



India

ADD (no change)

Consensus ratings*: Buy 9 Hold 0 Sell 1

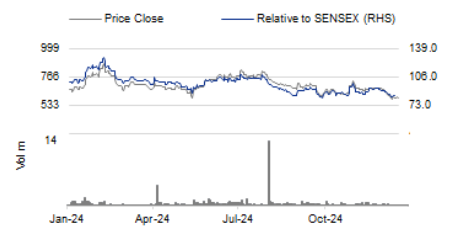
Current price:	Rs596
Target price:	Rs818
Previous target:	Rs1,000
Up/downside:	37.2%
InCred Research / Consensus:	-19.8%

Reuters:	
Bloomberg:	CYIENTDL IN
Market cap:	US\$546m
	Rs47,274m
Average daily turnover:	US\$2.0m
	Rs170.9m
Current shares o/s:	79.3m
Free float:	12.3%

*Source: Bloomberg

Key changes in this note

- Lower our revenue estimates by 2%-7% and PAT estimates by 19%-23% for FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(12.1)	(9.8)	(9.7)
Relative (%)	(9.5)	(4.6)	(14.9)

Major shareholders	% held
HDFC MF	8.6
Nippon Life	8.5
Aditya Birla Sun Life	5.1

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Cyient DLM Ltd

Huge US market potential

- 3Q EBITDA, after adjusting M&A integration expenses (Rs80m), stood at Rs359m, up 22% YoY, 12% below our estimate & 15% below BB consensus.
- Added a major client in the energy services sector, with the order pipeline now at more than US\$1bn. Six new logos show steady client acquisition efforts.
- For FY25F-27F, we lower our revenue estimates by 2%-7% and PAT estimates by 19%-23%. Reiterate ADD rating on the stock with a lower TP of Rs818.

Lower-than-expected 3QFY25 performance

Cyient DLM posted a muted performance in 3QFY25, with revenue growth of 38% YoY to Rs4.4bn, 3% below our estimate and 1% below the Bloomberg or BB consensus estimate, while standalone revenue grew by 11% YoY to Rs3.6bn. Reported EBITDA declined by 4% YoY to Rs281m while margin fell by 281bp YoY to 6.3%. EBITDA, after adjusting M&A integration expenses (Rs80m), stood at Rs359m, up 22% YoY, 12% below our estimate and 15% below the BB consensus estimate. Reported PAT stood at Rs110m, down 40% YoY, while adjusted PAT was at Rs166m, down 9% YoY, 32% below our estimate and 38% below the BB consensus estimate.

Transition of Altek Electronics

The Altek Electronics acquisition and favourable US policy trend augur well for the company. Management expects robust growth in North America, bolstered by Altek Electronics' manufacturing capabilities and supportive US policies favouring domestic production. The localization trend, driven by political initiatives, positions Cyient DLM as a strategic partner for OEMs seeking US-based suppliers.

Concerns over lower order book remain; order pipeline is healthy

Cyient DLM's order book at the end of 3QFY25 stood at Rs21.5bn, down 7% YoY, despite adding orders worth Rs2.9bn from Altek Electronics. The company added a major client in the energy services sector, adding to its order pipeline which exceeds US\$1bn. Advanced negotiations are underway for large deals, which are expected to bolster the order book in FY26F. Six new logos reflect steady client acquisition efforts.

Maintain ADD rating with a lower target price of Rs818

Cyient DLM's margin was hit by acquisition-related expenses, bad debt provision & low-margin contracts. Management remains optimistic about achieving sustainable double-digit margin, aided by cost control and project mix improvement. Cyient DLM has a strong presence in the defence products segment, which is likely to benefit from policy tailwinds in the defence space in India & Europe. Altek Electronics' manufacturing capabilities and supportive US policies favour domestic production. For FY25F-27F, we cut revenue estimates by 2%-7% & PAT estimates by 19%-23% factoring in lower order inflow & lower margin. We retain our ADD rating on the stock with a lower target price Rs818 (Rs1,000 earlier), valuing it at 40x FY27F EPS. Downside risks: Any slowdown in order execution coupled with the slowdown in order wins due to policy shift by European countries...

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	8,320	11,919	15,775	19,331	22,656
Operating EBITDA (Rsm)	878	1,110	1,359	1,966	2,424
Net Profit (Rsm)	317	612	653	1,245	1,622
Core EPS (Rs)	4.0	7.7	9.3	15.7	20.4
Core EPS Growth	(20.3%)	92.9%	20.0%	69.6%	30.2%
FD Core P/E (x)	148.95	77.22	72.34	37.95	29.14
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)	55.51	38.94	33.76	23.00	18.21
P/FCFE (x)	(57.50)	(7.13)	(523.69)	37.06	(84.69)
Net Gearing	74.2%	(44.3%)	(14.0%)	(18.4%)	(24.6%)
P/BV (x)	23.88	5.20	4.81	4.27	3.72
ROE	23.1%	11.1%	7.8%	11.9%	13.6%
% Change In Core EPS Estimates			(23.07%)	(19.41%)	(19.53%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** Cyient DLM posted a weak set of 3QFY25 numbers due to delayed deal closures and lower execution. The organic order backlog declined, but management emphasized advanced-stage negotiations for three large deals.
- **Guidance:** Management reaffirmed its 30% CAGR guidance over the medium term, acknowledging variability across the years. Despite challenges, the company remains confident about achieving its long-term revenue and profitability goals. Margin is expected to improve in 4QFY25F, driven by the ramp-down of low-margin projects and higher-margin contribution from new deals. Altek Electronics is expected to achieve double-digit EBITDA margin as integration progresses, supporting overall profitability.
- **Altek Electronics integration:** Altek Electronics enhances Cyient DLM's portfolio by enabling US manufacturing for ITAR-compliant defence programs and broadening access to western markets. The integration is progressing well, focusing on aligning operations, supply chain, and market strategy. The acquisition positions Cyient DLM to leverage Altek Electronics' US-based operations for client proximity and operational synergies. Collaborative go-to-market strategies with key clients aim to integrate offerings, particularly in high-value, mission-critical electronics. Altek Electronics' shorter sales cycle is expected to help offset standalone challenges, contributing to near-term revenue visibility.
- **US market growth potential:** Management expects robust growth in North America, bolstered by Altek Electronics' manufacturing capabilities and supportive US policies favouring domestic production. The localization trend, driven by political initiatives, positions Cyient DLM as a strategic partner for OEMs seeking US-based suppliers.
- **Diversified industry mix:** The acquisition of Altek Electronics diversified the company's industry base, with industrial and medical segments contributing significantly (47% and 156% YoY growth, respectively). The business mix now includes aerospace, defence, industrial, and medtech, reducing the dependency on any single sector.
- **Margin pressure:** Margin was impacted by acquisition-related expenses, bad debt provision, and low-margin contracts. Management remains optimistic about achieving sustainable double-digit margin, aided by cost control and project mix improvement.
- **DSO:** While DSO improved to 76 days, management aims to further reduce it to 60-70 days. Capex remains subdued due to existing capacity, with incremental investments planned in FY26F.
- **Key client wins and order pipeline:** The company secured a major client in the energy services sector, adding to an order pipeline exceeding US\$1bn. Advanced negotiations are underway for large deals, which are expected to boost the order book in FY26F. Six new logos reflect steady client acquisition efforts.
- **Higher standalone expenses:** These were attributed to a bad debt provision under expected credit loss (ECL) standards, particularly in respect of a domestic client. Management assured that the provisioning was temporary, with receivables expected to normalize in 4QFY25F.

Figure 1: Results snapshot

(Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net sales	4,442	3,210	38.4%	3,895	14.1%	10,916	8,300	31.5%
COGS	3,257	2,506	30.0%	3,092	5.3%	8,276	6,445	28.4%
Employee expenses	588	306	92.1%	336	75.1%	1,251	817	53.1%
Other expenses	317	105	201.5%	150	110.4%	591	309	91.4%
Total expenses	4,161	2,917	42.7%	3,578	16.3%	10,118	7,571	33.6%
EBITDA	281	293	-4.1%	316	-11.1%	798	729	9.4%
Other income	69	93	-26.2%	71	-3.5%	228	195	17.3%
Depreciation	100	58	73.9%	69	45.9%	236	161	46.8%
EBIT	250	329	-24.0%	319	-21.7%	790	763	3.6%
Interest	100	83	19.9%	110	-9.3%	290	250	16.0%
PBT	150	246	-38.9%	209	-28.2%	501	513	-2.4%
Tax expenses	40	63	-35.8%	54	-26.1%	130	130	0.2%
PAT	110	183	-40.0%	155	-28.9%	370	383	-3.4%
Adj. PAT	166	183	-9.3%	-100	-265.7%	429	383	12.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	3QFY25	3QFY24	YoY (bp)	2QFY25	QoQ (bp)	9MFY25	9MFY24	YoY (bp)
Raw material costs	73.3%	78.1%	-474	79.4%	-608	75.8%	77.7%	-184
Employee expenses	13.2%	9.5%	370	8.6%	461	11.5%	9.8%	162
Other expenses	7.1%	3.3%	386	3.9%	326	5.4%	3.7%	169
EBITDA margin	6.3%	9.1%	-281	8.1%	-179	7.3%	8.8%	-147
EBIT margin	5.6%	10.2%	-462	8.2%	-256	7.2%	9.2%	-195
PAT margin (%)	2.5%	5.7%	-323	4.0%	-149	3.4%	4.6%	-122
Effective tax rate (%)	26.8%	25.5%	131	26.0%	75	26.0%	25.3%	69

SOURCES: INCRED RESEARCH, COMPANY REPORTS

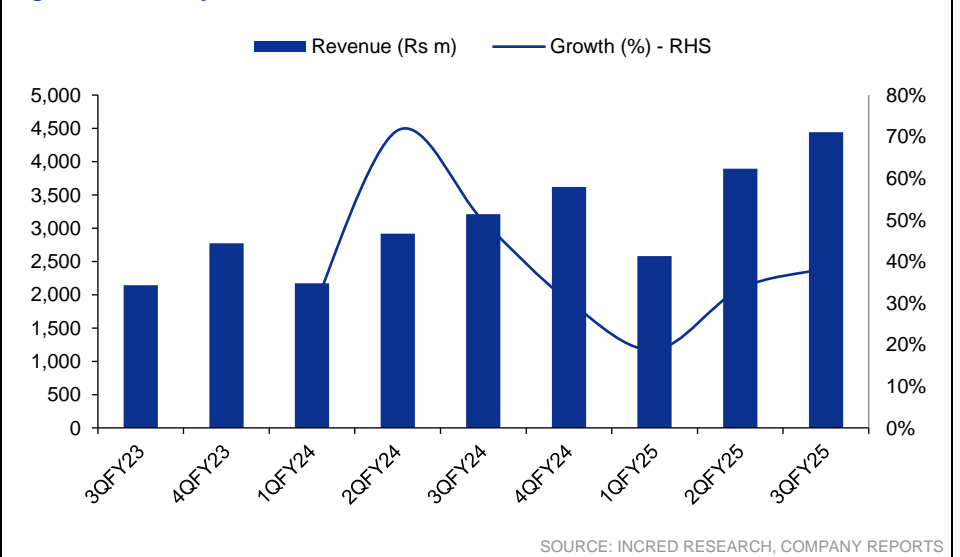
Figure 3: Actuals versus estimates (Rs m)

vs. InCred	3QFY25	3QFY25F	Diff.
Revenue	4,442	4,596	-3%
Adj. EBITDA	359	410	-12%
Margin	8.1%	8.9%	-83bp
Adj. PAT	166	246	-32%

vs. Consensus	3QFY25	3QFY25C	Diff.
Revenue	4,442	4,500	-1%
Adj. EBITDA	359	424	-15%
Margin	8.1%	9.4%	-134bp
Adj. PAT	166	269	-38%

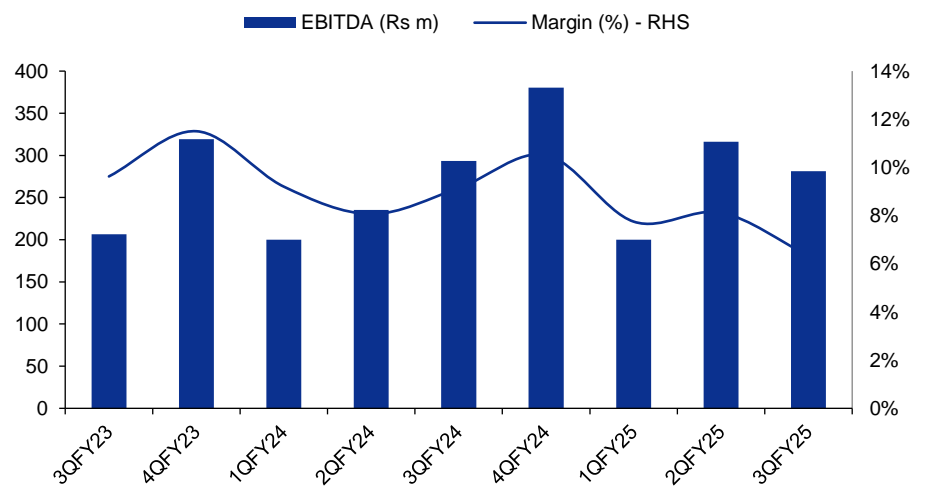
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly revenue trend



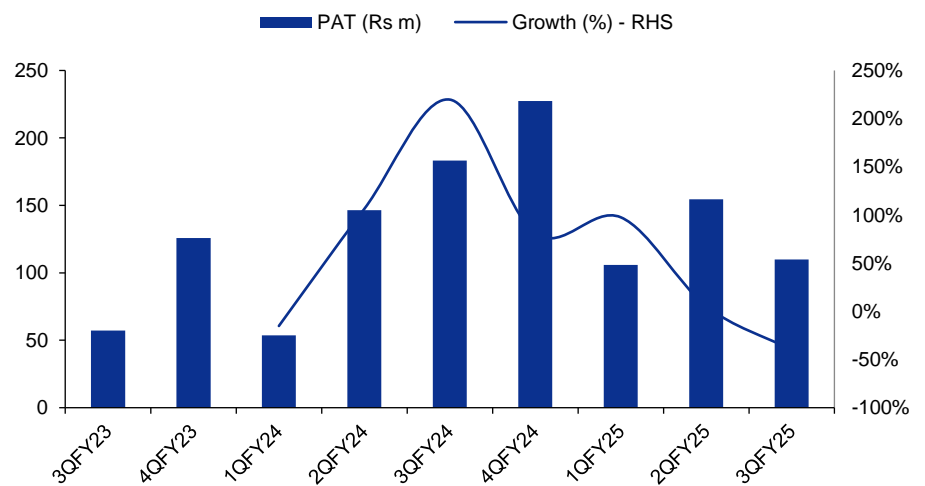
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly PAT trend



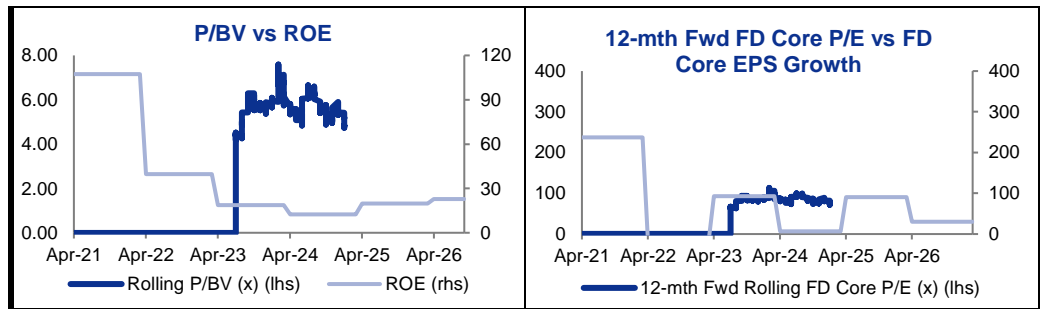
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Earnings revision summary

	New		Old				Change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	15,775	19,331	22,656	16,061	20,475	24,390	-1.8%	-5.6%	-7.1%
EBITDA	1,359	1,966	2,424	1,553	2,275	2,854	-12.5%	-13.6%	-15.1%
PAT	734	1,245	1,622	954	1,545	2,015	-23.0%	-19.4%	-19.5%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	8,320	11,919	15,775	19,331	22,656
Gross Profit	1,868	2,719	3,855	4,755	5,596
Operating EBITDA	878	1,110	1,359	1,966	2,424
Depreciation And Amortisation	(194)	(223)	(338)	(359)	(386)
Operating EBIT	684	887	1,021	1,607	2,038
Financial Income/(Expense)	(315)	(344)	(369)	(233)	(245)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	63	278	304	286	369
Profit Before Tax (pre-EI)	432	821	955	1,660	2,162
Exceptional Items			(81)		
Pre-tax Profit	432	821	874	1,660	2,162
Taxation	114	209	221	415	541
Exceptional Income - post-tax					
Profit After Tax	317	612	653	1,245	1,622
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	317	612	653	1,245	1,622
Recurring Net Profit	317	612	734	1,245	1,622
Fully Diluted Recurring Net Profit	317	612	734	1,245	1,622

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	878	1,110	1,359	1,966	2,424
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(229)	(1,676)	(1,445)	(598)	(572)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	59	56	4	5	6
Net Interest (Paid)/Received					
Tax Paid	(168)	(195)	(221)	(415)	(541)
Cashflow From Operations	540	(705)	(303)	958	1,317
Capex	(76)	(338)	(489)	(529)	(529)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,342)	(3,940)	412	746	(1,446)
Cash Flow From Investing	(1,418)	(4,277)	(77)	217	(1,975)
Debt Raised/(repaid)	57	(1,647)	290	100	100
Proceeds From Issue Of Shares	889	6,694			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(62)	(259)	(110)	7	(21)
Cash Flow From Financing	884	4,788	180	107	79
Total Cash Generated	5	(195)	(200)	1,282	(579)
Free Cashflow To Equity	(822)	(6,630)	(90)	1,275	(558)
Free Cashflow To Firm	(879)	(4,983)	(380)	1,175	(658)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	1,676	5,366	3,003	3,766	4,945
Total Debtors	1,617	2,259	2,809	3,284	3,848
Inventories	4,251	4,642	6,051	7,150	8,069
Total Other Current Assets	853	992	1,297	1,589	1,862
Total Current Assets	8,397	13,259	13,160	15,788	18,724
Fixed Assets	1,593	1,901	2,145	2,316	2,459
Total Investments	895	662	2,572	2,572	2,572
Intangible Assets	30	30	30	30	30
Total Other Non-Current Assets	132	181	239	293	343
Total Non-current Assets	2,650	2,774	4,987	5,211	5,405
Short-term Debt	2,149	589	779	829	879
Current Portion of Long-Term Debt					
Total Creditors	2,853	3,200	4,106	5,031	5,897
Other Current Liabilities	2,444	1,602	1,513	1,854	2,172
Total Current Liabilities	7,446	5,391	6,397	7,714	8,948
Total Long-term Debt	996	747	847	897	947
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	624	802	1,061	1,301	1,525
Total Non-current Liabilities	1,620	1,549	1,908	2,198	2,471
Total Provisions	3	3	5	6	7
Total Liabilities	9,068	6,943	8,310	9,917	11,426
Shareholders Equity	1,979	9,090	9,824	11,069	12,691
Minority Interests					
Total Equity	1,979	9,090	9,824	11,069	12,691

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.5%	43.2%	32.4%	22.5%	17.2%
Operating EBITDA Growth	4.5%	26.5%	22.4%	44.7%	23.3%
Operating EBITDA Margin	10.6%	9.3%	8.6%	10.2%	10.7%
Net Cash Per Share (Rs)	(18.52)	50.82	17.37	25.72	39.33
BVPS (Rs)	24.95	114.63	123.89	139.59	160.04
Gross Interest Cover	2.17	2.58	2.77	6.91	8.32
Effective Tax Rate					
Net Dividend Payout Ratio					
Accounts Receivables Days	68.89	59.35	58.63	57.52	57.45
Inventory Days	196.48	176.42	163.71	165.28	162.81
Accounts Payables Days	135.13	120.08	111.86	114.40	116.91
ROIC (%)	16.1%	12.8%	11.0%	15.5%	17.8%
ROCE (%)	15.5%	11.4%	9.3%	13.3%	14.9%
Return On Average Assets	8.3%	9.5%	8.5%	11.5%	12.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.