



Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Conference Call: Connect and Interact with Mindtree CEO –
Debashis Chatterjee

August 23, 2019

Welcome to possible

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Mindtree Limited Conference Call - Connect and Interact with Mindtree CEO – Mr. Debashis Chatterjee. As a reminder, all participants' lines will be in the listen-only mode. 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 Ms. Amisha Munvar. Thank you and over to you, ma'am.

Amisha Munvar: Good Afternoon and Happy Janmashtami Dear All. I Amisha Munvar, Head of Investor Relations at Mindtree, would like to welcome you for today's call.

We have our CEO and M.D. – Mr. Debashis Chatterjee and our CFO – Pradip Menon for today's call.

We will start the call with a "Brief Address by our CEO" and post that we will leave the floor for "Q&A."

Some Safe Harbor Statement:

During the call, we would 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 result could be different. We do not undertake to update those sentiments periodically.

Now, I hand over the call to Mr. Debashis.

Debashis Chatterjee: Thank you, Amisha. A very good afternoon to all of you. It has been exciting and engaging two weeks since I joined Mindtree. My experience has been wonderful in terms of interaction with Mindtree Minds and our top clients. My immediate actions were to meet the Mindtree leadership and our top clients to provide them confidence. I am very happy to receive the encouraging responses as well as positive commitment from each one of them. The leadership at Mindtree is giving me the confidence that the team is focused on doing everything possible to keep the top service rendered to all our clients at its best.

From business perspective, our pipeline is healthy and strong. Deal closures are in progress. Demand traction from our existing clients is equally positive. We have had several conversations with top clients who in turn are well aligned with our growth strategy. All these factors are giving us the confidence of growth in FY'19-20 as already indicated. Driving profitability continues to be one of our priorities. The year started with reasonable deal closures that will lead to revenue acceleration in upcoming quarters. We are aligned to improve margin sequentially during our upcoming quarters. We have always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of good

corporate governance, strong financials, social consciousness and sustainable operations. All this will provide opportunities for Mindtree to grow with enhanced stability.

L&T can provide further impetus to the long-term growth of Mindtree by way of board level oversight and relevant client connects. We will be able to harness these relationships for the benefit of all Mindtree's stakeholders.

My interaction with Mindtree board and Mindtree leadership is giving me the confidence that we are here together to scale the organization to new heights and I am extremely passionate about it.

With this now I open the floor for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Debashis, while it is still too early, if you can talk about your initial assessment on the inherent strengths of the organization that you are seeing and also more importantly the areas that you feel require more attention in terms of investments? And a follow up to that, while you touched upon this but if you can talk a bit more about the feedback that you have received from clients especially the top account?

Debashis Chatterjee: Thank you, Apurva. Let me take the first question. In terms of strengths, we all know that Mindtree has been at the forefront of digital transformation and significant work that we do for our clients has been in the digital area. So that will continue to be the focus as we go along. I think right now the focus for me is to ensure that we continue to accelerate the growth in the areas where we are extremely strong. And if we do that the opportunities are huge in every segment that we operate on the industry groups. And in terms of feedback from specific customers, in fact, sooner than later we talk to all the customers, I think SNS was there, meeting all the customers fairly quickly once the change has happened. I have met quite a few customers. I can only say that the feedback has been fairly positive. I think there has been a significant confidence booster with the customers in terms of giving stability to the environment. The top leadership team has been there. The clients have been still engaging with the same teams. So, I think from overall perspective it has been fairly positive.

Moderator: Thank you. The next question is from the line of Divya Nagarajan from UBS Securities. Please go ahead.

Divya Nagarajan: My question here is that the organization has gone through an unexpected change one that the founders had earlier ducked little bit of a hostile takeover. What have been the company steps and your steps after you come in to calm down sentiment and ensure that the employee workforce put its head down and get back to business as usual?

Debashis Chatterjee: Thank you, Divya. I think as I said the primary focus was two-fold – One was to meet the top clients as quickly as possible and the second thing was to meet the leadership. As you can make out, when I got in, the founders were not there, so I had to rely on the next level of leadership to work with them and I must say that I feel very confident working with the next level of leadership. And as I said in my previous answer, there has been significant efforts made to meet all the top clients which we have done in record time and I am continuing to meet some of those clients and I feel that we are on a very strong footing in terms of giving the confidence to the clients and we also did quite a few employee town halls which kind of gave the confidence that we are here to just continuing the journey and take it to the next level.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Would you look at bringing some of your associates from Cognizant? Second is what is the strategy for BFSI vertical considering that it is sub-scale for Mindtree and you have a strong experience in the BFSI vertical?

Debashis Chatterjee: First of all, I firmly believe that Mindtree will not be where it is unless we already had a good leadership in place. So my first effort is to make sure that I understand the organization and look at the leadership in terms of how to make use of them at a full potential. As we go along, we can always evaluate in terms of adding more leadership. In terms of BFSI, yes, it is a significant vertical in the context of Mindtree. As a sector, it has been going through ups and downs and definitely over a period of time we expect that this sector also will do well.

Moderator: Thank you. The next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: What was the key motivation for you to come and work at Mindtree in terms of what is it you think that Mindtree has that other mid cap don't? And related to that is how do you think you can take Mindtree to the next level either in terms of customer connects and just increasing the overall revenue profile?

Debashis Chatterjee: Let me talk about a couple of things which I knew about Mindtree – First of all it has been always a company which I admired within the mid-tier segment, reaching a billion dollar landmark is quite a significant achievement. And moreover, if I look at the profile of the company which you all know is, we have been at the forefront of digital. If you look at the transformations happening at the marketplace, it is all led by digital and Mindtree has been playing a very significant role in terms of the digital transformation for many clients. So that is something which is definitely quite fascinating. The second thing I would say is the talent. If you look at the talent pool that we have, it is not that there are many organizations who have been able to retain talent and nurture them and reskill them and get them to work on the leading edge of technology. So given those two factors, they were certainly motivating for me to take

up this next challenge. Needless to say that if I did not see this role to be challenging I would not be here.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Sir, just wanted to basically get a broad idea. During the transition period over the last couple of months, we did see some key management people in the middle management probably leaving Mindtree, so I think that leaves kind of a vacuum that we have here. How soon do you think we should be able to basically fill up those positions? And also, on the same note, do we expect any radical changes with the middle management from what we have today, in the sense, the people that we have today in the organization, do you expect them to continue or there could be some changes going forward?

Debashis Chatterjee: Vibhor, first of all, I do not know where you got the information but I do not think there has been any significant change to the middle management in the organization. There are a couple of senior leadership who exited, that happened quite some time back. So to my knowledge, I think the leadership team is intact and at this point of time I am working very closely with the leadership team to find out the way we can grow further, how can we propel the growth, so on and so forth, and I think that is going to be exciting for all of them. And the little amount of time... around few weeks that I have spent over here, I am very confident that everybody is charged up in terms of how to continue the momentum in terms of growth and take it to the next level.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: So, I had two parts to my question. First, if you look at obviously having two group companies in the same business is something which L&T also has acknowledge that at some point of time they will look at possible integration, obviously, the timelines have not been defined, but that is something which is a eventuality over a period of time. So, with that context, how does that impact a strategic decision that you are taking today for example the early question about building out the BFSI or any kind of new service line which you might be looking at investing in? The second question is are you working or have you worked to define a kind of relationship from operating perspective with LTI in terms of maybe joint or at least having a conversation between the sales in terms of bids to larger deals because that is an area where I guess both the companies have been actively pursuing?

Debashis Chatterjee: Thanks, Pankaj for asking that question. First and foremost, Mindtree will be operating as it is as of now and the future is a long-term which is certainly not known to us, so, from all practical purposes, Mindtree will continue to operate as an independent entity. If I can just add that wherever possible I would rather like to leverage the contacts and the connects that L&T can give me. Coming up to the second question which is related to how do we look at the

collaboration with the LTI. You have to understand that the client segment that we are operating in are quite complementary. If you look at Mindtree we are operating mostly in the retail consumer goods, travel, hospitality, hi-tech, media and some BFSI. So, essentially the segments in which we are working and so far the interactions that I had with clients, gives me the confidence that there is significant headroom in terms of the specific industries where we are operating and I think that is what we are going to stay focused on. In case there are opportunities where there is anything which is a common client, we can always sit across the table and discuss as and when it is required. But the other flip side is that the good news is that there could be situations where there are certain capabilities available in LTI and there are certain capabilities available in Mindtree and we can always go with the A plus B model and ensure that we can go after significantly larger deal. That is an opportunity for me. But as of now, it is going to be operating as it is and we do not know about the future.

Moderator: Thank you. The next question is from the line of Harith Shah from Reliance Securities. Please go ahead.

Harith Shah: Just want to get some clarity. Since you have joined have you been able to get some sort of clarity in terms of share maybe not substantially common but maybe on common vertical in BFSI and maybe a few other sub-verticals. So in terms of let us say bidding for a deal of contract, is there any sort of clarity on what basis one company maybe bid for that contract and LTI would not, the other group company?

Debashis Chatterjee: Harit, the simple answer is that there is a significant headroom in terms of the industries that we operate, there are significant opportunities with the clients we operate. And I do not think there is any situation we have come across where we have to create ground rules. So, at this point of time, I think we are just operating as Mindtree and wherever there are opportunities we are targeting that.

Harith Shah: But both of you may end up bidding for one contract at some point in the future as well, that is not something that can be ruled out, right?

Debashis Chatterjee: If it happens in the future, as I said, there could be an opportunity collaboratively to go after and create larger deal for both the entities. But as of now, I do not think we are seeing that, but in future when we see that it will be only advantageous for us rather than anything else.

Moderator: Thank you. The next question is from the line of Divya Nagarajan from UBS Securities. Please go ahead.

Divya Nagarajan: Just a follow up to my earlier question. What kind of a roadmap have you set yourself in terms of to dos in the next three, six months and what can we expect in terms of milestones from you in terms of priorities for you and the company?

Debashis Chatterjee: It is still early days for me but if you ask me some of the immediate 90-days plan, the first and foremost priority was the clients and ensure that we talk to all the top clients within Mindtree and ensure that there is no situation where deals are slowed down, we can continue to focus on our growth, do more challenging transformation projects for our clients. There has been a lot of talk, but I felt that the first thing that if we do within the first 90-days also get the next level of management geared up and aligned to that growth, that has been my focus. We also realize that as we said earlier that we will continue to take the margin up quarter-over-quarter. So that is also going to be one of the focus. I would say these are some of the things that are short-term next 90-days focus but obviously as we speak I am also thinking in terms of how to lay down the overall longer-term plan.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Just on the margins. One of the concerns for the street has been steep volatility for Mindtree on the margins...I mean, we keep having shocks once in a while. In terms of the internal strategy for the next couple of quarters, how should we see the expansion because last quarter the fall has been very steep after taking the one-off expense. So, how should we see the margin trajectory and what is the aspiration for the margin band?

Pradip Menon: Thanks, Madhu. When we had the last quarterly call, if you remember, we had said that as a lot of the margin performance is also linked with the revenue performance. Now, as you have seen in the last quarter, we did have a fairly reasonable set of deal momentum which came through. What we believe is that as the revenue growth momentum accelerates towards the rest of the year and we continue to focus our efforts on operational efficiency, we will be able to take up the margins. And therefore, it is very clear in Debashis's opening remarks, he mentioned about the fact that we will have a consistent increase or improvement in margins quarter-on-quarter as the year progresses. So, that is really the broad theme. And of course, we want to leverage the benefits of the larger revenue growth which will come through as we get into the rest of the year.

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

Nitin Padmanabhan: Debashis, just wanted your thoughts. You have come in where the broader environment is very tough. So, in that context, are you seeing anything in terms of broader weakness within clients sets in the context of the environment delays and closures or any such things that you worry about?

Debashis Chatterjee: As I said, my intention was to ensure that we meet the top-20 clients and any anxiety they had on their minds. And I am happy to say that we are fairly confident that the anxieties are over with the clients. So, anything which was kind of a little slowdown, I do not think I worry about those things any more. But overall if you look at the market, the BFSI and overall retail performance were mixed in general. If you talk about the overall industry, even Europe was

weak across the board. But Digital remains very strong and Digital is the one area where we have been focused on and which has been our overall growth driver. So we hope to continue that momentum as we go along.

Nitin Padmanabhan: Actually, I was referring to the broader market, not necessarily the shift in Mindtree's ownership. So in terms of deal closures or any such things, are you seeing delays?

Debashis Chatterjee: Not in our portfolio.

Moderator: Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Just wanted an update on the deal closures I think which is probably getting delayed in the previous quarter. Any color on that? And for FY'20 I think SNS mentioned double-digit growth. So, would you still maintain that?

Pradip Menon: What we have been saying on the back of the kind of TCV deal signed we had in Q1 FY'20, we would be seeing an improvement in revenue growth as the year progresses and our intention obviously is to ensure that we had TCV win of \$324 million which is quite a significant number. And all these factors are giving us the confidence on the full year growth. In terms of revenue absolute growth, yes, I think that is the kind of range that we would be looking at. But the exact numbers, etc., we would be able to give a more clearer perspective in the middle of the year when the next quarter update happens.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: Just a follow-up. Debashis, you mentioned that margin is something which you are going to look at fairly closely. So, any kind of aspiration, band or target that you have in mind where you like to get the margins back on over a period of time and what kind of levels or targets that you have for a shorter-term from say FY'20 and FY'21 perspective?

Pradip Menon: Good question, Pankaj. What we again said in our opening remarks is we want to improve our margins in a sequential manner over the subsequent quarters. The intention is year-on-year, the next couple of years to take the margins up, leveraging the benefits of revenue and the kind of larger deals that we would be getting. As you know, many of our projects and our businesses in the digital space, typically smaller size projects, onshore so on and so forth. So if we are able to progress those two larger size and we are able to get a larger component of that offshore, that will be a very important element to grow the margin. So we are looking at all those levers and the intention obviously is to make sure that year-on-year we subsequently increase our margins over a period of next two years, so that will continue to be our focus.

Pankaj Kapoor: Pradip, just to understand that better last year we ended with about 13% EBIT margin level. So, are you hinting that you are looking at YoY improvement on that level?

Pradip Menon: I think that is a tricky question at this stage. As we have said even in the previous quarter call, we made very clear that our aspiration is to increase margins year-on-year. But we also need to reckon the fact that we have had certain one-offs and other impacts which have happened. So, if you exclude all those impacts, our aspiration is to improve margin year-on-year and we will have to get a more updated view when we come to the next quarter when we have the mid-year update, but the intention clearly is to improve margins quarter-on-quarter and year-on-year.

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

Devanshu Bansal: My question is on margins. We have indicated growth leverage to basically drive the margins. But optically seeing our margins are lower structurally as well. As we operate at a lower margin vis-à-vis our peers, do you see any immediate margin levers in terms of our business structure as well?

Debashis Chatterjee: Just to add on to what Pradip said already, if you look at some of the levers that we will be using in terms of upliftment of margins, if we can get the deals and larger deals, move the work more offshore, if we can ensure that we have the necessary correction that we will do in terms of pyramid and these are just a couple of levers. So we have a series of levers that we can deploy and of course if you can get the right pricing also done. So these are the levers that we will be using as we try to take the margin up quarter-on-quarter as we said.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Ms. Amisha Munvar for closing comments.

Amisha Munvar: Thank you, Ali. Thanks, everyone for joining the call and we look forward to interact during the quarter with all of you. Have a good day.

Debashis Chatterjee: Thank you.

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