Cyient Limited Q3 FY26 Earnings Conference Call

January 22, 2026

MANAGEMENT: **MR. KRISHNA BODANAPU – EXECUTIVE VICE CHAIRMAN AND MANAGING DIRECTOR, CYIENT LIMITED**
MR. SUKAMAL BANERJEE – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER, CYIENT LIMITED
MR. PRABHAKAR ATLA – PRESIDENT & CHIEF FINANCIAL OFFICER, CYIENT LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Cyient Limited's Q3 FY26 Earnings Conference Call.

As a reminder, all participants' 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 '*' then '0' 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, and good evening, ladies and gentlemen. Welcome to Cyient Limited's Earnings Call for the 3rd Quarter of Financial Year 2026.

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 Prabhakar Atla – President and CFO.

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 website. The call will be accompanied by an Earnings Presentation, the details of which have already been shared with you.

At the beginning of this financial year, we are reporting group performance under 4 segments: DET, which now excludes our Semiconductor business and is the crux of the Technology Services business of Cyient. DLM, which is Cyient DLM and design-led manufacturing, semiconductors and others.

As always, the focus of this call will remain the DET segment. And to that extent, all numbers for DET segment are like-for-like to the previous period, which basically means that these numbers are restated to exclude our Semiconductor business. And the group numbers will include performance of all 4 segments put together.

Coming to the key highlights and updates for the quarter, I will first spend a few minutes on the group companies, while Sukamal will spend a majority of time of this call on DET and providing you an update on DET.

Firstly, on SEMICON:

As I have said in earlier calls, we carved out the Semiconductor business as Cyient semiconductor with a clear mission to build India's first and largest semiconductor company. Our intent is to own IP and deliver chips through a fab-less model, and I am pleased to say that we firmly remain on the growth path that was envisioned with several transformative updates this quarter.

We delivered strong Q3 growth, 10.7% on top of 12% in the previous quarter. Order intake is up 36% year-on-year, which is a healthy indicator for the business. And though we are still loss-making, margins have stabilized over the last quarter.

Some key achievements include the strengthening of our analog and power leadership through a definitive agreement to acquire a majority in Kinetic Technologies, who are a leader in high-performance analog, mixed signal and analog semiconductors for power-related applications.

They have 250 products and over 100 patents, and this will give us a much larger access to markets, which are driven by data centers, power applications and related industries. So, in our intent, to become a product company in the power space with semiconductors, Kinetic will be an important milestone, and we look forward to closing this soon.

We also secured a strategic role in the modernization of India's oldest integrated semiconductor fab, SCL. This is under MeitY's semiconductor program. Cyient semiconductors has been selected as the preferred partner for the critical package centered around technology, IP, design enablement and automation responsibilities.

You may have seen a press release from MeitY, where 3 partners have been selected and the total value of the project is about INR 4,500 crores. And we have 1 of the projects. I will just say, it's not one-third of the revenue does not come to us, but we are a significant partner in the whole pie.

We are also advancing GaN adoption in India, very simply a majority of semiconductors or chips are made using silicon, but for where high-power, high-voltage is involved, GaN or gallium nitride is the material, and this material becomes very important in AI-driven data centers, given how much power that they consume. With the partnership with Navitas, we will now be able to bring high-voltage, high-power GaN chips to India, which again, like I said, are critical for AI data centers and AI infrastructure. We also launched India's first indigenous silicon platform for smart utilities. This was developed with Azimuth AI, a chip called ARKA GKT-1, and this was unveiled by the Honorable Union Minister for Electronics, Shri Ashwini Vaishnaw about 2 months ago. And again, this stands as a strong endorsement of our custom silicon capabilities and design leadership, and our ability to execute to scale. Looking ahead, our markers remain unchanged from the last quarter, which is consistent revenue growth over the next 4 quarters, integrating Kinetic Technologies, an ASIC pipeline of over $100 million by Q4 and becoming EBIT neutral in FY27.

We expect the Kinetic transaction to close in March or April, and then the integration will start. But following the closure of this transaction, Cyient Semiconductor will be India's largest chip company, and we are excited about what lies ahead and appreciate your continued support.

Very quickly on DLM. DLM witnessed a revenue degrowth of about 30% year-on-year, but this was driven by some customer specific pushouts, year-end holidays, and of course, the tariff uncertainty. So, this was expected. But I will say that over the years, we have talked about the criticality of that business delivering double-digit EBITDA margins, and this quarter, we delivered double-digit EBITDA margins. They grew 207 basis points year-over-year. And this was because we did higher value programs and, of course, better execution.

Our order book momentum remains strong. We had a book-to-bill ratio of more than 1 for 3 consecutive quarters, which means that we have a very strong order book. And that order book is increasing because we have also significantly increased the capability of the sales team there. Net-net, with the healthier mix of customers, the increase in revenue momentum, the industries that we are focused on, we believe that the revenue momentum there will significantly increase from Q4 and margin trajectory will continue to increase, and there are not many companies in that sector that consistently deliver 10% operating profit, which we are confident of delivering going forward.

Lastly, on Cyient AI Labs, as you know, we have consistently prioritized the development of industry-ready skills to support India's ER&D and technology landscape. In this spirit, we are working towards accelerating inclusive AI scaling across India through several flagship initiatives. And the intent here is to empower youth and advance the national vision of Viksit Bharat 2047.

We believe these technology-led skilling initiatives will help create a resilient and employable workforce at scale across the country. And as you know that workforce is also very important for Cyient as it enables our future growth. With this, thank you very much, and I will hand over the call to Sukamal, who will take you through some of the key initiatives underway in DET, and the business performance for the quarter.

Sukamal Banerjee: Thank you, Krishna. Good evening, everyone, and thank you again for joining us for our Q3 FY26 earnings call. Today, I will focus my comments on 2 areas: Firstly, on Cyient's point of view on AI and how it's resonating in the industry; and second, the business performance and the key highlights for the quarter.

So, to start with, in the last quarter, at a time when the market was leaning hard on AI-first chorus, we made a bold choice not to join that theatre. We stayed true to what has always worked for us. Intelligence must be human and domain-led, built into engineering, and carried through to outcomes. That commitment was anchored with our publication on November 19 last year, when we officially launched Embracing Intelligence publicly. This was not a reaction to market noise. It was the articulation of work that had already been underway for more than 6 months and an expounding of the intelligent engineering focus, we spoke about at our 2023 Investor Meet.

Today, that view is gaining acceptance across Engineering Services industry. The industry is beginning to recognize that an AI-first approach on its own, is not sustainable or scalable. Human knowledge, domain expertise and ethics come first. AI offers a clear opportunity for acceleration and compression of time to market as well as optimizing, maintenance and lifespan. However, as we stand today, AI is an amplifier, a value multiplier and not the solution stand-alone.

This is now being validated by broader industry publications. Recently, findings from the January 2026 Anthropic Economic Index highlight a critical theory, which is education matching principle, which is the complexity of an AI's output is a direct reflection of the education level of the user's inputs. In high-stakes field like software engineering and system engineering, that data shows that high-value outcomes require a baseline of at least 14 years of specialized domain knowledge. For Cyient, this reinforces a simple truth. Our domain expertise is the intelligence that enables AI to operate at expected standards for product engineering. Our approach, embracing intelligence is key to building assured systems that required defined authority, escalation paths and evidence with human embedded throughout critical control points not as an ethical add-on, but as an engineering necessity that ensures accountability and explainability.

At Cyient, we apply Embracing Intelligence across the product life cycle, from design and development through manufacturing, supply chain operations, maintenance and life cycle extension. Intelligence is applied in context, grounded in domain understanding and engineered for the realities of mission-critical systems and processes. From a business perspective, this holistic life cycle support fundamentally changes our trajectory, by moving beyond our traditional engineering services partner viewpoint to our product life cycle partner, we significantly expand our addressable TAM by nearly 10x and deepen our integration into our customers' most critical value chains.

With that, now let me turn to our performance for Q3. Before I talk about the results, I want to take a moment to thank the Cyient leadership team, all the associates for the journey over the last 9 months. It has been a challenging one, and of course, an exciting and a fulfilling one. I would also like to thank our key customers, our Board members, for their encouragement and belief as we navigated through the challenges. That is what has gotten us to the results that I now present.

Cyient DET grew 1.9% quarter-over-quarter and flattish year-over-year, about 0.7% down in constant currency terms, which is 1.5% quarter-over-quarter and 0.9% year-over-year growth in USD terms; and in INR, that translates to 3.5% quarter-over-quarter and 6.5% year-over-year growth. The EBIT margin also expanded by 25 bps over Q2 to 12.4%.

In this quarter, we saw the second quarter of increasing head count with 481 net additions. These results reiterate the message I have shared in previous quarter calls regarding the progress expected in FY26. We expected a period of stabilization, followed by consistent growth and improved profitability. This is exactly the path we are on.

When we look at the performance so far, this year in constant currency, we have demonstrated improving quarter-over-quarter growth trajectory for each of the last 3 quarters. What I would like to call out is also the progress across all our business units. Transportation and Mobility grew by 2.9% quarter-over-quarter; and Network and Infrastructure grew 2.5% quarter-over-quarter driven by focused account mining and sales approaches across value chain of our customers. Strategic Units cluster remained flattish Q3 with a marginal drop of 0.2% in line with our anticipation as we continue to build up our presence into some of these critical sectors for the long term.

In terms of key business highlights, I am happy to report a number of key deals that we closed in Q3. A mining producer chose Cyient to deploy an asset management data uplift program across their global mining operations. This program will be executed over the next 2 years. A major aerospace manufacturer chose Cyient for software support for a new airline program.

A global off-highway equipment manufacturer chose Cyient to scale focused autonomous and perception systems for their construction equipment. A global aerospace OEM chose Cyient to support multiple systems for requirement management, verification and certification support using the help of AI. An APAC-based utilities company chose Cyient for network data capture services. This was a customer we won back from competition after a period of few years.

These wins reflect the breadth of our capabilities from core engineering such as verification to advanced software, perception systems, and asset management across a wide range of industries, demonstrating how our positioning around embracing intelligence is translating into real client outcomes across the product life cycle. We support our customers design new age systems and products, and are with them to ensure smooth, efficient operations throughout the product life cycle, which can last a few decades. I am also very happy to report that we have added 8 new logos of strategic importance across industries. In addition, as I look forward, we have a robust funnel buildup over the last few months, with large deals funnel being the highest ever in Cyient history. Our key accounts continue to demonstrate strong revenue growth with a 5% quarter-over-quarter and 15.5% year-over-year growth performance, continuing the growth we have seen in earlier quarters, driven mainly due to our focused account mining efforts.

Cyient was recognized in 2 major categories by ISG, firstly as a leader in manufacturing services and solutions globally; and second, in power and utilities for smart metering and grid modernization for North America. In addition, Cyient has been recognized as a top employer in India for the first time. We also received the HR Association of India Awards in 2025, reinforcing our strong and differentiated people's practice.

In this quarter, we also worked on adding to our leadership strength with 2 key hires focused on the growth trajectory for technology. Harjott Atrii joined us as a Chief Business Officer, responsible for technology growth and high-growth markets, which we could not cover in the past. Bhabesh Acharya joined us as the Chief AI architect, responsible for building depth and differentiation in our Data and AI Services. Their expertise will help accelerate our journey in helping customers embrace intelligence in meaningful ways.

Overall, I think Q3 FY26 is a demonstration of growth, based on some fundamental initiatives we have been hard at work on. I am confident to say as an organization, we have turned a corner and built the momentum for continued consistent growth in the future.

With this, I now conclude my remarks, and I would like to hand this over to our CFO, Prabhakar Atla, to provide more color on our financial performance for Q3 FY26.

Prabhakar Atla: Thank you, Sukamal, and hello, everyone. Thank you very much for your time, and for your kind participation in the call today. Krishna and Sukamal have covered much of things in their previous update. But as a quick summary, here are the key financial highlights for the quarter. As with the previous quarter, the DET numbers are excluding our Semicon business and all previous period DET key metrics have been accordingly restated.

On revenue front, we had a strong quarter for DET, as Sukamal spoke, which delivered a revenue of $167 million, a quarter-on-quarter growth of 1.9% in constant currency and 3.5% in INR. That we delivered this growth despite a continued fluidity in the macroeconomic environment, and the fact that Q3 is a seasonally challenging quarter for us due to furloughs, we believe, is a good indicator for the quarters ahead. Also, this Q-o-Q growth was driven by healthy performance of our core segments, as Sukamal explained previously, and a significant positive movement in contribution from our top 3, top 5, and top 10 clients, which grew by about 5% quarter-on-quarter.

On EBIT front, the normalized DET EBIT for Q3 came in at 12.4%, which is a 25-bps expansion quarter-on-quarter. The headwinds we had in this quarter include the third tranche of wage hikes for the year, and we are happy to report that we were able to fully mitigate this impact with the ongoing cost optimization program and the recovering revenue momentum, which is very clearly visible.

We also had 1 exceptional item in this quarter. As you all know, the Government of India has published new labor codes applicable to all our employees in India geography. We are fully committed to compliance with these codes. And towards this, we have taken a one-time provision of INR 40 crores in Q3 towards truing up our past period provision for liabilities such as gratuity, resulting from this regulatory change.

We have presented this one-time provision as an exceptional item in our results, and we have normalized the Q3 DET EBIT and PAT to that extent. The DET normalized PAT for the quarter is at INR 150 crores, representing a healthy 9% growth quarter-on-quarter, and a 40% growth year-on-year. This year-on-year positive movement in PAT is significant, since in Q3 of last year, we had a currency-driven headwind in our other income for that period. Our cash conversion per DET continues to remain very strong. And for Q3, the FCF to normalized PAT conversion was at 158%, and we remain focused on cash generation as a key business goal.

Our net cash position for DET at the end of Q3 stood at INR 1,434 crores, which is the highest net cash position we have had over the last 9 quarters. As regards to group performance, which now includes all the 4 segments of DET, Semicon, DLM and others. The group revenue grew by 3.8% Q-o-Q in Rupee terms, while the normalized PAT increased by 0.7% quarter-on-quarter. On a Y-o-Y basis, the INR revenue degrew by 4%, owing to quarterly revenue movements in our DLM business, while the normalized PAT remained steady year-on-year.

In summary, with 2 sequential quarters of revenue and margin expansion for DET business. With the visible progress we are making in DET along with transformation initiatives, including GTM acceleration, technology adoption, and leadership addition, with the strengthening leading metrics of our business, including key account growth, and with the very strong financial fundamentals, including our strong cash position, which enables us to actively invest in future growth opportunities, we remain very confident of our immediate and medium-term prospects of DET business. Very importantly, under the differentiated theme of Intelligent Engineering, which Sukamal spoke of earlier. And we are fully committed to execute the growth plans we set out for ourselves. And with this, thank you again for your time, and I will hand over the call back to the moderator for Q&A. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity, and congratulations on a good execution as well as good growth in the DET. The first question is, just wanted to understand, there is a consistent growth in the aerospace. So, what are the subsegments which is driving? And in a furlough quarter, if we have delivered 1.9% CC growth, there could be a possibility of recoup of furloughs in the 4th Quarter. So, is it fair to assume the growth in the 4th Quarter would be higher than the third quarter? And what is the impact of furlough? It would not have been there, what would have been the growth in 3Q?

Sukamal Banerjee: Yes. Thanks for your question. This is Sukamal here. Let me address your 3 parts to the questions. Firstly, on Aerospace. I think we are seeing traction across multiple areas of work across the product life cycle. Of course, with no major designs which are going on at this point in time, a large part of it is driven by MRO and aftermarket services. Many of our customers are experiencing significant volume ramp-up that they have to deliver with the growth in commercial aviation, and that is driving a large part of the growth. We are also seeing new designs coming from various parts of the world in terms of new aircrafts, more the midsized aircraft, and we are seeing traction in terms of doing design work over there. And of course, given the expertise we have now built up in the technology front with digital and AI, many of our customers have leveraged our domain understanding across the product life cycle and awarded us several digital programs that we are executing across manufacturing, supply chain, and documentation, aftermarket support and so on. So, it’s a very broad set of areas that is helping us drive the growth in aerospace. In terms of the growth expectations for Q4, as we have maintained, we do not share guidance. We have obviously, the recovery of furlough, but also the number of billing days in Q4 is lesser. So, it will be a mixed bag in terms of ups and downs, but we obviously will strive to ensure that we continue our growth momentum.

Sandeep Shah: Can you quantify the impact of furlough in the third quarter?

Prabhakar Atla: Sandeep, since we have not experienced that, we are not quantifying it anymore. All we are trying to say to Sukamal's point is the underlying business momentum is so strong that we are not seeing these impacts anymore. And we think this momentum will continue into Q4 and going forward also. This is all I would say for the Aerospace business. And there's also broad-based growth across various subsegments of Aerospace, not just in 1 sub-vertical or the other.

Sandeep Shah: Okay. And just a follow up. In the 4th Quarter, is it fair to assume even strategic growth units and sustainability will also drive the growth?

Sukamal Banerjee: So, that is definitely our intention, is to make sure that we drive growth in a broad-based manner, and that is what the team is busy working on. And in terms of setting expectations, all I can say is if it's a possibility, the answer is yes.

Sandeep Shah: Okay. And just last 2 questions. Prabhakar sir, your target of achieving the EBIT margin at closer to mid-teens or 16% by Q4 of next year continues to remain intact? And second, on the semiconductor, one can assume at least in the 4th Quarter, there will not be any support from the inorganic and the large deal win. In that scenario, loss may continue to remain between $2 million to $3 million, which we have guided earlier.

Krishna Bodanapu: On the semiconductor, I will answer first. That is correct. We will not see any upside from the deals that we won or from the inorganic. So, yes, there will be a loss in Q4 along those lines. Like I said, our goal is to break even in FY27, and we are on track for that.

Prabhakar Atla: And Sandeep, on the medium-term goals we set for ourselves for a 15% EBIT for the current business we have, we very much remain on track to that.

Sandeep Shah: Just to follow-up, Krishna sir, when you say breakeven in the semiconductor in FY27 excludes the large deal and the inorganic, right? On an organic basis, you expect.

Krishna Bodanapu: Yes, on an organic basis. Absolutely. The large deal, obviously, is a part of that, because that's ongoing business. So, the profit from the deal help break even, but not from any inorganic.

Sandeep Shah: Okay. Okay. I will come in the follow-up. Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.

Jyoti Singh: Thank you for the opportunity, and congratulations on the good show on the DET side. So, sir, just wanted to know that in DET, our EBITDA margin expanded to 12.4% despite wage hikes. So, what portion of this improvement is structural versus cyclical or forex-related. And another, will it be fair to assume, like high-single digit to low double-digit revenue growth trajectory for DET in s27. So, what's your take on that side?

Prabhakar Atla: So, on the margin expansion, thank you for the question. All of it is fundamental to our business, structural to our business. And secondly, at this point in time, we are not giving any visibility for FY27 as we complete the exercise that we will do for planning for FY27. We will come back and update this forum on what we see next in the medium-term view of the business.

Jyoti Singh: Okay. Sorry, sir, I missed on the margin side.

Prabhakar Atla: Talking about margin for FY27?

Jyoti Singh: No. On the explanation on the margin side, I just missed.

Prabhakar Atla: Okay. On the first part of your question, the current EBIT margin that we reported, the significant improvement or actually the improvement we have been showing quarter-on-quarter since Q1, Q2 and Q3 is all fundamental and structural to our business, in the sense that this is all driven by operational efficiencies, scale, cost optimization etc. And not much of FX-related headwinds or tailwinds in that. And for FY27, like you commented, we will take a position on the next year as we complete the current exercise we are currently in, for planning for FY27.

Jyoti Singh: Okay. And sir, on the DSO side, that has improved Q-o-Q. So, what is the normalized DSO range that we are targeting, especially as a semiconductor and large program scale up.

Prabhakar Atla: The numbers that we have shown in this deck are primarily for DET. The current number is a fairly healthy number, compared to our previous track record, so to speak. And we aim to stay at the same or similar numbers going forward. And for Semicon, as the business evolves, we will report that metric separately because currently, it's in an early stage, in terms of the pipeline, the nature of deals, the type of deals and the complexion, etc., and those we will report as they evolve separately.

Jyoti Singh: Okay. Thank you, sir.

Moderator: Thank you. We will take the next question from the line of Shraddha Agrawal from Asian Market Securities.

Shraddha Agrawal: Congratulations to the team on a good quarter despite seasonality of furloughs. Sir, 2 questions. In our Networks and Infrastructure division, would it be possible to split the growth between connectivity and utilities.

Sukamal Banerjee: So, Shradha, we are not disclosing that number as we have talked about. But to give you some color, the growth was led by connectivity and utilities also had a solid performance.

Shraddha Agrawal: Because I suspect that there was some project rundown that was expected in utilities in this quarter, so are we behind that?

Sukamal Banerjee: Sorry. Please go ahead.

Shraddha Agrawal: Yes, so despite that rundown, we had a good growth in utilities.

Prabhakar Atla: Yes. It definitely contributed to the results that you see.

Shraddha Agrawal: Okay. And in terms of our sustainability portfolio, many other peers have been sounding very positive on this portfolio given power companies, which have seen good growth, because of the need for power consumption, because of data centers that have gone up. So, how do we look at the outlook for our sustainability portfolio going ahead?

Sukamal Banerjee: So, in terms of potential and pipeline that we see, we are definitely very confident. This may not be immediate term results for us. But mid-term, in the next 2-3 quarters, we feel very confident that we will see robust growth.

Shraddha Agrawal: Right. And so, of all the 3 segments, on which segment are we the most positive about as we get into FY27?

Sukamal Banerjee: I think it is something which is an evolving topic, as you can imagine. At this point in time, based on order book and immediate-term funnel, it will remain transportation and mobility. And some of this also has to do with some of our other businesses being a little more project-centric. So, when it comes to project-centric business, there's always a churn that we have to earn our business back, that causes less of a visibility. So, I will probably say it is transportation and mobility. But in terms of funnel, it is pretty robust across the board, including in some of our smaller verticals.

Shraddha Agrawal: Right. Can we assume that from here on Strategic Units will get to positive sequential growth because you had 3-4 consistent quarters of sequential decline in this vertical?

Sukamal Banerjee: Sorry, which vertical it was? I missed you.

Shraddha Agrawal: Strategic Units.

Sukamal Banerjee: Strategic Units. So, we are more or less there in terms of making sure that we get to growth and that definitely is our intention for next quarter.

Shraddha Agrawal: Got it. Thank you, sir. And all the best.

Sukamal Banerjee: Thank you.

Moderator: Thank you. We will take the next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes. Thanks for the opportunity. Two questions. I think first question, you partly answered, but just want to get more detail. Outlook and growth driver across vertical and subsegment, if you can provide, particularly strategic unit, subsegment if you can give same in Transportation and Mobility. Aero you touched upon, but if you can touch upon Rail and other segments there.

Second question is about the 15% EBIT margin which you indicated medium-term, I am not very clear whether we gave any timeline to achieve that part. Thank you.

Sukamal Banerjee: So, I will address the second question first. On the EBIT part, we had talked about Q4 of FY 2027 with our current business mix that we have is what our target is. For the first part of the question, in terms of different segments, we touched upon Aerospace. From an overall funnel perspective, I would say almost all of our industries have very strong funnel. Certain industries are leading with regards to large deals, which means 2 things. One, possibilities of significant growth in the future, but also a question mark on timing, because large deals, as you know, can slip a little more than regular deals tend to do. So, I think to say a quarter-over-quarter for each of these verticals will be a little difficult, given that we do not talk about guidance in general. But our overall approach remains that as a portfolio, we will continue to drive the quarter-over-quarter growth momentum that we have built up for Q4 and beyond. In terms of some of the segments like Rail, and the only point I will make is the growth driver will come back with substantial deal wins, which we are working on. But without those deals, the business will probably remain in the current trajectory without those transformation deals that we have developed. Only when we convert will we be able to change the trajectory.

Dipesh Mehta: Sir, just on the large deal intake, we have a healthy momentum and everything. Can you share some numbers? And if you can give context also, let's say compared to prior period, 4 quarters, 3, 9 months, whichever way you can give some sense about how this deal closure is changing and how pipeline is changing.

Sukamal Banerjee: Was your question on order intake, sorry, you were not very clear.

Dipesh Mehta: Yes, order intake.

Sukamal Banerjee: Yes. So, we stopped sharing order intake numbers, as you are aware. But to give you some color, our Q3 quarter order intake was robust. It was better than what we experienced in Q3 of last year. What was the second part of your question again?

Dipesh Mehta: The pipeline also, because you said pipeline is at all-time high. If you can give some context, let's say, whether it is growing 10%, 20%, 30% or 1%, 2%, 3% percentage or something of that sort, to give some sense.

Sukamal Banerjee: Pipeline growth is in double digits. I think what matters more is the qualified pipeline and the large deal contained in the pipeline, which has seen definitely robust growth, which is what makes us feel confident, but we will be able to guide those into revenue only once we start converting them as deals.

Dipesh Mehta: Okay. Thank you.

Moderator: Thank you. We will take the next question from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

Vikas Ahuja: Hi. Thank you for the opportunity. Sir, coming to your opening remarks, it seems like the outlook has turned a little bit more constructive. You talked about spending, order intake, record funnel, rising contribution from top clients. But in the past, we have seen the growth has been dragged because of the portfolio churn, muted client spending. So, what, according to you, has changed this time or any risk you want to highlight? Thank you.

Sukamal Banerjee: See, first and foremost, obviously, if there are any macro events, that always remains a risk, like what we experienced in April of last year where we pretty much lost 2 months of momentum from a business deal cycle perspective where there was a complete stall. So, any such event always remains a risk. Leaving those kind of risks aside, in terms of the conversations we are having with our customers and the areas we are having conversations with our customers, these are more or less essential investment areas for them. So, we may always have some projects which are future ROI-related, which tend to be from a technology perspective, which can get right-shifted from 1 quarter to the other.

But the deal pipeline that we are working with, the part which are qualified, I think we feel pretty confident with the timelines and the deal cycles we are dealing with, in terms of their closures. But again, there may be some industry-specific or account-specific things which can come up. For example, in Q3, we were impacted by one of our top customers' CEO change, which happened, which put a halt to several of the initiatives that we were expecting to close in the last quarter. So, those are very difficult to call out. But leaving those kind of risks aside, I think we do not see any at this point in time beyond the macro and account-specific situations that may come up from time to time.

Krishna Bodanapu: And if I may just add to that from sort of previously what happened to now, I think there's a lot more focus on not just on pipeline, but quality of pipeline and not just execution but readiness and execution. So, I think a lot of what we are talking about this time around is really based on some very solid numbers, which is what gives us the confidence that they execute. We will not have the execution hiccups that we have had in the past or the misses that we have had in the past. So, I think it's the quality of pipeline and the quality of, execution that at least gives me confidence to substantiate what Sukamal had said at the beginning of the call.

Vikas Ahuja: Sure. Thanks a lot.

Moderator: The next question is from the line of Pratik Kulkarni from Kosh Wealth Management. Please go ahead.

Pratik Kulkarni: So, I had two questions regarding the semiconductor part of our business. So, we have created a bit of holistic ecosystem regarding new partnerships and acquisitions in the semiconductor part. And as the deals come through, which part of the business are we most positive about?

Bodanapu Krishna: We are positive about the whole Semiconductor business. Like you said, it's a holistic business that goes from design to sourcing the chips, which includes many other things in the middle, including testing, packaging etc. So, we are quite confident about the whole value chain of the

Semiconductor business. We have also clearly identified where we want to focus on, more mature nodes, power-related applications, etc. So, I think we have a very strong and well-defined focus, and we feel quite confident that we will be successful across the Semiconductor value chain, in the areas that we are focused on.

Pratik Kulkarni: Okay. And another question is what I have seen is we are more focused toward power-based semiconductors, creating a more niche for us. So, any reason to focus on this segment rather than going for general semiconductors that are manufactured by NVIDIA or AMD?

Bodanapu Krishna: Okay. So, it is a different scale and a different focus what we are talking about. If you look at the chips that we work on, the chips that we work on are typically, like I said, more mature nodes, which means that they are typically in 180 to about 400 nanometers. So, the design cost of each chip, for example, will be in the $5 million-$10 million range per chip. Now, if you talk about NVIDIA or AMD, the AI and those kind of chips that they make are really the 5 nm-12 nm chips, and each chip costs about $1 billion to design. So, our intent is, look, every chip that goes into the world now will need a power chip next to it. So, yes, it's not as sort of glamorous as being an NVIDIA, but we believe that this is a much more stabler way for us to break into the chip industry, not just the semi, chip meaning the entire chip lifecycle. So, I think it's not going to be easy for anybody to replicate what an NVIDIA does, unless they are willing to spend tens of billions of dollars even to have a chance of success. So, I don't think we are playing that game. We are playing a more sort of manageable game at a part of the value chain where there is going to be a significant amount of growth.

Pratik Kulkarni: Okay. Thank you. That's all from my side.

Moderator: Thank you. The next question is from the line of Hasmukh from Tata Mutual Fund. Please go ahead.

Hasmukh: Yes, hi. Thanks for the opportunity. My question is around the quality of business. So, in past, we have called out that mechanical engineering forms a good chunk of our business. So, what we are doing to diversify from that, and whether there is any material change over the last 9-12 months, because end market for mechanical engineering may not be growing as fast as what we want to grow from an overall business perspective, so?

Sukamal Banerjee: Yes. Just to confirm, you mentioned mechanical engineering, right?

Hasmukh: Yes.

Sukamal Banerjee: Okay. Yes. So, we have several initiatives going on, and some of the wins that I shared with you, if you look at it, none of them were about mechanical engineering. So, it is not that we are not winning mechanical engineering programs, but some of the larger programs we are winning are in the new technology areas. They are about software development. They are about platform software. They are about data engineering. And of course, several of them are on AI or at least influenced by AI.

So, I think we have a robust pipeline which is built up for technology, as we call it, which is in significant double digits as a percentage of our pipeline. So, we think that both from the wins that we have talked about, the funnel that we have for near-term closure, we are definitely seeing a diversification in our services portfolio. Also, as we have talked about in the past, we definitely are also active from an inorganic perspective to shift our service portfolio in a way that moves away from some of the traditional areas which have a slightly moderated growth, I would say, compared to the new technology areas where the growth vectors are more robust.

Hasmukh: Understood. Understood. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ankur Pant from IIFL. Please go ahead.

Ankur Pant: Hi. Good evening, and thank you for the opportunity. My first question is for Sukamal. Sukamal one of the problems that has impacted Cyient in the past, is the predictability in terms of revenue trajectory? Could you highlight what you are doing to improve on that front? And related to that, is the revenue growth cadence that you look at now. So, is it that your aim to improve growth with each quarter versus the last quarter? Or is it to keep it in a band as you move along each quarter? What kind of predictability are you looking at in the business?

Sukamal Banerjee: Sure. So, let me first address predictability. It was not that it was not there, I think we just had to do some tweaks and changes, to ensure that we have a predictable mechanism for our forecasting and, more importantly, the governance around tracking on that forecast, what we are doing in terms of executing within the quarter. I think from a predictability perspective of how we feel at the beginning of the quarter and how it ends up at the end of the quarter, I think we have come a long way, and probably from my past experience, I can say we are on par with anybody else. When it comes to the second part of the question you asked, obviously, there are always ups and downs in our growth. It's not always possible to keep increasing the pace of growth each quarter, even though that is our intent. But the first goal that we have taken for ourselves is that within our immediate peer group, we would like to be the top performer in terms of growth on a consistent basis in the future. That is our first goal. And obviously, we have ambitions beyond that as well. But as the first goal, that's what we want to achieve.

Ankur Pant: Thank you. And my second question is in terms of margins, Prabhakar, what kind of a growth are we penciling in to get to our margin target in DET business? How much are we dependent on a particular growth number for getting to that target?

Prabhakar Atla: See if you look at the margin trajectory, and thank you for the question, Ankur. Two things I will say. One about the past, and second about the future. The immediate past, you have already seen, the revenue momentum is coming back. The margin expansion program is kicking in and showing some tangible results. And we have 2 sequential quarters of margin expansion. That's about the immediate past in the current financial year. The second thing is going forward, we have 3 important levers that we believe will work in our favor. One is the revenue momentum, though we will not quantify at this point in time what we are going to capture as an assumption for FY2027 for a 15% exit for Q4, but revenue momentum is just one part of it. The tech adoption, both internal and external, is another part of it. And whatever investments we made so far in technology solutions, we are yet to fully monetize them. And that's the third lever.

These 3 will be the levers that we will be actively working on in FY 2027 and beyond to expand the margin. Of course, there are other, so to speak, very attractive lever is to work on offshoring. It is a significant lever for Cyient, because the offshoring percentage currently is less than 50%. But we are comfortable where we are, because where the world is today, we are happy to be a global company. We are proud to be a global company. And the local content of work we do in various geographies, acts as a significant buffer for us against the current trends we see of localization. So, net off, we would have had 4 levers, we are focusing on 3 of them. The fourth one will be one that we will take as we go forward.

Ankur Pant: And any sense of the exit margin for this year? Any target on that front?

Prabhakar Atla: We are not commenting on the full year numbers, as you know, Ankur. But I will just repeat what we said in the previous call, our H2 margins will be better than H1 margins.

Ankur Pant: Thank you, sir. And just 1 final data keeping question. So, you have quantified new business as a percentage of total deal?

Moderator: Mr. Pant, I will request you to kindly rejoin the queue for follow-ups, please. There is a queue, sir. Thank you. We will take the next question from the line of Karan Uppal from PhillipCapital India. Please go ahead.

Karan Uppal: Yes. Thanks for the opportunity. Sukamal, you spoke about on the verticals outlook. Just wanted to check on the geography front, there is a lot of noise around the tariff war against restarting between U.S. and Europe. So, macro uncertainty remains high. So, within that, if you can provide the outlook on various geographies in terms of U.S., Europe and APAC. And also, a related question is in terms of the confidence on the pipeline conversion, given this macro backdrop. So, are you confident of converting the pipeline in Q4 and beyond. Yes, that's the first question.

Sukamal Banerjee: Sure. So, firstly, as you are obviously well aware, that tariff is not a direct topic for us, but it is a topic for our customers across the board. I think most of our customers, if not all of them, have a far more robust mechanism in place than they had last year or beginning of last year, in terms of dealing with tariff. So, their ability to take decisions despite some of these, I would say, macro discussions that keep coming up once in a while is far more robust, and there is much more confidence they have in that process. So, that's the first thing I would say. To answer your question in the second part, if the level of uncertainty is where we are and which are more short-term bursts of uncertainty and things settle down very quickly after that, I do not see that as concerning or challenging. But if it gets extended and drags out for a few weeks or months, obviously, it delays some of the deal processes. But if it is just a one-week surge and quietening down, that should not make a huge impact on our deal cycles, so to speak.

Karan Uppal: Sure. Any color in terms of the geography front in terms of the pipeline?

Sukamal Banerjee: Sure. No, I think, obviously, in Q3, our growth in the U.S. has been higher or North America has been higher, which is largely U.S. But from a pipeline view perspective, it is quite evenly distributed, which is reflective of the current distribution of our revenue across the U.S., Europe, and Asia-Pacific. And from a large deal perspective, it is both across North America and Western Europe.

Moderator: Thank you, sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Krishna Bodanapu for closing comments. Thank you, and over to you, sir.

Bodanapu Krishna: Thank you. And I can confidently say we are back in the phase of stable growth after the challenges of the last 2 years. Our stated aspiration is to be an industry-leading growth player, which we are working towards. But I am proud and pleased to say that we are steadily making progress in the last 3 quarters, and this is an important step of achieving our stated goal of being an industry-leading growth player. Thank you for your patience, and thank you for your support in this journey. And we will again speak at the end of next quarter. Thank you.

Moderator: Thank you, members of the Management. On behalf of Cyient Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.
