ER&D: Q1FY27 Quarterly Results Review

Recovery Delayed; H2FY27 Holds the Key

Choice Institutional Equities

Sector View: Neutral

Pureplay ER&D companies see muted Q1FY27 revenue growth amid delayed ramp-ups, in-line with expectation

Company	Revenues (USD)			Reported		QoQ growth (% CC)		
	Q1FY27	Q4FY26	Q1FY26	QoQ (%)	YoY (%)	CIE est.	Actual	Difference
LTTS	310	306	335	1.3	(7.6)	0.4	1.5	1.1
CYL (DET)	163	164	163	(0.6)	(0.1)	(1.7)	(0.5)	1.2
TELX	109	109	105	(0.5)	3.3	0.3	1.3	1.0
KPITTECH	177	185	178	(4.3)	(0.6)	(4.8)	(3.6)	1.2

EBITM expanded across ER&D players remains mixed

Company	EBITM (%)			Reported		EBITM (%)		
	Q1FY27	Q4FY26	Q1FY26	QoQ (%)	YoY (%)	CIE est.	Actual	Difference
LTTS	15.7	15.2	13.7	3.3	14.6	15.2	15.7	0.5
CYL (DET)	13.2	12.4	12.0	6.9	10.0	12.3	13.2	0.9
TELX	19.0	22.3	18.2	(14.8)	4.4	20.8	19.0	(1.8)
KPITTECH	12.3	15.9	17.0	(22.6)	(27.6)	12.9	12.3	(0.6)

Key trends across ER&D sector in Q1FY27

Adjacency Play
Companies expand beyond core verticals into specialised engineering domains

Geographic Performance
Mixed regional demand patterns shaped company-specific revenue trajectories globally

Client Caution
Global uncertainty extends decision cycles despite steady underlying demand trends

Growth Rebound
Revenue softness persists in near term; stronger acceleration anticipated in H2FY27

Workforce Strategy
Firms accelerate AI skilling while maintaining disciplined hiring and utilisation controls

Margin Resilience
Outcome-based contracts and utilisation improvement support margin expansion

Outlook

Sector outlook remains balanced, with with Q1FY27 showing healthy underlying demand but uneven revenue conversion amid client-specific softness and delayed deal ramp-ups. **AI adoption and deal momentum remain key structural drivers, supporting gradual FY27E recovery, with H2FY27E likely to drive broader growth acceleration.**

Valuation

ER&D **valuation has compressed meaningfully**, with most stocks now trading way **below their 5-year average** after correction. This reset **enhances risk-reward**, favouring disciplined, execution-strong vendors with resilient deal wins and capability alignment to next-gen R&D investments.

Preferred Long-term Investment Ideas

KPIT

TP: 740 | Upside: 21.0%

- Shifting toward a products-led model, targeting 50–60% revenue in three years, with a 21% pipeline contribution
- Shift from T&M to fixed-price contracts (>80% new) and outcome-based models leveraging AI-driven productivity
- Strong automotive R&D in ADAS, infotainment and E/E architecture, with H2FY27 growth expected from products and solutions

CYIENT

TP: 1,080 | Upside: 29.7%

- Transportation and Mobility sectors show holistic growth, propelled by double-digit YoY gains in Aerospace, Rail and Automotive segments
- TAO Digital acquisition bolsters data engineering depth, facilitating the adoption of scalable AI solutions across mission-critical industry platforms
- Organic semiconductor growth continues with ASIC pipeline exceeding USD 100 Mn, targeting a full business breakeven by FY28

Key Takeaways – Q1FY27 Management Commentary
Financial Snapshot
Preferred Investment Ideas

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ER&D Companies: Q1FY27 Performance Highlights

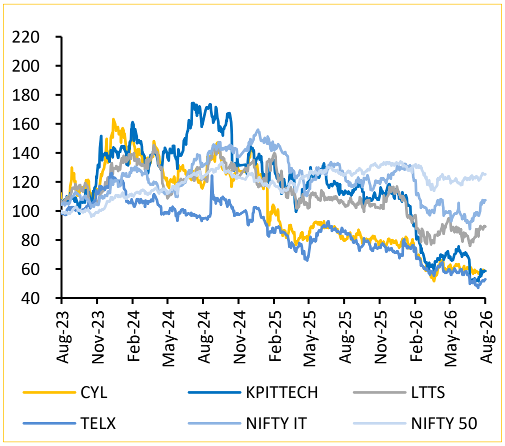
Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
Cyient (CYL)	847	1,080	BUY
KPIT Tech. (KPITTECH)	611	740	BUY
L&T Tech. (LTTS)	3,592	3,560	REDUCE
Tata Elxsi (TELX)	3,747	3,150	SELL

CMP as on August 12, 2026
Rating have been revised as per CMP

Relative Performance (%)			
YTD	3Y	2Y	1Y
NIFTY 50	25.8	1.9	0.9
NIFTY IT	2.5	(17.7)	(14.6)
CYL	(44.6)	(49.4)	(26.7)
KPITTECH	(44.0)	(63.2)	(47.3)
LTTS	(15.5)	(26.9)	(14.8)
TELX	(46.3)	(44.2)	(38.5)

Source: Company, Choice Institutional Equities

Relative Performance



Source: Company, Choice Institutional Equities

Revenue recovery remains uneven; Automotive continues to drive divergence

Q1FY27 revenue performance across ER&D remained mixed, with LTTS and Tata Elxsi delivering modest sequential growth, while Cyient DET and KPIT declined 0.5% and 3.6% QoQ CC, respectively. LTTS benefitted from improving Mobility and continued Sustainability traction, while Tata Elxsi was supported by Transportation and Media & Communication, Cyient was impacted by weakness in Strategic Units and KPIT by continued softness across a few large European automotive accounts. Automotive demand remains bifurcated, with North America, commercial vehicles, off-highway and SDV-led spending holding up better, while European OEMs remain constrained by tariffs, Chinese competition and cost-rationalisation. We believe the underlying demand environment is stabilising, but broad-based revenue recovery remains elusive, with meaningful acceleration now increasingly dependent on deal ramp-ups and conversion through H2FY27E.

Margin trajectory diverged; healthy order momentum provides comfort on medium-term recovery

LTTS and Cyient expanded their respective margins by 50 bps and 80 bps QoQ, supported by cost-optimisation, utilisation and favourable mix, while KPIT and Tata Elxsi saw 350bps and 330bps QoQ contraction due to lower operating leverage and elevated investments in AI, specialised talent, onsite delivery and transition costs. Importantly, order momentum remains healthy, with KPIT closing USD 257 Mn of new engagements, Cyient's new business intake up 64% YoY and LTTS continuing to report strong large-deal traction. We view the disconnect between healthy bookings and muted revenue as the key sector monitor; conversion of existing wins into billable revenue, alongside utilisation-led operating leverage, should drive the next leg of margin and earnings recovery.

Estimate remains inclined towards H2FY27E, while valuation offers selective upside after correction

We anticipate sector growth to remain subdued through H1FY27E before accelerating in H2FY27E as deal ramp-ups improve, discretionary spending gradually recovers and AI/product-led engagements scale up. While structural drivers across SDV, aerospace, industrial automation, semiconductor engineering and AI remain intact, we remain selective, given the elevated execution bar and continued weakness in European automotive. **We prefer LTTS and Cyient for their stronger margin execution and differentiated growth optionality, remain constructive on KPIT as current weakness appears cyclical, while Tata Elxsi remains constrained by delayed Healthcare recovery and near-term margin pressure.** Q4FY26 valuation had already compressed meaningfully across the ER&D universe, with FY26–29E EPS CAGR expectation remaining the strongest for KPIT and Tata Elxsi, followed by Cyient and LTTS; we believe further re-rating will require tangible evidence of H2FY27E revenue acceleration.

Peer Comparison

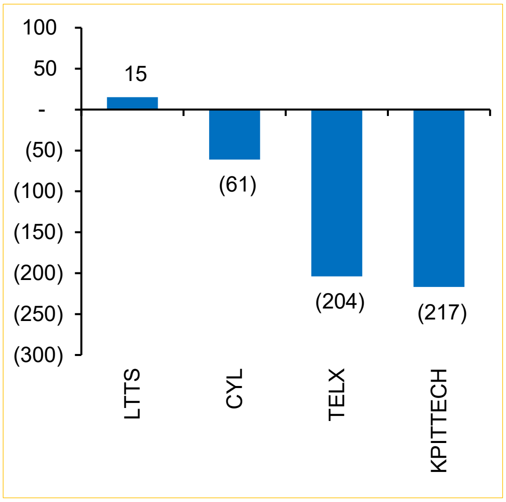
Company	CMP (INR)	TP (INR)	Revenue CAGR (FY26-29E)	EPS CAGR (FY26-29E)	EBITM (%)				EPS (INR)				PE (x)			
					FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
LTTS	3,592	3,560	10.6%	13.6%	14.5	16.0	16.5	16.5	115.9	136.3	161.8	174.4	31.0	26.4	22.2	20.6
CYL*	847	1,080	9.4%	17.2%	12.2	13.5	15.6	15.1	56.2	64.5	81.6	90.6	33.4	30.3	26.2	22.2
TELX	3,747	3,150	7.5%	14.7%	20.0	20.6	22.4	23.6	112.1	123.6	143.2	169.1	15.1	13.1	10.4	9.4
KPITTECH	611	740	11.0%	23.6%	14.8	14.2	16.9	17.8	23.3	24.3	36.9	43.9	26.3	25.2	16.6	13.9

Note: Our financial estimates for Cyient are based solely on the DET business. However, for valuation purposes, we adopt a SOTP approach and incorporate the value of Cyient DLM and the Semiconductor business as well.

Source: Company, Choice Institutional Equities

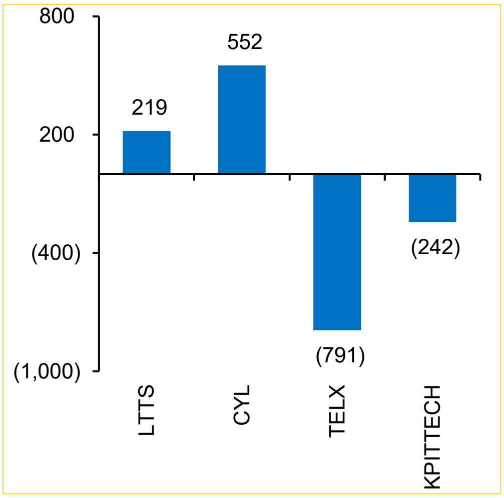
KEY METRICS

LTTS Headcount Up on Fresher Hiring; KPIT Down due to Product Mix Shift (QoQ)



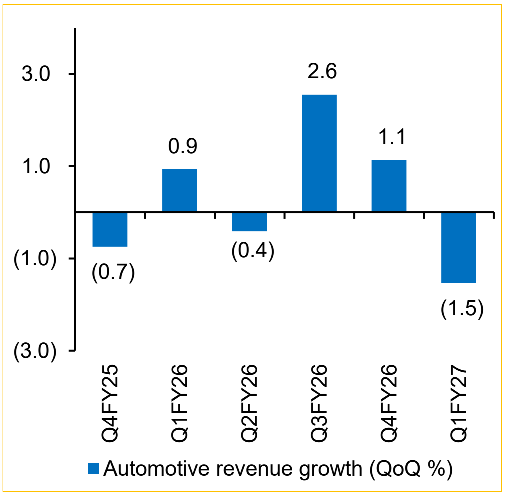
Source: Company, Choice Institutional Equities

Net Headcount Reduction YoY for KPITECH & TELX



Source: Company, Choice Institutional Equities

Q1FY27 Automotive Growth Softens QoQ amid Slower Deal Ramp-ups



Source: Company, Choice Institutional Equities

Order momentum healthy; Conversion remains the key monitor

Q1FY27 order intake remained encouraging across the ER&D universe, despite muted reported revenue growth. KPITTECH closed USD 257 Mn of new engagements during the quarter, with traction across AI-defined mobility, digital cockpit, autonomous technologies and after-sales. CYL DET's order intake grew 5.3% YoY, while new business intake surged 64% YoY, supported by a USD 300 Mn+ pipeline. LTTS continued to see strong large-deal traction, with management highlighting six wins above USD 10 Mn and additional deals moving into Q2. **The healthy order environment provides medium-term revenue visibility; however, elongated client decision cycles and delayed project ramp-ups continue to create a lag between bookings and revenue recognition, making deal conversion the key monitor for H2FY27E.**

Mobility leads; Regional divergence persists

CYL's Transportation & Mobility grew 3.0% QoQ CC and 14.8% YoY CC, marking its fifth consecutive quarter of growth, while Strategic Units declined 8.2% QoQ due to the completion of a large Energy project. TELX transportation remained resilient, supported by the US and APAC, while Media & Communication delivered strong growth; Healthcare remained subdued amid delayed deal awards. KPITTECH continued to face pressure from European Passenger Vehicle OEMs, although Aftermarket and Vehicle Engineering & Design provided support. Regionally, North America remains the strongest pocket of demand, supported by SDV, aerospace and industrial spending, while Europe remains focused on cost optimisation and vendor consolidation. **We expect this divergence to persist in the near term, with North America and non-passenger-vehicle adjacencies driving growth until European automotive demand normalises.**

Hiring remains measured; Utilisation is the margin lever

LTTS increased headcount sequentially, supported by fresher hiring ahead of anticipated deal ramp-ups, while CYL added employees primarily to strengthen its Semiconductor/product capabilities. In contrast, TELX headcount declined marginally as the company focused on improving utilisation, which stood at 74.7%, while KPITTECH reduced headcount as it shifts toward a more product-led model. **The sector therefore continues to prioritise utilisation, AI-led productivity and selective hiring over broad-based workforce expansion. We see this as supportive of near-term margins, with a sharper hiring recovery likely only once revenue conversion becomes more visible.**

Key Takeaways from Management Commentary in Q1FY27

Coverage Companies	Q1FY27 Concall Highlights
LTTS	▪ **Lakshya 31 strategy:** The management remains committed to its long-term goal of a 13–15% CAGR over the next 5 years, with EBIT margin maintained at 16–17% ▪ **Deal Pipeline:** LTTS recorded nearly USD 100 Mn in large deal wins in Q1, with several additional deals shifted to early Q2. The management noted that decision-making delays are client-specific rather than a broad-based macro trend ▪ **Sustainability momentum strong:** Company's most profitable segment, growing 11.3% YoY. Management confirmed a double-digit growth outlook for this segment in FY27, fuelled by energy transition and data centre investments. ▪ **Mobility turnaround signs:** The segment grew 2.3% sequentially, led by aerospace, rail and heavy trucks. Investments in SDV and hybrid technologies are offsetting fluctuations in the pure EV market ▪ **Tech growth intact:** While revenue was softer due to a planned program conclusion in MedTech and portfolio rationalisation, the management expects the segment to return to growth in Q2
CYL	▪ **Cyient DET Stabilising:** Overall DET revenue was USD 162.5 Mn, representing a slight sequential decline of 0.5% in CC. Despite muted top-line growth, normalised EBITM improved to 13.2% (up 79 bps QoQ). Order intake grew 5.3% YoY, while new business intake surged 64% YoY ▪ **Segmental Performance:** Transportation & Mobility led performance with its 5th straight quarter of growth (3% QoQ, 14.8% YoY), driven by double-digit gains across Aerospace, Rail and Automotive, while Network & Infrastructure returned to modest growth (0.3% QoQ, 2.5% YoY) despite delays in previously won programs, supported by a strong demand for fibre and smart infrastructure ▪ **TAO Digital Solutions Acquisition:** The acquisition is on track to close next month and is expected to contribute USD 40 Mn to USD 50 Mn in revenue. This move adds deep expertise in data, software engineering and AI adoption ▪ **Semiconductor Scaling Up:** The business is seeing a strong growth with a pipeline exceeding USD 100 Mn for custom ASICs. Breakeven is anticipated in FY28, delayed by amortisation cost from the Kinetic acquisition and ongoing R&D investments in high-power products
TELX	▪ **Segmental Performance:** Media & Communication was the standout performer with 11.5% YoY (CC) growth driven by large program ramp-ups and market share gains from consolidation deals, while Transportation remained resilient with 6.7% YoY growth supported by the US, APAC, Aerospace and OEM-led automotive demand and Healthcare was largely flat (-0.3% QoQ) due to delayed deal awards despite positive long-term AI-driven growth prospects. ▪ **Budget Shifts:** The management observed that, while AI is a priority, client spending in this area is occasionally curtailing traditional R&D budgets, representing a shift in allocation rather than a permanent deferment ▪ **Margin Composition:** EBITM was impacted by 150 bps of one-off/short-term cost (such as transition cost and retention bonuses) and 220–230 bps of strategic investments in specialized talent, AI infrastructure and onsite delivery ramp-up in the US ▪ **Headcount and Utilisation:** Overall headcount is slightly down, with utilisation currently at 74.7%. Hiring of fresh graduates is being maintained at a moderated level (100–150 per quarter) as the company prioritises utilising its existing bench ▪ **FY27 Aspirations:** Management maintains its aspiration for high single-digit revenue growth for the full fiscal year, contingent on the acceleration of Healthcare business
KPITTECH	▪ **Shift to High-margin Mix:** The management estimates H2 to be better than H1, with a return to growth by Q4FY27. Despite current headwinds, the company maintains its aspiration for 22–24% margin by FY29, driven by an increasing share of higher-margin product and solution revenues ▪ **PV and CV Performance Overview:** Passenger Vehicle revenues fell by USD 3.5 Mn due to last-minute order setbacks from European and Japanese OEMs, while CV and Off-highway declined on a high-base effect but are expected to recover next quarter ▪ **Geographical Performance Highlights:** Europe faced revenue pressure from Chinese competition, tariffs and costs; the Americas remained resilient, while Japan weakened, China showed promising traction and SEMA delivered strong growth ▪ **Strategic Growth Initiatives:** KPIT is diversifying into off-highway and commercial vehicles, partnering with OEMs on cost-reduction and faster development, while exploring long-term opportunities in hydrogen, data centers, drones and humanoids

Q1 Growth Remained Subdued; KPITTECH Most Impacted by client specific pressure & delays (CC Growth QoQ)

(in %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	-3.1	3.4	3.1	10.5	-4.2	1.3	-2.8	-1.1	1.5
CYL	-5.0	1.3	2.4	-1.9	-1.5	0.5	1.9	-2.4	-0.5
TELX	2.4	0.2	0.0	-3.3	-3.9	1.0	3.2	0.9	1.3
KPITTECH	4.7	4.7	2.0	3.0	-3.2	0.3	1.5	1.8	-3.6

KPITTECH declined on Continued Weakness in Large Key Accounts (USD Growth QoQ)

(in %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	(3.2)	3.9	1.7	10.6	(2.9)	0.5	(7.7)	(1.7)	1.3
CYL	(5.4)	2.0	1.3	(3.0)	0.9	1.0	1.6	(2.1)	(0.6)
TELX	1.9	2.7	(2.6)	(1.6)	(3.0)	-	1.4	2.5	(0.5)
KPITTECH	3.7	5.0	1.7	0.7	0.3	1.7	0.2	1.9	(4.3)

LTTS Growth led by Traction in Sustainability & Mobility Returns to Growth (USD Growth YoY)

(in %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	5.4	6.5	7.3	13.1	13.6	9.9	(0.3)	0.3	0.4
CYL	(4.2)	(3.0)	(2.2)	(5.2)	1.0	0.1	1.0	1.4	(0.1)
TELX	7.4	6.9	1.2	0.3	(4.5)	(7.9)	(4.1)	1.7	3.4
KPITTECH	23.1	19.3	18.1	11.5	7.8	4.4	3.0	4.3	(0.6)

EBITM Remained Stable for LTTS & CYL Driven by Cost-optimisation & Favourable FX (QoQ)

(in %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	15.6	15.1	15.9	13.2	13.3	13.4	14.8	15.2	15.7
CYL	13.5	14.2	13.5	13.0	9.5	9.4	12.4	12.4	13.2
TELX	24.3	25.1	23.5	20.1	18.2	18.5	20.9	22.3	19.0
KPITTECH	17.3	16.7	17.2	17.3	17.0	16.4	15.6	15.9	12.3

EBITM for TELX & KPITTECH Largely Affected by Operating Deleverage (Growth QoQ)

(in Bps)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	(130)	(50)	80	(270)	10	10	140	40	50
CYL	(256)	75	(70)	(50)	(350)	(10)	20	(5)	85
TELX	(150)	80	(160)	(340)	(190)	30	240	140	(330)
KPITTECH	60	(60)	50	10	(30)	(60)	(80)	30	(360)

LTTS Headcount Growth Led by Fresher Hiring ahead of Ramp-ups (QoQ)

(in Nos.)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	23,577	23,698	23,465	24,258	23,626	23,678	23,308	23,830	23,845
CYL	15,083	14,799	14,378	14,151	13,623	13,634	14,115	14,236	14,175
TELX	13,142	12,793	12,878	12,414	12,127	11,951	11,594	11,540	11,336
KPITTECH	13,253	13,087	12,795	12,873	12,545	12,879	12,724	12,520	12,303

Q1 Net Headcount Decline for TELX via Improved Utilisation; KPIT via Shift to Product-led Growth (QoQ)

(in Nos.)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	(235)	121	(233)	793	(632)	52	(370)	522	15
CYL	(378)	(284)	(421)	(227)	(528)	11	481	121	(61)
TELX	(257)	(349)	85	(464)	(287)	(176)	(357)	(54)	(204)
KPITTECH	397	(166)	(292)	78	(328)	334	(155)	(204)	(217)

Attrition Rate Largely Remained Flat on a Sequential Basis Across Coverage Universe

(in %)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27
LTTS	14.8	14.3	14.4	14.3	14.8	14.8	14.8	14.7	14.7
CYL	16.0	15.0	15.5	16.5	16.9	16.8	15.9	14.5	14.4
TELX	12.3	12.5	12.4	13.3	15.0	15.4	15.6	15.8	16.0
KPITTECH	NA	NA	NA	NA	NA	NA	NA	NA	NA

Source: Company, Choice Institutional Equities

Financial Snapshot

LTTS – Q1FY27 Result Update

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue (USD Mn)	1,138	1,233	1,280	1,409	1,583
Revenue	96,422	1,09,959	1,20,613	1,35,231	1,48,829
Gross Profit	40,499	45,385	50,489	57,249	60,778
EBITDA	17,897	19,350	22,875	26,309	28,957
Depreciation	3,031	3,452	3,606	4,057	4,465
EBIT	14,866	15,898	19,268	22,252	24,492
Other Income	2,093	2,212	1,353	2,013	1,653
Interest Expense	565	641	520	546	573
PAT	11,899	12,300	14,726	17,427	18,781
EPS	112.5	115.9	136.3	161.8	174.4

CYL (DET) – Q1FY27 Result Update

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	55,151	58,189	61,975	67,634	76,264
EBITDA	9,368	9,361	10,546	12,917	14,336
Depreciation	2,251	2,240	2,158	2,393	2,803
EBIT	7,117	7,121	8,387	10,524	11,533
Other Income	784	1,357	1,257	1,609	1,870
Interest Expense	623	326	472	658	877
Adj. PAT	5,482	5,882	6,753	8,540	9,484
EPS	52.4	56.2	64.5	81.6	90.6

TELX – Q1FY27 Result Update

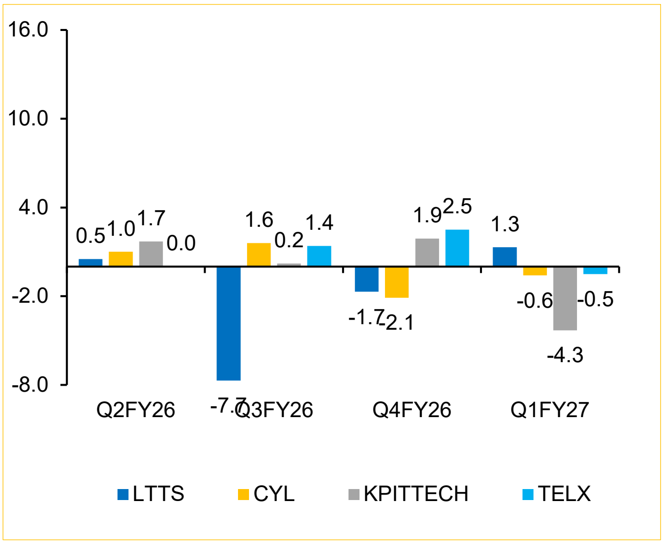
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	37,290	37,574	41,651	46,172	51,789
Gross Profit	14,429	12,975	14,624	17,268	19,920
EBITDA	9,729	8,469	9,483	11,345	13,376
Depreciation	1,049	938	914	1,016	1,139
EBIT	8,681	7,531	8,569	10,329	12,237
Other Income	1,793	1,839	1,965	1,833	2,127
Interest Expense	190	162	167	189	221
PAT	7,849	6,986	7,698	8,920	10,537
EPS	126.0	112.1	123.6	143.2	169.1

KPITTECH – Q1FY27 Result Update

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	58,423	64,549	68,876	77,889	88,265
EBITDA	12,298	12,578	12,970	16,275	18,425
Depreciation	2,250	3,006	3,171	3,116	2,736
EBIT	10,048	9,573	9,799	13,159	15,689
Other Income	1,673	857	373	809	853
Interest Expense	424	737	958	703	567
PAT	8,396	6,374	6,685	10,143	12,080
EPS	30.7	23.3	24.3	36.9	43.9

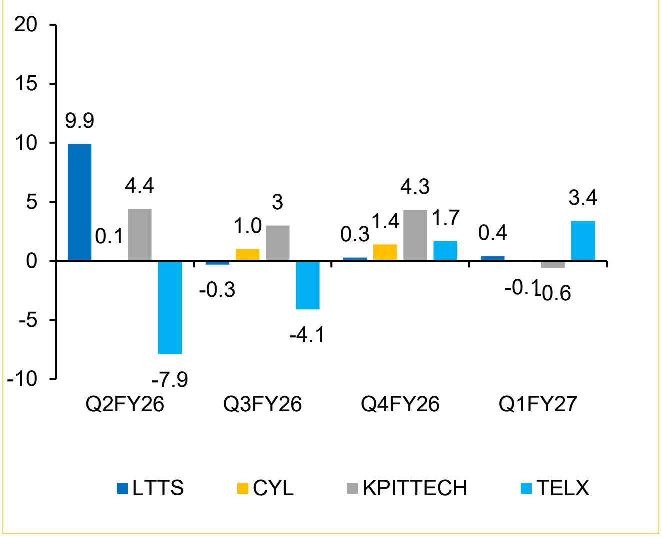
Source: Company, Choice Institutional Equities

Muted Revenue Growth across Companies (USD QoQ)



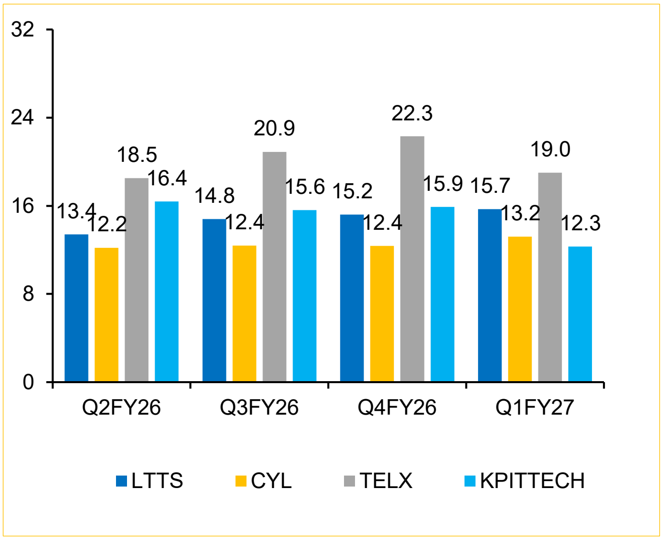
Source: Company, Choice Institutional Equities

TELX Up 3.4%; Rest Broadly Stable (USD Revenue YoY)



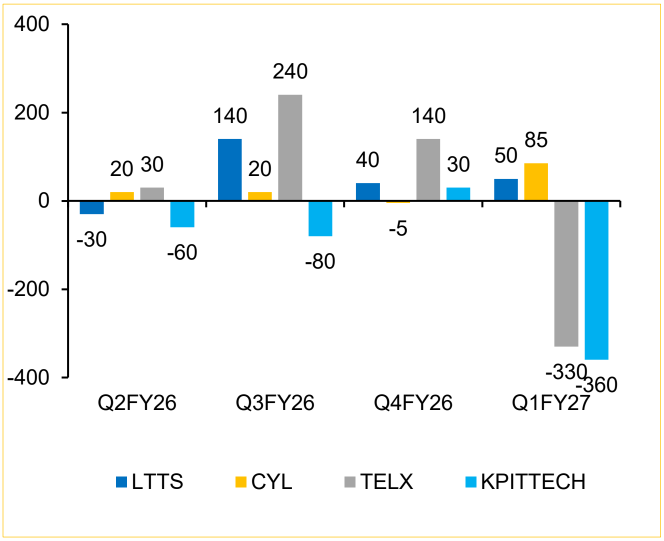
Source: Company, Choice Institutional Equities

EBITM Broadly Remained Stable on a Sequential Basis



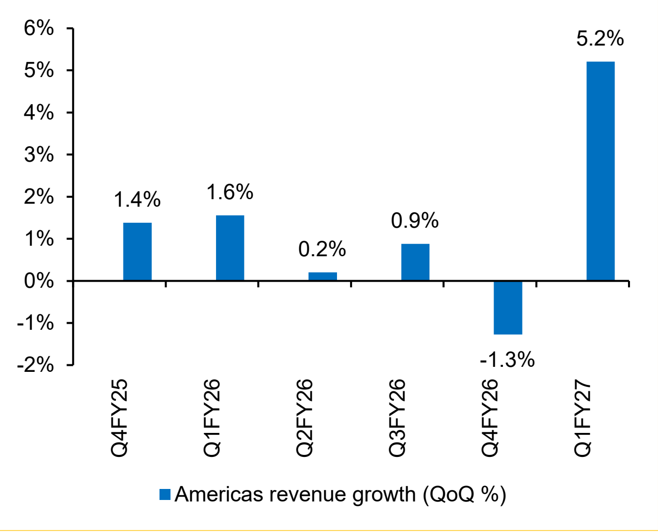
Source: Company, Choice Institutional Equities

KPITTECH & TELX EBITM Declined on Weak Revenue (QoQ)



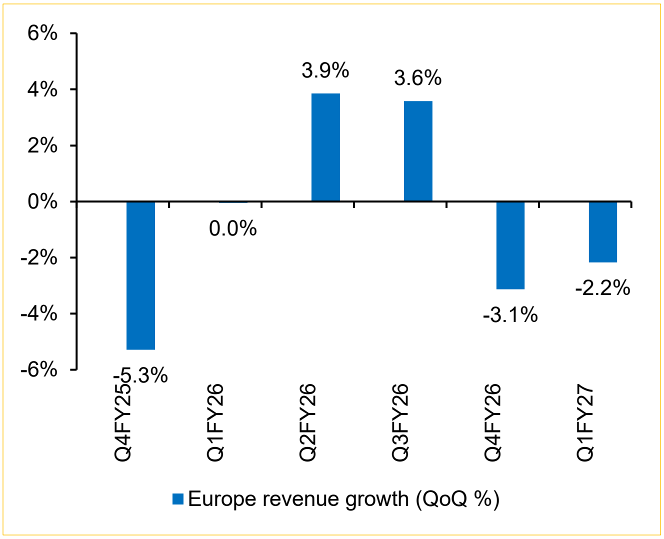
Source: Company, Choice Institutional Equities

US Outperformed amid Stronger Deal Ramp-ups



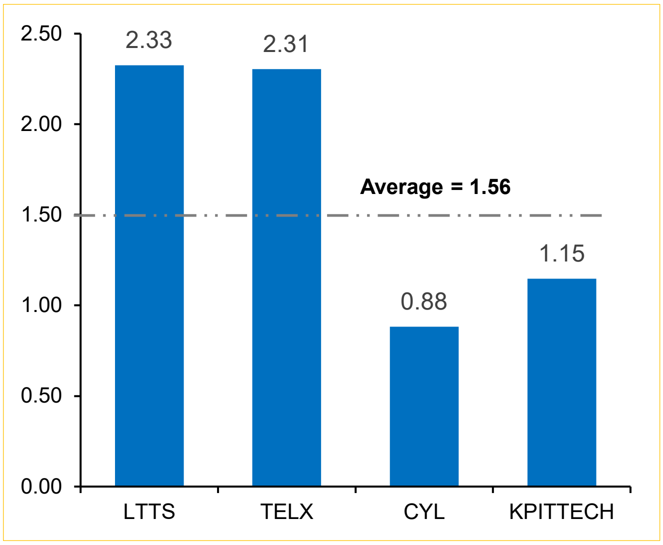
Source: Company, Choice Institutional Equities

Europe Declined on Weak Demand & Automotive pressure



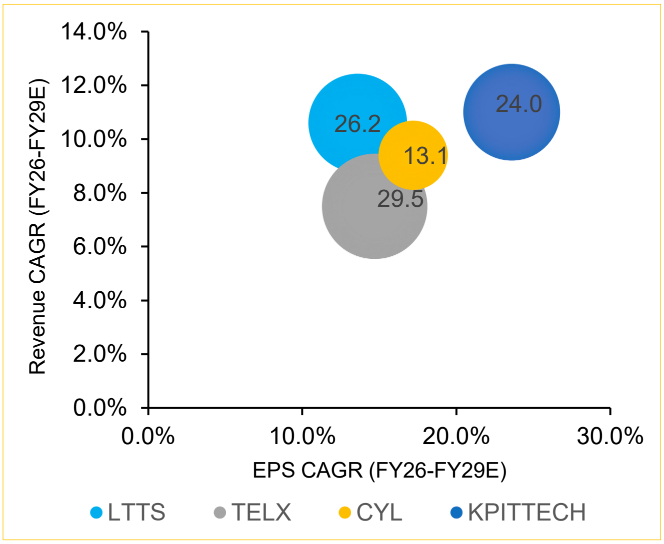
Source: Company, Choice Institutional Equities

KPITTECH & CYL Trading below Industry PEG Ratio



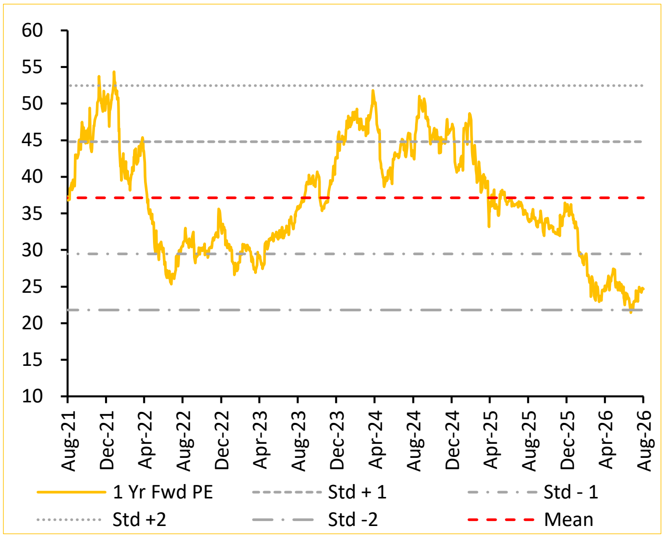
Source: Company, Choice Institutional Equities

CYL & KPITTECH Emerges as Key Beneficiary Valuation-wise



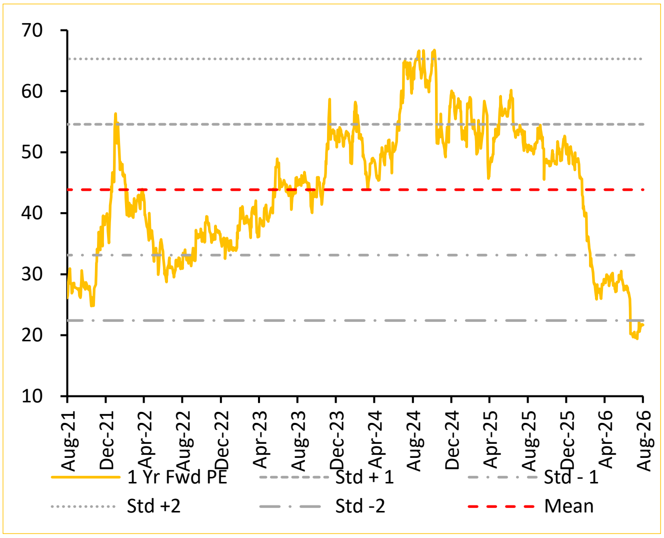
Source: Company, Choice Institutional Equities

LTTS – 1-yr Forward PE Band



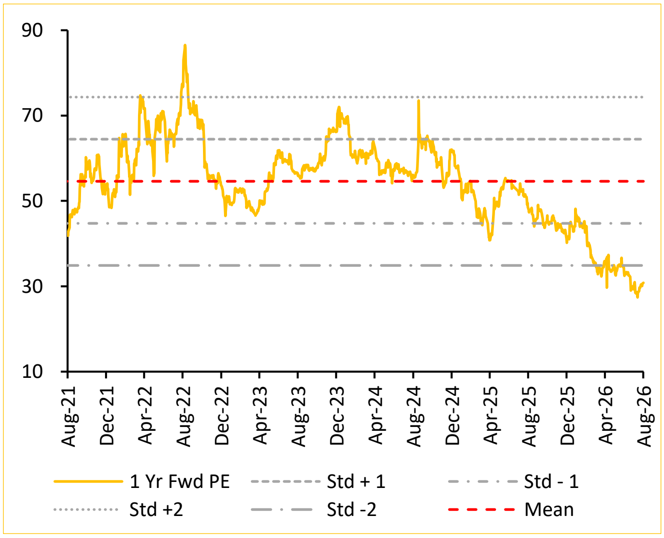
Source: Company, Choice Institutional Equities

KPITTECH – 1-yr Forward PE Band



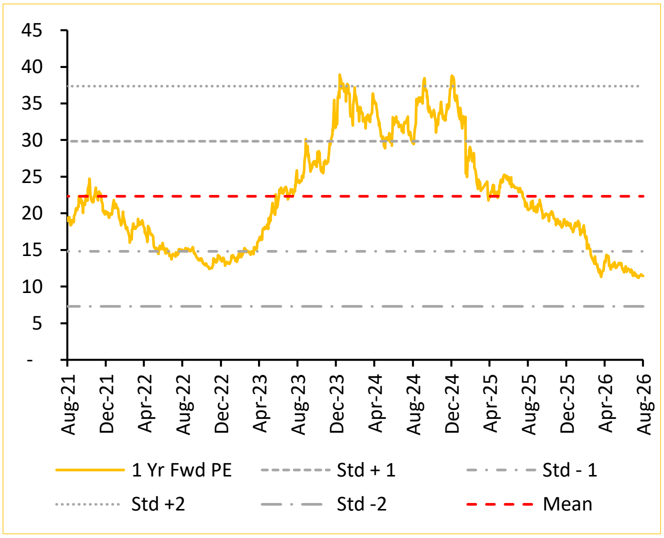
Source: Company, Choice Institutional Equities

TELX – 1-yr Forward PE Band



Source: Company, Choice Institutional Equities

CYL – 1-yr Forward PE Band



Source: Company, Choice Institutional Equities

LONG-TERM INVESTMENT IDEAS

Key Financials (DET Business)

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	55.2	58.2	62.0	67.6	76.3
YoY (%)	-6.7	5.5	6.5	9.1	12.8
EBIT	7.1	7.1	8.4	10.5	11.5
EBITM %	12.9	12.2	13.5	15.6	15.1
Adj PAT	5.5	5.9	6.8	8.5	9.5
EPS (INR)	52.6	56.5	64.8	82.0	91.0
ROE %	11.6	7.5	13.3	16.4	16.9
ROCE %	15.2	10.7	14.7	19.0	19.6
PE(x)	15.1	15.1	13.1	10.4	9.4

Source: Company, Choice Institutional Equities

1. Cyient Ltd. (CYL) | Rating: BUY | TP: INR 1,080

DET Growth Muted; Margin Trajectory Intact; 15% DET EBITM Target Shifted to H1FY28: Cyient DET reported Q1FY27 revenue of USD 162.5 Mn, declining 0.5% QoQ (CC) as gains in most segments were offset by weakness in the Energy business within Strategic Units. Mobility remained the primary growth driver, while Network & Infrastructure showed modest improvement. Strategic Units fell due to the completion of a legacy Energy project. Order intake strengthened, supported by robust new business wins and a strong pipeline, with Semiconductor and Cyient DLM providing healthy medium-term growth visibility. **Normalised EBITM improved to 13.2% through cost-optimisation and favourable foreign exchange, although the 15% margin target has been deferred to H1FY28. Growth is anticipated to recover from H2FY27, aided by acquisitions, Energy recovery and stronger deal conversions.**

View & Valuation: Cyient DET's recovery remains slower than expected due to geopolitical uncertainty, delayed discretionary spending and weak Strategic Business Units. However, strong order momentum, Semiconductor growth, improving margin through cost-optimisation and the TAO Digital acquisition are expected to support a gradual recovery from H2FY27. **Reflecting slower revenue ramp-up, continued weakness in SBU, we lower our FY27/FY28 earnings estimate by 2.4–2.9% and reduce our DET multiple to 10x FY28EPS (earlier 14x).** We value the Semiconductor business at a 50% discount to its recent USD 300 Mn fund-raise valuation, balancing its long-term strategic potential against execution and profitability risks. **We value the company on a SOTP basis to arrive at a TP of INR 1,080 and assign ‘BUY’ rating.**

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	58.4	64.5	68.9	77.9	88.3
YoY (%)	19.9	10.5	6.7	13.1	13.3
EBIT	12.3	12.6	13.0	16.3	18.4
EBITM %	21.0	19.5	18.8	20.9	20.9
Adj PAT	8.4	6.4	6.7	10.1	12.1
EPS (INR)	30.7	23.3	24.3	36.9	43.9
ROE %	28.8	19.7	16.6	21.6	21.9
ROCE %	26.1	19.0	16.1	20.6	21.4
PE(x)	19.9	26.3	25.2	16.6	13.9

Source: Company, Choice Institutional Equities

2. KPIT Technologies Ltd. (KPITTECH) | Rating: BUY | TP: INR 1,080

Revenue Growth Muted; H2FY27 Ramp-up and Deal Conversion Key: KPITTECH reported a soft Q1FY27, with revenue declining 4.3% QoQ to USD 176.8 Mn as continued weakness at large European OEMs offset healthy traction in the US and after-sales and Vehicle Engineering & Design practices. Strategic clients, which contribute 87% of revenue, declined 1.3% QoQ, while Europe remained the key drag amid OEM cost pressures, tariffs and Chinese competition. However, USD 257 Mn of new engagements, healthy Products & Solutions traction and improving diversification across geographies, mobility segments and offerings provide visibility for a stronger H2FY27. Management expects sequential margin improvement from Q2 onwards, aided by revenue recovery, mix and AI-led productivity.

View & Valuation: We believe KPITTECH's near-term performance remains constrained by OEM-specific pressures, but the USD257mn deal wins and growing Products & Solutions pipeline support a better H2FY27, with increasing traction in AI-defined mobility, autonomous technologies, digital cockpit and After-sales. We downgrade to ADD with a TP of INR 780, with valuation supported by the company's differentiated SDV positioning, expanding wallet share and diversification into CV/off-highway and newer adjacencies. **We expect improving execution and deal ramp-ups to drive a gradual recovery in growth and margins through H2FY27.**

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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