

CYIENT

CYIENT'S EARNINGS CALL— Q2 FY'15

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Quarter that was – Summary Q2

Financial Highlights

- Revenue Growth
 - In INR at ₹6,724 Mn; Up 8.2% QoQ and 22.4% YoY
 - In US\$ at \$111 Mn; Up 6.6% QoQ and 26.5% YoY
 - Constant Currency revenue up by 7.4% QoQ
- Operating Margin at 16.1% as against 14.1% in Q1; Up 197 bps
- Operating Profit at ₹1,081 Mn; Up 23.3% QoQ and down 0.6% YoY
- Net Profit at ₹902 Mn; Up 31.6% QoQ and 24.4% YoY

Quarter that was – Summary Q2

Financial Metrics

- Business continues to generate strong Free Cash Flow (FCF)
 - FCF as % of EBITDA for the quarter stands at 46%
 - Absolute FCF generated ₹651 Mn
- Billed DSO for Q2 at 66 Days, improved 4 days QoQ. **Best ever;**
- Cash Balance, including liquid investments, is ₹7,184 Mn

Business Highlights

- Broad based growth across all Operating Units with DNO leading the at 10.5% QoQ (US\$ terms)
- Among geographies, Americas grew in double digit at 11.7% QoQ in US\$
- Employee gross addition for the quarter is 847 and net addition is 220
- 19 customers added during the quarter, 4 in ENGG and 15 in DNO

Revenue at a Glance

Company Revenue	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13	30-Sep-13	Growth %	
						QoQ	YoY
Revenue (in US\$ mn)	110.8	104.0	96.4	93.3	87.6	6.6%	26.5%
Revenue (in INR mn)	6,723.9	6,217.0	5,948.0	5,783.7	5,492.8	8.2%	22.4%

Growth by Segments (in US\$)

Operating Units	QoQ	YoY
Engineering	4.2%	22.2%
Data transformation , Networks & Operation*	10.5%	36.1%

Geographies	QoQ	YoY
Americas*	11.7%	39.7%
Europe, Middle East, Africa and India	-0.1%	16.1%
Asia Pacific	-5.1%	-10.0%

Company*	6.6%	26.5%
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*Including Softential revenue of US\$5.27 Mn.

Drivers for Q2

- Broad based growth across both Operating Units.
- Significant growth in Softential revenue at 48% QoQ.
- Strong growth in Americas is driven by ramp up in key clients in Semiconductor, Aerospace, Energy & Communications.
- In constant currency EMEA is up 2.5% QoQ and APAC is down 3.4% QoQ.
- Company growth driven by Top 20 clients which have grown by 6.1%.

Profit and Loss Statement

<i>(in ` millions)</i>	30-Sep-14	30-Jun-14	30-Sep-13
Operating Revenues	6,723.9	6,217.0	5,492.9
Cost of Revenues	4,159.0	3,885.8	3,137.0
Gross Profit	2,564.9	2,331.2	2,355.8
S&GA	1,484.3	1,454.5	1,268.0
Operating Profit	1080.7	876.7	1,087.8
Depreciation & Amortization	180.6	172.9	182.2
Financial Expenses	12.0	11.0	7.2
Other Income	340.1	131.5	83.4
Tax	363.6	186.7	280.6
Share of Profits - IASI	37.2	47.5	24.0
Profit After Tax	901.8	685.1	725.0
Basic EPS (INR)	8.0	6.1	6.5

Gross Margin	38.1%	37.5%	42.9%
Operating Margin	16.1%	14.1%	19.8%
Effective Tax Rate	29.6%	22.6%*	28.6%
Net Income Margin	13.4%	11.0%	13.2%

*Effective Tax rate for Q1 excluding one- offs is 24.0%

Q2 QoQ Variance

Operating Profit Movement

- Improved QoQ due to
 - Strong volume growth
 - SG&A optimization
 - Favorable exchange impact

Profit After Tax Movement

- **Other Income** : Better than last qtr due to forward cover gains booked at Rs. ~67 vs spot rate of ~Rs. 61.
- **Tax Rate** : Increased mainly due to change in currency mix (*higher proportion of profit from US which is highest tax jurisdiction*) and higher effective tax rate on Other Income gains (*tax rate of ~34%*).

Working Capital Management

Cash Generation			` in Mn
	30-Sep-14	YTD FY'15	
Cash Position (including liquid investments)	7,184	7,184	
Free Cash Flow	651	1,139	
as % of EBITDA	46%	47%	
Cash from Operations	785	1,491	
Capital Expenditure	134	353	
as % of Sales	2.0%	2.7%	

FCF and FCF as % of EBITDA continues to be robust.

The Cash position as on 30-Sep-14 is after payment of dividend of ` 787 Mn.(July & September)

Days Sales Outstanding				In Days
	30-Sep-14	31-Mar-14	30-Sep-13	
DSO (including Unbilled)	90	93	95	
- Billed	66	70	75	
- Unbilled	24	23	20	

Overall DSO is improved by 3 days QoQ to reach 90 days. Billed DSO is down by 4 days at 66 days which is lowest ever for Cyient . Unbilled DSO up by 1 day QoQ due to few milestone based projects.

Hedge Book and Other Income

Outstanding Forward Contracts

(in Millions – Respective currency)	30-Sep-14	31-Mar-14
USD / INR	88.3	87.8
EURO / INR	24.0	24.0
GBP / INR	2.4	2.4
AUD / INR	7.2	6.9

Booked Rates (in `)

Currency	Next 12 Mths.
INR/USD	65.7
INR/EURO	89.2
INR/GBP	108.5
INR/AUD	58.3

Company has hedged ~70% of inflows for next 12 months. Total hedge position in US\$ is \$129 Mn.

Other Income - Details

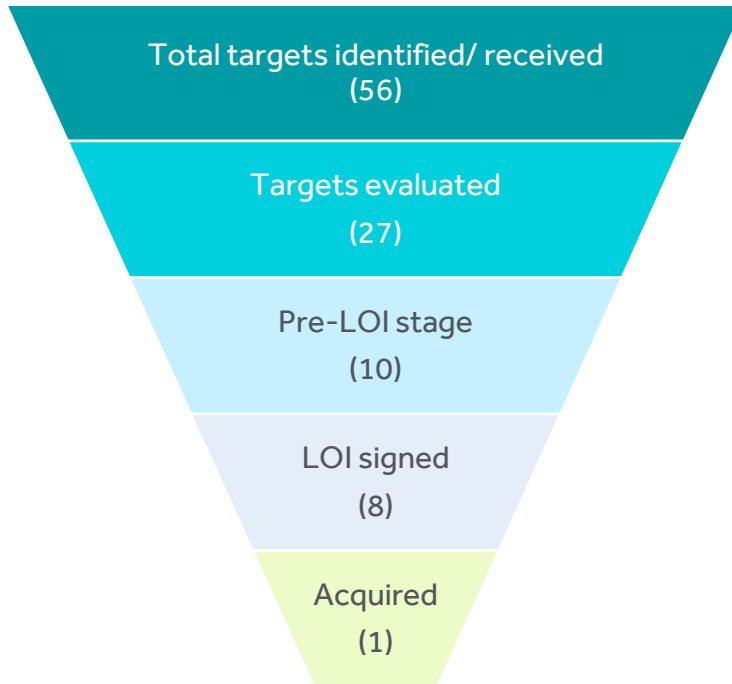
in Mn.

	30-Sep-14	30-Jun-14
Income from Treasury: -		
Interest on Investments / deposits	123.8	122.7
Dividend on mutual funds	3.4	6.6
Subtotal (A)	127.2	129.3
Foreign Exchange Gain/(Loss): -		
Gain/(Loss) on Forward Contracts	192.4	(38.8)
Gain/(Loss) on Restatement and translation	7.2	43.5
Subtotal (B)	199.6	4.7
Others		
Subtotal (C)	13.4	(2.5)
GRAND TOTAL (A+B+C)	340.1	131.5

High forward cover gains due to higher booked rate which led to significant improvement in QoQ Other Income.

Acquisitions Pipeline and Focus

Deal pipeline in H1, FY15



M&A focus areas for FY15

Bridging gaps in service lines

- Embedded systems
- Electronics/Avionics
- Product realization (S3 in electronics)

Strengthening the verticals

- Medical devices
- Aerospace
- Rail

Expanding geographical reach

- Europe for Aerospace
- Japan for Hi-tech & Embedded in Aero/Rail/Medical

Others

- Captives of Must-Win Prospects

A Look Ahead: Business Growth Outlook

Industry wise Outlook

- **Aerospace** – Multiple pursuits underway across the Geos. Working on proposals in new areas such as aftermarket, manufacturing and Analytics services which have higher growth potential. Challenges in Europe due to slow ramp-ups
- **Transportation** – Positive traction in rolling Stock clients. Some delays in signaling projects in Europe
- **Off-Highway Products** – We are seeing positive traction of business in NAM and India. There is also interest and opportunities around analytics. Overall growth is muted
- **Medical and Electronics** –Pursuing several opportunities in new product development, localization and cost reduction
- **Semiconductor** – Continue to see opportunities for ASIC Design & Verification and Custom Layout services. Ramping up in first large engineering semiconductor client in APAC

A Look Ahead: Business Growth Outlook

- **Utilities** – Continued strong revenue performance with the largest utility customer from North America. Also expecting to close couple of proposals in APAC. Overall, positive outlook with couple of wins and ramp ups
- **Communications** – We are also seeing new synergistic opportunities with the acquisition of Softential and traction with existing clients
- **Energy and Natural Resources** – Week customer pipe line in O&G industry specifically for our data transformation services. Continued softness in Mining industry, but expected to recover towards the end of this financial year.

Q&A

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