



CYIENT

INVESTOR PRESENTATION

Q2 FY20

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Highlights	Financial Update	Business Update
<ul style="list-style-type: none"> • Financial Highlights • Business Highlights • Awards and Recognition • CSR Activities 	<ul style="list-style-type: none"> • Revenue • Cost optimization • Hedge and other income • Income statement update • Cash generation 	<ul style="list-style-type: none"> • M&A update • Industry outlook
<i>Annexures</i>		

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- Awards and Recognition
- CSR Activities

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Highlights for the Quarter (1/2)

Revenue

6.4% QoQ (₹ terms)
4.9% QoQ (\$ terms)

Quarterly revenue at
\$164.2Mn/₹11,589Mn

EBIT growth @ 10.5%

EBIT Margin @ 9.6%
Services EBIT margin at 11.2 %

PAT growth @ 8.8% QoQ

PAT for the quarter ₹985 Mn

Financial Highlights for Quarter

- Consolidated revenue at \$164.2 Mn; growth of 4.9% QoQ and de-growth of 2.8% YoY
- Services revenue at \$140.4 Mn; growth of 1.8% QoQ (2.6% in CC) and de-growth of 3.8% YoY
- DLM revenue at \$23.8 Mn; growth of 27.4% QoQ, 3.9% YoY
- Normalised EBIT* excluding one-offs and long term investments at ₹1,420 Mn
 - EBIT margin excluding one-offs and long term investments at 12.3%, up 105 bps QoQ
 - EBIT margin for services excluding one-offs and long term investments at 14.3%, up 158 bps QoQ
- Profit After Tax at ₹985Mn for the quarter; growth of 8.8% QoQ and de-growth of 22.5% YoY
- Declared an interim dividend of ₹6/share

**For details refer slide number 12*

• Highlights for the Quarter (2/2)

Business Highlights

- Signed a Memorandum of Understanding (MoU) with UK-based defense technology firm, QinetiQ's Target Systems (QTS), to offer avionics products for its unmanned target systems. Cyient will provide advanced manufacturing and electronics engineering solutions for QTS' range of unmanned air, land and sea target systems from its facilities in India
- Extended the CoE set up for John Deere in Hyderabad and Pune

Awards and Recognition

- Singapore Health Award 2019 - Certificate of Recognition for Cyient's efforts in promoting health and well-being of employees at the workplace

CSR Activities

- Continue to support 25 Government Schools – providing education to 18,500+ underprivileged children
- Continue to support 67 Cyient Digital Centres (CDCs) in and around Hyderabad which cater to more than 25,000 children and 15,000 community members
- Completed training to a pilot batch of 600 community unemployed women on tailoring, bakery and beauty courses through the Cyient Urban Micro Skill Center (CUMSC) for urban poor
- Cyient trained and certified 363 unemployed people under the Cyient IT/ITES Skill Centre
- Distributed more than 3,000 saplings among more than 2,500 associates in Hyderabad as part of the "Adopt a Plant" initiative
- Distributed and planted more than 7000 saplings around Cyient adopted schools and the community as a part of "Haritha Haram", a mega plantation drive in the state of Telangana

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Revenue for Q2 FY20

Revenue	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	QoQ	YoY
\$ Mn	168.9	165.1	165.2	156.6	164.2	4.9%	-2.8%
₹ Mn	11,870	11,876	11,629	10,890	11,589	6.4%	-2.4%

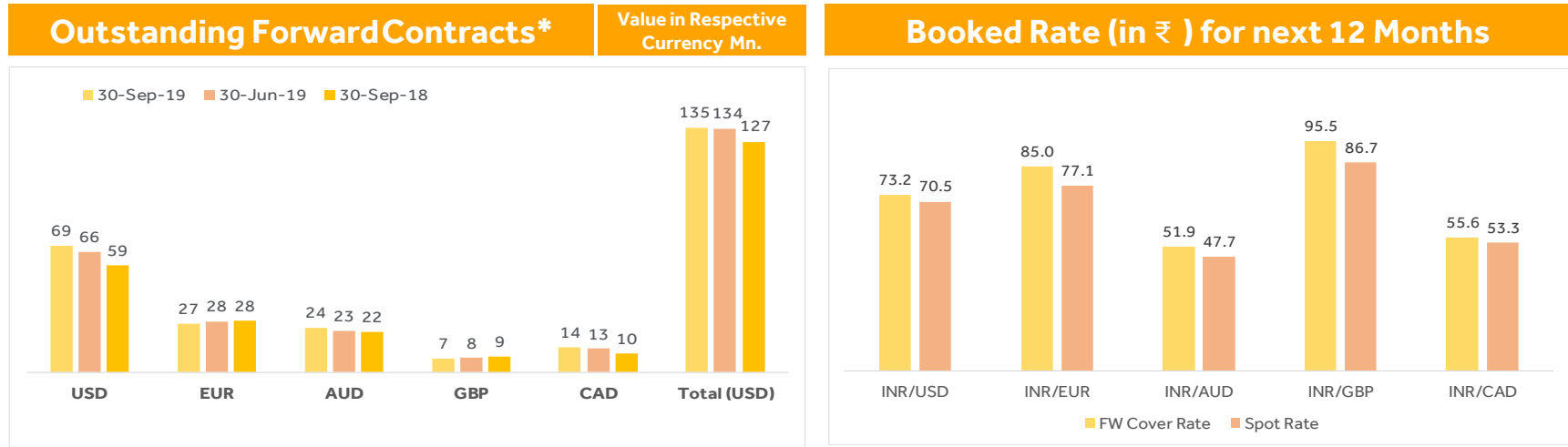
Business Units	Services			Group			Geography	
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY		
A&D	47.6	-1.7%	-3.5%	65.5	7.8%	2.1%	NAM	\$90.8Mn
Comms	30.4	2.0%	-13.0%	30.7	2.6%	-15.7%		4.7% QoQ
E&U	18.6	9.8%	10.7%	21.1	2.1%	25.6%		3.5% YoY
Transportation	18.3	3.3%	6.3%	18.3	2.9%	6.3%	EMEA	\$43.4Mn
Portfolio	15.3	6.9%	-7.6%	15.3	6.8%	-24.7%		-1.4% QoQ
SIA	6.9	-9.6%	-18.3%	6.9	-9.6%	-18.3%	APAC (incl. India)	8.1% YoY
MT&H	3.4	8.6%	20.9%	6.6	17.7%	16.6%		\$29.9 Mn
Total	140.4	1.8%	-3.8%	164.2	4.9%	-2.8%		16.3% QoQ
<i>CC Growth</i>		<i>2.6%</i>			<i>5.7%</i>		-26.9% YoY	

- Services growth of 1.8% QoQ, 2.6% in constant currency
- Overall DLM is higher by 27.4% QoQ (\$5.1 Mn) primarily due to increase in standalone DLM revenue of \$3.8 Mn

• Cost Optimization Exercise

- **Theme:** To achieve sustainable margins for Cyient's Services Business through improvements in cost of delivery and sustained improvement in SG&A costs in line with best-in-class and other initiatives to improve profitability.
- **Status update:** On track to achieve the full year target. Identified and initiated action on additional optimization levers which will yield benefits in H2 FY20. We have set up a sustainable Workforce Management Group (WGM) and automated WGM processes with in house solution for efficient resource redeployment.
- **Next steps/milestones:** Continue with actions identified through the rest of the year. Define and implement governance, tools, process and policies across the levers used for the cost optimization program. Define sustainability KPIs & incorporate them as part of business performance assessment. Begin the reverse shadow phase, where the cost optimization team provides support and respective business units drive actions as readiness for FY21.

Hedge Book for Q2 FY20



- 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, CAD and AUD)
- On the current forward contracts, the company has following position for the next 12 months at current spot rates:
 - Outstanding Forward Contracts as on 30th Sep'19 is ~ **\$ 135 Mn**
 - If the spot rate remains at same level (as at 30th Sep'19), forex gain on current forward contracts could be ~**\$ 8.5 Mn (₹ 601 Mn)**

*Outstanding forward contracts excludes Cyient DLM

Other Income for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Income from Treasury			
Interest on Invesmtents/Deposits	96	113	116
Dividend on Mutual Funds	5	8	14
Subtotal (A)	101	121	130
Realised gains/(losses) on Fwd Contracts (B)	174	108	(62)
Unrealised Fx gains/(losses) (C)	(56)	24	237
Others			
Reversal of Old provisions	5	5	10
Rents received	2	2	2
Tax incentives on export of merchandise	0	18	234
Others	38	5	17
Others (D)	45	30	263
Grand total (A+B+C+D)	264	282	568

Currency Movement	Q2 FY20		Q1 FY20		Q2 FY19	
	Forward	Spot	Forward	Spot	Forward	Spot
USD	73.6	70.8	70.3	69.7	69.6	72.6
EUR	88.1	78.2	85.4	78.3	85.0	84.6
GBP	97.0	86.1	96.3	89.2	94.7	95.0
AUD	53.6	48.5	52.8	48.8	52.6	52.3
CAD	56.4	53.3	54.3	51.6	54.3	55.7

Forward and spot rates represent average of monthly rates

Other Income movement

- Other income is Lower by ₹18Mn (-6.4%) QoQ primarily due to lower Treasury income by ₹20Mn, forward contract gain of ₹174 million partly offset by unrealised FX loss of ₹56 million
- The Export incentives have right shifted to H2 FY20
- For the full year we expect Other Income to be marginally higher than FY19

Income statement for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Revenue	11,589	10,890	11,870
EBIT	1,110	1,005	1,338
PAT (Reported)	985	905	1,271
EPS (₹ Reported)	9.0	8.2	11.2

All Figures in %	Q2 FY20	Q1 FY20	Q2 FY19
Gross Margin	34.4%	34.4%	34.5%
EBIT Margin	9.6%	9.2%	11.3%
Effective Tax Rate	22.4%	22.0%	29.8%
<i>ETR (excl. one-offs)</i>	<i>22.4%</i>	<i>22.0%</i>	<i>24.5%</i>
PAT Margin (Reported)	8.5%	8.3%	10.7%

EBIT Movement

- Consolidated EBIT at 9.6% ; up 35 bps QoQ.
- Benefits of cost optimization (129 bps), volume impact (73 bps) and operational efficiency (55 bps) offset by wage hike (107 bps) and one time restructuring costs (85 bps)

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Reported EBIT	1,110	1,005	1,338
Reported EBIT %	9.6%	9.2%	11.3%
One-off cost from cost optimisation exercise	167	81	0
Long Term Investments	143	134	54
Normalised EBIT	1,420	1,220	1,392
Normalised EBIT %	12.3%	11.2%	11.7%

EBIT is normalised for one time costs and long term

Normalised EBIT-Services is at 14.3% (higher by 158 bps QoQ)

- YoY EBIT improved by 52 bps on normalised basis for the group

Profit After Tax Movement

- PAT QoQ growth of 8.8%
- PAT down by 22.5% YoY primarily driven by lower EBIT and lower other income

EBIT margin bridge for Q2 FY20

Particulars	
EBIT Q1 FY20 (Group)	9.2%
<i>Add: DLM impact</i>	<i>132 bps</i>
EBIT Q1 FY20 (Services)	10.5%
Headwinds	
<i>Wage hike</i>	<i>-107 bps</i>
<i>One time restructuring costs</i>	<i>-85 bps</i>
Tailwinds	
<i>Benefit from Cost optimisation</i>	<i>129 bps</i>
<i>Volume impact</i>	<i>73 bps</i>
<i>Operational efficiency</i>	<i>55 bps</i>
EBIT Q2 FY20 (Services)	11.2%
<i>Less: DLM impact</i>	<i>164 bps</i>
EBIT Q2 FY20 (Group)	9.6%

Cash Generation for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Services			
Operating Profit	1,526	1,403	1,466
Other Income	333	199	520
Profit from Operations	1,859	1,602	1,987
DSO Movement (Receivables)	790	(1,320)	(284)
Other WC changes	(1,035)	593	62
Operating CF after WC changes	1,614	875	1,765
Less: Taxes	(553)	(240)	(436)
Less: Capex	(288)	(221)	(160)
Free Cash Flow generated (Services) - i (prior to one offs)	773	414	1,168
DLM			
Free Cash Flow generated (DLM) - ii	25	(228)	417
Group FCF (i+ii) (prior to one offs)	798	186	1,585
FCF to EBITDA Conversion (prior to one offs)	42.9%	10.8%	72.3%

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Normalised Group FCF from operations	1,108	401	1,639
Normalised Group Conversion	51.0%	20.6%	72.9%
Normalised Services FCF from operations	1,083	629	1,168
Normalised Services Conversion	51.1%	33.1%	53.7%

Cash Generation –

- Cash and cash equivalents at a healthy levels of ₹8,641 Mn
- For the quarter, the normalised cash flow conversion stood at 51.1%.
- We continue to focus on improvement in FCF conversion through focus on collection and other working capital management

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Investment Pipeline & Focus Areas: Q2FY20



*Pre LOI and LOI reflect a balance position

Active Investment Pursuits – Specific focus areas*

<p>A&D</p> <ul style="list-style-type: none"> IP led opportunities in systems, sub-systems and components in Avionics and Digital and MRO sub-systems Mechanical manufacturing in engine externals 	<p>Comms</p> <ul style="list-style-type: none"> Wireless designing & planning in the area of small cells Engineer Furnish & Install & Commissioning & Install activities NGOSS solution providers & Network Infrastructure provider – Build/Construct 	<p>Medical</p> <ul style="list-style-type: none"> Design to Build companies with OEM partnership in Diagnostic Imaging, In-vitro Diagnostic & Cardiology 	<p>Rail</p> <ul style="list-style-type: none"> Signalling Application Engineering & Testing
<p>E&U</p> <ul style="list-style-type: none"> Digital solutions – Connected equipment, Asset Health Monitoring, Digital Capital Projects and Industrial automation integration 	<p>SI&A</p> <ul style="list-style-type: none"> Systems Co. with focus on Embedded Systems & Software: Auto Expertise, Autonomous/Connected - HW & SW & IoT systems - HW /SW 	<p>DLM</p> <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) 	<p>Corp. Inv.</p> <ul style="list-style-type: none"> Startup investments & strategic organic opportunities: JV/Collaboration, IP investment

Industry Outlook & Business Performance (1/4)

Aerospace & Defense

The Commercial aircraft order backlog continues to remain strong and the global geopolitical risks drives military spend. M&A activity is expected to remain strong with continued pressure on suppliers to reduce costs and increase production rates. The changes in the international trade agreements are likely to disrupt the global supply chain and increase costs.



Communications

The communications industry is expected to witness single digit growth through the year, driven by broadband rollout and 5G deployment with key players making significant investments in 5G technologies. With 5G implementation expected to be customized to enterprise/business needs with high capex costs involved, the rollout speed is expected to be moderate through the year.



• Industry Outlook & Business Performance (2/4)

Energy & Utilities

The Energy and Utilities industry is expected to witness a growth driven by rising commodity prices, focus on grid modernization and renewable energy. The utilities industry is witnessing significant growth driven by investments in distributed and renewable power generation projects and increasing regulatory driven requirements. The outlook for the mining sector is positive, there is a focus on embracing digital while optimizing productivity and portfolios.



Transportation

The Transportation industry is expected to witness a growth driven by rail infrastructure and rail control systems segments. The demand for rail transport is rising in the growing megacities in Asia and India in particular. Demand for the near term is expected to be driven by conventional technology, but increasing focus on digitalization is expected to influence the nature of spends in the medium term.



Industry Outlook & Business Performance (3/4)

Portfolio

The industrial segment growth has been restrained due to challenges in the worldwide economic conditions, fluctuations in pricing and material costs. The market is expected to rebound by 2021. The demand for construction equipment is expected to rise over the year in Asia Pacific region driven by increase in construction activity



Semiconductor

The semiconductor industry is expected to witness a decline of ~15% through the year. This is a further drop to the earlier forecast at the beginning of the year. The decline in the industry is impacted by a number of factors. A weaker pricing environment for memory and some other chip types combined with the US-China trade dispute and lower growth in major applications, including smartphones, servers and PCs, is driving the decline in the industry.



• 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% through the year. Digital technologies such as RPA, cloud, artificial intelligence (AI), and robotics, internet of medical things (IoMT), digital and virtual reality will continue to see increased investments.



Cyient (Estd: 1991, NSE: CYIENT) is a global engineering and technology solutions company. As a Design, Build, and Maintain partner for leading organizations worldwide, Cyient takes solution ownership across the value chain to help clients focus on their core, innovate, and stay ahead of the curve. The company leverages digital technologies, advanced analytics capabilities, and its domain knowledge and technical expertise, to solve complex business problems.

With over 15,000 employees in 20 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 defense, healthcare, telecommunications, rail transportation, semiconductor, geospatial, industrial, and energy.

For more information, please visit www.cyient.com. Follow news about the company at @Cyient.

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Disclaimer

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 DLM Private Limited, Cyient Canada Inc.; Cyient Defense Services Inc.; B&F Design Inc.; Cyient Benelux BV; Cyient Schweiz GmbH; Cyient SRO; AnSem NV; AnSem B.V.; and Cyient AB.

** During the quarter, New Technology Precision Machining Co. Inc. has been merged with its holding company, Cyient Defense Services Inc.

Partly owned subsidiary: Cyient Solutions and Systems Private Limited.

Joint venture: Infotech HAL Ltd

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



THANK YOU