25 August 2026
Company Update | Sector: Technology

Cyient

BSE SENSEX	S&P CNX
74,650	23,484

CYIENT

Stock Info

Bloomberg	CYL IN
Equity Shares (m)	111
M.Cap.(INRb)/(USDb)	102.6 / 1.1
52-Week Range (INR)	1285 / 750
1, 6, 12 Rel. Per (%)	14/10/-19
12M Avg Val (INR M)	494
Free float (%)	75.0

Financials & Valuations (INR b)

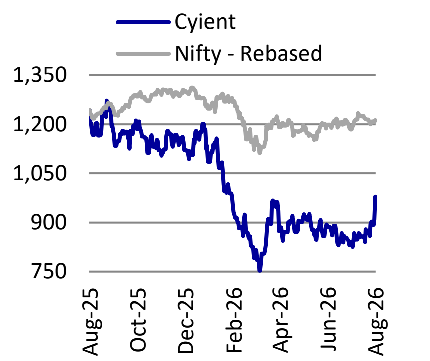
Y/E Mar	FY26	FY27E	FY28E
Sales	72.7	83.5	95.0
Adj. EBIT Margin (%)	9.5	12.3	14.9
Adj. PAT	5.3	6.3	9.5
Adj. EPS (INR)	51.1	60.1	90.7
EPS Gr. (%)	-12.9	17.4	51.0
BV/Sh. (INR)	546.2	568.9	605.4
Ratios			
RoE (%)	9.0	10.0	14.4
RoCE (%)	7.6	9.1	12.7
Payout (%)	31.3	60.0	60.0
Valuations			
P/E (x)	19.1	16.3	10.8
P/BV (x)	1.8	1.7	1.6
EV/EBITDA (x)	9.0	6.0	4.5
Div Yield (%)	1.6	3.7	5.6

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	23.3	23.3	23.3
DII	39.0	41.0	35.6
FII	15.0	15.9	22.1
Others	22.7	19.8	19.0

FII includes depository receipts

Stock's performance (one-year)



CMP: INR979 TP: INR790 (-19%) Sell

Key takeaways from CYL Investor Day

Lifecycle engineering and semi-conductor are seen as the two next big opportunities

We attended Cyient's (CYL) Investor Day. The company highlighted strategies for all the three businesses and is seeing potential within lifecycle engineering for the DET business and the semi-conductor business as a whole. The company discussed TAM for each of these businesses and has based its own ambitious revenue growth and margin aspirations as it bets on these areas. CYL believes that continuous investments and R&D are needed to create an IP moat and solutions, which eventually lead to business value creation. Other topics of discussion included: 1) How the industry has changed from cost-led outsourcing to value-based partnerships, 2) capital allocation across the three businesses, 3) new addressable markets and regions, 4) strategy for FY27 and FY28, 5) aspirations for FY29 and FY31, and 6) M&A strategy. While we are excited with the new focus areas and addressable markets for lifecycle engineering and semi-conductor, we will wait for better evidence and execution before we turn constructive. We reiterate our Sell rating with a TP of INR790 (based on 25x CY27E EPS).

Reacceleration in growth and 15%+ EBIT target in the medium term

- Growth reacceleration is the near-term priority, **with management targeting a return to double-digit revenue growth**, supported by new geographies, industries, and higher recurring revenue. We are building in **8.5% and 11.5% YoY USD revenue growth** for FY27E and FY28E, respectively.
- **The company's FY28–29 ambition is industry-leading growth**, alongside consistent QoQ growth across all four quarters.
- Order intake is expected to grow from 5.3% YoY currently to **double-digit YoY in every quarter**. Order momentum remains healthy, with a qualified large-deal pipeline **comprising ~nine deals worth ~USD300m**, providing visibility for future growth.
- Recurring revenue is a key medium-term growth lever, with a target of **~50% of revenue from recurring streams and ~25% from lifecycle services**, increasing revenue visibility and customer stickiness.
- **15%+ EBIT is the structural margin ambition for FY28-29**, rather than near-term guidance. EBIT margin has already expanded ~100bp to 13.2%, supported by SG&A optimization, productivity, pricing, and delivery efficiencies **(see Exhibit 1). We estimate 12.9% and 14% EBIT margin for FY27E and FY28E,** respectively and will watch the commentary in the upcoming quarters before upgrading our numbers.
- Further margin expansion is expected from technology-led delivery, greater automation, and non-linear business models, with 15%+ structural EBIT prioritized and maintained sustainably. **The FY31 EBIT margin aspiration is placed at 16%+ (see Exhibit 2).**
- Capital allocation remains shareholder-friendly, **with a target to distribute 50% of earnings** through dividends, while buybacks provide additional flexibility. **CYL has returned 67% of excess capital** over the past six years.

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Strengthening the core with three integrated growth engines

- CYL is sharpening its traditional digital engineering and technology base while selectively pursuing acquisitions in emerging, long-term opportunity areas.
- **AI-led transformation:** Consulting remains an area with unrealized potential, while the **Power Digital acquisition is pivotal to embedding AI** across CYL's operations and enhancing its digital capabilities.
- Cyient DET, Cyient Semiconductor, and Cyient DLM occupy connected positions across the technology value chain, **creating opportunities for cross-selling, shared capabilities and IP.**
- Separate entities and capital structures reflect their different capital intensity, payback periods, and operating models, while the broader portfolio is designed to generate greater value together **(see Exhibit 3)**.
- Industry **growth of low-single-digit to mid-single-digit rates can increasingly translate into higher productivity** and revenue without proportional headcount growth, driven by automation and AI-enabled tools

Expanding beyond engineering into high-value lifecycle services

- **Outsourcing is shifting from cost arbitrage to lifecycle value creation**, with increasing focus on domain expertise, IP, data insights, output-based contracts, and long-term asset ownership support.
- **Lifecycle services represent a larger opportunity** than traditional ER&D outsourcing. Across seven industries, customers spend an estimated USD20t annually on servicing installed assets, of which ~USD9t is outsourced. **CYL estimates that USD2.4–3.2t is addressable with its capabilities versus the current ~USD100b ER&D market (see Exhibit 4).**
- **Aftermarket and operations drive the majority of customer value.** Aerospace & defense companies derive **75–80% of revenues from services**, spares, and MRO, while HAL generates **>65% of revenue** from similar activities and telecom operators incur **~80% of network costs** post deployment.
- **CYL's opportunity extends across multi-decade asset lifecycles**, moving beyond design into operations, maintenance, AIOps, and CloudOps for assets with **service lives of 20+ years**, while technology lifecycles can extend up to 100 years.
- The company has already established lifecycle engagement in **58% of its top 200 customers**, creating a platform for larger, multi-year contracts, and deeper participation in customers' operating and revenue cycles.

From project delivery to recurring lifecycle outcomes

- **Lifecycle engineering expands the addressable market from ~USD100b to ~USD3t**, as industrial engineering moves beyond project-based R&D toward managing assets, software, data, and services throughout their lifecycle.
- **Outcome-based models are reshaping industrial services**, with companies such as Rolls-Royce, GE, and Pratt & Whitney monetizing engine performance, flying hours, aftermarket services, and turnaround times rather than relying solely on upfront product sales.
- Recurring revenue is becoming the preferred commercial model, with ~**55–60%** of revenue from annuity/continuing engagements, **vs 25–35% from clearly project-based work**, providing greater revenue visibility and customer stickiness.

- **Periodic renewals still create friction**, while a portion of project engagements can transition into longer-duration annuity contracts **once measurable customer outcomes are demonstrated**.

Cyient semiconductor: Building an IP-led fabless business

- **A high-growth opportunity:** The global semiconductor market is estimated at >USD1t currently and could reach **~USD2t by FY30 (~26% CAGR)**, driven by rising chip content across AI data centers, automotive, industrial automation, robotics, and defense **(see Exhibit 5)**.
- **India accounts for ~20%** of global semiconductor design talent, while the country currently **imports ~USD80b** of chips **(see Exhibit 6)**. Government initiatives under ISM 1.0/2.0 are increasingly supporting domestic semiconductor design and IP creation.
- **CYL is prioritizing analog and power, rather than compute,** with the strategy centred on increasing semiconductor content per device and reusing IP across high-growth adjacencies.
- **Transitioning from ASIC to ASSP economics:** The fabless, asset-light model allows CYL to use customer-funded ASIC development to generate NRE revenue and reusable IP, before scaling into higher-value ASSP products serving multiple customers.
- The Kinetic Technologies acquisition brings **~3b cumulative units shipped, ~250m annual unit shipments,** supply chain expertise, and wafer/package pricing leverage, strengthening CYL's ability to scale its semiconductor portfolio.
- **Building an IP moat:** The Kinetic business has **~250 products, ~100 IP assets, and 500+ R&D designers**, with patent filings and IP development providing the foundation for a scalable, IP-led product business.
- CYL aims to **increase semiconductor revenue 4x by FY31 (see Exhibit 7)** by expanding content per device and leveraging existing IP across AI data centers, industrial automation, robotics, automotive, and AGI-related systems. Current revenue is USD65m.
- Unlike semiconductor manufacturers, CYL does not require fab-scale capex; **planned R&D investment is only ~USD5–6m annually**, with a **USD30m funding round from Edelweiss** expected to support the business for the next 4–5 quarters.
- Management is targeting a **sustainable ~20–30% RoE** once products commercialize, while favoring controlled funding rounds and disciplined dilution rather than raising excessive capital ahead of demonstrated value.

Market value, aerospace, and M&A

- **Strong portfolio alignment:** CYL owns 74% of Kinetic Technologies with an option to increase its stake, while retaining ~52% of Cyient DLM and a majority position as DLM accesses independent capital.
- **Significant embedded value:** Management cited **market values of ~INR30b for Cyient DLM, ~USD500m for Cyient Semiconductor, and ~INR95b for Cyient Ltd.**, highlighting the potential value of its portfolio businesses.
- **Aerospace growth remains volume-led in the near term:** With Boeing not expecting a new commercial aircraft design until 2030, **near-term growth is**

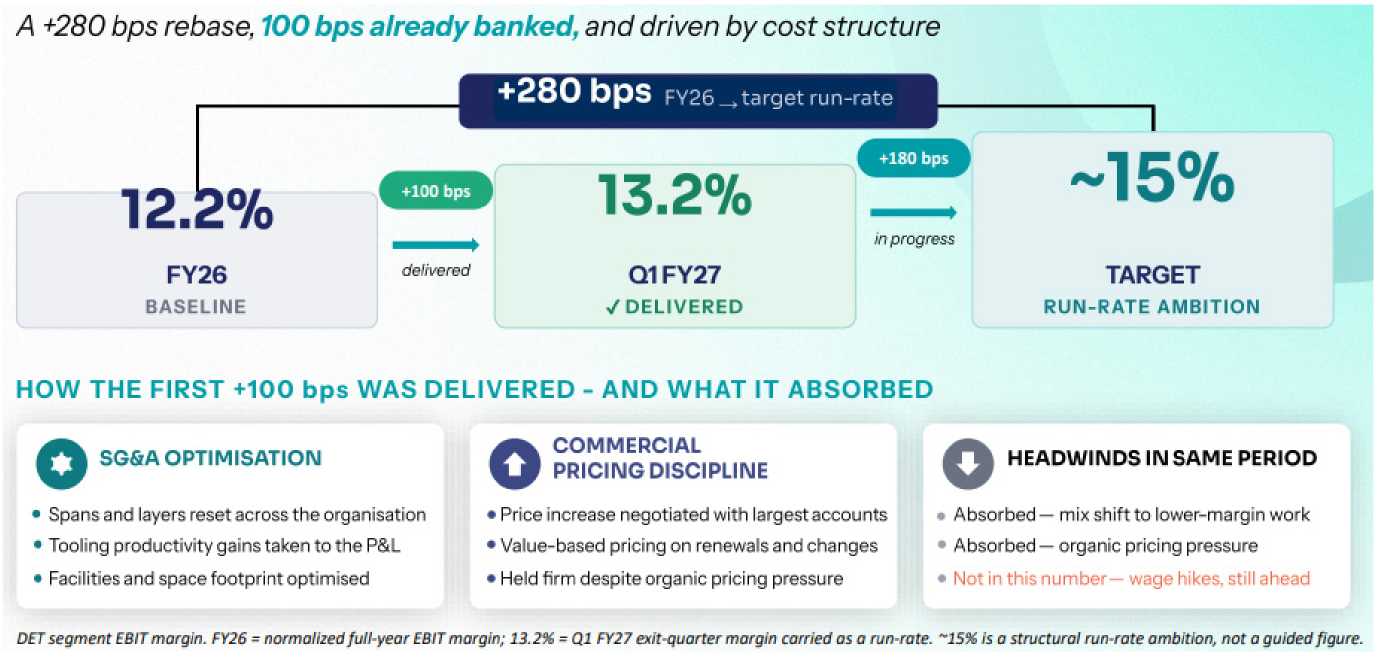
expected from rising production volumes and servicing the existing aircraft ecosystem.

- **Regional aircraft provides an incremental opportunity:** Embraer and Bombardier are developing smaller-aircraft programs, in which CYL is participating.
- CYL intends to **prioritize organic capability building first**, with smaller bolt-on acquisitions focused on filling strategic gaps; larger deals are likely only after integration and capital replenishment.
- M&A will remain targeted and capability-led, with acquisitions used where they accelerate strategic priorities. **Tower Digital is expected to be debt-funded at attractive rates and EPS-accretive**, while organic investments remain focused on talent, technology, offerings, sales, and delivery capabilities.

Valuation and view

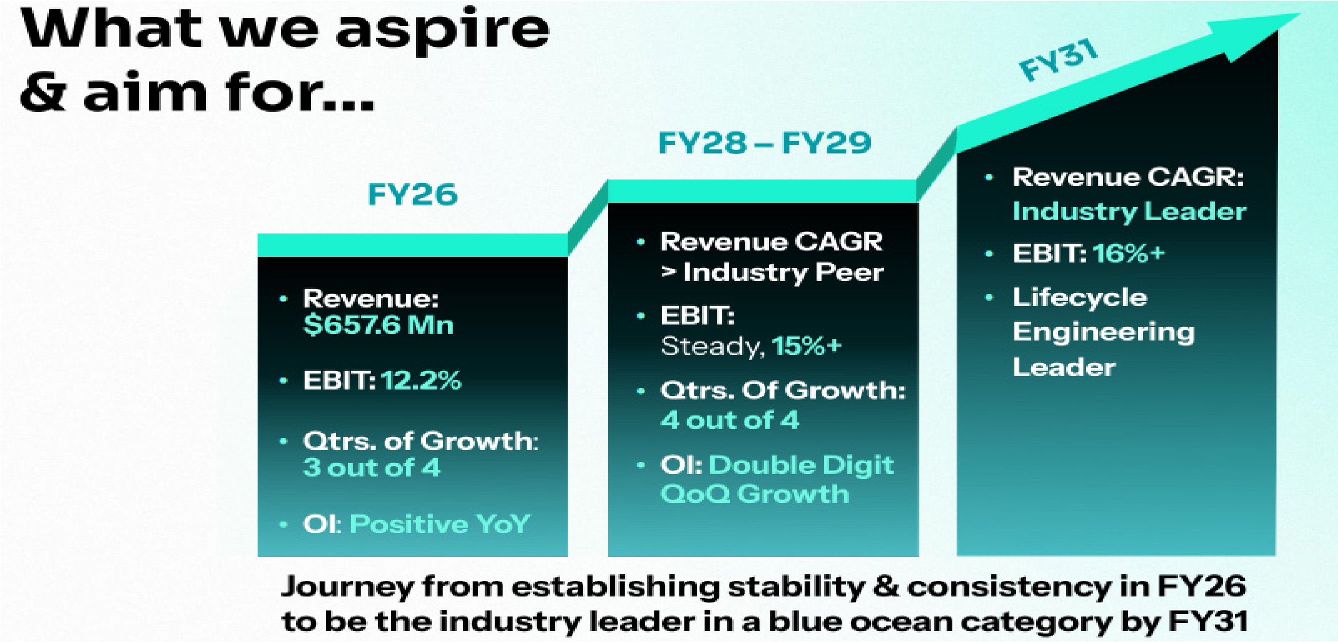
- We **reiterate our Sell rating** on CYL as the recovery continues to remain back-ended and we expect FY27 organic growth to remain broadly flat. **While we are excited about the semiconductor opportunity, we will wait to see some proof of concept before giving a considerable valuation to the business.**
- Based on our SoTP valuation, we continue to **value the DET business at 9x FY28E EPS**, reflecting gradual margin improvement, a **muted organic growth outlook**, and continued execution risk. We also continue to **apply a holding company discount to the value of the DLM stake**. Our SoTP-based TP **of INR790 implies a 19% downside**. We, therefore, reiterate our Sell rating.

Exhibit 1: Margin expansion plan and levers



Source: Company

Exhibit 2: Long-term aspiration for growth and margins



Source: Company

Exhibit 3: CYL is applying disciplined principles differently across the three businesses to maximize growth and value

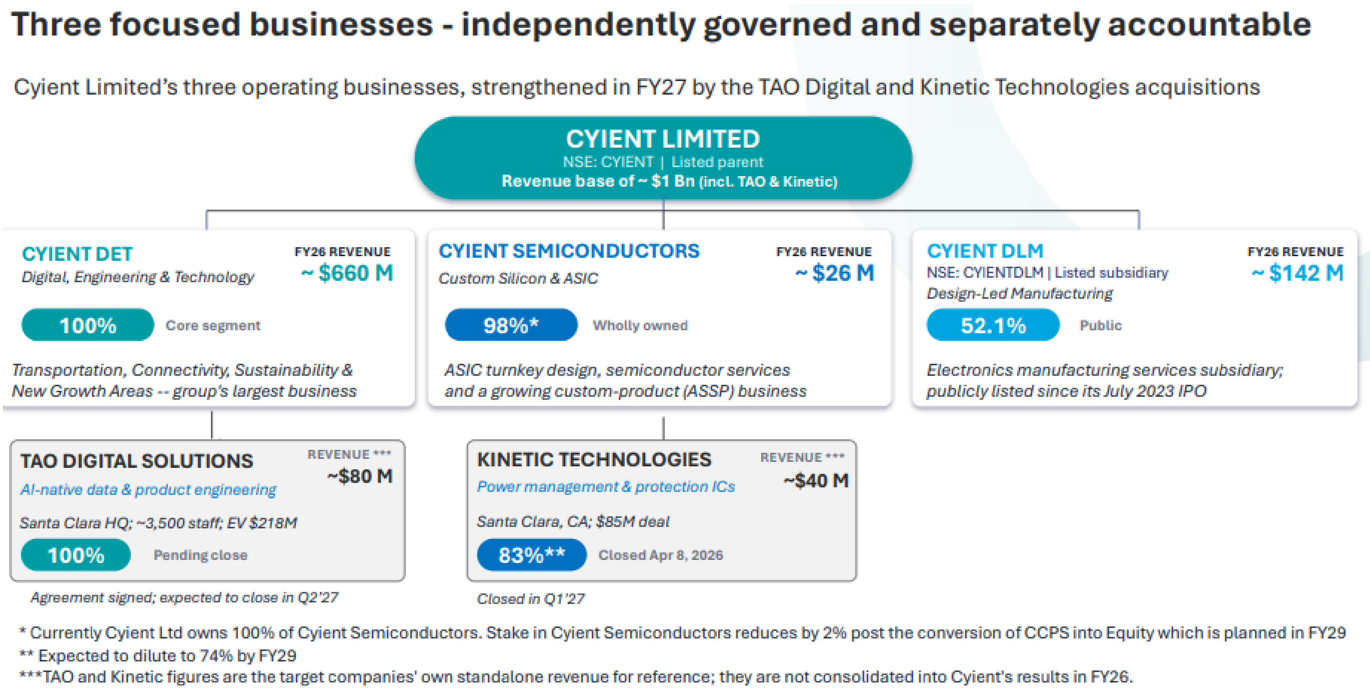


Exhibit 4: The lifecycle services market opportunity

Source: Company

Exhibit 5: The semiconductor industry is growing faster than any other industry

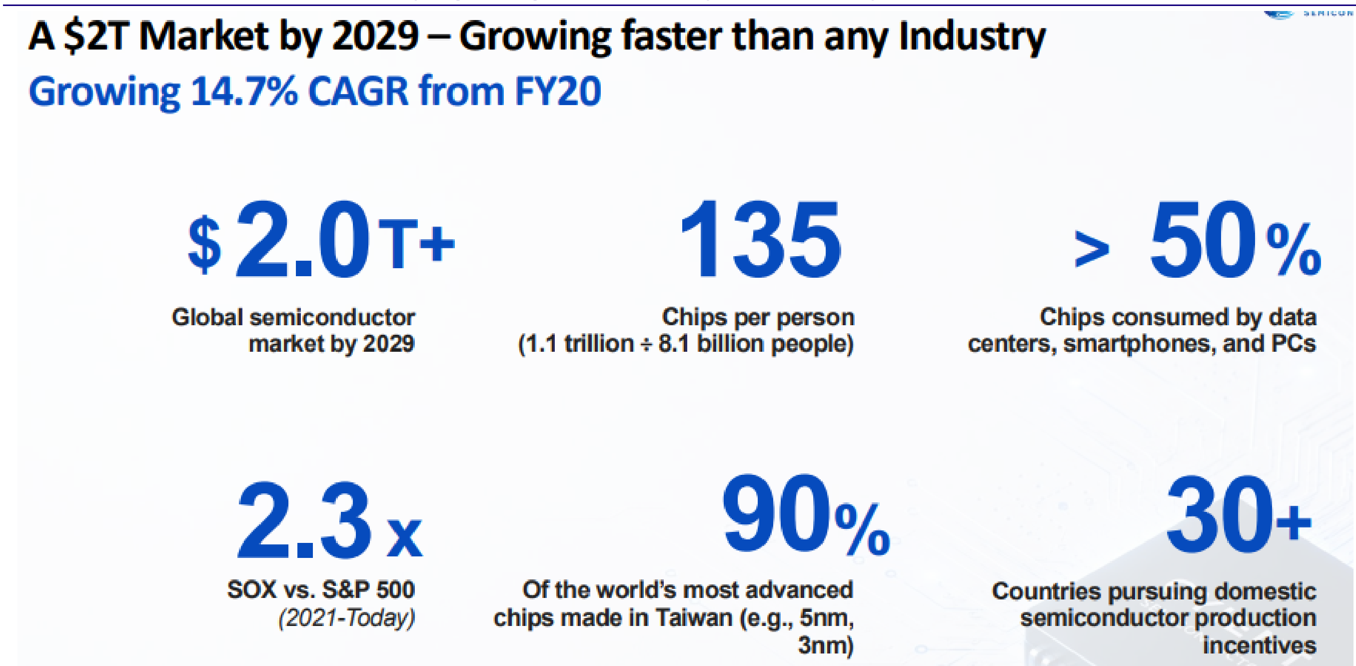


Exhibit 6: The Indian government is investing heavily in the semi-conductor ecosystem

Exhibit 7: Ambitious targets have been set by CYL for the semi-conductor business

Exhibit 8: Our SoTP valuation

	Valuation Metric	Tgt Multiple	Value (FY28E)
Cyient Service (INR m)	P/E	9	60,117
Semi-Conductor Business	EV/EBIT	8	204
DLM (INR m)	Market Cap (holdco discount)		21,610
Total Market Cap (INR m)			81,931
O/S			103.6
Rounded Target Price (INR)			790.0
CMP (INR)			979.1
Upside %			-19%

Source: MOFSL

Exhibit 9: **DET – P&L Statement (INR m)**

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	**37,544**	**50,936**	**59,114**	**56,704**	**58,189**	**65,695**	**72,083**
Cost of Services	21,808	29,535	35,503	34,487	38,040	43,952	48,114
Gross Profit	15,736	21,401	23,611	22,217	20,149	21,743	23,969
EBITDA	**7,470**	**9,309**	**11,960**	**9,790**	**9,361**	**11,172**	**12,075**
% of Net Sales	19.9%	18.3%	20.2%	17.3%	16.1%	17.0%	16.8%
EBIT	**5,740**	**6,970**	**9,545**	**7,513**	**7,121**	**8,690**	**9,336**
% of Net Sales	15.3%	13.7%	16.1%	13.2%	12.2%	13.2%	13.0%
Net Income	**4,696**	**5,243**	**6,893**	**5,778**	**5,882**	**6,534**	**6,680**
Change (%)	44.3%	11.7%	31.5%	-16.2%	1.8%	11.1%	2.2%

Source: MOFSL* FY23 and previous year data are on a pro forma basis

Financials and valuations

Income Statement (Consol)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales	**45,344**	**60,159**	**71,472**	**73,604**	**72,682**	**83,522**	**94,955**
Change (%)	9.7	32.7	18.8	3.0	(1.3)	14.9	13.7
Cost of Services	28,453	37,415	45,944	47,771	48,007	53,992	60,140
Gross Profit	**16,891**	**22,744**	**25,528**	**25,833**	**24,675**	**29,530**	**34,815**
SG&A Expenses	8,675	12,501	12,500	14,320	15,009	16,294	17,384
EBITDA	**8,216**	**10,243**	**13,028**	**11,513**	**9,666**	**13,237**	**17,430**
% of Net Sales	18.1	17.0	18.2	15.6	13.3	15.8	18.4
Depreciation	1,923	2,566	2,666	2,672	2,782	2,988	3,289
EBIT	**6,293**	**7,677**	**10,362**	**8,841**	**6,884**	**10,249**	**14,141**
% of Net Sales	13.9	12.8	14.5	12.0	9.5	12.3	14.9
Other Income	687	-185	-499	39	1,167	-24	188
PBT	**6,980**	**7,492**	**9,863**	**8,880**	**8,051**	**10,225**	**14,329**
Tax	1,761	1,723	2,314	2,289	2,242	3,928	4,820
Rate (%)	25.2	23.0	23.5	25.8	27.8	38.4	33.6
Minority interest	0	0	-200	-374	-464	0	0
Adjusted PAT	**5,219**	**5,769**	**7,349**	**6,217**	**5,345**	**6,297**	**9,510**
Change (%)	40.5	10.5	27.4	-15.4	-14.0	17.8	51.0

E: MOFSL Estimates;

Note: From 1QFY27, company has stopped reporting cost of services separately for consolidated numbers.

Balance Sheet (Consol) (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	552	553	555	555	556	556	556
Reserves	30,614	34,114	42,026	52,540	56,263	58,782	62,586
Net Worth	**31,166**	**34,667**	**42,581**	**53,095**	**56,819**	**59,338**	**63,142**
Other liabilities	4,061	5,644	8,091	9,168	9,715	10,446	11,217
Loan	3,264	9,336	4,526	2,138	1,658	1,658	1,658
Capital Employed	**38,491**	**49,647**	**55,198**	**64,401**	**68,192**	**71,442**	**76,016**
Applications							
Gross Block	19,223	21,776	24,924	27,924	30,924	34,924	38,924
Less : Depreciation	11,959	14,525	17,191	19,863	22,645	25,633	28,922
Net Block	**6,787**	**7,251**	**7,733**	**7,569**	**7,195**	**9,291**	**10,002**
CWIP	134	27	16	75	48	48	48
Intangibles	6,662	21,413	21,089	22,432	23,648	23,648	23,648
Other assets	5,318	4,877	5,607	5,415	5,691	6,076	6,481
Curr. Assets	**28,972**	**31,913**	**35,591**	**41,455**	**46,662**	**56,043**	**61,552**
Current Investments	866	1,718	758	1,654	2,094	3,594	5,094
Debtors	7,333	11,271	12,617	14,067	13,055	14,187	16,129
Cash & Bank Balance	12,157	6,215	4,848	10,706	14,575	20,329	19,941
Other Current Assets	8,616	12,709	17,368	15,028	16,938	17,932	20,387
Current Liab. & Prov	**9,382**	**15,834**	**14,838**	**12,545**	**15,052**	**23,664**	**25,714**
Trade payables	5,259	7,142	6,878	3,934	5,368	12,586	14,308
Other liabilities	3,709	7,555	6,816	7,256	8,054	9,205	9,277
Provisions	414	1,137	1,144	1,355	1,630	1,873	2,130
Net Current Assets	**19,590**	**16,079**	**20,753**	**28,910**	**31,610**	**32,379**	**35,837**
Application of Funds	**38,491**	**49,647**	**55,198**	**64,401**	**68,192**	**71,442**	**76,016**

Financials and valuations

Ratios							
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**50.7**	**55.6**	**71.0**	**58.7**	**51.1**	**60.1**	**90.7**
Cash EPS	69.4	80.3	96.8	84.0	77.8	88.6	122.1
Book Value	302.9	334.0	411.4	505.0	546.2	568.9	605.4
DPS	24.0	26.0	30.0	26.0	16.0	36.0	54.4
Payout %	47.3	46.8	42.3	44.3	31.3	60.0	60.0
Valuation (x)							
P/E	19.3	17.6	13.8	16.7	19.1	16.3	10.8
Cash P/E	14.1	12.2	10.1	11.7	12.6	11.1	8.0
EV/EBITDA	11.1	10.1	7.7	8.1	9.0	6.0	4.5
EV/Sales	2.0	1.7	1.4	1.3	1.2	1.0	0.8
Price/Book Value	3.2	2.9	2.4	1.9	1.8	1.7	1.6
Dividend Yield (%)	2.5	2.7	3.1	2.7	1.6	3.7	5.6
Profitability Ratios (%)							
RoE	17.2	17.5	18.3	12.1	9.0	10.0	14.4
RoCE	13.6	14.7	16.1	11.2	7.6	9.1	12.7
Turnover Ratios							
Debtors (Days)	62	68	64	70	66	62	62

Cash Flow Statement (Consol)							(INR m)
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
CF from Operations	7,318	9,024	9,869	9,481	6,569	9,285	12,799
Cash for Working Capital	-973	-3,485	-3,190	-1,582	1,305	5,748	-1,981
Net Operating CF	**6,345**	**5,539**	**6,679**	**7,899**	**7,874**	**15,032**	**10,818**
Net Purchase of FA	-626	-625	-782	-1,021	-944	-4,000	-4,000
Free Cash Flow	**5,719**	**4,914**	**5,897**	**6,878**	**6,930**	**11,032**	**6,818**
Net Purchase of Invest.	-3,197	-9,675	-4,545	-430	2,060	-1,500	-1,500
Net Cash from Invest.	**-3,823**	**-10,300**	**-5,327**	**-1,451**	**1,116**	**-5,500**	**-5,500**
Proc. from equity issues	121	79	146	62	19	0	0
Proceeds from LTB/STB	-1,994	1,458	237	2,217	-1,416	0	0
Dividend Payments	-2,952	-2,630	-3,058	-2,861	-4,292	-3,778	-5,706
Cash Flow from Fin.	**-4,825**	**-1,093**	**-2,675**	**-582**	**-5,689**	**-3,778**	**-5,706**
Exchange difference	52	-88	-44	110	568	0	0
Net Cash Flow	**-2,251**	**-5,942**	**-1,367**	**5,976**	**3,869**	**5,754**	**-388**
Opening Cash Bal.	**14,408**	**12,157**	**6,215**	**4,730**	**10,706**	**14,575**	**20,329**
Add: Net Cash	-2,251	-5,942	-1,367	5,976	3,869	5,754	-388
Closing Cash Bal.	**12,157**	**6,215**	**4,730**	**10,706**	**14,575**	**20,329**	**19,941**

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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