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July 21, 2022

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

**NSE Symbol: LTI**

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

**BSE Scrip Code: 540005**

Dear Sir(s)/Madam,

**Subject: Transcripts of Earnings Conference call held on July 14, 2022.**

With reference to the captioned subject, please find enclosed transcripts of the Earnings Conference Call held on July 14, 2022.

Request you to please take the same on record.

Thanking you,

Yours faithfully,

**For Larsen & Toubro Infotech Limited**

(Tridib Barat)

Company Secretary and Compliance Officer



Encl: As above

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A Larsen & Toubro  
Group Company



## “LTI Q1 FY23 Earnings Conference Call”

**July 14, 2022**

**MANAGEMENT: MR. SUDHIR CHATURVEDI – PRESIDENT, (SALES)  
MR. NACHIKET DESHPANDE – CHIEF OPERATING  
OFFICER  
MR. ANIL RANDE – CHIEF FINANCIAL OFFICER  
MS. SUNILA MARTIS – HEAD, INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to LTI's Q1 FY'23 Earnings Conference Call. As a reminder, all participant lines will be in 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sunila Martis, Head Investor Relations, LTI. Thank you, and over to you, ma'am.

**Sunila Martis:** Thanks, Aman. Hi everyone and thank you all for joining us today to discuss LTI's Q1 FY'23 Earnings. The Financial Statements, Press Release and Quarterly Fact Sheet are all available in our filings with the stock exchange as well as on the Investor section of our website.

Today on the call with us, we have Mr. Sudhir Chaturvedi – President (Sales); Mr. Nachiket Deshpande – Chief Operating Officer; and Mr. Anil Rander – Chief Financial Officer.

Management will give you a brief overview of the company's performance, which will be followed by a Q&A session.

As a policy, LTI does not provide any specific revenue or earnings guidance and anything said on this call, which reflects our outlook for the future or can be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

I now hand over to Sudhir to start.

**Sudhir Chaturvedi:** Thank you, Sunila. And hello, everyone. Thank you for dialing into our Q1 Results.

Let me start with our headline numbers:

We are happy to report 2.9% Q-o-Q and 26.6% Y-o-Y revenue growth in constant currency. This translates to growth of 1.7% Q-o-Q and 23.4% Y-o-Y in USD terms. Adjusted for the seasonal pass through that we have in Q4, our revenue growth in Q1 would have been higher by about 2%.

We are also happy to have closed 4 large deals with a net new TCV of US\$79 million this quarter. Two of these are with Global Fortune 500 clients. These deals are spread across our portfolio i.e., BFS, Hi-Tech, Energy and Utilities and our Others vertical. The scope of work is primarily in the space of cloud and data. And as I mentioned, 2 of these are with new logos.

I'm also pleased to report one additional large deal in partnership with Mindtree. We are selected by a global travel technology company based in Europe to manage end to end support and development services for its customer services applications' portfolio. This deal is a playbook example of how we will continue to leverage our joint capabilities to drive growth considering

Mindtree's experience in the travel vertical, their expertise in customer success and our expertise in core modernization.

When we last spoke to you in Q4, our large deal pipeline was about US\$2 billion. Our current large deal pipeline, despite our wins in Q4, continues to be at the same level and we remain positive as we expect to close and share some more large deals wins with you in Q2 as well.

On the new logo front, we added 29 new logos across all our verticals during the quarter. This is the highest that we've added in the past 9 quarters. I am also happy to state that we added 4 new Global Fortune 500 logos to our list of clients, taking the count of total Global Fortune 500 customers to 77. This is one of the highest additions in the Fortune 500 list we have had in the past 4 years in a single quarter.

Now, let me give you some color on demand:

We currently continue to see strong demand and technology budgets across all our markets. And the business book for CY '22 continues to look good. While we are seeing no impact of macros in terms of project cancellations or deferments, we have been spending a lot of time with clients in person, and we are seeing a slight level of caution in the client environment. Especially due to rising input cost, supply chain matters and continuing geopolitical issues. In a slightly strange way, this is actually causing some short-term acceleration in demand as most clients want to follow through with their transformation agendas with the budgets that they are currently allocated. So, this augurs well for our Q2.

Moving to the performance of our industry verticals, geographies and service lines during the quarter:

BFSI together now accounts for 47% of our total portfolio and this portfolio has grown at a CAGR of 19% in the past 3 years. So, BFS grew over 31% Y-o-Y. We continue to see holistic growth here across all geos and service lines. In fact, one of our large deal wins is from this vertical and we remain optimistic about our sustained growth momentum here.

Insurance: we saw a growth of over 16% Y-o-Y. As you must have noted over the past few quarters, this vertical is on its way to returning to sustained growth. Our pipeline continues to build in this vertical. Our traction on new logos with 2 of our Fortune 500 logos coming from this vertical will help us grow in FY'23.

Manufacturing declined Q-o-Q and increased by over 18% Y-o-Y. Please note that this quarterly decline in revenues is only because of our seasonal passthrough in Q4. The absence of this passthrough revenue in Q1 is also reflected in the sequential decline in our Enterprise Solution service line as well as our India revenue. Manufacturing clients have a strong order backlog and

although they are watching trends for CY'23, we see continuing growth in the business book for CY'22.

Energy and Utilities grew at over 19% Y-o-Y. As is perhaps obvious because of oil prices being where they are and utilities being in the business that they are in, we are not seeing any impact of macros on this vertical. Most energy clients are continuing with investing in digital transformations mostly focused on adopting cloud, modern data platforms and next generation ERP platforms. There is also a strong ESG imperative in this vertical, so we continue to see the trend of investment in this vertical in the near future.

CPG Retail and Pharma grew by over 17% Y-o-Y driven by growth in large accounts and the large deals announced last year.

Hi-Tech grew about 13% Y-o-Y. We have to keep in mind that this vertical grew over 37% Y-o-Y in FY'22, and has seen some pause Q-o-Q. But we are confident about prospects going forward.

Others had strong growth Y-o-Y of over 50%, primarily on account of one of our global marquee services clients ramping up sequentially very significantly.

On geographies:

Northern America and European markets continue to be key growth drivers. North America grew by over 25% Y-o-Y and Europe by 31% Y-o-Y on a constant currency basis. And excluding the impact of currency, both will continue to grow well for us.

On service lines, Data continues to be our largest service line. As part of our Analytics, AI and Cognitive bucket, you see this in our fact sheet, revenues from our data services have doubled in the past 3 years and is reflected in our large deal wins recently. We expect revenues from data to continue to grow strongly.

I would now request Nachiket to talk to you about the supply side and our outlook going forward.

**Nachiket Deshpande:**

Thank you, Sudhir.

For the past 3-4 years, what you would see is significant investments have been made in technology to build completely new digital stacks for our customers from infrastructure to front end experiences. It was only accelerated during the pandemic. During this period, we have seen unprecedented cloud adoption, significant spends on data and new age SaaS solutions disrupting traditional products. Disproportionate increase in the spend on cybersecurity was also observed.

Our latest customer satisfaction survey indicates that the modernization of technology landscape continues to be the number one strategic initiative. But the promised business case for many of

these initiatives is yet to be achieved. For example, around 30% of cloud spend is estimated to be wasted which when put in the context of US\$600 billion annual spend on public cloud gives you a sense of the inefficiencies involved.

As organizations start operating on this new stack, many are facing higher run cost as compared to the legacy stack that they migrated from. So, while we see digital transformation spends continue, there is also heightened focus on driving efficiency in this new stack and realizing accelerated business value. Given the macro environment, this ask is only getting louder.

Given LTI's strength in key areas of this new stack – data, cloud and digital, we are working with our clients to help unlock efficiencies on this recently developed growth stack and also programmatically run value realization programs that can continue to fund these strategic initiatives.

However, we do acknowledge that there are a lot of moving parts in the external environment. We are keeping a close watch on the trajectory and trends, and we continue to stay close to our clients across all levels to understand and align our investment plans.

Moving on to supply side:

Our hiring engine continues to work well. Net headcount addition of over 2,100 people in Q1 has been in line with the earlier quarters as we continue to build for a strong Q2. We also remain on track with our fresher hiring plans to hire at least 6,500 freshers in FY23. Our onsite volumes have picked up very well in this quarter. Last quarter, we had talked about high onsite attrition resulting into near flat onsite volumes.

On the attrition front – we expect this number to start to cool off considering incoming supply and slowdown on hiring pace of startups. We still think that we have few quarters to go before attrition comes down materially.

We also like to call out a key recognition we received this quarter. LTI has been named “GSI Global Delivery Platform Partner of the Year” by Snowflake. This award demonstrates LTI's execution expertise across strategy, migration and modernization journeys on the Snowflake Data Cloud. Last year, we were recognized as a “Global Innovation Partner of the Year” by Snowflake. Going forward, we will continue to break new grounds in our partnership with Snowflake.

Now let's turn to our business outlook:

We are building for a strong Q2 based on acceleration in demand we see across our client base. We have closed 4 large deals in the current quarter and our pipeline remains healthy. We are positive about closing some large deals in Q2 as well. As explained earlier, we remain well

poised to benefit from growth via both the efficiency and growth stack. Our continued proven ability to execute in a challenging and changing environment gives us confidence that we will be in the leader's quadrant for growth in FY23 and we continue to guide to stable PAT margins in the 14% to 15% band.

With that, let me hand it over to Anil.

**Anil Rander:**

Thank you, Nachiket. Hello, everyone. It is great to be back with you all with another quarterly earnings.

Let me take you through the financial highlights for Q1FY23, starting with the revenue numbers.

In the first quarter FY23, our revenue stood at US\$580.2 million, up 1.7% sequentially and 23.4% on a year-on-year basis. The corresponding constant currency growth was 2.9% Q-o-Q and 26.6% Y-o-Y. Our reported INR revenue of INR 45,228 million was up 5.1% Q-o-Q and 30.6% Y-o-Y.

Now coming to profitability:

EBIT for the quarter was INR 7,243 million, translating into an operating margin of 16% as compared to 17.3% in the previous quarter. The margin walk is as follows: negative 300 basis points impact due to higher employee costs post wage hikes and negative 70 basis points due to increased travel and visa cost. This was offset by benefit of 240 basis points coming from productivity benefits, INR depreciation and absence of pass-through license revenue.

Reported profit after tax was INR 6,344 million which translated into a PAT margin of 14% compared with 14.8% in Q4 FY22. We remain comfortable with our guided PAT margin band of 14% to 15% for FY23.

Moving on to the people front, utilization without trainees was at 81.8% as compared to 81.5% last quarter and utilization including trainees was at 81.3% versus 80.1% in Q4. We continue to strengthen our workforce and during Q1, we added 2,118 people on a net basis. The total manpower stood at 48,766, of which our production associates were 95.5%. In this quarter, attrition is 23.8% versus 24% last quarter on LTM basis.

Our cash flow hedge book stood at US\$1,795 million as at 30th June 2022 versus US\$1,715 million as of 31st March 22. While on balance sheet hedges stood at US\$108 million versus US\$112 million last quarter.

Moving on to the DSO:

In Q1, the billed DSO stood at 61 days as compared to 65 days in the last quarter. The DSO including unbilled revenue was at 100 days compared to 99 days in last quarter.

For the quarter, the net cash flow from operations was INR 2,256 million, which was a 35.6% conversion of the net income. Like every year, this was impacted by our payout of annual incentive.

At the end of quarter, cash and liquid investments stood at INR 38,824 million as compared to INR 39,139 million last quarter.

The effective tax rate for the quarter was 25.5%. Earnings per share for the quarter stood at INR 36.13 as compared to INR 36.34 in Q4. Diluted earnings per share was INR 36.08 versus INR 36.27 last quarter.

While we have taken you through all the Q1 numbers on growth and profitability, I also want to speak about our ESG goals at LTI. Ensuring community welfare and upliftment forms an integral part of our long-term strategy. We are cognizant of the fact that with the growth and expansion of our business, the utilization of natural resources on our part is bound to escalate. And accordingly, we remain steadfast at reducing our environmental footprint and becoming a carbon and water neutral company by 2030. We have a published ESG roadmap in place with specific targets on these goals, as well as other ESG related goals and track our progress against each of these regularly. Our recently published Integrated Annual Report for FY'22 has all the details on this and is available on our website.

I also want to update you on the progress of the amalgamation. As you must be aware, on May 6<sup>th</sup>, the boards of LTI and Mindtree approved a composite scheme of amalgamation. The transaction is subject to shareholder and regulatory approval. We reached out to all our key stakeholders post this announcement, and the overall feedback has been positive. Sudhir, Nachiket and I visited several of our locations across India and had in person meets and town halls with our employees to communicate the strategic rationale for this merger. We also organized a virtual meet for all our employees to discuss and provide any clarifications required. Our employees are very excited about our next phase of growth and look forward to being a part of a larger entity with increased opportunities.

As Sudhir mentioned, we are already seeing the benefits of combining our complementary strengths to win in the marketplace. A steering committee has also been set up which is meeting regularly to oversee the integration plan. Our regulatory process remains on track. We have received approvals from the stock exchange and filed with the NCLT. Our shareholder and creditor meeting has accordingly been scheduled on August 10<sup>th</sup>.

Before I end my presentation, my team and I are very grateful for your generous support for LTI in the recently concluded Institutional Investor Survey. Thank you for that. With that I would like to open the floor for questions.



**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

**Sudheer Guntupalli:** My question is around employee incentives. It has been around 2 months since we announced a corporate action and Anil mentioned that you have done multiple town halls to take employees into confidence about the merger. How are you seeing the employee morale within the company in general? What are the key anxieties that some of the critical or key employees would have brought up in their conversations with you? And how are you going to take care of those anxieties and nervousness at this point in time which is general for a large-scale corporate action like this? And any employee sweeteners or incentives that you plan to kind of use as a retention technique at this point in time? We understand that I think the current ESOP plan itself has a lot of unallocated ESOPs. So, any plans to kind of reward employees to use them as effective retention sweeteners at this point in time?

**Sudhir Chaturvedi:** Sudheer, let me just give you some color of what Anil, Nachiket and I were doing along with Manoj who is our HR head in these town halls. So, in these town halls, we actually presented to them the same presentation that we made to the Board. We explained the merger rationale which is essentially a revenue synergy-based merger rationale. The entire business case is around the 2 companies getting together to jointly grow faster than the market. And what we were able to show clearly is where we see the market opportunity and what we see as essentially a large cross-sell, upsell opportunity between the 2 companies. Between the 2 companies, we have 700 clients. And now both companies have the ability to take many more service lines to these clients. And the benefit of that is almost every person in the organization has an opportunity to explore new service lines or new verticals or new geographies in their future career path. So, the key thing that we shared with them was how do we plan to actually realize the revenue synergies and that's where a lot of the planning has gone before we decided to proceed with the merger.

Therefore, as Anil also mentioned in his remarks, there is a lot of excitement around how we can do things together. This is reflected even in the deals that we are working on currently. So, we announced one deal win jointly, and we are working on several deals currently. There's also an integration effort that is underway between the organizations and is being led by L&T corporate. So, frankly, we are not spending that much time on it, but we are seeing that there is good collaboration happening between the teams on that front as we see the synergy benefits between them.

**Nachiket Deshpande:** One of the other things as we look at the merger between LTI and Mindtree and look at the complementary nature of both the organizations, you would have seen the merger deck on our website as well. You will see whether you look at industry segment, whether you look at geographies or whether you look at service lines, there is a significant complementarity between the two. And the 700 customers that Sudhir talked about, there is hardly single-digit customers where we both have meaningful presence. Which means that for most of the organization, the

resultant org is going to be an additive org. There is no redundancy in their role. They will continue to serve the client. They will continue to be the delivery manager, project manager, account manager – the role that they are doing today. And on top of that, they actually get additional opportunities to work for different segments, different geographies and different service lines. So, actually, based on that explanation, we don't see any anxiety with our employees. We actually see excitement because they are now seeing that there is no redundancy. There is no risk on their role. But in future, they have much better opportunities to grow together in the bigger organization.

**Sudhir Chaturvedi:** And as far as incentives are concerned, I think you also answered the question. There is ample headroom in both the ESOP schemes of both companies. And at LTI, as you are aware that we've had an ESOP scheme running, right. So, we've had a 2016 ESOP scheme that is currently valid, which people have been part of. So, we will continue with the same 5-year or multiyear ESOP plans that we have for our leadership teams. That's something that we will continue to have in the future as well.

**Sudheer Guntupalli:** My second question. Of late, we have been seeing a lot of negative news flow from some of the large U.S. banks. And our top client also happens to be in that particular segment. Any feedback or any concerns that you have been receiving from our top clients at this point in time, about this whole macro issue because they typically operate in a segment which is quite quicker compared to other verticals?

**Sudhir Chaturvedi:** Yes. I mean BFS for us is growing at 31.5%. I think the good thing about BFS for us is that we actually have BFS clients now in every geography that we operate in. So, it's broad-based BFS growth that we see. Now what we see including the client that you were referring to, what we are seeing is that they are in a multiyear technology modernization cycle. And the state that they are at, there's actually no going back. They have to complete the modernization of the technology stack. So, if anything, they are looking to accelerate some of that as they have budgets available in this calendar year. So, that is why we are talking about perhaps even if anything, we'll see a slight uptick in demand in the coming quarter. So, BFS actually, we are very confident about.

And we are also pleased to see that insurance has actually bounced back in terms of growth we are seeing both on the back of our existing logos as well as some very exciting new logos, especially Fortune 500 logos that we've signed that we plan to scale up. So, on BFSI, in fact, even if I were to look into the conversations we've been having with our clients, even if we look into calendar year '23, we see that there is good growth prospects even in the coming quarters.

**Moderator:** Next question is from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

**Vikas Ahuja:** I'm sorry to harp on a macro question again. I understand in the opening comments, you alluded to not witnessing any macro headwinds so far. But do you sense any change in client decision-

making pattern or if clients are preparing for a recession on their end? Maybe some early indications like reluctance to negotiate on pricing. Any color around that would be great.

**Sudhir Chaturvedi:**

As I said, the first thing we watch out for is if there are going to be project cancellations or project deferrals or delays in decision-making on programs that are currently underway or proposals that are currently underway. So, we're not seeing any cancellations, or deferrals. On project decisions, again, nothing material on that front. But in our conversations, we do sense that clients are a bit hesitant about the continuing macro environment and the impact that it will have going forward. Which is why we are saying that in calendar year '23, we might begin to see clients and the way they look at their spending be a bit different.

But having said that, that's the point that Nachiket was talking about. Even if clients are looking to gain more efficiencies from their technology spend, there are actually several areas especially in cloud, data, DSaaS. These are the areas where there's been significant spend in the last 3 or 4 years, and a lot of this spend has happened with global majors. So, this area of spend is actually ripe for efficiency programs. So, for us, as Nachiket talked about, we are working on a completely new solution offering to actually provide efficiency on this stack, and that's something that if we reflect, on our large deal performance to date, we've had 39 large deal wins. A majority of these large deal wins have come from what we call our Operate-to-Transform service offering for large deals. And that's essentially around how do we bring more efficiency to a stack as well as modernize it at the same time. And we think that, that muscle is quite strong. We are good at that business, and we were able to bring that to bear even if the environment turns to one where clients are looking to cut costs or for more efficiency-led programs. Just to answer that question in terms of pricing and cuts, we are not seeing any conversations on that. In fact, right now, just to cover the point on pricing, we are still able to get some price increase in pockets because there is still a gap between demand and supply, especially on new technology talent and clients are open to increases for hot skills.

**Vikas Ahuja:**

I just have one more question. This is regarding Cloud Infra and Security service line. Barring few Asian companies, the growth outlook there remains very strong, but we have been seeing some weakness there. So, what is the disconnect there?

**Nachiket Deshpande:**

For us in Q1, the softness in CIS, you see was largely because we had a few large SI deals that had a project kind of spend that got over in Q4. And these are India-based large deals, end-to-end SI deals that we really participate in. So, it's more of that seasonality is what you see from Q4 to Q1. But we continue to see a good pipeline. As Sudhir said, some of the large deals are in that space, and we feel confident that we'll be able to sustain growth momentum in Cloud and Infra. And also, if you see this only includes infra part of the cloud, right? As you can imagine, cloud is there in every service line. So, we don't separately report holistically cloud revenue because it's all pervasive. This is only data center exit type deals on Infrastructure and Cloud together.

- Moderator:** The next question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.
- Sandip Agarwal:** The way we are seeing the gap in demand and supply, and it reflects in the attrition number also. So, hypothetically, if for a moment, we assume that there will be a deep recession or a very strong recession in the U.S., which will lead to budget cut by clients and all. Then in that case, will it be fair to assume that then our attrition numbers will also fall sharply the way we are seeing start-ups recruiting less now or pressure from start-ups going down? Similarly, recruitment from banks and other companies which indirectly hurt us, will also go down and resultantly, we will see lower pressure on subcontracting costs and lower attrition related costs. So, in a way, if demand really falls, then there will be at least a positive impact on the margins. Is it a fair assumption? Or you think the operating leverage will always overwhelm on the overall cost. What is your sense on that?
- Nachiket Deshpande:** So, there are 2, 3 components to your question, Sandip. Number one, as Sudhir alluded, I think we're not seeing sharp drop in demand as yet, right? Because as we said that the technology transformation spend will continue even when the customers go into the recessionary period because some of this is going to be needed for them to continue their core modernization program. Of course, a different kind of spend and a different muscle from our perspective will get engaged. So, we don't see demand kind of falling off the cliff at least where we sit today.
- Second, if you look at a skill set gap, especially around newer areas of technology around data, digital and cloud, I think it will still take a few years before that gap is genuinely bridged between the skill set availability and skill set needed because every business today around the world is a technology business. And that gap in terms of the demand of those skill sets versus what's available across the globe, we believe that it is at least a year or 2 before that supply-demand gap is filled. Now of course, the attrition rates are a function of a lot of things. Supply-demand gap is one aspect. But what we see is that with the start-up ecosystem challenges that they are going through right now, we would see that the inflation around the replacement costs that we typically get into because of attrition, that tends to cool off a little. And that is really the first sign where the impact is felt. When it translates into an overall attrition rate going down, I think it remains to be seen. As I said in my remarks, we're seeing 2 quarters where it has stabilized. Based on what we see from a Q2 perspective, we believe it will also remain in the same stable range. So, if this trend continues, then yes, we'll see the downward trend in attrition. But I think 2 quarters is too little a data point to call it a trend. So, I would not venture into guessing on that, but there are multiple facets that we need to look at.
- Sudhir Chaturvedi:** This is very fundamentally different from the GFC, where we actually saw a very different behavior from our clients. Today, they are watching the space to see what happens because ultimately, they will react based on how they individually get affected. So, just to give you an example, our industrial manufacturing clients are actually dealing with record order backlog. For example, one of our clients is in the HVAC business, and they have the highest order backlog they've ever had in their history because buildings of all types all over the world are looking to

modernize their HVAC systems, partly driven by COVID, but also now looking at healthy buildings, ESG initiatives, all of that. So, that cycle of modernization of the product stack, which essentially, by the way, is tech modernization, not as much a modernization of HVACs and equipment, but it's actually about software being put into an HVAC so that it operates optimally in a hybrid work environment. For 2 days a week, if you don't have people, then it should operate differently than when people are there for 3 days a week. So, the way people are looking to deploy technology in all aspects of their business, irrespective of the vertical they are in, that's a fundamentally different construct that we see today versus what we saw back in 2008.

**Moderator:** The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** So, you mentioned that you are seeing a slight level of caution with clients, and this is causing some short-term acceleration. One, if you could throw some color on what exactly are clients saying? Are they suggesting that they believe that budgets could get constrained in the latter half of the year or next year and thereby, this is more like a budget flush wherein they can sort of try and complete as much work as possible before there's some clamp down? So, that's the first question.

And the second is, where all are you seeing this behavior? Is it just BFS or is it across the board? So, if you can just give some color across verticals, is it broad-based or how things are? So, these are the 2 questions.

**Sudhir Chaturvedi:** So, I think I wouldn't call it a budget flush. I would say that what we are seeing is calendar year '22 budgets are available to them. So, they know that these budgets are available. And what they're looking to do is to ensure that they optimally utilize these budgets. Now partly because of resourcing challenges that the entire industry has faced, there are some of these programs that they are looking to accelerate because they want to complete this. So, what they're asking us is - I've got milestones that I need to achieve, can I accelerate those milestones?

And I'll answer this question in 2 ways. See, 47% of our business is BFSI. And frankly, as I said, they are in a secular technology modernization cycle. I actually don't see that decreasing even in calendar year '23 because if they don't modernize their tech stack, they actually will not have a business to run given the kind of competitive environment that they face, not just from FinTechs but also from other banks all over the world. Every banking business now essentially calls itself a technology business. Insurance, if you see what the pandemic did is, if you look at the direct distribution of insurance or the straight through processing in insurance, it's at scale that has never been seen before. So, it's leading to very significant investments in the insurance stack as well. And the third area is our Energy business. Our Energy & Utilities business, which is 9% of our business, they are seeing record oil prices. So, they are actually continuing to invest in technology, more focused on ESG. And 14% of our business is industrial manufacturing which I mentioned has a record order backlog. They are actually dealing more with supply chain challenges and chip shortages and those kinds of things rather than the macro ones which is that

they have to fulfill the backlog. And they're not seeing any reduction in terms of the backlog going away. So, we see about 70% of our business is more of a B2B business than many of our competitors who may have a slightly different mix in terms of their clients. So, therefore, that's why we are saying that these clients are looking to accelerate programs and utilize budgets that are currently available to them.

Now frankly, the boardrooms are reading the same news I think that everybody is. So, even if they are not physically seeing a reduction in demand, they are going to react to the noise in the system because nobody wants to be caught out in case things turn south dramatically. I've just spent 2.5 weeks in the U.S. There is a little bit of a disconnect between Main Street and Wall Street in terms of what you see. Everything is at record prices. Flying in the U.S. or trying to get any service in the U.S. - I've never paid more for anything ever. But yet, I would say, actually, the supply-side crisis or the lack of resources are a bigger challenge for our clients today than perhaps the macro. But I guess if inflation continues to be high for a longer period, if interest rates continue to rise, then it's natural that consumer spending will come under pressure. That will eventually have an impact on B2B clients as well. But as we said, we are in the cost-cutting business as well. We will re-pivot to making sure that there are other service lines that we can deploy to actually help clients with that side of the house as well. So, we are well poised whether clients invest in the growth stack or the efficiency stack, I think we have something good to offer to them on both areas.

**Nitin Padmanabhan:** How is attrition at the senior levels within LTI? Is there any increase or it's still at whatever levels you have seen historically?

**Nachiket Deshpande:** No increase in the attrition actually. Absolutely no impact on the attrition at senior levels at LTI.

**Sudhir Chaturvedi:** The senior levels in LTI are aware of what is going to happen post-merger. And they see that all of us will have a larger playing field. In fact, I said this during some of our analyst interactions that we will actually need more leadership bandwidth as we go ahead. You can imagine 2 companies growing at a pace that we are currently and with the ambitions of growing even faster in the future, we are actually going to need more talent as we go forward. And I think, it's an exciting platform. If you think of us together, we have US\$3.5 billion as of the last financial year. You can only imagine what we will be by the time we get together. If that business can grow at industry growth rates for the next few years, there are not many companies that can provide that kind of platform for growth in the industry. And we are nice people to work with, we are a fun organization. So, I think people are looking forward to it.

**Moderator:** The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:** As you guys are not witnessing any impact of the macro on demand as a whole, but is the picture similar within Europe? Because in Europe, we are very spread out outside U.K. as well. And

your commentary also suggests that the supply side challenges is impacting the clients more than the macro challenges which is actually more intense in Europe as a whole.

**Sudhir Chaturvedi:**

Sandeep, so we grew 31% Y-o-Y in Europe and my European Chief Business Officers are fairly bullish. I think their biggest impact is on the currency side of the house. But again, if you look at our business in Europe, it is also predicated on our core verticals. BFSI, Manufacturing, Energy, Utilities, they continue to be the strongest parts of our European business as well. Actually, in Europe, the other advantage we've had is our alliance deals, especially in data, our deals with our partners, our product partners in the data space. We've done some very significant number of deals together with them in that space. And so that's really helping us.

And Europe still has a strong ERP footprint. And that ERP footprint is modernizing. So, if you put that together, we are in the right verticals, data is a good growth driver and ERP continues to be a strong service line across the board for us. That's still holding Europe in good stead for us. So, our markets there, as you know, we are strong in France and Nordics. But now U.K. and Germany and our Luxembourg market with our Syncordis business unit, they are also showing good signs of growth. But I just do want to clarify that I keep talking about calendar year '22 because that's what we can see, that's what we are having conversations about as we speak to clients. Are clients going to be cautious about calendar year '23? The answer is yes. We'll see what materializes as we'll probably come to know more of that in Q3 and Q4. But as we said, we are in sectors where we think that there will be a good level of demand even in the next calendar year.

**Sandeep Shah:**

In terms of margins with wage inflation largely behind and supply side challenges, though it's not coming down, but it's not going up as well on the attrition side, is it fair to say that growth is likely to be stronger in 2Q and 3Q, 4Q seasonally better? For us, the margin at EBIT level will also have an upward bias from 2Q to 4Q?

**Nachiket Deshpande:**

Traditionally, yes, on margins quarter-on-quarter as the year progresses. We will definitely recover some bit of our wage hikes related costs. And hence, with the growth momentum that we have seen, we're confident to stay in our PAT guidance of 14% to 15%.

**Sandeep Shah:**

And just last 2 questions for the CFO. Generally, in a rupee depreciation scenario, our Forex gain and the other income as a percentage to the revenue comes down. This time, it's slightly different. So, is there any change in our Forex hedge policy? And second, in terms of annual report, if I look at, the FY '22 cash balances is actually higher than INR 378 crore versus what you mentioned. So, that INR 378 crore is a noncurrent cash equivalent. So, I think you are not counting that when you give the figure for the cash and cash equivalent.

**Anil Rander:**

So, I think when you're talking about Forex gain, this also includes not only your gains due to hedges, but also your debtor's revaluation. It will cover all INR depreciation against dollar and dollar appreciation against other currencies. So, that will be the net of the amount in gains due

to our foreign exchange. There is no change in the policy. I think we have been consistent in terms of reporting and in terms of the policy. Also, in terms of classification of cash, so we will come back to you because we need to understand the numbers you are quoting.

**Sandeep Shah:** I was talking about the corporate deposit and the corporate bonds, which were there in the FY'22 annual report, and you have not counted as a part of cash equivalent.

**Anil Rander:** We will revert to you.

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

**Mohit Jain:** Yes, Sir, 2 things. One was related to the deal pipeline. So, when you have accelerated over the last 3 quarters in terms of large deal wins, so how is the impact on pipeline at your end? That was one and the second, if you could give some color on the deals won during the quarter. This US\$80 million like which region, which country has come from?

**Sudhir Chaturvedi:** They came across verticals, actually, these 4 large deal wins, BFS, Hi-Tech, Energy and Utilities and Others. And in terms of regions, there are 2 from the U.S., 1 from Europe and 1 from our emerging market regions. So, it's a good spread across verticals and across regions. In terms of deal pipeline, actually looking quite good. We have some deals currently in their final stages. So, we will announce them in due course. So, next quarter, expect some more deal announcements from us. As we said, in fact, if I look at the overall pipeline and though we don't sort of share order intake numbers, but all of those indicators looking quite strong for us right now.

**Mohit Jain:** And the other one was on wage hike. Are we completely done with it? Or is there some spillover which may happen in 2Q from a wage hike perspective?

**Nachiket Deshpande:** So, almost 80% of our organization actually 85% of our organization gets covered in our April cycle. Only the senior level which is less than 10% or 12% gets covered in July. But if you look at from an impact perspective, almost all the impact has come into this quarter.

**Mohit Jain:** Okay. So, from 2Q onwards, we can sort of assume steady improvement because wage hike is behind as you mentioned and some of the revenue ramp-up happen?

**Anil Rander:** Yes. So that impact would not be material. I think it would be about 10 basis points.

**Nachiket Deshpande:** And from a positive perspective, as I said, we tend to recover our wage hike related dilution over 3 quarters through productivity and pyramid rationalization, so that program continues from Q2 onwards.

**Moderator:** Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. Sudhir Chaturvedi for closing comments. Thank you, and over to you, Sir.



**Sudhir Chaturvedi:** So, thank you very much for taking the time to join us today. I know it's a little late, but I love Bombay in the rain. So, I hope you are enjoying it safely. Once again, thank you very much for your time and look forward to interacting with you next quarter where we've got a lot of good prospects ahead of us. Meanwhile, if there is any other questions or any other information that you need, please do not hesitate to reach out to us at any time. Thanks once again.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of LTI, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.

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