

**CYIENT DLM LIMITED**

In-line performance, Order inflow to pick up in H2FY25

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Cyient DLM's results for the quarter met expectations in terms of revenues, while margins and profitability were better than estimates. The order pipeline remains robust, with several large deals in advanced stages expected to materialize in the second half of FY24, consistent with earlier guidance from management. Although the year-on-year growth in the order book has been slow and has declined, there is optimism for improvement in the coming quarters as order inflows strengthen. During the quarter, Cyient DLM welcomed four new global clients in the semiconductor, defense, and Med-Tech sectors, which bodes well for long-term visibility and growth prospects. We maintain a positive outlook on Cyient DLM due to its strong parent company support, established client relationships complemented by new additions, a resilient order book, healthy order inflows, a robust pipeline, and specialized capabilities in high-growth areas. The stock has seen a correction from its peak levels and presents compelling value prospects at reasonable valuations. Our estimates remain unchanged, and we reiterate a Buy rating on the stock with an unchanged price target of ₹851.

**Q1FY25 Result Summary**

Cyient DLM reported revenues of ₹2.6 bn, meeting expectations with YoY growth of 19%. The strong performance in aerospace and defense, which saw a 79% increase YoY, was counterbalanced by a significant decline of 82% in industrial revenue. The company's in-line execution was supported by better-than-expected margins, achieving an EBITDA of ₹200 mn. However, Cyient's EBITDA margin decreased by 145 basis points to 7.8%, attributed to challenges in execution including supply-chain issues from Israel, increased investments, and an unfavorable mix due to a lower-margin order from BEL. Reported PAT stood at ₹106 mn driven by higher other income.

**Order inflow to pickup in H2FY25, pipeline strong**

Cyient DLM anticipates a rebound in orders during the second half of FY25, fueled by increased activity in major programs from existing clients and the addition of four new customers in Q1FY25. Following a period of subdued order inflows over the past few quarters, substantial orders from these programs are crucial to provide clear growth prospects going forward. Additionally, the company has disclosed its advanced negotiations for a potential acquisition aimed at strengthening its product portfolio and expanding its footprint in international markets, making any promising acquisition an additional important aspect to monitor.

Key Financials	FY22	FY23	FY24	FY25E	FY26E
Total Sales (₹ mn)	7,205	8,320	11,919	15,911	21,194
EBITDA Margins (%)	11.7	10.6	9.3	10.4	11.6
PAT Margin s(%)	5.5	3.8	5.1	7.1	8.4
EPS (₹)	5.0	4.0	7.7	14.3	22.4
P/E (x)	140.7	176.3	91.4	49.2	31.5
P/BV (x)	72.5	28.3	6.2	5.5	4.7
EV/EBITDA (x)	69.1	65.8	47.3	30.6	20.0
RoE (%)	69.3	23.1	11.1	11.8	16.0
RoCE (%)	15.6	11.3	10.5	11.2	15.7

Rating	<b>BUY</b>
Current Market Price (₹)	<b>740</b>
12M Price Target (₹)	<b>851</b>
Potential upside (%)	<b>15</b>

**Stock Data**

Sector :	Electronics Manufacturing Services
FV (₹) :	10
Total Market Cap (₹ bn) :	60
Free Float Market Cap (₹ bn) :	15
52-Week High / Low (₹)	884 / 450
BSE Code / NSE Symbol	543933 / CYIENTDLM
Bloomberg :	CYIENTDLM.NS

**Shareholding Pattern**

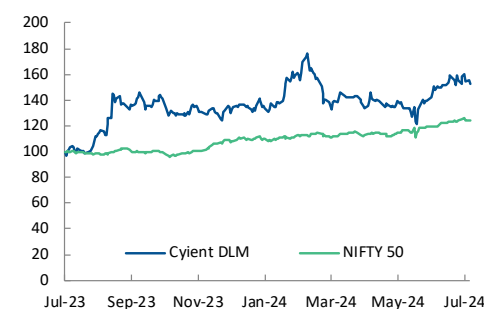
(%)	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	66.66	66.66	66.66	66.66
MFs	16.84	11.17	9.78	10.55
FPIs	5.14	7.04	6.32	6.23
AIFs	0.38	1.30	1.34	1.70
Bodies Corporate	1.12	5.90	7.35	7.78
Others	9.86	7.93	8.55	7.08

Source: BSE

**Price Performance**

(%)	1M	3M	6M	11M
Cyient DLM	2.6%	9.5%	15.9%	33.7%
Nifty 50	4.2%	9.4%	15.3%	25.9%

\* To date / current date : July 23, 2024

**Cyient DLM vs Nifty 50**

### Outlook & Valuation

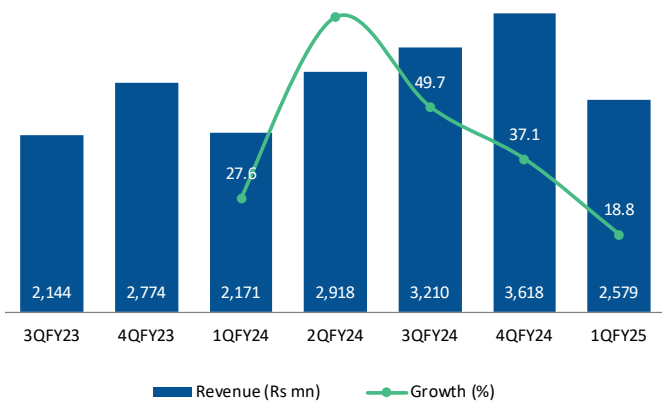
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### Quarterly Financial Snapshot

YE Mar (₹ mn)	Q1FY25	Q1FY24	YoY(%)	Q4FY24	QoQ(%)
<b>Gross Sales</b>	<b>2,579</b>	<b>2,171</b>	<b>18.8</b>	<b>3,618</b>	<b>-28.7</b>
Total Expenditure	2,379	1,972		3,238	
<b>EBITDA</b>	<b>200</b>	<b>200</b>	<b>0.0</b>	<b>380</b>	<b>-47.5</b>
<i>Margins (%)</i>	7.8	9.2	-145bps	10.5	-270bps
Depreciation	67	48	38.6	62	7.2
Interest	80	91	-11.6	94	-14.8
Other Income	89	9	874.9	83	7.0
<b>PBT before EO expense</b>	<b>142</b>	<b>70</b>	<b>102.6</b>	<b>307</b>	<b>-53.9</b>
Extra-Ord expense	0	0		0	
<b>PBT</b>	<b>142</b>	<b>70</b>	<b>102.6</b>	<b>307</b>	<b>-53.9</b>
Tax	36	16	118.9	80	-55.2
Rate (%)	25.2	23.3		25.9	
Minority Interest & Profit/Loss of Asso. Cos.	0	0		0	
<b>Reported PAT</b>	<b>106</b>	<b>54</b>	<b>97.7</b>	<b>227</b>	<b>-53.4</b>
<b>Adj PAT</b>	<b>106</b>	<b>54</b>	<b>97.7</b>	<b>227</b>	<b>-53.4</b>
<i>Margins (%)</i>	4.1	2.5		6.3	

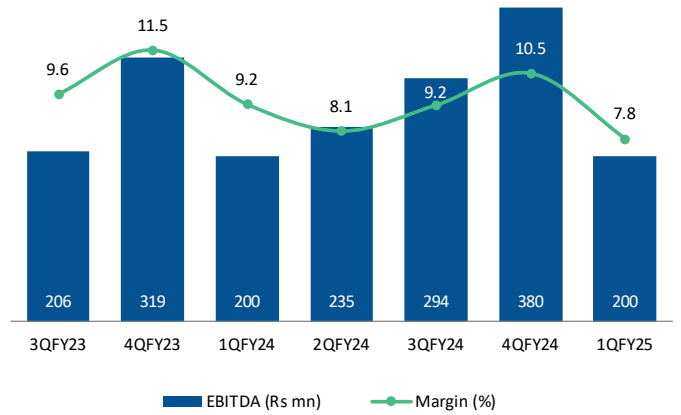
Source: Company, LKP Research

Revenue

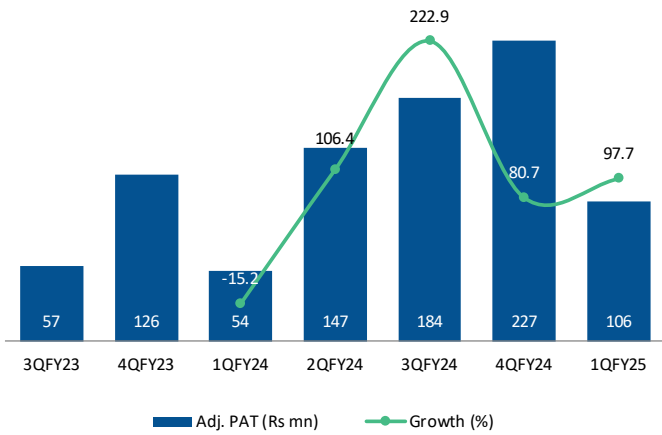


Source: Company, LKP Research

EBITDA

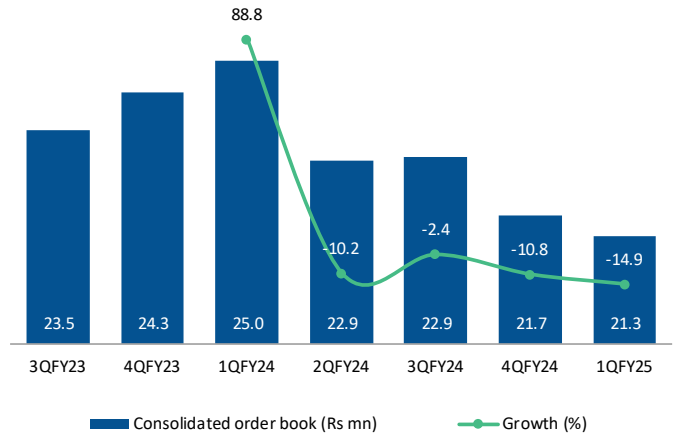


PAT

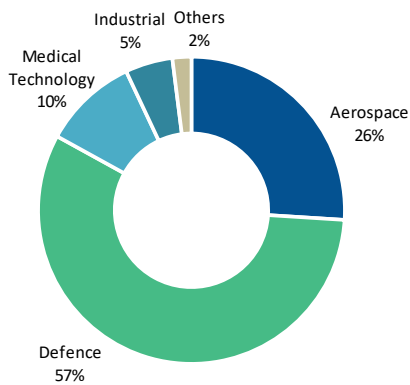


Source: Company, LKP Research

Consolidated Order book

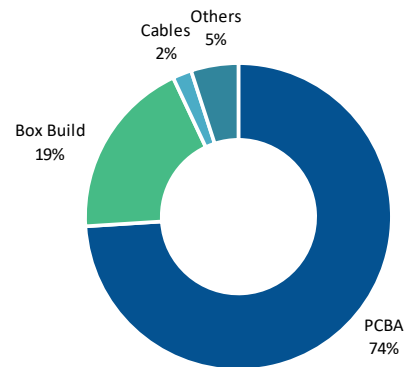


Product wise revenue mix (2QFY23)



Source: Company, LKP Research

End user wise revenue mix (2QFY23)



### Concall Highlights

- There were constraints in procuring raw materials from the Israel region.
- Lower-than-expected volume has had an adverse impact on the absorption of fixed costs in Q1, resulting in an EBITDA percentage of 7.8%. This is a temporary issue, and management is confident of improvement when the volumes return to our expected level.
- The effect of the low volume this quarter impacts the trailing 12 months of revenue metrics. The company has roughly 100 days of net working capital by the end of June. Company has seen fewer advances due to more stability in the supply chain, which attributes most of the change.
- Management maintains NWC target of 100 days.
- Management is looking for acquisition in NAM, EMEA. Management has some acquisition plans in North America and EMEA and is in advanced discussions in this regards.
- Large deals in pipeline and are at advanced stage. Company still has a long order book to execute.
- Strengthened India Market focus with investment in India, hired talent for Sales team and India Defense segment.
- New CTO being appointed to focus on technology and innovation part.
- Strategizing to enter in a disruptive industries like Electric vehicles and Energy.
- Focus on building ITAR capability to be able to expand to US Defense segment that will give expansion opportunities into the US defense segment.

## Consolidated - Income Statement

(₹ mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>6,280</b>	<b>7,205</b>	<b>8,320</b>	<b>11,919</b>	<b>15,911</b>	<b>21,194</b>
<i>Change (%)</i>	37.4	14.7	15.5	43.2	33.5	33.2
RM Cost	4,953	5,440	6,452	9,200	12,300	16,319
Employees Cost	469	517	647	1,174	1,352	1,590
Other Expenses	399	409	344	435	605	827
<b>Total Expenditure</b>	<b>5,821</b>	<b>6,365</b>	<b>7,442</b>	<b>10,809</b>	<b>14,257</b>	<b>18,736</b>
<i>% of Sales</i>	92.7	88.3	89.4	90.7	89.6	88.4
<b>EBITDA</b>	<b>460</b>	<b>840</b>	<b>878</b>	<b>1,110</b>	<b>1,655</b>	<b>2,459</b>
<i>Margin (%)</i>	7.3	11.7	10.6	9.3	10.4	11.6
Depreciation	185	193	194	223	264	292
<b>EBIT</b>	<b>275</b>	<b>647</b>	<b>684</b>	<b>887</b>	<b>1,390</b>	<b>2,166</b>
Int. and Finance Charges	208	220	315	344	95	27
Other Income	89	79	63	278	223	234
<b>PBT bef. EO Exp.</b>	<b>156</b>	<b>507</b>	<b>432</b>	<b>821</b>	<b>1,518</b>	<b>2,373</b>
EO Items	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>156</b>	<b>507</b>	<b>432</b>	<b>821</b>	<b>1,518</b>	<b>2,373</b>
Total Tax	38	109	114	209	382	597
<i>Tax Rate (%)</i>	24.2	21.6	26.5	25.5	25.2	25.2
Minority Interest	0	0	0	0	0	0
<b>Reported PAT</b>	<b>118</b>	<b>398</b>	<b>317</b>	<b>612</b>	<b>1,136</b>	<b>1,775</b>
<b>Adjusted PAT</b>	<b>118</b>	<b>398</b>	<b>317</b>	<b>612</b>	<b>1,136</b>	<b>1,775</b>
<i>Change (%)</i>	-276.3	236.0	-20.2	92.9	85.6	56.3
<i>Margin (%)</i>	1.9	5.5	3.8	5.1	7.1	8.4

## Consolidated - Balance Sheet

(₹ mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	14	14	529	793	793	793
Preference Capital	0	0	0	0	0	0
Total Reserves	363	757	1,450	8,297	9,432	11,208
<b>Net Worth</b>	<b>377</b>	<b>771</b>	<b>1,979</b>	<b>9,090</b>	<b>10,225</b>	<b>12,001</b>
Minority Interest	0	0	0	0	0	0
Total Loans	2,790	3,369	3,561	1,921	321	321
Deferred Tax Liabilities	-51	-39	-54	-59	-59	-59
<b>Capital Employed</b>	<b>3,116</b>	<b>4,101</b>	<b>5,485</b>	<b>10,952</b>	<b>10,488</b>	<b>12,263</b>
Gross Block	2,650	2,668	2,642	3,177	3,434	3,786
Less: Accum. Deprn.	824	977	1,063	1,286	1,550	1,843
<b>Net Fixed Assets</b>	<b>1,826</b>	<b>1,692</b>	<b>1,579</b>	<b>1,891</b>	<b>1,884</b>	<b>1,943</b>
Goodwill on Consolidation	30	30	30	30	30	30
Capital WIP	23	34	13	10	252	200
<b>Total Investments</b>	<b>3</b>	<b>3</b>	<b>895</b>	<b>662</b>	<b>662</b>	<b>662</b>
Current Investments	0	0	0	0	0	0
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,517</b>	<b>5,971</b>	<b>8,476</b>	<b>13,381</b>	<b>15,198</b>	<b>19,236</b>
Inventory	1,555	2,696	4,251	4,642	5,560	6,707
Account Receivables	2,264	1,523	1,618	2,259	2,616	3,484
Cash and Bank Balance	342	1,218	1,676	5,366	5,590	7,138
Loans and Advances	357	534	931	1,114	1,432	1,907
<b>Curr. Liability &amp; Prov.</b>	<b>3,284</b>	<b>3,629</b>	<b>5,508</b>	<b>5,022</b>	<b>7,539</b>	<b>9,809</b>
Account Payables	1,928	1,932	2,867	3,200	4,044	5,365
Other Current Liabilities	1,262	1,564	2,521	1,712	3,341	4,239
Provisions	93	134	120	110	154	205
<b>Net Current Assets</b>	<b>1,233</b>	<b>2,342</b>	<b>2,968</b>	<b>8,359</b>	<b>7,659</b>	<b>9,427</b>
Misc Expenditure	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>3,116</b>	<b>4,101</b>	<b>5,486</b>	<b>10,952</b>	<b>10,488</b>	<b>12,263</b>

## Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (₹)</b>						
EPS	1.5	5.0	4.0	7.7	14.3	22.4
Cash EPS	3.8	7.4	6.4	10.5	17.7	26.1
BV/Share	4.7	9.7	25.0	114.6	128.9	151.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>						
P/E	496.1	147.6	185.0	95.9	51.7	33.1
Cash P/E	193.7	99.4	114.8	70.3	41.9	28.4
P/BV	155.9	76.1	29.7	6.5	5.7	4.9
EV/Sales	9.7	8.4	7.3	4.6	3.4	2.4
EV/EBITDA	133.0	72.4	69.0	49.8	32.3	21.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	0.9	5.2	5.6	-16.8	21.4	16.9
<b>Return Ratios (%)</b>						
RoE	37.3	69.3	23.1	11.1	11.8	16.0
RoCE	8.5	15.6	11.3	10.5	11.2	15.7
RoIC	9.1	18.1	17.5	16.9	23.4	39.3
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	2.4	2.7	3.1	3.8	4.6	5.6
Asset Turnover (x)	2.0	1.8	1.5	1.1	1.5	1.7
Inventory (Days)	139	143	196	176	165	150
Debtor (Days)	82	96	69	59	60	60
Creditor (Days)	115	130	136	120	120	120
<b>Leverage Ratio (x)</b>						
Current Ratio	1.4	1.6	1.5	2.7	2.0	2.0
Interest Cover Ratio	1.3	2.9	2.2	2.6	14.6	79.3
Net Debt/Equity	6.5	2.8	1.0	-0.4	-0.5	-0.6

## Consolidated - Cash Flow Statement

(₹ mn)	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	118	398	317	821	1,518	2,373
Depreciation	185	193	194	223	264	292
Interest & Finance Charges	171	175	267	66	-127	-206
Direct Taxes Paid	1	-62	-168	-209	-382	-597
(Inc)/Dec in WC	-200	-329	-229	-1,702	924	-220
<b>CF from Operations</b>	<b>275</b>	<b>375</b>	<b>381</b>	<b>-801</b>	<b>2,197</b>	<b>1,641</b>
Others	74	111	140	0	0	0
<b>CF from Operating incl EO</b>	<b>349</b>	<b>486</b>	<b>521</b>	<b>-801</b>	<b>2,197</b>	<b>1,641</b>
(Inc)/Dec in FA	-274	-77	-76	-531	-500	-300
<b>Free Cash Flow</b>	<b>75</b>	<b>409</b>	<b>445</b>	<b>-1,332</b>	<b>1,697</b>	<b>1,341</b>
(Pur)/Sale of Investments	0	0	-892	0	0	0
Others	265	-247	-450	278	223	234
<b>CF from Investments</b>	<b>-9</b>	<b>-324</b>	<b>-1,418</b>	<b>-253</b>	<b>-277</b>	<b>-66</b>
Issue of Shares	0	0	889	7,000	0	0
Inc/(Dec) in Debt	-336	534	-4	-1,639	-1,600	0
Interest Paid	-92	-73	-145	-344	-95	-27
Dividend Paid	0	0	0	0	0	0
Others	-232	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-660</b>	<b>461</b>	<b>740</b>	<b>5,017</b>	<b>-1,695</b>	<b>-27</b>
<b>Inc/Dec of Cash</b>	<b>-320</b>	<b>622</b>	<b>-157</b>	<b>3,963</b>	<b>225</b>	<b>1,547</b>
Opening Balance	662	342	1,218	1,676	5,366	5,590
Other cash & cash equivalent	0	254	615	-273		
<b>Closing Balance</b>	<b>342</b>	<b>1,218</b>	<b>1,676</b>	<b>5,366</b>	<b>5,590</b>	<b>7,138</b>



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