

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: **Transcript of Earnings Conference call for Larsen & Toubro Infotech Limited ('LTI') for quarter ended September 30, 2021.**

Please find attached the transcript of Earnings Conference Call organised by the Company on October 18, 2021 for the quarter ended September 30, 2021 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited



Manoj Koul
Company Secretary & Compliance Officer
Membership No.: ACS 16902

Encl: As above



Let's Solve

“LTI Q2 FY22 Earnings Conference Call”

October 18, 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**

Moderator: Ladies and gentlemen, good day and welcome to LTI's Q2 FY22 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 would now like to hand the conference over to Ms. Sunila Martis, Head, Investor Relations. Thank you and over to you, Ms. Martis.

Sunila Martis: Thank you, Faizan. Hello everyone and thank you all for joining us today to discuss LTI's Q2 FY22 Earnings. The financial statements, press release and quarterly fact sheet are all 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. 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 the call, which reflects our outlook for the future or which can be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces.

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

Sanjay Jalona: Thank you, Sunila. Hello everyone. I hope you all are well. I am frankly very excited to be here in Mumbai and I am joined by Sudhir, Nachiket and Anil, all in the same room after a long time. We have all been through a lot in the last 19 months and despite all the challenges we have fulfilled our promises to our clients. I want to thank all the LTIites for their grit and determination.

During this time, we have also onboarded record number of new employees. Across the globe, our leadership team is now back in office, and it feels great to be back travelling and meeting people again.

We have planned a gradual and calibrated approach towards a hybrid model of return to office. Our future of work model called "Yin Yang" embraces the duality of operating from office and home effectively. We are already seeing encouraging results based on the voluntary rollout of the model. Our employees appreciate the flexibility, and many are excited to meet their colleagues for the first time or meet their teams after a long time. Our model focuses on ensuring seamless project governance, consistent productivity and better employee engagement. We would be completing the roll out of this model across most of our customers by end of this year.

Moving to our results, we recorded our best ever sequential growth performance of 8.9% in constant currency. In reported numbers, this translates to 8.3% growth QoQ and 25.8% growth YoY. With revenues of \$509 million, our quarterly annualized revenue crossed the \$2 billion mark. We crossed our first billion dollars in FY18 and we have had great fun over the last four years as we add another billion to our top line.

Our quarterly growth is holistic across verticals, service lines, client buckets and geographies. I want to call out some highlights for the quarter.

Our largest vertical, BFS grew 36.8% Y-o-Y and Hi Tech and Media & Entertainment vertical grew by 48.5%, while the Others, which include some of our marquee clients in services sector grew 38.4% Y-o-Y. All our service lines grew at or above 20% YoY with solid 40%-plus Y-o-Y growth in Analytics, AI and Cognitive and Enterprise Integration and Mobility service lines.

We added 25 new logos during the quarter. We opened a new logo in Europe with TCV of \$30 million with tenure of five years.

The other hallmark of our solid Q2 was the consistent upward movement across our client buckets. We added one client in \$50 million bucket, three in \$20 million, and five each in our \$10 million and \$5 million bucket.

Folks, the superior performance that you see is due to broad-based demand that we are seeing in the market.

Let me talk a little bit about what I mean by broad-based demand and why do I think this trend is likely to sustain in the coming years. There are three key drivers of this secular growth: First, clients today are working on new business models and want partners who can co-create with them and deliver at speed. This demand is coming primarily from discretionary spends on projects that are driving business transformation. Transformation of this scale happens once in a century. We call it the "Great Restructuring." The Great Restructuring is comprehensive, and every enterprise must adapt or cede its position. For example, I was talking into an automotive client. Today, they must think of not only new cars, new technology, new factories, but also about new ecosystem partners like battery manufacturers, supporting infrastructure, new sales and marketing and services distribution channels as well. This is required because OEMs need to reimagine the supply chain and channels to offset the high cost of batteries that make EV automobiles expensive. This means either building a new technology stack or revamping your existing stack. Similar transformations are happening across all industries. Clients no longer call these pods of business transformation spends as programs, but these are journeys that they have embarked on to fight and win in the new normal. These journeys comprise of multiple small sized projects that are continuous in nature, and we are very proud to be part of several such transformation journeys.

The second key driver is the new spend areas. Changing customer expectations or new technology are no longer the only variable driving demand but we are seeing emergence of new areas of spend. For example, ESG has started playing a key role in business decisions and strategy. Cloud Security is also seeing a lot of new opportunities. In these and many more emerging segments, we have barely scratched the surface and there is a long runway for growth.

Third: While we have been focused on the demand side drivers, there is a fundamental shift that we are experiencing on the supply side as well. It is not only tech companies hiring the tech talent, but companies across sectors including NGOs are tapping the same talent pool. There are 10.4 million job openings in the US but only 7.7 million unemployed people. The data represents ongoing trend of employees voluntarily leaving their jobs post-COVID. The pandemic gave workers more free time to think about their careers, explore entrepreneurship and save more money, leading many to realize their current jobs were not fulfilling. Management professor Anthony Klotz termed this as the "Great Resignation", and he believes the rise of hybrid and remote work helped cause the phenomenon.

There is sharp increase in wages, severe talent crunch globally and increase in attrition across industries. This is the first time our clients are witnessing a shortage and attrition of this magnitude that we have always faced in our industry. This is creating opportunities for scale up for IT services and also leading clients to turn to tech solutions like automation to solve for supply side constraints which again creates further opportunities. These three factors are creating sustained demand in the marketplace.

Now, let me address how do we benefit from this secular growth in demand. Clients really appreciated our exemplary support to them during COVID and this is reflected in our SLA performance and CSAT scores. This is seen by clients as a strong testimony to our execution excellence.

Secondly, we are focused on changing the nature of conversations with our clients. To have future-centric conversations with clients, we have further invested in capabilities and talent in our select focus verticals to have people with the right domain knowledge, capabilities and execution excellence. We invested ahead of time to develop capabilities in Cloud, Data and Infosec and augmented our strength in core transformation. These capabilities were developed through a mix of in-house innovation, targeted acquisitions including our recent acquisition of Cuelogic and partnerships with the ecosystem players like Hyperscalers and companies like Snowflake.

In a nutshell, we have the right ingredients in place to deliver on our core purpose of Let's Solve and deliver amplified outcomes to our customers.

Let me now shift gears from the demand side to how are we managing our talent supply. On a net basis, we added about 2,000 people in Q4 FY21 and 2,300 in Q1 of this year. In Q2 our net hires are at 4,000-plus. To support the robust demand that we see, we will be increasing our fresher intake in India to 5,500 for FY22.

The industry is facing a sharp increase in attrition. Most of the attrition is in the three-to-six-year experience bracket. IT services sector did not recruit enough freshers over the last three to four years given the prevailing demand scenarios and uncertainties due to COVID. Industry and academia would need to come together to create a talent pool, but it would take some time.

In addition to increasing fresher hiring for the year, we would: Hire 1,000 people in the one-to-two-year experience bracket and build on their skills in niche areas like cloud, data and digital through the various academies we have set up. Second, upskill and cross skill the existing workforce and lastly, we are also thinking of alternate non-tech stream talent to be trained and be kept ready for times to come.

Let me now provide you with color on the performance of our verticals: BFS continues its strong near double-digit growth at 9.6% QoQ. We see spends shifting from operational and run the bank projects to modernization. This vertical has seen holistic growth during the quarter across all geos.

Moving to Insurance - this vertical has been a laggard for us over the past several quarters and is now seeing some pickup in growth since Q1. We saw 5.6% QoQ growth here. While we have seen positive momentum with our new leadership driving opportunities, there still remains a lot to be done here.

Manufacturing saw double-digit growth of 12.4% QoQ. We have a strong pipeline here as we see demand in industrial and manufacturing and capital goods sector with companies continuing to add digital solutions and embrace new ways of working.

Energy and Utilities grew 6.3% QoQ. Over the past few quarters, we have been sharing our expectation on how spends in oil and gas space have been volatile. While Energy continues to be choppy, we see good traction in utilities.

CPG, Retail and Pharma grew by 1.9% QoQ. Growth in this vertical will be driven by spends on data-related projects as wholesalers and retailers adjust to the new realities to meet customer expectations with curb-side picks and direct-to-consumer outreach.

Hi Tech and Media grew by 6.9% QoQ and had a strong YoY growth of 48.5%.

Others which largely include professional services, Government of India ministries and other global enterprises in public services registered 14.2% growth QoQ.

Before I talk about outlook, let me recap that we had near double-digit revenue growth in FY21 despite COVID. We have seen a solid H1, strong new logo additions and a robust pipeline. For FY22, we are comfortably placed to cross the milestone of \$2 billion in revenues, giving us confidence to deliver on our FY22 guidance of being in the leader's quadrant for growth with stable PAT margins in the 14-15% band.

With that, let me hand it over to Anil.

Anil Rander:

Thank you, Sanjay. Hello, everyone. It is great to be back with you all with another quarterly earnings and I wish you all safe and healthy days ahead.

Let me take you through the financial highlights for the second quarter of FY22, starting with the revenue numbers. In the second quarter FY22, our revenues stood at \$509 million, up 8.3% sequentially and 25.8% YoY. The corresponding constant currency growth was 8.9% QoQ and 25.5% YoY. Reported INR revenue of 37,670 million was up 8.8% QoQ and 25.6% YoY.

Now, coming to Profitability. EBIT for the quarter was INR.6,482 million, translating into an operating margin of 17.2% as compared with 16.4% in the previous quarter. The margin walk is as follows: 70bps of SG&A leverage was offset by 70bps margin drop due to utilization. Tailwinds from effort mix and higher working days were partially offset by higher employee cost. Reported profit after tax was INR.5,517 million this quarter, which translated into a PAT margin of 14.6%, compared with 14.3% in Q1. We remain comfortable with our guided PAT margin band of 14-15% for FY22.

Moving on to the people front, utilization without trainees was at 83.7% as compared to 84.1% last quarter and utilization including trainees was at 81.6% versus 83.7% in Q1. We continue to strengthen our workforce and during Q2 we added 4,084 people on a net basis. The total manpower stood at 42,382, of which our production associates were at 95.3%. In this quarter, attrition is 19.6% versus 15.2% last quarter on an LTM basis.

On FOREX and hedge book, our cash flow hedge book stood at \$1,586 million as at 30th September 2021 versus \$1,403 million as at 30th June 2021. While the on-balance sheet hedges stood at \$88 million versus \$77 million last quarter.

Moving on to the DSO, in Q2, the billed DSO stood at 61 days compared to 60 days last quarter. The DSO including unbilled was at 98 days, unchanged quarter-on-quarter.

For the quarter, the net cash flow from operations was at INR.5,041 million which was at 91.3% conversion of the net income.

At the end of the quarter, cash and liquid investments stood at INR.38,403 million as compared to INR.43,314 million last quarter. The effective tax rate for the quarter was 25.6%.

The board of directors at their meeting held earlier today have declared an interim dividend of INR.15 per equity share. Earnings per share for the quarter stood at INR.31.5 as compared to INR.28.4 in Q1. Diluted earnings per share was INR.31.4 versus INR.28.3 last quarter.

Before I end my presentation, I wanted to highlight that we have published our Fifth Sustainability Report for FY21 during the quarter. This year's report details LTI's approach of Solving Responsibly all through the pandemic. This approach enabled us to not only limit the extent of disruption in our operations, but also support the communities we operate in.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: On the manufacturing side, just wanted to pick your brains - what is the kind of growth that we are seeing in the vertical – is it led by some revival in the auto segment or some other division and how sustainable and how strong a growth momentum do you perceive this to be in the next couple of quarters? And the second question from my side is on the European geography. Basically, Europe seems to be slightly softer than let's say how the US market is shaping up - of course, on a YoY basis it's quite strong. But of course, we saw a sharp fall there as well. So, how do you see the deal flow momentum especially from that geography? Any color on which vertical is the growth momentum stronger in Europe would be really helpful.

Sudhir Chaturvedi: Thanks, Vibhor. On manufacturing, we are seeing growth across all sectors like auto and especially industrial manufacturing. What is happening in all of the manufacturing sectors is three key trends. One is core digitization. So, we are seeing significant traction in the ERP economy as people look to digitize the core. The second is on the data side of the house. There is significant work happening as manufacturing clients look to leverage the data that traditionally exists today in ERP system. It is now being leveraged across all parts of their enterprise for real-time decision-making. And the third is all the combinations of the business model change, like direct-to-customer. So, for example, manufacturing clients investing in warehouse management in a very significant way in order to deliver products direct to customers. Or investing in eCommerce capabilities or investing in real-time supply chain. So, that's why we are seeing broad-based growth in manufacturing across.

Coming to Europe, so Europe grew for us 25.7% on a year-on-year basis. That is in fact the strongest growth that we have seen in a while in the region. I know you are probably comparing with QoQ number which is 5.1% but I think there are good potents to Europe. On constant currency basis, European growth would have been a bit higher. But we see good traction in Europe and in fact as Sanjay announced we have had a large deal win in Europe. So, I think we will continue to see that.



Let's Solve

LTI Q2FY22 Earnings Call
October 18, 2021

Vibhor Singhal: In Europe, the main traction is more in let's say retail and other B2C segments or is it across B2B as well?

Sudhir Chaturvedi: Across all verticals, broad-based.

Vibhor Singhal: Just wanted to get an idea on the supply side challenges that we are facing. I think the entire industry is facing that right now. The attrition has picked up for everybody across the board and we are hearing of very strong salary hikes and the challenges that we are facing. So, given the steps that you have taken in terms of more fresher hiring, hiring of one-to-three-year bracket kind of people that you are looking at, how longer do you believe these challenges would sustain? Could this be a two to four quarter phenomenon, or do you believe the supply or the reskilling of these employees is going to take longer time? When could we see the attrition coming back to those earlier normalized rates or the supply side challenges probably being at least slightly lower than what they are today?

Sanjay Jalona: Vibhor, I wish I could answer this question as clearly as you have asked it. I don't think if I were to reflect back a few quarters, we would have assumed that the demand will be as high. And it's just a matter of demand versus supply. We never actually even thought in the same vein that we would be hiring 4,000 net people with attrition spiking up the way it has done. In absence of talent, because the industry did not hire, the academia did not create the talent, we have to do what we could do best which is to improve on our people supply chain, look at any alternate ways of finding talent, train the talent that we have in-house and drive productivity. That's what we have done, that is what we will keep doing. We do expect it will take some time. I suspect it will take at least three to four quarters to have some amount of stability.

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

Manik Taneja: While in the aftermath of COVID, we have seen greater acceptance and reliance on global delivery. That is evident both from shift in effort mix as well as revenue mix and this is true both for us as well as industry. Do you think as travel begins to open we see some normalization or reversal on this front? And the second question was around realization trends. Do you think that the demand environment provides the industry the ability to offset the increased cost of talent through higher pricing?

Sanjay Jalona: I don't expect it to change given the three things that we talked about. Demand is very high and the double digit attrition that we are used to, our clients are facing for the first time. They are looking up to their partners who have traditionally faced this kind of attrition to actually help them scale and solve their problems and make them competitive in the marketplace. In addition to that, with talent not being available, we need to automate a lot of tasks for which labor is not available. That is also creating opportunities for us. And I don't think in the short run it will change at all.

Next question was on the realization trends with high demand. Manik, I think we are seeing increased rates in pockets, but I think as we keep telling you, you look at us as a growth company. This is a once in a lifetime opportunity. We are looking at capturing as much growth and be the growth leaders and at the same time drive up productivity as well as the rate realization in times. But right now, we are just focused to meet challenges that we see in front of ourselves, some on the supply side and close the demand. We are seeing some increased rate realizations as well.

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

Sandip Agarwal: You know much better than us in terms of where the industry is in terms of demand, margin and everything. So, will it be fair to say that the worst of the margins is behind because the peak of attrition I am sure is behind us because now a lot of talent which will start coming out of training and we will get them over a period of time. And we have given all the financial interventions which are possible, and which should be given. And on the other hand, demand continues to be strong and particularly in your case even the cloud business units and the hyperscaler business units, which you have initiated the process several quarters back is now almost complete if I am not wrong. Then will it be fair to say that for next at least 8 to 12 quarters, I would say the worst of the growth is behind and worst of the margins is behind? I know you don't want to quote anything and give any guidance, but it will be very fair for you to at least guide the whole investor community and the analyst community in some sense where you see the industry if not at all for LTI specifically?

Sanjay Jalona: I will answer your question as precisely I can. I think we did not expect to hire as many people as we have hired. Frankly in the same vein, I don't think three quarters back I had the visibility to see that we would have such a strong growth environment as well. But we will continue to make no compromise and continue to invest for growth. Whether it's in capability building, whether it's in the sales and marketing investments, whether it's in consulting capability, whether it's building on capabilities like we did in Snowflake where we caught that trend a little ahead and invested. I can't talk about the rest of the industry but there is only one guidance that I give on stable margins between 14% to 15%. At least on my watch we are not looking at changing that at all.

Sandip Agarwal: On the revenue front, any direction you would like to give?

Sanjay Jalona: For growth, if I could find more people, we would hire more people.

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

Sulabh Govila: I had a couple of questions. On the deal construct that is there in the market today. Historically large deals are actually one of the key drivers for the industry growth and for LTI as well. However, in the recent times there is shift in terms of smaller sized deals that have been closing

which are part of the larger engagement that you are witnessing. So, in this context how do we get a better handle on visibility on growth over the coming quarters? Is there some data point on the overall TCV, etc., or would you say that the visibility over the year has become less than usual?

Sanjay Jalona:

There are large deals and we announced one deal. I hope and wish that we could have announced more but there is enough pipeline and more will happen in times to come. Having said that, I want to be very clear that this is one of the best demand environments I have ever seen. And this is what I have been saying for the last three to four months on a consistent basis. Look at our performance and numbers and look at the industry. For us if you look at it, it's very broad based and it's across verticals, service lines, geographies and client buckets.

And this is what we articulated in my speech. I'll just summarize it. One, there is demand because of great restructuring. Everyone needs to operate in the new normal and make changes because otherwise there's no winners or losers. If you don't do it, you will not exist. So, there's a lot of requirements there. Then there are new spend areas like ESG, cyber security as well. Great resignation is also causing talent depletion as well as automation needs at client side at the same time which is causing more demands for us. And when you look at large deals, typically the large deals require consolidation, transitions, etc., Clients have so much to do and such high attrition. They have no time to think. So, this is why we are seeing a lot of mid-sized deals, small sized deals, lots of transformation and journeys and pods that we talked about in the marketplace. Whether large deals will happen or not - they will continue to happen at their pace. But right now, the important thing for our customers is to be competitive in the field that they play in. As far as we go, we believe that if we continue to invest and have the right people, capabilities and execution excellence, then just like we navigated the pandemic year with 9.5% growth, we are confident we can continue to grow in times to come.

Sulabh Govila:

Another question I had is on the trends in the second half of the year. The usual trend is that we have seen 2H stronger than 1H due to seasonality. So, would you say that trend will hold through this year as well given that we had very strong 1H?

Sanjay Jalona:

Yes.

Sulabh Govila:

And then one last clarification on the pickup in attrition and the employees that we have added through the quarter. Would you say the impact of these on the cost is already baked in or will flow through in the next quarter?

Nachiket Deshpande:

As Sanjay mentioned in his speech as well. We added almost 2,000 in Q4, 2,300 in Q1 and another 4,000 in Q2. So, we continue to add at the same pace going forward in the quarters as well. So, the cost impact of that is what is there in our P&L already. That's why as Sanjay said, we are confident to continue to maintain our margin guidance of 14 to 15% band.

Moderator: The next question is from the line of Sudheer from ICICI Securities. Please go ahead.

Sudheer: My first question is if you look at the performance differential between the large-sized companies and mid-sized companies. In the recent past, the margin of performance of mid-sized companies has increased considerably. So, as somebody who has worked in both the spectra, both in a large company and in a mid-size company also, what do you think might be driving this increased margin of outperformance besides just a base effect? Is it also because of the fact that industry is now seeing more of mid-sized and small-sized deals and that's the reason mid-sized companies are showing better out-performance?

Sanjay Jalona: If you look at the record on what I handled, we have grown faster in the large sized company as well. Where I stand, I don't think size matters at all. What matters is the capabilities you bring to the market. What matters are the investments you do to go and be a trusted advisor to your customers. How you take people along and the legacy that you bring in the company. Larsen & Toubro has huge legacy and capabilities and a big playground to experiment before we take to the market. These are priceless differentiations that we have in the marketplace as we go. So, I don't think size matters at all. It's all about expertise, capabilities and how we go to market, that's what makes a difference. World is a big leveler. In the new age it's all about new technologies. If you can continue to focus on fewer verticals like we do, apply technology to it, that will make a world of difference and that is what is happening in today's times.

Sudheer: I think when the acquisition of Mindtree happened, Mr. Shankar Raman made this interesting comment that "Three years down the line probably we will be the fifth largest IT company in India and perhaps then might be an interesting time to look at integration." Now if you look at the revenue run rate that probably the three companies have put together, then it might be close to that run rate. Again, it depends on L&T's thought process and their perspective but if you were to take a guess, do you think these three companies would grow at the current pace if they're left unintegrated or you see bigger synergies if they are integrated? I'm asking your personal view and of course we all know that L&T will have the final perspective on this matter.

Sanjay Jalona: All I can worry about is the job and the accountability I have for my shareholders and that is towards LTI. So, I think you should talk to Mr. Shankar Raman in times to come. Right now, all of us are single-handedly focused on the job at hand which is to continue delivering value to our shareholders, our customers and our employees, and at the same time continue to have fun because once you stop having fun, none of these things work.

Moderator: The next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.

Mayur Patel: Just two simple questions. First in the previous quarter's conference call, I asked you whether this demand momentum is transitory, or you think it's long term and you mentioned that looks like at least a three-year kind of medium-term demand strength in the cycle. So, with this current

commentary I assume that is a more reassuring thought around the medium-term strength of the cycle?

Sanjay Jalona: Absolutely right. Yes, the demand will continue to be good for three years at least where we stand today. And this result and what market is showing is a testimony to that.

Mayur Patel: On the pricing front, we discussed about the demand scenario, supply side. Any resilience you are seeing on the pricing front also to pass on this supply side pressure which every company is having. Are you seeing clients opening up to absorb some price hikes?

Sanjay Jalona: I think we are seeing, in pockets, there is an opportunity, but there are long-standing contracts, etc., and today we are heads down in solving the problems that customers have and capture the growth. But definitely pricing pressures are not there like they used to be there, but this is also an opportunity, and we need to think on how we can improve the pricing. Right now, we are still continuing as we have always said to be a growth company and look at how can we capture the growth in this lifetime of an opportunity.

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

Mukul Garg: A couple of clarification questions: first, if you look at the last one and half years since pandemic started, there is a continuous shift of revenues towards offshore from onsite. Initially the expectation was that this will be more of a near-term kneejerk reaction, but you guys continue to shift more and more things offshore. Now, while you have delivered very strong top line growth, this is adding a little bit of a deflationary element to your revenue because offshore effort usually is less rewarding than onsite. By when do you think this will stabilize so that we can get apples-to-apples growth number for LTI?

Sanjay Jalona: I don't know what a stable thing means anymore. What we have seen is that if you experiment, invest ahead, you can execute new age programs, actually 100% from offshore. There was a time when they talked about Indian industry not doing well because we didn't know how to execute on pods and teams working together in Agile, DevOps manner. But today we see all those myths go away and are able to see scalability in a defined manner. And this is what is going to continue to be there. Everyone is either offsite or offshore and this way you have access to global talent today. You are taking the work to people instead of people to work. And that is what has happened. I don't know whether it's the end. It can still go down in my view given the way demand is, given the way attrition is. Even for our customers, they are not able to hire people. Customers also are losing people in double-digit numbers. And thankfully for India, we still have the ability to churn out a lot of good quality talent and if we can find some, we will continue to see more offshore movements for some time at least.

- Mukul Garg:** The other question - your cloud infra and security business was a bit modest in this quarter.
- Nachiket Deshpande:** That is only the infra part of the cloud that gets reported there. But cloud as you can imagine is across many service lines and if we combine the application modernization, cloud engineering work as well as the ERP on cloud and data on cloud, then it has been a growth driver for us in this quarter as well and continues to grow better than the company average.
- Mukul Garg:** Okay, that's clear. I thought the cloud is supposed to be the superstar right now. So, I thought I'll just clarify that.
- Nachiket Deshpande:** It is. It's actually about time we look at how we report, and we are looking at it. So, hopefully we will come back to you with a better classification going forward.
- Moderator:** The next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.
- Rishi Jhunjhunwala:** Firstly, on deals - you mentioned about how broad-based the overall demand environment is looking like. I'm assuming the growth will be across clients and does that really necessarily need new deal wins that you typically announce? Because you have done better on new deal wins in past and have grown at a slower rate versus what we are doing today. So, a high growth rate or a sector-leading growth rate, is it dependent on new deal wins in the current environment? Or you can still continue to do it without a large number of new wins?
- Sanjay Jalona:** I think revenue is revenue. We have always talked about four levers: growth accounts, invest accounts, new account openings, large deals. Today, when customers are worried about whether their companies can actually compete in the open market, consolidation deals which are typically cost side are low priority items. It's not to say the large deals are not there. We ourselves announced one large deal and then we are participating in a whole ton of them. We will see you in December and tell you exact TCv of large deals. We will tell you about large deals that we are chasing as well. The resilience of a company comes when you grow on all verticals, resilience of a company happens when you grow on all four of those levers. But today where we are, the way customers are spending, I think we are able to see a broad-based growth in their journeys that they are taking towards dealing in the great restructuring.
- Sudhir Chaturvedi:** If I were to add, as you see there is demand. But I think if you reflect on what we have been able to do, not just the last six months in this financial year, but even the three quarters in the COVID year, is the ability to navigate real-time demand. So, today's world is built on speed. The clients are looking to do things at speed. Speed is the biggest differentiator right now and that's what's driving a lot of these transformation journeys. The ability to navigate real-time demand at speed is something that I would like to think that we are better than most of our peers. And frankly that's what Sanjay said, we are heads down trying to focus on the demand that is there, to maximize our return from it. Because once you lose demand, you lose it forever. So, this is the

time to capture demand and that's what we are really focused on. Capture real-time demand at speed.

Rishi Jhunjhunwala: Just a quick follow-up. So, given the demand environment and historically your second half are sequentially better than first half, but given the kind of growth rate you have delivered in 1H, do you still think that will hold true this year as well?

Sanjay Jalona: Yes, absolutely.

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

Mohit Jain: Sir, just one question on retail, CPG and pharma vertical. There is a divergence in performance between us and other companies in general. So, what kind of demand are you seeing in that particular vertical and is it more geography-specific or do you think that vertical is also picking up slowly?

Sudhir Chaturvedi: On a year-on-year basis it is 15.3%. I know it pales in comparison with the 25% overall company growth but CPG, Retail, Pharma will pick up in the second half of the year. We are beginning to see some good programs coming in, it will start to pick up.

Mohit Jain: Any color on the type of assignments you are getting there or is it more region-specific that this vertical is picking up, for example, in Europe or in US or something of that sort that you're witnessing?

Sudhir Chaturvedi: For us, it's picking up primarily in the US and in fact we're actually seeing some decent broad-based demand across cloud, across security and across ERP. These three specific areas which are the large spend areas in CPG, Retail, Pharma. Data underpins all of this. So, in fact Sanjay has been personally involved in multiple data conversations with some of our CPG and Pharma clients. As I said, their data foundations were typically within the ERP. As they look to take it out of those systems to create the real-time visibility of not just their operations and their supply chain but also their entire demand environment, their own customer demand environment, that's a whole new area of spend.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Can you provide some update about the data product business which is one of the focus area for us? Last time you indicated a separate sales team, pre-sales team and development investment which we are making. So, if you can provide some update on the business?

Nachiket Deshpande: On the data product business we are seeing very strong traction and it has also helped significantly differentiate the data to decisions conversations. And for the Fortune 50 clients that we have, those conversations have significantly changed the positioning of LTI in the data space

in terms of what those customers looked at and what we can help them transform. An effect of that you see in the kind of analytics and data growth that we have seen QoQ and YoY this quarter. And we are very confident about how it is materially helping us shift the conversations with our client and it continues to accelerate and excite us. With that, we will also continue to invest in building those capabilities because that has materially changed the profile of our data business with Fortune 500 customers.

Dipesh Mehta: Any cross-service index kind of thing, let's say, how many clients we have already onboarded for data product kind of business?

Sanjay Jalona: We don't separate it that way today. It is part of our overall data offering. And it continues to be very strong across all of our customer base.

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

Sandeep Shah: Just one question which I ask you as an expert on the industry and it's about industry rather than LTI in specific. So, you are saying the visibility because of the stronger demand is very healthy for the industry. I just wanted to understand whether the momentum of growth which we are witnessing in CY21 and FY22, will it sustain for the industry? Because I think when we look at the earnings growth of the corporate clients which we address, it is looking to come down in CY2022 as a whole versus CY2021 which had a benefit of no budget spend in CY2020 as a whole. So do you believe the nature of the demand is such that the correlation of the IT spend release versus the client's corporate earnings growth will no longer be valid even beyond FY22 as a whole. Or you believe, the growth momentum may remain healthy but there could be some deceleration, but it may continue to remain better than pre-COVID levels?

Sanjay Jalona: What we see today is that tech spend will continue. Look at Gartner predictions and it's a good reflection of what they expect the market to spend. In addition to that, if you look at even a simple data point of US demand overall, not only tech, but overall job openings of 10.4 million and 7.7 million only unemployed people. It is a reflection of how much automation and tech interventions need to be done for all that to happen. So, where I stand today, I can only talk about the conversations that we have with our customers and the demand we are seeing. I wish we had ability to service our customers even more than what we can. But I think in a sustained way this demand is better than what we have seen for a long time.

Sandeep Shah: But any comments on momentum, kind of industry growth rate can it be maintained like FY22 going forward?

Sanjay Jalona: You can cut it in ten different ways. If we had more people, we would have staffed more people right now. So, today where we are, there is a demand for us in a sustained way which we can service for our foreseeable future.



Let's Solve

LTI Q2FY22 Earnings Call
October 18, 2021

Moderator: The next question is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: Just one question on the seasonality. Generally, we have a better seasonality in the second half. I've heard your comments about the demand environment and completely understand. But just wanted to get a sense that anything changes meaningfully for H2 for us compared to H1?

Sanjay Jalona: One word answer is no. We are seeing a very robust demand. We will see a good H2 over H1. Good number of deals, good growth across the sectors that we are continuing to see.

Abhishek Shindadkar: So, the second question, wanted to understand that it seems like currently clients are also creating redundancies in terms of technology, building new and continuing with the old. So, should we read that that is creating a more sustainable cycle right now and maybe that is one of the reasons why you are seeing a three-year vision of strong demand? Are we depicting it right or maybe that's not the right way to get it?

Sanjay Jalona: I can't see beyond three years to be very honest. There is enough demand that we have today. Everyone is looking at new technologies and effectively use that technology say in data to figure out how to shrink the time from data to decisions or how to use ERP modernization to solve for new normal, how to go to customers directly for B2B industries and that's not a trend that I see coming down in the short term. So, these transformation journeys are all across the industries, it's all across all the processes of the company and they will continue across industries, at least where we stand today, that's what we see.

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

Sanjay Jalona: Thank you, folks. It's great as I said to be in Mumbai. It is great to be travelling and lovely to be speaking to you again. Thank you for your time and following the company so closely. We are hosting our Annual Analyst Day on 9th of December. My entire team and I look forward to seeing you then. Till we see you or talk to you again, we hope that you and your loved ones continue to stay safe and healthy. Take care. God bless.

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

(This document has been edited for readability purposes)

Contact Information

Investor Relations:

Sunila Martis, Head of Investor Relations



Let's Solve

*LTI Q2FY22 Earnings Call
October 18, 2021*

Email: investor.relations@lntinfotech.com

Registered Office:
L&T House, Ballard Estate,
Mumbai 400001, India
CIN: L72900MH1996PLC104693
<https://www.lntinfotech.com/>