

LTI/SE/STAT/2020-21/12

May 27, 2020

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

The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
BSE Scrip Code: 540005

Dear Sirs,

Subject: **Transcripts of Earning Conference call for Larsen & Toubro Infotech Limited ('LTI') for quarter and year ended March 31, 2020.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on May 20, 2020 for the quarter and year ended March 31, 2020 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited

Manoj Koul
Company Secretary & Compliance Officer

Encl: As above

Larsen & Toubro Infotech Ltd.

Technology Tower 1, Gate No.5, Saki Vihar Road, Powai, Mumbai-400072, India
T +91 22 6776 6776 | F +91 22 2858 1130

Registered Office: L&T House, Ballard Estate, Mumbai 400 001, India
www.Lntinfotech.com | E-mail: info@Lntinfotech.com | CIN: L72900MH1996PLC104693



A Larsen & Toubro
Group Company



Let's Solve

“Larsen & Toubro Infotech Limited Q4 & FY2020 Earnings
Conference Call”

May 20, 2020

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

Moderator: Ladies and gentlemen, good day and thank you for joining us today to discuss LTI's financial results for the fourth quarter and full year fiscal 2020. 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 '*' and 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 of Investor Relations, LTI. Thank you and over to you, Sir.

Nitin Mohta: Thank you, Margaret. Hello everyone, thank you for joining us today to discuss LTI's financial result for the fourth quarter and full year fiscal 2020. The financial statements, press release and quarterly factsheet are available in our filings with the stock exchanges and at the investor section of our website.

On the call, we have Mr. Sanjay Jalona – CEO and Managing Director, Mr. Sudhir Chaturvedi – President, Sales, Mr. Nachiket Deshpande – Chief Operating Officer and Mr. Ashok Sonthalia – Chief Financial Officer. Sanjay and Ashok will give you a brief overview of the company's performance which will be followed by the Q&A session.

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

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

Sanjay Jalona: Thank you, Nitin. Hello everyone, and welcome to LTI's earning call for the fourth quarter and the full year of FY20. We sincerely hope you and your loved ones are staying safe and healthy in these unprecedented times.

We are living in times that none of us have ever experienced before. In these unusual times, our primary focus at LTI has been on employee safety and keeping our promises to the customers. The agility of our employees and flawless execution of our BCP plans helped us hit the 95% work from home enablement mark within a week of the lockdown in India. Our solid Q4 performance is a testament of the negligible impact at LTI due to COVID-19 induced supply side shock for Q4.

We are extremely proud of our strong performance in Q4 and full year FY20 given the circumstances that we dealt with. We delivered revenues of USD 409.9 million up 3.9% quarter-on-quarter and 15.9% year-on-year. On constant currency, this would translate to 4.7% growth quarter-on-quarter and 17.4% year-on-year. This helped us conclude the year with yet another year of industry-leading growth of 13% year-on-year in US Dollar terms and 14.2% year-on-year in constant currency.

Folks, to put this performance in perspective, you would recall that we had a very difficult H1 due to client specific challenges. We were confident of regaining our growth momentum in H2 based on the resilience of our portfolio. We delivered 4.7% constant currency growth quarter-on-quarter in Q4 on the back of a strong 8.3% in Q3. FY20 marks the fourth consecutive year of double-digit constant currency growth for LTI.

Let me now share with you our initial response on COVID-19, our action plans to fight against it and why we are confident of emerging stronger on the other side of this crisis. Ever since the outbreak of this health crisis, we have been proactive in reaching out to our customers and I am sure that they can count on us during these difficult times. We have developed our 3 x 3 strategy to ensure we respond to this crisis in a holistic manner. Our strategy covers three key aspects: ensure customer first thinking, build best-in-class organization and resilient in operations, and protect our P&L. In each of these three areas, we have defined act-now, plan-now goals, developed defense and offense playbooks and set up war rooms as well as win rooms for programmatic execution of our strategy.

Let me share with you couple of examples to explain this 3 x 3 strategy of ours. As part of our customer first thinking, we are working with customers in distressed verticals to reduce their total cost of ownership in medium term. We are proactively showcasing the same customers on how LTI can use cloud first technologies to make their cost structures lean and better equip them to handle the macroeconomic turbulence in the longer run.

Fundamental business models for IT services had been shaken during those crisis and work from home would be part of the future of IT services. During COVID lockdown times, we delivered on critical separation programs for our client, helped another client meet a regulatory deadline - all while working from home.

For improving resilient operations for LTI, we developed LTI's approach to our journey from simple operations from home to growing from home, we call it XFH or everything from home. We broke down XFH in five layers: first is operations from home, then secured from home, then engage from home, then productive from home, and finally how do you grow from home. Our entire philosophy of work from home is outlined in a blog that was authored by Nachiket, our COO, and Siddharth Bora, our CBO for Tech, Media, Consumer and Life Sciences in Americas and is available on our website. To protect our P&L and conserve cash, we acted swiftly to review, identify and defer non-critical Capex, initiate rent re-negotiations and drive efficiencies in procurement. For us to achieve our longer-term margin goals, we have set up win rooms to achieve enterprise wide efficiencies as well as re-calibrate our cost structures to operate in this new normal.

Let me now cover business highlights for Q4. We announced two large deal wins this quarter with net new TCV of USD 113 million. The first deal with TCV of USD 73 million is with a

key Government Ministry, a new logo for us, for its complete digital transformation, enhanced productivity and quality of service by implementing new microservices-based applications and build the data and analytics platform. The second large deal win that we announced today is with an energy retail company in Europe with a TCV of USD 40 million. It is an end-to-end managed service deal for managing the client's IT applications and infrastructure operations. As part of this deal, LTI would be setting up private cloud environment, migrate existing workloads and operate it for the next five years. The migration would involve close to 2,000 users across eight locations and 75+ applications.

Our large deal teams and war rooms continue to be busy though there are some delays and deferrals in our pipeline. We are optimistic to close and share some large deal wins with you as part of our Q1 results as well. Our consistent investments in partnership ecosystems help us to stay ahead in our digital curve. We are now a “gold” partner with Pega and a “premier” partner with MuleSoft.

I am particularly pleased to share with you that LTI recently won the SAP pinnacle award in the category of industry innovation partner for the year 2020. Just imagine, we competed with best-in-class, two of the largest consulting companies in the world, and beat them both to bring home this award. It is a moment of immense pride for me and my team.

Let me now provide you color on performance of our respective verticals. In BFS, we grew 2.9% quarter-on-quarter on back of a very strong Q3. On track ramp up of our earlier announced large deals and absence of client specific challenges that had hurt us in H1 is the key reason for our revenue momentum in this vertical. In Q4, we also announced a deal with Standard Chartered Bank to be their partner for a strategic Temenos T24 engagement. In Insurance, we registered a minor decline of 1.3% quarter-on-quarter in Q4.

Manufacturing had second consecutive quarter of strong growth of 7.2% quarter-on-quarter. This robust performance is a combination of ramp up of earlier announced large deals in this vertical and some pass-through revenues as well.

In Energy & Utility vertical, we delivered a 4.9% sequential growth. On our last call, we had shared our expectation of a strong performance in this vertical due to the ramp up of an earlier announced large deal and that came through in Q4.

CPG, Retail & Pharma, we continue to do well in this vertical with another quarter of steady performance of 3.3% quarter-on-quarter growth. The staple nature of the underlying business in this vertical would help its revenue performance. We expect this vertical to grow above the company average in FY21 as well.

Hi-Tech & Media delivered another quarter of high single digit sequential growth of 6.3% quarter-on-quarter. Our investments in strengthening this vertical are producing results. In addition to CPG and Pharma space, we expect this vertical as well to grow ahead of the company in FY21.

Others vertical was up 12.5% quarter-on-quarter. The large deal win announced with a key Government Ministry falls under this vertical, ramp up of this win would be a key growth driver for this vertical in the near future.

Let me now turn over to our business outlook for FY21. We had excellent growth momentum in H2 after a tough H1 in FY20. Our Q4 growth was broad-based and helped by the fact that LTI has near zero exposure to some of the worst hit sectors. We had record deal wins in FY20. Our order book is very healthy and we have a strong pipeline. We are conscious of the demand pressures following the COVID-19 crisis and expect the pain to be visible in our Q1 performance. The situation is too fluid for me to add any quantitative color, but what I can say today is that based on the strength of our client relationships, our value propositions to our customers, our ability to innovate - I have no doubt that LTI would be in the industry leadership quadrant in FY21 as well. I derive that confidence from the programmatic resilience built in our business model and our client-centric growth strategy. Now, let me hand it over to Ashok to give you some financial details. Over to you, Ashok.

Ashok Sonthalia:

Thank you, Sanjay. Hello everyone, it's great to be back with you again. Hope all of you are keeping safe and healthy.

Today, we are presenting to you LTI's 16th quarterly result and 4th full-year performance since our listing in July 2016. Thank you for your trust and confidence in us.

Now, let me take you through the financial highlights for the quarter and the year gone by. Our revenues stood at USD 409.9 million, up 3.9% sequentially and 15.9% on a year-on-year basis. The corresponding constant currency growth was 4.7% quarter-on-quarter and 17.4% year-on-year. Reported INR revenue of 30,119 million was up 7.1% quarter-on-quarter and 21.2% year-on-year. Revenue for FY20 stood at USD 1.52 billion growing at 13% which corresponds to a constant currency growth of 14.2%. In rupee terms, the full-year revenue was 108,786 million registering a growth of 15.2%.

In our tradition of solving for society, LTI contributed INR 180 million towards PM CARES fund during Q4. Our employees and the company continued to do their bit in supporting COVID-19 relief measures in India and elsewhere. I am sure none of us mind the minor impact of these measures on our profitability. Now, coming to profitability, EBIT for the quarter was INR 5,035 million translating into an operating margin of 16.7% as compared with 16.2% in the previous quarter. Excluding the PM CARES fund contribution, EBIT margins for the quarter would have

been 17.3%, up 110 basis points quarter-on-quarter. This margin improvement of 110 basis points was equally contributed by working days, currency and operational efficiency partially offset by higher product and pass through revenue in the quarter.

For the full year, operating margin was INR 17,564 million at 16.1% against 18.4% of previous year. Several factors resulted into higher employee cost and thus lower operating margin for the year. Accelerated growth momentum in second half of the year and our programmatic efforts to improve operational efficiencies have helped us in improving our profitability in H2. Reported profit after tax was INR 4,275 million, which translates into a PAT margin of 14.2% this quarter compared to 13.4% in Q3. Our full year PAT stood at INR 15,205 million, helping us deliver a full year PAT margin of 14%.

Moving onto the people front, utilization without trainees was at 80.6% as compared to 81.3% last quarter, utilization including trainees was 79.3% versus 79.2% in Q3. Full-year utilization including trainees stood at 79.5% as compared to 80.6% last year and without trainees at 80.9% as compared to 81.9% last year. Our net additions to manpower in this quarter was 18 and for the year it stood at 3,268, which translates into 11.6% growth in headcounts from FY19. The total manpower stood at 31,437 of which our production associates were 94.4%. In this quarter, attrition has improved to 16.5% versus 17.7% last quarter on LTM basis.

Now, moving onto forex hedge book, our cash hedge book stood at USD 1,251 million as at March 31, 2020, versus USD 1,249 million as of December 31, 2019; while the on-balance sheet hedges stood at USD 91 million versus USD 137 million last quarter. Keeping the market uncertainty in mind, we have been executing our hedging strategy consistently on a measured manner.

In Q4, the billed DSO stood at 77 days compared to 78 days last quarter and the DSO including unbilled revenue at 106 days, showed improvement of 4 days over Q3. Full-year DSO, including unbilled, was higher by 3 days compared to FY19. The net working capital has improved by 2.5% to 16.4% of revenue as on March 31, 2020, over March 31, 2019.

For the quarter, the net cash flow from operations was strong at INR 7,332 million, which was at 171.5% conversion of the net income. For the full year, the net cash flow from operations was INR 16,435 million at 108.1% conversion of the net income versus 92.1% in FY19 and represents a growth of 17.8% year-on-year. We ended the year with cash and liquid investment at INR 27,458 million compared to INR 21,552 million as on March 31, 2019.

EPS for the quarter stood at INR 24.5 and diluted EPS for the quarter was INR 24.3 per share. Earnings per share for the full year was INR 87.5 per share. Diluted EPS stood at INR 86.6 per share compared to 86.4 per share in FY19. The Board of Directors, at their meeting held yesterday have recommended a final dividend of INR15.5 per share, bringing the total FY20

dividend payment to INR 28 per share including interim dividend of INR 12.5 per share. With that, I would like to open the floor for questions. Thank you.

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

Mukul Garg: Congratulations on a very good quarter, I think this quarter, given the environment, the performance was really commendable. Sanjay to start with if we look at the current environment, there is lot of concern because of the lockdown and macroeconomic pains. I would really like to hear the thoughts on the client's feedback in last few weeks in terms of the cost reduction in technology spend. Do you see a reduction in tech spend to have higher impact on your current business in FY21? Is there meaningful business which is at risk or do you see this as an opportunity to use cost levers to capture higher share of clients?

Sanjay Jalona: If I heard you right, your question was given the lockdown concerns what is the thought on how customers are going to spend in these times and what would be our strategy with regard to that, does that cover that point or something else you have?

Mukul Garg: Yes, pretty much

Sanjay Jalona: These are unprecedented times. As you can imagine there are probably going to be some verticals which will get impacted more than the others, that is the first impact. We need to do a segmentation of how we deal with each and every vertical and each and every customer because the customer situations would also be unique at these times with or without COVID situation and frankly that is where this 3 x 3 strategy that we talked about has come into play.

The verticals where we have a bigger challenge, let us talk about those. So, manufacturing where we have a significant depth of revenue and that is a vertical that has been growing very well for us and oil & gas are two verticals which probably have the highest challenge for us during these times. Whenever a factory is shut, IT is a far thought in these difficult times. Oil & gas companies have struggles with regards to not only COVID situation, but also a steep fall in the oil prices that we have seen, but if you look at CPG companies and pharma companies, the fall is not going to be like that. While for BFSI, we have not seen any impact so far, but we believe as they struggle with the results coming out and maybe defaults on mortgages and a whole bunch of things that will happen, probably some issues might come and crop up in Q2 and Q3. We have limited exposure on some specific verticals which are more stressed than others, so we are not impacted as much.

There are customers where obviously the impact will come in discretionary pieces of work. There will be impact, but there is also an opportunity in these times which is the defense and offense playbook that we talked about in 3 x 3 case, where you have opportunities to help

improve the resilience of the companies taking them to cloud initiatives. What has come out very clearly in these times, as companies have gone to work from home completely, lots of them were not able to get their operations up and running in time because they did not have enough exposure on the cloud, so that is one opportunity that comes in. So how do you actually help our customers move very quickly on the various platforms that are available in the marketplace for opportunity. Overall, there is still an impact that will be broad-based and we will also see an impact on ourselves, but there will be opportunities of growth that we will have to work with our customers. Each customer might have different challenges, they might have different priorities, so at these times we need to invest back in the client relationships, which means helping them in these difficult times, partnering with them and together coming out stronger at the other side of the tunnel.

Moderator: Thank you. The next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: First of all, I wish good health and stay safe to everyone. So Sanjay, I have only one question - what I see in this quarter is that your beyond top 10 or beyond top 20, clients have contributed to this strong growth which is very exciting and which is very good because it increases the base on which we can rely going forward. Just wanted to know is there any particular issue with one or two clients which have brought down the top 10 growth or something like that or it is just something which will be probably due to sudden lockdown or something like that and also congratulations for the whole team for an excellent execution.

Sanjay Jalona: Thank you Sandeep and I sincerely do hope all of you, your families are staying safe at these times as well. Look Sandeep, we have always talked about the four-pronged strategy for ourselves. We need to make sure that large accounts are doing well and invest accounts are doing well, new accounts are opening at the right pace and followed by taking a steep upward bias with large deals coming in. If you look at top accounts for us, top 5 accounts for example, had a growth of 12% quarter on quarter in Q3, so that is why you probably see a little bit of decline. But obviously the deals that we had announced in the past, that has ramped up have grown accounts after top 20 very efficiently. And also another thing which you need to probably bear in mind is - in H1, the client-specific issues that we talked about were in the largest accounts and some of the points that we talked about, which obviously took a toll on a year on year number. As far as any issues today, we do not see. Amongst the top five customers is one oil & gas customer, where obviously they are a little strained, but barring that we do not see any fundamental issues where we believe we will lose market share. They might go through their own challenges in times to come, but from where we sit, there is nothing extraordinary that is in the pipe.

Moderator: Thank you. The next question is from the line of Sudhir G. from Motilal Oswal. Please go ahead.

- Sudhir G.:** My question is to Ashok. If I look at your segmental EBIT margins, there is a sharp increase in the segmental EBIT margins of Hi-Tech, CPG, Retail and Pharma. So these two verticals contributed almost an incremental EBIT of 50 crores quarter-on-quarter and that seems to be the delta at the full company level also, so any color on this?
- Ashok Sonthalia:** Sudhir, there was an insurance claim settlement which came in handy in the quarter, but that segment has also improved their margin. The 20% which you see is not a sustainable margin. While the segment has improved margins through a lot of production efficiency measures and operational efficiencies, there is a benefit of a one-time claim settlement also.
- Sudhir V.:** Any quantification of that Delta?
- Ashok Sonthalia:** I would say 5%. The sustainable margin for the segment is around 15% and that 5% is that one-timer.
- Sudhir V.:** Your onsite yields during the quarter seem to have inched up, so how do you see overall pricing situation at this juncture?
- Ashok Sonthalia:** Two-three things on the rate realization which you see. I think actual rate realization when you adjust for higher onsite working days etc., is actually 6% quarter-on-quarter instead of 9% which you might be seeing from the factsheet and that 6% is coming through productivity improvement and FTE optimization. There were large deals which were going through transitions and now those resources are generating revenue because those deals have moved to the steady state and of course some of the new engagements which we started had a better pricing. So, all these three things contributed that 6% quarter-on-quarter benefit.
- Sudhir V.:** Sir, outlook on pricing?
- Ashok Sonthalia:** It is stable but of course as there are challenges about COVID, so there could be specific commercial concessions with the client which will be discussed, short-term measures which will be taken and that might have an impact on rate realization going forward. But otherwise, we do not see any more challenges other than the commercial concessions with some of the specific and selective clients which we are dealing with.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.
- Sandeep Shah:** Thanks for the opportunity and wish the management and colleagues are safe, and congratulations on strong execution. Sanjay, if I look at your service spread based on the headings it looks like more than 50% of those services could be discretionary, so are you worried that 1Q, 2Q relatively may have slightly more pressure for us because of the kind of high-end value services which we provide to the clients?

Sanjay Jalona:

Sandeep, you take care as well in these difficult times and stay safe. We have increased the pace of communication with our clients overall significantly from top to bottom, how do we communicate to clients, get to hear their pulse, look at defense strategy and offense strategy look at plan-now and act-now, how do you look at executing some projects a little differently, how do you construct and read the projects little differently and so on and so forth.

Obviously, our momentum that we have seen in H2, the strong pipeline, strong order book that we have talked about; we see that momentum is going to continue the push for us in times to come. Obviously Q1 is going to be where we will continue to see some challenges and we will partner with our clients in times to come, but we do not believe that we are going to have anything extraordinary in terms of the discretionary work that others will not face. But we also have to be creative in these times, work with customers to create solutions, alternatives for them to continue the piece of work but because at times, these are very important for them. There are companies which are separating from one another, there are companies which are merging with one another, there are companies which are not able to follow regulatory guidelines on geographies, so you just cannot shut that out completely. You need to work with the customers to find solutions in these times and this is exactly what we are doing.

Sandeep Shah:

Ashok, can you give some color about the hedging rates for FY21 and maybe beyond for the FY22-23 because we have a three-year layered hedging program. So looking at the current spot rate, you expect FY21, there could be hedge losses in the books?

Ashok Sonthalia:

Unfortunately, we do not disclose our hedge rate, but what I can tell you and we have been talking about is that whenever currency depreciates we get much better gain in our revenue line and as compared to the loss in our hedge book. But where we stand today, I am not very concerned for FY21.

There are three elements which go into hedging: one is the revaluation rates which happen at the quarter end and you do not control that, but other than that, is the average rate of my book and the volume of my hedge book. These are the three major elements which decide what gain or loss will be booked in a particular quarter. And where we are standing today, I think we are okay. Of course, we do not expect too much gain in FY21, but at the same time we do not expect even too much loss. For the full year, we should be okay.

Moderator:

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

Manik Taneja:

Just wanted to get some sense with regards to the pricing or the productivity trends that we are seeing on an annual basis for us. So while we have seen onshore revenue productivity moved up sharply over the last couple of years, our offshore revenue productivity essentially has been down, just wanted to understand what is driving some of those trends there?

- Ashok Sonthalia:** Onshore productivity you are finding it is down or what did you say, if you can repeat?
- Manik Taneja:** Ashok, basically with regard to onshore productivity, we have seen this jump up sharply over the last couple of years while on the other side what we have seen is that our offshore revenue productivity has been coming off. So just wanted to understand what is driving some of that divergence in terms of productivity trends.
- Ashok Sonthalia:** I think there are few things which are of course in the recent quarters responsible which I talked about: offshoring and optimization has happened in many places, our on and off ratios are getting sharper and sharper every quarter, digital has now become 41% of our company, some of the digital projects which happens mostly onsite have some better pricing point, and at the same time, through automation and managed services, you are taking out people, of course realization goes up. So, this is a combination of that and while there is an effort to ensure that offshore keeps pace and remains stable, there is nothing very special about that. These are some of the levers which we have been trying to work with very, very judiciously. Our sub-con cost if you look at is still very much under control and all those things are finally contributing to the realization there.
- Manik Taneja:** While you are not providing any revenue outlook, with regards to our margin outlook that we have typically had of about 14% to 15% net profit margins, do we see something similar playing out for us even in FY21?
- Ashok Sonthalia:** FY21 is going to be a year where you can understand things are evolving very fast. When COVID broke out and India lockdown started, from there till now, every week you would have seen how the global economic environment has been changing, the growth rate projections have been changing. At this point of time, we would definitely not like to give a guidance but all efforts are being made to protect our P&L and at the same time conserve our cash, generate cash, generate some of the margins and reinvest. And there are requirements which are coming up and we want to work with the clients to tackle the current crisis situation and also want to invest in the resiliency of the company, so I think we will not give guidance at this point of time.
- Moderator:** Thank you. The next question is from the line of Diviya Nagarajan from UBS. Please go ahead.
- Diviya Nagarajan:** Congrats on the strong execution in this quarter. My question is that we are kind of halfway through this quarter already, could you kind of run us through some of your key customer verticals, what kind of trends you are seeing in terms of where their priorities are and how they are shifting, some qualitative color would be helpful?
- Sudhir Chaturvedi:** In terms of verticals what we are seeing right now and Sanjay mentioned this earlier, the manufacturing vertical, so industry manufacturing, automotive, and the oil & gas vertical for obvious reasons has been the most impacted. We have seen from a positive perspective, the life

sciences and hi-tech verticals continue to do well and if you see our growth in the last two years, that those two verticals have contributed a good amount of additional growth to us in the past. The other segments where we really need to keep an eye, right now banking is doing okay as there is activity, but perhaps towards the second half of the year, we might begin to see some reduction or potentially some impact depending on how banks react. So, I think it is a mixed picture that we are seeing from a vertical perspective. From a geo perspective, Americas and our emerging markets business, essentially India and India-Asia Pacific are relatively less impacted whereas Europe and Middle East that is where we feel a bigger slowdown in terms of client activity, so I think from an overall perspective as Sanjay said, everything that clients do at this point in time is different from what they were planning to do, so the key thing to be in close contact with them and to be able to move very quickly to cater to these new requirements as they emerge and that is where the three-pronged strategy that he spoke about is really helping.

Moderator: Thank you. The next question is from the line of Princy Bhansali from Anand Rathi. Please go ahead.

Princy Bhansali: Sir, one question, there has been an increase in other current liabilities and financial liabilities for the year, any reason for that?

Ashok Sonthalia: These are basically the MTM valuation of the FX book that are sitting there.

Princy Bhansali: Regarding the tax rate, why the tax was low for the quarter and what will be the outlook on ETR going ahead?

Ashok Sonthalia: Typically, the way I would imagine how most of the companies' work is that the full year tax liability calculation is done and then minus nine months, whatever we have done is tax pertaining to Q4. Q4 is the final quarter of the financial year, where all the pluses and minuses happen and till nine months, we are taking many assumptions and calculations around 80G benefits and other stuff which goes on. This quarter got the benefit of the first nine months having a bit conservative tax provision and that is why it was 22.5%. But for the full year it was 24.1%. I expect going forward also we should think about 25% and we are currently using our MAT taxes which we think we will use in FY21. And from FY22, we may move to the new tax regime which the finance minister announced last year and then again it will remain at around 25%.

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

Madhu: Sir, interesting blog you have put on the work from home. So would the clients give the necessary approvals for taking this off in a big way and which are the verticals where you see the initial adoptions would be easy? And are we starting to recruit a force which will be completely in a work from home kind of environment and any possible disruptions on this theme on the sector?

Sanjay Jalona:

Madhu, I think it is too early. Right now, the focus as I said, the primary focus has been on employee safety and making sure we are keeping the promises, but obviously our deployment is close to 98%-99% now. Most of the customers, barring a few where there were requirements from their infosec or regulatory requirements for us not to be able to work from home, they are able to operate like that. We are measuring the productivity very, very carefully and what we have seen is and even the customers have commented that the productivity has gone up in many a places, they are seeing that with their operations as well. So, I think this work from home is here to stay.

Obviously, we need to focus not only on enablement but the entire XFH that we talk about, security is of paramount importance and engaging employees and there are things associated with that in physical health, mental health and a whole bunch of other things that will come up. It is about how you drive productivity improvements, how you close more tickets or if not similar tickets than you are closing when you are working in office, how do you drive productivity improvements in terms of function points delivered or story points delivered in an agile DevOps kind of model, all of that will evolve over a period of time. It is too early to say what will be the right model. We are taking a pragmatic view in terms of this, we are getting ready to start by creating all kinds of mechanism in place so that we are able to continue to provide a workplace which is safe and secure to our employees. All due measures have been taken in place, but we are also being pragmatic in the near term how we bring in a smaller number of people with confidence and see how we are effective with our customers.

In the long-term, I think clients have realized that they will have to change a lot of their requirements of working only in offices, but it is an evolution process, I am sure over a period of time this is not the last that we are hearing about it, but overall it is moving in the right direction. I do not know what percentages over the longer term would work from home, we do not know where it will settle, but the answer will come somewhere in middle to what we have heard other people talk about.

Madhu:

Sir, just one more, when you are saying banking can be soft in the second half, any issue in the top account where there may be any ramp down or loss of business?

Sanjay Jalona:

For us, as of now where we stand, not at all. Our issues were predominantly on H1 of FY20 where there were strong budget cuts. There will be ups and downs like any other customer as they shift on prioritizing and re-prioritizing their activity. Where we sit today, we do not see any issues with that but we do believe that banking industry, BFSI overall will have a challenge subsequently as they will start to see defaults, insurance companies - they have claims from pandemics overall, but I think Governments might force them to behave a little differently at times to come, so we do not know, a lot of things are unknown. We do believe that BFSI might have challenging times to come. Important for us is that we are not losing any share to anybody in the market.



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Moderator: Thank you. The next question is from the line of Vishwamithra from White Oak Capital. Please go ahead.

Vishwamithra: I wanted to ask how is your client portfolio positioned for vendor consolidation effect particularly in terms of the mining and addition of the tail end account?

Sanjay Jalona: I think our portfolio mix is very resilient and very similar to a large cap. Obviously our size gives us the advantage. We are 30,000 plus people who are very nimble and agile. That shows in our ability to probably WFH quickly first of the block, our ability to consistently win the large deals, etc. that we bid in. Where we stand today, if there is any consolidation we will probably be in a good place. That is all I can tell you right now.

Vishwamithra: One question on the rest of the world growth, you saw 15% quarter-on-quarter growth, could you give some color on the breakup of that?

Sanjay Jalona: I did not hear that question. Sudhir if you heard, can you answer that?

Sudhir Chaturvedi: I think it is growth in the rest of the world portfolio is 15% quarter-on-quarter and that is on the recent large deal win in the region.

Ashok Sonthalia: One is the base is still small. One large deal and some revenue coming from there helped that segment to display that kind of number.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you Sanjay. In this tough time, you have given a very good result. My point is that in March 31 2020, the full-year that is, our top line grew 15% but our PBT has not grown, so can you tell why the margin is so low?

Ashok Sonthalia: Ravi, there were two things we spoke about: H1 was pretty challenging for us where we had some of the account specific challenges and we have talked about them earlier. 2 - 3 accounts where there were sudden ramp downs etc. that we faced because of sudden budget cuts or other issues and we carried people on benches, utilization came down on-site and that continued quite a bit in Q2. So H1 profitability was significantly impacted. From there, we have started recovering in Q3 and Q4 through a very, very programmatic way of looking at how do we manage our cost, reduce our wastages, how do we take out people, optimize and improve productivity and that had started showing results for sure.

We were on a good trajectory, of course, all of these good things have now suddenly evolved into a different situation in the form of COVID-19 pandemic. Now the trajectory is not that visible, but that is because of COVID-19.

Just to add to the issues we flagged in H1, talent which is required for the newer areas, newer skills, newer technology and also talent hiring at on-site, all these things are expensive compared to what used to happen earlier. That is where if you analyze deeper, most of the things will be visible in the employee cost, whether on-site bench and low utilization or hiring of right talent for the new technology. So, everything combined together was the reason why our profitability was flat.

Ravi Naredi: Sir, secondly in Q1 current year, due to COVID, how much set back we can see in Dollar terms?

Ashok Sonthalia: It is evolving, we are not giving guidance.

Ravi Naredi: Not guidance, just asking you because working days are less and they are doing work from home and everything is in subdued manner, so just asking how much we can set back, also we will recover in Q2 but just asking?

Sanjay Jalona: Ravi, I think the world is changing in a dramatic fashion. What we started thinking six weeks back, things have dramatically changed, and they are changing every single day, so it is foolhardy for anyone to start predicting and give any guidance in terms of what will happen. We can only tell you where things stand today. Things will change more dramatically and let me try to just bring some clarity on that. Where we so today with the momentum that we have, not counting any further setbacks that might come in or re-occurrence of COVID-19 related lockdowns, which might call even deeper problems that economists and people who understand this disease are talking about, we do expect mid-single digit kind of a revenue drop in Q1. Please bear in mind, there is also a pass through element that we talked about in our Q4 numbers, but including all of that we still believe we will be able to come out with mid-single digit kind of drop in Q1 revenues. I would not like to comment any more on this topic, but this is the best we can give you.

Moderator: Thank you. The next question is from the line of Ruchi Burde from BOB Capital. Please go ahead.

Ruchi Burde: Thank you for the opportunity and congratulations to the management team for very strong execution. I have a question regarding your client account. If I read your number of active clients and new client added together, it seems that there was a rationalization of long tail accounts, so I would be happy to hear your comment and is there more to go?

Sanjay Jalona: I do not think we should read too much into it. It is business as usual for us. We keep looking at the portfolio, it is not a one-day exercise and the way we focus is - those four pillars that I keep talking to you as we call large accounts, invest accounts which could be large accounts, new accounts that we open and the large deals that we keep winning. Now, as part of the portfolio given that you can only have the talent which can look after and do justice for customers, we

keep a tab on how we want to continue being a resilient company in operations. So there is nothing very specific to Q4 performance, but it is business as usual for us.

Ruchi Burde: Second quick question that I have is on the cash flow statement. On the cash flow from financing activities, there is a line item which reads as credit support agreement deposit. Can you please explain Ashok what is this line item?

Ashok Sonthalia: Ruchi, we have certain agreements with the financial institutions and when the MTM fluctuation happens in a particular band, beyond that either they pay us money to keep as a security deposit or we pay them money as a security deposit, so that is the financing. Like, if say rupee depreciated then we will end up paying some money and if rupee appreciated and we are in too much gain, then they will pay us some money to keep as a security deposit. This is just to protect counterparty risk, that in case the counterparty fails, we have money to kind of take care of our interest.

Moderator: Thank you. Ladies and Gentlemen, due to time constraint that was the last question. I now hand the conference over to the management for closing comments.

Sanjay Jalona: Thank you everyone. We have an announcement to make as well. Nitin Mohta, who handles our Investor Relations is moving to another role within LTI. We would like to thank him for his immense contribution in building LTI's well-recognized Investor Relations function. Sunila Martis has joined us last week and would lead this role from the next quarter. Many of you might have interacted with her earlier. Nitin and Sunila shall reach out to you during the course of this quarter to make the necessary introductions. We look forward to your continued support, stay safe, God bless, and thank you Nitin once again for your contribution in the last four years. Take care guys, bye.

Moderator: Thank you. On behalf of LTI, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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Contact Information

Investor Relations:

Sunila Martis, Head of Investor Relations

Email: investor.relations@lntinfotech.com

Registered Office:

L&T House, Ballard Estate,

Mumbai 400001, India

CIN: L72900MH1996PLC104693

<https://www.lntinfotech.com/>