



India

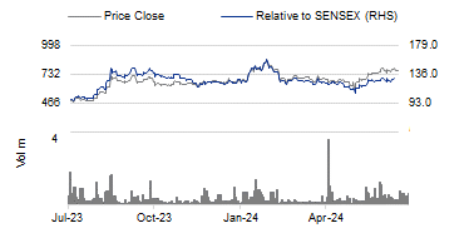
ADD (no change)

Consensus ratings*: Buy 6 Hold 0 Sell 1

Current price:	Rs766
Target price:	Rs1,049
Previous target:	Rs1,049
Up/downside:	36.9%
InCred Research / Consensus:	22.8%

Reuters:	
Bloomberg:	CYIENTDL IN
Market cap:	US\$836m
	Rs60,733m
Average daily turnover:	US\$4.4m
	Rs322.0m
Current shares o/s:	79.3m
Free float:	10.8%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.6	14.3	54.1
Relative (%)	0.3	4.7	27.7

Major shareholders	% held
Promoters	66.7
FII	7.2
DII	12.0

Research Analyst(s)

Vipraw SRIVASTAVA

T (91) 22 4161 1565

E vipraw.srivastava@incredresearch.com

Arafat SAIYED

T (91) 22 4161 1542

E arafat.saiyed@incredcapital.com

Anirvan DIVAKERA

T (91) 02241611548

E anirvan.divakera@incredresearch.com

Cyient DLM Ltd

Growth trajectory on track

- Cyient DLM posted 1QFY25 revenue of Rs2,579m, up 19% YoY. The EBITDA margin declined by 145bp YoY to 8%, mainly due to operating leverage.
- The gross margin improved by 30bp YoY and PAT also increased by 98% YoY to Rs106m.
- We maintain our estimates for FY25F/26F, respectively. Retain ADD rating on the stock with a target price of Rs1,049.

Supply chain problems led to lower-than-expected revenue growth

For Cyient DLM, almost 60% of the revenue is from exports. Due to supply chain problems resulting from the Israel-Hamas war, the company faced problems in procurement of raw materials from Israel, thus resulting in shifting some 1QFY25 revenue to 2QFY25F. However, the issue has been resolved completely, and the company is expected to continue its growth trajectory for FY25F. This lower-than-expected revenue growth also resulted in operating leverage, which resulted in 140bp of EBITDA margin decline YoY. However, the gross margin improved by 30bp. As the revenue numbers start trending upwards from 2QFY25F, the margins will also continue their upward trend.

Concern over flattish order book; ramp-up expected in 2HFY25F

Cyient DLM's order book stood at Rs 21,267m, which was flattish QoQ. We expect Cyient DLM to execute Rs4,000m of Bharat Electronics' orders by the end of FY25F. Hence, excluding that, the company needs to win incremental orders for its growth prospects in FY26F and beyond. We expect Cyient DLM to win incremental orders in the coming quarters due to the prevailing macroeconomic tailwinds in the aerospace and defence space owing to Russia-Ukraine and Israel-Hamas wars. The prospects of a Republican win in the US presidential elections aren't a major risk, as most Cyient DLM's clients are European, and we do not see any major change in fiscal spending by European countries on aerospace and defence.

Cyient DLM is high-conviction pick; retain ADD with a TP of Rs1,049

We maintain Cyient DLM's revenue/ EBITDA/PAT estimates for FY25F/26F. We believe that Cyient DLM will benefit from the policy tailwinds in the defence space in India and Europe. This, coupled with inorganic opportunities in the medical segment and new client wins in the industrial segment, will lead to a robust growth of 30%+ in the next couple of years. The air taxi optionality could also play out by FY27F, as Honeywell's largest client Lilium vies for type certification by the end of CY24F. This could result in an incremental order inflow of Rs27bn by FY27F. Thus, we value Cyient DLM at 45x FY26F EPS to arrive at a target price of Rs1,049. Key downside risks: Any slowdown in order execution due to the prevailing supply chain problems owing to geopolitical conflicts, coupled with the slowdown in order wins due to policy shifts by European countries.

Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	7,205	8,320	11,918	16,428	21,458
Operating EBITDA (Rsm)	840	878	1,109	1,796	2,600
Net Profit (Rsm)	398	317	611	1,206	1,867
Core EPS (Rs)	7.5	6.0	7.7	15.2	23.5
Core EPS Growth	237.2%	(20.3%)	28.3%	97.5%	54.8%
FD Core P/E (x)	101.73	127.59	99.44	50.34	32.53
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	50.21	47.79	51.83	32.24	21.90
P/FCFE (x)	53.84	(48.13)	(7.61)	(47.03)	1,807.41
Net Gearing	222.3%	74.2%	(35.5%)	(27.2%)	(31.1%)
P/BV (x)	52.50	20.46	6.68	5.90	4.99
ROE	69.4%	23.1%	11.0%	12.4%	16.6%
% Change In Core EPS Estimates				7.04%	12.19%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call takeaways

- Cyient DLM had four new logo wins in 1QFY25. One was from a global semiconductor company, which will be providing EMS services. Another is a defence opportunity while the other one is in the medtech area focused on diagnostic equipment for the global market, and then from yet another large defence and aerospace company.
- The company expects medtech business to start ramping up significantly in the coming quarters, as is visible with the new logo wins in this space.
- The company faced an EBITDA margin decline due to temporary supply chain problems in 1QFY25, which are expected to be resolved from 2QFY25F and beyond, resulting in a ramp-up of revenue.
- Even though net working capital or NWC days declined to 171 days in 1Q, the company expects to reach 100 days in NWC by the year-end.
- The company has almost US\$1bn of enquiries in the pipeline, which the company expects to convert into orders in the coming quarter.

Figure 1: Margin analysis

Margin Analysis	1QFY25	1QFY24	YoY bp chg	4QFY24	QoQ bp chg
Raw material costs	74.7%	75.0%	-24	76.1%	-139
Employee expenses	12.7%	11.3%	147	9.9%	285
Other expenses	4.8%	4.6%	22	3.5%	130
EBITDA margin	7.8%	9.2%	-145	10.5%	-276
EBIT margin	8.6%	7.4%	120	11.1%	-248
PAT margin (%)	4.1%	2.5%	164	6.3%	-218
Effective tax rate (%)	25.2%	23.3%	187	25.9%	-74

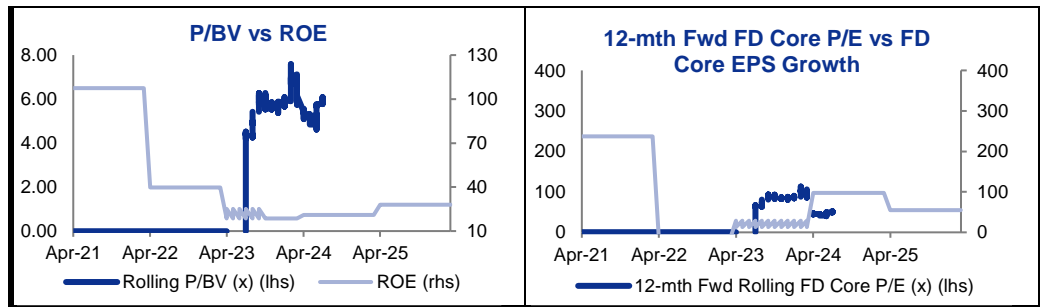
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Quarterly earnings snapshot for 1QFY25F

	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)
Net Sales	2,579	2,172	18.8%	3,618	-28.7%
COGS	1,927	1,628	18.4%	2,754	-30.0%
Employee expenses	328	244	34.2%	357	-8.1%
Other expenses	124	99	24.5%	127	-2.2%
Total expenses	2,379	1,972	20.7%	3,238	-26.5%
EBITDA	200	200	0.0%	380	-47.5%
Other income	89	9	874.9%	83	7.0%
Depreciation	67	48	38.6%	62	7.2%
EBIT	222	161	38.1%	401	-44.7%
Interest	80	91	-11.6%	94	-14.8%
PBT before Eol	142	70	102.6%	307	-53.9%
PBT	142	70	102.6%	307	-53.9%
Tax expenses	36	16	118.9%	80	-55.2%
PAT	106	54	97.6%	227	-53.4%
EPS	1.34	0.68		2.87	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	7,205	8,320	11,918	16,428	21,458
Gross Profit	1,766	1,868	2,719	3,696	4,828
Operating EBITDA	840	878	1,109	1,796	2,600
Depreciation And Amortisation	(193)	(194)	(223)	(243)	(244)
Operating EBIT	648	684	886	1,553	2,356
Financial Income/(Expense)	(220)	(315)	(344)	(222)	(170)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	80	63	278	288	320
Profit Before Tax (pre-EI)	507	432	820	1,619	2,506
Exceptional Items					
Pre-tax Profit	507	432	820	1,619	2,506
Taxation	109	114	209	413	639
Exceptional Income - post-tax					
Profit After Tax	398	317	611	1,206	1,867
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	398	317	611	1,206	1,867
Recurring Net Profit	398	317	611	1,206	1,867
Fully Diluted Recurring Net Profit	398	317	611	1,206	1,867

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	591	511	1,044	1,862	2,750
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(329)	(229)	(1,676)	(1,593)	(845)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	158	140	53		
Other Operating Cashflow					
Net Interest (Paid)/Received	175	267	69	(66)	(150)
Tax Paid	(109)	(168)	(195)	(413)	(639)
Cashflow From Operations	485	521	(705)	(209)	1,116
Capex	(84)	(76)	(4,277)	(282)	(282)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(240)	(1,343)			
Cash Flow From Investing	(324)	(1,419)	(4,277)	(282)	(282)
Debt Raised/(repaid)	591	57	(1,669)	(800)	(800)
Proceeds From Issue Of Shares		889	6,694		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(130)	(205)	(235)	66	150
Cash Flow From Financing	461	740	4,790	(734)	(650)
Total Cash Generated	622	(158)	(192)	(1,225)	183
Free Cashflow To Equity	752	(841)	(6,651)	(1,291)	34
Free Cashflow To Firm	(13)	(1,165)	(5,051)	(425)	983

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	1,218	1,676	5,366	4,141	4,324
Total Debtors	1,552	1,653	2,259	3,016	3,939
Inventories	2,696	4,251	4,642	5,491	6,290
Total Other Current Assets	475	896	992	1,350	1,764
Total Current Assets	5,941	8,475	13,259	13,997	16,317
Fixed Assets	1,756	1,593	1,879	1,918	1,956
Total Investments	3	895	807	807	807
Intangible Assets					
Total Other Non-Current Assets	69	84	89	89	89
Total Non-current Assets	1,829	2,572	2,775	2,814	2,852
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	1,925	2,853	3,200	4,276	5,585
Other Current Liabilities	2,141	3,070	1,605	900	882
Total Current Liabilities	4,066	5,923	4,805	5,176	6,467
Total Long-term Debt	2,932	3,145	2,138	1,338	538
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	2,932	3,145	2,138	1,338	538
Total Provisions					
Total Liabilities	6,998	9,068	6,943	6,514	7,005
Shareholders Equity	771	1,979	9,090	10,296	12,163
Minority Interests					
Total Equity	771	1,979	9,090	10,296	12,163

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	14.7%	15.5%	43.2%	37.8%	30.6%
Operating EBITDA Growth	82.9%	4.5%	26.4%	62.0%	44.7%
Operating EBITDA Margin	11.7%	10.6%	9.3%	10.9%	12.1%
Net Cash Per Share (Rs)	(32.42)	(27.79)	40.71	35.34	47.74
BVPS (Rs)	14.59	37.43	114.63	129.85	153.39
Gross Interest Cover	2.95	2.17	2.58	6.99	13.84
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	95.92	68.89	59.36	57.60	57.38
Inventory Days	142.59	196.48	176.41	145.25	129.29
Accounts Payables Days	128.33	135.13	120.07	107.16	108.21
ROIC (%)	19.5%	20.0%	13.1%	17.4%	23.3%
ROCE (%)	20.2%	15.5%	10.8%	13.6%	19.4%
Return On Average Assets	11.0%	8.3%	9.5%	13.4%	18.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.