Choice Institutional Equities

Cyient - Investor Day Note

BUY

Sector View: Neutral

Investor Day Note

August 26, 2026 | CMP: INR 980 | Target Price: INR 1,200

Expected Share Price Return: 22.4% I Dividend Yield: 3.1% I Expected Total Return: 25.5%

Company Info	
BB Code	CYL IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	1,282/751
Mkt Cap (Bn)	INR 108.8/ $1.1
Shares o/s (Mn)	104.7
3M Avg. Daily Volume	6,04,433

Key Financials (DET)

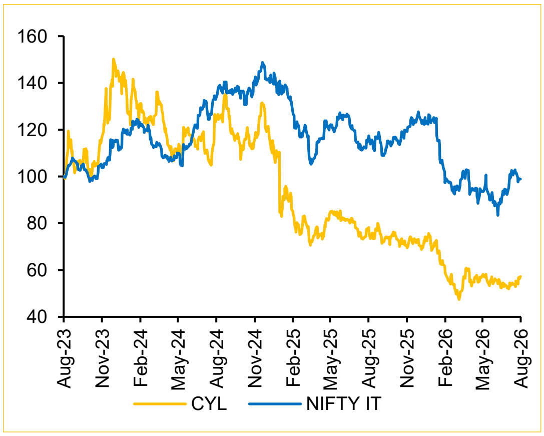
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	55.2	58.2	62.0	67.6	76.3
YoY (%)	-6.7	5.5	6.5	9.1	12.8
EBIT	7.1	7.1	8.5	10.4	11.6
EBITM %	12.9	12.2	13.7	15.3	15.3
Adj PAT	5.5	5.9	6.8	8.4	9.6
EPS	52.6	56.5	65.7	80.8	92.4
ROE %	11.6	7.5	13.5	16.2	17.0
ROCE %	15.2	10.7	14.9	18.8	19.8
PE(x)	18.6	17.3	14.9	12.1	10.6

Shareholding Pattern (%)

	Jul-26	Jun-25	Mar-26
Promoters	24.70	23.28	23.28
FIIs	14.53	14.52	15.33
DIIs	37.49	38.99	40.98
Public	23.28	23.21	20.41

Relative Performance (%)

YTD	3Y	2Y	1Y
NIFTY IT	7.2	(11.6)	(15.2)
CYL	(47.7)	(55.8)	(33.2)



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Recent Report:

Q1FY27 Result Udpate

Transformation Underway; Growth Visibility Improving

We attended Cyient's Investor Day and key takeaways are: (1) Cyient is **pivoting from a project/capacity-led model towards lifecycle ownership**, leveraging its deep domain expertise to expand wallet share and capture a larger pie of customer value pools; (2) DET is moving from stabilisation to transformation, with **a record ~USD 300 Mn qualified large-deal pipeline**, improving order momentum and new growth opportunities across AI Data centres, Defence, Indian PSUs, Hi-Tech and newer regions; (3) Cyient is **building a differentiated fabless semiconductor platform**, with ASIC and Kinetic-led ASSP businesses, a USD 100 Mn+ custom-ASIC pipeline and **ambition to scale up revenue ~4x by FY31**; and (4) **Margin recovery remains on track**, although the 15% EBIT margin ambition has shifted, from Q4FY27 to FY28, supported by SG&A optimisation, AI-led productivity, technology payback and operating leverage. **We believe the Investor Day takeaways strengthens the medium-term growth and earnings-quality thesis, although large-deal conversion and the pace of growth recovery remain key execution watchpoints. We maintain our 'BUY' rating on CYL and raise our TP to INR 1,200.**

DET: Large-Deal momentum Improves; Conversion Key to FY27 Recovery

The near-term growth narrative remains centred on DET, where the setup appears to be improving but conversion remains the key variable. Order intake grew 5.4% YoY and the qualified large-deal pipeline has reached a record ~USD 300 Mn, while key-account order intake grew 11% and large-deal momentum improved 64% YoY, providing better visibility into the recovery. The management outlook remains measured, targeting consistent positive growth in the near term before moving towards double-digit growth over the medium term. **We see AI Data centres, Defence, Indian PSUs and Hi-Tech, alongside geographies such as, India and the Middle East, as key incremental growth pools, supported by focused investments/ M&A and a broader domain + data engineering + cloud/software proposition. The key takeaway is that FY27 remains a transition year, with meaningful acceleration dependent on large-deal conversion, lifecycle-led wins and regional expansion.**

Semiconductors: Fabless Strategy Creates New Medium-term Growth Lever

Cyient is scaling up semiconductors as a fabless product business, owning IP and product definition through finished-silicon delivery via a global manufacturing ecosystem. The business spans ASICs and Kinetic-led ASSPs, with reusable IP enabling expansion across AI/data centres, Automotive and grid/electrification. From USD 65 Mn in FY26, the management targets ~4x revenue growth by FY31, with around 20% EBIT margin, despite continued R&D investments. Traction is improving, with a USD 100 Mn+ custom-ASIC pipeline, while the Kinetic acquisition, GaN power ICs and Global Foundries partnership strengthen its product portfolio and manufacturing access. EBIT breakeven is expected in FY28, with scale-up and IP reuse driving operating leverage. **We see semiconductors as a meaningful medium-term value-creation lever, given the shift towards higher-value, IP-led revenues.**

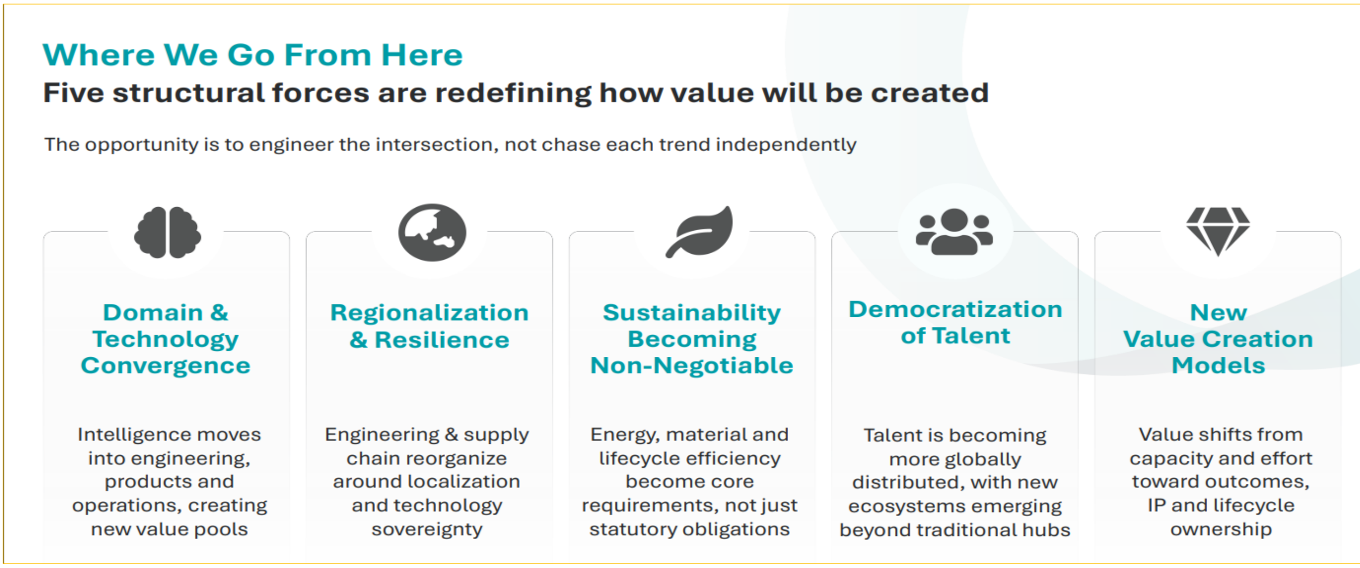
15% EBIT Ambition Deferred to FY28; Operating Levers Intact

Margin recovery remains on track, although the 15% EBIT margin ambition has been pushed out, from Q4FY27 to FY28. DET EBIT margin improved 79bps QoQ to 13.2% in Q1FY27, with further upside expected from SG&A optimisation, AI-led productivity, technology-investment payback and operating leverage, while pricing discipline should partly offset mix and wage-cost headwinds. Management targets 15%+ EBIT margin with revenue CAGR above peers in FY28–29, rising to ~16% by FY31, as lifecycle-led, higher-value work scales up. **We see the margin trajectory as credible, but faster growth and large-deal conversion remain key to unlocking operating leverage.**

Valuation

Based on our SoTP valuation, we continue to value the DET business at 10x FY28E EPS, reflecting gradual margin improvement and the long-term growth opportunity, while balancing execution risks. We also value the semiconductor business at a 50% discount to its recent USD 300 Mn fund-raise valuation, recognising its long-term strategic potential while factoring in execution risks. We continue to apply a 15% holding company discount to the value of the DLM stake. Our SoTP-based TP of **INR 1,200** supports our '**BUY**' rating.

Five Structural Forces Are Reshaping Engineering



Source: CYL, Choice Institutional Equities

Cyient's Reset Sets Up the Next Growth Cycle

Source: CYL, Choice Institutional Equities

Margin Expansion is Structural, Not Cyclical: The First 100 bps Is Already Banked

Source: CYL, Choice Institutional Equities

India's Semiconductor Push Creates Strategic Optionality

Source: CYL, Choice Institutional Equities

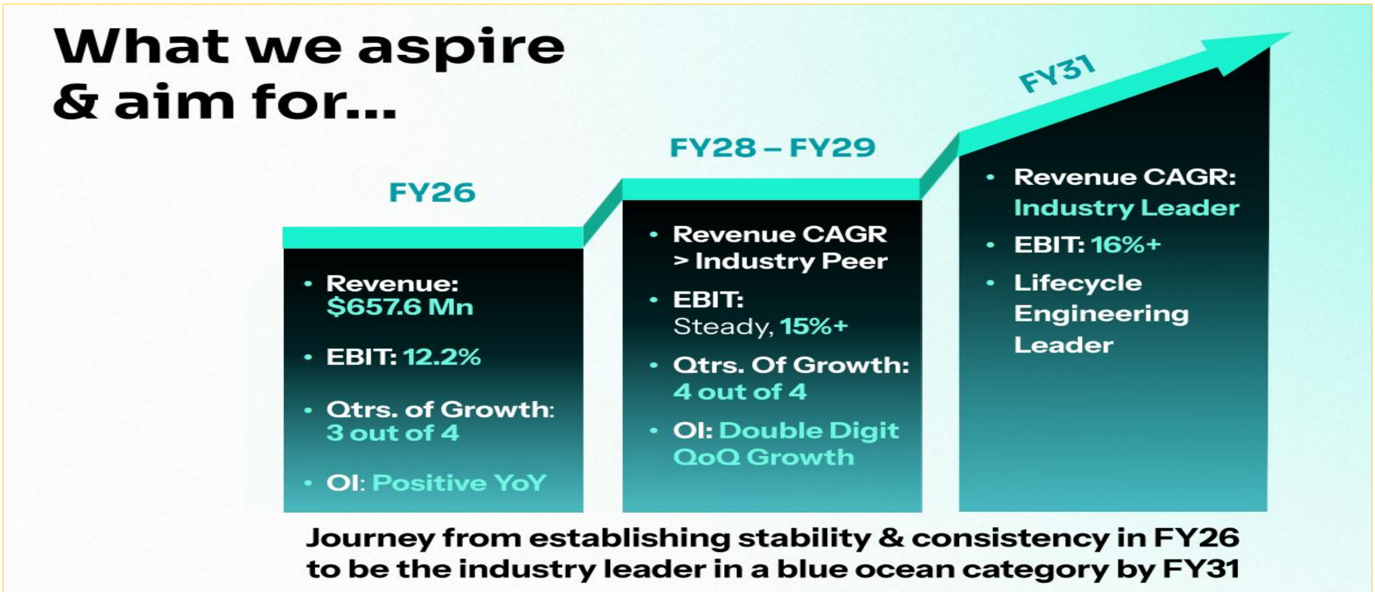
Semiconductors Emerge as the Next Growth Engine

Source: CYL, Choice Institutional Equities

Early Wins Strengthen Cyient's Semiconductor Moat

Source: CYL, Choice Institutional Equities

Building Toward Industry Leadership by FY31



Source: CYL, Choice Institutional Equities

Three Growth Engines Support SOTP Re-rating

Source: CYL, Choice Institutional Equities

SOTP Valuation Table

Cyient DET	
FY28 PAT for DET segment	8,413
Multiple (x)	10
Equity value (INR Mn)	84,126
Cyient DLM	
Mcap (INR mn)	61,228
Discount to Mcap	15.0
% Stake	52.1
Equity Value (INR Mn)	27,167
Cyient Semiconductor (Value at 50% discount to recent funding)	
Equity Value (INR Mn)	14,100
Consolidated equity value	**1,25,393**
Shares o/s (mn)	104.7
Target price (INR)	**1,200**
Fair value (INR)	**1,200**

Income Statement (Consolidated in INR Mn)

Particulars (DET)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	55,151	58,189	61,975	67,634	76,264
EBITDA	9,368	9,361	10,668	12,747	14,435
Depreciation	2,251	2,240	2,158	2,393	2,803
EBIT	7,117	7,121	8,509	10,353	11,632
Other Income	784	1,357	1,257	1,609	1,870
Interest Expense	623	326	472	658	877
Exceptional Items	-	-	-	-	-
Adj. PAT	5,482	5,882	6,844	8,413	9,627
EPS	52.4	56.2	65.4	80.4	91.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%) (DET)					
Revenues	-6.7	5.5	6.5	9.1	12.8
EBITDA	-21.7	-0.1	14.0	19.5	13.2
EBIT	-25.4	0.1	19.5	21.7	12.3
Margin Ratios (%) (DET)					
EBITDA Margin	17.0	16.1	17.2	18.8	18.9
EBIT Margin	12.9	12.2	13.7	15.3	15.3
Profitability (%)					
ROE	11.6	7.5	13.5	16.2	17.0
ROIC	13.7	9.7	12.0	14.1	15.6
ROCE	15.2	10.7	14.9	18.8	19.8
Valuation					
OCF / Net profit (%)	148.0	149.6	54.9	154.9	145.1
EV/ EBITDA (x)	8.0	9.2	8.5	6.6	5.6
BVPS (x)	509.7	545.5	506.8	547.9	594.1
Free Cash flow yield (%)	5.7	6.0	-2.6	10.0	10.9

Note: Income Statement includes only DET financials

Balance Sheet (Consolidated in INR Mn)

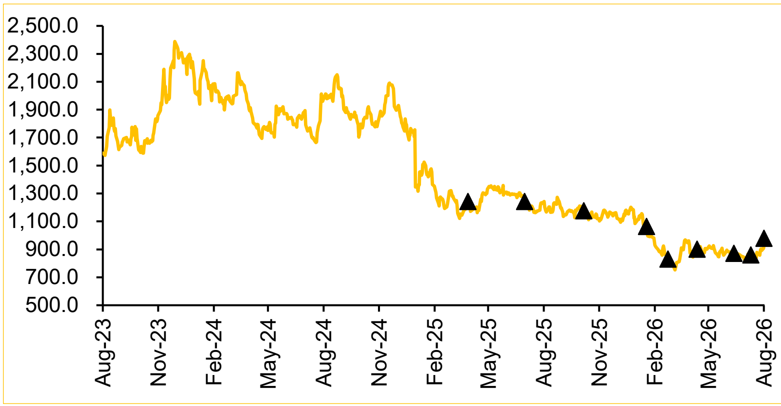
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Tangible Fixed Assets	7,644	7,243	7,714	7,991	7,878
Goodwill & Intangible Assets	22,995	24,147	27,631	27,327	26,910
Investments	2,798	1,981	2,179	2,397	2,637
Cash & Cash Equivalents	10,706	14,575	-588	2,947	6,395
Other Non-current Assets	2,054	3,211	3,437	3,691	3,979
Other Current Assets	30,749	32,087	37,625	39,729	42,711
Total Assets	**76,946**	**83,244**	**77,998**	**84,082**	**90,510**
Shareholder's Funds	53,095	56,819	52,794	57,072	61,886
Minority Interest	4,509	4,814	5,240	5,824	6,421
Borrowings	5,134	4,311	4,399	4,491	4,588
Other Non-current Liabilities	2,587	3,145	3,145	3,145	3,145
Other Current Liabilities	11,621	14,155	12,419	13,550	14,469
Total Equity & Liabilities	**76,946**	**83,244**	**77,998**	**84,082**	**90,510**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	8,113	8,802	3,755	13,030	13,966
Cash Flows from Investing	(1,451)	1,116	(6,845)	(3,217)	(3,241)
Cash Flows from Financing	(582)	(6,509)	(12,073)	(6,278)	(7,277)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
ROE	**11.6%**	**7.5%**	**13.5%**	**16.2%**	**17.0%**
Net Profit Margin	8.4%	5.9%	8.9%	10.4%	10.4%
Asset Turnover	0.8	0.7	0.8	0.8	0.9
Equity Multiplier	1.4	1.5	1.5	1.5	1.5

Source: CYL, Choice Institutional Equities

Historical share price chart: Cyient Ltd.



Date	Rating	Target Price
April 24, 2025	BUY	1,555
July 24, 2025	SELL	1,095
October 17, 2025	REDUCE	1,190
January 23, 2026	ADD	1,300
March 02, 2026	BUY	1,250
April 24, 2026	BUY	1,250
July 01, 2026	BUY	1,080
July 24, 2026	BUY	1,080
August 26, 2026	BUY	1,200

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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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