

Cyient Limited

March 12, 2025 | CMP: INR 1,244 | Target Price: INR 1,660

Expected Share Price Return: 33.4% | Dividend Yield: 2.4% | Expected Total Return: 35.8%

BUY

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	CYIENT IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	2,189/1,200
Mkt Cap (Bn)	INR 138.5/\$1.6
Shares o/s (Mn)	111.0
3M Avg. Daily Volume	9,16,982

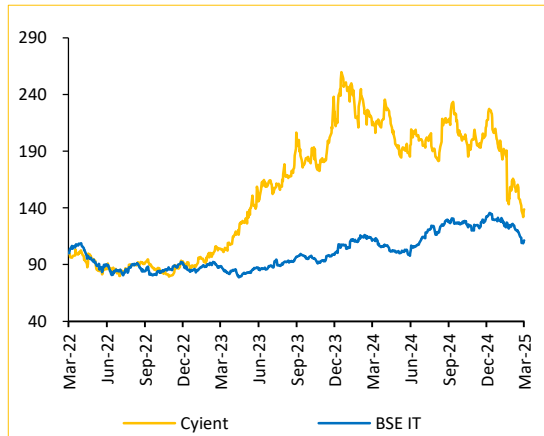
Change in CEBPL Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenues	80.5	80.2	0.4	85.5	85.9	(0.5)
GPM (%)	35.8%	37.4%	(164)bps	37.2%	38.3%	(107)bps
EBIT	11.0	12.3	(10.28)	12.5	13.3	(5.84)
EBITM %	13.7%	15.3%	(164)bps	14.6%	15.5%	(83)bps
EPS	74.7	83.5	(10.49)	83.0	88.3	(6.06)

Actual vs Consensus			
INR Bn	Q3FY25A	Consensus	Dev. %
Revenue	19.2	18.5	3.8
EBIT	2.1	2.4	12.5
EBITM %	11.0	12.9	(190) bps
PAT	1.2	1.7	(29.4)

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	60.2	71.5	73.7	80.5	85.5
YoY (%)	32.7	18.8	3.1	9.3	6.1
EBIT	7.5	10.4	8.7	11.0	12.5
EBITM %	12.4%	14.5%	11.9%	13.7%	14.6%
Adj PAT	5.1	6.8	6.4	8.2	9.1
EPS	47.0	62.3	58.0	74.7	83.0
ROE %	14.9	15.0	13.0	15.5	15.9
ROCE %	12.3	15.1	11.5	13.8	14.6
PE(x)	26.7	20.1	21.6	16.8	15.1

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	23.14	23.15	23.16
Fills	28.23	28.39	29.47
Dils	30.32	29.72	27.08
Public	18.31	18.74	20.29

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE IT	11.4	25.4	-0.6
Cyient	38.7	33.6	-35.7



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Analyzing Q3 Results amid Leadership Changes, Trump Tariffs & Macroeconomic Challenges

Cyient Revenue above estimates, EBIT & PAT missed expectations.

- Revenue for Q3FY25 came at INR 19.2Bn up 5.8% YoY and 4.2% QoQ (vs consensus est. at INR 18.5Bn).
- EBIT for Q3FY25 came at INR 2.1Bn, down 18.7% YoY and 8.4% QoQ (vs consensus est. at INR 2.4Bn). EBIT margin was down 330bps YoY and 150bps QoQ to 11.0% (vs consensus est. at 12.9%).
- PAT for Q3FY25 stood at INR 1.2Bn, down 12.8% YoY and 31.2% QoQ (vs consensus est. at INR 1.7Bn).

Cyient Appoints Industry Veterans Mr. Sukamal Banerjee as CEO & ED and Mr. K.A. Prabhakaran as SVP & CTO to Drive Innovation and Growth: Mr. Sukamal Banerjee brings over 27 years of experience, including his role as CEO at Xoriant and leadership in digital engineering at HCLT, Banerjee has expertise in Digital Industry 4.0, AI/ML, and sectors like communications, energy, transportation, and healthcare. His leadership is seen as a strategic move to guide Cyient DET (Digital, Engineering & Technology) following the previous CEO's resignation. We are eager for his vision to revitalize growth. Additionally, K.A. Prabhakaran will join as SVP and CTO, effective March 10, 2025. With 30+ years of experience in engineering and R&D across industries like Aerospace and Oil & Gas, Prabhakaran will focus on innovative solutions for organic growth. Notably, he has expertise in building technology solutions for large OEMs in areas like avionics.

DET business soars with record \$312.3Mn order intake and strong growth prospects: Cyient's DET business achieved a record order intake of \$312.3Mn in Q3FY25, marking a 5.0% YoY growth, although the tenure of purchase orders was shorter this year. Additionally, the company secured 13 large deals within the DET segment during the quarter, totalling \$234.5Mn in contract potential. These wins contributed to a 2.4% QoQ revenue growth in Q3FY25. However, their late timing limited their immediate effect on Q4FY25 revenue. Despite this, the strong order book, combined with the establishment of a new large deal function, improvements in sales efficiency, a focus on value-based selling, and a performance framework incentivizing revenue growth, strengthens confidence for FY26 revenue growth. Furthermore, the management highlighted a positive outlook due to improved client spending sentiment in key verticals, reinforcing the optimism for continued growth moving forward.

Potential slowdown in IT spends amid Trump tariffs: Cyient could encounter revenue challenges due to uncertainty over the Fed's interest rate decisions and concerns about a potential US economic slowdown. With 50% of its revenue from North America, reduced IT spending or delayed contract renewals in key sectors may impact growth. Currency volatility also poses margin risks, though easing inflation and stable tariffs could boost demand.

View and Valuation: Following recent major changes in senior management and the uncertainties surrounding the US economy, we believe that most of the negatives have already been priced in. Under new leadership, we anticipate the company is now poised to thrive and improve its performance in the favorable environment ahead. Given Cyient's significant exposure to the US market and the transition in its senior management, we maintain our 'BUY' rating but have lowered our target price to INR1,665. This adjustment is based on a downward revised PE multiple of 20x, based on FY27E EPS of INR83.

Cyient Ltd.	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)
Revenues (INR Mn.)	19,264	18,214	5.8	18,491	4.2
Employee Cost	12,794	11,558	10.7	12,171	5.1
Gross Profit (INR Mn.)	6,470	6,656	(2.8)	6,320	2.4
Gross Margin (%)	33.6	36.5	(296)bps	34.2	(59)bps
Other Cost	3,681	3,395	8.4	3,353	9.8
Depreciation	675	661	2.1	660	2.3
EBIT (INR Mn.)	2,114	2,600	(18.7)	2,307	(8.4)
EBIT Margin (%)	11.0	14.3	(330)bps	12.5	(150)bps
Other Income	-166	188	(188.3)	511	(132.5)
Interest	205	288	(28.8)	275	(25.5)
PBT	1,743	2,500	(30.3)	2,543	(31.5)
TAS	459	465	(1.3)	677	(32.2)
PAT (INR Mn.)	1,284	1,472	(12.8)	1,866	(31.2)
Basic EPS (INR)	11.1	13.4	(17.2)	16.3	(31.8)

Source: Company, CEBPL

Management Call - Highlights

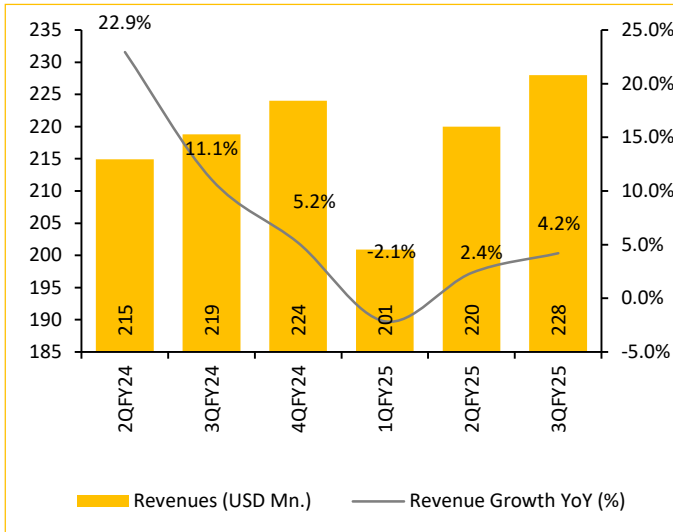
- As of Q3FY25, DET workforce consisted of 14,378 employees, reflecting a decline from 14,799 in Q2FY25 and 15,678 in Q3FY24.
- Voluntary attrition (LTM) for DET was 15.5%, slightly up from 15.0% in Q2FY25 but down from 18.4% in Q3FY24.
- For Q4FY25, Cyient expects the DET EBIT margin to be around 13.5%, factoring in potential foreign exchange challenges.
- Looking to FY26, Cyient anticipates EBIT margin growth, driven by revenue growth, cost optimization, and higher offshoring, with a projected margin expansion of 100 to 150 bps.
- FCF for DET was strong at INR245 Crs, a 38.7% sequential increase.
- The board is open to considering all capital allocation options, including potential share buybacks, and will review these during Q4. Cyient has achieved zero debt and has a strong cash balance.

Sequential Operating Performance

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Income Statement						
Revenues (USD Mn)	215	219	224	201	220	228
Revenues (INR Mn)	17,785	18,214	18,608	16,757	18,491	19,264
Gross Profit (INR Mn)	6,775	6,656	6,837	5,844	6,320	6,470
Gross Margin (%)	38.1%	36.5%	36.7%	34.9%	34.2%	33.6%
EBIT (INR Mn)	2,600	2,600	2,681	1,992	2,307	2,114
EBIT Margin (%)	14.6%	14.3%	14.4%	11.9%	12.5%	11.0%
PAT (INR Mn)	1,783	1,472	1,892	1,476	1,866	1,284
Basic EPS (INR)	16.27	13.41	17.22	13.09	16.28	11.11
Operating Metrics						
Order intake details (\$ Mn)						
Services total	183.9	297.3	227.8	182.7	156.8	312.3
DLM Total	-	-	-	-	-	-
Group OI Total	183.9	297.3	227.8	182.7	156.8	312.3
Revenues (\$ Mn)						
Services	178.4	179.2	179.3	169.6	173.0	175.2
DLM	36.5	39.6	44.7	31.3	47.0	52.8
Total	214.9	218.8	224.0	200.9	220.0	228.0
Revenues by geography (%)						
NAM	43	44	44	47	48	50
EMEA	33	35	36	33	30	29
APAC incl India	24	21	20	20	22	22
Total	100	100	100	100	100	100
Service revenues by business unit (%)						
Transportation	31	30	30	29	30	30
Communications	23	23	23	22	23	23
Utilities	28	30	30	33	31	30
Portfolio/ New Growth Areas	18	17	17	16	17	17
Total	100	100	100	100	100	100
Employees	15,441	15,678	15,461	15,083	14,799	14,378
Attrition Rate (%)	20.4	18.4	17.1	16.0	15.0	15.5

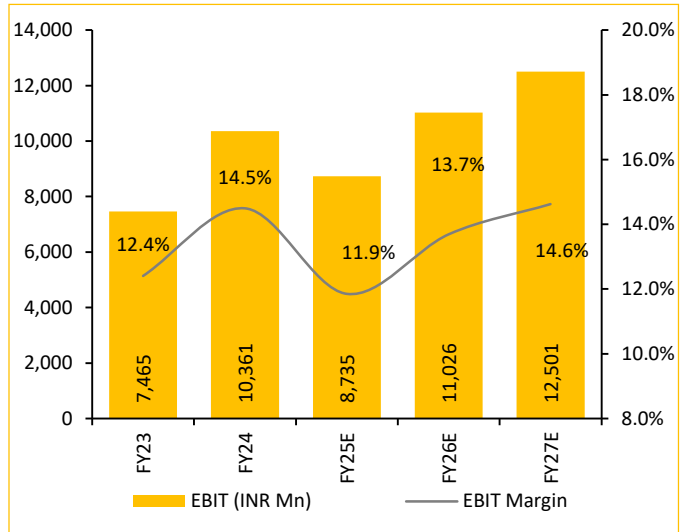
Source: Company, CEBPL

Robust revenue growth



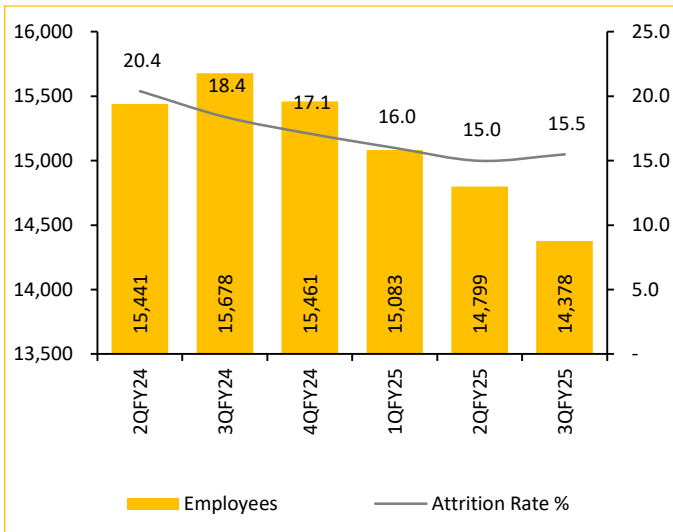
Source: Company, CEBPL

EBIT margins within comfortable band



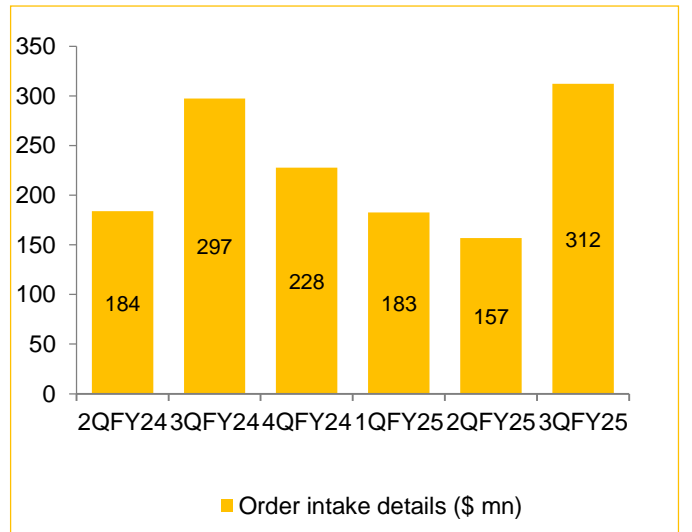
Source: Company, CEBPL

Headcount declining; Attrition remains flattish



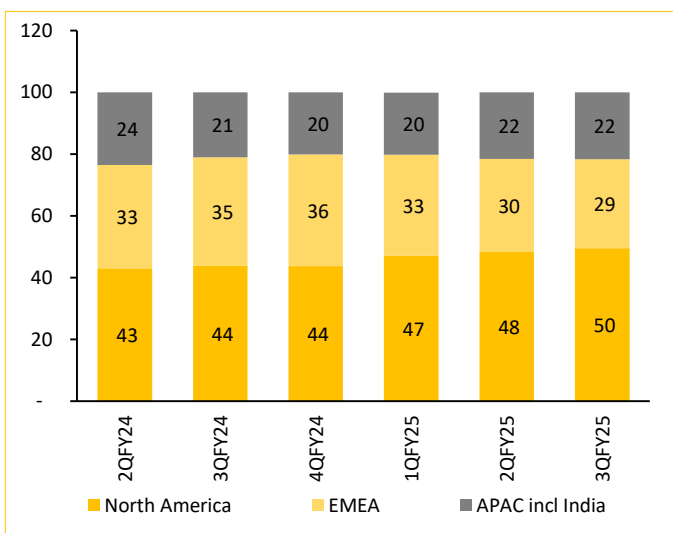
Source: Company, CEBPL

Order intake rises



Source: Company, CEBPL

Geography – wise revenue performance



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income Statement

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD Mn)	746	863	877	907	922
Revenue	60,159	71,472	73,682	80,521	85,467
Gross profit	22,935	26,694	25,346	28,827	31,815
EBITDA	10,031	13,028	11,437	13,966	15,747
Depreciation	2,566	2,667	2,702	2,940	3,247
EBIT	7,465	10,361	8,735	11,026	12,501
Other income	814	659	748	746	684
Interest expense	1,000	1,160	967	990	1,210
Exceptional items	-	-	-	-	-
Reported PAT	5,144	6,828	6,362	8,194	9,101
EPS (INR)	47.0	62.3	58.0	74.7	83.0

Source: Company, CEBPL

Balance Sheet

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Tangible fixed assets	7,278	7,749	8,059	8,381	8,717
Goodwill & intangible assets	16,363	16,692	16,887	16,907	17,165
Investments	5,181	4,356	4,356	4,515	4,680
Cash & Cash equivalents	7,194	9,835	12,617	15,526	18,458
Other non-current assets	6,464	6,406	6,406	6,662	6,929
Other current assets	23,001	24,998	25,544	26,678	27,866
Total assets	65,481	70,036	73,869	78,670	83,814
Shareholder's funds	34,603	42,581	45,762	49,859	54,409
Minority interest	32	2,988	2,988	2,988	2,988
Borrowings	12,178	7,876	7,876	7,876	7,876
Other non-current liabilities	3,716	2,638	2,743	2,853	2,967
Other current liabilities	14,952	13,953	14,500	15,094	15,574
Total equity & liabilities	65,481	70,036	73,869	78,670	83,814

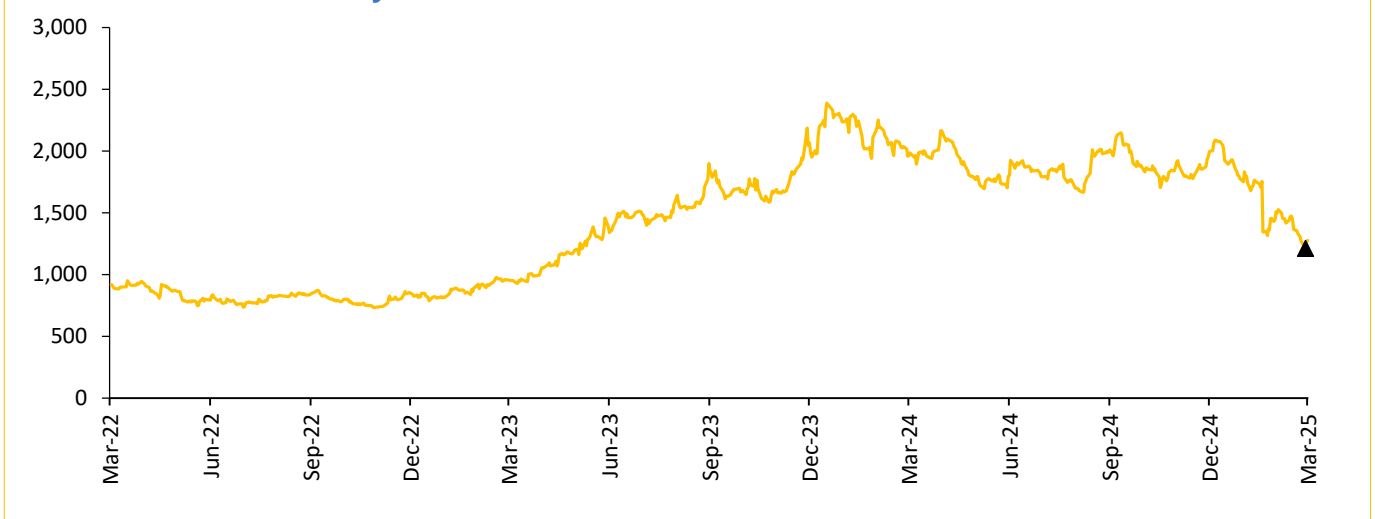
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Cash flows from Operations	5,539	7,261	9,484	11,233	12,580
Cash flows from Investing	(10,327)	(5,327)	(2,265)	(2,516)	(2,898)
Cash flows from financing	(1,093)	(2,662)	(4,148)	(5,087)	(5,760)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenues	32.7	18.8	3.1	9.3	6.1
Gross Profit	35.1	16.4	-5.0	13.7	10.4
EBITDA	22.7	29.9	-12.2	22.1	12.8
EBIT	19.3	38.8	-15.7	26.2	13.4
Margin Ratios (%)					
Gross Profit Margin	38.1	37.3	34.4	35.8	37.2
EBITDA Margin	16.7	18.2	15.5	17.3	18.4
EBIT Margin	12.4	14.5	11.9	13.7	14.6
Profitability (%)					
ROE	14.9	15.0	13.0	15.5	15.9
ROIC	16.3	18.6	14.0	16.6	17.3
ROCE	12.3	15.1	11.5	13.8	14.6
Valuation					
OCF / Net profit (%)	107.7	106.3	149.1	137.1	138.2
Book Value Per Share (x)	316.7	415.4	444.4	481.8	523.3
Free Cash Flow Yield (%)	0.3	3.2	3.4	4.5	5.2

Source: Company, CEBPL

Historical Price Chart: Cyient Limited



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HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
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