

Restructuring underway for future growth.


Cyient is undergoing organizational restructuring and has begun witnessing a recovery in demand after two muted quarters. The company reported an uptick in DET revenue and remains confident that H2 performance will surpass H1.

Key Result Highlights:

The business has seen growth momentum to come back with DET showing 0.5% QoQ growth in dollar terms even though Europe is seasonally weak and is expecting H2 to be stronger than H1. The semiconductor business has also seen significant investments in H1 and has witnessed a 12% QoQ growth in this quarter. The DLM business is also seeing strong order book growth and continues to grow at a strong pace.

Guidance:

The company remains optimistic about H2, with improving margins and a medium-term target of achieving 15% margins. During the quarter, it added 7 new logos and continued strong deal wins provide revenue visibility. The semiconductor segment is expected to be a key growth driver, with management confident that turnkey solutions and strategic partnerships with global players will enhance value.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	45,344	60,159	71,472	73,604	75,385	86,839
EBITDA	8,178	10,031	13,028	11,433	10,358	13,160
Adjusted net profit	5,208	5,611	7,401	6,045	6,282	7,696
Free cash flow	4,613	5,497	7,847	4,004	8,635	6,807
EPS (Rs)	46.9	50.5	66.7	54.5	56.6	69.3
growth (%)	31%	8%	32%	-18%	4%	23%
P/E (x)	25.2	25.5	19.5	21.2	20.9	17.0
P/B (x)	4.2	3.8	3.1	2.4	2.3	2.2
EV/EBITDA (x)	14.9	13.3	9.7	10.3	11.1	8.5
ROCE (%)	14.7	14.4	15.8	11.2	10.4	11.8
RoE (%)	17.1	17.0	19.2	12.6	11.5	13.2
Dividend yield (%)	2.0	2.0	2.5	2.2	2.3	2.8

Source: Dalal & Broacha Research, Company

Rating	TP (Rs)	Up/Dn (%)
HOLD	1,363	15

Market data

Current price	Rs	1,181
Market Cap (Rs.Bn)	(Rs Bn)	131
Market Cap (US\$ Mn)	(US\$ Mn)	1,489
Face Value	Rs	5
52 Weeks High/Low	Rs	2112 / 1050.2
Average Daily Volume	('000)	686
BSE Code		532175
Bloomberg		CYL.IN

Source: Bloomberg

One Year Performance


Source: Bloomberg

% Shareholding	Sep-25	Jun-25
Promoters	24.00	24.00
Public	76.00	76.00
Total	100.00	100.00

Source: Bloomberg

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Concall Highlights

Semiconductor business taking center stage:

The semiconductor business, carved out last quarter, remains a key focus area for management. Significant investments were made in H1, leading to 12% QoQ growth this quarter. The segment is currently operating at a \$50mn run rate, targeting a \$100mn pipeline and breakeven margins by FY27. The company plans a total investment of \$15mn in this business to drive future growth.

Revenue Outlook and Highlights:

This quarter witnessed a slight uptick in revenue as there was an improvement in DET revenue and future order book looks promising. H2's outlook looks positive, and the company expects to improve their semiconductor business and focus on ramping up new deals in H2. The focus is also on AI and digital revenue which has doubled its pipeline by over one quarter. DLM growth continues to look strong as order books continue to grow and deal ramp ups continue to take place.

Margin Outlook and Highlights:

The margins remain subdued but are trending upwards with DET margins starting to come closer to historical levels. Semiconductor margins will stabilize from next quarter as the burn rate will be more stable. The margins will reach breakeven in FY27. The overall outlook remains the same to get margins to 15% in the medium term. One off restructuring expense also caused a 220 bps hit on the margins which will not have an impact from next quarter.

Operating Highlights:

The company reported a net headcount go up by 11 during the quarter. It added **7 new logos**, while key accounts delivered a strong **3% QoQ** growth. Notably, the company secured a deal worth **\$10 million** with a aerospace company. Transportation lead growth for the quarter while strategic units saw degrowth due to deal ramp down and weak European season.

Valuation & Outlook

The company has entered its investing phase for the semiconductor vertical which it is very positive about. As part of its restructuring, the semiconductor business has been carved out into a separate subsidiary to enable sharper segmental focus and execution. While the medium-term outlook remains conservative, the near-term environment is weighed down by execution challenges and muted demand.

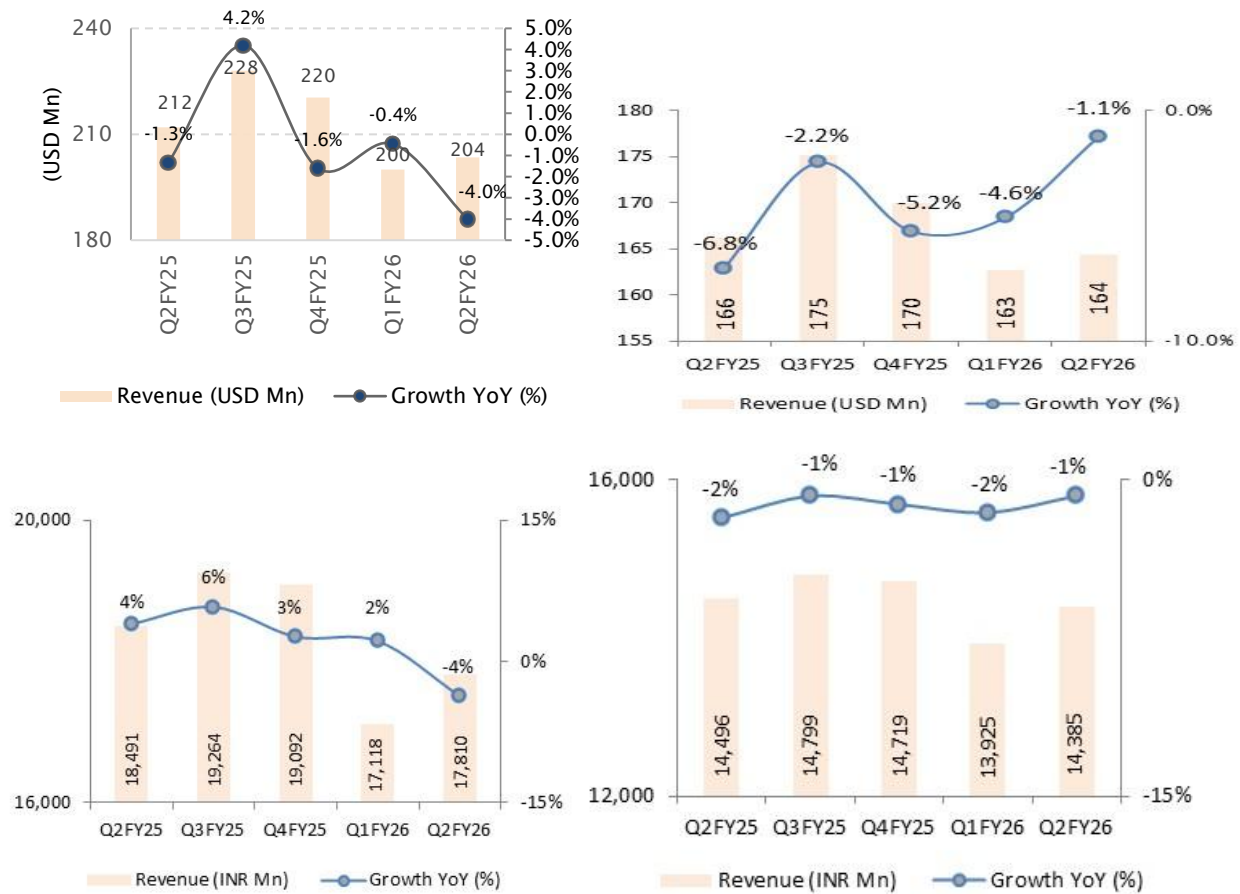
The semiconductor business shows early signs of improvement, though management remains cautious. The aerospace segment is expected to drive growth, supported by strong deal wins. However, margin pressures are likely to continue in the near term, impacted by challenges in select segments. The company is targeting a 15% EBIT margin over the medium term.

We maintain a cautious view on the stock given the prevailing short-term challenges, though medium-term prospects appear favourable. **We recommend a 'HOLD' rating, valuing the company on an SOTP basis with a target multiple of 20x FY27E earnings for Cyient DET and factoring in Cyient DLM with a 20% holding discount, arriving at a target price of ₹1,363.**

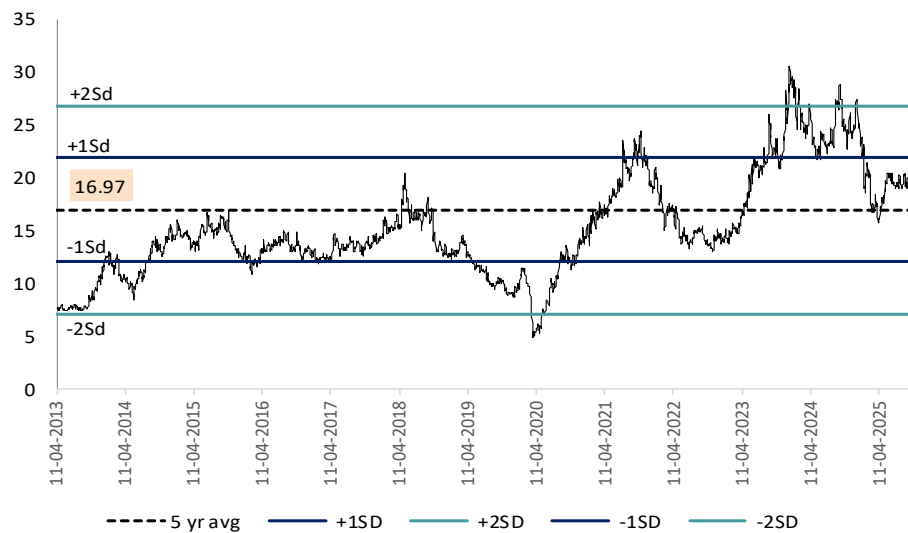
Quarterly Result Analysis

Quarterly analysis for Group					
YE March (Rs. mn)	2QFY26	1QFY26	Q-o-Q change %	2QFY25	Y-o-Y change %
Total Revenue (USD Mn)	204	200	1.8%	212	(4.0%)
Total Revenue (INR Mn)	17,810	17,118	4.0%	18,491	(3.7%)
Less:					
Cost of Revenues	12,127	11,321	7.1%	12,171	(0.4%)
SG&A Expenses	3,289	3,490	(5.8%)	3,353	(1.9%)
Total Expenditure	15,416	14,811	4.1%	15,524	(0.7%)
EBIDTA	2,394	2,307	3.8%	2,967	(19.3%)
Less: Depreciation	722	680	6.2%	660	
EBIT	1,672	1,627	2.8%	2,307	(27.5%)
Interest Paid	160	163	(1.8%)	275	
Other income (expense), net	500	697	(28.3%)	511	
Profit Before Tax (Excl Exceptional)	2,012	2,161	(6.9%)	2,543	(20.9%)
Profit Before Tax	2,012	2,161	(6.9%)	2,543	(20.9%)
Tax	536	562	(4.6%)	702	(23.6%)
Deferred Tax	0	0		-25	
PAT before Minority Interest	1,476	1,599	(7.7%)	1,866	
Minority Interest	202	61	231.1%	75	169.3%
Profit After Tax	1,274	1,538	(17.2%)	1,791	(28.9%)
Adjusted PAT	1,274	1,538	(17.2%)	1,791	(28.9%)
Basic & Diluted EPS (Rs.)	11.6	14.0	(17.2%)	16.3	(29.1%)
Basic & Diluted Outstanding (mn)	110	110		110	
Margin Analysis %			Change In bps		Change In bps
EBIDTA Margin	13.4%	13.5%	(4)	16.0%	(260)
EBIT Margin	9.4%	9.5%	(12)	12.5%	(309)
PBT Margin	11.3%	12.6%	(133)	13.8%	(246)
NPM	7.2%	9.0%	(183)	9.7%	(253)
Effective Tax Rate (%)	26.6%	26.0%	63	26.6%	2
Cost Analysis %			Change In bps		Change In bps
Cost of Revenues/ Sales	68.1%	66.1%	196	65.8%	227
SG&A/Sales	18.5%	20.4%	(192)	18.1%	33

Source: Dalal & Broacha Research, Bloomberg

Exhibit 1: Quarterly Performance Analysis

Source: Dalal & Broacha Research Company

Exhibit 2: 12 Month Forward PE Multiple Chart

Source: Dalal & Broacha Research, Bloomberg

Financials

Profit & Loss A/c						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Net Sales	45,344	60,159	71,472	73,604	75,385	86,839
<i>Growth %</i>	9.7%	32.7%	18.8%	3.0%	2.4%	15.2%
Total Revenue	45,344	60,159	71,472	73,604	75,385	86,839
Less:						
Increase/Decrease in Stock	-175	125	-235	33	70	0
Cost of Services	5,881	6,839	9,893	11,357	11,892	13,427
Employee Cost	22,665	30,260	35,120	36,899	38,073	40,886
SG&A Expenses & Other	8,795	12,904	13,666	13,882	14,992	19,366
Total Operating Expenditure	37,166	50,128	58,444	62,171	65,028	73,679
EBIDTA	8,178	10,031	13,028	11,433	10,358	13,160
<i>Growth %</i>	34.1%	22.7%	29.9%	-12.2%	-9.4%	27.1%
Less: Depreciation	1,922	2,566	2,667	2,672	2,818	2,962
EBIT	6,256	7,465	10,361	8,761	7,540	10,198
<i>Growth %</i>	50.6%	19.3%	38.8%	-15.4%	-13.9%	35.2%
Interest Paid	393	1,000	1,160	928	643	280
Non-operating Income	1,121	814	659	966	2,006	695
Extraordinary Income	0	-467	-676	-7	0	0
Profit Before tax	6,984	6,812	9,184	8,792	8,903	10,612
Tax	1,761	1,668	2,259	2,386	2,358	2,653
Net Profit before Minority	5,223	5,144	6,925	6,406	6,545	7,959
Net Profit	5,208	5,144	6,725	6,038	6,282	7,696
Adjusted Profit	5,208	5,611	7,401	6,045	6,282	7,696
Reported Diluted EPS Rs	46.9	46.3	60.6	54.4	56.6	69.3
<i>Growth %</i>	32.5%	-1.2%	30.7%	-10.2%	4.0%	22.5%
Adjusted Diluted EPS Rs	46.9	50.5	66.7	54.5	56.6	69.3
<i>Growth %</i>	31.1%	7.7%	31.9%	-18.3%	3.9%	22.5%
Balance Sheet (Consolidated)						
YE March(Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Liabilities						
Equity Capital	552	553	555	555	555	555
Reserves & Surplus	30,614	34,114	42,026	52,540	55,869	59,948
Equity	31,166	34,667	42,581	53,095	56,424	60,504
Net Deferred tax liability/(Asset)	3,800	5,644	8,091	9,168	8,168	7,168
Total Loans	3,525	9,336	4,526	2,138	1,138	638
Capital Employed	38,491	49,647	55,198	64,401	65,730	68,310
Assets						
Gross Block	11,128	11,664	11,265	11,839	12,593	13,895
Less: Depreciation	6,588	7,183	6,803	7,094	9,912	12,874
Net Block	4,540	4,481	4,462	4,745	2,681	1,021
Capital WIP	134	27	16	75	75	75
Investments	3,839	3,712	3,945	3,679	3,680	3,681
Intangible Assets	6,662	21,413	21,089	22,432	22,432	22,432
Current Assets						
Inventories	2,790	4,358	4,676	5,766	4,523	5,210
Sundry Debtors	7,333	11,271	12,617	14,067	14,457	16,654
Current Investments	866	1,718	758	1,654	1,654	1,654
Cash and Bank Balance	12,666	7,194	9,835	13,142	17,563	19,299
Loans and Advances	6,078	7,659	8,224	7,337	7,515	8,656
Other Current Assets	2,965	3,648	4,414	4,049	4,147	4,777
Total Current Assets	32,698	35,848	40,524	46,015	49,859	56,251
Less:Current Liabilities						
Sundry Creditors	5,259	7,142	5,001	3,934	4,098	4,037
Provisions	414	1,137	1,144	1,355	2,114	3,298
Other Current Liabilities	3,709	7,555	8,693	7,256	6,785	7,816
Total Current Liabilities	9,382	15,834	14,838	12,545	12,996	15,150
Capital Applied	38,491	49,647	55,198	64,401	65,730	68,310

Valuation Ratios

YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	25.2x	25.5x	19.5x	21.2x	20.9x	17.0x
P/BV (x)	4.2x	3.8x	3.1x	2.4x	2.3x	2.2x
EV/EBITDA (x)	14.9x	13.3x	9.7x	10.3x	11.1x	8.5x
EV/Sales	2.7x	2.2x	1.8x	1.6x	1.5x	1.3x
Market Cap./ Sales (x)	2.9x	2.2x	1.8x	1.7x	1.7x	1.5x
Dividend Yield (%)	2.0%	2.0%	2.5%	2.2%	2.3%	2.8%

Key Ratios (Consolidated)

YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Key Operating Ratios						
EBITDA Margin (%)	18.0%	16.7%	18.2%	15.5%	13.7%	15.2%
Tax / PBT (%)	25.2%	24.5%	24.6%	27.1%	26.5%	25.0%
Net Profit Margin (%)	11.5%	8.6%	9.4%	8.2%	8.3%	8.9%
RoE (%)	17.1%	17.0%	19.2%	12.6%	11.5%	13.2%
RoCE (%)	14.7%	14.4%	15.8%	11.2%	10.4%	11.8%
Current Ratio (x)	3.5x	2.3x	2.7x	3.7x	3.8x	3.7x
Dividend Payout (%)	51.2%	51.8%	49.5%	47.0%	47.0%	47.0%
Book Value Per Share (Rs.)	280.7	312.3	383.6	478.3	508.3	545.0
Financial Leverage Ratios						
Interest Coverage (x)	20.8x	10.0x	11.2x	12.3x	16.1x	47.0x
Growth Indicators %						
Sales Growth (%)	9.7%	32.7%	18.8%	3.0%	2.4%	15.2%
EBITDA Growth (%)	34.1%	22.7%	29.9%	(12.2%)	(9.4%)	27.1%
Net Profit Growth (%)	32.5%	(1.2%)	30.7%	(10.2%)	4.0%	22.5%
Diluted EPS Growth (%)	32.5%	(1.2%)	30.7%	(10.2%)	4.0%	22.5%

Cash Flows (Consolidated)

YE December (Rs. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
PAT	5,208.0	5,144.0	6,725.0	6,038.0	6,281.9	7,696.3
Less: Non Operating Income	(1,121.0)	(814.0)	(659.0)	(966.0)	(2,006.1)	(694.7)
Add: Depreciation	1,922.0	2,566.0	2,667.0	2,672.0	2,818.0	2,962.3
Add: Interest Paid	393.0	1,000.0	1,160.0	928.0	643.0	280.0
Operating Profit before WC Changes	6,430.0	8,363.0	10,569.0	8,679.0	7,736.8	10,243.9
Net Cash From Operations	4,896.0	6,193.0	7,538.0	4,202.0	8,764.7	7,742.5
Cash Flow from Investing Activities						
(Inc)/Dec in Fixed Assets	(1,592.0)	(2,507.0)	(2,648.0)	(2,955.0)	(753.9)	(1,302.6)
Cash Flow from Financing Activities						
Inc/(Dec) in Total Loans	175.0	5,811.0	(4,810.0)	(2,388.0)	(1,000.0)	(500.0)
Dividend Paid	(2,664.3)	(2,664.3)	(3,330.3)	(2,837.9)	(2,952.5)	(3,617.3)
Net Cash from Financing Activities	(3,660.0)	4,545.0	(3,010.0)	2,230.0	(5,595.5)	(5,397.3)
Net Inc/Dec in cash equivalents	(1,984.0)	(5,472.0)	2,641.0	3,307.0	4,420.5	1,736.3
Opening Balance	14,650.0	12,666.0	7,194.0	9,835.0	13,142.0	17,562.5
Closing Balance Cash	12,666.0	7,194.0	9,835.0	13,142.0	17,562.5	19,298.9

Source: Dalal & Broacha Research, Company

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