“Tech Mahindra Limited Q3 FY17 Earnings Conference Call

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Tech Mahindra Limited Q3 FY17 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. In case you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vineet Nayyar – Vice Chairman, Tech Mahindra. Thank you and over to you, sir.

Vineet Nayyar: Good Morning, Good Evening, Friends. Welcome to Tech Mahindra Q3 Earning Conference Call for the third quarter ended 31st December 2016. We are happy to report a strong set of financial numbers in Q3. The growth has been all round led from all fronts, whether our key communication, and Enterprise business or geographies. It is also heartening to see that we are seeing strong traction even outside of our traditionally strong bastions by Europe and Americas. Our revenue for the quarter was Rs.7,558 crores year-on-year growth of 12.8% and quarter-on-quarter growth of 5.4%. The profit after tax is at Rs.856 crores, grew 32.8% sequentially and 14% on an annualized basis. In terms of EBITDA, we expanded our operating profit margins by 80 basis points at 15.7% despite the impact of currency fluctuation and lower number of working days in a seasonally weaker quarter. The dollar term growth has also been quite healthy. While all these numbers provide us with enough ammunition to face the brave new world, there are still certain levels of volatility in the environment especially in the larger macroeconomic environment.

Last week we saw a change in political regime in the United States when Mr. Trump taking over as the new president. UK is yet to emerge out of the Brexit and chart out its own course outside the European Union. Host of countries in Europe are also going for election later this year and this could result in similar upsets. But suffice to say, as technology companies, we have much larger role to play in the environment to instill greater confidence among the clients and does helping them with the processes and solutions that technology can deliver to tide over this uncertain business environment.

In the recent past, I am getting a lot of query about our colleagues in the media that how companies like Tech Mahindra are going to manage the US if US clamps down on the visa policy or what if proposed, protect and grow America jobs bill that asks for changes to the eligibility requirement of H1B visa exemptions and increase in the minimum salary of H1B visa holders. Nobody knows that at this point as to what will be the contours of the final bill or what holds for the future. But as an industry, we should strive hard to become future-ready and also enable our clients to be that. The IT outsourcing industry from the very inception has been heavily people-oriented and so also it has been highly globalized. Today, we at Tech Mahindra have operations in more than 90 countries and as a global company and equal opportunity employer it has been our constant endeavor to create jobs in which ever countries we operate in. US is no exception to that. But at the same time, one must understand that the industry is no longer that had heavily people dependent as it used to be owing to the advancement and collaborative technologies that is cutting across geographical barriers and also with the increasing use of automation tools and technologies to mechanize work. Automation has already started eating into bulk of jobs which were repetitive and maintained and will slowly become most sophisticated going forward. At the same time, it is heartening to see that technology is making rapid strides not just in developed countries; it has also started making its impact felt in the world over, whether it is Africa, Asia or elsewhere. During Q3 of FY17, our growth in the rest of the world countries outside Europe and North America has been quite healthy at 13.2% both sequentially as well as on year-on-year basis.

We have been responsible a business group which is reflected in whatever business we are into and even in our sustainability practices. Last quarter, Tech Mahindra has been recognized as a global leader for its actions and strategies in response to the climate change by Climate Disclosure Project, a global non-profit organization that drive sustainable economies. Furthermore, we have also been ranked as one of the top-20 companies in Asia in Channel NewsAsia Sustainability Ranking for Asia's Top Businesses. This is our commitment to make the world better place to live in and to provide with the experience of the world is giving over. Of course, I might add here that this is only for those people who believe that climate change is happening. So as you must have heard there are a lot of people believe that this is not happening. Nonetheless, I do believe our efforts have been worthwhile and will add to sustainability of the country, of the globe and all where our clients are.

Now, I will hand over to C.P. who will further talk about our Business Performance. Thank you, folks.

C.P. Gurnani: Thank you, Vineet. This quarter, we have seen good improvement, the deal wins for Q3 and overall the margin improvement has been satisfactory. That we have reported a quarter at 4.1% quarter-on-quarter growth, even Q2 was at about 4% quarter-on-quarter growth and if I look at constant currency growth in Q3 has been 5.4%. Our Enterprise business has grown over the industry growth and expect that we will be able to maintain the momentum. Clearly what we are seeing is that the growth has been led by BFSI, our Retail business has also grown, Communications sector has shown a gradual improvement and they have had overall a few good wins also. In terms of EBITDA margins, we have improved our EBITDA margins by 80 basis points, we are at 15.7% Vs 14.9% in Q2.

The quarter has been good because a) our TCV deal sizes has been one of the best, we have also signed a large deal in BFSI and a large deal in Communications sector. Our total headcount has gone up to 117,000. We added about 4,200 professionals during the last quarter. Our DSO days… again thanks to the strong execution focus is now reduced to 102 days from 107 days. Our top accounts have also grown; top-20 have grown in 2.8% in constant currency and essentially all the accounts have grown. Rest of the world led the Q3 growth; has grown about 13.2% quarter-on-quarter; Europe showed a growth of 2.9% quarter-on-quarter; Americas grown 0.7%. Active clients are now at 837. All round performance.

Utilization is at approximately 83%. If I include the trainees, it is at approximately 77% compared to 78% in the previous quarter. So in general, a very-very satisfactory quarter. I am conscious that this growth is significantly higher than the peer group. I am also conscious that some of the biggest challenges for us is to stay with our focus of diversified geographies, stay with our focus of diversified service offering, stay with our focus of continuously upgrading our digital transformation solutions and also continue to reemphasize with our clients on our basic theme as a connected world, connected solution and connected experiences. In general, we are also conscious that currently our business has seen a fair amount of integration with some of the acquisitions that we had done; Sofgen acquisition integration is 100% complete; BIO acquisition which was mainly for service experience, customer experience management, I think that has not only been completed in London, because that is where originally the Agency business was but now it has been expanded to Europe and it has expanded to US and I think it is working very-very steadily.

Thirdly, our belief is that current business, the focus that we had on LCC turnaround I think we are now very-very clear which part of the business we will degrow, we are having active dialogues with our customers so that we do not do anything which is without consultation with the customers. So over the next six months, there will be a certain business which will degrow but we are also very clear in which are the business portfolios in LCC which we will accelerate and some of those businesses are Managed Network Services business, Managed WiFi Services business. So I think from an LCC perspective, we had promised that by December we will have a clear action plan… I think Manish Vyas and his team are now implementing that plan which is fairly clear and I think it will eventually lead to certain businesses being going away but it will also improve the yield of the business. Target has been a very-very good acquisition. Our Mortgage platform is doing extremely well despite of whatever you hear about Brexit and the world around in UK, the Target as a business is doing extremely well. Pininfarina is running as a separate business but their design and styling and our engineering capabilities, I think it is clearly superior service offering for our customers, we have started seeing the width in the Engineering business both for Pininfarina, I think Tech Mahindra is helping Pininfarina and Pininfarina is helping Tech Mahindra. So overall I would say is a satisfactory quarter and if it is satisfactory it is a happy quarter.

So with this, I am going to open up this conversation for questions. Milind and Manoj Bhat will obviously give you more details on the 'Financials' that required, Manoj Chugh is on the call who can answer any questions regarding the Enterprise business, Manish Vyas is there on the call and both from technology perspective -Atul Kunwar, Strategy Officer - Jagdish Mitra, from management team is on the call and they are available to help you understand where your company is right now and what future bets we are taking.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Sagar Rastogi from Ambit Capital. Please go ahead.

Sagar Rastogi: Could you give me some color on what is driving growth in the Enterprise part of the business?

C P Gurnani: It is a large portfolio that we have and it is a diversified business. So our focus is that we are a perfect blend for leading digital transformation. We understand the vertical, we understand automation, we understand analytics, we understand innovation, we understand networks and communication. When we put this blend together and we go for with the solutions, so in BFSI it was our Digital Transformation, Digital Banking, that we are running some of the largest platforms including Mobile Wallet or Mobile Banking Solutions, I think that is the change. In Retail, again, the focus is again on transformation of the portfolio. So for want of better words, I would say that Manish, Manoj Chugh and their management teams run on one principle which is common, which is run, change and grow. That means with the customer you run an operation and you include digital into it. When you talk about the change, you talk about what is changing in their industry and when you talk about the growth, growth is about can we jointly work together and create a new service offering. So, I think this run, change, grow as a mantra is working well and Enterprise business has responded a little better.

Sagar Rastogi: Just one quick follow-up from this. These clients where you are winning business and your strategy is working, typically clients where some of your larger Indian competitors already have stronghold or are they clients which are relatively new to outsourcing or offshoring?

Manoj Bhat: I think Sagar, my view is that it is difficult to generalize, it is a broader question. To me I think there are several examples of both. So if you look at the deal wins we have had, they are across multiple geographies in multiple areas, whether it is customer experience, whether it is automation, whether it is creating some new service offerings. So it is a mix. I do not think I can generalize either here or there. Also, if you look at across quarters, it has been a portfolio of verticals which has been helping towards growth. So, if one quarter BFSI grew, the next quarter something else has grown. I find it very difficult to kind of categorize the wins into one bucket or the other.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Firstly, was there any inorganic component during this quarter in the revenues?

Manoj Bhat: So during the quarter, we had a full quarter consolidation of target. That is only inorganic piece which we did but I think including that also our growth is quite healthy.

Mukul Garg: Second question was on margins. If you look at the last quarter's margin and exclude that one-off charge, so there has been a correction on a quarter-over-quarter basis. So my question is that the margin improvement is still not visible despite improvement in growth and utilization and given that there will be wage hike next quarters. So what according to you is the reason for this continued weak margins and what do you think will be the outlook for next year?

Manoj Bhat: For example, this quarter we had furloughs, we are also investing heavily on campus recruitment and if you look at the number of trainees, there is a gap between utilization with trainees and without trainees have gone up. I think just talking about the factors, onsite has gone up a bit. So as we are doing more and more of these digital kinds of projects, I think some of these fluctuations have happened and utilization has come down by a percentage point in addition to furloughs. So in my view, I think if you look at it, even if I take your argument of normalizing the one-time, maybe we are talking about 0.2-0.3% difference between what it should have been and what we are. In such a large business I do not think we can fine tune it to that extent and say that there is definitely a near trend that the margin is reducing quarter-on-quarter. To your other question, I think we have always been clear that margin improvement remains an important objective of the management team and we have said in the past whether it is Automation and our AQT platform, you are seeing the evidence that we are increasing the amount of recruitment from the campus so that we bring down the average cost of our work force and we are also changing the training programs if you look at a large proportion of our population is now trained on basic digital training. So there are a lot of steps and moves we are doing in direction of firstly reskilling the workforce and also making sure that we use Automation and these newer technologies to improve margin in the longer run.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: Just want to continue on the margin picture again. We had a very good deal wins in the quarter plus we have the wage hike coming up in the next quarter. So, can you give some color in terms of how the trajectory on the margins is likely to move both in the very near-term that is next quarter and over FY'18?

Manoj Bhat: Pankaj, as I said, I think our objective remains to increase the margins over a longer period of time. Now clearly as we stand here, I think C.P. alluded to it and Vineet did allude to it, there are uncertainties out there and from that perspective I do not think we are giving out a number per se but it is our focus to keep increasing the margins as we go along and all measures as I mentioned before will help in that direction. But I think we could see QoQ fluctuations here and there but that is part of the business on the longer run we would expect that the margins will trend upwards.

Pankaj Kapoor: So Manoj, does our levels which are relatively quite low compared to some of the larger companies, do you think that they make us a bit more vulnerable compared to the others on the margin difference side in case of any regulatory action?

Manoj Bhat: Pankaj, I do not know how to interpret that. Let us take the H1B example about 35-36% of our population is local which is to my knowledge it is in that industry range. So to me I do not see a particular advantage or disadvantage because our margins are lower or higher. That is my view unless I am missing the question you are asking.

Pankaj Kapoor: No, I was just wondering that do we have lesser room to maneuver in case if any action happens which of course will be impacting everyone, but we have less headroom to expand, say for example, either on the utilization side or on the cost control side given that we already have tried to do a lot of things over the last 8-9-months. So that was my question that in case of any significant regulatory action which impacts of course everyone in the sector, do we have less headroom in your view?

Manoj Bhat: In my view, I think clearly utilization lever we spoke about, but we are still not probably up there as well where we could be. I also alluded to that this probably the largest gap we have had between utilization with training and without trainees and as these come into the workforce we should see some margin was developing. On the other side, I would say that large proportion of our Automation benefits are just coming through in the quarters and as we increase the focus on that, that should create a lever. So I do not see as particularly disadvantage but having said that I am not even saying that margin improvement is just that easy thing and it will happen on its own, there is a lot of focus and dedication we are putting on it.

Pankaj Kapoor: Any sense you can give in terms of the wage hike impact for the next quarter, how will it impact the margins first?

Manoj Bhat: As of now I think we have still not taken a decision on the wage hikes and the timing. So as soon as we come to that conclusion, we will inform you guys.

Pankaj Kapoor: So does it mean that there is a possibility that you may change the cycle?

Manoj Bhat: No, I just said that we have not taken a decision on the wage hike.

Moderator: Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal. Please go ahead.

Ashish Chopra: Just a couple of questions from my side. Firstly, on the LCC restructuring, CP alluded to some more clarity on the kind of business that you would want to discontinue. So while there has already been a significant amount of pruning is what we understand, so just wanted to understand that this incremental restructuring, is it another significant chunk that we are talking about or largely more peripheral?

C.P. Gurnani: I do not know, on almost 4.5 billion portfolio whatever business I am talking, it will be considered marginal only. Right now since it is customer sensitive, I can only say is that the focus is on yield management. Yes, it will mean a little degrowth in revenue but I am hoping that Manish has plans, I already alluded to them that he is focusing more on Enterprise Network Services, he is focusing more on Manage WiFi Services, Campus-wide Networks. I think whatever degrowth that we will have we should be able to make up that degrowth if not simultaneously within the two quarters. So I would not be worried about degrowth, I will actually celebrate the degrowth because it will improve my yield.

Ashish Chopra: Secondly, you also mentioned in the beginning of the call, Target particularly had reasonable growth during the quarter as well. So, is there typically seasonality for the December quarter following which it could taper off or would you have at all experienced fairly early cross-sell in to your existing accounts which could have helped, any color on that would be helpful?

Manoj Bhat: So this is a first full quarter of integration. So clearly I do not think there is any synergies out there which have materialized and I think if you look at the overall sides of the business I do not see any impact of seasonality particularly, it is going to be in the margin, so I do not see this business has particularly seasonal.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: So this quarter specifically the Americas and Europe have been pretty weak… Europe I am saying if I exclude the acquisition. So anything specific that is happening there, anything client-specific or are you seeing anything with regard to the environment there that is leading to people sort of postponing closures of contracts or any such thing?

Manoj Bhat: Nitin, let me kind of allude to the CC growth; if you look at the constant currency growth and even if you exclude acquisition, include acquisition, I think it is a healthy number, right. From a perspective of is there any client specific or other event which has caused this perception of underperformance, there is nothing which we know of, only thing is the furlough quarter. In that also, it has impacted particularly our TME segment which is largely US-focused. So that could be one of the reasons but I do not really see any other client-specific event out there.

Nitin Padmanabhan: At least historically over the past many years, Q3 has been a quarter where you normally see a bump up on margins and then Q4 you generally have the wage increases and you have seasonality of Comviva and you are able to make up. But this time it appears despite the non-recoverance of a certain cost of the last quarter, still margins adjusted for that has not actually improved that much it has actually come off a bit. So, I am just trying to understand what is driving that weakness at this point in time?

Manoj Bhat: We are talking about 0.2-0.3%, I think the seasonality on margins which you are referring to, there is a little bit of movement here and there and from our perspective that is something we are not concerned about in terms of overall margins of the business on a full year basis. So that is the way I would look at it.

Nitin Padmanabhan: I think over the last year because of the drops on Comviva and the margins dropping there, we had some headwinds and the expectation is that there will be an improvement in margins … sorry for LCC, so over there in the new context, there would be some business run down. Does it look like LCC will see some more negative impact from restructuring cost perspective or any such thing in the medium-term before you actually see improvements?

Manoj Bhat: I think you should view this as a portfolio, right, and whenever we speak about the margins, I think we should speak from a portfolio perspective and that is what I have been answering. From our perspective, picking up LCC because I would view it as the network services integrated business which are parts in Tech Mahindra and parts in LCC and increasingly as we integrate they will both kind of play into each other. So from my perspective, I do not see that as a major factor so much that we should change our margin view on the overall business.

Moderator: Thank you. The next question is from the line of Sandeep Shah from CIMB. Please go ahead.

Sandeep Shah: Based on my estimate, it looks like this is a third or fourth quarter of consistent growth, maybe better than what it used to be earlier in the core telecom and also core telecom excluding LCC and Comviva. So, what is driving this, can you throw some color in terms of the growth pattern and the trend in the Enterprise Services in the Network Services, in the Value-added Services and the Digital?

Manish Vyas: Sandeep, I really think lot of credit to all of you for the feedback that you all have been providing and some of the questions that have been asked today are also indicative of the same. Like C.P. said, the focus is really on two things – Getting a better yield and while at the same time to remain as transformative as we have always been and been wanting to. So the growth that you have seen in the Telecom business as you call it the core; though of course I may disagree with that, the core is everything right now, is really coming in from us having implemented what we called last year as Com 3.0 which is the next phase of our transformative story, but in recent times what we have really been putting our account plans and our business strategy around the three operative words which is essentially to help our service providers run better via intense automation, change faster via Transformation and Digital and something that we continue to work on is by leveraging our presence in the enterprise markets in the IoT space and putting deals and portfolio together. So it is really the run, change, grow across the lines of businesses that we have been invested in. I would say across US, Asia Pacific, Europe, pretty much every single market, the strategy has been playing out very-very well and that has resulted in not only some significant deal wins but also some of the accounts have continued to show significant traction. From the network side as well, that is going to be the mantra for us which is to build and we have already made some announcements in this regard where we will continue to position the Network Services business across the three dimensions – run, to help people, operate their network more effectively by bringing in new technologies, starting to become a transformation partner as the network become more software enabled and more virtualized and more data intense and of course to take advantage of the IoT and the fact that the networks will have to be far more hybrid in the new model then only use the cellular network. So it is an exciting but it is definitely not T20, this is a test match, one will have to stay engaged in this for a long period of time.

Sandeep Shah: Further to that, this telecom where clients have slightly for each vendor it is concentrated revenues. So Manish, is it fair to say that now we have a growth potential both from an existing set of accounts as well as adding the large strategic accounts where we were not present, so the growth opportunities are well balanced in both the existing bucket as well as the new client addition which we are keep doing on ongoing basis?

Manish Vyas: In one word, yes, Sandeep, overall, I think it is an ever evolving, ever improving story.

Sandeep Shah: Manoj, the gap between the utilization including trainee and excluding trainee, it is at the all-time highs, close to 600 basis points and this indicates that if these manpower becomes billable, there would be margin benefit. So, any roadmap here going forward?

Manoj Bhat: Sandeep, I did allude to that it is a conscious investment we are making and I would imagine that it will take a couple of quarters to absorb some of that into our core business and that is what we are trying to do, bring down the overall cost of delivery down. If you look back this increased focus on this aspect started about 4-6-quarters back and some of these are longer-term in nature and I think we are seeing incrementally some progress in that. So I would say that you should expect that it will continue for the next two quarters in terms of investments and if you look at in terms of overall cost it is a significant investment we are making and that is because we believe that is core to our business and when we combine it with the tools we have in terms of automation, in terms of analytics and combining with average cost of delivery coming down, that is marginally well for us in the future.

Moderator: Thank you. The next question is from the line of Ankur Rudra from CLSA. Please go ahead.

Ankur Rudra: The first question is you had a couple of very strong quarters; however, the growth appears to be not very uniform, for example, this quarter you were held by, rest of the world doing well, BFSI and Retail were very strong, but CP, I allude to your earlier comment about you are feeling that growth momentum can be sustained. Do you feel that growth will be more uniform, more secular which gives you the confidence or is it something else which is giving you more confidence as we go into FY'18?

Manoj Chugh: Ankur, the reality is there are three legs to this tool; it is about talent, across geographies, capabilities and the fundamental portfolio that we have across the different verticals. So to your point, something will play out better in some quarters versus the other and I think so far you have seen that consistency play out. How the future is going to portrayal? Only the future knows. But I think our overall balanced approach has certainly been helping us over the last several quarters as we alluded to.

Manish Vyas: Let us appreciate that if there is one industry that continues to on one hand remain in the transformative stage, it is the telecom industry but it is also going to continue to play the most pivotal role as far as the Digital Transformation is concerned and us becoming a more closer global village is concerned. A few quarters back if you may recall we had spoken about the fact that with over 30-years of having been engaged in the Telecom industry as the genesis of TechM, we have been invested and embedded inside the access rights that we enjoy into the industry is second to none. That will continue to remain the strength which will allow us to remain broad-based not only in terms of our geography and account spread but also in terms of our portfolio. That said, with the action that will happen in the industry, this is an industry that is regulated, will continue to get impacted by very large macro level decision. So one may never see a very consistent sustained short-term performance of the industry and hence maybe sometimes us. But overall we believe that the leadership position that we enjoy in this segment does position us very-very well and the fact that the teams are structured and organized in a fashion that we can take advantage of, progress in network, in digital, in operations and increasingly on the business services, I think is going to continue to serve us well in times to come. That is where we draw our confidence but however one will have to remain very patient about this industry.

Ankur Rudra: So should I take that saying that you are still a bit more optimistic about Enterprise and Telecom on an overall basis?

C.P. Gurnani: That is a fair assumption that both Enterprise, Communications business are committed to improve their business performance. In Communications, the transformation as we all know is underway and hence in a shorter run Enterprise business will do better than Communications.

Ankur Rudra: Secondly, your cash conversion have been quite strong. As you said, you have dissected a lot of your acquisitions. Over the next two years, do you see any changes to your capital allocation policies in terms of how much you have deployed towards M&A versus internal investments, and if it were, then which parts of your business internally are you investing in?

Manoj Bhat: Ankur, if I look at cash conversion, as you rightly said, I think it has gone up considerably. If I look at our business portfolio today, I think there is whole areas of business especially the new technology areas, whether be it Cloud or Digital I think there are significant investments going. From an M&A perspective, I think historically every year, between last two years we must have spent about $200 million annually and I think that is a safe assumption barring any unforeseen kind of events in terms of large M&A or not doing any M&A because that remains a core part of our strategy. I think in terms of capital allocation, clearly, we have a dividend policy out there which says 25% of our profits will be repatriated back to the shareholders and as and when the situation demands we will revisit that through the board.

Ankur Rudra: I miss the TCV number. What was it for the quarter?

Manoj Bhat: It is about 350 million.

Moderator: Thank you. The next question is from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Could you talk about the two-three deals, we have won in the telecom this quarter? One is with the APAC-based client and last two years, Telecom has been de-growing on an organic basis. So would FY'18 be a year of turnaround on the telecom vertical?

Manish Vyas: I think the deal one that you are referring to is a very significant large deal which is where we are, it is a digital experience builds and more importantly a platformized digital experience deal for one of the largest service providers where we will also be bringing in a very large significant BPO, BSG capability as part of the deal. We have also won a couple of other deals in Asia Pacific and in the US geographies including becoming the lead consultants in the Network Transformation areas. Your other question, I think we have addressed overall, it is now broad-based, the fact that we have improved our presence in US as well as in Asia Pacific besides Europe which has traditionally been very strong for us. I think potentially the foundation on which we believe that the growth will be more broad-based coupled with of course the wider portfolio that we have.

Madhu Babu: So FY18 Telecom will come back to growth on YoY basis?

Manoj Bhat: I do not think we ever guide, so my sense is I think we have to go by whatever Manish said in terms of the prospects improving and then we will have to see how we execute against those.

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: Would be great if you could give some color on the rest of the world what really contributed to growth there so strong we?

Manoj Bhat: If you look at the rest of the world clearly one of the things about rest of the world is whenever we execute contracts these are typically large contracts which are transformational in nature. If you go back in history, there have been periods of sharp growth in ROW followed by periods of low growth because that is the nature of the business we do in rest of the world. If I look at it significantly, I think we are obviously helping for example one of the wins we have disclosed in the press release is about Digital Transformation for a leading Asia Pacific bank. So if we look at the growth pattern, I think it is Banking products led and that has been led by a couple of larger deals in the Asia Pacific segment, one of them we have mentioned in the press release. So that is the way you should look at it and it is going to be a lumpy quarter-on-quarter, so one quarter ROW might grow, next quarter US might grow, but as a portfolio I think we have been generally doing well. I do not think there is anything more specific than that.

Ravi Menon: Secondly, if I could ask you about deal transitions that could be weighing down on your margins, when a deal is in transition, would you include people working on the transition as being utilized?

Manoj Bhat: People working on the transition as being utilized? We do include in the utilization but they might not contribute to revenue and margins because depending on what the structure of the deal is.

Ravi Menon: Right, that is what I was thinking about. If you have deals in transition now, would that be another margin lever, that could come into place later on?

Manoj Bhat: My sense is that given our funnel I would expect that every quarter there will be some deals in transition. So I do not see it as a significant margin lever going forward, in fact, if the momentum increases, that could be actually good for the future business but I would not be too concerned about that element.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was our last question. I would now like to hand the conference over to Mr. Manoj Bhat for closing comments. Thank you and over to you sir.

Manoj Bhat: Thank you all for joining the call. If there are any unanswered questions, please write to Vikas and we will get it answered offline. Thank you all for joining and look forward to catching up with you next quarter thank. you.

Moderator: Thank you very much, members of management. Ladies and gentlemen, on behalf of Tech Mahindra Limited, that concludes today's conference call. Thank you all for joining us. And you may now disconnect your lines.