LTI
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July 30, 2019

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 on June 30, 2019.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on July 19, 2019 for the quarter ended on June 30, 2019 for your information and records.

Thanking You,

Yours sincerely,
For Larsen & Toubro Infotech Limited

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KOUL

Digitally signed by MANOJ KOUL
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"Larsen & Toubro Infotech Limited
Q1 FY2020 Earnings Conference Call"

July 19, 2019

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

Moderator: Ladies and gentlemen good day and welcome to the LTI Q1 FY20 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, 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 Mr. Nitin Mohta, Head of Investors Relations. Thank you and over to you Sir!

Nitin Mohta: Thank you Raymond. Hello everyone. Thanks for joining us today to discuss LTI's financial results for the first quarter of Fiscal 20. The financial statements, press release and quarterly factsheet are available in our filings at the stock exchanges and at the Investors section of our website. On the call we have Mr. Sanjay Jalona, CEO and Managing Director, Mr. Sudhir Chaturvedi, President Sales, Mr. Nachiket Deshpande, COO and Mr. Ashok Sonthalia, CFO.

Sanjay and Ashok will give you a brief overview of the company's performance, which will be followed by a Q&A session. As a policy, we do not provide specific revenue earnings guidance and anything said on this call, which reflects our outlook for the future, or which could be construed as a forward-looking statement must be viewed in conjunction with the risk that the company faces. Let me now invite Sanjay to talk about the results. Over to you Sanjay!

Sanjay Jalona: Thank you Nitin. Hello everyone and welcome to LTI's earnings call for the first quarter of FY2020.

Let me start the call with welcoming the latest addition to LTI family. Earlier this week we announced the acquisition of Lymbyc. It is a specialist AI, machine learning and advanced analytics company. For those of you who are tracking us since our IPO, you would have noticed that our analytics service line has grown at a 32% CAGR, amply demonstrating our thought leadership and strength in this digital offering. This recent acquisition further strengthens LTI's Mosaic platform and keeps us at the frontier of the cutting edge work happening in this space.

In addition to the acquisitions, forging strategic partnerships is the other key tenet of our strategy to power revenue growth. To that end, we are pleased to share with you two updates. Number one, Guidewire, a leading insurance industry software platform recognized LTI as its new consulting alliance partner and the second one, Deutsche

Telekom or DT has recently chosen LTI as its strategic partner for setting up and running Microsoft Cloud Acceleration Centre for its customers in Central and Eastern Europe.

Our momentum in the large deal space continues and we opened a new insurance logo in Q1 with a TCV of $44 million. This was an intensely competitive deal advisor led deal. We were selected as the partner due to our unique combination of insurance domain expertise and cloud-led infrastructure transformation.

We are also delighted to share with you the news of LTI's addition to the FTSE4Good Index Series. Created by a global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices.

Let me give you the headline numbers for the quarter. Our Q1 revenues came in at $356.5 million, up 0.8% quarter-on-quarter and 11.5% year-on-year. In constant currency, this number translates into sequential growth of 1 percentage point and a 12.9% year-on-year. Digital is now 39% of our revenues, up 27.5% year-on-year.

Before I get into vertical specific colour on Q1, let me share with you my assessment of some challenges, some known and some new that have emerged. You would recall that we had flagged tightness in spend and systemic budget cut at our top account on the last call. While we think the tightness has bottomed out, we are yet to see growth pickup in this account. Additionally, in one of our top 10 accounts, which is a large banking customer in Africa region, we were the lead partner for their separation program from their parent. It is a moment of pride for us to have successfully executed the separation of core systems including core banking, channels, cards, etc., of these two entities. The separation process is now complete and further spend programs in this account will take time to fructify. We expect to see a decline in the account in Q2.

There have been some client specific rundowns, which were not known last time as we spoke, but despite all these challenges, we are confident of positive sequential growth in Q2. Based on the visibility of ramp up in large deals announced earlier, current large deals as well as the deal pipeline that we have, we expect the revenue momentum to pickup in Q3. I would like to provide you colour on the quarterly performance by verticals.

In BFS we grew 0.9% quarter-on-quarter, this is despite the challenge that we have called out in the largest account. We think the vertical is close to bottoming out and our large deal ramp-ups are on track to contribute from Q3. We are also optimistic about the traction that we have received in the wealth management space in BFS. We announced two deal wins in the subsegment with our Q1 results. The first win is with a leading investment management company, using AI and automation to drive their digital transformation journey and the second win is with a global bank, where LTI is selected for a multi-year cloud based digital transformation of their wealth technology stack. This is an end-to-end greenfield build out on Microsoft Azure for all of the bank's core wealth applications supporting client engagement, advisor operations and bespoke wealth portfolio creation.

Insurance vertical grew at 2.5% sequentially in Q1. As P&C insurance customers look to partner with nimble service providers to modernize their core and leverage the power of digital technologies, LTI is emerging as a natural choice. As I mentioned earlier, this is second consecutive quarter of a large deal win in this vertical, both of which are with new logos.

Manufacturing declined 7.8% quarter-on-quarter. The decline in this vertical is due to absence of a pass-through revenues in Q1, which were there in the earlier quarter. Sequential decline in the enterprise solutions and India revenue cut is also due to the same reason. We expect the growth momentum in this vertical to gather steam from H2 as the contribution from the large deal announced with our Q4 results kicks in.

CPG, retail and pharma, the growth momentum in this vertical continues unabated with 6.2% quarter-on-quarter performance. We are especially pleased with the broad-based nature of growth here across both Consumer and Life Sciences segments.

In Q1, we opened a new logo in Life Sciences space, a medical products company that chose LTI as its sole strategic partner to make its landscape lean, cloud first and digital ready. As part of the deal, LTI has managed over 100 plus client applications in more than 40 countries spanning multiple business functions like supply chain, manufacturing, e-commerce, customers experience and after sales.

Hi-Tech and Media vertical reported 1.6% sequential growth after a very strong 11.4% quarter growth delivered in Q4. These industries are embracing the technology disruptions head-on by leveraging digital technologies.

Others vertical, which includes Defense, Professional Services and Travel and Logistics rebounded sharply at 19.1% quarter-on-quarter. The small base and certain India specific programs were the key results behind this volatile QoQ trajectory.

Before I close and hand over to Ashok, let me give you an outlook on FY20. As mentioned in my opening remarks, given the account specific scenarios, FY20 is a bit challenging. We have consistently won large deals in each of the past six quarters and our deal pipeline is healthy. We feel optimistic about our growth from Q3. On the margin front, as I have always guided, you have to continue to see us as a growth centric company with a stable net income margin in the band of 14% to 15%. With that, let me hand over to Ashok to give you the financial details.

Ashok Sonthalia: Thank you Sanjay. Hello everyone. Let me take you through the financial highlights for the first quarter of FY20 starting with the revenue numbers.

In Q1 FY20, our revenues at $356.5 million grew 0.8% sequentially and 11.5% Y-o-Y. The corresponding constant currency growth was 1% on a quarter-on-quarter basis and 12.9% on a year-on-year basis. Reported revenue in INR stood at 24849 million, which grew 15.3% year-on-year.

Moving on to the margin numbers, EBIT for the quarter was Rs.3968 million, which translates into an operating margin of 16% versus 17.7% last quarter. The key moving parts for the margin decline are 100 basis points owing to increased visa costs given the high number of visas we have applied in FY20, 100 basis points due to sales and marketing investment and 20 basis points due to the currency movement. In addition to these two factors our employee cost also inched up in Q1. The pressure on margin from these factors was partially offset by higher working days and transition to Ind-AS 116. For like-to-like comparison please note that transition to Ind-AS 116 helped Q1 reported EBIT margin to the tune of 25 basis points.

Reported profit after tax was Rs.3557 million. The PAT margin stood at 14.3% in Q1 compared to 15.2% last quarter. The impact of Ind-AS 116 pulled the PAT margin down by 26 basis points. Our hedging gains have partially offset the drop in operating margins.

Moving on to the people front, utilization without trainees stood at 81.3% as compared to 81.1% in Q4 and utilization including trainees was at 80.5% versus 80.1% last quarter. We continue to add talent and during Q1 we added 1178 people on a net basis. The total manpower stood at 29,347, of which our production associates have been at 94.3%. In this quarter attrition slightly rose from 17.5% in Q4 to 18.3%.

Our cash flow hedge book as of June 30, 2019 stood at US$1.25 billion versus US$1.19 billion as of March 31, 2019. The on-balance sheet hedges stood at US$147 million versus US$154 million last quarter. We continue to execute our hedging strategy consistently, which has helped company's PAT margin to be resilient and stable.

Now moving on to DSO and cash flows, the billed and unbilled DSO stood at 70 and 34 days respectively for the quarter. Net cash flow from operations was Rs.3335 million at 93.8% conversion of the net income. At the end of the quarter, cash and liquid investments stood at Rs.23,796 million.

The effective tax rate for the quarter was 25.6%. Earnings per share for the quarter stood at Rs.20.51 per equity share as compared to Rs.21.86 in Q4, diluted EPS was Rs.20.29 per equity share versus Rs.21.60 last quarter.

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

Moderator: Sure. Thank you very much. We will now begin with the question and answer session. The first question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Moderator: The line of Sandeep has dropped. We will move to the next question in the meantime. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Thanks for taking my question. I just wanted your thoughts on the broader client challenges. So, from what you are saying it looks like it is very client specific, but sitting out what we see is that yes, the interest rate cycle is sort of coming off and basically banks are under margin pressure and so on and so forth, so how do you see this broadly, do you see this as a continuing pain longer term or as slowing down of spends, the second thing is are you seeing anything in terms of delays in deal closures, anything specific by geography and verticals, if you could throw some color, it would be helpful?

Sanjay Jalona: Nitin, you know these uncertainties in the market have been there for four to five years, but you have never heard me or my team actually talk about any of those. Those will stay in certain ways or forms and they will continue to impact positively or negatively. We have always maintained that if you have a story to tell and a value proposition, there are ways that customers always find money. Coming to your specific question on BFS, I think my view is that we have specific problems. The largest account we talked about, then we talked about the African bank's separation today. These are very specific things. Other challenges continue to happen but barring these two we are still seeing growth. You have seen growth in Q1 and you would probably see growth in Q2 as well, but barring these two I do not see any specific thing for us to call out. Also, we announced a deal two quarters ago in Europe in BFS area, which is also kicking in, which has also helped keep the pace going for us. In terms of your other question, are we seeing delays and I am assuming that is broad based more than BFS, I do not think there is anything specific to call out. Are we seeing any challenges with respect to geographies? I do not think there is anything to call out there as well.

Nitin Padmanabhan: Just one last one if I may, historically I think this is something we have always asked you that, in the top 20 accounts, are you confident on growth with each one of them and you have specifically highlighted painpoints in two of them, there is nothing else that you would foresee within the client base is one, the second question was, as far as growth is concerned do you think Q2 will be similar to this quarter or there should be some acceleration, which we begin to see from Q2?

Sanjay Jalona: I will take the second question first. Growth ramp up will be positive from Q3, but there will be an incremental growth in Q2 as well, despite all the challenges. In terms of the views, account specific views are on the couple of accounts that we talked about. There have been some ramp downs, because there are some India based programs which are project based. They come in top 20 accounts. They would be ramped down as those projects are going into steady phase, but nothing specific on those accounts.

Nitin Ranganathan: Sure, thank you Sanjay and all the best.

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

Mohit: Hi Sir, Just one thing on pricing. It looked like your 1Q pricing was a little lower given that we had volume growth, but on constant currency basis growth was on the lower side, so is this the new pricing normal we should assume or was there any one off in Q1?

Sanjay Jalona: You are talking about pricing or currency?

Mohit: No, I am saying your volume growth and constant currency growth, so if I look at your volume growth Q-o-Q versus constant currency growth Q-o-Q.

Ashok Sonthalia: Some of the large deals are under transition, they of course impact the rate realization. This is the reason for this drop, which you have seen Q-o-Q.

Mohit: So, what should we assume for the rest of the year, is this the new pricing or you are saying transition will get over and from Q2 there is some incremental billing, which can happen?

Sanjay Jalona I am hoping we will continue to do lots of transition. So that is going to keep you excited about more large deals.

Mohit: Second on the wage hike cycle, is there any impact or how much impact should we see for the rest of the year at gross level?

Ashok Sonthalia: Our cycle you would know starts from July 1, 2019 and we are going ahead with that and you can expect about 170 basis point impact, but at the same time you should also note that some of the headwinds, which we had in Q1 will disappear, like visa 100 basis points, a little bit reduced S&M investment, etc., so we do believe that large parts of it we can recoup.

Mohit: Sir did you say reduced S&M expense for second quarter?

Ashok Sonthalia: I am talking about reduced investment, the investment in Q1 was quite significant, so that will be slightly reduced. Reduced not in the terms of reducing the S&M cost, but absence of that investment getting repeated in Q2 in the same quantum.

Sanjay Jalona: In Q1, we had an excess of 50 basis points for our client event alone.

Mohit: Okay, so that will not recur in second quarter.

Sanjay Jalona: That is correct.

Mohit: You said 15 right, 15 basis points?

Sanjay Jalona: 50.

Mohit: 50 basis points, so these two things can basically offset the wage hike, which you are looking at in Q2?

Ashok Sonthalia: Yes, largely.

Mohit: Alright Sir. Thank you that is all from my side.

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

Vibhor Singhal: Good morning Sir, thanks for taking my question. Just two questions from my side. So, first of all, Sanjay, just wanted to take your view - basically you mentioned about the top account about how it is playing out and everything, so just wanted to get your idea on some of the other key accounts in other verticals and specifically one of the accounts about which we have been hearing a lot in the Hi-Tech space. So, what is the kind of scenario that we are seeing playing out there and how do you think that might impact our overall growth scenario for FY20?

Sanjay Jalona: I just gave the FY20 outlook in my opening address, so I am going to repeat the same thing. Given the account specific issues, FY20 will be little bit challenging. We have consistently won large deals and our deal pipeline is healthy, so we feel optimistic that growth will come back from Q3 onwards. Now in terms of the largest account, as I said it is near bottoming out, we do not see huge amount of changes over there, but since it is in public domain if you analyze their reports and the results you will see that they have continued to spend less on their technology spend. What I can guarantee is that we are not losing wallet share. We are optimistic that it will grow up. Since it has not grown up, we have called it out. With respect to the other accounts, we do not comment if a company is a client or not and we do not comment on client specific matters due to confidentiality obligations. The Media and Hi-Tech account ramp down has 1% impact on our FY20 revenues and it was mutually agreed and amicable.

Vibhor Singhal: So the impact is limited to 1% is what you mentioned?

Sanjay Jalona: Yes.

Vibhor Singhal: We are not calling out the TCV number for this quarter right. Last quarter we mentioned our TCV was around 100 million?

Ashok Sonthalia: The 44 million we talked about is the TCV of large deal.

Vibhor Singhal: So that is the total new deals that we have won in this quarter?

Ashok Sonthalia: That is the new account opening large deal in insurance vertical. It is just one large deal. Not all new deals. We only give large deal data.

Vibhor Singhal: Just comparing it on a Q-o-Q basis with the data of last quarter. Lastly just one question for Ashok if I could get, so 100 basis point of visa impact seems pretty much on the higher side as compared to our historical numbers and the industry benchmarks also, so does that mean that we have been very aggressive in terms of visa applications in this quarter and also at this point of time what would be our share of localization in key geography like US?

Ashok Sonthalia: This year we have filed a lot many newer applications and that is what is reflecting in 100 basis points. We have also talked in the past that we have been filling up a lot of growth through local people. Exact percentage we have never called out and we will not call out now also, but that has been increasing quarter after quarter.

Vibhor Singhal: Sure great. Thank you so much for answering my questions and wish you all the best.

Moderator: Thank you. The next question is from the line of Sudheer G from Ambit Capital. Please go ahead.

Sudheer G: Good afternoon gentlemen and thanks for giving me the opportunity. My first question is that we have added 20 new clients during the quarter, but the net client additions in buckets greater than $1 million size is just three and this is a significant deviation if we benchmark these trends against those in the previous quarters. For instance, we added 14 new clients in March 2019 of those at least 50% were reflected as net additions in buckets greater than $1 million, so how do we read the shift in the mix of new client additions?

Sanjay Jalona: Good question. We will analyze back and look at it, but I do not read too much. Sometimes you open accounts, ideally, we want to open like the large deal that we did, $44 million, but I do not read too much into it. Some of these accounts have not turned into a million dollar opening deals, they will. Our new account opening philosophy is to open accounts from our target account list. These are large customers where we believe we want to be there for the next 10 to 15 years, but we will go back and analyze if there is anything from there.

Sudheer G: Sure Sir, thanks. My second question is there is a sharp fall in the EBIT income from Hi-Tech Media and Entertainment during the quarter, so almost 46% decline compared to March 2019 run rate. Is there some reclassification or one-off impact that I am missing out here?

Ashok Sonthalia: There is no reclassification. There has been project cost overrun in this vertical and some utilization related challenges, which led to this drop. Nothing more to add.

Sudheer G: Sure Sir, that is it from my side. Thanks and all the best for the rest of the year.

Moderator: Thank you. The next question is from the line of Ravi Menon from Elara Capital. Please go ahead.

Ravi Menon: Thank you. Just checking, you said that there is no pass-through revenue in this quarter, but we have not really seen a big impact on the cost side, direct cost has not really come off as sharply as revenue has, so I would have expected to see that if you take away some pass through. So what is the reason for that?

Ashok Sonthalia: Are you saying that our pass-through costs have come down? Because that is the case.

Ravi Menon: Your direct costs have inched up Q-o-Q and wage hikes come in only in the next quarter, so what are the additional costs in this quarter, indirect cost that has really been such a big contributor?

Ashok Sonthalia: I think we called them out. These are specific, you can say quarter specific costs, which is the visa cost, the sales event and a little bit more investment in sales and marketing. So even if you have some positivity because of the low pass through or by the higher working days, some of these costs are large enough to pull down the margin a bit at the operating level.

Ravi Menon: What is the status on the deal that you had in the energy and utility side, where you collaborated with your sister company to create a platform, is there something of that nature in manufacturing as well?

Sanjay Jalona: I think I will request Sudhir to answer.

Sudhir Chaturvedi: Ravi this is regarding the question that you had on the energy and utility vertical, so you enquired about the project that we have won with our sister company, that project is proceeding as per plan. It is a data digitization project across the data which is in multiple formats and it is a very exciting project. We are using image recognition engine that we have created specifically for this project and that is something that is repeatable in this sector. So that is also in progress. E&U, actually had license revenue impact in Q4 which is not there in Q1, that is the reason why you see the decline.

Ravi Menon: Alright, great thank you. Best of luck.

Moderator: The next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

Sandeep Shah: Thanks for the opportunity and congrats on a good execution despite challenges. Sanjay, just one broad question. I think we have done well extremely in terms of compensating client-specific issue by adding the large deal wins on a Q-o-Q basis, but this year looks like an aberration slightly where we are struggling to compensate the large client-specific issues. So you believe is there is a refresh required in terms of growth outside the top 10 clients or our hunting organization has to accelerate more, just your thought process so that we can avoid this situation in future years if it comes.

Sanjay Jalona: Sandeep I think the fundamentals of our IT services are very simple. They have not changed for the last 40 years and they are not going to change for the next 50 years as well. It was the same before and will remain the same after. The fundamental principles are four. You have got to focus on large accounts. You are to open new accounts which will become invest accounts, you need to focus on invest accounts and you need to focus on large deals.

So four things, large accounts you need to continue to grow, you have to continue to put inordinate amount of bandwidth on the invest accounts so that they become large accounts. You need to open new accounts so that they become invest accounts and you need to push for large deals regularly to change the trajectory of the business. You need resilience across the verticals, across enough customers in a vertical and across geographies and so on, so forth. But despite all the best efforts, once in a while you will have a situation that we find ourselves in. Some of these cases are known like the top account whereby you are not losing. As far as you are confident you are not losing wallet share and it will come back, it is great. Or the African bank where we are the lead partner for them, separation has gone on well. Somethings will happen. You always hope that some of these four will continue to fill the bucket. Most of the time, it should not happen. I do not think we need to change the trajectory, but given where we find ourselves, we need to put our head down, focus again on the fundamental premise whether it is Minecraft, to take care of the top 50 accounts, whether it is our philosophy of TAL and opening new accounts or whether it is inordinate bandwidth on invest accounts. While our top accounts might have slowed down here and there, something has always filled in the gap. We find ourselves a little bit more challenging in FY20, but I am very confident that we want you guys to continue to see us as a growth company.

Sandeep Shah: I think this is fair enough, just a follow-up Sanjay, In closing of the large deals because of the macro volatility, are you looking at a change in decision making process of the client, maybe now versus two, three months before or may be six, nine months before, Or do you believe no, that is not at all an issue and the large deal traction may continue on an ongoing basis?

Sanjay Jalona: I think they will continue, but Sandeep I am sure you have something specific, so if you say what you think is changing in your mind; I can probably answer it more clearly. I think Sudhir can add more. I do not see anything specifically different than what happened in the past or what we see in the future.

Sandeep Shah: Well what I meant is some of the large peers have also called out manufacturing as an issue especially in the Europe, apart from BFS. What I meant to say was that- Is macro volatility more to do with the global tariff war, which is impacting growth of many countries especially in manufacturing?

Sanjay Jalona: I do not think so, we have always maintained, it does not matter. I think large deals are happening, we are getting invited to a lot more deals than we did in the past. Look at ISG’s commentary on deal sizes, there is a slowdown in large deal pipeline. But frankly from where we sit today, we continue to have a good pipeline of large deals.

Sudhir Chaturvedi: Just to clarify what Sanjay meant is - from an ISG perspective, ISG is saying there are fewer large deals, but that is in line with the combination of people's spend moving to the new age technology projects, which tend to have a different deal size. But from our perspective specific to LTI, large deal pipeline is very healthy and we are not seeing any delays in closure of those large deals.

Sandeep Shah: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: Thanks for the opportunity, so a couple of questions. One is Sanjay you have talked about how Europe would be an opportunity for the past couple of years. We have done investments, hiring and everything, but what we see for the past five, six quarters is that growth has not really picked up. What you think are the challenges because some of the peers continue to do well in Europe despite all the macro uncertainty. Is there a problem in terms of client's penetration or what do you think are the issues there?

Sanjay Jalona: Sudhir can I request you to answer this?

Sudhir Chaturvedi: Sure, so as you know, almost all our European business is continental European business. We are very strong in the French and Nordic markets. In Both of those markets, we are seeing reduction in spend. Also, Nordic business is quite BFSI heavy, so there is some impact, but as Sanjay said it is a large deal in the Nordic, in which we are currently going through transition, which we had announced earlier and you will start to see that impact kick in from Q3 onwards. On Europe, if your wider point is that we should be expanding our presence more proactively in Europe, that process is already underway and I expect that even markets like the UK, which are small markets for us, we will start to grow from Q3 onwards.

Rishi Jhunjhunwala: Okay. The other question is – just wanted to understand if there is any update in terms of how things can transpire on the Mindtree front, I know that, right now there is no connection and L&T has said about that, but clearly there has been significant attrition at the top level and beyond that in that company. Have you been involved in any kind of discussions in terms of getting involved in any way in managing that?

Sanjay Jalona: Rishi, Mr. Subrahmanyan has very clearly called out that there is no plan to merge the IT businesses of the group in the near future. As far as we go, me and my team are fully committed and its business as usual for us at LTI. We will continue to remain focused on delivering amplified outcomes to our clients and focus on building capabilities both organically and inorganically, so very clearly all hands on deck focused on LTI itself.

Rishi Jhunjhunwala: Understood, yes, I mean, so of course I was not referring to merger, but more about collaboration in anyway, which could help stabilize things there?

Sanjay Jalona: Me and my team have a singular focus on LTI.

Rishi Jhunjhunwala: Fair enough and lastly, Ashok, if you can just give the hedge number once again, this quarter?

Ashok Sonthalia: Okay, so the hedge book was $1.25 billion and balance sheet hedges were $147 million.

Rishi Jhunjhunwala: Okay. Thank you so much.

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

Shashi Bhusan: Yes. Thanks for taking my question Sir. If I look at the commentary from you and some of your peers both larger and smaller ones, disappointment on growth is common across the board in terms of some vertical or another, I mean everyone has their own specific problem. What exactly could be the reason or the sense you are getting from your clients? Is it that the clients are turning cautious due to uncertain macro outlook or are they seeing pressure on their business hence cutting on the spend or maybe the gestation of some of the digital investments they made earlier as they want to see success of some of those investments and how deep and widespread is the slowing spend problem?

Sanjay Jalona: Shashi I cannot comment on others. In my speech, we have clearly called out the issues that we see for ourselves, I do not think they are cyclical, I do not think they are across the verticals. I do not think they are across geographies. They are very specific problems, which are related to us and that we need to put our head down and find solutions. I do not think they are deep. Again I say if there are value propositions, customers will find ways of funding those projects and programs.

Shashi Bhusan: This is not, because the clients are different for different companies, obviously we cannot comment on others, but the problem is pretty evident in many of our coverage universe, so I was just asking that is it possible that it could spread even further to some other clients in terms of cutting down on their spend or turning cautious or you are not seeing that at all?

Sanjay Jalona: That is correct, we are not seeing that at all

Shashi Bhusan: Thanks Sir and all the best for the year.

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

Manik Taneja: Thank you for the opportunity. Just trying to prod you further on one of the questions from a participant earlier, you mentioned about a deal transition happening in Nordics, but just wanted to get your thoughts as to how you are reading the demand environment in the continent there with some of the M&A action that has happened recently and given the spending momentum that has been in general very good over the last couple of years.

Sanjay Jalona: First question I think you are asking is what we think of Europe, any further color. I think as Sudhir mentioned we are not too strong in UK and UK has one of the largest outsourcing spend. Our large geography base in Europe are Nordic and French market. This typically will not be the largest by any means for most of the other IT services company. So our story there tends to be a little contra to the rest of the industry peers. The large deal that we had announced in the Nordic area is growing well and we continue to be positive and excited about that. French market continues to be challenging but we have grown well and I think we need to keep working on growing the European market overall. Our entire investment on Temenos ecosystem also continues to create newer kinds of pipeline that did not exist for us so as a company year and a half back.

Manik Taneja: So I was actually looking to understand from you, how do you see the market evolving especially with the merger that one has seen in Nordic market amongst two local players and given the general spending uptick in the Nordic market in the last few years because when one is looking at the financials of some of those local players what one has seen essentially is an improvement in pricing and revenue productivity in general across the sector.

Sanjay Jalona: I do not see any changes to our opportunities or our pipeline in effect from them. There will be opportunities which will clearly come up.

Manik Taneja: Okay and thank you and all the best.

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

Abhishek Bhandari: Sanjay I had two questions, one you have already called out for a soft Q1 which is already there in numbers and possibly a similar number in Q2. With those in mind, we still think our ambition of being in the top quadrant of growth from the industry perspective remains for FY20 at least?

Sanjay Jalona: Obviously top quartile depends on how everyone else has performed. Again you have not heard me say that this quarter, but I simply continue to say and ask all of you guys to keep considering us as a growth company with a focus on stable margins. FY20 has become a little more challenging than we thought two quarters back, but we are very confident on the fundamentals of our business which is reflected in the pipeline, which is reflected in continued winning of deals, in the confidence that we are not losing wallet shares in the accounts that have seen some known and unknown challenges, so you see us as a growth company.

Abhishek Bhandari: Okay Sanjay the second question is we have probably one of the finest offshore effort mix in the industry, but we have also started applying for more number of visas. So, should we start thinking that we have probably maxed out on the number here or you think we can still remain in that 77, 78 band at least for a medium-term perspective?

Sanjay Jalona: No change is expected on the onsite-offshore ratios.

Abhishek Bhandari: Okay thank you and all the best.

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

Madhu Babu: Hi Sir, on the second half do we see strong a sequential momentum again picking up? After a soft Q2, can we expect 3%-4% kind of quarter-on-quarter growth in Q3, Q4?

Sanjay Jalona: You can expect positive growth from Q3, will not give numbers.

Madhu Babu: Okay and second Sir in terms of the offshore realizations even on a directional basis there have been gradual moderations, is it some pricing pressure in top accounts or transition in some of the large deals?

Ashok Sonthalia: I would attribute it to transition of the large deal and of course FX would have played some role.

Madhu Babu: Okay and last one, recently a midcap has bought a sizeable acquisition on the digital side and Hexaware has bought Mobiquity, so any similar kind of large ticket acquisition is in our mind?

Sanjay Jalona: Large or small it does not really matter as far as there are capabilities that we want to acquire and build on. Five acquisitions in three years is a testimony to that and I would just reflect back on these five. So first one is Augment IQ. Today what you see in the strength of our analytics platform Mosaic, is built predominantly on that capability in a strong way. This will be augmented and added on for the consumption layer with Lymbyc. Lymbyc, you got to see as a Google for data whereby you can write what was the sales for LTI in October 2011 in Nordics and when you write in English using that consumption layer, using the part of the Mosaic which we brought to Augment IQ, it will give you data and will keep learning through artificial intelligence and keep creating models. So it strengthens the ability that we take to our customers. This reflects actually at the end of it in 32% CAGR that we do in Analytics. These are the powers of acquisitions that we want to bring. Two years back, when you reflect we had no core banking capability as a company. Today we are one of the top partners for Temenos globally and that has happened through acquisitions of Syncordis and N+P. Size really does not matter and I am not saying the larger ones cannot happen, I'm just simply saying our focus is inordinately on filling gaps and positioning for our customers, what is really important for us is where we spend a lot of time. Acquisitions are like marriages, so you got to focus on what you can integrate well, what you can make a success of and provide a great value to your customers. So yes it can be large, it can be small, but the focus is on inordinate capabilities that we can bring to our customers.

Madhu Babu: Okay Sir. Thanks.

Moderator: Thank you the next question is from the line of Kedar V from Composite BMS. Please go ahead.

Kedar V: Hi this is the first time I am participating in the conference call so thank you for this opportunity. I had a question that is very specific to your new customer acquisition engine. So just keen to hear your thoughts in terms of how much of leeway is currently being given to let us say the sales manager on the ground to be able to take those practical calls on either pricing or in terms of the engagement model itself, so that you can continue to be a growth company that you currently are?

Sanjay Jalona: Kedar, you can refer back to those four fundamental philosophies that I outlined to run a services company. NAO, new account opening is very important in that. What is really important are two things in new account opening, #1, you need to incentivize and tell your people to go after accounts that matter to you. So that is why as a concept of TAL or target account list comes in to play. That is managed and monitored very closely by Mr. Sudhir Chaturvedi, saying these are the logos that we really want to have because these are the customers that we want our successors to enjoy working with10 to 15 years down the line. Once that is there, the power that is really required is for our sales guys to be trusted advisors, who need to co-create with the customers. The nature of selling has changed dramatically and that is where we need to empower them in a different way within the ground rules of engagement. Ground rules of the engagement on what they can agree, what are absolutely no-no for the business are clearly defined and we have empowered the front line to make those decisions very analytically.

Kedar V: Okay, when it comes to say the deal approval metrics that you have, do you have a centralized team which kind of let us say either facilitates or takes a call or is the power distributed among say most of the chief business officers that you have specific to particular regions, that is specific to particular businesses?

Sanjay Jalona: As you mentioned, there are metrics, large deals. There is a separate large deal team which works on it. There are business finance guys who are associated and legal side which are associated but the decision making is totally with CBOs or with Sudhir.

Kedar V: Okay and at what scale of business do you think you would probably consider changing this, do you have some sort of a number in mind let us say, once you hit a revenue of USD 2.5 billion or how do you think about this?

Sanjay Jalona: Yes, today I am not thinking of changing anything.

Sudhir Chaturvedi: I think just to add to what Sanjay says, you want to have fundamental premises that growth organizations have. We have a good team, we have a high degree of trust in the decisions that they take on the ground, because they are the closest to the customers, they are in the best position to do that. Our job is to actually enable them to do, the real thing. What we want is to actually provide them more support, enable them to take the entire set of offering, role distributions everything that they are building in the organization. Frankly, on the financial decision, you will take one decision in the deal cycle on that, so it is a small part of the overall support they need and at that, as you say most of the things that we do, we operate at speed. I think our clients also remark on our responsiveness etc., and so things are done in a similar fashion at that end also. But it is not just one variable that has to succeed on the ground, it is multiple things that we have.

Kedar V: Perfect. Thank you folks and that is from my side.

Moderator: Thank you the next question is from the line of Rahul Salvi from IIFL. Please go ahead.

Rahul Salvi: Hi Sanjay. I had just one question. In our introspection of internal accounts, did we see similar issues with more accounts on our side as the issue we had with the hi-tech client which led to 1% loss of revenue? Was this a one-off?

Sanjay Jalona: Not at all as there is no issue at all. You can ask me in 10 ways, absolutely nothing else to be reported on that.

Rahul Salvi: And Sanjay, if you could just throw more light on what exactly the issue was from our side if it is possible?

Sanjay Jalona: There is nothing more to add.

Rahul Salvi: Okay Thanks Sanjay.

Moderator: Thank you the next question is from the line of Sandeep Shah from CGS-CIMB. Please go ahead.

Sandeep Shah: Thanks for the follow-up. Sanjay just a broader question again in terms of the digital investments of the client in terms of maturity curve, do you believe it has now moved from early stage to a mid stage and the ramp ups for some of the other technologies because what we are reading is CX, SaaS, cloud, social mobility become a new normal and clients may be now looking for newer investment in IOT, CI, AR, VR so in that scenario again there could be a pause and ramp ups and the investments in terms of larger deals may be slightly taking a longer time, is it right or do you still believe most of the stuff is still at an early stage of investments?

Sanjay Jalona: Yes, very simply there are four things that customers are trying to do and there will be newer technologies. Everyday they will keep coming up whether it is SMAC, whether it is AR, VR etc. The four fundamental things that the customers are trying to do are operate to transform, how do I actually spend a ton of money on maintenance, how do I actually derive better value from that using newer technologies, how do I transform my business. Second thing, which they are trying to do is how do I use data, which is coming from many, many, many more sources than it did in the past, how do I run a data-driven organization. Third thing is how customer can be the king they want to be. Are technologies today available to connect with the customers even if I do not sell to the customers directly, a case in point is the CPG customers. We do not buy from the CPG customer, we buy from a retailer but there are technologies, how do I understand those customers well and the fourth, how do I digitize my core to effectively and efficiently try transformation to launch products in a faster way. Now in the past there were some technologies, there are new technologies that are coming in today and there will be newer technologies that will keep coming in future. So I do not think there is a fundamental change, customers are still trying to derive higher revenue, get into the efficiency of the businesses and drive higher margin growth.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Sanjay Jalona: Thank you everyone, look forward to seeing you next time. God bless. Take care.

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

(This document has been edited for readability purposes)

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