

Cyient DLM Ltd — 14 Oct 2024 Credit Rating Summary

Here is the equity-focused credit analysis of Cyient DLM based on the October 2024 CRISIL report.

Section	Details
Agency	CRISIL Ratings
Rating Action	Reaffirmed. Guaranteed: CRISIL AA (CE)/Stable • Unguaranteed: CRISIL A+/Positive
Outlook	Stable (Guaranteed) vs. Positive (Unguaranteed - signaling potential upgrade)
Key Drivers of Change	<ol style="list-style-type: none"> Growth Momentum: FY24 Revenue grew 44% to ₹1,196 Cr; Order book stands robust at ₹2,122 Cr. Inorganic Expansion: Acquisition of Altek Electronics (\$29.2M / ~₹245 Cr) to expand US footprint and EMS capabilities. Deleveraging: Utilized ₹272 Cr IPO proceeds to prepay debt; largely external debt-free as of March 2024. Margin Pressure: EBITDA margins moderated to 9.3% (FY24) due to ESOP costs and aggressive hiring for future scale. Parental Support: Continued 52.16% ownership and guarantee from Cyient Ltd (CRISIL AA/Stable).
Rated Instruments	<ul style="list-style-type: none"> Guaranteed Bank Facilities: ₹432 Cr
Key Observations	<p>Strengths:</p> <ul style="list-style-type: none"> Strong revenue visibility via ₹2,122 Cr order book (1.7x FY24 revenue). Sharp reduction in working capital cycle from 292 to 234 days. High-pedigree clientele (Top 5 customers = 60% of revenue). Unconditional, irrevocable guarantee from parent Cyient Ltd. <p>Risks:</p> <ul style="list-style-type: none"> Moderate scale of operations compared to global EMS peers. High Gross Current Asset (GCA) days (234 days) tied to inventory needs. Susceptibility to raw material price volatility (COGS is the primary cost driver). Integration risk associated with the Altek acquisition.
Investor Impact	<ul style="list-style-type: none"> Growth: Strong organic/inorganic trajectory; Altek adds ~\$37M to top-line. Margins: Near-term compression (ESOPs/headcount) is a trade-off for long-term scale. Leverage: Extremely low; balance sheet is "bulletproof" post-IPO. Dilution Risk: Parent stake reduced to 52.16% via bulk deals; provides better public float but watch for further parent exits.
Agency / Cross Analysis	<p>Same Agency: Rating maintained. The "Positive" outlook on the unguaranteed portion (A+) is the key takeaway, suggesting that if Cyient DLM sustains double-digit margins and successfully integrates Altek, a 1-notch upgrade to AA- is likely. The agency noted a "Robust improvement" in the financial risk profile compared to the 2023 review due to the IPO-led debt reduction. Conclusion: Improvement.</p>
Final Inference	<p>Real business improvement. The transition to a "Positive" outlook on standalone facilities despite a stake sale by the parent indicates the company is successfully decoupling its credit profile from the parent's guarantee through fundamental performance.</p>