

Retail Equity Research

**Cyient Ltd.**

IT

BSE CODE : 532175

NSE CODE: CYIENT

BLOOMBERG CODE: CYL:IN

SENSEX : 72,664

**Accumulate**

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 1,722 TARGET Rs. 1,972 RETURN 15% 

(Closing: 10-05-2024)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

**Macro headwinds persists, but sees healthy deal wins**

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

- In Q4FY24, Cyient reported moderate revenue growth of 6.2% YoY. DLM segment revenue surged by 30.4% YoY, attributed to defense & aerospace, whereas DET softened by 6.2% YoY.
- EBITDA margin declined by 37bps YoY to 18% due to an increase in sales & marketing costs. However, PAT improved by 15.9% YoY at Rs.189.2cr, due to an increase in other income.
- The company's deal wins remain strong, having secured nine large deals with a total value of \$197.6 million.
- Despite economic challenges, we foresee a strong deal pipeline, a positive revenue mix in Sustainability and Transportation, and a rebound in Connectivity segments to drive future revenue.
- We expect earnings to grow by a CAGR of 20% during FY24-26E. Therefore, we retain our rating to Accumulate with a revised target price of Rs. 1,972 based on SOTP valuation.

**DLM & Sustainability charged the revenue growth**

In Q4FY24, Cyient Group reported moderate revenue growth of Rs.1,860.8cr, up by 6.2% YoY, driven mainly by Cyient Design-led Manufacturing (DLM). The company reported a soft quarter in Digital Engineering & Technology (DET) segment. The revenue of Cyient DLM rose by 30.4% YoY, driven by defense & aerospace segments. While the revenue from DET was Rs.1,499cr, grew by 1.7% YoY. The revenue in DET is mainly supported by Sustainability (19.3%) YoY terms. While the transportation segment reported a soft quarter (2.1%) YoY in dollar terms, While connectivity and new growth areas continued to witness a YoY de-growth of 12.3% and 3.3%, respectively, in dollar terms, However, the company's deal wins remain strong, having secured nine large deals with a total value of \$197.6 million. The DET order intake stood at \$227.8 million, up 15% YoY, and closed 28 large deals with a total contract size of \$435.4 million.

**Normalising attrition rate..**

EBITDA margin declined by 37bps YoY to 18% due to an increase in sales and marketing costs. However, PAT improved by 15.9% YoY at Rs.189.2cr, due to an increase in other income. The DET hired 289 employees, adding to a total headcount of 15,461, and attrition declined 860bps to 17.1% on a YoY basis. The company is gearing up for future wins in aerospace and automotive by equipping over 2,500 employees with Gen-AI skills and starting to see interest from customers.

**FY25 outlook bright... Gen AI shapes future.**

The company expects high single-digit revenue growth in DET in CC terms and EBIT margins in the range of 16% in FY25. The management anticipates an increase in demand for ER&D services with smart and connected ecosystems, software customization, digitization, and sustainability themes. Connectivity is poised for a revival in H2FY25, with deal wins already picking up in the last quarter. Aerospace & Defense is to lead in transportation growth, especially in terms of air mobility and digitalization. Stable growth is expected in the sustainability segment, from energy transition, carbon capture, and alternative energy source projects. In new growth areas, software-defined vehicles and connected platforms will drive the automotive segment, and Gen AI is likely to push semiconductor growth by H2FY25.

**Valuation**

Despite economic challenges, we foresee a strong deal pipeline, a positive revenue mix in Sustainability and Transportation, and a rebound in Connectivity segments to drive future revenue. We expect earnings to grow by a CAGR of 20% during FY24-26E. Therefore, we retain our rating to Accumulate with a revised target price of Rs. 1,972 based on SOTP valuation.

**Company Data**

Market Cap (Rs cr)	19,143
Enterprise Value (Rs cr)	19,171
Outstanding Shares (Rs cr)	11.1
Free Float	0.76
Dividend Yield (%)	1.6%
52 week high (Rs)	2,457
52 week low (Rs)	1,189
6m average volume (cr)	0.05
Beta	0.8
Face value (Rs)	5.0

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	23.3	23.3	23.2
FII's	36.5	36.5	31.0
MFs/Institution	20.3	20.3	25.9
Public	19.8	19.8	19.0
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	-20.3%	7.7%	48.8%
Absolute Sensex	1.9%	13.4%	19.0%
Relative Return *	-22.2%	-5.7%	29.8%

\* Over or under performance to benchmark



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	7,147	8,096	9,299
Growth (%)	18.8	13.3	14.9
EBITDA	1,303	1,457	1,702
EBITDA Margin (%)	18.2	18.0	18.3
PAT Adj.	703	882	1,019
Growth (%)	36.6	25.6	15.5
Adj. EPS	63.5	79.8	92.2
Growth (%)	36.6	25.6	15.5
P/E	27.2	21.7	18.8
P/B	4.5	4.2	3.6
EV/EBITDA	15.1	13.5	11.6
ROE (%)	18.2	20.0	20.6
D/E	0.1	0.1	0.1

**Vinod T P**  
Research Analyst



## Quarterly Financials (Consolidated)

Rs.cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	1,860.8	1,751.4	6.2	1,821.4	2.2	7,147.2	6,015.9	18.8
EBITDA	335.3	322.0	4.1	326.1	2.8	1,302.8	1,003.1	29.9
EBITDA margins	18.0	18.4	-37bps	17.9	12bps	18.2	16.7	155bps
Adjusted PAT	189.2	163.2	15.9	147.2	28.5	702.8	514.4	36.6
No. of shares	11.1	11.1		11.1		11.1	11.1	
EPS (Rs)	17.1	14.8	15.9	13.3	28.5	63.5	46.5	36.6

## Financials (Cyient DLM)

Cyient DLM	Quarterly					Annual		
	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue	361.8	277.4	30.4	321.0	12.7	1,191.7	1,651.4	2,129.4
EBITDA	38.0	31.9	19.1	29.4	29.3	125.1	189.9	244.9
EBITDA margins	10.5	11.5	-100bps	9.2	135bps	10.5	11.5	11.5
Adjusted PAT	22.7	12.6	80.2	18.3	24.0	78.0	122.9	163.4
PAT Margins	6.3	4.5	173bps	5.7	57bps	6.5	7.4	7.7
EPS	2.9	1.6	80.2	2.3	24.0	9.8	15.5	20.6

## Financials (Cyient Ltd.)

Cyient (Standalone)	Quarterly					Annual		
	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24A	FY25E	FY26E
Revenue	1,499.0	1,474.0	1.7	1,500.4	-0.1	5,955.5	6,445.0	7,169.7
EBITDA	297.3	290.1	2.5	296.7	0.2	1,177.7	1,267.4	1,456.9
EBITDA margins	19.8	19.7	15bps	19.8	6bps	19.8	19.7	20.3
Adjusted PAT	174.2	150.6	15.7	134.9	29.1	624.8	759.5	855.8
PAT Margins	11.6	10.2	140bps	9.0	263bps	10.5	11.8	11.9
EPS	14.2	13.2	8.2	11.0	29.5	56.5	68.7	77.4

## Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,507	9,733	8,096	9,299	-4.83	-4.46
EBITDA	1,582	1,830	1,457	1,702	-7.88	-7.01
Margins (%)	18.6	18.8	18.0	18.3	-60bps	-50bps
Adj. PAT	940	1,129	882	1,019	-6.12	-9.73
EPS	85	102.1	79.8	92.2	-6.13	-9.74

## Sum of Parts (SOTP) Valuation

Particulars	Methodology	Multiple	% Holding	Value (Rs. cr.)	Value/Share (Rs.)
Cyient Ltd.	PE	21x	100.0%	17,972	1,619
Cyient DLM Ltd. (Discount of 10%)	PE	40x	66.6%	3,917	353
<b>Target price</b>				<b>21,889</b>	<b>1,972</b>

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>4,534</b>	<b>6,016</b>	<b>7,147</b>	<b>8,096</b>	<b>9,299</b>
% change	9.7	32.7	18.8	13.3	14.9
<b>EBITDA</b>	<b>818</b>	<b>1,003</b>	<b>1,303</b>	<b>1,457</b>	<b>1,702</b>
% change	42.2	22.7	29.9	11.9	16.8
Depreciation	192	257	267	288	303
<b>EBIT</b>	<b>626</b>	<b>747</b>	<b>1,036</b>	<b>1,170</b>	<b>1,398</b>
Interest	39	100	116	97	105
Other Income	112	81	66	81	102
<b>PBT</b>	<b>698</b>	<b>681</b>	<b>918</b>	<b>1,154</b>	<b>1,396</b>
% change	46.4	-2.5	34.8	25.6	21.0
Tax	176	167	216	271	377
Tax Rate (%)	25.2	24.5	23.5	23.5	27.0
<b>Reported PAT</b>	<b>522</b>	<b>514</b>	<b>703</b>	<b>882</b>	<b>1,019</b>
Adj.	0	0	0	0	0
<b>Adj. PAT</b>	<b>522</b>	<b>514</b>	<b>703</b>	<b>882</b>	<b>1,019</b>
% change	43.6	-1.5	36.6	25.6	15.5
No. of shares (cr)	11	11	11	11	11
<b>Adj EPS (Rs)</b>	<b>47</b>	<b>47</b>	<b>64</b>	<b>80</b>	<b>92</b>
% change	43.1	-1.7	36.6	25.6	15.5
DPS (Rs)	24	26	18	26	26
<b>CEPS (Rs)</b>	<b>65</b>	<b>70</b>	<b>88</b>	<b>106</b>	<b>120</b>

### CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	715	771	970	1,170	1,322
Non-cash adj.	17	131	17	-174	-272
Changes in W.C	-97	-349	-261	-245	-299
<b>C.F.O</b>	<b>635</b>	<b>554</b>	<b>726</b>	<b>751</b>	<b>751</b>
Capital exp.	-63	-65	-78	-253	-353
Change in inv.	-325	-66	0	-78	-149
Other invest.CF	55	44	0	2	-2
<b>C.F - investing</b>	<b>-382</b>	<b>-1,033</b>	<b>-533</b>	<b>-329</b>	<b>-504</b>
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	-97	-105
<b>C.F - Financing</b>	<b>-545</b>	<b>-109</b>	<b>-266</b>	<b>-345</b>	<b>-257</b>
Chg. in cash	-292	-588	-73	75	29
Closing cash	1,112	550	473	635	1,008

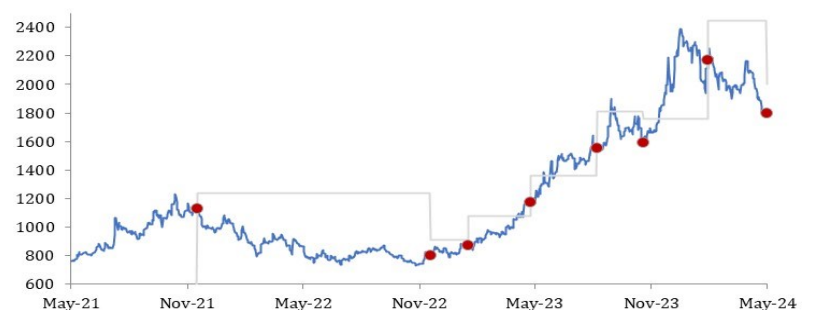
### BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,112	550	473	635	1,008
Accounts Receivable	733	1,127	1,262	1,353	1,554
Inventories	279	436	468	577	662
Other Cur. Assets	324	321	311	377	433
Investments	869	1,094	1,447	1,655	1,850
Gross Fixed Assets	1,113	1,166	1,431	1,481	1,561
Net Fixed Assets	454	448	446	208	-15
CWIP	13	45	57	43	73
Intangible Assets	48	463	440	608	801
Def. Tax (Net)	-10	-35	-9	-38	-24
Other Assets	671	1,611	1,686	1,725	1,786
<b>Total Assets</b>	<b>4,718</b>	<b>6,337</b>	<b>6,908</b>	<b>7,521</b>	<b>8,557</b>
Current Liabilities	855	1,452	1,225	1,350	1,465
Provisions	176	275	294	333	382
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	4,517	5,254
Shareholder's Fund	3,117	3,467	4,258	4,573	5,309
<b>Total Liabilities</b>	<b>4,718</b>	<b>6,337</b>	<b>6,908</b>	<b>7,521</b>	<b>8,557</b>
<b>BVPS</b>	<b>278</b>	<b>272</b>	<b>345</b>	<b>359</b>	<b>408</b>

### RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	18.0	16.7	18.2	18.0	18.3
EBIT margin (%)	13.8	12.4	14.5	14.4	15.0
Net profit mgn.(%)	11.5	8.6	9.8	10.9	11.0
ROE (%)	17.2	15.6	18.2	20.0	20.6
ROCE (%)	12.7	11.1	13.3	14.6	14.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	61.8	56.4	61.0	58.9	57.1
Inventory (days)	17.6	21.7	23.1	23.5	24.3
Payables (days)	7.0	12.4	15.0	12.8	12.6
Current ratio (x)	11.3	5.0	6.4	6.4	6.9
Quick ratio (x)	9.5	3.4	4.9	4.4	4.7
<b>Turnover &amp;Levg.</b>					
Gross asset T.O (x)	4.2	5.3	5.5	5.6	6.1
Total asset T.O (x)	1.0	1.1	1.1	1.1	1.2
Int. covge. ratio (x)	15.9	7.5	8.9	12.1	13.4
Adj. debt/equity (x)	0.1	0.2	0.1	0.1	0.1
<b>Valuation ratios</b>					
EV/Sales (x)	4.4	3.3	2.7	2.4	2.1
EV/EBITDA (x)	24.2	19.9	15.1	13.5	11.6
P/E (x)	36.5	37.2	27.2	21.7	18.8
P/BV (x)	6.1	5.5	4.5	4.2	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

Source: Bloomberg, Geojit Research.

## Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10%-15%	Upside is between 10%-20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>			

### 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

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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