



**Tata Consultancy Services Limited**

**Q2 FY16 Earnings Conference Call.  
October 13, 2015, 19:00 hrs IST (09:30 hrs US ET)**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to TCS 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 call, 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. Kedar Shirali. Thank you and over to you Sir.

**Kedar Shirali:** Thank you, Inba. Good Evening and Welcome Everyone. Thank you for joining us today to discuss TCS' Financial Results for the Second Quarter of Fiscal Year 2016 ending September 30<sup>th</sup>, 2015. This call is being webcast through our website and an archive including the transcript will be available on the site for the duration of this quarter. The Financial Statements, Quarterly Fact Sheet, and Press Releases are also available on our website.

Our leadership team is present on this call to discuss our results this evening. We have with us today, Mr. N Chandrasekaran – Chief Executive Officer and Managing Director; Mr. Rajesh Gopinathan – Chief Financial Officer and Mr. Ajay Mukherjee – Head of Global Human Resources. Chandra and Rajesh will give a brief overview of the Company's performance followed by a Q&A Session.

As you are aware, we do not provide specific revenue or earnings guidance, anything said on this call which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. We have outlined these risks in the second slide of the Quarterly Fact Sheet available on our website and also which has been e-mailed out to those

who have subscribed to our mailing list. With that I would like to turn the call over to Chandra.

**N. Chandrasekaran:** Thank you, Kedar. Good Morning, Good Afternoon, Good Evening to all of you. We had another strong quarter with our revenue growth accelerating on a sequential basis. Our volume growth has been quite robust at 4.9% and revenue growth in constant currency terms was 3.9%.

Revenue growth in BFSI accelerated to 3.9% on a Q-on-Q basis in constant currency(CC) terms. As in prior quarters, the BFS part which is a core vertical for TCS, grew higher than company average. The Retail industry grew at 3.6%. Life Sciences and Healthcare did extremely well at 5.4%. Travel and Hospitality vertical also grew at 5.7%.

Overall, it has been a good, well-rounded, robust growth across industries.

From a market perspective, we delivered very solid growth spread across US, UK, Latin America, India and Middle East-Africa on a constant currency basis.

Digital has been a significant driver of growth across all verticals. Our ability to bring together our domain expertise, deep technology capabilities and unique understanding of the customers' business context to create Digital Solutions in helping them to transform their businesses is positioning us very well.

We have seen engagements which are of a different quality. It is not about building mobile applications or building data platforms using Big Data any more – it is about entire transformation, for instance, helping retailers transform from being supply chain-oriented firms to becoming customer insights-based firms. Or helping manufacturing companies deploy IoT and data analytics in order to leverage the insights coming from that ecosystem. Similarly, we can talk about Insurance where

Telematics is playing a very important role, Banking where Data Lakes are becoming the norm.

Our investments in Digital IP and our portfolio of cloud-based platforms are giving us tremendous competitive advantage. Our Digital business grew 10.7% Q-on-Q on a CC basis and is now 13.3% of our revenues compared to 12.5% in the previous quarter.

From a Services perspective, our Asset Leveraged Solutions – primarily BaNCS and the Digital platforms – grew significantly, to deliver a sequential growth of 32.8% in constant currency terms. We also saw very good traction for our BaNCS suite of products which is bringing in a good pipeline. Other platforms which did very well are our Assessment platform, Talent management platform, Accounts Payable platform and Finance platforms.

From a geography perspective, I already covered all the geographies that did well.

As you know, strong client metrics reflective of our client-centric approach have been a hallmark of our growth. We added 3 clients in the \$100 million+ bucket to take the total this quarter to 33 clients delivering over \$100 million of LTM revenues, which was 30 last quarter and 24 in the same quarter last year.

Even in the lower buckets, we added 15 clients to the \$1 million+ category, 13 clients to the \$5 million+ category, and 6 clients to the \$10 million+ category, ending the quarter with 819 clients who contributed over \$1 million in revenue over the last 12-months. This number was 743 in the same time last year.

We have had very good deal signings this quarter with key deals well distributed across the industry verticals and geographies. In terms of industry verticals, we had one deal in Banking, one deal in Insurance, four deals in Manufacturing two in Retail and one each in Telecom, Hi-Tech, Life Sciences, Utilities, and Media. So across the board, we saw good deal signings.

From a geography perspective, we had nine wins in North America, two in Europe, and one each in UK and APAC which are material.

I am particularly happy to see the size of our order book. Our order book value this quarter is the highest ever, 30% higher than our previous best order book closing.

In terms of ignio™ I had spoken about the launch last quarter and I am very happy to report that we signed on four clients – three in the US and one in the UK – and all these are very large corporations and we expect them to implement ignio™ successfully. A very good pipeline is building up there as well.

From a margins perspective, our operating margin expanded to 27.1% and our net income margin expanded slightly to 22.3%.

On the employee front, we had robust gross additions of 25,186 associates and a net addition of 10,685 associates, ending the quarter at 335,620 employees.

As for attrition, we had a sequential decline. Our quarterly annualized attrition has come down 120 basis points compared to last quarter. Utilization was down slightly Q-on-Q at 86% ex-trainees and 82.3% including trainees.

From a talent management perspective, I had mentioned in the last call that we are significantly investing in Digital training and we have committed to train 100,000 employees this year and I am glad that our Digital Learning Platform has been successfully launched. Already 30,000 employees have taken courses in this platform and we are well on our way to complete our target.

We are also scaling up further in terms of our employee count. We had a target of 60,000 to 65,000 gross hires at the beginning of the year. We are now raising this target to 75,000 gross hires in this fiscal year.

In terms of our outlook for the rest of the year, we expect a tapering off of sequential revenue growth in the second half similar to earlier years.

The December quarter is typically affected by fewer working days and furloughs.

Lastly, I also want to talk about an investment we made with Carnegie Mellon University. We announced \$35 million gift to CMU, the largest gift of its kind to CMU, to endow both Presidential Fellowships and scholarships and also to build a 40,000 square feet facility to be called as Tata Consultancy Services Building, with collaborative spaces for CMU facility, researchers, students and TCS researchers to promote market-driven innovation.

And those are the business updates I wanted to share. I will now pass it on to Rajesh so that he can give a little bit more detail on the Financials.

**Rajesh Gopinathan:** Thank you, Chandra.

I will go over the headline numbers once again: Our second quarter revenue of ₹ 271.65 billion represents a growth of 5.8% Q-on-Q and 14.1% Y-on-Y in INR terms.

In constant currency terms, our revenue growth was 3.9% Q-on-Q.

Our INR revenue growth of 5.8% Q-on-Q was made up of volume growth of 4.9%, constant currency realization impact of (-1%) and an exchange rate movement impact of (+1.9%).

The operating margin this quarter was at 27.1%, a Q-on-Q expansion of 0.8%, of which 0.7% was from currency movements and 0.1% from SG&A efficiencies and other productivity drivers.

In terms of net income, our net income margin expanded to 22.3% and we crossed ₹ 6,000 crores mark and had a net profit of ₹ 60.55 billion in this quarter. The net income comes despite an impact of ₹69.29 billion of cash that we distributed to shareholders as dividend, resulting in Other Income being depressed due to lower average cash balances. We also had a slightly higher effective tax rate of 24.1% compared to 23.2% in Q1.

Our account receivable position stood at 78 days DSO in dollar terms which is down one day Q-on-Q. Operating cash flow stood at 20% of revenue and free cash flow was 18.3% of revenue. Invested funds as of September 30<sup>th</sup> was at ₹237.24 billion.

Lastly, the board has recommended an interim dividend of ₹5.50 per share in Q2. With that we can open the line for Questions.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. Our first question is from Anantha Narayan of Credit Suisse. Please go ahead.

**Anantha Narayan:** Chandra, can you comment on whether the macro environment, as relevant for TCS, has changed in any way in the last few months?

**N. Chandrasekaran:** Anantha, actually we had talked about from our perspective three soft spots -- one is Diligenta, another one is Japan and the third one is Latin America. We believe that we are out of the issues in Latin America and we expect that from here on, it should start to deliver growth on a constant currency basis.

And the softness in Diligenta and Japan will continue. In fact the revenues in these areas are declining on a sequential basis. So we need to work on that. Otherwise we do not see any specific things that I can talk about. We see traction in the Digital space as I indicated with numbers.

**Anantha Narayan:** There are clearly some areas of IT Services which I guess are getting cannibalized and there are obviously new streams that did not exist before. So again from TCS' perspective, can you just give us a color on how these two contrary dynamics are playing out?

**N. Chandrasekaran:** I think the way to look at is that, one is the simplification theme which is a broader theme where customers are moving away from the legacy IT footprint they have, whether it is in terms of infrastructure, whether it is operations, whether it is applications. That is a transformation that

happens in Cloud environment or into enterprise software environment etc., which are platform-based and there we stand to gain.

Then in the second area is the Digital area where fresh investments are happening, albeit these investments may come from squeezing budget somewhere else. I think that there is a significant advantage that TCS has because of the investments we have made, whether it is in terms of training talent or in terms of intellectual property, platforms, automation in the form of ignio™. So all of these things will play to TCS' advantage. This is the way I look at it.

But, when you talk about cannibalization we need to see, for example, you can take into the extent saying in Financial Services industry, Block Chain can become a significant technology that can bring all processing to real time. So back offices can get automated in a big way. But those are things that are under experimentation we need to see how it will play out, but whichever way it plays out I believe that TCS is well positioned, primarily because of the forward-looking business model that we have been consistently building and the kind of investments that we have made in people, process, technology and IP.

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

**Ankur Rudra:** Chandra, if I could just dig in the second part of that question a bit more. While the Digital business appears for you to continue to grow well, if I look at the rest, let us call it legacy, there is bit of a drag I think it has perhaps grown just 2% sequentially this time even outside of Japan and UK, there appears to be softness. So the question is, is there a pressure on Run the Business or optimization budgets to fund Digital initiative that you are facing, which is net negative to your business and as a result of that has the absolute revenue addition somewhat flattened out over the last maybe a couple of years?

**N. Chandrasekaran:** No, I do not think so, Ankur. I do not know why you say UK has been soft. UK on a constant currency basis has grown 4.5%, but I take the point about the business outside Digital, but what will happen is that as

we go forward, increasingly you will see adoption of Digital, so Digital will always grow at a higher percent. From TCS' point of view, the way I look at it is that we had volume growth of 4.9% which is pretty strong but that volume of 4.9% has resulted in 3.9% revenue growth in cc terms which is 1% less. That is primarily due to the geography mix and also services mix in the portfolio where it has come from this quarter vis-à-vis last quarter that has changed. So those things always will give you a picture in terms of the absolute revenue growth. But I think the volumes have been pretty strong; on a sequential basis the constant currency growth has improved especially from 3.5% to 3.9% considering that two of the engines have degrown. I think we should look at the core and the core is looking pretty strong.

**Ankur Rudra:** If I just step back a bit and look at from overall industry perspective, would you think that currently the big component of Digital work perhaps a bit more Consulting-led that is yet to take a more industrialized approach, which may increase in adoption over the years, which you are perhaps better positioned to target?

**N. Chandrasekaran:** No I do not think so, but the way we look at Digital is if you look at the evolution last 3-years and what we have seen, first of all we do not classify Digital as part of the Global Consulting Practice. All our Digital is embedded in our Industry units. That is the way you should look at it.

The second thing that I want to say is that two years ago, most of the Digital work was in terms of building some applications in mobile or building a data platform or an analytics application and so on and so forth. Currently, we are seeing a serious embedding of all of these in our work with clients where we are helping customers transform into the Digital world.

If I may give examples, retailers used to be very supply chain focused - on sourcing low, shipping most efficiently and pricing low. But now, most of the retailers are transforming into becoming totally consumer insights-based. So we are building platforms where we are building knowledge around consumers, knowledge about inventory, knowledge about real time pricing, about any particular item in the whole universe



for both online and brick-and-mortar retailers. And how do you use this kind of analytics, and what are the various programs you run, whether you have channels, whether you have promotions, whether you have cross selling, pricing – we are looking at a whole gamut of things based on the end-to-end transformation. Those are the kind of engagements we are now doing, be it retail, be it manufacturing, be it banking, be it travel.

So I feel that we are extremely well positioned as of now with all the investments we have made. I do not quite split out the way some people split it out.

**Ankur Rudra:** Has the visibility change at all for 3Q for some of your furlough intensive verticals compared to historical years?

**N. Chandrasekaran:** Nothing new this year compared to last year or a year before. As far as I am concerned usually we expect furloughs in certain industries in certain accounts. Usually we come to know post mid-November, which is when these things get finalized. So we do not expect this to be any different this year. That is what we are factoring in and then we will see.

**Moderator:** Thank you. The next question is from the line of Sandeep Muthangi of IIFL. Please go ahead.

**Sandeep Muthangi:** I had a question on the hiring target which has been increased for the year by about 25%. How should we be reading into it Chandra -- is it kind of balancing off for the attrition or is it also indicating of better demand than what you had anticipated at the start of the year?

**N. Chandrasekaran:** Two things – one is that if you see every year we have been at the end of the year ending up total hiring number which is higher than what we originally said. Currently I think attrition has come under control, we are actually seeing a drop in attrition especially in India and also in other parts of the world, our quarterly attrition as I said, if you multiply the current quarter and see the run rate with the previous quarter, it is a drop by 150 basis points. We also saw sequential declines in attrition from July to August to September. So we expect the trend to continue.

So the hiring is more with the demand in mind and we are also training people in all the Digital Technologies, etc., and our utilization is 86%. So we are getting prepared.

**Sandeep Muthangi:** This is on Infrastructure Services. The growth seems to have come off a bit, for instance, this quarter 3% growth is lower than the company's average growth rate. This has been a fast growing vertical, market opportunity also seems to be large. So, is there any read through for us in terms of increasing competitive pressures or just the growth in the sector coming off or do you think this is just one or two quarter issue and you think the growth will improve?

**N. Chandrasekaran:** If you see the growth this quarter, it is 3.4% in CC terms in Infrastructure, which is slightly below the CC growth of the company. I do not think there is anything to read into this. It is a very strong practice for us, TCS has huge capabilities in this space. So we do not expect this to have any problems. In fact it should be a driver of growth going forward.

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

**Sandeep Agarwal:** Chandra, I have couple of questions; one, on the Digital side, you gave lot of clarity and still I have one question on that front. First, are you seeing a Q-on-Q increase on the size of the deals in Digital because that will be very important to predict what kind of growth can come in this segment for us, because our size is very big and digital still is a small portion? Secondly, are you seeing any trend where there is some fear on the non-digital side of the business, overall growth for the industry itself. Thirdly, I would like to also know that do you think that while initial sizes of the digital are small, but the follow on work could be more sticky and bigger in size, if at all you take Cloud also a component of that?

**N. Chandrasekaran:** The way it is playing out now is that we are no longer looking at signing deals, "Okay, here is a mobile application you are building for \$100,000,

half a million dollars like that.” At the same time, the deal size will not be like, “Okay let us go and sign a very large \$50 million deal.”

The way it is happening is that we are getting involved in end-to-end transformation of Digital which is allocated a large budget. But the entire budget is not signed with you in a single deal, although we know the big picture where we are partnering with clients in bringing about the end-to-end transformation. As I said, in one word how do you transform from A to B in each industry perspective. That is the kind of problems that we are partnering to solve and that will play itself out over multiple quarters and even multiple years in terms of different statements of work and engagements. TCS is a Digital partner in helping this entire transformation where we are transforming the company from this focus to that focus. That is the way the deals are happening.

In terms of your second question, I am not concerned about any cannibalization or anything like that because at the end of the day when we are going from a legacy environment to a forward-looking environment, we will be the first ones to do it, and we want to participate in upside of that transformation. We are very proactive with customers, we have made all the investments in building the capabilities that are required, and frankly speaking, this is not something that we are worried about.

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

**Ravi Menon:** Chandra, I had a question about Asset Leveraged Solutions. Forgive me not really conversant with it so if you could explain the business model for this and what is the revenue model... Are these license sales or software as a service kind of subscription model? And is there any people component has to it, any effort really?

**N. Chandrasekaran:** No, the Asset Leverage Solutions are primarily those based on TCS IP. That is the main thing. The IP will get leveraged. Sometimes we will get license revenues, in some cases we are getting subscription revenues and servicing based on that IP is also part of this. That is the bracket.

To be very specific, our BaNCS platform which is for Banking and Insurance is part of this as also our Digital platforms.

**Ravi Menon:** This quarter has seen really fantastic growth, I should say \$32 million or so is the incremental revenue from what I calculated. Among these platforms, which would you say accounted for the bulk of that?

**N. Chandrasekaran:** All these revenue has come from these platforms. In fact I would say that 50% came from BaNCS and 50% from other platforms.

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

**Sandeep Shah:** Chandra, just your comment on the order book where you are seeing it is one of the highest ever 30% higher than the best prior quarter. So is it more to do with the wallet share gains of TCS or is it more to do with the increased IT spend in the adoption of the new technology by the clients or is it more to do with the skewness of a couple of deals which is leading to this kind of order book?

**N. Chandrasekaran:** There are a number of deals which are of decent size or good size. There is no one deal which is taking 30% share or anything like that. So to that extent, it is a broad-based booking. Its spread across industries and spread across markets. So that way I am quite happy with the profile of the deals that we have closed in that order book number. It is both market share gain and some are Digital, but a good portion of market share gain.

**Sandeep Shah:** Is there any cap in terms of calculating order book internally in terms of TCV of each deal or is it everything which is included as a deal win in the order book?

**N. Chandrasekaran:** Generally, everything is included. It is all like-to-like, no formula has been changed, we keep track every quarter.

**Sandeep Shah:** Second question as just the extrapolation what Ankur has asked. So now if you look at the non-digital business, which is still sizable business where the growth has come down to 2%, but at the same time, the

nature of the business is more annuity, where the shocks to the macro volatility is not that big. At the same time, we have the Digital, which is still not highly scaled, but it is growing at a high speed. But, do you believe that the business model for the industry is becoming slightly riskier where the shocks to the macro volatility could be higher going forward because most of the Digital business may not be annuity, it is still a project-based business?

**N. Chandrasekaran:** On the contrary, I said it in the press meet also, I believe that the industry is likely to grow and likely to capture a lot of business because technology is getting embedded deeper and deeper into every industry. So that has to translate into business, whether it will be called as annuity, whether it will be called as transformation, whether it will be called as discretionary – that will vary from company to company, market to market, the level of adoption, etc. It also depends on companies like us to be able to quickly get ourselves ready in terms of talent, in terms of capability, in terms of knowledge, in terms of IP, innovation, all those things. Overall, I feel the market for tech companies is only getting better.

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

**Ashish Chopra:** Chandra, my first question was actually around the definition of Digital. Now that you have started disclosing the business proportion. So, like now Asset Leveraged Solution is 3% of your revenues and that includes your Digital platforms, whereas overall Digital business is 13% of revenue. So just if you could elaborate a little bit more on what exactly are the areas of work which are getting defined or bucketed under Digital as of today?

**N. Chandrasekaran:** Digital has primarily two components – one is the services, another one is platforms. So whatever is platforms-based gets reported under Asset Leverage Solutions, while the remaining is all services, which is not based on our IP, and gets reported under other service lines.

If we build a Big Data Analytics platform for a specific customer or we are helping them in end-to-end thinking through and implementing the whole Digital solutions stack on third party IP or custom built, all of these are services.

**Ashish Chopra:** Just wanted to probe a little bit further as far as the weakness in Japan is concerned, while we understand Diligenta and what is happening there. But is it still to do with the integration-related clean up that you would be undergoing or is there some additional fundamental element to it as well that you would see in the near-term?

**N. Chandrasekaran:** It is integration-related. No specific issue. More to do with integration and getting it to where we wanted to be.

**Ashish Chopra:** On one particular metric which is fees to external consultants, which I think has now increased to close to 7.5% of revenues, so the subcontractors basically. So we have been seeing this metric kind of increase for you as well as for the peer group. But, just to understand a little bit more in terms of TCS-specific as to what would be driving this and how would you see this pan out maybe going forward, is the question related?

**Ajoy Mukherjee:** From a sub-contracting point of view it is based on the demand that we have and any challenges and issues we might have from a fulfillment point of view. So we use our own people where possible but for short-term requirements we will go ahead with the business associates. That is why you are seeing some of the sub-contracting costs going up. So there is nothing else there. But this is a number which we keep a watch on.

**Ashish Chopra:** Just to get some more clarity in terms of any contributing factors, would it be possible to define them as of now, whether it is visa or it is the talent we require in digital at the front end or any particular factor that could be the key reason behind it?

**Rajesh Gopinathan:** We are not calling that out separately. It is fair to assume that it will be combination of all of it.

**Moderator:** Thank you. The next question is from the line of Manik Taneja of Emkay Global. Please go ahead.

**Manik Taneja:** My question was with regards to Financial Services and Insurance in particular. One of your peers have called out for some challenges in Financial Services. If you could give your thoughts around both BFS and Insurance and regards to Insurance also I wanted to understand how you are seeing the M&A activity impact deal is making in the segment?

**N. Chandrasekaran:** From the BFSI point of view it has been a good quarter which is 3.9% CC growth and BFS has done better and Insurance has got a Diligenta headwind. That is one thing that you have to keep in mind.

Apart from that, whenever there is an M&A that is happening, whichever be the sector -- whether it is Healthcare, whether it is Technology -- there will always be a period of instability because there will be a hold on some projects, hold on a number of decisions so we also get affected whenever such things happen. But those are business things that happen and we have to be ready for it and take it as it comes. But any such merger, any such acquisition, definitely, that period of decision making for two-three quarters we can expect softness.

**Manik Taneja:** At the start of the year you have indicated that BFSI is an area where you would see higher than company-wide growth. Do we still continue to see such a kind of visibility?

**N. Chandrasekaran:** Yes.

**Moderator:** Thank you. The next question is from the line of Karan Uppal of Equirus Capital. Please go ahead.

**Karan Uppal:** Chandra, I just wanted your insights, since this quarter, the pricing has declined by a percentage point. So what is the outlook for next two quarters and broad-based outlook on pricing?

**Rajesh Gopinathan:** We have repeated before also. What we report is realization and not pricing, and realization trends get affected by the mix of business as

well as by the number of working days in a given quarter and our mix of fixed price to T&M etc., The realization trends are broadly in line with cyclical factors that we have seen in the past where typically it tends to decrease in the first two quarters and increase in the next two. But it is a moving number, multiple factors at play there. So very difficult to give you a good idea about what the number will be next quarter.

From a pricing perspective for the industry we do not see any structural price breakdown or any dramatic shifts in overall pricing. So from that perspective on a like-to-like basis it is a stable pricing environment but reported realization will be volatile depending on what I told you.

**Moderator:** Thank you. The next question is from the line of Aishwarya K from Spark Capital. Please go ahead.

**Aishwarya K:** My question is again on Digital. I can understand that the Digital is moving on from PoC deals to large scale digital deals. But at the same time, Consulting has been weak I think it is around two quarters. This seems counterintuitive. So, could you please explain why consultancy is weak for quite some time?

**N. Chandrasekaran:** No, I have answered it actually. We do not put Digital revenues under Consulting. It is getting embedded with our other services.

**Aishwarya K:** My second question is on Energy and Utilities. I know it is kind of a small segment for you. Are you guys seeing first time large outsourcers in the market and is the deal momentum has increased in this space considerably over the last few quarters?

**N. Chandrasekaran:** No. It is small for us and there is no big deal momentum for us.

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

**Ashwin Mehta:** Hi Chandra, wanted to get sense in terms of demand in Manufacturing. This seems to be one segment which from a sequential growth perspective has been kind of flattish for us for the last 3-4 quarters. So, is it largely Japan impact here or there is more?



**N. Chandrasekaran:** It is largely Japan impact. In fact, we are doing well in Manufacturing in other markets. Even the deal wins this quarter we have had very good wins -- we have had four deals in Manufacturing this quarter. But what you are seeing is the impact of Japan.

**Moderator:** Thank you. The next question is from the line of Mukul Garg of Societe Generale. Please go ahead.

**Mukul Garg:** Chandra, two questions. First on the order book which you earlier mentioned in the press briefing that this quarter is the highest ever and 30% above the previous high achieved. So can you give us an idea about the types of deals which you are getting -- are they long-term in nature or are they mostly short duration deals which can be captured faster, in a very short period of time?

**N. Chandrasekaran:** Majority of these deals are more outsourcing and transformation-related also and some portion of it is Digital deals. So I think you should not expect a kicker from these deals in the immediate quarters. But at the same time they are all multi-year deals, so they will start showing up in the coming quarters.

**Mukul Garg:** Second question is more on the growth seem to be a little bit lower than what most of us expected. So, is there some sort of size issue, which is coming into play now given that you guys are now running close to \$16 billion to \$17 billion in revenues? So, is that the potential incremental revenue which is coming up into the market, it is not that huge that you can grow at the rate which you did in past specifically looking from Digital point of view?

**N. Chandrasekaran:** I think the way to look at it is that 3.9% constant currency growth and more importantly, volume growth of 4.9% is pretty good. It all depends on whether volume fully translates into CC growth. When volume fully translates into CC growth, everyone is happy. When it does not, then it kind of... and especially when volume fully does not fully translate into CC and CC does not fully translate into dollar, then you have a double whammy. So, the perception immediately becomes much tougher. So, it is one of the situations.

Otherwise I feel that TCS has been delivering \$100 million+ quarters now consistently many times, and also delivered \$200 million+ also sometimes. So I am pretty positive for the future.

**Moderator:** Thank you. The next question is from the line of Keith Bachman of Bank of Montreal. Please go ahead.

**Keith Bachman:** Assuming your constant currency growth was 3.9%, quarter-on-quarter volume growth was 4.9%, so could you talk about the forces for the realization being (-1.0%) and what do you anticipate the difference between volume and revenue to be if you look at over the next couple of quarters?

**Rajesh Gopinathan:** We answered that question a couple of questions back. As we said, it is realization and that is a factor of the number of working days, our mix of businesses, by geography, and also our mix of business by different project types. Per se, we do not see much to call out in terms of this quarter and I do not provide you any guidance in terms of what that number would be going forward.

**Keith Bachman:** I am not asking for a number specifically, what I am looking for is will volume be closer to revenue whenever that ends up being over the next couple of quarters?

**Rajesh Gopinathan:** Reported realization cyclicalities should be similar to past periods.

**Keith Bachman:** My follow up is you talked a lot about Digital. But I am curious who you think you are competing against on most of your Digital projects because there seems to be a separation in the market whereby Accenture in particular seems to be frankly acquiring a lot of Digital capabilities. Who are you competing against when against your book of business on the Digital front?

**N. Chandrasekaran:** It varies from customer-to-customer. In some places we are working with customers that we have had long relationships with. In some places we are winning with new customers because Digital becomes an entry point. I do not want to name specific companies -- which normally we

do not -- but we see some of the players that we normally come across in other businesses as well. But we do not want to call out specifically.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question. I now hand the floor back to the management for closing comments.

**N. Chandrasekaran:** Thank you everyone for joining us for the second quarter earnings call. As I mentioned, we have seen an acceleration in volume and acceleration in the constant currency revenue growth and we are seeing a very broadbased growth across industries, we are quite happy with the core business across verticals and all the key markets. We had highlighted three soft points last quarter, out of which we believe that Latin America is recovering nicely and the other two soft points continue to be very soft. We expect them to take a few more quarters before we can declare that they are turning into positive momentum.

Our investments in Digital are significantly paying off and our Digital revenues have grown from 12.5% of revenue to 13.3% that is a double-digit growth rate on a sequential basis.

Our order book, as we said, is pretty strong, the highest ever and also in terms of the deal pipeline for the future is spread across all verticals and all markets; quite strong I would say. Seasonality will play in H2 and Q3 is a soft quarter because of furloughs and the number of holidays in the quarter in the different markets in which we operate. So, we will plan for those things to play in Q3 as we move into this quarter.

Overall, I feel that tech business is doing well and customers are adopting Digital in much more serious and significant way to transform their businesses and TCS is extremely well geared to partner with them.

On the employee front, I am happy to say that this quarter's attrition has sequentially come down and we have increased our hiring target, keeping in view the kind of opportunities that we foresee in the coming quarters and next year. With those words, I want to thank you all once again. See you next quarter.

**Moderator:** Thank you, members of the management. Ladies and Gentlemen, on behalf of TCS, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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*Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*