Operator: Good day and welcome to the Cyient DLM Ltd. Q2 FY27 results conference call. As a reminder, all participant lines will be in 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 the operator by pressing star and 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 Ltd. Thank you, and over to you, sir.

Krishna Bodanapu - Non-Executive Chairman: Thank you very much, Arvind, and good evening, ladies and gentlemen. I am Krishna Bodanapu, Non-Executive Chairman of Cyient DLM Ltd. It is my pleasure to welcome you to our Q2 FY27 earnings call. Joining me today are our Managing Director and CEO, Mr. Rajendra Velagapudi, and our CFO, Mr. R.M. Subramanyam. 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 R.M.S. will talk about the details, I am happy to note that the headline number is that the order backlog now stands at 2,813 crores, on top of which there is a pipeline in excess of a billion dollars. I am 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 six continuous quarters. During Q2, our book-to-bill ratio remained above 1.6 times, 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 continued supply chain shortages, longer lead times, and geopolitical uncertainties, especially those driven by what is happening in the memory market.

This has resulted in revenue growth of more than 26% year-on-year during the quarter, which is broadly in line with our expectations. Encouragingly, we are seeing positive growth across all key segments. Aerospace and industrial continue 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 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: 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 are important to building a stronger and more scalable business. These

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investments are in two dimensions. One is the investment we have made in our go-to-market organization, sales, marketing, and so on, which leads to a better pipeline, better backlog, and, eventually, better margins and growth, which we are starting to see. The second investment is in our B2S, or 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 years. Both are very good investments, and I am happy to say that they are starting to show some very good results—for example, sales in terms of the order book, or B2M in terms of the number of B2M contracts that we are bidding for and have won.

As we continue to focus on growth, our focus firmly remains on profitable growth, operating leverage, and sustainable improvement in margins over the 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. With our differentiated design-led manufacturing model, which is unique to Cyient DLM, our strong customer relationships, and 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 our record order book and robust business pipeline, which provide greater visibility as we enter the second half of the year. I am confident that we will see this momentum sustained through the rest of the year and into the 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 and 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. Thank you.

Rajendra Velagapudi – MD & CEO: Thank you, Krishna. Good afternoon, everyone, and thank you for joining Cyient DLM's Q2 FY27 investor call. 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 dollars. 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.

If we look at it further, there are three structural tailwinds that are expanding Cyient DLM's addressable market. The first tailwind is rising demand for AI and data center infrastructure. The second is semiconductor capital equipment, and the third tailwind is robotics and the growing

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electronics content in all these three areas. Against this backdrop, we estimate an addressable EMS opportunity of approximately {? 158 billion dollars ?} in AI and data center infrastructure. 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.

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 three phases: strengthen, expand, and transform. 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 four core industries—

Rajendra Velagapudi - MD & CEO: Aerospace and defense, medical, industrial, and automotive focused on electric vehicles. These markets form our foundation and are supported by a proven core stack. The margin framework for this stage is approximately 9-11%.

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 centers as key growth areas and sharpening our focus on semiconductor capital equipment alongside our existing core industries. Our approach is disciplined: we enter adjacencies where customer requirements align with our engineering, manufacturing, quality, and supply chain strengths. As the business mix evolves and scale improves, the margin framework for this stage is approximately 11-13%. 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 onwards, 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 built-to-specification products. Here, I would like to elaborate on built-to-specification products, a key strategic priority for us. We recently renamed this offering as electronic products to reflect the broader value we now provide across the product lifecycle. Beyond manufacturing, our capabilities span product architecture, detailed engineering, embedded hardware and software integration, prototyping, testing, qualification, industrialization, and transition to volume production. We are pursuing several multi-million-dollar opportunities in this area, demonstrating both our capabilities and customer relevance.

As these programs progress from development and qualification to scaled 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 13-18%, reflecting a growing contribution from products, platforms, and intellectual property-led differentiation. Our objective is to move

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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 stated earlier.

Even as we invest for the future and support the growing scale of our business in both built-to-print and electronic products, we remain committed to disciplined execution and operational efficiency. Based on the planned investments and the timing of our growth initiatives, we expect margins to 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 1.6 times. This is 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 continued traction in defense and MedTech. In H1, revenue grew 30% year-on-year. At the same time, the product mix is shifting toward higher-value integration.

Box-build revenue increased 86% year-on-year. This is strategically important because it reflects our progression beyond component-level manufacturing toward 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 Altech Electronics and renamed the business as Cyient DLM Electronics Inc. This expands our global footprint and enhances our ability to serve customers across geographies.

Finally, we are investing in the next engines of growth, as stated earlier: AI and data center infrastructure, robotics, and semiconductor capital equipment, while continuing to strengthen our built-to-specification and electronic 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 roadmap 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 demonstrate 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 expansion over time. Thank you for your time and continued interest in Cyient DLM. Now I will hand it over to Arun Subramaniam, our

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CFO.

Arun Subramaniam – CFO: 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 revenue of INR 3,931 million, representing strong growth of 26.5% year-on-year and reflecting the continued momentum in the business. Our order book reached an all-time high of INR 28.1 billion, increasing by approximately INR 2.1 billion sequentially. This provides us with a healthy foundation for growth going forward.

At the operating level, EBITDA for the quarter was INR 342 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 INR 158 million, broadly keeping pace with our revenue growth, while the normalized PAT margin remained stable at 4%. Reported PAT for the quarter was INR 340 million. The difference between normalized and reported PAT reflects the one-time reversal of the earn-out provision of INR 182 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 stronger operating performance and improving margins 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, with revenue reaching INR 3,931 million in Q2 FY27, compared with INR 3,106 million in Q2 last year, representing growth of 26.5% year-on-year. On profitability, EBITDA for the quarter was INR 342 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 INR 158 million, growing 25.8% year-on-year, broadly in line with revenue growth. Reported PAT was INR 340 million, which includes the one-time benefit of INR 182 million from the earn-out reversal. Excluding this one-off, normalized PAT stands at INR 158 million. As we look at the overall trend, we continue to see strong revenue momentum and healthy underlying earnings growth while making the necessary investments to build capabilities and support sustained 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 reached an all-time high of INR 28.1 billion at the end of Q2 FY27, compared to INR 26 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 position. Customer advances were equivalent to 13 days, compared with 15 days in the previous quarter. Overall, the sequential improvement in working capital, together with disciplined execution, helped generate operating free cash flow of INR 172 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,

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followed by industrial at 31%. These two segments delivered strong year-on-year growth of 62% and 29%, respectively. Defense contributed 7% of revenue, with 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 have seen 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 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, an 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 INR 3,931 million, reflecting strong growth momentum in the business. EBITDA stood at INR 342 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 two factors. First, we saw an impact from the revenue mix and certain product development-related costs. Second, employee costs increased as we continued to invest in sales, strategy, and new growth areas to support future growth. Below EBITDA, finance costs declined by 10.4% year-on-year to INR 61 million, supported by lower working capital borrowing. Reported profit before tax was INR 393 million and reported PAT was INR 340 million. It is important, however, to look at profitability on a normalized basis. Other income during the quarter includes a one-time earn-out reversal of INR 182 million. Excluding this, our normalized PAT was INR 158 million, representing strong growth of 25.8% year-on-year, with the normalized PAT margin remaining stable at 4%. While we have seen some near-term impact at the EBITDA margin level, underlying earnings growth remains healthy and broadly in line with our revenue growth. Our focus remains on sustaining growth while driving greater operational leverage and margin improvement as the business scales.

As we complete our half year through FY27, let me now summarize our performance for the first half of FY27. We delivered revenue of INR 7,669 million, representing growth of 30.2% year-on-year, supported by healthy business momentum and a strong order book. EBITDA for the first half was INR 733 million, growing 30.4% year-on-year, broadly in line with revenue growth. Importantly, despite the 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 INR 321 million, with the normalized PAT margin improving by 79 basis points to 4.2%. Reported PAT for H1 stood at INR 503 million, up 25%.

Arun Subramaniam – CFO: The difference between reported and normalized PAT reflects the INR 183 million one-time non-audit reversal recorded during the second quarter. Our order book stands at an all-time high of INR 28.1 billion, an increase of approximately INR 5.2 billion compared with the same period last year, providing good visibility as we move into the second half. Overall, H1 reflects strong and broad-based financial progress, with revenue and EBITDA growing around 30%, normalized earnings growing significantly faster, and the record order book supporting our growth trajectory.

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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 EBITDA margins 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, underlying profitability remains strong, with normalized PAT growing at 60% year-on-year and the normalized PAT margin improving by 79 basis points to 4.2%.

To conclude, Q2 and H1 have been strong for us, with 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 us move to the question-and-answer session now.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question comes from the line of Bala Subramanian with Arihant Capital. Please go ahead.

Bala Subramanian – Arihant Capital: Good evening, sir. Thank you very much for the opportunity. My first question is regarding the margin impact due to the one-off, revenue mix, and product development spend. How much did it impact Q2, especially in terms of product development spend? What is the annual product development budget over the next 2-3 years? Are we capitalizing this, or are we expensing it?

Subramanyam: This is Subramanyam here. In terms of the margin impact, we explained the reasons for that. I would like to clarify that it is a margin investment in terms of what we have done, which is in the range of 100-150 basis points. As a policy, today we are not capitalizing any of the costs that we are incurring. Some of these costs are forward-looking in terms of employee costs for sales and building the sales engine, as well as product development costs in terms of prototypes, and so on. All of them are being expensed, and that is why you are seeing the impact on the margins. However, we see these as positive investments that should yield results as we move forward.

Bala Subramanian – Arihant Capital: Is there an annual product development budget? If there is a number in terms of sales, what would be the average?

Subramanyam: We would not like to get into the individual product development spend, but that is part of our business, which Rajendra discussed in terms of the electronic product division. As we continue moving forward and identify opportunities, we will keep investing on a healthy basis, but we do not want to provide a number for what we will be spending. This depends on the opportunities available in the market and what we can do.

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Bala Subramanian – Arihant Capital: Sir, you mentioned the new growth engines such as AI, data centers, semiconductors, and robotics. What work are we doing in those areas right now? How do you view those growth engines over the next 3–5 years? In particular, you mentioned that the focus will be different after FY30.

Subramanyam: As I said earlier, if you look at the new growth areas—AI and data center infrastructure, robotics, and semiconductor capital equipment—we are already present in semiconductor capital equipment and are working in that area right now. In the other two areas, as I said earlier, we have just started exploring them, and it may take some time for us to arrive at a number there. That is why we will come back and provide an update on those areas probably by the end of this financial year.

Bala Subramanian – Arihant Capital: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Santosh Seshadri with Avendus Spark. Please go ahead.

Santosh Seshadri – Avendus Spark: Good evening, sir. Thank you for taking my question. I want to follow up on the margin part of the question. Could you help us quantify how much of this impact was due to one-off product development costs and how much was due to the underlying revenue mix change? Also, to get some insight into what is driving the revenue mix change, is it the shift between PCBA and box-build, or the shift from BTS to BTP that you are discussing? The second part of the question is, as you continue to grow the business, how should we think about the instances of these product development costs occurring again?

Management: What we are seeing is a mix of various factors in terms of the revenue and product mix, as well as some investments into the future in terms of our costs. We definitely see this leading to a return to the margin levels that we would like to achieve. From a pure revenue product mix perspective, as you know, we are in a high-mix, low-volume business, and there will be small movements. The revenue mix is not static. However, as we continue moving forward, we are confident that, in terms of overall margins, we should return to our targeted levels.

Santosh Seshadri – Avendus Spark: If I missed it earlier, what would be the margin guidance for FY27?

Management: For FY27, as I said earlier, we will be at a high single-digit number, perhaps close to around 9% EBITDA margin. If you look at Q1, the investments we are making and some of the one-offs that we have seen will not recur from Q1 onwards, and we will have double-digit EBITDA margins going forward.

Santosh Seshadri – Avendus Spark: Thank you. Lastly, regarding the timeline for executing the order book, what would be the typical timeline for converting these orders into revenues? Also, for some of your new programs, such as semiconductor programs, when do you expect them to contribute to revenue? Is it fair to say that we should start seeing meaningful revenue from Q3 or Q4 onwards? Could you also help us quantify the run rate from some of these new programs?

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Management: If you look at our order book, it usually covers 18-24 months. Very few orders extend beyond that two-year period. Otherwise, most of our order book covers 18-24 months. Coming back to semiconductor capital equipment, we have already started working on it, and you have seen revenues from that area in the last 2 quarters. That is where we will probably see a ramp-up going forward in that particular industry.

Santosh Seshadri - Avendus Spark: Thank you very much, sir.

Operator: Thank you. Our next question comes from the line of Shashank Jha with SB Capital. Please go ahead. Shashank, your line has been unmuted. You may proceed with your question.

Shashank Jha - SB Capital: My question is regarding the EBITDA margin. You said that it will be around 9% for FY27. Have I understood that correctly?

Management: Yes, more or less, in that range. It will be in the 9-10% range. That is our current guidance.

Shashank Jha - SB Capital: Your order book is growing rapidly, but your revenue is not growing at the same rate. Is this due to external factors, or are the order book deliveries phased over a period of one year or something similar?

Management: If you look at the challenges we have, they are due to the difficulties in obtaining materials. That is where the challenge is right now. For the order book we have, we need to release the purchase orders, which we have done. Obtaining the material is what is taking time. That is why, as I said, the 18-24-month period is when we will close this existing order book.

Shashank Jha - SB Capital: Thank you. You also mentioned that the bid pipeline exceeds 1 billion dollars. What conversion ratio can we expect?

Management: The conversion usually happens based on the OA conversions we are seeing now. That is where we are seeing the conversions. The book-to-bill ratio is 1.6 times. If you look at what we had in the last quarter and this quarter, it was more than 600 crores. That is what we will probably expect for the next 2 quarters as well.

Shashank Jha - SB Capital: No, sir, I was asking about something else. You said that you have a bid pipeline of 1 billion dollars. What do you expect to win out of that?

Management: You are asking about the percentage win rate? Usually, by the time the process is closed, if you look at our past history, our win ratio is close to around 40%. Based on that, and considering that some of the opportunities are still at the initial stage of lead generation and qualification, we will probably reach close to a 40% win ratio.

Shashank Jha - SB Capital: Regarding the EBITDA margin for FY28, will it be in double digits?

Management: It will be in double digits from FY28 onwards. From FY28 onwards, it will be there in double digits. For this year, I said it would be 9-10%.

Shashank Jha - SB Capital: Understood. Thank you.

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Operator: Thank you. Our next question comes from the line of Meeth Jain with Systematic Asset Management. Please go ahead. Meeth, your line has been unmuted. You may proceed with your question. As we are 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. Please go ahead.

Umang Gada – Avener Investment Management: Hello, am I audible?

Operator: Yes, you are audible, sir.

Umang Gada – Avener Investment Management: Thank you for the opportunity. I am sorry to return to the margin issue. We are expecting a margin squeeze of around 1 percentage point this year compared with {? 26 ?}, and you mentioned that it is due to product development costs and the revenue mix. Could you clarify in a little more detail whether this is because of a change in the nature of the services mix, such as PCBA versus box-build, or because of a change in the industry mix in revenue, which is resulting in the margin squeeze?

Management: What we said earlier applies to this quarter, where we mentioned the revenue mix. However, if you compare FY26 with FY27, the main reason for the reduction is the investments we are making in sales and marketing. That is what I said earlier: BTP and BTS are future investments that we are making for future growth.

Management: If I may qualify that, if you look at our gross margin or contribution margin, both of which reflect the quality of the business, they are significantly higher in FY27 year-to-date than they were in FY26. To clarify, there was some revenue mix impact in this quarter. However, even this quarter, compared with the same quarter last year, our contribution margin is still higher. Therefore, it is not fundamentally a revenue mix issue. Revenue mix changes will always occur. I think that was mentioned only in the context of this quarter.

The reason why margins are lower is twofold. First, we have invested quite significantly in sales and marketing, all of which is now in the P&L, in SG&A, S&M, or G&A. All the costs associated with sales and marketing are there, which is obviously depressing the margins to some extent. Second, we continue to invest in product development, which is not capitalized. The product development effort has also been going on for some time; it is not something we started only this quarter.

Therefore, the net reason for the decline in margins by approximately 100 basis points is that all the sales and marketing costs have been accounted for. We will not add any more sales and marketing costs until we at least double our quarterly revenue. That is the issue. The—

Management: The constant-time issue is that we are fully loaded. We have added a number of salespeople, a number of bid people, and a number of marketing costs, among other things. We also added a chief growth officer in {? Rama ?}, among others. The full benefit of this investment has not yet been absorbed because, if you look at last year, we would have generated similar revenue without any of those costs. That represents almost 150-200 basis points. I want to clarify that it is not a one-off issue. There was a one-off element, but there will always be an ongoing impact because we are investing in sales and marketing and in product development.

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Umang Gada – Avener Investment Management: Understood. If I extrapolate this, when you say that from FY28 onwards we will have an approximately 11% margin, which is an increase from the close to 9% that we are expecting this year, do you mean that the intensity of investments will become lower, or that the resultant outcome will become higher and lead to margin expansion of approximately 200 basis points? Will this investment intensity also become lower from Q3 or Q4 onwards?

Management: That is what I said to Krishna. The sales and marketing costs that have been incurred have already been incurred, and there will not be any future investment in that area. Once revenues grow in FY28, when you see the FY28 growth curve, the growth we are currently seeing will continue in FY28. With that growth coming in, and with the resulting absorption, we will see EBITDA margins increase.

Umang Gada – Avener Investment Management: Understood. I have one last question. A couple of weeks ago, there was an interview published in the newspaper stating that we have a 1-billion-dollar order book executable over the next 7 years, representing a design-led order book. I did not quite understand what that means or where it is accounted for. Could you shed some light on this?

Management: That is predominantly related to our B2S technology, which is the electronic products that we are developing for certain customer programs. There are 4 major programs that we are currently working on. If you look at it, some of the work we are doing is already covered by contracts signed with customers. We said that the revenue from that share will start coming in by FY30. All 4 programs currently represent close to 1 billion dollars, but they are not currently included in our order book. Once we materialize them, our order book will increase at that time.

Umang Gada – Avener Investment Management: So you are saying that you have visibility of the order book, but it has not yet translated into the order book? It will come at a later stage when it is properly materialized?

Management: Exactly. However, we know what the volumes will be and what the value of the contracts will be. That is why I said it is 1 billion dollars.

Umang Gada – Avener Investment Management: So the business is at a stage where you are in negotiations, and the business is bound to come to you, if I am understanding that correctly?

Management: We are already working on those programs. Our electronic product team is already completing the designs. Some of the products have reached the testing stage at a customer location, and internal testing is also taking place. The programs will enter production from FY30 onwards.

Umang Gada – Avener Investment Management: Understood. Thank you for answering my questions.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, in order that management is able to address questions from all participants in the queue, you are requested to restrict yourself to 2 questions only. If you have further questions, you may rejoin the queue. Our next question comes from the line of Nishita

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with Sapphire Capital. Please go ahead.

Nishita – Sapphire Capital: Thank you for taking my question. You mentioned that we have a 1-billion-dollar order book pipeline and that our win ratio is 40%. I was wondering whether that means close to 400 million dollars of orders. Could you specify the timeline for when we can expect these orders to come in? Have you also included the 1 billion dollars of B2S that you just mentioned in this order pipeline?

Management: Not the entire 1 billion dollars related to B2S that I mentioned is included in that figure; only a part of it is included. The rest consists of opportunities that we will receive as we complete the various stages of the pipeline. It is slightly difficult to say when we will close the entire pipeline because some opportunities take more time, and we are also seeing some new opportunities being added. If you look at it, some time ago we were close to 1.4 billion dollars, and now it is in the range we mentioned, just over 1 billion dollars. It will probably take some time to close those opportunities, but usually we see approximately 400-500 million dollars as the order intake that we can achieve going forward.

Management: Nishita, the way I would look at it is that the order backlog is like a balance sheet. It is a point-in-time figure. It is not like a P&L, which represents a period. This billion dollars or approximately 1.5 billion dollars, which is the unweighted pipeline—the 1.4 billion dollars we discussed previously was also unweighted, and it has increased to 1.5 billion dollars—is a continuously moving figure. If we close, for example, 60-70 million dollars next quarter, we will also add another several hundred million dollars to the pipeline. It is a constant addition. Therefore, you cannot say that the pipeline is for a specific period; it is a point-in-time figure. It constantly keeps expanding, so it is not that once this 1-billion-dollar or 1.5-billion-dollar pipeline is converted, we will be exhausted. New opportunities will constantly come in. What you should really look for is whether the order backlog has grown, because that indicates your future growth. You should also look at whether the pipeline has grown, because that indicates the feeder for the future order backlog.

Nishita – Sapphire Capital: Understood. My last question is on revenue growth. In Q1, we had quite strong growth of 35%, whereas in Q2, compared with that, we grew only 26%. Why was growth not at the same level as Q1 in Q2? Can we expect growth of around 30-35% for the full year FY27?

Management: Yes, you will probably see that level of growth going forward—30-35%. Growth in this quarter was lower for various reasons. It depends on the availability of material and the challenges we face, and there were also some delays on the customer side. Therefore, the growth percentage will vary; it will not be exactly the same every quarter. However, if you look at H1, we are at 30% revenue growth, and for H2, we will definitely grow above 30%.

Nishita – Sapphire Capital: Perfect. Thank you very much.

Management: Thank you.

Operator: Thank you. Our next question comes from the line of Sumant Kumar with Motilal Oswal. Please go ahead. Sumant Kumar, your line has been unmuted. You may proceed with your question. The current participant appears to have dropped from the queue. We will proceed to the next

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participant. Our next question comes from the line of Aditya Pal with MK Capital Partners. Please go ahead.

Aditya Pal – MK Capital Partners: Am I audible?

Operator: Yes, you are audible.

Aditya Pal – MK Capital Partners: Thank you very much. I wanted to quickly understand something. Over the last couple of quarters, in Q3 and Q4 of FY26, you mentioned that B2S sales contribution should be in double digits in FY27. If I understand correctly, these are higher-EBITDA-margin products that would take our overall EBITDA margin higher in FY27. If we are investing, for example, 150-200 basis points, these higher-EBITDA-margin and higher-gross-margin products should neutralize that investment. I am not able to connect the two points. Could you help me understand them?

Management: The B2S division has now been renamed the electronic product division. In terms of the investments we make in the product development lifecycle, these products have slightly longer lifecycles. Therefore, the cost occurs in one particular quarter, and we see the results in later quarters. Overall, you will see that we continue to invest for the long term, not only in B2S prototypes and product development, but also in other areas, and the impact and benefits will accrue more in the future. We have the option to capitalize some of these costs, but we have chosen not to do so because, based purely on the principle of conservatism, we would like to expense them. That is what we have been doing. Therefore, the matching principle may not work from that perspective. However, we are clear that we will continue to invest for the long term and that the benefits will accrue as we move forward.

Aditya Pal – MK Capital Partners: Understood. My last question is a combination of the electronic products division and aerospace and defense. Krishna earlier mentioned to a participant that B2S will start materializing from FY30 onwards. However, one of our large eVTOL customers has already received a significant order book and has stated that it will launch its product in 2027-2028. That becomes a large revenue stream for us because it is a 9-year contract and a high-margin B2S product. The second part relates to Honeywell. Honeywell recently won a very large contract for its avionics suite for IndiGo involving 800 Airbuses. Can I reasonably say that a large part of that should accrue to us through contract manufacturing?

Management: On the Honeywell side, as you said, it is basically built-to-print, where we are already working with them. We have made several prototypes, which are currently in the testing phase, and modifications and engineering changes are taking place. That is why it has taken some time to bring it back into serial production. Regarding your other question on eVTOL, yes, that is also part of the same opportunity. As I said, the contracts have been signed, but they are not included in our order book. They will be included once we complete the engineering design and prototype testing. When production begins in FY29, you will probably see the revenues coming in for us from FY29.

Aditya Pal – MK Capital Partners: Understood. I have one last question. If I look at our ATOM product, the micro VCS product that we signed with Honeywell, where we will be making the liquid loops, I have a two-part question. First, because we will be manufacturing liquid loops and using our precision manufacturing facility, intuitively this should be a higher-margin product for us. Second,

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can this know-how, which we are developing, become a lateral capability when we expand into robotics and AI data centers?

Management: The program you mentioned is predominantly a box-build with a significant amount of electronics involved. It is not for liquid cooling or anything similar; that is an entirely different module. This is again a built-to-print program. It is not B2S or built-to-specification. It is completely a built-to-print program that we are executing for the customer.

Aditya Pal – MK Capital Partners: Understood.

Operator: Thank you. Our next question comes from the line of Karan Sunwal with Niveshay. Please go ahead.

Karan Sunwal – Niveshay: Hello, am I audible?

Operator: You are audible, sir.

Karan Sunwal – Niveshay: I wanted to understand which projects we are currently working on in the B2S segment and for which clients, and how large these projects can become once they mature, perhaps in FY28, FY29, or FY30.

Management: As I said earlier, the 4 programs we are executing under built-to-specification or product design, which are now referred to as electronic products, are close to 1 billion dollars. Some of them are covered by signed contracts, while contracts for others will be signed once they reach the relevant stage. As I said earlier, production may start in FY29, while FY30 onwards is when you will see full production and the ramp-up.

Karan Sunwal – Niveshay: Over how many years does this 1 billion dollars extend?

Management: It is for a period of approximately 7-9 years. Some are 7-year programs, and some are 9-year programs.

Karan Sunwal – Niveshay: How is the Altech presence helping us scale the export market? Could you discuss in detail how US defense projects through this facility, perhaps through B2S or B2P, will contribute, and what revenue and margins we can expect from this part of the business?

Management: Are you asking about the margins for built-to-specification?

Karan Sunwal – Niveshay: No, I am asking about the Altech presence.

Karan Sunwal – Niveshay: I am referring to the division that we acquired and recently renamed. I wanted to understand how it helps us in the export market and what revenue and scale-up we can expect from this business.

Management: Regarding the business in New Jersey, which we recently renamed Cyient DLM Electronics Inc., that business is currently performing according to our plan. We now have a plan under which we are working, and there is a sales team on the ground looking for more growth in that area. Therefore, you will probably see more revenue traction in that division in the United States.

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Karan Sunwal – Niveshay: Understood. One last question: our current revenue mix is weighted toward the export market. Regarding the B2S opportunity we are working on and the upcoming B2P opportunity, will the revenue mix remain similar, or will it shift toward any particular market?

Management: Are you asking about the revenue mix between B2P and B2S by geography?

Karan Sunwal – Niveshay: I am asking about geography. Currently, the business is export-oriented. Will there be a shift toward the domestic market, or will the overall company revenue continue to remain oriented toward exports?

Management: The export market will continue to grow, but at the same time, there are opportunities we are working on in the domestic market for some of the build-to-spec products. We will see some growth in the Indian market, but otherwise the export market will continue to be the main contributor.

Karan Sunwal – Niveshay: Understood. Thank you very much, and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, we will now take one last question from the line of Gaurav Shukla from Finvestor. Please go ahead.

Gaurav Shukla – Finvestor: Am I audible, sir?

Operator: You are audible, sir.

Gaurav Shukla – Finvestor: You said that your current order book is INR 28.1 billion. How much of the order book is executable in FY27, this year, and how much in FY28?

Management: As Rajendra explained, the order book has an average execution period of 18-24 months. Each contract or order depends on the individual customer. Some customers provide orders for 3 or 6 months, while others provide orders for 12 months. It varies across customers. We do not publish the individual numbers for what is executable in each year. However, it is fair to say that the overall average execution period is anywhere between 18-24 months.

Gaurav Shukla – Finvestor: What concrete customer engagements or production programs are progressing in India in data center infrastructure, semiconductor equipment, robotics, and other emerging electronic applications? When could these opportunities become material to revenue?

Management: For semiconductor capital equipment, as I said, we are already working in that area, and you will probably see growth in that segment. From now onwards, you will see growth in that area every quarter. Regarding AI data centers and robotics, as I said, we have just started exploring those two specific sectors. We will probably have to wait until the end of the year, after which we will come back and share more information about where we stand, what opportunities we have, and what pipeline we have in those areas.

Gaurav Shukla – Finvestor: In Q2 last year, other income was 23 crores, and in this Q2 also, other income was 23 crores. Should we understand that there will be other income in every Q2, or is this a one-off?

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Management: Other income this time is obviously a mix of a couple of things. Forex variations also contribute to other income, and a few other one-off items, such as export incentives, are also part of it. It varies every quarter.

Gaurav Shukla – Finvestor: Thank you, sir. All the best, and congratulations on a good set of results.

Management: Thank you. Thank you.

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

Krishna Bodanapu: Thank you very much, and thank you, everybody, for participating this evening. As we said, we are very confident about where the business is headed. The backlog is strong, and we are converting it into revenue. There was a little bit of a hiccup with margins for the reasons we explained. We consciously invested in both product development, which, as RMS clarified, is not capitalized and is completely in the P&L, so there are no surprises in the future, and in a full sales team that is now operating.

Even without any further effort, simply by executing the revenue from the backlog into FY28, our margins will move above 10%. The signs from the sales team are very good. I am very happy to say that these are not just early signs; I think we are ready to convert some large orders from the new sales team, especially in the areas that Rajendra also discussed.

If I put all of this together, I think we are in a great position. I think we are over some of the challenges that we had. We are over all the challenges that we had last year. We are in a great position. Even if we simply execute at a steady state, which is absolutely not our intent, our intent is to significantly improve operational excellence and conversion, but even at a steady state, we are in great shape. I am very excited about the business. Thank you for your support, and we will speak either during the course of the quarter or definitely at the end of the quarter. Thank you.

Management: Thank you. Thank you all.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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