (7.4% QoQ) followed by utilities & geospatial (2.7% QoQ). For FY19E, management has revised its EBITDA margin outlook of expansion by 50 bps YoY on account of rupee depreciation. However, taking into account weak performance in Q1FY19 and soft seasonality of H2FY19E, the margin expansion remains challenging. We maintain our HOLD recommendation with target price at ₹ 720 (~16x FY20E EPS).

Exhibit 9: One year forward rolling PE



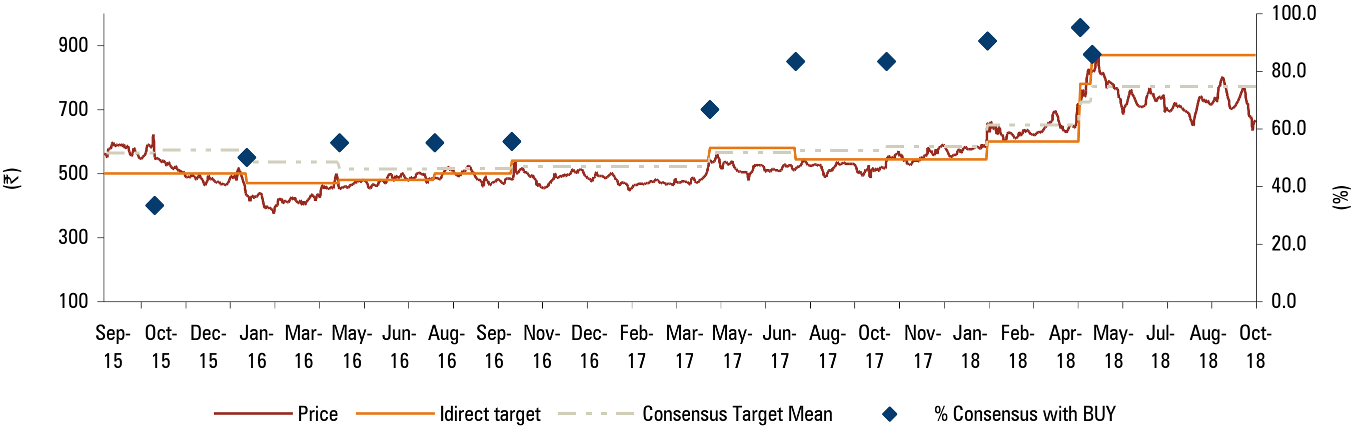
Source: Company, ICICI Direct Research

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	3,096	13.1	29.0	(7.7)	23.1	16.3	17.8	20.3
FY17	3,607	16.5	30.5	5.4	21.9	13.9	16.2	19.7
FY18	3,918	8.6	36.0	17.9	18.6	12.2	17.3	21.4
FY19E	4,867	24.2	42.7	18.5	15.7	9.5	18.2	21.6
FY20E	5,431	11.6	46.5	9.1	14.4	8.7	17.6	20.9

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
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'
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	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
Sep-18	Cyient Solutions & Systems Pvt Ltd (CSS), a joint venture between Cyient Ltd and BlueBird Aero Systems, Israel, has received its first supply order from a unit of the Indian Army for SpyLite mini Unmanned Arial Vehicle (UAV) systems for high altitude aerial surveillance. Financial details of the order were not disclosed
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.	30-Jun-18	10.0%	11.3	0.0
2	Amansa Capital Pte Ltd.	30-Jun-18	6.4%	7.2	0.0
3	ICICI Prudential Asset Management Co. Ltd.	30-Jun-18	5.3%	6.0	1.1
4	Stewart Investors	30-Jun-18	5.1%	5.7	0.0
5	Infocad Enterprises Pvt. Ltd.	30-Jun-18	5.0%	5.6	0.0
6	First State Investments (Singapore)	30-Jun-18	5.0%	5.6	0.2
7	Aditya Birla Sun Life AMC Limited	31-Aug-18	4.8%	5.4	-0.1
8	Reliance Nippon Life Asset Management Limited	30-Jun-18	3.9%	4.4	-1.5
9	T. Rowe Price International (UK) Ltd.	30-Jun-18	3.8%	4.3	0.0
10	Fidelity Institutional Asset Management	30-Jun-18	3.2%	3.6	1.2

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18
Promoter	22.18	22.12	22.10
Public	77.82	77.88	77.90
Others	--	--	--
Total	100.00	100.00	100.00

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Fidelity Institutional Asset Management	13.4m	1.2m	Reliance Nippon Life Asset Management Limited	-16.3m	-1.5m
ICICI Prudential Asset Management Co. Ltd.	12.3m	1.1m	Franklin Templeton Asset Management (India) Pvt. Ltd.	-15.0m	-1.3m
Florida State Board of Administration	1.9m	0.2m	DSP Investment Managers Pvt. Ltd.	-13.0m	-1.2m
First State Investments (Singapore)	2.0m	0.2m	First State Investments (U.K.) Ltd	-10.9m	-1.0m
Invesco Asset Management (India) Private Limited	1.2m	0.1m	Seafarer Capital Partners, LLC	-11.0m	-1.0m

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				₹ Crore
	FY17	FY18	FY19E	FY20E
Total Revenues	3,607	3,918	4,867	5,431
Growth (%)	16.5	8.6	24.2	11.6
COGS	2,365	2,539	3,149	3,546
Other expenditure	757	830	1,061	1,168
EBITDA	485	549	657	717
Growth (%)	14.1	13.3	19.6	9.1
Depreciation	95	105	122	130
Other Income	87	144	124	121
Interest	19	23	23	23
PBT before Exceptional Items	458	565	636	684
Growth (%)	8.5	23.3	12.6	7.6
Tax	105	138	153	157
PAT before Exceptional Items	301	370	478	521
Exceptional items	(26)	(29)	-	-
PAT before MI	327	399	478	521
Minority Int & Pft. from associates	17	7	3	3
PAT	344	405	481	524
Growth (%)	5.4	17.9	18.5	9.1
EPS	30.5	36.0	42.7	46.5
EPS (Growth %)	5.4	17.9	18.5	9.1

Source: Company, ICICI Direct Research

Cash flow statement				₹ Crore
	FY17	FY18	FY19E	FY20E
PBT	432	536	636	684
Depreciation	95	105	122	130
WC changes	37	(166)	178	(219)
Other non cash adju.	(44)	(34)	(100)	(98)
Income taxes pd.	(100)	(165)	(153)	(157)
CF from operations	420	276	682	340
Other Investments	(77)	60	124	124
Acq. Of business	-	-	-	-
(Purchase)/Sale of Fixed Assets	(104)	(147)	(183)	(183)
CF from investing Activities	(180)	(87)	(60)	(83)
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	1,396
Cash as margins/associates	21	20	-	-
Cash c/f to balance sheet	878	981	1,396	1,445

Source: Company, ICICI Direct Research

Balance sheet				₹ Crore
	FY17	FY18	FY19E	FY20E
Liabilities				
Equity	56	56	56	56
Reserves & Surplus	2,061	2,288	2,584	2,924
Networth	2,117	2,344	2,640	2,980
Minority Interest	3	0	3	6
Borrowings	165	241	241	241
Long term Liabilties & provisions	138	163	163	163
Source of funds	2,423	2,749	3,047	3,390
Assets				
Net fixed assets	302	322	383	457
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	127	163
Debtors	650	691	850	945
Cash & Cash equivalents	878	981	1,396	1,445
Other current assets	450	542	485	522
Trade payables	402	381	484	542
Current liabilities	288	280	303	320
Provisions	24	23	172	45
Application of funds	2,423	2,749	3,047	3,390

Source: Company, ICICI Direct Research

Key ratios				
	FY17	FY18	FY19E	FY20E
Per share data (₹)				
Adjusted EPS (Diluted)	30.5	36.0	42.7	46.5
Cash per Share	78.0	87.1	123.9	128.3
BV per share	188.0	208.1	234.4	264.6
DPS	10.5	13.0	14.0	14.0
Operating Ratios (%)				
EBITDA Margin	13.4	14.0	13.5	13.2
PAT Margin	9.5	10.3	9.9	9.7
Debtor days	66	64	64	64
Creditor days	41	36	36	36
Return Ratios (%)				
RoE	16.2	17.3	18.2	17.6
RoCE	19.7	21.4	21.6	20.9
RoIC	27.0	27.2	35.3	32.4
Valuation Ratios (x)				
P/E	21.9	18.6	15.7	14.4
EV / EBITDA	13.9	12.2	9.5	8.7
EV / Net Sales	1.9	1.7	1.3	1.1
Market Cap / Sales	2.1	1.9	1.5	1.4
Price to Book Value	3.6	3.2	2.9	2.5
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	1.4	1.7
Quick Ratio	1.4	1.6	1.3	1.5

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (IT)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY18	EPS (₹) FY19E	EPS (₹) FY20E	P/E (x) FY18	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE(%) FY18	RoE(%) FY19E	RoE(%) FY20E
Cyient (INFENT)	669	720	Hold	7,532	36.0	42.7	46.5	18.6	15.7	14.4	12.2	9.5	8.7	21.4	21.6	20.9	17.3	18.2	17.6
Eclerx (ECLSER)	1,069	1,120	Hold	4,522	72.9	72.2	80.3	15.1	15.2	13.7	10.7	9.8	8.6	28.2	28.4	28.9	24.1	20.9	21.2
Firstsource (FIRSOU)	63	87	Buy	5,332	4.8	5.1	6.1	16.0	14.8	12.4	12.9	11.1	9.2	13.0	16.4	17.5	13.9	13.7	14.9
HCL Tech (HCLTEC)	1,030	1,050	Hold	153,593	62.6	69.2	75.1	17.4	15.7	14.5	13.1	10.2	8.9	27.4	28.3	27.6	23.8	23.0	22.0
Infosys (INFTEC)	707	800	Buy	307,518	32.3	38.2	44.2	21.9	18.5	16.0	14.8	12.6	10.9	30.9	31.6	33.2	22.5	23.1	24.5
KPIT Tech (KPISYS)	213	300	Hold	6,168	12.9	17.8	21.1	24.1	17.4	14.7	15.4	11.3	9.4	15.5	19.4	20.2	13.9	16.7	16.8
MindTree (MINCON)	976	1,245	Hold	19,479	34.3	43.4	56.5	33.8	26.7	20.5	25.3	17.2	13.1	24.9	29.5	33.3	20.8	23.3	26.0
NIIT Technologies (NIITEC)	1,190	1,365	Buy	7,237	45.6	67.1	75.9	26.1	17.7	15.7	12.9	9.8	8.0	19.4	24.5	24.5	15.8	20.3	20.1
Persistent (PSYS)	690	925	Buy	5,703	40.5	47.8	55.2	17.6	14.9	12.9	10.4	8.1	6.7	19.8	20.9	21.4	15.2	15.9	16.3
TCS (TCS)	1,948	1,880	Hold	720,731	67.4	85.6	95.1	14.2	22.4	20.2	20.9	16.2	14.2	37.6	45.1	40.4	29.6	35.1	31.3
Tech Mahindra (TECMAH)	726	770	Buy	75,079	42.7	44.7	51.3	17.9	17.1	14.9	14.9	11.2	9.3	21.5	20.3	20.1	20.2	18.3	17.7
Wipro (WIPRO)	326	325	Buy	142,756	16.8	16.3	21.3	18.8	19.5	14.9	12.1	12.7	9.5	16.9	14.1	16.2	16.6	13.5	15.5

Company, ICICI Direct Research

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