



CYIENT

# INVESTOR PRESENTATION ANNEXURE

Q1 FY20

## • Message from the Management



**Commenting on the results, Mr. Krishna Bodanapu, Managing Director and Chief Executive Officer,** said, "Our Q1 FY 20 results were disappointing, we recorded a revenue of \$156.6 Mn lower by 5.2% QoQ and 2.6% YoY. Our services business was lower by 5.7% QoQ predominantly driven by Communications, Aerospace, Energy and Utilities and Portfolio business units. However, our top 20 client's revenue grew by 270 bps QoQ. The DLM business grew by 2.2% QoQ. Our EBIT% at group level witnessed a de-growth of 356bps QoQ due to lower business volume, incremental spend on investments and wage hike impact.

This quarter saw us make investments in building our offerings through strategic investment in Cylus a rail cybersecurity company. This investment will allow us strengthen our focus on digitization and cybersecurity solutions for the rail industry. We will continue to invest in strategic areas through the area to strengthen our offerings.

Our outlook for the year remains positive and we are confident on double digit EBIT growth backed by revenue growth and cost optimization initiatives."

# • Message from the Management



**Commenting on the results, Mr. Ajay Aggarwal, President & CFO,** said, “While the company has challenges in the short-term, focus and investments on the long-term initiatives continue.

The introduction of our robust cost optimisation and profit improvement program has helped to clearly identify and begin implementation of potential cost reduction levers. The program is on track and a plan is in place for redesigning the company and building efficiency in systems and processes for sustainable outcomes. With operational efficiency being realised in phases in the coming quarters, the results from the initiative would strengthen our position not only for the current year but also for the coming years.

Cyient continues to invest in IT and technology solutions, with a strong focus on return on investments. We successfully implemented SAP S/4 Hana across the organisation as well as its seamless integration with other systems. Cyient has invested significantly in the NBA (New Business Accelerator) Program this quarter. While this do have a short-term impact on performance, the program is garnering good traction and we are confident that it will materially add to the company’s EPS in the near future. We will also continue our focus on organic and inorganic investments in the industry.

The Free Cash Flow stood at INR 186 Mn impacted mainly due to one-offs in DSO and is likely to be on track for H2 with DSO.

Cyient would continue to focus on growth, improvement in operating margin and cash generation, thereby delivering on the promise of maximising value for the shareholders.”

# • Business Performance & Outlook (1/3)

## **Aerospace & Defense**

Aerospace & Defense business unit had a de-growth of 0.1% QoQ and growth of 1.6% YoY driven by slowdown in business across two key clients. We expect the slow down to be short term and the business to normalize towards the end of Q2. Our digital solutions offerings are gaining momentum and we see increased interest among several of our clients. Our Outlook for Q2 remains positive, we expect a single digit growth through the quarter driven by growth in key clients and manufacturing business.

## **Communications**

The Communications BU witnessed a de-growth of 10.3% QoQ and 17.0% YoY driven by decreased work volume across two key clients. We expect the momentum in t to return through the year. The cost optimization measures taken helped us deliver a good margin growth through the quarter. We expect single digit growth in Q2 driven by growth in Europe and North America as we continue to support large carriers in fibre network rollout.

## **Rail**

The Transportation BU had a de-growth of 1.6% QoQ and growth of 2.8% YoY primarily driven by growth in rolling stock segment and new wins with key clients. We expect the signaling segment growth to remain subdued owing to program cyclicalities in key geographies. 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. We expect a single digit growth through the next quarter.

# • Business Performance & Outlook (2/3)

## **E&U**

Energy and Utilities BU is a newly formed business unit that brings together the synergy across both the segments. We expect to see growth through combine synergy as we go through the year. The BU witnessed a degrowth of 5.7% QoQ and 7.3% YoY driven by slowdown in key accounts. The BU expects a strong growth through the second half of the year backed by growth in mining and utilities segment.

## **MTH**

The Medical Technology and Healthcare (MT&H) business unit (BU) delivered a growth of 0.4% QoQ and 23% YoY driven by strong growth across both existing and new accounts. The BU is witnessing continued growth across all segments and is expected to deliver a double digit growth through Q2 backed by strong order pipeline in services and solutions and growth in key accounts.

## **Semiconductor**

The Semiconductor BU witnessed a de-growth of 7.8% QoQ and 2.2% YoY primarily driven by low work volume from key clients. The downturn in the industry is resulting in consolidation and project pushout's for most clients. However, our pipeline for new opportunities remains strong and we expect a moderate growth through our key accounts. We expect a mid single digit growth through the next quarter.

# • Business Performance & Outlook (3/3) •

## **Portfolio**

The Portfolio BU witnessed a de-growth of 6.5% QoQ and 11.4% YoY driven by de-growth in the geospatial segment. The challenge in the segment is expected to continue through the year with growth in emerging clients expected to be slower than anticipated. We expect a single digit growth through the next quarter driven by growth in key clients.

# Consolidated Financial Metrics

## Key Operational Metrics (₹Mn)

₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19	Growth %	
				QoQ	YoY
Revenue	10,890	11,629	10,800	-6.4%	0.8%
EBIT	1,005	1,490	1,031	-32.6%	-2.6%
EBIT Margin	9.2%	12.8%	9.5%	-359 bps	-32 bps
Reported PAT	905	1,768	825	-48.8%	9.7%
Normalised PAT	905	1,881	825	-51.9%	9.7%

₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>Reported PAT</b>	<b>905</b>	<b>1,768</b>	<b>825</b>
<i>Exceptional Items</i>			
Divestment in IASI			
RSU Fair valuation			
One off employees cost		77	
Insights LLC dissolution		35	
<b>Normalised PAT</b>	<b>905</b>	<b>1,881</b>	<b>825</b>
<i>Reported EPS (₹)</i>	<i>8.2</i>	<i>15.7</i>	<i>7.3</i>
<i>Normalised EPS (₹)</i>	<i>8.2</i>	<i>16.7</i>	<i>7.3</i>

# Consolidated Financial Metrics

## Key Operational Metrics (\$Mn)

\$ Mn	Q1 FY20	Q4 FY19	Q1 FY19	Growth %	
				QoQ	YoY
Revenue	156.6	165.2	160.8	-5.2%	-2.6%
EBIT	14.4	21.2	15.4	-31.8%	-5.9%
EBIT Margin	9.2%	12.8%	9.5%	-359 bps	-32 bps
Reported PAT	13.0	25.1	12.3	-48.2%	5.9%
Normalised PAT	13.0	26.7	12.3	-51.3%	5.9%

## Foreign Exchange Rate

\$/?	Q1 FY20	Q4 FY19	Q1 FY19
Quarter Average	69.56	70.41	67.17
Quarter Closing	69.11	69.22	68.84



# Consolidated Revenue Segmentation

## By Geography (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Americas	55.4%	54.0%	52.5%
Europe, Middle East, Africa	28.1%	24.7%	24.6%
Asia Pacific (includes India)	16.4%	21.3%	23.0%

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

	Q1 FY20	Q4 FY19	Q1 FY19
Aerospace and Defense	38.8%	36.7%	37.2%
Transportation	11.3%	10.9%	10.7%
Energy and Utilities	13.2%	11.6%	10.1%
Semiconductor	4.9%	5.0%	4.8%
Medical and Cons. Electronics	3.6%	3.4%	2.8%
Communications	19.1%	20.2%	22.4%
Portfolio	9.2%	11.3%	11.9%
Others	0.0%	0.9%	0.0%

<sup>1</sup> Including DLM split across BUs

# Consolidated Operations Metrics

## Account Receivables (in Days)

	Q1 FY20	Q4 FY19	Q1 FY19
<b>DSO Total</b>	<b>104</b>	<b>88</b>	<b>89</b>
- Billed	74	61	63
- Unbilled	30	27	26

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

	Q1 FY20	Q4 FY19	Q1 FY19
Cyient Services	134	185	153
DLM	21	11	17
<b>Group OI Total</b>	<b>155</b>	<b>196</b>	<b>170</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 (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Top 5	32.3%	31.8%	33.7%
Top 10	44.1%	43.0%	46.0%

## No. of Million \$ Clients

	Q1 FY20	Q4 FY19	Q1 FY19
20 Mn+	4	4	4
10 Mn+	12	13	11
5 Mn+	28	29	25
1 Mn+	86	86	66
<b>New Customers Added</b>	<b>20</b>	<b>5</b>	<b>20</b>

## Employee

	Q1 FY20	Q4 FY19	Q1 FY19
Total Manpower	15,043	15,084	15,056
Technical & Pool	13,912	13,916	13,851
Non-Technical	373	393	419
Support	758	775	786
Voluntary Attrition	17.4%	19.9%	16.9%
Involuntary Attrition	4.3%	4.6%	3.4%

# Consolidated Other Financial Metrics (1/2)

## Other Income (₹ Mn)

	Q1 FY20	Q4 FY19	Q1 FY19
Income from Investments	121	148	124
Fx Gain/(Loss) - Realised	108	-6	-46
Fx Gain/(Loss) - Unrealised	24	126	30
Others	30	521	62
<b>Total</b>	<b>282</b>	<b>789</b>	<b>170</b>

## Capex (₹ Mn)

	Q1 FY20	Q4 FY19	Q1 FY19
Capital Expenditure	235	407	397

## Cash Position (₹ Mn)

	Q1 FY20	Q4 FY19	Q1 FY19
Cash & Cash Equivalent	8,213	9,984	10,999
Cash & Bank balances	2,835	3,290	4,220
Investments in FDs	5,308	6,415	5,886
Investment in MFs	70	278	893

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

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

	Q1 FY20	Q4 FY19	Q1 FY19
USD / INR	66.1	64.3	59.1
EURO / INR	28.1	28.6	27.4
GBP / INR	7.9	8.4	8.8
AUD / INR	22.8	22.5	21.3

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

# Consolidated Income Statement

₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>Operating Revenue</b>	<b>10,890</b>	<b>11,629</b>	<b>10,800</b>
<b>Cost of Revenue</b>	<b>7,140</b>	<b>7,524</b>	<b>7,100</b>
Direct Salary and related costs	5,143	4,989	4,835
Direct Travel	206	243	245
Sub contract and others	872	1,106	929
Delivery Management	0	244	233
Material cost	920	941	859
<b>Gross profit</b>	<b>3,750</b>	<b>4,105</b>	<b>3,700</b>
Sales and Marketing	611	643	662
General and Administration	1,693	1,711	1,721
Depreciation and Amortization	442	261	285
<b>EBIT</b>	<b>1,005</b>	<b>1,490</b>	<b>1,031</b>
Financial expenses	134	87	82
Other income	282	789	170
One off item	0	112	0
<b>Profit before tax (PBT)</b>	<b>1,152</b>	<b>2,080</b>	<b>1,119</b>
Tax	254	318	304
Associate & Minority Profit	6	7	10
<b>Profit After Tax (Reported)</b>	<b>905</b>	<b>1,768</b>	<b>825</b>
<b>Profit After Tax (Adjusted)</b>	<b>905</b>	<b>1,880</b>	<b>825</b>
Basic EPS (₹) (Reported)	8.2	15.7	7.3
<b>Basic EPS (₹) (Adjusted)</b>	<b>8.2</b>	<b>16.7</b>	<b>7.3</b>
Gross Margin	34.4%	35.3%	34.3%
EBIT Margin	9.2%	12.8%	9.5%
Effective Tax Rate	22.0%	15.3%	27.1%
PAT Margin (Reported)	8.1%	14.2%	7.5%
PAT Margin (Normalised)	8.1%	15.1%	7.5%

# Consolidated Balance Sheet

₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
- Share capital	550	552	565
- Reserves and surplus	24,314	25,070	23,845
<b>Total - Shareholders' funds</b>	<b>24,864</b>	<b>25,622</b>	<b>24,410</b>
<b>Non-current liabilities</b>			
- Long-term borrowings and liabilities	4,015	1,813	2,307
- Long-term provisions	1,185	1,157	998
- Deferred tax liabilities (net)	350	405	320
<b>Total - Non-current liabilities</b>	<b>5,550</b>	<b>3,375</b>	<b>3,625</b>
<b>Current liabilities</b>			
- Short-term borrowings	2,267	2,137	1,980
- Trade payables	4,354	3,712	4,225
- Other current liabilities	3,611	3,333	2,995
- Short-term provisions	885	713	706
<b>Total - Current liabilities</b>	<b>11,117</b>	<b>9,895</b>	<b>9,906</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>41,531</b>	<b>38,892</b>	<b>37,941</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
- Property, plant and equipment	8,677	5,563	5,386
- Goodwill	5,187	5,257	5,344
- Non-current investments	334	267	93
- Deferred tax assets (net)	366	294	360
- Other non-current assets	1,818	1,658	1,817
<b>Total - Non-current assets</b>	<b>16,382</b>	<b>13,039</b>	<b>13,000</b>
<b>Current assets</b>			
- Inventories	2,214	1,833	1,471
- Current investments	70	278	893
- Trade receivables	8,821	8,137	7,672
- Cash and cash equivalents	8,143	9,705	10,106
- Other current assets	5,901	5,900	4,799
<b>Total - Current assets</b>	<b>25,149</b>	<b>25,853</b>	<b>24,941</b>
<b>TOTAL ASSETS</b>	<b>41,531</b>	<b>38,892</b>	<b>37,941</b>

# Consolidated Cash Flow Movement

₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>Free cash flow, after non-operating income</b>	<b>186</b>	<b>402</b>	<b>445</b>
Long term investments	-401	-995	-1,273
Equity	10	-	2
Borrowings	8	-75	878
Exceptional item - Cash RSU	0	-	-117
Dividends	-1,187	-6	-
Buyback of Shares	-386	-1,631	0
Cash on acquisitions	-	-	127
Others	-	-20	-
<b>Net change in cash</b>	<b>-1,770</b>	<b>-2,325</b>	<b>62</b>
<b>Opening cash position</b>	<b>9,983</b>	<b>12,308</b>	<b>10,937</b>
<b>Closing cash position</b>	<b>8,213</b>	<b>9,983</b>	<b>10,999</b>
<b>Free cash flow to EBITDA (Group)</b>	<b>10.8%</b>	<b>15.8%</b>	<b>30%</b>



# Cyient Metrics (Excluding Design Led Manufacturing)

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

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

	Q1 FY20	Q4 FY19	Q1 FY19
Americas	58.8%	57.0%	55.3%
Europe, Middle East, Africa	26.9%	26.4%	26.3%
Asia Pacific (including India)	14.3%	16.7%	18.4%

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

## By Business Unit (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Aerospace and Defense	35.1%	33.9%	34.2%
Transportation	12.8%	12.3%	12.1%
Energy and Utilities	12.3%	13.1%	11.4%
Semiconductor	5.5%	5.6%	5.5%
Medical and Cons. Electronics	2.3%	2.0%	1.8%
Communications	21.6%	22.3%	23.9%
Portfolio	10.4%	10.8%	11.2%

## Onsite/offshore Split (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Onsite	56.5%	57.3%	58.1%
Offshore	43.5%	42.7%	41.9%

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

## Currency Mix (%)

	Q1 FY20	Q4 FY19	Q1 FY19
USD	57.5%	56.2%	57.1%
EURO	14.4%	14.6%	12.0%
GBP	8.5%	10.0%	8.4%
AUD	8.4%	10.3%	13.0%
Others	11.1%	8.9%	9.5%

## Utilization (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Utilization	NA*	77.8%	75.0%

## Account Receivables (in Days)

	Q1 FY20	Q4 FY19	Q1 FY19
<b>DSO Total</b>	105	88	88
- Billed	71	58	59
- Unbilled	34	30	29

*\*Due to SAP Hana implementation, the utilization metric is under testing and will be available from next quarter. Significant volume drop in Q1 has impacted margins by 160 bps, which is recoverable in next quarter. This indicates Utilisation drop in current quarter, which will significantly improve in next quarter.*

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

## Top Clients: Revenue Contribution (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Top 5	36.5%	35.7%	37.9%
Top 10	49.8%	48.4%	51.8%

## No. of Million \$ Clients

	Q1 FY20	Q4 FY19	Q1 FY19
20 Mn+	4	4	4
10 Mn+	12	13	11
5 Mn+	24	26	25
1 Mn+	71	70	65
<b>New Customers Added</b>	20	5	20

## Employee

	Q1 FY20	Q4 FY19	Q1 FY19
Total Manpower	14,398	14,424	14,411
Technical & Pool	13,276	13,445	13,405
Non-Technical	370	204	220
Support	752	775	786

# Cyient Metrics (Design Led Manufacturing)

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

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

	Q1 FY20	Q4 FY19	Q1 FY19
Net Revenue	1,297	1,282	1,212
Direct Salaries & other costs	160	111	141
Material Cost	1,029	1,025	921
<b>Gross Profit</b>	<b>108</b>	<b>146</b>	<b>150</b>
SG&A	83	94	95
Depreciation & amortisation	29	24	25
<b>EBIT</b>	<b>-4</b>	<b>29</b>	<b>30</b>
Other Charges	18	34	16
<b>Profit Before Tax</b>	<b>-22</b>	<b>-5</b>	<b>14</b>

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

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

	Q1 FY20	Q4 FY19	Q1 FY19
Americas	30.2%	30.4%	30.0%
Europe, Middle East, Africa	37.4%	11.2%	10.8%
Asia Pacific (including India)	32.4%	58.4%	59.2%

<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 (%)

	Q1 FY20	Q4 FY19	Q1 FY19
Aerospace and Defense	65.7%	59.2%	60.6%
Transportation	0.3%	0.0%	0.0%
Energy & Utilities	19.9%	0.0%	0.0%
Medical	13.4%	14.3%	11.1%
Communications	0.3%	3.1%	10.8%
Portfolio	0.4%	15.5%	17.4%
Others	0.0%	7.9%	0.0%

## Currency Mix (%)

	Q1 FY20	Q4 FY19	Q1 FY19
USD	80.5%	74.8%	69.1%
EURO	3.0%	3.7%	2.5%
Othes	15.3%	21.6%	28.3%

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

## No. of Million \$ Clients

	Q1 FY20	Q4 FY19	Q1 FY19
5 Mn+	4	3	0
2 Mn+	8	9	1
1 Mn+	15	16	1
<b>New Customers Added</b>	0	1	1

## Key Operational Metrics

	Q1 FY20	Q4 FY19	Q1 FY19
Headcount	645	661	645
DSO (in Days)	100	106	114
DPO (in Days)	133	106	141
Customer Advance (in Days)	48	46	43
Inventory (in Days)	120	135	136
Total Cash (₹ Million)	93	596	330



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

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.; New Technology Precision Machining Co. Inc.; Cyient Benelux BV; Cyient Schweiz GmbH; Cyient SRO; AnSem NV; AnSem B.V.; and Cyient AB.

Partly owned subsidiary: Cyient Solutions and Systems Private Limited

Joint venture: Infotech HAL Ltd (HAL JV)

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**