Cyient

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	CYL IN
Equity Shares (m)	111
M.Cap.(INRb)/(USDb)	131.1 / 1.5
52-Week Range (INR)	2112 / 1050
1, 6, 12 Rel. Per (%)	-9/-9/-38
12M Avg Val (INR M)	817

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	74.5	80.1	87.9
EBIT Margin (%)	11.1	14.2	15.4
PAT	6.7	8.4	10.4
EPS (INR)	60.7	75.5	93.6
EPS Gr. (%)	9.5	24.4	24.1
BV/Sh. (INR)	505.7	536.1	573.8
Ratios			
RoE (%)	11.4	13.5	15.8
RoCE (%)	9.2	12.1	14.1
Payout (%)	60.0	60.0	60.0
Valuations			
P/E (x)	19.5	15.6	12.6
P/BV (x)	2.3	2.2	2.1
EV/EBITDA (x)	9.9	7.7	6.4
Div Yield (%)	3.1	3.8	4.8

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	23.3	23.3	23.2
DII	35.6	34.1	27.1
FII	22.1	24.7	30.3
Others	19.0	17.9	19.4

FII includes depository receipts

CMP: INR1,181 TP: INR1,050 (-11%) Sell

Stabilization underway

But broad-based recovery yet to emerge

- Cyient's (CYL) DET business reported 2QFY26 revenue of USD164.4m, up 0.5% QoQ in constant currency (CC) terms, in line with our estimate of 0.5% growth. Transportation & Mobility grew 3.9% QoQ CC, while Network & Infrastructure rose 3.6% QoQ CC. **EBIT margin of DET business at 12.2% missed our estimate of 12.6%.** DET PAT was down 16% QoQ/22.4% YoY at INR1,370m (est. 1,455m).
- For 1HFY26, DET revenue grew 1.3% YoY, while EBIT/PAT fell 8.9%/0.7% YoY. In 2HFY26, we expect revenue/EBIT/PAT to grow by 3.1%/6.9%/15.9% YoY. **We reiterate our Sell rating** with our SoTP-based TP of INR1,050**,** implying an 11% potential downside.

Our view: Margins still catching up

- **Stabilization in progress:** DET revenue grew by a modest 0.5% QoQ in CC, indicating early signs of stabilization after several weak quarters. Management highlighted improved client engagement and a marquee aircraft OEM win, suggesting that demand momentum is gradually recovering in key verticals. While 2H is expected to show better traction than 1H, ramp-ups in aerospace, utilities, and communications are progressing steadily, and a broad-based acceleration across all segments will likely take time.
- **Vertical performance mixed:** Transportation & Mobility sustained momentum through rail and aerospace programs, while Networks & Infrastructure and Mining/Healthcare showed gradual improvement. Semiconductor business rebounded in 2Q, yet continued investment led to EBIT loss in 1H, and breakeven is only expected by FY27.
- **Deal execution remains key monitorable:** Large-deal ramp-ups and new logo acquisitions remain a key focus for 2HFY26. The qualified pipeline expanded ~10% QoQ, reflecting improving traction across aerospace, utilities, and semiconductors. Earlier ramp-downs are largely behind, and while deal closures are expected to progress gradually, the pipeline provides a foundation for relatively better growth through 2H.
- **Margin expansion still a work in progress**: EBIT margin improved by modest 20bp to 12.2%, supported by operational efficiency and a better service mix. However, partial wage hikes in 3Q and ongoing investments in ramp-ups may make it difficult to achieve medium-term margin targets. We estimate EBIT margins of 12.8%/13.4% for FY26/FY27, indicating limited near-term upside.

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Valuation and changes to our estimates

- We maintain our Sell rating on Cyient, as 2QFY26 reflects a gradual stabilization. While deal activity and vertical performance are improving, growth momentum remains uneven across key segments such as Networks & Infrastructure and Energy, and margin expansion is still a work in progress. We lower our FY26/FY27 estimates by ~1-2%, factoring in recalibrated margin expectations and the gradual pace of deal ramp-ups through 2H.
- Based on SoTP, we value the company's stake in DLM at a market valuation with a holding company discount of 20%. In our P/E-based valuation, we value the DET business at 17x Jun'27E EPS. Our SoTP-based TP of INR1,050 implies an 11% potential downside.

In-line revenue and miss on margins; Transportation & Mobility up 3.9% QoQ CC

- DET revenue stood at USD164.4m, up 0.5% QoQ CC, in line with our estimate of 0.5% growth. Consolidated revenue came in at USD203m, down 8.4% YoY CC.
- Transportation & Mobility grew 3.9% QoQ CC, while Network & Infrastructure rose 3.6% QoQ CC.
- DET margins came in at 12.2% (est. 12.6%), up 20bp QoQ/150bp YoY.
- Added seven new logos in 2QFY26.
- DET PAT was down 16% QoQ/22.4% YoY at INR1,370m (est. INR1,455m).

Key highlights from the management commentary

- Despite ongoing macro uncertainty and geopolitical tensions, management indicated that the environment has entered a phase of stabilization.
- Reported sequential revenue growth for the first time after several quarters of softness.
- The market environment is better than what was seen in the early part of 1QFY26.
- Cyient's reputation in engineering design, digital, and manufacturing is well established, and management emphasized that data quality and data maturity are essential foundations for AI-led growth.
- During the quarter, a major aircraft OEM selected Cyient for a modernization program, a win against tier-1 competitors, underscoring Cyient's domain strength.
- Management expects 2H to be better than 1H, supported by ramp-ups in aerospace, utilities, and communications.
- Large deal execution remains a key focus area; Cyient is strengthening its deal pursuit division and hiring senior talent to accelerate wins in 2H.
- The qualified pipeline increased by about 10% sequentially, led by aerospace, utilities, and semiconductors.
- Ramp-downs seen in prior quarters are largely behind; only a marginal impact expected in 3QFY26 as the remaining transitions conclude.
- Rolled out merit-based wage hikes to ~90% of associates during 2Q; the remaining will be implemented in 3Q. The full impact of hikes will be offset by ongoing cost-efficiency initiatives.

DET Quarterly Performance (INR m)

Y/E March	FY25				FY26E				FY25	FY26	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY26	(% / bp)
Revenue (USD m)	161	173	175	161	163	164	166	168	671	661	165	-0.3
QoQ (%)	-10.1	7.3	1.3	-7.9	0.9	1.0	0.9	1.5	-6.1	-1.4	1.3	-29bp
Revenue (INR m)	13,442	14,496	14,799	13,967	13,925	14,385	14,718	14,939	56,704	57,967	14,390	0.0
YoY (%)	-7.6	-1.8	-0.8	-6.2	3.6	-0.8	-0.5	7.0	-4.1	2.2	-0.7	-3bp
GPM (%)	39.1	39.7	38.9	39.0	37.4	36.3	38.0	38.5	39.2	37.6	38.0	-166bp
SGA (%)	22.3	21.5	21.6	22.4	21.5	20.1	20.5	21.0	21.9	20.8	21.5	-137bp
EBITDA	2,267	2,642	2,562	2,319	2,215	2,333	2,576	2,614	9,790	9,738	2,374	-1.7
EBITDA Margin (%)	16.9	18.2	17.3	16.6	15.9	16.2	17.5	17.5	17.3	16.8	16.5	-28bp
EBIT	1,696	2,058	1,995	1,764	1,671	1,749	2,002	2,017	7,513	7,438	1,813	-3.5
EBIT Margin (%)	12.6	14.2	13.5	12.6	12.0	12.2	13.6	13.5	13.2	12.8	12.6	-44bp
Other income	-54	282	-338	271	522	173	147	149	161	992	144	20.2
ETR (%)	23.5	24.5	25.3	25.4	25.6	28.7	26.0	26.0	24.7	26.6	25.7	
Adj. PAT	1,256	1,766	1,238	1,518	1,631	1,371	1,590	1,603	5,778	6,195	1,455	-5.8
QoQ (%)	-27.6	40.6	-29.9	22.6	7.4	-15.9	16.0	0.8			-10.8	-514bp
YoY (%)	-26.2	2.2	-28.3	-12.5	29.9	-22.4	28.4	5.6	-16.2	7.2	-17.6	-475bp
EPS (INR)	11	16	11	14	15	12	14	15	53	56	13.2	-5.9

Key Performance Indicators (Consol)

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q	2Q	
Margins (%)							
Gross Margin	35.7	34.2	34.4	36.1	35.1	31.9	35.1
EBIT Margin	11.9	12.5	11.4	12.3	9.5	9.4	12.0
Net Margin	8.6	9.7	6.6	8.9	9.0	7.2	8.4
Operating metrics							
Headcount	14,733	14,799	14,378	13,777	13,623	13,634	13,777
Attrition (%)	16.0	15.0	15.5	16.5	16.9	16.8	16.5
Key Geographies (YoY %)							
North America	-1.6%	8.2%	10.2%	4.6%	10.0%	-1.6%	5.4%
Europe	-13%	-13%	-20%	-24%	-14%	-10%	-18%

CONFERENCE CALL

Key highlights from the management commentary

Commentary on verticals

- **Transportation:** Continued momentum in rail and aerospace programs.
- Management expects to sustain growth over the next 4-6 quarters, supported by the ramp-up of recent wins and strong order inflows.
- **Networks & Infrastructure:** Focus remains on improving the service mix and increasing contributions from high-margin digital and software-driven work. Telecom and utilities customers continue to invest in fiber rollout and network modernization.
- **Strategic Units**: Added seven new logos during the quarter. Mining and energy segments are seeing steady traction, while healthcare is emerging as a strong growth vertical.
- **Semiconductors:** The business reported a strong rebound in 2Q, with order intake recovering to previous-year levels. The segment now has an active pipeline of around USD100m for FY26. Earlier headwinds from low-value contracts are behind; focus is now on scaling up higher-value IP-led work.

Demand and outlook

- Despite ongoing macro uncertainty and geopolitical tensions, management indicated that the environment has entered a phase of stabilization.
- Reported sequential revenue growth for the first time after several quarters of softness.
- The market environment is better than what was seen in the early part of 1QFY26.
- Cyient's reputation in engineering design, digital, and manufacturing is well established, and management emphasized that data quality and data maturity are essential foundations for AI-led growth.
- During the quarter, a major aircraft OEM selected Cyient for a modernization program, a win against tier-1 competitors, underscoring Cyient's domain strength.
- Management expects 2H to be better than 1H, supported by ramp-ups in aerospace, utilities, and communications.
- Large deal execution remains a key focus area; Cyient is strengthening its deal pursuit organization and hiring senior talent to accelerate wins in 2H.
- The qualified pipeline increased by about 10% sequentially, led by aerospace, utilities, and semiconductors.
- Ramp-downs seen in prior quarters are largely behind; only a marginal impact expected in 3QFY26 as remaining transitions conclude.

Margin

- EBIT margin expanded 20bp QoQ to 12.2%, driven by operational efficiency and better service mix.
- Management reiterated significant headroom for margin expansion through deeper account mining, cross-sell, and upsell opportunities.
- Rolled out merit-based wage hikes to ~90% of associates during 2Q; the remaining will be implemented in 3Q. The full impact of hikes will be offset by ongoing cost-efficiency initiatives.
- Margins are expected to strengthen in 2H vs. 1H, supported by better utilization and operating leverage.

- The company reiterated its target of reaching 15% EBIT margin by 4QFY27.

Exhibit 1: Europe declined YoY

Geographies	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Americas	49.7	(1.3)	(1.6)
Europe	28.4	2.9	(9.7)
Asia Pacific	21.9	4.4	(6.3)

Source: Company, MOFSL

Exhibit 2: The transportation vertical grew 7.3% YoY

Service Verticals	Contribution to revenue (%)	QoQ growth (%)	YoY growth (%)
Transportation & Mobility	40.5	2.5	7.3
Network and Infrastructure	32.0	(2.9)	(0.2)
Strategic Units	27.5	1.9	(6.3)

Source: Company, MOFSL

Exhibit 3: Our SoTP valuation

	Valuation Metric	Tgt Multiple	Value (FY27E)
Cyient Service (INR m)	P/E	17	98,276
Semi-Conductor Business	EV/EBIT	15	7,671
DLM (INR m)	Market Cap (20% holdco discount)		11,830
Total Market Cap (INR m)			1,17,777
O/S			110.3
Rounded Target Price (INR)			1,050.0
CMP (INR)			1,180.6
Upside %			-11%

Source: MOFSL

Exhibit 4: Summary of our revised estimates

	Revised			Earlier			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.6	88.7	88.7	87.6	88.7	88.7	0.0%	0.0%	0.0%
USD Revenue (DET) - m	661	673	697	664	678	703	-0.3%	-0.8%	-0.8%
Growth (%)	(1.4)	1.7	3.7	(1.0)	2.1	3.7	-30bps	-40bps	0bps
EBIT margin (DET, %)	12.8	13.4	14.0	12.8	13.4	14.0	0bps	0bps	0bps
PAT (DET, INR M)	6,195	5,964	6,510	6,256	6,011	6,561	-1.0%	-0.8%	-0.8%
EPS - DET	56.2	54.1	59.0	56.8	54.6	59.6	-1.1%	-0.9%	-0.9%

Source: MOFSL

Exhibit 5: DET – P&L Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	**37,544**	**50,936**	**59,114**	**56,704**	**57,967**	**59,675**	**61,857**
Cost of Services	21,808	29,535	35,503	34,487	36,184	36,789	37,960
Gross Profit	15,736	21,401	23,611	22,217	21,783	22,886	23,897
EBITDA	**7,470**	**9,309**	**11,960**	**9,790**	**9,738**	**10,354**	**11,065**
% of Net Sales	19.9%	18.3%	20.2%	17.3%	16.8%	17.4%	17.9%
EBIT	**5,740**	**6,970**	**9,545**	**7,513**	**7,438**	**7,967**	**8,638**
% of Net Sales	15.3%	13.7%	16.1%	13.2%	12.8%	13.4%	14.0%
Net Income	**4,696**	**5,243**	**6,893**	**5,778**	**6,195**	**5,964**	**6,510**
Change (%)	44.3%	11.7%	31.5%	-16.2%	7.2%	-3.7%	9.2%

Source: MOFSL* FY23 and previous year data are on a Pro Forma basis

Financials and valuations

Income Statement (Consol)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sales	**44,275**	**41,325**	**45,344**	**60,159**	**71,472**	**73,604**	**74,532**	**80,128**	**87,948**
Change (%)	(4.1)	(6.7)	9.7	32.7	18.8	3.0	1.3	7.5	9.8
Cost of Services	28,964	27,162	28,453	37,415	45,944	47,771	48,909	51,055	55,385
Gross Profit	**15,311**	**14,163**	**16,891**	**22,744**	**25,528**	**25,833**	**25,623**	**29,073**	**32,563**
SG&A Expenses	9,352	8,056	8,675	12,501	12,500	14,320	14,484	14,925	16,010
EBITDA	**5,959**	**6,107**	**8,216**	**10,243**	**13,028**	**11,513**	**11,139**	**14,148**	**16,553**
% of Net Sales	13.5	14.8	18.1	17.0	18.2	15.6	14.9	17.7	18.8
Depreciation	1,878	1,944	1,923	2,566	2,666	2,672	2,851	2,808	3,029
EBIT	**4,081**	**4,163**	**6,293**	**7,677**	**10,362**	**8,841**	**8,288**	**11,340**	**13,524**
% of Net Sales	9.2	10.1	13.9	12.8	14.5	12.0	11.1	14.2	15.4
Other Income	734	684	687	-185	-499	39	1,017	160	173
PBT	**4,815**	**4,847**	**6,980**	**7,492**	**9,863**	**8,880**	**9,305**	**11,500**	**13,697**
Tax	1,076	1,133	1,761	1,723	2,314	2,289	2,573	3,125	3,307
Rate (%)	22.3	23.4	25.2	23.0	23.5	25.8	27.7	27.2	24.1
Minority interest	-13	0	0	0	-200	-374	0	0	0
Adjusted PAT	**3,726**	**3,714**	**5,219**	**5,769**	**7,349**	**6,217**	**6,732**	**8,375**	**10,391**
Change (%)	12.7	-0.3	40.5	10.5	27.4	-15.4	8.3	24.4	24.1

E: MOFSL Estimates

Balance Sheet (Consol) **(INR m)**

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	550	550	552	553	555	555	555	555	555
Reserves	25,059	29,023	30,614	34,114	42,026	52,540	55,233	58,583	62,739
Net Worth	**25,609**	**29,573**	**31,166**	**34,667**	**42,581**	**53,095**	**55,788**	**59,138**	**63,294**
Other liabilities	4,194	3,812	4,061	5,644	8,091	9,168	9,227	9,581	10,076
Loan	3,738	2,755	3,264	9,336	4,526	2,138	2,138	2,138	2,138
Capital Employed	**33,541**	**36,140**	**38,491**	**49,647**	**55,198**	**64,401**	**67,152**	**70,857**	**75,508**
Applications									
Gross Block	17,388	18,558	19,223	21,776	24,924	27,924	31,924	35,924	39,924
Less : Depreciation	9,712	10,779	11,959	14,525	17,191	19,863	22,714	25,522	28,551
Net Block	**6,909**	**7,181**	**6,787**	**7,251**	**7,733**	**7,569**	**9,210**	**10,402**	**11,373**
CWIP	800	113	134	27	16	75	75	75	75
Intangibles	6,800	7,191	6,662	21,413	21,089	22,432	22,432	22,432	22,432
Other assets	2,638	1,925	5,318	4,877	5,607	5,415	5,432	5,534	5,678
Curr. Assets	**24,650**	**28,518**	**28,972**	**31,913**	**35,591**	**41,455**	**50,361**	**53,757**	**58,672**
Current Investments	0	0	866	1,718	758	1,654	3,154	4,654	6,154
Debtors	7,262	8,026	7,333	11,271	12,617	14,067	12,660	13,611	14,939
Cash & Bank Balance	8,995	14,408	12,157	6,215	4,848	10,706	19,329	19,132	19,622
Other Current Assets	8,393	6,084	8,616	12,709	17,368	15,028	15,217	16,360	17,957
Current Liab. & Prov	**8,256**	**8,788**	**9,382**	**15,834**	**14,838**	**12,545**	**20,357**	**21,344**	**22,721**
Trade payables	3,729	4,532	5,259	7,142	6,878	3,934	11,231	12,074	13,252
Other liabilites	4,150	3,872	3,709	7,555	6,816	7,256	7,755	7,794	7,850
Provisions	377	384	414	1,137	1,144	1,355	1,372	1,475	1,619
Net Current Assets	**16,394**	**19,730**	**19,590**	**16,079**	**20,753**	**28,910**	**30,003**	**32,414**	**35,951**
Application of Funds	**33,541**	**36,140**	**38,491**	**49,647**	**55,198**	**64,401**	**67,152**	**70,857**	**75,508**

Financials and valuations

Ratios									
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Basic (INR)									
EPS	**33.8**	**33.8**	**47.8**	**52.4**	**66.9**	**55.4**	**60.7**	**75.5**	**93.6**
Cash EPS	50.8	51.5	65.3	75.6	91.1	79.2	86.3	100.8	120.9
Book Value	232.0	269.1	285.1	314.6	387.5	476.0	505.7	536.1	573.8
DPS	27.0	24.5	24.0	26.0	30.0	26.0	36.4	45.3	56.2
Payout %	80.0	72.5	50.3	49.7	44.9	46.9	60.0	60.0	60.0
Valuation (x)									
P/E	35.0	34.9	24.7	22.6	17.7	21.3	19.5	15.6	12.6
Cash P/E	23.3	22.9	18.1	15.6	13.0	14.9	13.7	11.7	9.8
EV/EBITDA	21.0	19.3	14.5	12.8	9.9	10.6	9.9	7.7	6.4
EV/Sales	2.8	2.9	2.6	2.2	1.8	1.7	1.5	1.4	1.2
Price/Book Value	5.1	4.4	4.1	3.8	3.0	2.5	2.3	2.2	2.1
Dividend Yield (%)	2.3	2.1	2.0	2.2	2.5	2.2	3.1	3.8	4.8
Profitability Ratios (%)									
RoE	14.6	13.5	17.2	17.5	18.3	12.1	11.4	13.5	15.8
RoCE	10.6	9.9	13.6	14.7	16.1	11.2	9.2	12.1	14.1
Turnover Ratios									
Debtors (Days)	63	68	62	68	64	70	62	62	62

Cash Flow Statement (Consol)									(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
CF from Operations	5,496	5,872	7,318	9,024	9,869	9,481	9,583	11,183	13,420
Cash for Working Capital	328	2,686	-973	-3,485	-3,190	-1,582	8,580	-855	-1,195
Net Operating CF	**5,824**	**8,558**	**6,345**	**5,539**	**6,679**	**7,899**	**18,162**	**10,328**	**12,224**
Net Purchase of FA	-2,138	-949	-626	-625	-782	-1,021	-4,000	-4,000	-4,000
Free Cash Flow	**3,686**	**7,609**	**5,719**	**4,914**	**5,897**	**6,878**	**14,162**	**6,328**	**8,224**
Net Purchase of Invest.	568	-58	-3,197	-9,675	-4,545	-430	-1,500	-1,500	-1,500
Net Cash from Invest.	**-1,570**	**-1,007**	**-3,823**	**-10,300**	**-5,327**	**-1,451**	**-5,500**	**-5,500**	**-5,500**
Proc. from equity issues	17	37	121	79	146	62	0	0	0
Proceeds from LTB/STB	-916	-2,134	-1,994	1,458	237	2,217	0	0	0
Dividend Payments	-3,564	-10	-2,952	-2,630	-3,058	-2,861	-4,039	-5,025	-6,234
Cash Flow from Fin.	**-4,463**	**-2,107**	**-4,825**	**-1,093**	**-2,675**	**-582**	**-4,039**	**-5,025**	**-6,234**
Exchange difference	131	-31	52	-88	-44	110	0	0	0
Net Cash Flow	**-78**	**5,413**	**-2,251**	**-5,942**	**-1,367**	**5,976**	**8,623**	**-197**	**490**
Opening Cash Bal.	**9,073**	**8,995**	**14,408**	**12,157**	**6,215**	**4,730**	**10,706**	**19,329**	**19,132**
Add: Net Cash	-78	5,413	-2,251	-5,942	-1,367	5,976	8,623	-197	490
Closing Cash Bal.	**8,995**	**14,408**	**12,157**	**6,215**	**4,730**	**10,706**	**19,329**	**19,132**	**19,622**

NOTES

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

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