



CYIENT

# INVESTOR PRESENTATION

Q1 FY20

# Confidentiality Statement

The information shared herein is strictly confidential, proprietary and unique to the company. It is only made and shared for the purpose and extent it is intended for and no other. Usage or sharing of the said information in any form, directly or indirectly and in any manner whatsoever, might constitute a violation of laws or regulations in vogue in geographies in which the company operates, besides breaching confidentiality. The users shall meet any liability emanating from such violation and shall indemnify company for any loss, damage, expense, penalty, fine, fee, charges incurred by company on account of any such violation.

Highlights	Financial Update	Business Update
<ul style="list-style-type: none"> <li>• Financial Highlights</li> <li>• Business Highlights</li> <li>• Awards &amp; Recognition</li> <li>• CSR Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Cost optimization</li> <li>• Ind AS 116</li> <li>• Hedge and other income</li> <li>• Income statement update</li> <li>• Cash generation</li> </ul>	<ul style="list-style-type: none"> <li>• Cost Optimization Exercise</li> <li>• Significant highlights</li> <li>• M&amp;A update</li> <li>• Industry outlook</li> </ul>
<p><i>Annexures</i></p>		

## Highlights

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

## Financial Update

- Revenue
- Cost optimization
- Ind AS 116
- Hedge and other income
- Income statement update
- Cash generation

## Business Update

- Cost Optimization Exercise
- Significant highlights
- M&A update
- Industry outlook

*Annexures*

## • Highlights for the Quarter (1/2)

### Revenue

**0.8% YoY (₹ terms)**  
**-2.6% YoY (\$ terms)**

Quarterly revenue at  
**\$156.6Mn/₹10,890Mn**

### Consolidated EBIT Margin @ 9.2%

**Services EBIT margin at 10.5%**

**DLM EBIT margin at -0.3%**

### PAT growth @ 9.7% YoY

**PAT for the quarter ₹905Mn**

## Financial Highlights for Quarter

- Consolidated revenue at \$ 156.6Mn; de-growth of 5.2% QoQ and de-growth of 2.6% YoY
- Services revenue at \$ 137.9Mn; de-growth of 6.1% QoQ (-5.7% in CC) and de-growth of 3.4% YoY
- DLM revenue at \$ 18.7Mn; growth of 2.2% QoQ, 3.7% YoY
- EBIT margin for services at 10.5%, up 10 bps YoY (EBITDA margin for services at 14.8%, up 160 bps YoY)
- EBIT margin for DLM at -0.3%, down 280 bps YoY (EBITDA margin for DLM at 1.9%, down 260 bps YoY)
- Profit After Tax at ₹905 Mn for the quarter; growth of 9.7% YoY

## • Highlights for the Quarter (2/2)

### Business Highlights

- Strategic Investment in Cylus (a rail cybersecurity company) : The investment strengthens our focus on digitization and cybersecurity solutions for the rail industry
- Announced partnership with Onestrand Inc. : This partnership will allow Cyient to provide interactive technical publication solutions using Onestrand's S1000D software

### CSR Activities

- Continue to support 25 Government Schools – providing education to 15800+ underprivileged children
- Continue to support 67 Cyient Digital Centers (CDCs) in around Hyderabad to more than 20,000+ children and 14,000+ community members
- Completed training to a pilot batch of 300 community unemployed women on tailoring, bakery and beauty courses through the Cyient Urban Micro Skill Center(CUMSC) for urban poor
- Cyient trained and certified 320 unemployed people under the Cyient IT/ITES Skill Centre

## Highlights

- Financial Highlights
- Business Highlights
- CSR Activities
- Infrastructure
- Awards and Operations

## Financial Update

- Revenue
- Cost optimization
- Ind AS 116
- Hedge and other income
- Income statement update
- Cash generation

## Business Update

- Cost Optimization Exercise
- Significant highlights
- M&A update
- Industry Outlook

*Annexures*

# Revenue for Q1 FY20

Revenue	Q1FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	QoQ	YoY
\$ Mn	160.8	168.9	165.1	165.2	156.6	-5.2%	-2.6%
₹ Mn	10,800	11,870	11,876	11,629	10,890	-6.4%	0.8%

Business Units	Services			Group			Geography	
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY		
<b>A&amp;D</b>	48.4	-2.8%	-0.8%	60.7	0.1%	1.6%	<b>NAM</b>	\$86.8Mn
<b>Comms</b>	29.8	-8.9%	-12.4%	29.9	-10.3%	-17.0%		-2.8% QoQ
<b>E&amp;U</b>	16.9	-11.8%	4.3%	20.7	-5.7%	7.3%		2.8% YoY
<b>Transportation</b>	17.7	-1.9%	2.5%	17.7	-1.6%	2.8%	<b>EMEA</b>	\$44.1Mn
<b>Portfolio</b>	14.3	-9.7%	-11.0%	14.4	-10.0%	-11.4%		7.9% QoQ
<b>SIA</b>	7.6	-7.8%	-2.2%	7.6	-7.8%	-2.2%	<b>APAC (incl. India)</b>	11.5% YoY
<b>MT&amp;H</b>	3.1	4.4%	21.4%	5.6	0.4%	22.8%		\$25.7Mn
<b>Total</b>	<b>137.9</b>	<b>-6.1%</b>	<b>-3.4%</b>	<b>156.6</b>	<b>-5.2%</b>	<b>-2.6%</b>		-26.7% QoQ
<i>CC Growth</i>		<i>-5.7%</i>			<i>-4.8%</i>		-30.2% YoY	

- Services gap QoQ primarily from Communications (\$2.9 Mn), Energy and Utilities (\$2.3 Mn), Portfolio (\$1.6 Mn) & Aerospace & Defence (\$1.4 Mn)
- We expect good recovery in Q2 FY20



## • Cost Optimization Exercise

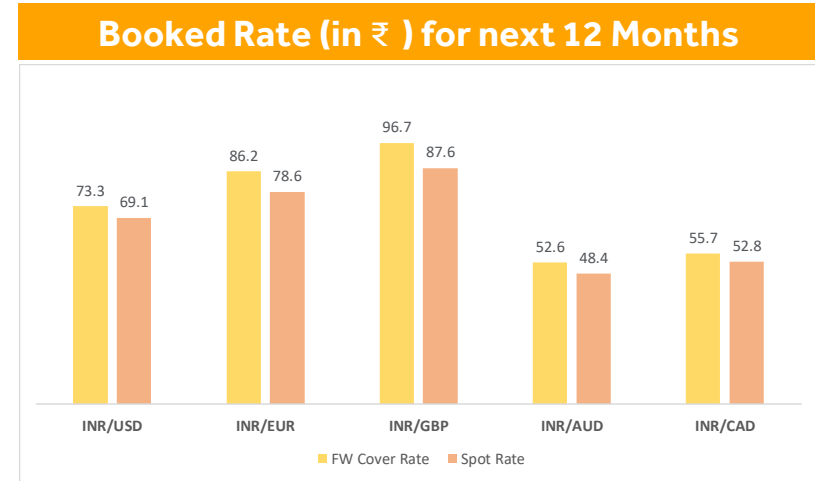
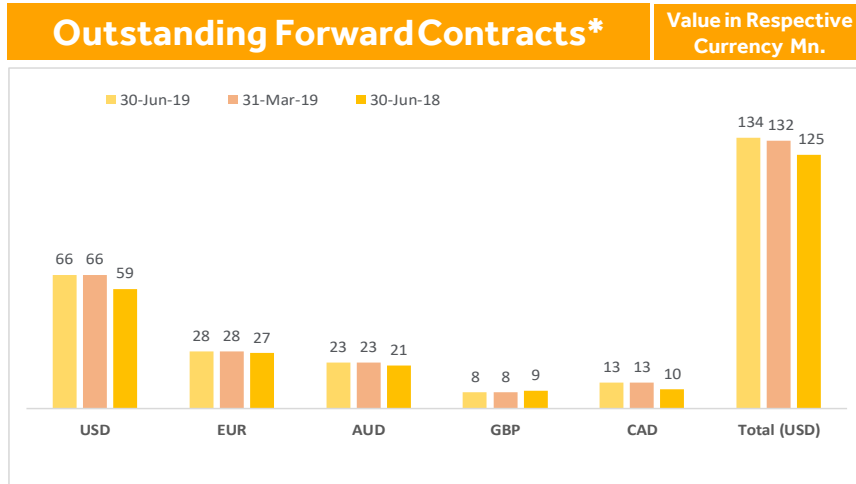
- **Theme:** To achieve sustainable margins for Cyient's Services Business through improvements in cost of delivery and sustained improvement in SG&A costs in line with best-in-class and other initiatives to improve profitability.
- **Status update:** A number of levers targeting cost of delivery and SG&A are identified for this exercise. Levers with high savings potential have been identified and initiated actions upon and regular cadence set up to track the progress.
- **Next steps/milestones:** Continue with actions identified through rest of the year. Additional governance, tools, process, policy and organization being defined to ensure sustainability year on year. Part of the savings net of one time costs will be visible in FY20 and 100% of the target savings to start reflecting from Q1 FY21 onwards.

## • Ind AS 116 - Leases

### Lease accounting change

- The new accounting standard Ind AS 116 Leases is effective for annual reporting beginning April 19
- Lessees were hitherto required to disclose operating lease arrangements as an off-balance sheet item and corresponding liability as a disclosure.
- Ind AS 116 introduces a single lessee accounting model and requires recognition of right-of-use asset and corresponding liability for almost all leases by the Lessee.
- Impact of 1.7% on OPM and additions of ₹3,206Mn to asset base
- For better disclosure and to have like to like comparison, we now disclose EBIT (and not EBITDA)

# Hedge Book for Q1 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 Contract as on 30<sup>th</sup> June'19 is ~ **\$134Mn**
  - If the spot rate remains at same level (as at 30<sup>th</sup> Jun'19), forex gain on current forward contracts could be ~**\$10Mn (~₹ 691 Mn)**

## Other Income for Q1 FY20

All Figures in ₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>Income from Treasury</b>			
Interest on Invesmtents/Deposits	113	135	116
Dividend on Mutual Funds	8	13	8
<b>Subtotal (A)</b>	<b>121</b>	<b>148</b>	<b>124</b>
<b>Realised gains/(losses) on Fwd Contracts (B)</b>	<b>108</b>	<b>(6)</b>	<b>(46)</b>
<b>Unrealised Fx gains/losses) (C)</b>	<b>24</b>	<b>126</b>	<b>30</b>
<b>Others</b>			
Interest on IT Refunds	0	0	13
Reversal of Old provisions	5	30	19
Tax incentives on export of merchandise	18	280	0
Others	7	211	30
<b>Others (D)</b>	<b>30</b>	<b>521</b>	<b>62</b>
<b>Grand total (A+B+C+D)</b>	<b>282</b>	<b>789</b>	<b>170</b>

Currency Movement	Q1 FY20		Q4 FY19		Q1 FY19	
	Forward	Spot	Forward	Spot	Forward	Spot
USD	70.3	69.7	67.3	70.7	67.3	67.9
EUR	85.4	78.3	84.5	80.4	75.9	79.8
GBP	96.3	89.2	94.3	93.1	87.7	91.1
AUD	52.8	48.8	52.7	50.6	50.4	50.7
CAD	54.3	51.6	53.5	52.4	50.4	52.0

Forward and spot rates represent average of monthly rates

## Other Income movement

- Other income is Lower by ₹507Mn (-64%) QoQ primarily due to lower Treasury income by ₹27Mn and lower Unrealised gains by ₹102Mn, offset by realised favourable forward contract gains by ₹114 Mn
- The swing in Others portion is due to absence of Export incentives (₹280Mn), reversal of DLM put option (₹135Mn) & Certon Earn out provision reversal (₹69Mn) which occurred in Q4 FY19
- For the full year we expect gains in tax incentives to be at similar levels of FY19, healthy Fx gains at current spot, steady treasury income, increase in realised gains and unrealised gains

# Income statement for Q1 FY20

All Figures in ₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
Revenue	10,890	11,629	10,800
EBIT	1,005	1,490	1,031
PAT (Reported)	905	1,768	825
PAT (Normalised)	905	1,881	825
EPS (₹ Reported)	8.2	15.7	7.3
EPS (₹ Normalised)	8.2	16.7	7.3

All Figures in %	Q1 FY20	Q4 FY19	Q1 FY19
Gross Margin	34.4%	35.3%	34.3%
EBIT Margin	<b>9.2%</b>	<b>12.8%</b>	<b>9.5%</b>
Effective Tax Rate	22.0%	15.3%	27.1%
<i>ETR (excl. one-offs)</i>	<i>22.0%</i>	<i>21.5%</i>	<i>25.2%</i>
PAT Margin (Reported)	<b>8.3%</b>	<b>15.2%</b>	<b>7.5%</b>
PAT Margin (Normalised)	<b>8.3%</b>	<b>16.2%</b>	<b>7.5%</b>

## EBIT Movement

- Consolidated EBIT at 9.2% ; down 358 bps QoQ. Consolidated EBITDA at 13.3% down 180 bps QoQ
  - One time impact of lower efficiencies (160 bps), lower absorption (142 bps), increased investment (58 bps), **totaling to 360 bps**, Fx impact (35 bps), hike impact (85 bps) offset by cost optimization program (130 bps)

## Profit After Tax Movement

- PAT YoY growth of 9.7%
- PAT down by 51.9% QoQ primarily driven by lower EBIT and lower other income

# Operating margin bridge for Q1 FY20

Particulars	
<b>EBIT Q4 FY19</b>	<b>12.80%</b>
<i>Depreciation</i>	<i>225 bps</i>
<b>OPM (EBITDA) Q4 FY19</b>	<b>15.10%</b>
<i>Lower efficiencies*</i>	<i>-160 bps</i>
<i>Lower SG&amp;A absorption*</i>	<i>-142 bps</i>
<i>Increased Investment spend*</i>	<i>-58 bps</i>
<i>Fx impact</i>	<i>-35 bps</i>
<i>Hike Impact</i>	<i>-85 bps</i>
<i>Lease reclassification (IndAS 116)</i>	<i>170 bps</i>
<i>Net Benefit from efficiency program</i>	<i>130 bps</i>
<b>OPM (EBITDA) Q1 FY20</b>	<b>13.30%</b>
<i>Depreciation</i>	<i>-276 bps</i>
<i>Lease reclassification (IndAS 116)</i>	<i>-130 bps</i>
<b>EBIT Q1 FY20</b>	<b>9.20%</b>

} 360 bps

*\*One off issues during the quarter due to lower volume. Expected to improve in Q2 FY20 because of volume uptick*

# Cash Generation for Q1 FY20

All Figures in ₹ Mn	Q1 FY20	Q4 FY19	Q1 FY19
<b>Services</b>			
<b>Operating Profit</b>	<b>1,403</b>	<b>1,513</b>	<b>1,273</b>
Other Income	199	985	157
<b>Profit from Operations</b>	<b>1,602</b>	<b>2,498</b>	<b>1,430</b>
DSO Movement (Receivables)	(1,320)	(474)	(1,123)
Other WC changes	593	(863)	539
<b>Operating CF after WC changes</b>	<b>875</b>	<b>1,161</b>	<b>846</b>
Less: Taxes	(240)	(366)	(142)
Less: Capex	(221)	(16)	(286)
<b>Free Cash Flow generated (Services) - i</b>	<b>414</b>	<b>779</b>	<b>418</b>
<b>DLM</b>			
<b>Free Cash Flow generated (DLM) - ii</b>	<b>(228)</b>	<b>(377)</b>	<b>27</b>
<b>Group FCF (i+ii)</b>	<b>186</b>	<b>402</b>	<b>445</b>
<b>FCF to EBITDA Conversion</b>	<b>10.8%</b>	<b>15.8%</b>	<b>29.9%</b>

## Cash Generation –

- Cash and cash equivalents at a healthy levels of ₹8,213Mn
- For the quarter, the cash flow conversion stood at 10.8%, primarily due to higher DSO at 104 days; excluding the one off, the normalised DSO is 93 days. DSO is expected to be <90 days leading to a release of >₹1,000Mn in Q2 FY20
- DLM has consumed cash of ₹228Mn in Q1 FY20
- We continue to focus on improvement in FCF conversion through focus on collection and other working capital management

Highlights	Financial Update	Business Update
<ul style="list-style-type: none"> <li>• Financial Highlights</li> <li>• Business Highlights</li> <li>• Awards &amp; Recognition</li> <li>• CSR Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Cost optimization</li> <li>• Ind AS 116</li> <li>• Hedge and other income</li> <li>• Income statement update</li> <li>• Cash generation</li> </ul>	<ul style="list-style-type: none"> <li>• Cost Optimization Exercise</li> <li>• Significant highlights</li> <li>• M&amp;A update</li> <li>• Industry outlook</li> </ul>
<p><i>Annexures</i></p>		



# • Significant Developments for Q1 FY20

## **Reorganisation of Business Units**

- The Company combined energy and natural resources business' in erstwhile Industrial, Energy and Natural Resources (IENR) BU and the 'utilities business' in erstwhile Utilities & Geospatial (U&G) BU into a new business unit, Energy & Utilities (E&U) with an intent to leverage synergize and build capabilities across energy value chain
- Also, Geospatial business in erstwhile U&G and the Industrial business in erstwhile IENR are now part of a new business unit, Portfolio, with an intent to execute strong solutions focus

## **New Business Accelerator program (NBA)**

- 16 projects under development; Total approved projects is 19
- Seeing customer level traction in the products/solutions being developed under NBA, especially in space-bots, smart cities, AR/VR and Additive manufacturing
- The current NBA initiatives likely to accelerate Cyient's EPS growth by 1.5%-3.0%, from FY21 onward

## **SAP Hana Implementation**

- Cyient has re-implemented its ERP and has moved from SAP ECC to SAP S4 Hana (S4H). We have added new modules such as Treasury, Document Management System and Business Planning and Consolidation. The new ERP went live from 1<sup>st</sup> April 2019. This is a significant investment by Cyient and S4H will provide a scalable architecture that will enable faster closing and reporting, better financial controls and process automation. S4H also brings a lot of other benefits and will help Cyient get granular information which will help drive the business more efficiently.

# Investment Pipeline & Focus Areas for Q1 FY20



\*Pre LOI and LOI reflect a balance position

## Active Investment Pursuits – Specific focus areas\*

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

\*Broad inorganic strategy focused on new geography led expansion, new Services and consolidation opportunities continue

# • Industry Outlook & Business Performance (1/4)

## Aerospace & Defense

The Aerospace and Defense industry is expected to grow by 4% driven by strong commercial aircraft order backlog and defense spending. With a strong aircraft backlog, manufacturers are expected to ramp up production, hence driving growth in the sector. The defense spend is expected to grow through the year majorly driven by increased spend in emerging markets such as China, India and Japan.



## Communications

The Communications industry is expected to grow by 2%-3% through the year driven primarily by broadband rollout and 5G deployment with key players making significant investments in 5G technologies. The trend of increased data consumption will continue in 2019 with even greater volumes of data generated by new technologies.



# • Industry Outlook & Business Performance (2/4)

## Energy & Utilities

The Energy and Utilities industry is expected to witness a growth of 2.5% driven by rising commodity prices, focus on grid modernization and renewable energy. 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 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.



## Transportation

The Rail transport industry is expected to witness a growth of 2.5% driven by growth in rail infrastructure and rail control systems. The demand for rail transport is rising in the growing megacities of Asia and India in particular. The focus on digitization, standardization and cybersecurity is expected to continue throughout the year.



# • 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.

The Geospatial industry continues to grow as spatial dimension and locational context becomes critical for many diverse businesses and applications. Location data continues to be prevalent in discussions around Smart Building and City projects, and new types of location data, such as 3D and building face types, are seen as critical to successful 5G roll-outs. The demand for High Definition Mapping for assisted and autonomous drive continues to increase.



## Semiconductor

The semiconductor industry is expected to witness a drop of ~3% 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 significant growth this year. Growth in the industry is expected to return in 2020.



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



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.

#### Contact Details:

##### **Investor Relations**

Piyush Parekh

Direct: +91 40 67641537

Board: +91 40 67641000 (Extn-1537)

Mobile: +91 961 928 5249

Email: [ir@cyient.com](mailto:ir@cyient.com)

##### **Media Relations**

Meeta Singh

Direct: +91 40 67481533

Board: +91 40 6748 9100 (Extn-1145)

Mobile: + 91 994 906 5300

Email: [press@cyient.com](mailto:press@cyient.com)

## 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**