

Cyient (CYL)

HOLD

Engineering excellence & resilience delivered growth momentum

Summary

Cyient reported Q2 FY26 results with DET revenue rising 3.3% QoQ and 4.5% YoY in rupee term, while EBIT margin improved 16 bps sequentially to 12.2%. Despite wage hikes and restructuring costs (200 bps impact), cost optimization offset the pressure. PAT stood at INR 137cr, down 16% QoQ. Transportation and Network & Infrastructure units grew 3.9% and 3.6% QoQ respectively, while the semiconductor business rebounded 12% QoQ, aided by strong order intake and a USD 100mn pipeline. DLM reported strong momentum in (with 130% YoY) order-intake and double-digit margins. The group expects to be EBIT-neutral in semiconductors business by FY27, and DET margins to reach 15% by Q4FY27. Cyient announced an interim dividend of INR 16 per share, its highest ever, reflecting confidence in cash flows and outlook. Management guided for stronger revenue and margin performance in H2FY26. We have reduced our estimates by ~14% (FY26/FY27e), we maintain our HOLD rating by valuing the stock at 18x FY27E EPS and with a revised target price of Rs 1,211.

Key Highlights and Investment Rationale

- **New strategies for recovery:** Cost optimization, sales and account mining focus, renewed leadership, margin improvement programs, adoption of AI/digital technologies, streamlined incentive policies, and investments in talent & strategic partnerships to drive sustainable growth/operational excellence.
- **Margins/Deal wins:** Large structured deals and AI-based solutions underpin growth momentum, supporting sustained margin improvement and confidence for H2 FY26. Despite wage hikes and one-offs, efficient cost management enhanced resilience, reflecting steady recovery and strengthening business outlook.

TP Rs 1,211

CMP Rs1,180

Potential upside/downside 3%

Previous Rating HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(7.3)	(9.5)	(36.1)
Rel to Sensex	(8.6)	(10.5)	(38.5)

V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	57.3	67.3
Consensus	56.4	66.3
% difference	1.7	1.5

Key Stock Data

Bloomberg/Reuters	CYL IN / CYIE.BO
Sector	IT Services
Shares o/s (mn)	111
Market cap. (Rs mn)	131,076
3-m daily avg Trd value (Rs mn)	22.8
52-3 high / low	Rs2,113 / 1,050
Sensex / Nifty	83,468 / 25,585

Shareholding Pattern (%)

Promoters	23.3
FII	21.4
DII	33.9
Public	21.4

Financial snapshot

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	60,159	71,472	73,604	71,757	78,477
Change (yoy, %)	32.7	18.8	3.0	(2.5)	9.4
EBITDA	10,030	12,975	11,513	10,934	12,753
Change (yoy, %)	22.0	29.4	(11.3)	(5.0)	16.6
EBITDA Margin (%)	16.7	18.2	15.6	15.2	16.3
Adj. PAT	5,611	7,348	6,215	6,361	7,467
EPS (Rs)	50.7	66.2	56.0	57.3	67.3
Change (yoy, %)	7.2	30.5	(15.4)	2.3	17.4
PE(x)	23.3	17.8	21.1	20.6	17.5
Dividend Yield (%)	2.2	2.8	3.3	3.8	3.8
EV/EBITDA (x)	13.1	9.6	10.3	10.4	8.7
RoE (%)	17.0	19.0	13.0	11.7	13.1
RoCE (%)	18.6	21.3	15.7	12.6	14.3

Source: Company; IDBI Capital Research

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Other Key Highlights

- Cyient DET revenue reached INR 1,438cr, growing 3.3% QoQ and 4.5% YoY, signaling steady segment growth despite macroeconomic headwinds.
- EBIT margin improved by 16 basis points QoQ to 12.2%, driven by cost optimization despite wage inflation and one-off restructuring expenses. Sales incentive restructuring and enhanced account mining contributed to improved deal wins and pipeline quality.
- PAT declined 16.4% YoY to INR 137 crores, reflecting operational investments and market pressures impacting profitability. FCF/PAT remains robust at 114%, underscoring strong cash management and business resilience.
- Semiconductor segment rebounded with 14.7% QoQ revenue growth as strategic focus on execution and partnerships intensified. Cyient received industry awards for innovation and value engineering, reflecting high customer trust and operational excellence.
- The company added seven new strategic customers and expanded key account revenues by 11% YoY and 3% QoQ. Technology investments, centered on a domain-first AI-infused strategy, accelerated progress in digital transformation projects for major clients.
- An interim dividend of INR 16 per share declared, representing confidence in cash flows and growth outlook for FY26.

Exhibit 1: Financial snapshot

(Rs mn)

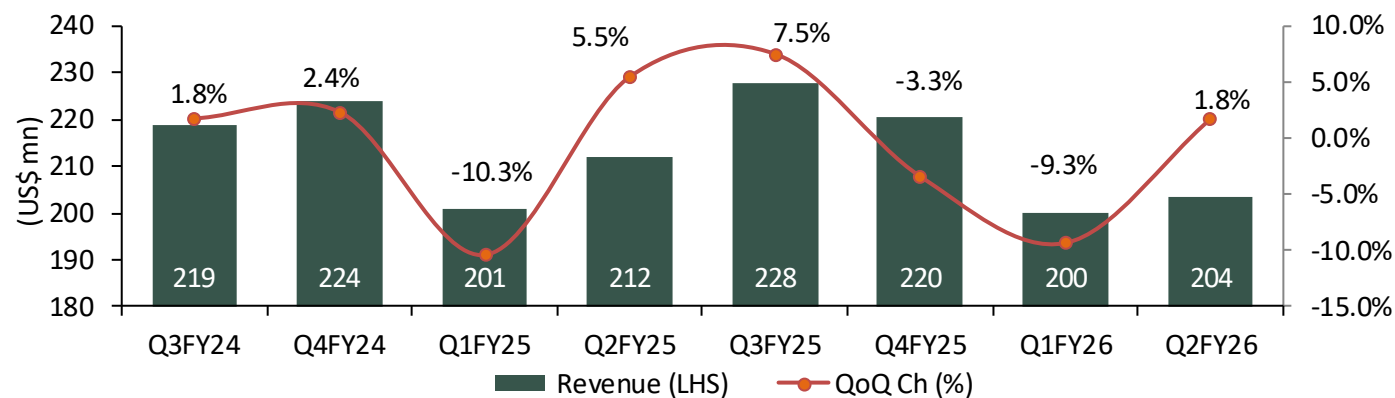
Year-end: March	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)
Revenue (US\$ mn)	203.5	200.0	1.8	212.0	(4.0)
Revenues	17,810	17,118	4.0	18,491	(3.7)
COGS	12,127	11,114	9.1	12,172	(0.4)
Gross profit	5,684	6,004	(5.3)	6,320	(10.1)
SG&A	3,289	3,696	(11.0)	3,354	(1.9)
EBITDA	2,395	2,308	3.8	2,966	(19.2)
Depreciation & amortization	722	681	6.1	660	9.4
EBIT	1,673	1,627	2.8	2,306	(27.4)
Other income	340	534	n.m.	237	43.5
PBT	2,013	2,161	(6.9)	2,543	(20.8)
Tax	536	562	(4.6)	676	(20.7)
Minority interest	-202	-61	n.m.	-76	n.m.
Adjusted net profit	1,275	1,538	(17.1)	1,791	(28.8)
Exceptional items	0	-	n.m.	0	n.m.
Reported net profit	1,275	1,538	(17.1)	1,791	(28.8)
Reported EPS (Rs.)	11.56	13.95	(17.1)	16.28	(29.0)
Recurring EPS (Rs)	11.56	13.95	(17.1)	16.28	(29.0)
As % of net revenue					
Gross profit	31.9	35.1		34.2	
SG&A	18.5	21.6		18.1	
EBITDA	13.4	13.5		16.0	
EBIT	9.4	9.5		12.5	
Reported net profit	7.2	9.0		9.7	
Tax rate	26.6	26.0		26.6	

Source: Company; IDBI Capital Research

Exhibit 2: Estimates Revision

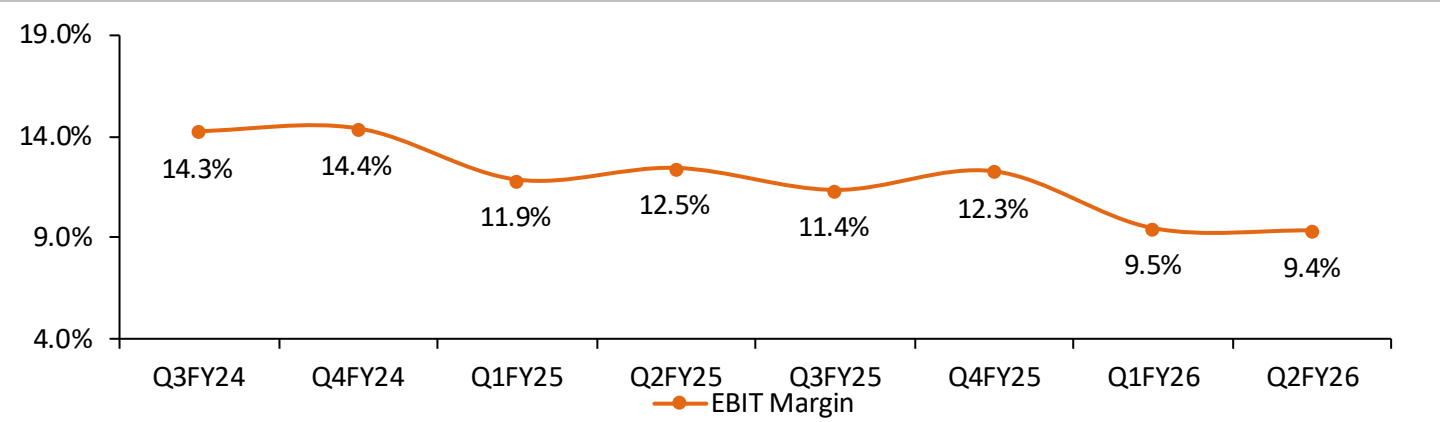
Year to March	FY26E			FY27E		
	New	Old	(%)	New	Old	(%)
Revenue (USDm)	825	956	-13.7%	923	1076	-14.2%
Revenue (Rs mn)	71,757	81,048	-11.5%	78,477	91,498	-14.2%
EBIT (Rs mn)	8,308	9,636	-13.8%	9,708	11,451	-15.2%
EBIT margin (%)	11.6%	11.9%	-31 bps	12.4%	12.5%	-14 bps
EPS (Rs)	57.3	72.3	-20.2%	67.3	84.8	-20.2%

Source: Company; IDBI Capital Research

Exhibit 3: Q2FY26 consolidated revenue grew by 1.8% QoQ

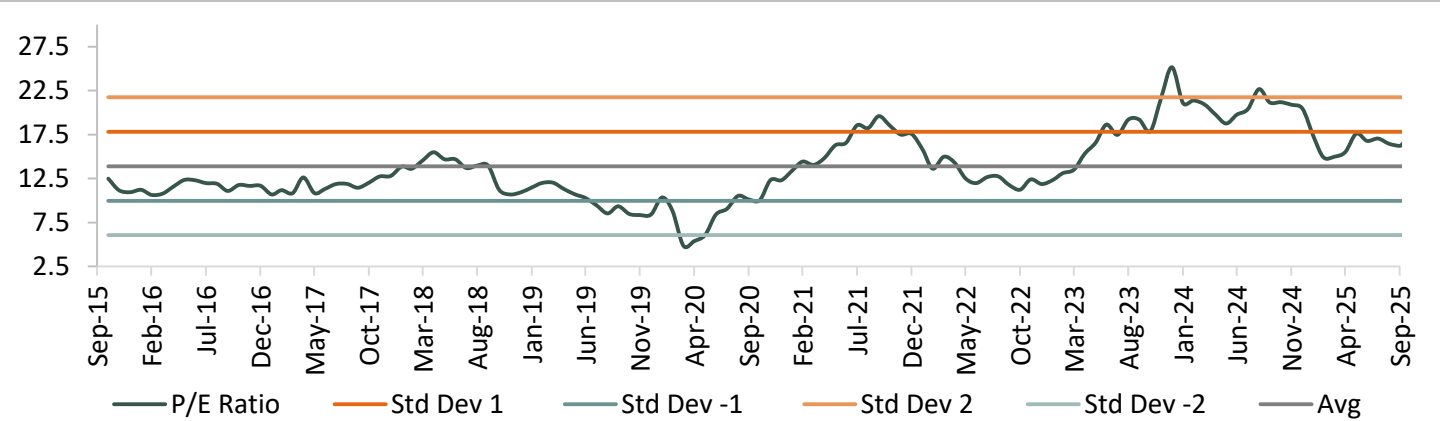
Source: Company; IDBI Capital Research

Exhibit 4: Q2FY26 EBIT margin flat (-12bps) on QoQ basis



Source: Company; IDBI Capital Research

Exhibit 5: One-year forward PER trend



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	45,344	60,159	71,472	73,604	71,757	78,477
<i>Change (yoy, %)</i>	9.7	33	19	3	(3)	9
Operating expenses	(37,124)	(50,129)	(58,497)	(62,092)	(60,823)	(65,724)
EBITDA	8,220	10,030	12,975	11,513	10,934	12,753
<i>Change (yoy, %)</i>	34.6	22	29	(11)	(5)	17
<i>Margin (%)</i>	18.1	16.7	18.2	15.6	15.2	16.3
Depreciation	(1,922)	(2,566)	(2,666)	(2,672)	(2,626)	(3,045)
EBIT	6,298	7,464	10,309	8,841	8,308	9,708
Interest paid	(434)	(1,000)	(1,160)	(928)	(723)	(1,040)
Other income	1,122	814	661	966	1,697	2,140
Pre-tax profit	6,986	6,811	9,290	8,879	9,282	10,808
Tax	(1,761)	(1,667)	(2,314)	(2,289)	(2,458)	(2,878)
<i>Effective tax rate (%)</i>	25.2	24.5	24.9	25.8	26.5	26.6
Minority Interest	0.9	-	(148.0)	(374.5)	(463.0)	(463.0)
Net profit	5,225	5,144	6,828	6,215	6,361	7,467
Exceptional items	-	(467)	(520)	-	-	-
Adjusted net profit	5,225	5,611	7,348	6,215	6,361	7,467
<i>Change (yoy, %)</i>	40.7	7	31	(15)	2	17
EPS	47.3	50.7	66.2	56.0	57.3	67.3
DPS	24.0	26.0	33.0	39.0	45.0	45.0
<i>Dividend Payout (%)</i>	50.7	51.2	49.9	70	79	67

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	31,166	34,667	42,581	53,095	54,461	56,933
Share capital	552	553	555	555	555	555
Reserves & surplus	30,614	34,114	42,026	52,540	53,906	56,378
Total Debt	3,264	9,336	4,526	2,138	5,536	5,036
Other liabilities	695	1,400	1,401	1,257	1,257	1,257
Curr Liab & prov	12,780	20,110	18,540	15,947	15,176	16,317
Current liabilities	11,019	17,357	15,601	12,846	12,226	13,090
Provisions	1,761	2,753	2,939	3,101	2,951	3,227
Total liabilities	16,739	30,846	24,467	19,342	21,969	22,610
Total equity & liabilities	47,873	65,481	70,036	76,946	80,939	84,052
Net fixed assets	13,106	24,059	24,999	25,684	25,108	24,064
Investments	3,582	3,463	3,598	2,798	2,798	2,798
Other non-curr assets	2,213	6,046	5,848	7,009	7,009	7,009
Current assets	28,972	31,913	35,591	41,455	46,024	50,182
Inventories	2,790	4,358	4,676	5,766	4,695	5,134
Sundry Debtors	7,333	11,271	12,617	14,067	12,667	13,854
Cash and Bank	13,532	8,912	10,593	14,796	23,165	25,182
Loans and advances	3,476	4,527	4,775	4,345	2,556	2,795
Total assets	47,873	65,481	70,036	76,946	80,939	84,052

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	6,986	6,811	9,290	8,879	9,282	10,808
Depreciation	1,922	2,566	2,666	2,672	2,626	3,045
Tax paid	(1,544)	(962)	(2,313)	(2,433)	(2,458)	(2,878)
Chg in working capital	(94)	773	(3,482)	(4,703)	3,490	(725)
Other operating activities	(679)	(3,605)	4,860	(121)	(439)	(412)
Cash flow from operations (a)	6,591	5,583	11,021	4,294	12,500	9,838
Capital expenditure	(1,904)	(13,519)	(3,606)	(3,357)	(2,050)	(2,000)
Chg in investments	(3,238)	119	(135)	800	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	(5,142)	(13,400)	(3,741)	(2,557)	(2,050)	(2,000)
Equity raised/(repaid)	2	1	2	-	-	-
Debt raised/(repaid)	80	6,072	(4,810)	(2,388)	3,398	(500)
Dividend (incl. tax)	(2,650)	(2,876)	(3,663)	(4,329)	(4,995)	(4,995)
Chg in minorities	1	-	2,872	1,147	(463)	(463)
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	(2,567)	3,197	(5,599)	(5,571)	(2,060)	(5,958)
Net chg in cash (a+b+c)	(1,118)	(4,620)	1,681	(3,834)	8,390	1,880

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	282.3	313	384	478	491	513
Adj EPS (Rs)	47.3	50.7	66.2	56.0	57.3	67.3
Adj EPS growth (%)	40.2	7	30	-15	2	17
EBITDA margin (%)	18.1	16.7	18.2	15.6	15.2	16.3
Pre-tax margin (%)	15.4	11.3	13.0	12.1	12.9	13.8
Net Debt/Equity (x)	-0.3	0.0	-0.1	-0.2	-0.3	-0.4
ROCE (%)	18.4	19	21	16	13	14
ROE (%)	17.2	17	19	13	12	13

DuPont Analysis

Asset turnover (x)	1.0	1.1	1.1	1.0	0.9	0.9
Leverage factor (x)	1.5	1.7	1.8	1.5	1.5	1.5
Net margin (%)	11.5	9.3	10.3	8.4	8.9	9.5

Working Capital & Liquidity ratio

Inventory days	22	26	24	29	24	24
Receivable days	59	68	64	70	64	64
Payable days	52	52	43	23	23	23

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	24.9	23.3	17.8	21.1	20.6	17.5
Price/Book value (x)	4.2	3.8	3.1	2.5	2.4	2.3
EV/Net sales (x)	2.6	2.2	1.7	1.6	1.6	1.4
EV/EBITDA (x)	14.6	13.1	9.6	10.3	10.4	8.7
Dividend Yield (%)	2.0	2.2	2.8	3.3	3.8	3.8

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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