Good evening to all of you present here for this update. For those who might have logged into the webcast a warm welcome to you as well. This update is being webcast through our website and an audio archive as well as a transcript will be made available on our website including the presentation that Rajesh will be using. As you are aware we do not provide any revenue or earnings guidance and anything said during this meeting 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 presentation which we is available on our website and which is also being webcast right now. The format remains unchanged – Rajesh, our Chief Financial Officer, will give overview of what is happening in the business in the current quarter and then we will open it up to Q&A. With that I hand over the floor to Rajesh.

Hi everyone. Good evening. I’ll give a quick overview and then we will take questions.

Broadly, there is no change to our revenue outlook for FY 2015.

We are seeing a growth convergence across verticals. If you look at our performance last quarter what we had seen was that some of the larger verticals like BFS had come in slightly weaker than what we had originally expected, and we expect especially BFS to do slightly better. We still continue to see softness in Insurance but better uptick in the Banking space per se, and some of the smaller verticals which had registered a very high growth rate in Q1 you will see growth moderation across some of them. So stuff like Media, (TTH) Travel and Hospitality, Life Sciences, these ones had shown significantly
higher than average growth last quarter and we expect those to moderate down. So you would see most verticals doing approximately in line and associated with a bit of softness in continuing in Insurance.

From a geographical market perspective, this is a quarter of consolidation whether it be verticals or geographies so not much of commentary and from a geography perspective. I will cover Japan separately. APAC – relatively we expect it to do better. India – last quarter also we had a growth in India and this quarter also we expect to have growth in India; however, we want to still keep it on a watch mode because we are still waiting for more broad-based confidence to come back. We are seeing some amount of momentum but I think it’s early days yet to call a very big turnaround. However, it will grow and we expect it to grow better than average this quarter also.

In terms of inorganic revenues from Japan, we expect to add about $100 million in incremental revenue from Japan in this quarter. When we had announced the deal in April, we had spoken about the band of about $300 to $370 million as the incremental revenue for the year. Ee now expect it to be at the lower end of that band, and this is still subject to bit more of granular clarity as we go along. It has to do mixing up the two businesses counting what is what, but broadly no change, just that we expect it to come in at the lower end of that $300 million range.

Then from a currency impact perspective, the main story this quarter is cross currency impact. As you know that rupee has depreciated against dollar and that is going to bring in a positive impact of 10 basis points to our INR reported revenue compared to CC (Constant Currency). So reported INR revenue will be 10 basis points better than reported CC growth, but when you look at it from a reported USD perspective given the weakness in GBP and Euro currency there will be an 80 basis points decrease in reported USD growth compared to the CC growth. The net impact on the margins due to currency is almost negligible. All of this with the caveat that this is based on numbers that we see today subject to what happens at the end of the
month because the 3rd month is yet to be done, so if it remains where we are today this is what we expect.

Our target EBIT margin band remains unchanged. We had a one-off impact last quarter due to the depreciation change that we had that taken, that will approximately offset the impact that we will have due to the Japan consolidation. So it was about (-70) to (-79) bps impact last quarter, which would have gone away in this quarter but this quarter we are going to get an impact due to the Japan consolidation. So net-net that kind of offsets each other.

Coming to the other income line – last quarter we have had a total dividend distribution inclusive of dividend tax in the tune of about Rs.15,000 crores. We did last tranche, the final dividend of Q4 which is distributed early in this quarter, and then we had the special dividend and the regular dividend of Q1. So totally our cash outflow has been to the tune of about Rs.15,000 crores and that is going to depress our other income to the tune of about Rs.300 crores.

So with that I open it up for questions.

Participant: What is the margin impact excluding currency?

Rajesh Gopinathan: Approximately, it will be similar to last quarter, say within 15 bps. I have not quantified and called it out right now. In last quarter’s margin decline, 79 bps was due to the depreciation impact. That won’t recur this quarter, but we expect the Japan consolidation impact to be in the range of 70 to 75 bps. So that will pretty much offset the absence of that depreciation impact. And then we expect some amount of gains, but nothing material; around 10-30 bps, in that range. So that is the like-to-like margin improvement.

Participant: Had there been any additional investment in this quarter?

Rajesh Gopinathan: No, we are consolidating our investments, so our basic investment story is France and Japan, otherwise on the service lines the
investments continue apace, but nothing specific in this quarter to talk about.

Participant: Rajesh, you said that for second quarter your revenue from Japan will be at the lower end of your original guidance for the year, but for the year as a whole do you still maintain that guidance or do you think the revenues could actually be towards the lower end?

Rajesh Gopinathan: It is difficult for us to take a call right now, and what will happen is as the year goes by it will be very difficult to actually quantify whether it is due to organic or inorganic because remember this is a merger between an existing investment. Mitsubishi has existed as a client for us also, so some amount of it is going to be a bit of stock taking between the two entities. So as of now we are expecting it to be in this range. Overall, our expectation for the Japan market which we had thought of as about ¥60 billion run-rate for the year because the first quarter is not there, but the business of about ¥60 billion Yen that perspective has not changed. How it gets counted? When it gets counted? So we should exit with that kind of rate. That has not changed but it is a fairly this thing in terms of the two entities. And currency is also playing around, so it was closer to 101, now it is closer to 105, so that reported USD number because of that will also move around, but ¥60 billion is approximately the size of our business on a four quarter basis for Japan.

Participant: The start of the year you modeled India weakness I think for the first half of the year and you said that you do not expect a pickup in India till second half of the year, but now that India has been sort of at least going ahead of company average in the first two quarters, is it a case for actually revising India vis-à-vis early projections considering the upside well to the expectations for first half?

Rajesh Gopinathan: Yes and no, so technically what you are saying is right, but materially it is not impacting it, to some extent the question is going to come in as to what happens in Q3, Q4 because those are the quarters when India really starts to make impact and are we in a position to a take a call on that right now? ‘No.’ That is why we had said that it had bottomed out,
it has actually done slightly better than bottoming out, it is slightly on the upside, and we now have two sequential quarters so that is where it is, I do not want to go beyond that but really the call is we will know India is back when we hit Q4 because that is when we will see it if it is in action.

**Participant:** On the India growth in the first half this year, is it a couple of clients or is it more broad-based?

**Rajesh Gopinathan:** Technically, yes, it is a few clients but is it client-specific, is it industry-specific, difficult to say right now, I do not want to get drawn into it because as I said we ourselves are on a wait-and-watch mode before we take a call, but it is coming across both government as well as private sector so both public and private sector is participating. Is it broad based? Technically, yes. But, does it give us confidence on it? Not yet.

**Participant:** Also, we are typically seeing that the revenue growth across vertical has not been very divergent in case of TCS and last quarter we saw some divergence but you again speaking of convergence. So why do you think that largely all verticals grow similar to each other?

**Rajesh Gopinathan:** Why is that, I cannot tell you. To some extent actually also if you go back to our commentary if you look at the drivers of growth in Europe and US there has not been sector-specific, so the European growth has been due to off-take of the global delivery model and the US growth has been more of project-specific and the smaller projects across. So there has actually been no industry specific growth drivers per se, in fact this is what you would expect rather than a divergent play, because there is no one industry which is actually driving it, so this is the more expected one rather than.

**Kedar Shirali:** Also, arithmetically sustaining double digit growth and so on -

**Rajesh Gopinathan:** Smaller verticals, yeah, exactly, coming off a good growth last quarter, so that base affect will also have a sequential impact.
Participant: Any commentary on the demand environment you see in Europe that been relatively strong for the last 12 months, we have seen some macro-economic data turning a bit more weaker there, any impact on your business?

Rajesh Gopinathan: Not due to the macroeconomics per se, but typically the September quarter is a slightly softer quarter in Europe, especially in areas like France, there is a significant slowdown in July-August because of the holiday effect. Other than that, no macroeconomic impact that we see currently. Our expectation is that that should not significantly impact us but that only time will tell how it turns out.

Participant: I missed your comments on hedging impact this quarter?

Rajesh Gopinathan: The ₹300 crores impact is actually inclusive of both treasury and forex. The Forex line impact we are not calling it out right now because it depends on how the hedge positions mature; out of the ₹300 crores about ₹50 crores could be due to forex, and ₹250 crores due to the treasury income.

Participant: Just going back to Europe, so you have been saying that offshoring is picking up in Europe, and last 2-years we saw growth actually better than US. So have we crossed that inflection point in terms of offshore adoption so that things can actually accelerate or this is the pace Europe will...

Rajesh Gopinathan: I do not think we have crossed that inflection point. So if you look, every deal it is still fought deal-by-deal. it is still not at a level where everybody wants to do it, and now it is only a question of which vendor to choose, so you still have to fight with the local incumbents and there is still bit of convincing to be done; can it be done, can it not be done what to say, and it is going to take probably longer than in the US for that inflection point to be reached if ever because the specific situation is very different in each scenario. The other aspect of it is because of the regulatory one, the way the clients handle the regulatory situation is also very different. So the solution also is pretty much client-specific and context-specific. So that kind of a broad-based adoption, it is
probably going to continue like this for some time before we see inflection point that you speak about.

Participant: Are you seeing any weakness in large deal closures?

Rajesh Gopinathan: In terms of weakness from an industry perspective, as I said, Insurance continues to be soft. The US market still continues to be project-led. So there is no large scale pick up large deals in the US market. It is still an optimistic market but still project-led, so large deal momentum per se is not necessarily increasing or building up or anything. And industry specific, Insurance continues to be soft.

Participant: Any large outsourcing deals coming up in the emerging markets?

Rajesh Gopinathan: These are typically not large deal driven markets; they are more penetration-led markets, because they typically do not have that cycle of large outsourcing deals. So the direct answer to your question is ‘no’, but it is not in a negative sense. It is just not in the nature of that market for large outsourcing deals.

Participant: Just to rephrase my question Rajesh, is the deal size is getting bigger as the maturity improves in emerging markets?

Rajesh Gopinathan: Relatively yes, but relatively they are still smaller than the developed markets. In the context of their own markets, yes, it is increasing.

Participant: A couple of questions; one is in Europe do you think that any markets that you think you have penetrated almost fully say the Nordics, for instance where you have been relatively early to market and you have backed a few large deals, do you think that will grow slower than France or Germany or other parts?

Rajesh Gopinathan: No, in fact, France and Germany we are still early days yet, therefore one is that we are talking about relatively smaller base compared to the other two from our presence perspective, but our traditional markets which are Benelux, Nordics, etc., continue to do fairly strongly, but it is such a dispersed market that in a given quarter it can be any of them, but it is not that those markets have saturated or they are so
ahead of the curve that they have a base affect coming in or anything like that, and neither have we really started to go through an inflection point in Germany or France, so both are relatively maintaining position.

**Participant:** In last quarter Chandra had talked about simplification deals being big drivers. Have you seen any large ERP simplification deals? Is that a trend in any particular vertical?

**Rajesh Gopinathan:** Not vertical specific, but EntSol continues to do well and a bulk of the new ERP deals that are coming about are driven through simplification as the underlying theme. So either it is simplification or it is governance-led, but bulk of the large EntSol deals that are coming through are all coming from simplification. So it can be anything -- it can be standardization, single instancing, or complete transformation exercise to relook at processes and to drastically and dramatically simplify those processes. EntSol continues to pick up traction and continues to see growth and the underlying theme in that growth is simplification while it might come couched as transformation, but it is transforming to simplify. The processes are fairly now well understood and standardized, and a lot of the technology layer is also now standardized enough. Many clients are taking that incremental step of saying that why do we not relook at the whole thing and really dramatically reduce the complexity in processes.

**Participant:** So does it also mean that someone like you with a multi-country presence, are you seeing that you are ending up on more shortlists because of this?

**Rajesh Gopinathan:** Yes, EntSol has been that way for us for some time now. We have been doing relatively well in that service line because as I said it is global simplification that people are interested in and that positions us better and we are participating better also.

**Participant:** And you think that this needs more onsite hiring compared to say other parts of the business like ADM?
Rajesh Gopinathan: It is always more onsite-heavy than traditional ADM because these are configuration-led deals and these are more consultative-led deals, but within the context of EntSol, is it now today more dramatically onsite-heavy? No. In fact if anything it will be the other way around, there is greater leverage right now like-to-like on EntSol.

Participant: As far as this quarter is concerned, do you think that we would see a slight shift more towards onsite or are we going to be pretty much flat?

Rajesh Gopinathan: That is a good question. I did not look that up right now, but typically, yes, this quarter we see onsite shift but with a caveat that in this quarter we typically do. Will we see it in this quarter or not? I do not know because I did not take a look at it.

Participant: And for the hiring plan for the year like roughly about 25,000 I think if I remember correctly is the number of freshers that you are targeting right. So do you think that you would need to resort to some off-campus recruitments to augment this?

Rajesh Gopinathan: The hiring plan continues. It is a question of where we see the demand/supply gap and demand/supply equation is still good enough that you can call it off-campus, just it is still fresher hiring and that we will calibrate towards end of somewhere in this Q3 as to whether we need to top it up.

Participant: This is venturing into Q3, but still do you think that with the shift towards more of these large deals and less time and material contracts, seasonality would be reduced in Q3?

Rajesh Gopinathan: We will take this up in another three months.

Participant: Japan consolidation… is this for the full 3-months or you have consolidated for a limited period in this quarter?

Rajesh Gopinathan: Technically, we have consolidated for the full 3-months. So there is no incremental jump coming in the next quarter.
Participant: You said US growth is project based. So am I right in understanding it’s not IMS, BPO or rather the other service lines ADM and ERP which are growing a lot faster there, that is the right way to think about it?

Rajesh Gopinathan: No, IMS continues to be in the US market, also IMS continues to grow.

Participant: So when you say projects, you just mean newer deals rather than…?

Rajesh Gopinathan: I excluded IMS in the commentary because IMS has been continuously growing and that is an underlying theme that has been running and it continues to run. On the larger and more traditional IT side of it is, what I said it is project-specific.

Participant: Previously you have said that when the June quarter has been really strong, the September quarter is a bit weaker, so given whatever growth you reported in the June quarter this time about 4.8% constant currency terms, would the seasonality be similar? For last year 1Q and 2Q were similar in growth rates.

Rajesh Gopinathan: There is no material change, the overall seasonality remain similar. I would leave it at that.

Participant: A slightly broader strategic kind of question – some of your mid-sized peers right in the Digital space and not just Indian peers, even global companies claim that they have an advantage over large companies in bidding for such projects because of a different style of working itself, so more an agile kind of working whereas the large companies have a software development lifecycle kind of projects. Would you sort of agree with that, how should we think about that?

Rajesh Gopinathan: Conceptually no, because agile per se does not require large companies or small companies. Agile requires better project management and the ability to adopt process or adapt process equally to different scenarios, and neither does a small company or a large company define agility at an organizational level, so neither at a project management level nor at an organizational level. I do not think so and you have seen that we have participated differentially. What you will
find is that typically at the early part of a technology adoption cycle or for that matter a new business process adoption cycle, niche consulting firms will typically have a larger share of business relative to their share of business in a more maturing cycle but this is for boutique consulting firms, niche process firms rather than small technology firms... small technology firms I do not think have any relative advantage, and we are very clear about our positioning. Our positioning is not at the bleeding edge of a technology adoption, our positioning is at the enterprise end of a technology adoption cycle. So we do not participate at the absolute extreme end of consulting in these kind of new adoptions and that is a choice of where you operate on the value chain, but as far as new technology adoption goes we do not think that any small firm has any advantage over us.

Participant: Rajesh, we have had at least two of the top four indicating client-specific issues whereas for you there is nothing to call out - would that be the message to take out?

Rajesh Gopinathan: No client-specific issues to call out. As I said, if anything, at a vertical level, insurance continues to be bit of a soft spot.

Participant: And in terms of BFS, because these client specific issues seem to be in BFS, most of the players who have highlighted that, for us is it lack of overlap in terms of clients or is it our growing wallet share within those clients which is driving better traction for us?

Rajesh Gopinathan: Difficult to comment on a relative basis but if you look at our numbers also, we had a weak quarter in BFS last quarter and when you look at it at a BFSI level as I said Insurance continues to be bit of a soft spot, relatively we think that BFS compared to last quarter the pure banking space might be better but now we are talking on Q-on-Q basis coming off a weak quarter, etc., So very difficult to talk what we are seeing versus what somebody else is seeing, but obviously that sector is seeing some amount of pain. Only question is, “Is it good enough to call out a client-specific situation?” No, but in Insurance we think yes, it is broad based enough that it is worth commenting on.
Participant: Any signs of revival in the Retail vertical per se? We had the prolonged winter probably in the Q4 and the quarter before leading to some lower growth in the Retail vertical. I know Q1 probably showed some signs of revival in the same vertical. So are we going to see the same trend going forward or some unexpected weakness might also creep in again?

Rajesh Gopinathan: For the size of that vertical for us we did if I remember correctly almost 7% growth in Q1, so that is not just revival, it is a fairly big thing. Compared to that we are likely to be closer to the average this quarter, but Retail has been doing well for us, we have said that we did not see the kind of commentary that some peers put out, but Q1 was very strong for us, and on its base there is a percentage growth wise moderation.

Participant: Closer to the company average level this is probably what you are expecting?

Rajesh Gopinathan: Yes. Retail still continues to do well.

Kedar Shirali: No more questions. With that we conclude this Quarter’s Business Update. Thank you all for joining us this afternoon.

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Note: This transcript has been edited for readability and does not purport to be a verbatim record of what was said during the call.