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High backlog visibility trumps near-term operational headwinds...

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%).

Q2FY27 performance: CDLM reported mixed set of results as execution was slightly impacted by supply chain lead times, margins were on lower side while order book was strong. Revenue came in at ₹393 crore up 27% YoY, 5.2% QoQ wherein growth was mainly driven by Aerospace and Industrials segment that reported robust growth of ~61% YoY and 31% YoY to ₹185 crore (47% of business) and ₹122 crore (31% of business) respectively. Gross margin came in at 37.4% down 380 bps YoY, 53 bps QoQ while EBITDA margin was recorded at 8.7%, down 134 bps YoY and 178 bps QoQ. Margins were impacted by product development cost that was expensed and employee cost related to sales & marketing. Adj. PAT came in at ₹15.8 crore up 25.8% YoY.

Investment Rationale:

- **Order book suggests strong underlying business momentum:** Although execution was slightly modest in Q2 with topline growth of ~27%, order book suggests the company is on track to deliver ~30%+ growth for H2 and over medium term. Order book increased 8.3% QoQ at ~₹2814 crore (~2x its TTM revenue) with book-to-bill ratio of 1.6x+, suggesting strong underlying business momentum. Alongside existing core industries, the company targets expanding into high growth verticals i.e. AI & Data center Infra, semicon equipment & robotics, which provides incremental structural growth opportunities and shall support growth largely beyond FY28E. The Build-to-Spec (B2S) segment which comprised mere ~6% of revenue in FY26, has a strong order pipeline at ~\$1bn (~40% historical win rate), which is expected to support revenue growth beyond FY30E.
- **Margin dip transitory, set to steadily improve:** Margins are set to improve as business gains scale, operating leverage plays out esp. with major costs upfronted (sales and marketing costs to stay broadly constant till quarterly revenue doubles) and high margin B2S proportion increases. Management has guided for margin to improve from 9-10% to 11-13% from FY28E and 13-18% post FY30 when complex high margin B2S products gets executed

Rating and Target Price:

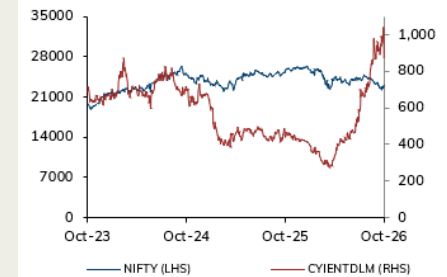
We believe Q2 was a transitory modest quarter while the business is well-poised for multi-year strong growth phase supported by healthy order inflows and expanding to newer segments like AI data center, robotics and semiconductor equipment. These segments are still at an initial stage and have multi-year growth runway. Parameters are set for the margin improvement while execution remains one of the key monitorable going ahead. Considering the strong order book on one side and modest Q2 margin on the other, we revise our estimates accordingly to arrive at the revised target price. We maintain BUY rating with TP of ₹1050, valuing the stock at PE of 60x FY28E EPS.

**Particulars**

Particular	Amount
Market Cap (₹ crore)	6,944
Debt (FY26) - ₹ crore	204
Cash (FY26) - ₹ crore	155
EV (₹ crore)	6,993
52 Week H/L (₹)	311/201
Equity Capital (₹ crore)	79.4
Face Value (₹)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Sep-26
Promoter	52.1	52.1	52.1	52.1
FII	2.2	0.5	0.8	2.4
DII	28.7	28.8	26.7	27.1
Public	16.9	18.6	20.4	18.3

Price Chart**Key risks**

- Customer concentration.
- Working capital management
- Geopolitical uncertainties

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Key Financial Summary

(₹crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	832	1,192	1,520	1,261	14.9	1,659	2,128	29.9
EBITDA	88	111	137	127	13.0	157	248	40.0
EBITDA margin	10.6	9.3	9.0	10.0		9.5	11.7	
Net Profit	32	61	68	73	32.1	87	139	37.7
EPS(₹)	6.0	7.7	8.6	9.2		11.0	17.5	
P/E(x)	145.0	112.7	101.4	94.3		79.3	49.7	
RoCE(%)	16.6	12.0	12.8	13.1		13.9	18.7	
RoE(%)	16.0	6.7	7.2	7.2		7.9	11.2	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

• Overall business performance

- Revenue increased 26.5% YoY to ₹393.1 crore in Q2FY27, supported by strong growth in aerospace and industrial segments. H1 FY27 revenue grew 30.2% YoY to ₹766.9 crore. However, material shortages, extended lead times and customer side delays curtailed quarterly growth.
- Profitability remained impacted with Gross margin and EBITDA margin declining by 380 bps YoY and 134 bps YoY respectively. This decline was due to investments in sales & marketing and minor due to quarterly revenue-mix impact. Alongside, product-development costs were expensed rather than being capitalised.
- Order book reached an all-time high of ₹2,813.7 crore, increasing by ~₹215 crore QoQ and ₹520 crore YoY. Book-to-bill ratio remained above 1.6x, supported by strong order inflows from large OEMs.
- Management highlighted an unweighted bid pipeline of ~US\$1.5bn, with a historical win ratio of around 40%. Management indicated potential order intake of US\$400–500mn from the existing pipeline over time; this is not a confirmed order commitment.

• Future Outlook on margins & growth

- Going ahead, growth momentum is expected to continue with management guiding H2FY27 revenue growth of 30%+ backed by healthy order book of ~₹2,814 crore with robust order inflows of ₹215 crore in Q2.w
- On margins front, management guided EBITDA margins to remain in the range of 9-10% with double digit margins expected from FY28 onwards.
- Management outlined a phased strategic framework of approximately 9–11% margins in the Strengthen phase, 11–13% in the Expand phase and 13–18% in the Transform phase. These are longer-term strategic margin frameworks, not near-term guidance.
- Cyient DLM is moving up the value chain with company is expanding beyond build-to-print manufacturing towards product architecture, engineering, embedded hardware and software integration, prototyping, testing and eventual volume production. Some programmes could begin generating revenue from FY29, with broader production ramp-up expected from FY30 onwards.
- Net working capital days improved sequentially to 153 days from 161 days in Q1 FY27. Inventory optimisation, collections and working-capital efficiency remain key priorities as revenue scales.

• Update on new segments (AI Infra, Robotics & Semicon equipment)

- Under AI and data centre infrastructure, company is exploring opportunities in box-build solutions, cables, power electronics and related high-reliability manufacturing applications. Commercial progress remains at an early stage.
- Semiconductor capital equipment business is expected to ramp up over coming quarters.
- On robotics front, management expects to provide greater clarity on opportunities and pipeline by the end of FY27.

Exhibit 1: Variance Analysis

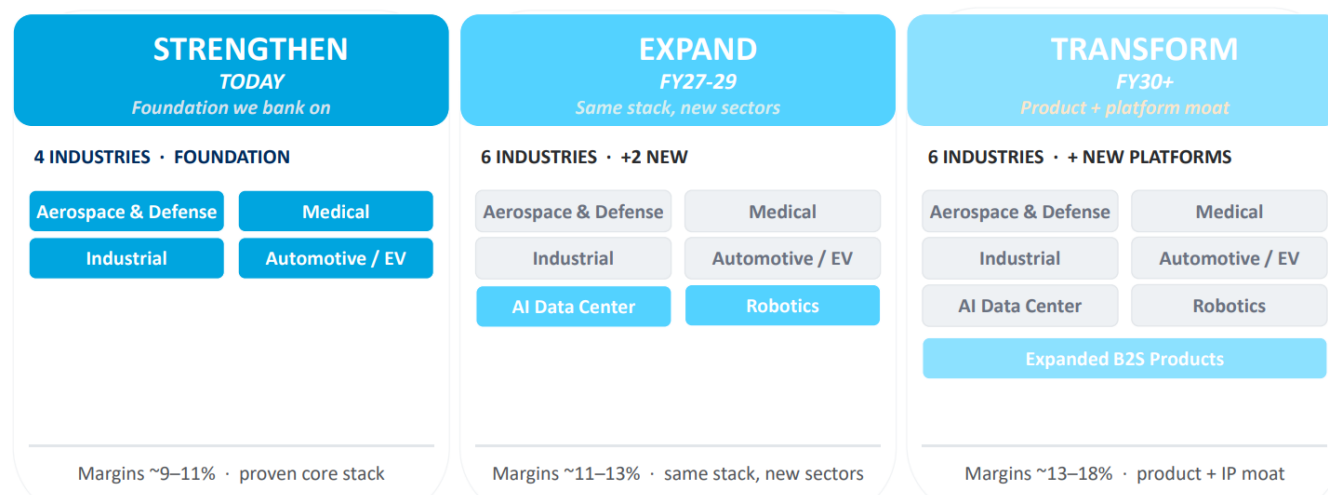
	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ (%)	Comments
Revenue	393.1	310.6	27%	373.8	5%	Revenue grew 27% YoY backed by strong growth in Aerospace (+61% YoY) & Industrials (+31% YoY). While Defence and Healthcare division grew 11% YoY each.
Other Income	22.6	22.7	0%	0.3	8434%	One time earnout reversal of ₹18.2 crore
Total Income	415.7	333.3	25%	374.1	11%	
Gross profit	147.1	128.0	15%	141.8	4%	
Gross margin %	37.4	41.2	-369 bps	37.9	-87 bps	Gross margins declined owing to one-off revenue mix impact and purchases towards product development.
Operating Exp.	291.0	226.5	28%	270.2	8%	
Employee Exp.	67.9	52.9	28%	64.4	5%	Employee cost increased owing to investment in sales, strategy and capabilities
Total Exp.	358.9	279.4	28%	334.6	7%	
EBITDA	34.2	31.2	9.7%	39.2	-12.7%	
EBIDTA %	8.7	10.0	-134 bps	10.5	-179 bps	Margins subdued owing to increased employee cost and purchases towards product development.
Depreciation	11.4	10.6	8%	11.1	2%	
Finance cost	6.1	6.8	-10%	6.1	0%	
PBT	39.3	36.4	8%	22.2	77%	
Tax	5.3	4.3	22%	5.9	-11%	
Adj. PAT	15.8	12.6	25%	16.3	-3%	Excluding one off income of ₹18.2 crore

Source: Company, ICICI Direct Research

Exhibit 2: Long term ambition

LONG TERM STRATEGIC PIVOT

Focus on widening industry coverage and elevating the value proposition



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	1,659	2,128
% Growth	27.5	-17.0	31.5	28.3
Other income	26	36	33	20
Total Revenue	1,546	1,298	1,692	2,148
Raw material expenses	1,108	752	1,037	1,319
Employee Expenses	186	227	282	332
Other expenses	88	156	183	228
Total Operating Expenditure	1,382	1,135	1,502	1,879
Operating Profit (EBITDA)	137	127	157	248
% Growth	23.6	-7.6	23.9	58.2
Interest	38	27	26	27
PBDT	100	100	131	221
Depreciation	34	43	48	56
PBT before Exceptional Items	66	57	83	165
Total Tax	24	20	29	46
PAT before MI	68	73	87	139
Adjusted PAT	68	73	87	139
% Growth	11.2	7.5	18.8	59.6
EPS	8.6	9.2	11.0	17.5

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	68	73	87	139
Depreciation	34	43	48	56
Interest	38	27	26	27
Cash Flow before WC changes	140	143	161	222
(Inc)/dec in Current Assets	-207	-106	-283	-254
Inc/(dec) in CL and Provisions	-66	15	117	112
Net CF from Operating activities	-134	52	-6	80
(Purchase)/Sale of Fixed Assets	-127	-41	-52	-59
Others	-31	-6	17	-2
Net CF from Investing activities	-159	-47	-34	-60
Dividend	-	-	-	-
Others	44	-167	21	-12
Net CF from Financing Activities	44	-167	21	-12
Net Cash flow	-249	-162	-19	8
Opening Cash/Cash Equivalent	537	288	126	107
Closing Cash/ Cash Equivalent	288	126	107	114

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	1,020	1,159
Total Shareholders funds	949	1,012	1,099	1,238
Minority Interest	-	-	-	-
Total Debt	301	172	219	234
Other liabilities	16	6	7	10
Total Liabilities	1,267	1,190	1,325	1,481
Gross Block	313	353	402	462
Acc: Depreciation	133	176	225	281
Net Block	180	176	178	182
Capital WIP	6	2	6	6
Total Fixed Assets	185	179	184	188
Non Curr. Assets (Incl. Intangible)	214	248	231	234
Inventory	571	647	810	932
Debtors	347	351	432	525
Other Current Assets	75	78	117	152
Cash	288	126	107	114
Total Current Assets	1,282	1,202	1,465	1,724
Current Liabilities	414	439	554	664
Net Current Assets (Ex Cash)	1,156	889	1,017	1,174
Total Assets	1,267	1,190	1,325	1,481

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
EPS	8.6	9.2	11.0	17.5
Cash per Share	36.3	15.9	13.4	14.4
BV	119.7	127.6	138.6	156.1
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	9.0	10.0	9.5	11.7
PAT Margin	4.5	5.8	5.2	6.5
Return Ratios (%)				
RoE	7.2	7.2	7.9	11.2
RoCE	12.8	13.1	13.9	18.7
Valuation Ratios (x)				
EV / EBITDA	50.4	54.8	44.7	28.3
P/E	101.4	94.3	79.3	49.7
Market Cap / Sales	4.5	5.3	4.1	3.2
Price to Book Value	7.3	6.8	6.3	5.6
Working Capital Ratios				
Inventory Days	134.9	182.1	174.7	158.5
Debtors Days	82.0	98.8	93.1	89.2
Creditors Days	59.0	76.9	79.7	76.8
Asset turnover	4.9	3.7	4.2	4.6
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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