TO ALL STOCK EXCHANGES

BSE LIMITED
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
NEW YORK STOCK EXCHANGE

April 19, 2022

Dear Sir/ Madam,

Sub: Transcripts of the press conference and earnings call conducted after the meeting of board of directors on April 13, 2022

Please find enclosed the transcripts of the press conference and earnings call conducted after the meeting of board of directors on April 13, 2022, for your information and records.

This information will also be hosted on the Company's website, at https://www.infosys.com/investors/reports-filings/quarterly-results/2021-2022/q4.html

The audio/video recordings of the press conference and earnings call are also made available on the Company's website, at https://www.infosys.com/investors/reports-filings/quarterly-results/2021-2022/q4.html

Thanking you,

Yours sincerely,
For **Infosys Limited**

A.G.S. Manikantha
Company Secretary

INFOSYS LIMITED
CIN: L85110KA1981PLC013115
44, Infosys Avenue
Electronics City, Hosur Road
Bengaluru 560 100, India
T 91 80 2852 0261
F 91 80 2852 0362
investors@infosys.com
www.infosys.com

Infosys Limited
Earnings Call Q4 FY22
April 13, 2022

CORPORATE PARTICIPANTS:

Salil Parekh
Chief Executive Officer & Managing Director

Nilanjan Roy
Chief Financial Officer

Sandeep Mahindroo
Financial Controller & Head, Investor Relations

ANALYSTS / INVESTORS

Ankur Rudra
JP Morgan

Moshe Katri
Wedbush Securities

Nitin Padmanabhan
Investec

Keith Bachman
BMO Capital Markets

Sudheer Guntupalli
Kotak Mahindra AMC

Divya Nagarajan
UBS

Pankaj Kapoor
CLSA

Vibhor Singhal
Phillip Capital

Ravi Menon
Macquarie

Jamie Friedman
Susquehanna

Kumar Rakesh
BNP Paribas

Sandeep Shah
Equirus Securities

Moderator

Ladies and gentlemen good day and welcome to the Infosys Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Mahindroo. Thank you and over to you Sir!

Sandeep Mahindroo

Hello, everyone, and welcome to the earnings call to discuss Q4 FY2022 earnings release. I am Sandeep from the Investor Relations team in Bangalore. Joining us today on this earnings call is CEO and MD, Mr. Salil Parekh; CFO, Mr. Nilanjan Roy; along with other members of the senior management team. We will start the call with some remarks on the performance of the company by Salil and Nilanjan. Subsequent to which we will open the call for questions.

Please note that anything that we say, which refers to our outlook for the future is a forward-looking statement, which must be read in conjunction with the risk that the company faces. A full statement and explanation of these risks is available in our filings with the SEC, which can be found on www.sec.gov.

I would now like to turn it over to Salil.

Salil Parekh

Thanks, Sandeep. Good morning, good afternoon, and good evening to everyone joining on the call. Thank you for taking the time to join us today.

We have had an exceptional year with an annual growth of 19.7% in constant currency terms, which is the fastest growth we have seen in 11 years. We are gaining market share. We are building on our leadership in cloud and digital, and we are a part of more and more programs that our clients are looking at in digital transformation.

Growth was broad-based across business segments, service lines and geographies. Each of our business segments grew in double digits. The top 3 grew in high teens, U.S. and Europe grew over 20%. The North America region crossed $10 bn in revenue, while Financial Services crossed $5 bn revenue milestones.

Our digital revenues now account for 59.2% and grew at 41.2% for the year. Our digital revenues crossed $10 bn annualized on a run-rate basis. Within digital, our cloud work is growing faster, and our Cobalt Cloud capabilities have seen significant traction with our clients.

Our growth has been accompanied by robust operating margins of 23.0%. We delivered these margins while maintaining focus on our employees with increased compensation and benefits.

Our large deal wins were at $9.5 bn for the full year and were $2.3 bn for Q4. Our net new percentage was 40% for the year and 48% for Q4, helping us set up a strong growth foundation for financial year 2023.

Our Q4 revenue growth was 20.6% YoY and 1.2% QoQ in constant currency terms. Our industry-leading performance in FY2022 would not have been possible without the relentless commitment from our employees. I am extremely proud as well as grateful for the extraordinary efforts in delivering success for our clients.

Our last 12 months' attrition increased to 27.7%. Our quarterly annualized attrition declined by approximately 5 percentage points on a sequential basis.

We recruited 85,000 college graduates in this financial year. In the fourth quarter, we had a net addition of 22,000 employees. We have an overall strong recruitment program. This is a reflection of our enhanced recruitment capabilities, solid brand and deep penetration into various talent markets. This increases our comfort to support clients in their digital transformation agenda as we look ahead.

We have initiated our compensation review exercise for this financial year. We have planned this exercise so that we can focus on employee segments that need greater attention while also covering a broader group with regular increases. As in the past, we will look at individual performance, skills and market benchmarks while determining individual compensation increases. We will focus on accelerated career growth, targeted development and opportunity to work on cutting-edge digital innovation globally.

Our strategy launched 4 years ago has served us well. We have delivered industry-leading growth and industry-leading TSR.

Looking ahead to the next phase to further enhance our leadership on the digital innovation curve, we plan to expand our capabilities in scaling our cloud business, expanding digital capability, expanding on our automation work and increasing relevance with our large clients and tech natives and also strengthen our employee value proposition. Our focus on staying ahead in the cloud and digital ecosystem, the focus on our employees and the costs give us strong confidence for the future.

Our sustained momentum in FY2022, large deal wins, robust deal pipeline and client confidence give us comfort to guide for 13% to 15% growth in FY2023 in constant currency.

As we look ahead – as we build our new strategy, that is looking at cloud and the digital ecosystem, our focus on employees and the costs related to the post-COVID work environment, result in our operating margin guidance to be at 21% to 23% for FY2023.

In terms of our business segment performance, let me go through the highlights by segment.

Financial Services segment grew at 14.1% in constant currency, with 8 large deal wins during the quarter and 27 large deal wins in FY2022. Our US business continues to lead the growth as we work on large transformation programs. Our overall large deal pipeline in Financial Services is healthy across the regions.

Retail segment growth was at 16.5% in constant currency. As clients focus on digital and cost takeout programs. We are seeing integrated outsourcing deals and transformation programs in the areas of e-commerce, revenue growth management, supply chain, product life cycle management. We won 16 large deals from the segment in the last year and continue to have a healthy deal pipeline.

The Communications vertical grew strongly at 29.2% in constant currency. We see customer experience, IT and network simplification, lean and automated zero-touch operations, time to market and integrated data for digital enterprise as the key themes for clients in this segment.

Energy, Utilities, Resources and Services segment growth increased further to 17.8% in constant currency. We see continued and increased emphasis on digital transformation, especially around customer experience, operational efficiency and associated legacy transformation. We won 4 large deals in the last quarter and 18 large deals in FY2022 from this segment.

Growth in Manufacturing segment increased to over 50% in constant currency. There were 6 large deal wins in this segment in the last quarter and 13 wins for the last year. We are helping clients across engineering, IoT, supply chain, cloud ERP and digital transformation areas.

Hi-Tech growth accelerated further to 20.9% in constant currency. We have seen an increase in deals based on edge computing, digital marketing and commerce. Cybersecurity is another area of focus for clients due to increased threat perception.

Life Sciences vertical grew by 16.2% in constant currency. Clients are driving digital transformation of clinical trials to reduce cycle times through direct data capture, digital patient engagement to accelerate drug discovery, and reducing costs.

In the last quarter, we were rated as a leader in 11 ratings in the areas of cloud services, big data and analytics, IoT and engineering, modernization and artificial intelligence.

We announced the acquisition of oddity, a Germany-based digital marketing and experience and e-commerce agency. Together with Wongdoody, this will further strengthen our creative branding and experience design capabilities.

With respect to capital allocation, the Board has proposed a final dividend of Rs.16 per share, taking the total dividend for financial year 2022 to Rs.31 per share, an increase of 14.8% over the past year.

I want to express Infosys' support for all the people impacted by the humanitarian crisis in Europe. The company advocates for peace between Russia and Ukraine.

While Infosys does not have any active relationships with local Russian enterprises. We have a small team of less than 100 employees based in Russia, which service a few of our global clients. In light of the prevailing situation, we made a decision to transition these services from Russia to our other global delivery centers.

To support this humanitarian assistance initiatives in the region, Infosys has committed $1 million towards Ukrainian relief efforts and is launching a program to digitally reskill up to 25,000 individuals.

With that, let me hand it over to Nilanjan for his update.

Nilanjan Roy

Thanks, Salil. Good evening, everyone, and thank you for joining the call.

We navigated yet another year of a challenging environment with strong growth of 19.7% in constant currency, which is highest in a decade. The incremental revenue added this year was higher than the incremental revenue added in the previous 3 years together. This was backed by broad-based growth across segments and robust growth in our digital portfolio at 41.2% in constant currency.

Operating margin for the fiscal stood at 23.0%, which was at the midpoint of our guidance band of 22% to 24%. In the backdrop of various supply side pressures, we rolled out various measures to reduce attrition – higher compensation increases, higher promotions, skill-based interventions, etc. in addition to higher subcons.

Free cash flows for FY2022 crossed $3 bn. DSO reduced by 4 days to 67 days. Capex increased marginally to $290 million on the back of continued focus on optimizing the infra creation-related spend. Consequently, FCF conversion as a percentage of net profit was 103% for FY2022.

FY2022 EPS grew by 14.3% in dollar terms and 15.2% in INR terms. Return on equity at 29.1% improved by 1.7% over the prior year.

Coming to Q4 performance -

Revenues grew by 20.6% YoY in constant currency and 1.2% sequentially. Growth was broad-based across verticals and geos and was in double digits.

Although volume growth remained healthy in Q4, revenue growth in Q4 was impacted by usual seasonality, COVID impact during the early part of the quarter and the client related contractual provision, which we expect to recover in the future. This also impacted Q4 margins.

Mining of large clients was extremely strong in FY2022. $100 mn client count increased to 38 compared to 32 in FY2021. We had 12 clients giving $200 mn annual revenues compared to 7 in FY2021.

We have added ~22,000 net employees, including trainees during the quarter, the highest ever in the company's history, as we made headroom to capture the robust demand environment ahead. Consequently, utilization in Q4 declined to 87.0% while on-site effort mix inched up to 24.0%. Voluntary LTM attrition increased to 27.7%. While LTM attrition continues to increase due to the tail effect, quarterly annualized attrition saw a decline of approximately 5% after flattening in the previous quarter.

Q4 margins stood at 21.5%, a drop of 200 basis points versus previous quarter. The major components of the sequential margin movement were as follows:

- 1.6% impact due to lower calendar working days, client contractual provision as explained above and other pricing puts and takes,
- 0.6% impact due to lower utilization as we create capacity for the future,
- 1% due to higher visa costs, third-party costs and other one-offs, which we benefited in Q3,

and these were offset by

- approximately 1.1% benefit due to salary-related benefits, including lower working days, leave costs and others.

Q4 EPS grew by 9.2% in dollar terms and 13.4% in rupee terms on a YoY basis.

Our balance sheet remained strong and debt-free. Consolidated cash and equivalents increased further to $4.9 bn at the end of the quarter. Free cash flow for the quarter was healthy at $761 million, and yield on cash balance remained stable at 5.29% in Q4.

In line with our capital allocation policy, the Board has recommended a final dividend of Rs.16 per share, which will result in a total dividend of Rs.31 per share for FY2022 versus Rs.27 per share for FY2021, an increase of 14.8% per share for the year. Including the final dividend and recently concluded buyback over the last 3 years, we have returned 73% of FCF to shareholders under our current capital allocation policy.

Our accelerated investments in the last few years in strengthening our digital footprint, enhancing large deal capabilities, localization, talent building has enabled us to gain consistent market share. With the acceleration of digital disruptions across industries, we see further scope to engage more closely with clients and capitalize on the expanding market opportunities.

We have identified areas of investments, including doubling down our focus on digital portfolio, scaling our cloud offerings and further enhancing our capabilities in emerging technologies. We also remain committed to offer a compelling value proposition to employees through reskilling, incentivization and a holistic career growth. We plan to neutralize the impact of some of these through aggressive cost optimization and value-led pricing driven by service and brand differentiation. This, along with post-pandemic normalization of some expenses, like travel, facilities, etc, is reflected in the revised margin guidance for FY2023 of 21% to 23%.

With the pandemic hopefully behind us, we hope to see many of you in person over the next few months.

With that, we can open the call up for questions.

Moderator

Thank you very much. We will now begin the question-and-answer session. The first question is from Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra

The first question is on the revenue guidance. Last year at this time Salil, the revenue guidance was a bit low at the beginning of FY2022 and at that time I would say at least the order book was a lot stronger, you had a mega deal in the order book and perhaps a stronger exit rate. So curious to know, what gives the confidence of giving a slightly higher guidance at the beginning of this year, given, may be a more volatile macro situation.

Salil Parekh

Hi Ankur thanks for your question. What we see today is the demand environment from our client base is strong. We have for the year $9.5 bn in large deals, 40% net new, for the quarter $2.3 bn, 48% net new and a strong expansion in dimensions relating to new client work and relating to actual expansion across different strata. Given all those factors, we came to view that we could see growth in the range of 13% to 15% for this financial year.

Ankur Rudra

Understood this, does this bake in any kind of reversal that you alluded to from the client situation in fourth quarter?

Salil Parekh

The client situation of the fourth quarter will reverse over some period. We have not specified that. That reversal in any case is not such that will make a huge impact in the full year. We see this coming really from the strong demand that we are seeing within the market from what we are seeing in the existing base of business that we have, the expansion within clients that we are seeing and some of the new client acquisitions that we are witnessing. So, putting all those factors we came to this view.

Ankur Rudra

Thank you, appreciate this. The follow up question is on margin. Maybe to start with could you elaborate the third-party cost which went up sharply this quarter and last quarter. Is this the sticky new level given the nature of deals you are signing? And as a connected question could you elaborate the cost that has been baked into to the 2023 guidance on margins including the wage inflation levels, the extent of the pace of the reversal or normalization of the cost base.

Nilanjan Roy

I think many of the large deals which we get is through bundling our services with the software and the allied services and that gives us a multiplier effect in the client landscape. And that you have seen over the last few years, so that is one of the reason also you have seen the cost increase and has helped us in the quarter and the year going forward.

On YoY perspective for FY2023 we do not call out the wage impact. As Salil said, it will be a competitive compensation hike. We will differentiate hike in talent and in some places, it will be more broad-based and of course around that we have a lot of cost optimization which we usually do. Some of them in the year past were tailwinds; for instance the onsite offshore mix. But subcon became a headwind for us last year and some of these in a way will start going the other way in the following year. Of course, the wage hikes will hit us early on the year as well in quarter one itself, so that will be initial headwind, but we have seen the overall impact of our cost optimization.

On pricing, we have started discussions as Salil mentioned earlier with our clients. Of course, this is a much longer haul, it happens more on T&M, renewals etc. But for FP side of the business these are much more longer-term discussions. And these are also competitively bid but I think the discussions have started. All of our sales people are actively engaged in this and looking at the overall demand and the supply front on this and we have started making head way on this.

Ankur Rudra

Thank you and best of luck.

Moderator

Thank you. The next question is from the line of Moshe Katri from Wedbush Securities. Please go ahead.

Moshe Katri

Thanks for taking my questions. It would be great if you can give us some more clarity and the client specific contractual position that you mentioned is getting lot of questions from the investors. How does that impact the revenue numbers for the quarter. Is there a margin impact as well? I think any clarity is going to be really helpful. And this is a followup looking at the margin guidance for FY2023, I would see you have brought down by a 100 basis point. Are we assuming they picked up from the wage inflation here and then are we also assuming lower pricing power which is something that actually did help in terms of levers hardly for the past 6 to 12 months. Thanks a lot.

Nilanjan Roy

Moshe we heard the first question on the client contractual provision. Just to clarify this the numbers are very small. These are less than a percentage, so it is not a big impact overall as people are making it out. So we just want to close that out. It is not a big impact but less than 1%. But since you are looking at revenue growth sequentially, I just wanted to call it out.?

Moshe Katri

The second question is to do with your margin guidance for FY23, does this actually factor an acceleration in wage inflation in FY2023 and maybe a lower pricing power also kind of not factored into those numbers?

Nilanjan Roy

Okay Moshe , I could make out something you said about of wage inflation as well. So yes, in Q1, we will do a compensation hike as well both offshore and onsite and like I said it will be competitive. We will benchmark this, differentiate on talent side as well. And that is something we have seen over the last year has helped us, especially towards people with the higher skills set, so that is working for us.

The overall margin guidance reflects a number of events. We talked about some of the normalization of the pandemic benefits we have got on travel and facility, and some of that we are seeing is going to come back. And secondly, we are seeing some of the headwinds in terms of onsite-offshore which we think we have got a large benefit last year. So, we have to see how this opens up in the rest of the year. On the other hand, with our recruitment engine really kicking up now, we have seen subcon cost has actually plateaued during this quarter and we think for the rest of the year we should be able to pull back cost on subcon line. Automation remains very core to us – cost optimization every year. We are speaking of automating between 3000 to 4000 people and putting in BOTS and this I am talking about for the quarter, So, we have comprehensive plans and we have talked about pricing as well. 21% to 23% is a reasonable margin band we think we are comfortable to operate in for the next year. If you recall even pre pandemic in a way, we were in at 21% to 23% as we ended FY2020 which was the year before pandemic at 21.3% if I am not mistaken. So, we are at 21% to 23% and it is a comfortable range we are happy to be in.

Moderator

Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan

Hi good evening just two questions from my side. The first one was on the guidance. So, if I understand right, typically you have a high visibility for the next two quarters and if I look at the last year net new deal wins, it is actually lower than the prior year. So I was just wondering is the mix of much smaller deals which do not reflect within the overall large deal win number that you are talking about, is that a much higher number, is that we should think about it? Second is the pipeline of larger deals that could come through that is giving the confidence or is it the smaller deals? so that was the first question.

Salil Parekh

Thanks for the question. We are not specifying today the different types of deals within the mix. Few points to give some color on it. First the pipeline that we see today is the largest pipeline we have in terms of large deals so that gives us a good confidence. Our net new for the year is strong. We have good momentum exiting this financial year 2022, which gives us a good foundation for next year and we see continued traction within clients, as we are expanding as we are consolidating, as we are gaining market share, so that gives us added boost. Hopefully that gives you a little bit of color on that.

Nitin Padmanabhan

Sure. The second question was in terms of how are you seeing onsite wage inflation broadly? When you compare the prior year, do you see that at a much higher level for the industry in the US, just wanted your thoughts on that. And finally, any specifics on the financial services space which is relatively softer and for life sciences where we actually saw a sharp drop for the quarter?

Salil Parekh

On the wage inflation, outside India is definitely higher than what we were seeing last year and that will become a part of how we factor in our overall compensation increase. Wage inflation numbers in most of the western geographies are higher today than they were 12 months ago.

On financial services while in the quarter we saw the QoQ was lower, the overall demand environment remains very strong for us in this segment. We see a good pipeline there. There were significant large deal wins for the year and in the quarter and we remain confident with the growth in financial services. In life sciences conversely, we had in the previous quarter several onetime large deals and that is what made the QoQ look softer. It is a smaller unit for us. So, there is much more volatility in that, but the underlying demand in life sciences looks to be in good shape.

Moderator

Thank you. The next question is from the line of Keith Bachman from BMO Capital Markets. Please go ahead.

Keith Bachman

I want to ask a question about what are your assumptions on attrition and utilization, how should we be thinking about those terms over FY2023 and specifically if you could correlate what is the impact in terms of your margin guidance that you provided here today of 21% to 23%?

Nilanjan Roy

I think firstly on the utilization we are still at the higher end at 87%. We want to bring this down. Now having said that, a lot of this will happen through the influx of freshers. So it is not a dollar for a dollar in that sense. The utilization will start impacting by putting in more freshers who are at a lower cost, but will still have a margin headwind. But if you looking for a math behind it there is no straight correlation because it is not one for one in that sense. So that is first.

On attrition, yes, we think that this should come down in the following year. The impact that we are seeing now – the impact of putting freshers in – not only by us, but by the entire industry because it was a rotational churn issue across the industry. As the industry puts in freshers, there is a new source of supply across the industry as well. And finally the intervention which we are doing now as well. So, that is all factored into our 21% to 23%. We are also looking at investments, like Salil said, around cloud, around digital capabilities; and therefore that is also baked into the next year's guidance.

Keith Bachman

Okay just to clarify and then I will see the floor, does the attrition come down for the industry or Infosys or both.

Nilanjan Roy

It will be both, I do not think we are in a silo on the ecosystem, we are all interconnected. My attrition is somebody else lateral and somebody else's attrition is my lateral and therefore if the industry has to come out of this it is fundamentally through volume. Volume has to be through fresher, there is no other source of volume. Therefore, as we start pumping in more freshers send them for training put them into the bench and then get them into production. I think that cycle takes time, and you are already seeing the benefits of this – not only with us but also seeing that with the industry as well.

Moderator

Thank you. The next question is from the line of Sudhir Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli

Good evening gentlemen. Thanks for giving me the opportunity. Nilanjan as you made a comment that pre-pandemic we were at 21.3% margin and our current margin guidance band is also somewhere around that. So should we read this margin downgrade as more of a structural reset in the company's aspirational profitability going back to pre-COVID margin levels or should we see this more of a onetime downgrade for FY2023 led by transient supply side pressures.

Nilanjan Roy

Yes, so as you know, we only give the margin guidance for the year – 21% to 23% and FY2020 operating margin was 21.3%. We will see where we end up, but the comfortable range for FY2023 is 21% to 23% - nothing more than that. Just talking about the investments we are going to make- not only on talent. This is a robust demand environment and we do not want to lose highly skilled talents. So, we are rolling out interventions there. We are rolling out intervention on the sales side, on the marketing side, on the digital, cloud. So, we have multiple interventions and we have seen the success of that over the last 4 years and this is also in front of you. That is something which we have looked at and baked into the margin for next year.

Sudheer Guntupalli

Sure Sir. An extension of this question, the current exit margin rate in March 2022 and margin downgrade for FY2023 it gives a bit of a deja vu feeling of the exit margin and guidance situation exactly 3 years ago in March 2019. In fact, we were not staring at so many margin headwinds like we are now barring a bit of an elevated attrition at that time. So my question is, is it fair to assume that for the next four quarters margin trajectory will trace somewhat of a similar path like getting FY2020 where the current delta in growth will likely take care of the delta in margin headwinds or do you see any major divergences in terms of how the pattern will play out over the next four quarters.

Nilanjan Roy

So, yes like I said on the margin side we know there is going to be a Q1 impact. We know there are more longer-term cost optimizations we can resort to. So, I think it will be multiple impact of all this. And of course, growth will always help. And you've seen that the impact of growth on our operating leverage also has helped in the past. So, it's a combination of all this.

Moderator

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

Divya Nagarajan

Thanks for taking my question and congrats on what has been a great year overall. Looking forward I think this question has been attempted in different ways by some of the earlier questions that came through, but if you were to kind of think about your guidance on revenue for the full year and think about what are the puts and takes in terms of any delta that you might see on demand, how comfortable do you feel that you have a cushion? If I also look at your past track record, you have taken up guidance pretty much every year consistently multiple times during the year. Is there enough buffer on both sides of the equation is my first question.

Salil Parekh

The way we looked at our growth guidance, we really try to take a look at where is the demand today, what we have done with large deals, what we are seeing across many of our accounts. For example, if you see some of the statistics that we share, number of accounts over $100 mn or $50 mn- they have seen big movements over the last 12, 24, 36 months. So we have some view of how that will move in the coming year and then how we are working on new account acquisitions and focus on that. Those are the things we built in, to build the guidance and that is the approach we take every year and in April as we look ahead and then as the year moves, as we get other information we try to then see how best to communicate what we are seeing in the demand environment. It's the same approach that we will follow. So, it is difficult for example to say what does it mean there is a cushion and not cushion because at this stage what we see is what we are sharing which is 13% to 15% on the growth and in every quarter with the broad-based connection we have with clients and interactions across the industry we will continue to share what we see with respect to the demand environment.

Divya Nagarajan

Got it and on the margin side I think you have spoken repeatedly about investments and the investments for future growth. If you were to split your margin you have taken your guide down roughly by a percent, could you split it into what could be the contribution of the investments and what is really the contribution of all the other metrics that you have talked about that are likely to reverse.

Nilanjan Roy

Yes, so like I said, every year we have headwinds on compensation, that is the biggest one. We have headwinds this year coming on the travel and the facility side as things open up. And then we have the cost optimization program which has been running quite well across all these years – automation, onsite-offshore, subcon – again which is also high, and then the investments which we are going to make. We will start the investments during the year and this will be on sales side, cloud capabilities, people incentives on higher skill sets. So, it is a combination of all this. We are not really calling out the separate impact and all of that has been considered into the margin structure.

Divya Nagarajan

Got it. My last question if I may. So should I assume that your increased visa cost that you have had, you have almost had like 1% impact in the quarter, the higher visa application is to kind of offset some of the subcontracting pressures that you have had now with travel opening up in the western market.

Nilanjan Roy

Yes so as I mentioned, the impact in the margin walk was a combination of visa, third-party cost and another one off which we enjoyed in quarter three, that was altogether 1% in margin walk which I took you through.

Divya Nagarajan

Got it thanks I will come for follow up if there is any time and wish you all the best for the year.

Moderator

Thank you. The next question is from the line of Pankaj Kapoor from CLSA. Please go ahead.

Pankaj Kapoor

Hi! Thanks for the opportunity. The question again is on margins and the investment that you spoke of. I was just wondering are these similar to the investment that you had done in 2018-2019, so more of one time kind of an investment or these are more regular investments that anyway you would keep doing in the business.

Salil Parekh

I think the way we are looking at it is, we put in place that strategy a few years ago. We built out deep capability across multiple areas – that was what we did in the first sort of 6 months, a year or so. We are now seeing over the last 4 years a good impact of that approach. We see a tremendous demand environment which we see across cloud, areas of digital, automation, and some of the new digital tech companies. We want to take that and build the capability deeper in those areas. We consider that now one time approach in the next few quarters to get it mobilized. It is not something which is going to be a continuous new activity for us and then we want to again like we did last time a shift into building capability from the operating business itself. But since we see an inflection point in what we see as the opportunity set, we want to make sure we take advantage of that, keep our leading position with market share growth that we have had over the past 3-4 years and try to build on that for the coming 3 to 5 years.

Pankaj Kapoor

Understand that, and the other question also was on your guidance on the revenue side. What kind of a outlook you are building in on the macro concerns around what is happening in the Eastern Europe or even the larger macro worries around the inflation in your end markets. Are you taking any impact of that, maybe in the second half of the year, or the guidance is more on an ‘as is’ basis and in case if there is any incremental deterioration in the macros that would be probably incremental to whatever the guidance that we have given.

Salil Parekh

Today what we see is the point that you mentioned are in the macro environment, but as we look at our demand environment we do not see any impact to it. And we do not have a clear view of how to make an estimate for Q3, Q4 at what level and so on. Based on that we have built the guidance today and we will evolve it as we go through. We feel comfortable given what we are seeing in the environment that this is the sort of growth that we will see in the range of 13% to 15%. We do not see really an impact of those factors in the demand environment today.

Moderator

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

Vibhor Singhal

Salil couple of questions again on the European part. My first question is that as you have already mentioned that our exposure to Russia and the other geographies as of now is limited, just wanted to basically understand, as we work for a lot of multinational clients who have operations across countries and in parts of Russia and Europe as well. So, what are the conversations with those clients like. Is there a possibility of them maybe curtailing down this to some extent or is there some negativity in the conversation that is creeping in.

Second, a more longer-term question on the same geography is that, over the last 2 to 3 years, in fact more than that last 4-5 years we have seen eastern Europe evolve as a destination for hiring for a lot of companies maybe in data analytics and many other domains. Do you believe that the current war situation has pushed that back by maybe a few quarters or years or do you think it is a temporary situation and once it resolves, the earlier attractiveness of eastern Europe vis-à-vis hiring for the specific domains will still come back as it was before?

Salil Parekh

So, I have understood first was is the situation in Ukraine impacting any demand in European clients if that is the question - currently our conversations and discussions with clients in Europe do not see any impact on the demand environment for us because of this situation. Of course as we go through the next few quarters and so on we will see how it plays out depending on the duration and so on.

On the second one, the recruitment situation, we have centers for example in countries in Eastern Europe and we see that growing quite well for us. Today we have no center in Ukraine but the other areas we have been expanding in and that has developed quite well. We do not see an impact today – there might obviously be impact with centers in Ukraine. So our centers which are in other geographies in Eastern Europe, we are seeing good growth in those centers.

Vibhor Singhal

So if I were to specifically ask something like Hungary, Poland, Austria they would continue to remain attractive destinations for us to hire and do businesses there.

Salil Parekh

Poland and Romania are the locations where we have centers and we are actively recruiting and scaling up in those locations.

Vibhor Singhal

Got it, thanks for taking my questions and wish you all the best.

Moderator

Thank you. The next question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon

Thank you for the opportunity. Just want to clarify on this pass through cost, should we not think of this as like a margin tailwind whenever this pass through cost reduces because I assume that your customers have the option let us say if it is the ServiceNow software, they can procure it themselves. So, I would assume that these are done at zero markup would that be correct?

Nilanjan Roy

Yes, these are long-term contracts and I think the value proposition which we have is how we bundle services with these software. So, it is just not a one-off sale. I think that the proposition with us, is that we can integrate this into the cloud into the vertical stacks etc. and bundle that with the services which we have. So that is the way we look at it.

Ravi Menon

But my question was what should we assume as a margin for this, should we assume that this is a margin tailwind, should we think of this and adjust for the margins accordingly. I assume that this is a zero margin because the client can actually procure that and just ask you to implement it.

Nilanjan Roy

But as you see the overall market for software as a service is growing dramatically and that is something where we can come in and add this value. So, it is just not one client with one software there are multiple clients, there are horizontal softwares, various kinds as well. So, I think this is a proposition which we have which is quite unique for us so you just cannot see it as a one-off intervention with one client.

Ravi Menon

So are you saying these are software that you own, this is your intellectual property, I thought these are third party items bought for service delivery.

Nilanjan Roy

Yes like I said these are software which are of course owned by the SaaS vendors but the bundling of services which we do with it, that is the value proposition we give to our client.

Ravi Menon

Second question is, if you look at the incremental revenue this quarter we added about $30 mn, last quarter we added north of $50 mn, if I remember correctly and this quarter the increase in pass through cost is $40 mn. So, if I just for that, your services revenue has dropped in a surprisingly strong demand environment. So how should we think about it? I mean is it that certain projects have come to an end and this is across the board, I mean we have seen decline in Life sciences both in North America and Europe. But it is not that this one vertical that dragged you down or a particular client, it seems to be the incremental revenue is soft across the board so how should we think about that.

Nilanjan Roy

Yes so firstly, volume growth sequentially has been very strong first point. Second point if you see our YoY, it is 20.6% versus 19.7% for the year. Our number for exit rate is higher than the average for the year. Number two our volumes growth sequentially is higher, we have added 22,000 people this quarter and I am assuming many of these are being hired to look for future demand and get them into production so that is the third signal we have got. Fourth if you see from a revenue perspective versus the volume increase we have seen. We have talked about the seasonality of quarter four, and if you look back over the last 5-6 years we have always had a seasonality of revenue versus volume in quarter four because of the working day impact. We have seen some COVID leave in the initial part of January impacting us. We had this one off we have just talked about the commercial contract for one client and of course there are some other puts and takes. So I do not think you can just see quarter four in isolation. We would not have given a guidance of 13% to 15% - this is probably the highest guidance we have given at the start of the year in the last 10 years at least. So I think all the demand indicators and landmarks are looking very good.

Ravi Menon

One last question on the utilization. You are talking about cooling it down a little. What would be a good range that we should think about, would it come down to about 85% or so, would that be sufficient or should we think even lower.

Nilanjan Roy

Yes, so 85% is the number – it may go up or down in the quarter but that would be somewhere where we would be – more or less in the comfort range as well.

Moderator

Thank you. The next question is from the line of Jamie Friedman from Susquehanna. Please go ahead.

Jamie Friedman

Nilanjan, I believe that you mentioned in your prepared remarks that you are anticipating that the subcontractor costs are plateauing. I was just wondering why you are concluding that, is that Visa related or is there something else we should be aware of.

Nilanjan Roy

So, our subcon costs are pretty much plateaued at around 11.1% in this quarter as a percentage of revenue, but from an exit headcount perspective it has actually come down. And the reason for this whole ramp up of this subcons is our recruitment engine was a bit behind. We were hiring 11,000, 12,000 people each quarter and the balance demand was being fulfilled by subcons. With us now getting into this mode of hiring freshers, we hired 22,000 people this quarter which is close to about 7% of the exit headcount. And as we look ahead we will continue to push on the pedal in terms of recruitment and replace many of the subcons either through a replacement system or what we call a program of ‘subcon to hires’ in which we offer them a full time employment within the company. So, we have been doing that. We have been at the lowest of the industry in 2019-2020 in terms of subcon. So, we know where we have to get at. It may take us some time, a few quarters, but we know that's the margin lever we can press on.

Jamie Friedman

Thank you and then I believe Nilanjan you also had quantified the client contract provision, could you repeat the percentage impact if you stated it.

Nilanjan Roy

So it is less than a percentage and we think over a period of time this should come back.

Jamie Friedman

Got it, thank you I will get back in the queue.

Moderator

Thank you. The next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh

Good evening, thank you for taking my question. My first question was more around the margin and the guidance which we have reduced a bit. So is this a reflection of some of the transient impacts which we are seeing especially about some of the things which you talked about supply side constraint and the investment which we are making or is there a structural change in some of the cost structure of the deals which we are making. So, as we have strong growth in some of the additional cost which comes along with that through third party and other things are essentially pushing our margin down?

Nilanjan Roy

No, so the last part is I think quite clear, if you have seen actually our large deal strategy which we announced in the beginning of FY2019, we were then doing about $3 bn large deal. So we went from $3 bn to $6 bn to $9 bn to $14 bn, so while large deals actually went up even our margins went up. So some of that impact which people fear, when we go into large deals in the initial part of the cycle, of course headwinds are there because clients want cost savings upfront. But we are clear about the deal tenure and how do we price the deal so that over a period of time we are able to take out costs from our various levers which we have and come closer to the portfolio margin. So that is something we have been doing for the last 3, 4, 5 years, 10 years in this industry. I think the impact we are talking about is much more about the investments we want to make around what we have seen in the past, the success of what we have done, and we think with this robust demand environment these are new capabilities we should invest in as we progress. And the usual headwinds which we talked about, the bigger differentiation is the pandemic cost normalizing and I think you all have the numbers in terms of travel, utilization, onsite-offshore, subcon. So, some of those you can start triangulating what is going to come back on return to normal.

Kumar Rakesh

Got it thanks for that. Our large deal wins which we report have been steady between $2, $2.5 bn for the last few quarters. To understand a lot of the deal activity is also happening in the smaller size which is not getting reflected here. So would you give sense on the overall deal size how that being trending or would you consider sharing that data on an ongoing basis?

Salil Parekh

I think at this stage we are not sharing that data outside. Our focus was to share some of the areas which we had made sort of a change a few years ago for example the digital revenue percentage and the large deal value. What you mentioned of course is accurate, we have tremendous activity across all these sizes, we have a very robust overall pipeline and also a very robust conversion with net new which also feeds a little bit into the earlier discussion on our revenue growth guidance.

Kumar Rakesh

Great one final thing, I think I heard that you talk about 85,000 fresher hiring which we have done this fiscal year any target which we have set for next fiscal year.

Salil Parekh

For next year's campus recruiting we have not communicated that beyond saying that we will do more than 50,000 campus recruits for next year. As we go through the year we will communicate more on that but today we see an active campus recruitment program.

Kumar Rakesh

Got it, thanks for that, I will fall back in the queue.

Moderator

Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah

Thanks for the opportunity. Most of the questions are answered. Just wanted to understand the gap between the utilization including trainee and excluding trainees is as big as 700 basis points and we are adding freshers for last so many quarters and with that you are also expecting subcontracting cost savings, is it fair to say second half of FY2023 margin may have more upward bias? Pricing, with a lag may also be a tailwind versus first half?

Nilanjan Roy

Yes, these trainees have to go through the whole Mysore stint, then they go to the bench, they get reskilled on specialty skills, and then we lead them into production. So it takes some time as well and which is why utilization excluding trainees and including trainees you see the gap. We have an increase in the overall trainee count as well between quarter-to-quarter who have not been deployed in projects. But from a margin perspective I am not sure this is a big part of the headwind of H1vs. H2. I think the H1 impact because of the comp increase is upfront one which happens every year and you can go back 2 years and see that as well, but overall for the year at 21% to 23% we are quite comfortable.

Sandeep Shah

And just a clarification Nilanjan, just further to what Ravi has asked. So, even if you look at the revenue growth excluding third party has marginal decline but at the same time you are also saying the volumes have gone up, so is it the offshore effort in this quarter has not actually gone down so why is the volume growth not getting reflected in the revenue growth ex pass through as a whole. So is it the realization in this quarter slightly lower?

Nilanjan Roy

No, we have some routine puts and takes, one is always if you go back you will always see the seasonality due to working days. The second one is the COVID impact in the initial part of the year; and the third one is the one contractual provision which we made for a client. So I think these are the areas due to which you are not seeing that volume benefits flowing into revenue. Like Salil also said, we have seen strong sequential quarterly volumes.

Moderator

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

Salil Parekh

Thank you everyone for joining us. I wanted just to reiterate a couple of points we all discussed and mentioned. First FY2022 was an extremely strong year for us – close to 20% growth, 23% margin. We are clearly taking market share and really connecting very strongly with our clients for all the digital and cloud work.

As we go ahead we want to focus on the ever expanding opportunity set in cloud, digital, data, analytics, automation, and in doing that we want to make sure that we remain a leader in the pack and continue the market share taking that we have been doing. We also want to focus on our employees with increased engagement and increased methods of working with their compensation increases and career progressions. Putting all of that together we come to a growth guidance of 13% to 15% for this financial year 2023 and a margin guidance of 21%

to 23%. We have a strong outlook and we look forward to working with our clients and employees for this outlook to be delivered in financial year 2023.

Thank you again everyone for joining and look forward to catching up during any of the one-on-ones in the quarter. Take care.

Moderator

Thank you very much members of the management. Ladies and gentlemen on behalf of Infosys that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Infosys Limited
Q4 FY2022 Press Conference Call

April 13, 2022

CORPORATE PARTICIPANTS:

Salil Parekh
Chief Executive Officer & Managing Director

Nilanjan Roy
Chief Financial Officer

Rishi Basu (Emcee)
Corporate Communications

JOURNALISTS

Reema Tendulkar
CNBC-TV18

Sai Ishwar
The Economic Times

Ayushman Baruah
Mint

Chandra Ranganathan
Moneycontrol

N R Sethuraman
Reuters News

Reshab Shaw
Deccan Herald

Uma Kannan
The New Indian Express

Anisha Jain
ET Now

Harshada Sawant
CNBC Awaaz

Sajeet Manghat
BloombergQuint

Kushal Gupta
Zee Business

Shivani Shinde
Business Standard

Shilpa Phadnis
The Times of India

Swathi Moorthy
Moneycontrol

Surabhi Agarwal
The Economic Times

Rishi Basu

A very good evening, everyone and thank you for joining Infosys' fourth quarter financial results. My name is Rishi and on behalf of Infosys I am delighted to welcome all of you at our campus today. All participants at this press conference are fully vaccinated and adhering to COVID-19 protocols. With that, let me invite our Chief Executive Officer, Mr. Salil Parekh, for his opening remarks. Over to you Salil.

Salil Parekh

Thanks Rishi. Good afternoon, good evening. Welcome to the campus after a long time, good to see all of you here and good to see all the energy in the room.

We have had an exceptional year; this year with an annual growth of 19.7% in constant currency terms. This was the fastest growth that we have had in 11 years. We are gaining market share; we are building on our leadership in cloud and digital and we are working more closely with clients on their transformation programs. Growth was broad based across business segments, service lines and geographies. Each of our business segments grew in the double digits, US and Europe grew 20%, so a very strong performance all around.

Our digital revenues now account for 59.2% of our company and they grew at 41.2% for the year. Within digital, our cloud work is growing faster, and our Cobalt cloud capabilities are seeing significant traction with our clients. Our growth has been accompanied by robust operating margins at 23%. We delivered these margins while maintaining focus on our employees with increased compensation and benefits.

Our large deal wins were at $9.5 bn for the full year and $2.3 bn for the quarter. In Q4 our revenue growth was 20.6% year on year and 1.2% quarter on quarter in constant currency terms.

Our industry leading performance in FY22 would not have been possible without the enormous contribution and commitment of all of our employees. I am extremely proud and grateful for the extraordinary efforts in delivering all the work for our clients.

We recruited 85,000 college graduates in this financial year. We added 22,000 employees in the fourth quarter. We have an extremely strong recruitment program; this is really a reflection of our enhanced recruitment capabilities, solid brand and deep penetration into various talent markets. This increases our comfort to support our clients in their digital transformation programs. As we look ahead, our sustained momentum in FY 22, large deal wins, robust deal pipeline and client confidence in our capabilities give us comfort to provide a guidance of 13% to 15% for growth in FY23, in constant currency terms.

With the pace of digital disruption accelerating across industries, we see a robust demand environment and immense potential to partner with our clients. Our 'One Infosys' approach is serving us well to bring the best of Infosys in the service of our clients' needs. Our strategy that we launched four years ago has really served us well. We have delivered industry-leading growth and industry-leading TSR.

Now as we look ahead to the next phase, we want to further enhance our leadership along the digital innovation curve. We plan to expand the capabilities by scaling our cloud capabilities even further, expanding our digital work, expanding on our automation, increase relevance with large enterprises and the technology native companies and strengthen our employee value proposition. Our focus on staying ahead in the cloud and digital ecosystem, and the focus on employees, and some of the costs which are coming back after the COVID phase is behind us, result in operating margin guidance to be at 21% to 23% for FY23.

With that, let me pause and open it up for questions.

Rishi Basu

Thank you Salil. We will now open the floor for questions. Joining Salil is Mr. Nilanjan Roy, Chief Financial Officer, Infosys.

As always ladies and gentlemen we request you to ask only one question each to accommodate everyone over the next hour and with that I am going to ask the first question from Reema Tendulkar from CNBC TV18, Reema has sent her questions to us. One question for Salil and one for Nilanjan.

Salil, you started FY22 with a guidance of 12% to 14% and finally ended with 19.7% growth for FY23. This year again you are starting with a guidance of 13% to 15%, is there conservatism built into it? And the macro environment is far more uncertain now, economists are bringing down their GDP forecast, do you see any impact on technology budget as your client face a squeeze? And for Nilanjan, what led to the sharp 200 bps margin decline in Q4, your guidance 21% to 23% is also lower than the 23% that you closed FY22 with. What is the reason and what about pricing, do you see pricing being key in margin levers?

Salil Parekh

Thanks, Rishi. The first question, let me start off with that. We see the demand environment to be robust today. Yes, the macro environment, there is a lot of talk going on, but in our pipeline and in the work that we are doing in digital and cloud we see a clear demand with our client base. Based on what we have had in terms of large deals $9.5 bn in FY22, $2.3 bn in the fourth quarter, 40% of our large deals being net new, 48% in the fourth quarter and what we are seeing in our pipeline going ahead gives us good confidence that this is the guidance in which we start the year at 13% to 15%. As the year progresses, we will see what the various forces are that will play into all of this. We have also had 22,000 net additions in terms of employees and that supports our view that we see a strong outlook in this current FY23.

Nilanjan Roy

On the margin question first, on the quarter on quarter, I think we were clear at the beginning of the year, we gave a margin guidance band of 22% to 24% and we have ended up exact in the middle at 23.0%. So what we have achieved this quarter, a part of it has been planned as well. So, for instance in this quarter, utilization which is a big driver of margin has come down that was planned we were sitting at 88.5% - uncomfortably high for us and we have brought that down from 88.5% to 87% in this quarter. So that is one planned intervention we have done. We knew that margins will get impacted, some of it is seasonality of Q4 because the working and calendar days are lower from the previous quarter that also impacts margin and some of it has been some headwinds on the revenue side. We have taken a specific commercial contractual provision for a client which we expect to recover in the times ahead. But overall, I think we have added 22,000 people in this quarter and this is looking ahead for the demand environment and some of that cost pressure stem in the quarter ahead. But like I said, we are very comfortable where we are for the year at 23%. Looking at 21%-23% we have seen what we want to do, as Salil talked about demand environment is very robust, making upfront investments behind talent both in terms of getting freshers earlier in advance and also looking at where we can invest ahead with the points which Salil talked about. We have seen the success of that in 2019 when we made these investments and the last four years have been a result of the market share gain as well. So that is one part of the margin and the second part is travel will come back. We have seen that already, some of the facilities cost as people come back to work. Those were the tailwinds due to COVID on the margin side and now some of that will return to norm and therefore at 21% to 23% is a comfortable band which we think we can operate in which builds in both of these impacts.

Rishi Basu

Thank you. I am going to move to the questions to our journalist friends who are present here and then return to some of the questions we have received from broadcast media on text, so I am going to go the Economic Times. Sai Ishwar joins us in-person, Sai why don't you ask your question?

Sai Ishwar

Hi, Sir, could you tell us like recently in a brokerage event you said your products and platform businesses are doing well, so could you give us some color on what is happening there? Also, could you tell us what percentage of your revenue is from the platform business? And also talking about this recent influx of GCCs in India from global MNCs, so have you entered into any partnerships recently and do you see that also adding revenue or expanding your partnerships with global companies? Thanks.

Salil Parekh

Thanks for that question. I think on the platforms and products, so first we have a very strong business as you know in Finacle in the banking sector, it is a completely digital core banking product today and we see continued traction in the growth that we are seeing there. We do not break that out individually, but we see good traction with that business. We also put together other platforms, for example we have a platform called Equinox, this platform is focused on e-commerce, on retail companies. We had a large deal win in Q4 which is built on the Equinox platform, and we are starting to see traction across multiple of these areas that we've put in place. We have also had a platform on insurance with McCamish which is working well. We do not disclose the platform and product revenue break up, but we are comfortable with how we are seeing the growth and the traction in that at this stage.

We have very strong partnerships with the global companies that have centers in India and we see a lifecycle with them at the early stages so if we look back 5-10 years and as you look ahead at the early stages there is a strong interest in partnering as they are scaling up, in the middle stages to make sure there is more efficiency and in the later stages to see if we can take those over and transform them and we are working with clients in all these different stages. We are in conversations, in actual work with clients where they are building out a new capability, we are in discussions with clients where they are looking to see if there is something we can take over and transform completely and all of that in between. Those are very important locations for the global clients, these are places from where the leadership of these centers in India are making global decisions for the companies and we are quite fortunate that we are partnering with many of them.

Rishi Basu

Thank you. The next question is from Ayushman Baruah from Mint.

Ayushman Baruah

Hi, Salil. Firstly, what has been the impact on business from the Russia-Ukraine war, right, that is one. Point number two is you have recently launched Infosys Metaverse Foundry right, so what has been the initial traction, have you managed to win any contracts or deals with regards to this? Thank you.

Salil Parekh

First with respect to the situation in Europe. Infosys as a company, very much would like to see that the two sides come together and come to some agreement on peace. We have also launched fund of $1 mn to help on the humanitarian areas. Given what is going on in the region we have started to transition all of our work from our centres in Russia to our centres outside

Russia. We have less than 100 employees in Russia. We work with no Russian clients and the work we do is with small number of global clients in Russia for which as I just mentioned we have started the transition. So at this stage we have no impact within our business given what is going on from an Infosys perspective. Once again, we are very much concerned with what is going on the ground and we are doing everything we can to help. We are also providing some assistance for re-skilling of individuals that are displaced and seeing as they move to other geographies if they can work in some of our locations in Eastern Europe. We do not do any business with Russian clients today and we have no plans of doing any business going ahead.

The Metaverse has been an incredible launch, I am glad you mentioned it. We have created an ecosystem, a Metaverse Foundry which was launched a few days ago. We are already in active discussions with several clients to start to see how they can use it. There are examples on AR/VR, there are examples that we are already using, for example the work we do in supporting ATP. There is active work in the manufacturing segment because there is a lot of use within the Metaverse of what is going on in supporting whether it is training, whether it is security, whether it is safety procedures, so lot of discussions. We are excited about it and our clients are excited about it.

Rishi Basu

Thank you. The next question is from Chandra Ranganathan.

Chandra Ranganathan

Hey Salil and Nilanjan, I have questions for both of you, so please bear with me.

Salil, I think Reema covered the Q4 numbers but you know it is still below what the street was estimating so are these one-off factors because Q1 you typically have a strong start to the year so are these one-off factors, will you sort of regain momentum because you do not have the mega deals that you had that cushioned you in the previous fiscal. I also wanted to ask you about first of all the whole controversy around Russia, you recently closed your presence there, there are also questions about Akshata Murthy's stake in Infosys, well I know you have nothing to do with it, are these discussions happening at the Board level, are clients asking you about it because North America and Europe is where you get a majority of your business, so how serious are those concerns?

Questions for Nilanjan, attrition has zoomed to 27.7%, TCS is still at 17% so do you see this getting worse in the coming quarters before it gets better what are you doing to reign in attrition and if you can give us numbers in terms of the number of freshers hired in the previous fiscal and your fresher hiring target for this fiscal, if you can break that down for us, Thank you.

Salil Parekh

Thanks, Chandra. I think on the first one we had very strong volume growth in Q4. As you mentioned this is one-off, as Nilanjan was sharing with the client which relates to contract situation, we fully expect that this will be reversed in the coming quarters, we see very good momentum into our business as we look ahead. Our view is with the guidance we have given 13% to 15% growth and the fact that we have significant new number of recruits in Q4, 22,000, we have clear understanding that we are in a good place and the growth there is working well. With respect to the discussions in the UK, we have no comments to make on any individual shareholders. Our approach on Russia I just outlined, we are transitioning our work from Russia, and we have real concern for what is going on, on the ground and we are providing humanitarian support and help on that.

Chandra Ranganathan

Decision to cease operations in Russia came on the back of that controversy that is why I am asking you since she is part of the promoter family, is this a concern, has it been taken up at the Board level?

Salil Parekh

There again I have no comments to offer on any individual shareholder within the company. Our approach has been driven essentially by what we see, the work that we are doing in that location, how we have to manage the delivery of that work and what are the implications to our employees that are in that location. Those were mainly the factors that we looked at and that was a discussion that we had within the management and the leadership team.

Nilanjan Roy

Just to add to Salil's point. I think in Q4 if you see our year on year growth, we end the year at 20.6%, the full year is 19.7%, it is very important not to get fixated just on the quarter, so our exit velocity is very high, the volumes are very good for the quarter. There is some seasonality on the revenue line as well, which I talked about, but I think overall giving the guidance of 13% to 15% - I do not recall in the last 10 years that we have given such a guidance.

So, your question was on attrition and the freshers hiring. So, in the last year we have hired 85,000 freshers across, both globally and in India and the year before, the pandemic year I don't think there were many hiring - maybe few thousands. We are planning to do upwards of 50,000 at least and we will see how that plays out but that is just initial, and the good news is we have these two bright gentlemen who have mastered the art of off campus recruitment. Earlier the engine used to just go to the campus and they actually did not have any flexibility in volumes. Today we have that flexibility to ramp up volumes anytime and this year we had no idea that we would be able to service a 20% demand with a limited fresher set. So, that is working very well. Attrition is 27.7% on a LTM basis, which is last 12 months. Actually, attrition for the quarter has come down by close to 5% - both in percentage and in absolute headcount. In last quarter attrition had actually stabilized and in this quarter, we are seeing rduction both as a percentage and number for the quarter. The tail effect you are seeing - on an annual basis will continue to climb, but the good news is we have seen some of the stability and hopefully with the interventions we are looking ahead and with the April 1, comp hike planned we should continue to see some improvement in that.

Rishi Basu

Thank you. The next question is from Reuters News, N R Sethuraman.

N R Sethuraman

Sir, could you please be more specific about like what exactly was the business in Russia and what exactly are you moving out and you said like there is no impact on operations so if there is no impact on operations, like what was the work earlier being done in Russia and what is the impact of Finacle because you had been working with some clients for Finacle in Russia, Alfa-

Bank was part of it right, like there was a blockchain environment that was created a couple of years back and it was tested and what is the update on that and you said there is no plan to work with clients going forward in Russia, which means there are a lot of major banks there on the sanctions so what would be the impact of your financial services in banks business if you are moving out of the region because it is all interlinked. Like in Europe would be more specific about those operations that you are moving out and could you please also help me out on how many resources were there in place in Russia and what exactly is the plan for them, is there any sale you are considering for the Russia operations? I think it is not a 100% subsidiary for you?

Salil Parekh

Thanks for the question. I think the work we do is for few of our global clients that have operations in Russia. We have less than 100 employees in Russia working with our clients. We have initiated how we can transition all of that work outside of Russia. We have no work with any Russian client today and we have no plans for any work with any Russian client going ahead. Finacle of course works with companies but not in Russia so they work with banks all over the world. That market was not a market that we were servicing in the past as well so we have no active clients in Russia and no plans for anymore clients there. There are less than 100.

Nilanjan Roy

I think probably less than what are there in this room.

Rishi Basu

Thank you. The next question is from Reshab Shaw from Deccan Herald.

Reshab Shaw

Hi gentlemen. So, my question is have you gained market share from some of your bigger rivals, and you spoke about attrition, but is the worst behind us, and the third question is, so you spoke about Russia, but in Eastern Europe what is your presence?

Salil Parekh

On market share, we are clearly gaining market share in our view at 19.7% growth - from what we understand, we are one of the fastest growing. All of this growth was based on an organic basis and we see the tremendous traction we have with clients and that gives us an increase in the market share.

On attrition as Nilanjan shared in the quarter, the attrition was about five percentage points lower than in the previous quarter and everything we see gives us a view that attrition is coming more and more into the range that we would become comfortable with. We will see how that progresses. We are actively working on many of the initiatives that are helping on this.

Rishi Basu

Thank you. The next question is from Uma Kannan from The New Indian Express.

Uma Kannan

Congrats on a strong execution in the quarter and it is fantastic to see you all in-person here. My question is considering the present geopolitical risks since you have presence in Eastern Europe are you planning to increase local talent there since you were talking about skilling there so are you planning to increase there and my next question is on workforce, are you facing any challenges in terms of a) retaining employees and b) bringing them back to base locations? Thank you.

Salil Parekh

In Eastern Europe, putting aside the geopolitical point that you mentioned I think we have a plan of expanding in Eastern Europe we have strong locations in multiple geographies, we are growing all of those locations. We had an approach as you know over the last few years for localization and in that light, we have already expanded quite significantly whether it is Poland or Romania, and we will continue to expand in the Eastern European geography. We have work that is done there and is really strong, and we believe that it will continue to expand.

As we were both mentioning, our approach to attrition, our approach to employee engagement, we are making huge changes there and we are seeing increased numbers internally on what we track with employee engagement, employee connect. What we have done as a company through the COVID period has really resonated with our employees in the flexibility and we have provided the support and care, complete support around any medical issues, the vaccination program that we ran among other things for our employees.

In terms of the base location, our approach to return to work has been to work keeping in mind what our clients are looking for and keeping in mind what our employees are comfortable with, we are slowly moving work back onto campus. We understand that some of our employees are of course not in the primary location and today the work from home is working extremely well, so what we build as we go through the next several months and quarters will be with that flexibility with a tremendous advantage to the employees with the flexibility and we will keep in mind what our clients are looking for. There are certain requirements within some clients and some industries which will require some of those teams to come back sooner and then over time with this massive recruitment from colleges we also want to be aware and responsive to how we build the culture within the company going ahead and rebuild our social capital. But all of those will be done in keeping the best interest of our clients, employees and the company in mind.

Rishi Basu

Thank you. Salil, Nilanjan, I am going to read out some questions we have got from some of our media friends who have not been able to join us physically, we about have five or six journalists who sent questions. The first in the order is from ET Now and the question is the reported numbers on topline and margins are below street expectations, was there a delay in execution and on large deal TCV wins, should we continue expecting a range of $2 bn to $2.5 bn going forward or is there a plateauing of deal wins?

Salil Parekh

Let me start with that. I think on the full year, as we had shared earlier and Nilanjan mentioned we have tremendous growth at 19.7% and the margin at 23%, so very strong execution all around. For Q4 as Nilanjan shared and I shared, we had one-off instance which is related to contractual situation. We see strong volume in Q4, we see very strong net addition to the employee base at 22,000 and we have a very strong guidance of 13% to 15% growth, so all of the factors give us a view that we see good traction in the market with our clients and we continue with our execution.

Rishi Basu

Thank you. The next question is from CNBC Awaaz. They want to know if you are seeing signs of inflationary pressures on client budgets and if you could throw some light on the texture of the deals for this quarter, which sector are they from?

Salil Parekh

So, on the inflationary pressure I think what we see with clients and what we see in the environment all around, we see most industries are facing inflation in their own businesses and they appreciate and understand, that we also have wage increases and other aspects to our business that have been put in place, so yes there are discussions we are having more today with our clients, which relate to discussions on pricing. We will see as and when they convert actually into concrete steps, but certainly there are discussions on that basis. In terms of the deals, we had a good spread across all of our sectors, we had 25 large deals in Q4, spread pretty well across most of our business segments.

Rishi Basu

Thank you. The next question is from BloombergQuint from Sajeet Manghat. He has one question for Salil and one for Nilanjan. Salil, with Infosys ending the year was nearly 20%-dollar growth due to the FY21 base effect and with the kind of order book we close the year, what is the challenge to replicating a similar growth rate in FY23 and for Nilanjan the margin band maintained at 22% to 24%, what is the big challenge to the margin given cost pressures, what are the levers to ensure you are at the upper end of the band?

Salil Parekh

On the growth question I think we have really gained tremendous market share in FY22 by having the growth at close to 20%. We can see that in the way our interactions are working with clients, we can see that in the way we have done on various analysts ratings, we can see that in the way the perception of the company is positioned vis-à-vis digital with our clients.

We have given a strong guidance of 13% to 15% and we look forward to executing on that with our clients support and trust and with the work of our employees.

Nilanjan Roy

I think the guidance somebody mentioned as it has been maintained at 22% to 24%, it is actually 21% to 23% firstly. Like I mentioned earlier, as we look ahead into the year we are very clear there is a very robust demand environment which we need to capture and this also calls for investments to be made upfront. We already talked about utilization, putting freshers early into the mix, hiring 22,000 employees even before we start next year and some of the other headwinds of the pandemic which we enjoyed in a way as tailwinds which was the travel, which was also facilities, etc., and some of that will come back. We, of course have a very strong cost optimization program which we run throughout the year, this is elements of onsite, offshore mix as you all know it is about the pyramid, it is about automation at scale, we put bot factories across all our delivery lines, so these are reusable resources and assets which we can deploy into our many of our fixed price projects, subcontractors cost which were massive headwind for us and my friends here from the recruitment team are going to solve it this year to get us a tailwind on subcontractor, so 21% to 23%, that margin band we are comfortable with. And like I said, pricing is another element we are talking to our clients, of course this is a much more longer term discussion because it only happens largely with renewals, but we can go and start pushing for things like COLA, change request, etc. but that is something which we really are trying to press our pedal on with our sales folks. That is very, very important part in next year's strategy.

Rishi Basu

Thank you, we have a couple more questions on attrition and client spending I just read it out, this is from Zee Business. We have seen attrition levels rising across IT companies and it has been similar for your company as well. When do you see this easing and what is your strategy to control and on the client part how do you see client spending for FY23 and in which vertical do you see the highest spending coming?

Salil Parekh

On the attrition we have already given a view on it, what we see today is attrition having come down five percentage points in the quarter. We also see as we look ahead many of the initiatives, we put in place whether it is greater employee engagement, the compensation reviews, different ways of people working on projects, different rates in which we go through various carrier progressions, some of them starting to have impact now and some over the course over the next few quarters. We feel attrition is definitely something which we have seen a small decline from the previous quarter, and we will watch it to see how it plays out in the quarters ahead.

In terms of the client spend we see today our pipeline is actually very strong, we see in all of our discussions, clients are more and more ready to spend much more focused on the cloud area, very much on the data analytics business, on IoT, and lots of discussion on automation which also has impact in cost and efficiency. So, in all of the elements where we have strength, we see good traction with client discussions and client spends.

Rishi Basu

Thank you. The next question is from Shivani Shinde from Business Standard and similar to the Russia-Ukraine conflict. What is the impact of Russia-Ukraine conflict on Europe business and do you see any reservations or step back on spends? And for Nilanjan, two quick questions- what are the plans on getting people back to office and in addition to Chandra's question Shivani has asked compared to Q3 this quarter looks soft, can you give some more color?

Salil Parekh

So, on the first point, the clients that we are working with, and we are interacting with in Europe today we do not see any impact of the situation between Ukraine and Russia directly with those clients. We will wait and watch how that plays out, but in our pipeline today, in our discussions today we do not see any change to what they are doing with the project they are thinking of, with the transformation they are looking at, with the cost and efficiency they are looking at.

Nilanjan Roy

Yes, on the return to work. We have a three-phase plan. In fact, we have rolled out in April itself, so the first phase is people who are in the home locations so in the DCs where they are, whether it is in the base DC or they are in the upcountry town which is close to a DC we are encouraging people to come at least twice in a week, eight days in a month into the DCs and we are already seeing a lot of traction there. Senior leaders already coming in and teams are already having huddles, etc. that is the first phase. We are also now encouraging people - and that is part of phase two - who are outside the DC town to start making preparations over the next few months to see if they can come back into the base DC. This is again based on the individual circumstance, etc. and then over a longer period of time we are looking at more hybrid sort of work, of course that will depend on clients. It will depend on regulatory environment and a number of other considerations so this will be a phased approach and we are seeing it really each quarter.

Chandra Ranganathan

Currently how many people are working from office and home?

Nilanjan Roy

I think we have about 95% of remote, if I am not wrong.

Rishi Basu

Thank you, the next question is from Shilpa Phadnis from The Times of India on similar lines. Infosys's attrition has gone up to 27.7% from 10.9% in the last one year despite all the measures put in place it is a tight talent market. Do you see a downward spiral in the coming months and the second question is the subcontracting expenses have gone up substantially to Rs.16,000 crore from little over Rs.9,500 crore in the last one year? How are you revisiting the employee pyramid when there is a steady ramp up in sub-contractor cost impacting margins?

Salil Parekh

On the attrition what we see today is in Q4 our attrition is down by about 5 percentage points from the previous quarter. We also see that many of the initiatives that we have put in place with regard to employee engagement, compensation, rotation of work, career progression, those are already starting to have an impact and we anticipate they will have an impact over the coming quarters, so we believe we have several of these initiatives in place that will help us as we go ahead.

Nilanjan Roy

You know just to add Salil saying on attrition. I think firstly it is important to understand is we are in an environment where demand is chasing supply. I mean this is an industry to be in, right. If you are in industry where at least supply chases demand you have ten times worse problems, so that in a way is a good problem to have, and the way we have to fulfill this demand is through freshers, right otherwise attrition is rotational and it is net zero game. My attrition is somebody else lateral and somebody else attrition is my lateral. So, end of the day the fresher has to feed into the entire system across all companies. We have put 80,000. There are larger players. Somebody who is put 100,000 plus. So once these freshers feed in they take three to four months to come into production, etc. and that is the time you will start seeing benefit of this coming into the overall macro environment of hiring market as well, now until then you have to make sure that you are also meeting that demand and not leaving demand on the table which is why you go for subcons. You of course have to pay higher for lateral compensation, etc. but like I said this is an opportunity to grab demand. These are deals which are for five years, seven years. You do not want to leave them on the table because you are not able to fulfill them for a year and so I think over a period of six months etc. definitely with freshers coming in into the entire industry and you will see a moderation of this from a more macro prospective and subcons is one of them where we are already seeing a plateauing of our subcon costs. I think the last quarter and this quarter and of course we have planned as part of the year this will definitely ramp down.

Rishi Basu

Thank you. We have covered all our questions from our friends from media. Chandra, I can give you time for one more question and I have one more question from The Economic Times on text. Swati, one question please.

Swati Moorthy

I want to ask more about the metaverse, which you said? When we spoke to Ravi, I think couple of months back he told about you are in conversation with lot of clients but how are you actually looking at it? Is it going to be a separate service unit? What is the scale of people working here and any metrics you can share? Internally are you looking at any metrics to measure because suddenly everyone is like talking about Metaverse and actively looking at and in talks with clients to take this forward?

Salil Parekh

So the metaverse foundry launch was a huge success for us. What we have are a set of assets, which form a part of this metaverse foundry. These are ways in which we can help our clients as they are considering their journey into the Metaverse. So let us say there are different segments in the manufacturing segment. There are clients who are considering how they can use this in terms of replicating actions on a factory floor and on training on various areas. When you are in retail, people are looking at the metaverse concept to demonstrate various aspects of their products to engage with the new customer who is more present in the metaverse. We have created a set of asset which can help our clients to engage in that activity and there are several discussions which are ongoing which give us good comfort that this is starting to become important. Internally we have some goals we have set for ourselves, which we want to drive through and as and when we see some of those things that we can share outside as well.

Those are internal goals because we see some of the things that we have in place there, are giving us tremendous traction. We will also have this as part of the living labs that we have in different locations all around. We will also have this when we do events with clients. We have a way to showcase some of this and so it is starting to come into it, but there are some internal goals we have set for this.

Rishi Basu

Thank you. Salil, we have just a couple more questions, one is from The Economic Times. Surabhi Agarwal says could you talk about a bit in detail about the demand environment and client spending in the coming years especially where is the demand coming from which verticals given the COVID situation and the geopolitical situation and also is the 20% growth reported this year is it sustainable or a one off and what would you attribute this 20% growth to?

Salil Parekh

So on the demand environment, we see good demand across many industries and there are different dynamics in each of the industries. So you look at HiTech businesses, they are looking to really connect with their customers in a different way, in a faster way and we are part of that. They are trying to rework their supply chains given all of that is going on globally and we are a part of those discussions. We see good demand in Financial Services which is our largest industry segment. There we are part of areas where this is really Ops and Tech transformation programs where clients are looking to have someone who can help them with the transformation of their operations while we infuse technology and create a modernized estate for them. We have good demand in the Manufacturing segment where we see clients looking at leveraging the IoT infrastructure, leveraging what is going on with the cloud and the data center evolutions. So the demand is broad based across many of our industry segments today and we see that looking good in terms of our pipeline as we look out to this financial year.

Rishi Basu

Thank you, the second part was on the 20% growth?

Salil Parekh

I think we see clearly a very good traction with our clients and we are gaining market share and we anticipate and hope with the new phase of expansion of capabilities in cloud and Cobalt, in automation, in the new digital tech companies that we will continue to gain market share as we go ahead.

Rishi Basu

Thank you, the last question is from CNBC TV18 once more, Reema Tendulkar asks you alluded to an impact due to a client contract, which you expect to get reversed? Can you quantify the heat on revenue and margins due to this?

Salil Parekh

At this stage, we will not quantify any of those specifics within that as Nilanjan shared and in one of the questions earlier mentioned is a one off contractual impact. We see very strong volume growth in Q4 and we see 22,000 new employees joining. Good demand going ahead and a good growth outlook with our guidance at 13% to 15%.

Rishi Basu

Thank you. With that we come to an end of this Q&A session. We thank all our friends from media who are here in-person and who have sent us questions for being part of this press conference. Thank you Salil and thank you Nilanjan.

Salil Parekh

Thanks, Rishi. Thank you everyone for joining us.

Nilanjan Roy

Thank you everyone.

Before we conclude please note that the archive webcast of this press conference will be available on the Infosys website and on our YouTube channel later today. Thank you once again and please join us for some high tea outside.

######