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Bandra (E), Mumbai- 400 051
NSE Symbol: LTI

The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001
BSE Scrip Code: 540005

Dear Sirs,

Subject: Transcripts of Earning Conference call for Larsen & Toubro Infotech Limited ('LTI') for quarter ended on September 30, 2018.

Please find attached the transcripts of Earnings Conference Call organised by the Company on October 25, 2018 for the quarter ended on September 30, 2018 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited


Manoj Koul

 **Company Secretary & Compliance Officer**



Encl: As above

Larsen & Toubro Infotech Ltd.

Branch office Technology Tower 1, Gate No. 5, Saki Vihar Road, Powai, Mumbai - 400072, India
T: +91 22 6776 6776 | F +91 22 2858 1130

Registered office L&T House, Ballard Estate, Mumbai 400 001, India
www.Lntinfotech.com | E-mail: info@Lntinfotech.com | CIN: L72900MH1996PLC104693



A Larsen & Toubro
Group Company



“Larsen & Toubro Infotech Limited Q2 FY19 Earnings
Conference Call”

October 25, 2018

**MANAGEMENT: MR. SANJAY JALONA – CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR
MR. SUDHIR CHATURVEDI – PRESIDENT (SALES)
MR. ASHOK SONTALIA – CHIEF FINANCIAL OFFICER
MR. NITIN MOHTA – HEAD, INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to LTI Q2 FY19 Earnings Conference Call. As a reminder, all participants' 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 for 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 Mr. Nitin Mohta - Head of Investor Relations. Thank you and over to you, sir.

Nitin Mohta: Hello everyone, thank you for joining us today to discuss LTI's financial results for the second quarter of fiscal 2019. The financial statement, press release, and quarterly fact sheet are available in our filings to the stock exchanges and at the Investors Section of our website.

On the call we have Mr. Sanjay Jalona – CEO & Managing Director; Mr. Sudhir Chaturvedi – President (Sales) and Mr. Ashok Sonthalia – CFO.

Sanjay and Ashok will give you a brief overview of the company's performance which will be followed by a Q&A session. As a policy we do not provide specific revenue or earnings guidance and 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 risk that the company faces.

Let me now invite Sanjay to talk to you about the results. Over to you, Sanjay.

Sanjay Jalona: Thank you, Nitin. Good morning, good afternoon everyone. Welcome to our earnings call for the second quarter of FY19. Let me walk you through the headline numbers. Our Q2 revenues came at \$328.5 million, up 2.7% Quarter-on-Quarter and 21.4% Year-on-Year. In constant currency this translates into quarterly growth of 3.5%. We are pleased with our performance in Q2. This growth is driven by our digital services offerings.

Analytics, AI and Cognitive grew at 20% plus Quarter-on-Quarter and Enterprise Integration and mobility also grew at 25%. Last quarter I had shared with you details on several industry tech analysts' recognitions that we have received on our digital technologies. I am happy that our quarterly numbers are corroborating our early mover advantage in these areas.

What is really heartening is that our revenue growth in the digital domain is pervasive and not restricted to select accounts. The widespread penetration of these technologies across our client base is encouraging and bodes well for our future. Digital is now 37% of our revenue, up from 34% last quarter.



*LTI Q2FY19 Earnings call
October 25, 2018*

I have earlier shared with you three pillars of our revenue growth strategy. One, winning large deals. Two, opening marquee new logos and third, effective client mining. Our Q2 results saw us delivering on all these three accounts. Talking about large deals, in Q2 we won a deal with a global pharma major to be their transformation partner as the client embraces IoT and smart manufacturing across its global manufacturing facilities.

The client deeply appreciated our manufacturing shop floor expertise and our engineering mindset. This win embodies the convergence of physical and digital world and how LTI is uniquely positioned to take advantage in this new world order. Q2 marked the third consecutive quarter for us winning net new TCV in excess of \$50 million.

Now let me share with you two marquee new logos that we have opened in Q2. We won a hardcore digital engagement with a Global Fortune 500 Life Sciences company. The customer selected LTI as a strategic partner in its robotics process automation journey leveraging UI path as its automation platform and SAP as its core business process tool.

Similarly, we won a Fortune 100 energy logo to automate the client's finance processes leveraging automation. With the addition of these two new logos, we now serve 61 Global Fortune 500 companies. On client mining, our growth momentum in top 20 accounts has been strengthened by the success of our client mining programs like Minecraft and ADEA (Analytics and Digital in Every Account). This is evident in the growth beyond top 20 customers punching above company average and acceleration in share of digital service lines that I elaborated earlier.

Let me now give you the growth statistics and color on each of our key verticals. Before I begin, I would encourage you to look at the constant currency revenue growth figures for different revenue cuts. The cross currency has been very volatile in the last quarter and Quarter-on-Quarter growth in USD terms has masked the underlying business momentum in some cases.

Let me begin with BFS. Revenue growth was down 0.9% Quarter-on-Quarter. Based on Q2 results and our visibility on the book of business, I want to reiterate that BFS is on track to have a record year in FY19. The vertical has grown Quarter-on-Quarter in constant currency terms and this sequential performance has come after four consecutive quarters of good growth overall.

What do we see as driving growth for us? We continue to see expansion of tech spending in this sector across multiple areas. Technology-led operations is a big business driver for large clients and we are also witnessing APIfication of the application landscape to drive simplicity.

Insurance vertical grew by 0.5% sequentially in Q2. We need to work on accelerating growth in this vertical and you will see some more focused efforts from us on that.

We have a sequential growth of 0.6% in the Manufacturing vertical. Cloud adoption is now mainstream and we are witnessing a major acceleration in ERP modernization initiatives. In Q2, a leading designer and manufacturer of mass transport systems engaged with LTI for transforming its operations, accelerating time to market and digitizing internal processes using S/4HANA.

The Energy and Utility vertical registered an 8.4% quarterly growth. The commodity prices have recovered well and oil companies are reporting strong financial performance. We continue to see signs of industry spending opening up. While spending is recovering, it is mixed with some caution as energy clients wish to keep the cost structure lean.

CPG, Retail, Pharma - This vertical continues to power our growth with an outstanding 15% Quarter-on-Quarter growth. With clear focus on differentiation in digital solutions, we continue to win new business in this segment. The large deal wins that we have announced in Q1 and Q2 are also from this segment. As highlighted in my opening remarks, we have opened a Global Fortune 500 Life Sciences logo as well in Q2.

There are umpteen ways to see Life Sciences companies transforming themselves. Whether it is connected supply chain, raising the bar on manufacturing quality or crunching drug research cycles. Our strategy for Life Sciences verticals is to focus on this change opportunity.

High tech and Media vertical reported a 1.8% quarterly growth after double digit sequential growth last quarter. This segment continues to demonstrate rapid growth and we envisage this to continue through the course of this year. Our growth in this segment stems from our focus on building platforms, data and intelligent systems and cloud related technologies. In Q2, an American broadcaster selected us for its enterprise wide CRM consolidation, design and deployment of Salesforce platform.

In summary we continue to execute diligently to deliver on our ambition to be the company in the top quartile of growth. We have had two excellent quarters so far and I have no doubt that LTI shall deliver another year of industry leading performance in FY19.

Let me now handover to Ashok to share the financial highlights of the quarter.

Ashok Sonthalia:

Thank you, Sanjay. Let me take you through the financial high points for the quarter. In Q2FY19, our revenue at \$328.5 million grew 2.7% Quarter-on-Quarter and 21.4% Year-on-Year. The corresponding constant currency growth was 3.5% Quarter-on-Quarter and 22.9% Year-on-Year. The reported INR revenue of Rs. 23,312 million was up 8.1% Quarter-on-

Quarter and 33.1% Year-on-Year. The Rupee topline growth was aided by sharp INR depreciation during the quarter.

Now looking at profitability, the EBIT for the quarter was Rs. 4,424 million which grew 16.1% sequentially and 74.4% on Year-on-Year basis. EBIT margin for Q2 stood at 19% versus 17.7% in Q1. Operational efficiencies, lower visa cost and tailwinds from INR depreciation during Q2 helped us expand our margins by 130 basis points sequentially. This was achieved after absorbing the annual wage hike effective July 1st.

The reported PAT for Q2 stood at Rs. 4,003 million, up 10.9% Quarter-on-Quarter and 46.7% Year-on-Year. This implies PAT margin of 17.2% versus 16.8% in Q1. Given the depreciating currency environment, we saw a lower hedge gain compared to Q1 resulting into EBIT margin gain moderating to 40 basis points sequential improvement at PAT level.

Now moving on to the employee metrics, utilization has improved from 79.7% last quarter to 80.4% in Q2 including trainees and 82.3% as compared to 81.2% last quarter excluding trainees. We continue to grow our strength and our net additions during Q2 were 1,264. The total manpower now stands at 26,414 and production associates were 94.4% of the workforce. For the quarter, attrition inched up slightly to 15.3% as against 15.1% last quarter.

Now moving on to Forex and hedge book position, our cash flow hedge book as at 30th September stood at \$1,020 million versus \$924 million as on 30th June. While the on balance sheet hedges stood at \$114 million versus \$140 million last quarter. We continue to execute our hedging strategy consistently. This quarter, the effective tax rate was 25.4% versus 25.5% in Q1.

Now moving on to the DSO, cash flow and working capital - As stated last time, during Q2 certain large programs achieved milestones and we invoiced them to the client resulting into significant reduction in unbilled revenue. Our overall DSO billed as well as unbilled registered an improvement of 5 days compared to Q1. However the billed DSO at the end of Q2 stood at 75 days, up 2 days Quarter-on-Quarter. DSO including unbilled was at 108 days down from 113 days in Q1, helping us deliver a significant improvement in our working capital situation. The net working capital stood at 21.3% of revenue, an improvement of 2.2% over the last quarter. Net cash flow from operations was Rs. 3,864 million, which was 96.5% of the net income.

This was despite the fact that our annual incentive payments were made in Q2 like every other year, putting additional pressure on operating cash flows. We closed the quarter with cash and liquid investments at Rs. 17,160 million.

EPS for the quarter was Rs. 23.14 per share while the diluted EPS stood at Rs. 22.60 per share. EPS for the last 12 months stood at Rs. 75.9 per share as on 30th September 2018. You would have also noticed that the company has declared an interim dividend of Rs. 12.5 per equity share which approximately translates to 35% payout of the first half yearly profit.

Now, with this I would like to open the floor for questions.

Moderator:

Ladies and gentlemen, we will now begin with the question-and-answer session.

The first question is from Nitin Padmanabhan from Investec Capital. Please go ahead.

Nitin Padmanabhan:

Sanjay, just a couple of questions on growth and basically what you're seeing on the client side and also the supply side of things. First, in conversations with lot of our manufacturing clients do you see any worries in terms of their ability to spend going forward in the context of the trade wars and the consequent impact on the margins and earnings? The second question is quite a few companies, your peers, have been talking about supply side issues sort of hurting their ability to execute. How do you see that playing out because when I look at our own utilization rates, it seems to be at an all-time high and finally you have always spoken about reinvesting incremental margins and with margin sort of having such a strong pull through this quarter how should we look at margins going forward?

Sanjay Jalona:

When you look at manufacturing customers and whether we are seeing them curtail any spends because of the trade wars, honestly speaking, when we talk to our customers we have really not seen any of that so far. I also saw the release that Caterpillar and 3M gave out, they are getting affected but, on the ground, when we look at the spend patterns of our manufacturing customers, we have not seen any customer having a cut down on their IT budgets.

Again as I say, if you have solutions which can help them either cut cost or improve their coverage for customer and help their revenue lines, they will find money. On the supply side issues, you look at us adding around 1,264 net new additions for Q2 and where we sit today, we will continue to add more people. It has always been a challenge to get talent in this industry, it was 30 years back, it's been a challenge last year and obviously as the market heats up this challenge will continue. But where we are with the offshore ratios that we have, India has a large pool of talent and we just need to find the right talent and we continue to grow there.

So while there would be challenges but they are no different from the past and we just have to be innovative as we go along. We are confident that we will keep adding people in times to come as well.

On your third question on margin outlook and investing back into the business, you got to see us as a growth-led company and we will continue to do that with a sharp eye on the margins. Now the margin - we were very pleased with the superior execution in this quarter and that added to the INR depreciation benefit. Our actual margin delivery in the last two years has been better than the guidance and we hope to maintain that track record in FY19 as well.

Moderator:

Thank you very much. The next question is from the line of Sandeep Shah from CGS CIMB. Please go ahead.

Sandeep Shah:

Overall if I look at the net addition, it has been linear with the volume growth as a whole. Most of the midcap companies have also started seeing some automation benefits, where the employee growth is lagging the overall volume growth. So do you believe for LTI also automation could be a big margin lever going forward and when will it start getting into numbers where the net addition or the employee growth is lagging the revenue growth or volume growth?

Sanjay Jalona:

If you look at our four quarters, there will be some quarters where our revenue is at a higher peak than the volume and there are some quarters where the volume is at a high. Automation, artificial intelligence, cognitive are areas for us to win more, bring value to our customers and be competitive in the marketplace and we have been doing that in a very meaningful way.

When you guys ask us on whether there are a lot of price discussions with the customer or customer is asking, do we have a discount because of rupee depreciation, none of that is as important as the benefit that can come from automation, artificial intelligence and cognitive work and that is the focus for the company. That is where we have invested tremendously, that is the value we are able to bring and that is what is leading to probably a superior growth that you see from us.

Sandeep Shah:

And second just a follow up on the supply side issues. I think for LTI versus the other midcaps there is one strong trend i.e. most of our growth has been coming through offshore leverage rather than some of the other midcaps depending more on the onsite leverage. Do you believe this trend will change where onsite dependence could be higher for growth which can lead to a bit of a supply side issues which are especially coming on the onsite efforts?

Sanjay Jalona:

No, I do not think, Sandeep. We will continue to be range bound onsite. Some quarters will go up a little bit, but our efforts are always to do as much work as we can do offshore, use all kinds of technologies that are available to do that. It does not mean that we have not added people onsite. We have been adding strongly onsite as well and we will continue to grow on both sides. But our focus will always be to increase the offshore if we can.

- Sandeep Shah:** Just few book keeping questions. If I look at the realized pricing in this quarter, it looks very weak in terms of offshore. So how to read that, is there any mix change in terms of SI based revenues getting down that is leading to this kind of a decline? And second, Ashok, If the Rupee spot rate continues at Rs. 73.5 then what should one model in terms of the hedges in the next half as well as FY 2020 going forward because the translation gain may not be that big in the coming quarters?
- Ashok Sonthalia:** The offshore thing which you are noticing in rate realization is basically large deals going through transition. Also there is some currency impact because this realization is reported in dollar and INR is giving less dollar. The second question which you asked about FX impact - yes, if currency stays where it is, at Rs. 73.5, you will see revaluation gain for receivables going down and hedge book also will not be adding too much to that line. So yes, they will come down sharply for the next two quarters.
- Sandeep Shah:** Is it fair to say looking at the current new hedges that there is a possibility that in FY 2020 we may have favorable hedges looking at the current spot rates?
- Ashok Sonthalia:** We were at \$924 million last quarter and now we are at \$1,020 million. We added roughly \$100 million during this quarter. So of course we will continue to do that work. Now we are selling at Rs. 74 also, Rs. 73 also, so that is the consistency part of it and there will be a gain when we come to the next year assuming that rupee is done with its sharp depreciation course. So that will continue, and you will see some gains but yes, the previous hedges - may see some loss. So it will be a mix of that. But if currency stays here, the gains will be slightly lower going forward.
- Sandeep Shah:** And if I can squeeze the last question. Sanjay, just wanted to understand by this time in last couple of years you had a fair visibility about the growth of the next year. So what I am asking about is FY 2020. Do you believe this time the scenario is slightly more cautious looking at the macro issues through tariff and the BREXIT or you believe even FY 2020 would be a good growth year? I am not asking for a number based on your order book because generally you are confident by this time of the year.
- Sanjay Jalona:** We have a healthy pipeline. We have been announcing a large deal every quarter for the last three quarters, which will start to ramp up as we go along. Opening the kind of logos that we are opening, uptick in our digital service lines across all verticals makes us optimistic about the future. You have to consider us as a growth company. We want to be in the leader's quadrant of growth, if not the leader and that will continue in times to come.
- Moderator:** Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

- Ashish Chopra:** Sanjay, I just wanted to know from you the visibility over the near term in BFS in particular. So while the momentum of the last four quarters ensures that you will end up with a very robust year in terms of growth, but sequentially do you see this kind of come back after having may be cooled off in this quarter or do you see the furloughs and the seasonality kind of weighing on BFS if we were to look at it Quarter-over-Quarter?
- Sanjay Jalona:** Yes. It will continue the momentum of growth in subsequent quarters as well.
- Ashish Chopra:** And should I also assume that to be the case for the company overall despite what is usually a lean season?
- Sanjay Jalona:** Because of the wins that we have announced, yes.
- Moderator:** Thank you very much. The next question is from the line of Harish Kumar Gupta, an individual investor. Please go ahead.
- Harish Kumar Gupta:** Sir, I have couple of questions. One is, in this quarter salary hike is included or not? And secondly, how much percentage of revenue is recurring revenue?
- Ashok Sonthalia:** Yes, salary hike has been included in this quarter. Our cycle is always from 1st July and we have done the same thing. The second question you can repeat, Harish?
- Harish Kumar Gupta:** How much of revenue is recurring revenue?
- Ashok Sonthalia:** It has not changed much. I think about 95% to 96% is the repeat business.
- Moderator:** Thank you. The next question is from the line of Arjun Ashar from Envision Capital. Please go ahead.
- Arjun Ashar:** Do we have any new initiatives to enhance the company's capabilities and skill sets and what is really happening on the technology frontier right now?
- Sanjay Jalona:** This is a big question. So new initiatives and?
- Arjun Ashar:** New initiatives that are happening to develop your capabilities and skill sets? And secondly what is happening on the technology frontier in the industry? What is the next big thing or on the existing things, what is the new dimension currently?
- Sanjay Jalona:** There are two initiatives that we run. Minecraft and ADEA (analytics and digital in every account) which are very wide and all pervasive and we keep including all the new technologies that are coming into play within the organization or within the industry and the world over. As they accelerate, we keep adopting and bringing them to our customers. That is what has been

driving the growth for the company and that is what is visible with the new kind of business that has gone up from 34% to 37% of our business.

Another thing you talked about is what does one do in new areas. For example we have done multiple programs in Blockchain – on trade finance, we are helping customers move goods across countries using Blockchain, replacing manual quality checks on various ports and paperwork. Or working on national identity using Blockchain for a European customer. Or helping our customers go in adjacencies of the business, for example we are working with a customer for use cases on micro payments using Blockchain. So there are many things but Blockchain is not all that is related to manufacturing, there are newer ways of driving operational efficiencies.

At the end of the day, it is all about doing four things. One how do you help your customers lead into adjacent businesses. For example, payments companies getting into a business of going and selling micro payments to media houses. Two, enabling revenue growth through new technologies that are available. Three, helping customers reach out to their end customers where it was not possible. For example, you buy from retailers and not CPG or consumer products companies but how do you help the consumer product companies know better about you and I through the technologies that exist today, may be Chatbots for example. And the last and the big one is how do you use newer technologies like IoT and all kinds of analytics whereby you are driving the operational efficiencies and helping them really drive up productivity improvement through man and machine talking to one another.

So these are our many initiatives that continue to work across. What is very relevant is that in the past customers used to hire for outsource scale, today the customers do that for expertise. If one has the expertise, price is not a matter and you can compete with the biggest and the largest companies in the world because you have built expertise in all those areas. Important thing as always is to focus on fewer verticals for a company of our size so that we can bring these technologies to those verticals and help solve their business problems. That is the focus for us as a company.

Arjun Ashar:

And recently there was some news flow regarding the H1B visa that they are tinkering with some very basic definitions of employer-employee relationship and all that. So do you fear some kind of a fundamental shift or is it just some incremental tweaks which will happen to the H1B program? What is your reading of it?

Sanjay Jalona:

I do not think the data is out yet. It is going to be published I think in January 2019. We will have to wait and see, but the global mobility overall is something that everyone has been watching for the last couple of years. We obviously will get impacted like everybody else, but our impact will be a little lower simply because we have lower onsite percentages. Over the last couple of years we have also been looking at how you hire more people, both laterals and

fresher's and so on and so forth. But yes, we will have to wait and see what happens and how do we innovate and continue to push the frontiers to do more offshore or find new ways of hiring talent locally.

Arjun Ashar: So how is technology an impediment to moving offshore, even more currently for the industry?

Sanjay Jalona: Different companies operate at different percentages. We are operating at 22.6%. There are companies which go at around 30%. So we obviously have a benefit of lesser percentage of people. But there are fundamentally few things that one tries to do. One uses technologies like video conference, there are technologies which help people to collaborate between different locations and develop in Agile and DevOps model.

Also, I think the flexibility needs to be improved for Indian technology people, which we will in due course of time. We shall have to work in shifts, even in IT, whereby we can have an overlap with the customers in varying time zones. Europe is a little easier but even in US we have to have an overlap in time and that change will help us to do more offshore.

Moderator: Thank you. The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Sanjay, your outlook on the top accounts seems to have decelerated slightly, this coming back on a high base but if you can just throw some light on top 5 or top 11 or top 20?

Sanjay Jalona: I think one you have to look at constant currency numbers. There are accounts in top 5, there are more accounts in top 10 and there are even more accounts in top 20 which are in Europe or which have been affected by broad currency movements. So that is an important aspect. Our top accounts are all growing. We do not see any problems with any of them and we are confident about them in times to come.

Apurva Prasad: So about constant currency growth rates, would it be similar to company average for the quarter?

Sanjay Jalona: That I will ask Ashok to comment.

Ashok Sonthalia: Yes, they are close to the company average, but you should also notice that accounts beyond top 20 are also kicking and supporting growth in a big manner. So while we are very confident of our growth in top 20 accounts, we equally want the other accounts to accelerate their growth, which is happening. So we are quite satisfied with that kind of thing happening.

Apurva Prasad: Sanjay, also on Europe your constant currency seems to have come up slightly. So anything out there that you want to highlight?

- Sanjay Jalona:** I think we have to grow even more. There are a few deals that we are chasing, some large deals we are chasing but a lot more opportunities for us to tap into.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Emkay Global. Please go ahead.
- Rahul Jain:** You shared the data that you have 61 Fortune 500 accounts and if I look at that, we have these 25 accounts with \$10 million plus revenue. So we have around 35 odd accounts which are giving anywhere between \$1 million or \$5 million kind of a run rate. So how do you see this as an opportunity given that some of these names must be big spenders on IT?
- Sanjay Jalona:** Absolutely an opportunity. You obviously see that there are lots of accounts where a lot can be done because their IT spends at times will be higher. Obviously, we track them and say look this quarter these are the few accounts that we want to invest extra whether it is in changing account manager or delivery partner or a consulting partner. Overall, we see this as a great opportunity. Some of them have opened in the last four quarters and in times to come you will see them ramping up. So that is the future for us now.
- Rahul Jain:** So what is a basic range you would say for any large account from a spending perspective and what is the ballpark number one would like to achieve where one can say we have done a good job in a particular account?
- Sanjay Jalona:** Very difficult question to answer. We would like to be very relevant in that account. Different accounts have different situations with them. IT spends for our banking customer in Fortune 500 will be far higher than a manufacturing company in Fortune 500. Oil & Gas Companies, given the volatility that they have seen spend very differently. They have different priorities and some of them are much cluttered. So you make your move into niche programs where we are very different. For example, 'data'.
- So the intention is always to keep mining these large accounts and becoming more and more relevant. Sometimes it takes few quarters; sometimes it takes a few years and sometimes little longer, but you just cannot let go of these 61 Fortune 500 customers because sometime in their journeys you will have a great opportunity to be even more relevant.
- Rahul Jain:** And given the landscape of the vendors we have seen, \$20 million bucket is where we have scaled up very well in last two-three years. So is that a number where you will be more realistic in a near term perspective that lot of these \$5 million, \$10 million can become \$20 million and few of them may go to higher categories? So \$20 million is that number which can be the biggest contributor from an addition perspective?

Sanjay Jalona: Today we have 312 active customers. Our intention is always to be more relevant for our customers. First take an account to a \$1 million, then take an account to \$5 million and keep pushing the bandwidth. We do not think of any of our customers to be stopping at \$20 million. That will be very short sighted I think.

Rahul Jain: Another question basically some of your service lines like ADM, testing is growing at some 10%, 12% from a trailing 12 months' perspective and I assume that the growth rate for these service lines would be a very small number. So how difficult is it to sustain these numbers and if these are the numbers which we can continue, how much stress it would put on some of the other segments which are growing 30% as sustaining those numbers becomes even more difficult?

Sanjay Jalona: ADM has grown Year-on-Year at 12% and Enterprise Solutions has grown at 27% in Q2. Obviously, Analytics is growing very fast at 35% and Enterprise integration and mobility as things go through is growing at 40% odd. So I think there are opportunities like core modernization, core application development and whole bunch of things that are there. I think these new technologies sometimes are also in ADM. It is not like everything is getting done in it.

Obviously, data is very hot and enterprise integration and mobility is hot. Those will continue to grow at faster pace for the company and rightly so because that is a reflection of you being relevant in the new technology landscape. But I think there are enough new Digital, SaaS, Cloud stuff happening in infrastructure, enterprise solutions and ADM service lines as well.

Rahul Jain: So the point here is that if you clock 30% plus growth in mobility or analytics, in which there are spends, it's a significant tailwind. Everybody reports 20% to 30% kind of a growth in this space. The differentiation for us is not coming from these areas. The differentiation is that we have been growing 10%, 20% in areas where people are actually seeing a decline or flat kind of a thing. So I think if we continue to be on that top quartile, the contribution from these old generation service lines would be the key metrics. So how we sustain this number given that the underlying growth itself is so weak?

Sanjay Jalona: You are talking of differentiation from an analyst perspective. For us differentiation has to be in every service line. Testing itself has transformed itself to automated testing, utilization testing, hub-based testing and whole bunch of things.

So you need to continue to invest in all service lines and we are confident that we will be able to pull through all enterprise solutions, ADM and so on and so forth. We actually call ADM work as software engineering group now. It is all about the new age technology, all about doing Agile and a cloud based model using SaaS platforms. So there are great opportunities even in ADM area.

- Moderator:** Thank you. The next question is from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.
- Madhu Babu:** Sir, our largest banking account is talking of a large transformational IT budget. However for us I think it appears that top account has not grown this quarter. So what is the outlook on the top banking account?
- Sanjay Jalona:** Strong.
- Madhu Babu:** So we would be gaining share in this transformational spend?
- Sanjay Jalona:** I do not know what spend you are talking about. Accounts have been spending, they have not stopped spending and we will continue to take market share there.
- Madhu Babu:** And secondly on pharma, I think this is another quarter where we announced a deal so if you see just on the competition in these deals, there are much larger scale players in this practice whereas for us pharma is relatively a smaller practice. So what led to this deal win? Can you talk about who were the competition in this deal?
- Sanjay Jalona:** I think everyone was there in this deal - Global SIs and Indian pure play. As I said, there are umpteen ways we see Life Sciences companies transforming themselves whether it is connected supply chain, raising the bar on quality and crunching drug research cycles. Our strategy in Life Sciences vertical is to focus on this change opportunity. When you specifically talk of this deal, especially in the area of physical and digital conversion, is where the customer is trying to transform. They were looking for a transformation partner which can help them embrace IOT and smart manufacturing across their global manufacturing facilities. This is where we have very strong capabilities.
- Madhu Babu:** And sir, lastly just one question. If you see a company of similar scale like let us say EPAM which has almost 27,000 employees, revenue of USD 1.6 billion, that is talking of a 23% kind of Year-on-Year organic constant currency growth. So we are at the similar sweet spot, a midcap vendor with scale. Do we see our growth accelerating to like over 20% and almost at par with EPAM kind of growth rates and if not, what is leading to this difference between us and EPAM?
- Sanjay Jalona:** We want to be relevant, we want to be in the leader's quadrant in the ecosystem that we operate in. Different companies with different onsite, offshore ratios bring different revenue productivities to play. We are very confident of competing with any global player, any player coming from Eastern Europe or South America including EPAM. There are enough examples where we have competed against them and won. We want to be just driving the growth for the company.

Moderator: Thank you. The next question is from the line of Ayush Abhijit from WhiteOak Capital. Please go ahead.

Ayush Abhijit: Just wanted to get your thoughts on the cloud's infrastructure management opportunity and LTI's positioning right now in this segment. I see that the IMS growth for you has been 30% Year-on-Year, so within this IMS how much is cloud versus traditional and how do you see this opportunity playing out?

Sudhir Chaturvedi: So from an IMS perspective if you look at cloud, all our clients are in the cloud or using cloud to a great extent. So the cloud adoption is complete. Now the real opportunity here is to help them in that adoption journey. So migration to the cloud and then the leverage of the cloud on an ongoing basis. The previous emphasis in infrastructure was mostly supportive and just making sure that environments were available. Now it is really about how you best leverage what is available.

So that is why, as a part you built up a lot of infrastructure capacity which was underutilized. So now it is really about bringing agility through infrastructure and that is the shift that we bring through the cloud. The second is you are absolutely right about hybrid. We do operate in hybrid environment with both private and public clouds together. The client actually is becoming more intelligent than we gauge, which means that every person that is using technology is better equipped to take better decision.

So the infra business has actually transformed from being support of data centers and those kinds of activities really bring about how do you leverage the cloud for agility and how do you actually combine public and your own private cloud infrastructure and drive real intelligence at the edge. Those are the things that are driving our growth in the infrastructure.

Moderator: Thank you very much. The next question comes from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

Srinivas Rao: One question on the fact that your service lines going up are mostly digital where the usual industry commentary has been that it is lot more onshore driven, in some cases almost an upwards of 70% to 80%, but your effort mix is still fairly in favor of offshore. How do you manage that? That is the first question. Second ADM and the larger verticals obviously are seeing a slowdown in spending. Do you see that abating in the next three to four quarters or that particular decline in spending will continue to happen for some more time?

Sanjay Jalona: We have been doing Agile, DevOps work for many years now and for all these digital technologies the work can be done from offshore and we have shown that. That is reflected in the growth on the digital service lines. So that is what is actually happening. And as you grow

and do things you will refine your processes, you refine your ability to interact with the customers, you do number of things to execute efficiently and effectively.

That is number one. Actually we are confident on all service lines. Though testing has been a little muted overall in terms of Year-on-Year growth, but we are optimistic on spending on all service lines. Right now even for testing, since we acquired Syncordis, we are working on how we actually launch automated execution testing for Temenos platform. So there are good opportunities across service lines.

Srinivas Rao: Is it that the nature of the so called digital bucket or the kind of projects which we are getting lent itself more offshore mix versus what some other industry participants are talking about digital. Is that something which kind of differentiates you?

Sanjay Jalona: No, I do not think so. The way to look at this is a customer is going to spend in doing what is right for them. We have to compete on all of that in areas we feel confident and we are able to do them effectively for our customers. Customer is only going to do what is right for them. It is the same opportunity. When I said we are competing with EPAMs of the world, Global SIs and Indian SIs competing in the same area, I do not know what specific areas and what specific facilities you are talking about, but I feel confident that we are able to execute from offshore on all the Agile and DevOps digital kind of engagements.

Sudhir Chaturvedi: Just to build up on what Sanjay was saying. See digital also has a digital consulting and then there is execution. What we have done well is our digital execution engine is on a global Agile model. So you come to any of our offices you will see a very different kind of working now. I think it is actually one of our differentiators that we are able to execute large digital projects at scale from global locations.

Srinivas Rao: Just on an already asked question on the cloud both private versus public. Are you seeing spends on on-premise cloud and private cloud actually flattening or falling. I mean we know the public cloud spends are growing so any feedback on that would be helpful?

Sanjay Jalona: What is happening from a private cloud perspective is that all the existing infrastructure, if you see the history of this space, has moved from servers to virtualization to essentially on demand infrastructure availability towards true cloud capability. I think that journey in the private cloud will continue. The private cloud is important because whether it is the regulatory reasons, data reasons, IP reasons, GDPR reasons, there are several reasons why the private cloud will actually not just remain, it will actually continue to grow.

We have made several partners that we work with in our private cloud. The real convergence or the real sweet spot here is how you use public and private together. That hybrid infrastructure leveraged, is what our clients are really looking to do in a much more attractive

manner both from a speed and cost perspective. I think that is something that we have done. The reason we are seeing growth is because that convergence is something that we are doing very well with our clients.

Moderator: Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: I have two questions. What is the comfortable range on DSO we have internally and what are the measures you are trying to do to get to over there?

Ashok Sonthalia: Abhishek, I will take this question. Ashok here. We need to look at it from various perspectives. The first step which we are trying to undertake is that we are trying to bring down our unbilled revenue because that also blocks working capital and cash flow. Unbilled revenue has a two stage process where first it needs to be billed and then it needs to be collected. So I think that is the focus point. DSO has various external factors also where you may have something in mind, but it gets determined by what clients are trying to do and what peers are you competing with.

Right now our target would be around 70, 72 days that is where we want to bring it and from there on we will see what next, rather than fixing a number and then trying to change that. We are currently at 75, the next milestone is 72 but let me tell you we are right now more focused on unbilled. So you will see some pressure on DSO, because unbilled will get converted into DSO first and then get converted finally into cash flow. Even then you are having an operating cash flow which is solid enough and creating value for all the stakeholders.

Abhishek Bhandari: My second question, if you see now, the attrition levels for the whole industry have started inching upwards by and large. Given that, probably there is investment happening and employees are finding more opportunities. So are you also comfortable with the current number of 15.3% because that has been moving upwards steadily from June 2017 from a low of 14.7% and what are some of the things you are trying to do here to keep it steady?

Sanjay Jalona: We have lot of initiatives. People are our primary assets in the company and we work every day and we have got teams, to get the guys back next day morning. We have to be competitive, we got to provide environment for people to excel, to learn, to operate fearlessly and provide an opportunity to grow. But the predominant driver for everyone whether I reflect on my own journey is to work for a company which is growth oriented. Because growth gives opportunities for people to play roles which are one or two levels above what they have been hired for.

First thing that we are doing is continue to be a growth company. Second is to provide an infrastructure, provide ability for them to learn a lot with these changing times. Third thing is

providing them an environment and a culture whereby they can fearlessly operate and take risk that is required and be innovative at the same time. And last but not the least be competitive in all the parameters be it salary, be it policies etc. that one has in operation.

We launched a program called Ubuntu which in Zulu means 'I am because we are'. It has got multiple initiatives within that and is all about people. So people are very important for us and many things we are doing and focused on that.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Sanjay Jalona: Thank you everyone. Please note that we are hosting our Third Annual Analyst Day in Mumbai on 12th December, please mark your calendar. My entire team and I look forward to meeting you and interacting with you on that day.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of LTI, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.

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Contact Information

Investor Relations: Nitin Mohta, Head of Investor Relations

Tel: +91 22 6776 6192/ 6230

Email: investor.relations@lntinfotech.com

Registered Office:

L&T House, Ballard Estate,

Mumbai 400001, India

CIN: L72900MH1996PLC104693

<https://www.Lntinfotech.com>