CYIENT

INVESTOR PRESENTATION

ANNEXURE

Q2 FY20

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Message from the Management

Commenting on the results, Mr. Krishna Bodanapu, Managing Director and Chief Executive Officer, said Our Q2 FY 20 results were in line with our commentary, we recorded a revenue of $164.2 Mn a growth of 4.9% QoQ or 5.7% in CC while a decline of 2.8% YoY or 1.2% in CC. In constant currency, our revenue for the quarter would have been $165.4Mn which is the quarterly average of last year's revenue. Our services business grew by 1.8% QoQ predominantly driven by growth in Energy and Utilities and Portfolio business units and offset by decline in Aerospace & Defense and Semiconductor, IoT and Analytics (SIA) business units.

Our Design led Manufacturing (DLM) BU grew 27.4% QoQ driven by growth in key clients. Our EBIT at 9.6% was 35bps higher QoQ driven by lower SGA spend, operational efficiency improvements, increase in offshoring and better revenue mix. Excluding the one off spends, the EBIT would have been 105 bps higher QoQ and our services EBIT margin would have been higher by 158 bps QoQ.
This quarter we also witnessed an increased traction in our solutions business with key wins across solutions such as Additive Manufacturing, Intelligent Data Management System (iDMS), and Internet of Things (IoT) to name a few. This instills confidence in our S3 strategy and execution and as a company we will continue to invest in key strategic areas in line with our strategy.

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Message from the Management

Commenting on the results, Mr. Ajay Aggarwal, President & CFO, said, "We continue to make steady progress despite the near term headwinds. The quarter performance was in line with our expectations with 4.9% QoQ growth in dollar revenue and 10.5% QoQ growth in EBIT. Excluding the one offs (non-recurring costs) and long term investments our EBIT margins stood at 12.3% and the free cash flow conversion stood at 51%. DSO is lower by 9 days QoQ and stood at 95 days.

Our cost optimization initiatives are bearing fruit and we expect our margins to further strengthen in FY21 where the full benefits of improved operational efficiency will be visible. We also declared an interim dividend of ₹6.0/share.
We are confident of delivering a steady growth in our services business for the rest of the year. We remain strongly focused on growth, improvement in operating efficiencies and cash generation and thus maximizing the value for our shareholders.

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Business Performance & Outlook (1/3)

Aerospace & Defense

Aerospace & Defense business unit had a 7.8% growth QoQ and 2.1% YoY driven primarily by Design led Manufacturing (DLM). Services segment slightly de-grew due to near term industry uncertainties, these are expected to improve from next year onwards.

Though we face seasonality challenges in Q3 our forecast for the next quarter remains flat due to ramp-up in key clients and growth in the DLM segment. We expect a single digit growth through the year. Our Services business is expected to remain flat while DLM business is expected to witness a double digit growth through the year.

Communications

Communications BU witnessed a growth of 2.6% QoQ and -15.7% YoY driven by growth in key accounts, momentum across geographies and new project wins. The BU witnessed growth momentum after several quarters, driven by mitigation actions taken to offset the cyclicality faced in major programs and diversify client portfolio. We expect the growth momentum to continue through the year, driven by growth in focus segments, healthy pipeline and momentum in strategy execution.

Rail

Transportation BU witnessed a growth of 2.9% QoQ and 6.3% YoY driven by growth in rolling stock segment, growth in key clients and new project wins. Growth in signaling segment is expected to remain subdued due to program cyclicality in key geographies. We expect the growth momentum to continue through the next quarter, driven by growth in rolling stock segment. Our outlook for FY 20 continues to remain strong backed by growth in the industry, healthy pipeline and strong long term client engagements.

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Business Performance & Outlook (2/3)

E&U

The Energy and Utilities BU witnessed a strong growth of 2.1% QoQ and 25.6% YoY driven by growth in the services business. The DLM business witnessed a decline due to reduced demand from key clients. We expect the growth momentum to continue through the year, with double digit growth expected driven by the positive momentum in the services business and new client wins in the utilities segment.

MTH

Medical Technology and Healthcare BU witnessed a growth of 17.7% QoQ and 16.6% YoY driven by growth across services segment led by key clients. DLM business also witnessed a double digit growth driven by key client growth. The outlook for the year continues to be strong with double digit growth expected through the year, driven by strong growth in services and well as DLM business segments.

Semiconductor

Semiconductor, IoT and Analytics BU witnessed a decline of 9.6% QoQ and 18.9% YoY driven by downturn in the semiconductor industry, leading to key projects getting pushed which in-turn impacted growth. Despite the industry slowdown our outlook for the year continues to remain positive with single digit growth expected through the year, driven by growth in turnkey mixed signal analog business

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Business Performance & Outlook (3/3)

Portfolio

The Portfolio BU witnessed a growth of 6.8% QoQ and -24.7% YoY driven by growth in the industrial and geospatial segments. The BU witnessed growth across key clients through the quarter while the DLM business segment witnessed a decline. We expect decline in growth through the year impacted by sluggish industry outlook and decline in key clients.

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Consolidated Financial Metrics

Key Operational Metrics (₹Mn)

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19	Growth %	
				QoQ	YoY
Revenue	11,589	10,890	11,870	6.4%	-2.4%
EBIT	1,110	1,005	1,338	10.5%	-17.0%
EBIT Margin	9.6%	9.2%	11.3%	35 bps	-169 bps
Reported PAT	985	905	1,271	8.8%	-22.5%
Reported EPS (₹)	9.0	8.2	11.2	8.8%	-20.4%

Key Operational Metrics ($Mn)

$ Mn	Q2 FY20	Q1 FY20	Q2 FY19	Growth %	
				QoQ	YoY
Revenue	164.2	156.6	168.9	4.9%	-2.8%
EBIT	15.6	14.4	19.0	8.3%	-17.9%
EBIT Margin	9.6%	9.2%	11.3%	35 bps	-169 bps
Reported PAT	13.8	13.0	17.9	6.2%	-22.8%

Foreign Exchange Rate

$/₹	Q2 FY20	Q1 FY20	Q2 FY19
Quarter Average	70.58	69.56	70.27
Quarter Closing	70.50	69.11	72.64

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Consolidated Revenue Segmentation

By Geography (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Americas	55.3%	55.4%	52.0%
Europe, Middle East, Africa	26.5%	28.1%	23.8%
Asia Pacific (includes India)	18.2%	16.4%	24.3%

By Business Unit (%)[1]

	Q2 FY20	Q1 FY20	Q2 FY19
Aerospace and Defense	39.9%	38.8%	38.0%
Transportation	11.1%	11.3%	10.2%
Energy and Utilities	12.8%	13.2%	9.9%
Semiconductor, IoT and Analytics	4.2%	4.9%	5.0%
Medical, Technology and Healthcare	4.0%	3.6%	3.3%
Communications	18.7%	19.1%	21.5%
Portfolio	9.3%	9.2%	12.1%
Others	0.0%	0.0%	0.0%

[1] *Including DLM split across BUs*

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Consolidated Operations Metrics

Account Receivables (in Days)

	Q2 FY20	Q1 FY20	Q2 FY19
DSO Total	**95**	**104**	**82**
- Billed	64	74	59
- Unbilled	31	30	23

Order Intake ($ Mn)[2]

	Q2 FY20	Q1 FY20	Q2 FY19
Cyient Services	143	134	157
DLM	22	21	39
Group OI Total	**165**	**155**	**196**

[2] The Order Intake reported is the total value of all orders received during the period. Some of these orders are multi year and can be executed over more than 12 months

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Consolidated Customer & Employee Metrics

Top Clients: Revenue Contribution (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Top 5	31.0%	32.3%	32.7%
Top 10	41.6%	44.1%	44.1%

No. of Million $ Clients

	Q2 FY20	Q1 FY20	Q2 FY19
20 Mn+	4	4	4
10 Mn+	12	12	13
5 Mn+	27	28	31
1 Mn+	91	85	81
New Customers Added	**20**	**21**	**15**

** Client classification for Q1FY20 were having minor errors which are now rectified.*

Employee

	Q2 FY20	Q1 FY20	Q2 FY19
Total Manpower	14,869	15,043	15,040
Technical & Pool	13,800	13,912	13,845
Non-Technical	380	373	421
Support	689	758	774
Voluntary Attrition	18.0%	17.4%	18.4%
Involuntary Attrition	5.8%	4.3%	4.3%

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Consolidated Other Financial Metrics (1/2)

Other Income (₹ Mn)

	Q2 FY20	Q1 FY20	Q2 FY19
Income from Investments	101	121	130
Fx Gain/(Loss) - Realised	174	108	-62
Fx Gain/(Loss) - Unrealised	-56	24	237
Others	45	30	263
Total	**264**	**283**	**568**

Capex (₹ Mn)

	Q2 FY20	Q1 FY20	Q2 FY19
Capital Expenditure	339	235	236

Cash Position (₹ Mn)

	Q2 FY20	Q1 FY20	Q2 FY19
Cash & Cash Equivalent	8,641	8,213	12,110
Cash & Bank balances	3,586	2,835	4,505
Investments in FDs	4,039	5,308	6,345
Investment in MFs	1,016	70	1,260

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Consolidated Other Financial Metrics (2/2)

Outstanding Forward Contracts (Mn of respective currencies)[1]

	Q2 FY20	Q1 FY20	Q2 FY19
USD / INR	69.4	66.1	58.8
EURO / INR	26.7	28.1	28.3
GBP / INR	7.5	7.9	8.7
AUD / INR	24.5	22.8	22.3

[1] Forward contracts are taken only for services business

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Consolidated Income Statement

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Operating Revenue	**11,589**	**10,890**	**11,870**
Cost of Revenue	**7,601**	**7,140**	**7,780**
Direct Salary and related costs	4,986	4,928	5,036
Direct Travel	192	191	265
Sub contract and others	964	862	1,044
Delivery Management	209	239	246
Material cost	1,249	920	1,188
Gross profit	**3,987**	**3,750**	**4,089**
Sales and Marketing	531	611	645
General and Administration	1,859	1,693	1,819
Depreciation and Amortization	488	442	288
EBIT	**1,110**	**1,005**	**1,338**
Financial expenses	120	134	97
Other income	264	282	568
Profit before tax (PBT)	**1,254**	**1,152**	**1,809**
Tax	281	254	539
Associate & Minority Profit	12	6	1
Profit After Tax (Reported)	985	905	1,271
Basic EPS (₹) (Reported)	9.0	8.2	11.2
Gross Margin	34.4%	34.4%	34.5%
EBIT Margin	9.6%	9.2%	11.3%
Effective Tax Rate	22.4%	22.0%	29.8%
PAT Margin (Reported)	8.3%	8.1%	10.2%

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Consolidated Balance Sheet

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
EQUITY AND LIABILITIES			
Shareholders' funds			
- Share capital	550	550	565
- Reserves and surplus	25,206	24,314	24,649
Total - Shareholders' funds	**25,756**	**24,864**	**25,214**
Non-current liabilities			
- Long-term borrowings and liabilities	3,730	4,015	2,188
- Long-term provisions	1,152	1,185	973
- Deferred tax liabilities (net)	327	350	352
Total - Non-current liabilities	**5,209**	**5,550**	**3,513**
Current liabilities			
- Short-term borrowings	2,273	2,267	2,192
- Trade payables	4,142	4,354	3,775
- Other current liabilities	3,532	3,611	3,865
- Short-term provisions	871	885	849
Total - Current liabilities	**10,818**	**11,117**	**10,681**
TOTAL - EQUITY AND LIABILITIES	**41,783**	**41,531**	**39,408**
ASSETS			
Non-current assets			
- Property, plant and equipment	8,795	8,677	5,479
- Goodwill	5,189	5,187	5,249
- Non-current investments	344	334	203
- Deferred tax assets (net)	426	366	469
- Other non-current assets	1,956	1,818	1,987
Total - Non-current assets	**16,710**	**16,382**	**13,387**
Current assets			
- Inventories	2,200	2,214	1,482
- Current investments	1,016	70	1,260
- Trade receivables	8,296	8,821	7,753
- Cash and cash equivalents	7,625	8,143	10,850
- Other current assets	5,936	5,901	4,676
Total - Current assets	**25,073**	**25,149**	**26,021**
TOTAL ASSETS	**41,783**	**41,531**	**39,408**

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Consolidated Cash Flow Movement

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Free cash flow, after non-operating income (prior to one offs)	798	186	1,585
Long term investments	-301	-401	-243
Equity	7	10	16
Borrowings	-76	8	96
Dividends	-	-1,187	-446
Buyback of Shares	-	-386	-
Others	-	-	103
Net change in cash	428	-1,770	1,111
Opening cash position	8,213	9,983	10,999
Closing cash position	8,641	8,213	12,110
FCF to EBITDA Conversion (prior to one offs)	**42.9%**	**10.8%**	**72.3%**

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Normalised Group FCF from operations	1,108	401	1,639
Normalised Group Conversion	**51.0%**	**20.6%**	**72.9%**
Normalised Services FCF from operations	1,083	629	1,168
Normalised Services Conversion	**51.1%**	**33.1%**	**53.7%**

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Cyient Metrics (Excluding Design Led Manufacturing)

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Cyient Metrics (Excluding Design Led Manufacturing) (1/3)

By Geography (%)[1]

	Q2 FY20	Q1 FY20	Q2 FY19
Americas	60.2%	58.8%	56.2%
Europe, Middle East, Africa	26.3%	26.9%	26.4%
Asia Pacific (including India)	13.6%	14.3%	17.4%

[1] India is included in APAC (from EMEA earlier), now restated for previous periods

By Business Unit (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Aerospace and Defense	33.9%	35.1%	33.8%
Transportation	13.0%	12.8%	11.8%
Energy and Utilities	13.2%	12.3%	11.5%
Semiconductor, IoT and Analytics	4.9%	5.5%	5.8%
Medical, Technology and Healthcare	2.4%	2.3%	1.9%
Communications	21.7%	21.6%	23.9%
Portfolio	10.9%	10.4%	11.3%

Onsite/offshore Split (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Onsite	55.3%	56.5%	57.3%
Offshore	44.7%	43.5%	42.7%

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Cyient Metrics (Excluding Design Led Manufacturing) (2/3)

Currency Mix (%)

	Q2 FY20	Q1 FY20	Q2 FY19
USD	59.8%	57.5%	56.3%
EURO	13.3%	14.4%	13.4%
GBP	8.1%	8.5%	8.3%
AUD	8.0%	8.4%	12.5%
Others	10.8%	11.1%	9.5%

Account Receivables (in Days)

	Q2 FY20	Q1 FY20	Q2 FY19
DSO Total	98	105	84
- Billed	61	71	57
- Unbilled	36	34	27

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Cyient Metrics (Excluding Design Led Manufacturing) (3/3)

Top Clients: Revenue Contribution (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Top 5	36.2%	36.5%	37.9%
Top 10	47.3%	49.8%	51.0%

No. of Million $ Clients

	Q2 FY20	Q1 FY20	Q2 FY19
20 Mn+	4	4	4
10 Mn+	12	12	13
5 Mn+	22	24	27
1 Mn+	77	71	68
New Customers Added	19	20	14

Employee

	Q2 FY20	Q1 FY20	Q2 FY19
Total Manpower	14,215	14,398	14,385
Technical & Pool	13,204	13,276	13,395
Non-Technical	373	370	216
Support	638	752	774

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Cyient Metrics
(Design Led Manufacturing)

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Cyient Metrics (Design Led Manufacturing) (1/3)

Income Statement - Abridged (In ₹ Mn)[1]

	Q2 FY20	Q1 FY20	Q2 FY19
Net Revenue	1,687	1,297	1,610
Direct Salaries & other costs	268	160	181
Material Cost	1,249	1,029	1,249
Gross Profit	**169**	**108**	**180**
SG&A	138	83	121
Depreciation & amortisation	32	29	26
EBIT	**-0**	**-4**	**34**
Other Charges	8	18	19
Profit Before Tax	**-8**	**-22**	**14**

[1] Includes B&F Design Inc.

By Geography (%)[2]

	Q2 FY20	Q1 FY20	Q2 FY19
Americas	26.7%	30.2%	24.6%
Europe, Middle East, Africa	27.5%	37.4%	7.2%
Asia Pacific (including India)	45.9%	32.4%	68.2%

[2] India is included in APAC (from EMEA earlier), now restated for previous periods

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Cyient Metrics (Design Led Manufacturing) (2/3)

By Business Unit (%)

	Q2 FY20	Q1 FY20	Q2 FY19
Aerospace and Defense	75.1%	65.7%	64.6%
Transportation	0.0%	0.3%	0.0%
Energy & Utilities	10.5%	19.9%	0.0%
Medical	13.5%	13.4%	12.5%
Communications	1.0%	0.3%	6.2%
Portfolio	0.2%	0.4%	16.7%
Others	-0.3%	0.0%	0.0%

Currency Mix (%)

	Q2 FY20	Q1 FY20	Q2 FY19
USD	82.0%	80.5%	72.5%
EURO	3.0%	3.0%	2.4%
Othes	14.0%	15.3%	25.1%

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Cyient Metrics (Design Led Manufacturing) (3/3)

No. of Million $ Clients

	Q2 FY20	Q1 FY20*	Q2 FY19
5 Mn+	5	4	3
2 Mn+	10	11	8
1 Mn+	14	14	12
New Customers Added	1	1	1

** Client classification for Q1FY20 were having minor errors which are now rectified*

Key Operational Metrics

	Q2 FY20	Q1 FY20	Q2 FY19
Headcount	654	645	655
DSO (in Days)	85	100	84
DPO (in Days)	131	133	89
Customer Advance (in Days)	88	48	59
Inventory (in Days)	125	120	104
Total Cash (₹ Million)	596	93	640

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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 clients 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 15,000 employees in 20 countries, Cyient partners with clients 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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All the references to Cyient's financial results in this update pertain to the company's consolidated operations comprising:

<u>Wholly-owned and step down subsidiaries:</u>
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.

** During the quarter, New Technology Precision Machining Co. Inc. has been merged with its holding company, Cyient Defense Services Inc.

<u>Partly owned subsidiary</u>: Cyient Solutions and Systems Private Limited.

<u>Joint venture</u>: 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.

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THANK YOU

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