

**CYIENT**

Cyient Limited

Q4 FY26 Results Conference Call

April 23, 2026

**CYIENT**

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**Moderator::**

Ladies and gentlemen, good day, and welcome to the Cyient Limited Q4 FY26 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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, Dorwin. Good evening, ladies and gentlemen, and welcome to Cyient Limited's earnings call for the fourth quarter of financial year 2026. I'm Krishna Bodanapu, Executive Vice Chairman and Managing Director; and present with me on this call are Sukamal Banerjee, Executive Director and CEO; Shrinivas Kulkarni, President and CFO; and Prabhakar Atla, President and Chief Operating Officer.

As you know, Prabhakar was also the outgoing CFO and was the CFO for much of the financial year 2026. 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 already been shared with you.

Before we begin, I would like to thank Mr. Prabhakar Atla for his stewardship as CFO and wish him well as he steps into his new role as the Chief Operating Officer. I also would like to welcome Shrinivas Kulkarni, as our incoming CFO and look forward to his leadership in taking our finance, strategy and function forward.

I'm very happy that these two are among the most important roles in any organization, and I'm pleased that Prabhakar and Shrini are in these roles as we go forward and as we enter into a very exciting phase of Cyient's next orbit. At the beginning of this financial year, we have been reporting four segments for performance. These are DET, which excludes our semiconductor business; Cyient DLM, our manufacturing business; Cyient Semiconductor, our semiconductor business; and others. The focus of this call will remain the DET segment. And to that extent, all numbers for DET segment are like-to-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. While Sukamal will take you through the details of DET performance, I'd like to give you a quick update on some of the highlights across the group.

On semiconductor, as we complete a year of carving out the semiconductor business, I'm proud to say that we stand as India's largest custom chip company today. We have a clear focus on owning intellectual property and providing differentiated chips. This year has been a year of building revenue momentum, building intellectual property, partnerships and of course, a world-class team has been put together. In Q4, we delivered \$7.2 million in revenue, a 5% sequential improvement and our fourth consecutive quarter of quarter-on-quarter growth in this particular segment.

Continuing the trajectory from 5.5 million in Q1 and our full year revenue stood at \$25.7million. Of course, we had a negative EBIT for Q4, which stood at \$2.8 million, but this is because we continue to build a strong team for sales, product management and have been creating a very strong IP.

Some key highlights for Q4. We successfully closed a 74% majority stake in Kinetic Technologies. We're building proprietary strength in power products. We continue to scale our turnkey ASIC business. And of course, we won the MeitY-backed Semiconductor Complex of India Limited fab modernization program, which will start later this quarter or early next quarter.

I'm also pleased to announce that the Board has agreed in principle to explore a fundraise in the market in a combination of debt and equity, given the growth in the semiconductor business and the working capital needs of the business. We have started engaging with various bankers and we will come back with the final details once approved. I just want to repeat that this is for the semiconductor business, which is a stand-alone business and the step-down subsidiary of Cyient Limited. Looking forward, as we enter into FY27, we have a very strong foundation, a great team and a great organization. We will focus on this business, and I'm sure there is a very strong growth path ahead for Cyient Semiconductor.

If I may just take a minute on Cyient DLM. As you know, Cyient DLM is also a publicly traded company. So the Board of Cyient DLM met earlier this week to consider their results. While revenue was a bit muted on that sector, I'm pleased to say that book-to-bill ratio for the year was at 1.5x. We're now exiting or entering into FY27 with the highest order book in Cyient DLM's history, which means that we will deliver a very strong year in FY27. Also, profitability for the year was 10.3% which means that we're able to sustain double-digit profitability, which is because we're focusing on the right segments, we're investing in operational excellence and maintaining cost and execution discipline. We enter FY27 in Cyient DLM with a healthy order book, a mature pipeline and, of course, a very strong leadership team to execute to our plan there.

I also am pleased to announce that in the meeting that just concluded earlier, the Board of Directors has approved a proposal to buy back up to 6.4 million equity shares of the company. This 6.4 million equity shares translates to a maximum of 5.76% of the total paid up capital from the shareholders through a tender offer at a price of INR1,125 per equity share for an aggregate consideration not exceeding INR720 crores. I'll repeat, we will buy back shares at INR1,125 per equity share up to INR720 crores. The buyback, of course, is subject to shareholder approval and will be carried out along the lines of SEBI guidelines. I also want to say that the promoters, the members of the promoter family, members of the Board of Directors, key management personnel have all indicated our offer not to participate in this buyback. This reflects our long-term conviction in the company's intrinsic value and the strategic direction and ensures that the full benefit of the buyback accrues to the shareholders. The Board's decision is underpinned that the current market price does not adequately reflect the underlying fundamentals and intrinsic worth of the business. Given this disconnect, the buyback represents an efficient and disciplined deployment of capital aimed at creating and enhancing long-term shareholder value.

The onetime capital allocation measure does not reflect any change in our long-term strategy or signal limited growth opportunities. Our pipeline is healthy. Our M&A funnel is active, and we

are very well capitalized to deliver on our execution and strategic road map. Our focus on sustainable growth, balance sheet discipline and long-term shareholder value creation remains firmly on course. The interim dividend of INR16 declared at the Q2 Board meeting shall be treated as final dividend for the financial year. I also want to reiterate that the Board has asked us to continue to stick with the 40% to 50% payout, which is what has been given back to shareholders every year, and this will now happen not just through dividend, but through the right combination of dividend and buyback.

Before I close, I would also like to mention Project Astro. Project Astro is a strategic transformation acquisition that we were looking at. And this was a transaction that would have brought in a step change in both scale and scope of our DET business. We ran a thorough and structured due diligence process, financial, legal, commercial operations and the process gave us confidence of the quality of asset that was available. Having completed our diligence, we found ourselves at the point of commitment. Over the last couple of months, as we know, two things have happened. One, how rapidly AI has evolved and the impact that it has on the sectors that we operate in. We felt it's important to step back and think through what this means for a business like the one that we were trying to acquire. We are quite confident on what it means for the core Cyient business, but given that this is a new business, we wanted to step back and think about what it means for this business.

Simultaneously, and as you know, the geopolitical uncertainty that emerged around the same time gave us more reason to be conscious. With the kind of instability we are seeing globally, along with the advent of some of the AI stuff, we felt it was prudent to wait for things to settle down before committing to an investment of this scale. Of course, both these issues carry their own gravitas and require a serious deliberation. We have, therefore, made a conscious decision not to walk away, but to pause this transaction and come back with a more educated decision in the coming quarters.

The reason why I'm bringing this up is there is a large charge against our P&L this quarter, which relates to Project Astro and the cost of all the diligence. The number is quite large, which is a reflection both of the size, the strategic nature of the transaction. And of course, it was a complicated transaction, which is why the cost of diligence was as high as it will be, but I just want to reiterate that we just have taken a pause. And if we go ahead, the marginal cost will be very little, so that decision will be made in due course. With this, I will hand over the call to Sukamal, who will take us through the business performance of DET for Q4 and FY26.

**Sukamal Banerjee:**

Thank you, Krishna. Good evening, ladies and gentlemen, and thank you for joining us today. A year ago, at the FY25 Q4 results call, I had been 6 weeks into the role. We committed then to use FY26 to build strength and stability back into the business, reassess where we play, turn our technology investments in digital and AI into engines of growth and reenergize the organization with the right leadership.

A year on, let me report back on where the business stands. The clearest forward indicator we have is order intake. And H2 is where the year turned. H2 came in meaningfully higher than H1. So our H2 year-over-year booking was 5.5% in terms of order intake value. We secured a multiyear framework agreement with leading global rail OEM on signaling and systems

integration, where we are selected as one of the three strategic suppliers in a consolidation process across global vendors.

We won a supplier consolidation engagement with a midsized global aerospace airframe manufacturer, replacing incumbent vendors and consolidating delivery with Cyient. A multiyear network design and infrastructure engagement with a leading global telecom operator, strengthening Cyient's role as a strategic engineering partner.

A U.S.-based communications company awarded Cyient, a multiyear contract covering the full network engineering life cycle. We won a 3-year renewal and a scope expansion with an EMEA-based communication service provider covering radio planning, network performance, EMF management and network availability services.

Last quarter, I had shared examples of our wins in technology that is digital and AI. And this quarter, I share progress that we continue to make progress in our core markets and service areas as well. Some of our existing customers have also backed us on price increases this year. That is one of the clearest markers of strength of our relationships and the value that we bring to those engagements.

Turning to numbers. We entered Q4 with momentum. However, a shift in some clients' budget deployments created a downward variance against the visibility we had set at the beginning of the quarter, leading to a degrowth of 2.4% quarter-over-quarter in constant currency, 2.1% in USD and 0.8% growth in INR terms. This in year-over-year terms for Q4 had a minus 1.5% constant currency, 1.4% growth in USD and a 7.4% growth in INR. The revenue stood at USD163.5 million with normalized EBIT of 12.4%. In absolute terms, that was a 0.4% quarter-over-quarter growth for EBIT.

The current geopolitical situation did have an effect as well with some deals in West Asia in our energy business being pushed out, and we expect that impact to continue in Q1 FY27 as well. We have planned for it and the mitigations are already underway. We acknowledge that there were some temporary gaps in what I will consider a predictable and stable business. I want also to categorically communicate that these were not structural to the business demand or our value proposition in the market. We are confident on rebounding quickly.

On the positive side, quarter-over-quarter, gross margin improved by 114 bps. Annually, North America grew 5.5% year-over-year and APAC grew 3.3% year-over-year. Transportation & Mobility cluster for us grew 4.5% quarter-over-quarter and for the full year, an impressive 13.2% year-over-year in constant currency.

This reflects our clear industry leadership, our domain strength and the ability to work across the entire life cycle of products, especially in aerospace, leveraging the current volume surge and hence, creating a durable growth environment for us. Network and Infrastructure saw a decline of 3.6% quarter-over-quarter and a full year decline of 1.6% year-over-year.

In this segment, connectivity that is, is where we are seeing the most structural shift. Our position in autonomous network is differentiated, built on our engineering domain knowledge, platform IP and partnerships. And this is where the next wave of client investments is headed. Alongside

that, our continued fiber build-out spend in North America and EMEA is expected to be sustained for the next 3 to 5 years.

Some of our largest customers have already announced hundreds of billions of dollars of network expansion plans for the next 5 years. What is changing across both is the nature of the spending itself. It is becoming longer in horizon, transformative in its ask, leveraging AI and larger in scale. All that plays directly into our strength. Our strategic units indicate a degrowth of 12.4% quarter-over-quarter and a full year degrowth of 12.2% year-over-year.

While the headline numbers look sharp, we have taken a set of actions on how we turn this cluster around. While the time taken to turn around, as I had indicated earlier as well, will be a few quarters, we don't feel this will hamper our ambitions for our next FY as we will continue to see moderation in these numbers downwards.

On the AI and digital side, we are rolling out Cyient's engineering intelligence platform to codify fragmented engineering data, workflows and domain intelligence spanning CAD, SBOMs, PLMs, QARA and ERP into a coherent agent-driven foundation. The real value is getting delivered through the industry playbooks built on top of it. These playbooks spanning aftermarket, QARA or quality and regulatory authorizations and AI-enabled engineering define what outcomes are delivered and how. The platform can run within clients' environment, the customers' environment or a hybrid model because what ultimately matters is a consistent application of codified industry knowledge through trained agents to deliver measurable business results.

Harjott Atrii, our Chief Business Officer for Strategic Initiatives, who I introduced last quarter as a new addition in the leadership team is scaling this service line as a new growth engine for Cyient. On that note, I want to also take a moment to talk about recent leadership appointments. As Krishna mentioned, Shrinivas Kulkarni has taken over as Chief Financial Officer, driving our financial strategy and a sharper focus on capital discipline, capital allocation and margin expansion. Prabhakar Atla, who served his tenure as the Chief Financial Officer, transitioned to be the new Chief Operating Officer as on April 1<sup>st</sup> with a mandate to strengthen the foundation, transform our core service lines and scale best-in-class delivery models.

Rajkumar Ravindranathan joined us or as we formally call him Raj as the Chief Growth Officer in February, bringing 25 years of experience in scaling engineering, digital, AI and IT businesses. He leads growth across energy, automotive and mobility, health and life sciences and mining, along with focused regional units in India, Japan and Middle East with clear mandate to drive large deals and grow strategic markets. We are building to be a more integrated, more relevant and more valuable engineering life cycle partner for our customers.

Our strength has always been domain expertise and that endures. What changes is how we carry it forward. The companies that will win in our sector are the ones that layer AI and digital on top of deep domain knowledge and the human expertise. That is exactly what we are building towards. With that, let me invite our new CFO, Shrinivas Kulkarni, to present a more detailed view of our financials.

**Shrinivas Kulkarni:**

Thank you, Sukamal. Ladies and gentlemen, thank you for joining this earnings call today. I will now walk you through the financials for Q4 and for the full year FY26. Before we review the numbers, I want to confirm that the consolidation structure remains unchanged, comprising of four operating units, DET, DLM, Semiconductor and others. The focus of this call will be DET. I will begin with the DET segment covering Q4 and full year performance, followed by the group level numbers.

DET financials are presented on a like-to-like basis, excluding the semiconductor business from FY25. I will also highlight the exceptional items as we walk through the results. Coming to the DET performance for Q4 FY26, DET reported a revenue of \$163.5 million, representing a 2.4% sequential decline in constant currency and a 1.5% year-on-year decline in constant currency. In INR, revenue was INR1,500 crores, reflecting growth of 0.8% quarter-on-quarter and 7.4% year-on-year, driven by favorable currency tailwinds.

DET delivered meaningful gross margin expansion in Q4, reaching 38.9%, a 114 basis point sequential improvement. Operational efficiencies and favorable foreign exchange were the key drivers. While year-on-year margins were marginally softer, these margins reflect the full absorption of annual merit increases, offset by productivity gains and structural cost interventions. DET delivered an EBIT margin of 12.4% in Q4, a resilient outcome given the revenue softness in the quarter. While gross margin expansion provided a positive tailwind, it was offset by conscious investments in leadership capability. We also had forex headwinds from non-INR costs in certain geographies. Importantly, our cost rationalization program played a pivotal role in absorbing these investments and holding margins steady. We have a very good framework in place to ensure the sustainability and continuity of these cost actions going forward.

Q4 DET PAT stood at INR138 crores, reflecting a sequential 7.6% and a year-on-year 9.1% decline. This movement was largely attributable to the normalization of other income, which had been elevated in prior periods due to higher unrealized forex gain and restatement related benefits.

The effective tax rate for Q4 is a bit higher at 29.6%, including a onetime prior period true-up. On a normalized basis, we expect the tax rate to be in the range of 27% to 27.5%. On the cash front, DET delivered another strong quarter of free cash flow, which came in at INR225 crores, representing a healthy 163% conversion of PAT. This is a direct outcome of sustained focus on working capital efficiency and collections discipline.

As Krishna highlighted earlier, a key adjustment this quarter is an exceptional charge of INR71 crores of due diligence expenses tied to a large M&A transaction, which is currently on hold. To provide a cleaner view of underlying performance, EBIT, PAT and EPS are presented on a normalized basis, excluding this item.

Full reconciliation between reported and normalized figures are available in the annexure that is shared with you. Now moving on to the full year performance, FY26 DET revenue was \$657.6 million, reflecting a marginal constant currency decline of 0.7%. In INR terms, revenue stood at INR5,819 crores, registering a 5.5% year-on-year growth on the back of favorable currency movements.

Normalized EBIT margin for FY26 is 12.2%, a 67 basis points year-on-year contraction, driven by revenue mix, annual merit increases with partial relief from the currency. Notwithstanding a challenging growth backdrop, margin discipline was well maintained through the year. Normalized PAT for FY26 is INR588 crores, up 7.2% year-on-year, underpinned by higher other income and reduced finance costs.

This year also saw the highest ever treasury income with restatement gains of INR95 crores, providing a meaningful offset to the hedge-related impacts. Two exceptional items were normalized during the year, the INR71 crores of M&A diligence expenses in Q4, which we called out earlier, plus a INR40 crores gratuity provision arising from the labor code in Q3.

At the group level, Q4 revenue stood at \$209.9 million, reflecting a 0.9% sequential growth and a 7.2% year-on-year decline. INR revenue is INR1,927 crores with a sequential uptick attributable to the DLM segment. For the full year, group revenue is \$820.8 million, down 4.3% in constant currency and INR7,268 crores in INR terms, a 1.3% year-on-year decline.

Group EBIT margin contracted 254 basis points year-on-year to 9.5%, primarily reflecting strategic investments in the semiconductor business against the backdrop of revenue softness. These investments are intentional and form part of our long-term positioning with nonlinear growth expected in due course. Group PAT is INR534 crores with EPS of INR48.42 representing a 14.3% year-on-year decline. Beyond the DET normalization items, the group results incorporate a \$3 million impairment in our tooling division, a business outlook-driven true-up reported on the other segment. I'll conclude by saying that we are confident of the outlook and the buyback will further improve the financial metrics and adds to the EPS growth next year. I will now hand the call back to the moderator for any questions and answers.

**Moderator:** Thank you very much. Our first question comes from the line of Bhavik Mehta from JP Morgan. Bhavik Mehta, your line is unmuted. You may proceed with your question.

**Bhavik Mehta:** So three questions. Firstly, can you quantify the exposure to West Asia as a region in terms of revenues for the DET business to get a sense of what could be the potential headwinds we could anticipate over the next couple of quarters?

**Sukamal Banerjee:** Yes, sure. So firstly, our direct exposure to West Asia business is not significant. However, we do work with some Tier 1 EPC and companies which service the energy market. And that is more of a project-based exposure. So it's difficult to assess in terms of exact number. But you can consider that it's not a significant portion of our business overall at Cyient as well as at an energy level. However, given the investment we have been doing in Middle East for almost a year now, we had built up a pipeline, which was on the verge of closure and which is what I referred to in my commentary.

**Bhavik Mehta:** Okay. Got it. The second question is around this Project Astro, what you mentioned. Any color you can provide in terms of what kind of asset you are looking at and which vertical was this in and whatever you can share?

**Krishna Bodanapu:** Unfortunately, I'll just say it's a very big transformative acquisition. It wouldn't be fair with all the NDAs in place to talk about any specifics because that will give away too much detail.

- Bhavik Mehta:** Okay. And the last question is on the semi business, if you do decide to go for an equity raise, what kind of dilution are you happy to go with? I mean, in the DLM business, we have seen the shareholding go to as low as 51% over here, dilution you'll be looking at?
- Krishna Bodanapu:** So the first raise will be a small raise just to cover for that business still needs some cash, working capital, et cetera, which I think is not fair now to fund from Cyient given that the business has its own strategy and its own objectives. So I'll just say that it will be a relatively small fundraise. We won't dilute more than maybe 10-12% of the equity to start with. And then depending on how the business evolves and the capital needs, we'll relook at it. But the first equity raise won't be more than 10-12%.
- Moderator:** Our next question comes from the line of Manish Agarwal from Tradeswift Group.
- Manish Agarwal:** I have a couple of questions. The first question is that despite consistent commentary on a strong pipeline and account mining, the revenue growth has been modest. So can you quantify pipeline to revenue conversion timeline? And what specifically is delaying that conversion?
- Sukamal Banerjee:** Okay. So if I understand your question right, if you're referring to this specific quarter, it is not a pipeline conversion issue. It is an issue of three key customers delaying their start of programs. And these are regular business that we do year-over-year, which got delayed in terms of their budget allocations to these programs. In terms of the question about pipeline to revenue conversion, typically, our converted order intake or order book gets consumed to the extent of 75% within the first 9 months. So that's the average at a company level. So it's not about delays in pipeline. The delay that I called out were some specific deals which were accounted for in our forecast for this quarter, I mean, which is Q4, and they got pushed out and will not convert in Q1 as well.
- Manish Agarwal:** Okay. So by when can we expect the conversion?
- Sukamal Banerjee:** So just to clarify, these were very specific deals, which are two-three small deals which accounted for a number which impacts at a quarterly level. It is not something which impacts at a yearly level.
- Manish Agarwal:** Okay. Just one more question. Like given that you are returning cash via buyback while also exploring a fundraise, how do you reconcile these two actions from a capital efficiency standpoint?
- Krishna Bodanapu:** So the buyback is for Cyient. The fundraise is for Cyient Semiconductor. I think it's a good opportunity for us to establish the value of Cyient Semiconductor because we believe that there's a significant value unlock that is available. So these are two disconnected actions in the sense that the buyback is really- because in Cyient, looking at our capital requirements, looking at obviously where the share price is and has been the Board felt that it was a good time to do a buyback.
- Now for Cyient Semiconductor, I think we want to establish an independent value because we believe there is a huge value unlock in Cyient Semiconductor. That's why we're going to raise , again, it doesn't need a huge amount of money, but we're going to raise the money that Cyient Semiconductor needs for us to get to a breakeven point, which will happen sometime towards

the end of this year, early next year. So we want to make sure that the Cyient shareholders are not getting penalized for the performance of Cyient Semiconductor by establishing an independent valuation and an independent capital structure. So in that sense, yes, absolutely, we could have funded it from Cyient. That's not a problem at all. But I think that would have not gone down well also because there are a lot of questions that come up on the losses in Cyient Semiconductor, et cetera, margins of Cyient Semiconductor. My hypothesis and my strong belief, which you will see when we do the capital raise is that it is a very valuable asset, and we just need to establish the value of that asset.

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

**Moez Chandani:** On the strategic unit business, it was a very sharp degrowth. Now looking at Q1, is the expectation that growth, we'll see continued degrowth because of some of these projects getting pushed back? Or do you think that there will be maybe a mild recovery going into Q1 and then some improvement in Q2? And secondly, in terms of these pushbacks in terms of the customers delaying the start of the program, do you see that at least coming back in Q2 or Q3? Or do you think that some of these programs have been permanently canceled because of budget issues?

**Sukamal Banerjee:** So there are two aspects. Let me address the second question first. The delays which have happened in connectivity, they are already in execution. So it's not that they are pushed out. There was a delayed start and these programs have a capacity in terms of execution. So it doesn't mean that because we could not execute Q4, all of that will get executed in Q1. It basically gets pushed back because at the customer end, there is a certain capacity at which they can absorb the work that we execute. As we do the designs, they have to translate that into construction, and they only have a limited capacity into construction. So that's from a connectivity perspective. When it comes to energy and your point on West Asia, it's difficult to say when it is going to come back. You know the situation is very dynamic. But overall, from a strategic units perspective, as a mix of portfolio, we definitely would want to bring it back to as close as flat for next quarter.

**Moez Chandani:** Okay. Understood. So flat numbers are what you're thinking of in the next quarter for the strategic units?

**Sukamal Banerjee:** That is what we are working towards. That's correct.

**Moez Chandani:** Sure. And now with the semiconductors business now that you've completed the acquisition of Kinetic, any sense in terms of where you see numbers for FY27? And then also just a little bit in terms of what the strategy is with the existing projects in Kinetic, how you see growth as well as margins evolving for the semiconductor business?

**Krishna Bodanapu:** So I'll very quickly say that we will have a very good year in the semiconductor business. I think both the core business is doing well. We've won a number of programs. The one that, of course, we talked about is the semiconductor complex modernization program, and there's many others. And of course, Kinetic will add a significant number to that. I think we haven't publicly disclosed what the kinetic number will be. So it might not be prudent here. But we will get to a \$100 million kind of a number for this year. Margins for the year will still be negative just because we are building the product portfolio and the intellectual property that is going to consume a bit

of money. And again, I want to be very clear that one of the reasons why I do want to establish the value of that business is within Cyient, we're being unfair to shareholders if we don't establish the value and yet invest at the rate at which we're investing. And I'm very confident that this is at least a DLM-like investment, if not even better.

So anyway, on the longer-term basis, our objective is to focus on 2 things. One is what's called custom ASIC that is to design, manufacture and supply chips for specialized custom applications. This is somebody has a particular need, we design the chip provide it to them. And the second is, of course, to have a product portfolio of ASSPs or standardized chips. They're still customizable chips, but mostly standard, and that portfolio comes through Kinetic. Now our focus will be primarily on a few areas, but it will be primarily on power. As you know, power management is a huge thing with where things are going, both with the commercial applications like data centers and consumer applications, phones, laptops etc. So our focus will be on power.

And our stated objective is to become a leading power silicon manufacturer. I'm also very happy to state that with Kinetic, last year, we would have shipped 250-plus million silicon chips, about 200-plus from Kinetic, about 20 or so from Cyient itself. So we're in a great starting point. And again, I'm very, very excited where the business is going to go.

**Moez Chandani:**

All right. Understood. And then just the last question from my side. In terms of your outlook for FY27, we previously said that we wanted to reach, say, a 15% EBIT margin by 4Q of FY27. And then is that outlook still there? And also any qualitative expectations that you can give in terms of how growth will look like in FY27 would also be helpful?

**Sukamal Banerjee:**

Sure. So on FY27, as I've mentioned before, we will continue that commentary, which is we are aspiring for mid- to high single-digit organic growth year-over-year. There are, of course, dynamics at play in the market, but we feel confident that two-three of our markets will produce enough strength to get us there. The range is between the mid-single digits to high single digits. From a margin perspective, yes, we maintain the same. It does depend a little in terms of volatility that we experience because of the current geopolitics because as you can understand, in a project-based business like energy, which is a substantial portion of our business, if we see a lot of dynamics in terms of volatility, it might affect our cost versus our revenue situation on a quarterly basis. So other than that, we do want to commit to the fact that we are still working towards those numbers and achieving those numbers.

**Moderator:**

Our next question comes from the line of Madhur Rathi from CCIPL.

**Madhur Rathi:**

Firstly, I want to thank the promoters for announcing the buyback and not participating, so which is a huge vote of confidence in the business and future prospects of the company. So now sir, being a layman investor who is basically tech illiterate, sir, if you could just explain to us that what exactly has been the pain point that our EBITDA margins are down from 18% in FY24 to like 13% this year? And despite such huge rupee depreciation during this period, one would have expected it to alleviate the other, I mean, the recessionary demand and so on. Sir, in your best judgment, when do you foresee us recouping the INR1,300 crores EBITDA that we did in FY24 or reaching around 18% EBITDA margins?

- Krishna Bodanapu:** Okay, the EBITDA numbers you're talking about or the EBIT numbers? because EBIT was never, at least not in the last 5 years EBIT, I think the highest EBIT that we have done was 16% in Q4 of FY24. Is it EBITDA or EBIT you're referring?
- Madhur Rathi:** No, the 18% is the EBITDA margin in FY24 and it was INR1,300 crores absolute EBITDA?
- Krishna Bodanapu:** Absolutely. Yes. So question is when will we come back to, let's say, a 15% EBIT margin?
- Shrinivas Kulkarni:** I think if we are aspiring towards 15% EBIT now by Q4 of FY, that will translate to almost 17%, 17.5% EBITDA anyway, right? So we are quite close to that number. So that's the goal we are working towards. So I think the previously stated comment is we will try and get there by Q4 of FY27.
- Madhur Rathi:** Understood. And sir, you were alluding to the monetization of stake in Cyient Semiconductors. So firstly, any ballpark dilution percentage that we are looking to dilute? And also what kind of valuation are we looking at? Or in other words, like if Cyient's market cap is around \$1 billion, then how much of our market cap are we attributing to Cyient semiconductors?
- Krishna Bodanapu:** So from a dilution perspective, we will keep it in the 10% range to start with because that's all the capital we need to get to the next phase of breakeven and further growth. Now in terms of what percentage of Cyient's market cap now that's for our investors to determine, which as I understand it, the value that's attributed to Cyient Semiconductor is marginal, if not negative, because if we just do a simple EBIT multiple, EV to EBIT multiple, then it actually becomes negative because it's a money-losing business. So right now, our understanding or expectation is best case that it's a marginal value or a 0 value. But in reality, the value is much higher, and that's why we want to create a monetization for it. So we can establish the value and really then have a basis why we want to continue to invest to grow a much, much larger business.
- Madhur Rathi:** Sir, finally, sir, which part of our business do you believe is most at threat from AI?
- Sukamal Banerjee:** Yes. So, there are two-three scenarios we have to understand about what's going to play out. And it might sound like a complicated answer, but because it is complicated. Firstly, there is a significant opportunity in front of us on AI, which is why we invested in the Agentic platform, Engine Intelligence platform, which is a growth driver for us in the future. As we have pivoted more and more from being an ER&D company to a full life cycle company for products, it's a significant opportunity in front of us. Just to give you a perspective on outsourced spend, it changes from about \$100 billion, which is the ER&D outsourcing spend to almost \$3 trillion, which gets spent today on life cycle management.
- We already participate in that in a growing and significant way in the aerospace market, and that is why you see our robust growth in the transportation and mobility segment. So that's a positive. Second is there are 2 hypotheses over here at play, and this is with regards to our data business.
- One is because of AI, there will be a significant investment by several business operations and companies in the industrial space to actually structure their operations data, manufacturing data, supply chain data, which has typically never been focused on because there was no value creator or value driver, which now exists in the form of AI. And because of that, there will be a huge amount of investment which will happen, and we are already seeing some of that starting in

terms of the data quality, data management, data operations work. So there will be a plus and a minus, which will play out. At what pace which one will grow is difficult to say. But we believe it will be slightly positive. Third, there is obviously compression on some of the work that we do, which is not a very significant portion of our business, which is software development. It is an established fact that we are already seeing 20% to 30% productivity improvement.

So whatever used to take 100 units of work now can be done with 70 or even 60. So given that it's a small portion of our service portfolio as we are growing our technology business from single digits overall client revenue, all of this is a possible upside for us. So from a Cyient perspective, we feel very confident given our portfolio, AI threat is minimal. Having said that, AI is an evolving topic. As more things come into play, we will obviously be very vigilant about how does this apply to our business. And in many cases, we have invested heavily to be ready for what AI brings across our service lines, whether it is mechanical engineering or plant engineering. In fact, the appointment of Prabhakar Atla as the COO, one of the key aspects is how do we transform our service lines ahead of time. So as I said, it's a complicated answer, so which is what I shared with you.

**Moderator:** Our next question comes from the line of Rajas Joshi from ChrysCapital.

**Rajas Joshi:** My first question would be on the nature of our deal wins. Could you please give some quantitative color, especially some numbers on the nature of our deal wins this quarter?

**Sukamal Banerjee:** Yes. So I talked about the H2 over H2 comparison of 5.5% growth in FY26 over FY25. A significant portion of that growth came in Q4, where we had a 23% growth in order intake over previous year. So that is where I leave it in terms of numbers and comparisons. In terms of nature of deals, as I cited, quite a few of them were longer term as in two-three years, consolidation deals across various segments like aerospace, rail, connectivity, that is where we are seeing significant growth. A large portion of our order intake was also project-based wins that we typically have in energy. So that also came in as far as Q4 order intake was concerned.

**Rajas Joshi:** Okay. Okay. Understood. And secondly, on margins, right? So the walk to 15% kind of exit margin, if you could just expand on some of the levers that are at play which will support this margin expansion.

**Shrinivas Kulkarni:** Yes. We have a bunch of levers, right, both on the revenue side as well as on the cost side. On the revenue side, I think we are talking about price hikes. We're talking of on the cost side, delivering the same revenue using automation, AI, etc, which will bring in further savings in our costs. We have a program we are running on to cut costs in some of the administrative expenses, right? So these are all the levers. So other than the usual tailwind from forex, etc, which we'll expect because of where the currency is today, I think fundamentally, there are a lot of operating levers that we are working on, which will yield us desired results.

**Sukamal Banerjee:** And if I may add, since there was a question on AI a little while back, AI is also an opportunity in terms of being cost efficient within the company, and we are doing that in a pretty structured, serious way this year.

**Rajas Joshi:** Understood. And lastly on the pipeline, right? So again, if you could just help us with some color on the pipeline on a segmental basis.

**Sukamal Banerjee:** Okay. So what I'll share is that our number of large deals have gone up in terms of pipeline, and we continue to develop those deals. And pretty much, I would say, in 6 or 5 out of our 7 market segments, we have large deals now in our pipeline. It is led largely by connectivity and health care at this point in time, but I'm sure we'll start seeing it coming across multiple markets of ours. So that is where we are on pipeline. Overall, as a percentage of new pipeline, that percentage keeps going up every quarter, and it went up in Q4 as well.

**Moderator:** Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Krishna Bodanapu for closing comments. Over to you, sir.

**Krishna Bodanapu:** Thank you very much. Thank you, everybody, for participating in this call. Obviously, a lot of exciting things are going on of course, with the core business in DET. Of course, Q4 was a little bit of a slower quarter and a little bit of lower than what we had anticipated due to the reasons that Sukamal talked about. But I want to say we're very excited about what holds for us in FY27, including the growth aspiration or the growth objectives that Sukamal talked about in terms of mid to high single digits and also the margin aspirations that Shrini and Sukamal talked about. So the core business with its pipeline and order intake looks very good. And of course, a lot of exciting things are happening within the Cyient Group, which includes what's going to happen with semiconductor and also the confidence that the Board demonstrated in the management to continue to generate a very strong cash flow in announcing a very, very significant buyback. It will be among the largest buybacks in the tech sector, and that's because our Board is very confident that while we have a lot of investment opportunities, we also have a lot of avenues for cash generation. So thank you very much for your support, and we'll again speak next quarter. Thank you.

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

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