CYIENT

CELEBRATING 25 YEARS

QUARTERLY EARNINGS BRIEFING

Q1 FY18

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Highlights for the Quarter(1/2)

Financial Highlights for Q1 FY18

- YoY revenue growth of **12.8%** in **US$ terms** (US$141Mn)
- **Services revenue** YoY growth **12.4%** and QoQ growth **3.2%**; at **US$129 Mn**: **highest ever**
- Operating Profit YoY growth of 6.5%; at ₹1,160 Mn **despite wage hike** and **rupee appreciation**
- **Net profit** YoY growth of **18.7%**; at ₹878 Mn
- Cash & cash equivalents crossed **₹ 10,000 Mn** for the first time; at **₹10,320 Mn; highest ever**
- Free Cash Flow (FCF) generated stands at ₹ 648 Mn, 43% of EBITDA

Business Highlights for Q1 FY18

- Growth in services (92% of total) across verticals and geographies – most of business units and geographies grew YoY in double digits
- Attrition at **18.5%**; **lowest ever** in last 11 quarters
- **30 new customers added**

Highlights for the Quarter (2/2)

CSR Activities

- Adopted 9 Government Schools; supporting underprivileged children taking the total to 25
- Girl child enrolment in Cyient adopted schools at 54%
- Added 8 Cyient Digital Centres providing digital educational resources taking the total to 54

Infrastructure

- Opened a near shore facility in Bengaluru for for one of the aerospace customer
- Started operations in Prague for an aerospace client
- Signed MOU to establish presence at the Telangana (Hyderabad) Medical Technology Park

Awards

- Cyient has won the Institute for Competitiveness—Times Network Award for Strategy
- LAKSHYA 2020 Award from Bosch (DLM) for achieving excellence in OE Projects

Operations

- Signed business alliance agreement with Kii Corporation
- Cyient signed global partnership with Viptella(Cisco) for SDNWAN.
- Created New IP for Utility data mgmt. projects.
- DLM qualified as an approved product supplier to UTC Aerospace System

Revenue at a Glance

Revenue	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	YoY (%)	QoQ (%)
Revenue (US$ Mn)	124.7	136.5	135.8	141.0	**140.6**	12.8%	-0.2%
Revenue (₹ Million)	8,349	9,136	9,171	9,410	**9,070**	8.6%	-3.6%

Business Units	Revenue	$ Growth	
	$ Mn	YoY	QoQ
Aerospace & Defence	45.3	2.1%	1.7%
Communications	29.3	35.2%	9.9%
Industrial & ENR	10.9	-4.9%	0.1%
Medical & Healthcare	2.5	18.6%	6.9%
Semiconductor	5.8	18.0%	11.5%
Transportation	13.5	13.7%	11.7%
U&G	21.4	18.8%	-7.0%
Services	**128.8**	**12.4%**	**3.2%**
DLM	11.8	17.3%	-26.5%

Geography	Revenue	$ Growth	
	$ Mn	YoY	QoQ
Americas	74.1	6.0%	0.5%
EMEA	42.5	18.3%	-5.3%
Asia Pacific	24.1	27.4%	7.6%

Group	**140.6**	**12.8%**	**-0.2%**

- QoQ growth of 3.2% in Services; de-growth of 26.5% in DLM due to expected seasonality, on track for full year
- 12.8% growth YoY -
  - Across business- 6 out of 8 business units grew in double digits
  - Across geographies

Income Statement

Particulars	UoM	Q1 FY17	Q4 FY17	Q1 FY18
Revenue	**₹ Mn**	**8,349**	**9,410**	**9,070**
Cost of Revenue	₹ Mn	5,425	6,179	5,904
Gross Profit	₹ Mn	2,924	3,231	3,166
Operating Profit	**₹ Mn**	**1,090**	**1,247**	**1,160**
Tax	₹ Mn	237	221	373
Exceptional item*	₹ Mn	0	261	0
Net Profit (Reported)	₹ Mn	740	784	878
Net Profit (Adjusted)	**₹ Mn**	**740**	**1,046**	**878**
EPS (Reported)	₹/share	6.6	7.0	7.8
EPS (Adjusted)	**₹/share**	**6.6**	**9.3**	**7.8**
Gross Margin	%	35.0%	34.3%	34.9%
Operating Margin	**%**	**13.1%**	**13.3%**	**12.8%**
Effective Tax Rate	%	25.5%	23.0%	31.1%
Net Margin (Reported)	%	8.7%	8.1%	9.3%
Net Margin (Adjusted)	**%**	**8.7%**	**10.8%**	**9.3%**

Operating Profit Movement

- Despite wage hike and foreign exchange impact, the gross margin is up 60 bps due to higher offshoring, improved onshore margins and other operational improvements
- OPM down by 50 bps

Profit After Tax Movement

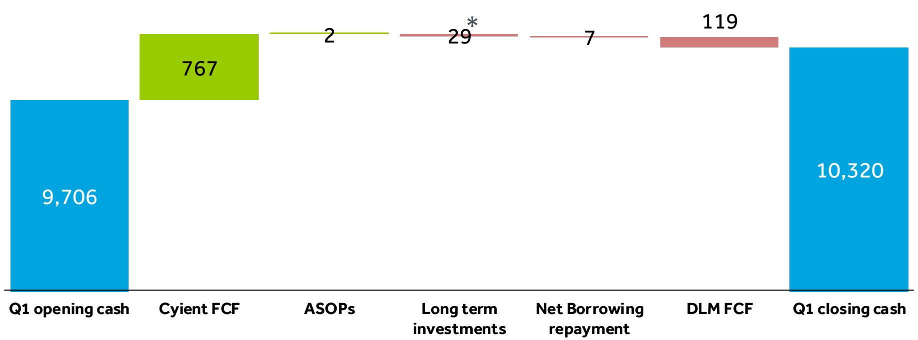
- YoY growth of 18.7% in Net Profit driven by growth in other Income
- ETR for Q1 FY 18, without one off is ~27%. Increase in tax rate is mainly due to SEZ units moving to 50% tax bracket. The long term sustainable ETR is expected to be in the range of 26%-28%

** Exceptional item in Q4 FY 17 relates to RSU impact of ₹261 Mn*

Cash Generation

Cash Generation			
Particulars	**UOM**	**Q4 FY 17**	**Q1 FY 18**
Cash Position	₹ Mn	9,706	10,320
	$ Mn	149.7	159.4
FCF - Cyient	₹ Mn	1,229	767
	$ Mn	18.4	11.9
	% of EBITDA	81.3%	49.1%
FCF - DLM	₹ Mn	156	-119
FCF - Group	₹ Mn	1,385	648
	% of EBITDA	91.6%	42.9%
Capex	% of Revenue	2.6%	2.8%

Q1 FY18 Cash Generation & Utilization (₹ Mn)



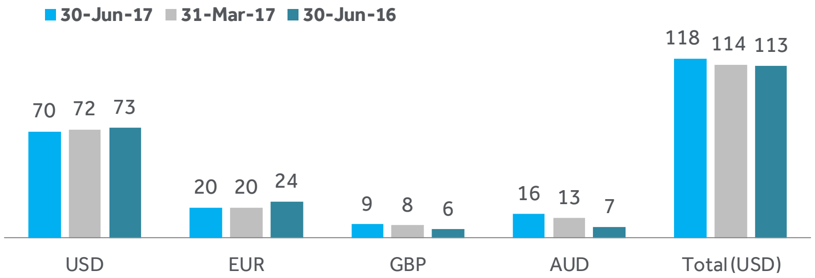
- Cash & cash equivalents crossed ₹ 10,000 Mn for the first time; at ₹10,320 Mn; highest ever
- Healthy FCF to EBITDA continues and is at ~43% for the quarter; ~49% for the service business
- DLM is expected to turn cash positive in H1FY18

** Long term investments towards collaborative IP development and others*

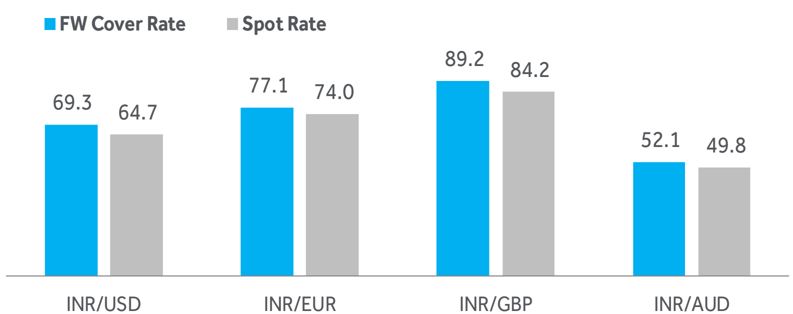
Hedge Book and Other Income

Outstanding Forward Contracts*

Value in respective currency Mn



Booked Rate (in ₹) for next 12 Months



Other income

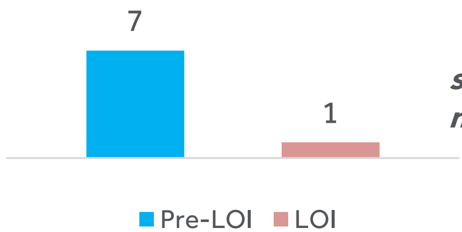
Particulars	Q1 FY17	Q4 FY17	Q1 FY18
Income from Treasury			
Interest on Investments/deposits	80	104	104
Dividend on mutual funds	10	10	11
Subtotal (A)	90	115	115
Realised Gain/(Loss) on Fw contracts (B)	53	180	216
UnRealised FX Gain/(Loss) (C)	-49	-75	-14
Others (D)	22	46	33
GRAND TOTAL (A+B+C+D)	**116**	**265**	**351**

- Despite the volatility in major currencies, the company continues to benefit from consistent Fx policy of hedging ~70% for next 12 months (total $ 118Mn)
- On realized gain/losses on forward contracts company has strong position for the next 12 months; at current spot rate (30th Jun'17) Forward contract gains would be ~$ 7.2 Mn, of which $6.2Mn would be in FY18
- The increase in other income driven by higher treasury income YoY and higher fx realised gains QoQ and YoY

Outstanding forward contracts excludes Cyient DLM Pvt. Ltd

Investment Pipeline & Focus Areas: Q1 FY'18

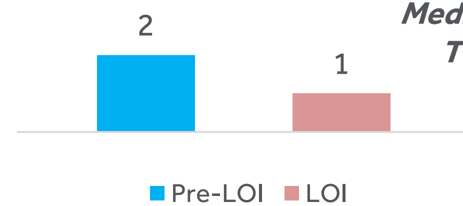
M&A



Vertical focused M&A strategy in key geographic markets; large acquisitions

**Pre LOI and LOI reflect a balance position*

Corporate Investments



Medical tech, Communication Technology, IoT/M2M & Advanced avionics

Active Investment Pursuits

A&D

- Manufacturing engg. and repair engg. services
- Avionics System/Sub-system and Solutions

Communication

- Wireless design and planning companies
- Next generation communication solution capabilities

Medical

- Design to Build companies with OEM partnerships

Transportation

- Signalling Application Engineering & Testing

I&ENR

- Process engineering firm for power & oil & gas industries

Semiconductor/ IOI/Analytics

- Solutions offering with skills in verification, design for test, embedded & analog for connected car and industrial markets

Corporate Investments

- Startup investments & strategic organic opportunities: JV/Collaboration, IP investment

Industry outlook (1/4)

AEROSPACE & DEFENSE

Global A&D market will experience stronger growth in 2017, following multiple years of positive, but subdued growth rates. Revenues in the defense sector is expected to increase by 3.2% in 2017, driven primarily by spending in the U.S.

For FY2018, we expect growth in our avionics segment, owing to increased capabilities from the CERTON integration. We are witnessing continued growth in manufacturing and aftermarket. We are also investing in new technologies to help support our clients through digital transformation initiatives. These investments will primarily focus on additive manufacturing, augmented reality, IOT, and analytics.

The communications industry continues to be a critical force for growth, innovation, and disruption across multiple segments. The industry is witnessing increased demand for high-speed infrastructure as well as fiber deployment across Australia, New Zealand, and the U.S. The growth momentum continues into FY 18, as we see growth opportunities from fiber roll-out programs, and small cell design and deployment in Australia and North America. We are also focused on building solutions around service assurance and analytics

COMMUNICATIONS

Industry outlook (2/4)

UTILITIES AND GEOSPATIAL

The U&G industry continues to witness growth, spearheaded by the adoption of grid edge technology. Advanced Metering Infrastructure (AMI) and Smart Meters rollouts continue, generating more data, software, and analytics-related opportunities. Along with this, the price and cost pressures in the industry are leading to an emphasis on optimization and efficient asset and work management services. Our outlook for the U&G business unit remains positive, with growth expected to be driven by strong order backlog and new accounts.

The Rail Transportation industry is witnessing large-scale investments in infrastructure globally, and the USD 180 billion industry is poised to grow by about 3% over the next five years . This positive and sustainable growth sentiment is evenly spread across our prime segments, such as rolling stock and signaling. We will continue to focus on building our capabilities across both these sectors.

The Transport business unit witnessed a double digit growth YoY supported by momentum in key accounts. We expect strong growth in FY18 owing to growth in our focus segments of rolling stock and signaling, our strong long term relationships, and healthy opportunity pipeline.

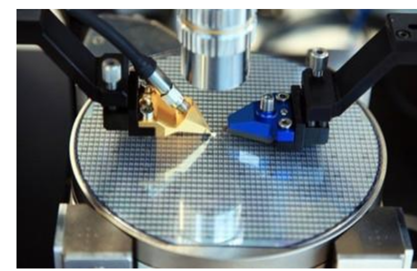
TRANSPORTATION

Industry outlook (3/4)

INDUSTRIAL, ENERGY AND NATURAL RESOURCES

The industry continues to witness pressure on Capex spending. Original Equipment Manufacturers are shifting focus away from product development to cost takeout. The emphasis is on improving products through new technologies, such as telematics, electronics, IoT, and analytics. For FY2018, demand continues to be soft. To drive growth in this segment, we will focus on infrastructure management services and develop new adjacent solutions with analytics, electronics, and design led manufacturing.

The Semiconductor industry is forecast to grow by 7.2% in 2017, a much larger growth compared to 1.5% in 2016 . The industry continues to witness a trend towards consolidation with revenue growth and intellectual property acquisition being the major drivers. We had a strong Q1 and believe that the growth momentum will continue through the year.



SEMICONDUCTOR

Industry outlook (4/4)

MEDICAL TECHNOLOGY AND HEALTHCARE

The global medical device market is expected to reach an estimated $342.9 billion by 2021 with a CAGR of 4.6% from 2016 to 2021. The major drivers of growth for this market are the growth in healthcare expenditure, increasing health awareness, and ageing population. The emerging trends, which have a direct impact on the dynamics of the medical device industry, include design and manufacturing of portable and smaller devices and increasing usage of software as a differentiator in medical devices.

We are optimistic about our growth in the segment and continue to add new clients in our focus segments. We also continue to witness momentum across both our engineering and manufacturing services.

The manufacturing industry outlook continues to be positive, particularly in the Telecommunications, Defense, and Transportation markets, which will help drive growth for Cyient. Our outlook for FY2018 is strong, backed by a steady pipeline and order backlog, and we expect a double-digit growth in the business unit.

DESIGN LED MANUFACTURING

Future outlook for FY 18

Revenue Growth

- Double digit growth in the services business
- DLM business will be in the ballpark of 20%+ growth

Margin Expansion of ~50bps through Operational Efficiency Improvements

- Operational improvements: ~390 bps
  - Utilization ~70 bps; Higher Offshore mix ~50 bps
  - Onsite Margin 100 bps; Pyramid correction & SG&A absorption 170 bps
- Offset by Wage Hike ~180 bps and Investments ~100 bps
- Pricing pressure (Rate decrease net of increases) ~60 bps

Earnings Growth

- Double digit earnings growth in FY18

Q&A