"HCL Technologies Limited Q3 & 9 Months FY'16 Earning Conference Call"

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the HCL Technologies Limited Q3 & 9-Months FY'16 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anant Gupta. Thank you and over to you sir.

Anant Gupta: Thank you. Good Day to all of you and Welcome to the Results Presentation. We continue our strong performance in fiscal '16 with a 11.6% growth LTM Y-o-Y on a constant currency basis which pretty much matches the growth trajectory over the last 3-years that we have been consistently delivering. So on a 3-year basis our growth continues to be at a CAGR of 11%, EBIT at a little over 13% and net income at 18%. During the year which 9-months ended we added 22 clients in the greater than $10 million per annum bracket, one addition in the 100 million, two in the 50 million, seven in the 40 million and pretty much across the board. So great client acquisition and also growth of existing clients in the portfolio.

From a H2 perspective, we believe the numbers continue to be robust. The large deal that we had acquired both the inorganic portion as well as the in-house portion which is Volvo commenced operations on 1st April as planned. So we continue to look forward to a contribution from that specific engagement during the next quarter.

If you now look at where the growth really came from pretty much across the board; … all my commentary is on an LTM Y-on-Y basis, so Americas grew by 14.4% amongst if you look at it, it has been the highest performance for the last 4-years so we have seen significant output of the investments that we have made in Beyond Digital, Next Gen ITO and IoT works really clicking in into the differentiation in that specific marketplace to begin with. If you look at Europe, Europe grew by 9.8% growth rate, a healthy growth rate slightly above industry average and rest of the world outside India grew by a little over 12% and of course including India by 3.2%. So all in all from a geography perspective pretty well balanced.

If you look at the service lines which significantly contributed largely driven by Engineering Services with 16.3% and 15.8% by Infrastructure Services, Application Services continuing to be around the industry average, delivered 5.5% and, of course, in that specific bucket certain key momentum service lines emerging service lines, such as Analytics, Modern Application and again Digitalization actually driving the growth where the Package Implementation Services continuing to be subdued due to the entire shift towards from on-premises to as-a-service business models.

Verticals: We saw significant growth in three of the verticals where we see significant disruption happening; the Life Sciences grew by 27.6% on Y-on-Y basis sequentially by 6.4%, Public Services which for us includes Energy, Oil, Gas and Utilities grew by a strong 17.9% and Telecom by 22.4%. All these three industries we see significant shift towards emerging services and new business models as they phase out to deal with the pressures in their

respective industries. In Oil & Gas obviously due to oil pressures looking at how to create a more sustained operating environment as they look to the future, Telecom due to the convergence of IT and OT as well as some of the new technologies coming in and of course Life Sciences and Healthcare driven significantly by IoT and again Digitalization. Financial Services grew by 7.4% and this is on the back of eight very strong quarters of growth, we did have a couple of one-time projects coming to an end and therefore we see a little impact of that in the specific quarter, but more of this when Rahul touches in detail the Financial Services. Manufacturing at 8.8%, again largely driven by limited growth within the Package Implementation side, but we kind of see momentum coming in especially when we look at Internet of Things and Digitalization of supply chains coming in.

If you look at our booking, for the quarter, we added seven transformational deals which totaled up greater than $2 billion in TCV, this excludes the inorganic portion of the Volvo transaction, and if you look at the 9-months financial year we actually would have added about 25 transformational deals with TCV of greater than $4 billion. Our Automation platform engine which is DryICE continues to drive significant growth and that is the key reason which is driving the differentiation when we look at most of our service lines.

Spending a few minutes on how we see the change in market dynamics: On the top left you really see the growth rates as given by Gartner. In 2015 on a constant currency 3.4%, on reported minus 4.7% so obviously significant impact of currency. For us you will see that play out a lot more in Europe as well as a bit in the ROW as well, but from 2016 perspective growth rates slightly being projected at a higher number of 3.8% and really again it depends upon where you see from which portfolio of offering, we do believe that there is a strong re-bid market continuing to be there as shown on the right hand side box from ISG and actually an important element of that is 48% increase in the restructuring deals which is something which is an area where HCL is extremely strong in.

If we look forward where is this spending driven, you will hear the themes of Digitalization, IoT and Next Gen ITO, but really what we are seeing is each of other deals that we do, whether it is in Infrastructure or Applications or Engineering, they are driven by a component of Digital or Internet of Things in there. So instead of segregating it we believe that the market is actually buying these services more as an end solution with the competencies from our three service lines coming very strongly.

The way we look at the 21st Century businesses and this will come as no surprise; if you look at the S&Ps 500 sales growth, negative 5% in the calendar year which has just gone by, significant impact of negative earnings over there, really indicating to the way in which customers are really looking at running their business, on one side looking at using technology to grow their revenue, which is largely driven from IoT and Digitalization, but still a significant amount of use of the same technologies for enhancing productivity given the pressures on the earnings and therefore relooking at the way in which the cost structures within the organization need to be sustained on a longer-term basis over there.

Four specific areas which we therefore believe are key characteristics for succeeding in the 21st Century: First is the whole theme around being experience-centric that is instead of building a product which is inside out but looking at it more as outside in, in terms of how the customer experience for a product or service is actually delivered. So how do we deliver a unified experience is a key driver for a lot of the shifts that we are seeing in the market.

The second is no surprise, service-oriented and the entire model focus more on customer satisfaction and instead of therefore serving based purely on functionality the objective of delivering customer satisfaction through the functionality is really a key differentiated move as we move forward.

Finally, the two points around Agile and Lean and this is not just with respect to technology but also in the way one does business in terms of having an internal organization which is Agile and Lean and optimized so that it can move faster as the markets shift in a volatile marketplace.

Finally, what we see is how do you create an ecosystem-driven environment between different players where the sum of different functionality or competencies really come to deliver a much larger value.

Based on these four themes, you have heard of the way HCL, the way we have kind of looked at our services, now the traditional side we will continue to see the buying being on Application Services, Infrastructure Services, Engineering and R&D and the BPO, but as we move forward we continuously will see an evolution of services being consumed around Beyond Digital, IoTWoRKS and Next Generation ITO with each one of them having multiple components coming in from the left hand side of the capability. So all these three service lines from our standpoint are in need of production in go-to-market, Beyond Digital was way back close to about 10-months back, we continue to win quite significantly due to this entire unified capability that we have positioned, IoTWoRKS was next of the block and again you will see including in this quarter results 4-5 strong engagements in that space driven by the entire IoT theme being there both Medical Devices, Telecommunication as well as in some of the Media organizations.

From an ITO perspective, we continue to see an increased integration of Application and Infrastructure-led Services especially as you look at both Cloud and as-a-service models continuing to drive the shift and of course a significant amount of Automation which is being fueled by our 3rd generation framework which is called DryICE, which has grown from the earlier two versions which we have talked about which is Managed Tools-as-a-service which we launched in 2007 and then MyCloud orchestration engine in 2011 which now take shape in the form of DryICE and really goes across the board of IT Outsourcing.

With that I will actually now cover how the non-Financial Services industries delivering for HCL which we call as "Consumer and Commercial Industries". If you look in the top left you will see same things as I mentioned Life Sciences, Public Services, Telecom having significant

growth largely driven by disruption in their marketplace. Retail and CPG, again at a pretty good clip rate of 13.5% Y-on-Y we see that again it is a strong growth even in the previous quarter. I mentioned about Manufacturing in terms of the shift. But if we go a little deeper in each one of them we see two dimensions -- one is Digitalization playing a lot more important role both in horizontal processes as well as domain-specific vertical processes, so for example, supply chain, we continue to see that across the board being driven. So while the capability is more front-end driven more persona and role-based driven it kind of sits on top of the traditional ERPs which already exist in the environment. So we see increased adoption of that. So small scale programs before the kind of companies evolve on a longer-term journey but we see that happening across the Manufacturing spectrum over there. Life Sciences, driven significantly due to M&A and the Pharmaceutical sector. We continue to get good traction and wins on account of that, and of course the Medical Devices space which is driven more around whole concept of IoT, remote health monitoring, remote device management, drug efficacy tracking, etc., What we also see in a lot of these solutions around here the increased adoption which we are also including in the solutions we offer which are around Cloud-based offerings especially when you look at Infrastructure-as-a-service, both Azure and Amazon is a key component of the entire solutions set that is being offered.

Performance Drivers: I guess largely driven by our investments like I said in a couple of these areas. The horizontal play is around Beyond Digital and IoT and of course the domain-specific capability in each one of those specific sectors.

I think with that I will now hand it over to Rahul to walk us through the Financial Services.

Rahul Singh: Thanks, Anant. So Financial Services we had a muted quarter; we are negative 1.3% growth, but I would like to mention here that this is on the back of nine quarters of positive growth quarter-on-quarter which has ranged between 2% and 8% in previous quarters. So this is a one-time blip which we believe will get overcome largely as a result of a few project completions. Otherwise business continues to have good momentum and we are seeing good growth across our client base.

Our client base of course in Financial Services is seeing a certain amount of disruptions; disruption is emerging from 2 or 3 key drivers which I have listed here -- First is this relooking at the entire outsourcing model. There is a trend in Financial Services to now look at beyond labor in terms of the whole outsourcing model, so they are moving from Gen-I very aggressively towards Gen-II-III outsourcing and they are looking at a massive vendor consolidations to drive efficiency. So in the past if Financial Services have outsourced to multiple vendors they are now looking at consolidation, they are looking at improvement of productivity actually reduction of headcount too and therefore lot of automation etc., to drive improvements in cost as they go along.

The other key disruption that we are seeing in the Financial Services business is the emergence of FinTech. While the FinTech on a business basis is impacting Financial Services at the margin, it is resulting in a lot of thinking in the way they are redesigning their platforms and

the way new business models are being designed in the immediate future and therefore that is driving a lot of demand for Digital which I will speak about in a minute.

On an overall basis Financial Services are also moving in terms of the delivery model in the past a lot of outsourcing was on the basis of a water fall SDLC models, it is moving very rapidly to distributed Agile and the ways of the delivery model are rapidly evolving as well. There is another disruption which we are also seeing in terms of the risk and compliance framework. I think a little bit that is driving what we call as "In-Sourcing". So to some extent there is some re-in-sourcing also happening in Financial Services as a re-look at preparing themselves from a futuristic outsourcing model

I think from performance drivers perspective the move of Financial Services from Gen-I to Gen-II-III outsourcing is actually resulting in opportunities. There is opportunity for players like us because as clients move from Gen-I to II-III outsourcing, there is vendor churn which happens and therefore we are seeing large accounts which we are not present in today opening up and allowing for new vendors to come in. So it is an opportunity for us to kind of position ourselves and get into larger accounts where we have not been there in the past. Also, when the Gen-II-III outsourcing is a lot about consolidation of services, it is a lot about productivity, it is a lot about Automation and again there is an opportunity for us to bring in services which actually meet the needs of the customer, which work towards as we have written below Automation, Artificial Intelligence and Simplification. So there is an opportunity for us to actually enhance the products, take them into the market and make the differentiation happen.

The Fintech of course is driving a lot of focus on customer experience. So our investments in places like Beyond Digital which we are taking to our customers to actually enhance the value, increase the customer experience and also the entire work around Digital and Cloud is taking place as a result of that. We are also seeing a lot of discussions now on creation of platforms and banks wanting to work in utility models which are driving some of our differentiation.

So if you look at HCL differentiators, I think the way we are looking at it is, first we have a book of business what we call as "Defend and Grow" so our existing large accounts we are looking at how we can make sure that they grow and defend at the same time. We have introduced new products. I think I have spoken about this in the past with these products like Alt ASM, Alt AD are differentiated ways in which we do production support and development which focus more on high levels of productivity, high levels of Automation, we have introduced DryICE frameworks in the accounts where we look at multiple service lines and bring in automation, Robotic Process Automation, etc., to see how we can bring in Artificial Intelligence and Automation to improve clients productivity and we are introducing new products for what we call as "Legacy Modernization" or "Apps Modernization" as the clients look at simplifying their IT landscape.

On the Digital side, Anant spoke about Beyond Digital, I like to mention here that in Financial Services as a part of Beyond Digital we have created Co-Innovation Labs with our clients and we have got now Co-Innovation Labs in Capital Markets we have got Co-Innovation Labs in

Insurance and in Banking. So essentially all the three micro verticals we have got Co-Innovation happening there, where we are working with our clients and with new technologies to enable our clients to move into the Digital journey at a faster pace.

Our models have changed. I think we historically always had more outcome-based models and that has augured well for us, but going forward we are linking more engagements to outcome-based models again to meet needs of our clients as they go from Gen-I to Gen-II-III outsourcing.

We have made strategic investments this year. I mentioned earlier as the clients change the model there is an opportunity for us to acquire new clients. So we have acquired new clients now. These are large names which of course will take time to ramp up, but they are the top-10 either insurance companies or banking companies which have inducted HCL as a global partner going forward and over time will give us new revenue stream.

We also invested in Celerity Fintech, which is a subsidiary company. We have also set up near shore locations such as in Talin and in Poland, etc., where we are now doing Financial Services work for our clients again to meet their needs of more agile workforce which is faster from their product development perspective.

Finally, I think in this churn that is happening in the Financial Services environment, our entire RBTC philosophy which is Relationship Beyond The Contract is enabling us to kind of create and maintain the trust that we have with the customers and we have seen that reflecting in analyst rankings, I think if you look at the analyst rankings, several rankings have moved us into star performer, so we are now a part of star performer in Banking and in Capital Markets in some of the recent analyst rankings which have emerged.

So with that I would like to hand over to CVK to talk about the Infrastructure Group.

C Vijay kumar: Thank you, Rahul. Good Afternoon, everyone. In terms of Infrastructure Services, our revenues grew 3.9% quarter-on-quarter and 15.8% on 12-months basis for the year-ending March 2016. The growth in Infrastructure Services last quarter was led by North America followed by the other geographies.

In terms of performance drivers, last quarter as we had reported earlier we formally signed the landmark deal with Volvo Group for the IT Outsourcing Services and also acquired Volvo's external IT business. During the quarter, we started the execution of this deal with full swing and towards the end of the quarter we successfully completed all the deliverables for the service commencements date for the Volvo Group. With this completion, we acquired 40 new customers, we added about 2,500 people into our portfolio, this transaction enhances our market leadership in Nordics and it also strengthens our capabilities in Automotive and Manufacturing verticals.

During the quarter, we also won few other engagements including a couple of large ones; we won a large deal from a leading Canada-based communication and media company for delivering Data Center Managed Services along with Data Center Consolidation and Transformation Services. We also won a large deal from a Northern European Group focused on Agriculture, Food and Energy business, here again to deliver Next Gen Infrastructure Transformation Services for their entire group. The solutions in these deals including the Volvo deal included implementation of a third-generation automation offering using the DryICE framework and implementation of Hybrid Cloud Solutions.

In terms of key disruptions, the key themes that we articulated in the last two quarter continue, primarily Hybrid Cloud adoption continues to accelerate growth globally with a lot of customers, especially the large enterprises investing in Private Cloud Solutions for their core business applications and leveraging Public Cloud Solutions for some of the peripheral requirements. So this is gaining traction and gaining big momentum in large enterprises.

The developments around Software-defined Infrastructure and our capability and the labs that we have set up to do proof-of-concept on Software-defined Infrastructure is also helping us in this space. Also, with Digital spending around the creating infrastructure as a foundational block for some of the Digital Transformation program, that is continuing to increase with more and more clients looking for Digital Transformation partner with a strong Next Gen Infrastructure capability.

In terms of our differentiation the DryICE framework is emerging as a key differentiator on the Cognitive and Robotic Process Automation for 21st Century Enterprises. DryICE is a 3rd Generation Automation Solution which encompasses 30-plus Automation components which includes some of the traditional Automation Solutions and Orchestration, Machine Learning and Cognitive Solutions. The DryICE platform is a modular platform; it allows us to deploy the right module depending on the process maturity and the requirements of our clients. As of now, we have significant footprint of DryICE components implemented in our top-25 customers and some of the components have been implemented across most of our customers.

Another key differentiator for us is our focus on Digital Infrastructure Transformation that leverages our capability in implementing Software-defined Infrastructure Stack, Hybrid Cloud Solutions, Unified Communication and modern workplace solutions; this continues to be a big differentiator for us.

To continue the differentiation and enhance the differentiation, we acquired a company called Point to Point Limited in UK which is a leading workplace engineering and transformation solution provider.

Overall, we continue to enhance our differentiation and build on our market leadership. So overall it has been a good quarter for the Infrastructure business and we are happy with the continued momentum in the business.

With this, I will hand over to Anil for the Financial Analysis.

Anil Chanana: Thank you, Vijay. Good Afternoon, Good Evening, Everyone. So this quarter the revenues have been up 1.7% in constant currency terms. If you look at from rupee terms it was 3.4% quarter-on-quarter. On a 12-month basis on a constant currency the revenues were up 11.6%. The key has been that the growth has been from the western markets and the developed markets. If you see the US which grew by 14.4%, Europe close to 10% and then the rest of the world excluding India increasing by something like in excess of 12% and then the growth has been pretty broad based from a vertical as well as horizontal service offering perspective as well. At the same time, we sort of improved our margins; our EBIT margin went up from 20% to 20.7% -- so consecutively 2nd quarter of margin increase. The net margin which you see a decline from 18.6% to 18% is actually the last quarter there were some property sale which we had announced and which had given some sort of a boost to the net margin, but outside of that the net margin also increased by 50 basis points. So overall it has been a good quarter and a good financial year closing.

The earnings per share annualized as Rs.54.50. If you look at the cash conversion, the cash conversion significantly went up this year and this quarter as well; so we were at 76% cash conversion, I mean, operating net income to operating cash flow, which is now at 97%, and in terms of free cash flow conversion which was 50% in 12-month period ending March '15 is now 70% in the period ending March '16 -- so a significant improvement in the cash flow generation. This sort of helped us to even if you look at from a perspective of return on equity it was at 28%.

Moving on to Hedges: Our hedge book is close to $1.1 billion, almost more than 20% being composed of the balance sheet hedges and the rest in terms of cash flow hedges and it is significant options oriented, we have the options in our book, and we made net-net $400,000 gain in the hedges during the quarter and the OCI position as of the end of March has been 1.5 million positive. We expect basis the exchange rate which was as of March to be positive 2.91 million for this quarter; however, the actuals will vary depending upon the exchange rates.

Moving on in terms of tax, our effective tax rate was almost the same; in June '15 we closed the financial year at 20.8% and this financial year of 9-months we are closing with the tax rate of 21%.

With this I will hand over to the operator.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Sandeep Muthangi from IIFL. Please go ahead.

Sandeep Muthangi: I have two questions. My first question is on the margins. Anil, you used to give a target range of 21-22% for the EBIT margins. I just wanted to get a clarification from you whether that still holds and how do you see you doing 21-22% margins when there seem to be some headwinds

in FY'17 from consolidation of acquisitions and stuff like that? The second question is for Anant on the commentary across Engineering Services or the BFSI. I was looking at the history, Anant and for the past couple of quarters, the commentary has been pretty decent on these two areas despite that we have had this quarterly volatility. So I just want to get your insight into how should we look at this commentary of 'stable to improving' outlook in these areas, while the quarterly results have been a bit volatile.

Anil Chanana: You are right that we have been giving a margin guidance for the financial year which was 21-22%. We did say that the 21% is the target operating EBIT margin which we are sort of targeting, we are very close to that 20.7% this quarter which moved up by 70 basis points. However, we are seeing that we will have the Volvo integration happening in this year. Towards the latter part of the year, we will have Geometric sort of acquisition kicking in and there will be a sort of lot of factors which are going to come. So what we thought is as the management team we decided not to sort of give any guidance in terms of margins. It sort of allows us to focus on the business, focus on the geographies we want to sort of enhance our presence or in terms of offerings. So gives us a significant sort of flexibility to grow our business without really being sort of so much focused on the margins. Not that we will not be focused on the margins, we will always keep our eye on the margins, but not to sort of get into the guidance. So, that has been the driver behind not providing any guidance so far as the coming year is concerned in terms of margin range.

Anant Gupta: Engineering is if you just go back previous quarter grew by 23% YoY and if you look at this quarter it is about 16.3%. So some of what you have seen in Engineering the volatility that you see is similar to what we saw in Infrastructure when large deals came out, any other but large deal infrastructure. When you have large day one takeovers, significant ramp up in a specific quarter, or a number of quarters before they continue and as the transmission of the operating model happens you continue to see a slight decline in the revenue and then of course the margin trajectory improves. So, I guess what we are witnessing in Engineering is exactly that. In spite of that, even if you look still at 18% YoY growth and we continue to be extremely bullish on the pipeline there, including the fact that not only are we leaders in that space, but there is significant headroom to grow which is one of the reasons why we further looked at the areas where we need to invest and the entire investment thesis around Geometric is really around that, further accelerate areas where we believe we see some of the industries needing that capability, especially when you look at the ERP in most manufacturing companies a little subdued and therefore the PLM area is a great area to kind of look at from an end-to-end offering when you look at a full portfolio. So, I would say Engineering pretty much follows what we saw in Infrastructure in the initial periods of 2009-10 with significant growths and little volatility in the quarters as the engagements taper off into a steady state.

Rahul Singh: So Financial Services as I mentioned earlier, there are these two or three disruptions which we are seeing in the business model…I am not talking about the disruptions in the Financial Services business model, I am talking more of disruption in the way that they are outsourcing, right, so large Financial Services firms are pushing a lot for this whole Gen-II-III kind of outsourcing, they are pushing a lot for vendor consolidation. So when these things happen,

there are impacts on immediate businesses that are there, right. So Gen-II-III outsourcing is a lot about reducing manpower base dependency, moving more to Automation, reducing cost, I think so, the existing contracts do come up for renewals, they are not remargin, but they are repriced because you always obviously have automation benefits which will also improve your margin, the new business comes at a lower total cost to achieve versus the earlier contract. So that change is definitely happening in Financial Services. The other trend that is happening is that there is some vendor consolidation which is also being driven to some extent by the risk and compliance framework where there is some insourcing happening. So portfolios with large clients to move, like some part stays with you, some part move back to them and so on and so forth. So sometimes immediate impact of that does come into a quarter which has happened this quarter. At the same time as I mentioned earlier, these specific disruptions also result in opportunities. So for example, I have never seen so many Financial Services firms come out with new vendor empanelment. Top-10 firms both in Banking and Financial Services have reopened and rebid and ask new vendors to come in. So for places where we were not in the past we are now seeing openings coming up there and we have been empaneled as I mentioned at least two or three large Financial Services firms in the top-10 of their segments in Capital Markets, Banking and Insurance. So therefore, you are getting in new business because you are seeing this churn happening, you are at the same time having some impact which hit you in a particular quarter which has happened in our case, some projects kind of moved out into a close, but at the same time if you look at last 9-quarters of trend for Financial Services, I have a chart which shows that, we have grown quarter-on-quarter anywhere between 2% and as high as 8% in one of the previous quarters. So there is a business momentum which is there, at the same time the market is changing the way it is outsourcing, it is moving towards more focus on efficiency, more focus on automation, more focus on the whole change of models and we are winning new business, of course it will take time for the revenues from them to come and there is some churn happening. So that is why you are seeing a little dip in the quarter. But at the same time the core of the business is very healthy, very good. Analysts who are tracking Financial Services more closely have evaluated us and if you look at some of the recent analyst rankings like Everest, etc., they have moved us to "Star Performer" and they have done that on the basis of specific things that they are seeing that HCL is doing both in terms of service offerings, the way we have positioned with our clients and so on and so forth. Largely, it is one-off part of the business and we got to look at the long-term.

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

Yogesh Agarwal: On margins actually for you Anil. If you look at the past 10-years, margins have been quite volatile, so from 20%, it went down to 14% when the Infra deals were ramping up and then went up to 22% and then has been bit of a decline since then. So when all these large deals ramp up Volvo, etc., would you expect the previous lows to be tested as well or it is going to be a much more narrower range considering you are much larger today?

Anil Chanana: So what is happening is that there are opportunities which are arising. So Anant explained that the business model is changing from some of the very service line-centric to IoT, Digital, Beyond Digital and then Next Gen ITO. So we are using all our service offerings in order to

deliver these services to our customers. There are a lot of opportunities like what we have seen in terms of Volvo, which sort of expands our presence into the mainframe services segments or using shared model and into Nordics region, at the same time the Geometric acquisition will take us into a different sort of service offering which is PLM Consulting, Manufacturing Engineering and so on and so forth. So, these are opportunities we do not want to miss on and further build on our business. So at this point of time therefore we decided not to sort of get into any margin sort of guidance. I would sort of react to your observation on last 10-years, I think last 10-years is a very different period, it is a very different world now, we have proven time and again that margins can always increase, we have very marquee clients, we have a lot of cross-sell and up-sell opportunities, if you look at our top-5, top-10 and top-20 clients, our penetration into the clients have gone up, is also evidenced by the fact that if you take these clients who are our top-5, top-10, top-20 clients in this quarter and look back, I think on LTM YoY basis, the growth has been very high at 17%. So these are all the factors which are pointing to the strategy which we are pursuing is the right strategy and we should not get botched by a range and trying to adhere to that range.

Anant Gupta: Some of these investments will take a longer period to scale up but fundamentally they are very differentiated and add a significant addressable market. So, as Anil mentioned, the entire mainframe operations has been an area which is largely untapped. So we will get in a significant capability or the PLM Consulting. At the same time, there are additional things which are in the Automation in other areas to keep increasing and enhancing our efficiencies that we deliver to the market. So we will continue to look at both of these in a balanced approach to the extent possible but not defocusing our eyes from the opportunities available in the market which is there to continue our leadership position in those areas.

Yogesh Agarwal: Anant, the deal wins have been great in the past few quarters, but revenue growth has continued to come down and it is now high single-digits on a year-on-year basis. So, should we still expect bunching up of these deals to ramp up outside the Volvo deal and therefore growth to accelerate again or based on the deal wins this is the more linear growth to expect?

Anant Gupta: Based on the order book that we have, we obviously see we are comfortable on the growth rates going ahead, our commentary around H2 continues like I started with, which is the quarter we are in today including going forward as well. I think the pipeline is robust in here. I think what is happening is we are getting a mix of deals which are a little longer-term in nature. Even in last quarter when we announced we announced some very significant large scale deals, obviously, as a characteristic of large scale transformation outsourcing there will be one-time confidence which will kick in, in specific quarters which will give a bump and we will see those happen going forward as well and as they get completed they will taper off. But I think the key thing is to see the recurring slow and steady growth over the years of the recurring revenue profile of the businesses has significantly gone up. So while we did mention the growth rate of about 15.8% YoY on Infrastructure as an example, the recurring portion of that base is gone up by 27% so which kind of points to the quality of the revenue on the book which is getting built. So, we will see aberrations in quarters, some huge, some not so huge,

but I think on an overall basis the confidence in the order book and its conversion remains very high.

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

Nitin Mohta: I wanted to understand this better in terms of how this translates into revenue flow. Are these Transformational deals similar to what we have seen in the past or should the revenue flow and profitability from these be any different versus our past experience?

Anant Gupta: I do not have off hand, but all I can say is the average deal term would have gone up by a year from historical numbers and I see there is a transformation component side, I think they are pretty much similar as some of the deals of the last six to eight quarters.

Nitin Mohta: The sluggishness that we have seen on the Application Services side. Just how much of it is related to just pricing pressure or is it the projects themselves coming to an end and clients not deciding to renew it given the focus on either IoT or Digital, so just any color on that dynamic would be very helpful -- is it just volume compression largely or is it largely a pricing-related compression that we are seeing in the industry?

Anant Gupta: If you break up Application Services and then really go into some of the more different layers in there, the ASM or the Application Support and Maintenance business continues to grow slowly, it is already a well penetrated market and therefore that is the market where we see the potential for churn to points which Rahul was mentioning where we have not been in there, it is an opportunity for us to get in. But I think that is a well penetrated market which will see significant churn especially driven by the entire Automation story. If you look at the Package Implementation that is the area which has been weak for us for a very long time, I think 8-10 quarters. So bulk of the market which was around Package Implementation continues to be soft. To the extent that yes, Cloud and SaaS has come in, but I do not think we have been able to fill the volume which used to be in the Package Implementation Services let us say about maybe three years back. So that trend continues and I do not see any reversal over there. We will continue to see one-off or large engagements that will come in during M&A or an upgrade cycle. There is a hope that when there is an upgrade cycle and some of the ERPs in the next 4-6-quyarters, there could be some revival of that. So, I think that specific market is really a volume reduction to the overall pie. But I think what is more important is three other pieces which are growing very heavily which is really what is contributing to a) filling into some of the depletion from the Package Implementation area and then still delivering the 5.5% growth rate, is really around the three things – One, Application Modernization; Second, the Digitalization; and Third is around Data Science and Data Analytics. So, I think these three continue to be getting significant demand in most organizations and that is what fueling the growth right now. But right now there is no filler into the vacuum that was created by the Package Implementation side.

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

Ashwin Mehta: Anant, was the growth this quarter largely in line with your expectations or was there a shortfall and possibly some of the project move outs or closures in BFSI were they expected or that came in unexpected given that we have been guiding pretty positively about the second half outlook?

Anant Gupta: I continue to guide very positively on H2, right, I feel no change in commentary on that, I would say largely in line with what we had expected from my perspective, the project ramps have not scaled off like something which we did not know, these are projects, that get completed, whether it is a Digitalization project in a financial organization or some of that, I think they have just completed their cycle and moved on, I think the new portion would not have anyway kicked in, into the same quarter, we are not seeing deals which come in the same quarter and start delivering overnight. So that phase of market movement has since largely disappeared. Like I said, again, I still see it strong and it was largely what we had anticipated minus a few areas which are really not that disturbing if you may like.

Ashwin Mehta: In terms of Engineering Services, what you have been indicating is that you had a lot of large deals which have now reached steady state and that has now kind of tapered off, but in terms of our pipeline or the deal flow that we have won, are there enough deals to kind of replenish that and get back growth in Engineering Services?

Anant Gupta: I think growth will be there and it will be industry-leading from HCL. Whether it will still be like the 23% and 30% we saw in a few quarters, I think those deals are few, we are on the watch of it, but I do not think that has reached an inflection point where you will get like two deals a quarter or three deals a quarter coming in of that scale. They are increasing but not sufficient enough at this point for us to say, yes, the inflection point is there.

Ashwin Mehta: In terms of margins, Anil, from a traditional and a non-traditional lever perspective, what do you think are the levers that you have for mitigating some of the depressions that these acquisitions will cause in terms of margins?

Anil Chanana: I think there is a significant capacity which has been created in the business, like, if you look at for example our seats, we are creating further significant capacity into it because we see the business coming in. In the morning call, Anant talked about Design Studio being set up in Frisco which will be getting operational within this quarter itself, then on top of it, Automation certainly will help and then on top of it there are traditional levers like how do you further enhance your utilization and how do you sort of onsite offshore making the move. All these sort of levers sort of hold good.

Anant Gupta: Additionally, with increased adoption of DryICE in engagements across. As Vijay mentioned, it is not just relevant from an Infrastructure only perspective, I think it is very important and significant move by HCL . It is one common framework for Automation and operations and

development and Automation across service lines. Like we mentioned there are 30 modules and it is all under one framework, we accelerated our go-to-market in the last quarter, like you mentioned top-25 of our customers we have already implemented it, large portfolio of our customers implement certain modules of that. I think if you look at the next two years that would be the significant driver which will create the additional operational efficiency in addition to what Anil mentioned.

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

Ankur Rudra: Anant, if we look at your commentary about how Gen-I and Gen-II deals are increasingly coming through, you are obviously seeing some cost being saved by the clients. My question was especially where HCL is the incumbent, when you move from Gen-I to Gen-II phase, what is the nature of headwind do you see when you move to that phase, and when clients end up saving some of their initial cost, do you often get the chance to chase that freed up budget?

Anant Gupta: I let Vijay answer that in detail because he sees that more, but all I would suffice to say is we are not insulated from what was happening in the marketplace. So, in every renewal we also need to be showing a differentiated value and outcome of that. But history has it, the customers which have been with us for the last 10-12-years who have undergone in three renewal cycles with us, while we have continued to deliver significant value. In each of these renewal cycle you see a technology shift, but in each one of them we have actually only grown.

C. Vijay kumar: Just to kind of put a context to the renewals, Ankur, I think our renewal rates continues to be very high; +98%+ is a renewal rate, we have been very-very successful because of the client satisfaction and the relationship and the long-term association that we have built with the clients. However, when renewals come up, the Gen-II deals, there is an expectation to really bring in a Gen-III flavor to the deals when the renewals happen. When I say Gen-III flavor it is to bring in the Third Generation Automation Solutions which is primarily around Artificial Intelligence, Machine Learning, some of these are in the early phases of providing real value, but if the client today is going to renew it for next 5-years, they do expect us to bake in significant amount of productivity, the next level of productivity benefits through the Third Generation Automation frameworks. Another headwind that we see is obviously customers have a lot more options today in terms of looking at Public Cloud options for certain segment of their infrastructure, looking at Hybrid Cloud and utility kind of model for infrastructure. So, all of these really come into play when customers want to renew. I think our differentiation is we have a very strong Hybrid Cloud strategy which includes our own capabilities in implementing Private Cloud Data Centers and Software-defined Infrastructure, leveraging partnerships with Microsoft Azure and AWS and Softlayer and things like that. So, some of these factors are very-very key to our renewals and we are really working very diligently and very proactively in trying to take these solutions to our clients. So when the renewal conversations come up, they know what we are capable of doing and it is logically an extension of the continued Cloud journey or Automation journey that we have been working with our clients. This is how we are really addressing the renewal opportunities and we continue to be very successful in renewing with our clients.

Ankur Rudra: Anant, clearly over the last several years, HCL has a great track record of strong organic growth, but we have seen your preference for acquisition go up a notch in the last 6-9 months. Does it indicate that we are in a phase where you will be more acquisitive or were these very opportunistic or very strategic at this point in time?

Anant Gupta: I think it is part of the journey when we have industry-leading offerings in these two areas. It is how do we increase our addressable market, how do we increase the pie that we play in the market especially when we are holding a good brand, with a successful track record of executing and a great customer satisfaction. Areas where we believe that will help us either add a specific element which was missing like we talked about in the case of Volvo which is getting in a very strong mainframe capability or amongst the finest shared services delivery operations actually amongst most global players. Most global players including us are very good at dedicated services delivery for large clients, but the specific acquisition which we are talking about has industry-leading shared services delivery. So to further our addressable market and our leadership position is what is driving some of our acquisition story. Same goes with the Geometric one. We are leading players out of India, third, fourth in the world. But if you really look at the addressable market from the headroom available which all industry analysts say is really accelerating that pace for ourselves. So, we will continue to look at new markets and new capabilities and therefore inorganic play around that but we will continue to also further what we are very good at and continue the BAU as well when we differentiated story. So both will go hand in hand.

Ankur Rudra: What I was trying to also get at is, in the past your acquisitions have been more in terms of where you were not so strong at, AXON is a great example. So are you more comfortable now making acquisitions where you are already strong because of the ability to use them to expand is a lot easier and you are more confident about that?

Anant Gupta: Absolutely, like I said in a specific area where there are pockets of gaps which take on the addressable pie and because we already are an industry-leading player in that specific segment, adding the piece which was not addressable by us is just opens up the market just because we have created the track record. We need to remember AXON was done in 2008-2009, about 8-9-years after that the industry has significantly undergone a change, our positioning in the marketplace has also significantly undergone a change. So what you say is partly right which is in areas where we are strong, how we frame the gaps to make sure we take the whole pie.

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

Sandeep Agarwal: Anil, in one of the previous analyst question on margin, you have not given any kind of assertion on the fact that margins may not fall very sharply from the current range because you are actually kind of stopping the guidance. So the worry is that will there be a very sharp dip going forward because of these acquisitions and the change in business models or you would say that the range will be much narrower than the way we saw earlier? Question two was broadly for Anant, that our order book has been very, very strong and we are winning a lot of

deals, but the conversion looks very-very less from that perspective. So what will lead to improvement in this conversion or you think that because of the annuity model of the large deals, the conversions will remain slow, so we should expect a very-very high deal win every quarter to get back to mid-teens kind of growth or mid-teens is a very high expectation, so some qualitative comments would also help?

Anant Gupta: As you rightly said, there is an annuity portion and then there is a one-time portion, I think some of the historical one-time portion which is very large, I think a lot of what we booked or winning is filling a lot of that, that is what really happened over the previous number of quarters. While the steady state revenue of all accounts continue to increase or the annuity revenues continue to increase, the completion of a one-time transformation work which is very-very significant when we had acquired them was kind of been replenished by the new order book and the wins. I think we have reached a balance where the completion of some of the larger programs are behind us and therefore all the bookings that we see over the last few quarters I think should show accelerated growth going forward in the next four quarters.

Anil Chanana: What you are seeking is in terms of the impact, the new deals or whatever the Volvo deal and the other Geometric transaction will have on the margins. What we are seeing is that we are not sort of getting into the guidance, we do not give any guidance first of all regarding our revenues growth. So there was a time when we needed to give guidance so far as the margins are concerned, we have proven over a period of many-many quarters that the margins can be enhanced and we have all the levers and the size and all the things available in order to improve our margins from time to time. So, as is typical with any deal when a deal comes, initially it will be the investment over a period of time it will get into a steady state and offshored and the margins will come back. We do not want to get drawn into that margin sort of what should be that range. If it keeps on changing from quarter-to-quarter, so therefore it is best to be sort of stay away from it and sort of run the business the way it should be done.

Anant Gupta: So while we will continue to drive not defocus from the opportunities which are available in the marketplace on one hand we continue to drive that. Investments and deals will continue and obviously in a guided like we just stated answering some of the previous questions that in places where we see where we have strong leadership position and therefore the addition of a capability in that specific segment significantly enhances the scale up or the full nature we will continue to do that. At the same time, to make sure that we mitigate whatever we have which obviously in initial period delivers lower margin profile, we have other levers and we will continue to optimize and use them as we go forward.

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

Pankaj Kapoor: Anil, sorry to persist, but I just want to understand this margin picture a little more. So when you refer to that you want flexibility to pursue growth, are you referring only to going after cases like the Volvo deal or the Geometric transaction or are you also looking at flexibility to retain even the existing business which might be seeing some pricing pressures?

Anil Chanana: Again, we do not want to become deal-specific because the business will have lot of elements and there will be opportunities which will sort of keep on coming up from time to time either to enhance our presence in certain markets like the Volvo acquisition gives us a huge presence in the Nordics region and France, how do I enhance that.**Anant Gupta**: Without trying to get into deal-specifics of Volvo, but I think it will be sufficed to say that in the business as usual, we do not see any pressure on that count. Without trying to say whether Deal-A, Deal-B, Deal-C will have a longer period, we will continue to do that but BAU business continues to deliver robust margins and will continue to deliver that. There will be optimization in there and which is why I said that whatever new business cases clients want as new deals, as deals get reshaped or get renewed, I think levers around Automation and others will help to retain the margin trajectory over there. So that will be a continuing exercise.

Pankaj Kapoor: So essentially is it fair to assume that the existing business or rather the business as usual as you mentioned will continue to be in that band of 21-22% and whatever changes that we will see in the reported numbers will be essentially because of these one-off transactions that you might be doing?

Anant Gupta: That is why I am saying, let us not start to stick to whether it is one-off, I think there will be like these, many disruptive transformations coming there, but yes, books which are already in recurring stage and steady state, I think are stable in margin profile.

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

Sandeep Shah: Anant, if we look at the FY15 order book we had $5 billion, even in FY14, each quarter we added more than $1 billion and in FY16 nine months also there is $4 billion, I do agree that the $2 billion which we have signed will have an effect in the coming quarters. But looking at the order book, it is enough for us to grow higher than the industry average and it has not been happened and in earlier years, whenever we have compromised on the margins, the revenue growth was higher than the industry, but this time if we look at there is a compromise on the margin and growth has not been in line with the industry or it has been topping the industry. So is it a new normal? How do we measure these kind of metrics? Are we satisfied as a new normal or you internally believe that we could have executed well and we can gear up going forward?

Anant Gupta: Firstly, 11.6% LTM YoY is good. If you look at number of sectors they are strong and if you look at the horizontals they obviously delivering a very strong portfolio. Yes, there are certain areas like we said either in Package Implementation or the one-time nature around Infrastructure or when a large deal in Engineering transforms into a steady state, there will be a reduction in that volume and the order book levels to be used to replenish some of that. Just looking at that everything that exists will continue and all the order book is only going to add on. On the new deals we are only adding on top of that is around calculation I would say. So there is a one-time nature of our business, there is annuity portion of our business, the annuity portion of our business over the last 4-years has significantly gone up, but still there is a one-

time component and therefore the one-time component when it concludes needs to be filled by the new book which is coming in.

Sandeep Shah: Anant, you also said that, starting from Jan, there would be 8-9 deals which will go into ramp-up stage which could have taken the number higher than 1.7% or you believe that was what you expected at the start of the quarter?

Anant Gupta: We have always said that H2 will be strong and we continue to believe H2 will be strong, like I said the deal profile has only marginally changed, if you look at the average number of years for the book from a tenure perspective has gone up by a year which is what I mentioned. So to that extent, you will see that spread over in additional year and therefore it ramps up in a specific year will be slightly lower. That is what explains the larger component that is getting added but spread out over one additional year on an average basis.

Sandeep Shah: So, can you once again throw some light what is the average increase in the tenure of the deals now?

Anant Gupta: From what we used to historically have it has gone up by a year, the average was 3-years, 3.5-years, 4.5-years or 5-years something that sort.

Sandeep Shah: Anant, when you say H2 better than H1, so we have one more quarter, should we also read this excluding the Volvo deal… the acquisition portion?

Anant Gupta: All I would say is the service commencement for the entire operations have begun on April 1st. There is no segregation between what we delivered to internal or external customers, it is all one delivery.

Sandeep Shah: Last update question is the Volvo deal largely will skew the revenue growth towards IMS or it has been spread towards IMS plus IT?

Anant Gupta: There was a significant portion; large portion is Infrastructure but there is a significant portion of Applications operations work in the Automotive sector. The key thing over there really like I said more than just the revenue and the size, I think the importance of that is really two-folds, like we had mentioned in the investment thesis when we did the release – one around strong mainframe processing capability. That is a capability if you look at the industry, HCL and most players who have come in the last decade or so typically would not have. That is a key part of an overall IT stack. Therefore, robust capability in that specific area, is something which we are looking forward for and therefore now have it. Second is as the industry evolves into more Cloud-based especially if you look at the next three to five years and as large corporations move part of the stack into Hybrid Cloud model which is both Public and Private, I think the need for extremely robust, secure, globally scale shared delivery is what we believe is extremely important element and therefore that is a very strong capability that we have acquired with this specific engagement. So, I think that is the key driver from our perspective. For some of them it will take time to convert to revenue but we believe they are extremely an

important part of overall kitty when you look at ITO or Next Gen ITO as the journey moves forward.

Sandeep Shah: Anant, as the CEO of the business, being handling the large portfolio, do you believe the control on the margin is going away not just for you but for the industry or is it the conscious call which has been taken by some of the vendors, so is this a worry which gives you a bit of sleepless nights going forward?

Anant Gupta: I cannot speak for the industry, but I think whatever we are delivering is what we have planned as a team, as a leadership team and in the different lines of business what we want to do. I think we just continue to need to drive greater efficiency in BAU and keep investing in new addressable markets. I think it is important to remember we are living in a world where it gives us an opportunity where some of the very-very large players are still struggling on one side and second, I think there is entire emergence of completely new breed of players and therefore we are sitting somewhere in the middle, we can either put our blinkers on and just focus on one aspect or really use it as an opportunity to kind of play a much larger game with the market we can see that is being created. So we have chosen that and we would try to scale up in that space. It is a conscious call we have taken.

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

Ashish Chopra: I had a question around the Financial Services vertical. So Anant earlier during the day you had made a mention of trend of in-sourcing giving the risk and compliance in certain banks and I think Rahul also touched upon it briefly during the call. If you could just elaborate a bit more on exactly what is going on there? Secondly, in terms of the magnitude of this impact, should we expect this to be behind in the next couple of quarters time or would it be already behind us?

Anant Gupta: I think it will take a couple of quarters for it to get behind us, but I let Rahul explain the entire…

Rahul Singh: So basically as we explained earlier, there is a movement which is happening, large Financial Services institutions in the past have largely outsourced based on labor-based outsourcing, right, that has been the model they followed. Now, they are definitely changing that model. As they change that model and they relook at what is with whom and they start converting it into more Managed Services kind of work package, there is a movement which happens across vendors. Some of it they then say that, "Hey, from a more risk perspective, compliance perspective, it makes more sense for us to have it in the in-house captives so on and so forth." That is what we spoke about. So it will take a couple of quarters for this to settle down. The way one has to read this is that it is part of normal evolution that we are seeing in the Financial Services outsourcing, especially of the large banks and large insurance companies where we are seeing this happened. It works both ways – there are some accounts where we are seeing the reverse happening, so there is some which gets insourced but equally amount come back

into our kitty as well. So that circulation also happens in that direction. It will take a couple of quarters for it to settle down because Financial Services firms in the overall basis as I mentioned earlier obviously on one hand while they cut cost of the run, they will be spending more money on Digital and Fintech and so on and so forth. So long as you balance the portfolio out, we focus on both segments – one, we help them out with the reduction of total cost of running existing legacy so on and so forth, and we focus on the growth areas for Digital, I think it will balance off.

Anant Gupta: What we are seeing is largely touching the middle office operations aspect in there or IT that touches the middle office operations. So that is where there will be tightening of the process and actually it is good for the industry because it will get more industrialized and therefore then be able to rightly sourced as one wants to accelerate that. So that is what we should be looking for. Operational processes largely around the middle office and any technologies which touches that specific process and systems.

Ashish Chopra: How secular or sporadic would this across maybe Europe or US, if you could just touch upon that?

Rahul Singh: In Outsourcing everything starts from the US and then Europe catches up by six months later, I think that is the way to answer your question, because Financial Services firms do tend to copy each other, the regulators also 5-6-months later that is how it works, the US regulator is the first to kind of point things out and then it goes to Europe. So, I think it is largely a readjustment of portfolio, that is the way one has to look at it and that is what is happening, but it will impact both, because most Financial Services firms operate in both geographies, there is very rarely a firm only in one geography, so they will normally have both Europe and US footprints.

Ashish Chopra: Anil, if you could share the total contribution from acquisitions on the top line in the last nine months?

Anil Chanana: I do not have it in front of me, but it is very-very marginal particularly in this quarter the deal which we signed was Point to Point solutions that gave something like a couple of million dollars of revenue, but we have not done any significant acquisition except one which was in this Microsoft dynamic space which happened in September-October.

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

Nitin Padmanabhan: Have you decided on the wage increase cycle for the year?

Anant Gupta: It is not concluded as yet, while we switched a year, we still continue with the cycle of July to June for the performance review and compensation cycle, we just made the change, whatever that is I think we will come back to you in the next quarter with that.

Nitin Padmanabhan: You had earlier I think multiple times spoken about the external IT deal for Volvo being only a fraction of the internal in terms of overall size. Are you at the point in time where you can actually disclose how large the internal could be?

Anant Gupta: I do not think we are contractually able to do that. Like also other outsourcing contracts, they do not let us share the value. That is all I can say.

Moderator: Thank you. The next question is from the line of Deepesh Mehta from SBICap Securities. Please go ahead.

Deepesh Mehta: Sir, is it possible for you to share impact of the Volvo deal on the margin even if you are let us say not providing more specific detail on full year kind of margin?

Anil Chanana: I wish we could have done it but I think as a management team we have taken the decision that we should not be sort of guiding the street on the margins because we do not guide the street even on the revenue front, so this was one element which was necessary at a certain point of time, but we having established that credibility that we can achieve the margin range which we want. I believe that we should not be sort of talking about it. As I said earlier, it gives us the flexibility to sort of pursue the opportunities which are in the long-term interest of the company.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang. Please go ahead.

Girish Pai: In this quarter, you have hit a pretty large number in terms of large deal wins; $2 billion in TCV. How much of this will be coming from Gen-III deals?

C. Vijay kumar: When we say Gen-III deals, it is the overall ITO deals which has certain generic components. So pretty much all the deals that we are winning now on the overall ITO integrated deals, all of them have some component of Gen-III solutions, be it Hybrid Cloud, Software-defined Infrastructure, Third Generation Automation Platforms, Work Place Modernization. So they all include the Gen-III components; however, the Gen-III components may not get implemented on day one, they really phased out transformation programs where the entire infrastructure landscape transformation takes place over 12-18-months. This is also to even for renewals when renewals come up they also have significant generic components built in as a part of our rebid solutions.

Girish Pai: So which brings me to the next question; in terms of margin trajectory of an individual Gen-III outsourcing deal, is it going to be very different from what it was previously in terms of will the initial years margins be lower and then improve towards the end of the contract?

C. Vijay kumar: It is quite similar to what we have seen in the Gen-II deals because in the initial part of the deal, there is a need for you to invest, then there is a transformation solution which gets implemented over a period of time. So these two components remain similar in Gen-II and Gen-III. While the nature of work itself is a little bit different, but in terms of duration and the

complexity and the timing of when the work gets done is somewhat similar. From a margin perspective, I do believe they will be comparable. While there are good opportunities in leveraging some of our IPs and some of the new solutions, however, they get offset with the client expectations of increased productivity benefits which gets baked in upfront. So overall net-net I would think the margin profile is the same.

Girish Pai: The $2 billion seems a fairly large number. Did the market expand or did your win rate improve dramatically?

C. Vijay kumar: Of course, as we had already announced Volvo constitutes a big part of that and then there are other deals, regular momentum business continues to yield good wins across US and other parts of Europe as well as Asia Pac. So, there is obviously one big deal which probably contributes a good part of this.

Anant Gupta: Just to clarify on that point so that we do not go with misreading; inorganic portion of any deal that we do, where the acquisition is not baked into the TCV that we announce or that we have announced in this quarter as well. So the 2 billion TCV does not include the inorganic component of Volvo transaction.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand over the floor back to Mr. Anant Gupta for his closing comments. Over to you, sir.

Anant Gupta: As we entered the new fiscal in line with the Companies Act, we have tremendous confidence in the growth rate as we move forward including the H2 that we had earlier mentioned which somehow gets split between the previous fiscal and the new fiscal. That is largely driven by the investments that we have made in the three key areas -- Beyond Digital, Next Gen ITO and IoT Works. Our increased investments in some of the inorganic pieces to scale up obviously are key factors for our future scale up. So, we will continue to believe that to kind of further the leadership position that we have on those specific areas and I think with the strong order book that is with us, I think we continue to look completely confident on the way forward. So with that thank you very much and look forward to speaking to you again in the next quarterpresentation.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of HCL Technologies Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.