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October 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 ended September 30, 2020.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on October 21, 2020 for the quarter ended September 30, 2020 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited

Manoj Koul
Company Secretary & Compliance Officer

Encl: As above

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A Larsen & Toubro
Group Company



Let's Solve

**“Larsen & Toubro Infotech Limited Q2 FY2021
Earnings Conference Call”**

October 21, 2020

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

Moderator: Ladies and gentlemen, good day and welcome to LTI's Q2FY21 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 this conference, 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, Investor Relations. Thank you and over to you, ma'am.

Sunila Martis: Thank you, Lizzan. Hello, everyone and thank you all for joining us today to discuss LTI's Q2FY21 Earnings. The financial statements, press release and quarterly fact sheet are available in our filings with the stock exchanges and on the Investor section of our website.

On the call today, we have with us 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 Q&A.

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: Thanks, Sunila. Hello, everyone. I hope all of you are staying safe and keeping well. This quarter marks five years for me at LTI. These years have been very turbulent and transformative for me, at the same time, for the world. We, at LTI, have gone through our own transformation to create an identity for ourselves, build world-class capability, strong partnerships, solving big for our customers, competing and winning against the world's best companies. In 2020, we are all operating in a manner unimaginable in the past because of COVID. Personally, these five years have been an exhilarating experience, overcoming challenges and celebrating multiple milestones, making it one of the most fulfilling periods of my professional journey. My team and I are filled with deep gratitude for all the support we have received during these years from all our stakeholders, our clients, employees and investors. Thank you to you all. And we will continue to do the best in the years ahead.

While the unfortunate impact of COVID continues in the form of loss of lives and livelihoods, as well as rising income inequalities, we are also seeing an increasing dichotomy between weak economic indicators and growth delivered by technology sector. This is because the past six

months have made it apparent that organizations need to reimagine their operating models and embrace digital transformations to ensure that they remain relevant today. Banks need to onboard customers remotely, insurance companies need remote sales and distribution, retailers need to have online to offline capabilities for customers to order online and pick up at curbside. Technology has been a redeemer in these difficult times. It is no longer the preserve of only large companies and industry leaders but has become a necessity for all companies of all sizes. We are seeing businesses accelerate the digitization of every aspect of their operations, from their core functions to their customer facing capabilities to their workplaces. Our go-to-market strategies around digitizing the core, operate to transform, data driven organizations and experienced transformation are finding even greater resonance with clients in their journey to new operating models.

Two areas have emerged as huge opportunity areas based on the convergence of market trends and the capabilities we have built. Firstly, it is the cloud business, with the work we do along with the hyperscalers like AWS, Azure and GCP. Secondly, the data products business with our market-leading platforms and products namely Mosaic and Leni. We are already working with some of the largest companies, helping them get more from cloud and data leveraging our IP. To further fuel this momentum and bring a missionary commitment to these areas, we are setting up a unit, dedicated to building this business. This will be a key investment area for us in terms of sales, marketing, alliance and capability build. We believe that most industries are in the foundation stage of truly leveraging these capabilities and this unit will focus on helping clients realize that future.

Let me now walk you through the headline numbers:

We delivered revenue of \$404.5 million, a growth of 3.6% quarter-on-quarter and 11.2% year-on-year. In constant currency, this translates to 2.3% quarter-on-quarter and 10.5% year-on-year basis. We continue to receive positive feedback from clients during COVID times on the performance and commitment demonstrated by our employees. Safety of our employees and fulfilling our promises to our customers remain our top priority. During this quarter, we launched Canvas PolarSled. This is an automated cloud migration and modernization framework to help enterprises accelerate their data move to cloud with Snowflake.

We have a very healthy deal pipeline which is about 22% up, vs. a year ago. We see broad based demand across verticals.

Our win rooms continue to be busy. We added 26 new logos across all the verticals during the quarter and won a large data and analytics led transformation deal with a net new TCv of over \$40 million. Our large deal pipeline is stronger than the last quarter. Large deals, due to their complex nature, are taking longer than usual to close. I am also happy to state that we added a new Global Fortune 500 logo to our list of clients, taking the total Fortune 500 logos to 68.

I am also delighted to share that LTI, in the US, has been recognized as a 'Great Place to Work™ Company'.

I also take this opportunity to thank you on behalf of Ashok, our IR Team and myself for your nominations on the Institutional Investors 2020 All-Asia Executive Team Survey. This recognition is a testimony of the faith and trust that our investors have reposed in us and we are truly honored.

Let me provide briefly some colour on the performance of our verticals:

BFS – we had a double-digit sequential and year-on-year growth in this vertical at 11.7% and 22.5% respectively. Our top client continues to grow and grow well.

Insurance vertical registered a decline of 3.4% quarter-on-quarter and close to 5% year-on-year basis. This vertical continues to struggle with the impact created by COVID.

Manufacturing was our hardest hit vertical in the first quarter, and we have seen good recovery from there. This vertical grew 6.4% quarter-on-quarter and 10.2% on a year-on-year basis.

Energy & Utility vertical saw a 2.1% increase quarter-on-quarter and a decline of 2.2% year-on-year. Recovery is tepid, even though oil prices have stabilized, but at much lower levels compared to pre-COVID.

CPG, Retail & Pharma saw a marginal sequential decline and a growth of 6.3% year-on-year basis. The Global Fortune 500 client that we have added belongs to this vertical. We will be using Intelligent Automation to automate their core business processes, resulting in a faster and error free new drug release process.

High-Tech and Media saw 5.1% quarter-on-quarter decline and 9.5% growth on a year-on-year basis. The decline during the quarter was on account of reprioritization of work due to COVID on one particular account. We see this vertical returning to growth in the coming quarters.

Others vertical which include Defense and Professional Services registered 8.7% growth quarter-on-quarter. Our large deal win announced this quarter also falls under this vertical.

Briefly touching on outlook, the world continues to be in a difficult place. Macroeconomic issues continue to exist, and we are keeping a close watch on the trajectory of the virus spread. We remain focused on our 3x3 Strategy, detailed during our earlier earnings call, of customer first thinking, resilience in operations and protecting our P&L to deal with the impact of the pandemic.

But in summary, if I have to talk about our outlook for the third quarter, our healthy deal pipeline and sustained client mining makes us optimistic. We have already surpassed our Q3FY20 revenues this quarter, and we will surpass our Q4FY20 revenue in Q3 itself. We remain committed to deliver top quartile growth in FY21 as well. Additionally, we would also roll out salary hikes from January 1st. We are working out the details and it would be communicated subsequently.

With that, let me hand it over to Ashok now.

Ashok Sonthalia:

Thank you, Sanjay. Hello, everyone. It is great to be back with you again. Let me take you through the financial highlights for Q2FY21, starting with the revenue numbers.

In Q2FY21, our revenues stood at USD 404.5 million, up 3.6% sequentially and 11.2% on a year-on-year basis. The corresponding constant currency growth was 2.3% quarter-on-quarter and 10.5% year-on-year. Reported INR revenue of 29,984 million was up 1.7% quarter-on-quarter and 16.6% Y-o-Y.

Now coming to profitability:

EBIT for the quarter was INR 5,957 million, translating into an operating margin of 19.9% as compared with 17.4% in the previous quarter. The 250-basis point increase in the margin can be attributed to improvement in onsite-offshore mix, utilization, higher working days and operational efficiencies. Reported profit after tax was INR 4,568 million, which translated into a PAT margin of 15.2% this quarter, compared with 14.1% in Q1. Exchange loss and lower other income have partially offset increase in operating profit.

Based on our strong performance in the face of the pandemic and enhanced visibility for the rest of the year, we feel confident to reinstate PAT margin guidance for the full year FY21, to be in the 14% to 15% band, despite salary hike in January 2021.

Moving on to the people front:

Utilization without trainees was at 82% as compared to 79.6% last quarter. And utilization including trainees was at 80.5% versus 79.4% in quarter one. We continue to strengthen our workforce, and during Q2 we added 978 people on a net basis. The total manpower stood at 32,455 of which our production associates were 94.5%. In this quarter, attrition has improved to 13.5% versus 15.2% last quarter on LTM basis.

Now talking about our hedge book:

Our cash flow hedge book stood at USD 1,030 million as at 30th September 2020, versus USD 1,098 million as at 30th June 2020, while the on balance sheet hedges stood at USD 115 million versus USD 111 million last quarter.

Moving on to the DSO in Q2:

The billed DSO improved significantly by 8 days and stood at 62 days compared to 70 days last quarter. The DSO including unbilled revenue was at 94 days, an improvement of 5 days over quarter one. For the quarter, the net cash flow from operations was at INR 4,465 million, which was at 97.7% conversion of the net income, despite the fact that like every other year, we paid our annual incentive during the quarter. At the end of the quarter, cash and liquid investments stood at INR 35,472 million, compared to INR 34,256 million as on 30th June.

The effective tax rate for the quarter was 25.5%.

And now coming to the EPS and dividend:

The Board of Directors at their meeting held yesterday have declared an interim dividend of INR 15 per equity share. Earnings per share for the quarter stood at INR 26.1 as compared to INR 23.9 in Q1. Diluted earnings per share was INR 25.9 versus INR 23.7 last quarter. On LTM basis, diluted earnings per share was INR 95.5 versus INR 90.1 in Q1.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Mukul Garg from Motilal Oswal Securities. Please go ahead.

Mukul Garg: Sanjay, the first question was on the margin improvement which we saw this quarter. A lot of this seems to be driven because of higher utilization and offshore shift. Can you just help us understand whether this is sustainable, especially the offshore shift portion? And while we understand that wage hikes will be having a drag from Q4 onwards, where do you see the margins settling down, given the constant improvement in margins over the last one and a half years?

Sanjay Jalona: Mukul, thank you for the question. There are many things that have gone in there and I will just list a few. One, operational efficiencies such as utilization and increased offshoring. Obviously, lesser COVID discounts have also helped. Sales and marketing expenses have also been tepid. An extra day of working also helps in this whole process. So, there are many things that have been there, and I think we can sustain with the operational efficiencies, to your specific questions on offshoring. Today there are deals where we are able to pitch to customers at 90% to 95% offshore ratios as well. So, it is sustainable. Margin percentage wise, Ashok has in his speech given you where we want it to stay. You have also heard in my speech that we want to focus and

invest back in the business and drive growth, with special focus and more investments in the areas of cloud and data products. So, go with what Ashok has given in terms of margin guidance. Operational efficiencies, especially offshoring percentage, can be sustained, and will continue to drive growth as we go along.

Mukul Garg:

Great. And one more question is on the deal win number – the large deal win, which you announced this quarter. If we go back to the commentary from Q1, there were a few deals which were in pipeline and which got pushed out to Q2. If you look at the deal win numbers from FY20 quarters, this seems a bit tepid. And I think you also alluded that the large deal wins are getting delayed. So, if you can just offer some more perspective on this.

Sanjay Jalona:

Sure. Mukul. I think I wish I was standing here announcing deals as we normally do. But if I were to reflect and think. If you had asked me these questions in March or April, whether we would be at the same place, I don't think anybody would have imagined that we will be talking as confidently with the pipeline. So, coming to pipeline on large deals, I think it continues to be strong. It is actually stronger than last quarter as well. Absolutely acknowledge that we were a little tepid and soft than our normal announcements. But these deals are typically very complex and obviously, not being in front of customers don't help in faster closures. But we are confident about growth. Again, I take you back to four things that I always talk about, growth accounts, invest accounts, new account openings and large deals. And where we stand, it's a little different world than what we typically operate, but we are confident on all four of them.

Moderator:

Thank you. The next question is from the line of Sudheer Guntupalli from ICICI Securities. Please go ahead.

Sudheer Guntupalli:

There appears to be an interesting dichotomy in the growth of service offerings. Those offerings which are perceived to be new age in nature, let us say analytics, AI and cognitive and enterprise integration and mobility, they seem to have reported either declines on a Q-o-Q basis or tepid growth even on a year-on-year basis. And some service offerings like ADM and testing, which are typically perceived to be legacy in nature, seem to have reported very strong growth both on Q-o-Q and Y-o-Y basis. So, how do we read these trends?

Nachiket Deshpande:

So, I will answer it in two parts. Let's first talk about the analytics, AI and data part. There, we had some specific account problem that Sanjay talked about - the reprioritization part, that also was in this particular service line. You would also see that we had a particular Mosaic license component in Q1 in the same service line as well. Hence, there is an impact on Q-on-Q basis. And as regards to the ADM part that you talked about, if you see across our service lines, we don't report cloud revenues separately, because we believe cloud is there in all service lines and all pervasive across many service lines. So, the growth you see in the ADM space as well as our enterprise solution space also has a lot of new age services embedded in that which we don't separate out anymore.



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Sudheer Guntupalli: Sure. But analytics, AI and cognitive, and even enterprise integration and mobility, even on Y-o-Y basis it looks a little tepid. So, any update?

Nachiket Deshpande: Yes. Just to add, probably on a Y-o-Y basis, we also had a fairly large analytics program in an India customer that we talked about, which ended last year. That has an impact on this year's numbers and the new deal that we have announced this quarter is also in the analytics space. So, we expect in future quarters for that deal to play out.

Sudheer Guntupalli: Sure, that's helpful. My second question is on the impending management change at the top account, seemingly with the focus on cost restructuring. Historically, what we had noticed in some of your competitors is that whenever such an event happens at top accounts, there will be three to four quarters kind of sluggishness in terms of preceding sign offs and project spends, so on and so forth. So, how do we see the situation panning out now?

Sanjay Jalona: The top account is growing and growing handsomely. The areas that we work in are very critical in these times. Where we stand today, we feel there are more opportunities for growth for us at the top account. The new management is even more tech-savvy and wants to do a lot more with tech. Banks have to deal with situations even more differently, not only from customer onboardings remotely, but also cover finance risk and compliances a lot more rigorously in these times. Also, distribute monies that the government is making as stimulus payments and so on so forth. With the management and what we understand and the pipeline that we see, we are very confident of the growth in the top account as well. Sudhir, would you have something to add here?

Sudhir Chaturvedi: Yes, Sanjay, absolutely. I think if we look at two elements, and this applies to our top account and I think more broadly, BFS as well. We are seeing a significant shift from multiple perspectives from a technology perspective. For example, if we look at onboarding of customers, whether it's new customers, onto any of the banks' products or existing customers on to new products, all of this has to be done digitally now. So, the entire digital onboarding space is something that we are seeing growth in across the board. Similarly, in loan management and the credit risk that comes with loan management, the entire analysis of that, the reporting of that, the risk management of that has led to new growth opportunities. This will continue to be the case even in our top account. In fact, in our top account it will be slightly more enhanced, especially on the credit risk side. So, I think BFS has had good growth this quarter, and we see a continuing pipeline in the future as well.

Moderator: Thank you. The next question from the line of Shashi Bhushan from Axis Capital. Please go ahead.

Shashi Bhushan: Congrats on a good quarter. TCV announced in this quarter was slightly lower than our historical average from pre-COVID. Now with deal pipeline seeing sharp improvement, are there few deal

closures that got pushed to November or December? And do you think there are enough of small deals that got closed in the quarter to take care of growth momentum in the near-term?

Sanjay Jalona: Yes, so the revenue momentum will not get impacted though we agree, we wish we were announcing a lot more. And with God's grace, we still have time before we meet you in December for the Analyst Day. So, I think we are very confident on growth on existing accounts, new account openings, as well as the large deals being closed in a shorter span.

Shashi Bhushan: And any colour on the smaller deals, I mean, the momentum there has picked up or accelerated compared to the previous quarter that could result in improved visibility?

Sanjay Jalona: Overall pipeline as I said is, 22% higher. We have seen a large deal pipeline also increase proportionately. We are seeing enough pipeline in all accounts. As I said, technology is imperative. There is no dialogue whether spend needs to be done, because that's the only way companies can operate in the new normal. And so the customers, whether it's remote distribution of insurance or telemedicine or onboarding as Sudhir and I spoke about, or customers in BFS. You have seen Mulan being launched not in theatres but on Disney's OTT for 30 dollars. There are these things which are imperatives for all customers. It's not even only the leaders doing that, everyone needs to do that to compete, and forget compete, for existential survival, you need to use technology. So, there are many deals which are there. We have depth in our verticals that we operate in. We are co-creating solutions with customers in these areas at these times. So, yes, the pipeline is strong enough for us to have the confidence. Sudhir, you want to add anything?

Sudhir Chaturvedi: Yes. I think all I will say on the large deal front, is that we do have deals in final stages. Contracting is one activity which requires essentially negotiations and discussions and it takes a little longer when you are doing that remotely. So, I think that's a factor in some of the delays. But as Sanjay said, right, the pipeline is up on an overall basis as well as from a large deal perspective, and that is what we are continuing to focus on.

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

Nitin Padmanabhan: From an outlook perspective, historically, you have always said it as you see it. And from what you are saying for the next quarter in terms of Q3 surpassing Q4 of last year, looks tepid relatively, whereas Q3 has historically been a very strong quarter for us. So, anything that I am missing in terms of an outlook perspective? And if it's tepid, then what is driving the sort of softness overall?

Sanjay Jalona: Nitin, I don't want to give any more guidance. There was a lot of debate in the last call a quarter back, when would we cross Q3. So, it is just a statement of fact that we will cross Q3, or Q4 numbers in Q3 results as well. It's not to say that we will just cross it, right. Where we stand

today, we are confident of the growth to be in the leader's quadrant for the year. I would like to leave it at that.

Nitin Padmanabhan: Sure. Fair enough. That's helpful. And do you think that the offshore shift that we have seen in the current quarter, that will continue over the next six, seven months in terms of the pace that it is? And that is something that could sort of lead to slightly lower growth outlook, but maybe better sort of margin performance, is that how we should think about it?

Sanjay Jalona: Nitin, I think we have always had sharp focus on increased offshoring. And whenever you ask me about issues with protectionism, issues with what is happening in the world, we have always said, we have to be operating as a local company, but also have the ability to use technology in order to do the work even more from India and offshore locations. And it took a COVID for the industry to believe and us to also execute that effortlessly in our model. I think we will continue to see that growth. Primary focus for us is to make sure that we are client centric, we are solving big for our customers in the area. We are available to work and have overlap of times, so we have shifts that we have people working on. But maximize the dollar in these turbulent times for our customers to make the most out of it, so they can invest in creating new operating plans. This trend is going to continue, albeit slowly now in times to come. But this is an important area to look at.

Moderator: Thank you. The next question is from the line of Manik Taneja from JM Financial. Please go ahead.

Manik Taneja: Given the strong pipeline that you are seeing in terms of more offshoring, do you think at some point of time, maybe in 12 to 18 months timeframe, we will start seeing some pressure from a talent or a supply side perspective?

Sanjay Jalona: Look, we inducted 1,000 fresh trainees this quarter. The quality of people that we are getting, the day zero slots that we are getting from the campuses, and the kind of people who are wishing to come and work for us, I think it's a testimony of what positioning that we have created to be a growth leader, and given environment to people to grow in the organization. The kind of talent that one gets is an after effect, it's a lagging indicator for the differentiation and growth that one creates in the market. So, I think we are getting a lot more positive. Having said that, we are also seeing that there are many startups and a lot of global companies that are not hiring as much as they did in the past. So, if we continue to perform, we will create modules and opportunities for getting more people there. Nachiket, would you like to add anything to that?

Nachiket Deshpande: Just one data point. I think you mentioned it, we continued to hire even during the last quarter, Ashok mentioned the net addition. And our fresh trainee intake also continued as per original plan. So, we believe this is actually a good opportunity for us to attract better talent in the market and we continue to focus on it.



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Manik Taneja: So Sanjay, basically just wanted to pick your brains on, if you are seeing that incremental acceptance of offshoring, primarily in Europe, given the under-penetration there, or is this something that is much more broad based across geographies.

Sanjay Jalona: I am not sure whether your question is related to COVID. I don't know whether I am seeing any specific trend because of COVID, that the Europe customers are accepting offshoring. I think that has always been lesser compared to the US, but I think globalization has actually helped it over the years, and we are seeing more and more companies do work offshore. In the beginning, when COVID happened, obviously, Europe was little slow to start with, especially getting approval for data coming out of Europe. But it has picked up and that's one reason why you have seen our growth in Europe this quarter. And there is a lot more acceptance in doing work. We have also seen that India has operated very well during pandemic. All Indian companies, when you talk to customers, they always say that India has actually led the way in ensuring that Indian companies actually have performed better during COVID with lot more productivity, lot more SLAs being met compared to companies outside.

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

Mohit Jain: Sir, just one question on your US client's growth. So, we saw a decline in Q1 and then a relatively slower recovery in Q2. So, what is the readout from your pipeline, should we expect US to catch up with Europe going forward? And this holds true for your top clients? Top client you have specified, but 2 to 10 is specifically what I am referring to.

Sanjay Jalona: So, US will definitely grow faster, in my view. Europe base is smaller as well, so you can't equate growth percentages. But we are optimistic about what we see in the US. There is a good and healthy pipeline across. Top client, we have already commented, we feel very confident about the growth there.

Mohit Jain: Sir, top client you have commented, but the 2 to 10 was also relatively on the slower side compared to Q1.

Sanjay Jalona: That is correct. And if you really look at it, we have a mixture of clients which are insurance and some manufacturing clients. These are the sectors which are still not out of trouble completely and that is where we have seen a little bit of softness. But the pipeline that we see in certain sectors, gives us the confidence that we would be able to grow effectively well in Q3 and Q4.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: Sir, two questions from my side. In the insurance segment, you mentioned that it continues to be weak. It was weak last quarter as well. So, just wanted to pick your brains on, what exactly are

we seeing in insurance vertical? Are the clients putting their Capex on hold? Or is there a re-scoping of work that is happening? And when do you think, with your expectation of the sector, could we see the sector bottoming out? And also, secondly on the pricing front, how have you seen the pricing front from different clients, is higher offshoring also leading to clients demanding more price cut? And are the newer deals coming at a slightly lower rate than earlier or is it the same as before?

Sudhir Chaturvedi: So, what we are saying across verticals as well as geographies is that we are seeing a pretty secular increase in our pipeline. Large deals are essentially being led by a combination of factors which are to do with clients looking to cut costs in several areas, but also due to clients shifting priorities on transformation spends. So, if the question is, from a pipeline perspective, as I said, we are talking about 20% increase in pipeline, which is in sync with what we expect to see, despite an uncertain macro environment. So, overall, I would say, the pipeline is in a good shape. What we need to focus on is conversion and the speed of conversion of that.

Vibhor Singhal: Actually, Sudhir, my question was on insurance vertical and pricing.

Sanjay Jalona: So, U.S., insurance if I just had to say, they are seeing impact by COVID related insured losses and premium volumes have declined. They have also seen significant hurricane and wildfire losses, which have been a threat to the industry. But this is a significantly large industry, and we have a good pipeline. And the focus will be on closing of this pipeline because this sector can potentially grow well for us as well.

Vibhor Singhal: Sure. And on the pricing front if you could answer.

Sudhir Chaturvedi: Obviously, we are seeing clients looking for newer models of execution, but not pricing per se. I wouldn't say there is a pressure on rates, etc. What they are looking for is different models of execution, which includes, from an automation perspective, for example, or from an offshoring perspective, or for example, in our cases - LTI Canvas, is our new mechanism for executing these projects in a hybrid work environment. That's where most of the focus is.

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

Sandeep Shah: Congratulations on a great execution. Sanjay, I wanted to understand that if I look at FY19 and FY20, your large deal new business TCV was upwards of \$200 million and \$300 million, respectively. While if you look at H1, it has been more than \$40 million. So, I am not asking for any numbers, but that TCV in H1 versus last two years, makes you feel slightly more pessimistic about FY22 when you budget about the growth? Or do you believe that still there are two more quarters to go and TCV can catch up and you can continue to remain in the leader's quadrant beyond FY21 as well?

Sanjay Jalona: I repeat four things, and large deals are very important one of them, so I will not underrate it by any manner. Obviously, you are answering the question as well, so we also have two quarters to go. But we have enough pipeline that gives us the confidence that we are setting ourselves for a strong FY22 as well. It's still some days off, world is still not a very stable place. We are seeing second and third degrees of lockdowns in the world. But we are also seeing technology as being the enabler of sorts for companies to operate in this new normal. Many things which we are doing differently and investing in areas like cloud and data in order to address what will be foundation for growth for these companies or for being the leaders of the future. Where we sit today, I couldn't agree with you more that I wish we had closed a lot more deals. But I also want to acknowledge that none of us thought we would be here given the situation we saw ourselves in at the start of pandemic in March and April. We will see how FY22 pans out, this is a plugin for me to say, we will have our Analyst Day on December 10th and a "Save the date" will be sent out. We will probably address there, a little bit around FY22 growth. But I just want you to be aware, large deals alone don't drive that. So, we will drive based on all the four things, growth accounts, invest accounts, new accounts, as well as large deals.

Moderator: Thank you. The next question is from the line of Dhruvesh Shah from IDBI Federal. Please go ahead.

Dhruvesh Shah: So, I was actually trying to understand, as you rightly mentioned that a lot of deal negotiations are operating on the front of offshore rather than price cutting on the onshore. I would just like to know, whether such deals are EPS accretive at the end of the day? I understand they are margin accretive, but are they EPS accretive? And if yes, can we look at utilizations of offshore improving and how would that be? Thank you.

Ashok Sonthalia: Dhruvesh, I think it is well established in our industry that offshoring leads to better margins and better profitability. Not only in terms of margin, but absolute amount as well, which you can see in our quarter two result. If our quarter two result gives you any confidence, where offshore-on-site ratio has played an important role in the performance, I don't think there is any contradiction or conflict that it will be EPS accretive.

Moderator: Thank you. Next question from the line of Ashwin Mehta from Ambit Capital. Please go ahead.

Ashwin Mehta: Sanjay, just want to get a sense in terms of your outlook on Manufacturing which saw a smart recovery this quarter, as to how sustainable that is? And what is the outlook on Energy and Utilities?

Sudhir Chaturvedi: So, the outlook on Energy and Utilities, let me start with that first. So, I think we are beginning to see some comeback in the Energy space. But I think, overall, the spends in that segment are going to continue to be impacted for this financial year. Hopefully, we will begin to see some recovery from Q4 onwards from an Energy perspective. I think on manufacturing, we are seeing

growth, beginning to come back in the US as well as Europe. Partly, this is due to the return to operations, as factories come up and supply chains start to work again in the new normal, as they say. I think what will drive the growth in manufacturing going forward will be the move to new operating models. Sanjay referred to new operating models, we are seeing, for example, manufacturing clients going direct to customers, rather than through distributors. There are multiple other business model changes that they are seeking to make, and I think that is going to be the next growth opportunity in that space, especially as we look forward to FY22.

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

Sandeep Agarwal: Because the pandemic has stayed too long, will the adoption of technology be more permanent than being only a temporary phenomenon and result in upfronting of technology spends? Because with such a long period of pandemic duration, habits should have changed permanently, right?

Sanjay Jalona: There are sectors which deal quite differently with the marketplace. So, for any company which can operate remotely, I think it has worked very well. But for people who need to travel and stay in hotels, the airlines, the manufacturing companies where the shop floor needs to work, the product needs to be sold and used in the marketplace, it's a totally different world altogether. It is a complex world of sorts and frankly, if you were to ask me, whether we would ever go back to 100% being remote, or whether we will go to 100% being at work, there will be a hybrid model that will evolve in the future.

Having said that, that automatically leads to newer operating models that we have been talking about for companies to exist and do things very differently. We gave you some examples of customer onboarding, look at Mulan being launched on OTT, look at snacks.com, with Pepsi selling snacks online, there are many things which we have never seen in our lives that will happen. The only way these things will happen and occur in the marketplace would be through technology.

And fundamentally, customers are doing five things. One, they are looking at direct-to-customer, whether it's B2B customer, B2C customer, everyone wants to touch the customer directly. Second, customers are looking at doing workplace modernization, because it will never be 100% onsite or 100% outside of office, or work from home. Third is, generate new operating models for them and discover, co-create new models using technology. In order to fund all of these, cost savings from operations need to be there. And fifth thing is, when people are working so remotely all the time, how do you work on cyber security, the focus on cyber security takes prominence as well.

So, we do believe this has created opportunities for technology companies. And these are not going to disappear in shorter timeframe, a longer view must be taken. Digital is mainstream. As far as pricing goes, I think there is no discussions on price from customers, you have got to bring value and more focus on how much you can automate? What can you do with data and analytics for you to make intelligent decisions based on the data automatically, rather than 10 people doing the code writing in the past. Price is not an issue, but how do you use technology, AI, ML, etc., to bring value to a customer is very important. The areas that will continue to be important is data, cloud, ERP. I also believe the definition of digital in times to come will get very complex because is going to be everywhere. Today, it's very difficult for us to say, why our ADM has improved and has increased by double-digits on a year-on-year basis. Simply because cloud and data is everywhere, lots of things are getting done, it's getting very difficult for us to classify what is digital and what is not. So, these are the things which are here with you guys. And that's a great opportunity for the tech industry.

Moderator: Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: First of all, congrats on your fifth-year work anniversary. I had one question with two parts. First is, Sanjay, now that digital sales are becoming kind of a normal process, what kind of changes have you made to your sales team to make them more comfortable talking to clients? And what kind of client communications do you think could be improved to accelerate your deal closures?

And related question is, you mentioned about 26 new accounts getting opened this quarter. How does it fare compared to historical averages? Thank you.

Sanjay Jalona: Look, we did talk about the transformation of sales as one of the activities that we had initiated five years back. And obviously, the pace has accelerated to major speed right now. And time to market and speed is the most important today in the marketplace. I would even reckon to say that it's more important than price in order for customers to launch products and platforms. You have to have people in sales who can co-create with the customer, people with design thinking principles, in-sales people who focus more on identification of problems and co-creating solutions with customers, people having the ability to partner and co-create are very important.

Specific change that we have just announced today in my speech, we are going to create a separate unit to focus on two areas, one – cloud what we call hyperscalers - AWS, GCP and Azure. And this will include different ways of doing businesses, right. So, there will be pods, which will be created where you can co-create with the customers in an iterative model. We have several cloud certified sales practitioners today. So, many things are changing on cloud and data products, this is what we are trying to do.

Your second question was on new account openings. Please remember, historically if we look at it, we have been opening over 20-odd customers per quarter and I think we are seeing similar numbers of activity happening in the marketplace right now. Sudhir, you want to add some more colour on new account openings?

Sudhir Chaturvedi: Yes. So, I think if you look at the numbers, right, they are in line with what we have been doing previously. I will just cover a little bit about the previous point, right. So, there is significant amount of training effort that we did, we have a platform for cloud training, for example, called Cloud Guru, which the entire sales organization has been through. And as Sanjay mentioned, we have several certified sales practitioners from a cloud perspective. We are also partnering very actively with the product companies in this space, so not just the traditional partners of ours, but also increasingly the Snowflakes of the world where we are creating joint sales traction, including go-to-market enablement, etc. So, the whole space has undergone a shift and that's what we are also doing at the same time. And as Sanjay said, the next step is to create a dedicated sales unit just focused on this.

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

Sanjay Jalona: Thank you all, for joining the call today. Please do take care of yourself and your families. Wear a mask. You will get a mailer on our analyst day and please save the date. We will have our Analyst Day on 10th of December. I normally cherish and look forward to seeing all of you guys face to face, but this time we will do it remotely. But I look forward to seeing you there on that day. With that, take care of your health and we will see you next quarter.

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

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