



## IDEA2ACT : Cyient Ltd

Reco Price	12-months Target Price
BUY @ ₹ 365-375	₹ 440

Cyient provides engineering, manufacturing, geospatial, network and operations management services to a diversified base of 300 clients across eleven industries, which include aerospace & defence (A&D), communications, rail transportation, heavy equipment & industrial, navigation and semiconductors.

**Revenues rebound, barring A&D:** Services grew 1.7% QoQ, due to sharp rebound in Communications (8%) and Transportation (22%), largely offset by 12% QoQ decline in Aerospace (A&D). Management expects A&D to bottom out in 2H, while most other verticals would show positive momentum. Order wins were at US\$127m (-14% YoY TTM). DLM grew 14% QoQ, the third consecutive quarter of strong growth. We forecast 14% revenue decline in FY21ii, followed by 8% growth in FY22ii.

**Revenues stabilising, margins see sharp improvement:** EBIT margins were up 590bps QoQ to 11%, led by operational leverage (330bps), lower restructuring & other costs (220bps) and better DLM margins (40bps). FCF generation has remained strong (at Rs2bn+) for a 2nd quarter now, on improved working capital and reduced capex.

**Deep value:** We raise FY21ii-23ii EPS by 4-11%, valuing the company at 12x 2YF P/E. The stock is currently trading at 9.7x FY22ii P/E, 50% discount to its mid-cap peers and has gross cash of Rs13.5bn (34% of market cap). With 5% dividend yield, we see this as a value play from a two-year horizon. Hence, we maintain BUY despite a sharp decline in revenues in FY21ii.

**Technically,** the stock is has given a strong recovery from its recent low by forming a rare bullish harami candlestick pattern on the quarterly chart. Tracking the shorter timeframe, the stock is trading around the lower end (support zone) of a channel pattern and is expected to bounce back from its 200DEMA support placed at ~350. We expect the stock to continue to trade with a higher top higher bottom chart structure on the monthly chart and test our immediate target price of ~440.

**Previous Recommendations:**

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	-13%	Open (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	6%	Open
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	-1%	Open
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	2%	Open



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