



Mindtree

## Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Earnings release

Second quarter ended September 30, 2018

October 17, 2018

*Welcome to possible*

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## Earnings Conference Call for Analysts / Investors

### October 17, 2018 (6:30 PM IST)

Primary Number: +91 22 6280 1157  
+91 22 7115 8058

(The number listed above is universally accessible from all networks and all countries)

Local Access Number: +91-70456 71221  
Available all over India.

#### Toll free numbers:

Singapore: 800 101 2045  
Hong Kong: 800 964 448  
UK: 0 808 101 1573  
US: 1 866 746 2133

Replay of conference call available until October 31, 2018  
+91 22 71945757 +91 22 66635757 (Playback id: 31187#)

**Webcast** – Participants have the option to attend the conference call by logging in to the online webcast, please note participants in webcast would be in **listen-only** mode. The webcast link is as below.

[Mindtree Q2 FY19 Webcast Link](#)

Transcript will be available on [www.mindtree.com](http://www.mindtree.com) after October 24, 2018

## Mindtree Reports Second Quarter 2018-19 Results

In USD terms, Net Profit rises 24.9% q-o-q / 50.4% y-o-y;  
Revenue grows 2.0% q-o-q / 19.5% y-o-y

**Bangalore (India) and Warren (NJ), October 17, 2018:** [Mindtree](#), a global technology services and Digital transformation company, announced its consolidated results today for the second quarter ended September 30, 2018 as approved by its board of directors.

“Our deep expertise across both Digital and Run landscapes are delivering competitive advantage for our clients, while fueling Mindtree’s continued growth” **Rostow Ravanan, CEO & Managing Director, Mindtree.** “By investing in an ‘automate-everything’ platform-based approach, we are consistently driving larger deals and industry recognition. During this quarter, we also further advanced the innovation in our reskilling efforts, helping our people to succeed in the modern information economy.”

### Key financial highlights:

#### *Quarter ended September 30, 2018*

- In USD:
  - Revenue at \$246.4 million (growth of 2.0% q-o-q / 19.5% y-o-y)  
Constant Currency growth of 2.4 % q-o-q
  - Net profit at \$29.1 million (growth of 24.9% q-o-q / 50.4% y-o-y)
  
- In INR:
  - Revenue at ₹ 17,554 million (growth of 7.1% q-o-q / 31.8% y-o-y)
  - Net profit at ₹ 2,063 million (growth of 30.4% q-o-q / 65.4% y-o-y)

### Other highlights:

- Clients:
  - 341 active clients as of September 30, 2018
  - \$10 million clients grow by 2, total of 21
  - \$5 million clients grow by 5, total of 44
  
- People:
  - 19,402 Mindtree Minds as of September 30, 2018
  - Trailing 12 months attrition is 13.0%

- BOTs\*:
  - Automation is playing a significant role in modernizing our technology service delivery, enhancing both efficiency and speed-to-results for our clients. We are proud to report our BOTs strength that autonomously work along-side our Mindtree Minds, enabling our team to do more and accomplish larger goals.
  - We have 484 BOTs employed as of September 30, 2018

*\*Software that acts autonomously, free from any interference, human or otherwise, to perform a significant task which will otherwise be performed by a human*
- Multi-year and multi-million dollar wins with leading global clients:
  - Expanding footprint within an existing customer, Mindtree is now a Digital transformation partner for a large multi-national company in the CPG industry across their marketing channels
  - Providing cloud operations under managed services model for a world leader in enterprise cloud data management
  - Transforming the core to derive rich customer insights and migrate to a cloud infrastructure leveraging Mindtree's consulting first approach for a reputed company in the hospitality industry
  - Establishing a data lake and setting up an analytics platform for one of the world's largest investment firms
- Recognition:
  - Recognized as a Leader in 2018 ISG Provider Lens™ SAP Cloud Platform services quadrant and a Rising Star in 2018 ISG Provider Lens™ SAP S/4HANA and SAP BW/4HANA quadrant
  - Recognized as an Innovator in Avasant's Intelligent Automation RadarView™ 2018 report
  - Recognized in The 2019 ISG Provider Lens™ Next-Gen Application Development & Maintenance (ADM) Services Quadrant Report as a Global Leader in Next-Gen ADM, Continuous Testing, and Agile Development
- Announcements
  - The board of directors at its meeting held on October 17, 2018 have recommended an interim dividend of 30% ( ₹ 3 per equity share of par value ₹ 10 each)



## About Mindtree

Mindtree [NSE: MINDTREE] is a global technology consulting and services company, helping Global 2000 corporations marry scale with agility to achieve competitive advantage. “Born digital” in 1999, more than 340 enterprise clients rely on our deep domain knowledge to break down silos, make sense of digital complexity and bring new initiatives to market faster. We enable IT to move at the speed of business, leveraging emerging technologies and the efficiencies of Continuous Delivery to spur business innovation. Operating across 17 countries, we’re consistently regarded as one of the best places to work, embodied every day by our winning culture made up of 19,000 entrepreneurial, collaborative and dedicated “Mindtree Minds.” To learn more, visit [www.mindtree.com](http://www.mindtree.com) or follow us @Mindtree\_Ltd.

## Safe harbour

*Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. We do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.*

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## Key Financial Metrics

(₹ million)	Q2	Q1	Q2	Growth (%)	
	FY2018	FY2019	FY2019	Q-o-Q	Y-o-Y
Revenue	13,316	16,395	17,554	7.1%	31.8%
EBITDA	1,541	2,310	2,699	16.8%	75.1%
Net Profit	1,247	1,582	2,063	30.4%	65.4%
Diluted EPS (Rs.)	7.44	9.62	12.55	30.4%	68.5%

(\$ million)	Q2	Q1	Q2	Growth (%)	
	FY2018	FY2019	FY2019	Q-o-Q	Y-o-Y
Revenue	206.2	241.5	246.4	2.0%	19.5%
EBITDA	23.9	34.0	38.0	11.6%	58.9%
Net Profit	19.3	23.3	29.1	24.9%	50.4%

Rupee Dollar Rate	Q2	Q1	Q2
	FY2018	FY2019	FY2019
Period Closing rate	65.30	68.45	72.50
Period Average rate	64.57	67.89	71.23

Hedges outstanding at 30-Sept-18		
Currency	Value	Avg. Rate/INR
USD	46.0	71.55
EURO	1.5	83.73
GBP	1.0	92.62

Total hedges outstanding in USD terms is 49M at an average ₹ rate of 71.64. These are fair value hedges expiring within 31-Dec-18.

## Key Ratios

Key Ratios	Q2	Q1	Q2
	FY2018	FY2019	FY2019
EBITDA Margin (%)	11.6%	14.1%	15.4%
Effective Tax Rate (%)	24.8%	26.8%	26.8%
Net Profit Margin (%)	9.4%	9.6%	11.8%
ROCE (%)	24.1%	29.1%	37.6%
DSO (Days)	64	67	68

Effective Tax Rate = Tax / PBT

ROCE = EBIT / Average Capital Employed. ROCE is annualized

### Key Performance Highlights

- Travel & Hospitality grew by 7.7% q-o-q / 37% y-o-y; Hi-Tech & Media grew by 3.1% q-o-q / 25.7% y-o-y; BFSI grew by 2.3% q-o-q / 8.2% y-o-y
- Digital business grew by 3.3% q-o-q and 34.9% y-o-y; IMTS grew by 10.6% q-o-q; 28.6% y-o-y;
- \$10 million clients grew by 2, taking the count to 21; \$5 million clients grew by 5, taking the count to 44

## Key Revenue Metrics

Revenue by Geography	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
US	67.5%	72.7%	73.6%
Europe	22.8%	20.1%	18.7%
India	3.5%	3.1%	3.3%
Rest of the World	6.3%	4.2%	4.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Revenue by Industry	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
Hi-Tech & Media*	37.3%	38.9%	39.3%
BFSI	24.7%	22.3%	22.4%
Retail, CPG & Manufacturing	23.5%	23.1%	21.7%
Travel & Hospitality	14.5%	15.8%	16.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*Earlier called Technology, Media & Services

Revenue by Service Offering	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
Application, Development & Maintenance	49.9%	50.7%	50.8%
Consulting	4.0%	3.4%	3.1%
Package Implementation	11.2%	10.6%	8.8%
IP Led Revenue	1.0%	0.6%	0.8%
Independent Testing	12.1%	13.1%	13.1%
Infrastructure Management & Tech Support	21.8%	21.6%	23.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Digital	<b>42.6%</b>	<b>47.5%</b>	<b>48.1%</b>

Revenue by Project Type	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
Fixed Cost, Fixed Monthly	55.5%	56.4%	56.1%
Time & Materials	44.5%	43.6%	43.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Effort and Utilization

Metrics	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019	Growth (%)	
				Q-o-Q	Y-o-Y
<b>Billed Hours</b>					
Onsite	1,419,828	1,603,168	1,665,289	3.9%	17.3%
Offshore	4,816,924	5,424,314	5,803,089	7.0%	20.5%
<b>Total</b>	<b>6,236,752</b>	<b>7,027,482</b>	<b>7,468,378</b>	<b>6.3%</b>	<b>19.7%</b>
<b>Fee Revenue (\$ 000)</b>					
Fee Revenue	203,976	237,427	242,196	2.0%	18.7%
<b>Utilization</b>					
Including Trainees	73.2%	75.4%	74.5%		
Excluding Trainees	74.6%	76.3%	76.5%		

Utilization is calculated as Billed Hours by Available Hours. Available hours does not exclude leave hours.

## Key Client Metrics

Metrics	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
<b>Client Details</b>			
Number of Active clients	327	339	341
New Clients Added	24	24	18
\$1 mn clients	114	117	111
\$5 mn clients	38	39	44
\$10 mn clients	16	19	21
\$25 mn clients	3	4	4
\$50 mn clients	1	1	1
\$100 mn clients	1	1	1

Million Dollar Clients are based on trailing 12 months revenue.

Client Contribution to Revenue	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
Top Client	16.1%	19.4%	20.2%
Top 5 Clients	30.1%	32.3%	33.8%
Top 10 Clients	41.9%	43.5%	44.8%

Contribution to revenues is based on revenues for the quarter.

Total Contract Value signed(TCV) (USD M)	Q2 FY 2018	Q1 FY 2019	Q2 FY 2019
Renewals	130	255	222
New	77	51	49
<b>Total</b>	<b>207</b>	<b>306</b>	<b>271</b>
Expiring within 1 year	166	259	198
Expiring > 1 year	41	47	73
Digital	84	139	162



## Key Employee Metrics

<b>Mindtree Minds</b>	<b>Q2 FY 2018</b>	<b>Q1 FY 2019</b>	<b>Q2 FY 2019</b>
Total Mindtree Minds	16,910	18,990	19,402
Software Professionals	15,782	17,837	18,214
Sales	276	242	243
Support	852	911	945
Gross Additions	856	1,934	1,126
Net Additions	349	1,267	412
Attrition (Last Twelve Months)	13.0%	12.2%	13.0%
Lady Mindtree Minds	29%	30%	30%
Nationalities*	53	60	62

\*Nationalities represent the count of countries to which Mindtree minds belong to.

<b>BOTs*</b>	-	406	484
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\*A BOT is defined as a software that acts autonomously, free from any interference, human or otherwise, to perform a significant task which will otherwise be performed by a human.

This is a new metric introduced effective Q4FY18

**Audited Consolidated Financial Results for the Quarter and Six Months Ended September 30, 2018 (₹ in millions, except per share data)**

Particulars	Quarter ended			Six months ended		Year ended March 31, 2018
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
Revenue from operations	17,554	16,395	13,316	33,949	26,211	54,628
Other income, net (Refer note 7)	524	279	598	803	1,252	1,902
<b>Total income</b>	<b>18,078</b>	<b>16,674</b>	<b>13,914</b>	<b>34,752</b>	<b>27,463</b>	<b>56,530</b>
<b>Expenses</b>						
Employee benefits expense	11,171	10,395	9,001	21,566	17,394	35,641
Finance costs	1	28	25	29	65	169
Depreciation and amortisation expense	403	400	454	803	913	1,715
Other expenses	3,684	3,690	2,774	7,374	5,841	11,582
<b>Total expenses</b>	<b>15,259</b>	<b>14,513</b>	<b>12,254</b>	<b>29,772</b>	<b>24,213</b>	<b>49,107</b>
<b>Profit before tax</b>	<b>2,819</b>	<b>2,161</b>	<b>1,660</b>	<b>4,980</b>	<b>3,250</b>	<b>7,423</b>
Tax expense						
Current tax	834	647	455	1,481	840	1,555
Deferred tax	(78)	(68)	(42)	(146)	(54)	167
<b>Net profit for the period</b>	<b>2,063</b>	<b>1,582</b>	<b>1,247</b>	<b>3,645</b>	<b>2,464</b>	<b>5,701</b>
Other comprehensive income:						
A. (i) Items that will not be reclassified to profit or loss	(3)	(45)	(32)	(48)	(26)	(23)
(ii) Income tax relating to items that will not be reclassified to profit or loss	-	11	6	11	5	5
B. Items that will be reclassified to profit or loss	139	121	32	260	147	146
<b>Total other comprehensive income</b>	<b>136</b>	<b>87</b>	<b>6</b>	<b>223</b>	<b>126</b>	<b>128</b>
<b>Total comprehensive income for the period</b>	<b>2,199</b>	<b>1,669</b>	<b>1,253</b>	<b>3,868</b>	<b>2,590</b>	<b>5,829</b>
Paid up equity share capital (face value Rs. 10/- each)	1,642	1,640	1,639	1,642	1,639	1,639
Reserves	28,690	27,067	23,569	28,690	23,569	25,775
Earnings per share:						
Basic EPS (Rs.)	12.57	9.65	7.46	22.22	14.70	34.39
Diluted EPS (Rs.)	12.55	9.62	7.44	22.18	14.67	34.28

**AUDITED SEGMENT WISE REVENUE AND RESULTS**

Particulars	Quarter ended			Six months ended		Year ended March 31, 2018
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	
<b>Segment revenue</b>						
Retail, CPG and Manufacturing	3,818	3,782	3,123	7,600	6,042	12,689
Banking, Financial Services and Insurance	3,924	3,655	3,288	7,579	6,523	13,255
High Technology and Media	6,892	6,370	4,971	13,262	9,862	20,467
Travel and Hospitality	2,920	2,588	1,934	5,508	3,784	8,217
<b>Total</b>	<b>17,554</b>	<b>16,395</b>	<b>13,316</b>	<b>33,949</b>	<b>26,211</b>	<b>54,628</b>
<b>Segment results</b>						
Retail, CPG and Manufacturing	578	615	366	1,193	555	1,663
Banking, Financial Services and Insurance	222	121	234	343	527	1,245
High Technology and Media	1,409	1,264	771	2,673	1,531	3,441
Travel and Hospitality	490	310	170	800	363	1,056
<b>Total</b>	<b>2,699</b>	<b>2,310</b>	<b>1,541</b>	<b>5,009</b>	<b>2,976</b>	<b>7,405</b>
<b>Unallocable</b>						
Expenses	403	400	454	803	913	1,715
Finance costs	1	28	25	29	65	169
Other income	524	279	598	803	1,252	1,902
<b>Profit before tax</b>	<b>2,819</b>	<b>2,161</b>	<b>1,660</b>	<b>4,980</b>	<b>3,250</b>	<b>7,423</b>

**Notes on segment information**
**Principal segments**

The Group is structured into four industry verticals – Retail, CPG and Manufacturing (RCM), Banking, Financial Services and Insurance (BFSI), High Technology and Media (Hi-tech) (erstwhile Technology, Media and Services - TMS) and Travel and Hospitality (TH). Accordingly, the Group has presented its segment results under these business segments.

**Segment assets and liabilities**

Segregation of assets, liabilities, depreciation and other non-cash expenses into various business segments has not been carried out as the assets are used interchangeably between segments. Accordingly, no disclosure relating to segment assets and liabilities has been made.

**Audited Consolidated Financial Results for the Quarter and Six Months Ended September 30, 2018 (₹ in millions, except per share data)**

Particulars	As at	
	September 30, 2018	March 31, 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,349	3,509
Capital work in progress	245	92
Goodwill	4,732	4,539
Other intangible assets	1,392	1,520
Financial assets		
Investments	108	58
Loans	678	751
Deferred tax assets (net)	405	318
Other non-current assets	1,575	1,547
	<b>12,484</b>	<b>12,334</b>
<b>Current assets</b>		
Financial assets		
Investments	6,224	7,206
Trade receivables	12,983	10,155
Cash and cash equivalents	1,745	3,289
Loans	122	17
Other financial assets	2,505	3,081
Other current assets	2,180	1,283
	<b>25,759</b>	<b>25,031</b>
<b>TOTAL ASSETS</b>	<b>38,243</b>	<b>37,365</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity share capital	1,642	1,639
Other equity	28,690	25,775
	<b>30,332</b>	<b>27,414</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
Borrowings	5	9
Other non current liabilities	87	85
	<b>92</b>	<b>94</b>
<b>Current liabilities</b>		
Financial liabilities		
Borrowings	-	3,000
Trade payables	2,073	1,710
Other financial liabilities	2,125	1,812
Other current liabilities	1,290	1,802
Provisions	1,587	1,218
Current tax liabilities (net)	744	315
	<b>7,819</b>	<b>9,857</b>
	<b>7,911</b>	<b>9,951</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>38,243</b>	<b>37,365</b>

**Notes to audited consolidated financial results for the quarter and six months ended September 30, 2018**

- The above results were reviewed by the Audit Committee and thereafter have been adopted by the Board at its meeting held on October 17, 2018.
- The Board of Directors at its meeting held on October 17, 2018 have declared an interim dividend of 30%.(Rs 3 per equity share of par value Rs 10 each).
- The Nomination and Remuneration Committee and the Board of Directors of the Company at their meeting held on October 17, 2018, have approved and recommended reappointment of N.S. Parthasarathy as Executive Vice Chairman for a period commencing from January 01, 2019 to January 31, 2021, subject to the approval of shareholders.
- The Nomination and Remuneration Committee and the Board of Directors of the Company at their meeting held on October 17, 2018, have approved and recommended reappointment of Apurva Purohit as Independent Director for a second term of five years commencing from January 01, 2019 to December 31, 2023, subject to the approval of shareholders.
- Effective April 1, 2018, the Group has adopted Ind AS 115 'Revenue from Contracts with Customers'. The application of Ind AS 115 did not have any material impact on the financial statements of the Group.
- Audited financial results of Mindtree Limited (Standalone Information)

Particulars	Quarter ended			Six months ended		Year ended
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	March 31, 2018
Revenues	17,081	15,947	13,037	33,028	25,527	53,250
Profit before tax	2,914	2,169	1,930	5,083	3,547	7,943
Profit after tax	2,162	1,591	1,521	3,753	2,768	6,249

Note: The audited results of Mindtree Limited for the above mentioned periods are available in the investors section in [www.mindtree.com](http://www.mindtree.com) and also with the stock exchanges where it is listed. The information above has been extracted from the audited financial statements as stated.

- During the quarter and six months ended September 30, 2017 and year ended March 31, 2018, the Group has written back earn outs payable towards acquisition of business amounting to Rs 303 million, Rs 677 million and Rs 916 million respectively.
- EPS for the interim periods are not annualized.
- The statement of consolidated financial results have been audited by the Company's auditors. The Company's auditors have issued an unmodified audit opinion on the consolidated financial results. The audit report has been filed with the stock exchanges and is also available on the Company's website.



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**Safe Harbor:**

*Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. We do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.*

*Welcome to possible*