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July 21, 2020

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
NSE Symbol: LTI

The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
BSE Scrip Code: 540005

Dear Sirs,

Subject: **Transcripts of Earning Conference call for Larsen & Toubro Infotech Limited ('LTI') for quarter ended June 30, 2020.**

Please find attached the transcripts of Earnings Conference Call organised by the Company on July 16, 2020 for the quarter ended June 30, 2020 for your information and records.

Thanking You,

Yours sincerely,
For Larsen & Toubro Infotech Limited

MANOJ KOUL

Digitally signed by MANOJ KOUL
DN: c=IN, o=Personal, postalCode=411014, st=Maharashtra, 2.5.4.20=fd0fbc438dc087302479b9f0c03ff13db34ce4feec4201fd7b44e99ae2311576, serialNumber=304d3a459759d31c13fcc9b1848c624590e81da232f1d54394030b9a893caa50, cn=MANOJ KOUL
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Manoj Koul
Company Secretary & Compliance Officer

Encl: As above

"Larsen & Toubro Infotech Limited Q1 FY2021 Earnings Conference Call"

July 16, 2020

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
MS. SUNILA MARTIS – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the LTI Q1 FY21 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 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, ma'am.

Sunila Martis: Thank you, Raymond. Hello, everyone and thank you all for joining us today to discuss LTI's Q1 FY21 Earnings. The financial statements, press release and quarterly factsheet are available in our filings with the stock exchanges and on the investor section of our website.

On the call, we have with us, Mr. Sanjay Jalona – CEO & Managing Director, Mr. Sudhir Chaturvedi – President, Sales, Mr. Nachiket Deshpande – Chief Operating Officer and Mr. Ashok Sonthalia – Chief Financial Officer.

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

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

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

Sanjay Jalona: Thanks, Sunila. Hello, folks. We hope you and your loved ones are keeping safe and staying well during these extraordinary times. We, at LTI are deeply saddened by the impact of this crisis on lives and livelihoods. Our thoughts remain with the affected and we show gratitude to those who are at the frontline of this battle providing essential services to communities and helping governments and health organizations.

In these unusual times, we continue to focus on the safety of our employees and keeping our promises to customers. I want to thank all of our LTItes, who have ensured business as usual during these unprecedented times.

In a quarter marked by a challenging environment, we have been able to limit our quarter-on-quarter de-growth. We delivered revenues of USD 390.3 million, a decrease of 4.8% quarter-on-quarter and growth of 9.5% year-on-year. In constant currency, these translate to 4.7% quarter-on-quarter and a growth of 10.6% year-on-year basis.

We remain focused on our strategy to deal with the impact of the pandemic. As discussed during our last earning call, we have developed a 3 x 3 strategy to ensure that we respond to this crisis in a holistic manner. Our strategy covers these three key aspects – Customer First Thinking, Resilience in Operations and Protecting our P&L. In each of these three areas, as I talked last quarter, we have defined act-now, plan-now goals, developed defense and offense playbooks and set up war rooms as well as win rooms for programmatic execution of our strategy.

Let me run you through some steps that we have taken in each of these three areas:

In today's difficult times, GRIT is a quality that defines new leaders, those resilient enough to keep going and emerge stronger, more determined, focused, inspired and energized. In our customer first thinking, we have positioned ourselves around the "GRIT Alliance" framework with a strong focus on growth, increasing resilience, innovation and teamwork. At the core of this framework is our ability to work closely with clients, to drive the cross-functional paradigm shift needed to help them achieve their new goals quickly and seamlessly operate in the new normal.

With this in mind, I would like to highlight an initiative we have recently developed and launched. Known as 'LTI Canvas', this initiative brings to life our xFH or Everything from Home framework. As discussed last quarter, xFH is LTI's approach to working from home. It outlines our journey from simply being operational from home to growing from home.

LTI Canvas is an integrated platform in partnership with Microsoft and drives technology and business outcomes at a time when teams are operating in a very distributed environment. LTI Canvas streamlines processes like software development, support, transition, information security, knowledge and infrastructure management and provides for the same to be delivered and executed remotely. It consolidates capabilities across Cloud, Agile, DevOps and Design Thinking, leveraging AI/ML and Analytics.

Talking about increasing Resilience in Operations, our xFH model has been very effective and we have seen productivity improvements as we have learned and adapted to the new normal. We are planning a gradual and calibrated approach towards a hybrid model of return to office for our staff around the globe. We are currently 99% enabled to work from home. As we return to office in future, keeping social distancing in mind, we are expecting that we will operate our facilities with a maximum of 30% to 50% occupancy based on individual facility design in the medium-term. All locations will be prepared to shut down or reduce occupancy at short notice. While there is no fixed timeline on "Return to Office" dates as the situation is changing and evolving every day, we are preparing for this eventuality.

We have launched LTI SafeRadius, a GDPR-compliant return-to-work app. This enables organizations to analyze information across locations on LTI's self-serve analytics platform MOSAIC Lens. Key features include high risk profiling, seating allocations, staggering work shifts schedules, transport management, real-time alerts on accidental congregation, highlighting hotspots and contact tracing.

Currently, several of our employees are using this app and we have also launched this externally for our clients.

On protecting our P&L, we have acted swiftly as demonstrated by delivery of stable operational margins sequentially. We have provided some of our customers with specific time bound commercial concessions that will enable them to continue their IT programs with us. These are largely one-time discounts, which will enable us to revert to the earlier commercials once things settle down. We will continue to focus on driving operational efficiencies in the coming quarters as well.

Let me now cover business highlights for the quarter.

Despite some delays and deferrals in our pipeline, our large deal team and win rooms continue to be busy. We added 16 new logos across all our verticals during the quarter and won a large deal with a BFS logo in UK. The multi-year deal, with a net new TCV of USD 20 million is with a wealth management firm, to provide remote infrastructure support, cyber security services and migration to IBM Power Cloud from their legacy wealth management platform.

In a quarter marked by a challenging environment, I am happy to state that we also added a new Global Fortune 500 logo to our list of clients, taking the total Global Fortune 500 customers to 67. We remain positive as we expect to close and share with you some large deal wins in Q2 as well.

I also want to share with you that LTI has been recognized as one of the top 5 IT brands in India as well as Top 100 brands in the country as per ‘India-100 2020’ report by Brand Finance. I am happy that brand LTI has secured a place amongst India’s most valuable and strongest brands.

Let me now provide you with color on performance of our respective verticals.

In BFS, we grew 9.4% year-on-year and declined 4.2% sequentially. While our top client continues to grow, Q1 performance in this vertical had an impact from delays in securing “Work from Home” approval from a key customer and also one-time COVID-related commercial discounts - both in Europe.

Given the magnitude of this global pandemic, we expect banks to invest in their risk and liquidity management systems. Given our strength in the finance, risk and compliance space, we expect to partner with our BFS customers in this area. Our large deal win in the UK market also belongs to this vertical.

In Insurance, we registered a 3.9% year-on-year growth and declined 2.7% sequentially. With increased exposure, lowest ever interest rates and slowdown in economic conditions, insurance companies are facing significant economic challenges. Many of them have had to deal with the challenging sales environment and also resort to activities like refunding part of the paid premium for P&C to retain customers and higher medical costs for health insurers.

Manufacturing was our hardest hit vertical which declined 16.5% quarter-on-quarter but grew 13.9% year-on-year. Sequentially, this vertical was also impacted due to the absence of pass-through revenues in Q1. This vertical has performed in line with our expectations as many manufacturing facilities were shut due to COVID-19 and hence IT was a distant thought for these factories. We are seeing some activity here as there is broad-based realization for the need to accelerate digital adoption. We have capitalized on the opportunity to help customers with strategic cost reduction while gaining market share during the quarter. The Global Fortune 500 client which we have added also belongs to the manufacturing vertical.

Energy and Utilities vertical saw a decline of 10.1% sequentially and a 9.6% increase year-on-year basis. As guided last quarter, this vertical was impacted due to a combination of COVID-19 and commodity prices falling as well.

CPG, Retail & Pharma saw a marginal sequential decline and a growth of 13.4% on a year-on-year basis. Slight decline, in this otherwise resilient vertical, was driven by reprioritization of work and resultant delays in discretionary projects in specific customers.

Hi-Tech & Media was flat sequentially and grew by 1.6% year-on-year basis.

The Others vertical which includes Defense and Professional Services registered a 29.6% growth quarter-on-quarter and 29.1% growth year-on-year. The small base and certain India-specific programs were the key reasons for the growth of this vertical. Our large deal win announced with a key government ministry in Q4 FY20 falls under this vertical and is ramping up well.

Let me now turn to our business outlook. Our Q1 performance was driven by the resilience of our diversified portfolio. This was supplemented by the fact that LTI has near zero exposure to travel, hospitality and a limited footprint in retail. We continue to win large deals, add new logos and work with Global Fortune 500 customers. We have not seen material delay in any of our ramp ups and we continue to meet client expectations. Cloud acceleration has been a common theme across all our verticals. Both new and age-old companies are adopting digital ways of working and that unlocks a world of opportunities for us.

However, we also need to acknowledge that there are lots of moving parts and many "unknowns" today given the unprecedented and extraordinary situation caused by the pandemic. The numbers of people impacted by the virus continue to spike in several key geographies as we speak. A further spike or second wave of infections could cause both governments and corporates to act very rapidly and we may see further lockdowns affecting business adversely for the industry.

Having said that, based on what we know of our customer situations, pipeline and large deal momentum, we believe that Q1 was the trough for us and Q2 would be flat with a positive bias. What I can say for certain today is that we remain committed to lead with our expertise and create a niche for ourselves as a leading global organization, that is powering the breakaway enterprise across industries. I have no doubt that LTI would be in the industry leadership quadrant for growth in FY21 as well.

Let me now handover 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 FY21, starting with the revenue numbers. Our revenues stood at USD 390.3 million, declining by 4.8% sequentially and was up 9.5% on a year-on-year basis. The corresponding constant currency decline was 4.7% quarter-on-quarter and a growth of 10.6% year-on-year. Reported INR revenue of 29,492 million, was down 2.1% quarter-on-quarter and up 18.7% year-on-year.

Now coming to profitability, EBIT for the quarter was INR 5,139 million translating to an operating margin of 17.4% as compared with 16.7% in the previous quarter. Pressure on margins due to revenue decline was more than offset by tight cost control in SG&A, currency movement and lower product pass-through. Reported profit after tax was INR 4,164 million which translated into a PAT margin of 14.1% this quarter compared with 14.2% in Q4. Lower foreign exchange gain and higher income tax expense than the last quarter has offset the increase in treasury income resulting in minor drop in PAT margin even though there was an increase in operating margin.

Moving on to the people front, utilization without trainees was at 79.6% as compared to 80.6% last quarter and utilization including trainees was at 79.4% versus 79.3% in Q4. Our net additions to manpower in the quarter was 40. The total manpower stood at 31,477 of which our production associates were 94.4%. In this quarter, attrition has improved to 15.2% versus 16.5% last quarter on LTM basis.

Now moving on to our hedge position, our cash flow hedge book stood at USD 1,098 million as at 30th June 2020 versus USD 1,251 million as at 31st March 2020; while the on-balance sheet hedges stood at USD 111 million versus USD 91 million last quarter. We have been consistent in executing our hedging strategy in a measured manner keeping market uncertainty in mind.

Now talking about DSO, working Capital and cash flow, it was the second consecutive robust quarter for cash collection and DSO improvement. In Q1, the billed DSO stood at 70 days compared to 77 days last quarter. The DSO including unbilled revenue was at 99 days, an improvement of 7 days over Q4. The net working capital has improved by 2.5% to 13.8% of revenue as on 30th June 2020 over the last quarter. For the quarter, the net cash flow from operations was strong at INR 6,347 million which was at 152.4% conversion of the net income. At the end of the quarter, cash and liquid investments stood at INR 34,256 million adding INR 6,818 million to our liquidity during the quarter.

The effective tax rate for the quarter was 25.5%. Earnings per share for the quarter stood at INR 23.9 per equity share as compared to INR 24.5 in Q4. Diluted EPS was INR 23.7 per equity share versus INR 24.3 last quarter. On LTM basis, diluted EPS was INR 90.1 per equity share versus INR 86.6 in Q4.

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

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudheer Guntupalli from Motilal Oswal Financial Services. Please go ahead.

Sudheer Guntupalli: Sanjay, we understand that you do subscribe to the thought process that scale will not be a meaningful differentiator as long as you have a very strong value proposition. But in the current context, are you seeing any early changes in the industry structure, be it consolidation in favor of large companies versus mid-sized players? How do you see LTI positioned on this front versus both our larger peers and even the smaller ones?

Sanjay Jalona: I continue to believe in that very strongly. If you have a value proposition, your story will be heard and you would continue to grow. Obviously, in these times, logical thinking says that consolidation would happen. But as I have been saying for the last four or five years that LTI plays in the mature market and our typical customer base is of the large companies. We also do not believe that there are Tier-1 partners and Tier-2 partners. So, we fundamentally and strongly believe that our size today allows us to bid for the largest deals because also the deal sizes have shrunk in a meaningful way. So, we continue to believe in that. We have always been disrupting the market. We like to be in a position of being the underdogs and we strongly believe that we will continue to gain share.

Sudheer Guntupalli: And the large deal wins in this quarter seem to be much lower than the typical run rate. Of course, we do understand that these may be the deal wins over a truncated period of two months and not the entire 90-days. But how comfortable are you with the large deal win numbers this quarter and the current deal pipeline?

Sanjay Jalona: Our deal pipeline continues to be strong. As I said in my initial commentary, the win rooms continue to be extremely busy and we do hope to give you some news on some of the large deals in Q2 as well. So, lots of activities are going on. Obviously, as you can expect some amount of hold activity has also happened, but by and large what we see is that there is a continued activity on large deals and customers are continuing to go on that path.

Sudheer Guntupalli: Just one last question to Ashok. So, you managed margins quite well in a quarter which is heavily disrupted. Does that leave you with a good headroom to roll out a salary revision and bonuses in the near future? And given that now you may be having better visibility on revenue trajectory and cost structure, what is your thought process on margins for the full year?

Ashok Sonthalia: Sudheer, we were definitely able to protect our P&L in Q1 through tight cost control in SG&A and operational efficiency and of course INR depreciation also helped. But where we stand today and as Sanjay spoke, we expect Q2 to be flat with some positive bias.

If the situation remains normal, growth should start returning, and with that we also believe some of the things which were helping us in terms of saving expenses particularly travel, etc., some amount of those will start coming back.

As far as the first part of your question on salary increase is concerned, we have deferred the July cycle and we are going to consider the same only after our Q2 performance and some more visibility around the market and growth trajectory. Whenever it is announced, the future quarters will get slightly impacted.

So, having said all these things, I believe we will operate in FY21 in a very narrow band from where we have delivered our Q1 margins. There are many uncertainties and unknowns and we will have to watch very carefully but we continue to be focused on each cost element which LTI incurs and question everything. At the same time, we keep ourselves in a position that when growth returns, we do not regret that we had tightened our cost so much that we must now wait to capture those opportunities. So, it is a good balance that is being implemented.

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

Sandip Agarwal: First question to Sanjay, what is your view on the three things where most of the global players are seeing a huge upsurge in demand - one is the cloud part where the capacities have been exhausted. Secondly, the core transformation, what is your thought on that? I believe based on data that 'the core' has not been transformed or not been invested in for quite some time in a big way, so there is a big lag on spend which should be there in the core. And finally, the digital transformation journey. I think it will accelerate much more with the online activity. So, what is your sense on this jump in online activity assuming that some part of this activity will recede in future? And to Sudhir, what is your sense on the future of marketing and sales? Will the pattern of how we do marketing and sales change permanently or do you think once the lock down opens up, probably people will get back to the old ways or you think the new way of going through some of the internal software like teams or Zoom would do wonders for marketing and sales as well?

Sanjay Jalona: As I said in my initial brief, cloud is seeing huge adoption across. The world over people have realized that anybody who was totally on premise has struggled to go and operate in the Work from Home model. We have COVID specific offerings for customers to rationalize and help them operate in a hybrid cloud model and rationalize their expenditure as well.

With regards to transformations and core transformation, we strongly believe there are four themes that are playing in the marketplace - operate to transform, how do you use operations as a lever, not to just do maintenance, but basically to create a backbone for transformation. Second is data-driven organization - how do you use data to actually do meaningful decision-making. Thirdly, digitizing the core and fourth is experience. Digitizing the core is very important because you need to simplify things to a level whereby you can launch products and platforms in a meaningful way. So, yes, transformations will continue, we are seeing transformations continue even at these times but obviously depending on the vertical and on a company situation, some of the discretionary work will get halted or go slow, but these journeys will continue. I will let Sudhir answer the question on sales and marketing.

Sudhir Chaturvedi: Thanks, Sandip. As Sanjay mentioned, it has been a busy period for us across the organization, especially from the concept of win rooms that we have in place for deals that are under way. So, if you ask me how does sales and marketing change in the environment that we are and whether this change will continue to be the way we work in the future. I think the key thing is that there are certain aspects that have improved. For example, Sanjay, Nachiket and I are on multiple calls with clients almost every day, in fact even today we had two calls with clients this morning before getting onto this call. So, I think the first thing is that we are able to stay close especially to our existing clients and are able to have multiple conversations with them. That is happening across the board. But it is harder to connect with new clients. Having said this, we have had some good new logo wins this quarter. But I think on an ongoing basis, face-to-face meetings and in-person discussions are important when you are forging new relationships and building on those.

The second thing is that though we have got a very healthy large deal pipeline, I think going forward what we will see is that big decisions on large deals do require some level of interaction. I think there are some natural limitations with this way of working. I do not think we will go back to the way we used to work. I am sure that all of us will have an opportunity to travel a little less and still connect with clients as effectively. I think we are moving towards the hybrid model, but I still believe that in our business, face-to-face interaction especially to build and sustain relationships is something that cannot be underestimated and cannot be done as effectively on remote channels.

And to your previous question on whether COVID has accelerated cloud and digital, which it definitely has. We used this opportunity for a significant amount of training and enablement of the entire sales organization in cloud and digital. When you ask about how we are executing in these times, Nachiket will answer, but LTI Canvas has been a fantastic way of us delivering to clients. How we do work is also a key part of the sale, it is not only what we do, it is about how we do it and we are able to demonstrate with clients that we are able to do transitions remotely. For example, the large deal win that we spoke about, was a transition that we carried out remotely. We are also able to do implementations - we actually talked about an SAP, warehouse management implementation that we did with the client. There is a change in what we sell and how we convince clients that we will continue to be able to deliver even in the new normal that we see.

Sanjay Jalona: If I may add one small thing, I think we need to keep good habits from COVID and not go back to old ways of doing things completely. And there are many good things. As Sudhir said, I think I am having more customer discussions than I normally did. I used to also travel 140 days on the road. Today in the discussions, there is no status quo. You can question the customer on any and every decision, every past theory that one has ever had. If you have a story to tell, I think they will listen. This situation also allows us to bring the best of the company to bear. In the past, you will typically have a few people travelling to customer orals, now we have had situations where we have 60/ 70/80 people being on our oral, so you can bring the best of the company to bear in these times. But you also need a social fabric when you do business development or even actually software development. So, we take those good things, bring back those good things, use the opportunity of higher productivity in these times and not go back to some of the old habits that we have had.

Sandip Agarwal: Extremely helpful. And I am sure that you save a lot of carbon print also by travelling less. Thanks a lot.

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

Sandeep Shah: Sanjay, just wanted to understand that we really appreciate your industry leading growth even continuing in this bad year of FY21. But your premise of better growth versus industry is also dependent on consistent large deal wins. And we do understand that the pandemic is leading to some amount of delay in the decision making, as you are seeing in the pipeline. So, large deals may not be very healthy in this year. Are you worried about the growth entering into FY22? This is a slightly longer-term question, but does it give you a bit of discomfort if you think beyond FY21?

Sanjay Jalona: We announced one large deal, albeit a little small in size, but as I said, we will hopefully announce a few deals in Q2. Our deal pipeline looks healthy. But we have to see how the next three to six months hold up. In our business, the pipeline and discussions we do today help us in two or three quarters down the line, when the deals close and the ramp up happens. Today where we are, we are very busy. I don't think it will impact anything significantly in FY22. This year obviously is going to be tough because customers are spending in a very measured way. But we will have to see. There are so many unknowns, it is difficult to quantify. I think the next three to six months will define what happens in FY22. But irrespective of what happens, we want to continue to focus on capabilities and on building an A-plus team so we can continue to partner with customers and create opportunities for our businesses.

Sandeep Shah: Sanjay, last time you were the first one to call out that there could be some demand headwinds in the banking, financial service, insurance, etc. in the second half of this financial year. Can you update in terms of a demand outlook in that segment as a whole? Because some of the large peers are showing deal wins in that segment and incrementally, they are not sounding that much cautious.

Sanjay Jalona: It's a good question again and frankly where we are, we are also not seeing anything so far. But what I did say, not to get misinterpreted in any way, we were thinking that there could be some pressures coming in from defaults etc. We have not seen any of it, our top client continues to grow, it grew in Q1. We have a healthy pipeline. But, again, things are changing on a daily basis. So, we are yet to see how things pan out. But today where do we stand, I also do not see any problem right now.

Sandeep Shah: Just a book-keeping question to Mr. Ashok. Treasury income has gone up significantly, is it more to do with the notional gain, fair valuation of some of your debt securities? And do you expect that may lead to some amount of QoQ dip in the coming quarters? Or there is actually an increase in the yield because of the cash increase which is happening?

Sanjay Jalona: Ashok has got dropped off. Sandeep, we will come back to this.

Moderator: Thank you. We move to the next question. The next question is from Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: There were two questions, I just wanted to understand the cost savings. You had a good amount of cost savings this particular quarter. I do believe that there will be some cost like travel costs, etc., that could come back once things normalize. So, how much of your cost savings probably will return when growth returns? And how much of your savings would you be able to hold on as and when things normalize?

The second thing is you have also shown improvement on your working capital. Should we continue to assume this level of working capital as a percentage of sales going forward as well? Yes, these are my two questions.

Ashok Sonthalia: If we allow all the costs to come back, then it means that we have wasted this crisis. So, we are thinking as to how we can ensure that whatever pain got created because of the crisis, at least we create some structural changes, so we can retain some of the cost savings. Of course, some of the situational savings which have happened, they will come back, and we will see how it works out in future. As far as our working capital is concerned, this quarter has been very good, because we largely collected for Q4. So, going forward, our focus would be to maintain this level, because I see some pressure. When we talk about commercial concessions, in some of the cases there are payment term accommodations for a temporary period and those may play out going forward for the next one or two quarters. But our whole focus is on maintaining this level in spite of giving certain concessions.

On the treasury income gains, these are mostly realized gains and there is a small amount of MTM. So, we don't expect them to reverse until and unless we assume that the interest cycle is going to reverse in a hurry. And we don't see that, so I think they are realized and are going to stay.

Vimal Gohil: Just continuing on the follow-up, so on the cost front, which are these costs that you will be able to defend, and may not increase in line with revenue? If you can just highlight some bit, even qualitative comments will do.

Ashok Sonthalia: I don't think travel costs are going to come back to the same level, there will be some savings around that. I am also sure that when we plan our future capacities, the hybrid model of Work from Home and working in a distributed manner will also play some part on the capex, and then consequently on the depreciation, amortization, etc. I also believe that some of the things that have happened, like certain negotiations which are temporary, around rent etc., and some around conveyance are also partly going to stay with us. So, some of these are going to partly stay with us and some will return as growth comes back.

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

Manik Taneja: I just wanted to understand your demand commentary with regards to geography. And, also should the regular pattern of H2 being stronger than H1 hold true for FY21 as well?

Sanjay Jalona: Look, I would like Sudhir to comment on the demand overall. But guys, I have given you as much on where we stand today that we see the trough behind us, Q2 will be flat to a positive bias. We do not typically give revenue guidance, but I have given you more. But there are many things which are changing on an everyday basis, we are dealing with an unprecedented problem. Things keep changing but let Sudhir articulate clearly on the demand question.

Sudhir Chaturvedi: Sure. Thanks, Sanjay. So, let me cover the pipeline and associated large deal question. So, pipeline, for us, if I compare it with the same time last year, is up 19% YoY. I think the good thing about the pipeline is that, except for manufacturing, oil & gas and automotive, where I think the pipeline will start to return in the coming months, the other verticals, the pipeline is holding up pretty well. We see reasonable pipeline of growth in US, Europe, and emerging markets, which are India, Middle East and Asia Pacific - business is showing some good resilience in terms of pipeline in this market. As Sanjay mentioned, we have been very busy in our win rooms which essentially are for the large deal activity. So, there is a healthy amount of activity that's underway. And we hope, to see if we can get some closures within the next couple of months. But what is happening is that deals could take a little longer to close. Some deals are going on hold where some clients are looking for more time to make their decisions going forward. Because it's a dynamic business environment, not just for us but obviously for our clients.

I think one of the concerns that was there was whether the new logos would be possible. Though we announced 16 new logos, including Global Fortune 500 logos, I think the key thing here is the move to cloud and digital, that acceleration is what we want to capitalize on. So, this is where our partnerships with the large cloud players and the major product players in this segment has been very helpful in terms of driving that pipeline. So, a multi-faceted pipeline is currently what we see, though there are certain deferrals and deals on hold, but overall, we think there is a demand environment. But I will not make any bold projections, because things tend to change quite rapidly, and I think we will see that kind of scenario for a few months going forward.

Manik Taneja: So, what we have been hearing from the industry is that some customers have been asking for differential pricing for Work from Home deliveries. Are you seeing that play out in the market as well?

Sanjay Jalona: No, not at all.

Sudhir Chaturvedi: No. So, are you saying differential rates for people working from home? No, certainly not. See, client asks are there, more around discounts due to the demand pressures that they are facing or project deferrals or certain project timelines being extended. But no, nothing, no rate reductions because of where people are located.

Moderator: Thank you. The next question is from the line of Vinit Manek from Karma Capital Advisors. Please go ahead.

Vinit Manek: I had two questions. So, first one is with respect to the CPG, retail and pharma. Within the pharma and life sciences, we have seen a large surge in the spent within the IT and the transformation that is happening. So, for us, where do we stand for that segment? And my second question is in terms of our strategy with regards to the new client acquisition. So, we largely had a strategy of mining the existing client with more deals and more traction. So, with all this COVID happening around, are we seeing even the midsize companies coming to you for cloud transformation or other digital platforms to be connected for the better working of their businesses?

Sanjay Jalona: Okay. Vinit, let me answer CPG, retail, pharma. Yes, we have minimal footprint on retail, but yes, CPG and pharma are two important sectors, they have grown really well for us. And I think they will grow above company average this year as well. Even if you look at pharma companies, lots of investment dollars from them are going in actual drug discovery on COVID right now. But we still feel very positive compared to a lot of other verticals on CPG, retail, pharma, to be driving the growth for the company.

Every call I say this, there are four pillars to our strategy. Growth accounts, these are large accounts, right, that we need to continue mining. Invest accounts, which could become growth accounts for the future, so we need to continue to throw the kitchen sink at them. New account openings, which could become invest accounts and growth accounts in the future. And large deals to change the trajectory. So, it will not be right for you to think that our strategy is pivoted only on one part, we continue to drive new account openings very similarly. We opened as we said, 16 new logos, including one Global Fortune 500. As Sudhir pointed out, it is a little more difficult in these times when you are not meeting customers face to face. But again, as I say, it will be difficult, but it's not as if it can't be done. And which we have shown with one logo, we will hopefully close a few more in the subsequent quarters on Global Fortune 500 as well.

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

Madhu Babu: So, because of this work from home and lower travel, overall, the savings for the industry has been huge. I think at least for the short term, most of the companies have shown strong margin performance this quarter. But gradually do you expect the pricing to fall because of this? Because being a competitive industry, once the clients return back to normalcy, do we expect a pricing erosion because of this whole change in the cost structure and obviously a lower capex? That is the first question. And second, can the onsite-offshore mix structurally change? Because after executing so much from Work from Home, whether clients might be more comfortable with much higher offshore?

Sanjay Jalona: Madhu, both very good questions. As I said in my initial commentary, you need a social fabric that binds people. I think we have capitalized a lot of social fabric, because people knew each other for a long time, so you can easily Work from Home. But we are social animals and we are in a team sport rather than an individual sport. So, it's not to say that it will be 100% or 75% Work from Home, or it will not be 100% get back to work either, it will be a hybrid model. And these hybrid models take time, energy, effort, cost to make them work. So, I think that is there to play out, we will see how it goes. With regards to onsite- offshore ratios, you can clearly see, we are at around, 21% onsite, we are one of the lowest ones globally. And we have continued to keep pushing work offshore, and we will continue to do so. This is one good habit that can come from the pandemic. How can you push even more? You can reduce your dependence on immigration, you can actually work and execute things a lot better in this model, and we have proved that everyone can do that. So, yes, we will continue to see that and hopefully we will start to put efforts towards that. But that also depends on the kind of work we are doing, right. So, it will not be immediate, it will be gradual, it just cannot be done overnight, but it will happen, I think.

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

Vibhor Singhal: So, just two questions from my side. Sanjay, if you could just basically throw some light on the energy vertical, you mentioned that this is what was impacted in a twin manner from COVID as well as low crude prices. So, have we seen any kind of revival in at least talks about clients coming to us in terms of maybe deals or some kind of expenditure that maybe happening, if not immediately, in maybe one or two quarters down the line? So, is there some recovery in sight or will that be weak for the good near to medium term future?

And my second question is to Sudhir, just wanted to get a perspective on the way we are approaching the deals right now. So, if I were to basically understand, as Sanjay mentioned in his opening comments, there have been one time commercial discounts that we have given to clients, so is the pricing for new deals also a bit lower than hypothetically what it would have been, had it not been the current environment? So, is there a feeling that we would have got a better pricing on a new deal had it been won maybe three or six months before? Or there isn't much of a price erosion that you are seeing in that part?

Sudhir Chaturvedi: So, on oil and gas, we saw a steep decline, sort of immediate reduction from a client spend perspective. But what we are saying there is that, the nature of asks are changing. For example, from a cloud perspective, from a digital perspective, there is more to do. From a data perspective - is something that we think we can exploit a lot more going forward. So, I think we are still in the wait and watch phase for uptick and demand perspective in this vertical, but it will come in these new areas going forward. We will also see some core modernization happening here, which will also be something that will be in one of our sweet spot areas. Sanjay, anything you want to add on oil and gas?

Sanjay Jalona: No, I think it will take some time. But it's not to say that you are not conversing. You need to keep conversing and keep having a dialogue, whether it's related to how you can save money, how you can help them operate better in the new normal, how can you run oil fields the way they have to be, how do you actually monetize the last drop of oil from the existing oil fields, etc., so the dialogues have to continue to happen.

Sudhir Chaturvedi: And your second question, I think was on new deal pricing. So, on new deal pricing, it's a competitive environment out there, but I am not seeing specific asks for these new deals to be priced differently. There have been asks, as I mentioned especially between March and June, regarding investing in clients in their difficult times, which we have done as true partners. But most of the projects that are happening right now are based on clients looking at a combination of their consolidation efforts for cost reduction, as well as transformation efforts from a digital and a cloud data perspective. So that pricing, I don't see a big shift from terms of where it was, but it's a similar type of pricing, but the discounts were between the March to June period, that's where we had majority of the asks.

Moderator: Thank you. We will be able to take one last question. We take the last question from the line of Ruchi Burde from BOB Capital. Please go ahead.

Ruchi Burde: My question is to Sudhir. June quarter was a very unusual quarter because of COVID-19. It would be helpful if you could characterize that due to COVID, how the deal pipeline has changed in terms of deal sizes, mix of new client and the existing conversations or repurposing or the change in the scope of work?

Sudhir Chaturvedi: Okay. So, I did talk about the pipeline earlier, I will just cover some of that again. So, as I said, the pipeline is up on a year-on-year basis. From a vertical perspective, manufacturing, oil & gas and automotive pipeline has been a bit soft, but we expect that to start returning in the second half of the year. Pipeline growth in other verticals continues to be healthy. From a geography perspective, U.S. and Emerging Markets are doing well for us.

In terms of the nature of deals, we are seeing a combination of deals. Clients are looking for either cash generation or cash savings. So, we are seeing certain large deals which include vendor consolidation. We currently think that most of these deals are in our sweet spot areas without much risk to our portfolio. So, we see net gain possibilities in many of these large consolidation deals. On the transformation deal side, if I refer to the conversations that we have had just this week, we are having ERP closure conversations. Because, I think as Sanjay mentioned earlier, whatever was digital, whatever was in the cloud, and whatever was from a processing perspective, did not rely on manual processing, and it actually got done and got done very efficiently from a client perspective. So, if anything, there is an acceleration in those transformation programs, and that's the other area of growth that we are seeing from a pipeline perspective.

So, it's a combination of the two. I still think that some decisions may not happen in the timeframe that we normally see. So, we are seeing certain deals on hold, certain deferrals. So, it is a dynamic decision-making environment, but if I just measure the team on how busy it is, there is a lot of activity going on right now.

Ruchi Burde: Just one more follow-up to that. Sudhir, you mentioned some deals, some conversations are deferred or put on hold. The characteristics of those conversations, are those large sized deals or do you see a combination of both?

Sudhir Chaturvedi: It's a combination. It's a client specific thing, as clients are looking at their own demand environment or their business environment changing. There isn't a clear pattern or anything. But it's a combination of both deals being held or being deferred to a later decision.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Sanjay Jalona: Folks, this is Sanjay again. Thank you all for joining us on this call. And wish you, your families and loved ones good health and safe passage through these trying times. We will see you on the other side. Take care guys.

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

(This document has been edited for readability purposes)

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