

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss on Revenue; Beat on Backlog and Cash Flow. **One-line:** The thesis transitions from "Backlog Anxiety" to "Execution Watch" as record order intake (₹15 Cr) successfully arrested the order book depletion, even as revenue remains muted by the conclusion of legacy defense contracts and geopolitical supply chain delays.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss (Revenue); Strong Beat (Order Intake)	Revenue ₹278.4 Cr vs ₹428.1 Cr (Q4); Order intake hit 8-quarter high of ₹15 Cr.	□
Earnings Quality	High (Core driven)	OCF (₹80.2 Cr) is 10.7x PAT; 3rd consecutive quarter of positive FCF.	□
Guidance Confidence	Neutral	30% long-term CAGR maintained, but FY26 is a "pivoting year" with a soft start.	□
Management Credibility	Strong	Delivered on the promise of backlog reversal and margin protection despite lower volumes.	□
Business Quality Signal	Improving	Mix shift toward MedTech (22%) and Industrial (23%) reducing concentration on lumpy Indian Defense.	□
Key Q&A Exchange	Q#1 — B2S Revenue	Management sees Build-to-Spec (B2S) reaching ~5% of FY26 revenue with high margin potential.	□
The Street's Primary Anxiety	Revenue Growth Gap	Delay in BEL repeat orders and Middle East disruption causing revenue "push-outs."	□
Capital Cycle Stage	Consolidation	Integrating Altek; utilizing remaining ₹100 Cr IPO proceeds for WC/Capex.	□
Margin / Return Ratio Trajectory	Stable	9% EBITDA in a weak quarter suggests double-digit margins are sustainable at higher utilization.	□
Pricing Power	Stable	Pass-through models being tested by rising air freight costs due to Middle East conflict.	□
FCF Conversion & Quality	Strong	₹80.2 Cr OCF driven by continued working capital discipline.	□
Competitive Moat Signals	Widening	Leveraging US/India hybrid model to win "China Plus One" RFQs from US OEMs.	□
Balance Sheet Strength	Strong	Healthy cash position; IPO debt repayment completed.	□
Working Capital Efficiency	Improving	Inventory levels stable despite revenue denominator effect; DPO increased by 15 days.	□
Mgmt Guidance Track Record	Reliable	Followed through on "soft Q1" warning while delivering record intake.	□
Key Vulnerability / Red Flag	Geopolitical Drag	Middle East conflict causing air freight price spikes and delivery delays.	□
Management Tone	Confident	Bullish on "highest ever" order intake and "higher quality" backlog margins.	□

Sentiment: ▢Positive

Key Takeaways (Positives & Negatives): * **Positives:** The primary risk identified last quarter—a depleting order book—has been decisively addressed with a record ₹15 Cr order intake (Book-to-Bill of 1.9x). The "China Plus One" strategy is yielding fruit, with significant RFQ spikes from US OEMs seeking to de-risk. Free Cash Flow generation remains exceptionally strong (₹80.2 Cr), providing a buffer for organic and inorganic expansion. * **Negatives:** Revenue growth (8% YoY) is well below the 30% long-term CAGR target, hampered by the conclusion of the legacy BEL project and geopolitical disruptions in the Middle East causing shipment delays. The delay in repeat orders from the Indian Navy (via BEL) remains an unpredictable headwind for the standalone business. * **Street Concern:** Analysts are focused on the "when" of revenue acceleration. Management's response highlights that 50% of the new ₹15 Cr intake is executable within FY26, suggesting a much stronger H2. * **Watchpoint:** Monitoring the conversion of the "record backlog" into P&L revenue in Q2/Q3; any further "push-outs" due to geopolitics will test the 30% CAGR narrative.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary. Concall used for commentary and unlisted metrics.

Metric	Current Qtr (Q1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹278.4 Cr	↑ 8.0%	↓ 34.9%	↓	Impacted by large order completion in FY25 and M&A addition.
EBITDA (Consol)	₹25.1 Cr	↑ 25.3%	↓ 56.2%	↑	Growth due to better mix and supply chain efforts; QoQ seasonal.
EBITDA Margin %	9.0%	↑ 125 bps	↓ 440 bps	↑	Expansion vs Q1 FY25 despite low volume due to higher-margin mix.
PAT (Consol)	₹7.5 Cr	↓ 29.6%	↓ 75.8%	↓	Impacted by ₹3.8 Cr amortization of intangibles and lower other income.
Order Book	₹2,132.0 Cr	↑ 11.8%	↑ 11.9%	↑	Highest order intake in 10 quarters (₹15 Cr).
Order Inflow	₹15.0 Cr	↑ 127.8%	↑ 117.3%	↑	50% of these orders are executable in the current fiscal year.
Book-to-Bill (x)	1.85x	↑	↑	↑	Highest in last 8 quarters.
Cash Flow (OCF)	₹80.2 Cr	↑	↑	↑	3rd consecutive quarter of positive FCF generation.
Net Debt / (Cash)	(Net Cash)	→	→	→	IPO proceeds utilized; no pressure to raise funds.
Working Capital (Days)	185 (DIO)	↑	↑	↓	DIO spike is a "denominator effect" of lower Q1 revenue.
Utilization (%)	55-60%	→	→	→	Low utilization on 2 shifts; potential to double revenue on 3 shifts.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	Mix %	YoY Growth	Trend	vs Co. Avg	Key Development
Aerospace	₹111.4 Cr	40%	Mixed	→	Average	Impacted by Middle East supply chain delays.
Defense	₹25.1 Cr	9%	↓	↓	Below Avg	Completion of large BEL order; repeat order timing uncertain.
MedTech	₹61.2 Cr	22%	↑	↑	Above Avg	Primary contributor from Altek (US) acquisition.
Industrial	₹64.0 Cr	23%	↑	↑	Above Avg	Significant growth (425% YoY in US Mech & Others segment).
Others	₹16.7 Cr	6%	-	-	-	Includes EV and ADAS segments.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	30% CAGR (Long-term)	FY26 needs ~₹1,500 Cr; implies ₹400 Cr/qtr for rest of year.	Met long-term; Q1 soft.	Medium
Guidance	Margins	Double-digit EBITDA for FY26	Requires ~11-12% margins in Q2-Q4 to average >10%.	Delivered 9% in trough.	Low
Guidance	Backlog	Book-to-Bill > 1.0 for FY26	Current Q1 is 1.85; on track to exceed for the full year.	Improved drastically.	Low
Strategy	B2S Shift	Build-to-Spec to reach ~5% mix	5% of ₹1,500 Cr is ₹75 Cr; current pipeline supports this.	New logo (Deutsche Aircraft).	Low
Strategy	US/India Hybrid	Localize US final assembly	Needs 2-3 multimillion-dollar accounts to scale in FY26.	Discussions active.	Medium
Macro	Supply Chain	Middle East delay recovery	Needs normalcy in Q2 for air/sea routes to recoup Q1 push-outs.	Push-outs in Q1.	High
Balance	IPO Proceeds	₹100 Cr remaining utilization	₹60 Cr for WC, ₹40 Cr for Capex for rest of FY26.	84% utilized.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Balasubramanian, Arihant	B2S Contribution	Business Overview	"What is the expected revenue contribution from B2S in FY '26?"	Management expects Build-to-Spec (B2S) to contribute ~5% of FY26 revenue but highlighted a ₹100M+ long-term pipeline. Success here will lead to structural margin expansion due to design-led ownership.	None	4.0	Clear quantification
2	4.0	Balasubramanian, Arihant	India vs US Strategy	Management Commentary	"What is our long-term strategy for balancing India and US production given tariffs?"	Management intends to manufacture low-cost components in India and perform final assembly in the US to mitigate tariff risks. This "Hybrid Model" is a key differentiator for US defense and industrial clients.	None	4.5	Specific response
3	4.0	Balasubramanian, Arihant	Defense Outlook	Business Overview	"How do you look at the Defense segment rebound after the sharp degrowth?"	Management admitted the current drop is due to one large customer's cyclicity but noted high RFQ activity in India Defense. Growth here remains binary, dependent	Specific timeline for BEL order.	3.0	Direct answer

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						on PSU/Navy contract timing.			
4	3.5	Balasubramanian, Arihant	Inorganic Expansion	Capex and Allocation	"What is the specific focus for target acquisitions?"	Management is targeting tech gaps, regional capabilities, and customer proximity but stated new M&A would require fresh fund-raising. Future inorganic growth will be more capital-intensive than the Altek deal.	Potential target size.	3.0	Vague
5	4.0	Vipraw Srivastava, PhillipCap	Order Backlog Target	Management Commentary	"Any plans where you will end up by end of this FY?"	Management reiterated confidence that the book-to-bill ratio will remain above 1.0 throughout FY26. A rising backlog secures the medium-term growth story even if Q1 was weak.	Absolute ☐ value target.	3.5	Direct
6	4.5	Vipraw Srivastava, PhillipCap	Israel Impact	Management Commentary	"Are you optimistic that you might see an increased order flow from Israeli clients?"	Management confirmed a spike in RFQs from Israeli clients due to the conflict, though logistics remain the primary bottleneck. This confirms	None	4.0	Confid

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7	4.0	Praveen Sahay, PL Capital	Order Intake Mix	Business Overview	"Is that order inflow (₹15 Cr) going to change segment contributions?"	DLM as a strategic supplier for high-reliability systems in conflict zones.	None	4.0	Specific
						Management clarified the intake was balanced across segments and 50% is executable this year. This indicates a fairly de-risked revenue recovery starting Q2.			
						Management avoided specific FY26 revenue guidance but maintained a 30% long-term CAGR target. FY26 is explicitly framed as a "pivot year" focusing on margin over volume.			
8	4.5	Madhav Marda, FIL	Revenue Guidance	Management Commentary	"Could you give us some sense in terms of revenue growth outlook for FY '26?"	Management avoided specific FY26 revenue guidance but maintained a 30% long-term CAGR target. FY26 is explicitly framed as a "pivot year" focusing on margin over volume.	Specific FY26 revenue growth.	2.5	Evasive
9	4.0	Madhav Marda, FIL	Margin Potential	Financials	"Where do you think the margins could settle eventually?"	Management sees a clear line of sight to early-teen (12-13%) sustainable margins as B2S scales. Operating leverage from the current	None	4.0	Direct

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						55-60% capacity utilization is the secondary driver.			
10	4.0	Deepak Lalwani, Unifi	Order Execution Period	Business Overview	"What is the execution period of our order book?"	The ₹2,132 Cr backlog is executable over 18-24 months depending on customer schedules. This provides ~₹1,000 Cr+ of revenue visibility annually for the next two years.	Split between India/US.	3.5	Direct
11	3.5	Naushad, Aditya Birla	Margin Levers	Financials	"Apart from operating leverage, what are the levers for expansion?"	Management identified indirect cost control and higher-margin Build-to-Spec designs as the primary levers. This suggests margin expansion is not purely dependent on top-line growth.	None	4.0	Speci
12	3.0	Amit Shah, Antique	Gross Margins	Financials	"On a sustainable basis, is this 40% gross margin (contribution margin) the range?"	Management clarified the 40% is a contribution margin (Materials only) and is sustainable given the current higher-margin mix. High gross	None	3.5	Direct

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						margins protect the P&L from fixed cost spikes.			

PATTERN FLAGS & SENTIMENT * **Backlog Reassurance:** Analysts were overwhelmingly concerned with the revenue miss but appeared satisfied by the record ₹515 Cr order intake. Management’s posture was confident, repeatedly emphasizing that the "backlog cliff" from last quarter has been avoided and the quality of the new book is superior. * **Geopolitical Resilience:** Significant questioning focused on the Middle East disruption. Management was transparent about logistics delays but pivoted the narrative to increased RFQ activity from Israel, positioning the conflict as both a short-term headwind and a long-term demand driver. * **Analyst Sentiment Verdict: Cautiously Bullish.** While the 8% YoY revenue growth was a letdown, analysts were impressed by the 125 bps margin expansion on lower volumes and the strong FCF. The record order book has provided management with a "credibility shield" for the weak Q1 revenue.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Revenue Growth | Long-term 30% CAGR. | FY26 is a "pivot year." | FY26 growth likely to be back-ended and potentially below 30%. | Moderate | | Defense Rebound | India Defense is a focus. | No visibility on BEL repeat order. | Standalone Defense recovery is delayed beyond management's control. | High |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY25)	This Quarter (Q1 FY26)	Direction
Order Book	₹1,906.1 Cr	₹2,132.0 Cr	↑ (Strong Recovery)
Quarterly Intake	₹237.0 Cr (approx)	₹515.0 Cr	↑ (Record High)
Book-to-Bill	~0.5x	1.85x	↑ (Significant)
Revenue Mix	Export ~65-70%	Export 90%	↑ (Concentration Shift)
MedTech Mix	25%	22%	↓ (Marginal)
Defense Mix	27%	9%	↓ (Completion of BEL order)
CFO/PAT Quality	1.7x	10.7x	↑ (Exceptional Cash Gen)
Mgmt Tone	Defensive (Backlog Drop)	Confident (Backlog Record)	↑ (Shift to Growth)

Investor Note on Earnings Quality: Q1 PAT of ₹7.5 Cr was significantly outperformed by OCF of ₹80.2 Cr. This massive divergence (10.7x) was driven by ₹60 Cr utilization of IPO funds for working capital and aggressive inventory/receivable management. While PAT was dragged by ₹3.8 Cr in non-cash amortization (Altek PPA), the underlying cash-generating power of the business has hit a peak, providing significant headroom for the "soft" H1 period.