

QUARTERLY EARNINGS BRIEFING

Q1'FY17

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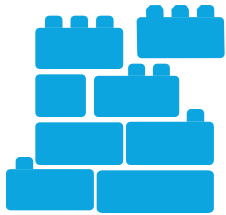
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Highlights for the Quarter (1/2)

Financial Highlights for Q1 FY 17

- Growth in services business stands at 5.4% in \$ terms, highest in six quarters. Group revenue up 2.6% QoQ in \$ terms
- Robust growth in most of the focal industries viz. Aerospace 5%, Transportation 9%, Medical & Healthcare 16% and Communication 13%
- Operating Margin 13.1%; flat QoQ despite wage hike
- Net profit ₹ 740 Mn up by 12% QoQ
- Strong Cash Generation of ₹ 815 Mn in services, overall cash balance crosses ₹ 800cr
- Q1 FY17 Revenues at ₹ 8,306 Mn, grew by 15% over last year
- DSO stands at 77 days; lowest ever
- Continue to realize gains on foreign exchange hedge due to adoption of consistent FX policy, likely to continue including for GBP.
- APAC posted a robust growth of ~21% QoQ in \$ terms
- Americas grew by ~7% QoQ in \$ terms
- 22 customers added during the quarter

Highlights for the Quarter (2/2)



Operations

Initiated our operations in the newly established **center in Prague** and started realizing revenue

Signed 3 year labor contract of wages in Mysore for DLM

IRIS surveillance audit for Bangalore location was successfully conducted and we scored 75% in the audit (an improvement from 69% in 2014 and 72% in 2015).



Awards

ABB Performance Award to DLM for Best Overall Performance in Quality, OTD & Response for PA Measurement Products, ABB TF, USA

Received two awards at Asian Utility Week 2016

Best Customer Value AMI Infrastructure Rollout along with TNB

Best Customer Engagement Project from Singapore Power



Infrastructure

Initiated Cyient Israel operations.

Inaugurated a new **Center of Excellence in Bangalore, India for a large infrastructure customers.** This allows us to expand into new service areas like Building Information Management (BIM)

Inaugurated a new **Center of Excellence in Reading, UK for Rural Payment Agency (RPA).** This center will seat 160 engineers and will also house a remote sensing lab

Note on Indian Accounting Standard (Ind AS)

Indian Accounting Standards (Ind AS) are applicable to the Company for periods commencing on or after April 01, 2016. Thus the results for the quarter ended June 30, 2016 are as per the Ind AS. As also required by SEBI, the already published figures for the quarter ended June 30, 2015 have been recast as per Ind AS, however the impact of the switchover to Ind As is not material. The results for the quarter and year ended March 31, 2016 are in accordance with the earlier Accounting Standards as the recasting of these periods is not mandatory.

The impact of switchover to Ind AS vs. old accounting standard for current quarter: Revenue of ₹ 8,306 Mn impact is ₹ 6 Mn; net profit of ₹ 740 Mn, impact of ₹ 9.1 Mn favorable i.e. 1.25%

Revenue Update

Revenue	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15*	Growth (%)	
						QoQ	YoY
Revenue (in US\$ Mn)	124.0	120.9	118.4	118.4	114.2	2.6%	8.7%
Revenue (in ₹ Mn)	8,305.7	8,158.4	7,817.9	7,716.6	7,258.2	1.8%	14.5%

Business Unit	\$ Growth	
	QoQ	YoY
Aerospace and Defense	4.9%	14.5%
Communications	13.4%	23.4%
Industrial & ENR	2.0%	-10.2%
Medical & Healthcare	16.0%	46.1%
Semiconductor	2.5%	-19.5%
Transportation	9.3%	5.6%
Utilities and Geospatial	-1.0%	-6.7%
Design Led Manufacturing	-22.2%	56.4%

Geographies	\$ Growth	
	QoQ	YoY
North Americas	6.9%	0.9%
EMEA and India	-11.5%	9.9%
Asia Pacific	20.6%	45.6%

Group	2.6%	8.7%
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Key Takeaways

- Services business has recorded 5.4% growth QoQ, highest ever in last six quarters. Strong growth in the focal industries viz. Aerospace 5%%, Transportation 9%, Medical & Healthcare 16% and Communication 13%.
- Overall QoQ growth for the Quarter stands at 2.6% and 8.5% for YoY
- QoQ growth in Constant Currency is 2.0%
- Growth seen in all Business Units except Utilities & Geospatial and Design Led Manufacturing Business units.
- Americas and APAC showed impressive growth but EMEA was impacted due to de-growth in Utilities & Geospatial and Design Led Manufacturing customers.

* Q1 FY 16 financials has been restated as Cyient has adopted (Ind AS) by the requirements of Companies Act and SEBI.
Earlier revenue for Q1 FY 16 was ₹ 7,262.9 Mn i.e and \$114.3 Mn.

Income Statement Update

Particulars	UOM	Q1 FY17	Q4 FY16	Q1 FY16
Revenue	₹ Mn	8,305.7	8,158.4	7,258.2
Cost of Revenue	₹ Mn	5,381.4	5,370.4	4,698.3
Gross Profit	₹ Mn	2,924.3	2,788.0	2,559.9
Operating Profit	₹ Mn	1,089.6	1,064.0	923.5
Tax	₹ Mn	236.7	190.3	283.7
Extraordinary Items*	₹ Mn	-	184.0	-
Net Profit	₹ Mn	739.7	659.5	756.4
Earning Per Share (EPS)	₹/Share	6.6	5.9	6.7

Gross Margin	%	35.2%	34.2%	35.3%
Operating Margin	%	13.1%	13.0%	12.7%
Effective Tax Rate	%	25.5%	22.5%	28.5%
Net Income Margin	%	8.8%	7.9%	10.0%

*Extraordinary item in Q4 is on account of Reassessment of depreciation, foreign exchange impact on other income and change in the Payments of Bonus Act.

*Q1 FY16 financials has been restated as Cyient has adopted (Ind AS) by the requirements of Companies Act and SEBI. Earlier revenue for Q1 FY16 was ₹7,262.9 Mn i.e. and \$114.3 Mn.

Key Takeaways

Operating Profit Movement:

- Despite wage hike, operating margin improved by 10 bps. Wage hike impact of 80 bps, offset by improvement in operational efficiency like utilization.
- Improvement in onsite margin in 150 bps as a result of the continued focus on operating margin improvement drive started in FY16

Profit After Tax Movement:

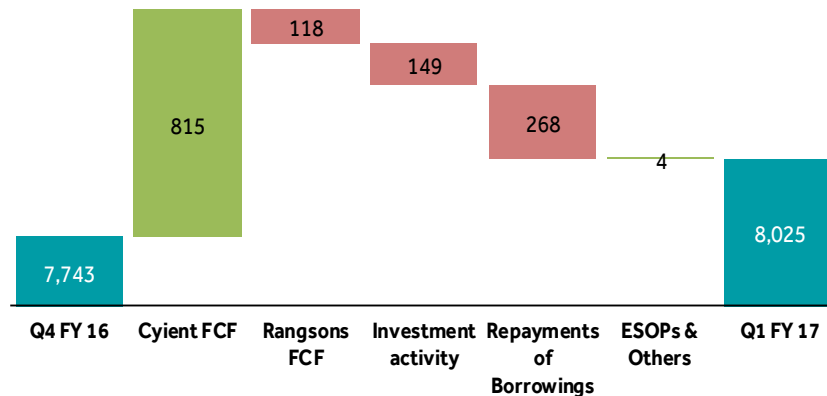
- Net profit grew by 12% QoQ.
- Other income : Due to consistent hedging policy on forex continued to see gain on forward cover in spite of depreciation of GBP. The gain was partially offset by exceptional notional gains in Q4 and notional loss on account of restatement of Balance sheet items in Q1.
- Tax rate in Q1 FY17 was impacted due to change in profit mix, however the FY17 tax rates is likely to improve by 100bps YoY

Cash Generation Update

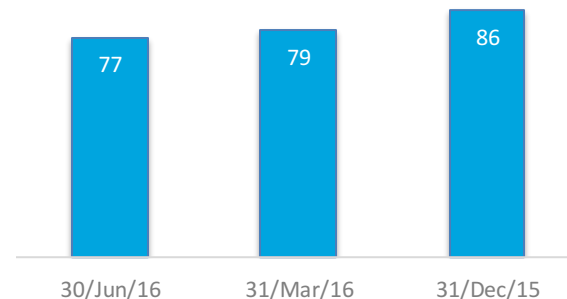
Cash Generation

Particulars	UOM	Q1'17	Q4'16
Cash Position	₹ Mn	8,025	7,743
	\$ Mn	118.7	116.7
Free Cash Flow Cyient	₹ Mn	815	909
	\$ Mn	12.2	13.5
	% of EBITDA	65.1%	73.1%
Free Cash Flow Rangsons	₹ Mn	(118)	0.3
Capital Expenditure	% of sales	2.4%	2.5%

Cash Generation & Utilization (₹ Mn)



Days Sales Outstanding in Days

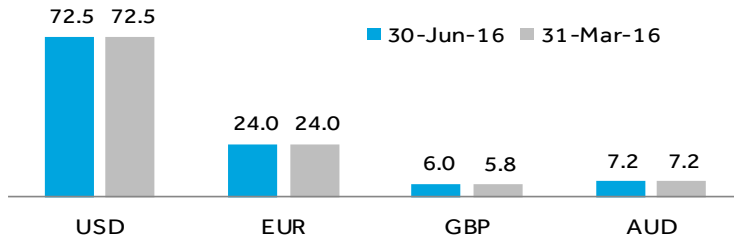


Key Takeaways

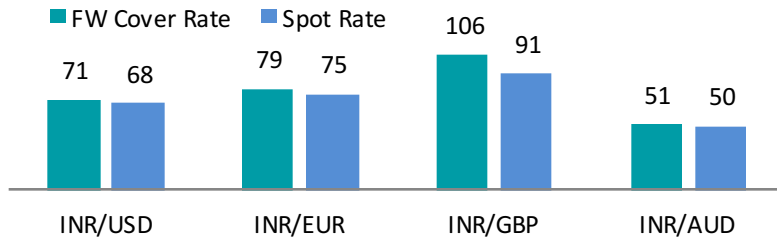
- Strong Cash Generation of ₹ 815 Mn in services, overall cash balance crosses ₹ 800 cr
- DSO stands at 77 days; Lowest ever
- Momentum on FCF to continue in FY17
- Investment made during the quarter ₹ 149 Mn, including ₹ 102 Mn in Corporate Venturing.

Forex and Other Income Update

Outstanding Forward Contracts* Value in Respective Currency Mn.



Booked Rate (in ₹) for next 12 Months



Key Takeaways

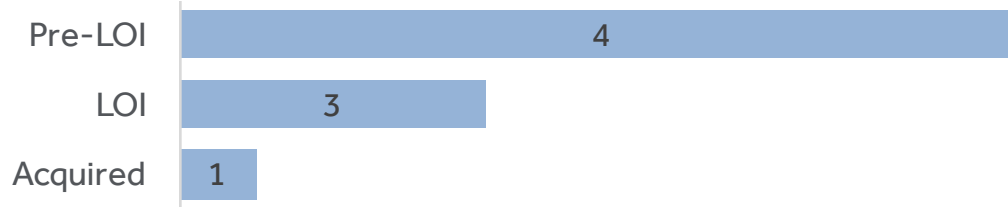
- The drop in other income is due to one offs notional gain on forex in Q4 not being there in Q1.
- The company is having strong position for next 12 months at current spot rate.
 - Company has hedged ~70% of inflows for next 12 months
 - Current spot rate (30-Jun -16), Forward contract gain could be ~ \$ 6 Mn.
 - Total hedge position \$ equivalent - ~\$113 Mn.

Other income

Particulars (INR Mn)	Q1 FY 17	Q4 FY 16
Income from Treasury		
Interest on Investments / deposits	79.9	74.8
Dividend on mutual funds	10.0	8.8
Subtotal (A)	89.9	83.6
Realised Gain/(Loss) on Fwd Contracts (B)	53.4	(16.5)
Unrealised FX Gain/(Loss) (C)	(49.0)	109.6
Others (D)	21.6	44.8
GRAND TOTAL (A+B+C+D)	115.7	221.5

M&A and CV Pipeline and Focus Areas

M&A Deal pipeline YTD



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

M&A Focus areas



AEROSPACE AND DEFENSE

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



MEDICAL AND HEALTHCARE

- Design to Build companies with OEM partnerships



TRANSPORTATION - RAIL

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



COMMUNICATION - TELECOM

- Network design build and planning

Corporate Venturing pipeline YTD



~\$1.5M investment in a US based Medical IoT and an India based Medical devices startups

Industry outlook 1/3



AEROSPACE & DEFENSE

We continue to witness strong traction in the Aerospace and Defense (A&D) business with the focus of most customer's moving away from design towards the production ramp-up and cost takeout. We are also witnessing an increase in demand for near-shore work in activities like manufacturing engineering and supply chain management.



INDUSTRIAL, ENERGY AND NATURAL RESOURCES

With continued cost pressures on fossil fuels related industries, we expect oil and gas and mining to at best remain flat or witness a decline. Growth will come from EPC customers and power generation projects.



TRANSPORTATION

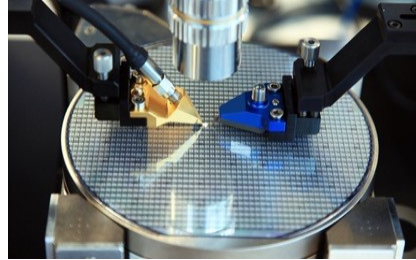
The transportation industry continues to transition towards internationalization and consolidation. The recent devaluation of GBP and potential pressure on Euro is expected to be a challenge for the industry in the near future. However, with continued momentum from our key customers we see significant growth opportunities for us in the coming quarters.

Industry outlook 2/3



MEDICAL TECHNOLOGY AND HEALTHCARE

New technology such as connected devices and IoT offers tremendous amount of promise to serve remote patients and will drive innovation and growth in the market. With our focused effort on strategy execution and new business wins we anticipate to grow at a higher than average growth



SEMICONDUCTOR

The industry will witness rapid M&A activity and consolidation. There will be a shift towards China as both a center of influence and as a growth market. We will focus on China and new accounts with services like custom layout, design verification and testing to drive growth



UTILITIES AND GEOSPATIAL

Investments in smart initiatives (cities, roads and grids), Mobile sensors and IoT are expected to drive the industry. Growth will be driven by strong growth across NAM region. However project delays due to regulatory approvals could impact growth

Industry outlook3/3



COMMUNICATIONS

Fiber deployment through the CAF-II initiative and onshore opportunities for FTTX, HFC and wideband design expertise in ANZ will drive growth. We expect to see strong growth across select key customers



DESIGN LED MANUFACTURING (DLM)

With new orders coming from Defense, Industrial and Medical segment we expect to see a strong growth in the business. Breakthrough in a few large customers will fuel growth in the coming quarter. Strong pipeline and backlog will also drive growth

Future outlook

- **Revenue Growth**

- Outlook for the year remains unchanged. We expect
 - Double digit growth in the core business
 - > 50% growth in DLM business

- **Margin Expansion through Operational Efficiency Improvements**

- Cyient Services to see a 100 bps improvement in operating margin and for the Group the OPM is expected to remain flat to marginally positive.
- Restoring historical margins for Softential & improved onsite margins: 100 bps
- Operational Improvements: Utilization & Pyramid (50 bps each): 100 bps
- Better SG&A management and absorption net of investments: 100 bps
- Offset by Wage Hike ~ (200 bps) & DLM mix ~ (100 bps)

- **Earnings Growth**

- We expect double digit earnings growth in FY17

Q&A