

LTI/SE/STAT/2021-22/19

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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, 2021.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on May 05, 2021 for the quarter and year ended March 31, 2021 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.**

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A Larsen & Toubro  
Group Company



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## “LTI Q4 FY21 Earnings Conference Call”

**May 05, 2021**

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



Let's Solve

*LTI Q4FY21 Earnings Call  
May 05, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to LTI's Q4 FY21 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 Ms. Sunila Martis, Head of Investor Relations. Thank you, and over to you.

**Sunila Martis:** Thank you, Stanford. Hello everyone and thank you all for joining us today to discuss LTI's Q4 & Full Year FY'21 Earnings. The financial statements, press release and quarterly fact sheet are available in our filings with the stock exchanges as well as on the Investor section of our website.

Today, on the call we have with us Mr. Sanjay Jalona – CEO and Managing Director, Mr. Sudhir Chaturvedi – President, Sales; Mr. Nachiket Deshpande – Chief Operating Officer; and Mr. Anil Rander – Chief Financial Officer.

Sanjay and Anil 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 risks that the company faces.

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

**Sanjay Jalona:** Thank you, Sunila. It has been over a year since COVID-19 was declared a global pandemic, a year of terrible loss of lives and livelihoods. Globally, communities are still confronting extreme social and economic strain as the human toll rises and millions remain unemployed. Last many weeks have witnessed a sudden surge of COVID cases across India. It is just heartbreaking to see and hear about the struggles and pains of numerous people across the country. This time COVID has touched much closer to all of us. Like many around the world, we at LTI, have lost a few of our employees to the pandemic. And on behalf of everyone here, we extend our deepest sympathies and condolences to the families as well as to all those who are struggling to cope with the crisis and who have most unfortunately lost a loved one.

Our priority at LTI continues to be employee safety and supporting our employees. We are working to ensure medical help and financial aid to the best of our abilities for our employees. We are also working with the relevant authorities to organize vaccination camps in our campuses for our colleagues based in India. I hope that the situation improves, and the affected people find the strength to recover and recuperate.

Recently, I wrote to all our customers about the situation in India and the response from LTI. The messages received from clients have nothing but strong support, kindness and care for our

people. It's quite touching and overwhelming to read these responses. The world is showing great character in dealing with the situation.

If we look beyond the public health crisis, FY21 has been a year of several inflection points. In the past one year, every industry has been required to reimagine their operating models to survive and stay relevant. The lines between B2B and B2C have blurred with several B2B organizations facing the need to explore new routes to market and sell directly to end consumers during the pandemic. For instance, several manufacturing and CPG companies are trying to reach you and me directly for the first time. Most of these organizations are either building or speeding up their B2C capabilities. The future of workplaces is also evolving at a rapid pace with work-from-home which started off as a necessary stopgap measure to keep companies operating amid the health crisis evolving into a new business paradigm. This has permitted a surge in reverse migration taking most professionals close to their homes away from tier-1 cities. We now have work moving to where the people are with several companies planning to set up satellite and collaboration offices across tier-2 and tier-3 cities. This will result in most companies gradually building out a far more distributed and diverse workforce.

If we look at the major events in the last century - the Great Depression, Great Recession and now the Great Restructuring. I call it the "Great Restructuring" because we are facing fundamental changes to the way we live and work and the situation continues to evolve. The way we interact, collaborate, learn, deliver and expect value has changed forever. This Great Restructuring is so comprehensive that no industry, company, country and to some extent even individual is isolated. What we are witnessing is a curve-bending phase where status quo is no more an option. Every industry has to restructure and adapt to the new normal, and that creates tremendous opportunities for us to partner with our customers.

I am so proud of how our team at LTI has responded to these challenges and seized this opportunity. We have a blend of experience and innovation that are coming together to allow us to execute with more creativity and speed. We pioneered innovative solutions during this time like xFH, SafeRadius, Canvas and the Grit Alliance. These are helping us pave our future as much as they are helping our customers steer through the change.

Before I talk about our results, let me take a minute to introduce and welcome Anil Rander, our new CFO, to the leadership team. He's a seasoned finance leader with over 27-years of multifaceted experience. Anil joins us from Tech Mahindra where he was Global Head of Finance for BPS. As Senior Vice President - Finance and Legal, he led the finance, legal facilities and risk management functions of Tech Mahindra Business Services Ltd. We are very happy to have him with us as we chart the next phase of growth at LTI.

Coming to our results, our Q4 numbers cap another year of industry-leading growth. We delivered revenues of \$447.4 million, a growth of 4.6% quarter-on-quarter and 9.1% year-on-

year. In constant currency terms, this translates to 4.4% quarter-on-quarter and 7.1% year-on-year. This helped us conclude FY21 with revenue of \$1.67 billion, growth of 9.5% in dollar terms and 8.8% in constant currency.

The Board of Directors at their meeting held yesterday have recommended a final dividend of INR 25 per equity share.

We had two large deal wins this quarter. Our first is a vendor consolidation win with an existing logo and is part of the Insurance vertical in North America. LTI has been chosen as a long-term strategic partner for management of core insurance platforms for a large Fortune 500 insurance company. This is a unique deal which includes vendor consolidation and several modernization programs across multiple core areas in the P&C space. The deal tenure is 5 years with net new TCV of \$21 million. This deal was won against top-tier incumbents.

Our second is in the BFS vertical with a new logo. One of the world's largest Islamic banks is in the process of a digital transformation to enhance its Islamic lending and financing product capability. LTI has been selected as the prime system integrator to accelerate the first phase of this transformation program using Temenos T24 Platform. This implementation by LTI will enable the bank to introduce new lending products to the market, reduce complexities, service its increasing customer base in a faster and efficient manner, while lowering the total cost of ownership. Empowered with pre-configured local functions, this transformation will enable the bank to cater to regulatory requirements within a relatively short time span and reduced effort. The deal tenure is 2 years with TCV of \$45 million. We have won this deal against leading global consulting companies. This win is a playbook example of how we leverage acquisitions to enhance our capabilities and drive growth.

Our pipeline continues to be healthy, and we added 2 Fortune 500 logos to our list of clients in Q4. With this, our total Fortune 500 customer count goes to 71, an addition of 5 during the year.

Before we move to the performance of our business verticals, let me share a few updates with you.

The results of our annual third-party conducted Client Satisfaction Survey have come in and our scores have improved sharply. Our customer experience index has seen an 18% increase in the last one year alone. 80% of the respondents were delighted with our remote delivery during the pandemic. We also scored well on responsiveness and client engagement. Our focus on customer-centricity has been widely recognized and seen as a key differentiator, followed by our partner mindset.

Supplementing the findings of the survey was our top rank by Everest Group's PEAK Matrix IT Service Provider in their list of Challenges for 2021. These recognitions demonstrate the

credibility of LTI to focus on building capabilities, getting recognition and putting all our GRIT together to solve the customer issues.

In our endeavor to continue building and scaling differentiated capabilities, we carved out 2 separate units to focus on Cloud and Data products. Some updates on these units since our announcement a few months back.

On the cloud side, we have made significant progress both in terms of setting up a dedicated organization and in terms of market success. We continue to strengthen our team with new leadership hires across technology and business roles. We have started seeing momentum pick up with a spate of new wins and implementation across all geographies.

We have entered into a global strategic partnership agreement with AWS to enable accelerated cloud adoption requirements of enterprises. We are investing further to expand assessment, migration and modernization capabilities with primary focus on SAP application workloads, IoT and data analytics driven solutions and services.

We reached a significant milestone with Azure and LTI is now certified Azure Expert Managed Services Provider. This makes us part of a pool of only select Microsoft partners worldwide to be rewarded with this prestigious MSP badge, which is an assurance of our proven expertise in Microsoft Azure capabilities to assist clients and their transformation journeys.

On data products, our near-term focus is to build dedicated go-to-market themes, branding, marketing, sales and partnerships. In many cases, our data products are creating a new category of innovative solutions. We are getting market validations as well as recognitions in some of the latest reports from Gartner and Forrester. Leni and Mosaic were both featured in the Forrester Tech Tide™: Enterprise Business Insights and Analytics.

Overall, early days in the setup of dedicated units for these both these businesses, but the signs are very encouraging even as we build out the foundation.

Another focus area for us is the enterprise applications market. This space is undergoing rapid transformation due to exponential growth of cloud-based applications, advancements of intelligent technologies and new market entrants with disruptive propositions. LTI has always been a major player in this space. However, we want to renew our approach to enterprise application market, and consequently, have created a new sales unit called "Intelligent Enterprise Sales." This unit is focused on major enterprise application economies like SAP, Oracle, Salesforce and MS Dynamics. Our initial plan centers around investments in major areas such as consulting, go-to-market initiatives, productized offering and delivery platforms.

Let me now provide you with a color on performance of our verticals.

BFS growth of 5% QoQ was driven by broad-based performance of all our clients in this vertical. One of our large deal wins this quarter is with a new logo from this vertical and involves digital banking transformation program, as I talked about earlier, using the Temenos T24 Platform. In Q3, in partnership with Temenos, we announced the launch of our digital banking platform in the Nordic region. This strategic partnership for both companies was a joint sales effort to capture the market. I am happy to say that we have won our first customer here - a pan European financial services company has selected LTI to provide Banking-as-a-Service for its performing loans segment. The new powerful digital banking platform is based on Temenos cloud-native technology and will enable our clients to scale, modernize and reduce IT costs significantly.

Moving to Insurance, we saw 0.8% quarter-on-quarter growth here. Our other large deal win is from this vertical and is the result of vendor consolidation exercise by an existing client in North America. While we have reported soft numbers in this vertical over the past year, we hope to strengthen our performance going forward.

Manufacturing grew 5% quarter-on-quarter. This is a combination of ramp up of our existing logos and some pass-through revenues in one of our India engagements which flows through in H2.

Energy & Utilities, this vertical has been soft for most of the year due to the declining oil prices and the impact of COVID. We have ended the year with a decline of 2.8% year-on-year. On our last call, we had shared some expectations on how sector spends would continue to be impacted. Our large deal announced last quarter from a Global Fortune 500 energy company is in transition phase and is going as per schedule. We expect to see further ramp up in the deal in FY22. One of the large Fortune 500 clients which we have added this quarter also belongs to this vertical.

CPG. Retail and Pharma grew up 3.5% quarter-on-quarter driven by some of our large deals announced in the previous years as well as our existing logos.

Hi-Tech & Media grew by 16% quarter-on-quarter. One of the drivers for this growth has been our large deal win with Injazat announced last quarter. The ramp up on this deal has happened earlier than expected and we have completed the rebadging of around 350 resources and are in the full-fledged operations mode now.

We have also had some good client additions in this vertical during the quarter. The 2<sup>nd</sup> Fortune 500 client which we have added in Q4 also belongs to this vertical.

Others which include defense business, professional services, government business and other global enterprises in public services registered 8.2% growth quarter-on-quarter. This growth is being driven by the scheduled ramp up of our earlier announced large deal wins and some of our existing logos.

Digital revenues across all our verticals now account for over 45% of our total revenues for the quarter. You have heard my views on this classification earlier. Our philosophy has always been that clients are spending money only on new technologies and the lines between digital and so-called traditional services are blurring. This trend of calling out digital revenues had started 5 years back as the industry attempted to provide validation on our efforts to reskill and remain relevant. We think that this metric is no longer a relevant measure of our capabilities and performance and hence starting FY22, we shall stop reporting these numbers.

On Outlook, let me now give you some details. We delivered market leading growth in FY21. We had strong growth momentum supported by record large deal TCV in the year. We continue to execute and deliver in challenging and changing times. Our pipeline remains healthy, and we will continue on that strong momentum. Our strong Q4 exit rate, strength of our pipeline and incredible conversations we are having with our customers give us the confidence that we will be in the leaders' quadrant for growth in FY22 as well.

Considering the investments we plan to do in the areas of capacity building and sales, post-COVID workspaces, re-skilling diversity and localization, as detailed earlier in the year, our margins will be in the narrow band of 14% to 15% for FY22.

We also need to acknowledge the uncertainties from a second wave of pandemic especially in India. While vaccinations continue to be rolled out in phase manner, the number of people impacted by the virus continues to spike. According to some media articles, the impact of second wave has been concentrated around the middle class and the urban affluent, or those in the high-rise buildings. In line with this, we are also seeing a high number of our employees being impacted, directly or indirectly, by the ongoing second wave in comparison to the first wave.

Safety of our employees and fulfilling our promises to our clients remain our top priority. Thanks to our committed workforce, we continue meeting client deliverables and timelines. We are closely monitoring the health crisis and continue to stay connected and update our clients on the evolving situation regularly. I sincerely hope that these things improve for all those who are impacted.

Given our performance for the year and to recognize the untiring effort of our employees, we have advanced our performance review cycle for FY21, for all our employees except for our senior executives. I am happy to state that we will be rolling out salary hikes effective April 1<sup>st</sup> instead of our regular July cycle.

With that, let me hand over to Anil.

**Anil Rander:**

Thank you, Sanjay. Hello everyone. Happy to be speaking with all of you today on my first earnings call for LTI. Hope all of you are keeping safe and healthy. Let me take you through the



financial highlights for Q4 as well as the Financial Year 2021 starting with the revenue numbers. Our revenue stood at \$447.4 million, up 4.6% sequentially and 9.1% year-on-year basis. The corresponding constant currency growth was at 4.4% quarter-on-quarter and 7.1% year-on-year. Reported INR revenue of 32,694 million was up 3.7% quarter-on-quarter and 8.5% year-on-year. Revenue for FY21 stood at \$1.67 billion, growing at 9.5%, which corresponds to a constant currency growth of 8.8%. In rupee terms, the full year revenue was INR 1,23,698 million, registering a growth of 13.7%.

Now, coming to profitability, EBIT for the quarter was INR 6,329 million, translating into an operating margin of 19.4% as compared to 20.6% in the previous quarter. The impact of wage hikes effective from Jan 1<sup>st</sup>, 2021 was partially offset by operational efficiencies, leading to about 120 basis points decline in margins for the quarter. For the full year, operating margin was at INR.23,926 million at 19.3% against 16.1% of the previous year.

Reported profit after tax was INR 5,457 million which translated into a PAT margin of 16.7% this quarter as compared with 16.5% in Q3. Other income pertaining to Q4 FY21 includes the write back of certain earn outs payable towards an earlier acquisition amounting to INR 571 million. Adjusting for this amount, PAT margin for Q4FY21 would have been at 14.9%. Our full year PAT stood at INR 19,382 million, helping us deliver a full year PAT margin of 15.7%. Considering the investments outlined by us on our analyst day, margins will be around the narrow band of 14% for FY22.

Moving to the people front, utilization without trainees was at 82.2% as compared to 84.1% last quarter, and utilization including trainees was at 80.8% versus 81.1% in Q3. Full year utilization including trainees stood at 80.5% as compared to 79.5% last year, and without trainees at 82% as compared to 80.9% last year. We continue to strengthen our workforce and during Q4 we added 2,008 people on a net basis and for the year it stood at 4,554, which translates into 14.5% growth in headcount from FY20. The total manpower stood at 35,991, of which our production associates were at 95%. In this quarter, the attrition is at 12.3% versus 12.4% last quarter on an LTM basis.

Moving to forex and hedge book, our cash flow hedge stood at \$1,354 million as of 31<sup>st</sup> March 2021 versus \$1,296 million as at 31<sup>st</sup> December'20; while the on-balance sheet hedges stood at \$65 million versus \$69 million last quarter.

Moving on to DSO in Q4, the billed DSO improved by 2 days and stood at 61 days as compared to 63 days last quarter. The DSO including unbilled was at 94 days, an increase of 1 day quarter-on-quarter. DSO including unbilled was lower by 12 days as compared to the corresponding quarter last year. The net working capital is at 15.1% of the revenue as on 31<sup>st</sup> March 2021 as compared to 16.4% as on 31<sup>st</sup> March 2020.

For the quarter, the net cash flow from operations was at INR 7,136 million, which was at 130.8% conversion of net income. For the full year, the net cash flow from operations was INR 23,996 million at 123.8% conversion of net income versus 108.1% in FY20, this represents a growth of 46% year-on-year. At the end of quarter, cash and liquid investments stood at Rs.43,877 million as compared to Rs.38,560 million as of 31<sup>st</sup> December 2020. The effective tax rate for the quarter was at 23.9%.

The Board of Directors at the meeting held yesterday have recommended a final dividend of INR 25 per equity share. The earning per share for the quarter stood at INR 31.2 as compared to INR 29.7 in Q3. Diluted earnings per share was INR 31 versus INR 29.5 last quarter. Diluted earnings per share was INR 110.3 in FY21 versus INR 86.6 in FY20.

Before I end my presentation, I would like to say that solving for society is one of our core beliefs. We will continue to explore ways in which we can work with communities and those around us to help them overcome the second wave of this pandemic.

With that, I would like to open the floor for questions. Thank you.

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

**Sudheer Guntupalli:** Sanjay, while company level growth for the full year has been very impressive at around 10%, growth in the top-20 accounts is very weak; it's actually in the range of 1% to 4% across different sub-segments. It's interesting on two counts: unlike some of our competitors, we don't have many key accounts in highly troubled verticals like travel or retail, so on and so forth. Also, LTI has always been well known for its account mining. Just wanted your thoughts on what is happening here. And this trend of non-key accounts actually offsetting the pressure in the key accounts and keeping the growth rates buoyant, how sustainable is this?

**Sanjay Jalona:** Yes, Sudheer, a good question. Look, top 10-accounts, some of them have seen impact due to COVID, some are in oil & gas and some are in the insurance vertical, where we probably have to perform better in times to come. We have sown some seeds of that by bringing in new leadership as well. From a long-term perspective, if you look at 5-year CAGR i.e. from FY16 to FY21, for top accounts, it's been pretty healthy with top 5 accounts growing at 8%, top 6 to 10 growing at 9.4%, top 11 to 20 growing by 13.2%. Please remember that 5 years ago, during the IPO, we also had a lot of concentration risk. And I think that has been very consciously dealt with. Balancing and reducing the concentration as well as growing large key marquee names globally, as customers has been the key theme. But recently, on account of COVID or oil & gas or insurance, you see the softness in our top accounts. But we are extremely excited about the prospects of growth in all of them.



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- Sudheer Guntupalli:** Second question is on the top client. They seem to have announced some business restructuring and exit from some geographies and more such measures may likely come into picture going forward. So, any sense you're getting based on your discussions with the decision-makers inside the company, about the potential sluggishness in decision-making activities and so on and so forth? Basically, I'm asking this because one of our competitors, let us say when one of their top 3 clients had gone through a similar transition earlier, they had seen almost 3 to 4 quarters of sluggishness in decision-making eventually impacting their financials as well. So, any thoughts on that front?
- Sanjay Jalona:** Actually, it's exactly the opposite right now, with the top client having a very strong momentum on projects and there is no indication of it slowing down right now.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.
- Vimal Gohil:** Sir, despite the salary hike, what I notice is your margin outlook for FY22 is quite similar to what you have been guiding, about 14% to 15% range. And plus, you are also going to make certain investments. So, I just wanted to understand what are the offsets here? You spoke about some operational efficiencies that you had this quarter, if you could just explain those as well, so what is leading to that? And secondly, on the insurance vertical, we have seen some softness, is it industry specific or is it client specific? These are my two questions. Thank you.
- Sanjay Jalona:** If you look at the insurance companies and what they have faced in the last 2 years with hurricanes and with situations like COVID now, there has been tremendous strain. While this industry is typically cyclical in nature and goes through ups and downs, I must also agree that we have a lot to do here. And with the win that we just announced this quarter, it is just the start. It will still take 3 to 4 quarters for us to get in full steam. But we are at the right direction at this point on insurance. Anil, would you like to answer the first question?
- Anil Rander:** Sure. The guidance is coming from operational efficiencies. And we will also look at areas in terms of transformation and cost optimization. These things will actually be guiding towards a better margin.
- Sanjay Jalona:** Vimal, remember, growth is the biggest lever for margin improvement.
- Moderator:** Thank you. The next question is from the line of Sandeep Shah from Equirus. Please go ahead.
- Sandeep Shah:** Sanjay, just in terms of your new deal addition this time in FY21, from developed markets like U.S. and Europe, slightly lower versus what the peers were reporting. So, is it as per your expectation or you believe the decision making is slightly slower in our set of accounts and may improve going forward? And a second question, generally, 1Q we have a seasonality because of the attrition on pass through revenues, whether the same phenomena may continue in FY22?

And just last thing on SG&A, it's at historic low of 10%. While we are talking about investment, will it go back to normal levels of 12% to 14% over a period of time?

**Sudhir Chaturvedi:**

If I look at the quality of the deals that we have announced, those are cloud-based transformation as in the case of Inzajat, and then the recent win that Sanjay spoke about in his opening remarks on banking transformation for one of the world's largest Islamic banks. Similarly, there have been some good strong data deals that we have done in both India and the Asia Pacific region. So, I think if I look at the quality of deals, these are deals that we would be happy to do in any part of the world. I think we saw good growth opportunities in these geographies and that's the case. If you see the percentage mix, U.S. still continues to have the same share of revenue for us and was also our fastest growing region. In terms of pipeline, if I look ahead, we will see that we are going to be in a similar revenue mix per geo as we have had over the previous years.

**Anil Rander:**

On SG&A, there has been an improvement in terms of our sales productivity. There are going to be investments in sales and marketing. In this quarter, there have been some provisions which we no longer required in terms of expenses, which we have reversed. That also had an impact here. And in terms of pass through, it is a seasonal phenomenon which we foresee to continue.

**Sanjay Jalona:**

Sandeep, just to summarize, we will continue, as we have said, on investing in sales and marketing. The nature of the business is also changing. As I talked about Great Restructuring - every customer, every industry, every vertical, every geography needs to be competitive in the new normal. We are at record number of open positions, record amount of work that we need to do at every single client today. And frankly, it's a supply constrained environment. And our focus is on getting the right set of people on sales and marketing to influence and work and co-create solutions with our customer. The kind of deals that we have done, obviously, Inzajat was really critical for the future of cloud. And it's a great way of impacting a whole market in a meaningful way. And highlight for the year, personally for me, is the banking transformation, on top of the phenomenal job done by the Syncordis team in creating this opportunity and going against the biggest players in the world to win that deal. We continue to stay excited for our customers and the pipeline all around the world.

**Moderator:**

Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

**Mohit Jain:**

Sir, I had two questions, one is on Europe. So, it appears that in terms of currency our constant currency growth in Europe is more or less similar to the USD number for the quarter. So, is there some client who is billing in USD or how did we insulate from this whole thing? And second was on intangibles, there were some increase in intangibles on the balance sheet for FY21. So, what is the nature of that intangible increase? And what should we expect there going forward?

**Anil Rander:**

In terms of intangibles, this is part of a deal construct where we acquired a competitive deal, and that is the reason why you see a higher intangible which is in place in the balance sheet. And on

your first question, in terms of constant currency for Europe - there are transactions which happen throughout the year. Over a period, currencies may go weaker or stronger. On an average, you can see the Euro has depreciated or appreciated. But at a certain point of time when these transactions are done, Euro was depreciating and that would be the impact on reporting and constant currency.

- Mohit Jain:** And on intangibles, you are saying it is part of the payout which was done for the deal?
- Anil Rander:** Yes, this is a part of the deal construct, done as a part of the competitive deal.
- Mohit Jain:** So, this is a cash outflow, right?
- Anil Rander:** Yes, this would be a cash outflow.
- Mohit Jain:** This is the part of the cash outflow that has actually happened or is it some customer contract or something that is sitting in that intangible?
- Anil Rander:** It is part of the deal, there could be an accrual, there could be a payout partially, it includes both.
- Moderator:** Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.
- Rishi Jhunjhunwala:** Two questions, one is regarding the reversal of the earn outs that you have recorded in this quarter. Just wanted to understand which acquisition, what was the target, and why do you think that happened? Secondly, if you look at capital allocation for us, while our growth clearly continues to remain sector leading, capital allocation is probably at the lower end of where the industry typically operates at. We have clearly accumulated significant amount of cash, now it's almost INR 4,300 crores, so any intention to change the trajectory of capital payouts?
- Sudhir Chaturvedi:** Sure. So, this reversal is on account of Syncordis, the asset that we had acquired in core banking. So, let me just step back a few years. LTI did not operate in the core banking space, though BFS is our largest vertical, we did not operate in this key space of spend. We acquired two assets, and now we are the second largest player in the Temenos ecosystem. Let me start by saying that the business case for this acquisition has been met. And we have built on that. We talked about the banking transformation deal as announced in this quarter. We also announced a Temenos based SaaS offering for the Nordics market. We have done some significant deals in Europe and Asia Pacific also on the back of that. So, the overall business case was met.
- As part of the acquisition, we had a base case and a special case. The base case has been met. We were prudent and we made provisions as per the special case and hence these reversals. We expect to see much stronger growth in this business going forward.



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- Anil Rander:** On the capital allocation, we are a young organization in terms of the IPO. It has been about 5 years since our IPO. We are also evaluating good M&A opportunities for inorganic growth. Also, currently we are passing through uncertain times because the extent of the impact of the pandemic remains unknown. As compared to last year, payout per share was increased to INR 40 this year from INR 28. And we continue to maintain the payout ratio.
- Sanjay Jalona:** Rishi, we hear you, we hear your point. And we will keep looking at opportunities to do justice, as always, for all our stakeholders.
- Moderator:** Thank you. The next question is from the line of Manik Taneja from JM Financial. Please go ahead.
- Manik Taneja:** I just wanted to check with you on the strength that we have seen around our revenue productivity metric. And this year, we have seen an improvement in terms of offshore revenue productivity, so if you could help us understand what's driving that. And the second thing is that, as you mentioned that we are in a supply constrained market, and given the current situation from a COVID scare, do you think in the near term we could have some delivery fulfilment issues for the industry as a whole?
- Nachiket Deshpande:** So, Manik, I think our offshore productivity has gone up. For the whole of this year, we have seen significant constraints on travel, and all of those things related to COVID impact, and hence the acceptability of clients for people to work from where they are, as well resource propensity to be based closer to their home location has made this change more acceptable. That's where I think you would see across the industry, the offshore ratios have gone up. Some of that will probably return as things start to get normal, whenever it does. Also, as regards to the supply constraint and our ability to serve, so if you see from our numbers, we had highest hiring in Q4. And we see similar traction going into Q1 as well. Our plans for our full year hiring are also significantly aggressive, and we are able to fulfil those. So, I don't see from an industry perspective, COVID related things will have an impact on our ability to fulfil our client's demand. Of course, based on the current wave 2 and some disruption related to that with individuals and so on so forth, we see a better balance between onshore, offshore, nearshore in the long term as we continue to navigate through this crisis.
- Manik Taneja:** My question was related to the revenue productivity metrics. So, from an average revenue productivity offshore, that number has seen a significant increase this year. And that is what I was looking to understand if customers are much more open to higher pricing given the constraints around travel.
- Sudhir Chaturvedi:** If you reflect back to the same time last year, we had huge pressure on pricing, requests for discounts, deferment of payment terms, etc. What we are seeing now is a more stable pricing environment. Sanjay talked about the project-based demand that we are seeing, as projects, for

example, in intelligent enterprise sales and in cloud sales, the price points are better than the outsourcing price point. So, I think as the mix of revenues also changes, we will start to see that having an impact. But right now, I would say the pricing environment is stable. And we are focused on seeing how we service demand.

**Moderator:** Thank you. The next question is from the line of Abhishek Shindadkar from Elara Capital. Please go ahead.

**Abhishek Shindadkar:** Congrats on good execution. My question is on mining. Now, we definitely understand that the five-year trajectory of top 5, 6 to 10 clients is very strong. But if I look at the client metric, it seems that there is a little bit of pause in the \$50 million and \$100 million bucket. So, any color in terms of what's hitting there and how do we plan to improve on that metric? Thank you for taking my question.

**Sanjay Jalona:** Abhishek, as I said, some of them are definitely hit by COVID, some are oil and gas and probably a little bit more needs to be done on the insurance sector. We are broadening the base, we have seen good movement in the \$1 million, \$5 million, \$10 million, \$20 million bucket. And I think if we keep growing at the pace that we are growing, you will see incremental additions on others as well. We feel good about the conversations that we are having with our customers, top 10 customers, top 20, top 50 and we will see movements up there.

**Moderator:** Thank you. The next question is from the line of Sulabh Govila from Morgan Stanley. Please go ahead.

**Sulabh Govila:** I had a couple of questions. So, first one is on the new client additions. So, we had talked about expanding our focus from Fortune 500 clients to Fortune 2,000 accounts. So, do you think that we can accelerate the pace with which we have been adding clients in the last few years, which has been an average of 80, 90 clients annually? Or do you think we are at a scale where meaningful acceleration from hereon might be difficult? So, any thoughts on that account would be very helpful.

And the second bit is on the ramp up schedule of the deals that we have won this quarter. And whether the Injazat deal that we won in December quarter has fully ramped up?

**Sanjay Jalona:** As I was talking about the nature of the business, which is changing, there is such a vast amount of work that we need to do across verticals, to help our existing customers be competitive in the new normal and the new restructured businesses globally. There is tremendous opportunity that exist there itself. And obviously, we want to do justice to all the customers and their needs that exist today. That's not to say that any of our new account opening focus will go down. If you reflect on this year also, 5 Fortune 500 customers have been opened, we have opened quite a few logos. But at the same time, given where we are, we are also being very selective about the

kind of work that that we need to do for our existing customers. So, it will be a balancing act, obviously, if it's a Fortune 5, Fortune 10 customer, we will continue to go after that. Some of them take 2 years, 3 years to open up, and that's a work in progress and we will continue to be there.

**Nachiket Deshpande:**

So, for the Injazat deal we talked about, I think Sanjay mentioned in his speech as well that we had a slightly ahead of schedule ramp up that happened in this quarter. But I think Q1 will be the quarter where we will see full ramp of that deal. And the other deals that we had announced last quarter as well, we are proceeding on the transitions as planned. So, there also you will start to see from part of Q1 the ramp up reflected, and probably Q2 will be the full ramp up for those deals.

**Sanjay Jalona:**

I also want to mention a point here. While we are looking at all models of ramp up for the customers, some ramp up is required at client side as well. With the situation in India, travel restrictions from many countries, as we ramp up some of these deals, we are seeing delays because countries have no travel policies for a period of time. That is what is giving us a little bit of uncertainty, but the ramp up is there, confidence is there, we are starting a lot more work from offshore as we move along. But some of those delays may be there. The constraints are also coming for everyone and the entire industry overall.

**Sudhir Chaturvedi:**

Just to build on that, we are seeing more broad-based growth. Our \$5 million bucket is up by 10, \$10 million bucket is up by 8, and our \$20 million bucket is up by 2. And all of this in FY21, which, I think is a very strong achievement to broad base our growth and something to build on in FY22 as well.

**Moderator:**

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

**Nitin Padmanabhan:**

I had two questions specifically. We have seen very strong hiring in the recent quarter, and I think you have alluded to very strong hiring next quarter as well. Does that mean that first half of which we have usually seen seasonality of it being weaker than the second half, does that sort of change? Or two, is that why we are hiring ahead because of the tightening supply side that we are seeing today? That was the first question.

And the second one was on the SG&A, the reversal in provisions that we have seen on the SG&A. Is there any way to quantify what is the portion which is an operational efficiency that could continue going forward? And how should we sort of think of that from a margin context as we move forward?

**Nachiket Deshpande:**

I think as you look at our growth in Q3 and Q4 as well, we had two very strong quarters and a lot of hiring done with that in mind. And what we are seeing in Q1, as well, is some of those



ramped up deals that we had announced, and what Sanjay also talked about, that continues. So, our hiring is done as per that plan for the deals that we have already won, and that we are ramping up and transitioning and executing. We are not hiring ahead of time for the future demand, we are hiring in line with that. Also, the only thing that we are probably doing is the fresh graduates intake that we normally do, that we are probably preponing it by a few months. Instead of doing that in Q3 and Q4 we plan to do it in Q2 and Q3 this year, based on the overall demand picture that we see.

**Nitin Padmanabhan:** So, would it be fair to say that the typical sort of drop we see from Q4 from a growth perspective may not be as much as what we have seen historically, is that a fair take?

**Sanjay Jalona:** That is right.

**Nitin Padmanabhan:** The second question was on the provisions on the SG&A that have come up this quarter.

**Anil Rander:** Going forward, in terms of SG&A, if you see normally in last three quarters, our SG&A has been in the band of about 12% in terms of our revenue. We will look at roughly that number or maybe lower than that, because we will be also leveraging on growth. And as we said, there are provisions which in a normal course have been done on account of prudence, where the benefit has been derived in Q4, which will be coming back to normal from Q1 onwards.

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

**Ruchi Burde:** In terms of utilization, you mentioned that you are not hiring ahead of time but just to fulfil the existing demand. But given the situation, both on supply and demand side, and your company's aspiration of being a growth company, what is the comfortable level of utilization where you would ideally want to operate?

**Nachiket Deshpande:** So, I think we are currently operating at a utilization which we believe we should be able to sustain, if not improve, as we go forward. And what we also feel is that the utilization percentage is also a function of size. So, as we become bigger, we are able to sustain our ability to maintain the bench needed for our growth aspirations with the current level of utilization as we go forward.

**Moderator:** Thank you. Ladies and gentlemen, we will take the last question from the line of Divya Nagarajan from UBS. Please go ahead.

**Divya Nagarajan:** Congrats on good execution in what's been a pretty challenging year. I just had one clarification from Sanjay, your earlier comment on rate discussions with customers. Should I understand that customers are willing to move rates upwards because of the supply constraints or is that something else that you are referring to?



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**Sanjay Jalona:** Divya, rates are stable, pricing is stable. There are places where we are looking at the opportunities because of high demand, cost is also higher to get the talent of these niche technologies. But by and large, I would leave it at stable pricing right now.

**Divya Nagarajan:** So, then the cost of supply installation would have to be borne by service providers such as yourself and offset the efficiencies. Is that a fair assumption then?

**Sanjay Jalona:** Margins for any year are part of a situational saving or structural saving as well, as we have seen in COVID. Situational savings like travel, etc., will come back, you have to be competitive to hire people in terms of the compensation, and some of it will be adjusted with higher pricing as well. Last year was about a lot of discounts, this year I don't want to preempt by saying we are able to increase pricing, so we will leave it at stable pricing right now. Our endeavor at the same time is also to keep the structural savings that we have been able to drive through higher offshoring, for example, and that gives you the leverage and the lever for margin expansion in addition to the stronger growth in the marketplace.

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

**Sanjay Jalona:** I will close by saying thank you. We know so many of you over several years and appreciate the time and attention you pay to the company. We hope that you and your loved ones continue to stay safe. These are difficult times in India, and we need to support each other as we go along. Our prayers, our thoughts are with everyone in India, and we continue to stay committed to do the right thing for the society in addition to the businesses as well. Thank you for your time. We look forward to seeing you next quarter. Take care, God bless.

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

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