



CYIENT

INVESTOR PRESENTATION

Q3 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 • Company update
<p><i>Annexures</i></p>		

Highlights

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

Financial Update

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- Cost optimization
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- 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

-4.6% QoQ (₹ terms)

-5.5% QoQ (\$ terms)

Quarterly revenue at
\$155.2Mn/₹11,060Mn

EBIT Margin @ 9.6%

Services EBIT margin at 10.6%

DLM EBIT margin @ 0.2%

PAT growth @ 10% QoQ

PAT for the quarter ₹1,083Mn

Financial Highlights for Quarter

- Consolidated revenue at \$155.2Mn; de-growth of 5.5% QoQ and de-growth of 6% YoY
- Services revenue at \$140.1Mn; de-growth of 0.2% QoQ (0.5% in CC) and de-growth of 3.1% YoY
- DLM revenue at \$15.1Mn; de-growth of 36.5% QoQ, 26.7% YoY
- Cash flow to EBITDA conversion at 96%
- Normalised EBIT* excluding one-offs and long term investments at ₹1,361 Mn
 - EBIT margin excluding one-offs and long term investments at 12.3%; flat QoQ
 - EBIT margin for services excluding one-offs and long term investments at 13.6%, lower by 72 bps QoQ
- Profit After Tax at ₹1,083Mn for the quarter; growth of 10% QoQ and growth of 17.6% YoY

**For details refer slide number 13*

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• Highlights for the Quarter (2/3)

Added a marquee North American Electricity distributor for systems integration

Won one of the largest GIS Data Quality Programs awarded by the US Utilities Industry

Signed an agreement for the status of preferred partner for a key client in transportation

Set up a new development center in Warangal

As an organization digital is central to our strategy and we are focused on developing our capability under digital as part of our solutions development under NBA setup. We have invested in building capabilities leveraging key technologies like IoT, AR/VR, Analytics to name a few. We are witnessing increased interest and traction from our clients and are confident of building a strong revenue momentum from digital in the coming few years.

Business Highlights for the Quarter

- Actively involved in accelerating the deployment of 5G network for a key client in Australia
- Signed an agreement with key client in transportation which extends the commercial framework till 2023, reconfirms Cyient's position as a preferred partner for a major program planned in 2020
- Partnered with Clear Horizon to capture and maintain quality mobile network asset data for utilities
- AnSem joins Arm – Approved Design Partner program. Reinforces AnSem's expertise in delivering Arm-based Custom Turnkey ASIC solutions and services which will ensure faster time to market for customers
- Set up a new development center in Warangal to support telecom customers globally with plan & design and engineering services for their mobile and fixed-line networks

• Highlights for the Quarter (3/3)

Awards and Recognition

- Cyient Foundation received a 'Platinum Award' under Apex India CSR Excellence Award 2019 in the Engineering and IT Services Sector
- Cyient won the coveted 'Exemplar of Inclusion' award as part of the Most Inclusive Companies Index 2019 in India
- Cyient recognized as one of the Best Companies for Women in India by Working Mother Media and AVTAR Group
- Cyient highly commended at the European Diversity Awards 2019

CSR Activities

- Continue to support 25 Government Schools – providing education to 18,500+ underprivileged children
- Continue to support more than 70 Cyient Digital Centres (CDCs) in and around Hyderabad which cater to more than 25,000 children and 15,000 community members
- Completed training to the third 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 403 unemployed people under the Cyient IT/ITES Skill Centre and successfully completed 11 batches

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- M&A update
- Industry Outlook

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Revenue for Q3 FY20

Revenue	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	QoQ	YoY
\$ Mn	165.1	165.2	156.6	164.2	155.2	-5.5%	-6.0%
₹ Mn	11,876	11,629	10,890	11,589	11,060	-4.6%	-6.9%

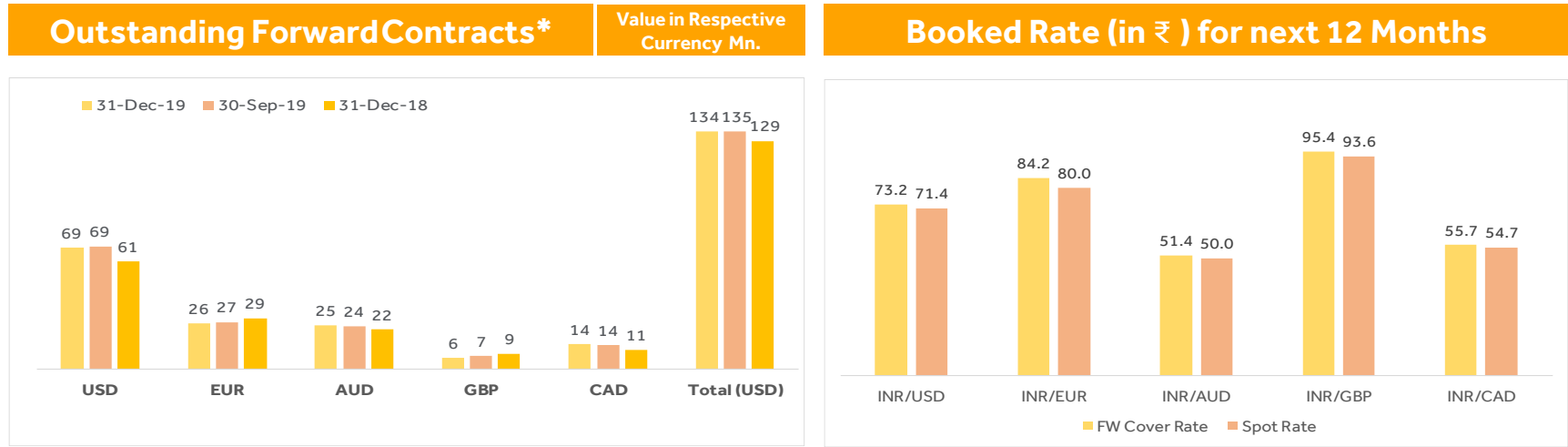
Business Units	Services			Group			Geography	
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY		
							NAM	\$88.1 Mn
A&D	45.1	-5.2%	-9.1%	53.9	-17.6%	-15.4%		-2.9% QoQ
Comms	34.1	12.2%	1.0%	34.4	12.1%	0.4%		-1.3% YoY
E&U	20.3	9.4%	11.8%	22.6	7.0%	6.4%	EMEA	\$38.9 Mn
Transportation	15.6	-14.7%	-10.2%	15.7	-13.9%	-9.5%		-10.4% QoQ
Portfolio	14.7	-4.1%	-8.2%	14.7	-4.4%	-8.7%		6.7% YoY
SIA	6.9	0.2%	2.3%	6.9	0.2%	2.3%	APAC (incl. India)	\$28.1 Mn
MT&H	3.4	0.1%	18.5%	7.1	7.1%	23.2%		-6.1% QoQ
Total	140.1	-0.2%	-3.1%	155.2	-5.5%	-6.0%		-28.4% YoY
CC Growth		-0.5%			-5.7%			

- Services de-growth of 0.2% QoQ, 0.5% in constant currency
- Standalone DLM de-growth is 42.1% QoQ, 34% YoY
- Overall DLM is lower by 36.5% QoQ (\$8.7 Mn) primarily due to decrease in Standalone DLM revenue of \$8.9 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:** Primary wave actions nearing completion, YTD achievement of ~91% of the overall target of savings set under the program. We have identified additional actions to be undertaken across different levers which are expected to be closed by March 31st, 2020.
- **Next steps/milestones:** Sustainability actions being driven on ground to transition over the savings levers, processes, calculations, trackers, data sources to the respective Functional and BU owners who will continue to drive efficiency in FY21. Begin the reverse shadow phase, where the cost optimization team provides support and respective business units drive actions as readiness for FY21. Transition to be completed by March 31st, 2020.
- **Impact:** Q3 YoY margin improvement of ~400 bps, excluding one off costs, net margin improvement of 200-250 bps. The margin improvement offset by headwinds of wage hike, lower volume and higher NBA investment.

Hedge Book for Q3 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 31st Dec'19 in ~ **\$ 134 Mn**
 - If the spot rate remains at same level (as at 31st Dec'19), forex gain on current forward contracts could be ~**\$ 4.1 Mn**

*Outstanding forward contracts excludes Cyient DLM

Other Income for Q3 FY20

All Figures in ₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
Income from Treasury			
Interest on Investments/Deposits	88	96	120
Dividend on Mutual Funds	8	5	17
Subtotal (A)	96	101	137
Realised gains/(losses) on Fwd Contracts (B)	151	174	(66)
Unrealised Fx gains/(losses) (C)	184	(56)	(286)
Others			
Reversal of Old provisions	23	5	10
Rents received	7	2	2
Tax incentives on export of merchandise	18	0	0
Others	19	38	16
Others (D)	67	45	28
Grand total (A+B+C+D)	498	264	(187)

Other Income movement

- Other income is higher by ₹234Mn (88.5%) QoQ primarily due to unrealised forex restatement gain
- Increase in others is from reversal of old provisions & receipt of differential amount in export tax incentives

Currency Movement	Q3 FY20		Q2 FY20		Q3 FY19	
	Forward	Spot	Forward	Spot	Forward	Spot
USD	74.5	71.3	73.6	70.8	67.0	71.6
EUR	87.4	79.1	88.1	78.2	81.5	81.6
GBP	96.7	91.7	97.0	86.1	91.2	91.7
AUD	53.4	48.7	53.6	48.5	51.4	51.2
CAD	56.0	54.0	56.4	53.3	52.5	53.6

Forward and spot rates represent average of monthly rates

Income statement for Q3 FY20

All Figures in ₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
Revenue	11,060	11,589	11,876
EBIT	1,063	1,110	1,470
PAT (Reported)	1,083	985	921
EPS (₹ Reported)	9.8	9.0	8.1

All Figures in %	Q3 FY20	Q2 FY20	Q3 FY19
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)	9.8%	8.5%	7.8%

Profit After Tax Movement

- PAT increased by ~10% QoQ primarily on account of higher other income
- ETR has increased by 82 bps to 23.3%

QoQ EBIT Movement

- Consolidated EBIT is flat QoQ at 9.6%.
- Benefits of changes to revenue mix 110 bps, cost optimisation 30 bps, favorable DLM margin 60 bps offset by increase in other direct costs 120 bps, lower bill days impact 60 bps and volume impact of SG&A 20 bps

All Figures in ₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
Reported EBIT	1,063	1,110	1,470
Reported EBIT %	9.6%	9.6%	12.4%
One-off cost from cost optimisation exercise	179	167	0
Long Term Investments	119	143	69
Normalised EBIT	1,361	1,420	1,539
Normalised EBIT %	12.3%	12.3%	13.0%

EBIT is normalised for one time costs and long term investments

Normalised EBIT-Services is at 13.6% (lower by 72 bps QoQ)

YoY EBIT Movement

- Margin improvement from cost optimization ~400 bps offset by one time cost of 160 bps, wage hike 170 bps, changes in revenue mix and lower volume 220 bps and other cost increases 120 bps

- EBIT margin bridge for Q3 FY20

Particulars	
EBIT Q2 FY20 (Group)	9.6%
<i>Add: DLM impact</i>	<i>160 bps</i>
EBIT Q2 FY20 (Services)	11.2%
Headwinds	
<i>Increase in other direct costs</i>	<i>-120 bps</i>
<i>Lower bill days impact</i>	<i>-60 bps</i>
<i>Volume impact on SGA</i>	<i>-20 bps</i>
Tailwinds	
<i>Changes to revenue mix</i>	<i>110 bps</i>
<i>Benefit from Cost optimisation</i>	<i>30 bps</i>
EBIT Q3 FY20 (Services)	10.6%
<i>Less: DLM impact</i>	<i>100 bps</i>
EBIT Q3 FY20 (Group)	9.6%

Cash Generation for Q3 FY20

All Figures in ₹ Mn	Q3 FY20	Q2 FY20	Q3 FY19
Services			
Operating Profit	1,462	1,526	1,673
Other Income	461	333	(340)
Profit from Operations	1,924	1,859	1,333
DSO Movement (Receivables)	581	790	113
Other WC changes	(122)	(1,035)	551
Operating CF after WC changes	2,383	1,614	1,997
Less: Taxes	(228)	(553)	(462)
Less: Capex	(76)	(288)	(241)
Free Cash Flow generated (Services) - i (prior to one offs)	2,079	773	1,294
DLM			
Free Cash Flow generated (DLM) - ii	(135)	25	44
Group FCF (i+ii) (prior to one offs)	1,944	798	1,338
FCF to EBITDA Conversion (prior to one offs)	95.7%	42.9%	85.6%

Cash Generation

- Cash and cash equivalents at a healthy levels of ₹10,239 Mn
- FCF for the quarter stood at ₹1,944 Mn higher by 144% QoQ and YTD at ₹2,928 Mn, mainly due to receipt of long pending collections from few customers, lower tax and capex
- FCF to EBITDA conversion at 96% in Q3FY20 and 52% YTD
- DSO for the Group stood at 94 days

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Company update - RSU Scheme in lieu of Variable Pay for Senior Associates

- The scheme is designed to encourage senior associates (~100) to participate in the company's growth with a longer term horizon
- It is based on the associates' participation in the scheme *in lieu* of existing variable compensation outflows. Maximum participation is capped at 25% of variable pay in the first year and 50% from the second year
- To encourage participation, company will top up the associates contribution by 25% of the value contributed which vests over 3 year. The additional P&L impact due to this is negligible.
- This scheme will result in enhanced leadership buy-in and alignment to Company's medium term results with minimal dilution of equity for existing shareholders and aligns the goals of the associates to the shareholders interest

Investment Pipeline & Focus Areas: Q3FY20



*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 Aerospace and Defense industry is expected to continue to grow by 4.1 %, led by growing commercial aircraft production and strong defense spending. Most of the growth in the industry will be driven by spend in MRO and manufacturing support segment while aircraft design will scale down. Military expenses are on the rise as security threats continue to intensify across the world. Majority of the defense spending is expected to be driven by APAC with focus on re-evaluating the regions' aerospace and defense needs over the next few years.



Communications

The Communications industry is expected to grow by 4.4% driven by fast pace of innovations and developments taking place in the industry. The growth driver for the industry over the next few years would be the rollout of the 5G networks across the world. 5G trials and its deployment along with the fiber rollout will drive major investments in the coming years.



• Industry Outlook & Business Performance (2/4)

Energy & Utilities

The Energy and Utilities industry is expected to witness growth driven by rising commodity prices, focus on grid modernization and renewable energy. The utilities industry is expected to grow at ~4% while mining, oil and gas industry is expected to witness a growth of ~7%. The utilities industry will be driven by investment in distributed and renewable power generation projects and increasing regulatory driven requirements while operational efficiency and focus on digital will drive growth across mining, oil and gas industry.



Transportation

The Rail Transportation industry is expected to witness growth of 3.3% driven by growth in rail infrastructure and rail control systems. The demand for rail transport is rising in the growing megacities across APAC. The focus on digitization, standardization and cybersecurity is expected to continue to drive growth through the industry.



• 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 is expected to continue to grow driven by growth in GPS devices usage, technological advancements and advent of new business models aimed at leveraging the demand for geospatial information, and increased application of geospatial services. The smart city investments is also expected to drive growth through the industry. The demand for high definition mapping for assisted and autonomous drive continues to increase.



Semiconductor

The Semiconductor industry is expected to rebound in 2020 and grow by 5.9% globally. The growth in the industry will be driven by Optoelectronics segment followed by logic. The industry is expected to grow across all regions through the year.



• Industry Outlook & Business Performance (4/4)

Medical Technology and Healthcare

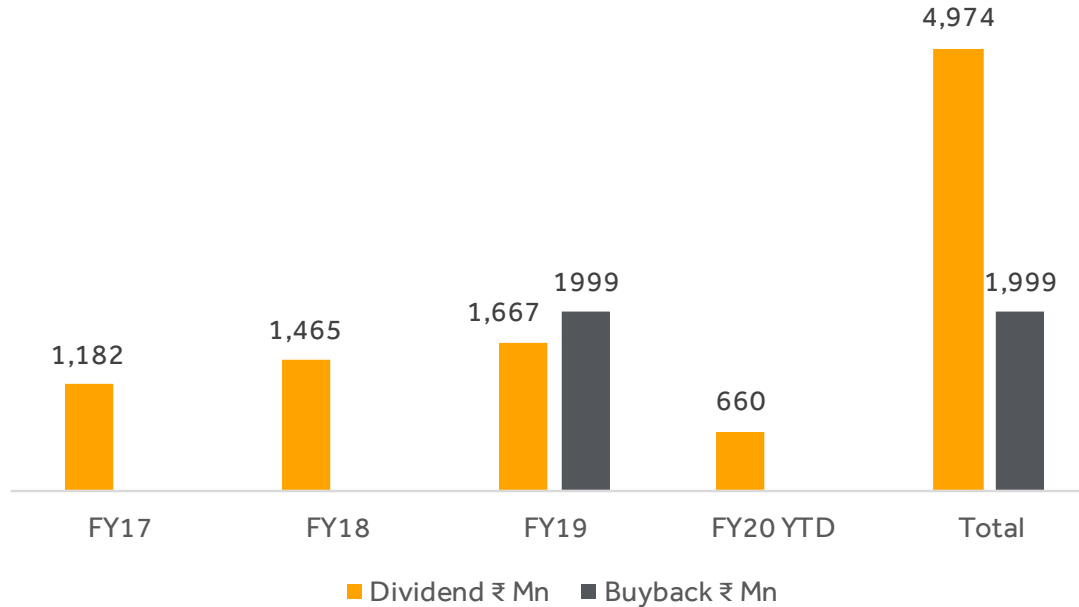
The Medical Technology & Healthcare industry is expected to grow by 5.4% driven by North America region. Focus on investments in new generation medical devices is expected to drive growth through the industry. The Internet of Things (IoT) has begun to play a significant role in medical devices, artificial intelligence (AI) & machine learning are making their mark on medical devices. The industry will continue to see increased investments in digital technologies.



Company update

Dividends and buyback

In the last 4 years Cyient has returned ~₹7,000 million through dividends and buyback to shareholders



Insider buying YTD FY20

Promoters/Independent directors have bought ~300,000 shares in the last 9 months

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 ~14,500 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. 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.



THANK YOU