

Challenging Quarter.



Cyient's Q1FY25 performance was below estimates on account of delays and right shifts in projects execution in Connectivity Segments, and the Rail segment continues to face challenges along with a supply demand mismatch for the Aerospace segment.

- **Group USD Revenue came in at USD 200.9 Mn, -10.3% QoQ / -2.1% YoY (-1.5% cc YoY growth) and -5.9% vs our estimates.**
- **Consolidated Services (DET) revenue stood at USD169.6 Mn, -5% cc growth QoQ / -3.6% cc growth YoY and -4.1% vs our estimates.**
- **Group INR revenue came in at INR 16,757 Mn, -9.9% QoQ / -0.6% YoY and -5.5% vs our estimates**
- **DET INR revenue came in at INR 14,144 Mn, -5% QoQ / -2.8% YoY**
- **Group EBIT at INR 1,992 Mn, -25.7 QoQ / -19.7% YoY and -20.4% vs our estimates. Group EBIT margin stood at 11.9%, -252 bps QoQ/ -282 bps YoY and -222 bps vs our estimates.**
- **DET EBIT at INR 1,903 Mn, -20.2% QoQ / -18.5% YoY and -13.9% vs our estimates. DET EBIT margin stood at 13.5%, -256 bps QoQ/ -260 bps YoY and -159 bps vs our estimates.**
- **Group Adj. PAT came in at INR 1,439 Mn, -23.9% QoQ / -18.5 % YoY and -20.7% vs our estimates.**
- **DET Adj. PAT came in at INR 1,413 Mn, -18.6 QoQ / -17 % YoY and -10.9% vs our estimates.**
- **Group EPS at INR 13 in Q1FY25 vs 17.1/ 15.9 in Q4FY24 / Q1FY24 respectively.**
- **DET EPS at INR 12.8 in Q1FY25 vs 15.7/ 15.4 in Q4FY24 / Q1FY24 respectively.**
- **Order intake for core services (DET) during the quarter stood at USD182.7 Mn, -19.8% QoQ / -5.4% YoY. Won 5 large deals with a total contract potential of ~USD 52.4 Mn, 2 from connectivity, 2 from sustainability, 1 from Aerospace in Q1FY25.**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	60,159	71,472	75,143	88,610	102,651
EBITDA	10,031	13,028	12,647	15,700	18,472
Adjusted net profit	5,611	7,601	7,231	9,710	11,413
Free cash flow	5,497	4,800	10,509	8,655	10,167
EPS (Rs)	50.8	68.8	65.4	87.9	103.3
growth (%)	8%	35%	-5%	34%	18%
P/E (x)	37.6	27.9	26.8	19.9	17.0
P/B (x)	5.6	4.5	4.2	3.8	3.4
EV/EBITDA (x)	19.5	14.4	14.4	11.4	9.5
ROCE (%)	14.4	16.2	14.7	19.8	23.1
RoE (%)	17.0	19.7	16.3	19.8	20.9
Dividend yield (%)	1.4	1.7	1.8	2.4	2.8

Source: Company

Rating	TP (Rs)	Up/Dn (%)
HOLD	2,052	17

Market data

Current price	Rs	1,751
Market Cap (Rs.Bn)	(Rs Bn)	194
Market Cap (US\$ Mn)	(US\$ Mn)	2,319
Face Value	Rs	5
52 Weeks High/Low	Rs	2458.95 / 1430
Average Daily Volume	('000)	1,363
BSE Code		532175
Bloomberg		CYL.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	23.16	23.16
Public	75.01	75.95
Others	1.83	0.89
Total	100	100

Source: Bloomberg

Neel Nadkarni
(022) 67141412
neel.nadkarni@dalal-broacha.com

Concall Highlights

- **Normalized Core services (DET) EBIT margins stood at 13.5% (-256 bps QoQ/ -260 bps YoY), affected by the decline of revenues. Management is expecting margins to reach 16% by the end of the year.**
- Normalized FCF from DET stood at ₹1,640 Mn, -29.4% QoQ / -7% YoY, down due to seasonality of cash release cycles.
- The outstanding debt of DET stands at USD 46.7 Mn (-13.9% QoQ / -44.3% YoY), aligning with management's proactive debt retirement plans.
- Cyient faced delays and right shifts in project execution in the connectivity segment. The rail segment continues to face challenges due to a supply-demand mismatch in the aerospace segment.
- Management expects recovery to start from the second quarter onwards, with H2FY25 stronger than H1FY25, and anticipates flat revenue growth for FY25, implying a 3% CQGR. The fundamental growth and demand drivers from Cyient's core segments remain intact for the medium to long term. The global ER&D spend is expected to double, and India's wallet share is expected to triple in the next 10 years.
- **New Subsidiary for ASIC and Semiconductor Space:** Cyient announced the setup of a subsidiary to strengthen its expertise in ASIC and semiconductor space. The global ASIC industry is currently estimated to be about USD 24 billion and is expected to reach USD 52 billion by 2032, at a CAGR of 10%. This strategic initiative will enhance Cyient's capabilities in ASIC turnkey design and manufacturing through a fabless model for analog mixed-signal chips. With over 600 IPs covering a range of functions and technology nodes, long-term customer engagements, and a global footprint, Cyient has a strategic edge for significant growth.
- **During Q1FY25 the order book grew double digit YoY along with Top 10 customers grew double digit YoY and engagement strength continues to be strong.**

Vertical-wise updates for DET:

- **Transportation (29.1% of Q1FY25 topline) Decreased by 7% QoQ and 8.0% YoY in cc terms.** Cyient continues to face challenges in the rail segment, but the aerospace segment shows robust demand with no furloughs.
- **Connectivity (22.1% of Q1FY25 topline) Decreased by 7.6% QoQ and 16.9% YoY in cc terms.** Though the connectivity segment faced challenges recently, it is on a recovery path with the highest order intake in Q1. Management expects a strong recovery for the year and a growth trajectory. Cyient closed two large deals in connectivity in Q1FY25, with deals starting to ramp up and support the recovery.
- **Sustainability (33.1% of Q1FY25 topline) Decreased by 2.8% QoQ and up 8.8% YoY in cc terms.** Sustainability has seen growth in 10 out of 12 quarters, and management expects this growth to continue.

New Growth Areas (15.7% of Q1FY25 topline) delivered -1.6% QoQ and +3.8% YoY in cc terms.

The highest order backlog from new growth areas gives management confidence that this segment should grow in double digits. Cyient has won a deal with a global automotive OEM to achieve regulatory compliance on cybersecurity, expected to become a practice and a growth area in automotive. Cyient has also won a project to develop an ASIC to build intelligent neural systems for central and peripheral neuro-electronic application devices, part of the brain mapping program. Additionally, Cyient won 15+ projects on Gen AI in the last quarter, covering elements from product data management, engineering information management, and CX.

FY25e Outlook

- FY25 DET revenue guidance revised to flattish YoY in cc terms from high single digit in CC terms.
- Cyient expect FY25 DET normalized EBIT margins to reach 16% by Q4FY25.

Quarterly Deviation Sheet

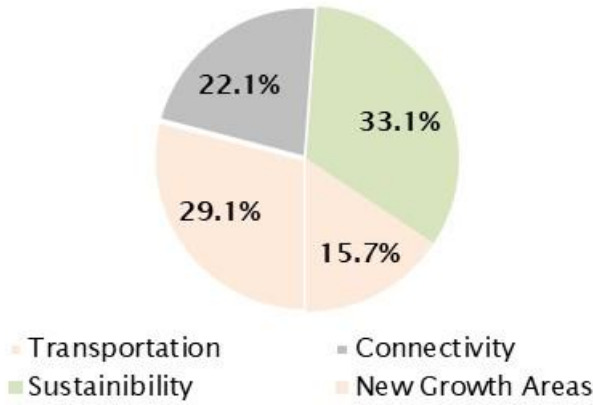
Quarterly analysis for Group							
YE March (Rs. mn)	Q1 FY25	Q4 FY24	Q-o-Q change %	Q1 FY24	Y-o-Y change %	Q1 FY25 Est.	Deviation %
Total Revenue (USD Mn)	200.9	224.0	(10.3%)	205.3	(2.1%)	214	-5.9%
Total Revenue (INR Mn)	16,757	18,608	(9.9%)	16,865	(0.6%)	17,739	-5.5%
Less:							
Cost of Revenues	10,913	11,771	(7%)	10,439	5%	11,280	-3.3%
SG&A Expenses	3,194	3,484	(8%)	3,270	(2%)	3,370	-5.2%
Total Expenditure	14,107	15,255	(8%)	13,709	3%	14,651	-3.7%
EBIDTA	2,650	3,353	(21.0%)	3,156	(16.0%)	3,089	-14.2%
Less: Depreciation	658	672		676		585	
EBIT	1,992	2,681	(25.7%)	2,480	(19.7%)	2,503	-20.4%
Interest Paid	257	324		278		324	
Other income (expense), net	211	234		102		223	
One off/ Exceptional item	0	0		(111)		0	
Profit Before Tax (Excl Exceptional)	1,946	2,591	(24.9%)	2,304	(15.5%)	2,402	
Profit Before Tax	1,946	2,591	(25%)	2,193	(11%)	2,402	-19.0%
Tax	602	663	(9%)	633	(5%)	589	2.3%
Deferred Tax	(132)	(41)		(131)		0	
PAT before Minority Interest	1,476	1,969		1,691		1,814	
Profit After Tax	1,439	1,892	(23.9%)	1,681	(14.4%)	1,814	
Adjusted PAT	1,439	1,892	(23.9%)	1,767	(18.5%)	1,814	-20.7%
Basic & Diluted EPS (Rs.)	13.0	17.1	(24.0%)	15.9	(18.6%)	16.4	
Basic & Diluted Outstanding (mn)	111	111		111		111	
Margin Analysis %			Change In bps		Change In bps		
EBIDTA Margin	15.8%	18.0%	-220	18.7%	-290	17.4%	-160
EBIT Margin	11.9%	14.4%	-252	14.7%	-282	14.1%	-222
PBT Margin	11.6%	13.9%	-231	13.0%	-139	13.5%	-193
NPM	8.6%	10.2%	-158	10.0%	-138	10.2%	-164
Effective Tax Rate (%)	24.2%	24.0%	15	22.9%	126	24.5%	-35
Cost Analysis %			Change In bps		Change In bps		
Cost of Revenues/ Sales	65.1%	63.3%	187	61.9%	323	63.6%	154
SG&A/Sales	19.1%	18.7%	34	19.4%	-33	19.0%	6
Other income/ PBT	10.8%	9.0%	181	4.7%	619	9.3%	156

Source: Dalal & Broacha Research, Company

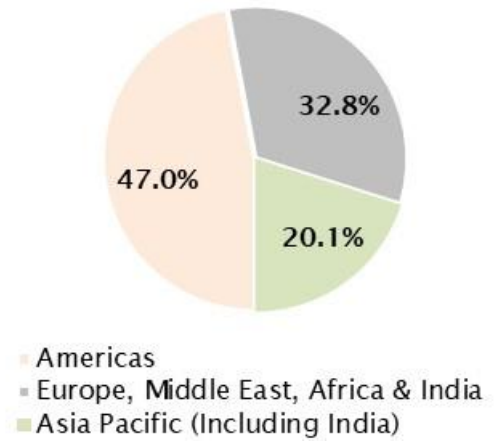
Quarterly analysis for DET							
YE March (Rs. mn)	Q1 FY25	Q4 FY24	Q-o-Q change %	Q1 FY24	Y-o-Y change %	Q1 FY25 Est.	Deviation %
Total Revenue (USD Mn)	169.6	179.3	(5.4%)	177.1	(4.2%)	177	-4.1%
Total Revenue (INR Mn)	14,144	14,892	(5.0%)	14,546	(2.8%)	14,697	-3.8%
Less:							
Cost of Revenues	8,554	8,965	(5%)	8,759	(2%)	9,207	-7.1%
SG&A Expenses	3,103	2,940	6%	2,831	10%	2,765	12.2%
Total Expenditure	11,657	11,905	(2%)	11,590	1%	11,971	-2.6%
EBIDTA	2,487	2,987	(16.7%)	2,956	(15.9%)	2,725	-8.7%
Less: Depreciation	584	602		621		514	
EBIT	1,903	2,385	(20.2%)	2,335	(18.5%)	2,211	-13.9%
Interest Paid	201	258		215		258	
Other income (expense), net	146	151		93		147	
One off/ Exceptional item	0	0		(85)		0	
Profit Before Tax	1,848	2,278	(19%)	2,128	(13.2%)	2,100	-12.0%
Tax	435	543	(20%)	511	(15%)	514	-15.4%
Profit After Tax	1,413	1,735	(18.6%)	1,617	(12.6%)	1,585	-10.9%
Adjusted PAT	1,413	1,735	(18.6%)	1,702	(17.0%)	1,585	-10.9%
Basic & Diluted EPS (Rs.)	12.8	15.7		15.4		14.3	
Basic & Diluted Outstanding (mn)	111	111		111		111	
Margin Analysis %			<i>Change In bps</i>		<i>Change In bps</i>		
EBIDTA Margin	17.6%	20.1%	-247	20.3%	-274	18.5%	-96
EBIT Margin	13.5%	16.0%	-256	16.1%	-260	15.0%	-159
PBT Margin	13.1%	15.3%	-223	14.6%	-156	14.3%	-122
NPM	10.0%	11.7%	-166	11.1%	-113	10.8%	-80
Effective Tax Rate (%)	23.5%	23.8%	-30	24.0%	-47	24.5%	-96
Cost Analysis %			<i>Change In bps</i>		<i>Change In bps</i>		
Cost of Revenues/ Sales	60.5%	60.2%	28	60.2%	26	62.6%	-217
SG&A/Sales	21.9%	19.7%	220	19.5%	248	18.8%	313
Other income/ PBT	7.9%	6.6%	127	4.4%	353	7.0%	90

Source: Dalal & Broacha Research, Company

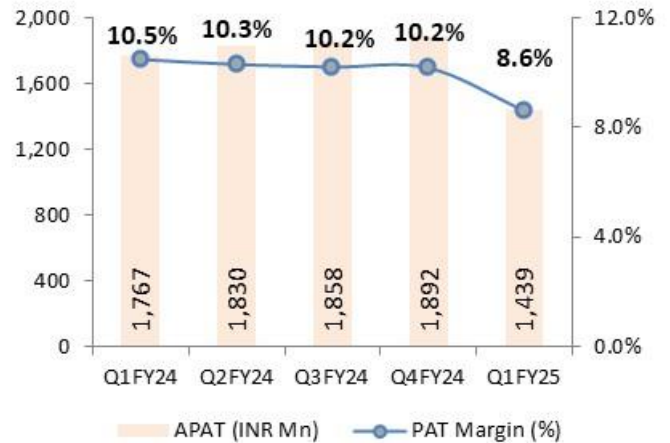
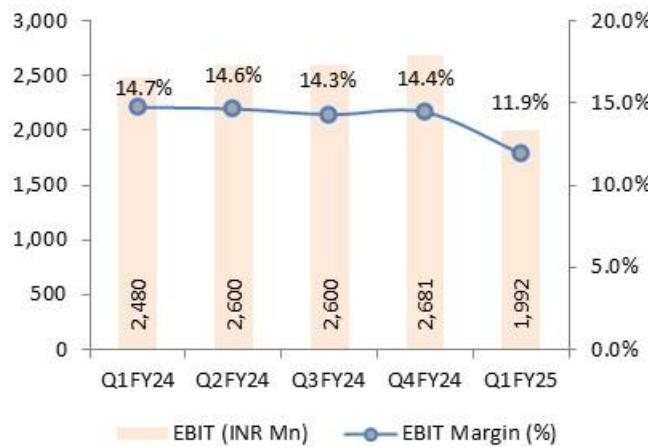
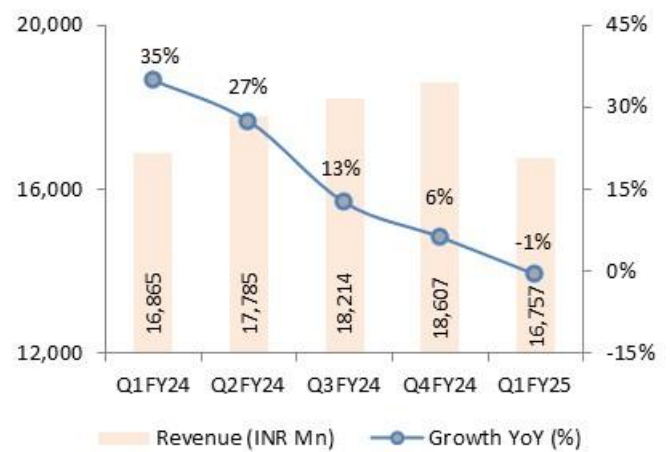
Vertical-wise Revenue Mix (%)



Geographic Mix (%)

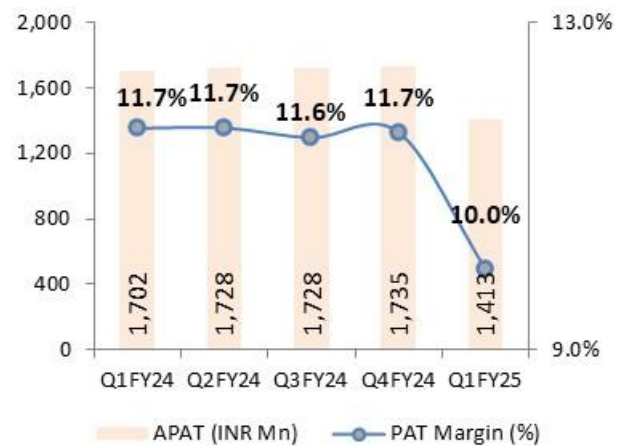
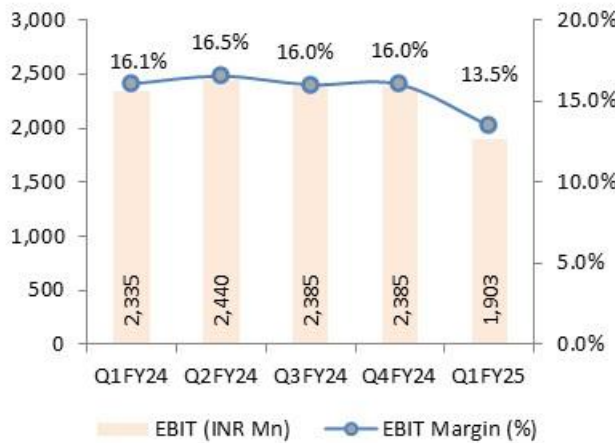
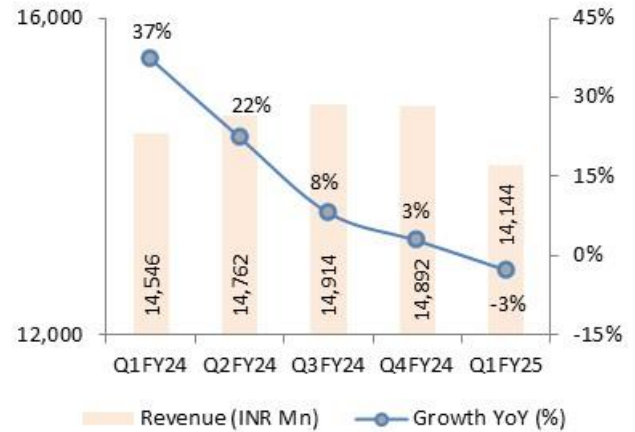
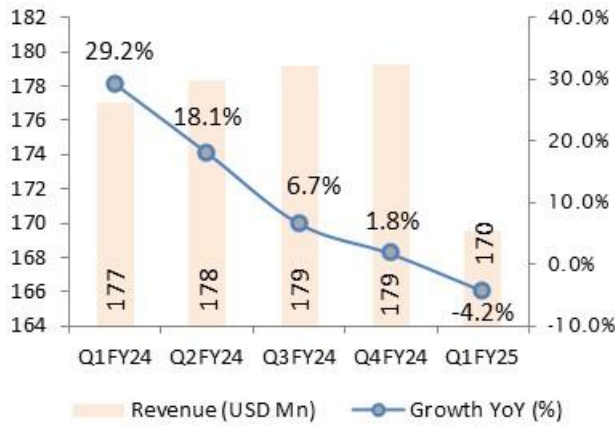


Group Revenue, EBIT, PAT Trajectory



Source: Dalal & Broacha Research, Company

DET Revenue, EBIT, PAT Trajectory



Valuation & Outlook

Cyient Group is currently trading at 26.8x/19.9x/17x FY25e/FY26e/FY27e EPS.

Cyient DET is currently trading at 29.7x/23.6x /20.4x FY25e/FY26e/FY27e EPS.

Despite near-term challenges, Cyient's double-digit order book growth, along with similar growth among its top 10 customers, given the current valuation, we do not foresee significant downside. The challenges faced due to shifts in projects in the connectivity sector this quarter are anticipated by management to see a strong recovery from Q2FY25 onwards, with H2FY25 expected to be stronger. The management projects flat revenue growth for FY25, implying a 3% CQGR, and expects margins to reach 16% by the end of Q4FY25. Once growth returns to its trajectory from H2FY25 onwards, coupled with expected margin improvements in the medium to long term, Cyient is well-positioned for future growth. By focusing on optimizing SG&A spending, increasing offshoring, and enhancing utilization, Cyient is primed to capitalize on improving macroeconomic conditions.

We assign a 'HOLD' rating to the stock. Using a SOTP valuation methodology, with a target multiple of 20x FY27e for Cyient Services (DET) business and factoring in the stake in Cyient DLM at an FY27e valuation with a holding company discount of 30%, our target price stands at INR 2,052.

Financials

Key Financials					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	60,159	71,472	75,143	88,610	102,651
Growth (Y-o-Y)	32.7%	18.8%	5.1%	17.9%	15.8%
EBIDTA	10,031	13,028	12,647	15,700	18,472
Growth (Y-o-Y)	22.7%	29.9%	(2.9%)	24.1%	17.7%
Net Profit	5,144	6,925	7,231	9,710	11,413
Growth (Y-o-Y)	(1.2%)	34.6%	4.4%	34.3%	17.5%
Adj. Net Profit	5,611	7,601	7,231	9,710	11,413
Growth (Y-o-Y)	7.7%	35.5%	(4.9%)	34.3%	17.5%
Adj. Diluted EPS	50.8	68.8	65.4	87.9	103.3
Growth (Y-o-Y)	7.7%	35.5%	-4.9%	34.3%	17.5%
No of Diluted shares (m)	111	111	111	111	111
Key Ratios					
EBIDTA (%)	16.7%	18.2%	16.8%	17.7%	18.0%
EBIT (%)	12.4%	14.5%	13.3%	14.5%	14.7%
NPM (%)	8.6%	9.7%	9.6%	11.0%	11.1%
Adj. NPM (%)	9.3%	10.6%	9.6%	11.0%	11.1%
RoE (%)	17.0%	19.7%	16.3%	19.8%	20.9%
RoCE (%)	16.9%	19.8%	18.4%	24.2%	28.7%
Tax Rate %	24.5%	24.6%	25.8%	24.5%	24.5%
Book Value Per share (R)	313.7	385.3	420.0	466.6	521.3
Valuation Ratios					
P/E (x)	37.6x	27.9x	26.8x	19.9x	17.0x
Adjusted P/E (x)	34.5x	25.5x	26.8x	19.9x	17.0x
EV/EBITDA	19.5x	14.4x	14.4x	11.4x	9.5x
P/BV (x)	5.6x	4.5x	4.2x	3.8x	3.4x
Market Cap. / Sales (x)	3.2x	2.7x	2.6x	2.2x	1.9x
Free Cash Flow Statement					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	10,031	13,028	12,647	15,700	18,472
FC Investment	536	2,648	1,503	1,772	2,053
WC Changes	-2,170	-3,031	1,937	-2,136	-2,548
Depreciation Tax Shield	628	656	689	709	822
Tax Expenses	2,456	3,205	3,261	3,847	4,526
FCF	5,497	4,800	10,509	8,655	10,167

Profit & Loss A/c					
YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	60,159	71,472	75,143	88,610	102,651
<i>Growth %</i>	<i>32.7%</i>	<i>18.8%</i>	<i>5.1%</i>	<i>17.9%</i>	<i>15.8%</i>
Total Revenue	60,159	71,472	75,143	88,610	102,651
Less:					
Increase/Decrease in St	125	(235)	(694)	0	0
Cost of Services	6,839	9,893	11,461	14,906	19,704
Employee Cost	30,260	35,120	37,386	40,708	44,446
SG&A Expenses & Other	12,904	13,666	14,344	17,296	20,028
Total Operating Expend	50,128	58,444	62,497	72,909	84,179
EBIDTA	10,031	13,028	12,647	15,700	18,472
<i>Growth %</i>	<i>22.7%</i>	<i>29.9%</i>	<i>-2.9%</i>	<i>24.1%</i>	<i>17.7%</i>
Less: Depreciation	2,566	2,667	2,670	2,896	3,354
EBIT	7,465	10,361	9,977	12,805	15,118
<i>Growth %</i>	<i>19.3%</i>	<i>38.8%</i>	<i>-3.7%</i>	<i>28.3%</i>	<i>18.1%</i>
Interest Paid	1,000	1,160	1,028	1,028	1,028
Non-operating Income	814	659	795	1,085	1,027
Extraordinary Income	(467)	(676)	0	0	0
Profit Before tax	6,812	9,184	9,743	12,861	15,116
Tax	1,668	2,259	2,512	3,151	3,704
Net Profit before Minor	5,144	6,925	7,231	9,710	11,413
Net Profit	5,144	6,925	7,231	9,710	11,413
Adjusted Profit	5,611	7,601	7,231	9,710	11,413
Reported Diluted EPS	46.6	62.7	65.4	87.9	103.3
<i>Growth %</i>	<i>-1.2%</i>	<i>34.6%</i>	<i>4.4%</i>	<i>34.3%</i>	<i>17.5%</i>
Adjusted Diluted EPS	50.8	68.8	65.4	87.9	103.3
<i>Growth %</i>	<i>7.7%</i>	<i>35.5%</i>	<i>-4.9%</i>	<i>34.3%</i>	<i>17.5%</i>

Balance Sheet (Consolidated)

YE March(Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Liabilities					
Equity Capital	553	555	553	553	553
Reserves & Surplus	34,114	42,026	45,858	51,005	57,054
Equity	34,667	42,581	46,411	51,557	57,606
Net Deferred tax liabilit	5,644	8,091	7,091	6,091	5,091
Total Loans	9,336	4,526	(284)	(5,094)	(9,904)
Capital Employed	49,647	55,198	53,218	52,554	52,793
Assets					
Gross Block	11,664	14,312	15,815	17,587	19,640
Less: Depreciation	7,183	9,850	12,520	15,416	18,770
Net Block	4,481	4,462	3,295	2,171	870
Capital WIP	27	16	16	16	16
Investments	3,712	3,945	3,946	3,947	3,948
Intangible Assets	21,413	21,089	21,089	21,089	21,089
Current Assets					
Inventories	4,358	4,676	4,509	5,317	6,159
Sundry Debtors	11,271	12,617	12,970	15,051	17,437
Current Investments	1,718	758	758	758	758
Cash and Bank Balance	7,194	9,835	10,958	9,282	8,272
Loans and Advances	7,659	8,224	8,646	10,196	11,812
Other Current Assets	3,648	4,414	4,641	5,472	6,340
Total Current Assets	35,848	40,524	42,482	46,076	50,777
Less:Current Liabilities					
Sundry Creditors	7,142	6,878	9,589	11,386	13,146
Provisions	1,137	1,144	1,258	1,384	1,523
Other Current Liabilities:	7,555	6,816	6,763	7,975	9,239
Total Current Liabilities	15,834	14,838	17,610	20,745	23,907
Capital Applied	49,647	55,198	53,218	52,554	52,793

Key Ratios (Consolidated)

YE March (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Key Operating Ratios					
EBITDA Margin (%)	16.7%	18.2%	16.8%	17.7%	18.0%
Tax / PBT (%)	24.5%	24.6%	25.8%	24.5%	24.5%
Net Profit Margin (%)	8.6%	9.7%	9.6%	11.0%	11.1%
RoE (%)	17.0%	19.7%	16.3%	19.8%	20.9%
RoCE (%)	14.4%	16.2%	14.7%	19.8%	23.1%
Current Ratio (x)	2.3x	2.7x	2.4x	2.2x	2.1x
Dividend Payout (%)	51.6%	47.9%	47.0%	47.0%	47.0%
Book Value Per Share (₹)	313.7	385.3	420.0	466.6	521.3
Financial Leverage Ratios					
Interest Coverage (x)	10.0x	11.2x	12.3x	15.3x	18.0x
Growth Indicators %					
Sales Growth (%)	32.7%	18.8%	5.1%	17.9%	15.8%
EBITDA Growth (%)	22.7%	29.9%	(2.9%)	24.1%	17.7%
Net Profit Growth (%)	(1.2%)	34.6%	4.4%	34.3%	17.5%
Diluted EPS Growth (%)	(1.2%)	34.6%	4.4%	34.3%	17.5%

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | : equity.research@dalal-broacha.com