CYIENT

1 May 2025

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Scrip Code: 532175

National Stock Exchange of India Ltd
Exchange Plaza,
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Scrip Code: CYIENT

Dear Sir/ Madam,

Sub: Transcripts of the earnings conference call

Please find enclosed the transcripts for the Q4 FY25 earnings conference call conducted after the Meeting of Board of Directors held on 24 April 2025.

This is for your information and records.

Thanking you
For Cyient limited

Ravi Kumar Nukala
Digitally signed by Ravi Kumar Nukala
Date: 2025.05.01 20:48:45 +05'30'

Ravi Kumar Nukala
Dy. Company Secretary

“Cyient Limited

Q4 FY25 Earnings Conference Call”

April 24, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY25 Earnings Conference Call of Cyient Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Krishna Bodanapu, Executive Vice Chairman and Managing Director. Thank you, and over to you, sir.

Krishna Bodanapu: Thank you very much, and good evening, ladies and gentlemen. Welcome to Cyient Limited's Earnings Call for the Fourth Quarter of Financial Year 2025. I am Krishna Bodanapu, Executive Vice Chairman and Managing Director; and present with me on this call are Mr. Sukamal Banerjee, Executive Director and Chief Executive Officer; and Mr. Prabhakar Atla, President and Chief Financial Officer.

I would like to mention that some of the statements made in today's discussions may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available on our investor website, 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.

As we delve into the highlights for the quarter, I will first share a few brief updates with you. Q4, as you would have seen the numbers, was a tad bit lower than what we had anticipated. I just quickly want to provide some colour on this. The quarter had started off quite well. We were quite confident of a reasonable quarter. The good news still continues that a lot of the deals that we have won continue to be in a ramp-up phase. A lot of the existing customers are doing quite well, which is also reflected in the growth of the top 10 and the top 20 customers. Having said that, we did have a bit of a bump in the third month, which is March. March was softer than what we anticipated, given some of the global uncertainties that are going on. We do not see any significant challenge because of this. Our customers still are very committed to their programs. The programs that have been awarded will continue to start during the course of the next few months. But what that has done is put a little bit of a kink in our Q4 numbers and will also lead to a softer start to the quarter in Q1. Again, I want to assure you and Sukamal will talk about the details, but I just want to assure you that there is nothing that is of significant concern. And we are very confident that the strength of relationship with our customers and the quality of wins is as good as it has always been. I just wanted to address that issue upfront on the Q4 number, given that it was a tad bit lower than what we had originally anticipated.

Also, I do want to take a minute given that this is the end of the year to highlight the strength of the group on three vectors or three parameters. The first aspect is that the group revenue - the group revenue momentum is there. We have delivered the highest revenue ever for the company, and the revenue has doubled in the last 7 years and has grown 3x in the last 12 years.

This gives us a significant momentum, and this is a platform, which I'm sure we can grow or continue to grow on. Also, with the choices that we've made, I'm very proud to say that we have a very balanced portfolio along three parameters. The first, as you know, is DET or the Engineering Services business or the Traditional Engineering Services business, which, as you know, is now evolving into Digital Engineering Technology.

The second vector is the semiconductor business, Cyient Semiconductor Private Limited, which has been spun off. And we're seeing tremendous interest in terms of what our customers want to do and also what our potential customers want to do with their turnkey ASIC projects and the requirements for semiconductor design.

And the third axis of course, is the DLM business or the Design-Led Manufacturing business, which continues to do well. And you may have seen that business grew about 27% year-on-year last year. The second thing I want to highlight after the growth momentum is the fact that we have a well-diversified business around three vectors. The third element I do also want to highlight is, even within the DET business, the diversification in the portfolio is working out quite well. We are not dependent on any single industry, any single geography, any single capability.

I believe we have built a good set of capabilities. The reason why I wanted to take a minute to highlight this is as we transition to Sukamal Banerjee as the CEO. I believe he has a tremendous platform to grow the business, especially as it relates to the DET part of the business. And I wanted to quickly highlight that as we go forward.

I also want to give you an update on the semiconductor business. As you know, we got the permission or we got the approval from the Board to spin off the semiconductor business as a different entity. We have appointed Suman Narayan as the CEO of Cyient Semiconductors. Suman is an accomplished professional in the semiconductor industry. He comes with a proven and tremendous track record of managing large organizations and scaling businesses. His expertise is in the semiconductor industry. And I'm quite confident with Suman's leadership that business will grow. And like I said, we're seeing tremendous interest from our customers and more importantly, from our potential customers in terms of what they want to do with us.

Also, I do want to highlight two key wins and these are -- the reason why I want to highlight them is they are in very interesting areas and growth areas. The first is, I want to say we're very proud to have received a very large order for the engineering and of the first-of-its-kind green hydrogen production project, which will be used for Marine Transportation. The project, it's called Bodø, represents a major step in Norway's renewable energy ambition, and essentially, this is the generation of energy for the ferries that go between Norwegian islands. The project win is in a critical sector like hydrogen power is a testament to our very strong expertise. And now we're very confident that we will see that the growth momentum that we have in our energy business will continue. I also want to highlight the alliance with Micware Navigations in the mobility space. This partnership will deliver some very interesting solutions for intelligent mobility focused on same sustainable smart transportation system. And again, I wanted to highlight this because this is in the area of intelligent mobility, which is a growth area. And again, when Sukamal shares -- between Sukamal and Prabhakar will share, the results, you will see that the automotive sector has shown good growth for us and has continued momentum.

I want to also now take a moment to welcome Sukamal Banerjee. As you know, as I'm sure you know, Sukamal joined us as the Executive Director and Chief Executive Officer of Cyient, about 6 weeks ago. This is the first time that we're formally introducing him to our investors. So I just will first say we are very excited to have Sukamal onboard. I think Sukamal comes at a very interesting point where the base business is positioned very well.

But as you know, we're also looking at how we can accelerate growth through the convergence of technology -- through the convergence of technology and engineering. And this is something that Sukamal has done and has done it at a significant scale earlier. Many of you know Sukamal. Sukamal is an accomplished professional and an acknowledged leader in our sector. He spent much of his carrier with HCL Technologies. Finally, in the role of a Corporate Vice President, responsible for the engineering business. And most recently, he was the CEO and the member of the Board of Xoriant, which is a leading engineering company. So as we strengthen our core offerings and build technology-led intelligent solutions, I think Sukamal's experience will be a tremendous asset in transformation and in accelerating this phase of the growth. With that, I will again -- once again take this opportunity to welcome Sukamal to Cyient. Again, like I said, I -- we, as an organization, are very, very excited that we have a leader, who will lead us through this journey of acceleration and transformation and hand it over to Sukamal for his perspectives of where things stand and how he's going to take the business forward.

Sukamal Banerjee: So thank you, Krishna. Thanks for those kind words. Firstly, I would want to thank Cyient's Board to entrust me with this journey for Cyient on the go-forward basis. I am personally very excited and honored to get this opportunity. So just to give a perspective, as Krishna mentioned for the first six-odd weeks, my initial weeks have been spent in traveling across four continents, meeting 1,000-plus of our employees as well as quite a few of our key customers, almost 100 of them. And if I had to summarize my takeaways, firstly, it is extremely impressive to see the quality of our customers, not just in terms of who they are as an organization, but also the partnership and their care for their partnership with Cyient over the years, some almost 30 years, some 20 years, some 15 years and their commitment to continue to work with Cyient going forward.

I'm equally impressed with the quality of the engineering talent that Cyient possesses and the passion of this team to make it successful from a company perspective. Not to mention, like Krishna highlighted with a couple of examples, our deep knowledge in the vertical markets that we operate in, which again is of significance as we build for the future. However, I will acknowledge that there is some good amount of work to be done in the near future from an execution perspective. And that is going to be important for us to make sure that we make it happen. And I also want to add that this is something which has already started in all earnest over the last 5-6 weeks.

So I would like to first start by sharing that we will be stopping guidance for now. Given the current macro environment, we believe it is prudent to utilize FY26 to build strength, predictability and stability across our portfolio. We will be working and have already started working on reassessment of some of the areas of work and bring focus into the same.

We will make sure that we are harnessing the investment which has happened into the technology area, as Krishna highlighted and making sure that these bets on digital and AI play out and become an engine of growth for us. And of course, to reenergize the organization to make sure that we are aligned for the road ahead.

This should provide us a good platform to build our organization for medium and long-term growth. And of course, in that vein, let me now share a few updates. Firstly, we have been working on boosting our leadership team, and I'm delighted to share that we welcome K. A.

Prabhakaran to the Cyient family. He joins us as the Senior Vice President and Chief Technology Officer for our DET business. KAP, as we fondly call him, is an engine leader with a tenured career at Honeywell across aerospace, industrial process and other product areas, where he has worked both on product development, technology adoption, as well as digitalization of these products and services. He will be a great asset to us as we move towards our journey. And as Krishna mentioned, the integration of our foundational engineering work with the new generation of technologies and the emerging technologies and how we make sure that we are driving these aspects across products, plants and networks, both in the physical and the digital domain.

We also took a decision to break up sustainability vertical into its constituents, which are utilities, energy and mining and minerals. This allows us to be agile to respond to each sector, while there is a good amount of common leverage in these industries, we believe given the current times it is important that we have empowered leadership close to the customer, and they essentially are reacting and acting in conjunction with these different industry subsegments and harnessing that for growth. Our reporting formats going forward in FY26 will be aligned accordingly to reflect this change from next quarter onwards.

We have also taken a very important step, and we are already seeing the results for it, which is focused on creating a GCC-focused BU. We have a leader who is focused on making sure that we can engage effectively and in the manner that GCCs in India expect from an organization like Cyient. And I'm sure we'll talk more about it as we go along and share our data points about the success we are seeing in this particular area.

We have also started working on, as I said, building back our talent. And one of the key areas of focus that we have done from that perspective is to bring back successful tenured employees of Cyient, who had left us in the near past. And one of them, I would want to call out Beatrice Lippus. She joined us back in Germany, and she will be leading our energy business going forward, and which also includes the team which has come from the Citec acquisition a few years back.

So with those initial remarks, let me just say that we are working very hard over the next few months to create a comprehensive go-forward plan, while we work on these tactical changes and realignments, which will make sure that we improve performance in terms of outcomes at the earliest and more importantly, make it stable and predictable.

With that, let me hand the floor over to our CFO, Prabhakar Atla. Over to you, Prabhakar.

Prabhakar Atla: Thank you, Sukamal. Hello, everyone. Thank you very much for your time today and for your kind participation in the call today. Before we proceed with the financials, a quick comment on the nomenclature. The nomenclature and segments under which we will report our group performance today, will remain the same as with the previous quarters, i.e., DET, DLM and others. The focus of this call will remain DET segment, which also includes our semiconductor business, and therefore, all metrics are like-to-like to the previous quarters.

Given that this is the end of the fiscal year, we will also present two sets of data; one for the quarter ending March 2025, which essentially is Q4 FY25 and the other for full year FY25.

Therefore, please bear with me as the commentary for this call will be a bit broader than in the previous calls.

The Q4 FY25 dollar revenue for DET stood at $170 million a Q-on-Q degrowth of 1.9% in constant currency and a Y-o-Y degrowth of 3.4% in constant currency. In rupee terms, this revenue stood at INR1,472 crores with a Q-o-Q degrowth of 0.5% and a Y-o-Y degrowth of 1.2%. This Q4 revenue was lower than the previous expectation, given the rapidly evolving macro situation, which impacted the revenue portfolio and profile, especially in the last 2 months of the quarter. The DET EBIT margin for Q4 FY25 stood at 13% down by 48 bps quarter-on-quarter. And despite the revenue degrowth, we were able to mitigate the impact on margins due to tight operational control and focus on execution efficiency and in part due to the early benefits from the second phase of the cost optimization exercise, which we have embarked already at the end of Q3 of FY25. The Q4 FY25 PAT for DET stood at INR 163 crores, translating into a 32% growth quarter-on-quarter and a degrowth of 6% year-on-year. This also translates into an EPS of INR14.81 per share for DET for the quarter. DET FCF for Q4 FY25 stood at INR215 crores, one of our best quarters, resulting in an FCF to PAT conversion of 132% and in the following charts, we'll also see that our full year FCF has also significantly improved year-on-year.

In terms of the full year commentary for DET, the DET FY25 full year dollar revenue stood at $687.7 million, a year-on-year degrowth of 3% in constant currency. And in rupee terms, this revenue stood at INR5,816 crores with Y-o-Y degrowth of 1.6%. The EBIT margin for FY25 stood at 13.5%, down by 261 bps year-on-year. This drop was primarily due to the movement in revenue, partially mitigated by cost optimization and efficiency measures during the year. We've also chosen to continue to invest in sales and technology development through the year to support our growth strategy. The DET FY25 PAT stands at INR605 crores, translating into degrowth of 12.2% year-on-year. The translation of EBIT to PAT this year is much better than what we had in the previous year since we have significant improvement in items below EBIT. The DET FY25 free cash flow stood at INR800 crores, our best ever with an improvement of INR45 crores year-on-year, resulting from our continued focus on cash generation.

Moving on to the group numbers. The group numbers are a combination of all three segments we have, including Cyient DLM. As regards full year numbers for the group, in rupee terms, the revenue per group stands at INR7,360 crores at a growth of 3% year-on-year. This is the highest ever revenue for the group, and Krishna had made a comment on that already. The group PAT stood at INR622 crores, representing a degrowth of 15.4% year-on-year and the FCF at INR688 crores has also improved significantly by 6% year-on-year.

On reflection of FY25 performance for DET, we believe that we have three significant takeaways for us. The first obvious takeaway is that DET revenue and EBIT were below the previously guided views and expectations, but a strong FY24 with 12.6% revenue growth and 31% earnings growth year-on-year and with a soft FY25 to follow. Sukamal and Krishna has provided their views already on what we see ahead of us in terms of growth and potential.

The second takeaway we have is that our cost control and efficiency improvement playbook has been very effective in managing the impact of revenue movements on EBIT. And the third key takeaway we have is that our focus on cash conversion and cash management has worked very well for us. We have strengthened our cash balance and reduced our debt exposure significantly in this year.

As you know, at the end of FY25, our cash position is the highest ever we've had at $157 million for DET and the FCF for DET was INR800 crores, up by INR45 crores year-on-year. At the same time, we've also cleared all our long-term debt within the year, essentially meaning that DET is now a long-term debt-free business. Therefore, as we exit FY25, we believe that we have an efficient, stable and proven framework of cost and cash management, which we believe was critical to navigate the current uncertain macroeconomic scenario and to explore and exploit opportunities as we see them under the strong leadership of Sukamal.

We're also very happy to announce a final dividend of INR14 per share, which translates into a full year dividend of INR26 per share. Lastly, as you are aware, as Krishna commented, we have recently concluded the carve-out of a subsidiary, CSPL, Cyient Semiconductor Private Limited. And as previously communicated, CSPL financials will be reported as a separate segment starting Q1 FY26 onwards. With this, I'd like to thank you again for your time and for your support as we navigated a challenging FY25. And I will now hand over the call back to the moderator to initiate the Q&A.

Moderator: The first question is from the line of Karan Uppal from PhillipCapital India.

Karan Uppal: A couple of questions on the aerospace vertical. So one of our large customers in aerospace has given a profit warning due to the impact of tariffs and also U.S. Airlines last month have given profit warnings due to the weak travel demand. So how is it impacting the aerospace, especially on the MRO side? That's first question.

Krishna Bodanapu: I think that's a very good question. I think right now, we're not seeing any significant impact on the aerospace side. I think we will start to see some of that as we go forward. But at least as we see because a lot of the work that we do that relates to MRO is based on flying hours. The flying hours have not really decreased very significantly. So in that sense, the impact is quite minimal at the moment.

Karan Uppal: Okay. Secondly, on the green hydrogen deal, if you can comment what is the size of the deal and whether it will move the needle for the sustainability vertical? And has it already ramped up? Or is it expected to ramp up in the next couple of quarters?

Krishna Bodanapu: I think we haven't really announced the size of the deal, but I'll say it is meaningful. It does have an impact on the energy vertical. I'll just -- also, if I may just clarify to what Sukamal said. The sustainability vertical going forward, we will speak about it in 3 pieces, which is minerals and mining, energy and utilities and geospatial because that's the more meaningful way of looking at that business. But anyway, with that caveat, it will be significant for the energy business, and the ramp-up is in the process of happening. And we're already seeing some -- we're seeing the first of the revenues that we'll continue to see that over the quarters. But it is a meaningful deal for the overall business, not just for energy.

Karan Uppal: Okay. And last question, Krishna, is on the pipeline. So in last couple of months due to change in the macro, have you seen any impact on the pipeline? Is it taking more time to close deals? And within the pipeline, which segment are you seeing more traction?

Sukamal Banerjee: So in terms of has it modified our pipeline or changed our pipeline, the answer would be no. Because stress also creates an opportunity to create a pipeline of a different nature. But has it caused or created a pause in decision making? The answer is yes.

Moderator: The next question is from the line of Sandeep Shah from Equirus.

Sandeep Shah: Congratulations, Sukamal. The first question to you, sir, I think Cyient always had a very great quality of clients as well as good capability, but somehow the growth volatility on an organic basis Y-o-Y has not been so great, and there are issues in terms of predictability of the growth at the start of the year and what we deliver at the end of the year. So how do you see this situation? And what are the corrective steps you are looking to repair this side of the predictability?

Sukamal Banerjee: Sure. Thanks for the question. I think, yes, there is, as I mentioned in my commentary also, that there is some near-term work to be done with regards to execution. And this is definitely one of those areas of focus. I think it's much more difficult to build client base and competency and easier, I'm not saying it's easy to build a business rhythm with both from a sales and delivery perspective. So it is something which we will be working on together to make sure that given the current environment, irrespective of where the number goes, that we are able to provide that stability and predictability in terms of what our business outlook looks like. So to answer your question, it is an area of work that has been identified and work is in progress as we speak.

Sandeep Shah: Okay. So you are looking to restructure some of the leadership team? Or do you believe there won't be major overhaul in terms of the leadership? It will be more to do with our increased focus on execution at the periodic review. In terms of the overhaul and restructuring. Sir, are you expecting some change in leadership or churning our portfolio needs to happen? Or it's more an execution focus without any major overhaul in the growth strategy ahead?

Sukamal Banerjee: I think first and foremost, it's our focus on execution. I would reserve comment at this point in time about any future changes that we may have to do. But at the same time, there are areas of focus that we need to bring in, which the organization doesn't have, if I may call out one of them, like partnerships and ecosystem. So there will be leadership brought in -- new leadership brought in to address some of these areas which needs attention. But in terms of -- right now, what we are focusing on is to focus on execution. And in parallel, we are working on making sure that we can define our strategic road map which we can work on for the next 2 to 3 years once it's in place.

Sandeep Shah: Okay. And Krishna, sir, just a follow-up in terms of your opening remarks, you called out that the month of March has been a negative surprise. So is it fair to assume it will have a full quarter impact in the first quarter and even first quarter, we could be flat or declining on a Q-on-Q. And in that scenario, the full year positive growth or a flattish growth could be a daunting task. Is it the right way of looking at it?

Krishna Bodanapu: So I think in all fairness, there will be some of that impact that will be felt in Q1. I think, again, I just want to reiterate that it's not something that's very significant and a sustained impact. I think it was really a few projects that got pulled out or got put on hold to start execution etc. So I'd say there will be an impact on Q1. Again, I will -- if you pardon me, I will again reiterate that it's not a major or a massive impact. It is an impact. But having said that, I think to the point earlier also, we just want to be cautious on how we look at the year ahead. So I don't want to comment on the whole year at the moment, and that's why -- I think in all fairness, I should give Sukamal or we should give Sukamal the time to get a good grip on not just the business but also how we do forecasting and how we do budgets in the business. So in that context, I'd say -- I just want to say, yes, there will be an impact in Q1, but not a significant or a crisis level impact for sure. There will be a little bit of an impact. But from a year perspective, I would rather not comment because I would rather like that Sukamal gets his handle on the operations. And again, no secret, our ability to forecast in the last year or so has been a bit of a challenge. So I don't want to forecast when I'm not confident that we've overcome that forecasting challenge. But from a business perspective, if I look at what our clients are telling us, if I look at our pipeline, if I look at the confidence of the sales deals, I'm not overly worried on how the year will pan out.

Sandeep Shah: Okay. And just a follow-up. Can you give some commentary segment-wise or industry-wise in terms of DET demand entering FY26 because tariffs may lead to a supply chain disruption in many of your verticals where you focus. So will it lead to delay in decision-making in many of the sectors? So can you brief in terms of the growth outlook across most of your industry segment? And second, on margin, Prabhakar, sir, just wanted to understand, last time you were seeing by Q4 of FY26, we can reach back to close to 16% kind of a margin, which we want to sustain. Whether that assumption still remains true? Or it has been postponed further because of the macroeconomic issues?

Sukamal Banerjee: So I'll take the first part, which is in terms of subsegment-wise momentum. We definitely have some of the areas which has grown healthily in the last year. I'll call out health care as one of them. So definitely, it's an area where we have seen momentum. We have seen growth in some of the other segments as well like automotive, like Krishna mentioned some time back. So in terms of going into FY26, we have a few segments which are coming in with momentum. However, I would like to add that this is a time where there is a degree of uncertainty. And will it play out exactly the same way in terms of how we close FY25 into FY26. While we are reasonably confident, but we cannot say for sure. It will need some work and some more time for us to be able to talk specifically about segments and their growth. Prabhakar?

Prabhakar Atla: See, on the question of margin, three things I'll say. The first is part of my repetition of what I said, the cost management framework that we had was very effective for us in FY25 and also in FY24, as you know. The second thing I'll say is that we intend to continue with wage hikes to our colleagues and associates, which is what we will do in FY26. The third thing I'll say is that we'll be a lot more prudent and focused on investments we will make in the current year towards outcomes. Now what these three things will mean for us in FY26 in the context of how Q4 has played out, is this that previously, we said that we will touch 16% sometime in the next 12 months. That's what we said in January. But we may have to recalibrate this to touching and even staying steady at 15% over the next 24 months. This is the current outlook, but as we navigate the following quarters, we will see what further updates and upgrades we can make to the margin trajectory.

Sandeep Shah: So is it fair to assume now we are looking at 15% as a margin target over the next 24 months versus 16% earlier?

Prabhakar Atla: All we are saying is that these three things, we will manage the cost, the wage hikes and the investments. And we will look at a 24 months' time frame to stabilize the margin trajectory, at a number that is appropriate for the growth that we will deliver.

Moderator: The next question is from the line of Moez Chandani from Ambit Capital.

Moez Chandani: So I wanted to discuss on the connectivity and the new growth areas because both of them have seen a sharp decline this quarter. So was that also just largely the macro impact in the latter part of the quarter? Or was there something that you saw throughout the entirety of Q4? And has there been any incremental improvement here in the first 3-4 weeks of the new quarter?

Sukamal Banerjee: Okay. So I think in terms of connectivity and new growth areas, yes, I think we saw broad-based uncertainty in the month of March. So there is an impact, for sure. In terms of the first 3-4 weeks, it is spotty at this point in time to call out specific trends. And that is one of the reasons I said earlier, we're going to stop guidance for the time being. So I think the way we should think about is that what Krishna already mentioned that there are challenges which are there in spots and tactical, which does impact numbers. And in an environment where demand is there, but it's not robust demand. Obviously, it's having impact on a quarter-on-quarter basis.

Moez Chandani: Sure. Understood.

Prabhakar: Let me also add to this to what Sukumal said. That of the 6 large deals we won in Q4, two were from aerospace and two were in communications.

Moez Chandani: Sure. Understood. And then I also see a very strong cash balance right now, which is close to about INR1,300 crores. So what are the plans for this? Is this largely for the semiconductor business? Or are there any other plans that you also have with this cash balance and also with very strong cash generation, I would think you would continue adding to this cash balance in the near future as well?

Krishna Bodanapu: So I'd say that there are two elements to it. One is the -- of course, we want to make sure that we continue the healthy cash generation that's been even in some difficult times in the past. We've always generated cash in the business, and we will continue to focus on that. So to your point, yes, we will -- what I see that the cash piece will continue to be quite strong. And as you know, we also did a lot of work in terms of reducing our capex spend, which at one point is almost 3% of our revenue.

We will continue to generate good, strong cash. There's two elements. One, of course, is on the usage of cash. One, of course, is the dividend that we pay out and we understand there's an obligation on our pay back to the shareholders, and that has happened. The Board also has taken a decision to review the dividend policy to make sure that we are investing and have enough cash available to support growth, which we'll come back with when that happens. But more importantly, I'll say, 1 is the semiconductor business. And 2 is, I think at least in the last 6 to 8 weeks in a lot of conversations with Sukamal, I feel very confident that we now have a good handle on what are the elements of our portfolio that have to be enhanced and where an inorganic play could come in to enhance these elements of our portfolio. As you know, our customers respect us for the capability that we've built in engineering, in the domain and so on and so forth. Yes, there are some gaps in terms of our competence on technology, especially some of the emerging technologies. So we will continue to look at ways to enhance our portfolio using M&A and the use of the cash will also be for that. Of course, it's -- before a question on M&A, I'll just say as with M&A, as you know, it's too early to talk about any specifics and the only right time to talk about a specific M&A is when it happens. But I will just say that we are very, very focused on. Again, it's a great opportunity to enhance our portfolio and plug in some gaps that we have in our portfolio, which we will be looking for. And of course, the semiconductor business will also require cash. And like I said, we're seeing some very, very strong inbound interest from customers. So we'll also -- we'll also put that to good use.

Moez Chandani: Got it. And Sukamal also mentioned something about increasing your focus on GCCs. So can I get a sense or a little more details in terms of what we're doing in terms of working with the GCCs? And what's the revenue and margin profile of some of these projects that we're doing?

Sukamal Banerjee: Sure. That's a very good question. I think first and foremost, we now have a local leader based out of India, focused on GCC. Somebody who comes with established credentials in the market working with GCCs for a period of time and which extends to a couple of decades. So somebody who understands the market very well, who understands the needs of the market very well. And we have aligned many of our accounts, which were largely GCC-centric to his business unit and making sure that it operates as an independent business unit, given that if not 100%, close to 100% of the revenues are actually being generated from the GCCs and decision-making in the GCCs. In terms of margin, when it comes to our EBIT, and we would ensure that the way we are operating and managing this business, that our EBIT does not get diluted because of this. There might be different mechanisms in terms of how we price and hence, what gross margin we generate. But we definitely will work towards making sure that the overheads that we invest into this business is definitely significantly lower than the overheads we have to do in terms of investment from a geography-based business. So we will ensure that EBIT is not diluted from this business.

Moderator: The next question is from the line of Sulabh Govila from Morgan Stanley.

Sulabh Govila: My first question is more of a clarification. So Krishna, I just wanted to check. Maybe I could not hear it correctly. But in the presentation, we mentioned that we expect the challenges or the uncertainties to last at least through the first half of FY26. So while in the comments that were made in the opening remarks, I heard that it is only 1Q. So I just wanted to check what should we consider?

Krishna Bodanapu: I think, yes, it's just prudent to start with 1Q. I think it's too early right now. As you know, with uncertainties, the nature of uncertainty, is that it's hard to predict. So I'd say in 1Q, we do have some challenges and uncertainties. But again, nothing to the level that we should be very concerned about. Yes, the world is what it is and we just need to work through. So I'd say we'll start with -- I would imagine that through the quarter, things will stay at least from a macro perspective, from a company perspective, I'm not too worried about. So I'd say it's more a Q1 issue to start with. If that continues, we'll come back and let you know.

Sulabh Govila: Okay. Okay. Understood. And the second is that this process of stopping the guidance, I just wanted to get clarity. Is this more temporary in nature? Or it's going to be a permanent phenomenon from here on? And if it's temporary, then how much time should we expect that process to get back?

Sukamal Banerjee: So the guidance stopping we are doing is temporary. We will come back as to when we are going to release that guidance.

Krishna Bodanapu: If I may just comment on that from a Board perspective, I think the Board wanted to make sure that Sukamal has enough time before he can really comment and more than comment, I'd say, commit on the business. I think in all fairness, we just need a little bit of time to build that stability on how Sukumal is able to understand and articulate the nuances of our business. Again, we're coming off of a place where we did not have the greatest -- or we do not have the greatest track record in terms of giving guidance. Therefore, we thought it was best -- or the Board, sorry, I'd say this was something that the Board also strongly recommended to us, to Sukamal, Prabhakar and me. So I think we just want to step back, so Sukamal gets a complete handle. So we can be a lot more sharp and focused on the guidance or the range.

Sulabh Govila: Understood. Very clear. And then when I look at the numbers for Q4, the segmental performance, both from a vertical standpoint and geography. While from a vertical standpoint, we've degrown in most of the verticals, except sustainability. From a geographical standpoint, most of the decline has come in from Asia. So just trying to understand what are the nuances here. Just some clarity there would be very helpful.

Prabhakar Atla: Sulabh, structurally, what you say is right. The impact was felt of the macro across all geographies. We were expecting to grow a lot more in North America than what you've seen in the current numbers. That's how it played out. Some part of this change in APAC was structural to that particular quarter. But otherwise, the growth in North America was muted compared to what we thought it could be.

Sulabh Govila: Understood. Understood. And if I could also check from a top client profile perspective, top 5 clients, particularly, are you seeing any sort of client-specific issue that you would want to highlight at this point in time?

Prabhakar Atla: Sulabh, not at this point in time. Actually, if any, -- the top 5 customers grew by 4.5% year-on-year for us, and the top 10 clients grew by about 9% year-on-year for us. So if any, this represents a very strong platform for us like Krishna spoke before and Sukamal later, but the client confidence, especially in top clients remain the same way it is in what we do for them and what they expect us to do in future.

Sulabh Govila: So there's -- currently, there is no impact on top 5 clients that you expect in the coming quarters?

Prabhakar Atla: The impact was broad-based across the spectrum, but all I'm saying is on a full year basis, we still had a strong growth in top 5 and top 10 clients for last year.

Krishna Bodanapu: And I think just add to that, I don't see that there's any structural change because I think, especially in the last 6 weeks, we spoke to all of the top 5 as a part of introducing Sukumal. And I think it's quite clear that there isn't a structural change. I think what has happened is in May with all the confusion, a lot of things got side railed or side-tracked. But I think in general, at least I feel quite confident having that conversation along with Sukamal that we are in a very strong place with all the 5.

Prabhakar Atla: And to further quantify that, of the 6 large deals we have won 3 came from our top 10 clients in Q4.

Moderator: The next question is from the line of Shradha from Asian Markets Securities.

Shradha: You indicated that 1Q would be soft, but generally, we see seasonality of weakness in sustainability because of holiday in Europe. So do you expect that seasonality to play out in this year as well? And given that, do you expect 2Q to be equally weak as versus 1Q?

Sukamal Banerjee: Yes. So I think it's too early to talk about Q2. But you are right that there is a European holiday which plays into our numbers for Q2. And we have to work now to make sure that we work on mitigating it to the extent possible. So I would say that let's stay with the commentary that Krishna has already mentioned about Q1. And given the decision we have taken on stopping guidance, I think we probably should leave it where we have left -- I mean, mentioned so far in terms of our commentary.

Shradha: Right, right. And on connectivity, I understand that macro has changed quite a bit in the last few weeks. But during 3Q earnings call, we had suggested that we expect connectivity to grow in the second half of '26 based on the order book that you had in hand and the execution of that was planned for second half? So do you expect any deferrals or delay in execution of those deals that have already been awarded to in communications vertical?

Krishna Bodanapu: I think we don't see any major change in what our customers are looking at. I think the deals that have been awarded. Yes, there have been some timeline issues or timing issues. But in general, we see that the deals that have been awarded, et cetera, are continuing. I think we also see a good amount of fiber that will continue to be designed and rolled out at least for the next couple of years. So we might have a timing issue around there.

Sukamal Banerjee: And to give some color, especially with regards to March as well as to an extent, Q1, we were renewing our contract with one of our major customers in connectivity, which has happened. And during that process, there was definitely some slowdown of business award -- new business being awarded. And I think we are over that now with the contract being signed in April.

Shradha: And just if I heard it right, you mentioned that you are cutting down on the dividend payout. So any number that you would be looking at for the new dividend payout policy?

Krishna Bodanapu: No, no. I just want to say for right now, we hold with the policy. I'll just -- the Board has -- will review that during the course of the year. Again, that will only happen in conjunction with our ability to invest and grow. We first need to also understand that side of the equation because like I mentioned earlier, I mean, one of the great things about our business is we are a very, very solid cash-generating business. So any adjustment, I'd say, as any adjustment that we will make to dividend will really be so that we can -- we see an opportunity immediately to invest that cash. Otherwise, we wouldn't do that. So my point is, the Board is very supportive of all initiatives, organic, inorganic. And the Board is also very cognizant that they will make available to us the capital to make the investments. But any adjustment to the dividend policy will only happen when those investments are made.

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

Krishna Bodanapu: Thank you very much. And ladies and gentlemen, thank you so much for being here this afternoon with us. I understand that today is a busy day, so I really greatly appreciate you taking the time to speak to us. As I said, while Q4 was a bit of a challenging quarter towards the end and of course, a tad lower than what we had initially anticipated. I just want to reiterate that the business continues to be very strong. I'm also very proud and happy and very, very eagerly anticipating Sukumal's role as the CEO of Cyient because as you've already heard from him. Sukumal has a great understanding of the business, has a great understanding of the technology business and the engineering business.

But more importantly, I'm confident that Sukamal has a good understanding of some of the challenges that Cyient faces that need to be addressed. But more importantly, of the strength of the organization because we are still one of the largest engineering, one of the most highly regarded engineering and technology providers in the world, and that is because we deliver a great service to our customers. So I'm very confident that Sukumal will use that platform to significantly grow the business and significantly accelerate not just the strategy but also the numbers. It will take a little bit of time. It's really an issue of just executing more diligently. So that means that the time is very short. We just need a little bit of time, but that's not a huge amount of time in the grand scheme of things. But I am confident where we are. And I'm also very confident that we will be back into a very strong growth mode in the coming quarters. So I just want to make sure that we commit -- or sorry that we communicate the confidence that the leadership team, I and the Board have in the business. So thank you very much for your support. Again, if there's any specific questions, we're happy to answer them later. But thank you, and we will speak again next quarter.

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