

Retail Equity Research

Cyient Ltd.

IT

BSE CODE : 532175

BLOOMBERG CODE: CYL:IN

NSE CODE: CYIENT

SENSEX : 78,956

Accumulate

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 1,670 TARGET Rs. 1,922 RETURN 15% ↑

(Closing: 13-08-2024)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

Headwinds persists, yet sees healthy orders

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

- In Q1FY25, Cyient reported revenue decline of 0.6% YoY on delaying of projects. DLM segment revenue surged by 18.8% YoY, attributed to defense & aerospace, whereas DET softened by 3.5% YoY.
- EBITDA margin declined by 700bps YoY to 15.8% due to an increase in sales & marketing costs. Simultaneously, PAT declined by 14.4% YoY at Rs.143.9cr, due to a decrease in other income.
- The company secured five large deals with a total value of \$52.4 million.
- Despite multiple headwinds, we foresee easing in supply chain issues, ramp up in demand, expecting an increase in orders from Sustainability and Transportation, and a rebound in Connectivity & New growth areas segments to drive future revenue.
- We expect earnings to grow by a CAGR of 14% during FY24–26E. Therefore, we retain our rating to Accumulate with a revised target price of Rs. 1,922 based on SOTP valuation.

Supply chain challenges & delaying projects deters topline growth

In Q1FY25, Cyient Group reported a 0.6% YoY reduction in Rs. 1,675.7cr, primarily due to a decline in Cyient Digital, Engineering & Technology (DET) on the delaying of certain projects, which impacted revenue. While design-led manufacturing (DLM) reported a robust quarter. The revenue of Cyient DET declined by 3.5%YoY Rs.1,417.8cr, led by Connectivity & Transportation segments due to supply chain issues in the aerospace business. Revenue increased in the sustainability and new growth areas by 8.1%/2.9%, respectively, in dollar terms. While the revenue from DLM grew by 18.8% YoY to Rs.257.9cr. The revenue in DLM is mainly supported by Defence (79.6%) YoY and Aerospace (78.1%) in YoY terms, While the Industrial and MedTech areas witness a YoY de-growth of 81.6% and 16.1%, respectively, in dollar terms, The DET order intake stood at \$182.7million, down 5.4% YoY, and closed 5 large deals with a total contract size of \$52.4million, which is from Connectivity, Sustainability, and Aerospace. EBITDA margin declined by 700bps YoY to 15.8% due to an increase in sales, general & administration expenses. However, PAT declined by 14.4% YoY at Rs.143.9cr, due to an decrease in other income. The total headcount decreased by 1.45% YoY to 15,083, The attrition declined 700bps to 16% on a YoY basis.

Focusing on new growth trajectories..

The company has a strong order intake in Connectivity and New growth areas during the quarter and expects improvement in converting orders in Q2FY25, and EBIT margins will normalise in the range of 16% in FY25E. While growth in Sustainability is expected to continue. The company received more than 15 Gen AI projects in the last quarter, and more deals are expected in FY25 and the company is developing an ASIC (Application-Specific Integrated Circuit) for an intelligent neural system with advanced electronics, designed for specific applications instead of general-purpose use, which is expected to be a significant benefit in terms of revenue and capability. Through DLM, the company is looking to strengthen its position in electronic manufacturing services (EMS) by suitable acquisitions and focussing to enter the EVs segment.

Valuation

Despite multiple headwinds, we foresee easing in supply chain issues, ramp up in pent up demand, expecting an increase in orders from Sustainability and Transportation, and a rebound in Connectivity & New growth areas segments to drive future revenue. We expect earnings to grow by a CAGR of 15% during FY24–26E. Therefore, we retain our rating to Accumulate with a revised target price of Rs. 1,922 based on SOTP valuation.

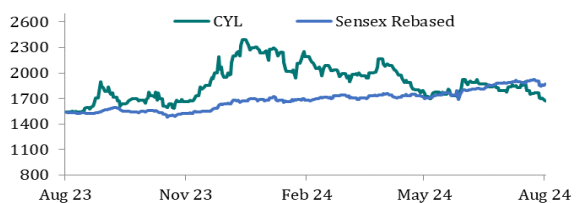
Company Data

Market Cap (Rs cr)	19,156
Enterprise Value (Rs cr)	18,595
Outstanding Shares (Rs cr)	11.1
Free Float	77%
Dividend Yield (%)	1.8%
52 week high (Rs)	2,457
52 week low (Rs)	1,504
6m average volume (cr)	0.05
Beta	0.9
Face value (Rs)	5.0

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	23.3	23.2	23.2
FII's	36.5	31.0	29.5
MFs/Institution	20.3	25.9	23.6
Public	19.8	19.0	23.8
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0
Promoters' Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1Year
Absolute Return	-2.8%	-23.6%	8.5%
Absolute Sensex	9.6%	11.2%	21.2%
Relative Return *	-12.4%	-34.9%	-12.7%

* Over or under performance to benchmark



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	7,147	7,431	8,536
Growth (%)	18.8	4.0	14.9
EBITDA	1,303	1,248	1,485
EBITDA Margin (%)	18.2	16.8	17.4
PAT Adj.	703	741	936
Growth (%)	36.6	5.4	26.4
Adj. EPS	63.5	67.0	84.7
Growth (%)	36.6	5.4	26.4
P/E	26.1	24.8	19.6
P/B	4.3	4.1	3.6
EV/EBITDA	14.5	15.2	12.8
ROE (%)	18.2	17.1	19.7
D/E	0.1	0.1	0.1

Vinod T P
Research Analyst

Quarterly Financials (Consolidated)

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	1,675.7	1,686.5	-0.6	1,860.8	-9.9
EBITDA	265.0	315.6	-16.0	335.3	-21.0
EBITDA margins	15.8	18.7	-290bps	18.0	-220bps
Adjusted PAT	143.9	168.1	-14.4	189.2	-23.9
No. of shares	11.1	11.1		11.1	
EPS (Rs)	13.0	15.2	-14.4	17.1	-23.9

Financials (Cyient DLM)

Cyient DLM	Quarterly					Annual		
	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue	257.9	217.1	18.8	361.8	-28.7	1,191.7	1,445.6	2,144.4
EBITDA	20.0	20.0	0.0	38.0	-47.4	125.1	166.2	255.2
EBITDA margins	7.8	9.2	-146bps	10.5	-275bps	10.5	11.5	11.9
Adjusted PAT	10.6	5.4	96.3	22.7	-53.3	78.0	106.2	163.2
PAT Margins	4.1	2.5	162bps	6.3	-216bps	6.5	7.3	7.6
EPS	1.3	0.7	96.3	2.9	-53.3	9.8	13.4	20.6

Financials (Cyient Ltd.)

Cyient (Standalone)	Quarterly					Annual		
	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue	1,417.8	1,469.4	-3.5	1,499.0	-5.4	5,955.5	5,985.0	6,391.7
EBITDA	245.0	295.6	-17.1	297.3	-17.6	1,177.7	1,082.1	1,230.1
EBITDA margins	17.3	20.1	-284bps	19.8	-255bps	19.8	18.1	19.2
Adjusted PAT	137.0	163.7	-16.3	174.2	-21.4	624.8	634.8	773.2
PAT Margins	9.7	11.1	-148bps	11.6	-196bps	10.5	10.6	12.1
EPS	11.7	14.5	-19.6	14.2	-18.0	56.5	57.4	69.9

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,096	9,299	7,431	8,536	-8.22	-8.20
EBITDA	1,457	1,702	1,248	1,485	-14.32	-12.73
Margins (%)	18.0	18.3	16.8	17.4	-120bps	-90bps
Adj. PAT	882	1,019	741	936	-15.98	-8.11
EPS	79.8	92.2	67.0	84.7	-16.04	-8.17

Sum of Parts (SOTP) Valuation

Particulars	Methodology	Multiple	% Holding	Value (Rs. cr.)	Value/Share (Rs.)
Cyient Ltd.	PE	22x	100.0%	16,933	1,526
Cyient DLM Ltd. (Discount of 10%)	PE	45x	66.6%	4,402	397
Target price				21,335	1,922

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	4,534	6,016	7,147	7,431	8,536
% change	9.7	32.7	18.8	4.0	14.9
EBITDA	818	1,003	1,303	1,248	1,485
% change	42.2	22.7	29.9	-4.2	19.0
Depreciation	192	257	267	288	302
EBIT	626	747	1,036	961	1,184
Interest	39	100	116	96	105
Other Income	112	81	66	104	145
PBT	698	681	918	969	1,224
% change	46.4	-2.5	34.8	5.5	26.4
Tax	176	167	216	228	288
Tax Rate (%)	25.2	24.5	23.5	23.5	23.5
Reported PAT	522	514	703	741	936
Adj.	0	0	0	0	0
Adj. PAT	522	514	703	741	936
% change	43.6	-1.5	36.6	5.4	26.4
No. of shares (cr)	11	11	11	11	11
Adj EPS (Rs)	47	47	64	67	85
% change	43.1	-1.7	36.6	5.4	26.4
DPS (Rs)	24	26	18	26	26
CEPS (Rs)	65	70	88	93	112

CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	715	771	970	1,029	1,238
Non-cash adj.	17	131	17	-132	-183
Changes in W.C	-97	-349	-261	-99	-275
C.F.O	635	554	726	798	780
Capital exp.	-63	-65	-78	-253	-353
Change in inv.	-325	-66	0	-41	-98
Other invest.CF	55	44	0	2	-2
C.F - investing	-382	-1,033	-533	-293	-453
Issue of equity	12	8	15	0	0
Issue/repay debt	-245	212	-275	135	135
Dividends paid	-295	-263	-306	-288	-288
Other finance.CF	-17	-66	93	-96	-105
C.F - Financing	-545	-109	-266	-344	-257
Chg. in cash	-292	-588	-73	116	20
Closing cash	1,112	550	473	677	1,040

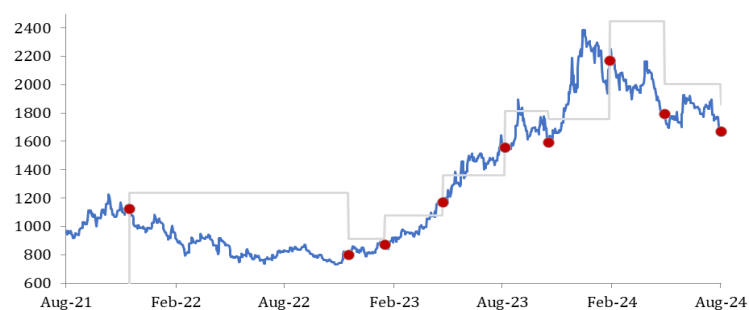
BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,112	550	473	677	1,040
Accounts Receivable	733	1,127	1,262	1,242	1,427
Inventories	279	436	468	529	608
Other Cur. Assets	324	321	311	346	398
Investments	869	1,094	1,447	1,519	1,699
Gross Fixed Assets	1,113	1,166	1,431	1,481	1,561
Net Fixed Assets	454	448	446	208	-13
CWIP	13	45	57	43	73
Intangible Assets	48	463	440	608	801
Def. Tax (Net)	-10	-35	-9	-33	-64
Other Assets	671	1,611	1,686	1,725	1,786
Total Assets	4,718	6,337	6,908	7,241	8,181
Current Liabilities	855	1,452	1,225	1,239	1,345
Provisions	176	275	294	305	351
Debt Funds	326	862	497	581	665
Minority Interest	-3	-3	299	299	299
Equity Capital	55	55	56	56	56
Reserves & Surplus	3,061	3,411	4,203	4,376	5,030
Shareholder's Fund	3,117	3,467	4,258	4,431	5,085
Total Liabilities	4,718	6,337	6,908	7,241	8,181
BVPS	278	272	345	346	387

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	18.0	16.7	18.2	16.8	17.4
EBIT margin (%)	13.8	12.4	14.5	12.9	13.9
Net profit mgn.(%)	11.5	8.6	9.8	10.0	11.0
ROE (%)	17.2	15.6	18.2	17.1	19.7
ROCE (%)	12.7	11.1	13.3	12.7	14.3
W.C & Liquidity					
Receivables (days)	61.8	56.4	61.0	61.5	57.0
Inventory (days)	17.6	21.7	23.1	24.5	24.3
Payables (days)	7.0	12.4	15.0	13.3	12.6
Current ratio (x)	11.3	5.0	6.4	6.5	7.1
Quick ratio (x)	9.5	3.4	4.9	4.4	4.7
Turnover & Levq.					
Gross asset T.O (x)	4.2	5.3	5.5	5.1	5.6
Total asset T.O (x)	1.0	1.1	1.1	1.1	1.1
Int. covge. ratio (x)	15.9	7.5	8.9	10.0	11.3
Adj. debt/equity (x)	0.1	0.2	0.1	0.1	0.1
Valuation ratios					
EV/Sales (x)	4.2	3.2	2.6	2.6	2.2
EV/EBITDA (x)	23.3	19.2	14.5	15.2	12.8
P/E (x)	35.1	35.7	26.1	24.8	19.6
P/BV (x)	5.9	5.3	4.3	4.1	3.6

Recommendation summary (Last 3 Years)



Dates	Rating	Target
27-July-2021	Hold	1,048
23-November-2021	Accumulate	1,238
25-November-2022	Accumulate	910
24-January-2023	Buy	1,076
02-May-2023	Accumulate	1,360
14-August-2023	Accumulate	1,813
26-October-2023	Hold	1,732
05-February-2024	Accumulate	2,447
10-May-2024	Accumulate	1,972
14-August-2024	Accumulate	1,922

Source: Bloomberg, Geojit Research.

Investment 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.

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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