

## Cyient Ltd.

**Accumulate**

Sector: IT

 25<sup>th</sup> February 2025

Key Changes	Target	▼	Rating	●	Earnings	▼	Target	Rs. 1,507
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame		CMP	Rs. 1,334
Small Cap	CYL:IN	74,602	CYIENT	532175	12 Months		Return	+13%

Data as of: 25-02-2025

### Moderate revenue growth & strong order book uptick

Cyient Ltd., is one of the leading players in the IT-enabled services space, providing services to the Engineering Research and Development segment.

- In Q3FY25, Cyient reported moderate revenue growth of 5.8% YoY to Rs. 1,926cr. Design-led manufacturing (DLM) segment revenue surged by 38.4% YoY, whereas DET (digital engineering technology) softened by 0.8% YoY, New growth areas offset the sustainability sector decline.
- EBITDA margin declined by 340bps YoY to 14.5%, primarily on account of wage hikes. However, net profit de-growth of 17% YoY was due to significant negative movement in other income, especially from unrealized forex losses.
- In DET, Transportation and Connectivity declined by 1.7% and 0.7% YoY, respectively, while the Sustainability sector decreased by 10.4% due to the completion of several large projects and slower scaling of new ones.
- The new growth areas saw a 14.1% increase in YoY, with recent deal wins amounting to \$11-12 Mn expected to support continued technology momentum.
- Q3FY25 DET order intake \$312.3 Mn with 100% QoQ growth and 5% YoY growth. The company secured 13 large deals worth \$234.5 Mn, expected to position the Cyient for sustainable growth in the medium term.

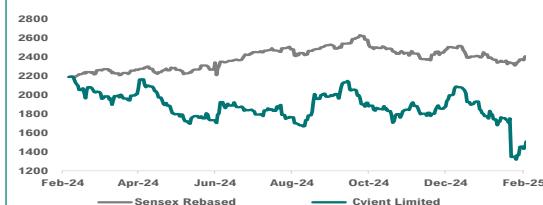
### Outlook & Valuation

Cyient experienced moderate revenue growth, driven by the DLM segment. Despite a slight decline in DET, the order book showed a strong uptick with the highest ever intake. The management focuses on enhancing differentiating technology offerings, transitioning to value-based selling, and setting an objective framework for tracking the sales efficiency. The acquisition of Altek has diversified the company's industry base, especially in the industrial and medical sectors where the current mix is minimal. Favourable US political developments promoting local manufacturing are expected to create significant opportunities for Altek. Therefore, we expect earnings to grow by a CAGR of 17% during FY25E-27E and maintain Accumulate rating with a revised target price of Rs. 1,507 based on SOTP valuation.

### Quarterly Financials Consol.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	1,926	1,821	5.76	1,849	4.2	5,451	3,465	57.3
EBITDA	279	326	-14.47	297	-6.0	841	641	31.1
Margin (%)	14	18	-343bps	16	-157bps	15	19	-309bps
EBIT	211	260	-18.7	231	-8.4	641	508	26.2
PBT	174	200	-12.72	254	-31.5	623	460	35.6
Rep. PAT	128	153	-16.64	187	-31.6	462	353	31.0
Adj PAT	122	147	-16.92	179	-31.7	445	353	26.3
EPS (Rs)	11.1	13.3	-16.52	16.3	-31.8	40.5	31.6	28.0

\*over or under performance to benchmark index

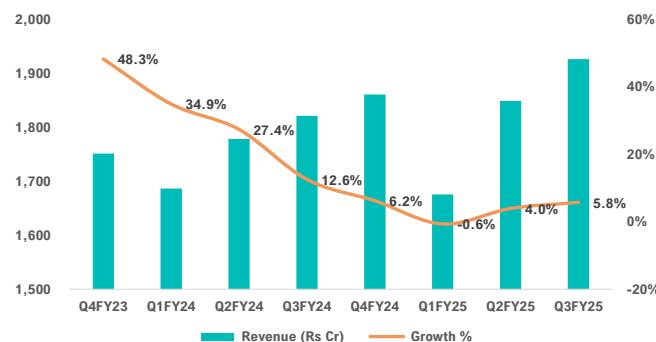


Y.E March (cr)	FY25E	FY26E	FY27E
Sales	7,619	8,140	8,994
Growth (%)	6.6	6.8	10.5
EBITDA	1,175	1,335	1,520
EBITDA Margin (%)	15.4	16.4	16.9
PAT Adjusted	702	836	954
Growth (%)	2.8	19.1	14.2
Adjusted EPS	63.4	75.6	86.3
Growth (%)	3.0	19.1	14.2
P/E	21.1	17.7	15.5
P/B	3.2	2.8	2.5
EV/EBITDA	13.0	11.4	10.0
ROE (%)	15.7	16.9	17.2
D/E	0.1	0.1	0.1

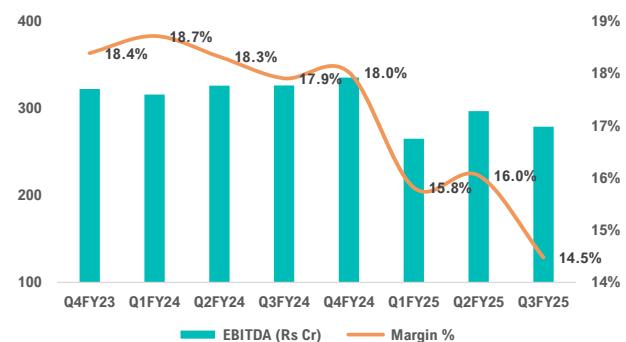
## Key Concall Highlights

- Cyient DLM's acquisition of Altek is intended to diversify its industry base, with a larger focus on industrial and medical sectors. The company sees a significant opportunity in the US due to political developments that favour localization of manufacturing. These policies are expected to strengthen domestic manufacturing, leading to opportunities for companies like Altek.
- Cyient has identified areas for improvement and is implementing new strategies to drive growth. The focus is on enhancing technology offerings, transitioning from relationship-based selling to a value-based selling, and setting an objective framework for tracking the sales efficiency.

## Revenue



## EBITDA



## Financials (Cyient DLM)

Cyient DLM	Quarterly					Annual			
	Rs.cr	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)	FY25E	FY26E	FY27E
Revenue	444	321	38	38	389.4	14	1,573	1,848	2,393
EBITDA	28	29	-4	-4	32	-11	124	185	262
EBITDA margins	6.3	9.2	-283bps	-283bps	8.1	-179bps	8%	10%	11%
Adjusted PAT	11	18	-40	-40	15.4	-29	72	104	152
PAT Margins	2.5	5.7	-325bps	-325bps	4.0	-148bps	4.6%	5.6%	6.3%
EPS	1.39	2.33	-40.3	-40.3	1.95	-29	9.0	13	19

## Financials (Cyient Ltd.)

Cyient (Standalone)	Quarterly					Annual			
	Rs.cr	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)	FY25E	FY26E	FY27E
Revenue	1,482	1,500	-1.2	-1.2	1,460	1.5	6,046	6,293	6,601
EBITDA	251	297	-15	-15	265	-5	1,051	1,150	1,258
EBITDA margins	17	20	-286bps	-286bps	18.2	-124bps	17%	18%	19%
Adjusted PAT	111	129	-13.6	-13.6	164	-32	630	732	802
PAT Margins	7.5	8.6	-108bps	-108bps	11.2	-370bps	10%	12%	12%
EPS	10	11	-11.5	-11.5	14	-32	54	62	67

## Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	7,519	8,238	7,619	8,140	8,994	1.3	-1.2
EBITDA	1,248	1,376	1,175	1,335	1,520	-5.9	-3.0
Margins (%)	17	17	15	16	17	-158bps	-60bps
Adj. PAT	766	870	702	836	954	-8.4	-3.9
EPS	69	79	63	76	86	-8.1	-4.4

## Sum of Parts (SOTP) Valuation

Particulars	Methodology	Multiple	% Holding	Value (Rs. cr.)	Value/Share (Rs.)
Cyient Ltd.	PE	18x	100.0%	14,436	1,301
Cyient DLM Ltd. (Discount of 20%)	PE	36x	52.2%	2,285	206
<b>Target price</b>		<b>20%</b>		<b>16,721</b>	<b>1,507</b>

## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>6,016</b>	<b>7,147</b>	<b>7,619</b>	<b>8,140</b>	<b>8,994</b>
% change	33%	18.8	6.6	6.8	10.5
<b>EBITDA</b>	<b>1,003</b>	<b>1,303</b>	<b>1,175</b>	<b>1,335</b>	<b>1,520</b>
% change	23%	29.9	-9.8	13.6	13.9
Depreciation	257	267	243	268	313
<b>EBIT</b>	<b>747</b>	<b>1,036</b>	<b>932</b>	<b>1,067</b>	<b>1,207</b>
Interest	100	116	108	103	104
Other Income	81	66	91	110	112
<b>PBT</b>	<b>681</b>	<b>918</b>	<b>915</b>	<b>1,074</b>	<b>1,215</b>
% change	-2%	34.8	-0.4	17.4	13.2
<b>Tax</b>	<b>167</b>	<b>216</b>	<b>213</b>	<b>238</b>	<b>261</b>
Tax Rate (%)	24%	23.5	23.3	22.2	21.5
<b>Reported PAT</b>	<b>514</b>	<b>683</b>	<b>702</b>	<b>836</b>	<b>954</b>
Adjustment	0	0	0	0	0
<b>Adj. PAT</b>	<b>514</b>	<b>683</b>	<b>702</b>	<b>836</b>	<b>954</b>
% change	-2%	32.7	2.8	19.1	14.2
No. of shares (cr)	11.1	11	11	11	11
<b>Adj EPS (Rs)</b>	<b>46.5</b>	<b>62</b>	<b>63</b>	<b>76</b>	<b>86</b>
% change	-2%	32.4	3.0	19.1	14.2
DPS (Rs)	26.0	18	26	26	26
CEPS (Rs.)	69.7	86	85	100	115

### Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash</b>	<b>719</b>	<b>984</b>	<b>1,412</b>	<b>1,807</b>	<b>2,312</b>
Accounts Receivable	1,127	1,262	1,336	1,405	1,589
Inventories	436	468	480	468	480
Other Cur. Assets	737	771	762	814	899
Investments	579	488	546	586	518
Gross Fixed Assets	1,166	1,127	1,147	1,182	1,242
Net Fixed Assets	448	446	409	386	392
CWIP	3	2	2	2	2
Intangible Assets	505.00	439.70	409	404	391
Def. Tax (Net)	48	75	64	45	21
Other Assets	1,668	1,742	1,775	1,828	1,850
<b>Total Assets</b>	<b>6,548</b>	<b>7,004</b>	<b>7,524</b>	<b>8,080</b>	<b>8,844</b>
Current Liabilities	1,592	1,365	1,404	1,362	1,426
Provisions	275	294	313	312	296
Debt Funds	934	453	451	450	449
Other Liabilities	-3	299	299	299	299
Equity Capital	55	55	56	56	56
Reserves & Surplus	3,412	4,203	4,617	5,165	5,831
Shareholder's Fund	3,467	4,258	4,672	5,220	5,887
<b>Total Liabilities</b>	<b>6,548</b>	<b>7,004</b>	<b>7,524</b>	<b>8,080</b>	<b>8,844</b>
BVPS (Rs.)	268	344	385	435	497

### Cash Flow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	771	950	945	1,104	1,267
Non-cash adj.	131	17	108	103	104
Changes in W.C	-349	-261	-59	-168	-257
<b>C.F. Operation</b>	<b>554</b>	<b>706</b>	<b>994</b>	<b>1,038</b>	<b>1,114</b>
Capital exp.	-65	-78	-178	-245	-360
Change in inv.	-66	0	-39	-50	85
Other invest.CF	44	0	-2	-8	8
<b>C.F – Investment</b>	<b>-1,033</b>	<b>-533</b>	<b>-218</b>	<b>-303</b>	<b>-267</b>
Issue of equity	8	15	0	0	0
Issue/repay debt	212	-275	49	50	50
Dividends paid	-263	-306	-288	-288	-288
Other finance.CF	-66	93	-108	-103	-104
<b>C.F – Finance</b>	<b>-109</b>	<b>-266</b>	<b>-347</b>	<b>-340</b>	<b>-342</b>
Chg. in cash	-588	-93	429	395	505
Closing cash	705	622	1,412	1,807	2,312

### Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	16.7	18.2	15.4	16.4	16.9
EBIT margin (%)	12.4	14.5	12.2	13.1	13.4
Net profit mgn. (%)	8.6	9.6	9.2	10.3	10.6
ROE (%)	15.6	17.7	15.7	16.9	17.2
ROCE (%)	11.0	13.0	12.4	13.2	13.5
<b>W.C &amp; Liquidity</b>					
Receivables (days)	56.4	61.0	62.2	61.5	60.8
Inventory (days)	21.7	23.1	22.7	21.3	19.3
Payables (days)	18.7	22.2	19.5	18.4	15.6
Current ratio (x)	4.3	5.1	5.6	6.5	8.2
Quick ratio (x)	2.4	3.2	3.2	3.5	4.3
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	5.3	6.2	6.7	7.0	7.4
Total asset T.O (x)	1.1	1.1	1.0	1.0	1.1
Int. coverage ratio (x)	7.5	8.9	8.6	10.4	11.6
Adj. debt/equity (x)	0.3	0.1	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	3.5	2.3	2.0	1.9	1.7
EV/EBITDA (x)	20.8	12.7	12.9	11.4	10.0
P/E (x)	38.7	23.6	21.0	17.7	15.5
P/BV (x)	5.7	3.8	3.2	2.8	2.5

## Recommendation Summary (last 3 years)



Dates	Rating	Target
14.Aug.23	Accumulate	1,813
26.Oct.23	Hold	1732
05.Feb.24	Accumulate	2,447
10.May.24	Accumulate	1972
14.Aug.24	Accumulate	1,960
22.Nov.24	Accumulate	2,066
25.Feb.25	Accumulate	1,507

### Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

#### Not rated/Neutral

##### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

##### Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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