CYIENT'S EARNINGS CALL– Q3 FY'16

January 14, 2016

CELEBRATING 25 YEARS

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Quarter that was – Summary Q3

Financial Highlights

- Q3 FY'16 Revenue at ₹7,818 Mn, grew 1.3% QoQ
- Operating Profit at 14.1% down 98bps QoQ
- Net Profit for Q3 FY'16 at ₹868 Mn; down 11.9% QoQ
- Constant currency revenue up ~6.5% YoY and up 0.2% QoQ
- FCF generation continues to be robust ₹1,208 Mn, highest ever
- DSO stands at 86 days compared to 89 days in Q2 FY 16

Quarter that was – Summary Q3

Financial Metrics

- Cyient continues to generate robust Free Cash Flow (FCF)
  - Absolute FCF generated (Excluding Rangsons) stands at ₹1,208 Mn
  - FCF as % of EBITDA (Excluding Rangsons) for the quarter stands at 92.1%
- Cash Balance, including liquid investments, is ₹7,382 Mn; Cash balance including Rangsons ₹ 7,650 Mn; the cash balance excluding one off stands at ₹ 7,092 for Cyient and ₹ 7,360 including Rangsons

Business Highlights

- Recognized by Pratt & Whitney as their most innovative supplier in 2015 for the third consecutive year.
- Added 24 new clients: 11 in DNO, 10 in ENGG and 3 in PR (including Rangsons).
- Cyient has signed an MOU with BVRIT(BV Raju Institute of Technology), Hyderabad to set-up an incubation center for VLSI
- Recognized as the Best Tech Brand by Economic Times for the year 2015, in the IT and Engineering Services subcategory.

Revenue at a Glance

US$ Growth

Company Revenue	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	Growth	
							QoQ	YoY
Revenue *(in US$ mn)*	118.4	118.4	114.3	117.4	114.7	110.8	0.0%*	3.2%*
Revenue *(in INR mn)*	7,817.9	7,716.6	7,262.9	7,300.3	7,118.1	6,723.9	1.3%	9.8%

Growth by Segments *(in US$)*

Operating Unit	QoQ	YoY
Engineering	-0.9%	2.1%
DNO	1.2%	-16.4%
PR	4.9%	0.0%

Geographies	QoQ	YoY
North Americas	-1.2%	-8.0%
Europe, Middle East, Africa and India	-4.2%	-18.9%
Asia Pacific	11.4%	51.3%
PR	4.9%	0.0%

Cyient + Rangsons	0.0%	3.2%

Drivers for Q3

- Growth impacted due to lower working days in Q3 ; onsite capacity lower ~ 4% and Offshore by ~1.5%
- Cyient posted growth of 0.2% QoQ in constant currency
- PR and Rangsons grew by 4.9%

*Constant currency Growth of 0.2% QoQ, & ~6.5% YoY.
Growth is substantially impacted due to cross currency headwinds.

Profit and Loss Statement – Q3, FY'16

(in ₹ millions)	31-Dec-15	30-Sep-15	31-Dec-14
Operating Revenues	**7,817.9**	**7,716.6**	**7,118.0**
Cost of Revenues	5,127.6	4,889.5	4,358.0
Gross Profit	**2,690.2**	**2,827.0**	**2,760.1**
SG&A	1,588.2	1,663.4	1,602.7
Operating Profit	**1,102.0**	**1,163.6**	**1,157.4**
Depreciation & Amortization	221.4	193.5	173.5
Financial Expenses	36.1	58.8	14.0
Other Income	245.7	299.3	365.7
Tax	227.3	284.8	373.4
Associate Profit & Minority Int.	5.5	59.4	45.8
Profit After Tax	**868.4**	**985.3**	**1,008.2**
Basic EPS (INR)	**7.7**	**8.8**	**9.0**

Gross Margin	34.4%	36.6%	38.8%
Operating Margin	14.1%	15.1%	16.3%
Effective Tax Rate	20.8%	23.5%	28.0%
Net Income Margin	10.8%	12.3%	13.5%

Q3 QoQ Variance

Operating Profit Movement:

- Impact of lower billing days vs pay days (150)bps
- Gain on forex 40bps
- Other benefits 10bps

Profit After Tax Movement

- Tax rate for Q3 FY16 is lower than Q2 due to change in Geo profitability mix and other benefits.

Working Capital Management*

Cash Generation

₹ in Mn

	31-Dec-15	30-Sep-15
Cash Position *(including liquid investments)*	7,382*	6,331
Business Free Cash Flow	1,208	887
as % of EBITDA	92%	64%
Cash from Operations	1,420	1,026
Capital Expenditure	212	139
as % of Sales	3.0%	2.0%

* Excluding one off the cash balance stands at ₹ 7,092 for Cyient

Days Sales Outstanding

In Days

	31-Dec-15	30-Sep-15	30-Jun-15
DSO (including Unbilled)	**86**	**89**	**88**
- Billed	67	67	69
- Unbilled	19	22	19

Overall DSO decreased by 3 day QoQ .

***Excludes Product Realization/Rangsons**

Hedge Book and Other Income

Outstanding Forward Contracts*

(in Millions – Respective currency)	31-Dec-15	30-Sep-15
USD / INR	74.5	77.5
EURO / INR	24.0	24.0
GBP / INR	4.9	4.0
AUD / INR	7.2	7.2

Booked Rates (in ₹)

Currency	Next 12 Mths.
INR/USD	68.7
INR/EURO	76.7
INR/GBP	106.0
INR/AUD	50.7

Company has hedged ~70% of inflows for next 12 months. Total hedge position US$ equivalent ~$113 Mn.

Other Income (OI) - Details

₹ in Mn

	31-Dec-15	30-Sep-15
Income from Treasury :-		
Interest on Investments / deposits	64.2	72.8
Dividend on mutual funds	5.8	5.5
Subtotal (A)	**70.0**	**78.4**
Foreign Exchange Gain/(Loss): -		
Gain/(Loss) on Forward Contracts	100.9	129.4
Gain/(Loss) on Restatement and translation	33.1	45.3
Subtotal (B)	**134.0**	**174.7**
Others **Subtotal (C)**	**41.7**	**46.2**
GRAND TOTAL (A+B+C)	**245.7**	**299.3**

Lower gains from forward contracts due to currency depreciation

*Outstanding forward contracts exclude Rangsons

Product Realization Business – Key Metrics

Revenue	Product Realisation	
	31-Dec-15	30-Sep-15
Revenue *(in US$ mn)*	10.6	10.1
Revenue *(in INR mn)*	704.8	664.7

Key Financial Metrics	Product Realisation	
	31-Dec-15	30-Sep-15
Gross Margin	12.2%	12.2%
Operating Margin	3.7%*	4.5%

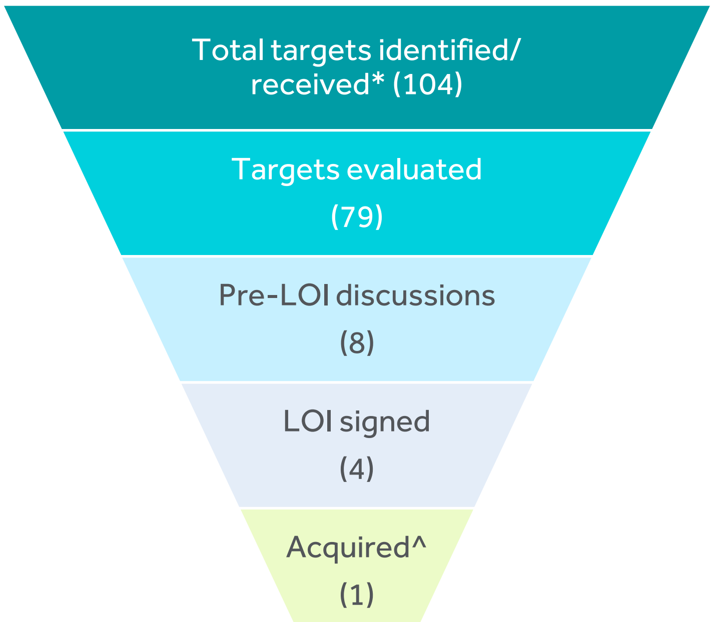
Geographies Mix	Product Realisation	
	31-Dec-15	30-Sep-15
Americas	22.3%	23.5%
Europe, Middle East, Africa & India	51.0%	28.7%
Asia Pacific	26.7%	47.8%

- **Product Realisation includes Rangsons legal entity as well as PR group in Cyient.**
- **Rangsons standalone Operating margin stands at 7.6% in Q3 as compared to 6.6% in Q2**

*** Q3 had one off SG&A expenses in PR, without these one offs the OPM would have been 4.7%**

M&A Pipeline and Focus

Deal pipeline in YTD FY16



**Targets identified/received YTD'FY16,*
^excludes the divestiture of the IT business

M&A focus areas

Aerospace

- ✓ Engineering Design Services companies
- ✓ Design to manufacture for aerospace electronics
- ✓ Manufacturing engineering and repair engineering services

Medical

- ✓ Design to Build companies with OEM partnerships

Telecom

- ✓ Network Design and planning companies

Rail

- ✓ Rolling stock Engineering design
- ✓ Signalling Application Engineering & Testing
- ✓ Subsystem design & realization in Electronics
- ✓ Predictive Maintenance Solutions

Vertical focused M&A strategy in key markets of NAM, Europe and APAC.

A Look Ahead: Business Growth Outlook

- **Aerospace:** We continue to see a traction in Aerospace business, primarily driven by North America with strong pipeline for the next 12 months. Expected growth in areas like tooling, manufacturing support and parts transition; challenges continue in winning new business in Europe. GSA integration is going to plan.

- **Transportation:** We are witnessing strong growth across Transportation business primarily driven by growth across key customers. We expect the growth to continue across the next quarter. Increased rail infrastructure projects and refurbishment of signalling and other assets are driving the growth in the transportation industry with Asia offering the most opportunities for investment.

- **Energy and Natural Resources:** Natural Resources (oil & gas, mining) industries are witnessing no growth. Reduced oil prices are dampening new investments in O&G industry and are also inhibiting investments in alternate sources of energy. Cost pressures continue to drive down Mining industry and there's an increased focus on productivity and efficiency. As a result, we continue to have a weak client pipeline in both the industries across geographies and business units.

- **Medical and Electronics:** Medical industry is a nascent industry but we are making good progress. Momentum in telemedicine, IoT, and regulatory services expected to drive growth and investments

A Look Ahead: Business Growth Outlook

- **Off-Highway Products:** With the slump in mining and construction business the off-highway industry continues to remain flat. There is continued interest in areas like data analytics, electronics however budget cuts and shut downs across key customers impacted our growth

- **Semiconductor:** Significant layoffs and market consolidation presenting obstacles for growth in semiconductor industry. The industry is expected to remain flat across the next few quarters. But with our large customers winning new projects in recent past we expect to see some growth in coming quarters

- **Utilities:** We continue to witness a strong traction across all key geographies with strong pipeline. Smart grid solutions and smart meters will drive utilities industry with network operators and commercial and industrial facility owners managing their energy usage whilst radically cutting costs.

- **Communications:** APAC continues to drive communications industry revenues with strong momentum for Q4. Fibre rollout across the globe and migration to 5G drives business growth to telecom industry. With large projects coming to closure in EMEA, growth would be muted in the region.

- **Rangsons:** We expect to see continued growth through Q4 with new orders and continued repeat business from existing customers. Witnessing traction for cost reduction programs from major A&D and Medical players.

Q&A