LTI
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May 8, 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 March 31, 2019.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on May 3, 2019 for the quarter ended on March 31, 2019 for your information and records.

Thanking You,

Yours sincerely,
For Larsen & Toubro Infotech Limited

Manoj Koul

Manoj Koul
Company Secretary & Compliance Officer

LARSEN & TOUBRO INFOTECH LIMITED
MUMBAI
INDIA

Encl: As above

“Larsen & Toubro Infotech Limited Q4 FY2019 Earnings Conference Call”

May 03, 2019

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

Moderator: Ladies and gentlemen, good day and welcome to LTI Q4 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Mohta. Thank you and over to you, sir.

Nitin Mohta: Thank you, Stanford. Hello, everyone. Thank you for joining us today to discuss LTI's financial results for the fourth quarter and full year fiscal 2019. The financial statements, press release and quarterly fact sheet are available in our filings to the stock exchanges and at the investor section of our website.

On the call we have Mr. Sanjay Jalona – CEO and Managing Director, Mr. Sudhir Chaturvedi – President, Sales; Mr. Nachiket Deshpande – Chief Operating Officer; and Mr. Ashok Sonthalia – 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 and earnings guidance. And everything said on the call which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

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

Sanjay Jalona: Thank you, Nitin. Good morning, everyone. Welcome to LTI's earnings call for the fourth quarter and the full year FY19. Before we begin, I want to congratulate and welcome Nachiket Deshpande as a Whole-time Director of the company.

Let's cover the headline numbers first. Our Q4 revenues came in at USD353.8 million, up 2% Q-o-Q and 14.5% Y-o-Y. We closed FY19 with a revenue of $1.35 billion, a growth of 19.1% in reported terms and 20.9% in constant currency. This performance has been powered by rapid increase in share of digital in our revenues, digital is around 38% of our revenues in Q4 FY19 versus 33% a year back. FY19 marks the third consecutive year of double-digit revenue growth for LTI. We are pleased with our consistent industry leading performance in these transformative years.

In this quarter we are also excited to announce two large deals. The deal wins, one in manufacturing space and another in insurance sector have net new TCV in excess of USD100 million. The large deal we won for the manufacturing client in Q4 is a complex transformation engagement, involving multiple application platforms across client ERP systems, CRM systems and data platforms. The customer has historically grown through acquisitions and has a complex portfolio of applications supporting its global and regional needs. We would be the sole partner to have transformed client's application operations to be lean and digital ready.

The second large deal is our new insurance logo. LTI would manage client's global operations and undertake multiple transformation initiatives across its entire IT portfolio of applications, infrastructure, service desk and security. Our winning solution was led by twin themes of "Operate to Transform" and "Reimagine Insurance", riding on the strengths of our Mosaic automation platform.

We continue to execute on up-scaling our existing client relationships and added one client in USD50 million and four in USD20 million buckets in LTM revenues for the year FY19. Friends, the success that is visible from our financial performance and consistent large deal wins is a culmination of our continuous investments in platforms and people. Clients want to work with IT partners who can help them with faster time to market and deliver consistent consumer grade software experience. This is only possible when we make investments in platforms that serve as the building blocks for digital transformation of our clients.

Talking more on platforms, in Q4 we became one of the six global service partners for Temenos. This partnership enables us to drive innovation in Temenos T24 Core Banking Platform as well as Temenos Wealth Suite offerings. Global recognition on platform partnerships like Temenos SAP brings to fold the commitment and investment that LTI has made to remain relevant to its clients.

We also closed two acquisitions in FY19. On our last earnings call we talked about Ruletronics, a boutique Pega Consulting company. In February 2019 we welcomed NIELSEN+PARTNER or N+P to the LTI family. The acquisition of N+P strengthens our commitment to Temenos platform and we are very excited about the future growth prospects in this area.

On talent front, we added over 4,000 people in FY19. We continue to further our capabilities in digital and analytics and consulting to stay ahead of the curve at this stage of industry transformation. Attrition has increased for everyone in the industry and LTI has not been immune to that either, we recognize the need to keep this in check.

Mission Ubuntu, that I introduced to you at our Analyst Day, is a key initiative to help curb attrition. Ubuntu is a Zulu term which means I am who I am because of those around me. The initiative entails mapping an employee's journey through LTI in a nine-step process, starting from hiring to the time when he leaves, with a focus on retention through learning and growing. We continue to add to our sales force to keep this important engine firing and securing our revenue momentum.

I hope I have given you a glimpse of our areas of investment and positive impact of these on our business. Before we turn back to our financial numbers, I am glad to share a couple of business updates with you.

First, results of our annual CSAT survey came in last month, and our scores continue to improve for third year in a row. Our customers appreciate our client centricity, delivery excellence and our investment in people. Customers' expectation from us is to be their strategic advisor, leveraging new technologies and investing in capabilities building to help them innovate. We are focused on doing that through our investments in platforms, people and partnerships.

We also hosted our first ever client event Solvation two weeks back. The event saw participation from industry leaders, technology specialists and thought leaders in the digital space. I am pleased to see our customers co-presenting with us at the event, highlighting how LTI is making a difference to their digital journeys.

Next, for the second consecutive year LTI topped the list of Challengers in the Everest Group's PEAK Matrix IT Service Provider of the Year 2018. The Challengers list includes companies with revenue less than $2 billion.

Last but not the least, we added three Fortune500 logos in Q4, one each in Insurance, Energy and Utility and High-Tech segments. With this, the Fortune500 count for us goes to 66, an addition of seven in FY19.

Our fact sheet has the detailed numbers for Q4 and FY19.

Let me provide to you a color on the yearly performance. In BFS, for FY19 we delivered 27% Y-o-Y growth. FY19 was a remarkable year for BFS as our growth for the full year was driven by skillful client mining and ramp-up on a large deal win with a marquee BFS client. Even so, as I pointed out in the last quarterly call, there is tightness in spend in our top client. There is systemic budget cut and we expect it to improve from Q2.

Insurance vertical grew 8.6% in FY19, this is in line with what we penciled for this vertical when we started the year, given the profitability challenges for insurance companies, following the natural catastrophes in U.S. and Europe in FY18. Our sharp focus on insurance sub-segment, coupled with our deep provincial knowledge in the reinsurance space helped us win the large transformation deal that I talked about. Opening a new logo with a large deal is always challenging and this win validates our passion to compete and win against the best in the marketplace.

In Manufacturing, we delivered a 12.4% Y-o-Y. We continue to see manufacturing companies accelerate their investments in ERP modernization, or what we call digitize the core initiatives. In Q4, a global auto major selected LTI for implementing SAP S4/Hana for its trading and manufacturing arm. Additionally, the other large deal that we announced in the quarter falls under this vertical. The client is a global leader in the engineering equipment manufacturing space with over 1,000 applications spread across 45 countries.

CPG, Retail and Pharma, this vertical continues to grow handsomely. We have 35% plus Y-o-Y growth for this vertical in FY19 on back of 30% growth in FY18. If you recall, the two of the five large deal wins that we have announced in FY19 fell in this vertical. These wins have been on the back of our ability to deliver outcomes, supported by our differentiated solutions offerings and IT propositions to the client.

High-tech and Media delivered 28.7% Y-o-Y growth. Our focus on scaling our business with some of the largest tech companies in the world continues to yield great results. Our growth in this segment continues to stem from our focus on building platforms, data and intelligent systems, automation and cloud native technologies.

A new account opening that we are excited about is a global internet giant, one of the Fortune500 logos that we opened in Q4, who has partnered with us to re-imagine design and implement automation program for its entire HR operations.

While I am not covering the other verticals in detail that we grew in, but overall, we grew around 8.7% Y-o-Y in energy and utilities and 14.6% Y-o-Y in others, all the details are in the fact sheet.

Before I wrap-up, let me share with you some broader comments for FY20.

We continue to be positive about the demand environment. We have ended FY19 with a record five large deals and our deal pipeline is very healthy. There are growth challenges in our top client, but outside of that we feel optimistic about our growth trajectory. I am confident that LTI would continue to be in the leadership quadrant for revenue growth in FY20 as well.

With that, let me hand it over to Ashok to give you the financial details.

Ashok Sonthalia: This is the 12th quarterly result and 3rd full year performance that we are presenting today post listing. In Q4 FY19 our revenues at USD353.8 million, grew 2% Q-o-Q and 14.5% Y-o-Y. The corresponding constant currency growth was 1.9% Q-o-Q and 17.5% Y-o-Y. Reported INR revenue of Rs. 24,860 million was up 0.5% Q-o-Q and 24.2% Y-o-Y.

Revenue for full year FY19 stood at USD1.35 billion, growing at 19.1%, which corresponds to a constant currency growth of 20.9%. In rupee terms, the full year revenue was Rs. 94,458 million, registering a growth of 29.3%.

Looking at profitability, EBIT for the quarter was INR 4,393 million. This translates into operating margin of 17.7% versus 19.1% in Q3. Investment in sales, drop in utilization and appreciation of rupee were primarily responsible for margin drop this quarter.

For the full year, operating margin was INR 17,351 million at 18.4%. Operational efficiencies, tailwinds from currency and better rates were slightly offset by higher employee costs, giving us significant improvement in FY19 margins.

Reported profit after tax for Q4 stood at INR 3,785 million at 15.2%. Our consistent hedging strategy helped the company deliver a stable PAT margin as compared to Q3, despite the drop in EBIT margins. Full year PAT stood at INR 15,155 million at an overall margin of 16%.

Moving on to the employee metrics, in our last earnings call we had highlighted to you that given our current scale and growth rate, there was a need to bring down the utilization to a more sustainable level. Our planned reduction in utilization, including trainees, saw it coming down to 80.1% in Q4 versus an all-time-high of 82.1% in Q3. The corresponding numbers for utilization without trainees were 81.1% in Q4 versus 83% in Q3. Full year utilization, including trainees, stood at 80.6% and without trainees at 81.9%, which was up by 120 basis points and 150 basis points respectively.

We continue to grow our manpower strength and our net additions during Q4 were 656. Total net addition for the year stood at 4,030, which translates to 16.7% growth in the headcount from FY18. The total manpower stood at 28,169 at the end of the fiscal year. Our revenue productivity improved from $49,013 in FY18 to $50,318 this year. For the quarter, attrition rose to 17.5% as against 16.5% last quarter.

Now talking about our FOREX hedge book, our cash flow hedge book as at 31 March 2019, stood at USD1.192 billion versus USD1.042 billion as at 31 December 2018. While the on-balance sheet hedges stood at USD154 million versus USD126 million last quarter.

Talking about DSO and cash flow, in Q4, the billed DSO stood at 71 days compared to 73 days last quarter and 70 days a year back. At an overall receivables including unbilled level, we have seen an improvement of 8 days in FY19 compared to FY18. The net working capital has improved by 2.4% of revenue to 18.9% as on 31 March 2019. For the full year, the net cash flow from operations was INR 13,948 million at 92% conversion of the net income versus 75.8% in FY18. For the quarter, the net cash flow from operation was INR 3,119 million, which was at 82.4% conversion of the net income.

We ended the year with cash and liquid investments at INR 21,552 million.

The effective tax rate for FY19 was 25.3% compared to 22.9% in FY18.

Earnings per share for the full year was INR 87.67 per share, diluted EPS stood at INR 86.43 per share compared to Rs. 63.48 per share in FY18. Diluted EPS for the quarter was INR 21.6 per share.

The Board of Directors, at their meeting held yesterday, have recommended a final dividend of Rs. 15.5 per share, bringing the total FY19 dividend payment to Rs. 28 per share, including interim dividend of Rs. 12.5 per share.

The new accounting standard Ind-AS 116 on leases is effective from 1 April 2019. This standard brings transparency and comparability to financials of companies who have lease assets versus those who own assets. Due to this, treatment of lease rent expenses will undergo a change and certain reclassifications will be necessary. At this stage, we estimate that EBIT will see a small improvement and net income margin will see a small dip for the full year FY20.

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

Moderator: Ladies & gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: Sir, pretty decent quarter despite those declines in your top-five clients, and you called out specifically that is from the top client. And last quarter we had this analytics and cognitive decline, and you were saying that a large analytics program had come to an end and furloughs also impacted. So you would have expected some pickup in this quarter, but we saw one more dip. So is this from the top client, is there something else more structural going on here?

Sanjay Jalona: It is the same thing, your assessment is right, it is from the top account, nothing else. Otherwise if you take that out, analytics has grown handsomely.

Ravi Menon: And overall you see strong demand for this service line and anything in digital overall, that continues?

Sanjay Jalona: Absolutely.

Ravi Menon: Right. And the utilization, do you think that if the rupee were to depreciate, hypothetically speaking, and you have some headroom to bring that down further, what would be an optimum level for you to operate comfortably in this demand environment with the growth that you target?

Sanjay Jalona: We have more or less come to that level already. We want to operate at that level, there will be quarters when we will go up, then we will keep bringing it back to where we exist today. Please bear in mind, as I have always maintained, since the time we have gone public, we want to keep the margin at a narrow band of 15% and focus everything on investing back in the business and grow top-line, and that does not change.

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

Abhishek Bhandari: I had two questions for you. First, on your top account, while you have shared some outlook that in the second quarter the growth will pick up, but if you could help us understand, is it just limited to spending cut at the top account or is there a risk that we might be losing the market share?

Sanjay Jalona: No, as you know, we have a very-very strong relationship with the largest customer. If you analyze their financial statements, you will automatically see there, that they have actually cut down their IT budgets. And we have very-very deep relationships at multiple level in that account. So, it is not us losing our wallet share to anybody else, it is just that you have the new leadership there, there is a restructuring that is going on. But these things happen in our business, there is nothing cyclical about it, we are not losing our business, we are very valued and differentiated in that, and it may also go up.

Abhishek Bhandari: The second question is on the ramp-up of the large deal, so we ended FY19 probably at record high in terms of deals, so what is the outlook on the ramp-up plan over here? And will that lead to some kind of uneven growth across the quarters to come?

Sanjay Jalona: Because of the drop in the first half you would probably see a little muted growth, but growth nonetheless. But ramp-ups on the two large deals that we have announced, will happen towards the fag-end of Q2 and fully grow up in Q3 and Q4.

Abhishek Bhandari: Okay. And my last question is to Ashok, sir, this year there were some disappointments on the payout ratio or dividend, after increasing it for last two years this year probably we dipped a bit. So if you could throw some light why are we trying to reduce the dividend payout, or is it just probably a way to build up some war-chest to acquire something?

Ashok Sonthalia: Abhishek, actually it is not a reduction, it is just rounding off per share numbers. If you look at overall dividend, payout has gone up by 31% in absolute amount. We spent Rs. 446 crores last year on dividend payout and this year that number is about Rs. 586 crores, which is in-line with the profit growth on a like to like basis. So we are not going back or reducing at all, our stated strategy has been to stay or increase. You need to look at us as a growth company, we have our plans and still cash balance is not at a level where we need to immediately increase our dividend payout. I will leave it here.

Abhishek Bhandari: So what would be the absolute cash level at which you will want to return more amount to shareholders?

Sanjay Jalona: Look at the payout as more or less flat. Look at us as a growth company, look at us as focusing on finding ways to invest back in the business for growth of the company. We will make sure that the shareholders are rewarded handsomely in times to come.

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

Sudheer **Guntupalli:** In recent times globally, the M&A and consolidation activity, especially in the mid-cap space witnessed a spike, two, three global strategic investors have acquired some mid-cap companies. So, Sanjay, what are your thoughts in terms of what is driving this kind of consolidation? What are the potential benefits? And more importantly, what are the challenges in terms of integration of the entities, especially when they are like-sized ones?

Sanjay Jalona: Obviously, there are opportunities that exist and yes some of this play out in the market place. This happens world over, globally you see some kind of consolidation happening and this will continue. And it will go on merit, people will acquire capabilities, some people will get into newer areas, some people will get into strengthening their services business like L&T has done. I want to focus on who we are and what we do as an organization. If you look at our strategy, it has been very clearly articulated, we will keep doing capability acquisitions that will keep enhancing the value that we bring to our customers. We have done four acquisitions, one, which really strengthened our Mosaic platform on decisions which is probably one of the better platform that exists, I am saying globally today. Two acquisitions helped us from nowhere get a very strong capability in core banking on top of Temenos as a platform. Temenos, recognizing us as one of the top-five or six global system integrator partners for them creates tremendous, tremendous place under the sun for us in BFS area. And the last one is, in today's digital technologies world, capabilities on Pega, which gives us variability to differentiate and help our clients go on this journey of digital integration. So our focus is going to continue on filling the gaps that we have in our arsenal from capability perspective.

Sudheer **Guntupalli:** Sure, sir. So, if I were to extend this question to the specific portfolio of let's say LTI and Mindtree, I understand that L&T has indicated that there will not be any potential merger in the near future, but if I were to ask you a theoretical question as to what are the benefits of a hypothetical merger today between LTI and Mindtree, given their portfolios, and what would be the key challenges or risks of such an integration? Thanks.

Sanjay Jalona: Look, L&T has a stated strategy and they have been very clear that they want to increase their portion of services business of the portfolio. We have seen, that with their focus on LTI, LTTS as well as L&T Finance. They clearly articulated, the same thing during the stake purchase of Mindtree as well. The question is, what does it mean for us at LTI today? As far as we are concerned, nothing changes at LTI and its business as usual. We focus on our large accounts, we continue to drive growth, tremendous investments in our invest accounts, we continue to go after all our target accounts and new logos that we want to open and we focus and fight for every large deal on planet earth. And all of us, I am saying this on behalf of my leadership team, LTI's leadership team is excited as ever before to solidify its position and create a next-generation services company. So, where we sit today nothing changes, rest all is hypothetical, and in due course of time things will evolve, we will see where it goes. But currently, nothing changes for us.

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

Sandeep Shah: Sanjay, just want to understand the demand scenario within BFS, outside the top client, because many of the peers are slightly jittery and cautions about the demand outlook, how are you seeing it?

Sanjay Jalona: Sandeep, I will let Sudhir give more color. But overall, at the top-line we are excited about all the verticals, including BFS. BFS has grown handsomely for us in the last three years when everyone was seeing the same message. This is not a new question to me, as you guys have been asking the same questions for the last three years and I have every time said that we will continue to grow. We feel positive about BFS overall, again, barring the challenges that we have seen, temporary challenges I will add, in the largest account. Sudhir, you want to add something?

Sudhir Chaturvedi: Yes. And I think if you see our overall new logo addition in BFS and some of the ramp-up of the accounts that were opened in the last couple of years, I think as Sanjay said, this is localized to one account, we will still see growth in BFS. Also remember that our investments in Temenos, Syncordis and N+P also help us drive our growth. And we have also announced a large deal in the BFS space last quarter. So, we put the three together we see good scope for growth in BFS as well.

Sandeep Shah: Okay. Just further to your reply to earlier question, you said that one of the reasons for analytics, AI, cognitive to decline was also related to top client related issue. So looking at the nature of the decline in that account, because this service is largely treated as a digital service, are you worried because a client cutting a digital spend is slightly more concerning, it shows the sensitivity to macro issues may be higher in the digital service as well. Is it a right interpretation or is it something else?

Sanjay Jalona: Sandeep, not at all. This is temporary. If you look at it, despite all the drop in the account that we are talking about, we have still grown the digital business overall and that will continue in times to come. There is a very strong pipeline in that area. Customers are spending in newer ways of transforming their businesses, driving growth, connecting with employees, connecting with customers, getting into adjacent areas. For all of that you need analytics as well as new digital technology. Bear in mind, analytics after growing 30% plus last year has still grown by FY19 upwards of 25%, I don't think it will go down from that even for FY20.

Sandeep Shah: Okay. Just last thing, you said 1Q would be slightly softer because of the top client, plus maybe absence of pass-through revenue. But for you to be again in a leaders' quadrant in terms of the sales growth rate, the ask rate in 2Q to 4Q would be really high. So does that worry you or you believe this is largely coming through the order book confidence other than any hope regarding the future demand?

Sanjay Jalona: Look, we are confident looking at the pipeline, we will still grow. If the same thing what happened to us in Q4 with the largest account, was to happen for us if we were not growing, we typically would have gone down or at best remained flat, but we still grew by 2%. So when you look at Q1 also, we will have a growth and obviously with the pipeline and the order book that we see with the large deals that we have already won and ramping up and what we are playing in, we are confident that we will be in the leaders' quadrant.

Sandeep Shah: Just wanted to understand the lease accounting, can you quantify whether the positive impact on the EBITDA margin would be higher than EBIT margin? And can you quantify the impact on both EBITDA margins as well as EBIT margin? And second, what is the tax rate one should model for the coming year?

Ashok Sonthalia: You are right, EBITDA margin impact will be higher compared to EBIT, because there is a change, the lease rent is now getting classified under depreciation and interest, finance charges. At EBIT level we expect maybe about 0.4% improvement. At PAT level, this is the current estimate, it will go down by 0.3%. EBITDA impact would be 1%-1.5%, which similar sized companies have also talked about. Tax rate, which is 25.3% for FY19, would see a minor inch up to ~25.5% for next year.

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

Ravi Naredi: Will you give some color on future growth, what we are expecting in current year and margin expansion?

Sanjay Jalona: We do not give revenue guidance, but I have always maintained since we have gone public that we will be in the leaders' quadrant, if not the leader in terms of growth. So I will continue with that despite the slowdown that you have seen in the largest account for us. In terms of the margin, yes, we do give guidance and at margin you have to see us as a growth company. Our entire focus is on keeping the margin at net income levels steady and in a narrow band of 15% and focus and invest back everything on driving up the top-line growth. In these changing times, this is even more important.

Ravi Naredi: Okay. And other comprehensive income has reduced in March 2019 compared to December 2018, any specific reason for that?

Ashok Sonthalia: Currency movement.

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

Vibhor Singhal: My question is again, sorry to harp on that, on the BFSI space. Now, one of our larger peers yesterday declared their results which are slightly weaker, and one of the main things that they attributed the weakness to was in-sourcing that they see in a few of their BFSI clients. Now we know a couple of large European banking clients have been speaking about in-sourcing a bit. So just wanted to get your perspective on if we have some, I mean, considering we also have a large BFS client, so either from that client or from other clients which are not our top clients in the BFS space, are we hearing similar kind of voices about more in-sourcing, especially on the new-age digital technology domain work that we are trying to get? And how do you see that playing out over the next couple of years?

Sanjay Jalona: Vibhor, not seeing any impact on anything but the largest customer for us. So we have robust pipeline, we have closed a large deal, we have opportunities and growth potential all across. So absolutely not, I am aware of what you saw with the large company. The same has been talked for the last three years, where we have always said that in our client base I don't see a sector wise issue at all. It is one client where you might have an issue once in a while like we have in our top client right now. But sectoral, there is no issue.

Vibhor Singhal: Sure. So let's say drawn out from your experience in this industry which has been so long, do you believe that, I mean, we have seen this multiple times that whenever maybe a new technology wave comes in, client's tend to basically hold on to that new domain considering that as the core IP, and then slowly, when that becomes standardized more and more outsourcing of that happens. So it is kind of a cyclical thing that first they tend to in-source and then they tend to outsource that. Not just specific to your clients but let's say for the entire industry per se, do you oversee something of that kind playing out this time or do you believe this time the overall third-party vendors are so much well adept and ahead in the race that the in-sourcing thing might not be a play at all this time not just for us but let's say from your experience about the industry for other players and for the entire industry per se?

Sanjay Jalona: The world has changed quite significantly, if you just disassociate yourselves from transactional data, customers are typically spending more on technology than they ever did. Technology is a broad agenda, not only in digital. They might call it digital but how is technology helping me evolve differently and address different markets, launch new products and platform, go into adjacent businesses, connect with employees better, drive up productivity using technology etc, better. So technology spend is much higher than before, but the nature of that spend is very different than what IT industry, all of us have seen in the earlier part of our career. I still believe that customers, based on the survey that we did along with MIT Center for Information System Research, are not even 50% done in their digital transformation journey. So there is enough business to be had. Most important is, if you have a story to tell, if you can co-create with the customer, I think customer always manages to find money for that investment, that is the first thing. Second thing is, typically the services companies in the past have tried to do everything by themselves. Now it is the story of partnerships and expertise on platform, because in the app economy world that we live in we are used to things getting done and ease of the supply. We are looking for productive software that updates itself on its own. Now this is where capabilities like SAP S4/Hana, or Temenos as a capability helping banks launch digital banks very rapidly, are very important. And if you focus on those, there is business to be had, this is what we strongly believe in as an organization. We cannot do everything by ourselves, but when we co-create along with partners and customers together there is tremendous business opportunities to be had.

Moderator: Thank you. Our next question is from the line of Ashish Chopra from Motilal Oswal. Please go ahead.

Ashish Chopra: You did mention about the rising attrition, which could be due to high demand, could be some supply crunch in the US. And you also elaborated on the steps you have been taking. But just wanted to know, is it likely that this will force your hand into maybe a greater wage hike on-site and off-shore? And any interim impact there may be on the margins as a result of the same?

Sanjay Jalona: No. For margin, as I said, we will keep it at the same narrow band of 15% at net income. And look, for any IT company, you guys know there are many, many levers, and we will do whatever is right for our employees. See, attrition is not necessarily because of only high demand, it is also because an employee could think that I am stuck, that I won't go into newer areas, maybe I will not be able to get out of this company. So how do you create an environment of enriching the people, getting them opportunities to learn new things, and rotating them within the organization to give them the opportunities. So, there are n number of things that we probably are going to double down and focus even more, but I am going to hand it over to Nachiket because he has some great ideas on that to talk a little bit more.

Nachiket Deshpande: So as Sanjay said, I think the focus for us from an attrition point is going to be largely on improving our employee engagement in Mission Ubuntu that Sanjay spoke about in his initial speech. And most importantly, creating that up-skilling environment where the technology change is so rapid in today's world. If we are able to provide platform and opportunity for our employees to constantly enrich their skill base, I think that will have a bigger impact on attrition than just purely wage hike. And, attrition is in pockets in certain skill sets, so there is some amount of selective skill-based compensation construct that we have already explored, and that is probably what we will continue to do in order to manage the attrition better.

Ashish Chopra: Right. And just one small question attached to that, when you say that you perhaps are operating at the near optimal level of utilization, would it be for the current combination of growth and the attrition rate or would you say that is actually baking in maybe a slightly lower level of attrition?

Sanjay Jalona: Yes, everything included. We are going to cut down the attrition rate. And we are going to focus on keeping the utilization at this level, keep bringing it down to this level and keep going up.

Moderator: Thank you. Our next question is from the line of Rahul Jain from Emkay Global. Please go ahead.

Rahul Jain: First question is, given your positive commentary around pipeline, order wins, deal trends and so on, is it safe to assume the growth rate that we model internally to benchmark incentives, targets is a similar or higher number that we earmarked now versus a year ago?

Sanjay Jalona: We don't give revenue guidance for the year, and I am not going to give you any such indication. And the reason why we said we will not give revenue guidance is because the environment, the market, the digital technology and the tectonic changes that are happening in the world are so rapid that it is very difficult to give guidance today. All I can tell you is, when you look at us and peers, we will be in the leader's quadrant, if not the leader. And we will continue to focus on that.

Rahul Jain: And this leaders' quadrant definition, has it changed YoY?

Sanjay Jalona: It is up to you to evolve, everyone's number you know, there is no change in the definition, and no addition or deletion of players.

Rahul Jain: Right. Maybe the benchmark itself is lower for that quadrant. Secondly, do we see the cumulative impact of this value-add led pricing gain or supply side challenges or delivery mix model would have no material impact, assuming current level of currency? Or you would say that the risk is more towards downside, given our priority for growth and investment over short-term profitability?

Sanjay Jalona: Simplify and break it into two parts, Rahul, so we are very clear in answering your questions, please.

Rahul Jain: So, basically, if I simplify it is like asking profitability, right. So, the thing is that given that we would continue to invest on the digital side of the business and there is supply side pressure, so would focus be more on growth and would we be not focused on near-term profitability?

Sanjay Jalona: Yes, quarter-on-quarter there could be variation, depending on currency and a whole lot of other things. For the year is what I want to focus on, if you really want to look at it. We want to just keep it in the narrow band of 15%. And yes, we will continue to focus on growth.

Moderator: Thank you. Our next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: Sanjay, any color on your pipeline compared to last year's order book built already qualitatively, that will be helpful to get a sense of how you are thinking about the next year.

Sanjay Jalona: Sudhir, can you give some data.

Sudhir Chaturvedi: Gaurav, two points. So, one is the overall order book that is there, is up 35% over last year. But more importantly, some of you would remember that during the analyst meet in December I had mentioned our large deal pipeline. And what I can update you is that the pipeline continues to be strong, in fact, pipeline has increased significantly since we last spoke. And we have several large deals up for closure within the next six months. So really, our focus continues to be, as Sanjay mentioned earlier, on all-round growth in the accounts and large deal wins. That is what has been fueling growth in the last two years and that will continue to be the case this year as well.

Gaurav Rateria: Thank you. Secondly, a question on the offshore realization, what I see from the data that off-shore realization on a YoY basis has been weak in the last two quarters and also for the full year. Is it just a change in the mix of services or should one read about some pricing issues or pressure on the traditional business, not digital business?

Ashok Sonthalia: So, some of these things are also the mix of business, some of the acquisitions which came in they are completely on-site with high realizations. So that minor dip which you see in offshore is largely because of that. And of course, the digital revenue and some of the high-growth accounts are on-site based, to start with and gradually they are getting offshore. So their realizations are high. But on a blended basis if you look, our realization is more or less pretty stable quarter-on-quarter.

Gaurav Rateria: Okay. Last question on the BFS, any color on which are the key sub-segments which are likely to see good growth based on your order book and from a geography point of view any color on that? That will be helpful. Thank you.

Sanjay Jalona: So we see growth in capital markets and wealth management these are the two areas in BFS.

Sudhir Chaturvedi: Service line wise, BFS will continue to be a combination of ADM. The change in application development is moving to full stack cloud-native development rather than the traditional development. The other aspect in BFS, as I mentioned earlier, we continue to see traction in wealth and some parts of capital markets where clients are looking to modernize the core. And which is why our Temenos offering and some of the expertise that we have in capital market products is helping us grow in these segments.

Moderator: Thank you. Our next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Sanjay, first question, you mentioned the tightness spend in the top account and your expectation to improve from 2Q. So from first quarter do we expect a similar trajectory as it played out this quarter?

Sanjay Jalona: You are talking about the large account?

Apurva Prasad: Yes.

Sanjay Jalona: Yes, so more or less similar. But we will grow as a company, just to clarify.

Apurva Prasad: Sure. And also on the vertical side, is it fair to assume a more broad based growth in FY20, if I look across maybe insurance and manufacturing can pickup, we talked about the large deals and based on the pipeline, so do you see more broad based type of a performance across verticals or can this skew still be towards CPG, retail and high-tech?

Sanjay Jalona: Look, no company can grow focusing on one vertical or two verticals. It has to be always broad based. The way we look at it is that all engines have to fire, then only you can create a resilient company. And the way we look at it is to analyze the constant currency growth for last year. So if you look, I will throw some numbers, BFS grew constant currency 28.7%; retail, CPG and pharma grew 36.8%; high-tech and media and entertainment grew 29%; energy and utilities grew 10.2%; manufacturing grew 15.3%; insurance grew 9.4%; and others grew some 21%. So none of them are actually unhealthy, while insurance and probably energy and utilities could have done a little bit better and we will definitely see insurance and utilities doing a little better. So all I want to say is that you just have to grow on all sectors and that's how the pipeline is also reflective. The large deals that we have won, the pipeline for large deals is also scattered across the sector. So we believe it is important to grow all sectors consistently.

Apurva Prasad: Sure. And anything to call out in the others segment for the quarter, it had a little dip?

Ashok Sonthalia: Apurva, there are project-based businesses of India across multiple accounts. And some of the project related, cycle related slowdown is there, nothing structural. In India we have always called out, it is project-based business, we are very-very selective. So these ups and downs you will see in this segment.

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

Madhu Babu: Sir, a lot of mid-caps have seen higher traction towards onsite and effort mix moving towards onsite, because digital has been the big growth driver. But for us I think on-site effort has been relatively stable, or in fact, come down. So how are we able to execute on that?

Sanjay Jalona: Madhu, if you really look at it, for the last three years we have been talking about H1 visas and global mobility and so on and so forth. We have always said the beauty is how do you continue to push more work from offshore, how do you use technology tools, processes, capabilities built in to address more work from offshore. So this is a methodical process, and we have been pushing for offshore work continuously. The trick is, how do you do, at the same time, digital work and a scaled agile work from offshore? And that is the big differentiator for us. So when we hear from our customers, they actually say - the way you guys with your intelligence have created the tools depository to actually execute every piece of work at scale, you are a big differentiator for us. So that's what we have been able to do.

Madhu Babu: And second one on the ROW, I think last two years it has almost doubled the revenues, so which are the sub-regions which are driving growth there? Thanks.

Ashok Sonthalia: In ROW, apart from South Africa, we include Japan, Asia Pacific, and Middle East. All geographies are doing well, though on a small base, but they are growing very well.

Sanjay Jalona: South Africa had a very large deal last year, that we ramped up significantly.

Moderator: Thank you. Ladies & gentlemen, we take the last question from the line of Sandeep Shah from CGS CIMB. Please go ahead.

Sandeep Shah: Just one question, Ashok, just want to understand, is it a fair way to look at that the average hedge rate for FY2020 would be better than FY2019? And if we assume currency remains at a current rate with no major translation related losses, the FOREX income or the line below the EBIT can be higher than the last year?

Ashok Sonthalia: It's not that all our hedges are booked at one time, we continuously do that. So at every rate, every up and down currency movement, we keep capturing that. With our hedging program we have always said that when currency depreciates we capture much more benefit in our revenue line compared to the loss of gain which happens in our hedge line. That is the reason why we give our guidance at net income level. And you would see our net income margin is fairly stable with all ups and downs in currency. So we are executing this program consistently. We feel very comfortable, I will not be able to comment that whether hedge gain line will be higher or lower compared to this year, it will all depend on how spot moves throughout the year.

Moderator: Thank you. Ladies & gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Sanjay Jalona: Thank you, folks. Thank you, everyone, for being in the call. Look forward to speaking with you in the next quarter. Take care. God bless.

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

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