



“Tech Mahindra Limited Q3FY13 Results Conference Call”

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MR. SONJOY ANAND – CHIEF FINANCIAL OFFICER
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**Moderator:**

Ladies and gentlemen, good day and welcome to the Tech Mahindra's Q3FY13 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 at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Vineet Nayyar - Executive Vice Chairman. Thank you and over to you sir.

Vineet Nayyar:

Good morning. Welcome to the Tech Mahindra financial results for the quarter ending December 31, 2012. Our consolidated revenues are at 1,791 crores or US\$329 million, up 24% YoY and 10% sequentially. EBITDA for the quarter is at 376 crores or around US\$69 million, up 61% YoY and 11% sequentially. PAT for the quarter before MSat profit share is at Rs. 242 crores or \$44 million, up 67% YoY and a sequential growth of 36%. This has been a quarter of many positives. Our acquisitions have worked out well for us and we have seen initial stability. The induction of the management team of Comviva and HGS into our organization has been relatively seamless. We move forward into the next stage of leveraging these for growth and hope to make a success of it. Excluding acquisitions our non-BT business grew 2% QoQ and in spite of some impacts due to furloughs we have successfully defended our margins in a seasonally weak quarter.

On the macro side, you might be aware current projection for global growth indicates that there are some positive signs in the global economy. Policy actions have lowered the risk of any major disruption. These measures have supported a modest pickup in growth but full recovery will be long and slow process especially in the Euro Zone.

From a Telecom perspective, the global telecom services market is expected to be predominantly flat over the next several years. Spends in telecom as a vertical continue to remain sluggish with lower IT budgets while "Do More With Less" is the mantra. Moreover, these pressures also provide us with opportunities in gaining market share.

Overall, as we go ahead we expect our customers to be cautiously optimistic in their outlook. Our expectations are that customers would invest more in technology and IT this year compared to the last year. Decision-making cycles would continue to be prolonged as 2012 as customer closely monitors the market before committing spends.

On the merger front, we are at a penultimate stage. I am confident that this matter will be closed soon and we will operate as a combined company in the near future. We are making slow but sure progress on the integration front in multiple areas like system consolidation, process and policy alignment. Our joint go-to-market models are evolving in line with our



customers' needs. All in all, while all of you are aware of the various litigations in this matter we remain optimistic about the end outcome.

With these preliminary words I will open the house for questions which will be answered by my colleagues. Thank you very much.

Moderator Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from HR Gala from Quest. Please go ahead.

HR Gala Just one observation, I think it is not something new, but it has been happening over the past several years. When we look at the segmental results of the company, a large chunk of expenses remain unallocated, which is almost 50% of PBIT. Is that not any way in which you could scientifically allocate to these three business segments so that we can have a clear view of the underlying PBIT margin of these businesses?

Sonjoy Anand The principle that we followed is that we identify the direct cost and show it as it is. With allocation of cost there are always interpretations and views of different people, so that is the approach we have followed.

HR Gala So you do not look forward to any changes in that quantum of unallocated expenses?

Sonjoy Anand We are not intending at the moment to do anything like that.

HR Gala What is your outlook for next year in terms of the revenue growth? You said that the telecom vertical is unlikely to show any upward signs in the next year. And excluding the merger effect of Satyam, which might become reality very soon on a standalone basis Tech Mahindra, how do you see the next year?

Sonjoy Anand As you know we do not give guidance. So I cannot give you a forecast number.

Jagdish Mitra Globally, I think what we said is there is definitely not a huge change in the mood in the Telecom industry. So first of all discretionary spend is unlikely to increase in large chunks. The change in the opportunity for us therefore still lies. In transformational changes on structures of being solutions being delivered in the current format in all the markets and where telcos are looking to – you know the telco's the pressures that they are facing today, the minutes of usage dropping as well as investments in 4G and LTE type of network. So the opportunity lies for us to restructure those solutions. So that has been pretty much an overall global telecom scenario across markets. So that is how it is going to pan out.

HR Gala And how do you see the functioning of the BPO going ahead? It has performed really well in these nine months?

- Manoj Bhat** I think one clarification there. I think the BPO includes the impact of an acquisition which we made. In September, we acquired a company called Hutchison Global Services and that has contributed about \$37 million this quarter. Overall looking at the BPO business I think that has been a growth business for us for the last three or four years. I think we have a substantial presence across Africa, India, now the Philippines and we have a customer base which spreads across most continents. I think one of the other things on the BPO business is I think over a period of time last three quarters we have been focusing on making sure that the profitability of that business improves and there have been some changes there in terms of headcount and number of customers which we have said that we need to focus on profitable business.
- Moderator** Thank you. The next question is from Sandeep Muthangi from IIFL. Please go ahead.
- Sandeep Muthangi** I wanted to get some insight into the kind of traction you are seeing with the non-BT accounts as you highlighted this have witnessed quite a good growth in a weak quarter. Can you highlight what was driving the growth, was it ramp-ups in the large deals or was it some other services?
- Sonjoy Anand** So let me outline what happened in non-BT accounts. Basically, 17% sequential growth you see in non-BT is a big chunk of it is from the acquisitions and from the underlying organic side, there was a 2% growth. Now, Jagdish will give you a little bit of flavor what has been happening across Europe and RoW and the US.
- Jagdish Mitra** From a perspective of what is driving growth in the non-BT region for us or what has driven growth and what are the trends, I think pretty much again as we said most of the places whether it is Europe where we have seen some of the large deals fructify and we have fairly a strong pipeline of large deals development across the world, some in emerging markets and some in developed markets. Most of them are seen to be following a trend where there is a lot of restructuring of the solution. And I think having done what we have done over the last 8 to 10 years and actually prior to that even with BT when we did not call that complete managed service but we actually did pretty much of all of that has given us the capability to pitch for a whole lot of transformation type of solutions in that space. There our competitive edge is higher and what also some of the customers are finding is that their current contracts are not in line with what the market is ready to pay them from a consumer perspective. So solution, technology and the price points. All three are impacting the drive or the opportunities for us.
- Sandeep Muthangi** You have won a lot of large deals in the past year and some of deals are expected to ramp up quite strongly in the coming quarters. Are we on with the timeline of the ramp-ups or have there been any delays?
- Manoj Bhat** We announced one deal which has started billing which is the UK deal which we spoke about. The other one was the Europe deal. I think that you will see revenues coming in from Q4 and the other win which we announced today the impact will come in Q1.

- Moderator** Thank you. The next question is from Pankaj Kapoor from Standard Chartered Securities. Please go ahead.
- Pankaj Kapoor** First on the Comviva, based on the 19 days booking that we have done in this quarter, it looks as if we are almost doing \$100 million kind of an annualized run rate here, which is significantly higher. If I recall right, it was around \$70 million at the time of acquisition. So I was wondering if there is any one-time in here and how should we see this business going forward?
- Manoj Bhat:** I think the thing with Comviva is there is a seasonality in the business. I think across the last many years Q3 and Q4 are very strong and Q1 is the weakest. And a little bit of that is playing out, because this business is a mix of product and license plus services around the product and depending on the flavor of whether product sales go up or services sales go up, I think there is a considerable amount of fluctuation in the revenue. And that is a phenomena which you can expect in that particular line of business.
- Pankaj Kapoor** Second, on BT, what is the outlook? This quarter has been I think quite disappointing from QoQ growth perspective. So what is the outlook on a very near-term basis over there?
- Sonjoy Anand** I think one of the things about BT is that as we mentioned in the past meetings also is that there is a decline because of the consolidation that BT is doing on the system side as well as they are reorganizing their own internal organization. And we do see that pressure to be there for some more time. In addition to that in Q3 we had seen the impact of what we call 'Christmas Furlough' where they do not actually work for certain number of days. So those are there and we do expect that there might be a further drop for the next two quarters because while this consolidation of the organization goes on, they are actually dispensing with their discretionary spend and it is only after that we will have a feel for what would be consistent to the revenue that will carry on.
- Pankaj Kapoor** So BT is still not at a base level in terms of the quarterly run rate?
- Sonjoy Anand** I would say we might see a little more decline in the next couple of quarters.
- Pankaj Kapoor** And just last question on the non-BT side. You of course have been winning all these large deals. So I just wanted to see how the impact of the margins can play out based in terms of the initial transition cost and all? So what is the outlook on the margin as we ramp up on these deals would be?
- Sonjoy Anand** From a margin perspective we have absorbed the transition margin for the first two deals already in our numbers so far. And going forward I think this deal will be in transition in Q4, the new one which we have announced and potentially as we look at that, I think as the deal sizes increase there could be a negative impact to some extent because of transition expenses which we do.

- Moderator** Thank you. The next question is from Mitali Ghosh from Bank of America. Please go ahead.
- Mitali Ghosh** My question is also on margins. I just wanted to understand firstly for this quarter if you could break out perhaps the various factors that impacted margins including realization and mix? And then I wanted to understand what is the outlook we can expect going forward, how much more can you for instance take utilization up and broadly how do you look at margins going forward?
- Sonjoy Anand** The movement in margins this quarter has been marginally up. While as always in a business there are a lot of moving parts but the specific things which contributed to the improvement is the benefit from utilization and as well as our continued focus on our low margin projects in terms of either turning them around or exiting them. In terms of what we can expect as we go forward, I think let me as always try and outline for you, what are the headwinds and what are the tailwinds. Clearly, for the coming quarter currency is going to be a bit of a headwind. From a tailwind perspective we are going to continue to focus on productivity and what more we can do, we have done most of the benefit from the projects which were low margins but maybe there is a little bit more that we can do there. You will also see the impact of a full quarter of the Comviva acquisition. And as Manoj had pointed out I think there tends to be seasonality in the Combiva business and Q3 and Q4 do tend to be stronger than Q1 and Q2. So those are the basic factors and I think Amitava spoke about BT. So we do see in the short-term potentially weakness in BT volumes and hopefully after the immediate short-term we will see some stability there.
- Mitali Ghosh** Utilization, do you think you are at optimum levels or do you see more scope to take that up?
- Sonjoy Anand** I think it is approaching the top end of our range.
- Mitali Ghosh** And the second question was on the deal pipeline on the non-BT side and whether you expect what the deal flow looks like and whether you expect the sales cycle could perhaps shorten in this calendar year?
- Jagdish Mitra:** I think the deal pipeline if you look at it from as we said earlier large deal wise I think there are more than 5 to 6 large deals or more that we are developing and some that has come through the regular RFP kind of a process. So, has both these into the pipeline and typically these deals take significant amount of time to close. So nothing less than 6 to 8 months from a closure perspective. So it varies, depends on what stage. Some of them have gone through a stage where we are shortlisted and we are amongst the top two. Some are in which we are in final stages and negotiating contractual clauses. So they may not take that long.
- Mitali Ghosh** The only thing is that are you expecting the deal flow that you are seeing on the non-BT side, is this more or less the way you expected it, let us say, six months ago or is it better or worse?



- Jagdish Mitra:** I think to a certain extent it is probably better than what we had expected it to be because the volume of deal flow has definitely increased in certain markets more than what we had thought of.
- Mitali Ghosh** Just one last clarification on the margin question, in terms of the deals that you are looking at, where you mentioned most of them are probably Managed Services kind of deals, directionally that should be positive for margins, right? From a mix perspective, is that something we should look forward to?
- Manoj Bhat:** I think if you look at typically Managed Services deal, the first three to six months are transition where you will see a negative margin. I think it so happened in the last two deals we did. I think we could have absorbed the transition margin fully and that did not reflect in our bottom line. But typical for a deal is they start off with negative margin for one or two months because we do not charge for transition that is our model. And then the margin keeps progressively going up over a period of one to two years and then it stabilizes at a certain level which will be above the company average so that the average margin for the deal is approximately company average.
- Moderator** Thank you. The next question is from Ashwin Mehta from Nomura. Please go ahead.
- Ashwin Mehta:** I just had one question in terms of our segmental breakup that you have given. What does the other segment correlate to because we have seen almost \$3 million incremental revenue there that is largely similar to the incremental revenue that you have seen in your non-BT organic portion?
- Manoj Bhat** The others pertain really largely to government business which is in either about connecting something related to communications or sometimes it might not be but a large proportion of that is government business.
- Ashwin Mehta** What is the OCI loss that is sitting in the balance sheet right now? And secondly, what are our expectations on tax rates going forward?
- Sonjoy Anand** The loss on the balance sheet is about \$80 million and in terms of tax rate it is going to be in the range of 23 to 25 I think.
- Moderator** Thank you. The next question is from Sandeep Shah from CIMB. Please go ahead.
- Sandeep Shah** Just in terms of the source of finance for the Comviva acquisition, can you let us know is it through the debt or internal accruals?
- Manoj Bhat** I think debt has gone up. So we did fund it through debt and I think in between we had also borrowed from Mahindra Satyam at about 11%. So it is a combination of various things, but it is largely debt, whether it is from Mahindra Satyam or from us.



Sandeep Shah Because if I exclude the foreign currency loss or gain on the translation and just to get the pure interest expense it has gone up just by 4-5 crores.

Sonjoy Anand If you look at our net debt position between the last quarter and this quarter it has not moved a lot. The Comviva acquisition, the upfront payment is not a very large payment.

Sandeep Shah But we made the full upfront payment to Comviva?

Sonjoy Anand We bought 51%..

Sonjoy Anand For 125 crores approximately.

Sandeep Shah Is it fair to say that even Satyam contributed for Comviva besides Hutchison?

Sonjoy Anand I think there was no incremental borrowing from Satyam. The way to look at it is that Rs. 100 crores in the context of the company it is not a large sum of money.

Sandeep Shah Secondly, if I just look at the deal wins which have happened in this quarter, can you throw some light in terms of the TCV of the five deal wins and whether a large part of that is a new business or a renewal of existing business?

Sonjoy Anand So I think approximate TCV would be about 100 million of those 4-5 wins which we have outlined. I think obviously one deal dominates, the remaining are smaller deals. It also includes the renewal where we have got an additional business.

Moderator Thank you. The next question is from Srivatsan Ramachandran from Spark Capital. Please go ahead.

S Ramachandran Just wanted to understand the BPO business a little bit more in detail now. Post Hutch and almost now a quarter plus of having Hutchison, just wanted to understand how different is our BPO vis-à-vis when we acquired Hutchison global in terms of capabilities and how is the current BPO offering breakup into customer care and non-customer care or transaction processing kind of within the Telecom vertical?

Manoj Bhat If you really look at our BPO business and kind of let us revisit why we looked at Hutchison Global, I think effectively the platform we brought was a full customer experience management thing in the conventional voice/non-voice. Of course a large part of it falls into the voice category. But in terms of capabilities it is an entire cycle from origination to collection, to making sure that the complaints, etc., are handled and then to resolution, it is an integral part of the operations of the customers whether they are in the UK or in Australia, the two big customers. And if you look at the capability we were buying was the end-to-end capability because really there are touch points into sales, churn management and loyalty management and then of course the regular customer grievance handling and so on and so

forth. I think the second question was what has happened since that and I think we are three or four months into the process what we are doing is actively demonstrating the capability and overlaying it with our capabilities across delivery centers, whether it is in India or Philippines. So what we are trying to say is that for our customers now we potentially can offer the same services in multiple locations and it is early days yet in terms of results but that is the broad strategy. The third is of course and as I had articulated last time also that eventually the potential that whether it is in billing or customer care, a combination of the prospect of clubbing operations and IT is a powerful value driver and which we hope to achieve over a period of time.

Moderator Thank you. The next question is from Pratish Krishnan from Antique Stock Broking. Please go ahead.

Pratish Krishnan Just in terms of the BPO side, I mean, there is a reduction in the number of employees, the headcount in the quarter. And I believe this is primarily due to the contract cut down or the restructuring on the BPO side. Is it true, I mean, are you through with the entire phase or is there still a scope for further cut down there?

Manoj Bhat So there are two reasons. One is of course in one of our larger programs, I think there were some reductions in SLAs which led to of course reduced need for manpower, and the second is as you said that some kind of involuntary contract closures from our side. But I think the drive to drive up profitability in any business continues to be there but I would say a large portion is done.

Pratish Krishnan And in terms of the margins here, if I just look at the segment margins that you report, is there a scope for the margin profile to go back to the pre-Hutch level?

Manoj Bhat I think just a mathematic wise Hutch is going to be a very large proportion of the BPO business and I think as we described to you last time I think it is a mid-teens margin which is protected. So I think that will always make the possibility of moving margins dramatically very difficult.

Moderator Thank you. The next question is from Madhu Babu from HDFC Securities. Please go ahead.

Madhu Babu Would we start to see a net addition in the IT Services headcount? We have seen some addition this quarter. So now are we going to reverse the trend?

Manoj Bhat If you look at the business there is a decline which we are seeing in our largest customers, and we are seeing requirements coming through in other new wins which we are doing and we are trying to balance it out while driving up our metrics like utilization, I think that is a broad understanding. So from that perspective I think as long as we have a supply of people from our largest customers who are very, very talented in terms of the job roles they have done, they can

be easily redeployed in other customer locations. I think this trend will not reverse because we want to drive these metrics like utilization.

Madhu Babu

And what are the campus offers we have made for CY13?

Manoj Bhat

For CY13 I think we are finalizing, because some of the pending students from the last year are still joining. So we are planning to visit about 75 campuses, that is the plan, but we will have an update for you as we go along.

Moderator

Thank you. The next question is from the line of Deepan Kapadia from B&K Securities. Please go ahead.

Deepan Kapadia

In terms of employee rationalization to continue, do we see in the next couple of quarters it also to continue and tail accounts being dropped out? And if you could give me a breakup of Comviva, Hutchison contribution to our total revenue it will be good.

Manoj Bhat

Comviva will be about 6 million, Hutchison will be about 37 million, I am giving you approximation, we can send you the exact number, and the remaining is base business.

Deepan Kapadia

In terms of employee rationalization if you could throw some light?

Deepan Kapadia

Our employee count has been reduced and what would be the contribution of the employee count on the gross profit? Because the gross profit has gone up and in spite of Comviva and Hutchison being low margin business, although Hutchison comes to only BPO employees, more or less I would like to know how the reduction of employees has contributed to the gross profit?

Sonjoy Anand

I think the best way to look at the impact of headcount on margins is to look at the 2% improvement in utilization. That is one of the factors which has contributed to improved margins.

Moderator

Thank you. The next question is from the line of Vimal Goel from Sharekhan. Please go ahead.

Vimal Goel

What is the revenue which has come in from Comviva for the 19 days?

Manoj Bhat

As I said it was about 6 million.

Vimal Goel

And what is the revenue coming from Hutchison Global Services?

Manoj Bhat

37 million.

Moderator

Thank you. The next question is from the line of Vaibhav Agarwal from Motilal Oswal Securities Ltd. Please go ahead.



- Vaibhav Agarwal** One data point which you guys talked about was percentage of repeat business. If I see over the last three quarters that has declined from 98% in Q1 to around 88.5% now. Could you throw some light on that?
- Manoj Bhat** I think that is an acquisition impact. Maybe I think we should correct that because I think reality is it is not a new business in the conventional sense of new business. So we will change the fact sheet, sorry.
- Vaibhav Agarwal** And one other question I had was your greater than \$50 million clients from the three last quarter it has gone up to four. So is that the European deal that you guys have signed?
- Manoj Bhat** This is again due to the acquisition. For example, there were two existing customers which Hutchison Global Services was servicing. So when you added together the scale for the customer goes up.
- Vaibhav Agarwal** And just to confirm once again, but I think the TCV of all the deals that you guys have written in your fact sheet it is about \$100 million, right?
- Manoj Bhat** Yeah.
- Moderator** Thank you. The next question is from Surendra Goyal from Citigroup. Please go ahead.
- Surendra Goyal** So the headcount for Software Services at the end of the quarter includes the 1500-odd people from Comviva, is that right?
- Manoj Bhat** That is correct.
- Surendra Goyal** So essentially, without Comviva, headcount in Software has declined by around 800-odd employees and so this decline continues which has been the case for the last five, six quarters?
- Manoj Bhat** I think that number sounds fair, we could be off by 100, 200 but yeah in that range.
- Moderator** Thank you. The next question is from Sandeep Shah from CIMB. Please go ahead.
- Sandeep Shah** Just in terms of the Comviva seasonality, is it fair to say that the second half margins would be materially different than the first half for Comviva?
- Manoj Bhat** That would be a correct assumption but I will only qualify it saying that has been the past trend and that is driven by certain behavior in customers on contracting as well as the proportion of product sales to services. So, we will have to see that. In that past that has been true.
- Sandeep Shah** But generally their second half margins should be even higher than the organic margins of Tech Mahindra?



- Sonjoy Anand** I think it depends on the mix of business. If product revenue, product and licensing revenue is higher, margins will be richer.
- Moderator** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain** Firstly, why there is a drop in the BPO employee count?
- Manoj Bhat** I think effectively there were two reasons. One is that in a certain customer engagements there is a renegotiation of some SLA levels which needs less staff and then the second one is of course we continue on our journey of trying to make sure that we focus on profitable business and wherever the criteria of either growth or profitability is not being met, I think we have been doing that for the last two, three quarters and we continue on that journey. I also said that we are probably towards the end of that journey.
- Rahul Jain** But can you mention what could be the number of people who could be impacted by these things which you just mentioned?
- Manoj Bhat** I do not want to get into that level of detail on this call, sorry because there are some customers and employees sensitivities here.
- Rahul Jain** And just another thing, just wanted to understand the note which mentions about the Comviva Technology which was acquired at 47% subsidiary. I am a little confused here.
- Manoj Bhat** What happened was the deal structure, there are some preference shares also and we are in the process of converting the preference shares which should happen in Q4. As soon as that happens our actual shareholding percentage will be 51%. But since we control the preference shares and hence through that we control the company and also have board control we could consolidate.
- Rahul Jain** So, we have consolidated for that many days on 51% basis?
- Sonjoy Anand** Whatever the shareholding.
- Rahul Jain** On 47% basis?
- Manoj Bhat** Correct.
- Moderator** Thank you. The next question is from Ashwin Mehta from Nomura. Please go ahead.
- Ashwin Mehta** Just a clarification, in terms of our minority interest, other than Comviva, which subsidiaries would be contributing to the minority interest?
- Manoj Bhat** Only Comviva.



Moderator Thank you. The next question is from the line of HR Gala from Quest. Please go ahead.

HR Gala Do you see any major change in the onsite and offshore revenue going ahead?

Manoj Bhat I think if we really look at and I look forward into the next 12 months as we transition and as we move some of these deals offshore including some of the new wins I would imagine that initially the onsite percentage might move a little bit up, but probably the last two quarters or the last quarter of the year it will move back into the normal levels.

HR Gala So you expect to it more or less remain like 40-60?

Manoj Bhat I am saying that over a period of a year we would be back at the current ratio.

Moderator Thank you. The next question is from Ankit Pandey from Quant Broking. Please go ahead.

Ankit Pandey My question is around the certain market conditions when we go and participate for deals. What do we perceive, is it still very hypercompetitive or do we see next year that we can get better traction on pricing and margins given our recent acquisition?

Sonjoy Anand I think traction should increase because the reason and as Manoj explained also on the BPO and the PSE side the portfolio additions have been done to strengthen capabilities to somewhere for example, it is a customer experience. Comviva primarily for adding IT and products in that portfolio including some of the payments related stuff that we have added on top of it. So our traction in the market, our positioning in the market should definitely strengthen. Price point is a discussion that probably it is very difficult to predict at this point of time as to what conditions prevail. So I do not think I can commit on what impact it will have on price points but definitely will strengthen our portion in the marketplace to win more deals.

Ankit Pandey How has our pipeline or deal conversion really trended over the last 12 months?

Sonjoy Anand In the Telecom side of 41.46 size we pretty much, any deal that we participate in which is of significance size, we are called into for at least top two, and most of the deals that we participate in and the conversion rate there has been pretty good. I think for the ones that we have focused on should be in the range of about 60% or thereof.

Ankit Pandey Do you disclose any amortization related line items related to the acquisition?

Manoj Bhat There is no amortization line item.

Ankit Pandey Anything related to any charges accumulated or anything like that?

Manoj Bhat There is no amortization related to the acquisition.



- Moderator** Thank you. The next question is from the line of Sangam Iyer from Shubhkam Ventures. Please go ahead.
- Sangam Iyer** Just a small clarification regarding Comviva. You mentioned that in the first couple of quarters we expect some transition happening in Comviva, hence the drag on the margins and to add to that typically Q1 and Q2 are seasonally weaker quarters. So a meaningful contribution to the margins would come in post second half, is the right way to look at it?
- Manoj Bhat** No, I think there is some confusion. I did not mention anything about transition on Comviva. So on Comviva what we mentioned is historically it has been a seasonal business; Q3, Q4 have been better than Q1, Q2 and Q1 has been the worst quarter historically. And I think the other point I mentioned is that historically, the first two quarters margin is lower than the last two quarters.
- Moderator** Thank you. The next question is from the line of Nitin Padmanabhan from Espirito Santo. Please go ahead.
- Nitin Padmanabhan** Manoj, you had indicated that the total TCV's won during the quarter is \$100 million and you also mentioned that there is some amount of renewal there. I just wanted to understand, is that renewal very significant compared to the overall pie?
- Manoj Bhat** As I said large proportion of that is a new win.
- Moderator** Thank you. The next question is from the line of Amar Maurya from India Nivesh. Please go ahead.
- Amar Maurya** In this tax, Rs 809 million which we had reported, out of this is there anything which is related to the consolidation of Comviva during this quarter?
- Sonjoy Anand** The proportionate tax on Comviva income will be there. Nothing unusual.
- Moderator** Thank you. The next question is from Sandeep Shah from CIMB. Please go ahead.
- Sandeep Shah** If you look at the minority interest and if I do a backward calculation, I can arrive at the PAT of Comviva and with the revenue consolidation of \$6 million, the PAT margin of Comviva looks really high.
- Manoj Bhat** This quarter is not representative. First of all, we have consolidated 19 days. And most of the companies in the product business for example specifically and quarter end is a good time for booking orders. So I do not think that is Yes, margins are higher than normal. It is not the mid-teen margin.
- Sandeep Shah** Nothing non-recurring in the P&L, it is just the seasonality?



Manoj Bhat	Non-recurring from a revenue perspective, no.
Moderator	Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sonjoy Anand for closing comments.
Sonjoy Anand	I like to thank all of you for having joined our earnings call and as always if there are any follow-up questions please send them to the Investor Relations Team and we will respond back to all of you.
Moderator	Thank you gentlemen of the management team. On behalf of Tech Mahindra, that concludes this conference call.