



CYIENT

# INVESTOR PRESENTATION ANNEXURE

Q3 FY20

# • 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 decline of 5.7% in constant currency QoQ and 5.3% YoY. The services revenue declined by 0.2% QoQ in USD predominantly driven by decline across Transportation and A&D business units. The decline in services business was majorly driven by a long term risk sharing agreement we signed with one of our key clients. As part of this agreement, we have provided a one-time discount in Q3. This agreement will accelerate our growth in the coming years and since the cumulative impact was taken in Q3 it has resulted in a de growth.

Due to seasonality in the business DLM BU witnessed a decline of 36.5% QoQ. EBIT was lower QoQ by 4.2% mainly due to volume drop in A&D and Transportation. PAT increased QoQ by 10% (\$15.2 Mn) primarily driven by higher other income despite ETR increase. We continue to make investments in our S3 strategy and are focused on building our capabilities across the product value chain. Our digital suite of solutions are also gaining traction, we are witnessing an increased interest from clients across industries. We will continue to invest in building a strong digital portfolio as part of our strategy.

We expect a strong growth through Q4 driven by growth in E&U, Transportation and Semiconductor, IoT and Analytics BU's. For FY 20, we expect a slight de-growth driven by decline in key clients across Communications and Aerospace BU's.”

# • Message from the Management



**Commenting on the results, Mr. Ajay Aggarwal, President & CFO, said,** “In the last 3 quarters, there has been significant focus on efficiencies and cost optimization program. Due to the program and this focus our cost and profit position is well set for coming year. The current quarter and the year also had costs associated with program.

This despite drop in volume and lower billing days vs. pay days, our EBIT margins stayed flat at 9.6% QoQ (12.3% without one-offs and long term investments). We also posted a double-digit growth in net profit of 10% QoQ. The net profit for the quarter stood at Rs.1083 Mn.

We had good collections in Q3, which resulted in EBITDA to FCF conversion of 96% and YTD 52%. This culminated in a cash balance of Rs.10,239 Mn for the quarter end. We generated FCF of INR 1,944 Mn for quarter.

We are confident of exiting the year with a strong performance in Q4 FY20, which will then provide a solid platform for FY21. We will continue our focus on Growth, Margin expansion and Cash Generation to maximise value for our shareholders.”

# • Business Performance & Outlook (1/3)

## **Aerospace & Defense**

Aerospace & Defense BU witnessed a decline of 17.6% QoQ & 15.4% YoY driven by continued uncertainty and weak customer spend resulting in de-growth in key client accounts. The growth momentum is expected to return over the coming quarter led by key clients in North America. We expect a de-growth through the year due to the global industry challenges and challenges in two of our key customers. We continue to see growth in our DLM business with significant order wins across both North American and Europe. The Services business is seeing a shift in customer spending towards more Digital services.

## **Rail**

Transportation BU witnessed decline of 13.9% QoQ and 9.5% YoY driven by cyclicity in rolling stock projects and right shifting of key projects. The de-growth in Q3 was higher than expected due to a one off event with a key client wherein we have entered into a long term risk sharing agreement. As part of this agreement, we have provided a one-time discount in Q3. This agreement has a potential to accelerate our growth in the coming years and since the cumulative impact was taken in Q3 it has resulted in a de-growth. We have also renewed the agreement with this key client until end of 2023, which provides us with a strong visibility for future. We expect normal run rate and growth in Q4 basis our continued strong engagements with key clients and project visibility especially in the Rolling Stock segment

# • Business Performance & Outlook (2/3)

## **Communications**

Communications BU witnessed a growth of 12.1% QoQ and 0.4% YoY driven by growth in key accounts, momentum across geographies and new project wins. This is the second quarter of sequential growth through the BU. We expect the growth momentum to continue through the year, driven by growth in focus segments, healthy pipeline and momentum in strategy execution.

## **E&U**

The Energy and Utilities BU witnessed a strong growth of 7.0% QoQ and 6.4% YoY driven by growth in the services business esp. across utilities clients. We expect the growth momentum to continue through the year, with double digit growth expected driven by the positive momentum in the services business and new client wins in the utilities segment. Also, the pipeline for digital projects continues to grow especially in the mining sector.

## **Semiconductor**

Semiconductor, IoT and Analytics BU witnessed a growth of 0.2% QoQ and 2.3% YoY driven by growth in our turnkey business. However, our performance through the quarter was impacted by softness in the industry and client rampdowns. We expect de-growth through the year driven by de-growth in our semiconductor services business.

# • Business Performance & Outlook (3/3)

## **MTH**

Medical Technology and Healthcare BU witnessed a growth of 7.1% QoQ and 23.2% YoY driven by growth across manufacturing business while services business witnessed a moderate growth driven by key customers. The outlook for the year continues to be strong with double digit growth expected through the year, driven by strong growth in manufacturing business and top customer growth in services business.

## **Portfolio**

The Portfolio BU witnessed a decline of 4.4% QoQ and 8.7% YoY driven by de-growth in the industrial and geospatial segments. Business seasonality and delay in ramp up in key client accounts impacted growth in geospatial segment while Industrial witnessed a de-growth across key client accounts. We expect decline in growth through the year impacted by sluggish industry outlook and decline in key clients.

# Consolidated Financial Metrics

## Key Operational Metrics (₹Mn)

₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19	Growth %	
				QoQ	YoY
Revenue	11,060	11,589	11,876	-4.6%	-6.9%
EBIT	1,063	1,110	1,470	-4.2%	-27.7%
EBIT Margin	9.6%	9.6%	12.4%	3 bps	-277 bps
Reported PAT	1,083	985	921	10.0%	17.6%
Reported EPS (₹)	9.8	9.0	8.1	10.0%	20.9%

## Key Operational Metrics (\$Mn)

\$ Mn	Q3 FY20	Q2 FY20	Q3 FY19	Growth %	
				QoQ	YoY
Revenue	155.2	164.2	165.1	-5.5%	-6.0%
EBIT	14.9	15.6	20.5	-4.6%	-27.2%
EBIT Margin	9.6%	9.6%	12.4%	3 bps	-277 bps
Reported PAT	15.2	13.8	12.8	10.0%	18.6%

## Foreign Exchange Rate

\$/₹	Q3 FY20	Q2 FY20	Q3 FY19
Quarter Average	71.27	70.58	71.93
Quarter Closing	71.39	70.50	69.93

# Consolidated Revenue Segmentation

## By Geography (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Americas	56.8%	55.3%	54.1%
Europe, Middle East, Africa	25.1%	26.5%	22.1%
Asia Pacific (includes India)	18.1%	18.2%	23.8%

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

	Q3 FY20	Q2 FY20	Q3 FY19
Aerospace and Defense	34.8%	39.9%	38.6%
Transportation	10.1%	11.1%	10.5%
Energy and Utilities	14.5%	12.8%	12.8%
Semiconductor, IoT and Analytics	4.4%	4.2%	4.1%
Medical, Technology and Healthcare	4.5%	4.0%	3.5%
Communications	22.2%	18.7%	20.7%
Portfolio	9.4%	9.3%	9.7%

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



# Consolidated Operations Metrics

## Account Receivables (in Days)

	Q3 FY20	Q2 FY20	Q3 FY19
<b>DSO Total</b>	<b>94</b>	<b>95</b>	<b>83</b>
- Billed	59	64	59
- Unbilled	35	31	24

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

	Q3 FY20	Q2 FY20	Q3 FY19
Cyient Services	173	143	255
DLM	8	22	19
<b>Group OI Total</b>	<b>181</b>	<b>165</b>	<b>274</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 Metrics

## Top Clients: Revenue Contribution (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Top 5	33.0%	31.0%	33.2%
Top 10	44.5%	41.6%	43.9%

## No. of Million \$ Clients

	Q3 FY20	Q2 FY20	Q3 FY19
20 Mn+	4	4	4
10 Mn+	11	12	13
5 Mn+	27	27	31
1 Mn+	90	91	87
<b>New Customers Added</b>	<b>13</b>	<b>20</b>	<b>11</b>

# Consolidated Employee Metrics

## Employee

	Q3 FY20	Q2 FY20	Q3 FY19
Total Manpower	14,472	14,869	15,193
Technical & Pool	13,405	13,800	14,002
Non-Technical	378	380	413
Support	689	689	778
Voluntary Attrition <sup>3</sup>	19.7%	18.0%	21.2%
Involuntary Attrition	5.2%	5.8%	2.3%

<sup>3</sup> Q3 FY20 attrition has been higher compared to the previous two quarters, though voluntary attrition for YTD and Q3 FY20 is lower on a YOY basis. We are going as per plan in retention of key talent and have been taking proactive actions to ensure business continuity and sustainability. The ongoing alignment towards the customer plans and with the skills requirements may see involuntary attrition continue at current levels.

# Consolidated Other Financial Metrics (1/2)

## Other Income (₹ Mn)

	Q3 FY20	Q2 FY20	Q3 FY19
Income from Investments	96	101	137
Fx Gain/(Loss) - Realised	151	174	-66
Fx Gain/(Loss) - Unrealised	184	-56	-286
Others	67	45	28
<b>Total</b>	<b>498</b>	<b>264</b>	<b>-187</b>

## Capex (₹ Mn)

	Q3 FY20	Q2 FY20	Q3 FY19
Capital Expenditure	111	339	326

## Cash Position (₹ Mn)

	Q3 FY20	Q2 FY20	Q3 FY19
Cash & Cash Equivalent	10,239	8,641	12,308
Cash & Bank balances	4,172	3,586	3,667
Investments in FDs	5,070	4,039	7,296
Investment in MFs	997	1,016	1,345

## Consolidated Other Financial Metrics (2/2)

### Outstanding Forward Contracts (Mn of respective currencies)^

	Q3 FY20	Q2 FY20	Q3 FY19
USD / INR	68.7	69.4	61.0
EURO / INR	25.9	26.7	28.9
GBP / INR	6.5	7.5	8.9
AUD / INR	24.7	24.5	22.4

*^Forward contracts are taken only for services business*

# Consolidated Income Statement

₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
<b>Operating Revenue</b>	<b>11,060</b>	<b>11,589</b>	<b>11,876</b>
<b>Cost of Revenue</b>	<b>7,082</b>	<b>7,601</b>	<b>7,723</b>
Direct Salary and related costs	4,873	4,986	5,179
Direct Travel	190	192	249
Sub contract and others	1,158	964	934
Delivery Management	201	209	251
Material cost	661	1,249	1,109
<b>Gross profit</b>	<b>3,978</b>	<b>3,987</b>	<b>4,153</b>
Sales and Marketing	555	531	631
General and Administration	1,889	1,859	1,774
Depreciation and Amortization	470	488	279
<b>EBIT</b>	<b>1,063</b>	<b>1,110</b>	<b>1,470</b>
Financial expenses	129	120	96
Other income	498	264	-187
<b>Profit before tax (PBT)</b>	<b>1,433</b>	<b>1,254</b>	<b>1,187</b>
Tax	333	281	266
Associate & Minority Profit	-16	12	1
<b>Profit After Tax (Reported)</b>	<b>1,083</b>	<b>985</b>	<b>921</b>
Basic EPS (₹) (Reported)	9.8	9.0	8.1
Gross Margin	36.0%	34.4%	35.0%
EBIT Margin	9.6%	9.6%	12.4%
Effective Tax Rate	23.3%	22.4%	22.4%
PAT Margin (Reported)	9.4%	8.3%	7.9%

# Consolidated Balance Sheet

₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
- Share capital	550	550	565
- Reserves and surplus	25,539	25,206	24,919
<b>Total - Shareholders' funds</b>	<b>26,089</b>	<b>25,756</b>	<b>25,484</b>
<b>Non-current liabilities</b>			
- Long-term borrowings and liabilities	3,591	3,730	1,986
- Long-term provisions	1,155	1,152	1,063
- Deferred tax liabilities (net)	378	327	355
<b>Total - Non-current liabilities</b>	<b>5,124</b>	<b>5,209</b>	<b>3,404</b>
<b>Current liabilities</b>			
- Short-term borrowings	3,100	2,273	2,200
- Trade payables	3,911	4,142	3,787
- Other current liabilities	3,842	3,532	4,324
- Short-term provisions	558	871	811
<b>Total - Current liabilities</b>	<b>11,411</b>	<b>10,818</b>	<b>11,122</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>42,624</b>	<b>41,783</b>	<b>40,010</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
- Property, plant and equipment	8,930	8,795	5,441
- Goodwill	5,331	5,189	5,249
- Non-current investments	332	344	194
- Deferred tax assets (net)	505	426	293
- Other non-current assets	1,783	1,956	2,092
<b>Total - Non-current assets</b>	<b>16,881</b>	<b>16,710</b>	<b>13,269</b>
<b>Current assets</b>			
- Inventories	2,259	2,200	1,485
- Current investments	997	1,016	1,345
- Trade receivables	7,297	8,296	7,797
- Cash and cash equivalents	9,242	7,625	10,963
- Other current assets	5,948	5,936	5,151
<b>Total - Current assets</b>	<b>25,743</b>	<b>25,073</b>	<b>26,741</b>
<b>TOTAL ASSETS</b>	<b>42,624</b>	<b>41,783</b>	<b>40,010</b>

# Consolidated Cash Flow Movement

₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
<b>Free cash flow, after non-operating income</b>	1,944	798	1,338
Long term investments	-331	-301	-50
Equity	0	7	3
Borrowings	785	-76	-97
Dividends	-800	0	-809
Buyback of Shares	0	0	0
Others	0	0	-187
<b>Net change in cash</b>	<b>1,598</b>	<b>428</b>	<b>198</b>
<b>Opening cash position</b>	8,641	8,213	12,110
<b>Closing cash position</b>	10,239	8,641	12,308
<b>FCF to EBITDA Conversion</b>	<b>95.7%</b>	<b>42.9%</b>	<b>85.6%</b>



# Cyient Metrics (Excluding Design Led Manufacturing)

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

## By Geography (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Americas	57.5%	60.2%	58.2%
Europe, Middle East, Africa	25.5%	26.3%	24.1%
Asia Pacific (including India)	16.9%	13.6%	17.7%

## By Business Unit (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Aerospace and Defense	32.2%	33.9%	34.3%
Transportation	11.1%	13.0%	12.0%
Energy and Utilities	14.5%	13.2%	12.6%
Semiconductor, IoT and Analytics	4.9%	4.9%	4.7%
Medical, Technology and Healthcare	2.4%	2.4%	2.0%
Communications	24.4%	21.7%	23.4%
Portfolio	10.5%	10.9%	11.0%

## Onsite/offshore Split (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Onsite	54.8%	55.3%	57.6%
Offshore	45.2%	44.7%	42.4%

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

## Currency Mix (%)

	Q3 FY20	Q2 FY20	Q3 FY19
USD	55.0%	59.8%	57.2%
EURO	14.0%	13.3%	13.6%
GBP	10.0%	8.1%	7.9%
AUD	9.0%	8.0%	11.5%
Others	12.0%	10.8%	9.9%

## Account Receivables (in Days)

	Q3 FY20	Q2 FY20	Q3 FY19
<b>DSO Total</b>	94	98	83
- Billed	55	61	56
- Unbilled	39	36	27

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

## Top Clients: Revenue Contribution (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Top 5	36.6%	36.2%	38.0%
Top 10	49.3%	47.3%	50.1%

## No. of Million \$ Clients

	Q3 FY20	Q2 FY20	Q3 FY19
20 Mn+	4	4	4
10 Mn+	11	12	13
5 Mn+	23	22	27
1 Mn+	77	77	73
<b>New Customers Added</b>	13	19	11

## Employee

	Q3 FY20	Q2 FY20	Q3 FY19
Total Manpower	13,854	14,215	14,532
Technical & Pool	12,847	13,204	13,539
Non-Technical	364	373	215
Support	643	638	778

# Cyient Metrics (Design Led Manufacturing)

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

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

	Q3 FY20	Q2 FY20	Q3 FY19
Net Revenue	1,076	1,687	1,479
Direct Salaries & other costs <sup>^</sup>	233	268	189
Material Cost <sup>^</sup>	661	1,249	1,109
<b>Gross Profit</b>	<b>182</b>	<b>169</b>	<b>180</b>
SG&A	147	138	122
Depreciation & amortisation	34	32	23
<b>EBIT</b>	<b>2</b>	<b>-0</b>	<b>35</b>
Other Charges	24	8	26
<b>Profit Before Tax</b>	<b>-23</b>	<b>-8</b>	<b>9</b>

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

<sup>^</sup> Direct salaries and Material costs of Q3FY19 are reclassified for like to like comparison

## By Geography (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Americas	49.9%	26.7%	25.5%
Europe, Middle East, Africa	20.9%	27.5%	8.3%
Asia Pacific (including India)	29.2%	45.9%	66.2%

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

## By Business Unit (%)

	Q3 FY20	Q2 FY20	Q3 FY19
Aerospace and Defense	58.5%	75.1%	68.7%
Transportation	1.0%	0.0%	0.1%
Energy & Utilities	14.8%	10.5%	14.7%
Medical	24.4%	13.5%	14.0%
Communications	1.6%	1.0%	2.1%
Portfolio	0.0%	0.2%	0.4%
Others	-0.2%	-0.3%	0.0%

## Currency Mix (%)

	Q3 FY20	Q2 FY20	Q3 FY19
USD	74.0%	82.0%	78.9%
EURO	5.0%	3.0%	2.2%
Others	21.0%	14.0%	18.9%

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

## No. of Million \$ Clients

	Q3 FY20	Q2 FY20	Q3 FY19
5 Mn+	4	5	4
2 Mn+	11	10	10
1 Mn+	13	14	14
<b>New Customers Added</b>	0	1	0

## Key Operational Metrics

	Q3 FY20	Q2 FY20	Q3 FY19
Headcount	618	654	661
DSO (in Days)	94	85	81
DPO (in Days)	153	131	116
Customer Advance (in Days)	103	88	98
Inventory (in Days)	190	125	146
Total Cash (₹ Million)	541	596	902



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 customers 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 globally, Cyient partners with customers 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](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.; 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

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.

The background of the slide is a photograph of several people sitting around a table in what appears to be a meeting or collaborative work environment. The image is heavily filtered with a warm, yellow-orange color. A large white rectangular box is positioned on the left side of the slide, containing the text 'THANK YOU'.

**THANK YOU**