

**TO ALL STOCK EXCHANGES**

**BSE LIMITED  
NATIONAL STOCK EXCHANGE OF INDIA LIMITED  
NEW YORK STOCK EXCHANGE**

January 14, 2020

Dear Sir/ Madam,

**Sub: Transcripts of the press conference and earnings call conducted after the meeting of board of directors on January 10, 2020**

Please find enclosed the transcripts of the press conference and earnings call conducted after the meeting of board of directors on January 10, 2020. This is for your information and records.

This will also be hosted on the Company's website, at [www.infosys.com](http://www.infosys.com)

Yours Sincerely,  
For **Infosys Limited**



**A.G.S. Manikantha**  
Company Secretary

*Encl: As above*



## “Infosys Press Conference”

January 10, 2020

### **CORPORATE PARTICIPANTS:**

**Nandan Nilekani**

*Chairman of the Board*

**Salil Parekh**

*Chief Executive Officer & Managing Director*

**U.B. Pravin Rao**

*Chief Operating Officer and Whole-time Director*

**Nilanjan Roy**

*Chief Financial Officer*

### **MEDIA**

**Rahul Dayama**

*ET Now*

**Mugdha Variyar**

CNBC

**Agam Vakil**

*BloombergQuint*

**Surbhi Prasad**

*Cogencis*

**Shilpa Phadnis**

*The Times of India*

**Sangeetha Chengappa**

*The Hindu BusinessLine*

**Furquan Moharkan**

*Deccan Herald*

**Debasis Mohapatra**

*Business Standard*

**Swathi Moorthy**

*Moneycontrol*

**Ayan Pramanik**

*Economic Times*

**Jochelle Mendonca**

*The Economic Times*

**Sharon**

*IANS*

**Derek Francis**

*Reuters*

**Ayushman Baruah**

*Mint*

**Saritha Rai**

*Bloomberg*

## **Moderator**

Good afternoon everybody and welcome to the Infosys Quarterly Press Conference. My name is Mehak and I am looking forward to being with you and taking you through the next half-an-hour or one hour. As all of you might know Infosys just made two separate announcements to the exchanges just now. Accordingly, this press conference is going to be divided in two parts. For the first part, our Chairman, Mr. Nandan Nilekani will address your queries regarding our investigations findings around the whistleblower report and for the second part we will as usual discuss our financials for the quarter. With that can I please invite Mr. Nilekani. Over to you Nandan!

---

## **Nandan Nilekani**

I just thought I will spend some time on the investigation. As you would have seen from our press release, the Infosys Audit Committee finds no evidence of financial impropriety or executive misconduct. We have had a long investigation. The total number of interviews done by the investigation team, which consisted of the Independent Legal Counsel called Shardul Amarchand Mangaldas and the auditing firm, PricewaterhouseCoopers has done 128 interviews with 77 people, identified 46 custodians for all the relevant documents and data, reviewed over 210,000 documents from electronic and other sources and the total data, which they have processed, is 8 terabytes. I am sure you will be impressed with that. So, the period of investigations was from January 1, 2018 to September 30, 2019.

As you can see it was an exhaustive and rigorous investigation and no limitations or restrictions were put on the investigation teams, access to information and all the companies, its directors and employees cooperated fully, through complete open access so that they could talk to anyone, meet anyone, read any e-mails to make sure that there is no confusion and therefore this conclusion that there is no evidence of financial impropriety or executive misconduct is only after such a thorough job and I also want to place on record our appreciation of the audit committee and the Chair, Mr. Sundaram as well as the General Counsel Inderpreet who supported and commissioned this and made sure that it went very well. As you know, we began the investigations, the appointment of Shardul Amarchand Mangaldas happened on October 21 and it took all this time to make sure that they do a thorough job.

Now I am very happy that after such a rigorous investigation the audit committee has found no wrong doing by the Company or its executives and I think I am happy that CEO, Salil Parekh and CFO Nilanjan Roy have emerged from this stronger, they are people who are thorough professionals, they have come here to make a difference, they have already made a difference. The last two years since Salil has been here the company has changed dramatically for the better, you can see the intensity that we now have in the business, you can see the sense of alignment and purpose of our leadership, we can see the fact that we are first at every customer to close deals and all that is thanks to the leadership of Mr. Salil Parekh. We always knew that this was going to be like that, but this report has validated it and it is also important that we move forward now. I think all of us at Infosys have emerged stronger and more united after this episode and we are even more resolved to make sure that we continue to deliver and exceed business expectations. So, this is just to lay it out. You will also notice that we have a very detailed press release, which takes each allegation point by point and gives the status of that accusation. So in effect it is practically like having the whole report in your hands, it is the report extracted without all the other packaging but the main conclusions of the report are all here and we have taken the allegations, which essentially spanned three or four documents, which covered various aspects and we have covered both the matters related to the Company as well as all the allegations concerning the CEO.

I think you will see that it is very thorough. I would say in every case really there is nothing. There are a couple of points, which came up one on the treatment of a contract whether it is done one way or the other, this is the way arcane accounting thing and even the audit committee has viewed this observation regarding the decision to follow something called percentage of completion method and straight-line method, I am sure all of you know auditing so you will understand what this is about, the audit committee has taken a clear view on that and there is another reference to some matter of non-accounting of a provision, which is a very minor provision of 0.02%, which is neither qualitatively nor quantitatively material and we have also taken a view on that. So, you can see that this has been a thorough investigation. Also, we must take pride in the fact that after such a rigorous investigation, after going through 210,000 e-mails and so many terabytes of data and if this is the result and done independently, I think it is a credit to the people of Infosys, it is a credit to the leadership and it is a credit to the value system that is there in this company, it is a credit to our Finance Department, because the Finance Department led by Nilanjan and Jayesh with Sachin and Sandeep and Deepak and

Amrita, there are so many people out there, who have done a great job. They have had to deal simultaneously with the challenge of closing the books for the third quarter as well as making sure that they were available for this investigation. So, I think it is a tough job, Infosys closes its books within nine days of the quarter closing, we operate out of 30 countries, 60 subsidiaries, it is a complex organization, millions of transactions and all this has done in nine days which is itself a tribute to the strength and resilience of our Finance Department and on top of that they have had to deal with all these investigations. I think they have both done that well, so I have applauded them and as I have said before they are fine professionals, they are people of high integrity and this report has validated and gratified their caliber, integrity and sense of purpose.

I will stop now and I will be happy to take questions. Now all the questions, the answers will be exactly what is in the press release. If you guys think that you are going to get something more out of me, it is unlikely to happen, so you are welcome to ask, but we will conclude that quickly and then I will hand over to the real purpose of this, which is the business of the company. So with that I will be happy to take questions.

---

### **Rahul Dayama**

Happy New Year to everyone. Sir, the year clearly has started on a good note for Infosys apart from the probe report, the revenue guidance also which will be put to the management. Two questions to you even while the concerns have been laid to rest with this audit committee report, the SEC investigation is still underway, that has been indicated in the press release. So concerns will still remain, it is not a clean chit so to say until the SEC report is out and secondly, would this require you to now stay longer at the Company as the Chairman to continue to instill confidence among the management, employees and clients and media also?

### **Nandan Nilekani**

First of all, let me say that we work with a large number of regulators and stock exchanges. India regulator is the SEBI, US regulator is SEC, we are listed on three exchanges, many other bodies, NFRA and so on. So we are in constant touch with all the regulators and other agencies, we are giving them full cooperation, we are keeping them fully up to date and we will take those discussions to their logical conclusion. So, I would not like to give any conjecture on that, but all to say that we are comfortable. This has been a very thorough investigation. It has

been an unvarnished, full access, full cooperation investigation, as you can see from the press release, it is a detailed press release, every finding of the committee has been put out in the public domain, so we are absolutely clear that this is a good report and that it takes us forward and we will cooperate with the agencies as and when required, no issues. I have always said that I will stay as long as I need to be here, that hasn't changed.

---

**Mugdha Variyar**

Mr. Nilekani, there are certain class action lawsuits expected against Infosys. Firstly, will you be open to a settlement with respect to that and also on the SEC investigation, what is the timeline that you are going to work with and finally though we have seen a clean chit here, are you going to relook or revise the disclosure policy or whistleblower policy going forward now?

**Nandan Nilekani**

First of all, we cannot predict how long it will take for the regulators on this matter because we do not decide the timelines, the regulators decide, so I am not in a position to tell you how long it will take, but whatever it is we are there, we are there to fully cooperate, we will engage with them, we will provide them all access to all the information and based on what we have seen so far, I am confident that it will be okay, but let us wait for that to happen. As far as policies are concerned, it is early to discuss about how we will look at this from any point of view, but we are committed to a disclosure policy, which as the highest levels of transparency and we will continue to do that and exceed that and as far as the whistleblower policy is concerned, we will take a look, there is nothing that we can say at this moment.

---

**Agam Vakil**

This is Agam here from BloombergQuint. Because when a whistleblower allegation comes in, it does cause a lot of volatility in the stock. So, my question then is that it takes some time before these allegations are proved to be unsubstantiated, but in the meantime are there any lessons that you have taken from this incident and are there any measures that the company is already thought of that could be changed and of course you have already spoken about change in whistleblower policy?

**Nandan Nilekani**

I did not say anything. She said changes, I said nothing.

**Agam Vakil**

So, in that case are there any lessons by which we can actually reduce the volatility because there is also always a possibility that there could be more allegations in the future?

**Nandan Nilekani**

Well, first of all when we look at the series of events, which happened, I think we received that on September 30, 2019 right - the whistleblower - and then we followed a series of actions. What we did was absolutely the right thing to do. We are very clear that we followed the highest standards of corporate governance, we followed the higher standards of disclosure and as we said then and we are saying now when you receive a whistleblower it is our obligation to examine it and get back to you on the results which is exactly what we are doing today. Now if the whistleblower chooses to put it into the media then you really have to ask what is going on that is for you to ask, I am not going to ask that question.

---

**Saritha Rai**

Nandan, one of your statements last year was Infosys is boring again, so there seems to be really no chance of Infosys becoming boring ever considering that there has been only an increase in intensity of whistleblower allegations and complaints and all of that...

**Nandan Nilekani**

There is no particular evidence that the intensity is higher, lower or same, how do you say that.

**Saritha Rai**

Well, look at the number of allegations that are coming in rapid every year.

**Nandan Nilekani**

Every year?

**Saritha Rai**

Yes, almost every year

**Nandan Nilekani**

Every two years.

**Saritha Rai**

Last two or three years it has been like okay, so it is every two years...

**Nandan Nilekani**

This is season three of this Netflix series.

**Saritha Rai**

Yes, is there any chance at all that...

**Nandan Nilekani**

There will be a season four?

**Saritha Rai**

Season four is a definite, I think going by your track record, but what I am saying is all of this detracts from the actual business, running of Infosys so what is your plan?

**Nandan Nilekani**

Obviously, I cannot say if there will be another season of this. I am not the producer of these episodes, but certainly it is a distraction, there is no doubt about it. I explained to you already that our Finance Department which has nine working days to close the books, have to close the books and at the same time they have to deal with these things, obviously you are doubling the load and it is not easy for any human being to be subjected to interrogation of this kind. So, it has other implications about how people think about it, obviously about how the investors view it, how customers view it, so we all agree that these episodes have their ramifications, but I cannot say whether production is over or not.

---

## **Shilpa Phadnis**

Sir, this entire whistleblowing mechanism has devolved into a tool to cry wolf and just to rock the boat, just wanted to understand from you, this was not there a few years back, but off late if we get to hear whistleblowing and then wealth erosion of investors so what are the checks and balances that you want to put in place to ensure that these episodes do not happen and how do you also manage a lot of disgruntled employees in the system, who have access to data, how you have actually restricting data access and that getting onto media?

## **Nandan Nilekani**

First of all, assuming that this was done by disgruntled employees itself needs to be examined, so I would not make that assertion. It could be done by anybody. It could be done maybe by employees but equally possibly it is done by somebody outside. So, I would not get into a conclusion about that. Second point is that the whistleblower policy especially for a US listed companies get a lot of protection for whistleblowers, rightly so because of the worries that the companies will do something to the whistleblower and therefore there is a lot of protection that the policy provides, which we respect because we really want to expose genuine fraud and so on then I think it is important to have that. At the same time, I am not saying about this episode as such but in general you can also have the weaponization of a whistleblower policy, right? So, that is also possible. Now this is not an uncommon thing in India. If you look at the Right to Information Act which is a very noble thing, it is mostly used by the guys to find out why the other guy got promoted, so that is also an example of using a high sounding thing for some basic thing or if you look at the public interest litigation usually they tend to be private interest litigations, disguised as public interest litigations or their publicity interest litigation. What I am saying that everything that you put in as a thing to manage or to provide has its distortions, has its dystopian version, so we are not the guys to decide this we can decide a whistleblower policy at our level, but our whistleblower policy is ultimately a function of the laws in the India and the laws in the US where we are listed, so we have to find that balance but if there is somebody weaponizing it we cannot do much about it.

---

## **Sangeetha Chengappa**

While the investigation has been exhaustive on what basis can it be said that it conclusive especially since the group did not give you access to the e-mails and voicemails of what transpired?

**Nandan Nilekani**

Purported e-mails and voicemails, how do you know they are there, there are ostensible e-mails and voicemails but they are welcome to give it, if there are e-mails and voicemails because as we said in our statement in November we have no evidence, nor has this investigation, which has gone through 210,000 e-mails and 8 terabytes of data, they have not found any evidence. Now if somebody actually has e-mails and voicemails, which are purported to support this, they are welcome to give it to us or give it to our investigators, they have not done that so if you do not receive that, what conclusion do we come to, they are most welcome to give it, we will examine it or if they do not feel they should give it to us, they can give it to our investigators who have been around for three months.

---

**Furquan Moharkan**

So I wanted to ask basically now that, this seems to be very exhaustive investigation.

**Nandan Nilekani**

Thanks Moharkan I appreciate your supportive statement.

**Furquan Moharkan**

Basically I wanted to know now that Infosys, the independent investigation is over, but the SEBI and the SEC investigation is still going on as we are talking, so are you planning to share the full report of the investigations with the regulators as well now?

**Nandan Nilekani**

No, as I said when I began I cannot comment on their investigations or what they are doing, it is for them to comment. Our job is to provide full cooperation and support and access to all the data, all the e-mails, all the people involved. We will do that with every regulator under whom we come.

---

**Debasis Mohapatra**

I have two questions. First I may sound a little outrageous but I want to understand that as a non-executive chairman are you actually worried about the facts that if this kind of allegations relating to corporate governance crop up frequently then an activist hedge fund can take position and can force you to change the way you do business. We have seen this kind of instances in US. And your FII holding is very high and you are regarded as a company who has a corporate governance of gold standards, so as non-executive chairman are you actually worried? Secondly, I want to understand that why from percentage, I know PC method to SLM or SLM to PC though it is very minute and is not material, why it has not been flagged up by E&Y or I think, E&Y is your auditor though it is very immaterial?

**Nandan Nilekani**

Please read what we have said, basically either method can be chosen, in the bulk of the cases we choose the SLM method; however, in some contracts, which has certain attributes, the company chooses the POC method so both the SLM method and the POC method are part of the policy of the company. By the way if you thought three economists have seven opinions, three auditors have 13 opinions, it is a joke, I hope the auditors do not get mad with me. You have now constructed these things so it will take me time to digest that and respond.

---

**Swathi Moorthy**

Sir you did not answer the question about the lawsuit?

**Nandan Nilekani**

The class-action lawsuit? We have mentioned that in our press release that it's been filed. So, we will deal with it at the right time.

**Swathi Moorthy**

Okay and couple of questions from my side. Sir, there have been concerns about, so this is the second big whistleblower allegation?

---

**Nandan Nilekani**

Tell me which season it is. Shilpa which season is it, season three.

**Swathi Moorthy**

So there have concern about the board weakness

**Nandan Nilekani**

How do you conclude from this the board is weak?

**Swathi Moorthy**

Not me.

**Nandan Nilekani**

Then who is concluding.

---

**Swathi Moorthy**

Experts or the people.

**Nandan Nilekani**

Which expert is concluding? So you cannot just make a statement that the board is weak.

**Swathi Moorthy**

I did not say, there have been concerns in the board

**Nandan Nilekani**

The board is perfectly good and very strong.

**Swathi Moorthy**

Okay, second is a lot of employees feel that the company has not reached out to them.

**Nandan Nilekani**

I do not agree with that. You may talk to our HR people, talk to Richard Lobo, Nanjappa, Neha, there is massive outreach happening in this company, I do not agree with that at all.

**Swathi Moorthy**

What kind of outreach are you talking about?

**Nandan Nilekani**

Richard, will you tell about the outreach or may be Praveen will talk about it in operations.

**Swathi Moorthy**

This is some concern I have.

**Nandan Nilekani**

Is that coming from some expert or somebody else.

**Swathi Moorthy**

From the employees, they have been saying that so much has happened, and the people have been raising question to us, but the company has not come forward and given any kind of clarification as to what was happening.

**Nandan Nilekani**

Which issue now?

**Swathi Moorthy**

This particular whistleblower concern I am talking about.

**Nandan Nilekani**

---

Please understand. This whistleblower stuff was landed on our desk on September 30, 2019 then it had to go through all the process, then we issued a statement on September 21, 2019. We appointed the firm Shardul Amarchand Mangaldas on September 21, 2019. Now when an investigation is in process, this is not a T20 match, we cannot give running commentary right? We have to wait for the investigation to get over and then give the results, which we have done today. I have made a statement on September 22, 2019. Praveen sent a mail to everybody.

---

**Moderator**

Our next question is from the Economic Times.

**Jochelle Mendonca**

Just one question. Sir the ostensible evidence was given to the SEC about two or three months ago and you have been taking to the SEC since then, have you gotten any sense that the evidence exists or has the SEC brought up any e-mails or voice calls in the conversation that they are having with you given that cooperation is so open?

**Nandan Nilekani**

No, I do not know whether you are aware of how they do it but they neither confirm nor deny anything, so we have no idea whether they have it, do not have it, if it exists at all. That is why we are suggesting that they give it to our investigators so that at least they can check it.

---

**Moderator**

Our next question is from IANS.

**Sharon**

Can you please tell me why did Infosys wait for the ethical employees to approach the media?

**Nandan Nilekani**

First of all ostensible ethical employees, how do you know they are ethical employees. First, be clear about it when you ask a question.

**Sharon**

That will come out later on.

**Nandan Nilekani**

No, but you cannot say that just because somebody say I am ethical employees, they are ethical employees, people who claim to be ethical employees have said that, okay you get that straight.

**Sharon**

Okay so why did you wait for them to approach the media rather than you yourself telling the world.

**Nandan Nilekani**

No, first of all let me explain something about whistleblower policy. When a company receives a whistleblower complaint, it is duty bound to take it on record, do a thorough due diligence, doing investigation and then put out the report, which is what we have done. It is not the job of companies to take a whistleblower complaint coming every morning and issue a media release because that is going to create a whole new set of issues, so we did absolutely the right thing.

**Sharon**

Does not it mean that those employees must have got frustrated because

**Nandan Nilekani**

How do you know they are employees?

**Sharon**

We do not know, they are asking for a clarification.

**Nandan Nilekani**

Please see as purported employees

---

**Sharon**

Those purported ethical employees. Have you identified any of those and if you have done are their jobs safe in Infosys?

**Nandan Nilekani**

No, we have not identified any employee. We in fact believe that our employees, certainly our Finance Department is of a highest ethical standards and they are good people, so we do not think we have anything to do with this. So I think it is for you to figure out who has done it. That is what journalism is all about, you have to do investigative journalism. First of all how do you know they are in Infosys, how do you know that? How do you know that they are employees of Infosys in the first place on what basis? It may be 1% chance. First of all please understand that the whistleblower policy is also clear and the laws are clear that you do not go out looking for whistleblowers, then it will vitiate the purpose so we are not going around looking for whistleblower, we have no intention of finding them or do anything about that. I am just asking you to not go by just reading what you read and see whether is it really employees or is it somebody else claiming to be employees just check that out and that is your job as a journalist.

---

**Moderator**

The final question from Reuters.

**Derek Francis**

You told us a little while ago that you are planning to stay for as long as needed, I wanted a little more clarity on what that means, what is as long as needed mean and what are your objectives on the allegation and ongoing investigation?

**Nandan Nilekani**

Investigation is over, we have just put out the report.

**Derek Francis**

---

SEC is still investigating, so I want to know what is your own objectives are because you said that you are still trying to stay on for as long as needed I want to know what that means first and what is your objectives going to be?

**Nandan Nilekani**

Two different questions. As I said the investigation as far as we are concerned is over. As I explained earlier also the investigative agency and the auditors have done a very thorough job, they have been given full access and they have been doing this for weeks, in fact many of our people have not taken vacation because to make sure that they are available for this, so it has been quite an experience for all our team as well as for the investigators. As far as we are concerned the investigation is over. Now the separate issue is that we will engage with our regulators and we give full cooperation, I cannot take a guess on when that will be, how it will be and all that. Coming to my thing as I said I will be here as long as necessary and that stays.

---

**Swathi Moorthy**

Jayesh Sanghrajka, who is the Deputy CEO. This is from the Infosys investors. There has been consensus that he was supposed to go out and then he came back, so it is very suspicious.

**Nandan Nilekani**

What is your suspicion?

**Swathi Moorthy**

What had transpired, he was supposed to quit and then he joined back?

**Nandan Nilekani**

You are asking in a different level. Now you are asking what is in a somebody's mind, what happened, how can you operate like this. As far as I am concerned Jayesh was here, Jayesh is here and that is it.

---

**Rahul Dayama**

The sense we get really is, you are not ruling out an outside hand in that.

**Nandan Nilekani**

I did not say that. I said when you deal with such allegations do not quote literally from it and treat that as a truth. So if somebody says ethical employees do not assume it as an ethical employee.

**Rahul Dayama**

You are not ruling out an outside hand?

**Nandan Nilekani**

You should think about these things. Your job is not to take everything at face value right.

**Rahul**

We get the hit. Thank you.

**Moderator**

We have one question from Furquan.

**Furquan Moharkan**

When this investigation summary talks extensively about the financial allegations, there were couple of more charges in the whistleblower's letter if I remember properly then there were couple of racism charges?

**Nandan Nilekani**

The last item in the CEO's conducts talks about the fact that there is no evidence of the statements he has supposed to have made.

---

**Jochelle Mendonca**

Just a clarification on the outsiders when you said because

**Nandan Nilekani**

Did not say outside or inside. I just said do not take a statement at face value that is all I said.

**Jochelle Mendonca**

No actually they said there is a 50% chance that there could be employees you said that they may not even be a 1% chance.

**Nandan Nilekani**

No, I should take that statement back, I cannot predict what is the probability. All I am saying is we should not take a statement in a document at face value that is all I said.

---

**Debasis Mohapatra**

All the market analysts are saying that whenever the P/E multiple touches 20 there is some kind of event that happens, and your P/E multiple comes down to 17 or 18

**Nandan Nilekani**

That was good one, so what you are saying is we should keep our P/E multiple below 20, we will have no problem, which is what you are saying. This is a new angle and again let me digest it.

---

**Moderator**

If we have no more questions, I will thank Nandan for taking out time and answering all the questions very comprehensively. Thank you so much Nandan. We move on to the real stuff, our quarterly results for the third quarter and May I please invite our management, Mr. Salil Parekh, Mr. Nilanjan Roy and Mr. U. B. Pravin to join us here and over to you Salil after this! Shall I please reemphasize that in this segment we will be answering no questions regarding our investigations of the whistleblower complaints. This section is purely dedicated to our financial performance in the quarter gone by. Over to you Salil.

**Salil Parekh**

Thank you Mehak and thank you Nandan and thank you all for being here. Before I share the update for our strong quarterly results. I want to share a few remarks. I would like to thank the Board and Nandan for their trust in the way we are driving the business and for the conclusion of the investigations where you heard everything you did from Nandan, which showed no financial impropriety or misconduct. I would like to thank the employees of Infosys and our leadership team who have been steadfast in their support of me and the work that I am doing here. I would like to thank my family and friends for their guidance through the last few months. They have been the pillar of strength for me. Going forward my objective remains to continue working with commitment and integrity and with inclusiveness. I look forward to working with the clients in helping them transform the business for the new digital future and in the process build the Infosys for the next decade.

With that let me get on to our business updates, you got the press release. As we share there, we have had a very strong quarter. We have had growth Y-o-Y at 9.5% constant currency, digital growth over 40%, over 40% of business now digital, operating margin at 21.9% and our attrition now down, the voluntary attrition down at 15.6%, large deals at \$1.8 bn and very strong cash collection in the quarter, so I am very delighted with the results. We are excited by the opportunities in front of us and as a consequence, we have also raised our guidance, which you would have seen in our press note, so we have gone to a revenue guidance of 9% to 10% constant currency growth to 10% to 10.5% growth in constant currency for revenue while maintaining our operating margin guidance. So with that I will pause and obviously hand it over to you for questions, Pravin, Nilanjan and I are here to address those questions. Thanks.

---

### **Moderator**

Thank you Salil. We will begin Q&A. Off you go Rahul.

### **Rahul Dayama**

You do feel vindicated by what has happened, you started off your statement also thanking the company and your friends and family standing by you, could you talk to us about the support that Nandan Nilekani really had in you because right on when the whistleblower complaint was out and you were addressing analysts, he did say that he stands by you firmly. Could you take us through that, it has been a turbulent quarter, but in spite of that you are coming back with

optimism, the business double digit growth as far as revenue guidance is concerned also after a long time, how turbulent was the quarter for you personally and then I will move ahead with business. I am sorry I have to ask you before I go to the business.

**Salil Parekh**

As I had shared earlier and as everyone has shared before, the board and Nandan have been extremely supportive, so I am really grateful to them and I think our leadership team has worked exceptionally well. So in many ways what we focused on was our clients and our business and fortunately that has shown in the results that we have and we continue to see that momentum in the market. We were discussing within our team just a couple of days ago what our pipeline looks like as an example and we have an extremely robust pipeline driven by our senior executives and our segment leaders and our two Presidents, so it is a real delight. Clients are appreciating the focus that we have in the market in our digital work, but also in our automation and AI capabilities, which is all around so overall fairly strong.

---

**Rahul Dayama**

If you could elaborate on the revised guidance, of course the large deal wins, could you decode those factors where you are seeing this massive green shoots that is giving you, because the sense from analysts also was this is the surprise expecting you to broaden the guidance, but you narrowed it down and that too at an upper end of the double-digit one, two to three strong factors that is giving you that optimism?

**Salil Parekh**

The thing as you might recall when we started the year, we started with a view of what was clear to us then. As the year progressed and because of the strength of our large deal wins and our digital momentum, we were able to at this quarter clearly see that in our Q4 we have the support from our clients to raise the guidance, so there is no one sort of element, you will see and Pravin will share with you in a bit, may be in Q&A, we have several of our segments growing in double-digit already and so we feel those will obviously support us as we go through the rest of the year and it is only one more quarter, so as we close out the year we have obviously, the visibility in one quarter is always better than the visibility of four quarters.

---

## **Rahul Dayama**

Nilanjan to you on the margins really, the weak rupee has also sort of played a role apart from of course the various cost optimization measures that you have undertaken, could you elaborate on those cost measures, what has really borne fruit and what levers do you really have going ahead because even while you have hiked the revenue guidance, the operating margin band still remains intact for the financial year?

## **Nilanjan Roy**

As we know we started the year and the trajectory which we came off in Q4 and as we built up the expectation for this year between 21% and 23%, we were very, very clear that the cost optimization track which we had put in place at the beginning of the year would bear fruit as the year would progress. So we have between the three quarter, where we progressed from 20.5% to 21.7% to 21.9% and have ensured that our margins continue to grow. We are doing a lot of work. If you recall in the analyst meet, we are doing a lot of work on the entire pyramidization both on onsite and offshore, how we are doing automation and lean and taking out more and more people and deploying them to other projects, a lot of work happening on operating leverage as well on SG&A cost, we are looking at RPP like we mentioned so a host of tracks we have taken up and I think during this quarter, I think while you mentioned about the currency about the percentage versus rupee depreciation, we got about 30 BPS, but 20 BPS of that was actually negated by our IFRIC and hedges so finally, from a margin perspective if I see 10 BPS flowed into margins, we got about 50 basis points improvement from our cost optimization and we lost about 40 BPS because of an utilization and RPP decline, the utilization was slightly down this quarter because of seasonality so that was largely the margin movement.

---

## **Moderator**

The next question is from CNBC

## **Mugdha Variyar**

Firstly, congrats on the quarter and also the investigations report as well. I want you to ask you specifically on BFSI and Retail, they still look sluggish, when do you see a revival in this and given that this year we also going to see some geopolitical issues, this is also the US elections

year, how you are looking at clients spends and their budgets, how do you see the deal pipeline also going forward?

**U.B. Pravin Rao**

I can probably start with the BFSI and Retail. BFSI this quarter has been fairly sluggish. It has been flat this quarter, YoY about 6% plus. We have seen more than expected furlough impact and we also have seen some degree of slowness in the banking, particularly in Europe partly because of the uncertainty over Brexit and other stuff, but thankfully, despite all the headwinds, we have also seen some growth in the North American side of the business as well. So, we expect at least in BFSI space may be some degree of volatility and softness for the coming one or two quarters, but we are confident of our own credentials in this space because we have a diversified portfolio and as and when there is spend out there, we are extremely confident of capturing it and in fact in the last few quarters a big percentage of the large deal wins has also been from BFSI segment, in fact even this quarter out of 14 large deal wins about 7 were from BFSI segment. CRL after a long time we saw some growth this quarter on QoQ basis. For the year obviously it has been pretty tough year. Retail, we are hopeful that we will probably see some better growth in the coming quarters, but it is one segment I keep on saying will continue to be volatile because it is purely dependent on the consumer segment and we continue to see a record number of store closings and so on. On hand we will see some spend there at the same time, we also see them struggle on the cost and struggle to be competitive so we expect some degree of volatility in CRL as well though this quarter after several quarters, we saw some growth coming back.

---

**Mugdha Variyar**

Nilanjan to you, the margins are kind of a miss this quarter, so you have not changed the margin band really, where do you expect to close FY2020 in this margin band that you have set?

**Nilanjan Roy**

21% to 23% is more like an operating band so we do not really change our margin guidance during the year, so we are now at 21.4%, which is firmly within the band so there is one quarter to go and we are quite confident we will stay within the band.

## **Mugdha Variyar**

Salil lastly, the Street is still expecting that Infosys will deliver on a 11% growth though you have been conservative and put it at the upper band at 10.5, do you expect to beat that guidance?

## **Salil Parekh**

It is difficult to change the guidance when you just give a guidance, but the street has its own set of expectation. We have a good pipeline and good momentum and our guidance will be at 10% to 10.5%

---

## **Moderator**

Our next question is from BloombergQuint.

## **Agam Vakil**

Pravin, a question on retail. Do you feel that retail companies in the US have a problem allocating funds between run the business and your digital initiatives running them, could that have an impact for Infosys in the retail segment? And Nilanjan, a question for you, we want to get a better idea of your margin trajectory going forward, what is the status of investments and looking forward do you think that margins could remain compressed or there is a possibility that we could improve with investments coming off considering you guys have already put in a lot of investment in the first couple of years?

## **U.B. Pravin Rao**

On the Retail front, I think it is not only the Retail, if we look at any industry what is happening is people are really taking cost out from run the business side because they have to invest on changing the business, dealing with the digital natives and so on so this is true for not only Retail but every sector as well and even in the Retail we are seeing the same thing. The other thing about Retail may be a bit unique because it's a low margin business so to that extent there is a limit to how much they can really spend on transformation initiatives and so that is probably one difference when you look at Retail from other thing, but the kind of pressure you are seeing in Retail is probably similar to other things everyone trying to cut costs, trying to repurpose in

your areas, staying competitive against digital natives and in Retail in particular trying to compete with likes of Amazon, Google, Facebook all these fat companies and so on.

### **Nilanjan Roy**

So on the margin front, like I mentioned, going into the next year we will have a look on the revised guidance if any, but we are doing something unique. For instance, in the United States we are looking at the whole onsite pyramid. We have setup six hubs, which is unique in this industry. Actually, we have setup our own hubs in the US, Ravi is here who is the author of it. And with those hubs, we have been able to actually set up a full stack pyramid. Historically the onsite used to have a top heavy pyramid with a much broader pyramid for offshore, but I think it would be six hubs which we have setup, we are able to create much more full stack pyramid and helps to take out our costs. So we are doing many, many unique things as the year has progressed, so like I said we will see what happens for the next year, but this year we are quite confident at where we are.

---

### **Moderator**

The next question is from Cogencis.

### **Surbhi Prasad**

Sir, can you give the outlook for the retail segment and in Europe how are the segments, such as Retail, Banking, payments are doing and are you expecting a revival in the BFSI space in Europe?

### **U.B. Pravin Rao**

I will just repeat to what I have been saying. We are seeing some degree of softness both in Retail as well as in banking sector. Retail in fact this quarter we saw some growth after a couple of quarter of muted growth so we are hopeful that that trend will continue, but the sector as I said earlier, not only in Europe but across the world, it will continue to be volatile because it is directly linked with consumer spending, consumer sentiment and so on. On the BFSI side this quarter we have seen a bit of softness more than expected furlough impact primarily in European, Australia and Rest of the World. So, in Europe coupled with also uncertainty around

Brexit and other things, we expect some degree of softness in next coming one or two quarters. On the positive side, we saw some growth in the BFSI space in North America and we expect at least that to give us some lead against the slowdown that we are seeing in the European side, but next one or two quarters is something we expect some degree of volatility, but otherwise as I said earlier, we have a very strong franchisee in BFSI and we are confident that as and when any spend picks up we will be able to capture and get back on the growth trajectory.

---

**Moderator**

The next question is from Bloomberg

**Saritha Rai**

Two of the three people sitting here today were involved in those whistleblower accusations and I just wondered what kind of a distraction that was as you went through the quarter because it was a whole quarter full of distractions and challenges and how did your customers respond or react when you went to them to close deals and that is something that I would be really interested in hearing about?

**Salil Parekh**

I think as Nandan shared, there were a lot of people within the company that were involved in interacting and making sure they engage with the investigations and for a lot of them, a lot of time was put aside to that; however, as you see from our results, everyone stepped up and I am really grateful for the leadership team the way everyone stepped up and delivered this quarter, because frankly it is an exceptional quarter in itself when you couple it with other work it is an even more exceptional quarter. In terms of our clients, the large deals booking gives you one indication, \$1.8 bn is an outstanding number, we had to give you one example with a client executive, I remember having a discussion this past quarter where they called us to talk about how they wanted to displace one of our competitors and take Infosys, so it was phenomenal to see that kind of connect going on with our clients and there are several examples of that nature. I think the company has such a strong foundation and the clients trust us so tremendously that I was quite grateful in how that transpired in the quarter. Of course, we have to re-double our efforts and make sure that we remain continuously focused on that as we go ahead.

---

## **Moderator**

The next question is coming from Mint

### **Ayushman Baruah**

Two things, one is your attrition rate has really gone down so what was the measures that has really worked in favour of that? Secondly, with the tightening of the US visa norms H1B what are your hiring plan onsite, if you can throw some light on these two points?

### **U.B. Pravin Rao**

On the attrition has come down significantly more than even the seasonality. It has come down by over 180-basis points on a standalone basis and if you look at voluntary attrition, it is further significantly lower at 15.6%. Once we started seeing that attrition was pretty high in the Q1 of this year, we started initiating several steps right from relooking at our employee value proposition, looking at several interventions around engagements, several interventions around reward and recognition and career progression and sometimes many of these interventions take time for us to see the results and part of it is we are now slowly started seeing the results of some of those interventions. For instance, if we look at from the career perspective itself, we have introduced some fast-track promotions, we are now aggressively converting recruitment also to internal promotions a lot and backfilling at lower levels. We have invested a lot in terms of training, enabling people, making sure that their career is never at standstill, we have created a bridge program giving opportunity for people to move across different streams. We have introduced an aggressive rotation policy. There are multiple things we are doing from enriching the employee experience, even on the rewards side we have started recognizing managers who have done extremely well on the people front and so on. So, there is a whole set of initiatives we have done and it is a journey and it is something we will continue to focus on and even it is not only in India, but even in US as well, particularly for junior level people we have a separate option for where we have accelerated career option for people, milestone based increments and so on. So we have introduced several steps and the results are seen and we expect this downward trajectory to continue in the coming quarters.

On the onsite, see as a company in the last 18 to 24 months we have embarked on the localization initiative and to a large extent we have derisked from a dependency on the visa perspective. As Nilanjan talked about, we have six hubs in US, we have recruited more than 10,000 people, US nationals in the last 12 to 18 months many of them are fresh graduates. We are creating a pyramid in US, this year we are replicating in Europe and Australia and so on. So from that perspective to a large extent, we have derisked it because we have no control over visas and we do not want to have a dependency. Having said that, it is not that by recruiting in US aggressively we are impacting recruitment in India, we continue to recruit heavily in India. Even this quarter we have recruited close to 12,000 people in India as well and consistently similar kind of numbers we have recruited in the past quarters as well. So right now, we are fairly confident that to a large extent because of our localization initiatives we have derisked the dependency on visa and we will try to provide opportunities for people to go on-site, but we have no control on our visa rejection and approval so and we have to live with that.

---

#### **Moderator**

The next question from is Shilpa from TOI.

#### **Shilpa Phadnis**

Sir you spoke about \$1.8 bn deal wins. Could you break it down for us in terms of renewals and the new deal wins and second if you look at mutual funds and insurance companies, they have increased their shareholding in Infosys in the December quarter, but not from foreign financial investors, it is reduced by 2% point in December quarter, how much of it is a concern, do you think it is all the distractions going away, it is going to look better, the sentiment is going to look better?

#### **U.B. Pravin Rao**

I will talk on the large deals. We have won \$1.8 bn TCV in large deals, 14 number of deals, 7 in Financial Services, 2 in CMT, 2 in Manufacturing, 3 from other verticals, again 8 in USA, 5 in Europe and 1 in the Rest of the World. When you look at for the first nine months, the large deal value of TCV is about \$7.4 bn or something, which is 56% higher for the same period

in the previous year and as Salil mentioned earlier, the pipeline is pretty strong and at this time I think the renewal is about 32%.

**Nilanjan Roy**

I think on the investor base, it is about 2% odd here and there, but as you recall we still have about 50% including ADR foreign investor, so there is a great deal of confidence, it is a broad based shareholding across all the continents we have in Europe and the US across Asia, so there is a broad based shareholding and it is a minor change.

**Shilpa Phadnis**

There is also an attempt to look at visa independent business units, how have you progressed on that journey, do you want to reduce visas at least 20% lesser than what it was previously, if you can just throw some light on that? I have one follow on question.

**U.B. Pravin Rao**

As I said earlier, while we continue to derisk our business and try to continue to recruit locally, at the same time we have to recognize that this is also about availability of talent right, it is not that talent is available in abundance with all the digital new skills and other things, a significant percentage of capability still exists in India. So we continue to look forward for opportunities where we can deploy people with talent and to that extent we will continue to apply for visas as much as we can, but unfortunately we have no control over percentage approval and things like that. It is a two-pronged approach, we continue to invest in people, continue to look forward to opportunities to deploy them onsite. At the same time we continue to also recruit locally, finally it is about talent right, there is a huge shortage of talent as digital gets increased adoption and a big percentage of talent is sitting in India and we have to leverage that.

**Shilpa Phadnis**

As a part of flattening the organization, are you looking at rationalizing the number of title holders you have, what is the thinking in the organization?

**Salil Parekh**

We have no such plans of flattening anything. Our approach is really focused on what is the value that we are driving in the market and that drives everything from there, from client end. As we were discussing earlier, there are pyramids we are constructing onshore, the pyramids we obviously have had historically offshore and with the growth that we have, we are fortunate that we are able to recruit lots of people in India and also starting to build a pyramid onshore. Our objective is to have operational efficiency, but that has got nothing to do with flattening anything in a specific manner here.

---

### **Furquan Moharkan**

Couple of questions on the large deal wins. They have substantially declined from previous two quarters, was it because of seasonality or did the distractions also played a role in the lesser number of large deal wins, the first question is that. The second question, the banking sector is anticipating some kind of stress in the coming couple of months and it can be huge also. Now that Infosys services lot of the Indian banks on the Finacle and the financial system, so what is the outlook there, can we have your perspective?

### **U.B. Pravin Rao**

I think on the large deals, I do not think there is any secular trend, because many times deals are on the table, it is not that we have dramatically lost any deal or anything, our win percentage is on the similar lines, there is nothing unusual this quarter. Sometimes deals take longer to close, the pipeline is healthy and we remain comfortable, but it is difficult to say that every quarter we will have \$2 bn, it depends on sometimes number of deals that are in the pipeline and how long it takes to close. On the banking front, I think as you are aware we have a strong presence with Finacle in these markets as well as in third world economy, so it continues to do well and in the last year or two we are seeing lot of opportunities for Finacle in the western markets and at least last year or so, we have also made some significant inroads there. So to a large extent I think a big percentage of growth in Finacle in future will come from penetrating the western markets.

### **Furquan Moharkan**

What about your presence in the Indian market?

## **U.B. Pravin Rao**

We have a strong presence in the Indian market. If I remember right, more than 60-65% presence is what we have in the Indian market, we will sustain that. So there will be some opportunities in the Indian market, in the third world market where we have a strong presence, but I think for us the white space is western markets where our presence historically was limited and that is an opportunity for us.

---

## **Debashish Mohapatra**

You are going strong every quarter. I just wanted to understand analysts have started talking that Infosys is gaining market shares from competitors now in the last three quarters, what is your view on that? Secondly, I want to understand that Nilanjan Sir, you have a cost optimization program, are you on-track in achieving that cost optimization thing or are you actually going to accelerate it as we go to the Q4? Thirdly, Pravin Sir, I want to understand that the uncertainty with relation to Brexit seems to be over and UK is a key market for you also, do you feel that you will get benefit out of these certainty over Brexit in Q4?

## **Salil Parekh**

On the first one, we certainly see that we are gaining market share. I think if you look at our growth rate for the first three quarters over double digits already. The market is not growing at that rate, we can see certainly several of our peers are not growing at that rate and just anecdotally from how the clients are interacting the example I shared earlier, my sense is we are gaining market share, so that is what the analyst believe I would agree with that.

## **Nilanjan Roy**

I think cost optimization front, this industry historically has faced two cost headwinds, one is of course clients looking at discounts and second is of course wage hikes. This has been offset hugely by rupee movement, but in the long run with interest rate differential you should get some currency benefit. So the only way you can compensate for margins is through cost optimization, so this is a continuous treadmill. Once you are on it, there is no way you can come off in this industry and I think that is something we continue to do, we have talked about

the various programs we had in the analyst meet which we had. We had talked target of about \$150 mn odd and we are well on our way for that.

**U.B. Pravin Rao**

On the Brexit front, one part of the Brexit, we know the way forward, but I think the implications and other things will probably take some time to unravel, so we expect some degree, at least for sometimes some degree of uncertainty.

---

**Swathi Moorthy**

Couple of questions when it comes to the hiring, you had mentioned that you have hired 12000 in Q3, could you give us a split about how many were campus hires and how many were lateral. The involuntary attrition, so the voluntary attrition Salil had mentioned it is 15.6%, so could you give us some sense of how much is involuntary attrition is, you have mentioned in the analyst call that there were no talks of mass here like some reports had mentioned, and if you can just throw some light, and you are investing a lot more in reskilling as well, so could you give some sense of that?

**U.B. Pravin Rao**

From a hiring perspective about roughly 7000 odd people from campuses and rest were lateral hires in India. The voluntary attrition was 15.6% it is about 200 basis point lower than involuntary attrition and as I said even last quarter we said the same thing there is no structured program to let go people or anything, every six months they have a performance cycle and for some set of people it is once a year, at that time we take a look at how people are performing, whether they are able to cope up with some of the changes that we see and wherever we feel that people are not able to cope up with the changes that are happening all the transformation, disruptions that are happening, they are not able to shape up, we have to let go, but there is no specific program, there is no target that we have to let go.

**Swathi Moorthy**

But has this number increased compared to last year in involuntary attrition, it seems to have?

## **U.B. Pravin Rao**

Off hand, I do not remember the number, so I cannot comment. On the reskilling, now we have a world class digital learning platform called Lex. This has been in place for more than 12-18 months. With this now people have ability to access to world class learning content anytime, anywhere 7/24. We have more than 200000 people who use Lex. Our statistics shows that on an average every day about 12000 people learn something or the other on Lex. On an average people of spending 35 minutes during the week days individually on some topics on Lex and on the weekends it increases. This platform has actually given ability to take learning to even people who are outside India, earlier we had that challenge, many of our people work in client locations, but with this digital mode, I think now people have access on their mobile, they can get access and it has been a huge positive for us.

## **Swathi Moorthy**

Could you throw some light on subcontracting cost, last time as you had moved a lot of work from overseas to offshore, could you just give some sense of that?

## **U.B. Pravin Rao**

As a percentage of revenue, it is still around 7.5% of revenue. In some sense it was strategic lever for us because there are two or three areas where we use subcons, one is obviously today increasingly clients expect us to take end-to-end ownership and in some places, we do not have capability or we have deliberately not built capability for certain things, for instance in end-user computing, hands and feet support in the infrastructure space, so we work with partners, so it is part of the subcon cost, sometimes when we win large deals as part of the large deals, client expect us to take over subcons as well, so we pass through subcons, we take accountability for this subcon works, then there are times when we have to fulfill particularly onsite, we have to fulfill in a short period of time and sometimes if we do not have skills readily available on bench onsite and given the timeframe it takes for you to deploy people through from offshore, sometimes we use subcons, so in some sense it is strategic lever, we will try to moderate it and right now it seems to be okay. Because our utilization is also there, it's not that utilization is gone where we are using subcons.

## **Jochelle Mendonca**

I just have one follow-up to her question and one question of my own. I will start with mine, the core revenue has fallen 5% YoY, in the third quarter last year there was actually a minor growth, the third quarter last year, your revenue was \$2045 mn, the third quarter revenue on the core is actually lower than it was in 2019, is that just a normal shifting or from run the business to digital and is this the kind of shrinkage we should expect in core revenue going forward?

**Salil Parekh**

The thing that is demonstrating is really how the market is changing and thanks to the investments we have made and the approach that the company has put in place many years ago, there is a tremendous traction that we have in the digital business, so the client spend is changing where clients are today looking to make big spend in investments in the tech world, are more focused on digital and what it really demonstrates is, we have tremendous capability in what clients are looking for. The core services business is still a strong business for us and we are actually good at that business, we probably have some of the best capability in that business, but that is a smaller reflection of clients spend than anything else. My sense is even in that business we probably have a much better outcome than many of our peers though I do not have the data in detail there.

**Jochelle Mendonca**

Just a follow up to her question on the involuntary attrition, voluntary attrition was 15.6%, you said if that is on the attrition is annualized standalone that was 17.6%, so there is about 2% would that be the right way to think about how much the involuntary attrition was and last quarter so you said it was 1.4%, so is involuntary attrition accelerating, how do you look at that number because it is higher than it was last quarter?

**U.B. Pravin Rao**

It depends on the cycle, as I said for some people it is six monthly cycle for some people it is annual cycle so it depends on the cycle.

**Ayan Pramanik**

Just one final question to Pravin. Pravin, on your top clients, top 10 clients there has been a decrease, so is there any issue there and particularly on your another emerging tech platforms say NIA, so are you better off compared to your peer TCS or Wipro in terms of generating revenue independently from NIA or putting that in existing businesses?

### **U.B. Pravin Rao**

I do not think both the top client as well as top 10, there is no secular trend. I do not think we should read much into that, we continue to do well on the dimension. In fact, we have seen in the last 12 months increase in number of \$100 mn clients as well, it increased by about 5. On NIA, obviously we continue to invest in NIA. There are two or three areas we areas we are using, one obviously we are using NIA and the RPA component of NIA in our own internal automation efforts, Some of the benefits we are getting through automation needs powered through NIA then we also our building business apps on top of NIA which we are taking to the clients and the opportunity with AI is limited only by our imagination and today it is not only for NIA, but any of the competing products as well. You will see increasingly more and more opportunities, more and more use cases where you can apply AI and Cognitive Intelligence to create this one, so we feel that we are having NIA as part of the portfolio, we have a strong positioning. Having said that we also have built capability in other automation platform as well, because it is a huge universe, there is a space for multiple automation and artificial intelligence tools to exist.

---

### **Sharon**

Did you evaluate your client budget, did they turnout in favour of you like discretionary IT spend and nondiscretionary IT spend, as the New Year has already come

### **Salil Parekh**

You are talking about this financial year right? So this financial year, there are two ways to look at it. Our financial year will end in March, some of our clients have closed in December. So we have not looked at 2020 calendar year for our clients. We are looking more at our financial year. From our financial year perspective, the view we have is what we shared at the start of our year and the way we look at the growth of our business on the guidance. We have

seen a good level of spend as demonstrated by the growth in our digital business that gives us the discretionary capability. We are only commenting through the end of our financial year. I do not have a view, which is on calendar year 2020.

**Sharon**

By January, will they finalize?

**Salil Parekh**

They will come up, but we will take a look at it in our cycle, so we will build our own view on April 2020 to March 2021 in the next couple of months and then we will share it at the end of this quarter.

**Sharon**

Why is Infosys going for out of court settlements in the visa cases?

**U.B. Pravin Rao**

This particular visa case you are talking about, this refers to something going back to 2006 or so, if you notice the release we have vehemently denied any wrong doing from our side, but having said that given that we have to go back to 10-15 years, if we have to defend, it is expensive, time consuming, distracting and other thing, we felt that it is better to settle and move on, we have not accepted any wrong doing or anything and we firmly believe that there has been no case of wrong doing. We have strong practices, we comply with all laws of the land and particularly on the visa and other matters, but many times we have to take a business call otherwise it can become time consuming and distracting.

**Sharon**

Does Infosys campus has a flora and fauna policy as I read in a report that an employee was fired out of Pune campus just because he was taking care of some dogs?

**U.B. Pravin Rao**

I do not think we fired any employee because of a dog or anything. Again, we have no control over the report, many times media ask for our comments we would have replied, but if they have chosen to write what someone else has said we cannot help it, but we have not fired anyone because of any love for dog or anything.

---

### **Derek Francis**

I just had one question, I want to know what helped you raise the revenue guidance especially since the operating margin guidance has been maintained and also Pravin has said that there is some softness in some sectors, some of the big sectors in the next few quarters, so I wanted to know what helped you or what give you the confidence to raise revenue guidance for the year?

### **Salil Parekh**

One other thing as Pravin also shared was how several of our sectors are growing at double digit already YoY in this quarter have demonstrated that all through this financial year and we see good traction in those, so the point I think Pravin was sharing was just to give a full perspective on all the sectors and he mentioned financial services and retail in that context, so we will look at the business overall perspective while there are some segments where as Pravin shared there is a view which is somewhat soft but there are other segments which are doing quite well and we see a good outlook for them. When we combine all of that and we see what our deal pipeline is, what are the large deals we have closed and what are the renewals we have made, we came to view that we have the ability to do a little bit more in Q4 and that is how we raised the guidance.

---

### **Moderator**

Thank you everyone. Thank you gentlemen and thanks everyone for joining us. As always please do join us for high tea. From the media who want to listen in to the investor call, we have arranged for that and the teams can escort you from here on. Once again thank you so much for joining us and have a very good evening.



“Infosys Earnings Call  
Q3 FY2020”  
January 10, 2020

**CORPORATE PARTICIPANTS:**

**Nandan Nilekani**  
*Chairman of the Board*

**Salil Parekh**  
*Chief Executive Officer & Managing Director*

**U.B. Pravin Rao**  
*Chief Operating Officer and Whole-time Director*

**Nilanjan Roy**  
*Chief Financial Officer*

**Sandeep Mahindroo**  
*Financial Controller & Head Investor Relations*

**ANALYSTS / INVESTORS**

**Moshe Katri**  
*Wedbush Securities*

**Rod Bourgeois**  
*DeepDive Equity Research*

**Bryan Bergin**  
*Cowen*

**Sudheer Guntupalli**  
*Motilal Oswal*

**Sandip Agarwal**  
*Edelweiss*

**James Friedman**  
*Susquehanna Financial Group*

**Sandeep Shah**  
*CGS-CIMB*

**Joseph Foresi**  
*Cantor Fitzgerald*

**Shashi Bhushan**  
*Axis Capital*

**Abhinav Ganeshan**  
*SBI Pension Fund*

**Diviya Nagarajan**  
*UBS*

**Nitin Padmanabhan**  
*Investec*

**Keith Bachman**  
*Bank of Montreal*

**Pankaj Kapoor**  
*JM Financial*

**Arvind Ramnani**  
*KBCM*

**Vibhor Singhal**  
*PhillipCapital*

**Apurva Prasad**  
*HDFC Securities*

**Dipesh Mehta**  
*SBICap Securities*

## **Moderator**

Ladies and gentlemen good day and welcome to the Infosys earnings conference call. As a reminder all participant lines will be in the listen-only mode, and there will an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal for an operator by pressing “\*” and “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Mahindroo. Thank you and over to you Sir!

---

## **Sandeep Mahindroo**

Thanks Karuna. Hello everyone and welcome to the Infosys earnings call to discuss Q3 FY2020 earnings release. Happy New Year to everyone on the call. This is Sandeep from the Investor Relations Team in Bengaluru.

Joining us on this call today is Chairman, Mr. Nandan Nilekani, CEO & MD, Mr. Salil Parekh, COO, Mr. Pravin Rao, CFO, Mr. Nilanjan Roy, along with other members of senior management team.

This call will be for 90 minutes and will be divided into two parts. For the first 30 minutes, our Chairman Mr. Nandan Nilekani will talk about and take questions on the whistleblower matters and the recently concluded investigation. That will be followed by the regular earnings call format in the next 60 minutes with opening comments by Salil, Pravin and Nilanjan, followed by Q&A.

Please note that anything which we say which refers to our outlook for the future is a forward-looking statement, which must be read in conjunction with the risks that the company faces. A full statement and explanation of these risks is available in our filings with the SEC, which can be found on [www.sec.gov](http://www.sec.gov).

I would now like to pass it on to Nandan.

---

## **Nandan Nilekani**

Thank you Sandeep and I would like to welcome all of you to this call. I am pleased to say that the Infosys Audit Committee did not find any evidence of financial impropriety or executive misconduct and there is absolutely no change in previous financial statements. Everything has come out clean. We have had a very thorough investigation done. This was done by independent legal counsel Shardul Amarchand Mangaldas along with PricewaterhouseCoopers. We also had Ernst & Young as our internal auditors and as you know our certifying auditors are Deloitte. So this has gone through the scrutiny of all these various groups and there are absolutely no issues of restatement or anything of that type.

The audit committee has taken this very seriously and they have done a very thorough investigation. Just to give you a sense of the scale of the investigation - 128 interviews with 77 people, 46 custodians for data were nominated and their review was over 210,000 documents with over 8 terabytes of data which were processed. This investigation began when we appointed Shardul Amarchand on October 21 and concluded today. So it has been a very intense several weeks which have occupied the investigators as well as our people, our Board members, our management team and also our General Counsel, Inderpreet.

The investigation review was done for the period from January 1, 2018 to September 30, 2019. The investigative team was given complete unrestricted access to every person and every piece of information that was there and it was ensured that the company, its Directors and its employees cooperated fully and extensively in this investigation.

Apart from the fact that we had a very thorough investigation, we have also made sure that all the key findings of the investigation are put out in the public domain. This is not some one statement, this is a detailed thing where we have taken each of the allegations, be it on the business side or about the CEO and on a point by point basis, the allegations have been answered. On almost all of it, it is very clear that the allegations are unsubstantiated.

There are a couple regarding one large deal where there was a question, whether to use a Percentage of Completion method for costs or to use the Straight Line Method for revenue recognition. The company as a policy has been using both the SLM method and the POC method and a very large number of projects are in SLM method. However, the company from time-to-time, based upon the nature of the contract has chosen to operate on the POC method and POC method was selected for this. Both these methods are in line with both accounting

standards as well as the policy of the company. Therefore, we are quite comfortable that the company's actions on this have been correct.

The other matter which is also related to the same contract, is some service credit. There has been a point made by the investigators about that. Here again we have reviewed the investigation and this is about whether something has to be reversed or non-accounted. It is clear that it is neither qualitatively nor quantitatively material to the reported revenues or operating profits because the cumulative effect of this is in the range of 0.02% to 0.03%. It is a miniscule amount, just a couple of million dollars compared to the multibillion dollar revenue that we have. Therefore, this is not relevant and would have had no impact on any of our revenues or margin or guidance.

So, these are the only two things which we have and the Audit Committee has taken a view on both. Everything else is unsubstantiated. There were also a number of allegations made about the CEO, some of which were bordering on the comics. But anyway we have taken them one-by-one and shown clearly that all of them have been addressed and we are very happy that the CEO has come out of this investigation with flying colors. I am grateful to Salil because Salil and his team have had to face a lot of questions and they are thorough professionals whether it is Salil, whether it is our CFO, Nilanjan Roy or all the outstanding members of our Finance Department: Jayesh, Deepak Bhalla, Sachin Zute, Amrita Srikanth, Sandeep Mahindroo and others. All of them are outstanding professionals and they have had to deal with both closing the books as well as closing this investigation and they have done that brilliantly with high integrity. The Board, the Chair, the Audit Committee, everybody is pleased that our management team has come out so well. The Board continues to have the fullest confidence in Salil and his management team. We believe that this episode, this distraction has actually made us stronger, more committed to our goals, brought us all together and we are now confident that having put this distraction to rest, we can get on with our business of running a great company.

So I will stop at this point and I will be happy to take questions. After I finish my session, I will hand over to Sandeep after which I will get down to the real purpose of this call which is to discuss the business performance of Infosys.

---

**Moderator**

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Moshe Katri from Wedbush Securities. Please go ahead.

---

**Moshe Katri**

Yes, thanks congratulations on concluding this external investigation. Two things here, will there be any changes to the future use of POC accounting down the road that is number one. And number two, any color on the ongoing SEC investigation in terms of timeline and what to expect? Thanks a lot.

**Nandan Nilekani**

Thanks Moshe. First of all, the company's policy has been to have both these methods SLM and POC. It is true that bulk of the contracts are done with SLM. But from time-to-time, given the unique nature of some contracts, we do use the POC method. So both are part of the policy. And I am not an expert and maybe I am getting into dangerous waters, but I do not think there is going to be any change in this policy.

On the second point, you are absolutely right. We are engaging with the SEC. We are giving them full cooperation over the last several weeks. We have been giving them an update from time-to-time and we will continue to engage with the SEC and take this to its logical conclusion. In terms of the timeframe, we cannot say what the timeframe would be. That SEC will see but we are ready, waiting and able to engage on any issue and give them the fullest cooperation.

---

**Moderator**

Thank you. The next question is from the line of Rod Bourgeois from DeepDive Equity Research. Please go ahead.

**Rod Bourgeois**

Will there be any changes in your employee base as a result of this investigation? Or are all the employees that were involved, remaining with the company at this point?

**Nandan Nilekani**

First of all that is an assumption which I would like to correct. There is no evidence that this whistleblower was done by employees. By saying that it is employees does not mean it is by employees, please understand that. It is entirely and equally likely that this was done from outside and it has nothing to do with employees. As I said, we have complete confidence and faith in the integrity of our finance team and leadership. So there is absolutely no change. We have a strong team, they continue to be there and we will continue to build the company as we always were.

As you know, under the Whistleblower Protection Policy, we are not supposed to go around looking for who the whistleblower is and as I also said this could be inside or outside. Our view would tend towards outside. Therefore, I would not get worried about this issue at all and everybody continues and does their job.

**Rod Bourgeois**

That's a very helpful clarification. One quick follow-up, I mean as we have moved into the digital era, the nature of deal structures have modified to some extent. Are you making any changes in your approach to structuring deals or your process of approving deals and did this investigation shed any light on modifications to any processes that might be useful going forward?

**Nandan Nilekani**

I think if anything, this detailed investigation which examined the 210,000 pieces of data and which had 8 terabytes, has in fact brought out the robustness and detailed approach that we have, the way we approached revenue recognition, the way we approach contracts. Of course, we are always willing to learn and improve. As you know, we have three auditors and one law firm here. So we really need to assemble from all that. But once we get all the details, if there is a scope for process improvement, we will do that. That is the nature of how we do things, we keep improving processes. It is nothing specific and in fact after having this extensive investigation, the fact it boiled down to a couple of things itself shows the strength of the company.

---

**Moderator**

The next question is from the line of Bryan Bergin from Cowen. Please go ahead.

**Bryan Bergin**

Just one from me on this section, any material costs associated with the actual review process that are worth identifying here? So any financial impact from the actual process that you went through, just to give us a sense of any related margin drag?

**Nandan Nilekani**

I think the cost has already been factored in Q3.

**Bryan Bergin**

Okay, I was curious if it was a material number that impacted the operating performance.

**Nandan Nilekani**

No, not at all. I think while it is expensive to hire lawyers, I think on \$12 bn revenues, we can manage.

---

**Moderator**

The next question is from the line of Sudheer Guntupalli from Motilal Oswal. Please go ahead.

**Sudheer Guntupalli**

Going forward, is there a mechanism that we have identified to ensure that genuine stakeholders of the company, be it shareholders or employees or clients or even the management team are insulated from any more of such potentially frivolous complaints?

**Nandan Nilekani**

Now if somebody files a whistleblower complaint, and if that person chooses to also release it to the media before the company has an opportunity to investigate and come to a conclusion,

there is nothing that the company can do. We are committed to highest standards of governance. We will deal with whistleblowers as they come. We are confident that we run the business in a clean and ethical manner and we will continue to do that.

### **Sudheer Guntupalli**

When we talk to the clients are there any reference to this incident or any clients have expressed concerns related to this?

### **Nandan Nilekani**

When this incident happened, we did reach out to clients. We explained to them that we are doing an investigation and our clients, many of whom we have been working for more than two decades, were very understanding. Now that the reports have come out and there is a clean chit for the company and for its leadership, we will make sure that all our customers are aware of this development so that if they have any niggling concerns, they will be put to rest.

---

### **Moderator**

The next question is from the line of Sandip Agarwal from Edelweiss. Please go ahead.

### **Sandip Agarwal**

Thanks for giving me the opportunity to ask questions and congratulation on giving the findings of audit committee, very favorable one. So Nandan, I just have one question and I know that you have already answered it in a different way but I would like to know the immense pain that everyone has to go through when this kind of frivolous and intentional motivated complaints are made and there is an immense suffering for all the stakeholders, obviously the company suffers the most, they have to give so much of time to this investigation and do their job. I understand that you follow the best policies on whistleblowers, so you will continue to do that. But the challenge is if these things keeps on coming, it definitely impacts indirectly the CEO, the CFO and weights on their job. It impacts our business in a very substantial way. So, is there any way that a very limited one actually can do this kind of disruption and for most of them, there is a process which can filter out, whether there is any sanctity to that or anything which could be done to at least stop mala fide intentions of this kind of complaints?

**Nandan Nilekani**

Well, you are absolutely right in saying that when you have such a complaint, it creates a distraction in many ways. Number one, the sheer amount of time, remember I talked about the number of interviews and all that. So the sheer amount of time that our leadership team and our finance team have to spend on this, is a distraction from their work. Very often they have to stay in one place to do the interviews which means they cannot travel to meet customers, so that is the second issue. Third, absolutely when you take outstanding professionals and make wild allegations about them, it can affect the morale and that is certainly something which we have to be cautious about. Some of our customers may have questions and so on and so forth. So I agree with you on that. But I think it is also the responsibility of you guys and the media because when there is a completely anonymous complaint which is deliberately leaked before the company has been given the opportunity to process and have an investigation, then you guys should also think. The part of the problem here is that the reaction of the media and investors also. I think everybody has a role to play to make sure that this kind of weaponizing does not happen.

---

**Sandip Agarwal**

Nandan, if I can add only one point, we have the same view that you have since day one. Like we have always said that nothing wrong can happen in Infosys at least on corporate governance. We always said that the only challenge is that when these kind of things happen, there is also a lot of pain from the perspective of long-term value of the stock. I understand that you do not take a short-term view, but even in the long-term there are many parameters which are there when anyone evaluates the stock, those gets disturbed very substantially and it impacts the value of the company. So that is the reason I am asking that there has to be some option or if you can at least think of a process by which these things could be from the company side also could be limited or restricted to some extent that you gave some kind of clarification immediately. I am not saying you should do this but I am just saying if anything goes wrong.

**Nandan Nilekani**

Please understand, what are the incentives? Hypothetically, suppose we have a policy that every time we get a whistleblower we issue a press release or something, there will be no end

to it. We will have 10 whistleblowers a day and no matter how wild the allegations, no matter how unsubstantiated they are, we will have to be issuing stock exchange notices. I do not think any company in the world can run like that. So you have to accept that when something is anonymous, unsubstantiated and not backed by evidence, the least you can do is give the management and the Board the space to investigate and get back. Now if you do not have that then what can I say, I mean what you want me to do. I agree with you that obviously if something like this is there, then it creates an overhang, I appreciate that. But our goal is to minimize this and hopefully reach a point when we will not have any more of these things.

**Sandip Agarwal**

Absolutely. The detailed report which you have published, in the long-term, now people will not take these kind of anonymous complaints at all seriously. That is what I hope.

**Nandan Nilekani**

We appreciate your hope and we are with you

---

**Moderator**

The next question is from the line of James Friedman from Susquehanna. Please go ahead.

**James Friedman**

Most of my questions have been answered. But I do want to ask Nandan from your prepared remarks, do you have any sense of what the motivation of the whistleblower might have been? Was it nefarious in nature and are there any repercussions for them?

**Nandan Nilekani**

We have to be very careful on these things especially under US law the whistleblower is well protected and rightly so because you need strong whistleblower protection to ensure that genuine malpractices and fraud come out and I appreciate that. But what happens often is that because of the strong protections, we are also not in a position to even speculate on who could it be and so on. So we are also bound by what we can do. But once this whole thing is settled

down, we will look at the law again and see what is possible. At this point we are not going to speculate on who it could be.

---

**Moderator**

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

**Sandeep Shah**

As a method of investigation whether the current investigators who carried out the report whether they had a right to ask for those evidence like video and the e-mail, which has been claimed by the whistleblower letter has been given to the regulator, from the regulator or are they not being allowed to do that as per the regulatory hurdles?

**Nandan Nilekani**

Please understand that in this whole episode, the claim on evidence is only in the letter sent to the whistleblower protection office of the SEC. That letter claims that there is a pen drive, one with e-mails and one with phone calls. We have not received that. We also said that in one of the statements we issued late October, early November. As you know, if you ask the regulator about something they say we can neither confirm nor deny the existence of this. So you do not get any visibility from the regulator. We do not have the information nor has the whistleblower thought it fit to provide this information to the investigator. So as far as we are concerned, we do not know if such evidence exists. We will be happy to see it and we look forward to the whistleblower sending us this information.

**Moderator**

Thank you. The next question is from the line of Joseph Foresi from Cantor. Please go ahead.

**Joseph Foresi**

I just had two quick ones. It sounds in your earlier remarks like you thought the whistleblower might have come from outside the company. I am just wondering why you thought that. Then just as importantly if the person or entity continues, how do you expect to handle that and/or copycat?

**Nandan Nilekani**

First of all as I said, beyond a point we cannot really investigate where it is coming from. We have seen that our finance leadership team is innocent. They are of the highest integrity. They have not done this. That much I can say categorically. Therefore we would tend to believe that perhaps there is an external hand in this but again because of the fact that we are constraint from actually getting into it, I cannot comment more than that. Now if somebody wants to do some copycat thing, we will have to deal with it. I think we are fully prepared, we have nothing to hide. We run a company with high ethical standards, we run our robust balance sheet. Just think about it, three months of investigation, 210,000 e-mails and 8 terabytes of data and all that we have is something which is about \$2 million impact. So it clearly shows that this company has robust processes and checks and balances. We are completely confident about the way we run our business. I am sure that once that confidence is there, then even if somebody tries something, it would not have any credibility.

**Joseph Foresi**

My concern was, if there was a short seller or somebody else who was trying to create volatility in the stock. If they kept doing it, do you have any plans in place to handle future accusations. That is why I asked about the copycats?

**Nandan Nilekani**

Yes, but I cannot help you there.

**Joseph Foresi**

Thank you.

---

**Moderator**

The next question is from the line of Shashi Bhushan from Axis Capital. Please go ahead.

**Shashi Bhushan**

Thanks for taking my question and congratulations on favorable verdict from the investigation that helped resolving most of the queries raised by the whistleblower. Do you think the investigation that we have run would be sufficient to take care of most of the SEC queries that would come?

**Nandan Nilekani**

I cannot comment on how the SEC will view this. All I can say is that we have done a very thorough and rigorous investigation. The investigating legal firm and investigating auditing firm has been given complete access to every e-mail, every conversation and they have been encouraged to interview. In fact, many people have had multiple interviews so that they get to the bottom of all this and over the last several weeks, our legal counsel has been updating SEC about the developments. I think now it is really for that conservation to happen. I am sorry I cannot read their mind, so I cannot say what it is. But we are comfortable that we have a very thorough, extensive and comprehensive investigation and we hope that will keep us in good stead when we engage with them.

**Shashi Bhushan**

One on the business side, our aggressive sales pitch has helped regain some market share but there were deals like asset and employee takeover where Infosys was not trading earlier and that has been a big contributor of growth in FY2019 and 2020. So do we see any change in our stance for the same after this episode?

**Nandan Nilekani**

No. I think this is really a business question and I will request Salil to answer it in his session. But fundamentally whatever strategy that is being followed, whether it is large deals, employee takeover, all the strategies followed by management is completely endorsed for the company. It is the official strategy of the company presented to the Board and the Board fully backs these decisions.

---

**Moderator**

Ladies and gentlemen, now I hand the conference back to Mr. Sandeep Mahindroo for further proceedings. Over to you Sir!

### **Sandeep Mahindroo**

Thanks Nandan for providing your comments on this aspect. Thanks for your time. We now move to the second part of this call which is on the recently concluded quarter and the commentary on business. I would request Salil to give his opening remarks, subsequent to which probably Pravin and Nilanjan will talk before we open it for Q&A.

---

### **Salil Parekh**

Thank you Nandan. Thank you Sandeep.

Good morning and good evening to everyone on the call. Before I share with you the updates for our strong quarterly results, I like to share a few remarks. I would like to thank the Board and Nandan for their trust, the way we are driving the business and for the conclusion of the investigation, which showed no financial impropriety or misconduct. I would like to thank all the employees of Infosys and our leadership team, who have been steadfast in their support of me and the work I am doing here. I would like to thank my family and friends for their guidance in the last few months. They have been a pillar of strength for me.

Going forward, my objective remains to continue working with commitment, integrity and with inclusiveness. I look forward working with our clients and helping them transform the business for the new digital future and in that process, building Infosys for the next decade.

With that let me share our results update. I have a few comments to make there. As I shared earlier, a very strong and successful quarter. We delivered another quarter of all-round performance in Q3. Revenue growth was strong in Q3, digital revenue share crossed 40%, operating margins expanded for the second consecutive quarter. Cash conversion was very strong, deal signings were healthy and attrition reduced during the quarter.

We grew 9.5% YoY in Q3 in constant currency terms, growth in the first nine months of this financial year is comfortably in double digits, at 11.1% over the same period for the prior year.

In Q3 both the US and Europe geography saw double-digit growth and most of our business segments witnessed another quarter of double-digit growth in constant currency terms.

Our Digital revenue grew at 40% in Q3 in constant currency terms. Digital revenues crossed \$5 bn annual run-rate and were \$1.32 billion in Q3 constituting 40.6% of overall revenues. As we shared with you in the recent analyst meeting, our digital investments across the five pillars is deepening our engagement with clients reflecting in strong growth in this area.

We had a healthy quarter of large deal signings in Q3 at \$1.8 bn. The 56% increase in large deal TCV in first nine months of this year over the same period in the prior year, is a reflection of our client-centricity and the benefits of various investments we have made over the past few years. It is also visible in the growth in client metrics, especially with the \$100 mn client count increasing by 5 to 28, and our \$200 mn clients count doubling in the last one year.

Operating margins in Q3 expanded to 21.9% compared to 21.7% last quarter. Nilanjan will elaborate on the margin puts and takes, and cash generation during his remarks.

I am pleased with another quarter of reduction in attrition which declined to 17.6%, a decline of almost 2% points compared to Q2. Within this voluntary attrition is even lower at 15.6%.

Our digital capability along with our large deal engine continues to be the growth driver for us. Let me share with you a few examples.

A leading European telecommunications provider selected us as their preferred IT partner to deliver several digital and data initiatives for the next five years.

We have been selected by the Australian Federal Government's Services Australia to digitally transform the entitlement calculation engine for the nation's welfare system. This program will replace a significant portion of the 30-year-old platform, modernizing the way Services Australia calculates entitlements for Australians needing government support.

A European chemical company has retained our services to digitally transform 19 of their data centers spread across six countries. Such large scale transformation to modernize existing technology investments and make them digital for the future are increasingly becoming a priority for our clients and we are deeply invested in serving their expanding needs.

Driven by double digit growth in the first nine months, we are updating our financial year 2020 revenue guidance. Our revenue growth guidance moves from 9%-10% to 10%-10.5% on a constant currency basis. We are retaining our operating margin guidance at 21%-23% for the financial year 2020.

With that let me hand it over to Pravin.

---

## **U.B. Pravin Rao**

Thank you Salil. Wish you all a very Happy New Year.

Our growth momentum continues despite the seasonal weakness with YoY growth of 9.5% and sequential growth of 1% in constant currency terms. Four of our major business segments clocked double digit YoY growth in constant currency. Both North America and Europe also grew double digits YoY in constant currency.

Utilization excluding trainees declined during the quarter by 50 bps to 84.4%, reflecting seasonal weakness. Onsite effort mix reduced to 27.7%, a further decline of 50 bps compared to last quarter.

Our efforts to stem attrition continued to show results. On a standalone basis, attrition reduced by another 1.8% sequentially to 17.6%. Voluntary attrition was even lower at 15.6%. Our enhanced focus on increasing employee engagement, performance and skills driven value proposition for employees and improving diversity will continue.

Client metrics continued to be strong. We added 84 new clients during the quarter. Number of \$100 mn clients increased to 28.

We won 14 large deals with a combined TCV of \$1.8 bn. Out of this, share of net new deals was 32%. Seven deals were in Financial Services, two deals each in Communication and Manufacturing vertical and one deal each in Retail, Energy Utility Resources and Services and Others segment. Region wise, eight were from Americas, five were from Europe and one from Rest of the World. Cumulative large deal wins in nine months stand at \$7.4 bn which is 56% higher than first nine months of the last fiscal.

Moving to the business segment. While the headwinds persist in Financial Services, we have seen sequential growth in North America aided by stable customer spend and new deal wins. We saw a significant impact of furloughs in Europe and Rest of the World regions. The Commercial & Corporate banks, Consumer, Cards and Payments, Wealth Management & Custody, Mortgage portfolios of our business are seeing good traction across geographies. We expect pressure to continue in the near-term driven by market volatility and pressure in spending in run the business segment.

Retail segment performance remained muted with continued cautious stance of clients. There is acceleration in spending towards Digital, IT simplification and modernization which are priority for clients. We are proactively investing in creating assets to help our clients maximize 'value to price' from their digital investments.

Manufacturing performed strong with continued momentum from existing clients. However, weakening economic outlook and the effects of trade war have led to increasing scrutiny on spending plans. Infrastructure cloud services are seeing traction and in application related services, focus is on mobility and data analytics. Our deal pipeline is strong with a good share of large deals and new account openings across geographies.

Strength in Communications segment continued due to past large deal wins. Clients are prioritizing funding in their customer reach out and transformation initiatives through digital channels, Self-services, Omnichannel, AI and Chatbots. We are also seeing increase in spending around cyber security and network virtualization.

Momentum in Energy, Utility, Resources and Services vertical softened slightly due to seasonal weakness and some client specific issues. We continue to win deals in this segment and have a robust order pipeline. Automation, RPA, operational insights and technology led innovation are becoming mainstream in Resources and Utilities. Service reliability, cyber security, compliance and safety are attracting higher spends in this space.

Our Digital portfolio is growing bigger and stronger. Digital revenues grew by over 40% YoY in constant currency in Q3 and now constitute more than 40% of our overall revenues. We see increase in demand towards data and analytics, Cloud, SaaS, user experience, security and IoT. We have inaugurated a new digital innovation center in Dusseldorf, Germany to focus on next

generation business reach such as SAP HANA, as well as Cloud based services, IoT, 5G, AI and Machine Learning.

In the last quarter, Infosys was ranked as leader in eight ratings in the areas of IoT and Engineering Services, Modernization, Microsoft Dynamics, ServiceNow and Blockchain services.

With this I will hand over to Nilanjan.

---

### **Nilanjan Roy**

Good evening everyone and welcome to our Q3 FY20 earnings call. Let me start by wishing everyone a very Happy New year.

Our revenues in Q3 was \$3.24 bn, which is a constant currency growth of 9.5% YoY. The year to date constant current growth is 11.1% compared to the same period last year. Similar to prior quarters, growth was broad based with US, Europe and many business segments growing double digit YoY. Our revenue in Digital crossed 40% during the quarter.

Operating margin in Q3 was 21.9% compared to 21.7% last quarter, an improvement of 20 basis points. During the quarter, the rupee depreciated against the dollar by 1%, but was offset by reduced contribution from revenue hedges leading to a net 10 basis points benefit on operating margins due to currency. Cost optimization measures, including improvement in on-site mix and operating leverage helped margins by 50 basis points. This was offset by a drop in utilization, some of which is seasonal, and RPP, which impacted margins by 40 basis points, leading to a 20 bps increase in operating margins over Q2. We will continue to focus on improving operational parameters like rationalizing pyramid both onshore and offshore, improving onsite-offshore mix, lean & automation and other costs optimization measures.

DSO increased by seven days although unbilled revenues also on the other hand reduced by four days.

Cumulative free cash flow till December was \$1.55 bn which is a growth of 7.4% over the same period last year, aided by a tax refund of \$221 mn.

---

Cash and cash equivalents at the end of the quarter was \$3.42 bn. Yield on investments was 7.77%, 20 basis points lower than Q2 reflecting declining interest rate environment in India.

We paid out \$577 mn interim dividend during the quarter including DDT. Return on Equity has increased to 25.9% in Q3 2020, an increase of 270 basis points YoY. This was due to completion of share buyback and increased dividend payouts for our shareholders.

Driven by our performance in the first nine months of the year, we have increased our revenue guidance to 10%-10.5% in constant currency terms. Operating margins for nine months ended December are at 21.4% firmly within the guidance range of 21% to 23% and hence we are retaining our operating margin band for FY20 at 21%-23%.

With that we open the call for questions.

---

#### **Moderator**

Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhinav Ganeshan from SBI Pension Fund. Please go ahead.

#### **Abhinav Ganeshan**

Congratulations on a great set of numbers and for also giving the clarity on the whistleblower front. My only question was, what is the outlook on the BFSI space and the Retail space?

#### **U.B. Pravin Rao**

We have had a soft quarter in BFSI. On a sequential basis it was flat and on YoY basis, we grew just over 6%. We have seen more than anticipated furlough impact in Europe and Rest of the World. However on the positive side, we have seen some growth in banking in North America. So it has been a mixed bag. We expect some degree of softness to continue in the coming quarters. But we have a very strong franchise. We have a very diversified portfolio across geographies and segments in this space. Also in the last few quarters a big percentage of large deal wins have come from this space. So we are very confident that as and when we start seeing spend uptick, we will be able to capture it. Similarly, on Retail space after a few quarters, we saw growth coming back. We had a 1% constant currency sequential growth, though on a YoY basis it was about 2%-3%. Hopefully, this increase in growth will sustain over the quarters. But having said that, this space normally is very volatile and very susceptible to changes in consumer sentiments. We continue to see a record number of store closings. So, we expect

some degree of volatility to continue in this space, but hopefully we have come off a series of weak quarters and hopefully this positivity in Q3 will continue in the next few quarters.

---

**Moderator**

Thank you. The next question is from the line of Diviya Nagarajan from UBS. Please go ahead.

**Diviya Nagarajan**

On the contract flows, if you look at the nine months trends that we have seen in the net new deals, the last quarter we did see a low of around 10% of net new deals, this quarter it is about 30%, much higher new deals than in the last quarter. That when combined with some of the softness that you have just alluded to in some of your key sectors, I am trying to understand what will then keep our revenue run rates where it is right now? What is needed to kind of keep this momentum up as the next few quarters come in?

**Salil Parekh**

I think the way you are looking at is also the way we are thinking about our business in terms of what are the drivers for our growth. As we shared at the analyst day and throughout the past year or so, the main focus has been large deals and digital expansion. To continue the momentum, we need to have that working through the next few quarters and obviously in the future. Our pipeline today is quite strong, so we have a good sense of where that is coming from. There remains significant connect and trust from our clients and we are engaging with them on several of their new programs and that is where we think we have to go more and more. Our focus is today to close our financial year in March and start to think about the next fiscal year and what that's going to look like, given the overall environment and some of the comments that Pravin made about Financial Services and Retail.

**Diviya Nagarajan**

Congratulations to you and Nilanjan and the rest of the management team for a positive closure on the investigations. I will come back for follow up questions if there is time. Have a great year.

---

**Moderator**

The next question is from the line of Bryan Bergin from Cowen. Please go ahead.

**Bryan Bergin**

I wanted to ask on the core, can you comment on the acceleration in the decline of that quarter to negative 5%, just what are the key drivers there?

**Salil Parekh**

As you saw in our note, core business had a negative growth on YoY basis. We have had in past few quarters more in the range of zero, zero plus type of growth. A year ago it was lower single digit growth. What that is demonstrating to us is that the client buying is more and more in the digital area. Our business in the core services is extremely strong and competitive and we believe that even here we have a situation where we are ahead of where some of our peers are. But the spending with clients is more focussed on digital and with our reorientation, investments, market connects in digital, with our partners and with our clients, we start to see some benefits where the digital is growing and therefore helping the overall company.

---

**Bryan Bergin**

Thank you. That was helpful. On margins, as far as the outlook goes and as it relates to your initial three-year investment and turnaround plan, do we decipher that it has progressed as per your plan? I am not asking for formal guidance beyond fiscal 2020 but how should investors think about the margin drivers going forward from here?

**Nilanjan Roy**

Like I just mentioned earlier in the press call, this industry forever, will face two cost headwinds. One is the pricing pressure, and second is the wage inflation. Usually the wage inflation, especially in India, will get offset hopefully by currency in the long term, with the real interest differential, which basically leaves, how do we make up the balance margins, which is through cost optimization. We have laid out a very aggressive cost optimization plan which we discussed in detail in the analyst meet. A couple of things which are quite routine for this industry, we all know about the pyramidization. We talked about the onsite-offshore mix. But a few things we are driving we think quite uniquely. One is the setting up of the innovation hubs in the US. I think that's quite unique for us in that space, because that allows us to build a full stack pyramid in the US, unlike a very top-heavy pyramid, which is there for most players in this segment. Another thing which we are doing very aggressively and you will see our numbers on subcon costs which are well below our peer set. Subcons are quite necessary in this industry to make sure that the short-term demand has been met or the special skills. But what we have been doing now is at the tail-end of the subcons, we are trying to replace them through our own employees. The hiring lead times which is usually shorter for these, we will make up with our own employees or replace these

or convert some of these subcons to our own employees. Our subcon costs have been quite stable over the last few quarters. There are host of activities on cost optimization, probably the 21 tracks running simultaneously. This is a treadmill on which we will have on year in and year out. We talked about digital pricing, that's something we are looking at. Not that we think, will command dramatic premiums, but more that we should not be leaving any loose change on the table when we are looking at our price for digital talent which is quite scarce. Like I said this year we are 21.4%, for the nine months we are sticking to 21% to 23%. We will come back to you next year as we set up our new FY21 plans.

---

**Moderator**

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

**Nitin Padmanabhan**

Couple of questions actually, one is how much did the acquisition of Eishtec contribute for this quarter?

**Nilanjan Roy**

That is \$3 mn.

**Nitin Padmanabhan**

Sure thanks. The second is in terms of the cost savings that you alluded to Nilanjan you had mentioned \$150 mn of cost saving target for the year, how much of that have we achieved in the first nine months?

**Nilanjan Roy**

I can say that we are well on our way to reach the annual target. So maybe hopefully we can be slightly above that, but we will reach quite confident about the \$150 million number.

**Nitin Padmanabhan**

Sure, and the other thing was on the DSO it has been sort of trending up over the past many quarters. Is that a reflection of the large deals or how should one think about it, should we assume elevated levels of DSOs going forward?

**Nilanjan Roy**

I think last quarter we were chastised for increase in unbilled. If you see this in conjunction with unbilled and unearned, actually the overall DSO, unbilled, unearned and AR is actually up by only one day. As we bill the client, will get collected in the future. So we've about \$100 million reduction in unbilled as well. So it has to be seen in conjunction with that.

**Nitin Padmanabhan**

Yes, I am looking at that but over a longer period, so if I take a four quarter rolling period it seems that it is sort of increasing every quarter?

**Nilanjan Roy**

Yes, there has been some increase and if you see in the industry as well there has been little bit of increase as we have seen clients asking for a little bit more headroom. But I think there is nothing unduly concerning about it.

---

**Moderator**

Thank you. The next question is from the line of Keith Bachman from Bank of Montreal. Please go ahead.

**Keith Bachman**

Thank you. I wanted to ask two questions. I wanted to go back to margins for a second. This is your second straight quarter of sequential margin increase, it is still down YoY. And should we therefore assume that if we look forward the margins, if you continue to have flat to up sequential margins, then you can hold these levels as we look into the next fiscal year? And any specific comments you want to offer on March quarter on how we should think about the puts and takes associated with the operating margins and a little follow up, please.

**Nilanjan Roy**

We are still holding onto 21% to 23%. We are at 21.4% for first 9 months. That is the way we look at the overall margin for the year. I do not think at this stage we will be able to give an outlook on where we are going to end up this year and Q4 or next year. By next quarter we will give you an outlook into FY2021, but that is premature now.

**Keith Bachman**

Okay any puts and takes you want to call out for the March quarter in particular on operating margins?

**Nilanjan Roy**

No, nothing really.

---

**Keith Bachman**

Then as I think about the revenue guidance that you have provided, you have raised it for this quarter. But I still look at what is implied for the March quarter it still suggests sub-seasonal growth relative to the last two fiscal years for the March quarter on a sequential basis. Is there anything you want to call out on why - you've talked about the pipeline being pretty rich, but any reason why it would be sub-seasonal growth in the March quarter?

---

**Salil Parekh**

The way we have looked at the guidance is, given the strength we have had in the first three quarters of the year and the current pipeline, deal convergence and the revenue outlook we see internally for Q4, we felt comfortable to raise our guidance for the full year and also narrow the band. The specific commentary on the segments - I will go back to what Pravin said - the comments on Financial Services and Retail, where he gave some more colour on and the real strength we have in several of our segments, which are all growing double-digit or more, and the color that he shared on those as well.

---

**Moderator**

Thank you. The next question is from the line of Pankaj Kapoor from JM Financial. Please go ahead.

**Pankaj Kapoor**

Nilanjan, Salil had mentioned in the press meet that there are plans to replicate the onsite pyramid that we have developed in the US, now also to Europe and Australia in the coming years. So I was just wondering if you can elaborate on this in terms of what kind of a scale we are looking at and what kind of an investment this will require and what is the plan of funding this investment? Will it be through the normal P&L or will there be any incremental investment that will be going into this?

**U.B. Pravin Rao**

Similar to what we did in the US, we have started the journey in the rest of the world as well as in Europe. In Europe, in April we started a hub in Romania and in October we have opened at Dusseldorf, Germany. Similarly, in Australia we will start with Melbourne and Sydney where we already have a presence. We are not looking at any significant incremental investments. We will probably do it at a much slower pace than what we did in US. In US we had a context. Here we will do more in the context of the client, wherever we have a client concentration or client requirements, that is when we will do. This will probably take slightly longer than what we did in US, with very minimal investment.

---

### **Pankaj Kapoor**

Second just on a structural basis as we get into 2020 your attrition rate is of course coming down and it looks like there has been some work on the pyramid as well. The subcontractor cost appeared to be also stabilizing. So is it fair to assume that the supply side pressure this year is far lower compared to what we had last year?

### **Salil Parekh**

On the supply side, there is definitely a significant demand for people. I think the attrition improvement is frankly a function of the programs Pravin launched and shared some details in the earlier session that we also shared that at our Analyst Day, which really comprehensively looks at how we engage with our employees in this new era, where the value proposition for employees is very different. So that's really what is driving it. I think our approach to subcontractors is much more tailored to make sure that, as Nilanjan shared, we are replacing subcontractors with recruits as we see more demand stability. So we see supply pressure fairly strong. We will see how the next year or two will look in terms of demand, mainly from clients and that will also give a benchmark for the supply side.

---

### **Pankaj Kapoor**

So just want to clarify, my question was more in terms of the kind of outlook on the wage hike you expect for this year. Do you think it will be relatively lower compared to what we had last year and any kind of intervention that we had to do last year in terms of specific skill sets, those kind of interventions may not be required?

### **Salil Parekh**

In terms of the salary increase, the decision will be made a bit later. We are not in a position to comment on the next fiscal year salary increase yet.

---

**Moderator**

Thank you. The next question is from the line of Joseph Foresi from Cantor. Please go ahead.

**Joseph Foresi**

Two questions for you. One on demand, any thoughts on the sustainability of the growth rate within Digital and do you feel the business has reset at this higher high single digit annual growth rate?

**Salil Parekh**

The thinking we have is more focused on how we are working with our clients and fulfilling their digital needs. We understand that the digital market as a collective is growing in the range of 15% or so. So our target would be to gain market share. Based on the last few quarters clearly we have and this quarter we are at 40%. I do not have a sense today, for example, in the financial year 2020 what the growth approach is going to be and certainly we have not outlined externally what our three-year growth outlook could be. What is clear though is we seem to be winning market share in digital and that is getting demonstrated over the past at least six or seven quarters. So my sense is that if we can continue that, we will have the benefit of gaining market share overall and then all of the other factors, for example what Pravin shared on Financial Services and Retail, global macro and so on will come into play and that will drive how the overall growth rate will look.

---

**Joseph Foresi**

My second question again is to go back to margins. Any reason to think that margins would not decline over a longer period of time. I mean you cited the pricing pressure in probably most of your business, wage inflation and then clearly you have got the need to invest to handle the digital movement. So from these levels, even though you are not giving any colour or guidance on it, any reason to think that margins would improve or stabilize here?

**Nilanjan Roy**

So like I said, our first task for this year, as we entered FY20 was basically stabilization of margins. You saw, how we came off at the end of quarter four, and that was on the back of our investments we have made. We have seen the dividends of that paying out. The impact of that is on large deals, on new account openings, how we split our hunting and farming teams. So we have seen those investments

paying out. We have talked about the innovation hubs and setting that up and how we are leading to an improved cost structure for us, as well as being a magnet for attracting client business.

So I think this year's target was basically coming to a stabilization mode. I think that is where we are looking ahead, how we make sure we are consistently delivering. Like I said, this is a treadmill, we need to ensure that the cost optimization tracks continue to deliver year-in and year-out. There is no reason why we think that strategically or in the long-term, this business should have lower margins. We talked about the lever of pricing, we always talk about the scarce digital talent. So, we should be able to price this new talent appropriately, get appropriate premium related to the cost. These are some of the things that we are looking at. And like we said, we will come back on next year.

---

### **Moderator**

Thank you. The next question is from the line of Moshe Katri from Wedbush Securities. Please go ahead.

### **Moshe Katri**

A couple of questions here. Given the fact you are the first company in the space to report this quarter, may be you can share with us some colour that you are getting from some clients about spending intentions for calendar year 2020. May be some rough numbers in terms of what you expect spending to look like YoY and then also may be some colour on the budget cycle for 2020 as well?

### **Salil Parekh**

We have started to get a sense from our discussions with clients which is relatively early in the calendar year 2020. We are now starting to build our own financial model for our next fiscal year starting in April. So we do not have a sense today that is robust that I can share with you of what were the external levers. We should have a better sense when we come back to you in the April cycle.

### **Moshe Katri**

Alright, that is fair. The second question is, I think the biggest highlight for the quarter was the growth in digital that you had; some pretty big and impressive numbers. Is there anything to call out here in terms of what is driving that? I mean this seems to outperform some of your other peers in terms of growth in digital. Are you doing things differently, are you getting better traction, run rates etc., may be you if can comment on that?

**Salil Parekh**

There are five areas of Digital that we are focused on. We see an incredible traction on three of them today. The three being, what we call experience to really have clients and end-users connect with technology and we've gone beyond sort of more run of the mill experience to a really intuitive human experience, thinking with digital studios all across the US and Europe and Australia. The second is the area of data, which is from Insights capability on our Digital Pentagon. We see extremely good traction on the data side. We see clients responding well to our capabilities there and we also see an extremely high margin business with a good growth. And the third is the Cloud where we have built very strong partnerships with the three big cloud players globally. We have also build very strong partnership with the SaaS players and their own growth, is in some way reflecting on us and giving us tremendous traction. So those are the three big areas for us today, that are getting the most impact, in terms of growth.

---

**Moderator**

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

**Sandeep Shah**

Just wanted to understand, if you look at the new business wins of Q2 and Q3, looks slower versus what it used to be in earlier quarters. So, is it an early indication that entering CY2020 clients are more cautious in terms of IT spend, especially on the new initiatives?

**U.B. Pravin Rao**

I am not sure where you are drawing this conclusion because if you look at large deal TCV win, the net new was 32% – higher than what it was the previous quarter. Obviously if you look at the last few quarters, there are some quarters where we have had higher net new and some quarters where renewals have been higher. As Salil mentioned earlier, there are primarily two drivers for our growth. One is large deals and we not only have to win our share and win large part of the renewals, but also net new. And we also have to capture as much of share on the Digital side. As long as we are able to do that, we feel that the momentum will continue.

**Sandeep Shah**

Just a followup, is there any change in the trend of deal closure where decision making cycle has been getting elongated because the election year coming in the US as a whole, so is there any impact?

**U.B. Pravin Rao**

Not at this stage, the decision cycles have remained the same in the last few quarters. We have not seen any changes.

**Sandeep Shah**

Lastly, a bookkeeping question, the tax rate has gone down, so I do agree that there is a refund angle as a whole, but apart from that is there any benefit coming out of the new tax regime in India and what could be the normalized tax rate going forward?

**Nilanjan Roy**

As we said in the beginning of the year, our guidance on ETR was between 27% to 28%. We got two benefits this quarter. One is that in the last quarter there was a clarification on the US BEAT tax, so we got a one off benefit there. Plus in India in one of our subsidiaries, we have decided to go for the new tax regime, which is the lower 25% tax rate. So we got a benefit of approximately about \$24 mn between these two during the quarter. So, our normalized tax rate would be about 27%, but these are two one offs during this quarter.

---

**Moderator**

The next question is from the line of Arvind Ramnani from KBCM. Please go ahead.

**Arvind Ramnani**

Thanks for taking my question. I had a couple of questions over here. When you look at your client conversations this year versus last year, there certainly has been a lot of changes, your mix towards digital has changed quite a bit. I am not looking for necessary guidance for next year, but how are you feeling about the demand environment this year relative to last year?

**Salil Parekh**

As we shared earlier, the real work on that will start to happen in this next few weeks for us. We will start to put together a little bit more systematic view from all of our segments and our service lines to understand what that looks like for the full year. It is a little bit early for me to comment on that.

**Arvind Ramnani**

I know the previous person already asked about this, the impact of elections and any color you can provide? I mean has this come up at all in any client conversations or planning? Do you expect any near-term delays?

**Salil Parekh**

You are referring US elections right?

**Arvind Ramnani**

Yes.

**Salil Parekh**

For us, nothing has come to us in our client discussion to suggest a change in the direction as a result of that, at this stage. We do not have any specific client shift that we can tell. May be as the year progresses, we will see something.

---

**Moderator**

The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

**Vibhor Singhal**

Salil I just had one question on the manufacturing division. The manufacturing division has reported quite strong growth in the last six quarters on a YoY basis, so just wanted to check any headwinds or early signs of any weakness that you might see because of a slowdown in the auto segment that we have seen especially in the European markets or is it like we are not seeing anything of that sort as of now in our client base?

**U.B. Pravin Rao**

Overall we have had a good run in Manufacturing this quarter. It was one of the segments where we saw much higher sequential QoQ growth and for the year as well a double digit growth. So we have seen a very good traction. Having said that, we do see some softness particularly in the auto sector given all the trade wars. Even though there has been some slowdown on the trade war side, some resolution, but still there is some uncertainty and this is also impacting the industrial segment where there is dependency. On the other hand, when you look at aerospace there is a huge order backlog and the pipeline is strong. Despite this softness, the softness has existed in the last one or two quarters –we have

done well in this segment on the back of our wins that we have had in our recent past. So while there is softness, we feel that we are in a good space in this segment and we expect that trend to continue.

**Vibhor Singhal**

That is really helpful. That was all from my side. Wish you all the best.

---

**Moderator**

The next question is from the line of Apurva Prasad from HDFC Securities. Please go ahead.

**Apurva Prasad**

I had a question on the core services and products space that seems to be declining at a faster pace, so can you attribute anything to that is there probably increased competitive intensity in renewals?

**Salil Parekh**

We talked a little bit earlier on the core services outlook. What we are seeing today, is really a reflection of where we see our clients spend. Our client spend is more and more on the digital portfolio and that spend is less on the core services. Our sense is that, we are more robust in terms of differentiation in core services as compared to some of our peers. Having said that, this is a function of what we see in the market in terms of increasing shift to digital seems to be the secular trend and that will drive the core services. As you rightly said, the last few quarters, we have seen something in the 0 or 0+ range or may be a year ago low single digit growth. So, we need to watch it carefully and see where it goes. We also want to reposition our portfolio towards more of our digital business which has higher margin profile. We think this helps us to reposition our company to where the client spends are also getting repositioned.

---

**Moderator**

The next question is from the line of Sudheer Guntupalli from Motilal Oswal. Please go ahead.

**Sudheer Guntupalli**

If you look at the sequential growth in the top client, top 10 clients and even top 25 clients, the growth looks pretty muted especially in the top client. So the growth in this quarter seems to be largely driven by clients below top 25, so any colour on this will be helpful?

**U.B. Pravin Rao**

I think in this quarter given the furlough impact, I do not think it is right to draw any inference. At least we are not really concerned about this. The furlough impacted varies from sector to sector and clients to clients.

---

**Sudheer Guntupalli**

The second question is, we have ramped up our US onsite headcount over FY2019 and we have been talking about the potential back ended productivity improvement among these employees which can drive up margins. Any qualitative insights into this will be helpful?

**U.B. Pravin Rao**

There are two things. One is we are trying to derisk our business by doing more local hiring, having a much larger local presence. And secondly from cost perspective just making sure that while we ramp up on the local side, we build a pyramid. So we have done reasonably well. As we have mentioned in the past, we have recruited more than 10,000 people and a good percentage of them are associates from campuses. So far the utilization of these people in projects have been decent and it is probably much better than what we had anticipated earlier. We feel confident and with our unique model of having hubs, we are able to locate these associates and deliver projects quickly and we feel reasonably confident that this model is working. Not only are we able to derisk the visa risk we had, but we are also able to contain the cost structure by building a pyramid. I think that effort will continue. But it is difficult to quantify at this stage because it is early in the journey. We are just about 12 to 18 months in the journey and it will take some time for this to stabilize.

---

**Moderator**

The next question is from the line of Dipesh Mehta from SBICap Securities. Please go ahead.

**Dipesh Mehta**

Sir if one looks at the growth number from Q1 to implied Q4, we are seeing almost 4% deceleration from a YoY perspective in constant currency despite a very healthy strong deal wins during this period. So if you can help us understand how should one look at the momentum deceleration entering into the next year. The second question is about Energy and Utility. In your prepared remarks earlier, you indicated about some client specific issues. So, if you can provide some more colour around it, whether it is likely to sustain or if it is temporary, if you can provide color on the same?

**Salil Parekh**

On the first part, as you might know in some of our earlier calls, we had shared that in the first half of the year growth was higher YoY than the second half of the year and that is really the way this is progressing. We do not see any change in the traction with clients though there is some base effect that starts to creep in Q3 and then in the ongoing quarters. But we do not see any real change and connect with our clients. For the following year, we will be in a better position to comment at the end of this quarter when we come back in April. On the second part, Pravin will give an update.

**U.B. Pravin Rao**

On the EURS segment, we have had several quarters of successful double digit growth. This is the first quarter where we have seen a negative growth on a QoQ basis and less than double digit growth. It is partly because of the seasonal weakness and the furlough impact. In a couple of clients, one where we had a descoping in a particular large program and in another account, we have seen some level of insourcing. But having said that, given the traction that we have seen in the past, this is not a secular trend and we expect the growth to come back in the coming quarters.

---

**Moderator**

The next question is from the line of James Friedman from Susquehanna. Please go ahead.

**James Friedman**

Pravin, I just want to make sure, I understand your message or your observation with regards to North American BFSI as you were growing kind of quick there. Are you saying it is getting better because you talked about the geographic region of BFS. What was your comment about North America, specifically banks?

**U.B. Pravin Rao**

If you look at our performance this quarter, a big impact has been from Europe and Rest of the World. Partly higher than expected furlough and slowdown, particularly in the Europe due to uncertainties around Brexit. On the other hand, if you look at North American banking segment, we have seen growth. So, that is what I have meant. In the last couple of quarters we have seen growth come back in North American banking space and that was the comment that I made.

**James Friedman**

That is what I thought. With regard to Communications, is that 5G or is it too early to conclude that. I know 5G according to you populates a lot of different verticals but is that related or is there something else going on?

**U.B. Pravin Rao**

At least the growth has been largely contributed by some of the large deal wins that we have had in the past. We do find a lot of investments in 5G, obviously there is tremendous pressure for everyone to invest in 5G. We see opportunity is there, but the ticket sizes are still small, most of them are in the pilot phase. The growth is coming from traditional businesses as well as the digital transformation opportunities. In this segment, on one hand there is tremendous pressure on them to invest in 5G. At the same time their revenue per consumer, their TRP is decreasing. They have to compete with Digital natives and OTT providers. So, there is a significant amount of investment in Digital channels, AI Chatbots and so on, particularly in customer service space, and that is where the investment is. Today the growth is coming from those investments, not necessarily from 5G. While investment is there, but from a ticket size perspective, it is still small.

---

**Moderator**

Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Sandeep Mahindroo for his closing comments. Over to you Sir!

**Sandeep Mahindroo**

Thanks again for joining us on this call. We really liked your question. Thanks for spending time with us. We look forward to talking with you again. Have a good day.

**Moderator**

Ladies and gentlemen on behalf of Infosys that concludes this conference call. Thank you for joining us. You may now disconnect your lines.