



27 January, 2026

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Sub: **Transcripts of Earnings Call**

Please find enclosed transcripts of earnings conference call, in connection with Q3 FY26 Financial Results held on 20 January 2026. The call details are enclosed.

This information will also be hosted on the Company's website, at <http://www.cyientdmlm.com>

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For **Cyient DLM Limited**

S. Krithika
Company Secretary & Compliance Officer

Cyient DLM Limited

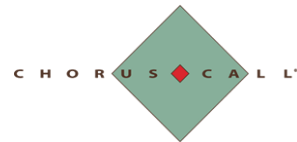
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“Cyient DLM Limited
Q3 FY '26 Earnings Conference Call”
January 20, 2026



**MANAGEMENT: MR. KRISHNA BODANAPU – NON-EXECUTIVE
CHAIRMAN – CYIENT DLM LIMITED
MR. RAJENDRA VELAGAPUDI – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – CYIENT DLM
LIMITED
MR. R.M. SUBRAMANIAN – CHIEF FINANCIAL
OFFICER – CYIENT DLM LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Cyient DLM Limited Q3 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishna Bodanapu, Non-Executive Chairman, Cyient DLM Limited. Thank you, and over to you, sir.

Krishna Bodanapu:

Thank you very much, and good evening, ladies and gentlemen. I'm Krishna Bodanapu, Non-Executive Chairman of Cyient DLM, and I welcome you all to our Q3 FY '26 earnings call. Joining me today on the call are our Managing Director and CEO, Mr. Rajendra Velagapudi; and our CFO, Mr. R.M. Subramanian, RMS. I would also take this opportunity to welcome RMS to Cyient and also to state that this is his first investor call as the CFO of Cyient DLM.

Before we begin, I would like to remind you that certain statements made during this call may be forward-looking in nature and subject to risks and uncertainties. A detailed disclaimer is available in our investor update posted on our website.

Let me start with the order book situation. We're pleased to share that the order momentum remains strong and continues to move in the right direction. Our book-to-bill ratio for the quarter is above 1 for the third consecutive quarter. This underscores the sustained demand environment and the effectiveness of our commercial strategy. A significant portion of the new wins this quarter have come from customers we onboarded this past year, clearly an evidence that our investments in customer acquisition are starting to pay off.

To support this momentum, we continue to strengthen our sales engine, both in India and across key international markets. We are in the process of adding a number of key strategic sales resources, many of whom have joined and a few of whom will join before the end of the year, completing what we believe is the optimal sales team to continue to grow Cyient DLM.

With these additions, the team will be well positioned and well equipped to pursue larger opportunities that are emerging in our sector. We're also deepening our engagement with existing customers by participating earlier in their design cycle. What this does is it meaningfully enhances our long-term viability and our strategicness to the customers, since we are deeply embedded in their design and manufacturing cycle.

Several customers are also showing interest in partnering with us, both for redesign and new product launches, and this positions us not only as a manufacturing partner, but as a strategic collaborator through the product life cycle.

Coming to revenue. Our revenue for the quarter has been soft. This is due to some customer-specific issues that were caused by year-end holiday period and the tariff-related uncertainty. A number of our customers have been in a wait-and-watch mode to ensure or to understand how the tariff situation settles before they start picking up more inventory. These push-outs already are on track to ship in the current quarter, and we do not expect any prolonged impact.

This positions us for a stronger performance in the incoming quarter with positive momentum carrying forward into the next financial year. A particularly strong highlight this quarter is the continued strengthening of the margin profile across both revenues and on the order book. The orders that have been booked are forecasted and projected to come at a much better margin than what we've historically delivered.

The quality of our order book has also improved significantly towards -- with a clear shift towards high-value programs and more efficient execution. This margin is already visible in our double-digit EBITDA margin, which demonstrates the underlying resilience and profitability of our business model. You may see that there is an adjusted margin for this quarter, and this adjusted margin is primarily for 2 reasons.

One is the new labor code, which is a one-time impact; and the second is some M&A impact, which has not materialized and therefore, the cost of which have been expensed this quarter. As volumes begin to scale in the coming quarters, we expect operating leverage to further enhance margins, driven by better utilization, improved absorption and a more optimized cost structure. With a healthier mix of customers, industries and products now shaping our pipeline, we are increasingly confident that our margin trajectory will remain strong and continue to trend upwards.

We are equally encouraged by the traction we are seeing in new high-growth industries, particularly automotive, industrial and medical. These verticals are central to our long-term strategy and the progress we are making reinforces our confidence in our diversification strategy and resilience of our business model.

In summary, we remain deeply confident about the opportunities ahead. The robust outlook for the ESDM industry, combined with the growing momentum in India and a build-to-spec engagement capability, reaffirms our belief in the long-term potential of this business. We stay committed to driving sustainable growth, investing in innovation and delivering lasting value to our stakeholders, including our shareholders, employees and our customers.

Thank you for your continued trust and support. And with that, I would like to invite Mr. Rajendra Velagapudi and Mr. R.M. Subramanian to walk us through the detailed financials and business performance for the quarter. Rajendra?

Rajendra Velagapudi:

Thank you, Krishna. Good evening, ladies and gentlemen. It is a pleasure to welcome you all and having an overview of the Q3 results with a business update. As Krishna highlighted, Q3 has been an eventful and constructive quarter for us, both from a business development and operational standpoint. Our sales engine is gaining strong momentum, reflected in deeper customer engagement and a steadily improving pipeline. Importantly, the composition of our pipeline is evolving with a rising of share from various opportunities originating from the India market.

We are also seeing a healthy shift in our industry mix with automotive, industrial and medical segments contributing more meaningfully. To support this growth trajectory, we continue to build our sales organization, onboarding key resources in Q3 and with a few more additions planned for Q4, as mentioned by Krishna earlier.

If you look at our order book and growth outlook, I think the new wins in this quarter, combined with strong repeat business, resulted in a healthy order intake of INR387 crores. This translates into a book-to-bill ratio of 1.3 for the quarter. And we are also seeing a year-over-year growth here, a good growth in the year-over-year. On a YTD basis, our book-to-bill ratio stands at 1.56, which is a strong indicator of robust revenue visibility for the coming quarters.

And let me take you through some of the key industry shifts we are seeing in the EMS space and how we have translated those trends into tangible progress during the quarter. If you look at across the industry, electrification and digitization continue to accelerate in almost every sector from transportation and industrial systems to energy and consumer devices.

This is expanding the scope of electronics content and widening the need for high reliability manufacturing partners. We are also seeing a clear pickup in defense spending across multiple regions. For us, this directly translates into higher opportunity funnels, especially given our heritage and capabilities in high complexity mission-critical assemblies.

At the same time, geopolitical realignments are reshaping global supply chains. OEMs are actively derisking footprints and India is emerging as a credible, scalable alternative. This plays strongly to our strength and continues to improve the quality and scale of programs we are being invited into.

Another important tailwind is the surge in the AI and AI infrastructure build-outs. Data centers, edge devices and industrial automation programs are all seeing an uptick, and we are positioning ourselves well to participate in these high-growth areas.

Finally, within India, government-led investments in defense, rail infrastructure and manufacturing continue to expand the domestic opportunity landscape, and we see strong medium-term visibility from these programs.

And if you look at on the key business highlights. We were recognized as the Best Performer in Electronic Hardware Exports by the Software Technologies Parks of India for FY '24-'25. This is a strong external validation of our quality, delivery and manufacturing maturity. We also received a risk mitigation award from a key aerospace customer for delivering a highly reliable PCBA program. This is a testimony to validate our proactive efforts to manage threats and encouraging a culture of safety and preparedness.

A major focus this year has been broadening our customer portfolio, and I'm happy to share that we added 2 new logos in this quarter. The first one is in the medical sector, focused on battery management systems for medical applications; the second is in the industrial segment, where we are supporting high-precision electrical motor controls.

We had a few more strategic opportunities that were in advanced stages, but moved into Q4. We remain confident of converting these in the near term, and we'll share more details in the upcoming quarters. We also commenced revenue realization from our B2S programs. This is an important milestone, and we see a clear runway for a significant scale up in the coming quarters as the program matures.

Specific to this quarter, 4 of our anchor customers are currently involving us in developing their next-generation products, 2 from transportation, 1 from industrial and 1 from defense. We expect revenues from these programs to begin within 2 years, supported by healthy gross margins and higher volumes.

These engagements represent a significant long-term opportunity and are expected to meaningfully contribute to our financials from FY '28 onwards. In parallel, we have continued to strengthen our B2S team and are identifying specific platforms and technologies to invest in. With this, we can accelerate design-led growth and deepen customer stickiness.

Moving to the strategic initiatives. Some of the things we just mentioned earlier, but I thought to walk you through some of the things what we are doing here, strengthening to go to the market -- go-to-market. A major priority this year has been strengthening our sales engine.

We are building a stronger sales team across key geographies and reinforcing our cross-functional alignment so that sales, engineering, program management and operations work as one integrated unit. The focus is very clear: to acquire new logos, expand into strategic accounts and build a robust pipeline of large multiyear programs. This is already showing results, and we expect the benefits to compound over the next few quarters.

Building operational excellence. Operational excellence remains central to our value proposition. We continue to strengthen core operational metrics with a deeper push into automation and digitization across our factories. We are investing in advanced manufacturing technologies, including MES, to enhance efficiency and throughput while also evaluating traceability -- and also elevating traceability and quality systems. These investments not only improve cost competitiveness, but also reinforce the reliability expectations of our aerospace, industrial and medical customers.

Moving to the next one, scaling B2S and platform play. So B2S continues to be a strategic differentiator for us. This year, we are realizing B2S revenue as part of the mainstream business and our ambition is to scale it meaningfully. We are investing in the right building blocks, people with the right skill sets, enhanced MPI and prototype capabilities and key technology stack that will allow us to create a more integrated platform play. This will strengthen customer stickiness and open doors to more design-led programs.

Expanding to new markets and building capabilities, I think this is another area where there is a lot of focus today. On market expansion, we are strengthening our presence in Europe, including opportunities for inorganic growth. This is a region where customers are actively looking for reliable partners, and we are -- and we see a significant headroom here.

Defense remains another strategic priority. We are doubling down on global defense opportunities by enhancing our on-ground presence and investing in the certifications required to participate in larger and more complex programs.

Finally, we continue to expand our capability stack, whether in cables, sheet metal or other critical components so we can offer customers a more complete and integrated manufacturing solution. Together, these initiatives build a stronger, more resilient and more scalable business.

They position us well for growth, both in the near term and long term, while improving our competitiveness and deepening customer relationships.

With a strong pipeline and continued traction in the India market, we expect momentum to remain robust in Q4, setting the foundation for a strong FY '27. This gives us confidence for a solid growth path next year. Another highlight is the positive shift in business mix. Our margin profile has improved significantly in FY '26 till date and is now structurally healthier.

We reported strong gross margins in H1, and this trend continued into Q3 as well. The new orders we are booking also carry healthy margins, reinforcing our path towards sustained double-digit profitability. As the revenue growth resumes, we expect improved absorption to drive further margin expansion.

So in summary, before I conclude, I would like to summarize some of the key takeaways. One is our order backlog remains strong, supported by book-to-bill ratio of greater than 1.5 on YTD basis.

Build-to-spec and NPA engagements with key customers provide robust long-term visibility. Third, we are well-positioned for growth in FY '27. Fourth, healthy double-digit margins with further upside expected from operating leverage.

So with that, I will now hand over to RMS for a financial update. Thank you all for your continued support.

R. M. Subramanian:

Thank you, Rajendra. Good evening, ladies and gentlemen. I'll now take you through financial performance of Q3 of FY '26.

In the finance presentation, I'd like to bring to your attention the numbers presented are consolidated numbers and are normalized to separate the one-off expenses to reflect the like-to-like comparison. The one-off expenses which have been separated out are: one, M&A-related expenses; and two, the impact of new wage code. We will cover these items in detail in upcoming slides.

Moving on to the results. Our Q3 revenue stands at INR3,033 million, or INR303 crores, a 31.7% year-on-year decline. This is primarily due to the completion of a large cyclical order in FY '25. Our order book remains healthy at INR23.5 billion, reflecting a Q-o-Q increase of INR583 million. This marks the third consecutive quarter of positive momentum driven by steady order intake.

As mentioned earlier, our normalized EBITDA excludes the two one-off items. It stands at INR309 million, a 14.4% decline year-on-year. However, in margin terms, we delivered a healthy 10.2% EBITDA, at 207 basis points higher year-on-year, which is supported by favorable revenue mix and strong operational and supply chain efficiencies. On a reported basis, EBITDA is INR275 million, translating to a 9.1% of revenues.

Normalized PAT stands at INR138 million, a 18.6% year-on-year decline. Although the absolute number is lower due to revenue impact, our PAT margin improved by 73 basis points year-on-

year, reaching a 4.6%, 73 basis points higher year-on-year. Reported PAT is INR112 million at 3.7% of revenues.

Overall, despite soft revenues, we continue to maintain a double-digit EBITDA margins, a result of healthy mix and operational discipline, with scale returning and margins having the potential to improve further due to operating leverage.

This slide covers our quarterly trends in revenue and margin parameters. And as you can see, revenue over the last 3 quarters were impacted by the large FY '25 order completion. However, the order buildup over this period sets up for a good Q4, as we indicated in our previous call and also by Rajendra earlier. EBITDA margins remained stable at double-digit levels for the past two quarters. With the scale improving in Q4 and beyond, we are confident of maintaining and improving this trend.

This slide highlights our non-P&L metrics. Order book continues to strengthen, closing Q3 at INR23.5 billion, making three consecutive quarters of growth. DIO inventory is elevated due to customer-specific shipment delays in Q3 and inventory buildup for Q4 shipments. It is expected to ease out by the year-end.

We see a marginal increase in DSO and the reduction in customer advances due to denominator effect. However, this was largely offset by an increase in DPO, driven by improved supply chain efficiency. As a result of the higher DIO, which is a primary contributor to the temporary increase in net working capital. We continue to work on taking necessary steps to improve the same. Those actions expected to result in better NWC levels by end of Q4.

In terms of revenue share, our industry mix is now more balanced compared to last year. With the large defense order behind us, we are seeing healthy contributions from aerospace, industrial and medical segment. This shift is driven by strong sales effort towards diversification and improved operational capabilities.

From a product mix perspective, PCBA continues to dominate, but box build, mechanical and other value-added services are growing steadily. This shift is also towards diversification and contributed positively to the margin expansion. While our India contribution is rising, Rest of World continues to be higher, driven by long-standing customers and new addition in North American market and Europe.

This slide provides a detailed P&L view for the quarter. As mentioned earlier, revenue is lower year-on-year due to large FY '25 order completion. However, the quality of revenue has significantly improved and along with the operational and supply chain efficiencies, our normalized EBITDA margin expanded to 10.2% compared to 8.1% in the same period last year.

Other income is lower due to reduced deposit income. However, these were largely offset by a drop in finance costs due to lower borrowings and reduced interest rates. As a result, normalized PAT stands at INR138 million, reflecting a decline of 18.6% year-on-year on a comparable margin basis, while the reported PAT is higher by 1.9%.

This slide explains the bridge from our reported normalized margin. The first one-off relates to M&A evaluation expenses amounting to \$17.75 million. We incurred this expense to evaluate a deal that did not go through, and hence, we have taken the hit in this quarter.

The second one is the wage impact totaling to INR16.3 million, resulting from the new wage code brought in by the Government of India. Both these expenses are exceptional one-off in nature and not reflective of normal business run rate. The backlog reflects the same with the tax impact of these adjustments.

Moving on to the last slide in terms of IPO proceeds utilization. We continue to make disciplined progress in deploying the IPO proceeds. As of December 2025, total utilization stands at 93.2%. Working capital utilization stands at 97.2%, while capex utilization is 15.4%, with the balance to be deployed as planned in the coming quarters.

In summary, I'd like to conclude the following before the Q&A. Let me summarize our performance in five key points. Number one, order backlog remains strong with three consecutive quarters of growth and momentum building up. Number two, revenue was impacted by the FY '25 large order completion, but we are well-positioned for a strong Q4.

Number three, margins remains healthy at double-digit level with further improvement expected as scale returns. Number four, net working capital is temporarily elevated primarily due to inventory and expected to normalize in Q4 and moving beyond. Number five, which is the last one, industry and product mix are diversified and moving in the right direction, supporting long-term margin expansion.

With this, thank you for all the attention, and we can now move on to question and answers from participants. Thank you.

Moderator: Thank you very much. We'll take the first question from the line of Sameet Sinha from Macquarie. Please go ahead.

Sameet Sinha: Yes. Thank you. And RMS, welcome, I look forward to working with you. I guess, a couple of questions here. So, we saw the revenue decline sequentially, which I think you explained, but how should we think about Q4?

It seems like there's going to be some strength there as well. So sequentially, the revenue should grow. But how about year-over-year basis? Is that something we can expect year-over-year growth or is it still going to be negative for Q4?

Rajendra Velagapudi: So, Sameet, this is Rajendra here. Yes, so we see, as of now today, the plans which we have it, I think we are seeing a positive year-over-year. And I'm confident that we'll be there by end of this Q4, so we'll be seeing a positive growth when compared to year-over-year.

Sameet Sinha: Okay. Okay. That's good. Do you have a number for the contribution from Altek during the quarter? And then I have a question about tariffs after that.

R. M. Subramanian: Sameet, I can answer this question, okay? In terms of Altek, I think contribution is healthy. We don't get into the sort of specific with respect to individual divisions of the companies, but it continues to remain healthy and they are doing well in terms of profitability as well.

- Sameet Sinha:** Okay. And is it -- I mean, I don't -- okay, I'll just actually take this offline. And about the tariffs, you mentioned that there were some customers who were concerned about the tariff environment and probably are holding back. But -- and you also mentioned that they are coming back now. What changed for them that they are now feel more confident about the environment?
- Rajendra Velagapudi:** No, I think -- so basically, once -- I mean earlier, you know that there was a high tariff rate there, the 50% tariff. And there are some options which we have presented to them, how they can work out to probably reduce some of those things.
- So that's where we help them in terms of reducing their actual tariff rates there to take the products back into US, okay? So those are the options, which has helped them, probably that is going to help us -- help them to take the products in Q4.
- Sameet Sinha:** Got it. Okay. Thank you very much.
- Moderator:** Thank you. We'll take our next question from the line of Vipraw Srivastava from PhillipCapital India. Please go ahead.
- Vipraw Srivastava:** Hi, sir. Good evening. Sir, quickly on the working capital side, where do we see us ending the full year and what kind of cash flow generation are we looking at for the full year?
- R. M. Subramanian:** Yes. RMS here, I can answer this question. In terms of net working capital, last two quarters, we did improve, but this quarter has been a bit of a slippage essentially because of the inventory buildup.
- We will come back to, in terms of trying to work on in Q4, and the whole year-end also in terms of free cash flow, that will be again positive in terms of what is this -- this year is again -- this quarter has been negative, as we presented. But overall, on a full year-to-date basis, we will be positive.
- Vipraw Srivastava:** Right. And sir, secondly, on the order book side, we are seeing sequentially order book improving for last three quarters. So is it because of Altek we are seeing near-shoring of operations in US that's why Altek is getting more order book -- more orders compared to, let's say, a standalone business? How should we look at it? What are the triggers driving this order book growth?
- Rajendra Velagapudi:** No, so it's not because of the Altek, Srivastava. So it is mainly driven from the India side of the business right now. So we are seeing the new customers, and also, I think as you have seen some of the strategy earlier where we've said strengthening and expanding our existing portfolios, that's where I think the focus is happening there, strengthening the existing customers and also driving the new customers.
- As I said, we have added the new customers in the last two quarters you have seen. And also this quarter, we have added another two more customers. That's where now we are seeing the traction coming in terms of the revenues.
- Vipraw Srivastava:** Sir, the Indian order book, sir, is it on a defense-aerospace side or is it on the industrial side?
- Rajendra Velagapudi:** Sorry? Which sector?

- Vipraw Srivastava:** This order book ramp-up you are seeing in India, is it on the defense-aerospace side or is on the industrial side?
- Rajendra Velagapudi:** No, it is not on the defense side is not. I mean majorly, the order book, what you are seeing it is on aerospace side and then the industrial and medical, predominantly.
- Vipraw Srivastava:** Right. Right, sir. And just lastly, you know, the kind of experience you have had last time, the order book from Indian players are quite lumpy. We had one particular client. So what are your expectations? Is this going to be structural in nature or is this a one-time thing or do you expect this run rate to continue in, let's say, for next year?
- Rajendra Velagapudi:** It definitely continues -- not only continuous, it will definitely grow, that's what I will just tell you. Because as we are adding also new salespeople, we will be seeing more of those order intakes in the next quarters there.
- Vipraw Srivastava:** Sure, sir. Thanks a lot. All the best. Thank you, sir.
- Rajendra Velagapudi:** Welcome, Srivastava.
- Moderator:** Thank you. Next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.
- Balasubramanian:** Good evening, sir. Thank you so much for the opportunity. Sir, you have mentioned Q4 we may expect capacity growth. And overall, in FY '26 heavily impacted by the defense step down. How do you bridge -- how do you resume the growth story for FY '27?
- You can, like, mention about like defense order assumptions or B2S ramp-up and new EV or industrial wins and you can also mention about M&A. And sir, finally, like you mentioned about some 17.75 million one-time expense that did not go through? Also share like what went wrong in that deal?
- Rajendra Velagapudi:** Okay. I think just to answer you, Bala, on the first point, what you said about there is order intake -- Bala, can you just repeat the first question? I think you had a couple of questions. So if you go one by one, it will be easier for us to answer. So let's start with the one, if you can repeat it, please?
- Balasubramanian:** Okay, sir. Sir, you mentioned Q4 we can expect positive growth on year-on-year basis. And how do you look at on FY '27, like what are the contributors in terms of defense order assumptions, B2S ramp-up and new EV industrial wins and any other M&A side?
- Rajendra Velagapudi:** Got it, Bala. Got it. Yes, sorry. So, I think on the Q4, I think versus the FY -- I mean, the Q4, as I said, yes, we have the visibility, we are working towards that and we are confident as of now that it will be -- we'll be seeing a positive growth year-over-year. And FY '27 is also going to be a positive growth.
- I mean on a positive, it is going to be substantial, but we are not giving any guidance right now. But we are working out on the numbers. FY '27 is going to be far, far better than FY '26. That's what I will just probably leave it at this point of time. And the other question which you asked about the 17 million, probably RMS...

- R. M. Subramanian:** Yes. So as we said, this 17.75 million is an expenditure which we incurred on a potential M&A opportunity. This did not go through -- we did actively pursued it. It's an international acquisition. And since some of the terms did not fit into what we were expecting, so we had to call it off. But we continue to be on the lookout for both an organic and inorganic expansion because that's what is in our DNA, and we continue to work on that.
- Balasubramanian:** Okay. Sir, nearly around 40% of our revenue comes from U.S., I think given that 50% tariff situation. So like how we are managing whether it's a rerouting or shipment changes? And what percentage of U.S. distant shipments are now effectively tax-free? And what portion of -- or like how much portion where tariffs are paid by customers temporarily? Like if you could talk about whether how quickly can production shift to Altek if needed?
- Rajendra Velagapudi:** Yes. So I think we have already put those things in action right now, Bala. So we have 4 options, which we are working out and which we have given to our customers. And those are the things which are really helping us to reduce the impact of the U.S. tariffs on our customers right now.
- Balasubramanian:** Okay, sir. Sir, I think we have achieved double-digit margins, nearly 10.2%. I think we have order book of nearly INR2,400 crores in that range. So could you please disclose like in that current total order book value and the blended margin profile of this backlog compared to past 12 months?
- Rajendra Velagapudi:** Yes, those, I think I said there are very healthy margins, whatever we have booked the orders. And whatever order book we have today, so based on the order book, margins are going to be better than what we had currently.
- Balasubramanian:** Sir, is that right way to assume 70%, 80% order book or double-digit orders?
- R. M. Subramanian:** We don't want to be getting into the specifics. I think it's pertinent to say that the margins in terms of the blended margin ultimately will be equal to or better than what we are doing with the scale benefits in terms of what flows into EBITDA and PAT will be much better than what we have today. So it's a combined effect of both the revenue mix and also the operating leverage impact, both will be better on the margins.
- Moderator:** We'll take our next question from the line of Sucrit D Patil from Eyesight Fintrade.
- Sucrit D Patil:** I have 2 questions. My first question is, as the company builds on its aerospace and defense partnerships and expands its EMS footprint, what specific initiatives are being prioritized to diversify the customer base and capture opportunities in the new geographies? Over the next 3 to 4 years, how do you see Cyient DLM positioning itself to balance operational resilience with scaling global competitiveness? That's my first question. I'll ask the second question after this.
- Rajendra Velagapudi:** Sure. I think we have the strategy sessions with the teams here also to the Board, and we have presented the plan where we are going to be. So we have a clear strategy of how to get the numbers what we have today. Yes, so I think it's nice, I mean, when you look at it in the next 2 to 3 years, it is going to be diversified. It won't be very high into aerospace and defense. You'll be seeing aerospace and defense, industrial, medical, and I said, some of the automotive side, on the transportation side, on automotive side.

We will be seeing most of those things and probably it will be equally distributed, maybe slightly higher on the aerospace and defense, but otherwise, the rest of all the verticals are going -- industry is going to be equally distributed in terms of the revenue growth.

Sucrit D Patil:

My second question is to Mr. RMS. With normalized EBITDA around INR309 million and margins holding steady, how are you planning to leverage this financial strength to support capacity expansion and technology investments? Looking ahead, what measures are being put in place to optimize the cost of funds and ensure that profitability remains stable as demand patterns evolve?

R. M. Subramanian:

Let me try and address this in a couple of ways. From a balance sheet perspective, we are heavily leveraged. We are net cash positive. So we have ability to go up to, from a pure working capital perspective, another INR350 crores to INR400 crores. So balance sheet continues to remain strong, and we have dry powder in terms of trying to look at any new capital expansions or acquisitions. That's in terms of the balance sheet strength.

And in terms of what we are looking for, we are looking for both organic and inorganic growth, and we continue to be scouting for opportunities. We acquired Altek 1.5 years back and -- sorry, a year back. And there are -- continuing work to look at acquisitions more from a geography and capabilities perspective. And we will be looking at all of this trying to add to our capabilities and deliver value to the customers as we move forward.

Moderator:

We'll take our next question from the line of Purva Jhaveri from One Up Financial Consultants.

Purva Jhaveri:

So sir, first question was like how many lines do we have for PCB and box builds, as I'm new to this company? So can you just brief me that how many lines for the PCB and box builds?

Rajendra Velagapudi:

So PCBA, yes, we have globally close to around 7 lines we have, okay? And box build, I think box build is basically all -- this is all the backend operations, correct? So wherever there is a box build, we will just hang the backend operation, not that we need to have separate lines or anything for the box build.

Purva Jhaveri:

Okay. So sir, what will be the peak revenue per line for the PCBAs, if you can just -- for 1 line of PCBA, what will be the peak revenue you can do, the asset turns?

R. M. Subramanian:

Yes. I think question is about how much of revenue we can do with. Purva, our business is a high mix sort of low-volume business. So you can't measure our business in terms of the lines and output through the lines. It's a complex product for what we do with higher levels of testing. So that's not our conventional measure where we look at. That's only applicable for high-volume business.

So I don't want to be getting into measuring based on that. It's suffice to say that we have sufficient capacity. And in terms of our capacity utilization, it's about 50% to 60%. So we have substantial capacity in what we are delivering it, and we are able to deliver the double-digit margins.

And if you are able to push the throughput further up for which there's substantial work going on, we will see the operating leverage and that coming into the margin effect as well. So I think that's the best way to put it across.

Purva Jhaveri:

And sir, just last thing, what are the expectations on the capex going forward like for FY '27?

R. M. Subramanian:

Yes, in terms of the capex, what we have is a regular capex and maintenance, which we continue to do, which is anywhere between 1% to 2% of the revenues, which we'll do it. And if there are any specific customers who look for further capex or an additional line or any custom-specific requirement, we have enough dry powder, which we talked about, and we can do it in a pretty quick time, okay?

We have land and infrastructure and buildings, which is the long lead items, that's already covered. So for us to add any equipment's or line, it's probably 3 to 6 months' time lines, and we can pretty much up and running in no time if required.

Moderator:

Next question is from the line of Deepak Lalwani from Unifi Capital.

Deepak Lalwani:

Sir, first question is on the tariff impact that we saw in this quarter. How much of our shipments were deferred from Q3 to Q4? That is one. And the connecting question to this is if you can call out how much of revenues are shipped from India to the U.S. and the solution that you're finding with the tariff as to how much of this is shifted to the U.S. production? And should we assume that the rest of the business will pay a 50% tariff, if you can give some sense on this?

Rajendra Velagapudi:

I mean, so in terms of the U.S. tariff impact in the Q3 is not a huge, okay? It is a small number in terms of the number, if you look at it. But when -- and coming to the options, whatever we have, I think the percentage of the revenues, what we are doing it, I think the options which I said earlier, we have closer to 4 options which we have and which we are -- which we have already given it to our U.S. customers right now.

So some of them have taken those things and they are working towards it. So probably I'll leave it at that point rather than sharing what are those options and all. But they are very well taken by the customers, and we are complying to the things. There is no issue with those things and all, not that shipping to somewhere else and doing. So it is all as per the compliance and all.

So those are the things which we are working out. And probably we won't be seeing much of those U.S. tariff impact until unless if the tariff goes further high. But otherwise, we don't see much of a challenge right now on the U.S. tariffs.

Deepak Lalwani:

Okay. So the solution that you've given to the customers, apart from that as well, are the customers okay to pay 50% tariff even if products are shipped from India? And how much of our revenues are paying 50% tariff, sir?

Rajendra Velagapudi:

So I think the 50% tariffs probably there will be a reduction, which we are suggesting to them some options there, okay? And I said they are all what we are -- internally, we are just giving to our customers. Probably with that, it may not be having a 50%, it will be probably coming down based on various things, which we will be working with the customers there. So...

- Deepak Lalwani:** Okay. Understood. And sir, one follow-up question on the order inflow run rate. So we were at about INR500 crores in the first 2 quarters. We slipped in this quarter to about INR400-ish. How are we looking at Q4? And given that the sales team has been buffed up, how should we look at FY '27 given that you've taken sales team, plus you're talking about new segments, new areas of geography growth? So if you can give out some guidance on what should we look at in Q4 and the next year in terms of order inflow?
- Rajendra Velagapudi:** So Q4, we'll be just coming back to the numbers what you have seen in the Q1 and Q2, okay? So we don't have any concern on the Q4 numbers in terms of order intake. And as I said, with a new sales team, I think, as you know, any of the sales team coming in, it will take probably a few quarters to see any of the order intake coming from them. So we will be looking at those opportunities and probably going and working. It takes probably at least initial first 2 quarters. So...
- Deepak Lalwani:** Okay. Understood. And sir, if we continue to be at this order run rate, we'll close the year with a healthy order book. And assuming that our orders get shipped in 15 to 16 months, is it right to assume a 20%, 25% growth in FY '27?
- Rajendra Velagapudi:** Yes, absolutely. There is no doubt on that one, Deepak.
- Deepak Lalwani:** Okay. Got it. And sir, last question. Since you're taking efforts on the sales team enhancement and some technology-related costs, will this come on our way of double-digit margin aspiration that we have? Or are the orders are like very high margins to take care of these costs?
- Rajendra Velagapudi:** Absolutely. That's what earlier also we mentioned it, you will be seeing margins in good healthy margins, double-digit margins like what we have seen in the Q3 here. I think you will be seeing slightly more than that in Q4 and probably also in FY '27.
- Moderator:** Next question is from the line of Aryan Bhatia from Inved Research.
- Aryan Bhatia:** My first question is regarding our build-to-print versus build-to-spec mix in Q3 FY '26?
- Rajendra Velagapudi:** So I think the build-to-spec is close to around 6% to 7% in FY '26. And we expect that definitely will grow to a double-digit number in FY '27.
- Aryan Bhatia:** Sorry, sir, if you can come again like I was not able to hear you.
- Rajendra Velagapudi:** FY '26, you asked about the B2S revenue, correct?
- Aryan Bhatia:** No, no. I'm asking about the mix of build-to-print in Q3 FY '26 revenue and build-to-tech mix - - build-to-print versus build-to-spec.
- R. M. Subramanian:** Yes. I think that's what he answered. The build-to-spec revenue is about 6% to 7% in the current year, and we expect to go to double-digit in the next year. Hopefully, I've answered the question.
- Aryan Bhatia:** So this will be the reason that will drive the margins in FY '27?
- R. M. Subramanian:** Yes.
- Aryan Bhatia:** Or it will be more industrial mix?

- Rajendra Velagapudi:** So I think FY '27, you'll be seeing slightly a double-digit number there. But as I said, FY '28 onwards, you'll be seeing a good growth in the B2S and also the margins going up because of these B2S programs coming up in FY '27.
- Aryan Bhatia:** So the increase in the margin will be due to the industry mix change or would be due to the build-to-spec versus build-to-print exchange?
- Rajendra Velagapudi:** Both. It will be both because of the industry mix and also the B2S.
- Aryan Bhatia:** Okay. So in FY '27, the build-to-spec mix will be more 10%, am I right, sir?
- Rajendra Velagapudi:** Sorry, just can you repeat that one?
- Aryan Bhatia:** So in FY '27, the build-to-spec mix will be more than 10%. And could you, please, provide me the gross margin difference in build-to-print versus build-to-spec?
- R. M. Subramanian:** Yes. I think, you can say that, yes.
- Moderator:** Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Krishna Bodanapu for closing comments. Over to you, sir.
- Krishna Bodanapu:** Thank you very much, and thanks, everybody, for participating in this call today. I do want to highlight a few -- or just summarize a few things, I think what Rajendra and RMS said. The momentum is very strong behind us. This was a tough quarter. And as we had said last quarter also that this would continue to be a tough quarter. But from Q4 onwards, we will see, of course, not only quarter-on-quarter growth, but year-on-year growth.
- Further and more importantly, the margins will sustain in the 10% range. And to Rajendra's point, in spite of the investments that we're making in sales leadership, etcetera, we're still very confident based on not only the order book that we've built it, but also the kind of industries that we're going after, etcetera.
- So all in all, I believe the worst, if I may, is behind us, at least from a revenue perspective. Obviously, from a margin perspective, we've been doing quite well for the last few quarters. Also from a cash position perspective, we've been doing quite well, and we will have a fairly strong net positive year from a cash perspective.
- So taking all this into account, we strongly believe that we are now well positioned for a strong Q4, but more importantly, for a very strong FY '27 and beyond. Thank you for all the support, and we look forward to being in touch and we'll speak again at the end of next quarter's earnings presentations. Thank you.
- Moderator:** Thank you. On behalf of Cyient DLM Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.