

17 October 2019

The BSE Limited  
PJ Towers, 25<sup>th</sup> Floor,  
Dalal Street  
Mumbai 400001.  
Scrip Code: 532175

The National Stock Exchange of India Ltd  
Exchange Plaza,  
Bandra-Kurla Complex, Bandra (E)  
Mumbai-400 051.  
Scrip Code: CYIENT

Dear Sir,

Sub: Investor update – Reg.

Please find herewith enclosed investor update issued by the company on the financial results for the quarter and half year ended 30 September 2019.

This is for your information and records.

Thanking you  
For Cyient Limited



N. Ravi Kumar  
Dy. Company Secretary



CYIENT

# INVESTOR PRESENTATION

Q2 FY20

# Confidentiality Statement

The information shared herein is strictly confidential, proprietary and unique to the company. It is only made and shared for the purpose and extent it is intended for and no other. Usage or sharing of the said information in any form, directly or indirectly and in any manner whatsoever, might constitute a violation of laws or regulations in vogue in geographies in which the company operates, besides breaching confidentiality. The users shall meet any liability emanating from such violation and shall indemnify company for any loss, damage, expense, penalty, fine, fee, charges incurred by company on account of any such violation.

Highlights	Financial Update	Business Update
<ul style="list-style-type: none"> <li>• Financial Highlights</li> <li>• Business Highlights</li> <li>• Awards and Recognition</li> <li>• CSR Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• Cost optimization</li> <li>• Hedge and other income</li> <li>• Income statement update</li> <li>• Cash generation</li> </ul>	<ul style="list-style-type: none"> <li>• M&amp;A update</li> <li>• Industry outlook</li> </ul>
<p><i>Annexures</i></p>		

## Highlights

- Financial Highlights
- Business Highlights
- Awards and Recognition
- CSR Activities

## Financial Update

- Revenue
- Cost optimization
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- Hedge and other income
- Income statement update
- Cash generation

## Business Update

- Cost Optimization Exercise
- Significant highlights
- M&A update
- Industry outlook

*Annexures*

# Highlights for the Quarter (1/2)

## Revenue

**6.4% QoQ (₹ terms)**

**4.9% QoQ (\$ terms)**

Quarterly revenue at  
**\$164.2Mn/₹11,589Mn**

## EBIT growth @ 10.5%

**EBIT Margin @ 9.6%**

**Services EBIT margin at 11.2 %**

## PAT growth @ 8.8% QoQ

**PAT for the quarter ₹985 Mn**

## Financial Highlights for Quarter

- Consolidated revenue at \$164.2 Mn; growth of 4.9% QoQ and de-growth of 2.8% YoY
- Services revenue at \$140.4 Mn; growth of 1.8% QoQ (2.6% in CC) and de-growth of 3.8% YoY
- DLM revenue at \$23.8 Mn; growth of 27.4% QoQ, 3.9% YoY
- Normalised EBIT\* excluding one-offs and long term investments at ₹1,420 Mn
  - EBIT margin excluding one-offs and long term investments at 12.3%, up 105 bps QoQ
  - EBIT margin for services excluding one-offs and long term investments at 14.3%, up 158 bps QoQ
- Profit After Tax at ₹985Mn for the quarter; growth of 8.8% QoQ and de-growth of 22.5% YoY
- Declared an interim dividend of ₹6/share

*\*For details refer slide number 12*

# Highlights for the Quarter (2/2)

## Business Highlights

- Signed a Memorandum of Understanding (MoU) with UK-based defense technology firm, QinetiQ's Target Systems (QTS), to offer avionics products for its unmanned target systems. Cyient will provide advanced manufacturing and electronics engineering solutions for QTS' range of unmanned air, land and sea target systems from its facilities in India
- Extended the CoE set up for John Deere in Hyderabad and Pune

## Awards and Recognition

- Singapore Health Award 2019 - Certificate of Recognition for Cyient's efforts in promoting health and well-being of employees at the workplace

## CSR Activities

- Continue to support 25 Government Schools – providing education to 18,500+ underprivileged children
- Continue to support 67 Cyient Digital Centres (CDCs) in and around Hyderabad which cater to more than 25,000 children and 15,000 community members
- Completed training to a pilot batch of 600 community unemployed women on tailoring, bakery and beauty courses through the Cyient Urban Micro Skill Center (CUMSC) for urban poor
- Cyient trained and certified 363 unemployed people under the Cyient IT/ITES Skill Centre
- Distributed more than 3,000 saplings among more than 2,500 associates in Hyderabad as part of the "Adopt a Plant" initiative
- Distributed and planted more than 7000 saplings around Cyient adopted schools and the community as a part of "Haritha Haram", a mega plantation drive in the state of Telangana

## Highlights

- Financial Highlights
- Business Highlights
- CSR Activities

## Financial Update

- Revenue
- Cost optimization
- Hedge and other income
- Income statement update
- Cash generation

## Business Update

- M&A update
- Industry Outlook

*Annexures*



# Revenue for Q2 FY20

Revenue	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	QoQ	YoY
\$ Mn	168.9	165.1	165.2	156.6	164.2	4.9%	-2.8%
₹ Mn	11,870	11,876	11,629	10,890	11,589	6.4%	-2.4%

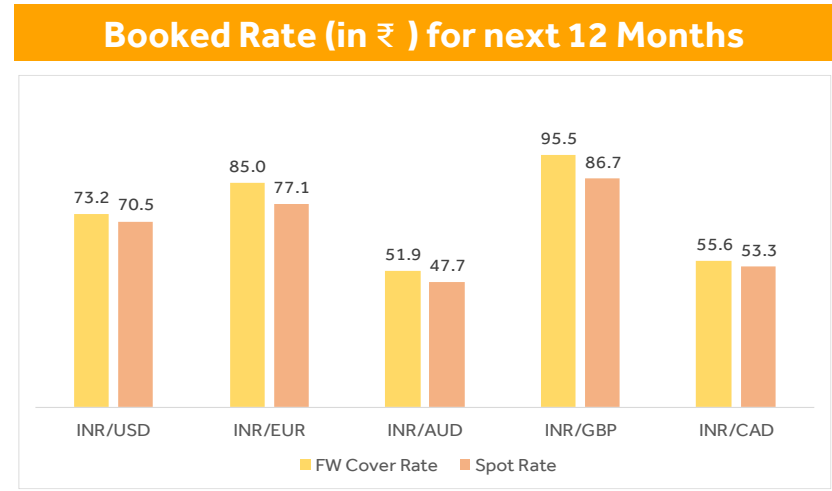
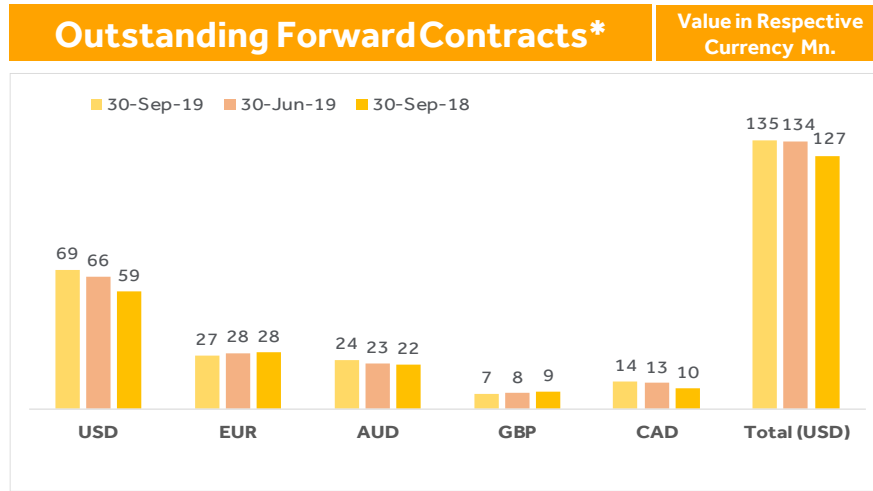
Business Units	Services			Group			Geography	
	\$ Mn	QoQ	YoY	\$ Mn	QoQ	YoY		
<b>A&amp;D</b>	47.6	-1.7%	-3.5%	65.5	7.8%	2.1%	<b>NAM</b>	\$90.8Mn
<b>Comms</b>	30.4	2.0%	-13.0%	30.7	2.6%	-15.7%		4.7% QoQ
<b>E&amp;U</b>	18.6	9.8%	10.7%	21.1	2.1%	25.6%		3.5% YoY
<b>Transportation</b>	18.3	3.3%	6.3%	18.3	2.9%	6.3%	<b>EMEA</b>	\$43.4Mn
<b>Portfolio</b>	15.3	6.9%	-7.6%	15.3	6.8%	-24.7%		-1.4% QoQ
<b>SIA</b>	6.9	-9.6%	-18.3%	6.9	-9.6%	-18.3%	<b>APAC (incl. India)</b>	8.1% YoY
<b>MT&amp;H</b>	3.4	8.6%	20.9%	6.6	17.7%	16.6%		\$29.9 Mn
<b>Total</b>	<b>140.4</b>	<b>1.8%</b>	<b>-3.8%</b>	<b>164.2</b>	<b>4.9%</b>	<b>-2.8%</b>		16.3% QoQ
<i>CC Growth</i>		<i>2.6%</i>			<i>5.7%</i>		-26.9% YoY	

- Services growth of 1.8% QoQ, 2.6% in constant currency
- Overall DLM is higher by 27.4% QoQ (\$5.1 Mn) primarily due to increase in standalone DLM revenue of \$3.8 Mn

## • Cost Optimization Exercise

- **Theme:** To achieve sustainable margins for Cyient's Services Business through improvements in cost of delivery and sustained improvement in SG&A costs in line with best-in-class and other initiatives to improve profitability.
- **Status update:** On track to achieve the full year target. Identified and initiated action on additional optimization levers which will yield benefits in H2 FY20. We have set up a sustainable Workforce Management Group (WGM) and automated WGM processes with in house solution for efficient resource redeployment.
- **Next steps/milestones:** Continue with actions identified through the rest of the year. Define and implement governance, tools, process and policies across the levers used for the cost optimization program. Define sustainability KPIs & incorporate them as part of business performance assessment. Begin the reverse shadow phase, where the cost optimization team provides support and respective business units drive actions as readiness for FY21.

# Hedge Book for Q2 FY20



- Despite the volatility in major currencies, the company continues to adhere to a consistent Fx policy of hedging ~70% for next 12 months for major currencies (USD, GBP, EUR, CAD and AUD)
- On the current forward contracts, the company has following position for the next 12 months at current spot rates:
  - Outstanding Forward Contracts as on 30<sup>th</sup> Sep'19 is ~ **\$ 135 Mn**
  - If the spot rate remains at same level (as at 30<sup>th</sup> Sep'19), forex gain on current forward contracts could be ~**\$ 8.5 Mn (₹ 601 Mn)**

\*Outstanding forward contracts excludes Cyient DLM

## Other Income for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
<b>Income from Treasury</b>			
Interest on Invesmtents/Deposits	96	113	116
Dividend on Mutual Funds	5	8	14
<b>Subtotal (A)</b>	<b>101</b>	<b>121</b>	<b>130</b>
<b>Realised gains/(losses) on Fwd Contracts (B)</b>	<b>174</b>	<b>108</b>	<b>(62)</b>
<b>Unrealised Fx gains/(losses) (C)</b>	<b>(56)</b>	<b>24</b>	<b>237</b>
<b>Others</b>			
Reversal of Old provisions	5	5	10
Rents received	2	2	2
Tax incentives on export of merchandise	0	18	234
Others	38	5	17
<b>Others (D)</b>	<b>45</b>	<b>30</b>	<b>263</b>
<b>Grand total (A+B+C+D)</b>	<b>264</b>	<b>282</b>	<b>568</b>

Currency Movement	Q2 FY20		Q1 FY20		Q2 FY19	
	Forward	Spot	Forward	Spot	Forward	Spot
<b>USD</b>	73.6	70.8	70.3	69.7	69.6	72.6
<b>EUR</b>	88.1	78.2	85.4	78.3	85.0	84.6
<b>GBP</b>	97.0	86.1	96.3	89.2	94.7	95.0
<b>AUD</b>	53.6	48.5	52.8	48.8	52.6	52.3
<b>CAD</b>	56.4	53.3	54.3	51.6	54.3	55.7

Forward and spot rates represent average of monthly rates

## Other Income movement

- Other income is Lower by ₹18Mn (-6.4%) QoQ primarily due to lower Treasury income by ₹20Mn, forward contract gain of ₹174 million partly offset by unrealised FX loss of ₹56 million
- The Export incentives have right shifted to H2 FY20
- For the full year we expect Other Income to be marginally higher than FY19

## Income statement for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Revenue	11,589	10,890	11,870
EBIT	1,110	1,005	1,338
PAT (Reported)	985	905	1,271
EPS (₹ Reported)	9.0	8.2	11.2

All Figures in %	Q2 FY20	Q1 FY20	Q2 FY19
Gross Margin	34.4%	34.4%	34.5%
EBIT Margin	9.6%	9.2%	9.5%
Effective Tax Rate	22.4%	22.0%	29.8%
<i>ETR (excl. one-offs)</i>	<i>22.4%</i>	<i>22.0%</i>	<i>24.5%</i>
PAT Margin (Reported)	8.5%	8.3%	10.7%

### EBIT Movement

- Consolidated EBIT at 9.6% ; up 35 bps QoQ.
- Benefits of cost optimization (129 bps), volume impact (73 bps) and operational efficiency (55 bps) offset by wage hike (107 bps) and one time restructuring costs (85 bps)

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Reported EBIT	1,110	1,005	1,338
Reported EBIT %	9.6%	9.2%	9.5%
One-off cost from cost optimisation exercise	167	81	0
Long Term Investments	143	134	54
<b>Normalised EBIT</b>	1,420	1,220	1,392
<b>Normalised EBIT %</b>	12.3%	11.2%	11.7%

*EBIT is normalised for one time costs and long term*

*Normalised EBIT-Services is at 14.3% (higher by 158 bps QoQ)*

- YoY EBIT improved by 52 bps on normalised basis for the group

### Profit After Tax Movement

- PAT QoQ growth of 8.8%
- PAT down by 22.5% YoY primarily driven by lower EBIT and lower other income

# EBIT margin bridge for Q2 FY20

Particulars	
<b>EBIT Q1 FY20 (Group)</b>	<b>9.2%</b>
<i>Add: DLM impact</i>	<i>132 bps</i>
<b>EBIT Q1 FY20 (Services)</b>	<b>10.5%</b>
Headwinds	
<i>Wage hike</i>	<i>-107 bps</i>
<i>One time restructuring costs</i>	<i>-85 bps</i>
Tailwinds	
<i>Benefit from Cost optimisation</i>	<i>129 bps</i>
<i>Volume impact</i>	<i>73 bps</i>
<i>Operational efficiency</i>	<i>55 bps</i>
<b>EBIT Q2 FY20 (Services)</b>	<b>11.2%</b>
<i>Less: DLM impact</i>	<i>164 bps</i>
<b>EBIT Q2 FY20 (Group)</b>	<b>9.6%</b>

# Cash Generation for Q2 FY20

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
<b>Services</b>			
<b>Operating Profit</b>	<b>1,526</b>	<b>1,403</b>	<b>1,466</b>
Other Income	333	199	520
<b>Profit from Operations</b>	<b>1,859</b>	<b>1,602</b>	<b>1,987</b>
DSO Movement (Receivables)	790	(1,320)	(284)
Other WC changes	(1,035)	593	62
<b>Operating CF after WC changes</b>	<b>1,614</b>	<b>875</b>	<b>1,765</b>
Less: Taxes	(553)	(240)	(436)
Less: Capex	(288)	(221)	(160)
<b>Free Cash Flow generated (Services) - i (prior to one offs)</b>	<b>773</b>	<b>414</b>	<b>1,168</b>
<b>DLM</b>			
<b>Free Cash Flow generated (DLM) - ii</b>	<b>25</b>	<b>(228)</b>	<b>417</b>
<b>Group FCF (i+ii) (prior to one offs)</b>	<b>798</b>	<b>186</b>	<b>1,585</b>
<b>FCF to EBITDA Conversion (prior to one offs)</b>	<b>42.9%</b>	<b>10.8%</b>	<b>72.3%</b>

All Figures in ₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
Normalised Group FCF from operations	1,108	401	1,639
<b>Normalised Group Conversion</b>	<b>51.0%</b>	<b>20.6%</b>	<b>72.9%</b>
Normalised Services FCF from operations	1,083	629	1,168
<b>Normalised Services Conversion</b>	<b>51.1%</b>	<b>33.1%</b>	<b>53.7%</b>

## Cash Generation –

- Cash and cash equivalents at a healthy levels of ₹8,641 Mn
- For the quarter, the normalised cash flow conversion stood at 51.1%.
- We continue to focus on improvement in FCF conversion through focus on collection and other working capital management

<h2>Highlights</h2>	<h2>Financial Update</h2>	<h2>Business Update</h2>
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<p><i>Annexures</i></p>		



# Investment Pipeline & Focus Areas: Q2FY20



\*Pre LOI and LOI reflect a balance position

## Active Investment Pursuits – Specific focus areas\*

<p><b>A&amp;D</b></p> <ul style="list-style-type: none"> <li>• IP led opportunities in systems, sub-systems and components in Avionics and Digital and MRO sub-systems</li> <li>• Mechanical manufacturing in engine externals</li> </ul>	<p><b>Comms</b></p> <ul style="list-style-type: none"> <li>• Wireless designing &amp; planning in the area of small cells</li> <li>• Engineer Furnish &amp; Install &amp; Commissioning &amp; Install activities</li> <li>• NGOSS solution providers &amp; Network Infrastructure provider – Build/Construct</li> </ul>	<p><b>Medical</b></p> <ul style="list-style-type: none"> <li>• Design to Build companies with OEM partnership in Diagnostic Imaging, In-vitro Diagnostic &amp; Cardiology</li> </ul>	<p><b>Rail</b></p> <ul style="list-style-type: none"> <li>• Signalling Application Engineering &amp; Testing</li> </ul>
<p><b>E&amp;U</b></p> <ul style="list-style-type: none"> <li>• Digital solutions – Connected equipment, Asset Health Monitoring, Digital Capital Projects and Industrial automation integration</li> </ul>	<p><b>SI&amp;A</b></p> <ul style="list-style-type: none"> <li>• Systems Co. with focus on Embedded Systems &amp; Software: Auto Expertise, Autonomous/Connected - HW &amp; SW &amp; IoT systems - HW /SW</li> </ul>	<p><b>DLM</b></p> <ul style="list-style-type: none"> <li>• Vertical led design specializing in high-mix, low-medium volume assemblies, quick-turn prototypes and new product introduction (NPI)</li> </ul>	<p><b>Corp. Inv.</b></p> <ul style="list-style-type: none"> <li>• Startup investments &amp; strategic organic opportunities: JV/Collaboration, IP investment</li> </ul>

# Industry Outlook & Business Performance (1/4)

## Aerospace & Defense

The Commercial aircraft order backlog continues to remain strong and the global geopolitical risks drives military spend. M&A activity is expected to remain strong with continued pressure on suppliers to reduce costs and increase production rates. The changes in the international trade agreements are likely to disrupt the global supply chain and increase costs.



## Communications

The communications industry is expected to witness single digit growth through the year, driven by broadband rollout and 5G deployment with key players making significant investments in 5G technologies. With 5G implementation expected to be customized to enterprise/business needs with high capex costs involved, the rollout speed is expected to be moderate through the year.



# Industry Outlook & Business Performance (2/4)

## Energy & Utilities

The Energy and Utilities industry is expected to witness a growth driven by rising commodity prices, focus on grid modernization and renewable energy. The utilities industry is witnessing significant growth driven by investments in distributed and renewable power generation projects and increasing regulatory driven requirements. The outlook for the mining sector is positive, there is a focus on embracing digital while optimizing productivity and portfolios.



## Transportation

The Transportation industry is expected to witness a growth driven by rail infrastructure and rail control systems segments. The demand for rail transport is rising in the growing megacities in Asia and India in particular. Demand for the near term is expected to be driven by conventional technology, but increasing focus on digitalization is expected to influence the nature of spends in the medium term.



# • Industry Outlook & Business Performance (3/4)

## Portfolio

The industrial segment growth has been restrained due to challenges in the worldwide economic conditions, fluctuations in pricing and material costs. The market is expected to rebound by 2021. The demand for construction equipment is expected to rise over the year in Asia Pacific region driven by increase in construction activity



## Semiconductor

The semiconductor industry is expected to witness a decline of ~15% through the year. This is a further drop to the earlier forecast at the beginning of the year. The decline in the industry is impacted by a number of factors. A weaker pricing environment for memory and some other chip types combined with the US-China trade dispute and lower growth in major applications, including smartphones, servers and PCs, is driving the decline in the industry.



# • Industry Outlook & Business Performance (4/4)

## Medical Technology and Healthcare

The medical device industry is poised for steady growth with the industry expected to grow at a rate of ~5% through the year. Digital technologies such as RPA, cloud, artificial intelligence (AI), and robotics, internet of medical things (IoMT), digital and virtual reality will continue to see increased investments.



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](http://www.cyient.com). Follow news about the company at @Cyient.

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## Disclaimer

All the references to Cyient's financial results in this update pertain to the company's consolidated operations comprising:

Wholly-owned and step down subsidiaries:

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.

Partly owned subsidiary: Cyient Solutions and Systems Private Limited.

Joint venture: 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.



**THANK YOU**





CYIENT

# INVESTOR PRESENTATION ANNEXURE

Q2 FY20

# • 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.

## • 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.

# • 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 cyclicity 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 cyclicity 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.

# • 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

# • 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.

# 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

# 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 (%)<sup>1</sup>

	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%

<sup>1</sup> Including DLM split across BUs



# Consolidated Operations Metrics

## Account Receivables (in Days)

	Q2 FY20	Q1 FY20	Q2 FY19
<b>DSO Total</b>	<b>95</b>	<b>104</b>	<b>82</b>
- Billed	64	74	59
- Unbilled	31	30	23

## Order Intake (\$ Mn)<sup>2</sup>

	Q2 FY20	Q1 FY20	Q2 FY19
Cyient Services	143	134	157
DLM	22	21	39
<b>Group OI Total</b>	<b>165</b>	<b>155</b>	<b>196</b>

<sup>2</sup> 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

# 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
<b>New Customers Added</b>	<b>20</b>	<b>21</b>	<b>15</b>

*\* 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%

# 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
<b>Total</b>	<b>264</b>	<b>283</b>	<b>568</b>

## 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

## Consolidated Other Financial Metrics (2/2)

### Outstanding Forward Contracts (Mn of respective currencies)<sup>1</sup>

	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

<sup>1</sup> Forward contracts are taken only for services business

# Consolidated Income Statement

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
<b>Operating Revenue</b>	<b>11,589</b>	<b>10,890</b>	<b>11,870</b>
<b>Cost of Revenue</b>	<b>7,601</b>	<b>7,140</b>	<b>7,780</b>
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
<b>Gross profit</b>	<b>3,987</b>	<b>3,750</b>	<b>4,089</b>
Sales and Marketing	531	611	645
General and Administration	1,859	1,693	1,819
Depreciation and Amortization	488	442	288
<b>EBIT</b>	<b>1,110</b>	<b>1,005</b>	<b>1,338</b>
Financial expenses	120	134	97
Other income	264	282	568
<b>Profit before tax (PBT)</b>	<b>1,254</b>	<b>1,152</b>	<b>1,809</b>
Tax	281	254	539
Associate & Minority Profit	12	6	1
<b>Profit After Tax (Reported)</b>	<b>985</b>	<b>905</b>	<b>1,271</b>
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%

# Consolidated Balance Sheet

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
- Share capital	550	550	565
- Reserves and surplus	25,206	24,314	24,649
<b>Total - Shareholders' funds</b>	<b>25,756</b>	<b>24,864</b>	<b>25,214</b>
<b>Non-current liabilities</b>			
- 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
<b>Total - Non-current liabilities</b>	<b>5,209</b>	<b>5,550</b>	<b>3,513</b>
<b>Current liabilities</b>			
- 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
<b>Total - Current liabilities</b>	<b>10,818</b>	<b>11,117</b>	<b>10,681</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>	<b>41,783</b>	<b>41,531</b>	<b>39,408</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
- 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
<b>Total - Non-current assets</b>	<b>16,710</b>	<b>16,382</b>	<b>13,387</b>
<b>Current assets</b>			
- 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
<b>Total - Current assets</b>	<b>25,073</b>	<b>25,149</b>	<b>26,021</b>
<b>TOTAL ASSETS</b>	<b>41,783</b>	<b>41,531</b>	<b>39,408</b>

# Consolidated Cash Flow Movement

₹ Mn	Q2 FY20	Q1 FY20	Q2 FY19
<b>Free cash flow, after non-operating income (prior to one offs)</b>	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
<b>Net change in cash</b>	428	-1,770	1,111
<b>Opening cash position</b>	8,213	9,983	10,999
<b>Closing cash position</b>	8,641	8,213	12,110
<b>FCF to EBITDA Conversion (prior to one offs)</b>	<b>42.9%</b>	<b>10.8%</b>	<b>72.3%</b>

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

# Cyient Metrics (Excluding Design Led Manufacturing)



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

## By Geography (%)<sup>1</sup>

	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%

<sup>1</sup> 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%

# 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
<b>DSO Total</b>	98	105	84
- Billed	61	71	57
- Unbilled	36	34	27

# 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
<b>New Customers Added</b>	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

# Cyient Metrics (Design Led Manufacturing)

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

## Income Statement - Abridged (In ₹ Mn)<sup>1</sup>

	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
<b>Gross Profit</b>	<b>169</b>	<b>108</b>	<b>180</b>
SG&A	138	83	121
Depreciation & amortisation	32	29	26
<b>EBIT</b>	<b>-0</b>	<b>-4</b>	<b>34</b>
Other Charges	8	18	19
<b>Profit Before Tax</b>	<b>-8</b>	<b>-22</b>	<b>14</b>

<sup>1</sup> Includes B&F Design Inc.

## By Geography (%)<sup>2</sup>

	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%

<sup>2</sup> India is included in APAC (from EMEA earlier), now restated for previous periods

# 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%

# 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
<b>New Customers Added</b>	<b>1</b>	<b>1</b>	<b>1</b>

*\* 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

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](http://www.cyient.com). Follow news about the company at @Cyient.

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## Disclaimer

All the references to Cyient's financial results in this update pertain to the company's consolidated operations comprising:

Wholly-owned and step down subsidiaries:

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.

Partly owned subsidiary: Cyient Solutions and Systems Private Limited.

Joint venture: 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.



# THANK YOU