AXIS DIRECT

Result Update
17th October 2025

Cyient Ltd.
IT Services Sector

HOLD
Target Price
1,280

Degrowth Across All Fronts; Upbeat Outlook

Est. Vs. Actual for Q2FY26: Revenue – INLINE; EBIT margin – MISS; PAT – MISS

Change in Estimates YoY post Q2FY26:

FY26E/FY27E: Revenue: -1%/5%; **EBIT:** -4%/7%, **PAT:** -8%/7%

Recommendation Rationale

- **Macro environment outlook:** The high uncertainty and lack of decision-making have persisted so far. However, the core Digital Engineering & Technology (DET) business is showing early signs of stabilization and recovery. Nonetheless, global uncertainty continues to impact the business at the group level.
- **Deal wins/pipeline:** During the quarter, the company secured a major deal to establish an AI Center of Excellence for a healthcare client and a digital transformation project for a leading aircraft OEM's manufacturing plant, winning against a Tier-1 IT player.
- **AI implementation:** The focus remains on a "domain-first and AI-infused" strategy rather than being purely "AI-first". The company is leveraging its deep domain expertise in engineering data to address complex digital transformation challenges for clients. These initiatives are supported by four strategic technology pillars: data engineering, AI platform software, embedded systems, and product security.

Sector Outlook: Cautiously optimistic

Company Outlook & Guidance: The company is well-positioned to capitalise on emerging opportunities due to focused tech investments, strong industry mix, robust customer base, and delivery efforts. The management expressed high confidence for H2FY26 to be stronger than H1FY26 in both revenue and margins.

Current Valuation: **19x FY27E P/E (Earlier Valuation: 19x FY27E P/E)**

Current TP: **1,280/share (Earlier TP: 1,315/share)**

Recommendation: **Hence, we maintain our HOLD rating on the stock.**

Financial performance

In Q2FY26, Cyient reported revenue of Rs 1,781 Cr vs Rs 1,849 Cr in Q2FY25, down 3.7% YoY and up 4% QoQ. EBIT stood at Rs 147 Cr vs Rs 231 Cr in Q2FY25, a decline of 36.5% YoY and 9.9% QoQ. Net income came in at Rs 143 Cr vs Rs 187 Cr in Q2FY25, down 23.4% YoY and 9.2% QoQ. In CC terms, overall revenue fell by 8.4% YoY, while in $ terms it declined by 7.8% YoY. Attrition levels rose by 190 bps YoY to 16.8% vs 14.9% in Q2FY25.

Valuation & Recommendation

The management remains optimistic about stable growth in H2FY26, supported by robust execution and healthy deal wins. We remain constructive on the company's long-term outlook. The company is valued at 19x FY27 EPS, and we **maintain our HOLD rating on the stock with a target price of Rs 1,280/share, implying an upside potential of 9% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,781	4.0	(3.7)	1,800	(1.0)
EBIT	147	-9.90	(36.5)	178	(17.5)
EBIT Margin	8.2	-127bps	-425bps	9.9	(164)
Net Profit	143	(9.2)	(23.4)	182	(21.4)
EPS (Rs)	12.9	(7.7)	(22.2)	16.1	(20.1)

Source: Company, Axis Research

(CMP as of 16th October 2025)

CMP (Rs)	1,168
Upside /Downside (%)	9%
High/Low (Rs)	2,112/1,050
Market cap (Cr)	12,649
Avg. daily vol. (6m) Shrs.	4,95,420
No. of shares (Cr)	11

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	23.1	23.3	23.3
FIIs	28.2	23.9	21.4
MFs/UTI	23.8	28.1	29.5
Banks/FIs	0	0	0
Others	24.9	24.8	25.9

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	7,360	7,200	8,095
EBIT	876	759	1,011
Net Profit	653	685	808
EPS (Rs)	55	58	69
PER (x)	23.8	22.6	19.1
P/BV (x)	2.9	2.7	2.4
EV/EBITDA (x)	12.5	13.2	10.0
ROE (%)	13.6	12.3	13.2

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1%	5%
EBIT	-4%	7%
PAT	-8%	7%

Relative Performance

Source: AceEquity, Axis Securities

Results Gallery

Q1FY26

Kuber Chauhan
Research Analyst
kuber.chauhan@axissecurities.in

Abhishek Bhalotia
Research Associate
abhishek.bhalotia@axissecurities.in

Outlook

From a long-term perspective, Cyient remains a strong ER&D player with an improved outlook and better deal momentum. The recent recovery is expected to sustain over the next two to three years. However, rising uncertainties in large economies and supply-side constraints could weigh on the company's growth prospects.

Key highlights

- **Management transition:** Over half of the business unit leaders are new to their roles (less than six months), bringing a fresh approach to accelerate growth.
- **Transportation and Mobility:** In CC terms, the Transportation and Mobility business within DET grew 3.9% QoQ and 5.8% YoY, driven by strong performance across aerospace, rail, auto, and mobility segments. Aerospace continues to be a key growth driver.
- **Networks and Infrastructure:** The Networks and Infrastructure vertical grew 3.6% QoQ but declined 1.4% YoY. This segment is expected to stabilise and return to growth in the coming quarters.
- **Strategic Units:** Strategic units declined 6% QoQ and 7.3% YoY due to the holiday season in Europe and the ramp-down of a large program. Management indicated that the ramp-down is largely complete, and its material impact has significantly reduced.
- **Deal Wins:** During the quarter, the company secured a deal to establish an AI Center of Excellence for a healthcare client and a digital transformation project for a leading aircraft OEM's manufacturing plant, winning against a Tier-1 IT player.
- **Focus on Go-to-Market:** The company's sales teams have been restructured to focus exclusively on new business acquisition, while delivery teams handle renewals.
- **AI Adoption:** The company continues to pursue a "domain-first and AI-infused" strategy rather than being purely "AI-first". It is leveraging its deep domain expertise in engineering data to address complex digital transformation challenges for clients.
- **Wage Hikes:** Increments were rolled out to nearly 90% of associates starting in April, ahead of peers.
- **Semiconductor Outlook:** After a weak Q1 (where revenue declined 35% due to the exit from low-value deals), the semiconductor business rebounded strongly in Q2 with 12% QoQ revenue growth. The segment reported a negative EBIT in the quarter due to increased investments in sales and R&D. The company expects to achieve EBIT neutrality by FY27.
- **FY26 Guidance and Strategic Focus:** Management refrained from issuing formal guidance for FY26, citing the current phase as one of business stabilisation. Nonetheless, the company remains confident in its strategic positioning, supported by focused tech investments, a diversified industry mix, a robust customer base, and strong delivery capabilities. It remains committed to achieving a 15% EBIT margin by Q4FY27.

Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	7,200	8,095	7,237	7,692	-1%	5%
EBIT	759	1,011	792	945	-4%	7%
PAT	685	808	747	753	-8%	7%

Source: Company, Axis Securities

Results Review

(Rs Cr)

Y/E March	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)
Net sales	**1,781**	**1,712**	**4.0**	**1,849**	**(3.7)**
Total Expenditure	1,562	1,481	5.5	1,552	0.6
EBITDA	**219**	**231**	**(5.2)**	**297**	**(26.3)**
EBITDA margin (%)	12.3%	13.5%	-119bps	16.0%	-376bps
Depreciation	72	68	6.2	66	9.4
EBIT	**147**	**163**	**(9.9)**	**231**	**(36.5)**
EBIT margin (%)	8.2%	9.5%	-127bps	12.5%	-425bps
Interest cost	16	16	(2.5)	28	(42.2)
Other income	50	70	(28.3)	51	(2.2)
Exceptional item	21	0	NA	0	NA
PBT	**201**	**216**	**(6.8)**	**254**	**(20.8)**
Tax	54	56	(4.4)	68	(20.7)
Share of JV	-5	-3	NA	0	NA
Profit after tax	**143**	**157**	**(9.2)**	**187**	**(23.4)**
Reported EPS	**12.9**	**13.9**	**(7.7)**	**16.5**	**(22.2)**
Adj. PAT	**122**	**157**	**(22.4)**	**187**	**(34.5)**
Adj. EPS	**12.9**	**13.9**	**(7.7)**	**16.5**	**(22.2)**

Source: Company, Axis Securities

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Financials (Consolidated)

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	**6,016**	**7,147**	**7,360**	**7,200**	**8,095**
Change(yoy,%)	33	19	3	(2)	12
Operating expenses	5,013	5,844	6,217	6,158	6,780
EBITDA	**1,003**	**1,303**	**1,143**	**1,042**	**1,315**
Change (yoy,%)	23	30	(12)	(9)	26
Margin (%)	17	18	16	14	16
Depreciation	257	267	267	283	304
EBIT	**746**	**1,036**	**876**	**759**	**1,011**
Interest paid	100	116	93	88	79
Other income	81	66	97	268	146
Pre-tax profit	**728**	**986**	**880**	**940**	**1,077**
Tax	167	216	227	254	269
Effective tax rate (%)	23	22	26	27	25
Net profit	**561**	**770**	**653**	**685**	**808**
Exceptional items	-	-	-	-	-
Adjusted net profit	**561**	**770**	**653**	**685**	**808**
Change(yoy,%)	7	37	(15)	5	18
Adj.EPS	56	72	55	58	69
Dividend per sh	48	18	14	15	17
Dividend Payout (%)	86	25	25	25	25

Source: Company, Axis Securities

Balance Sheet **(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	55	56	56	56	56
Reserves & surplus	3,411	4,203	5,254	5,768	6,374
Shareholders funds	3,467	4,258	5,310	5,823	6,429
Total Debt	934	453	214	204	184
Other liabilities	568	510	466	466	466
Curr Liab & prov	2,023	1,658	1,370	1,363	1,399
Current liabilities	1,470	1,369	1,119	1,106	1,153
Provisions	114	114	136	136	136
Total liabilities	3,085	2,447	1,934	1,911	1,938
Total equity & liabilities	**6,548**	**7,004**	**7,695**	**8,185**	**8,818**
Net fixed assets	448	446	475	575	371
Investments	346	360	280	280	280
Other non-curr assets	2,562	2,639	2,795	2,795	2,795
Current assets	3,191	3,559	4,146	4,536	5,373
Inventories	436	468	577	540	607
Sundry Debtors	1,127	1,262	1,407	1,400	1,574
Cash & Liquid	719	983	1,314	1,748	2,344
Other Curr Assets	909	847	848	848	848
Total assets	**6,548**	**7,004**	**7,695**	**8,185**	**8,818**

Source: Company, Axis Securities

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	608	838	648	685	808
Depreciation	257	267	267	283	304
Change in working capital.	(81)	(469)	(543)	37	(206)
Other operating activities	19	116	93	88	79
Cash flow from operations (a)	**802**	**686**	**368**	**824**	**840**
Capital expenditure	(54)	40	(121)	(100)	(100)
Chg in investments	(1,018)	(33)	(135)	-	-
Other investing activities	(373)	9	155	268	146
Cash flow from investing (b)	**(1,445)**	**16**	**(101)**	**168**	**46**
Equity raised/(repaid)	(23)	302	152	-	-
Debt raised/(repaid)	650	(273)	(225)	(17)	(8)
Dividend (incl. tax)	(525)	(210)	(162)	(171)	(202)
Chg in monorities	(23)	302	152	-	-
Other financing activities	(7)	(258)	298	(371)	(79)
Cash flow from financing (c)	**95**	**(438)**	**64**	**(559)**	**(289)**
Net change in cash (a+b+c)	(547)	264	331	434	596
Opening cash balance	1,267	719	983	1,314	1,748
Closing cash balance	719	983	1,314	1,748	2,344

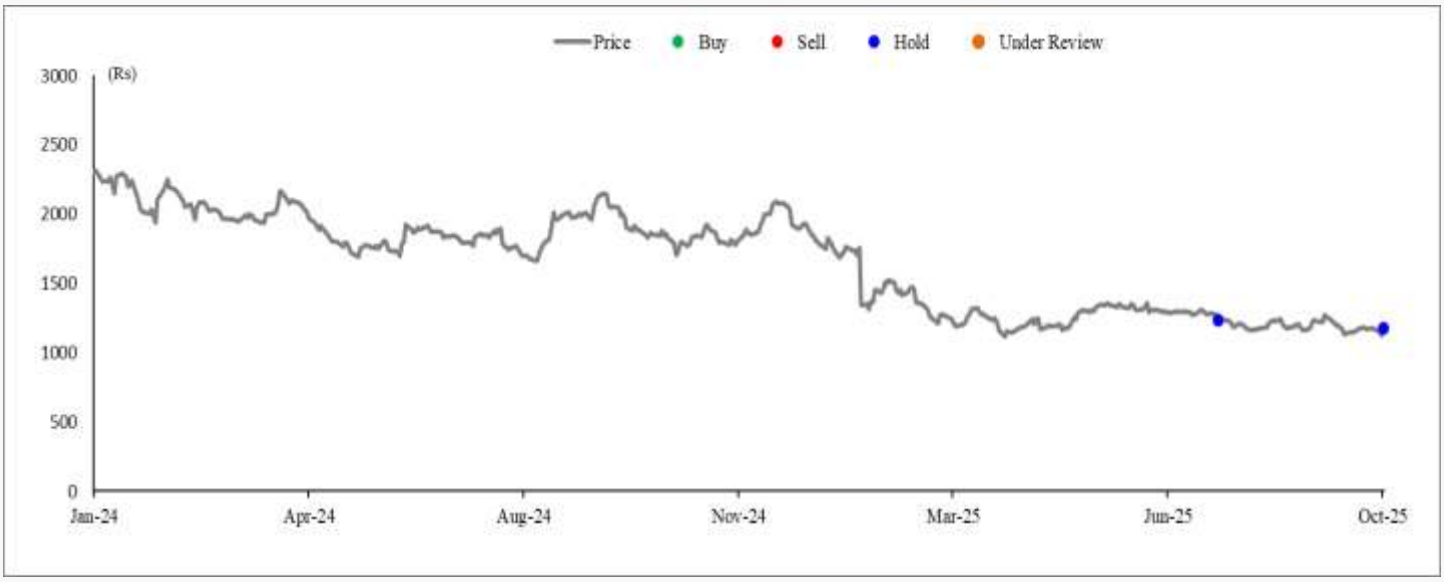
Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	317	363	453	497	549
Adj EPS (Rs)	56	72	55	58	69
Adj EPS growth (%)	16.4	28.7	-22.6	5.7	17.90
EBITDA margin (%)	16.7	18.2	15.5	14.5	16.2
Pre-tax margin (%)	12.1	13.8	12.0	13.0	13.3
Debt/Equity (x)	0.1	0.1	0.0	0.0	0.0
ROCE (%)	16	17	12	11	12
ROE (%)	19	22	14	12	13
Financial leverage ratios					
Debt / Equity (x)	0.1	0.1	0.0	0.0	0.0
Interest Coverage (x)	10.0	11.2	12.3	11.9	16.5
Interest / Debt (%)	0.4	0.3	0.5	1.0	1.0
Working Capital & Liquidity Ratio					
Inventory days	26	24	28	27	27
Receivable days	67	64	70	70	70
Payable days	43	25	19	19	19
Valuation ratio					
PER (x)	23.7	18.4	23.8	22.6	19.1
Adjusted PER (x)	23.7	18.4	23.8	22.6	19.1
P/BV (x)	4.2	3.6	2.9	2.7	2.4
EV/EBITDA (x)	14.2	11.3	12.5	13.2	10.0
Market Cap. / Sales (x)	2.4	2.2	2.1	2.1	1.9

Source: Company, Axis Securities

Cyient Price Chart and Recommendation History



Date	Reco	TP	Research
25-Jul-25	HOLD	1,315	Result Update
17-Oct-25	HOLD	1,280	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

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