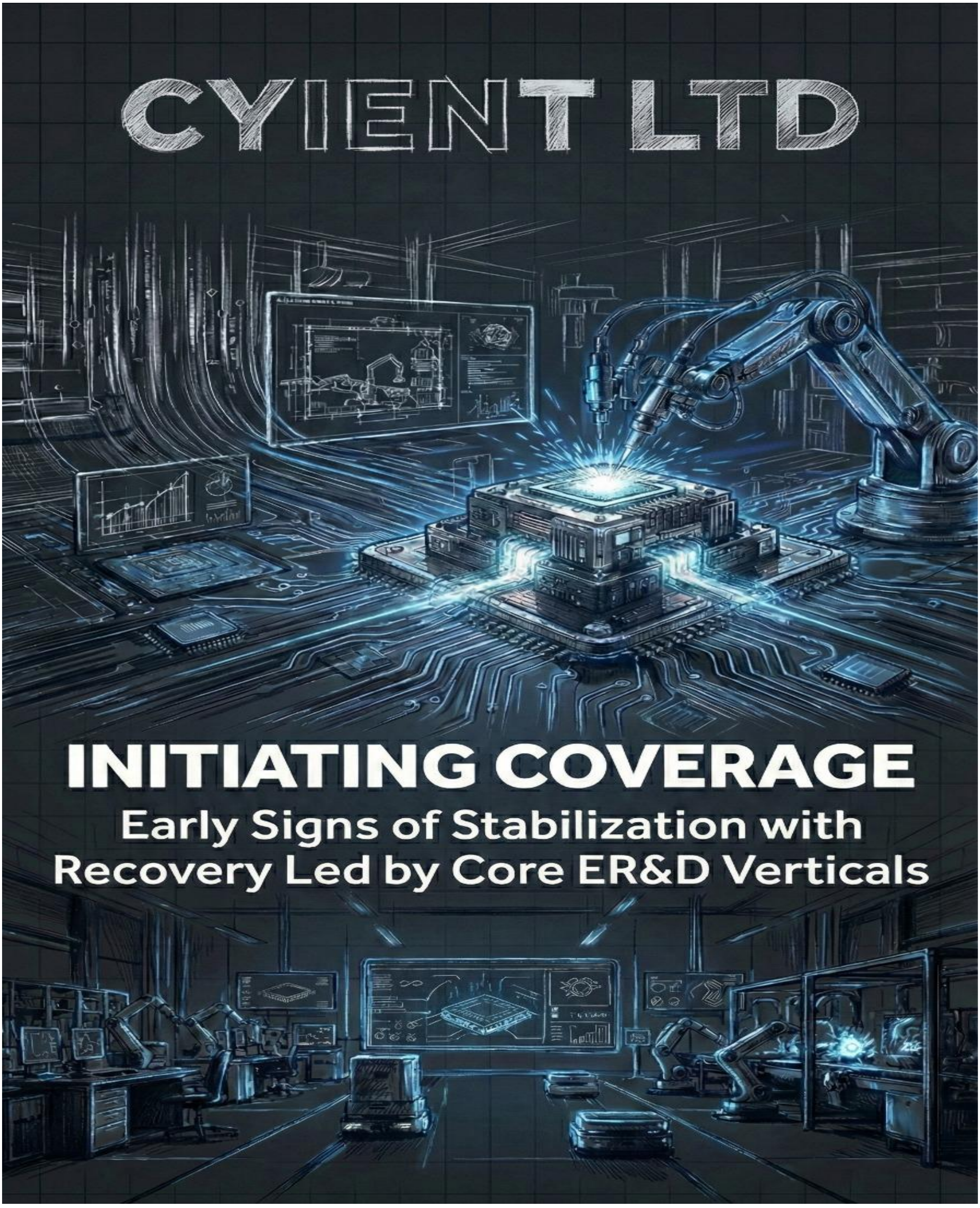

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Cyient Ltd

Initiating Coverage
16th Jan 2026

Early Signs of Stabilization with Recovery Led by Core ER&D Verticals

CMP: INR 1173

Rating: BUY

Target Price: INR 1,602

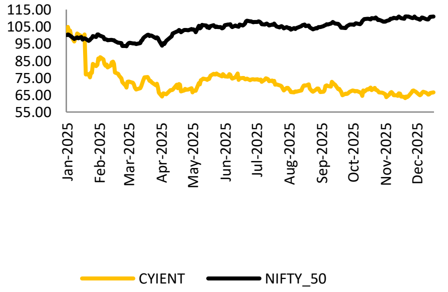
Stock Info	
BSE	532175
NSE	CYIENT
Bloomberg	CYIENT IN
Reuters	CYIENT.BO
Sector	IT Services & Consulting
Face Value (INR)	5
Equity Capital (INR Mn)	555
Mkt Cap (INR Mn)	1,28,800
52w H/L (INR)	1,845/1,050
Avg Yearly Vol (in 000')	592

Shareholding Pattern %
(As on September, 2025)

Promoters	23.28
FII	17.56
DII	38.42
Public & Others	20.71

Stock Performance (%)	1m	3m	12m
Cyient Ltd	-5.3	-4.4	-39.4
Nifty	0.3	5.6	9.5

Cyient Vs Nifty 50



Cyient Ltd is a pure-play Engineering Research & Development (ER&D) services provider with nearly three decades of operating history and is among the earliest ER&D firms to be listed in India. Unlike traditional IT services, ER&D is deeply embedded in clients core engineering and product development processes, making it IP-intensive, mission-critical, and structurally stickier. While ER&D scales more slowly than IT due to cautious outsourcing of core engineering work, vendor replacement risk is materially lower once trust and integration are established. Cyient's robust positioning across the aerospace value chain from initial design through manufacturing to aftermarket support remains a core competitive advantage. The company offers engineering design, digital transformation, geospatial services, and electronics/precision manufacturing, supporting clients across product development, embedded systems, mechanical engineering, simulation, cloud, AI/ML, IoT, data analytics, and cybersecurity. Through Cyient DLM, it provides build-to-print and build-to-spec electronics manufacturing.

Why positive

Structural tailwinds in aerospace and sustainability continue to support Cyient's long-term prospects, even as near-term performance was impacted by transitory challenges. Growth was affected by a higher exposure to short-cycle projects, leadership transition following the CEO's resignation in Q4FY25, and tariff-related uncertainty that weighed on the ER&D industry in Q1FY26.Performance improved in Q2FY26, with a gradual recovery expected to continue through the H2FY26, driven by aerospace recovery, growing semiconductor capabilities, and gradual normalization in communications.

Integrated Transportation & Mobility Platform
Transportation & Mobility remains a core vertical for Cyient, contributing 40.4% of FY25 revenues across aerospace, rail, and automotive. The rail segment has now stabilized at ~USD 25–30 mn (down from ~USD 60–65 mn earlier) following the merger of top client and on-site rationalization. While rail is no longer a growth driver, it is retained for niche capabilities and potential upside from government-led capex. Growth within the Transportation & Mobility vertical is primarily driven by aerospace and automotive/mobility.

Strategic Units: Targeted Growth Platforms
The Strategic Units of Cyient, namely Mining & Minerals, Energy, and Healthcare & Lifesciences, represent 27.4% of revenues and are aligned to drive high growth in niche areas. Like Healthcare has been reshaped to emphasize innovation in the Product-to-Platform, Legacy Modernization, and QARA acceleration verticals, serving both innovation and modernization strategies, whereas Mining & Healthcare are contributing to immediate revenue growth. Although the Energy vertical remains the largest contributor to revenues and has challenged the company due to ramp-downs in projects and seasonality, the influence of the energy transition and data center growth in the coming years is anticipated to drive growth.

Aerospace Recovery Gains Momentum
The commercial aerospace sector is steadily recovering post-pandemic, with passenger traffic nearing pre-COVID levels and aircraft orders reflecting strong industry confidence. Cyient's end to end presence in aerospace, including security-cleared facilities and Build-to-Specification (B2S) capabilities, strengthens its competitive edge. While FY24 early FY25 saw slower growth due to supply chain bottlenecks, pandemic-related workforce losses, and geopolitical disruptions, production at Boeing and Airbus is improving in CY25, with further gains expected in 2026–27. Demand remains strong, with orders exceeding deliveries, though the global supply chain remains fragile, as highlighted by Airbus's CY25 guidance cut due to supplier issues.

Outlook & Valuation

Over the past year, while demand trends remained favorable, Cyient's performance fell short of expectations due to execution gaps, leadership transitions, and macroeconomic uncertainty. Despite these challenges, the company is entering a stabilization phase. With a diversified portfolio across aerospace, communications, transportation, and strategic verticals, Cyient is well positioned for H2FY26 outperformance, driven by aerospace recovery, growing semiconductor capabilities, and gradual normalization in communications. The company is strategically investing in AI, software-defined products, and cloud-native engineering to capitalize on emerging opportunities. Within its Digital Engineering and Technology (DET) segment, Cyient targets a medium-term EBIT margin of 15% over the next 24 months, supported by a proven framework for cost and cash management. Growth momentum is expected to strengthen in H2FY26, fueled by recovery in commercial aerospace, rising demand for energy transition solutions, and the accelerated trajectory of the newly launched semiconductor subsidiary. We expect H2FY26 to materially outperform H1, indicating early normalization.), along with a ~150 bps improvement in EBIT margins over FY26–28.

Cyient DLM is becoming more diversified, with higher traction in industrial, automotive (including EV infrastructure) and medical segments, alongside a gradual increase in build-to-spec (BTS) programs, which enhance long-term revenue stability and customer stickiness, although bulk production revenues are expected largely from FY28 onwards. Order momentum remains strong, with Q2 order intake of ~INR 500 Cr and a book-to-bill of 1.6; and expects a FY26 book-to-bill of ~1.4–1.5, providing healthy revenue visibility into FY27. Margin performance has improved meaningfully, with double-digit EBITDA margins achieved despite lower volumes, driven by a favourable mix and exit of low-margin business. Current order book carries a similar or better margin profile, supporting margin sustainability. Overall, we believe the worst is behind for Cyient DLM, with FY27 likely to see a cleaner growth trajectory, sustained margin improvement and a more balanced business mix.

We expect Cyient revenue, EBITDA, and PAT to grow at a CAGR of 7.74%, 14.03%, and 13.27%, respectively, over FY26E-28E. The stock is trading at EV/EBITDA of 8.96x based on FY28 EBITDA. At the CMP of INR 1,173 per share, we initiate a "BUY" rating at a TP of INR 1,602 per share, valued at an SOTP, implying an upside of 36.3%.

Exhibit 1: SOTP

SOTP					
INR (Mn)	Valuation Method		Mutliple	Stake	EV
DET	EV/EBITDA	11,851	12	100	1,42,215
DLM	DCF	47,287		52.20%	24,684
Discount To Listed Company				20.00%	19,747
Semicoductor	Investment Cost	7720			7,720
Total					1,69,682
Net Debt					-9,297
Market Cap					1,78,980
No. Of Shares					111
TP					**1,612**
CMP					**1173**
Upside					**37.5%**

Exhibit 2: Financials (Consolidated INR Mn)

Year-end March							
(INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY23	60,159	10,031	5,144	46.5	16.7%	13.1	25.2
FY24	71,472	13,028	7,028	63.3	18.2%	9.6	18.5
FY25	73,604	11,433	6,483	58.4	15.5%	10.4	20.1
FY26E	72,422	10,332	6,168	55.6	14.3%	11.5	21.1
FY27E	76,950	11,514	6,724	60.6	15.0%	10.3	19.4
FY28E	84,071	13,435	7,914	71.3	16.0%	9.0	16.5

Source: Arihant Research, Company fillings

Investment Rationale

Transportation & Mobility: Scaling Up on Aerospace Recovery

Transportation & Mobility vertical remains a key growth engine, underpinned by a sustained recovery in commercial aerospace. The company's security-cleared facilities position it well to participate in sensitive defense programs, while its Build-to-Specification (B2S) capabilities are gaining traction, enabling highly customized engineering solutions. Cyient supports leading rail operators and automotive OEMs through embedded systems, digital validation, and lifecycle services, and its recent multi-year wins with Japanese eVTOL players underscore its expanding presence in next-generation mobility.

The segment contributes ~40.4% of revenues, dominated by aerospace, with meaningful exposure to rail and automotive. While historically Cyient's strongest vertical, transportation faced significant headwinds from COVID-19 and subsequent supply-chain disruptions, impacting volumes and revenue share. Looking ahead, we expect the vertical to steadily scale over the next three years, supported by a robust order backlog and sustained global demand for new aircraft.

Exhibit 3: By Business Unit (%)

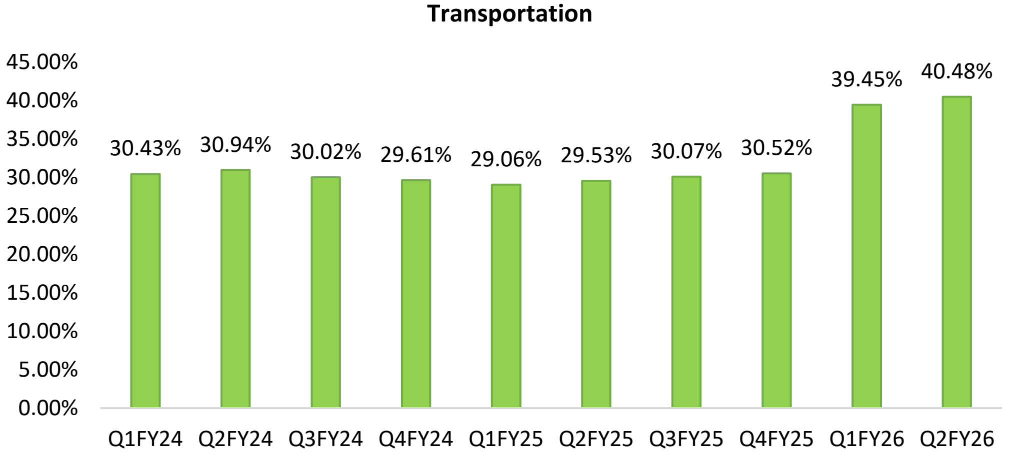
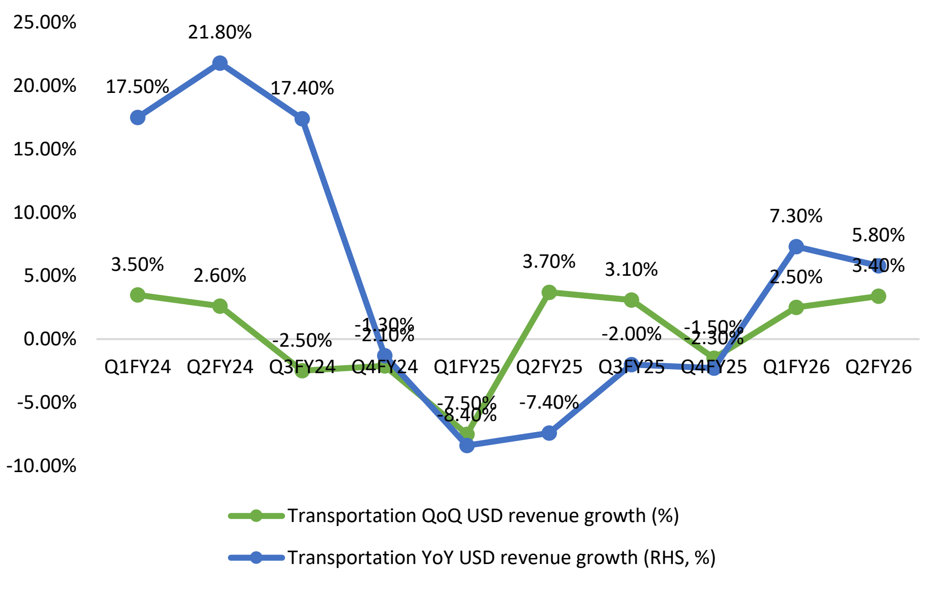


Exhibit 4: Transportation revenue growth



Source: Arihant Research, Company fillings

Strong performance with a Q2FY26 revenue of $66.4 mn, representing a 5.8% increase in US dollar terms. Recent successes include a multi-year deal with a Japanese eVTOL player to design and manufacture flight control systems. This vertical leverages the company's deep-rooted Engineering DNA to deliver solutions from initial design through aftermarket support. By focusing on software-defined mobility, Cyient is effectively mitigating cyclical industry slowdowns.

Leadership in Sustainable Mobility and eVTOL

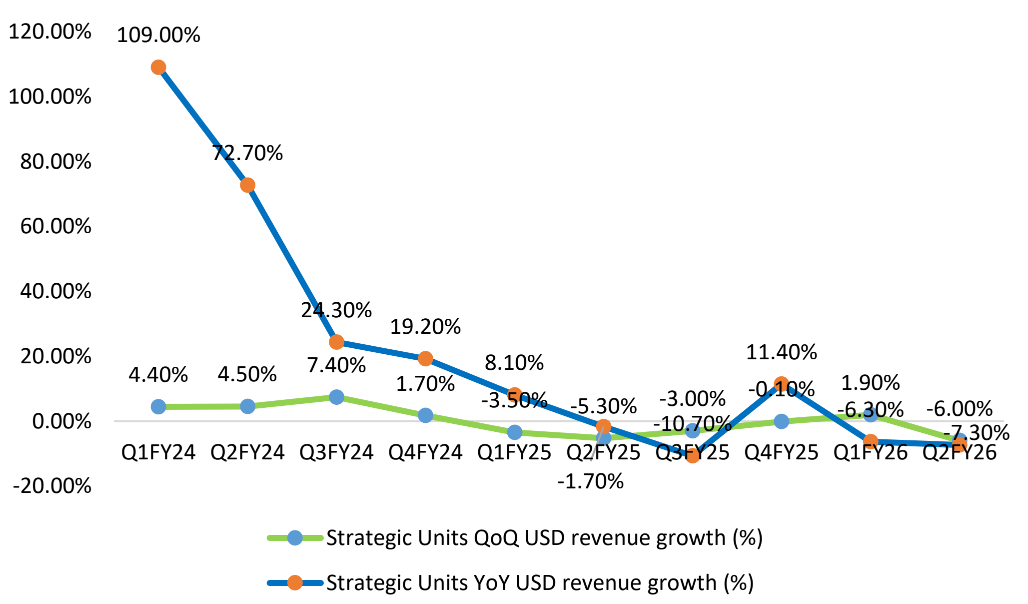
The company is actively positioning itself as a key engineering partner for the future of transportation, specifically electric mobility and space systems. The company has secured significant contracts in the eVTOL (electric vertical takeoff and landing) sector for designing flight control systems. It has also been awarded a multi-year manufacturing contract for electric charging systems, tapping into the rapid adoption of electric vehicles globally. These wins in emerging high-growth segments demonstrate Cyient's ability to pivot its core engineering strengths toward future-ready technologies. The "Transportation and Mobility" business unit showed a strong recovery in Q2FY26, growing 3.9% QoQ. This focus on sustainable mobility aligns with global megatrends and ensures long-term relevance.

Strategic Units

Restructured into Mining & Minerals, Energy, and Healthcare & Lifesciences, these units prioritize high-growth niche markets. The restructuring was designed to enhance agility and ensure greater alignment with evolving client needs across the sustainability spectrum. Healthcare, in particular, has been reoriented **into three strategic pillars: Product to Platform, Legacy Product Modernization, and QARA Acceleration.** These changes allow Cyient to simultaneously manage new product innovation and the modernization of legacy systems for global medical clients.. The Strategic Units saw a revenue of $45.1 mn in Q2FY26, as the group continues to invest in specialized domain expertise. This refined focus positions the company to capitalize on rising global healthcare needs and industrial digital transformation.

Strategic verticals experienced prolonged weakness after a large legacy project ended without immediate replacement, causing multi-quarter revenue decline. The base impact is now mostly behind, and the decline has stabilized. With new leadership in place, management is rebuilding the pipeline, though a sharp near-term recovery is unlikely.

Exhibit 5: Strategic Units revenue growth



Source: Arihant Research, Company fillings

Sustainability Solutions Benefit from Structural Tailwinds in Energy Transition and Data Centers

Global momentum toward energy transition has sustained significant investments in grid modernization and digital infrastructure. Governments and industries are currently aligning to meet ambitious climate objectives, including tripling clean energy capacity by 2030.Cyient's Sustainability unit offers comprehensive capabilities in plant engineering and asset performance optimization. Global energy demand is projected to increase by 20-30% by 2035, driven by data centers, EVs, and green hydrogen. This vertical represents a significant 27% of total group revenue, highlighting its strategic importance.

Digital Engineering and Intelligent Infrastructure

Cyient's Intelligent Engineering approach combines core engineering with advanced technologies to drive innovation across products, plants, and networks. The company has designed full-scope power plants across 12 categories, including nuclear, hydrogen, and ammonia. In the communications sector, Cyient's network solutions have helped connect nearly half of the world's population. The company is moving network carriers toward level 5 autonomy through its management and observability platforms. By focusing on network automation and autonomy, Cyient addresses the massive demand for modernized digital infrastructure. These capabilities ensure that Cyient remains an indispensable partner for utilities and telecommunications giants globally.

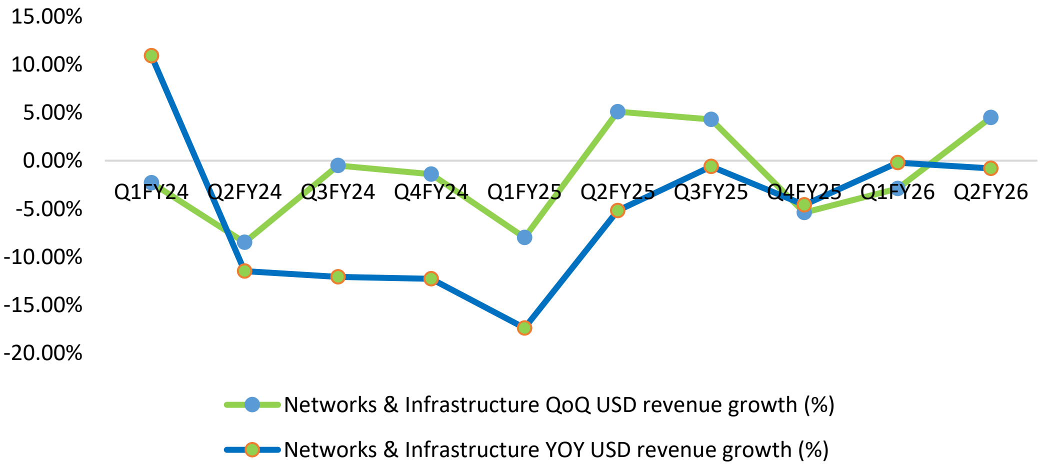
Communications operates across North America, Europe, and APAC, with strengths in wireless planning, rollout, and fiber engineering. The SSF (Portugal) acquisition enhanced wireless capabilities. Recent softness stemmed from deferred telecom capex amid high interest rates and execution delays, but the segment is expected to recover and become a secondary growth driver alongside aerospace.

Network Infrastructure and the Shift to Autonomous Systems

In FY25, Cyient's Connectivity portfolio achieved its highest-ever order intake, despite macroeconomic constraints on capital interest rates. The company is shifting its focus from traditional wireline services to high-growth wireless manageability and network autonomy. A flagship success is the Cyient VISMON AI platform, which intelligently detects and resolves network issues for leading providers.

Cyient's strategy involves helping global carriers move toward Level 5 network autonomy over the next four to five years. Large-scale government programs, such as the BEAD and RDOF initiatives in the U.S., are expected to further catalyze infrastructure growth in underserved regions.

Exhibit 6: Network Infrastructure revenue growth



Expansion in Aerospace and Defense Segments

Cyient has a deep-rooted leadership in the commercial aerospace sector, which is currently on a post-pandemic recovery trajectory. The company contributes to more than half of the engine outcomes for global jet engine manufacturers.

In the defense segment, the company is seeing an uptick in investment due to geopolitical uncertainties that are reshaping national security priorities. The company maintains security-cleared facilities, allowing it to handle sensitive and mission-critical defense contracts. Growth in these sectors is driven by accelerating digital transformation and aftermarket services where Cyient has deep domain expertise.

Moving into FY26, the strategy for navigating this demand environment pivots on accelerating digital transformation initiatives, driving product innovation through B2S, and expanding high-value aftermarket services. Company's core competitive advantage remains its robust positioning across the entire value chain, from initial design through manufacturing to long-term aftermarket support

Exhibit 7: YoY deliveries showed improvement.

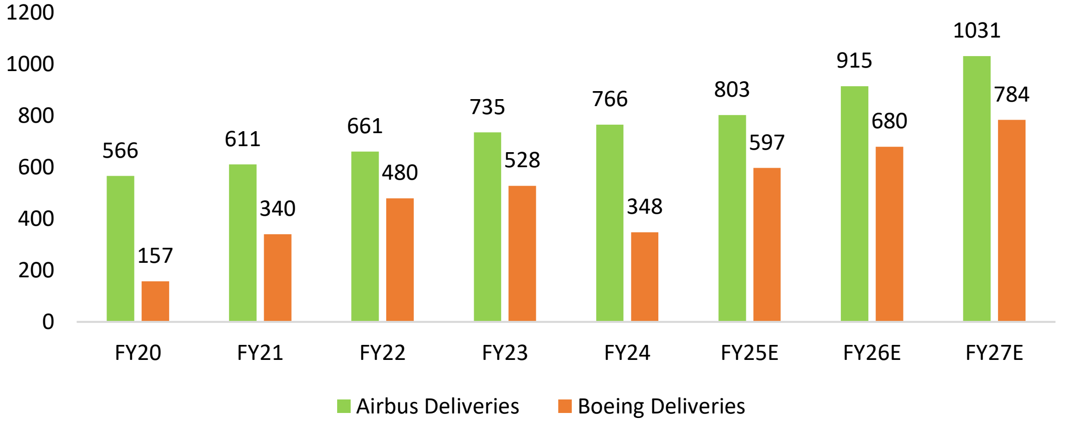
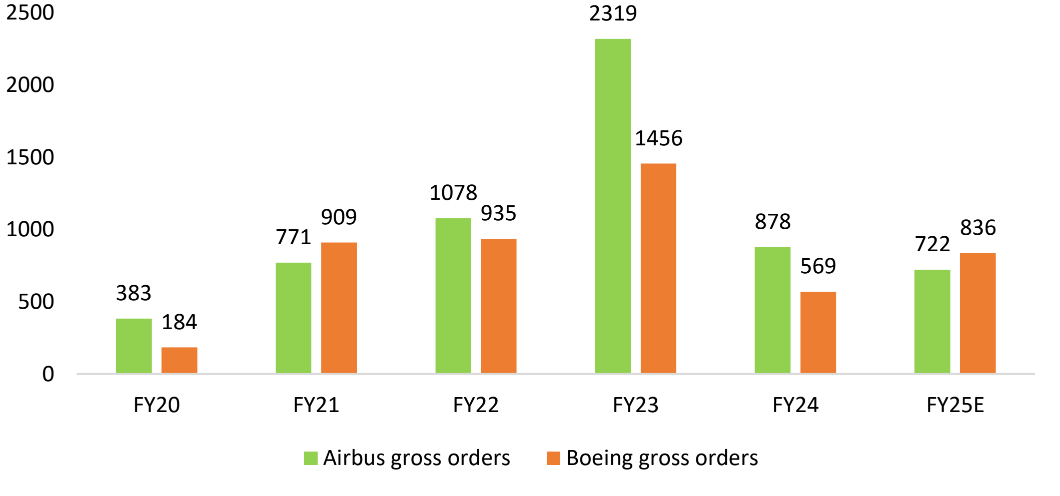


Exhibit 8: Order growth has improved largely



Source: Arihant Research, Company fillings

Aerospace revenues fell sharply post-COVID from ~USD 200 mn to ~USD 120 mn, but the company successfully navigated the downturn. The segment has since grown for 14–15 consecutive quarters, with a shift toward a balanced mix of manufacturing support and MRO, enhancing stability. The company expects high single - to low double-digit growth, supported by high entry barriers and long certification cycles.

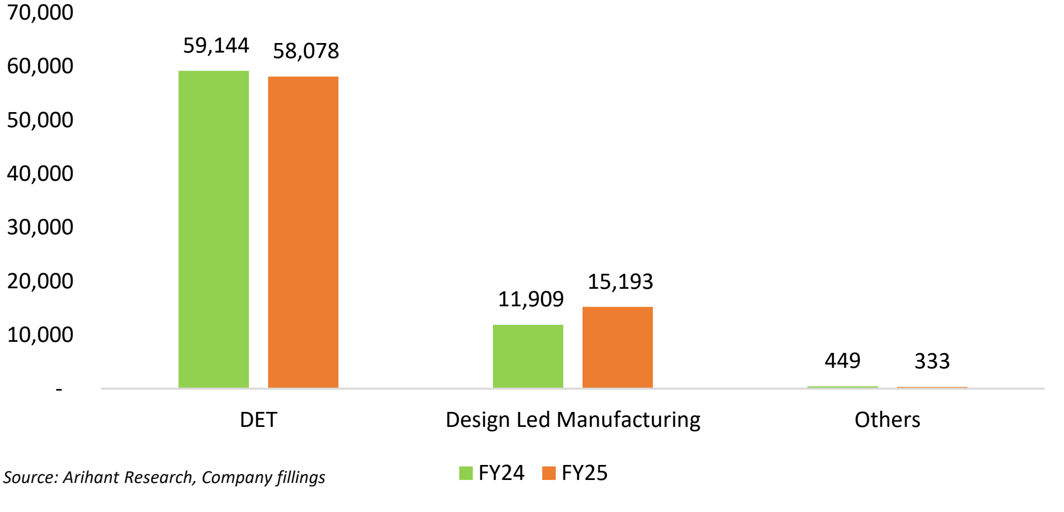
Market Leadership in India's Semiconductor Modernization

Has secured a prestigious position in the government of India's semiconductor mission, reflecting its national and global credibility. The company was selected among the top three of 28 bidders for the government's semiconductor complex modernization program. This program involves complex process upgrades and multi-partner orchestrations that demonstrate Cyient's technical depth. Additionally, Cyient co-developed India's next-generation smart meter chip, which was launched by the government as a major success for domestic IP. By leveraging the 20% of the world's design talent available in India, Cyient is filling a critical gap as a homegrown semiconductor product leader. This alignment with national policy provides structural tailwinds and unique opportunities for government-backed large-scale programs.

Cyient Semiconductors has signed a definitive agreement to acquire a majority stake in Kinetic Technologies for up to USD 93 mn (over 65 % of the company) on December 17, 2025. The deal is expected to close by April 30, 2026 subject to customary conditions. This acquisition is described as a game-changer that establishes a scaled platform in the $40 bn-plus power semiconductor market. Kinetic Technologies brings a proven portfolio of high-performance analog and mixed-signal ICs, including power conversion and protection solutions. The deal is expected to be EBIT accretive from Year 1 (FY27) and EPS accretive from Year 2, providing immediate financial benefits. By integrating Kinetic's design depth with Cyient's custom ASIC engine, the group can shorten development cycles significantly. This transaction accelerates Cyient's power semiconductor strategy by years and doubles the addressable market for its specialized chips.

The last 2–3 years saw execution challenges due to portfolio skew and leadership transitions, but with a new team now stabilizing operations, Q2 delivered ~0.5% cc sequential growth and company expects H2FY26 to materially outperform H1, indicating early normalization.

Exhibit 9: Segments (INR in Mn)



Source: Arihant Research, Company fillings

In FY25, the Company initiated the carve-out of its semiconductor business into a wholly owned subsidiary, Cyient Semiconductors Private Limited (CSPL), to tap growing opportunities in the sector. Following Board approval on March 31, 2025, the carve-out process commenced with the transfer of net assets, contracts, and employees. This transfer spans operations in India, the USA, Germany, Belgium, and Taiwan. Necessary agreements for the restructuring will be executed in due course.

Turnkey ASIC Solutions and Intellectual Property Portfolio

Semiconductor strategy is built on the second pillar of turnkey ASIC solutions, which provides end-to-end concept-to-silicon services. The group owns the design, manufacturing, and fabrication management, allowing it to provide bespoke solutions for complex industrial needs. Kinetic Technologies further bolsters this by adding more than 100 product patents to Cyient's existing collection of 600 IP blocks.

The company is currently tracking a $100 mn-plus pipeline for ASIC solutions for the year, with ASIC already contributing 66% of the semiconductor business. This IP-led approach moves the company away from low-margin services toward non-linear revenue growth. The ability to deliver high integration and form factor reduction makes Cyient a preferred partner for mid-tier customers.

Cyient was selected as a top-three bidder for the Government of India's semiconductor complex modernization program, highlighting its technical depth. The business expects to become EBIT-neutral by FY27 while maintaining a revenue run rate of $50 mn.

New Management Depth for the Semiconductor Business

To drive its ambitious semiconductor vision, Cyient has appointed Suman Narayan as CEO of Cyient Semiconductors. He is joined by Ramya Mohan as CFO, bringing significant financial expertise to the new subsidiary. This leadership team is focused on building India's largest semiconductor custom product company by leveraging the country's 20% of global design talent. They have already strengthened the ecosystem through strategic alliances with partners like Global Foundries and Anora for design to manufacturing capabilities. The management team has shifted the business mix so that ASIC solutions now contribute 66% of total semiconductor revenue. Under this new leadership, Cyient is transforming from a services provider to an IP-led global semiconductor platform.

Exhibit 10: Services Provide by Cyient in Semiconductor business

Feasibility	Defining Chip architecture	Development & prototyping	Qualification	Validation & Optimization
	Fabrication and Packaging	Manufacturing at Scale	Supply Chain Management	Lifecycle support & enhancement

Source: Arihant Research, Company fillings

Restructuring initiatives under the new CEO

Cyient's restructuring initiatives under the new CEO, Sukamal Banerjee, are beginning to show early signs of traction. Since assuming charge in February 2025, he has focused on restoring execution discipline and improving growth visibility by realigning the company's sales strategy, strengthening digital capabilities, and enhancing organizational effectiveness. The sales function has been restructured to deepen engagement with key accounts, pursue large and structured deal opportunities, and improve performance monitoring, resulting in a rising share of order intake from new deal wins (27% in Q2 versus 18% in Q4 earlier) and steady growth across identified key accounts. In parallel, Cyient has sharpened its digital offerings by building on its domain strengths and prioritizing core technology-led solutions such as AI-driven engineering, asset lifecycle management, and quality and regulatory assurance, supported by focused investments in data, AI, platforms, and embedded security reflected in recent digital deal wins. Additionally, organizational effectiveness initiatives, including margin improvement programs, process simplification, and a leadership refresh, are laying the groundwork for improved efficiency and execution, with a clear target of achieving a 15% EBIT margin by Q4FY27.

Improved Key Account Penetration

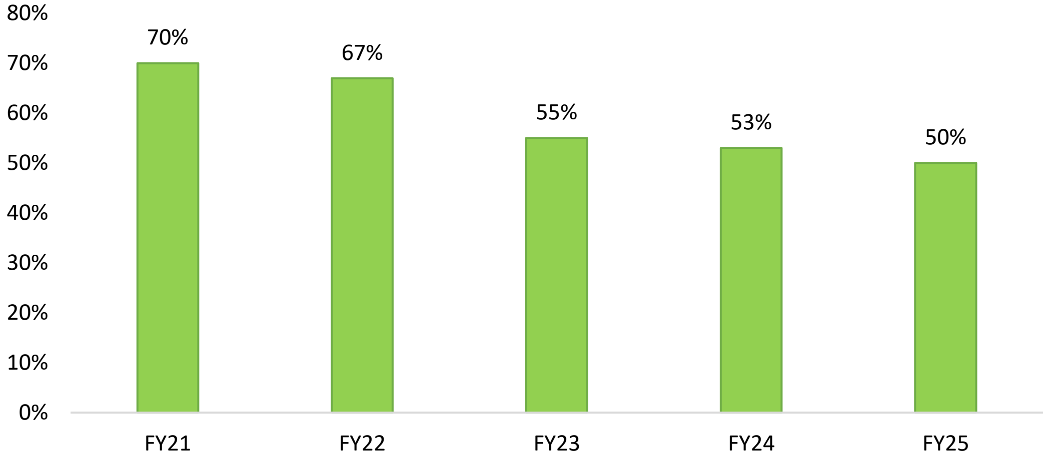
DET secured 24 large deals in FY25 with a total contract value of INR 3,135 cr.

Recent additions of marquee logos highlight the segment's continued relevance to global technology hyperscale's. Order intake showed significant improvement in the H2FY26 of the year. The segment's highest-ever free cash flow generation reinforces its foundational strength.

The Group remains focused on increasing revenue per customer through deeper engagement with strategic clients and higher up-sell and cross-sell opportunities. However, contribution from top customers in FY25 moderated versus prior years due to volatile demand cycles and cautious spending amid macroeconomic and geopolitical uncertainties.

In ER&D, growth is largely driven by expansion within existing accounts rather than rapid new-logo wins. Engagements typically start small and scale as client integration deepens. While new logos remain important, management emphasized account mining across services and platforms as the primary and more sustainable growth driver.

Exhibit 11:Top 20 Customers revenue



Source: Arihant Research, Company fillings

Deal wins are closely aligned with client budgeting cycles, particularly in the US, where budgets are finalized around calendar Q4. As a result, H2 is structurally stronger for order intake and revenue visibility, with further clarity expected during the upcoming Investor Day, likely in March.

Portfolio strategy

The company operates across transportation, communications, and strategic verticals with a consciously diversified portfolio, supported by long-standing marquee client relationships (e.g., Pratt & Whitney) that enhance resilience despite near-term execution volatility.

Financials Analysis…. (Consolidated INR Mn)

Exhibit 12: Steady revenue growth expected as Cyient scales core businesses. Assumes mid-single digit annual growth from deal wins

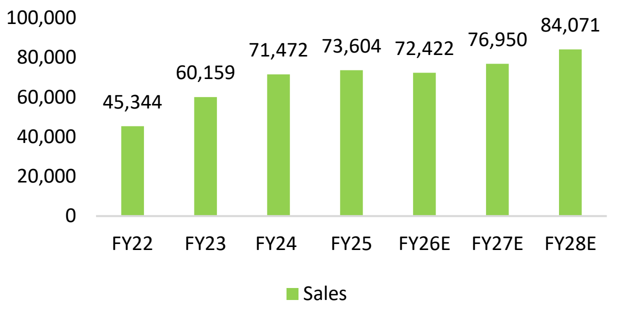


Exhibit 13: Margins expand with operating leverage. Assumes better utilization and cost control

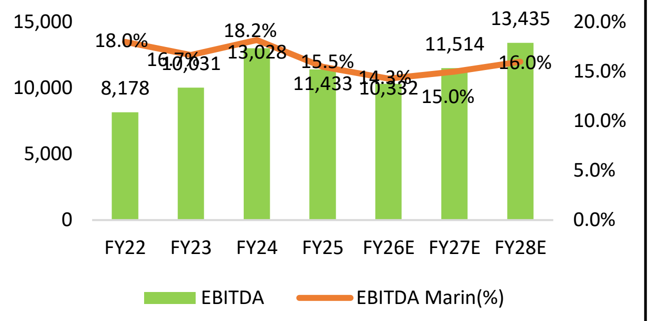


Exhibit 14: Profits rise steadily post-restructuring. Assumes one-offs behind, leverage ahead

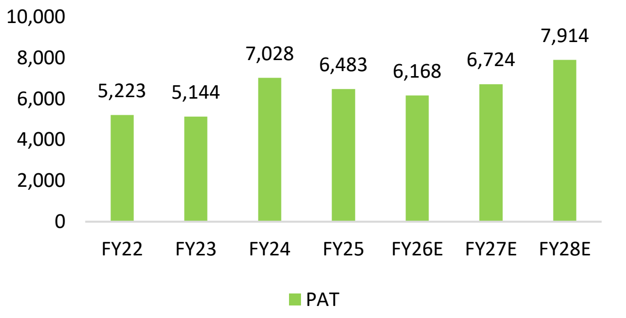


Exhibit 15: Earnings and dividends both trend higher. Assumes stable payout, strong cash flows.

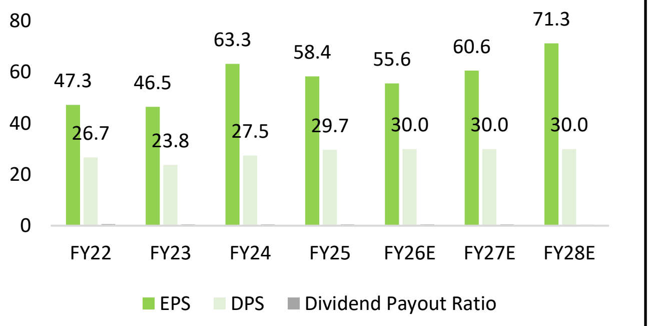


Exhibit 16:Returns dip then recover. Assumes investments start paying off

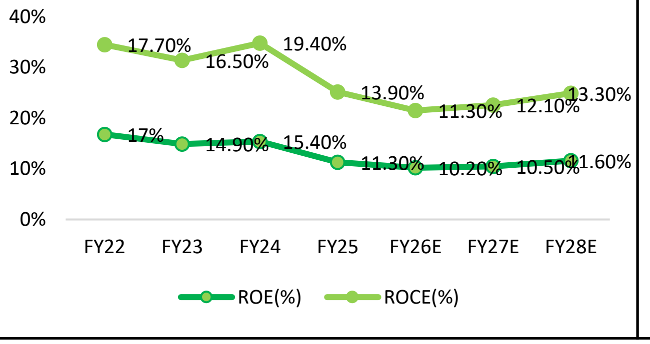


Exhibit 17: Days stay manageable. Assumes tight receivables control.

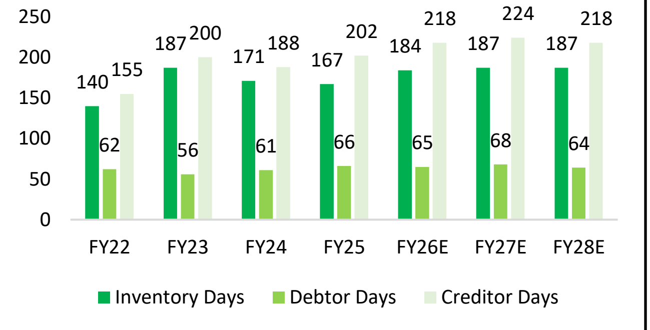
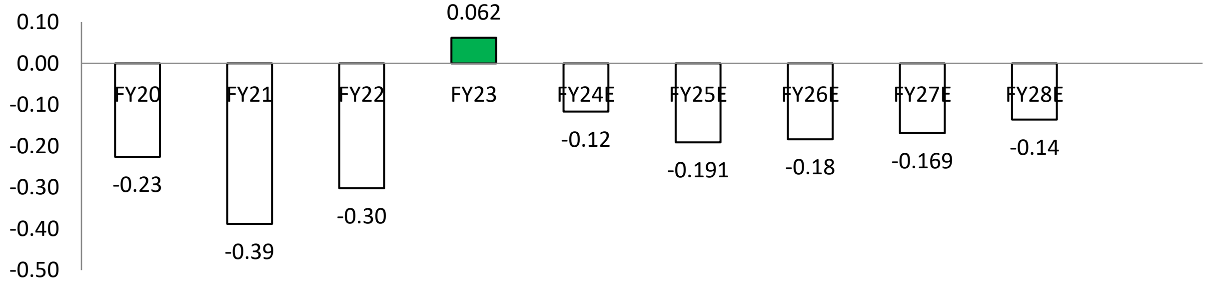


Exhibit 18: Near-term cash + execution credibility



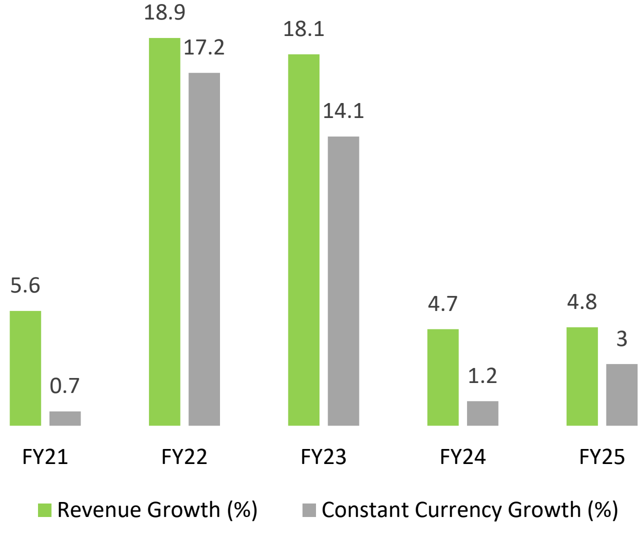
Source: Company, Arihant Research

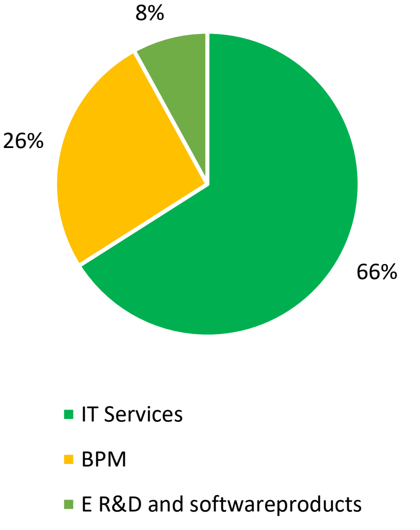
IT Industry overview

Indian IT & Engineering Services Industry: Transitioning to Value-led Growth

- The Indian IT and BPM industry remains one of the most critical pillars of India's export-led growth model and a key enabler of global enterprise digitisation. Over the last decade, the sector has undergone a structural transformation from a labour-arbitrage driven outsourcing destination to a strategic partner supporting mission-critical digital, engineering, and innovation initiatives for global enterprises.
- Industry revenues have expanded from US$118 Bn in FY15 to ~US$283 Bn in FY25, translating into a ~9% CAGR over the period. Export revenues, which form the backbone of the industry, stood at ~US$224 Bn in FY25, underlining India's entrenched role in global IT services delivery.
- However, FY24–FY25 marked a clear inflection in the growth cycle. After the exceptional post-pandemic expansion in FY22–FY23 driven by accelerated cloud adoption, digital transformation, and supply chain reconfiguration, the industry entered a phase of moderation.
- Elevated interest rates in developed markets, persistent inflationary pressures, tighter enterprise budgets, and geopolitical uncertainty led global corporations to defer discretionary technology spending. As a result, the Indian IT industry recorded ~4.8% YoY revenue growth in FY25 (~3% in CC terms), a shift from expansionary growth to a phase of consolidation.
- The industry demonstrated resilience through stable deal wins, sustained client engagements, and continued investments in next-generation technologies. Structural drivers such as digital transformation, cloud migration, engineering outsourcing, and AI adoption remain firmly intact, setting the stage for gradual normalisation in growth over the medium term.

Exhibit 19: Industry Revenue & Segments (Top listed companies)





Source: NPCIL, World Nuclear Association, Arihant Research

Structural Shift from Traditional IT to Engineering-led Digital Solutions

- **Indian IT & BPM industry spans 4 broad segments:** IT services, Business Process Management (BPM), software products and engineering services, and hardware. While traditional IT services covering application development, maintenance, and infrastructure services continue to contribute the largest share of revenues, the industry is undergoing a meaningful structural shift towards engineering-led and digital-first offerings.

IT Industry overview

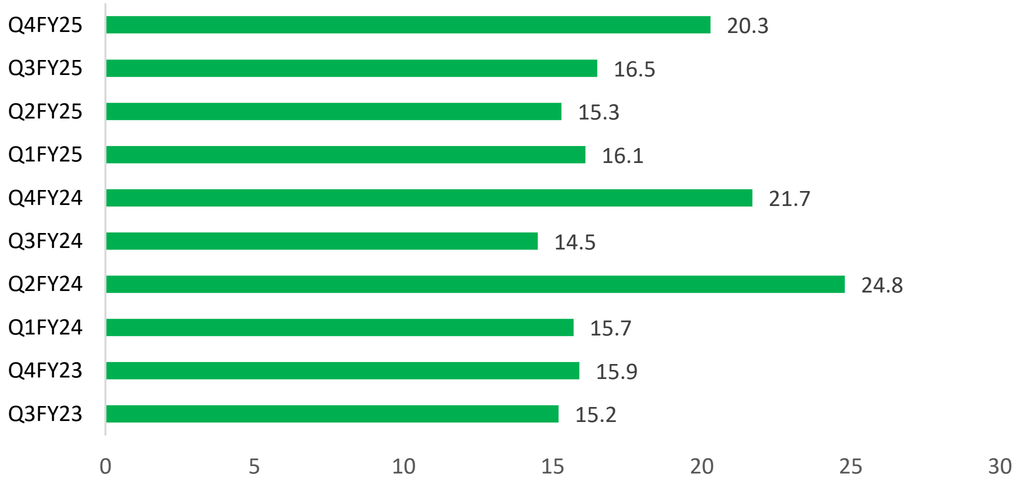
- India's IT services market is projected to reach US$28.9 Bn in 2025 and grow at a ~8.8% CAGR during 2025–2030. Growth is increasingly being driven by digital engineering, cloud-native development, data analytics, cybersecurity, and embedded systems. Client expectations have evolved from transactional service delivery to end-to-end solution ownership. Enterprises are increasingly engaging vendors across the entire product lifecycle covering concept design, engineering, testing, certification, deployment, and post-deployment support.

- Engineering and R&D (ER&D) services are witnessing faster growth relative to traditional IT, driven by verticals such as aerospace, automotive, railways, utilities, telecom, and industrial manufacturing. These verticals are experiencing rising technology intensity, regulatory complexity, and product customization requirements. Consequently, demand is shifting towards vendors with strong domain expertise, IP-led solutions, and deep engineering capabilities. This structural transition favors specialized engineering-centric players over scale-driven, commoditized IT service providers.

Near-term Demand Caution, Medium-term Normalisation Visible

- The global demand environment during FY25 remained cautious, with enterprises prioritising cost optimisation, vendor consolidation, and efficiency-driven technology investments. The slowdown was most pronounced in developed markets, particularly the US and Europe, which together account for a significant portion of Indian IT exports. Clients focused on extracting greater value from existing technology investments, leading to elongated deal cycles and delayed ramp-ups.
- Despite these headwinds, demand conditions improved sequentially in H2FY25. Deal activity picked up meaningfully, with enterprises resuming decision-making on large digital transformation and outsourcing programmes. Total Contract Value (TCV) signings improved, providing improved revenue visibility for FY26, even though near-term revenue conversion remains gradual.
- From a sectoral standpoint, BFSI and telecom remained cost-focused due to margin pressures and regulatory challenges. In contrast, manufacturing, utilities, transportation, aerospace, and defence exhibited relatively better demand traction. Engineering outsourcing gained prominence as enterprises sought to rationalise R&D costs, accelerate product development cycles, and leverage offshore engineering talent. This trend is structurally positive for engineering-focused IT players.

Exhibit:20 Deal Wins (USD Bn)



Source: NPCIL, World Nuclear Association, Arihant Research

Industry overview

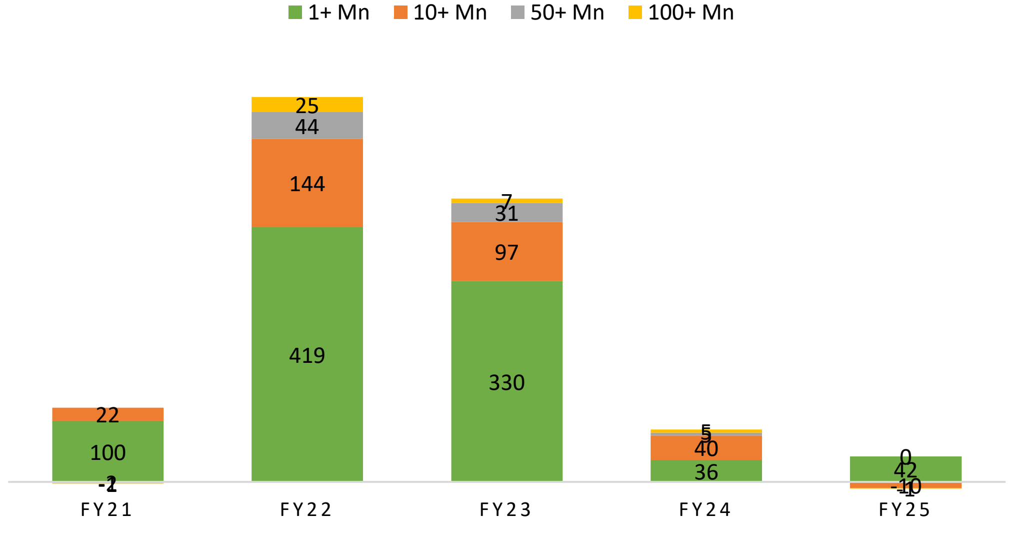
Digital Engineering, AI and Cloud as Structural Growth Drivers

- The Indian IT industry is at an inflection point, driven by rapid adoption of cloud computing, data analytics, cybersecurity, and artificial intelligence, including generative AI. AI is expected to be a transformative force, with estimates suggesting it could contribute ~US$957 Bn to India's GDP by 2035, increasing annual GDP growth by ~1.3%.
- A key structural change underway is the shift from traditional per-FTE pricing models to outcome-based and value-based commercial structures. AI-led automation and productivity improvements are enabling enterprises to demand measurable outcomes such as reduced downtime, faster product launches, and improved operational efficiency rather than headcount-driven delivery.
- Engineering workflows are increasingly integrating AI across multiple use cases, including digital twins, predictive maintenance, network optimisation, and simulation-based design. This enhances the strategic relevance of engineering-led IT vendors, as they become deeply embedded in clients' core operations and innovation roadmaps. Over time, this results in higher switching costs, longer contract tenures, and superior revenue visibility.

Vendor Consolidation Strengthening Client Engagements

- Despite muted headline growth, the Indian IT industry continued to witness steady client addition momentum at the mid-sized deal level. The industry added 42 new USD 1 mn+ clients in FY25, indicating sustained deal conversion despite macro uncertainty. However, additions in very large client categories (USD 50 mn+ and USD 100 mn+) remained limited.
- This reflects a clear enterprise preference for vendor consolidation wherein clients seek to deepen relationships and increase wallet share with existing strategic partners rather than onboarding new vendors. This trend benefits companies with strong execution capabilities, long-standing client relationships, and domain-specific expertise.
- For engineering services companies, deeper integration into clients product development and asset lifecycles further strengthens engagement durability. Such partnerships often span multiple years and multiple programmes, providing superior revenue visibility and margin stability relative to project-based IT services.

Exhibit 21: Clients engagements



Source: NPCIL, Arihant Research

Industry overview

Strong Ecosystem Support and Global Delivery Advantage

India continues to offer a structurally favourable ecosystem for IT services, supported by policy initiatives such as AI Centres of Excellence, digital public infrastructure, and incentives under STPI and SEZ frameworks. Cumulative FDI inflows into computer software and hardware stood at US$ 110.7 Bn between April 2000 and March 2025, accounting for ~15.2% of total FDI equity inflows. Additionally, the expansion of delivery centres beyond metro cities has strengthened India's cost and talent advantage. As of FY25, 68 STPI centres were operational, with ~60 located in tier-II and tier-III cities, supporting employment generation and distributed delivery models.

Exhibit 22: Global Delivery Advantage

Parameters	STPI	SEZ
Term	•10 years	•15 years
Fiscal Benefits	•100% tax holidays on export profits •Exemption from excise duties and customs	•100% tax holiday on exports for first 5 years •Exemptions from excise duties and customs
Locations and size restrictions	•No location constraints •23% STPI units in tier II and tier III cities	•Restricted to prescribed zones with a minimum area of 25 acres.

About Company

Cyient is a full-spectrum engineering and technology company that helps global clients design complex products (DET), manufacture electronics and integrated systems (DLM), and develop semiconductor solutions (ASICs). It serves industries like aerospace, rail, telecom, medical technology, and industrials. Cyient differentiates itself by offering end-to-end capabilities from engineering design, digital solutions, analytics, manufacturing making it a strategic partner for long-cycle, high-complexity engineering programs.

Exhibit 23: Cyient Services

Industry	Cyient's Role	Examples of Work
Aerospace & Defense	Product engineering, avionics software, manufacturing	Aircraft engine parts, avionics electronics, UAV systems
Rail & Transportation	Systems engineering, signaling, design	Rail signaling systems, rolling stock design
Telecommunications	5G rollout, fiber planning	Network design, optimization
Medical Technology	Device design, embedded systems	Diagnostic devices, imaging systems
Industrial & Energy	Smart factories, IoT, automation	Predictive maintenance, digital twins
Utilities & Geospatial	GIS mapping, network modeling	Utility network digitalization

Exhibit 24: Cyient Milestone

Year	Milestone	Detail
1991	Company founded as Infotech Enterprises.	Entered GIS and mapping services.
1995–1999	Global expansion and early acquisitions in GIS and cartography.	Built international customer base.
2000	Entered engineering services.	Beginning of high-value ER&D capabilities.
2007–2013	Strengthening aerospace, industrial, and rail capabilities.	Became a strategic partner to global OEMs.
2014	Rebranding to *Cyient Ltd*.	Shift to a broader engineering + technology positioning.
2015–2016	Acquired Rangsons (DLM).	Entry into manufacturing; expanded revenue streams.
2017	Launched defense engineering subsidiary (CSS).	Entered India's growing defense market.
2018–2020	Investments in digital engineering, IoT, analytics.	Strengthened digital-tech stack.
2021–2023	Expansion in telecom, digital, aerospace; focus on digital twin, automation.	Aligned with industry trends in digital transformation.
2023	Inaugurated CyientifIQ Experience Centre.	Demonstrates capabilities in GenAI, automation, and next-gen engineering.
FY24	Strong growth in engineering and digital; increased margins.	DET became a major growth engine.
FY25	Highest-ever revenue; launched dedicated semiconductor arm.	Strengthens position as full-stack engineering + manufacturing company.

Source: Arihant Research, Company Filings

Business Overview

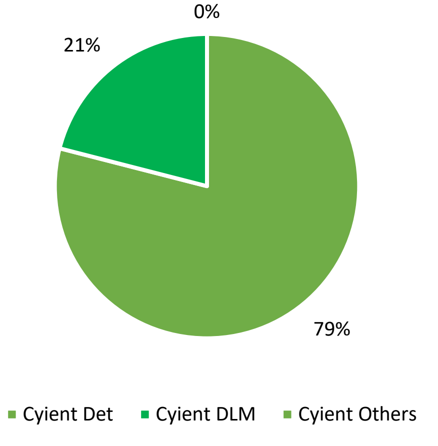
Cyient Limited is a Hyderabad-based engineering and technology services company that has been operating for more than three decades. Founded in 1991, Cyient works with global companies to design, build, and manage complex engineering systems. Today, it serves over 300 customers globally, including around 30% of the world's top 100 innovators, across industries such as aerospace, defence, transportation, telecom, energy, and industrial manufacturing.

Unlike traditional IT services companies that mainly focus on software development or application maintenance, Cyient's core strength lies in deep engineering expertise. The company supports clients across the full lifecycle of a product or asset from design and development to deployment, operations, and optimisation. This positioning allows Cyient to work closely with customers on long-term, mission-critical programs rather than short-term IT projects.

The company operates through 3 main business segments:
- Cyient DET (Digital, Engineering & Technology) – the core services business
- Cyient DLM – engineering-led electronics manufacturing
- Other businesses, including the newly carved-out semiconductor subsidiary

DET remains the largest contributor to revenues and profits and forms the backbone of the group.0

Exhibit 25: Revenue Split by Business Segment (FY 25)



Source: Arihant Research, Company Filings

What does company actually do?

The company's offerings are anchored around the concept of Intelligent Engineering, which combines core engineering expertise with advanced digital technologies such as artificial intelligence, analytics, cloud, automation, and generative AI. It works across the full engineering lifecycle starting from concept design and system architecture, moving to detailed engineering and validation, and extending into asset performance management and maintenance.

This end-to-end involvement enables the company to form long-term partnerships with customers, often spanning decades, especially in industries such as aerospace, rail, utilities, and telecommunications where product lifecycles are long and regulatory requirements are stringent.

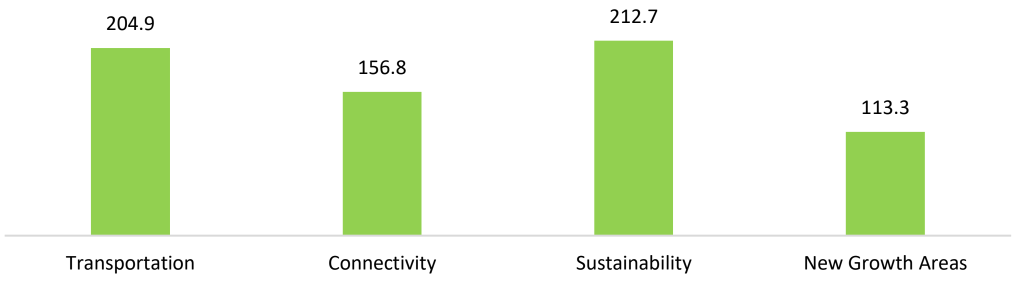
Business Overview

DET (Digital Engineering and Technology) Business

Cyient DET is the core business and the primary contributor to revenues and profitability. DET focuses on engineering services, digital ER&D, and technology-led transformation across industries such as transportation, energy, connectivity, healthcare, and semiconductors. Revenues in this segment are largely generated through long-term contracts, managed services, and program-based engagements, which provide relatively stable revenue visibility.

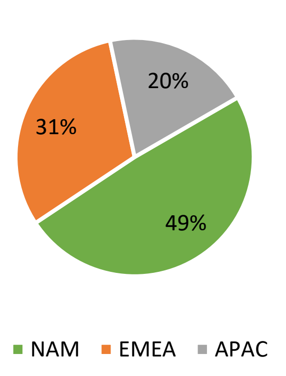
For FY25, revenue from the DET business was well diversified across industries, with transportation contributing 38%, energy and sustainability accounting for 27%, and connectivity contributing 20%, with the balance coming from other segments such as healthcare and industrial products.

Exhibit 26: DET Business Units Performance FY25 ($ Mn)



In FY25, North America accounted for 49% of DET revenues, followed by EMEA at 31% and APAC at 20%. North America remains the largest market due to Cyient's strong presence in aerospace, defense, telecom, and semiconductor engineering, while Europe contributes meaningfully through energy, rail, and industrial engineering engagements. The company supports its global customers through an extensive delivery network, with over 48 delivery centers and operations in 30 countries. Over 90% of Cyient's workforce comprises local nationals, and more than one-third of leadership is based outside India, enabling better customer proximity and effective management of geopolitical and regulatory risks.

Exhibit 27: DET Revenue Segmentation by Geography



Over the past few years, the company has increasingly invested in building platforms, accelerators, and proprietary solutions to complement its services-led model. These platforms are designed to address repeatable customer problems and are embedded with AI, automation, and analytics. Key platforms include Coddy for GenAI-based legacy application modernization, CyARC for regulatory compliance in highly regulated industries, CyOps and C2S2 for cloud and DevOps automation, and EchoWrks for cloud-based clinical applications.

Key Personnel's-Cyient Ltd

Name & Designation	Description
Sukamal Banerjee (Executive Director & CEO)	Sukamal Banerjee brings over 3 decades of experience in the engineering R&D and technology services space. Over his career, he has successfully built and scaled multiple business lines and developed long-standing relationships with large global customers. His experience spans high-growth areas such as Digital engineering, Industry 4.0, and AI/ML, across sectors including communications, semiconductors, energy, transportation, automotive & mobility, and healthcare. His background aligns closely with Cyient's core end-markets and positions him well to lead the company through ongoing technology transitions.
Suman Narayan (CEO – Cyient Semiconductors)	Suman Narayan has deep expertise in the semiconductor industry, with a strong track record of scaling semiconductor businesses and managing large, global teams. He brings strong product-level understanding, particularly in semiconductor design and ASIC development. His focus on building IP, strengthening customer relationships, and expanding global delivery capabilities provides Cyient Semiconductors with a solid foundation for long-term growth in a strategically important segment.
Krishna Bodanapu (Executive Vice-Chairman & Managing Director)	Mr. Bodanapu is responsible for setting the long-term strategic direction of the company and driving sustained value creation. He transitioned to his current role in April 2023 after serving as Managing Director & CEO. With an electrical engineering background from Purdue University and a management degree from Kellogg, he is widely respected for promoting the adoption of advanced technology in engineering and manufacturing. His involvement with industry bodies such as CII and the India-US CEO Forum further strengthens Cyient's industry engagement and visibility.
Prabhakar Atla (President & Chief Financial Officer)	Prabhakar Atla oversees Cyient's financial strategy, capital allocation, governance framework, and overall financial performance. Appointed in April 2023, he plays a key role in strengthening financial discipline, supporting strategic investments, and ensuring robust governance as the company pursues growth across multiple business segments.
Nitin Prasad (Independent Director)	Nitin Prasad brings around 25 years of experience across semiconductors, chemicals, energy, and clean energy sectors. He has been involved in building and operating new business verticals across geographies. His focus on sustainability, clean energy, and partnerships adds valuable perspective to the Board, especially as Cyient increases its exposure to energy transition–related opportunities.

Source: Company reports, Arihant Capital Research

Key Financials (Consolidated)

Income statement (INR mn)						
Year End-March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Revenue ($ Mn)	**746.30**	**863.19**	**870.02**	**829.84**	**874.43**	**955.35**
Gross Sales	60,159.00	71,472.00	73,604.00	72,421.98	76,949.84	84,071.02
Net Sales	60,159.00	71,472.00	73,604.00	72,421.98	76,949.84	84,071.02
YoY (%)	32.67%	18.81%	2.98%	-1.61%	6.25%	9.25%
Adjusted COGS	**6,964.00**	**9,658.00**	**11,390.00**	**9,622.36**	**9,988.82**	**10,656.23**
YoY (%)	22.05%	38.68%	17.93%	-15.52%	3.81%	6.68%
Personnel/ Employee benefit expenses	30,260.00	35,120.00	36,899.00	38,158.07	40,395.02	43,870.07
YoY (%)	33.51%	16.06%	5.07%	3.41%	5.86%	8.60%
Manufacturing & Other Expenses	12,904.00	13,666.00	13,882.00	14,309.69	15,051.57	16,109.46
YoY (%)	46.72%	5.91%	1.58%	3.08%	5.18%	7.03%
Total Expenditure	**50,128.00**	**58,444.00**	**62,171.00**	**62,090.13**	**65,435.42**	**70,635.75**
YoY (%)	22.66%	29.88%	-12.24%	-9.63%	11.45%	16.68%
EBITDA	**10,031.00**	**13,028.00**	**11,433.00**	**10,331.85**	**11,514.43**	**13,435.27**
YoY (%)	22.66%	29.88%	-12.24%	-9.63%	11.45%	16.68%
EBITDA Margin (%)	16.67%	18.23%	15.53%	14.27%	14.96%	15.98%
Depreciation	2,566.00	2,667.00	2,672.00	2,859.11	3,089.29	3,500.65
% of Gross Block	11.42%	12.07%	13.16%	11.18%	10.23%	9.72%
EBIT	**7,465.00**	**10,361.00**	**8,761.00**	**7,472.74**	**8,425.13**	**9,934.63**
EBIT Margin (%)	12.41%	14.50%	11.90%	10.32%	10.95%	11.82%
Interest Expenses	1,000.00	1,160.00	928.00	881.80	914.01	952.23
Non-operating/ Other income	814.00	659.00	966.00	1,597.66	1,699.21	1,858.31
PBT	**6,812.00**	**9,184.00**	**8,750.00**	**8,322.61**	**9,210.34**	**10,840.70**
Tax-Total	1,668.00	2,156.00	2,267.00	2,154.15	2,486.79	2,926.99
Adj. Net Profit	**5,144.00**	**7,028.00**	**6,483.00**	**6,168.46**	**6,723.55**	**7,913.71**
Reported Profit	**5,144.00**	**7,028.00**	**6,483.00**	**6,168.46**	**6,723.55**	**7,913.71**
PAT Margin	8.55%	9.83%	8.81%	8.52%	8.74%	9.41%
Shares o/s/ paid up equity sh capital	110.60	111.00	111.00	111.00	111.00	111.00
Adj EPS	46.51	63.32	58.41	55.57	60.57	71.29

Balance sheet						
Year-end March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Sources of Funds						
Equity Share Capital	553.00	555.00	555.00	555.00	555.00	555.00
Reserves & Surplus/ Other Equity	34,082.00	45,014.00	57,049.00	59,887.46	63,281.00	67,864.72
Networth	**34,635.00**	**45,569.00**	**57,604.00**	**60,442.46**	**63,836.00**	**68,419.72**
Unsecured Loans/ Borrowings/ Lease Liabilities	10,218.00	5,411.00	3,062.00	3,220.90	3,403.06	3,610.42
Other Liabilities	3,230.00	2,469.00	2,179.00	2,279.20	2,507.12	2,757.83
Total Liabilities	**65,481.00**	**70,036.00**	**76,946.00**	**81,663.27**	**87,387.85**	**94,334.89**
Total Funds Employed	**120,347.00**	**132,186.00**	**148,251.00**	**157,634.43**	**168,902.33**	**182,590.01**
Application of Funds						
Net Fixed Assets	**28,246.00**	**28,264.00**	**29,287.00**	**32,754.86**	**35,304.97**	**38,632.82**
Capital WIP	27.00	16.00	75.00	75.00	75.00	75.00
Current assets	**31,913.00**	**35,591.00**	**41,455.00**	**41,255.22**	**42,278.78**	**42,695.47**
Inventory	4,358.00	4,676.00	5,766.00	5,312.89	4,991.13	5,293.60
Days	187.32	170.71	167.31	184.34	187.18	187.18
Debtors	11,271.00	12,617.00	14,067.00	13,499.75	14,249.97	14,749.30
Days	56.44	61.00	66.16	65.18	67.59	64.04
Other Current Assets	2,845.00	2,930.00	2,481.00	2,729.10	3,002.01	3,302.21
Cash and Cash equivalent	6,215.00	4,848.00	10,706.00	10,840.04	10,630.27	9,513.33
Current Liabilities/Provisions	**20,231.00**	**16,581.00**	**13,701.00**	**15,528.71**	**17,678.47**	**19,835.40**
Creditors / Trade Payables	7,142.00	6,878.00	3,934.00	4,601.06	5,416.70	6,036.68
Days	43.78	43.54	31.19	31.20	31.20	33.49
Liabilities	6,673.00	5,931.00	6,332.00	7,216.90	8,251.09	9,461.66
Net Current Assets	**11,682.00**	**19,010.00**	**27,754.00**	**25,726.51**	**24,600.31**	**22,860.07**
Total Asset	**65,481.00**	**70,036.00**	**76,946.00**	**81,663.27**	**87,387.85**	**94,334.89**
Total Capital Employed	**53,799.00**	**51,026.00**	**49,192.00**	**55,936.76**	**62,787.54**	**71,474.82**

Source: Arihant Research, Company Filings

Source: Company reports, Arihant Capital Research

Key Financials (Consolidated)

Cash Flow Statement						
Year End-March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Profit before tax	**5,144.00**	**7,028.00**	**6,483.00**	**6,168.46**	**6,723.55**	**7,913.71**
Adjustments: Add						
Depreciation and amortisation	2,566.00	2,667.00	2,672.00	2,859.11	3,089.29	3,500.65
Interest adjustment	186.00	501.00	(38.00)	(715.86)	(785.20)	(906.08)
Change in assets and liabilities	10,526.00	13,254.00	12,414.00	11,641.70	12,357.64	13,838.28
Inventories	(1,568.00)	(318.00)	(1,090.00)	453.11	321.76	(302.48)
Trade receivables	(3,938.00)	(1,346.00)	(1,450.00)	567.25	(750.22)	(499.33)
Trade payables	1,883.00	(264.00)	(2,944.00)	667.06	815.63	619.99
Other Liabilities and provisions	5,641.00	(3,302.00)	(554.00)	1,207.70	1,389.27	1,601.16
Other Assets	(2,047.00)	(431.00)	908.00	(682.60)	(750.86)	(825.95)
Taxes	(7.00)	184.00	10.00	0.00	0.00	0.00
Net cash from operating activities	**10,975.00**	**7,786.00**	**7,189.00**	**13,854.22**	**13,383.22**	**14,431.67**
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	(17,256.00)	(2,674.00)	(3,754.00)	(6,326.97)	(5,639.40)	(6,828.50)
Net Sale/(Purchase) of investments	(38.00)	1,619.00	70.00	1,624.23	1,597.46	1,698.28
Others	(234.00)	(270.00)	(109.00)	(43.05)	(45.20)	(47.46)
Net cash (used) in investing activities	**(17,946.00)**	**(1,465.00)**	**(4,512.00)**	**(4,752.93)**	**(4,094.35)**	**(5,184.96)**
Interest expense	4,847.00	(242.00)	(207.00)	(2,169.75)	(2,886.37)	(3,957.80)
Dividend paid	2,952.00	2,630.00	3,297.00	3,330.00	3,330.00	3,330.00
Other financing activities	(1,643.00)	886.00	4,031.00	(3,330.00)	(3,330.00)	(3,330.00)
Net cash (used) in financing activities	**1,499.00**	**(3,680.00)**	**630.00**	**(8,936.75)**	**(9,546.37)**	**(10,617.80)**
Closing Balance	**7,194.00**	**9,835.00**	**13,142.00**	**13,306.54**	**13,049.04**	**11,677.95**
FCF	**8,468.00**	**5,138.00**	**4,234.00**	**10,786.48**	**10,028.86**	**10,644.94**
Capex (% of sales)	2,507.00	2,648.00	2,955.00	2,752.04	2,770.19	2,942.49

Key Ratios						
Year-end March	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Solvency Ratios						
Debt / Equity	0.27	0.10	0.04	0.04	0.04	0.03
Net Debt / Equity	0.06	-0.12	-0.19	-0.18	-0.17	-0.14
Debt / EBITDA	0.93	0.35	0.19	0.21	0.20	0.18
Current Ratio	0.21	-0.41	-0.96	-1.07	-0.93	-0.69
DuPont Analysis						
Sales/Assets	0.92	1.02	0.96	0.89	0.88	0.89
Assets/Equity	1.89	1.54	1.34	1.35	1.37	1.38
RoE	14.85%	15.42%	11.25%	10.21%	10.53%	11.57%
Per share ratios						
Reported EPS	46.51	63.32	58.41	55.57	60.57	71.29
Dividend per share	23.78	27.55	29.70	30.00	30.00	30.00
BV per share	313.16	410.53	518.95	544.53	575.10	616.39
Cash per Share	56.19	43.68	96.45	97.66	95.77	85.71
Revenue per Share	543.93	643.89	663.10	652.45	693.24	757.40
Profitability ratios						
Net Profit Margin (PAT/Net sales)	11.52%	8.55%	9.83%	8.81%	8.52%	8.74%
Gross Profit / Net Sales	88.42%	86.49%	84.53%	86.71%	87.02%	87.32%
EBITDA / Net Sales	16.67%	18.23%	15.53%	14.27%	14.96%	15.98%
EBIT / Net Sales	12.41%	14.50%	11.90%	10.32%	10.95%	11.82%
ROCE (%)	16.50%	19.38%	13.85%	11.30%	12.09%	13.34%
Activity ratios						
Inventory Days	187.32	170.71	167.31	184.34	187.18	187.18
Debtor Days	56.44	61.00	66.16	65.18	67.59	64.04
Creditor Days	43.78	43.54	31.19	31.20	31.20	33.49
Leverage ratios						
Interest coverage	7.47	8.93	9.44	8.47	9.22	10.43
Debt / Asset	0.14	0.06	0.03	0.03	0.03	0.03
Valuation ratios						
EV / EBITDA	13.15	9.55	10.38	11.48	10.33	8.96
PE (x)	25.22	18.53	20.08	21.11	19.37	16.45

Source: Company reports, Arihant Capital Research

Cyient DLM
High-Growth Design-Led Manufacturing Powerhouse

Initiating Coverage
16th Jan 2026

Cyient DLM Ltd

High quality orderbook supports growth

CMP: INR 396	
Rating: BUY	
Target Price: INR 596	
Stock Info	
BSE	543933
NSE	CYIENTDLM
Bloomberg	CYIENTDL:IN
Reuters	CYIT.BO
Sector	EDSM
Face Value (INR)	10
Equity Cap (INR Mn)	790
Mkt Cap (INR Mn)	33,174
52w H/L (INR)	379 / 690
Avg Yearly Volume (in 000')	299.91

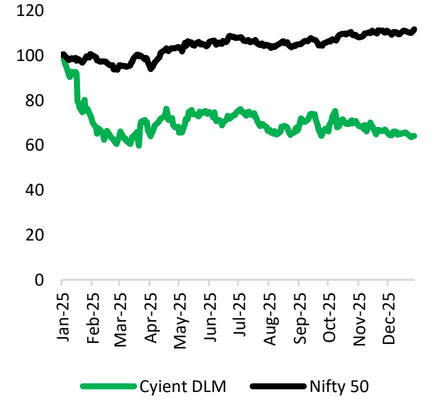
Shareholding Pattern %

(As on Sep, 2025)

Promoters	52.12
FII	2.19
DII	28.74
Public & Others	16.94

Stock Performance (%)	1m	6m	12m
Cyient DLM	-4.20	-12.54	-35.93
Nifty 50	1.32	3.44	11.49

Cyient DLM Vs Nifty 50



Cyient DLM Limited is a leading, design-led electronic manufacturing services (EMS) player in India, operating in the high-mix, low-to-medium volume segment that caters to safety-critical and mission-critical applications. Incorporated in 1993, the company provides end-to-end solutions across the product life cycle design (through promoter Cyient Limited's engineering capabilities), manufacturing and aftermarket support with core offerings spanning PCBA, cable harnesses and box builds. Its business is predominantly exposed to high entry-barrier verticals such as aerospace & defence (don't have direct space), medical technology and industrials, where stringent certification requirements, long qualification cycles and complex product specifications support strong customer stickiness and long-tenure relationships. Cyient DLM counts global OEMs such as Honeywell, Thales, ABB and Bharat Electronics among its key customers and its order book stands at INR 22.91 Bn in Q2FY26.

Investment Rationale

Strong positioning in high-reliability, design-led EMS segments: Cyient DLM operates in a structurally differentiated EMS niche focused on high-mix, low-to-medium volume and complex electronics, serving aerospace & medical and industrial end-markets where products are mission-critical and subject to stringent regulatory and certification requirements. Over time, the company has progressed from PCB assembly to complex box builds and system-level integration, increasing its strategic relevance within customer supply chains. Its design-led manufacturing model, supported by the engineering capabilities of promoter Cyient Ltd, enables early engagement in the product lifecycle, improves manufacturability and reliability, and embeds the company deeply into customer programs, resulting in long-standing relationships, repeat orders and reduced pricing pressure.

Structural tailwinds from India EMS growth, Cyient parentage and B2S/Altek optionality: Cyient DLM is well placed to benefit from strong structural growth in India's EMS/ESDM industry, which is expected to expand from ~INR 2,09,000 cr in FY23 to ~INR 9,09,000 cr by FY28 (~34% CAGR), driven by PLI, Make-in-India and global supply-chain diversification. The company's Cyient parentage provides access to a global engineering brand, deep domain expertise and an international sales network, enabling design-led engagements and early lifecycle participation. The company's clearly articulated strengthen expand transform strategy, coupled with the Altek acquisition in the US, creates an India-plus-US delivery model aligned with China+1 and localisation trends, while building optionality in Build-to-Spec (B2S), IP-led offerings and selective M&A.

Rising share of Build-to-Spec (B2S) programs enhances revenue visibility and margins: The company has consistently highlighted a strategic shift towards Build-to-Spec (B2S) programs, where it is involved from the design and development stage and continues through mass production. These programs typically have longer tenures, higher switching costs and superior margin profiles compared to Build-to-Print (B2P) contracts. Recent wins in electric mobility, urban air mobility and EV charging infrastructure reinforce the scalability of this model, with several programs currently in development expected to enter volume production over the next 12–24 months.

Higher-quality order book supports medium-term growth visibility: Cyient DLM has demonstrated strong order book momentum, with backlog expanding ~2.7x from INR 9.1 bn in FY21 to INR 24.3 bn in FY23, driven by multi-year wins with global OEMs in regulated end-markets. Following the completion of a large, low-margin Indian defence program, the order book has been refreshed with higher-margin and more diversified orders, as reflected in Q1FY26 order intake of ~INR 5.15 bn (near-2.0x book-to-bill) and Q2FY26 intake of ~INR 5.0 bn, taking the backlog to ~INR 22.9 bn. We expects a full-year book-to-bill of >1.3–1.5x, with the current order book providing ~18–24 months of revenue visibility, underpinning confidence in sustainable medium-term growth and margin stability.

Outlook and Valuation

Cyient DLM is becoming more diversified, with higher traction in industrial, automotive (including EV infrastructure) and medical segments, alongside a gradual increase in build-to-spec (BTS) programs, which enhance long-term revenue stability and customer stickiness, although bulk production revenues are expected largely from FY28 onwards. Order momentum remains strong, with Q2 order intake of ~INR 500 Cr and a book-to-bill of 1.6; and expects a FY26 book-to-bill of ~1.4–1.5, providing healthy revenue visibility into FY27. Margin performance has improved meaningfully, with double-digit EBITDA margins achieved despite lower volumes, driven by a favourable mix and exit of low-margin business. Current order book carries a similar or better margin profile, supporting margin sustainability. Overall, we believe the worst is behind for Cyient DLM, with FY27 likely to see a cleaner growth trajectory, sustained margin improvement and a more balanced business mix. ***We expect Cyient DLM revenue, EBITDA, and PAT to grow at a CAGR of 24.04%, 33.41%, and 35.83%, respectively, over FY26E-28E. At the CMP of INR 396 per share, we initiate a "BUY" rating at a TP of INR 596 per share, valued on DCF basis, implying an upside of 50.6%.***

Exhibit 29: DCF

Valuation Assumptions	
g (World Economic Growth)	5%
Rf	7%
Rm	13%
Beta	0.9
CMP (INR)	396

WACC	
We	92.8%
Wd	7.2%
Ke	12.2%
Kd	7.4%
WACC	**11.89%**

Valuation Data	
Total Debt (long term borrowings) (2025)	2,438
Cash & Cash Equivalents (2025)	2,878
Number of Diluted Shares (2025)	79
Tax Rate (2026)	26%
Interest Expense Rate (2026)	10%
MV of Equity	31,405
Total Debt	2,438
Total Capital	**33,843**

FCFF & Target Price												
FCFF & Target Price	**Explicit Forecast Period**						**Linear Decline Phase**					**Terminal Yr**
Year	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
EBIT * (1-Tax Rate)	800	1,123	1,518	1,995	2,547	3,154	3,785	4,399	4,945	5,370	5,628	5,898
Dep	414	502	611	909	1,108	1,359	1,668	1,916	2,155	2,349	2,455	2,574
Purchase of Assets	695	816	980	1,357	1,681	2,018	2,385	2,727	2,967	3,168	3,264	3,362
Changes in Working Capital	-1,067	-346	-87	-1,129	-790	-981	-1,498	-1,491	-1,724	-1,940	-1,968	-2,083
FCFF	1,587	1,155	1,236	2,677	2,765	3,476	4,566	5,079	5,857	6,490	6,787	7,193
% Growth in Post Tax EBIT		40.3%	35.2%	31.4%	27.6%	23.8%	20.0%	16.2%	12.4%	8.6%	4.8%	4.8%
As % of Post Tax EBIT												
Dep	51.7%	44.8%	40.2%	45.6%	43.5%	43.1%	44.1%	43.6%	43.6%	43.7%	43.6%	43.6%
Purchase of Assets	86.8%	72.7%	64.5%	68.0%	66.0%	64.0%	63.0%	62.0%	60.0%	59.0%	58.0%	57.0%
Changes in Working Capital	-133.3%	-30.8%	-5.7%	-56.6%	-31.0%	-31.1%	-39.6%	-33.9%	-34.9%	-36.1%	-35.0%	-35.3%
FCFF	1,587	1,155	1,236	2,677	2,765	3,476	4,566	5,079	5,857	6,490	6,787	7,193
Terminal Value												**1,01,437**
Total Cash Flow	**1,587**	**1,155**	**1,236**	**2,677**	**2,765**	**3,476**	**4,566**	**5,079**	**5,857**	**6,490**	**6,787**	**1,08,630**

Enterprise Value (EV)	**46,847**
Less: Debt	**2,438**
Add: Cash	**2,878**
Equity Value	**47,287**
Equity Value per share (INR)	**596**
% Returns	**50.6%**
Rating	**BUY**

WACC (%)	Terminal Growth (%)							
596	2.25%	2.50%	2.75%	4.80%	3.25%	3.50%	3.75%	4.00%
11.14%	518	530	542	680	569	584	600	617
11.39%	501	512	523	650	548	562	577	592
11.64%	484	494	**505**	622	529	541	555	569
11.89%	468	478	488	**596**	510	522	534	548
12.14%	454	463	472	573	**492**	503	515	527
12.39%	440	448	457	550	476	**486**	497	509
12.64%	426	434	442	529	460	470	480	491
12.89%	414	421	429	510	446	455	464	474

Source: Company filings, Arihant research

Investment Rationale

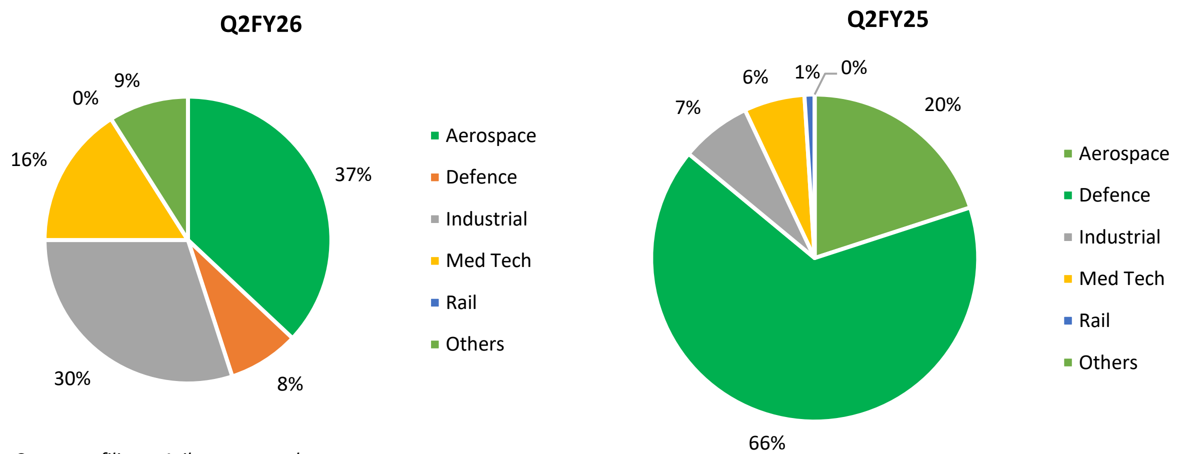
Outlook and Valuation: Cyient DLM is becoming more diversified, with higher traction in industrial, automotive (including EV infrastructure) and medical segments, alongside a gradual increase in build-to-spec (BTS) programs, which enhance long-term revenue stability and customer stickiness, although bulk production revenues are expected largely from FY28 onwards. Order momentum remains strong, with Q2 order intake of ~INR 500 Cr and a book-to-bill of 1.6; and expects a FY26 book-to-bill of ~1.4–1.5, providing healthy revenue visibility into FY27. Margin performance has improved meaningfully, with double-digit EBITDA margins achieved despite lower volumes, driven by a favourable mix and exit of low-margin business. Current order book carries a similar or better margin profile, supporting margin sustainability. Overall, we believe the worst is behind for Cyient DLM, with FY27 likely to see a cleaner growth trajectory, sustained margin improvement and a more balanced business mix. ***We expect Cyient DLM revenue, EBITDA, and PAT to grow at a CAGR of 24.04%, 33.41%, and 35.83%, respectively, over FY26E-28E. At the CMP of INR 396 per share, we initiate a "BUY" rating at a TP of INR 596 per share, valued on DCF basis, implying an upside of 50.6%.***

Strong positioning in high-reliability, design-led EMS segments

Cyient DLM operates in a structurally differentiated segment of the EMS market, focusing on high-mix, low-to-medium volume and highly complex electronics manufacturing, as opposed to commoditised, volume-driven EMS models. The company primarily serves aerospace &, defence (don't have direct space, work on commercials), medical technology and industrial end-markets, where products are deployed in mission-critical and safety-sensitive applications such as cockpit avionics, flight control systems, diagnostic medical equipment and industrial automation platforms. These industries are governed by stringent regulatory standards, long qualification cycles and rigorous customer audits, which significantly elevate entry barriers and limit competitive intensity.

Over time, Cyient DLM has evolved from basic PCB assembly to complex box builds and full system-level integration, increasing its relevance within customer supply chains. **Importantly, the company's design-led manufacturing approach supported by the engineering expertise of its promoter, Cyient Ltd allows it to engage customers early in the product lifecycle. This not only enhances manufacturability and reliability but also embeds Cyient DLM deeply into customer programs, resulting in long-standing relationships, repeat orders and reduced pricing pressure.** The company's gradual evolution toward a B2S engagement model further strengthens customer lock-in. In Cyient DLM's core segments, typical product lifecycles span nearly 8–10 years, with only ~5–10% of lifetime revenues generated during the design phase and the remaining 90–95% accruing during ramp-up and mass production. While design-phase revenues are modest, early involvement enables the company to influence manufacturability, cost optimisation and component selection, materially increasing switching costs and positioning Cyient DLM as the preferred manufacturing partner over the full lifecycle of the program.

Exhibit 30: Revenue Mix



Source: Company filings, Arihant research

Investment Rationale

Exhibit 31: Segments

End Market	Typical Applications	Certification & Regulation	Competitive Intensity
Aerospace & Defence	Avionics, navigation, landing systems	Very High	Low
Medical Technology	Imaging & diagnostics	High	Low–Medium
Industrial	Automation, control systems	Medium–High	Medium

Benefits from India EMS expansion, Cyient parentage and B2S/Altek-led optionality

Cyient DLM is a direct beneficiary of structural tailwinds in India's EMS industry, which is undergoing a rapid scale-up driven by policy support and global supply-chain re-alignment. The Indian ESDM industry, valued at about INR 2,09,000 crore (US$ 24.45 Bn) in FY23 and is estimated to reach INR 9,09,000 crore (US$ 106.35 Bn) by FY28, growing at a CAGR of 34% owing to strong demand, supportive government policies and increased digitalisation. Electronics goods exports are expected to increase from the projected US$ 15 bn in FY22 to US$ 120 billion by FY26 and a sharp increase in India's global EMS share to ~7%. This growth is underpinned by government initiatives such as PLI, Make-in-India and Atmanirbhar Bharat, particularly across electronics, defence and semiconductor-adjacent manufacturing. Against this backdrop, Cyient DLM is positioned as an integrated, design-led EMS partner, rather than a pure-play manufacturing vendor.

Exhibit 32: Cyient DLM with multi-layered growth optionality

Particulars	Commentary
India EDSM size	US$24.45bn (FY23) and US$160 bn by FY28E (34% CAGR)
India EMS share of global	2.2% → 7.0% (2022→2026E)
B2S share in India EMS	~25% of EMS value
B2S in Cyient DLM	0.2% of FY23 revenue; management targets ~5% FY26 and strong growth thereafter
Altek (US)	Integrated FY25- supports tariff-driven near-shoring and US growth

Cyient DLM's ability to capture these structural tailwinds is reinforced by significant internal scalability. Overall capacity utilisation remains ~55-60%, with existing facilities capable of supporting over 2x current revenue levels without meaningful incremental capex. Maintenance capex is structurally low at ~2% of revenues, while the Hyderabad facility in particular offers substantial swing capacity with full PCBA and box-build capabilities comparable to global plants. This positions the company to translate industry growth into revenue scale with strong operating leverage.

A key differentiator is the company's Cyient parentage, which provides access to a global engineering brand, deep domain expertise and an established international sales network. This enables Cyient DLM to engage customers earlier in the product lifecycle and leverage a significantly larger engineering talent pool than most EMS peers, strengthening its positioning in complex and regulated programs. ***The company has built a clearly sequenced strengthen–expand–transform strategy: (1) deepening relationships in core aerospace, medical and industrial accounts; (2) scaling non-A&D and domestic opportunities such as EV charging, automotive electronics and industrial automation; and (3) building Build-to-Spec (B2S) and IP-led offerings, alongside selective M&A in North America and Europe to enhance customer proximity and capabilities.***

Source: Company filings, Arihant research

Investment Rationale

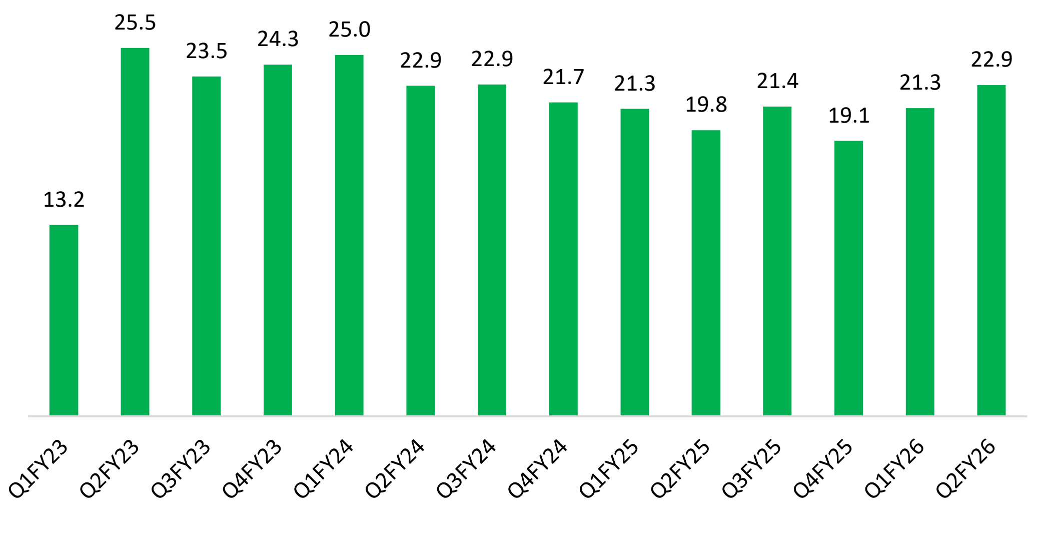
Within this framework, the Altek acquisition in Connecticut represents a strategically important lever. Fully integrated by Q4FY25, Altek adds an on-shore US manufacturing hub focused on medical and industrial electronics, enabling a differentiated India-plus-US hybrid delivery model. This model is particularly relevant amid accelerating China+1 and tariff-driven localisation discussions, positioning Cyient DLM favourably with global OEMs seeking resilient, compliant and geographically diversified supply chains. Collectively, these strategic tailwinds provide Cyient DLM with multi-layered growth optionality, beyond cyclical demand recovery. The ability to offer India-plus-US manufacturing is increasingly being positioned as a commercial advantage rather than a risk hedge, improving win rates in regulated medical and industrial programs without exposing the company to structural margin erosion.

Strong order book with improving quality underpins medium-term growth visibility
Cyient DLM has demonstrated a strong track record of order book expansion, supported by multi-year program wins with global OEMs in regulated end-markets. The company's order book expanded ~2.7x from INR 9.1 bn in FY21 to INR 24.3 bn in FY23, reflecting increasing customer confidence in its execution capabilities, quality standards and ability to handle complex electronics programs. This growth was largely driven by long-duration contracts in aerospace & defence, medical and industrial segments, reinforcing the company's positioning as a trusted manufacturing partner rather than a transactional EMS vendor.

The company's average order execution cycle typically ranges from 12 to 18 months, reflecting the long-cycle nature of its core end-markets. While quarter-to-quarter revenue phasing may be influenced by regulatory clearances, design modifications or customer-driven shipment deferments, management has not observed any structural delays or cancellations.

The order book saw a temporary moderation, primarily due to the completion of a large, relatively low-margin Indian defence program with BEL. However, the backlog has since been meaningfully refreshed, with a higher share of better-margin, more diversified orders replacing the completed program. This improvement is evident in recent order inflows: Q1FY26 recorded the highest quarterly order intake in the last 10 quarters at ~INR 5.15 bn, translating into a book-to-bill ratio close to 2.0x and an order book of ~INR 21.3 bn (INR 2,132 cr). ~50% of this intake is expected to executable within FY26, providing near-term revenue visibility.

Exhibit 33: Strong orderbook visibility in near term-(In INR Bn)



Source: Company filings, Arihant research

Investment Rationale

Margin realisation across the order book is closely linked to both product complexity and end-market mix. At the product level, profitability improves as engagement shifts from standalone PCBA toward cable harnesses, box build and full system integration. By vertical, aerospace and defence deliver the highest margins due to low competition and high compliance complexity, followed by medical devices, with industrial moderate and automotive/consumer electronics structurally lower by ~200–300 bps. The ongoing improvement in order book quality, therefore, directly supports margin sustainability rather than merely volume growth.

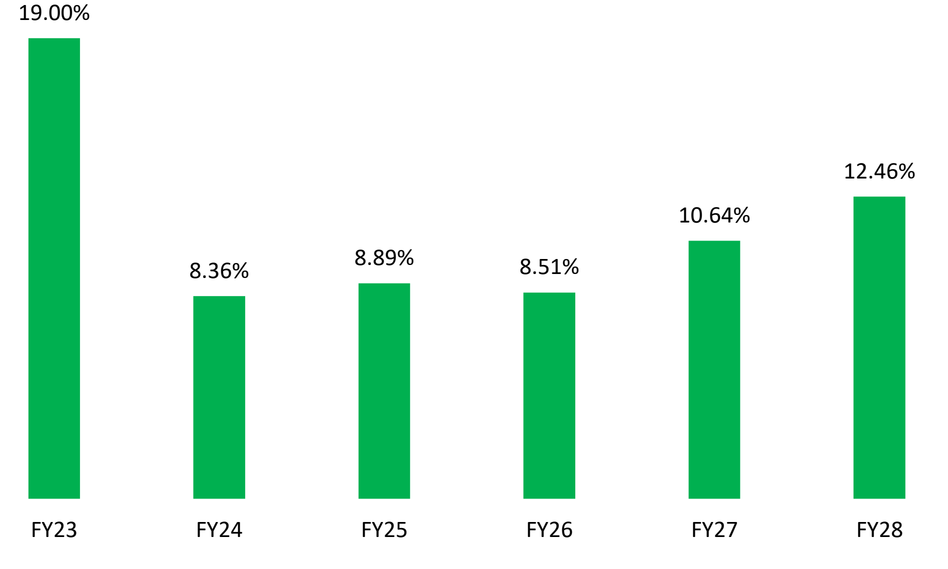
Momentum sustained into Q2FY26, with additional order intake of ~INR 5.0 bn, taking the total order book to ~INR 22.9 bn (INR 2,291 cr) and maintaining a healthy book-to-bill of ~1.6x. A full-year book-to-bill is expected to be of >1.3–1.5x and the current backlog provides ~18–24 months of revenue visibility. Importantly, the improving quality of the order book characterised by higher-margin programs, broader customer diversification and a growing share of complex engagements enhances confidence in sustainable medium-term growth and margin stability, beyond a simple recovery from the defence program roll-off.

Importantly, the gross margin profile of the current order book is broadly in line with reported margins, indicating that recent order inflows are not margin-dilutive. Additionally, ~20–25% of annual revenues are typically derived from new products, reflecting ongoing program refreshes and customer innovation cycles. Together, these factors enhance confidence in the durability of both growth and profitability over the medium term.

ROCE uplift driven by operating leverage and utilisation ramp-up

Post-IPO return ratios currently reflect the denominator impact of recent capacity investments, integration costs and elevated working capital, with ROCE at ~8-10%. As utilisation improves, scale benefits accrue and net working capital normalises toward ~100–110 days, we expect ROCE to expand further. This embedded operating leverage provides a clear pathway for cash-flow accretion and return enhancement without aggressive balance-sheet expansion.

Exhibit 34: ROCE Trend over FY23-FY28E



Source: Company filings, Arihant research

Financials Analysis… (Consolidated INR Mn)

Exhibit 35: Revenue is expected to grow significantly over the next few years as the company wins larger orders and existing programmers scale up

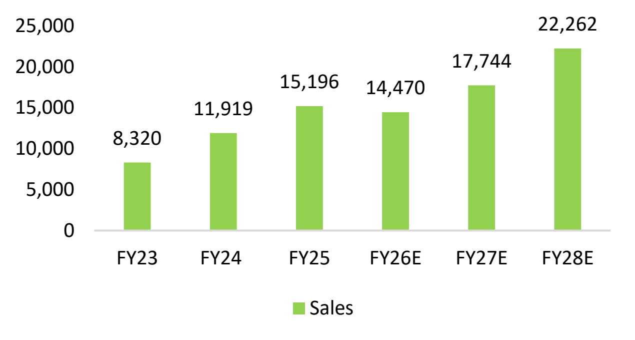


Exhibit 36: Profitability improves steadily as the business grows, with margins expanding thanks to better plant utilization and operational efficiency.

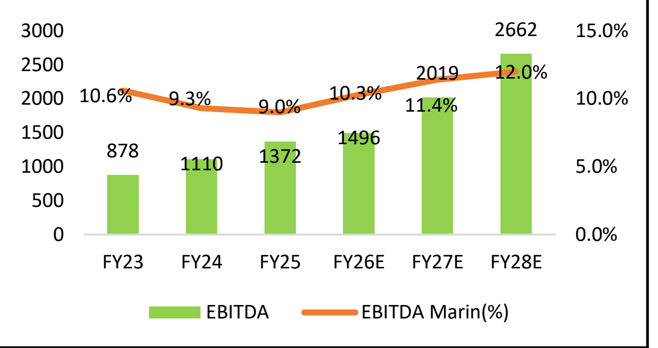


Exhibit 37: Net profit is projected to rise sharply, showing that earnings growth will outpace revenue growth as the company achieves operating leverage

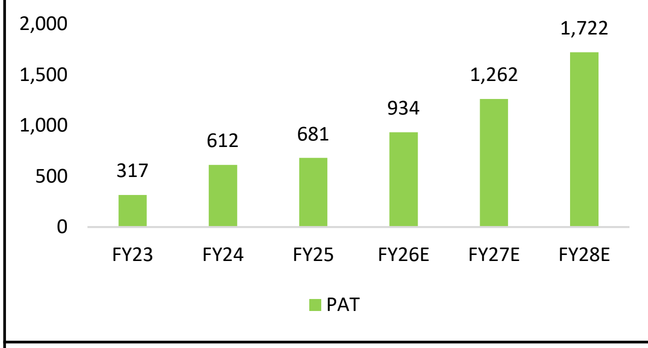


Exhibit 38: Earnings per share is expected to grow meaningfully, reflecting strong profit growth with minimal share dilution

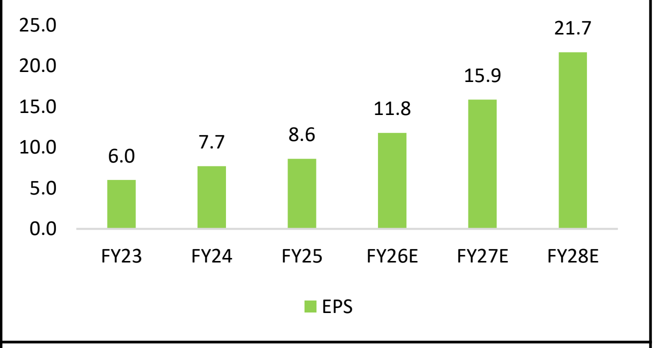


Exhibit 39:Returns on equity and capital dip temporarily but recover over time as the company executes on its order book and normalizes profitability

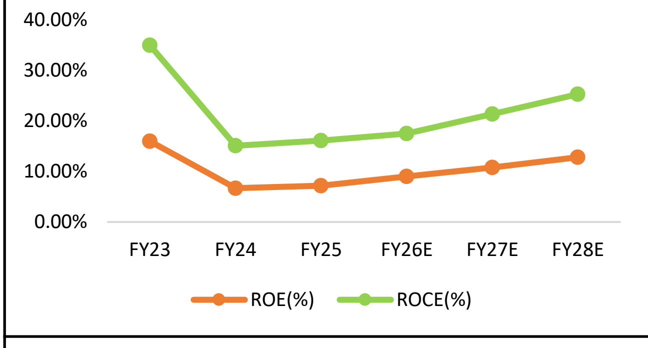


Exhibit 40: Working capital efficiency improves as inventory management tightens and the cash conversion cycle strengthens, freeing up cash for growth.

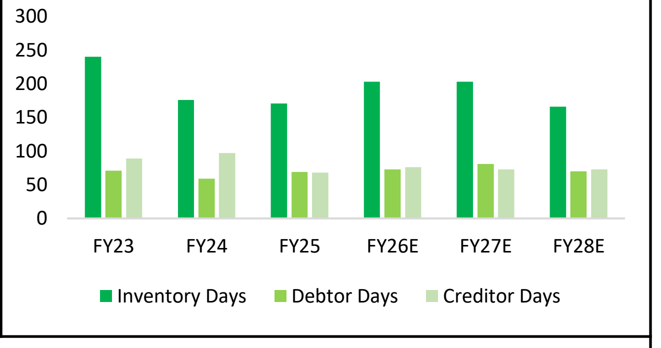
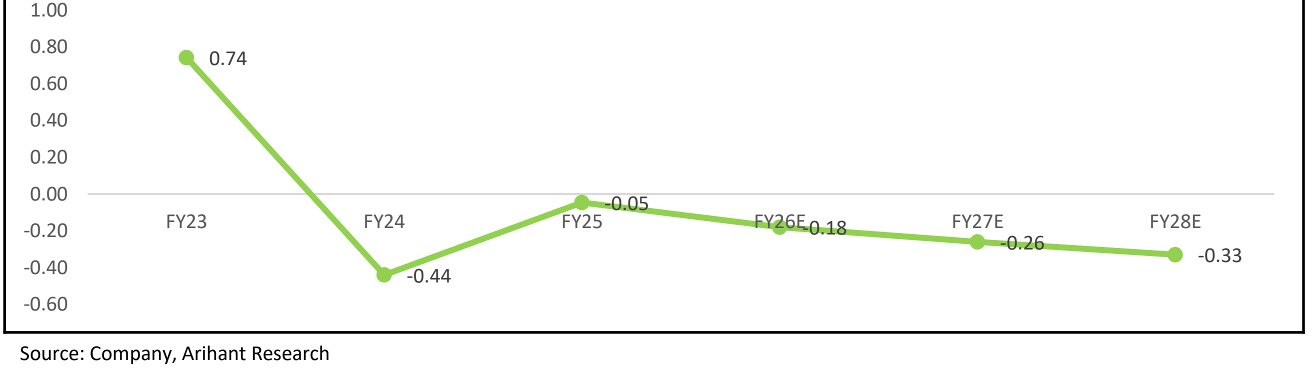


Exhibit 41: Net Debt / Equity



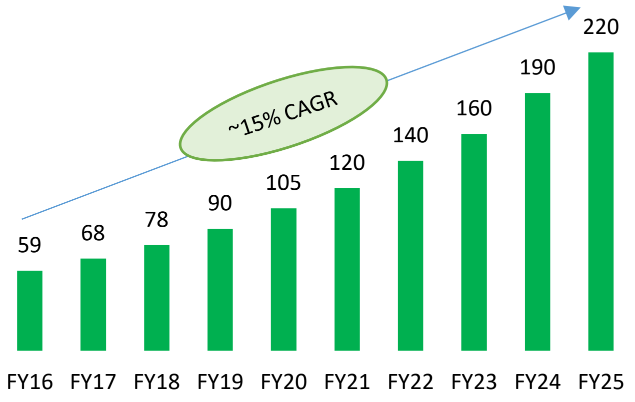
Source: Company, Arihant Research

Industry overview

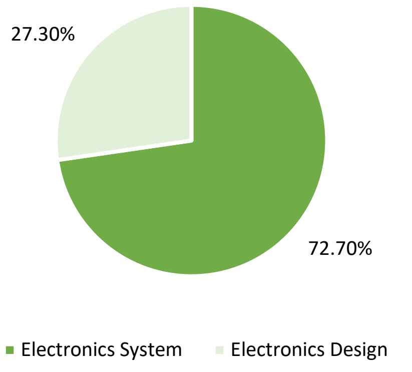
Exhibit 42: India's ER&D Opportunity Embedded Within the ESDM Upswing

The Indian ESDM market reached US$ 220 billion in FY25, of which ~27% (~US$ 60 billion) is attributable to electronics design activities such as product engineering, VLSI, embedded systems, and system integration. This design-led portion has grown at a ~15% CAGR over FY16–FY25, driven by increasing product complexity across aerospace, automotive, telecom, industrial automation, and healthcare electronics.

ESDM Market Demand ($ Bn)



Segmentation of ESDM Market (FY25)

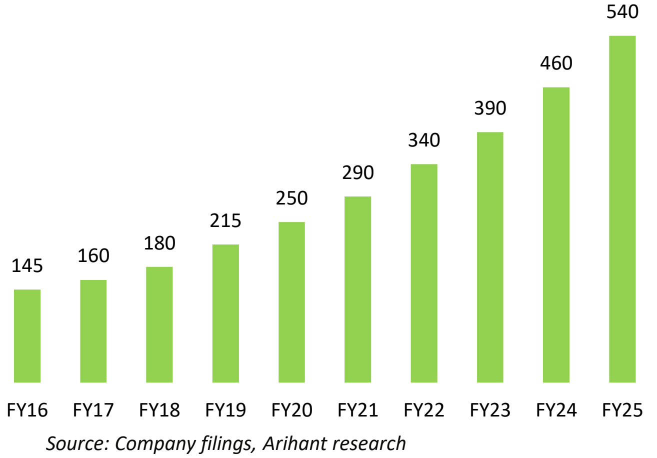


Globally, OEMs and Tier-1 suppliers are increasingly outsourcing high-value engineering and digital work to specialized ER&D partners to reduce time-to-market and manage rising R&D costs. India has emerged as a preferred destination due to its deep engineering talent pool, cost advantage, and improving IP creation capabilities. Government initiatives such as the Design Linked Incentive (DLI) Scheme and the Chips-to-Startup (C2S) programme are accelerating domestic electronics and semiconductor design capabilities, reinforcing long-term demand for ER&D service providers.

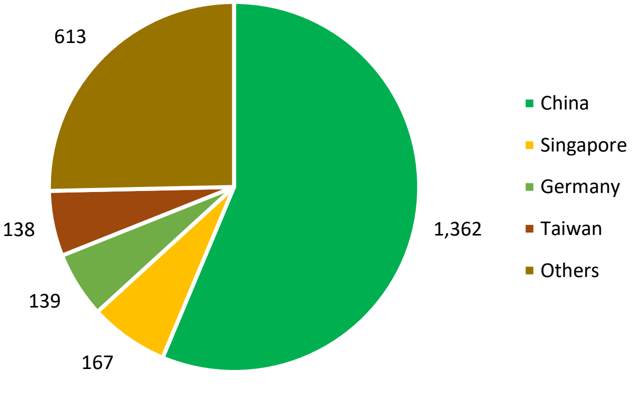
The Government of India's target to make electronics among the top 2–3 export categories by 2026 and raise electronics exports to US$ 120 bn further strengthens the design outsourcing opportunity for Indian ER&D players.

Exhibit 43: Electronics Market

Electronics Market in India $ Bn)



Electronics imports in India (FY25) ($ Mn)



Source: Company filings, Arihant research

Industry overview

Exhibit 44: Growth Drivers

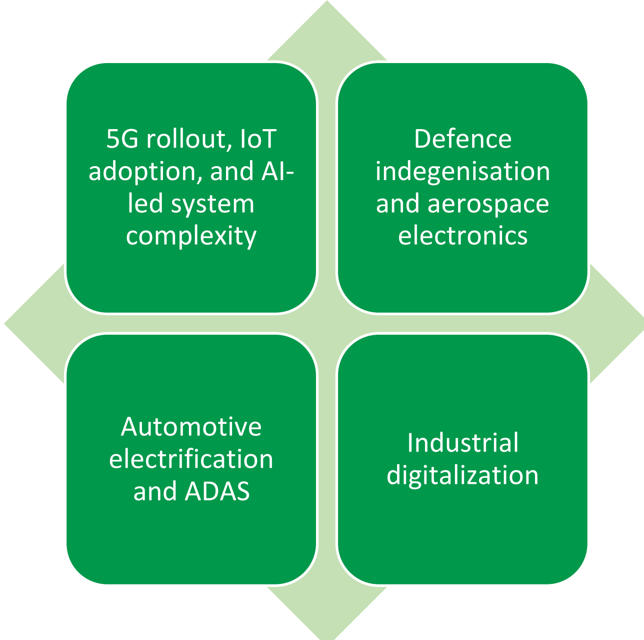


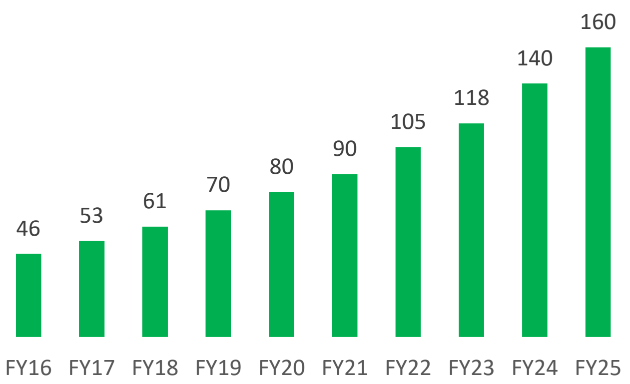
Exhibit 45: Rapid Scale-Up of India's Electronics Manufacturing Ecosystem

Cyient DLM operates in the Electronics System Manufacturing segment of the ESDM industry, which constitutes ~73% of the total ESDM market. India's ESDM market expanded from US$ 59 Bn in FY16 to US$ 220 Bn in FY25, implying a ~16% CAGR, driven by strong domestic demand, export growth, and policy support. The government has set an ambitious target of US$ 500 Bn electronics manufacturing output by FY30, requiring a 5x increase in production levels.

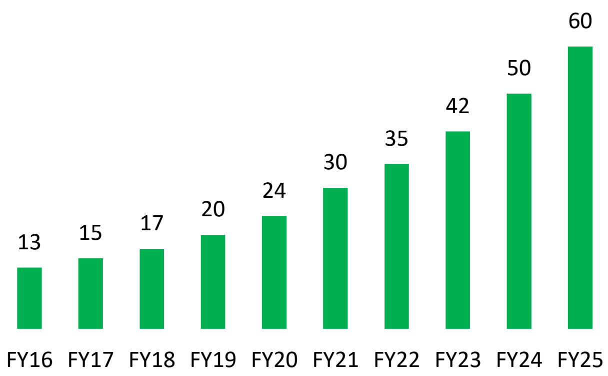
The Indian electronics manufacturing sector is undergoing a structural transformation led by:

- PLI schemes, offering 4–6% incentives on incremental sales
- SPECS (Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors) EMC 2.0 (Modified Electronics Manufacturing Clusters 2.0) schemes, supporting component manufacturing and infrastructure creation
- 100% FDI under automatic route, attracting global OEMs and EMS players

Electronics System Market ($ Bn)



Electronics Design Market ($ Bn)



Source: Company filings, Arihant research

Industry overview

Electronics manufacturing output is expected to reach US$ 135–140 Bn in FY25, up from US$ 115 Bn in FY24, with exports emerging as a key growth lever. Electronics has already become India's third-largest export segment, clocking US$ 38.3 Bn in FY25, up 36% YoY.

Cyient DLM's focus areas includes industrial electronics, automotive electronics, medical devices, aerospace & defence electronics are among the fastest-growing segments within ESDM. Industry growth is supported by:

- Automotive electronics and EV adoption, increasing electronic content per vehicle
- Medical electronics manufacturing, supported by import substitution and rising healthcare demand
- Defence and aerospace electronics, driven by indigenisation and long-term government procurement
- Industrial automation and smart energy systems, including smart meters and control electronics

Electronics system demand grew at ~16% CAGR over FY16–FY25, with strong momentum expected to continue as global OEMs adopt a "China+1" sourcing strategy and deepen their India presence.

Building a Scalable Electronics Manufacturing Base

- India has emerged as one of the most attractive destinations for electronics manufacturing, supported by its position as the second-fastest digitising economy globally. Domestic demand for electronic products has expanded sharply, growing by over 1,100% between FY20 and FY25, driven by rapid digital adoption, increasing embedded electronics content, and rising consumption across automotive, industrial, telecom, defence, and consumer segments. This sustained demand momentum provides a strong structural tailwind for the ***Electronics System Design and Manufacturing (ESDM)*** ecosystem.
- Within ESDM, several high-growth sub-segments are gaining prominence. IT and office automation has grown at a 54% CAGR, industrial electronics at 38% CAGR, and automotive electronics at ~10% CAGR. These segments typically involve complex PCB assemblies, embedded software integration, and stringent quality and regulatory requirements, structurally favouring specialised EMS providers over commoditised, low-margin players.
- At an aggregate level, India's ESDM sector is estimated to have generated US$ 100–130 billion of economic value by FY25. Recognising electronics as a strategic industry, the government aims to position electronic goods among India's top 2–3 export categories by 2026. Consequently, electronics exports are expected to increase sharply from ~US$ 15 bn in FY22 to ~US$ 120 bn by FY26, led by mobile phones, consumer electronics, automotive electronics, and industrial applications.
- India is already one of the largest electronics consumption markets in the Asia-Pacific region, supported by rising disposable incomes, deepening internet penetration, and accelerating digital infrastructure rollout. Government initiatives such as Make in India, Digital India, and a liberal FDI policy for electronics manufacturing have significantly lowered entry barriers and improved the ease of setting up manufacturing operations. In parallel, the Ministry of Electronics and Information Technology has supported 3,600+ technology startups, with total fund disbursements exceeding INR 212 cr as of July 2024, strengthening the broader innovation ecosystem.
- Overall, as India works towards its ambitious target of US$ 300 bn in electronics production by 2026, the ESDM sector is shaping up as a long-term structural growth opportunity. The convergence of strong domestic demand, export-led growth, supportive policy frameworks, and rising private investments is expected to benefit EMS players, component manufacturers, and design-led engineering companies over the medium to long term.

Industry overview

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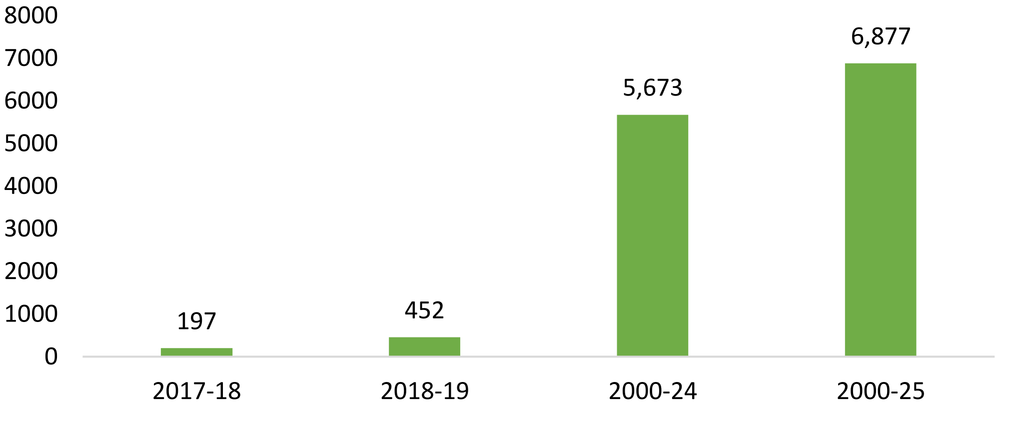
Exhibit 46: FDI Inflows in electronic in India (USD Mn)



Source: Company filings, Arihant research

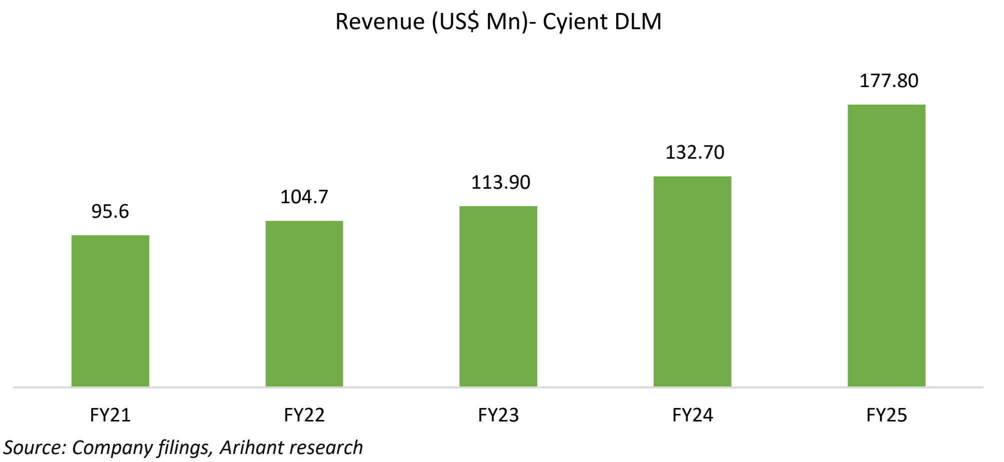
Business Overview

Cyient DLM Business

Cyient DLM is a design-led EMS company concentrating on Aerospace, Defence, Industrial, and Medical Technology. The acquisition of Altek Electronics expanded its reach in North America, facilitating a hybrid onshore-offshore business model. Rationale for the acquisition includes OEM diversification beyond China, increased defence expenditure globally, as well as the requirement for high reliability electronics with robust compliance and security-clearance facilities.

In FY25 the segments of Aerospace, Defence, and Medical Technology accounted for 89% of revenues which is an increase from 70% in the previous year indicating an inclination toward more premium segments. Defence raised revenues from 37% to 48%, while Aerospace accounted for 25%, Medical Technology for 16%, and Industrial segments commanded 10%. PCBA generated revenues of 72%, and Box Build contributed 21%. Cumulative revenues of the top 3 customers have raised over 32%, including the enhancement of Bengaluru and Mysuru capacity.

Exhibit 47: Revenue trend



Source: Company filings, Arihant research

Semi-Conductor Business

Cyient has taken deliberate steps to enter the semiconductor design space, leveraging its strengths in electronics, embedded systems, and high-reliability engineering. During FY25, the company launched Cyient Semiconductors as a wholly owned subsidiary focused on ASIC design, AI chips, and mixed-signal solutions. In addition, Cyient acquired a 27.3% stake in Azimuth AI, a fabless semiconductor company, to strengthen its capabilities in custom chip design.

The semiconductor segment offers higher value per engagement and aligns well with global trends such as supply chain diversification, increasing electronics content in vehicles, and AI-driven computing. While still nascent, this initiative provides meaningful long-term optionality to Cyient's core engineering services business.

Key Personnel's- Cyient DLM Ltd

Name & Designation	Profile
Rajendra Velagapudi (Managing Director)	As Managing Director of Cyient DLM, Rajendra Velagapudi brings extensive experience in engineering and manufacturing operations. His leadership strengthens execution capabilities, operational efficiency, and overall performance across the organization.
Shrinivas Kulkarni	Chief Financial Officer
Kaushal Jadia	Chief Technology Officer
Suchitra R	Chief of Business Excellence and Customer Engagement
Pooja Jamwal	Head of Strategy & Corporate Development
Mujeeb Rahiman	Head of India Operations
David Altschuler	Head of US Operations

Source: Company reports, Arihant Capital Research

Key Financials (Consolidated)

Income statement (INR Mn)					
Year End-March	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Gross Sales	11,918.71	15,196.26	14,469.80	17,743.72	22,262.42
Net Sales	11,918.71	15,196.26	14,469.80	17,743.72	22,262.42
YoY (%)	43.25%	27.50%	-4.78%	22.63%	25.47%
Adjusted COGS	**9,199.60**	**11,081.94**	**8,451.23**	**10,249.32**	**12,797.67**
YoY (%)	42.58%	20.46%	-23.74%	21.28%	24.86%
Personnel/ Employee benefit expenses	1,173.80	1,862.18	2,596.95	3,149.38	3,929.33
YoY (%)	81.44%	58.65%	39.46%	21.27%	24.77%
Manufacturing & Other Expenses	435.19	880.40	1,925.75	2,325.58	2,873.11
YoY (%)	26.71%	102.30%	118.74%	20.76%	23.54%
Total Expenditure	**10,808.59**	**13,824.52**	**12,973.93**	**15,724.29**	**19,600.12**
YoY (%)	26.47%	23.57%	9.05%	35.00%	31.83%
EBITDA	**1,110.12**	**1,371.74**	**1,495.87**	**2,019.42**	**2,662.30**
YoY (%)	26.47%	23.57%	9.05%	35.00%	31.83%
EBITDA Margin (%)	9.31%	9.03%	10.34%	11.38%	11.96%
Depreciation	223.12	340.62	414.21	502.39	610.65
% of Gross Block	8.45%	8.87%	8.67%	8.60%	8.54%
EBIT	**887.00**	**1,031.12**	**1,081.66**	**1,517.04**	**2,051.65**
EBIT Margin (%)	7.44%	6.79%	7.48%	8.55%	9.22%
Interest Expenses	343.87	375.45	245.93	236.96	254.34
Non-operating/ Other income	278.26	261.57	366.27	448.80	562.08
PBT	**821.39**	**917.24**	**1,202.00**	**1,728.88**	**2,359.40**
Tax-Total	209.43	236.48	268.48	466.80	637.04
Adj. Net Profit	**611.96**	**680.76**	**933.52**	**1,262.08**	**1,722.36**
Reported Profit	**611.96**	**680.76**	**933.52**	**1,262.08**	**1,722.36**
PAT Margin	5.13%	4.48%	6.45%	7.11%	7.74%
Shares o/s/ paid up equity sh capital	79.31	79.31	79.31	79.31	79.31
Adj EPS	7.72	8.58	11.77	15.91	21.72
Dividend payment	0.00	0.00	0.00	0.00	0.00
Dividend payout (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings	611.96	680.76	933.52	1,262.08	1,722.36

Balance sheet					
Year-end March	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Sources of Funds					
Equity Share Capital	793.06	793.06	793.06	793.06	793.06
Reserves & Surplus/ Other Equity	8,296.72	8,701.29	9,634.81	10,896.89	12,619.25
Networth	**9,089.78**	**9,494.35**	**10,427.87**	**11,689.95**	**13,412.31**
Unsecured Loans/ Borrowings/ Lease Liabilities	1,921.19	3,012.43	3,277.91	3,674.17	4,260.28
Other Liabilities	79.93	66.92	80.30	96.36	115.64
Total Liabilities	**16,032.76**	**16,939.13**	**18,404.55**	**20,633.34**	**24,283.93**
Total Funds Employed	**30,543.17**	**31,771.03**	**34,529.67**	**38,692.29**	**45,517.15**
Application of Funds					
Net Fixed Assets	**1,921.34**	**3,459.35**	**4,073.45**	**4,741.02**	**5,567.17**
Capital WIP	9.51	55.60	55.60	55.60	55.60
Investments/ Notes/ Fair value measurement	662.12	309.49	371.39	445.67	534.80
Current assets	**13,259.11**	**12,816.67**	**13,597.79**	**15,076.03**	**17,802.19**
Inventory	4,642.19	5,712.73	5,203.93	5,194.60	5,755.60
Days	176.42	170.53	202.78	202.78	165.91
Debtors	2,258.69	3,473.97	3,183.96	3,418.50	4,112.14
Days	59.35	68.85	73.00	81.11	70.19
Other Current Assets	743.43	638.05	701.86	772.04	849.24
Cash and Cash equivalent	416.89	471.17	717.53	909.13	1,135.16
Current Liabilities/Provisions	**5,420.63**	**5,337.55**	**5,697.25**	**6,369.00**	**7,820.91**
Creditors / Trade Payables	3,088.51	2,498.83	2,547.87	2,869.95	3,587.61
Days	96.81	68.46	76.04	73.00	73.00
Liabilities	1,642.87	1,656.91	1,855.15	2,081.43	2,680.27
Net Current Assets	**7,838.48**	**7,479.12**	**7,900.54**	**8,707.03**	**9,981.27**
Total Asset	**16,032.76**	**16,939.13**	**18,404.55**	**20,633.34**	**24,283.93**
Total Capital Employed	**8,194.28**	**9,460.01**	**10,504.01**	**11,926.31**	**14,302.65**

Source: Company reports, Arihant Capital Research

Key Financials (Consolidated)

Cash Flow Statement					
Year End-March	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Profit before tax	**611.96**	**680.76**	**933.52**	**1,262.08**	**1,722.36**
Adjustments: Add					
Depreciation and amortisation	223.12	340.62	414.21	502.39	610.65
Interest adjustment	65.61	113.88	-120.34	-211.84	-307.74
Change in assets and liabilities	900.69	1,135.26	1,227.39	1,552.63	2,025.27
Inventories	-391.36	-1,070.54	508.80	9.33	-561.00
Trade receivables	-641.21	-1,215.28	290.01	-234.54	-693.64
Trade payables	235.89	-589.68	49.04	322.08	717.66
Other Liabilities and provisions	-2,308.08	382.63	293.99	331.61	714.69
Other Assets	-144.67	166.74	-75.22	-82.74	-91.01
Taxes	5.03	0.00	0.00	0.00	0.00
Net cash from operating activities	**-2,343.71**	**-1,190.87**	**2,294.01**	**1,898.37**	**2,111.98**
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-531.09	-1,924.72	-1,028.32	-1,169.96	-1,436.80
Net Sale/(Purchase) of investments	511.36	614.20	304.38	374.52	472.95
Others	-48.64	-43.87	-8.29	-8.71	-9.14
Net cash (used) in investing activities	**-68.37**	**-1,354.39**	**-732.23**	**-804.14**	**-972.99**
Interest expense	-411.44	419.37	-57.06	76.07	241.53
Dividend paid	0.00	0.00	0.00	0.00	0.00
Other financing activities	6,499.10	-276.19	0.00	0.00	0.00
Net cash (used) in financing activities	**6,101.94**	**57.21**	**-57.06**	**76.07**	**241.53**
Closing Balance	**5,365.87**	**2,877.82**	**4,382.53**	**5,552.83**	**6,933.34**
FCF	**-2,723.78**	**-1,952.59**	**1,655.86**	**1,059.16**	**1,096.84**
Capex (% of sales)	380.07	761.72	694.55	816.21	979.55

Key Ratios					
Year-end March	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Solvency Ratios					
Debt / Equity	0.15	0.26	0.24	0.21	0.19
Net Debt / Equity	-0.44	-0.05	-0.18	-0.26	-0.33
Debt / EBITDA	1.20	1.78	1.64	1.24	0.96
Current Ratio	-3.63	-0.32	-1.29	-1.51	-1.65
DuPont Analysis					
Sales/Assets	0.74	0.90	0.79	0.86	0.92
Assets/Equity	1.76	1.78	1.76	1.77	1.81
RoE	6.73%	7.17%	8.95%	10.80%	12.84%
Per share ratios					
Reported EPS	7.72	8.58	11.77	15.91	21.72
Dividend per share	0.00	0.00	0.00	0.00	0.00
BV per share	114.62	119.72	131.49	147.40	169.12
Cash per Share	5.26	5.94	9.05	11.46	14.31
Revenue per Share	150.29	191.62	182.46	223.74	280.72
Profitability ratios					
Net Profit Margin (PAT/Net sales)	3.81%	5.13%	4.48%	6.45%	7.11%
Gross Profit / Net Sales	22.81%	27.07%	41.59%	42.24%	42.51%
EBITDA / Net Sales	9.31%	9.03%	10.34%	11.38%	11.96%
EBIT / Net Sales	7.44%	6.79%	7.48%	8.55%	9.22%
ROCE (%)	8.36%	8.89%	8.51%	10.64%	12.46%
Activity ratios					
Inventory Days	176.42	170.53	202.78	202.78	165.91
Debtor Days	59.35	68.85	73.00	81.11	70.19
Creditor Days	96.81	68.46	76.04	73.00	73.00
Leverage ratios					
Interest coverage	2.58	2.75	4.40	6.40	8.07
Debt / Asset	0.08	0.14	0.13	0.12	0.10
Valuation ratios					
EV / EBITDA	24.66	22.57	19.71	14.04	10.15
PE (x)	51.32	46.13	33.64	24.88	18.23

Source: Company reports, Arihant Capital Research

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Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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