"HCL Technologies Conference Call on Products & Platforms Hosted by IDFC Securities Ltd."

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Moderator: Ladies and gentlemen, good day. And welcome to the HCL Conference Call on Products and Platforms, hosted by IDFC Securities. As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * than 0 on a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashwin Mehta from IDFC Securities. Thank you and over to you.

Ashwin Mehta: Hi. On behalf of IDFC Securities, I would like to welcome you all for this call on Products and Platforms by HCL Tech. We have with us Mr. Darren Oberst, he is the Corporate Vice President, Products and Platforms at HCL; and the CFO of the company, Mr. Prateek Aggarwal; we also have Sanjay Mendiratta, the Head of IR of the company. I would now hand it over to Darren and Prateek for some opening remarks, followed by a Q&A.

Prateek Aggarwal: Thanks, Ashwin. I will keep it brief and just open up with a preamble and give the call over to Darren to make his opening remarks on the products that we want to talk about today. And then we will go for Q&A.

Just as a quick reminder, Products and Platforms is a separate segment of the business we have started disclosing effective fiscal year FY19-20 and Q1 (April to June) was the first quarter we published those numbers. We had given the QoQ and YoY comparisons in various forms in the US GAAP results. At the end of June, we also closed the large deal that we had signed on 7th of December 2018. And during the con-call post the results declaration, we have also given the detail of the purchase price allocation of the overall value of $1.775 billion, including the amortization schedule of the intangibles and goodwill created.

Just to refresh also, the expected revenue from the set of seven products that we acquired from IBM, in the first 12 months the expected revenue is of the order of $625 million, incremental over and above what we have been doing in the Products and Platforms segment so far as a result of the IP partnerships with IBM and with DXC, as well as the Actian product acquisition that we did in July last year. And on the $625 million and $650 million of incremental revenue, the expectation is that we would deliver 50% EBITDA and 30% EBIT now that the amortization schedule has been finalized. We have shared EBIT guidance as well. So, 50% EBITDA and 30% EBIT after including all the of investments that we need to do in the products, in the sales and marketing side, and in the rest of the business. So, just to reiterate that, because at some points in time I found that question coming up. There are 100's of millions of dollar investment budgeted and planned for per annum, after which the expected EBITDA is 50% and expected EBIT after amortization is 30%.

So, with that preamble on the numbers, I would hand it over to Darren, who is the head of the Products and Platforms business. As you can expect it's more than $1 billion business going forward, once the 12 months are completed. And over to you, Darren.

Darren Oberst: Great. Thank you, Prateek. And thank you everyone for joining us on a Friday evening, Friday, late afternoon or Friday morning, depending on where you are located. I think just to build on Prateek's comments, I would like to give perhaps a little bit more commentary and insight in terms of what we have been doing operationally, in terms of the organization, the people, and the plans that we have around the products.

As Prateek walked through the timeline, and I think everyone is familiar with it at this point, we announced a significant transaction with IBM in December of 2018. We then had a seven month period between sign and close. And during that time, we were undergoing a whole series of preparatory activities, both hiring and building of leaderships, putting into place a lot of the key systems and processes, a lot of preliminary engagement with customers and business process, to really get off to a fast start on July 1st when the transaction closed. So, where we are today is still very early days. This is the first quarter of our operation. But given that caveat again, I want to try to give some color in terms of what we have been doing, some of the things that we have observed in the market, and try to wherever we can at least start to give some insights in terms of how things are working.

I'd probably break this down into a few key components. First and foremost, in July we had several hundred people joining HCL. They moved into the business unit, the Products and Platforms business unit that we had launched three years ago. We launched it on the back of series of IP partnerships with IBM, so there was already an existing organization and structure in place. We have several hundred new people join us, primarily in sales and go to market roles all over the world. And again, one of the defining characteristics of this transaction and our strategic rationale behind it, is the truly global nature of this product set and its customer base. And so in July we had hundreds of new people join us from Japan, China, Brazil, UK, Germany, you name it, across the world, really a global footprint of people with both relationships in those markets, as well as a lot of experience and history in working with customers of these particular products.

So, the first real highlight and say that I think it's been a key focus for us, is just getting that team stabilized and settled and integrated into HCL. I think the overall tone has been extremely positive. There's tremendous energy from that team. And for the most part, I think the feeling is that this is the next chapter. And it's a great opportunity to build on a lot of the heritage of these products, and amazing customer base, and really take it forward to the next generation. So, that's probably the first key highlight, it's just stabilizing the team and the organization.

The second thing, then, is all about customers. So, over the course of the last 80 days, as a collective team, we have literally met with thousands of customers all over the world, we have been completing transactions, both renewal transactions as well as new license transactions. And to date, we have actually completed transactions in 40 different countries, again, ranging from Japan to China, to just about every country in Europe, India, Australia, the US, most of Latin America. So, we are open for business. And a big part of what we have been doing is the process of onboarding those customers. So, bringing those customers on to new systems that we have created, whether that's on the support side, the software provisioning side, registering them in all of our various systems as customers and doing a lot of outreach through social media, through targeted webinars, through email campaigns, really engaging with the ecosystem of customers and partners around the world, both giving them information about how to do business with HCL, but more importantly, really conveying to them a lot of what we are planning to do in terms of the direction around the products.

The next topic I want to quickly hit are business partners. This is a key part of this business. And we are very proud, we have over 1,000 partners and resellers all over the world. And one of the design criteria of this business, and Prateek reinforced it in his opening comments, is independence. So, we are running this as an independent business unit. And part of that is to make sure that we respect the ecosystems, whether it's in the product business or whether it's the existing ecosystems that we have in our services businesses- there are synergies between the two. Of course, our intention is to look to drive those synergies. But it has to be aligned around creating more value, whether those are software customers who are looking for integrated solutions with services, or on the other side in our core business services customers that are looking for software solutions. So, we have created this as an independent unit. And we have got great reception so far, again, from the partner, and resellers all over the world.

The last thing, then, that I wanted to cover just by way of sort of opening comments. And it is a story that I think you are going to see unfolding in a series of headlines over the course of the next two to three quarters is, at the time that we signed the deal we had a hypothesis around the ongoing transformation, modernization and innovation in these products to really launch the next generation of each of these products in the market segments in which they play. So, we have been working on this very diligently and have actually been investing. As Prateek said, all reflected in our numbers, budgets, business cases, significant amounts of new R&D, talent, architects, innovation resources, product management, product strategy, with the intention of a series of major releases that will have across this portfolio on a rolling basis starting next quarter. And so, this has been a big part of the momentum and the energy that we have been driving with some of the largest customers of these products under NDA, giving them sneak previews of where we are going with the technology.

And so, without talking about any of the details of those upcoming releases, I do want to give you at least some flavor for what we are doing and how we are going about it. The first sort of category of investment, which I would describe as the low hanging fruit, is when you look across this product portfolio all of them are products with very, very established footprints, very mature, very deep enterprise grade capabilities. But most of them have pretty long backlog of just the types of requirement enhancements that customers have been looking for. One of these products, which I know and many of you are familiar with and often like to bring up, is the Domino product family. I think most of you have heard us tell the story, the Domino had not had a major product release in five years until we had a significant release last year prior to the closing of the transaction with a very aggressive roadmap with that to again continue to build upon that momentum. But the first thing, again, is that low hanging fruit of delivering the capabilities that often times customers have been looking and waiting for. And I will tell you some of these are not big strategic things, but it's amazing impact and reaction they get from long standing customers when they see that we are listening, and that we are tuned into their requirements. And it establishes some basis of trust that we do understand, the product, the market and what their needs are.

The second big category of investments that we are making in the products is really around modernization, and what a lot of people would like to refer to as the cloudification of the underlying products. We have set up pretty consistent philosophy and set of principles across our portfolio, really driven around containerization, embracing Docker and Kubernetes, as well as around microservices. And really decomposing these products, oftentimes with extremely powerful functionality into easy to consume microservices. And doing that it's a basis both for wider integration, and openness and extensive ability as other product ecosystems, also then enabling more rapid innovation as we begin to decompose some of these products, expose new functionality and enhance and building capabilities on top of that.

The third major category of innovation is something that we have been calling the WOWs. And this has been I would say a bit of a secret sauce, which is a proprietary strategy, a methodology that we built up over the course of the last several years for really looking at a product, reimagining that product, and really identifying, prioritizing very high impact and transformational features. And this is a roadmap and strategy process that we have brought each of these products through. And you will begin to see the fruits of that through a series of releases over the course of the next two to three quarters. In addition to that, one of the components of that is actually launching new modules of most of these products. So, oftentimes in calls like this we will refer to over seven products. Well, actually, those seven products really decomposed into dozens of individual products and modules, oftentimes under the same product brand. Unica, as an example of one of those products, historically has gone to market around four major product components. But one of the things that we are doing with Unica and many other products across this portfolio are building out and launching brand new modules that bring very, very differentiated capabilities to the market, both to add to the existing customer base who's looking for additional capability that they can purchase through these modules, and also to bring a much wider value proposition and a new transformative value proposition out to the customers.

So, I wanted to share some of that, sometimes the work we are doing in terms of the product gets lost in calls like this, it becomes more of a financial conversation, everyone wants to get visibility into some of the sales trends. But I wanted to at least give you a bit of a sneak preview of some of the investments and some of the strategy that we are making around the product roadmap because ultimately in a product business, there's a lot of things we need to do around operational excellence, around putting the right teams and processes and structures in place. But it's really about the work we are doing to transform and modernize the products that's going to drive long-term and sustainable growth for us.

The last comment I wanted to make just by way of closing is, as we have gone out and we have now met with thousands of customers, hundreds of our largest customers around the world, one of the first things they ask is trying to get a sense for what's it going to be like to work with you. Or perhaps we have worked with you from a services point of view. But what's it going to be like to work with you as a product vendor? And this is actually one of the most natural and easiest bridges for us to make. We say, as a services company we have always been committed to our customer's success. We wake up every day and have to create value for your customer. And it's that sort of mantra that we are bringing to everything that we do in the software business. We want to be customer centric in the way that we put together our roadmaps, we want to be responsive in the way that we support our customers. And even in the way that we license our software to customers, we want our constructs to be clear, to be transparent, and ultimately to focus on helping customers realize value from the software through successful implementations. That perspective of that lifecycle it's not about just buying the software, it's ultimately about deploying it and getting value from it. Again, we think that's actually a big competitive advantage for us, and part of the DNA that we can bring as a software vendor.

So, I will probably just pause here. Again, hopefully that gives you a bit of on some of the things that we have been doing over the course of the last 80 days or so. I will pause here, and we can open it up for some Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhay Moghe from Bajaj Allianz. Please go ahead.

Abhay Moghe: I had a couple of questions. First is, this new upgrades or versions that you would be launching, this will be like reversing the trend that was there in the revenue trajectory of these products? I am not sure if they were declining or they were growing, but whatever, if suppose they were declining when they were with IBM, will the new versions reverse the trajectory, that's what the plan is? Or you would need the cloudification of products and that could reverse the trajectory some significantly?

Darren Oberst: It's a good question. And I will try to generalize it across the portfolio, and I will give maybe a couple of examples as well. So, we have not shared the revenue profiles of individual products.

But what I think I can say is, there are some products in the portfolio that have been growing historically within IBM, and quite consistently so. There are other products in the portfolio that have been declining. So, it's not a general statement that everything has been declining, it's been a mix across this product portfolio. Our product release strategy, again, will be a little bit different by product, depending on where those products are in the market. But generally speaking, in investing in the product the first objective is to fortify the existing customer base. And for that customer, not just to stay on the product, but to look to grow their deployment, as well as the additional value coming through ongoing subscription and support agreement. If you think about the way software historically has been sold, the customer licensed the software, and then on an annual basis, they continue to purchase support agreements. But part of what they are purchasing is the ongoing roadmap and enhancements that they expect to receive as part of ongoing subscription agreement.

So, the first thing that we want to do is send a very powerful message out to those existing customers that our agreement is worth a lot because there's a lot of enhancements, a lot of new features and functions that we are bringing to the product. Now, how we commercialize that? First, for existing customers, it will be in terms of improved renewal rates and improved renewal yields. In some areas and for some products, it actually will be increases in prices. In some products where we are bringing that functionality in terms of discrete new modules to market, it would require additional new licenses. It also then starts to become a very powerful tool for selling new licenses out to existing customers and growing new license sales, whether those new license sales are to the existing customers or out to a new customer base. So, in short, I guess the answer to your question is, there are multiple ways to commercialize this, some of which comes within the core installed base and some with new customers.

Now the point you made on SaaS and cloudification is an interesting one. And again, I can't give a general answer, it will very much depend by product. But in short, the growth that we are anticipating and the improvements that we anticipate across this portfolio will be largely driven by architectural enhancements that cloud enable the products. So, as I mentioned, we are doing work around containerization and microservices, you could also say this the blueprint for how you cloud enable and cloud ready a product. A part of our philosophy is that we are not a cloud provider, we are not an infrastructure provider of servers and running data centers, that's not the business that we want to be in. So, part of the way that we are going to be delivering this to customers is we want to give them a wide range of choices. We do increasingly see customers being multi cloud, deploying a wide range of different cloud platforms, including their own hybrid and private cloud within their own data centers. And we want to support and enable all of those different models.

Abhay Moghe: Okay, thanks for this. I just had a follow-up on the cloudification or SaaS of the products. In how much time do you think your products would be able to roll out a version of which is cloud enabled as well for these seven products, it could take like three to four quarters or you think it will take a longer time?

Prateek Aggarwal: I do want to dispel the notion as if everything necessarily has to become a cloud product, because that's not the way we necessarily look at it. Maybe over a period of time, but that is not necessarily the immediate imperative for all products. Maybe for some, maybe not for all.

Abhay Moghe: Whichever products you think should be done, for that what is the timeline?

Prateek Aggarwal: So, let me let me just complete. The point I was making is, for existing customers who have already bought perpetual licenses, usually it does not commercially make sense for those customers to migrate to a SaaS version of the product. For the simple reason, let's say, you bought a license for $100, for the AMC you have to pay something like $20, $25 depending on the product set. And that typically is more economical. You have the product already, you keep getting the new version, you keep getting the support that you need, and so on so forth for $20, $25. But if you were to move to a SaaS version or if the customer was forced to move to a SaaS version, that $20, $25 would probably become $50 or something like that. So, from a customer friendliness perspective, that's probably not a good customer friendly move to make to force customers to move too SaaS. Whether we introduce SaaS version would therefore depend more on what is the potential for catching new customers. Some of these products already have SaaS versions, but completely new SaaS versions would be predicated on that kind of decision.

Moderator: Thank you. The next question is from the line of Varun Sharma from Franklin Templeton. Please go ahead.

Varun Sharma: So, Darren, my question is, with the set of products that we have got, how are we positioning HCL in the marketplace? How do customers look at us with a set of products that we have? And secondly, how would you like to bucket these products when you look at your offerings in the marketplace?

Darren Oberst: Sure. It's a great question. I think, look, there are customers that obviously know HCL and have worked with us. And I think we are welcomed very warmly. There's another set of customers who have gotten to know us through the course of some of the IP partnerships we have had with IBM. And again, they have seen the positive impact that we have made on the roadmaps. So, again, they welcome us. There are third set of customers that don't know us, perhaps they haven't worked with us from a services point of view, perhaps, or country, market where our presence has been historically smaller. And that's a new introduction. And again, if I could probably generalize across hundreds of meetings that we have had like that, I think those meetings typically start out with some trepidation, some concerns, and then over the course of the discussion when they see the depth of expertise that we have, when they see our plans, when they see how transparently and open we are in terms of engaging with them, I would say it's a very common pattern that by the end of that meeting, people are shaking hands with a lot of enthusiasm and a lot of excitement about the direction of the product, and then the opportunity to work with us. And again, a big part of HCL's brand in the market, whether it's relationships beyond the contract or just that we are a good company to work with, I think that's something that is a core message for us.

And so, I used the words, customer's success, that's a big part of the mantra that we are looking to bring to the market, is, if you have bought the product already, we want to help you derive value and be successful with it. We are committed to that. And that's our commitment as a vendor to you. If you are a new customer and we are making a lot of pitches and we are showing you demos, we want to be transparent about the product, about how it will work. And we want to see it through them to make sure that after you purchase the product you are able to implement it successfully and get the value that you were looking for. That's a big part of I think the message, the market perception that we are looking to create.

In terms of the buckets, if you will, in terms of the market categorization, there are really three or four discrete segments that we are really orienting our go-to-market around. The first is around security, that's both in application security around the app scan product, and then around IT operations and endpoint security, which is BigFix. So, that's the first sort of cluster of products or bucket of products that we are participating in trade shows, events, webinars and all of those things around. Second category of products is really in the marketing and commerce area. And then the third is a grouping of products that we have really rebranded and reimagined as digital solutions. And digital solutions include Domino, it includes Connections, and include the digital experience, WebSphere Portal product, as well as another product of ours called Leak, which is a no code low code development platform. And what we are really trying to take that whole portfolio is a complete reimagining. Historically people seeing Notes Domino as, well, that's about email- that's a legacy platform. Really, going back to the roots of where that product family started, in terms of being an easy platform, for enterprises to build the applications that they needed to run their business across a lot of different functions and departments. And modernizing whole portfolio, extending it out to modern tools and development environments, and really, again, reimagining where it's going. So, those are the three main clusters that we have through this recent acquisition. The fourth cluster, which I would like to mention here, is really around DevOps and this is a big part of the portfolio that we have been building off the IP that we licensed from IBM but did not acquire. Really, a whole suite of testing tools called OneTest that we have been bringing to market for the last year, along with the Urban Code product family, around build and release, and value stream management. So, those are really the kind of four total segments, as we go out, work with analysts, work with the market, those are the segments in which we define our portfolio.

Varun Sharma: Thanks. And one last question. You mentioned that it was largely the products where you needed a lot of investment and effort. But what do you think, apart from the products, probably the reason that some of these products are declining? And how would you be able to fix those issues?

Darren Oberst: Again, it's a great question. And the first thing we did looking at this through the lens of an investor was, what is our underlying hypothesis about each of these market segments? And that is, are they large market segments with large total addressable markets? And second, is there a hypothesis for enduring value in each of these product categories? And if we couldn't get past those two questions, we didn't go any further. Because, first off, you have to be in attractive markets that have some real staying power to them. Then, as we looked in and analyzed each of these products, we built customized hypothesis for that product. Well, what can we do to unlock some of the potential of it? Is it suffering because it lacks innovation? Is it suffering because it's competing in the market segment where cloud and SaaS, are very powerful? Or is it something that just from a sales and go-to-market point of view, just hasn't had the focus that it warrants? And I would say, across this portfolio, it's a combination of those different factors. And so, as we started to build out our roadmaps for the products, as well as our transformation thesis for it, in each one of them it was a customized set of actions. In some, low hanging fruit, a lot of easy things we can do; in others, a lot heavier in terms of the kind of investments that we needed to make, both in the product as well as on the go-to-market side.

Moderator: Thank you. The next question is from the line of Surya Narayan from DSP Mutual Fund. Please go ahead.

Surya Narayan: I just had one question around this, I think you partly answered this in previous question's response. How did you decide between going products, because all these products seem to be like horizontal solutions, is there any reason why you would not consider like a vertical industry specific product?

Darren Oberst: Again, it's a great question. And it's an area that we have been evaluating very carefully in parallel, looking at different vertical solutions and large industries, in banking, insurance, health care, that's definitely an area that I think we have valued, evaluated and considered, there's some great opportunities in the segments. I think in constructing this portfolio and looking at horizontal tools and some horizontal applications, the logic was, let's stick to what we know, and when you look more broadly across HCL in every single one of these tools, we had experience; we had experience, we had practices, we had customers. So, that gave us, I think, some underlying confidence to be able to get our hands around these products and understand what we needed to do with them, as well as have some brand permission and credibility in working with customers.

The second key thing, and one of the beauties of more horizontal tools is that everybody needs them. And they don't require extremely high level of specialized industry domain expertise to build and develop them. So, again, we thought sticking closer to our knitting, in terms of where our core competency was and where we could be successful, we thought it actually presented a lot lower risk profile working in some of these segments than some very high end, very high value, but also highly specialized and highly complex vertical applications.

Prateek Aggarwal: And, I mean, in the P&P business, which includes three business units, which I talked about earlier, one of them is the IP partnership with DXC, on the core banking product of theirs called Hogan. So, that is a vertical product that we are working on. But as Darren said, yes, horizontal is where we are focused, because it has a huge market space to play.

Moderator: Thank you. The next question is from line of Varun Sharma from Franklin Templeton. Please go ahead.

Varun Sharma: Darren, can you tell us about this DXC story as well? Because we got into this partnership some years back, so what has been the progress in this, and what was the experience here that probably helped us in terms of taking over more products with IBM and several other products as well?

Prateek Aggarwal: So, Varun, first of all, I must clarify, Darren looks after what we rebranded as called as HCL Software, which includes the IP partnerships and the acquired products from IBM. DXC is managed by a certain different group of people, which is more of our financial services line of business. So, he will not be able to answer this. But generally speaking, I mean, DXC, on this particular product, we have had a long relationship. If my memory serves me right, it's been something like three years already. In the middle, I mean, we had a different construct earlier, and then sometime around September 2017 we converted it into an IP partnership model, earlier it was being run through two separate JVs and so on so forth.

Moderator: Thank you. The next question is from line of Prashant Kothari from Pictet. Please go ahead.

Prashant Kothari: Just trying to understand on the investment side, you mentioned that a large part of expenses would be on the investment front. Could you give us some ballpark idea of what is that number like out of that? And going to 50% EBITDA what's investment in there? And secondly, as the revenue profile kind of goes up or goes down in future, because some products will mature, they will decline and all that, so what will happen to the investments then? Would that remain constant or would that also kind of move up and down to keep the margin constant at 50%?

Prateek Aggarwal: Prashant, let me answer that. First of all, I gave the general comment right at the beginning about hundreds of millions of dollars. And that includes both the product investments as well as the sales and marketing investments. So, that's where I would leave it, I can't really go deeper than that. But to your second part of your question, some of the products we have already been working on them for the last couple of years in the product that we took over very first. Some of them were just six months, now one year in our portfolio. So, depending on the product and depending on how the results of what we expect to see come about, we can always tinker around with what is the investment to be made, that's a discretionary investment. But at this moment of time when we are just launching, relaunching all these products into the market, we are not sort of thinking where to cut it at this point in time, that's just not the thought that we have. Maybe couple of years later, we might have to do some tinkering, that's a different matter.

Prashant Kothari: Okay. That's one. And what do you think about the portfolio completeness, do you think a lot more products need to be added to this to make it a wholesome offering for the clients, or you think we are done for now and must concentrate on these current products, before we kind of find more?

Prateek Aggarwal: I think it's a sizable business, now it's like more than $1 billion, like I said, right up front. So, there is no need per se to add more, because I mean these are standalone products, standing on their own feet, doesn't need something else to be able to sort of sell or develop these products themselves. Having said that, I think we as a company remain open to whatever opportunities get thrown up. At this minute, at this point in time we have taken a big bite, and personally speaking, I would certainly want to sort of digest it, assimilate this Phase 2, Phase 1 being the IP partnership phase, and now with the acquisition now we are out there in the front, selling and marketing these products. So, that needs to stabilize, and we would obviously want to convince ourselves, we have been able to do a good job and then see where we go from there. But, something comes up tomorrow and having established a good sales and marketing platform, at some point in time it would certainly make sense to get more products, because it's a bag of products that the sales guy is carrying to each and every customer, to 15,000 plus customers, it would help if there are more products in the basket.

Prashant Kothari: And how's the incentive structure different for the guy selling these products versus the ones who sold earlier IT services?

Darren Oberst: So, it is a separate sales organization. So, there are some differences in compensation model, but for the most part, it fits within kind of the ranges that we have in other parts of HCL. Generally speaking, individual in the sales organization have perhaps a slightly higher in total compensation. And generally, a quarterly expectation of commissions and bonuses. And then those conditions and bonus structures are not typically based on a TCV or ACV or a booking number, are generally focused very heavily around new license sales, as well as some balance targets around driving renewals and total revenue in the install base.

In terms of the structure of the sales organization, again, it mirrors in some ways the way that our services organization is set up. There are overall account leads, who are responsible for working holistically with customers from a product point of view and we are driving sustaining growth within those larger customers. There's a large pool of product specialists who are focused on individual products in this portfolio, you have very deep expertise, know how to do competitive selling, understand details around the licensing models, how to handle objections customers. There's a group of pre-sales and technical support folks. And then finally, we do have a dedicated renewals and customer success team that really focuses on driving the large volume of renewals with existing customers. And then, of course, geographic coverage. So, people in Japan, in China, in India, in Australia, all the way through in multiple European countries, as well as in North and South America.

Prasant Kothari: The way you are describing this is all integrated than, with your services sales structure?

Darren Oberst: No, no. Again, I am sorry if I was unclear, right. It's completely independent. So, the structure that I just walked through, that is just the software sales structure that we have put in place. And again, I apologize if my comment was unclear. I was just suggesting that there are some parallels in the structure with the way our services teams are setup, but they are completely separate and completely independent.

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

Ashwin Mehta: So, from a quantitative as well as qualitative perspective, what are the disclosures that we are looking to improve going forward to give investors more comfort on the progress of our product initiatives?

Prateek Aggarwal: So, Ashwin, I think, the change in the segments and carving out Product and Platform as a separate segment is the biggest change that we have done. Obviously, that's a quantitative change, and it gives you visibility to how the numbers pan out quarter after quarter, year after year. At this point in time, there's nothing additional that we are personally thinking of adding on. If you have some suggestions, we could certainly share that with Sanjay and me, and we can take a look if that's something we would like to start disclosing additionally. We also did a little bit of survey on what most companies, most software product companies disclose, and that that's where we are taking the lead from. But obviously happy to take your feedback.

Ashwin Mehta: Sir, just a follow-up, given that earlier these were IP licensing agreements, and now there are these seven products that you own. So, from your perspective as well, the product credentials, the testimonials, creating buzz about the newer versions or the newer functionality coming in, would we start to see much more action on that front going forward?

Darren Oberst: Yes, absolutely.

Prateek Aggarwal: I am just thinking aloud just to make sure we are on the same page. When you say credentials, testimonials, you are probably not wanting individual customer testimonials, because I don't know how it would really help you. But what I am thinking is, maybe how Gartner, or Forrester or IDC, or whichever industry analyst is actually talking about these product segments is probably what you are looking for.

Ashwin Mehta: Yes, that's what I meant. Thanks for that, that explains it. The second question is in terms of concerns that investors have that some of these products are legacy products, and revenues could fall off sharply, which could lead to write-offs. Now, in terms of our assessment, what is the base case scenario that we are building in, what's the base case IRR that we are building in in terms of this product portfolio? And as some of these products move from on-prem to cloud, do you see that to be more a risk or an opportunity?

Prateek Aggarwal: So, Ashwin, the IRR that we typically target has been in the region of 12% to 15%, post tax US dollar terms IRR. And that has been the case in the Phase 1 of the IP Partnership phase, where we have actually after two years of that we did an assessment, and we actually have been able to deliver higher than that range, something around 18% is what we were able to deliver. For the simple reason that we could generate more revenue and more EBITDA compared to the business case that we had made. And mind you that 18% I am talking about is also a conservative number because while we beat the numbers in the first couple of years, the balance period revenue, EBITDA, etc., cash flow to be precise wants everyone to be in line with the business case. So, if we continue to beat the number, then it could be potentially higher than 18%. So, that was the IP partnership phase. As we get into this new acquisition and Phase 2, as we call it, it is again built on that 12% to 15% kind of range. And we expect to generate that kind of post-tax US dollar terms IRR.

Darren Oberst: If I can make one comment, because it has come up several times is sort of on cloudification and movement to SaaS. And I think it's important that we just view this with Shades of Grey, because it's not black or white. So, it’s absolutely true, in certain product categories there is a migration happening where customers are looking for more SaaS based solutions rather than on-prem solutions. But in many product categories, that's not true. And so just as an example, is a Bigfix product, security product is great market, well positioned, growing. SaaS is not really a vector in that market. So, when you look at all the products that it would compete with, they all are essentially sold and delivered in the same way. You look at a product like Unica, now it isn't a market segment in marketing in which many solutions have moved to SaaS. However, part of the niche of Unica, and where it's been successful is with a lot of financial institutions, a lot of regulated companies, and oftentimes who have hundreds of millions of customer records, spectacularly complex requirements around customer outreach, and requirements around tracking compliance and audit. And so, for many of those customers, one of the selling propositions of a Unica is that they needed a solution on premises. Other product categories, we have large customer sets that are in government, in healthcare, in utilities; again, in many industries and in many countries around the world where a pure public multi-tenant SaaS solution is not the right solution for them.

So, I think the reason I wanted to just elaborate on this is, we are fully committed to the modernization and innovation around these products, but we need to do it in a very nuanced way, and make sure that ultimately what we are doing for each product is ultimately positioning ourselves for the best growth potential, given the foundations and given the characteristics of each individual product. In other words, just moving to cloud, it's not a magical thing that somehow fundamentally transforms these products. Our strategy is grounded and things that are, I think, far more nuanced in the balance between on-prem and cloud.

Ashwin Mehta: Thanks, Darren. That's really helpful. And just the last question, if I may, in terms of the IP licensing agreements that you have had, would you be able to share some success stories where you have been able to turn around the product, reduce the feature gap with the customers and where the extended functionality has found very good client taker?

Darren Oberst: Yes, there are multiple examples. And, I will walk with you that several of them are along the lines of products where IBM just simply did not invest or prioritize or made new releases. So, one example, which is actually in the IP portfolio, is Informix. Informix hadn't had a major release in almost six years. We had a major release in that earlier this year. One of the, again, products in the IP portfolio was a very disparate set of testing tools, with a long heritage for really complex testing requirements, functional testing, performance testing, service virtualization. We completely transformed and integrated and modernize that product set over the course of the last three years, from the UI, UX, integrating those products into a common server, a major release available both through the IBM channel as well as through the HCL brand of one test, where we found very, very good receptivity with HCL customers. So, increasingly we are bringing that tool into service delivery, where it pays for itself, in that the cost of the tool ultimately generates more productivity and cost takeout opportunity that, again, it becomes a really attractive thing to bring into services clients.

Another one that we have talked about several times as an example, was the Domino portfolio had not had a major release in many years. We had that first major release last fall in October. And what we have actually seen over the last year is both much more positive trends in terms of customer renewals. We have also seen over hundred customers that had moved to off active support for the product, reinstate and come back on support. So, again, just a nice indicator as customers start to see more value coming in terms of roadmap and enhancements that they say we want this. And of course, we are willing to pay for it. So, that maybe gives you a sense of some of the things that we have done over the last three years. I think all of you are experienced enough and savvy enough to realize that you don't transform a product in one or two quarters, these typically are measured over a number of quarters, they are typically measured in years to really fundamentally transform a complex product. And as I said, every one of the seven products that's in the scope of this partnership, we are going to have that sort of rolling wave coming, both in our December quarter, in the March quarter, and then in the following quarter in June. So, these are major release coming. And again, I think that comes back to some of the qualitative input, as we are bringing those releases to the market, we will be capturing that in our quarterly updates out to the investor community as well.

Ashwin Mehta: Thanks, Darren, this is this is really helpful. Operator, if we can check if we can possibly pass it on to the management for final remarks.

Moderator: Sure. As there are no further questions, I would not like to hand the conference over to the management for closing comments.

Prateek Aggarwal: Good. So, I just wanted to take the opportunity to thank all of you for joining in from various continents, especially people from Singapore or Hong Kong, pretty late for you out there. And thank you very much for your interest. And we are always available to answer more questions that you may have post this conversation, and Sanjay is the right person for that. Thank you very much.

Darren Oberst: Thank you, everyone.

Moderator: Thank you. Ladies and gentlemen, on behalf of IDFC Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.