

Cyient DLM Ltd — 22 Sep 2025 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	Migrated from AA (CE) / Stable to A+ / Positive (Long Term) and A1+ (CE) to A1 (Short Term)
Outlook	Positive (Current) vs Stable (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Removal of Parent Guarantee: Rating moved to "Unsupported" status as the company no longer relies on Cyient's corporate guarantee, proving standalone credit strength. Growth via Acquisition: Integration of Altek Electronics (US) contributed ₹175 Cr in FY25, providing a US-based manufacturing hedge against tariffs. Scale Expansion: Operating income grew 27% to ₹1,524 Cr in FY25, driven by a strong order book and execution. Operating Efficiency: EBITDA margins held steady at 9.1% despite one-time Altek integration costs and higher employee expenses.
Rated Instruments	<ul style="list-style-type: none"> Cash Credit: ₹442 Cr
Key Observations	<ul style="list-style-type: none"> Strengths: Strong parental support (Cyient holds 52.12%); diversified global clientele; double-digit revenue growth potential from FY27 as products enter mass manufacturing. Financials: Interest coverage improved to 4.4x (from 4.0x); Networth is robust post-IPO. Risks: Working capital intensive with Gross Current Assets (GCA) high at 236 days due to inventory/receivable delays. Supply Chain: Raw material costs are 70-75% of revenue, making margins sensitive to component price volatility. Acquisition Debt: Lost "Net Debt Free" status due to ₹103 Cr debt taken for Altek, raising D/E to 0.3x (from 0.2x).
Investor Impact	<ul style="list-style-type: none"> Growth: Strategic shift toward high-margin Aerospace & Defense segments through Altek. Margins: PAT margin dipped to 3.6% (from 5.1%) due to integration; expansion expected via operating leverage. Leverage: Debt remains low (0.3x), but cash flows are heavily consumed by working capital needs. Dilution: Recent equity issuances have stabilized; Cyient remains the majority owner, ensuring "notching up" support.
Agency / Cross Analysis	Same Agency: Migration from Credit Enhanced (CE) to Standalone rating. While the nominal rating moved from AA to A+, the Positive Outlook on the standalone profile indicates a high probability of an upgrade if margins reach double digits and working capital improves. The removal of the guarantee is a "graduation" signal for the subsidiary's balance sheet independence.
Final Inference	This is a structural upgrade disguised as a migration . The company's ability to maintain an A+ rating without a parent guarantee, coupled with a Positive outlook, signals maturing cash flows and a successful pivot to a high-margin US-India cross-border manufacturing model.