



Cyient Limited

Q1 FY26 Earnings Conference Call

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LIMITED
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Moderator: Ladies and gentlemen, good day, and welcome to the Cyient Limited Q1 FY26 Earnings 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference 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. Good evening, ladies and gentlemen, and welcome to Cyient Limited Earnings Call for the first quarter of FY26. I'm Krishna Bodanapu, Executive Vice Chairman and Managing Director. And present with me on this call are Mr. Sukamal Banerjee, Executive Director and Chief Executive Officer; and Mr. Prabhakar Atla, President and Chief Financial Officer.

Before we begin, 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 in our investor update, which has been e-mailed to you and is also posted on our corporate website. This call will be accompanied by an earnings call presentation, the details of which have been already shared with you.

With the carve-out of Semiconductor from DET, the nomenclature and segments under which we report our group performance will be updated from the current quarter. These segments will now include DET, which is our engineering, technology and digital business in the traditional engineering business, but does not include the semiconductor business. DLM, which, as you know, is Cyient DLM, which is our manufacturing business in which Cyient holds about 52% ownership.

The Semiconductor business, which is now a fully owned subsidiary but a separate subsidiary with its own leaders, with its own management and with its own structure. And a segment called Others, which is the few smaller businesses, which are not very material. The nomenclature with which we will report going forward will happen in four segments.

The focus of this call will remain the DET segment, and to that extent, all numbers for the DET segment are like-for-like to the previous period, which means that the numbers have been restated to exclude our Semiconductor business. The group numbers will include performance of all four segments.

Coming to the highlights for this quarter, It is my pleasure to announce that the Semiconductor business carve out process is completed as planned. As you know, the Semiconductor business will be run as a start-up investment positioned for accelerated growth in an extremely fast-growing market where we have a strong value proposition. With our strong IP portfolio, domain expertise, global talent and long-standing customer relationships, Cyient Semiconductor is very well positioned to tap into the high-growth opportunity in this Semiconductor market. We have seen significant interest in the business from our customers, our partners and investors. For this business, the order intake for this quarter has exceeded budget by about 10% reflecting growing customer interest in both our turnkey ASIC solutions and service options. This positive traction

is already translating into early wins of large-scale ASIC programs. I'm happy to report that we have onboarded several key hires, and I can confidently say that we're building one of the most competent high-performing teams in the industry, led by Suman Narayan as the CEO and Ramya Mohan as the CFO.

We also have a stellar advisory board of industry veterans for helping us set up the business and generate business. Like I said, this is a start-up kind of an investment positioned for accelerated growth in a fast-growing market, and we believe we have a very strong value proposition for this market, which will play out in the coming quarters and years.

The semiconductor business is a very ecosystem business, and I'm happy to say that we're building a very strong partner ecosystem. Along these lines, we have partnered with MIPS to develop Custom RISC-V-based intelligent power solution for AI power delivery, industrial robots and automotive markets. All these markets, as you know, are fast-growing markets, which holds immense potential for growth. Our collaboration with MIPS allows us to build together embedded intelligence and advanced power architecture in custom silicon platform built on a scalable and open platform.

Coming to the DLM business, I am pleased to announce that we are seeing increased traction in our Build-To-Spec or B2S business. These tap into our design-led manufacturing capabilities that leverage both the design capabilities that reside with the Cyient DET and the manufacturing capabilities that reside within Cyient DLM. Leveraging our aerospace expertise, Cyient DLM and DET will deliver a unique world-class cabin management solution for the D328eco class aircraft. This deal reiterates the distinct value proposition that Cyient brings to its customers in terms of full scope product development and manufacturing, especially for safety critical sectors like Aerospace.

Further, and as you know, Cyient has always been a forerunner in building a skills ready India to address global opportunities and the global capacity constraints in ER&D and technology sectors. We are proud to announce our partnership with AICTE in this direction and believe that this will be a significant step towards realizing India's potential as a global innovation powerhouse. I believe that this initiative will help build an ER&D industry-ready diversified talent pool beyond just Tier 1 cities, which is really the need of the hour.

As you know, Mr. Sukamal Banerjee joined us as the CEO in the middle of the Q4 of last year. This is his first quarter as the CEO or the first full quarter as the CEO of Cyient Limited, and he will now take us through the business. But before that, I want to thank Sukamal for a very strong start to his inning and a very strong quarter to start the year. With that, Sukamal, over to you.

Sukamal Banerjee:

Thank you, Krishna, and good evening, ladies and gentlemen. Thank you again for joining our Q1 earnings call. Let me walk you through our Q1 FY26 performance and also share some key updates from a business perspective.

Firstly, on headline results. We closed the quarter with revenue of \$162.7 million or in rupee terms INR1,393 crores. That translates to in US dollar terms a growth of 0.9% quarter-over-quarter and a 1% year-over-year growth. In constant currency terms, that translates to a decline

of 1.5% quarter-over-quarter and remained flat year-over-year. Our EBIT stood at 12%, down 63 basis points quarter-over-quarter and 61 basis points year-over-year.

We have seen strong traction in our new deals and opportunities, that is our non-renewal business from an order intake perspective. And as a measure, this has grown from 18% of our order intake in Q4 to 21% of our order intake in Q1. We will continue to monitor this from a new business perspective. This momentum is expected to continue as we shift our pipeline to more of our growth areas and the deals that we are creating from that perspective.

As we mentioned in the last quarter, we have disbanded the aggregated business unit, which we used to call Sustainability, and we operate these business units with respective market focus. Hence, we are also redoing our reporting segment starting this quarter. And we will ensure that you get all the comparatives from this perspective. We will be reporting henceforth in three reporting segments, the first one being Transportation and Mobility, which is the erstwhile Transportation business of Aero and Rail. And we will be including Auto and Mobility as part of this. Second would be Networks and Infrastructure, which used to be our Connectivity business and the Utilities and Geospatial business. We are bringing this together for various reasons, including similar focus in terms of service lines. Also, it creates the focus around intelligent management of networks and grids that we see good interest and traction and common technology basis to be leveraged. And the third, we would be calling it the Strategic Units, which constitutes of Healthcare and Life Sciences, Mining and Minerals and Energy.

So to share some business unit performance based on these three reporting segments, Transportation & Mobility grew for us 2.5% quarter-over-quarter. These numbers are in US dollar terms and 7.3% year-over-year, led by strong performance in the Transportation segment. Networks and Infrastructure declined 2.9% quarter-over-quarter and was flat year-over-year with a 0.2% marginal decline. The strategic units saw a decline of 1.9% quarter-over-quarter and 6.3% year-over-year.

Within these three business units, which constitute strategic units, two of them grew and one of them saw a double-digit quarter-over-quarter growth. From a focus of go forward, we have talked about the investments that we have been making around technology and how we are going to take technology as our go-forward growth engine, building on the core businesses that we have built over many years. The key thing here is to ensure that we differentiate with our strength, which is our strong domain knowledge in each of these industry segments, each of the product areas and the product life cycle areas that we have been operating in for a long period of time.

Hence, from our perspective, it is domain plus AI and domain plus digital, which is our GTM focus. This quarter, our CTO team has sharpened our focus with 3 core tech-driven offerings supported by 4 strategic technology bets. The 3 areas being asset life cycle management, AI-driven engineering and quality and regulatory assurance. And from a core technology bet area perspective, they are data engineering, AI, platform software and embedded and product security.

As we take this to market, customer response has been quite encouraging, and our strong foundation in core engine helps us to build credibility in these new areas from a domain-led digital transformation and technology transformation perspective.

Now to share some deal wins that we have had during this quarter. Firstly, happy to share that we won a deal with an APAC-based communication service provider for nearly \$23 million for their wireless infrastructure rollout. A global medical devices leader selected Cyient as their AI partner to establish the AI Center of Excellence to build and scale operational and clinical solutions.

Vodafone selected Cyient's AI-powered global network visibility management solutions VISMON, the platform supported by data-driven intelligent configuration analytics results in almost 50% decrease in errors and the time to fix these errors. This was a selection at a Vodafone corporate level, giving us the opportunity to take this offering across all entities across the globe, which is Vodafone entities across the globe.

For a leader in private jets and airframe manufacturer of private jets, we won a deal against one of the big 4 incumbents, a deal to digitize technical publications, demonstrating our domain plus digital technology prowess in the market. In this quarter, we added 14 new logos. Apart from the initial deals closed in Q1, we see a continued pipeline of opportunities from these customers.

In US dollar terms, our key accounts, which constitutes of 36 accounts, grew 11% year-over-year and 4% quarter-over-quarter. And from the top 20 accounts perspective, it grew 10% year-over-year and 6% quarter-over-quarter, showing the focus that we are bringing on our top customers and how business is moving from that.

From an employees and customer engagement perspective, I'm happy to share our associate satisfaction survey for 2025 put us in the top quartile of all tech companies with a score of 90. Our CSAT survey, our customer satisfaction survey, is the highest score that we have got since 2011, again, placing us in the top quartile amongst tech services industry.

We have also taken a step unlike many of our peers, to commit to our employees by going ahead with a phased merit increase rollout in Q1 of FY26. We remain committed to rewarding performance while staying prudent in the current market environment. However, we would also like to ensure we stay focused on People First derived from our Values First ethos.

Quickly, let me add some leadership updates as we have been building up our leadership team and the changes that we have brought and the necessary talent as we go forward in our journey. We welcomed Kavita Kurup as our Chief People Officer. She joins us after a near 6-year stint at UST Global, where she played the Chief People Officer and other strategic roles through a high-growth phase of that company. We welcome Arunav Roy slightly earlier in this quarter after a stellar career in Tech Mahindra to become the SVP of our Connectivity business unit; and Ram Chittoor, who joined us to lead the HLS BU, Healthcare and Life Sciences BU, who had a long stint at HCL Tech focused on med devices and has joined us last quarter as part of our leadership team and as we build out our leadership team.

We also got recognition from several analysts -- let me share -- I'm happy to share that Zinnov selected us in the leadership zone across 11 key zones, which includes Tier 1 status in aerospace,

telecommunications, semiconductor and healthcare. And from a technology perspective, we were recognized for digital engineering, Industrial, Industry 4.0 and Data and AI engineering.

ISG chose us as a leader for aerospace and defense services in North America and Europe and a rising star in software-defined vehicles. HFS acknowledged us in terms of our presence as an enterprise innovator in Energy and Utilities and Everest Group ranked us as a major contender for Industry 4.0. So, to close, as announced last quarter, we continue with our no guidance policy for Q2 and the remainder of FY26. We see this as a phase of stabilization of our business. I fully believe that Cyient is well positioned to capitalize on emerging opportunities driven by focused tech investments, a strong industry mix, a robust customer base and a foundation of delivery excellence.

With that, let me invite our President and CFO, Prabhakar Atla, to share some more details around the financial results.

Prabhakar Atla:

Thank you, Sukamal. Hello, everyone. Thank you very much for your time today and for your kind participation in the call today. As a quick summary, here are the key financial highlights for the quarter. As mentioned by Krishna and Sukamal, the DET numbers are excluding our Semicon business and all DET comparators are like-to-like for the previous period. DET revenue for Q1 came in at \$162.7 million, a growth of 3.6% year-on-year in rupee terms and a degrowth of 1.5% quarter-on-quarter in constant currency terms. These numbers include Cyient DET intercompany charges to Cyient Semicon, which are marginal and interim in nature. DET EBIT for Q1 came in at 12%, which is a 63 bps drop quarter-on-quarter, primarily due to the first tranche of wage hikes we announced in this quarter, as mentioned by Sukamal earlier. The DET PAT for the quarter remained very strong at INR163 crores, representing a 7.4% growth quarter-on-quarter and a 30% growth year-on-year.

This quarter, we had significant tailwind in our PAT from unrealized FX gains due to favourable currency movements. The FCF to PAT conversion is around 70% for this quarter, owing to one-off payments we had in the current quarter for previously provisioned expenses. As regards group performance, which now includes all the four segments, group revenue grew by 2.2% year-on-year in rupee terms, while the PAT grew by 7% year-on-year.

The FCF for Q1 was quite strong at INR200 crores, which represents a 125% FCF to PAT conversion for the quarter. Both at DET level and at group level, our cash position continues to be extremely strong due to consistent focus on FCF. And at group level, our cash position improved by about INR 262 crores quarter-on-quarter, and we will continue to focus and remain focused on cash flow as an important area of interest for us.

With this, thank you again for your time, and I will now hand over the call to the moderator for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah:

Just one observation. There has been a significant reclassification. So looking at the PPT and Annexure, we are unable to compare the performance, especially on DET, which is a core business as per the earlier definition. So we would have liked at least for the next 4 quarters, we

could have continued with the presentation in the old format as well, because both on DET, including semiconductor, it looks like there is a big decline as well, and there is a big decline in the EBIT margin, because DET, Semiconductor revenue has declined, Semiconductor has posted a loss. This is not fully reflected in the current new reclassification.

I do agree the strategic plans are different. But how to look at Semiconductor as a business on a going forward basis? Will it continue? Any estimate in terms of at a segment level, what kind of losses it can generate in this year and when you expect that turnaround? And second, within the new classification DET-wise, can you give us some clarity in terms of growth prospects as per new subsegments of DET?

Krishna Bodanapu:

So why don't I first answer the Semiconductor piece. I think this quarter, yes, there was a degrowth in revenue and there was a degrowth in EBIT margin, but that was deliberate because in the new the new structure, there are a few things that we had to do onetime which will just not reflect going forward. That business is built for a certain scale, which is for a certain revenue, which is roughly, give or take a \$10 million a quarter, we should be back to at least DET level margins in Semiconductor also. And with the order book that we have in the first quarter, we are quite confident that if not in the second quarter, then definitely in the third quarter, we will at least start to deliver in line with the DET margins in the Semiconductor business. The reason why we've split it out as such is it has very different strategic plans. And this quarter, we also implemented a few things to help those strategic plans in terms of letting go some business, in terms of the investments that we've made. Like I said, we have aggressively built a very strong leadership team because we do want to go down the turnkey path very quickly and aggressively.

So we think we definitely are confident that that's the right thing to do to really reflect the capabilities and the strengths and the focus that we have in that business. And also, like I said, we've done a lot of work even in the previous quarters, and we'll have the right kind of business or right kind of order intake is in place, which gives us confidence that by Q3, we should be back to DET kind of margins in Semiconductor also with -- about that \$10 million, give or take, revenue kind of a run rate, we will be back into that. So I'd say Semiconductor is just here and now, we're just working through the execution realities of running it as a separate business. For the prospects in the redefined DET business, I'll hand the call over to Sukamal to talk about it.

Sukamal Banerjee:

Yes, sure. Thank you, Krishna. So just to bring some color on the question you asked, as mentioned, transportation, mobility, aerospace, rail and automotive together, you saw the results for this quarter, which has grown in this segment. And we feel reasonably confident about this trend to continue. We are seeing aerospace being the leading driver for the growth. And we will also have deals come our way from a cost takeout perspective from rail and automotive. So we do feel reasonably confident to continue in some growth phase in this particular segment. Network & Infrastructure, which is connectivity business and utilities and geospatial, this segment will take a couple of quarters to stabilize and start growing. But we feel very confident. I mean you heard the announcement I made regarding the selection by Vodafone.

So as we change over our service offering and service portfolio from a little bit of the past portfolio to the new portfolio and the areas that we want to focus on the future, we should start seeing growth. So from a more or less year-over-year flat to a 2.9% quarter-over-quarter decline, we should start seeing reasonable numbers in a couple of quarters. In the strategic units, as I

already shared, two of the three business units grew. One of them grew double digits. And if I leave one specific major program out of the third business unit, which is energy, that unit also grew. So we are seeing the momentum in these units, and we would like to continue to make sure that we focus on doing the right level of investments so these two business units can continue to grow. Hopefully, that answers your question.

Moderator: Our next question comes from the line of Kanchi Shah from MC Research.

Kanchi Shah: I just had one question. So is it possible for you to provide us with the order intake for DET in terms of US dollar terms, if that is possible, sir? Like last time you -- till last quarter, you used to provide that. But I get it now that Semiconductor is not part of it, but can you still give us certain light over it?

Sukamal Banerjee: Sure. So we'll come back to you on this data point. I mean it is something that we were trying to work out in terms of how to present it. We will make sure that we get the data set. One data point I wanted to add, which I already talked about in my opening commentary, which is the growth in the non-renewal business. And that is the primary tracker that we would like to follow and ensure that we get the growth in the right areas. So overall, I can assure you that our order intake is going well.

Moderator: Our next question comes from the line of Shradha Agrawal from AMSEC.

Shradha Agrawal: So just two questions. How should we look at margin buildup for the coming quarters in terms of puts and takes? What are the plans for salary hike? And how do we look to defend margins in the coming quarters for the year?

Prabhakar Atla: Shradha, Prabhakar. Thank you for the question. Did you have a second question also before I respond to that?

Shradha Agrawal: Yes. And within transportation, you did indicate that Aero is doing well for you? So within Aero, what are the demand trends? Is it more around MRO-related work still? Or we have seen some green shoots of design-related work also coming in aero?

Prabhakar Atla: Sure. So thank you, Shradha. I'll take the first question on margin and pass on to Sukamal for the second question on the aerospace business. As we speak about margins, we're working on three different elements, which anyway are also three different moving parts. The first is our continued investment in sales because we see a significant opportunity in the technology area by the pipeline and by the wins that we are currently seeing. The second is the wage hikes that we already announced for the first quarter, the first tranche of them. These two, we don't see them as headwind. The first is basically investment in the future and second is recognition to our people for the efforts that they put in. But to mitigate this, we are currently working on the Phase 2 of the cost takeout program or cost optimization program, which is now much broader picture of margin expansion year-on-year. So as things stand today, these three elements that I spoke of the investment in sales, the wage hikes that we gave in the first tranche and the Phase 2 of optimization of costs, but to synchronize them with the revenue as a trajectory as it evolves in the year.

So to sum it up, in short term, we think it is too early for us to comment on the full year picture, and we will develop this picture as we execute all the three levers that we spoke of earlier and also the revenue trajectory. But for the medium term, two things I'd say. One is we have, in the past, very clearly demonstrated the ability, our ability to control our costs and expand our margins. And you know where we were able to take the margins to in the past. So we are fairly confident of what we can control. And therefore, we retain our earlier view and our earlier goal that this business has the potential to get to 15% EBIT margin in the medium term. That remains still our view and our assertion.

Shradha Agrawal: So last thing, you have indicated that 15% is our aspirational margin over the next 24 months. So that still remains, right?

Prabhakar Atla: So we're calling it a medium-term position, and we are sticking to that view as being planned.

Sukamal Banerjee: And this is Sukamal here, if I may respond to your question on aerospace. I think we are seeing opportunities across the board. So I shared some of the progress we are making around digital deals as our customers modernize many of their processes in areas like tech publication and tech documentation. We are seeing progress because, as Krishna mentioned, the Deutsche Aircraft Group and the announcement that we have done with regards to complete design to manufacturing in many pockets. We are seeing substantial scale up from many of our customers, not so much in terms of new designs, but just scale up of their businesses as the number of units in the market needs to, in some cases, even triple just in the next 5 years. That leads to many manufacturing, engineering opportunities as well as opportunities with regards to how we help them scale up in that overall process. And we are also seeing opportunities because of defense, both directly, but more importantly, because of the surge in defense spend. The outsourcing, which is going on around commercial work is going up.

Moderator: Our next question comes from the line of Moez Chandani from Ambit.

Moez Chandani: So my first question is on the global uncertainty that you called out, which happened sometime in March. So how did that evolve throughout the quarter? Any sense of that changing as we enter July and your outlook in terms of Q2 based on the global uncertainty.

Sukamal Banerjee: Sure. So firstly, as we had shared last time, March and April were definitely a phase where there were higher uncertainty and lack of decision-making in our customer base. That has definitely eased since then, especially in May and June. And I think some of it, as our customers figured out, how to manage the new reality. And also, obviously, as you are well aware, some of the deals that we talked about and now are slowly starting to fall in place. So I think it has probably reached more of a stabilization phase. Does it affect business for our customers and hence us the answer still remains yes. But definitely, it's not in a freeze mode like it was in March and April.

Moez Chandani: Understood. And then maybe from a geographic perspective, it looks like Europe seems to have seen a bit of a decline this quarter. Anything specific in that segment, particularly because you had issues with projects from the Citec acquisition in the past. So anything you'd like to call out there?

- Sukamal Banerjee:** No, I would not say that there is any holistic trend, which we are observing in Europe in terms of why Europe numbers are down. I think this is just how the numbers have played out. I think both Europe and North America, I would say, remain strong.
- Moderator:** Our next question comes from the line of Dipesh Mehta from Emkay Global.
- Dipesh Mehta:** Yes. So the question is about let's say, sequential revenue growth trajectory, considering the leadership augmentation as well as the investment which we are making in sales. Are we confident now going forward, our sequential revenue growth trajectory is on the upward curve? That is question one.
- Question two about the strategic unit. I think the comment which you made about two of the three business units grew. But when I look overall performance of the segment, it is sizably weak, decline kind of, when I look Y-o-Y, Q-o-Q. So if you can provide more detail around what constitute and how big is this segment -- subsegment rather? And if you can provide some detail around each subsegment growth trajectory or maybe demand kind of trend?
- Krishna Bodanapu:** Okay. So I'll let Sukamal answer this prognosis for growth, and then I can talk about the Semiconductor.
- Sukamal Banerjee:** So I hope we have understood your question. Your line was definitely a little bit of a challenge. But from a perspective of what I took away from the question, firstly, in terms of sequential growth, as we have stated, we are not providing guidance. And I shared that we believe we are at a stabilization phase of our business, and that is where I would like to leave it from a quarter-over-quarter guidance perspective. For specifically the strategic business units and explaining the numbers, yes, two of the three segments grew quarter-over-quarter. And one of the segments degrew and that is what resulted in the overall decline. And within the segment which degrew, which is energy, it is one project and which is coming to an end in the near future is what is affecting those numbers. And if you leave that project out, even energy saw a quarter-over-quarter growth.
- Krishna Bodanapu:** And if I may just add color on semiconductor, which was the other piece. We also saw sequential degrowth, but that is very point-in-time thing. We have made the investments. We've brought in a lot of right people and we're very confident on the prognosis for growth.
- Moderator:** Dipesh sir, your line had dropped. I have unmuted your line once again.
- Dipesh Mehta:** Yes. Sorry, my line got disconnected. And can you maybe, if possible can you repeat the answer?
- Sukamal Banerjee:** Okay. Would you want from the beginning? Or did you hear a part of it?
- Dipesh Mehta:** That would be helpful, if possible.
- Sukamal Banerjee:** So just to summarize again, what I shared is, as we have mentioned before, we have stopped giving guidance. So from a quarter-over-quarter perspective, I would like to leave it there. And as I shared, we are reaching a stabilization phase of our business, which is what I would leave the first part of the question with.

On the strategic business units, yes, to repeat, two of the three business units grew quarter-over-quarter. The third one also grew quarter-over-quarter, leaving one project out. So we are facing a one project issue, a significant project, which will get over in the next couple of quarters. So underlying momentum in all the three businesses remains strong.

Dipesh Mehta: I understand. And that project is fairly large in size, which is leading to some kind of overall performance getting impacted. That's how one should understand?

Sukamal Banerjee: That is correct.

Dipesh Mehta: And whether this project is closer to end, which can provide headwind for growth?

Sukamal Banerjee: If your question was, if it's going to provide headwinds for growth in future quarters for 1 or 2 more quarters, yes.

Moderator: Dipesh Sir, do you have any further questions?

Dipesh Mehta: No, thanks.

Moderator: Our next question comes from the line of Vivek Gupta, an Investor.

Vivek Gupta: So I have a basic statement to make, which might push management for some kind of introspection. So how does management feel when they lay out the false guidances in previous quarters, then not meeting those guidances, then they stopped giving the guidances. So the kind of downfall the Cyient has faced, how does management introspect and what are the thoughts to create stakeholders' value in the company?

Moderator: Sorry to interrupt Vivek, sir, your line was not that clear. If you're using a speaker phone, may I request you to use handset and please ask the question once again?

Vivek Gupta: Is it better now?

Moderator: This is much better, sir. Yes, please go ahead.

Vivek Gupta: So I have a basic statement to make. So I wanted to understand that how does Cyient management feel like the downfall which they have faced from past couple of quarters, like from giving guidances, not meeting those guidances and then they eventually stopped giving those guidances then -- and the downfall which they are facing in the business.

So what are their plans, like how they are planning to create stakeholders' wealth in the company? Let me complete once, please. So it's a very easy statement to make that we have stopped giving guidances and all those things. But at one given point of time, management used to sound very confident over con calls. And that confidence has been shaken. And that's clearly evident from the kind of statements which management is making.

Krishna Bodanapu: I respectfully disagree that we are not confident where the business is. We are very confident where the business is.

Vivek Gupta: Sir your voice is not clear.

- Krishna Bodanapu:** Is my voice clear now?
- Vivek Gupta:** Little better.
- Krishna Bodanapu:** So I'll say -- I can reiterate that we're very confident where the business is. If you look at the guidance question, where we are in our business and if you look at a lot of the peer set in our business, most companies don't give guidance because we can only tell you what the lay of the land is, how the business is looking. And we will let you use your best judgment in terms of what you believe the numbers will be and what you believe the stock price should be.
- Vivek Gupta:** No, no, I'm not talking about the stock price. So I'm not talking about the stock price in totality. So I'm talking from the business standpoint. So the downfall the business has seen. So see, eventually...
- Moderator:** Vivek, sir, may we request you return to the question queue for any follow-up questions, please.
- Vivek Gupta:** But this question itself has not been answered.
- Moderator:** Sir, there are other people waiting in the queue.
- Vivek Gupta:** At least let management conclude, please, then I'll not put any further questions.
- Krishna Bodanapu:** So I'd just say I do not agree with the gentleman's view. I think we have been very fruitful in terms of where the business is going. Not giving guidance is a choice. It's a choice that most companies who are our peer set make and that's because we give you a color of where the business is so you can decide what the valuations, etc. are.
- I am very confident about the business. I don't -- I do not agree that we have made any statements that make us feel less confident. If you look at the performance of the business this quarter compared to our peers on the DET side, it's better than any other peer or better than most of our peers if you consider the ER&D business and ER&D subset. So while we've had some challenges in the past, we are very confident that we're over those challenges, and we will continue to deliver some very, very strong numbers. So I do respectfully disagree with the gentleman's statement, but I will leave it.
- Moderator:** Our next question comes from the line of Bhavik Mehta from JP Morgan.
- Bhavik Mehta:** So Sukamal, it's been a few months since you took over. So just wanted to understand the key strategic changes you have brought into the business. And what are the key metrics you'll be monitoring to gauge the success of those initiatives going forward?
- Sukamal Banerjee:** Sure, Bhavik. Thanks for your question. I think there are two, three key things that I have already kind of shared, and I will probably bring it back in terms of the question that you asked. So first and foremost, the focus on new business and the metrics that I shared about percentage of new business that we are booking versus renewals. That is something that we're going to focus on intensely. Second is our focus on growing the growth areas. And as I mentioned, the key focus that we are trying to drive is the sharp focus around technology in terms of what do we do with technology. What Cyient is known for in the market is its domain strength around the product areas, the areas of plant operations and the networks that we operate.

And how do we make sure that we are bringing technology to those aspects to bring a domain plus AI and a domain plus digital play into the market. Our wins against much bigger competition with this approach just in 1 quarter brings confidence about the approach we are taking. Of course, there are far more detailed steps that we have to talk about from a strategy perspective, which probably is best left for a follow-up call.

But essentially, three things: how do we improve our go-to-market and the elements within go-to-market like new business areas and new business bookings. Second is with regards to the technology focus and what we do with the technology focus. And third, of course, overall organizational effectiveness and the changes that we are making with regards to leadership and how we align our team with regards to the new direction.

Moderator: Our next question comes from the line of Pritesh Thakkar from PL Capital.

Pritesh Thakkar: So I just have one question. Correct me if I'm wrong, we are in the journey of replacing the project-led revenues to more of an annuity sort of top line. So how far have we reached in that journey? And if you can also provide the concentration mix of annuity versus project-led revenue at this level?

Sukamal Banerjee: So starting with the last part of your question, which is with regards to annuity versus project-led. So a large portion of our revenue tends to be annuity, even though the content of that work keeps on changing. As you can understand that the domain knowledge and the engineering knowledge, which our teams build up over a period of many years is precious to our customers. So even though actual project work or the nature of work may have shifted, it tends to be more annuity in terms of leverage of that knowledge.

We do have some project work, especially in some businesses like Energy. But leaving those aside, it mostly tends to be annuity in nature. And then, of course, as we win new programs, they quite often, especially in the technology space for digital and AI, they tend to start in the project mode. And as we build up like the AI COE win I shared, it originally started off with a small proof of concept. We went to a couple of projects after that and then it eventually became an AI COE, that's we're going to run for them for the next 2 years. So yes, from a starting of an engagement perspective, it may be project-based, but eventually, it tends to become annuity. Even if that annuity may not be forever annuity, but at least for a 2-, 3-year period, it is.

Pritesh Thakkar: You can also, if you provide the contribution mix of annuity versus project-led at this level?

Sukamal Banerjee: I don't have that answer handy, and that is not a metric we manage or measure because there's constant change in that data. But if there is any specific follow-up, we will have our Investor Relationship team get back.

Moderator: Our next question comes from the line of Ankur Pant from IIFL.

Ankur Pant: So my first question is, Sukamal, how do you think the quarter panned out versus your expectations at the beginning of the quarter? So what were the positive and negative surprises? And was the growth in line with what you were expecting or better or worse? How did you see the quarter?

Sukamal Banerjee: Sure. I think if you look at -- as Krishna called out a little while back, we -- all of us are in a tough market right now. And if you do our immediate peer comparison, we have done the best amongst the peer group. So from that perspective, obviously, it feels gratifying. In terms of where we started versus where we ended, it definitely built-up momentum towards the second half of the quarter.

So we did better than we were expecting in the beginning of the quarter, something that we intend to take forward into Q2. But again, there are always uncertainties given the current environment, and that is what we reflected in our guidance as well. From a perspective of things that surprised us, we were hoping some of the programs that we wanted to close definitely had a right shift because as I called out, March and April were a standstill time frame, and that delayed some of the processes. But again, those are not deals lost. They are deals which are right shifted. And hopefully, we should be able to get them over the line.

Ankur Pant: Sure. And secondly, what -- were you able to implement the changes that you had planned during the quarter? I mean, the pace of these changes, is it going slower than expected or in line? And what are the key pain points that you are trying to resolve at this point?

Sukamal Banerjee: So there are three kinds of change, right? Change that you can do immediately and the results also show up immediately. There are changes that you can do immediately, but the results take time, and there are changes which takes time and the results also take time.

So I would say the first one is obviously something we have done. And we are also seeing some results of it. I shared some of those metrics. Some of the areas of focus that we brought in technology area and the deals that we have won, which are things for evidence of how we can bring change in a quick manner.

There are things that results will show up over a period of time, which are reflecting in our pipeline right now and the recency of our pipeline and eventually will translate to results. And yes, there are some changes which take time. And I think those are things that we have already initiated as various change initiatives within the company. And in 3-4 quarters, they will start showing results.

Ankur Pant: Okay. And finally, I wasn't quite clear as to what was your commentary on margins, both DET and Semiconductor business. Like how are you viewing that? If you could please explain that?

Sukamal Banerjee: Sure. I'll let Prabhakar take that question.

Prabhakar Atla: So on margins, Ankur, just to repeat what I said earlier, it is too early for us in the year to comment on the full year picture of how the margin might evolve. And anyway, we are not providing guidance for the year as we informed. But for the medium term, we are fairly confident and maintain our view that the DET business has a potential and its goal to get 15% EBIT in medium term.

Moderator: Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Krishna Bodanapu for closing comments.

Krishna Bodanapu:

Thank you very much, and thanks to everybody for participating. Like I said, this has been Sukamal's first full quarter as the CEO. And I'm pleased that we've made some very good progress. Like I said, in a difficult quarter, we have outperformed most of our peers, especially the ER&D company. We have set up a lot of good things in place, both from a revenue growth perspective and a margin perspective. We want to be prudent in how we comment. And therefore, at this point, as Sukamal said, stabilization has come in. Of course, stabilization is the first step before growth comes in, but we're quite confident that stabilization has come in, which means that now we can work really on what will drive and deliver growth from a Cyient DET perspective.

From a Cyient DLM perspective, I just want to assure everybody that, that business is set up for great growth. The first quarter, while from a revenue perspective, it was expected just because there were things that were moved around, cleaned up, etc. But from a growth and margin perspective, by Q3, we should be -- from a margin perspective, we should be at the Cyient DET level. Of course, growth trajectory is something that we are watching out closely for, because we deliver -- we believe that, that business will deliver accelerated growth. So thank you very much for all the support and the questions. We will again speak next quarter. Thank you.

Moderator:

Thank you. On behalf of Cyient Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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