Cyient DLM Ltd — Jul 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue; Beat on Order Intake. **One-line:** Cyient DLM has successfully transitioned from its FY26 "defense-exit" trough into a high-growth phase, backed by a record backlog and a clear strategic pivot toward AI infrastructure and Robotics.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline / Improving	Revenue □373.8 Cr (□3,738 Mn) vs □369.1 Cr in Q4; Order book grew 7.5% QoQ.	□
Earnings Quality	Moderate (FCF/ WC Drag)	PAT more than doubled YoY, but FCF remains negative due to strategic inventory buffering (DIO 162).	□
Guidance Confidence	Strong	Book-to-bill maintained at 1.5x; B2S lab expansion completed to support "Transform" phase.	□
Management Credibility	Strong	Consistently delivering double-digit EBITDA margins for 4 consecutive quarters; leadership team now fully staffed.	□
Business Quality Signal	Improving	Transition from Build-to-Print to Build-to-Spec (B2S) and high-complexity segments (AI/Robotics) is widening the moat.	□
Key Q&A Exchange	Q#8 + AI Margins	Management defended 11-13% margin targets for AI/Data Centers despite global mid-single-digit benchmarks.	□
The Street's Primary Anxiety	Working Capital & FCF	High inventory (162 days) and NWC (161 days) consumption; Mgmt claims this is a "leading indicator" for growth.	□
Capital Cycle Stage	Investment / Scaling	Doubling B2S lab footprint (6k to 15k sqft); hiring for new "Expansion" verticals (AI, Robotics).	□
Margin Trajectory	Stable	10.5% EBITDA margin; expansion YoY (+147 bps) but slight compression QoQ from Q4's 11.7%.	□
Pricing Power	Expanding	Shift toward B2S and Specialized EMS in high-reliability segments commands higher premiums.	□
FCF Conversion & Quality	Weak	Negative FCF persists; Inventory build-up continues to outpace cash conversion.	□
Competitive Moat Signals	Widening	Nadcap certification for cable harness; B2S capabilities creating high switching costs for Aero/Medical clients.	□
Balance Sheet Strength	Strong	Reduced finance costs by 29% YoY following debt repayment; Net Cash position maintained.	□
Working Capital Efficiency	Deteriorating	NWC days increased from 145 (Q4) to 161 (Q1) due to inventory stocking and lower customer advances.	□
Mgmt Guidance Track Record	Reliable	Delivered on promise of returning to growth post-BEL contract completion.	□
Key Vulnerability	Geopolitical Logistics	West Asia crisis causing shipping delays and cost escalations for Israeli/International shipments.	□
Management Tone	Confident & Strategic	Focused on long-term "SET" roadmap rather than quarterly fluctuations.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** The fundamental thesis of Cyient DLM as a high-margin, high-complexity EMS play is crystallizing. Revenue growth of 34% YoY and a record order book of □2,598.9 Cr (□25,989 Mn) provide nearly 2 years of visibility. The completion of the B2S lab expansion and key leadership hires (Chief Strategy Officer) signals readiness for the "Expand" phase (AI, Robotics). Structural profitability is improving, with PAT doubling YoY and EBITDA margins staying above the 10% floor. * **Negatives:** Cash flow generation remains the Achilles' heel. Net Working Capital expanded to 161 days (up from 145 in Q4), largely due to inventory stocking (162 days) to mitigate supply chain risks. Forex losses significantly dragged on "Other Income," and MedTech growth was flat YoY due to customer-specific seasonality. * **Street Concern:** Analysts are skeptical about the 11-13% margin target for AI infrastructure given global commodity benchmarks. Management's response is that they are targeting specialized, high-reliability components rather than commodity server assembly. * **Watchpoint:** Execution of the AI/Robotics pipeline in H2 FY27; the market needs to see the first "Lane 2" orders to validate the "Expand" strategy.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Aero & Defense) DATA SOURCE: PPT figures primary. All conversions from Mn to □Crore (÷10).

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	373.8	↑ 34.3%	↑ 1.3%	↑	Volume-driven growth; Aerospace and Industrial led the recovery.
Gross Margin (%)	37.9%	↑ 400 bps	↓ 120 bps	↓	YoY expansion due to better mix; QoQ dip from Q4's 39.1% due to B2S procurement.
EBITDA (□Cr)	39.2	↑ 56.2%	↓ 9.0%	↓	YoY growth strong; QoQ decline vs Q4 (□43.1 Cr) due to employee/expansion costs.
EBITDA Margin %	10.5%	↑ 147 bps	↓ 120 bps	↓	Consistent double-digits; normalized for expansion investments.
PAT (□Cr)	16.3	↑ 118.2%	↓ 27.2%	↓	YoY doubling; QoQ lower due to forex losses and lower EBITDA vs Q4 (□22.4 Cr).
Order Book (□ Cr)	2,598.9	↑ 22.0%	↑ 7.5%	↑	Highest ever backlog; visibility extends through FY28.
Order Inflows (□ Cr)	551.9	↑ 25.1%	↓ 4.6%	→	Strong book-to-bill of 1.5x; driven by existing and new logos.
Cash Flow (OCF)	Negative	-	-	↓	Remained negative due to higher inventory and lower advances.
Net Debt / (Cash)	Net Cash	-	-	→	Strong balance sheet post-IPO debt repayment.
Working Capital (Days)	161	↑ 12.0%	↑ 11.0%	↓	NWC increased from 145 (Q4) to 161; Inventory DIO at 162.
Interest Coverage	13.9x	↑ 210.0%	↑	↑	Finance cost declined 29% YoY to □3.7 Cr (□37 Mn).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Aerospace	157.0	↑ 40.0%	High	↑	Above	Scaling Honeywell/Thales; focus on high-reliability PCBA.
Industrial	119.6	↑ 90.0%	Stable	↑	Inline	Strong demand in motor controls; added one new logo.
MedTech	59.8	→ 0.0%	High	→	Above	Seasonality impact; pipeline remains 17-20% of sales.
Defense	33.6	↑ 35.0%	Mid	↑	Below	Recovery after BEL project exit; B2S project in Europe in pipeline.
Auto & Others	3.7	↑ 10.0%	Low	→	Below	Series supply started; new logo added this quarter.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Sustain 1.5x Book-to-Bill Ratio.	Needs ~□560 Cr/qtr intake.	Delivered (1.5x in Q1).	Low
Guidance	Margins	11%–13% EBITDA for FY27-29.	Requires 50-250 bps expansion.	Consistent 10%+ met.	Medium
Strategy	Expansion	Enter AI Data Centers & Robotics.	Needs first logo in 6-12 months.	Strategy team hired.	High
Strategy	Transform	13%–18% EBITDA post-FY30.	Requires B2S to be >25% mix.	Lab expansion done.	Medium
Strategy	Working Cap	Turn Cash Flow Positive.	Needs DIO to drop <130.	Missed (DIO rose to 162).	High
Strategy	B2S Revenue	Substantial growth in 12-18 months.	Needs 250-300 bps margin delta.	Ongoing (SkyDrive focus).	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Gaurav Shukla, Finvestors	West Asia Crisis	Macro	Impact of the Israeli conflict on logistics and order fulfillment.	Mgmt stated proactive inventory buffering and alternative sourcing mitigated Q1 impacts but noted logistics cost escalations. This implies potential gross margin pressure in Q2 if shipping costs persist.	None	4.0	Specific and realistic
1a	3.5	Gaurav Shukla, Finvestors	Israel Orders	Business	Status of pending orders and approvals from Israeli customers.	Mgmt confirmed momentum has returned with strong order intake from Israeli clients in Q1, expected to continue in Q2. Signals recovery of the growth drag seen in late FY26.	None	4.0	Reassuring
2	4.5	Vipraw Srivastava, PhilipCap	AI Strategy	Strategy	Details on entry into AI/ Data Center infrastructure and hyperscaler talks.	Management indicated sales directors are on board and updates will be provided in 1-2 quarters as they define focus areas. This confirms the vertical is still in the "hiring and planning" phase rather than revenue execution.	Hyperscaler specifics	3.0	Early-stage vague

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3	4.0	Vipraw Srivastava, PhilipCap	Semicon CapEx	Business	Timeline for material P&L impact from semiconductor capital equipment.	Mgmt expects revenue growth to materialize over the next 6-12 months, which will provide operating leverage. This adds a specific timeline to the diversification thesis beyond Aero/ Defense.	Margin specifics	4.0	Quantified timeline
4	4.5	Deepak Krishnan, Kotak	Margin Bridge	Financials	How B2S and new segments bridge the gap to 13-18% margins.	Mgmt explained the "SET" phases where Lane 1 (Robotics/AI) adds 200 bps and the Transform phase (IP-led) adds the final step-up. This provides a clear mathematical roadmap for long-term margin re-rating.	Current B2S mix %	4.0	Strategic clarity
5	3.5	Deepak Krishnan, Kotak	Forex	Financials	Reason for the □10.3 Cr (□103 Mn) decrease in other income.	CFO attributed it to Rupee appreciation in the final month of the quarter affecting the net export position. Highlights the vulnerability of earnings to currency fluctuations despite	None	4.5	Factually grounded

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						operating hedges.			
6	4.0	Shubhi Gupta, Trinetra	MedTech	Business	Why MedTech growth was flat and outlook for the year.	Mgmt cited customer-specific seasonality but insisted the pipeline remains strong at 17-20% of sales. Indicates the flatness is a timing issue rather than a demand structural shift.	None	4.0	Reasonable
7	3.0	Balasubramanian, Arihant	Pipeline	Business	Vertical-wise breakup of the sales pipeline.	Mgmt clarified the pipeline is "substantially higher" than the order book, with Aero/Defense making up 48% and Industrial/ Semicon 40%. Confirms that the future growth hopper is diversifying toward Industrial.	Exact pipeline □ Cr	3.0	Directional
8	4.0	Praveen Sahay, PL Capital	OCF	Financials	Why operating cash flow remains negative.	Management explained inventory buffering is a "leading indicator" for growth and necessary during supply chain disruptions. This confirms that FCF will	Exact OCF number	3.0	Evasive on timing

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						likely remain suppressed as long as revenue growth stays at +30%.			
9	4.5	Sameet Sinha, Macquarie	Gross Margins	Financials	Reasons for sequential gross margin decline.	Mgmt attributed it to organizational investments and business mix, particularly procurement for B2S. This implies that high-margin B2S has a higher initial material intensity before reaching scale.	None	4.0	Logical
10	4.5	Santhosh Seshadri, Avendus	AI Margins	Strategy	Why they expect high margins in AI servers when global players are mid-single digit.	Mgmt clarified they are not doing commodity assembly but specialized high-reliability components within AI infrastructure. This is a critical distinction that protects the "high-value EMS" investment thesis.	None	4.0	Differentiate
11	4.0	Deepak, Unifi	Order Inflow	Business	Sustainability of the ₹550 Cr run rate and new logo contribution.	Mgmt noted 70% of intake is from existing clients and 30% from new logos added in the last 4-6	None	5.0	High visibili

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						quarters. This proves that the "farming" strategy with new accounts is successfully translating to volume.			
12	4.0	Adityapal, MSA Capital	Aero Growth	Business	Sustainability of Aerospace growth and tier-1 outsourcing.	Mgmt highlighted that Honeywell and Thales are moving from initial builds to ramp-ups over the next 18 months. This suggests that Aerospace will remain the primary growth engine through FY28.	None	5.0	Specific
13	3.5	Adityapal, MSA Capital	SkyDrive B2S	Business	Status of the Japan SkyDrive (EAV) project.	Mgmt is currently in the engineering design phase, with production revenue expected in 12-18 months. Validates the "Transform" phase strategy of moving into full product lifecycle management.	None	4.0	Consistent

PATTERN FLAGS & SENTIMENT * **Theme 1: The Working Capital Trap.** Analysts repeatedly questioned the negative cash flow and rising inventory. Management remains defensive, framing inventory as a "strategic asset"

for growth. Skepticism remains high regarding when these "assets" will convert to cash, likely resurfacing as a major friction point next quarter. * **Theme 2: AI Reality Check.** Multiple questions probed the AI/Data Center strategy. Management shifted the focus from "servers" (commodity) to "infrastructure" (specialized), successfully calming fears of margin dilution. However, until the first logo is announced, this remains a "trust me" story. * **Analyst Sentiment Verdict:** Skeptical but intrigued. Analysts were impressed by the revenue recovery and order book but frustrated by the cash conversion. The tone was professional, with the most friction occurring over the 11-13% margin targets for new verticals. Management's credibility has improved because they delivered the promised YoY growth, but the FCF gap remains a live risk to the thesis.

GUIDANCE GAPS REVEALED IN Q&A * **Topic: Free Cash Flow.** Opening remarks praised "disciplined cost management," but Q&A revealed that NWC days *increased* to 161. **Gap:** While the P&L is profitable, the B/S is becoming more capital-intensive, contrary to the IPO-era goal of lightening the B/S.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY26)	This Quarter (Q1 FY27)	Direction
Revenue Growth	-13.8% YoY (BEL Trough)	+34.3% YoY (Recovery)	↑ Improving
Order Book	□2,416.6 Cr	□2,598.9 Cr	↑ Record High
EBITDA Margin	11.7%	10.5%	↓ Compression
NWC Days	145 days	161 days	↓ Deteriorating
B2S Capability	Lab at 6,000 sqft	Lab at 15,000 sqft	↑ Capacity
Leadership	Hiring ongoing	Chief Strategy Officer on board	↑ Team complete
Forex Impact	Not material	□10.3 Cr Loss	↓ Earnings Quality
Segment Mix	Industrial at 28%	Industrial at 32%	↑ Diversification

Investor Notes on Earnings Quality: * **CFO-to-PAT Divergence:** The divergence has widened. While PAT grew 118% YoY, the cash was consumed by a 162-day inventory cycle (up from 153 in Q4). This confirms the business is currently "growing into its skin" at the expense of cash flow. * **One-off Forex Drag:** PAT would have been significantly higher (~□26 Cr) if not for the □10.3 Cr forex loss in "Other Income." Core operating performance is stronger than the reported 4.4% PAT margin suggests. * **B2S Lab Expansion:** Doubling the engineering footprint is the most significant leading indicator for the FY30 "Transform" phase (13-18% margins). This is a structural upgrade that separates Cyient DLM from pure-play build-to-print EMS competitors.