CYIENT DLM (CYIDLM)

CMP: ₹623 | Target ₹ 780 (25%) | Target Period: 12 months | BUY

July 22, 2026

Turning the corners, Poised for sustained growth momentum…

About the stock: Cyient DLM (CDLM) is an integrated Electronics Manufacturing Services (EMS) provider and Design-Led Manufacturing (DLM) provider. As a subsidiary of Cyient Limited, CDLM specializes in design-led manufacturing, printed circuit board assemblies (PCBA), box builds and mission-critical systems. It serves highly regulated sectors with a FY26 diversified revenue mix: aerospace & defense (48%), industrials (26%), medtech (20%), and others (7%).

Q1FY27 performance: CDLM reported strong set of results as business rebounded from negative growth trajectory to revenue being recorded at ₹373.8 crore, up 34.3% YoY (+1.3% QoQ) backed by strong growth in aerospace (~41% YoY) and industrials verticals (~87% YoY). EBITDA margins came in at 10.5% up 147 bps YoY (down 120 bps QoQ), reflecting benefits of operating leverage, better revenue mix and cost management. PAT reported at ₹16.3 crore which grew by ~119% YoY (-28% QoQ). Order book remained healthy at ~₹2598 crore with order inflows of ~₹552 crore in Q1 and book-to-bill ratio of 1.5x. Managements targets expanding into high growth verticals i.e. AI Infra, Data center, Semicon equipment & robotics.

Investment Rationale:

- Business rebounds as high base lapped and execution improves; Growth outlook strengthens: CDLM posted strong rebound in Q1 as high base effect of large defence order settles off while robust growth was especially witnessed in aerospace of ~40% YoY to ~₹157 crore (42% of revenue) & industrials: ~90% YoY to ~₹120 crore (32% of revenue). Management expects similar growth momentum to continue in FY27E, supported by a healthy order flow. Notably, ~30% of quarterly order inflows came from customers added over the last 4–6 quarters. The company is also expanding into AI data center, robotics and semiconductor capital equipment, which provides incremental structural growth opportunities while leveraging its expertise in high-reliability, engineering-intensive electronics manufacturing. Additionally, B2S is expected to scale to double digit over the next 12–18 months. We believe the difficult phase is behind and factor revenue to grow at a ~28% CAGR over FY26–28E.
- Profitability set to improve further: Double digit EBITDA margin recorded for 4 consecutive quarters which further has significant room for improvement as capacity utilisation improves, complex offerings get executed. Management has indicated for margin to improve from current 10%+ to 11-13% during FY27E-29E and ~13-18% post FY30E when complex high margin B2S products gets executed. We have increased EBITDA margins estimates for FY28E to ~12.1% (vs. earlier est. of 11.6%).

Rating and Target Price:

We believe CDLM's business has entered in multi-year strong growth phase supported by healthy order inflows, improving execution and expanding to newer segments like AI data center, robotics, semiconductor equipment. The business remains focused on high margin low volume (HMLV) products which earn better margin and have complex offerings, enabling sustainable business growth. We maintain BUY rating with TP of ₹780, valuing the stock at PE of 43x FY28E EPS.

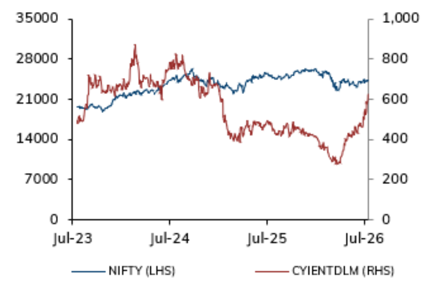
Particulars

Particuar	Amount
Market Cap (₹ crore)	4,933
Debt (FY26) - ₹ crore	172
Cash (FY26)) - ₹ crore	126
EV (Rs crore)	4,990
52 Week H/L (₹)	628/265
Equity Capital (₹ crore)	79.4
Face Value (₹)	10

Shareholding pattern

	Sept-25	Dec-25	Mar-26	June-26
Promoters	52.1	52.1	52.1	52.1
FII	2.2	0.5	0.8	0.3
DIIs	28.7	28.8	26.7	29.2
Others	16.9	18.6	20.4	18.5

Price Chart



Key risks

(i) Customer concentration.

(ii) Working capital management

(iii) Geopolitical uncertainties

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Key Financial Summary

(₹crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY25E	FY27E	FY28E	2Year CAGR
Net Sales	832	1,192	1,520	1,261	14.9	1,520	1,652	2,064	27.9
EBITDA	88	111	137	127	13.0	137	185	249	40.3
EBITDA margin	10.6	9.3	9.0	10.0		9.0	11.2	12.1	
Net Profit	32	61	68	73	32.1	68	99	145	40.8
EPS(₹)	6.0	7.7	8.6	9.2		8.6	12.5	18.3	
P/E(x)	103.8	80.7	72.6	67.5		72.6	49.8	34.1	
RoCE(%)	16.6	12.0	12.8	13.1		12.8	15.7	19.4	
RoE(%)	16.0	6.7	7.2	7.2		7.2	8.9	11.5	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- **Overall business performance**
  - CDLM marked a strong start with record order book, healthy revenue growth and sustained double-digit EBITDA margins.
  - Order book stood at a record ₹2,598 crore, while order inflow was ₹552 crore, translating into a healthy 1.5x book-to-bill ratio, which management expects to sustain through FY27.
  - Around 70% of order inflows came from existing customers, while 30% was contributed by customers added over the last 4–6 quarters, indicating successful monetisation of recent customer additions.
  - Company added two new customers were added during the quarter across the industrial and automotive segments.
- **Future Outlook on margins & growth**
  - Going ahead, management expects continued growth momentum in Q2 and the rest of FY27, supported by healthy order inflows and execution.
  - Management reiterated its long-term growth strategy centred on expanding into high-complexity segments such as AI infrastructure, robotics and semiconductor capital equipment while scaling up B2S platforms.
  - On margin front, management reiterated its long-term EBITDA margin aspiration of 11–13% during the expansion phase and 13–18% during the transformation phase.
  - Working capital remained elevated due to higher inventory maintained to mitigate geopolitical and supply-chain disruptions, while normalization is expected over time.
- **Existing business environment**
  - Aerospace and Industrial segment remained the key growth driver with YoY revenue growth of ~40% and ~90% respectively while defence segment witnessed healthy growth of ~34% YoY. However, healthcare segment remained flattish YoY (-2%).
  - Management reiterated that aerospace remains the company's strongest moat, given high qualification barriers and long product life cycles.
  - Honeywell aerospace programs are entering the production phase, with a meaningful revenue ramp-up expected over the next 18 months.
  - Strong momentum continues across Thales and other global aerospace customers.
  - B2S (Build-to-Specification) lab expanded from 6,000 sq. ft. to 15,000 sq. ft., with meaningful revenue ramp-up expected over the next 12–18 months.
  - While on the margin front, B2S is expected to contribute 250–300 bps of long-term EBITDA margin improvement.
  - Completed Nadcap certification for cable harness assembly at the Mysore facility, strengthening aerospace credentials.
- **Expanding into newer segments (AI Infra, Robotics & Semicon equipment)**
  - Management identified AI infrastructure, data centers and robotics have been identified as key long-term growth opportunities.

- Dedicated commercial leadership has been onboarded, with customer engagements underway; further details on products/customers are expected over the next 2–3 quarters.
- Semiconductor capital equipment business continues to witness healthy traction, with management expecting meaningful revenue growth over the next 6–12 months.
- Management highlighted that increasing complexity arising from chiplets, 2.5D/3D packaging and HBM is driving demand for high-reliability electronics manufacturing, an area where Cyient DLM is well positioned.

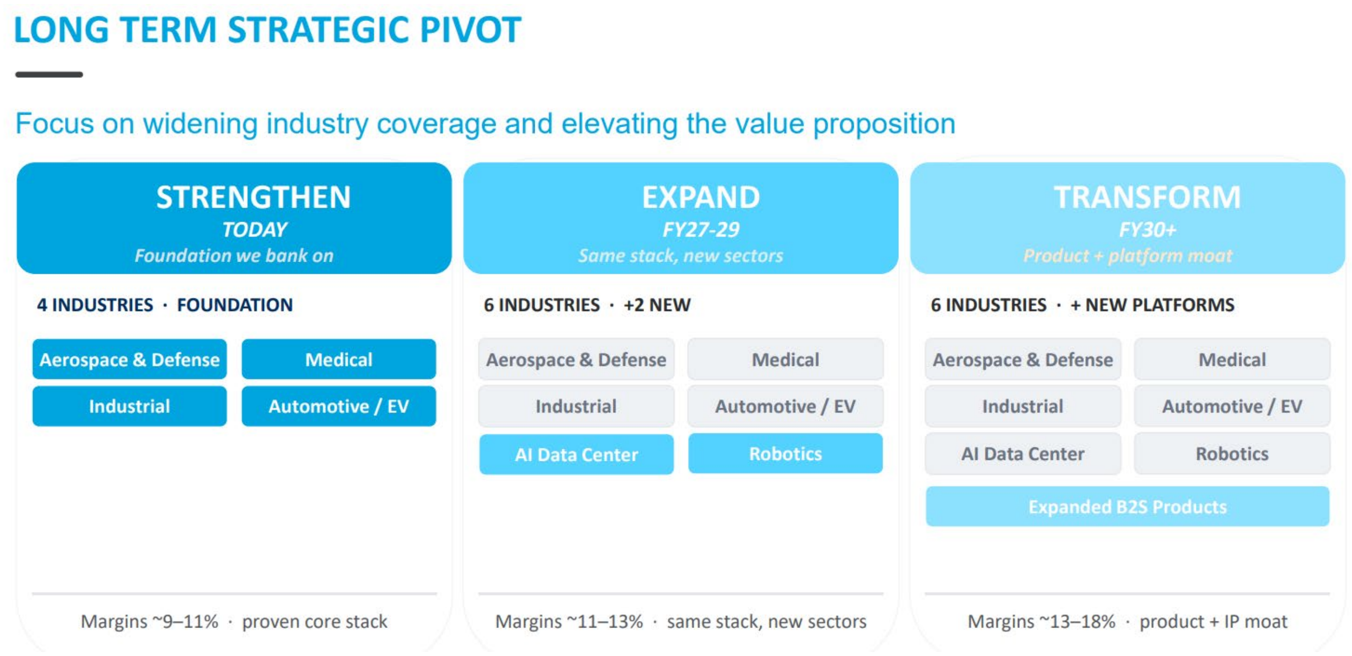
- **Others**
  - Middle East disruptions continue to impact logistics costs and shipment timelines; however, proactive inventory planning has prevented any material operational impact, and management expects limited impact in Q2.
  - Company completed Nadcap certification for cable harness assembly at the Mysore facility, further strengthening its aerospace capabilities.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY	Q4FY26	QoQ	Comments
Revenue	373.8	278.4	34%	369.1	1%	Strong growth reported across aerospace (+41% YoY), defense (+34% YoY) and industrials (+87% YoY). Healthcare segment remained flattish YoY. Further management indicated similar growth mometum for FY27 going ahead.
Other Income	0.27	4.18	-94%	5.13	-95%	
Total Income	374.1	282.6	32%	374.2	0%	
Gross profit	**141.8**	**111.9**	**27%**	**144.4**	**-2%**	
Gross margin %	**37.9**	**40.2**	**-226 bps**	**39.1**	**-117 bps**	Gross margin declined owing to geopolitical pressure
Operating Expenses	270.2	195.6	38%	268.4	1%	
Employee Expenses	64.4	57.8	12%	57.6	12%	
Total Expenses	334.6	253.4	32%	326.0	3%	Expenses well contained.
EBITDA	**39.2**	**25.0**	**56%**	**43.1**	**-9%**	
EBIDTA %	**10.5**	**9.0**	**149 bps**	**11.7**	**-120 bps**	Margins improved owing to better product mix and operating leverage.
Depreciation	11.1	10.5	5%	10.9	2%	
Finance cost	6.1	8.6	-29%	5.6	9%	
PBT	22.2	10.1	120%	31.7	-30%	
Tax	5.9	2.6	125%	9.2	-36%	
PAT	**16.3**	**7.4**	**119%**	**22.5**	**-28%**	Strong profit growth backed by robust revenue growth

Source: Company, ICICI Direct Research

Exhibit 2: Long term ambition



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**1,520**	**1,261**	**1,652**	**2,064**
% Growth	27.5	-17.0	30.9	24.9
Other income	26	36	19	20
Total Revenue	**1,546**	**1,298**	**1,671**	**2,084**
Employee Expenses	186	227	272	320
Other expenses	1,196	908	1,195	1,494
Total Operating Expenditure	1,382	1,135	1,467	1,814
Operating Profit (EBITDA)	**137**	**127**	**185**	**249**
% Growth	23.6	-7.6	45.8	35.0
Interest	38	27	23	23
PBDT	100	100	162	227
Depreciation	34	43	49	53
PBT before Exceptional Items	66	57	113	173
Total Tax	24	20	33	48
PAT before MI	**68**	**73**	**99**	**145**
% Growth	11.2	7.5	35.0	46.9
EPS	**8.6**	**9.2**	**12.5**	**18.3**

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	68	73	99	145
Depreciation	34	43	49	53
Interest	38	27	23	23
Cash Flow before WC changes	140	143	171	221
(Inc)/dec in Current Assets	-231	-103	-232	-167
Inc/(dec) in CL and Provisions	-66	15	114	104
Net CF from Operating activities	**-158**	**55**	**53**	**157**
(Purchase)/Sale of Fixed Assets	**-127**	**-41**	**-54**	**-60**
Others	34	1	-6	-2
Net CF from Investing activities	**-94**	**-41**	**-60**	**-62**
Dividend	-	-	-	-
Others	44	-167	-13	-8
Net CF from Financing Activities	**44**	**-167**	**-13**	**-8**
Net Cash flow	-208	-152	-19	88
Opening Cash/Cash Equivalent	537	288	126	68
Closing Cash/ Cash Equivalent	**288**	**126**	**68**	**121**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	79	79	79	79
Reserve and Surplus	870	933	1,032	1,177
Total Shareholders funds	949	1,012	1,111	1,256
Total Debt	301	172	182	197
Other liabilities	16	6	8	11
Total Liabilities	**1,267**	**1,190**	**1,302**	**1,465**
Gross Block	313	353	402	438
Acc: Depreciation	133	176	225	278
Net Block	180	176	177	160
Capital WIP	6	2	6	30
Total Fixed Assets	185	179	183	190
Non Curr. Assets (Incl. Intangible)	214	248	256	261
Inventory	571	647	776	850
Debtors	347	351	453	543
Other Current Assets	75	78	117	152
Cash	288	126	68	121
Total Current Assets	1,282	1,202	1,413	1,665
Current Liabilities	414	439	551	652
Net Current Assets (Ex Cash)	1,156	889	930	1,134
Total Assets	**1,267**	**1,190**	**1,302**	**1,465**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	8.6	9.2	12.5	18.3
Cash per Share	36.3	15.9	8.5	15.2
BV	119.7	127.6	140.1	158.4
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	9.0	10.0	11.2	12.1
PAT Margin	4.5	5.8	6.0	7.0
Return Ratios (%)				
RoE	7.2	7.2	8.9	11.5
RoCE	12.8	13.1	15.7	19.4
Valuation Ratios (x)				
EV / EBITDA	36.1	39.4	27.4	20.1
P/E	72.6	67.5	49.8	34.1
Market Cap / Sales	3.2	3.8	3.0	2.4
Price to Book Value	5.2	4.9	4.4	3.9
Working Capital Ratios				
Inventory Days	134.9	182.1	169.5	148.8
Debtors Days	82.0	98.8	98.8	95.1
Creditors Days	59.0	76.9	78.7	75.9
Asset turnover	4.9	3.7	4.2	4.8
Solvency Ratios (x)				
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	2.2	2.2	2.2	2.1
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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