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Mumbai 400 001.
Scrip Code: 532175

National Stock Exchange of India Ltd
Exchange Plaza,
Bandra-Kurla Complex, Bandra (E)
Mumbai-400 051.
Scrip Code: CYIENT

Dear Sir/ Madam,

Sub: Transcript of Q2 FY27 Results Conference Call

Please find enclosed the transcript for the Q2 FY27 results' conference call conducted after the meeting of Board of Directors held on 22 October 2026.

This is for your information and records.

Thanking you
For Cyient limited

RAVI KUMAR
NUKALA

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RAVI KUMAR NUKALA
Date: 2026.10.28
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Ravi Kumar Nukala
Dy. Company Secretary



“Cyient Limited
Q2 FY2027 Results Conference Call”

October 22, 2026



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

Moderator: Ladies and gentlemen, good day and welcome to the Cyient Limited's Q2 FY2027 results conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this call is being recorded. I now hand over the conference 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 Q2 of FY2027. I am Krishna Bodanapu, Executive Vice-Chairman & Managing Director, and present with me on this call are Sukamal Banerjee, Executive Director & CEO, and Shrinivas Kulkarni, Chief Financial Officer. I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in our investor update and 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. We are reporting group performance under four segments DET, DLM, Semiconductors and others. The focus of this call, as always, will remain the DET segment, and the group numbers will include performance of all four segments. I will start with a brief update of our Semiconductor business and our DLM business before Sukamal and Shrini walk you through DET's performance.

Firstly, I would like to take a minute to give you a bit of background on the Semiconductor business and how we work there. Cyient Semiconductors operates through two businesses the first is our custom ASIC business where we take a customer's requirement for a chip from specification to silicon and then supply it in production in volumes. These programs give us long-term customer relationships and the designs that carry into volume supply, which means that there is an annuity-based revenue stream. The second and very important for our long-term strategy is our product or ASSP strategy in business. Here we develop our own chips and sell them to multiple customers so the IP is fully owned and reusable by Cyient. This includes the low voltage portfolio that we acquired through the acquisition of Kinetic Technologies and on the high voltage products we are now developing. Applications include AI, data centers, industrial and automotive.

The quarterly performance for the business was very strong. Revenue for the quarter was \$19.3 million, which was up 8% quarter-on-quarter. This is our sixth consecutive quarter of sequential growth, a record we are proud of, and one that reflects the breadth of our portfolio. Order momentum remains healthy, and order intake on our custom ASIC business is up more than 50% compared to last quarter. EBIT margin improved against previous quarter even as we kept funding R&D, talent and go-to-market much ahead of the revenue curve. The EBIT loss this quarter reflects entirely our investment in product R&D. Excluding this investment, the core business is generating money at an EBIT level and is self-sustaining. These are deliberate choices that lay the foundation for a Company of

meaningful scale, and we will continue to make them in line with our strategy. In our custom ASIC, we closed large turnkey projects and have a very healthy pipeline in excess of \$100 million. Our power product business or ASSP, which is central to our long-term strategy, we continue to invest in product development for the high voltage and low voltage. Our process wafers and probe test flows have been qualified and we are working with the leading ecosystem partners to lock specifications ahead of our first customer samples, which will happen towards the end of this year or early next year.

Let me give you a brief outlook of what is happening in the semiconductor industry. The industry is in a strong demand cycle, driven by AI, but supply is tight. Foundries are running at full utilization and capacity is constrained across the ecosystem, which is leading to higher wafer prices and longer planning cycles. We expect this to continue to weigh on our margin in the immediate term. The shortage and rising cost of memory is also affecting end demand in consumer and edge AI applications, which are our focus areas. As a result, we expect some softening in the pace of growth in the coming quarters, though we are quite confident that the growth demand remains strong and that the markets will continue to support our strength.

In DLM, we delivered another very strong quarter, supported by sustained order momentum and disciplined execution. The business has maintained positive orderbook momentum for six consecutive quarters, with book-to-bill ratio in excess of 1.6 times. The order book surpassed the record level achieved in the previous quarter and is highest it has ever been. Revenue grew more than 26% year-on-year in INR and we continue to meet customer requirements despite supply chain shortages, longer lead times and geopolitical uncertainty. DLM has significantly strengthened its sales leadership and continues to invest in strategic capabilities and operating foundation to support the next phase of growth. While these investments have a near-term impact on margin, they are important in building a scalable, sustainable, and stronger business. The focus firmly remains on profitable growth, operating leverage, and sustainable margin improvement over the medium to long term. Looking ahead, the structural drivers across DLM's target markets continue to remain very favorable, including rising electronic content, growing AI infrastructure demand, global supply chain diversification, and broader outsourcing trends. With our differentiated designed manufacturing model, strong customer relationships, and expanding execution capabilities, Cyient DLM is very well positioned to capitalize on these opportunities and overall we delivered a very strong first half with revenue more than 30% over the first half of last year and we enter the second half of the year with a very strong order book, a robust pipeline, and a very strong and motivated sales force that will continue to deliver into the future.

The Board also took cognizance of the cash generation and the strong operating performance, and we will continue this momentum into Q3 and into the rest of the year. Our

approach to capital allocation, as you know, remains balanced and disciplined. We will prioritize investments that drive long-term growth, keep financial flexibility to pursue strategic acquisitions where they make sense, and will continue to pay dividends in line with our policy. Consistent with this, I am pleased to share that the Board has declared an interim dividend of Rs.12 per share. We remain focused on sharp execution and on creating sustainable value for our shareholders and are very confident on our ability to generate cash as a group. At a group level, looking ahead, our focus is on opportunities that brings strengths to our business together.

Defense, Semiconductors, and AI are the industries that present the highest growth opportunities, and I am very pleased and proud to say that Cyient is strongly positioned and is pursuing significant strategic opportunities in all these areas. We bring customers an end-to-end proposition spanning engineering, silicon, manufacturing, lifestyle support, reinforcing the compounding value of our complementary capabilities. I want to reiterate that the three fastest growing sectors of Defense, Semiconductor and AI are where we, as a group, have significant capabilities that nobody else can match within our competitive set. With this, I hand over the call to Sukamal, who will take you through the business performance of Cyient. Sukamal over to you.

Sukamal Banerjee:

Thank you, Krishna. Good evening to all of you, and thank you for joining us today. At our Investor Day in August, we shared our perspective on the opportunities ahead for Cyient, the role we see for lifecycle engineering in shaping our future, and the priorities that will guide our next phase of growth. We also introduced our new brand promise, Nothing Less, giving a clearer voice to the exemplary outcomes that have shaped our work and our customer relationships. As we look at our Q2 performance, I am encouraged by strong progress we are making to drive predictability and profitability across the business. We delivered growth during the quarter, recorded our highest ever order intake for Q2, highest EBIT in 10 quarters, and remained focused on building the capabilities that support our long-term strategy. An important part of that capability expansion was welcoming the TAO Digital team to Cyient. Their expertise adds depth to what we can do for our customers, and our teams are already pursuing opportunities together.

Let me now take you through our financial performance first across four metrics. Revenue for the quarter was US\$174.2 million, which was up 7.5% quarter-over-quarter and 6.3% year-over-year in constant currency. This includes one month of revenues from the TAO Digital acquisition. On an organic basis, the revenue grew 1.6% quarter-over-quarter and 0.4% year-over-year in constant currency. Our EBIT margin stood at 14.2%, up 107 basis points quarter-over-quarter and 206 basis points year-over-year. We recorded highest ever Q2 order intake of \$158.4 million, up nearly 21% year-over-year, with positive momentum across both new businesses in existing and new customers from an order intake perspective. This does not consider any order intake from TAO consolidation, which we will start

talking about and announcing in the near future. In addition to the order intake in this segment, we signed a multi-year frame agreement with a potential to execute up to €50 million annually as the upside potential for a global leader in consumer product groups. This particular contract we have not included as part of our order intake and the work that they have signed up with us consists of a broad range of engineering services, which will be contracted through future SOWs and the frame agreement provides us a significant position to execute on the same on a go forward basis. I wanted to highlight this contract because of its significance but also wanted to share that we remain consistent on how we announce our order intake at Cyient versus how it may get captured by some of our peers.

Technology order intake stood at \$10.3 million, up 39.7% year-over-year, reflecting the demand we are seeing for the capabilities we are building in data, AI, digital engineering, and intelligent engineering solutions. The strength of our order intake, together with continued growth in our pipeline, gives us a greater confidence as we enter the second half of the year. Focusing on our market clusters and market units, transportation and mobility again grew strong at 4.5% quarter-over-quarter and 16.5% year-over-year in constant currency terms. It is the sixth consecutive quarter of growth for this particular segment. The shining light of this quarter and over previous couple of quarters has been our performance in automotive and mobility. Despite the challenges in the market, we continue to see robust growth in this market segment for Cyient. Growth is supported also by continued momentum in commercial aviation where our focus on aftermarket services and helping customers improve operating efficiency is delivering results, alongside a greater emphasis on systems and avionics. We see medium to long-term opportunities emerging in defense supported by sustained geopolitical demand or demand created by geopolitical actions while rail continues to demonstrate moderate recovery. Despite potential pressure from aviation fuel prices and inflation, our strategy, customer base capabilities, and the industry standing gives us confidence in sustaining this business performance.

Networks and infrastructure was flattish with a slight degrowth of 0.3% quarter-over-quarter in constant currency and a 1% year-over-year growth, largely reflecting completion of certain project-based engagements and some weakness in our utilities business. We continue to reshape the portfolio towards longer-term growth, more recurring programs, and we hope to make some announcements on these lines very soon. Even so, the underlying demand remains strong, continued fiber rollouts and the global build-out of AI data centers are sustaining well in demand, while rising power needs and grid modernization are driving investment in network design, asset data, and spatial intelligence.

Strategic markets de-grew 1.5% on constant currency basis quarter-over-quarter. However, at the outset, let me state we are at the bottom of our business in some of these markets, especially energy, where we see growth ahead. In energy and process industries, the go-to-market teams we rebuilt are starting to deliver. We have steadily pivoted the business

towards annuity-led engagements, working directly with the owner-operator of these assets. We have enhanced our position across several existing customers. Our recent wins reflect that shift, with customers increasingly embracing long-term strategic relationship built around recurring value rather than one-off projects. The consumer goods framework agreement I mentioned earlier demonstrates the reach of our process industries' capability beyond the traditional energy market as well and is a clear demonstration of the impact this team is creating. While it is early, the traction we are seeing reinforces our confidence in this direction. In nuclear energy, where we bring more than a decade of experience, customers are increasingly increasing their spending plans and we are already seeing early ramp-up demand in that direction. AI infrastructure is creating additional opportunities, particularly around data centers and supporting infrastructure and over the medium term we want at least half of this business to be recurring revenue and that is our ambition and goal that we are working with.

Switching over now talking about capability development and making sure that we continue to invest in the future, the opportunities we see across our business are closely linked to the capabilities we have been building. To support customers more effectively across the lifecycle, we are continuing to strengthen those capabilities. The integration of TAO Digital adds depth to our platform software and data engineering capabilities, and our teams are now taking this combined expertise to the customer engagements. This expands the support available to build stronger data foundation and enterprise AI adoption, complemented by our understanding of customer engineering environments, products, and operations. It further strengthens that we can offer in automotive, high tech, and health tech, and adds delivery capabilities in Greece and Taiwan. We are also bringing our engineering knowledge, data, and AI expertise together through newly established business unit, Intelligent Engineering Solutions to develop and commercialize repeatable and scalable solutions for our customers. CYiNGINE our agentic AI enabled lifecycle engineering intelligence platform, brings together governed industrial data, deep engineering domain knowledge, and modern AI stack to help customers improve outcomes across engineering, service, and quality. It enables three playbooks in engineering, three playbooks in terms of the value that we deliver to customers across engineering means faster design lifecycles and better first-time rates. In service, it means higher asset availability and fewer unplanned outages. In quality and regulatory world, it means faster certification with audit ready-traceability. Each is measured against the customer's own KPIs, which positions us well for long-term outcome-based engagements. Our progress in this area has received several recognition. One of them in Q2 was the Frost & Sullivan, who awarded Cyient with 2026 Global Technology Innovation Leadership Recognition in the Intelligent Lifecycle Engineering Services space.

Looking further ahead, we are evolving our technology organization through the creation of a CTO office with a focus on research and development in Horizon 2 and Horizon 3

technologies. This spans technologies at different stages of maturity with opportunities to create advantage over the next 1-5 years. Its initial focus areas will be around physical AI and robotics, AI in core engineering, advanced domain-specific AI, and some look ahead at quantum and other emerging technologies. This office will work across the group companies of DET, DLM and Semiconductors, identifying technologies with relevance across the group and building capabilities through collaboration with startups, academic institutions and research universities. This creates a clearer bridge between innovation and commercialization between the two groups that we have set up. So, talking now about lifecycle engineering, which we introduced as a concept to the market, as well as we touched on in our Investor Day. Together, these capabilities strengthen our ability to support customers across the products and the asset lifecycle. We already work across all nine stages, building on our engineering relationships to take on broader role through longer term engagements. This is central to our position as the lifecycle engineering partner of choice for our customers. Our presence across this lifecycle also creates significant opportunities to expand in the aftermarket. While we already support service lifecycle activities in 58% of our accounts, we remain underpenetrated relative to the opportunity ahead from the initial presence we have built. Our ambition is to evolve from supporting discrete service activities to becoming a strategic partner across full asset lifecycle, helping customers improve reliability, performance, and operational efficiency. Our Agentic AI MRO offering launched this quarter in Q2 is a key enabler to that growth and is already generating strong customer interest. Supporting customers over these long operating lifecycles carries a responsibility to understand the outcomes they depend on. Our promise, Nothing Less, expresses that standard, we bring that responsibility, exemplary outcomes, and the resolve to reach beyond them, sustained through engineering discipline and an understanding of what each customer needs. The goals we set in Mumbai stand. I would like to thank all of our associates for their efforts this quarter and our Board for its continued guidance for the results we have delivered. With that, let me invite Shrinivas Kulkarni, our Chief Financial Officer, to take us through the financials in more details.

Shrinivas Kulkarni:

Thank you, Sukamal. Ladies and gentlemen, thank you for joining us today. I will now take you through our financial performance for Q2 of FY2027. Before I get to the numbers, there are a few points on how this quarter's results are presented. First, the TAO Digital acquisition closed during the quarter. Our results include one month of TAO Digital's P&L for September 2026. Second, Kinetic, a part of our Semiconductor segment, is now in its second quarter of consolidation and to separate the underlying performance from the effect of these two acquisitions, we will present results on two basis. One organic, for DET this will exclude TAO Digital, and at the group level it will exclude both TAO Digital and Kinetic and the reported number will include all the entities. Also, as you all know, Q1 figures were normalized for M&A-related expenses tied to TAO Digital acquisition. There are no such adjustments in Q2, so the reported and normalized figures are the same this

quarter. Quarter-on-quarter comparatives remain on a normalized basis. I will focus mainly on the DET performance, followed by a brief look at the group performance. A couple of quick capital allocation updates as well before we move on to the financials. First, we completed the buyback of Rs.720 Crores, covering 6.4 million shares earlier during the quarter. This affects our results in two ways, it adds to EPS, based on a reduced paid-up share capital, and it reduces our cash balance, which also lowers our other income. Second, we financed the TAO Digital acquisition through an external commercial borrowing. The debt and finance costs appear in the DET's reported numbers. As Krishna mentioned, the Board has approved an interim dividend of Rs.12 per share for FY2027. This signifies our confidence in the free cash flow and the business outlook.

Moving on to DET's performance, DET reported a revenue of \$174.2 million. That is up 7.5% sequentially and 6.3% year-on-year in constant currency. In rupee terms, revenue was Rs.1664 Crores, up 8.1% quarter-on-quarter and 15.7% year-on-year. TAO Digital contributed \$9.6 million or about roughly 5.5% of the overall revenue. On an organic basis, DET revenue was \$164.5 million that is up 1.6% sequentially and 0.4% year-on-year in constant currency. In rupee terms, organic revenue was Rs.1572 Crores up 2.1% quarter-on-quarter and 9.3% year-on-year. The gap between the constant currency and the rupee growth rates reflects the currency tailwinds. DET's EBIT margin was 14.2%, up 107 basis points sequentially and 206 basis points year-on-year. This is DET's highest EBIT margin in the last 10 quarters. In absolute terms, EBIT was Rs.237 Crores up 16.8% sequentially and 35.3% year-on-year. The sequential improvement came mainly from our cost optimization initiatives, more billing days. TAO Digital added to both margins and PAT in Q2 and that holds after all the M&A related costs, the borrowing costs, the fair value changes, and the earnout liabilities, amortization of acquired intangibles are all taken into account.

Our cost optimization program is well underway. We expect it to keep supporting margins through FY2027 and to help offset the wage increases we are expecting in Q3 and Q4. We remain committed to the margin expansion roadmap we presented in the Investor Day, provided there are no major surprises on the exchange rates. DET PAT was Rs.153 Crores, up 8.7% sequentially and 11.9% year-on-year. EPS was Rs.14.59, up 14.2% sequentially and 17.4% year-on-year. This is helped by the buyback. Other income was lower, mainly because of the fair value change on the earnout liability. Finance cost includes the interest on the external commercial borrowings raised for the TAO Digital acquisition. The effective tax rate for the quarter was 28.3%, including TAO Digital that is down about 90 basis points sequentially because the adverse one-off items from Q1 did not recur. We continue to expect the ETR to be around 28% for the rest of the year. On cash flow, DET free cash flow was Rs.214 Crores or nearly 140% conversion of PAT that is up 87.9% sequentially and 36.3% year-on-year. The drivers were higher operating profit, three-day reduction in the net DSO and favorable working capital movements.

I will now move on to the group performance. At the group level, Q2 revenue was \$233.9 million that is up 7.1% sequentially and 15.3 year-on-year in constant currency. In rupee terms, our revenue was Rs.2235 Crores, up 7.7% quarter-on-quarter and 25.5% year-on-year. This includes \$9.6 million from TAO Digital and about \$11.9 million from Kinetic. Group EBIT margins was 10.2%, up 52 basis points sequentially and 83 basis points year-on-year. DET's margin improvement was partly offset by continued R&D investments in the Semiconductor business. Group PAT was Rs.121 Crores, EPS was Rs.11.54 up 11.8% sequentially. For the first half of FY2027, group revenue was \$452.9 million, up 12% year-on-year. EBIT margin was 10%, up 52 basis points year-on-year.

To sum up, this was a quarter of progress on two fronts. DET delivered year-on-year growth and its highest EBIT margin in 10 quarters. TAO Digital is already adding to both margin and profit after tax. With the buyback completed and TAO Digital closed and consolidated, our focus is now on integrating TAO Digital, continuing our cost optimization work and expanding margins further through sustained organic growth. With this, I will now hand the call back to Swapnil for the Q&A.

Moderator:

Thank you so much, Sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participants tab on your screen. We request participants to restrict to 2 questions each and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a few minutes until the question queue assembles. We are taking the first question from Sandeep Shah of Equirus Securities.

Sandeep Shah:

Thanks for the opportunity and congratulations on a strong set of numbers, especially in DET. The first question, Sukamal just wanted to have a view what proportion of DET revenue is sticky annuity now versus when you joined, any target in future and this question is to understand the growth strategy?

Sukamal Banerjee:

Thank you Sandeep for the question. So I would probably defer answering a question on exact specific numbers. What I can say is that we have a goal to get to about 70-30 mix, 70 being more sticky long-term annuity revenue versus project-based or short-term revenues. I think we probably are, and this is the best estimate I can share with you, is probably about 200-300 basis points away from that, or rather 20-30 percentage points away from that and that is the work that we are working on with some of the deals we have in the pipeline and some of the recent engagements we have won and the nature of the way we have structured the engagements, it gives us confidence that we will get there relatively soon.

Sandeep Shah:

Yes and just a clarification on the DET organic. This quarter has been good despite some holidays in Europe, which impacts the sustainability as a segment and is it fair to assume this growth on a Q-on-Q can continue on organic basis in the second half and on TAO

Digital the run rate on a yearly basis looks like \$115 million, which looks like again a 40%-50% growth in TAO in CY2026, so is it the analysis or numbers are correct or if you can provide a clarity?

Sukamal Banerjee: Firstly on sustainable energy segment, as we call it, your reflection is correct and the data point you highlighted that yes, summer holidays does impact our revenue in Q2 and we do have some return of that in Q3. As you know, we do not share guidance. All I can share is that we feel confident about second half of the year, which I already shared in my commentary, so I will leave it at that. In terms of the question on TAO I could not very clearly get that question, so in case, Shrini, you have understood.

Shrinivas Kulkarni: Yes, I can answer that. So Sandeep, I think when we acquired TAO they were at a run rate of about \$80 million a year and I think what we have seen is growth in the business to close to about \$100 million a year. I think extrapolating one month would not be accurate I think we will wait for their Q3 performance, but definitely they are on a very high growth trajectory. My sense is for the next 12 months I think they could be closer to \$100 to \$110 million, but this is just a very rough order of magnitude estimate at this point in time.

Sandeep Shah: Thanks. Just a clarification, the confidence on second half in DET is even for the organic basis, not including TAO, right?

Sukamal Banerjee: Absolutely.

Sandeep Shah: Last question, then I will come in a follow up. This new deal worth €50 million, what is the reason not to be included in order intake? and will it ramp up immediately from second half or it can ramp up from the next financial year?

Sukamal Banerjee: No, we will see some ramp up in second half of the year and the reason is there are many such contracts which get signed which I would refer to them as framework agreement so that essentially gives you the opportunity to drive that revenue. It does not give any kind of signed commitment or a signed plan for that level of revenue and that is why we kept it out of order intake numbers. However, as we start booking specific SOWs against this frame agreement, we will start including that in order intake numbers going forward.

Sandeep Shah: Thanks. We will have more, we will come in the follow-up. Thanks.

Moderator: Thank you so much, Sandeep. We will take our next question from Gokul Handa of BTH Capital. Gokul, please go ahead.

Gokul Handa: I just want to understand. So, in your transport and mobility segment, the growth has been impressive compared to other segments, so could you give us some more color on this what

is leading this? and geography wise also, what is driving this because I think Europe has been a point of sort of difficulty in this space, so just want to understand if you could give us some more color in this segment?

Sukamal Banerjee: Sure. So as I mentioned, while there is generally a challenge in the market for automotive and mobility, we have been fortunate in terms of our customers and the areas of work that we do to continuously see growth in that segment, which has definitely been helping us in our growth in transportation and mobility. Of course, from an absolute growth perspective, majority of that weight is carried by the work that we do in aerospace and as I mentioned, while there are no new programs, except for some regional carriers or private regional jets we have built a very strong capability about aftermarket and how do you essentially provide a full lifecycle support to aerospace customers, both Tier-1s as well as airframe manufacturers and given the volume increase of number of aircrafts driven by sheer growth in consumer traffic, we are seeing that demand reflecting in our numbers. We continue to see that, yes, potentially there is a headwind with what is going on with oil prices and potentially a negative turn for commercial aviation in the future, but these are risks that are out there, but for the time being, we continue to see that momentum and we probably will for the next couple of quarters in terms of visibility. We are also planning in terms of hedging against potential downturn in commercial by making strong investments in the defense space where the capabilities that we leverage are the same. So that is what I would say to your question.

Gokul Handa: Got it and in your Semiconductor business could you give us the number for Kinetic that we have in this quarter like last quarter I think it was some 10.6 million, so has there been any growth, could you just give us a breakup of how much is Kinetic this quarter?

Shrinivas Kulkarni: \$11.9 million. Almost \$12 million. There is a significant growth there.

Gokul Handa: 11.9. Got it and also just one more thing, could you help us on how many employees have been added as a result of the TAO acquisition?

Shrinivas Kulkarni: So we will roughly come to about 3000 something is the number. Right now, all in all as a group, we are at 19,500 employees.

Gokul Handa: So is that 3000 you said?

Shrinivas Kulkarni: Yes, roughly 3000 something is the number.

Gokul Handa: Got it. Thank you.

- Moderator:** Thank you, Gokul. Requesting participants to please click on the raise hand icon from the participants tab on your screen if you wish to ask any questions. We will move to our next participant. We have Dipesh Mehta of Emkay Global. Dipesh, please go ahead.
- Dipesh Mehta:** Thanks for the opportunity and congrats for strong execution. A couple of questions. First about the margin side. You indicated about wage hike in H2. Can you help us understand how to look it in terms of whether it will be phased manner or how it will play out and likely impact from it and considering the wage hike and overall growth momentum what we expect plus the cost optimization program, which we are running how one should look your EBIT margin trajectory in second half as well as over medium term? That is question one. Second question is on the strategic unit growth. You indicated about energy to return to growth. What about mining and HLS, if you can give some sense, how to look holistic strategic unit growth trajectory? That is second question. Third question on the TAO Digital profitability, if you can give some sense because revenue seems to be on the upward curve, how it is playing out at margin level, if you can give some sense? Thank you.
- Shrinivas Kulkarni:** Okay, Dipesh, I will answer the first and third question and maybe hand over the second question to Sukamal. Is that okay? So, on the margins side, I think we are doing the wage hikes in two phases. I think it will be done over Q3 and Q4 with roughly an equal impact in terms of the headwind that will create for us on the P&L and what we are doing right now is, we have a visibility on the cost optimization program. So, we are very confident of being able to retain the margins at the current levels and as we grow through the year despite the wage hike. So, and on the second question on TAO, I think after taking into account all the intangibles and amortization and interest costs, etc., their margins are very close to our margins, so, more or less, they will be at the same level as what Cyient is operating at. Sukamal, you want to take the second question?
- Sukamal Banerjee:** Sure. So, your question was on mining and minerals and all I would say is at an overall level, we have already seen some progress in Q2 and we will continue to see it in Q3. We have won some strategic programs and it remains one of our smaller units at this point in time, but to come back to the overall view of strategic units, we definitely should be expecting better results going forward.
- Dipesh Mehta:** So broadly, let us say from composition of mix perspective in strategic market how one should look at it because mining and mineral, energy, HLS, these are the three constituents of it, if you can give some sense about composition of it, and among these three buckets where you are more positive from growth recovery perspective?
- Sukamal Banerjee:** Sure, so it is roughly 65 and the other you can split the other 35 between HLS and mining and minerals. HLS being probably more 22 and the rest being mining and minerals. We definitely remain positive longer in the midterm on energy and HLS. Mining and minerals,

we are still working through some portfolio aspects that we need to work through, but in the near term, which is next one or two quarters, we have enough visibility for growth.

Moderator: Thank you, Dipesh. We will move to our next participant. We have Kawaljeet Saluja of Kotak Securities.

Kawaljeet Saluja: Hi, good to see a very nice print for the quarter. Sukamal, I have a couple of questions for you and then a question for Shrinivas as well. The question for you, Sukamal, is that you mentioned about the €50 million framework contract in Europe, typically, in these framework contracts, in your experience in engineering services world, do they translate into an expected revenue and typically what I have seen in the past is that such framework agreements do not realize the full value, if that happens, what are the typical reasons why it happens here and in this particular contract, how have we arrived at, let us say, €50 million estimate of the contract as such?

Sukamal Banerjee: Sure. Kawaljeet, thank you for your wishes and you are absolutely right on your observations. One of the reasons we do not include it in the order intake. The reason we came to the value is because it is mentioned in the contract. Did I answer your question?

Kawaljeet Saluja: Yes, but typically to realize this to the expected value, what needs to happen and when does the ramp up start and what is the sequence of ramp up, does it start off at an expected run rate or is this a part of a larger program which will take a lot of effort to build up?

Sukamal Banerjee: It will need some effort to build up. I will not say a lot of effort to build up and it does not start at run rate level, if it is at a run rate level, we would have probably announced it as part of order intake. It will take one or two years to ramp up to full expectation. That is the realistic view that I can share with you, but obviously our attempt would be given the opportunity has been presented to us is to see how we can maximize ramp up as soon as possible.

Kawaljeet Saluja: Got that. The second question is around, I could see a lot of idiosyncrasies around the numbers in the sense that top five clients and top 10 clients ramped down and there was a massive growth outside of top 10 can you just explain on the composition of numbers anything that we should know?

Sukamal Banerjee: I think the top 5, top 10 is probably more just an aberration for the quarter. There is nothing material or strategic that is going on in these accounts for us to consider per se. I think overall, our top accounts remain healthy, and you will see substantial year-over-year growth by the time we are done with the financial year. There may be one or two accounts which may become flattish for next year, but that is still further away from a discussion

perspective, but right now, this may have been an aberration of the quarter and not something holistic.

Kawaljeet Saluja: Got that. Just a third question for you, Sukamal, there is transportation and mobility, again, fantastic quarter growth from a quarter-on-quarter and year-on-year perspective. If you can just give me a strategic view about the legs to the sustainability and drivers for growth, leave aside the quarter, but let us say if you had to lay out the roadmap for the next two to three years, how do you see this segment growing and the drivers for it?

Sukamal Banerjee: Sure. So there are two scenarios, Kawaljeet that we should be conscious of. One is the continuation of the war and continued increase in oil prices and one is a cessation of the war in the near future, which can be in the next three, four, five months as well we are not talking about just this month. So in scenario one, while we do not see any near-term impact to our growth trajectory, we definitely will have to start working towards pivoting more towards defense and expecting the results in defense to protect us against potential slowdown in commercial aviation, which is bound to happen. In scenario two, if the war does come to an end, I think we definitely feel much, much more confident in terms of continued trajectory that we are on. What we have to also just keep in mind is a lot of our growth has been also driven by automotive and mobility that does not have as long-term a strategic view as we have for aerospace and to an extent even rail.

Kawaljeet Saluja: Thank you for that. Just a question for Shrinivas. What is the kind of hedge book that you are running an average rate for the hedge book?

Shrinivas Kulkarni: So we have covered roughly 50% of our net hedge for the next 12 months. I do not have the average rate offline. I can separately tell you about it.

Kawaljeet Saluja: The context is that there have been continued hedging losses, which means that you are running a fairly high cash flow hedge book. So I guess it will just help us model numbers better if you can just share that rate and secondly, more important Shrinivas why, let us say, hedge your net cash inflows other than possibly having some quarter or two uncertain, one or two quarters of certainty about your net realization of FX, any other reason why you are taking those long-dated hedges?

Shrinivas Kulkarni: No, we have actually a staggered hedge, Kawaljeet. I think what we do is for the near term, we hedge 100% and we do not hedge anything beyond four quarters.

Kawaljeet Saluja: Also balance sheet hedges, or you are talking about balance sheet as well?

Shrinivas Kulkarni: Yes, both.

- Kawaljeet Saluja:** What is the quantum of hedges that you are running?
- Shrinivas Kulkarni:** I think it is close to 70 million. The average by the way is about 95.6.
- Kawaljeet Saluja:** So 70 million at 95.6 for the next 12 months. Got that. Thank you so much and wish you the best.
- Moderator:** Thank you so much. We will take our next question from Vibhor Singhal of Nuvama Equities.
- Vibhor Singhal:** Thanks for taking my question, and congrats on a very solid performance. Sukamal, just a couple of questions from my side around the TAO Digital performance. So when we announced the acquisition, as you mentioned, as we had seen, the revenue run rate was around \$80 million and in the opening remarks, we discussed that it is kind of close to \$100 to \$110 million that the Company would end up at for CY2026. So that is a very solid growth of almost 25% on a Y-on-Y basis, so just wanted to understand what exactly is this growth driven by, were there some big deal wins which were there in the book which kind of drove this growth or is this kind of a sustainable run rate that you can expect for this business? Just some color around that would be really helpful.
- Sukamal Banerjee:** Sure, just you are aware we are managing this business for one month now. Obviously we do have a visibility a lot on the numbers. Having said that do we see the sustainability of the growth in this business? The answer is yes. It is driven by having offerings and capabilities, which are driven from a timing perspective right for the market. Significant investment in capabilities, which are critical in enterprises today about how you unearth data for AI programs. That is definitely what and which goes to the credit of the founders of this Company and the key technical leaders and business leaders of this Company, which is resulting in this growth. We do believe this will definitely continue, not just from an organic perspective, organic as in standalone TAO, but also because we are driving significant cross-leverage in terms of this capability and cross-pollinate this into all of Cyient's account, which was the hypothesis on which we built this acquisition and the rationale for this acquisition. So what we are talking about right now is pretty much what can be driven by TAO standalone. As we start getting more integrated in terms of these offerings to our customers, it will be another source of how we can sustain this growth going forward. On the margins, if you want to comment, Shrini?
- Shrinivas Kulkarni:** What was the question on the margins? Sorry, I missed it.
- Vibhor Singhal:** No, I think the question was just on the revenue part. But yes, since I have you here, I can probably check on the margins part also. You mentioned that including the depreciation and amortization, the profitability of the TAO business is very similar to the Cyient DET

business, so does that mean that at EBITDA level, which would not include the incremental amortization of the intangibles that we would have acquired with the Company, the EBITDA level of this Company would be higher than what our Cyient DET margins are?

Shrinivas Kulkarni: That is correct. I think my comment was at the EBIT level, so at a EBITDA level they are at a much higher margin than the Cyient DET.

Vibhor Singhal: Got it and Sukamal, just one more last thing again on the TAO business part. So as we understand, the TAO business was present mainly in automotive, high-tech, and healthcare verticals and now we would be looking to cross-pollinate and probably cross-sell this to the other verticals in which DET has its presence is that assumption right?

Sukamal Banerjee: That is correct and of course expansion of those verticals as well.

Vibhor Singhal: Got it and just one last question here again. So we acquired this Company for around \$218 million, so what is the quantum of debt funding that we have availed for this and what would be the interest rate repayment period? The details, if you can share, please.

Sukamal Banerjee: Yes. While the acquisition price is \$218 million, the upfront payment is only \$130 million. There is a performance based earn-out for two years. We have funded largely through debt. I think \$120 million debt is on the books today because of this acquisition. So we are at a very attractive interest rate. It is linked to SOFR plus a spread that the bank has given us. We have also taken interest rate swap so that there is a lock-in of those rates for the next five years. It is a 5 year loan.

Vibhor Singhal: You mentioned SOFR plus, how much BPS?

Sukamal Banerjee: The spread is from the bank. It is a competitive rate.

Vibhor Singhal: Got it. Great. Those are all the questions from my side. Thank you so much.

Moderator: Thank you Vibhor. We will take our next question. We have Shradha Agrawal of AMSEC. Shradha, please go ahead.

Shradha Agrawal: Congratulations to the team on a great quarter. Two questions. First is we have seen a decline in number of clients across all client buckets in our DET business, so any reasons you would assign this to and in terms of Semiconductor business, which has raised \$30 million, so how has that been accounted for in the balance sheet?

Sukamal Banerjee: Shrini, you want to take the second question first?

- Shrinivas Kulkarni:** The fundraising Semiconductor had two elements. There is a \$20 million worth of debt and a \$10 million worth of equity. So it is accordingly a position in the balance sheet. The \$10 million is a convertible preference share.
- Sukamal Banerjee:** On the question regarding accounts, as I was explaining earlier, I think it has more to do with more near-term results in our top accounts. While the number of accounts may also be overall reduced, it is driven by two factors. One, in certain market segments, we did have a long tail of accounts, which we have been consciously rationalizing, not at the middle of our program, of course, but as programs come to an end, but in terms of how we see this trajectory going forward, we do see in certain market segments, number of accounts would reduce and our scalability in certain accounts has to go up. It is part of our overall approach as to how to make the business more sticky and more consistent in terms of revenue generation and visibility.
- Shradha Agrawal:** Right and just one last question, if I can squeeze on the Semiconductor business. So you said that because of increased prices of chips, the margin target for Semiconductor might be a little deferred, we were earlier targeting a breakeven in FY2028 so what is the margin timeline that you are looking at for breakeven?
- Krishna Bodanapu:** The breakeven timeline remains intact. We will breakeven somewhere in FY2028. We just might be deferred a little bit. The great news there is the demand is very high. The challenge is really in the supply. In that sense, we are not seeing a significant challenge. It is just it might get deferred a quarter or two within our calculations, but we will break even in FY2028.
- Shradha Agrawal:** Great. Thanks Krishna.
- Moderator:** Thank you, Shradha. We will take our next question. We have Amit Chandra of HDFC Securities. Amit, can you squeeze in your two questions.
- Amit Chandra:** The first question is the continuation on the Semiconductor business. You mentioned in the opening remarks that there is a slowdown in the Semiconductor that you are seeing and the second half could be softer. So, is it something that has changed in the last two months or is it more Company specific or is it more macro? Where we are in terms of the targets for a Semiconductor business in terms of longer term targets and what kind of organic growth rate we can expect in FY2027-28 for the Semiconductor business? Thank you.
- Krishna Bodanapu:** Firstly, let me clarify that I did not say that there is a slowdown. I said because of the supply situation, there is a mismatch between supply and demand. The demand continues to be very strong. The business is growing at a macro level, not Cyient, I will come to Cyient but at a macro level the business is growing 30% year-on-year. So there is no slowdown in

the industry. It is just that the supply has not still caught on to the demand and that is where there are certain programs that are slowing down, which will come back. So the demand is there, it is just the supply has to catch up to the demand. Coming to our situation, we are obviously very, very confident, of course, there will be pushes and pulls. It is just the nature of that industry. We will have certain supply-side constraints. Right now, the demand is not the constraint it is supply-side constraint and we are confident that we will see very strong growth, the kind of growth that we have seen in the industry I just want to be very careful that that industry is also very... It is not a quarter-on-quarter growth it is a year-on-year growth because there are certainly, for example, we supply a lot of chips from Kinetic to the laptop industry. Now the laptop industry has certain quarters which are very strong, certain quarters which are not. So in a year-on-year perspective, we expect the growth momentum to continue at least for the foreseeable future. We do not see any challenge there.

Amit Chandra: Now in terms of the mix within the Semiconductor business, what would be the mix of custom ASICs versus ASSP chips and where we are in terms of launching the high voltage and low voltage chips that we are investing into and in terms of the investments that you also mentioned that the investment will be elevated for some time, by when we can see that peaking out?

Krishna Bodanapu: In terms of where we stand, our chips are in the design process. The low voltage chips are already available this came through the acquisition of the Kinetic portfolio. The high voltage chip will tape out as it is called, which is basically released for production early next year and we should start to see substantial revenue from that chip during the course of FY2028 and the breakeven will also be in FY2028, as I said earlier. Again, the core business, which is the custom ASIC business, is generating cash. It is just that whatever loss we are seeing is because of the investment in the high voltage and also some of the low voltage. The core of the low voltage is available through the kinetic acquisition we are investing further and we are investing in high voltage.

Amit Chandra: Thank you and all the best.

Moderator: Thank you, Amit. We will take another question. Now we have Ankur Pant of IIFL

Ankur Pant: Hi, everyone. Congratulations on a good set of numbers. My first question is, Sukamal, at the end of 1Q, we were a little wary about how 2Q would pan out and it has certainly been a good quarter, so from your vantage point, what was it that surprised you positively, anything that stood out that you were not anticipating? That would be my first question.

Sukamal Banerjee: I think it is a lot about execution and how fast would some of the customers start the work that they had paused because of the Middle East war starting off that is what triggered a lot of the work stoppages and caution, I would say, from our customers. I think that rebound

was much quicker than we expected. Second, we definitely did much better in certain segments where the book and bill within the quarter itself was higher than we expected. So those were the two reasons of how we saw the positive and yes, we brought significant focus on execution which ensured that we maximize the outcomes on what we had in hand.

Ankur Pant: Sure and secondly after Q1, your commentary was that you expect an acceleration in growth in H2 from Q2, that was the comment that you had made out, so does that still stand given that this has turned out to be a pretty good quarter, so I understand that H2, you have the confidence from the order book, but do you expect an acceleration in growth from here that you expected from in Q1?

Sukamal Banerjee: We remain confident about growth in H2 and that confidence is what we expressed in our commentary. Does Q2 performance change that either positively or negatively? The answer is no. It depends on some other deals that we are working on, including the one we announced, the framework agreement, how fast we can ramp up those are the things which can positively impact our confidence even further.

Ankur Pant: Thanks. Just finally if you could help me with the net new number within the order intake?

Sukamal Banerjee: So we maintain pretty much the level of percentages that we talked about that we should be delivering, which is in the mid-30s, so in terms of the order intake, it continues to be in the mid-30s as a percentage.

Ankur Pant: Sure. Thank you. All the best.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, we will take this as the last question. I will now hand it over to the management for closing remarks. Over to you, Sir.

Krishna Bodanapu: Thank you very much and thank you everybody for your support. I want to paraphrase Arnold Schwarzenegger from Terminator and say, we believe we are back. We are back with a renewed leadership team. We are back with a much stronger and relevant portfolio. We are back with a renewed focus and more importantly we are back with a renewed commitment to execute. We are committed to the strong execution and Nothing Less will be accepted. Thank you very much for your support.

Moderator: Thank you. Ladies and gentlemen, on behalf of Cyient Limited, that concludes today's conference call. Thank you for joining us.

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