

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	60.7 / 0.7
52-Week Range (INR)	884 / 450
1, 6, 12 Rel. Per (%)	0/2/30
12M Avg Val (INR M)	283

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	11.9	15.9	21.2
EBITDA	1.1	1.7	2.5
Adj. PAT	0.6	1.2	1.7
EBITDA Margin (%)	9.3	10.7	11.8
Cons. Adj. EPS (INR)	7.7	14.5	21.9
EPS Gr. (%)	92.9	88.0	51.1
BV/Sh. (INR)	114.6	129.1	151.0
Ratios			
Net D:E	-0.4	-0.5	-0.6
RoE (%)	11.1	11.9	15.6
RoCE (%)	11.2	12.3	16.9
Valuations			
P/E (x)	99	53	35
EV/EBITDA (x)	51	32	21

Shareholding pattern (%)

As on	Jun-24	Mar-24	Jun-23
Promoter	66.7	66.7	66.7
DII	17.4	12.6	12.2
FII	5.1	7.0	7.2
Others	10.8	13.7	14.0

Note: FII includes depository receipts

CMP: INR766 **TP: INR880 (+15%)** **Buy**

Strong growth in aerospace and defense drives revenue

Earnings above our estimates

- Cyient DLM (CYIENTDL) reported a healthy quarter, with revenue growth of ~19% YoY in 1QFY25, led by significant traction in the aerospace and defense verticals. However, margins declined 140bp YoY to 7.8%, mainly due to higher SG&A expenses.
- We maintain our FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR880 (40x FY26E EPS).

Higher investment in SG&A led to temporary margin drag

- Consol. revenue grew 19% YoY to INR2.6b (in line with est.) in 1Q, mainly led by the defense (+80% YoY) and aerospace (+78% YoY) verticals.
- The order book stood at ~INR21.3b as of 1QFY25 (down 2% QoQ) vs. ~INR25b as of 1QFY24. The company expects higher order inflows in 2QFY25. Historically, order inflows have been soft in 1Q.
- EBITDA margins declined 140bp YoY to 7.8% (est. 7.1%) due to higher employee expenses (~12.7% of sales vs. ~11.3% in 1QFY24). This increase was led by continued investments in SG&A (strengthening management team by hiring of CXOs). EBITDA was flat at INR200m (est. of INR184m).
- Adjusted PAT grew 98% YoY to INR106m (est. INR93m), aided by high 'other income' of INR89m.

Highlights from the management commentary

- **Outlook:** The company expects a strong 2QFY25, led by the spillover of certain orders from 1Q due to supply chain issues in the procurement of some raw materials. Margins are expected to pick up in the upcoming quarters, led by operating leverage.
- **Guidance:** CYIENTDL has maintained its guidance for ~30% revenue CAGR with double-digit margins in the medium term.
- **Industrial segment** witnessed a revenue decline as a key client was undergoing inventory rationalization. The company is adding new clients in this space and expects growth to return in 2HFY25.

Valuation and view

- CYIENTDL, being an integrated EMS and solutions provider in the rapidly growing critical end-user industries, is likely to capture its share of the pie on the back of its strong core competencies and high technical capabilities.
- Going ahead, we expect CYIENTDL to sustain its growth momentum, aided by: 1) expected healthy order inflows; 2) high customer stickiness; and 3) strong promoter heritage.
- We estimate CYIENTDL to report a CAGR of 33%/50%/69% in revenue/EBITDA/ Adj. PAT over FY24-26.
- We maintain our FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR880 (40x FY26 EPS).

Consolidated - Quarterly Earning Model

Y/E March	FY24								FY25		FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	%			
Gross Sales	2,171	2,918	3,210	3,618	2,579	3,837	4,366	5,162	11,919	15,944	2,606	-1		
YoY Change (%)	27.6	71.5	49.7	30.5	18.8	31.5	36.0	42.7	43.2	33.8	20.0			
Total Expenditure	1,972	2,683	2,916	3,238	2,379	3,476	3,869	4,513	10,809	14,237	2,422			
EBITDA	200	235	294	380	200	361	497	649	1,110	1,707	184	9		
Margins (%)	9.2	8.1	9.2	10.5	7.8	9.4	11.4	12.6	9.3	10.7	7.1			
Depreciation	48	55	58	62	67	69	71	73	223	280	64			
Interest	91	76	83	94	80	50	25	10	344	165	30			
Other Income	9	93	93	83	89	49	54	84	278	276	35			
PBT before EO expense	70	198	247	307	142	291	455	650	821	1,538	125			
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0			
PBT	70	198	247	307	142	291	455	650	821	1,538	125			
Tax	16	51	63	80	36	73	115	164	209	387	31			
Rate (%)	23.3	25.9	25.3	25.9	25.2	25.2	25.2	25.2	25.5	25.2	25.2			
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0			
Reported PAT	54	147	184	227	106	218	341	486	612	1,151	93			
Adj PAT	54	147	184	227	106	218	341	486	612	1,151	93	13		
YoY Change (%)	-15.2	106.4	222.9	80.7	97.7	48.6	84.7	113.8	92.9	88.0	74.5			
Margins (%)	2.5	5.0	5.7	6.3	4.1	5.7	7.8	9.4	5.1	7.2	3.6			

Key Exhibits

Exhibit 1: Consolidated order book trend

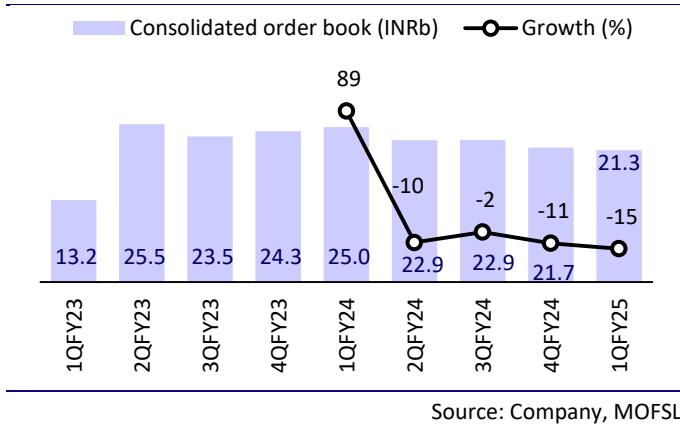


Exhibit 2: Consolidated revenue trend

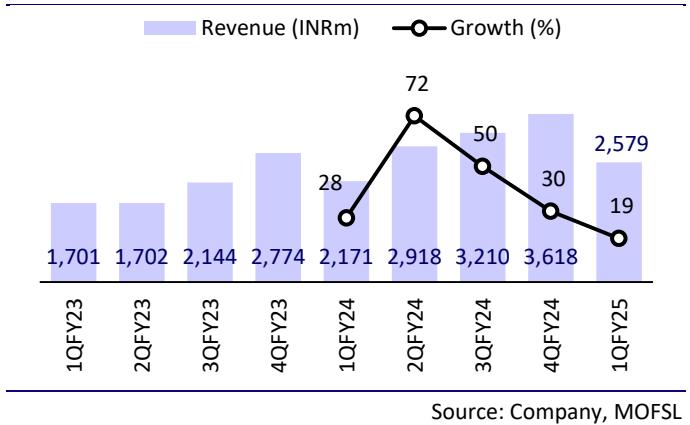


Exhibit 3: Consolidated EBITDA trend

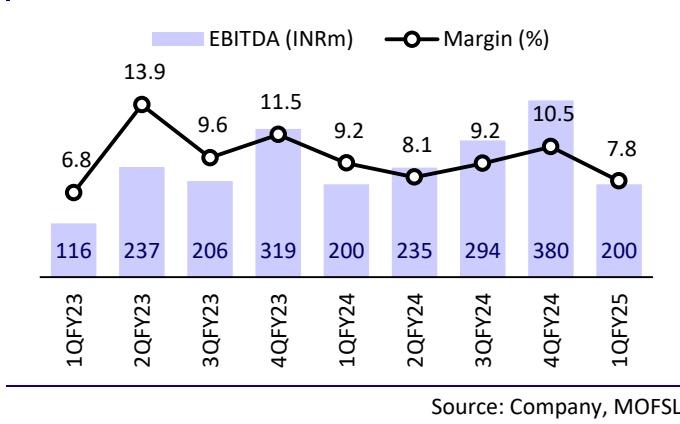


Exhibit 4: Consolidated Adj. PAT trend

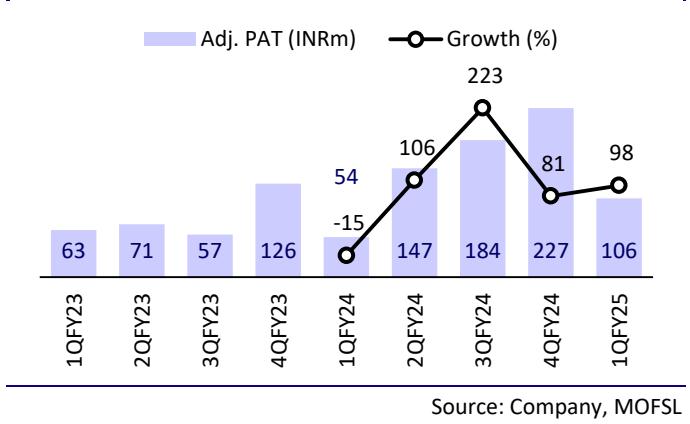
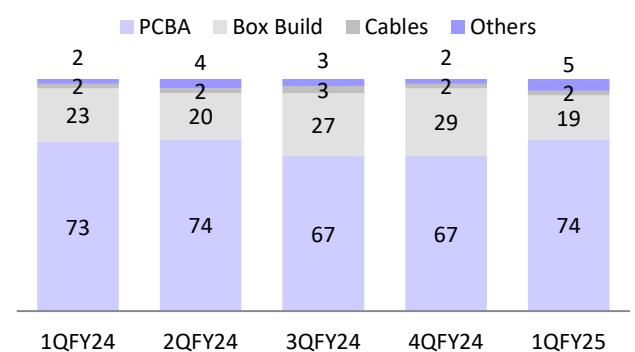
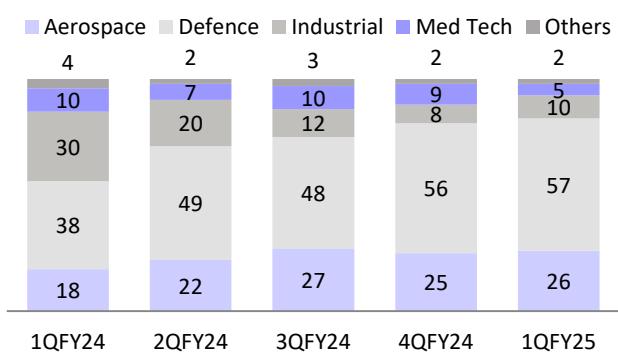


Exhibit 5: Product-wise revenue mix

Source: Company, MOFSL

Exhibit 6: End-user industry-wise revenue mix

Source: Company, MOFSL

Exhibit 7: Key end user industry outlook**Aerospace & Defense**

- Strengthened the segment with few new logo wins and strategic wins in key clients
- Focus on building ITAR capability to be able to expand to US Defense segment
- Focus on further strengthening our presence in India Defense segment

**Medical and Healthcare**

- Strengthened sales focus on expand presence in Medical segment
- Added a new logo in the Medical segment, focus on building a strategic relationship with the client
- Focus on expanding on other medical customer by leveraging our Cyient Services relationship

**Industrial**

- Focused on expanding into Industrial segments of our key clients
- New logo added to strengthen the engagement in this segment, our focus will be to build the relationship strategically
- Continuing to strengthen capabilities in Industry 4.0

Source: MOFSL, Company

Exhibit 8: CYIENTDL growth plans**Strengthen Current Business**

- Large Deals: Building strategic engagements through large deals.
- Focus in India Defense: by strengthening Defense sales team
- Build to Specification: Strengthen B2S offerings across verticals

**Inorganic Expansion**

- Target inorganic expansion strategy for:
 - Client proximity and geographic footprint
 - Accessing target clients
 - Expanding our capabilities
- Looking for acquisition in NAM, EMEA

**New Industries New Geographies**

- New Geographies: Look to tap growing EMS destinations
- New Industries: Strategize entering disruptive industries like Electric vehicles.

Source: MOFSL, Company

Highlights from the management commentary

Operating Performance

- There were supply chain challenges (in procurement of raw materials), resulting in the delay in some orders to 2QFY25. Accordingly, the company expects a strong 2QFY25 on account of the spillover of some orders.
- The aerospace and defense segments continue to drive revenue growth.
- Employee costs and other expenses were higher due to planned SG&A investments by the company.

Key order wins

- CYIENTDL added four new global customers in 1Q, including a global semiconductor company, a global defense OEM, a med-tech company, and another large defense and aerospace company.
- The company will ramp up supplies to these new customers over the next couple of years.

Growth strategy

- The company will continue to strengthen its current business through large deals, focus on India defense and an increasing share of 'build to specification' (B2S) contracts.
- CYIENTDL is actively looking for inorganic expansion. It is in advanced discussion for acquiring a company in North America (NAM) and Europe, the Middle East and Asia (EMEA).
- Apart from this, the company will focus on expanding into new geographies (high growing EMS markets) and new industries (such as EVs, power, etc.).

Order book

- The order book is lumpy in nature and the company expects an uptick in orders going ahead.
- CYIENTDL expects better order inflows in 2Q. Historically, order inflows have been soft in 1Q.

Margins

- The company is working on a large program in the defense segment, which has lower margin, leading to relatively lower margins in the A&D segment. The aerospace segment generally has higher margins than the defense segment.
- B2S contracts are expected to deliver higher margins (around mid-teens). Currently, B2S contracts account for just 5% of total contracts, but the company expects their share to go up over the next couple of years. With an increasing share of B2S contracts, margins are expected to improve.
- CYIENTDL maintains its guidance of double-digit EBITDA margins in the long run.

Outlook and Guidance

- CYIENTDL has maintained its revenue growth guidance of ~30% CAGR with double-digit margins.
- It expects a strong 2QFY25 due to the spillover of some orders from 1Q.
- The company expects positive FCF in 2Q and in FY25 as well.
- Traction in the domestic market is improving; the company will continue to improve its order pipeline.
- Gross margins and EBITDA margins will pick up in the upcoming quarters, led by operating leverage.

Industrials

- Industrial is a broad segment, which includes energy and infrastructure, among others.
- A key client of the company was undergoing inventory rationalization, leading to a moderation in this segment for CYIENTDL. The company expects that the rationalization will be over by 2HFY25.
- Further, the company is also adding new clients in this space.
- Accordingly, CYIENTDL expects growth in the segment to return by 2HFY25

Working capital

- Inventory days went up in 1Q to ~184 days. This is a temporary phenomenon as sales volumes were low in 1Q, which is a seasonally weak quarter.
- Inventory days should come down in 2Q/3Q/4QFY25, similar to that in FY24.

Others

- The company has strengthened its technology infrastructure with investments in B2S capabilities.
- CYIENTDL has expanded its manufacturing facility in Mysore to cater to key clients.
- It has utilized ~38% of the IPO proceeds and the remaining will be utilized for inorganic expansion and working capital needs.
- The company is operating at ~55% capacity utilization.
- It does not expect any significant impact of any changes in geopolitical dynamics. India is focusing on indigenization in the defense sector, which can be a key growth driver for CYIENTDL going ahead.
- Cyient's semiconductor business will complement CYIENTDL, though the business is in a very early stage.

Valuation and View

- CYIENTDL, being an integrated EMS and solutions provider in the rapidly growing critical end-user industries, is likely to capture its share of the pie on the back of its strong core competencies and high technical capabilities.
- Going ahead, we expect CYIENTDL to sustain its growth momentum, aided by: 1) expected healthy order inflows; 2) high customer stickiness; and 3) strong promoter heritage.
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- We maintain our FY25/FY26 EPS estimates and retain our BUY rating on the stock with a TP of INR880 (40x FY26 EPS).

Exhibit 9: Summary of our revised estimates

Earnings change (INR m)	Old				New		Change FY25E	Change FY26E
	FY25E	FY26E	FY25E	FY26E				
Revenue	15,971	21,242	15,944	21,206			0%	0%
EBITDA	1,693	2,464	1,707	2,502			1%	2%
Adj. PAT	1,161	1,733	1,151	1,739			-1%	0%

Financials and valuations

Consolidated - Income Statement (INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	4,571	6,280	7,205	8,320	11,919	15,944	21,206
Change (%)	-4.9	37.4	14.7	15.5	43.2	33.8	33.0
RM Cost	3,649	4,953	5,440	6,452	9,200	12,239	16,286
Employees Cost	441	469	517	647	1,174	1,371	1,654
Other Expenses	344	399	409	344	435	627	763
Total Expenditure	4,434	5,821	6,365	7,442	10,809	14,237	18,703
% of Sales	97.0	92.7	88.3	89.4	90.7	89.3	88.2
EBITDA	137	460	840	878	1,110	1,707	2,502
Margin (%)	3.0	7.3	11.7	10.6	9.3	10.7	11.8
Depreciation	106	185	193	194	223	280	301
EBIT	31	275	647	684	887	1,427	2,202
Int. and Finance Charges	182	208	220	315	344	165	182
Other Income	78	89	79	63	278	276	304
PBT bef. EO Exp.	-72	156	507	432	821	1,538	2,323
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	-72	156	507	432	821	1,538	2,323
Total Tax	-5	38	109	114	209	387	585
Tax Rate (%)	7.2	24.2	21.6	26.5	25.5	25.2	25.2
Minority Interest	0	0	0	0	0	0	0
Reported PAT	-67	118	398	317	612	1,151	1,739
Adjusted PAT	-67	118	398	317	612	1,151	1,739
Change (%)	760.3	-276.3	236.0	-20.2	92.9	88.0	51.1
Margin (%)	-1.5	1.9	5.5	3.8	5.1	7.2	8.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	14	14	14	529	793	793	793
Total Reserves	243	363	757	1,450	8,297	9,447	11,186
Net Worth	257	377	771	1,979	9,090	10,240	11,979
Total Loans	3,080	2,790	3,369	3,145	1,336	0	0
Deferred Tax Liabilities	-62	-51	-39	0	0	0	0
Capital Employed	3,275	3,116	4,101	5,123	10,425	10,240	11,978
Gross Block	1,705	2,650	2,668	2,750	3,285	3,467	3,784
Less: Accum. Deprn.	674	824	977	1,171	1,394	1,674	1,974
Net Fixed Assets	1,032	1,826	1,692	1,579	1,891	1,794	1,810
Goodwill on Consolidation	30	30	30	30	30	30	30
Capital WIP	774	23	34	13	10	177	210
Total Investments	3	3	3	895	662	662	662
Curr. Assets, Loans&Adv.	4,034	4,517	5,971	8,529	13,440	15,088	19,046
Inventory	2,226	1,555	2,696	4,251	4,642	5,533	6,693
Account Receivables	546	2,264	1,523	1,617	2,259	2,621	3,486
Cash and Bank Balance	661	342	1,218	1,676	5,366	5,499	6,959
Loans and Advances	601	357	534	985	1,173	1,435	1,908
Curr. Liability & Prov.	2,599	3,284	3,629	5,924	5,607	7,511	9,780
Account Payables	1,205	1,928	1,932	2,853	3,200	4,024	5,354
Other Current Liabilities	1,330	1,262	1,564	2,973	2,297	3,348	4,241
Provisions	64	93	134	98	110	139	185
Net Current Assets	1,435	1,233	2,342	2,605	7,832	7,577	9,266
Appl. of Funds	3,274	3,116	4,101	5,123	10,425	10,240	11,978

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	-0.8	1.5	5.0	4.0	7.7	14.5	21.9
Cash EPS	0.5	3.8	7.4	6.4	10.5	18.0	25.7
BV/Share	3.2	4.7	9.7	25.0	114.6	129.1	151.0
Valuation (x)							
P/E	-904.2	512.8	152.6	191.3	99.1	52.7	34.9
Cash P/E	1,567.7	200.3	102.8	118.6	72.7	42.4	29.8
P/BV	236.0	161.1	78.7	30.7	6.7	5.9	5.1
EV/Sales	13.8	10.1	8.7	7.5	4.8	3.5	2.5
EV/EBITDA	459.8	137.4	74.8	70.8	51.0	32.3	21.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-8.4	0.9	5.2	5.8	-15.6	17.1	16.9
Return Ratios (%)							
RoE	-22.1	37.3	69.3	23.1	11.1	11.9	15.6
RoCE	3.8	8.5	15.6	11.9	11.2	12.3	16.9
RoIC	1.9	9.1	18.1	18.7	19.1	25.8	40.9
Working Capital Ratios							
Fixed Asset Turnover (x)	2.7	2.4	2.7	3.0	3.6	4.6	5.6
Asset Turnover (x)	1.4	2.0	1.8	1.6	1.1	1.6	1.8
Inventory (Days)	201	139	143	196	176	165	150
Debtor (Days)	70	82	96	69	59	60	60
Creditor (Days)	108	115	130	135	120	120	120
Leverage Ratio (x)							
Current Ratio	1.6	1.4	1.6	1.4	2.4	2.0	1.9
Interest Cover Ratio	0.2	1.3	2.9	2.2	2.6	8.6	12.1
Net Debt/Equity	9.4	6.5	2.8	0.7	-0.4	-0.5	-0.6

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	-67	118	398	317	821	1,538	2,323
Depreciation	106	185	193	194	223	280	301
Interest & Finance Charges	133	171	175	267	66	-111	-122
Direct Taxes Paid	3	1	-62	-168	-209	-387	-585
(Inc)/Dec in WC	-105	-200	-329	-229	-1,537	389	-229
CF from Operations	69	275	375	381	-637	1,709	1,688
Others	93	74	111	158	-68	0	0
CF from Operating incl EO	163	349	486	539	-705	1,709	1,688
(Inc)/Dec in FA	-830	-274	-77	-76	-531	-350	-350
Free Cash Flow	-667	75	409	463	-1,236	1,359	1,338
(Pur)/Sale of Investments	-3	0	0	-892	0	0	0
Others	-51	265	-247	-450	-3,746	276	304
CF from Investments	-884	-9	-324	-1,418	-4,277	-74	-46
Issue of Shares	0	0	0	889	7,000	0	0
Inc/(Dec) in Debt	905	-336	534	-4	-1,809	-1,336	0
Interest Paid	-183	-92	-73	-145	-344	-165	-182
Dividend Paid	0	0	0	0	0	0	0
Others	0	-232	0	-19	-58	0	0
CF from Fin. Activity	723	-660	461	721	4,789	-1,501	-182
Inc/Dec of Cash	2	-320	622	-158	-192	134	1,460
Opening Balance	596	662	342	1,218	1,676	5,366	5,499
Other cash & cash equivalent	64	0	254	616	3,882	0	0
Closing Balance	662	342	1,218	1,676	5,366	5,499	6,959

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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