

Retail Equity Research

Cyient Ltd

IT - Software

CMP Rs. ₹1158
Rating: Overweight
NSE CODE: CYIENT BSE CODE: 532175

The company exhibited fluctuating financial performance throughout FY24. Sales grew by 4% YoY in Dec-24, recovering from a 10% decline in Jun-24, indicating demand volatility. Operating profit declined 6% QoQ in Dec-24, reflecting rising expenses (₹1,648.2 Cr), which outpaced revenue growth. Other income turned negative (₹-16.6 Cr), further pressuring profitability. Despite a peak in profit before tax (₹254.3 Cr) in Sep-24, net profit dropped 46% QoQ in Dec-24 due to higher tax outflows. The company needs to control expenses and sustain sales momentum for margin stability. The sharp swings in profitability highlight the need for strategic cost management.

Company Data			
Market Cap (cr)	Rs.	12,864.79	
Enterprise Value (cr)	Rs.	21,943.62	
Outstanding Shares (cr)		11.10	
52 week high	Rs.	2,190.00	
52 week low	Rs.	1,148.00	
1m average volume (lacs)		4.92	
Face value	Rs.	5.00	
	FY22	FY23	FY24
Sales	4534.4	6015.9	7147.2
Growth(%)	10%	33%	19%
EBITDA	929.9	1037.8	1301.1
EBITDA Margin(%)	20.5%	17.3%	18.2%
PAT	522.30	514.40	682.80
Growth(%)	44%	-2%	33%
EPS	47.4	46.5	61.6
P/E	19.6	21.4	32.4
P/B	3.3	3.2	5.2
EV/EBITDA	10.3	11.1	16.9
ROE(%)	17%	14.8%	16%
ROCE(%)	20%	16.7%	20.5%
ROIC(%)	17%	14.2%	17.2%
D/E	0.18	0.35	0.18

1. Strong Business Performance

Cyient achieved its highest-ever order intake in Q3 FY25, securing 13 large deals. Management remains confident in Q4 FY25, expecting "decent growth" and a strong financial trajectory for FY26. The company maintains a solid financial position with zero long-term debt and \$134 million in cash reserves. Despite a conservative Q4 outlook, revenue degrowth in constant currency is not anticipated..

2. Leadership Transition & Cost Optimization

CEO Karthik Natarajan stepped down but remains an advisor for a smooth transition. A global search is underway to find a successor. Cyient is improving sales efficiency, shifting to value-based selling, and optimizing operational costs. Phase II of its cost optimization plan is expected to enhance EBIT margins by 100-150 bps, supported by increased offshoring.

3. Market Sentiment & Growth Strategy

Client spending sentiment has improved, driving confidence in FY26 revenue growth. Cyient is focusing on large deals, offshore expansion, and leveraging technology to enhance revenue streams.

Key Highlights

1. Leading Global Outsourcing Company

Cyient ranks among the world's top 30 outsourcing companies and operates through eight strategic business units, including Aerospace & Defense, Transportation, Semiconductor, Medical & Healthcare, and Communications. The company has a strong international presence, with headquarters in India and subsidiaries in the USA, UK, Germany, Japan, Australia, and Singapore. Cyient completed the IPO of its design-led manufacturing subsidiary, Cyient DLM, in July 2023, raising approximately ₹700 crore, further strengthening its financial position.

2. Diversified Business Segments

The company offers a wide range of services, including CAD/CAE design, software development, analytics, and consulting, with a strong focus on digital transformation. Cyient's industry presence spans aerospace, defense, healthcare, telecommunications, semiconductor, and geospatial sectors. Additionally, Cyient DLM provides end-to-end aerospace manufacturing solutions, covering design, electronics manufacturing, CNC machining, PCB assembly, and testing. This diversified portfolio allows Cyient to cater to multiple industries and expand its global footprint.

3. Strong Order Pipeline and Revenue Distribution

As of H1FY24, Cyient has a \$100 million pipeline in large deals, marking its strongest deal flow to date. The company's revenue is well-distributed across multiple segments, with Transportation (Aero and Rail) contributing 31%, Sustainability (Mining, Utilities, and Energy) at 28%, Connectivity (Fiber and Wireless) at 23%, and New Growth Areas (Automotive, Semiconductor, and Healthcare) at 18%. The company serves over 300 customers, including 29 Fortune 500 companies, with the top five customers contributing 28% to its service revenues in FY23.

4. Global Manufacturing and R&D Infrastructure

Cyient has three key manufacturing facilities in Mysore (India), the USA, and Britain, producing printed circuit board assemblies, cable harnesses, and electronic systems. The company invests heavily in research and development (R&D), spending 1.18% of its total revenue on innovation in FY23. Through its CyientIQ platform, it delivers cutting-edge solutions to over 300 organizations, reinforcing its commitment to technological advancements and industry leadership.

5. Strategic Partnerships and Inorganic Growth

Cyient has pursued an aggressive inorganic growth strategy, making over 20 acquisitions since its inception to expand its global presence and technological capabilities. In FY23, the company acquired Citec, Grit, and Celfinet to enhance its international footprint. Additionally, it signed a Letter of Intent (LOI) with Thales, a global defense and security leader, in November 2023. It also entered a Memorandum of Understanding (MoU) with the Centre of Excellence in Maritime and Shipbuilding (CEMS) to collaborate on skill enhancement and workforce training.

6. Strong International Footprint and Financial Health

With operations in 22 countries, Cyient derives 54% of its revenue from the Americas, 27% from Europe, the Middle East, and Africa, and 19% from the Asia-Pacific region, including India. As of FY23, the company has 40 wholly owned subsidiaries and one proportionate subsidiary. Additionally, Cyient recognized goodwill worth ₹941.9 crore in FY23, reflecting its strong acquisition-driven growth strategy and commitment to expanding its capabilities across industries.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,821.40	1,860.80	1,675.70	1,849.10	1,926.40
Growth(%)	2%	2%	-10%	10%	4%
Expenses	1,495.30	1,525.50	1,410.70	1,552.40	1,648.20
Operating Profit	326.10	335.30	265.00	296.70	278.20
Growth(%)	0%	3%	-21%	12%	-6%
Other Income	-31.50	23.40	21.10	51.10	-16.60
Depreciation	66.10	67.20	65.80	66.00	67.50
Interest	28.80	32.40	25.70	27.50	20.50
Profit before tax	199.70	259.10	194.60	254.30	173.60
Tax	46.50	62.20	47.00	67.70	45.90
Net profit	147.20	189.20	143.90	179.10	122.30
Growth(%)	-21%	22%	-31%	20%	-46%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	4,427.40	4,132.40	4,534.40	6,015.90	7,147.20
Growth(%)	-4%	-7%	10%	33%	19%
Expenses	3,881.10	3,557.40	3,716.60	5,012.80	5,844.40
Operating Profit	546.30	575.00	817.80	1,003.10	1,302.80
Growth(%)	-14%	5%	42%	23%	30%
Other Income	158.30	139.90	112.10	34.70	-1.70
Depreciation	187.80	194.50	192.20	256.60	266.70
Interest	48.60	43.30	39.30	100.00	116.00
Profit before tax	468.20	477.10	698.40	681.20	918.40
Tax	127.00	113.30	176.10	166.80	215.60
Net profit	342.50	363.80	522.30	514.40	682.80
Growth(%)	-28%	6%	44%	-2%	33%

Balance Sheet

(Rs Cr)

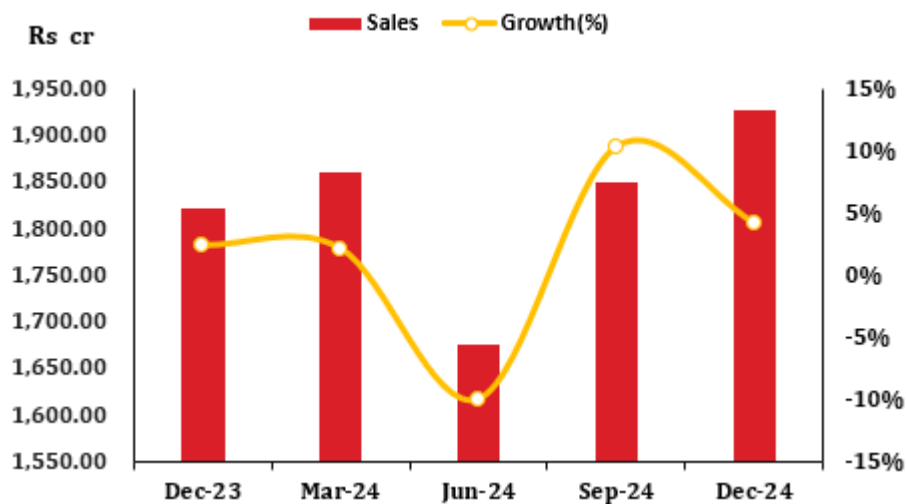
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	55.00	55.00	55.20	55.30	55.50
Reserves	2,505.90	2,902.30	3,061.40	3,411.40	4,202.60
Borrowings	711.40	577.40	573.40	1,217.80	787.60
Other Liabilities	869.60	939.90	1,072.50	1,815.40	1,882.70
Total	4,141.90	4,474.60	4,762.50	6,499.90	6,928.40
Net Block	1,305.00	1,360.90	1,344.90	2,824.60	2,826.40
Capital Work in Progress	145.90	87.60	13.40	44.50	57.40
Investments	41.40	34.40	444.80	518.10	435.60
Other Assets	2,649.60	2,991.70	2,959.40	3,112.70	3,609.00
Total	4,141.90	4,474.60	4,762.50	6,499.90	6,928.40

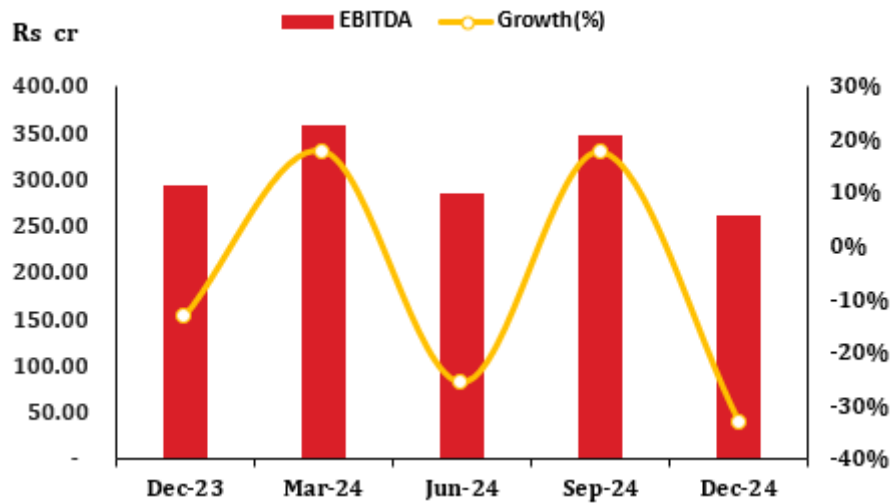
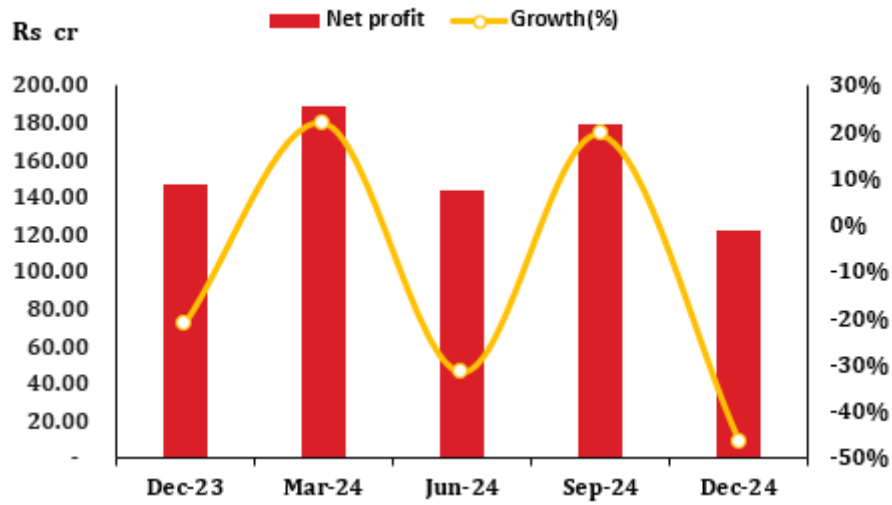
Cash Flow

(Rs Cr)

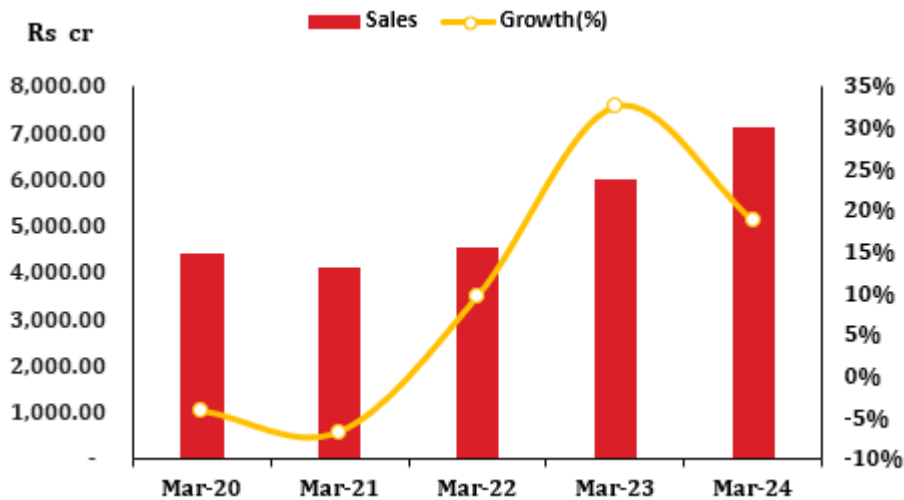
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	582.4	855.8	634.5	553.9	726.1
Cash from Investing Activity	-146.2	-103.8	-377.1	-1006.2	-537.1
Cash from Financing Activity	-446.3	-252.6	-544.5	-109.3	-266.2
Net Cash Flow	-10.1	499.4	-287.1	-561.6	-77.2

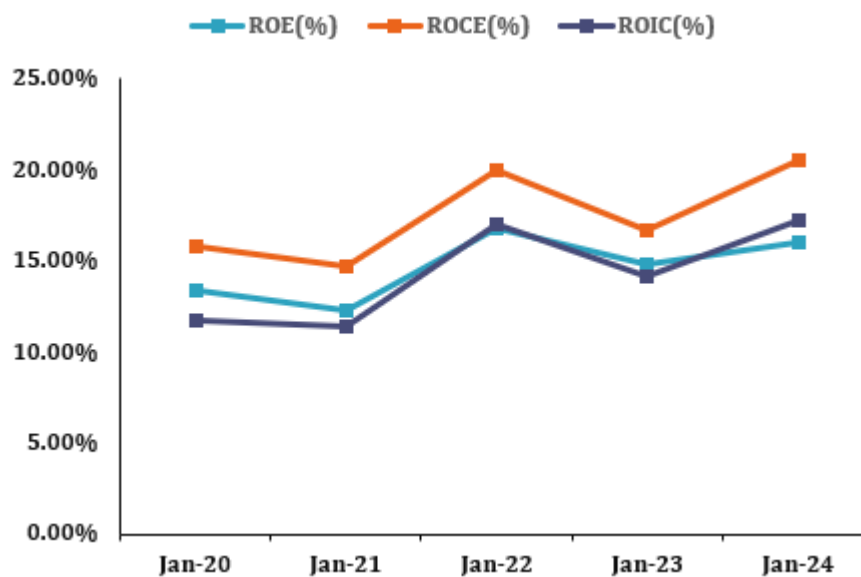
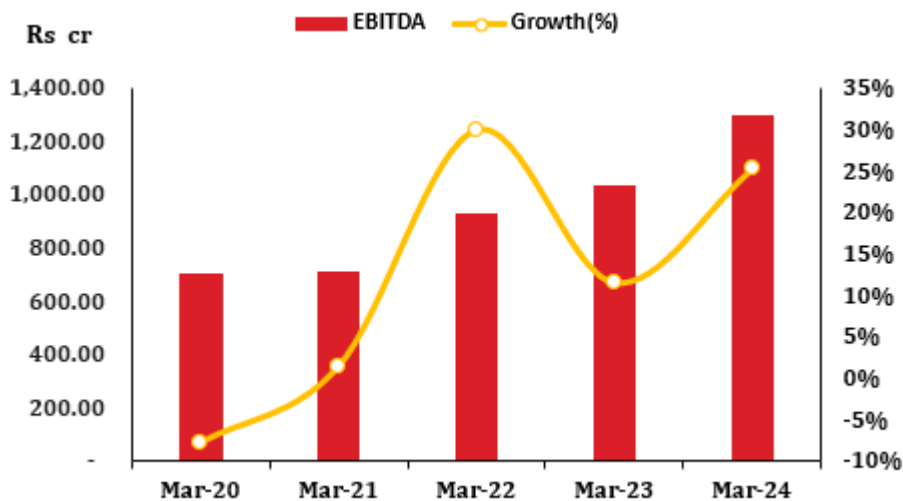
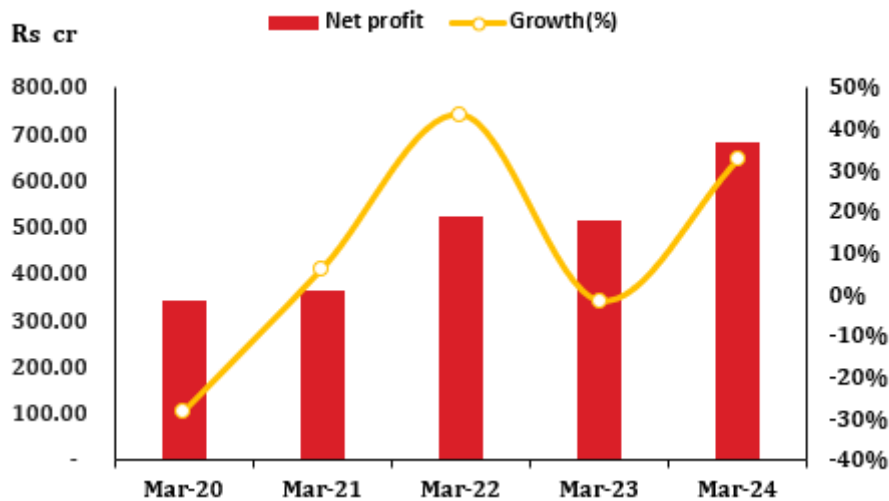
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.28	0.20	0.18	0.35	0.18
Debt/Assets	0.17	0.13	0.12	0.19	0.11
Debt/Ebitda	1.01	0.81	0.62	1.17	0.61
Debt/Capital Ratio	22%	16%	16%	26%	16%
Cash flow/Debt	0.82	1.48	1.11	0.45	0.92
Interest coverage ratio	10.63	12.02	18.77	7.81	8.92
Sales Change	-4%	-7%	10%	33%	19%
Ebit Change	-21%	1%	42%	6%	32%
Operating Leverage	3.32	-0.79	4.34	0.69	1.59
Financial Leverage	1.62	1.51	1.53	1.87	1.63

Efficiency ratios					
Receivable days	60	71	59	68	64
Receivable turnover	6.10	5.15	6.18	5.34	5.66
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	17	22	13	12	12
Net Fixed assets turnover	3.39	3.04	3.37	2.13	2.53
Sales/capital employed	1.35	1.17	1.23	1.28	1.42
Total Asset Turnover	1.07	0.92	0.95	0.93	1.03

Profitability ratios					
Ebitda	704.6	714.9	929.9	1037.8	1301.1
Ebitda margin	16%	17%	21%	17%	18%
Gross Profit	3512.3	3429.3	3759.6	5013.5	5834.5
Gross Profit Margin	79%	83%	83%	83%	82%
EBIT	516.8	520.4	737.7	781.2	1034.4
EBIT Margin	12%	13%	16%	13%	14%
ROE	13%	12%	17%	15%	16%
Net profit margin	8%	9%	12%	9%	10%
EPS	31.14	33.07	47.35	46.51	61.57
DU Pont ROE	13%	12%	17%	15%	16%
Net Profit Margin	8%	9%	12%	9%	10%
Sales/Total assets	1.07	0.92	0.95	0.93	1.03
Financial Leverage	1.62	1.51	1.53	1.87	1.63
DU PONT ROA	8%	8%	11%	8%	10%
Net Profit Margin	8%	9%	12%	9%	10%
Sales/Total assets	1.07	0.92	0.95	0.93	1.03

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	8%	8%	14%	14%	18%
EBIT Margin	12%	13%	16%	13%	14%
Sales/cap employed	1.35	1.17	1.23	1.28	1.42
NOPAT	376.62	396.82	551.69	589.91	791.57
Capital employed	3272.3	3534.7	3690	4684.5	5045.7
ROIC	12%	11%	15%	13%	16%

Valuation Ratios					
Price/Earnings	7.36	19.58	19.59	21.40	32.42
Price/Book	0.98	2.41	3.28	3.18	5.20
Marketcap	2,522.30	7,121.95	10,233.08	11,007.47	22,139.52
Enterprise Value	2,281.90	6,234.35	9,539.88	11,505.87	21,943.62
EV/EBITDA	3.24	8.72	10.26	11.09	16.87

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