23 July 2026

BSE Limited
PJ Towers, 25th Floor,
Dalal Street,
Mumbai 400001.
Scrip Code: 543933

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

Sub: **Transcripts of Earnings Call**

Please find enclosed transcripts of earnings conference call, in connection with Q1 FY27 Financial Results held on 21 July 2026.

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

This is for your information and records.

For **Cyient DLM Limited**

S KRITHIKA Digitally signed by S KRITHIKA
Date: 2026.07.23
17:09:39 +05'30'

S. Krithika
Company Secretary & Compliance Officer

"Cyient DLM Limited
Q1 FY27 Earnings Conference Call"
July 21, 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 Q1 FY27 earnings 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 touchtone 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, Darwin. Good evening, ladies and gentlemen. I am Krishna Bodanapu, Non-Executive Chairman of Cyient DLM Limited. I welcome you to our Q1 FY27 earnings conference call. 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 subject to risks and uncertainties. A detailed disclaimer is available in the investor website section posted on our website.

The Q1 FY27 performance reinforces the message that I shared in our previous earnings call, that the underlying strength of our business remains strong and the investments we were made over the last few years are translating into tangible results. The quarter was marked by continued geopolitical uncertainties, evolving demand patterns and disruptions across global supply chains, including the ongoing developments in the Middle East that added further complexity to the operating environment.

Despite these challenges, Cyient DLM remained firmly focused on execution, customer commitment and long-term value creation. I am particularly proud of how our teams responded with proactive planning, strategic inventory build-up of critical components, alternative sourcing initiatives and close collaboration with our customers and suppliers.

These actions enabled us to maintain uninterrupted execution and consistently meet our delivery commitments, further strengthening customer trust and confidence in Cyient DLM. Our strong performance during this quarter is a testament to the resilience of our business model, the depth of our customer relationships, and most importantly, the dedication and commitment of our people who committed to deliver exceptional excellence in a challenging global environment.

One of the most encouraging aspects of our performance has been the continued momentum in order book. We closed the quarter with the highest ever order book in the company's history, providing strong revenue visibility and reaffirming customer confidence in our capabilities. Order inflow remained extremely strong during the quarter, resulting in a robust book-to-bill ratio of 1.5x. This underscores the sustained strength of demand across our target markets and reflects the success of our continued investments in customer engagement, engineering excellence and operational capabilities.

Equally encouraging is the return of growth across our key business segments. Aerospace, defence and industrial, all of which delivered healthy performance and continue to present attractive long-term opportunities. The increasing diversification of our revenue mix -- across these sectors enhances the resilience of our business and strengthens the foundation for sustainable growth.

We have also made significant progress in strengthening our commercial organization. Key leadership hiring has now been mostly completed, including the addition of Rama Alapati as the Chief Strategy and Growth Officer. This enhances our go-to-market capabilities and positions us to deepen customer engagement, expand into new opportunities and accelerate on our ambitions for growth.

While growth remains a key priority, profitable growth continues to be our primary objective. I am pleased that we now have sustained double-digit EBITDA margins for four consecutive quarters. This consistency reflects our focus on operational excellence, improving revenue quality, disciplined cost management and increasing value-added engagements with customers.

Looking ahead, we remain excited about the opportunities emerging across our target markets. Rising electronic content, supply chain diversification initiatives, increased investments across our focus sectors and the broader outsourcing trend continue to create a favourable demand environment. With our differentiated design-led manufacturing model, strong customer relationships and growing execution capabilities, we believe Cyient DLM is well-positioned to capitalize on these opportunities.

Most importantly, we have entered FY27 with strong momentum. The first quarter delivered healthy performance across revenue growth, profitability and order intake. Supported by our record order book, a strengthened leadership team and a robust business pipeline, we are confident in our ability to continue creating long-term value for our customers, employees and shareholders.

I would like to thank our customers for their continued trust, our employees for their unwavering commitment and our shareholders for your ongoing support and confidence in our vision. We remain optimistic about the opportunities before us. The foundations we have built, the capabilities we have strengthened and the momentum with which we entered FY27 gives us confidence that Cyient DLM is well-positioned for its next phase of profitable and sustainable growth.

Before I hand over the call to Rajendra, on behalf of the board, I want to thank him for beautifully turning around the business to a situation where we can now be confident in sustained growth for the future. We have an order book, we have the people and we have the customers that will support this accelerated growth.

With that, I will now like to hand over the call to Rajendra, who will take you through the business and the operational highlights in bit more detail. Thank you, Rajendra.

Rajendra Velagapudi: Thank you, Krishna. So good evening, everyone and thanks for joining us today. I will take you the next few minutes to walk you through the Q1 FY27 business updates for Cyient DLM. I will keep the discussion simple and clear and I will focus on three messages. First, the EMS market continues to offer a large and structurally attractive growth opportunity. Second, Cyient

DLM has a clearly phased strategy across strengthen, expand and transform. And third, we are seeing tangible business highlights resulting in growth of the business.

So, with that framing, let me start with the industry outlook, then move to our strategic initiatives and finally cover the key business highlights before closing. If you look at it, the electronics manufacturing services market is in a genuinely attractive phase and importantly, the opportunity ahead of us is expanding rather than maturing. Today, the global EMS market sits at roughly $625 billion to $650 billion, but the potential we are planning against is close to $1.1 trillion by 2033.

So, we are not building for the market as it exists, we are building for a market that nearly doubles over the coming decade. The blended CAGR across the market is around 6% plus and it is meaningfully higher in high reliability segments where we choose to play. That distinction matters for us. We are deliberately not chasing commodity high-volume, low-margin work. We are positioning where complexity, reliability and engineering content command a premium. Let me highlight the structural trends driving this.

First, the electronics content for product is rising across the board. More compute, more sensing, more connectivity in virtually every device. The second driver is the growth in AI and AI infrastructure. AI is creating new demand for compute infrastructure, data centre systems, power electronics, advanced hardware, networking and related supply chain ecosystems. While this market will evolve over time, it is clear that AI infrastructure will increase the need for sophisticated electronic manufacturing capabilities.

We are therefore treating this as an important area to understand, evaluate and selectively participate in where we can build a differentiated right to win. Third, the supply chains are regionalizing. The China plus one shift is redistributing manufacturing globally and that footprint realignment plays directly to supply chain resilience, which our customers now treat as a strategic priority, not an afterthought.

And the last on the semiconductor side, the chiplets, 2.5 and 3D packaging and high bandwidth memory are all raising the complexity of back-end equipment, test and assembly, exactly the kind of high-mix, high-reliability work we were built for.

Our core segments remain aerospace and defence, industrial, and our focus is also on the semiconductor capital equipment, medical and automotive with a sharp focus on power electronics. But beyond the core, we see two clear new lanes opening. The lane one is robotics, which needs high reliability subsystems, control electronics and test assemblies. Lane two is AI infrastructure and data centres where AI is generating electronics-heavy, high-complexity hardware that is genuinely well-suited to specialized EMS players like us. So, the takeaway from this slide is the core business is attractive and durable and the adjacencies give us room to grow into.

So, this naturally leads into how we intend to capture this, our long-term strategic roadmap. As we mentioned in the past, we coined it as SET, Strengthen, Expand and Transform. The first phase, strengthen, is where we are today. This is the foundation we bank on. We operate across four industries, aerospace and defence, medical, industrial and automotive with focus on EV. This is our proven core stack and it runs at margins of roughly 9% to 11%.

This is the base, reliable, established and the platform everything else is built on. The second phase, expand, covers FY27 to FY29. The strategy here is elegantly simple: same stack with two new sectors. We take the capabilities we have already proven and extend them into two new industries: robotics and AI data centre, taking us from four industries to six. Because we are leveraging the same core stack into higher value sectors, margins step up roughly to 11% to 13%. We are not reinventing our capabilities; we are pointing them at more attractive end markets.

The third phase, transform, is FY30 and beyond. This is where we build a product and platform moat. We stay across our six industries but layer in expanded B2S products and new platforms. This is the shift from being a service provider to owning product and intellectual property and that's what lifts margins to roughly 13% to 18%. So, the through line of this slide is a deliberate progression: widen the industries we serve and steadily elevate the value we deliver, moving up the margin curve at each stage.

Now let me bring this down to what we actually delivered this quarter, because strategy only matters if it shows up in execution. So, the headline is, I think as Krishna said, our order book. We recorded our highest ever order book at INR2,598 crores. That is a strong signal of demand and of confidence from our customers. Order intake for the period stood at INR551.9 crores with a healthy book-to-bill ratio of 1.5. And importantly, that was driven by both existing customers deepening their engagement and the new customers coming on board.

On customer diversification, we added two new logos during the quarter across the industrial and automotive segments. That matters because it broadens our base and reduces concentration, which is exactly the direction our strategy calls for.

On capability and capacity, we completed the expansion of our build-to-specifications lab from 6,000 square feet to 15,000 square feet, more than doubling that footprint and giving us headroom for the product platform development that underpins the transform phase mentioned earlier as part of our strategy.

And we are seeing continued momentum in our B2S product platforms with a strong order pipeline from our key customers. On quality and certifications, we completed the Nadcap audit for cable harness assembly for our Mysore unit. Nadcap is a demanding aerospace grade certification and it reinforces our credibility in the high reliability work that sits at the heart of our positioning.

So taken together, to summarize altogether, the EMS market opportunity is large and expanding and we are deliberately positioned in it for high reliability, high value segments. We have a clear staged strategy to widen our industry coverage and step up our margins over time. And this quarter results, records order book, healthy book-to-bill, new logos and expanded our lab capacity, this was a quarter of solid, tangible progress against the roadmap I just described.

So, as you have seen, we have started the FY27 with a strong momentum driven by disciplined execution and healthy demand across our key segments. The strong order intake demonstrates our readiness for future growth.

As we move forward, we will continue to expand our focus on new industry segments such as AI infrastructure, data centre technologies, robotics, which require high reliability electronics manufacturing, and we will continue to strengthen our position in build-to-specifications in highly complex and regulated industries such as aerospace and defence and healthcare.

So, thanks again for your time and for your continued confidence in Cyient DLM. With that, I will hand it over to RMS, our CFO.

R. M. Subramanian: Thank you, Rajendra for the business overview. Good evening, ladies and gentlemen. I'll now take you through the financial performance for Q1 of FY27. We are pleased to report a strong start to the year with the DLM group delivering its strongest first quarter performance today. Revenue for the quarter stood at INR3,738 million, reflecting a robust 34.3% year-on-year growth.

This growth was supported by healthy order book, improved execution momentum and continued demand across our business segments. On profitability, EBITDA increased to INR392 million, registering a strong 56.2% year-on-year growth. Importantly, our EBITDA margin improved to 10.5%, representing an expansion of 147 basis points year-on-year. This margin improvement reflects the benefits of operating leverage, better revenue mix and disciplined cost management.

Profit after tax for the quarter was INR163 million, which is more than double compared to the corresponding period last year with a 118.2% year-on-year growth. Consequently, the PAT margin improved to 4.4%, expanding by 168 basis points year-on-year. The strong PAT performance was driven by revenue growth, margin expansion and a healthier business mix.

Our order backlog also remains strong at INR25,989 million, increasing by INR1,832 million quarter-on-quarter. This represents the highest order book level achieved so far and provides a good visibility for revenue execution in coming quarters. Overall, Q1 FY27 reflects a strong operating and financial performance backed by healthy order intake, sustained revenue growth, margin expansion and a record order book.

We believe this positions us well for continued growth throughout the year. Moving to the KPI trends, we would like to share quarter-wise of our revenue, normalized EBITDA, normalized EBITDA margin and normalized PAT performance. Starting with revenue, we delivered INR3,738 million in Q1 FY27 compared to INR2,784 million in Q1 FY26, reflecting a strong year-on-year growth trajectory.

Revenue also remained ahead of the previous quarter with Q1 FY27 continuing the growth momentum seen in Q4 FY26. On normalized EBITDA, we reported INR392 million in Q1 FY27 compared to INR251 million in Q1 FY26. While EBITDA was lower sequentially compared to INR431 million in Q4 FY26, it remained significantly higher on year-on-year basis, reflecting a strong operating performance.

Our normalized EBITDA margin stood at 10.5% in Q1 FY27, improving by 147 basis points year-on-year from 9% in Q1 FY26. Importantly, we now have consistently delivered double-digit EBITDA margins for four consecutive quarters, which reflects the continued strength in our margin profile.

On profitability, normalized PAT stood at INR163 million in Q1 FY27 compared to INR75 million in Q1 FY26, meaning PAT has more than doubled year-on-year. This improvement is aligned with the strong revenue growth and improved margin profile during the quarter. Overall, Q1 FY27 started on a strong note with healthy revenue growth, sustained double-digit EBITDA margins and a significant year-on-year improvement in PAT.

Let me now take you through the key operating and working capital metrics. Starting with the order book, we continue to see strong momentum in business intake. Our order book increased steadily from INR21.3 billion in Q1 FY26 to INR26 billion in Q1 FY27, reaching the highest level in company's history.

This provides strong visibility for future revenue growth and reinforces the confidence of our customers in Cyient DLM capabilities. On inventory, our days of inventory outstanding stood at 162 days in Q1 FY27 compared to 153 days in Q4 FY26. While inventory level increased sequentially, they remain significantly lower than the levels seen during much of FY26 and are aligned with our business growth and execution requirements.

Days of payable outstanding reduced over last few quarters and stood at 63 days in Q1 FY27. This reflects normalization of our supplier payment cycles and continued strengthening of our supplier relationships. Days of sales outstanding remained broadly stable at 77 days in Q1 FY27 compared to 74 days in Q4 FY26, demonstrated continued discipline in collections despite higher business volumes.

Customer advances stood at 15 days in Q1 FY27 compared to 18 days in Q4 FY26. While advances moderated during the quarter, they continue to support our working capital profile. As a result, net working capital days stood at 161 days in Q1 FY27 compared to 145 days in Q4 FY26.

This increase was primarily driven by the movement in inventory and customer advances as we continue to support a growing order book and the future execution requirements. Overall, while working capital remained elevated during the quarter, the business continue to maintain a strong order backlog and a healthy growth trajectory, positioning us well for the future revenue conversion.

Let me now take you through the revenue mix of Q1 FY27 across industry segments, product categories and geography. From an industry perspective, aerospace and industrial continue to be the largest contributors to revenue. Aerospace accounted for 42% of Q1 FY27 revenue, while our industrial contributed 32%.

Together, these two segments form the majority of our business mix during the quarter. Aerospace and industrial also delivered strong year-on-year growth of 40% and 90% respectively. The defence segment contributed 9% of revenue and recorded 35% year-on-year growth. MedTech accounted for 16% of revenue with growth remaining broadly flat year-on-year.

Auto and others contributed the balance 1% of the revenue mix. Moving to the product category mix, PCBA continued to remain the largest contributor, accounting for 48% of Q1 FY27 revenue. The PCBA business maintained a high share and delivered 21% year-on-year growth. Box build was the second largest product category, contributing 21% of revenue but delivered strong year-on-year growth of 85%.

Mechanical and others contributed 10%, while cables accounted for 1%. The other categories also include B2S. From a geographical mix perspective, rest of the world continues to account for the major share of business of 94%, while India contributed 6%. The higher rest of the world share was driven by all our focus segments such as aerospace, medical, defence and industrial customers outside India.

Overall, the Q1 FY27 revenue profile reflects a healthy mix across key industry segments, continued strength in PCBA and box build and a strong international revenue contribution led by demand from aerospace, medical and industrial customers. Q1 FY27 was a strong quarter from a both growth and a profitability standpoint.

As explained in key highlights section earlier, our revenue increased by 34.3% year-on-year to INR3,738 million. EBITDA grew faster than revenue at 56.2%, reaching INR392 million, while EBITDA margin improved by 147 basis points to 10.5%. Employee costs increased in line with the business expansion and capability building, while other expenses remained aligned with revenue growth.

Material costs were higher due to the business mix and procurement related to B2S. Importantly, finance costs reduced by 29% year-on-year owing to lower working capital borrowings. Profit before tax more than doubled to INR222 million and PAT increased to INR163 million, representing a growth of 118% year-on-year. PAT margin improved to 4.4%, up 168 basis points from the previous year. Overall, the quarter reflects a strong operating performance, improved efficiency and healthy earnings growth.

Q1 FY27 has been an excellent start to the year with record first quarter performance across revenue, profitability and add-on backlog. Revenue grew 34%, EBITDA grew 56% and PAT more than doubled year-on-year. Our record INR26 billion order book provides strong visibility and reinforces confidence in our growth outlook.

We as a company remain focused on execution, margin improvement and converting this strong demand pipeline into sustainable shareholder value. Thank you and we look forward for your questions.

Moderator: Thank you very much. Our first question comes from the line of Gaurav Shukla with Finvestors. Please go ahead.

Gaurav Shukla: Am I audible, sir?

Moderator: You are audible, sir. You may proceed.

Gaurav Shukla: Thanks, sir, for giving me opportunity and congratulations on good set of numbers. Sir, I want to understand the effect of West Asia crisis. And in the last concall you said that Israel needs approval...

Management: Sorry, we're not able to hear the speaker very well. Could you repeat the question?

Gaurav Shukla: Yes, sir. I'm repeating. Now audible sir?

Management: Yes, better.

Gaurav Shukla: Sir, I want to understand the effect of West Asia crisis that has going on. And in the last concall, you said that Israeli's need the approvals in some business are not done. Are they happening or still not pending?

Management: Okay. Effect of West Asia crisis. And two is, we'd last time said that from Israel, we still had some orders, et cetera, pending and we've been seeing delays. How is that changing?

Rajendra Velagapudi: Okay. Hi Gaurav, this is Rajendra here. So, on the West Asia crisis, yes, I think it is still there, going on, but as earlier I think Krishna also pointed in terms of our planned execution and ensuring that we will be keeping some of the inventory for a longer run, I think those are the things really helped us to overcome the current challenges what we have in the West Asia crisis.

What we are seeing even now today is there is -- there are some delays in the logistics in terms of shipments and we are also seeing some of the costs going up due to these West Asia crisis at this point of time. But we are already well planned in terms of our execution, so we have not seen any of those challenges in Q1 and we also just put a plan together to ensure that those things won't impact much in Q2.

And to another point about the earlier the Israeli things which we are seeing, we are seeing the momentum in terms of the order intake. That's what we had good order intake we had from the Israeli customers and we see the continued momentum in Q2 and beyond also going forward.

Moderator: Thank you. Our next question comes from the line of Vipraw Srivastava with PhillipCapital. Please go ahead.

Vipraw Srivastava: Hi sir, good evening. Great set of results. Just quickly on the new entry into the data center side, AI side, just want to delve deeper there. Any discussion with the hyperscalers which is happening currently or it's at a very early stage and you know in coming quarters you'll give us more information. Any thoughts on the AI data center entry for the company?

Rajendra Velagapudi: Yes. So, I think we just started this thing. We have our sales directors on board in this quarter. I think we will be probably giving some updates in the next 1 or 2 quarters about where we are focusing and where are we today in terms of our momentum in AI and data centers.

Vipraw Srivastava: Okay, sir. That makes sense, sir. And secondly, given the West Asia crisis, which has been hampering our growth at least last year, does it have any problem now or it's fully resolved? What are your thoughts on that?

Rajendra Velagapudi: I mean, as I said just before to another question from Gaurav, I think yes, West Asia crisis is still there, it has not gone, but the planning what we have done to ensure that we will be getting some of the inventories, holding that wherever we have some challenges for some of the materials, I think that planning has really helped us for the Q1 outcome and similarly I think the Q2 also we have planned that, so we don't see much of that at this point of time.

Vipraw Srivastava: Right. And the last question from my end, the company is also venturing into the semicon side where you mentioned that you know testing and assembly -- the last end has also -- is also in high demand because of the AI play. So, any thoughts on that? What kind of product profiles you're looking to enter on the semicon side and what kind of timelines can we expect in terms of finally that coming in the P&L?

Rajendra Velagapudi: So, I think what -- I think we have already, I think, sometime back we just mentioned that we are working with a semiconductor capital equipment from some of the customers. I think we are continuing -- so we are seeing some of the robust the growth plans in that area. So, we will be continuing working towards that and where we are building some of the products for our customers in the semiconductor capital equipment. Okay, so that's what basically I mentioned in my earlier one.

Vipraw Srivastava: Just a follow-up, sir. Any thoughts on timeline? I mean, when can it materially impact the P&L? Next year, next to next year? Any thoughts on that?

Rajendra Velagapudi: No, I think we will be seeing some of the growth coming in in that area, so over the next 6 to 12 months we will be seeing more of the revenue growth which probably in turn will also give us some leverage in terms of the margins there.

Vipraw Srivastava: Yes. So, thanks a lot, sir. Thank you.

Moderator: Thank you. Our next question comes from the line of Deepak Krishnan with Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Hi sir, am I audible?

Rajendra Velagapudi: Yes.

Deepak Krishnan: Sure. Maybe just wanted to delve a bit on similar sort of questions. So, we have this expand target till FY29. Wanted to just pick your brains in terms of how do you see the overall growth CAGR for the company in this time frame, 2026 to 2029, and how much of the contribution would be from AI data center, robotics in say 2029 in terms of revenue? And where are we in terms of client approvals and how long after client approvals do things come into numbers?

Second, maybe in the transform phase when you say margins go to 13% to 18%, you know steady state what are you looking as B2S to an overall contribution to revenue and what would be the margin delta between say what we do today in B2S so that we can at least see how we bridge the gap to about 13% to 18% and then I'll come up with the follow-up question.

Rajendra Velagapudi: I think in the expand phase, so when I said about expand phase, I think some of the new things which you mentioned about the robotics and the AI data centers and infrastructure, I think that is the area where we will be focusing in FY28 and 2027 to 2029. Okay, so that will be taking some time for us to see the revenue coming in, but the order intake is where we will be seeing it in this year itself. Okay.

So, I think as I said we already have the people on board, I think so we are driving that growth in those new areas. So that will really probably give us some leverage in terms of the margin expansion there too. And coming back to your other thing on the transform side, you just mentioned, I mean, that is one of the B2S.

So, we already have our internal plans both I mean in terms of your expand stage which you earlier asked the question about what percentage of the revenue will be coming from each industries and also these new two segments. So, we already have the plan of actions in that and what will be our CAGR growth going towards for the next two years.

And also, for FY30 and beyond, the plan what we have for the B2S, the percentage of revenues coming from the B2S in FY30 and beyond. So based on that, that's where we have just arrived at the margin profile ratio of what we mentioned there, yes.

Deepak Krishnan: Sure. Any range on AI data center robotics that you could give and by FY29 what percentage? And maybe just another question, given you're a net exporter, what factors drove to an fx loss in this particular quarter if you could sort of highlight that as well? Maybe both these two questions if you could get back to?

Rajendra Velagapudi: Okay. I think as I said we are not giving that guidance how much of that growth will be coming from these new sectors. Okay. As I said, that is internal thing which we are -- which we have a plan of actions to take. So, we will probably, once we have some new customers in that area, then definitely, we will probably let you know in the next two to three quarters.

R. M. Subramanian: On forex, let me try and answer that. Last quarter, the last month was rupee appreciated a bit. So, as you know, our balance sheet is pretty exposed in terms of our business is on the export side pretty large both on exports and imports. So, the net impact is what you are seeing on the balance sheet with the respect to the last one month where the impact is seen.

Deepak Krishnan: Sure, sir. Maybe just one follow-up. Also, order book, any sort of range that you want to end the year within terms of book-to-bill ratio?

Rajendra Velagapudi: So, book-to-bill ratio will be at the same thing where we are today at 1.5x. So, we will be at that number for the year too.

Deepak Krishnan: Sure, sir. Those are my questions. I will get back on the queue. Thank you.

Moderator: Thank you. Our next question comes from the line of Shubhi Gupta with Trinetra Asset Managers. Please go ahead.

Shubhi Gupta: Hi, sir. Congratulations on the numbers. So, I wanted to understand, we see that the Med Tech segment growth is quite flat. So, I wanted to understand why is that? And also, how do we see that progress for the rest of the year?

Rajendra Velagapudi: Yes. I think the Med Tech is where we have some seasonal impact in terms of one of our customers right now, which is there. And in terms of the growth for the Med Tech, yes, I mean, we do not see any of the concern. We have the pipeline which is available right now in our sales pipeline. We already have some of the opportunities in that particular sector. So, we do not see a challenge anything in terms of the Med Tech there right now.

Shubhi Gupta: Sir, how much of the pipeline is coming from Med Tech?

Rajendra Velagapudi: Med Tech is either way I mean around the same what we have today in terms of our revenue mix, maybe around the 17% to 20% range is where we have today our sale pipeline for the Med Tech too.

Shubhi Gupta: Okay, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Balasubramanian with Arihant Capital. Please go ahead.

Balasubramanian: Good evening sir. Thank you so much for the opportunity. So, our pipeline nearly INR4,000 crores, what is the breakup in terms of vertical like aerospace, defence, industrial and MedTech. On that platform is [Inaudible 00:38:03] Lane and Lane 2.

Rajendra Velagapudi: I mean you guys are looking at the distribution of that order book or order intake you were asking or the order book you are looking at?

Balasubramanian: Sir order pipeline, sir?

Rajendra Velagapudi: So order pipeline?

Balasubramanian: We have nearly INR4,000 crores.

Rajendra Velagapudi: Order pipeline no, INR4000 is…

R. M. Subramanian: No, no. It is more than that. It is almost…

Rajendra Velagapudi: We do not mention that…

Management: Order pipeline…

Balasubramanian: It is $0.5 billion.

Management: That is the order intake.

R. M. Subramanian: I do not know where are you getting the number of order book...

Balasubramanian: No, sir. That is a future pipeline it is around $0.5 billion let's say, anywhere INR4,000 crores to INR5,000 crores range?

Rajendra Velagapudi: No, I think we have more than that order pipeline, okay? So, the number, I do not know if we did you get that one, but we have a substantially higher pipeline at this point of time. Yes. Very, very high sales pipeline.

R. M. Subramanian: And we report order book and order intake and order pipeline is obviously much ahead of it. That is something which we do not report or disclose on that number.

Balasubramanian: No, sir. Actually, I am trying to understand if we have a new growth vectors like AI and data centres and robotic side. So, I am trying to understand that point of time. If you could explain in terms of platform side, whether like the legacy businesses like aerospace, defence and industrial and Med Tech and how that Lane 1 and Lane 2. So how that things are moving up in terms of our pipeline?

Rajendra Velagapudi Yes. I think if you look at it, the various segments, what we have in aerospace defence, close to around 48% will be there in aerospace and defence, in terms of the pipelines, what we have. And close to 40%, roughly less than 40% roughly is on the industrial and semiconductor equipment side, capital equipment side. And the balance is predominantly coming from the medical industry and automotive is a small one there.

Balasubramanian: Okay, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Praveen Sahay with PL Capital.

Praveen Sahay: Thank you for the opportunity and many congratulations for a good set of numbers. My first question is related to the ROW sales because they are the 40% of the growth on the YoY side, we are seeing but there would be some element of a rupee depreciation as well. So, in the same currency terms, how was the growth there?

R. M. Subramanian: We in terms of reporting normally, we do the reporting in INR, okay. In terms of dollar growth rate. Okay. We can give the numbers separately to you in terms of we can get back to you on it.

Praveen Sahay: Okay. Second question, sir, is related to the, as you had a report, your operating cash flow is still negative. So, what is the primary reason and when do you expect the working capital to normalize?

Rajendra Velagapudi: Yes. As I explained to you earlier, the negative free cash flow is essentially coming up from higher inventory and lesser customer advances. And we have talked about it earlier as a company, we are growing, and we need to keep making sure that the growth is well set in terms of inventory because inventory is something what we need to do as a leading indicator.

We have to stock enough to make sure during this difficult time, our revenue is not impacted in any way. And we are happy to say that that is something which we have been able to achieve as you can in the results, okay? So as long as we have this growth, these investments which we need to do it. But once we have the growth and the inventory coming under control, which we are working on, the cash flow will turn positive, and that is what we are all working towards.

Praveen Sahay: Okay. Last question is regarding the B2S platform. So, when do you expect a meaningful revenue contribution from B2S product and what would be the margin compared to the EMS business?

R. M. Subramanian: So probably you will be seeing. I mean we already started having some revenues coming from them in the B2S. So, we will be seeing it substantially a good revenues from them in the next one year to 18 months. That is what we will be seeing the revenues. And in terms of margins, as you said, the overall when you just look at the combined one, you will be getting additional 250 bps to 300 bps additional margins when we have a consolidated EBITDA margin due to the B2S opportunities.

Praveen Sahay: Okay. Thank you, sir. All the best.

Moderator: Thank you. Our next question is from the line of Sameet Sinha with Macquarie.

Sameet Sinha: Yes. Thank you very much. So, in context of the strength that you saw in the first quarter, can you talk about any sense of guidance for the year? I know last time you said, did not give hard guidance but you said sequential growth. And my second question is in terms of your revenue increase sequentially but gross profit and gross margins declined. Is that a mixed issue? Is there a tariff reimbursement can you talk about that, please?

Rajendra Velagapudi: Yes. I mean in terms of the Q2 and going forward, we will be seeing a similar momentum in the range, okay? So, we do not see any of the major concern on the momentum in terms of our revenues and order intakes. And in terms of the gross margins, what you said, even though it is slightly higher and it is lower than the last quarter because of some of the investments what we have made into our organization. So, the investments are where we have already budgeted and we already kept it because that is the one thing probably which is just driving up our gross margins slightly lower.

Sameet Sinha: Got it. Thank you very much.

Moderator: Thank you. Our next question is from the line of Santhosh Seshadri with Avendus Spark. Please go ahead.

Santhosh Seshadri: Yes. Hi, good evening. Thanks for taking up my questions. So, can you walk us through in detail on your?

Moderator: Sorry to interrupt Santhosh, but your voice is slightly echoing. I request you to please use the handset mode while asking a question.

Santhosh Seshadri: Is it better now?

Moderator: This is much better. Sir, please go ahead.

Santhosh Seshadri: So, my first question is on the targets to drive margin expansion in the medium term. Can you provide us some colour on how much of the margin expansion is coming from new categories like semiconductor equipment, AI servers and robotics. And also, how much of the expansion is coming from operating leverage?

Rajendra Velagapudi: As I said earlier, in the expansion phase, we will continue to do what we are doing it. And those are the industries which we will have having a focus that is basically our core we will continue that. We'll sustain that. And the new industries like AI data centres and robotics, coupled with some of the semiconductor capital equipment. I think those are the things, which probably expand us between FY27 and '29 now, which will be giving us the margins of I mean the EBITDA margins of 11% to 13%.

R. M. Subramanian: Okay. If I may add, I think today, the margin expansion or the -- what you're seeing is essentially because of filling the hopper and the operating leverage. What Rajendra talked about is in terms of what is going to come in the future, which will be added in addition to that part.

Santhosh Seshadri: Thank you. Just a follow up on that. So what product categories are we specifically targeting within AI data centres? Because just if I look at the margins of some of the global players in the AI server segment, it's in the mid-single digits. And given that we are anchoring on some of these new segments for long-term margin expansion. So, is it just the product margin -- no product category difference that is driving up margins or do you see any inherent cost advantage for Indian players?

Rajendra Velagapudi: No, it is not an inherent cost advantage or anything. This is basically the products which we will be working out, which we're working for this AI and data centres and also the robotics, which is basically high-profile margin business. So, we have coming. So, as I said, we have -- I mean, we had the strategy and we have the strategy in place.

We have put those action items, which are those products which we will be working in these areas -- in these new sectors. And whatsoever revenues we are going to have for the next 2 years and how that margin profile is going to be. So based on that, this is what we have put in there, where we will be going to be in FY27 and FY29 and in the expand phase.

Santhosh Seshadri: Got it. And one final question. So, in terms of winning businesses in these new categories like robotics and AI. Do we -- so is it something that can be delivered with the existing capability or do we need some sort of acquired capability to gain exposure in these segments?

Rajendra Velagapudi: I think for all this, we can use our existing capabilities. And probably, we need to have some of the skill -- experienced people in some of the areas in terms of application engineering. So that's where, I think, we are working out. I mean, we have some of the people on board and some we probably will be getting the people on the board. But otherwise, the existing missionaries will be sufficient for us to execute that.

Santhosh Seshadri: Thank you very much, sir. Good luck for your execution.

Rajendra Velagapudi: Thank you.

Moderator: Thank you. Our next question is from the line of Deepak with Unifi Capital. Please go ahead.

Deepak: Hello, sir. Thank you for the opportunity and congrats to the management on a good recovery. Sir, my question is around the order inflow. Actually, this INR550 crores order inflow run rate that we saw in this quarter. I just want to understand how much is it from the existing business, which is our core business, that is aerospace, defence, medical, etcetera.

And from the new logos that you've onboarded last year, basically, I want to understand how much scale have you achieved from the sales efforts we did last year? And how much more can we juice out from the new logos addition? So that's the first question. Next thing is this INR550 crores.

Were there any lumpy one-off orders in this or this should be the new sustainable run rate for the company? And can one extrapolate this run rate for the full year? So that's the next question. And sir, thirdly, you mentioned AI data centres and robotics in your slide. So can you just give some details on what products and data centres that you're targeting or robotics that you're targeting, what capabilities that you've built in. So, I just want to hear the strategy that you guys have in place to get the business from these two new segments that you're targeting? Thanks.

Rajendra Velagapudi: Okay. I think in terms of the order intake, which we had, there was no lumpy order intake in that. That was all -- as you see from our existing customers plus the new customers. So -- and also your other question is are you going to maintain the similar things for the year. As I said earlier, so probably we'll be there at 1.5x of the book-to-bill ratio in that range for over the year also.

And the other thing which we asked about is on mix between the new segment from the existing customers versus the new customers whom we added in the last 1 or 2 years. So, if you look at that one, probably close to around 70% of that is -- where it is from our existing customers and the balance 30% is from the new customers whom we added in the last 4 equipment, at least from the last four to six quarters.

R. M. Subramanian: And I take that to extend that to a question you asked, there's a lot of opportunity still with those customers?

Rajendra Velagapudi: Yes, absolutely. There's a lot of opportunities from that existing on the new customers there. And the other thing which you asked about, I think earlier also I just mentioned about on the AI and data centres. I said we have the people on the board. We have put the strategy in place. Probably just we'll come back to you in the next two to three quarters when we will be seeing the products, which we are going to focus.

And as I said, we don't need any additional capex for that. So existing mission could be sufficient for us to execute any of those products which we are looking at. And we also, as I said, we have some people on board who will probably working with our new prospects in these areas going and talking with them. So, I think it is going to be the expansion plan from FY '27 to FY '29. So, this is what we just want to just make sure that the focus is there, that's where the growth is going to be and that's where I think you'll be seeing both the revenue growth and also margin expansion both.

Deepak: Okay. Sir, just on the order inflow run rate, you mentioned 1.5x order book to revenue. So, we are already at that rate today. So, if I assume that you're going to grow at a healthy 20%, 30% this year, your order book is already INR2,600 crores, which is more than 1.5x. So, what kind of number that we should look at in terms of order inflows for this entire, if you can help us understand that would be useful?

Rajendra Velagapudi: So, Deepak - probably, I think -- we're not giving that guidance in terms of the number right now. As I said, you'll be seeing it we'll be having 1.5x is what I will just say that we'll be there for the year. Yes. So, I think the guidance is we are not giving that where you are going to be, what the order book is going to be by the end of the financial year.

R. M. Subramanian: Deepak, RMS here, I think Rajendra talked about aspirational revenue growth rates and the book-to-bill ratio. I'm sure you're good enough to calculate.

Deepak: Okay. Thank you. All the best.

Moderator: Thank you. Our next question comes from the line of Adityapal with MSA Capital Partners. Please go ahead.

Adityapal: Hello, am I audible?

Moderator: Yes. You are audible, sir.

Adityapal: Yes. Thank you so much and congratulations on the great set of results. A question for Rajendra. So just wanted to quickly understand because if I see over the last 3 years, right, there's been a lot of defence going very fast. Then petering out and then completely vanishing from FY25 number and because of the Bell order then industrial seeing the up and down.

But part of all this aerospace is the one place where we've continuously grown over the last 3 years on a quarterly run rate, we've expanded 4x. Wanted to understand what is the strategy? How are we able to grow and maintain the space and also a large customer like Honeywell, Aerospace and Safran and Thales.

They are more and more talking about that they want to expand outsourcing from India. How are we placed on that? So, it's a bit of under what has worked and how are we placed? So, a bit of a strategic question rather than a guidance question?

Rajendra Velagapudi: I think we are as probably I just mentioned earlier, so we are very well placed on the Aerospace side. I think Honeywell, we just mentioned about some of the big work which we had won several years back. I think that is where now right now, some of the initial builds are happening. So, we'll be seeing the ramp-up coming on those things in the next 18 months.

So that's where we'll be seeing a big growth coming from the Honeywell Aerospace, so I think we had, I mean, we have a very good engagement with them at various levels. And that account and you also said about the Thales, I think both of the accounts is where we'll be seeing an extraordinary growth in this year.

R. M. Subramanian: If I may just add to that. The aerospace business is a double-edged sword. It's very, very difficult to get into. But once you are in you're in. And we are fortunate that we're pretty much in with every single major OEM or significant Tier 1 that buys any electronics. I mean, obviously, Rajendra mentioned two Thales and Honeywell, those are the large ones, but there's also many, many others.

So, I think it was a deliberate choice and now, of course, for the first few years, aerospace is always an investment but it was a deliberate choice to build a very strong aerospace business because aerospace and defence gives you a steady revenue stream on which we can build many other things.

Like look at the data centre business, the reality of that is it is up now. It will go down that's just how some of these technology-related businesses work. But aerospace, what really differentiates us a strong aerospace capability because that's a moat that's impossible to or it's very, very difficult to reach for a new entrant, and we're in the moat and we're very strongly placed in the moat. So, I think that's a very key element for us, and that's why I just want to highlight that.

Adityapal: Understood, understood. Just last question from my side, if I come back in the queue. So, one on the aerospace. So, SkyDrive has started receiving a lot of certifications from the aerospace or airplane authorities. And it is one of a large B2S pipeline. How are we, how are the discussion is going over there?

Do you think that it can fructify much sooner than expected? And second is on the entire defence spend. And this again ties to that, we are in I would say, each and every European defence at this point of time. How are we seeing that pan out?

Rajendra Velagapudi: Starting with defence spend sorry, you're asking about the defence spending…

Adityapal: Yes, so two questions. One is on SkyDrive B2S okay. And because they are getting certification much faster than expected, how because they will have to start making their aircraft. And the is there a possibility that we start booking the B2S revenues much sooner than expected on SkyDrive, if those are the discussions that's going on?

And on the defence side, specifically on the European defence because the reason, I'm asking this is that because we are, I would say, in each and every defence company in the Europe side, maybe I mean bay systems, software and Thales then we also on boarded a few other defence companies over the last four, five quarters. How are we looking that panning out? So, two questions, both on aerospace and defence?

Rajendra Velagapudi: Okay. I think the one which you mentioned about is one it's one of the Japan customer, which we mentioned earlier they're all the EAVs which we are working out with them. And as I said, we are doing it currently, the engineering designs for their products for B2S products. And that will be probably taking another year to an 18 months for us to come into the production line, okay?

So that is a one which is a probably very high and it is a long term for us, as Krishna said those are the customers once we come in and particularly if they are on the build-to-spec, I think we are the ones who will be doing it throughout the life cycle of the product, we'll be maintaining the product there, okay.

So that way, I think that is one business which we are very, very strong with that customer in Japan. And the other ones, which you said about other aerospace customers I think we continue with them. So, we are working with them the value that we provide. I think in terms of the…

Adityapal: Next, the second part is on the European defence. Aerospace I understood that Krishna and you also spoke in detail. But on the European defence, are we seeing a lot of negotiation pipeline building up on that side?

Rajendra Velagapudi: Yes, I think there is one right now, which we there is also a part of a build to spec, which we are working out with one of the European defence organization. So probably early stage at this point of time, that is there in our order pipeline. So, we are working now…

Krishna Bodanapu: Is your question specifically B2S for European defence or European…

Adityapal: Not really. It is on the demand trend.

Rajendra Velagapudi: Okay. So, on the European demand something we said I think one of the thing which you already mentioned is Thales -- so we are working on with them. There is again a defence customer. So, we continue I think we are very, very strong in terms of our engagement with them, the value of what we provide to them.

And we also have other defence customers in Europe, which probably I don't want to name it at this point of time based on the confidentiality agreement which we have with them. So, we are working on the build-to-print apart from what I said earlier is the build-to-spec even another one going on but build-to-print is continuing the momentum is still there, I think, very, very strong momentum, both in North America and Europe.

Adityapal: Understood. If I can just…

Moderator: Sorry to interrupt we request you to please. We need to…

Adityapal: This one is last, if it's possible.

Moderator: Please go ahead.

Adityapal: Yes. So, on Altek, because our strategy on MedTech is a broader strategy where we also deal with a lot of early-stage start-ups in the product side. With Altek and with ITAR, is there any probability that we can start with defence technology in North America?

Rajendra Velagapudi: Yes. That's what I think we have now one project going on right now for one of the defence customer there. We have the ITAR facility, which as we said, is the ITAR certified one. So, we are working out with a few more other U.S. defence customers there. So, it is still at the early stages of our pipeline. But we see a value there, what we can bring into our customers in U.S., the defence customers in U.S.

Moderator: Thank you. Ladies and gentlemen, we will now take one last question, which will be from the line of Anil Mehta with Equirus Securities. Please go ahead.

Anil Mehta: Yes. Hi, sir. Thank you for the opportunity and first of all very congratulations for a good set of numbers. Sir, my first question is that as we are doing an expansion phase in FY27 to FY29, particularly in the AI data centre and robotics projects, I just wanted to know in that segment, particularly in which product side that we are venturing is, [X 1:02:42] side or cooling side or power supply side that is least, if you can shed some light on that?

Secondly is that how much incremental capex, particularly for the expansion phase and from the transformation phase that we are going to spend over the next couple of years. So, if these two things you can share. Thank you so much.

Rajendra Velagapudi: Sure. I think as I said probably earlier, so I think we're still working out on that to we have the strategy in place. I think the team is in place right now. So probably we will be let you know in the next two to three quarters, where the focus, which are the product lines which we are working, going to work and which are working out in that area, both in the AI data centres and the robotics. Okay.

And the other one is the capex correct. The capex, I think, as you said, whatever we have today, closely around 1.75x to 2x of the revenue. So, we don't need any such additional capex apart from a regular annual capex, which we'll be working out for our running the business.

Anil Mehta: Sure sir. Thank you so much.

Moderator: Thank you. 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 joining the call this evening. Obviously, it's been a very good quarter. And again, I want to compliment Rajendra and his leadership team for delivering an excellent set of results. Also, I want to assure you that I think a lot of the challenges of the past have been overcome. We find ourselves in a very good position, both with the core business, which is aerospace, medical, defence and industrial, but also with some of the expansion that we're looking at, which includes semiconductor equipment, data centres, etcetera.

So, I think we find ourselves in a good spot. So, thank you for your patience. Thank you for the support. We'll again speak next quarter, but I want to assure you that we will keep our focus on delivering again continuing to deliver a good set of results going forward. Thank you.

Rajendra Velagapudi: Thank you.

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.