Cyient Ltd

January 18, 2018

DALAL & BROACHA
STOCK BROKING PVT. LTD.

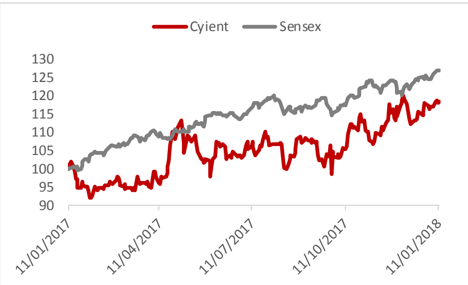
Analyst: Mayank Babla (022) 67141412

Initiating Coverage @ Dalal Broacha

BUY	
Current Price	590
Target Price	699
Upside/Downside	18%
52 Week Range	605/440

Key Share Data	
Market Cap (Rs.bn)	65.5
Market Cap (US$ mn)	1,023
No of o/s shares (mn)	112
Face Value	5
Monthly Avg. vol(BSE+NSE) Nos'000	146.4
BSE Code	532175
NSE Code	CYIENT
Bloomberg	CYL IN

Price Performance



% Shareholding	Dec-17	Sept-17
Promoters	22.18	22.18
Institutions	61.68	61.68
Others	16.14	16.14
Total	**100**	**100**

Cyient provides engineering, manufacturing, geospatial, network, and operations management services to global industry leaders. The company has a network of more than 14,000 associates across 38 global solutions and specializes in Engineering Design, Electronics Manufacturing & Precision Machining, Aftermarket services, Network Engineering and Solution Designs, System Development and Integration, Service Assurance & Maintenance, Geospatial Solutions, Big Data Consulting, IOT/MSM and Advanced Analytics.

Expect overall Engineering outsourcing market to increase as well as outsourcing to India to grow at 13.7% CAGR between FY17 and FY2021E

Of the $232 Bn spent by G500 companies on ER&D, only $85 Bn is outsourced to 'offshore inhouse R&D centers' ($34 Bn) and 'Offshore 3rd party engineering service providers' $51 Bn). Industry estimates indicate that the pie of 3rd party engineering providers will increase at a CAGR of 9.3% between FY17 and FY21E. Of the $51 Bn outsourced to 3rd party, Indian companies account for on $8.9 Bn only. This figure is estimated to grow at 14% CAGR between FY17 and FY21E. We expect IT engineering service providers such as Cyient, Persistent, KPIT and Tata Elxsi to be major beneficiary of this trend.

Expect A&D, Communications, Transportation, Semi-conductor and DLM verticals, which contribute ~76% of overall revenues to report higher double-digit growth over FY19Eand FY20E

Cyient's unique vertical mix ensures benefit from key industry growth drivers. We expect key verticals like A&D, Communications, Transportation, Semi-conductor and DLM verticals to benefit from key triggers such as large project wins, fast paced evolution of telecom technology, strong momentum in client engagements and strategic change in business adoption (DLM segment). These verticals, which account for ~76% of overall revenues are expected to grow in high double digits (>15%) between FY18E and FY20E. We est. Cyient to conservatively report a 12.2% CAGR growth between FY17 and FY20E.

Employee Pyramid restructuring coupled with steady realizations in Engineering services to enable margin expansion of minimum 60 bps by FY20E

We believe that certain operational levers have ample headroom to improve margins. Management has guided that a combination of utilization improvement, higher off-shore mix and reduction in SG&A expenses should lead to margin improvement of ~350 bps which would be offset by pricing pressure and wage hikes. However, we believe that pricing is relatively stable in IT engineering services and should remain at current levels if not increase and therefore we account for a minimum 60 bps improvement in EBITDA margins in our estimates and expect it to increase from 14.5% in Q2FY18 to 15.1% by FY20E end.

Outlook and Valuations:

Based on certain key project wins in A&D, high level of penetration in Transportation segment and high industry potential in Communications and Semi-conductor, we incorporate a 12.2% revenue CAGR between FY17 and FY20E coupled with a minimum of 60 bps margin expansion from 14.5% in Q2FY18 to 15.1%. Cyient is currently trading at PE multiple of 13.4x and 11.6x FY19E and FY20E EPS. We apply a P/E of 14x to its est. FY20E EPS of INR 49.9 and assign a BUY rating on the stock with a TP of INR 699.

Key Parameters (INR Mn)

	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT (%)	EPS	P/E (x)	ROE (%)	ROCE (%)
FY16	30,941	13.1%	4,141	13.4%	3,342	10.5%	29.7	20.4x	18.3%	16.8%
FY17	35,858	15.9%	4,772	13.3%	3,699	9.6%	32.9	19.3x	18.7%	17.5%
FY18E	39,820	11.0%	5,729	14.4%	4,331	10.9%	38.5	15.3x	19.0%	18.1%
FY19E	45,092	13.2%	6,652	14.8%	4,867	11.0%	43.3	13.4x	18.5%	17.8%
FY20E	50,686	12.4%	7,649	15.1%	5,614	11.2%	49.9	11.6x	18.5%	17.9%

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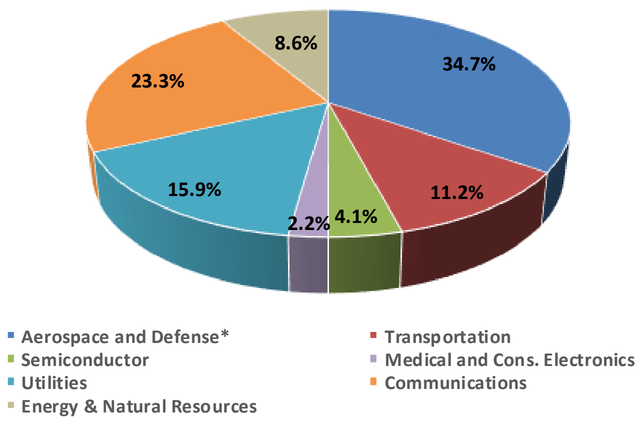
ABOUT THE COMPANY

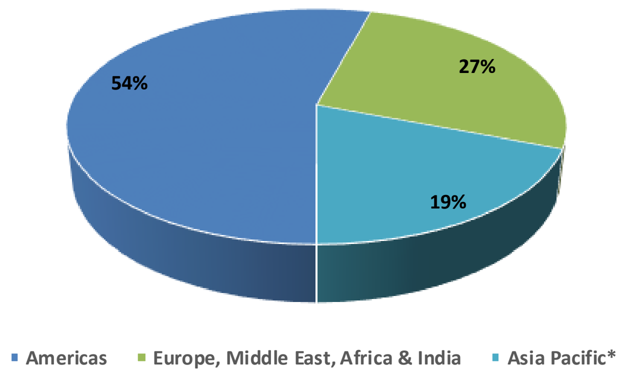
Cyient is largely an IT Engineering Services provider headquartered in Hyderabad, India. The company was founded in 1991 and offered Geographic Information, i.e. Mapping Services which is largely design services. Since 1991, the company has evolved from a pure designing firm to a manufacturing and MRO (Maintenance, Repair & Overhaul) company. Cyient derives 89% of its revenues from IT Engineering Services and 11% from Design Led Manufacturing services. The company has historically focused on inorganic approach to drive growth which is evident through the acquisitions of SRG Infotech (1997), Cartographic Sciences Pvt. Ltd. (1999), Map Centric (2000), VARGIS (2003), Tele Atlas India Pvt. Ltd. (2005), Softential (2014), Rangsons (2015), Certon and BlomAerofilms (2017). The company derives 63% of its income from inorganic sources. Cyient's largest customer is the United Technologies Corporation (UTC Group), which contributes 15.4% to its revenues.

BUSINESS SEGMENTS

Vertical-wise Revenue Mix (%)

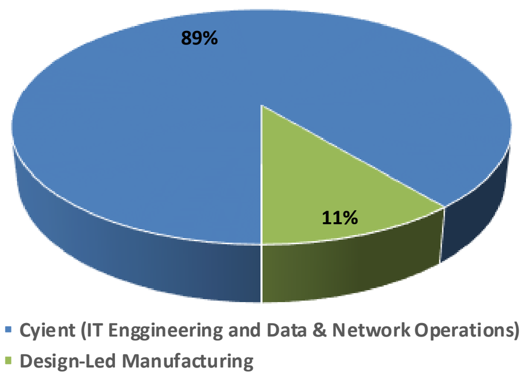


Geographic Contribution (%)



Source: Company, Dalal & Broacha Research

Business Segments (%)



Cyient derives 34.7% of its total revenues from Aerospace & Defense (A&D) vertical, 50% of which is contributed by it's largest client (UTC Group). Communications business contributes 23.3% to total revenues, followed by Utilities & Energy at 15.9% and Transportation at 11.2%.

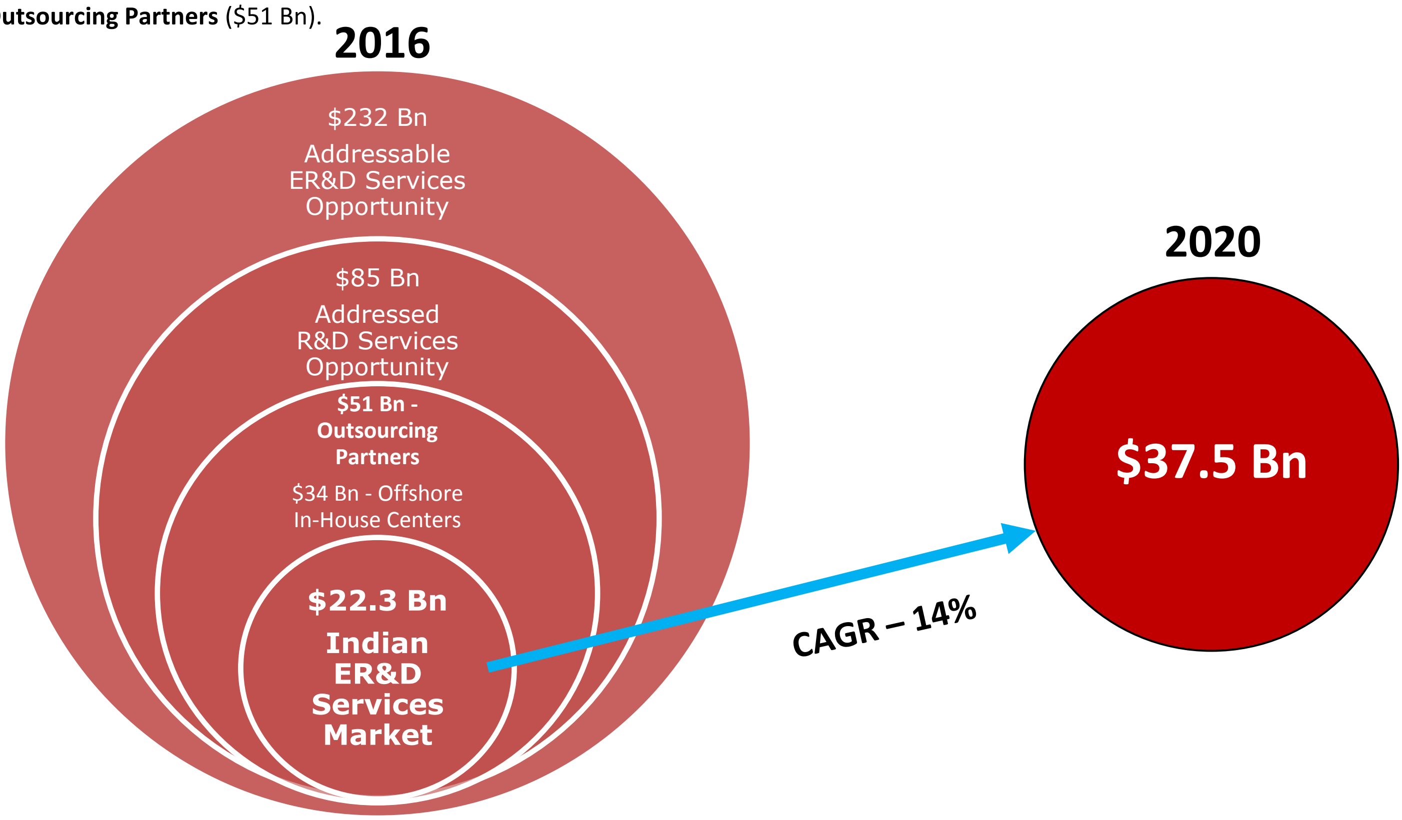
Cyient derives 54% of its revenues from Americas, followed by 27% from Europe, Middle East, Africa and India followed by 19% from Asia Pacific.

In terms of Business Segments, Cyient derives 89% of its revenues from IT Engineering Services, and 11% from Design-Led Manufacturing. Under IT Engineering Services, Cyient offers **Engineering Services** to A&D, Transportation, Medical, Semi-conductor and Industrial & Energy Verticals as well as **Data & Networking Operation** services to Communications and Utilities & Geospatial verticals.

INDUSTRY OVERVIEW

Expect both – Overall Engineering Outsourcing market as well as India's share – to grow at CAGR of 14% between FY16 and FY20E

Global Research & Development spend stood at $621 Bn in 2016, of which $232 Bn is the addressable market as rest is invested in heavy capital expenditure items such as buildings, centers and equipment which cannot be outsourced. Of the $232 Bn of addressable market, $147 Bn is captive and $85 Bn is divided between **off-shore in-house R&D Centers** ($34 Bn) and **3rd party Outsourcing Partners** ($51 Bn).



Of the total $51 Bn market for ER&D Offshore Outsourcing Service Providers, **$22.3 Bn is addressed by Indian service providers and only $8.9 Bn is addressed by 3rd party Indian services providers**. Industry estimates suggest that India's ER&D services market is expected to grow from $22.3 Bn to $37.5 Bn at a CAGR of 13.3% between FY16 and FY20E whereas 3rd party Indian outsourcer market is est. to grow at 13.9% CAGR till FY20 mainly due to the following drivers:

- **Indian ESPs are moving up the value chain:** Through directed investments in creating assets (intellectual property, accelerators or solutions), India-based ESPs have been able to move up the value chain and contribute to critical R&D programs of the end customers
- **India's mature talent and innovation ecosystem:** India offers a large engineering talent pool of 314,500 people across various skill sets that is growing at a rate of 14%. In addition, the Indian innovation ecosystem is rapidly maturing in emerging technologies such as embedded systems, big data technologies and IoT
- **Significant cost arbitrage:** India-based service providers operate at 30% to 50% lesser rates than Western Europe and US based service providers
- **More stringent labour laws on temporary staffing in Europe:** A revision in staffing laws in Germany and proposed revisions in France which include right to equal pay for temporary workers and 18 month supply limitations will make onshore staffing more expensive and limiting. Thus outsourcers are expected to explore offshore options to meet flexible workforce requirements.
- **Maturing in-house R&D centres landscape:** As global in-house R&D centres in India are moving up the value chain and are delivering high end work out of India, they are becoming potential customers to and collaborators with third-party ER&D

service providers. In addition, companies are becoming open to co-sourcing with both in-house R&D centres and third-party ER&D service providers

India leads the race in set-up of new R&D centers

As far as R&D centres are concerned, India leads the race in the share of new lab set-ups compared to other outsourcing destination. This is evidenced by a resurgence in the setup of new R&D centres, particularly in India. According to industry estimates, nearly 65-70% of the new offshore technology centres were set up in India with 29 centres in, among other cities, Bangalore, Chennai, the National Capital Region and Pune.

Industry-wise R&D Spend and Growth Rate (2016)

According to industry estimates, Automotive and Software/Internet companies are the largest ER&D spenders (contributing 17% of total spend) followed by Semiconductor (8% of total spend) and Telecom & Networking companies (7% of total spend). While Semi-Conductor and Telecom & Networking have grown at 5% and 4% yoy respectively in 2016, Medical industry R&D spend has grown at 11% yoy. Aerospace & Defense (4.5% of total spend) has grown at 4% yoy whereas Energy & Utilities (3.4% of spend) have reported a de-growth of 4% yoy.

Industry estimates suggest that global **A&D** market will experience stronger growth (> 4% in 2016) in 2018 following years of subdued growth rates driven primarily by spending in the US. Similarly, **Communications** industry is expected to deliver higher growth due to increase in fiber deployment across Australia, New Zealand, US and India. **Medical Industry** is also estimated to continue its double digit growth till 2021 and mainly driven by advances in medical devices and increasing health awareness.

Examples such as tie-up of French Car maker Groupe PSA with TCS indicative of rise in Engineering Outsourcing activity to India

In Q3 FY18, French car maker Groupe PSA partnered with Tata Consultancy Services for engineering its Smart Car plan and executing it for the Indian market. Design and development activities have been outsourced to TCS wherein local content in the process of sourcing, design, development and execution will be to tune of 90%. Additionally, preliminary estimates indicate that outsourcing engineering to India will enable Groupe PSA to cut costs by approximately 20-30%.

Volkswagen Group’s elementary level discussions with the likes of Mahindra Engineering Services, Tata Technologies and Hinduja Technologies are other examples of increasing willingness of top global players in outsourcing activities to India.

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INVESTMENT RATIONALE

Expect A&D, Communications, Transportation, Semi-conductor and DLM verticals, which contribute ~76% of overall revenues to report higher double-digit growth over FY19Eand FY20E

We believe that Aerospace & Defense BU, Transportation BU, Communications BU and Semiconductor, IoT & Analytics BU which cumulatively account for ~76% of of overall revenues (73% of Cyient excl. DLM business revenues) will outperform and deliver high teens growth over the next 2 years for the reasons individually set out as below:

Aerospace & Defense: Although UTC's exit through the 12.16% stake sale in H1FY18 and management comments on raised certain concerns, we believe that this event can be taken positively as it opens up several business opportunities (in the Aerospace & Defense space which is ~35% of services revenues, which is 90% of overall revenues) for the company which were not possible due to the inherent conflict of interest. Additionally, we believe that 'short term challenges due to work load rebalancing in UTC engagement' will largely be over by FY18E end.

Communications: Expect Communications business unit (23.3% of service revenues) to outperform on the back of consistent and fast-paced evolution in Telecom technology (3G to 4G to 5G and so on and so forth) and the engineering services required therein both globally and in domestic markets. Engineering players like Cyient have been key beneficiary of high speed internet connectivity and digitization programs globally. Programs such as Connect America Fund (CAF) in the US, BharatNet in India, and high demand for fiber deployment across Australia & New Zealand to promote higher network connectivity through better telecom infrastructure have been key triggers in this sector.

Transportation: In Q2FY18, Cyient was approved as a potential supplier for 2 rail operators in Europe and Australia which means that Cyient provides services to all the Rail companies/corporations globally except China Rail. We believe that growth in this segment will be largely driven by momentum in Rolling Stock and Signaling Solutions.

Semi-conductor, IoT and Analytics: Management has stated that Semi-conductor industry is experiencing strong growth from segments such as Automotive Memory and Cloud. Industry reports suggest that Asia's IoT Tech services industry itself is estimated to grow at a CAGR of 20% from $20 Bnin 2016 to $49 Bn industry by 2021E. Expect high growth in IoT space to be key driver for industry incumbents.

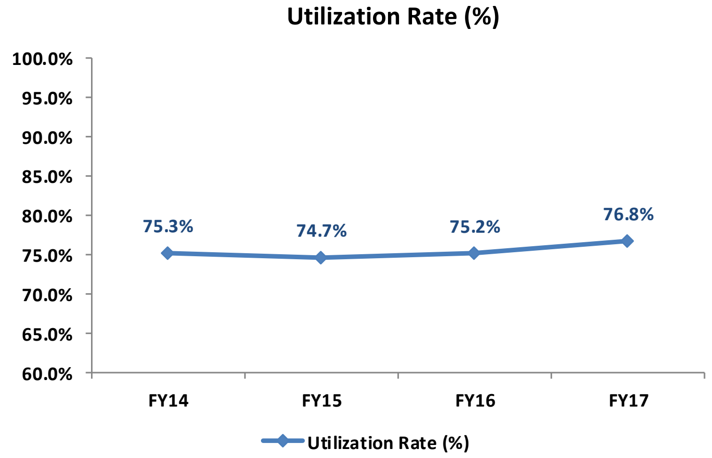
Cyient's rank in the Leadership Zone in Aerospace, Construction & Heavy Machinery, Energy, Transport Segment proves scalability execution capability

According to company sources, Cyient is ranked in a leadership position as far as Aerospace, Transport, Energy & Utilities and Heavy Machinery industry is concerned. Leadership status indicates strong capability in Go-To-Market strategy and significant investment in Lab Infrastructure, Niche Capability across Embedded, Engineering and Software Services, strong innovation culture in IPs and a highly connected ecosystem. Cyient's presence in the leadership zone in Aerospace, Transport, Energy & Utilities and Construction & Heavy Machinery is ahead of Tier I IT companies in majority cases indicates its execution capability, competitive edge and reinstates the uniqueness.

Additionally, Cyient is competitively positioned in the Medical Devices, Semi-conductor, Consumer Electronics and Telecom sector, which indicates that Cyient is in the right direction to deliver and execute efficiently and step-up in the big league.

Employee Pyramid Restructuring to translate into margin expansion over FY18E, FY19E and FY20E

Expect operational changes such as higher off-shore utilization, higher off-shore mix and improvement in onsite margins to bring about expansion in EBIT margins over FY19E and FY20e. Cyient reported EBIT margins of 11.8% and EBITDA margin of 14.5% in Q2FY18; we estimate that positive business developments as well as operational improvements will improve EBIT and EBITDA margins to 13% and 15% respectively by FY20. While Cyient's blended utilization is a mere 75.9% as of Q2FY18, it's offshore utilization is approximately 65% which is very low relative to industry average. Moreover, management guidance of higher 'offshoring' indicates that there is ample room for management to improve margins from EBIT margin of 14.6% in Q2FY18. Management has guided for ~350 bps improvement in margins in FY18E. However, expect margin expansion to be offset by Wage hike to the tune of 150 bps, investments to the tune of 100 bps and pricing pressure of 50 bps – a total of 300 bps. In our view and taking the engineering services playing field into consideration, we believe that pricing pressure is largely absent and **expect FY18E margins to expand by a minimum 60 bps** by FY20E with an upside risk.



Cyient has constantly recorded a Utilization rate of 75 – 77% between FY14 and FY17 which is very low compared to an industry average of 82-85%. We believe that improving demand environment in various verticals as well as operational initiatives by the company should translate into higher utilization in the forthcoming years and higher margins therein.

Inorganic strategy led by acquisition of Certon, Blom, etc. to bring about positive synergies

Cyient acquired US based Certon Software in Q4FY17 in a $7.5 Mn deal and UK based Blom Aerofilms in Q2FY17 in $5.5 Mn deal. Certon reported revenues of $6.2 Mn, $7.3 Mn and $6 Mn in 2014, 2015 and 2016 respectively which makes it a 1.25x to 2016 revenues acquisition. BlomAerofilms had reported revenues of $8.5 Mn in 2016, which makes a 0.64x to 2016 revenues acquisition.

Certon is an IP-led innovative provider full product lifecycle engineering services to aerospace and defense companies. Certon strengthens Cyient's Aerospace business by adding unique, model-based systems, engineering tools, and test automation capabilities targeted at the safety-critical embedded systems, software, and electronic hardware domains. Certon acquisition gives Cyient an automation platform which will enable it to cut approximately 15-20% of manpower in aerospace verification and validation of aerospace electronics.

Blom acquisition complements Cyient's deep rooted Geospatial (15.9% of Q2FY18 revenues including Utilities) capabilities by bringing in a wealth of experience in geospatial data acquisition which includes aerial and ground based LiDAR and data modelling.

Management has guided that it will continue to focus on inorganic strategies to pursue growth and one can expect high M&A activity in Medical Devices and Semi-conductor space.

DLM business to grow at high double digits and breakeven

With the acquisition of Rangsons in 2015, Cyient achieved its aim of offering an integrated set of services from product ideation and design engineering, through product realization to aftermarket services. DLM performance has been limited with a 4 quarter and 8 quarter CQGR growth of merely 3% and 5% respectively. Furthermore, operating income performance has remained buoyant with EBITDA margins in the range of -8% to 2% over the last 8 quarters (as seen in the figure below)

However, management has guided for DLM business to breakeven in FY18E and undergo a huge turnaround as conscious efforts have been taken to change the quality of order intake to higher value products. Company expects to report steady DLM margins of 6% going ahead. We estimate DLM business to grow at 20% in FY18E, FY19E and FY20E with relatively higher margins compared to historical performance.

In INR Mn	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18
% to Revenue										
DLM	5%	9%	9%	10%	8%	10%	11%	11%	8%	11%
EBITDA Margin										
DLM	2%	4%	4%	-8%	-8%	2%	2%	0%	-7%	1%

Source: Company Reports, Dalal&Broacha Research

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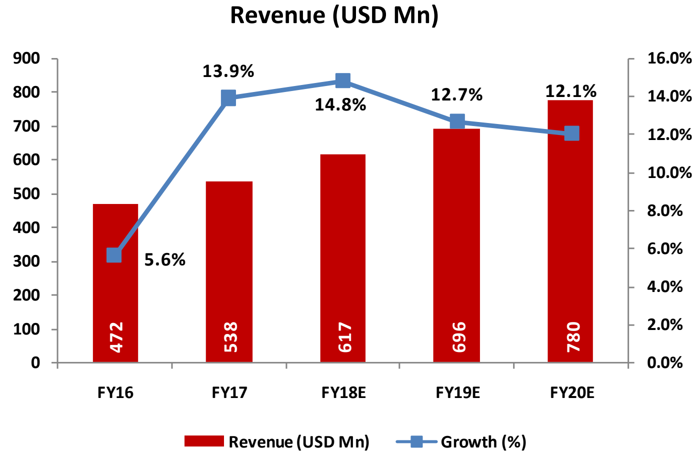
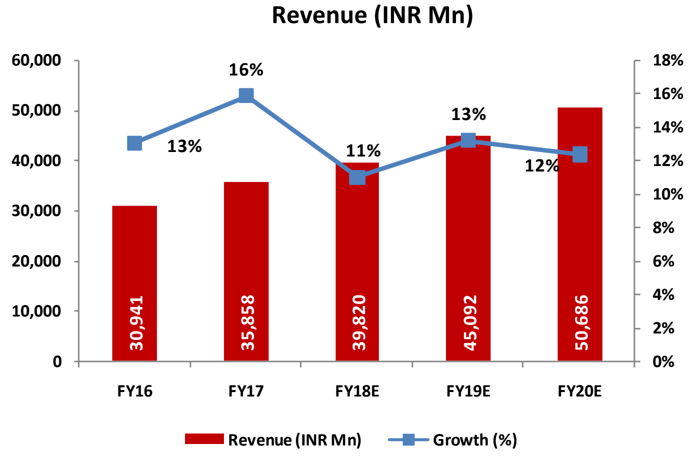
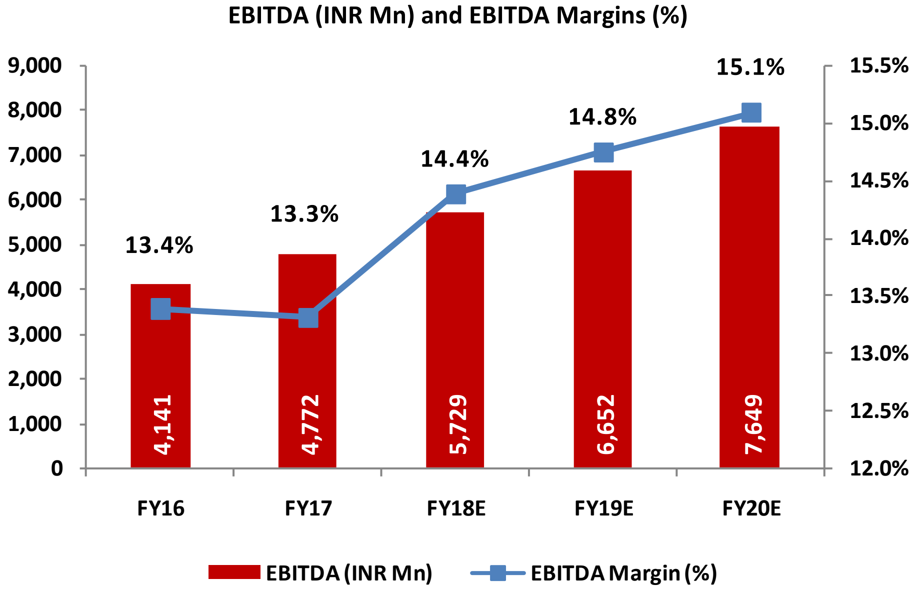
FINANCIALS





Source: Company and Dalal & Broacha Research

Historically, Cyient's INR revenues have grown at a 3 year and 5 year CAGR of 18% between FY12 and FY17 and FY14 and FY17 as well. We expect Cyient's dollar revenues to increase from $538 Mn in FY17 to $780 Mn in FY20E at a 13.2% CAGR. In INR terms, we expect Cyient to report a 12.2% CAGR between FY17 and FY20E as revenues grow from INR 35,858 Mn to INR 50,686 Mn. We incorporate an USD/INR rate of 64.8 in FY19E and 65 in FY20. We believe that management will be able to deliver the double digit growth guidance in services and 20% growth in DLM in FY18 over the next 2 years as well.



Source: Company and Dalal & Broacha Research

We expect EBITDA to grow at 17% CAGR between FY17 and FY20E whereas margins to improve from 13.3% to 15.1%. EBITDA has historically grown at 12% CAGR between FY12 and FY17, however that was mainly due to drag of DLM business on operating profit. As DLM business breaks even (est. to breakeven by FY19E), we expect EBITDA margins to report a higher growth rate as well to improve on account of higher utilization (76% as of Q2FY18), increase in off-shoring and marginal reduction in SG&A expenses.

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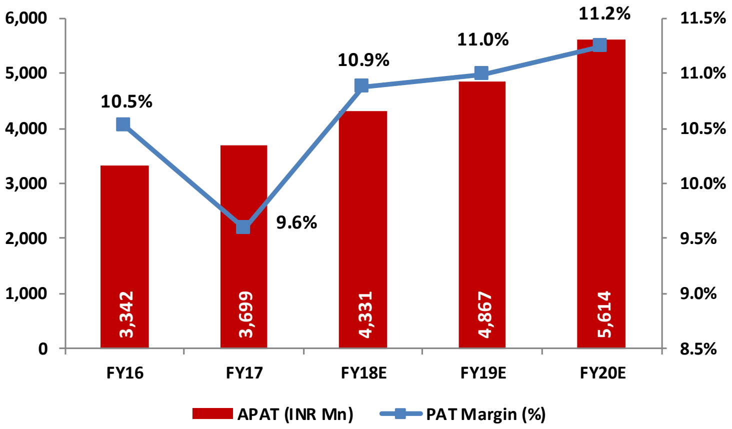
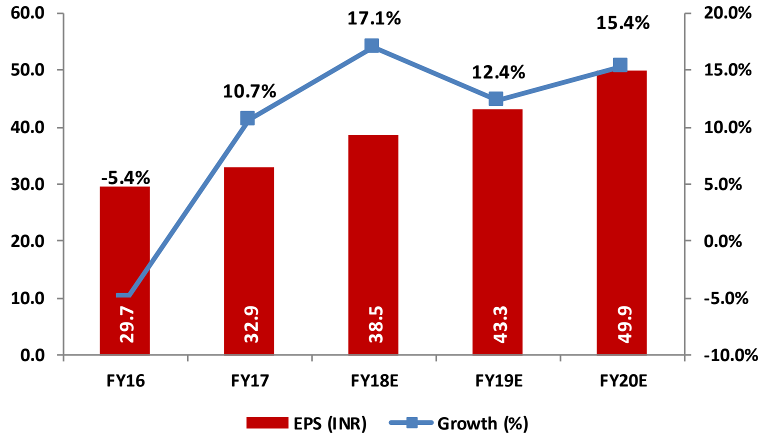
PAT (INR Mn) and PAT Margins (%)



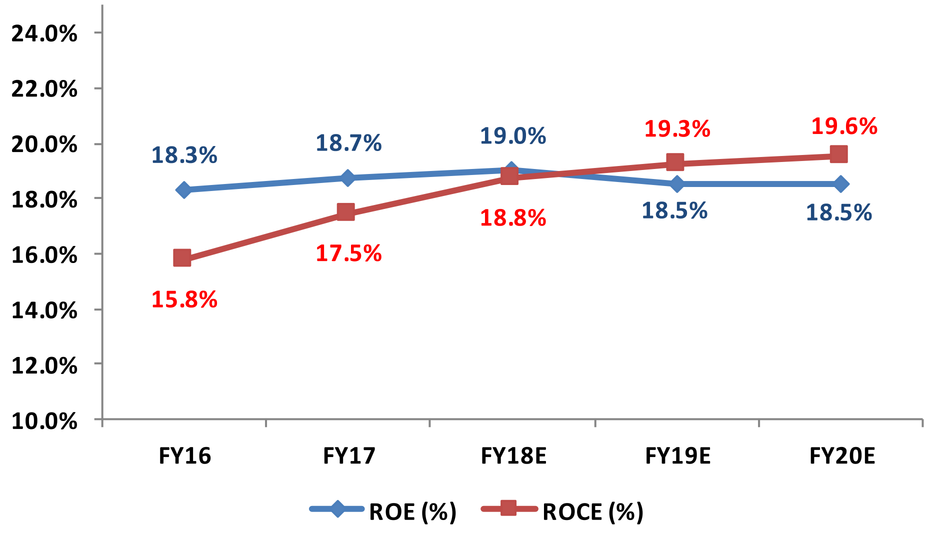
EPS & EPS Growth (%)



Source: Company and Dalal & Broacha Research

Cyient's PAT current stands at INR 3,699 Mn as of FY17, we estimate PAT to grow at 18.4% CAGR to INR 5,614 Mn by FY20E. In line with PAT, we expect PAT margins to improve from 9.6% in FY17 to 11.2% by FY20E. The company plans to maintain its total (long and short term) borrowings in the same range of INR 1600 – 1700 Mn going ahead and therefore estimate interest cost to be in the range of INR 170 Mn to INR 200 Mn going ahead as well. PAT margins will largely grow on account of operational improvements.

Profitability Ratios (%)



Source: Company and Dalal & Broacha Research

Cyient's ROE and ROCE stand at 18.7% and 17.5% as of FY17. ROE and ROCE has been consistently maintained above the 15% mark for over the last 5 years. Additionally, we expect ROE to remain steady in the 18-19% range over the next 2 years whereas we estimate ROCE to improve to 19.6% by FY20E on account of operational improvements internally and steady realizations in the engineering services space.

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VALUATION & OUTLOOK

We believe that Aerospace & Defense BU, Transportation BU, Communications BU and Semi-conductor which cumulatively account for ~66% of overall revenues will outperform over the next 2 years and DLM BU (10% of overall revenues) will deliver on the 20% growth guidance in FY18E, FY19E and FY20E. We expect Cyient to report a revenue CAGR of 12.2% between FY17 and FY20E.

We expect Cyient's profitability to be benefitted by two main factors: (i) Operating leverage due to higher utilization, higher offshore mix and lower SGA expenses and (ii) synergies in DLM business to yield results from H2FY18 onwards. In that regard, we expect Net Profit to grow at CAGR of 14.9% between FY17 and FY20 and the company's EPS to grow from INR 32.9 in FY17 to INR 49.9 in FY20E.

Cyient is currently trading at PE multiple of 13.4x and 11.6x FY19E and FY20E EPS. We assign a BUY rating on the stock as we apply a P/E of 14x to its est. FY20E EPS of INR 49.9 and arrive at a TP of INR 699.

PEER COMPARISION

Co. Name		Revenue (INR Mn)				EBITDA (INR Mn)				Net Income (INR Mn)				ROE	ROCE	P/E
	Mkt Cap	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY17	TTM
Cyient	66562.6	35,858.0	39,819.6	45,092.5	50,686.3	4,772.0	5,728.6	6,651.9	7,649.2	3,438.0	4,330.9	4,954.5	5,701.7	18.7%	17.5%	19.0
KPIT Tech	39726.9	33,200.5	36,359.3	39,831.8	42,720.0	3,486.3	3,702.1	4,408.9	4,724.5	2,385.1	2,399.2	2,815.7	3,154.0	16.1%	14.2%	16.3
Persistent	59716.0	28,784.4	31,149.4	35,436.0	39,673.8	4,654.0	4,849.7	5,858.8	6,716.5	3,014.7	3,334.1	3,890.2	4,473.9	17.0%	16.9%	20.0
HCL Tech	1297488.7	4,75,675.3	5,04,819.0	5,57,237.0	6,05,750.0	1,03,845.5	1,11,679.0	1,22,529.0	1,31,641.0	86,063.3	87,406.6	93,764.1	1,00,995.0	28.3%	27.7%	15.3
Tata Elxsi	65032.2	12,330.4	13,984.5	16,138.2	18,311.3	2,720.5	3,271.2	3,811.0	4,318.3	1,732.9	2,096.7	2,444.0	2,786.0	36.7%	36.7%	37.3
Jabil Inc	3,07,919.0	12,56,974.3	13,03,342.3	13,39,082.1	13,84,842.2	77,188.7	93,469.4	97,766.1	1,00,047.2	8,511.9	28,363.6	31,581.4	32,746.2	5.4%	4.3%	18.7

Co. Name	Revenue Growth (%)				EBITDA Margin (%)				PAT Margin (%)			
	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E
Cyient	15.9%	11.0%	13.2%	12.4%	13.3%	14.4%	14.8%	15.1%	9.6%	10.9%	11.0%	11.2%
KPIT Tech	3.1%	9.5%	9.6%	7.3%	10.5%	10.2%	11.1%	11.1%	7.2%	6.6%	7.1%	7.4%
Persistent	24.5%	8.2%	13.8%	12.0%	16.2%	15.6%	16.5%	16.9%	10.5%	10.7%	11.0%	11.3%
HCL Tech	14.2%	6.1%	10.4%	8.7%	21.8%	22.1%	22.0%	21.7%	18.1%	17.3%	16.8%	16.7%
Tata Elxsi	14.7%	13.4%	15.4%	13.5%	22.1%	23.4%	23.6%	23.6%	14.1%	15.0%	15.1%	15.2%
Jabil Inc	3.4%	3.7%	2.7%	3.4%	6.1%	7.2%	7.3%	7.2%	0.7%	2.2%	2.4%	2.4%

***Closing Price as of 15/01/2018**

DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141412

Initiating Coverage @ Dalal Broacha

Key Milestones	
1991	Infotech incorporated as a private limited company
1995	Receives first ISO 9002 certification from BVQi London
1997	Goes Public, Acquires SRG Infotech and Partners with IBM for enterprise wide information system
1999	Establishes wholly owned subsidiary Infotech Software Solutions Inc. in California USA. Acquires Dataview Solutions and Cartographic Sciences Pvt. Ltd.
2000	Inaugurates 130,000 sq. ft software center in Hyderabad. Signs MSA with Pratt & Whitney and wins huge deal from Dutch Group FUGRO
2001	Wins contract from Triathlon, opens Engineering facility in Bangalore
2002	Pratt & Whitney acquires 18% stake in Infotech
2004	Acquires GIS company called VARGIS and sells 51% stake in IASI
2005	Opens branch in Singapore and Australia
2007	JV between HAL and Infotech
2008	Signs MOU with Dassault Aviation
2011	Awarded supplier of the Year by Boeing
2013	Set up branch in Taiwan, South Africa and Silicon Valley
2014	Changed name to Cyient
2015	Acquired majority stake in Rangsons Electronics and acquired Pratt & Whitney Global Services Engineering Asia

Profit & Loss A/c					
YE March (Rs. mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Total Revenue	**30,941**	**35,858**	**39,820**	**45,092**	**50,686**
Less:					
Increase/Decrease in Stock	6	-110	13	126	142
Cost of Services	1,881	2,852	3,180	3,652	4,106
Employee Cost	18,125	20,490	21,863	24,742	27,768
SG&A Expenses & Other	6,788	7,854	9,034	9,920	11,022
Total Operating Expenditure	**26,800**	**31,086**	**34,091**	**38,441**	**43,037**
EBIDTA	**4,141**	**4,772**	**5,729**	**6,652**	**7,649**
Less: Depreciation	888	953	1,087	1,210	1,360
EBIT	**3,253**	**3,819**	**4,642**	**5,442**	**6,289**
Interest Paid	164	172	200	208	208
Non-operating Income	1,085	932	1,417	1,353	1,521
Profit Before tax	**4,087**	**4,318**	**5,859**	**6,587**	**7,602**
Tax	1,011	1,045	1,616	1,738	2,006
Net Profit before Minority	**3,076**	**3,273**	**4,243**	**4,849**	**5,596**
Minority Interest	-54	-42	-44	-44	-44
Profit/Loss of Associate Compa	125	123	44	62	62
Net Profit	**3,147**	**3,354**	**4,243**	**4,867**	**5,614**
Adjusted Profit	**3,342**	**3,699**	**4,331**	**4,867**	**5,614**
Reported Diluted EPS Rs	**29.0**	**30.6**	**38.5**	**44.1**	**50.7**
Adjusted Diluted EPS Rs	**29.7**	**32.9**	**38.5**	**43.3**	**49.9**

Cash Flows (Consolidated)					
YE December (Rs. Mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
PAT	**3,255.0**	**3,438.0**	**4,330.9**	**4,954.5**	**5,701.7**
Less: Non Operating Income	(1,085.0)	(932.0)	(1,416.9)	(1,352.8)	(1,520.6)
Add: Depreciation	888.0	953.0	1,086.9	1,209.8	1,359.8
Add: Interest Paid	164.0	172.0	200.0	208.0	208.0
Operating Profit before WC Changes	**3,130.0**	**3,727.0**	**4,156.8**	**4,958.0**	**5,687.5**
(Inc)/Dec in Current Assets	(1,472.0)	(919.0)	(1,149.8)	(1,467.1)	(1,426.3)
Inc/(Dec) in Current Liabilities	1,423.0	1,623.0	819.0	1,052.3	1,102.7
Changes in Inventory	(373.0)	44.0	(60.5)	(131.8)	(139.8)
Net Cash From Operations	**2,708.0**	**4,475.0**	**3,765.6**	**4,411.3**	**5,224.0**
Cash Flow from Investing Activities					
(Inc)/Dec in Fixed Assets	(865.0)	(950.0)	(995.5)	(1,127.3)	(1,267.2)
(Inc)/Dec in Capital Work In Progress	31.0	(68.0)	(10.2)	(33.1)	(16.8)
(Inc)/Dec in Investment (Strategic)	(155.0)	(246.0)	(136.7)	(181.9)	(193.0)
Add: Non Operating Income Income	1,085.0	932.0	1,416.9	1,352.8	1,520.6
Cash From Investing Activities	**1,407.0**	**(1,205.0)**	**318.6**	**72.0**	**105.2**
Cash Flow from Financing Activities					
Inc/(Dec) in Total Loans	105.0	(242.0)	(50.0)	(50.0)	(50.0)
Dividend Paid	(787.0)	(1,296.0)	(1,082.7)	(1,238.6)	(1,425.4)
Less: Interest Paid	(164.0)	(172.0)	(200.0)	(208.0)	(208.0)
Net Cash from Financing Activities	**(3,394.0)**	**(1,438.0)**	**(1,175.4)**	**(1,537.2)**	**(1,708.8)**
Net Inc/Dec in cash equivalents	**721.0**	**1,832.0**	**2,908.8**	**2,946.0**	**3,620.3**
Opening Balance	**6,228.0**	**6,949.0**	**8,781.0**	**11,689.8**	**14,635.9**
Closing Balance Cash and Cash Equivalents	**6,949.0**	**8,781.0**	**11,689.8**	**14,635.9**	**18,256.2**

Free Cash Flow Statement					
YE March (Rs. mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
EBITDA	4,141	4,772	5,729	6,652	7,649
FC Investment	369	-110	995	1,127	1,267
WC Changes	-422	748	-391	-547	-463
Depreciation Tax Shiel	220	231	300	319	359
Tax Expenses	1,024	1,155	1,580	1,755	2,018
FCF	2,545	4,706	3,062	3,542	4,259

Balance Sheet (Consolidated)					
YE March(Rs. mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Liabilities					
Equity Capital	562	563	563	563	563
Reserves & Surplus	17,743	20,610	23,858	27,574	31,850
Equity	**18,305**	**21,173**	**24,421**	**28,137**	**32,413**
Net Worth	**18,305**	**21,173**	**24,421**	**28,137**	**32,413**
Minority Interest					
Net Deferred tax liability/(Asset)	1,566	1,373	1,530	1,490	1,464
Total Loans	**769**	**527**	**477**	**427**	**377**
Capital Employed	**20,640**	**23,073**	**26,428**	**30,054**	**34,255**
Assets					
Gross Block	7,082	6,972	7,967	9,095	10,362
Less: Depreciation	4,062	3,955	5,042	6,252	7,612
Net Block	**3,020**	**3,017**	**2,926**	**2,843**	**2,750**
Capital WIP	24	92	102	135	152
Investments	**991**	**1,237**	**1,374**	**1,556**	**1,749**
Intangible Assets	3,628	4,666	4,666	4,666	4,666
Current Assets					
Sundry Debtors	6,145	6,496	7,200	8,030	8,887
Current Investments	790	925	844	1,090	1,203
Cash and Bank Balance	6,949	8,781	11,690	14,636	18,256
Loans and Advances	3,134	3,515	3,910	4,149	4,460
Other Current Assets	1,648	1,700	1,832	1,984	2,129
Total Current Assets	**19,645**	**22,352**	**26,471**	**31,016**	**36,203**
Less:Current Liabilities & Provisions					
Sundry Creditors	3,098	4,021	4,390	4,950	5,542
Provisions	202	235	340	365	401
Other Current Liabilities	3,368	4,035	4,380	4,847	5,322
Total Current Liabilities & Provisions	**6,668**	**8,291**	**9,110**	**10,162**	**11,265**
Capital Applied	**20,640**	**23,073**	**26,428**	**30,054**	**34,255**

Key Ratios (Consolidated)					
YE March (Rs. mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Key Operating Ratios					
EBITDA Margin (%)	13.4%	13.3%	14.4%	14.8%	15.1%
Tax / PBT (%)	24.7%	24.2%	27.6%	26.4%	26.4%
Net Profit Margin (%)	10.5%	9.6%	10.9%	11.0%	11.2%
RoE (%)	18.3%	18.7%	19.0%	18.5%	18.5%
RoCE (%)	16.8%	17.5%	18.1%	17.8%	17.9%
Current Ratio (x)	2.9x	2.7x	2.9x	3.1x	3.2x
Dividend Payout (%)	24.2%	37.7%	25.0%	25.0%	25.0%
Book Value Per Share (Rs.)	162.9	188.4	217.3	250.3	288.4
Financial Leverage Ratios					
Debt/ Equity (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Interest Coverage (x)	25.3x	27.7x	28.6x	32.0x	36.8x
Growth Indicators %					
Sales Growth (%)	13.1%	15.9%	11.0%	13.2%	12.4%
EBITDA Growth (%)	3.3%	15.2%	20.0%	16.1%	15.0%
Net Profit Growth (%)	(7.8%)	5.6%	26.0%	14.4%	15.1%
Diluted EPS Growth (%)	(7.8%)	5.6%	26.0%	14.4%	15.1%
Turnover Ratios					
Debtors (Days of net sales)	68	64	63	62	61
Creditors (Days of Raw Materia	61	65	69	68	68

Valuation Ratios					
YE March (Rs. mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
P/E (x)	**20.4x**	**19.3x**	**15.3x**	**13.4x**	**11.6x**
P/BV (x)	3.6x	3.1x	2.7x	2.4x	2.0x
EV/EBITDA (x)	**14.5x**	**12.2x**	**9.6x**	**7.9x**	**6.4x**
EV/Sales	1.9x	1.6x	1.4x	1.2x	1.0x
Market Cap./ Sales (x)	**2.1x**	**1.9x**	**1.7x**	**1.5x**	**1.3x**
Dividend Yield (%)	1.2%	2.0%	1.6%	1.9%	2.1%

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