"Tech Mahindra Limited Q3FY21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day. And welcome to the Tech Mahindra Limited Q3 FY 2021 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. Should 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 now hand the conference over to Mr. CP Gurnani – MD & CEO for Tech Mahindra. Thank you and over to you, sir.

CP Gurnani: Thank you. Good evening, good morning and welcome to Tech Mahindra Q3 2021 results. Thank you all for joining us today on a Friday evening in India. Some of us had met a few months ago during the Investor Day me and my management team had presented to you the Tech Mahindra strategy and how it is branded as NXT. Now. We had also discussed with you the extraordinary investments your company is making in cloud, AI, cyber security and in data and analytics.

The results are here, where we are seeing a lot more revenue coming in from accelerated digitization of the marketplace and customer interaction, increased migration of assets to the cloud and operations now being run not only as work from home, but it has become work from anywhere. We believe, many of these shifts will become part of a new normal. And we as a company have evolved our business model where we have looked at human centered experiences for the customers, we have looked at how customers will engage with our customers and how we can integrate our portfolio and offerings and be able to synergize with our customers and the customers' customers.

In the last 10 months, we have set up four offices directly working with me. The Transformation Office led by Simmi Dhamija, with the focus mainly on delivery and operations transformation. I have Growth Office, which is looks at new markets, at revitalizing the alliances, large deal teams and more importantly, new capabilities and service offerings. The third office is looking at Process Transformation, where we are looking at company-wide streamlining processes, the command-and-control centers, AI enabled tools which are required to work in an environment where all our employees can work from anywhere.

The fourth office is obviously on the people side. On the people side we do believe that there is a complete reboot of not only the skills but also to take into account that many of our associates may choose to work from either the home or the beach, but the reality is the beach is probably away till July or August, and right now they are working from home and they may have some unique challenges. So, the cultural transformation, people transformation, business transformation, the growth office and the operating matrix transformation, all are working together. But I do want to compliment the team for delivering what I call an integrated 360-degree view of the way we are engaging with our clients, our employees, and more importantly, building the future together.

The results are here. The future, I think, is a lot better. The results on one end is $1,309 million, up by 2.8%, in constant currency we have seen an all-round growth, and particularly Europe, and comms group, network services group and manufacturing have been the flag bearers for this quarter. Delivery and operational excellence have resulted in what I think 19.6% EBITDA, which is a 24 quarter high for Tech Mahindra.

Our cash flow generated is close to $800 million of the cash we have generated this year. The Quarter 3 cash flow is $226 million. And it is again showing very healthy sign.

On the deal pipeline, I think it is one of the best deal pipelines I have seen in Tech Mahindra. $455 million of net new deal, and it is only going to become better. So net new deal signing this quarter is good, but it will become better.

5G continues to scale up. In the previous call Manish Vyas had explained to all of us that it is really three vectors, the 5G ecosystem, the 5G in enterprise and 5G in network. I am sure there will be more questions on this, but I am pleased to announce that one of the deals that we signed this quarter is from network services, 5G rollout in one of the European customers.

So overall, what I would call a 360-degree collaboration, a 360 degree communication, a 360 degree of people connectivity, has resulted in a lot of, what I believe, is a stronger company for future.

As a company, we are also very, very conscious on individual social responsibility. Our employees continue to lead and demonstrate how they worked extra hours over the weekend, and sometimes it is really heart-rending that employees would really spend not only their time, money, but they also will pool in a lot of their friends together to create a wave of social responsibility. Community services continues to be a very strong forte.

And the third plank is our sustainability initiative towards environmental and social goals. I think we are continuing to be the best in the industry, top 100 in the whole world and almost top 10, 20 in most of the initiatives across India. We have featured in CDP A list 2020 for both climate change and water management. Your company is also emerged as a leader in Dow Jones Sustainability World Index for the sixth consecutive year.

While there are many reasons to say why 2020 could have been a different year, but I can only say is, what will sustain are the new business models that have emerged from this situation, which are more customer centric, more digital than before and more intelligent and data-driven. So we continue to believe that all the awards that we are winning in various forums on our people management and overall the way we have all rallied together to growth. And what we have told as a repair phase I think we are now confident that we will enter, as of 1st April in the rally phase and these are the three phases that we had described to you, number one was repair, because as I said, all of us, all collaborating to deliver value to customers in this crises.

Number two on the rally phase I think many of our investments in R&D, in new products, in platforms as a new service offering is going to give us better results. I want to particularly highlight that when I spoke to you after the Q1 performance, many of us were really uncertain on how BPS will rally during the period when the pandemic hit us. Because many governments did not give the permission. Many of our employees did not have a desk or a computer to work from, many of our employees actually have to go through a social situation where their landlord could not even allow them to operate from their houses. And today, BPS is leading in terms of our growth, because they have grown their business 11.4% quarter-on-quarter, I do want to compliment Ritesh for his leadership, and overall we will see him leading the repair phase of the company.

And again, Europe has done spectacularly well. Communications has done well, manufacturing and network services. Over to you, Manoj, if you would like to share some more segmentally news.

Manoj Bhat: Thank you, C.P. Good evening, everyone. I think, as you may have seen the numbers, the third quarter revenue grew about 3.4% on a reported basis. There is a cross-currency of about 0.6 or 60 bps in this, so constant currency is about 2.8%. As C.P. mentioned, I think it was quite well rounded growth across multiple areas, including some which were slower than usual, for example, we had alluded to Europe and network services being a slower revival. We are seeing a strong sense of revival there in some of these areas.

In terms of net new deal wins, I think we are at 455 million. And again I am clarifying, this is incremental, and this is almost back to our pre-COVID level. And I do believe that given our funnel and given where we are in terms of closure and conversion, I think there is going to be an acceleration in this as we go forward.

Coming to the EBITDA, I think the EBITDA was up to 19.6%, which is a margin expansion of about 140 bps Q-o-Q. I think the large portion of the increase was in terms of levers like offshoring, utilization, etc., playing out, which was about 80 bps of impact, and the balance was coming from operating leverage, because I think as the revenue growth came in, I think the costs were held steady. And that's something which we have achieved through a combination of several things, including some of the things C.P. mentioned around automation, NAD, the whole bucket around delivery excellence.

I think as we look forward, clearly, and I talked about this in terms of 14% to 15% EBIT margin for FY 2022. Clearly with these numbers, I think we are very, very confident of meeting the high point of that as we go forward. From our perspective, there is cost coming back in terms of salary, in terms of travel. But I think we feel that some of the measures which we have started, including what I would like to think about as portfolio synergies, I think they will continue to play out very, very well in the coming quarters.

In terms of some of the other areas, free cash flow, I think we had a stellar quarter, again we converted about 127% of PAT into free cash flow. I think CAPEX was low and DSO reduced by about two days. So I think, from our perspective, this continued focus and I think the support of our customers has helped us achieve a reduction in three quarters of almost 17 days in DSO, which I think is something which we hope to see if we can sustain as we go forward in terms of maintaining those DSO levels.

The hedge book continues to be at about $2.16 billion, in that same range. We follow a consistent hedging policy. And that's served us very well over a long period of time.

I know there might be a lot of questions, so I will throw it open for questions. Back to you, please, operator.

Moderator: Thank you very much. We will now begin the question and answer session.

CP Gurnani: So ladies and gentlemen, just want to quickly introduce, besides CFO – Manoj Bhat, I have our newly appointed Head of Business Finance, who has worked for 18yrs with GE, and he is going to look after our portfolios-led all the thousand accounts, and Business Finance Rohit Anand on the call. I also have the Head of my Process Transformation office Neeraj Jain, who used to be the CFO of Comviva, joining me. Other than that, you have very familiar faces, Ritesh Idnani, Jagdish Mitra, Simmi Dhamija who is Head of Transformation Office; and Harsh, who is our Global Head of HR. And we have Manish Vyas, whom you all know very intimately. So I do have my leadership team on the call. I am not sure if Ravi is going to come, Ravi is our President and Chief Operating Officer. And Vivek Agarwal, our President for Corporate Development, very rare quarter where he has not made an announcement today, he already made an announcement a few weeks ago when he acquired the Hong Kong based company.

Over to you for questions.

Moderator: Thank you very much. The first question is from line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Just wanted to understand, if you look at our utilization, looks at all-time high. And on the employee side, both on the BPO and on the IT services, we are seeing a decline on a Q-o-Q basis, while the industry is indicating that supply side constraint may increase, and the attrition may inch up and people are going beyond just-in-time recruitment by creating a slightly higher bench. So is this lower visibility for us in the coming quarter or we believe that the utilization has a further room for upside and that may translate into further positive surprises in the margin? So just wanted to understand this as a whole.

Manoj Bhat: So Sandeep, I think the way to look at it is, two, three things. First, let me comment on the headcount decline. So if you look at the headcount decline in BPS, it was largely because the retail ramp kind of ended towards the end of December. So that's a point to point thing. So I don't think you should view it like that.

Coming to the broader question, I think from our perspective, we are now going to be operating in a more 87%, it is the all-time high utilization. I think we will see it come back to more manageable levels in terms of utilization. The way to look at it is that we will see headcount growth going forward. But obviously, there is also a counter of automation and some of the savings coming through. Our plan now is our campus recruitment program has already started recruiting this quarter and over the next two quarters we expect about 5,000 people to join. So I think on all fronts we are adding capability and talent. So, from my perspective, I think it is about running the operations in a very optimized manner. But as we go forward, I think you should see the utilization ease off from the 87%.

From a second perspective, which you said about growth, I don't think growth is the issue here, I think we will see growth going into Q4 and Q1. And as I mentioned before, I think if I look at funnel convergence, I do believe that Q4 will be better than Q3 in terms of convergence also. So I don't think it's a reflection on that. I think it's a question of a period of adjustment back to a different kinds of utilization level, which will normalize over the next quarter or two.

Sandeep Shah: Okay. And the second question is on communication. Some of your large peers in India have started talking about turning around of growth prospects in the telecom, A, in terms of pipeline; and B, in terms of conversion of pipeline in to deal wins. So do you believe, because we being one of the largest vendor on the telecom, do you believe that the growth visibility is becoming much stronger and it may start turning around sooner than later as a whole?

Manoj Bhat: I will request Manish, he is on the call, to answer that question. As you know, it was a very strong quarter for comms for us. But Manish, over to you.

Manish Vyas: Thank you, Manoj. Thank you, Sandeep. Yes, you are right. We are indeed looking at some strong deal wins. There were a couple of postponements only for an interim period. But we do expect the pipeline is, I think I have been saying it, has been robust and continues to grow across the board, from network to digital to BPS. And we do anticipate some of these deals maturing in the next few weeks, few months, if not, the next quarter.

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

Pankaj Kapoor: Two questions. Manoj, first one to you on the headcount. Any plans for the wage hikes? And if you are looking at utilization going down in the coming quarters with the hiring coming in, and with the potential wage hikes also being planned, then what kind of an outlook you have from a margin perspective? So that's first question.

And the second question to Manish in terms of the 5G deal win that C.P. alluded to. Can you give some colour of the size of that transaction? And do you have similar kinds of views in pipelines? Are these cyclic deals smaller in nature? Because if I look at your TCV of wins in telecom, that doesn't seem to be very inspiring. Thank you.

Manoj Bhat: Pankaj, let me pick that question first. I think in terms of salary hikes and variable pay, I think, entering Q4 I think we should start normalizing on both of them. Our plan is currently to give a staggered hike over a period of a couple of quarters or more across the employee base. So to me, the way we are looking at it, and as you know our current EBIT is about 15.9, there might be some pulls and treasures in a quarter. But I do believe we have sufficient levers to cover some of these over a longer period of time. And as I mentioned, those levers, I think they will be around portfolio companies, synergies, how to make work more effectively, how to drive further changes in delivery model, whether it is through offshoring or through automation. I think some of those levers will help us offset some of these pressures, maybe not fully but at least partially. And then there is a thing which I alluded to in the beginning in terms of the operating leverage from growth coming back. And that should also help in terms of overall margin recovery because some of our costs will not come back almost permanently is what I feel. But that's the way we are thinking through it. Definitely, there will be an increase in some of these costs which you mentioned. I will hand the second question over to Manish on the 5G deal and colour of that.

Manish Vyas: Sure. Absolutely Manoj. Pankaj, I am going to probably share three good news with you today. I know you all have been asking these questions for a while. Number one, we have always said, and I think C.P. again alluded to the point that when we look at 5G, not only do we look at the ecosystem, the enterprises and service provider networks, but within the service provider networks we also look at 5G not just from a network standpoint but also from the overall digital outlay that needs to be transformed, modernized for 5G. So that continues to remain a strategy. Point one, it's not a news, it is just a reiteration of sorts on what our strategy has been and will continue to be.

Regarding that deal, it is a relatively larger deal, it's a bit north of $50 million in size. It's a turnkey responsibility that the service provider has given us to execute and realize this component or this large area layer of their network on an end-to-end comprehensive responsibility basis.

Number two, as part of our overall network business, our 5G component continues to increase, both in terms of funnel as well as in terms of the percentage of revenue as part of the overall network business. Because if you may recall, we have always said that we will continue to transform our network portfolio as we continue to grow, we will always look to pick our bets very carefully to increase the software component in the network. And to dilute things which are probably diluted from a margin standpoint. So I think we are at more than a double-digit off our network business, slightly more than double-digit number in terms of our 5G component of our business, in the pipeline side it is even more. And that I think is a bit of an upward trend for you.

And the third thing I would like to share with you is that while we have seen a robust growth in the overall communications revenue this quarter, it is largely also powered by the network business. We don't break it down but it's a pretty healthy and probably one of the best quarters we have had in the network business, largely powered by the work we do in OSS orchestration and the 5G related projects. I hope that gives you a little bit of a colour on how we are trending vis-à-vis 5G overall as a business.

CP Gurnani: Manish, you want to add or Jagdish, you want to add, we have started seeing and uptick for 5G in enterprise also.

Manish Vyas: Jagdish, you want to take it?

Jagdish Mitra: So a couple of areas where we have started seeing significant growth as we start to focus on 5G for enterprise, as we said there are three vectors. And this by no means are huge deal, but these are extremely encouraging work that we are seeing, at least about eight pilots we are doing today across process industries, across ports, across oil refinery, across retail, and aerospace and defense. And this is a combination of Europe, Middle East and Africa, and some North America. And we have pretty large brand names that we are working with, and about two of them are go-to-market engagements with telcos where we are taking our relationship with the telco out to a few enterprises on the 5G for enterprise with our application service portfolio. And as some of you might have followed on social media, we actually finished yesterday, ran one of the largest virtual events on 5G topic across the last few days. And it was very well attended and very well represented. So we feel bullish about the enterprise segment as well.

Pankaj Kapoor: Manish, if I can just clarify, from the pipeline perspective on deals around 5G, they have similar size like a few odd million, the ones which you referred to.

Manish Vyas: Sorry, I missed that Pankaj. I got that. I think there are more types of deals that are of course, still smaller size deals which are built around looking to do very buoyant solutions in 5G, that will continue for some more time. But yes, there are a few deals which are indeed in the very similar pattern that I described, and there are a couple of them which are actually a little bigger, that are not exactly about rolling out 5G, but they are about creating the platform so that the next phase of investments can happen over the next three to five years within that telco. So it's a mixed bag really.

Moderator: Thank you. The next question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.

Sandip Agarwal: So I have a couple of questions; first a little on the strategic side. So we saw doing extremely well. What part of that to assign to filling up of some of the gaps, which we have been trying in last few quarters, you think the result is because of that or you think there is more traction on the geographic front? And secondly, are there some gaps which we believe there in the US geography as well and which you are trying to fill now will so result in coming quarters? So that is first part of my question on the strategic side. And a second question will be more on the growth and margin both together. So as one of the earlier participant asked the question that we are doing some kind of green shoots on the communications side. And if you also see all the commentaries around 5G, look like the ecosystem is coming together very strongly. So if that is going to fire and that has not fired for quite some time, the comms have been weak for us for quite some time, and if that starts firing, obviously, Manoj, does it provide you a much bigger leverage to have flexibility on the margin front? The reason I'm asking this question is that, we have probably started running very, very, very optimum utilization or optimum capacity utilization right now. And I hear your point that, we started hiring and all. But that may take some time before it comes in at the workforce. So, what is your sense on that front, will it hit our execution in the near term, or do you think our subcontractors will be limited for that time till we fill that gap?

Manoj Bhat: Sandip, so the point is that, as I mentioned earlier, I think, as growth comes back, I think, as I said, a quarter or two of adjustment might be there, because we're coming off a model of extremely high utilization. So I think that's something which is going to happen over the next two quarters, and it will normalize back to probably the more usual levels of 84, 85, that's the zone we're in. The second thing, since you mentioned subcontractors, what's also happen is if you see the subcontractor costs have also gone down. So, they might go up and down here or there, because we look at it both of them as fungible together. Did I answer the question, because you said something about a strategic aspect also, do you want me to clarify further and I ask some of my colleagues to add in also?

Sandip Agarwal: I am done on the utilization and the recruitment side, which you already answered, but I have one question on the strategy side, which I was expecting answer on, the filling up of some position is basically the Europe growth, it is more to do with filling up the gas which we have been doing for last few quarters or do you think it is more of a geographic phenomenon?

CP Gurnani: Sandip, two or three ways to look at it. As I told you in my opening commentary, I have an extraordinary focus on Wave-II, which is really cloud, data economy, not just data management, which includes data monetization, cyber security, and also on AI. So that is one. Whether you call it a horizontal, because ultimately it all folds into every vertical. The second is from a geographic focus, I mean, Europe had a few bad quarters, and they have now shown recovery, and I do believe that the company as a strategy will continue to look for areas where we need to fill extra focus or an extra talent addition. So for example, while aerospace and automotive is right now not doing too well, but I actually want to be prepared, and I'm going to actually augment my capacity to create what I call the EV market. Now, the reason I'm bringing this up is because we have already invested a lot in creating sub-vertical for EV, and that I think will be the growth market for us. So continuously, we will be finding niches and we will continuously invest, for example, Manish Vyas is now investing a lot in capabilities to build the media and entertainment business. Now, it's a small business for us today, but the investments are obviously disproportionate to the size of the business. I can go on practically every vertical or in certain markets when we are going to double up our investments. So, I think it is a continuous process on the strategy side as long as we look at which areas to divest and which areas to invest.

Sandip Agarwal: And also, if Manish can answer the comms part of the question, it will be great?

Manish Vyas: Sandip, like I said earlier, I think as far as the strategy as well as the growth patterns in the comms vertical is concerned, it is going to continue to evolve around the four or five things that we have seen increased traction. So, for example, we are very clear that the digitization of the telco is a huge priority by the industry. This is not an industry that is seeing the same level of growth as an industry as some of the other industries are at this point. And there is a very clear pattern around because of how the traffic has shifted and what their products and services are. That said, because of 5G, because of the opportunities around a new set of wireless, and the new set of industrial use cases, there is no alternative, but the industry will surely but gradually continue to digitize and modernize and the traction we are seeing right now, are around what we call as a "Digital Telco." We spend enough airtime on discussing 5G. I don't think I need to elaborate on that. The aspect, of course, is the whole concept of transformation of their customer experience. And as you know, we have probably one of the best portfolio in that space, starting from BPS, all the way to the content, commerce and creative with what we have added in BORN and in between the whole transformation that this company has done for several years around CRM and the customer subscriber management system. So that's the third piece of our growth. I think the fourth and the fifth which are really becoming very exciting. These are still early days for the industry. This industry has not been the first to adopt are things like cloud. But as you know, we are probably one of the largest in this industry with some engagement that propel us with the capabilities that we have. So broadly speaking, that's well defined, we also defined what are the things which we will not do, and I think over the next one year, you'll probably see manifestation of each of these initiatives' translation into the transactions that we will do. I'm hoping starting next quarter onwards, we'll start giving a little bit more commentary and color around it.

Moderator: Thank you. My next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: I had two questions for Ritesh and Manoj. Ritesh, if we look at the performance of BPS that clearly has been outstanding over the last two quarters. How should we expect this business perform going forward, because I believe Manoj mentioned in his initial comments that there was a ramp up of a retail business, which ended in December. So should we expect BPS to stabilize around these levels in the near term before scaling up a little bit later in FY'22 or do you have enough momentum going on that, the growth in BPS will continue to remain quite robust? Also, if you can just comment a bit on the strong profitability you have been generating in the BPS business? This quarter it was around 24%, which, clearly is quite high. Manoj, on the wage hike side, just want to clarify, you mentioned that the wage hike cycle will be spread over a few quarters. So should we consider that that this will not have a major impact in Q4 given that this will be a spread event, and hence things will be more stable?

Ritesh Idnani: Thanks for your question. Let me just respond to the points that you raised. BPS have a very strong quarter; we grew 11.4%, quarter-on-quarter as CP alluded to it right at the beginning and close to 20% quarter-on-quarter on the EBITDA side to almost 24% EBITDA business, which is fairly high to the peak that we've seen in the business. We also crossed a very significant milestone in this quarter where we doubled our quarterly revenue in 15-quarters. To the question you posed in terms of the robustness of the business, seasonally, Q3 tends to be strong for us because of the retail spike that we end up getting. But we also see some opportunities in Q4, we are sitting at our best of a pipeline as a business, and at the same time, we also see an opportunity to convert some of the deals that are imminent to give us a tailwind going into FY'22 as well. So overall we feel extremely positive in terms of the outlook of the business going into FY'22. And we think that there is an opportunity to continue to take market share away on the back of the value proposition that we've been saying consistently now for the last several quarters, cannibalize our existing business through hyper automation driven by AI, analytics and platforms, and number two, deliver to outcomes. We think the post pandemic world allows us to continue to consolidate on that proposition and deliver superior experiences to our customers. So, we feel very, very good with that. The second question that you had was related to the profitability side. And while I think, obviously, we get a little bit of a tailwind there that the fact that a substantial part of the workforce is working from anywhere, and Manoj talked a little bit about salaries and things like that, and travel which are all contributing factors, we do believe that there is an opportunity out here, as we continue to transform our customers operations to get some benefits there in terms of how we run our business itself. So we think that those opportunities continue to exist as we continue to transform our operations, because that's the promise of the business as well. And that should allow us to operate in a range from a profitability standpoint, while continuing to make investments for the future.

Manoj Bhat: Mukul, I don't want to get into what happens in next quarter and so on and so forth. But I think what I mentioned was also that there will be pulls and pressures in terms of some of these costs coming back, but I do believe we have sufficient levers to try to mitigate some or all of it. So I'll just leave it at that rather than get into specifics of salary hike which quarter what impact.

Mukul Garg: Manoj, if I can just follow up on that, because this quarter clearly, you guys have delivered a very, very commendable margins, should we expect to see probably more than normal impact on margins in Q4 given that you are heading into not just one or two but quite a few opposite direction lever, you will have employee additions, which will be coming in, you will have utilization which will be moderating, you will have attrition which probably will be spiking a bit from current levels, which are multi-year high, and then you know at the same time you are talking about variable pay and wage hike. So, is that something which will materially hit Q4 or you're reasonably confident that there is enough operational efficiency out there, which you can tap into?

Manoj Bhat: So, I think, from my perspective, if I look at it we definitely will sustain margins is what I feel if we are looking at just one quarter kind of view. And Q1, obviously, there are some revenue, we have the seasonality coming in Comviva, etc., that's a different story, but if your question is restricted, I think there is a large amount of confidence that we will sustain despite some of the pulls and pressures you talked about.

Moderator: Thank you. The next question is from the line of Rishit from Nomura. Please go ahead.

Rishit: Just two questions from my side. First in the pipeline, while some of the peers is seeing better participation in the larger transformation deals, right, and it's been a while that we won some of the larger ones, does the pipeline have some of these larger deals or it's largely in the mid-size that we sort of focused on? And second, just on the transformational offices, how should we think about these offices, what are the key focus areas, any KPIs that you could sort of share that you're sort of looking to execute over the next three to four quarters?

CP Gurnani: Let me take transformation office card. I mean, as the main phase, all four of them are program officers, where they are providing data, analytics, and tools, which allows my line managers to take decisions. Some of them have a direct central impact, for example, a process transformation office is clearly looking at process improvement and being able to come up with models which are more predictive and more analytical. And it is always basic processes that you tend to take for granted. One of the processes, Neeraj and his team are working on is forecasting to fulfillment. Now, it's not a standalone process. They will have to work in this team on operating matrix, they will have to work with the sales operation's teams. Similarly, operation, future of delivery, which is what can we look at is clearly the name says, it is all the 25-things which are on the operating matrix, it could be revenue per account, it could be revenue per employee, it could be yield from a particular office, and he's got a team of about 40 data scientists which work with us and which give feedback to the IBUs which is our business unit on how they can improve their performance. No business transformation happens without the people transformation. And that is where the theme on the people transformation is continuously looking at a) the culture, b) is the way we all are able to communicate and be able to look at our execution and collaboration. So that is what the people transformation office is looking at. Growth office, I don't have to say, but there are really two big vectors; one is on customer can account relationship expansion, and number two is mainly around the large deal teams. So those are the four offices, but they are enabling offices, but they enable the teams on the ground.

Rishit: On the large deal, how is pipeline working broadly?

Manoj Bhat: Jagdish, if you can comment on the pipeline, and how we are seeing ourselves position on this?

Jagdish Mitra: Sure, sure. So on the overall enterprise pipeline, I think Ritesh also talked about the BPS pipeline, I think we have one of our best pipelines in enterprise over the last six quarters. A large deal itself, also the pipeline is amongst the best. Our definition of large deals, as you know, is $50 million deal offers. And that deal discussion wise, we are approximately about $4.5 dollars upward the pipeline on the enterprise side. So bullish about the pipeline development, bullish about the large deal improvement as CP talked about, that's one of our key vectors as we start to look at the transformation.

Moderator: Thank you. The next question is from the line of Sudheer from ICICI Securities. Please go ahead.

Sudheer: CP, my first question is related to your earlier remarks about accelerated digitalization driving strong growth for us. But if we look at your segmental growth rates, right, most of the segments which reported strong growth, be it communications, manufacturing, or Europe, essentially, these are the segments which had gone through a sharp revenue decline in June, followed by subdued trends in September. So, it is the same rebound that most of the economies or sectors even outside technology are also reporting, aided by let's say, mathematically favorable base. So what gives us the confidence that it's actually being driven by a secular trend of accelerated digitalization rather than a mere base effect?

Manoj Bhat: Two or three points here, right, which I wanted to clarify. So one is what went out and what is coming in, are two different trends. It's not the secular trend you're talking about, right? So when we see spend coming back, it is coming back in the form of digital and something in the form of innovation, right? So that's the first point. The second point, I think, if you really see across sectors, and while Europe and manufacturing, I did highlight when I spoke that it is also something we had anticipated, we'll come back that's happening. This is true for across sectors. What we are seeing is there are two trends playing out and let me clarify those two trends. So one is that there is going to be digital transformation which is one layer of spend. But the other layer of spend or spend optimization is the larger outsourcing kind of deals where people are clubbing transformation as well as the run function into one. So, you slip, shift, and transform if you were to call it that. But that's the other type of deal. And I think we are seeing both of those play out. So I don't think we can separate out digital transformation from almost any engagement today, including almost all of our deal pursuits, I think there is an element on that. And that is probably why you saw that statement and you're quoting that. We truly believe that's how it is. Now this quarter, if I look at some of the areas where we're seeing growth, even Ritesh alluded to it even in BPS, we're looking at hyper automation, and how do we drive those benefits in our existing processes. So, I don't know whether we should take a narrow definition here. But if we take a broader definition, I think that trend stands true. And I think, as we have mentioned, there will be an acceleration in deal wins as we go forward is what we believe.

Sudheer: And second thing is on the people front. So if you look at even before COVID over the previous three, four years, to include, this is probably the second time that salary hikes maybe getting kind of skipping in a single fiscal, we have seen multiple rounds of, let's say, headcount rationalization, including even in the past couple of quarters. So, from a sustainability and employee moral standpoint, how are the things, and how is employee morale essentially being taken care of?

Manoj Bhat: I will request Harsh to add in, but I think, from our perspective, I think there're probably more at a generic level, I think, you're right, that there was a skipping of the salary hike cycle, but you must remember, we adopted a strategy, which was very different in terms of they were no variable pay cuts for below a certain level at all, and then it was graded across and I don't think we implemented any such thing. So, I think we have adopted a slightly different stance, but I let Harsh articulate how we are thinking about employee motivation in these times, and what are the measures we're taking. Harsh, over to you.

Harshvendra Soin: Thanks, Manoj, and thank you for asking the question. So like Manoj said, even if we took the hit, I think it was more the leadership team that showed by example, or led by example, because we did not touch the majority of our employees who are at the bottom of the pyramid. Now, as you know that there has been a lot of effort that the organization has put in for not only employees, their engagement and safety and this was important, because this was one of the key fears that most associates had, how to keep safe, and whether it's coming up with our MHealthy platform, which was a foremost diagnostic tool, which we actually not only use for our associates, but also our third-party employees. But also, the whole 360-degree wellness program, including a huge amount of emphasis on mental health, including a 24x7 counseling sessions, which were available. I think the organization invested a lot to keep people engaged. SWOT Josh teams, or location counsel teams very acted, and as you see, I mean, the results show it, our attrition is actually at the lowest in many quarters at about 12%. So, obviously, despite the fact that people are going through a tough time, I think the organization responded to keep not only the employees engaged employees happy, but also reached out to families and extended families and took care of them. And I think that probably was one of the reasons why our associates around the globe actually responded so well to take care of our customers and you can see the result shows that. Each one contributed to make this happen.

Moderator: Thank you. That will be the last question for today. I will now hand the conference over to Mr. Manoj Bhat for closing comments.

Manoj Bhat: Thank you, everyone for attending our call. I know that there might be some people whose questions were not answered. So if you can get in touch with the IR team, we'll make sure that we get some of your questions answered. Thank you all for joining once again.

Moderator: Thank you very much. On behalf of Tech Mahindra Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: The above transcript has been edited for better readability