



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Cyient Ltd Q4FY22 consolidated revenues came in at ₹1181.2 Cr, up 8.06% YoY and down 0.19% QoQ.
- EBITDA for Q4FY22 stood at ₹212.4 Cr, up 37.39% YoY and up 0.28% QoQ.
- EBITDA margins for Q4FY22 came at 17.98% as compared to 17.9% in Q3FY22 and 14.14% in Q4FY21.
- PAT for Q4FY22 stood at ₹154.2 Cr, up 49.56% YoY and up 17.00% QoQ.

2. MANAGEMENT COMMENTARY:

- Management provided revenue guidance of 13-15% for FY23 and high single digit growth in DLM because of supply side challenges.
- Management expects EBIT Margin to be in the range of 13-14% in FY23.

3. SEGMENTAL ANALYSIS:

- Q4FY22 Revenue Breakup: Aerospace (31.9%), Rail transportation (9%), Communication (23.1%), Utilities (6.2%) and Portfolio (29%).
- Q4FY22 Geographic Mix: America (53.5%), Europe (24.6%), Asia Pacific (22.0%)

4. CONCALL SUMMARY

- Services revenue grew 1.2% QoQ to \$130.6 Mn while DLM revenue decline by 9.4% QoQ to \$104.7 Mn.
- Order intake was at \$210 Mn (+13% YoY and -6% QoQ)
- In Q4FY22 Company won 7 large deals with total contract potential of ~\$134.9 Mn, six were from services and 1 from Composite B2S)
- In FY22 company won 23 large deals with total contract potential of ~\$308.6 Mn
- Utilization in Services for Q4FY22 was at 86.1% (-10 Bps QoQ)
- Attrition rate for the quarter was at 26.9% (-240 Bps QoQ)
- Management believed that growth in aerospace segment business may return to pre covid levels. FY23 should be far better for rail business. Semiconductor business may witness ~20% growth in FY23. In the communication business, management is expecting huge demand to come from 5G private networks.

5. OTHER DEVELOPMENTS:

- On 25th of April, 2022, Cyient, announced that it is set to acquire Citec. The acquisition will be completed by 30th of June, 2022. Citec is a Finland based company and has three businesses namely: plant engineering (60% of revenue mix), product engineering (25% of revenue mix), consulting & digital (15% revenue mix).

6. VALUATION AND OUTLOOK:

We believe company will continue to perform well over next few quarters due to robust demand environment. We expect strong growth momentum in verticals such as Communications, Automotive, semiconductor, utilities and aerospace.

Some of the growth triggers for the company includes healthy order book, strong demand momentum from large deals and rebound in DLM business. Attrition is also coming down slowly which is positive for the company and management already mentioned that they are planning to hire aggressively in FY23.

We give a "BUY" rating on the stock and value the stock at 15.2x FY24E earnings to arrive at the target of ₹911.

RECOMMENDATION - BUY

CMP – 791

TARGET – 911 (15%)

Industry	IT - Software
NSE CODE	CYIENT
BSE CODE	532175
Market Cap (₹ Cr)	8737.83
Shares Outstanding (in Cr)	11.03
52 wk High/Low (₹)	1292 / 720
P/E	16.73
P/BV	2.82
Face Value (₹)	5.00
Book Value (₹)	280.31
EPS (FY22) (₹)	47.31
Dividend Yield (%)	2.58
Debt / Equity	0.11
Interest Coverage	18.77

SHAREHOLDING PATTERN

	Sep 21	Jun 21	Mar 21
Promoters	23.41	23.41	23.43
MF/ DII	21.97	21.16	21.15
FII/FPI	34.02	34.72	35.56
Retail & Others	19.25	19.11	18.11
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Core			
Sales	4534.40	5123.87	5892.45
Sales Gr. (%)	9.73	13.00	15.00
EBITDA	817.80	871.06	1001.72
EBITDA %	18.03	17.00	17.00
PAT	522.30	563.74	661.74
EPS (₹)	47.31	51.06	59.94
EPS Gr. (%)	43.05	7.93	17.38
BV/Sh. (₹)	280.20	291.5	312.5
Ratios			
RoE (%)	17.31	18.4	19.5
RoCE (%)	19.3	20.1	20.5
Payout (%)	50.73	50.00	50.00
Valuation			
P/E (x)	19.64	16.5	15.2
P/BV (x)	3.32	2.8	2.4

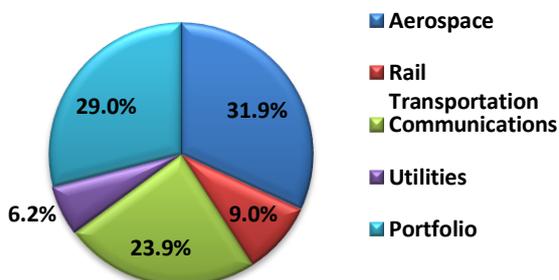
Historical & Industrial Val Ratios

Historical P/E	16.14
Industry P/E	27.93
Historical P/B	2.57
Industry P/B	8.37

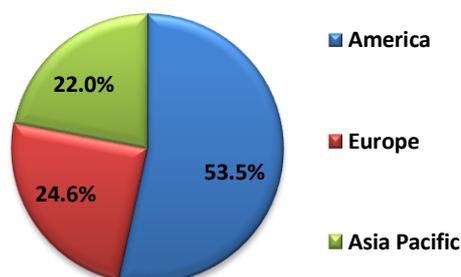


REVENUE SPLIT (Q4FY22)

Vertical Mix (Q4 FY22)



Geographic Mix (Q4 FY22)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21			FY22				FY23	FY22	FY23E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
Net sales	1,003	1,044	1,093	1,058	1,112	1,183	1,181	1,164	4,534	5,124
YoY change (%)	-13.43%	-5.57%	1.82%	6.71%	10.79%	13.32%	8.06%	10%	9.73%	13.0%
Total Expenditures	845	881	938	872	904	972	969	954	3717	4253
EBITDA	158	164	155	186	207	212	212	209	818	871
Margins (%)	16%	16%	14%	18%	19%	18%	18%	18%	18%	17%
Depreciation	48	49	49	49	52	49	43	43	192	192
Interest	10	12	11	10	9	10	10	10	39	39
Other income	9	22	40	26	15	22	49	25	112	112
PBT	109	125	135	154	162	175	208	181	698	751
Rate (%)	23%	24%	23%	25%	25%	25%	26%	25%	25%	25%
Adjusted PAT	84	95	103	115	121	132	154	136	522	564
EPS in Rs	7.63	8.67	9.37	10.44	11.01	11.95	13.98	12.33	47.35	51.06

Key Performance Indicators

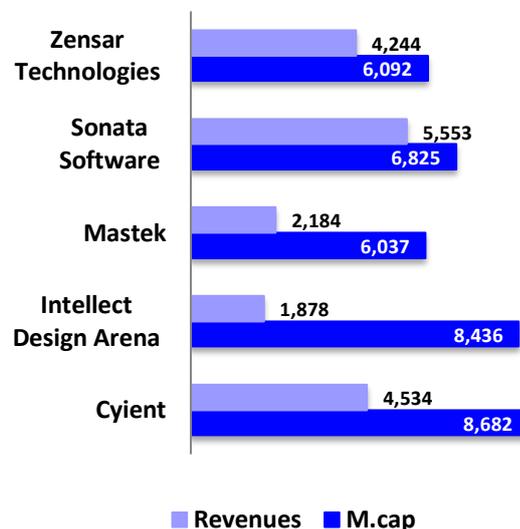
Employee Cost (% of Sales)	52.12	51.10	48.39	51.75	50.48	49.06	48.87		
Top 5 Client Contribution	29.5	28.8	33.5	31.9	31.7	28.1	30.6		
Top 10 Client Contribution	38.4	38.4	44.1	43.3	43.2	41.7	42.6		
Attrition %	9.2	13.2	21.2	23.5	24.3	29.3	26.9		
Utilization %	78.8	80.9	83.7	83.1	85.0	86.2	86.1		
No of \$10 Mn+ Client	7	7	8	10	10	10	11		
No of \$20 Mn+ Client	3	3	3	3	3	3	3		

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- India is the world's largest sourcing destination with largest qualified talent pool of technical graduates in the world.
- The IT sector is the largest employer within the private sector.
- The Indian IT industry accounted for 19.2% of the total global IT spend in FY21.
- Indian technology industry contributes ~8% share to the national GDP, with a 52% share of services exports, and a 50% share in total FDI.
- The priority tech spending areas are expected to be augmented reality and virtual reality (AR/VR), mixed reality, Internet of Things (IoT), artificial intelligence (AI), robotics and cloud.
- This push towards cloud services has boosted hyper-scale data centre investments, with global investments estimated to exceed ~US\$ 200 billion annually by 2025.
- The digital transformation deals have seen a 30% jump since the pandemic.
- In Budget 2022-23, the government has allocated Rs. 88,568 crore (US\$ 11.58 billion) to the IT and telecom sector.
- Leading players in Indian IT Industry (Small Cap Space) includes Mastek, Happiest Minds, Cyient, Intellect Design Arena, Birlasoft, Zensar Technologies, Sonata Software etc.

KEY PLAYERS in SmallCap IT



PEER PERFORMANCE

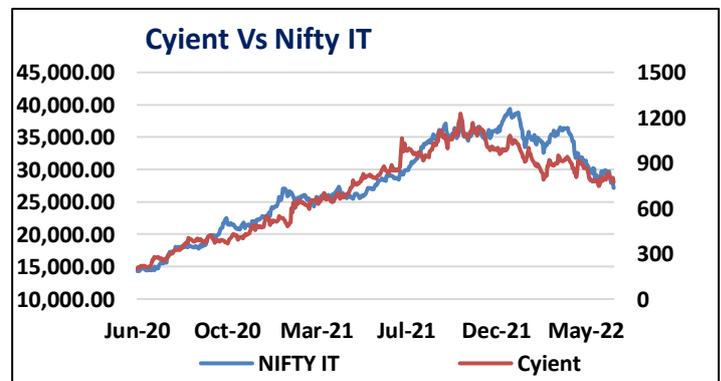
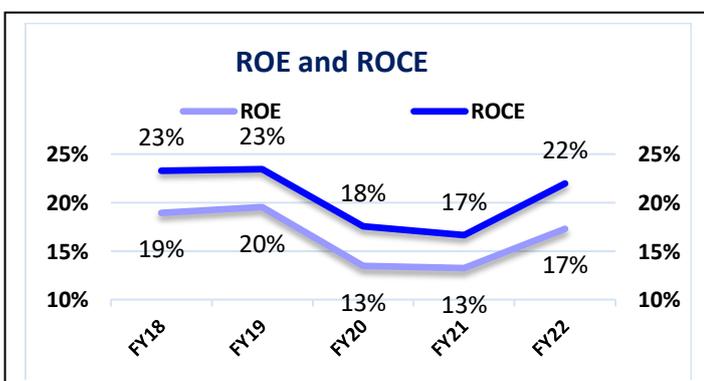
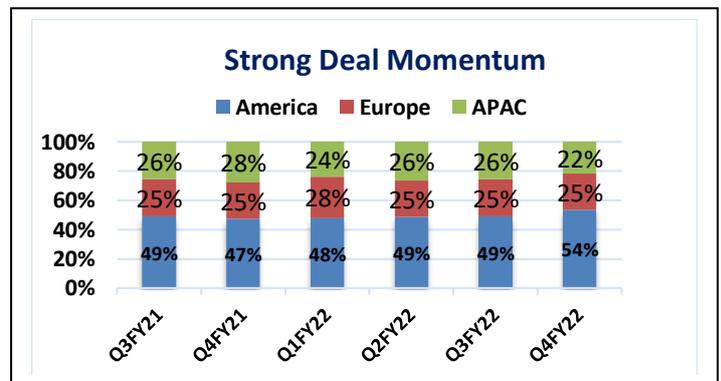
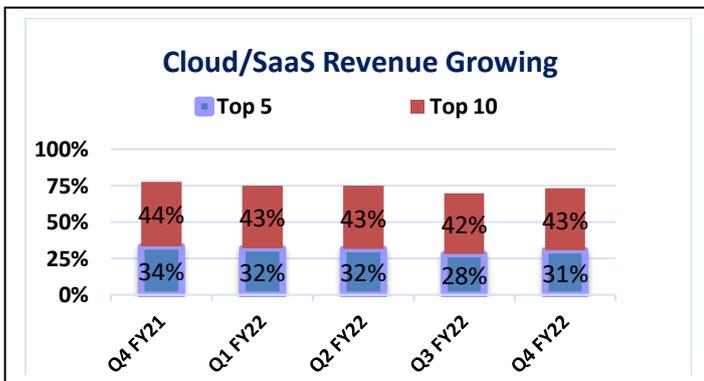
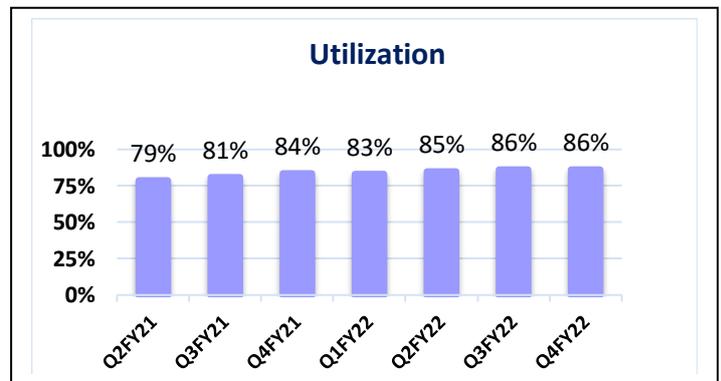
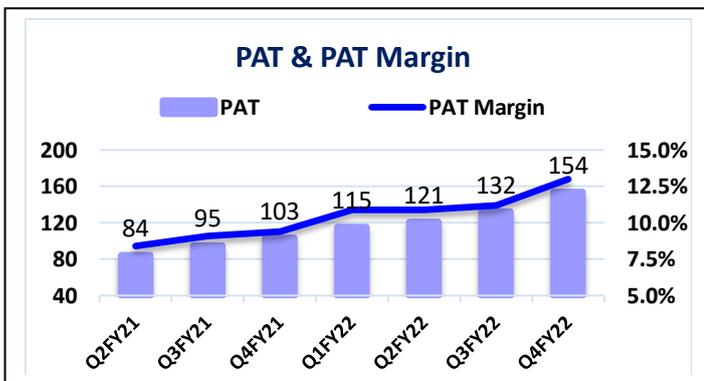
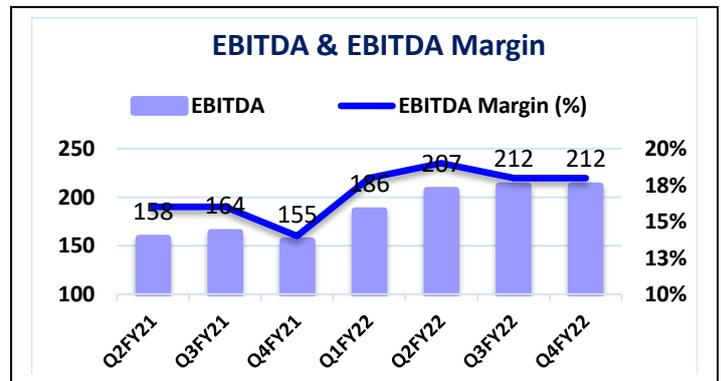
(₹ Cr)

Particulars	Peer Companies				
	Cyient Ltd.	Zensar Technologies Ltd.	Intellect Design Arena Ltd.	Mastek Ltd.	Sonata Software Ltd.
Market Cap	8682	6092	8436	6037	6825
Net Sales	4534	4244	1878	2184	5553
EBITDA	818	656	472	463	464
PAT	522	416	349	295	376
EPS(₹)	47.35	18.40	25.94	98.32	35.80
EBITDA MARGIN %	18%	15%	25%	21%	8%
PAT MARGIN %	12%	10%	19%	14%	7%
ROCE %	20.4	22.7	25.3	38.0	47.6
ROE %	17.2	16.6	21.8	30.6	37.6
P/E TTM	16.6	14.6	24.2	20.4	18.3
P/B TTM	2.80	2.24	4.66	5.65	6.16
EV/EBITDA	8.59	7.02	16.1	11.1	11.1
Dividend Yield %	3.04	1.33	0.41	0.73	3.23

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- During FY22, revenue has grown up by 9.2% in US \$ terms and 9.7% in Rupee terms.
- Operating margins from past few quarters have gradually improved.
- During FY22, the company delivered 10% YoY growth in the North America region, a growth of 9.1% in the EMEA region, and 7.9% growth in the Asia Pacific, including the India region in \$ terms.
- The growth momentum in various verticals such as communications, automotive, semiconductors, utilities is expected to continue for next 2-3 years.
- The global Aerospace & Defense (A&D) industry is in much better shape than earlier post-pandemic expectations, which is a positive sign.
- Another focus area for FY23 is urban air mobility, where significant investments are being made, and company expects good business growth in the segment
- Increased investments across all geographies in rail infrastructure and modernization projects has been witnessed.
- The semiconductor industry has seen an extremely strong demand driven by a rebound from the post-Covid scenario and increasing demand for applications
- The Automotive & Mobility Business Unit (BU) is pacing itself for a year of exponential growth in 2023.
- Company recently acquired a Finland based company, Citec. This acquisition would also help Cyient to acquire new capabilities in plant design engineering, process engineering and technical publications

RISK / NEGATIVE FACTORS:

- The Ukraine Russia war could impact business in Europe and have an impact on key industries company operate in.
- Restrictions in key markets and legislations that restrict the movement of professionals may lead to delays in projects and an increase in costs.
- Exchange rate volatility in various currencies could materially and adversely impact the results of operations.
- Risk of losing talent (attrition risk) across levels in the Organization.
- Pressure on margins due to volume discounts

COMPANY RECAP

- Cyient (formerly known as Infotech Enterprises Ltd) is a global engineering and technology solutions company.
- The company is engaged with customers across their value chain helping to design, build, operate and maintain the products and services that make them leaders and respected brands in their industries and markets.
- Customers draw on Cyient's expertise in engineering, manufacturing and digital technology to deliver and support their next-generation solutions that meet the highest standards of safety, reliability and performance.
- Company has presence in 18 nations and has 16000+ associates & 240+ customers.
- Cyient's main business units include Aerospace & Defence; Transportation; Industrial, energy and natural resources; Semiconductor, Internet of things and Analytics; Medical and Healthcare; Utilities & Geospatial; Communications and Design led manufacturing
- Company's geographic revenue mix is diversified with revenues coming from America, Europe and Asia Pacific.
- Company spends ~1.43% of sales as R&D expenditure.
- Company's total employee headcount stood at 15,549 as on 31 March, 2022.
- Company has 11 subsidiaries and 1 Joint Venture.
- Company has a skilled and experienced management team including BVR Mohan Reddy (Founder Chairman), Krishna Bodanapu (MD & CEO), Ajay Aggarwal (ED & CFO), Karthikeyan Natarajan (ED & COO).



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	(₹ Cr)						
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	3,913.90	4,617.50	4,427.40	4,132.40	4,534.40	5123.87	5892.45
Growth YoY (%)	9.15	17.98	-4.12	-6.66	9.73	13	15
Total Expenditure	3,378.50	4,003.60	3,878.50	3,584.00	3,716.60	4252.81	4890.74
(%) of sales	86.32	86.70	87.60	86.73	81.96	83	83
EBITDA	535.40	613.90	548.90	548.40	817.80	871.06	1001.72
EBITDA Growth (%)	20.49	11.57	-7.77	1.09	30.07	6.51	15.00
EBITDA Margin (%)	17.54	16.61	15.97	17.30	20.51	17	17
Depreciation	105.20	111.40	187.80	194.50	192.20	192.2	192.2
EBIT	577.10	651.90	519.40	520.40	737.70	678.86	809.52
EBIT Growth (%)	28.53	12.96	-20.33	0.19	41.76	8.51	19.25
Net Interest Expenses	20.40	32.60	48.60	43.30	39.30	39.3	39.3
Other Income	151.90	152.90	158.30	166.50	112.10	112.1	112.1
Earnings before Taxes	556.70	619.30	470.80	477.10	698.40	751.66	882.32
EBT Margin (%)	14.21	13.41	10.63	11.55	15.40	14.7	15.0
Tax-Total	138.00	142.70	127.00	113.30	176.10	187.9	220.6
Rate of tax (%)	24.79	23.04	26.98	23.75	25.21	25	25
Net Profit	418.70	476.60	343.80	363.80	522.30	563.74	661.74
PAT Growth (%)	27.93	13.83	-27.86	5.82	43.57	7.93	17.38
PAT Margin (%)	10.69	10.32	7.77	8.80	11.52	11.00	11.23
Minority Interest	2.30	1.40	1.30	0.00	0.00	0	0
Adjusted PAT	405.40	478.50	342.50	363.80	522.30	563.74	661.74
EPS	36.00	43.34	31.14	33.07	47.31	51.06	59.94
EPS Growth (%)	17.92	20.38	-28.16	6.22	43.05	7.93	17.38

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	56	55	55	55	55
Reserves	2,288	2,509	2,506	2,902	3,061
Net Worth	2,344	2,564	2,561	2,957	3,116
Borrowings	283	368	711	577	573
Other Liabilities	773	927	870	941	1,072
Total Liabilities & Equity	3,400	3,860	4,142	4,475	4,762
Fixed Assets	798	978	1,305	1,361	1,345
CWIP	52	104	146	88	13
Investments	143	55	41	34	445
Other Assets	2,409	2,723	2,650	2,992	2,959
Total Assets	3,400	3,860	4,142	4,475	4,762

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	10.69	10.32	7.77	8.80	11.52
EBITDA margin (%)	17.54	16.61	15.97	17.30	20.51
EBIT margin (%)	14.73	14.12	11.73	12.59	16.27
ROE (%)	18.95	19.54	13.46	13.25	17.31
ROCE (%)	23.29	23.45	17.58	16.65	21.96
Working Capital & liquidity ratios					
Payables (Days)	459.67	327.63	345.69	286.46	313.15
Inventory (Days)	10.47	12.43	16.90	17.02	17.61
Receivables (Days)	62.47	59.48	63.48	67.52	61.82
Current Ratio (x)	2.29	2.18	1.90	2.19	1.96
Valuations Ratios					
EV/sales (x)	1.80	1.42	0.45	1.45	2.05
EV/EBITDA (x)	10.27	8.54	2.81	8.38	10.02
P/E (x)	19.13	14.95	7.38	19.61	19.64
P/BV (x)	3.34	2.80	0.99	2.43	3.32
Dividend Yield (%)	1.89	2.31	6.53	2.62	2.58
Return on Assets (%)	10.61	10.70	7.09	7.07	9.41
Leverage Ratio					
Debt/Equity (x)	0.12	0.14	0.16	0.11	0.11

Cash Flow Statement					
Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	296	370	582	856	634
CF from Investing Activities (B)	-57	-190	-146	-104	-377
CF from Financing Activities (C)	-136	-232	-446	-253	-544
Net Cash Flow	103	-52	-10	499	-287
Add: Opening Bal.	857	962	910	900	1,399
Closing Balance	960	910	900	1,399	1,112

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
23 June 2022	Buy	911

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Name of the Research Analyst: ABHISHEK SHARDA

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3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
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