

Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Shareholder report

Third quarter ended December 31, 2019

January 24, 2020

Dear Shareholder,

Wishing you and your families a very Happy New Year.

Q3 performance was in line with our expectations in spite of a seasonal quarter. We clocked a revenue of USD 275.2 Mn resulting in a growth of 1.5% q-o-q and 9.4% y-o-y. Our efforts to institutionalize operational excellence and drive profitable growth have resonated well leading to EBITDA of 15.6 % and PAT of 10.0 %. Our EBITDA to operating cash flow and free cash flow conversion is strong at 140.5% and 133.7% respectively.

Driving profitability continues to be our focus and we will demonstrate improvement quarter on quarter.

The other significant highlight is that Mindtree is one of the first IT organizations globally to be appraised at Level 5 in the Capability Maturity Model Integration (CMMI)[®] V2.0 depicting the high quality software development processes and delivery standards.

We thank you for your continued support and encouragement.

Key highlights and summary financial results of the quarter are provided in the next section.

Warm regards,



Debashis Chatterjee
CEO and Managing Director



Key financial highlights:**Quarter ended December 31, 2019**

- In USD:
 - Revenue at \$275.2 million (growth of 1.5% q-o-q / 9.4% y-o-y)
 - Net profit at \$27.7 million (growth of 44.7% q-o-q/ 3.1% y-o-y)

- In INR:
 - Revenue at ₹19,653 million (growth of 2.7% q-o-q / 10.0% y-o-y)
 - Net profit at ₹1,970 million (growth of 45.9% q-o-q / 3.0% y-o-y)

Other highlights:

- Clients:
 - 320 active clients as of December 31, 2019
 - \$25 million clients grew by 1, total 5
 - \$10 million clients grew by 1, total 22

- People:
 - 21,561 Mindtree Minds as of December 31, 2019
 - Trailing 12 months attrition is 17.2%

- BOTs*:
 - Automation is playing a significant role in modernizing our technology service delivery, enhancing both efficiency and speed-to-results for our clients. We are proud to report our BOTs strength that autonomously work along-side our Mindtree Minds, enabling our team to do more and accomplish larger goals
 - We have 715 BOTs employed as of December 31, 2019

**Software that acts autonomously, free from any interference, human or otherwise, to perform a significant task which will otherwise be performed by a human*

- Q3 deal wins with leading global clients:

New Clients:

- Mindtree has been empaneled to provide end to end ownership of SAP and Salesforce Application Maintenance and Support Services (AMS) for a global enterprise supplier of Industrial gases
- Mindtree has been awarded the contract to provide datacenter support including AWS Cloud Operations for a leading Retail player in Consumer Electronics & Wireless Services
- Mindtree has been partnered to provide long term road map and strategic services in digital transformation initiatives for a multinational American Personal care corporation

Existing Clients:

- For an existing large automotive company in the UK, Mindtree extended its presence in Implementing Business Intelligence, Solution Architecture and Program Delivery across the enterprise CRM portal
 - Mindtree will support Digital Marketing Management & Operations for an existing Global leader in computer software and technology
- Recognition:
 - Mindtree named the overall winner of the 2019 ISG Star of Excellence Award™, the industry's first and only recognition program that ranks providers on the quality of their services based on direct feedback from enterprise clients. The Star of Excellence is an independent recognition based on industry wide "Voice of the Customer". ISG considered over 1,400 unique evaluations, 600 unique enterprises, 100 providers for this year. Mindtree was recognized as the winner in North America and Asia Pacific, as well as for achieving the top score for its application development and maintenance (ADM) services

- Mindtree has been appraised at Level 5 in the Capability Maturity Model Integration (CMMI)® V2.0, which represents a proven commitment to high quality software development processes and delivery standards. Mindtree is one of the first IT organizations to be globally recognized for the suite's Development and Services views
- Mindtree received a prestigious award from South Asian Federation of Accountants (SAFA) as a mark of recognition of its strong ethics, excellence in financial reporting and corporate governance
- Mindtree won the 6th Annual IDC Insights Awards 2019 for Excellence in Operations for its IT infrastructure services, [MWatch](#) platform, which enables the delivery of consistent and optimized infrastructure operations services through automation
- Mindtree won the 2019 Paragon Awards™ in the Excellence category for our outstanding service delivery for a global airline
- Mindtree named global and US leader in Next-Gen ADM, Agile Development, and Continuous Testing in the ISG Provider Lens™ Next-Gen Application Development & Maintenance (ADM) Services 2019 Quadrant Report
- Mindtree recognized in the ISG Provider Lens™ Public Cloud – Solutions & Service Partners 2019 Quadrant Report as a Rising Star globally and in the US for Public Cloud Transformation Services, and a Rising Star in the US for Managed Public Cloud Services
- Mindtree Named Leader in the Landscape Transformation and Technical Transition Archetypes in the ISG Provider Lens™ SAP HANA and Leonardo Ecosystem Partners 2019 Archetype Report
- Mindtree Named Innovator in Avasant's Intelligent Automation Services RadarView™ 2019 Report

Extract of the audited consolidated financial results for the quarter and nine months ended December 31, 2019

Particulars	Rs in million, except per share data					
	Quarter ended			Nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
Revenue from operations	19,653	19,143	17,872	57,138	51,821	70,215
Other income, net	348	197	(200)	765	603	893
Total income	20,001	19,340	17,672	57,903	52,424	71,108
Expenses						
Employee benefits expense	12,535	12,647	11,142	37,714	32,708	44,212
Finance costs (refer note 4)	133	138	-	401	29	29
Depreciation and amortisation expense (refer note 4)	699	707	410	2,075	1,213	1,641
Other expenses	4,055	4,014	3,897	12,038	11,271	15,358
Total expenses	17,422	17,506	15,449	52,228	45,221	61,240
Profit before tax	2,579	1,834	2,223	5,675	7,203	9,868
Tax expense						
Current tax (refer note 6)	662	592	263	1,608	1,744	2,456
Deferred tax	(53)	(108)	48	(180)	(98)	(129)
Net profit for the period	1,970	1,350	1,912	4,247	5,557	7,541
Other comprehensive income:						
A. (i) Items that will not be reclassified to profit or loss	7	(44)	(31)	(72)	(79)	(86)
(ii) Income tax relating to items that will not be reclassified to profit or loss	(2)	11	8	17	19	21
B. (i) Items that will be reclassified to profit or loss	110	(49)	2	61	262	262
(ii) Income tax relating to items that will be reclassified to profit or loss	(38)	17	-	(21)	-	-
Total other comprehensive income	77	(65)	(21)	(15)	202	197
Total comprehensive income for the period	2,047	1,285	1,891	4,232	5,759	7,738
Paid up equity share capital (face value Rs. 10/- each)	1,646	1,646	1,642	1,646	1,642	1,642
Reserves	29,933	28,455	30,008	29,933	30,008	31,419
Earnings per share (EPS) (refer note 7):						
Basic EPS (Rs.)	11.97	8.20	11.64	25.82	33.87	45.94
Diluted EPS (Rs.)	11.96	8.20	11.62	25.82	33.80	45.85

AUDITED SEGMENT REVENUE AND RESULTS

Particulars	Rs in million					
	Quarter ended			Nine months ended		Year ended
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018	March 31, 2019
Segment revenue						
Retail, CPG and Manufacturing	4,048	4,150	3,984	12,275	11,584	15,660
Banking, Financial Services and Insurance	4,195	4,136	3,878	12,284	11,457	15,472
High Technology and Media	8,139	7,612	7,034	22,977	20,296	27,586
Travel and Hospitality	3,271	3,245	2,976	9,602	8,484	11,497
Total	19,653	19,143	17,872	57,138	51,821	70,215
Segment results						
Retail, CPG and Manufacturing	740	664	712	1,979	1,905	2,579
Banking, Financial Services and Insurance	627	468	101	1,285	444	628
High Technology and Media	1,317	1,016	1,577	3,225	4,250	5,810
Travel and Hospitality	379	334	443	897	1,243	1,628
Total	3,063	2,482	2,833	7,386	7,842	10,645
Unallocable						
Expenses	699	707	410	2,075	1,213	1,641
Finance costs	133	138	-	401	29	29
Other income	348	197	(200)	765	603	893
Profit before tax	2,579	1,834	2,223	5,675	7,203	9,868

Key Financial Metrics & Ratios

(₹ million)	Q3 FY2019	Q2 FY2020	Q3 FY2020	Growth (%)	
				Q-o-Q	Y-o-Y
Revenue	17,872	19,143	19,653	2.7%	10.0%
EBITDA	2,833	2,482	3,063	23.4%	8.1%
Net Profit	1,912	1,350	1,970	45.9%	3.0%
Diluted EPS (Rs.)	11.62	8.20	11.96	45.9%	3.0%

(\$ million)	Q3 FY2019	Q2 FY2020	Q3 FY2020	Growth (%)	
				Q-o-Q	Y-o-Y
Revenue	251.5	271.0	275.2	1.5%	9.4%
EBITDA	39.9	35.2	43.0	22.3%	7.8%
Net Profit	26.9	19.2	27.7	44.7%	3.1%

Key Ratios	Q3 FY2019	Q2 FY2020	Q3 FY2020
EBITDA Margin (%)	15.9%	13.0%	15.6%
Effective Tax Rate (%)	13.8%	26.4%	23.6%
Net Profit Margin (%)	10.7%	7.1%	10.0%
ROCE (%)	28.7%	21.0%	29.6%
DSO (Days)	71	66	66

Effective Tax Rate = Tax / PBT

ROCE = EBIT / Average Capital Employed. ROCE is annualized

Note:

This report along with more information on our quarterly results is also available in the investors section of our website (www.mindtree.com). This report is for information purposes. Investors should rely on their own analysis while taking investment decisions and not rely on this report alone.

In the spirit of sensitivity towards the environment we are circulating this over email to shareholders who have updated their e-mail addresses with the depository participant. Please update your email addresses with your depository participant.

For more information, please contact investors@mindtree.com

Safe Harbor:

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

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