

QUARTERLY EARNINGS BRIEFING

Q2 FY18

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.

Content

- **Highlights for the Quarter**
- **Financial Update**
 - Income statement update
 - Cash generation and other updates
- **Business Update**
 - M&A update
 - Other developments
 - Industry outlook
 - Future outlook

Highlights for the Quarter(1/2)

Financial Highlights for Q2 FY18

- **QoQ** revenue growth of **6.7%** - **highest ever** at \$150.1 Mn, **YoY** growth of **10.0%**
- **Services revenue QoQ** growth of **4.2%** - **highest ever** at \$134.3 Mn, **YoY** growth of **9.2%**
- Operating profit **QoQ** growth of **21.5%** (**operating margin up by 181 bps**) - **highest ever** at ₹1,409 Mn
- **QoQ earnings growth of 26.9%**, YoY growth of 14.6%; at **₹1,114 Mn - highest ever**
- ETR for the quarter stands at 28.1%, down 302 bps QoQ
- Cash & cash equivalents at healthy levels; at ₹9,867 Mn
- Company declared an **interim dividend of ₹5.0/Share - highest ever**, revised the dividend policy to **dividend pay out of up to 40%** from current pay out of up to 30%, barring unusual situations

Business Highlights for Q2 FY18

- Well rounded growth across all Business Units and Geographies
 - Led by **Transportation** and **Communications** at ~31% & ~16% YoY \$ terms respectively
 - **EMEA** and **APAC** posted a robust growth of ~24% & ~16% YoY in \$ terms respectively
- **Attrition at 16.8%; lowest ever** in last 15 quarters
- 27 new customers added

Highlights for the Quarter (2/2)



CSR Activities

- Continue to support 25 Government Schools - supporting underprivileged children; added one more Cyient Digital Centre that provides digital educational resources; and taking the total to 55
- Cyient Foundation joined hands with the Telangana State Government for the “Haritha Haram” initiative - 5000 plants were planted as part of the initiative



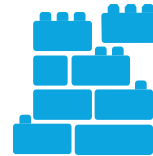
Infrastructure

- Opening a New center in Hyderabad (Lanco Hills) which is expected to be ready by Q4
- Expanding Center of Excellence with additional capacity of 100 seats for a key Transportation customer



Awards

- Cyient won award for “Best Implementation” at the Field Service 2017 Technology Awards
- Certon, our Avionics set up in Florida, USA , awarded the Platinum Premier ranking as part of Trusted Supplier Program from Rockwell Collins
- Boeing Test and Evaluation Excellence in Quality Award in the category of “Use Standard Work for Completing 737-7 Project”
- Winner of 2017 Singapore HEALTH (Helping Employees Achieve Life Time Health) – Merit award



Operations

- Initiated IP Based automation tool – Robotic process automation, using opensource technology
- Cyient Singapore certified for AS9100C and ISO 9001
- Completed ISO 13485 surveillance audit for medical devices product and service quality

Revenue at a Glance

Revenue	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	YoY (%)	QoQ (%)
Revenue (US\$ Mn)	136.5	135.8	141.0	140.6	150.1	10.0%	6.7%
Revenue (₹ Million)	9,136	9,171	9,410	9,070	9,654	5.7%	6.4%

Business Units	Revenue		\$ Growth	
	\$ Mn	YoY	YoY	QoQ
Aerospace & Defence	46.6	3.0%	3.0%	2.9%
Communications	31.2	16.3%	16.3%	6.5%
Industrial & ENR	11.6	1.0%	1.0%	6.1%
Medical & Healthcare	2.9	26.0%	26.0%	13.6%
Semiconductor	5.5	10.2%	10.2%	-4.8%
Transportation	15.1	30.6%	30.6%	11.8%
U&G	21.3	3.7%	3.7%	-0.5%
Services	134.3	9.2%	9.2%	4.2%
DLM	15.8	17.4%	17.4%	33.7%

Geography	Revenue		\$ Growth	
	\$ Mn	YoY	YoY	QoQ
Americas	75.2	0.7%	0.7%	1.5%
EMEA	49.2	23.9%	23.9%	15.7%
Asia Pacific	25.7	16.2%	16.2%	6.8%

Group	150.1	10.0%	10.0%	6.7%
--------------	--------------	--------------	--------------	-------------

- QoQ revenue growth of 6.7% - highest ever at \$150.1 Mn, YoY growth of 10.0%
- Services revenue QoQ growth of 4.2% - highest ever at \$134.3 Mn, YoY growth of 9.2%
- Well rounded growth across all Business Units and Geographies
 - Led by Transportation and Communication at ~31% & ~16% YoY \$ terms respectively
 - EMEA and APAC posted a robust growth of ~24% & ~16% YoY in \$ terms respectively

Income Statement

Particulars	UoM	Q2 FY17	Q1 FY18	Q2 FY18
Revenue	₹ Mn	9,136	9,070	9,654
Cost of Revenue	₹ Mn	5,990	5,904	6,236
Gross Profit	₹ Mn	3,146	3,166	3,418
Operating Profit	₹ Mn	1,283	1,160	1,409
Tax	₹ Mn	267	373	421
Net Profit	₹ Mn	973	878	1,114
EPS	₹/share	8.6	7.8	9.9

Gross Margin	%	34.4%	34.9%	35.4%
Operating Margin	%	14.0%	12.8%	14.6%
Effective Tax Rate	%	22.6%	31.1%	28.1%
Net Margin	%	10.4%	9.3%	11.1%

Operating profit Movement

- Despite the wage hike impact, OPM improved by 181 bps QoQ due to better SG&A absorption and Gross Margin improved by 50 bps, aided by higher offshoring and increased utilization and improved onshore margins

Profit After Tax Movement

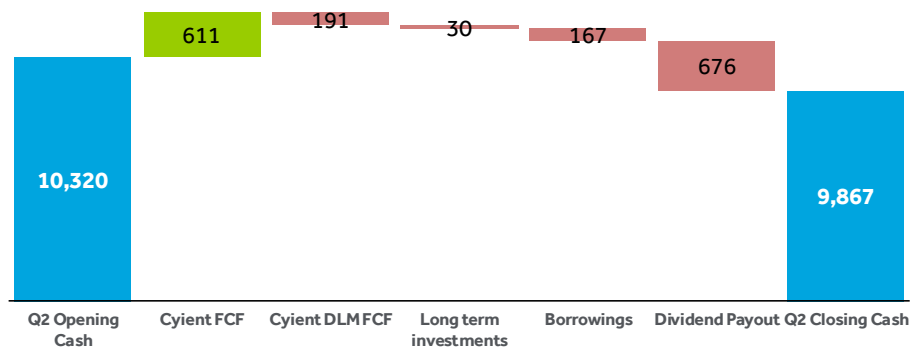
- QoQ growth of 26.9% in Net Profit is driven by growth in Operating profit and other Income
- ETR for Q2 FY18 lower by ~300 bps mainly due to favourable business mix in Q2 and gradual increase in SEZ headcount; expect significant SEZ ramp up in H2 FY18. The ETR for FY18 is expected to be in the range of 26-28%

Cash Generation

Cash Generation			
Particulars	UOM	Q1 FY18	Q2 FY18
Cash Position	₹ Mn	10,320	9,867
	\$ Mn	159.4	150.9
FCF - Cyient	₹ Mn	767	611
	\$ Mn	11.9	9.5
	% of EBITDA	49.1%	33.8%
FCF - DLM	₹ Mn	-119	-191
FCF - Group	₹ Mn	648	420
	% of EBITDA	42.9%	23.1%
Capex	% of Revenue	2.8%	2.5%

- Cash & cash equivalents at a healthy position of ₹9,867 Mn after a dividend payout of ₹676 Mn
- ₹611 Mn of cash generated in Services for the Quarter; ~41% conversion in H1 of ₹1,378 Mn for services;
- DLM consumed a FCF of (₹ 191) Mn due to one offs, likely to be positive from Q3 onwards

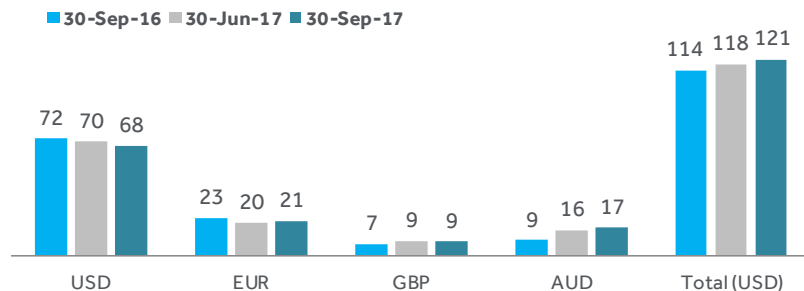
Q2 FY18 Cash Generation & Utilization (₹ Mn)



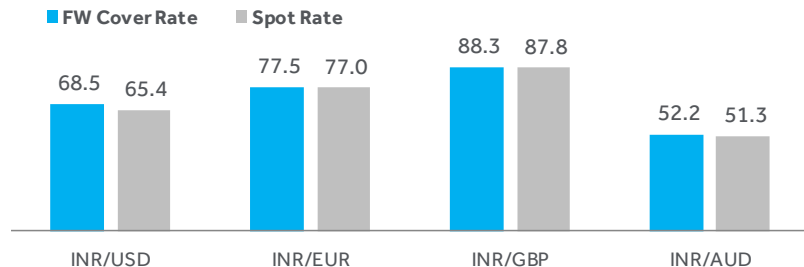
Hedge Book and Other Income

Outstanding Forward Contracts*

Value in respective currency Mn



Booked Rate (in ₹) for next 12 Months



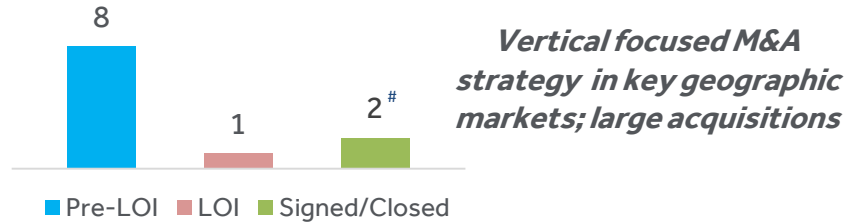
Other income

Particulars	Q2 FY17	Q1 FY18	Q2 FY18
Income from Treasury			
Interest on Investments/deposits	86	104	98
Dividend on mutual funds	9	11	10
Subtotal (A)	95	115	108
Realised Gain/(Loss) on Fw contracts (B)	95	216	161
UnRealised FX Gain/(Loss) (C)	-61	-14	93
Others (D)	55	34	45
GRAND TOTAL (A+B+C+D)	184	351	406

- Despite volatility in major currencies, the company continues to benefit from consistent Fx policy of hedging ~70% for next 12 months (total \$121Mn)
- Other income increased on account of notional unrealized gain/loss
- Company continues to make realised gains - ₹161Mn in Q2
- On realized gain/losses on forward contracts, company has strong position for the next 12 months; at current spot rate (30th Sep'17) forward contract gains would be ~\$3.6 Mn

Investment Pipeline & Focus Areas: Q2 FY'18

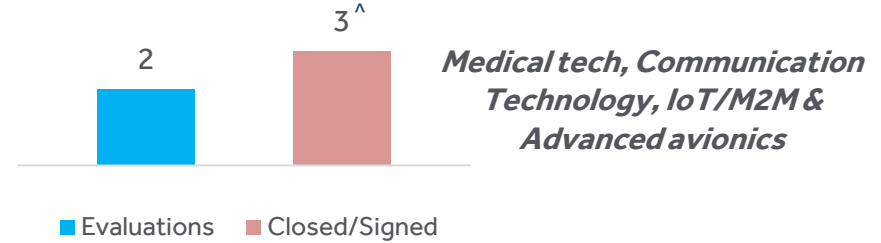
M&A



*Pre LOI and LOI reflect a balance position

[#] Includes signing of definitive agreement for acquiring B&F Design Inc. and the divestment of stake in Infotech Aerospace Inc. (IASI)

Corporate Investments



[^] Includes one fresh investment, one follow-on investment and an exit from an investment

Active Investment Pursuits



A&D

- Manufacturing engg. and repair engg. services
- Avionics System/Sub-system and Solutions



Communication

- Wireless design and planning companies
- Next generation communication solution capabilities



Medical

- Design to Build companies with OEM partnerships



Transportation

- Signalling Application Engineering & Testing



I&ENR

- Process engineering firm for power & oil & gas industries



Semiconductor/IOI/Analytics

- Solutions offering with skills in verification, design for test, embedded & analog for connected car and industrial markets



DLM

- Design to build / low volume high value build manufacturing



Corporate Investments

- Startup investments & strategic organic opportunities: JV/Collaboration, IP investment

Other Developments for the Quarter (1/2)

- Cyient Limited through its step down subsidiary Cyient Defense Services Inc. signed a definitive agreement to acquire **100% equity ownership in B&F Design** Inc. (B&F Design), a company specializing in tooling and precision engineering, employing ~47 associates with an annual revenue run rate of \$8.5 Mn. Further, this transaction strengthens relationship with our largest customer in A&D, which accounts for ~ 70% of B&F Design's revenue. Transaction likely to be closed by end of Q3.
- Cyient signed a **definitive agreement to divest its 49% equity ownership in IASI**, a 51:49 Joint Venture between Pratt & Whitney and Cyient. This is in line with Cyient's strategy to exit the non-core businesses. Transaction likely to be closed in Q3.
- Cyient Inc. entered into a software licensing and services agreement with **Elpis** to obtain a 10 year license to integrate iDMS, with an exclusive license rights to resell Elpis RE/Grid platform to Cyient's utility clients globally. This will augment the portfolio of services and solutions in Utilities and Geospatial business unit.

Other Developments for the Quarter (2/2)

- **UTC divested its equity stake in Cyient.** Commenting on the development, UTC Senior Vice President of Operations, Peter Longo said, *“The decision to reduce UTC’s stake in Cyient demonstrates the trust and confidence we have in Cyient as a strategic supplier. The sale of shares has no impact on the ongoing commercial relationship, and we expect Cyient will continue to provide world-class engineering and other value-added services and products.”**
- Cyient has had a long term partnership with UTC and has undertaken a number of initiatives aligned to UTC strategy in the past.
 - Cyient and UTC extended the master terms agreement through 2020, enabling Cyient to provide technical services to UTC company-wide
 - Cyient is one of the early ACE Gold Suppliers to UTC – of the 25,000 UTC suppliers
 - Qualification of Cyient DLM Pvt. Ltd as an approved product supplier to UTC Aerospace Systems
 - Signing of definitive agreement to acquire Connecticut, USA based B&F Design Inc. for the tooling and precision engineering capability. UTC is its largest customer.
 - Acquisition of Certon Software Inc. to strengthen its play in the Avionics part of the Aerospace value chain
 - The above initiatives enables Cyient to provide a wider portfolio of services and solutions and thereby strengthening the relationship

Industry outlook (1/4)



AEROSPACE & DEFENSE

Global A&D market will experience stronger growth in 2017, following multiple years of positive but subdued growth rates. Revenues in the defense sector is expected to increase by 3.2% in 2017, driven primarily by spending in the U.S. For FY2018, we expect growth in our avionics segment, owing to increased capabilities from the CERTON integration. We are witnessing continued growth in manufacturing and aftermarket. We are also investing in new technologies to help support our clients through digital transformation initiatives. These investments will primarily focus on additive manufacturing, augmented reality, IOT, and analytics.

The communications industry continues to be a critical force for growth, innovation, and disruption across multiple segments. The industry is witnessing increased demand for high-speed infrastructure as well as fiber deployment across Australia, New Zealand, and the U.S. The growth momentum continues into FY 18, as we see growth opportunities from fiber roll-out programs, and small cell design and deployment in Australia and North America. We are also focused on building solutions around service assurance and analytics.



COMMUNICATIONS

Industry outlook (2/4)



UTILITIES AND GEOSPATIAL

The U&G industry continues to witness growth, spearheaded by the adoption of grid edge technology. Advanced Metering Infrastructure (AMI) and Smart Meters rollouts continue - generating more data, software, and analytics-related opportunities. Along with this, the price and cost pressures in the industry are leading to an emphasis on optimization and efficient asset and work management services. Our outlook for the U&G business unit remains positive, with growth expected to be driven by strong order backlog and new accounts.

The Rail Transportation industry is witnessing large-scale investments in infrastructure globally and the USD 180 billion industry is poised to grow by about 3% over the next five years . This positive and sustainable growth sentiment is evenly spread across our prime segments such as rolling stock and signaling. We will continue to focus on building our capabilities across both these sectors. The Transport business unit witnessed a double digit growth YoY supported by momentum in key accounts. We expect strong growth in FY18 owing to growth in our focus segments of rolling stock and signaling, our strong long term relationships, and healthy opportunity pipeline.



TRANSPORTATION

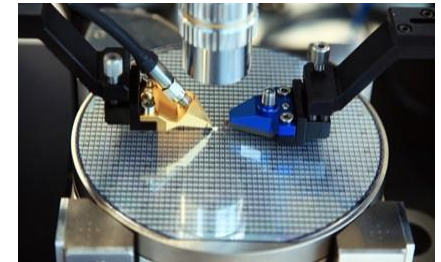
Industry outlook (3/4)



INDUSTRIAL, ENERGY AND NATURAL RESOURCES

The industry continues to witness pressure on Capex spending. Original Equipment Manufacturers are shifting focus away from product development to cost takeout. The emphasis is on improving products through new technologies such as telematics, electronics, IoT, and analytics. For FY2018, demand continues to be soft. To drive growth in this segment, we will focus on infrastructure management services and develop new adjacent solutions with analytics, electronics, and design led manufacturing.

The Semiconductor industry is forecast to grow by 7.2% in 2017, a much larger growth compared to 1.5% in 2016. Overall, the negative growth that was observed last year, will turn into a more consistent growth in 2017. The industry continues to witness a trend towards consolidation with revenue growth and intellectual property acquisition being the major drivers. We had a strong Q1 and believe that the growth momentum will continue through the year.



SEMICONDUCTOR

Industry outlook (4/4)



MEDICAL TECHNOLOGY AND HEALTHCARE

The global medical device market is expected to reach an estimated \$342.9 billion by 2021 with a CAGR of 4.6% from 2016 to 2021. The major drivers of growth for this market are the growth in healthcare expenditure, increasing health awareness, and ageing population. The emerging trends, which have a direct impact on the dynamics of the medical device industry, include design and manufacturing of portable and smaller devices and increasing usage of software as a differentiator in medical devices. We are optimistic about our growth in the segment and continue to add new clients in our focus segments. We also continue to witness momentum across both our engineering and manufacturing services.

The manufacturing industry outlook continues to be positive, particularly in the Telecommunications, Defense, and Transportation markets, which will help drive growth for Cyient. Our outlook for FY2018 is strong, backed by a steady pipeline and order backlog, and we expect a double-digit growth in the business unit.



DESIGN LED MANUFACTURING

Future outlook for FY 18

Revenue Growth

- Double digit growth in the services business
- DLM business will be in the ballpark of 20% growth

Margin Expansion of ~50bps through Operational Efficiency Improvements

- Operational improvements: ~350 bps
 - Utilization ~50 bps; Higher Offshore mix ~50 bps
 - Onsite Margin 100 bps; Pyramid correction and SG&A absorption 150 bps
- Offset by: 300 bps
 - Wage Hike ~150 bps and Investments ~100 bps
 - Pricing pressure (Rate decrease net of increases) ~50 bps
- DLM Margins will be ~breakeven this year due to continued investments; synergies to come from FY19 onwards

Earnings Growth

- Double digit earnings growth in FY18

Q&A