



Let's Solve

LTI/SE/STAT/2019-20/50

October 23, 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 September 30, 2019.

Please find attached the transcripts of Earnings Conference Call organised by the Company on October 18, 2019 for the quarter ended on September 30, 2019 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited

Manoj Koul

Company Secretary & Compliance Officer



Encl: As above

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A Larsen & Toubro
Group Company



“Larsen & Toubro Infotech Limited
Q2 FY2020 Earnings Conference Call”

October 18, 2019

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

Moderator: Ladies and gentlemen, good day and welcome to the LTI Q2 FY2020 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now like to hand the conference over to Mr. Nitin Mohta, Head of Investor Relations. Thank you and over to you, Sir!

Nitin Mohta: Thank you, Lizann. Thanks for joining us today to discuss LTI’s financial results for the second quarter of fiscal 2020. The financial statements, press release and quarterly fact sheet are available in our filings to the stock exchanges and at the Investor section of our website.

On the call, we have Mr. Sanjay Jalona, CEO and Managing Director; Mr. Sudhir Chaturvedi, President, Sales; Mr. Nachiket Deshpande, COO; and Mr. Ashok Sonthalia, CFO. Sanjay and Ashok will give you a brief overview of the company's performance, which will be followed by a Q&A session. As a policy, we do not provide specific revenue earnings guidance. Anything said on the call which reflects our outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risk that the company faces.

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

Sanjay Jalona: Thank you Nitin. Welcome to LTI’s earnings call for the second quarter of FY2020. Let me start the call with the exciting news of LTI’s acquisition of Powerup. Powerup is a born-in-Cloud company with cloud consulting capabilities across all three leading Cloud platforms that is AWS, Microsoft Azure and Google Cloud.

With this acquisition, LTI would be elevated to “Premier” AWS consulting partner status. In addition to the best-in-class cloud consulting capabilities, Powerup would also add two AI based platforms to LTI’s powerful suite of offerings. The first is - CloudEnsure.io, an Autonomous Cloud Governance Platform that continuously monitors an enterprise’s cloud Services, detects security and compliance violations in real-time and recommends or executes appropriate fixes. For example, a leading e-commerce company used

CloudEnsure and implemented the recommended changes on their AWS environment, tightening access controls and eventually reducing monthly cloud spend from \$250,000 to \$40,000.

The second platform is Botzer.io, an Enterprise AI Platform that helps organizations adopt AI faster across Natural Language Processing, Image Recognition, Deep Learning use cases and saves time spent in trial and error experimentation. Powerup happens to be our fourth acquisition in the calendar year 2019 and continues to underscore our focus on building capabilities both organically and inorganically to enhance the value to our customers.

Let me now talk to you about our performance in Q2. We delivered a steady performance with revenues of US \$363.8 million, up 2% quarter-on-quarter and 10.8% year-on-year. In constant currency, these translate to 2.4% quarter-on-quarter and 11.9% year-on-year. Digital now makes up for more than 40% of our revenues.

Friends, we have always maintained that fundamentals of our business are very simple. There are four principles that shape the destiny of a services company, which are 1) growth in momentum in large accounts, 2) focusing on invest accounts to move them to large account bucket, 3) opening new logos and lastly and importantly winning large deals to accelerate growth trajectory.

We are very pleased to announce three large deals this quarter with net-new TCV of US\$100 million. What makes this feat even more heartening is that all three are new logos with one each in North America, Europe and Asian geography. Two of these wins are in Energy & Utilities space and one is BFS. We think there could not have been a better proof point of our broad-based capabilities across verticals and geographies. The breadth and depth of our capabilities is also being recognized by leading deal advisors. In 3Q 2019 Global ISG Index, LTI was listed as one of the Breakthrough 15 Technology providers Standouts in America, EMEA as well as globally.

Let me now provide you with some color on verticals. In BFS, we saw a decline of 0.3% quarter-on-quarter in reported terms, in constant currency it was flat. This performance was in line with our expectations and reflects the transient weakness that we had called out in the last two quarters across two of our BFS accounts.

On-track ramp up of earlier announced large deal, and uptick in top account underpin our confidence of sequential growth in BFS in Q3. One of the three large deals in this quarter also belongs to BFS vertical. A European financial institution chose LTI for managing its entire IT, including application support, infrastructure operations and digital transformation. As part of the engagement, LTI would be responsible to provide end-to-end application and infrastructure services, migrating infrastructure workload to Cloud and accelerate digital transformation journey. This engagement with a new logo would also help us diversify our BFS portfolio.

Insurance vertical grew at robust 5.5% sequentially in Q2, driven by ramp up of on earlier announced large deal. We expect this vertical to continue to grow steadily.

Our Manufacturing business had a solid quarter with double-digit sequential growth of 10%. As highlighted on the earlier earnings call, the large win we had announced with our annual FY2019 results has started contributing and is one of the key drivers of the solid performance. Our deep domain knowledge is one of the key reasons for our success in this vertical. We leverage this domain expertise and work with our ecosystem partners to sharpen our differentiation in the market place. For example, LTI recently co-innovated an Engineering, Construction and Operations solution along with SAP which is called the EC&O solution and we won an SAP S/4 HANA implementation for a leading manufacturing conglomerate on back of this solution.

Energy & Utilities is the second vertical to register a double-digit quarter-on-quarter growth at 14.4%. The growth momentum in this vertical is likely to remain strong. Two of the three large wins during the quarter belong to this vertical. The first one is with a US based utility company that chose LTI to provide cloud and infrastructure managed services. LTI will provide end-to-end managed services operations across multiple infrastructure towers and drive landscape modernization, automation and transformation in this space.

The key differentiating element in this intensely competitive environment was our 'Operate to transform' theme, leveraging the power of analytics, AI, automation and experience in operations. As part of our services, in addition to lower total cost of ownership, LTI is looking to drive enhanced employee experience, robust storm response and lower risk exposure to their critical business as a leading utility in the geographies that they operate in.

Second large win from this segment is with a Power Generation Company. LTI would help the client with an organization-wide Greenfield SAP S4/HANA implementation. The rollout shall facilitate integrated data collection and analytics across various functional areas, empowering the client to meet present and future business challenges.

On CPG, Retail and Pharma, we had another strong quarter in this vertical with 5.5% growth quarter-on-quarter. Within this sector, we are especially pleased with our performance in the recently incubated Life Sciences vertical. Our rapid progress and investments in this domain are corroborated with LTI getting recognized as a Major Contender and Star Performer by Everest Group in its Life Sciences Digital Services PEAK Matrix.

High-Tech and Media vertical reported a 12% quarter-on-quarter decline. This was expected and relates to an earlier announced account closure. Excluding this one-time impact, underlying growth in this vertical remains strong and we expect it to bounce back in Q3.

Others vertical which includes Defense, Professional Services and Travel & Logistics was down 23% quarter-on-quarter after a strong Q1.

Before I hand over to Ashok, as regards to FY2020 outlook, let me summarize on how we see rest of the year panning out. Account specific headwinds had impacted our performance in H1, but as discussed during the last quarter call, we expect on track ramp up of earlier announcements and new large deals that we announced now to power our H2 translating into double-digit revenue growth for the full year FY2020.

With that let me now hand it over to Ashok to give you the financial details.

Ashok Sonthalia:

Thank you Sanjay. Let me take you through the financial highpoints for the Q2 of FY2020 starting with the headline numbers. Our revenue stood at USD 363.8 million, up 2% sequentially and 10.8% on a year-on-year basis. The corresponding constant currency growth was 2.4% quarter-on-quarter and 11.9% year-on-year. Reported revenue in INR stood at 25,707 million.

Now coming to profitability, EBIT for the quarter was INR 3,994 million translating into an operating margin of 15.5% as compared to 16% in the previous quarter. The 50-basis points decline in the margin can be attributed to the annual wage increments and the lower utilization in Q2. These are partially

offset by lower visa cost, currency movement in this quarter and SG&A optimization.

Reported profit after tax was INR 3,604 million which translates into a PAT margin of 14% this quarter compared to 14.3% in Q1.

On the people front, we continue to strengthen our workforce, and during Q2, we added 1,632 people on a net basis. The total manpower stood at 30,979, of which our production associates were 94.5%. Utilization without trainees was at 80.6% as compared to 81.3% last quarter and utilization including trainees was at 78.9% versus 80.5% in Q1. Attrition, this quarter was 18.4% versus 18.3% last quarter on LTM basis. On annualized basis it came down to 17.5%.

Our cash flow hedge book stood at US \$1,219 million as at September 30, 2019 versus US \$1,245 million as at June 30, 2019, while the on-balance sheet hedges stood at US \$152 million versus US \$147 million last quarter. We continue to execute our hedging strategy consistently.

Now moving on to DSO, we have seen an improvement in our DSO this quarter and it came down to 67 days from 70 days in Q1. The total receivable days including unbilled DSO was 105 days this quarter. Our net working capital stood at 18.9% of last twelve months revenue.

Net cash flow from operations for the six months period ending September 30, 2019 was INR 5,246 million at a 73.3% conversion of the net income compared to H1 of last year at 72.4%. Q2 is generally the quarter when we disburse the annual incentives pay out. We closed the quarter with cash and liquid investment at INR 21,815 million.

The effective tax rate for FY2020 so far was 24.7%. Regarding the tax rate regime change, we have evaluated and for now we are staying with the current regime, taking the SEZ benefit primarily because of the substantial MAT credit balance and our effective tax rate for India being less than 25%.

The Board of Directors at their meeting held yesterday have declared an interim dividend of Rs.12.5 per equity share. Earnings per share for the quarter was INR 20.73 per equity share as compared to INR 20.51 in Q1. Diluted EPS was INR 20.52 per equity share versus INR 20.29 last quarter. With that I would like to open the floor for questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Thanks and congrats for a good quarter. The growth was quite reassuring. To start with, on the two banking clients, you mentioned, the top client has started recovering. But what is the status of the South African customer? Are you seeing growth coming there as well or was the growth in top five more because of how they churn in your top clients' list?

Sudhir Chaturvedi: Mukul, the client had a very large transformation program that they were undergoing over the last 12 to 18 months. That program has been completed and what we are saying is that we will, for this year, continue to be at the level that it is at currently. On the large account, it was flat in the last two quarters, but we do expect it to start performing a little better from Q3 onwards.

Mukul Garg: The other question was on the jump in the million-dollar clients this quarter. There were about 13 new million dollar clients, which got added, so is this something which you see as sustainable or was this just a coincidence that so many clients scaled up to a million dollar this quarter?

Sanjay Jalona: You know this business very well. This is a very well researched business. You continue to deliver on all the four aspects that I talked about, large accounts, invest accounts, new accounts, as well as large deals and lots of things play out on quarter-on-quarter basis, depending on where they are in their journey, where we are in the journey and where we are in the proposal stage. So, this is the whole pipeline funneling, which gets bucketed into different stages. We feel quite good about the pipeline.

Mukul Garg: If I may squeeze in a final question and this is more Sanjay for you, how do you see your future growth split between new deal led wins and incremental mining of existing clients, the growth in this quarter I think was a healthy contribution from new deals, so how do you see the split between the two going forward?

Sanjay Jalona: Mukul, the Company has to be very resilient and we take this very seriously. We want to be resilient across verticals, so as I have always maintained, we want to keep growing in all verticals and this is what will reflect in our results. Future growth will depend on all the four aspects that I talked about. We have

to continue growing the large accounts, some will go down, some will have budget constraints, some will have these integration or separation exercises and their attention will go elsewhere. Somewhere, we need to throw inordinate amounts of bandwidth and create investments over there, where they grow at 30%. We have to continue opening new accounts, which are largish in nature, which will become the future invest accounts, and last but not the least through relationships and investments in marketing, deal advisory relationships etc, we need to have an opportunity to continue to play in more and more of large deals. So, all of them go into what we do in terms of resilience.

Mukul Garg: Sir, let me probably word this slightly differently. This quarter we had three new logos adding up to US \$100 million which is quite large. Do you think that is going to be a big portion of your growth in future, the opportunity there is lot more than what you have in your existing accounts?

Sanjay Jalona: Mukul, for a company of our size, let us just take an example on that. These three large deals that I talked about have a TCV value of US \$100 million. They do not account for the revenue that is coming in now. These will start pumping in good amount of revenue in two quarters down the line. What you need to do at any given point of time is that the large accounts and invest accounts have to continue growing. These new accounts that we open will start growing to a substantial number in 18 months, 24 months, 36 months. Their cycles, our cycles, investments and large deals continue to change the trajectory of growth. So, we work on all four of them. Let me be very clear. Growth will not come only from new business or only new deals if that is the answer you are looking for.

Mukul Garg: Thanks for taking my questions. I will get back into the queue.

Moderator: Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

Manik Taneja: Thank you for the opportunity. This question is for Ashok. If you could help us understand what was the impact of wage increments this quarter and also give us some sense on the average wage hikes that we gave out? Second question was around our SG&A expenses. We've continued to benefit from the gross leverage here. How should one be thinking about these SG&A expenses going forward?

Ashok Sonthalia: Manik, our wage hike impact in Q2 was 170-basis points and Q2 margins got help from some of the visa costs, etc., not being there. As far as SG&A expense is concerned, over the last two, three years we have been optimizing. While we have been investing in our sales and marketing, we have been optimizing our G&A. I do not think, there is much room left for optimization going forward, but we will keep a sharp eye on them as they help in providing some amount of leverage on the margins. At this point of time, we are quite comfortable with the level where we are in SG&A.

Manik Taneja: Sure. Thank you. All the best for the future.

Moderator: Thank you. We will move on to the next question that is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: Good afternoon to everyone and congratulations on good execution. I had two questions; first if I look at your utilization drop, I understand some of it might be related to the loss of account in High-Tech, but do you guys want to continue with the current hiring levels? In other words, are you comfortable with your current utilization levels or do you want to inch it up back to 82% to 83% excluding the trainees?

Sanjay Jalona: Abhishek, the utilization was specifically called out as one of the concern areas when we were running at too high utilization. When we tell you that we want to be seen as a growth company, for a company of our size, such level of utilization has to happen with growth especially given the disparity of the digital technologies and the requirements that come by. So it was a planned effort, obviously some amount of utilization dropped because of the account that we parted with. But having said that, we will take the utilization up to 82% to 83% levels. We continue to keep a very sharp eye and focus on no bad leakage, but also if we go faster, we will invest back into the business either through capabilities, solutions, POC's or investments in sales and marketing, and this will continue as anticipated in H2 also.

Abhishek Bhandari: Nice to hear that. My second question is on the cash flow statement on page number 13, this quarter the cash flow from operations look weak compared to our historical averages of around 75% to 80% of profits, could you explain what is the big line item of changes in working capital which is a drag on the cash flow from operations?

Ashok Sonthalia: Abhishek, Q2 has been historically weak because our annual incentive payment happens in this quarter for the entire company and that is why you will see the number of about 53% this quarter. You look at the last Q2, it was very high, 90% plus. If you recall, last year in Q1 we had called out that because our systems were being revamped, invoicing got delayed. That backlog was getting recovered in Q2 of last year, which gives an impression that Q2 this year compared to Q2 last year is bad. There is nothing to really be concerned about or call out this quarter. This Q2 is a normal quarter for us, but yes H1 is about 73%. We would like to work on this and push this towards 80% to 85%.

Abhishek Bhandari: My last question, now our balance sheet is getting bogged down with high cash, almost INR 2200 Crores of cash and we have been utilizing it very selectively and rightly so for acquisitions. Any plans to release some of this cash or use it for some other purposes of acquisitions or something? That will be my last question. Thank you.

Ashok Sonthalia: Yes, as I mentioned in my earlier conversations also, INR 2,000 crores, INR 2,200 crores or even up to INR 2,500 crores cash in our size of balance sheet does not bother us too much. We are continuously either paying dividends or investing in the business through capex. This time our capex program is slightly bigger than earlier years. I do agree, we have not been fully utilizing our cash balance so far. After considering everything including our acquisition pipeline, if we conclude that this has started hurting shareholders' returns, we will definitely take a call on pushing the dividends or doing something else to reward shareholders.

Abhishek Bhandari: Sanjay one last question before I forget. Many large cap peers of yours did some leadership changes and otherwise also have been starting to speak about achieving growth and then working on margins, so there is a belief that the competitive intensity might be rising and hence some of the smaller companies might be facing much more tougher times in terms of chasing deals. Do you subscribe to this view? If not what are the things you are seeing differently compared to those guys?

Sanjay Jalona: I do not know. There are many views, many theories. All we focus on is when we put customer in the middle, there is something to be done and how do you bring the value that needs to be brought for that customer. Every context is different. There is no one cookie cutter solution that works in all the scenarios, for all the companies across the globe. So we focus on ourselves and what we

can actually bring in terms of value to the customer, focus on the tools and technology and invest in capabilities. Today with these newer exponential technologies, the need for incredible amount of focus and micro segmentation has become very important. I think we have strong advocates on the ability to say no to things which we do not do well and focus with immense investments either organically or inorganically in building the capabilities towards what we want. This is the ways and means to grow in the future as well. When you grow more, the margins in business will come even higher. So, see us as a growth company. If we grow at higher numbers, higher margins should be there, and we will invest them back in the business to grow even faster.

Abhishek Bhandari: Thank you Sanjay and all the best for the year.

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

Sandeep Shah: Thanks for the opportunity. Congrats on good execution. Just wanted to understand, are most of the client specific issues which we had, largely behind?

Sanjay Jalona: See, that goes specifically on the two clients, Sudhir already talked about. The largest client had two flattish quarters. I think we are confident that in Q3 we will start to see the ramp up. The South African Bank will continue to be a little soft this fiscal. One of the three large deals that we have announced is in the BFS area. There are enough opportunities in BFS. As far as the High-Tech account is concerned, that is done and dusted. We have moved on and barring that we have grown well, and we will grow in Q3 as well.

Sandeep Shah: So just to connect the dots if you look at that plus the large deals because in the first half we have done US \$144 million, last year and we had done US \$200 million and we have another two quarters to go and the exit rate based on what you are saying in H2 is likely to be better. Sanjay, can one say that we would be back to leader's growth rates in the next year? I do not want a guidance but is it a right way of looking at it in terms of assumptions?

Sanjay Jalona: From day one, from the time we went public, we have said, see us as a growth company and we want to be in the leader's quadrant, if not be the leader.

Sandeep Shah: Just a question in terms of margins, so if I look at this quarter's gross margin, it's one of the lowest in multiple quarter. What is the reason for that? Because

the investment this time is not in the SG&A but also in the cost of revenue line. So is it more offshore to onsite which is leading to this or any other investment?

Ashok Sonthalia: This quarter of course the entire wage hike is there and I articulated 170-basis points was the impact. Also, we talked about further drop in utilization in this quarter and more onsite centric drop which has a bit higher impact and that is what has led to the gross margin drop. If you are comparing it with the YoY number Sandeep, last year Q2 had a benefit of a sudden 5.5% depreciation of currency which led to kind of a peak gross margin. Many large deals are now going on at the same time, either they are in the first year or in transition. First year of a large deal is when generally there is slightly low profitability. By the time you stabilize and start making normal profits, all these factors come together to reflect this kind of situation. I think we are working very systematically on this and hope to inch up gradually from here.

Sandeep Shah: Last question Sanjay, looking at the macro headwinds which we are hearing about, any change in client decision making in terms of awarding deals or in terms of ramping up or starting the projects?

Sanjay Jalona: There is a marked contrast in the market. Anybody who watches IMF and Gita Gopinath talking about Global GDP growing at 3% rather than 3.8% and we coming down to 2008 levels, feels depressed. But the contradiction is, when I am in front of customers, I have a strong belief that if you have a value proposition, if you have a solution, if you have something that can help them grow revenue or get into adjacencies of business or help connect to their customers or employees or shareholders or stakeholders better, or use new digital technologies to do things differently, you always end up finding business. So, yes I do see some amount of nervousness because of so much noise, because of the trade war, because of all that is surrounding us today but on the other hand, when you have something relevant to talk to them, customers always manage to find money.

Sandeep Shah: This is helpful. All the best. Thanks.

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

Madhu Babu: Sir, in the large banking deal which we won, who were the competitors? Is it a first-time outsourcer or have we displaced any of the Tier I vendors there?

- Sanjay Jalona:** Sudhir can you answer that?
- Sudhir Chaturvedi:** They are not a first-time outsourcer. This is a displacement deal, but the incumbent was a European major.
- Madhu Babu:** What is the tenure of the TCV, the \$100 million, which we won?
- Sanjay Jalona:** Typically, four, five years.
- Madhu Babu:** Last one is on the acquisition. We are trying to strengthen on the Cloud side. We have partnership with all the three, Amazon, Google and Microsoft Azure. So, do we see a big opportunity in hybrid cloud? Recently, IBM has done a big acquisition on that, so would that translate to big service business for us also on the hybrid cloud side?
- Sanjay Jalona:** Absolutely. This is the biggest opportunity of our times. Everyone is going to be multi-hybrid and we will be on a hybrid Cloud model as we see it. Nachiket would you like to answer this?
- Nachiket Deshpande:** As Sanjay said, I think, hybrid cloud is a real opportunity and we see it across all cloud providers in the market place. IBM Red Hat is definitely accelerating that. Google's release of newer software on their cloud platform is also accelerating that and so I think this is an exciting place for us to build capability on and most of our customers are either in the early part of their journey or beginning their journey on the hybrid cloud. So, we are very excited to partner on that journey.
- Madhu Babu:** Thanks.
- Moderator:** Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.
- Nitin Padmanabhan:** Thanks for taking my question. Sir, I just want to check on the India revenues declining for two quarters in a row? Do you think that has sort of stabilized and what sort of led to the decline there?
- Sanjay Jalona:** The India projects are typically milestone driven and you have an implementation phase and then we go into maintenance. So, two of the large programs have gone into that phase, nothing more to it. As far as India businesses go, we have very clearly articulated previously that we focus on two

kinds of businesses with select progressive ministries. We focus on ERP businesses and analytics driven businesses. Nothing else, but they are going into maintenance phase.

Nitin Padmanabhan: At least historically we have seen sort of a good bump towards the second half of the year, driven by this I think there used to be pass through. Do you think that trend will still prevail or there should be a change in what we are seeing versus the past?

Sanjay Jalona: I think the trend will continue.

Nitin Padmanabhan: Just one last thing, in the context of the environment that we have today and if you compare the earlier period where we have seen a very solid growth - on the face of it, for external people like us, it looks like the environment is not that supportive, but do you see clients reacting in a certain way in terms of delayed decision making or putting things off in terms of ramp ups. Is that something that you are seeing on the ground or we are just reading too much into what is around?

Sanjay Jalona: Nitin, as I was answering the previous question there is a set of contradictions and dichotomy. There is a lot of nervousness, whether it is IMF, whether it is the trade war, whether it is Brexit, whether it is protectionists who are going around it. The overall environment is such that one could get easily depressed. Let us just say that - we are also in the ecosystem, so we deal with that, but barring what happened with specific accounts that led to a much muted H1 for us, we believe the opportunities have existed and will exist. So, we will be a believer in that.

Nitin Padmanabhan: So, if you look at the existing book of business and the existing client set, do you see any sort of risk that is building up similar to what we saw in the beginning of this year, that could sort of crop up going forward? Or things just look much better than what they were at the beginning of the year?

Sanjay Jalona: I can confidently tell you that we will do double-digit growth, looking at our numbers for Q1 and Q2. In the short-term, definitely, I feel things will be good and with that exit, if we can keep the momentum going, keep focusing on large accounts, doubling down on invest accounts, keep opening the right sets of new accounts, and keep winning in the market place on the large deals, I think, we would have a good FY2021 as well.

Nitin Padmanabhan: Thank you Sanjay. Just one question for Ashok, if you look at the first half margins and I am sure, there were transition costs on deals and so on and so forth, what do you think are the tailwinds on margins going into the second half because you did mention that SG&A may not be much of a lever? So just wanted your thoughts there in terms of how we should read into the margins better. Thanks.

Ashok Sonthalia: Nitin, growth of course helps on margins and we have always maintained that see us as a growth company. While growth momentum slightly flattened in H1, we did not cut back on our investments. We continue to invest and that impacted our margins, which hopefully will get corrected in H2 because growth momentum is likely to come back. But we have also given only one guidance that net income would be between 14% and 15%, we are not changing that guidance. There is lot of investment demand from business. As we get more margins, we will invest back in the business.

Nitin Padmanabhan: Great. Thank you so much. One last one is, are fresher adds a reasonable proportion of adds in the first half?

Sanjay Jalona: No, we have to work a little bit more on that.

Ashok Sonthalia: I think the fresher addition is likely to be higher in the second half.

Nitin Padmanabhan: Thank you.

Moderator: Thank you. The next question is from the line of Manoj Baheti from Carnelian Capital. Please go ahead.

Manoj Baheti: Thanks for taking my question. My question is on group level. Now Mindtree also being part of group, just wanted to understand on various opportunities, how do you compete and collaborate, considering that they are also a significant player on the Cloud side?

Sanjay Jalona: As we have articulated this in the last two quarters, Mindtree and us are two standalone companies. We do not have too many collision points in terms of top accounts, in terms of verticals and so on and so forth. In terms of capabilities also, if you look at horizontals, there is a lot of complementarity to the two businesses. So, the opportunity to collaborate is far higher than the competition. So, this is what we are doing, but otherwise just see us as two independent companies.

- Manoj Baheti:** Thanks for taking my question.
- Moderator:** Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.
- Vibhor Singhal:** Good evening Sir. Thanks for taking my question and congrats on a great set of numbers yet again. Sir, just wanted to check on the attrition side, do you feel comfortable with it and I am sure, of course, you would want it to probably come down. But do you see any problems with the number coming to around 18% levels that it is at and are we looking at some measures of arresting that number?
- Sanjay Jalona:** Nachiket can I request you to answer that?
- Nachiket Deshpande:** The attrition that we report is the last 12 months attrition. So higher attrition in Q1 will continue to impact that number. But if you look at our Q2 attrition, it has come down materially from Q1. So whatever measures we are taking in terms of employee engagement, in terms of employee upskilling as well as the selective wage hikes and promotions that we did, seems to be working in the right direction. So, we do see attrition being at controlled levels where we want it to be as the year progresses.
- Sanjay Jalona:** Annualized number, Ashok mentioned is 17.5% compared to 18.4%, which is Last twelve months.
- Vibhor Singhal:** Right, but that 18.4% if I compare it to the last year Q2 number which would also have been annualized that is up by around 300 basis points, so no concerns as of now?
- Sanjay Jalona:** Definitely, there is a lot more to be done. Let me just step back. Our attrition was a lot higher than we were feeling comfortable with. We have taken Mission Ubuntu to nine different facets of that as we grow, in the last two quarters. It takes a couple of quarters, which has led to the attrition coming down in Q2. Are we satisfied with this? No. We are not satisfied with. We do not stop doing this. The nine events continue to be there as part of the Mission Ubuntu that we continue to work. Lot more will be done.
- Vibhor Singhal:** Great to hear. Just one more question if I may, we have been delivering very strong performance, your guidance for double-digit growth also looks really great for this year. Any headwinds that you might want to maybe call out in

terms of the specific domains in which we are operating. We know all the global, and you mentioned that there is a lot of dichotomy going around, but let us say some specific events that you might see as potential headwinds not just for us say in next two quarters, but for the next four quarters, maybe Brexit or trade war or more of insourcing, anything that you believe could be a potential threat to the growth that we have reported and we are continuing to report?

Sanjay Jalona: No, I cannot specifically call out anything except that sometimes there is nervousness, there is a breaking point and then it leads to all the irrational decisions as we have seen in the past. But right now, where we are, we see it is a broad based discussion, broad based growth, we do not see any delays there. There would always be pockets where customers, due to their situations cut on spending. We are negotiating and re-negotiating, but that's business as usual for us.

Vibhor Singhal: Great. Thanks for taking my question. Wish you all the best.

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

Sandeep Shah: My questions have been answered. Thanks. All the best.

Moderator: Thank you. The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

Devanshu Bansal: Thanks for the opportunity. Just one question from my side. We have seen a growth pickup in Europe in this quarter after remaining stable for quite some time, so what has led to this growth and what is the outlook for this geography?

Sanjay Jalona: This is one of the large deals in BFSI that had ramped up and as you can probably see from our numbers, we have to continue to invest in Europe because a lot more needs to be done. Lot more investments, but obviously it will take some time to show in growth, so it is business as usual.

Devanshu Bansal: So the kind of investments have largely been on the Temenos implementation side. Is our performance going to be volatile here or we can generate some stable growth from this geography?

Sanjay Jalona: We will have very stable growth. This is just like another horizontal service line capability that you can expect to continue to grow.

- Devanshu Bansal:** Thanks. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Ashwin Mehta from IDFC Securities. Please go ahead.
- Ashwin Mehta:** Thanks for the opportunity. Just wanted to get a sense from you Sanjay in terms of why is Analytics, AI, and Cognitive growing slow for us. Is it client specific issues or what because ideally it should be an area of growth given the demand traction here?
- Sanjay Jalona:** Very good question, Ashwin. I am glad you asked this. Obviously, there are two main aspects, the largest account and the other banking account, both of them used to do a lot of analytics work, that's one area. Please remember that this service line had two or three years CAGR of 35%. And the other place where the revenue numbers have dropped is in the large project in India that we were doing, which has gone into the maintenance phase after two years of implementation.
- Ashwin Mehta:** Fair enough. Just one more thing in terms of infrastructure management would you be putting your cloud related revenues here or that gets categorized somewhere else because that is also one of the segments, which seems to be underperforming. So, is it more legacy drag? what explains the slow growth here?
- Sanjay Jalona:** Cloud for us is kind of across all service lines that we are showing and not just isolated in the infrastructure business, and if you look at our own infrastructure business as well, we have very little legacy. The time from which we started growing our infrastructure business, most of our infrastructure deals inherently have been cloud migration related and that is an integral part of every single deal construct that we have signed, at least in the last two to three years. There is very little legacy in it, and for us, cloud is part of cloud apps, part of ERP, part of IMS as well as cloud native development. It cuts across all service lines that we report.
- Ashwin Mehta:** Fair enough. Thanks a lot and all the best.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand over the conference to the management for their closing comments.

Sanjay Jalona: Folks thank you everyone. Thanks for joining. Look forward to speaking with you next time. Also, I hope you would join us for our Analyst Day. You will receive block the date shortly. Look forward to seeing you in December for that. Take care. God bless you.

Moderator: Thank you. Ladies and gentlemen, on behalf of LTI that concludes today's conference. Thank you for joining us. You may disconnect your lines now.

(This document has been edited for readability purposes)

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