

**IPO Details**

<b>Opening Date</b>	June 27, 2023
<b>Closing Date</b>	June 30, 2023
<b>Stock Exchange</b>	NSE, BSE
<b>Lot Size</b>	56 Shares
<b>Issue Price</b>	₹ 250 - 265 per share
<b>Issue Size</b>	Aggregating up to 592 Cr.
<b>Fresh Issue</b>	Aggregating up to 592 Cr.
<b>Application Amount (@ upper Band)</b>	Min. Inv. - ₹ 14,840 (56 shares) Max. Inv. - ₹ 1,92,920 (728 shares)

**IPO Objective**

Funding incremental working capital requirements of the company.  
 Funding capital expenditure of the company.  
 Repayment/prepayment, in part or full, of certain of the borrowings.  
 Achieving inorganic growth through acquisitions.  
 General corporate purposes.

**Pre-Issue Shareholding**

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	5,28,66,000	92.84%
Public	40,75,471	7.16%

**Promoter of the Company**

1 Cyient Limited.

**Competitive Strengths**

- 1 Ability to provide integrated engineering solutions with capabilities across the product value chain.
- 2 Well Experienced Management Team.
- 3 High entry barriers for competitors due to technical expertise.
- 4 Robust and industry leading order book with marquee customers, with whom Company enjoy sustained and long-standing relationships as their preferred partner.

**Company Background**

- Company was incorporated in the year 1993 and has its registered office in Telangana.
- Company is an integrated EMS and solutions provider with a focus on the entire life cycle of a product, including design, build and maintain.
- Company primarily comprise manufacture of: (i) printed circuit board ("PCB") assembly ("PCBA"), (ii) cable harnesses, and (iii) box builds.
- Company provides B2P and B2S services to clients.
- As on March 31, 2023, Company has 656 permanent employees and 361 temporary employees.

**Market Capitalization**

	(In Cr.)	
	Pre-Issue	Post-Issue
	₹ 1,508.95	₹ 2,100.95

**Financial Summary**

	(In Lacs)		
For the Period Ended	Mar-23	Mar-22	Mar-21
<b>Total Assets</b>	1,10,471.80	77,691.40	64,503.10
<b>Net Assets</b>	19,787.00	7,711.00	3,765.00
<b>Total Borrowings</b>	31,447.40	29,319.30	23,376.50
<b>Total Revenue</b>	83,834.40	72,848.40	63,691.40
<b>Profit After Tax</b>	3,172.70	3,979.50	1,181.40

**Tentative Timeline**

<b>Opening Date</b>	June 27, 2023
<b>Closing Date</b>	June 30, 2023
<b>Basis of Allotment</b>	July 05, 2023
<b>Initiation of Refunds</b>	July 06, 2023
<b>Credit of Shares to Demat</b>	July 07, 2023
<b>Listing Date</b>	July 10, 2023

### Company Background and Analysis

Company was incorporated in the year 1993 and one of the leading integrated Electronic Manufacturing Services (“EMS”) and solutions providers. Company is qualified supplier to global OEMs in the aerospace and defence, medical technology and industrial sectors. Two types of Electronic Manufacturing Services are provided B2P (Build to Print) and B2S (Build to specification). B2P solutions involve client providing the design for the product for which company provides agile and flexible manufacturing services and B2S services involve utilising Promoter’s design capabilities to design the relevant product based on the specifications provided by the client and manufacturing the product.

There are three facilities spread across two states in India, at Mysuru, Hyderabad and Bengaluru with a total manufacturing area of 2,29,061 sq and details of the revenue from operations attributable to each of facilities is given below:

### Revenues from facilities

(Amount in millions)

Facility	Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Revenue from operations	% of Total Revenue	Revenue from operations	% of Total Revenue	Revenue from operations	% of Total Revenue
Mysuru facility	7,550.93	90.75	6,531.35	90.65	6,093.41	97.02
Hyderabad facility	719.93	8.65	658.74	9.14	154.68	2.46
Bengaluru facility	49.47	0.6	15.24	0.21	32.2	0.51

97.02% of the revenue is from Mysuru facility in FY21 and has reduced to 90.95% in FY23 and in Hyderabad facility revenue is increased from 2.46% in FY21 to 8.65% in FY23 and mild improvement in Bengaluru facility from 0.51% in FY21 to 0.6% in FY23.

### Order book Details

(Amount in Millions)

Details of order book	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Order book concentration by top10 customers (%)	96.57	88.99	93.35
Order book* (₹ in Millions)	24,325.47	12,029.76	9,061.18
Number of customers	35	50	47

The Company's order book has almost tripled in FY23 compared to FY21 and doubled compared to FY22 which is a good sign for a manufacturing company. Top ten customers' order book percentage has also increased from 93.35% in FY21 to 96.57% in FY23. The company has an increasing order book; however, the number of clients are decreasing.

**Key customers revenue and Relationship details:**

(Amount in Millions)

Name of customer	Number of years of relationship (as of March 31, 2023)	Fiscal 2023		Fiscal 2022		Fiscal 2021	
		Revenue from operations	% of Revenue	Revenue from operations	% of Revenue	Revenue from operations	% of Revenue
ABB Inc	14	1,794.45	21.57	785.99	10.91	431.24	6.87
Bharat Electronics Limited	12	887.25	10.66	1086.17	15.07	867.08	13.81
Honeywell International Inc.	14	747.34	8.98	538.56	7.47	539.98	8.6
Thales Global Services S.A.S	8	1,045.55	12.57	693.18	9.62	639.03	10.18
Molbio Diagnostics Private Limited	10	240.79	2.89	515.19	7.15	1031.34	16.42
<b>Total</b>		<b>4,715.39</b>	<b>56.67</b>	<b>3,619.09</b>	<b>50.23</b>	<b>3,508.68</b>	<b>55.87</b>
<b>Total Revenue from operations</b>		<b>8,320.33</b>	<b>100.00</b>	<b>7,205.33</b>	<b>100.00</b>	<b>6,280.28</b>	<b>100.00</b>

From the above graph we can see that the company has decade of relationship with their key customers which shows the consistency of the company towards work and Revenue from operations has also increased from FY21 to FY23.

## Business Strategies

### 1. Capabilities across focus industries and building scale

The company is trying to further augment core capabilities and build scale by taking advantage of potential moves from global players looking to localise and leverage cost advantages by setting up manufacturing facilities in India under various government schemes, as well as of the growing complexity in product design and development such as miniaturisation of products.

### 2. Investing in design capabilities

investing in design helps them enhance engineering capabilities by strengthening engineering team, establishing independent design capabilities and building up competence to further bolster B2S capabilities and bringing in more domain knowledge and expertise in relation to the industries company cater to.

### 3. New Geographies

The company is planning to expand geographical footprint in North America to work on more strategic projects with clients in the key industry sectors they cater to, which require closer geographical proximity and also aiming to focus on strengthening existing capabilities in high-mix low-volume solutions in safety-critical electronics for the aerospace and defence, medical and industrial sectors.

## Competitive Scenario and Peer Mapping

### Competition

The company faces high competition from the existing players in the market Kaynes Technology India Limited, DCX Systems Limited, Syrma SGS Technology Limited etc. The bargaining power of the company is low and the threat of new entrant is not that high. Company faces competition in India and overseas against providers of EMS, which is based on many factors, including product quality and reliability, product design and innovation, technology, manufacturing capabilities, scope and quality of service, price and brand recognition.

### Peer Analysis

**The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -**

Particulars	Cyient DLM Limited	Kaynes Technology India Limited	DCX Systems Limited	Syrma SGS Technology Limited
	Mar-23	Mar-23	Mar-23	Mar-23
Net Profit Margin	4%	8%	6%	6%
EBITDA Margin	11%	15%	7%	9%
Return on Capital Employed	19%	15%	14%	9%
Return on Equity	16%	10%	13%	8%
EPS (INR)	7.75	16.37	7.44	6.75

**The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -**

Particulars	Cyient DLM Limited	Kaynes Technology India Limited	DCX Systems Limited	Syrma SGS Technology Limited
	Mar-22	Mar-22	Mar-22	Mar-22
Net Profit Margin	6%	6%	6%	6%
EBITDA Margin	12%	13%	6%	10%
Return on Capital Employed	25%	35%	42%	17%
Return on Equity	52%	21%	56%	14%
EPS (INR)	16.17	9.03	8.48	5.59

**The comparison of the key performance indicators of the listed peers as on Mar-21 is given below -**

Particulars	Cyient DLM Limited	Kaynes Technology India Limited	DCX Systems Limited	Syrma SGS Technology Limited
	Mar-21	Mar-21	Mar-21	Mar-21
Net Profit Margin	2%	2%	5%	8%
EBITDA Margin	7%	10%	2%	12%
Return on Capital Employed	18%	21%	17%	12%
Return on Equity	31%	7%	64%	12%
EPS (INR)	4.80	14.31	84.46	916.98

Over the years, the company on an average has performed low than its peers in terms of profitability margins, and EPS.

**Industry Overview**

Exhibit 1: Global electronics industry market size, value in USD billion, growth in %, CY2016-CY2026E

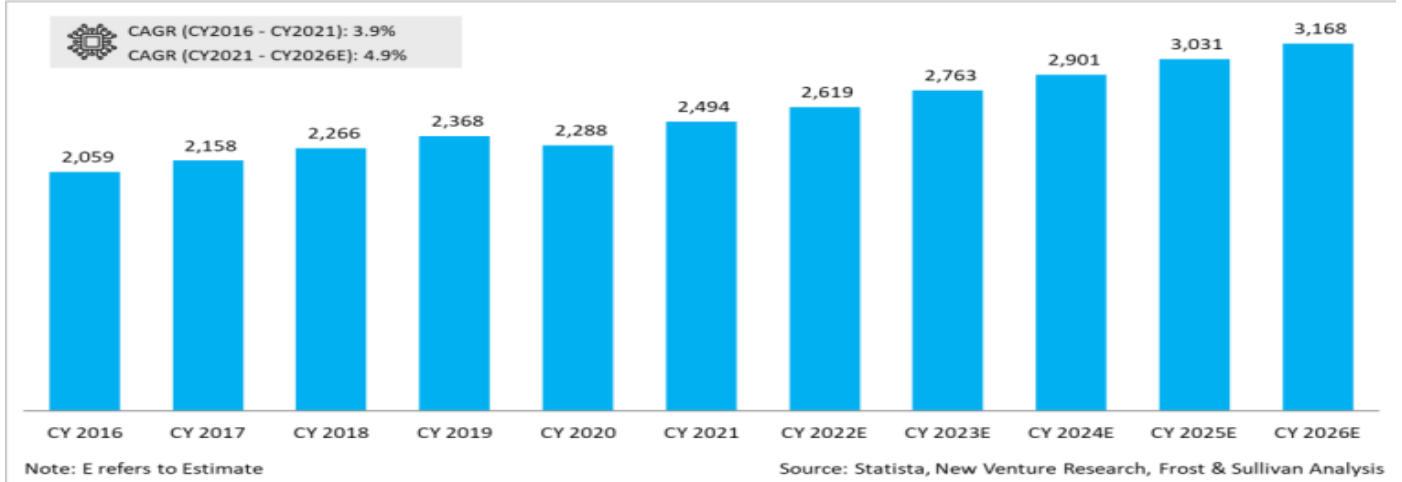


Exhibit 2: Per capita consumption of electronics in major economies, value in USD, CY2021

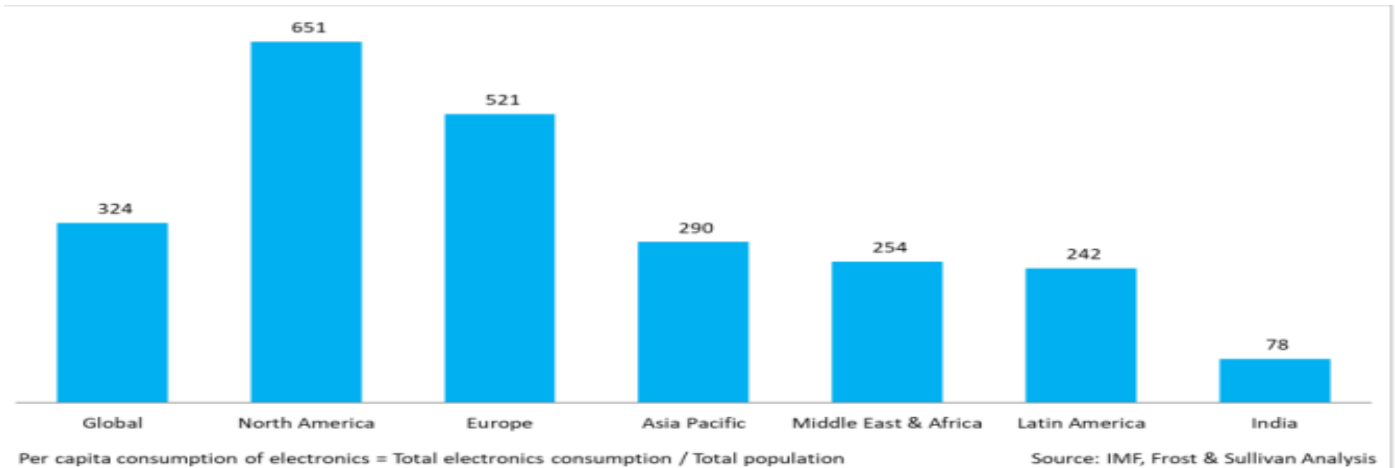
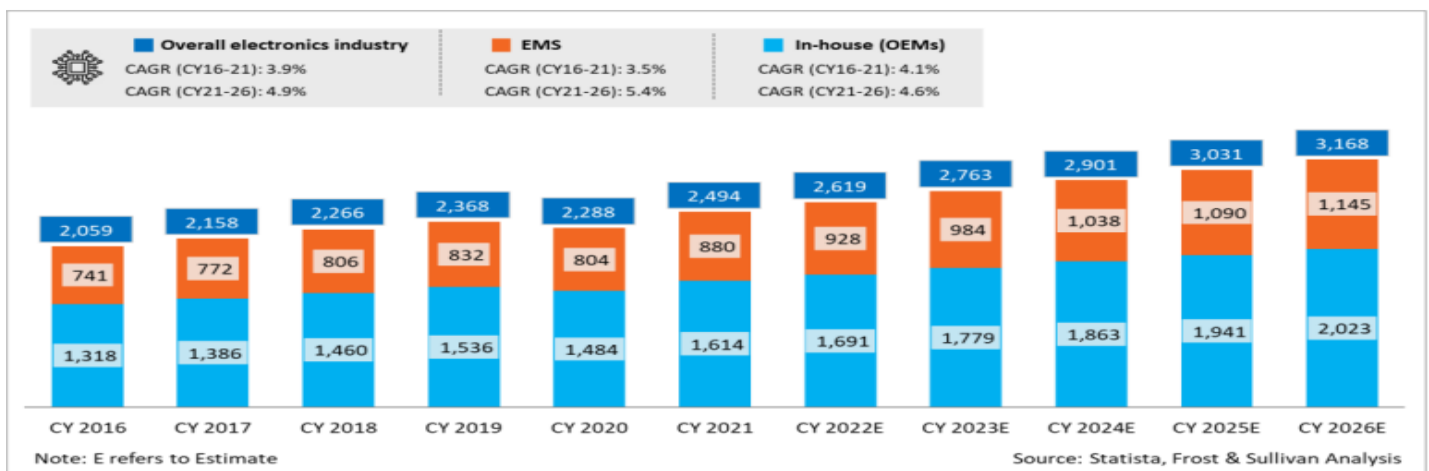


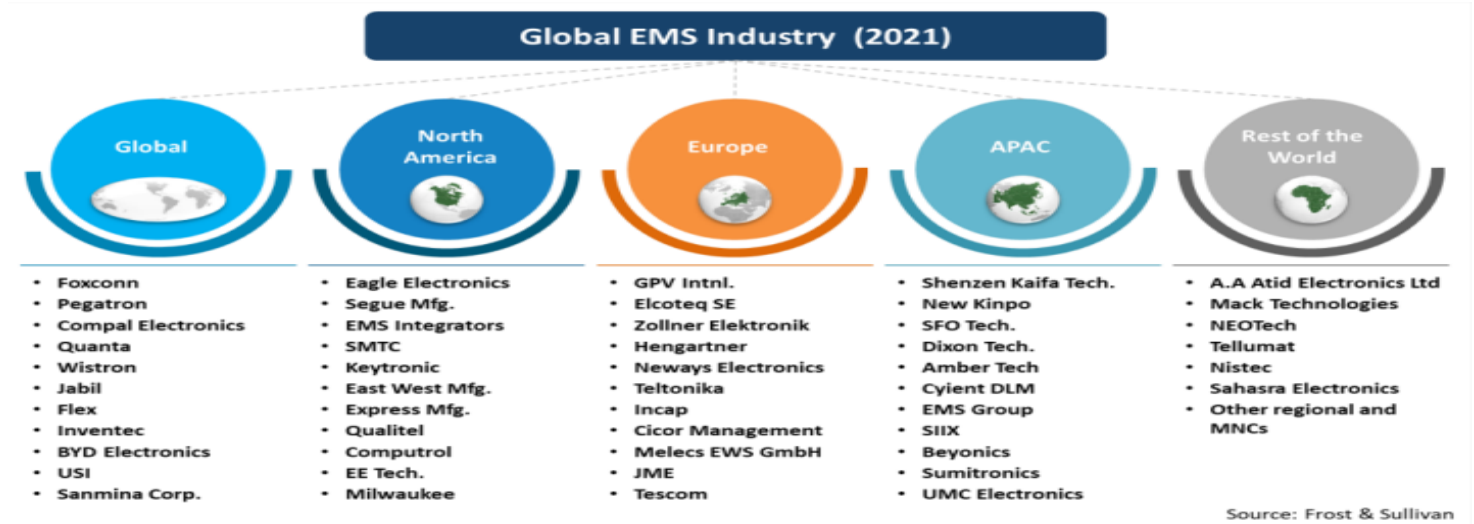
Exhibit 3: Global electronics manufacturing market - value in USD billion, CY2016-CY2026E



(Source: Prospectus)

**Global EMS Industry**

The global EMS market is addressed by more than 1,000 players. However, the top 10 players contribute to 53% of the market. Hon Hai Technology (Foxconn Group) is the market leader, accounting for nearly 24% of the market in 2020 and 4.8x times larger than the nearest competitor. Pegatron, Quanta, Compal Wistron, Jabil and Flex are some of the leading players in the EMS market. The entire universe of peers (both Indian & Global) has been included in this report and some of them might not be directly comparable to Cyient DLM in terms of Business Model.



**Indian EMS Industry**

There are more than 30 organized companies in the EMS industry ranging from large, medium-sized, to small players and categorized by global and domestic players. Major global companies are Bharat FIH, Flex, Wistron, Pegatron, Jabil; large Indian companies include Dixon, Amber, Cyient DLM, SFO Technologies, Syrma, Elin, Avalon Technologies etc. The competition concentration is moderate as the top 3 companies account for ~ 30% of the market. EMS companies in India have matured from being mere contract manufacturers to end-to-end support partners today.



(Source: Prospectus)

### **Key Managerial Personnel**

**Cyient Limited**, as on the date of RHP Cyient Limited is the Promoter of the Company. It was incorporated on August 28, 1991. The Promoter is a leading consulting-led, industry-centric, technology solutions company. It enables its customers to apply technology imaginatively across their value chain to solve problems that matter. It is committed to designing tomorrow with its stakeholders and being a culturally inclusive, socially responsible, and environmentally sustainable organization. Cyient Limited is a listed company.

**Mr. Ganesh Venkat Krishna Bodanapu**, aged 46, is a Chairman, Non-Executive & Non-Independent Director of the Company. He holds a bachelor's degree of science in electrical engineering, and a master's degree in business administration. He currently is the managing director and chief executive officer of the Promoter.

**Mr. Rajendra Velagapudi**, aged 60, is the Managing Director of the Company. He holds a bachelor's degree in technology, a master's degree of engineering in automobile engineering, and a degree of Master of Science in design of rotating mechanics.

**Mr. Venkat Rama Mohan Reddy Bodanapu**, aged 72, is a Non-Executive, Non-Independent Director of the Company. He holds a bachelor's degree in engineering, degree of Master of Technology, a master's degree of science, and a degree of Doctor of Philosophy.

To conclude, the company has one promoter, and it is a listed company. The management has immense knowledge and experience in the industry and overall business in which the company operates in.



## Financial Snapshot

<b>Profit and Loss Statement</b>		<b>(In Lacs)</b>		
Particulars	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
Revenue from Operations	62,802.80	72,053.30	83,203.30	
Other Income	888.30	795.10	631.10	
<b>Total Income</b>	<b>63,691.10</b>	<b>72,848.40</b>	<b>83,834.40</b>	
<b>Expenses</b>				
Cost of Materials consumed	47,785.20	55,528.80	63,415.30	
Purchases of Stock-in-Trade	-	-	-	
Changes in inventories of Finished goods, work-in- Progress	1,744.10	-1,132.60	1,106.10	
Employee benefits expense	4,686.30	5,165.20	6,469.40	
Finance costs	2,077.00	2,197.50	3,151.60	
Depreciation and Amortization expense	1,846.20	1,928.60	1,941.50	
Other expenses	3,992.80	4,087.90	3,434.50	
<b>Total Expenses</b>	<b>62,131.60</b>	<b>67,775.40</b>	<b>79,518.40</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>4,594.40</b>	<b>8,404.00</b>	<b>8,778.00</b>	
<b>EBITDA Margin</b>	<b>7%</b>	<b>12%</b>	<b>11%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>1,559.50</b>	<b>5,073.00</b>	<b>4,316.00</b>	
Less: Exceptional Items				
<b>Profit/(Loss) before tax</b>	<b>1,559.50</b>	<b>5,073.00</b>	<b>4,316.00</b>	
(i) Current tax	50.30	963.50	1,297.10	
(ii) Deferred tax	327.80	130.00	-153.80	
<b>Profit/(Loss) for the year</b>	<b>1,181.40</b>	<b>3,979.50</b>	<b>3,172.70</b>	

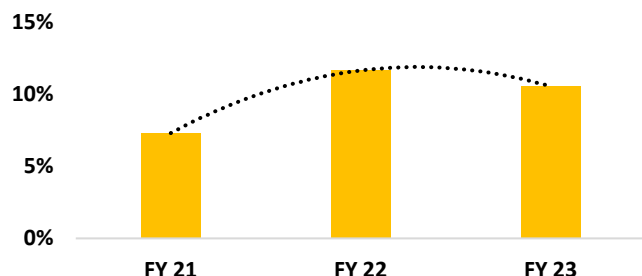
<b>Balance Sheet</b>		<b>(In Lacs)</b>		
Particulars	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	14,008.90	12,948.30	12,175.00	
Right of use of assets	4,201.10	3,828.60	3,452.80	
Capital Work-in-progress	231.60	339.10	133.40	
Goodwill	303.00	303.00	303.00	
Other Intangible Assets	49.40	141.20	164.60	
Financial Assets				
(i) Investments	32.20	32.20	8,952.20	
(ii) Other Financial Assets	462.00	388.00	349.70	
Deferred Tax Assets	508.60	389.80	537.90	
Income Tax Assets	58.40	50.30	50.30	
Other Non-current Assets	355.90	81.10	384.10	
<b>Total Non-Current assets</b>	<b>20,211.10</b>	<b>18,501.60</b>	<b>26,503.00</b>	
<b>Current Assets</b>				
Inventories	15,544.70	26,956.20	42,508.30	
Financial Assets				
(i) Trade receivables	22,638.30	15,232.50	16,174.80	
(ii) Cash and cash equivalents	1,466.90	7,685.90	7,734.10	
(iii) Other Bank balances	1,950.70	4,494.90	9,026.00	
(v) Other financial assets	309.30	223.30	546.60	
Other Current assets	2,382.10	4,597.00	7,979.00	
<b>Total Current assets</b>	<b>44,292.00</b>	<b>59,189.80</b>	<b>83,968.80</b>	
<b>Total Assets</b>	<b>64,503.10</b>	<b>77,691.40</b>	<b>1,10,471.80</b>	
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				

<b>Balance Sheet</b>		<b>(In Lacs)</b>	
Equity Share Capital	136.70	136.70	5,286.60
Other Equity	3,628.50	7,574.50	14,500.60
<b>Total Shareholders' Fund</b>	<b>3,765.20</b>	<b>7,711.20</b>	<b>19,787.20</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
(i) Long-term borrowings	6,400.00	9,956.30	9,956.30
(ii) Lease Liabilities	4,000.20	3,771.90	3,625.60
(iii) Other financial liabilities	566.20	1,131.00	1,663.20
Provisions	537.80	596.10	952.70
Other non-current liabilities	174.40	2,608.30	-
<b>Total Non-current liabilities</b>	<b>11,678.60</b>	<b>18,063.60</b>	<b>16,197.80</b>
<b>Current liabilities</b>			
Financial Liabilities			
(i) Short-term borrowings	16,976.50	19,363.00	21,491.10
(ii) Lease Liabilities	525.20	597.10	532.10
(ii) Trade payables			
- Total outstanding dues of micro and small enterprises	606.00	320.60	691.70
- Total outstanding dues of other creditors	18,396.50	18,927.90	27,834.50
(iii) Other financial liabilities	428.00	413.30	764.90
Income Tax liabilities	271.30	606.30	219.00
Provisions	123.50	133.60	29.90
Other current liabilities	11,732.30	11,554.80	22,923.60
<b>Total Current liabilities</b>	<b>49,059.30</b>	<b>51,916.60</b>	<b>74,486.80</b>
<b>Total Liabilities</b>	<b>60,737.90</b>	<b>69,980.20</b>	<b>90,684.60</b>
<b>Total Equity and Liabilities</b>	<b>64,503.10</b>	<b>77,691.40</b>	<b>1,10,471.80</b>

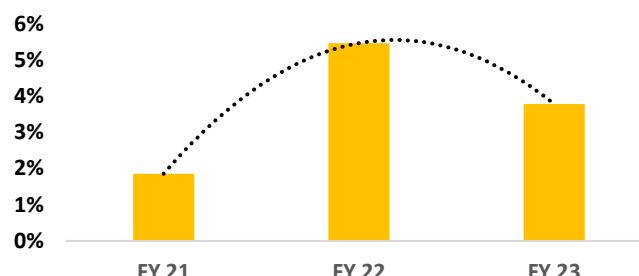
<b>Ratio Sheet</b>			
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>
<b>Per Share Data</b>			
Diluted EPS	4.8	16.17	7.75
BV per share	4.75	9.73	24.96
<b>Operating Ratios (%)</b>			
EBITDA Margins	7%	12%	11%
PAT Margins	2%	5%	4%
Inventory days	90.34	136.55	186.48
Debtor days	131.57	77.16	70.96
Creditor days	494.79	286.92	479.22
<b>Return Ratios (%)</b>			
RoCE	18%	25%	19%
RoE	31%	52%	16%
<b>Valuation Ratios (x)</b>			
EV/EBITDA	5.16	2.96	3.93
Market Cap / Sales	3.35	2.92	2.53
P/E	55.21	16.39	34.19
Price to Book Value	55.80	27.25	10.62
<b>Solvency Ratios</b>			
Debt / Equity	6.21	3.80	1.59
Current Ratio	0.90	1.14	1.13
Quick Ratio	0.59	0.62	0.56
Asset Turnover	0.97	0.93	0.75
Debt service coverage ratio	0.23	0.36	0.19

## Financial Charts

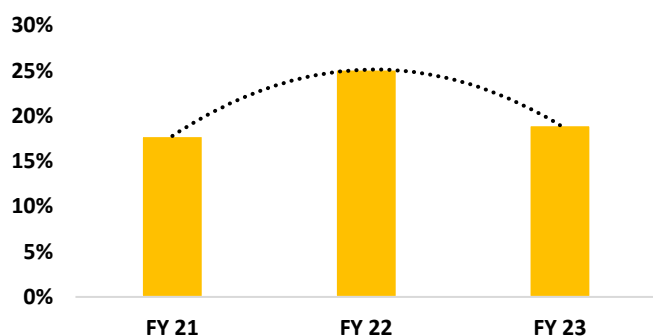
**EBITDA Margin**



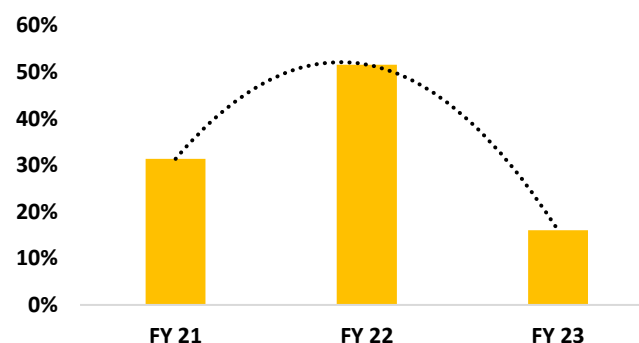
**Net Profit Margin**



**Return On Capital Employed**



**Return On Equity**



## Key Risk Factors

1. Top 10 customers constituted 91.08% of total revenue from operations for the year ended March 31, 2023. Further, as at March 31, 2023, Trade Receivables were ₹ 1,617.48 million. The loss of any of key customers or loss of revenue from sales to customers or any defaults or delays in payment by a significant portion of customers could have a material adverse effect on business.
2. Order book may not be indicative of future growth rate or new business orders will receive in the future.
3. The markets in which customers compete are characterized by sectors specific to the industries which they cater to, and their rapidly changing preferences and other related factors including lower manufacturing costs and therefore as a result company may be affected by any disruptions in the industry.
4. The capacity utilisation of facilities for Fiscals 2023, 2022 and 2021 is lower in comparison to other manufacturing companies.
5. Company in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest. As on 31<sup>st</sup> March 2023 Company's total related party transaction amount is ₹ 3,395.53 million.

### Track Record of Lead Manager

The lead managers to the issue is Axis Capital Limited and Jm Financial Limited. A table has been set below highlighting the details of the IPO of the last 5 companies handled by the Lead Managers in recent times –

#### Axis Capital Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Nexus Select Trust	3200.00	100.00	May 19, 2023	106.06
2.	Mankind Pharma Limited	4326.36	1080.00	May 09, 2023	1694.40
3.	Elin Electronics Limited	475.00	247.00	Dec 30, 2022	165.50
4.	Landmark Cars Limited	552.00	506.00	Dec 23, 2022	717.65
5.	Uniparts India Limited	835.61	577.00	Dec 12, 2022	556.85

#### Jm Financial Limited

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Nexus Select Trust	3200.00	100.00	May 19, 2023	106.06
2.	Avalon Technologies Limited	865.00	436.00	April 18, 2023	512.60
3.	Elin Electronics Limited	475.00	247.00	Dec 30, 2022	165.50
4.	Archean Chemical Industries Limited	1462.31	407.00	Nov 21, 2022	534.80
5.	Uniparts India Limited	835.61	577.00	Dec 12, 2022	556.85

\*CMP is taken as on 23<sup>rd</sup> June 2023

The two BRLMs associated with the issue have handled 52 public issues in the past three fiscals, out of which 19 issues closed below the IPO price on the listing date.

## **Recommendation**

The company has been into the industry since quite a long time and has been able to generate healthy revenue and profitability margin over the year.

The management outlook of the company is also good with proper bifurcation of the roles and responsibilities of its top management.

The PE on an annualised and Post IPO basis is around 66.15 times which seems to be fairly priced looking at the performance peers and size of the company.

Over the years, the company on an average has performed low than its peers in terms of profitability margins, and EPS. Looking at the financial performance, the business performance and outlook of its management, **one should apply for the IPO.**



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