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Sub: **Transcripts of Earnings Call**

Please find enclosed transcripts of earnings conference call, in connection with Q4FY25 Financial Results held on 22 April 2025.

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For **Cyient DLM Limited**

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S. Krithika
Company Secretary & Compliance Officer

"Cyient DLM Limited

Q4 FY '25 Earnings Conference Call"

April 22, 2025

MANAGEMENT: **MR. KRISHNA BODANAPU – EXECUTIVE VICE CHAIRMAN AND MANAGING DIRECTOR – CYIENT DLM LIMITED**
MR. ANTHONY MONTALBANO – CHIEF EXECUTIVE OFFICER – CYIENT DLM LIMITED
MR. SHRINIVAS KULKARNI – CHIEF FINANCIAL OFFICER – CYIENT DLM LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Cyient DLM Limited Q4 FY '25 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 the star, then zero on your touchtone phone.

I now hand the conference over to Mr. Krishna Bodanapu, Executive Vice Chairman and Managing Director. Thank you and over to you, sir.

Krishna Bodanapu: Thank you. Good evening, ladies and gentlemen. I am Krishna Bodanapu, Non-Executive Chairman of Cyient DLM, and welcome to our earnings call for this quarter. Present with me on the call are our CEO, Mr. Anthony Montalbano; and our CFO, Mr. Shrinivas Kulkarni. Today, we will be covering the quarter 4 and the full year performance for the financial year 2025.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available on our investor website, which has been posted on our website.

We are two quarters into the acquisition of Altek and I'm happy to report that the integration is now fully complete. Our reporting is now seamless and so are the operations and the customer-facing functions. Reciprocal tariffs move by the United States government is offering several opportunities for us and many OEMs are showing interest in engaging with us and want to take advantage of our manufacturing presence in the U.S.

In our last call, we explained about the revenue mix change to start showing up from Q4. As a result, our margin profile is changing and the same is reflected in our Q4 performance. I'm happy to announce that we will be reporting double-digit margins in this quarter and we see a line of sight to continue these levels of margins going forward.

Higher tariffs imposed by the U.S. on China is opening up new opportunities for us and several OEMs are looking at electronic manufacturing suppliers in India and we are well positioned into tapping into these opportunities. We have made inroads through discussions with several key OEMs.

While it is an exciting opportunity, we're also mindful of several economic uncertainties in the form of supply chain vulnerabilities that can happen in the short term. The industry continues to face disruption in global supply chains with geopolitical tensions, trade restrictions and such impacting the availability of critical components and decision-making of new program launches by the OEMs.

We are tackling these uncertainties by adopting a multifaceted approach. Actions that we are taking include diversifying our supply chain by reducing dependency on a single country for raw materials and components, leveraging governmental policies such as the PLI scheme in India and subsidies in setting up new facilities, expanding in the domestic market to create a good order inflow against the economic fluctuations in the rest of the world, etcetera.

I also want to acknowledge that the financial year was a bit of a challenge for us from a backlog perspective. While backlog has been down this year, we are very confident of building this back up into the new year since we see a robust pipeline and we are confident that the pipeline will start to convert into orders very, very quickly. We will have a soft start to the year. But having said that, looking at the pipeline and looking at what our customers are telling us, I'm confident we will have another good year ahead of us in FY '26.

As we step into the year with a series of opportunities and a set of challenges, I believe we are going to benefit greatly for the reasons that I articulated. The journey is both exciting and eventful and thank you very much for being a part of this journey with Cyient DLM.

I will now hand over the call to Anthony and Shrini to provide more details on business and finance and the macroeconomic situation. Over to you, Anthony.

Anthony Montalbano: Thank you, Krishna. So I'll start with just a bit on the business overview. And 1 topic that's been top of mind for many is the U.S. tariffs on the EMS industry. This is something that we've obviously had our thumb on the pulse in discussion with what we're seeing with our current clients and also what we're seeing with our key suppliers and supply chain. And as it continues to evolve, it appears to have really more of a China Plus One continuation in terms of the trend on this, right?

When you look at the overall tariff situation as it stands today, you still have a scenario where diversifying continues to be a strong part of many of our client strategies. This is aligning well as far as having cost-effective solutions that we can deliver out of India. The momentum in India continues to rise really as a preferred partner even in the new landscape as things evolve going forward and a lot of this is from a relative basis when you look at the global picture and how that settles out.

Also, India's competitive edge continues. We continue to see -- even throughout the whole fiscal year, we've seen continued momentum with not only the types of products; but just the complexity and depth of the types of products that we are manufacturing in India today. Some programs with new logos are in a space that provide very complex programs, including PCB assemblies, wiring, electromechanical, extensive test.

So these types of solutions are very much cutting edge from a manufacturing perspective regardless of location. So the India story holds very strong and we continue to see that in our business and in our clients and in our pursuits. There's also no question that the interest in the U.S. market is very high and we currently are seeing a significant spike in opportunities in our location in Connecticut and part of this is also due to the capabilities of that site.

Part of the premise for that acquisition was to provide similar type of DNA that our clients may be used to from our operations in India, very similar DNA to what you would find in Connecticut; really high quality, low volume, high mission and safety critical electronics; more of a focus in the medical and industrial aspects coming out of that location.

And so this really positions us very well where even many of the new opportunities are coming from our current clients that we're supporting out of India and we're now able to provide them options in the U.S. and in India and it's really opening up the dialog and really the portfolio that we can go after with these clients. So that helps us really provide a cost-effective hybrid model, which we anticipate will continue to scale.

So when you look at our overall growth strategy, the core aspects of our business as we look ahead beyond the current environment, which continues to evolve; our core is still in India. This is where we have most of our facilities, most of our capability and where we will continue to have a significant amount of our growth and investment. But the U.S.A. piece of this is a new addition, which we do see significant opportunity and momentum and also expansion opportunities there.

Again, this helps address some of the onshore proximity to our clients that like to have some of these more complex products closer to their R&D centers and then also leverage that as the products move through the life cycle into potential offshore cost-effective manufacturing that we can provide. Also, it allows us to target new industries in North America, specific aero and defense and ITAR work.

This is a continuation of our level of expertise that we have within Cyient DLM where we believe we are industry leaders in that regard. Our core business is really where we will continue to get a lot of our growth and that's coming in more larger deals, larger transactions where we're taking a broader engagement with our clients on specific programs.

Also, the industry sectors are getting more diversified. So if you look at our business in our current fiscal year and then you look ahead into what we look to deliver in our next fiscal year FY '26, we do see much more diversification in that; a little less dependent on aero and defense and a greater share coming in, in other sectors including industrial and medical in that regard.

Also, the build to spec is a key part of some of these larger programs. We are scaling these programs today. This allows us really to leverage our client engineering capabilities within the group. This is really a unique value proposition we bring to our clients and even multibillion dollar EMS companies would not have that scale of engineering capabilities to bring forward. So this is very much a core part of the strength in our current business.

And then also there is the inorganic aspect. Again looking forward strategically, we have made current moves this last fiscal year that gives us capability, it gives us geography. And looking forward, we do continue to have this as a core part of our strategy. We do see more of a technology focus and then there can also be aspects that are tied to expanding opportunities with specific clients and other aspects of the business and so that can also include North America, it can include Europe and other regions. So we continue to look at that pipeline as part of the inorganic part of our strategy.

Just some business highlights for the fiscal year. We've had some notable awards from our suppliers. I think these are -- I'm sorry, from our clients having us recognized as a top supplier for those. Some of these are listed here on the slide. And then also some industry awards as well and then also even in the areas we operate in as far as having business impact on the community.

So this continues to add to our reputation as a leader in this space. Of course, the acquisition of Altek is a key aspect as a highlight for FY '25. This is something that was in the works for over a year and so timing especially in the current environment does that -- works out ideal as far as how it sets us -- how far it sets us up strategically going forward.

And then there's also key deals and partnerships, which we've announced. That includes with some of the industry leaders here that you see including Boeing, Thales, Deutsche and others. And so these types of programs are really indicative of the type of engagements we can have and also the scale that they can potentially bring to the business.

So 1 other key aspect. We've had really for some time a little bit of a unique position where the majority of our clients that make up our revenue are really what we call A-List multinational OEMs that are industry leaders.

So our strategy for the most part has been to grow our business with these industry leaders. We make up a fraction of their spend and expanding that portfolio can provide a significant growth and runway going forward. That said, adding new logos is a core part of that strategy. We don't need to add 10 logos a quarter or more like some other maybe higher volume or businesses that serve other sectors.

But that being said, we are very proud of the 6 new logos that we brought on in FY '25. All of these -- 5 of the 6 are very large multinational A-List companies that are really leading in their relative sector. One of them is bringing some new product and technology to market and so that will also start to impact revenue even in this coming fiscal year.

So these types of opportunities really pave the way going forward. Any one of these clients has the opportunity to be $50 million plus a year type of client for us as we build and scale the business with them.

So with that being said, let me turn it over to our CFO, Shrinivas, to help address the finance update.

Shrinivas Kulkarni: Thank you, Anthony. Good evening, everyone, and thank you for your interest in Cyient DLM. Thank you for joining the call today. Let me walk you through the financials of Q4 first and then the full year numbers as well. This being the full year as well as the quarter close. In terms of revenue for Q4, we are reporting a revenue of INR4,281 million, which signifies a growth of 18.3% year- on-year.

We have an EBITDA of INR574 million which is a 50.9% growth year-on-year. I'll explain some of the specifics in the coming slides. Our profit for the quarter is INR310 million, which is a 36.5% growth year-on-year. And EBITDA in percentage terms is 13.4%, which is a 290 basis points growth year-on-year and PAT percentage is 7.3%, which is 96 basis points year-on-year. These are the consolidated numbers.

On a stand-alone basis, the revenue for the period is at INR3,403 million, which is actually a degrowth of 5.9% year-on-year. Our Q4 margins are high due to a couple of one-off tailwinds that we received during the quarter. These are in terms of purchase price variance claims from customers and those are not quarterly events, right? So from a quarterly sustainable number, we should take out about 250 basis points from these numbers to see where we will land in future at these volumes.

Now this profit is the highest profit we've had in the last 12 quarters ever since we've done an IPO and the margin expansion is quite healthy even other than the exceptions. The mix change of business is positively working in our favor as we had indicated before. The only point of concern on this slide is the order backlog. We continue to show a decline compared to previous quarter. However, the large order of the Indian customer has come to an end where the consumption was significantly higher than the intake and therefore, hopefully we should start seeing a reversal in this trend.

Just some key metrics on the trend. Revenue is a little bit lower quarter-on-quarter. But if you see the other metrics, we are at historical high. EBITDA is at INR574 million, which is the highest we've done in the quarter. Same with the EBITDA percentage. Of course these two were both aided by the one-off gains that I referred to earlier and same with the PAT as well.

Some key other metrics that we can look at. Just to highlight on the net working capital. While the net working capital has gone up quarter-on-quarter from 120 days to 127 days, we have made a bit of progress in DIO and DSO. DSO is more or less flat compared to the previous quarter. The DIO has reduced by about 6 days. And customer advances have increased by about 6 days. So those two metrics have helped us generate positive cash for the quarter.

So we have generated INR530 million or INR53 crores of positive cash for this quarter. We do see the order book trend that I mentioned so that is definitely an area of focus for us as a company. And as we look at going into the next year, I think we will be looking to reverse the trend of the order book.

A quick look at some of the other mix changes in the business. Now this pie chart on the left, which is the industry mix, would look very different about 2 or 3 quarters ago where the aerospace and defense was the lion's share of our business. Now with the acquisition of Altek, this mix has changed, more balanced. It looks more balanced now.

I think we have 35% coming from medical and about 14% coming from industrial. And therefore, I would say this is a much more balanced portfolio as we go forward into the next year. Now defense degrowth is due to that large order from the large Indian customer coming down, but aerospace segment continues to witness very impressive growth at 53% driven by the top customers there. The product category mix does not change much compared to the earlier quarters and years.

Altek does bring in cable, mechanical and others slightly higher than where we were; but it's not substantially different from the mix that we had and therefore, overall this pie looks the same. The mix between exports and India market will undergo a change further as we go into the next year, again due to that one large order coming to an end. And most of our backlog currently what will be service next year are in the rest of the world.

So that mix continues to change. We might have an 80-20 mix sort of a number going forward. Having said that, there's a lot of traction in the India business. We have a full-fledged sales team now that's focusing on India as a market. But immediately in the next year, the growth might be higher in the rest of the world for us. Now these are the detailed financials just to get you a color on how the various other metrics stack up.

One caution here is when we look at the year-on-year numbers, now we have the Q4 FY '25 numbers at a consolidated basis including Altek, which has a very different financial footprint compared to what we've had. So when you look at the year-on-year numbers, for example the material cost almost shows flat whereas the employee cost shows a huge increase and other expenses show a huge increase. I think the right thing to do here is to not worry about those individual components, but look at EBITDA level which is a comparable number and at profit level which is a comparable number.

Moving forward. On the full year basis, we have done INR15,196 million of revenue, which is a 27.5% year-on-year growth. I believe this is in line with the rest of the industry, which is also growing at the same levels. EBITDA, these are adjusted numbers, is at INR1,452 million which is 30.8% year-on-year. Now this adjustment is for the onetime M&A expenses, which happened in Q3. We had called this out in the previous quarter. And there are no more M&A expenses in Q4, but for the full year we will continue to show the adjusted number because that is the right number to look at from a comparison perspective.

PAT is at INR74 crores or INR740 million, which is a growth of 21% year-on-year. We spoke about the order backlog, which is at INR1,906 crores and EBITDA margins are at 9.6% on an adjusted basis. This is a growth of 24 basis points year-on-year. We were targeting a 10% EBITDA margin for the year. So this is a little shade under that. So we will work going forward to get to that number. In fact it will be a little higher than that if you look at the exit margin of Q4 even after removing the one-offs.

And the reported numbers are on the right side in terms of comments for you to take a look at. We also have full year financials from a consolidated perspective comparing FY '25 to FY '24. This again gives the same color, but at a much more granular level. I'll not repeat these slides because these are the same metrics we spoke about in the earlier slide as well. This is the EBITDA and PAT walk-through from reported to adjusted so you have clarity on what those numbers are.

The financial results that are reported will have a number, which is in the lower row, and this we provided in Q3 as well. Just for the full year since we are providing adjusted numbers now, we are repopulating this table so that it's clear from an adjustment perspective. Lastly, I'll say from an IPO proceeds utilization, we have utilized 76.6% of the funds allocated raised from the IPO. Now bulk of the utilization in the current year, as you are aware of, are the inorganic growth through the acquisition that we did for Altek.

And there is still about INR120 crores, INR115 crores of money left for the incremental working capital of next financial year. But the capex is the one that is substantially underutilized because we have not really spent a lot of money on capex in the last couple of years and so we might take a year or 2 to sort of complete that. For now I think this is compliant with what we had stated in the RHP and the monitoring agency report is also tabled in front of you in the stock exchange website.

So with that, I pause the presentation here and we will take any questions you may have.

Moderator: Thank you very much. The first question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Just wanted to sort of check on the incremental any news regarding the pipeline. Obviously we've indicated we have a strong pipeline, but when do we sort of see most of these getting converted into order backlogs and how do we see it throughout the year? Is it more 2H or 1H? And secondly, you indicated more activity from the U.S. While it will sort of translate into order inflows, is it more shorter term, longer term and is there any temporary disruption in execution in 1Q because of uncertainty around tariffs? That's my first question.

Anthony Montalbano: Yes, I can go ahead and take that. So the first question just regarding the pipeline converting into backlog. So that is still a part of our business that we continue to focus on with many key opportunities that really do need to get through the next phases into closure and develop into that. So some of those have converted, but we've also continued to deliver throughout the year and consume that.

So we do need to get more positive momentum there and as we close on some of the key deals that are in the pipeline, we do see that that order backlog will start to build as those key deals close as we do confirm POs as part of that. In regards to the second question on the U.S. operation impact as it relates to tariffs. If I understood the question correctly, I think you may be asking a bit on the timing on kind of how that comes in and the interest on that.

So right now I would maybe just give a bit of color there that we are active on several opportunities specific to our Connecticut U.S. operation. And as you look at the phasing of those, they still do fall into our core business of industrial, aero and defense and medical. And so these programs even if awarded relatively quickly still do take a bit of time to get into our operations and to start to impact revenue on that.

So, wins that we might announce in the next quarter, that would start to convert into revenue probably towards the later part of the fiscal year if you were to just take a guess. There could be some transfer programs or other programs which could convert more quickly, but our business is a little different than like for example a consumer EMS business where the certifications are not quite as high and you can transfer a program relatively quickly and even if it's in the same quarter be recognizing revenue on that.

Deepak Krishnan: Sure. Maybe just wanted to sort of check on the operating cash flow also. I think we've seen some improvement in the second half of the year. But for the full year as a whole, you're still OCF negative. So how are we sort of looking at operating cash flows at next year levels? Do we see working capital going down and that needing some operating cash flow or do we still see some challenges in generating positive OCF?

Shrinivas Kulkarni: No, I think for next year, we are targeting a positive OCF, Deepak. I think there are several initiatives we are taking on DSO, DIO as well as DPO; which are all playing out well now and therefore, we saw that impact in H2. So we're quite confident of continuing that momentum as we go into the next year. So we will see a positive cash next year itself.

Deepak Krishnan: Sure. Maybe just one final question. Any incremental upside that you're seeing from the European increased spending on defense? Are we sort of potentially looking at more deals in the pipeline there, anything or it's more normal business of course?

Anthony Montalbano: So the question was regarding the incremental growth in the pipeline from European clients. Is that correct?

Deepak Krishnan: Yes, European defense specifically?

Anthony Montalbano: Yes. So actually we do have significant traction. Some of our top performing clients in terms of growth into FY '26 are indeed in defense and also partly European based as well. This includes current clients and also some new ones that we're ramping up. So today, our client base is primarily outside of the 1 large contract that we've just finished out this last quarter. The majority of our business does come out of Europe and the U.S. As was referenced earlier, we've had some focus on the Indian client market and that is now starting to build and come into the pipeline.

Moderator: The next question is from the line of Vipraw Srivastava from PhillipCapital. Please go ahead.

Vipraw Srivastava: Sir, quickly on the margin. So even after growing 250 bps, they remain in double-digit for this quarter, that sustainable margin?

Shrinivas Kulkarni: That's right, yes.

Vipraw Srivastava: Right. So going ahead, I mean how do you see this shaping up? I mean obviously the Indian defense line is now out of the order book. So ideally margins should remain in this range because of the higher margins on US business, export business maybe?

Shrinivas Kulkarni: I didn't follow the second part of the question, but let me address the first part. So in terms of margins, I think if you take the one-offs that are there that we have explained, the rest of the margin is a sustainable margin, which is already double-digit. Now the business mix change has a big bearing on the overall margin and therefore, the drop in revenue because of the one large Indian client, which was a drag on the margin is actually now sort of going to play itself into the margin scenario.

But we should also remember that it's a function of the absorption. I think so as long as the volumes sustain and grow from here, that margin we will see upward trajectory going forward. What was the second part of the question, Vipraw? I did not follow that.

Vipraw Srivastava: Sir, second part was since US export business has higher margins, obviously they should trend upwards, right, in terms of gross margin levels?

Shrinivas Kulkarni: See, I mean but there are lot of Indian clients also where the margin structure is quite similar. So I would not really equate that because of that. But the change in the export domestic is actually a function of that 1 Indian domestic client going down. So that's exactly how it's playing.

Vipraw Srivastava: Right, sir. Sir, quickly I mean obviously this year growth was slightly muted on stand-alone console, anti-equation -- targets you have in terms of growth is the company looking at or if not that, when do you see the order book ramping up ex to or any specific quarter or anything on that?

Shrinivas Kulkarni: Yes. Look, I think we definitely don't want to give a guidance right now. I think we have sort of refrained from giving guidance even in the past 2 years where predictability was actually a little bit higher. This is a business that is not at a level of stability where we can really predict. One deal can quickly change everything, right? So let's see how this plays itself out. We will have a soft start to the year especially Q1, but we are hopeful that we'll be able to recover and have a good year.

Vipraw Srivastava: Right, right. Sir, just I was listening to one of your main clients con-calls -- and they were highlighting some of the supply chain issues like printed circuit board shortage, which was resulting in even the order book is doing well, but revenue execution is not happening. So are you facing these things some supply chain issues in the manufacturing part or is it limited to sales?

Shrinivas Kulkarni: No. I mean there are a few issues in the supply chain. It's not reached the level where it's going to impact us. But what we are also seeing is a lot of letters from the suppliers asking that the cost will go up and this is a direct sort of reaction to the tariff situation that we see right now. But there is no shortage that we have come across yet and therefore, the business impact is not there at this point. But we'll see how this plays out. It's quite dynamic out there to be honest. So if we hear anything, we will definitely come back.

Vipraw Srivastava: Right. Sir, lastly, obviously since you mentioned tariffs, Trump has a clear agenda of promoting manufacturing in US. So I mean if you look at the cost of mechanics for Altek, I mean how do you stand in terms of cost? Is it cost competitive with India or how cost competitive will it pertain to Indian operations for Altek?

Anthony Montalbano: Yes. So Altek on that type of operation, which is really more often associated with a regional type of EMS company except this one is focused again more on the high value side of the business. So cost pressure on that side of the business is not what you would find in larger scale operations. Clients are usually going to that facility really more for products that are not running in very high volume. They're usually more complex.

They usually want to have those closer to their R&D centers and key people. So that type of business tends to be less price sensitive. I mean they still have to be competitive, but it's not as price sensitive as higher volume programs or even larger scale programs overall.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Sir, you mentioned about the spike in the US engagement, US inquiry which is coming in. I wanted to fundamentally understand this. As you know, Eastern Asia controls almost 80% to 90% of the value addition and in terms of global manufacturing. So how sustainable or how commercial sense is it going to make for US to be there in the PCB part of the piece? And these inquiries, I mean what kind of customers, what size of customers are showing inquiries? And what level of inquiries are coming in and how close are these? Just to get a sense around that?

Anthony Montalbano: Absolutely. So first, the question on sustainability. This business has been in operation for over 50 years and has had a very solid base through times including the current times, which present a lot of changes. So the stability of that business is what we view as a key asset for it. Regarding the types of opportunities that are coming in, the core types of opportunities that this site demonstrates when a client walks through is they see very high reliability industrial and medical type devices there and similar types of opportunities are coming in in that regard.

And so for example we have, I'd say, at least nine separate discussions, nine separate opportunities we're looking at that are just simply from our current clients that we are supporting in India today. Very eager to have learned that we now have a US option and so we're now quoting new products that really we didn't have access to before. So that's one part of it. And then also the clients that Altek and that Connecticut site has today, there's active discussions on providing those clients an offshore option.

And there's cases as they continue to scale and in one case, there's one of the top clients have significant growth in their business in India. So that, of course, positions us well to provide an extension of that opportunity to provide that client really more of a low cost solution where before that transaction they probably would end up partnering with somebody else.

So this is a synergy case we're taking a look at and the timing on things has worked out well because now there's no question, there's focus across many to continue and even expand the Made in America momentum.

Mihir Manohar: Sure. Second question was on the defense side, European defense. I mean now 3 months there after the [inaudible 41:02] budgets have gone up for European defense. What are the actual inquiries that we are seeing from our European customers with respect to the defense manufacturing in Europe and then the beneficiary benefiting us?

Anthony Montalbano: Yes. So that's absolutely spot on. There's been some recent announcements regarding the defense. I think even in the last 10 days there has been some notable headlines. But we've actually been seeing really for the past fiscal year very robust growth on that sector on defense and then even on European defense just with our clients there. And then this has been also a focus for us on a couple of key opportunities.

As that business grows, those clients, they've gone through, they've looked at their supply chains and done consolidation activities. And we think we've been very aggressive on those and have done quite well and that's actually what's driving good growth for us on some of our existing accounts. And we also have some new accounts come in in that regard, too. We've had two key new accounts come in in that sector that we might not have had access to before.

Mihir Manohar: Sure. So are we seeing increasing conversations after February or is that happening or is that not happening till now?

Anthony Montalbano: I would say it's probably hard to pinpoint too many specific post February. I think most of this has really been ongoing. And so the headlines come and then the dialog and impact usually follows that. But so far the message I share is that this has been -- we've seen this as an ongoing trend and positive impact of our business this last fiscal year. If I take a look at our top five growth clients year-on- year, two of those are again in that sector.

Mihir Manohar: Sure. Understood. And last question was on the order book. Now when we see order book close to INR1,900 crores of order book, at the start of the year we had INR2,100 crores. We executed INR1,500 crores, INR1,600 crores. This is including the acquisition. But generally, considering our order book is like 18 months kind of a visibility.

Now does it mean that for this particular financial year FY '26 given the fact that at the start of the year our order book visibility is limited. So consequently we will end up reporting a flattish kind of a growth for FY '26 versus FY '25. Is that a reasonable understanding to have or will we have an order book shore up very soon either in 1Q or 2Q and that will help us for the full year? Some clarity around that will be really helpful?

Shrinivas Kulkarni: Yes, but Mihir I think the problem is I think we are not able to comment on a full year outlook and how it shapes up today. I think this is a dynamic business and there are significant opportunities that are in the pipeline we are working on. Even one large order can change the dynamics quite a bit. I mean obviously you can make some model. If nothing plays out in that regard, then there is a certain view.

But I mean we are all working hard to sort of convert some of those and therefore it's not prudent to comment at this point. We don't want to give out a full year number. We don't know how the year will shape up. It will be a soft start to the year. I think that's the expectation we want to set. But having said that, I think there's also a point about the pipeline being very strong and there are several opportunities.

And especially now with the change dynamics where we have the U.S. manufacturing operations to us at our disposal, I don't think we could have timed that any better in terms of acquisition and having a presence there locally. So all these conversations are pointing towards a hybrid model being the most effective model as we go into the next year.

So, yes, I mean look, if you should take a static view then there is a point of view on how the year will be. But if you look at the dynamic of how the world changes and how we can change, I think there will be a different view. So we'll refrain from giving out a full year number, but yes I mean from where we see I think things look very promising.

Mihir Manohar: Sure. Yes. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Akshat Bairathi from RSPN Ventures. Please go ahead.

Akshat Bairathi: Hi, am I audible?

Moderator: I am sorry to interrupt Mr. Akshat you are sounding a little distant, could you come closer and speak.

Akshat Bairathi: Am I audible now?

Moderator: Yes, sir better. Thank you.

Akshat Bairathi: So my question is on the capacity utilization. Sir, can you please provide a company level capacity utilization data and maybe specific capacities segment-wise?

Shrinivas Kulkarni: No, we don't track it segment-wise. The overall capacity utilization of the company is around 60% right now and it's higher in Mysore the capacity utilization, lower in the other parts of our business. But yes, I think we don't track it by segment. We track it by the plant.

Akshat Bairathi: Got it, sir. And just one last question. So we have said that we have lost a big client in the defense segment. So any specific reason or can we see this client coming back maybe in a quarter or two?

Shrinivas Kulkarni: No. I mean we have not lost a client. I think it's a client where the project has come to an end. The nature of the work is such that it was a 2.5-year project which we signed up long ago and we have delivered to the entirety of the project now. Now the client is dependent on further order from the Ministry of Defense in India for the renewal. There definitely is going to be a renewal at some stage.

And we being an incumbent who has successfully delivered the first lot obviously have a better chance as and when that RFP floats. It's a public sector undertaking that we are working with so they will go through the due process. It's not an automatic selection. But there could be a time gap before the next order comes in. So it's not like we have lost the client. It's just that the project has come to an end.

Akshat Bairathi: Got it, sir. Thank you for the explanation. That's it from my side.

Moderator: Thank you. The next question is from the line of Rahul Deshmukh from LKP Securities. Please go ahead.

Rahul Deshmukh: Hello sir. Thanks for the opportunity. So sir my first question was regarding the new logos that we have onboarded in FY '25. So can you please elaborate on the ramp up timeline or any potential contribution in terms of top line as well as margins from these clients in FY '26 and adding to that now Altek is integrated on a consolidated basis. So what kind of operational synergies or margin improvements we are expecting from this acquisition in FY '26 and FY '27 as well?

Anthony Montalbano: Yes, absolutely. So I'll just highlight a couple of the key programs. So of these logos, they are coming in different product segments and industry segments and so a couple of them that we are seeing impact in the coming fiscal year is on the medical side and then also on the industrial side. Those are programs that are just running at a faster rate and then also just due to the sector that they are in, they just simply get to manufacturing quicker than something that you might find in A&D for example.

Now some of the other logos that we've identified, one including a large A&D company and then even one on the energy services side. Even though there's significant potential on the impact on revenue in FY '26 might not be as significant, we definitely do see the order book and backlog start to build from these clients. So again on a couple of them, we will have some revenue impact definitely in the coming year, but then I think you'll also start to see a probably bigger impact on the order backlog as we scale with those clients.

Rahul Deshmukh: Okay, sir. And my next question was on if BL tenders gets out in upcoming quarters. So are we going to bid for that tender as well as the previous BL order book was -- the margins were not that good in the previous order book? So any thought on that thing?

Anthony Montalbano: So we would classify it as we provided a very good service and have been a good provider on that business. We feel that we are very well positioned for future opportunities that come up in that regard. So again right now that might take a quarter or two to realize. On the flip side, that is a program that can ramp very quickly.

So, for example, we've already been making that product and there's not anything that really qualifies. It's just a matter of starting to support demand if and when that comes. So that's had the nature of that business. Now there was some just -- part of your question as well focuses on the margin side of it and this last fiscal year, that was a pretty significant portion of our overall revenue.

There were a couple of quarters there, maybe even more than a couple where that was making up 25% or over 30% of our revenue. So you do see a dilutive impact from a profitability perspective. There are some other aspects though on net working capital, etcetera, which actually operate quite well on that type of a program.

So going forward even with that type of program potentially coming back on, it would still be coming on into a more diversified overall business. Our nonbusiness -- the growth in the rest of our business has been just shy of 40% year-on-year as we project out into the next fiscal year when you look at that. So again it would be coming into a more diverse portfolio than where it is today.

Rahul Deshmukh: Okay, sir. Thank you so much.

Moderator: Thank you**.** The next question is from the line of Karan Sanwal from Niveshaay. Please go ahead.

Karan Sanwal: Thank you so much for the opportunity**.** So when we see the results there is something of fair valuation changes on financial instrument, which is around INR35 crores for the quarter. Can you explain what is it related to?

Shrinivas Kulkarni: Yes, I'll give you some color on that. So we had made an investment a couple of years ago in a company on one of the technology products, we were partnering on them with and then as per the accounting standards, we are supposed to do a fair valuation of it at the end of the financial year, every year to see how they are. Now that company is again into defense products and some of their orders have sort of right shifted.

And what that does is in terms of the valuation of that company when you do it independently from a fair value perspective, their valuation has dropped. As a result of which, we are making an adjustment in our books through the other comprehensive income. It's a markup that happens either up or down depending on the fair value of that company.

Karan Sanwal: Understood. Also on the overall impact or one-off impact that you were talking about the margins. Could you - so you were talking about the one- off impact on the margins. So just wanted to understand like could you repeat the same and also on the sustainability of the margin, you said it would be around a double-digit number. So it can be taken on the consolidated level?

Shrinivas Kulkarni: Yes, this is at the consolidated level. Just on the one-off events, these were certain purchase price variance claims that we make with our customers as and when the material prices increase. Some of those we take into the P&L only after receipt, which is what we did in this case. I think we've raised a claim and the customer -- there is a bit of a negotiation that goes on because it's not very straightforward, but we were able to convince that we have the right to these claims and those all came in Q4.

Typically, these get spread out during the year as well many times, but in this quarter we had a higher level of those claims coming in and impacting the margins positively. And yes, so even taking those two claims out, our margin was double digit and that is what we are saying is a sustainable number. There will be seasonality within the year I'll caution this. On a full year basis, we will be at double digit. Because we have a soft start to the year, you might see lower margins in Q1, but as the year picks up, we will do. I think it's exactly how it's played out in the current year as well and the same thing we will repeat next year.

Karan Sanwal: So on a full year basis, it is around 10% to 12% is what you're saying?

Shrinivas Kulkarni: I'll just stop at double digit. Yes, but you're right. It should be around that.

Karan Sanwal: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, the next participant will be the last in terms of Q&A session. It's from the line of Rajit Aggarwal: from Nilgiri Investment. Please go ahead.

Rajit Aggarwal: Good evening, sir. My question is related to the interest cost. So on a consolidated level whereas the debt has gone up by almost 100%, we've seen interest cost remaining almost flat. Is it because the additional debt is in dollar terms and if yes, then could you share the repayment structure of this loan and what will be the cost of this loan?

Shrinivas Kulkarni: Yes, you are right actually. I think -- we had funded part of the acquisition through the debt as well and this is a dollar debt and the interest rates are quite attractive. It's linked to the SOFR rates. And other than this, I think our working capital and our loans have also come down. So from a quarter-on-quarter perspective, you may not see a big increase in the finance cost even though the debt levels have gone up.

It's a long-term debt. There is, in fact, a moratorium of 1 year after which the payment starts, but the interest is there in the first year itself, which is already accounted for in the books.

Rajit Aggarwal: Right. So for FY '26, I presume the interest cost will be similar or do you foresee that going up?

Shrinivas Kulkarni: No, I don't think it will go up for sure. In fact, we should see a reduction in the interest cost because we have restructured a lot of the loans. We are now relying more on the PCFC loans as compared to the working capital loans, that has brought down the interest rates because also we are net exporter in terms of the overall mix of the business as well. So we are taking advantage of that mix change and that will help the treasury activity in terms of lowering the overall interest cost.

Rajit Aggarwal: Right sir. That's very helpful. And the last question is related to your top customers. So will it be possible for you to share the contribution from top two and top five customers to the overall revenue?

Shrinivas Kulkarni: Rajit the top five hasn't changed. I think our top five is roughly 80% of our business and that will continue even next year.

Rajit Aggarwal: And that I mean takes out the defense customer as well?

Shrinivas Kulkarni: Yes.

Rajit Aggarwal: And even then the top five will continue to contribute about 80%?

Shrinivas Kulkarni: That is right. We have - the acquisition also has a similar mix to what we have. So the top five 80%, that composition doesn't change much.

Rajit Aggarwal: Thank you, sir. That's all from my side and best of luck.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to Mr. Krishna Bodanapu for closing comments.

Krishna Bodanapu: Thank you very much and thank you everyone for your time this evening. As we discussed, we had a strong end to the year. Of course, we do have a few challenges, but more importantly a lot of opportunity ahead of us. We're working hard towards making sure that we maximize the opportunity, which, of course, starts with building a robust order book. We are on path to do that.

We are on course to do that through the course of the year. Like Shrini said, we will have a little bit of a soft start to the year, but that's not unlike any other year previously. So we're quite confident that overall we will have a good year like the previous years. Once again thank you very much for your support and we will again speak at the end of next quarter. 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. Thank you.