



19 October 2026

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Scrip Code: 543933

National Stock Exchange of India Ltd
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Scrip Code: CYIENTDLM

Sub: **Transcripts of Earnings Call**

Please find enclosed transcripts of earnings conference call, in connection with Q2 FY27 Financial Results held on 15 October 2026.

This information will also be hosted on the Company's website, at <http://www.cyientdmlm.com>

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For **Cyient DLM Limited**

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**“Cyient DLM Limited
Q2 FY27 Results Conference Call”
October 15, 2026**



**MANAGEMENT: MR. KRISHNA BODANAPU – NON-EXECUTIVE
CHAIRMAN – CYIENT DLM LIMITED
MR. RAJENDRA VELAGAPUDI – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – CYIENT DLM
LIMITED
MR. R.M. SUBRAMANIAN – CHIEF FINANCIAL
OFFICER – CYIENT DLM LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Cyient DLM Limited Q2 FY27 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishna Bodanapu, Non-Executive Chairman, Cyient DLM Limited. Thank you, and over to you, sir.

Krishna Bodanapu:

Thank you very much, Dorwin, and good evening, ladies and gentlemen. I am Krishna Bodanapu, Non-Executive Chairman of Cyient DLM Limited. It is my pleasure to welcome you to our Q2 FY27 earnings call. And joining me today are our Managing Director and CEO, Mr. Rajendra Velagapudi; and our CFO, Mr. R.M. Subramanian.

Before we begin, I would like to remind you that certain statements made during this call may be forward-looking in nature and are subject to risks and uncertainties. A detailed disclaimer is available in the Investor Update section posted on our website.

Let me begin with what I believe is one of the strongest indicators of the underlying momentum in our business. The continued strength of our order book and sales pipeline. While Rajendra and RMS will talk about details, I'm happy to note that the headline number is that order backlog now stands at INR2,813 crores with -- on top of which there is a pipeline which is in excess of \$1 billion. So I'm very happy to note that the order book momentum continues to pick up during the course of the quarters.

We have sustained positive momentum in our order book for 6 continuous quarters. During Q2, our book-to-bill ratio remained at over 1.6x, supported by strong order inflows from large OEMs. We have also surpassed the record order book achieved in the previous quarter, providing us with strong revenue visibility. This reinforces the confidence our customers continue to place in our quality, delivery, performance and capabilities.

Our execution teams have done a commendable job in fulfilling critical customer requirements despite the continued supply chain shortages, longer lead times and geopolitical uncertainties, especially driven by what is happening in the memory market.

This has resulted in a revenue growth of more than 26% year-on-year during this quarter, which is broadly in line with our expectations. Encouragingly, we're seeing positive growth across all key segments. Aerospace and industrial continues to grow at a faster pace, while defense and medical are gaining momentum.

We have also strengthened the sales leadership team recently, bringing in diverse experience and capabilities that will help accelerate our revenue and profit agenda -- growth agenda. This gives us greater confidence in the execution of our strategy. While Rajendra will elaborate on this further, our strategic direction remains clear, which is to deepen and scale our presence in existing segments while selectively expanding into attractive new growth areas.

As we position the business for the next phase of growth, we have continued to invest in our sales organization, strategic capabilities and the overall foundation to support the next phase of growth. These are deliberate investments. While they have an impact on margins in the near term, we believe that they're important to building a stronger and more scalable business.

These investments are in 2 dimensions. One is the investments that we have made in our go-to-market organization, sales, marketing, etcetera. And the second -- and sorry, and that leads to better pipeline, better backlog and, of course, eventually better margin and growth, which we're starting to see. The second investment is in our B2S, build-to-spec business, where engineering is done upfront. The IP is co-owned by Cyient DLM with our customers, and we have a very long manufacturing responsibility for many, many years.

So both are very good investments, and I'm happy to say that they're starting to show some very good results, for example, with sales in terms of the order book or DLM in terms of the number of DLM contracts that we are bidding and that we have won. As we continue to focus on growth, our focus firmly remains profitable growth, operating leverage and sustainable improvement in margins medium to long term.

Looking ahead, we remain excited about the opportunities across our market sectors. Rising electronic content, growing AI infrastructure demand, global supply chain diversification, increasing investments across our focus sectors and broader outsourcing trends continue to create a very strong and favorable demand environment.

Our differentiated design-led manufacturing, the model which is unique to Cyient DLM, our strong customer relationships, expanding execution capabilities, we believe Cyient DLM is well positioned to capitalize on these opportunities. Most importantly, our H1 FY27 performance reflects a strong rebound over FY26 with revenue growth of more than 30%. It is supported by a record order book and a robust business pipeline, which provides greater visibility as we step into the second half of the year.

I am confident that we will see this sustaining through the rest of the year and into next year. With a strengthened leadership team, improving growth momentum and continued investments in our capabilities and growth areas, we remain confident in our ability to build a strong and more scalable business, create sustainable long-term value for our customers, employees, shareholders and all stakeholders.

With that, I will now hand over the call to Rajendra, who will take you through the business and operating highlights in greater detail. Rajendra?

Rajendra Velagapudi:

Thank you, Krishna. So good afternoon, everyone, and thank you for joining Cyient DLM's Q2 FY27 investor call. So I will outline the structural opportunities ahead and explain how our long-term strategy positions Cyient DLM to participate in some of the fastest-growing high reliability segments of the global electronics product and manufacturing services market. Let me begin with the market backdrop.

The global EMS industry is on a structural growth path with the market expected to rise from approximately 650 billion today to about 1.1 trillion over the next few years. Within this

market, the high reliability EMS segment in which we operate represents an estimated opportunity of roughly \$230 billion.

This growth is particularly relevant to Cyient DLM because it is driven by sectors that require deep engineering expertise, complex manufacturing, stringent quality standards, resilient supply chains and long product life cycles. These requirements closely align with our capabilities in design-led manufacturing and high reliability electronics.

And if you just further look at it, there are 3 structural tailwinds which are expanding Cyient DLM's addressable market. The first tailwind is rising demand for AI and data center infrastructure. The second one is semiconductor capital equipment and the third tailwind is robotics and the growing electronics content in all these 3 areas. I think against this backdrop, we estimate an addressable EMS opportunity of closely around \$58 billion in AI and data center infrastructure.

And for EMS providers, this creates a significant opportunity in AI data center, box build solutions, cables and other cooling controls. For Cyient DLM, this is a natural adjacency where our capabilities in high reliability, manufacturing, systems integration and power electronics can become increasingly relevant.

So if you can look at it, together, AI and data center infrastructure, semiconductor capital equipment and robotics extend Cyient DLM's growth runway while remaining closely aligned with our core strengths. Against this backdrop, our long-term strategic pivot follows 3 phases; strengthen, expand and transform. So this deliberate progression builds on a proven foundation, extends our core capabilities into attractive adjacencies and ultimately creates a stronger product and platform moat.

Our first priority is to strengthen the business we have today. We are anchored in 4 core industries: aerospace and defense, medical, industrial and automotive focused in electric vehicles. These markets form our foundation and are supported by a proven core stack. The margin framework for this phase is approximately 9% to 11%. We are focused on deepening customer relationships, improving execution, scaling programs and reinforcing the operational capabilities that have earned customer trust.

This foundation provides the credibility and capability base for the next phase of growth. In the second phase, from FY27 to FY29, we plan to apply this proven stack to new sectors. The portfolio will expand from 4 industries to 7, adding robotics and AI data center as a key growth areas and sharpening our focus on semiconductor capital equipment alongside with our existing core industries.

Our approach is disciplined: enter adjacencies where customer requirements align with our engineering, manufacturing, quality and supply chain strength. As the business mix evolves and scale improves, the margin framework for this phase is approximately 11% to 13%. Expansion is, therefore, not only about accessing new revenue pools, but also about improving the quality and resilience of growth across a broader range of high reliability end markets.

From FY30 onward, our ambition is to transform the business by building a differentiated product and platform moat. We expect to retain the benefits of a diversified 7 industry portfolio while adding new platforms and expanding our build-to-specification products. So here, I would like to elaborate on build-to-specification products, a key strategic priority for us.

So we recently renamed this offering as electronic products to reflect the broader value we now provide across the product life cycle. Beyond manufacturing, our capabilities span product architecture, detailed engineering, embedded hardware and software integration, prototyping, testing, qualification, industrialization and transition to volume production.

So we are pursuing several multimillion-dollar opportunities in this area, demonstrating both our capabilities and customer relevance. As these programs progress from development and qualification to scale production, we expect them to generate significant sustained growth from FY30 onwards.

Given the strength of the pipeline, the long-term nature of these engagements and their potential to deepen strategic customer relationships, electronic products will remain a priority for investment and execution.

The margin framework for this phase is approximately some 13% to 18%, reflecting a growing contribution from product platforms and intellectual property-led differentiation. Our objective is to move progressively up the value chain while building on the execution discipline and customer trust established in our core EMS business.

As we execute our long-term growth strategy, we remain focused on deliberate forward-looking investments that strengthen our competitive position and expand our addressable market. Over the past several quarters, we have accelerated efforts to build capabilities and deepen our presence in high potential areas.

Our investment approach includes strengthening domain expertise, expanding customer engagement, enhancing engineering and manufacturing capabilities and accelerating the development of differentiated products and solutions. Although these investments carry near-term costs, they are essential to building a stronger foundation for sustainable and profitable growth as said by Krishna earlier.

Even as we invest for the future and support the growing scale of our business in both build-to-print and electronics product, we remain committed to disciplined execution and operational efficiency. Based on the planned investments and timing of our growth initiatives, we expect margins remain at the higher end of the single-digit range for FY27, while establishing a platform for stronger value creation over the medium to long term.

We believe these investments will strengthen our strategic position and market relevance, enabling us to participate meaningfully in some of the world's most attractive technology and industrial growth trends. Turning to the second quarter. Our performance demonstrates both strong demand and continued execution.

The order book reached an all-time high with a book-to-bill ratio of 1.6x. This provides a solid foundation for future growth and reflects the relevance of our capabilities across both established and emerging markets. Revenue grew 26.5% year-on-year in Q2, supported by strong growth in aerospace and industrial together with the continued traction in defense and Medtech.

If you look at for H1, revenue grew 30% year-on-year. At the same time, the product mix is shifting towards higher value integration. Box build revenue increased 86% year-on-year. This is strategically important because it reflects our progression beyond component level manufacturing towards more integrated solutions.

We also added 3 new logos in this quarter, strengthening the pipeline for future business. In parallel, we completed the integration of Altek Electronics and renamed the business as Cyient DLM Electronics, Inc., which expands our global footprint and enhances our ability to serve customers across geographies.

Finally, we are investing in the next engines of growth, as said earlier, AI and data center infrastructure, robotics and semiconductor capital equipment while continue to strengthen our build-to-specification and electronics product capabilities. Together, these initiatives align near-term execution with the longer-term margin and portfolio transformation outlined earlier.

To conclude, Cyient DLM is positioned at the intersection of a large and expanding EMS market, accelerating demand in high reliability sectors and a clear internal road map to move up the value chain. Our record order book, strong year-on-year revenue growth improving mix, new customer wins and broader global footprint demonstrates that this strategy is translating into operating momentum.

We remain focused on disciplined execution, profitable growth and building differentiated capabilities that can support sustainable margin and expansion over time. Thank you for your time and continued interest in Cyient DLM. Now I hand it over to R. M. Subramanian, our CFO.

R. M. Subramanian:

Thank you, Rajendra, for the business overview. Good evening, ladies and gentlemen. I will now take you through the financial performance for Q2 and H1 of FY27. We delivered a revenue of INR3,931 million, representing a strong growth of 26.5% year-on-year, reflecting the continued momentum in the business. Our order book reached an all-time high of INR28.1 billion, increasing by approximately INR2.1 billion sequentially.

This provides us with a healthy foundation for growth going forward. At the operating level, EBITDA for the quarter was INR342 million, up 9.5% year-on-year with an EBITDA margin of 8.7%. The margin is lower by 135 basis points year-on-year, reflecting our continued investment in growth areas. Moving to profitability. Normalized PAT grew 25.8% year-on-year to INR158 million, broadly keeping pace with our revenue growth, while the normalized PAT margin remained stable at 4% -- reported PAT for the quarter was INR340 million.

The difference between the normalized and reported PAT reflects the onetime reversal of the earn-out provisions of INR182 million. We see this as a quarter of strong growth with

continued strengthening of the order book. Our focus going forward remains on converting this growth into a stronger operating performance and improving margin as the business scales.

Now let me provide some perspective on the trends across our key financial metrics. Starting with revenue. We have maintained a strong growth trajectory, the revenue reaching INR3,931 million in Q2 FY27 compared with INR3,106 million in Q2 last year, representing a growth of 26.5% year-on-year. On profitability, EBITDA for the quarter was INR342 million with an EBITDA margin of 8.7%.

The moderation in margin reflects our continued investment in sales, strategy and new growth areas to support the next phase of growth. Importantly, despite these investments, our underlying profitability remains healthy. Normalized PAT for the quarter was INR158 million, growing 25.8% year-on-year, broadly in line with the revenue growth. Reported PAT was INR340 million, which includes the onetime benefit of INR182 million from the earn-out reversal.

Excluding this one-off, normalized PAT stands at INR158 million. As we look at the overall trend, we continue to see strong revenue momentum and healthy underlying earnings growth while making the necessary investment to build capabilities and support sustainable growth. Moving to the next set of KPIs. Let me touch upon our order book and working capital performance.

Our order book continued to strengthen and reach an all-time high of INR28.1 billion at the end of Q2 FY27 compared to INR26 billion in the previous quarter. This gives us a healthy base as we move forward. On working capital, net working capital improved sequentially to 153 days from 161 days in Q1. Inventory days remained stable at 162 days, while DSO improved from 77 days to 73 days. DPO increased from 63 days to 68 days, providing further support to the working capital.

Customer advances stood at 13 days compared with 15 days in the previous quarter. Overall, the sequential improvement in working capital, together with disciplined execution helped us generate an operating free cash flow of INR172 million during the quarter. Going forward, working capital efficiency, particularly inventory optimization and collections will remain an important area of focus as we continue to scale the business.

Let me now give you some perspective on our revenue mix for the quarter. From an industry standpoint, Aerospace continues to be our largest segment, contributing 47% of our revenue, followed by Industrial at 31%. These 2 segments delivered strong year-on-year growth of 62% and 29%, respectively.

Defense contributed 7% of revenue, 13% year-on-year growth, while Medtech accounted for 14%, also growing 14% year-on-year. Looking at our product mix, PCBA continues to be the largest category at 48% of our revenue, growing 19% year-on-year. At the same time, we are seeing strong momentum in box build, which now contributes 27% of revenue and grew 85% year-on-year.

Geographically, our business continues to be predominantly international with the rest of the world contributing 93% of revenue and India geography contributing 7%. The international mix continues to be supported by demand from aerospace, medical and industrial customers.

Overall, the revenue mix reflects strong growth across our key verticals, increasing contribution from box build and continued strength in our international business. Let us now look at the detailed financial performance for the quarter. As mentioned earlier, revenue grew 26.5% year-on-year to INR3,931 million, reflecting a strong growth momentum in the business.

EBITDA stood at INR342 million, up 9.5% year-on-year with an EBITDA margin of 8.7% compared with 10% in the same quarter last year. The moderation in EBITDA margin was primarily driven by 2 factors. First, we saw an impact on the revenue mix and certain product development-related costs.

Second, employee costs increased as we continue to invest in sales strategy and new growth areas to support the future growth. Below EBITDA, finance costs declined by 10.4% year-on-year to INR61 million, supported by lower working capital borrowings. Reported profit before tax was INR393 million and reported PAT was INR340 million. It is important, however, to look at the profitability on a normalized basis.

Other income during the quarter includes a onetime earn-out reversal of INR182 million. Excluding this, our normalized PAT was INR158 million, representing strong growth of 25.8% year-on-year with a normalized PAT margin remaining stable at 4%. While we have seen some near-term impact at the EBITDA margin level, the underlying earnings growth remained healthy and broadly in line with our revenue growth.

Our focus remaining on sustaining growth while driving greater operational leverage and margin improvement as the business scales. As we complete our half year to FY27, let me now summarize our performance for the first half of FY27, okay? We delivered a revenue of INR7,669 million, representing growth of 30.2% year-on-year, supported by healthy business momentum and a strong order book.

EBITDA for the first year was INR733 million, growing 30.4% year-on-year, broadly in line with the revenue growth. Importantly, despite these investments we are making to strengthen our business, our EBITDA margin for H1 remained stable at 9.6%. At the bottom line, the performance has been particularly strong. Normalized PAT increased 60.4% year-on-year to INR321 million, with normalized PAT margin improving by 79 basis points to 4.2%.

Reported PAT for H1 stood at INR503 million, up 27% year-on-year. The difference between reported and normalized PAT reflects the INR183 million onetime earn-out reversal recorded during the second quarter. Our order book stands at an all-time high of INR28.1 billion, an increase of approximately INR5.2 billion compared to the same period last year, providing good visibility as we move into the second half.

Overall, H1 reflects a strong and broad-based financial progress with revenue and EBITDA growing around 30%, normalized earnings growing significantly faster and a record order

book supporting our growth trajectory. Since we have already covered most of the H1 performance highlights in the earlier dashboard, let me keep this slide brief and highlight just a few additional points.

While the EBITDA margin remained broadly stable at 9.6%, we saw some impact from the revenue mix and product development-related costs, particularly in Q2. At the same time, we continue to make targeted investments in capabilities to support growth. Below EBITDA, finance costs declined by 21% year-on-year, supported by lower working capital borrowings.

Overall, the underlying profitability remains strong with normalized PAT growing at 60% year-on-year and normalized PAT margin improving by 79 basis points to 4.2%. To conclude, Q2 and H1 has been strong for us with a healthy revenue growth, a record order book and strong growth in underlying profitability.

As we enter H2, our focus will be on continued momentum in order intake, executing the order book, improving margins and driving working capital efficiency as we continue to scale the business. We remain confident in the growth trajectory of the business and our ability to translate this growth into sustainable value creation. Thank you. Let's move to question-and-answer part now.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Balasubramanian with Arihant Capital.

Balasubramanian: My first question, the margin impacted due to one-off revenue mix and product development spend. And how much it impacted in Q2, especially in product development spend? And what is the annual product development budget over the next 2 to 3 years? And whether we are capitalizing or whether we are expensing that?

R. M. Subramanian: Yes. This is Subramanian here. In terms of the margin impact, we explained the reasons for that, okay? I'd like to clarify that it's a marginal investment in terms of what we have done, which is in the range of 100 to 150 basis points. And as a policy, today, we are not capitalizing any of the cost what we're doing.

Some of the costs are forward-looking in terms of employee cost for sales and building the sales engine, okay, and also product development costs in terms of prototypes, etcetera. All of them are being expensed, and that's why you're seeing the impact on the margins. But we see this as a positive investments, which will yield results as we move moving forward.

Balasubramanian: So the annual product development budget, if there is any number in terms of that would be really helpful.

R. M. Subramanian: We would not like to get into in terms of individually what is the product development spend, but that's part of our business, which Rajendra talked about in terms of electronics product division. So as we keep moving forward and as we identify opportunities, we will keep investing on a healthy basis, but we don't want to be putting a number in terms of what we'll be doing it, okay? This depends on the opportunities available in the market and what we've been doing.

- Balasubramanian:** Okay, as I mentioned, the new growth engines like data center, semiconductor, and, uh, and robotics, uh, those areas. So what are the work we are doing, uh, right now? How do you look at, uh, those growth engines next maybe 3 to 5 years' timeframe? Especially you mentioned post-FY30, we have seen the focus which will be different.
- Rajendra Velagapudi:** I think as I said earlier, if you look at on the growth areas, the AI and data center infrastructure, robotics, and also on the semiconductor capital equipment. I think on semiconductor capital equipment, we are already there. We're already working right now. And on the other 2 areas, where I said earlier, so I think we just started exploring it right now, and it may take some time for us to get to a number there. So that's why I think we'll come back on where we stand on those things probably after by the end of this financial year.
- Moderator:** Our next question comes from the line of Santhosh Seshadri with Avendus Spark.
- Santhosh Seshadri:** So I just want to follow up on the margin part of the question. So could you help us quantify how much of this impact was due to one-off product development costs and how much due to underlying revenue mix change? And also just to get some flavor on what is driving the revenue mix change.
- So basically, is it the shift between PCBA versus box build or the BTS to BTP that you're talking about? And the second part of the question is, as you continue to grow the business, how should we think about the instances of all these product development costs occurring again?
- R. M. Subramanian:** So what we're seeing is a mix of various factors in terms of revenue product mix. some investments into the future in terms of the cost, okay? So what we definitely see is leading to getting back to the margin levels of what we will like to get back into, okay?
- And from a pure revenue product mix perspective, we -- as you know, we are in a high mix, low-volume business. And there will be a small amount of movement. It's not a static in terms of revenue mix. But as we keep moving forward, we are confident that in terms of overall margins, we should get back to what our targeted levels are.
- Santhosh Seshadri:** And sorry if I missed this earlier, what would be the margin guidance for FY27?
- Rajendra Velagapudi:** Yes, FY27, as I said earlier, we'll be at a high single-digit number, close to around 9% EBITDA margin. And if you look at on the Q1, so whatever investments we're making, whatever we are seeing it, some of these one-offs which we have it, I think from Q1 onwards, we won't be having -- we'll be having a double-digit EBITDA margins going forward.
- Santhosh Seshadri:** And just lastly on the time line for executing the order book, what would be the typical time line to convert these orders into revenues? And also on some of your new programs like semiconductor programs, when do you exactly expect this to contribute to your revenue? Is it fair to say that from third quarter or fourth quarter onwards, we should start to see some meaningful revenue? And also if you could help us quantify the run rate from some of these new programs?

- Rajendra Velagapudi:** Yes. I think if you look at on the order book, what we have, it is usually from 18 to 24 months. That's what the range. Maybe very few will be there beyond 2 years. But otherwise, mostly in 18 to 24 months is our order book what we have.
- And coming back on the semiconductor capital equipment, we have already started working on that. In the last 2 quarters, we have the revenues on that. Now that's where probably we'll be seeing it some ramp-up going in that particular industry.
- Moderator:** Our next question comes from the line of Shashank Jha with SB Capital.
- Shashank Jha:** My question regarding EBITDA margin. So you told that it will be around 9% for FY27. Have I got it correctly?
- Rajendra Velagapudi:** Yes, in that range. 9% to 10% range. So we -- that is what we have current guidance, yes.
- Shashank Jha:** And sir, your order book is growing fast, but the revenue is not growing at that rate. So is it due to external factors or the order book deliveries are in some other year? Like, uh, after 1 year or something like that?
- Rajendra Velagapudi:** I mean now if you look at the challenges, what we have is due to all the challenges in getting the materials. So that's where I think the challenge is in the materials right now. The order book, what we have is we have to go and purchase orders which you have done it, so getting the materials, that's why it is taking the time. So that's why the 18 to 24 months is what I said, that's where we'll be closing the existing order books.
- Shashank Jha:** And you told about the bid pipeline, which is exceeding \$1 billion. So what can we expect something of convergence ratio?
- Rajendra Velagapudi:** So that's what the conversion usually happens. Whatever the OI conversions we are seeing it now, that's what the conversions, uh, uh, the book-bill ratio of 1.6. Now if you look at it, what we had in the last quarter and this quarter is close to INR600 crores plus. That's where probably we will be expecting it for the next 2 quarters too.
- Shashank Jha:** No, sir, I, I asked about something else. Like, you have a bid pipeline of \$1 billion, you say. Out of that, what do you expect to win? I mean, the percentage.
- Rajendra Velagapudi:** The percentage of the wins? Yes, you're asking it. So usually, it will be close to around -- I mean by the time it close, if you look at our past history, it will be close to around 40% is what the win ratio. So based on that, some of the things are there in the initial stage, lead and qualification. So probably once we put those things, so we'll be closing coming to around 40% of the win ratio.
- Shashank Jha:** Okay, got it. And regarding EBITDA margin for FY28, so are we going to have it in, uh, double digits?
- Rajendra Velagapudi:** Double digit for the...
- Shashank Jha:** '28 onwards.

- Rajendra Velagapudi:** For FY28 onwards it will be there double digit, and for this year I said it will be 9 to 10 here.
- Moderator:** Our next question comes from the line of Meet Jain with Systematix Asset Management. As we're not receiving a response from the current participant, we will move to the next participant. Our next question comes from the line of Umang Gada with Avener Investment Management.
- Umang Gada:** Hello. Am I audible?
- Moderator:** Yes, yes, you are audible, sir.
- Umang Gada:** Yes, thank you. Thank you for the opportunity. Sorry to harp on the margins part again. We are expecting kind of a squeeze in margin of around 1 percentage this year compared to '26. And you mentioned that it's due to the product development cost and revenue mix.
- So can you -- I don't know, clarify a little bit in detail that specifically, is it because of some nature of services mix changing like PCB box build or some industry mix changing in revenue because of that, the margin is getting squeezed out? If you can explain that in a little bit of detail, that would be helpful.
- Rajendra Velagapudi:** No, I think what I earlier said is for this quarter is where we just mentioned about the revenue mix. But if you look at it for -- when you ask about FY26 compared to FY27, the main -- the reason for that reduction is basically coming from the investments what we are making into the sales and marketing, okay? So that's what I said earlier that these are all the future investments which we are making it, I mean, for the future growth.
- Krishna Bodanapu:** So I think if I may just qualify that, if you look at our gross margin or contribution margin, both of which are quality of business, they are higher. Actually, they're significantly higher in FY27 year-to-date than they are in FY26. So the quality -- just to clarify that it was -- this quarter, there was a bit of a revenue mix.
- But again, even this quarter, if you compare it to the same quarter last year, our contribution margin is still higher. So it's a revenue -- it's not the revenue mix. Revenue mix is always going to be there. I think that was just mentioned as it was this quarter thing. The reason why margins are really lower is 2 things. One is we've invested quite a bit in sales and marketing, all of which is now in the P&L, like in the SG&A, S&M or G&A.
- So all of the value of sales and marketing is there, which is depressing the margins, obviously, a little bit. And we continue to invest in product development, which is not capitalized. Again, the product development piece also has been going on for a while. It's not that it is something that we only started this quarter.
- So it's really -- net-net, if I may just clarify, the reason for the drop in margins by about 100 bps or so is because all the sales and marketing costs have been accounted for -- we will not add any more sales and marketing costs until we at least hit about -- or at least net new, we won't add any more sales and marketing costs until we hit at least double our revenue on a

quarterly basis. So that's just the issue. It's a point-in-time issue that's fully loaded. We've added a number of salespeople.

We've added a number of bid people. We've added a number of marketing costs, etcetera, including -- we added a Chief Growth Officer in Rama, etcetera, etcetera. So it's just that the full benefit of -- there's zero absorption right now because if you look at it last year, we would have done a similar revenue with none of that cost, which is almost 150, 200 basis points.

So I just want to clarify that it's not a one-off thing. It's not a -- yes, there is -- there was a bit of a one-off, but there's always going to be there. It's just the fact that we're investing in sales and marketing, and we're investing in product development.

Umang Gada: Understood. Sir, I mean just if I extrapolate this thing. So when you say FY28 onwards, we will have 11% kind of margin, which has jumped from close to 9% that we're expecting this year. So do you mean that the intensity of investments will get lower or the result and outcome is going to get higher because of that the margin expansion has happened of around 200 basis points? So this intensity of investments will get kind of lower from Q3 or Q4 onwards?

Rajendra Velagapudi: That's what I think I said with Krishna, whatever has been done, sales and the marketing cost, that is done now. There won't be any future investments in that area. And so I think once the revenue grows in FY28, when you are seeing the growth for FY28, whatever the growth we have currently, growth will continue in FY28. I think with the growth coming in the absorption and also we'll be seeing the EBITDA margins going up.

Umang Gada: Understood. And sir, one last question, if I can ask. I mean a couple of weeks back, there was an interview in the newspaper that you have a \$1 billion order book executable for the next 7 years, designed order book. I didn't kind of quite understand what does that mean or where this is accounted. So if you can give some -- throw some light on this.

Rajendra Velagapudi: Okay. So that is predominantly on our build-to-spec, which is nothing but the electronic products, which we are working out for some of the customer programs. There are 4 major programs which we are working right now. I think if you look at it, some of the work which we are doing it, we already have some of the contracts signed with the customers.

By FY30 is where we told that here, we'll be seeing the revenue coming in from that. So all the 4 programs are really coming now currently close to \$1 billion, which are not there currently in our order book, okay? So I think once we materialize it, that's what we'll be seeing our order book going up at that time.

Umang Gada: Okay. So you are saying you have the visibility of the order book, but it is not translated to order book yet. It will come in the later side when it is materialized properly?

Rajendra Velagapudi: Exactly, exactly. But the contracts, we know that what are the volumes are going to be there, what is the -- it is -- I mean the value of the contract is going to be. That's where I said it is \$1 billion.

- Umang Gada:** So the business is -- I mean, the stage where you are in the negotiations, the business is bound to come to you, if I'm understanding that correct, right?
- Rajendra Velagapudi:** We are already working on those programs right now. Our electronic product team, they're already doing the designs. Some of the products have gone at the stage of testing at a customer location, okay? Some are internal testings are happening. So the programs will be in the production from FY30 onwards...
- Moderator:** Our next question comes from the line of Nishita with Sapphire Capital.
- Nishita:** So you mentioned that we have \$1 billion of order book pipeline. So -- and our win ratio is 40%. So that means that we can get to around \$400 million of orders. So if you can specify the time line of when can we expect these orders in? And have you also included the \$1 billion of B2S that you just mentioned in this order pipeline?
- Rajendra Velagapudi:** Yes, I think not the entire \$1 billion, what I said on the B2S is not in that one. There is only a part of that, okay? But the rest of the things are the ones which we will be getting it when we complete the various stages of the exit pipeline. So it's a little difficult to say that when are we going to close the entire thing because there are -- some will take slightly more time.
- And we're also seeing some of the things going up. I think if you look at it sometime back, we were close to around \$1.4 billion. Now it is in the range what we said just more than \$1 billion. Probably it will take some time to close those things. But usually, what we see is close to around \$400 million to \$500 million -- I mean, \$400 million to \$500 million is what we can make it as our order intake going forward.
- Nishita:** So \$400 million to \$500 million from...
- Rajendra Velagapudi:** The existing pipeline.
- Nishita:** That is the order -- sorry, \$400 million, \$500 million from the existing pipeline, when can we expect this to like inflow in our order book?
- Rajendra Velagapudi:** Sorry?
- Krishna Bodanapu:** The way I would look at it is the order backlog is like a balance sheet, right? It's at a point in time. It's not like a P&L, which would be for a period. So this \$1 billion or \$1.5 billion roughly, which is the unweighted pipeline, which the \$1.4 billion we talked about previously was also unweighted. So \$1.5 billion, which has increased is really a continuous moving thing because if we close next quarter, again, let's assume we'll close in the same range, \$60 million, \$70 million, we'll also add another X hundred million dollars into the pipeline.
- So it's a constant addition. So you can't say that the order book or the -- sorry, the pipeline is for a period. It is at a point in time. So it constantly keeps adding. So it's not that once this \$1 billion pipeline, \$1.5 billion pipeline is converted, we're exhausted.

There will be new things that will constantly be coming. So what you should really be looking for is has the order backlog grown because that indicates your future growth. And of course, has the pipeline grown because that indicates the feeder for the future order backlog...

Nishita: Right. Understood. And my last question would be on our revenue growth. So in Q1, we had quite a good growth of 35% in Q2 compared to that, we've grown 26%. So like why was the growth not at par with Q1 and Q2? And can we expect growth of around 30%, 35% for the whole year FY27?

Rajendra Velagapudi: Yes. I think probably, yes, you will be getting that much of the growth going forward, 30%, 35% growth. And for this quarter, it is lower for various reasons, not that you have everything because it's all depending upon the avail of the material and the challenges what we'll be having.

And some of the things where customer sites, there will be some delays -- so that's why it will be varying the growth percentage. It won't remain exactly same every quarter. But if you look at the H1, we are there at 30% revenue growth. And yes, if you look at for the H2, we'll definitely going above 30% growth.

Moderator: Our next question comes from the line of Sumant Kumar with Motilal Oswal. Current participant seems to have dropped from the queue. We will proceed to the next participant. Our next question comes from the line of Adityapal with MSA Capital Partners.

Adityapal: So wanted to understand over the last couple of quarters, FY26, Q3 and Q4, we had mentioned that B2S sales double digit in FY27. And if I were to understand correctly, are higher EBITDA margin products, which would take our overall EBITDA margins in FY27 higher.

And if we are investing, for example, 150, 200 basis points higher EBITDA margin, higher gross margin products should actually neutralize -- so I'm not able to connect the dots. So if you can help me understand these 2 points.

R. M. Subramanian: Yes. See, Build-to-spec division is where we are now renamed as a product -- electronic product division. So in terms of whatever investments we make and the product development life cycle, it's a slightly longer life cycle. So cost happens in one particular quarter and then obviously, you'll see the results moving in the -- getting out in the later quarter. So overall, what we will see is we will continue to invest for the long term, not only on build-to-spec prototypes, product developments, etcetera.

And the impact and the benefits will accrue more in the future. So what we have the option is to capitalize some of the costs, which we have chosen not to do it because from a pure conservatism principle, we would like to expense it, okay? That's what we've been doing, okay? So sort of matching principles may not work from that perspective, okay? So -- but we are clear that we are continuing to invest for the long term and the benefits will accrue as we move forward.

Adityapal: Understood. Last question, which is a combination of our B2, the electronic products division and the aerospace and defense. So Krishna earlier mentioned to a participant that the B2S will

start transpiring from FY30 onwards. But one of our large eVTOL customers, they've already received a lot of order book and they've already said that they will launch their product in 2028 -- 2027, 2028. So that becomes -- because that's a 9-year contract, high-margin B2S product, that becomes a large revenue stream for us.

The second part to aerospace and defense is on Honeywell. So Honeywell recently won a very large contract for the avionics suite from IndiGo for 800 Airbuses. Can I possibly say that a large part of that should accrue to us for contract manufacturing?

Rajendra Velagapudi: Yes, I think on the Honeywell side, as you said, it is basically the build-to-print. -- where we are already working with them. We have just made several of the prototypes. They are right now in the testing phase and some modifications, engineering changes are happening. That's where it has took some time to just bring it back into the serial production, okay?

And your other question on the eVTOL, yes, there is also part of that. As I said, the contracts have been signed, but it is not there in our order book. It comes once we complete the engineering design and then the prototype testing, everything is done, that's where it will happen. So whenever the production happens in FY29, that's where probably you'll be seeing the revenues coming in for us also from FY29.

Adityapal: Understood. Just one last question. So if I see the Atiun product, the Micro VCS product that we signed with Honeywell, which is where we'll be making the liquid loops. So 2-pronged question to this. One is because we'll be manufacturing liquid loops and we'll be using a precision manufacturing facility.

So intuitively, there should be a higher margin product for us. And second is this know-how because we are developing a know-how on this. Can this become a lateral capability when we expand to robotics and AI data centers?

Rajendra Velagapudi: So I think basically, I mean the program, whatever you said, that is predominantly a box build with a lot of electronics involved in that one, okay? And it is not for the liquid cooling anything, but that is entirely a different module. That is, again, a build-to print. It is not a build specification. It is completely a build-to-print program, which we are doing for the customer.

Moderator: Our next question comes from the line of Karan Sanwal with Niveshaay.

Karan Sanwal: Sir, I wanted to understand which projects are we currently working on in the B2S segment and for which client -- and how large can these projects be once they mature maybe in '28 '29 or FY30?

Rajendra Velagapudi: That's what I said earlier, the 4 programs which we are doing on the build-to-specification are product design programs right now, electronic products. So they are close to \$1 billion. And very few of the things are contract signed and a few will be contract signed once it comes to a stage. The production, as I said, I think earlier, so FY29, probably it may start. So FY30 onwards is where you will be seeing the full production happening and the ramp-up in FY30 onwards.

- Karan Sanwal:** So this \$1 billion is across how many years?
- Rajendra Velagapudi:** For a period of some 7 to 9 years. Some are the 7 years, some are the 9 years program.
- Karan Sanwal:** And how is this Altek presence helps us in scaling the export market? If you could talk about in detail like how the US defense projects via this facility may be B2S, B2P? And revenue can we expect for this part of the business?
- Rajendra Velagapudi:** Build-to-specifications, you're asking about the margins...
- Karan Sanwal:** No, I'm asking about the Altek division, which we acquired and changed the name recently. So I wanted to understand like how does it help to in the export market? And what revenue and scale-up can we expect in that company a company?
- Rajendra Velagapudi:** Yes, I think for the -- I mean business as I said, we just renamed that as Cyient DLM Electronics Inc., okay? So that business is currently doing as per our plans. And now I think there is a plan where we are working out and there are the people, the sales team on the ground, so who are looking for more of the growth coming in, in that area. So probably we'll be seeing some more traction on the revenue in that division there in US.
- Karan Sanwal:** Understood. And one last question. Currently, our revenue mix is towards the export market. So wanted to understand like the B2S opportunity that we are working on plus the upcoming B2P opportunity, would the revenue mix stay in the similar lines? Or would it change towards any of the market?
- Rajendra Velagapudi:** The revenue mix between build-to-print and build-to-spec? Geographies.
- Karan Sanwal:** The geographies I'm asking about. Currently, it's export oriented. So would it change towards the domestic market happen? Or would it continue staying towards the export market only, the overall company?
- Rajendra Velagapudi:** I think the export market will continue. But at the same time, there are also opportunities which we are working on the domestic market for some of the products for the build-to-spec. So we'll be seeing a little growth in that India market. But otherwise, the domestic -- the export market continues.
- Moderator:** Ladies and gentlemen, we will now take one last question, which will be from the line of Gaurav Shukla from Finvester.
- Gaurav Shukla:** Sir, as you said that your order book is INR28.1 billion current order book, sir, how much order book is in FY27 in 6 months and how much in FY28?
- R. M. Subramanian:** The order book, as Rajendra explained to it in terms of have an average execution period of 18 to 24 months. Each of the contracts or the orders depends on various customers. Some of them give 3 or 6 months, some of them for 12 months. So it varies across.

So we don't have the number in between individually. We don't publish the numbers of what is for each year, okay? But I think it's good to say that the overall average execution period is anywhere between 18 to 24 months...

Gaurav Shukla: Okay, sir. And sir, what concrete customer engagement of production programs are progressing in India in data center, infrastructure, semiconductor equipment, robotics and other emerging electronic apps. When could these opportunities become material to revenue?

Rajendra Velagapudi: I think for the semiconductor capital equipment, as I said, we are already working out on that and probably you'll be seeing the growth in that area. Now onwards, we'll be seeing the growth every quarter in that area. And on the AI data center and on the robotics, as I said, we just started exploring those 2 distinct sectors, which probably we have to wait for until the end of the year, so that probably will come back and share more of the news at that time where we stand and what opportunities we have and what pipeline we have in those areas.

Gaurav Shukla: Sir. In Q2, there is other income of INR23 crores. And in this Q2, there is other income of INR23 crores. So we should understand that in Q2, there will be other income or this is one-off?

R. M. Subramanian: Other income this time, obviously, it's a mix of a couple of things, okay? There are Forex variations, which also contributes to other income and a few other one-off items in terms of some export incentives also part of it, okay? So every quarter, it keeps varying...

Moderator: I would now like to hand the conference over to Mr. Krishna Bodanapu for closing comments. Over to you, sir.

Krishna Bodanapu: Thank you very much, and thank you, everybody, for participating this evening. As we said, we're very confident on where the business is headed. Backlog is strong. We're converting that to revenue. Yes, there is -- there was a little bit of a hiccup with margin for the reason that we said.

It's just that we consciously invested in both product development, which as RMS clarified is not capitalized. It's completely in the P&L. So there's no surprises in the future. And it's a full sales team that is now operating. So if nothing, just with -- as we execute the revenue from the backlog into FY28, that itself will take our margins into 10-plus percent. That's without even doing any further additional efforts.

It's just the -- and the sales team, I'm very happy to say the signs are very good. I mean, not just early signs, I think we're ready to convert some large orders from the new sales team, especially in the areas that Rajendra also talked about. So if I put all this together, I think we're in a great spot.

I think we're over some of the challenges that we had -- we're over all the challenges that we had last year. We're in a great spot, even if we just execute in steady state, which is absolutely not our intent. Our intent is to really increase the operational excellence and the conversion. But even in steady state, we're in a great shape. So I'm very excited about the business. Thank



Cyient DLM Limited
October 15, 2026

you for the support, and we will speak either during the course of the quarter, but definitely at the end of the quarter. Thank you.

Rajendra Velagapudi:

Thank you. Thank you all.

Moderator:

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