

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	47.3 / 0.5
52-Week Range (INR)	884 / 580
1, 6, 12 Rel. Per (%)	-10/-16/-16
12M Avg Val (INR M)	315

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	15.9	19.1	24.3
EBITDA	1.4	2.1	2.7
Adj. PAT	0.8	1.3	1.8
EBITDA Margin (%)	9.0	10.8	11.0
Cons. Adj. EPS (INR)	9.6	16.3	22.4
EPS Gr. (%)	25.0	69.3	37.0
BV/Sh. (INR)	123.5	139.9	162.2
Ratios			
Net D:E	-0.3	-0.4	-0.5
RoE (%)	8.1	12.4	14.8
RoCE (%)	9.9	13.2	15.6
Valuations			
P/E (x)	62	37	27
EV/EBITDA (x)	31	21	15

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	52.2	52.2	66.7
DII	29.4	27.8	11.2
FII	3.6	7.8	6.3
Others	14.8	12.3	15.8

Note: FII includes depository receipts

CMP: INR596 **TP: INR700 (+17%)** **Buy**

Slowdown in order flows dampens growth visibility

Earnings below our estimates

- Cyient DLM's (CYIENTDL) 3QFY25 consolidated revenue/EBITDA grew by ~38%/23% YoY. However, EBITDA missed our estimates as margins declined 90bp YoY due to a high mix of low-margin business (BEL order execution). Standalone revenue (excl. Altek – recently acquired) grew only ~11% YoY in 3QFY25.
- The order book continued its downward trend, down 19% YoY/6% QoQ in 3Q to INR18.5b (consol. order book at INR21.4b, including Altek order of INR2.9b). Order book growth remains a key concern amid a delay in ordering from some clients; however, the conversion of orders from new clients added over the last few quarters and ongoing discussions with some large global potential customers can boost growth visibility.
- We reduce our earnings estimates for FY25/FY26/FY27 by 14%/25%/26%, due to softness in order flows (lack of BEL orders), lower margins due to unfavorable operating leverage, and uncertainty about large order flows in the near term. We retain our BUY rating on the stock with a TP of INR700 (31x FY27E EPS).

Margins remain soft due to unfavorable business mix

- Consol. revenue grew 38% YoY to INR4.4b (in line with est.) in 3QFY25, mainly led by the medical technology (+2.1x YoY), defense (+33% YoY) and aerospace (+14% YoY) verticals. The order book stood at ~INR21.4b as of 3QFY25 (down 7% YoY/up 8% QoQ).
- Adj. margin contracted 100bp YoY to 8.1% (est. 9.6%). Adj. EBITDA grew 23% YoY to INR361m (est. INR433). EBITDA was adjusted with one-time M&A integration expenses of INR80m in 3QFY25. Adjusted PAT declined 8% YoY to INR170m (est. INR265m).
- In 9MFY25, revenue/EBITDA/adj. PAT grew 32%/20%/12% YoY to INR10.9b/INR878m/INR429m. In 4QFY25, we estimate consol. revenue/EBITDA/adj. PAT growth of 38%/47%/48%, led by the integration of Altek. Standalone growth is likely to be 11%/21%/29%.

Highlights from the management commentary

- **Outlook:** The company maintains its guidance of a ~30% revenue CAGR over the next three to five years; however, FY26 consol. revenue growth would be in mid-teens due to the lack of BEL orders. EBITDA margins may remain flat in FY25, with margin expansion expected after 1HFY26.
- **Altek:** The emphasis on local manufacturing in the US, aided by favorable regulations introduced by the new administration, offers strong growth opportunities for Altek, which will bolster the company's manufacturing capabilities and expand its footprint in the US market.
- **Order book** remains under pressure as consumption growth by major clients outpaces new order growth; however, management anticipates strong traction in the North American markets going ahead, with the company already in talks with three big global players.

Valuation and view

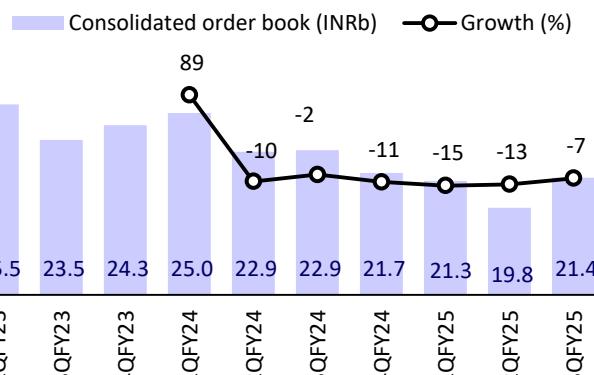
- Going ahead, we expect the growth momentum to slow down in the near term due to the lack of BEL orders and a delay in order flows from existing and new clients. However, the integration of Altek, should drive healthy financial performance due to synergy benefits and industry tailwinds.
- For the medium to long term, the conversion of orders from new clients added over the last few quarters and ongoing discussions with some large global potential customers should boost growth visibility.
- We estimate CYIENTDL to report a CAGR of 27%/34%/43% in revenue/ EBITDA/adj. PAT over FY24-27E. We retain our BUY rating on the stock with a TP of INR700 (31x FY27E EPS).

Consolidated - Quarterly Earning

Y/E March									(INR m)			
	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	%	
Gross Sales	2,171	2,918	3,210	3,618	2,579	3,895	4,442	4,993	11,919	15,909	4,495	-1
YoY Change (%)	27.6	71.5	49.7	30.5	18.8	33.4	38.4	38.0	43.2	33.5	40.0	
Total Expenditure	1,972	2,683	2,916	3,238	2,379	3,578	4,081	4,435	10,809	14,473	4,061	
EBITDA	200	235	294	380	200	316	361	558	1,110	1,436	433	-17
Margins (%)	9.2	8.1	9.2	10.5	7.8	8.1	8.1	11.2	9.3	9.0	9.6	
Depreciation	48	55	58	62	67	69	100	105	223	341	74	
Interest	91	76	83	94	80	110	100	98	344	388	90	
Other Income	9	93	93	83	89	71	69	94	278	322	85	
PBT before EO expense	70	198	247	307	142	209	230	449	821	1,030	354	
Extra-Ord expense	0	0	0	0	0	0	80	0	0	80	0	
PBT	70	198	247	307	142	209	150	449	821	950	354	
Tax	16	51	63	80	36	54	40	113	209	243	89	
Rate (%)	23.3	25.9	25.3	25.9	25.2	26.0	26.8	25.2	25.5	25.6	25.2	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	54	147	184	227	106	155	110	336	612	707	265	
Adj PAT	54	147	184	227	106	155	168	336	612	787	265	-37
YoY Change (%)	-15.2	106.4	222.9	80.7	97.7	5.5	-8.7	47.9	92.9	28.6	43.8	
Margins (%)	2.5	5.0	5.7	6.3	4.1	4.0	3.8	6.7	5.1	4.9	5.9	

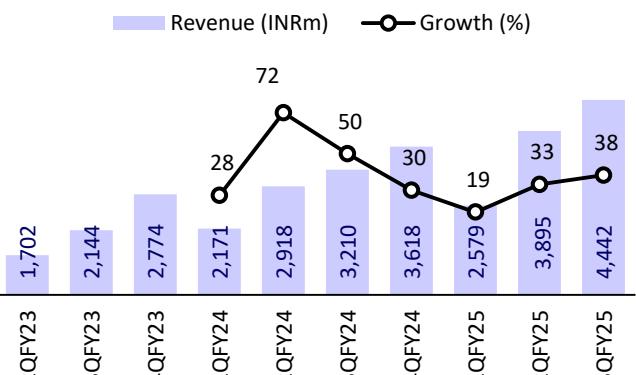
Key Exhibits

Exhibit 1: Consolidated order book trend



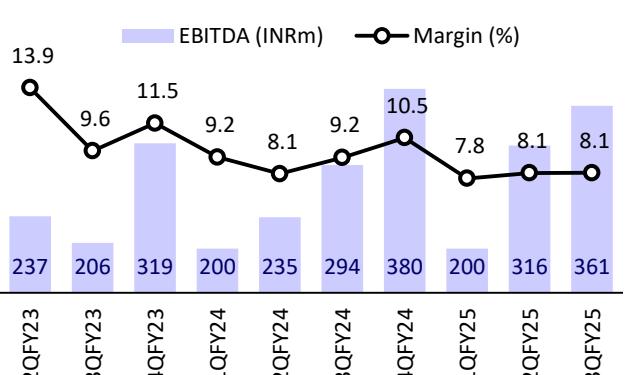
Source: Company, MOFSL

Exhibit 2: Consolidated revenue trend



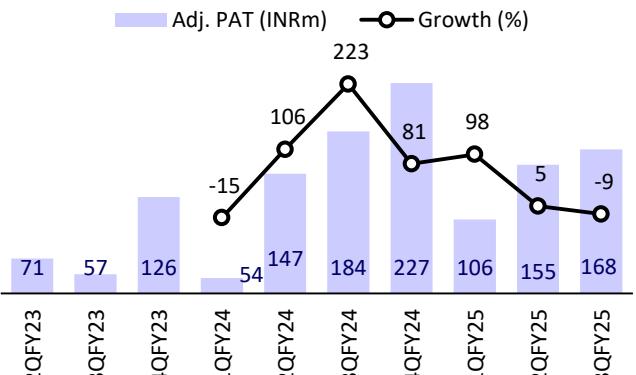
Source: Company, MOFSL

Exhibit 3: Consolidated EBITDA trend



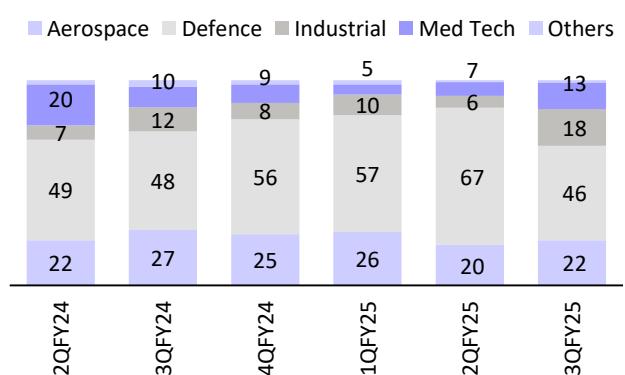
Source: Company, MOFSL

Exhibit 4: Consolidated Adj. PAT trend



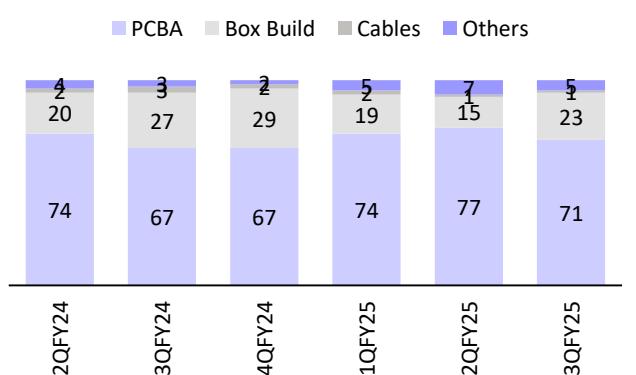
Source: Company, MOFSL

Exhibit 5: Product-wise revenue mix



Source: Company, MOFSL

Exhibit 6: End-user industry-wise revenue mix



Source: Company, MOFSL



Highlights from the management commentary

Operating performance

- The revenue mix is slowly changing, which will have some effect on operations in the medium term.
- Large contracts signed last year are starting to see some traction.
- The defense segment reported ~31% YoY growth, while the aerospace segment reported ~14% YoY growth.
- The business share of the Rest of the World (ROW) market continues to be higher, driven by increased demand in aerospace & defense customers outside of India.
- The Indian business mix stood at ~39%, with a major contribution from the defense segment, and going forward, management expects this trend to continue.
- One-time M&A integration related expenses of INR80m were included as other expenses in 3QFY25 and are not expected to be repeated going forward.
- Despite foreign exchange gains, other income remained low, and going forward the company does not expect other income to increase as the company continues to consume the surplus cash from the IPO, leading to a decrease in interest yields.

Order book

- Order backlog stands at INR21.4b, which includes INR2.9m worth of order backlog from Altek.
- Growth in order consumption by big clients is faster than growth in the order book.
- The company is in active conversation with three large global companies, with the company seeing strong traction in the North American markets.
- Standalone order book execution is usually around 18-24 months.

Altek acquisition

- Altek is based in Connecticut, providing high-value electronic manufacturing service in the medical and industrial segments.
- The integration process is going at a good pace as per the plan, with synergy benefits being mapped and expected to start from the upcoming quarters.
- Going forward the focus will be on market dealers. It is working with top clients of both companies.
- The focus of local manufacturing in the US, driven by favorable regulations by the new government, will provide significant growth opportunities for Altek and strengthen its manufacturing capacities in the US markets.
- Altek has been providing services in the EMS industry for about 50 years, with a focus on the industrial, defense and medical segments. Altek's business complements Cyient DLM's business in many ways.
- Many clients of the company are based in the US and this acquisition will open more avenues for the company.
- Altek EBITDA margins were similar to Cyient DLM in 3QFY25, significantly below the historical margins of ~10%. However, 3Q was a one-off quarter and the company has a plan for margin expansion.
- RoE for both businesses will be in similar lines.

Guidance and Outlook

- Management reiterates a 30% revenue CAGR guidance over the next three years, though yearly growth rates may vary.
- Overall margins are expected to be flat in FY25 on a YoY basis.
- EBITDA margins are expected to be soft in 1HFY26 and may expand in FY26, driven by the change in the revenue mix.

Others

- The industry and medical segments are showing signs of a recovery in India.
- Cyient DLM has added a leading global technology company, which specializes in energy services and solutions.
- Currently, the company has sufficient capacity; hence, there are no major capex plans other than small incremental capex.
- The pipeline as of 3QFY25 stands at USD1b (total contract value), with three large deals at advanced stages.
- The revenue mix has changed significantly from the previous quarters and it looks more balanced with the acquisition of Altek, which resulted in 47%/156% YoY growth in the industrial/MedTech.
- Standalone EBITDA margins were impacted by the rise in other expenses due to the increase in bad debt provisions.
- Every year USD1m will be coming under amortization and the balance will be goodwill.

Valuation and view

- Going ahead, we expect the growth momentum to slow down in the near term due to the lack of BEL orders and a delay in order flows from existing and new clients. However, the integration of Altek will drive healthy financial performance due to synergy benefits and industry tailwinds.
- For the medium to long term, the conversion of orders from new clients added over the last few quarters and ongoing discussions with some large global potential customers should boost growth visibility.
- We estimate CYIENTDL to report a CAGR of 27%/34%/43% in revenue/EBITDA/ adj. PAT over FY24-27E. We retain our BUY rating on the stock with a TP of INR700 (31x FY27E EPS).

Exhibit 7: Summary of our revised estimates

Earnings change (INR m)	Old			New			Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	16,034	21,923	27,950	15,909	19,112	24,330	-1%	-13%	-13%
EBITDA	1,493	2,543	3,410	1,436	2,064	2,676	-4%	-19%	-22%
Adj. PAT	893	1,720	2,394	765	1,296	1,775	-14%	-25%	-26%

Financials and valuations

Consolidated - Income Statement								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	4,571	6,280	7,205	8,320	11,919	15,909	19,112	24,330
Change (%)	-4.9	37.4	14.7	15.5	43.2	33.5	20.1	27.3
RM Cost	3,649	4,953	5,440	6,452	9,200	11,871	14,239	18,126
Employees Cost	441	469	517	647	1,174	1,841	2,045	2,555
Other Expenses	344	399	409	344	435	761	764	973
Total Expenditure	4,434	5,821	6,365	7,442	10,809	14,473	17,048	21,654
% of Sales	97.0	92.7	88.3	89.4	90.7	91.0	89.2	89.0
EBITDA	137	460	840	878	1,110	1,436	2,064	2,676
Margin (%)	3.0	7.3	11.7	10.6	9.3	9.0	10.8	11.0
Depreciation	106	185	193	194	223	341	437	465
EBIT	31	275	647	684	887	1,095	1,627	2,211
Int. and Finance Charges	182	208	220	315	344	388	250	230
Other Income	78	89	79	63	278	322	355	390
PBT bef. EO Exp.	-72	156	507	432	821	1,030	1,732	2,371
EO Items	0	0	0	0	0	80	0	0
PBT after EO Exp.	-72	156	507	432	821	950	1,732	2,371
Total Tax	-5	38	109	114	209	243	436	597
Tax Rate (%)	7.2	24.2	21.6	26.5	25.5	25.6	25.2	25.2
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	-67	118	398	317	612	707	1,296	1,775
Adjusted PAT	-67	118	398	317	612	765	1,296	1,775
Change (%)	760.3	-276.3	236.0	-20.2	92.9	25.0	69.3	37.0
Margin (%)	-1.5	1.9	5.5	3.8	5.1	4.8	6.8	7.3

Consolidated - Balance Sheet								(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	14	14	14	529	793	793	793	793
Total Reserves	243	363	757	1,450	8,297	9,003	10,299	12,074
Net Worth	257	377	771	1,979	9,090	9,797	11,092	12,867
Total Loans	3,080	2,790	3,369	3,145	1,336	1,000	500	500
Deferred Tax Liabilities	-62	-51	-39	0	0	0	0	0
Capital Employed	3,275	3,116	4,101	5,123	10,425	10,796	11,592	13,366
Gross Block	1,705	2,650	2,668	2,750	3,285	5,433	5,750	6,143
Less: Accum. Deprn.	674	824	977	1,171	1,394	1,735	2,172	2,637
Net Fixed Assets	1,032	1,826	1,692	1,579	1,891	3,699	3,578	3,506
Goodwill on Consolidation	30	30	30	30	30	30	30	30
Capital WIP	774	23	34	13	10	177	210	267
Total Investments	3	3	3	895	662	662	662	662
Curr. Assets, Loans&Adv.	4,034	4,517	5,971	8,529	13,440	13,611	15,781	19,938
Inventory	2,226	1,555	2,696	4,251	4,642	5,366	5,851	6,952
Account Receivables	546	2,264	1,523	1,617	2,259	2,615	3,142	3,999
Cash and Bank Balance	661	342	1,218	1,676	5,366	4,197	5,068	6,796
Loans and Advances	601	357	534	985	1,173	1,432	1,720	2,190
Curr. Liability & Prov.	2,599	3,284	3,629	5,924	5,607	7,383	8,670	11,037
Account Payables	1,205	1,928	1,932	2,853	3,200	3,903	4,681	5,959
Other Current Liabilities	1,330	1,262	1,564	2,973	2,297	3,341	3,822	4,866
Provisions	64	93	134	98	110	139	167	212
Net Current Assets	1,435	1,233	2,342	2,605	7,832	6,228	7,111	8,900
Appl. of Funds	3,274	3,116	4,101	5,123	10,425	10,796	11,592	13,366

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	-0.8	1.5	5.0	4.0	7.7	9.6	16.3	22.4
Cash EPS	0.5	3.8	7.4	6.4	10.5	13.9	21.9	28.2
BV/Share	3.2	4.7	9.7	25.0	114.6	123.5	139.9	162.2
Valuation (x)								
P/E	-705.0	399.9	119.0	149.1	77.3	61.8	36.5	26.7
Cash P/E	1,222.4	156.2	80.1	92.5	56.6	42.8	27.3	21.1
P/BV	184.0	125.6	61.3	23.9	5.2	4.8	4.3	3.7
EV/Sales	10.9	7.9	6.9	5.9	3.6	2.8	2.2	1.7
EV/EBITDA	362.4	108.3	58.9	55.6	39.0	30.7	20.7	15.3
Dividend Yield (%)	0.0	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	15.1	16.0	19.8
Return Ratios (%)								
RoE	-22.1	37.3	69.3	23.1	11.1	8.1	12.4	14.8
RoCE	3.8	8.5	15.6	11.9	11.2	9.9	13.2	15.6
RoIC	1.9	9.1	18.1	18.7	19.1	16.1	21.3	29.3
Working Capital Ratios								
Fixed Asset Turnover (x)	2.7	2.4	2.7	3.0	3.6	2.9	3.3	4.0
Asset Turnover (x)	1.4	2.0	1.8	1.6	1.1	1.5	1.6	1.8
Inventory (Days)	201	139	143	196	176	165	150	140
Debtor (Days)	70	82	96	69	59	60	60	60
Creditor (Days)	108	115	130	135	120	120	120	120
Leverage Ratio (x)								
Current Ratio	1.6	1.4	1.6	1.4	2.4	1.8	1.8	1.8
Interest Cover Ratio	0.2	1.3	2.9	2.2	2.6	2.8	6.5	9.6
Net Debt/Equity	9.4	6.5	2.8	0.7	-0.4	-0.3	-0.4	-0.5

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	(INRm)
OP/(Loss) before Tax	-67	118	398	317	821	1,030	1,732	2,371	
Depreciation	106	185	193	194	223	341	437	465	
Interest & Finance Charges	133	171	175	267	66	65	-105	-160	
Direct Taxes Paid	3	1	-62	-168	-209	-243	-436	-597	
(Inc)/Dec in WC	-105	-200	-329	-229	-1,537	436	-12	-61	
CF from Operations	69	275	375	381	-637	1,629	1,616	2,018	
Others	93	74	111	158	-68	-80	0	0	
CF from Operating incl EO	163	349	486	539	-705	1,549	1,616	2,018	
(Inc)/Dec in FA	-830	-274	-77	-76	-531	-350	-350	-450	
Free Cash Flow	-667	75	409	463	-1,236	1,199	1,266	1,568	
(Pur)/Sale of Investments	-3	0	0	-892	0	0	0	0	
Others	-51	265	-247	-450	-3,746	-1,644	355	390	
CF from Investments	-884	-9	-324	-1,418	-4,277	-1,994	5	-60	
Issue of Shares	0	0	0	889	7,000	0	0	0	
Inc/(Dec) in Debt	905	-336	534	-4	-1,809	-336	-500	0	
Interest Paid	-183	-92	-73	-145	-344	-388	-250	-230	
Dividend Paid	0	0	0	0	0	0	0	0	
Others	0	-232	0	-19	-58	0	0	0	
CF from Fin. Activity	723	-660	461	721	4,789	-724	-750	-230	
Inc/Dec of Cash	2	-320	622	-158	-192	-1,169	871	1,728	
Opening Balance	596	662	342	1,218	1,676	5,366	4,197	5,068	
Other cash & cash equivalent	64	0	254	616	3,882	0	0	0	
Closing Balance	662	342	1,218	1,676	5,366	4,197	5,068	6,796	

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

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