

Degrowth Across All Fronts; Stable Outlook

Est. Vs. Actual for Q1FY26: Revenue – **MISS**; EBIT margin – **MISS**; PAT – **MISS**

Recommendation Rationale

- **Macro environment outlook:** The high uncertainty and lack of decision-making observed in March and April have eased, particularly in May and June, as customers have adapted to the new reality. Nonetheless, global uncertainty still affects the business at a group level.
- **Deal wins/pipeline:** The company secured a nearly \$23 Mn deal with an impact-based communication service provider for wireless infrastructure rollout. The non-renewal business (new deals) increased from 18% of order intake in Q4 to 21% in Q1FY26.
- **AI implementation:** Cyient is sharpening its focus with three core tech-driven offerings: asset life cycle management, AI-driven engineering, and quality and regulatory assurance. These are supported by four strategic technology bets: 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

Current Valuation: 19x FY27E P/E

Current TP: 1,315/share

Recommendation: With a deal pipeline across business verticals, new partnerships, and higher adoption of new-age technologies, the company is expected to recover at a gradual pace. Hence, we resume our coverage with a **HOLD** rating on the stock.

Financial performance

In Q1FY26, Cyient reported revenue of Rs 1,712 Cr vs Rs 1,676 Cr (Q1FY25), up 2.2% YoY and down by 10.3% QoQ. EBIT stood at Rs 163 Cr vs Rs 199 Cr (Q1FY25), down 18.3% YoY and 30.7% QoQ. Net Income came in at Rs 157 Cr vs Rs 148 Cr (Q1FY25), up 6.6% YoY and down by 15.6% QoQ. However, in CC terms, overall revenue fell by 1.2% YoY and 0.4% QoQ. Attrition levels increased by 90 bps YoY to 16.9% vs 16% (Q1FY25).

Valuation & Recommendation

The management remains optimistic for a stable growth in FY26, led by slow execution and deal wins. We are constructive on the long-term outlook of the company. Hence, we resume our coverage with a **HOLD rating on the stock** and assign a 19x P/E multiple to its FY27E earnings to arrive at a TP of Rs 1,315/share, implying an upside of 6% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	1,712	(10.3)	2.2	1,854	(7.7)
EBIT	163	(30.7)	(18.3)	209	(22.2)
EBIT Margin	9.5	-279bps	-238bps	11.3	(15.8)
Net Profit	157	(15.6)	6.6	168	(6.5)
EPS (Rs)	13.9	(15.6)	6.6	14.9	(6.5)

Source: Company, Axis Research

(CMP as of 24th July 2025)

CMP (Rs)	1,243
Upside /Downside (%)	6%
High/Low (Rs)	2,157/1,050
Market cap (Cr)	13,806
Avg. daily vol. (6m)Shrs.	7,94,830
No. of shares (Cr)	11

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	23.1	23.3	23.3
FIIIs	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	7,435	7,993
EBIT	876	799	994
Net Profit	653	668	794
EPS (Rs)	55	57	68
PER (x)	23.8	23.1	19.5
P/BV (x)	2.9	2.7	2.4
EV/EBITDA (x)	12.5	12.8	10.2
ROE (%)	13.6	12.0	13.0

Relative Performance



Source: AceEquity, Axis Securities

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Outlook

From a long-term perspective, we believe Cyient is a stronger ER&D player with an improved outlook and better deal wins. The recent recovery is expected to be sustainable over a two to three-year horizon. However, rising concerns over uncertainties from large economies and supply-side constraints may impact the company's growth prospects.

Key highlights

- **DET Business Performance:** Cyient's DET business grew by 0.9% QoQ and 1% YoY in USD terms. However, it declined 1.5% QoQ and remained flat YoY in CC terms. The segment's EBIT margin stood at 12%, down 63 bps QoQ and 61 bps YoY, primarily due to the first tranche of wage hikes.
- **Transportation and Mobility:** In CC terms, the Transportation and Mobility business within DET grew 2.5% QoQ and 7.3% YoY, driven by strong performance in transportation segments such as aerospace, rail, auto, and mobility. Aerospace remains a key growth driver.
- **Networks and Infrastructure:** The networks and infrastructure vertical declined by 2.9% QoQ and remained nearly flat YoY with a 0.2% decline. This segment is expected to stabilise and resume growth in the coming quarters.
- **Strategic Units:** Strategic units declined by 1.9% QoQ and 6.3% YoY. According to the company, two out of the three business units within this segment—healthcare and life sciences, mining and minerals, and energy—grew, with one registering double-digit sequential growth. A large project nearing completion in the energy segment impacted overall performance.
- **Deal Wins:** During the quarter, Cyient secured a nearly \$23 Mn deal with an impact-based communication service provider for wireless infrastructure rollout. Additionally, it won a contract to digitise technical publications for a private jet manufacturer and added 14 new logos.
- **Aerospace Opportunities:** The company is seeing global opportunities in the Aerospace segment, especially in modernising processes like technical publications and documentation through digital solutions.
- **Annuity Revenue Model:** A significant portion of Cyient's revenue is annuity-based, reflecting strong customer dependence on its domain and engineering expertise.
- **Business Environment:** Management highlighted elevated uncertainty and delayed decision-making in March and April. However, some stabilisation was observed in May and June as customers adjusted to the new environment. Nonetheless, uncertainty persists, and a cautious outlook remains.
- **Semiconductor Outlook:** Cyient expects its semiconductor business to return to at least DET-level margins by Q3FY26, targeting revenue of around \$10 Mn per quarter, supported by a strong order book.
- **FY26 Guidance and Strategic Focus:** Management refrained from providing formal guidance for FY26, citing the current phase as one of business stabilisation. However, the company remains confident in its positioning, backed by focused tech investments, a well-diversified industry mix, a robust customer base, and strong delivery capabilities. The long-term aspirational margin target of 15% for the DET business remains unchanged.

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.

Results Review
(Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1 FY25	YoY (%)
Net sales	1,712	1,909	(10.3)	1,676	2.2
Total Expenditure	1,481	1,607	(7.8)	1,411	5.0
EBITDA	231	303	(23.8)	265	(12.9)
<i>EBITDA margin (%)</i>	13.5	15.9	-238bps	15.8	-234bps
Depreciation	68	68	0.1	66	3.3
EBIT	163	235	(30.7)	199	(18.3)
<i>EBIT margin (%)</i>	9.5	12.3	-279bps	11.9	-238bps
Interest cost	16	19	(14.7)	26	(36.6)
Other income	70	41	70.0	21	230.3
Exceptional item	0	0	NA	0	NA
PBT	216	257	(15.8)	195	11.0
Tax	56	66	(15.0)	47	19.6
Share of JV	-3	-4	NA	0	NA
Profit after tax	157	186	(15.6)	148	6.6
Reported EPS	13.9	16.5	(15.6)	13	6.6
Adj. PAT	157	186	(15.6)	148	6.6
Adj. EPS	13.9	16.5	(15.6)	13.1	6.6

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	6,016	7,147	7,360	7,435	7,993
Change(yoy,%)	33	19	3	1	8
Operating expenses	5,013	5,844	6,217	6,353	6,695
EBITDA	1,003	1,303	1,143	1,082	1,298
Change (yoy,%)	23	30	(12)	(5)	20
Margin (%)	17	18	16	15	16
Depreciation	257	267	267	283	304
EBIT	746	1,036	876	799	994
Interest paid	100	116	93	88	79
Other income	81	66	97	184	144
Pre-tax profit	728	986	880	896	1,059
Tax	167	216	227	228	265
Effective tax rate (%)	23	22	26	25	25
Net profit	561	770	653	668	794
Exceptional items	-	-	-	-	-
Adjusted net profit	561	770	653	668	794
Change(yoy,%)	7	37	(15)	2	19
Adj.EPS	56	72	55	57	68
Dividend per sh	48	18	14	14	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	5,755	6,350
Shareholders funds	3,467	4,258	5,310	5,810	6,406
Total Debt	934	453	214	204	184
Other liabilities	568	510	466	466	466
Curr Liab & prov	2,023	1,658	1,370	1,376	1,393
Current liabilities	1,470	1,369	1,119	1,118	1,147
Provisions	114	114	136	136	136
Total liabilities	3,085	2,447	1,934	1,923	1,933
Total equity & liabilities	6,548	7,004	7,695	8,184	8,789
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	4,535	5,344
Inventories	436	468	577	558	600
Sundry Debtors	1,127	1,262	1,407	1,446	1,554
Cash & Liquid	719	983	1,314	1,684	2,343
Other Curr Assets	909	847	848	848	848
Total assets	6,548	7,004	7,695	8,184	8,789

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	608	838	648	668	794
Depreciation	257	267	267	283	304
Change in working capital	(81)	(469)	(543)	(14)	(133)
Other operating activities	19	116	93	88	79
Cash flow from operations (a)	802	686	368	840	901
Capital expenditure	(54)	40	(121)	(100)	(100)
Chg in investments	(1,018)	(33)	(135)	-	-
Other investing activities	(373)	9	155	184	144
Cash flow from investing (b)	(1,445)	16	(101)	84	44
Equity raised/(repaid)	(23)	302	152	-	-
Debt raised/(repaid)	650	(273)	(225)	(17)	(8)
Dividend (incl. tax)	(525)	(210)	(162)	(167)	(199)
Chg in minorities	(23)	302	152	-	-
Other financing activities	(7)	(258)	298	(371)	(79)
Cash flow from financing (c)	95	(438)	64	(554)	(286)
Net change in cash (a+b+c)	(547)	264	331	370	659
Opening cash balance	1,267	719	983	1,314	1,684
Closing cash balance	719	983	1,314	1,684	2,343

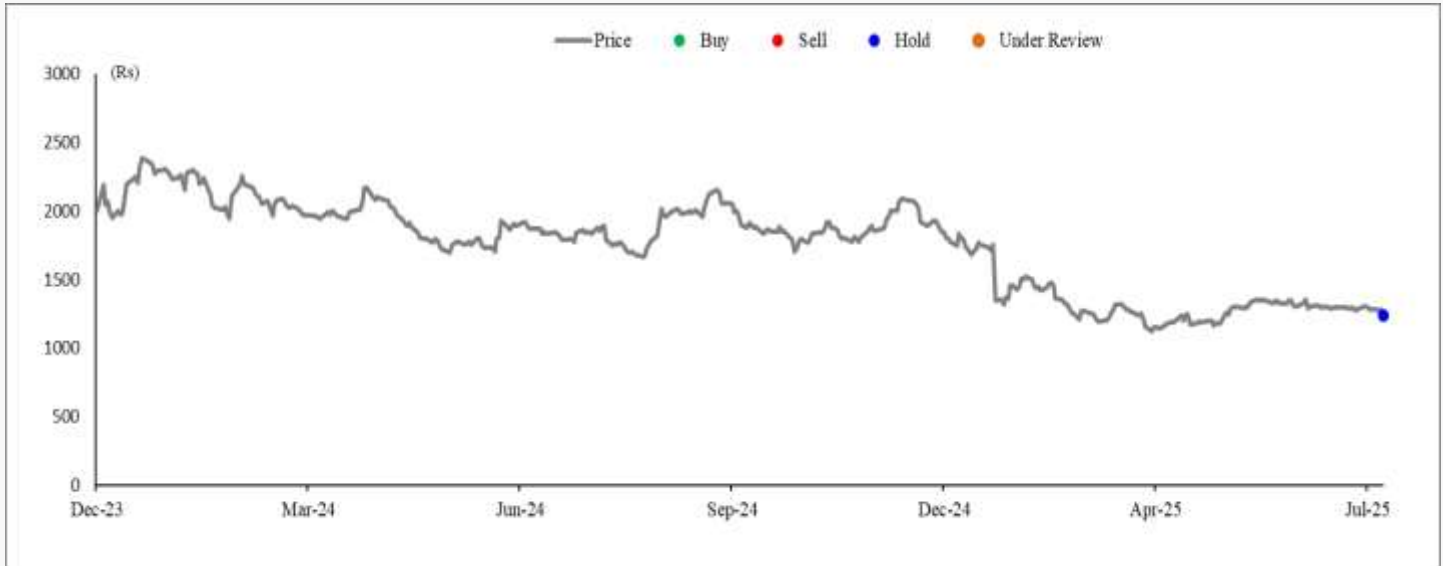
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	317	363	453	496	547
Adj EPS (Rs)	56	72	55	57	68
Adj EPS growth (%)	16.4	28.7	-22.6	3.0	18.94
EBITDA margin (%)	16.7	18.2	15.5	14.6	16.2
Pre-tax margin (%)	12.1	13.8	12.0	12.1	13.2
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	12.3	16.3
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	23.1	19.5
Adjusted PER (x)	23.7	18.4	23.8	23.1	19.5
P/BV (x)	4.2	3.6	2.9	2.7	2.4
EV/EBITDA (x)	14.2	11.3	12.5	12.8	10.2
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

Source: Axis Securities Research

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