

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	CYL IN
Equity Shares (m)	111
M.Cap.(INRb)/(USDb)	137.9 / 1.6
52-Week Range (INR)	2157 / 1050
1, 6, 12 Rel. Per (%)	-5/-16/-37
12M Avg Val (INR M)	911

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	73.6	73.6	79.2
EBIT Margin (%)	12.0	12.1	14.2
PAT	6.2	7.1	8.5
EPS (INR)	55.4	63.6	76.1
EPS Gr. (%)	-17.2	14.9	19.6
BV/Sh. (INR)	476.0	506.9	537.5

Ratios

RoE (%)	12.1	12.0	13.6
RoCE (%)	11.2	10.1	12.2
Payout (%)	46.9	60.0	60.0

Valuations

P/E (x)	22.4	19.5	16.3
P/BV (x)	2.6	2.4	2.3
EV/EBITDA (x)	11.1	10.0	8.2
Div Yield (%)	2.1	3.1	3.7

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	23.3	23.3	23.2
DII	35.6	34.1	27.1
FII	22.1	24.7	30.3
Others	19.0	17.9	19.4

FII includes depository receipts

CMP: INR1,242 TP: INR1,120 (-10%) Sell

Still in reset mode

Soft DET performance and margin recalibration continue

- Cyient (CYL)'s DET business reported 1QFY26 revenue of USD162.7m, down 1.5% QoQ in constant currency (CC) terms. Transportation and Mobility (T&M) rose 1.2% QoQ in CC, while Network and Infrastructure (earlier connectivity vertical) dipped 5.2% QoQ in CC. The carve-out of Cyient Semiconductors, initiated in FY25, has been completed as planned and will now be reported as a separate segment.
- **On a like-for-like basis (DET + Semicon), revenue was USD168m, broadly in line with our estimate of USD170m. However, the EBIT margin at 10.3% missed our estimate of 12.9%.** DET PAT rose 7.4% QoQ/30% YoY to INR1,632m.
- For 1QFY25, DET reported a 3.6% YoY increase in revenue, flat EBIT, and a 30% YoY rise in PAT in INR terms. **We reiterate our SELL rating** with a SoTP-based TP of INR1,120, implying a 10% potential downside. This was due to recalibrated margin expectations and growth uncertainty in verticals such as Networks & Infrastructure and Energy, alongside delayed deal ramp-ups.

Our view: Stabilization in progress

- **Too early to call a turnaround:** DET revenue declined 1.5% QoQ in CC, and deal ramp-ups remain staggered. While CYL highlighted early demand recovery with 14 new logos, we believe it is premature to extrapolate this into a sustained upcycle. Management continues to describe this phase as "business stabilization," with revenue predictability still a work in progress.
- **Margin reset continues:** EBIT margin contracted further to 12%, due to wage hikes and volume softness. While a cost optimization plan is underway, the medium-term 15% margin target appears challenging given ongoing investments and restructuring. We estimate a 12.8%/14.0% margin for FY26/FY27.
- **Vertical performance diverges; only Transportation holds up:** The carve-out of Cyient Semiconductors was completed during the quarter and will now be reported as a separate segment. Within DET, only T&M delivered sequential growth (+1.2% QoQ cc), driven by strong Aerospace momentum and increased defense-led outsourcing. N&I declined 5.2% QoQ cc amid portfolio restructuring, with management guiding for stabilization ahead. Semiconductor revenue remained soft, leading to margin pressure. While management expects a recovery from 3QFY26—targeting DET-like margins and a USD10m quarterly run-rate—we believe visibility remains limited in the near term.
- **Leadership changes encouraging:** Recent top-level additions in DET and continued tech investments suggest a sharper strategic focus, especially in newer verticals like semiconductors and connectivity. However, these bets are still in the early phase. With sustained growth uncertainty persisting and margin normalization deferred, we stay cautious.

Valuation and changes to our estimates

- We **reiterate our SELL rating** on the stock, as we believe the seasonally weak 1H could lead to lower revenue growth for FY26E, and margins could be affected in a similar vein. We cut our estimates by ~4-5% for FY26/FY27, broadly on recalibration in margin expectations and continued growth uncertainty in key verticals such as Networks & Infrastructure and Energy, with some deal ramp-ups deferred during the quarter.
- Based on SoTP, we value the company's stake in DLM at a market valuation with a holding company discount of 20%. In our P/E-based valuation, we value the DET business at 17x FY27E EPS. Our SoTP-based TP of INR1,120 implies a 10% potential downside.

In-line revenue but miss on margins; added 14 new logos in 1Q

- DET revenue stood at USD162.7m, down 1.5% QoQ CC vs. our estimate of a 2.0% QoQ CC decline. Consolidated revenue came in at USD200m, down 0.4% YoY CC.
- T&M rose 1.2% QoQ in CC, while Network and Infrastructure (earlier connectivity vertical) dipped 5.2% QoQ in CC.
- DET margins came in at 12% (est. 12.9%), down 63bp QoQ/61bp YoY.
- CYL added 14 new logos in 1QFY26.
- DET PAT was up 7.4% QoQ/30% YoY to INR1,632m.
- The carve-out of Cyient Semiconductors, initiated in FY25, has been completed as planned and will now be reported as a separate segment. Accordingly, DET business figures no longer include the semiconductor business and are therefore not directly comparable to our prior estimates.
- On a like-for-like basis (DET + Semicon), revenue stood at USD168m, broadly in line with our estimate of USD170m. However, the EBIT margin at 10.3% missed our estimate of 12.9%.

Key highlights from the management commentary

- Global uncertainty has eased compared to Apr'25. Clients have adapted to the new environment and are no longer in a "freeze mode" as seen in March–April.
- Recent leadership changes in the DET segment have laid the foundation for stable and sustainable growth.
- Early signs of recovery are visible, supported by key deal wins and 14 new logo additions during the quarter.
- Non-renewal/new business bookings are witnessing healthy order intake and will remain a key monitorable.
- New deal wins typically start in project mode and gradually transition into annuity streams.
- The company views the current phase as a business stabilization period.
- Signs of recovery are visible, aided by 14 new logo additions in 1QFY26. Some deal ramp-ups were deferred during the quarter.
- Won a USD20m deal with a leading APAC-based CSP (Vodafone Idea) to expand their wireless infrastructure.
- A cost optimization program is underway to improve margins, with a medium-term target of achieving a 15% EBIT margin.

- Aerospace remains the primary driver, with opportunities across tech publications and documentation.
- Energy faced a headwind due to a one-off project completion, which may be a growth headwind for the next few quarters.

Valuation and view

- We **reiterate our SELL rating** on the stock, as we believe the seasonally weak 1H could lead to lower revenue growth for FY26E, and margins could be affected in a similar vein. We cut our estimates by ~4-5% for FY26/FY27, broadly on recalibration in margin expectations and continued growth uncertainty in key verticals such as Networks & Infrastructure and Energy, with some deal ramp-ups deferred during the quarter.
- Based on SoTP, we value the company's stake in DLM at a market valuation with a holding company discount of 20%. In our P/E-based valuation, we value the DET business at 17x FY27E EPS. Our SoTP-based TP of INR1,120 implies a 10% potential downside.

DET Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	Est. 1QFY26
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Revenue (USD m)	161	173	175	161	163	164	166	169	671	661	170
QoQ (%)	-10.1	7.3	1.3	-7.9	0.9	0.8	1.0	2.0	-6.1	-1.4	-0.3
Revenue (INR m)	13,442	14,496	14,799	13,967	13,925	14,224	14,366	14,653	56,704	57,167	14,507
YoY (%)	-7.6	-1.8	-0.8	-6.2	3.6	-1.9	-2.9	4.9	-4.1	0.8	2.6
GPM (%)	39.1	39.7	38.9	39.0	37.4	38.0	38.5	38.5	39.2	38.1	38.3
SGA (%)	22.3	21.5	21.6	22.4	21.5	21.5	21.5	21.0	21.9	21.4	21.5
EBITDA	2,267	2,642	2,562	2,319	2,215	2,347	2,442	2,564	9,790	9,568	2,437
EBITDA Margin (%)	16.9	18.2	17.3	16.6	15.9	16.5	17.0	17.5	17.3	16.7	16.8
EBIT	1,696	2,058	1,995	1,764	1,671	1,792	1,882	1,978	7,513	7,323	1,871
EBIT Margin (%)	12.6	14.2	13.5	12.6	12.0	12.6	13.1	13.5	13.2	12.8	12.9
Other income	-54	282	-338	271	522	142	144	147	161	954	145
ETR (%)	23.5	24.5	25.3	25.4	25.6	25.7	25.7	25.7	24.7	25.7	25.0
Adj. PAT	1,256	1,766	1,238	1,518	1,631	1,438	1,506	1,580	5,778	6,154	1,512
QoQ (%)	-27.6	40.6	-29.9	22.6	7.4	-11.8	4.7	4.9			-7.2
YoY (%)	-26.2	2.2	-28.3	-12.5	29.9	-18.6	21.6	4.1	-16.2	6.5	7.0
EPS (INR)	11	16	11	14	15	13	14	14	53	56	13.7

Key Performance Indicators (Consol)

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q		
Margins (%)							
Gross Margin	35.7	34.2	34.4	36.1	35.1	35.1	
EBIT Margin	11.9	12.5	11.4	12.3	9.5	12.0	
Net Margin	8.6	9.7	6.6	8.9	9.0	8.4	
Operating metrics							
Headcount	14,733	14,799	14,378	13,777	13,623	13,777	
Attrition (%)	16.0	15.0	15.5	16.5	16.9	16.5	
Key Geographies (YoY %)							
North America	-1.6%	8.9%	10.2%	4.6%	10.0%	5.6%	
Europe	-13%	-13%	-20%	-24%	-14%	-18%	



Key highlights from the management commentary

Commentary on verticals

- **Transportation:** Segment grew during the quarter; management remains confident about sustaining the momentum. Aerospace remains the primary driver, with opportunities across tech publications and documentation. Customers are significantly scaling up engagements. Increased defense spending is driving the outsourcing of commercial programs. Ongoing cost takeout initiatives in rail and automotive.
- **Networks & Infrastructure:** The segment is undergoing portfolio changes and is expected to stabilize and return to growth in the next couple of quarters.
- **Strategic Units:** Two of the three sub-segments (HLS and Mining & Minerals) witnessed growth. Energy faced a headwind due to a one-off project completion, which may affect performance for the next few quarters.
- **Semi-Conductors:** Management expects this segment to bounce back in 3QFY26, aiming to match DET-level margins. Targeting a USD10m quarterly run-rate, backed by a solid order book. The company is making aggressive leadership investments in this vertical.

Demand and outlook

- Global uncertainty has eased compared to April. Clients have adapted to the new environment and are no longer in a "freeze mode" as seen in March–April.
- Recent leadership changes in the DET segment have laid the foundation for stable and sustainable growth.
- Early signs of recovery are visible, supported by key deal wins and 14 new logo additions during the quarter.
- Non-renewal/new business bookings are witnessing healthy order intake and will remain a key monitorable.
- Cyient-Semcon business is well-positioned to tap into high-growth opportunities; deal TCV was up 10%, with several client onboardings.
- The DLM business is gaining increased traction. Both Cyient DLM and DET are delivering cabin management systems for aircraft manufacturers.
- A large portion of DET revenue is annuity-based, although there are some project-based contributions in the Energy vertical.
- New deal wins typically start in project mode and gradually transition into annuity streams.
- The company views the current phase as a business stabilization period.
- Continued investments are being made in technology, with a focus on differentiation through domain knowledge.
- Signs of recovery are visible, aided by 14 new logo additions in 1QFY26. Some deal ramp-ups were deferred during the quarter.
- Strong order intake in new (non-renewal) business.
- Won a USD20m deal with a leading APAC-based CSP (Vodafone Idea) to expand their wireless infrastructure.

Margin

- EBIT margin stood at 12%, down 63 bps QoQ, primarily due to lower volumes and the first tranche of wage hikes implemented during the quarter.
- A cost optimization program is underway to improve margins, with a medium-term target of achieving 15% EBIT margin.
- FCF to PAT conversion was 69%, impacted by one-off payments related to previously provisioned legal settlements.
- Significant tailwind in PAT due to favorable currency movement.

Exhibit 1: Europe declined YoY

Geographies	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Americas	50.9	1.1	10.0
Europe	27.9	(7.4)	(13.9)
Asia Pacific	21.2	13.7	3.9

Source: Company, MOFSL

Exhibit 2: The transportation vertical grew 7.3% YoY

Service Verticals	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Transportation & Mobility	39.5	2.5	7.3
Network and Infrastructure	30.9	-2.9	-0.2
Strategic Units	29.6	1.9	-6.3

Source: Company, MOFSL

Valuation and view

- We **reiterate our SELL rating** on the stock, as we believe the seasonally weak 1H could lead to lower revenue growth for FY26E, and margins could be affected in a similar vein. We cut our estimates by ~4-5% for FY26/FY27, broadly on recalibration in margin expectations and continued growth uncertainty in key verticals such as Networks & Infrastructure and Energy, with some deal ramp-ups deferred during the quarter.
- Based on SoTP, we value the company's stake in DLM at a market valuation with a holding company discount of 20%. In our P/E-based valuation, we value the DET business at 17x FY27E EPS. Our SoTP-based TP of INR1,120 implies a 10% potential downside.

Exhibit 3: Our SoTP valuation

	Valuation Metric	Tgt Multiple	Value (FY27E)
Cyient Service (INR m)	P/E	17	1,03,411
Semi-Conductor Business	EV/EBIT	20	9,106
DLM (INR m)	Market Cap (20% holdco discount)		12,599
Total Market Cap (INR m)			1,25,115
O/S			110.0
Rounded Target Price (INR)			1,120
CMP (INR)			1,242
Upside %			-10%

Source: MOFSL

Exhibit 4: Summary of our revised estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
INR/USD	86.4	86.7	86.4	86.7	0.0%	0.0%
USD Revenue (DET) - m	661	682	694	732	-4.8%	-6.9%
Growth (%)	(1.4)	3.1	1.0	5.4	-240bp	-230bp
EBIT margin (DET, %)	12.8	14.0	13.2	13.7	-40bp	30bp
PAT (DET, INR M)	6,154	6,267	6,403	6,594	-3.9%	-5.0%
EPS - DET	55.9	56.9	58.2	59.9	-3.9%	-5.0%

Source: MOFSL

Exhibit 5: DET – P&L Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales	37,544	50,936	59,114	56,704	57,167	59,124
Cost of Services	21,808	29,535	35,503	34,487	35,379	36,374
Gross Profit	15,736	21,401	23,611	22,217	21,788	22,750
EBITDA	7,470	9,309	11,960	9,790	9,568	10,557
% of Net Sales	19.9%	18.3%	20.2%	17.3%	16.7%	17.9%
EBIT	5,740	6,970	9,545	7,513	7,323	8,252
% of Net Sales	15.3%	13.7%	16.1%	13.2%	12.8%	14.0%
Net Income	4,696	5,243	6,893	5,778	6,154	6,267
Change (%)	44.3%	11.7%	31.5%	-16.2%	6.5%	1.8%

Source: MOFSL* FY23 and previous year data are on a Pro Forma basis

Financials and valuations

Income Statement (Consol)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sales	41,325	45,344	60,159	71,472	73,604	73,631	79,198
Change (%)	(6.7)	9.7	32.7	18.8	3.0	0.0	7.6
Cost of Services	27,162	28,453	37,415	45,944	47,771	47,574	50,410
Gross Profit	14,163	16,891	22,744	25,528	25,833	26,058	28,788
SG&A Expenses	8,056	8,675	12,501	12,500	14,320	14,384	14,737
EBITDA	6,107	8,216	10,243	13,028	11,513	11,674	14,051
% of Net Sales	14.8	18.1	17.0	18.2	15.6	15.9	17.7
Depreciation	1,944	1,923	2,566	2,666	2,672	2,728	2,773
EBIT	4,163	6,293	7,677	10,362	8,841	8,946	11,278
% of Net Sales	10.1	13.9	12.8	14.5	12.0	12.1	14.2
Other Income	684	687	-185	-499	39	687	158
PBT	4,847	6,980	7,492	9,863	8,880	9,633	11,437
Tax	1,133	1,761	1,723	2,314	2,289	2,568	2,987
Rate (%)	23.4	25.2	23.0	23.5	25.8	26.7	26.1
Minority interest	0	0	0	-200	-374	0	0
Adjusted PAT	3,714	5,219	5,769	7,349	6,217	7,065	8,450
Change (%)	-0.3	40.5	10.5	27.4	-15.4	13.6	19.6

Balance Sheet (Consol)

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Share Capital	550	552	553	555	555	555	555
Reserves	29,023	30,614	34,114	42,026	52,540	55,366	58,746
Net Worth	29,573	31,166	34,667	42,581	53,095	55,921	59,301
Other liabilities	3,812	4,061	5,644	8,091	9,168	9,170	9,522
Loan	2,755	3,264	9,336	4,526	2,138	2,138	2,138
Capital Employed	36,140	38,491	49,647	55,198	64,401	67,229	70,961
Applications							
Gross Block	18,558	19,223	21,776	24,924	27,924	31,924	35,924
Less : Depreciation	10,779	11,959	14,525	17,191	19,863	22,591	25,364
Net Block	7,181	6,787	7,251	7,733	7,569	9,333	10,560
CWIP	113	134	27	16	75	75	75
Intangibles	7,191	6,662	21,413	21,089	22,432	22,432	22,432
Other assets	1,925	5,318	4,877	5,607	5,415	5,416	5,517
Curr. Assets	28,518	28,972	31,913	35,591	41,455	50,172	53,556
Current Investments	0	866	1,718	758	1,654	3,154	4,654
Debtors							
Cash & Bank Balance	8,026	7,333	11,271	12,617	14,067	12,507	13,453
Other Current Assets	14,408	12,157	6,215	4,848	10,706	19,477	19,279
Current Liab. & Prov	6,084	8,616	12,709	17,368	15,028	15,034	16,170
Trade payables	8,788	9,382	15,834	14,838	12,545	20,199	21,180
Other liabilities	4,532	5,259	7,142	6,878	3,934	11,095	11,934
Provisions	3,872	3,709	7,555	6,816	7,256	7,748	7,788
Net Current Assets	384	414	1,137	1,144	1,355	1,356	1,458
Application of Funds	19,730	19,590	16,079	20,753	28,910	29,973	32,377

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	33.8	47.8	52.4	66.9	55.4	63.6	76.1
Cash EPS	51.5	65.3	75.6	91.1	79.2	88.2	101.1
Book Value	269.1	285.1	314.6	387.5	476.0	506.9	537.5
DPS	24.5	24.0	26.0	30.0	26.0	38.2	45.7
Payout %	72.5	50.3	49.7	44.9	46.9	60.0	60.0
Valuation (x)							
P/E	36.7	26.0	23.7	18.6	22.4	19.5	16.3
Cash P/E	24.1	19.0	16.4	13.6	15.7	14.1	12.3
EV/EBITDA	20.4	15.3	13.5	10.4	11.1	10.0	8.2
EV/Sales	3.0	2.8	2.3	1.9	1.7	1.6	1.5
Price/Book Value	4.6	4.4	3.9	3.2	2.6	2.4	2.3
Dividend Yield (%)	2.0	1.9	2.1	2.4	2.1	3.1	3.7
Profitability Ratios (%)							
RoE	13.5	17.2	17.5	18.3	12.1	12.0	13.6
RoCE	9.9	13.6	14.7	16.1	11.2	10.1	12.2
Turnover Ratios							
Debtors (Days)	68	62	68	64	70	62	62

Cash Flow Statement (Consol)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
(INR m)							
CF from Operations	5,872	7,318	9,024	9,869	9,481	9,792	11,223
Cash for Working Capital	2,686	-973	-3,485	-3,190	-1,582	8,717	-851
Net Operating CF	8,558	6,345	5,539	6,679	7,899	18,510	10,372
Net Purchase of FA	-949	-626	-625	-782	-1,021	-4,000	-4,000
Free Cash Flow	7,609	5,719	4,914	5,897	6,878	14,510	6,372
Net Purchase of Invest.	-58	-3,197	-9,675	-4,545	-430	-1,500	-1,500
Net Cash from Invest.	-1,007	-3,823	-10,300	-5,327	-1,451	-5,500	-5,500
Proc. from equity issues	37	121	79	146	62	0	0
Proceeds from LTB/STB	-2,134	-1,994	1,458	237	2,217	0	0
Dividend Payments	-10	-2,952	-2,630	-3,058	-2,861	-4,239	-5,070
Cash Flow from Fin.	-2,107	-4,825	-1,093	-2,675	-582	-4,239	-5,070
Exchange difference	-31	52	-88	-44	110	0	0
Net Cash Flow	5,413	-2,251	-5,942	-1,367	5,976	8,771	-198
Opening Cash Bal.	8,995	14,408	12,157	6,215	4,730	10,706	19,477
Add: Net Cash	5,413	-2,251	-5,942	-1,367	5,976	8,771	-198
Closing Cash Bal.	14,408	12,157	6,215	4,730	10,706	19,477	19,279

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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