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**BSE LIMITED
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NEW YORK STOCK EXCHANGE**

January 17, 2023

Dear Sir/ Madam,

Sub: Transcripts of the press conference and earnings call conducted after the Meeting of Board of directors on January 12, 2023

Please find enclosed the transcripts of the press conference and earnings call conducted after the Board meeting held on January 12, 2023, 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/2022-2023/q3.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/2022-2023/q3.html>

Yours Sincerely,
For **Infosys Limited**

A.G.S. Manikantha
Company Secretary



“Infosys Limited
Q3 FY23 Earnings Conference Call”

January 12, 2023

CORPORATE PARTICIPANTS:

Salil Parekh
Chief Executive Officer & Managing Director

Nilanjan Roy
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Sandeep Mahindroo
Financial Controller & Head Investor Relations

ANALYSTS / INVESTORS

Nitin Padmanabhan
Investec

Bryan Bergin
Cowen

Apurva Prasad
HDFC Securities

Mukul Garg
Motilal Oswal Financial Services

Sudheer Guntupalli
Kotak Mahindra AMC

Moshe Katri
Wedbush Securities

Pankaj Kapoor
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Ankur Rudra
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Vibhor Singhal
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Rahul Jain
Dolat Capital

Girish Pai
Nirmal Bang Securities.

Moderator

Ladies and gentlemen good day and welcome to the Infosys Limited Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. Should you need assistance during the conference call, please signal and operator by pressing “*” and then “0” on your touchtone telephone. After today’s presentation there will be an opportunity to ask question. To ask a question you may press “*” then “1” on your telephone keypad. To withdraw your question please press “*” then “2”. 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

Thanks, Inba. Hello, everyone, and welcome to Infosys earnings call to discuss Q3 FY23 financial results. Let me start by wishing everyone a very happy New Year.

Joining us here on this call is CEO and MD, Mr. Salil Parekh; CFO, Mr. Nilanjan Roy and 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 up the call for questions.

Kindly note that anything which we say that refers to our future outlook is a forward-looking statement that must be read in conjunction with the risks 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 now like to pass it on to Salil.

Salil Parekh

Thanks, Sandeep. Good evening and good morning to everyone on the call. Thank you for joining us.

We are delighted to share with you that our Q3 performance was strong with year-on-year growth of 13.7% and quarter-on-quarter growth of 2.4%. This performance was in a seasonally weak quarter for us and amid a changing global economy. We continue to gain market share.

Growth in Q3 was broad-based, with most industries and geographies growing in double digits in constant currency. Growth in constant currency for nine months of FY23 was 17.8% compared to the same period of FY22. Our large deal value was \$3.3 bn, the highest in eight quarters. With 32 large deals, this is the largest number of large deals in our history, 36% of this is net new. Our pipeline of large deals remain strong.

Our digital revenue grew at 22% in the quarter in constant currency and are now close to 63% of our overall revenue. Our core services revenue grew at 2.4%. We are seeing growth in both areas of our business, digital and core services. This is a testament to our industry-leading digital capabilities, including our Cobalt Cloud capability and our industry-leading automation capabilities, both of which are resonating with our clients.

Our large deal pipeline is seeing increased traction for automation and cost efficiency programs. Our results reflect our deep-rooted client relationships, coupled with client-centric strategy, differentiated digital and cloud capabilities, strength in automation and the ability to pivot our business rapidly to changing client needs.

Our cloud revenues continue to have healthy growth this quarter. Our clients are focused on accelerating the digital and cloud transformation, both to grow and to become operationally more efficient. They trust us to partner with them through the complexity of managing this change because of our differentiated capabilities. Our industry-leading cloud offering, Cobalt, is playing a key role in helping them navigate the digital transformation.

Two examples of this,

- Cobalt is helping accelerate business growth and resilience for a large telco and making their decision-making more data driven.
- We are supporting a leading aerospace company by automation of their customer experience area, leveraging a modernized technology infrastructure, driving material cost efficiency.

Strong growth was accompanied by stable operating margin at 21.5%. This was driven by healthy revenue growth and cost optimization benefits. Our operating margin for the first nine months of FY23 was at 21%, in-line with our margin guidance.

Our voluntary quarterly annualized attrition continues to decline steadily and reduced by 6 percentage points sequentially to well below 20% for this quarter.

We are encouraged by the immense confidence and trust that clients have in us. The signs around us, around the slowing global economy are visible. Some areas such as mortgages and investment banking and financial services industry, telco, high-tech and retail are more impacted and that is leading to delays in decision-making and uncertainty in spending in these areas. We are confident that the strength of our digital and cloud capabilities and our automation capabilities will continue to position us well in the market. We are keeping a close watch on the global economy.

Driven by our growth of 17.8% in constant currency for the first nine months of FY23 and strong large deal value for Q3, we are increasing our revenue growth guidance, which was at 15% to 16% earlier to 16% to 16.5%, despite the changing global economic conditions. We are retaining our operating margin guidance for FY23 at 21% to 22%. We anticipate to be at the lower end of this range.

Thank you. And with that, let me request Nilanjan to share other updates.

Nilanjan Roy

Thanks, Salil. Good evening, everyone and thank you for joining this call. Let me start by wishing everyone a very happy and safe 2023.

Q3 was another quarter of resilient performance. Our revenue grew by 13.7% year-on-year and 2.4% sequentially in constant currency terms, despite seasonal weakness. Most of our business segments and geos grew in double digits year-on-year in constant currency. Specifically, manufacturing grew by 36.8%, EURS by 25.9% and Europe grew by 25.3%.

Digital revenues constitute 62.9% of total revenues and grew by 21.7% year-on-year in constant currency. Core revenue saw another quarter of growth reflecting the accelerated client focus on cost take-out.

Client metrics continue to remain strong with year-on-year increases in client counts across revenue buckets. Number of \$50 mn clients increased by 15 to 79, number of \$200 mn clients increased by 5, while number of \$300 mn clients increased by 3 over

the same quarter last year, reflecting our strong ability to mine top clients. During the quarter, we added 134 new clients.

Utilization, excluding trainees, reduced to 81.7%, reflecting seasonality and employees joining the bench post completion of their training. On-site effort mix remained stable at 24.5%.

Quarterly annualized attrition continued to trend downwards and reduced further by another 6% during the quarter. This is the lowest quarterly annualized attrition in the past seven quarters. Consequently, LTM attrition reduced to 24.3% as compared to 27.1% in Q2. We expect attrition to reduce further in the near-term.

Revenue growth was 17.8% in constant currency terms over nine months FY23. Operating margin for the same period was 21.0%, in-line with the lower-end of our full year guidance as called out earlier.

Q3 operating margin remained steady at 21.5%. The major components of QoQ margin movement are as follows:

Tailwinds of

- approximately 40 basis points due to benefits from Rupee depreciation and cross currency, offset by lower benefits from revenue hedges.
- 70 basis points from cost optimization, including lower subcon.

This was offset by headwinds of

- 30 basis points from higher SG&A and
- the balance 80 basis points due to seasonal weakness in operating parameters, higher third-party costs, furloughs etcetera.

Q3 EPS grew by 13.4% in Rupee terms on a YoY basis.

DSO increased by three days sequentially to 68, reflecting higher billing during the quarter. Our balance sheet continues to remain strong and debt-free. ROE increased by 2.2% YoY to 32.6%. Free cash flow for the quarter was \$576 mn, a conversion of 72% of net profit. YTD FCF was \$1.8 bn, which is implying a conversion of 81% of net profits.

Yield on cash balances increased to 6.3% in Q3. Q3 marked the 30th consecutive quarter of delivering positive forex income despite the volatile currency environment. Consolidated cash and investments declined from \$4.79 bn last quarter to \$3.91 bn, consequent to \$1.32 bn being returned to investors towards interim dividend and buyback.

We initiated the buyback on December 7th and till date have bought back \$31.3 mn shares worth ₹4,790 crores **or** 51.5% of the total authorization of ₹9,300 crores at an average price of approximately ₹1,531 per share compared to the maximum buyback price of ₹1,850 per share.

Coming to segment performance

We signed 32 large deals in Q3, which is the highest ever. TCV was \$3.3 bn, the highest in the last eight quarters with 36% net new. 7 large deals were in Retail, 6 each in Financial Services and Communications, 5 each in EURS and Manufacturing, 2 in Life Sciences and 1 in Hi-Tech. Region-wise, this was split by 25 in the Americas, 5 in Europe and 2 in the rest of the world.

Growth in Financial Services was impacted due to a higher-than-normal furloughs and some specific project closures. Deal pipeline continue to be strong and oriented towards cost takeout and tech/ops transformation transformation. Our competitive position in the industry as demonstrated in the past years, remains very strong.

Retailers are seeing uncertainty on consumer spending as a result of high inflation, high interest rates and softer economy. However, at the same time, direct-to-consumer and digital commerce are opening up many new opportunities on the back of our growing presence in leading e-commerce platforms and also our very own Infosys Equinox.

We have healthy deal flow in the Communications segment, along with continued steady pipeline. However, cost pressures and economic concerns continue on the client side impacting discretionary budgets.

Energy, Utility, Resources and Services Segment reported strong growth along with healthy level of large deal wins during the quarter. The deal pipeline is strong and on increasing trend versus the previous quarter, given medium-term growth visibility.

Manufacturing segment continues to be robust, supported by healthy pipeline of deals in both traditional and new technology areas. We are helping clients across engineering, IoT, supply chain, cloud ERP and digital transformation, including helping clients accelerate their journey to the cloud.

We continue to see caution around budget and spending for consumers in the Hi-tech segment, especially around discretionary spend areas.

For Digital service capabilities in Q3, we have been ranked as leader in 7 ratings for our cloud services, digital engineering services and Salesforce implementation services. We have also been positioned as a major player in 7 ratings for our IoT and engineering, security and automation services.

We believe, the structural levers for medium to long-term growth for the industry remains intact and Infosys is well positioned to support its customers in their transformational journey.

With strong revenue performance in the first nine months of the year, the revenue guidance for FY23 has changed to 16% - 16.5%. Operating margin guidance band remains at 21% - 22% for the year. And as mentioned previously, we expect to be at the lower end of the range.

With that, we can open the call for questions.

Moderator

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Moshe Katri from Wedbush Securities. Please go ahead. It looks like Mr. Katri's line is dropped. In the meanwhile, we will move to our next question, that is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan

Yes. Hi, good evening and thank you for the opportunity. My question was around the increase in cost of software packages, that is up by almost \$69 mn sequentially. How should we think of this cost, do you think this incremental \$69 mn will be a sticky number out there or do you think it's sort of representing the headwind -- instead come-

off going forward? And is this sort of a pass-through in nature, that is the second sort of clarification on the same thing? Thank you.

Nilanjan Roy

Yes, Nitin. So the \$69 mn is a combination of software, it is other deals which we do which have DaaS etcetera. It could be infrastructure. So, these are part of our integrated services offering. These come with both manpower component and sometimes they also come with an attachment of these services. So that is the way we do it. It's an integral part of our service offering.

We have to see where we end up for Q4, but I think, this is part of our overall offering and it is actually giving us traction in the market in many of our service lines.

Nitin Padmanabhan

Sure. So it is a pass-through in nature in a way, is that correct? And basically, at least earlier in the past, we have suggested that the new level would sort of sustain. So, in the new operating model, this is sort of sticky thing that continues, is that assessment fair – longer time?

Nilanjan Roy

Like I said this is integrated with our services offering, so they are not just standalone deals we do, they come with the service element as well. So that is the way you have to look at these deals.

Nitin Padmanabhan

Sure, fair enough. Thank you so much and all the best.

Moderator

Thank you. Our next question is from the line of Bryan Bergin from Cowen. Please go ahead.

Bryan Bergin

Hi, good evening. Thank you. Why don't you just clarify some comments around demand? I am curious, if you would say there is a material change in the way that clients are behaving now versus three months ago, in your reported 2Q, because the areas you are citing weakness, I think were the same ones, the pockets of weakness that you talked about. I am really just trying to understand if you think there has been a real change to spending and contracting there or more broadly the same?

Salil Parekh

Hi, thanks for the question. What we are seeing today, in addition to what we said last quarter, for example in financial services beyond mortgages, we see the investment banking side of our clients as well are showing an impact of the economic environment; and they are in telco, hi-tech and retail, in some clients. So, we do not see a material change, but there are within financial services one more area that we see some of the impact coming in.

Having said that, we have, for example clients in energy or utilities or manufacturing, those industries are still looking quite strong in terms of their outlook.

Bryan Bergin

Okay, that is helpful. And then on the large deals, the renewals were a big component of that TCV and you have also cited benefits from consolidation in the commentary, are you taking any different approach as it relates to proactive renewals to try to drive more vendor consolidation opportunities?

Salil Parekh

Some large deals, as you pointed out, we have had a very strong result, \$3.3 bn and 32 deals. We see the focus which we had on transformation continue. But outside of the industries that we discussed before, where there is some impact, we see huge cost automation, cost efficiency plays across all industry segments. And there, we have, we believe, very strong capability, which is helping us. And within all of those discussions, we see areas where there is vendor consolidation. The approach we have put in place is similar to what we have had in the past. However, we see, given our market share gain

over the last several quarters, many clients are looking at us, when they start to narrow the list in their vendor consolidation.

Bryan Bergin

Okay. Thank you very much.

Moderator

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

Apurva Prasad

Good evening. Thank you for taking my question. Salil, I'm not asking for any guidance for '24 or ahead, but would appreciate your comments. And generally, the visibility that you have for the year ahead, so how different would it be versus typically this time of the year? So perhaps any comments on pipeline or pipeline-to-TCV conversion?

Salil Parekh

Thanks for the question. I think, as you rightly said, we are not in a position to provide the guidance for the year, which starts in April. Pipeline, we have a very strong large deals pipeline. So we are feeling good that the pipeline is at a level which is in good shape. We see good traction of large deals, and we have seen more-and-more relevance, connect with our clients on the cost efficiency and automation plays and in the areas, in the industries where there is economics support, a good traction of Cobalt and the digital transformation plays. So the pipeline is looking quite good today, based on what we see in the deals flow.

Apurva Prasad

Got it. And Salil, we called out IB, mortgage and parts of telecom, hi-tech and retail, is there any vertical trend for deals between transformation, the ones that are transformation in nature and deals that are more on the cost optimization across verticals?

And the second part to that is, do you see any moderation in new client acquisition channel with more vendor consolidation deals happening? This was something which had very strong traction more recently.

Salil Parekh

On the first part, we see some of the growth transformation plays impacted in those industries that we talked about, for example, mortgage, investment banking, retail, hi-tech, etcetera. The cost efficiency plays everywhere. So we see that even in programs let's say, in the energy sector or manufacturing. There, and in many places, we see essentially clients looking to use the cost efficiency to fund the transformation because in many cases, they still need to drive digital or cloud transformation to keep their market growth or their client connect, customer connect going. So that is how we see that play right now.

Apurva Prasad

And Salil, on the other part on the new client acquisition, with more vendor consolidation rates.

Salil Parekh

Yes, there on new clients, we have seen -- while we don't disclose the number, we have seen a very good new client acquisition in Q3. And on vendor consolidation -- there's no contradiction in there to at least -- both are carrying on within our sales expansion, new client acquisition continues to be important as well. What we are seeing is on several discussions, clients are looking, especially if they have six or seven vendors, they want to narrow it down to one or two or three, and we are appearing to be beneficiaries in quite a few of those discussions.

Apurva Prasad

Got it. Thank you and all the best.

Salil Parekh

Thank you.

Moderator

Thank you. Our next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg

Sure. So Salil, I have two questions. First, on the strong TCV wins this quarter. Can you at least qualify how much of the strength was on account of share gains, which you guys have made, versus the resilience, which is there on the technology spend? Because if you look at the broader market commentary, and you have also highlighted retail as one of the weaker areas, whereas you got seven large deals in retail. So if you can just help us break out these two, to get a sense of the deals win momentum?

Salil Parekh

I think the large deal momentum for us is really a function of what we have seen that we have put in place, we still, within this mix of \$3.3 bn, have digital transformation deal, and we have cost efficiency automation deals. What we mean by some of the industry callouts, for example, retail or telco, is, there are some clients, it is not everyone in that industry, but there are some clients which are getting impacted by the economic environment. We have been quite focused, we have a broader portfolio. So for example, you saw that in retail, we have those large deals there, it is a mix between transformation and cost efficiency automation. And so many times when clients feel an impact of the economic environment, there might be a greater need for the cost efficiency play as well. So we are ensuring that both of those engines continue to work well with our clients.

Mukul Garg

Right. And another question was on the margin side. You guided for margins of 21%-22% band, with margins towards the lower end. Can you just help us with the -- what are the pools which you are seeing on profitability, given that the supply scenario is easing rapidly? Is there some portion of the pressure which is on account of the higher share of cost efficiency deals, which you guys are winning with initial ramp-up cost?

Because if you look at Q4, obviously, Q3 also had the pass-through business, which got impacted. I'm assuming, as Nilanjan mentioned, there was some seasonality into that.

Nilanjan Roy

Yes. So I think like we mentioned, the reason for Q3 margins, we have already given the breakdown. So as we look ahead, see the levers which we have, one is, utilization. And you have seen at 81.7% - this is probably, I think, one of the lowest in the last three to four years since I've been here. So that is one lever which we will have.

And as we start putting these freshers onto the production floor, you will automatically get a pyramid benefit. So that will be a double value benefit for us.

We also have subcons today, we have dramatically reduced our subcons literally in three quarters. We were 11% plus, we are at 8.7%. Historically, we have been at 7%. If you look at our pricing, it has been quite stable. And historically, this is one lever which always used to drag down, repeatedly, due to discounts on renewals, et cetera. And as of now, we have not seen that at all. We continue to push with clients on where all we can get price increases.

Automation – in terms of our own workforce continuing to operate that and that is a steady lever which we have. So we are continuing to use these levers as we look ahead, and we will continue to deploy them.

Mukul Garg

Right. So, is it fair to assume that we should see at least better profitability in the next quarter, given that we have a number of levers with us?

Nilanjan Roy

So we have given a guidance for the year. You have seen in the first nine months, and that should give a good indication of what could Q4 be.

Mukul Garg

Fair enough. Thanks for taking my question. I'll get back into the queue.

Moderator

Thank you. Our next question is from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management. Please go ahead.

Sudheer Guntupalli

Good evening gentlemen. Thanks for the opportunity and congrats on a good quarter. Salil, during some of the previous macro uncertainties like Brexit, within a few weeks of the vote, we had seen some of our large clients canceling and ramping down projects. This time, even on the tough comps, the pace of growth moderation is much lower than what many people have been anticipating.

And many forward-looking indicators like deal wins, pipeline and CIO surveys still continue to be very strong, even 11, 12 months into this macro concerns. So having seen the previous three to four macro downturns, how do you nuance the current cycle, especially on the variable of the resilience of IT service spends?

Salil Parekh

So, thanks for the question. It's always difficult to compare across cycles. From the perspective of Infosys, my sense is what you mentioned earlier, we are still seeing the pace of change when there is change within an industry or a client to be not rapid. And we are also seeing that the opportunities for cost optimization and efficiency are expanding within the work that we are doing. So in many ways, we are in a good position to be able to work on both sides.

And so while it is difficult to predict what the way the situation in the economy will evolve, we feel quite balanced. Our sales team is quite agile. We have pivoted quite quickly and developed various points of view on different efficiency scenarios in different industries that we feel comfortable that the pipeline is looking good at this stage, and we will continue to work on that.

Sudheer Guntupalli

Sure. Thanks Salil. So, is it a right understanding to say that we are now in a much better position to navigate this macro weakness, probably through more than enough compensation from the cost efficiency deal and vendor consolidation deal? Is that a correct interpretation?

Salil Parekh

The way we see it is we have both components of -- at least the two large components the clients are looking for, we have good industry-leading capability. So it's really a function of how a specific industry or subindustry or a client will evolve. But we have positioned ourselves to make sure that we can support our clients in that area.

Sudheer Guntupalli

Sure. Thanks Salil. All the best for the future.

Moderator

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

Moshe Katri

Thank you, and happy New Year, and congrats on strong execution in a pretty tough environment. I have a three-part question. First, March guidance upgrades is pretty unusual from a seasonality perspective and given the macro concerns. So it seems like you have better visibility, now, can you share any views on the budget cycle itself? We were kind of concerned over slippages, maybe a month or two, budget delays. Are you seeing any of that or you think that budget will be awarded or finalized as on time this time?

Salil Parekh

Thanks Moshe. On the budget, so far, we have seen, in some clients and especially in the industries we have called out, some areas where there has been slowness in deciding or some changes, especially on some discretionary work. So we mentioned hi-tech, for example or mortgages or bank, investment banking. So all of those ones that we mentioned before.

But we don't see a broad-based change. Equally, we do see good behavior with the budgets moving ahead as in the past, with energy, utilities, manufacturing. So, it is not like one answer that it's a little bit by industry or sub industry somewhat different.

Moshe Katri

Understood. And then you, in the press conference, you mentioned that about a 1/3 of your new or 1/3 of TCV came in from new logos. Can you remind us, is this within the range of what you've seen in the past in terms of mix of new logos versus renewals?

Salil Parekh

Referring to the large deals, \$3.3 bn, there was 36% net new. That is in the range where we do - some quarters it's lower, some quarters higher, but these numbers are not unusual.

Moshe Katri

Okay. And then the final question is for Nilanjan. When we met in Bangalore back in December, you pointed to pivot in the nature of the new deals flow towards, as you said, cost optimizations and vendor consolidation. Obviously, this is what you're seeing. Are these deals typically less dependent on clients' budgets, given the fact that you're taking over a specific function with the objective of reducing delivery costs? And is there any difference in profitability levels here in terms of these projects versus some of these projects that you've been doing in the past few years? Thank you.

Salil Parekh

So in that, I think the way you described it, these are not fully correlated with the budget of a client. In many instances these are areas where given the evolving economic situation, clients are looking to reduce their tech spend across the enterprise, in many cases, use some of that savings to fund transformation programs. It sometimes gets coupled with vendor consolidation. So let's say – there are clients who may have five or six vendors and when we benefit from the consolidation we see tremendous efficiency that can be created. Our automation tools become quite useful. We typically add automation on our ongoing programs, which give an annual benefit. But when we see something of scale where we have not been involved earlier, we have an ability to provide a much greater benefit. In aggregate, the profitability of these deals is within the range of the rest of our company and especially has been more-and-more over time

leverage the automation tools and our capabilities, we see these becoming stable high profit deals.

Moshe Katri

That is very helpful. Thank you.

Moderator

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

Pankaj Kapoor

Yes. Hi. Thanks for the opportunity. So, my first question is on the smaller deals, which are less than, say, \$50 mn TCV. If you can give some qualitative color on how your win and pipeline in that basket has been moving? Is it higher, lower versus, say, what it was six months back?

Salil Parekh

Thanks for the question. We don't typically disclose much about those deals. Overall, we have a good healthy pipeline while we publicly disclose more about the larger deals.

Pankaj Kapoor

Understood. And Salil my second question is on these cost takeout deals. Can you give some sense on how the pricing in such deals behaving? Are you seeing the pressure there more than normal, either because clients are pushing for more discounts or because of competitive intensity?

Salil Parekh

So there, the pricing in Q3, we have seen quite stable within the mix, we have not seen a change. Typically, it is really a function of what type of focus that clients have, which industry they are in, as we have not seen, at least in Q3, in the deals that we have closed in the discussion we have had, a big change on that. It looks stable at this stage.

Pankaj Kapoor

Thank you and wish you all the best for '24.

Moderator

Thank you. Our next question is from the line of Ankur Rudra from J.P. Morgan. Please go ahead.

Ankur Rudra

Hi, thank you and congratulations on strong headline numbers there. I'm going to try Pankaj's question in a different way. You mentioned in previous calls that the mix of deals was changing in favor of smaller deals. And that is why the headline, TCV was declining, but growth was still quite healthy. This time, of course, both have done well. Do you think the mix of deals is still the same as it was in the last year before this quarter?

Salil Parekh

Hi, Ankur this is Salil. I am not clear on the mix of deals on the previous discussions. But just looking backwards, we see the mix of deals remaining in good shape across the board. There are some quarters in which there are disproportionate number of larger-sized deals. But in general, we do not have a pattern in that, at least that is evident in Q3 here.

Ankur Rudra

Okay. All right. The next question I wanted to check, Salil, again, was on the US business. The headline growth seems to sort of slipped down to close to low double digits, whereas the Y/Y growth has been led by very strong performance in Europe and manufacturing.

Do you worry about the US business it is sort of slower than Europe it is not the case in the rest of the industry then many of your peers?

Salil Parekh

So there, Ankur, our view is, we have had very strong growth in the US at over 10% in Q3 in constant currency. Europe, of course, has been a standout in the growth that we

have had. We feel the traction, the pipeline, the work remains pretty strong, as we have described earlier, across the two dimensions, transformation and cost, across the geographies.

If you look at the economic situation, we do see the European side a little more impacted, but we see good traction on the pipeline on both sides. We had a very successful Europe program over the last 18, 24 months, and that is also helping us with the growth in this quarter.

Nilanjan Roy

I mean out of our 32 large deals this quarter, 25 were actually in the Americas. So I think -- just to, show that we have a very strong pipeline there.

Ankur Rudra

Understood. Maybe a last question over here was on pricing and contract profitability in the projects you are winning right now, especially the large number of big deals this time you signed. How is that trending? Is that improving, staying the same or maybe becoming a bit lower than before?

Nilanjan Roy

These are for the new deal signings?

Ankur Rudra

Yes, new deal signings this quarter. How is that trending versus before?

Nilanjan Roy

No, I don't think anything is unusual. Yes, absolutely new deals, I mean since many clients want the productivity, efficiencies upfront. So we always see that the initial part of the deals will be lower-than-portfolio margins.

But like we have shown in the past, at the same time, our existing deals are reaching higher profitability, and that offsets some of this pressure which is coming from the newly signed deals, where the margins will typically be lower. But nothing unusual on the trends.

Ankur Rudra

Okay. Appreciate it. Thank you for the color and best of luck.

Moderator

Thank you. Our next question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal

Hello. Yes. Hi. Thanks for taking my question and congrats on a solid quarter. So, Salil my question -- I have just two questions. One, I wanted to basically get an idea on -- I mean you've seen attrition coming down in this quarter quite sharply. And as you mentioned in your opening remarks as well, so how do you see the trend of this attrition going forward, of course, downwards? And how do you believe the benefit of this could actually percolate to our margins? Again, not asking for objective guidance of a number. But in terms of the direction, do you think it is going to aid our margins? Or do you think most of the impact of this is already built into the numbers that we have currently?

And my second question was majorly on the geography of Europe. So just wanted to pick your brain on how the conversations with the clients are happening in that part of geography, specifically if you could maybe break up between Continental Europe, Eastern Europe and in the UK?

And which pockets of those geographies do you think are looking more softer? Or is there more of delayed decision-making in that part of the geography?

Nilanjan Roy

I'll take the first one on the lower attrition. Absolutely, we have seen this coming down. And like we said, even in the future in the next quarter, at least until -- what we are seeing the latest initial figures we are seeing this coming down.

Absolutely, this should have a positive impact on margins. I mean, during the year, whether it was stretched hiring on laterals, whether it was the compensation hikes we did, that really impacted our year-on-year margin story.

So as looking ahead in attrition, as an impact both the macroeconomic and also the internal policies we are doing in terms of promoting within, etcetera, should benefit us.

Salil Parekh

On Europe, I think the way we see - some 25% of our business in Europe, and we have a few countries. In the countries we operate in, we see some slowing, some economic impact in Germany. There is some in the UK, less so in the Nordic countries at this stage.

But overall, the coloring is a little bit more by the industries that we mentioned earlier in the call, which are across sort of on a global perspective. But relatively, Europe seems a little bit more impacted today than certainly the US.

Vibhor Singhal

Got it. If I can just maybe drill down just a little bit more, any specific color that you can provide on European Retail and European Manufacturing segments?

Salil Parekh

So there, we don't necessarily provide that much sort of granularity, same comments on a global level on manufacturing that we mentioned earlier and for energy, which is looking stronger, and more sort of, let's say, attention to the economy on retail in this case.

Vibhor Singhal

Got it. And the softness in retail, do you believe it is, as of now, confined to the retail stores and maybe percolate, and you could in your discussion with clients, do you see percolating down to the CPG companies and probably other ones as well? But as of now, if you it is limited to more of the retail stores that we are talking about?

Salil Parekh

So within retail, we have not called out any specific subsegment, at least in our commentary. We have not gone down to that granularity in our public statements.

Vibhor Singhal

All right. Got it. Thanks for taking my questions and wish you all the best.

Moderator

Thank you. Our next question is from the line of Sameer Dosani from ICICI Prudential Asset Management. Please go ahead.

Sameer Dosani

Thanks a lot. Just one question around Europe again. If I look at your commentary around regions in North America versus Europe, Europe looks more cautious overall. But if I look at performance for the last few quarters, I think Europe has been performing better than North America as a whole.

So, do you think this impact of the cautiousness is yet to reflect in the numbers and you see more growth trajectory will be a little more affected, going forward, in your thoughts around that?

Salil Parekh

I think, in Europe, there is two different things. We have had a very strong Europe program, both on transformation and cost over the last 18, 24 months. So, some of that comes through in the benefits we see, even in this quarter.

The commentary or the view is more to share what we are seeing just in the economic activity. And again, we see the coloring more by industry, which is a little bit global as, opposed to just specifically across the board in a geography.

Sameer Dosani

So the outlook -- I mean, do you think the outlook that you're giving will reflect in the numbers in medium term in the next two quarters because till now, it has been an outperformer versus the overall portfolio? Thanks.

Salil Parekh

So there, we have given a view on outlook only up until March this year, so we will come up with a guidance for the next financial year at the end of this quarter.

Sameer Dosani

Okay and that is it from my side. Thanks.

Moderator

Thank you. Our next question is from the line of Girish Pai from Nirmal Bang Equities. Please go ahead. Mr. Girish Pai, could you please unmute and go ahead with your questions? As there is no response from this connection, we will move to our next question, that is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain

Yes. Hi. Thanks for the opportunity. Firstly, we commented that manufacturing is doing well for us, but actually the vertical is doing exceedingly well in European region, where it is up 60% YoY, but is much weaker in the US, where it is up 7% YoY.

So, what is that we are doing so well in Europe? Is it led by a few very crucial deals? Or it's more holistic? And why it's different in the US?

Salil Parekh

So, thanks for the question. Within the industry, we don't typically comment on a client, multi-client level activity. But we do have good traction, as you pointed out, within a European business in manufacturing.

Rahul Jain

Okay. And another thing was on digital revenue. For the quarter, it is up 17% YoY or let say, CC would be 20% or 21%. This is like our slowest ever since we have been giving this time series on digital revenue. So is this a bit worrying? Or is it more because of the furlough and any other factor?

Salil Parekh

So there, it's partially due to some of the changes that we were discussing earlier where in certain industries and sub industries. We see much more attention to the economic environment. And there, we see some of the digital or transformation work being

slower, where we see much more focus across the board on the cost and automation plays.

Rahul Jain

Got it. And lastly, if I can, the margin impact of furlough was too high in the quarter. How has this shaped up in the current month? Are these clients resumed to normalcy now? Or the pain remains extended in Q4 as well?

Nilanjan Roy

So we will have to see how it goes, it is a bit too early to say what is going to be the Q4 outlook on that.

Rahul Jain

Okay. That is it from my side. Thank you so much.

Moderator

Our next question is from the line of Girish Pai from Nirmal Bang Securities.

Girish Pai

Yes. Thank you for the opportunity. I just wanted to understand with cost optimization deals more in the pipeline and in the TCV, has the average deal tenure gone up in the last couple of quarters?

Salil Parekh

So, thanks for the question. We don't typically comment on the deal tenure in terms of public statements.

Girish Pai

Okay, you said that the third-party items, have given you a lot of traction in terms of getting deals. Now the number has gone up from about less than 2% of revenue to almost like -- I think this quarter is -- in this quarter, it comes to almost 6.5% of revenue. Do you see this number going up in the coming quarters and years?

Nilanjan Roy

Like I said, our offering is quite holistic. In some cases, many of the cloud-based deals come with services, there could be licenses, there could be DaaS. So more and more integrated deals.

And then you go to IT as a Service, which is really sort of very holistic, we could see this. But I mean, it may vary from quarter to quarter, you could have some quarters which are up. But there's nothing to say that in the long run where this is going. It's a bit early to say that.

Girish Pai

Okay. And lastly, from a competitive landscape perspective in the vendor consolidation deals, who are the ones losing out? Are these the global MNCs or these are typically Tier 2 vendors?

Salil Parekh

Again, on those, we don't specifically comment on where we are getting the benefit of the consolidation. We are seeing some benefits coming through with large clients.

Girish Pai

Ok, thank you very much.

Moderator

Ladies and gentlemen, that was the last question. I now hand the conference back to the management for closing comments.

Salil Parekh

Thank you, everyone, for joining us. Fantastic to have our Q3 close out, 13.7% growth, 21.5% operating margin, \$3.3 bn in large deals, very happy with that outcome.

We can see a guidance increase on our growth for that. And we can see both sides of our business on transformation, digital work and core services, cost automation working well.

And so we feel good with the current environment and how we can play and support our clients on both sides.

Thank you all for joining us, and we look forward to catching up during the quarter.
Thank you.

Moderator

Thank you. Ladies and gentlemen, on behalf of Infosys Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.



“Infosys Limited
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Rishi Basu

A very good evening, everyone, and a very happy New Year. Thank you for joining Infosys' Third Quarter Financial Results. My name is Rishi, and on behalf of Infosys, I'd like to welcome all of you. Over the next hour with our management, we are going to have our financial results commentary. We request one question from each media house so that we can accommodate everyone over the next hour. As always, we will start with broadcast media and then move on to our other friends from media who are present here. 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, and welcome to everyone who is here on the campus and everyone who is joining us online. We are delighted to share with you that our Q3 performance was strong, with year-on-year growth of 13.7%, quarter-on-quarter growth of 2.4% – this in a seasonally weak quarter for us and amid a changing global economy.

We continue to take market share. We continue to benefit from consolidation. Growth in Q3 was broad-based, with most industries and geographies growing in double digits in constant currency. Our large-deal value was at \$3.3 bn, the highest in eight quarters. With 32 large deals, this is the largest number of large deals in a quarter in our history, 36% of this is net new. Our pipeline of large deals remains strong.

Our digital revenues grew at 22% in the quarter at constant currency and are now close to 63% of our overall revenue. Our core services revenue grew as well at 2.4%.

We are seeing growth in both areas of our business – digital and core services. This is a testament to our industry-leading digital capabilities, including our Cobalt cloud capability and our industry-leading automation capabilities, both of which are resonating with our clients.

Our large-deals pipeline is seeing increased traction for automation and cost-efficiency programs. Strong growth was accompanied by stable operating margins at 21.5%. This was driven by healthy revenue growth and cost optimization benefits. Our voluntary quarterly annualized attrition continues to decline. It was reduced by 6 percentage points sequentially to well below 20% for this quarter.

While we are encouraged by the immense confidence and trust our clients have in us, the signs around are showing a slowing global economy. Some areas such as mortgages and investment banking in the Financial Services industry, Telco, Hi-Tech, and Retail are more impacted, and that is leading to delays in decision-making and uncertainty in spending in these areas. We are confident that the strength of our digital and cloud capabilities and our automation capabilities will continue to position us well in this market. We are keeping a close watch on the global economy.

Our operating model and offerings are agile to deliver value for our clients in this evolving macro environment. Driven by a growth of 17.8% in constant currency for the first nine months of FY'23 and the strong large-deal value for Q3, we are increasing our revenue growth guidance, which was at 15% to 16%, we are increasing it to 16% to 16.5% for the full financial

year, despite the changing global conditions. We are retaining our operating margin guidance for FY '23 at 21% to 22%. We anticipate to be at the lower end of this range. Thank you.

With that, Rishi, let's open up for questions.

Rishi Basu

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

With that, we have the first question from Ritu Singh from CNBC TV18.

Ritu Singh

Hi, thank you, you said you have increased your revenue growth guidance despite changing global conditions. What gave you this confidence? Why the revision up? What about furloughs, were they lower than what you were expecting from your comments in the last quarter?

Also, we have seen a significant rupee depreciation during the quarter, and yet the margins have more or less remained flat. What is the reason for that? And any visibility you have on the FY'24 growth? Because you are talking about this difficult macro environment and yet you revised up your guidance. So, what are you hearing from clients in terms of their budgets? And these large deals that you say continue to be strong in the pipeline, are you seeing more renewals or newer deals that you expect to win?

And a word on attrition and hiring as well – do you expect it to continue to trend lower? I think it is the lowest in the last five quarters. And also, hiring is lower than the previous quarter – is it because you are anticipating lower growth? Any comment on that as well?

Salil Parekh

Thanks for the questions. I will try to get through most of them. On some of the points on margin, Nilanjan will jump in as well.

On the guidance, our focus is really on what we see as we closed out the quarter. We had exceptionally strong growth QoQ 2.4%, YoY 13.7%, for the first nine months, we are at 17.8%. Then we had very strong large deals. At \$3.3 bn, it is the largest we have had in eight quarters. And the number of deals is also a testament to the environment for us, at 32 deals, it was very strong. Given all of those factors, we saw that it was right to increase our guidance.

The point we made also is we do see that there are changes in the economic environment. We have called out, for example in Financial Services, beyond mortgages, investment banking; we have called out the Telco sector; we have called out Hi-Tech and Retail. But keeping all that in balance, there were some things that give us a lot of support while we see other factors in the environment changing. But keeping all that in balance, we were ready to increase our guidance.

On attrition, before we go to the margin and so on, we have seen a steady quarter-on-quarter decline for the last several quarters. We believe many of the policies we have put in place to make sure that we are more and more aligned to where our employees are focused on, is

helping. And of course, the overall environment is also changing in the market. So, we see attrition continuing to go down.

On FY'24, we have no comments at this stage. We will absolutely look at it at the end of the quarter in Q4. On hiring, we have the number of hiring based on what we saw on the demand, and we have also had a very strong hiring for the full year in FY'23 and also before that. And we are making sure that all of that hiring goes through our various training and is ready for deployment.

Nilanjan Roy

Yes. So, on margins, we are at 21.5%, and that is flat sequentially. A couple of reasons, and first you mentioned about the benefits of currency. So, we got a net benefit of about 40 basis points from currency, net of our hedges. So, that was one tailwind for us. We got another benefit of about 70 bps from our cost optimization, for instance, our subcon costs, etcetera.

And from a headwind perspective, there is about 30 basis points additional spend on our SG&A. And the balance, about 80 basis points, was traditional seasonality in the quarter, furloughs, partly because of our third-party costs. So, these are balance, 80 bps. So that is a broad walk about a flat 21.5% margin within our guidance, as you know, of 21%- 22%.

Rishi Basu

Thank you. The next question is from Anisha Jain from ET Now. Anisha sends us her questions on text. Salil, the question for you is, there has been a strong execution and deal win in Q3 that led to the guidance upgrade as well. Can we extrapolate this to believe that the client budget will be robust and double-digit revenue growth will sustain in FY'24? And could you give us a bit more insight on the trends you are witnessing in Europe and for verticals like BFSI and Hi-Tech?

And Nilanjan, for you, there is a question on margin, which you just answered. A follow-on question on attrition that is coming down sharply. Could there be a sharp reversal in margins from Q4 onwards? How are the pulls and pushes stacked for margins?

Salil Parekh

Thanks, Rishi. On the first part, I think we talked a little bit about why the margin was increased in terms of what we see in the environment. We are not commenting obviously on the financial year '24 and what the guidance or growth in that year will look like. What we do see in terms of demand environment is what I shared earlier. We see some areas, for example, the mortgages area or the investment banking area in financial services, we see some areas in Telco and Hi-Tech and some in Retail.

There is more variation we see in the European markets, more concerns on what is going on with the economy. The US market is also there, but relatively less so in the US compared to Europe. We will see how this plays out because this is not a scenario where it is the same for every industry. For example, we have seen extremely strong growth in energy, utilities, that part of our business, and we continue to see that in Q3. We saw very strong growth in manufacturing, and we continue to see some of that traction in our business in Q3.

Rishi Basu

Nilanjan, the question on margin was attrition.

Nilanjan Roy

Yes, so absolutely. So one is, of course, as you know, if you have seen our utilization, in fact, that came as a headwind for us. We have built a large, fresher pipeline. They go through our training, like Salil mentioned, at Mysore. And they are on bench now. We are training them, reskilling them. And in fact, that will give us some headroom, for growth looking ahead. So, the question partly about do we need to hire more, so we have a very substantial bench. And I think our utilization at about 81.7% is one of the lowest we have had. So, we have some headroom there.

Looking ahead, of course, subcon costs, we have brought them down. At one stage, we used to be closer to 7% of our revenue, we are at around 8.7%; utilization is another factor. We continue to work on pricing, onsite-offshore, the pyramid itself, with the freshers coming in will help us. So, these are the levers, we will have to deploy as we look ahead, in the next few quarters.

Rishi Basu

Thank you, Nilanjan. The next question is from Sajeet Manghat from BQ Prime. Sajeet has a couple of questions. For Salil, he wants to know, give us a sense of the demand environment in North America, UK, and Europe. And have you seen a trend of small deal sizes compared to what we saw in the last two years? Do you foresee a slowdown in deal closures?

Nilanjan, your question is again on margins, which has already been answered. So, I am not asking that again.

Salil Parekh

On the demand environment, similar view. I think we see different demand environment in different industries. And even within some industries, there is a variation based on the client. We are also seeing much more demand today for automation, cost efficiency, operational improvement programs.

The size of the deals, as we see with \$3.3 bn in large deals, we have a tremendous volume, 32 of those deals for this quarter. So we do see a change in the environment. But we see that both of our engines, the one for digital and cloud driving transformation and the one for automation driving cost efficiency, both are working and growing for us.

Rishi Basu

Thank you. The next couple of questions are from ZEE Business, Kushal Gupta, and from Harshada Sawant from CNBC Awaaz. Both are on client and IT budget spending, which we have already answered. I will ask one question. What is the sense you are getting from your

clients in terms of future pricing of deals? How concerned are you about Europe and what impact could it have on deal flows ahead?

Salil Parekh

Pricing, maybe Nilanjan will take. I will take the question on Europe.

Europe, I think we mentioned earlier that there are differences within the European economies. We are seeing today more economic changes in the European market relative to US. But even so, there is a factor of the industry. We are seeing good traction in some industries, for example, energy utilities, and that is across geography, while we see some constraints which are in Hi-Tech and parts of Financial Services.

Nilanjan Roy

On the pricing side I think, we have seen a much more stable pricing regime than what we have seen historically. And part of that has been the high inflation we have seen in these economies as well and also because of the compensation hike. So some of that, we are trying to work with our clients to pass that on, and we have had some successes there.

Of course, things like discounts have actually come down over the years. So, I think this is a discussion we have by each client, and I think that is something which we will continue to work on irrespective for the year ahead.

Rishi Basu

Thank you. The next question is from Reuters News from Nandan Mandayam.

Nandan Mandayam

I just want to know, how long do you expect the softness in BFSI to persist in the US? And also, if you could give us an insight into how you maintain around the same growth in Europe. And lastly, could you give us an insight into what FY'24 hiring is going to look like, both in the fresher and lateral terms? Is it going to exceed what we have seen in FY'23 so far?

Salil Parekh

So, on the BFSI, I think we do not have a definitive number in terms of when things are going to look different. Again, we see differences. There are parts of it, for example, mortgages and investment banking, where we are seeing some constraints on what they are doing with their business. There are other parts of Financial Services, which are not seeing those same constraints. We have places, where because of consolidation of partners, we are actually seeing some growth across some clients as well.

In terms of hiring, we have no comment today on our plans for FY'24. Those things, in any case, we will not comment on the hiring number. We will, at the end of the quarter, lay out the guidance for growth and margin for next year.

Nandan Mandayam

Inaudible question

Salil Parekh

On Europe, I think we are fortunate to see a very strong growth. We have had a good focus on that geography for the past several years, and we continue to see traction from some of the work and programs that we have started a while ago.

Rishi Basu

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

Uma Kannan

Congrats on a strong quarter. So, do you expect client spending to come down in Q4 and whether this includes reduction in workforce? And also, one more on automation that you spoke about just now. So Infosys has good capabilities on automation, AI, ML, how are you looking at this AI chat bot as you have invested in OpenAI also? So what will be the future or how does the future look like in AI? And how this will actually help in servicing your clients better?

Salil Parekh

So I think the first part of the question was more on what we see the client spend in Q4. I think our sense is the points that we have laid out with respect to different industries and different clients is what we are seeing right now in Q4. What we see going ahead, we will describe for the financial year '24 as we come to the close of this year.

In terms of automation, we made tremendous progress, and that is one of the reasons, because we have used artificial intelligence, machine learning, we have benefited from clients' needs to be more efficient with their technology spend. And we have been at the forefront of what is going on with automation. And that is really the reason why we see both our digital business and our core services business growing.

On OpenAI, several years ago, Infosys had supported this initiative in a very small way through a donation. We see the progress they have made. Huge congratulations to what they have done. We have examples where we are using ChatGPT with client situations, that is starting to further increase productivity and automation.

Rishi Basu

Thank you. The next question is from Haripriya Suresh from Moneycontrol.

Haripriya Suresh

Hi, good evening. I have one follow-up on ChatGPT. Just wanted to understand if Infosys at some point – I know OpenAI has since shifted from nonprofit to for-profit – will Infosys look

at putting more money? And how do you think it will impact coding and service delivery as well?

Another question is you had a very strong quarter, but do you think we will go back to a single-digit growth? And Nilanjan, just wanted to ask, last quarter, you had mentioned that in H1 FY'23, you had hired 40,000 freshers. 50,000 was the target for this year. How many freshers were hired in Q3? And has that target been revised? Thank you.

Salil Parekh

On the first one, I think we have a huge focus and commitment through the past several years on automation, artificial intelligence, machine learning. We have no plans today which relate to anything in terms of an investment in any activity. But we are looking at the way to really work with and partner with, and there are many technologies which enable a way to do low-code/no-code enhancement or efficiency of building code faster. So we are working with several of them to make sure that we work with our clients on it.

Haripriya Suresh

In terms of growth?

Salil Parekh

On growth, we do not have a guidance for FY'24 at this stage. What we have is really the focus on Q4 and for FY'23.

Nilanjan Roy

Yes. On the freshers, I think the 50,000, we are short of that now, but I think we should be around that number by the time we end the year. So, we have continued to hire. Yes, I think about 46,000 we have done, if I am not mistaken.

Rishi Basu

Thank you. The next question is from Veena Mani from The Times of India.

Veena Mani

Good evening gentlemen. So, a couple of questions on the HR front. With attrition coming down, will the pressure on giving out more bonuses and increments ease out for you? And also on this quarter's variable pay, on an organization average level, what is it going to be? And if it is 100%, what part of your workforce will be covered in that 100% variable pay bracket?

And, also on the utilization, excluding trainees, it is at 81.7%. Is it largely because even in the existing projects, clients want to ramp down, want to bring down the number of billed resources or why is it exactly?

Nilanjan Roy

Yes, sure. So, I will take the second and then the first one. So, 81.7% utilization is largely because of our fresher's bench. That is the biggest reason and because we have been hiring so many freshers through the year and putting them into training. So, over a period of time, they will start going into production, because you cannot overnight put a new project and have them with all the freshers.

And like we have talked about in the past, it was an investment we are ready to make because you cannot overnight flip the model of putting freshers. And so, we are ready to make that investment and then start leading them into the production projects and rotate existing headcount. So, we are not so concerned. Over a period of time, that will start actually helping us.

The second thing about variable pay, we do not disclose the amount of variable pay during the quarter, and that is just something in the past we have looked at pay out to each quarter on performance.

Veena Mani

Inaudible question

Nilanjan Roy

Yes, that is been going on. Yes, absolutely. In fact, one of the projects is about helping us during this attrition - this whole project internally about predictability of promotions, and that continues unabated as people reach a certain seniority. And in certain levels, we are continuing that.

Rishi Basu

Thank you. The next question is from Sai Ishwar from The Economic Times.

Sai Ishwar

Hi gentlemen, good evening. So Salil, in the press release, you have said you have gained market share. Could you actually explain in which markets or in which functions are you gaining market share? And, also about the deal win, it has come at an elevated number right now. So, do you think going forward, it is sustainable? And also, could you tell us what worked this time? Do you think your automation capabilities helped in terms of winning a lot of cost-based deals? Could you just give us more colour on the deal pipeline and the wins? Thank you.

Salil Parekh

So, on what are the reasons for some of these deals that we are winning or the size and scale of it, I think you are absolutely right, the automation piece, the fact that we have a real strength and industry-leading capability has absolutely helped us. We think we are gaining market share, because if you look at the growth, average growth over the last 12 months, 24 months, 36 months, including in this quarter of the industry and you look at our growth, we

think we are ahead of the average. So, we are gaining market share from people who are below that average and it is in multiple areas. We have gained tremendous market share on cloud because of Cobalt, on the digital areas on data, on analytics and also on cost efficiency and automation, because we have the ability to take large platforms and programs and make them more efficient for our clients.

Rishi Basu

Thank you. The next question is from Ayushman Baruah from The Financial Express.

Ayushman Baruah

Hello. Hi, Salil and team, wishing you a very happy new year, first of all. So, most of the financials have been asked. So, I have something from a technology point of view. Last year, we spoke a lot about Metaverse, right? Infosys has also invested into it. So how do you see the adoption among clients? Is it still in the initial phases? Or have you seen the adoption pick up? That is one.

And number two is that last year, we also heard a lot about moonlighting, right? So over these months, has Infosys firmed up any policies around moonlighting yet?

Salil Parekh

So, on Meta, I think we are starting to see, as we discussed last time, some projects, some programs, especially as it relates to AR, VR in the manufacturing context, on a shop floor context, in an education training context and maintenance context. It is small right now, so it is not a large part of what we do, but we are seeing a steady sort of improvement on that.

On people doing gig work, we have made a clear statement a while ago. We are very much of that same view. We have built internal capabilities to support that. We have had a program, which internally we call Accelerate, which was put in place some years ago. And that program is being used to make sure it is done. We want to ensure, while doing all of that, client confidentiality is always maintained. But outside of that, we want to make sure that the employees have the ability to do some of this to improve and enhance their learning.

Rishi Basu

Thank you. The next question is from Haripriya Sureban from The Hindu BusinessLine.

Haripriya Sureban

Hi guys. Salil, you spoke about client spending. But specifically, when it comes to cloud, we hear that people are taking a re-look at their cloud spend and maybe even rethinking how much they are spending on it. So, what is it that you see on that front? What is your reading on it? And given the current environment, are customers looking at vendor consolidation? And would that be helping you going forward? Thanks.

Salil Parekh

On cloud, it is a significant part of what we see within our digital portfolio. We have seen good growth in digital all through the year and including in Q3. We do not split out the cloud growth specifically, but it is in good shape for us as the cloud business is growing based on Cobalt.

Overall, we have seen that there is a focus in some of the industry or some verticals that I mentioned earlier, where there is more attention to what should be done with these transformation programs and much more focus now on how to be more cost efficient. So that is going on as an overlay, but the cloud remains a strong part across all industries.

Haripriya Sureban

And on vendor consolidation?

Salil Parekh

On vendor consolidation, we see a tremendous benefit for us. We see many large enterprises are starting to look at things which are more in selecting a very small set of partners. And in many of those cases, Infosys becomes the preferred partner for our clients.

Rishi Basu

Thank you. We will move on to the next set of questions from journalists who have sent on text.

The first is from Jochelle Mendonca from ET Prime. Jochelle's question is one thing that we have seen is Salesforce talking about a slowdown and there is talk about a slowdown on the hyperscaler side as well. Given that you are a strategic partner to these companies, what are you hearing from them and your clients about the cloud, which has been a big driver of growth?

And the other question is, given the uncertainty, could you give any colour on how close to the growth your customer teams or any steps that you have taken to be able to capitalize when we see an upturn?

Salil Parekh

On the cloud, I think it is similar to what we were just sort of mentioning. Essentially, there is still emphasis on what is going on with the cloud. There are just different parts of the industries that are doing things differently. So, if you look at, for example, in energy or utilities clients, if you look at manufacturing, we see a huge movement today already with cloud with all of the components of our Cobalt capability. But in some other industries, it is less so. And therefore, overall, there is obviously less in that.

Rishi Basu

The other one was on the uncertainty. Could you give any colour on how close to the growth your customer teams or any steps that you have taken to be able to capitalize for the time when we see an upturn?

Salil Parekh

So there, I think we are positioned well with the fact that we have a very strong digital transformation capability. And even today as our clients are looking at it, that capability will become more and more critical as and when the overall economy also changes. And in that same time, the focus on cost efficiency will give us benefit. That is something that we can work on with clients to rationalize what they are doing with their spend across the technology platform.

Rishi Basu

Thank you. The next question is from Shouvik Das from Mint.

Salil, for you the question is, the per employee consolidated revenue declined further to \$54,000 level, down over 6% Y-o-Y. Does this show that employee costs have still remained high in the sector despite falling attrition rate? And is this something that we expect to see in the coming quarters as well?

For Nilanjan, a couple of questions. You have raised guidance for FY'23 on the back of a strong quarter. However, the number of active \$100 million-plus customers reduced by one during the quarter. Is that a factor of uncertainty coming from North America and Europe? And do you expect large deals to remain muted or even decline through the next quarter? This was already asked.

And there is another question. Revenue from India saw a 5.4% Y-o-Y constant currency decline, while the rest of the world, including Europe saw growth. What is the reason for such movement in market metrics?

Nilanjan Roy

Okay. So, I will start with India. So, India is a very small portion with about 2.5% of our global business is from India. And a lot of the work we do with our clients is also volume and transaction-led. So, you will see these pluses and minuses on a quarter basis on the growth figure. But like as I again said, it is only 2.5% approximately our revenue.

The second one was about the revenue per person. I think that is just a reflection of our utilization over the year, which was about 88%, and now we are at 81%. So that is just the math of the overall RPP as such. So, our margins have, like I said, quarter-on-quarter, remained stable. So that's a different way to look at the metric because we have also hired freshers during this time, who are sitting on bench and are in training in Mysore. But from a productive perspective, we have seen that utilization factor come down by only about one and a half percent during the quarter.

Rishi Basu

Thank you. The next question is from Shivani Shinde from Business Standard. In continuation to the earlier question on cloud, can you give some colour on cloud deals? If

cost transformation deals have gone up, why is the core revenue down in reported terms? Also, can you give some colour on the TCVs won this quarter?

Salil Parekh

On the deals, first, the reported terms have a lot of currency in it. So, we always look at our business on a constant currency terms. We think that's a metric, which is more stable and more indicative of how the underlying business is doing. So, the key for us there is the core is growing this quarter on a constant currency basis.

We don't typically give out the average TCV on our deals. The reality is we have a huge large-deals number at \$3.3 bn, and that makes a big difference as we look ahead into what is going on with the future of the business. On cloud deals, those really come back to what is the view of individual clients and within industries what's happening and then the overlay of the cloud as an ecosystem.

Rishi Basu

Thank you. The next question is from Reshab Shaw from the Informist. For Salil, you said Europe sees more stress, but segment revenue shows the region's share of revenue is going up. Going forward, do you see that changing? And what are the reasons that drove large deals even as you said there were delays in decision-making?

Salil Parekh

On Europe, to the earlier question about what is the overall economic environment like. We see the economic environment across the world slowing. Within that, relatively, Europe seems to be more slowing than the US today. For our own work, Europe is very strong. We have had a really good platform there, put in place over the last 18-24 months. And we are seeing the benefits of that coming through today and also some of the large programs that we launched in that last 18-24 months' time frame.

Rishi Basu

Thank you. The next question is from Debasis Mohapatra from Deccan Herald.

For Nilanjan, despite a fall in attrition and benefits coming from operational efficiency, why did operating margin not improve in Q3? Are large deals margin-dilutive in nature? When can we see revenue per employee inching up?

Nilanjan Roy

Yes. So, I think I have answered many of those. So, we have given our margin walk on 21.5% sequentially as well.

And the other one - large deals continue to perform well. You will see our overall strategy over the last four years since the large-deal strategy was put in place. At 21.5%, we are actually well above where we started around FY'20. So, despite all the large deals, we have seen that, as we go through the deal cycles, we have seen the improvement in margins. And

of course, new deals come into the funnel with lower margins, but that is a mechanism we have actually mastered, and I think that is something which we do every day.

Rishi Basu

Thank you. The next question is from Rohit Chintapali from Businessworld. This is a similar question in case you want to add any more colour to it. Your revenues from North America have declined sequentially and they have improved only marginally in Europe in Q3. This is in line with ICRA's report that predicts moderation of growth in the IT sector over the medium term. How do you plan to address these key markets as you expect tough times ahead?

Nilanjan Roy

If you look at our constant currency, we have grown in all the three geographies as Rest of the World, in Europe and in North America. Of course, the growth rates are different. But we are seeing a very strong pipeline in all the markets, like Salil has mentioned.

Rishi Basu

Thank you. The next question is from Harichandan Arakali from Forbes. Two questions. One is on hiring in the context of looming recession that I think, gentlemen, you have answered. The next question is, while there is the nuance of Infosys Cobalt and other such capabilities which may be useful to clients, overall, what does the recruiting scene look like in the coming few months?

Salil Parekh

On recruitment, I think we have already mentioned – first that we are increasing our growth guidance. We have talked about the recruitment that we have done across this year already. And as we see the demand environment building up, as we see utilization inching up, we will make sure that the recruitment utilization and the way we are training all of the college graduates makes it an efficient model for us to grow with them.

Rishi Basu

Thank you. With that, we come to the end of this Q&A session and the press conference. We thank our friends from media for joining us today. Thank you, Salil, thank you, Nilanjan.

Before we conclude, please note that the archived webcast of this press conference will be available on the Infosys website and on our YouTube channel later today.

Thank you very much and have a good evening.