Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Transcript of analyst call

First quarter ended June 30, 2014 (Q1 FY2015)

July 25, 2014

Welcome to possible

Moderator: Ladies and Gentlemen, Good Day and Welcome to Mindtree Limited's Q1 FY15 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. SushanthPai. Thank you. And over to you sir.

Sushanth Pai: Thanks, Shyma. Welcome to this Conference Call to discuss the Financial Results for Mindtree for the 1st Quarter Ended 30th June 2014. I am Sushanth from the Investor Relations team in Bangalore.

On this call we have with us Senior Management Team:

N. Krishnakumar – CEO and Managing Director
Parthasarathy – COO and President, Enterprise Service Line
Scott Staples – President, Global Sales
Ravi Shankar – Chief People Officer
Rostow Ravanan – CFO
Veeraraghavan R. K. – Chief Delivery Officer.

The agenda for this 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 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.

Krishnakumar Natarajan: Thanks, Sushanth.

I am happy to state that Mindtree has delivered revenue growth of 6.4% q-o-q in dollar terms this quarter. Based on results declared so far, we believe that this is the best growth rate for this quarter. This makes it the second consecutive quarter where we have delivered industry leading growth. We are seeing good traction with clients through multiyear multimillion dollar deals. Apart from the strong demand across traditional service lines, we are now getting picked up as a lead partner for digital by many Fortune 100 customers. Given the strong momentum, we are on course to deliver industry leading growth in FY15.

Other highlights of our quarter one results are as follows:

- Quarter one revenue was $141.3 million.
- From this quarter onwards, we have reclassified Media and Services from Travel vertical to Hi-Tech vertical. Hi-Tech, Media and Services had shown good growth of 9.5% quarter-on-quarter. Even without Media Services, Hi-Tech growth would have been close to 8% quarter-on-quarter driven by some of our new wins, IP led revenue and growth in certain large accounts. This is certainly heartening because this is the second quarter where Hi-Tech has delivered strong growth. Travel and Hospitality also showed strong growth of 13.2% quarter-on-quarter.
- From a service line perspective, we have seen good growth in Package Implementation with a 37.5% quarter-on-quarter growth. Traditional development revenue grew by 10.7% quarter-on-quarter. Our strength in digital services continues to provide strong growth traction.
- On client metrics, we have 206 active customers. Our $5 million clients grew by 2 to 26 and $1 million customers grew by 2 to 75.
- We won a number of multi-year multi-million dollar wins with leading global clients.
    - One of the world's largest broadcasting companies chose Mindtree to provide digital and testing services, this is an existing client.
    - A leading food manufacturing company chose Mindtree to be the global digital marketing partner for all its digital properties.
    - A leading pediatric nutrition company chose Mindtree to be the lead digital marketing developer for its global web platform project.
    - Leading Semiconductor Company chose Mindtree as the preferred supplier for its managed services.
- On the attrition front: LTM attrition has increased to 14.2% from 12.7% last quarter. This is mainly due to seasonality and industry trends where in quarter one, the attrition rate slightly increased. We believe that this is likely to improve in the coming

quarter. At Mindtree, we continue to work on key people initiatives and people engagement initiatives and would not be disturbed with this marginal increase in attrition.

- We have 12,845 Mindtree minds reflecting a gross addition of 516 Mindtree minds in this quarter.

Now for some points on outlook for quarter two:

- We have signed orders worth $165 million in quarter one. This is the fourth quarter where continuously our order booking has increased and this demonstrates the continuous improvement in our demand scenario.
- Given the overall positive momentum and visibility, we maintain that we expect to beat the NASSCOM guidance of 13-15% in FY15 and FY15 in growth terms will be better than FY14.
- As indicated, we continue to see strong growth momentum and hence we believe quarter two will also be a strong growth quarter for Mindtree, but the growth numbers will not be as robust as quarter one given that we have had a superlative growth in quarter one. Also the IP revenue is likely to be lesser in quarter two after the substantive increase in quarter one.

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

Rostow Ravanan: Thank you K. K. Good Evening to all our friends in the investment community. Some additional highlights on our financial results for quarter one:

- In the quarter that just completed, our fee revenue growth was 6.6%. This breaks down to a volume increase of 6% and an improvement in price realization of 0.6%.
- During the quarter, EBITDA margins declined very marginally by 1.5%. EBITDA margins for quarter one was 20% compared to 21.5% in the previous quarter mainly due to the appreciation of the Indian rupee by 3.8%. On a constant currency basis, margins have been maintained. The increase in revenue and some of the other operational improvements like utilization have offset the other operational costs in this quarter. For example, we incurred visa cost which had a 1.7% impact to EBITDA in this quarter. Those operational headwinds have been negated by the revenue growth and the improvement in operational parameters.

- Forex gain in this quarter was $2.3 million. Rupee depreciated at the quarter end to ₹60.18 on 30th June compared to ₹59.92 on 31st March that led to a debtor's translation gain which was the reason for the forex gain in this quarter.
- Effective tax rate for this quarter is 22.3% in line with the indications we had given earlier.
- PAT for the quarter has increased substantially to 15.3% compared to 11.9% in the previous quarter which is up 37% quarter-over-quarter.
- EPS for the quarter is ₹15.43, after adjusting for the bonus issue which was completed in early June this year which is a 31.4% increase quarter-over-quarter.
- DSO for the quarter improved slightly to 71 days.
- Utilization for the quarter saw substantial increase to 72.1% compared to 68.5% in the previous quarter.
- As of 30th June, we have outstanding hedges of $38 million which cover the entire Q2 and these at an average rate of ₹62.5.
- Capex spend for this quarter is $6.8 million.

Outlook for margins for next quarter:

And just to reiterate, the comments I make on the margin outlook excludes any impact because of currency fluctuations which are outside our control. We see some positives and some challenges. The challenges are,

- Effective 1st July, approximately 85% of our people receive their salary increases and that is expected to be in the range of 6%-10%.
- We are also adding about 300 campus people in quarter two.

These headwinds are likely to be at least partially offset with revenue growth and also some other operational improvement.

With that, we now like to turn this over for question-and answers.

Moderator: Thank you very much sir. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Sashi Bhushan from Prabhudas Lilladher. Please go ahead.

Sashi Bhushan: Our peers have changed their depreciation policy to abide by the new Companies act, but we do not see any impact on our depreciation policy. Ideally we should have benefited from the change, can you please elaborate on that.

Rostow Ravanan: Good question Sashi. I think our depreciation policies were aligned to our estimate of useful life and the change in the act has not led to any changes in our estimation of the useful life. If you see the full financials that are also available on our website we have given the estimated useful life for all the major categories **t**hey are already in line with the Companies act that came into effect from 1st April. So we do not believe just a change in the act does not require a change in the estimate of useful life. We were always assessing it based on our estimate and the economic useful life of the assets and the law does not prompt us to make any changes to that.

Sashi Bhushan: Sure sir, thanks. And our other cost has gone up significantly in this quarter, is there any one-time expense in that?

Rostow Ravanan: The biggest cost increase in the quarter was the visa cost that we filed and like I said that is having approximately 1.7% impact to EBITDA which was the reason for the increase in the cost in this quarter. It is one time as far as this year is concerned, but obviously on a year-over-year basis, it will recur, but for rest of this year it will not be of a same level as what we had in this quarter.

Sashi Bhushan: And onsite volume growth rate moderated compared to previous quarter or any of the first quarter, I would say that in quarter one this was slowest since FY11. Did we see slow pickup in the project during the quarter or was there any specific reason for that?

Krishnakumar Natarajan: No, I think it is more factual like we said. Some of the wins which we had earlier contributed to a sharp onsite volume increase in quarter two and quarter three of FY14. Now that many of those projects have got into a steady state clearly there is moderation in the onsite volumes. Also I think it follows a seasonal trend because the visa availability date becomes 1st October. So there are seasonal patterns in how the onsite volume increases happen. It is also linked to the transition work which happens onsite and then once the work reaches steady state, the onsite growth volume is moderated.

Sashi Bhushan: And any reason for negative employee growth despite such a healthy growth in this quarter. Was it attrition little higher than our anticipation?

Veeraraghavan: If you look at that, we had a good headroom available with the utilization improvement. So essentially the growth was achieved through the utilization improvement and there is a seasonal attrition which happened. So there was a net negative addition of people compared to last quarter. And second thing the campus additions have just started. So this quarter, in September we will be adding campus additions.

Sashi Bhushan: Just last question from my side. Our total clients have been stable near 205 level for the last 2-3 quarters despite healthy client addition. Does it have an impact of tail trimming or project based assignment that we are taking from the new clients?

Krishnakumar Natarajan: This is primarily the approach which we took in terms of pruning the tail. I think we are probably almost towards the end of that cycle and practically even if you see this quarter that number is small, and the last two quarters it was I think 12 and 14. So it is a continuing exercise of pruning the tail and wherever we are not core to the customer's strategy and future outlook, We have sort of, in a planned manner exiting along with the concurrence of that customer. So it is a part of our customer client rationalization approach.

Moderator: Thank you. Our next question is from the line of Aishwarya from Spark Capital. Please go ahead.

Srivatsan: Just wanted to get your sense on the package implementation. We have seen rapid growth obviously of a small base. So just wanted to understand in terms of positioning within this end market, is there any specific sub-segment that we operate in and would most of this be maintenance or implementation kind of work?

Krishnakumar Natarajan: Again I think you rightly said Srivatsan, this is on a small base and this is linked to a specific client in terms of implementation work which has started and it moves into maintenance subsequently. So this sort of a high growth rate cannot be sustained, but it is obviously just relating to a specific client rolling out a large project.

Srivatsan: Is the hike in subcontractor cost also in some form related to this?

Krishnakumar Natarajan: The subcontractor cost going up certainly relating to this, yes.

Srivatsan: And you had stellar growth for the last 4 quarters in a row. So just wanted to understand or kind of slightly more beyond FY15 kind of a scenario. How do you see your engine chugging along. Do you think your aspirational target of growing 25% ahead of NASSCOM is something you think is achievable over the medium term kind of trajectory?

Krishnakumar Natarajan: Srivatsan, to be honest we do not give a guidance either for the current financial year or beyond. So what we do believe is I think that fundamental investments we are making, we did make a significant investment in North America last year which we shared with you and clearly part of the momentum which you are seeing is a result of that investment. This year clearly the investments are directed towards United Kingdom and continental Europe as a market where you have already seen the announcements of fairly senior hires which we have made. So it is certainly our aspiration to grow ahead of the industry and based on what we have as current visibility, we do believe that FY15 on growth terms will be better than FY14 and we will beat the NASSCOM estimates of 13%-15%.

Srivatsan: Sure and just last question. For the first time you shared the digital SMAC kind of an exposure. Any historical number may be year back or couple of years back just to see if that has been the biggest growth driver for us, not necessarily an exact accurate number or so.

Krishnakumar Natarajan: No, Srivatsan we do not track that number. So it will be inappropriate for us to give the number which we have not tracked which is why starting from this quarter we have started that, but we clearly see digital as a great opportunity and Scott will talk about what are the big changes which we are seeing in the way which customers are buying these services.

Scott Staples: So we are seeing in the market that the buying and the buyer for the digital space is changing and a lot of that decision making which was silos previously, is now coming onto one buyer who is the CIO or the CMO. We are seeing that sort of what you call the digital engagement is happening in the market where there is an ecosystem of E-commerce, Mobility, Content, Portal etc. all being now under one house and one buyer where they would most likely separate in years past and Mindtree has a very strong digital story as you can imagine, hence the work kind of riding the wave a little bit and the fact that we have been able to leverage our strong digital story to help companies kind of put all that stuff together.

Moderator: Thank you. We will take the next question from the line of Mr. Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: Hi sir, part of my question your extension of what two another earlier participants also asked. Our offshore volume growth in the current quarter essentially is extremely strong, probably the highest that where I have seen from September 2010 odd quarter. Just like to understand your outlook in terms of offshore business because your commentary through recent times has been that we will continue to see onsite volumes account for greater part of our business. So should one expect this to be an one quarter aberration and secondly you did indicate the margin headwinds that will have for the next quarter, but if you could just give us sense on what is the potential hit from the wage hikes that will implement in the current quarter and also commentary with regards to the trends that you are seeing within your top clients?

Sushanth Pai: Manik, this is Sushanth here. Onsite versus offshore, we have seen a significant jump overall in onsite last year and at the end of the last year, we had indicated that this year we will not see such a high sort of jump in terms of onsite. The other reason also, some of the new wins which started onsite have also moved to offshore and that is also creating increase in volumes; and like K. K. explained, this quarter is also little bit of a seasonality in terms of onsite and offshore because of the visa issues that we have just got visas in that. So all these factors are creating an improvement in offshore for the future. So we believe that this sort of a trend will be stable and will continue.

Manik Taneja: My other questions are for Rostow as well as K. K. in terms of impact from the wage hikes that we implement in the current quarter and second with regards to the outlook on business from top clients?

Krishnakumar Natarajan: See, again if you see in the top clients for us in quarter one has grown almost 13% quarter-on-quarter which I think is a fairly strong thing and we continue to see strong growth momentum in our top clients. Coming to the wage hikes, the wage hikes have already been implemented for 85% of the Mindtree team and the increase is between 6% and 10%. That has already been rolled out and done in Q2 from 1st of July.

Manik Taneja: So what kind of hit do we expect in terms of margins on a stable revenue base from this wage hike?

Sushanth Pai: The region of 1.5%-2% will be the impact and like Rostow explained that this headwind will be partially offset with the revenue growth momentum coming into Q2.

Manik Taneja: Sure. Logically one would expect margins to remain stable given if currency were to remain at the same level because you will also not have the hit from the wage expenses that we had in the current quarter.

Sushanth Pai: Yes, that is right. So that is what we said that though the wage hikes will be in this range, we think we will be able to partially offset that.

Manik Taneja: Sure and is utilization also a meaningful lever to push further for us going forward or do you think we will continue to maintain utilization at similar levels?

Krishnakumar Natarajan: Manik, I think in our stage, I think we would not be able to push utilization and probably veera had earlier alluded. To be honest, I think though I think the growth will partly offset the cost increase, we will need to add capacity. We are going to add about 300-500 campus recruits as well as we will add capacity. So there could be a marginal drop in net margin on a constant currency basis, but clearly I think we are at an optimal level of utilization because considering the stage at which, for us clearly driving growth is important and to create capacity ahead of time is also definitely very important.

Manik Taneja: And will we see a significant lateral hiring as on the current quarter because the fresher addition happens towards the latter part of the quarter.

Krishnakumar Natarajan: So one group will come even now at the end of July, they will come in. There will be a second group which will be sometime later half of the quarter and the lateral hiring clearly is required, based in terms of the business thing and already that process got initiated.

Moderator: Thank you. Our next question is from the line of Atul Soni from Macquaire. Please go ahead.

Atul Soni: Just two questions from my side. First, would it be possible to share the contribution of Hi-Tech and Media for 2Q and 3Q of last year, just to be at a comparison and secondly if you can just share the total hedges for the year on a whole. I know you have shared the hedges for next quarter, but what would be the number for FY15 on the whole? Thanks.

Krishnakumar Natarajan: See, we have not reclassified last year's data on Hi-Tech and Media.

Rostow Ravanan: We reclassified for quarter one of last year. You will see a fact sheet where the classification shown in the fact sheet was Q1 FY14, you know in the same basis Q1 FY15, but we have not done. We will do that and disclose it in future quarters when the corresponding quarter results are launched and as far as the hedges are concerned, like we explained I think in the September quarter last year we updated our hedging policy and we hedge on a rolling 3-month basis. So all the hedges we have as on 30th June is only for the July-August-September of 2014 period.

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

Rahul Jain: Yes sir, I think part of it has been addressed in the previous question. My point was that from the run rate basis, we are up by roughly 20% on Q1 FY14 data point, but if you look at from the employee increase point itself is 4%. We have gained on utilization, but if you could give further information in terms of why this growth is not being falling the pace of the volume or does that mean we have dramatically shifted in terms of the kind of utilization or mix which has helped us make this mover, it is broadly attrition driven.

Krishnakumar Natarajan: No, primarily if you see the share of the IP revenues clearly has increased and clearly that is not a headcount dependent revenue. You would see that both the percentage share of IP revenue as well as the revenue numbers in dollar terms have substantively increased during the quarter. The second thing is clearly we had a lever of utilization and like Veera alluded earlier. The needle on utilization has moved from 68.5% last quarter to almost 72.5%. So there is a clear movement on the utilization also.

Rahul Jain: So going forward, how you see the growth in volume versus people addition kind of a metrics based on the expected IP contribution?

Krishnakumar Natarajan: See like I shared earlier, clearly the IP revenue will tend to be little lumpy. I think it is very difficult to predict it quarter-on-quarter basis and clearly I think for the last two quarters, we have been fairly consistent and robust on that, but it is very difficult to make a projected sort of assumption on that. But what we do believe is if you look at the demand scenario, clearly we see strong momentum on the demand scenario which makes us confident that FY15 will be better than FY14 and we will beat the NASSCOM estimates of 13%-15%. Clearly there are two elements of capacity addition. One is the campus addition which Veera did talk about saying that we have started doing the campus additions which we have already sort of made offers and they come in as per the plan. On the lateral addition, clearly we continue to hire based on the business need and right now clearly I think we are at an optimal utilization and next quarter we will need to add some capacity to really plan for growth.

Rahul Jain: So but when we say 15% plus kind of a growth for this fiscal, what kind of employee growth this would require or this would be utilization gains primarily?

Krishnakumar Natarajan: No, it will be partly like I said we see 72.5% as optimal utilization, but the real employee growth numbers will be dependent on the mix between the IP revenue and the traditional services revenue as well as the onsite-offshore mix. So it is not a single dimension. So to that extent, it will be very difficult to predict what the employee headcount will be.

Moderator: Thank you. Our next question is from the line of Madhu Babu from HDFC Securities. Please go ahead.

Madhu Babu: Sir with improving demand, how do you see attrition at the company level and which are the sub-segments where you are seeing higher attrition currently?

Krishnakumar Natarajan: See, clearly quarter one is always seasonally a little high quarter for attrition because particularly people who go for overseas studies as well as people who go to the local management school really quit during the quarter. So I think the marginal increase in attrition does not in any way give us any negative sort of trends in terms of how we will be able to manage the growth. Looking ahead, I think the market continues to look fairly strong. So our effort is to ensure that we do the right type of people engagement initiatives to really try and may be keep attrition this level or marginally even reduce. Thought next quarter on an LTM basis, you might still see it at the same or higher level, but on a quarterly annualized basis, our target is to reduce the attrition and we think we will be able to achieve that.

Madhu Babu: Second sir, fixed price projects have been steadily trending up. So is it a part of the service mix or are we voluntarily trying to increase the contribution and what are the further levers in the fixed price projects?

Veeraraghavan: In the current quarter, there was an increase in the fixed price project primarily because of couple of deals which we had in the last quarter ramped up during this quarter and it was associated to that the increases, and we expect this to be in the similar lines at the same level.

Moderator: Thank you. Our next question is from the line of Hardik Shah from KR Choksey. Please go ahead.

Hardik Shah: Sir what kind of margin level you foresee for the full year considering the currency remains constant at the current level?

Sushanth Pai: We are seeing stable margins for the full year assuming constant currency.

Hardik Shah: So that will be 20% margin level, EBITDA margin level.

Sushanth Pai: Yes. So if you see last year, last year we had made at about 20.1% of the EBITDA margins. So that was on a currency of approximately 60.5. So based on that, we are expecting the margins will be stable on a constant currency.

Moderator: Thank you. Our next question is from the line of Dipesh Mehta from SBI Cap Securities. Please go ahead.

Dipesh Mehta: Sir I have couple of questions. Hi-Tech, we are seeing some kind of improvement over last couple of quarters. So if you can help us understand which sub-segment is doing well and how you see those sub-segments to do going forward? Second question is about IP revenue. Last two quarters, I think we have seen some kind of improvement in IP revenue if we compare from previous two quarter kind of number. So which IPs are doing well and if you can provide some colors where we are seeing traction kind of thing, and debtor side if you can provide some data and employee pyramid where we are at 0 to 3 and campus offer made for FY15. Thank you.

Krishnakumar Natarajan: Dipesh, I think you asked about Hi-Tech. Just to give you a context on Hi-Tech, again since we had Media and Services because this year lot of similarities that the Media and Services getting driven through technology platforms. 9.5% growth is a mix of both Media and Hi-Tech and even if we take Media out, still Hi-Tech as it was last year is growing almost 8% quarter-on-quarter. So within that if you look at segments which are growing strongly, clearly the enterprise Hi-Tech segment which is primarily ISVs and technology companies which are in primarily software driven businesses that continues to grow very strongly and clearly that is an area where I think Mindtree's leadership particularly in cloud engineering as well as converting traditional license based software to more software as a service model. So that segment continues to grow very strongly. Clearly we have had a revival of growth in the semiconductor segment which is a part of our Consumer Hi-Tech segment which again has driven growth and to the extent overall if you look at the Hi-Tech segment, the growth drivers I would say are really maybe we can classify it as three key elements. One is strong, continued growth momentum in the Enterprise Hi-Tech segment, revival of demand in the Consumer Hi-Tech segment as well as if you have seen in the last two quarters, our IP led revenue has shown strong momentum which is primarily again in the Hi-Tech segment. So I would believe that these three are what has really turned in our Hi-Tech from probably a laggard to continuous quarter of positive growth. It is also relating this to the strategy which we shared with you at the beginning of this year wherein Hi-Tech, we are really trying to position ourselves as being a full service provider where we are not only addressing engineering work, but we are also addressing other traditional IT services like infrastructure management, digital as well as data and analytics and that is also starting to deliver results to help the growth momentum in Hi-Tech.

Sushanth Pai: Dipesh, you had a question on pyramid. Zero to three experience level is about 28%.

Veeraraghavan: Which just remains the same across the two last quarters.

Dipesh Mehta: I think campus side if you can help us what is the plan you suggested around 300. So if you can help us for the full year and IP side, which IPs are doing well if you can provide some portfolio related color that would be helpful.

Krishnakumar Natarajan: See on the IP side, clearly where they have getting strong traction is on our short range wireless IP which is primarily something which both in the consumer devices. So we have had fairly significant wins during the quarter from large consumer devices players and that is an IP which certainly is doing extremely well.

Veeraraghavan: On the campus front, the first couple of batches have already joined and the next batch is expected to join in the month of September and with that we will conclude all the commitments we had made to the campus for this financial year. Depending on utilization and the demand, we have the flexibility to look at more off-campus recruitment if there is a need to do that in the later part of the financial year.

Dipesh Mehta: Can you specify some quantum about the September batch, what would be the size kind of?

Veeraraghavan: It is about 300 people would be joining.

Moderator: Thank you. Our next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Few questions. One is in this quarter, the client addition was a little weaker. So was there any specific reason for that or which would see this as a trend? And second is on Enterprise Solutions. You talked about it, but how should we look at the revenues going forward? Do you think growth was sustaining there or do you think that it was a one-off project which we had in this quarter?

Krishnakumar Natarajan: You asked about client addition and package applications right?

Mohit Jain: Yes.

Scott Staples: Mohit, the client additions from a net standpoint is a bit of a factor that we continue to add key logos, but we also continue to prune the house, from some accounts that are nonperformers or one that we do not see ourselves to being strategic in. So the net addition is not in large number, but it is not the result of not wining deals. We certainly continue to win deals. We also had a very strong client addition quarter in Q4 and we got a little bit of digestion period happening where we are ramping up those clients. So we have not totally released the business developments from those endeavors to that new ones as well. So there is combination of both those factors.

Krishnakumar Natarajan: On the enterprise packages, clearly this quarter has been solid because of key start with one of our major clients. To that extent, I think that is clearly something which is just quarter one alone. It is not growth rate which can be sustained in the subsequent quarter.

Mohit Jain: And absolute level of revenue, will it continue to grow or?

Krishnakumar Natarajan: It will continue to grow. We see strong opportunity base there.

Mohit Jain: And did you have any write-backs in this quarter?

Krishnakumar Natarajan: Nothing.

Mohit Jain: Your advertisement expense shows a negative entry for the 3 months ended June 2014.

Krishnakumar Natarajan: No and not that we have anything which we have seen or maybe we can come back to you on that.

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

Rahul Jain: Yes, just small bookkeeping number. You said 85% people would get hike. Can you give the break in terms of what would that account for the total wage cost?

Krishnakumar Natarajan: See, 85% of the people have already been given an increase from 1st of July and the range is between 6%-10% and the approximate margin impact will have this between 1.7% and 1.9%.

Rahul Jain: No sir, my question is 85% workforce represent what percentage of total wage cost?

Krishnakumar Natarajan: Total wage cost is about 60%-62%.

Rahul Jain: 62% and balance 15 is roughly 38%.

Krishnakumar Natarajan: That is right.

Rahul Jain: Okay, is it because of more onsite skewed or only from the senior and junior?

Krishnakumar Natarajan: The lower half of the people have got increase now, but the senior people it is due from 1st of October.

Moderator: Thank you. We have the next follow up question from the line of srivatsan from Spark Capital. Please go ahead.

Srivatsan: Just wanted to get your thoughts in terms of the Hi-Tech, you have seen good growth. Would it be fair to say that most of this growth is coming from the non-PES or engineering services segment?

Krishnakumar Natarajan: That is not true Srivatsan. It is certainly driven by what like we said the IP revenue which is clearly an engineering led growth. It comes from strong momentum in the Consumer Hi-Tech as well as the Enterprise Hi-Tech. The change in terms of approach to broaden beyond engineering services is just practically just about two quarters old, but that is already showing the first signs of giving results which is really we have got some wins in infrastructure management, we have got some wins in digital. Clearly we will start positioning data analytics services in the same Hi-Tech segment. So clearly that is still work-in-process. It will take another 2-3 quarters for that to start delivering results.

Srivatsan: Sure. I am not sure if you could answer this. I think as the call was progressing, Microsoft has done massive lay-off of 8000 employees up to 18,000 employees. So just wanted to know would any piece of our business would be more headcount linked there or is it just more on the Traditional Engineering Services side and hence it will not necessarily be headcount linked?

Parthasarathy NS: No, we just heard the news. We do not have enough details right now to answer this question Srivatsan.

Moderator: Thank you. Participants that was the last question. I now hand the floor back to Mr. Sushanth Pai for closing comments. Thank you and over to you sir.

Sushanth Pai: Thanks, Shyma. Thank you all for joining this call today. We look forward to speaking with you in the coming months. If you have any questions or clarifications, you can please write to me. Thank you. Good Night.

Moderator: Ladies and Gentlemen on behalf of Mindtree Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.