



Mindtree

Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Earnings release

First quarter ended June 30, 2016

July 18, 2016

Welcome to possible

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Earnings Conference Call for Analysts / Investors

July 18, 2016 (5:30 PM IST)

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(The numbers listed above are universally accessible from all networks and all countries)

Toll free numbers:

Singapore: 800 101 2045

Hong Kong: 800 964 448

UK: 0 808 101 1573

US: 1 866 746 2133

Replay of conference call available until July 23, 2016

+91 22 3065 2322 (Playback id: 230712#)

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

[Mindtree Q1 FY17 Webcast Link](#)

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Transcript will be available on www.mindtree.com after July 23, 2016

Mindtree reports revenue growth of 2% q-o-q / 29% y-o-y in dollar terms

Bangalore (India) and Warren (NJ), July 18, 2016: [Mindtree](#), a global technology services company, announced its consolidated results today for the first quarter ended June 30, 2016, as approved by its Board of Directors.

“The ongoing market transitions to everything-as-a-service, bundled managed services and digital transformation is right in our sweet spot.” said **Rostow Ravanan, CEO & Managing Director, Mindtree**. “While the global environment poses some short term challenges, we remain confident that our investments are on the right track to accelerate growth for our clients and Mindtree.”

Key financial highlights:

Quarter ended June 30, 2016

- In USD terms:
 - Revenue at \$199 million (growth of 2% q-o-q / 29% y-o-y).
 - Net profit at \$18.5 million (decline of 5.8% q-o-q / 8.7% y-o-y)

- In Rupee terms:
 - Revenue at ₹ 13,276 million (growth of 0.6% q-o-q / 35.8% y-o-y)
 - Net profit at ₹ 1,235 million (decline of 7.2% q-o-q / 3.8% y-o-y)

The financial results above are in accordance with Ind AS for the quarter ended June 30, 2016. Accordingly the figures for previous periods have been restated in accordance with Ind AS.

Other highlights:

- Clients:
 - 343 active clients as of June 30, 2016
 - \$10 million clients grow by one to 16

- People:
 - 16,110 Mindtree Minds as of June 30, 2016
 - Trailing 12 months attrition is 16.5%

- Key wins with leading global clients
 - World leader in computer software and technology. For this existing client, Mindtree will provide managed services for multiple applications
 - A leading business school. For this existing client, Mindtree will be the strategic partner for Salesforce initiatives in enterprise IT and online learning
 - A global technology leader in automotive manufacturing. Mindtree will provide Digital services for implementation of rental management system
- Awards and recognition:
 - Positioned as a leader for digital services in 'Zinnov's Zone for Digital Services'
 - Magnet 360, a Mindtree Company, awarded the Salesforce Marketing Cloud Innovation Award for 2016
 - Recognized as a Leader in IAOP's 2016 Global Outsourcing 100 for global excellence
 - Ranked #3 under the categories 'Best CEO, IR Professional, IR program, Analyst Days, Website' in the IT sector and recognized as one of the 'Most Honoured Companies' in the All – Asia (ex-Japan) Executive Team rankings by Institutional Investor

About Mindtree

Mindtree [NSE: MINDTREE] delivers digital transformation and technology services from ideation to execution, enabling Global 2000 clients to outperform the competition. "Born digital," Mindtree takes an agile, collaborative approach to creating customized solutions across the digital value chain. At the same time, our deep expertise in infrastructure and applications management helps optimize your IT into a strategic asset. Whether you need to differentiate your company, reinvent business functions or accelerate revenue growth, we can get you there. Visit www.mindtree.com to learn more.

Safe harbour

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

Visit us at www.mindtree.com. For more information, contact:

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Key Financial Metrics

The financial results below are in accordance with Ind-AS for the quarter ended June 30, 2016. Accordingly the previous period figures have been restated in accordance with Ind-AS.

(Rs. million)	Q1	Q4	Q1	Growth (%)	
	FY2016	FY2016	FY2017	Q-o-Q	Y-o-Y
Revenue	9,775	13,203	13,276	0.6%	35.8%
EBITDA	1,672	2,206	1,951	(11.6)%	16.7%
Net Profit	1,283	1,330	1,235	(7.2)%	(3.8)%
Diluted EPS (Rs.)	7.63	7.91	7.35	(7.1)%	(3.7)%

(\$ million)	Q1	Q4	Q1	Growth (%)	
	FY2016	FY2016	FY2017	Q-o-Q	Y-o-Y
Revenue	154.3	195.0	199.0	2.0%	29.0%
EBITDA	26.4	32.5	29.2	(10.2)%	10.8%
Net Profit	20.3	19.6	18.5	(5.8)%	(8.7)%

Rupee Dollar Rate	Q1	Q4	Q1
	FY2016	FY2016	FY2017
Period Closing rate	63.65	66.25	67.52
Period Average rate	63.35	67.73	66.72

Hedges outstanding at 30-Jun-16		
Currency	Value	Avg. Rate/INR
USD	35.8	68.16
EURO	3.0	77.68
GBP	1.5	98.89

Total hedges outstanding in USD terms is 41M at an average INR rate of 68.15. These are fair value hedges expiring within 30-Sep-16.

Key Ratios

Key Ratios	Q1	Q4	Q1
	FY2016	FY2016	FY2017
EBITDA Margin (%)	17.1%	16.7%	14.7%
Effective Tax Rate (%)	22.5%	25.0%	24.3%
Net Profit Margin (%)	13.1%	10.1%	9.3%
ROCE (%)	31.1%	30.3%	26.9%
DSO (Days)	69	74	65

Effective Tax Rate = Tax / PBT

ROCE = EBIT / Average Capital Employed. ROCE is annualized

Key Performance Highlights

- Technology and Media Services grew by 4.2% Q-o-Q and 31.5% Y-o-Y. BFSI grew by 4% Q-o-Q and 19.3% Y-o-Y
- Digital business grew by 5.2% Q-o-Q & 47.8% Y-o-Y;
- \$10 Mn clients have grown by 1, taking the total count to 16

Key Revenue Metrics

Revenue by Geography	Q1 FY2016	Q4 FY2016	Q1 FY2017
US	67.3%	65.8%	66.7%
Europe	22.0%	24.6%	23.1%
India	3.4%	2.8%	3.1%
Rest of the World	7.2%	6.9%	7.1%
Total	100.0%	100.0%	100.0%

Revenue by Industry	Q1 FY2016	Q4 FY2016	Q1 FY2017
Technology, Media and Services	35.4%	35.3%	36.1%
BFSI	26.9%	24.4%	24.9%
Retail, CPG & Manufacturing	22.1%	23.8%	24.1%
Travel & Hospitality	15.6%	16.4%	15.0%
Total	100.0%	100.0%	100.0%

Revenues of Bluefin solutions and Magnet 360 earlier shown under Others are now reclassified in relevant industry groups

Revenue by Service Offering	Q1 FY2016	Q4 FY2016	Q1 FY2017
Development	24.3%	23.0%	22.7%
Engineering	9.0%	9.8%	9.8%
Maintenance	21.7%	18.0%	17.3%
Consulting	3.7%	4.0%	4.1%
Package Implementation	7.3%	13.7%	13.9%
IP Led Revenue	1.4%	1.3%	1.0%
Independent Testing	14.9%	12.7%	12.8%
Infrastructure Management & Tech Support	17.6%	17.4%	18.4%
Total	100.0%	100.0%	100.0%

Digital	34.8%	38.7%	39.9%
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Digital includes Social Media, Mobility, Analytics, Cloud, Web-commerce.

Revenue by Project Type	Q1 FY2016	Q4 FY2016	Q1 FY2017
Fixed Cost, Fixed Monthly	48.9%	47.7%	48.7%
Time & Materials	51.1%	52.3%	51.3%
Total	100.0%	100.0%	100.0%

Revenue Mix	Q1 FY2016	Q4 FY2016	Q1 FY2017
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Effort

Onsite	18.6%	22.3%	22.9%
Offshore	81.4%	77.7%	77.1%
Total	100.0%	100.0%	100.0%

Revenue

Onsite	48.0%	57.6%	59.5%
Offshore	52.0%	42.4%	40.5%
Total	100.0%	100.0%	100.0%

Effort and Utilization

Metrics	Q1 FY2016	Q4 FY2016	Q1 FY2017	Growth (%)	
				Q-o-Q	Y-o-Y
Billed Hours					
Onsite	976,426	1,320,161	1,387,455	5.1%	42.1%
Offshore	4,265,360	4,606,976	4,681,805	1.6%	9.8%
Total	5,241,785	5,927,138	6,069,260	2.4%	15.8%
Fee Revenue (\$ 000)					
Onsite	73,276	111,156	117,194	5.4%	59.9%
Offshore	79,525	81,887	79,611	(2.8)%	0.1%
Total	152,801	193,042	196,805	1.9%	28.8%
Utilization					
Including Trainees	70.3%	69.4%	71.4%		
Excluding Trainees	71.9%	70.6%	72.0%		

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

Key Client Metrics

Metrics	Q1 FY2016	Q4 FY2016	Q1 FY2017
Client Details			
Number of Active clients	218	348	343
New Clients Added	16	37	17
\$1 mn clients	88	101	98
\$5 mn clients	28	31	31
\$10 mn clients	13	15	16
\$25 mn clients	6	6	5
\$50 mn clients	2	2	2

Million Dollar Clients are based on trailing 12 months revenue.

Client Contribution to Revenue	Q1 FY2016	Q4 FY2016	Q1 FY2017
Top Client	10.8%	11.6%	13.1%
Top 5 Clients	32.9%	29.5%	29.6%
Top 10 Clients	48.3%	42.6%	42.6%
Revenue from Repeat Business	98.9%	96.0%	98.2%

Contribution to revenues is based on revenues for the quarter.

Total Contract Value signed(TCV) (USD M)	Q1 FY2016	Q4 FY2016	Q1 FY2017
Renewals	120	209	184
New	88	72	36
Total	208	281	220
Expiring within 1 year	159	247	209
Expiring > 1 year	49	34	11
Digital	63	82	93

Key Employee Metrics

Mindtree Minds	Q1 FY2016	Q4 FY2016	Q1 FY2017
Total Mindtree Minds	14,427	16,623	16,110
Software Professionals	13,560	15,623	15,092
Sales	197	265	247
Support	670	735	771
Gross Additions	900	1,020	210
Net Additions	225	380	(513)
Attrition (Last Twelve Months)	18.4%	15.7%	16.5%
Women employees	27%	28%	28%
Nationalities*	33	48	48

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

Infrastructure

	Completed		Expansion	
	Built up area (sq ft 000)	No. of Seats	Built up area (sq ft 000)	No. of Seats
As of Jun 30, 2016				
Bangalore	1,286	12,831	-	-
Chennai	294	2,680	-	-
Pune	149	1,361	-	-
Hyderabad	93	787	-	-
Bhubaneswar	65	292	-	-
Total	1,887	17,951	-	-

Note: Land available for expansion - 12 acres in Bhubaneswar.

Audited Consolidated Financial Results for the Quarter Ended June 30, 2016 (Rs. in millions, except per share data)
Rs in million, except per share data

Particulars	Quarter ended			Year ended
	June 30, 2016	March 31, 2016	June 30, 2015	March 31, 2016
Income from software services	13,276	13,203	9,775	46,730
Expenses				
Employee benefits expense	8,366	8,188	5,761	27,991
Depreciation and amortisation expense	468	475	339	1,658
Other expenses	2,959	2,809	2,342	10,529
Profit from operations before other income, foreign exchange gain and finance costs	1,483	1,731	1,333	6,552
Other income	110	74	128	447
Foreign exchange gain	88	31	202	392
Profit before finance costs	1,681	1,836	1,663	7,391
Finance costs	51	63	9	160
Profit before tax	1,630	1,773	1,654	7,231
Tax expense	395	443	371	1,706
Net profit for the period	1,235	1,330	1,283	5,525
Total comprehensive income	1,130	1,180	1,322	5,283
Paid up equity share capital (face value Rs. 10/- each)	1,678	1,678	838	1,678
Reserves	23,625	22,471	20,760	22,471
Basic EPS (Rs.)	7.36	7.93	7.66	32.95
Diluted EPS (Rs.)	7.35	7.91	7.63	32.87

AUDITED SEGMENT WISE REVENUE AND RESULTS
Primary segment information

Particulars	Quarter ended			Year ended
	June 30, 2016	March 31, 2016	June 30, 2015	March 31, 2016
Segment revenue				
Retail, CPG and Manufacturing	3,194	3,147	2,163	11,394
Banking, Financial Services and Insurance	3,306	3,231	2,631	11,970
Technology, Media and Services	4,791	4,663	3,459	16,116
Travel and Hospitality	1,985	2,162	1,522	7,250
Total	13,276	13,203	9,775	46,730
Segment operating income				
Retail, CPG and Manufacturing	496	512	463	2,183
Banking, Financial Services and Insurance	356	347	337	1,627
Technology, Media and Services	892	925	662	3,153
Travel and Hospitality	207	422	210	1,247
Total	1,951	2,206	1,672	8,210
Unallocable				
Expenses	468	475	339	1,658
Finance costs	51	63	9	160
Other income (including foreign exchange gain)	198	105	330	839
Profit before tax	1,630	1,773	1,654	7,231

Notes on segment information
Principal segments

The Group is structured into four verticals –Retail, CPG and Manufacturing (RCM), Banking, Financial Services and Insurance (BFSI), Technology, Media and Services (TMS) and Travel and Hospitality (TH). Accordingly, the Group has presented its segment results under these business segments. During the current year, the Group has restructured its verticals and accordingly, the previous period/ year figures have been restated and presented in line with the current segments.

Segment capital employed

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

Audited Consolidated Financial Results for the Quarter Ended June 30, 2016 (Rs. in millions, except per share data)
AUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Rs in million

Particulars	As at		
	June 30, 2016	March 31, 2016	April 1, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	3,913	4,173	4,325
Capital work in progress	345	232	354
Goodwill	4,771	4,815	669
Other intangible assets	2,460	2,632	317
Financial assets			
Investments	158	62	12
Loans	661	655	614
Other financial assets	194	189	-
Deferred tax assets (net)	474	406	547
Other non-current assets	1,432	1,331	1,158
	14,408	14,495	7,996
Current assets			
Financial assets			
Investments	3,008	2,266	5,490
Trade receivables	9,476	9,728	6,963
Cash and cash equivalents	1,755	2,332	3,763
Loans	16	38	136
Other financial assets	2,762	2,761	1,337
Other current assets	927	1,149	1,009
	17,944	18,274	18,698
	32,352	32,769	26,694
EQUITY AND LIABILITIES			
Equity			
Equity share capital	1,678	1,678	837
Other equity	23,625	22,471	20,428
Total equity	25,303	24,149	21,265
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	14	18	23
Other financial liabilities	528	747	227
Other non current liabilities	84	91	128
	626	856	378
Current liabilities			
Financial liabilities			
Borrowings	-	415	-
Trade payables	1,523	1,890	1,418
Other financial liabilities	2,037	2,774	2,011
Other current liabilities	1,061	1,049	586
Provisions	1,306	1,289	797
Current tax liabilities (net)	496	347	239
	6,423	7,764	5,051
	7,049	8,620	5,429
TOTAL EQUITY AND LIABILITIES	32,352	32,769	26,694

Notes to audited consolidated financial results for the quarter ended June 30, 2016

1 The above results were reviewed by the Audit Committee and thereafter have been adopted by the Board at its meeting held on July 18, 2016.

2 Transition to Indian Accounting standards (Ind AS)

The Group's consolidated financial statements for the quarter ended June 30, 2016 are the first interim consolidated financial statements prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. The adoption of Ind AS was carried out in accordance with Ind AS 101, using April 1, 2015 as the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are effective for the first Ind AS consolidated financial statements for the quarter ended June 30, 2016, be applied consistently and retrospectively for all fiscal years presented. All applicable Ind AS have been applied consistently and retrospectively wherever required. The resulting difference between the carrying amounts of the assets and liabilities in the consolidated financial statements under both Ind AS and Indian GAAP as of the transition date have been recognized directly in equity at the transition date.

The following reconciliations provide a quantification of the effect of significant differences arising from the transition from Indian GAAP to Ind AS in accordance with Ind AS 101:

- equity as at April 1, 2015;
- equity as at June 30, 2015;
- equity as at March 31, 2016;
- total comprehensive income for the quarter ended June 30, 2015; and
- total comprehensive income for the year ended March 31, 2016

(i) Equity reconciliation:-
Rs in million

Particulars	Note	As at March 31, 2016	As at June 30, 2015	As at April 1, 2015
Equity under previous GAAP attributable to:				
Mindtree Limited		23,956	21,228	20,128
Non-controlling interests		-	-	-
Equity under previous GAAP		23,956	21,228	20,128
Proposed dividend and tax thereon	iii	606	302	1,009
Fair valuation of investments	ii	112	69	101
Effect of discounting of security deposit and reclassification of land as operating lease	vi	20	17	16
Discounting of consideration receivable	v	(81)	-	-
Business combination	i	(481)	(38)	(16)
Others		17	20	27
Equity as per Ind AS		24,149	21,598	21,265

(ii) Total comprehensive income reconciliation
Rs in million

Particulars	Notes	For the year ended March 31, 2016	For the quarter ended June 30, 2015
Net income under previous GAAP attributable to :			
Mindtree Limited		6,033	1,382
Non-controlling interests		-	-
Net income under previous GAAP		6,033	1,382
Fair valuation of investments	ii	10	(33)
Employee benefits	iv	28	(39)
Effect of discounting of security deposit and reclassification of land as operating lease	vi	4	1
Business combination	i	(460)	(23)
Discounting of consideration receivable	v	(81)	-
Others		(9)	(5)
Profit for the period under Ind AS		5,525	1,283
Other comprehensive income		(242)	39
Total comprehensive income under Ind AS		5,283	1,322

Explanations for reconciliation of equity and profit

i. Business combination: Under Ind AS, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date. This has resulted in the recognition of intangible assets and consequent amortisation of such intangibles in the statement of profit and loss. Under previous GAAP, the purchase consideration in excess of the net worth of the acquired entity is considered as goodwill which is not subject to amortisation but is tested for impairment.

ii. Fair valuation of investments:

a) Under Ind AS, financial assets and financial liabilities designated at fair value through profit & loss (FVTPL) are fair valued at each reporting date with changes in fair value recognized in the statement of profit and loss. Under previous GAAP, they are measured at lower of cost or net realisable value. Mutual fund investments have been classified as FVTPL. Consequently, increase in fair value of such investments in quoted mutual funds has resulted in a gain.

b) Under Ind AS, financial assets designated at fair value through other comprehensive income (FVTOCI) are fair valued at each reporting date with changes in fair value (net of deferred taxes) recognized directly in other comprehensive income. Under previous GAAP, they are measured at cost with provision for diminution other than temporary. Investments in equity instruments have been classified as FVTOCI. Consequently, fair value of such equity instruments designated at FVTOCI has resulted in a gain in other comprehensive income.

iii. Under Ind AS, liability for dividend is recognized in the period in which the obligation to pay is established. Under previous GAAP, a liability is recognized in the period to which the dividend relates, even though the dividend may be approved by the shareholders subsequent to the reporting date. Consequently, dividend payable under Ind AS is lower and retained earnings is higher.

iv. Under previous GAAP, actuarial gains and losses were recognized in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability /asset which is recognized in other comprehensive income. Consequently, the tax effect of the same has also been recognized in other comprehensive income under Ind AS instead of statement of profit and loss.

v. Under Ind AS, the deferred consideration on sale of land is measured at fair value. Under previous GAAP, such consideration are carried at initial transaction value. The difference between initial transaction value and fair value on the date of sale is reduced from profit on sale of land and subsequent change in the fair value of such deferred consideration is recognized as notional interest income in the statement of profit and loss.

vi. Under Ind AS, leases of land are classified as operating leases unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease term. Lease rentals paid in advance and lease deposits are recognized as other assets. Under previous GAAP, the lease rentals paid in advance and lease deposits are recognized in property, plant and equipment. The lease rentals paid in advance are charged to the statement of profit and loss over the lease term. Under Ind AS, financial instruments other than those designated at FVTPL and FVTOCI are measured at amortised cost. Under previous GAAP, they are recognized at cost. Security deposits are carried at amortised cost using effective interest method.

3 EPS for the quarter is not annualized. EPS for comparable period is adjusted for bonus issue.

4 Audited financial results of Mindtree Limited (Standalone Information)

Particulars	Quarter ended			Year ended March 31, 2016
	June 30, 2016	March 31, 2016	June 30, 2015	
Revenues	12,031	12,011	9,582	43,398
Profit before tax	1,847	2,126	1,643	7,509
Profit after tax	1,434	1,653	1,287	5,810

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

5 The statement of consolidated financial results have been audited by the Company's auditors. The Company's auditors have issued an unmodified audit opinion on the consolidated financial results. The audit report has been filed with the stock exchanges and is also available on the Company's website.



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Safe Harbor:

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

Welcome to possible