Stock Update
Cyient Ltd.

February 28, 2023

RETAILRESEARCH

Cyient Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs. 966	Buy in the Rs 956-976 band & add more on dips to Rs. 856-874 band	Rs. 1064	Rs. 1131	2-3 quarters

HDFC Scrip Code	CYILTD
BSE Code	532175
NSE Code	CYIENT
Bloomberg	CYL IN
CMP Feb 27, 2023	966.0
Equity Capital (Rs Cr)	55.0
Face Value (Rs)	5.0
Equity Share O/S (Cr)	11.0
Market Cap (Rs Cr)	10,676.1
Book Value (Rs)	296.0
Avg. 52 Wk Volumes	3,184,078
52 Week High	995.1
52 Week Low	724.0

Share holding Pattern % (Dec, 2022)	
Promoters	23.4
Institutions	56.0
Non Institutions	20.6
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 engaged in IT engineering services. It operates through eight strategic business units: aerospace and defence; transportation; industrial, energy and natural resources; semiconductor, internet of things and analytics; medical and healthcare; utilities and geospatial; communications; and design-led manufacturing (Cyient DLM). Cyient DLM (earlier Rangsons) provides design integration and production facilities to designs created in the engineering stage, thus enabling Cyient to provide design-to-production solutions to its clients. Cyient has 300 customers across 14 countries.

Cyient's service order intake for Q3FY23 grew 18% YoY and 83% QoQ at US$ 237 mn. The company won 5 large deals with total contract potential of US$ 59.2 mn vs. US$ 105 mn in Q2FY23. The company is focused to strengthen its sales teams for winning large deals and it will continue to invest to strengthen its digital portfolio. We expect that the company will continue to invest in key growth areas such as digital, embedded software, geospatial, and networks. The company 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 expects to report revenue growth of 14-15% in FY23 in constant currency and expects FY23 normalized EBIT margins for the organic business to be in the range of 13-14% for the group. Cyient's management is confident to report double-digit growth for FY23E led by robust pipeline and acquisitions and has visibility to $1 bn revenue run rate in FY24E.

Cyient has acquired 16 companies, including 6 in the last 5 years. Cyient's largest acquisition to date was in 2022, when it acquired Celfinet–Consultoria em Telecomunicações S.A. for $46M and acquired Citec for $101 million in Nov 2022. Cyient has made acquisition in 5 different US states, and 9 countries.

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 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. Cyient DLM Ltd. has filed preliminary papers with capital markets regulator SEBI to raise Rs 740 crore through an initial public offering. The initial share sale is purely a fresh issue of equity share with no offer for sale component. The proposed listing of the DLM (DRHP filed) may lead to value unlocking.

Investors can buy in the Rs 956-976 band and add on dips in the Rs 856-874 band (13x Dec' 24E EPS). We believe the base case fair value of the stock is Rs 1064 (16x Dec' 24E EPS) and the bull case fair value of the stock is Rs 1131 (17x Dec' 24E EPS) over the next 2-3 quarters. At the LTP of Rs 966, the stock is trading at 14.5x Dec' 24E EPS.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	1618	1183	36.7	1396	15.9	4,132	4,534	5,912	6,781	7,495
EBITDA	278	213	30.7	229	21.5	611	822	991	1,171	1,325
Depreciation	70	49	43.5	63	11.0	194	192	255	298	318
Other Income	21	22	-5.9	-12	-280.9	109	112	101	100	106
Interest Cost	22	12	85.3	35	-37.7	48	43	95	89	94
Tax	52	43	20.2	41	26.4	113	176	193	226	260
APAT	163	132	23.5	110	47.5	364	522	548	659	759
Diluted EPS (Rs)						33.6	47.2	49.6	59.7	68.7
RoE-%						13.5	17.2	16.9	18.5	19.4
P/E (x)						28.7	20.4	19.5	16.2	14.1
EV/EBITDA (x)						15.5	11.3	9.6	7.8	6.6

(Source: Company, HDFC sec)

Q3FY23 Result Update

- Cyient's numbers were above expectations in Q3FY23. Consolidated revenue was up by 15.9% on QoQ basis, and 36.7% YoY to Rs to Rs 1618 crore.
- Group revenue at $197.0 Mn; growth of 28.6% cc YoY (24.8% in USD) and 13.4% cc QoQ (12.7% in USD). Services revenue at $167.9 Mn; growth of 34.4% cc YoY (30.1% in USD) and 11.9% cc QoQ (11.2% in USD). Services revenue growth without acquisitions is 10.6% cc YoY and 3.7% cc QoQ. Constant Currency Revenue Growth at 11.7% QoQ and 25.6% YoY. DLM revenue at $23.7 Mn; de-growth of 3.3%QoQ and 7.3% YoY
- EBIT increased by 50.7% QoQ and 30.8% YoY to Rs 213 crore and EBIT margin was at 13.2%, up by 310bps QoQ and it was down by 60 bps YoY. Adj profit grew 47.5% QoQ and 23.5% YoY to Rs 163 crore.

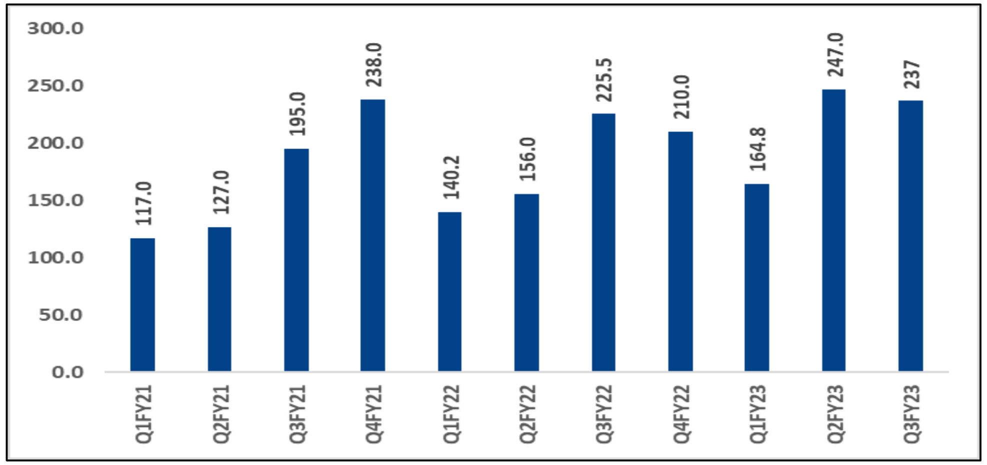
- PAT margin was at 10.1% in Q3FY23 vs. 7.9% in Q2FY23 and 11.1% in Q3FY22. There was an exceptional item of Rs 9 crore that includes legal payment related to lawsuit and it will continue for a few more quarters.

Key Updates

Strong deal momentum and recovery in vertical to drive growth

Cyient's service order intake for the quarter grew 18% YoY and 83% QoQ at US$ 237 mn. The company won 5 large deals with total contract potential of US$ 59.2 mn vs. US$ 105 mn in Q2FY23. The company is focused to strengthen its sales teams for winning large deals and it will continue to invest to strengthen its digital portfolio. The deal pipeline also remains healthy, adding to confidence in the company's guidance of delivering better QoQ Service revenue growth in Q4FY23. With the recent acquisition of Citec, Cyient is looking for a Go-to-Market strategy to deliver comprehensive solutions around SDN, network virtualization and 5G. With this acquisition, the company is also winning incremental deals from OEMs and operators in the telecom space. We expect overall revenue growth 30.4%/14.7% and 10.5% in FY23E/FY24E and FY25E, respectively.

Order Intake – US$ Mn,



(Source: Company, HDFC sec)

Acquisition of Citec to provide synergies going forward

Cyient Ltd acquired Citec, an international plant and product engineering services company, for €94 million (about $101 million) in Nov 2022. This will be the largest outbound acquisition by an Indian engineering services company and Cyient's largest acquisition to date. The integration between Citec and Cyient will be gradual, planned and executed in partnership mode. Citec will continue to function under its own brand name.

Citec serves customers across the energy, process, oil and gas, and manufacturing industries, and has 1,200 employees globally with core competences in plant engineering, product engineering, technical documentation and consulting. Cyient with Citec's capabilities will enable global customers to leverage a comprehensive set of services such as plant and product engineering, digital solutions, consulting, and technical documentation. The combined portfolio will establish one of the largest independent plant engineering capabilities globally.

The combined portfolios of Cyient and Citec is likely to be one of the largest independent plant engineering capabilities globally. This will enable customers to leverage a comprehensive set of services and offerings such as plant engineering, digital solutions, product engineering, consulting, and technical documentation. And the synergies from these combined portfolios will provide the scale, expertise, resources, and access to new capabilities that can be offered to customers.

Citec's strong brand value and talent pool, especially in the Nordic region, will be integral to Cyient gaining a strong foothold in the region and accelerating its future growth. The company is seeing opportunities with Citec wherein it is synergising its go to market & winning deals. Besides, Cyient further indicated that Celfinet will help to grow its communications business.

Aerospace, MEU and New Growth Areas could add more orders going forward

Cyient's Aerospace, Mining, Energy & Utilities (MEU) and New Growth Areas verticals reported 4.4%, 6.8% and 8% growth on QoQ and 8.1%, 3.4% and 26.1% on YoY basis in Q3FY23. These three segments contributed ~two third to the revenue. The company won about five large deals and two of them are coming from Aerospace and two from Energy and Utilities and one from Automotive and Mobility, leading to about $60 million work of total contract potential.

Cyient's high adoption of advanced technology and focus on fuel efficiency could add huge growth opportunities. Its Product Lifecycle expansion programs, Digitizing processes, Smart factory, Electrification, Sustainability and modernization of Defense equipment are expected to create more opportunities. We expect to see a robust demand in CY23.

Opportunities are arising from Automation and robotics solutions, Safety Operations, Private LTE, Intelligent Asset Management etc, this could derive demand for intelligent, safe and sustainable mining operations. Besides, Hydrogen, Battery storage, Carbon Capture technology investments and integration of Smart &Micro grids could bring huge opportunity for Cyient.

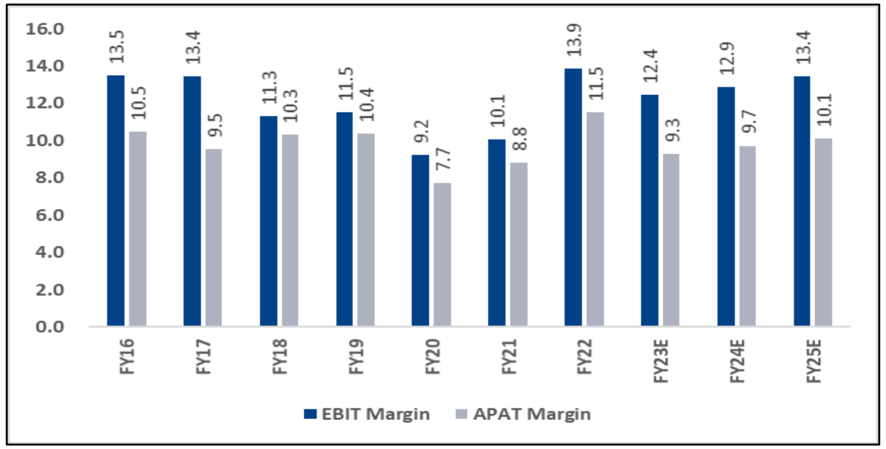
Developments in Electrification, Hydrogen fuel option, Digital technologies will expand service revenue and will create new opportunities. Cyient sees continuous investments and opportunities in Predictive, Proactive and Personalized patient care, connected devices, digital platforms, shift to value-based care and need for accelerated testing.

Margins stability led by operational efficiencies

Cyient's EBIT margin was at 13.2%, up by 100bps QoQ, due to higher utilisation (~91%), operational improvement (+152ps), and higher volume (+139bps), but the same was offset by lower capacity (-130bps) and SG&A spend (-51bps); and it was down by 60 bps YoY. Net profit margin was at 10.2% in Q3FY23 vs. 10.1% in Q2FY23 and 11.1% in Q3FY22.

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 FY23E and beyond. The company is moving out of low margin business, which is helping SG&A optimisation and resulting into margin improvement. The company has maintained its margin guidance for FY23E at 13-14%. Hence, we expect EBIT margins at a range of 12.5% to 13.5% for FY23E to FY25E and PAT margins at a range of 9% to 10% for FY23E to FY25E.

Margins (%)



Strong fundamentals led by healthy debt protection metrics and liquidity

- The company has reported stable and strong revenue growth in the past. In FY22, the company generated total revenue of Rs 4,534 crore, which grew at a CAGR of 13% over the one decade. We expect consolidated revenue to grow at a 18.2% CAGR over FY22-FY25E.
- The company has reported operating margin at 13.5-15% band over the past and we expect margin growth to be ~17.5% in next two years, supported by cost rationalisation efforts.
- Debt protection metrics are robust, backed by minimal debt of Rs 1247 crore and sizeable networth of Rs 3252 crore, and total debt to equity ratio stood at 0.4x as on Dec 31, 2022.

- Cash and cash equivalents, including long-term treasury investments, at Rs 869 crore at the end of Dec 2022 compared to Rs 1394 crore at the end of Sept 2022.
- 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 in) and captive takeover. Further, the company may consider a buyback.
- The net receivable's days was almost unchanged at 59 days in FY22 and it increased to 76 days as on Dec 31, 2022 (billed at 54 days and unbilled at 22 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 17-19.5% and RoCE at 15.5-17.5% over FY23E to FY25E, respectively.
- The company recommended a final dividend of Rs 24.6 per share to shareholders in FY22, dividend payout stood at 50% and yield is 2.4%. The company also declared an interim dividend of Rs 10/share for the FY23.

What could go wrong?

- Indian rupee appreciation against the USD, pricing pressure, retention of the skilled headcount, strict immigration norms and rise in visa costs are key concerns.
- Attrition remained highat 26.5% in Q3FY23 vs. 28.4% in Q2FY23 and 26.5% in Q3FY22, led by intense competition and demand for talent. However, the company is looking to reduce attrition through wage hikes.
- ER&D activity in key verticals (e.g., Aerospace and Rail, Transportation, and Semiconductors) witnessed a material slowdown in the past. 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 could lead to deterioration in profitability and could impact cash generation.
- Cyient generated about 32% of its revenue from Transportation including aerospace and rail industries and about 20.7% from Communication sector in Q3FY23, while its top 5 and top 10 customers contributed ~26% and 35.8% of its revenue in Q3FY23. 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 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 Dec 31, 2022, any stake sale by promoter in near future could hit investor sentiment towards the company.

Operating Metrics

Revenue -US$, Mn

Mn,	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Services (US$ mn)	112.2	114.1	115.3	119.6	119.3	124.6	129.1	130.6	137.1	151.1	167.9
DLM (US$ mn)	18.4	20.9	26.1	30.3	24.2	25.5	28.8	26.1	24.5	23.7	29.1
Net revenues (US$ mn)	130.6	135.0	141.4	149.9	143.5	150.1	157.9	156.7	161.6	174.8	197.0

Vertical Mix

%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Transportation total	**46.8**	**43.8**	**44.2**	**45.0**	**43.6**	**43.0**	**43.8**	**40.9**	**38.4**	**33.8**	**32.2**
Aerospace	36.5	31.6	32.6	34.1	32.1	32.1	34.6	31.9	30.5	27.3	26.7
Rail transportation	10.3	12.1	11.5	11.0	11.5	10.9	9.1	9.0	7.9	6.5	5.5
C&U total	**28.4**	**30.0**	**29.2**	**28.3**	**30.2**	**29.3**	**28.8**	**30.1**	**30.4**	**28.1**	**25.3**
Communications	23.0	24.0	24.1	23.3	24.8	22.7	22.4	23.9	25.4	23.3	20.7
Utilities	5.4	6.0	5.1	5.0	5.4	6.6	6.4	6.2	5.0	4.8	4.6
Portfolio total	**24.8**	**26.2**	**26.6**	**26.7**	**26.2**	**27.7**	**27.4**	**29.0**	**28.0**	**35.7**	**40.3**
Grit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.3**	**1.1**	**0.9**
Strategic Buyout	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.9**	**1.3**	**1.3**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Geographical Break up

%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
North America	56.8	53.4	53.2	52.5	51.9	52.8	54.2	55.5	53.0	50.7	48.1
Europe, ME, Africa and India	26.0	28.6	28.2	28.3	27.6	27.5	28.1	25.9	21.8	28.0	32.8
Asia Pacific	17.2	18.0	18.6	19.2	20.5	19.7	17.8	18.6	25.2	21.3	19.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.1	100.0	100.0	100.0	100.0

Client Concentration

%	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Top-5 Customers	35.2	34.8	35.3	35.3	36.9	33.0	31.5	30.6	32.1	28.9	25.9
Customers 6-10	21.4	10.6	11.7	11.8	12.3	12.6	12.8	12.0	11.5	11.0	9.9

Top-10 Customers	56.6	45.4	47.0	47.1	49.2	45.6	44.3	42.6	43.6	39.9	35.8
Non Top-10 Customers	43.4	54.6	53.0	52.9	50.8	54.4	55.7	57.4	56.4	60.1	64.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Client Category (Nos)

Nos.	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
$ 1 mn clients	82	85	77	75	74	76	77	78	81	85	84
$ 5 mn clients	26	27	23	23	23	24	27	25	25	30	31
$ 10 mn clients	9	7	8	8	10	10	10	11	11	12	12
$ 20 mn clients	3	3	3	3	3	3	3	3	3	4	6

Headcounts (Nos)

Nos.	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Total Employees	**12,820**	**12,267**	**12,187**	**12,032**	**12,433**	**12,707**	**12,845**	**13,428**	**14,148**	**15,598**	**15,355**
Addition	-1,039	-553	-80	-155	401	274	138	583	720	1,450	-243
DLM Employees	**638**	**628**	**628**	**665**	**607**	**672**	**672**	**594**	**567**	**594**	**662**
Addition	30	-10	0	37	-58	65	0	-78	-27	27	68
Total employees Services	**12,182**	**11,639**	**11,559**	**11,367**	**11,826**	**12,035**	**12,173**	**12,834**	**13,581**	**15,004**	**14,693**
Addition	-1,069	-543	-80	-192	459	209	138	661	747	1,423	-311
Utilisation -%	74.2	78.8	80.9	83.7	83.1	85.0	86.2	86.1	80.9	84.6	90.9
Total attrition-%	13.6	9.2	13.2	21.2	23.5	24.3	29.3	26.9	27.9	28.4	26.5

Peer Comparison

Company, Rs in Cr	Mkt Cap, Cr	Sales			EBIT			PAT			ROE-%			P/E (x)		
		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Zensar Tech	5554	4846	5396	6026	318	473	545	284	400	462	10.0	13.2	14.1	22.2	15.8	13.7
Cyient	10676	5912	6781	7495	736	874	1007	548	659	759	16.9	18.5	19.4	19.5	16.2	14.1
Mastek	4915	2528	2897	3328	381	449	546	265	338	425	22.4	23.5	24.1	19.1	15.3	12.2

Financials (Consolidated)

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**4132**	**4534**	**5912**	**6781**	**7495**
Growth (%)	**-6.7**	**9.7**	**30.4**	**14.7**	**10.5**
Operating Expenses	3522	3713	4921	5610	6170
EBITDA	**611**	**822**	**991**	**1171**	**1325**
Growth (%)	**2.5**	**34.6**	**20.6**	**18.1**	**13.2**
EBITDA Margin (%)	**14.8**	**18.1**	**16.8**	**17.3**	**17.7**
Depreciation	194	192	255	298	318
EBIT	**416**	**630**	**736**	**874**	**1007**
Other Income	109	112	101	100	106
Interest expenses	48	43	95	89	94
PBT	**477**	**698**	**741**	**885**	**1019**
Tax	113	176	193	226	260
RPAT	**364**	**522**	**548**	**659**	**759**
APAT	**372**	**522**	**548**	**659**	**759**
Growth (%)	-0.2	40.5	5.0	20.2	15.1
EPS	**33.6**	**47.2**	**49.6**	**59.7**	**68.7**

Balance Sheet

As at March	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	55	55	55	55	55
Reserves	2902	3061	3336	3665	4045
Shareholders' Funds	**2957**	**3117**	**3391**	**3721**	**4100**
Long Term Debt	45	2	2	2	2
Net Deferred Taxes	-14	10	10	10	10
Long Term Provisions & Others	366	375	427	465	495
Minority Interest	**-3**	**-3**	**-3**	**-3**	**-3**
Total Source of Funds	**3352**	**3500**	**3827**	**4194**	**4604**
APPLICATION OF FUNDS					
Net Block & Goodwill	1361	1345	1820	1760	1704
CWIP	88	13	13	13	13
Other Non-Current Assets	126	149	139	158	176
Total Non Current Assets	**1575**	**1507**	**1973**	**1932**	**1893**
Inventories	159	279	292	334	370
Trade Receivables	803	733	972	1115	1232
Cash & Equivalents	1499	1711	1530	1832	2194
Other Current Assets	426	532	650	746	824
Total Current Assets	**2886**	**3255**	**3444**	**4027**	**4620**
Short-Term Borrowings	230	324	324	324	324
Trade Payables	453	526	680	780	862
Other Current Liab & Provisions	426	412	585	660	722
Total Current Liabilities	**1109**	**1262**	**1590**	**1765**	**1909**
Net Current Assets	1777	1993	1854	2262	2711
Total Application of Funds	**3352**	**3500**	**3827**	**4194**	**4604**

(Source: Company, HDFC sec)

Cash Flow Statement

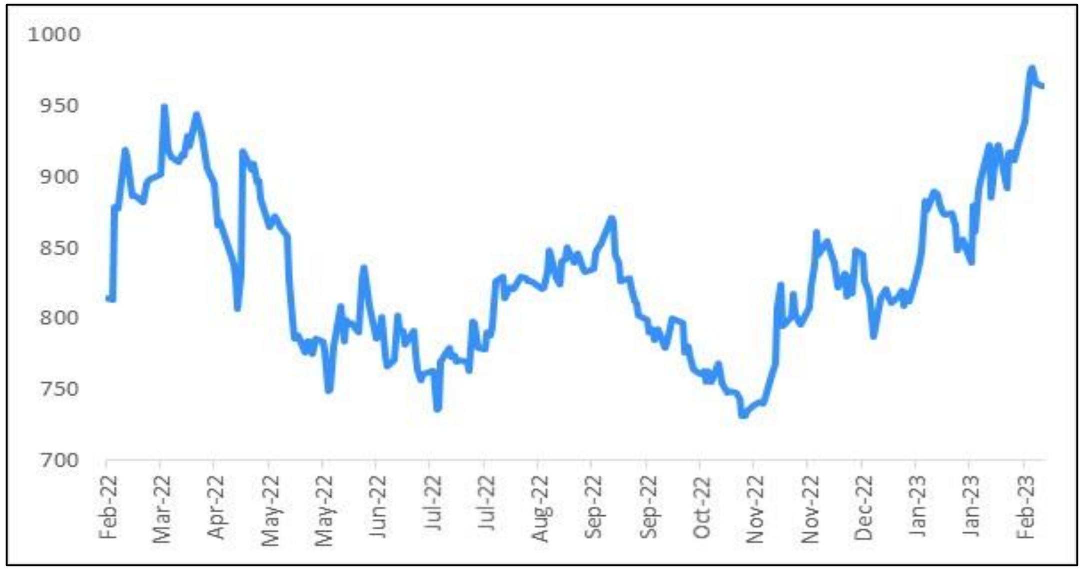
(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	477	698	741	885	1,019
Non-operating & EO items	1	-33	-101	-100	-106
Interest Expenses	43	39	95	89	94
Depreciation	195	192	255	298	318
Working Capital Change	269	-97	20	-88	-74
Tax Paid	-129	-165	-193	-226	-260
OPERATING CASH FLOW (a)	**856**	**635**	**818**	**858**	**992**
Capex	-167	-85	-731	-237	-262
Free Cash Flow	689	549	87	620	729
Investments	0	0	0	0	0
Non-operating income	68	28	101	100	106
INVESTING CASH FLOW (b)	**-99**	**-57**	**-630**	**-137**	**-156**
Debt Issuance / (Repaid)	-197	-55	0	0	0
Interest Expenses	-21	-17	-95	-89	-94
FCFE	470	478	-8	532	635
Share Capital Issuance	4	12	0	0	0
Dividend	-1	-295	-274	-330	-380
FINANCING CASH FLOW (c)	**-216**	**-354**	**-370**	**-418**	**-474**
NET CASH FLOW (a+b+c)	**541**	**223**	**-182**	**302**	**362**

Key Ratios

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Profitability Ratio (%)					
EBITDA Margin	14.8	18.1	16.8	17.3	17.7
EBIT Margin	10.1	13.9	12.4	12.9	13.4
APAT Margin	9.0	11.5	9.3	9.7	10.1
RoE	13.5	17.2	16.9	18.5	19.4
RoCE	11.8	15.0	15.5	16.7	17.6
Solvency Ratio (x)					
Debt/EBITDA	0.5	0.4	0.3	0.3	0.2
D/E	0.1	0.1	0.1	0.1	0.1
PER SHARE DATA (Rs)					
EPS	33.6	47.2	49.6	59.7	68.7
CEPS	50.0	63.9	71.9	85.6	96.4
BV	263.5	277.7	302.1	331.5	365.3
Dividend	17.0	23.6	24.8	29.8	34.3
Turnover Ratios (days)					
Debtor days	71	59	60	60	60
Inventory days	14	22	18	18	18
Creditors days	40	42	42	42	42
VALUATION (x)					
P/E	28.7	20.4	19.5	16.2	14.1
P/BV	3.7	3.5	3.2	2.9	2.6
EV/EBITDA	15.5	11.3	9.6	7.8	6.6
EV / Revenues	2.3	2.0	1.6	1.4	1.2
Dividend Yield (%)	1.8	2.4	2.6	3.1	3.6
Dividend Payout (%)	50.5	50.0	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.

ABDUL KARIM

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