"Cyient Limited
Q1 FY2027 Results Conference Call"

July 23, 2026

Management: Mr. Krishna Bodanapu - Executive Vice Chairman & Managing Director
Mr. Sukamal Banerjee - Executive Director & Chief Executive Officer
Mr. Shrinivas Kulkarni – Chief Financial Officer

Moderator: Ladies and gentlemen, good day and welcome to the Cyient Limited's Q1 FY27 results conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. I now hand the conference over to Mr. Krishna Bodanapu, Executive Vice Chairman and Managing Director. Thank you and over to you, sir.

Krishna Bodanapu: Thank you very much, Inba, and good evening, ladies and gentlemen. Welcome to Cyient Limited's earnings call for Q1 of FY2027. I am Krishna Bodanapu, Executive Vice Chairman and Managing Director, and present with me on this call are Sukamal Banerjee, Executive Director and CEO, and Shrinivas Kulkarni, Chief Financial Officer. I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available on our investor update, which has been e-mailed to you and also posted on our corporate website. This call will be accompanied by an earnings call presentation. The details of the same have already been shared with you. We continue to report group performance under four segments, DET, DLM, Semiconductor, and others. While the focus of this call will remain the DET segment, I will spend some time on Semiconductor and DLM, since these also represent a significant value of the Cyient group portfolios. Group numbers include performance of all four segments.

Coming to some key updates for this quarter, I will first start with Cyient's Semiconductors. As many of you would remember, our semiconductor business has three verticals. The services business, where we deliver semiconductor services to companies. The custom ASIC turnkey business, where we design and source chips and deliver chips at a more mature nodes to companies and evolving custom product/ASSP business where we will own the intellectual property and supply chips to companies. The services business continues to grow. You may have seen some announcements on this. We won a deal from the Semiconductor Complex of India to upgrade their fab in Mohali and many other deals that we continue to have a very strong pipeline on the semiconductor business, which continues to grow.

Now coming to the second part, which is the custom ASIC business. The pipeline here now stands at more than $100 million and is building fast, powered by a wave of new design wins and deepening roster of blue-chip marquee clients. Our compound semiconductor initiatives continue to advance, anchored by a push into the Indian gallium nitride or GaN power market. We launched seven new GaN powered chips, leveraging the Navitas technology, to rapidly growing demand for high-efficiency, high-power density solutions across AI data centers, telecom, fast-charging consumer applications, industrial power systems, and e-mobility platforms.

Now coming to the third part or the third pillar, which is the custom ASSP business. There are two parts to it, low-power and high-power. To increase our spread and reach in the low-powered ASSPs, we acquired Kinetic Technologies. Q1 was the first quarter where we operated this recently acquired business, fully consolidated it, and the combined revenue of Cyient and the Kinetic Technologies business is $17.9 million. Our organic semiconductor business grew 5% quarter-on-quarter to $7.5 million, marking our fifth consecutive quarter of organic growth above 5%. Also, if you look at the high power ASSP business, we continue to make significant progress in research and development efforts. While Kinetic gives us access to low power and credibility in power, the high power business is being developed organically, which is where much of our cash flow is going and which is what has led to lower operating profitability. The team is fully on board, the research phase is completed, and now development is in full swing, positioning us to address one of the fastest growing demand areas in the industry.

Turning to a major milestone, as we highlighted on May 25, 2026, we signed a financing agreement with EAAA at a post-money valuation of $500 million. I am pleased to announce that we have closed this round $30 million of fresh capital raised through a combination of debt and equity is in place. This is a strong vote of confidence in our strategy and our trajectory and gives us the balance sheet strength to invest in growth and scale. Looking ahead, we remain confident in our outlook for the year. With the recent fundraise closed and an expanding pipeline and strong underlying momentum across the business, Cyient Semiconductors is well positioned for years to come.

Now moving on to Cyient DLM. Q1 FY27 has begun on a very strong note, reinforcing the message from our previous earnings call that the underlying strength of our business remains intact and the investments we have made over the last few years are translating into tangible results. As you know, this is also starting to reflect in the valuation of Cyient DLM, which is an encouraging validation of the market’s confidence in our direction, our capability, and our credibility. The quarter played out against a backdrop of continued geopolitical uncertainties, evolving design patterns, demand patterns, and global supply chain disruptions including the West Asia crisis. Despite this, Cyient DLM stayed firmly focused on execution, enabling us to consistently meet our delivery commitments and further strengthening customer trust. Our order book momentum there continues to be a strong anchor for our confidence, with the quarter closing at the highest ever order book, supported by a strong order inflow and a book-to-bill ratio of in excess of 1.5. This was complemented by strong revenue growth year-on-year across a diversified revenue mix and sustained double-digit EBITDA margins for four consecutive quarters. This reflects our focus on operational excellence, revenue quality, and disciplined cost management. Alongside this, key leadership hires in strategy, sales, and operations are now substantially complete, meaningfully strengthening our go-to-market engine and positioning us to accelerate growth ambitions. Looking ahead inside DLM, the structural drivers of our business remain firmly intact, rising electronic content, supply chain diversification, and the broader outsourcing strength. With our differentiated design-led manufacturing model and our strong customer relationships, Cyient DLM is well positioned to capitalize on these opportunities.

Lastly, during the quarter, Cyient successfully completed our share buyback program, extinguishing 6.4 million equity shares at a price of Rs.1,125 per share, aggregating to Rs.720 Crores. This represents approximately 5.76% of the Company's total paid-up capital. The promoter group, directors, and key management personnel did not participate in the buyback, reinforcing our continued confidence and commitment in the long-term value of the Company. Before I hand over to Sukamal, I would also like to take this opportunity to announce that we will have an Investor Day planned on August 25, 2026 in Mumbai. It will be a great occasion to engage with our leadership team on strategy, growth priorities, and the road ahead. I look forward to interacting with many of you there. With this, I hand over the call to Sukamal, who will take you through the business performance of DET.

Sukamal Banerjee: Thank you, Krishna. Good evening to all of you, and thank you for joining us today. As Krishna mentioned, I am also looking forward to seeing many of you next month in Mumbai at our Investor Day, where we will go deeper on where this business is headed. Today, let me give you the direction and the first proof of it. For some time now, we have been focusing on our lifecycle engineering capabilities, and that opens up a far larger market for us. ER&D outsourcing today is a market of roughly $80 to $100 billion. Across the full product lifecycle, the opportunity in front of us is close to 20 times that and a lot of that can be shaped and defined by us. Our customers are seeing this firsthand. The products they build stay in service for decades and with far more sensors on board, they now generate more data than ever. Literally, the volume of data is doubling every quarter in our segments. That creates real value for us to capture right across the lifecycle, from development, manufacturing, through supply chain, and into aftermarket, and in the case of certain industries, MRO. Where much of this growth now sits and much of the economic value created now sits. Our M&A strategy was a promise to move on this opportunity and this quarter we delivered the first step, we announced our agreement to acquire TAO Digital Solutions. As you are aware, with TAO, we add real depth in data and software engineering, including cloud-native platforms, and that help us guide our key customers through their AI adoption journey. Just as importantly, they know how to keep AI running with AIOps reliably once it is live in production. They work in the same mission-critical industries and platforms as we do, where the data is complex and there is little room for error, especially in the context of deploying AI at scale. Their employees bring that strength across North America, India, Taiwan, and some parts of Europe. Bringing their strengths together with our own domain and engineering knowledge, we can finally make AI adoption real for our customers and at scale. This is what carries us further along the life cycle from design and engineering through to operations and aftermarket. We have always believed that AI earns its value only when the people shaping it truly understand the domain. With TAO, we bring those two strengths together under one roof.

Let me highlight this in translating this with an example of MRO. Our agentic AI-driven MRO platform is a clear example of this lifecycle shift in action. Our customers in the aerospace industry are in early stages of building a robust data infrastructure encompassing dark data, structured and unstructured data to create digital threads across the product lifecycle. What we have built brings engineering, the supply chain and the shop floor into one AI operations platform. It turns lost time back into real output from the assets they service. We launched this platform-based offering at the Farnborough Airshow this week and the customer engagement has been really encouraging. The opportunity is compelling. A product is designed once and built at scale but maintained across a service life of 50 years or more and that is where the growing share of economic value now sits. We layer our domain expertise and agentic MRO platform playbook on secure AI infrastructure to deliver intelligent outcomes for our customers.

Let me now switch gears to talk about our Q1 numbers. As you have seen, overall, we had a satisfactory quarter across broad segments of our business, except one market, which unfortunately had a sharp reversal. This resulted in our overall constant currency to be a degrowth of quarter-over-quarter to be -0.5% and in rupee terms, it was a growth of 2.7% quarter-over-quarter growth. This in year-over-year turned out to be -0.9% constant currency and in rupee terms, it turned out to be a 10.6% growth in constant currency. Apart from the market-specific impact I mentioned, we did see some slowness in awarding of discretionary projects as customers across the globe were cautious on starting new programs with some of the uncertainty and supply chain disruptions due to the West Asia war and the situation that has unfolded because of that. Despite this slight drop in revenue, our ongoing focus on operating margin improvements resulted in an EBIT of 13.2% up 79 bps quarter-over-quarter normalized. This reflected our continued focus on improving both our revenue to cost ratios, but also ongoing optimizations on our G&A and overheads and bring that to industry levels. This EBIT outcome is despite higher restructuring costs over our near-term quarterly average that we experienced in Q1. I will let our CFO Shrini give more color on the progress we have made on this front. Underneath the headline, the momentum in our funnel and our order intake tells the full story. Our order intake was up 5.3% year-over-year for Q1. Order intake growth for our new business, existing new EN and NN business came at 64% year-over-year and 49% quarter-over-quarter. Over the last two quarters, Q4 FY26 and Q1 FY27, we have won five large deals. Additionally, in Q1, we have created and qualified nine large deals, giving us additional large deal pipeline of over $300 million. So our focus on building up larger deals is starting to show momentum. On our EBIT exit goal of FY27, let me share how we see it today. We are still working towards a 15% EBIT, but we now believe that this may take a little longer than the Q4 FY27 we originally aimed for. Our plan rested on two things, our internal focus on cost and a certain revenue growth trajectory. We remain firmly on track on the cost side and it is the revenue ramp up where we are running a little behind and that is where our attention is now. We also took a decision not to cut back on our investments, which are critical for our turnaround in the service portfolio mix, which is important to sustain the momentum for our future growth.

Let me also add a little more color from a segment performance perspective. As you have seen in our reported segments, transportation and mobility was a real standout quarter. It grew 3% quarter-over-quarter in constant currency and 14.8% year-over-year in constant currency and remains our strongest engines delivering its fifth consecutive quarter of growth. Network and infrastructure rebounded to grow 0.3% quarter-over-quarter constant currency and 2.5% year-over-year constant currency which is what we anticipated post our Q4 setback and what we had highlighted to be a quarter specific problem. The growth numbers could have been even higher had it not been for delayed start to some of the programs which we had already won in Q4 of FY26, reflecting the demand for higher bandwidth and smarter systems remain strong. This is exactly the high-value engineering-led work we want more of and the same ambition runs right through our portfolio. As I mentioned before, our strategic units did suffer -8.2% quarter-over-quarter degrowth primarily due to contraction in our energy business. While the results in the near term has been challenged, we have rebuilt our go-to-market team in several important geographies and more important we have created a better perspective and understanding of what we need to take to the market and how we need to play in the market. We are confident that this will start showing market comparable results in the next two, three quarters. Other market segments in strategic units continue to deliver adequate results, and we expect them to gain further momentum, as some of the funnel we talked about is reflected in these verticals.

From a leadership perspective, a quick word on a couple of additions that we have done. We are very happy to welcome Baskar Nagarajan, who has joined us as the global head of Avionics Delivery. Across nearly three decades of experience at Honeywell, HAL and Alstom, he has led teams of thousands on complex safety-critical programs and strengthens our work in the transportation segment. We are also glad to welcome Rahul Sarkar to lead our alliances and partnerships, which was one of our critical initiatives, which I have highlighted in some of our forums. Rahul, over the last 12 years at Tech Mahindra, has built the partnership and ecosystems across hyperscalers, AI platforms, and OEMs. As we take our lifecycle strategy further, it is domain expertise and the right partnership that turn technology into real outcomes and both of them, I am sure, will help us get there.

Before I close, let me leave you with one thought. In our industry, advantage comes from understanding our customers' business deeply enough to know where intelligence creates the greatest value and having expertise to deliver meaningful outcomes. This is not something AI can take over. It can only augment what experts deliver. That conviction is reflected in everything we have shared today, from acquisition and our expanded offerings to how we are sharpening our market focus. We are combining deep domain expertise with AI to solve more meaningful problems for our customers. I am confident in our strategy, our execution, and the team driving it forward. Thank you and with that, let me hand over to our Chief Financial Officer, Shrini, to take you through the financials in more detail.

Shrinivas Kulkarni: Thank you, Sukamal. Ladies and gentlemen, thank you for joining today's call. I will now walk you through the financials. Before turning to the numbers, let me confirm that the only change to the reporting structure this quarter is the inclusion of Kinetic in the semiconductor segment. This call today will focus on DET performance, followed by a brief commentary on the group level performance. Two updates before the quarter's numbers. First, as Krishna noted, the buyback is complete. All the 6.4 million shares were extinguished and the consideration fully settled. Both the acceptance and extinguishment occurs after the reporting period, which is June 30, 2026, so there is no impact on Q1 FY27 results as reported. Second, on TAO Digital Solutions acquisition that was announced earlier, the closing is progressing well and we are expecting to satisfy all the closing conditions by August 2026. We have expensed in the current period $1.4 million in transaction costs in Q1 and this is normalized and treated as non-recurring for the quarter.

Coming to DET's performance, DET reported Q1 revenue of $162.5 million. It is down 0.5% sequentially and 0.9% on a year-on-year basis in constant currency. In INR terms, revenue was Rs.1540 Crores, up 2.7% quarter-on-quarter and 10.6% year-on-year. The divergence between the dollar growth and the rupee growth is explained by the currency tailwinds. On margins, you will see this noted in our annexures that we have shared. We have refined our gross margin definition this quarter to reflect full accountability of project linked costs by reclassifying project linked costs such as software, hardware, facility seat, and technology incubation spend. This is a presentation change only. This has no impact at the EBIT level and prior periods have also been restated for a like-to-like basis. The DET gross margins for Q1 FY27 stands at 32.7%. It is down 13 basis points sequentially, but up 127 basis points on a year-on-year basis. On the EBIT margin, DET delivered 13.2% this quarter. This is normalized for the M&A expenses I referred to earlier and it is up 79 basis points sequentially and 114 basis points on a year-on-year basis. This is driven by continued cost optimization and favorable foreign exchange from a stronger USD. Q1 DET, profit after tax, normalized for M&A expenses is Rs.141 Crores. It is up 2.1% sequentially but down 13.5% year-on-year. The year-on-year decline reflects low other income as Q1 of FY26 benefited from a one-off reinstatement gains. The effective tax rate for the quarter was 29.2%, broadly flat sequentially, but up 350 basis points year-on-year, driven by a shift in the profit mix towards higher tax jurisdictions and some prior period true ups. We are working on initiatives to bring this down and we expect the full year run rate of ETR to be between 27% and 28%.

On cash, DET free cash flow for the quarter was Rs.114 Crores, 80.5% conversion to normalized PAT. This is down sequentially 49% against a strong Q4 base, primarily due to certain payments for which provisions were created in Q4 but paid in Q1, but the Q1 FCF conversion pattern is consistent with prior years, which is why on a year-on-year basis FCF is broadly flat. Also, you will notice that the capex spending this quarter is a little bit higher, which is reflective of the cyclical IT system refresh and a project ramp-up. As in prior quarters, DET's EBIT, PAT, and EPS are presented on a normalized basis, excluding Rs.14 Crores of M&A-related expenses tied to the TAO acquisition. A full reconciliation is in the annexure that is presented to you. Quickly on the group performance, at the group level, Q1 revenue is $219 million up 4.5% sequentially and 9.1% year-on-year in constant currency. INR revenue is Rs.2076 Crores which is up 7.7% quarter-on-quarter basis and 21.3% on a year-on-year basis.

Now numbers, this quarter includes 10.4 million from the Kinetic Technologies within the semiconductor segment and this is their first quarter of consolidation. Group EBIT margin normalized was 9.7% up 16 basis points sequentially and 19 basis points on a year-on-year basis. DET's improvement partially offset by continued investments in the semiconductor business is the result of this number. Consolidated and organic semiconductor details are in the annexures. The group profit after tax normalized was Rs.114 Crores, with EPS at Rs.10.32. On a reported basis, group profit after tax was Rs.104 Crores and EPS was 9.42.

In closing, this was a quarter of disciplined execution. DET expanded EBIT margin both sequentially and on a year-on-year basis, even as topline growth remained muted in constant currency. With the buyback now fully settled and TAO Digital Solutions on track to close by August, our capital allocation priorities for the year are largely executed, and the team's focus now turns fully to integration and converting this margin trajectory into a sustainable higher base. I will now hand over the call back to Inba for moderating the Q&A.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We also request participants to restrict to two questions and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a moment while the question queue assembles. Any participant who wishes to ask a question may click on the raise hand icon. We will take our first question from Moez Chandani of Ambit. Please go ahead.

Moez Chandani: Good evening and thank you for taking my question. My first question was on the three segments, starting with strategic units you have seen, I think, a decline for the last two quarters do you think that we are now at the bottom for this segment, or do you think that there is still some further impact because of some of the delays in discretionary spends that you noted in your remarks?

Sukamal Banerjee: To answer your question, as I mentioned, there are essentially three markets included over there and we definitely see strong potential and the numbers are also reflecting that in terms of growth in two of them. For one of them, which is energy, as I highlighted, we might have one or two quarters, I would not say of softness, but for growth to rebound we probably will need one or two more quarters. So our overall attempt should be to narrow the gap, if not make it flat for this particular quarter. That is what we are working towards.

Moez Chandani: Sure. Understood. Just on your transportation and mobility, obviously growth has been strong for you there, again is there a particular project or ramp up that is driving this or that is more of a function of the broader aerospace sector where you are seeing growth going forward?

Sukamal Banerjee: No, it is not driven by one project. In fact, as you know transportation & mobility constitutes of aerospace, rail and automotive. We have growth in all three of those segments quarter-over-quarter as well as double digit growth year-over-year in each of those three segments so it is pretty holistic growth that we are driving across these three markets.

Moez Chandani: Sure, understood. Lastly, on semiconductors, I know, Krishna, you highlighted a fairly strong demand environment for the entire segment. Any sense in terms of how do you see breakeven coming through for the semiconductor business, especially on a PAT level, given that we have already taken some debt for the Kinetic acquisition, and also your expectations in terms of growth for the rest of the year?

Krishna Bodanapu: Growth will continue to be very strong, we see a strong pipeline, both for the signed organic business and the acquired entity, which is Kinetic Technologies. So from a growth perspective, we are not overtly worried in that sense. I think there is a very, very good growth opportunity. Now, in terms of breakeven, it looks like breakeven will happen only in FY28 and if you look at a gross level it has a very healthy gross margin. Our semiconductor business has a higher gross margin than the services business, which is expected, but as I said, there is two parts to the custom product or ASSP business. One is, of course, what we acquired, but the second is the design and development of certain high voltage products. Now, that still will consume cash for the next four, five quarters at least. That is why I say break even in FY28, but also you have this amortization, because of the acquisition of Kinetic and that is why there is about $3 million a quarter there that we have to cover up. That is why net-net growth is good, breakeven in 2028.

Moez Chandani: Got it. Thank you for taking my questions.

Moderator: Thank you. We take our next question from Hasmukh Vishariya from Tata MF. Please go ahead.

Hasmukh Vishariya: Thanks for the opportunity. My only question is on the energy vertical or within the strategic unit. If I think about two years back or so, we were going exceptionally well here in this vertical, but let us say three, four, five quarters, the momentum has faded away whereas if I look at one of your peers, a larger peer, they are continuously winning good deal wins here, so if you could elaborate on rationale with respect to the loss or market share loss here, why is that?

Sukamal Banerjee: I think to answer your questions, two parts, the numbers that you are referring to, which were strong a couple of years back were built on one single, very large project and I think we have in our commentary over the last four, five quarters talked about the ramp downs we were facing in that project, which is now completely over. The project is completed. What now we have been working on is, and I understand the comparison you are making, and that is why in my commentary I also said that steps we have taken and the changes we have done, we feel very confident in next two, three quarters we will be showing comparable numbers to the market and those are to do with two, three different things. One, as I mentioned, the change in the go-to-market team, which had to be done in some pockets to align with what the market needs are. Second, to prioritize on which offerings that we take to the market, given the current market conditions and third, to broaden the service portfolio that we have been taking to that market, instead of just depending largely on plant engineering we have broadened our service portfolio, in fact it is already reflected in one of our large deal wins in Q1, where we won, and I think it is highlighted in the key deals as well, with one of the large energy OEMs, we won a multi-year large deal for digitalization of their service parts catalog. These are the kind of projects, which expands our service portfolio to these customers that we already have as our logos and those are the three steps we are taking to make sure that that turnaround gets done towards the results that we are seeking.

Hasmukh Vishariya: Understood. Thank you.

Moderator: Thank you. A quick reminder to our participants. If you wish to ask a question, you may click on the raise hand icon. Our next question is from Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. Two questions. First on the revenue growth side, considering, if I understand correctly, you are indicating energy most of the weakness is behind, growth will take some time, so considering the negative headwind is largely behind and other two segment you expect growth to continue should we expect positive growth to return starting Q2 and as year progresses momentum to accelerate in FY27 from revenue growth perspective that is question one? Second question is on the EBIT margin what you indicated you are deferring some of the timeline of 15%, can you provide more detail around it when one should expect your margin trajectory to be 15% and above 15% kind of trajectory? Thank you.

Sukamal Banerjee: Sure, I will take the first question and I will ask Shrini to comment on the second one. On the commentary that you made is largely correct I think the growth numbers that we are trying to pursue will obviously build up slowly over the quarters, but that is definitely the visibility and the perspective we have at this point in time. Shrini, on the margin question on EBIT.

Shrinivas Kulkarni: Yes, I think like Sukamal explained on the call, I think our EBIT trajectory and growth has two elements to it working in tandem. One are the cost levers and the optimization levers, which are largely in our control and the second is on the absorption that we would expect from growth. Now, on the first part, which is in our control, those are on track. I think we are working on a number of levers like the rate increases from customers, the productivity and automation-related savings, taking the G&A optimizations, etc., but on the second part, since growth has been muted, I think we will see the absorption coming in a little late. We have also taken a conscious call not to stop any of the investments that we are making, which is required for the rebound and for the growth momentum to come back. So we will see a path towards 15%. It will take us a couple of quarters into the next year by which time we hope to get there.

Dipesh Mehta: Understand and any thought around the wage hike during this period when you say let us say my understanding is you are indicating somewhere in H1 end we should be reaching 15% and how to look wage hike in this period?

Shrinivas Kulkarni: No, I said we will reach 15% in H1 next year not this year.

Dipesh Mehta: Yes FY28 I said

Shrinivas Kulkarni: Yes, so, the wage hike is a different conversation. That is driven by the market forces. We will take a call looking at all the scenarios in the beginning of H2 on the wage hike itself.

Dipesh Mehta: Thank you.

Moderator: Thank you, Mr. Mehta. Our next question is from Shradha Agarwal from Asian Market Securities. Please go ahead.

Shradha Agarwal: Just on the revenue question again. So I think earlier we had broadly indicated that revenue growth in 2027 will be in the mid to high single digit range with whatever commentary you have around strategic unit what is the outlook on revenue that we want to give now and with TAO Digital Solutions acquisition getting consolidated, say, from Q3 or probably one month of Q2, how should we look at revenue including TAO?

Shrinivas Kulkarni: I will answer the first part and then I will hand it over to Sukamal. See, on the revenue, first of all, there was no guidance from us, right? We said we were aiming towards a mid-single digit growth. Now, of course, that will be challenged or given just the way the mathematics works, if you have not started the year with a growth, I think the ask rate for the rest of the year does become very hard. Of course, we are very hopeful of growth returning in a meaningful way in H2 of this year. We are still working through the numbers. We do not have the details to give a specific commentary on where that will land us. TAO will definitely add. Sukamal, you want to add.

Sukamal Banerjee: Yes, sure. So TAO, as you might be aware, we are still in the closing process and it is anticipated to be sometime in the late Q2 timeframe and I think we had indicated regarding the revenue it brings and once we close we will be able to be in a better position, but it definitely will be closer to about $40-50 million range if you are able to close with the timelines that we are sharing right now.

Shradha Agarwal: Right. I understand the order book number for this quarter has been quite strong so what has driven that, it is mostly led by the new business, but what about renewals in the existing order book, has that seen a decline because of some client-specific issues or what has been the reason?

Sukamal Banerjee: I think two, three broad factors. Number one, a lot of project-based work, which came to end and some of them was already planned, so it is not a surprise or most of it was already planned, not a surprise. Second, as I mentioned, some of our segments and discretionary projects to restart, there has been a delay and some of these we count as renewals because these are more regular projects that our customer hands over to the same team, so there are some delays in that, and those were the two primary reasons why existing business renewal was a little depressed. But having said that it has nothing to do with any structural issues or market issues it has more to do with some of the timing and both from a project perspective as well as customer willingness to commit to new projects.

Shradha Agarwal: Got it. Thank you.

Moderator: Thank you. Our next question is from Sandeep Shah of Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity and congrats on a good execution, especially on margins in the DET. Just first question, there is a consistent growth in the transportation and mobility. So, just Sukamal wanted to understand, is this a restructuring of the portfolio where dependence on project based versus annual sticky kind of revenue, which is helping us or is it more to do with the higher demand?

Sukamal Banerjee: I think it is a combination of both. I think there is no question that the market has some tailwinds, but let us also understand that a large part of what we are achieving today in terms of our results came through discovery of where those opportunities lie. What I talked about in terms of lifecycle engineering had a lot to do with making sure that we can expand our footprint beyond just the ER&D dollars or R&D dollars of our customers. So it is a combination of both and I think as I have been highlighting in our previous calls as well, what is happening in this industry is a volume growth, as in volume of number of assets and that is what drives some of these revenue streams and that is what we went ahead, identified very early on and it is translating into the numbers that we are seeing.

Sandeep Shah: Within your sustainability or strategic unit, which also includes energy, utility and sustainability. One of the participants asked this question, the peers are showing a very high double-digit mid-teen kind of a growth I believe the Citec asset when we acquired it was Europe centric and we wanted to cross sell to the other set of accounts, so do you believe that exercise has started or will like to start because generally Europe has a seasonal weakness in the Q2 because of the holiday season. So with a widespread portfolio across market on these kind of verticals or industry will help us to negate the volatility in the growth rates, so how should we see the growth path and the cross-selling upselling to different markets through Citec?

Sukamal Banerjee: So just to clarify first, strategic units is a composition of energy, mining and minerals, and healthcare and coming back to your question on energy, yes, the cross-selling into North America especially has started. We probably will not have meaningful results for this Q2, but the idea is to make sure that we build up the momentum so we can do some geography mitigation for next Q2 that is definitely an aim that we are working on and some of the other things that we are working through has to do with multiple other dimensions of expanding the business, including taking the same capability to other segments. We also have a very unique capability in nuclear engineering, and obviously there is a lot of tailwinds in that market as well, both in North America, as well as some of the recent announcements which have happened in Europe and we are working on making sure that we can tap into that. We are in, I would say, mid-stages of conversation with some of these new customers, so we anticipate to start seeing wins in nuclear energy in about a quarter to two quarters in a significant way. So it is a combination of geographic dispersion, taking capabilities which are in energy into some of the other market segments where plant engineering capabilities are definitely required as well as making sure that we take full advantage of our capabilities on nuclear engineering.

Sandeep Shah: Just some clarification about TAO Digital Solutions, so, Shrini just wanted to understand whether the progress in the first half of CY26, which one can assume still the EBITDA margin of closure to 20% and maybe EBITDA margin of high teens, so the assumptions have changed because of macro headwind impacting many players in the industry?

Shrinivas Kulkarni: Sandeep, I think it is not prudent to talk about their numbers before the closing. As a part of the closing process, we are awaiting their updated financials that is one of the deliverables and I think on closing we will be able to confirm what the numbers are and what the sustainable number.

Sandeep Shah: Fair enough and just Shrini with the TAO and 20 million debt in the semiconductor, our overall debt if I am not wrong may go to 250 million odd, so what average cost of debt we should model for the upcoming debt financing for the M&A?

Shrinivas Kulkarni: The debt in Kinetic is a Singapore-based debt, which is at quite a low interest rate. It is roughly 1.25% plus the spread, right? So, including spread, it will be less than 3%. The debt for TAO will be a US dollar-based debt so it will again be a SOFR plus some spread. It is also fairly low compared to our cost of capital. So these are all substantially lower than the debt that you would raise in India.

Sandeep Shah: Thanks and all the best.

Moderator: Thank you. Our next question is from Bhavik Mehta from JP Morgan. Please go ahead.

Bhavik Mehta: Thank you. So just one question, just going back to the growth side of things. How are the client conversations progressing over the last three to four months given the geopolitics uncertainty still remains, supply side issue I think still remains. In this backdrop do you think the growth that we saw in transportation and telecom can sustain or it is difficult to call out given the volatile environment?

Sukamal Banerjee: Since you called out transportation, the way we see right now on existing programs and programs which have already been budgeted for, we are not seeing any impact yet, but theoretically, if the disruption continues longer, definitely there is a threat to the number of flying hours, which has already had some impact and if this continues for a longer period of time it can definitely create some disruption. So far, we have only seen this in very select discretionary projects and value-add projects. We have not seen it in the business as usual. That is how we see it today, and we have seen it over the last two, three months, but obviously, if flying hours continue to be affected, revenue gets affected in the industry, and that obviously will translate to some compression. So that is what I would say. A lot depends on how long this war goes on.

Bhavik Mehta: Thank you and similarly, on the telecom side, any comments?

Sukamal Banerjee: On telecom side, as you know, a large part of our business is focused on fiber build-out and there is significant capex spend, which have been announced by almost all of our customers, significant customers. So in terms of what is ahead for us in building out the infrastructure that they have committed as part of several government initiatives and again, just to clarify, not funded by government, funded by these organizations as private corporations that visibility remains strong. There are some seasonalities that this business is affected by, especially around their fiscal year and how they start off spending their funds for these new products, but other than that seasonality aspect, I think we see very clear visibility. As you know, with the Celfinet acquisition, which happened a couple of years back, we also started diversifying into more holistic offering in the connectivity market and a large part of the funnel growth and some of the deals that I talked about is actually coming from the diversification efforts we are driving. So, once that starts translating results, I think it will also help us cover for some of these seasonality aspects that I mentioned a little while back.

Bhavik Mehta: Got it. Thank you.

Moderator: Thank you. We will take a last question from Rajas Joshi from ChrysCapital. Please go ahead.

Rajas Joshi: Good evening and thank you for the opportunity. I had a question regarding our current group structure. So, as things stand, DLM is a partly owned subsidiary for us and is there a plan for a clean demerger given how things have shaped up over the past few quarters now because that would help with regards to significant value unlock for shareholders in the main Cyient entity?

Krishna Bodanapu: Right now, we are still not considering that because there is quite a dependence between DLM and Cyient. I think DLM still benefits quite a bit from Cyient’s engineering capability and vice versa. If you look at even a lot of the engineering deals we win are because of the manufacturing capability that we have because that brings in a huge differentiator compared to anybody else in the market. So we believe that the intent of establishing its own capital structure was to provide an avenue towards value unlock. So obviously that value has been established and that value is available to the Cyient shareholders, of course indirectly, and will continue with this structure at least for the foreseeable future.

Rajas Joshi: Thank you for the detailed answer.

Moderator: Thank you. Sir, we have one more question. That is from Ankur Pant of IIFL. Please go ahead.

Ankur Pant: Thanks for taking my question. I am going back to the growth and the delayed decision-making again. So, the delayed decision-making and ramp-ups that you have seen, is that still persisting or have the deals which had been delayed have they started ramping up which could actually result in a better outcome in Q2 than you initially expected? How are you looking at that aspect?

Sukamal Banerjee: Let me clarify first. I think it is an industry-specific answer. The point that we had shared in Q4 and what I mentioned earlier in my commentary was specifically about connectivity that is number one. The other point that I made in today's commentary was related to the disruptions caused by the West Asia War, which has generally put customers on a more conservative note when it comes to discretionary projects and that is across many segments. So I just want to clarify the difference between the two. First was the delay in starting projects which were already awarded to us and the second is more driven by a macro issue.

Ankur Pant: Is that largely behind so the connectivity deal has it started ramping up now in Q2 and the delays in decision making, that is still persisting, I believe?

Sukamal Banerjee: When it comes to connectivity, yes. Most of the ramp up that had to be done is done with and I quite did not get your second part of the question or comment.

Ankur Pant: The overall uncertainty around decision making in the energy vertical, that is still persisting, I believe.

Sukamal Banerjee: That is correct and not just in energy, as I mentioned, even in aerospace, flying hours is becoming a concern that has stopped some new kind of projects that we had gotten go ahead verbally. So there is a degree of macro overhang that we should be keeping in mind, but nothing which affects our existing business.

Ankur Pant: Thank you so much. All the best.

Sukamal Banerjee: Thank you.

Moderator: Thank you. That was the last question for today. I now hand over the floor back to the management team. Over to you Sir!

Krishna Bodanapu: Thank you very much and ladies and gentlemen, thank you very much for your time. Obviously, Q1 was a good quarter from all aspects of the group. Of course, we do still have a little bit of work to do on DET growth, but as Sukamal articulated, I think we have had some issues over the last couple of quarters, many of which are under control now, so we are back at looking at the future and we continue to be very optimistic across DET, or in DET, but across the rest of the companies also. So thank you for your support and like I said August 25, 2026 is our Investor Day. We will talk about strategy in much more detail. So, I look forward to meeting a lot of you over there. Thank you.

Moderator: Thank you members of the management. On behalf of Cyient Limited, we conclude today's call. Thank you for joining us and you may now click on the leave icon to exit the meeting. Have a good day. Goodbye.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.