REDUCE Cyient

Soft performance; less respite in the near term

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Information Technology | Result Update | **July 24, 2026**

CMP (Rs): 831 | TP (Rs): 900

Cyient's 1Q operating performance was a mixed bag. The company's DET revenue was down 0.6% qoq (-0.5% CC) at $162.5mn, missing expectations, while DET EBITM expanded by 80bps qoq to 13.2%, beating expectations. Semiconductor revenue grew 148.6% qoq, aided by the Kinetic acquisition (organic: 4.2%), with operational loss of Rs284mn. The management has deferred its earlier DET EBITM target of 15% to 1HFY28 (4QFY27, earlier), citing a slower-than-planned revenue ramp-up even as investments remain on track. Cyient expects growth to return in 2Q and see further acceleration in 2H. The TAO Digital acquisition remains on track, to be complete by Aug-26, and is expected to add $40-50mn revenue in FY27. Management expects the semiconductor business to see breakeven by FY28, given the planned investments in high-power ASSP and amortization charges pertaining to the Kinetic acquisition. The pipeline of the custom ASIC business exceeds $100mn. Cyient's DLM segment closed 1Q with the highest-ever order book and book-to-bill of >1.5x. Factoring in the 1Q performance and change in margin guidance, we cut FY27-29E EPS by 4.1-6.8%; retain REDUCE and TP of Rs900, valuing the DET business at 12x Jun-28E PER and DLM business at 20% discount to its CMP.

Results summary

Cyient's DET revenue was down 0.6% qoq (-0.5% CC) to $162.5mn, owing to contraction in its energy business. DET EBITM expanded by 80bps qoq, at 13.2%, above our expectation of 12.9%, driven by cost optimization and currency gains. Semiconductor revenue grew 148.6% qoq (organic: 4.2%) to $17.9mn, aided by $10.4mn contribution from the Kinetic acquisition, while losses were down at Rs284mn. Net profit was hit by a one-off M&A expense of Rs140mn in the DET segment. Transportation & Mobility and Networks & Infrastructure grew 3% and 0.3% qoq CC, while Strategic Units declined 8.2%. Order intake for DET grew 5.3% yoy, coming in at $168.2mn. Cyient won 5 large deals in 1Q. Total headcount was down ~3% qoq at 14,175. Attrition declined by 10bps qoq to 14.4%. What we like: Margin beat; continued momentum in Transportation & Mobility. What we do not like: Revenue miss; steep decline in Strategic Units.

Earnings call key takeaways

1) Q1 was weighed down by geopolitical uncertainties, evolving demand patterns, and global supply chain disruptions, including the West Asia crisis. 2) Transportation & Mobility growth was broad-based across aerospace, rail, and automotive. Management remains watchful of risks to flying hours due to macro and geopolitical uncertainties as it would affect industry revenue and may lead to spending pressure in Aero. 3) N&I rebounded despite delayed program starts. 4) The strategic-units weakness was concentrated in energy, where a single large project that had driven prior strength has now fully rolled off. The management anticipates the energy business would need one to two more quarters for growth to rebound. 5) TAO Digital acquisition adds data and software-engineering depth across North America, India, Taiwan, and parts of Europe. 6) Capex was higher in 1Q due to a cyclical IT system refresh and project ramp-up. 7) Kinetic-related D&A of ~$12mn on an annualized basis is expected to weigh on Semiconductor breakeven until FY28.

Cyient: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	73,604	72,682	85,497	93,834	104,036
EBITDA	11,513	9,666	11,232	13,380	15,319
Adj. PAT	6,217	5,342	5,141	6,572	7,779
Adj. EPS (Rs)	56.0	48.1	49.1	62.8	74.3
EBITDA margin (%)	15.6	13.3	13.1	14.3	14.7
EBITDA growth (%)	(11.6)	(16.0)	16.2	19.1	14.5
Adj. EPS growth (%)	(15.5)	(14.1)	2.1	27.8	18.4
RoE (%)	13.0	9.7	9.4	12.0	13.3
RoIC (%)	16.9	11.6	12.1	14.2	16.5
P/E (x)	15.0	21.6	17.3	13.2	11.2
EV/EBITDA (x)	7.1	8.2	7.5	6.1	5.2
P/B (x)	1.7	1.6	1.6	1.5	1.4
FCFF yield (%)	8.5	8.8	(3.7)	7.3	8.4

Source: Company, Emkay Research

Target Price – 12M	Jun-26
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	8.3

Stock Data	CYL IN
52-week High (Rs)	1,302
52-week Low (Rs)	750
Shares outstanding (mn)	111.1
Market-cap (Rs bn)	92
Market-cap (USD mn)	956
Net-debt, FY27E (Rs mn)	(2,525.9)
ADTV-3M (mn shares)	0.4
ADTV-3M (Rs mn)	420.3
ADTV-3M (USD mn)	4.4
Free float (%)	76.1
Nifty-50	23,869.6
INR/USD	96.6
Shareholding,Jun-26	
Promoters (%)	23.3
FPIs/MFs (%)	14.5/39.0

Price Performance

(%)	1M	3M	12M
Absolute	(6.3)	(11.2)	(35.1)
Rel. to Nifty	(6.4)	(10.1)	(31.5)

1-Year share price trend (Rs)

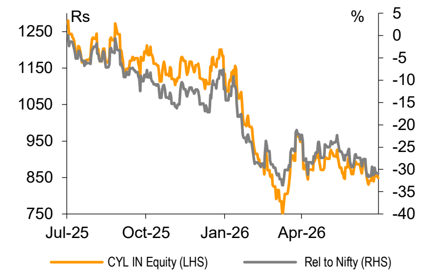

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Exhibit 1: Quarterly snapshot

Particular (Rs mn)	1QFY27	4QFY26	qoq (%)	1QFY26	yoy (%)
Net sales - DET ($ mn)	162.5	163.5	-0.6%	162.7	-0.1%
Net sales ($ mn)	219.0	209.9	4.3%	200.0	9.5%
Net sales (Rs mn)	20,757	19,269	7.7%	17,118	21.3%
Operating expenses	17,978	16,754	7.3%	14,810	21.4%
EBITDA	2,779	2,515	10.5%	2,308	20.4%
- Margin (%)	13.4%	13.1%	30	13.5%	-10
Depreciation	767	679		680	
EBIT	2,012	1,836	9.6%	1,628	23.6%
- Margin (%)	9.7%	9.5%	20	9.5%	20
Other income (net)	-148	122		534	
Exceptional items	-100	-697		0	
Share of profit / (loss) of an associate					
PBT	1,764	1,261	39.9%	2,162	-18.4%
Tax provided	665	589		562	
PAT	1,099	672	63.5%	1,600	-31.3%
Non-controlling interest	58	124		61	
Reported net profit	1,041	548	90.0%	1,539	-32.4%
Emkay net profit	1,141	1,245	-8.4%	1,539	-25.9%
Reported EPS (Rs)	10.3	4.9	108.2%	13.9	-25.9%

Source: Company, Emkay Research

Exhibit 2: Actuals vs estimates

		Estimates	Variation	
(Rs mn)	Actual	Emkay	Emkay	Comment
Revenue ($ mn)	219.0	212.8	2.9%	Overall revenue growth was better than expectations due to beat in DLM and semiconductor revenue, though DET revenue missed expectations.
Sales	20,757	20,172	2.9%	
EBIT	2,012	1,711	17.6%	EBITM was better than expectations.
EBIT margin	9.7%	8.5%	120 bps	
PAT	1,041	1,200	-13.3%	Reported profit missed expectations due to lower other income, exceptional items, and higher ETR.

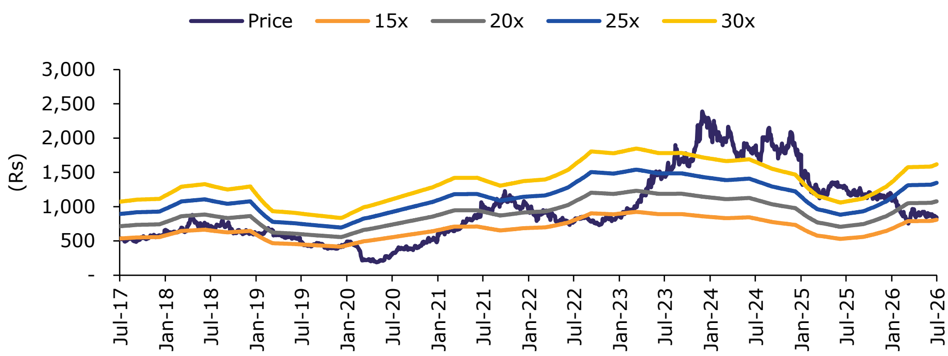
Source: Company, Emkay Research

Exhibit 3: Changes in estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue ($ mn)	903.0	912.7	1.1%	986.3	998.2	1.2%	1080.0	1095.1	1.4%
YoY growth	10.0%	11.2%		9.2%	9.4%		9.5%	9.7%	
Revenue	84,358	85,497	1.4%	92,708	93,834	1.2%	102,601	104,036	1.4%
EBIT	7,890	7,987	1.2%	10,133	10,060	-0.7%	11,831	11,867	0.3%
EBIT margin	9.4%	9.3%		10.9%	10.7%		11.5%	11.4%	
Net profit	5,515	5,041	-8.6%	6,929	6,572	-5.2%	8,115	7,779	-4.1%
EPS (Rs)	52.7	49.1	-6.8%	66.2	62.8	-5.2%	77.5	74.3	-4.1%

Source: Company, Emkay Research

Exhibit 4: Cyient – One-year forward PER



Source: Company, Emkay Research

Exhibit 5: Key operating metrics - Cyient

Metric	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	$ mn	qoq chg	yoy chg
Revenue ($ mn)	**201**	**221**	**228**	**220**	**200**	**204**	**207**	**210**	**219**		4%	10%
DET revenue ($ mn)	**161**	**164**	**165**	**161**	**162**	**164**	**167**	**163**	**162**		-1%	0%
DET revenue by geography (%)												
Americas	46.7	48.0	48.6	50.8	50.9	49.7	50.1	52.2	52.6	85.2	0%	3%
Europe, Middle East & Africa	32.7	29.9	28.9	30.4	27.9	28.4	28.2	26.4	24.8	40.2	-7%	-11%
Asia Pacific (including India)	20.6	22.2	22.4	18.8	21.2	21.9	21.6	21.4	22.5	36.4	4%	6%
DET CC growth qoq - business units (%)												
Transportation & Mobility	-	-	-	-	1.2	3.9	2.9	4.5	3.0			
Networks & Infrastructure	-	-	-	-	(5.2)	3.6	2.5	(3.6)	0.3			
Strategic Units	-	-	-	-	(2.3)	(7.2)	(0.2)	(12.4)	(8.2)			
DET revenue by business unit (%)												
Transportation & Mobility	37.0	38.2	38.7	38.7	39.5	40.5	40.8	43.5	44.9	72.7	3%	14%
Networks & Infrastructure	31.2	32.2	32.5	32.1	30.9	32.0	32.3	32.3	32.8	53.1	1%	6%
Strategic Units	31.8	29.6	28.8	29.2	29.6	27.5	27.0	24.2	22.3	36.1	-9%	-25%
DET revenue by currency (%)												
USD	45.0	45.1	-	48.3	50.0	47.8	48.4	53.3	54.0	87.4	1%	8%
EUR	16.1	14.7	-	16.1	15.5	15.5	16.4	15.9	15.5	25.1	-3%	0%
GBP	7.0	6.6	-	6.0	5.9	5.7	5.8	5.7	5.2	8.4	-9%	-12%
AUD	10.9	12.0	-	8.8	9.1	10.1	10.0	9.9	11.1	18.0	11%	22%
Others	21.0	21.6	-	20.8	19.5	20.9	19.4	15.2	14.2	23.0	-7%	-27%
DET client concentration (LTM, %)												
Top 5 clients	33.4	33.0	31.9	30.2	30.6	31.9	33.5	33.6	35.1			
Top 10 clients	45.2	45.3	44.1	43.5	42.5	43.5	44.8	46.0	48.2			
DET client buckets												
$20mn+ clients	-	4	4	4	4	4	4	4	4			
$10mn+ clients	-	15	15	16	15	15	15	16	16			
$5mn+ clients	-	28	29	27	27	27	26	26	27			
$1mn+ clients	-	97	100	101	99	102	97	98	94			
DET employees (no of)												
Total headcount	14,733	14,435	13,994	13,777	13,623	13,634	14,115	14,236	14,175			
Technical & pool	13,594	13,315	12,862	12,683	12,560	12,560	13,034	13,176	13,151			
Non-technical	491	454	457	422	403	399	393	388	387			
Support	648	666	675	672	660	675	688	672	637			
Voluntary attrition LTM (%)	16.0	14.9	15.6	16.5	16.9	16.8	15.9	14.5	14.4			

Source: Company, Emkay Research

Cyient: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**73,604**	**72,682**	**85,497**	**93,834**	**104,036**
Revenue growth (%)	3.0	(1.3)	17.6	9.8	10.9
EBITDA	**11,513**	**9,666**	**11,232**	**13,380**	**15,319**
EBITDA growth (%)	(11.6)	(16.0)	16.2	19.1	14.5
Depreciation & Amortization	2,672	2,782	3,245	3,320	3,452
EBIT	**8,841**	**6,884**	**7,987**	**10,060**	**11,867**
EBIT growth (%)	(14.7)	(22.1)	16.0	26.0	18.0
Other operating income	-	-	-	-	-
Other income	967	1,772	308	511	702
Financial expense	928	608	704	790	790
PBT	**8,880**	**8,048**	**7,591**	**9,782**	**11,779**
Extraordinary items	(58)	(1,064)	(100)	0	0
Taxes	2,289	2,242	2,154	2,690	3,239
Minority interest	(374)	(464)	(296)	(519)	(761)
Income from JV/Associates	0	0	0	0	0
Reported PAT	**6,159**	**4,278**	**5,041**	**6,572**	**7,779**
PAT growth (%)	(9.8)	(30.5)	17.8	30.4	18.4
Adjusted PAT	**6,217**	**5,342**	**5,141**	**6,572**	**7,779**
Diluted EPS (Rs)	**56.0**	**48.1**	**49.1**	**62.8**	**74.3**
Diluted EPS growth (%)	(15.5)	(14.1)	2.1	27.8	18.4
DPS (Rs)	**29.7**	**29.6**	**17.5**	**30.0**	**35.0**
Dividend payout (%)	**53.5**	**76.9**	**36.3**	**47.8**	**47.1**
EBITDA margin (%)	15.6	13.3	13.1	14.3	14.7
EBIT margin (%)	12.0	9.5	9.3	10.7	11.4
Effective tax rate (%)	25.8	27.9	28.4	27.5	27.5
NOPLAT (pre-IndAS)	**6,562**	**4,966**	**5,721**	**7,294**	**8,603**
Shares outstanding (mn)	111	111	105	105	105

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	555	556	523	523	523
Reserves & Surplus	52,540	56,263	52,304	55,735	59,850
Net worth	**53,095**	**56,819**	**52,827**	**56,259**	**60,373**
Minority interests	4,509	4,814	4,814	4,814	4,814
Non-current liab. & prov.	(127)	(1,097)	(1,097)	(1,097)	(1,097)
Total debt	**2,245**	**1,675**	**2,897**	**2,897**	**2,897**
Total liabilities & equity	**62,718**	**64,864**	**62,094**	**65,526**	**69,640**
Net tangible fixed assets	4,745	4,747	4,857	4,873	4,847
Net intangible assets	4,392	3,931	4,977	3,887	2,750
Net ROU assets	2,824	2,448	2,372	2,400	2,497
Capital WIP	75	48	16	16	16
Goodwill	18,040	19,717	25,217	25,217	25,217
Investments [JV/Associates]	4,554	3,853	3,395	3,509	3,649
Cash & equivalents	**13,142**	**15,063**	**5,423**	**7,996**	**10,870**
Current assets (ex-cash)	28,313	31,599	34,876	38,493	42,898
Current Liab. & Prov.	13,367	16,542	19,039	20,866	23,102
NWC (ex-cash)	**14,946**	**15,057**	**15,837**	**17,627**	**19,795**
Total assets	**62,718**	**64,864**	**62,094**	**65,526**	**69,640**
Net debt	(10,897)	(13,388)	(2,526)	(5,099)	(7,973)
Capital employed	62,718	64,864	62,094	65,526	69,640
Invested capital	**42,123**	**43,452**	**50,888**	**51,604**	**52,608**
BVPS (Rs)	478.2	511.5	504.6	537.4	576.7
Net Debt/Equity (x)	(0.2)	(0.2)	-	(0.1)	(0.1)
Net Debt/EBITDA (x)	(0.9)	(1.4)	(0.2)	(0.4)	(0.5)
Interest coverage (x)	10.6	14.2	11.8	13.4	15.9
RoCE (%)	**17.8**	**14.1**	**13.4**	**17.0**	**19.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	6,483	4,630	7,195	9,262	11,018
Others (non-cash items)	5,552	4,674	3,641	3,599	3,540
Taxes paid	(2,554)	(2,735)	(2,154)	(2,690)	(3,239)
Change in NWC	(1,582)	1,305	(2,642)	(2,875)	(3,311)
Operating cash flow	**7,899**	**7,874**	**6,039**	**7,296**	**8,008**
Capital expenditure	(1,021)	(944)	(9,133)	(1,304)	(1,382)
Acquisition of business	(2,844)	84	0	0	0
Interest & dividend income	662	858	308	511	702
Investing cash flow	**(1,451)**	**1,116**	**(7,165)**	**(792)**	**(680)**
Equity raised/(repaid)	8,008	(230)	(7,201)	0	0
Debt raised/(repaid)	(3,441)	(717)	1,222	0	0
Payment of lease liabilities	(1,153)	(1,001)	0	0	0
Interest paid	(699)	(450)	(704)	(790)	(790)
Dividend paid (incl tax)	(3,297)	(3,291)	(1,832)	(3,141)	(3,664)
Others	0	0	0	0	0
Financing cash flow	**(582)**	**(5,689)**	**(8,514)**	**(3,931)**	**(4,454)**
Net chg in Cash	5,866	3,301	(9,640)	2,573	2,874
OCF	7,899	7,874	6,039	7,296	8,008
Adj. OCF (w/o NWC chg.)	9,481	6,569	8,681	10,171	11,319
FCFF	6,878	6,930	(3,094)	5,992	6,626
FCFE	6,612	7,180	(3,490)	5,714	6,538
OCF/EBITDA (%)	68.6	81.5	53.8	54.5	52.3
FCFE/PAT (%)	107.4	167.8	(69.2)	86.9	84.0
FCFF/NOPLAT (%)	**104.8**	**139.5**	**(54.1)**	**82.2**	**77.0**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	15.0	21.6	17.3	13.2	11.2
P/CE(x)	10.4	11.4	10.4	8.8	7.7
P/B (x)	1.7	1.6	1.6	1.5	1.4
EV/Sales (x)	1.1	1.1	1.0	0.9	0.8
EV/EBITDA (x)	7.1	8.2	7.5	6.1	5.2
EV/EBIT(x)	9.2	11.5	10.6	8.1	6.7
EV/IC (x)	1.9	1.8	1.7	1.6	1.5
FCFF yield (%)	8.5	8.8	(3.7)	7.3	8.4
FCFE yield (%)	7.2	7.8	(3.8)	6.2	7.1
Dividend yield (%)	3.6	3.6	2.1	3.6	4.2
DuPont-RoE split					
Net profit margin (%)	8.4	7.3	6.0	7.0	7.5
Total asset turnover (x)	1.3	1.2	1.4	1.5	1.6
Assets/Equity (x)	1.2	1.1	1.1	1.1	1.1
RoE (%)	**13.0**	**9.7**	**9.4**	**12.0**	**13.3**
DuPont-RoIC					
NOPLAT margin (%)	8.9	6.8	6.7	7.8	8.3
IC turnover (x)	1.9	1.7	1.8	1.8	2.0
RoIC (%)	**16.9**	**11.6**	**12.1**	**14.2**	**16.5**
Operating metrics					
Core NWC days	74.1	75.6	67.6	68.6	69.4
Total NWC days	**74.1**	**75.6**	**67.6**	**68.6**	**69.4**
Fixed asset turnover	2.8	2.6	2.7	2.7	3.1
Opex-to-revenue (%)	84.4	86.7	86.9	85.7	85.3

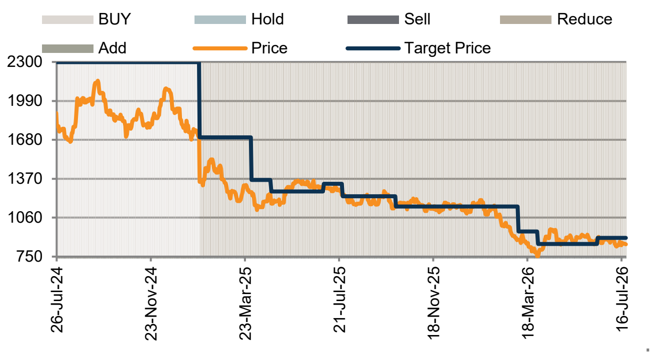
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
01-Jul-26	861	900	Reduce	Dipeshkumar Mehta
15-Jun-26	897	900	Reduce	Dipeshkumar Mehta
01-Jun-26	906	850	Reduce	Dipeshkumar Mehta
27-May-26	918	850	Reduce	Dipeshkumar Mehta
24-Apr-26	873	850	Reduce	Dipeshkumar Mehta
31-Mar-26	753	850	Reduce	Dipeshkumar Mehta
06-Mar-26	885	950	Reduce	Dipeshkumar Mehta
18-Feb-26	1,020	1,150	Reduce	Dipeshkumar Mehta
23-Jan-26	1,086	1,150	Reduce	Dipeshkumar Mehta
01-Jan-26	1,109	1,150	Reduce	Dipeshkumar Mehta
18-Dec-25	1,141	1,150	Reduce	Dipeshkumar Mehta
17-Oct-25	1,171	1,150	Reduce	Dipeshkumar Mehta
01-Oct-25	1,149	1,150	Reduce	Dipeshkumar Mehta
25-Jul-25	1,243	1,230	Reduce	Dipeshkumar Mehta
01-Jul-25	1,295	1,330	Reduce	Dipeshkumar Mehta
25-Apr-25	1,171	1,270	Reduce	Dipeshkumar Mehta
31-Mar-25	1,265	1,360	Reduce	Dipeshkumar Mehta
27-Jan-25	1,351	1,700	Reduce	Dipeshkumar Mehta
24-Jan-25	1,345	1,700	Reduce	Dipeshkumar Mehta
01-Jan-25	1,805	2,300	Buy	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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