

# Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Transcript of analyst call

First quarter ended June 30, 2021

July 20, 2021

**Moderator:** Ladies and Gentlemen, good day and welcome to the Mindtree Limited, Q1 financial year 2022 Earnings Conference Call. Please note all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the opening remarks. Should you need assistance during the conference call please raise hand from the participant tab on the screen. Please note this conference is being recorded. I now handover the conference to Ms. Amisha Munvar, Head of Investor Relations at Mindtree. Thank you and over to you.

**Amisha Munvar:** Thank you so much Aditya. A warm welcome to all of you to this conference call, to discuss the financial result for the quarter ended 30<sup>th</sup> June 2021. Trust all of you and your loved ones are safe and in good health. Today on the call we have with us,

- Mr. Debashis Chatterjee, Chief Executive Officer and Managing Director, Mindtree
- Mr. Venu Lambu, Executive Director and President, Global Markets, Mindtree
- Mr. Dayapatra Nevatia, Executive Director and Chief Operating Officer, Mindtree
- Mr. Vinit Teredesai, Chief Financial Officer, Mindtree

We will begin with a brief overview of company's Quarter 1 performance after which we will open the floor for Q&A. Please note this call is meant only for the analysts and investors community. Our friends from the media are requested to disconnect as we have already concluded the media briefing.

Before I hand over, let me begin with the safe harbor statement, "During the call we can 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 as outlined in the quarterly fact sheet uploaded on our website. We do not undertake to update those statements periodically. With this, I pass it on to Debashis.

**Debashis Chatterjee:** Thank You Amisha. Good evening and good morning to everyone on the call. I hope you and your families continue to remain safe. There are mixed signs of improvement in the Covid-19 situation; with increasing vaccinations on one side and newer variants on the other. Even so our ability to respond to a global crisis of such unprecedented proportions is remarkable. We will remember this period as a turning point that challenged us out of our comfort zones and pushed us towards a radically different way of the future. In more ways than we can imagine, the pandemic has also brought out the best in us. This is especially true of Mindtree.

Our strong start to the FY 22, underscores the resilience of our business model and the continued commitment of Mindtree minds. For the quarter our revenues were up 7.7% sequentially and our order book was of half a billion US dollars, the highest ever in our history. The pandemic has re-emphasized the pivotal role of digital transformation in driving competitive advantage, business outcomes and customer value in today's hyper connected, hyper automated and hyper personalized world.

Thriving in these volatile times requires adapting to disruptions with agility and turning them into growth opportunities. This is where we are making a significant difference to some of the world's most pioneering enterprises by leveraging our digital expertise, omni channel approach and domain knowledge we are enabling them to reimagine their business models. We see growing focus on customer experience initiatives, cloud and platform driven operating models, intelligent decision making and automation amongst our clients.

The focused execution of our strategy supported by improving macroeconomics indicators and market sentiment positions us well as a strategic partner to clients looking to become agile, innovative and technology driven enterprises. This is helping us gain market share and differentiation as clients analyse, we imagine and transform their businesses for the new normal aiming to maximize revenues and growth opportunities instead of just optimizing costs.

Our broad-based growth across service clients, industry segments and geographies indicates that the disciplined execution of our strategies and investments in strengthening our capacities, partnerships are producing desired results. With this let me provide more details on the quarter that has gone by.

We delivered exceptional Q1 performance of USD 10.5 Million in revenue, up 7.7% quarter on quarter and up 22.6% year on year. Our record order book of half a billion US dollars comprising both annuity and transformational deals is up 34.2% sequentially making a strong start for FY22. The momentum is evident in the fact that all industry segments grew sequentially this quarter. Communications, Media and Technology grew 6.9%. Retail, CPG & Manufacturing grew 7.7%. Banking, Financial Services & Insurance grew 6.4%, Travel, Transport & Hospitality grew 13.1% sequentially.

As we begin reporting the performance of our healthcare business, we have reclassified some of our new clients and included new wins. We are pleased to inform that healthcare our newest industry group contributed USD 3 Million to our revenue. The comparative numbers are available in our Q1 financials.

In terms of geography, North America contributed 76.6%, Continental Europe, UK & Ireland contributed 16.2% and APAC & Middle East contributed 7.2% of our revenue during the quarter. Our investments in Continental Europe, UK and Ireland have helped us deliver a strong growth of 11.2% quarter on quarter and 52% year over year for the region. Among our service lines, customer success contributed 40%, data & intelligence contributed 15%, cloud contributed 19.9% and Enterprise IT contributed 25.1% of our revenue for the quarter. In our industry groups, RCM & CMT continued to witness strong demand. We are happy to report that our BFSI segment is returning to growth, we remain cautiously optimistic about the TTH business, although our client relationship and diversification strategy continue to drive growth momentum in that sector as travel and hospitality pick up.

We are partnering with forward thinking organisations in leveraging disruptive technologies to help them keep pace with the changing business environment, maximise efficiencies and accelerate time to value. Let me share a few deals we won during the quarter;

One of the world's leading investment managers has selected us as a strategic partner for a multi-year manage services engagement to drive innovation and differentiated experiences by modernising and transforming its IT infrastructure and application portfolio, while enabling multiple strategic business and change initiatives for them. A global travel management company has chosen us for a multi-year, end to end AWS cloud migration and cloud operations program to drive its new business and product strategy. A global leader in automobile manufacturing has chosen us as a multi-year strategic partner to transform its applications ecosystem. A global hi-tech industrial conglomerate has partnered with us to enable digital selling and an omni-channel customer experience. A world leader in steel wire-based products has partnered with us for a multiyear digital transformation program where we will deliver digital commerce platform globally with our data first approach to enable digital revenue acceleration and enhanced customer experience.

The core of our delivery excellence framework is built upon best practices from distributed agile execution methodologies that help us drive positive business outcomes. Certification in 7 ISO Standards across 14 of our locations are a testimony of our ability to provide seamless and secured delivery.

Let me talk about a few engagements we delivered in the quarter. For a leading telecom company, we helped optimise operating cost by migrating its IoT applications to the cloud, resulting in 99.99% uptime, reduced data center footprint and improved security compliance. For a leading asset management company, we executed a multiyear large scale IT support & transformation project using a robust transitional methodology on our proprietary platform. We successfully migrated more than 200 applications in a zero-touch manner. For a multinational FMCG company, we successfully rolled out a complex ACP remote conversion tool to address its regular infrastructure scaling. This is enabling smoother business transitions and significant annual cost savings.

Our recognitions in the quarter include, we ranked 2nd for client satisfaction in the 2021 UK IT sourcing study, conducted by Whitelane Research in collaboration with PIA consulting. Our overall score of 80% was well above the industry average of 72%. We earned the analytics on Microsoft Azure advanced specialization, validating our ability to help businesses unlock value from data and analytics. We were named a major contender by Everest group in its application and digital services in Banking Peak Metrics Assessment 2021. We were named among 40 customer analytics service providers in Forester's Now Tech: customer analytics service providers Q2 2021 report. We are recognized with the 2021 ISD digital case study awards for best-in-class digital transformation work with enterprise customers.

Investments are key to enhancing our ability to deliver value to our stakeholders; our clients, Mindtree Minds and our communities. Be it hiring and rescaling the brightest of talent, building new domain, delivery and technology capabilities, driving partner led go to market strategies or fulfilling our responsibilities as a corporate citizen. We recently completed the acquisition of NXT digital business to advance our edge to customer experience proposition. This strengthens our ability to reimagine and drive the industry 4.0 vision, leveraging IoT, data analytics and cloud technology seamlessly.

We see innovation as a big part of our ability to help customers see new growth opportunities. This can be seen at play in the 'Digital Pumpkin', our unique digital innovation hub for multi – disciplinary teams to come together to ideate, design and craft meaningful business solutions in a collaborative approach to create innovative prototypes and pilots for our clients. Our consulting team plays a very big part in this shaping demand and meaningful business outcomes.

Let me share a few success stories in this context. We were selected by a leading US based beverages company as a strategic partner to provide consulting and implementation services to improve customer acquisition and retention. We have been retained as a preferred partner by a leading luxury real estate services provider to define and implement refreshed customer experience strategy. We have been selected as a strategic partner by a leading multinational sports good manufacturer to design and implement its digital commerce initiatives. All this is made possible by our dedicated and passionate Mindtree Minds across sales, delivery and support functions. We continue to build upon our unique value proposition for Mindtree Minds in line with the fundamental principles of our work ethos, purpose, caring, learning and delivering results. During the quarter we onboarded a net headcount of more than 3,400 Mindtree Minds, our highest ever in a quarter, taking our headcount to over 27,000. Our last 12 months attrition stands at 13.7%. Continuous learning is the cornerstone of a competitive edge in this era of change. Our “learn anywhere, anytime” approach in delivering quality learnings at scale is bearing fruit with an 86% increase in learning hours quarter on quarter.

I would now like to pass it onto Vinit to walk you through our Q1 financial highlights.

**Vinit Teredesai:**

Thank you DC. Good evening, good morning to everyone on the call. A strong start to the new fiscal with a broad-based growth is a testimony to the focused and successful execution of our strategy. This is our 4th consecutive quarter of profitable growth momentum despite unprecedented times. Our reported EBITDA margin for the quarter was 20.3% compared to 21.9% in Q4, FY21. Our reported EBIT margin for the quarter was 17.7% compared to 18.6% in the preceding quarter. The 160 basis point drop in the EBITDA margin as compared to the prior quarter was primarily due to 170 basis point on account of our highest net headcount addition, 40 basis point due to visa cost. This was partly offset by 50 basis point tailwind from the cross-currency movement, revenue growth and higher operational efficiency. The net effective tax rate was 26.2% as compared to 24.3% in Q4, FY21. Net forex gain for the quarter was USD 5Million. Profit after tax margins remained flat at 15% as

compared to Q4. PAT in absolute terms was USD 46.5 Millions, resulting in earnings per share of INR 20.8 in the quarter as compared to INR 19.2 in Q4, FY 21.

Our continued efforts in collections during the quarter led to a 3-day reduction in the days of sales outstanding. For the quarter it stood at 57 days. EBITDA to operating cash flow was 28% for the quarter, free cash flow to EBITDA was 20.9% for the quarter. Our utilisation for the quarter was 83.2% compared to 84.3% Our contractual pricing for the quarter remained stable. A record order book of half a billion USD is the result of our differentiation in gaining market share. As of June 30, 2021, our cash flow hedges, were at USD 1.108 Million, hedges on balance sheet were at USD 128 Million and options of USD 15 Million.

Our sustainability report for FY2021, the company's 9th sustainability report provides a snapshot of how we have integrated environmental social and governance consideration into our business. Demonstrating our commitment to people, planet and profits as we enable business and society's to flourish. We were rated among the top 5 companies for ESG by CRISIL limited in an evaluation of 225 companies across 18 sectors in India.

EcoVadis awarded us the silver rating in the sustainability assessment, placing us amongst the top 25% of more than 75,000 companies assessed.

I now handover to DC to cover the demand and outlook.

**Debashis Chatterjee:**

Thank you Vinit. Our focus continues to be on accelerating growth, building new age capabilities, strengthening our work ethos and making our business model more and more resilient. We are witnessing accelerated adoptions of digitalisation among industries and while recovery is understandable linked to the recovery from the pandemic, we are energised by the growing scale and scope of transformational opportunities ahead of us. We have better visibility in the business and our pipeline continues to be strong among industry sectors ensuring our strong start to FY22.

Deal constructs are factoring in our differentiated capabilities to deliver solutions that are aligned with involving industry context and have the potential to open newer growth avenues for our client. This is further strengthened by newer digital capabilities as manifested in the new opportunities around IoT and Industry 4.0 that have been unlocked by our acquisition of L&T NXT. We will continue to make focused investments in the business to drive sustainable long-term growth and shareholder value. We are further ramping up hiring to meet the growing demand for our services and will soon initiate the second round of wage increases for our eligible Mindtree Minds up to the mid management levels.

While this could create some near-term margin headwinds, our robust business momentum and operational efficiency programs, give us the confidence to deliver industry leading double digit profitable growth in FY22. We have demonstrated the strength, agility and resilience required to lead into the future.

With that let me open the floor for questions.

**Moderator:**

Thank you very much, we will now begin the Questions and Answer section, anyone who wishes to ask a question can raise your hand from the participants tab on your screen.

Participants are requested to use headphones or earphones while asking a question. Participants are requested to ask one question at a time. For follow up questions, please join the que again. Ladies and Gentlemen, we will wait for a moment while the question que assembles. First question is from Mr. Nitin.

**Nitin:** Hello, thanks for taking my question. The first question was on the \$504M deal wins, it will be helpful if you could give us some vertical wise colour in terms of how the wins were in terms of the proportion of that \$504 million?

**Debashis Chatterjee:** Yes, Hi Nitin. I think the way to look at it is there were there were some renewals but at the same time some of the deals were more annuity kind of deals and you know led by mostly in the CMT as well as in RCM which has a maximum share but otherwise it was fairly broad based. Venu, do you want to add any colour?

**Venu Lambu:** No DC, I think you have covered it all.

**Moderator:** Thank you. Next question is from Mr. Vimal Goyal.

**Vimal:** Thank you for the opportunity Sir. I just had one question I just wanted to get your sense on the sub-contracting cost. I mean they have doubled on a YoY basis and what causes such a sharp increase? If you just highlight will our dependence on expensive model for delivery with contractors go up structurally going forward because of the tight supply environment that we see, how should we see this cost going forward? Thank You.

**Debashis Chatterjee:** Thank you, Vimal, we must say that the way to look at it is, if you look at our overall growth momentum in this quarter, we had a significant growth and we also felt there are opportunities where we wanted to initiate new engagements wherever it is possible. So in lieu of that definitely we have to rely on sub-contractors and I think that these scenarios which may exist for a little while but as an overall strategy, I don't think we want to really keep on increasing subcontractor cost in the long run. So, it is a short-term phenomenon but over a period of time, it will even out you know that's the strategy that we have.

**Moderator:** Thank you, next question is from Mr. Vikas Ahuja. Requesting you to please introduce your company affiliations before asking your questions. Thank You

**Vikas:** Yes, hi thank you this is Vikas from Antique. I just want to check on the overall pipeline. So, after you know this half a billion of booking, which was again a record high how the overall pipeline is looking now after booking such deals and secondly, some colour on the BFSI vertical. It has been a leg guard but saw that it moved positively into high single digit growth this time. So how should we look at into this vertical going forward? Thank you

**Debashis Chatterjee:** Thank you, Vikas. See as far as the pipeline is concerned the pipeline is fairly robust. In fact, the pipeline has only been increasing from quarter over quarter, so our pipeline at this point of time is pretty robust and you know so the order book we have, in spite of that order book our pipeline is pretty healthy and pretty strong and as far as BFSI is concerned we did mention, in our previous quarter that there were a few opportunities which we were expecting closures that took some time for closures. Those opportunities are closed and that's why we are seeing very good traction and we are very confident that this traction will

continue as we go along. But we should also appreciate that this is one segment where there's a lot of consolidation that happens and that's why things do get slow down but as of now you know we feel confident about our recovery. Venu, do you want to add anything?

**Venu Lambu:**

Yes, just on the order booking number. So, if you actually look at it, last year we did about USD 1.4 billion dollars. So, we are looking at the orders that we can book for the entire twelve months, there is always going to be one quarter where you may see a slightly different value that keeps coming in. But what we are interested in is you know for throughout the year can we keep increasing our order book and I think we got a good start for the first quarter. You know which will help us to achieve the point that I mentioned because there is also a bit of a timeline on which a customer takes decisions on. So hence probably not always the quarter-to-quarter order book is the right measurement but the run rate is what actually matters. And we are in a good run rate to clock the order book for the entire year which will be higher than what it was last year and I think we're on the track.

**Moderator:**

Thank you. The next question is from Mr. Mohit Jain.

**Mohit Jain:**

Hi Sir, this is Mohit from Anand Rathi. Just wanted to check one thing on the cash flow side. So, we have seen this build up on the receivables days, if I include unbilled amount into that. What is the reason for that or should be expect it to get normalised as the year progresses? Or is there a change in working capital requirement for the company?

**Vinit Teredesai:**

Now this is a pretty much just a quarterly situation as we have been talking about in the past, our overall shift is moving from an effort based to an outcome based. Whereby we are having a lot of new fixed price deals coming in. So, to that extent yes, our billed revenue billed DSO has come down and even including the unbilled also has come down by one day. So, including unbilled it was 77 last quarter this is. This has moved to 76 this quarter. But even the overall what you are saying right now that drop in the cash flow in this mainly on account of variable incentive payout that we have done and the increase in overall growth that we have in our debtors during the year. But this is not something we should look at from a trajectory change perspective, this is just a quarterly phenomenon that is happening.

**Moderator:**

Thank you next question is from Mr. Manik Taneja

**Manik Taneja:**

Hi thank you for the opportunity. This is Manik Taneja from GM Financial. I had a couple of questions; number one was on segmental margins. I see that the segmental margins on the retail vertical have come up sequentially in a very sharp manner just trying to understand if there is any one of cost recognition here. The second thing is that we talked about the fact that we will be implementing wage increments from Q2 FY22 onwards. Just trying to understand if that 20% plus EBITDA margin outlook would hold true for FY22. Thank you.

**Vinit Teredesai:**

So, on the retail consumer packaging and manufacturing segment, the drop in the margin is right now only because we are in the process of ramping up on some major projects for two of our customers in Europe and have more costs compared to the revenue that we should be realise in that. It's in the transition phase and on your wage increments what we are going to be doing is obviously going to be at a selective level up to a certain level in



organization and that is only going to have a limited impact on our overall margin. With our growth momentum continuing the way it has been at this point of time for Q1 we are confident of still remaining on the trajectory of a 20% plus for the whole year. Though there might be some short-come headwinds.

**Moderator:** Thank you. Next question is from Mr. Dipesh

**Dipesh:** Thanks for the opportunity. Two questions; first is about the non-top 10 client. I think we are seeing good traction in the non-top 10 clients. So, if you can provide some colour in these bucket, how are we seeing these clients playing out? And the potential scope in these clients where we are seeing some of them moving to top 10 over a period of time. So if you can provide some detail on these clients. What kind of services we are planning to provide and how cross selling is happening in these bucket. The second question is about depreciation and amortisation, that number is depend softly this quarter. So, if you can provide what would be the steady state expected. Thank you.

**Debashis Chatterjee:** So Dipesh let me just respond and then I will let Venu and Vinit also add. See as far as the top client is concerned, top client revenue share has gradually reduced a little bit and our intention is that over a period of time as the growth happens the top client will you know, the revenue concentration for the top client will reduce and we have been very focused in the 2-10 as well as 2 - 20 segment. The top 10 clients, barring the top client the revenues have grown sequentially by 13% and that top 20 clients barring the top client, revenues have grown around 11%. We have a very robust program in place where we have a set of focus accounts and we want to cross sell and upsell into those focus accounts and we are very confident that revenues will you know actually grow in the focus account which will be in line with our overall strategy that we are adopting. Venu, do you want to add any additional colour and then we hand it over to Vinit.

**Venu Lambu:** Sure, probably I will just answer the other part of it. What kind of services are getting sold in those the customers. We actually see a significant demand in our customer success service line, you know, everything to do with enabling the front end and customer experience and commerce capabilities of our customers and the second where we are seeing a significant traction is in the digital engineering space where you actually do the digital product development for our customers. You know that's why you see the growth of 2-10 as well as 2-20 customers is coming essential around these areas. Vinit, do you want to take that next one?

**Vinit Teredesai:** Yes, on the question about depreciation and amortisation, as we had mentioned in the past quarters, we had gone for a little bit of an accelerated depreciation on some of our intangibles pertaining to the past acquisitions between Q3 and Q4. That has got completed that's why you see the Q1 depreciation and amortization number coming down compared to the past quarters. However, as you know now that we have recently made the acquisition of L&T NXT which has just got completed and will be integrated in Q2 so to that extent you

will see again a certain amount of amortization expenses increasing from second quarter onwards.

**Moderator:** Thank you. Requesting everyone want to introduce your company affiliations before asking the questions next question from Mr. Vibhor Singal

**Vibhor Singal:** Thank You for taking my question and congratulate on a great performance yet again. DC just wanted to get your perspective on the strong hiring that we have done in this quarter. Of course, it will be unprecedented and so the reflection of the demand environment we are operating in. So just wanted to get a colour on this that how should we look at it in terms of let's say a quarterly number. Does this mean that we are expecting a similar kind of, so not again a guidance per say, but are we looking at a very strong performance in near future or is it just let's say long term preparation of the strong demand environment that we are looking at.

**Debashis Chatterjee:** Hi Vibhor, so I think look there are a couple of data points; one is we have gone into the FY22 with a very strong momentum and that kind of sets a stage for the rest of the year to certain extent. If you look at the momentum, the momentum kind of got built over the last several quarters. This is the third consecutive quarter of 5% plus sequential growth that we have and the hiring that we have done is definitely obviously to fulfil the demand for the quarter but also keeping in mind the confidence that we have in terms of the deals that will be coming in the future as well. So, you know at this point of time the only thing I can say is that, we are very confident about the demand scenario that we see and you know the hiring will continue both in terms of laterals as well as a freshers. In fact, our fresher intakes are also going to significantly increase this year compared to the last years

**Moderator:** Thank you next question is from Mr. Ashish Agarwal

**Ashish Agarwal:** This is Ashish from Principal Mutual Funds. Just a couple of things on the deal side, were these deals signings more renewal heavy or these were mostly newer deals? Are you seeing an increase in the duration of the deals which you are signing and secondly despite the strong employee addition our employee costs only increased by 3-4% Q-on-Q. Does that mean a lot of these employees were added towards the end of this quarter?

**Debashis Chatterjee:** Thanks, see in terms of deal signings as I said there is a combination of renewal as well as new deals and definitely more and more deals that we are signing they seem to be multi-year and they definitely are helping us in terms of creating a more multi-year, order book. What was the second question?

**Vinit Teredesai:** Ashish, you are right, although you are seeing a significant increase in the employee's headcount towards the quarter. A lot of that has happened towards the end of the quarter and as DC mentioned in his initial comments, we are also having a lot of freshers who have also joined towards the fad end of the quarter. So that's the reason you don't necessarily see the costs coming up in Q1.

**Moderator:** Thank you. Next question is from Mr. Nitin

**Nitin:** Good evening this is Nitin from Investec. Sir, my question was around the margins again. In this quarter we have seen a very sharp improvement in sub-contracting costs and the employee costs; the employees have been added towards the end of the quarter. Now if you think about it in terms of at least from a modelling perspective do you think that sub-contracting cost decline will be gradual? Or due to think these employee additions will sort of straight away make up for the increase in sub-con costs that we see? And the other thing was in terms of wage increases or salary increases how should we assume it? Is it for a part of the employee base and what could be the potential impact?

**Debasis Chatterjee:** So, let me answer that and then I will request Vinit to add more colour. I think the first question I have already answered. You know, there has been a need to have more subcontractors given the kind of the nature of deals and the kind of programs that we have started. I think this is a phenomenon that may continue for little while but we have a pretty robust plan in terms of our overall operational efficiency. All the levers that we use sync including the early one which is, "How do you correct the pyramid? How do you reduce the sub con over a period of time?". So, we have all those programs in place over a period of time, we will definitely have those things gradually coming down and we have a better view of that. In terms of wage increases, it will be mostly for the junior and the middle management and there will be definitely certain eligibility criteria and the corrections would be in line with the market expectations. So, we may not be able to call out specific number, but we feel that it's very essential for us as we go along. Vinit do you want to add anything?

**Vinit Teredesai:** No, I think so you have answered it DC.

**Moderator:** Thank you. Our next question is from Mr. Mukul Garg

**Mukul Garg:** Hi, thanks. DC and Venu, either of you can answer this. Venu, when you mentioned earlier that you have an aspiration to increase deal TCVs as we go through the year. I want to clarify 2 points regarding that; How do you see the TCV value which you can manage with the current structure and workforce. If you have a certain aspiration level in terms of the value or do you think 500 – 600 million is something which will be a peek TCV with the kind of workforce you have right now. Second, wanted to check in terms of the trajectory of booking, DC, you mentioned earlier that they have increased, they are multi-year deals. But if you look at from a last few quarters versus this quarter perspective are you seeing an elongation in the trajectory given the sharp increase you have seen in Q1 or is there something which has similar type of booking environment like you have seen in last few quarters, which implies that growth can accelerate.

**Debasis Chatterjee:** I will let Venu comment, but first of all I don't think there is anything that prevents us from having TCVs more than what we have right now. I don't think there is any constraint in that respect and as I said that if you look at our overall bookings, bookings continue to be healthy and you know as a part of our overall philosophy of closing large deal, strategic deals we are always looking for creating more annuity opportunities or longer-term multi-year opportunities as we go along so that will continue. The only thing I would say is that you

know there were some renewals this quarter, every quarter there will be some renewals, but overall, this quarter is nothing different than the other quarters except the fact that there has been better you know closing this quarter. Venu, do you want to add anything?

**Venu Lambu:**

DC, you know you're right. Actually, most of our order booking or the approach towards you know the order closures that we do is usually driven by market downwards not from what the supply model is based on. It's based on what the customer wants and what kind of capabilities that we can service them. As we expand into more service lines within that 4 service lines where we can extend more capabilities and also to some the new geos that we already have got into it last year. Like the Europe part of it and so on right, so hence if you look at our average order booking is more or less you know fairly stable in terms of what we have booked on a quarterly basis but at the same time there are few deals out there in the market you know and as the deal progresses you will see those variations coming up in the quarter. But it's usually not the supplier force, it's sort of driven from market downwards in terms of what our customer wants.

**Moderator:**

Thank you. Next question is from Girish Pai.

**Girish Pai:**

Girish Pai from Nirmal Bang. I just had a few questions regarding the TCV and the growth. Do you think the TCV will be in that USD 500-550 billion category in the coming quarters or will it kind of slip back to the USD 350 - 400 billion that you been clocking for many quarters now? The second is regarding growth, you've been talking about double digit growth would you say that the growth expectations 3 months down the road is higher now, compared to what you had, say, three months back?

**Debashis Chatterjee:**

Let me answer the growth question first. I think we have been very confident to say that FY22 we definitely want to have a double-digit industry leading growth and what we have seen and when you talk about growth the first quarter kind of sets the tone to a certain extent. I can certainly say that we have got into the first quarter with a lot of momentum and the momentum there is no reason for us to believe that the momentum will not continue so that's all we can share at this point of time. In terms of TCV there will be you know there can be some ups and downs but at a abroad level, we definitely feel that we are on a good trajectory in terms of also focusing on order books as we as we go along. There could be a certain, maybe one quarter will have more renewals, another quarter it could be a little less but overall, we feel very confident in terms of the way we are booking the orders as well. Again, Venu do you want to add anything?

**Venu Lambu:**

No, you said it right DC and that is the point I mentioned just few minutes back that I think it's important to look at order booking over the year. Will we do more order booking compared to the last year right? You know that's our endeavour and that's exactly what we want to do and hence the growth as we are talking about is industry leading double-digit growth and for that you need to do more order booking than what we did last year. So that's the best I think we can comment. It's very difficult to predict you know the 3 months' timeline

order booking numbers, because it depends on the customers and bit of seasonal variations and everything. But for the year we are very optimistic about how things are looking.

**Moderator:** Thank You. Next question is from Abhishek Bhandari

**Abhishek Bhandari:** Sir, good evening I had 2 questions. This quarter you had robust employee addition and in last 2 quarters you have added quite a bit. So could you give us a pipeline of what you have for the rest of it FY22. The second question, if I heard correctly, you said you will be rolling out you know differential hikes, maybe up to certain level of the total employee pyramid. Could you give us a number in terms of what percentage of your employee base would be touched by that hike. Thank you?

**Dayapatra Nevatia:** Sure. So, on the hike front up to a certain level it is going to be broad based hike and above certain level it is going to be selective, based on the performance etc. With respect to the specific number, of course we can't give it, but as DC said in response to one of the earlier questions, it is going to be in line with what the industry players are doing

**Dayapatra Nevatia:** Sorry, can you repeat the first question?

**Abhishek:** I was asking, what your broad hiring plan for the rest of the year. Given that you have hired quite a bit in last two quarters, if you could give that number and just to clarify is that also a preparation for maybe a potential rise in attrition what you see, as some of the peers are talking about.

**Dayapatra Nevatia:** I won't say it is result of one specific factor, there are multiple things that are happening. One is, clearly, there is a supply side challenge in the market, there is a spike in demand that every IT player is seeing in the industry and as a result we have taken several measures to make sure we are addressing the supply side. One is internal capability building which is up-scaling and cross skilling. We are also building capacity ahead of time by hiring both lateral experienced people as well as a freshers. And the hiring that we have done in Q1, is of course we are doing ahead of time but it's not a reflection of attrition. There are several measures that we are taking to make sure that we are engaging with our employees better, we are giving them better opportunities in terms of exciting engagements and also several other employee engagement measures that we are taking to make sure that attrition is in check.

**Moderator:** Thank you. Our next question is from Vibhor Singal.

**Vibhor Singal:** Thanks for taking my question again. DC, back to my favourite question on the travel vertical. So just wanted to get your outlook on how the demand side or the query from the travel vertical are shaping up? and specifically in the context that if I look at our quarterly revenue, we clock around USD 41 Million of revenue in the travel vertical in this quarter and if I look at pre-covid we used to be around 44-45, so we are just 10% below that number. So, I know the configuration would have changed as a percentage of revenue still lower than what it was lower pre-covid. But does that mean that there is only 10% of the revenue that we lost which is yet to come in or is it that we have got new clients, added new business

and there could be more upside from the revenue that we had lost in the last year due to covid, taking this revenue may be higher the ladder.

**Debashis Chatterjee:** So Vibhor, your observations are absolutely spot on. I think first of all you know travel vertical which got very badly impacted as far as we are concerned when the pandemic hit which you know because we are it was almost 17% of our revenues before the pandemic struck. One thing which I think we highlighted in the earlier calls that through the pandemic the business did come down, the revenues did come down but we did not lose any client per se. We have very strong belongingness to the clients; we have been working with many of the clients for decades. So, when things started coming back you know in terms of domestic travel, some leisure travel etc. And the other thing which also has happened in the travel industry is that there is a lot of you know reimagining of business models like contactless, for example, is something which is very big in travel so some of the discretionary spend as and when they have opened up, we have been able to play a role in that. I won't say that travel is fully back, I think we are still cautiously watching it because you know the pandemic is far from over. And you know how things are, suddenly there will be something happening here and there will be something to dampen the whole mood. So, we are watching it very cautiously. But I can say that you know given the investments that we have done in terms of our travel vertical, given that some of the new logos also which we have won and given the longstanding relationships we have, we feel very confident that as the market keeps opening up, as the industry keeps opening up, we will be also going to do better than whatever we have done so far. Venu, do you want to add anything?

**Venu Lambu:** I think you know, just only one quick comment on the travel part is that look most of the travel that is back is the leisure travel. The peak of business traffic is still not out there, so I think that's really a good indication of stability in that industry and that's what everybody is waiting for.

**Moderator:** Thank you. Next question is from Mr. Abhishek

**Abhishek:** Thanks for the opportunity. A couple of questions; the first one is on the active client base, you know, we are consistently seeing a drop in that number so where does this stop? I mean is the rationalization behind? The second question is on you know the offshoring, now offshoring is definitely helping gross margins so based on our current order book, is there any change in terms of ramp-ups happening going ahead? The last one is on deal closures, you know although early for Q2, are you witnessing any change in terms of closures? The European holidays are upcoming.

**Debashis Chatterjee:** So, I will let the deal closures be answered by Venu and I'll let the offshoring be answered by Dayapatra. But before that on the rationalization part Abhishek, I think this is a strategy that we adopted day one, once the management change had happened 2 years back and I was very vocal about it that over a period of time we will rationalise the long tail where it is not a win-win for either the client or for Mindtree. We need to slow down that a little bit during the pandemic. Because during the pandemic, if you just close an engagement that the client

has nowhere to go that is not a good scenario. But having said that just to give you one data point from August 2019 till date, almost over the last 2 years we have rationalised approximately 150 long tail clients long tail accounts. I think we still have some way to go and our intention is to make sure that we focus on limited set of strategy clients and we have a program which is being run right now to ensure that we know mine those clients and grow the revenues of those clients. We will continue to the rationalise the long tail as and when there is an opportunity and it is still some way to go. I cannot just give you any more data at this point of time but we will continue to rationalise the long tail.

**Dayapatra Nevatia:** There is a clear shifter that is taking place in terms of more offshoring. In last one year, for us, there is a shift about 330 basis point that we have seen and mainly, the reason it is happening is, the focus on large transformation programs, where we are able to do more work at offshore. Second is the focus on the long multiyear annuity deals that again helps us to go more offshore and 3rd one of course is a remote working that is happening, so it doesn't actually matter where you are actually delivering the work from. Now going forward as things return to normal our belief is, it is going to settle somewhere around 85% in that range we are roughly around 83%-84% right now.

**Venu Lambu:** If I remember the question correctly, I think it is the order closure going to slow down because of the summer holidays. if that's, is that the question if I understood correctly?

**Abhishek:** And yes, was there any positive tailwind in Q1 because of the holidays, in terms of closures.

**Venu Lambu:** No not really, I don't think, you know, the order booking of Q1 is not a reflection of the holidays that is going to come up in Q2. In fact, you know, typically our Q1 order booking is usually higher, because you know even if you look at the CPG customers, they run lot of their summer campaigns and lot of marketing campaigns gets built up around these times. So, there is huge amount of tech spent that happens around this time but usually you know these holidays always come every year so you know the budget cycles and order cycles are always factors these holiday periods, and again, if you look at the holiday period between UK, Continental Europe and US, you know they are not at the same time. They sort of overlap a little bit, but still spread over one and half months, so I wouldn't look at that as a reason having any material impact on order book. I think any order book that we come about in Q2 will be the reflection of what customer would have decided to, you know close within that timeline.

**Moderator:** Thank you. Next question is from Ashwin Mehta

**Ashwin Mehta:** Thanks for the opportunity. I just one question, so we've seen almost 23% increase in headcount over the last 2 quarters. We've also had a wage hike where we indicated there was almost at 240 bps impact because of that wage hike, but our staff cost seems to have gone up only by around 8 odd percent. So how have we been able to manage the staff cost so tightly and secondly in terms of the skew of freshers is to laterals. If you can give some sense in terms of how that's been over the last two quarters so is that the factor that explains the staff cost not commensurately going up?



- Vinit Teredesai:** Yeah, so Ashwin as I mentioned earlier the major reason for what you're probably seeing not the staff cost increasing in line with the headcount is for 2 reasons. One, there is a good amount of freshers, we have added more than 1000 freshers this quarter and the timing is towards the fag end of the quarter, that's the one reason. Secondly, again this headcount addition happens across the quarters, so that it may not necessarily resonate with the end headcount and overall cost being going up to that extent.
- Ashwin:** Just one follow up, in terms of the impact of margins due to wage hikes in the next quarter, any quantification if you can give.
- Vinit Teredesai:** So, as DC mentioned, we are not going to call out that number. But we will be doing an increment at junior to mid management level in line with the industry standards. Our overall growth trajectory and profitable growth trajectory for the full year still continues to remain the same as what we have mentioned in the past.
- Moderator:** Thank you, we will take last two questions. Next question is from Mr. Vikas Ahuja
- Vikas Ahuja:** Thanks for taking my question again. Just one small clarification, the APAC and Middle East were largely flat. Is it because we witness decline in India this quarter and if yes, are we expecting it to bounce back in the next quarter?
- Venu Lambu:** It is not related to the second Covid wave of India, if that's what you're implying to. I think it is, you know, if you look at our India, sorry APAC and Middle East presence you know, our approach has been very focused accounts and select few countries within that region. So, the seasonal spend of select few customers that we focus on in that region, it sort of reflects in the revenue for that particular quarter. So, it's definitely not related to the second wave of COVID, it is just seasonal for that particular quarter that some of these focused customers that we have in that region did not spread in that quarter.
- Moderator:** Thank you. Next question is from Apurva Prasad
- Apurva Prasad:** So, my question is on the deal duration. How different would that be in Q1 as compared to let's say FY21 bookings. Even if you know there's benefits actually from the seasonal factors of renewals. But from r duration point of view, how would that be different this quarter, let's say versus last year and you know would you have more such AWS migration deals, you know in the pipeline. More end-to-end AWS migration deals and finally on sub-contracting, do you think the elevation is also driven by top 2-20.
- Debashis Chatterjee:** In terms of the deal duration, of definitely the average duration of deals that we have seen in this quarter is likely higher than what we have seen in the past, i would say. You know there are lot of migration deals, I can't call out, there is a lot of deals on the cloud and in general. So, I will let Venu provide additional colour and on the sub-con let Dayapatra Speak.
- Venu Lambu:** Thanks DC. The duration as we've been saying it right from when the strategy was unrevealed of 4/4/4 was to focus on increasing more annuity construct in our deal. So, we have deals which are ranging between 3 years and 5 years that's that sort of one type. The second is that you know as it is reflected in our quarterly numbers as well, that the cloud



and customer services has actually grown much faster and that's also you know appears in our future pipeline too. These deals happens to be a good combination of a project duration which goes for more than two quarters or so, plus it will be followed up with the annuity construct that you need to keep those environments running and so on. So look, our approach has been to increase more annuity ratio in our deal closures as much as well. Either it could be about capacity based or it could be about duration based.

**Dayapatra:** On the subcontractors, it is not specifically linked to the 2-20 accounts. It is primarily because of the large deal ramp-ups that happened in the quarter as well as there was a demand spike that we saw given our robust order book where we did not have sufficient lead time to mobilize resources quickly, as employed and therefore we resorted to subcontractor editions. Also in certain areas, sub-contractor is very much part of the strategy as well. However, going forward as we said earlier, we are proactively building the capacity. We are hiring ahead of time. We are building capability internally through up-skilling and cross-skilling. We have also increased fresher hiring multi-fold compared to last year and all that will help us in managing the subcontractor cost going forward

**Moderator:** Thanks. Next question is from Mr. Sudhir

**Sudhir:** Good evening gentlemen, this is Sudhir from ICICI Securities. Vinit, a couple of questions to you. The incremental rupee revenue booked in the quarter was around 180 crore and if I look at the receivable number this increased almost 150 crore. So, in a way almost 80% of the incremental revenue booked is getting reflected as incremental receivable and this is perhaps the highest jump for several quarters now. And this comes despite the share of fixed price projects actually going down from 71% to 68% on a sequential basis. What explains such a sharp rise in receivables in the revenue book during the quarter. Is there any change in the revenue recognition policy so on and so forth and secondly just a clarification on how you calculate the DSO days, because either we take quarterly annualised number or quarterly number, we are actually seeing an increasing DSOs rather than a reduction?

**Vinit Teredesai:** So, on your on your first question. As far as the overall debtors going up compared to the unbilled revenue going up, yes, so you are seeing in percentage terms you may feel that our fixed price projects are relatively not increased, but even with the growth momentum that you are seeing this percent, this number is on a higher side. Number two, there are many core projects which are in a ramp up phase, that is also the other factor that is driving down some of the receivables by the milestones are much different compared to what you see in terms of the actual efforts that have been involved. Coming to your DSO question, DSO we have mentioned we look at the quarterly revenue and look at the build DSO and that's what we constantly track as one of our metrics from a receivables collection and collections perspective.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference back to Mr. Debashish Chatterjee for his closing comments.

**Debashis Chatterjee:** Thank you. We are pleased with the progress of our robust and focused strategy to drive sustainable and profitable growth. This is helping us raise the bar on client centricity and cementing our position as a business transformation partner of choice, delivery excellence with agility and differentiated culture and work ethos. With a strong start to FY22 on all dimensions of our business, we remain very excited about the growing canvas of opportunities to envision and power agile and data driven businesses that have consumer experience at the heart of everything they do. Our aspiration continues to be to deliver industry leading double digit profitable growth in FY22 and we are more confident than ever in our ability to realise it. Thank you, stay safe and be in good health.

**Moderator:** Thank You. On behalf of Mindtree limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines, exit the webinar. Thank you so much.