"HCL Technologies Limited's Q1 2015 Earnings Conference Call

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the HCL Technologies Earnings 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anant Gupta. Thank you. And over to you, sir.

Anant Gupta: Good Day to all of you and welcome to the First Quarter Earnings Presentation. In summary, another strong quarter of consistent performance; 3.2% sequential growth in constant currency and a 36% YoY net income growth, aided by 360 bps margin expansion. As we begin this new fiscal on back of a very strong fiscal which we closed in June, we booked another billion dollars of transformational deals, acquired 15 new Fortune 500 Global 2000 logos, and the highest CSAT in our industry.

If I take you through some of the trends on an LTM basis, if you look at revenue we continue to deliver on LTM basis, a 14% Year-on-Year growth, touching 5.5 to $3 billion. EBIT again on an LTM basis closing September '14, 31% Year-on-Year at $1,332 million and net income at 40% y-o-y with a 3-year CAGR of 41% at $1,118 million and a return on equity of 38%. The growth if we see, again, looking at from a constant currency perspective and this is a trend over the last 5 quarters both the reported as well as constant currency you will see a consistent growth in there and the constant currency growth ranging between 3.6% in the same period last year to 3%, 2.9%, 2.8% and 3.2% kind of in a consistent band of around 3% Quarter-on-Quarter. On a net margin basis, over the last year 360 basis points like I mentioned continue to be delivered, and this includes being the quarter in which we have given the wage hikes.

If we kind of now deep dive into where this specific growth has come in, I would largely say it has been fairly broad, slightly different from the service lines previously, but let me walk you through the slide. From a geography perspective, 5.7% growth from the US, Europe was 2.7% on back of a 7.4% in the previous quarter in the years still showing a very strong healthy y-o-y of 20.8% and it continues to be a market which drives significant latent demand, we see no slow-down in that market. ROW slightly slowed down due to the seasonal nature of business in India between H1 and H2 and some programs in different parts of the region getting completed.

If you look at the service lines, Engineering Services posted a tremendous growth really on the back of some large contracts which were signed in the previous quarters, 8.1% sequentially followed by Infrastructure Services which is 3.6% and I just want to highlight that the Global Infrastructure Services business actually delivered 5.2% sequential growth. The Applications Service portfolio, as you recall, we have been splitting in two broad buckets one is the Industry Application Services, and the second which is Enterprise System Integration Services. The Enterprise System Integration Services businesses recorded a 5.1% growth, largely on top of growth in the portfolio in BI and Analytics and some of those service lines which are linked to the commercial off-the-shelf products which is really what this business is all about. Industry Application Services marginally negative, but really if you look at from a total Applications Services point grew by 1.6% and if you look at from overall Software Services which includes

Engineering by about 3.1%. From a vertical standpoint Financial Services continues to be a strong growth driver, 22.6% on a Year-on-Year basis, and 3% sequentially again driven by significant movement within the European region itself, continues to drive growth from either vendor consolidation programs or through transformational engagements. Manufacturing coming back into strong sequential growth again has been consistent performer over the periods, but this specific quarter has been a little superlative performance. If you look at Public Services, significant growth 33.8% on a Year-on-Year basis, largely driven by transitions and services in the Energy, Utility, the Natural Resources sector and Logistics. Retail and CPG continues to grow well, 30% on a y-o-y basis and 15.8% sequentially driven by some very large transformational components getting delivered within the quarter.

If we just go out and look at how HCL's performance has been in different service lines, I would like to just kind of point out that HCL has been strong in identifying certain emerging opportunities and then positioning alternative propositions over the course of the last 15-years. So if you recall we started with Engineering Services identified and then took that to a leading position, we are already a number #1 player in that market space, removed Infrastructure Management in the early 2000s, followed by a total outsourcing in late 2000. The Systems Integration market driven largely by the acquisition of the Axon portfolio, and therefore our presence in the Enterprise Systems Integration space or the ITO rebid market, and then finally in the last year in terms of driving non-linearity and proactive obsolescence which we believe will drive the Gen 2.0 markets going forward.

In summary, what it delivered for us in fiscal '14, the way we look at it is 1, 5, and 15 which is we crossed a billion dollars in net income, $5 billion in revenues and $15 billion in market cap, I think amongst the only eight millennial companies to have crossed this specific milestone.

And if you really look at what are we seeing as we speak today and I would draw your attention to the bottom right hand corner, the Remote Infrastructure Management continues to fuel the IMS market, we see no slow-down in that specific market, in fact, we see some components of Application Management getting bundled along with the Infrastructure Management, and that is a trend we will continue to see, emerge into a more way of doing business as we move forward in the next few years, especially as a service business models emerge.

The other two markets which we really believe are really at the cusp, the first one being Product Engineering Services which is again something which we believe is at the cusp of taking on, we see early signs of full service sourcing, and therefore that could drive a significant amount of traction, I will go into a little bit more detail over there, and then of course the emerging digitalization market driven by the software platform engineering capability. So these are the three things we see will continue to drive.

If I move into the next three slides and the way we are looking at the three strategic place for HCL on the bottom left is really the IT Outsourcing which really is Infrastructure and Application Management, the propositions which we are aggressively continuing to push and we will see success in the market, "Enterprise of the Future" which is the Hybrid Cloud

Architecture for Infrastructure ALT ASM™ which is driving obsolescence in the Application Management space as customers move to Gen 2.0 and MyCloud which is really the orchestration there for managing an ecosystem of multiple service providers in the emerging Cloud space. So this specific play we believe it continues to grow well will be driven by the renewal market which we see from ISG, and more and more we do believe that, as the digital world evolves we would see a lot more integration of the digital run environment between Infrastructure Application and even some operations over there. So that continues to be a sweet spot which we will drive.

The second emerging area is really the Engineering Services which is a fairly large market. Currently, only a third of that is addressable but we believe that we are seeing early signs of that market move into full services sourcing, and therefore, once it moves into that space, it has all the elements of growing similar to the IMS market and being driven and tracked as a structured sourcing play just like what ISG does today for ITO.

And finally, the Digitalization space which we believe is really not about just the front office transformation, but it is really all about the front office transformation, the front-to-back alignment, the digital platforms which sit in between, strong use of our engineering capability along with our Enterprise Application capability and finally, the application modernization.

So before I hand it over, may be just a quick brief on the way the bookings have happened. So we closed about a billion dollars plus in deal bookings during the quarter. Broad based booking profile – Infrastructure Management Services, Engineering Services and as well as significant amount of Digitalization engagements. There are about 6 to 7 Digitalization engagements which have transpired and we have included that in our IR pack. From our client movement perspective this quarter on an LTM basis one client moved into the $100 million bucket, four clients into the $50 million bucket, and ten clients in the $20 million bucket.

Now, I will go through the details of the Infrastructure Services business. I am filling in for a number of people who are actually busy traveling. So this specific quarter like I said the first quarter performance on a constant currency basis 3.6%, the Global Infrastructure Services business grew by 5.2%, so it is really the India portion which we have taken out of here to kind of reflect that the robustness in the Global Infrastructure business continues. From a trend perspective, pipeline continues to be solid, ISG in fact positions the market to be built this year than last year, we should see some more movement towards the close of this calendar year and moving into first quarter of next calendar year as well. There is a continuous adaption of Hybrid Cloud models in the marketplace and our proposition of "Enterprise of the Future" continues to be a very solid robust model which customers are looking at in adopting while they look at their next-gen architecture for their data centers or work place.

The other key element is the further enhancement of our stack around what was "Managed Tools as a Service" which moved to MyCloud, which now has a larger portion of what we call as "Service Integration and Management" and something which is catching significant traction in the global markets, especially when one is looking at breaking multiple large contracts into an ecosystem of service providers.

From a growth driver, multiple large and mid-sized deals signed across all geographies and fairly across all segments, no specific segment to call out, but I would say it is a broad based growth, and we continue to be successful in both the rebid markets as well as the first-time outsourcing clients. So, there are regions especially when you look at DAC in Continental Europe or South Africa or even the mid-west regions within the US, where we still have a significant number of customers we have never outsourced before. So our proposition is relevant as much to the first-time outsourcer as much as it is to the rebid market.

From a value proposition perspective, we continue to increase our leadership. Gartner positioned us as a leader again in the "Datacenter Outsourcing" and the "Infrastructure Utility Market Place" in North America as well as for the end user computing services in North America. The reports for Europe are still awaited.

From a Cloud perspective, we have been again called out as a leader by IDC and you would recall that we are not selling Cloud services as a standalone offering, it really is an integral part of most of our transformational outsourcing engagements in our Datacenter transformation.

And finally, we have been selected as one of the key partners with Amazon and been called out for helping them as part of incorporating their stack in Cloud Solutions which we delivered to our customers.

With that I will hand it over to Steve who will walk us through both Enterprise Application Services as well as the diversified industry portfolio.

Steve Cardell: Right, thanks Anant. So let me just talk to the Applications area. First, as you will be familiar now, we have refocused this area around two key revenue streams – ESI and IAS. So in ESI we saw 5.1% quarter-on-quarter growth in constant currency, achieving 225 million in the quarter, and for IAS we saw a small degrowth of 0.7%, achieving 397 million in the quarter.

Just building on some of the comments that Anant has made, we really see two predominant trends in the Application marketplace at the moment – so one is really a convergent trend with Infrastructure which is the whole ITO marketplace moving towards Cloud offerings will that be on the Infrastructure Cloud or Software-as-a-Service. If you take Gartner's views, half of the marketplace of packaged application will be delivered through Cloud-based services by 2018. That certainly a trend that we see and some of the strong growth we see in ESI for us this quarter is also being a front end of that trend. The other part of that that we see on the IAS side is our OSM offering really coming into alignment with market place expectations around Cloud Migration, Proactive Obsolescence, Apps Modernization, and Application portfolio reduction.

The other trend that oversees all of that is the emerging digitization. So it is a pervasive trend that exist in all of our service offerings that clients are looking for ways in which they can digitize business processes, digitize elements of their Application portfolio, and in that process it creates a fragmentation of a core customer for HCL moving from the traditional CIO as a customer to CFO or Chief Operating Officer or Marketing Officer. So within the context of those two trends that are really driving or reshaping of the Application landscape, the service offerings that we have been bringing to market place are starting to demonstrate values of ALT ASM™ that I referred to. And prior to ALT ASM™ there is a very core part of how that business enables HCL to continue to win strongly in that marketplace. One of the organizational changes that we have made in implementing ESI and IAS is moving all of our Business Intelligence, Analytics, and Big Data capabilities into a single global practice, and we are starting to see some strong momentum as a result of that increased sharpness in the marketplace. And if I look at the growth in this quarter that would be on Analytics practice is the strongest growth engine within the ESI business in the quarter. In terms of deal volume we continue to see a large number of deal wins with our Mobility offering and our Software service, but in revenue terms the business Analytics piece is the largest area. There is zCMO offering, service specific digital platform service for Chief Marketing Officers, picked up three new clients in the quarter and continues to be an area of expansion outside of the traditional CIO marketplace.

Again, in the seamless convergence, and as Anant referred to IDC issued their Cloud Professional Services this quarter. And the reason is in particular interest to HCL is the professional services element is what is being evaluated here, in other words those who can advise customers on the migration part of Infrastructure and Application to Cloud service offerings. And HCL was the only Indian heritage company to be included in the leaders' quadrant of the assessment.

We also had a Forbes recognized the zCMO offering as being a unique element in the market places converging IT capability with marketing operations to digitize that part of the business.

If I move forth then to diversified industries, so covering the non-financial services verticals, in an aggregate these set of verticals grew 3.7% Quarter-on-Quarter and 15.4% on a last 12-months basis and crossed the billion dollars in the quarter for the first time. So a landmark quarter for diversified industries. Mixed performance across the verticals, most importantly, Manufacturing posting a strong 5.3% growth, Retail and CPG at 15.8, Telco, Media, Publishing just above 0.3%, Life Sciences a small de-growth of 1.7%, Public Sector 5.6% de-growth.

Just to pull out couple of elements and what is quite a broad set of verticals. So Manufacturing we continue to see a resurgent manufacturing sector, demand particularly coming from not the core manufacturing element but the migration of manufacturing companies are moving away from their core build offering into service offerings. And HCL ServSmart proposition continues to help differentiate in that marketplace, particularly in the Hi-Tech micro vertical where we have a very strong position. Retail and CPG you can see has had some very-very strong momentum both in the quarter and in the year, and particularly for us it is our growing presence in the CPG market place, particularly amongst the Tier-1 vendors and particularly in the beverage micro vertical. Telco, Media, Publishing we are familiar that is a sector under extreme change particularly due to digitization and as an aggregate is a market that is going through quite significant shrinkage and so HCL continues to grow market share in a market that is overall shrinking. Life Sciences which has had a muted 12-months has had some very strong success this quarter. So we picked up some good booking clients both new named clients as well as expansion in some of the existing large Life Sciences firms.

And if I look at some of the recognitions this quarter there is a very strong showing from Life Science and Healthcare. Everest Group have ranked HCL as a Leader and as a Star Performer in Life Sciences Outsourcing. One of our service offerings, Population Health Management which is a platform offering for Life Sciences firms was launched in the quarter and has received some very positive market feedback. And one of our large client relationships was awarded the IT Outsourcing Project of the Year Award in Europe. So Life Sciences has had a muted last few quarters we have a very strong foundation looking forward to seeing that vertical continue to improve its performance and return to good growth.

And then finally public sector as we are familiar a large part of this vertical for us is CTB. So we had a lot of movement quarter-to-quarter, overall Public Services is posting 34% year-on-year growth and picked up some strong new wins in the quarter, particularly around our iCARE service offering, which is our Customer Experience Management solution for Utilities and Energy companies. So with that let me pass over to Rahul to talk about Financial Services and Business Services.

Rahul Singh: Thanks, Steve. So I will start the Financial Services first. So we had a good quarter; I think we closed the quarter at a revenue of 404.6 million which reflected 3% quarter-on-quarter growth, this is on top of a (+8%) growth that we had in previous quarter, so reflecting an overall growth of almost 22% on a year-to-year basis. So the growth has been driven this quarter by ramp ups on some of our wins in Europe and on the longer term basis we are seeing a good pipeline across multiple service lines. The Financial Services vertical tends to behave as a separate vertical largely from a demand perspective as well because it is a niche and a lots of banks, etc., involved there, it has its own drivers. So one of the trends that we are seeing in the Financial Services market is in the buying behavior of clients where they are looking at optimizing stacks between IT and operations. So we are seeing that trend happening and it is responding to that. In addition to that, Financial Services tends to be an extremely regulated environment, regulated primarily because of recent large fines that banks have had to forego and pay, and also because the impact that regulatory issues can have on the image of the bank, and therefore Financial Services firms are spending a large amount of money in terms of making sure that taking care of appropriate needs of their spend happening in the compliance and regulatory area. We are also seeing spends happening in the clients in terms of digitization, I think Anant spoke about that as well and Steve did as well. So digitization is a big thing in banks; they are looking at ways to cut paper, cut work, reduce their number of systems, improve the interaction with the customers, and therefore digitization which is led by COTS technology, etc., is another area of spend happening there. And on an overall basis we are seeing also a trend towards what are carve outs, where banks are looking at service providers stepping in to their shoes in terms of the technologies or operations that are run and perhaps then run it on a more efficient basis through a carve out. So these are the trends that we are seeing in Financial Services which HCL is responding to. We obviously are focused in terms of vendor consolidation initiatives that most banks have multiple vendors they are looking at optimizing cost to vendor consolidation and vendor consolidation along with our ALT ASM™ offering which focuses on obsolescence, results in reduced spend for the banks, so they would reduce their cost of running their infrastructure and the technologies and with the money that is being saved and reinvested in terms of new initiatives that they launch. We are also seeing a couple of multi-year deals in the Infrastructure and BPO area where banks are entering into long term contracts with firms such as HCL and we have been winning some of those. There is a trend which we are seeing and which we are also focusing on is in terms of what you may call as 'Partnership oriented sales into Financial Services.' So a single firm is not able to supply all the requirements for the technologies of the company, and therefore partnership-led initiatives where there is need for creation of Utilities are finding traction in the Financial Service market. We have also focused on creating tools and IP and specifically around customer experience and innovation, and an offering called CX Studio has been seeing good traction in the market place. The market continues to recognize the Financial Services at HCL. We have been rated highly by Gartner, by Everest. And the CX Studio IP tools which I spoke to you about has been written about in a Forrester report.

So with that I will switch over to 'Business Processes.' On the Business Process side, we had revenues of 71.6 million this give us a year-on-year growth rate of about 32.7%. So while the quarter-on-quarter revenue was 1.1% that was on the back of a very strong quarter in the previous quarter, giving us 32.7% growth on a full year basis. The Business Services part of HCL is primarily focusing now on large clients. So the wins that we are seeing are also in Fortune 500 and G 2000 Customers.

Another important thing to note is that the revenue momentum that we are seeing is on the back of some of the wins where we are seeing ramp ups happening in the accounts.

In terms of the trends in 'Business Processes' I think the digitization story also cuts across into operations while it is getting industry specialized and clients are wanting domain-specific services, they are looking at newer models, and new models come in the form of outcome-based delivery, they come in the form of better quality tools, platforms and on-demand or as-a-service model and a lot of customers are now talking in terms of multi tenured options, where they are looking at efficiencies by combining operations and creating utilities across companies. And as I mentioned earlier, the focus towards customer experience, governance risks are also areas where operations are being outsourced. So HCL is responding to that as I have mentioned earlier through a very focused strategy. We are focusing Business Services on few verticals. Financial Services vertical is the primary vertical on which we are focusing. For other verticals we are having an approach which is what we call as 'Enterprise Business Services' which is all about transformation of the back office and front office. So we use technology, tools, digitization, and most importantly automation of processes to bring about transformation in both the front office and back office firms. We have also have started focusing on creating IPs and tools, because when you do business with clients to differentiate, you need to have those. So we have spoken about EFAS in the past, which is a combined BPO and a technology initiative, which looks at cutting the cost and running enterprise functions on a long term basis as a service and we have this whole concept of "Next-Gen BPO" where the clients who are using us for BPO Services to move towards next-generation in terms of the way we do our services.

We continue to get recognition from the market and multiple publications have now written about HCL BPO and we have spoken about ISG and Nielsen all here who have written exclusive reports on HCL's services grow in the BPO. With that I will hand over to Anil to take us through the 'Financials.'

Anil Chanana: Thank you, Rahul. I will first touch the financials in Indian Rupees. So Indian Rupee terms we grew by 3.7% quarter-on-quarter and the EBIT was at 23.9%, 30 basis points lower than it was last quarter – I will come to the reasoning thereof in a short while from now. Net income margin was at 21.4%. Annualized EPS at 106, is up 32% YoY. The return on equity this quarter has been at 38% opposed to 36% for FY14. And the board has declared first interim dividend of Rs.6 per share.

Going to the US dollar numbers, again, it is a 3.2% growth in constant currency terms and 12.7% YoY, again in constant currency terms. The key thing which happened this quarter is the translation impact has been huge. It has been at (-130) basis points negative. And all currencies practically sort of depreciated against the US dollar, and the impact came from currencies like Euro, GBP, you name any currency, whether it is Australian Dollar or Japanese Yen would have contributed to that. Most of it happened in the last month of the quarter. There was something which was happening in the earlier month, but it got compounded in the last month. However, when we see on 3.2% the growth has been fairly diversified; the US as well as the Europe, which constitutes a majority of where our revenues come from has grown, and four verticals which constitute about 80% of the company revenues grew significantly. And in terms of service lines, again, Software, if we classify the traditional year the market is doing, including the Engineering and R&D Services grew by 3.1% and even if you look at from component-by-component point of view, the Engineering grew way ahead of 8% and the Enterprise Systems Integration grew way ahead of 5%. The EBIT, as I talked about, was lower by 30 basis points, and this was a headwind basically caused by the increment which happened this quarter, impact of 80 basis points and we are likely to have impact of another 130 basis points this quarter which is the O&D quarter.

There was a strong hiring this quarter; close to 4,000 being hired. The utilization did come down by close to 200 basis points.

If I move on the profit to cash conversion ratio on a last 12-month basis has continued to be very good. 100% on operating cash flow to net income and free cash flow to EBITDA at 70%. However, if you see just on a quarter basis, it was 41% on free cash flow to EBITDA basis and 68% on operating cash flow to net income basis. There have been two major items – one is our CAPEX spend this quarter has been higher; we spent about 3.2% on CAPEX last of whole year, but this quarter it was 4.2% of revenue. There was some mismatch in terms of the timing of booking a gain on the property we sold and the realization of the cash, we had got the money in advance while the transfer of the property happened in this current financial year in the first quarter. So between the financial year and between the quarters it moved. So typically in the first quarter of the financial year these conversion ratios are lower and the pick up as the year sort of proceeds. If I look at on a receivable front, on the billed front, there is a significant improvement from 60 days to 56 days; however, unbilled went up from 22 days to 27 days. A lot of new customers have been on-boarded in this quarter and where the billing is yet to be finalized because we are sort of a working with the customer and we have to bill the customer in the various geographies and the various countries where they operate. The milestone billing which happens in the fixed price projects and the customer-specific billing requirements. So, I think over a period of time it should get back to business as usual.

If we move on to the hedging, the hedge position was 1.3 billion as of September end, with close to a billion dollar in terms of cash flow hedges and the balance sheet hedges being 311 million. The book rates is on an average Rs.65. There is a mix of 60% of forwards and rest are options, and then there is a currency mix followed to that. We continue to follow a layered hedging policy. So there is no change in terms of our policy.

If you go on to the FOREX gain/loss this quarter, net-net there was a 9.4 million of hedge loss. On the OCI if I take the Rs.61.76 next quarter we should be having a (-2.5) that is the impact for the next quarter. So far as the OCI is concerned, on a mark-to-market basis, it is (-$33.2) million, but if I take it on a held-to-maturity basis, it will be exactly reverse, $33 million positive.

In terms of tax provisioning, the taxes are expected to move between 21 to 22%. In this particular quarter, they were at 21.7%, we are very much within the range.

There has been a reclassification of service offerings – and this data is on this particular slide, even otherwise, we will be very happy to sort of share it separately to the analysts or the investors who are keen to have this data.

With this I will hand over back to the operator. Thank you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Ankur Rudra of CLSA. Please go ahead.

Ankur Rudra: If you can you help me understand, to begin with you, Anant, you said there was no slowdown in your Infrastructure Management. However, if we look at the overall growth rates, especially on a YoY basis, they have been coming off from (+30%) 3-4 quarters ago to around 18-19% this time. Should we understand this as a short-term phenomenon or is this a reflection of market saturation given your current size in this area?

Anant Gupta: Actually, it is a couple of elements – I think first is very specifically to this quarter and maybe the next is really the seasonal impact of India, which is one small portion, but not a very significant but nevertheless it is. I think the more important and a larger one really is two folds – one is when we do a booking of a certain profile which we have historically reported, they have now been reported in a specific currency, and when they actually start getting translated into specific regions or delivery and so on, and in different currencies, there is a slight impact on, on what it gets accrued. Secondly, when you look at mid-to-large size engagements in Infra or in Infra and App, ITO engagements, where there is a large component of transformation. When the transformation portions do come to an end at a specific point in time, right, and the traditional steady-state business gets normalized to a smaller component, so there is an impact of that in specific quarters depending on how some of the other larger deals are actually ramping up and achieving the steady-state. That to me is really what is driving some of the behavior in terms of a slower Year-on-Year which is there.

Ankur Rudra: Just for our understanding for a longer-term, what proportion of your business would be this transformational component, which we should expect to be more lumpy versus the annuity component?

Anant Gupta: I do not have a number off-hand but I think we will be working on this and we will just see how much of this we can disclose and shared with.

Anil Chanana: It varies significantly from deal-to-deal.

Anant Gupta: We would try to create a model because like I said the model has been shifting over a period of time, right, but it started with pure Offshore-centric to full service across the globe to total outsourcing which included third-party. So I think we would try to construct a revised model to give you a better appreciation of how that market is going. In the same breath, I just do want to make sure that I communicate clearly. I think the market potential for Infrastructure standalone as well as with Application continues to be extremely robust. We continue to be winning very-very strongly and we will continue to drive significant market share in there. But I think like you rightly pointed out there is a need to educate you on the dynamics of how this market is shaping.

Ankur Rudra: The net hiring appears to have been the strongest in the last several quarters. Is this a sign of maybe improvement of overall demand enhanced growth or more a reflection of your service line mix maybe towards ERS and EAS, which may require different kind of labor than you have been hiring recently?

Anant Gupta: It is quite right, I think, you kind of said it yourself, you answered it yourself, it is due to specific service lines and I think it is due to both – the increased growth of Digitalization as a component of business, one; and second, increased portion in the Engineering Services space. Both these areas are complex skills and not ready-made skills. So while we continue with a just-in-time model, there is a need to still build that capability which is quite complex. It is to do with specific service lines. The ITO business is BAU momentum play. We run that very efficiently, but in the specific areas of Engineering Services, on the back of some very large deal wins and the momentum we are seeing, plus the digitalization areas like Steve also mentioned, those are the areas where the capabilities being built and based on what we see the market move.

Moderator: Thank you. The next question is from Mitali Ghosh of Bank of America. Please go ahead.

Mitali Ghosh: Anant, just wanted to understand a bit more on the IT Infrastructure Services space. Last quarter, I think you had mentioned that due to the complexity of deals, there were some delays or rather the transition times were taking longer. So, where are you now on the transitions and should we expect a pickup going forward? Second is just wanted to understand again in IMS that are you seeing any softness due to perhaps the productivity commitments that might have been made or delays in closures due to digital transformation in such deals?

Anant Gupta: Let me respond to your first one, Mitali, which is around the lead time for completion of transformation. I think they are project specific. There are not any delays in there. They have been booked based on a certain design. If you look at very large banks when you are transforming an end-to-end bank, they are 18 months to a 2-year programs. So certain engagements which are very high in size do have a very large transformational agenda which spans over 4, 6, 8 quarters. So I would say they are continuing to progress very well and there are a few of such kind of engagements which we had announced in the last two quarters. There is no concern on its execution. So they are progressing as per plan. The second is some of the deal engagements are more like 5 to 7 year engagements. So there will be some skew in that. And the third aspect which you mentioned about digital transformation links back to my earlier point on transformational itself which is the same thing, in the sense that when customers are looking at rebuilding their datacenter, landscape, and all the workplace, and if that transformation is bundled with the Infrastructure Management operations, then there will be a lag period between when the steady state kicks in and how the transformation and the transition of the build-up really happens.

Mitali Ghosh: Anant, actually what I was also trying to just understand is that structurally given that you already have a large base of IMS, unlike some players, is it that in your existing business there is a structural issue in terms of growth, because of productivity commitments that are typically promised to customers post steady-state? Also, because of the whole Cloud phenomenon, are you seeing basically new deals perhaps being smaller in size, is there any structural element to watch out for there?

Anant Gupta: On the productivity, no, I do not see any of that really kicking in. There may be cases where let us say there is rebadging happened, let us say a couple of years back, and the rebadging component now moves into steady state, so that is one phenomena, which would happen, as they move into the right short model, but it is really not about any productivity which has been baked in there. If at all there could be some variances in consolidation of programs which happen or in some stacks moving into the Cloud area, which is there where we migrate customers into the Cloud operating framework, but again they are not depleting the revenue profile of the same customer base, if at all they are actually adding on to the revenue profile of that customer. But deal sizes continue to vary. Deal sizes vary between 50 to whatever we have announced. Cloud has been a component of these solutions for a while. Most Fortune 500 and Global 2000 companies do not take their entire datacenter stack on Cloud and there has always been some component of that at least for the last 2-2.5 years and that trend will continue, it continues to happen.

Mitali Ghosh: Basically keeping all the comments that you made in mind and keeping the fact that these are under transition, and of course you have been winning a fair share of deals in the last couple of quarters, should one assume a pickup in Infrastructure Services going ahead?

Anant Gupta: I would assume so, at least if I look at the next calendar year, I would definitely see a lot of that pickup happen as some of these translate and balance out.

Mitali Ghosh: In terms of the Engineering Services space where you have seen some good traction, could you talk about the growth outlook there, deal sizes, competition, and margins?

Anant Gupta: So there are two types of business which happens in Engineering Services – one is what used to happen for the last 7 to 10 years, and that continues, which is really project based kind of work, that is customers want to build some hard core technology stack and they contract an outsourcer like us, but it is really a project-by-project approach. What we have started seeing in the recent past and some commentary which I had made maybe a couple of quarters back was we kind of started seeing some early signs of this business moving more into a structured sourcing market, right. Just like ISG tracks, ITO, which is largely IMS and AMS, and therefore there is a hard number around how that market shifts, we do believe this the Engineering Services market will move into that in some time. When that happens, obviously two things happen – one, volumes grow up; and b), there is some element of commoditization that comes in whenever you get into a structured sourcing market, but given the complexity of the business I believe the headroom for commoditization is still very-very far away and before it really gets into a large pickup. So that is a trend we have started seeing and based on that we have seen a couple of large deal wins, we closed two large deals in the previous quarter, we continue to book two deals in this quarter and these are large relative to what the Engineering Services project business used to be, right. There could be I would say one transaction where we concluded more than a 1000 FTEs worth of people getting rebadged across the globe, where we take on the entire 2G/3G developmental work in multiple parts of the world and then consolidate them into a unified delivery model. So I think deals like that is what is happening in Engineering space. Just like the initial days of IMS when in 2009 when it moved from pure offshore-centric business model, project-centric business model offering to a full service stack, it obviously had an impact of increased volume and therefore a margin trajectory which will be slightly lower than the pure offshore-centric business model. I think the Engineering Services business, one part of that will follow that path.

Mitali Ghosh: Anil, in terms of margin beat this quarter, the depreciation has come down. Is that a sustainable level now and what else drove the beat, please?

Anil Chanana: It will of course depend upon the incremental additions which happened in the asset base, but we believe that will not be significant. So it will sort of move up very marginally, I would call it.

Mitali Ghosh: The rest of the beat is mainly rupee driven, because even utilization was down this quarter. So I was just wondering what the positive factors were for the margins this quarter?

Anil Chanana: The positive factor has been the depreciation, which came off from whatever, because we have been depreciating our assets significantly. If you look at our gross block, 60% of that is already depreciated, so that is one. I think there were other very minor ones, currency had a very small gain that is it.

Moderator: Thank you. We will take our next question from Pankaj Kapoor of Standard Chartered Securities. Please go ahead.

Pankaj Kapoor: Anant, in Healthcare, we had this winding down by a client a few quarters back, and I guess that was also in the IMS' space. So I was just wondering if there is any update on that in terms of, is that winding down now over and we should see growth coming back in Healthcare/IMS from maybe at least two quarters onwards?

Anant Gupta: It was not that the full engagement of the customer wound down, it was the transformational element which got over – a similar question I was answering. Looking at very large scale datacenter migration from an incumbent who has hosted and the technology is potentially owned by the outsourcer, so there are two parts of such an engagement – one is, migrating the customer out, building a full new datacenter stack, putting in the new technology, which could be partly public cloud, partly private cloud. So there is one phase of build up of that entire technology stack, which takes anywhere, depending on scale and size, in this specific engagement over two years. The other element is once this is in parallel or sometimes once this is done, there is the operational aspect of this entire technology stack. So as you rightly pointed out, the first part of the engagement which is build-out has completed, the operation continues. And I think if you heard the comment from Steve, I think we continue to see traction especially in the Pharma space in the Life Sciences area and I think going forward we should see that back on a positive trajectory from a growth perspective.

Pankaj Kapoor: Just a clarification; so you are basically hinting at IMS growth coming back on the earlier curve sometime early next year. Is that what you are basically hinting at?

Anant Gupta: All we are saying was there are some of these large engagements which have been booked and we should see them getting realized more into the calendar year next year, which should chip in into whatever growth rate which is already happening.

Moderator: Thank you. Our next question is from Sandeep Muthangi of IIFL. Please go ahead.

Sandeep Muthangi: Anant, I am trying to reconcile the kind of commentary that you have been saying on Infra Services. On the one hand, you have clearly said that it is in a bit of a transitory phase, but on the other hand, your commentary at the beginning was that, if you just remove India, Infra witnessed a solid (+5%) growth. So my question is that, are you saying that the Infra growth has already picked up and it will continue at this (+5%) odd level excluding India or this time it was India, in the next quarter it will be probably some other contract that will keep this growth fairly muted in the near term?

Anant Gupta: I would say, if you look at on a Year-on-Year perspective, I still see a very robust growth in Infrastructure Services, if you were to just look at this, and we have always said, let us not look at this business from a Quarter-on-Quarter perspective, if you look at it from a Year-on-Year and we should see that back in a much better trajectory going forward.

Sandeep Muthangi: On the tax rate. Anil, you have given a near-term guidance on the tax rate, but say a medium-term point of view, FY16-17 kind of a number, what should one be building in for the tax rates?

Anil Chanana: Probably I need to come back to you on that; I will catch up separately.

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

Sandeep Shah: Just the question in terms of the deal ramp-ups. You have explained that there is a larger deal sizes and a larger cycle in terms of transformations. However, if you look at, there are some 6 to 8 quarters where we have been added $1 billion worth of deals, and in a life cycle now, we are at a stage we have a fair amount of balance in terms of deals going to steady state and the deals actually in the ramp-up mode. So despite that, I think these deal wins are not leading to any kind of a consistent growth pickup. So, is it that the revenue leakage is still leading to some amount of disruption in terms of the growth pickup?

Anant Gupta: Sandeep, I think it has got to do with the specific engagements like I just talked about, the Life Sciences case, in terms of the projects coming to an end, which is the transformational element of that, and then some of the larger scale program still delivering to that. I think we will build a model and we will showcase to you how this whole framework works so that you get a bit of comfort between the book and the bill cycle, because this is a trend which we believe in the industry is there.

Sandeep Shah: Any view in terms of the Software Services, including the three lines of segments which we now have, though despite ALT ASM™, we are seeing a traction, however, it has not been shown in good growth pickup in terms of the Application Development and Maintenance kind of a service?

Steve Cardell: I think I probably talked about this before, but that business has one driver that gives its momentum and one driver that gives it a headwind. So the headwind is as portfolios come up for renewal, there is an expectation of obsolescence in the portfolio, reduction in application number, and a simplification of the landscape, and delivery of those services using great automation tools. So whilst the ALT ASM™ offering that we provide in there is a market leading offering against those trends and also because of the tools we built in these margins, in general, a renewal deal will be at a base level, lower revenues than the previous deal. The momentum that comes behind that is at modernization and the digitization of the landscape. So, through time what you are seeing us doing is growing more market share in that market, but there is a headwind of absolute revenue that means we have to grow market share faster to grow the overall top line. So that is what you are seeing flowing through into the numbers, and the transformational element that comes with that you are seeing getting picked up in the ESI revenues.

Sandeep Shah: In terms of the EBIT margin, can you throw some light in terms of the headwinds and the tailwinds in the near-term as well as medium-term?

Anil Chanana: Sandeep, what will happen is that we are building the global delivery centers, so that is one, you would have seen the announcement so far as Cary is concerned and then there are other parts, I mean, in the US, in Dallas also, another one is getting built, and then something getting built in Poland. So we are sort of expanding those delivery centers because we are closer to the customers and we can sort of deliver in any time zone, that is one. And it also becomes like a hedge against those any of the visa regulations at any point in future. So that is the third sort of motive behind this. The other is in terms of capability building, whatever we talked about, the hiring happening in terms of digitalization, all those are again investment areas which will either find mention in the direct cost or mentioned in the indirect cost. So you will find that the indirect cost component inching upwards as we go along. So, we are not sort of guiding to any number, but we will be making the requisite investments as we sort of go along. It is going to scale up very soon, I would call it.

Sandeep Shah: Our quarterly promotion cycles and the wage inflation cycle, any outlook, how it will look like and in that scenario, investment plus the quarterly wage inflation on a constant currency margin may have more downside rather than upside?

Anil Chanana: The answer is yes because in this particular quarter which is OND quarter. There will be 130 basis points impact of increment. We already had 80 basis points impact and the quarter thereafter will be minor about 10-10 basis points each. So that is the visibility I have, but beyond that as I said there will be other investment areas which we are definitely focused on.

Moderator: Thank you. Our next question is from Kawaljeet Saluja of Kotak. Please go ahead.

Kawaljeet Saluja: My question is on attrition. On a quarterly annualized basis, it has been trending up. Is that an area of concern and if yes, what measures are being taken to bring it under control and the second question is essentially around other comprehensive income/loss, accumulated comprehensive loss has increased by something like $80 million in the balance sheet in the quarter. What was that driven by?

Prithvi Shergill: This is Prithvi, let me answer the question on attrition first. I think we have seen that our voluntary attrition trend quite stably over the last three quarters. We have seen a spike this quarter and which is quite seasonal in nature as our performance management cycle starts in July and progresses through OND. So every year there is a spike we have seen which we have seen this year as well, but we are quite clear that our voluntary attrition numbers remain well within the range that we have been looking at. We continue to invest in our programs which support the employee experience and ensure that the value proposition that we offer is something that creates increased stickiness. So I also see that lot of the transitions that happened are really people who are looking at the kinds of expectations around new roles, new kind of work that we are doing and this itself has a natural flow sort of mechanism for people who were not cross-scaling or up-scaling as aggressively. One of the things we are finding is lot of the work we are doing around career management and our learning management, people are responding very well to actually take up curriculums and take up training to reinvent themselves as well. So I think some of these trends that we started seeing in our workforce will help us retain any regrettable attrition and make sure that we are keeping the people that we need to have with the organization going forward as well.

Anil Chanana: So Kawaljeet, you are probably referring to the shareholders equity in the balance sheet. I think these are basically the foreign currency translations and if the balance sheet items which sort of go into that line item because restated using the current exchange rate, so it is nothing other than that. The only negative I have on account of exchange which can flow through the P&L is the currency loss which was on account of the hedges and that is on a M-to-M basis is (-33) million and on an HTM basis is (+32 to 33) million. If it is not clear, I will sort of separately get in touch with you and can explain how exactly it is calculated.

Moderator: Thank you. Our next question is from Viju George of JP Morgan. Please go ahead.

Viju George: I just had one question on the deals win, right. I think this question has probably been asked before in some form and fashion, but just wanted to get a very clear explanation of this. Increasingly, there is a disconnect with my ability to predict HCL Infrastructure Management revenue or growth and deal wins that you guys keep reporting every quarter. Now I know there is a variety of reasons for this, but just to put this in perspective in the last four quarters, your incremental increase in Infrastructure Management revenues is lower than what it was for the prior four quarters prior to that and it is LTM before that despite the quantum of deal wins being much higher in the last 4-5 quarters. So I am just not able to understand how we as analysts are able to sort of translate this information of TCV wins into estimates for Infrastructure Management growth going forward? Thank you.

Anant Gupta: So Viju, let me just like said, we will have to put this into a model and share it with all of you in a more detailed fashion. But prior to that, I think one thing is if you look at the entire book in profile, it is not all Infrastructure Services. So I hope a) your analyst computation is not saying that whatever we announcing as large deal wins are all infrastructure, right. So there is an example that we announced in the last quarter a very large deal win that is an Engineering Services deal. So I think from Quarter-to-Quarter perspective, we have tried to guide on what kind of service line it was, whether it is Infrastructure or Application Services or Integrated or Engineering or BPO, right. That is one point. I think the second aspect is in the computation model one is assuming that 100% of the entire framework is recurring stream, but I guess in transformational deals that is not and that is the aspect we would like to touch upon when we share with you what the whole transformational model is.

Viju George: Just another point here is that when you announce your deal wins, I am presuming that reasonably significant portion of your revenues might be just renewal deals. Is that part of the equations or not? Do you still increase your revenue run rate? Is that the thinking?

Anant Gupta: No, we do not actually include renewals in the deal wins. If there is a renewal and the component is expanded, we include the expanded portion of the renewal, but the core portion of the base is not included in any deal wins.

Viju George: And finally, I thought last quarter you have said the size of market is approaching 60 billion. I am sorry if I am mistaken, but in your presentation today I see that renewal market you size at 45 billion. Whatever it is, can you just sort of update as with how much in that do you play and what is your win rate and how you are tracking on this metric and what do you see for 2015?

Anant Gupta: So I would say that out of that $45 billion or $50 billion number and that number varies, but ballpark it is about the same (+/-5%). I think about 40%-45% is what we believe is addressable for HCL either from a geography standpoint or from a market segmentation standpoint or from a credit rating or financial profile of the customer standpoint. So these are the three things which take out the non-addressable portion and in the balance I would say our win rates what we try to achieve is anywhere from 35%-45% in that range.

Viju George: And are you seeing your win rate sort of drop a bit or how do you show win rates going into 2015 and do you have any sense for this market will remain $45 billion, so do you see an uptick.

Anant Gupta: I do not know about the uptick, but I would imagine that will be roughly same. Whatever that number is, that number is very large. It is not going to fluctuate or change the profile. I think the core really is the win rate Viju and I think the win rates to me as we speak is very strong. And for the moment we continue to believe that win rate should continue. There is no reason why it should go down.

Viju George: Alright and finally there has been some news of senior management departure on the IMS division piece. Certain people have left. Has that had any impact? What you are doing to mitigate the impact that such departures might have. Thank you.

Anant Gupta: No, I do not think that has really had an impact. I think it is good that at the end we have been fulfilling management talent across the country. But in my view no. I think the organization is resilient and there has been no impact of that.

Moderator: Thank you. Our next question is from Pinku Pappan of Nomura. Please go ahead.

Pinku Pappan: I want a bit more color on your ROW performance. Was it only India or there are other markets that kind of decline and did this kind of come as a surprise to you or were you expecting it and also what is the outlook that you see going forward. Is it going to rebound?

Anant Gupta: So I think it was not much for surprise, part of it is planned. India is a seasonal market especially when the majority of the business being public sector and government centric. Majority of that 6% is from India, but of course there are projects in other parts of ROW which would have also contributed some to getting completed and moving out. And from a perspective of what do we look, it goes back from a seasonal perspective, we do expect H2 to be obviously much better and my pipeline reflects that.

Anil Chanana: It means January to June period.

Anant Gupta: H2 is January to June of the fiscal for us.

Pinku Pappan: Understood. Also in the US, growth has kind of sharply picked up in this quarter. Do you expect the momentum to increase going forward. I am just asking this because the macro print that we get from US is steadily improved. So do you see that kind of translating into and gradually improving your trajectory in the Year-on-Year profile there going forward?

Anant Gupta: If I look at the pipeline, I would say the answer would be yes. I see Europe continuing to deliver the kind of growth rate it has because that market is still under serviced from that perspective and America is obviously inching up more as well. Especially when you look at programs like Digitalization, the one which Steve was mentioning, I think that does provide for incremental movement in the Americas that is way we are seeing. Steve, do you want to add any color on geography in your sector and likewise Rahul are you in Financial Services.

Steve Cardell: Yes, sure and I talked about this on several previous quarters. So we definitely see quite different trends between the Americas business and the European business. So the European business is much more strongly focused on consolidation, long-term cost reduction programs, platform enablement, and the like. And the Americas business is certainly being earlier adopts us of some of the Digital Service offerings particularly Software as a service. So there is more transformation revenues that we see in the Americas pipeline process is strong in that market. Europe is more consolidation type place. So we do see a geographic difference in terms of service lines and propositions certainly in diversified industries.

Rahul Singh: And in Financial Services if I may add, the trend essentially is that Europe tends to be little bit, I think was still 1st Generation, 2nd Generation outsourcer. So the way we see deals coming in from Europe are around the way the North American deal would have come 4, 5, 6 years back. At the same time, North America I think the deals are from a transformational perspective, more digital etc. and so that trend is definitely there in Financial Services as well.

Pinku Pappan: Lastly on your three plains, you have been put a number for the Digitalization opportunity. You had a number for both Engineering Services as well as IMS. Can you help us give a sense of how bigger the opportunity is?

Anant Gupta: The reason why we did not put a number it is still an emerging area and the way you look at it is ultimately in my view the most application build will become digitalized assuming that some point in time everything is a digitalized corporation right. So it is very difficult to estimate what that number is, what that market size will be. I think as we evolve, we will really take shape like if you just take the front office in zCMO proposition itself, there is a significant piece of movement there, but then if you add the analytics portion to that, then it would be much larger. So I would say at least, I do not have a sense from the external advisors as to what those market sizes really are. At least on the Engineering, you do have from Zinnov and some of the other players and likewise on ITO, you definitely are well covered. So I would say it will take a while before this will cover, but broadly if you take four streams and the reason why I think even the third party advisors are hesitating to put some numbers behind it, it is just the credibility on some of the numbers that put behind**.** They had put on some of the trends earlier, but if you look at the entire trends around Big Data, it all really had ended up turning out to be a very limited market for Services. It was largely a large play for storage and compute. So I guess some of these will take shape. So while people will throw around numbers, its relevance to the Services industry is still not credible enough to kind of put a number behind that. Secondly I think it is also there will be certain aspects of the marketing budgets which will move into zCMO and again therefore there is no clarity on what that potentially could be because then you are addressing not just a technologies kind of the budget, but you are also addressing some element of marketing or digital marketing in that. So long answer to the simple question. I do not think I have an estimate and I have not seen any third party credible estimate on that as well.

Moderator: Thank you. Next question is from Diviya Nagarajan of UBS. Please go ahead.

Diviya Nagarajan: Follow-ups to the earlier comments you made on the transformation element of Infrastructure Services wherein how that changes, how revenues accrued? The corollary to that would it be fair to say that from here on that we need larger and larger deal sizes to kind of get back to the kind of growth rates that we used to see even till early last year?

Anant Gupta: Yes, partly right. I think yes, one would need to see in larger deal sizes to kind of get to those growth rates.

Diviya Nagarajan: And secondly on your deal conversion versus bookings, I think last quarter you had mentioned the average tenure of those deal should be around 4 years and we have been averaging about a billion dollar more every quarter for the last several quarters. So assuming that the translation happens and we are looking at almost like a billion dollars of revenue accrual for the fiscal which will happen like you pointed out in the second half with the lumpiness towards the second half. Is that a correct interpretation?

Anant Gupta: No, actually no, I do not think so because lot of deals are also, when I said an average of 4 years, there are deals which are larger. So depending on the size, some of that skewness could be much larger. And if you look at Engineering Services I think the ratio for that will be slightly more different.

Diviya Nagarajan: How should we think about the average conversion of your deal flow into revenue?

Anant Gupta: Unfortunately at this point I do not have any model to explain to you how that conversion will happen. In terms of given the changing landscape on both the ITO and the space, we will come back to you with a more refined model.

Moderator: Thank you. Our next question is from Dipesh Mehta of SBI Cap Securities. Please go ahead.

Dipesh Mehta: Couple of questions. First, whether the growth rate for the current quarter was broadly in line with what management expected in the beginning of quarter and specifically for Infra Services. That is question one. Second is I think you mentioned about in Infra side transformational and operational, two component of the deal. So is it possible in terms of TCV, what component would be transformational or operational on broad level. And last is about the investment into business. I think we discussed last time also. So if you can help us which area we had identified and where do you expect investment to peak up which can have margin negative impact but broadly growth wise it would be medium term positive impact? Thank you.

Anant Gupta: So let me start with the first one. First, I think from an expectation standpoint, I think from a planned perspective what we have delivered, it is consistent, and no surprise over there. I think on the second question about what is the ratio of that – I do not think I have an answer and I guess we will have to build into the model in terms of what really that is and of course it varies deal-by-deal. So even if we do provide a color on that, the ratio of the transformational element to steady-state will vary and can change. On the third area from an investment standpoint, I guess all three areas are investment areas. It is the quantum of investment which varies. In the ITO bucket, the investment levels are smaller because it is obviously a lot more matured, a lot more scaled up. So the investments are largely sales, marketing and DAT. However from a methodology standpoint, we have a flagship technology like MyCloud, SIAM which I touched upon, we will continue to invest. If we look at the Engineering space, I guess that is the area where all skills and if you see the hirings, that is why the hirings happening. We build up of complex skills in that area because on one side, one could be addressing Hi-Tech as design work and the other side it could be related to Aero**.** On the other extreme, it could be medical devices. So it is a complex area and these skills are not readymade. They do not come out of schools straightway. So they will have to be created. Likewise, the Digitalization area, there are elements of investments where we are increasing. Again both in capability building, in domain building in specific industries which we are focused at plus of course because it is an emerging area, it will continue to get larger share of the investment.

Moderator: Thank you. We will take our next question from Ankit Pande of Quant Capital. Please go ahead.

Ankit Pande: My question is to Mr. Cardell. Could you just summarize for us say 4-6 quarters back, our software growth especially around Enterprise was pretty much muted. We would struggle to get 1% sequential growth and now I think that the sequential growth rates are picking up. So could you highlight what change has happened there structurally that you have made. And the other question is to Mr. Chanana. Could you just tell us if the utilization slip this quarter was really a slip or would you have expected to be tighter on that front, I think you have run close to 85% very consistently for some-time. So could you explain if that was a little bit of the slip from the supply side point of view? Thank you so much.

Steve Cardell: So there has been a very, I think well documented trend on the Enterprise market place. So the primary software houses whose revenues we record here are SAP, Oracle and some degree Microsoft and other tier 2 vendors. And if we go back 5-6 quarters, what we saw was the traditional revenue stream that had been there for a decade which was large implementations of ERP centric on-premise solutions was really in very rapid decline. Most of our revenues were coming from Brownfield Integration projects and the trend over the last 2 years has been a transference of that business into software as a service and the integration of hybrid platforms that combined on-premise and Cloud Application Services. So that has also involved the growth of providers like SuccessFactors and Salesforce.com and so on. And so really what you have seen is migration of one revenue stream slowing down and a new revenue stream picking up, really the new revenue stream under the Digitization umbrella. So what you have really seen is that new business is starting to gain great momentum and starting to backfill what was declining revenue stream. So I think really that is the migration you have seen and I think in our Enterprise business, HCL has put itself for the forefront of that emerging wave of revenue in order to ensure that we see that we manage the transition of modernization in an effective way. So I think that is the core trend you have seen reflected in our quarterly numbers really taking the last eight quarters as a trend.

Anil Chanana: So to answer your question in terms of whether we predicted this hiring can be impacted on utilization, I would say yes, it is all planned. Though we do just in time, but there are elements of investments which are happening particularly around Engineering and R&D Services and Digitalization. So we will keep on adjusting ourselves looking at the market place. Run the business, run the operations, it is possible to sort of have a predictability, but when it comes to newer areas, newer areas are particularly new deal wins etc. will sort of continue to make the investment as needed.

Anant Gupta: I would just add that some of these are new complex areas. So we will continue to invest in these deals with this optimization in these specific services model is still not necessary. So we have a very large ITO bucket and that is very efficient and running and in these specific areas, we will obviously given the opportunity available and visible in the future and the availability of skills, this is currently an invest area. So it is not about tightening the bench or tightening the operation, it is planned and it is as per that.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I now hand the floor back to Mr. Anant Gupta for closing comments.

Anant Gupta: So thank you very much for joining the first quarter results for HCL. Just to sum it up, I would just say we have had a robust quarter 3.2% sequential growth driven by a balanced portfolio across different service lines, different verticals. Our deal bookings have been strong and we will continue to push the lever on increased market share as we go forward. Thank you and have a great day.

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