LTI
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January 28, 2019

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
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 December 31, 2018.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on January 18, 2019 for the quarter ended on December 31, 2018 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited

Manojkoul

Manoj Koul
Company Secretary & Compliance Officer

LARSEN & TOUBRO INFOTECH LIMITED MUMBAI INDIA

Encl: As above

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"Larsen & Toubro Infotech Limited Q3 FY2019 Earnings Conference Call"

January 18, 2019

MANAGEMENT: **MR. SANJAY JALONA – CEO & MD**
MR. SUDHIR CHATURVEDI – PRESIDENT, SALES
MR. NACHIKET DESHPANDE – CHIEF OPERATING OFFICER
MR. ASHOK SONTHALIA – CHIEF FINANCIAL OFFICER
MR. NITIN MOHTA – HEAD, INVESTOR RELATIONS

Moderator: Good day, ladies and gentlemen and a very warm welcome to LTI's Q3 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain certain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Nitin Mohta – Head, Investor Relations. Thank you and over to you, sir.

Nitin Mohta: Thank you, Ali. Hello, everyone. Thanks for joining us today to discuss LTI's financial results for the third quarter of fiscal 2019. The financial statements, 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 and Managing Director, Mr. Sudhir Chaturvedi – President Sales, Mr. Nachiket Deshpande – Chief Operating Officer and Mr. Ashok Sonthalia – CFO. Sanjay and Ashok will give you a brief overview of the company's performance which will be followed by Q&A session.

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

Sanjay Jalona: Thank you, Nitin. Wish you all a very happy new year and thanks for joining us. Let me welcome Nachiket also to this first earnings call at LTI today. Nachiket joined us a month ago as the Chief Operating Officer for the company.

Let me start by talking about our acquisition of Ruletronics first. It is a boutique Pega Consulting Company that enables businesses to transform and evolve digitally by providing innovative BPM and CRM solutions. This acquisition will help us to cross-sell and up-sell the niche and much in demand Pega Consulting capabilities to our entrenched client base, especially in BFS and Insurance verticals. Our inorganic strategy is focused on augmenting our digital capabilities and addressing the white spaces in our portfolio. This is a common theme that is visible in all the three acquisitions that we have done in the last 2.5 years.

We are excited to share with you that LTI has been selected as the primary IT partner for the Nets Group following a round of consolidation. Nets, as you know, is a leading provider of payment solutions in the Nordic region. LTI now will be responsible for 100+ additional critical applications, focused on digital operations, SAP ecosystem, customer service, ecommerce payments and corporate services. This is a significant opportunity for LTI to ramp-up its footprint at Nets.

We are also very proud that LTI is recognized as one of the top 16 players globally to be part of the SAP GSSP, which is Global Strategic Services Providers Partners list. We share the stage with peers who are at least close to 10x our size. Friends, this is a reflection that when you invest in focused offerings and focus on key verticals, the kind of differentiation you can make in the market place helps you impact the businesses strongly.

Shifting gears back to Q3, it has been another strong quarter for LTI with revenues of $346.9 million, up 5.6% QoQ and 18.2% YoY. In constant currency terms, we delivered 6.1% growth on QoQ basis and 20.6% on YoY basis. Share of digital is steady at 37% of our revenues. The growth this quarter was broad based with nearly all our verticals registering double-digit growth on YoY basis in constant currency.

We are also delighted to add two more Global Fortune 500 logos in our kitty this quarter, taking the total of Fortune 500 customers to 63. These large enterprise customers are our pot of gold and we are extremely satisfied with our progress in mining these accounts. In Q3, we added one client each to the $50 million and $20 million bucket and three in the $5 million bucket. Accounts outside of top 20 grew at 24.4% on YoY basis. Movement in client buckets and acceleration in growth beyond top 20 accounts reflects the success of our Minecraft and ADEA (analytics and digital in every account) programs.

With that, let me turn back to growth across all operating verticals. On BFS, the revenue growth was at 3% sequentially and 26.7% year-on-year. Within the sector, we are getting positive traction in the wealth space where there is a significant surge in tech activity. In North America, we are helping a global fintech firm to build a suite of digital wealth management solutions. The digital transformation of the client would involve deployment of micro services and API architecture and migration of 200+

applications to cloud. This incidentally also happened to be one of the new accounts that we opened last quarter.

In Europe, our acquisition of Syncordis is helping us build a wealth management platform that would have the ability to operate as a bank. LTI's platform would provide an end-to-end solution. However, in few cases, we are witnessing some tightness in spend and delay in project renewals. Our relationship with these clients remains strong and we expect this spend to come back.

Insurance vertical grew at 5.6% QoQ in Q3. Our growth in Q3 was driven by ramp-up in our deal win with an insurance major that we announced last quarter. LTI is helping the customer with their modernization program, leveraging its domain knowledge and Guidewire skill sets. One of the Global Fortune 500, out of the two that we opened this quarter, also falls in this vertical.

Our manufacturing vertical registered a growth of 7.3% QoQ. Manufacturing companies are re-imagining themselves by harnessing the power of new technologies. For example, in Q3 we have been chosen by a vertical transportation company to transform its services businesses in areas of sales, call-center and field services using Microsoft Dynamic 365, which is a cloud based ERP and CRM system. The second Global Fortune 500 logo that we opened in Q3 is in the auto space and falls under this vertical.

In Energy and Utilities, we have a good 6.7% QoQ growth in Q3. At the start of FY19, we had shared with you that energy companies are taking institutional steps to prioritize digital transformation. We continue to see that trend play out. Given the volatility in commodity prices, our energy clients continue to evaluate their capital spend with prudence to manage their profitability.

CPG, Retail and Pharma vertical, the stellar run for this vertical continues with 9.8% QoQ growth on top of a 15% sequential growth that we witnessed here in Q2. The growth in this segment is powered by the two large deal wins that we announced in Q1 and Q2 respectively. They are ramping up as per schedule and they will continue to power the growth of this vertical.

Our High-tech and Media vertical reported a 6.7% QoQ growth and 25.8% year-on-year growth. We think media is one of the industries that is getting disrupted the most. The advent of new technologies have flooded the market with new players and blurred the lines between telecom, media and high-tech companies. To add to the complexities, the way you and I are consuming the content is changing. There are voice command devices, there are wearable devices, there is an app-based streaming of content, so on and so forth. In all of this, media companies are forced to re-imagine both their business models and their systems to align to new market and digital realities. We are partnering with our media and entertainment clients to envision and enable this transformation, leveraging digital technologies, including analytics, AI, cloud automation and user centric designs.

In summary, if I have to talk about outlook, healthy deal pipeline, momentum in large deal wins and sustained client mining make us optimistic about our future. We are mindful of the macroeconomic factors but do not see a negative impact from these yet. While we are seeing tightness in some pockets, we are committed to deliver top quartile growth in revenue despite these challenges in FY20.

As you would have also noticed from our fact sheet, our utilization levels are at all-time high and we need to bring it down to grow effectively in times to come. We will hire additional talent in India and proactively hire talent in US as well. Despite this investment we are still confident of delivering to our promise of net margin in a narrow band of 15% in FY20.

With that, let me hand it over to Ashok now.

Ashok Sonthalia: Thank you, Sanjay. Hello, everyone. Let me take you through the financial highlights for the quarter, starting with the headline numbers. In Q3 FY19, in USD terms revenue stood at $346.9 million, up 5.6% QoQ and 18.2% YoY. It grew 6.1% QoQ and 20.6% YoY on constant currency basis. The reported INR revenue of Rs. 24,729 million was up 6.1% QoQ and 31.3% YoY.

Now, coming to profitability, despite the headwinds due to lower working days in Q3, our operating margin has been resilient, standing at 19.1%, up 10 basis points compared to the last quarter. This was achieved due to operational efficiency, among which utilization and lower SG&A were the key drivers. EBIT for the quarter was INR 4,734 million, which improved 7% sequentially and 68.4% on YoY basis. We continue to invest our efficiency gains back into the business, especially in beefing up our sales team and building capabilities.

Reported profit after tax stood at INR 3,755 million, up 32.8% on YoY basis. PAT margin for the quarter came in at 15.2% as INR closed at 69.78 on 31st December, versus 72.49 on 30th September, resulting in revaluation losses. We remain comfortably placed to exceed our net profit margin guidance of 15% for FY19.

Now, moving on to employee metrics. Utilization without trainees was at an all-time high of 83% as compared to 82.3% in Q2. And utilization including trainees was at 82.1% as compared to 80.4% last quarter. As mentioned earlier, we continue to increase our strength and invest in our people. During Q3 our net addition was 1,099. The total manpower stood at 27,513 and mix of production associates remained consistent at 94.4% of the work force. For the quarter, attrition stood at 16.5% as against 15.3% last quarter.

Now, talking about our hedge book. Our cash flow hedge book as at 31st December, 2018, stood at $1,042 million versus $1,020 million as on 30th September. While, the on balance sheet hedges stood at $126 million versus $114 million last quarter. We continue to execute our hedging strategies consistently Quarter-on-quarter.

Moving to DSO and cash flow, our consistent effort in improving cash generation was helped in Q3 by reduction in billed DSO by two days to 73 days. DSO including unbilled came down further by 7 days to 101 days in Q3. This reflects our unrelenting focus on cash flows to fully capture the value creation from our industry leading revenue growth. The net working capital at 19.3% of the revenue registered an improvement of 200 basis points over the last quarter.

The net cash flow from operations for the quarter was INR 5,313 million at 141.5% conversion of the net income. For the first nine months of the year, net cash flow from operations was INR 10,830 million which was at 95.3% conversion of the net income. Cash and liquid investments stood at INR 20,328 million at the end of Q3.

Effective tax rate for the quarter was 25.3% versus 25.4% in Q2. EPS for the quarter was INR 21.67 per share, while diluted EPS stood at INR 21.63 per share. Diluted EPS for the first nine months of the year was INR 64.8 per share as compared to INR 47.1 per share for the same period last year.

With that, I would like to open the floor for questions. Thank you.

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: Sanjay, I have a couple of questions on our extremely good growth which is being seen in CPG and manufacturing. Is it because of the things we are doing differently or because we do not have much of legacy business or is it because of a lot of new deals particularly coming here? And my second question which I would like to ask is whether this growth is driven by existing accounts where the penetration is becoming more? Or is it because of higher number of new clients coming in? Thanks, that is all from my side.

Sanjay Jalona: Sandeep, it is never one thing that plays into growth for the company. So, it has to be a holistic approach. You have to focus on growing large accounts and you have to invest correctly in order to grow your must invest accounts that eventually become large accounts. You have to periodically keep doing large deals to change the flow and trajectory of growth and you have to open new accounts too which will become must invest accounts in times to come. I hope I am clear on those four aspects of the business. Now coming to your specific questions on CPG, retail and pharma, we did announce two large deals in Q1 and Q2, and as they ramped up that is what has given growth of 15% QoQ in the last quarter and close to 10% QoQ growth in this quarter. So it is not because of one thing, but predominantly being driven by the change in the growth vector by large deals contributing extensively.

Regarding your second question, it is large deals, growth in existing accounts and we have also opened a lot of new customers in that vertical.

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

Abhishek Bhandari: I had three questions, I will take them one by one. Sanjay, my first question is on your outlook going into calendar 2019 or fiscal 2020. While you may not want to give number over here, but looking at your pipeline and some of the developments like on the right side of consolidation for some of your clients like Nets, you think the next 12 months will be as strong as the 12 months gone by?

Sanjay Jalona: You know I do not give revenue guidance. But in the analyst meet, we did talk about $1 billion worth of pipeline. You have seen one of them convert with us, that's Nets, which will actually be a significantly large deal. We have not told the numbers but, we will be able to give you in days and weeks ahead when we close contracts one by one, and that will actually end up being significantly important large deal for us as we go into FY20. So these $1 billion deals are there, we have good accounts and the mining is going well. We did talk a little bit about tightness in some of the accounts that we see, but overall, we are still positive about being in the top quartile of growth. I want to leave it at that, given what we know today. It will be broad based across the sectors, it will be across all service lines and geographies that we operate in.

Abhishek Bhandari: Okay. My second question is around your margin, whether I look at your EBIT margin or PAT margin for the nine months gone by of fiscal 2019, PAT margin is definitely tracking above our guided range of 14% to 15%, almost at 16%. Assuming rupee remains where it is, do you think you will try and not tinker on too much with your margin to chase growth? And also, would you want to use some of the higher than expected margin to accelerate some of your investments as you spoke about hiring in US and some of the other places?

Sanjay Jalona: Good question, Abhishek. As you would have probably noticed, 14% to 15% we do not talk about it anymore, we talk about narrow band of 15%. So that at least gives me a leverage to say that it might be a little above 15% also. But important part is, you see us as a growing company. Our idea is if we grow faster we will create more opportunities for margin expansion, but we want to put it back into business. So that is one guidance that we will give and we will continue to be in the narrow band of 15%.

And you will see that in subsequent quarters as well, we will continue to invest in hiring proactively in US and hiring proactively in India as well.

Abhishek Bhandari: My last question is on M&A, while you cannot control external news which is coming in media, but even in that context if you can refresh your strategy around M&A, whether it is just going to remain stuck to acquiring capabilities? Or at some point you think you might be even open to acquiring or buying revenues? Thank you.

Sanjay Jalona: Buying revenues is never a good thing, but I will qualify. Buying revenue has a negative connotation in my mind at least. Our whole fundamental philosophy, Abhishek, has always been to acquire for capabilities, to bring additional values to our customers. If you look at acquisitions that we have done so far, Augment IQ gave us serious capabilities in terms of MOSAIC, which helped us to have the world-class platform on the Hadoop analytics platform. Syncordis gave us a new entry into core banking and top banking product like Temenos where we are next to none. Ruletronics is going to enrich our Pega team and bring some new solutions that we can take to insurance and banking customers. In times to come, we will continue to focus on the capability led transactions, but in any business you never say never. If you have the right set of companies we will definitely look at growth opportunities everywhere, whether it is geographic expansion or whether it is customer base expansion. But I would not call that as buying revenues.

Moderator: Thank you. Our next question is from the line of Sudheer Guntupalli from Ambit Capital. Please go ahead.

Sudheer Guntupalli: My first question is in terms of your share of revenue from India, which has increased from 6.4% in the previous quarter to 7.8% in this quarter. So, despite that if you look at both receivables and unbilled revenues as days of sales, it has shown a significant improvement by around 7 to 9 days based on the annualized revenue number. So, if you can give some more color on how you dealt with this? And especially in the context of increasing the share of revenue from India, where do you see this number in the steady state or at least in terms of directionality any color on that will be helpful.

Ashok Sonthalia: So, India business always has been project based business, as we have talked about in our past commentaries also. And that is where sometimes you see the volatility. Depending on the project cycle where we are, it goes up, goes down. We have also stated in the past that we would remain calibrated for growth of our India business. We go for the right opportunities on a selective basis. As far as our improvement in unbilled revenue and receivables is concerned, there have been two large projects which were responsible in last few quarters for our working capital situation, but they have gone live, they are progressing and we are able to invoice and collect money out of them. So that is what is giving improvement in our unbilled DSO and we think we can maintain it here and even try to improve a little bit more, because there are some more milestones which are going to be invoiced in this quarter.

Sudheer Guntupalli: And my second question is, you spoke about tightness in spend in some pockets, is that the reason for softness in top five client revenue growth during this quarter?

Sanjay Jalona: Yes, definitely.

Sudheer Guntupalli: And where do we expect the revenue growth of top five clients going forward?

Sanjay Jalona: Look, Sudheer, there is some tightness in top five and that is reflected now. There are some delays, there is no wallet share loss. We are confident that it will come back.

Sudheer Guntupalli: And any color on the large deal wins in this quarter? That would be really helpful. That's it from my side. Thanks.

Sanjay Jalona: So, before I go to large deal, I also want to say a little bit on the top 20 customers and beyond. Quarter on Quarter growth for top 6 to 10 accounts has been at 8%, 11 to 20 has been at around 7.4% and beyond top 20 is at 9.2%. Overall, including Top 5, growth at company level sums to 5.6%. There are these issues that you will face when you have concentration, and in our business, you need some concentration to build capabilities, grow talent and move forward. So we are very confident with the mix that we have, despite all the tightness that we see, we will be in the top quartile of growth. For Large deals in this quarter, as and when the numbers firm up, we will communicate to you guys in the subsequent quarters.

Moderator: Thank you. Our next question is from the line of Sandeep Shah from CGS CIMB. Please go ahead.

Sandeep Shah: Just about the tightness in some pockets, can you elaborate if it is largely within the top five accounts and is it in more than one account and in which segment? And what is causing this?

Sanjay Jalona: Some are in top five but some are beyond it too. It is nothing related to macroeconomics, it is nothing related to trade wars that people talk about. Clients will have a spending pattern and we have seen cycles. Last year also something like this happened and it came back, this year something similar has happened. We do not know when it will come back, but we are not losing wallet share, we are confident of getting it back. We will like to leave it at that.

Sandeep Shah: And just wanted to understand in the vendor consolidation, with whom we have competed ? And what has led to this outcome?

Sanjay Jalona: You are talking about the deal that we won?

Sandeep Shah: Yes, in Nets where you said it's won through vendor consolidation.

Sanjay Jalona: Yes, so everyone was there, all the guys from India as well as global players. We have replaced quite a few, they will have one primary and one secondary vendor, so they might have got two niche players. But global players, European players as well as India players, all were involved.

Sandeep Shah: So what has lead to this? Is it more a capability, is it the relationship, how did we win?

Sudhir Chaturvedi: So, Sandeep, on the deal itself, as we said this is an existing client of ours. There are two factors that worked. The feedback that we received from the client on becoming a primary vendor is that we understood their landscape and provided them a five year roadmap. They were looking for stability, security and transformation. And the five year roadmap that we provided them from a solution perspective convinced them that the best way forward for them was with us as a primary vendor. So it was based on these parameters rather than cost parameters. Because as you know the payment space globally is going through a fundamental shift right now.

Sandeep Shah: When you say the tail winds which come from the margin you will invest back in the business to drive the growth, within that investment priority where does the onsite supply side issues and related investment fits? Is it one of your top priority areas or do you believe that you are at a position where you do not have to worry too much in terms of the onsite supply side issues?

Sanjay Jalona: Sandeep, it varies by quarter. In the current quarter definitely it would be one of the top priorities.

Sandeep Shah: Okay. But if you look at over a medium-term to longer term, would you like to change it or you are comfortable with where you are?

Sanjay Jalona: So, in our business it is a very simple, we do not have any assets besides the people that we have. When you say spend, invest back in the business what does it mean? You will build some capabilities, you will hire some top talent, and you will get into newer areas that you do not operate in today, you will invest in newer verticals that you do not operate in today, or you will build proactive things which will help you grow in the future. These are the things that can actually help you grow the business when you say invest in the business. Today, with the utilization being at 83% for a company of our size with 27,000 people, we really need to bring it down, because otherwise doing another deal like Nets at this point of time will not be possible. Nobody will buy that we have the bandwidth and the ability to ramp it up. So we have no option but to invest on that at this point of time.

Moderator: Thank you. Our next question is from the line of Rahul Jain from Emkay Global. Please go ahead.

Rahul Jain: Just your thought in terms of the kind of growth companies are delivering in this quarter. Is it safer to still call it as a seasonally weak quarter or is it something that there is a real uptick that we are seeing right now which is driving that kind of a momentum for your company and maybe for other peers as well?

Sanjay Jalona: So, we are traditionally contrarian at times, so last Q3 also we grew, but we grew last Q3 because we announced a very large deal at that time which ramped up fully. This quarter also we announced two large deals, one in Q1 and another one in Q2 that has helped growth. But if you look at absolute numbers, in a services business it is totally driven based on number of days that you have. So, Q3 has the least number of working days compared to Q2 and Q4 and Q1 also for that matter. And also lots of customers do have furloughs issues. So traditional definition of our softer quarter will continue, but obviously companies which have done a large deal which is ramping up in Q3, like it has happened for us in the last two years look like contrarians there.

Rahul Jain: Right. But to the extension of the same thing, from a growth outlook perspective, do you think the growth for businesses are now coming because of some strong differentiation? Or there is some help in terms of the improved spend scenario that we are also witnessing, or it's not that way?

Sanjay Jalona: You are talking about Q3 or you have moved on?

Rahul Jain: Yes, maybe in terms of how we are seeing it now.

Sanjay Jalona: Okay. So, I think both of them are right. One, customers spend and opportunities in the market that we talked about in our analyst day. There are tremendous opportunities that still exist. We showed you the MIT study on various companies and their journeys on digitization, most of them have a lot of work to be done. So if you have a story to tell and you help the customers for going into adjacent markets, launching new products, reducing time to market, or driving up revenue growth, the customers will always find the money for you. For us, we continue to be optimistic, we are seeing a lot more growth opportunities and differentiation is definitely very-very important.

That is where entire story is. Nobody is sourcing for scale anymore, they are sourcing for expertise and capabilities. And this is where we keep saying every time that focus is the most important thing. Focus on fewer verticals, focus on fewer customers, focus on building the capabilities and the customers will come. So that's what I think is the fundamental reason why we are growing.

Moderator: Thank you. Our next question is from the line of Arjun Arshad from Envision Capital. Please go ahead.

Arjun Arshad: From the technology perspective which are the areas where you are currently seeking to strengthen your capabilities and your service offerings?

Sanjay Jalona: Well, I will start and maybe I will request Nachiket, if he wants to add something. Look, we will continue to focus on anything that goes for digital. We have talked about analytics, automation, IoT and experience, these are the areas that will continue to be there. The three things that I think we want to have. The company is already much differentiated in analytics, you would see two years of close to 30% growth in analytics practice for us. We want to continue investing in that capability. Cloud, I think is a very big theme for us and we want to see how to take it to the next level. And with our investments in Temenos you will see us make serious investments in everything to do in wealth management and Temenos capabilities.

Arjun Arshad: And in terms of sectors, which are the sectors which are most amenable, or which can see the maximum uptick in terms of consumption of these kind of new age capabilities which are being built up, by not just your company but the sector itself?

Sanjay Jalona: Everywhere. It is all pervasive. If any customer in any vertical does not adopt and accept analytics, cloud, automation, etc, they will be left hanging high and dry. Obviously, Temenos will be more for banking and wealth management vertical.

Moderator: Thank you. Our next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: Just wanted to check on this dip in AI and cognitive, good increase in platforms. Could you comment on the typical duration and the type of contracts for these two segments?

Sanjay Jalona: Good catch, Ravi. So, for analytics and automation if you look at quarterly numbers obviously you saw a dip, but on annual numbers it is pretty high and it comes after a very strong 21% quarter-on-quarter growth, last quarter. On one of the large analytics program, we have reached a steady state, so that's why you have seen the numbers come down. Also in Q3 we have some customers where furloughs impacted the revenue growth in this practice, that's why you have seen it go down. This is the most important area for us and we will continue to see growth in that.

Ravi Menon: Sir, I was just wondering whether this is also related to the fewer working days as well?

Sanjay Jalona: Yes, that is correct. One part of it, but one very large program has moved from implementation to steady state.

Ravi Menon: And if you could also comment on the increase in platforms.

Sanjay Jalona: Yes, platforms, as we said it's predominantly the transfer agency work that we do in Canada where maybe 65% odd Canada market has been with us. We had closed two deals in the last few quarters that have ramped up and given this growth. But please do not expect this every quarter because with a 65% share of the market, you really cannot grow much, you have to accept to grow at a single-digit growth for the year.

Ravi Menon: Great. And you know for the first time since we became a listed firm, we have got revenue related forex losses instead of significant gains. So just wanted to check, at the current INR level what should we expect for the next couple of quarters, and specifically Q4?

Ashok Sonthalia: So, this quarter was, as I explained you in my commentary, there was a very significant movement between the quarter closure number, 72.49 to 69.78 , and the whole receivable gets revalued at that. So you can imagine Rs. 2.5, Rs. 3 per dollar of receivable. But if the dollar remains where it is or near about that, these kind of losses are not expected in revaluation. And if rupee is depreciating from 69.78, then some of this revaluation loss will again come back as a gain in the P&L. But otherwise we are comfortably hedged, we remain insulated. We have explained also that we really are not very obsessed with revenue related FX gain or loss. If rupee depreciates, we capture much more in our revenue line with the currency depreciation and we are very comfortable with this. This also helps our net profit margin to remain stable, and that we have demonstrated in last 11 quarters. You can see that volatility in our net margin is very-very little over long-term. That is what the purpose of hedging is.

Ravi Menon: That is true, and in fact actually it has been significantly ahead of the 15% target, so that's why I was asking given the volatility that we have seen, should we expect that 15% will be kind of the norm over the next few quarters.

Ashok Sonthalia: Yes.

Moderator: Thank you. Our next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

Srinivas Rao: I don't know if this has been answered earlier, but just wanted to get your sense as to what is your feel for the spend patterns for calendar 2019? If you can give any feedback. Particularly in the North American geography and also your largest vertical, which is both BFS and Insurance. So, you continue to have momentum in that, but what is the market outlook which you are facing at this stage? That will be helpful.

Sanjay Jalona: You are talking about calendar 2019, I thought you said. So I was not sure, you are talking about calendar 2020?

Srinivas Rao: So, fiscal 2020 or calendar 2019.

Sanjay Jalona: Okay, got it. So, Srinivas, as I said we see tremendous opportunities. When we look at various surveys on the journey of digital for customers, we see a lot of opportunities there because they really are not at 90%, 80%, most of them are below 50%. When we talk to the customers, we see there are tremendous opportunities and they always find funds if you have right opportunity to bring to them. Lots of opportunities are being taken up proactively rather than waiting for an RFP, etc, to be done, because in digital world you need to look at what solutions, what adjacencies you can help the customers to go to, so on and so forth. So where we sit today, if you look at any kinds of reports, whether it's Gartner, Forester, ISG, etc, you will see that budgets are more or less going to continue to stay flat with an upward bias for anything extraordinary that can be done for the customer. And deals are happening in the market place. So we feel there is an opportunity in the market place. Having said that, there are all kinds of market volatility, trade wars, shutdowns, Brexit and other things happening across the world. Specific customers might have their own specific challenges. So, in summary what I would say, I think there is an opportunity. I think customers will spend the same amount if not with a positive bias. With specific customers at times, we might face some spending tightness.

Srinivas Rao: Understood. My second question is on your attrition, I mean, it has been inching up. Any feedback on that? Is that on account of onshore supply constraints which you keep hearing from your peers or any other dynamic which is in play? And again, how you intend to mitigate that?

Sanjay Jalona: Yes, so attrition is up 120 basis points and for the last 30 years whenever anybody has asked me what do I lose sleep on, it has always been about people. Obviously as you can see, all IT companies are doing well, start-ups are again mushrooming. So there are a lot of opportunities for people, so we will see attrition levels jumping up for every company. That is not to say we should have gone up. The first and foremost thing that anybody who wants to stay in the company looks for is opportunities for growth. Growth only comes for an individual when you are part of a growing company. The most important thing for us is that we need to continue to grow to give opportunities to our people and find opportunities to get the best talent in the market place. Having said that, we touched base briefly on this in our Analyst day. We talked about Mission Ubuntu, which means who we are is because of the way we work as a team and we have something like 19 or 20-odd initiatives within that. How do we improve, the way we hire, the quality of talent that we hire, how do we give them the onboarding experience, how do we give them the learning experience, how do we help them learn new technologies, experiential learning so on and so forth. This is something which we feel very-very dearly about and Nachiket's very high priority is to see how we bring it down.

Srinivas Rao: Nachiket, you come from a company which is very large in terms of scale and you obviously have taken a leadership position here. Just want to hear your thoughts as to what strength you see here and what you think can be the potential improvement going forward?

Nachiket Deshpande: So, I think as Sanjay alluded to that and he answered it, the growth and the opportunities that the growth presents is the most exciting part about LTI and I think that's where we are all focused on. And we are also kind of at a point in time in the industry where there is disruption all around us, so growth and taking advantage of that disruption and staying relevant to our clients is what excites me and that is I think where our opportunity lies as well. Based on whatever I have seen here in the limited time, the differentiation we have in some of the capabilities and our approach to client first is helping us solve that. So, sustaining that and even improving on that would be the top priority for me as well. And of course, making sure that people want to work at LTI and hence be able to curtail the attrition or making it an attractive place to work would be the most important priority.

Moderator: Thank you. Our next question is from the line of Rishi Jhunjhunwala from IIFL Securities. Please go ahead.

Rishi Jhunjhunwala: Sanjay, one question in terms of your profitability for various verticals. So clearly BFSI is something where you are significantly profitable, and the gap between that and most of the other verticals is quite significant. So just trying to understand what is the reason for that? Is it more about the nature of work, is it more about the scale? And as a result, over a medium-term to long-term do you think that the margins for the other verticals could converge towards BFSI?

Sudhir Chaturvedi: I think if you go back to the verticals where the margin is below BFSI, much of this can be explained through ramping up. If you look at our retail consumer, pharma verticals, there is a ramp up phase based on the deals. So there has been impact of transition, etc. I think at an overall level if you see, the margin in every vertical will show an upward trend. There will be an impact based on large deals, transition and certain client specific things. High-tech vertical, specifically again is in the ramp up mode. So I would say look at our margins at an overall rate.

Rishi Jhunjhunwala: And quickly, I am sorry I missed the hedging balance amount both for balance sheet and cash flow. And if possible, can you share the booked rate also?

Ashok Sonthalia: So the balance of cash flow hedges was $1,042 million as on 31st December versus $1,020 million as on 30th September. Balance sheet hedges was at $126 million at the end of Q3 versus $114 million last quarter. Rishi, unfortunately we do not give the rate.

Moderator: Thank you. Our next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Just one question, on the utilization part of it, you did mention you would like to get it down. Could you tell me what level would you really be comfortable with? And a similar question on those lines would be, given the fact that you had a rupee depreciation situation this year, do you think you could have moved slightly earlier in terms of hiring aggressively within this year itself?

Sanjay Jalona: Niket, we actually did tell you guys I think in the last earnings call, as well as on our Analyst day that we move a little slowly, because the currency depreciated rather quickly for us to react. So, yes, you are right. In hindsight, we could have done it a little early. But we have been doing it and we are going to do it extensively now. Comfortable utilization band for a company of our size with 27,000 people would be to try to always aspire to go towards 78%, but the right number is going to be around 80%, 81%.

Moderator: Thank you. Our next question is from the line of Kumar Nihal from Axis Securities. Please go ahead.

Kumar Nihal: Sir, if you can throw some light on the realization levels. So we have seen that realization has been growing but this quarter I think it has been slightly subdued.

Ashok Sonthalia: No, from whatever numbers are available in fact sheet, realization adjusted for number of working days has not gone down. Actually it would be marginally up only, so I do not agree to that comment. But if you are commenting on pricing etc, market is stable, we do not see any major change in that.

Moderator: Thank you. Our next question is from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Sanjay, my first question was more on the tightness of the top clients which you mentioned. Would it be safe to assume that we did see quite a bit of that in current quarter? And do we know, surprises if they come, should not be very much different in this quarter?

Sanjay Jalona: Little bit, but more I think will be in Q4 is probably what we see.

Urmil Shah: Right. And secondly on the India business, was there any one off in this quarter?

Ashok Sonthalia: If you track Q3 & Q4, these quarters do have a pass-through component for LTI. This quarter that attributes to about 1% of our quarterly growth, so CC growth would be 5.1%. Overall at the portfolio level, we do not see any change, this is usual. We have been having this in the past also.

Urmil Shah: Just another thing on that, how much would this have impacted our EBIT margin in Q3?

Ashok Sonthalia: So, you know the software and services business, about 30 to 40 basis points would be an impact of this.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Sanjay Jalona: Folks, thanks for joining. I know today has been a very busy day for all of you, look forward to seeing you guys in the next quarter. Take care. God bless.

Moderator: Thank you. Ladies & gentlemen, on behalf of LTI, that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines.

(This document has been edited for readability purposes)

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