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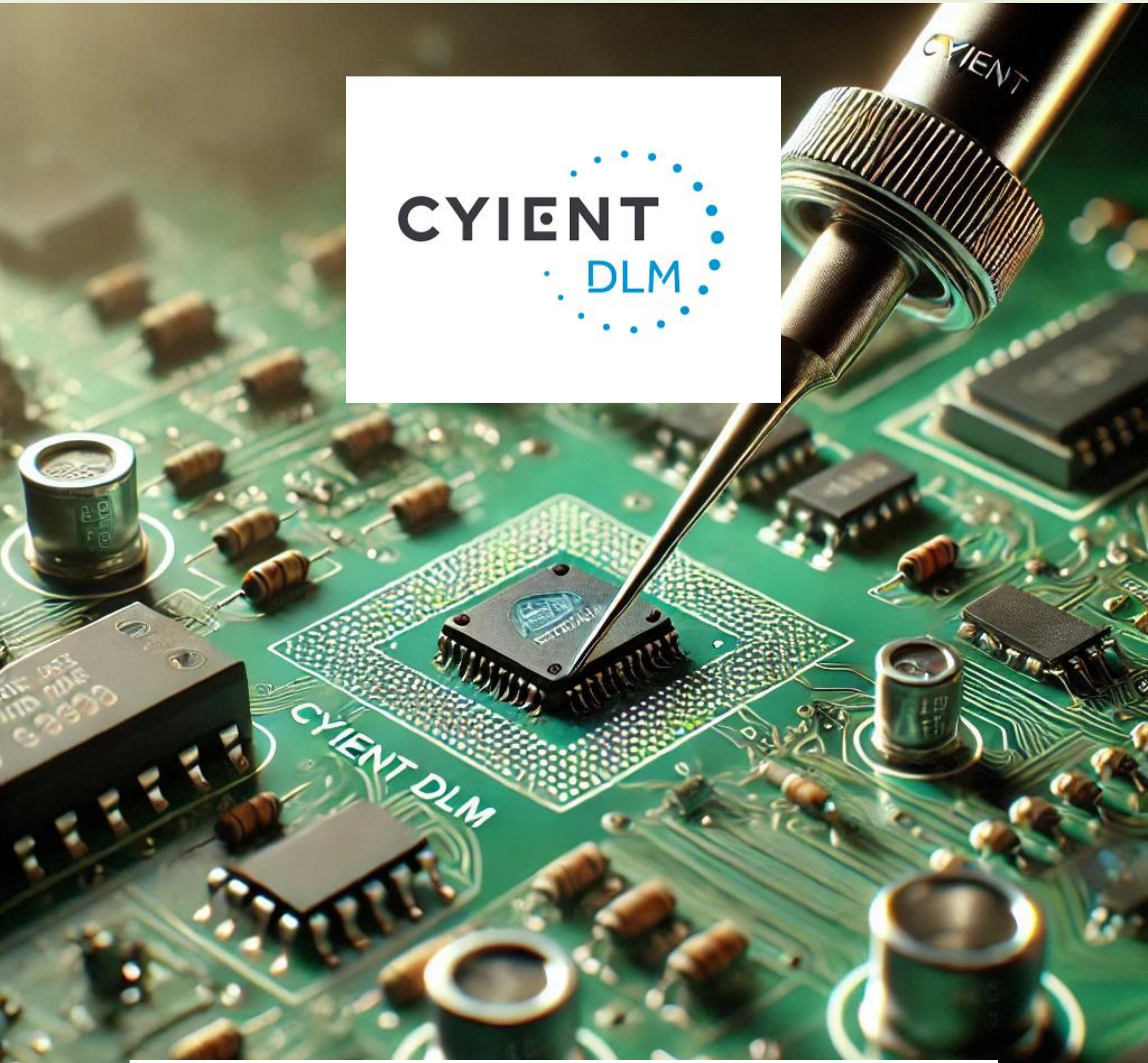


Cyient DLM Ltd
Q3FY26

Result Update

23rd Jan 2026

Cyient DLM Ltd.

Weak revenue, margin pressure; normalized profitability resilient amid order backlog ramp-up

CMP*	Target	Potential Upside	Market Cap (INR Mn.)	Recommendation	Sector
INR 367	**INR 421**	**14.7%**	**INR 29,309**	**ACCUMULATE**	**Electric-Component**

Result Highlights

Cyient DLM's Q3 FY26 revenue came in at INR 3,033 mn, declining 31.7% YoY and 2.3% QoQ which is below our estimates by -9.0%. This performance largely reflects the completion of a large, cyclical defense order in FY25, though the Aerospace, Industrial, and Med-Tech segments showed healthy YoY growth. While revenue was soft due to temporary shipment "push outs" related to year-end holidays and US tariff uncertainty, management reported a record order backlog of INR 23.5 billion and a strong YTD book-to-bill ratio of 1.56x, indicating robust demand and visibility for a stronger Q4 and FY27.

EBITDA stood at INR 275 mn, down 2.3% YoY and 11.9% QoQ, and missed our estimate of INR 350 mn. EBITDA margin came in at 9.1% (down 98 bps QoQ, up 273 bps YoY) but was 144 bps below our estimate of 10.5%, indicating weaker operating leverage and higher cost absorption pressures during the quarter.

Reported PAT came in at INR 112 mn, up 2.2% YoY but down 65.1% QoQ, and missed our estimate. The sharp QoQ decline was primarily due to a steep fall in other income (INR 43 mn vs INR 227 mn in Q2), which had benefited from one-offs. PAT margin stood at 3.7% (down 665 bps QoQ, up 123 bps YoY).

Order book and outlook:

Order backlog expanded sequentially to INR 23,494 mn, aided by strong order intake of ~INR 3,871 mn during the quarter, with initial revenue realization commencing from B2S (Build-to-Spec) programs. Management highlighted multiple new program wins across medical, industrial, and aerospace segments, with volume ramp-ups expected over the coming quarters, supporting medium-term growth visibility.

Segmental mix:

Defence revenues declined sharply YoY due to the high base of large order execution in FY25, while industrial and MedTech segments continued to scale, supported by new logo additions and increasing box-build share. Box-build contribution rose to 31% vs 21% in Q3 FY25, aiding margin resilience despite lower topline. The evolving mix reflects a gradual transition towards a more diversified and structurally stable revenue base.

Geographical mix:

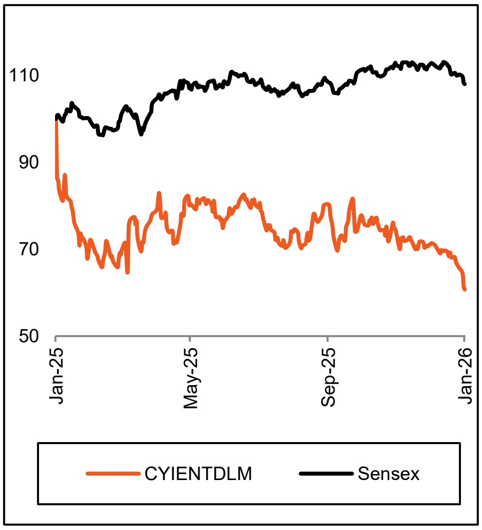
ROW continued to dominate at ~86% of revenues, while India contributed ~14%, with traction building in North America and Europe through new customer additions. Despite macro and tariff-related uncertainties, management indicated customer engagement levels remain stable, with no material cancellations, and demand visibility intact across key markets.

Outlook and Valuation:

Cyient DLM is expected to see a gradual recovery in performance over the coming quarters, supported by execution of its healthy order backlog, ramp-up of recently won industrial and medical programs, and an increasing contribution from box-build and B2S revenues. While near-term revenue visibility remains linked to program execution timelines, we believe improving operating leverage, cost discipline, and a favourable mix should enable the company to sustain double-digit normalized EBITDA margins as volumes scale up.

We have roll forwarded our valuation basis to Dec'27 estimates and value Cyient DLM at 26.0x Dec'27 EPS, implying a target price of INR 421. We reiterate our "**ACCUMULATE**" rating on the stock.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn.)	79.3
Mkt Cap (INR Mn.)	29,309
52 Week H/L (INR)	620/346

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Dec-25	Sept-25	Jun-25
Promoters	52.1	52.1	52.1
FIIs	0.5	2.2	2.5
DIIs	28.8	28.7	28.2
Others	18.6	17.0	17.2
Total	100	100	100

3.7%
Revenue CAGR between FY25-27E

25.0%
PAT CAGR between FY25-27E

KEY FINANCIALS

INR Millions	FY25	FY26E	FY27E	FY28E
Revenue	15,196	13,419	16,354	18,807
EBITDA	1,372	1,309	1,886	2,254
EBITDA margin (%)	9.0%	9.8%	11.5%	12.0%
PAT	681	775	1,063	1,342
EPS	8.6	9.8	13.4	16.9

Source: Company, DevenChoksey Research

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Cyient DLM Ltd.

Key Con-call Highlights:

Financial Performance

- Cyient DLM reported consolidated revenue of INR 3,033 mn, declining 31.7% YoY, primarily due to the completion of a large cyclical order in FY25 and shipment deferments caused by year-end holidays and tariff-related uncertainty. Management clarified that these push-outs are temporary, with deferred shipments scheduled for Q4 FY26, positioning the company for sequential recovery.
- Despite revenue softness, normalized EBITDA stood at INR 309 mn, translating into a 10.2% margin, expanding ~200 bps YoY, supported by a favorable revenue mix, operational discipline, and supply-chain efficiencies. Reported EBITDA was lower at INR 275 mn (9.1% margin) due to one-off M&A evaluation expenses and the impact of the new wage code.
- Normalized PAT came in at INR 138 mn, down 18.6% YoY, though PAT margins improved 73 bps YoY to 4.6%, aided by lower finance costs and better operating leverage. Reported PAT stood at INR 112 mn (3.7% margin).
- The order book strengthened to INR 23.5 bn, marking the third consecutive quarter of growth, supported by healthy order intake of ~INR 3.87 bn and a YTD book-to-bill ratio of 1.56x, providing strong medium-term revenue visibility. Net working capital rose temporarily due to inventory build-up for Q4 shipments but is expected to normalize by year-end. IPO proceeds utilization reached ~93%, with adequate liquidity to support growth.

Order Book & Segmental Mix

- The company highlighted a more balanced industry mix compared to last year, with increasing contributions from industrial, medical, and automotive, alongside aerospace. The earlier dependence on large defense programs has reduced materially, improving resilience and margin quality.
- From a product perspective, PCBA remains the core, while box-build, mechanical integration, and other value-added services continue to scale, positively impacting margins. Build-to-Spec (B2S) revenue contributed ~6–7% in FY26, with management guiding for double-digit contribution in FY27 and meaningful scale-up from FY28 onwards.
- Geographically, the business remains export-led, with North America as the largest market, while India continues to emerge as a key growth engine, driven by customer additions and localization initiatives.

Strategic Initiatives

- Management emphasized significant progress in strengthening the sales engine, with multiple senior sales hires completed in Q3 and additional onboarding planned in Q4, aimed at driving larger, multi-year programs across geographies. Early engagement in customers' design cycles is improving long-term stickiness and strategic relevance.
- The company reported two new customer wins during the quarter—one in medical electronics (battery management systems) and another in industrial motor controls—along with several advanced-stage opportunities expected to convert in Q4.
- Build-to-Spec (B2S) remains a key strategic differentiator, with revenue realization commencing in FY26. Four anchor customers are currently engaging Cyient DLM for next-generation product development across transportation, industrial, and defense segments, with commercialization expected over the next 2–3 years.
- On the inorganic front, while a potential international acquisition did not materialize (leading to a one-off evaluation expense), management reiterated its commitment to pursuing selective M&A to enhance geographic reach and capability depth, similar to the Altek acquisition.

Industry Tailwinds & Challenges

- The company continues to benefit from structural tailwinds such as China+1 supply-chain diversification, increased defense and infrastructure spending, and rising electronics content across industrial, automotive, and AI-led applications. India's emergence as a scalable EMS hub remains a key positive.
- Near-term challenges included tariff-related uncertainty in the US, customer shipment deferrals, and temporary working capital pressure. Management noted that multiple mitigation options have been implemented with customers, reducing tariff impact and restoring shipment momentum from Q4 FY26.

Margin Outlook & Guidance

- Management reiterated confidence in sustaining double-digit EBITDA margins, supported by improving revenue mix, growing contribution from B2S programs, and operating leverage as volumes normalize. The current order backlog carries better-than-historical blended margins, providing visibility for further margin expansion as scale improves.
- Revenue momentum is expected to recover from Q4 FY26, with management expressing confidence in strong growth in FY27, underpinned by a diversified order book, expanded sales capacity, and improving execution efficiency. Cash flows are expected to remain positive, with growth initiatives adequately funded through internal accruals and a strong balance sheet.

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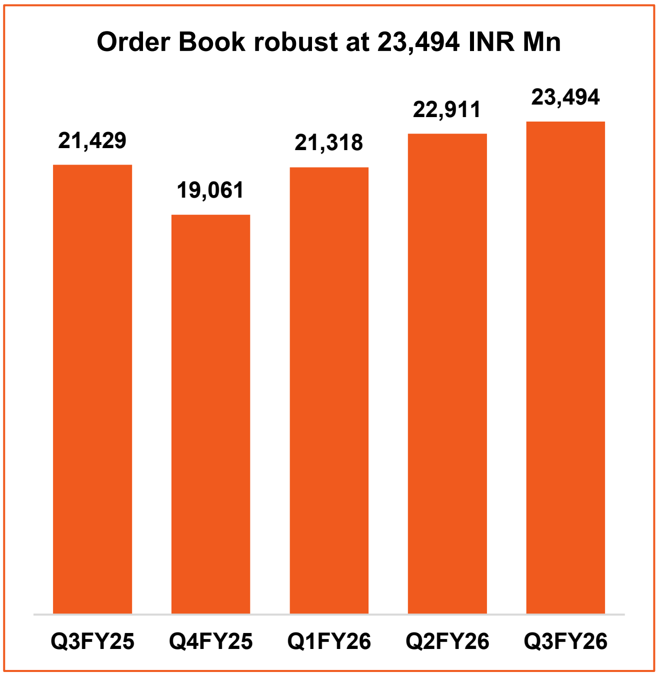
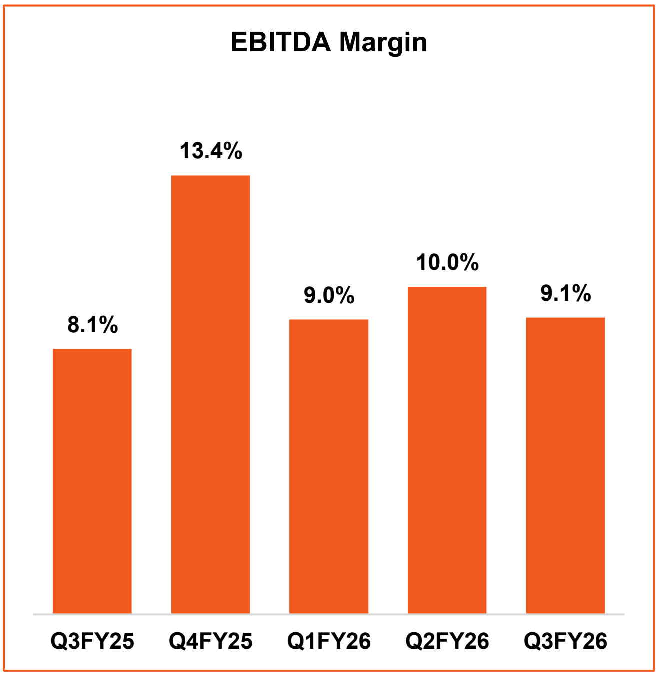
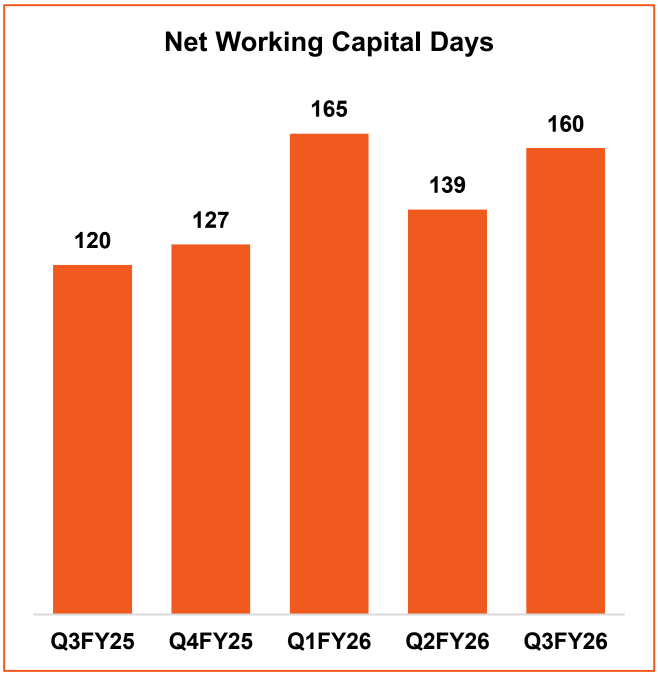
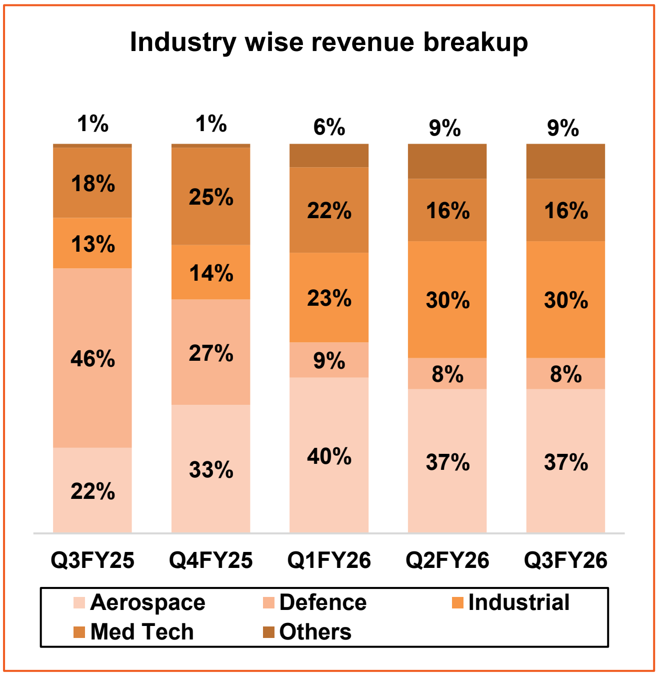
Cyient DLM Ltd.

Story in Charts









Source: Company, DevenChoksey Research

Cyient DLM Ltd.

Result Snapshot

Particulars (INR Mn.)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Revenue From Operations	**3,033**	**3,106**	**4,442**	(2.3%)	(31.7%)
COGS	1,784	1,826	3,257	(2.3%)	(45.2%)
Gross Profit	**1,249**	**1,280**	**1,186**	**(2.4%)**	**5.4%**
Gross Margin (%)	**41.2%**	**41.2%**	**26.7%**	(3 bps)	1,449 bps
Employee Expense	585	529	588	10.4%	(0.5%)
Other Expenses	390	439	317	(11.2%)	23.1%
EBITDA	**275**	**312**	**281**	**(11.9%)**	**(2.3%)**
EBITDA Margin %	***9.1%***	***10.0%***	***6.3%***	(98 bps)	273 bps
Other Income	43	227	69	(81.1%)	(37.3%)
Depreciation	108	106	100	2.0%	7.5%
Finance Cost	61	68	100	(10.4%)	(38.7%)
Profit Before Tax	**149**	**365**	**150**	(59.1%)	(0.7%)
Income Tax	37	43	40	(15.2%)	(8.6%)
ETR (%)	*24.6%*	*11.9%*	*26.8%*	107.5%	(7.9%)
Profit After Tax	**112**	**321**	**110**	**(65.1%)**	**2.2%**
PAT Margin %	**3.7%**	**10.3%**	**2.5%**	NM	123 bps
EPS	**1.4**	**4.1**	**1.4**	**(65.1%)**	**2.2%**

Source: Company, DevenChoksey Research

Cyient DLM Ltd.

FINANCIALS

Exhibit 1: Profit & Loss Statement

Particulars (INR Miillion)	FY25	FY26E	FY27E	FY28E
Revenue From Operations	**15,196**	**13,419**	**16,354**	**18,807**
COGS	11,082	7,972	9,812	11,284
Gross Profit	**4,114**	**5,447**	**6,541**	**7,523**
Gross Margin (%)	**27.1%**	**40.6%**	**40.0%**	**40.0%**
Employee Benefit Expenses	1,862	2,411	2,617	2,956
Other expenses	880	1,727	2,039	2,312
Operating Expenses	13,825	12,109	14,468	16,553
EBITDA Profit	**1,372**	**1,309**	**1,886**	**2,254**
EBITDA Margin (%)	**9.0%**	**9.8%**	**11.5%**	**12.0%**
Finance Cost	375	280	260	220
Depreciation	341	426	440	484
Other income	262	367	232	240
Total Expenses	14,541	12,815	15,168	17,257
Profit Before Taxes	**917**	**971**	**1,418**	**1,790**
Total Tax Expenses	236	195	354	447
Profit After Tax	**681**	**775**	**1,063**	**1,342**
PAT Margin (%)	**4.5%**	**5.8%**	**6.5%**	**7.1%**
Adjsuted EPS	**8.6**	**9.8**	**13.4**	**16.9**

Exhibit 2: Cash Flow Statement

Particulars	FY25	FY26E	FY27E	FY28E
Net CFO	(624)	4,677	1,223	1,442
Net CIO	1,267	(998)	(305)	(505)
Net CFO	(587)	(618)	(560)	(520)
Net Cash	55	3,060	358	417
Beginning Cash and Cash Equi.	**417**	**471**	**3,532**	**3,890**
Ending Cash and Cash Equi.	**471**	**3,532**	**3,890**	**4,306**

Exhibit 3: Key Ratios

Particulars	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	27.1%	40.6%	40.0%	40.0%
EBITDA Margin (%)	9.0%	9.8%	11.5%	12.0%
Return on Equity %	7.3%	7.8%	9.8%	11.2%
Return on Capital %	9.2%	7.3%	11.3%	13.0%
Adjsuted EPS (INR)	8.6x	9.8x	13.4x	16.9x

Exhibit 4: Key Ratios

Particulars	FY25	FY26E	FY27E	FY28E
ASSETS				
(a) Property, plant and equipment	1,796	1,604	1,501	1,555
(b) Capital work in progress	56	56	56	56
(c) Right-of-use assets	449	449	449	449
(d) Goodwill	681	681	681	681
(e) Intangible assets	534	505	474	440
(f) Financial assets :	0	0	0	0
(i) Investments	309	309	309	309
Other Non-current assets	298	298	298	298
Total non-current assets	**4,122**	**3,902**	**3,767**	**3,788**
(a) Inventories	5,713	4,963	6,049	6,956
(b) Financial assets :				
(i) Trade receivables	3,474	2,390	2,688	3,091
(ii) Cash and cash equivalents	471	3,532	3,890	4,306
(iii) Bank balances Other than (ii) above	2,407	3,200	3,200	3,200
(iv) Other financial assets	114	114	114	114
(c) Other current assets	638	638	638	638
Total current assets	**12,817**	**14,836**	**16,579**	**18,306**
Total Assets	**16,939**	**18,738**	**20,346**	**22,094**
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share Capital	793	793	793	793
(b) Other Equity	8,701	9,477	10,540	11,882
TOTAL EQUITY	**9,494**	**10,270**	**11,333**	**12,675**
Liabilities				
(a) Financial Liabilities				
i. Borrowings	1,480	1,200	1,000	800
ii. Lease liabilities	466	466	466	466
iii. Other financial liabilities	95	95	95	95
(b) Other non-current liabilities	0	0	0	0
(c) Provisions	67	67	67	67
Total non-current liabilities	**2,107**	**1,827**	**1,627**	**1,427**
(a) Financial liabilities :				
i. Borrowings	958	900	800	700
ii. Lease liabilities	109	109	109	109
iii. Trade Payables	2,499	3,860	4,704	5,410
iv. Other financial liabilities	411	411	411	411
(b) Other Current Liabilities	1,361	1,361	1,361	1,361
Total current liabilities	**5,338**	**6,641**	**7,386**	**7,991**
Total Liabilities	**7,445**	**8,469**	**9,013**	**9,419**
TOTAL EQUITY AND LIABILITIES	**16,939**	**18,738**	**20,346**	**22,094**

Source: Company, DevenChoksey Research

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Cyient DLM Ltd.

Cyient DLM Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
23-Jan-26	367	421	ACCUMULATE
15-Oct-25	440	483	ACCUMULATE
06-Aug-25	431	512	BUY
24-Apr-25	482	661	BUY
22-Jan-25	515	753	BUY
22-Oct-24	661	842	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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