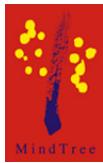


MindTree Limited Q1 FY 2012-13
Earnings Conference Call

July 16, 2012



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Moderator:

Ladies and gentlemen good day and welcome to the earnings conference call to discuss the results of MindTree Limited for the First Quarter ended June 30, 2012. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Sushanth Pai. Thank you and over to you sir.

Sushanth Pai:

Thanks, Myron. Welcome to this conference call to discuss the financial results for MindTree Limited for the first quarter ended 30th June 2012. I am Sushanth from the Investor Relations Team in Bangalore. We have with us the senior management team including N. Krishnakumar – CEO and Managing Director; Janakiraman S –President and Chief Technology Officer, Ashok Krishnamoorthy -- President, Product Engineering Services (PES); Anjan Lahiri – President, IT Services; Parthasarathy NS – President, IMTS & Testing and COO; Rostow Ravanan – CFO; Ravishankar – Global Head, People Function and George Zacharias -- Chief Strategy and Marketing Officer.

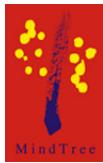
The agenda for the session is as follows: Krishnakumar and Rostow will begin with a brief overview of the company's performance, after which we will open the floor for the Q&A session. Please note that this call is meant for the analysts and investors. In case there is anyone from the media, request you to please disconnect as we just concluded the media briefing before this call.

Before I hand over let me begin with the Safe Harbor statement. During the course of the call we could make forward looking statements. These statements are considering the environment we see as of today and obviously carry a risk in terms of uncertainty because of which the actual results could be different. We do not undertake to update those statements periodically. I now pass it on to Krishnakumar.

N. Krishnakumar:

Thanks, Sushanth. Q1 has been an overall a satisfying quarter for MindTree inspite of very difficult macroeconomic conditions. Q1 has seen a small growth of 0.4% QoQ in terms of revenue. On constant currency terms, the growth is nearly 1.2% QoQ. Our margins have shown good improvement, mainly due to the rupee depreciation as well as an increase due to an operational efficiency improvement. I am happy to note that we had indicated four to five quarters back that we would consistently show margin expansions quarter after quarter and this trend continues in Q1 of FY13 also. Rostow will provide you more details on this later.

Other highlights of our Q1 results are: Q1 revenues were \$105.5 million representing a QoQ growth of 0.4% and a YoY growth of 14%. IT Services reported a 3.1% growth QoQ. Product Engineering Services business declined by 5.1% QoQ. This has been one of the main reasons for a slow Q1. The decline in Product Engineering Services was mainly due to project ramp



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downs from a couple of customers. We expect that PES will show a growth in the coming quarter with some of our new wins ramping up. Within IT Services all industry groups reported QoQ growth. Manufacturing and Retail and BFSI showed greater than 4% QoQ growth. In terms of service offerings, our infrastructure management and technical support service has reported a good 15.7% QoQ growth. We added 19 customers during this quarter. With this we have 245 active customers. During Q1, \$1 million customers increased by 1 to 78 and \$10 million customers increased by 1 to 8.

Some of the significant wins in this quarter are as follows:

- A large European travel and transportation company. MindTree will provide services in the area of e-commerce platform for this existing client.
- A large US bank. MindTree has been chosen as its application development partner.
- A large provider of production management services to the entertainment industry. MindTree will provide Product Engineering Services to develop a next generation production accounting and finance system.
- A world leader in the computer and software technology industry. MindTree will provide Consulting and support services for its cloud platform for this existing client.

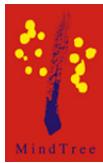
On the people front, the attrition on a trailing 12-month basis has come down to 17% as compared to 18.2% at the end of Q4. We have 10,830 MindTree minds reflecting a gross addition of 272 people in the quarter.

Let me provide some key points and how we see the remainder of FY13. The global demand environment continues to be challenging as customers are cautious in their IT spending. With our strategic initiatives, we expect to achieve growth in line with NASSCOM's current industry estimates. Our IT Services business continues to grow. Our Product Engineering Services is prone to volatility and we expect it to be flat to marginal growth for FY13.

Now, let me pass on to my colleague, Rostow to share a few other financial highlights.

Rostow Ravanan:

Thank you, KK. Some additional points apart from what KK has covered on our financials. Firstly, this quarter we reported our standalone financial results. The only reason for that is we had only one subsidiary which was MindTree subsidiary in China that is under the process of winding up, there is pretty much no revenue or expenses in that subsidiary and there is a very small amount of cash balance in the subsidiary. So, therefore the operations of the subsidiary are not meaningful, they are very small, and since it is under process of winding up we have declared the standalone results for the quarter. Even if you look at over the last few quarters the impact between the standalone and the consolidated was very small and therefore we reported the standalone results for this quarter. Secondly, I am happy to inform you that we have started to report our unaudited financial results under IFRS as well. This is a purely



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voluntary initiative to make our results comparable to some of the larger players in our industry who also declare IFRS numbers.

Coming to our performance in Q1, overall like KK mentioned, the revenue growth was 0.4%, broadly both volume growth and pricing was flat in the quarter. We had a very small volume growth of 0.2% and a small impact of 0.4% improvement in pricing but anecdotally both of them have minor movements. Overall, the picture on both volume growth and pricing tends to be stable.

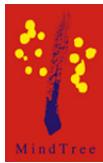
On the margin front, Q1 EBITDA margins were 20.8% compared to 18.7% in the previous quarter which is an increase of 210 basis points. The breakdown for that is a currency benefit of 2.3% which is the rupee depreciation against the dollar, net of the cross currency impact, that benefit was 2.3%. Operational improvements gave a gain of 0.8%, which was offset by the impact of salary increases of 1%. Salary increases were approximately, 80% of the people were covered and this increase was effective 1st June. Increase in offshore was 8% and increase in onsite was 2-3%. Of the remaining people, about 18% of the people would get their hikes effective 1st September and the last 2% would get their hike effective 1st October. The margin expansion on the quarter should also be viewed with the perspective that we continue to invest significantly in our front end customer facing teams to position ourselves appropriately and help us win large deals. We are seeing an encouraging progress on this.

The other major highlight of the quarter is that our restructuring of the PES business over the last few quarters has yielded good results. In this quarter both the ITS and the PES business have had almost the same margins of 20.8% for the quarter at an EBITDA level.

Forex gain in the quarter from day-to-day operations was about \$600,000 and a mark-to-market gain of \$1 million. Therefore, the total Forex gain for the quarter is \$1.6 million. Effective tax rate for this quarter was 22.6% which has gone up from approximately 17% in the previous quarter, mainly because two of our older SEZ facilities moved from 100% tax exemption to 50% tax exemption in this quarter. We expect the tax rates to be stable at around these levels for the full year FY13.

PAT for the quarter is 15.8% compared to 13.1% in the previous quarter, which is a 21% growth in dollar terms over the last quarter and 116% growth YoY. EPS for the quarter was 21.6 which is also a very good growth of 28% sequential quarter basis and 153% YoY basis.

Utilization for the quarter including trainees was 68.9% which is a small increase compared to 67.8% in the previous quarter. As of 30th June we have \$122 million worth of outstanding hedges for the remainder of FY13, which is at an average rate of 50.31. We also have \$26 million worth of hedges for FY14 at an average rate of 57.77. In total, we have \$148 million worth of hedges. Capex spend for the quarter was approximately \$3 million, predominantly towards the new facilities.



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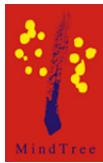
In conclusion, some points on our margin outlook, as I had mentioned before, our increments were only done on 1st June for about 80% of our people, therefore, the next quarter will have the full impact of a salary increase and also on other 18% of our people will get their increments with effect from 1st September. So, the negative headwinds to our profitability will be the impact of the salary increases. At an EBITDA level we believe the increased revenue we are expecting in the second quarter as well as the operational efficiencies should be able to meet the headwinds because of currency and at an EBITDA level probably we will end up in a stable EBITDA between Q1 and Q2. However, post EBITDA, Forex can play a big swing and therefore our PAT for the quarter could get impacted depending on how currency moves during the course of the quarter.

With that I would like to turn it over to you for question and answers.

Moderator: Thank you. We have the first question from the line of Rishi Maheshwari from Enam Asset Management. Please go ahead.

Rishi Maheshwari: I have two questions. One, to understand the assumptions that you have built in your growth outlook. Given the NASSCOM estimates of about 11-14%, I am looking at about 4-6% sequential growth from hereon to the fourth quarter. How is this driven by volume and pricing and is this more back-ended or is this evenly spread through all the quarters? My second question is on the SG&A, your operational efficiencies been commended, it seems that it has dropped from about 109 crores of SG&A to about 101 crores in the quarter. How is this sustainable and how do you plan to take this forward?

N. Krishnakumar: Maybe Rishi, I will give you a few perspectives and then probably ask Anjan and Ashok to add other points and Rostow maybe specifically on the SG&A. What we are clearly seeing is like we had articulated earlier in the call, we continue to see the momentum continuing in IT Services. Yes, there are delays in decision-making but we do not hear any negative messages from customers. None of our customers are talking in terms of budgets cut, decisions are being made though the cycle time for the decision is taking longer. So to that extent we would anticipate that in IT Services we will continue to sort of have the growth as we go forward. In the Product Engineering Services business, yes, it is subject to some level of volatility but there also we see decisions being made. In the last between four and six weeks we have won about two orders in the sub-\$10 million range there which will give us some headroom and like we articulated earlier in the call we certainly see the Product Engineering business growing during the next quarter. Obviously, that is the business which is more prone to volatility and to that extent as and when we get new insights we will sort of give an update. But what we would also like to submit is that I think like Rostow alluded in his remarks, we are sort of going through a fairly strong, I would say, fundamental changes in that business and the business in transition, but what is happening is that I think the market is validating some of the changes which we are doing. Recently, Zinnov released a report on the Product Engineering Services market and MindTree was ranked amongst the Top Five in that and some



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of the positive indicators that the strategy is working are clearly you would see that the margins have improved to the extent, today, it is comparable with our IT Services business. If you look at IP and non-linear revenues there clearly, that is also on the uptick. And what will clearly continue to drive is really what we call are the four key themes in the Product Engineering Services business. One is what we call 'Collaborative Engineering' where we do take over product ownership from customers based on the expertise we bring in, which is already being successful with one client. We will continue to push the envelope on the IP licensing and platform-based revenues which are also strongly driven by our expertise. Already, we have a clear leadership in the Cloud Engineering Services space and we do see strong growth momentum in that space. And the last element is clearly testing and particularly in the Product Engineering area testing as a differentiator is clearly an area where MindTree has tremendous capabilities and that will be really the fourth aspect of our strategy through which we will bring growth back into the Product Engineering Services business. So, overall, it is not just going to be a back-ended growth. We do see that we will grow in Q2 also. And to that extent right now based on what we are seeing in terms of opportunities and the funnel both in IT Services and Product Engineering Services business, we are confident that we will be in line with NASSCOM's current industry estimates.

Rostow Ravanan:

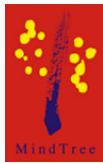
On the SG&A front, I think like KK and I both explained, some of the efforts on restructuring have yielded us good results. There maybe some amount of few more additions we need to do on the front end customer facing people to get us positioned well for some of the large deals that we are pursuing, but my guess is these are already relatively small additions we need to do going forward. But I think more important factor on SG&A is that between Q2 and Q3 we will do the salary revisions for the people in the senior bucket and many of them would typically be in this part. So, whatever company level average salary increases get done, will get done for this bucket as well. So, we will drive efficiency, we believe that there are more operational leverages that we can deliver from our SG&A front as well, but on a Quarter-to-Quarter basis next quarter we could see some small increases because of the salary revisions that will happen.

Moderator:

Thank you. The next question is from the line of Srivatsan Ramachandran from Spark Capital. Please go ahead.

Srivatsan Ramachandran:

Hi, KK. Just wanted your comments on, for the first time after some three, four quarters, we have seen an absolute client increase happening. So, just wanted to get some better understanding, would most of these clients be in the end markets where we are chasing deals in the IT Services, PES space because in the course of FY12, we are letting go off small clients in end markets where we do not want to be present at least for the near-term basis. So would most of these client additions be in end markets which we are strong and could you give some qualitative nature of clients, engagements and other things?



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N. Krishnakumar:

I think that is a great question, Srivatsan. I think you are absolutely right, the number of clients have gone up and to give you a high level view the number of additions of that 19, the larger number is in the Product Engineering Services business because like I pointed out earlier clearly we are gaining a leadership position in the Cloud Engineering Services space and there are a number of start-up opportunities where we have started engineering work. So, they tend to be smaller engagements typically in the 300 to 500k range and the number of client additions have happened. But beyond that I think what we are certainly happy about is the disciplined growth which we have had last quarter which really means that the quality of sales which we have got is really clients whom we want to work with and in the segments where we want to gain leadership. To the extent we have not deviated from that. Again, you would see that at a blended pricing level, we have had stable pricing, so we have maintained a very disciplined approach to growth, maintain stable pricing and got the quality of sales at the same level or even trying to up the bar on the quality of sales which we are getting.

Srivatsan Ramachandran: My next question is on the, at the beginning of this year you were saying that you will be confident of beating NASSCOM and looking at PES growing at possibly in the higher single digit numbers, possibly that number stands at a lower single digit number and still you are confident of growing at the NASSCOM range. So, is it safe to assume that the visibility on the deal flows in IT Services is better than what we anticipated, maybe at the time of April?

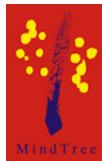
N. Krishnakumar:

I am going to make a few comments and ask Anjan to substantiate this. Yes, there are a number of conversations and what is more important is I think we have not seen clients give any negative messages which is one reason why you will find our top five clients have grown QoQ by about 7% and to that extent our account mining strategy is clearly delivering us results. And decision-making cycles or the time cycles for making decisions are taking longer which obviously is resulting in ramp-ups being slower and consequently, yes, it has reflected even in this quarter in terms of a lower QoQ growth. Anjan, do you want to add anything on the pipeline for ITS?

Anjan Lahiri:

Absolutely, I think while there is a caution and delays, the need to invest and the urgency to invest remains. Another comment that we have heard from our larger clients is that a lot of the investments that the largest companies are making is for their own growth in newer markets, particularly in Asia Pacific and despite the relative softness in the western economy, they want to continue investing. And of course, corporate profits continue to be healthy, but of course the macro environment affects sentiment but the need, momentum, etc. is robust and continues to give us confidence.

Srivatsan Ramachandran: Sure, my last question is for Rostow. Could you just help us bridge the margin performance, maybe break it up to internal improvements, Forex and other parameters?



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Rostow Ravanan: Like I explained, the overall EBITDA improvement was 2.1%. That breaks up to 2.3% benefit of the rupee depreciation and 0.8% of operational efficiency, offset by 1% due to the impact of increase in staff cost.

Moderator: Thank you. The next question is from the line of Nitin Mohta from Macquarie. Please go ahead.

Nitin Mohta: Just wanted to understand the pricing. I did catch KK's comment about pricing being stable, but specifically on Product Engineering Services side, want to kind of dig a little deeper, what is the change between April to now for lowering the outlook, I understand this is volatile, but is this related to pricing or is it related to less deal wins as compared to an earlier anticipation?

N. Krishnakumar: I am just going to give a few perspectives and I will ask Ashok to add. Clearly, what has changed in the Product Engineering Services in April is a few planned R&D projects been called off by two of our key clients which has certainly resulted in both volume as well as revenues dropping there. But beyond those two clients in our top ten if you just take on a comparable basis, our top ten clients have grown, it is primarily because of ramp downs from these two clients which is also not segment-related but primarily more client-related specific things where future engineering efforts have sort of being put on hold and consequently that has had an impact in terms of both the volume outlook for this quarter as well as lowering the future outlook for the Product Engineering Services business.

Ashok Krishnamoorthy: Just wanted to add, in addition to decline in the two accounts, we also consciously dropped about seven accounts in this quarter because they were essentially low yield accounts and this was part of our strategy and therefore that also impacted and resulted in a decline.

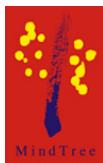
N. Krishnakumar: Again, just to clarify another part of your question, in the Product Engineering Services business also, our pricing has been stable and we are not facing any pressure on pricing there. In fact, with one very key client we ended up having a price increase during this quarter.

Nitin Mohta: And just on the IT Services segment as well, one of the larger peers reported last week, mentioned about sporadic price discounts that they have given to their customers, any such experiences that you have had in the IT Services segment?

Anjan Lahiri: Pricing is stable, we are not seeing any push from the customers. I think we have mutually value adding relationships which are respected on both sides.

Moderator: Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: Just want you to give your comments in terms of offshore pricing decline for the last couple of quarters if you could talk about the outlook on that side? And then earlier you indicated that



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sales pipeline is pretty healthy, however, there is a delay in decision making. If you could talk about the outlook within your focus verticals as well as your top clients over there? And the last question is for Rostow in terms of your margin outlook for the next quarter, if you could once again give us the headwinds and the tailwinds over there and our hiring outlook?

N. Krishnakumar: Let me ask Anjan to talk about the industry segments and the outlook and also cover the pricing then Ashok can give his view.

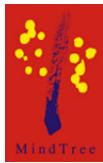
Anjan Lahiri: In terms of major industry outlook, Manufacturing and Retail grew by 4.1% and BFSI grew by 4.5% this quarter and we expect BFSI to continue growing at similar or maybe slightly better numbers as we move forward. Manufacturing has been under a lot of pressure but we are a little less sanguine on Manufacturing shall I say than on BFSI. The balance grew about 1.5% and we hope to improve that number in the subsequent quarter. So, overall this is a reflection in numerical terms of the deal pipeline.

Ashok Krishnamoorthy: In Product Engineering Services, key verticals that we address are Enterprise Software, Consumer and Communications and Portals. The Enterprise software vertical showed a healthy growth rate upwards of 4% and the Consumer and Communications growth had a decline and the Portal also had a decline. Actually, the two accounts that we referred to earlier were across these two segments and that is why the QoQ growth was impacted. Going forward we expect that the Enterprise Software vertical will continue to show a reasonably good growth whereas both Consumer and Communication, portals will stabilize.

Rostow Ravanan: On the margins front for the quarter, I like to split it between what happens at an EBITDA level and what happens below an EBITDA. At an EBITDA level the benefits we expect are the revenue growth that KK and Anjan outlined and we are expecting to see for the coming quarters and the continued benefits of the operational initiatives that we are delivering. On the headwind side, I think the salary revisions affect us in Q2 for the whole quarter for our junior people whereas it affected us only for one month in Q1. And the salary increases for the small group of people that will also happen in 1st of September. So, salary increases in those two cases would be the negative headwind. Our view is as of now we expect therefore the net impact of these two should still be sort of stable. So EBITDA for Q2 should be approximately the same level as where we are in Q1. However, at the PAT level it becomes a little bit more uncertain because we do not know which way currency will go and therefore the exchange gain or loss is not planable, probably difficult to predict the PAT movement between this quarter and next quarter.

Manik Taneja: And how about our pricing decline that we have seen and the hiring outlook?

Rostow Ravanan: I think the pricing decline to some extent was a movement in a few projects, nothing that sort of majorly stands out as a trend over there. On an overall basis pricing has been flat, that sort



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of the broad trend that we are seeing in the market. I will get Parthasarathy, our Chief Operating Officer to answer the question on the hiring outlook.

NS Parthasarathy:

We expect the hiring into two parts in terms of campus hiring and lateral hiring. We already have offers out in the market for lateral hiring which will take care of our growth needs in Q2. In terms of campus hiring like we have mentioned last time, we have made 3000 campus offers and the first campus batch will be joining us in Q2 as well.

Manik Taneja:

And would our hiring campus be mostly in Q2 and Q3?

NS Parthasarathy:

The campus joining will be spread across all the quarters.

Moderator:

Thank you. The next question is from the line of Himani Agarwal from Subhkam Ventures. Please go ahead.

Sangam:

Hi, this is Sangam, here. Sorry to harp on the same question on your growth outlook. Could you please tell me in terms of when we spoke about PES being stable for the year and also subsequently saying that you would be meeting the NASSCOM guidance. So, from where are you getting the confidence in order to achieve this kind of growth in the next three quarters, which is almost 8-9% sequential growth.

Rostow Ravanan:

I think the 8-9% sequential growth probably was not an estimate that we outlined. What KK mentioned was that the year as a whole will be in line with the NASSCOM's current estimate of 11-14%. So MindTree's growth rate will be in line with the industry estimates. But a broader question that you asked was where we are getting the confidence for our growth. It is predominantly from the deal wins that we have had over the last few quarters, some of the new wins, both in existing accounts as well as some of the new wins are continuing to ramp up. So that is what gives us the confidence that over the next two, three quarters growth momentum will be sustained and therefore we will be in line with the NASSCOM's industry estimates of growth for this year.

Sangam:

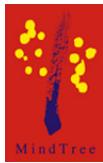
Because if I look at the metrics provided by the company we see that onsite has gone up by almost 330 bps sequentially. This itself is an indication of the ramping up of deals, right?

Rostow Ravanan:

Absolutely, you are right. Some of our newer wins have initial modules done closer to the customer, so that is why there is an increase in our onsite revenues for the quarter.

Sangam:

But just if I do back-of-the-envelope, in order to achieve that 11% growth, with PES being flat YoY for the full year, we still need almost 8-9% sequentially in the Engineering space in order to achieve that guidance. So, I was just seeing, is there any other big large deal that we are almost finalizing which is giving us the confidence that the ramp up from there is going to actually help us in achieving this guidance?



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Anjan Lahiri:

About four, five quarters ago, we had mentioned two large deals in IT Services which carried a bulk of our growth in the last couple of quarters. And as you know in the last couple of quarters we have actually invested and we are doing a little more in improving our ability to win large deals. You asked whether we have signed something? I think we are in several discussions which give us a fair amount of confidence that we should be able to have a little more momentum going in, hopefully within the next quarter, which will give us a substantial confidence that these are grounded. But in terms of the discussions and the large deals that we are currently working on, gives us a fair amount of reason to be sanguine.

Sangam:

Could you just provide the number of hedges? Because I just missed that in your earlier statement.

Rostow Ravanan:

As of 30th June, we have \$122 million worth of hedges for the remainder of FY13 which is at an average rate of 50.31 and \$26 million of hedges for FY14 at an average rate of 57.77. So, it is a \$148 million worth of hedges in total.

Moderator:

Thank you. The next question is from the line of Radhika Merwyn from PUG. Please go ahead.

Radhika Merwyn:

My first question is pertaining to the IMS services division. As we had reiterated in the past as well that we have won large deals and we have clearly seen a significant traction in that service line. So, if you could throw some more color and how do we look at traction going forward in the IMS space?

NS Parthasarathy:

You have seen the increase in QoQ growth in IMTS service offerings, result of the deals that we have signed last three-four quarters, you are seeing the impact of that. In terms of traction we are definitely seeing a lot of traction especially in the Cloud space, because our ability to manage infrastructure which is very heterogeneous both in premise as well as on the cloud is a service offering that we are able to take to our customers. So, we will see continued traction to grow our infrastructure business in the next coming quarters.

Radhika Merwyn:

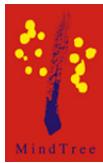
And in terms of profitability, in terms of margins, is it commensurate with where we stand overall in the business in terms of IMS?

NS Parthasarathy:

The margins for the infrastructure business is in line with our overall business.

N. Krishnakumar:

Radhika, I would just like to add one more point. One of the key strategic decisions we took in the Infrastructure Management business was to invest in building our own platform which really automates and significantly improves productivity. So, a lot of the traction which Partha talked about is also being generated because customers see our offering as different and which really is able to demonstrate that it creates a very unique business value for them.



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Radhika Merwyn:

The other is on the IP-led business, if you could throw some light on how are we seeing that part of the business going forward for us not only for this year but what is the management strategy as far as the IP-led business goes?

Janakiraman S :

The IP-led business, we have three products that are in the offering in the market and out of that one of the products is already a revenue earning product, a \$2 million run rate as of now. And the other two products we are having a lot of prospects and many beta sites and we expect the revenue to start picking up momentum in the Q2 and Q3. We feel that these three products being in the market, by the next year we should be able to have much more predictable and stable revenue on those.

Radhika Merwyn:

On the utilization, we are at almost 71.5 if I look at including trainees, are we setting a benchmark internally in terms of where we would like this metrics to be by the year end?

Rostow Ravanan:

For the next few quarters, like my colleague, Partha, mentioned we would have campus graduates joining us in this year. So, I think we probably see a little bit of a dip in the next one or two quarters, then after it starts picking up.

Radhika Merwyn:

And just one final, on the people if I look at this quarter there has been a reduction of about 170 of your people that has primarily been because of the two deals on the PES side that you mentioned in terms of ramp up?

Parthasarathy NS:

Actually, in people we have been very selective in an attrition replacement. To ensure that even the people that we have on board are in line with the kind of business that we are getting. So, it is very anecdotal and it is just based on that.

Moderator:

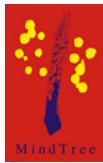
Thank you. The next question is from the line of Sagar Rastogi from Credit Suisse. Please go ahead.

Anantha:

This is Anantha. KK, you mentioned at the outset about a challenging sort of environment. It will be just useful to get your perspective on how different is this from the previous downturns that you see from MindTree's point of view?

N. Krishnakumar:

I think it is a great question, Anantha. What we see from the 2008 sort of slowdown is that in 2008 there was certainly a great sense of panic from customers. In fact, overnight budgets were cut. Across all our customers there were demands for pricing decreases or change in commercial terms, increase in credit terms and so on. Clearly, we are not seeing either a panic nor knee-jerk reaction from customers during this time. I think clearly customers are continuing conversations and like Anjan said they are seriously contemplating key areas which will help them to be more competitive in their business. To the extent as long as you can be experts in an area and proactively demonstrate that you can add unique value, I think there is a great chance for you to be in the consideration set, but in investments, people are going



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through multiple cycles of scrutiny and to that extent the cycle times clearly are far more elongated. To the extent in 2008 when there was a slowdown, decisions completely stalled, there were no decisions. The only decision which got made was to cut budgets and start negotiations with the vendor management department on pricing cuts and so on whereas clearly now decisions are not getting stalled. We are seeing decisions like I mentioned to you in our Product Engineering Services business, in the last four weeks, we did get two sub-\$10 million deals, obviously, there we do not get too many \$25 million deals. Anjan did say that with the investments we are making in our large deal teams, the number of conversations we are having on, contract value is greater than 25 million, it is fairly healthy. And yes, the decisions as they get made will start translating, the ramp-downs are a little slower. But clearly, we see this as very, very different from the 2008 sort of slowdown. We are not seeing negativity, we are not seeing panic, and we are not seeing knee-jerk reactions.

Anantha: Rostow, you mentioned the operational improvements. Can you just give me some of the detail elements of that and also if you could give your perspective on how much more room is left in those areas?

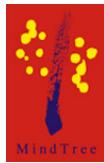
Rostow Ravan: There are two major reasons. One is like we saw that our efforts to add people at the bottom of the chain and therefore as we are seeing attrition we are not replacing them with people, but replacing them with younger people, so that was one component. And the small improvement in the utilization including trainees, which went up from 67.8 to 68.9 that was a second component. And the third was even if it is a small number, we had a 0.4% improvement in pricing in the quarter so that also gives us some benefit on the margin side.

N. Krishnakumar: Just one perspective I like to add here, again, in spite of an element of difficulty, I think we have continued to invest in our front-end customer facing capability, we have done fairly significant investments in creating a large deal team and over the next six to eight weeks we will share in terms of a whole rebranding exercise which has also fairly been significant in terms of investments and we continue to sort of create an infrastructure where we are incurring some Capex, so to the extent I think we are taking what we think are prudent, practical investments which will help us expand our business and make us more competitive. And the margin improvements have been sort of delivered in spite of all these investments.

Moderator: Thank you. The next question is from the line of Murali Yerram from Franklin Templeton. Please go ahead.

Murali Yerram: KK, what is your outlook on margins in the medium-term? Are you seeing more pricing competition within the industry and if so, what is the impact of that on the margins in the longer-term?

N. Krishnakumar: Like we talked earlier, we are clearly seeing pricing being far more stable and like we alluded to earlier, as we start having conversations in terms of deals which are larger, yes, they could



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be, it is just that we are in conversations now, those large deals could be specifically ones which start with the lower margin but clearly, we are very certain that over the tenancy of the contract we will be able to make them through productivity improvements, reasonable margins as the volumes may just suggest. So, to that extent I think on the operational improvements, we still think there are a few levers which we can use particularly, there is a little more juice left in terms of our pyramid. We do continue to drive the whole productivity operational efficiency sort of theme which has a little more juice left in it and overall we do believe that in spite of the headwinds which we have for next quarter where our compensation increase will kick in for the whole three months, as well as we will have another 10-12% of our people being eligible for one month of salary increase, we should hope to sort of maintain operational margins, but yes, there could be a small drop just based on this wage increase. But we do not expect margin decreases to come in because of a pricing decrease. Margin decrease will only happen as and when we get a large deal which is greater than 25 million which could also be for a few quarters.

Murali Yerram:

The thing that worries me is, the currency benefits flow into your margins, but if you look at the larger peers who have reported last week, I think even with the 20% currency depreciation YoY, most of their margins actually remain flat. So, I know, I think maybe something is happening on the pricing?

Rostow Ravanan:

I think to some extent it is anecdotal for each company, Murali, and even if you look at the companies that declared last week between the two also there were some variances, at least one company was more or less flat in spite of giving a price increase. So, I think there is probably more variation at an individual company level rather than like sort of an industry level trend which you can see at this point of time.

Murali Yerram:

Rostow, can you explain the Forex gain which you had this quarter and the Forex loss you had last quarter?

Rostow Ravanan:

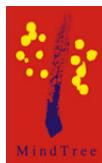
The Forex gain in this quarter was essentially because the rupee had a very strong depreciation during the quarter, it was 50.5 I think approximately on 31st of March and became almost 55 on 30th of June. So, effectively therefore revenues have got booked in the earlier months, got realized at better rates in the later months in the quarter. So, that led to one part of the gain. The other part of the gain was that our portfolio of mark-to-market hedges decreased during the quarter, because some contracts got used up, so we got a gain of a million dollar on the expired mark-to-market provision on some of our leveraged options as well. Overall, therefore we had a mark-to-market gain of 1.6 million.

Murali Yerram:

If I can squeeze in one last question, what would be the one percentage impact in currency depreciation on your margins?

Rostow Ravanan:

Approximately 0.4 to 0.5% is the impact to EBITDA for a 1% change in the rupee.



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Moderator: Thank you. The next question is from the line of Pratik Mehta from Bajaj Allianz. Please go ahead.

Pratik Mehta: Rostow, the 122 million hedges that we have for this quarter, the mark-to-market on that, is it included in the Forex gain that we have reported, is it net of the loss that we may have booked because of that or are there some accounting changes?

Sushanth Pai: On the cash flow hedges, the mark-to-market is on the balance sheet, it is in the hedge reserve. So if you see the hedge reserve it shows a loss of \$10 million. So that loss has not come into the P&L quarter.

Rostow Ravanan: To clarify that our accounting policies have been constant since 2008. So there is no change in the accounting policy. So what flowed through the P&L in the quarter was like I said a gain of \$600,000 and on the qualifying hedges the mark-to-market was parked in the balance sheet of \$10 million.

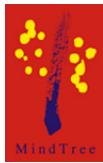
Pratik Mehta: So the losses on the hedges of the existing year also gets booked in the balance sheet?

Rostow Ravanan: Correct, for our forward contracts till the time they expire, the gain or loss is parked in the balance sheet.

Pratik Mehta: And just one more question on revenue growth for FY13. Last two quarters the employee headcount has been more or less muted and generally what we have seen in case of MindTree is that Q1, Q2 are generally the better quarters compared to Q3 and Q4. So does not the lower employee headcount pose a risk to the overall revenue growth estimate given that you have not added people and Q2 would be such an important quarter in the overall scheme of things? So just want your comment on that?

N. Krishnakumar: I think the perspective on that is clearly if you look at the pyramid we have at MindTree, the number of people between three to five years experience we have about 36%. Frankly below that on the zero to two years we were at about in the low 20s, now with the campus batch induction, we have raised that number up. So, clearly, for expansion we have experienced people in the middle and what we have been doing is to expand the pyramid which clearly can address any of the newer opportunities which come. So, from a capacity perspective to really have the right talent to address this growth which will be in line with the industry estimates, we are confident about that.

Pratik Mehta: So would it be fair to assume that there will be some uptick in the utilization in Q2 to fuel the growth that we may see in Q2?



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N. Krishnakumar: No, like Partha talked about, we will towards the end of Q2 get the next batch of campus recruits. So to that extent at an overall level utilization may drop but clearly we will have the capacity to meet the growth needs.

Moderator: Thank you. The next question is from the line of Sandip Muthangi from IIFL. Please go ahead.

Sandip Muthangi: I have a question on the onsite mix. For sometime now the onsite volume growth has been much higher than the offshore volume growth. I am not talking of that QoQ phenomena but for nearly five, six quarters now is there anything fundamental happening or can you highlight anything on that front?

Anjan Lahiri: In terms of onsite, as you say comparative to any other player in the industry, both mid-size as well as larger competitors, our onsite component is much smaller, it used to be at 13% and we have been working to increase our onsite for two reasons. One is we wanted to become deeper and closer to our customers as we are working in a fewer areas we want to be deeper in those areas and in order to really understand the customer business we believe we need to increase our onsite component. Second is, it is absolutely in line with our account mining policy. If you see the percentage of revenue from top five, top ten, in fact, from top 20, it has gone up quite substantially. And increasing onsite and becoming closer to the customer is a core part of that and we do want to keep inching it up even further.

Moderator: Thank you. The next question is from the line of Nirmal Goel from Asit C Mehta. Please go ahead.

Nirmal Goel: I just wanted to clarify how much have the visa costs affected the margins this quarter, Rostow?

Rostow Ravanan: We do not give the breakup of that because visa that we filed in the quarter were relatively small, since this was something which was planned so we do not capture that separately.

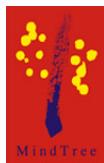
Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: What is the actual hike given for salaries?

Rostow Ravanan: The hikes given were 8% for our people offshore and about 2-3% for our people onsite. The hikes are effective 1st June and the hike covered approximately 80% of our people.

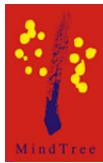
Rahul Jain: And the residual you said would be from 1st September. Nothing in the next quarter?

Rostow Ravanan: Almost in 1st September, of the remaining 20%, about 18% will be effective 1st September, so that leaves the last 2% which should be effective 1st October.



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- Rahul Jain:** And that 2% in absolute value term could be how much?
- Rostow Ravanan:** I do not have that right now.
- Rahul Jain:** And also, you said there is a 1% impact in the current quarter. So, there would be more than 200 bps impact in the following quarter, right?
- Rostow Ravanan:** Absolutely.
- Rahul Jain:** And what would be the profit/loss in the China subsidiary?
- Rostow Ravanan:** Very, very negligible. There are hardly any transactions. I think over the last few quarters in that entity so there is pretty much no revenue or no cost in that subsidiary for about six or seven quarters.
- Rahul Jain:** And the translation gain in the current quarter?
- Rostow Ravanan:** \$600,000.
- Rahul Jain:** And quarterly annualized attrition?
- Rostow Ravanan:** 15.9%.
- Rahul Jain:** Versus last quarter?
- Rostow Ravanan:** 18%. So it has come down.
- Rahul Jain:** So for this quarter is much lower than Q1 YoY.
- Moderator:** Thank you. The next question is from the line of HR Gala from Quest Investment Advisors. Please go ahead.
- HR Gala:** Most of the questions that I had have been answered especially with reference to the hedges where you say that it will be adjusted against reserve till they expire. The only question which is left out is how much will be the total Capex in FY13. You said 3 million have been spent in this quarter.
- Rostow Ravanan:** The Capex plan we had at the beginning of the year is approximately \$25-30 million for this year, of which \$3 million have been spent so far.
- HR Gala:** So are we planning to spend the balance in the remaining quarters or are we going to cut back on the Capex?



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Rostow Ravanan:

From our perspective we want to go ahead and like we explained in the last quarter, some of this is actually carry forward from the previous year because of some delays in some regulatory approvals. If all the approvals come on time we want to go ahead with our investments as quickly as possible.

HR Gala:

As far as the lateral hirings are concerned, how many people we have hired in this particular quarter and what will be the plan going ahead for the next three quarters?

Rostow Ravanan

The gross additions for this quarter is approximately 270, so we hired 270 people in this quarter on laterals. Going forward, lateral addition would be very, very selective absolutely for attrition replacement or for specific project needs but otherwise more important thrust for us would be the campus addition.

HR Gala:

Where you said that you have given 3000 offers?

Rostow Ravanan:

That is right.

Moderator:

Thank you. We will take a final question from the line of Vishal Aggarwal from Jefferies. Please go ahead.

Vishal Aggarwal:

My question was more on the margins in this quarter, Q1 that went by. We have seen gross margins declining which probably accounts for the wage hike. But we have also seen a very sharp decline in the other expenses; SG&A and other stuff by more than 250 to 280-odd basis points. Just wanted to get a sense what is happening there and where could we see the levels stabilizing at?

Rostow Ravanan:

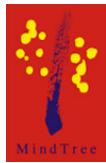
I think a part of that decline was because of the currency movements. So, if we exclude the impact of currency, like we mentioned at the beginning of the call it is due to the restructuring that we were doing in our Engineering Services business which is what has led to the sharp increase in profitability of that business. My guess is, it has more or less sort of stable levels and going forward there will be probably small additions to our SG&A as we add people at the front end to help us go after large deals and salary increases that will happen for the people in the SG&A category which will be spread between Q2 and Q3.

Vishal Aggarwal:

And Rostow, when you talk about stable margins in Q2, could you just give us a sense what is the kind of currency that you are building in? Because that could possibly have a big implication as far as we are concerned given our sensitivities like 40, 50 basis points per percentage point?

Rostow Ravanan:

We are just assuming the rupee to remain at the current level. So therefore we are not building in any judgmental assumption on currency.



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Moderator: Thank you. I would now like to hand the floor over to Mr. Sushanth Pai for closing comments.

Sushanth Pai: Thanks, Myron. Thank you all for joining this call. Because of time constraints and a meeting that we have following this we were not able to take all the questions. So if you have any specific questions or any clarifications please do write to me. Thank you once again and we look forward to speaking with you in the coming quarters.

Moderator: Thank you. On behalf of MindTree Limited that concludes this conference. Thank you for joining us.