Cyient Limited

Q2 FY25 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Cyient Limited Q2 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishna Bodanapu, Executive Vice Chairman and Managing Director at Cyient Limited. Thank you, and over to you, sir.

Krishna Bodanapu: Thank you very much, and good evening, ladies and gentlemen. Welcome to Cyient Limited's earnings call for the second quarter of fiscal year 2025. Present with me on this call are Karthik Natarajan, CEO and Executive Director; and Prabhakar Atla, President and Chief Financial Officer.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available on our website, in our investor update, which has been mailed to you and is also posted on our corporate website. This call will be accompanied with an earnings call presentation. The details that have been shared with you already.

Coming to the highlights for the quarter. As you may be aware, we, Cyient Limited recently concluded part divestment of our stake in Cyient DLM Limited. We sold about 11.5 million shares for a consideration of approximately INR875 crore. Our stake in Cyient DLM now stands at 52.16%. We plan to use the proceeds from the stake sale towards fulfilling our capital requirements across organic and inorganic initiatives, in our recently launched semiconductor business to drive accelerated growth. We will also partly use some of this consideration towards the retirement of Cyient Limited's debt.

I'm very pleased to announce that we're making strong and continued progress towards unlocking the potential of our semiconductor business. In this quarter, we set up a wholly owned subsidiary, CSPL or Cyient Semiconductors Private Limited to drive dedicated focus on turnkey ASIC design and chip sales through a fabless model.

Towards this initiative, we have reached an agreement to acquire 27.3% stake in Azimuth AI, a fabless custom ASIC company known for its expertise in energy and industrial applications with a focus across global markets, including the Indian market. This investment aligns perfectly with our strategic growth objectives for the semiconductor sector.

The focus on sustainability has heralded a transformation in the energy sector. In line with building further on our expertise in the energy business and on expanding our global footprint, we have set up a dedicated entity in the United Arab Emirates to cater to the Middle East region, which, as you know, is the world's largest energy market. To accelerate this initiative, we have reached an agreement to acquire Abu Dhabi & Gulf Computer Establishment, (ADGCE), an Abu Dhabi-based technology consulting and digital services provider primarily catering to the energy sector. This strategic move will further strengthen our presence in UAE and help Cyient access one of the largest markets for the energy business.

I'm very happy to report these two initiatives to you because they are very important for the long-term strategic vision of Cyient in two very important markets, semiconductor and energy. And I'm happy to report that we have made significant progress in a short term, and we will see some very good initiatives and actions and, of course, growth coming from these two initiatives.

With this, I would like to hand over this call to Prabhakar, who will take you through the financial performance for the quarter.

Prabhakar Atla: Thank you, Krishna. Hello, everyone. Thank you very much for your kind participation in the call today. Thank you for your time and thank you for your attention. Before we proceed with the financials, a quick comment on the nomenclature. The nomenclature and segments under which we report our group performance will remain the same as the previous quarters, i.e., DET, DLM and others. The focus of this call will remain DET segment, which also includes the semiconductor business, and therefore, all metrics are like-to-like the previous quarters.

The Q2 FY25 U.S. dollar revenue for DET stood at $173 million, a Q-o-Q growth of 1.3% in constant currency and a year-on-year de-growth of 3.3% in constant currency. In rupee terms, this revenue stood at INR1,450 crores with a Q-o-Q growth of 2.5% and a year-on-year degrowth of 1.8%. This revenue performance for the quarter is in line with our expectations.

As we commented previously, we have ramp-up and specific client-related issues in Q1 for Connectivity and Transportation segment, while in Q2, the segments have demonstrated healthy growth. Connectivity business grew by 3.9% Q-o-Q in constant currency. Transportation business grew by 3.4%, while NGA grew by 9.7% Q-o-Q in constant currency. This robust growth in our key segments helped us mitigate the seasonal headwinds in Sustainability segment, which owing to vacation period in Europe, degrew by 6.4% in constant currency along expected lines for the quarter.

The Q2 FY25 DET EBIT margin stood at 14.2%, up by 75 bps quarter-on-quarter. This quarter-on-quarter positive movement was driven by revenue growth and efficiency improvement which helped mitigate the wage hikes during the quarter for enabling margin expansion.

The Q2 FY25 PAT for DET stood at INR177 crores, a growth of 25% quarter-on-quarter and 2.3% year-on-year translating into an EPS of INR 16.07 for DET for the quarter. The significant improvement in PAT during the quarter was due to a combination of revenue growth, EBIT improvement, reduction in interest costs and positive movements in other income, especially from unrealized FX gain due to significant currency movements in the quarter. The Q2 FY25 DET FCF stood at INR177, a positive movement Q-o-Q, translating into 100% FCF to PAT conversion for the quarter.

As mentioned earlier, with 1.3% DET revenue growth Q-o-Q, 75 bps improvement in EBIT Q-o-Q and 25% earnings growth and 100% FCF to PAT conversion, we consider DET's performance to be along the expected lines, albeit aided by some point in-time currency tailwinds supporting the significant earnings growth in the quarter.

Moving on to the group numbers. Group numbers are a combination of all 3 segments we have, including Cyient DLM. For Q2 FY25, group revenue stood at INR1,849 crores, which is a growth of 10.3% Q-o-Q and 4% year-on-year, with EBIT margin up by 58 bps quarter-on-quarter and down by 147 bps year-on-year, while PAT expanded by 24.5% quarter-on-quarter and 4.6% year-on-year. You will also see significant positive movement in FCF, both Q-o-Q and Y-o-Y. We're also very pleased to inform you that we're announcing an interim dividend payout of INR12 for FY25.

Before I conclude the financials, allow me to present a few quick other update. As you're all aware and as Krishna mentioned earlier, in course of the quarter, we have raised capital through partial divestiture of Cyient stake in Cyient DLM. Part of the proceeds from this transaction was utilized to retire long-term debt which helped optimize our debt position from $47 million at the end of Q1 FY25 to $9 million at the end of Q2.

As you would also recollect, our debt position was $94 million at the end of FY23, which we were able to bring down to the current levels through consistent focus on cash generation. While a part of the sales proceeds were utilized for debt reduction, most of the sales proceeds have been allocated to support investment which we intend to make in our semicon business, which we believe has significant growth potential in the turnkey ASIC space as our next growth engine. From an accounting perspective, this divestiture is considered as an equity transaction with no impact on Cyient DET P&L, however, with an impact on consolidated P&L and balance sheet.

With this, I'd like to thank you once again for your time, and I will now handover the call to Karthik for a more detailed commentary on DET performance for the quarter.

Karthikeyan Natarajan: Thank you, Prabhakar. Good evening, everyone. On top of the commentary that you heard from Prabhakar; I just want to share some of the updates about individual business units. And to start with transportation, which has seen a growth of 3.4% in quarter-on-quarter in constant currency and has also shown a degrowth of 7.3% year-on-year. This is strongly the recovery shown from aerospace and I think that's something which we have guided earlier. We're happy with the progress that we made in the Transportation segment.

Connectivity, we have seen a growth of 3.9% quarter-on-quarter and about minus 6.1% in year-on-year. North America led the growth, and we continue to see Europe recovering in H2. We are confident that the communications segment will continue to grow for the rest of the year as well.

Sustainability, which has seen a seasonal impact due to the holidays in Europe has shown a degrowth of 6.4% in quarter-on-quarter and minus 2.2% year-on-year. We expect

Sustainability to be better in H2 as compared to H1 as well. New Growth Areas has shown a significant growth of 9.7% in quarter-on-quarter basis and 6.7% year-on-year basis. The growth was led by healthcare and life sciences, automotive and semicon. All 3 subsegments have shown growth, and we do expect that this will continue to live up to the expectation of being called as New Growth Areas. We are very confident about the growth even in H2 as well. All-in-all, we have seen a growth of 1.3% in constant currency quarter-on-quarter with minus 3.3% in year-on-year.

As far as order intake is concerned, we have received over $156.8 million order intake, which is about minus 14.7% compared to the last year same quarter. We expect this to significantly improve during H2. We will see that some of the seasonal changes that we're seeing here should get corrected in future.

Also moving on, some of the interesting areas of progress that we made and happy to share some of the new wins around the technology solutions and programs that we launched over the last couple of years and led by some of the deals that are highlighted here. Digital PLM platform migration and digital enhancements for our MedTech customers to improve the process simulation. And followed by digital platform implementation and process enhancements for a defense customer as well as some mixed signal ASIC for medical analysis and DNA sequencing for a MedTech leader. I am happy to report a deal of design and development of connected IoT analytics SaaS platform for mid-sized utilities player to provide real-time monitoring and data driven insights. This is an interesting deal, and we do feel some of these opportunities will continue to grow, and we are confident about winning more such deals in the similar area.

And followed by the last one which I'll highlight is about the AI enabled intelligent content platform solution and for automating the technical publication for a large aircraft manufacturer out of Europe. I am also happy to report we have been recognized by ISG as a Product Challenger for Strategy and Consulting and Development and Deployment of Gen-AI platforms for mid-sized providers globally. We are also recognized by Microsoft as a Solution Partner designation in 2 areas, Data and AI as well as Digital and App Innovation.

With that, I'll hand it over to the moderator for Q&A.

Moderator: The first question is from the line of Bhavik Mehta from JPMorgan.

Bhavik Mehta: A couple of questions. Firstly, how should we think about growth and margin trajectory in the second half in terms of 3Q versus 4Q? Because basically 3Q tends to have seasonality, but given your business, should we expect Q3 to be lower than 4Q? Or should we expect similar kind of growth and margin expansion in both the quarters?

Karthikeyan Natarajan: So we expect Q3 to be stronger than Q2, and we also guided in the past that our H2 will be better than H1. I think we still hold on to the same view now.

Prabhakar Atla: And the previous guidance we have given, Bhavik, on the Q4 exit margin at 16% EBIT, we're still sticking with that. We still have a line of sight to that. That is what we believe we will exit Q4.

Bhavik Mehta: Okay, got it. That's helpful. The second question, if I look at the headcount, it's actually been coming down over the past 3-4 quarters. So can you throw some color in terms of are we seeing increasing utilization level which is driving -- or which is not driving the need to add more people given the growth is expected to improve in the second half?

Karthikeyan Natarajan: Yes, Bhavik, we also talked about this earlier. We also started using the contingent workforce where the project-based engagements need a kind of flexibility in the workforce. I think that is definitely one of the elements that we spoke about it during last quarter and also led by some of the initiatives to improve the productivity and automation. I think that's really starting to play off. So with those 2 things, we would really look at areas where we need to add headcount vis-à-vis how do we think we can tap to the contingent as well as the automation initiatives.

Bhavik Mehta: Okay. And just lastly, if I look at your client buckets, the 20 million-plus clients have come down from 7 at the beginning of last year to 4 in this quarter. So what's the outlook on those lines? I mean, is there a particular ramp down which happened? Is there some renewal which didn't come through? How should we think about the trajectory over there for those particular clients?

Karthikeyan Natarajan: I would just say, if you look at, I think whether it is 5 million plus or 10 million plus or 20 million plus, I think some movements will keep happening here and there, given the drop that we have seen in the last quarter. But I do expect that by Q4, I think some of them should get corrected and should be in a better shape as far as these buckets are concerned.

Krishna Bodanapu: I think one other point to look at is our business is a bit project-based. So because of how the project starts and stops happen, there are projects where we will bill - individual projects where we will bill $5 million, $6 million, $7 million even in a quarter. So because of that project based nature and when the start-stop happens to these projects, you will always see that movement happen.

Moderator: The next question is from the line of Sulabh Govila from Morgan Stanley.

Sulabh Govila: So my first question is more of a clarification. We mentioned that the revenue growth in this particular quarter is in line with our expectations, what we had thought of at the beginning of the quarter. So is it fair to assume the guidance that we had given last quarter, that stays or is there any change in the outlook for 2H versus what you had thought at the beginning of the last quarter?

Krishna Bodanapu: So we are still confident that we have a line of sight towards a flattish year. So the 2 things that we talked about, the flattish year and a 16% EBIT margin. We do have a line of sight towards that, and we're quite confident that we will get to flattish and 16%. It was expected that Q1, Q2 were going to be a little bit weaker. H1 was going to be a little bit weaker. H2 is going to be much stronger, but also in H2, as I think we pointed out that Q3 is seasonally weak. But having said that, I think that's where some of the project nature of the business actually kicks in because it's not really furloughs or closures that impact. The work is already there and it's really about the execution. And if you look at, I think last year also, we had a fairly strong Q3. So taking all that into account, the growth outlook stays.

Sulabh Govila: That's great to hear. And the second question is on the Sustainability vertical. So just wanted to understand, in this particular quarter, the degrowth that you mentioned, is it entirely driven by the holidays or the seasonality that you mentioned? Because the reason I'm asking is, the trend was very different last year when this vertical actually grew by 5% Q-o-Q in the same period last year. So has anything changed this year? And will this be an annual phenomenon going forward from that perspective?

Karthik Natarajan: I would just say that I think a couple of points there, Sulabh. One is there is a seasonality that is coming up, which is going to be true for every Q2 moving forward. Two, on top of that, we also have seen a softness from the consulting business in Q2. So those 2 things added to it to really see the effect of what we have seen.

Prabhakar Atla: As Krishna said earlier, in Q2 of last year, we had a major program in a ramp-up phase in Sustainability, which we won in the previous quarter, which was not stabilized. So therefore, what you see right now is a true seasonality impact in the current quarter, which was not evident in the last year owing to a 1 client ramp-up we had at one point in time.

Sulabh Govila: Okay. Understood. And is it fair to assume -- I know you mentioned that this vertical will be better in 2H versus 1H, but is it fair to assume that it will be on a growth path sequentially from next quarter itself?

Prabhakar Atla: Certainly.

Sulabh Govila: Okay, understood.

Prabhakar Atla: We can say so for all the segments going forward for H2.

Sulabh Govila: Sorry, can you repeat that?

Prabhakar Atla: To just extrapolate it we can say the same thing that all segments will experience, or we expect all segments to grow in H2.

Sulabh Govila: Okay. Understood. And the last question is that on this project-based nature of work, would you classify your current position as a percentage of your overall revenue? Would you say that over the last couple of years has this gone up or gone down with respect to how they're contributing to your revenue?

Prabhakar Atla: This shift has been happening across the board, across the industry which was traditionally in a T&M model in the past to fixed price later to outcome-driven project driven engagement in engineering as you know. That is what we are seeing manifesting more and more right now. So at this point in time, we do a lot of work in fixed-price model. Within that quite some work gets right now done in a project-specific model, especially as we ramp up as we build our business, as we acquire entities. That's what you're seeing right now as a part of our business.

Krishna Bodanapu: And I think we'll also have to look at the Citec acquisition where Citec's business is quite project centric. So therefore, when we acquired Citec, the proposed portion changed quite a bit and that will be a big change basically.

Prabhakar Atla: Which we are comfortable with because this is also a significant growth driver for us.

Sulabh Govila: No, understood. Very clear. Thanks for taking my question.

Moderator: Thank you. We have the next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Thanks for the opportunity and congrats on good execution. Just we are reiterating the guidance. So the typical question which comes every quarter is the ask rate being 5% in Q3 and Q4. So you believe based on the order pipeline because order wins in the last two quarters were also not great. And Q3 generally sees a furlough. So are we expecting a broad-based growth or are we expecting some skewness in terms of performance in the second half?

Prabhakar Atla: So Sandeep thank you for the question. See, the growth will still be more back ended towards the year. We currently expect Q3 to be much stronger than Q2, like Krishna mentioned before. And therefore, given what we have in hand in terms of order intake, given as we see the execution happening in the current quarter, we are already in Q3 as we speak. We're very confident of Q3. Therefore, we're still holding on to the internal view that we have a very strong enough set for a flattish year. That's the first thing. The second thing is you also made a very valid comment on the order intake changing quarter-on-quarter compared to the previous year, but for the reflection of -- we spoke about this in the beginning of the year that this year, owing to whatever macroeconomic situation that we are currently handling, the deals are being truncated into smaller tranches. This basically means order intake might look different compared to previous year, but the execution runway also is shorter compared to the previous year. So the dynamic as to which in terms of how we are managing the business.

Sandeep Shah: Okay. Thanks for this clarity. So this second half performance based on the implied guidance is based on the orders won or you expect some orders to come in the order win in Q3, Q4 and some of them would be executed as part of the revenue to achieve the guidance in Q3 & Q4?

Prabhakar Atla: The strong confidence from Q3 comes with what we already have in hand and execution that is already in process or in progress. There is some more growth into Q4, but we're confident of getting there.

Sandeep Shah: Okay. And just on a strategic question on semiconductor business. So what could be the total opex and capex which we aspire to invest in the next coming few quarters? And when will you expect this business to commercialize because organically also, we are in this business for the last 6-7 years. And I don't think organically we are able to scale up. So why this confidence is suddenly coming into play?

Krishna Bodanapu: So I'll say two things. I think in terms of opex and capex, I don't have an immediate number on hand because what we've said is to start with the stake sale in the DLM, a significant majority of it which was close to $100 million. So a significant majority of that will be deployed into the semiconductor business. So that's the first element. I'd say we'll start with this number and then we will figure out the capital structure, of course, this number is a decent number, especially -- I'll say it will be mostly capex in the sense that it will be towards acquisitions, inorganic, etc. Our own capex, much of it is already in place because a lot of the equipment, etc that we need, we already have in Cyient which will be transitioned. And beyond that we would really won't need any great amount of capex. So one is we'll start with this number, the Board has approved the $100 million outlay close to $100 million outlay, I'd say. Some of that money is also being used for debt repayment. So that's one element. Now the second element is if you look at why the business has not grown according to its potential, it's because the real value in this business is not just in the design, but it's in the design and supply of chips. The supply of chips is something that has a very different cost equation, very different dynamics, not unlike what had happened in the past with the DLM business. So we believe that if we can run this as an independent business, our ability to take on a lot of these chip sales-related deals because a lot of times we've lost deals because we wouldn't take on the chip sales or we put irrational margins as the market sees it, all that can stop and we can get a lot more aggressive with the design and sourcing of chips.

So that's really the confidence that I'm getting on this business. Actually, in many ways the chip -- the turnkey ASIC business, the design and sourcing of chips is a business that's not very dissimilar to the DLM business with its economics cycles, etc. Therefore, we weren't able to really be aggressive in growing in Cyient because that would have played havoc with our margins with the lumpiness of the business, cyclicality, etc. but as an independent business, I'm very confident that we can grow much faster than what we've grown in the past.

Sandeep Shah: Okay. And just the last question. In terms of any investments in this business in terms of talent or some other opex, this year may not impact the Cyient DET margins because we are already calling out 16% by Q4. But do you expect FY26 margin may get impacted because of this business being in an investment mode?

Krishna Bodanapu: I would say not necessarily. I think there is a way to segregate this. When we say 16% -- so this year, the investments that we'll make will be minimal and I don't think it even makes sense to call them out. From next year, of course, the Board if you may recall, last quarter, I think during this quarter like you said, the Board also gave us permission or the approval to create Cyient semiconductor which will be a separate step-down subsidiary. So we will report those numbers in the step-down subsidiary. And again, we don't see any material impact at least in the foreseeable future.

Sandeep Shah: Okay. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Nuvama Equities.

Vibhor Singhal: I was just trying to understand the seasonality that we spoke about in Q2 in the sustainability vertical, I went through the transcripts of the last 4 years of the company, and I couldn't find anything that we would have mentioned about the seasonality in the business ever before, any of our peers in IT services or ER&D they haven't spoken about any kind of seasonality because of European holidays also either this quarter or in Q2 before this as well. So could you just help us understand what is the kind of clients that we are talking about, which is leading to this kind of seasonality? And will this be a recurring phenomenon going forward as well?

Karthik Natarajan: Vibhor, I will start with that and also ask Prabhakar to chime in. So if you look at, we acquired this company called Citec way back in August 22. So you cannot have seen it on a full year basis in that quarter as much as what you are seeing now. Last year, as Krishna mentioned, we had a ramp-up of one of the projects which is probably not given the impact of the challenge that we had because of the holiday. So this is a very common thing for this business that we have heard in the last 5 years how the business was run. So their best quarter has been Q3 and Q4 in the last 5 years. And Q2 has been seasonally weak because of the holiday season that is there in Europe. Any business which has a significant bias of countries like Finland, Norway, Germany and France and Sweden, I think you will find that most of them have a significant vacation period between July to September. And that is something that we have seen that if you look at, we are not seeing at overall Cyient level, but the sustainability level, this business has a significant impact on the European side. So that's the reason why we are calling out for that business unit.

Vibhor Singhal: Got it.

Prabhakar Atla: This is about seasonality coming in because of, let's say, the furlough equivalent of US and people talk about it in Q4-Q3 typically that people typically tend to go on vacation. Therefore, we do not produce in that period.

Vibhor Singhal: Got it, sir. Basically, it's an acquired seasonality because of the Citec business?

Prabhakar Atla: Absolutely. Not a client-specific thing or industry-specific thing, this is basically geographic specific, vacation specific seasonality. Not unlike - in December or whatever impact many companies have in the U.S. market.

Vibhor Singhal: Got it. And this will be a recurring phenomenon because Citec is now part of integrated completely. So we will have a softer Q2 in the sustainability vertical specifically going forward as well?

Prabhakar Atla: Absolutely and this was what was forecasted by us earlier. We were aware of this even earlier. That's why we also commented earlier on a softer H1 compared to H2 when we began the year.

Vibhor Singhal: Got it. So going forward, we will have Europe seasonality in Q2 and U.S. seasonality in Q3. So two of the four quarters we'll have seasonally the seasonality impacting our business which we will have to mitigate through other businesses.

Krishna Bodanapu: And also, yes, but also it depends on what part of our business, right, because sustainability has a large European on-site content, so that will impact in Q2. But if you look at large U.S. content that is primarily aerospace and maybe a little bit of semiconductor. So I mean, the reality is there will be seasonality if you look at it at a micro level, but at the macro level most of these things should iron out. I mean that's the reason why we've worked quite hard at building this balanced portfolio because then some of these things automatically get ironed out and that's what we're going for. So yes, certain businesses and certain quarters will get impacted, but not necessarily overall in the business just because of the balance that there is also in the portfolio.

Vibhor Singhal: Got it. Just my second and my last question is on the auto vertical. I think a lot of our peers have basically highlighted weakness in the tech spending in the auto vertical. We've heard about profit warnings by the likes of Mercedes and other OEMs as well, what is our reading of this macro development? And how are our clients talking about it? And what could be the potential impact on our auto vertical or subvertical I would say because of that in the coming quarters and, let's say, for the next financial year?

Karthik Natarajan: Yes. So Vibhor, I'll take this point. I think if you look at what we have started seeing in the automotive side, we guided earlier saying that the growth will be led by silicon software and digital. And we are continuing to make progress on silicon as well as on the digital side, while software is something which is likely to have an impact in the medium term. And for the size of our business, we do feel that we'll continue to make progress, and we do expect the growth to continue for the rest of the year as well. For the next financial year, maybe give us another couple of quarters for us to give a view for the fiscal 26.

Vibhor Singhal: Got it. I understand that for our size of our business, the overall macro might not be a challenge. But do you see the macro being a challenge, I mean, for an industry as an overall it might be more relevant for larger players which are more dependent on them. Do you see that, or do you see this could be a temporary blip and the auto industry to just I mean they could possibly come back in maybe a few quarters time as well?

Karthikeyan Natarajan: See, I'm sure auto industry goes through this every 5 years for about a year, 1.5 years and then they do recover. So I do see something which should bounce back sometime next year. But having said that, this time I think German companies are likely to see more pressure because of the competition from China as well as lack of growth from the developed markets, I think that continues to be a challenge with electrification being challenged and people are going back to their diesel engine and how do you think this hybrid version is likely to take off. So I think there is a lot more concerns around the future of this industry and how will it take shape and what is going to be the future model in terms of alternate fuels and as well as the growth of volume that is going to be seen from various geographies. So there are multiple things at play and there could be potential softness for the next three, four quarters and hopefully it comes back by next year.

Vibhor Singhal: Great. Thank you so much for taking my questions and wish you all the best.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to Mr. Krishna Bodanapu for closing comments. Over to you, sir.

Krishna Bodanapu: Thank you very much and thank you for making the time this evening. As we spoke about in the presentation and the Q&A, we're quite excited about a lot of things that are happening. I will summarize that on three buckets. The first bucket is, of course, the revenue, the revenue growth, the top of mind for all of us and associated with it is margin. As we reiterated, I think the second half continues to look much better in the first half.

We are quite confident of the outlook that we gave, the flattish for the year outlook with the 16% exit margin and we believe that a few things are coming back into line which will help us just bring back stability and more importantly bring back growth and revenue and bring stability at a margin level. So that's the first bucket. For the second bucket, the investments that we're making are also playing out. Semiconductor is a very important sector. It's going through an inflection point, and I believe we're going to position ourselves very strongly in this inflection point to take advantage of the growth in the investments that are going to happen in this sector.

Similarly, energy is a very important sector. We spoke a little bit about our acquisition of Citec in Finland about 24 months ago, Citec is now fully integrated into Cyient. We're delivering a lot of value there and we believe that we will also deliver some very good value into the Middle East market. So all these things will really help with the perhaps not with the immediate growth, but definitely will be short to medium term - a couple of quarters, we'll start seeing the outcome of a number of these and a lot of other initiatives that we have highlighted in the past.

The third thing which we didn't talk about is the strength of the balance sheet. One is, of course, we continue to maintain a strong balance sheet in terms of how we're audited, etc, but more importantly this quarter also we cleaned out all the debt. We had USD94 million of debt after the acquisition of Citec. And purely from organic cash generation in the last 18 months, we were able to clean out that debt. Of course, we took some money from the DLM acquisition, but that's only a stop gap just on how we manage our investments and cash flows.

So also, I'm very happy to report that there's a very strong balance sheet in place. And now for us to again, perhaps lever up and perhaps do even more acquisitions, we would definitely do more acquisitions, perhaps lever up to do those acquisitions, the dry powder and the financial muscle and wherewithal that we have is significantly higher. So on all these three accounts the here and now of revenue and growth, the strategic investments that we're making, and the strength of the balance sheet gives me immense confidence that we're going to see some very good quarters ahead of us. With that, thank you very much for your support. As always, thanks for the great questions, and we'll again speak in about a quarter or so. Thank you.

Moderator: Ladies and gentlemen, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.
