

Rating

SUBSCRIBE

(For listing gain & long term)

Issue Offer

Issue Opens on	June 27, 2023
Issue Close on	June 30, 2023
Total IPO size (cr)	592.00
Fresh issue (cr)	592.00
Offer For Sale (cr)	Nil
Price Band (INR)	250-265
Market Lot	56
Face Value (INR)	10
Retail Allocation	10%
Listing On	NSE, BSE

Objects of the issue

- Payment of borrowings.
- Funding capital expenditure and working capital requirement.
- Acquisitions.

Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

Shareholding (No. of Shares)

Pre Issue	56,941,471
Post Issue	79,315,055

Indicative Timetable

Finalisation of Basis of Allotment	05-07-2023
Refunds/Unblocking ASBA Fund	06-07-2023
Credit of equity shares to DP A/c	07-07-2023
Trading commences	10-07-2023

Cyient DLM Limited is an integrated EMS and solutions provider with a focus on the entire life cycle of a product, including design, build and maintain. Their solutions primarily comprise manufacture of: (i) printed circuit board (“PCB”) assembly (“PCBA”), (ii) cable harnesses, and (iii) box builds which are used in safety critical systems such as cockpits, inflight systems, landing systems, and medical diagnostic equipment, which they provide to their clients as B2P or B2S services. The company have 22 years of experience in developing high mix, low-to-medium volume highly complex systems, they are a qualified supplier to global OEMs in the aerospace and defence, medical technology and industrial sectors. Their Electronic Manufacturing Services are offered as Build to Print (“B2P”) and Build to Specification (“B2S”) services to the clients.

- They leverage the design capabilities of their Promoter, Cyient Limited, a leading engineering services provider with over three decades of domain expertise providing engineering and design solutions globally with a focus on multiple industries.
- The EMS market is witnessing strong tailwinds. The India EMS is a sizeable industry, contributing to 2.2% (USD 20 billion) of the global EMS market in 2022 and Cyient is well positioned to take advantage of these tailwinds on the back of its solutions-oriented approach, client-focused service and track record of reliability.
- They enjoy long-term relationships as an integrated partner to multiple marquee customers such as Honeywell International Inc., Thales Global Services S.A.S, ABB Inc, Bharat Electronics Limited and Molbio Diagnostics Private Limited.
- The company’s manufacturing infrastructure comprises three facilities spread across two states in India, at Mysuru, Hyderabad and Bengaluru, with a total manufacturing area of 229,061 sq. ft.

Outlook & Valuation: The EMS sector is growing globally, and India is expected to be a major beneficiary of this trend. The shift of global demand from China to India is creating new opportunities for EMS providers in the country. Cyient DLM Ltd. is a leading EMS and solutions provider with a strong track record. The company has over 22 years of experience and is backed by Cyient Limited, a well-established engineering and technology solutions provider. Cyient DLM Ltd. has a strong order book and enjoys high entry barriers due to its technical expertise, customer engagement, and focus on highly regulated industries. However, the company's financial performance has been slightly disappointing recently, as profit and margin have declined but there has been growth in revenue. The IPO is fairly priced at a P/E valuation of 34.19x. **Overall, we recommend to Subscribe this IPO.**

KEY MANAGERIAL PERSONNEL

- Rajendra Velagapudi is the Managing Director of the Company. He holds a bachelor's degree in technology (Mechanical) from Faculty of Engineering, Nagarjuna University, a master's degree of engineering in automobile engineering from Anna University, Madras and degree of master of science in design of rotating mechanics from School of Mechanical Engineering, Cranfield University.
- Ganesh Venkat Krishna Bodanapu is a Chairman, Non-Executive & Non-Independent Director of the Company. He holds a bachelor's degree of science in electrical engineering from Purdue University and a master's degree in business administration from the J.L Kellogg School of Management, Northwestern University.
- Anthony Montalbano is the Chief Executive Officer and Business Head of the Company. Prior to joining this Company, he was associated with Flex, USA for a period of 10 years, HCL America Inc. and Wipro Limited.
- Shrinivas Appaji Kulkarni is the Chief Financial Officer of the Company. He holds a bachelor's degree in science from Karnatak University, Dharwad and diploma in business finance from the Institute of Chartered Financial Analysts of India.
- Parvati K R is the Company Secretary and Compliance Officer of the Company. She is a member of the Institute of Company Secretaries of India.

COMPETITIVE STRENGTHS

- Ability to provide integrated engineering solutions with capabilities across the product value chain.
- High entry barriers for competitors due to technical expertise, capabilities in safety-critical electronics in highly regulated industries and customer engagement.
- Robust and industry leading order book with marquee customer.
- Manufacturing infrastructure, stringent quality, diverse in-house capabilities and robust supply chain.

KEY STRATEGIES

- Strengthening core capabilities across focus industries and building scale.
- Strengthen B2S value proposition by investing in design capabilities.
- Strengthening the supply chain ecosystem and building on operational efficiency.
- Further enhancing its capabilities in after-market services and value-added services.
- Continue focus on sustainability through ESG investments.

KEY CONCERNS

- Profit for the Fiscal 2023 decreased by 20.27%, down from ₹397.95 million to ₹317.27 million.
- The capacity utilisation of their facilities in recent years is lower in comparison to other manufacturing companies.
- Any slowdown and reduced spending in the industries in which customers of the company operate.
- There are outstanding legal proceedings involving the Company.
- Delay, shortage, interruption, reduction in the supply of or volatility in the prices of raw materials.
- Change in import and export regulations of both India and key export and import markets.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2022)

Name of the Company	EPS (Basic)	NAV	P/E	Total Income (Mn)	RoNW (%)
Cyient DLM Limited	7.75	48.33	-	8,383.44	16.03%
Peer Group					
Syrma SGS Technology Limited	7.59	87.13	51.47	20,921.37	11.60%
Kaynes Technology India Limited	19.84	164.95	71.45	11,375.12	13.14%
DCX Systems Limited	8.44	58.59	26.33	12,831.82	15.13%

FINANCIALS (RESTATED CONSOLIDATED)

Particulars (Rs. In Millions)	FY 2022	FY 2021	FY 2020
Equity Share Capital	528.66	13.67	13.67
Other Equity	1,450.06	757.45	362.85
Net Worth	1,978.72	771.12	376.52
Total Borrowings	995.63	995.63	640.00
Revenue from Operations	8,320.33	7,205.33	6,280.28
EBITDA	877.80	840.40	459.44
Profit Before Tax	431.60	507.30	155.95
Net Profit for the year	317.27	397.95	118.14

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CORPORATE & ADMINISTRATIVE OFFICE - 48, Jaora Compound, M.Y.H. Road, Indore - 452 001 | Phone 0731 - 6644000

Compliance Officer: Ms. Sheetal Duraphe Email: compliance@swastika.co.in Phone: (0731) 6644 241

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