Stock Update

Cyient Ltd.

Nov 08, 2021

RETAILRESEARCH

Cyient Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 1113.25	Buy at LTP & add more on dips to Rs. 984-1004 band	Rs. 1228	Rs. 1315	2 quarters

HDFC Scrip Code	CYILTD
BSE Code	532175
NSE Code	CYIENT
Bloomberg	CYL IN
CMP Nov 04, 2021	1113.25
Equity Capital (Rs Cr)	55.0
Face Value (Rs)	5.0
Equity Share O/S (Cr)	11.0
Market Cap (Rs Cr)	12,264.4
Book Value (Rs)	268.9
Avg. 52 Wk Volumes	3,184,078
52 Week High	1292.0
52 Week Low	401.7

Share holding Pattern % (Sept, 2021)	
Promoters	23.4
Institutions	58.5
Non Institutions	18.1
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

Cyient (formerly known as Infotech Enterprises Ltd) is witnessing continued opportunities in the communication space due to increasing investments in broadband networks across the globe especially in North America and Europe. It also won a major multiyear deal in Q2FY22 from a UK client to accelerate broadband deployment. Cyient expects demand from mining sector in H2FY22 as mining activity remains strong. Besides, the growth opportunity could continue in medical devices and mining segment for the next two to three years; it has guided for 20%+ growth in medical devices segment. This was mainly driven by the demand for their digital engineering services for Imaging Equipment, IVD and Connected Care products.

Cyient reported order intake in Q2FY22 at US$ 156 mn, up by 22.4% QoQ. The company won 6 large deals with total contract potential of ~US$ 63.5 mn (4 from services, 1 from DLM and 1 composite B2S deal). The company expects the commercial aviation to improve including air traffic, and that will result into significant growth by H2FY22 and growth in communication vertical could continue. Aviation as a segment comprises of 1/3rd of Cyient revenues. We expect to see growth momentum in verticals such as Communications, Utilities, Semi-conductor, Automotive, Medical Devices, and Mining for the next two to three years. Moreover, the company expects an opportunity on both consulting and digital transformation for natural resources, and energy and industrial products and utilities. We expect that the company will continue to invest in key growth areas such as digital, embedded software, geospatial, and networks. As per the management, ER&D as a space is at an inflection point and has been witnessing strong demand from digital transformation, hyper-connectivity, 5G. Supply chain disruption in Semiconductor industry is also an opportunity for Cyient as it is helping clients manage efficient sourcing of supplies. Cyient is likely to benefit from huge opportunities which has been evolving due to the structural shift in the engineering space post emergence of need of an alternative to China.

The company expects to grow double digit in FY22E, with growth continuing in Q3FY22, DLM growth will be in the range of 15 to 20%. DLM revenue drop in Q1 is seasonal and for the full year, DLM could grow about 20%. For the full year margin could improve by roughly 200 bps. In terms of margins, we expect the company to post a healthy improvement in FY22E and FY23E led by various cost rationalisation measures undertaken by the company.

On 23 Nov, 2020, we had initiated coverage on Cyient Ltd and recommend to buy the stock in the Rs 405-409 band and add further on dips to Rs. 372-376 band for base case target of Rs 439 and bull case target of Rs 488. Given healthy growth outlook and strong set of numbers in Q2FY22, we have now revised earnings and increased target price for the stock.

Valuation & Recommendation:

Cyient offers niche products and process engineering services in domains such as Transportation (Aerospace & Railway), Communication, Utilities, semiconductors etc. Cyient has also developed DLM business to impart system integration and prototyping capabilities in Cyient's engineering services and it provides design-to-production solutions to its clients. Company specializes in Engineering, Design Led Manufacturing (DLM), Network Engineering Operations, IT Service Management, Data Management, Geospatial Solutions, Big Data Consulting, IoT/M2M and Advanced Analytics.

Cyient's focus on large deals, client mining, strong relationship with clients, healthy order book and timely acquisitions to support its product solutions profile could result in healthy revenue trajectory in coming years. This, coupled with recovery in aerospace division and healthy deal pipeline in DLM bodes well for revenue growth. ER&D segment in India is on a structural upmove and Cyient being one of the key players could benefit out of it. Also the worst phase of commercial aerospace is over; from here on, there should be gradual pick-up, led by Avionics upgrades and MRO revival.

We believe the base case fair value of the stock is Rs 1228 (21x Sept FY23E EPS) and the bull case fair value of the stock is Rs 1315 (22.5x Sept FY23E EPS) over the next two quarters. Investors can buy at LTP and add further on dips in the Rs 984-1004 band (17x Sept FY23E EPS). At the LTP of Rs 1113.25, the stock is trading at 19.1x Sept FY23E EPS.

Change in Estimates

Rs in Cr	FY21		FY22E		FY23E	FY24E
	Estimates	Actual	Old	New	New	New
Revenue	4034	4132	4318	4599	5387	6200
EBIT	371	416	431	631	750	863
APAT	320	372	359	496	602	683
EPS	29.1	33.8	32.5	45.1	54.8	62.1

(Source: Company, HDFC sec)

Financial Summary (Consolidated)

Particulars (Rs Cr)	Q2FY21	Q2FY21	YoY-%	Q1FY22	QoQ-%	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	1112	1003	10.8	1058	5.1	4427	4132	4599	5387	6200
EBITDA	208	159	30.6	188	10.5	596	611	840	979	1108
Depreciation	52	48	6.8	49	5.5	188	194	209	229	245
Other Income	15	9	58.5	26	-42.0	95	109	69	92	90
Interest Cost	9	11	-15.0	11	-17.3	52	48	39	39	41
Tax	40	25	59.9	39	4.7	108	113	165	201	228
APAT	121	84	44.5	115	5.6	373	372	496	602	683
Diluted EPS (Rs)	11.0	7.6	44.5	10.5	5.5	33.9	33.8	45.1	54.8	62.1
RoE-%						14.5	13.5	16.1	17.9	18.6
P/E (x)						32.9	32.9	24.7	20.3	17.9
EV/EBITDA						19.5	18.0	12.7	10.6	9.1

(Source: Company, HDFC sec)

Q2FY22 Result Update

- Cyient numbers were above estimates in Q2FY22, and it accomplished a strong pipeline indicative of accelerated growth in strategic areas, including Digital, Embedded Software, Geospatial, Consulting, Semiconductor, and Network Transformation. Consolidated revenue grew by 5.1% QoQ and 10.8% YoY to Rs 1,112 crore in Rupee terms. Consolidated Group revenue at US$ 150.1 Mn; growth of 11.2% YoY and 4.6% QoQ (5.6% in CC).
- Services revenue at US$ 124.6 Mn; growth of 9.2% YoY and 4.5% QoQ (5.5% in CC). Workforce Delta contributed 0.7% to services revenue. DLM revenue at US$ 25.5 Mn; growth of 22.3% YoY and 5.4% QoQ. EBIT grew by 13.2% QoQ and 41.6% YoY to Rs 156 crore.
- EBIT margin at 14% up by 100 QoQ and 310bps YoY. Net Profit grew by 5.6% QoQ to Rs 121 crore. PAT margin was up by 250bps YoY to 10.9% in Q2FY22 and it was at 10.8% in Q1FY22.
- Cyient reported the highest margin in past seven years (despite increase in SG&A and investments (220bp) and impact of merit increase (100bp)) driven by better operating metrics, change in revenue mix and the WFD acquisition.
- Cyient's rigorous initiatives on collections, working capital cycles and receivables led to robust Free Cashflow generation of Rs.205 crore, a conversion of 97% on EBITDA.

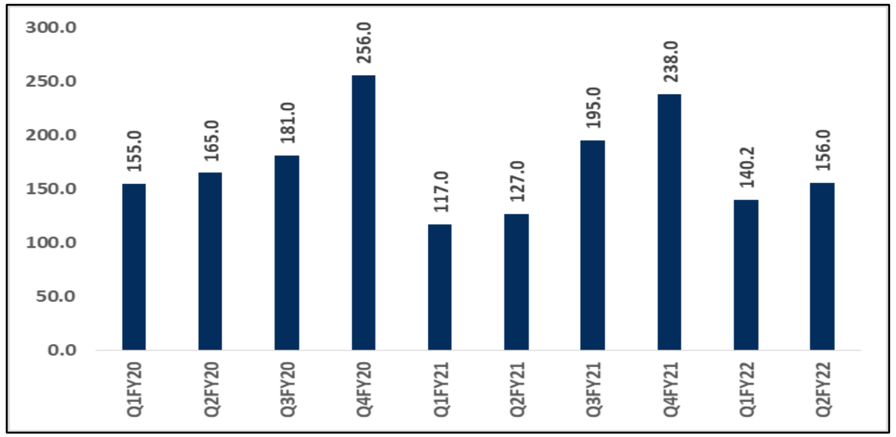
Key Updates

Strong deal momentum and recovery in vertical to drive growth

Cyient's order intake for the quarter grew 22.5% YoY and stood at US$ 156 mn. Cyient has forged strong relationship with industry leaders such as Raytheon Technologies Corp, Bombardier Inc, Boeing Co, British Telecommunications Plc and Tele Atlas. The company won six large deals with total contract potential of US$ 63.5 mn. Four are from services, one from DLM and remaining one from composite B2S deal. Services order intake was US$ 123mn and DLM was US$ 33 mn. The company is focused to strengthen its sales teams for winning large deals and it will continue to invest to strengthen their digital portfolio. A strong order pipeline coupled with an order backlog provides good visibility for growth in FY22.

The company has seen healthy traction in aerospace & defence, energy & utility and communication vertical in Q2FY22. We expect increasing spends in the ER&D industry and its strategy to digest these spends as supportive over the near-to-medium term. Its focus on large deals, healthy order book, traction DLM business led by strong pipeline and organisation restructuring could help to generate revenue growth in coming years. The company retained its double-digit growth guidance in FY22E in the Services business, while DLM growth is expected to be 15-20% vs. 20% in earlier growth guidance. We expect overall revenue growth 11.3%/17.1% and 15.1% in FY22E/FY23E and FY24E, respectively.

Order Intake – US$ Mn,



(Source: Company, HDFC sec)

Collaboration with Decipher and Agappe to add incremental revenue going forward

Cyient and Berlin-based industrial consultancy and investment firm Eolos have formed a strategic partnership to co-develop an engineering practice to support industries' transition toward greater sustainability. The engineering practice will address needs of industries facing the most stringent changes in their standards and regulations by offering solutions for traceability, material engineering (reduction, re-use, and regeneration), obsolescence management and supply chain (including packaging, disposal, and waste management). The primary focus will be on the rail, automotive, aerospace and med-tech industries.

Cyient collaborated with Australia-based Decipher with the global rollout of their cloud mining platform for tailings and rehabilitation monitoring. Decipher has end-to-end solution and deep understanding of tailing storage facility monitoring and governance, combined with Cyient's technical depth and global reach, will bring immense value to mining customers. This partnership will make a positive environmental and safety impact on communities engaged in mining operations worldwide.

Besides, Cyient collaborated with Agappe to bring world-class Diagnostics to rural India. The manufacturing partnership will help deliver Mispa Count X, an indigenously designed and developed three-part hematology analyzer by Agappe, making India self-reliant in hematology and enabling the setup of well-equipped labs in rural locations. This partnership will enable Agappe to deliver high-quality, affordable, 100% made-in-India products by taking advantage of Cyient's ultra-modern manufacturing facilities to make critical components of Mispa Count X, reducing time-to-market and lowering operating costs.

Transportation, Communication and Utilities verticals could add more orders going forward

Cyient's Transportation including Aerospace and Rail, Communication and Utilities verticals contributed 38%, 27.4% and 8%, respectively in Q2FY22 and Transportation grew 2.6% led by Aerospace sequential growth of 4.0%, however Rail sequential growth was unchanged. Utilities grew 27.4% QoQ in Q2FY22. Growth in the Portfolio and Utilities was partially offset by de-growth in communications. Strong sequential growth was led by sustained strong demand from DLM business and growth in some key services accounts. DLM growth stood at 5.4% QoQ.

The company expects commercial aviation could see a gradual recovery in FY22 with expectation of larger part of growth in H2FY22. Cyient is investing in digital and automation which will translate to increased deal wins in coming quarters.

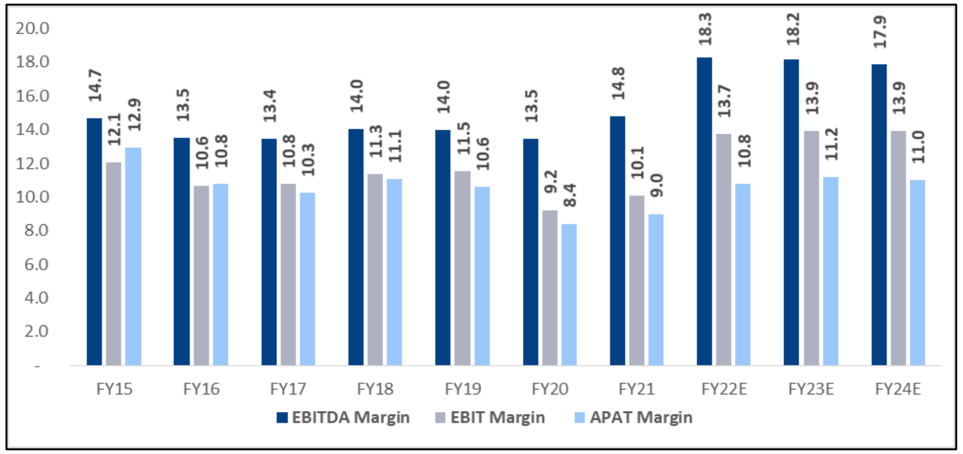
Cyient won 6 large deals with total contract potential of ~US$63.5 million (4 from services, 1 from DLM and 1 composite B2S deal) in the areas of fiber, wireless, system integration and 5G rollout from existing and new clients and they continue to benefit from accelerated deployment of 5G networks which are now about 10% of revenue for this segment. Management's outlook remains positive in this segment and invested strategically to strengthen their capabilities in digital network transformation.

Margins stability led by operational efficiencies

Cyient's EBIT margin increased 100bp QoQ to 14.0% (the highest in the past seven years), led by Services (+90bp QoQ to 15.5%). The DLM margin increased 90bp QoQ on operating leverage and net profit margin was up by 150bps YoY to 10.8% in Q2FY22 and it was at 10.9% in Q1FY22.

Taking into the consideration the margin levers like cost rationalisation, favourable currency movement, increasing trend of utilisation, traction in digital technology and other operational efficiencies, the margin improvement could continue in FY22E and beyond. The company has raised its margin guidance for FY22E, with 300bps YoY margin expansion. Apart from this, over the medium term, the company expects a 17% EBIT margin for the Services business (currently at 15.5%) and a consolidated margin of ~15.5% (currently at 14%). Hence, we expect EBIT margins at a range of 13.5% to 14% for FY22E to FY24E and PAT margins at a range of 10.5% to 11.5% for FY22E to FY24E.

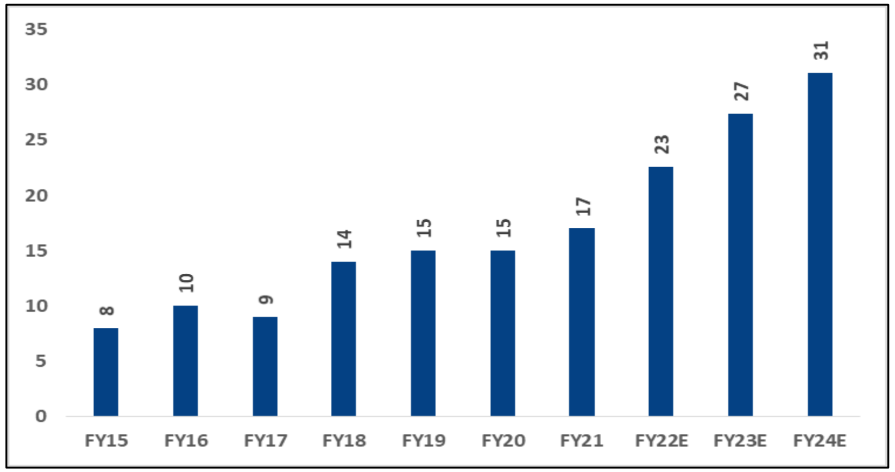
Margins (%)



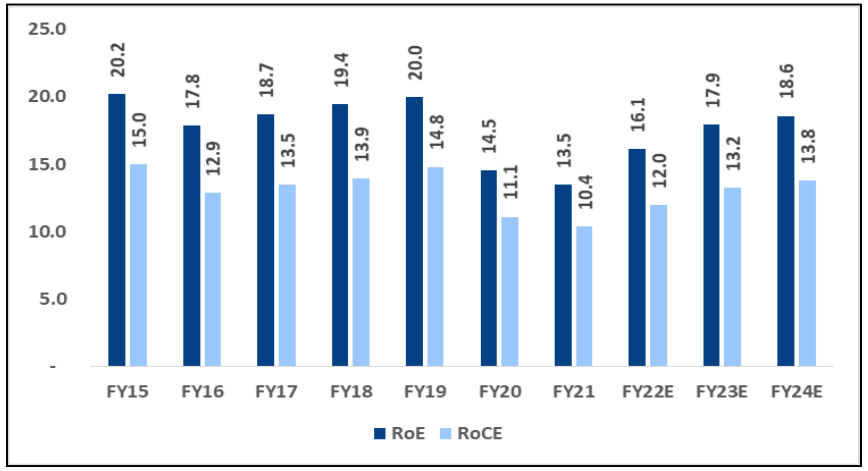
Strong fundamentals led by healthy debt protection metrics and liquidity

- The company has reported stable and strong revenue growth in the past. In FY21, the company generated total revenue of Rs 4,132 crore, which grew at a CAGR of 9.4% over the past seven years. We expect consolidated revenue to grow at a 14.5% CAGR over FY22-FY24E, respectively.
- The company has reported operating margin at 13.5-15% band over the past and we expect margin growth to be ~18% in next two years, supported by cost rationalisation efforts.
- Debt protection metrics are robust, backed by minimal debt of Rs 276 crore and sizeable networth of Rs 2,957 crore, and total debt to equity ratio stood at 0.1x as on 31 March, 2021. Overall debt is unchanged, as on 30 Sept, 2021 vs. debt on 31 March, 2021.
- Cash and cash equivalents stood at Rs 1,403 crore as on 30 Sept, 2021.
- The company is expected to incur capex to the tune of 2-3% of revenues. Cyient has healthy cash on its balance sheet, which it plans to utilise for M&A, investment in digital capability (that the company lags) and captive takeover. Further, the company may consider a buyback.

Dividend per share (Rs)



Return Ratio (%)



(Source: Company, HDFC sec)

- The net working capital cycle was moderate and reduced to 45 days in FY21 vs. 48 days in FY20 due to the increase in creditor days.
- We expect the FCF to remain positive, going forward, even after factoring in annual capex. Because of cost rationalization efforts, the company could see growth in profitability as well as better return ratios in the future. Rise in net profit margin could help to increase its return ratios, we expect RoE at 16-18.5% and RoCE at 12-14% over FY22E to FY24E, respectively.
- The company recommended a final dividend of Rs 17 per share to shareholders for the FY21, dividend payout stood at 50.4% and yield is 1.5x. Besides, the company declared an interim dividend of Rs 10/share for the FY22.

What could go wrong?

- Indian rupee appreciation against the USD, pricing pressure, retention of the skilled headcounts, strict immigration norms and rise in visa costs are key concerns.
- Steep decline in revenues or sustained deterioration in margin can impact cash generation
- Attrition jumped to 24.3% in Q2FY22 vs. 23.5% in Q1FY22 and 9.2% in Q2FY21, led by intense competition and demand for talent. Total number of employees increased by 274 in Q2FY22. However, the company is looking to reduce attrition through wage hike.
- Given the COVID-19 situation, ER&D activity in key verticals (e.g., Aerospace and Rail, Transportation, and Semiconductors) witnessed a material slowdown in the past one and half year. Adverse development in this regard could impact its order inflow. Both domestic and international travel are important for the industry to bounce back. The company has started to see some early green shoots and hopes for continued traction in the coming quarters.
- Higher than expected debt funded capex or acquisition leading to deterioration in profitability and could impact cash generation.

- Cyient expects to revise the salary structure of few employees in Q3FY22 and Q4FY22 due to supply side challenges, which could impact margins in near term.
- Cyient generated about 43% of its revenue from Transportation including aerospace and rail industries and about 22.7% from Communication sector, while its top 5 and top 10 customers contributed 31.7% and 43.2% of its revenue in Q2FY22. Continued slowdown in any of the large segments or delay in capex program by one or more of its top 5 clients could significantly impact its growth.
- Any change in the contract nitty gritty from large clients like non-renewal of contracts or higher discounts due to aggressive competition intensity can impact the sustainability and scalability from such clients.
- Promoter holding is 23.4% as on 30 Sept 2021, any stake sell by promoter in near future could hit investor sentiment towards the company.

Operating Metrics

Vertical Mix

%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Transportation total	**47**	**44**	**-**	**45**	**44**	**43**
Aerospace	37	32	-	34	32	32
Rail transportation	10	12	-	11	12	11
C&U total	**28**	**30**	**-**	**28**	**30**	**29**
Communications	23	24	-	23	25	23
Utilities	5	6	-	5	5	7
Portfolio total	**25**	**26**	**-**	**27**	**26**	**28**
Total	**100**	**100**	**0**	**100**	**100**	**100**

Geographical split (Ex-Rangsons)

(US$ mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
North America	81.1	84.5	80.6	75.4	63.7	60.9	61.3	62.7	61.9	65.8
Europe, ME, Africa and India	37.1	36.9	35.9	36.3	29.2	32.6	32.5	33.8	32.9	34.3
Asia Pacific	19.7	19.0	23.7	20.6	19.3	20.6	21.4	23.0	24.5	24.5
Total	**137.9**	**140.4**	**140.1**	**132.3**	**112.2**	**114.1**	**115.3**	**119.5**	**119.3**	**124.6**

Onsite and Offshore Split

(US$ mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Onsite	77.9	77.6	76.8	71.6	56.3	60.7	61.2	64.5	62.9	62.7
Offshore	60.0	62.8	63.3	60.7	55.9	53.4	54.1	55.1	56.4	61.9
Total	**137.9**	**140.4**	**140.1**	**132.3**	**112.2**	**114.1**	**115.3**	**119.6**	**119.6**	**119.6**

Client Concentration

Client Concentration (US$ mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Top-5 Customers	50.3	50.8	51.3	47.0	39.5	39.7	40.7	42.2	44.0	41.1
Customers 6-10	18.3	15.6	17.8	18.1	24.0	12.1	13.5	14.1	14.7	15.7
Top-10 Customers	68.7	66.4	69.1	65.1	63.5	51.8	54.2	56.3	58.7	56.8
Non Top-10 Customers	69.2	74.0	71.0	67.2	48.7	62.3	61.1	63.3	60.6	67.8
Total	**137.9**	**140.4**	**140.1**	**132.3**	**112.2**	**114.1**	**115.3**	**119.6**	**119.3**	**124.6**

Core Business Split

(US$ mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
IT Services	137.9	140.4	140.1	132.3	112.2	114.1	115.3	119.6	119.3	124.6
DLM	18.7	23.8	15.1	16.9	18.4	20.9	26.0	30.3	24.2	25.5
Total	**156.6**	**164.2**	**155.2**	**149.2**	**130.6**	**135.0**	**141.3**	**149.9**	**143.5**	**150.1**

Headcounts

Particulars, Nos	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
IT Services(Ex DLM)	14,398	14,215	13,854	13,251	12,182	11,639	11,559	11,367	11,826	12,035
DLM	645	654	618	608	638	628	628	665	607	672
Total	**15,043**	**14,869**	**14,472**	**13,859**	**12,820**	**12,267**	**12,187**	**12,032**	**12,433**	**12,707**

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales				EBIT				PAT				ROE-%				P/E (x)			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
L&T Tech	52654	5450	6665	8092	9527	789	1205	1480	1753	627	973	1191	1465	20.1	25.3	25.6	26.1	84.0	54.1	44.2	35.9
Tata Elxsi	38753	1826	2410	3048	3744	478	642	812	982	368	507	643	781	30.1	35.6	38.0	36.9	105.2	76.3	60.3	49.6
Cyient	12264	4132	4599	5387	6200	416	631	750	863	372	496	602	683	13.5	16.1	17.9	18.6	32.9	24.7	20.3	17.9

Financials (Consolidated)

Income Statement

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Revenues	**4427**	**4132**	**4599**	**5387**	**6200**
Growth (%)	**-4**	**-7**	**11**	**17**	**15**
Operating Expenses	3832	3522	3759	4407	5093
EBITDA	**596**	**611**	**840**	**979**	**1108**
Growth (%)	**-7.5**	**2.4**	**36.1**	**15.8**	**0.0**
EBITDA Margin (%)	**13.5**	**14.8**	**18.3**	**18.2**	**17.9**
Depreciation	187.8	194.4	208.8	228.9	244.8
EBIT	**408.1**	**416.3**	**631.4**	**750.4**	**862.9**
Other Income	95	109	69	92	90
Interest expenses	52	48	39	39	41
PBT	**451**	**477**	**662**	**803**	**911**
Tax	108	113	165	201	228
RPAT	**344**	**364**	**496**	**602**	**683**
APAT	**373**	**372**	**496**	**602**	**683**
Growth (%)	**-24.0**	**-0.2**	**33.6**	**21.3**	**13.4**
EPS	33.9	33.8	45.1	54.8	62.1

Balance Sheet

As at March	FY20	FY21	FY22E	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	**55**	**55**	**55**	**55**	**55**
Reserves	**2506**	**2902**	**3151**	**3452**	**3793**
Shareholders' Funds	**2561**	**2957**	**3206**	**3507**	**3848**
Long Term Debt	86	45	45	45	45
Net Deferred Taxes	-2	-14	-14	-14	-14
Long Term Provisions & Others	385	366	394	427	462
Minority Interest	**-3**	**-3**	**-3**	**-3**	**-3**
Total Source of Funds	**3027**	**3352**	**3628**	**3963**	**4339**
APPLICATION OF FUNDS					
Net Block & Goodwill	1305	1361	1313	1273	1245
CWIP	146	88	88	88	88
Other Non-Current Assets	183	126	132	167	193
Total Non Current Assets	**1634**	**1575**	**1533**	**1528**	**1526**
Current Investments	0	0	0	0	0
Inventories	227	159	189	221	255
Trade Receivables	726	803	819	915	1053
Cash & Equivalents	993	1499	1829	2118	2404
Other Current Assets	560	426	437	512	589
Total Current Assets	**2506**	**2886**	**3274**	**3766**	**4301**
Short-Term Borrowings	288	230	230	230	230
Trade Payables	373	453	479	561	646
Other Current Liab & Provisions	453	426	470	540	612
Total Current Liabilities	**1114**	**1109**	**1179**	**1331**	**1488**
Net Current Assets	1393	1777	2095	2435	2814
Total Application of Funds	**3027**	**3352**	**3628**	**3963**	**4339**

Cash Flow Statement

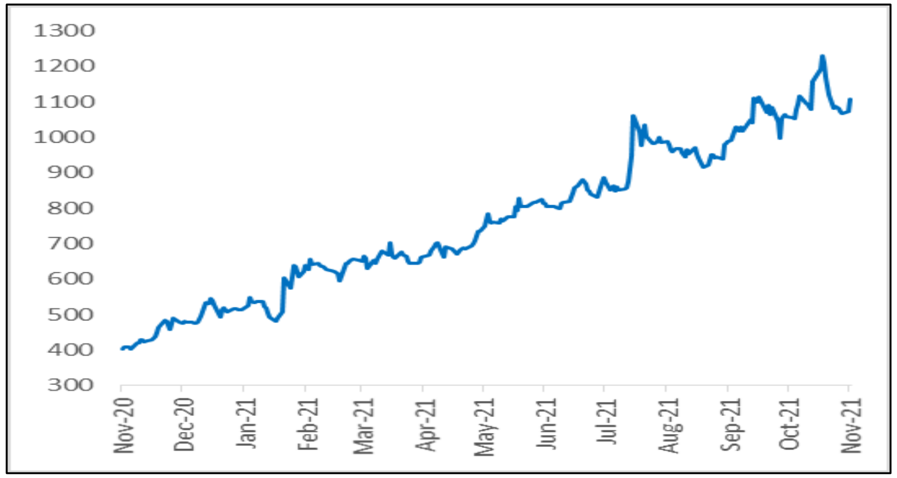
(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Reported PBT	451	477	662	803	911
Non-operating & EO items	8	1	-69	-92	-90
Interest Expenses	49	43	39	39	41
Depreciation	188	195	209	229	245
Working Capital Change	33	269	34	-53	-83
Tax Paid	-146	-129	-165	-201	-228
OPERATING CASH FLOW (a)	**582**	**856**	**708**	**726**	**797**
Capex	-230	-167	-161	-189	-217
Free Cash Flow	353	689	547	537	580
Investments	0	0	0	0	0
Non-operating income	62	68	69	92	90
INVESTING CASH FLOW (b)	**-167**	**-99**	**-92**	**-97**	**-127**
Debt Issuance / (Repaid)	-62	-197	0	0	0
Interest Expenses	-29	-21	-39	-39	-41
FCFE	261	470	509	498	539
Share Capital Issuance	2	4	0	0	0
Dividend	-356	-1	-248	-301	-342
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	**-446**	**-216**	**-287**	**-340**	**-383**
NET CASH FLOW (a+b+c)	**-31**	**541**	**330**	**289**	**287**

Key Ratios

Particulars	FY20	FY21	FY22E	FY23E	FY24E
PROFITABILITY RATIOS (%)					
EBITDA Margin	13.5	14.8	18.3	18.2	17.9
EBIT Margin	9.2	10.1	13.7	13.9	13.9
APAT Margin	8.4	9.0	10.8	11.2	11.0
RoE	14.5	13.5	16.1	17.9	18.6
RoCE	11.1	10.4	12.0	13.2	13.8
SOLVENCY RATIOS (x)					
Debt/EBITDA	0.6	0.5	0.3	0.3	0.2
D/E	0.1	0.1	0.1	0.1	0.1
PER SHARE DATA (Rs)					
EPS	33.9	33.8	45.1	54.8	62.1
CEPS	51.0	51.5	64.1	75.6	84.4
Dividend	15.0	17.0	22.6	27.4	31.1
BVPS	232.9	268.9	291.5	318.9	349.9
TURNOVER RATIOS (DAYS)					
Debtor days	59.9	70.9	65.0	62.0	62.0
Inventory days	18.7	14.0	15.0	15.0	15.0
Creditors days	30.7	40.0	38.0	38.0	38.0
VALUATION(x)					
P/E	32.9	32.9	24.7	20.3	17.9
P/BV	4.8	4.1	3.8	3.5	3.2
EV/EBITDA	19.5	18.0	12.7	10.6	9.1
EV / Revenues	2.6	2.7	2.3	1.9	1.6
Dividend Yield (%)	1.3	1.5	2.0	2.5	2.8
Dividend Payout(%)	44.3	50.3	50.0	50.0	50.0

(Source: Company, HDFC sec)

One Year Price Chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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