



CYIENT

# INVESTOR PRESENTATION

Q2 FY21

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- Leadership team



**BVR MOHAN REDDY**  
Executive Chairman



**KRISHNA BODANAPU**  
MD & CEO



**AJAY AGGARWAL**  
President & CFO



**KARTHIK NATARAJAN**  
President & COO

## Highlights

- Financial Highlights
- Business Highlights

## Financial Update

- Revenue
- Income statement update
- Margin bridge
- Cash generation

## Business Update

- BU performance update

*Annexures*

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## • Highlights for the Quarter (1/3)

### Revenue

**1.2% QoQ (₹ terms)**  
**3.4% QoQ (\$ terms)**

Quarterly revenue at  
**\$135.0Mn/₹10,033Mn**

### Consolidated EBIT Margin @ 11.0%

**Services EBIT margin at 12.2%**  
**DLM EBIT margin at 4.7%**

### PAT growth @ 3.0% QoQ

**PAT for the quarter at ₹839 Mn**

## Financial Highlights for Quarter

- Consolidated revenue at \$135.0 Mn; growth of 3.4% QoQ (1.3% in CC) and de-growth of 17.8% YoY
- Services revenue at \$114.1 Mn; growth of 1.7% QoQ (-0.5% in CC) and de-growth of 18.7% YoY
- DLM revenue at \$20.9 Mn; growth of 13.3% QoQ, and de-growth of 12.3% YoY
- Free cash flow to EBITDA conversion for the quarter at 131.4%
- Consolidated EBIT margin at 11.0% up by 586 bps QoQ
- EBIT margin for services at 12.2%, up 542 bps QoQ
- EBIT margin for DLM at 4.7%, up 926 bps QoQ (-4.6% in Q1FY21)
- Profit After Tax at ₹839 Mn for the quarter; growth of 3.0% QoQ

# • Highlights for the Quarter (2/3)

## **Cyient to Acquire IG Partners**

- Will strengthen Cyient's Digital Capabilities in the Energy and Mining Industry
- Powerful synergy of Cyient's digital execution capabilities and IGP's advisory expertise creates a unique value proposition for customers
- Acquisition adds to our footprint in Australia, which is an important region for future growth

## **Manufacturing Collaboration with Agappe to Bring World-Class Diagnostic Capabilities to Rural India**

- Entered into a manufacturing partnership with Agappe to bring to market Count X
- The Mispa Count X is an indigenously designed and developed three-part hematology analyzer by Agappe, that will make India self-reliant in hematology and enable the setup of well-equipped labs in remote and rural locations across India
- Cyient will manufacture certain key components of Mispa Count X at its ISO 13485-certified, state-of-art manufacturing facilities in India

## **Gold Status in the Esri Partner Network**

- Esri is the global market leader in geographic information system (GIS) software, location intelligence, and mapping
- Designation will boost Cyient's collaboration with Esri to develop and implement a wide range of cutting-edge geospatial services, tools, and solutions for global customers

# • Highlights for the Quarter (3/3)

## **Silver Boeing Performance Excellence Award**

- The Boeing Company issues the award annually to recognize suppliers who have achieved superior performance. The award is a testament to Cyient's dedication and consistent commitment to delivering value to its business partners across the A&D value chain

## **Launch of Empowering Tomorrow Together**

- Brings together all sustainability and CSR initiatives of Cyient under one umbrella and aims to build synergies, optimize resources, and maximize impact of the Cyient Foundation outreach programs
- Will cover activities under four focus areas: education, digital literacy, social innovation, and community development

## **Key Appointment**

### **Ramesh Abhishek joins Cyient's Board of Directors**

- A retired IAS officer of 1982 batch, Mr. Abhishek brings with him a rich experience of over 37 years as one of the most senior bureaucrats in the Indian Civil Service
- He has played key roles in leading governance, public policy, competitiveness, regulatory & judicial reforms, policy design & implementation, intellectual property rights, investment promotion & facilitation, institution building, among many others



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# Revenue for Q2 FY21

Revenue	Q2 FY21	Q1 FY21	Q4 FY20	Q3 FY20	Q2 FY20	QoQ	YoY
<b>Group</b>							
\$ Mn	<b>135.0</b>	130.6	149.2	155.2	164.2	3.4%	-17.8%
₹ Mn	<b>10,033</b>	9,917	10,736	11,060	11,589	1.2%	-13.4%
<b>Services</b>							
\$ Mn	<b>114.1</b>	112.2	132.3	140.1	140.4	1.7%	-18.7%
₹ Mn	<b>8,487</b>	8,521	9,513	9,984	9,902	-0.4%	-14.3%
<b>DLM</b>							
\$ Mn	<b>20.9</b>	18.4	17.0	15.1	23.8	13.3%	-12.3%
₹ Mn	<b>1,546</b>	1,396	1,222	1,076	1,687	10.8%	-8.4%

Revenue USD Mn	Q2 FY21	QoQ	YoY
<b>Geography</b>			
NAM	67.4	-1.2%	-24.9%
EMEA	39.0	24.5%	-11.2%
APAC incl India	28.6	-8.0%	-6.3%

- Services growth of 1.7% QoQ
- Overall DLM is higher by 13.3% QoQ (\$2.5 Mn) primarily due to increase in Standalone DLM revenue of \$2.2 Mn QoQ

# Income statement for Q2 FY21

All Figures in ₹ Mn	Q2 FY21	Q1 FY21	Q2 FY20
Revenue	10,033	9,917	11,589
EBIT (Reported)	1,105	511	1,110
PAT (Reported)	839	814	985
EPS (₹ Reported)	7.6	7.4	9.0

All Figures in %	Q2 FY21	Q1 FY21	Q2 FY20
Gross Margin	35.7%	30.5%	34.4%
EBIT Margin (Reported)	11.0%	5.2%	9.6%
ETR	23.1%	25.0%	22.4%
PAT Margin (Reported)	8.4%	8.2%	8.5%

## Profit After Tax Movement

- PAT increased by 3.0% QoQ mainly from higher operating income driven by higher volume and efficiency
- ETR is 23.1%. Lower by 190 bps from Q1 ETR of 25% (Q1 ETR was higher due to receipt of export incentives)

## QoQ EBIT Movement

- Consolidated EBIT margin stood at 11.0%; up 586 bps QoQ
- Services margin at 12.2%; higher by 542bps QoQ driven by improvement in operational metrics (327 bps), lower restructuring and one time costs (90 bps), lower other direct cost (110 bps), volume impact and lower spend on SG&A and depreciation (15bps) (Please refer slide 12).
- DLM margins at 4.7%, compared to -4.6% in Q1 FY21. Improvement on account of higher absorption and change in revenue mix

# EBIT margin bridge for Q2 FY21

Particulars	
<b>EBIT Q1 FY21 (Group)</b>	<b>5.2%</b>
<i>Add: DLM impact</i>	<i>160 bps</i>
<b>EBIT Q1 FY21 (Services)</b>	<b>6.7%</b>
<b>Tailwinds in Q2 FY21</b>	
<i>Improvements in operational metrics</i>	<i>327 bps</i>
<i>Lower restructuring cost</i>	<i>90 bps</i>
<i>Lower other direct cost</i>	<i>110 bps</i>
<i>Volume impact and lower spend on SGA &amp; depreciation</i>	<i>15 bps</i>
<b>EBIT Q2 FY21 (Services)</b>	<b>12.2%</b>
<i>Less: DLM impact</i>	<i>115 bps</i>
<b>EBIT Q2 FY21 (Group)</b>	<b>11.0%</b>

# Cash Generation for Q2 FY21

All Figures in ₹ Mn	Q2 FY21	Q1 FY21	Q2 FY20
<b>Services</b>			
<b>Profit before tax</b>	<b>1,103</b>	<b>1,141</b>	<b>1,270</b>
(+/-) Non-cash & non-operating items	388	380	439
<b>Operating profit before WC changes</b>	<b>1,492</b>	<b>1,521</b>	<b>1,709</b>
(+/-) DSO Movement (Receivables)	1,223	662	790
(+/-) Other WC changes	-256	511	-1,033
<b>Operating CF after WC changes</b>	<b>2,458</b>	<b>2,694</b>	<b>1,466</b>
Less: Taxes	-369	-164	-554
Less: Capex	-39	-451	-146
<b>FCF Services</b>	<b>2,050</b>	<b>2,078</b>	<b>766</b>
<b>DLM</b>			
<b>Free Cash Flow generated (DLM) - ii</b>	<b>-18</b>	<b>85</b>	<b>-250</b>
<b>Group FCF (i+ii)</b>	<b>2,032</b>	<b>2,163</b>	<b>516</b>
<b>FCF to EBITDA Conversion</b>	<b>131.4%</b>	<b>138.1%</b>	<b>29.4%</b>

*Note: Free Cash Flow (FCF), which was being earlier prepared as per management reporting, has been aligned to statutory reporting with effect from Q1 FY21. Consequently, the comparative periods have also been recast to reflect the change. The format for presentation has also been suitably amended*

## Cash Generation

- Cash and cash equivalents at a healthy levels of ₹ 13,509 Mn
- In Q2, the cash flow conversion stood at 131.4% for group and 132.2% for Services. DLM has consumed cash of ₹18 Mn in Q2 FY21
- FCF is over INR 2,000 Mn for the second consecutive quarter mainly driven by efficiency in collections, reduction in DSO by 10 days, tax and capex optimization despite non recurrence of export incentives

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# • BU performance Q2 FY21

Business Units	Services			DLM			Group		
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY
A&D	30.9	-11.5%	-35.0%	11.8	-7.4%	-34.2%	42.7	-10.4%	-34.8%
Communications	32.4	7.7%	6.4%	0.1	200.0%	-73.9%	32.4	7.9%	5.8%
E&U	13.1	-0.9%	-29.6%	1.4	10.4%	-44.6%	14.5	0.1%	-31.4%
Transportation	16.3	21.6%	-10.7%	0.1	-11.1%	NA	16.4	21.3%	-10.2%
Portfolio	11.9	5.4%	-22.1%	NA	NA	NA	11.9	5.4%	-22.3%
SIA	6.1	-2.3%	-12.0%	NA	NA	NA	6.1	-2.3%	-12.0%
MT&H	3.5	13.3%	3.5%	7.6	74.9%	136.3%	11.1	49.4%	68.4%
<b>Total</b>	<b>114.1</b>	<b>1.7%</b>	<b>-18.7%</b>	<b>20.9</b>	<b>13.3%</b>	<b>-12.3%</b>	<b>135.0</b>	<b>3.4%</b>	<b>-17.8%</b>
<i>CC Growth</i>		<i>-0.5%</i>	<i>-20.1%</i>					<i>1.3%</i>	<i>-16.3%</i>

- Group growth stood at 3.4% QoQ and 1.3% in cc
- Services growth stood at 1.7% QoQ and -0.5% in cc
- DLM growth stood at 13.3% QoQ
- Order intake in Q2 FY21 is at \$127.3 Mn, increased by 9% QoQ
- Improvement in margins driven by an improvement in operational metrics: (Q2FY21 vs Q1 FY21)
  - Offshoring at 53.1% vs 49.8%
  - Utilization at 78.8% vs 74.2%
- Our voluntary attrition for the quarter was contained at 9.2%. Attrition will stay in the high single digits in H2. In all the geographies and industry segments we are operating in, we continue to focus on key retentions and enhanced attention to meaningful engagement in the virtual work environment

# • Business Performance & Outlook (1/3)

## **Aerospace & Defense**

Aerospace & Defense BU witnessed a de-growth of 10.4% QoQ and 34.8% YoY. The full impact of the Covid crisis was witnessed in this quarter with most customers reducing their spends significantly. We saw growth in our DLM business and are further likely to see strong YoY growth in this area. Cyient also received 'The Silver Boeing Performance Excellence Award' which is a testament to Cyient's dedication and consistent commitment to delivering value to its business partners across the A&D value chain

Q3 revenues are expected to see a decline due to business cyclicality. The outlook for the next few quarters remains uncertain driven by poor market demand for passenger travel.

## **Communications**

Communications BU witnessed a growth of 7.9% QoQ and 5.8% YoY and has now become our largest vertical. The performance was driven by growth in key accounts. We continue to benefit from rollout of broadband networks globally to support virtual collaboration (WFH) trends combined with accelerated rollout of 5G networks, which is now about 11% of our revenue portfolio. We were also selected as a preferred vendor by our key client in NAM for rollout of their 5G network.

The outlook for H2 FY21 remains positive, supported by the favourable industry trends of technology led network transformation and accelerated deployment of broadband and wireless infrastructure.



# • Business Performance & Outlook (2/3)

## **E&U**

Energy and Utilities BU has witnessed a growth of 0.1% QoQ and de-growth of 31.4% YoY due to project deferrals in the utilities business and decline in demand for the manufacturing business. We expect traction in the Energy segment driven by our recent acquisition of IG partners in Mining. We believe that the powerful synergy of Cyient's digital execution capabilities and IGP's advisory expertise creates a unique value proposition for the industry.

## **Transportation**

Transportation BU witnessed a growth of 21.3% QoQ and de-growth of 10.2% YoY. Growth in Q2 was driven by recovery in key accounts and ramp up of new engagements initiated in 2020. We see early signs of recovery from the pandemic with production facilities reopening.

Accelerated adoption of global engineering models is leading to significant ramp ups in new engagements. The outlook for H2 FY21 remains positive supported by expectation of a steady recovery in the Rail transportation industry.

## **MTH**

The Medical and Healthcare business unit has grown by 49.4% in QoQ and 68.4 % YoY. We witnessed a strong performance from DLM side of this business. We added one of the top 3 Med-Tech companies as our client.

We continue to look for new business opportunities from new and existing customers across the business lines (Product Design, Lifecycle Management and DLM)

# • Business Performance & Outlook (3/3)

## **SIA**

Semiconductor BU witnessed de-growth of 2.3% QoQ and 12.0% YoY. De-growth was primarily driven by decline in one of the top clients. We expect the softness in this vertical to continue in H2FY21

## **Portfolio**

Portfolio BU witnessed a growth of 5.4% QoQ and de-growth of 22.3% YoY. Cyient has joined an exclusive list of companies that have attained Esri Gold Partner status globally. This will enable Cyient to develop and implement a wide range of next-generation geospatial services, tools, and solutions across multiple industries, including telecommunications, energy & utilities, mining, transportation, defense, the public sector, and manufacturing in collaboration with Esri.

The outlook remains positive as we see opportunities related to new revenue streams in existing customers. We are also seeing more opportunities to proactively bid on horizontal solutions that leverage Portfolio BU capabilities into other verticals and BU's.

## **DLM**

Design Led manufacturing BU witnessed a growth of 13.3% QoQ and de-growth of 12.3% YoY driven by growth across Segments. Our strong focus on inventory reduction through the quarter resulted in increased cash flow for the business.

We expect strong growth through Q3FY21 driven by key clients in Aerospace & Defense and Medical segment. We will continue to focus on better inventory management and operational excellence to improve our cash position. We continue to focus on leveraging the Additive Manufacturing lines in India and USA to attract new customers.

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, domain knowledge, and technical expertise to solve complex business problems.

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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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; 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