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Issue Details	
Price Band (Rs)	Rs. 250-265 per share
Face Value (Rs)	10.00
Issue Size (Rs)	592 Cr.
Issue Type	Book Building
Minimum lot	56 Shares
Issue Opens	June 27, 2023
Issue Closes	June 30, 2023
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	July 05, 2023
Unblocking of Funds	July 06, 2023
Credit of shares to Demat Account	July 07, 2023
Listing on exchange	July 10, 2023

Other Detail	
Book Running Lead Managers	1. JM Financial Limited 2. Axis Capital Limited
Registrar	Link Intime India Private Limited

IPO Shareholding (%)		
Category	Pre-Issue	Post-Issue
Promoters	92.84%	66.65%
Public	7.16%	33.35%
Total	100.00%	100.00%

Distribution Team	
E:	ipo@acm.co.in
D:	+91 22 6132 5931

Associate	
Jayesh Mestry	
E:	jayesh.mestry@acm.co.in
D:	+91 22 2858 3221

Cyient DLM Limited

Company Background

Incorporated in 1993, Cyient DLM Limited provides Electronic Manufacturing Services (EMS) and solutions. The company provides Electronic Manufacturing Services as Build to Print ("B2P") and Build to Specification ("B2S") services. B2P solutions involve clients providing the design for the product for which the company provides agile and flexible manufacturing services. And, B2S services involve designing the relevant product based on the specifications provided by the client and manufacturing the product. Cyient DLM is a qualified supplier to global OEMs in the Aerospace and Defence, Medical technology and Industrial sectors.

Issue Details

Fresh issue of Equity Shares aggregating upto Rs. 592 Cr.

Issue Objectives

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

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs. 265	Value at Upper Band (in Rs. Cr.)
QIB (Institutional)	75%	1,63,30,189	432.75
Non Institutional	15%	32,66,037	86.55
Retail	10%	21,77,358	57.70
Employee*		6,00,000	15.00
Total	100%	22,373,584	592.00

*Note: Employee Discount 15 Rs. Per share
Source: Company RHP, ACMIIL Research

Outlook and Valuations

Cyeint DLM leverages the design capabilities of their Promoter, Cyient Ltd, a leading engineering services provider with over 3 decades of domain expertise providing engineering and design solutions globally with a focus on multiple industries. Their solutions primarily comprise: (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. The Company has grown at a CAGR of 32.31% in terms of revenue from operations over the last 3 Fiscals, with a Return on Capital Employed of 13.48% in Fiscal 2023. Current revenue and profit growth is going to continue further by looking at the strong industrial growth outlook for the next couple of years as commented by management. The Company is currently available at PE Valuation of 34.19 for FY23 with an EPS (Diluted) of 7.75. **We recommend subscribing the issue from a long-term prospective.**

Business Overview

- Cyient DLM Limited ("Cyient DLM") is one of the leading integrated Electronic Manufacturing Services ("EMS") and solutions providers with strong capabilities across the value chain and the entire life cycle of a product.
- With over 22 years of experience in developing high mix, low-to-medium volume highly complex systems, Cyient DLM is a qualified supplier to global OEMs in the aerospace and defence, medical technology and industrial sectors.
- Company's B2P solutions involve their client providing the design for the product for which they provide agile and flexible manufacturing services. Their B2S services involve utilising their Promoter's design capabilities to design the relevant product based on the specifications provided by the client and manufacturing the product. Their solutions primarily comprise: (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.
- Company's customers belong to a diverse range of high-entry-barrier industries that have stringent quality and qualification requirements. Cyient DLM enjoy long-term relationships as an integrated partner to multiple marquee customers having had an average relationship of over 11 years as on September 30, 2022 with the aforementioned customers.
- It provide services across the product life cycle for their clients by acting as an integrated service provider who can support their manufacturing and after-market service's needs, as well as their design needs by leveraging their Promoter's design team.
- 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. India's EMS industry is the fastest growing among all countries at a CAGR of 32.3% and is expected to contribute 7% (USD 80 billion) of the global EMS market in 2026. Cyient DLM is well positioned to take advantage of these tailwinds on the back of their solutions-oriented approach, client-focused service and track record of reliability.
- Being a wholly-owned subsidiary of Cyient Ltd, their relationship with company's promoter allows them to benefit from its reputation, customer relationships, global salesforce, network and technical expertise, making them one of the industry's leading integrated EMS and solutions providers in India.

Customer Base

Industry	Name of customers
Aerospace and Defence	Honeywell International Inc., Thales Global Services S.A.S and Bharat Electronics Ltd
Medical Technology	Molbio Diagnostics Pvt Ltd
Industrial	ABB Inc
Others	Thales Global Services S.A.S

Source: Company RHP, ACMIIL Research

Manufacturing Facility

The company's manufacturing infrastructure comprises 3 facilities spread across 2 States in India, at Mysuru, Hyderabad and Bengaluru, with a total manufacturing area of 229,061 sq. ft.

Mysuru facility	The facility has a manufacturing area of 65,929 sq. ft. and is primarily engaged in the manufacture of PCBA, cable harnesses and box builds for clients in the aerospace and defence industries.
Hyderabad facility	The facility, which is located in a special economic zone, has a manufacturing area of 150,932 sq. ft. and is primarily engaged in the manufacture of PCBA, cable harnesses and box builds for clients based in non-aerospace and non-defence industries, such as medical technology and healthcare.
Bengaluru facility	The facility has a manufacturing area of 12,200 sq. ft. and is focused on high-precision manufacturing.

Source: Company RHP, ACMIIL Research

Cyient DLM's manufacturing facilities have received various quality and standard certifications. Further, they have a workforce of 656 qualified and skilled manufacturing personnel, which is further supported by a new product introduction (NPI) and engineering team of a total of 67 engineers as on March 31, 2023, which helps them support their clients on technical aspects and provide value added services like design for assembly, design for manufacturing, design for testing, design for packaging, and process engineering to their clients.

Order Book

Details of order book	As on March 31,		
	2021	2022	2023
Number of Customers	47	50	35
Order Book (₹ in Cr)	906.12	1,202.98	2,432.55
Order Book concentration by Top-10 customers (%)	93.35%	88.99%	96.57%

Source: Company RHP, ACMIIL Research

The revenue contribution based on geography

Particulars	For the Year Ended March 31					
	2021		2022		2023	
	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total
- Within India	398.51	63.45%	396.41	55.02%	335.23	40.29%
- Outside India	229.52	36.55%	324.12	44.98%	496.8	59.71%
Total for Revenue from Operations	628.03	100.00%	720.53	100.00%	832.03	100.00%

Source: Company RHP, ACMIIL Research

The revenue from operations generated by the key industries

Particulars	Financial Year Ended March 31					
	2021		2022		2023	
	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total
Aerospace	95.23	15.16%	101.83	14.13%	166.7	20.04%
Defence	263.9	42.02%	337.13	46.79%	313.16	37.64%
Medical Technology	185.32	29.51%	161.56	22.42%	135.29	16.26%
Industrial	71.43	11.37%	104.06	14.44%	208.68	25.08%
Others	12.16	1.94%	15.97	2.22%	8.21	0.99%
Total for Revenue from Operations	628.03	100.00%	720.53	100.00%	832.03	100.00%

Source: Company RHP, ACMIIL Research

The revenue from operations generated by the products

Particulars	Financial Year Ended March 31					
	2021		2022		2023	
	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total	Revenue ₹ Cr	% to Total
PCBA	379.98	60.50%	456.47	63.35%	521.01	62.62%
Cable Harnesses	3.92	0.62%	6.44	0.89%	11.36	1.37%
Box Builds	229.13	36.48%	240.98	33.44%	269.69	32.41%
Others	14.99	2.39%	16.65	2.31%	29.97	3.60%
Total for Revenue from Operations	628.03	100.00%	720.53	100.00%	832.03	100.00%

Source: Company RHP, ACMIIL Research

Company's Business & Products

PCB assembly

PCB assembly is the process of connecting electronic components onto PCBs. There are 2 main categories of assembly:

1. Surface Mount Device assembly; and
2. Plated through Hole assembly.

Cable Harnesses

The cable harness solutions involve the process of assembly of electrical cables or wires. Their cable harness solutions are also accredited by NADCAP.

Box Builds

Also known as systems integration, box builds can be anything from a simple PCBA housed in a small enclosure, to a cabinet housing a complex electromechanical system. The company assembles box builds ranging from very simple to complex devices with a wide range of applications as outlined below:

1. **Aerospace application:** Electronics that the company manufactures may be used in Avionics engine control, cockpit communication, auxiliary power supply unit, door control unit, USB charger, parachute ejection systems, aircraft lighting and GPS systems.
2. **Defense applications:** RADAR electronics, communication, computers, power supply, ground equipment, and ground radio communication systems.
3. **Medical applications:** Electronics and devices they manufacture may be used in patient monitoring systems, x-ray electronics, diagnostic equipment, electronics for MRI, ECG and ultrasound scanners, NIBP controllers, patient assistance systems like sensor mats and emergency call, chest sensor electronics and pulse oximeter, Hb monitoring devices, portable vaccination refrigerators.
4. **Industrial applications:** These may include oil and gas measurement equipment, control electronics for color mixing and dispensing equipment, fuel dispensing controllers and display electronics, controllers for temperature and room environment, IoT controllers.
5. **Railway applications:** Railway signaling, train protection and warning systems and vehicle control units.

Their manufacturing capabilities enable them to manufacture a wide range of complex boards and devices, such as:

- **CPU Board:** A CPU card is a printed circuit board (PCB) that contains the central processing unit (CPU) of a computer.
- **Power Electronics Board:** Power electronic systems are used in a variety of applications, such as power generation, power transmission, power distribution, power control.
- **IoT devices:** These are non-standard computing devices that connect wirelessly to a network and have the ability to transmit data, such as the many devices on the internet of things.
- **PLC:** A programmable logic controller is an industrial computer control system that continuously monitors the state of input devices and makes decisions based upon a custom program to control the state of output devices.
- **I/O Module:** An I/O module is a subsystem in an integrated circuit that performs the functionality specific to interfacing a CPU to the rest of the system.

Build-to-print (B2P)

In the B2P model, the design for the project is provided to the company by the client, and the company manufactures the product based on the provided design and according to the customer's specifications. Some of the key products and projects manufactured under the B2P model are Natural gas analyzers - flow monitoring systems used in oil and gas applications, Airport lighting switch system circuit card assembly, Magnetic resonance (MR) system, and Cockpit electronics.

Build-to-specification (B2S)

In the B2S model, the client provides the company with its requirements and specifications for the product or project, which they proceed to develop based on such requirements and specifications. Once the design is approved by the client, the company proceed to manufacture the product based on the approved design. In this model, they, together with their Promoter, offer engineering design and build services, from concept to qualification, with system-level ownership in their respective domains. Some of the key products and projects developed under the B2S model are Cargo door control units, and USB drives.

Design, Engineering, Infrastructure and Manufacturing Capabilities

The company delivers high-precision machining and assembly services that help their clients, in key industries such as aerospace and defence, medical technology, and industrial sectors, design and develop complex products with a focus on reducing time-to-market. They also specialize in additive manufacturing (3D printing) for proof-of-concept designs, design verification, and functional testing.

Value Added Services

Cyient DLM also offers several value added and after-market services to their customers, such as obsolescence management, new product introduction, value engineering, localisation, sustenance engineering and logistics and supply chain management.

- **Obsolescence Management:** This process supports the end-of-life products of their clients. They advise on any components that need to be replaced due to technology upgradation and non-availability of the relevant component.
- **New Product Introduction:** New product introduction is the process of taking a product idea from the conceptualization stage to making the product available for use or production.
- **Value Engineering:** Value engineering can be defined as an organized effort directed at analyzing designed building features, systems, equipment, and material selection for the purpose of achieving essential functions at the lowest life cycle cost consistent with the required performance, quality, reliability, and safety.
- **Localization:** Localization is the process of adapting a particular product to the local needs of a particular geography or culture with a focus on leveraging locally available components to build the product.
- **Logistics and Supply Chain Management:** This service helps clients manage their supply chain requirements from sourcing to logistics to storage solutions.

Competitive Strengths

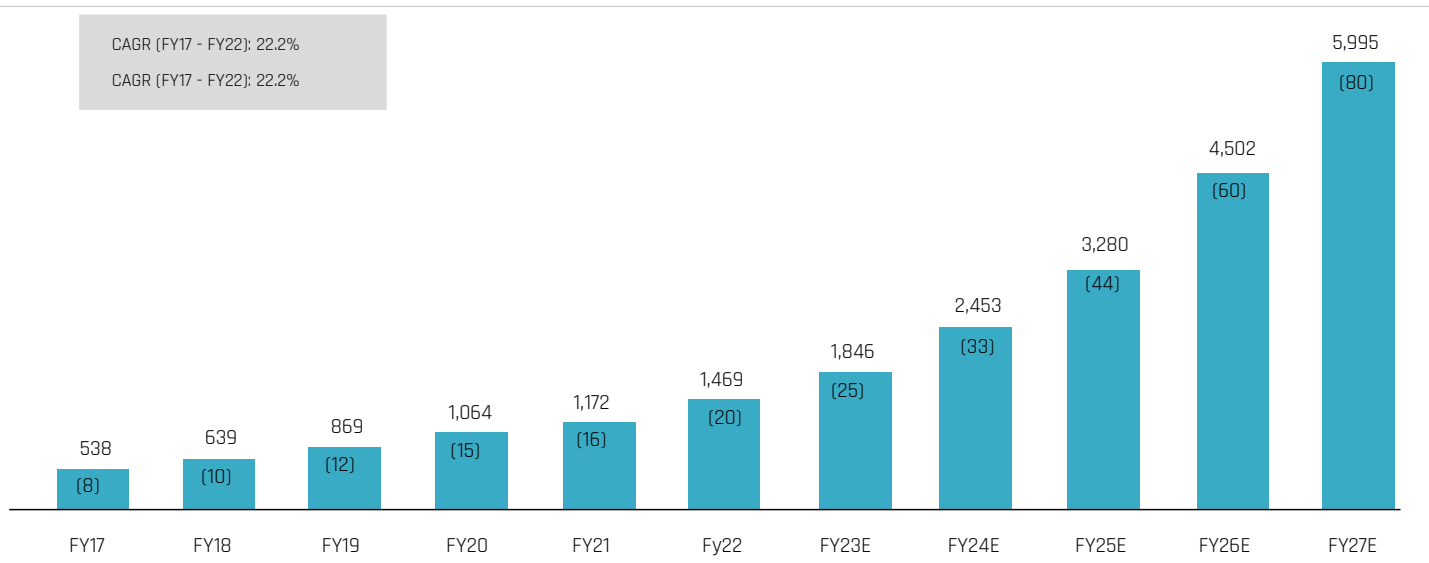
- Ability to provide integrated engineering solutions with strong capabilities across the product value chain.
- High entry barriers for the competitors due to the technical expertise, capabilities in safety-critical electronics in highly regulated industries and customer engagement.
- Robust and industry leading order book with marquee customers, with whom they enjoy sustained and long-standing relationships as their preferred partner.
- Manufacturing infrastructure, stringent quality, diverse in-house capabilities and robust supply chain, enabling to provide high quality end-to end integrated solutions to the customers.
- Strong parentage of the Promoter, Cyient Ltd, and a long history of industry expertise, an experienced Board and senior management team.

Key Business Strategies

- Strengthening the core capabilities across focus industries and building scale.
- Strengthen the B2S value proposition by investing in design capabilities to enhance the value addition and increase ownership in their engagements.
- Expanding inorganically to increase the geographic footprint and proximity with clients, further strengthen the capabilities and gain access to target customers.
- Strengthening the supply chain ecosystem and building on the operational efficiency.
- Further enhancing their capabilities in after-market services and value-added services, and exploring new adjacencies.

Industry Growth Drivers

Indian EMS market, value in INR billion, USD billion, growth in %, FY17-FY27E



Source: Company RHP, ACMIIL Research

1. In the total EMS market, contract manufacturing (CM) accounts for approximately 80%, while original design manufacturing (ODM) accounts for the remaining 20%. EMS companies are steadily shifting towards ODM models, giving full turnkey solutions for items from design, and product development to reverse logistics. Also, due to increased competition, EMS companies are striving to diversify their product offerings. In the ODM industry, innovation is critical to success. While cost reduction remains the major driver of EMS outsourcing, other factors such as improved design skills have contributed to ODM capabilities.
2. In the build-to-print (B2P) process, a client shares the EMS provider, a detailed product specification/ drawing that has been created by its internal team. The EMS manufacturer is then accountable for producing the product according to those drawings. The Indian EMS market is predominantly following B2P process and accounts for 75% of the total EMS market, as the design and specifications are shared by the clients/ OEMs, who in turn own the IP.
3. Build to specification (B2S) refers to the process of building products from scratch, as per the client's need, function, or size requirements. EMS providers help clients develop solutions for the required needs. After discussing the requirements, the EMS manufacturer will support in designing and creating a product to the given specification. In the B2S process, manufacturers help clients see a project through from start to end. Only very few players are involved in B2S process contributing to around 25% of the total EMS market in India.
4. India has a competitive edge in design services, most such work is outsourced to cost-effective destinations (China, South Korea, Thailand). However, in terms of manufacturing/ system assembly, India has an established setup. Many EMS providers are slowly evolving to offer complete design services apart from contract manufacturing. EMS players obtain higher margins through this model.
5. The expansion of India's EMS industry is being fuelled by a variety of factors. Significant reasons driving the growth are rising labor costs in other parts of the world and a trend among large OEMs to outsource manufacturing rather than invest in their own infrastructure. Due to the size, complexity, and high level of competition in the Indian market, OEMs are focusing more on marketing and aftermarket activities, leaving the production to contract manufacturers. EMS companies are better positioned to adapt to frequent technology changes, and economies of scale allow for stringer pricing negotiations with raw material suppliers.

Key growth drivers for the electronics industry in India

Improvement in demand and supply scenario

Factors such as a stable growth outlook for the economy, the Digital India program, rising disposable incomes, changing lifestyles, emerging work-from-home culture, expansion of organized retails to tier 2 & tier 3 cities, improving electricity and internet infrastructure, and better logistics infrastructure will provide additional impetus to the industry. It is with these strong fundamentals, many global brands along with their supply chain partners have invested in electronics manufacturing infrastructure in the country in recent years.

China + 1 Strategy

OEMs are considering an alternative country for additional production rather than completely replacing China. India is well positioned to benefit from global OEM's strategy towards "China + 1" for supply chain diversification.

Localization of supply chain

High domestic volumes and consumption, and higher outsourcing volumes will influence domestic electronics manufacturers to bring in the component ecosystem locally and enhance local capabilities of component sourcing, thus making the ecosystem stronger and closer.

Emerging technologies

Electronic product life cycles are becoming shorter due to rapid technological advancement and newer products with upgraded technology. Emerging technologies such as IoT, AI, and the incorporation of robotics and analytics in the industrial and strategic electronics segments have all contributed to the overall development of electronic products, which has boosted local demand.

System automation

The rapid growth of AI, ML, the deployment of 5G technology, edge computing, and cloud computing has necessitated hardware innovation, resulting in high demand for electronic design automation.

Other Key Driver

Indian Government policy/incentives driving domestic production and push for exports

The Make in India initiative, a part of the 'Atmanirbhar Bharat Abhiyan' (Selfreliant India), would provide an additional boost to the country's business operations by encouraging the substitution of imports of low-technology products from other countries and generating demand for local manufacturing.

Production Linked Incentive (PLI) Scheme

The scheme was initially announced in the year 2019 by the Government of India considering the incremental investment and sales of manufactured goods. It is expected to promote exports in the next few years.

Financial Snapshot (Consolidated):

Particulars (Rs. Cr.)	As on Mar' 31,		
	FY2021	FY2022	FY2023
Share Capital	1.37	1.37	52.87
Reserves	36.29	75.75	145.01
Net Worth	37.65	77.11	197.87
Revenue from Operations	628.03	720.53	832.03
EBITDA	45.94	84.04	87.78
EBITDA Margin (%)	7.32%	11.66%	10.55%
Profit before Tax	15.60	50.73	43.16
Net Profit for the period	11.81	39.80	31.73
Net Profit Margin (%) as stated	1.88%	5.52%	3.81%
EPS - Basic & Diluted (₹)	4.80	16.17	7.75
RONW (%) as stated	31.38%	51.61%	16.03%
ROCE (%) as stated	11.48%	17.56%	13.48%

Source: Company RHP, ACMIIL Research

Comparison with Listed Peers FY23

Name of the Company	Consolidated/ Standalone	Face Value	Revenue from operations (Rs in Cr.)	EPS		P/E	RoNW (%)
				Basic	Diluted		
Cyient DLM Ltd	Restated	10.00	838.34	7.75	7.75	34.19	16.03%
Syrma SGS Technology Ltd	Consolidated	10.00	2,092.14	7.59	7.50	51.47	11.60%
Kaynes Technology India Ltd	Consolidated	10.00	1,137.51	19.84	19.61	71.45	13.14%
DCX Systems Ltd	Consolidated	10.00	1,283.18	8.44	8.44	26.33	15.13%

Source: Company RHP, ACMIIL Research

Risks and concerns

- Company's business is dependent on the sale of products to certain key customers. The loss of any of the key customers or loss of revenue from sales to customers could have a material adverse effect on their business.
- Cyient DLM is highly dependent on their Promoter, management team and key personnel and the loss of any key team member may adversely affect the business performance.
- The company is depend on third party suppliers for raw materials and components, which are on a purchase order basis. Such suppliers may not perform, or be able to perform their conditions in a timely manner, or at all and any delay, shortage, interruption, reduction in the supply of or volatility in the prices of raw materials on company may rely and may have a material adverse effect on it's business, results of operations, financial condition and cash flows.
- Any defaults or delays in payment by a significant portion of Company's customers, may have an adverse effect on business and results of operations.

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Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:

INH000002483

CIN: U65990MH1993PLC075388

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