

SECOND QUARTER FY2014-15 RESULTS

Financial Release, Hyderabad, India, October 15, 2014

- Quarterly Revenues in INR at ₹6,724 Mn, Up 8.2% QoQ
 - Strong constant currency revenue growth at 7.4% QoQ
 - Profit Before Tax for the quarter at ₹1,228 Mn; Up 49.0% QoQ
 - Net Profit for the quarter at ₹902 Mn; Up 31.6% QoQ
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KEY HIGHLIGHTS: Q2 FY 2015

Financial Highlights

- Revenue Growth
 - In INR at ₹6,724 Mn; Up 8.2% QoQ and 22.4% YoY
 - In US\$ at \$111 Mn; Up 6.6% QoQ and 26.5% YoY
 - Constant Currency revenue up by 7.4% QoQ
- Highest ever incremental revenue addition in a quarter at US\$ 6.4 Mn
- Operating Margin at 16.1% as against 14.1% in Q1; Up 197 bps
- Operating Profit at ₹1,081 Mn; Up 23.3% QoQ and down 0.6% YoY
- Net Profit at ₹902 Mn; Up 31.6% QoQ and 24.4% YoY

Financial Metrics

- Business continues to generate strong Free Cash Flow (FCF)
 - FCF as % of EBITDA for the quarter stands at 46%
 - Absolute FCF generated ₹651 Mn
- Billed DSO for Q2 at 66 Days, improved 4 days QoQ. **Best ever;**
- Cash Balance, including liquid investments, is ₹7,184 Mn

Business Highlights

- Broad based growth across all Operating Units with DNO leading the growth at 10.5% QoQ (US\$ terms)
- Among geographies, Americas grew in double digit at 11.7% QoQ in US\$
- Employee gross addition for the quarter is 847 and net addition is 220
- 19 customers added during the quarter, 4 in ENGG and 15 in DNO

MESSAGE FROM THE MANAGEMENT

Commenting on the results, Mr. Krishna Bodanapu, Managing Director and Chief Executive Officer, said "We have four consecutive quarters of robust QoQ growth in revenues. This gives me confidence that various actions that we have taken in the last couple of quarters are yielding results and we will see a continued growth momentum for the quarters to come. While margins improved on QoQ basis, there are still some operational levers that we are working to further improve margins. I am confident that the actions that we are taking on the margin levers are in the right direction and margins will improve further over the course of the year.

I would also like to highlight that this quarter we signed a definitive agreement to acquire a majority stake in Invati Insights, a start-up data sciences company. Combining Invati's data sciences core competence with our domain expertise and customer access will allow us to offer an integrated consulting, solutions and system integration portfolio to several of our industry verticals."

Mr. Ajay Aggarwal, Chief Financial Officer, said that "Our operating margin and Profit before tax (PBT) margin improved by 197 bps and 501 bps respectively, mainly driven by volume growth, productivity optimization and favorable other income. Helped by our strategy of higher focus on improving our collection cycle, we achieved our lowest ever billed DSO at 66 days. Our Free Cash Flow generation continues to be robust and stands at 47% as a percentage of Operating profit for H1 of this financial year. We will continue to focus on cost structure optimization, leverage key operating margin levers, increase efficiency from investments and improve financial metrics."

FINANCIAL PERFORMANCE HIGHLIGHTS

In ₹ Million

	30 Sep 2014	30 Jun 2014	30 Sep 2013	Growth % QoQ	YoY
Revenue	6,723.9	6,217.0	5,492.8	8.2	22.4
Operating Profit	1,080.7	876.8	1,087.8	23.3	(0.6)
Operating Margin	16.1%	14.1%	19.8%		
PAT	901.8	685.1	725.0	31.6	24.4

In USD Million

	30 Sep 2014	30 Jun 2014	30 Sep 2013	Growth % QoQ	YoY
Revenue	110.8	104.0	87.6	6.6	26.5
Operating Profit	17.8	14.7	17.3	21.5	2.7
Operating Margin	16.1%	14.1%	19.8%		
PAT	14.9	11.5	11.6	29.7	28.6

Exchange Rate (USD/INR)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Quarter Average	60.67	59.80	62.72
Quarter Closing	61.61	60.09	62.78

QUARTERLY REVENUE GROWTH - CONSTANT CURRENCY *

Operating Units

- Engineering (ENGG) revenue grew 4.9% QoQ
- Data Transformation, Network and Operations (DNO) revenue grew 11.8% QoQ

Geographies

- Americas revenue grew 11.7% QoQ
- Europe, Middle East, Africa and India revenue grew 2.5% QoQ
- Asia Pacific is down by 3.4% QoQ

Overall constant currency growth for the company is at 7.4% QoQ.

**In-line with industry best practices, this new disclosure is added from this quarter.*

BUSINESS UPDATE & OPERATIONAL HIGHLIGHTS

Engineering (ENGG)

The Engineering business sustained robust growth momentum in the second quarter, led by North America and APAC. Both of these geographies grew at double digits over the first quarter. Growth was driven by the Aerospace & Defense, Heavy Machinery and Semiconductors business segments. Cyient secured multimillion-dollar contracts from customers in the Aerospace & Defense and Semiconductors business segments in this quarter. The company maintained its leadership position across four distinct industry segments in Zinnov's 2014 ratings for the fourth consecutive year.

Further to Cyient's traditional strengths in mechanical engineering and embedded systems and electronics, the company has built good capability in engineering analytics to perform product health monitoring for its OEM customers. In July, the board of directors and a leading aircraft engine customer inaugurated the state-of-the-art 15,000 sq. ft. experience center at Cyient's Manikonda, Hyderabad, facility which gives engineers the ability to see, touch and learn about products and components the company designs.

Data Transformation, Network and Operations (DNO)

The Utilities business had an extremely strong quarter, posting double-digit quarterly growth in revenue. The majority of growth came from North America onsite activity and ramping-up of a new service portfolio in EMEA. The company expects continued growth from all the geographies.

Cyient's Communications business showed 5% QoQ growth led by Europe, which grew in double digits. While some orders that were in the pipeline for the Operations & Technology business have been deferred to the coming quarters, the general outlook remains favorable for Q3 FY15.

Integration of Softential is on track, with quarterly revenue from Softential increasing by more than 40% QoQ. Ongoing sales enablement programs for the Softential business across the geographies are expected to result in increased business opportunities in H2 FY15.

The Data Transformation group maintained the same momentum as seen in the last quarter. The company witnessed growth in the Transportation & Navigation and Energy & Natural Resources delivery units. Cyient's focus here remains on increasing the pipeline from new customers.

OPERATIONAL HIGHLIGHTS

Acquisitions

- Cyient signed a definitive agreement to acquire a majority stake in Invati Insights Private Limited (Invati), a start-up data sciences company. The new entity is proposed to be renamed Cyient Insights. The acquisition will help to create an integrated consulting, solutions and systems integration portfolio for a number of industries including aerospace, utilities, communications, transportation, energy, and oil and gas. Cyient Insights will focus on analytics aligned to engineering, networks and operations across these verticals.

Awards and Recognitions

- Zinnov, a leading management consulting and globalization advisory firm, has released the Global Service Provider Ratings (GSPR) 2014 and has placed Cyient in the Leadership Zone for the fourth consecutive year in engineering services for the aerospace and transport industry segments. Furthermore, for the second successive year, Cyient has been placed in the leadership zone in the construction, heavy machinery, and energy segments.
- Krishna Bodanapu, MD & CEO was conferred the "Fellowship" of Engineers Australia. This is the highest honor awarded to distinguished persons for outstanding achievement in the field of engineering. Engineers Australia is the national forum for the advancement of engineering that embraces all disciplines of engineering and is the largest and most diverse body with over 100,000 members.

New Infrastructure

- Cyient inaugurated a state-of-the-art Experience Center spanning an area of over 15,000 sq. ft., at the company's Manikonda, Hyderabad, campus. Prototyping of parts with advanced computer numerical control machines, 3D printers and tabletop machines capable of producing plastic and metal components will ensure seamless transition from computer-aided design to physical outcome. The center will exhibit actual products designed by Cyient to help engineers see, analyze and learn.

New Directors Addition

- John Paterson has joined Cyient's board, effective 15th Oct 2015. He is ex President (Marine & Industrial Power Systems) for Rolls-Royce. He has extensive experience of working in global aerospace industry with companies like Swire group, Cathay Pacific, HAECO and HAESL.
- Andrea Bierce has joined Cyient's board, effective 15th Oct 2015. She has over 30 years of experience in financial industry in the areas of Governance, Enterprise Risk Management, Compliance and Reporting.

REVENUE SEGMENTATION

By Geography (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Americas*	63.9	60.9	57.9
Europe, Middle East, Africa and India	27.4	29.3	29.9
Asia Pacific	8.7	9.8	12.2

*For Q2, Softential revenue of US\$ 5.27 Mn is added under Americas. In Q1, it was US\$ 3.56 Mn.

By Operating Unit (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Engineering	60.8	62.2	63.0
Data Transformation, Network & Operations*	38.3	36.9	35.6
Others	0.9	0.9	1.4

*For Q2, Softential revenue of US\$ 5.27 Mn is added under Americas. In Q1, it was US\$ 3.56 Mn.

By Industry * (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Aerospace and Defense	33.3	33.9	34.4
Transportation	10.4	11.2	11.4
Off-highway Equipment	5.1	4.8	5.9
Semiconductor	6.1	5.8	5.2
Medical and Consumer Electronics	1.3	1.7	1.5
Utilities	10.9	10.1	10.2
Communications [#]	15.4	14.2	13.6
Energy and Natural Resources	7.1	7.2	7.4
Commercial and Geospatial	9.4	10.2	8.9
Others	1.0	0.9	1.5

[#]For Q2, Softential revenue of US\$ 5.27 Mn is added under Americas. In Q1, it was US\$ 3.56 mn

**In-line with industry best practices, this new disclosure is added from this quarter.*

Onshore/Offshore Split (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Offshore	46.5	47.8*	50.3
Onsite	53.5	52.2	49.7

*Offshore number for Q1, FY15 is restated from 47.1% previously to 47.8% now. Onshore-Offshore mix of a large DNO project is corrected.

The onsite – offshore split of revenue is 57:43 for ENGG and 42:58 for DNO.

Currency Mix (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
USD	63.0	62.0	63.8
EUR	15.0	16.0	16.4
GBP	8.0	7.0	6.2
AUD	11.0	12.4	10.2
OTHERS	3.0	2.6	3.4

OPERATIONAL METRICS

Utilization (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Overall Utilization	74.8	74.3	74.4
- ENGG	70.7	72.3	68.4
- DNO	78.8	76.3	80.0

Account Receivables (Number of Days)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
DSO (Total)	90	93	95
- Billed	66	70	75
- Unbilled	24	23	20

CLIENT METRICS

Top Clients: Revenue Contribution (%)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Top 5	34.4	36.2	35.3
Top 10	48.7	51.3	48.2

Clients Added (in Number)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
ENGG	4	6	7
DNO	15	3	8
TOTAL	19	9	15

No. of Million Dollar Clients (in Number)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
20 Mn+	3	3	4
10 Mn+	9	8	7
5 Mn+	20	19	17
1 Mn+	54	55	56

EMPLOYEE METRICS

Manpower by Operating Units (in Number)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Engineering	5,447	5,472	4,923
DNO	6,480	6,243	5,764
IT Services	135	134	140
Support Functions	697	690	712
TOTAL	12,759	12,539	11,539

Note : Last quarter's numbers has been restated. Operating Unit wise sales and marketing employees are added back to respective units and common sales and marketing employees are categorized under Support Functions.

Manpower by Entity (in Number)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Cyient Limited	10,886	10,720	9,933
Cyient Europe Limited	83	73	65
Cyient, Inc.	1,328	1,308	1,111
Cyient GmbH	307	290	291
Infotech Geospatial (India) Pvt. Ltd.	3	3	4
Infotech Enterprises IT Services Pvt. Ltd.	135	134	125
Cyient K.K.	17	11	10
TOTAL	12,759	12,539	11,539

Voluntary Attrition – Quarterly Annualized (%)

	30 Sep 2014	30 Jun 2013	30 Sep 2013
Voluntary Attrition	12.7	15.3	15.4
Involuntary Attrition	6.3	2.2	2.0

DETAILED FINANCIALS

Consolidated Income Statement (₹ Million) – FORMAT 1 (New format)*

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Operating Revenues	6,723.9	6,217.0	5,492.8
Cost of Revenues	4,159.0	3,885.8	3,137.0
Direct Salary and Related Costs	3,143.2	3,056.7	2,562.2
Direct Travel	198.3	188.4	155.6
Sub-Contractor and Others	541.5	381.0	174.7
Delivery Management	275.9	259.7	244.5
Gross Profit	2,564.9	2,331.2	2,355.8
Sales and Marketing	524.6	553.7	407.6
General and Administration	959.7	900.8	860.4
Operating Profit (EBITDA)	1,080.7	876.7	1,087.8
Depreciation & Amortization	180.6	172.9	182.2
Financial Expenses	12.0	11.0	7.2
Other Income	340.1	131.5	83.4
Profit Before Tax (PBT)	1,228.2	824.3	981.7
Tax	363.6	186.7	280.6
Share of Profits – IASI	37.2	47.5	24.0
PAT after Share of Profits from Associate Company	901.8	685.1	725.0
Basic EPS (₹)	8.0	6.1	6.5
Gross Margin	38.1%	37.5%	42.9%
Operating Margin	16.1%	14.1%	19.8%
Effective Tax Rate	29.6%	22.6%*	28.6%
PAT Margin	13.4%	11.0%	13.2%

Note : Q1, FY15 Effective Tax rate excluding one- offs is 24.0%.

**In-line with industry best practices and to align internal and external reporting, a new P&L format segmenting overall cost in direct & indirect categories is added from this qtr. Both new and old P&L formats will be continued till Mar'15. Post that, old P&L format will be discontinued.*

Consolidated Income Statement (i Million) – **FORMAT 2 (Old format)**

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Operating Revenues	6,723.9	6,217.0	5,492.9
Operating Expenditure	5,643.3	5,340.3	4,405.0
Salary Costs	4,037.7	3,860.6	3,281.2
Travel Expenditure	291.2	308.3	257.7
Purchases	434.3	308.7	146.1
Other Operating Costs	880.0	862.8	720.0
Operating Profit (EBITDA)	1,080.7	876.7	1,087.8
Depreciation & Amortization	180.6	172.9	182.2
Financial Expenses	12.0	11.0	7.2
Other Income	340.1	131.5	83.4
Profit Before Tax (PBT)	1,228.2	824.3	981.7
Tax	363.6	186.7	280.6
Share of Profits – IASI	37.2	47.5	24.0
PAT after Share of Profits from Associate Company	901.8	685.1	725.0
Basic EPS (₹)	8.0	6.1	6.5
Operating Margin	16.1%	14.1%	19.8%
PBT Margin	18.3%	13.3%	17.9%
Effective Tax Rate	29.6%	22.6%*	28.6%
PAT Margin	13.4%	11.0%	13.2%

***Note :** Effective Tax rate excluding one- offs

- Q1, FY'15 : 24.0% (*deferred taxes and other one-time benefits*)

Consolidated Balance Sheet (₹ Million)

	30 Sep 2014	31 Mar 2014
EQUITY AND LIABILITIES		
Shareholders' funds		
- Share capital	560.7	559.8
- Reserves and surplus	16,629.1	15,323.4
- Share application money pending allotment	2.6	1.4
Total - Shareholders' funds	17,192.4	15,884.6
Non-current liabilities		
- Long-term liabilities	421.8	-
- Long-term provisions	465.5	381.7
- Deferred tax liabilities (net)	41.3	51.8
Total - Non-current liabilities	928.6	433.5
Current liabilities		
- Short-term borrowings	2.3	58.2
- Trade payables	2,965.5	1,743.6
- Other current liabilities	1,452.2	720.7
- Short-term provisions	305.9	624.9
Total - Current liabilities	4,725.9	3,147.4
TOTAL - EQUITY AND LIABILITIES	22,846.9	19,465.5
ASSETS		
Non-current assets		
- Fixed assets	3,383.7	3,413.3
- Goodwill on consolidation	1,413.2	23.3
- Non-current investments	609.8	525.0
- Deferred tax assets (net)	80.1	73.5
- Long-term loans and advances	925.2	980.6
- Other non-current assets	2.0	2.1
Total - Non-current assets	6,414.0	5,017.8
Current assets		
- Current investments	163.7	400.4
- Trade receivables	5,232.1	4,799.8
- Cash and cash equivalents	7,020.5	6,912.7
- Short-term loans and advances	1,102.6	786.4
- Other current assets	2,914.0	1,548.4
Total - Current assets	16,432.9	14,447.7
TOTAL ASSETS	22,846.9	19,465.5

Other Income (₹ Million)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Income from Investments	127.2	129.3	99.4
FX Gain/(Loss)	199.6	4.7	(49.6)
Others	13.4	(2.5)	33.5
TOTAL	340.1	131.5	83.4

Capital Expenditure (₹ Million)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Capital Expenditure	134	219	117

Cash Position (₹ Million)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Cash Including Liquid Investments	7,184	7,358	6,124

Outstanding Forward Contracts (Million in respective currencies)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
USD / INR	88.3	87.8	76.9
EURO / INR	24.0	24.0	18.0
GBP / INR	2.4	2.4	2.4
AUD / INR	7.2	6.9	6.0

PERFORMANCE BY COMPANY

Revenue (₹ Million)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Cyient Limited	3,237.0	3,127.6	3,151.6
Cyient Europe Limited	437.1	412.8	283.9
Cyient Inc.	3,575.5	3,129.2	2,497.7
Cyient GmbH	888.3	915.9	940.9
Infotech Geospatial (India) Pvt. Ltd.	2.3	0.6	0.7
Infotech HAL Limited	9.4	5.9	6.1
Cyient KK	55.2	43.9	31.5
Infotech Enterprises IT Services Pvt. Ltd.	62.4	64.8	85.0
Gross Revenues	8,267.2	7,700.7	6,997.4
Less: Intragroup Revenues	(1,543.3)	(1,483.7)	(1,504.6)
Net Revenues	6,723.9	6,217.0	5,492.8

Profit (₹ Million)

	30 Sep 2014	30 Jun 2014	30 Sep 2013
Cyient Limited	704.1	544.3	651.0
Cyient Europe Limited	6.2	(2.5)	(21.0)
Cyient Inc.	187.9	80.3	88.0
Cyient GmbH	(22.6)	5.5	21.0
Infotech Geospatial (India) Pvt. Ltd.	(4.0)	(4.1)	(5.2)
Infotech HAL Limited	1.3	0.9	1.6
Cyient KK	(23.9)	-	(14.6)
Infotech Enterprises IT Services Pvt. Ltd.	0.9	5.5	22.1
Gross Net Profit	849.9	630.1	742.9
Add / (Less): Others (Elimination)	14.7	7.6	(41.9)
Profit After Tax	864.6	637.7	701.0
Share of Profits from IASI	37.2	47.5	24.0
Profit after Share of Profit from Associate Company	901.8	685.1	725.0

ABOUT US

We create and deliver services that enhance your business agility. Our leading-edge solutions enable major organizations worldwide to achieve measurable and substantial benefits. Solutions include product development and life-cycle support, process and network engineering, plus data transformation and analytics.

We utilize a global delivery model. And we have more than 12,500+ associates across 38 global locations, with delivery centers in North America, Europe, the Middle East and Asia Pacific. We are experts in the aerospace, consumer, energy, medical, oil and gas, mining, heavy equipment, hi-tech, rail transportation, telecom and utilities industries.

This makes us your ideal partner. Whether you want to design innovative products faster, optimize R&D costs, improve time to market, enhance operational efficiency or maximize the return on investment in your networks. We help you make a difference for your customer. This might be a quieter flight, a longer-lasting toothbrush, more robust broadband connectivity, or more reliable GPS navigation.

We are proud of our robust internal processes. To ensure your IP security, solution quality and on-time delivery, we align with industry best practices and internationally renowned standards and frameworks. These include ISO 9001:2008, ISO 27001:2005 (information security), AS9100 C (aerospace), and ISO 13485 (medical devices).

Cyient is a public limited company and listed on the NSE/BSE stock exchange.

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Disclaimer

This document contains certain forward-looking statements on our future prospects. Although Cyient believes that expectations contained in these statements are reasonable, their nature involves a number of risks and uncertainties that may lead to different results. These forward-looking statements represent only the current expectations and beliefs, and the company provides no assurance that such expectations will prove correct.

All the references to Cyient's financial results in this update pertain to the company's consolidated operations comprising overseas wholly-owned subsidiaries Cyient Europe Limited; Cyient Inc.; Cyient GmbH; Infotech Enterprises IT Services Pvt. Ltd (IEITS); Cyient KK; Infotech Geospatial (India) Pvt. Ltd. (IGIL); joint venture Infotech HAL Ltd (HAL JV) & associate company Infotech Aerospace Services Inc. (IASI).

The income statement provided is in the internal MIS format. MIS format is different from the income statement published as part of the financial results, which is as per the statutory requirement, in terms of grouping of cost elements. Previous period numbers are regrouped or reclassified, wherever necessary.