

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	54.4 / 0.7
52-Week Range (INR)	884 / 401
1, 6, 12 Rel. Per (%)	-2/-12/-
12M Avg Val (INR M)	373
Free float (%)	33.3

#### Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	11.9	16.0	21.2
EBITDA	1.1	1.7	2.5
Adj. PAT	0.6	1.2	1.7
EBITDA Margin (%)	9.3	10.6	11.6
Cons. Adj. EPS (INR)	7.7	14.6	21.9
EPS Gr. (%)	92.9	89.8	49.2
BV/Sh. (INR)	114.6	129.3	151.1
<b>Ratios</b>			
Net D:E	-0.4	-0.5	-0.6
RoE (%)	11.1	12.0	15.6
RoCE (%)	11.2	11.7	16.0
<b>Valuations</b>			
P/E (x)	89	47	31
EV/EBITDA (x)	45	29	19

#### Shareholding pattern (%)

As on	Mar-24	Dec-23
Promoter	66.7	66.7
DII	12.6	11.2
FII	7.0	6.3
Others	13.7	15.8

**CMP: INR687** **TP: INR840 (+22%)** **Buy**

#### Revenue growth remains strong

- Cyient DLM (CYIENTDL) reported another quarter of strong revenue growth. Its revenue jumped ~30% YoY in 4QFY24, fueled by significant traction from the Defense (+78% YoY) and Aerospace (+52% YoY) verticals. However, EBITDA margin contracted 100bp YoY to 10.5%, primarily due to the increase in SG&A expenses.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with a TP of INR840.**

#### Margin contracts YoY due to higher SG&A expenses; likely to improve from hereon

- CYIENTDL's consolidated revenue surged ~30% YoY to INR3.6b in 4QFY24 (est. of INR3.8b), primarily driven by the Defense/Aerospace/Med-Tech verticals with ~78%/52%/26% YoY growth. Conversely, Industrial declined ~57% YoY due to lower sales to a key client.
- The order book stood at ~INR21.7b as of 4QFY24 (down 5%/11% QoQ/YoY). The muted 4QFY24 order book was due to lumpiness in the order book conversion, which is expected to be converted in FY25.
- EBITDA margin contracted 100bp YoY to 10.5%, primarily due to the increase in employee expenses (at ~9.9% of sales vs. ~9.6% in 4QFY23), as the company invested in strengthening the management team by hiring CXOs. This, coupled with ESOP-related expenses in 2Q/3QFY24, elevated the cost run rate. EBITDA grew 19% YoY to INR380m (est. of INR398m).
- Adjusted PAT jumped 81% YoY to INR227m (est. of INR238m), supported by high other income of INR83m in 4QFY24.
- For FY24, CYIENTDL's revenue/EBITDA/Adj. PAT grew 43%/26%/93% YoY to INR11.9b/INR1.1b/INR612m. Net cash outflow stood at INR705m vs. cash inflow of INR540m in FY23, while net debt declined 61% YoY to INR919m as of Mar'24.

#### Highlights from the management commentary

- **Guidance:** Management is targeting a 30% revenue CAGR over the next three years with an improving margin trajectory. CYIENTDL's RoCE is likely to reach 15% in a couple of years and ~25% over the next five years.
- Management is expecting an **order win** in 1QFY25, which will significantly increase the order backlog. The orders will be from existing as well as new logos added during FY24.
- **Working capital:** The company is aiming to reduce NWC days to 90 from 100 in FY25, by managing its inventory holding period, despite declining capital advances going ahead led by a lower order backlog from BEL (USD55m as of Mar'24 vs. USD95m as of Mar'23).

#### Valuation and view

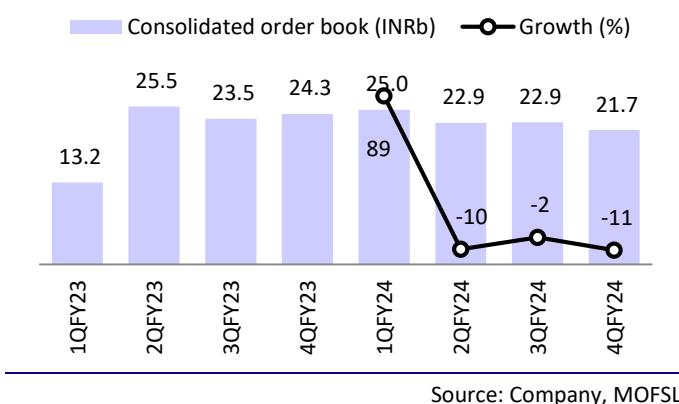
CYIENTDL, being an integrated EMS and solutions provider in the rapidly growing critical end-user industries, is likely to capture its share of the pie, aided by its strong core competencies and high technical capabilities.

- Going forward, we expect CYIENTDL to sustain its growth momentum, supported by: 1) a strong order book coupled with healthy order inflows; 2) high customer stickiness; and 3) a strong promoter heritage.
- We estimate CYIENTDL to report a revenue/EBITDA/Adj. PAT CAGR of 33%/49%/68% over FY24-26.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with a TP of INR840** (premised on 38x FY26 EPS).

Y/E March	Consolidated – Quarterly Earnings Model								(INR m)			
	FY23				FY24				FY23	FY24	FY24E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	%	
<b>Gross Sales</b>	<b>1,701</b>	<b>1,702</b>	<b>2,144</b>	<b>2,774</b>	<b>2,171</b>	<b>2,918</b>	<b>3,210</b>	<b>3,618</b>	<b>8,320</b>	<b>11,919</b>	<b>3,802</b>	<b>-5</b>
YoY Change (%)	NA	NA	NA	NA	27.6	71.5	49.7	30.5	15.5	43.2	37.1	
<b>Total Expenditure</b>	<b>1,585</b>	<b>1,465</b>	<b>1,938</b>	<b>2,455</b>	<b>1,972</b>	<b>2,683</b>	<b>2,916</b>	<b>3,238</b>	<b>7,442</b>	<b>10,809</b>	<b>3,404</b>	
<b>EBITDA</b>	<b>116</b>	<b>237</b>	<b>206</b>	<b>319</b>	<b>200</b>	<b>235</b>	<b>294</b>	<b>380</b>	<b>878</b>	<b>1,110</b>	<b>398</b>	<b>-4</b>
Margins (%)	6.8	13.9	9.6	11.5	9.2	8.1	9.2	10.5	10.6	9.3	10.5	
Depreciation	49	50	47	48	48	55	58	62	194	223	60	
Interest	67	78	85	86	91	76	83	94	315	344	70	
Other Income	85	-7	-2	-13	9	93	93	83	63	278	50	
<b>PBT before EO expense</b>	<b>85</b>	<b>102</b>	<b>73</b>	<b>172</b>	<b>70</b>	<b>198</b>	<b>247</b>	<b>307</b>	<b>432</b>	<b>821</b>	<b>318</b>	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>85</b>	<b>102</b>	<b>73</b>	<b>172</b>	<b>70</b>	<b>198</b>	<b>247</b>	<b>307</b>	<b>432</b>	<b>821</b>	<b>318</b>	
Tax	22	31	15	46	16	51	63	80	114	209	80	
Rate (%)	25.4	30.4	21.3	26.9	23.3	25.9	25.3	25.9	26.5	25.5	25.2	
Minority Interest &												
Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
<b>Reported PAT</b>	<b>63</b>	<b>71</b>	<b>57</b>	<b>126</b>	<b>54</b>	<b>147</b>	<b>184</b>	<b>227</b>	<b>317</b>	<b>612</b>	<b>238</b>	
<b>Adj PAT</b>	<b>63</b>	<b>71</b>	<b>57</b>	<b>126</b>	<b>54</b>	<b>147</b>	<b>184</b>	<b>227</b>	<b>317</b>	<b>612</b>	<b>238</b>	<b>-4</b>
YoY Change (%)	NA	NA	NA	NA	-15.2	106.4	222.9	80.7	-20.2	92.9	88.8	
Margins (%)	3.7	4.2	2.7	4.5	2.5	5.0	5.7	6.3	3.8	5.1	6.2	

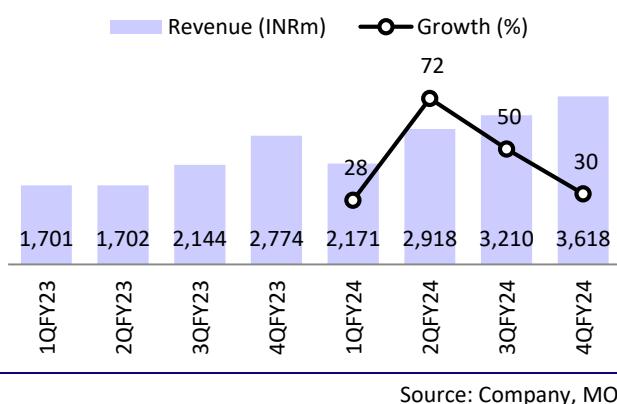
## Key exhibits

### Exhibit 1: Consolidated order book trend



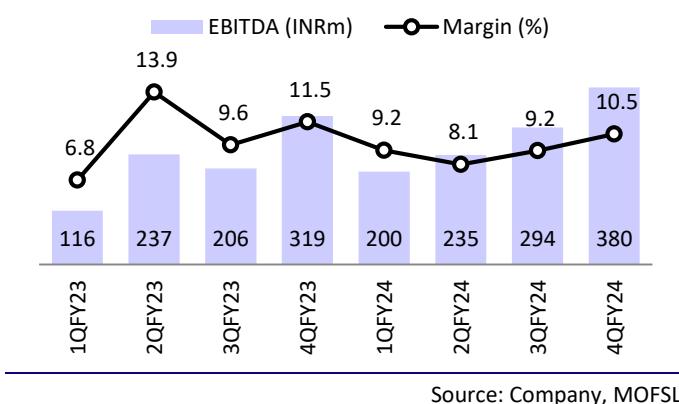
Source: Company, MOFSL

### Exhibit 2: Consolidated revenue trend



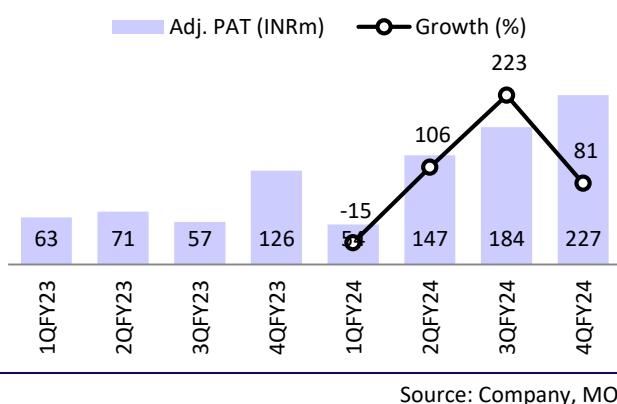
Source: Company, MOFSL

### Exhibit 3: Consolidated EBITDA trend



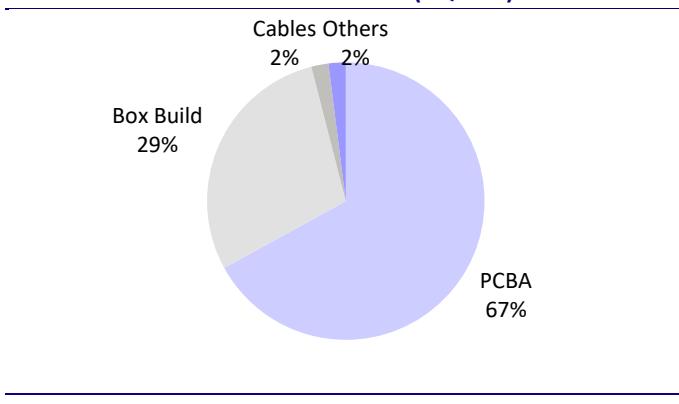
Source: Company, MOFSL

### Exhibit 4: Consolidated Adj. PAT trend



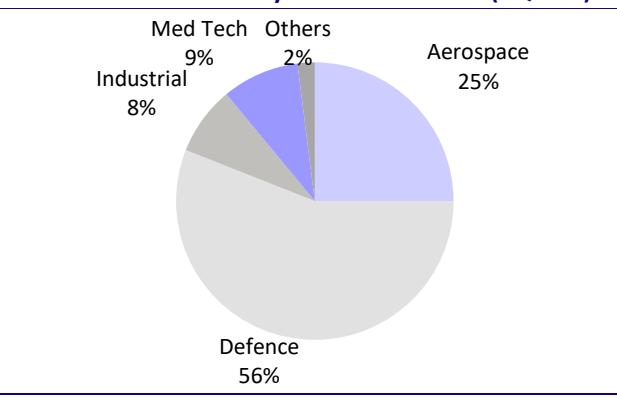
Source: Company, MOFSL

### Exhibit 5: Product wise revenue mix (4QFY24)



Source: Company, MOFSL

### Exhibit 6: End-user industry wise revenue mix (4QFY24)



Source: Company, MOFSL

**Exhibit 7: CYIENTDL's growth strategy**

Source: MOFSL, Company

**Highlights from the management commentary****Guidance**

- The company expects ~30% revenue CAGR over the next three years.
- It expects margins to improve in FY25 (on a full-year basis) vs. FY24.
- The company is aiming to reduce NWC days to 90 from 100 in FY25, by managing its inventory holding period, despite declining capital advances going ahead led by a lower order backlog from BEL (USD55m as of Mar'24 vs. USD95m as of Mar'23).
- There were no new customer advances this quarter, and advances will continue to go down as the company will increase its international business. Another major reason for lower customer advances is decreasing order backlog of BEL that can also lead to a better margin in FY24. However, the company will be keen to continue working with BEL as it is a key client.
- CYIENTDL is expected to clock ~15% RoCE within the next three years, with a target to reach ~25% RoCE over the next five years.

**Outlook**

- The overall FY25 outlook remains promising. The China + 1 strategy is a very strong growth driver for the industry and the company as well.
- Going forward, CYIENTDL will focus on expanding within the newer geographies (especially within the destinations where EMS sector is growing at a faster rate), and newer industries (disruptive industries such as EV and 5G)
- The Defense segment is expected to grow due to the opportunities available in the Middle East and India.
- There is an increase in the defense requirement and defense spending by some foreign governments, which can lead to improved order inflows going ahead.
- There are also some offset contracts, which are expected to originate from the Middle East region, presenting more opportunities for the company.
- Management expects the A&D/Medical/Industrial segments to account for ~50%/25%/25% of revenue in the longer run.
- The company is expecting order wins in 1QFY25, significantly driving up the order backlog.

### Key growth drivers

- Strengthen the current business by: 1) building strategic engagements through large deals; 2) accounting for specific strategies to tap opportunities; and 3) building to specification: strengthening the B2S offerings.
- Target inorganic expansion strategy for: 1) client proximity and geographical footprint; 2) accessing target clients; 3) expanding capabilities; and 4) looking for acquisition in NAM, EMEA
- The company is looking to tap the growing EMS destinations
- Strategize entering disruptive industries like Electric Vehicles and 5G.

### Capacity expansion

- CYIENTDL has completed two key expansions in FY24.
- It has inaugurated a new precision machining facility in Bangalore in FY24 (36,000 sq. ft.)
- In addition, a couple of weeks back, the company has inaugurated a new manufacturing facility in Mysuru to further strengthen its capacity.

### Order book

- There is a minor weakness in order backlog (~1.8x of sales in FY24 vs. 2.9x of sales in FY23).
- Management expects the order intake to improve in the upcoming quarters. It expects some solid order-related updates in 1QFY25.

### Revenue mix

- Higher share of Aerospace & Defense segments within revenue mix is led by strong traction within the industry. However, the company is committed to have diversified revenue profile.
- CYIENTDL's exports accounted for 2/3<sup>rd</sup> of the revenue, while domestic sales accounted for the rest of the sales. Exports mix is expected to increase further in FY25 (~70% of total sales)
- The cable harness business is a high-margin business and as its share improves, it will aid the overall margin profile of the company.
- Revenue mix from the Industrial segment declined due to lower sales to a key client. The company expects the Industrial segment to do well going forward.

### Others

- The Israel business continues to do well despite the uncertainties within the region.
- The company has strengthened its supply chain operations in FY24. It is also closely working with clients for solving the supply chain issues. This includes designing alternate components, using alternate materials, etc.
- The company has invested in key segments such as cable harnesses and precision machining in FY24
- CYIENTDL focuses on high mix and low volume (it includes devices used in aircraft and medical devices). This segment is expected to witness very high growth rate in India.
- Aerospace & Defense, Medical and Industrial segments continue to be the focus areas for the company

- The impact of forex fluctuations is accounted in interest expenses and not in other income.
- For the company, there is no margin difference in Box Build and PCBA. But for cable and harness, if the business increases then the margin improves as it is more labor intensive.
- **Inorganic growth:** The company will announce and update on acquisition in the next quarter call. It is looking for targets, which generate ~USD40-100m of annual revenue.
- BEL's order book by the end of FY24 was USD55m vs. USD95m by the end of FY23.

### 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, aided by its strong core competencies and high technical capabilities.
- Going forward, we expect CYIENTDL to sustain its growth momentum, supported by: 1) a strong order book coupled with healthy order inflows; 2) high customer stickiness; and 3) a strong promoter heritage.
- We estimate CYIENTDL to report a revenue/EBITDA/Adj. PAT CAGR of 33%/49%/68% over FY24-26.
- We broadly maintain our FY25/FY26 EPS estimates. **Reiterate BUY with a TP of INR840** (premised on 38x FY26 EPS).

### Exhibit 8: Changes to our estimates

Earnings change (INR m)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	16,408	22,150	15,971	21,242	-3%	-4%
EBITDA	1,641	2,525	1,693	2,464	3%	-2%
Adj. PAT	1,110	1,813	1,161	1,733	5%	-4%

## Financials and valuations

Consolidated - Income Statement							(INRm)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>4,571</b>	<b>6,280</b>	<b>7,205</b>	<b>8,320</b>	<b>11,919</b>	<b>15,971</b>	<b>21,242</b>
Change (%)	-4.9	37.4	14.7	15.5	43.2	34.0	33.0
RM Cost	3,649	4,953	5,440	6,452	9,200	12,298	16,356
Employees Cost	441	469	517	647	1,174	1,374	1,657
Other Expenses	344	399	409	344	435	607	765
<b>Total Expenditure</b>	<b>4,434</b>	<b>5,821</b>	<b>6,365</b>	<b>7,442</b>	<b>10,809</b>	<b>14,278</b>	<b>18,778</b>
% of Sales	97.0	92.7	88.3	89.4	90.7	89.4	88.4
<b>EBITDA</b>	<b>137</b>	<b>460</b>	<b>840</b>	<b>878</b>	<b>1,110</b>	<b>1,693</b>	<b>2,464</b>
Margin (%)	3.0	7.3	11.7	10.6	9.3	10.6	11.6
Depreciation	106	185	193	194	223	270	290
<b>EBIT</b>	<b>31</b>	<b>275</b>	<b>647</b>	<b>684</b>	<b>887</b>	<b>1,423</b>	<b>2,174</b>
Int. and Finance Charges	182	208	220	315	344	60	66
Other Income	78	89	79	63	278	189	208
<b>PBT bef. EO Exp.</b>	<b>-72</b>	<b>156</b>	<b>507</b>	<b>432</b>	<b>821</b>	<b>1,552</b>	<b>2,316</b>
EO Items	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>-72</b>	<b>156</b>	<b>507</b>	<b>432</b>	<b>821</b>	<b>1,552</b>	<b>2,316</b>
Total Tax	-5	38	109	114	209	391	583
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
<b>Reported PAT</b>	<b>-67</b>	<b>118</b>	<b>398</b>	<b>317</b>	<b>612</b>	<b>1,161</b>	<b>1,733</b>
<b>Adjusted PAT</b>	<b>-67</b>	<b>118</b>	<b>398</b>	<b>317</b>	<b>612</b>	<b>1,161</b>	<b>1,733</b>
Change (%)	760.3	-276.3	236.0	-20.2	92.9	89.8	49.2
Margin (%)	-1.5	1.9	5.5	3.8	5.1	7.3	8.2

Consolidated - Balance Sheet							(INRm)
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	9,458	11,191
<b>Net Worth</b>	<b>257</b>	<b>377</b>	<b>771</b>	<b>1,979</b>	<b>9,090</b>	<b>10,251</b>	<b>11,984</b>
Total Loans	3,080	2,790	3,369	3,145	1,336	0	0
Deferred Tax Liabilities	-62	-51	-39	0	0	0	0
<b>Capital Employed</b>	<b>3,275</b>	<b>3,116</b>	<b>4,101</b>	<b>5,123</b>	<b>10,425</b>	<b>10,251</b>	<b>11,984</b>
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	1,664	1,954
<b>Net Fixed Assets</b>	<b>1,032</b>	<b>1,826</b>	<b>1,692</b>	<b>1,579</b>	<b>1,891</b>	<b>1,804</b>	<b>1,830</b>
Goodwill on Consolidation	30	30	30	30	30	30	30
Capital WIP	774	23	34	13	10	177	210
<b>Total Investments</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>895</b>	<b>662</b>	<b>662</b>	<b>662</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,034</b>	<b>4,517</b>	<b>5,971</b>	<b>8,529</b>	<b>13,440</b>	<b>15,114</b>	<b>19,062</b>
Inventory	2,226	1,555	2,696	4,251	4,642	5,559	6,722
Account Receivables	546	2,264	1,523	1,617	2,259	2,625	3,492
Cash and Bank Balance	661	342	1,218	1,676	5,366	5,492	6,937
Loans and Advances	601	357	534	985	1,173	1,437	1,912
<b>Curr. Liability &amp; Prov.</b>	<b>2,599</b>	<b>3,284</b>	<b>3,629</b>	<b>5,924</b>	<b>5,607</b>	<b>7,536</b>	<b>9,811</b>
Account Payables	1,205	1,928	1,932	2,853	3,200	4,043	5,377
Other Current Liabilities	1,330	1,262	1,564	2,973	2,297	3,354	4,248
Provisions	64	93	134	98	110	139	185
<b>Net Current Assets</b>	<b>1,435</b>	<b>1,233</b>	<b>2,342</b>	<b>2,605</b>	<b>7,832</b>	<b>7,578</b>	<b>9,251</b>
<b>Appl. of Funds</b>	<b>3,274</b>	<b>3,116</b>	<b>4,101</b>	<b>5,123</b>	<b>10,425</b>	<b>10,251</b>	<b>11,984</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>-0.8</b>	<b>1.5</b>	<b>5.0</b>	<b>4.0</b>	<b>7.7</b>	<b>14.6</b>	<b>21.9</b>
Cash EPS	0.5	3.8	7.4	6.4	10.5	18.0	25.5
BV/Share	3.2	4.7	9.7	25.0	114.6	129.3	151.1
<b>Valuation (x)</b>							
P/E	-812.4	460.8	137.1	171.9	89.1	46.9	31.5
Cash P/E	1,408.6	180.0	92.3	106.6	65.3	38.1	26.9
P/BV	212.0	144.8	70.7	27.5	6.0	5.3	4.5
EV/Sales	12.5	9.1	7.9	6.7	4.2	3.1	2.2
EV/EBITDA	414.9	124.0	67.4	63.8	45.5	29.0	19.3
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	16.8	16.4
<b>Return Ratios (%)</b>							
RoE	-22.1	37.3	69.3	23.1	11.1	12.0	15.6
RoCE	3.8	8.5	15.6	11.9	11.2	11.7	16.0
RoIC	1.9	9.1	18.1	18.7	19.1	25.6	40.2
<b>Working Capital Ratios</b>							
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
<b>Leverage Ratio (x)</b>							
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	23.7	32.9
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	1,552	2,316
Depreciation	106	185	193	194	223	270	290
Interest & Finance Charges	133	171	175	267	66	-129	-142
Direct Taxes Paid	3	1	-62	-168	-209	-391	-583
(Inc)/Dec in WC	-105	-200	-329	-229	-1,537	381	-229
<b>CF from Operations</b>	<b>69</b>	<b>275</b>	<b>375</b>	<b>381</b>	<b>-637</b>	<b>1,683</b>	<b>1,653</b>
Others	93	74	111	158	-68	0	0
<b>CF from Operating incl EO</b>	<b>163</b>	<b>349</b>	<b>486</b>	<b>539</b>	<b>-705</b>	<b>1,683</b>	<b>1,653</b>
(Inc)/Dec in FA	-830	-274	-77	-76	-531	-350	-350
<b>Free Cash Flow</b>	<b>-667</b>	<b>75</b>	<b>409</b>	<b>463</b>	<b>-1,236</b>	<b>1,333</b>	<b>1,303</b>
(Pur)/Sale of Investments	-3	0	0	-892	0	0	0
Others	-51	265	-247	-450	-3,746	189	208
<b>CF from Investments</b>	<b>-884</b>	<b>-9</b>	<b>-324</b>	<b>-1,418</b>	<b>-4,277</b>	<b>-161</b>	<b>-142</b>
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	-60	-66
Dividend Paid	0	0	0	0	0	0	0
Others	0	-232	0	-19	-58	0	0
<b>CF from Fin. Activity</b>	<b>723</b>	<b>-660</b>	<b>461</b>	<b>721</b>	<b>4,789</b>	<b>-1,396</b>	<b>-66</b>
<b>Inc/Dec of Cash</b>	<b>2</b>	<b>-320</b>	<b>622</b>	<b>-158</b>	<b>-192</b>	<b>126</b>	<b>1,445</b>
Opening Balance	596	662	342	1,218	1,676	5,366	5,492
Other cash & cash equivalent	64	0	254	616	3,882	0	0
<b>Closing Balance</b>	<b>662</b>	<b>342</b>	<b>1,218</b>	<b>1,676</b>	<b>5,366</b>	<b>5,492</b>	<b>6,937</b>

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Explanation of Investment Rating	
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