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January 25, 2023

National Stock Exchange of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E),
MUMBAI - 400 051

NSE Symbol: LTIM

The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI - 400 001

BSE Scrip Code: 540005

Dear Sir(s)/Madam,

Subject: Transcript of Earnings Conference call held on January 20, 2023

With reference to the captioned subject, please find enclosed transcript of the Earnings Conference Call held on January 20, 2023.

Kindly take the above on record.

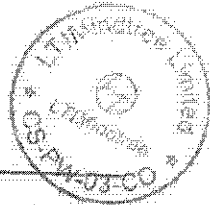
Thanking you,

Yours faithfully,
For LTIMindtree Limited



(Tridib Barat)

Company Secretary & Compliance Officer



Encl.: As above

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“LTIMindtree Limited's Q3 FY'23 Earnings Conference Call”

January 20, 2023

MANAGEMENT: *Mr. Debashis Chatterjee – Chief Executive Officer & Managing Director*
Mr. Sudhir Chaturvedi – President (Markets)
Mr. Nachiket Deshpande – Chief Operating Officer
Mr. Vinit Teredesai – Chief Financial Officer
Mr. Nitin Mohta – Head, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to LTIMindtree Q3FY'23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Mohta, Head, Investor Relations LTIMindtree. Thank you and over to you Mr. Mohta.

Nitin Mohta: Ladies and gentlemen, good day and welcome to the LTIMindtree Q3 FY'23 Earnings Conference Call. Please note that this conference call is being recorded.

Today, on the call, we have with us Mr. Debashis Chatterjee - Chief Executive Officer and Managing Director; Mr. Sudhir Chaturvedi – President, Markets; Mr. Nachiket Deshpande - Chief Operating Officer and Mr. Vinit Teredesai - Chief Financial Officer.

We will begin with a Brief Overview of the Company's Q3 FY'23 Performance, after which we will open the floor for Q&A. Please note that the numbers presented in an earnings release and fact sheet and reference in today's call pertain to the performance of the combined entity LTIMindtree unless stated otherwise. For the convenience of our investors, our Q3 FY'23 fact sheet has an addendum that presents comparable quarterly performance of LTIMindtree for the past seven quarters, starting Q1 FY'22.

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

I'll now turn the call over to Mr. Debashis Chatterjee for his Opening Remarks.

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

It is an honor to be part of this historic moment as we report our first ever earnings as LTIMindtree.

We are proud to have entered the Elite League of Top Tier IT Services Companies by merging LTI and Mindtree in a record time. What makes the feat even more remarkable is that we achieved it without taking our eyes off the business. This is validated by our strong growth in our very first quarter as a merged entity. It signifies the perfect launchpad to capitalize on a broader range of opportunities created by the growing appetite for digital transformation across every sector.

I am pleased to report that the combined entity has started out with a quarterly revenue run rate of more than US\$1 billion. For the quarter, our revenues came in at a Healthy US\$1.05 billion, up 16.3% Y-o-Y in constant currency.

We are pleased with our top quartile growth performance despite it being a seasonally soft quarter due to furloughs and fewer working days. We expect our sequential growth momentum to accelerate in Q4 as the impact of furloughs eases.

We delivered an EBIT margin of 13.9%. As expected, our Q3 profitability has seen a one-off impact of merger-related integration cost to the tune of 100 basis points. With the bulk of the integration cost behind us and in view of the growth tailwinds ahead, our endeavor is to return to our normalized profitability in Q4. We are pleased to report a robust order inflow of US\$1.25 billion.

Although LTIMindtree began operations only in the middle of the quarter, we are encouraged by early indications that the merger rationale is beginning to play out as expected. This ranges from complementarity of clients and solutions opening up significant cross-sell and upsell opportunities, to increase participation in multi-year, multi-tower deals by stitching together end-to-end solutions. I will cite a few examples later in my prepared remarks to illustrate this point.

Digital transformation as a means to serve the dual objective of driving revenue growth as well as cost efficiencies is an ongoing business imperative. We are at a point where technology and experience transformation have become so integral to business strategies that it is not easy to reverse or stall digital transformation programs. With our expanded well diversified offerings as a combined at scale entity, we are better positioned to help businesses address both objectives of digital transformation. LTIMindtree combines LTI's engineering and Mindtree's experience DNA's blending their problem solving and digital first trends into a unique value proposition that spans core to experience to edge.

Clients across sectors recognize this value proposition. In several instances, our increased scale has started paving the way for our elevation to a tier-one partner. We are pleased with our client conversations around cross-sell and up-sell possibilities.

While we see a higher level of caution baked into spending plans across sectors on account of macroeconomic dynamics, there have been no program cancellations to-date. Although some clients have deferred certain projects and are taking relatively longer to make decisions, the overall focus on longer-term transformation remains intact across sectors. For now, there is a marked emphasis on initiatives that generate cash conservation and speedier ROIs. In a number of instances, clients are focusing on cost takeout to fund their in-flight transformation projects. However, the pressing urgency to drive technology-led innovation to prepare for future opportunities, holds a significant long-term upside for our full stack end-to-end capabilities and deeper cross-industry exposure.

With that, let me now turn to our Businesses:

Our Banking, Financial Services and Insurance business surged 22% Y-o-Y. We are pleased to share that Banking and Financial Services portion alone is at an annual run rate of US\$1 billion. The continued revenue momentum was driven by significant deal wins, including new logos, rate increases, and a growing pipeline of large deals. While marketing technology and operations, cloud, risk and compliance and M&A integration drove sustained demand, we are seeing cost optimization, customer experience transformation and regulatory or efficiency-focused initiatives emerge as the key areas of focus.

In case of an American multinational Financial Services company, where erstwhile Mindtree was supporting MarTech operations, we have now expanded our engagement with erstwhile LTI's Temenos capabilities to modernize the clients core Banking platform.

In Insurance, we are a partner-of-choice to global Insurance in digital transformation and core platform modernization across segments, that is property and casualty, retirement and Health and life. The merger has resulted in an increased breadth of coverage in this sector, especially in life and annuity.

We have also deepened our domain expertise with significant skill sets across all major core Insurance platforms. For example, based on our enhanced competencies, a North American specialty insurer has chosen us to modernize and migrate to the cloud its core platform spanning multiple product lines and countries. Notably, the revenue from Insurance platforms has hit the US\$100 million annual revenue run rate.

Our Hi-Tech, Media and Entertainment business grew 9% Y-o-Y. The strong growth momentum that we witnessed in the Hi-Tech vertical earlier in the year, decelerated on account of furloughs. We continue to see demand across operations transformation, managed services and cloud engineering. Within Media and Entertainment, we secured renewals of some of our large managed services deals. In particular, we are seeing strong demand for platform services and application modernization, leveraging cloud for OTT streaming.

Our Manufacturing and Resources business grew 8.8% Y-o-Y. The growth in Manufacturing was the result of an improved outsourcing pipeline and good deal wins, especially in the automotive sector. We are seeing good continuity of spending as well as cross-sell opportunities in ERP, customer experience transformation, IoT, AI cloud, infrastructure and security.

Our Resources portfolio continue to see traction with clients focused on the digital transformation of core operations.

We are pleased with the opportunities we see across areas such as advanced metering, operational technology, security, asset management, ERP-led large scale transformation and cloud adoption and modernization.

Our Retail, CPG and Travel, Transportation and Hospitality business grew 10.7% Y-o-Y. Within Retail and CPG, clients are being cautious because of high inflation. Even so, they continue to invest in digital and data platforms to drive their digital transformation journeys.

Our Travel, Transportation and Hospitality business witnessed robust growth. We expect the momentum to continue in this business except for the real estate portion of the portfolio that could experience headwinds due to the increase in interest rates.

In the case of a global airline, an existing ERP client of the erstwhile LTI, we have expanded our engagement into other cutting edge business areas, leveraging erstwhile Mindtree's domain knowledge.

Our Health, Life Sciences and Public Services business grew 11.9% Y-o-Y. The strong performance of the Health and Life Sciences business which grew 23.6% Y-o-Y was partially offset by the project-specific softness in our Public Services portfolio.

In the Health segment, we are seeing traction in consumer Healthcare where clients are concentrating on areas such as remote patient monitoring, and home Health care. Life Sciences clients are focused on clinical transformation, leveraging digital engineering and cloud capabilities. We see significant market opportunity in Health and Life Sciences and continue to make investments to drive further growth.

In terms of geographies, North America contributed 72.3%; Continental Europe, UK and Ireland contributed 14.9%; and APAC, Africa and Middle East contributed 12.8% of our revenue during the quarter.

I take this opportunity to thank our expanded family of about 90,000 talented professionals for their dedication and hard work in seamlessly supporting our clients through the merger. We have undertaken a number of employee engagement initiatives and are encouraged by the response. An important part of the merger exercise has been to determine exact talent synergies and requirements for the combined entity to maximize its potential and the opportunities ahead. With that done, we are now ready to increase the momentum of hiring in line with our business demand.

As anticipated, attrition is showing clear signs of stabilizing; for the quarter, our LTM attrition was 22.3%. While we do not typically call out quarterly annualized attrition, it is pertinent to highlight that our quarterly annualized attrition declined by more than 6% to around 18%. We believe there is room for attrition to trend down further.

I will now turn over the call to Vinit for Q3 Financial Highlights.

Vinit Teredesai:

Thank you, DC. Good evening and good morning to everyone on the call. It is great to be with all of you for our first quarterly earnings as LTIMindtree.

We celebrated the historic inception of LTIMindtree through a green gesture by planting one lakh saplings, one for each member of the LTIMindtree family across six states in India.

Let me now take you through the Financial Highlights for Q3 FY'23:

We are happy to start our combined reporting with a strong quarter on the top quartile performance. Our revenue stood at US\$1.05 billion, up 14% on Y-o-Y basis. The corresponding constant currency growth was 16.3%. EBIT margins came in at 13.9% as compared to 17.5% in the previous quarter. The impact of furloughs and fewer working days was 130 basis points. Integration-related costs amounted to 100 basis points. And increased employee and operational costs resulted in an impact of 130 basis points.

Net FOREX gain for the quarter was US\$5.9 million, compared to US\$2.5 million in the previous quarter. PAT margin for the quarter was 11.6% compared to 14.5% in the previous quarter. The absolute PAT in Q3 was INR 1,000 crores. The effective tax rate for the quarter was 23.6% as compared to 23.9%, in Q2 FY'23. Basic earnings per share was INR 33.80 for the quarter as compared to INR 40.20 in Q2 FY'23.

In Q3, the billed DSO stood at 61 days compared to 56 days in the previous quarter. The DSO including unbilled revenue was 90 days compared to 85 days in the previous quarter. For the quarter, operating cash flow to PAT was at 65.8% versus 63.6% in the previous quarter. Our robust cash management led to cash and investment balances of US\$978 million or INR 8,086 crores compared to INR 7,703 crores in Q2 FY'23. Return on equity for the quarter was 30.3% versus 32.6% in Q2 FY'23.

Our utilization excluding trainees in the quarter was 82.9% compared to 83.5% in the previous quarter. As of December 31, 2022, our cash flow hedges stood at US\$3,871 million, Hedges on the balance sheet were US\$370 million.

The board of directors have recommended an interim dividend of INR 20 per equity share.

I now hand it back to DC for an Update on Integration and our Business Outlook.

Debashis Chatterjee:

Thank you, Vinit. As you are aware, LTIMindtree came into existence effective November 14, 2022. Since then, both organizations are fully aligned under the new jointly evolved organization structure and vision. Thanks to our extensive chain management experience, all vital aspects of the integration, including ongoing client projects, knowledge transfer and talent realignment are progressing as planned. We are ready with a roadmap to realize the revenue and cost synergies presented by the merger. It encompasses a wide spectrum ranging from further diversification of offerings, cross-selling, up-selling, and cross-pollination of learnings and capabilities to gain wallet share across our expanded portfolios to pyramid optimization, working capital efficiencies, inorganic growth and operating leverage resulting from scale.

It is evident that we are embarking on our journey as LTIMindtree from a position of strength. Our end-to-end services portfolio, comprehensive capabilities, strong sales engine, proven account mining and Healthy balance sheet position us well to continue delivering industry-leading revenue growth as a combined entity.

As clients are still finalizing their IT budgets for next year, we will have greater clarity on the exact spends only later during the fourth quarter. Notwithstanding any near-term impact of budget changes on short notice, we still remain upbeat about the longer-term demand for our end-to-end offerings.

In a rapidly converging world, giving rise to newer business models and revenue streams, our promise is to help businesses harness the full power of technology and reinvention to get to the future faster. We are now ready to tap into our enhanced diversity of scale and capabilities to advance towards that goal and look forward to reporting many more successes in the coming quarters.

Let me now open the floor for Questions.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management. Please go ahead.

Sudheer Guntupalli: DC, a couple of questions. Looks like the weakness in both revenue and margin was largely led by the erstwhile top Hi-Tech account. Is this entirely furlough-led or any part of this was driven by certain, client-specific spending bottlenecks, or maybe our internal sales or delivery bandwidth issue given that we are also going through integration and naturally there would be some distractions during the quarter?

Debashis Chatterjee: So, let me give you some high-level comments and then I let Vinit and my other colleagues comment. See, as far as the margins are concerned and as far as the integration is concerned, we have been very upfront that we will see some one-time impact of integration. And what you see in terms of the drop in margin, and as Vinit articulated, 100 basis points is due to the one-time integration cost, majority of that we have already baked into Q3. You know that Q3 is a seasonally weak quarter, and we tend to have furloughs during this quarter, and also the number of working days are little less. So, given all these things, we knew that there will be some impact because of furloughs. And to add on to that, we have also seen that because of some macroeconomic conditions, in some clients, we have witnessed a little higher furlough than what we had anticipated. So, that's the furlough part. And which is again, we hope that as we get into Q4 and beyond, the impact on the furlough is not going to remain and the majority of the loss that we had because of furloughs should be coming back. In terms of your other point in terms of sales and delivery, etc., I don't think there is any issue over there. I think the structures are all laid out. But you would have to also appreciate that we just had six weeks of time beyond 14th of November for us to really share data, understand some of the synergies, etc., So, we had anticipated some of these things as we went along. But our overall endeavor and confidence is

that come Q1 of fiscal FY'24, we should be able to again get back to our industry-leading profitable growth story as we have demonstrated as the two independent entities erstwhile earlier. So, I hope that clarifies... and Vinit, anything to add now?

Vinit Teredesai: DC, to a specific point which you mentioned, I wanted to clarify that there is no weakness found in that erstwhile top account that you are referring to.

Sudheer Guntupalli: So, basically a lot of this will be regained in the subsequent quarter if it is just a furlough/working days kind of an impact, is that understanding correct?

Debashis Chatterjee: I think that's a fair understanding.

Sudheer Guntupalli: Vinit, you mentioned there is an increased employee cost of 130 bps. So, is this sort of one-time bonus or anything you have given to employees because of the integration? Secondly, a related question is that, I think some of your exchange filings earlier suggests that the earlier ESOP grants are being distributed to some employees. So, if you can speak about how broad base the coverage would be, and what percentage of senior employees would be covered, and how they would be taken care of given that naturally when the corporate actions happen, it is natural for everyone to expect some sweeteners or retainer benefits?

Vinit Teredesai: When I mentioned on account of operational aspects, we need to understand that as some of the revenue which has got eliminated, the percentage of employee cost to that extent has gone up. There is a once in a quarter seasonal impact of as the freshers come into the mainstream, some impact of their annual increment comes into the play. And ESOPs, yes, that's a new cost that has come in this quarter, but it's only for the part of the quarter. So, there will be a little bit of an additional uptick in the next three quarters. After that, it may start a little bit subsiding down based on the current grants that have been given. And you have to look at the cost, as such, if our cost base, the percentage has not gone up, it is only because of the sort of revenue that has gone down because of the furloughs, it looks like the percentage of the employee cost has gone up a little bit.

Sudheer Guntupalli: Even if you expect there is some incremental ESOP related costs, you still believe that we'll be able to reach back to our earlier profitability levels by the next couple of quarters?

Vinit Teredesai: Yes, the whole intention of this merger was obviously to get the revenue over cost synergies over a period of time and revenue synergies on the front ending side of it. As we enter into that, our hope is that starting from FY'24, we should be able to come back to our industry-leading profitable growth story.

Moderator: The next question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: So, DC, a couple of questions from my side; one for you and one for Vinit probably after that. So, we've seen very good growth in the BFS segment and also the verticals basically in terms of

a strong growth in the Retail and transport vertical as you mentioned. Just wanted to pick your brains, specifically in these two segments, I think base is they would not have been too much of a client overlap, be it Retail or travel or Hi-Tech. The little client overlap that we've had, how is that process going on in terms of overall aligning the sales team and all? And to that extent, how are we equipped, I mean, are we focused in terms of allocation of all the sales heads, geography heads, vertical heads to the entire team, I mean, are there any wide spaces which are there to be addressed or is the integration and the allocation of roles and responsibilities complete at the company level?

Debashis Chatterjee:

Thank you, Vibhor. If I understand your question correctly, if you are talking about the overlap of clients across the two erstwhile entities, they're just a handful. And I think that was one of the exciting part of this integration, because we can cross-sell and up-sell to a host of 700-plus clients where only one of the organizations was present earlier. So, one of the things that we ensure that none of these clients see any change on the ground in terms of the teams that they have been working with, and we took care of those aspects and all those designs are complete as we speak. So, I don't think there is anything else that we need to address per se as we go along. So, there is no wide space per se in terms of any of the accounts where we have to get new leaders and all those things. One of the objectives of the integration was to ensure that we keep the same leadership, the same client behaviors, the client confidence in terms of most of the clients. And you asked about BFSI. I think, I can say that BFSI is one segment which had an overlap between the two organizations. But I am happy to say that the growth that we have seen in BFSI, the accounts on both the sides have grown fairly well. And now obviously, we have an integrated BFSI practice where it's kind of all come together, and BFSI looks extremely bullish for us, so far we have not seen any indications that clients want to stop many of the programs that are doing, especially, BFS is very, very strong. And as far as Retail, travel, transport is concerned, I said that, that has also done well, but we do have some portfolio, which is on the real estate side. And obviously, given the interest rates increasing, there has been some impact on a specific portfolio, which I think hopefully should come back at some point of time when the client is realigning their priorities and budgets. So, I hope I've answered the question.

Vibhor Singhal:

My second question is for Vinit. Basically, if you could just delve a bit deeper into the margin that you talked about. So, as you mentioned around 100 basis points was the integration impact, which of course, you and DC called out is going to be non-recurring one and we'll see that reversal in next quarter. On the furloughs due to the fewer working days, impact of 130 basis points, that of course should take care of itself and the growth comes in the other quarter. Just on the increase in costs, if I can delve on that once again, so, the impact of this 130 basis points, if I understand correctly, you are trying to say that basically as a percentage of revenue that has kind of gone up. But has the cost gone up in terms of some retention bonus or annual increment as you mentioned in this quarter, which is going to maybe even out in the coming quarters as those comes in or is it going to be a recurring part and part of the base now?

Vinit Teredesai:

No, it is the latter, it is part of the base and it is going to continue. Only thing is you will not see an incremental impact coming up. As I mentioned, from a percentage perspective, the cost has

gone up a little bit, but compared to the revenue growth, the increase sound is a little bit more higher. Only component which has come up in this quarter which is driving down cost a little bit is as I called out, the cost on account of the annual increment that gets rolled out to the freshers after they come back into the mainstream population.

Vibhor Singhal: We are going to follow this Q3 increment cycle for the freshers here after or that's yet to be decided in terms of when we're going to provide those on an annual basis?

Vinit Teredesai: It is not a Q3 cycle, it all depends upon when the freshers join us. So, the impact of that gets scattered over a period of full year. So, we don't take all the freshers in one-go, we take them over a period of four quarters, and as each batch completes the anniversary, they get that increment.

Moderator: The next question is from line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: So, just a follow up on the previous one. So, I was not sure if we were following the same practice earlier because this time for the first time we had this 130 basis points increment coming up in the third quarter. So, while estimating ahead, should we assume that this will keep recurring every third quarter or will you sort of revert back to one wage hike cycle during the year?

Vinit Teredesai: You also need to understand, Mohit, that both the companies had a different intake cycle of the freshers. So, now what you're seeing is basically combined effects; some will come in Q3, some will come in Q4. But with the growth, I don't think so this impact is a cause of worry, this will get easily absorbed. Our freshers intake and fresher absorption into the mainstream is very, very strong. And that's where we believe that once we are into the normal period in FY'24, we will be able to leverage this and gain momentum on our margins.

Mohit Jain: So, the next hike we should factor in is approximately Q2 or Q3 for FY'24?

Vinit Teredesai: Mohit, are you talking about the freshers or are you talking about the general?

Mohit Jain: No, the overall impact that we are going to experience in the margin?

Vinit Teredesai: That we have not yet defined, because both the companies had a different cycle. We are in the planning process right now. So, in the next quarter, we'll be able to give color in terms of when to anticipate that impact.

Mohit Jain: Is there any reclassification from gross cost to SG&A because of the integration, because when I try to adjust your INR 80 crores amount for the 100 basis points merger-related expenses, even then it appears that SG&A has gone up quite sharply and because of which EBITDA growth is not there even on a YoY basis?

Vinit Teredesai: No, there is no reclassification apart from the marginal ones, but nothing material to call out.

- Mohit Jain:** And this 100 basis points includes INR 50 crores that you have put in the footnote of release?
- Vinit Teredesai:** That's right.
- Mohit Jain:** The 100 basis points includes that stamp duty provision of INR 50 crores as well, or should we take into account -?
- Vinit Teredesai:** That's right, that 100 basis points includes the impact of the INR 50 crores.
- Mohit Jain:** And last one on the revenue side. Is there any pass-through which we have experienced because LTI usually had a strong seasonality in second half, is there any break up that you guys can give on pass-through that you would have got in the third quarter?
- Vinit Teredesai:** Yes, we do have a pass-through, but now in a combined organization, that number has become insignificant to call out.
- Mohit Jain:** So, we will not get it going forward, is it?
- Vinit Teredesai:** No, we will, but that number remains constant, on a billion dollar basis has become insignificant for us.
- Mohit Jain:** So, we should safely assume whatever happened in Q3 should be the number in Q3 FY'23 as well?
- Vinit Teredesai:** Yes.
- Moderator:** The next question is from the line of Sulabh Govila from Morgan Stanley. Please go ahead.
- Sulabh Govila:** So, the first question that I had was with respect to the normalized profitability levels. So, DC, we mentioned that we hope to return to these levels in FY'24 starting from next two, three quarters. But just wanted to understand what are those levels now, I mean, LTI used to operate at 14% to 15% PAT levels and Mindtree at 20%-plus EBITDA, so, in a combined entity, how should we look at that?
- Vinit Teredesai:** We are not giving any guidance. What we are saying is that we will return back to those industry-leading profitable growth, that's our aspiration, and that's what we are confident on. As you know that the levers are pretty much the common, we will try to leverage more on getting us much more, I would say, going to the customers getting little bit of a price increase benefit for the niche skills, keeping our utilization in check, keeping our headcount given that the base has now become pretty strong, and also right now out of the general macroeconomic caution, we will not go and do excess hiring than what is needed, leverage our bench very well. So, these are a couple of things, which we will be in a position to sort of use it to our advantage and bring the margin back on track.

- Sulabh Govila:** With respect to Q4, out of these margin impact that we mentioned, how much of it is sort of reversing, because it wasn't very clear to me if everything is reversing here with respect to furloughs and the merger-related cost?
- Vinit Teredesai:** See, the merger related cost, as DC called out, most of that has been already baked in Q3 numbers. There might be some marginal portion, not definitely to the extent of 100 basis points impact coming up in Q4. Similarly, on furloughs, the impact is 130 basis points. Some portion may remain but not to the extent of 130 basis points as what we have called out. So, you can make the math and look at what to expect.
- Sulabh Govila:** My next question was with respect to the leadership structure that we have right now. So, I just wanted to understand that which verticals and sub-verticals right now would have a co-head structure given that some of the verticals were overlapping, so how have you gone about that?
- Debashis Chatterjee:** You have to understand one thing that one of the things that we thought about as far as this merger is concerned that we should have minimal impact to our clients. That was one of the prime considerations as we designed the structure. And while designing the structure, we also ensure that we can get the synergies across the leadership and across the organization in terms of the various industry practices. So, for example, we have now brought in the Banking, Financial Services and Insurance of both the erstwhile companies under the leadership of one market leader in the organization. So, we have done some of those adjustments internally just to share one example. But, overall, we have ensured that there is zero disruption. And we feel that there's a lot of work to be done, there's a lot of cross-selling and up-selling that needs to be done. And keeping that in mind, we have gone with the structure that we have talked about.
- Sulabh Govila:** Just a bookkeeping one. Vinit, how should we expect on the tax rate going forward, is the current tax rate we should be building?
- Vinit Teredesai:** So, for the next quarter, you may see it to be pretty much in the current range of 23.6% to 24%. From FY'24, you can anticipate it to be in the range of 25% to 25.5%. Obviously, this is subject to no changes in the budget.
- Moderator:** The next question is from the line of Ruchi Burde Mukhija from Elara Capital. Please go ahead.
- Ruchi B Mukhija:** I wanted to take your thoughts on the cost deals. We have heard from you, also from your peers, that there are a lot of focus on cost optimization deals. Could you talk about how in terms of tenure and other deal dynamics, what do you see ? Are they large tenure or any other characteristics that you would want to call out?
- Debashis Chatterjee:** Let me give you some color and then I will request Sudhir to add. See, Ruchi, what happens is typically when the clients are looking at cost takeouts, it has to be a multiyear transformation deal because you typically cannot do the cost takeout unless it is 4-5 years tenure, so that is something which we are seeing right now in the market place, but the more important thing that

we need to understand is that the last two years, the clients have started so many transformation initiatives within their organizations. It is very important for them to continue with the transformation initiatives and not stop them because if they stop them, then they will lose the benefit of all the effort and cost they have spent. So, keeping that in mind given the fact that there are some uncertainties in the macroeconomy and the uncertainties in terms of recession, in terms of interest rates, all these things, clients are now looking at how can they self-fund their transformation which means that if you look at opportunities of cost takeout and if you can take that cost out and fund your ongoing transformation, so we are seeing quite a few opportunities like that where clients are very keen to discuss in terms of cost takeout and typically they are 4 to 5 years or even 5 years or longer as well in some cases and the only difference I would say is that it is very much keeping in mind that they want to continue with ongoing transformation. Again, going back to the commentary that I made, there are certain situations where we see clients are slowing down their programs, but we have not come across any situation where clients are completely stopping their programs. Sudhir, you want to add anything.

Sudhir Chaturvedi: Yes, I think DC the only thing I will add is that if you look at, there are pockets of growth in some verticals and service line, but from a cost perspective there has been quite a significant investment in digital data and cloud related technologies especially over the last 3 years and clients are looking at the ROI from these investments and those they are structuring as multiyear deals and that is where we see net new deal activity happening besides the multigenerational outsourcing deals that continue.

Ruchi Burde Mukhija: I have one more question, are you seeing your competition changing, this I am asking more in the context of multitower deals that DC spoke earlier, this I am asking keeping in mind that though the formal or the legal entity took shape in mid-November, this merger was in making for close to one year, so have you seen change in competition especially for large deals that might be in pipeline for you?

Debashis Chatterjee: I think even if you look at the erstwhile entities of Mindtree as well as LTI, we were anyway competing and winning deals against the tier ones as well as mid tiers etc., so I don't think there is any change in terms of our competitive landscape, but the good thing is given the fact that we have brought the strengths of the capabilities together, our ability to support deals which is typically core to experience to edge proposition, I think that is much more compelling at this point of time and we think that is going to give us an edge in terms of stitching end-to-end solutions with many of the deals that we are pursuing right now.

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

Ravi Menon: Gentlemen, congratulations on the merger, I have two questions, one, DC, do you think that with merged entity having sized closed to 100,000 people, are you able to now target larger deals and starting to set up a large deal team to go after perhaps even deals as big as US\$500 million?

- Debashis Chatterjee:** Yes, so the answer is absolutely, yes. We don't need to set up large deals team. We already have large deals team across both the erstwhile entities. We have just ensured that we have a common leader across those two and bring all the capabilities together and one of the rationale of this merger was that we should be able to pursue larger deals and when we talk about cost takeouts that is when the large deals get created and I am hoping that we should be able to talk about more of this in the coming weeks and quarters.
- Ravi Menon:** And second is, as a combined entity, do you think that in absolute because the employee base is now much bigger, will we top out utilization at a higher level than we did as individual firms?
- Debashis Chatterjee:** That is the endeavor. I think we should be able to do that, but you have to give us some time, but we should be able to do that as we bring in more operational efficiencies and rigor.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** DC, just wanted to understand because the expectation from the management side as well as investor side is the merger will lead to one plus one being greater than 2, so how are we measuring this KPIs in terms of large deal traction where average size of deals above US\$50-100 million, are you witnessing that despite we are very new in terms of post the merger announcement, the pipeline in terms of number of deals above US\$50 million, US\$100 million, cross selling, up selling has started firing or it will take slightly longer time and one can expect this to happen more in FY'24 rather than second half of this financial year as a whole, so how are we tracking this as a metric?
- Debashis Chatterjee:** Well, that is a great question, Sandeep. I think one plus one more than 2 is not just only for deals, it is across the organization. If there is any internal message that has gone to the organization, everybody, whoever is doing whatever in their spear of life they should think of how can they do things better and that is what we mean by one plus one more than two, so across the board, across all activities and across all aspects of the business, but to your specific question on deals, we talked about the order inflow and also the pipeline which we have not talked about. We have a very healthy pipeline and we are seeing some large deals in the pipeline as I said that some of the cost takeout deals as we are pursuing now, they tend to be multiyear and eventually they also tend to be slightly larger in terms of size and scale. So, absolutely, yes and as I said earlier, it is a previous answer that we are very hopeful that we should be able to talk about some of these things, some of these large deal wins because we are in the advance stages in many of these opportunities and we should be able to talk about this in the coming months and quarters.
- Sandeep Shah:** The total order intake which we have reported this quarter is the metric which can repeat every quarter?
- Management:** Yes, that is the intent.

- Debashis Chatterjee:** Yes and also just to add on Sandeep, I think the other thing which I should also call out is as a management team when we have got together and tried to look at the metrics, the other important metrics is that over a period of 4 to 5 years, we want to create a revenue synergy of at least US\$1 billion and we should be also able to get a synergy of at least 200 basis points in terms of margin over the next 4 to 5 years. That is the target at a very broad level we want to set for ourselves.
- Sandeep Shah:** And because of the macro issue, is there any client specific issues are we witnessing in our top 10 or top 20 accounts as a whole because we have lot many clients within the Hi-Tech as a vertical and lot many has announced the cost takeout plans, layoffs as a whole, so is there any budget pressure in some of our top clients as a whole?
- Debashis Chatterjee:** No, as I said Sandeep, there is no pressure per say, but there is definitely at least in isolated cases where clients have, they have deferred the start of some programs and they have also slowed down some programs, but I guess this is purely temporary in nature, but in the same client scenarios we are also working with them in terms of cost takeout because the reality is the amount of transformation in each of these clients have started in the last 2 years, they just can't stop the transformation. So, they can slow it down, but slowing down doesn't mean you don't do anything, instead what they are doing is they are looking at how can we take some cost out of the system. So, as we are doing transformation, which is slowed down little bit in some cases, but there are also cost takeout opportunities in the same client. So, we are working on that and that is what I told you that we are very confident that we should be able to talk about more of some opportunities in the coming months.
- Sandeep Shah:** And last question, any policy on the payout as a merged entity in terms of cash distribution back to the shareholders?
- Vinit Teredesai:** That continues to be in line with what we have delivered in the past by both the erstwhile companies, but we have not stated that in those many terms, but our intent is to sort of keep the payout in the 35 to 40% range annually.
- Moderator:** Thank you. The next question is from the line of Pankaj Kapoor from CLSA. Please go ahead.
- Pankaj Kapoor:** DC, my first question is on the order book that you have reported, I am presuming it is for the entire wins, just not make it to large deals, so if you can give some perspective for this US\$1.25 billion number, how does it compares in a Y-o-Y or Q-o-Q basis, so we can understand how does it paid or we can interpret correctly, that is the first question?
- Debashis Chatterjee:** Let me request Sudhir Chaturvedi to answer that.
- Sudhir Chaturvedi:** So, Pankaj, this US\$1.25 billion is the overall order inflow in this quarter, so that is the way to look at it and it is in the first quarter that we have adopted this measure and disclosing it, so this will be tracked from this quarter onwards going forward and if you were to look at comparison, I think you compare it with quarterly revenue, but look at it over a four quarter cycle at least,

that will give you the overall trend. So, that is our advice on this new disclosure that we are making from this quarter onwards.

Pankaj Kapoor: My second question Vinit is on the margins, so last year, same quarter we had 18.5%, previous quarter we had 17.5% and I understand that some of the costs over here are onetime which will not be recurring, so still looking it from a longer-term perspective and the merger synergy should come in especially on the cost part, you think we should go back very quickly to the pre-merger margin level of 17.5% or you think it will take time and I think you spoke of 200-300 basis points improvement over a period of time, but if you can give some color in terms of how quickly we can at least go back to the premerger levels itself?

Vinit Teredesai: As I had mentioned earlier, the expectation is that the Q3 we had the maximum impact on both operational as well as the merger-related issues. Marginal impact will come up in Q4, but on an overall note, our expectation is that we should be able to climb up on our margins. Starting FY'24, our intention is to return back to the industry leading profitable growth story and the point which DC mentioned about 200 basis point incremental margin that is over a period of 4 to 5 years compared to what both the companies would have probably delivered or were delivering independently. So, that is in addition to what our aspiration of industry leading growth is going to be in FY'24.

Moderator: Thank you. We will move to the next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Just on continuing on the margin point, I am a bit not clear about the employee related cost which you explained, is it something different which we are doing for freshers compared to the earlier practice which both companies used to have about giving annual increment because I think that might be the usual practice where we might be giving annual increment at the end of first year, if you can clarify that thing?

Debashis Chatterjee: No, this is not something new, this is something which we have been doing it consistently in the past as we mentioned that in the past 2 years we were in a very high growth trajectory, the impact of furloughs, etc., was not as high as what we have seen in this particular quarter. That is why you are feeling it that this time that the cost as a percentage has gone up because of the severe impact of the furloughs, but this is not something new, this has been done in the past. The only difference is both the companies had different cycles of intake of pressures. That is why in the past independent companies, you would have probably seen that impact in one or two quarters. Now, you may see it is slightly evenly spread out across the year.

Dipesh Mehta: So, broadly furloughs impact is separately given, so 130 bps is what we called on, but this 130 bps is now part of the core structure and likely to persist, that is what broadly your suggestion?

Debashis Chatterjee: Yes.

- Dipesh Mehta:** And last question is about, if you can provide some sense about how you expect growth trajectory in Hi-Tech media and entertainment considering the overall macro situation and I think some of the peers indicated some kind of softness in that sector?
- Debashis Chatterjee:** Let me request Sudhir Chaturvedi to take that.
- Sudhir Chaturvedi:** I think, let me give you a broader demand outlook, right, so if you look at the overall demand picture, there is actually work to be done. If you look at the CIO book of work, there is work to be done, but there is boardroom caution which is filtering down to pending decision. So, that is what we are seeing in the market on an overall basis, DC was referring to that there are certain projects that are being done over a longer period of time or being deployed. Now, in that if we look at vertical so Banking, Insurance, Energy, Utilities, Travel and Public Sectors seems to be resilient even in these macro scenario and from offerings perspective, the multiyear transformation initiatives continue. In addition to this, the spend on data, cyber, cloud continue to be unaffected and actually clients, the spend on the experience related technology base which is critical for their revenue growth that also continues to be resilient. So, in that context, there are a couple of verticals where there has been some reset in terms of budgets and in terms of priorities of spend which, for example, Hi-Tech is one of them, but we have got, I think the good thing of LTIMindtree is we have got overall group of verticals where we can continue to focus on the right verticals for growth and we should see some return to growth back in the verticals that were slightly soft in Q3 FY'23, we should see that back in Q4 FY'23.
- Moderator:** Thank you. The next question is from the line of Kawaljeet Saluja from Kotak Institutional Equities. Please go ahead.
- Kawaljeet Saluja:** My question is twofold, Vinit, you mentioned in some participant's earlier question that the impact in this quarter in Hi-Tech is not related to the largest account of erstwhile Mindtree, is that correct?
- Vinit Teredesai:** That is right.
- Kawaljeet Saluja:** So, how come basically that the impact given the dominance of that client in the overall vertical revenue, I am just surprised that why did the margins of Hi-Tech segment then declined so much on sequential basis?
- Vinit Teredesai:** It is on account on furloughs that you have seen in some other accounts in the Hi-Tech part of it. That is the reason for the decline.
- Kawaljeet Saluja:** The second question I had is, Vinit again on profitability, you mentioned that 130 basis points impact is due to compensation increase that possibly at the freshers' level, is that reading right and do freshers got that much of a hit on profitability?

- Vinit Teredesai:** So, the entire 130 basis point is not on account of freshers, it is one of the component that is driving down the cost which I wanted to call it out, but obviously as we look at the comparative numbers, some portions of the cost that were there in Q2 FY'23, not fully maintained for the quarter are now hitting us from a run rate basis for the full quarter for both the companies put together. So, that are those 2-3 factors that put together are causing that impact.
- Kawaljeet Saluja:** I am sorry to persist Vinit, but was it not the full count increase in both the companies already announced effective first of July, I think in case of LTI it has happened in the first quarter itself, so what was that incremental cost?
- Vinit Teredesai:** Kawaljeet, while we do our annual increment cycle in a specific period, but we also continue to do certain interventions in between wherever the need arises because of the demand while the attrition numbers are showing the softening of demand, certain niche skills do still have certain inflationary pressures and we have to do those interventions also and do some corrections on the way.
- Kawaljeet Saluja:** And how do you claw this back Vinit given that the cost increase seems to be intervention based and sticky in nature?
- Vinit Teredesai:** So, we continue to go back to the clients and look at price increases, rate increases wherever possible. We have been able to gain that in the past multiple times and we intent to get this back in the coming year.
- Kawaljeet Saluja:** Just a final question, Vinit, I guess you would have had too many on profitability, so various participants have asked, what is the normalized level of profitability, 18%, 17%, 17.5%, 18.5%, now I understand that your focus is profitable growth while what all of us are waiting for is that you know the definition of that profitable growth, so would you be able to detail out what the profitable growth implies?
- Vinit Teredesai:** Kawaljeet, nice try, but you know that we do not give any guidance with reference to our profitability. What we intend to say is that both the companies independently were delivering a certain amount of profit margins. Our intent is to return back initially to that margins in FY'24 and from there, over a period of time, as a part of this merger, gain momentum and add another 200-basis point over the next 4 to 5 years in terms of profit margins. So, that is the intent what we were trying to say. So, I think while I have not called out the numbers, I have given you the indication in terms of where it is likely to be.
- Moderator:** Thank you. The next question is from the line of Ashwin Mehta from Ambit Capital. Please go ahead.
- Ashwin Mehta:** Just wanted to check in terms of our cash generation, our cash generation seems to be muted at around 48% OCF-to-EBITDA or 36% FCF-to-PAT and this was similar last quarter as well, so what essentially is driving that and when do we see that come back to our normalized levels?

Vinit Teredesai: So, Ashwin, as you know that our merger happened in the middle of the quarter and we initiated, the novation agreements etc., with the customers just being sort of probably very difficult, it is probably not the best quarter in terms of getting those contractual changes done in a very quicker way because most of the customers go on vacation post the 15th of December, so we had only 30 days honestly to push for and get few of these things done. This delay in some of these novation, etc., is resulting in delay in doing the invoicing as well as delay in collection of some of the past dues because some of the customer systems also need to update the latest name of the company and ensure that the bank accounts related to the right profile are being tagged to so all of these things, I don't want to bog you with the operational details, but the fact is that this sort of nitty-gritties have resulted into a little bit of a lower cash generation in this quarter. We are absolutely putting our best foot forward to bring back that mojo of doing the collections well in time. Our anticipation, my personal aspiration on this would be to get back to the 50 to 55 days billed DSO range in the next couple of quarters. So, between Q3 FY'23 and Q4 FY'23, you may see a little bit of a disruption, but starting Q1 FY'24 we may return back to those holdings.

Ashwin Mehta: Just one more strategic question, so as we start to chase some of these larger multiyear cost efficiency deals, would we need to spend or invest in terms of the large deals team as well as may be relax some of our operating parameters like say we are the most offshore in terms of effort within the IT universe at almost 85% offshore efforts, so would some of that change because some of your larger competitors work at almost say 8% to 10% higher offshore-on-site effort compared to you?

Vinit Teredesai: Ashwin, I don't think, as far as the large deal is concerned, we already have everything in place, so I don't think there is anything to do additional, but in terms of some of these large deals what it tends to happen is for a multiyear deal, the first 12 to 18 months seems to be a little challenging in terms of margin dilutive to some extent and we have to take a prudent call in terms of how to manage that, so that over a period it is kind of profitable for us, but beyond that I don't think there is anything specific that we worry about in large deal. Instead, we are very excited that we are able to engage in some of these conversations and as I said earlier, we should be able to talk about some of these things, some of the announcements as we go along, but I can only tell you that as part of the pipeline, there are quite a few conversations we are having with respect to some of these multiyear cost takeout opportunities.

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

Mukul Garg: Just couple of clarification, first on from Sudhir Chaturvedi, while we understand like this is the first time you guys are giving that combined order inflow number, but can you just help us qualitatively how we should kind of look at this because earlier obviously both these companies used to adopt different ways of sharing that information while we are seeing fairly strong growth in terms of the deal inflow across your peer group, can you share some sense in terms of how you are seeing order inflow versus how can it used to be earlier?

Sudhir Chaturvedi: So, Mukul, just let me reiterate this is the difference better order inflow and order book, so this is not a book, this is the inflow within the quarter. So, the deal wins within the quarter totally added up is what we are reporting to you on an order inflow basis. I would say, reiterate what I said earlier, please compare it vis-à-vis our revenue run rate, so if you see it is approximately 20% above our revenue run rate for the quarter. That is the metric you should keep in mind and then track it over four quarter period use this as the base, but we will continue to provide this data to you as LTIMindtree.

Mukul Garg: But just to again persist on this, how should we look at this inflow number, are you seeing more kind of increase in deals which are kind of flowing in from your clients or like is the pace kind of moderating the different cycle kind of gets elongated?

Sudhir Chaturvedi: So, I think as DC mentioned, the overall pipeline of the organization continues to be strong, in fact the large deal pipeline, I would say that the record level at the LTIMindtree level, so we are seeing good deal traction as clients look to do both. There are several deals where there are cost takeout plays as well as there are deals where clients are still continuing on multiyear transformation programs whether be in the digital and cloud arena or in the ERP arena, so we are seeing both those spends continuing.

Mukul Garg: And DC one clarification, you mentioned that you are kind of trying to keep the structure intact, so how should we kind of think about the structure of co-head of sales, will that also continue or is that being folded now?

Debashis Chatterjee: I think the initial thought process has been that there is so much of activity right now. We require two market leaders, but at some point of time, I think it will get folded, but at this point of time, given the activities, given the clients, given the cross selling, up selling, we need to do that. That is why we wanted to have that, but over a period of time, we will see a change.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Nitin Mohta for closing comments.

Nitin Mohta: Thank you everyone for joining the call and support. You may now disconnect your lines.

(This document has been edited for readability purposes)

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