

LTI/SE/STAT/2022-23/14

April 25, 2022

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 Sir/Madam,

Subject: Transcripts of Earnings Conference call held on April 19, 2022.

With reference to the captioned subject, please find enclosed transcripts of the Earnings Conference Call held on April 19, 2022.

Request you to please take the same on record.

Thanking you,

Yours faithfully,

For Larsen & Toubro Infotech Limited

(Tridib Barat)

Company Secretary and Compliance Officer

Encl: As above

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"LTI Q4 FY22 Earnings Conference Call"

April 19, 2022

MANAGEMENT: Mr. SANJAY JALONA - CHIEF EXECUTIVE OFFICER

AND MANAGING DIRECTOR

MR. SUDHIR CHATURVEDI – PRESIDENT, (SALES) MR. NACHIKET DESHPANDE - CHIEF OPERATING

OFFICER

Mr. Anil Rander - Chief Financial Officer

Ms. Sunila Martis – Head, Investor Relations



Moderator:

Ladies and gentlemen, good day and welcome to LTI's Q4 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sunila Martis – Head of Investor Relations. Thank you and over to you.

Sunila Martis:

Thanks, Stanford. Hello everyone and thank you all for joining us today to discuss LTI's Q4 and Full Year FY22 Earnings. The Financial Statements, Press Release and Quarterly Fact Sheet are all available in our filings with the stock exchange, as well as at the investor's section of our website.

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

Sanjay and Anil will give you a brief overview of the Company's performance, which will be followed by the Q&A session.

As a policy, LTI does not provide any specific revenue or earnings guidance and anything said on this call, which reflects our outlook for the future, or which can be construed as a forward-looking statement must be reviewed in conjunction with the risks that the Company faces.

With that, let me now invite Sanjay to talk about the results.

Sanjay Jalona:

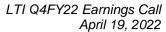
Thank you, Sunila. Hello, everyone. I hope all of you are doing well.

FY'22 has been a special year for us in more than one way. Earlier this month, we marked the 25th year of our Company. We have now been solving for 25 glorious years and I would like to thank all our stakeholders for their support, faith, and trust.

FY'22 saw us cross the US\$2 billion revenue milestone. It is a matter of great pride that we were able to accomplish this feat by delivering our highest ever revenue growth this year. Personally, it has been a lot of fun taking the Company to a billion dollars and now to 2 billion dollars.

Even as we remain focused on our long-term goals, we are pleased that our consistent performance reflects a resilient enterprise that has been able to outperform the industry in this volatile, uncertain, complex and ambiguous world.

The ongoing conflict in Europe has added to the complexity and uncertainty that we all have been dealing with post the pandemic. Like billions of people all over the world, we hope that this violence and senseless loss of people and lives ends quickly. LTI is supporting humanitarian





efforts with the doors of our offices in Poland being open to anyone in need of food, shelter or just a bit of warmth. Our team in Luxembourg has donated to Ukrainian refugees in Slovakia and I was touched by the heart-warming gesture of a fellow LTIte who drove from Denmark to help, support and bring back refugees from Poland to the host families in Denmark.

Another milestone, as part of our localization strategy, we have expanded our presence in the US with a new engagement center in Hartford. The city of Hartford is an incredible hub for employment opportunities due to its access to some of the best educational institutes and we look forward to engaging with the local community to scale up our presence.

Moving to our results - Our Q4 revenues came in at US\$570.4 million, up 3.6% quarter-on-quarter and 29% year-on-year in constant currency. This performance is on the back of two consecutive quarters of 9% growth. Customers spend on business transformation initiatives continued to be the key driver for demand. Revenue conversion from these bitesize projects require fulfilment with the right skill. Industry-wide high attrition and supply chain constraints have not helped. I am extremely proud that our teams have been able to execute despite high onsite attrition that has resulted in near flat onsite volumes in Q4. Our efforts to address this onsite supply challenge, in conjunction with the large deal announcements in Q4 and healthy pipeline, give us the confidence on visibility for FY'23.

On a full-year basis, we ended FY'22 with revenues of US\$2.1 billion, 26% growth in dollar terms. This is our strongest growth as a listed Company. The Board of Directors, at their meeting held today, have declared a final dividend of INR 30 per share amounting to a total dividend of INR 55 per share for the year.

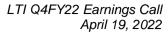
I would like to call out some highlights for the quarter and the year:

We added over US\$430 million of incremental revenue over the year. This is almost three times of what we added in FY'21 and more than what we have added in aggregate across FY'21 and FY'20.

BFS, our largest vertical, has grown at over 37% this year. Our Hi Tech and Media & Entertainment vertical also grew over 37% for the year. The Others vertical, which includes some of our marquee clients in services sector, grew over 34% for the year as well.

Moving to our service lines: All our service lines grew over 20% for the year with our Analytics, AI & Cognitive services growing 35% and Enterprise Integration and Mobility growing 38% for the year.

All our geos had strong growth in FY'22 as well with North America, Europe and India having the highest growth rate since our listing. We have added three clients to our 50 million bucket,





six to our 20 million bucket and over 30 clients to our 1 million bucket. This year has also seen the highest new logo editions of 100 since our listing.

We hired strong talent across the globe with net additions of over 10,600 people during the year. Over 2,400 of these people were added in Q4 itself. To put this in perspective, we added more people in FY'22 than we have in the prior two years and thus increased our head count by 30%.

Let me now give you some colour on demand, deals closed this quarter and our pipeline:

We are happy to have closed 4 large deals with TCV of over US\$80 million in Q4. As you'll recall, we only give net new incremental large deal values to you. So, this is US\$80 million worth of 4 large deals of net new TCV. 3 of these deals are with existing Global Fortune 500 clients and 1 is with a new logo. Vertical split of these deals is as follows. 2 in BFS, 1 in CPG and 1 with a key government body in the public healthcare space. The scope of work in 3 of these is primarily in the space of data and analytics and the 4th pertains to middleware transformation.

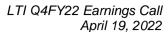
During our Analyst Day in December, we spoke to you about our overall large deal pipeline of US\$2 billion. Our current large deal pipeline continues to be at the same level but what has changed is the following:

We have already announced 4 large deal wins this quarter. 50% of our current large deal pipeline TCV is in late stages and 4 deals are actually in the contracting stage itself. 40% of our large deal pipeline is coming from new logos, which validates our number 1 challenger position in the marketplace. We continue to see broad based demand in the pipeline across all our verticals and geographies. A combination of these factors is driving significant growth for us in the coming quarters.

We have also planned our supply ramp-up to deliver on this demand growth. We started FY'22 with a plan of hiring 4,500 freshers and we ended up with 5,200 freshers during the year. Our current floor plan for FY'23 is to hire at least 6,500 freshers. We have also rolled out salary hikes for majority of our employees effective 1st of April.

On attrition, our quarterly annualized attrition has started to cool off in Q3 and it has dropped further by over 200 bps in Q4. This drop is much sharper at offshore while as I mentioned earlier, our onsite attrition needs addressal. We still think that we have a few quarters before attrition comes down materially, though.

Before we move to the performance of our business verticals, let me share few updates with you on the recognitions we have received this quarter:





LTI has been recognised by ISG as a leader across all six quadrants in its AWS Ecosystem Partner's Report. The leadership position showcases our comprehensive AWS competencies and cloud transformation capabilities and is a testament of our investments and expertise.

LTI has, once again, been ranked as number 1 Challenger by Everest. This would be 4 out of the last 5 times since this report has been published. They have also recognized us in their top 10 IT Service Providers' List ahead of several global consultancies and companies. Our data products are getting market validation as well as recognition in several of the latest reports from Gartner and Forrester. In many cases, our data products are creating a new category of innovative solutions. We feel very good that we are in the right direction here. Our customer endorsements and retention rates have been very strong here. I would request you all to visit fosfor.com to check out the traction in our data products business, and see the roster of marquee and named clients that we have been able to sign up in a short span of time.

Let we now provide you with colour on the quarterly performance of our verticals:

BFS, we grew over 35% year-on-year. We continue to see holistic growth across all geos and service lines. 2 of our large deal wins that we announced this quarter also belong to BFS. We remain optimistic about sustaining the growth momentum here.

On Insurance, we saw 17.6 % year-on-year growth. This vertical has grown below Company average, but our traction in opening new insurance logos should help us in FY'23.

Manufacturing grew 26.5% year-on-year driven by ramp-ups in our new logos, as well as successfully mining existing clients.

Energy & Utilities grew 23% year-on-year. Though we have seen a spike in energy prices recently, we continue to be watchful of conversion of that into increased IT spend.

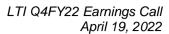
CPG, Retail, and Pharma grew 21.9% year-on-year. We are seeing good demand here from our existing clients. One of the 4 large deals we announced is also from this vertical.

Hi-Tech and Media & Entertainment grew over 27% year-on-year. Our large deals announced in the past have ramped up well here.

Others segment has reported a strong year-on-year growth of over 30% as our marquee services customers continue to ramp-up.

Let me now move to Outlook:

FY'22 has been an exceptionally strong year for us. The world continues to change rapidly around us. Economists around the globe continue to be divided on GDP growth estimates,





inflation forecast and the interest rate trajectory. After rapid recovery, there is scepticism on sudden economic slowdown. We also need to acknowledge the uncertainties given what may be a more volatile macro situation as compared to last year. While we have not seen any slowdown in demand for our services, we are noticing a level of caution due to rising input costs and geopolitical matters.

We remain confident of our strong momentum. We are entering FY'23 with strong tailwinds in terms of Q4 exit run-rate, large deals closed, robust pipeline, including large deal pipeline, highest number of new logos and head count additions.

All the pillars of our revenue growth strategy that is growth accounts, invest accounts, new account openings and large deals are on a strong footing. Our continued proven ability to execute in a challenging and changing environment gives us the confidence that we will be in the leader's quadrant for growth in FY'23 as well with stable PAT margins in the 14% to 15% band

With that, let me hand it over to Anil.

Anil Rander:

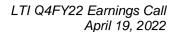
Thank you, Sanjay. Hello, everyone. It is great to be back with you all with another quarterly earnings. Let me take you through the financial highlights for the fourth quarter for FY'22, as well as Financial Year 2022 starting with the revenue numbers.

In the fourth quarter FY'22, our revenue stood at US\$570.4 million, up 3.1% sequentially and 27.5% on a year-on-year basis. The corresponding constant currency growth was 3.6% quarter-on-quarter and 29% year-on-year. Reported INR revenue of INR 43,016 million was up 4% quarter-on-quarter and 31.6% year-on-year. Revenue for FY'22 stood at US\$2.1 billion, growing at 25.9%, which corresponds to a constant currency growth of 25.8%. In rupee terms, the full year revenue was INR 156,687 million registering a growth of 26.7%.

Now, coming to profitability:

EBIT for the quarter was INR 7,445 million translating into an operating margin of 17.3% as compared with 17.9% in the previous quarter. The margin walk is as follows: about 40 basis points increase in employee cost was offset by SG&A leverage. Balance 60 basis points is due to working days impact and business mix. For the full year, operating margin was INR 27,035 million at 17.3% against 19.3% of the previous year.

Moving to PAT, to remind you in Q4 FY'21, Other Income included a write back of certain earn outs payable towards an earlier acquisition amounting to INR 571 million. If we exclude this, PAT margin for Q4 FY'21 was 14.9% and full year FY'21 was 15.2%. Reported profit after tax for Q4 FY'22 was INR 6,375, million which translated into a PAT margin of 14.8%. Our full year PAT stood at INR 22,985 million helping us to deliver a full-year PAT margin of 14.7%. We remain comfortable with our guided PAT margin band of 14-15% for FY'23.





Moving on to the employee front, utilization without trainees was at 81.5% as compared to 81.4% last quarter and utilization including trainees was 80.1% versus 80.3% in Q3. Full year utilization including trainees stood at 81.3% as compared to 80.5% last year and without trainees at 82.6% as compared to 82% last year. We continue to strengthen our workforce. During Q4, we added 2,448 people on a net basis and for the year, it stood at 10,657, which translates into 29.6% growth in headcount from FY'21. The total manpower stood at 46,648 of which our production associates were 95.5%. In this quarter, attrition is at 24% versus 22.5% last quarter on LTM basis.

Our cash flow hedge book remains at US\$1,715 million as at 31st March 2022. While the on-balance sheet hedges stood at US\$112 million versus US\$94 million last quarter.

Moving on to DSO in Q4: The billed DSO stood at 65 days compared to 66 days last quarter. The DSO including unbilled revenue was at 99 days compared to 100 days last quarter. For the quarter, net cash flow from operations was INR 6,233 million, which was at 97.8% conversion of the net income. For the full year, the net cash flow from operations was INR 16,520 million at 71.9% conversion of the net income versus 123.8% in FY'21. At the end of the quarter, cash and liquid investments stood at INR 39,139 million as compared to INR 36,142 million in the last quarter.

The effective tax rate for the quarter was 25.8%. The board of directors, at their meeting held earlier today, have recommended a final dividend of INR 30 per equity share for the financial year FY'22, amounting to a total dividend of INR 55 per share for the year. Earnings per share for the quarter stood at INR 36.34 as compared to INR 34.95 in Q3. Diluted earnings per share was INR 36.27 versus INR 34.87 last quarter.

Before I end my presentation, I wanted to highlight that LTI has received gold recognition from EcoVadis for its ESG practices, including environment, labor and human rights, ethics and sustainable procurement. This rating is a strong acknowledgement of our deep commitment to responsible and sustainable growth.

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

Moderator:

Thank you very much sir. The first question is from Vimal Gohil from Union Asset Management.

Vimal Gohil:

My first question is on our cash flow generation. We have seen some weakness or I would say reduction in cash flows this year. So, what is our outlook on cash flow generation going forward and the related question to that would be, our CAPEX number is slightly elevated for this year, what is that regarding?



Anil Rander:

We had a strong cash flow conversion this quarter at 97% + and earlier quarter we were at 70%. I think primary reason is also a better working capital construct, which we had in this quarter. We expect to continue in the same range. Also, in terms of CAPEX, we invested in our own building, which is coming up in Mahape and which is likely to go live this year, and bulk of the investments will be invested in the infrastructure.

Sanjay Jalona:

This Mahape facility will be a large facility and it can seat 7,500 people. So, we are investing for the future.

Vimal Gohil:

The second question is on the overall demand environment. While you sounded very confident and the hiring numbers are pretty good, any first signs from your clients regarding the geopolitical uncertainty that you are seeing? Because what we heard and saw across FY'21 and FY'22 is that technology spends have now transitioned into a much more structural sort of nature where the business models or the revenue is getting impacted because of technology spend. So, in case of any macro uncertainty creeping up, will this have a direct impact on technology spends, any magnitude that you would want to highlight?

Sanjay Jalona:

The world has become very dichotomous and complex and this week I learnt this term called VUCA. So, it's obviously a crazy world out there. But I can only tell you looking at the pipeline that we see, the large deals that we have been able to close, the 4 large deals that I mentioned which are in the contracting stage, looking at the exit velocity run rate that you are seeing us go to from Q4 and the overall pipeline and most importantly the conversations that we have with our customers. Most of us are very front-facing, customer-facing guys. We like to be in front of the customers. Everything is indicating that a lot of work still needs to be done. But when I see the market, when I read any of the newspapers, I also read the same thing you are reading. So, that's why I gave the context and brought this in this speech. But today if I look at the demand, if I look at the pipeline, I don't see any signs of anything getting delayed at all. So, it continues to be strong and we feel good about the demand.

Vimal Gohil:

So, basically in terms of growth, as investors what we are expecting is that growth is going to be structural growth, it is going to be higher than pre-COVID levels and sustainable for quite some time. Does that change because of these uncertainties?

Sanjay Jalona:

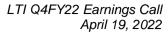
I think your assumption is good.

Moderator:

The next question is from the line of Sandeep Agarwal from Edelweiss.

Sandeep Agarwal:

Sanjay, just wanted to check two things. One, on the demand environment, while I understand that there are a lot of things which are moving in different directions, but if I have to continue with the previous question of Vimal and we are not trying to get any quantitative data from you or any kind of forward-looking statements. But the point I am trying to understand is that we are not in 2010 era or that period of time where IT spends did not have very direct relation with the





revenues and margins and profit. What I think and when we speak to a lot of clients of yours, what they say is that COVID has taught one thing that touch everything but don't touch the technology spent. While the commentary, which you started with in the remarks was little cautious on that front, I understand that you don't want to bet against what global economists and others are saying. But if you think from practical aspect and you are running an IT business for a long-long time and the way things are changing, do you think that even if there is some problem on the global economy side and others, IT spends will at all see any cuts? Because in my view the only way to survive in a cut-throat environment or in a more competitive environment will be to spend more on technology to get that edge rather than cutting.

Secondly, the projects which have been started particularly on the backend infrastructure and transformation side, do you think that they can be stalled even if there is a challenge in the global economy side or the global growth comes little lower than what was anticipated earlier? Can those projects be stalled, and can those tech budgets be cut at all? So, what are your thoughts on that front? There is no intention to get any quantitative data or guidance from you. Thank you.

Sanjay Jalona:

As I said Sandeep, it's a dichotomous world. So, I read the same newspaper, same articles that you read, and you are absolutely right. Boards, today, are not only saying how are you keeping the company safe, right? That was probably the main question that the board used to ask throughout their entirety on how do you have security, etc. But today technology, especially during COVID time, has come out as the sole reason for companies to exist and to flourish in the newer ways of doing business. So, technology has become mainstream. Now, the world is also very highly connected and that's why I said the world is a very dichotomous place because we are seeing lots of challenges, but when we have the conversations with the customer, I am not seeing anything stopping.

The second thing, which is also important, if you look at the results of all the companies, everybody is more profitable. Also, the nature of the business that you talked about, lot of growth has been driven based on these bite-sized projects as well. So, it's not that they might deprioritize one thing or the other, but their wish list or what needs to be done immediately is very high. Board is asking or the CEO is asking technology guys to tell them how you can help me not only sustain or survive, but how do you help me create new models of growth. That is where the opportunity lies and that's what we are seeing.

Sandeep Agarwal:

That's very helpful. One question on the attrition side. While I understand your pain of recruiting people at such fast pace, particularly when the industry is not getting any real supply, but it is more of poaching from one another and is a very difficult situation. But in hindsight, don't you think that this attrition also is a very strong signal of a very strong demand which is in the pipeline. And probably once supply comes in, then this very high attrition will probably cool off, but it will not go to pre-COVID level. And it is in a way a good sign that if it goes to pre-COVID level then our growth also falls much lower. So, probably this level of attrition is very-unhealthy and it is pushing our cost up and taking our management bandwidth, but once supply



comes in, this attrition if it comes to 15%-19% range that should not be at all detrimental to the industry. What is your thought on that?

Sanjay Jalona:

I am absolutely in agreement on your attrition point. That's why as you have heard me last quarter, we hired over 1,000 people under HTD or Hire, Train and Deploy. Because you can't find perfect people and keep poaching from one another. So, you need to create a new talent pool on the new technologies from where the demand is coming in and that is exactly what we did. We wanted to be in positive thinking mode, and we wanted to create a new talent pool and we will continue to do so. Now if attrition cools down, I don't know how the demand will come down. Demand is there, it's a totally different thing. I think it will ease things and help us grow in a more resilient, more sustained way and probably reduce the cost of operations as well. So, it should be all good. We are in the people business, our assets walk out every night and we worry and get paranoid about high attrition. Especially right now the big problem is attrition at onsite for us. In India, we have been able to control it. I hinted in my speech that the on-site volume has reduced or remained flat and that is what has probably led to growth not being even higher than what you have seen in Q4.

Sandeep Agarwal:

Okay. Thanks. That's very helpful and best of luck for the current quarter.

Moderator:

Thank you. The next question is from Nitin Padmanabhan from Investec.

Nitin Padmanabhan:

I wanted your thoughts on the onsite supply challenges. If you could give us some color in terms of maybe two or three perspectives. One, how much do you think it possibly impacted growth for the quarter and two if you could give some colour in terms of how is it maybe versus same time last year and third is there anything that helps us understand how difficult is the situation in terms of the cost of hiring these people or availability or even the sheer attrition now versus same time last year. Anything of that sort that throws up some color on onsite and also on a going forward basis, when do you see this cooling off.

Sanjay Jalona:

So, Nitin, right now I will specifically talk of U.S. Around a quarter back, there were some 10 million jobs, 7.5 million people who are available and that too not everyone wants to work. Great resignation as a theme where people, their home prices being sky high don't feel the need to come back to work. So, overall, for the first time in my life and I haven't done anything else but tech work all my life - 35 years of doing the same old thing. For the first time, I think, customers of ours are facing attrition in double digit numbers i.e. high teens and mid-teens. Technology teams of the largest banks in the world, for example, are also facing high teen attrition numbers. This has never happened, and it could be because of "n" number of things including immigration, etc. that has been very low for many years now. Here again, we can keep poaching from one another. We believe that we need to create new talent pool.

So, that's where we inaugurated and created a centre in Hartford. We have populated our centres in the U.S. elsewhere as well. We will hire new talent from the schools. We will hire local talent



there. We might not get a perfect fit. So, we will put training mechanisms in place for us to get the talent ready. We will invest in the right way. If you grow fast, you have the ability to invest back in people and get them ready for future business. How long will it take - I think it's a precarious situation. You look at the fact sheet, you will be able to figure out how much our onsite volumes grow. 2%-4% is what I am told for previous quarters. If that had been there, you are a wise man, much smarter than me to do the calculations on how much revenue could have been done. But I think it will take probably one or two quarters for it to be totally solved, but this is a big solve that we have taken up currently.

Nitin Padmanabhan:

Are you worried about inability to execute even over the next two quarters because of what you saw this quarter?

Sanjay Jalona:

Not at all. So, in today's world, it doesn't really matter where the people are. That's why you have seen we further ramped up our offshore percentages and the volumes there. But it reflects right. 1% at onsite is like four people offshore. So, that obviously gives in on the revenue side of things, but we are executing projects. There is no dilution in the quality. Our CSAT, which we do externally, is the best in the last five years. We actually have a presentation tomorrow and I got a preview today. I think it is moving in the right direction. We just have to make sure we keep putting extra checks and balances, which Nachiket and team have done well to keep this in check. Quality always leads to good growth in our business. And our current hiring and fulfillment is also back to the levels by March end, so we will continue to move forward and ramp it up further.

Moderator:

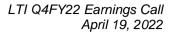
Thank you. The next question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari:

I have been noticing your SG&A cost has been consistently coming down as a percentage of sales, partly because some of the costs have not yet fully come back. But going forward, as things open up and travel resumes fully, what do you think is the sustainable level of SG&A expenses? And secondly, if you could also give some of the headwinds and tailwinds on the margins. While I understand you are keeping the 14% to 15% PAT guidance, but at the operating level, what do you think would be the biggest headwinds and some of the tailwinds going into next year?

Sanjay Jalona:

Let me take the SG&A question. There is a good part and probably a part that should always be controlled. We as a company have always said we want to grow faster, so we can invest back in business. Invest back in business is investing in capability, investing in consulting capabilities, investing in sales and marketing and trusted advisory kind of roles where we make an impact and try to solve for the customer's problem. Now, obviously as attrition has gone up, we have lost people in delivery as well as in sales. So, there is a program that we are running, which I am sponsoring, and I do weekly reviews of that, which is to hire 100 people by the end of Q1, Sudhir?





Sudhir Chaturvedi:

Salespeople

Sanjay Jalona:

Yes, 100 salespeople additional in the US itself. So we are extraordinarily going to increase our sales cost because we see growth, we see demand, we see opportunity and we got to mind all the 100 logos that you have created in the year and the demand that we see in the market place. G&A on the other hand, as the base increases, we have to continue to try to bring it down and all efforts are continuously made by Anil and team to keep doing it.

On margins, I think the biggest headwind is that we have given a salary hike on 1st of April, the impact will be around 290 bps in Q1 itself. That is the biggest one that we need to deal with. The other headwind is the attrition, we need to bring it down, especially onsite attrition as well as attrition overall. The biggest lever that I see, and we keep challenging ourselves for this is that we have to grow faster than everyone else. Growth is the biggest lever for margin expansion.

Moderator:

Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital.

Vibhor Singhal:

Sanjay, just to pick up from what you said just few minutes ago that right now US corporates are all sitting at probably the highest levels of profitability. I think the entire industry has done really well this year. But I think the paramount concern right now with us and the entire investor community is that the inflation which is high today will probably lead to lower profitability tomorrow and might lead to lower tech spend day after tomorrow. So, I think while today in your conversations with clients and the deal flow numbers might not reflect the kind of lower profitability projections that might or might not happen few quarters down the line, that is probably one of the concerns we are grappling with. So, keeping aside the conversations that you are having with clients, which of course as we mentioned is not reflecting any of these concerns, with your experience, do you believe that this lower profitability could actually at some point of time, again 2, 3, 4, 6 quarters down the line lead to lower tech spend in some manner or do you think the tech upgradation cycle this time, the entire digitization and cloudification thing, is so very paramount for the business that companies will have to find money to be able to do that?

Sanjay Jalona:

The way I look at it is you got to know everything, you have to look at all the parameters. But at the end of it, when the rubber meets the road is when the customer conversation actually happens on where they are spending money, what is the cycle they are going through, how much work they have to do. These are the basics which result in our pipeline, in our CRM and so on and so forth. I worry about all the things that you have mentioned Vibhor and it will be foolhardy for anyone to not look at those and see what happens and what could go wrong. But this is why I say that there is a dichotomy and when we have these conversations, we are seeing nothing of this sort happening.

Consumption spends obviously with inflation and interest rates going up, you don't see as much. The housing market, while the 30-year percentages have gone to 5% we are not seeing anything



right now. People still have a lot of money to play in the stock market, so there are lot of things that I cannot answer for you today because I am not an expert and I just hear both sides of the story. But for me the most paramount and important thing is what are our customers saying. We all spend 120 days on road meeting customers. Customers are still spending money. Customers still have a lot of things to be done and we will keep worrying, keep monitoring the situation and these impacts and we will see how many times and when interest rate hikes happen and we will see where it goes, but currently there is a positivity in the demand that we see.

Moderator:

Thank you. The next question is from Sandeep Shah from Equirus Securities.

Sandeep Shah:

Generally, first quarter is seasonally weak because of the pass-through absence which is generally high in Q3 and Q4, whether the same pattern may continue in FY'23? Or you believe because of the large deal wins plus 4 contracts in signing stage plus the onsite volume which got impacted in the fourth quarter may come back in the first quarter as a whole, the seasonality may not be true. And just a clarification, you said 2% to 4% Q-o-Q volume growth got impacted because of the onsite attrition in this quarter?

Sanjay Jalona:

I think when I gave such positive comment on demand, taking into account pass-through which accounts for around 2%, we will still grow over that. So, it will not be anything like flat or forget about negative, we don't think negative these days. So, it will be positive for sure and yes, pass-through will not be there.

On onsite attrition, I think it takes time, so I think you probably have to give 2 quarters. While we are back to March levels, we are yet to see what happens. We just rolled out salary hikes, we will see what is the impact with that. It will be wise to wait for Q2. By Q2, we want to be in back to the full stream of 2% to 4% volume growth at onsite also.

Sandeep Shah:

But Q4 volume got impacted because of onsite attrition and quantum could have been 2% to 4% volume growth, so that is the right way of looking at it and that is one of the reasons for slightly lower growth?

Sanjay Jalona:

That is right.

Sandeep Shah:

And Sanjay last question is, in terms of tailwinds, you spoke about the growth, but you do not expect the pricing to be a tailwind on margin for FY'23?

Sanjay Jalona:

I do, but you asked me the biggest levers, so I answered to the biggest levers. Pricing is also there and we are increasing pricing in pockets and we will continue to do that. But again, as we have said, you consider us as a growth company, and I give only one guidance for the year which is the margin guidance. We will not fault on it unless we want to deliberately make investments which we will tell you in advance. But today, there is nothing. Today, we are confident of doing



14% to 15% and that is how we look at it. We will invest back into business. That is the whole idea.

Moderator: Thank you. The next question is from Mohit Jain from Anand Rathi.

Mohit Jain: Two clarifications - so did I hear it right that the fresher hiring for next year is 6,500?

Sanjay Jalona: Fresher base, at least we will have 6,500. As I was saying, last year our number was 4,500, we

hired 5,200 people and this time base number is 6,500, so we will definitely do more.

Mohit Jain: And the second was on the CAPEX side, you guys spoke about this new campus coming up in

Mahape. So that is INR 900 crores odd CAPEX that we have done in this year? Any outlook for

next year, is it completed or should we assume higher CAPEX for next year as well?

Anil Rander: I think we will have reasonably good CAPEX because the premises actually will go live by mid

of this financial year, so I think the trend for CAPEX will continue and we will continue to invest

in infra and new facilities.

Mohit Jain: So, we should assume around 500 odd crores for 23 as well, is that the correct number? I am

asking because, these are like estimates. In 22, it was exceptionally high. Should we revert back to the original number that you guys used to do in around 20-21 or should we assume one more

year of high numbers and then revert back?

Sanjay Jalona: Mohit, the benefit would also be in the lower lease cost, but we will come back with some idea

on this to you people on what you should put in the model, whether it will go back to the previous levels. Please understand we are also investing in some other centres as well because we have seen a lot of people drift to these locations during COVID and in place of bringing them into a highly congested Bangalore or Chennai, these people would want to stay where they are. Also, in two years, we did a lot of headcount additions but did not add new seats so that is what is

leading here. We are going to invest in our capacity in Coimbatore. Kolkata also, we will

probably do something, it might be lease, we will see where it goes. Coimbatore definitely will

be our own, but we will give some idea to you on what the CAPEX could be.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Just want to get sense about whether we find any differences when we have client conversation

across geographies, whether US, Europe any differences you find in terms of their commentary and their spending compared to may be two quarters back? And even from deal intake, deal

pipeline perspective, any trend which you are observing which is different than 2 quarters back?

Sanjay Jalona: Dipesh, if I hear your question, are we seeing any difference in the conversations or conversions

of pipeline in US, Europe and Asia? Nothing different than what I have seen for the last 35 years.



US is the biggest and the most mature market and the same conversations keep happening, so we are not seeing any difference. The uniform thing across verticals, across geographies, across everything is everyone has to adapt to newer ways. So I think there is a lot of readiness even in Europe and Asia Pacific to look at interesting work. India specifically and some other geographies, there is a lot of fixed long-term big projects, lot of transformation of ministries, etc., which is happening. So that is one thing which we have seen in a very defined way. But barring that. I don't think there is any trend of anything being different from 2-3 quarters back in these geographies.

Dipesh Mehta: I was referring to client conversions

Sanjay Jalona: No, there is no difference.

Sudhir Chaturvedi: If you look at our Q4 numbers, we actually had significant growth in Europe. In fact, the non-

America geographies from growth perceptive and we are seeing a healthy pipeline. I think as Sanjay mentioned this earlier the way to tackle a lot of the issues that businesses are facing today is in technology. That is their first port of call. So, that will continue for some time to come. The level of investment is going to continue and it is amongst the last things that people will touch

in terms of how they manage their spend going forward.

Dipesh Mehta: There is no specific softness you are witnessing even for European clients considering the

uncertainties they are currently facing?

Sanjay Jalona: That is correct.

Sudhir Chaturvedi: Yes, correct. We work in Nordics, continental Europe and UK, western markets. Those markets

continue, they are global companies. If you look at their performance also, it is continuing.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to

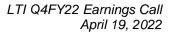
Mr. Sanjay Jalona for closing comments.

Sanjay Jalona: Thank you very much for being there. Thank you for joining us. We look forward to seeing you

next quarter. Till then, take good care of your health, go back and enjoy the IPL.

Moderator: Thank you. Ladies and gentlemen, on behalf of LTI, that concludes this conference. We thank

you all for joining us and you may now disconnect your lines.





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