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LTI/SE/STAT/2017-18/145

February 1, 2018

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 and nine months ended December 31, 2017.

Please find attached the transcripts of Earnings Conference Call organised by the Company on January 25, 2018 for the quarter and nine months ended December 31, 2017 for your information and records.

Thanking You,

Yours sincerely,

For Larsen & Toubro Infotech Limited


Manoj Koul

Company Secretary & Compliance Officer



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A Larsen & Toubro
Group Company



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**“Larsen & Toubro Infotech Limited(‘LTI’) Q3 FY18 Results
Conference Call”**

January 25, 2018

**MANAGEMENT: MR. SANJAY JALONA – CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR
MR. ASHOK SONTHALIA – CHIEF FINANCIAL OFFICER
MR. AFTAB ULLAH – CHIEF OPERATING OFFICER
MR. NITIN MOHTA – HEAD, INVESTOR RELATIONS**

Moderator: Ladies and Gentlemen, good day and Welcome to the L&T Infotech Q3 FY18 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Mohta – Head of Investor Relations. Thank you and over to you, sir.

Nitin Mohta: Thank you, Karuna. Hello, everyone. Thank you for joining us today to discuss LTI's Financial Results for the Third Quarter of Fiscal 2018. The financial statements, press release and quarterly fact sheet are available in our filings with the stock exchanges and at the Investors Section of our website.

On the call, we have Mr. Sanjay Jalona – CEO and Managing Director and the leadership team. 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 anything said on this call which reflects our outlook for the future or which could be construed as forward-looking statements must be reviewed in conjunction with the risk that the Company faces.

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

Sanjay Jalona: Thank you, Nitin. Hello, everyone. And wish you all a very Happy New Year.

We had an outstanding quarter with US dollar revenues of \$293.5 million, up 8.5% quarter-on-quarter and 19.7% on a year-on-year basis. Digital revenues now make up to a third of our overall revenue base. To give you some color on this 8.5% growth, this includes the benefit of 0.7% contribution from Syncordis, 2.2% from pass through revenues in India and a very strong 5.6% quarter-on-quarter growth coming from the core business. We are pleased with how the quarter panned out and I would like to highlight that our Q3 numbers are a result of our focused approach to deliver amplified outcomes to our clients.

A few words on Syncordis acquisition:

This quarter is also special because we announced and successfully closed Syncordis, our second acquisition in the last 18 months. Syncordis brings end to end Temenos capabilities with an exclusive focus on T24 Temenos Digital suite.

Q3 results continue to demonstrate our broad-based nature of growth, you can see growth performance across verticals, service offerings and geographies. Our relentless focus on Digital, analytics, automation, IoT and cloud technologies is helping us differentiate in the market place.

We added 17 new clients this quarter, four of them being Fortune500 companies. These four companies are also from four different verticals, mirroring the broad-based nature of our quarterly financial performance. The four verticals are Insurance, Manufacturing, CPG and Pharma where we opened one Fortune500 customer each.

The traction in new age technologies that is reflected in our financial performance is also validated by industry experts. We had multiple wins and recognitions this quarter and the two key recognitions that I would like to highlight to you are, one, LTI being positioned as a leader for Digital focus in Nelson Hall's NEAT report for Digital testing and HfS featuring us as a high performer in it's blueprint report for enterprise block chain services.

Let me now give you some color on the industry specific numbers and trends:

In terms of performance by verticals, the highlights are:

In BFS, we delivered 7.9% quarter-on-quarter growth. Overall, we continue to feel optimistic about this vertical. Our Digital book of work led by data continues to grow at a very fast pace. With acquisition of Syncordis' core banking solution, we have another weapon in our arsenal to sustain growth momentum in this vertical. This also helps us do a very new dialog in the Europe region.

Insurance vertical grew 2.1% quarter-on-quarter for us. We are witnessing pressure on run-the-business spend, but clients are spending money on Digital technologies. Our expertise in new age technologies and deep domain knowledge helped us win a Fortune 500 Insurance logo in Q3. The client selected LTI for its expertise in understanding the business processes of an Insurance company. We would be mapping and analyzing all of the clients' front and back office processes and use RPA to deliver operational efficiencies.

In Manufacturing, the higher pass through revenues for Q3 have lifted the performance registering a 16.6% quarter-on-quarter growth. The base business, excluding the impact of pass through, also grew sequentially.

There are two key trends that we are witnessing here:

First, cloud enabled IT modernization has become mainstream and we see more and more clients embarking on programs to move majority workloads to cloud. And secondly, we have selectively also seen ERP modernization, especially in SAP and Oracle economies starting to come on the radar.

In Energy & Utilities, we had a steady sequential growth of 6.3%. There is an improvement in the sector and as you know prices have also stabilized. Even so, clients are also planning to

continue with a lean operating model as they believe that operating at a lower breakeven point is overall healthy for the future.

In Q3, LTI was selected by a client to be a Digital consultant for rationalizing all of its application portfolio and creating artificial intelligence-based chatbots for their user support.

In CPG, Retail and Pharma, Q3 marked a second consecutive quarter of double-digit sequential growth at 10.8%. You would recall that we had called out CPG, Retail and Pharma to drive growth for us in FY18 and the results are there for you to see. Two of the Fortune 500 logos that were added in this quarter fall under this vertical.

We are driving growth in this segment by bringing innovative client solutions using Digital technology. For example, one of the Fortune 500 account that we opened has chosen LTI as a strategic partner where we will be using our tools and accelerators to automate and migrate their financial analytics reporting.

In High-Tech and Media, after a strong Q2, we saw this vertical deliver a 4.3% quarter-on-quarter growth in Q3. We are very pleased with the progress that we are making with some of the leading global tech logos that we opened in this vertical last year.

The Others segment includes clients present in the areas of Defense, Travel, Logistics and Services. Some of our India based projects are classified under this vertical and we experienced some quarterly ups and downs based on the project milestones. As a result, we have seen a sharp rebound in Q3 in this vertical after the dip in Q2.

In terms of service lines – Enterprise Solutions had another fantastic quarter with a strong revenue growth of 18.9% quarter-on-quarter. Revenue contribution from Syncordis and pass through contribution appear here in our service line mix. Our new age technology service lines continue to do well.

Analytics, AI and Cognitive Service line reported growth of 7.3% quarter-on-quarter, enterprise integration and mobility service line grew 5.9% quarter-on-quarter. As we had articulated on our last earnings call, we have seen a healthy 7.9% quarter-on-quarter growth in IMS space as some of the large deals announced earlier ramped up.

Before I hand over to Ashok to talk about Q3 financials, let me share with you some broader thoughts on our future outlook:

I have always maintained that we would be either in the leadership quadrant or the industry leader in revenue growth. Last year we delivered 10% constant currency revenue growth. We expect to deliver mid-teens growth in FY18, given that three quarters are over and we will see sequential grow in Q4 as well. Two large deals that we have announced with last quarter results

would start to fuel growth in Q2 and Q3 of FY19. We also have a strong deal pipeline and closure of these deals would further fuel growth in FY19 with a special focus for the organization on H2 of FY19 currently.

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

Ashok Sonthalia:

Thank you, Sanjay. Hello, everyone. This is Ashok here. Wish you all a very Happy New Year. We are starting 2018 on a very strong note. It was indeed a good and busy quarter with solid top-line growth, M&A activities and our annual analyst meet in December.

So, with that, let me start and again go through the headline numbers first:

Our revenue in Q3 grew at 8.5% sequentially and 19.7% on YoY basis, and were at US\$293.5 million. This corresponds to constant currency growth of 8.3% and 16.4% respectively. Reported revenue in INR terms was Rs.18,837 million. Accelerating YoY growth over the last six quarters reflects good growth momentum which we have been able to achieve on our revenue front.

On profitability, our operating profit margin stood at 14.9%, improving by 40 basis points versus 14.5% in Q2. Better realized rates and volume growth helped absorb the headwinds due to lower working days in this quarter. Our Q3 profit after tax was Rs.2,828 million, up 3.6% on quarter-on-quarter basis and 14% on YoY basis. PAT margin for Q3 stood at 15% as against 15.6% in Q2. Other income comprising of mutual fund investment income and FX gains was lower this quarter compared to Q2 by Rs.136 million, leading to a 60 basis points drop in PAT margins. We expect our PAT margin to remain in a similar band going forward.

Talking about some of the employee metrics, our utilization stood at 80.3% including trainees and 81.5% without trainees, up by 73 basis points and 82 basis points respectively quarter-on-quarter. We continue to add resources at every level and net addition for Q3 stood at 840 employees. Attrition for the quarter was also down by 40 basis points at 14.6% on an LTM basis, compared to Q2.

Now, looking at our FOREX and hedge book:

We continue to maintain and execute our hedging strategy. It has been serving us well during appreciation of Indian rupee in last three quarters and has kept our PAT margin in good health. Cash flow hedges as at 31st December, 2017, stood at US\$801 million and balance sheet hedges stood at US\$102 million.

Effective tax rate was 23.4% for Q3, as against 23.2% for Q2. Some of our SEZ units are moving out of 100% bucket to 50% bucket in the coming years and we expect tax base to slightly inch up, but from FY18 to FY19, 23% to 25% is going to be the band where we should be operating. EPS for the quarter was Rs. 16.49 per share, while diluted EPS stood at Rs. 16.16.

On the DSO front, we had a good come back. DSO for Q3 stood at 69 days as against 76 days in the previous quarter, which had a very good impact on cash flows. With improved working capital, operating cash flow stood at 22.1% of total revenue for the quarter, and it saw a 147% conversion of profit after tax. Cash and liquid investments as on 31st December stood at Rs. 15,031 million.

Syncordis acquisition was completed, as Sanjay mentioned in his speech and has strengthened our position in BFS market of Europe. We have used cut-off date of 1st December, 2017. So for one month we consolidated Syncordis in our books which has contributed US\$1.9 million this quarter.

With that I think we will open the floor for questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Sir, my first question is on the Manufacturing segment. So after two quarters of softness in this quarter it has seen good growth, even after we remove the pass through revenue. So, wanted your commentary on the same, how should we look at it going forward?

Sanjay Jalona: Manufacturing is a very differentiated sector for us and because of our heritage, capabilities and the weightage we have over the years on the sector and with the digitization efforts that are going all around the world, there is a tremendous opportunity in front of us to digitize cement factory or an elevator factory or a manufacturing factory or a diversified conglomerate. And we are also seeing a large amount of discussion starting to happen in ERP transformation, especially on HANA and cloud products of Oracle, Salesforce and others. We have a one-off because of the project pass through in the India project there, but we feel positive about that as a differentiated vertical and you will continue to see growth for us.

Urmil Shah: Sure. Sir, my second question was on the top five accounts. While top 6 to top 20 have taken care of slightly slower growth within the top five accounts, anything to bother?

Sanjay Jalona: Nothing at all. Sometimes when you look at quarter-on-quarter it can get a little deceptive. But let me give you a data point, in the last nine months if you look at it, the top five accounts have also grown by 15% and same is the company's growth. And we are positive on the five accounts, just to confirm.

Moderator: Thank you. We have the next question from the line of Sandip Agarwal from Edelweiss Securities. Please go ahead.



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Sandip Agarwal: Sanjay, just wanted to understand, where we stand now versus last year, are you seeing that most of the clients have started opening up their wallets to spend more on IT, primarily driven by newer technology where you need to be more agile in terms of how fast you can transmit data into information and social Media and other things. And also, are you seeing any kind of deals which are for capacity expansion to handle the massive amount of data which is flowing in?

Sanjay Jalona: Two questions split in to two parts, so the first part, where are we compared to last year? Look, Sandip, you would remember since the time we went public and started talking to you we have always said that we do not see the market being very difficult. If you have a story to tell, if you have the capabilities to take to the customers in the newer realms of the tectonic shifts because of Digital, there is business to win. And that has reflected over the years in terms of the business and the growth that you have seen, in the large deals that we have closed. But where we sit today, world over the economies are definitely doing well. If you look at US itself, this year US would grow at 3% or thereabouts and that is quite phenomenal. That automatically gives a lot of confidence to the customers in terms of their spends. But you also got to remember every company is very different, so when I look at only our company we do not have a lot of overhangs, we do not have a BPO over hang being commoditized and we do not have old infrastructure businesses. We have adopted and accepted all things Digital, including dog fooding within, which has helped us differentiate and take us forward. So we always felt positive and in times to come, with world over the economies doing well, companies are lot more confident, so we are only seeing increased conversations with that.

On your second part, I think analytics is very big, analytics is everywhere. When you do Digital transformation, analytics comes in more ways than none, including in IoT. In my view IoT is retrofitting product or fitting senses but at the end of it, it is data and what you do with data. Last year, our program CDBT was one of the largest programs but it's all across, there are initiatives which we call ADEA (Analytics and Digital in Every Account). We have seen incredible growth in analytics and conversations are really stretched. So out of the four Fortune 500 accounts that we have opened in Q3, at least two accounts I know are clearly on analytics, which help customers enter new markets and help them launch new models of engagement with the consumers. So analytics is very big.

Ashok Sonthalia: By the way, we grew 35% last year in analytics area and this year also we are looking at a very strong growth.

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

Abhishek Bhandari: I just had two questions. First is, since we met 45 days ago when you had said that you were in contention of \$800 million to \$1 billion worth of pipeline and there is some probability of course

on that number, how much progress has been done since that time in terms of the deal materializing for us?

Sanjay Jalona:

I want to just clarify and set records straight, this is a pipeline of deals that we see which are incremental deals - large, small, existing accounts, new pipeline, large deals, everything in there, which is something which we are attacking overall. It is not the large deals alone that we talked about in the first analyst day that we had in December 2016. But yes, the kind of conversations that we are doing with customers, the way we are getting invited to large deals, the initiatives like Minecraft and ADEA that we are taking to the customers, the capabilities that we are investing in, Mosaic security and new service offering that we launched in Q2, all these things are helping us do well. As I said in my opening remarks, the deals that we have announced will really ramp-up and fuel the growth in Q2 and Q3. Our focus right now is on converting these \$800-odd million deal pipeline in H2 of FY19.

Abhishek Bhandari:

Sure, that is helpful. And my second question has two sub-parts, but both are related to the US taxation. First, does BEAT in any way impact us? And two, do you think all these tax reforms what US has unleashed in terms of lowering the corporate tax rate will actually help in some of your own portfolio clients to spend more?

Ashok Sonthalia:

While there are of course many important changes that tax reform has brought in, two changes are of most importance to us, or IT industry in general. One is of course the federal tax rate reduction from 35% to 21% which benefits everyone; corporates in US as well as companies and branches operating in the US. This change is effective 1st January, which has some beneficial impact on us also. The BEAT part is still being evaluated and not very clear, so its difficult to comment. But it has raised certain concerns definitely. We operate through a branch structure in US, which may have a little bit favorable outcome when the whole riddle is solved. But still there are many parts which are not well understood on BEAT and therefore its very difficult to comment on anything; whether it will have a neutral impact or negative impact. As far as the whole US Inc is concerned, they are certainly going to be benefitted and will have more money at their disposal. But to my mind, straightaway thinking 35% to 21% would be hyping it up too much, because effective tax rate of US Inc on an average was 23% - 24%. There is still no clarity on state tax. State tax will start playing a major role and those announcements are also not out. We will gradually know whether all the reforms which have been announced at Federal level will be adopted by the States. So, still wait and watch, Abhishek, I think it will take two- three months to fully understand impact of the US tax.

Moderator:

Thank you. We have the next question from the line of Rishi Jhunjhunwala from India Infoline. Please go ahead.

Rishi Jhunjhunwala:

A couple of questions, one, Sanjay on verticals. So one is financial services where some of your larger peers have talked about next year looking better compared to the previous one. How are

you looking at it from your client's perspective? Of course, for you, financial services anyway has done well, but are you seeing broad based optimism around financial services? And secondly on Insurance side, since you are pretty heavy on the P&C, any sense on what could be the pressure on the industry because of pretty bad last year for the insurers that impacts our clients or large part of that is getting reinsured and hence our clients would not be impacted. A color on both of them will be helpful.

Sanjay Jalona:

See, on BFS, as you rightly said Rishi, we did well so far in the last six, seven quarters and we continue to feel confident. Obviously, we have another tool in our arsenal with Syncordis where we would have different dialogs, especially in Europe. Obviously, we announced another large deal in South Africa which will also drive up the incremental growth. So, overall, we continue to be positive and BFS will continue to look good. On Insurance, you said it right, I think calendar year 2017 saw lots of huge losses the world over for all the Insurance companies. But the way it works for Insurance companies effectively is, they have losses and then they will raise the premiums and so on so forth. But the journey on digitization in Insurance will continue to be bigger. We have a significantly differentiated offerings with capabilities like AccuRUSI™, iCEOn™, etc., that we have created ourselves in Insurance. And on top of that, the differentiation with the leading products like Guidewire, Duck Creek, Insurity, etc., keeps us in good stead when we go into discussions with our customers, because they are using these platforms as agents of change in their Digital journey. So, wait and watch in Insurance, but where we are with the dialogs we are having, we feel good. We will see where it goes.

Rishi Jhunjhunwala:

Okay. And second one on margins. Our hiring has gone up by about 15% year-on-year and clearly, we have improved our utilization rates as well. We have some large deals coming up for ramp-up, so just wanted to get some sense in terms of how do we look at margins from a 12 to 18 month perspective considering, of course there will be transition costs related to large deals and we have already done a lot of hiring with utilization now pretty much at an all-time high level.

Ashok Sonthalia:

Rishi, you rightly mentioned that transitioning new large deals, ramping up still requires some investment support from us. And if you would have heard Sanjay and us, we feel pretty comfortable and confident about maintaining our margin at this point of time and going forward for a couple of more quarters in a similar range through whatever extra resources we are able to get from either improving of the pyramid, looking at some of the rate realization improvement initiatives and SG&A optimization. Though sales and marketing remains an invest area, we are optimizing G&A in a big way. All these things we are pumping back into the business because still lot of investments are needed, whether it is MOSAIC, whether it is newly launched service offerings like MOSAIC security, whether creating facilities for future growth because we need to create facilities and they do not get used immediately due to which, we keep on getting some P&L hits. I feel more comfortable at this point of time to say that our PAT margin would remain in a similar band for next two to three quarters at least.



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Sanjay Jalona: Focus clearly is on driving growth, keeping the margins and investing in the business, whether it is through our platforms, whether it is transitions, etc., that we are doing, localization that we are doing and 'n' number of initiatives, but continue to differentiate in the market place.

Moderator: Thank you. We have the next question from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

Ashish Chopra: Sanjay, the first question was if we look at your billed efforts, around 23% to 24% of the efforts is onsite and been pretty range bound amidst a very healthy growth in Digital which is now one-third of your overall business. So, I just wanted to get a sense, will it be possible to share a ballpark on how would this onsite effort compare, particularly the Digital segment versus the non-digital, would it be significantly different or any trend over there that would be of greater offshore while the deal sizes get larger?

Sanjay Jalona: I want to take half a minute not directly answering your question, but I will answer your question directly as well, Ashish. Just to talk a little bit about Digital, people often confuse Digital with just some technology stack. But what Digital is, as we articulated in our Analyst Day, it is a way or working. And what we call it as LTI Digital WOW (Way of Working). It has got five things built in it – the first thing is you need to have cutting edge capabilities. It is full tech stack, ability to do things in the newer technologies that are coming up, mushrooming every single day. Second thing is next generation delivery models, how do you move away from the old models, etc., to Agile, DevOps kind of model. Third is extreme domain focus, what will you digitize unless you know the business processes in and out very well. Fourth thing is, everyone talks about platform but really what is key is the ability to provide business outcomes to the customers. And the last one is, you need to be Digital inside yourself before you can preach to somebody on how Digital they need to be. And all of these five things help customers do their next generation operations, transform the experiences, enabling new revenue growth engines or enabling new business models all together. Now, when you look at this there is no legacy anymore, people are looking at doing businesses using all these technologies, new ways of working, and business outcome related things on top of platforms that are existing or coming up every day to provide value. And while there are portions when you do things a little bit more onsite, but overall at a level, I think it is so broad-based that you can actually keep executing at the same onsite-offshore ratios. So that is why I gave you a long answer just to explain why I believe that it can actually be done at the same onsite-offshore ratio.

Ashish Chopra: Right, that is helpful. And just secondly from my side was on the Enterprise Solution. So since the segment has been particularly very strong, if you can just elaborate or just break it out into what solutions are particularly driving this traction and how would you look at the sustainable growth within this segment, if you think the current rate of momentum can be sustained going forward as well?

Sanjay Jalona: Yes. One, you've got to keep in mind that the India pass through also had licenses built in as part of our large program that we are doing. In addition to that when you look at new businesses I think SAP Cloud, the S/4Hana, etc., there is a tremendous opportunity that is there in the market place and it is only going to increase in the times to come. Oracle Cloud is doing well, Success Factors, Cloud apps, lots of areas where there are tremendous opportunities as they become more and more mainstream, everyone trying to do more and more things with them. And given where we are, we have invested very heavily. We talked about it two years back and we continue to invest in there. We will also see as banks do a lot of transformation, Syncordis will be helping us in this area with the whole T24 Digital suite from Temenos being implemented with the banks.

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

Apurva Prasad: Sir, my first question, with very strong acceleration clearly and the validation of strategy growth moving from 10% to now mid-teens, looking at the demand environment with the wins that you talked about and the ramp-up schedule, how would you qualitatively look at FY19? Would it be fair to say a similar growth momentum is sustainable?

Sanjay Jalona: Apurva, we do not give guidance, but I will give you enough flavor. I think obviously if you do the numbers you can easily figure that out. Last year we did 10% constant currency, this year obviously sitting where we are, you already know three quarters numbers and I have already said that we will have incremental growth ex-Syncordis also. So, obviously Syncordis full quarter revenues will come and we will definitely be in mid-teens. With the large deals that we have announced which will start ramping up from Q2-Q3 onwards, we are quite optimistic and focusing all our energies right now on H2 of FY19. So, we do feel excited about FY19 now.

Apurva Prasad: Sure. And just a follow-up to that, if you can highlight the verticals which are expected to lead growth in that?

Sanjay Jalona: Apurva, the entire company is built on focus, so what we do is just keep focusing on few verticals, few customers, few service lines that we have built an expertise on and just keep driving growth. Obviously, High-tech and Media & Entertainment will continue to grow, CPG, Pharma, Retail will continue to grow, BFS will definitely grow, Manufacturing will grow, actually everything will grow but you can take it in that order.

Apurva Prasad: Got it. Just a quick book keeping one, if you can give us split of the other comprehensive income for the quarter?

Ashok Sonthalia: Okay. So, it is largely the MTM of Rs 598 million which has gone to the reserves instead of P&L. Then there is a foreign currency translation reserve which is negative Rs.94 million and that are two broad heads of our other comprehensive income.



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- Moderator:** Thank you. We have the next question from the line of Sandeep Shah from CIMB. Please go ahead.
- Sandeep Shah:** Just on the large deals, you said this quarter means Q3 we have closed the large deals?
- Sanjay Jalona:** In Q2 we announced two large deals.
- Sandeep Shah:** So, Sanjay, now I think we are scaling up one of the best in the industry on the mid-sized players, so to continue this momentum on the scale up, do you believe internally you have set a target in terms of winning large deals each quarter and how we can do that?
- Sanjay Jalona:** Absolutely we have target, but I am not telling you that. Look, how do IT companies grow, they grow on top of large deals, they grow on top of large accounts and then they grow on top of opening logos that drive up the growth in 12 - 18 months down the line. And we will focus on all of them, we will focus on new age infrastructure deals, new age Digital deals, large analytics programs, large ERP programs and so on so forth. So there is a focus, there is a target, there are incentives for people to do large deals, there are incentives for people to break the mould of normal growth that we do on a yearly basis and do exponential growth within their portfolios. We reward people for performance.
- Sandeep Shah:** Okay. So, on a YoY in the market on the ground, you believe there are enough such deals and we can continue the momentum going forward? Because what we hear from some of the large peers, there are 'n' number of small size deals because of which your feet on the ground has to be much intensive. But do you also believe the large size deals are enough on the ground?
- Sanjay Jalona:** I think you are asking me a relative question. And with my 30 years working in this industry obviously things have changed over the years. But where we sit today, Sandeep, I think there is enough for us to actually keep posting meaningful growth in the market on a consistent basis. We have enough participation, obviously you need to go with a very sound solution, you need to go with a value proposition and not only a running solution but also a transformational solution to the customer. And that if we can meaningfully do this, your conversion rate goes up. So, where we sit I think there is enough for us to digest.
- Sandeep Shah:** Okay. And how should we correlate your \$800 million pipeline with \$1 billion pipeline which we had at the end of CY2016? So, is it the definition that has changed or is it we should not read too much into this?
- Sanjay Jalona:** Do not read too much into it, it is something which is incremental. Maybe we never tell this but I will say it anyway, a lot of pipeline actually is at the proposal stage.

Sandeep Shah: Okay, that is helpful. Just last two things Ashok, from the finance side in the cash flow statement there is a line item shown as credit support agreement with a positive amount, so is it an increase in the debt?

Ashok Sonthalia: So, what happens is we have these FX hedging lines with various institutions and with some of the institutions, we have credit support agreement. When the MTM goes up and down just to secure the credit, the actual flow of fund happens. But when that fund comes to us because the FX hedges are in gain that is a kind of liability for me. If the market moves, I will have to return it back. It is not really debt; the money does come to me which I effectively use for my operating purposes or investment. So it is not in the nature of debt, but these are the agreements which we have with some of the financial institutions just to secure that when we are in deep money we receive some money from these institutions as well.

Sandeep Shah: Okay. So, this is like a realized FOREX gain for you?

Ashok Sonthalia: I would not say realized, because this is still at MTM level.

Sandeep Shah: Okay. Just second question on your hedge strategy, what I understand is generally, we take a call in terms of premium to the spot rate and now if rupee appreciates, which we have seen, that premium may fall so this may lead to some change in your hedging strategy going forward?

Ashok Sonthalia: I do not think we are going to change hedging strategy and I think the consistency is a very core ingredient of the strategy with respect to hedging. So, if rupee appreciates, though we really do not share that view very strongly, but because our hedging strategy is not view-based rather a lot of things are done on the basis of rule, of course my hedge gains go up. But as I move forward and spot keeps on appreciating, gradually the average hedge rate will come down for me. But my hedge book which I am holding currently, I gave you the number of US\$800 million plus US\$100 million so roughly US\$900 million gives me enough long rope for next five to six quarters to kind of navigate entire volatility on either side of the rupee movement.

Moderator: Thank you. We have the next question from the line of Ramesh Mantri from White Oak Capital. Please go ahead.

Ramesh Mantri: My question is on the opportunity you see in Temenos implementations, we have seen very strong commentary from Temenos, particularly on Europe BFSI. Can you just talk of Temenos' competitive positioning versus competing platforms? And particularly the opportunity in North America, are you seeing the trend change in North America on banking transformations?

Aftab Ullah: So, from a Temenos standpoint, clearly T24 is positioned in the leaders' quadrant by all the analysts with regards to its ability to help banks transform. We think three sets of things are happening at the same time, one – slightly smaller banks going big bang, I think that is an

incredible opportunity mostly in Europe, but also in some other geographies. The second thing we are seeing very interestingly is banks opening up essentially a Digital brand, letting that scale up and then migrating their core bank under the new Digital bank. And a third thing we are seeing is the traditional SI-type work where banks go and rip core banking systems apart, this is as you might expect not that common, although it is still happening. We believe that Temenos has a great story and credentials across all three and relatively from a geographical standpoint hot in Europe relative to other places, but I am sure it will pick up.

Ramesh Mantri: And are you seeing similar activity, do you have outlook on North America BFSI on pickup in Digital transformation for large banks also?

Sanjay Jalona: So, they have been in this journey of Digital transformation, for a while. But Temenos is more in Europe and Asia Pacific and other geographies, Temenos does not have a strong presence in North American geographies. So, Temenos' focus is in Europe, Asia Pacific. Obviously this is a new capability for us, so we continue to mine Europe. There is a great opportunity, they grew double-digit last year. We are confident they will grow double-digit this calendar year as well. There is enough and good pipeline and the kind of conversations that we are engaged in is very exciting. We are also investing and going to invest even more in enhancing the capabilities, so we can enlarge the footprint of Syncordis in the geography even more.

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

Gaurav Rateria: Just two questions. Firstly, have we seen any change in the conversion cycle or the decision-making cycle for the large deals compared to few months back or a few quarters back?

Sanjay Jalona: Okay. Broadly everyone is trying to expedite and crunch down the time on the deals compared to what it used to take some two years, one and half years and so on and so forth. So, we are seeing the large deals first, they are smaller in size because of the nature of new technology and what you can do with them. Secondly, the crunch time, as people have understood how to do these deals from sourcing point of view, they are trying to do it in a very crunched manner.

Gaurav Rateria: Sure. And secondly, just wanted to understand that with the changes in technology the service offerings will have to be transformed and every company is in the process of that. Is it a fair way to look at that, the transformation in the form of Digital as percentage of revenues or there are other ways to look at each of the service offering, how much it has transformed and how much it is still aligned to the older technologies and legacy ones?

Sanjay Jalona: No, I think customers will only give you business on what is available and what is bringing the maximum amount of efficiency or helping them launch new products in the market place or expediting the new revenue growth channels and so on and so forth. And core of our service

offerings and enhancements is an integral part of the journey that we started three years back. LTI always had very strong IPs, strong capabilities in the area that we operate in. For example, if you look at our SAP, our SAP profile is next to none, it is really top-class. Our entire Mosaic thing, we have beaten the best and the brightest from large companies, global SIs when we go to the market. So, enhancing the capabilities on each and every service line has been a key journey point for us in the last three years specifically, because if you do not have the base capabilities you cannot talk about what is most important for customers, which is to provide amplified outcomes to them. So that is what we have focused on as an organization.

Moderator: Thank you. We have the next question from the line of Shashi Bhushan from Axis Capital. Please go ahead.

Shashi Bhushan: In terms of the way this quarter played out for you, were you positively surprised by the growth and what led this positive surprise, is it like few large deal ramp-ups or was it more broad-based first half?

Sanjay Jalona: You should just read what I say. I have said, we have won the deals and even when we talked in the last quarter and analyst day, I said that H2 will be better. So you should have definitely known that we are well set for these. The way these have happened is obviously the ramp-ups on the deals that we closed four quarters, five quarters back that we had announced earlier, obviously continuing to focus on large accounts and opening new logos.

Shashi Bhushan: And just last one from me, did we see similar build up in our pipeline also, the way the deal ramp-up has happened?

Sanjay Jalona: Yes, pipeline, the quality of conversation that we are having with the customer continue to be strong, as we talked about a good pipeline, qualified pipeline, good conversations happening. And with the deals announced last quarter in Q2 which will start to ramp-up in Q2 and Q3 of FY19, our focus is really on H2 of FY19 to help some of the deals that we have currently in the pipeline, and push them through and drive up the entire FY19 growth.

Moderator: Thank you. We have the next question from the line of Deepesh Mehta from SBICAP Securities. Please go ahead.

Deepesh Mehta: Sir, just one question about the pass-through revenue, whether it has any implication on our reported margins?

Sanjay Jalona: Yes, of course.

Deepesh Mehta: Just want to understand and what are the plus and minus during the quarter for adjusted margins?

Ashok Sonthalia: I will give you some broad numbers, I will give you flavors. Pass through had about 60 basis points adverse impact on our margins which got compensated with the improved utilization which gave us about 30 basis points, we could do better SG&A management which also gave us 90 basis points. Of course, currency was also adverse this quarter, 30 basis points. And then I have mentioned in my opening remarks that lower number of working days, etc., got offset by net realization. So that is the construct. To answer your question specifically, pass through does have a negative impact of 60 basis points in this quarter.

Moderator: Thank you. Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Sanjay, just wanted your thoughts on the broader market because I understand we have a very far improved sales rhythm and the deal wins are quite decent in terms of ensuring revenues for the first half and so forth and we chased the second half of next year. But are you seeing a broader market uplift, broader market perspective that should actually drive some positivity incrementally over and above the sales rhythm that you already have?

Sanjay Jalona: I think I answered this question or I will try to summarize this. Yes, we actually never felt that the market was bad, we have continued to say that all the time. I think it is important to have conversations and the right conversations have helped us in last many, many quarters. But you are absolutely right, the global economy if you really look at it and the way they are growing, including the US, which probably will do 3% growth, that gives a lot of confidence to enterprises to do businesses effectively. Enterprises are reporting good numbers, they are doing well. So, where we stand today, I think the point is opportunities are always there in this new world and we continue to chug along well. So that is the way I look at it.

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

Rahul Jain: If you could break this high growth that we are expecting in terms of what is the client budget growth, what is the new win contribution, and what is scope growth or wallet share wins, if you have to break this up into just three classifications? And is it coming at the cost of Indian peers as well?

Sanjay Jalona: Rahul, it is a combination of all of these and you compete in a world which is fiercely competitive. It is all about the value that you bring on to the customers and that is what we are doing.

Moderator: Thank you. We have the next question from the line of Ankit Pande from Quant Capital. Please go ahead.



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Ankit Pande: Sir, my question is around the large deals, is there an execution lag of four quarters along expected lines as far as decision making speed is concerned and particularly with a view that this is in Europe of course. May we expect a change in the decision-making strategy if things were in the US? And a follow-up or a kind of a light question is with our E&U deals that we won in Q1, the large deals there and our progress there?

Sanjay Jalona: I think the first question was on large deals and how long do they take to really ramp-up. I think its called large deals because one, the transition happens over days and phases, it sometimes takes anywhere from one and half to two and half quarter to totally ramp-up in the support kind of environment and run the business. But the programs and the discretionary works take a little longer for it to ramp-up. So, yes, it is quite normal, nothing has changed the world over, it is quite normal for you to actually see the full benefit of the deals coming up in three to four quarters' time.

Ankit Pande: In the US, particularly with the changes you expect with business decisions being made quicker?

Sanjay Jalona: I do expect these business decisions to be quicker and that is because the deal sizes are a lot smaller than they used to be. We are seeing rapid decision-making compared to what it used to take few years back.

Ankit Pande: And anything on E&U, large deals that we had in Q1?

Sanjay Jalona: I think we are ramping up well. You are seeing some of the numbers being reflected there, despite ups and downs that we have seen in this sector we have done alright.

Moderator: Thank you. Ladies and Gentlemen, this was the last question for today. I now hand over the floor back to the management for their closing comments. Over to you, sir.

Sanjay Jalona: So, folks, thank you very much for your support, thank you for being at our Analyst Day. We continue to be excited, we see enough opportunities in the market place. Look forward to speaking to you in next quarter. Take care. God bless.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of L&T Infotech, that concludes this conference call. Thank you for joining us. And you may now disconnect your lines.

(This document has been edited for readability purposes)



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