

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat on Profitability (aided by one-offs); Miss on Standalone Revenue and Backlog. **One-line:** The long-term thesis is transitioning from "high-growth organic defense play" to a "geopolitical hedge" as the core Indian standalone business enters a cyclical trough (revenue -5.9% YoY) while the US acquisition (Altek) becomes the primary growth and margin driver.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Weak Miss (Revenue/Backlog); Beat (Margins/Cash)	Revenue ₹428.1 Cr vs ₹444.2 Cr (Q3); Adj. EBITDA margins hit double digits.	□
Earnings Quality	Moderate (One-off tailwinds)	250 bps of Q4 margin (₹10.7 Cr) from one-time customer price variance claims.	□
Guidance Confidence	Weakening (Short-term)	Management explicitly warned of a "soft start" to FY26 (Q1).	□
Management Credibility	Neutral	Successfully integrated Altek; however, standalone backlog depletion continues unabated.	□
Business Quality Signal	Deteriorating (Standalone)	Consumption of large Indian Defense contracts without immediate replacement orders.	□
Key Q&A Exchange	Q#1 — Backlog Reversal	Management admitted intake < consumption but expects pipeline to convert "quickly."	□
The Street's Primary Anxiety	Backlog Cliff & Organic Growth	Backlog fell to ₹1,906 Cr (from ₹2,143 Cr); Standalone revenue shrank YoY.	□
Capital Cycle Stage	Consolidation	Integrating Altek and shifting mix toward Medical/Industrial.	□
Margin / Return Ratio Trajectory	Improving (Mix shift)	Reported 13.4% EBITDA; sustainable margin pegged at ~11%.	↑
Pricing Power	Stable	High-reliability focus allows for purchase price variance (PV) claims from OEMs.	□
FCF Conversion & Quality	Strong	Q4 FCF of ₹53 Cr driven by inventory liquidation and customer advances.	□
Competitive Moat Signals	Widening (Geographic)	Only small-cap EMS with dual India/US high-reliability manufacturing footprint.	□
Balance Sheet Strength	Strong	Net Cash remains high; IPO funds utilized for debt repayment/M&A.	□
Working Capital Efficiency	Improving	DIO reduced by 6 days; DSO flat; FCF positive.	□
Mgmt Guidance Track Record	Mixed	Met "Double Digit" margin promise but organic growth momentum has stalled.	□
Key Vulnerability / Red Flag	Order Book Depletion	Standalone order book hit by the completion of a major 2.5-year Defense contract.	□
Management Tone	Cautious on Q1; Bullish on US	High conviction on "Trump/Tariff" tailwinds for Connecticut site.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Management achieved the elusive "double-digit" EBITDA margin (13.4% reported, ~11% adj. for one-offs), signaling the positive impact of the Altek acquisition and better business mix. Free Cash Flow finally turned robustly positive (₹53 Cr) for the quarter. The acquisition of Altek is perfectly timed to capture US "China Plus One" and localized manufacturing demand, with 9 active discussions from existing India clients seeking US options. * **Negatives:** The standalone business is in a growth recession (Revenue -5.9% YoY) as a large, low-margin Indian Defense contract concluded. More concerning, the consolidated order book dropped ₹237 Cr QoQ to ₹1,906 Cr, suggesting the company is burning backlog significantly faster than it is winning new business. * **Street Concern:** Analysts are focused on the "Soft Q1" warning and the depleting backlog. Management's response relies on a "strong pipeline" and "new logo wins" (6

in FY25), but the execution gap in the Indian defense segment creates a near-term growth vacuum. *

Watchpoint: Q1 FY26 revenue trajectory—if the "soft start" turns into a double-digit decline, the 30% long-term CAGR guidance will be mathematically unreachable for FY26.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹428.1 Cr	↑ 18.3%	↓ 3.6%	↓	Standalone revenue degrowth of 5.9% offset by Altek.
Revenue (Standalone)	₹340.3 Cr	↓ 5.9%	↓ 4.8%	↓	Impacted by the completion of a large Indian Defense project.
Gross Margin (%)	34.5%	↑ 1060 bps	↑ 220 bps	↑	Benefited from ₹10.7 Cr one-off PV claims and favorable mix.
EBITDA (Consol)	₹57.4 Cr	↑ 50.9%	↑ 60.0%	↑	Highest ever quarterly profit; includes one-off tailwinds.
EBITDA Margin %	13.4%	↑ 290 bps	↑ 530 bps	↑	Sustainable margin ~11% after stripping one-offs.
PAT (Consol)	₹31.0 Cr	↑ 36.5%	↑ 86.7%	↑	Driven by operating profit growth and lower finance costs.
Order Book (Consol)	₹1,906.1 Cr	↓ 9.6%	↓ 11.0%	↓	Significant drop as large Indian project ended.
Cash Flow (OCF)	₹53.0 Cr	↑	↑	↑	Positive cash generation via inventory/DSO management.
Net Working Capital	127 Days	↑ 20 Days	↑ 7 Days	↓	DIO reduced by 6 days; DSO flat; customer advances up.
Capacity Utilization	60%	→	→	→	Higher in Mysore; lower in other units.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Aerospace	₹141.3 Cr	↑ 53%	High	↑	Above Avg	Driven by top global customers; very impressive growth.
Defense	₹115.6 Cr	↓ (SA)	Mixed	↓	Below Avg	Large Indian contract ended; future depends on MoD RFPs.
Med Tech	₹107.0 Cr	↑ (Consol)	High	↑	Above Avg	Altek contribution now makes this 25% of total mix.
Industrial	₹59.9 Cr	↓ (SA)	Stable	→	Average	Altek inclusion boosted this to 14% of total mix.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Strong FY26 (Long-term 30% CAGR)	Needs ~₹2,000 Cr in FY26 (31% growth). Unlikely given soft Q1.	Missed Q4 SA growth.	High
Guidance	Margins	Sustainable Double Digit (~11%+)	Needs continued high-margin mix (Med/Aero) to offset overheads.	Delivered in Q4.	Low
Strategy	US Synergy	Hybrid Model (US + India)	9 active discussions with India clients for Connecticut site.	Altek integrated.	Low
Strategy	New Logos	6 new logos in FY25	Needs at least 1-2 to scale to \$50M+ to hit CAGR targets.	On track.	Medium
Balance	Working Capital	Positive OCF for FY26	Needs consistent DSO/DIO improvement (inventory reduction).	Improved in H2.	Medium
Macro	Tariffs / US Impact	Localization tailwind	High interest in Connecticut site due to US tariffs on China.	Strategy sound.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Deepak Krishnan, Kotak	Backlog	Management Commentary	"Backlog has been down this year... when do we start seeing a reversal?"	Management admitted a challenge in backlog but cited a robust pipeline that will "convert into orders very, very quickly." Continued backlog depletion will trigger a valuation de-rating if Q1/ Q2 don't show major wins.	Specific timeline for reversal.	3.0	Defensive
2	4.5	Deepak Krishnan, Kotak	US Tariffs	Management Commentary	"Any temporary disruption in execution in Q1 because of uncertainty around tariffs?"	Management clarified that US site interest is peaking and tariff impacts (price increases) are being negotiated with clients, with no supply shortages yet. This positions Altek as a strategic beneficiary of US protectionism.	None	4.0	Cautious
3	4.0	Deepak Krishnan, Kotak	Cash Flow	Financials	"How are we looking at operating cash flows... will they be positive?"	Management confirmed targeting positive OCF for FY26 through initiatives on DSO, DIO, and DPO. Consistent FCF generation is	None	4.5	Quantified

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						the primary bull-case for balance sheet deleveraging.			
4	4.0	Vipraw Srivastava, PhillipCap	Margins	Financials	"Sustainable margin remains in double-digit even after stripping one-offs?"	Management confirmed that stripping the 250 bps one-off leaves double-digit sustainable margins, aided by the favorable mix shift away from low-margin domestic defense. Margin expansion is the highest quality part of this quarter's result.	None	4.5	Clear
5	3.5	Mihir Manohar, Carnelian	Order Book Gap	Management Commentary	"Does the low start suggest a flattish growth for FY26?"	Management declined to give full-year guidance but admitted to a "soft start to the year especially Q1" while maintaining long-term optimism. This confirms a near-term execution lull as the standalone business resets.	Full-year revenue guidance.	2.5	Vague
6	4.0	Akshat Bairathi, RSPN	Defense Client	Business Overview	"Any specific reason we lost the big defense client?"	Management clarified the client wasn't "lost" but the 2.5-year	None	4.0	Specific

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						project ended; they remain the incumbent for the next RFP (likely PSU-led). The lumpiness of Indian PSU contracts remains a significant volatility risk for the standalone P&L.			
7	3.0	Rahul Deshmukh, LKP	Synergies	Capex and Allocation	"Operational synergies or margin improvements expected from Altek?"	Management expects Altek's high-reliability mix to contribute to overall margin expansion and is already seeing revenue synergies via the Connecticut site. Altek is now the primary engine for margin accretion.	Specific synergy □ amount.	3.5	Directional
8	3.5	Karan Sanwal, Niveshaay	Accounting	Financials	"What is the ₹3.5 Cr (INR 35 Mn) fair valuation change on financial instruments?"	Management explained it was a fair-value markdown of an investment in a defense technology partner due to delayed orders. This highlights minor risk in the "Build-to-	None	4.0	Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						Spec" investment portfolio.			
9	4.0	Rajit Aggarwal, Nilgiri	Interest Cost	Financials	"Why is interest cost flat despite debt doubling?"	Management noted the use of attractive dollar-denominated debt (SOFR-linked) and a 1-year moratorium on Altek-related loans. Low cost of debt is supporting net margins despite higher leverage.	None	4.5	Specific

PATTERN FLAGS & SENTIMENT * **The "Backlog Gap"**: Analysts repeatedly pushed on the declining standalone order book. Management's defensive posture—blaming the completion of a large project and pointing to a "future pipeline"—unveils a significant 6-month execution gap where intake hasn't kept pace with execution. * **The "Altek Savior"**: Management is pivoting the narrative toward Altek to distract from standalone weakness. They are leaning heavily into the US "Made in America" sentiment to justify the acquisition's strategic value, which analysts seem to tentatively accept. * **Analyst Sentiment Verdict: Skeptical on Growth; Impressed by Margins**. Analysts were clearly worried about the -5.9% standalone revenue growth and the "soft Q1" warning. However, the credible jump to double-digit margins and positive FCF has bought management some time. The primary risk to the thesis is now the duration of the "soft" period in H1 FY26.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-----|-----|-----|-----|-----| | FY25 Growth | High organic growth trajectory. | Standalone Revenue -5.9% (Q4). | Organic engine has stalled; M&A is masking core weakness. | High | | Backlog | Robust order book. | ₹1,906 Cr (Down from ₹2,143 Cr). | Order intake is significantly lagging execution/consumption. | High | | FY26 Outlook | 30% CAGR target. | "Soft start to the year (Q1)." | Probability of hitting 30% growth in FY26 is low without a massive Q3/Q4. | Moderate |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3)	This Quarter (Q4)	Direction
Standalone Growth	+11.3% YoY	-5.9% YoY	↓ (Deteriorating)
Consol Backlog	₹2,143 Cr	₹1,906 Cr	↓ (Deteriorating)
EBITDA Margin	8.1% (Adj)	13.4% (Reported) / ~11% (Adj)	↑ (Improving)
Business Mix (India)	39%	29%	↑ (Diversification)
Cash Conversion	Negative H1 FCF	₹53 Cr Positive Q4 FCF	↑ (Efficiency)
Defense Exposure	57% mix	27% mix	↓ (Reduced concentration)
Med-Tech Exposure	9% mix	25% mix	↑ (Altek impact)
Mgmt Tone	High Conviction	Cautious (Soft Q1 warning)	↓ (Tone shift)

CFO-to-PAT Quality Check: Q4 PAT ₹31 Cr vs CFO ₹53 Cr. The high quality of earnings is driven by inventory reduction (DIO down 6 days) and customer advances, reflecting better discipline in the "order-to-cash" cycle compared to the inventory buildup seen earlier in FY25. (Note: CFO > PAT by ~70%).