



Mindtree Limited

(NSE: MINDTREE, BSE: 532819)

Earnings release

Second quarter ended September 30, 2017

October 25, 2017

Welcome to possible

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Earnings Conference Call for Analysts / Investors

October 25, 2017 (6:30 PM IST)

Primary Number: +91 22 3938 1087

(The number listed above is universally accessible from all networks and all countries)

Local Access Number: 3940 3977

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Replay of conference call available until October 31, 2017

+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 Q2 FY18 Webcast Link](#)



Transcript will be available on www.mindtree.com after October 30, 2017

Mindtree Reports Revenue Growth of 3.0% Q-o-Q / 6.9% Y-o-Y in Dollar terms; Recommends Interim and Special Dividend

Bangalore (India) and Warren (NJ), October 25, 2017: [Mindtree](#), a global Digital transformation and technology services company, announced its consolidated results today for the second quarter ended September 30, 2017 as approved by its Board of Directors.

“Mindtree is on a steady growth trajectory in an evolving marketplace. Our ability to address shifting customer expectations through our innate capabilities in digital as well as traditional services have driven great business outcomes for our clients” said **Rostow Ravanan, CEO & Managing Director, Mindtree**. “The size and quality of our pipeline continues to grow robustly as a result of our differentiated positioning and strategic choices. We see continued growth momentum ahead and are progressing with a focus on execution excellence.”

Key financial highlights:

Quarter ended September 30, 2017

- In USD:
 - Revenue at \$206.2 million (growth of 3.0% q-o-q / 6.9% y-o-y)
 - Net profit at \$19.3 million (growth of 2.5% q-o-q / 36.8% y-o-y)

- In INR:
 - Revenue at ₹ 13,316 million (growth of 3.3% q-o-q / 2.8% y-o-y)
 - Net profit at ₹ 1,247 million (growth of 2.5% q-o-q / 31.6% y-o-y)

Other highlights:

- Clients:
 - 327 active clients as of September 30, 2017
 - \$5 million clients grow by 5 for a total of 38
 - \$1 million clients grow by 1 for a total of 114

- People:
 - 16,910 Mindtree Minds as of September 30, 2017
 - Trailing 12 months attrition is 13%

- Multi-year and multi-million dollar wins with leading global clients:
 - Providing Managed Infrastructure, Devops and Cloud Operations for a large technology company
 - Providing engineering services to a business unit of a large communications company
 - Providing testing services for a major airline in the US
 - Providing cloud migration services for a large hospitality company in the US
 - Providing Salesforce solution to enhance rider engagement for a global iconic motorcycle brand.
This was a joint win with our subsidiary Magnet 360
 - Assisting a FTSE Top 20 company and also a long standing client of Bluefin in their business critical financial integration leveraging a global delivery model

- Awards and Recognition:
 - Mindtree named as a leader in Continuous Testing Services in the Digital space by Forrester Research Inc
 - Mindtree positioned as leader in Application Testing Services by ISG
 - Mindtree named as a 'Rising Star' for Application Development Services by ISG

- Announcements
 - The Board of Directors at its meeting held on October 25, 2017 have recommended an interim dividend of 20% (₹ 2 per equity share of par value ₹ 10 each) and a special dividend of 20% (₹ 2 per equity share of par value ₹ 10 each) on completion of ten years of Initial Public Offering (IPO)
 - During the quarter ended September 30, 2017, we received the required regulatory approvals to transfer the business and net assets of our wholly owned subsidiary, Bluefin Solutions Limited, UK ('Bluefin') to the Company



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.

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Key Financial Metrics

(₹ million)	Q2	Q1	Q2	Growth (%)	
	FY2017	FY2018	FY2018	Q-o-Q	Y-o-Y
Revenue	12,954	12,895	13,316	3.3%	2.8%
EBITDA	1,621	1,435	1,541	7.4%	(4.9)%
Net Profit	948	1,217	1,247	2.5%	31.6%
Diluted EPS (Rs.)	5.64	7.23	7.44	2.9%	31.9%

(\$ million)	Q2	Q1	Q2	Growth (%)	
	FY2017	FY2018	FY2018	Q-o-Q	Y-o-Y
Revenue	193.0	200.1	206.2	3.0%	6.9%
EBITDA	24.1	22.3	23.9	7.3%	(1.0)%
Net Profit	14.1	18.9	19.3	2.5%	36.8%

Rupee Dollar Rate	Q2	Q1	Q2
	FY2017	FY2018	FY2018
Period Closing rate	66.61	64.58	65.30
Period Average rate	67.12	64.43	64.57

Hedges outstanding at 30-Sept-17		
Currency	Value	Avg. Rate/INR
USD	30.5	65.09
EURO	2.0	76.54
GBP	0.5	85.69

Total hedges outstanding in USD terms is 33M at an average ₹ rate of 65.11. These are fair value hedges expiring within 31-Dec-17.

Key Ratios

Key Ratios	Q2	Q1	Q2
	FY2017	FY2018	FY2018
EBITDA Margin (%)	12.5%	11.1%	11.6%
Effective Tax Rate (%)	25.9%	23.5%	24.8%
Net Profit Margin (%)	7.3%	9.4%	9.4%
ROCE (%)	20.9%	23.8%	24.1%
DSO (Days)	66	57	64

Effective Tax Rate = Tax / PBT

ROCE = EBIT / Average Capital Employed. ROCE is annualized

Key Performance Highlights

- Travel and Hospitality grew by 4.4%; Retail, CPG and Manufacturing grew by 3.9%, Technology, Media & Services grew by 2.8%; BFSI grew by 2%
- Digital business grew 3.6% q-o-q and 13.8% y-o-y; IMTS grew by 6.6% q-o-q and 16.8% y-o-y
- \$5Mn clients has grown by 5 taking the total count to 38

Key Revenue Metrics

Revenue by Geography	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
US	67.6%	69.6%	67.5%
Europe	21.4%	21.1%	22.8%
India	3.5%	3.0%	3.5%
Rest of the World	7.5%	6.3%	6.3%
Total	100.0%	100.0%	100.0%

Revenue by Industry	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Technology, Media and Services	36.7%	37.9%	37.8%
BFSI	24.7%	25.1%	24.8%
Retail, CPG & Manufacturing	24.2%	22.7%	22.9%
Travel & Hospitality	14.4%	14.3%	14.5%
Total	100.0%	100.0%	100.0%

Revenue by Service Offering	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Development	22.0%	22.6%	23.1%
Engineering	9.8%	9.6%	9.2%
Maintenance	17.8%	19.0%	17.7%
Consulting	3.8%	3.4%	4.0%
Package Implementation	13.1%	11.5%	11.2%
IP Led Revenue	1.2%	1.1%	1.0%
Independent Testing	12.4%	11.8%	12.1%
Infrastructure Management & Tech Support	19.9%	21.0%	21.8%
Total	100.0%	100.0%	100.0%
Digital	40.0%	42.3%	42.6%

Digital includes Social Media, Mobility, Analytics, Cloud, Web-commerce.

Revenue by Project Type	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Fixed Cost, Fixed Monthly	50.6%	52.9%	55.5%
Time & Materials	49.4%	47.1%	44.5%
Total	100.0%	100.0%	100.0%

Revenue Mix	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Effort			
Onsite	23.3%	23.2%	22.8%
Offshore	76.7%	76.8%	77.2%
Total	100.0%	100.0%	100.0%
Revenue			
Onsite	59.2%	58.0%	57.6%
Offshore	40.8%	42.0%	42.4%
Total	100.0%	100.0%	100.0%

Effort and Utilization

Metrics	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018	Growth (%)	
				Q-o-Q	Y-o-Y
Billed Hours					
Onsite	1,387,696	1,423,605	1,419,828	(0.3)%	2.3%
Offshore	4,573,034	4,703,810	4,816,924	2.4%	5.3%
Total	5,960,730	6,127,415	6,236,752	1.8%	4.6%
Fee Revenue (\$ 000)					
Onsite	113,379	114,859	117,525	2.3%	3.7%
Offshore	78,138	83,224	86,450	3.9%	10.6%
Total	191,517	198,083	203,976	3.0%	6.5%
Utilization					
Including Trainees	71.4%	73.2%	73.2%		
Excluding Trainees	73.1%	73.8%	74.6%		

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

Key Client Metrics

Metrics	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Client Details			
Number of Active clients	337	336	327
New Clients Added	18	20	24
\$1 mn clients	107	113	114
\$5 mn clients	30	33	38
\$10 mn clients	16	16	16
\$25 mn clients	6	3	3
\$50 mn clients	2	1	1
\$100 mn clients	0	1	1

Million Dollar Clients are based on trailing 12 months revenue.

Client Contribution to Revenue	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Top Client	14.4%	15.3%	16.1%
Top 5 Clients	30.0%	30.1%	30.1%
Top 10 Clients	42.5%	41.5%	41.9%
Revenue from Repeat Business	97.8%	98.3%	98.7%

Contribution to revenues is based on revenues for the quarter.

Total Contract Value signed(TCV) (USD M)	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Renewals	119	219	130
New	65	43	77
Total	183	262	207
Expiring within 1 year	152	198	166
Expiring > 1 year	31	64	41
Digital	64	108	84

Key Employee Metrics

Mindtree Minds	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Total Mindtree Minds	16,219	16,561	16,910
Software Professionals	15,189	15,441	15,782
Sales	254	268	276
Support	776	852	852
Gross Additions	744	645	856
Net Additions	109	91	349
Attrition (Last Twelve Months)	16.4%	14.0%	13.0%
Women employees	29%	29%	29%
Nationalities*	52	54	53

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

Infrastructure

	Completed		Available for Expansion	
	Built up area (sq ft 000)	No. of Seats	Built up area (sq ft 000)	No. of Seats
As of Sep 30, 2017				
Bangalore	1,286	12,918	-	-
Chennai	294	2,680	-	-
Pune	149	1,361	-	-
Hyderabad	93	788	-	-
Bhubaneswar	95	437	-	-
Total	1,917	18,184	-	-

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

Audited Consolidated Financial Results for the Quarter and Six Months ended September 30, 2017 (₹ in millions, except per share data)

Particulars	Quarter ended			Six months ended		Year ended
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
Revenue from operations	13,316	12,895	12,954	26,211	26,230	52,364
Other income (Refer note 4)	598	654	170	1,252	368	553
Total income	13,914	13,549	13,124	27,463	26,598	52,917
Expenses						
Employee benefits expense	9,001	8,393	8,526	17,394	16,892	34,125
Finance costs	25	40	47	65	98	191
Depreciation and amortisation expense	454	459	463	913	931	1,858
Other expenses	2,774	3,067	2,807	5,841	5,766	11,194
Total expenses	12,254	11,959	11,843	24,213	23,687	47,368
Profit before tax	1,660	1,590	1,281	3,250	2,911	5,549
Tax expense:						
Current tax	455	385	371	840	843	1,577
Deferred tax	(42)	(12)	(38)	(54)	(115)	(214)
Net profit for the period	1,247	1,217	948	2,464	2,183	4,186
Other comprehensive income:						
A. (i) Items that will not be reclassified to profit or loss	(32)	6	(23)	(26)	(23)	(14)
(ii) Income tax relating to items that will not be reclassified to profit or loss	6	(1)	4	5	4	3
B. Items that will be reclassified to profit or loss	32	115	(222)	147	(327)	(610)
Total other comprehensive income	6	120	(241)	126	(346)	(621)
Total comprehensive income for the period	1,253	1,337	707	2,590	1,837	3,565
Paid up equity share capital (face value Rs. 10/- each)	1,639	1,681	1,680	1,639	1,680	1,680
Reserves	23,569	25,475	23,761	23,569	23,761	24,091
Earnings per share:						
Basic EPS (Rs.)	7.46	7.24	5.65	14.70	13.01	24.93
Diluted EPS (Rs.)	7.44	7.23	5.64	14.67	12.98	24.89

AUDITED SEGMENT WISE REVENUE AND RESULTS

Particulars	Quarter ended			Six months ended		Year ended
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	March 31, 2017
Segment revenue						
Retail, CPG and Manufacturing	3,123	2,919	3,134	6,042	6,328	12,476
Banking, Financial Services and Insurance	3,288	3,235	3,204	6,523	6,510	12,882
Technology, Media and Services	4,971	4,891	4,748	9,862	9,539	19,235
Travel and Hospitality	1,934	1,850	1,868	3,784	3,853	7,771
Total	13,316	12,895	12,954	26,211	26,230	52,364
Segment results						
Retail, CPG and Manufacturing	366	189	324	555	820	1,493
Banking, Financial Services and Insurance	234	293	295	527	651	1,153
Technology, Media and Services	771	760	906	1,531	1,798	3,671
Travel and Hospitality	170	193	96	363	303	864
Total	1,541	1,435	1,621	2,976	3,572	7,181
Unallocable						
Expenses	454	459	463	913	931	1,994
Finance costs	25	40	47	65	98	191
Other income	598	654	170	1,252	368	553
Profit before tax	1,660	1,590	1,281	3,250	2,911	5,549

Notes on segment information
Principal segments

The Group is structured into four industry 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.

Segment assets and liabilities

Segregation of assets, liabilities, depreciation and other non-cash expenses into various business 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 and Six Months ended September 30, 2017

(₹ in millions, except per share data)

Particulars	As at	
	September 30, 2017	March 31, 2017
ASSETS		
Non-current assets		
Property, plant and equipment	3,379	3,809
Capital work in progress	298	192
Goodwill	4,544	4,470
Other intangible assets	1,719	1,941
Financial assets		
Investments	58	58
Loans	692	667
Other financial assets	-	209
Deferred tax assets (net)	567	624
Other non-current assets	1,426	1,326
	12,683	13,296
Current assets		
Financial assets		
Investments	6,330	5,869
Trade receivables	9,229	8,962
Cash and cash equivalents	1,595	2,508
Loans	15	12
Other financial assets	3,307	2,225
Other current assets	934	1,034
	21,410	20,610
TOTAL ASSETS	34,093	33,906
EQUITY AND LIABILITIES		
Equity		
Equity share capital	1,639	1,680
Other equity	23,569	24,091
	25,208	25,771
Liabilities		
Non-current liabilities		
Financial liabilities		
Borrowings	9	13
Other financial liabilities	-	230
Other non current liabilities	86	71
	95	314
Current liabilities		
Financial liabilities		
Borrowings	2,474	978
Trade payables	1,518	1,651
Other financial liabilities	1,807	2,638
Other current liabilities	1,350	1,126
Provisions	1,244	1,105
Current tax liabilities (net)	397	323
	8,790	7,821
	8,885	8,135
TOTAL EQUITY AND LIABILITIES	34,093	33,906

Notes to audited consolidated financial results for the quarter and six months ended September 30, 2017

- The above results were reviewed by the Audit Committee and thereafter have been adopted by the Board at its meeting held on October 25, 2017.
- During the quarter ended September 30, 2017, the Reserve Bank of India has approved the proposal to transfer the business and net assets ("the Scheme") of the Company's wholly owned subsidiary, Bluefin Solutions Limited, UK ("Bluefin") to the Company against cancellation and extinguishment of the Company's investment in Bluefin.

During the quarter ended June 30, 2017, the National Company Law Tribunal (NCLT) had approved the Composite Scheme of Amalgamation ("the Scheme") of Discoverventure Solutions L.L.C. and Relational Solutions Inc., wholly owned subsidiaries of the Company (together "the Transferor Companies"), with the Company with an appointed date of April 1, 2015.

The Company has given effect to these Schemes in its standalone financial results. Refer note 2 of the standalone financial results for the quarter ended September 30, 2017 for details.
- During the quarter, the Group has bought back 4,224,000 equity shares of Rs 10 each on a proportionate basis, at a price of Rs 625 per equity share for an aggregate consideration of Rs 2,640 million (Rupees Two thousand six hundred and forty million only), and completed the extinguishment of the equity shares bought back. Capital redemption reserve has been created to the extent of nominal value of share capital extinguished amounting to Rs.42 million. The buyback and creation of capital redemption reserve was effected by utilizing the securities-premium reserve and free reserves.
- During the quarter, the Company has discharged earn out towards acquisition of business to the erstwhile shareholders of Bluefin and has reassessed the remaining liability. Consequently, Rs 303 million representing liability for earn out has been written back and recognised under other income.

During the quarter ended June 30, 2017, the Company had entered into a payment resolution agreement with the erstwhile shareholders of Magnet 360 LLC. Consequently, Rs 374 million representing liability for earn out was written back and recognised under other income in the previous quarter.
- The Board of Directors at its meeting held on October 06, 2017 have approved the Scheme of Amalgamation ("the Scheme") of its wholly owned subsidiary, Magnet 360 LLC with the Company with an appointed date of April 01, 2017. The Company is in the process of filing an application with the National Company Law Tribunal (NCLT). The Scheme will come into effect on approval from NCLT and other statutory authorities as may be required.
- The Board of Directors at its meeting held on October 25, 2017 have recommended an interim dividend of 20% (Rs 2 per equity share of par value Rs 10 each) and a special dividend of 20% (Rs 2 per equity share of par value Rs 10 each) on completion of ten years of Initial Public Offering (IPO).
- EPS for the quarter and six months ended September 30, 2017 is not annualized.

8 Audited financial results of Mindtree Limited (Standalone Information)

Particulars	Quarter ended			Six months ended		Year ended March 31, 2017
	September 30, 2017	June 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	
Revenues	13,037	12,490	12,476	25,527	25,257	50,396
Profit before tax	1,930	1,617	1,371	3,547	3,012	5,844
Profit after tax	1,521	1,247	1,034	2,768	2,289	4,460

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.

- 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