

Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Transcript of analyst call

Second quarter ended September 30, 2021

October 13, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Mindtree limited Quarter 2, FY22 earnings conference call. Please note, all participants' line 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 your hand from participants tab on your screen. Please note that this conference is being recorded. I now hand over to miss, Amisha Munvar. Thank you.

Amisha Munvar: Thank you. A very warm welcome to all of you to this conference call to discuss the financial results for the second quarter ended September 30th, 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 companies' Quarter 2 performance, after which we will have the floor open for Q&A. Please note that this call is meant only for analysts and investor. Our friends from media are requested to please disconnect it as we have already concluded the media briefing.

Before I hand over, let me begin with the Safe Harbor statement. During the call, we could make forward-looking statements. These statements are considering the environment we see as of today and obviously carry a risk in terms of uncertainty because of which the actual results could differ from those outlined in the quarterly financials available on our website. We do not undertake to update those statements periodically. With this, I now pass it on to Debashis for his remarks.

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. We are delighted to report yet another quarter of outstanding performance. Here are a few highlights. Quarterly revenue of US \$350.1 million, up 12.7% sequentially as a result of broad-based growth. Year-over-year revenue growth of 34.1%, our highest ever for a quarter in a decade. Organic quarter-on-quarter revenue growth of 12.1% our highest in a decade. Revenue run rate of US \$1 billion in North America, and US \$250 million in Europe and UK together. Aggressive investments in strengthening our capabilities and partnerships, while maintaining EBITDA margin at 20.5%.

Challenges bring opportunities. Our robust performance through a global pandemic shows that this is true in case of Mindtree as well as our customers. As disruption caused by the pandemic eased with growing vaccination, fewer cases and improved customer sentiment, a clearer view of the demand landscape is emerging. There is a growing appetite and urgency among

organizations across industry sectors to tap into digital and cloud technologies and that to do so very fast.

This trend is fueling continuous innovation in business models, processes, operations, products and services with a focus on not just optimizing costs, but maximizing revenue, operational excellence and business resilience. Organizations are looking for strategic partners who can quickly align with their vision, understand their strategic priorities and mobilize technology and business capabilities for them to drive superior business outcomes and customer value.

For us, this is translating into more opportunities. We are capitalizing on these opportunities with cutting edge capabilities, operational discipline and organizational nimbleness. In a rapidly evolving marketplace, we believe these attributes give us an edge. Thanks to the confidence placed in us by our customers and partners, and the hard work of Mindtree minds, we are proud of how we have built upon our solid start to this financial year to deliver all-around performance in the second quarter.

For the quarter, our revenue was US \$350.1 million up 12.7% sequentially, with all industry segments, service lines and geographies reporting healthy growth. Our order book comprising a healthy mix of annuity and transformational deals, stood at US \$360 million up 18.7% year-over-year. Our ability to maintain our EBITDA margin at 20.5% even while investing significantly in the business and our people, speaks to our operational rigor and efficiency. There is a visible uptick in spend on emerging technologies and services. Our aggressive focus on client mining to tap into cross-sell and upsell opportunities is working very well. Now, let me provide some color on growth of various industry segments.

Our Communications, Media and Technology business grew 5.4% sequentially on the back of strong demand in core modernization, digital product and platform engineering, digital marketing, omnichannel experience and cybersecurity. For a leading telecom company, we rapidly built a suite of high performing employee applications on a low-code, no-code platform, reducing the capex for building the applications by half, while enabling three times faster rollout. For one of the world's top business schools, we built a consolidated cross-cloud platform that provides a 360-degree view of students' progress, helping better management of the end-to-end learning lifecycle. A leading global technology company selected us to envision and execute their strategic data modernization program. We also won deals with leading multinational Information Services and Telecom conglomerates.

Our Retail, CPG and Manufacturing business grew 29.7% sequentially. A part of the demand traction was seasonal due to businesses opening up for retail and in-person shopping after an extended lockdown. Customers are looking to build and scale connected ecosystems of products experiences, factories, and operations using cloud and digital technologies. We expanded our work with leading brands in consumer goods, household appliances, sportswear,

automobiles, personal care products, container shipping services, among others. Given today's pervasive connectivity, many customers are combining smart products and associated services to unlock new revenue streams, and better monetize their services portfolio. For example, we are helping an industrial equipment distributor pivot from selling discrete products to selling throughput or outcomes. We are helping an electronics retailer reimagine its go to market strategy and leverage an omni-channel approach to increase basket size. The IoT capabilities of Mindtree Next have helped us win transformational deals at leading multinational manufacturers of consumer goods, industrial products, building materials and automobiles in the US, Europe and Asia-Pacific.

Our Banking, Financial Services and Insurance business grew 8.9% sequentially, with customers increasingly looking for flexible, nimble and “transformation-first” partners to drive code modernization, accelerated product rollouts, continuous transformation, digital engineering and experience disruption. During this quarter, a large credit card agency selected us to help it embrace a product IT operating model. We also signed contracts with asset managers for critical ESG-related data initiatives and with Tier-1 banks to strengthen regulatory compliance. We are enabling a Life & Annuities carrier and a credit card issuer to reimagine core process for improved customer experience, and are also carrying out end-to-end core modernization for a Property & Casualty carrier. We are leveraging our NxT capabilities to help a Tier-1 insurance carrier to drive IoT-related product innovation and also providing product engineering services to the European arm of a large FinTech company using a pod-based approach. We are leveraging our partner ecosystem to enable several customers - including investment, insurance and asset management companies in the US and UK to drive their cloud and data strategies, improve time-to-market for new products, reimagine the direct-to-consumer model and optimize costs.

Our Travel, Transportation and Hospitality business grew 14.2% sequentially. This is a fourth consecutive quarter of double-digit sequential growth for this business led by increased focus on core modernization and digital transformation. Our strategy to diversify our growth is working well. This quarter, a global cruise holding company selected us as a digital engineering partner for return-to-service initiatives to help them re-engineer and modernize their passenger mobile channel. We are also going after opportunities in the food and beverage and surface transportation sectors. For example, we are developing solutions around Mindtree's NxT offerings in railroad. Our innovative digital health passport has received tremendous interest from our customers and some leading airlines are looking to integrate it with their applications to further improve customer experience.

Healthcare, our most recent industry group contributed US \$3.7 million to our revenue. We continue to invest in accelerating our growth across the identified segments of the healthcare market by synergizing our service line capabilities.

In terms of geographies, North America contributed 72.8%. Continental Europe, U.K. and Ireland contributed 19.6% and APAC and Middle East, contributed 7.6% of our revenue during the quarter. While our North America business hit the US \$1 billion revenue run-rate this quarter. Europe and UK, together crossed the revenue run-rate of US \$250 million. We recently expanded our leadership in Europe and Asia-Pacific with industry veterans, and we'll continue to dial up investments in these markets to accelerate growth. Among our service lines, Customer Success contributed 43.2%, Data & Intelligence contributed 14.3%, Cloud contributed 18.7% and Enterprise IT contributed 23.8% of our revenue for the quarter.

Future-ready capabilities and better access to talent are among the key reasons why we are a partner of choice to our customers. In a competitive talent market, we are proud of the way we have differentiated ourselves with our people-focused, purpose-driven culture and cutting-edge career and development opportunities. We onboarded more than 4400 Mindtree minds this quarter, taking our headcount to more than 29,700. To build additional supplies of in-demand technology skills to meet our growth needs, we launched the unique learn-and-earn program for B.Sc and BCA graduates in collaboration with BITS Pilani, a premier higher education institution. As part of this work integrated learning program called Mindtree EDGE, we will hire fresh B.Sc and BCA graduates and provide them with a fully funded opportunity to pursue an M.Tech degree in Software Engineering from BITS Pilani while working on cutting-edge customer projects at Mindtree. Our “learn anywhere, anytime” approach to delivering quality learning at scale led to well over half a million hours of learning this quarter, up more than 30% over the previous quarter. Our success in providing an outstanding people-focused workplace despite challenging circumstances won us several prestigious accolades. We were recently certified by Great Place to Work® Institute as a Great Place to Work® in India for 2021-22. This certification is considered the gold standard for workplace excellence. Last month, we were recognized by Great Place to Work® Institute as one among India's Top 50 Best Workplaces for Women for 2021 in the Large Companies category. At this year's Brandon Hall Group Awards for human capital management excellence, we won three awards for innovative leadership development, HR data analytics, and employee benefits and wellness. For the quarter of our LTM attrition was 17.7%. While we do not expect this phenomena to continue for long, we believe our people engagement, compensation, job rotation, reskilling, and rewards and recognition programs are well-positioned to make a difference. I will now turn over the call to Vinit for Q2 financial highlights.

Vinit Teredesai:

Thank you, DC. Good evening and good morning to everyone on the call. Our all-round performance in the second quarter validates our strategic focus and meticulous execution. Our consistent performance demonstrates our ability to deliver profitable growth despite unprecedented times. Aligned with our vision to sustain EBITDA margin, we reported EBITDA margin of 20.5% this quarter, compared to 20.3% in Q1 FY22. 20 basis point expansion in the EBITDA margin over the prior quarter was primarily due to 190 basis points from the business growth and operational efficiencies, offset by a 140 basis point impact of wage hikes and 30 basis points impact of cross-currency movements. Our reported EBIT margin for the quarter

was 18.2% compared to 17.7% in the preceding quarter. The effective tax rate for the quarter was 25%, compared to 26.2% in Q1. Net forex gain for the quarter was US \$3.9 million. Profit after tax margin for the quarter was 15.4% as compared to 15% in the previous quarter. PAT in absolute terms was US \$54 million, resulting in an EPS of Rs. 24.2 , for the quarter, as compared to Rs. 20.8 in Q1.

Our DSO for the quarter stood at 63 days. For the quarter, EBITDA to operating cash flow was 63.6% and free cash flow to EBITDA was 52.6%. Annualized Return on Capital Employed for the quarter is 41.7% and Return on Equity is 34.2%. Our utilization in the quarter was 82.9% compared to 83.2% in Q1. Our contractual pricing for the quarter remained stable. As of September 30th, 2021, our cash flow hedges were at US \$1,279 million. Hedges on balance sheet were US \$129 million, and options of US \$12 million. We continue work on refining our purpose and ambition for 2025 around the triple bottom line of profit, people and planet.

The Board of Directors at its meeting held on October 13th, 2021 has declared an interim dividend of 100% that is Rs. 10 per equity share of par value Rs. 10 each. And I'll hand it back to DC for the business outlook.

Debashis Chatterjee:

Thank you Vinit. For enterprises across industries, the new normal has embedded technology even deeper into competitive strategies around customer experience, market relevance and business resilience. They are doubling down on modernizing legacy environments, scaling digital and cloud transformation programs and reimagining businesses around hyper-personalized experiences while driving cost efficiencies. This will continue to create more opportunities for us notwithstanding the transient impacts of labor or supply chain issues during economic recovery. We have a very clear strategy and roadmap to capitalize on these opportunities.

We continue to invest significantly in adding to our domain, digital and marketing capabilities. We have further expanded our portfolio, diversified our customer base and re-engineered our recruitment engine. We are driving innovative, more rewarding deal constructs around business outcomes and deepening our partnership with hyperscalers to broaden our value proposition. Our ability to upsell and cross-sell in our existing engagements while going after new logos is delivering remarkably well. We are pleased with our Q2 and first half FY22 performance. It has further reinforced our confidence in our ability to deliver profitable and industry-leading growth in FY22. With that, let me open the floor for questions.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may raise your hand from participants tab on your screen. Participants are requested to use headphone or earphones while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. First question is from Mr. Mukul Garg.

Mukul Garg: Yeah, Hi. Good evening, everyone. DC, exceptional quarter. It clearly looks like these transient supply side issues are really not having any impact on your growth, whether going to grow in double digit on organic basis. But just to kind of delve a bit deeper into it, you have attrition, which has jumped up quite a bit, this quarter. Your utilization rate, although is still within control, do you think there can be a scenario where you can pull a bit more on the utilization side, while you tide over the near-term impact on attrition and that can keep your growth momentum going on, you know, without being impacted by any supply side constraints? And, secondly, on in terms of growth environment in the near term, clearly, we have not seen double-digit organic QoQ growth for a really long time. Do you think, this is something which was more of a one-off this quarter or is this something higher single to low double-digit, QoQ growth is something which can be repeated given the demand environment?

Debashis Chatterjee: Yeah, thank you, Mukul. First and foremost, let me answer the second question first and then move to the utilization etc. See, as far as the growth is concerned, every quarter is different and there will be seasonalities in some quarters, but the demand environment that we see right now, I feel that the growth momentum that we have developed, the momentum at a broad level will continue. You have heard our commentary before as well, that we were very confident that we should be able to do a double-digit growth for this fiscal, which you can see that we have been progressing very well.

So, it is difficult to call out specific quarters, but at an overall level, I can say that the demand environment is very good and our focus is to continue the momentum in terms of all the machineries that we have to ensure that we can fulfill the demand, and we can continue on our growth trajectory. Specifically coming to utilizations, etc. So, look there are definitely challenges, but then we have to find our own ways to mitigate those challenges. You heard about the EDGE program that we talked about that is something which we designed, looking at the future, how do you look at the various aspects of the business. So, I would say that, utilization is only one aspect of the business as we look at the overall, the supply side, but there are a lot of other things also that we are doing, apart from utilization which will help us to continue the momentum. But at this point of time, I think what you see in terms of utilization is something, which is a nice balance, but it may go a little up and down, depending on the situation but there are a lot of other initiatives going on within the organization, which is actually helping us in terms of tiding over, tiding over the current situation.

Mukul Garg: Great. Thanks for answering that question and congrats again on the quarter.

Debashis Chatterjee: Thank you.

Moderator: Thank you. Next question is from Vibhor Singhal.

Vibhor Singhal: Hello, DC. Congrats on a great set of numbers. It's just quite ironic that a couple of years back, I mean, the kind of growth rate that we've reported in this quarter, I think the industry was

struggling to report that kind of a number on a Y-on-Y basis, couple of years back and now we are kind of reporting that number on a Q-on-Q basis. So, a very strong performance indeed, and congrats to the entire team for that. So, DC, just two questions on this, basically. I think in this quarter, one is we saw the top client remain flat, Q-on-Q. And I remember you mentioned this that you've been saying this for a long period of time that we expect growth to come and we expect the concentration of the top client also to basically reduce over a period of time. We expect more tail accounts and more other accounts to continue to grow. So, basically just wanted to pick your brains on this that is this a part of the strategy that we are looking at in terms of basically making sure that the top client concentration remains, does not overshoot a specific number which imparts that business risk, or do you see there could be some temporary slowdown in the top account itself? Maybe temporary or maybe we hitting a ceiling of that kind? Is that something that we should be looking out for?

Second question to Vinit is on the margins. Vinit, I think, a strong performance yet again on the margins front despite salary hike, we've been able to expand our margins on a Q-on-Q basis, so, and I think we've seen an improvement in margins at a gross margin level also, not just the EBITDA level. So, just wanted to basically again, delve a bit deeper into that, that as we go forward with this supply side challenges, salary hikes, and probably travel cost and marketing costs returning back in the second half of the year and maybe the first half of next year. Do you believe these kinds of margins are going to be sustainable? And if yes, then what would be our levels to maintain those margins apart from let's say, the growth that we are reporting a very strong growth number.

Debashis Chatterjee:

Thanks, Vibhor. So, let me just answer the first question in terms of top client and I want to just give you some perspectives. See, we have always been saying that, you know, we want top client to grow and at the same time, we want the next set of 20 clients to grow faster, so that, we automatically reduce the overall concentration. So, if you look at the top client, though the sequential growth has been not that that much because there are seasonalities even within that portfolio. But on a year-on-year basis, the top clients still grew around 12.8% and we feel there is a lot more opportunities in terms of growing the top client. But the interesting thing is if you look at the 2 to 10 clients, quarter on quarter, they grew at around 16%. And the 2 to 20, grew at around 19%. So, which is kind of tallying with the vision that we had laid out that with the strategy of cross-selling and upselling into our top clients where we want to really mine those accounts, I think that strategy is working out very well and that is how you see the picture shifting a little bit and that's visible in this particular quarter. So, Vinit.

Vinit Teredesai:

Yeah. So, Vibhor, as we have mentioned, at the beginning of the year, that our endeavor is to continue and maintain a profitable growth story and in that we had said that we are confident that we will be able to sustain a 20% plus EBITDA margin from a year to year perspective. At this point of time, I would say yes, there are challenges, there is a cost pressure that is going up because of the rising cost of talent. However, we continue to also offset it with our operational efficiencies. One important part, what we are seeing as a part of our growth story

is, our growth is happening is in line with the profitable growth story. So, all the new additions, the growth is coming at a pretty fairly decent margins.

Second, we are able to also add a lot of fresher community to our balancing the pyramid and this, I think, is one of the important highlight compared to the past years. If you look at between the last two quarters, we have added more than 2000 freshers, and they continue to get billed and offset the sort of attrition and the high cost that is coming in. So that we will continue to invest more into that and continue to help get this leverage in our favor. Third, there is also as you would have seen that, our dependence on the subcontractors, in the long-term model, we are very cautiously monitoring that and ensuring that it is rightfully managed and maintained so that, it helps us in terms of delivering the right delivery, but at the same time not negatively impacting our margin story. So, yes, we are confident of the 20% margin story. You may see some quarters up and down but on an overall long-term note we are confident of the story.

Vibhor Singhal: Sure, great. Thanks a lot, Vinit. Thanks a lot DC and wish you guys all the best.

Debashis Chatterjee: Thank you.

Moderator: Thank you. Next question is from Manik Taneja.

Manik Taneja: Hi, thanks for the opportunity, and congratulations for very solid performance across the board. I just wanted to get your thoughts on a couple of things DC, one thing is that we have seen a very strong sequential growth performance on the Manufacturing and Retail side. And that couples with the solid revenue traction even in Continental Europe. So, is there some element of one-offs there? And do those two things relate with each other? That's question number one. The second question is that when I see your client metrics, so, for the first time since the ownership change in the organization, I have seen the number of clients go up. So, do you think now we are well past that stage where we are rationalizing the tail accounts and we should probably see this number go up further?

Debashis Chatterjee: Okay, thank you Manik.

Manik Taneja: Thank you.

Debashis Chatterjee: So, let me address the first question. So, you're spot on. You have heard me talk about the fact that we wanted to double down on Europe, we have been investing in Europe for the last 12 months or more. And that has manifested in terms of some of the growth that is coming in Europe, and they happen to be in the Manufacturing and the Retail segment. So, that's where you see some uplift over there. So, they are definitely connected and related. In terms of client matrix, yes, we are adding new logos, we are also very carefully adding new logos which are strategic to the business. We, I would say that yes, the long tail rationalization has been going on for a while. And I think there will be an opportunity to rationalize a little more, but we are not

in a hurry to do that. So, we'll do that slowly at an appropriate time. But, I'm also glad that overall this is the first time you're seeing the number of clients going up. Venu, you want to add anything? Venu, you'll have to unmute yourself.

Venu Lambu: Sorry. Yeah. So, look, I think just on the commentary with regard to a particular quarter having a large percentage, it's also because in this quarter, after the lockdown, especially the Retail and CPG and even Manufacturing customers have started the business with a bit of a hybrid model with more in-person shopping kind of an experience. So, without diluting the commentary on sustainability on the growth on that sector, I think this quarter was also aided by certain backlog of projects. Now, that comes in when you open up your in-person shopping experience as well.

Manik Taneja: And I one more question for DC, if I may. DC, basically, just like customers have adopted global delivery much more aggressively over the last over the last 12 to 18 months timeframe. Do you see customers essentially experimenting with newer engagement models, as well as, as they get much more open to global delivery?

Debashis Chatterjee: We are seeing that, Manik. And I think I can only say that customers are much more open right now to look at more longer-term transformational opportunities than what it used to be before. And so, I'm very hopeful that there will be more interesting models that will emerge as we go along, because the demand environment is extremely strong.

Manik Taneja: Thank you and all the best for the future.

Debashis Chatterjee: Thank you.

Moderator: Thank you. Next question is from Sandip.

Sandip: Hi. Good evening, and thanks for taking my question. Congratulation on a very good set of numbers and excellent execution. DC, I have a little longer term question and I don't want any numbers from you but and I firmly believe in your story, I wanted to understand that, if you see what has happened in the Western markets, in various industries, where on one side products are getting upgraded from feature products to smart products across manufacturing space, retail industry is moving from offline to online in a very aggressive way and transformation which has happened on that front, and on the third front, all these things has pushed a demand for agile data, in terms of storage, in terms of computation, in terms of processing capabilities, and all. So, if you combine all these three things, and if you see the pandemic along with it, it looks like that while the demand environment has completely changed, and it will need a lot of spend on technology and upgradation and as you know, in technology, nothing can happen in 1, 2, 3, 4 quarters, it takes three, four years minimum to change basics. So then, is it right to say that, you know, while the demand environment currently is looking good, but actual growth will follow in the near future 3, 4 years, the real growth because all these things are at very

nascent stage of either implementation or even deciding. So, do you share the same view that the demand environment, which we are seeing right now are the numbers which we have posted in last 2, 3 quarters, 4 quarters is not even, the 5% of what the industry or the cycle should be and we will have a long up cycle ahead. Is my reading correct or you think, right now it will be too early to comment on it.

Debashis Chatterjee: Now, Sandeep, that's a great question. I think it is probably a little too early to comment on such a long-term view. But let me tell you the immediate view that I can share and I'll let my colleagues also join and chime in. See, what has happened is the pandemic has, you know if there is one area, which has been helped by the pandemic is technology. And many of the industries have realized that if you are on the cloud, and if you can accelerate your journey to the cloud, then you can probably tide over some of these things much better in the future. So, what clients had planned in terms of their transformation, they have preponed the transformation, and that's where you see the acceleration, so that's number one. Number two is, since everything is moving on to the cloud, and the cloud adoption has been extremely high, it also automatically lends itself to doing more innovation at the front-end, to do more, you know, develop more functionality and capability as we go along. So, which will also result in more opportunities as we go along. So, I can probably say that from the short to medium term, as we see, I'm very, very certain that the demand environment is very good. There is a lot to be done still and, you know, without getting into too much of long term, I think, I know, technology is in a very nice place and every client is looking at technology to be absolutely central to their strategy. I don't know, Venu, do you want to add anything?

Venu Lambu: Well, I'll just add one comment DC, which is. Look, as you know, this is to essentially talking about the technology trends, right, let's keep the demand outlook commentary, as DC explained. But just specific to talking about the technology, I think as the role of technology changes from an efficiency gain to revenue maximization, the adoption of technology will only increase with time. When the technology was used all these years more to get the efficiency out of the enterprises and now the technology is getting used to actually maximize the revenue of the enterprises. So, as more and more technology gets exploited, I think the adoption of technology, the need for technology services will only increase with time.

Sandip: Sir, so, if I can, ask one more question, because I just asked one, is that okay, let me reframe my question, that if you see what the work which you are doing for your clients today, and if the work which you're already doing, and if that work needs to be used over next three to five years, will it entail much more acceleration in technology spanned from the client from here on or will it be, like more of an incremental spend?

Venu Lambu: Yeah. Look, I think the time has come to look at technology in two areas. If you're looking at technology as an enablement, which is like a classical IT spend, the endeavor from most of the enterprises in global markets will be actually keep reducing and that's a natural thing to do for any enterprises, right, whether you're growing or not growing, you want to keep your cost

of enablement, always going lower. And that essentially, is to address a cost reduction mandate and that spend will either remain stagnant or will grow in a smaller proportion, if I may say. But if we look at the technology as a face of redefining the business models, right, and you spoke about few examples of manufacturing and retail, evolving into a different business model. So, if the technology is used to redefine the entire business model, you know, then we're at the beginning of that, that adoption. Because not every businesses have transformed into a full-fledged business model of digital, right. So, as their evolution happens, and it doesn't happen overnight, it happens over a period of time and in phases. As their evolution happens, technology plays a critical role on that aspect of digital transformation. So, hence, I feel when you look at technology for revenue maximization and technology for enablement, which is a cost or efficiency theme, it has two different narratives.

Sandip: Thanks a lot.

Venu Lambu: I hope that answers.

Sandeep: Yeah, definitely. Thanks a lot, and best of luck for your next quarter. Thank you.

Venu Lambu: Okay.

Moderator: Thank you. Next question is from Apoorva Prasad.

Apoorva Prasad: Good evening. I hope I'm audible.

Moderator: Yes.

Apoorva Prasad: Okay, so, thanks for taking my question and congratulations from my side to the quarter. I had a question on the Customer Success service line, which has driven bulk of the growth and my question, really, is that do you see deals in this service line getting bigger, deal sizes getting bigger rather? Or are there more volumes in this? In addition, is that assumption correct that a lot of business is driven by partnerships, you know, solutions around Salesforce, Adobe, so will that ecosystem be contributing to large part of this growth?

Debashis Chatterjee: Venu, you want to answer?

Venu Lambu: Yeah, sure. You're absolutely right. I think, firstly the Customer Success, traction is enabled by the partnership and the competency you build around the partner platforms, right? I mean, everything that's happening in Customer Success is essentially to transform our customer's customer experiences. So, and that is where you see a significant investment happening with the hyperscaler companies as well, as you know, you mentioned about Salesforce, there are many other partners that we have in that area. So, yeah, you're absolutely right, I think, the Customer Success is an area which is a hyper-growth area, and we will see a good traction

over there. Whether the deals will be big or small, I think it depends on the size of the companies who adopt Customer Success transformation, right and depending on the sector, too, if I look at BFSI as an example, I think it will be a multiyear kind of transformation program and same with Retail and CPG, it will be a multiyear transformational program of customer success. But there are mid-sized, probably manufacturing companies, could be a short-term based transformation program. So, it depends on the sector, and also the size of the enterprises in terms of how much of transformation they're doing with their customers.

Apoorva Prasad: That's useful, Venu, thanks for that and my second question is to DC, on offshoring, which is increased further now I mean, based on the recent wins, I mean, can this number increase or remain high, especially as you mentioned that pricing is stable or can this number flip with the travel resuming?

Debashis Chatterjee: As of now, I think our best guess is that customers have become very comfortable in the environment in which we have operated through the pandemic, and the results that we have delivered for them. So, I don't think that this number will slip significantly. But yes, with the travel, starting, there could be a little bit of change in the numbers. But I think at a broad level, these numbers are going to hold, Dayapatra?

Dayapatra Nevatia: No, absolutely it is. I think you have covered it. One is that due to remote working, clients are lot more comfortable in letting people work remotely. Second one is our focus on transformation and annuity deals, that also is helping with the offshoring. So, we expect the offshoring percentage to remain in this ballpark what we have been sort of delivering in last couple of quarters.

Apoorva Prasad: Thanks. And just lastly, Vinit, for you, with the increase in DSO, any comments there, some seasonality?

Vinit Teredesai: Oh, it's just I would say one off nothing to read into it. It's we have been delivering extremely good DSO till the last quarter. This is just one quarter whereby you see. We do anticipate this will sort of come down and remain comfortable with the 60 to 62 days range.

Apoorva Prasad: Thank you and all the best.

Moderator: Thank you. Next question is from Mohit Jain

Mohit Jain: Hi, sir. Congratulations. First was actually both the questions are related to your comments made earlier. One was can you quantify what part of the revenue is seasonal and which was included in this quarter and all of that appeared to come from UK. Is there also a part of this in the top 6 to 10 accounts?

Debashis Chatterjee: Venu, you want to take that?

- Venu Lambu:** Sorry. Could you just repeat the question?
- Mohit Jain:** From the seasonality perspective, you spoke in your opening remarks that some part of the revenue was highly concentrated in the UK and related to reopening. Is it more to do with retail or manufacturing because we report clubbed revenues, that was one and second, some part of spillover of that revenue, does it, does it also account for top 6 to 10 account growth or is it totally different?
- Venu Lambu:** Yeah, so firstly, I think the sector wise, yes, it is more for the Retail and CPG sector because, even the CPG had a lot of peak seasonal projects that came in for the quarter as their supply chain got challenged a lot on that. So, technology was used to address that. So, one is, that's the answer that it is for the Retail and CPG sector. The second is, I wouldn't call it as a, I didn't use the term deferred revenue. What we said was the seasonal peak projects that came in in-quarter you know, the project that comes in a short duration within the quarter, is how I look at as a seasonal demand that comes in over there. Yes, it.. part of it also came from the UK customer as well.
- Mohit Jain:** Within top 6 to 10 bracket?
- Venu Lambu:** Between top 6 to 20, kind of customer base. Yes.
- Mohit Jain:** Okay. And second was anything that you can share in terms of net addition plan for the next 6 months or 12 months or anything that you have in mind and you can share.
- Venu Lambu:** You want to take that Dayapatra or DC?
- Mohit Jain:** Employee addition on a net basis.
- Vinit Teredesai:** Can you repeat your question please?
- Mohit Jain:** Sir, are we looking for any number on employee addition from next six-month or twelve-month perspective, whatever you can share with us.
- Debashis Chatterjee:** No, we may not be able to call out a specific number but we can only say that what you heard in the commentary, we have been having a very healthy headcount addition and we have been also adding a lot, which is a combination of both freshers as well as laterals. And the way, the demand is continuing, we can only expect that this trend also will continue in terms of both laterals and freshers and but we may not be able to call out a specific number at this point of time.

- Mohit Jain:** Understood and last is on TCV, the TCV that we reported last quarter, does that include the seasonal part of it, which you booked in revenues this quarter, or that was something which happened during the quarter and just passed without going through the TCV?
- Venu Lambu:** Yeah, I can answer that DC. So, I think the TCV that was shared last quarter was the TCV that was booked for the last quarter, right. And the TCV that was booked, that is shared for Q2 was all the contract that got closed in the Q2 quarter. So, I don't think there's any leakage between the quarterly TCV numbers that was announced from Q1 to Q2, that's how I look at it.
- Mohit Jain:** Sir, I was not referring to leakage. I think what you booked at the end of the quarter would have got booked in revenues for this quarter, is that correct? Or the assignment that you were referring to came during the quarter and got completed by the end of the quarter?
- Venu Lambu:** Oh, no, it's not just related to the previous quarter order booking, Mohit. Some of these things are long-term, but when we talk about seasonality kind of projects, yes, part of it would come from the booking that happens in Q1 and part of it would come from the Q2, I hope that answers your question.
- Mohit Jain:** Understood. Thank you very much and all the best.
- Venu Lambu:** Thank you.
- Moderator:** Thank you. Next question is from Mr. Dipesh.
- Dipesh:** Yeah, thanks for the opportunity. I have a couple of question; I hope I'm audible.
- Moderator:** Yes.
- Venu Lambu:** You are.
- Dipesh:** Yeah. So, couple of question. First of all, the Q3 seasonality, just want to get some sense about how do we expect this year Q3 to be, because last year we are seen good strength even in H2 kind of thing, whether we will return back to normal seasonality prior to last year, where we used to have furloughs impacting sequential growth trajectory, if you can provide some perspective how we expect our seasonality to play out in H2. Second question is about any change in ACV-TCV dynamics in terms of if I look your TCV growth rate, we are growing between 15 to 20% but when I look your revenue growth rate now, we are up 30% plus. So, whether we are seeing shrinkage in tenure, so, despite lower kind of TCV number, but revenue conversion is much superior. So, if you can provide some perspective how one should reconcile revenue growth versus TCV kind of, thank you.

Venu Lambu: Yeah. So, look, I think I will talk more in the context of the kind of engagements that are coming in and that translates to the answer towards your TCV. See, well there are multiyear annuity deals that we sign every quarter and depending on the decision-making lifecycle you know, the annuity deals are fairly longer lifecycle it takes to take a decision on. So, there are a set of deals that comes in over that way as well. But what is also important to understand is that as we look at cross-selling and upselling and expanding our wallet share in our existing accounts there is a huge amount of technology spend that is done towards enabling the businesses towards a digital business model right and these spend comes in more than one way. They are like a discretionary spend, they will come in terms of bringing AI capabilities, migrating it to cloud, delivering the customer success transformation, or data modernization and so and so things. So, a lot of them may not be multiyear or of that nature where there might be, projects which are year to 18 months or 24 months, kind of stuff. Then you have the run kind of contracts, which are 3 years or 5 year kind of a contract. So, since we have a good mix of both, so hence the direct correlation between the TCV numbers and the revenue growth may not give you that answer unless you slice it and look at what is the discretionary spend that is coming in for the quarter and what is that annuity spend that is actually flowing in from quarter to quarter.

Vinit Teredesai: And, I think Venu, has explained the TCV and ACV part. So, we have many annuity deals that are being signed for 2 years, 3 years etc but certain customers do insist on sort of giving you sort of 6 months or a 1 year sort of a milestone-based SOW, which sort of then gets you into the next level. So, it does not mean that there is actually a separation between the TCV and ACV -- to that extent, that's how I look at it.

Venu Lambu: Yeah, I think there is some problem with the connectivity over there Vinit, looks like you're breaking off in between. But.. but I think he sort of answered it, I hope it was clear, or I could repeat it, perhaps.

Dipesh: That's fine. I get some sense. If you can touch up on about seasonality.

Venu Lambu: Yeah,

Debashis Chatterjee: Yeah. Can you hear me? This is DC here.

Venu Lambu: Yes, DC. We can hear you now.

Debashis Chatterjee: Yeah, I think there is some issue with the connectivity. So, see, from a seasonality standpoint, I mean, at a broad level, macrolevel, given the portfolio of clients that we have, I think we are very confident in terms of continuing the momentum that we have developed in the business. I mean, if you look at the last four quarters, we have been having steady growth in terms of quarter on quarter. But having said all these things, Q3 is always you know, there will be holidays and furloughs. So, there is a seasonality in Q3, which is always there and that's very

normal in our type of business. So, we have to just see how much it impacts but overall, we are very confident that from a full year standpoint, and as well as going forward, the overall demand environment is pretty solid. Does that answer your question, Dipesh?

Moderator: Dipesh, your network, you know, that's an issue. We are going to the next question. Next question is from Mr. Sumit Jain.

Sumit Jain: Yeah, hi, gentlemen. Am I audible?

Venu Lambu: Yes, you are.

Moderator: Yes.

Sumit Jain: Yeah, great. Firstly, thanks a lot for the opportunity and congrats on a great quarter. So, I guess again a repeated sort of a question which has been asked multiple time on this call, I guess half of our revenue growth this quarter was driven by Retail CPG, Europe and Enterprise IT. So, want to understand how much of that is sustainable in nature and how much of that was on account of seasonality because of reopening of Europe and UK which may not repeat again in the next quarter so, I just want to understand what is the duration of those contracts? Are they sustainable into coming quarters as well or will they slip off in the existing quarter itself?

Debashis Chatterjee: Yeah, so, Sumit, I think, let me give some commentary and then let Venu, chime in. I can only say at a broad level, as Venu explained some time back that the kind of work that we are doing for our clients some of them are typical efficiency and cost takeout and some of them are how do you how do customer kind of support their customers and which are all revenue-earning opportunities for the customer. So, I can only say that much of the work that you talked about just now is in the in the segment of where we are working on customer's front-end applications and working on direct-to-consumer, those kind of initiatives, which will only help customers to sell more to their customers. So, these are all revenue-earning opportunities. So, as long as these things are beneficial to the customers, I think we will generate more momentum in these areas as we go along. Venu?

Venu Lambu: Yeah, sure DC. I just want to add additional comment that you know the growth was not necessarily only from Retail and CPG I'm sure if you look at it around it was there and like BFSI, TTH; 4th consecutive quarter of more than double-digit kind of a growth, and also the service line point of view, Customer Success, which actually grew by more than 20%. You know, because of the reasons that I explained in the context of the earlier question. So, I think, it's one is it the growth has been manifested in all the sectors, and it is also there beyond Enterprise IT, it is been there on the Customer Success, and Cloud and so on. And since we are situated at the beginning of those transformation journey, I think we feel confident about sort of addressing all those opportunities, that lies ahead of us in the next few quarters. So, they are definitely not one-off or anything related with, yes, to some extent, when the economy

unlocks, you get a seasonal peak demand short time of it but there are a lot of programs that we're doing are fairly long term engagements.

Sumit Jain: That's very helpful and the other question I wanted to understand is, if I look at your net addition of headcount, that has slowed down this quarter, compared to the previous quarter and of course, there is a seasonality in your order book as well. And plus there is obviously furloughs and holidays in December quarter. So, if I combine these three metrics net addition of headcount, order book as well as the seasonality, any guidance you would like to throw for your December quarter, given that you had a phenomenal quarter in September?

Dayapatra Nevatia: So, I won't say that net addition this quarter, which has slightly come down compared to last quarter has anything to sort of indicate in terms of how the future is going to look like. This is a factor of multiple things. One is ahead of time, the proactive hiring that we do, looking at the demand environment, when the people get onboarded, especially the freshers etc, and therefore, there is a seasonality and the numbers which come down, sometimes they go up quarter to quarter. But in terms of trend, the additions continue, they are very robust and we continue to hire at the pace at which we were hiring in quarter one.

Sumit Jain: Got it. That's there and one last question, if I look at the travel expenses, they have actually come down on a quarter on quarter basis. So, anything to read out there, like suddenly the economy is opening up both in India and globally. So, any reason why travel expenses are down QoQ?

Vinit Teredesai: Sumit, right now, hardly any travel is happening. So, we do anticipate that the travel expenses will remain low for probably another, at least for the next quarter. Maybe from the beginning of the next calendar year you may see an uptick happening on travel.

Sumit Jain: Got it. Thanks a lot, gentlemen, for answering my questions and all the best.

Debashis Chatterjee: Thank you.

Moderator: Thank you. Next question is from Vikas Ahuja.

Vikas Ahuja: Yeah. Hi, congratulations on a very solid quarter. I have two questions. Now, with this back-to-office scenario as most of your customers are looking to or maybe already working from office, do we think that spending momentum will improve from here or do we think there could be some tapering on what is a very strong momentum? Similarly, how should we look at the bookings, one of your larger peers have called out that the booking should only improve going into next quarter, do we share the same view?

Debashis Chatterjee: So, I mean, if I understand your first question, from a back-to-office scenario, I can only say that, we are absolutely ready to kind of you know, we are already figuring out various models

in terms of how do you look at back to work. But whatever we do, we will do in consultation with our clients and we have a very robust strategy in terms of coming back to office. But in terms of client spends as such, I don't know whether there is any connection or as such, because, the demand is strong, the clients are still looking at significant discretionary I think that will continue. In terms of bookings, I can only say that the kind of momentum we have and the kind of robust pipeline we have, definitely our bookings at an overall, fiscal level will be definitely better than what used to be last fiscal, but there could be some quarterly, up and down, but I don't think we read too much into it. But overall, we are confident that for the full fiscal there will be very good bookings.

Vikas Ahuja: Thanks, DC. That's very helpful. Just one follow up and early indications you can share talking to clients how the budgets for next calendar year would be any color would be great, yeah. Thanks.

Debashis Chatterjee: It's a little too early, you have to probably wait for one more cycle because that's when the clients will start looking at the overall environment. But as I said, whatever conversations we are having with our clients right now looks like in most of the situations, the initial overhang of the pandemic seems to be slowly getting over with all the vaccines and all these things coming in play. But still, we have to wait for a little while to get the concrete feedback.

Sumit Jain: Sure, thanks a lot and best of luck!

Debashis Chatterjee: Thank you.

Moderator: Thank you. Next question is from Sulabh Guvilla.

Amisha Munvar: We can move to the next question Vandit, if the line is busy.

Moderator: Yeah. Fine. Next question is from Gaurav Hinduja.

Gaurav Hinduja: Oh, yeah, thank you for taking my question. I have just one question actually, on the TCV. So, we've noticed a little bit of correction in the TCV as compared to the previous quarter, although it's normalizing a little bit. So, my question is basically any on the deal pipeline, if we have any visibility on any large deal wins and adding clients in the larger brackets, sort of any pipeline on the any view on the deal pipeline would be very helpful. Thanks.

Debashis Chatterjee: So, Gaurav, I think, I can only say that we have a very robust pipeline. We don't give specifics about pipeline, but just from an order book perspective, I can say that, last quarter, we had quite a few renewals. That's why you saw and this is the phenomena, this is a seasonal thing that happens in the Q1. But if you look at the overall order book for the first half of the fiscal, it's like \$860 million, which is 24.5% up for the same period last fiscal and even the quarter to order book, which is \$360 million is up 19% year over year. So, overall, I think the quarter book,

I mean, the order book is quite healthy, very satisfying for us. So, we are pretty confident that we'll follow the trend of having a good order book for the full year.

Gaurav Hinduja: Yeah, thank you. That's really helpful.

Moderator: Thank you. As there are no further questions from the participants, I now hand over to DC for closing remarks.

Debashis Chatterjee: Yeah, thank you, everybody for joining the call. I have one more announcement to make. I would like to take a moment to welcome Vinay Kalingara to Mindtree as the Head of Investor Relations. He brings more than 25 years of experience spanning Investor Relations, technology and entrepreneurship. Vinay is taking over from Amisha Munvar, who has decided to pursue opportunities outside the company. On behalf of Mindtree, I thank Amisha for her contribution to the company and wish her all the best. With that update, let me hand it back to Amisha.

Amisha Munvar: Thank you so much, DC. Thank you everyone for joining the call with us today. Have a nice evening. Bye. Thank you.

Moderator: On behalf of Mindtree, that concludes this conference. Thank you for joining you and now us may exit the call.

Debashis Chatterjee: Thanks.
