"HCL Technologies Limited Q3 FY2015 Earnings Conference Call"

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MANAGEMENT:	**MR. ANANT GUPTA – PRESIDENT & CHIEF EXECUTIVE OFFICER** **MR. ANIL CHANANA – CHIEF FINANCIAL OFFICER** **MR. PRITHVI SHERGILL –CHIEF HUMAN RESOURCES OFFICER** **MR. STEVE CARDELL –PRESIDENT, ENTERPRISE SERVICES & DIVERSIFIED INDUSTRIES** **MR. RAHUL SINGH –PRESIDENT, FINANCIAL SERVICES** **MR. C. VIJAY KUMAR – PRESIDENT, INFRASTRUCTURE SERVICES**

Moderator: Ladies and Gentlemen, Good Day and Welcome to HCL Technologies Limited 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 3rd Quarter's Presentation. Apology for the delay; we had a little trouble in uploading our files, but we are on air right now.

To sum up the quarter, I think we had another quarter of good consistent performance; 2.7% growth sequentially and 14.4% growth on an LTM Y-on-Y basis in constant currency. If you look at our 3-year trajectory, we continue to deliver good growth of CAGR of 13% and in specific LTM for the quarter-ending March is actually in the order of 14.4%. So while we continue to see strong currency headwinds, the underlying fundamental business continues to do well. If you look at our EBIT, growing at 31% CAGR, of course in the back of significant investments we have made during this quarter and we will touch upon that in greater detail in the call today. Net income grew by 40% and most interestingly, our focus around non-linear growth around Managed Services and fixed price projects and important metric that we measure in the business, grew to 56.2% in this quarter, providing us with the ability to fine tune the engagements as they move into steady state in the following years.

If you look at where this growth has come in from, largely, Americas grew by 12% on a LTM Y-on-Y basis, Europe continues to grow at 20%, so stable growth over there based on the early investments we have made, ROW continues to grow at 11% and this is based on our selective strategy in specific geographies within the region, and what we see interestingly over here is a shift from a little bit of project-based services to the Managed Services and IT Outsourcing, an important trend which will kind of help increase the baseline within the region.

From a Services standpoint, Engineering Services grew by 20% on an LTM basis, Business Services grew by 28.8% and Infrastructure Services 19.3%, a shade below 20%, Application services grew by 7.3% which is slightly in line with the industry average, but if you kind of split the business into the two components, the Run the Business services continuing to do well based on the ALT ASM™ strategy, so three quarters of good growth over there. Enterprise Services a little dip in the previous quarter largely on account of completion of a very large engagement, but at the back of two quarters of strong growth. And again, the transformation program of the contract has got completed and the customer moves on into the operational phase of the engagement.

From a Vertical standpoint, Financial Services, Public Services, Retail and CPG continue to deliver greater than 20% Y-on-Y growth. Telecom, Media, Publishing, Entertainment, Life Sciences and Healthcare again fairly good growth, but there are one-timers from a project transformation perspective which kind of impacted this specific quarter, but on a Q-on-Q basis nevertheless they had a good growth.

This is something which we have been saying or at least in terms of what is our future direction from a market standpoint and where is HCL focused, there are really three plays for HCL – the first is the IT outsourcing play which is Infrastructure, Management Services, Application Management Services or Integrated Services and we see that moving in to what we call as Next Gen ITO. The IoT which is Internet of Things, that is really being led by what we see as the iotization of devices and therefore a strong play for our Engineering Services and followed by a full stack of end-to-end deliverables around creating new offerings in that marketplace and finally, the Digitalization space which is really our future's service offering where we are looking at a front to back Digitalization of processes between organizations and not just the front office.

Now, for all these three specific areas, we continue to drive significant investments, our investments largely are in the following five areas:

So you will see Co-Innovation Labs are very important need as we start looking at some of these disruptive services, there is an increased need for Co-Innovation along with the customers business and that is something which we continue to believe will be built in the front, this is on the back of a couple of Co-Innovation Labs which have delivered well for us in the past, one in the Financial Services space and something you would see in the Financial Services numbers on a consistent growth which is ahead of the industry average largely being led by the Co-Innovation Labs which are actually creating the propositions along with the clients. So this is an area where we continue to enhance and expand our footprint and build on additional Co-Innovation centers for other industry segments as well. In the last quarter as well, we announced another Co-Innovation Lab in the Netherlands along with our customer in the insurance space which is Aegon.

The second area really with the increased service offerings being end-to-end in nature. We see a continuing need to expand on our global delivery footprint. So significant addition in capacity outside India largely to deliver the end-to-end nature of this service offering. Two new centers – one in Oslo in Norway and the other one in Dallas or in Frisco in Texas is something which we announced in the previous quarter.

From an Infosec perspective, we continue to believe that is an important driver for a lot of our customers especially with the increased regulatory and compliance requirements. So we are upping in terms of the technology infrastructure which supports our delivery in order to ensure that we continue to build on the increased requirements that we see in this specific area.

Two other key areas – the leadership and skills. So on leadership we invested in the last two quarters in excess of over 100 leaders, this is on subject matter experts, technical architects, enterprise architects, all really being invested to create these next-generation propositions and ITO, IoT and Digitalization.

And finally, the Digital market. That is a significant investment area for us and also an area where we have received greater than 20 industry accolades in that specific area, and that is something which we are actually plying back into our Digitalization of front office story for that specific service offering.

So the next slide kind of depicts what was the old businesses and how we see some of the news on the left hand side, you will see the traditional offerings of Infrastructure Management, Application Implementation, etc., and they are different, the bars indicate the size of those businesses, and on the right hand side are some of the new areas which are emerging and will be really driving the incremental growth going forward. So what we have done and you have heard from us a couple of areas we have already introduced next-generation services ALT ASM™ which is why you see significant Q-on-Q growth in the Application Management space as well as the Enterprise of the Future, which is around the Infrastructure Management space. So we continue to build on that. While on some of the other technologies really feeding it into like what I just described the Digitalization and Engineering and IoT which we believe are really the technologies of the future and that is where we are looking at how we can extract run the existing operations more tightly so that we can take out what we could and move it into some of these newer service offerings.

So with that I will actually hand it over to Steve to give us a deep dive on both Application Services as well as the diversified industries.

Steve Cardell: Thanks Anant. So let me just cover off Application Services first. So as you recall, we view this business through two different lengths; the first being IAS which is more of Run the Business Apps Management Services, so IAS reported a 4.4% constant currency growth this quarter off a back of a healthy 3.6% in O&D and really there are two drivers for growth in this market for us, our ALT ASM™ offering continues to differentiate HCL in the marketplace and continues to help us expand in existing accounts, and to win new logos, and in this quarter we picked up a number of new logos across the verticals of the ALT ASM™ service offering. And then secondly what we are observing is that is a greater number of deals that are integrated in nature. So either combining Infrastructure and Apps so our ALT ASM™ and our Enterprise of the Future offering coming together to differentiate us in those deals or between Application Services and BPO and so our enterprise functions as a service plus ALT ASM™ coming together to differentiate in those deals. So we continue to see good momentum there. HCL continues to hold a strong market position on the IAS side. And then on the ESI side, Systems Integration side, we have come off to a very strong growth quarters 5.1% in JAS, 4.2% in OND. We saw negative growth in this quarter for two specific reasons both of them from North America and both of them large fixed price projects that completed in the OND quarter and moved from build into run. So we saw reduction in revenues from those – one was in the utilities vertical, the other one was in the CPG vertical. Outside of those two specific fixed price projects, the ESI business would have grown this quarter and we continue to see good progress on the ESI business, particularly driven by the adoption of SaaS and the adoption of digitization. In terms of recognitions, our digital systems integration offering continues to gain momentum. We picked up a number of deals in the quarter. And what we are seeing there is the growth of hyper deals. So multiple different technologies from different software houses being knitted together to deliver digital processes. So some of them being software service offerings, some of them being mobility offerings, and some of them being integration offerings between digital technology and legacy technology. So HCL's ability to knit together different software products to deliver digital processes is something that is differentiating us in the marketplace. HCL was also ranked as a major player in the IDC Salesforce MarketScape ahead of all other Indian headquartered companies. So our investments in digital platforms continue to be recognized in the market and continues to help our growth in that area.

If I then move across to the industry view, so a quick run down there if we take our last 12-month view, manufacturing was 11.7% growth, Retail and CPG 22.1% growth over the year, we saw a negative growth this quarter again on that specific deal and also the rapid adoption that that industry is going through on digital technologies which is reducing the spend on traditional ERP technologies. Telco 9.3%, Life Sciences 9% and Public Services continues to be growth engine for HCL at 26.1%.

So just a sort of highlight to guess how we see those different industries: We see most spends on the manufacturing side coming out of what I would call the well beyond ERP, so how to build off the typically globally ERP platform was that most manufacturing companies have now into systems of engagement, integrated planning and supply chain operations and moving from the investment in the manufacturing process to revenue generation opportunities in the service or warranty of those manufactured products particularly true in the heavier manufacturing industries.

Consumer Services wide across the macro verticals in the CPG, Retail, Telco, Media, and Publishing, there is this convergence of digital technologies enabling the customer experience and then the backward reengineering of supply chain to deliver that customer experience. So without doubt of these industry verticals, Consumer Services is the one that is getting transformed most rapidly by digital technology and we are seeing winners and losers emerge at a much faster rate than we do in the other industries.

Life Sciences probably the big driver that we are seeing there is the growth in the number of drug launches that are taking place now and how that is shifting that industry from being a small number of mega drugs to a much larger proliferation of smaller drugs so that requires the faster R&D process, it requires more drugs to go through that, and it adds complexity to the engagement into hospitals, doctors and the end consumer because there are a variety of drugs on offer is increasing, and therefore the ability to support the medical profession and the end user in that increases.

Public Services continues to grow off a back of our Utilities business and our Oil and Gas business. The primary driver there being two-fold: One is the ongoing cost reduction that is being demanded by both European and US government, many of those companies still are either under direct government control or under regulated environments and then a move towards greater customer centricity in those areas. So customer service transformation continues to be a strong driver for us and obviously based on that view the markets we continue to line up our propositions in meeting those needs. So from manufacturing, our iMRO solution, our aftermarket solution and our intelligence supply chain solution, all meeting the needs of the manufacturing space.

In Consumer Services, we continue to press very strongly on our digital offering which is getting recognition in the market, most recently from Gartner, but our ecommerce offerings, our omni-channel offerings, our zCMO offerings, our digital marketing offerings, all serving a back shift going on CS.

Life Sciences connected health linking the drug delivery to the end user and commercial analytics and population health management are the three investment areas that we are making in that vertical.

And then Public Services continues to be the armor of offering so connecting assets in this field to business intelligence and then the customer service platform that we have built for the utilities industry continuing to make progress in the market.

So with that let me hand the across to Rahul to give the summary for Banking and Financial Services.

Rahul Singh: Thanks, Steve. Financial Services we had the LTM growth rate of about 20.9% on a year-to-year basis which is industry leading as Anant mentioned. We continue to see a good pipeline in Services and across geos in our markets. If you look at Financial Services from a demand perspective, we are seeing an increased focus on Digitization and Digitization is on a front to back basis which means that at the back end our clients are investing in terms of applications simplification, apps modernization and on the front end they are investing in terms of increased client retention and more analytics to take better decisions. And to fund this entire Digitization journey, clients are looking at cutting costs in a large way which is leading to a huge wave of vendor consolidation across Europe and some of the US financial institutions as well. On a medium term basis, the trends that we see are driven by some exits on non-core businesses by financial institutions, these exits are being triggered by regulatory changes. So there is a lot of discussions around subsidization in the Europe and UK markets and US regulatory framework is resulting in customers divesting non-profitable business. So these are some opportunities for the IT players like us. We are also seeing medium term trends in terms of utilities, where clients are looking at outsourcing multiple stacks of work across IT, BPO and Infrastructure, and we are seeing a movement towards private cloud which is driving decisions around IMS. And on a longer term basis, from demand environment we are seeing the emergence of challenger banks and challenger financial institutions which do not have the problem of legacy. So in the longer term we are seeing those trends to be little disruptive as well.

From an HCL perspective, we continue to invest in transformational capabilities and to meet digital needs of our customer, Anant spoke earlier about the Co-Innovation Labs that we have created a couple of Co-Innovation Labs in the geos for our

Insurance and Banking clients. We are also focusing on meeting our clients' needs on vendor consolidation. It is extremely critical for us to be able to address customer pain points and just to take a forward-looking transformation look on vendor consolidation how to make clients get more for the same amount of the dollar that they spend. We are also focusing on growing new accounts in both North America and Europe and higher penetration in our accounts in Asia. We also have a couple of investments happening in area of shared service creation and utility models from a client perspective. All in all, HCL Financial Services continues to be well recognized in industry; recently we were nominated as a "Best Omni Channel FX Provider in UK". We have been listed amongst Top 25 FinTech Providers Globally. Everest has rated us a Star Performer in Banking, and one of our insurance clients was nominated as talent model insurance client operational excellence in March 2015. So it is important for us to note here that HCL is a significant provider of IT Services to this customer.

So with that I move from Financial Services to Business Services. Business Services has also seen a good growth in last couple of quarters and on LTM basis 28.8% growth. The focus for Business Services is on more outcome basis kind of Business Services. From a demand perspective in the environment we are seeing clients asking for more industry-specific BPO and we are also seeing the emergence of as-a-service delivery model and again here as a service delivery model, HCL is focused on a few services that has enterprise finance and enterprise procurement where we are investing in terms of as-a-service delivery model. We are also moving our BPO to more outcome basis model. So Anant mentioned earlier about certain percentage of HCL being coming from Managed Services. So the BPO business also has a component of that as more outcome basis over cost basis as a model for engaging with customers. And we have seen a demand from clients to a higher amount of Digitization, Robotics, Automation, etc., all in all Business Services is focusing on work elimination using such tools like Robotics and Automation to try and eliminate work on a long-term basis and that is also an area of focus for HCL BPO.

From a growth driver perspective, we have identified two vertical segments for growth – Financial Services and Healthcare. And as I mentioned earlier from an Enterprise Business Services back office and front office in terms of creating as-a-service model and then we are also focusing on Digitization and Automation to keep our differences, we have created IPs such as EFaaS, Toscana Bot, Scorp etc., which are now used to accelerate conversions of clients into Business Services for HCL.

We continue to be well recognized in the industry; Everest has rated us major contender in R2R; in the capital markets side we have been rated as a key competitor, and in the Insurance Business Services we have been rated as a higher profile. Similarly, HFS has rated us in their reports on Financial Accounting, Business Services. So all in all we are seeing good traction in the markets and are now getting good recognition from analysts as well.

With that I would like to hand you over to CVK to talk to us about our Infrastructure Services.

C. Vijayakumar: Thank you, Rahul. Let me talk about the key highlights of the Infrastructure Services for this quarter. As Anant mentioned, Infrastructure Services grew 19.3% LTM Y-o-Y basis. We had a good quarter.

In terms of growth drivers, there are a couple of important themes that are playing out – one is Cloud-enablement and the second one is around Automation and Self-Healing kind of solutions. On both these areas we are well ahead of the pack in terms of solutioning and executing to the solutions. I would like to call out a couple of significant wins in the last quarter: One of them has been this is one of the world's largest engineering firms for delivering Next Generation Data Center Services. This also includes building a Cloud based Infrastructure as-a-service solution and managing that for 5-years.

We also won a very important contract with a Fortune 50 technology company, very forward-looking scope, which includes in its Cloud-enablement Orchestration, Operational Automation and Autonomics. So these two themes Cloud-enablement and Automation are very dominant themes in most of the contracts that we are engaging in and we are well placed to be a preferred choice for our customers in these areas.

In terms of the trends in the demand environment, the rebid market the momentum continues to drive where customers are looking for increased transparency, flexibility and innovation. So the rebid market is intact and we see close to $40 billion of renewal market in the next 24-months. We are also seeing a combination of rebid in first time outsourcers driving an increased momentum in some of the geographies like the Nordics, Continental Europe and Australia. We are seeing an increased uptick in the spend on security technologies either as standalone programs or as a part of overall ITO deals.

All in all, we continue to be recognized very well; earlier this year we are rated as # 2 by Forrester and a Leader in the Global Infrastructure Services Wave. We were rated on all dimensions including customer impact and delivery excellence categories.

Also recently, IDC published a report which validates our success in Europe in ITO deals and highlights our growth momentum in the Europe ITO market.

So to summarize it has been a good quarter with good wins and we continue to invest in some of the new areas including the global delivery centers which Anant talked about earlier, which has a significant footprint of Infrastructure Services, we continue to invest in building capabilities around Cloud-enablement, Automation is a big theme where we are continuing to invest, and we are seeing good results of those investments.

With that I will hand it over to Anil for the next section.

Anil Chanana: Thank you CVK. So we did in constant currency terms 2.7% quarter-on-quarter and 15.4% year-on-year quarterly basis. The translation had a negative impact of 270 basis points mainly coming from Europe, GBP, Australian dollars and then a mix of host of other currencies practically all currencies were down against the dollars except of course Indian rupee. So, if you look at last 12-months we have added something like 745 million in constant currency terms in revenue and about 47% of that came from America and 43% came from Europe, so Europe we see a growth which is higher than the company wise growth, and the balance 10% was contributed by ROW. If you look at Services, 44% of this increase has been contributed by Infrastructure Services. I know that in calendar year I would have shared with some of you that in calendar year 2013 70% of the incremental revenues came from Infrastructure. So it is getting more and more diversified since the other services offerings are also doing well and 23% came from Engineering and from Applications respectively and 10% from BPO and you have seen the BPO also growing. In terms of operating margins, it was lower by 250 basis points, out of which 60% by the exchange impact and increments had 40 basis points, this was in line with what we had guided. So if you take away 100 basis points, it was 150 basis points of investment which went in… I want to repeat that again, I mean Anant talked about that investment where exactly those investments went into.

If you go into the client category, again, a very good picture, this is basically year-on-year, so added clients in all the buckets practically and we are seeing client additions in 50 million, in 30 million, in 10 million, in 5 million or practically all categories, very good client additions.

Going on further, the return on capital employed on the last 12-months basis is 35% which is higher than what it was a year before.

Moving on the receivables, I would say that have gone up; the billed receivables has gone up from 58 days to 62 days and unbilled have gone up by 5-days. So 4-days increase in billed and 5-days increase in unbilled. This is a typical first quarter of the calendar year where the clients sort of issue us the SOWs or POs as they call it and which are issued for a period of 1-year, this is despite of the Master Services Agreement already being there, most of the customers who have outsourced or who follow the automated system probably issue the POs so that the invoices can be processed and we gave the invoices once we get the SOWs or POs. Exactly same time last year I had seen that going through it, we had exactly the same four days increase in bid at the time of the year. So, I think probably we will get catch on it very pretty soon. And in the first 7-days of this year April, we have collected something like 133 million which translates to 8-days of a year. So, significant collections have happened because unprecedented the values which have come in this period. I have seen something like 80, 85-days, but it has exceeded that level.

When we come to the unbilled, it is basically more sort of link with the engagement. Whenever I have seen in this, it happened in July to September quarter again last year where we had taken on large engagements and then this went up. So, when you take on the engagements and particularly the engagements are multi-country, we have to enter into local service agreements where the respective subsidiaries of the customers and the customers prefer that the vendor bills directly their subsidiaries instead of billing the parent entity and the parent entity doing intercompany billing and then you have to settle the sales tax issues. So, the whole process takes time so that is why we are seeing the unbilled go up. We believe that it will also sort of even out over next couple of quarters.

Moving on, we had the benefit of speaking to some of you and getting your inputs on any of the questions you had and one of the questions I got was in terms of the levels of deferred cost and deferred revenues. So, this slide lists the deferred revenue and deferred cost how they are moving. I think a significant increase has happened in the deferred cost this quarter and I thought I will just take a couple of minutes to explain what is happening here. So, there could be three situations; one could be where there is deferred revenue which is there with associated cost. So these are transition costs which are incurred and billed to the customers. Both the revenues and costs are recognized over the contract period. So, there is a revenue and associated cost. There could be situations we have only deferred revenue, we do not have a deferred cost associated. So, these are among bill to the customers, say, let the mobilization which is then recognized over the service period or depending upon how the services are delivered or in the case of fixed price project where billing is done by the services are yet to be delivered. We are trying to do the mismatch between the billing milestone and the service delivery, and the maintenance charges, which gets billed to the customer probably in advance every year, while the income gets recognized over the service period in which we deliver. So, these are just the deferred revenue, so they stand over a period of time. Then there could be situations where we have only deferred cost. So the transition cost there could be situations which is not recovered upfront like in the first case, or a cost bulge which is recovered over a period of time as this is billed to the customer as a steady state charges or there could be licenses and support services or something like tools as a service which we buy from our vendors to provide to the customer or a group of customers which again sort of gets billed to our customers as I said is a great challenge. So, in this particular quarter, the prime reason has been the deferred cost which has gone up, which is Item #3, which has led to a bulge here up. The difference between the deferred revenue and deferred cost does not reflect in a way the profit element; both are separate and both going to the separate line item. It is only the deferred revenue which was with the associated cost where the profit element will be there. In the event the cost is likely to exceed the revenue, the whole excess is recognized upfront and the losses booked into the P&L account. This is a standard US GAAP practice.

Moving on, we had 1.4 billion of hedges and divided into 657 million within one year and 300 million in excess of one year. The average rate for less than one year is Rs.64.19 and more than one year is Rs.67.42. It is a mix of options and forward, most of it is options than that of forward. So, on coverages in terms of cash flow hedges is like 5-months of our inflows. In terms of the dynamics of USD/INR movement, that 1% continues to have impact of 21 basis points at overall company level in terms of margins.

Moving on, in terms of FOREX loss this particular quarter, FOREX loss was $2.9 million, 1 million on account of cash flow hedges and the mark-to-market exposure was $1.9 million. The OCI which is sitting on the balance sheet is only (-4.9) basis as of 31st of March 2015 and April-May-June basis, the March is anticipated to be positive at 2.3 million; however, it all depends upon how the currency pans out.

Moving on further in terms of tax, it continues to be between 21-22%, this quarter was 21.9%, but for the full year we will be within this range and even a year thereafter which is FY16 we expect to be within this range of 21-22%.

With this, I give it back 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 Anantha Narayan of Credit Suisse. Please go ahead.

Anantha Narayan: I had a couple of questions: The first one, Anant, was on these various service lines. So you have shown some pretty strong traction on a LTM basis in each of your service lines barring Application Services. So, my question was what would it take either for HCL Tech or for the environment to get that growth number in Application Services somewhere in the early teens?

Anant Gupta: I think there are a couple of things: First is if you just look at the Run the Business portion of the Application Services, I believe that it has been double-digit growth from an LTM YoY perspective. It is our enterprise system integration which is more project-centric led where we still see that in the single-digit numbers. I think what really would therefore drive some of the discretionary side of the spend because that really is the discretionary side is really the increase uptick of digitalization in the marketplace. So the way we see the market today in digitalization and digital system integration is that while in some areas customers have moved on from let us say proof-of-concepts and into what I call mid-size engagements $10-20 million kind of engagements but we are yet to see some of the very large transformational programs in the hundreds of million dollar kind of range, those are still few. And the market really need and that is where one of the areas where we are investing is for working along with the customers business teams we find where those innovation spots are and therefore really building using our Co-Innovation Labs in the front to be able to kind of identify those individual areas of significant impact and then really work on the digitalization journey for the customers on that, because on the one hand we have seen a large shift from on-prem implementation services which was really the bulk of the traditional enterprise system integration work which has really moved to more of SaaS implementation which has obviously resulted in a significant reduction. In my view, it is really about the digitalization and I still see that while from now we hope that in the next 12-24 months we should see an increased adoption of digitalization into mainstream large scale transformation programs.

Anantha Narayan: My final question is on the attrition numbers, it has been remarkably stable at a time when most of your peers are facing some pressure. Any particular reason or attributes that you would think is causing the stability?

Anant Gupta: I will give it to Prithvi, our Chief Human Resources Officer, to walk you through some of that, but Yes, it is a program we started 2.5 years.

Prithvi Shergill: I think that is really the outcome of our continued investments in looking at ensuring that the design and delivery of our performance, career, learning, reward, talent management processes is resonating with the work force that we have, ensuring that it empowers them to sort of shape a career and rework to the potential that they see. We started determining this really design U2.0 journey which is really about ensuring that we empower people to take control of their career, learn new skills, be future-ready. I think that is resonating with people, but attrition is clearly a hot talent market. So while we continue to invest in creating the kind of culture and creating the kind of practices that people want to be a part of, clearly, we need to be continually watchful to ensure that these numbers stay where they are.

Anant Gupta: Maybe just to add, in the last three years we have obviously seen a significant shift of our manpower outside India as well, whether it is global delivery centers or in-country operations and therefore, it has taken us a while to adopt our employee first practices which were well-tuned for the India talent pool. So, as we progress on that, we have seen that we are able to adapt our philosophy around employee first a lot more closer to the multiple cultures we now operate, I mean, our workforce outside India is a good 20% as we speak.

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

Nitin Mohta: Firstly, on the demand front, one of the largest services companies that reported last night commented about weak growth in Americas. Seem to be the case that you as well, which is at odds with the macro data. So, if you could just help us understand why the dichotomy there in the marketplace?

Anant Gupta: Firstly, Americas, we delivered 12% YoY from an LTM standpoint and that is on the back of two consecutive quarters of 6% sequential, but I just think that the Americas obviously moved on the ITL journey a little ahead in time at least most markets and therefore the discretionary spend continues to be the one which is impending the growth whereas in Europe and in parts of ROW which we see now in some of the select markets, the uptick of an alternate service provider for ITO continues to be a great potential. So, I would say that is the reason why we have seen the shift. When we look at the bookings which we have done in this specific quarter and including the last one, I see that most geographies have contributed equally in the proportion of business that they are in. So, we continue to see churn in Americas in the renewal market and we continue to believe that is an important market for us and we should see growth at least on the ITO side, on the Engineering side and some of the non-discretionary spend.

Nitin Mohta: Second one was on the Digital side. Now one of the concerns in the investor community is that India-listed vendors probably do not have the consulting edge that some of the western peers enjoy. So do you think there is some catch-up for the Indian players here? And in the interim period, initial project from Digital space could elude you guys and we can see better growth rates on Digital on the western peer side?

Anant Gupta: I am not so sure how much it has to do with Consulting, but I definitely think it has got to do with where that specific value is delivered. So, if you go to the point that we have seen success in some of the Co-Innovation Labs we talked about, we already had one before we announce the other one this quarter. So the first one was the Financial Services space, which really is in the Digitalization area and trying to work with the business to arrive at what are the candidates within the process, which the clients have that would be good candidates for Digitalization. So, lot of these we need to realize that while Digitalization from the front office is obviously a no-brainer but the real impact to large corporations worldwide is the end-to-end Digitalization of the process, whether it is for agility, whether it is for competitive advantage, whether it is for better efficiency itself. Now, for all these things, we need to remember that organizations have a complex organization culture and structure and therefore it is imperative to work with the business hand-in-hand to arrive at what those POCs could be that work through that to make sure that they get delivered. So we do believe it is not therefore a consulting-led disadvantage, it is really more of where that value is being delivered and which is what we are now beefing up with increased Co-Innovation Labs in the front. And it has also got to do with the significant subject matter, enterprise architects, the 100-odd leaders we added in the last two quarters. That again is a specific area which I believe will aid the growth of Digitalization.

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

Mitali Ghosh: My first question is on Infrastructure Management Services, which grew broadly in line with the company both sequentially and on year-on-year basis, maybe just a tad above. So I just was curious to know that given the size of the business is quite large now, should we think that HCL Tech is broadly at a steady state level in Infrastructure Services now or do you think growth could accelerate? And if so, what factors in the environment or at HCL do you think would drive that?

Anant Gupta: You are right, Mitali, the Infrastructure business, we continue to see a good momentum in that market, significant amount of churn in the rebid market continues to come from there. I think the deals have become a lot more complex and we continue to win in that marketplace with some of the service offerings that we have. I would believe that service line will kind of work on three different fronts – one as a standalone offering, which it should grow above the company average; second is, the phenomena we are seeing in integrated deals. So we should see a lot of uptick as integrated deals as well, and finally as we see the Digitalization or Digital environments open out, again, a very different operating model, which is why we are investing so heavily around the Next Gen ITO. So even in this quarter if you look at there is a large win where we are working with the Financial Services company on consolidating and managing their entire Digital platform environment. So, I think what we are witnessing is the traditional churn of ITO and Infrastructure to happen and I think we continue to win well. We have historically been saying that we are looking forward to markets in Germany and France opening up, so we continue see good presence of that, we had a couple of wins in both these markets in the previous quarter. So that augurs well for us. In select markets in ROW, we have said, South Africa and Australia, we continue to see an increase in Infrastructure Outsourcing on ITO over there. So I think we are seeing the positive trends, they will take its own cycle time to convert into revenue, but we are extremely bullish on that service line as well.

Mitali Ghosh: On margins, we saw a step jump in investments this quarter after about perhaps 5-6 quarters. And in the past I think you have indicated that investments will be done in a more calibrated manner. So, just was curious to understand whether the bunching up of investments this quarter was coincidental or was it kind of planned?

Anant Gupta: I think it is a mix of both, but it is really coming from the back of the traction we are seeing in the market, so if you look at in the 14 deals we announce this time, you will see there is a large engagement on Internet of Things. So, what we see is the adoption of Internet of Things into mainstream actually coming in faster than what we had anticipated. So, we are pulling in some of our investments in that. We have actually added 100,000 square feet of lab space in Bangalore just to kind of increment that line of business. If you look at some of the things around Digitalization, I talked about the success of the couple of Digital Co-Innovation Labs that we had, we added another one with an insurance company, in Netherlands. So, I think some of these are based on our comfort and comfort of the traction that we are seeing in the market for these offerings which is why we are accelerating our investments in these areas.

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

Ankur Rudra: Could you maybe elaborate how we should look at the investment this time from a structural change in your margin profile versus potentially investments for growth in new areas which can be recuperated? Perhaps you can use the example of your existing Co-Innovation Lab in terms of how profitability can change over the life-term of such a contract.

Anant Gupta: The profitability of those engagements are pretty much in line with the normal business. I think it is that we are investing in expertise on the know-how side. It is really below the gross margin level. So, those are the investments to create the know-how in those specific areas. So, I would say it is more to increase the addressable opportunity available to us as a first priority. So, it is to increase our presence in those markets to drive some of our trends and thought leadership in those markets. That is of course priority. So, how do we create a more robust Digitalization business working with the co-innovation model in the front or whether it is Internet of Things and how we increase the ecosystem of that play. So I think our focus is first on increasing the addressable business in that market. I think the margin will flow down and it will be similar to the other businesses, which are the traditional business model itself.

Ankur Rudra: I guess your renewal rates in your legacy IMS contracts have been fairly strong, but given that the trends in that market are changing especially as Vijay highlighted in his commentary around adoption of Cloud and Automation, maybe you could elaborate on how that is impacting the scope of deals in terms of size, duration and margins?

Anant Gupta: I will have to give an umbrella of theme and I ask Vijay to walk through in more detail, but the Cloud phenomena is a part of our deal is not something new. For the last two and a half years, Cloud is an increasing component of the solutions we offer to our customers. In fact, I would say that given that our focus was an asset-light engagement model, in fact the Infrastructure-as-a-service or that Cloud component on that actually helps us in providing or making sure that we are at even keel with companies who had asset heavy business models. So it is really the operating architecture of being able to manage this hybrid of private environment and the public, which was the MyCloud Architecture which we had introduced two and a half years back. I think that is now further expanding into some of the newer areas like Service Integration and Management which we have now seen in the marketplace. So Cloud is not something new.

C. Vijayakumar: As Anant pointed out, I think we are very closely working with the number of our customers as a Cloud journey. And as a part of this journey some of the new services that we are offering like Service Integration and Management, they are becoming more and more relevant and we are becoming the prime overall provider and we bring in different components of Cloud provisioning, be it Private Cloud or getting some of the workloads to Public Cloud and orchestrating all this across different Cloud providers through what we call as a "Hybrid Cloud Model" using our own MyCloud, which is an investment that we have made several years back, which is the Cloud orchestration engine. So all of this is coming together to keep our customer revenues and interest in partnering with HCL in their Cloud journey. We are seeing it as a very positive thing, that is a way I look at it from a business perspective. Just answering the question on Automation, I think Automation is also growing as a big expectation in a lot of our customers, but one of the prerequisites for Automation is around standardization and to really significantly get benefit sort of Automation, the first focus should be on standardizing the environments, which also offers a lot of transformation opportunities for us to participate. So we are participating in those opportunities and then as an outcome of that we are building in Automation as an additional proposition for our customers.

Ankur Rudra: I just wanted to clarify that there are no negative pricing impacts of the Automation element in your deals?

C. Vijayakumar: Typically, we have productivity improvements, which are baked in and normally even in the pursuit stage, this is very visible expectation that clients have to bake in automation and the benefits of automation through the life of the contract. So it is a part of the deal that we sign and we are executing to it.

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

Sandeep Shah: First question is, Anant, we have heard you on the television that you are still saying that Engineering R&D has not yet reached to the inflection point. So despite it is like three or four quarters where the constant currency growth in this segment of the business is like a mid single-digit to a high single-digit, what is the reason here and what is the outlook here?

Anant Gupta: So when I said it has not reached an inflection point, it is more in context in comparison to the Infrastructure Management Services, which we saw let us say 2009. Yes, there are deals happening, including this quarter we have announced a number of deals in Engineering Services Outsourcing, the ITO deal I just mentioned a short while ago is an Engineering-led Outsourcing deal. The reference to inflection point really is as the market shifted to a structured sourcing advisory-led outsourcing market. So, I do not think that is yet there. When that really happens, then the volume of the outsourcing goes up, quite similar to let us say what ISG does, right. Today, if you look at ISG, gives you an indication of was there an IMS or an AO or ITO or BPO, but they do not give anything in the ESO. Because it is a nascent field, it is a complex field, it is quite domain-specific, and it is not horizontal. So it will take its time for it to evolve into a structured outsourcing business model and which will then drive true inflection point in my view. So that is really the reference over that. Yes, we spend on R&D, my company is globally is very large, but as we know the outsource components is still very small. So that is really the background of my comment.

Sandeep Shah: Further on that, in one of your large deal wins from one of the telecom OEMs, the media is reporting some M&A which is happening where that client getting acquired by another client. So will this lead to any kind of a disruption or issues on ramp-ups within that project which we have won?

Anant Gupta: No, I do not think so if you are referring to the Nokia and Alcatel. I do not think so. In fact, we have helped the former company on their shift left strategy, I think we have executed to that very well, I think we have tremendous track record of delivering value without any disruption to their customers. So I think all in all we have built a very strong reputation in the marketplace. Do remember that the similar customer long back when they had separated from the handset business, we successfully helped them spin that off in the Infrastructure side. So that was again a very strong program that we ran and then when recently the handset firm got acquired or merged with another large technology OEM, we helped consolidated that back into that specific business and actually manage both of them now. So I think we have a good track record of execution. I think we will obviously have to wait for the strategies the merged entities will have going forward, but I do not anticipate any downfall of that.

Sandeep Shah: Last few things: The BPO margins looks like on EBIT level has gone down by 500 basis points. And second, Anil, if you look at the OCI, losses has been increasing despite our strike rate on a Q-o-Q has been going up. So why there is no gain, which is getting translated into P&L or shown on to the P&L?

Anil Chanana: On the OCI, can I sort of maybe come back to you separately because it has not got my understanding is, my understanding is that the losses actually significantly gone down. Actually, the next quarter is actually a positive figure, but we can separately talk to you.

Sandeep Shah: Because I was just looking at the OCI in the balance sheet, that figure is also going up versus what it has been shown in the last June 2014?

Anant Gupta: I think your question on the BPO, specifically with respect to the quarterly movement of the margin, it is largely on the back of the ramp up of a very large engagement and I will let Rahul comment on that.

Rahul Singh: That is right, we had two quarters of significantly higher growth; last quarter we grew by 4.5%, this quarter by 7.9% and that is in the back of one large client coming in, and therefore start up expenses, which are causing the margin to come down.

Sandeep Shah: So one can expect it may go to low double-digit, which was the range which we have maintained in the last few quarters?

Rahul Singh: Business Services is the smallest service line, which is there in HCL at this point of time. So there are higher levels of investments that we need to make. So you can take your call based on that.

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

Nitin Padmanabhan: Anant, just wanted to get from an Engineering and R&D perspective over the past couple of quarters if you look at the total deals that you have won, any sense that you can give in terms of even qualitatively as to how it has improved as a proportion of the overall booking profile that you have won in terms of the total value, how it is today versus maybe a year ago or how it has sort of progressed over the last year or so?

Anant Gupta So, first, let me make a comment overall; the pipeline that we see, the funnel that we have today is larger than the funnel we saw in the same quarter last time, we see that continue to be large, and there is really no skew that is equally distributed between Engineering Services, standard on infrastructure, standard on application outsourcing, integrated deals as well as the entire DSI space. However, what we have seen the funnel is the very-very large deals are actually more skewed towards H2 of this calendar year. But from an overall deal value perspective, it is larger and the count perspective, it is larger.

Nitin Padmanabhan: The second part that I wanted to check was from a margin perspective where we have made the investments and let us say BPO there is something specific in terms of a client ramp up, how should one look at margins over a longer-term because from whatever the commentary has been made so far, looks like a lot of those margins can be ploughed back as there is more leverage on the operations side. So, I was just wondering how one should look at it?

Anil Chanana: So these investments are basically for the future for the AV, IoT and then we talked about the Next Gen total IT Outsourcing and Digitalization. I think it is an investment phase. On top of it, in the Engineering side, we are picking up deals, which will have a margin trajectory very similar to what we incorporate follows in terms of Infrastructure Services. We suppose it should follow that sort of a trajectory over a period of time. So I think there is still time to realize those over a period of time. We believe it is elevated level of cost structure which we are tying into but we are confident about business.

Nitin Padmanabhan: If we go back in time, I think when we had this whole pickup in IMS and just prior to that when those initial large deals came through, we saw a lot of investments happening and margin sort of being suppressed at that point in time. Do you see the kind of investments that we have made in this particular quarter, do you see incremental such investments over the next couple of quarters that could sort of depress just as the way we saw in IMS during those periods?

Anant Gupta: So I think there are two points of investment, we should be careful: One is investment on the business in general for creating differentiation, unique methodology and so on, which are the five points that we talked about, that we will continue to do, because we are confident that is a marketplace where these services will go and we need to make sure that we have different shared offering for the future in that. The point around Engineering is really around the deal type, right. If we compare that to the deal type in Infrastructure when we talked about what did we see? We saw business which was largely or deals which were largely offshore-centric moving on to more of an end-to-end engagement which had a full component of onshore, offshore, the KDs, know-how and the similar ramp up trajectory. So the point, which Anil was making on the Engineering, that is the trajectory deals will see an Engineering follow Infrastructure. First few quarters, when you take them on, you will get increase ramp up in revenue, they will move into a steady state over a period of quarters, some two quarters, some three quarters and therefore, no revenues will slightly get lowered because of the end-to-end nature becoming more steady, more normalized and the margin then moving into higher trajectory. So I think those are the two different ways in which we should look at the investment commentary.

Moderator: Thank you. The next question is from Sagar Rastogi of Ambit Capital. Please go ahead.

Sagar Rastogi: You mentioned on TV and also in this call that one of the margin headwinds in this quarter has been investment in new centers, Co-Innovation Labs with Aegon, center in Oslo, San Francisco. Could you quantify this and give a bit more color on the nature of this expense? So, should I think of it primarily as rent or facility management kind of expenses or is it more creation of intellectual property kind of expense?

Anant Gupta: It will have multiple elements, so you will have real estate, you will have capital expenditure on technology, you will have lease, you will have software, you will have subscription, and you will have multiple elements in the facilities, especially the Co-Innovation Lab as well as the centers. I think what is there in addition in the Co-Innovation Labs will be the special subject matter experts, which for the Co-Innovation will initially be building the proposition along with the customers.

Sagar Rastogi: Could you quantify that like roughly how much incremental expenditure you would have spent on these different aspects this quarter?

Anant Gupta: I do not think we have a break up of that. Actually, that is something from our perspective, it is the differentiation and therefore not breaking it up into various components is important, something we believe is a part of our strategy, and therefore keeping it has one element makes more sense.

Sagar Rastogi: All of this together is this what I was asking, for example in your margin walk, I know wages is 40 basis points, currency is about 65 basis points, 70 basis points, we know SG&A, should I assume that all the rest is essentially investment in these kind of activities?

Anil Chanana: It would have gone into various heads not only the investment, but in marketing cost also have been exhilarated and the 100 professionals we hired will include the people on the sales side or on the marketing side or Infosec side. It is a combination of all these which is there in the investment.

Sagar Rastogi: You talked about how in IMS, Cloud enablement, and Automation are key trends. I just wanted to understand this better as to if a client uses you to Cloud enable his Infrastructure stack and then also uses you to Automate it, at the end of that deal maybe a five-year tenure, what would be the typical drop in spend that you would have observed, could it be something of the order of 50%, 70% or is it lesser, any color there would help improve our understanding?

Anant Gupta: Vijaya do you want to take?

C. Vijayakumar: Basically, this question you have to really ask in the context of our client base. If we really look at our client base we are dealing with mostly very large enterprises, which is Fortune 100, Fortune 500 companies, where the propensity to public cloud is a little bit less and a lot of investments are going into private clouds, software different data centers. So there really is no reduction in revenues per se. And Automation as I said it is already baked into our contract and as we more and more standardize environments, we will actually deliver to what productivity improvements that we have committed. Maybe some mid-sized clients we could see some drop in revenues based on the tougher migration to public cloud and things like that. I really cannot quantify and put a number to it, but I cannot at least segregate into two buckets; one bucket where there is a significant change in the revenue profile, and in a smaller client there could be some impact.

Moderator: Thank you. The next question is from the line of Amit Sharma of JP Morgan. Please go ahead.

Viju: This is Viju here. On margins, are we now sort of saying that you expect margins to be in the narrow band of 21-22% EBIT and so even if you are going to make more investments from here on, it should not really result in a further dip from here on and you will be managing a tight band?

Anant Gupta I think our operating range is in 21-22% and you are right. As we see, we will obviously run our operations to ensure that we are in that range. Unless we really see some extreme scenario in the marketplace which we believe is beneficial to us and which may need a very short term infuse, we will look at that. So, we are not going plan or it would something which we believe is fundamentally right for the business, but otherwise we do expect to deliver within that range.

Moderator: Thank you. The next question is from Omkar Hadkar of Edelweiss. Please go ahead.

Sandeep: Sandeep here. A couple of questions: One on the Americas, the revenue growth have been very minimal this quarter. So can you please give some idea which vertical or which service line actually see lower growth? I assume one would be probably Retail. Secondly, same question followed up, in Retail we are generally seeing the online sales to be better. So as per our understanding, the allocation to IT should actually increase. So is there a time lag which is happening there which is resulting in this kind of decline in revenue or is there something else?

Anant Gupta: So, if you look at Americas, it grew by about 12% YoY on LTM basis and that too on a back of two quarter of 6% sequential growth. So you are right in your observation that there is one element which ties to three areas. There is a specific transformation program of our client, which has got completed and moved on into steady state that happens to be in Retail and that happens to be in Enterprise System Integration and that happens to be in Americas.

Sandeep: My question on Retail is in my view, actually the Retail allocation should increase because of the online sales going up as contribution of sales. So, is there any particular reason why it is showing that kind of…? I understand you are saying the transformation is there, but is it just because of transformation or you are seeing something else as well?

Anant Gupta: I think retail buyers are in general going for tough time and therefore they need to balance their strategies on online or digital versus the traditional models and therefore they are taking a cautious approach to how they travel in the Digitalization journey. So, we are engaged in a few of them where we are participating with them in building their Digital strategy, but what we do see is that, the retailers are a lot more cautious in their spend towards whether to do it in small bytes or large transformational program, what we see today is still a very small programs.

Moderator: Thank you. The next question is from Kunal Mehra of MSD Capital. Please go ahead.

Kunal Mehra: One very quick question on this entire issue of deferred expenses. I have a tough time understanding what will possibly fall into category. Three as you described it because you are either incurring expenses for investments I would imagine or something that is associated with revenue whenever you may realize that. So, if you can just be a little more specific given the rate of change that we have observed in this line item relative to deferred revenue. To help us understand why we need to come up with a third category in deferred to explain what we have encountered or simply is it a change in certain business dynamics we are observing that could become a more enduring phenomenon and keep seeing this line item increase in the coming quarters?

Anil Chanana: Let us take an example, let us say, we provide tools as a service. We take all those subscriptions upfront for a period of time. So, while I will charge to my services to my customers for my steady state charges over a period of time. So this becomes an investment and which something goes there as part of the deferred cost to be recovered over a period of time. So this is just one simple example. There could be some additional cost which is incurred or there could be a cost bulge which is involved in a particular component. So it could take various forms in terms to answer your question, whether it is a new business strategy, the answer is no, it is the business dynamics we have frequently encountered and this is sort of expense head or keeps on going up and down from time to time. So, it is nothing like a trend, etc., we are observing. The same thing happens with the deferred revenue which again keeps on varying over a period of time.

Kunal Mehra: I will be honest, I still do not quite understand why if something is going to be charged cannot be recognized as deferred revenue or for that matter if it is an investment due to your transition, why it is not treated differently as an investment? But given that as it may, let me ask the question differently, next quarter would we see a similar jump in deferred cost without any corresponding increase in deferred revenue of the quantum that we have observed this quarter or is it just this quarter expense? That might be the other way of kind of resolving this matter.

Anil Chanana: I would sort of maybe put it the other way round, you could see when a jump in the deferred revenue without even seeing a jump in deferred cost or vice versa, as I said, there is an intersection which is deferred revenue and associated cost, but there could two elements which are going absolutely separately. I would encourage you to look at our notes of the account which are part of our US GAAP numbers which you will find on our website, but in case you still have any question, we will be happy to sort of answer it offline. But, the dynamics could be either way. So it is not necessarily association, there is something which is the association is there, but otherwise, both the heads operate independently.

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

Ravi Menon: Rahul had mentioned vendor consolidation in Financial Services in Europe and US both. Could you give us some color on who are the casualties generally, are these Tier-2 Indian vendors or local European players who do not have an offshore presence or other Tier-1 Indian vendors?

Rahul Singh: We had a reference to vendor consolidation, so we are seeing that quite significantly in Financial Services Segment. The vendors which tend to get consolidated out are typically the Tier-2 and Tier-3 vendors that is where the large numbers come from. A lot of our clients use contractors and smaller forms to provide the sources on a T&M basis, so they tend to consolidate out, but once in a while we are also seeing Indian vendor check out in the consolidation. So, I would say that out of every three or four such instances, one of them would be of consolidation within the India firms. But by and large it is the tail vendors, mid size vendors which get consolidated out.

Ravi Menon: I have a question on the margin hit due to the euro depreciation. I would have thought that you would have had some cost savings onsite due to the euro depreciation, but despite that, the margin hit seems substantial. So if you could give us some color on the quantum of investments that you have made in these new delivery centers and the customer Co-Innovation Lab, something like as a percentage of revenue or certain bps that would be great?

Anil Chanana: As I explained, so far as the hit to the margins on account of Euro is concerned, the sensitivity is for every one per cent change we get hit by five basis points. It is significantly lower when it is compared with USD/INR sort of dynamics, because we have an expenditure which is happening in the geography, it is much lower. So since the movement was sharp, it was about 10% if I remember correctly, so about 55 basis points came out only because of that. To answer your other question in terms of what exactly is the various areas of investment which have taken place we will not segregate it for the purpose of discussion and it is part of the overall investment which the company has done**.**

Moderator: Thank you. The next question is from the line of Ateek Balesaria of Capital Matrix. Please go ahead.

Ateek Balesaria: On operating cash flow front in this quarter it is significantly lower because of working capital lock in. So, can you please give a color on that?

Anil Chanana: I covered it as part of the presentation; I am not sure whether you are there or not. Initially, I sort of walk through that receivables have gone up which is the single most reason for this particular event and this is a unique quarter where both the billed category as well as the unbilled category both for very separate reasons have gone up and I am quite pleased that in the first seven days of April we have recovered $133 million we billed receivables which translates to about 8-days of receivables which is also unprecedented so far as we are concerned. So I think we are very sure in the next couple of quarters we will come back to our normal level.

Athiq Balasuriya: If we see the EBIT in dollar terms, per employee EBIT margin like EBIT, it is going down since last three quarters. So can you give some light on YoY basis?

Anil Chanana: This is not something we track as one of the things to be sort of monitored. I think this is more of derivative figure you are taking.

Athiq Balasuriya: No, what we were just evaluating was is the employee cost or like are we taking from existing client any new business on lower margins?

Anant Gupta: First, as Anil said, we do not track, it is not a major part; however, we have had significant net addition in this quarter as well as in the previous quarter. A number of that net addition essentially a denominator has gone up. A lot of that headcount, like I had explained earlier, is for creating skills which are complex for the new services that we need in the future. So there is a longer lead time for those skill sets which is where that specific investment is going and also correlates to the lower utilization on that point of view.

Ateek Balesaria: Bench strength is increasing that means?

Anant Gupta: For the new skills, so we continue to run the traditional businesses tight, the new areas, when we discussed this within the last quarter in Engineering Services we are investing in segments outside of Hi-Tech in a much more rigorous way, so skills in medical devices, skills in engineering and industrial goods, the whole concept of Internet of Things, these skills are not easily available, and therefore we need to really home grow these skills, likewise on Digitalization we look at fungibility of skills between different technology boundaries of another area. So, yes, we continue to run our existing business tight, but we are investing in building the skills which we need for the future.

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

Anant Gupta: Just to sum up, before we end this call, I think from our perspective it has been another quarter of good constant consistent performance broad-based growth. The booking has been good, it has been a billion dollars plus booking through 14 transformational deals. Again, those cues it comes from multiple geographies and it represents more service lines, our broad-based strategy of growth continues to do well, individually the various service lines also continue to do well, but like the commentary was, we continue to also invest what we believe will be differentiation and services of the future and therefore we have taken certain accelerated decisions around investing in those areas, which would continue as long as we see positive traction in the marketplace of those offerings. So, with that thank you very much for joining the Third Quarter Analyst Presentation and look forward to seeing you again next quarter.

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