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National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex,

Bandra (E),

Mumbai - 400 051

The BSE Limited,

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai - 400 001

NSE Symbol: LTIM BSE Scrip Code: 540005

Dear Sir(s)/Madam,

Subject: Transcript of Earnings Conference call held on January 17, 2024

With reference to the captioned subject, please find enclosed transcript of the Earnings Conference Call held on January 17, 2024.

Kindly take the above on record.

Thanking you,

Yours faithfully, For LTIMindtree Limited

Angna Arora
Company Secretary and Compliance Officer

Encl: As above

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"LTIMindtree Limited's Q3 FY'24 Earnings Conference Call"

January 17, 2024

MANAGEMENT: Mr. Debashis Chatterjee – Chief Executive Officer & Managing

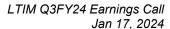
Director

Mr. Sudhir Chaturvedi – President, Markets

Mr. Nachiket Deshpande – Chief Operating Officer

Mr. Vinit Teredesai – Chief Financial Officer

Mr. Vinay Kalingara – Head, Investor Relations





Moderator: Ladies and gentlemen, good day and welcome to the LTIMindtree Limited Q3

FY'24 Earnings Conference Call. Please note that this conference is being recorded. I now hand the conference over to Mr. Vinay Kalingara, Head

Investor Relations, LTIMindtree. Thank you, and over to you, sir.

Vinay Kalingara: Thank you Nirav. Good day, everyone, and welcome to the LTIMindtree

Quarter 3 FY'24 Earnings Conference Call.

Today on the call, we have with us:

Mr. Debashis Chatterjee – Chief Executive Officer and Managing Director;

Mr. Sudhir Chaturvedi – President, Markets;

Mr. Nachiket Deshpande - Chief Operating Officer and

Mr. Vinit Teredesai - Chief Financial Officer.

We will begin with a brief overview of the company's quarter 3 performance, after which we will open the floor for Q&A.

During the call, we could make forward-looking statements. These statements consider the environment we see as of today and carry risks and uncertainties that could cause our actual results to differ materially from those expressed in today's call. We do not undertake to update any forward-looking statements made on this call.

I will now turn the call over to DC for his opening remarks.

Debashis Chatterjee: Thank you, Vinay. Good evening, and good morning to everyone on the call.

Thank you for joining us today. I wish you all a very Happy New Year.

As we mark the one-year anniversary of LTIMindtree, I am proud to share that LTIMindtree has been named a Global Future 50 company by Fortune Magazine in its latest edition. What makes this achievement even more special is that LTIMindtree is the only IT services company to feature in the Future 50 list of global companies. I would like to acknowledge the dedication and hard work of all our associates that led to this recognition.



In terms of our performance, we observed a higher level of seasonality during the quarter, along with an unchanged macro and demand environment. While we had expected the furloughs to be above average, they ended up being higher, both in terms of their degree and extent of impact. Despite these challenges, we delivered a resilient performance this quarter and achieved our highest-ever order bookings.

Our revenues came in at USD 1.08 billion, which marks a year-over-year growth of 3.5% in USD terms and 3.1% in constant currency. Our sequential revenue growth in USD terms was 0.8%, and in constant currency was 0.7%. The sequential trajectory reflected the broad-based impact of furloughs across all verticals. Our Manufacturing vertical saw a strong 20.1% year-over-year growth.

Our EBIT margin for the quarter came in at 15.4%, while the net profit margin was 13%.

We recorded a strong order inflow of USD 1.5 billion, registering a growth of 21% year-on-year despite the unchanged cautionary environment. With this, our 9-month FY '24 order inflow stands at USD 4.2 billion, a 19% growth year-over-year. Our strong order inflow reflects the increasing relevance and strength of our edge-to-experience capabilities across all markets.

During the quarter, we added 23 new clients and increased our count of USD 10 million-plus clients by 8, year-over-year. Our USD 20 million-plus clients have increased by 3, and our USD 50 million-plus clients have increased by 1. Furthermore, our USD 1 million-plus client band now has 388 clients, an increase of 14 clients on a year-over-year basis.

Let me now turn to our industry verticals.

Our Banking, Financial Services & Insurance vertical declined 1.4% year-over-year due to higher furloughs. This vertical continues to show a cautionary approach towards new spend.



Our Hi-Tech, Media & Entertainment business grew 0.3% year-over-year despite the impact of greater-than-anticipated furloughs. This vertical remains resilient for us.

The Manufacturing & Resources business showed a strong growth of 20.1% year-over-year due to the seasonal higher pass-through.

In the Energy & Utilities vertical, we have capitalized on opportunities arising from consolidation and secured a significant deal for transformation and supplier consolidation during this quarter.

Our Retail, CPG and Travel, Transportation and Hospitality business grew 0.6% year-over-year. In the Retail and CPG vertical, businesses are focused on optimizing their costs by consolidating suppliers and leveraging automation technologies. Within the Travel, Transport and Hospitality vertical, we are seeing demand for our services related to data.

Our Health, Life Sciences and Public Services business grew by 6% year-overyear. LTIMindtree was recognized as a major contender in Everest Group's Healthcare Digital Payer Services PEAK Assessment 2023.

In terms of geographies, North America contributed 72.7%, Europe contributed 14.5%, and Rest of the World contributed 12.8% of our revenue during the quarter. Our North America market saw a year-over-year growth of 4.1%.

The demand environment remains cautionary. What remains unchanged is the prioritization of spend focused on cost efficiency and transformation projects with a clear return on investment. We have observed clients using supplier consolidation as a lever to achieve their objectives, and are reaping the benefits of this approach as some of this consolidation is being directed toward our company.

I would like to call out a few important deals that we signed this quarter:

A US-based premier oil and gas producer selected LTIMindtree as their strategic partner for end-to-end technology services. As part of the partnership,



LTIMindtree will provide services across several value-based portfolios covering Digital Solutions, Platforms, and Operations.

A global leader in the design, engineering, and delivery of customized facilities for high-tech industries has selected LTIMindtree as their preferred strategic partner for their digital transformation journey over the next 5 years. LTIMindtree will drive transformation across the technology landscape through multiple services, including Cloud Migration, End User Services, Security and Application Development and Support.

A diversified multinational mass media corporation has chosen LTIMindtree as their preferred ServiceNow transformation partner. This engagement will help unlock the value of their ServiceNow investments, improve ROI and drive cost efficiency.

A leading US-based energy producer has expanded its infrastructure managed services scope with LTIMindtree.

A global financial services technology company has chosen LTIMindtree for its Product Development initiatives.

A utilities company in the Middle East continues to strengthen its relationship with LTIMindtree by signing another 3-year agreement where LTIMindtree will support its transformation journey by identifying areas of expansion and optimizing the technology landscape.

We are now participating across broader areas of customer spend. For example, we are working with McAfee, a worldwide leader in online protection, as a preferred and strategic partner for their transformation initiatives across Products, IT and Commerce divisions. As part of this partnership, LTIMindtree will be providing engineering services and operations support at a global scale, helping McAfee drive cost efficiencies, agility in innovation and product delivery.

We recently announced the amalgamation of LTIMindtree subsidiaries, Syncordis and N+P, to form a specialized banking transformation practice.



This practice will focus on delivering end-to-end Consulting, Digital and IT services to Banks and Capital Market firms.

With digital transformation emerging as the cornerstone of competitive advantage and sustainable growth in today's business landscape, our partners and customers continue to actively explore and invest in AI-led opportunities. To fully capitalize on this opportunity, we have set up a new service line called 'Enterprise AI'. This service line will enable us to create cohesive and comprehensive AI-first strategies by bringing Generative AI interventions into all our service lines and across four customer priority areas: Foundation, Core, Innovation and Experience. We have also trained over 10,000 employees on GenAI to stay ahead in this ever-evolving AI landscape.

I will now turn the call over to Vinit for Q3 financial highlights.

Vinit Teredesai:

Thank you, DC. Hello, everyone, and I wish you all a Happy New Year. I will now take you through the financial highlights for Q3 FY '24, starting with the headline numbers.

Our revenues stood at USD 1.08 billion, up 0.8% sequentially and up 3.5% on a year-on-year basis. The corresponding constant currency growth was 0.7% quarter-on-quarter and 3.1% year-on-year.

Our EBIT margin came in at 15.4% compared to 16% in the previous quarter. The key moving parts for the margin decline are 200 basis points owing to higher furloughs, lower working days and seasonal pass-through revenue. This was offset by 80 basis points improvement from SG&A and 60 basis points from operating efficiencies.

Despite significant cash outflow due to dividend payments and mid-year incentives, our cash and investment balances crossed the ₹10,000 crores mark, and we had a strong treasury income of ₹151 crores.

The effective tax rate for the quarter was 24.3%, compared to 23.5% in Q2 FY '24.

PAT margin for the quarter was stable at 13%.



Basic EPS was ₹39.5 for the quarter as compared to ₹39.3 in Q2 FY '24.

We continue to make significant improvements to the fundamentals of our invoicing and collections. For quarter 3, the total receivable days, including the unbilled DSO was 85 days compared to 94 days last quarter. You may recollect that we significantly improved our unbilled DSO last quarter as well. In Q3, we further reduced our unbilled DSO by 3 days. The unbilled DSO in Q3 is 23 days versus 26 days in Q2. With our focus on collections, the billed DSO reduced to 62 days versus 68 days in Q2. Going forward, we aspire to continue this momentum and bring the total DSO closer to 75 days.

We had a significant improvement in our cash conversion metrics in Q3. The Operating Cash Flow-to-PAT was 155.7% this quarter on account of strong collections, as against 92.1% in the previous quarter and 65.8% in the same quarter a year ago. Furthermore, Free Cash Flow-to-PAT has shown a strong improvement to 143.7% compared to 75.1% last quarter and 35.6% in the same quarter a year ago. I am proud to note that our OCF and FCF conversion figures are the highest ever and have crossed 100% for the first time. We hope to continue this momentum.

We closed the quarter with significantly higher cash and investment balances that stood at USD 1.216 billion or ₹10,115 crores compared to ₹8,947 crores in Q2 FY24. Return on equity for the quarter was steady at 26.6%. As of Dec 31st, 2023, our cash flow hedges stood at USD 3,687 million, and hedges on the balance sheet was USD 295 million.

Our utilization excluding trainees further improved to 87.4% compared to 86.6% in the previous quarter because of a pickup in billability.

Our attrition continues to be stable. For the quarter, our LTM attrition was 14.2%, down from 15.2% last quarter. We added more than 500 freshers this quarter. With the supply side easing up, we continue to plan hiring on a relatively real-time basis.

Creating meaningful change forms the foundation of our CSR strategy, and we continue to positively impact our society through our CSR initiatives. For



example, LTIMindtree has installed a solar-powered cold storage unit in Karnataka with a substantial capacity of 5 metric tons. We are committed to installing 12 solar-powered cold storage units, each with a 10 metric tons capacity, in various rural locations across India.

Our Mahape campus in Mumbai has received LEED Platinum Certification from USGBC, making it part of a select group of sustainable and innovative LEED-certified buildings.

We are pleased to announce that LTIMindtree won the prestigious Golden Peacock Award in 2023 for its exceptional sustainability efforts.

The Institute of Chartered Accountants of India (ICAI) has conferred LTIMindtree a special recognition for gender equality and presented a Silver Shield towards 'Business Responsibility & Sustainability Reporting Leadership' for FY23.

These awards affirm our stakeholder engagement and commitment to environmental and social impact.

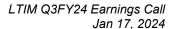
I now hand it back to DC for the business outlook.

Debashis Chatterjee: Thank you, Vinit.

Against the backdrop of a continued challenging macroeconomic environment and delays in client decision-making, we expect Q4 performance to remain similar to the current quarter. In this environment of restrained client spending, we continue to expand our value proposition to become a partner of choice for our clients.

Despite experiencing higher-than-anticipated seasonality in Q3, our strong order inflow and healthy deal pipeline set the stage for our medium-term growth.

While our margin optimization program continues, we remain committed to investing appropriately to capture growth opportunities, because of which our aspiration of a 17% to 18% exit margin will get pushed by a few quarters.





With that, let me open the floor for questions.

Moderator: First question is from line of Sulabh from Morgan Stanley

Sulabh Govila: My first question is on the near term, as you mentioned about 4Q growth rates

being similar to 3Q. So just trying to understand what is primarily leading to a continuing softness in 4Q given that one would have imagined that these larger

furloughs and deeper furloughs would have reversed in 4Q and given you a

reasonably strong 4Q? I just wanted to understand what are the moving parts

there?

Debashis Chatterjee: Yes. So essentially, as far as the fourth quarter is concerned, at this point of

time, our thinking is that some of the furloughs will come back, but not all the

furloughs will come back. They will be coming back gradually. So essentially,

the recovery will be gradual. And we will continue to have a bit of a pass-

through in the next quarter as well. But it's pretty much the furloughs. Overall,

as I said, the environment is fairly cautionary, and we have to still wait and see

how the macro plays out because at this point of time, there is a delay in

decision-making which was there earlier also and that continues to go on as we

speak. And even as we work with our clients in terms of their budgets, a lot of

clients have still not frozen their budgets, still their plans are also in a flux,

which kind of makes our planning also very difficult. So those are some of the

things that's making us feel that Q4 will be very similar to Q3.

Sulabh Govila: Understood. And my second question is with respect to the sales activity on

the ground. It's been a year since the time we started operating as a combined

entity. So just wanted to get some context as to now are we able to target larger

size deals related to the past? And how many such deals do we have in the

pipeline? And how have been our win rates on such deals versus company

average? Just wanted to understand how the merger has panned out from a

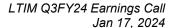
revenue synergy perspective?

Debashis Chatterjee: Yes, I will request Sudhir to answer. But before that the short answer is that

you will appreciate the fact that when the merger was announced, we were very

keen to integrate our capabilities in a very short time frame. So, we actually

got the merger completed in a very short time frame to capture the market





opportunities. Unfortunately, we never expected the macros to play so heavily in terms of not being conducive to the situation that we are expecting. But in terms of overall cross-selling and up-selling opportunities, we are getting a seat on the table because of our size and scale, I think all those things have worked out fairly well. So let me request Sudhir to add more color.

Sudhir Chaturvedi:

Sure. Thanks, DC. Yes, as DC mentioned, what we've seen is a very significant uptick in our large deal overall pipeline. So, our overall pipeline currently is around \$4.6 billion, and it's about 30% up from the same time last year. So that merger thesis has certainly played out well. And the other metric that I'll share with you is that the number of advice deals is very significant. We are participating in almost 30-plus advice deals right now, which means that deal advisers are seeing us clearly as the best possible alternative to some of the larger players in the sector. So that part is certainly playing out, and it's also playing out in our order book, as you've seen. This quarter also, we've recorded \$1.5 billion order book, which is on the back of the deal wins, some of which were also mentioned in DC's opening remarks. And then I'll just say that we are seeing strong growth in our ERP service line. It has been a traditional strength of LTIMindtree, and we are continuing to see strong momentum there as people look for core modernization related work and that is the other part of the large deal portfolio also that we are seeing.

Moderator:

Next question is from the line of Ravi Menon from Macquarie.

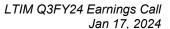
Ravi Menon:

DC, you mentioned that next quarter, we might have a little bit of a passthrough. So, would much of this go away then? And should we think about this as a headwind for revenue in Q4?

Debashis Chatterjee: No, I think what I said is we had higher than usual pass-through. But if you look at the last financial year, there was a pass-through, which is seasonal with respect to Q4. I think it will be in line with whatever we saw in Q4 of last financial year.

Ravi Menon:

And this quarter, it looks like there is a significant element of pass-through because we're looking at your segment margin for Manufacturing & Resources,





the segment profit seems to be actively flat Q-on-Q, while revenue is up. So, should we think about this going away next quarter??

Vinit Teredesai:

The pass-through revenue was always there in the second half. This year, we had a slightly higher number in Q3. Q4, you will see a little bit, again, on a similar ground, a little bit of a higher pass-through than what you have seen traditionally. But yes, we are right now not looking and talking about Q1 FY25. At that time, we will have some other levers to offset this headwind that will be coming.

Moderator:

Next question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: With reference to the headwinds that we're facing, if you could give us some context on which verticals are really seeing this extended pain because some of our peers have actually called out maybe bottoming out on BFSI and so on so forth. So just wanted your thoughts on those verticals and how things have evolved. And what's really causing the pain going to next quarter?

Debashis Chatterjee: First of all, rather than calling out vertical, it's always a reflection of the clients that we manage in our portfolio. And of course, as we called out, we did see a decline in BFSI. And I would say though the Insurance part of the portfolio has been resilient, we did have some challenges in BFS, and again the higher furloughs. We expect that some of the furloughs will be gradually coming back as we get into the next quarter. But overall, if you ask me where do we see growth? The growth will be fairly broad-based across industries and geos, because I don't think there is anything for us to call out saying that only one vertical will grow because we are anyway focused on very limited set of industry verticals, limited geographies, and we feel that the growth, when it comes back, it will be broad-based.

Nitin Padmanabhan: Sure. So, what I was a little unclear about is that some of the furloughs will sort of recover. And we've had pretty strong deal wins over the last 4 quarters consistently. So when that happens and our pass-through will also continue. What is the big drag is what I'm unable to understand. Is it very broad-based drag? Or is it specific to any specific area?

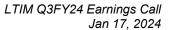


Vinit Teredesai:

What we are talking about is that the furloughs will return back, but not necessarily all the furloughs will return back from Jan 1. They will come back gradually. So that's the one part of it. Secondly, the pass-through revenue is a seasonal component, but this is also part and parcel of some of the ramp-ups that are happening as a part of the deals that we have signed in the past. Eventually, this pass-through revenue will go away in Q1. But at that point of time, our other services revenue, etc, will return back to offset that.

Nitin Padmanabhan: Perfect. And just last question for you, Vinit. On margin, how are you thinking about it at this point in time versus the earlier target? Is there a new thought process or a thing in mind? And is this delayed primarily because of the weakness that you're seeing that's sort of hurting? So would it mean that maybe Q1 you have salary increases. Just wanted your thoughts broadly on margin.

Debashis Chatterjee: Let me just explain to you our thought process on margin. See, when we got these 2 companies together, we pretty much focused on our margin expansion plan. And when you create a margin plan, it is also linked to the overall top line that you expect, the revenues that you expect to kick in. Margin plan doesn't work in isolation without having a top line and also certain levers that we apply to get to a margin target. If you look at it, our utilization has also gone up fairly significantly and I don't think it is healthy for us to take the utilization any further. The fact that the order book is so strong, and we have also been part of some vendor consolidation. So, keeping all these things in mind, we feel that at some point of time when the recovery does take place, we need to keep on reinvesting back into the business. And if we do that, we have to kind of chase the margin target maybe a few quarters down the line. So essentially, at this point of time, what I can say is our margin program that we have put in place, I don't think that's going to change. That remains intact, but only the targets that we had set, we will probably defer that a little bit, maybe a few quarters. But in that process, during those quarters, we want to reinvest back into the business, keeping in mind that the order inflow is very strong, and we need to do some investments in terms of either SG&A or bench, etc. We want to focus on that and want to be ready for anything that happens in terms of growth, we should be able to stay ahead of the curve. If you listen to the commentary that we have made, we have set a target that we will be training





across section of our associates in terms of GenAI. And we have set a target of 10,000. And I think we have met that target. So, our investments will continue. We want to double down on some of the investments even further. And that's why we feel that it is appropriate for us to defer the margin program by a few quarters, but that doesn't mean that we are going away from the overall margin program that we have already embarked on. Does that make sense?

Nitin Padmanabhan: Yes, absolutely. That's very helpful context.

Moderator: Next question is from the line of Manik Taneja from Axis Capital.

Manik Taneja: My question was with regards to the outlook that you've provided in the month

> of October, then you were very confident about a strong second half led by the deal ramp-ups helping our performance. What changed between then and now?

> Have you had some negative surprises with some of these deal ramp ups?

That's question number one. The second question was more from a longer-term

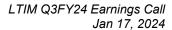
standpoint when the 2 companies came together. The merger rationale was that

you would be able to expedite growth and grow faster than each of the

individual companies. But when we look at our growth performance now compared to some of our Tier 2 peers, we have seen a much sharper

moderation. So what's driving that, if you could delve into that as well?

Debashis Chatteriee: First of all, if you compare our growth, you should compare it with some of the larger peers because we are a much larger company. I'm probably answering your second question first. But in terms of the deal ramp-ups that we have, the deals that we have closed, the ramp-ups are happening well on track, maybe a little slower than we expected, but still the new deals, the rampup is happening. I don't think there is any issue with that. But where we have a challenge is some of the portfolio that we had, which was more of discretionary, those portfolios, as they have ramped down, they did not really ramp up at the same pace. For example, we expected furloughs in Q3, but we did not expect that the furloughs will be deeper as well as wider. In fact, there are industries where we did not have furloughs before, like oil and gas, for example, we never used to have furloughs, but even they also went through furloughs. So having said that, some of the decision-making is still pending. Some of the deals which are in the final stage, the decisions are still pending,





so we expect those decisions any time. So long story short, I think the furloughs are much deeper and wider. The new deals which we have closed are ramping up fairly well. But some of the discretionary spend that we did have in some of the accounts, that is not really coming back because that's where we kind of had a challenge.

Moderator: Next question is from the line of Mohit Jain from Anand Rathi.

Mohit Jain: One is a follow-up to the previous one on furloughs. We do not have much decline, so to say, in BFSI, which used to be into furloughs higher than other verticals. And second on the North American side as well. So is this more specific to like Europe where you have declined more and Retail? Or do you

think it has more to do with BFSI and US?

Debashis Chatterjee: Yes. BFSI did have furloughs. But it is offset by the pass-through that we had.

In fact, we had some additional pass-through in that vertical, which is offsetting. So, the impact of furloughs, is turning out to be smaller because of

that reason.

Mohit Jain: We used to have pass-through in Manufacturing, right? Or this time, is it in

BFSI?

Debashis Chatterjee: It's both.

Mohit Jain: What has been services decline for BFSI on a like-for-like basis because we

are looking at YoY and QoQ numbers. Doesn't look like there's a big decline?

Debashis Chatterjee: No, we don't call that out. But at an overall level, I think we know that BFSI

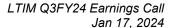
has been under a bit of stress, and Insurance portion of the portfolio have been quite resilient. And again, it's a portfolio of clients that we manage in a particular vertical, and that's how we look at it. But over a period of time, I'm

sure it will all recover.

Mohit Jain: And your commentary on BFSI is not changing for the fourth quarter, right?

You're saying the weakness may persist.

Debashis Chatterjee: Yes, that's right.





Mohit Jain:

Okay. And second question is for Sudhir on the TCV growth. We are now maintaining 20% for a few quarters, and you spoke about the deal pipeline number, \$4.6 billion. Should we expect this TCV growth to continue now that we have more number of deals for signing?

Sudhir Chaturvedi:

No, as I mentioned, we have a good pipeline, good deal momentum. In fact, we have several deals in their final stages of closure that we are seeing. We are seeing some delays in decision-making in deals, but the closures are still continuing to happen. So I think based on all of those, we are seeing that the order intake that we've been announcing will continue to maintain that momentum. So that will continue as planned.

Mohit Jain:

Right. Is there any revised margin guidance, like by when do you guys expect to get back to the previous guidance of Q4?

Debashis Chatterjee: No, as I said, our overall margin program is not going to change, but we just want to ensure that given where we are, given the overbearing macroeconomic situation, as we explained, we don't want to be short-sighted and forget about investing. So, I think it is a conscious decision that we have taken to kind of get back on track after a few quarters. But in the meantime, reinvest back into the business so that we can be ready for capturing any of the opportunities that comes when the market opens up because there is a lot of investment that we need to do on the business also.

Mohit Jain:

On a net basis, should we expect it to be like 15%, 16% in the near term?

Debashis Chatterjee: Well, we are not saying that. But in the longer term, the 17% to 18% target that we have, that is still something that we'll chase in the longer term after a few quarters.

Moderator:

Next question is from the line of Vibhor Singhal from Nuvama.

Vibhor Singhal:

Two questions from my side. DC, if I keep the performance of Q3 and Q4, which was marked by the higher furloughs that you're expecting in Q4. If you keep that aside, given that our deal flows have been quite strong, 20% Y-on-Y for the last couple of quarters itself. Do you expect the execution of these deals to pick up at some time in FY '25? A larger peer commented that BFSI has



bottomed out for them. Another large peer commented that they're seeing green shoots in discretionary spend. We know there has been a delay in decisionmaking and these deals converting into revenue. But do you see those picking up somewhere in FY '25, leading to some good growth momentum for us in that year?

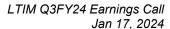
Debashis Chatterjee: Well, I think if you look at the nature of the deals, bulk of our deals that we have closed and even the pipeline that we have, most of the deals are efficiency-led, cost takeout kind of deal. And if you look at the nature of these deals, they do take a longer cycle time for closure. And on top of that, we also have delayed decision-making. And when they close, these deals are typically multiyear, but they also involve, in most cases, some kind of a transition. So, keeping all these things in mind, we knew, we anticipated that some of these deals would ramp up over a period of time. There is no reason for us to believe that the ramp-ups won't happen in these deals, whichever we have closed, because these are mostly efficiency-led deals. And this is across all the sectors. It's not just one particular vertical. It's pretty broad-based. So, the short answer to this is, over a period of time, these deals will all ramp up. You want to add anything Sudhir?

Sudhir Chaturvedi:

Just to add to that, the good thing is these are multiyear deals. So, we will get the benefit of this over a longer period of time as they start to ramp up, the ramp-ups are happening gradually. And at the same time, the discretionary spend has stopped in several industries. Which is why our discretionary book is not getting refreshed as before. Hence, the reliance is more on these longerterm cost takeout deals for growth. But again, not a cause of concern because we have a significant pipeline for that, and we'll continue to build on that, as you can see with the order inflow, and we know that we can continue with that in Q4 as well. We will build that growth momentum over a period of time.

Vibhor Singhal:

Got it. My second question is for Vinit. So Vinit, a commendable performance on the cash flow conversion. But on the margin front, you mentioned that there were 200 basis points of impact from furloughs and lesser number of working days and the pass-through. Now agreeing that some of the pass-throughs and furloughs, as you mentioned, might be there in the next quarter itself. But





shouldn't large part of this 200 basis points of impact in this quarter get reversed next quarter?

Vinit Teredesai:

Yes. As we said that the portion which is pertaining to the furloughs, some portion of that will come back. The traditional assumption, which was there that all the furloughs return back on Jan 1, that doesn't happen. That we are seeing happen in a gradual fashion. And that's the reason, while the revenue from a run rate perspective at the end of March probably may come back to that level, but the impact during the quarter is going to be felt on the margins. There will be some positive clawbacks that will definitely happen in Q4. But we also want to be cautious given the uncertainty, which is prevailing at that time, how much of headwinds we may get as a surprise, and how much of that we want to invest back into the business. That is something which DC has alluded; we want to continue doing it.

Vibhor Singhal:

Got it. Just a follow-up to that. As we have mentioned that the target of reaching 17% to 18% by Q4 has been pushed out by a few quarters. We had also mentioned reaching full year margin of 17% to 18% in FY '25. Does that also gets pushed out by a few quarters or whatever the time frame is? How do we see that in the current context?

Vinit Teredesai:

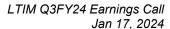
Yes, extending that logic, absolutely, it will. But we will continue to watch the situation and if there are any course corrections that needs to be made, we will do that course corrections. The fundamental principle in terms of the margin improvement program and some of the efficiencies that we need to bring in our business, that program continues. Some quarters may see some investments happening. Some quarters might be a little bit liberal, and you may see that money coming back into the margins. So that is something we'll watch over that period of time and as the business situation goes on.

Moderator:

The next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah:

DC, the question is in terms of one of the negative surprises which you called out to miss the predictability on the fourth quarter has been the discretionary spend outlook not improving. But that statement was loud and clear for the whole industry for the last 2 to 3 quarters. So why we were not able to budget





that? And at that in the October month, why we were so optimistic about the H2 being better than H1? We can understand Q3 has higher furloughs, but why were we optimistic in terms of our discretionary spend outlook improving in the fourth quarter?

Debashis Chatterjee: Well, I think the primary reason for where we are today is basically the wider and the deeper furloughs that we have seen. And we normally anticipated above-average furloughs, but the furloughs which we have seen are much wider. We used to see furloughs restricted to a couple of industries more than the others, but this time, the furlough was fairly broad-based. It's much wider. And even the depth of the furlough within each of those industries, we have seen significantly higher furloughs than what we normally see. I think this was not something that we anticipated. Probably that is the single most reason for us to be where we are. And some of the discretionary, we knew it will not come back, but some of the discretionary spend once you finish a project if it's a regulatory or something that project continues. But in some situations, those also did not continue. So essentially, it is not that we did not know that discretionary will be impacted. But still, there were some portion which we were very confident about, that did not come back.

Sandeep Shah:

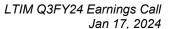
Okay. And last question in terms of any large client-specific issue, especially in BFSI or High-Tech because your top client in BFSI is on a roll of big costcutting exercise globally. Is it impacting us? And that is also making a slightly more bearish on the BFSI outlook?

Debashis Chatterjee: As of now, I would say no, but we are watching the space very closely. I think when you talk about BFSI, as I said, there is an impact on BFS slightly more broad-based rather than one client. But yes, I know what you're talking about, and we are watching the space very closely. As of now no impact.

Moderator:

Next question is from the line of Abhishek from InCred Capital.

Abhishek Shindadkr: I just have 1 question. We have seen a sequential decline in almost 3 of our large verticals, yet the top 5 and 6 to 10 accounts have seen a sequential strong growth. So how should we read this dichotomy? Is there a material change in





the large client mix that historically we have been doing? Or any color could be really helpful.

Debashis Chatterjee: I think that's the only color. I think if you look at the top 5 clients, there are

some clients that do change positions from time to time. I think that's the

primary reason why you see the change. But that's the only thing I can say.

Moderator: Next question is from the line of Sumeet Jain from CLSA.

Sumeet Jain: DC, when you mentioned that the growth in Q4 will be similar to Q3 and when

I look at your manufacturing vertical seasonality in the last 2 to 3 years, it is not as strong in Q4 as in Q3. Are you expecting other verticals than manufacturing to see some growth in Q4 despite furloughs still being there?

Debashis Chatterjee: Yes, absolutely. As I said earlier, the overall growth that we are expecting as

we go along is going to be fairly broad-based. It's not just going to be based on

only one specific vertical.

Sumeet Jain: And this revival and growth across verticals will be led by your large deals?

Or is the discretionary demand reviving back?

Debashis Chatterjee: It's mostly the large deals that we have already closed and the ramp-ups have

started.

Sumeet Jain: Got it. And my second question is in terms of your margin target of 17% to

18% over next few quarters may be pushed out. But what will be the key levers for you to achieve that target, given when I look at the various levers in terms of utilization, offshoring effort or maybe rationalization of tail accounts, almost all of them have been utilized to a large extent. So just to know what levers

will you press upon?

Vinit Teredesai: See, it is multiple levers that we are looking at, and some of these levers will

be our gross margin improvement mainly. There are multiple accounts what we have called out in the past is one of the programs that we are running is the red program, the accounts which have lower margins, negative margins, which we are trying to work on with the clients to improve that. That is something

that will do it. Second is pyramid rationalization. As I mentioned in my



remarks, we have started adding freshers. This is the second consecutive quarter we have added freshers. So, pyramid rationalization is something that we are working upon. The third part is in terms of looking at how can we reduce down average cost of our resources. That will be the third one. And fourth, at the end of the day, when we have these multiyear deals, those also continue to give us a little bit of an advantage in terms of managing the pyramid and managing the cost within those projects in a much better way. So, all these levers are at play. The only challenge what we are seeing at this point of time is we thought that we should be able to do a good progress by Q4. That has been delayed. And the other reason for the delay is also the fact that we want to invest back into the business because now our utilization has reached the peak. We had called it out in the past quarter also that this will remain in the short run at this level. But it is definitely at the peak, and we have to now look at adding some bench for the growth that will be coming in as soon as it comes in.

Debashis Chatterjee: Yes. And on another note, I must tell you that whatever we talk about margin program, we only have so many levers. And there are no additional levers. I mean, whatever levers you run within a program, maybe everything is not applicable to every client situation at the same time. It is a discipline that we are running and that will continue.

Sumeet Jain:

Got it. Just one last question around your large Banking customer. I think when they reported their results last week, it was quite evident that they have been in-sourcing quite a lot through entire calendar '23. Have you got any plans, what are they thinking of in FY24, given the cost-cutting exercise they are doing across the globe?

Sudhir Chaturvedi:

I think over the years, we've told you that the work that we do for this client is in very core areas. We work on core platforms in the corporate banking space mostly and in the RegTech space. So therefore, we have resilience in the work that we do for this client, and that continues. Now of course, as DC said, these changes have been announced recently, and we're watching the space closely to see how things pan out. But as of now, it's been proceeding as per what our plan for the year was.



Moderator: Next question is from the line of Rishi Jhunjhunwala from IIFL.

Rishi Jhunjhunwala: Two questions. Firstly, if you look at the growth rate deceleration that has happened this year, it's almost close to around 15 percentage points from the 20% that we grew last year on a CC basis. And it would be among the highest if you'll just look at companies which are considered to be high-growth companies. What do you attribute it to specifically for us given that it is higher than most of the other high-growing peers? That is one. And secondly, in a period where growth is a bit challenging, and we have pushed out our margin targets also in the near term. Given that we now have almost like INR 10,000 crores of cash on the books, and we have not been much acquisitive. Do you think it's time to potentially increased payouts, given that if we look at most of the large cap companies, they have payouts anywhere between 70% to 100% of their free cash flows?

Debashis Chatterjee: Well, I'll let Vinit answer the second question. But on the first one, if you talk about growth and if you talk about what we anticipated as growth, we always said that when these 2 companies were brought together, it was not really considering any of the market conditions or macro or anything. It was more with the basis that both the companies should be coming together when both are doing well in their own rights. And that's exactly what we did. And our intention was also to integrate as quickly as possible so that we can do the cross-selling and up-selling with our clients much more aggressively. I think all those things have worked out well. The only thing which probably did not go the way we wanted was because of the macro changing, the discretionary spend has come down significantly and both the companies, even earlier and LTIMindtree as a combined entity, we had a significant portion of revenue which was coming from client discretionary spend. That's one thing which has come down, but converting or rather getting us geared up for large deals which are more of efficiency deals, we kind of switched that very quickly. But having said that, the large deals take more time to materialize. The decision-making has been delayed. So, all those things also played in terms of whatever you see in the growth. Vinit, you want to take the second question?

Vinit Teredesai:

Yes. Rishi, on the cash allocation policy, one thing which we want to ensure is, first, this momentum we wanted to sustain and we want to build upon a good



amount of cash balance. Number two, on a daily basis, we do evaluate multiple candidates for M&A opportunities. So that exercise continues. At the right time, when there is a right opportunity available, we do want to consider and look at making those investments. Third part, the payout policy is a reflection of the profit and has to be based on the profitability, not based on the cash balance that is sitting with us. At the end of the day, our aim is to generate a little bit higher returns and higher cash flow returns, then we can think about improving our cash payout. But at this point of time, there will not be any change in the short run.

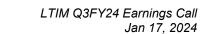
Moderator:

Next question is from the line of Rakesh Kumar from BNP Paribas.

Rakesh Kumar:

I have just one question. See your commentary related to growth and that of margin, there seems to be dichotomy between those two. While you are uncertain about the growth outlook, accordingly, your guidance for the second half coming down materially. Whereas when you're talking about the margin, you are preparing yourself for growth. This high utilization ideally should not have surprised you because you were already preparing for a much stronger growth in second half. So, I'm trying to understand that, where is this dichotomy coming from?

Nachiket Deshpande: Yes. So typically, if you look at the resources in most of our business and especially with the large deals that we're talking about, which has transitions involved, the resources typically lead the revenue, right? And typically, the revenue shows up in our P&L anywhere between 2 to 3 months down the line based on the construct of the deal. And higher utilization part that we are talking about, we are looking at lowering that utilization in the short term, where we need to now be prepared for the deals that we are in the final stages for. And as we close those deals, we need to be prepared to have sufficient bench to be able to ramp up those deals on time. And that's really the commentary around taking the utilization down. The higher utilization in the earlier quarters, again, the utilization was expected to be higher, but not to the level that we've ended up taking it. If you remember, even in last quarter, we talked about, 85% is our comfort zone from a utilization perspective longer term. So, in some quarters, it will be up or down. And today, we are at 87.4%.





We believe that it's much higher than what we would like to be. And hence, we would like to lower that in order to prepare for the deals that we are closing.

Moderator:

Thank you very much. Ladies and gentlemen, we will take that as the last question. On behalf of LTIMindtree Limited, that concludes this conference call. Thank you all for joining and you may now disconnect your lines.

(This document has been edited for readability purposes)

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