



CYIENT

INVESTOR PRESENTATION

Q3 FY19

Confidentiality Statement

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Highlights for the Quarter

- Financial Highlights
- Business Highlights
- Awards & Recognition
- CSR Activities

Financial Update

- Revenue
- Income statement update
- Other Income & Hedge
- Cash generation

Business Update

- Significant highlights
- M&A update
- Industry outlook
- Future outlook

Annexures

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• Highlights for the Quarter (1/3)

Revenue

20.8% YoY (₹ terms)

8.6% YoY (\$ terms)

10.7% YoY(CC terms)

Quarterly revenue at \$**165.1Mn**

Operating Profit Growth

22.2% YoY

Operating Profit Margin @ 14.7%

Expansion of 103 bps QoQ

Financial Highlights for Quarter

- **Highest ever quarterly revenue at ₹11,876Mn; growth of 20.8% YoY**
- **Highest ever operating profit at ₹1,749; growth of 22.2% YoY**
- **Operating margin at 14.7%; highest in last 12 quarters, expansion of 103 bps QoQ**
- **Services revenue at \$144.6Mn; 3.3% YoY growth; DLM at \$20.6Mn; 69.7% YoY growth**
- **Cash flow to EBITDA conversion at 85.6%**
- **Highest ever cash balance of ₹12.3Bn/\$176Mn**
- **Company would continue with its dividend policy of up to 40% dividend pay-out**

• Highlights for the Quarter (2/3)

<p>A&D, SIA and MTH revenue growth of</p> <p>~21%, ~30% & ~20% YoY</p>	<p>NAM & APAC revenue growth of</p> <p>~13% & ~21% YoY</p>
<p>CSS completed dispatch of first UAV system</p> <p>\$190Mn opportunity identified</p>	<p>NBA program in full swing</p> <p>3 new projects have started</p>

Business Highlights for the Quarter

- Successfully completion of ISO 13485:2016 certification upgradation audit by BSI
- CSS (51:49 JV between Cyient Ltd and Blue Bird Aero Systems, Israel) completed the dispatch of the first UAV system to a unit of the Indian Army
- Opened a solutions centre at Peoria, Illinois, USA
- Opened a new block for one of the key customers in Pune

• Highlights for the Quarter (3/3)

Awards & Recognition

- Cyient conferred by P&W with Supplier Highest Productivity Award, Supplier Innovation Award and Consistent Supplier Productivity Award in 2018
- Cyient Singapore Private Limited won the Tripartite Alliance Award 2018
- Positioned as an established and expansive player in Zinnov ER&D services report 2018
- Cyient CFO won the “CFO of the Year” award and the Finance Team won “Excellence in Financial Planning and Analysis” award at the CFO Executive Leadership Summit organized by Kamikaze B2B Media in New Delhi

CSR Activities

- Received “Best Overall Excellence in CSR” Award from National Awards for Excellence in CSR & Sustainability
- Continue to support 25 Government Schools - supporting underprivileged children
- Continue to support 67 Cyient Digital Centers (CDCs) in around Hyderabad to more than 27000+ children and 5,500+ community members
- Initiated a Urban Micro Skill Center (UMSC) for urban poor with support from Govt. of Telangana and National Skill Development Corporation (NSDC)

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- CSR Activities
- Infrastructure
- Awards and Operations

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- Hedge and other income

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Revenue for Q3 FY19

Revenue	Q3FY18	Q4FY18	Q1FY19	Q2 FY19	Q3 FY19	QoQ	YoY
\$ Mn	152.0	164.6	160.8	168.9	165.1	-2.3%	8.6%
₹ Mn	9,834	10,618	10,800	11,870	11,876	0.1%	20.8%

Business Units	Services			Group			Geography	
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY		
A&D	49.6	0.6%	2.2%	63.8	-0.5%	20.5%	NAM	\$89.3
Comms	33.8	-3.3%	6.5%	34.2	-5.9%	-0.8%		1.8% QoQ
U&G	21.7	4.4%	-6.3%	21.7	4.4%	-6.3%		12.9% YoY
Transportation	17.3	1.0%	6.2%	17.4	1.1%	6.3%	EMEA	\$36.5
I&ENR	12.4	-0.8%	2.9%	15.5	-5.3%	3.0%		-9.2% QoQ
SIA	6.7	-20.0%	30.3%	6.7	-20.0%	30.3%	APAC (incl. India)	-9.6% YoY
MT&H	2.8	2.1%	1.3%	5.7	1.4%	20.1%		\$39.3
Total	144.5	-1.0%	3.3%	165.1	-2.3%	8.6%		-4.2% QoQ
<i>CC Growth</i>		<i>-0.2%</i>	<i>5.3%</i>		<i>-1.5%</i>	<i>10.7%</i>	20.7% YoY	

- All BU's (excluding U&G) have grown YoY on YTD basis
- U&G likely to improve in Q4 and beyond

Income statement for Q3 FY19

All Figures in ₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18
Revenue	11,876	11,870	9,834
Operating Profit	1,749	1,626	1,431
PAT	921	1,271	878
EPS (₹)	8.1	11.2	7.8

All Figures in %	Q3 FY19	Q2 FY19	Q3 FY18
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%
<i>ETR (excl. one-offs)</i>	<i>22.4%</i>	<i>24.5%</i>	<i>22.4%</i>
PAT Margin	7.9%	10.2%	10.8%

Reported ETR likely to be 24.4% - 25.4%. ETR (excl. dividend) is likely to be in the range of 23.5% - 24.5%

Operating profit Movement

- Consolidated operating margin at 14.7% ; up 103 bps QoQ aided by favorable business mix
 - Higher gross margin; at 35%; up 52 bps QoQ aided by better DLM margins
 - Service margin at 16.3% ; expansion of 100 bps QoQ due to better absorption of SG&A (90 bps), direct cost efficiencies (100 bps), fx impact (23 bps) offset by furlough impact (115 bps). *Please refer slide 11*
 - DLM margins at 4.0%; expanded by 30 bps QoQ; aided by mix change with focus on profitable business
- Q4 FY19 OPM will further expand from recovery from furlough, improvement in operational metric and further absorption in SG&A, despite headwinds from fx

Profit After Tax Movement

- PAT reduced by ~28% QoQ primarily on account of reduction in other income
 - Balance Sheet Restatement losses at ₹286Mn (vs. gain of ₹237Mn last quarter) ; closing rate movement of ~₹3 change, closing at ₹69.9
 - Absence of export incentives on Merchandise and Engineering and related services ("Incentives"); ₹234Mn in last quarter
- ETR is lower by 210 bps QoQ (based on normalised ETR of Q2 FY19) primarily due to reduction in other income

Operating margin bridge for Q3 FY19

Particulars	
OPM Q2 FY19 (Group)	13.7%
Add: DLM Impact	157 bps
OPM Q2 FY19 (excluding DLM)	15.3%
Headwinds	
Q3 Furloughs	-115 bps
Tailwinds	
SG&A Absorption	90 bps
Direct cost efficiencies	100 bps
Fx impact (₹ depreciation)	23 bps
OPM Q3 FY19 (excluding DLM)	16.3%
Add: DLM Impact	-153 bps
OPM Q3 FY19 (Group)	14.7%

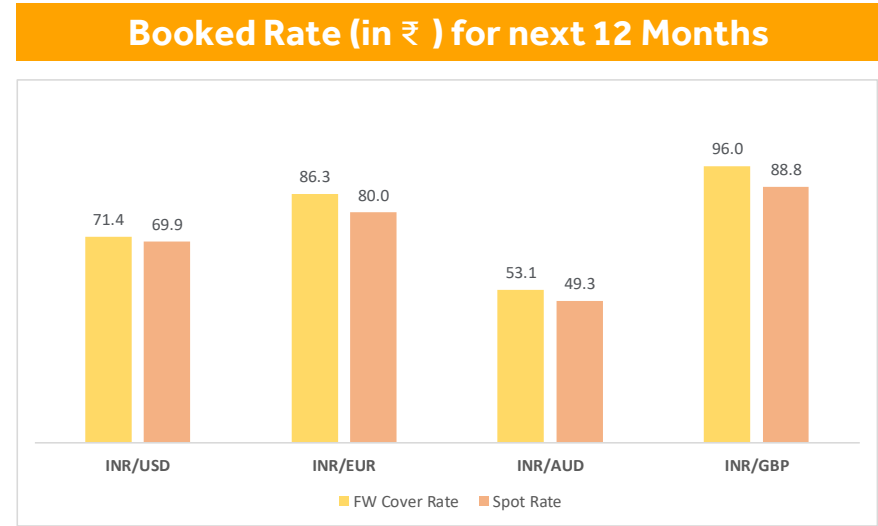
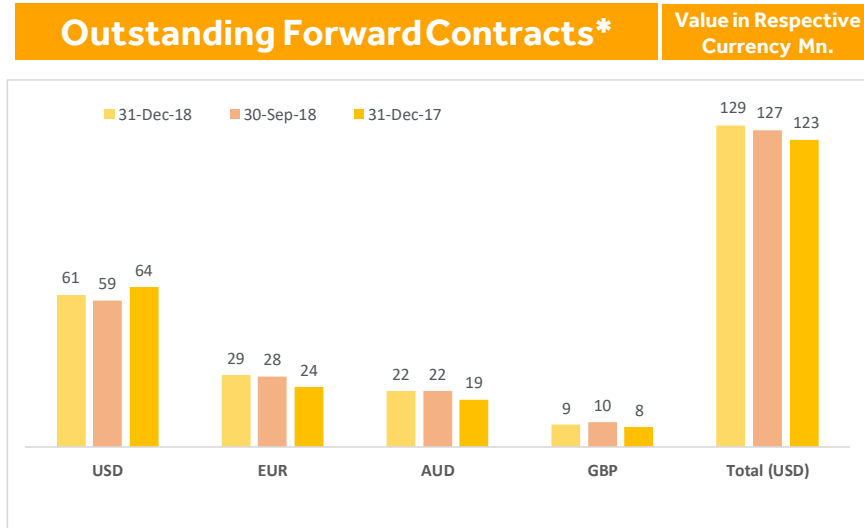
Other Income for Q3 FY19

All Figures in ₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18	QoQ Change	YoY Change
Income from Treasury					
Interest on Invesmtents/Deposits	120	116	96	4	24
Dividend on Mutual Funds	17	14	7	3	10
Subtotal (A)	137	130	103	7	34
Realised gains/(losses) on Fwd Contracts (B)	(66)	(62)	132	(3)	(197)
Unrealised Fx gains/(losses) (C)	(286)	237	(50)	(523)	(236)
Others					
Interest on IT Refunds	0	0	0	0	0
Reversal of Old provisions	10	10	24	0	(14)
Rents received	2	2	6	0	(4)
Incentives	0	234	0	(234)	0
Others	16	17	58	(1)	(42)
Others (D)	28	263	88	(235)	(61)
Grand total (A+B+C+D)	(187)	568	273	(754)	(460)

Currency Movement	Q3 FY19		Q2 FY19		Q3 FY18	
	Forward	Spot	Forward	Spot	Forward	Spot
USD	67.0	71.6	67.3	70.6	70.9	64.5
EUR	81.5	81.6	81.0	83.0	76.9	76.1
GBP	91.2	91.7	90.6	92.6	88.8	85.8
AUD	51.4	51.2	53.1	51.7	52.6	49.6
CAD	52.5	53.6	54.3	54.4	0.0	0.0

- Other income is lower by ₹754Mn primarily from restatement loss & export benefits in Q2 not received in Q3 (₹ 234 Mn)
- Realized loss on forward contract mainly due to loss on USD contracts
- As of 31st December, net monetary assets subject to restatement are ~\$42Mn

Hedge Book for Q3 FY19



- Despite the volatility in major currencies, the company continues to adhere to a consistent Fx policy of hedging ~70% for next 12 months for major currencies (USD, GBP, EUR, AUD and CAD)
- On the current forward contracts, the company has following position for the next 12 months at current spot rates:
 - Outstanding Forward Contract as on 31st Dec '18 in ~ \$129 Mn
 - If the spot rate remains at ₹69.9 (as of 31st Dec'18), forex gain on current forward contracts could be ~\$ **6.6 Mn** for next 12 months; ~\$ **0.42 Mn** for next 3 months

Cash Generation for Q3 FY19

All Figures in ₹ Mn	Q3 FY19	Q2 FY19	Q3 FY18
Services			
Operating Profit	1,673	1,466	1,419
Other Income	(340)	520	216
Profit from Operations	1,333	1,986	1,635
DSO Movement (Receivables)	113	(284)	(181)
<i>DSO Days (Services)</i>	<i>83</i>	<i>84</i>	<i>80</i>
Other WC changes	551	62	221
Operating CF after WC changes	1,997	1,764	1,675
Less: Taxes	(462)	(436)	(317)
Less: Capex	(241)	(160)	(260)
Free Cash Flow generated (Services) - i	1,294	1,168	1,098
DLM			
Free Cash Flow generated (DLM) - ii	44	417	38
Group FCF (i+ii)	1,338	1,585	1,136
FCF to EBITDA Conversion	85.6%	72.3%	66.7%

- Cash and cash equivalents at a healthy levels of ₹12,308 Mn (highest ever) after payment of Dividend of ₹809 Mn during the quarter
- Cash flow conversion at 85.6% for the quarter due to better working capital management
- Cash flow conversion at 64.3% for group and 57.2% for services on a YTD basis

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• Significant Developments for Q3 FY19

- **Cyient Solutions & Systems Pvt. Ltd. ("CSSPL")** – a 51:49 Joint Venture with Bluebird Aero Systems, Israel has dispatched its first "high altitude aerial surveillance systems" to Indian Army
- **New Business Accelerator program (NBA)**
 - Three new projects have commenced in Q3'FY19 taking the total to 13; Total approved projects is 19
 - Seeing customer level traction in the products/solutions being developed under NBA, especially in the IoT, space-bots, augmented reality and smart city space
 - The current NBA initiatives likely to accelerate Cyient's EPS growth by 1.5-3%, from FY21 onwards

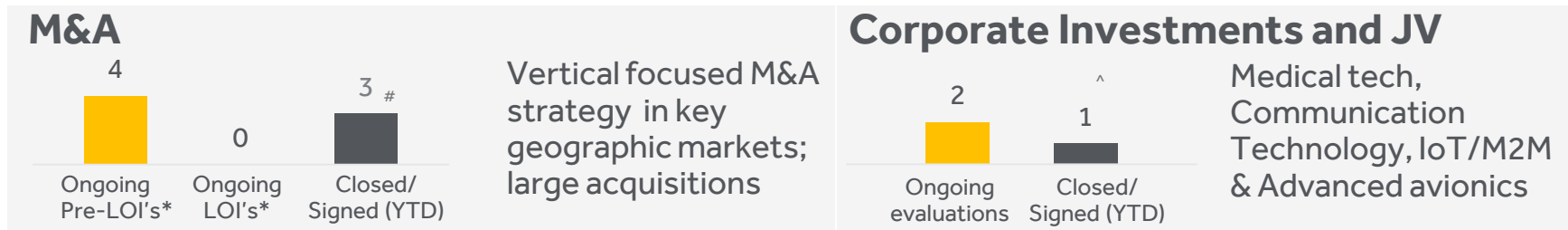
• Significant Developments for Q3 FY19

- **Change of Auditors on account of mandatory rotation requirement in India**

The Board of Directors of the Company at its meeting held on January 17, 2019, on the recommendation of the Audit Committee, has proposed the appointment of S.R Batliboi Associates LLP, Chartered Accountants, (a member firm of Ernst and Young Global Limited), as the statutory auditors of the Company, subject to the approval of the shareholders of the Company. This appointment will be effective financial year commencing April 1, 2019 which will include limited review of the quarterly financial statements of the year. This appointment is necessitated by the requirement under Section 139 of the Indian Companies Act, 2013 and the Rules made thereunder, wherein it is mandatory for the company to rotate the current statutory auditors, M/s Deloitte Haskins and Sells, Chartered Accountants, on completion of the maximum term permitted under the said Section.

Further, based on the proposal of the Audit Committee of the Company, the Board has appointed KPMG India, Chartered Accountants, as internal auditors of the Company, with effect from April 1, 2019.









Investment Pipeline & Focus Areas for Q3 FY19



*Pre LOI and LOI are the current balances # Ansem acquisition and acquisition of balance 49% in Cyient Insights ^ includes Bluebird JV

Broad inorganic strategy of focusing on new geography led expansion, new services and consolidation opportunities shall continue

Active Investment Pursuits – Specific focus areas

 A&D <ul style="list-style-type: none"> IP led opportunities in systems, sub-systems and components in Avionics and Digital and MRO sub-systems 	 Comms <ul style="list-style-type: none"> Design and planning companies in small cells Next gen comm. solutions, Network analytics and optimization & remote mgmt 	 Medical <ul style="list-style-type: none"> Design to Build companies with OEM partnership in Diagnostic Imaging, In-vitro Diagnostic & Cardiology 	 Rail <ul style="list-style-type: none"> Signalling Application Engineering & Testing
 I&ENR <ul style="list-style-type: none"> Digital solutions – Connected equipment, Asset Health Monitoring, Digital Capital Projects and Industrial automation integration 	 SI&A <ul style="list-style-type: none"> Systems Co. with focus on Embedded Systems & Software: Auto Expertise, Autonomous/Connected - HW & SW & IoT systems - HW /SW 	 DLM <ul style="list-style-type: none"> Vertical led design specializing in high-mix, low-medium volume assemblies, quick-turn prototypes and new product introduction (NPI) 	 Corp. Inv. <ul style="list-style-type: none"> Startup investments & strategic organic opportunities: JV/Collaboration, IP investment

• Industry Outlook & Business Performance (1/4)

Aerospace & Defense

The global aerospace and defense (A&D) industry recuperated and experienced a strong year, driven by an increase in passenger travel demand and global military expenditure. The industry is expected to continue its growth trajectory in 2019, led by growing commercial aircraft production and strong defense spending. The focus on innovation would continue with focus on intelligence and cyber security.



Communications

The communications industry continues to be a critical force for growth, innovation, and disruption across multiple industries. The industry is expected to grow by 2% to 3% through 2019 driven primarily by broadband as demand for high speed data continues to increase. The trend of increased data consumption will persist in 2019 with even greater volumes of data generated by new technologies. 2019 will also see the industry embark on the 5G journey with key players making significant investments in 5G technologies.



• Industry Outlook & Business Performance (2/4)

Utilities and Geospatial

The utilities industry is witnessing significant growth due to an investment in distributed and renewable power generation projects and increasing regulatory driven requirements. Large investments in grid modernization, renewable, mobility and smart metering continue to dominate capital investments, supported by operational processes to manage increasing volumes of data. The global Geospatial market also continues to grow as spatial dimension and locational context becomes critical for many diverse businesses and applications. There is an increasing focus on mobile solutions, as well as AR/VR, 3D, and indoor-mapping.



Transportation

The rail transportation industry is expected to witness strong growth driven by growth in rolling stock and signalling. The industry focus on consolidation continues. The focus on digitization and standardization is expected to continue throughout the year.



• Industry Outlook & Business Performance (3/4)

Industrial, Energy and natural resources

The oil & gas industry continues to recover from the last few years of weak prices, enforced capital discipline, portfolio realignments, and productivity efficiencies. The outlook for the mining sector is positive with rising commodity prices. The sector is experiencing strong outlook of future orders and reduced operational costs. The investment in the sector is expected to improve with a significant number of large projects and expansions to go live from 2020.



Semiconductor

The semiconductor industry is expected to witness a drop of ~4% to - 5% through the year, driven by a downturn in memory chip sales. Overall, chipmakers sales are expected to keep rising in the coming year, but the memory chip market is projected to shrink slightly following explosive growth this year.



• Industry Outlook & Business Performance (4/4)

Medical Technology and Healthcare

The medical device industry is poised for steady growth, with the industry expected to grow at a rate of ~5% during the year. The growth is driven by increased demand for digital health solutions such as Artificial Intelligence (AI), Internet of Medical Things (IoMT), Big Data & Analytics, and Robotics. Further economic development across emerging markets is helping drive growth in the industry.



• Outlook for FY19

Revenue Growth

- 8.5% to 9.5% growth in the Services business in constant currency
- Legacy DLM business expected to grow by ~20%
- Overall DLM growth expected to be ~35% including B&F

Operating Profit

- Double digit growth in operating profit in FY19
- OPM to be flat to marginally higher YoY *

Driver	Year beginning	Current (Fcst)*
Utilization, Offshoring & Other efficiency drivers	+ 200 bps	+ 80 bps
Fx Gains	0 bps	+ 100 bps
Indirect Cost Absorption	+ 70 bps	+ 50 bps
Wage Hike	- 170 bps	- 170 bps
Additional investment in NBA	- 100 bps	- 60 bps
Net Change in OPM	0 bps	0 bps

- DLM margin will improve YoY: low single digit

Others

- Other Income higher from initial outlook due to gains from Incentives.
- Reported ETR likely to be 24.4% - 25.4% (Even with incremental PBT due to higher other income) and ETR (excl. dividend) is likely to be in the range of 23.5% - 24.5%

Net profit – Single digit growth *

* Sensitive to fx closing rates

Status against
initial outlook



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 ; 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