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2nd May 2023

Q4FY23 Result Update

Retail Equity Research

Cyient Limited

IT

Accumulate

12 Months Investment Period | Rating as per Small Cap

BSE CODE : 532175 | NSE CODE: CYIENT

BLOOMBERG CODE: CYL:IND | SENSEX : 61,112

CMP Rs. 1,183 TARGET Rs. 1,360 RETURN 15%

(Closing: 28-04-2023)

KEY CHANGES: TARGET ↑ RATING ↓ EARNINGS ↑

Propelled by strong services revenue...

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

- **In Q4FY23, consolidated revenue grew by 48.3% YoY due to sturdy growth in the services segment. The revenue from consolidated services grew by 47.3% YoY, driven by Transportation and Sustainability verticals.**
- **EBIT margin lowered by 21bps to 14.2% due to amortisation costs of acquisitions, but was partially offset by favourable revenue mix and price hikes, and PAT improved by 5.8% YoY at Rs.163.2cr.**
- **The company's deal wins remain strong, and its full-year order intake of $720.5 million enhances revenue visibility for FY24.**
- **Healthy growth prospects across verticals, strong deal wins, promising FY24 revenue guidance growth could bolster company's future performance. The margin is expected to improve in FY24E on automation and cost-control measures.**
- **However, given the concern over global uncertainties and fear of recession, we downgrade our rating to "Accumulate" with a target price of Rs. 1,360 based on 18x FY25E EPS.**

Healthy Deal Wins ... Foundation for Sustainable Revenue Growth

Cyient ended up with positive Q4 results with a revenue of Rs.1,751.4cr, up by 48.3% YoY, driven by growth in Consolidated services segment. The revenue from Consolidated services was Rs. 1,449cr which grew by 47.3% YoY. The growth in Consolidated services segment was driven by Transportation, Connectivity, Sustainability and New growth areas. Transportation segment reported 10.4% YoY growth and Connectivity witnessed 23.9% YoY growth, while Sustainability and New growth areas witnessed strong 120.7/27.4% respectively, YoY basis in dollar terms. During FY24, the management hopes continued double-digit growth in aerospace revenue. This is expected to be driven by the resumption of domestic travel to pre-COVID levels, the reopening of China, defense spending, upgrades from older airplane platforms, and the shift towards hybrid fuel models to reduce global carbon emissions. The company signaled connectivity segment is expected to experience a surge in FY24. Cyient has received approval from SEBI to enter the global electronic manufacturing industry by divesting its DLM business through an IPO. Moreover, the company's deal wins remain strong, having secured 18 large deals with a total value of $412.3 million in FY23. The company's $720.5 million full-year order intake enhances revenue visibility for FY24.

Attrition Rate Stabilizes, But Utilization Takes a Hit

EBIT margin lowered by 21bps to 14.2% due to amortisation costs of acquisitions, but was partially offset by favourable revenue mix and price hikes, and PAT improved by 5.8% YoY at Rs.163.2cr. The company hired 500+ employees, adding to a total headcount of 15,864 and attrition declined 150bps QoQ to 25%. However, utilisation rate decreased by 430bps to 86.6%. The company continued to witness legal charges of 167cr in Q4FY23.

Promising Revenue outlook

The company anticipates a revenue growth rate of 15% to 20% YoY in CC terms for Consolidated services in FY24, along with an improvement in EBIT margins of 100-200 bps. Cyient has established a partnership with Thingtrax to strengthen its focus on digital ER&D, enabling customers to enhance efficiency and reduce operational costs, and has collaborated with iBASEt to lead digital innovation in the aerospace and heavy engineering sectors.

Valuation

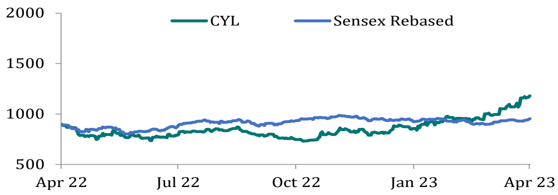
Healthy growth prospects across verticals, strong deal wins, and promising FY24 revenue guidance growth could bolster company's future performance. The margin is expected to improve in FY24/FY25E on automation and cost-control measures. However, given the concern over global uncertainties and fear of recession, we downgrade our rating to "Accumulate" with a target price of Rs. 1,360 based on 18x FY25E EPS.

Company Data	
Market Cap (Rs cr)	13,047
Enterprise Value (Rs cr)	13,371
Outstanding Shares (Rs cr)	11.1
Free Float	0.74
Dividend Yield (%)	2.0
52 week high (Rs)	1,230
52 week low (Rs)	724
6m average volume (cr)	0.04
Beta	0.8
Face value (Rs)	5.0

Shareholding (%)	Q2FY23	Q3FY23	Q4FY23
Promoters	23.4	23.4	23.4
FII's	34.0	32.6	32.6
MFs/Insti	23.3	24.2	24.1
Public	19.2	19.8	20.0
Others	0.1	0.1	0.0
Total	100.0	100.0	100.0
Promoters' Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1Year
Absolute Return	37.8%	58.0%	31.5%
Absolute Sensex	3.0%	1.9%	6.2%
Relative Return *	34.8%	56.0%	25.3%

* Over or under performance to benchmark



Consolidated (cr)	FY23E	FY24E	FY25E
Sales	6,016	7,308	8,064
Growth (%)	*32.7*	*21.5*	*10.3*
EBITDA	1,003	1,294	1,411
EBITDA Margin (%)	16.7	17.7	17.5
PAT Adj.	514	719	835
Growth (%)	*-1.5*	*39.7*	*16.2*
Adj.EPS	46.5	65.0	75.5
Growth (%)	*-1.7*	*39.7*	*16.2*
P/E	25.4	18.2	15.7
P/B	3.8	3.2	2.8
EV/EBITDA	13.9	10.6	9.7
ROE (%)	15.6	19.2	19.1
D/E	0.2	0.2	0.1

Vinod T P
Research Analyst

Quarterly Financials (Consolidated)

Rs.cr	Q4FY23	Q4FY22	YoY Growth (%)	Q3FY23	QoQ Growth (%)	FY23	FY22	YoY Growth (%)
Revenue	**1751.4**	**1181.2**	***48.3***	**1618.2**	***8.2***	**6015.9**	**4534.4**	***32.7***
EBITDA	**322.0**	**212.4**	***51.6***	**283.3**	***13.7***	**1003.1**	**817.8**	***22.7***
EBITDA margins (%)	18.4	18.0	*40bps*	17.5	*88bps*	16.7	18.0	*-136bps*
Depreciation	72.6	42.9	69.2	69.9	3.9	256.6	192.2	33.5
EBIT	**249.4**	**169.5**	**47.1**	**213.4**	**16.9**	**746.5**	**625.6**	**19.3**
Interest	26.2	10.4	151.9	26.3	-0.4	100.0	39.3	154.5
Other Income	0.5	49.4	-99.0	27.5	-98.2	81.4	112.1	-27.4
Exceptional Items	-16.2	0.0		-8.9		-46.7	0.0	
PBT	**207.5**	**208.5**	**-0.5**	**205.7**	**0.9**	**681.2**	**698.4**	**-2.5**
Tax	44.3	54.3	-18.4	49.7	-10.9	166.8	176.1	-5.3
Share of profit from Associate	0.0	0.0		0.0		0.0	0.0	
Minority Interest								
Reported PAT	**163.2**	**154.2**	**5.8**	**156.0**	**4.6**	**514.4**	**522.3**	**-1.5**
Adjustments	-	-		-		0.0	0.0	
Adjusted PAT	**163.2**	**154.2**	**5.8**	**156.0**	**4.6**	**514.4**	**522.3**	**-1.5**
No. of shares	11.0	11.0		11.0		11.0	11.0	
EPS (Rs)	**14.9**	**14.1**	**5.8**	**14.2**	**5.3**	**46.5**	**47.3**	**-1.7**

Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs. cr	**FY24E**	**FY25E**	**FY24E**	**FY25E**	**FY24E**	**FY25E**
Revenue	6,883	7,633	7,308	8,064	*6.17*	*5.65*
EBITDA	1,149	1,320	1,294	1,411	*12.58*	*6.91*
Margins (%)	16.7	17.3	16.7	17.7	*-3bps*	*40bps*
Adj. PAT	706	789	719	835	*1.81*	*5.86*
EPS	64.0	72.0	65.0	75.5	*1.55*	*4.89*

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	**4,132**	**4,534**	**6,016**	**7,308**	**8,064**
% change	*-6.7*	*9.7*	*32.7*	*21.5*	*10.3*
EBITDA	**575**	**818**	**1,003**	**1,294**	**1,411**
% change	*4.8*	*42.2*	*22.7*	*29.0*	*9.1*
Depreciation	195	192	257	235	254
EBIT	**381**	**626**	**747**	**1,058**	**1,158**
Interest	43	39	100	123	101
Other Income	140	112	81	88	97
PBT	**477**	**698**	**681**	**993**	**1,154**
% change	*1.3*	*46.4*	*-2.5*	*45.7*	*16.2*
Tax	113	176	167	274	318
Tax Rate (%)	*23.7*	*25.2*	*24.5*	*27.6*	*27.6*
Reported PAT	**364**	**522**	**514**	**719**	**835**
Adj.	-	-	-	-	-
Adj. PAT	**364**	**522**	**514**	**719**	**835**
% change	*6.6*	*43.6*	*-1.5*	*39.7*	*16.2*
No. of shares (cr)	11	11	11	11	11
Adj EPS (Rs)	**33**	**47**	**47**	**65**	**76**
% change	*7.1*	*43.1*	*-1.7*	*39.7*	*16.2*
DPS (Rs)	10	32	15	14	14
CEPS (Rs)	51	65	70	86	98

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash	1,399	1,112	550	219	635
Accounts Receivable	803	733	1,127	1,341	1,480
Inventories	159	279	436	841	928
Other Cur. Assets	203	324	321	400	442
Investments	369	869	1,094	1,225	1,368
Gross Fixed Assets	1,067	1,113	1,313	1,413	1,533
Net Fixed Assets	487	454	448	262	129
CWIP	11	13	45	17	18
Intangible Assets	136	48	463	6	-21
Def. Tax (Net)	14	-10	-35	-55	-78
Other Assets	634	671	1,611	1,878	2,078
Total Assets	**4,445**	**4,718**	**6,337**	**6,367**	**7,202**
Current Liabilities	789	897	1,452	1,326	1,464
Provisions	167	176	275	220	243
Debt Funds	276	284	862	680	578
Minority Interest	-3	-3	-3	-3	-3
Equity Capital	55	55	55	55	55
Reserves & Surplus	2,902	3,061	3,411	3,971	4,653
Shareholder's Fund	2,957	3,117	3,467	4,026	4,708
Total Liabilities	**4,445**	**4,718**	**6,337**	**6,367**	**7,202**
BVPS	**256**	**278**	**272**	**363**	**428**

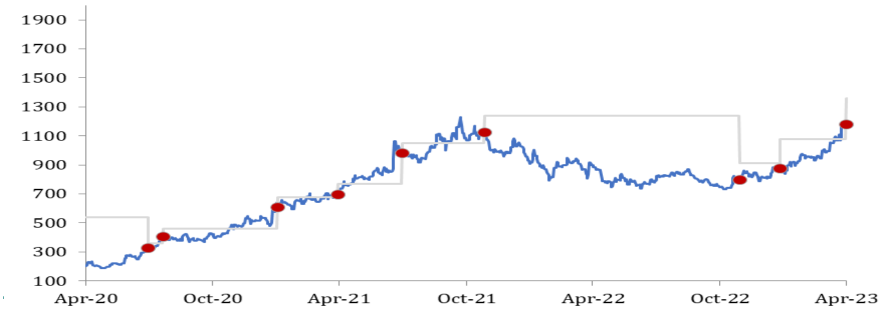
CASH FLOW

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net inc. + Depn.	558	715	771	1,228	1,407
Non-cash adj.	29	17	131	-151	-218
Changes in W.C	269	-97	-349	-945	-174
C.F.O	**856**	**635**	**554**	**133**	**1,016**
Capital exp.	-95	-63	-65	431	-86
Change in inv.	-2	-325	-66	-247	-254
Other invest.CF	40	55	44	-67	0
C.F - investing	**-101**	**-382**	**-1,033**	**118**	**-339**
Issue of equity	4	12	8	0	0
Issue/repay debt	-234	-245	212	-349	-8
Dividends paid	-1	-295	-263	-153	-153
Other finance.CF	-21	-17	-66	-123	-101
C.F - Financing	**-253**	**-545**	**-109**	**-625**	**-261**
Chg. in cash	503	-292	-588	-375	416
Closing cash	1,399	1,112	550	219	635

RATIOS

Y.E March	FY21A	FY22A	FY23A	FY24E	FY25E
Profitab. & Return					
EBITDA margin (%)	13.9	18.0	16.7	17.7	17.5
EBIT margin (%)	9.2	13.8	12.4	14.5	14.4
Net profit mgn.(%)	8.8	11.5	8.6	9.8	10.4
ROE (%)	13.2	17.2	15.6	19.2	19.1
ROCE (%)	9.5	12.8	11.2	13.1	13.2
W.C & Liquidity					
Receivables (days)	67.5	61.8	56.4	61.6	63.9
Inventory (days)	17.0	17.6	21.7	31.9	40.0
Payables (days)	10.4	8.7	13.7	14.3	11.4
Current ratio (x)	11.0	9.7	5.0	7.5	8.3
Quick ratio (x)	8.3	6.1	3.4	5.6	5.6
Turnover &Levg.					
Gross asset T.O (x)	4.1	4.2	5.0	5.4	5.5
Total asset T.O (x)	1.0	1.0	1.1	1.2	1.2
Int. covge. ratio (x)	8.8	15.9	7.5	8.6	11.5
Adj. debt/equity (x)	0.1	0.1	0.2	0.2	0.1
Valuation ratios					
EV/Sales (x)	3.3	3.0	2.3	1.9	1.7
EV/EBITDA (x)	23.5	16.6	13.8	10.6	9.6
P/E (x)	35.6	24.9	25.3	18.1	15.6
P/BV (x)	4.4	4.2	3.8	3.2	2.8

Recommendation summary (Last 3 Years)



Dates	Rating	Target
13-January -2020	Buy	540
27- July -2020	Accumulate	360
17-August-2020	Accumulate	460
29-January-2021	Hold	675
26-April-2021	Accumulate	767
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

Source: Bloomberg, Geojit Research.

Investment Rating Criteria

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

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 analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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