Cyient DLM Ltd — Apr 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue (against lowered expectations); Beat on Order Book and Gross Margin expansion.
One-line: The "defense hangover" (exit from the low-margin BEL project) is officially bottoming out, revealing a structurally superior business with 1,300 bps higher gross margins and a record □2,416.6 Cr backlog.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline / Improving	Revenue □369.1 Cr vs □303.3 Cr (Q3); Order book grew 2.8% QoQ.	□
Earnings Quality	Moderate (FCF divergence)	Normalized FY26 EBITDA excludes □19.57 Cr earnout reversal; OCF-to-PAT remains low at 38%.	□
Guidance Confidence	Strong	Reiteration of SET strategy; record book-to-bill ratio of >1 across all 4 quarters.	□
Management Credibility	Strong	Delivered full-year EBITDA margin expansion (10.3% normalized) despite 17% revenue decline.	□
Business Quality Signal	Improving	Gross Margin expanded from 27.1% (FY25) to 40.4% (FY26) as legacy low-margin volumes were replaced.	□
Key Q&A Exchange	Not applicable	PPT_ONLY: Presentation emphasizes pivot to B2S (Build-to-Spec) and Automotive traction.	□
The Street's Primary Anxiety	Revenue Growth	Negative 17% YoY revenue growth; mgmt points to record □2,416.6 Cr backlog as the FY27 growth engine.	□
Capital Cycle Stage	Investment / Scaling	100% IPO utilization achieved; shifting from deleveraging to capacity/B2S growth.	□
Margin Trajectory	Improving	Normalized FY26 EBITDA Margin expanded 77 bps YoY despite negative operating leverage.	□
Pricing Power	Expanding	High-mix/low-volume strategy in Aero/MedTech and B2S expansion protects realizations.	□
FCF Conversion & Quality	Weak	FY26 Operating Free Cash Flow (□28.1 Cr) represents only 38% of Reported PAT (□73.3 Cr).	□
Competitive Moat Signals	Widening	Started series production for a "Key account in Semiconductor Equipment Mfg" sector.	□
Balance Sheet Strength	Strong	Repaid □160.9 Cr debt via IPO; NWC improved YoY (□510.5 Cr vs □563.1 Cr).	□
Working Capital Efficiency	Improving	DIO reduced from Q3 peak (262 days) to 221 days; still elevated vs FY25.	□
Mgmt Guidance Track Record	Reliable	Consistent focus on quality over volume; delivered "Highest EBITDA & PAT" in last 4 quarters.	□
Key Vulnerability	Working Cap Intensity	High DIO (221 days) requires significant funding to scale the □2,416 Cr backlog.	□
Management Tone	Confident	Focused on "Vertical Integration" and "AI Infrastructure Market" expansion.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Cyient DLM has successfully transformed its P&L quality. While FY26 revenue fell 17% due to the completion of a large legacy defense order, **Gross Margins surged to 40.4% (up from 27.1%)**. This proves the new business mix (Aerospace 39%, MedTech 21%) is inherently more profitable. The Order Book is at an all-time high of ₹2,416.6 Cr, providing 1.9x revenue visibility for FY27. Strategic entries into Automotive and Semiconductor Equipment sectors diversify the risk beyond the core Aero/Defense cyclicality. * **Negatives:** Cash flow generation remains the primary weak point. Operating Free Cash Flow (₹28.1 Cr) lagged significantly behind PAT (₹73.3 Cr) for the full year, primarily due to high inventory levels (221 days) maintained to service the heavy backlog. Q4 EBITDA margins (11.7%) were also lower than the prior year's Q4 (13.4%), suggesting some pricing pressure or ramp-up costs on new logos. * **Street Concern:** The market is impatient for the revenue growth promised after the IPO. Management's response is a record order book and a "SET" (Strengthen, Expand, Transform) strategy focusing on high-margin B2S and vertical integration (cables, sheet metal) to drive double-digit EBITDA. * **Watchpoint:** Execution of the ₹2,416.6 Cr backlog in H1 FY27; the market needs to see revenue growth return to 20%+ levels to justify the current valuation.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — Mgmt Commentary column absent. All figures converted to ₹Crore from Mn.

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	369.1	↓ 13.8%	↑ 21.7%	↑	Volume drop YoY due to completion of BEL order; QoQ recovery strong.
Gross Margin (%)	39.1%	↑ 467 bps	↓ 130 bps	↓	Structural YoY improvement due to mix; QoQ dip vs Q3 (40.4%).
EBITDA (₹Cr)	43.1	↓ 24.9%	↑ 39.5%	↑	Reported EBITDA recovery QoQ as volumes returned.
EBITDA Margin %	11.7%	↓ 173 bps	↑ 150 bps	↑	13.4% in Q4FY25 vs 11.7% now; mix-driven volatility.
PAT (₹Cr)	22.4	↓ 27.6%	↑ 100.0%	↑	PAT doubled QoQ (Q3: ₹11.2 Cr); -27.6% YoY on lower revenue.
ROCE (%)	Not in doc	-	-	-	Not provided in PPT.
Cash Flow (OCF - FY)	28.1 (Full Yr)	↓ 38.6%	-	↓	FY26 OCF stands at ₹28.1 Cr vs ₹45.8 Cr in FY25.
Net Debt / (Cash)	Net Cash	→	→	→	IPO proceeds utilized to repay ₹160.9 Cr debt.
Interest Coverage	8.8x	↑ 14.3%	↑	↑	Finance costs declined 34.4% YoY due to debt repayment.
Working Capital (Days)	DIO: 221	↑ (YoY)	↓ (QoQ)	↑	DIO down from Q3 peak (262) but still high vs FY25 (154).

2B. SEGMENT BREAKDOWN

Segment	Revenue Share (%)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Aerospace	39%	Stable	High	→	Above	Continues to be the dominant segment.
Defense	10%	↓ 68%	Low-Mid	↓	Below	YoY degrowth due to completion of large legacy order.
Industrial	28%	↑ High	Stable	↑	Inline	Growth in high-precision electrical motor controls.
Med Tech	21%	↑ High	High	↑	Above	Strong traction in Battery Management Systems (BMS).
Others/ B2S	15% (Prod)	↑ Strong	Very High	↑	Above	"Others" category share increased due to B2S scaling.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Record Order Book of □2,416.6 Cr.	Needs ~□600 Cr/quarter to clear backlog in 12 months (1.9x FY26).	Delivered >1x B2B ratio.	Low
Guidance	Margins	Maintain Double-digit EBITDA (10.3% norm).	Sustained mix of B2S and Aerospace required.	Delivered (10%+ all quarters).	Low
Strategy	B2S Mix	Strengthen B2S team and offerings.	Needs to reach ~20% of revenue to re-rate margins.	Improving (Others share up).	Medium
Strategy	Sector Pivot	Expand into Auto & India Defense.	Requires IATF audit clearance (Done) and LOC received.	On track (Series supply started).	Low
Strategy	Inorganic	Explore M&A in Europe Defense.	Targets □70 Cr allocation (fully utilized/evaluated).	Q3 deal failed (scouting cost).	High
Strategy	SET Strategy	Strengthen GTM across Geographies.	Needs conversion of pipeline into "Large logos".	New initiatives for 2026-27.	Medium
Balance	Debt	IPO proceeds for debt repayment.	Fully utilize □160.9 Cr for borrowings.	**Delivered (100% utilized).**	None

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY26)	This Quarter (Q4 FY26)	Direction
Revenue Momentum	₹303.3 Cr (Trough)	₹369.1 Cr	↑ Improving
Order Book	₹2,350 Cr	₹2,416.6 Cr	↑ Record High
EBITDA Margin	10.2% (Normalized)	11.7% (Reported)	↑ Improving
Working Capital	DIO at 262 days	DIO at 221 days	↑ Efficiency
IPO Proceeds	93.2% Utilized	100% Utilized	↑ Completed
Segment Mix	Defense at 11%	Defense at 10%	↓ Reduced Drag
One-offs	₹3.4 Cr expense hits	None material	↑ Quality
Strategic Milestone	Planning Auto entry	Series supply for Auto started	↑ De-risking

Investor Notes on Earnings Quality: * **CFO-to-PAT Divergence:** FY26 Operating Free Cash Flow (₹28.1 Cr) is 38% of Reported PAT (₹73.3 Cr). This divergence is driven entirely by **Inventory (DIO 221 days)**. While management has improved this from the 262-day peak in Q3, the business remains significantly working-capital-heavy compared to the prior year (154 days). This is the primary risk to scaling without further external funding. * **Structural Margin Shift:** The most significant trend is the **Gross Margin expansion from 27% to 40%** at the full-year level. This confirms that Cyient DLM has successfully exited low-value-added "Build-to-Print" defense contracts and replaced them with higher-complexity Aerospace and Industrial work. * **Full Utilization of IPO Proceeds:** The company has now fully deployed the ₹663.1 Cr IPO proceeds, primarily for working capital (₹327.9 Cr) and debt repayment (₹160.9 Cr). The company is now "clean" of IPO-related accounting noise and must perform on core operations. * **Growth Attribution:** Q4 performance was **Volume-driven (QoQ)**. Revenue grew 21% QoQ, leading to significant operating leverage and a 150 bps EBITDA margin expansion over Q3. This supports the thesis that once the BEL-related revenue base is fully lapped, volume growth will be the primary margin accelerator.