



CYIENT

# INVESTOR PRESENTATION ANNEXURE

Q3 FY19

# • Message from the Management



**Commenting on the results, Mr. Krishna Bodanapu, Managing Director and Chief Executive Officer,** said, “Q3 is generally a slow quarter and we recorded a revenue degrowth of 1.5% in constant currency over the previous quarter. However, we witnessed a growth of 10.7% in constant currency YoY. The QoQ growth was impacted by degrowth in our Semiconductor and Communications business units wherein some of the key deals expected got pushed out to the next quarters. Due to seasonality in the business DLM segment witnessed a degrowth of 10% QoQ, however the business grew by 69.7% YoY.

Our operating margin improved by 103 bps QoQ despite lower working days, driven by better SG&A absorption and better operational metrics. We continue to make investments in our S3 strategy and are focused on building our capabilities across the product value chain.

As a testament to our effort in that direction our customer P&W recognized us with Supplier Highest Productivity Award 2018, Supplier Innovation Award 2018 and Consistent Supplier Productivity Award 2018. We also opened a new office in Peoria, Illinois which includes a state of the art digital lab and an experience centre. The new facility will help strengthen our local presence as an innovative solutions centre and support our continued growth in the industry.”

# • Message from the Management



**Commenting on the results, Mr. Ajay Aggarwal, President & CFO,** said, "I am pleased to share that during Q3 FY19, we delivered a well-rounded growth with the highest-ever rupee revenue (₹11,876Mn) and operating profit (₹1,749Mn) for a quarter. The focus on operating profit has shown good results with 22.2% YOY growth. This quarter saw the highest operating margin in last 12 quarters at 14.7%, an expansion of 103 bps QoQ. The EBIDTA to Free Cash Flow stood at 85.6% culminating into the highest-ever cash balance (₹12.3Bn/ \$176Mn) for a quarter-end.

The focus on investments for long term investor returns continue. While these do have short-term impact on performance, we are confident of accelerated growth. There is a significant focus on profit improvement initiatives both on improving quality of revenue and cost positions and will show up in our results in future

We are confident of achieving our FY19 guidance number with a robust Q4 financial performance. Cyient will continue to reap opportunities for growth, improvement in operating margin, cash generation and thus delivering on the promise of maximizing the value for our shareholders."

# • Business Performance & Outlook (1/3)

## **Aerospace & Defense**

Aerospace & Defense (A&D) BU witnessed a growth of 0.9% QoQ and 2.9% YoY in constant currency led by growth across geographies and key customers. The business is witnessing strong traction across the product lifecycle and will continue to invest in S3 strategy to drive growth. The momentum is expected to continue into Q4 FY 19 and the outlook for the year remains positive driven by growth in Avionics and DLM segments.

## **Communications**

The Communications BU witnessed a degrowth of 1.7% QoQ and a growth of 10.9% YoY in constant currency. This has been a particularly difficult quarter for the BU as most of the deals got pushed either to Q4 or early next year. The delay in decision making on couple of large programs and work allocation being restricted impacted performance in Q3 FY19. The BU expects to grow in Q4 and build strong momentum for FY 20.

## **Utilities & Geospatial**

Utilities and Geospatial BU witnessed a growth of 5.2% QoQ and a degrowth of 4.2% YoY in constant currency. The growth in the BU was driven by new customer additions and better cost absorption. The focus on automation, IoT and analytics continues with specific focus on the Australian market. The BU expects a strong growth over Q4 FY19 backed by a strong pipeline and continued interest in solutions across all geographies.

# • Business Performance & Outlook (2/3)

## **Transportation**

Transportation BU witnessed a growth of 2.4% QoQ and 10.3% YoY in constant currency driven by momentum in key accounts and new project wins. The BU continues to make significant progress in identifying opportunities and launching new solution offerings in areas such as Augmented Reality, Smart Asset Maintenance & Cab Alarm notification. The outlook for the year continues to remain positive driven by strong industry growth in key segments, healthy pipeline and long term relationships.

## **Industrial and Energy Natural resources (I&ENR)**

I&ENR BU witnessed a growth of 0.3% QoQ and 5.9% YoY in constant currency driven by momentum in key customers. The BU continues to see strong pipeline in both existing and new clients. The mining segment is showing growth in connected equipment and asset health monitoring as they continue to focus on operational efficiency and automation. The industrial business has new opportunities in augmented and virtual reality, manufacturing engineering and electronics. The BU is expected to witness growth through the year driven by continued performance in key accounts.

## **Semiconductor**

Semiconductor BU witnessed de-growth of 19.7% QoQ and a growth of 16.8% YoY in constant currency. The BU added several new automotive customers through the quarter, however could not grow to cover for the degrowth. The BU continues to witness growth in analog turnkey offerings with new customers. The outlook for the year continues to remain strong.

# • Business Performance & Outlook (3/3)

## **Medical Technology and Healthcare**

The Medical Technology and Healthcare (MT&H) BU delivered a growth of 2.5% QoQ and 2.4% YoY in constant currency in a seasonally slow quarter. Our focus on providing end-to-end product development services to strategic segments is resulting in improved results and forward indicators of growth. We are focused on strengthening the sales funnel and backlog and are optimistic about new business. The BU expects to witness strong growth through the year driven by growth in DLM focused business, strong pipeline and order intake.

## **Design Led Manufacturing**

DLM BU (including B&F Design Inc.) witnessed a de- growth of 7.6% QoQ and a growth of 73.2% YoY in constant currency. The degrowth in the quarter was a result of our planned exit from lower margin accounts. However, YoY growth was significantly better due to higher revenues for all segments. We expect a sequential recovery in Q4 with positive movement in key business units. Our outlook for the year continues to remain strong we expect a double digit growth through the year.

# Consolidated Financial Metrics

## Key Operational Metrics (₹Mn)

₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18	Growth %	
				QoQ	YoY
Revenue	11,876	11,870	9,834	0.1%	20.8%
Operating Profit	1,749	1,626	1,431	7.6%	22.2%
Operating Margin	14.7%	13.7%	14.6%	103 bps	18 bps
PAT	921	1,271	878	-27.5%	4.9%

## Key Operational Metrics (\$Mn)

\$ Mn	Q3 FY19	Q2 FY19	Q3 FY18	Growth %	
				QoQ	YoY
Revenue	165.1	168.9	152.0	-2.3%	8.6%
Operating Profit	24.4	23.0	22.1	5.8%	10.1%
Operating Margin	14.8%	13.6%	14.6%	103 bps	18 bps
PAT	12.8	17.9	13.6	-28.5%	-5.6%

## Foreign Exchange Rate

\$/₹	Q3 FY19	Q2 FY19	Q3 FY18
Quarter Average	71.93	70.27	64.68
Quarter Closing	69.93	72.64	64.09

# Consolidated Revenue Segmentation

## By Geography (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Americas	54.1%	52.0%	52.1%
Europe, Middle East, Africa	22.1%	23.8%	26.5%
Asia Pacific (includes India)	23.8%	24.3%	21.4%

## By Business Unit (%)<sup>1</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Aerospace and Defense	38.6%	38.0%	34.3%
Transportation	10.5%	10.2%	10.8%
I&ENR	9.4%	9.7%	10.2%
Semiconductor	4.1%	5.0%	3.4%
Medical & Healthcare	3.5%	3.3%	3.1%
Utilities and Geospatial	13.2%	12.3%	15.3%
Communications	20.7%	21.5%	22.8%

## Onsite/offshore Split (%)<sup>2</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Onsite	57.6%	57.2%	57.2%
Offshore	42.4%	42.8%	42.8%

<sup>2</sup> Onsite/Offshore is computed only for services business



# Consolidated Operations Metrics

## Utilization (%)<sup>1</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Utilization	78.1%	78.0%	78.6%

<sup>1</sup> Utilization is computed only for services business

## Account Receivables (in Days)

	Q3 FY19	Q2 FY19	Q3 FY18
<b>DSO Total</b>	<b>83</b>	<b>82</b>	<b>80</b>
- Billed	59	59	57
- Unbilled	24	23	23

## Order Intake (\$ Mn)<sup>2</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Cyient Services	255	157	241
DLM	19	39	4
<b>Group OI Total</b>	<b>273</b>	<b>196</b>	<b>245</b>

<sup>2</sup> The Order Intake reported is the total value of all orders received during the period. Some of these orders are multi year and can be executed over more than 12 months

# Consolidated Customer & Employee Metrics

## Top Clients: Revenue Contribution (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Top 5	33.2%	32.7%	36.9%
Top 10	43.9%	44.1%	49.7%

## No. of Million \$ Clients

	Q3 FY19	Q2 FY19	Q3 FY18
20 Mn+	4	4	5
10 Mn+	13	13	11
5 Mn+	31	31	25
1 Mn+	87	81	75
<b>New Customers Added</b>	11	15	12

## Employee

	Q3 FY19	Q2 FY19	Q3 FY18
Total Manpower	15,193	15,040	14,457
Technical & Pool	14,002	13,845	13,326
Non-Technical	413	421	328
Support	778	774	803

# Consolidated Other Financial Metrics (1/2)

## Other Income (₹ Mn)

	Q3 FY19	Q2 FY19	Q3 FY18
Income from Investments	137	130	103
Fx Gain/(Loss) - Realised	-66	-62	132
Fx Gain/(Loss) - Unrealised	-286	237	-50
Others	28	263	88
<b>Total</b>	<b>-187</b>	<b>568</b>	<b>273</b>

## Capex (₹ Mn)

	Q3 FY19	Q2 FY19	Q3 FY18
Capital Expenditure	326	236	292

## Cash Position (₹ Mn)

	Q3 FY19	Q2 FY19	Q3 FY18
Cash & Cash Equivalent	12,308	12,110	10,770
Cash & Bank balances	3,667	4,505	3,173
Investments in FDs	7,296	6,345	6,390
Investment in MFs	1,345	1,260	1,207

## • Consolidated Other Financial Metrics (2/2)

### Outstanding Forward Contracts (Mn of respective currencies)<sup>1</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
USD / INR	61.0	58.8	63.5
EURO / INR	28.9	28.3	23.6
GBP / INR	8.9	8.7	8.4
AUD / INR	22.4	22.3	18.7

<sup>1</sup> Forward contracts is taken only for services business

# Consolidated Income Statement

₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18
<b>Operating Revenue</b>	<b>11,876</b>	<b>11,870</b>	<b>9,834</b>
<b>Cost of Revenue</b>	<b>7,723</b>	<b>7,780</b>	<b>6,329</b>
Direct Salary and related costs	5,179	5,036	4,477
Direct Travel	249	265	232
Sub contract and others	934	1,044	815
Delivery Management	251	246	207
Material cost	1,109	1,188	598
<b>Gross profit</b>	<b>4,153</b>	<b>4,089</b>	<b>3,505</b>
Sales and Marketing	631	645	599
General and Administration	1,774	1,819	1,475
<b>Operating Profit</b>	<b>1,749</b>	<b>1,626</b>	<b>1,431</b>
Depreciation and Amortization	279	288	274
Financial expenses	96	97	56
Other income	-187	568	273
<b>Profit before tax (PBT)</b>	<b>1,187</b>	<b>1,809</b>	<b>1,374</b>
Exceptional item <sup>1</sup>			<b>254</b>
Tax	266	539	251
Share of Profit IASI & IHAL	1	1	0
Minority Interest	-1	0	7
<b>Profit After Tax</b>	<b>921</b>	<b>1,271</b>	<b>878</b>
<b>Basic EPS (₹)</b>	<b>8.1</b>	<b>11.2</b>	<b>7.8</b>
Gross Margin	35.0%	34.5%	35.6%
Operating Margin	14.7%	13.7%	14.6%
Effective Tax Rate	22.4%	29.8%	22.4%
PAT Margin	7.9%	10.2%	8.7%

<sup>1</sup>During Q3 FY18, the Company recognized an exceptional operating loss of ₹204 Mn in IASI due to hurricanes in Puerto Rico & loss of ₹50 Mn on IASI divestment. Tax reversal of ₹44 Mn on IASI divestment

# Consolidated Balance Sheet

₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
- Share capital	565	565	563
- Reserves and surplus	24,919	24,649	22,061
<b>Total - Shareholders' funds</b>	<b>25,484</b>	<b>25,214</b>	<b>22,624</b>
<b>Non-current liabilities</b>			
- Long-term borrowings and liabilities	1,986	2,188	813
- Long-term provisions	1,063	973	835
- Deferred tax liabilities (net)	355	352	240
<b>Total - Non-current liabilities</b>	<b>3,404</b>	<b>3,513</b>	<b>1,888</b>
<b>Current liabilities</b>			
- Short-term borrowings	2,200	2,192	1,150
- Trade payables	3,787	3,775	3,296
- Other current liabilities	4,324	3,865	2,468
- Short-term provisions	811	849	753
<b>Total - Current liabilities</b>	<b>11,122</b>	<b>10,681</b>	<b>7,667</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>40,010</b>	<b>39,408</b>	<b>32,179</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
- Property, plant and equipment	5,441	5,479	4,568
- Goodwill	5,249	5,249	3,204
- Non-current investments	194	203	292
- Deferred tax assets (net)	293	469	267
- Other non-current assets	2,092	1,987	1,569
<b>Total - Non-current assets</b>	<b>13,269</b>	<b>13,387</b>	<b>9,900</b>
<b>Current assets</b>			
- Inventories	1,485	1,482	1,233
- Current investments	1,345	1,260	1,207
- Trade receivables	7,797	7,753	6,480
- Cash and cash equivalents	10,963	10,850	9,563
- Other current assets	5,151	4,676	3,796
<b>Total - Current assets</b>	<b>26,741</b>	<b>26,021</b>	<b>22,279</b>
<b>TOTAL ASSETS</b>	<b>40,010</b>	<b>39,408</b>	<b>32,179</b>

# Consolidated Cash Flow Movement

₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18
<b>Free cash flow, after non-operating income</b>	<b>1,338</b>	<b>1,585</b>	<b>1,136</b>
Long term investments	(50)	(243)	(215)
Equity	3	16	4
Borrowings	(97)	96	42
Dividends	(809)	(446)	(677)
Exceptional item - Cash on disposal of IASI	-	-	613
Others	(187)	103	-
<b>Net change in cash</b>	<b>198</b>	<b>1,111</b>	<b>903</b>
Opening cash position	12,110	10,999	9,867
Closing cash position	12,308	12,110	10,770
<b>Free cash flow to EBITDA (Group)</b>	<b>86%</b>	<b>72%</b>	<b>67%</b>

# Cyient Metrics (Excluding Design Led Manufacturing)



# Cyient Metrics (Excluding Design Led Manufacturing) (1/3)

## By Geography (%)<sup>1</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Americas	58.2%	56.2%	55.0%
Europe, Middle East, Africa	24.1%	26.4%	27.7%
Asia Pacific (including India)	17.7%	17.4%	17.2%

<sup>1</sup> India is included in APAC (from EMEA earlier), now restated for previous periods

## By Business Unit (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Aerospace and Defense	34.3%	33.8%	34.7%
Transportation	12.0%	11.8%	11.7%
I&ENR	8.6%	8.6%	8.6%
Semiconductor	4.7%	5.8%	3.7%
Medical & Healthcare	2.0%	1.9%	2.0%
Utilities and Geospatial	15.0%	14.3%	16.6%
Communications	23.4%	23.9%	22.7%

## Onsite/offshore Split (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Onsite	57.6%	57.2%	57.2%
Offshore	42.4%	42.8%	42.8%

# Cyient Metrics (Excluding Design Led Manufacturing) (2/3)

## Currency Mix (%)

	Q3 FY19	Q2 FY19	Q3 FY18
USD	57.2%	56.3%	56.3%
EURO	13.6%	13.4%	12.4%
GBP	7.9%	8.3%	10.1%
AUD	11.5%	12.5%	12.7%
Others	9.9%	9.5%	8.4%

## Utilization (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Utilization	78.1%	78.0%	78.6%

## Account Receivables (in Days)

	Q3 FY19	Q2 FY19	Q3 FY18
<b>DSO Total</b>	83	84	80
- Billed	56	57	57
- Unbilled	27	27	23

# Cyient Metrics (Excluding Design Led Manufacturing) (3/3)

## Top Clients: Revenue Contribution (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Top 5	38.0%	37.9%	40.1%
Top 10	50.1%	51.0%	54.0%

## No. of Million \$ Clients

	Q3 FY19	Q2 FY19	Q3 FY18
20 Mn+	4	4	5
10 Mn+	13	13	11
5 Mn+	27	27	23
1 Mn+	73	68	66
<b>New Customers Added</b>	30	14	12

## Employee

	Q3 FY19	Q2 FY19	Q3 FY18
Total Manpower	14,532	14,385	13,829
Technical & Pool	13,539	13,395	12,799
Non-Technical	215	216	227
Support	778	774	803
Voluntary Attrition	21.2%	18.4%	16.8%
Involuntary Attrition	2.3%	4.3%	1.9%

# Cyient Metrics (Design Led Manufacturing)

# Cyient Metrics (Design Led Manufacturing) (1/3)

## Income Statement - Abridged (In ₹ Mn)<sup>1</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Net Revenue	1,479	1,610	785
Direct Salaries & other costs	125	181	37
Material Cost	1174	1,249	653
<b>Gross Profit</b>	<b>180</b>	<b>180</b>	<b>94</b>
SG&A	122	121	86
<b>Operating Profit</b>	<b>59</b>	<b>59</b>	<b>8</b>
Other Charges	49	45	32
<b>Profit Before Tax</b>	<b>9</b>	<b>14</b>	<b>(23)</b>

<sup>1</sup> Includes B&F Design Inc.

## By Geography (%)<sup>2</sup>

	Q3 FY19	Q2 FY19	Q3 FY18
Americas	25.5%	24.6%	17.5%
Europe, Middle East, Africa	8.3%	7.2%	29.1%
Asia Pacific (including India)	66.2%	68.2%	53.4%

<sup>2</sup> India is included in APAC (from EMEA earlier), now restated for previous periods

# Cyient Metrics (Design Led Manufacturing) (2/3)

## By Business Unit (%)

	Q3 FY19	Q2 FY19	Q3 FY18
Aerospace and Defense	68.7%	64.6%	30.3%
Industrial	15.3%	16.7%	28.2%
Medical	14.0%	12.5%	16.1%
Communication	2.1%	6.2%	24.4%
Others	0.0%	0.0%	1.0%

## Currency Mix (%)

	Q3 FY19	Q2 FY19	Q3 FY18
USD	78.9%	72.5%	54.1%
EURO	2.2%	2.4%	4.0%
Othes	18.9%	25.1%	41.9%

## No. of Million \$ Clients

	Q3 FY19	Q2 FY19	Q3 FY18
5 Mn+	4	3	2
2 Mn+	10	8	6
1 Mn+	14	12	9
<b>New Customers Added</b>	0	1	0

# Cyient Metrics (Design Led Manufacturing) (3/3)

## Key Operational Metrics

	Q3 FY19	Q2 FY19	Q3 FY18
Headcount	661	655	628
DSO (in Days)	81	84	98
DPO (in Days)	116	89	124
Customer Advance (in Days)	98	36	34
Inventory (in Days)	146	104	91
Total Cash (₹ Million)	902	640	99

Cyient (Estd: 1991, NSE: CYIENT) provides engineering, manufacturing, geospatial, digital, networks, and operations management solutions to global industry leaders. Cyient leverages the power of digital technology and advanced analytics capabilities, along with domain knowledge and technical expertise, to solve complex business problems. As a Design, Build, Operate and Maintain partner, Cyient takes solution ownership across the value chain to help clients focus on their core, innovate, and stay ahead of the curve.

Relationships form the core of how Cyient works. With more than 15,000 employees in 21 countries, Cyient partners with clients to operate as part of their extended team, in ways that best suit their organization's culture and requirements. Cyient's industry focus includes aerospace and defence, medical, telecommunications, rail transportation, semiconductor, utilities, industrial, energy and natural resources.

For more information, please visit [www.cyient.com](http://www.cyient.com) ; Follow news about the company at @Cyient.

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## Disclaimer

This document contains certain forward-looking statements on our future prospects. Although Cyient believes that expectations contained in these statements are reasonable, their nature involves a number of risks and uncertainties that may lead to different results. These forward-looking statements represent only the current expectations and beliefs, and the company provides no assurance that such expectations will prove correct.

All the references to Cyient's financial results in this update pertain to the company's consolidated operations comprising wholly-owned and step down subsidiaries, Cyient Europe Limited; Cyient Inc.; Cyient GmbH; Cyient Australia Pty Ltd; Cyient Singapore Private Limited; Cyient KK; Cyient Israel India Limited; Cyient Insights Private Limited, Cyient Canada Inc.; Cyient Defense Services Inc.; B&F Design Inc.; New Technology Precision Machining Co. Inc.; Cyient Insights LLC; Cyient Benelux BV; Cyient Schweiz GmbH; Cyient SRO; AnSem NV; AnSem B.V.; Cyient AB and . During the quarter, Certon Software Inc. was merged into Cyient Inc. and Certon Instruments Inc. was dissolved. Partly owned subsidiaries, Cyient Solutions and Systems Private Limited; Cyient DLM Private Limited; joint venture Infotech HAL Ltd (HAL JV) and associate company Infotech Aerospace Services Inc (IASI) until 8th December 2017.

The income statement and cash flow provided is in the internal MIS format. MIS format is different from the income statement published as part of the financial results, which is as per the statutory requirement.



**THANK YOU**