

Cyient DLM

Electronics | India

IPO | 26 June 2023

Electronic Manufacturing Services & Solutions

About the Company

Cyient DLM Limited is engaged in the business of Electronic Manufacturing Services (EMS) and solutions. The company provides EMS as Build to Print (B2P) and Build to Specification (B2S) services. In case of B2P solutions, the company provides agile and flexible manufacturing services for clients with design for their products. B2S services involve designing the product based on the specifications provided by the client and manufacturing the product. The company has 3 manufacturing facilities in Mysuru, Hyderabad and Bengaluru, with a total area of 229,061 sq. ft. Cyient DLM has long-term relationships with marquee customers such as Honeywell International Inc., Thales Global Services S.A.S, ABB Inc, Bharat Electronics Ltd and Molbio Diagnostics Pvt Ltd, having had an average relationship of over 11 years as on Mar'23. The company is coming up with an IPO comprising entirely of fresh issue of 22.3mn shares, aggregating to Rs5.92bn at upper price band.

Strong Capabilities across Sectors

Cyient DLM leverages its capabilities across sectors and is the qualified supplier to global Original Equipment Manufacturers (OEMs) in the aerospace and defence, medical technology and industrial sectors. It implements a 'Low volume, high mix' (LVHM) contract manufacturing setup which typically has a very high emphasis on quality and customization. The company has over 22 years of experience in developing high mix, low-to-medium volume complex system.

Diverse Array of Products & Services

The company's solutions comprise: **i) Printed Circuit Board (PCB) assembly** which involves the process of connecting electronic components onto PCB. **ii) Cable Harnesses** solutions involve the process of assembly of electrical cables or wires. **iii) Box Builds** also known as systems integration, can be anything from a simple PCBA housed in a small enclosure, to a cabinet housing a complex electromechanical system, ranging from very simple to complex devices with a wide range of applications. These solutions are utilised in safety critical systems such as cockpits, inflight systems, landing systems, and medical diagnostic equipment. Cyient DLM also offers several value added and after-market services to its customers, such as obsolescence management, new product introduction, value engineering, sustenance engineering and logistics and supply chain management.

Financials in Brief

During FY21-23, its revenue/EBITDA/PAT has grown at a CAGR of 15%/18%/4%. For FY23, its revenue was at Rs8,320mn while EBITDA stood at Rs878mn. EBITDA margin has consistently remained in the 10-12% range over FY21-23. PAT during FY21, FY22 and FY23 stood at Rs293mn, Rs398mn and Rs317mn respectively. Return ratios are strong with average RoE/RoCE of 48%/13.4% during FY21-23. Average Net Asset Turnover during FY21-23 was at 4.3x.

Our View

On FY23 annualized financials, the IPO is valued at 66.2x P/E, 25.6x EV/EBITDA and 2.7x EV/Sales, at the upper price band. The EMS market globally is witnessing a strong growth trajectory. India's EMS market contributes 2.2% (\$20bn) of the global EMS market in 2022 and it is the fastest growing among all countries at a CAGR of 32.3%. It is expected to contribute 7% (\$80bn) of the global EMS market in 2026 which will aid the company to grow further. **Considering the strong business prospects, healthy financials, diversified product mix, tailwinds on the back of solutions-oriented approach, client-focused service and track record of reliability, we recommend SUBSCRIBE to the issue.**

SUBSCRIBE 

IPO Details

Price Band (Rs)	250-265
Face Value (Rs)	10
Issue Open/Closing Date	27-June-23/30-June-23
Fresh Issues (mn)	22.3
OFS (mn)	-
Total Issue (mn)	22.3
Minimum Bid Qty. (Nos)	56
Issue Size (Rs bn)*	5.92
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs bn)*	21.0

*At higher band

Object of the Issue

- ▶ Funding incremental working capital requirement
- ▶ Funding capex.
- ▶ Repayment/Prepayment of debt.
- ▶ Achieving inorganic growth through acquisitions.
- ▶ General corporate purposes.

Key Risk

- ▶ Dependent on the sale of products to certain key customers.
- ▶ Failure to compete effectively in the highly competitive EMS industry.
- ▶ Problems arising related to product designs.
- ▶ Dependent on third party suppliers for raw materials and components.
- ▶ Foreign exchange fluctuations.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	92.8	66.7
Others	7.2	33.3

Key Financials

(Rs mn)	FY21	FY22	FY23
Revenue	6,280	7,205	8,320
EBITDA	459	840	878
EBITDA Margin (%)	7.3	11.7	10.6
PAT	118	398	317
PAT Margin (%)	1.9	5.5	3.8
EPS (Rs)	1.5	5.0	4.0
P/E (x)	177.8	52.8	66.2
EV/EBITDA (x)	50.1	27.0	25.6
EV/Sales (x)	3.7	3.2	2.7
Net Worth	377	771	1,979
RoE (%)	31.4	51.6	16.0
Gross Debt	2,338	2,932	3,145
Net Block	1,826	1,692	1,579
Net Asset Turnover (x)	3.4	4.3	5.3

Source: RHP

Research Analyst:

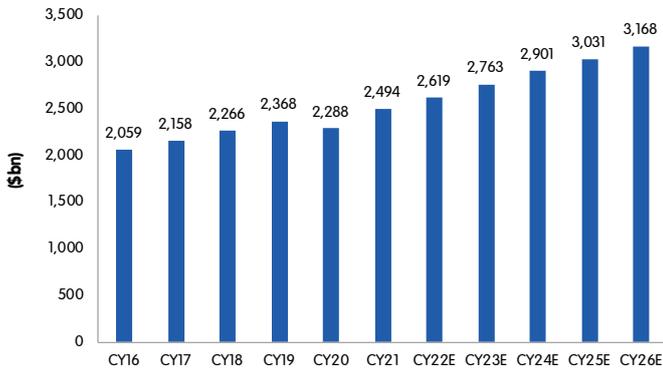
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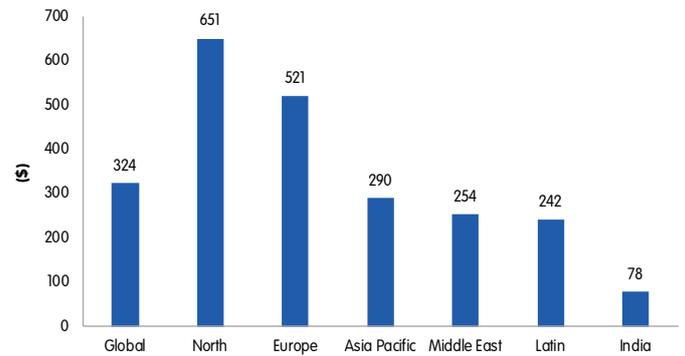
Industry Data

Exhibit 1: Global Electronics Industry (\$bn)



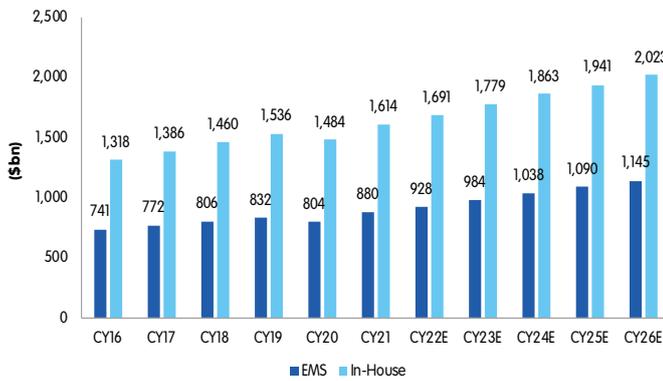
Source: RHP, Statista, New Venture Research, F&S Report

Exhibit 2: Per Capita Consumption of Electronics in Major Economies (\$)



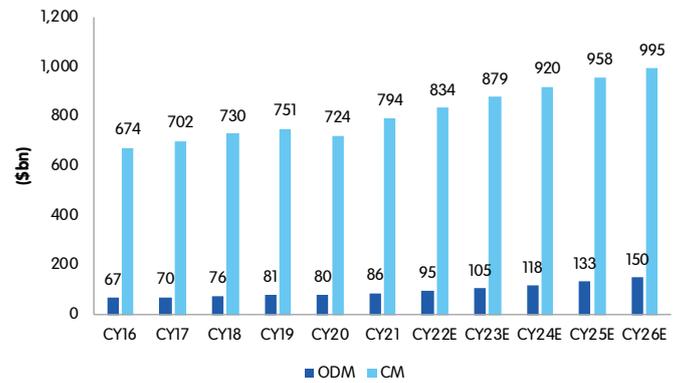
Source: RHP, IMF, F&S Report

Exhibit 3: Global Electronics Manufacturing Market - Split between In-House & EMS (\$bn)



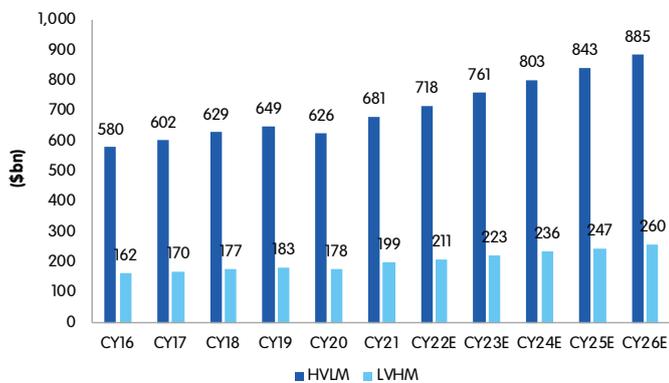
Source: RHP, Statista, F&S Report

Exhibit 4: Global EMS Market - Segmentation by ODM Vs. CM (\$bn)



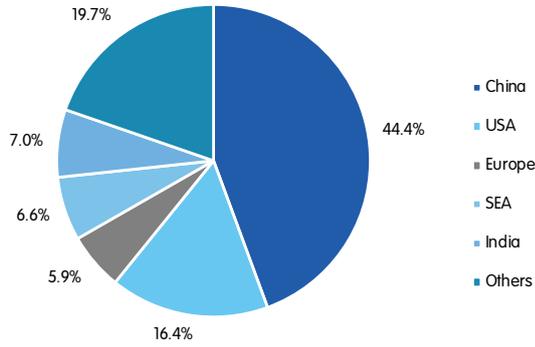
Source: RHP, ELCINA, F&S Report

Exhibit 5: Global EMS Market - Segmentation by HVLM Vs. LVHM (\$bn)



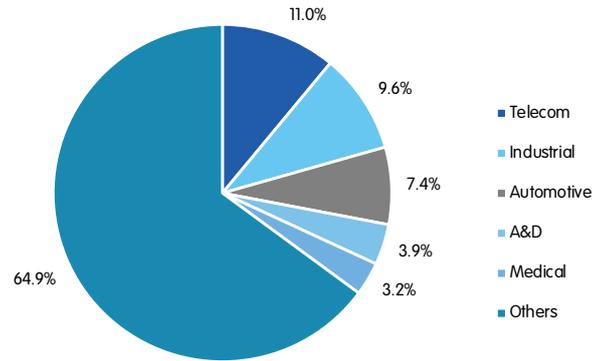
Source: RHP, ELCINA, F&S Report

Exhibit 6: Global EMS Market - Segmentation by Manufacturing Location CY26E (%)



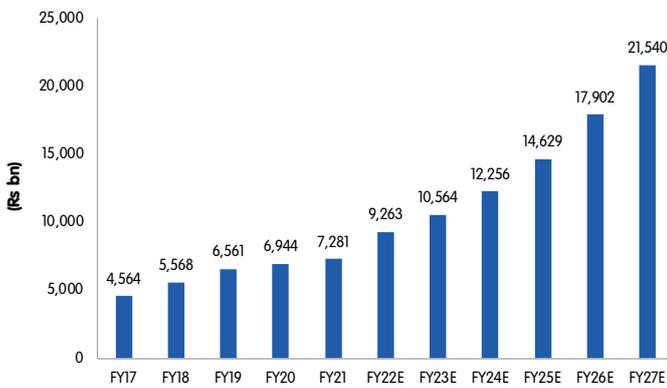
Source: RHP, F&S Report

Exhibit 7: Global EMS Market - Segmentation by End-User Industries CY26E (%)



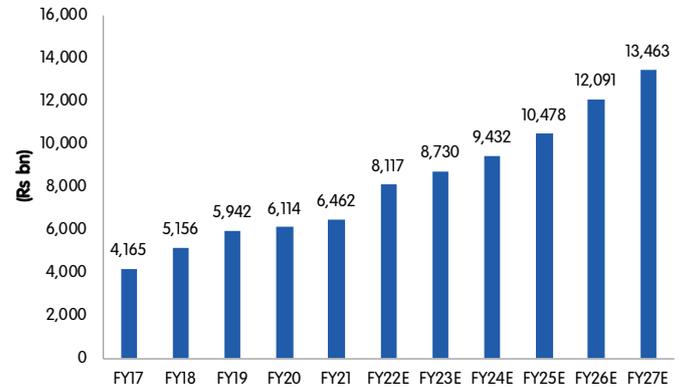
Source: RHP, F&S Report

Exhibit 8: Total Electronics Market, India (Rs bn)



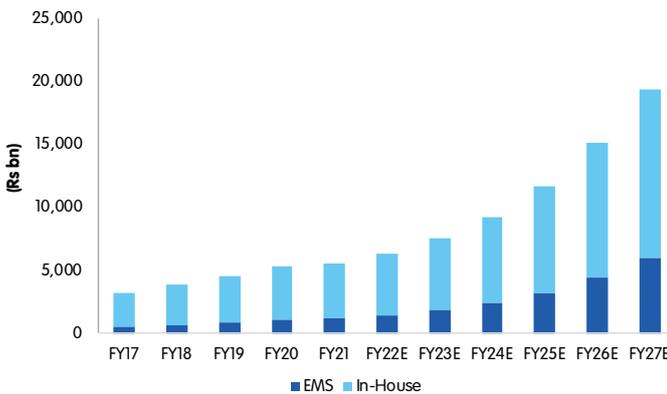
Source: RHP, MeitY, ELCINA, F&S Report

Exhibit 9: Domestic Electronics Consumption Market, India (Rs bn)



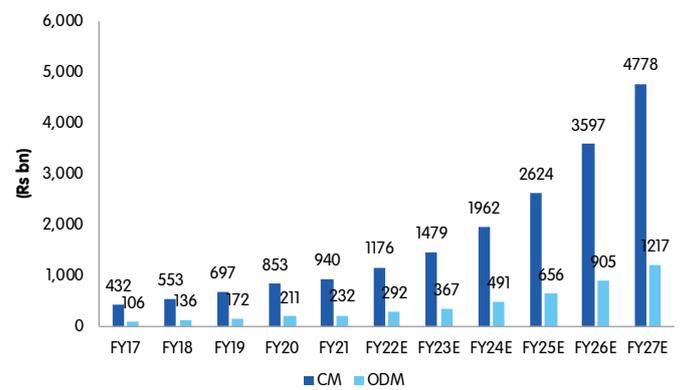
Source: RHP, MeitY, ELCINA, F&S Report

Exhibit 10: Indian Domestic Electronics Production Market - Split between In-House Manufacturing and EMS (Rs bn)



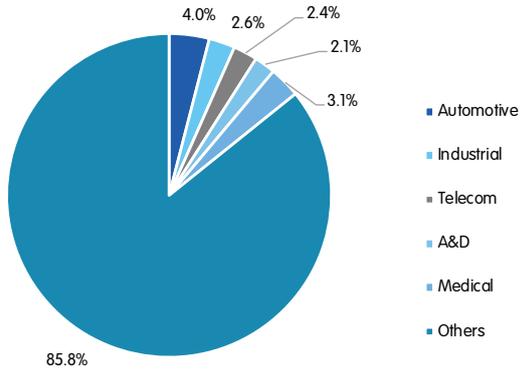
Source: RHP, IMF, RBI, F&S Report

Exhibit 11: Indian EMS Market Segmentation by ODM Vs. CM (Rs bn)



Source: RHP, ELCINA, F&S Report

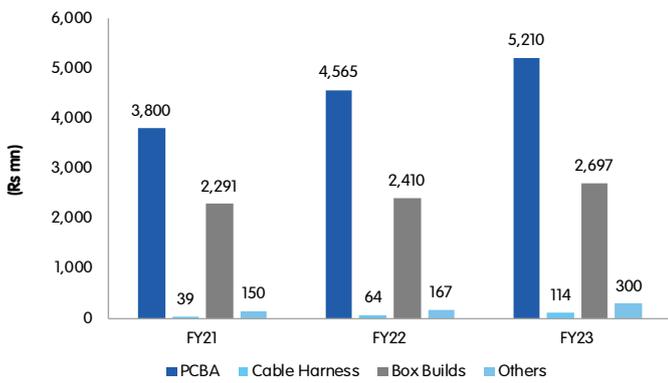
Exhibit 12: Indian EMS Market - Segmentation by End-User Industries FY27E (%)



Source: RHP, MeitY, ELCINA, F&S Report

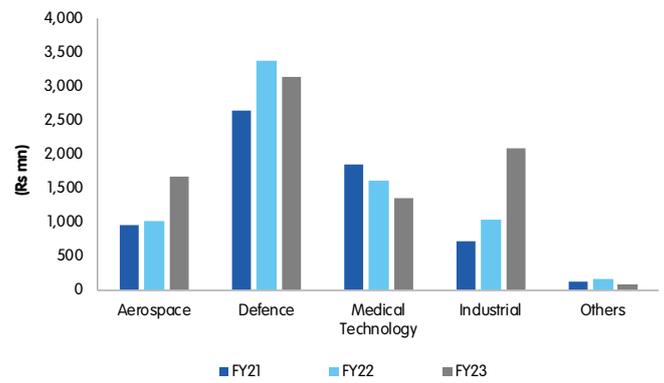
Company Data

Exhibit 13: Revenue (Rs mn)



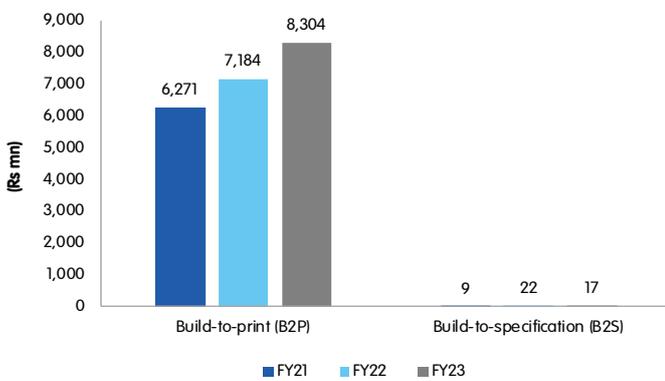
Source: RHP

Exhibit 14: Revenue Industry-Wise (Rs mn)



Source: RHP

Exhibit 15: B2P & B2S (Rs mn)



Source: RHP

Exhibit 16: Products and Services

PCB Assembly



Cable Harness



Box Builds



Source: RHP

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