Cyient DLM Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue (against lowered expectations); Beat on Backlog and Margin Resiliency. **One-line:** The thesis is strengthening as Cyient DLM enters the final phase of its "defense hangover," proving that its structural pivot to a higher-quality, diversified mix can sustain double-digit margins (10.2%) even at a revenue trough.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline / Improving	Revenue □303.3 Cr vs □310.6 Cr (Q2); marginally lower but margin expanded 20 bps QoQ.	□
Earnings Quality	High (Core driven)	Normalized PAT (□13.8 Cr) strips out one-off M&A and wage code hits.	□
Guidance Confidence	Strong	Reiteration of a "strong Q4" and "far better" FY27 outlook.	□
Management Credibility	Strong	Successfully held 10%+ EBITDA margins despite 32% YoY revenue contraction.	□
Business Quality Signal	Improving	Order book at record □2,350 Cr; Book-to-bill at 1.56x YTD.	□
Key Q&A Exchange	Q#4 — US Tariffs	Mgmt has 4 distinct compliance-ready options to mitigate US tariff impacts.	□
The Street's Primary Anxiety	US Tariff Impact	40% US revenue exposure; mgmt response suggests inventory push-outs were temporary.	□
Capital Cycle Stage	Consolidation	93.2% IPO utilization; shifted focus to sales engine and B2S capability.	□
Margin Trajectory	Improving	Normalized EBITDA Margin at 10.2% (+207 bps YoY) despite negative operating leverage.	□
Pricing Power	Stable	Pivot to Build-to-Spec (B2S) and mission-critical Aero/MedTech protects pricing.	□
FCF Conversion & Quality	Distorted (Negative)	FCF was negative this quarter due to inventory buildup for Q4; YTD remains positive.	□
Competitive Moat Signals	Widening	Deepening design-cycle engagement with 4 anchor customers for next-gen products.	□
Balance Sheet Strength	Strong	Net Cash positive; □350–400 Cr additional working capital headroom.	□
Working Capital Efficiency	Deteriorating	Inventory spike (DIO) due to Q4 buildup and shipping delays; expected to normalize.	□
Mgmt Guidance Track Record	Reliable	Consistent messaging on "soft H1" leading to H2/FY27 acceleration.	□
Key Vulnerability	Geopolitical/ Trade	US tariff uncertainty remains the primary external variable for FY27.	□
Management Tone	Confident	Bullish on "structural health" and "better than historical" order margins.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** Cyient DLM has successfully decoupled its profitability from its volume. Despite a 31.7% YoY revenue drop (due to the BEL project exit), the company expanded normalized EBITDA margins to 10.2%. The order book is at a record □2,350 Cr, with new wins originating from high-margin Industrial (Motor controls) and Medical (BMS) sectors. The transition to Build-to-Spec (BTS) is gaining pace, with 6-7% contribution this year and a double-digit target for FY27. * **Negatives:** Cash flow was negative this quarter as the company built inventory (DIO spike) to support the expected Q4 surge, and shipping delays to the US (tariff-related wait-and-watch) deferred revenue. One-off expenses (□1.775 Cr for a failed M&A and □1.64 Cr for wage code changes) slightly muddied the reported numbers. * **Street Concern:** Analysts are focused on whether US tariffs (up to 50% for some electronics) will kill the growth narrative. Management's response—offering customers four structural mitigation options and utilizing their US-based Altek facility—appears to have calmed immediate fears, as deferred Q3 shipments are already moving in Q4. * **Watchpoint:** Execution of the □2,350 Cr backlog in FY27; management has promised "substantial" growth, and the market will expect a return to 25-30% YoY revenue growth levels.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall used for commentary and unlisted metrics.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	303.3	↓ 31.7%	↓ 2.3%	↓	YoY drop due to completion of large legacy BEL order.
Normalized EBITDA (□Cr)	30.9	↓ 14.4%	↓ 1.0%	→	Resilient despite volume drop; excludes M&A/ Wage one-offs.
EBITDA Margin % (Norm.)	10.2%	↑ 207 bps	↑ 20 bps	↑	Favorable mix and supply chain efficiency; "Structural health."
Normalized PAT (□ Cr)	13.8	↓ 18.6%	↑ 10.4%	↑	PAT margin improved 73 bps YoY to 4.6% despite rev drop.
Reported PAT (□Cr)	11.2	↑ 1.9%	↓ 65.1%	↓	Q2 was inflated by □19.58 Cr earnout reversal (Prior Context).
Order Backlog (□Cr)	2,350.0	↑ 17.5%	↑ 2.6%	↑	3rd consecutive quarter of growth; 1.56x YTD book-to-bill.
Order Intake (□Cr)	387.0	↑ (H1 base)	↓ 22.6%	↓	Normalized intake after massive □500 Cr Q2.
B2S Revenue Mix (%)	6–7%	↑ (vs nil)	→	↑	Target to reach double digits in FY27.
Net Working Capital	Elevated	↓ (Efficiency)	↓ (Deteriorating)	↓	Spike in DIO due to inventory buildup for Q4 shipments.
IPO Utilization (%)	93.2%	-	↑ 920 bps	↑	□618 Cr utilized out of □663 Cr.

2B. SEGMENT BREAKDOWN *Derived from transcript commentary and prior context data points.*

Segment	Revenue Mix (%)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Aerospace	~35-40%	Stable	High	→	Above	Recognized by STPI for Hardware Exports; high reliability.
Defense	8%	↓ Sharp	Low	↓	Below	Cleansed of legacy BEL volumes; pivot to high-complexity.
Industrial	~30%	↑ High	Stable	↑	Inline	New logo win in high-precision electrical motor controls.
Medical	~15%	↑ High	High	↑	Above	New logo for Medical Battery Management Systems (BMS).
Automotive	Emerging	-	Inline	↑	Inline	Part of diversification strategy; focus on transportation.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	FY27 "Far, far better" than FY26	Needs 25%+ growth to restore 30% CAGR	Mixed (Soft H1, H2 recovery)	Medium
Guidance	Margins	Maintain/Improve Double-digit EBITDA	Sustained 10%+ on higher throughput	Delivered (10.2% in trough)	Low
Strategy	B2S Mix	Double-digit % in FY27	Needs ~50% growth in B2S revenue	On Track (currently 6-7%)	Low
Strategy	US Tariffs	Neutralize 50% tariff impact via 4 options	Compliance-driven production shifts	New initiative	Medium
Strategy	Sales Team	Optimal team in place by end of FY26	Convert pipeline into ₹500Cr+ quarterly intake	On Track (added key resources)	Low
Balance	Working Cap	Normalize by end of Q4 FY26	Massive inventory liquidation in Q4	Historically seasonal	Medium
Strategy	M&A	Scout for Europe/US capabilities	Acquire geographic access or tech	1 deal failed this quarter	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
1	4.5	Sameet Sinha, Macquarie	Q4 Growth	Financials	"Sequentially the revenue should grow. But how about year-over-year basis?"	Management confirmed they expect positive year-on-year growth in Q4, implying a revenue target of □362 Cr+. This sets a definitive floor for the recovery and validates the "back-ended" nature of the fiscal year.	None	4.5	Spe and qua
2	4.0	Sameet Sinha, Macquarie	Altek Contribution	Financials	"Do you have a number for the contribution from Altek during the quarter?"	Management stated Altek's contribution remains healthy and profitable but refused to disclose specific divisional figures. This makes it difficult to parse the exact organic growth of the US versus Indian operations.	Specific Altek revenue/ PAT.	2.5	Vag
3	5.0	Sameet Sinha, Macquarie	US Tariffs	Macro	"What changed for them [customers] that they are now feel more confident about the environment [tariffs]?"	Management explained they presented customers with four options to reduce the impact of the 50% tariff, helping them restart inventory pull-ins. This confirms Cyient has a structural solution to the trade war risk, protecting ~40% of its revenue base.	Specifics of the 4 options.	4.0	Dire

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
4	4.0	Vipraw Srivastava, PhillipCap	Working Capital	Financials	"Where do we see us ending the full year and what kind of cash flow generation?"	Management expects working capital to normalize and free cash flow to be positive on a full-year basis despite a negative Q3. This implies a massive cash release in Q4 as inventory is converted to revenue.	None	4.0	Dire
5	4.5	Vipraw Srivastava, PhillipCap	Order Intake	Business Overview	"Is this [order growth] because of Altek... or the standalone business?"	Management clarified that the momentum is mainly driven by the India side with new customers in Aerospace, Industrial, and Medical. This proves the standalone Indian entity is successfully replacing the BEL volume without relying solely on the Altek acquisition.	None	4.5	Cle spe
6	4.0	Balasubramanian, Arihant	FY27 Visibility	Management Commentary	"How do you resume the growth story for FY '27?"	Management indicated FY27 will be "far, far better" than FY26, driven by higher order intake and B2S scaling. This signals a pivot back to aggressive growth mode as the defense project	Quantified growth %	3.5	Dire

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						"cleansing" completes.			
7	4.5	Balasubramanian, Arihant	Failed M&A	Capex and Allocation	"17.75 million one-time expense that did not go through? Also share what went wrong?"	Management clarified this was a failed international deal where terms did not fit, leading to a write-off of evaluation costs. While a minor cash drag, it signals management's discipline in walking away from deals that don't meet their criteria.	Target company name.	4.0	Spe on rati
8	3.5	Balasubramanian, Arihant	Backlog Margins	Financials	"Could you please disclose... the blended margin profile of this backlog?"	Management stated margins in the order book are "better than what we had currently." This supports the long-term thesis of structural margin expansion beyond the 10% EBITDA floor.	Exact margin %.	3.0	Dire
9	3.5	Sucrit Patil, Eyesight	Diversification	Strategy	"What specific initiatives are being prioritized to diversify the customer base?"	Management is targeting an equal distribution across Aerospace/ Defense, Industrial, Medical, and Automotive over 3-4 years. Diversification reduces the volatility associated with any single	None	4.0	Dire

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						segment like the BEL defense order.			
10	4.0	Purva Jhaveri, One Up	Capacity	Business Overview	"What will be the peak revenue per line for the PCBAs?"	Management explained that as a high-mix, low-volume (HMLV) player, "lines" are not the correct metric, but utilization is currently 50-60%. This implies significant operating leverage is available to drive margins as volumes return in FY27.	Revenue per line.	4.0	Cor
11	4.5	Deepak Lalwani, Unifi Cap	US Shipments	Macro	"Should we assume that the rest of the business will pay a 50% tariff?"	Management indicated that through their suggested options, the effective tariff for customers would be significantly reduced from the 50% headline rate. This is critical for maintaining competitiveness against other EMS players in Mexico or Vietnam.	Effective tariff rate.	3.5	Hed Dire
12	4.0	Aryan Bhatia, Inved Res.	B2S Revenue	Financials	"Gross margin difference in build-to-print versus build-to-spec?"	Management confirmed B2S carries higher margins and will drive the FY27 re-rating, though they did not quantify the delta. Increasing B2S	Specific margin delta.	3.5	Dire

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Ver
						mix is the primary engine for reaching mid-teen EBITDA margins over the long term.			

PATTERN FLAGS & SENTIMENT * **Tariff Resilience:** The dominant anxiety in the call was US trade policy. Management was noticeably prepared, referencing "4 options" repeatedly. While they didn't reveal the "secret sauce," their confidence in shipping deferred inventory in Q4 suggested the solution is operational, not theoretical. POSTURE: Confident/Proactive. * **The FY27 "Pivot":** Analysts were looking for a reason to believe in the 30% CAGR again after a flat FY26. Management shifted the focus to the quality of the record □2,350 Cr backlog and the expansion of the sales team. The "substantial" growth claim for next year remains the central hook for long-term investors. POSTURE: Bullish. * **Analyst Sentiment Verdict: Cautiously Optimistic.** Analysts were impressed by the margin resilience (10.2% in a trough) but remains skeptical of the revenue timeline until Q4 results prove the YoY growth recovery. The credibility of the new CFO (RMS) was tested and generally well-received.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | M&A Strategy | Pursuing inorganic growth. | Spent □1.77 Cr on a deal that failed. | Execution risk in M&A; scouting cost is a minor P&L drag. | Low | | US Tariff Impact | "Softness" due to uncertainty. | Customers were in "wait-and-watch" for 50% rates. | The tariff threat is a real friction point for US customers. | Moderate |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
EBITDA Margin	10.0%	10.2% (Normalized)	↑ Improving
Order Book	□2,291 Cr	□2,350 Cr	↑ Record High
Revenue Growth	QoQ Recovery	YoY/QoQ Contraction	↓ Trough phase
Cash Flow	Positive OCF (□46 Cr)	Negative (Inventory buildup)	↓ Temporary stress
One-offs	Reversal gain (□19.5 Cr)	Expense hits (□3.4 Cr)	↓ Lower Quality Reported PAT
B2S Contribution	5% Target	6–7% (Delivered)	↑ Ahead of schedule
Utilization	Not stated	50–60%	→ Operational Headroom
IPO Progress	84% Utilized	93.2% Utilized	↑ Near completion

Investor Notes on Earnings Quality: * **Earnings Quality Check:** CFO-to-PAT ratio is negative this quarter. Management explicitly linked this to an inventory spike (DIO) meant to service the Q4 revenue recovery and shipping delays. This is a classic "lead-lag" indicator in EMS—negative cash flow today often signals revenue growth tomorrow. * **Forensic Trigger:** The □1.775 Cr M&A expense write-off is a "dead deal" cost. While it hurts Q3, it prevents a potentially bad acquisition from hurting FY27/28. * **Growth Attribution:** This quarter was 100% "Mix-driven." Volumes were down, but the shift toward Industrial and Medical segments allowed the company to keep 10% margins. The "Volume-driven" phase is expected to return in FY27.