

Cyient Ltd.

Accumulate

Sector: IT

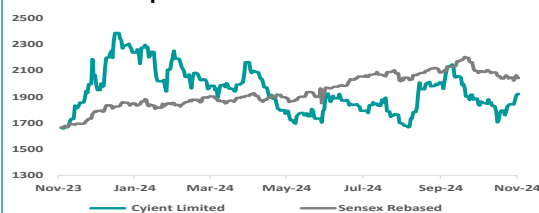
22th November 2024

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs. 2,066
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	CYL:IN	79,117	CYIENT	532175	12 Months
				CMP	Rs. 1,801
				Return	+15%

Data as of: 22-11-2024

Company Data			
Market Cap (Rs. cr)	19,997		
52 Week High — Low (Rs.)	2,457 - 1,655		
Enterprise Value (Rs. cr)	19,195		
Outstanding Shares (cr)	11.1		
Free Float (%)	76		
Dividend Yield (%)	1.65		
6m average volume (cr)	0.04		
Beta	0.83		
Face value (Rs.)	5.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	23.2	23.2	23.2
FII's	31.0	29.5	28.4
MFs/Institutions	25.9	23.6	29.7
Public	19.0	23.7	16.4
Others	0.9	0.0	2.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	14%	12%	15%
Absolute Sensex	1%	9%	23%
Relative Return	13%	2%	-7%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	7,147	7,519	8,238
Growth (%)	18.8	5.2	9.6
EBITDA	1,303	1,248	1,376
EBITDA Margin (%)	18.2	16.6	16.7
PAT Adjusted	703	766	870
Growth (%)	36.6	9.0	13.6
Adjusted EPS	63.4	69.2	78.7
Growth (%)	36.2	9.3	13.6
P/E	28.5	26.1	22.9
P/B	4.7	4.2	3.7
EV/EBITDA	15.7	16.4	14.9
ROE (%)	18.2	17.0	17.3
D/E	0.1	0.1	0.1

Near term pick up in order inflow

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

- In Q2FY25, Cyient reported moderate revenue growth of 4% YoY to Rs. 18,491cr. Design-led manufacturing (DLM) segment revenue surged by 33.4% YoY, attributed to defense & aerospace. whereas DET (Digital engineering technology) softened by 1.8% YoY, driven by decline the sustainability sector growth
- EBITDA margin declined by 227bps YoY to 16% due to an increase in inventory loss and other expenses. However, PAT improved by 0.4% YoY at Rs.179.1cr, due to an increase in other income (279%).
- In DLM, the defence & Aerospace segment (constituting 86%) grew by 82% & 20% YoY respectively, owing to large deal wins from Indian defence sector. However, Industrial de-grew by 55% due to lower demand from key customers.
- Energy & Utility sector saw a seasonal decline, with a 6.4% drop QoQ and 2.2% YoY. New growth areas, driven by Healthcare, Life Sciences, Automotive, and Semi-conductors, grew 9.7% QoQ and 6.7% YoY.
- The company anticipates a rebound in order intake in the second half of the year, despite a 14.7% decrease this quarter, noting that improvements in executions are likely to improve going forward.

Outlook & Valuation

The company displayed a moderate growth in revenue, mainly aided by the defence segment's revenue growth. Due to seasonality, the order intake decreased; it is anticipated to rebound in the second half. With a primary focus on the energy sector, the company has acquired an organization in the UAE to access the MEA area. Despite the seasonal impact, Q3FY25 is expected to outperform YoY, driven by pick up in order inflow and widespread organic growth across various verticals. Therefore, **we expect earnings to grow by a CAGR of 11% during FY24 –26E and maintain Accumulate rating with a revised target price of Rs. 2,066 based on SOTP valuation.**

Quarterly Financials Consol.

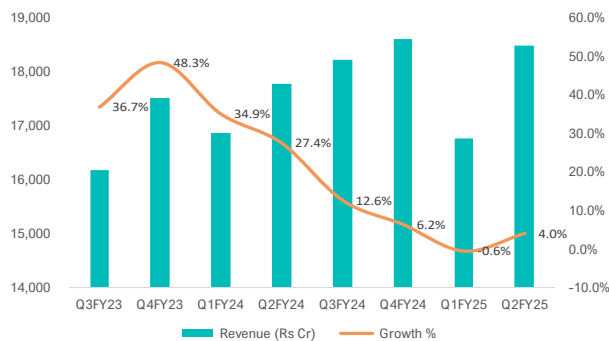
Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	1,849	1,779	3.97	1,676	10.3	3,525	3,465	1.7
EBITDA	297	326	-8.93	265	12.0	562	641	-12.4
Margin (%)	16	18	-227bps	16	23bps	16	19	-258bps
EBIT	231	260	-11.3	199	15.8	430	508	-15.4
PBT	254	240	5.83	195	30.7	449	460	-2.3
Rep. PAT	187	184	1.63	148	26.4	334	353	-5.2
Adj PAT	179	178	0.45	144	24.5	334	353	-5.2
EPS (Rs)	1.6	1.6	0.06	1.3	24.4	2.9	3.2	-7.1



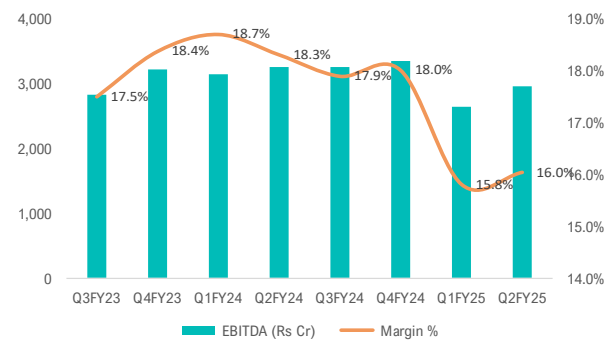
Key Concall Highlights

- In DET, Energy & Utility business shows degrowth this quarter, driven by seasonality in Europe, and have also seen a softness from the consulting business in Q2.
- Cyient has strategically expanded its presence in the semiconductor and energy sectors by acquiring a 27.3% stake in Azimuth.AI (a fabless custom ASIC company) and Abu Dhabi & Gulf Computers Establishment, enhancing its global footprint and positioning for growth in the Middle East
- The auto industry is expected to face challenges for the next few quarters due to competition from China, lack of growth in developed markets, and issues with electrification, particularly impacting German companies, but recovery is anticipated next year.

Revenue



EBITDA



Financials (Cyient DLM)

Cyient DLM	Quarterly					Annual			
	Rs.cr	Q2FY25	Q2FY24	YoY Growth (%)	Q1FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue		389	292	33	257.89	51	1,192	1,517	1,892
EBITDA		31.6	23.53	34	19.99	58	111	147	226
EBITDA margins		8.1	8.1	5bps	7.8	36bps	9%	10%	12%
Adjusted PAT		15	15	4	10.64	45	61	91	170
PAT Margins		4.0	5.1	-110bps	4.1	-17bps	5.1%	6.0%	9.0%
EPS		1.95	1.88	3.7	1.54	27	8.4	11	21

Financials (Cyient Ltd.)

Cyient (Standalone)	Quarterly					Annual			
	Rs.cr	Q2FY25	Q2FY24	YoY Growth (%)	Q1FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue		1,460	1,487	-1.8	1,418	3.0	5,955	6,002	6,346
EBITDA		265	302	-12	245	8	1,192	1,101	1,150
EBITDA margins		18	20	-217bps	17.3	88bps	20%	18%	18%
Adjusted PAT		164	164	0.1	133	23	642	675	700
PAT Margins		11.2	11.0	21bps	9.4	182bps	11%	11%	11%
EPS		14	14	-0.4	12	24	55	58	57

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	7,431	8,536	7,519	8,238	1	-3
EBITDA	1,248	1,485	1,248	1,376	0	-7
Margins (%)	16.8	17.4	17	17	-19bps	-70bps
Adj. PAT	741	936	766	870	3	-7
EPS	67.0	84.7	69	79	3	-7

Sum of Parts (SOTP) Valuation

Particulars	Methodology	Multiple	% Holding	Value (Rs. cr.)	Value/Share (Rs.)
Cyient Ltd.	PE	23x	100.0%	20,010	1,809
Cyient DLM Ltd. (Discount of 20%)	PE	40x	52.2%	2,838	257
Target price				22,848	2,066



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	4,534	6,016	7,147	7,519	8,238
% change	10%	33%	19%	5%	10%
EBITDA	818	1,003	1,303	1,248	1,376
% change	42%	23%	30%	-4%	10%
Depreciation	192	257	267	263	275
EBIT	626	747	1,036	985	1,101
Interest	39	100	116	92	101
Other Income	112	81	66	128	161
PBT	698	681	918	1,021	1,160
% change	46%	-2%	35%	11%	14%
Tax	176	167	216	255	290
Tax Rate (%)	25%	24%	23%	25%	25%
Reported PAT	522	514	703	766	870
Adjustment	0	0	0	0	0
Adj. PAT	522	514	703	766	870
% change	44%	-2%	37%	9%	14%
No. of shares (cr)	11.0	11.1	11.1	11.1	11.1
Adj EPS (Rs)	47.3	46.5	63.4	69.2	78.7
% change	43%	-2%	36%	9%	14%
DPS (Rs)	23.8	26.0	18.0	26.0	26.0
CEPS (Rs.)	64.8	69.7	87.4	93.1	103.5

CASH FLOW

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	715	771	970	1,029	1,145
Non-cash adj.	17	131	17	92	101
Changes in W.C	-97	-349	-261	-1,197	-198
C.F. Operation	635	554	726	-76	1,048
Capital exp.	-63	-65	-78	-148	-91
Change in inv.	-325	-66	0	-84	-65
Other invest.CF	55	44	0	0	0
C.F – Investment	-382	-1,033	-533	-231	-156
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	-92	-101
C.F – Finance	-545	-109	-266	-244	-254
Chg. in cash	-292	-588	-73	-552	638
Closing cash	1,112	705	642	431	1,069

Balance Sheet

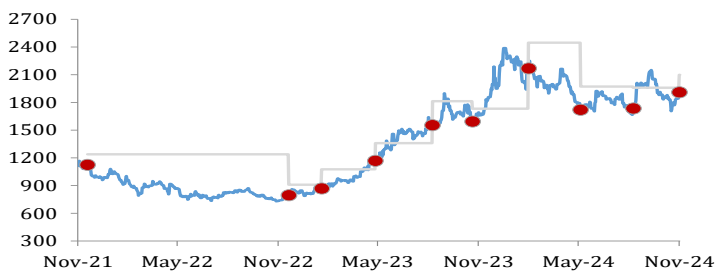
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,267	719	984	431	1,069
Accounts Receivable	733	1,127	1,262	1,318	1,445
Inventories	279	436	468	742	767
Other Cur. Assets	532	737	771	338	330
Investments	506	579	488	1,744	1,985
Gross Fixed Assets	1,113	1,166	1,127	1,187	1,247
Net Fixed Assets	454	448	446	428	405
CWIP	13	3	2	58	58
Intangible Assets	47.70	505.00	439.70	384.36	327.70
Def. Tax (Net)	25	48	75	65	53
Other Assets	706	1,668	1,742	1,782	1,822
Total Assets	4,787	6,548	7,004	7,520	8,387
Current Liabilities	924	1,592	1,365	1,254	1,374
Provisions	176	275	294	309	339
Debt Funds	326	934	453	537	621
Other Liabilities	-3	-3	299	299	299
Equity Capital	55	55	55	56	56
Reserves & Surplus	3,061	3,412	4,203	4,681	5,263
Shareholder's Fund	3,117	3,467	4,258	4,736	5,319
Total Liabilities	4,787	6,548	7,004	7,520	8,387
BVPS (Rs.)	278	268	344	393	451

Ratio




Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	18.0	16.7	18.2	16.6	16.7
EBIT margin (%)	13.8	12.4	14.5	13.1	13.4
Net profit mgn.(%)	11.5	8.6	9.8	10.2	10.6
ROE (%)	17.2	15.6	18.2	17.0	17.3
ROCE (%)	12.7	11.0	13.3	12.7	12.8
W.C & Liquidity					
Receivables (days)	61.8	56.4	61.0	62.6	61.2
Inventory (days)	17.6	21.7	23.1	29.3	33.4
Payables (days)	9.8	18.7	22.2	16.6	13.4
Current ratio (x)	9.0	4.3	5.1	6.9	7.8
Quick ratio (x)	5.0	2.4	3.2	4.6	4.6
Turnover & Leverage					
Gross asset T.O (x)	4.2	5.3	6.2	6.5	6.8
Total asset T.O (x)	1.0	1.1	1.1	1.0	1.0
Int. coverage ratio (x)	15.9	7.5	8.9	10.8	10.9
Adj. debt/equity (x)	0.1	0.3	0.1	0.1	0.1
Valuation					
EV/Sales (x)	4.5	3.5	2.9	2.7	2.5
EV/EBITDA (x)	25.2	20.8	15.6	16.4	14.9
P/E (x)	38.1	38.7	28.4	26.0	22.9
P/BV (x)	6.4	5.7	4.7	4.2	3.7



Recommendation Summary (last 3 years)



Dates	Rating	Target
14.Aug.23	Accumulate	1,813
26.Oct.23	Hold	1732
05.Feb.24	Accumulate	2,447
10.May.24	Accumulate	1972
14.Aug.24	Accumulate	1,960
22.Nov.24	Accumulate	2,066

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.			
Symbols definition:			
	Upgrade		No Change
			Downgrade

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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