



## “Mindtree Analyst Conference Call”

**March 19, 2019**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Mindtree Analyst 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 phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Amisha Munvar. Thank you and over to you, ma'am.

**Amisha Munvar:** Hello, everyone. I am Amisha Munvar, Head of Relations, would like to thank you all for joining us today. For today's call, we have our Promoter, Krishnakumar Natarajan – Executive Chairman; Rostow Ramanan – CEO & Managing Director. Please note that this call is meant only for analysts and investors. In any case if there is media, request you all to please disconnect as we just concluded the media briefing before this call.

Last night, our promoters issued a statement and in that context we would like to share our reaction.

**Krishnakumar Natarajan:** Good Afternoon. This is Krishnakumar. I just want to clarify that Pradip Menon who is our Chief Financial Officer is also on this call. While what the promoters had to say we had given a statement, today we are going to share some aspects where Mindtree as an organization and the board strongly believes in. The hostile takeover of Mindtree by Larsen & Toubro is a grave threat to the unique organization Mindtree Minds have collectively built over 20-years. Since we started the company in 1999, we have built a rock solid organization that outperforms its peers, differentiates and innovates through digital. Consistently, we have delivered strong financial results and favorable returns to our shareholders. We have differentiated corporate culture with 20,000 Mindtree Minds around the world. A hostile takeover by Larsen & Toubro unprecedented in our industry could undo all the progress we have made and immensely set our organization back. We do not see any strategic advantage in the transaction and strongly believe that the transaction will be value destructive for all shareholders. Our collective success depends on building and nurturing relationship with our clients and partners. This unexplainable transaction will bring disruption to those relationships and impair Mindtree's ability to differentiate itself in the market and continue to deliver client value and great shareholder return. As a company, we remain 100% committed to our long-term vision of building an independent company.

We believe it is in the best interest of our shareholders, Mindtree Minds and our organization overall will continue to oppose this takeover attempt. In addition, there has been a large outpouring of sentiments from Mindtree Minds online at #Mindtreematters expressing the strong desire to retain culture and our independence.

We have seen the L&T communication on their strategy for pursuing this transaction. Having carefully studied all the available documents, we have five important questions to L&T:

Question #1, you have chosen to mount the first ever hostile takeover in the 50-year-old unblemished track record of the Indian IT industry. If you persist in what you are doing, you will be forever remembered for this. Is this how you want to set an example?

Question #2, you are a company with the turnover of Rs.120,000 crores. You are 18x the size of Mindtree. Why cannot you build a great technology business with all your resources and capability without disseminating another organization?

Question #3, our customers choose us for our unique culture. They will stall all future business and even take away their business elsewhere. In the process, you would have demolished shareholder value for both companies. Is this the right thing to do?

Question #4, this is a people business. Our people have signed up for a mission and not just a salary. Take the mission away and a majority of Mindtree Minds will leave the organization. What would you be left with?

Question #5, if companies of the stature of L&T behave with extreme hostility to first generation entrepreneurs, what messages are you giving to all start-ups in the country?

These are the questions which we would like to raise to L&T and with this I turn the floor over to you for your questions.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

**Abhishek Bhandari:** Sir, I have two questions: First, have you tried to engage with some of your big existing shareholders? And if yes, what has been the response if you can share that?

**Rostow Ravanan:** Hi, Abhishek. This is Rostow. You are right, we are in touch with all our large institutional investors. Many of them have given us their unequivocal support that they stand by the management at this critical juncture and we can count on their full support.

**Krishnakumar Natarajan:** Again, just to add, there could be false rumors that large institutions shareholder like Nalanda are okay, we will exit. They have very categorically told us that they have got great returns from this management team and will back us to the core.

**Abhishek Bhandari:** Sir, my second question is tomorrow we have this board meeting for a buyback. If you could share what are the thoughts around buyback – do you want to really leverage your balance sheet to do a very large buyback to potentially ward off the hostile takeover attempt or do you think you will only resort to the cash balances what you have at the moment?

**Rostow Ravanan:** Abhishek, Rostow again. When we announce the buyback, it was in line with our efforts to stay shareholders frankly, provide efficient returns back to the shareholders and in line with all the

practices that we live with all our lives. So we had announced the board meeting to consider the buyback tomorrow. This incident obviously came up yesterday and the board has to look at under the prevailing law all available options with respect to the buyback, etc., but the general philosophy is that as a business the idea is to return excess cash back to shareholders. So the board will keep all the factors in mind including the legal requirements while making deliberations tomorrow.

**Abhishek Bhandari:** My last question, it might be too early, but have you also started engaging with some of your key clients and updated them of the recent board room tussles which is going on is it too early and your focus right now still on investors?

**Rostow Ravanan:** We are in touch with all our stakeholders, people, customers, shareholders, opinion makers across the industry to help get support for our stand.

**Moderator:** Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

**Pankaj Kapoor:** KK, my first question is on what could be the possible scenarios in which this whole transaction can evolve? So one of course is that if the L&T management raises the tender offer price, that may entice some of the institutional investors who at the current levels maybe with you but at a higher price may want to reevaluate their position. So in that scenario, what kind of possible options you have and where do you think that there is a possibility that you may also want to reevaluate your own positions in that kind of a scenario? That is the first question I have.

**Krishnakumar Natarajan:** Essentially if you look at, we right now have a set of facts and based in terms of what the facts would be, we will correspondingly take adequate action. We have thought through various options and we have weighed in many of those options and as and when we get an update I think we will react accordingly. I think we are pretty much well prepared for all potential combinations and options. To that extent, nothing is going to catch up by surprise.

**Rostow Ravanan:** Just to add a couple of other points, Pankaj, the reason why we are confident of support from our large institutional shareholders and it is obviously to some extent the function of the price, no doubt, but there are factors beyond that as well, right, if you look at last five years for example, Mindtree's growth rate is 14% compared to the industry growth rate of 10%, current financial Mindtree's growth rate is 18% when the industry is growing at 9%, if you look at the value creation, we have delivered for our shareholders, since IPO almost 1,000% and it is 21% over the last 10-years as a CAGR. So every single parameter, whether it is growth whether shareholder returns, whether it is customer success, we have delivered very strong and superior results to all our shareholders. That is why we are getting the enormous amount of support from all the stakeholders, whether it is people, whether it is customers, etc., Beyond that I guess we will have to watch how this evolves, and different prices, different institutional investors will make up their own mind but as of today based on our track record, we have very-very strong support.

**Pankaj Kapoor:** KK, the other point is that one of the facts of course is that L&T today has 20% plus stake in the company which theoretically may go up to a higher level. So, in a scenario where if we go with the assumption that none of these institutional shareholders participate in a way with that transaction, but you still will have a very large incumbent holder who may be a competitor and who's interest could be at conflict with management team, so how do you propose to address that issue even if L&T is at 25% will have a board seat and they may obviously will be able to probably curtail some of the flexibility that the management has, if you are successful in terms of warding off the threat?

**Krishnakumar Natarajan:** Pankaj, again, you look at the track record of the company, we have always been a shareholder-friendly company and that has been the core, being a shareholder-friendly company, running the business from the basics of very high standards of ethics and integrity and delivering value back to society. Those have been the core building blocks of what Mindtree today is and why it is seen as a very priced asset by every other organization. Obviously, the scenario which you pointed out is a potential scenario. As and when it evolves to that, I think we will take call on that, but clearly our intention is to do everything in our capability to fend off this hostile environment.

**Rostow Ramanan:** Just to add to that, Pankaj, you are right, there is A) scenario where L&T just gets x-per cent on Mindtree and then stays with there. From our point of view, we will do everything that is in our power to ensure that the culture of Mindtree does not get impaired in anyway because it is a culture that attracts world-class talent to Mindtree, it is a talent which then delivers world-class results to our clients and the values of Mindtree do not get affected, we will make sure that the company is run without compromised to that culture and those values irrespective of who the shareholders are and irrespective of what holdings they have. Consequently for example, things like board seat have to be debated by the board with legal advice, etc., from time-to-time. Those questions we will handle it as we go along.

**Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

**Madhu Babu:** If this prolonged battle goes on, would you fear any attrition at the senior employee level? Second, at the client level, some of our top clients might find some discomfort in giving us incremental business. So how do we tackle these issues?

**Rostow Ramanan:** Like KK pointed out, there is an outpouring of support for the current leadership team at Mindtree. So it does not matter how long the battle is. As long as the battle is successful for Mindtree, I think we have an unequivocal support from all Mindtree Minds across the globe. If we have a support of Mindtree Minds, those Mindtree Minds will ensure that we have the full support of our customers as well. So, the length of the battle does not matter. It is more the outcome of the battle, that is important.

**Madhu Babu:** One more thing sir, the L&T management said that they want to be in friendly terms and they were trying to overreach to the promoter group. So, do we believe that the cultural difference is so huge that it is not possible to have a friendly end to this whole thing?

**Rostow Ramanan:** Absolutely, we are not casting any doubts on our culture, it is better or worse than somebody's else culture, everybody obviously are all highly reputed organization in their own way, they also have a very rich legacy, very rich heritage, so we are not casting any comments on their culture. All we are saying is our values and our culture are different and that cannot drive as part of some other organization being independent is one of the reasons why our culture thrives and our culture is one of the reasons why we succeed.

**Moderator:** Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

**Vibhor Singhal:** Sir, I know this question probably is large and different forms before you answered that on television as well. So basically what we are looking here is that right now of course as you mentioned that you are reaching out to the shareholders and the different stakeholders. So first of all, are all the windows of discussion with the L&T management closed at this point of time? And is there a possibility of somewhere basically considering that L&T has definitely made for this kind of a bid. I am sure they are not looking to back down until and unless they are not able to satisfy this. But let us say in a scenario in which they are able to garner the kind of percentage to have a management control, what are the options before the promoter group?

**Rostow Ramanan:** As far as the second question is concerned, we will cross the bridge when it comes to it, like my colleague pointed out to the media sometime ago, a mother seize her child getting snatched away from her, we are not going to do risk/reward analysis at that stage, what we are going to do every possible step to protect the interest of the child. So that is the mood we are in right now. Beyond that like I said we have to see her at what stage what happens there. We believe like I said this is not good for corporate India, not good for our industry, not good for the start-up ecosystem, not good for entrepreneurship in an environment like India and therefore getting a whole range of support from stakeholders across the spectrum. So we wanted to exhaust all of those options before we think of anything else. As far as window of discussion with L&T goes, at this point of time, there is no such channel that is open. If anything comes, then obviously we will have to rationally evaluate it and I will take whatever stand that we take, but at this point of time, we made our position clear.

**Moderator:** Thank you. The next question is from the line of Subrata Sarkar from Mount Infra Finance. Please go ahead.

**Subrata Sarkar:** Just one thing to understand like apart from whatever existing shareholders support we are getting like do we have any immediate plan of asking for somebody else to act as a White Knight or something on that line have you thought of as of now?

**Rostow Ravanan:** Not as of now because practically speaking what we understand from the announcement that was made yesterday, L&T has executed a deal with Coffee Day Group to buy that block. So at this stage, even if we did find another buyer, we are not going to be able to undo that. So that deal is already done. So therefore, our idea is to make sure that we reach out to all our stakeholders convincing them that Mindtree strategy is appropriate, our investments are made, we are on a path for success and convince them to support us through this phase of our journey.

**Subrata Sarkar::** So our existing strategy is like we want to reach the existing shareholders and to project our track record to convey that they provide support to us regarding that?

**Rostow Ravanan:** Correct, obviously, we are evaluating all options but finding a new investor for the block is no longer available because that deal is done. As far as our strategy and our vision goes, we are obviously in touch with our board, in touch with some of the best legal minds in the country. So we are evaluating all the options from hereonwards that we can take. But the interest or the objective is to ensure that Mindtree's interest are protected, customers interest are protected. So that is the objective that we are working with through multiple options.

**Moderator:** Thank you. The next question is from the line of Divya Nagarajan from UBS. Please go ahead.

**Divya Nagarajan:** L&T seems to have had a conference call where the company has said that the intention is to let Mindtree remain independent at least for the next few years. There seems to be no plans to merge with any of the group companies and it is purely an investment. What is your take on that... would the reiteration of conference on that kind of a stance change your current stance on this offer?

**Rostow Ravanan:** Unlikely, because at the end of the day like I said we perceive reasonably significant culture differences. So even if the worry of a downstream integration is there, to that extent Mindtree Minds that destabilizes, destabilizes customer relationships and therefore destabilizes the entire fabric of how Mindtree was built over the last 20-years. So therefore to that extent even a potential integration downstream only kicks a can down the road but does not solve the problem. Our intention is to ensure infinite shelf life of Mindtree and anything that pretends either now or in the future is a worry for us. So that is where we are coming from.

**Krishnakumar Natarajan:** Divya, I will just add one other observation. I think many times your words have to be supported by the action. If the words, we leave it independent and not do anything and then you plan open offer for 31%, buy in the market 15% or express your desire to reach up to 66%, clearly that words and the actions are not sort of inconsonance. And like Rostow rightly said, we are not making a moral different as to what culture is right, it is just that our cultures are different, and to that extent with very large ownership and other entity, clearly, we will not see eye-to-eye and the whole aspiration, ambition to make Mindtree and admired in memorable company which will be a perpetual asset will completely sort of get cornered. So irrespective of what the words are, because actions do not support it and because we believe culturally we are very-very different, our values are different, we would oppose this move.

**Moderator:** Thank you. The next question is from the line of Srini Rao from Deutsche Bank. Please go ahead.

**Srini Rao:** A couple of questions if you can help. Are there any change of control provisions in any of your customer contracts? Second, considering your stance which you have taken, is it fair for us to assume that even in over the say next five, six years at least you would not like Mindtree to get acquired by any company, conversely you would also be more conservative if you had any opportunities to acquire any companies smaller than yours? I will come back for more questions.

**Rostow Ramanan:** I will take the second question first. The issue is not what is our size and therefore should the target be smaller or larger or equal to us, etc., Our acquisition strategy has always been driven by our strategy first of all, does that entity bring anything that is complementary to our strategy, is the cultural alignment in line with what we are looking for so on and so forth and less about the size? But fundamentally driven by the fact that that entity must want to get acquired by Mindtree, those shareholders must get some benefit, there should be some synergy that we can demonstrate to the larger stakeholder base cadet. So irrespective of size, larger or smaller, we would not go, look at an acquisition of an entity that does not want to get acquired.

**Krishnakumar Natarajan:** Conversely if a situation arises where you see a potential for getting merged with someone else, should we preclude that also over the next say five to six years given that you think being independent is one of the key sort to say attributes and I do not dispute that the unique culture which you have grown up is critical for your success going forward?

**Rostow Ramanan:** Again like I said, we have only one situation in front of us and we are responding to that situation. If a different set of facts presents itself to us, we will have to evaluate the situation at that stage. This particular one, does not make sense, it does not make sense for any shareholder, it is not what shall I say underpinned by any strategic rationale, so from the perspective of any of our stakeholders, this one does not make any sense. So that is the only one that we can comment on at this stage.

**Moderator:** Thank you. The next question is from the line of Manjubhashini from Sundaram Mutual Fund. Please go ahead.

**Manjubhashini:** Sir, on the previous question, any change of control provisions that are there with the clients, I mean, are clients updated about the happenings here at the board room level and any impact do you foresee in the near-term from our top clients there?

**Rostow Ramanan:** Our contracts are industry standard. Unfortunately, since many of them have individually customer confidentiality clauses. I would not be able to comment on the clauses within those contracts. But our clause and our contracts are standard with the rest of the industry, because many of our clients work with many people in the industry. So it is not as though we have any form of a unique contract with anybody. We are in touch with all our large customers continuously and including obviously given this event that happened yesterday is obviously a very-very critical event, we have updated our customers on this event, but nonetheless today use



of technology, social media, etc., all our customers are well connected to the events that we are going through and many of them have given unequivocal support for Mindtree. You also have to keep in mind that 100% of our business was won competitively. So there was a value proposition that was unique that Mindtree was able to put together which made those customers choose us and therefore many customers have reiterated that they come to us for our expertise and capability but they stay with us for our culture. So many customers have given us support in this critical juncture.

**Manjubhashini:** Sir, with our stake at 13%-odd and the remaining stake is left with various other stakeholders therein place, how do you think we can protect our independence let alone this, in future if there has to be an occurrence of a similar thing?

**Rostow Ravanan:** We will figure that out as we come along. At this point in time, like I said, we have A) set of circumstances and we are dealing with it, but like I said we will think through strategies and maybe do things differently in future, but right now we just need to come out of the current situation.

**Moderator:** Thank you. The next question is from the line of Sheena Barbosa from T. Rowe Price. Please go ahead.

**Sheena Barbosa:** I am just wondering if management could elaborate on the kind of cultural differences that we see that cannot be resolved and are there no synergies at all that you see from this deal, like is it impossible to work with L&T Infotech?

**Rostow Ravanan:** First of all, this deal is by L&T. So they have not made it clear. They themselves have two entities within their group. But leave that aside, at this point of time like I said we compete with globally best-in-class kind of companies and we have demonstrated in a high growth rate, great customer satisfaction, very low employee turnover and so on and so forth, we have created value for all stakeholders including a stellar track record of value creation for financial stakeholders as well. So the cultural differences stem from the fact that the organization values ethos, etc., are different from any other organization. Again, like I said, I am not passing any judgment on claiming superiority or inferiority between different culture but we have over long periods of time proven that Mindtree's culture is unique and Mindtree's culture is one of the very important ingredients for our success because it attracts a certain kind of person to come and work in Mindtree, it attracts a certain kind of customer to come and work in Mindtree, it convinces those customers to come and give us a completely different more strategic kind of projects, it creates environment where strategy for example becomes more successful. So there are many-many dimensions of our culture which is unique to us and that is what our intent to preserve because the business case from that culture is performance over the last even 10-years or 20-years on all parameters, whether it is people, whether it is customer, whether it is value creation for shareholders, this strategy, this culture has created value and therefore we like to leave it undisturbed.

**Sheena Barbosa:** But in terms of the work it comes to par, are there no synergies at all you can see like for shareholders from the deal, not...?

**Rostow Ravanan:** At this point of time, no, for two reasons – Just look at it mathematically, in October-November 2018 before this news became mainstream and we got caught in this new cycle, Mindtree stock was at 1183, today it is approximately 950. So therefore before this overhang came about, our intrinsic value, “was in the 1183 kind of a range” and it is all of the current overhang that depress the price there. So I do not think therefore there are any synergies that you can exploit because of this deal. Also even if you leave the shareholder value creation math or size for a second, look at it fundamentally from an industry trend perspective, customers are not buying today from a technology vendor because of size specially not for the advanced mode digital kind of work when they are evaluating partner, they are evaluating based on capability, there are so many examples where we have won deals against competition which is 10x or 20x larger than us. So if a larger size was supposed to give you some synergy, that does not make sense. We are convinced that even Mindtree was 2x the size as of today, that is not going to make any difference to our growth rate. It is our expertise-based positioning backed by the culture like I shared before, that is giving us the value, that is giving the customers the value they get when they come and work with Mindtree. So therefore, the underlying technology trend makes it difficult to just revenue aggregation and creating synergies. Neither are our SG&A bloated, etc., that you can make a big thesis of cost reduction out of the combination to do a cost synergy because again like I said, this is not an asset-heavy business, where cost synergies can create advantages. In our industry the main synergy is through growth. And we do not believe a differential growth trajectory is possible in a combination with L&T.

**Moderator:** Thank you. We will take last two questions. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

**Prashant Kothari:** My question is about the strategic choices that the management and the founder have today and obviously best option is to somehow fend this off and kind of carry on the business as usual as before, but the worst case scenario could be that L&T ends up with some stake between 20% and 56% and that could be detrimental to our independence. I am just wondering have you thought about kind of a second best option there which would be better for compromise on independence, but still would probably retain most of this culture and value that we have got here, maybe by aligning with some other corporate group, maybe aligning with some other kind of a strategic investor and it would not be as good as remaining independent, but may be better than being in the hands of L&T?

**Rostow Ravanan:** Difficult to answer that Prashant, like I said, this shareholder has completed a deal and new shareholder has bought that block. I do not have any other block to offer to anybody else that I can go align with at this point of time nor can I undo this deal that has happened between these two parties. So beyond that to some extent is theoretical. At this point of time like I said we are doing everything that we can, we are calling upon support from all the stakeholders we have across the spectrum to help us overcome this current challenge.

- Prashant Kothari:** Has L&T offered anything kind of any soothing terms for the management so that they could stick around if they were to kind of gain majority?
- Rostow Ramanan:** None whatsoever.
- Moderator:** We will take the last question from the line of Rahul Jain from Emkay Global. Please go ahead.
- Rahul Jain:** Just given the fact that this event has happened and if the L&T actually ask us for the remedial action for an amicable reach, what could be some of the things that you would ask for which would comfort the way the company was operating right now and with L&T being the largest shareholder for the company?
- Krishnakumar Natarajan:** This is little bit of a theoretical question, so difficult to answer, but from our vantage point like we said we will do everything within our capability to fend off the hostile attempt. If at all there is anything which needs to come in as a compromise, it has to come from the aggressor. I think we may not be able to answer that.
- Rahul Jain:** I am asking if they ask you, what could satisfy the expectation of the existing founder, promoter and management?
- Rostow Ramanan:** Do not want to comment on it. If they have any such question, they have my phone number and my e-mail address, so they can write and we will respond and I leave it at that.
- Rahul Jain:** If one of the earliest and oldest investor action has led to this unexpected situation, so where you draw comfort from your interaction with other large investors?
- Krishnakumar Natarajan:** Our large investors are extremely supportive, in fact, where you are getting to, I can mention the name Nalanda is completely behind us and similarly a lot of institutional investors, because at the end of the day they are seeing an honest, credible and high performing management team which has not just one year, but over several years delivered results to them, why would they want to sort of move away from that when they really have the confident, comfort that this team will deliver much more result come. Very honestly, the best of Mindtree is yet to come.
- Rostow Ramanan:** Just to close on that one, Rahul, the current shareholder decision was also prompted by financial constraints on their side, not that they went and sold because they did not like Mindtree, they were unhappy with the performance or anything or the other. All the metrics that I spoke about whether in terms of growth, value creation, profitability, customer addition, every single parameter has been in our favor. So what prompted this shareholder to sell was their own financial constraints, none of those constraints apply to any of our other large shareholders. So therefore that is another reason why we are confident, but this story will not repeat itself with amongst or other large shareholders at this time.

**Moderator:** Thank you very much. I now hand the conference over to Ms. Amisha Munvar for closing comments.

**Amisha Munvar:** Thank you everyone for the call today. Good Evening.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Mindtree Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.