# ANALYST MEET

April 23, 2018

## CORPORATE PARTICIPANTS

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

**M. D. Ranganath**
Executive Vice President and Chief Financial Officer

**Pravin Rao**
Chief Operating Officer

## ANALYSTS

**Sandeep**
Edelweiss

**Mrs. Patel**
Individual investor

**Anantha Narayan**
Credit Suisse

**Viju George**
JP Morgan

**Yatin**
Reliance

**Pankaj**
JM Financial

**Kawaljeet**
Kotak

**Sudheer**
Ambit Capital

**Sandeep**
CIMB

**Ankur Rudra**
CLSA

**Madhu Babu**
PL

**Divya Nagarajan**
UBS

**Srinivas**
Deutsche Bank

**Apurva**
HDFC

**Sohini**
SBI Mutual Fund

**Abhishek**
Equirus

**Girish Pai**
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**Ravi Menon**
Elara

**Nitin**
Investec

**Ashwin**
Nomura

**Rahul**
Emkay

**Sandeep Mahindroo**

This is the last session of the day, Q&A. We have Salil, Pravin and Ranga to do this session.

**Sandeep**

Hi, this is Sandeep from Edelweiss. I have two questions, one, what is the thought process behind exiting Skava, Panaya? Second is on the margins from Ranga. Last year you gave a guidance of 23%-25% and we did 24.3%, in spite of currency headwinds and also contract cancellations. If we adjust that, then probably we would have easily breached the upper end of guidance. So is that kind of conservatism this time as well in the numbers, what is the thought process behind it? We believe that with digital scaling up although you need some investment but with the scale up, some consistent flows of a project will also help.

**Salil Parekh**

Let me start on the first one, on Panaya and Skava. As we had shared on the 13th, we looked at our overall portfolio, we then looked at various criteria for selecting what was scalable in terms of all of the portfolio elements we had. Some of the criteria that we had in terms of scalability, management bandwidth, change of direction, for example in one of the companies, these two did not meet all of those criteria. With that we started to look at exploring options for it from outside.

**M. D. Ranganath**

Coming to the margins, yes, last year we gave 23%-25%, we ended up at 24.3% and last year we clearly said there are two pieces that we need to address, one was the US talent model and also we had to take into account some of the currency factor that you talked about. As we have talked in the presentation, it was addressed both through digital as well as the core IT, it was not just the utilization and other aspects. Coming to this year, while we exited Q4 at a very healthy 24.7%. After Salil came, we had a detail review of all of our service portfolio, platform portfolio as well as the product portfolio. To accelerate the digital revenue growth where you saw in the earlier presentation, the market potential needed to be leveraged, what are the potential areas of investments which we should make in the near-term to make sure that the company is able to capture those without any constraints. That was one point. One is the digital area, during the course of this session, we will share more color on that. Second one is on the sales which Mohit talked about. Third one is some more element in the US talent model on the lines of what Ravi talked about earlier. Then fourth, of course, on the reskilling as well. We have taken into account these pieces. The range that we have given is 22%-24%. During the course of the year we will execute these investments as well as some of the measures of optimization that I talked about earlier. At this point in time, our plan is to keep it in this range.

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**Mrs. Patel**

I would like to bring to your notice, your foreign portfolio investments which was approximately 38.26% last year and the year before last, it has shrunk this year from almost 38% to 35.19%, especially your Oppenheimer developing mutual funds have been disinvesting, from 2.37% it has come down to 1.01% in December. If you can throw some light on the reasons for the diminishing foreign investments? Second, Rs.589 crores are they written-off for Panaya? There are almost 303 investment complaints pending up to April ‘13. Can you throw some light on it?

**M. D. Ranganath**

Coming to the first point, if you look at our shareholding pattern, if we include ADR holders which is about 17% as well as the FII investments, both put together is still upwards of 55%. Now, for individual investors, it's their prerogative and they take their decision based on what they see, I do not want to comment on individual cases. At the same time, if you look at the domestic investors, that component has gone up as you rightly said. I think that is where we would like to address that question.

Coming to Panaya, as we announced on the standalone books of Infosys Limited, write-down was $90 mn and the consolidated books of the group which is really reflected in the consolidated P&L is $18 mn. As we said earlier we had a strategic review of all the portfolio including platforms, products and services in a detail manner to see where we need to accelerate our investment in line with the strategic direction and which have diminished. So based on that management started exploring sales of both Panaya and Skava. Based on that we had to classify them as assets held-for-sale and corresponding fair value and the write-down had to happen.

Coming to the investor complaints, as you know, we have a Stakeholder Relationship Committee which very carefully examines each and every investment complaint every quarter and our company secretary and legal counsel present and update the committee on that. They make sure that those are timely addressed and even the April complaints that you talked about, they have been addressed fairly and we will be publishing those details in our annual report.

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**Anantha Narayan**

Hi, this is Anantha from Credit Suisse. I had a couple of questions; first one is either to Salil or maybe to Pravin. Thanks for a very good articulation of the strategy, the presentations were very good. If we compare the various elements of your strategy that you articulated, Salil, is there any significant difference from what was the strategy about a year back? That is question #1. The second question is for Ranga, on the margin front, you have given various reasons of why the band was reduced by about 100 basis points. Frankly, none of these are like really surprising investments that needed to be made. For a company of Infosys size, one would have thought that these would have been ongoing investments in any case. Any comments on that?

**Salil Parekh**

On the strategy, let me put it this way. What we have articulated here is how we want to take advantage of where the spend is moving with respect to our clients and be more relevant to them on the services space. That is really the main focus of this approach. If you look at Agile, Digital and where we want to push that growth, it is to those five elements that we described within the pentagon. That level of depth of describing it, articulating both by our leadership and by some external views is what we think is new today, both in the market and also for Infosys. The focus is we want to build this with third-party providers. We are not building proprietary software into this, we are building partnerships, whether it is with cloud providers, whether it is with SaaS providers, whether it is with software providers, for the benefit of where our clients digital journey is going. That is the real change I see where we are going, plus a real clear definition of how we will energize our core, how we will reskill our people and how we will localize in the markets we have chosen to localize. So it is more depth in each of those areas that I think is different from where we are going.

On the margin point, the ongoing investments are clear. The elements that we have identified in fiscal '19, are under four buckets. The first around the sales side, the second around the digital side, the third on the localization and the fourth is focused very much on the employee. So what we have built here is a comprehensive plan, to make sure that we are putting in the investments today, that will help us to get more and more client relevance and more and more stronger connect with our employees. Those are the elements that are critical for a company like us prospering more and more in the future.

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**Viju George**

This is Viju George from JP Morgan. I had a question on Infosys ability and capacity to participate in large deals. Late last year we saw TCS announcing a slew of mega deals which will probably make all the difference in growth between you and TCS possibly in FY'19. What is your state of preparedness to be able to capture the $500 mn + mega deal, what holds Infosys back, what is the gap? Is it not enough historical emphasis, is it consciousness with regard to margins, is it a deal structure, is it maybe lack of a platform such as Diligenta? Just like to know where do you think the gaps are? I am not talking about $100 mn, $200 mn but the mega deals?

**Salil Parekh**

One of the things you would have picked up from what Mohit was sharing is, we want to start to put in even greater emphasis on that area and that is part of what we mean by the investments we are talking about. Large deals comprise of several of the elements that you described and those are some things partially crafted based on platforms, partially crafted based on where the client environment is and those are the sorts of investments you want to put in to start to capture the larger component of the large deal market.

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**Yatin**

This is Yatin from Reliance. Two questions, one, is there any qualitative or quantitative milestone that you have set up to check the progress of the strategy? Second, on Viju's question, so the large deal TCVs which you announced, the pure definition of that is any deal with revenue above $50 mn. Just assuming that bulk of the digital revenues which is 25% would be less than $50 mn deals. As an outsider, how do we track the progress of the strategy because going forward the bulk of the focus would be accelerating digital? What is the kind of visibility which we can get other than just the revenue growth which you will be announcing during the quarter?

**Salil Parekh**

So for us, the $2.79 bn that we have outlined and defined for fiscal '18, becomes something we start to focus much more on in terms of how that is scaling up. Internally that converts to a few other elements that we also started to track which relate to the size of the deals within digital, the volume, the pipeline and the skill movement of our people. So there are some internal components which we do not publish outside and there is an external component which is this $2.79 bn which we want to demonstrate and that is what is growing well as we look at the digital growth.

**M. D. Ranganath**

Just to add to that, other key parameters which we keep watching is really the per capita revenue which is also an indicator. The rapid growth of digital has to reflect in the better billing rate as well as the per capita revenue. I think that is another piece or a parameter which we will be sharply focusing on.

**Pankaj**

This is Pankaj from JM Financial. Salil, my question is on the pentagon which you referred at the beginning of your presentation. Many of those elements are something which your peer group has either talked about or they have indicated not recently but in the past couple of years. So two parts to the question. First, do you think that you are starting late in focusing on them? Second if you can give some elaboration in terms of how do you see your competitive positioning different from what being the other guys who are already in there are focusing on. So what differentiates Infosys for example in any of those five pieces of the pentagon? That is the first question. Second to Ranga, on the margins, what kind of currency assumption have you baked in? Do you think that in case the rupee depreciates further or any currency movement which is favorable to you, you will allow that to flow through into the reported margin or would you like to keep it with you and invest that further in what you plan to do in the various areas that you have identified?

**Salil Parekh**

So on the pentagon that we described, first, as you can see with the revenue being at $2.79 bn, we already have a very strong position, it is 25.5% of our revenue in fiscal ’18. What we are now demonstrating is, it is clearly articulated both inside and the way we are going to market with that and very distinct components around the five areas. What is positive about this approach is the way the clients are progressing on their digital journey, it starts to mirror it and what we tried to do with the examples that we showed, is to show you the differentiation we have in each of those five areas, whether it is insight or accelerate or experience. In some of the areas like experience we have already done two acquisitions and we will look to do others where we feel we can enhance or go faster as the clients are demanding it. So we think we have a strong portfolio. We think the client demand is quite a large demand with the $160 bn addressable market. We want to go and become more relevant in that demand with our clients with our portfolio that we have.

**M. D. Ranganath**

Coming to the currency part, there are two aspects to currency impact on us, one is cross-currency. We derive about 70% of our revenue in US dollars, the balance 30% roughly equally between British Pound, Australian dollar as well as the Euro. The second part of course is the USD versus rupee. Every year when we prepare our plans, we take into account certain normal movements in both the components and of course, if the movement is either ways much beyond our assumptions it can have appropriate impact both positive and otherwise. So we have taken the normal factors into account

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**Kawaljeet**

This is Kawaljeet from Kotak. Salil, there was a slide which talks about a three-year roadmap which is consolidate, build momentum and accelerate. How should I think about that slide? Is it that by the third year your growth will be off the charts or is that the nice way of indicating that the growth will be soft for the next 2 years?

**Salil Parekh**

The way we see the business today is we have now entered into a real transformation of how we are going to position ourselves for being relevant to the clients. If you look at the events over the last 12-24 months, there is a lot of change in the company. So the way we positioned it is, fiscal ‘19 is really to get stabilized, get this approach, strategy and investment starting to bake in and fiscal ‘20, we start to see as we call it building the momentum for that and in fiscal ‘21, we start to see the acceleration. So there is no more or less I would read into that.

**Kawaljeet**

The second question I had is similar to Anantha just that I will be direct with that. You have basically taken down a margin guidance band by 100 basis points, what is the real rationale behind it? Is it that you believe that you are lagging in digital and need to catch up? If yes, what are the aspects of digital where you are lagging in or is it simply to accelerate the transition of the business and capture this large opportunity? Any thoughts on that would be welcome.

**Salil Parekh**

It is really about capturing this large opportunity. So what we see today is the pentagon or the five elements that we showcase on the digital, our clients are moving there at a rapid pace and for us to increase the relevance to our clients at that pace, the thought was this would be a good moment for us to invest and build up. The investments again fall into those four areas the digital capability, the sales, the localization which in itself is a large new activity which was started 18 months ago and the fourth is HR and our people. We want to make sure that both from a client and from our employee side, we are doing the right things to be ready for the future that our clients are going into, become more relevant for that future that our clients going into .

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**Sudheer**

This is Sudheer from Ambit Capital. If you look at our revenue growth guidance for the full year or even our commentary related to key verticals like BFSI and Retail, it is more muted than some of our competitors, maybe Indian or even global. So I just want to understand are we being more conservative here or are we losing a valid share in the clients to these players or even there is simple portfolio specific issue

**Salil Parekh**

On the revenue guidance which is 6%-8% in constant currency, the way we build the guidance is a combination of where we see the market going and where we see our internal business evolve into. Based on that, we build our guidance. On the sectors, let me request Pravin to address.

**Pravin Rao**

From a sector perspective, if you look at BFSI, till about 15 days back, most of the investors were asking why is Infosys optimistic about BFSI when compared with the rest of the industry? So that was the reality. It is only that in the last few days one of our competitors have expressed optimism about BFSI. We have always consistently said that in FY18, our BFSI performance was muted. If you normalize for the RBS impact, we are probably similar to what the company growth was and we also consistently said we expect better growth in the coming year in BFSI space. We believe we have a much more diversified portfolio in the last 3 years on the back of large deal wins. We have had lot more presence than what we had in the historical past. We have strong presence in Europe. Even in North America which is relatively soft, we have presence amongst larger regional banks and so on. So from a wallet share perspective, we have not really lost out anything. We remain confident from a wallet share perspective. If spend comes back in North America, then we are confident that we will see much better growth there. We are fairly optimistic about BFSI, but the actual outcomes will depend on the spend coming back. On the CRL, we have had a volatile environment in the last couple of years. On North America, we continue to see bit of a challenge because most of the retailers are struggling to deal with the likes of Amazon and others. While there is spend, but the spend is expected to be volatile. We are doing reasonably well on Europe and rest of the world on CRL. So at least given our portfolio and our outlook, we believe that for us at least in this year, CRL will continue to be volatile. Coming back to the other sectors we have seen tremendous growth in Energy, Utilities. We have seen good growth in Telecom, good growth in Insurance and we expect that momentum to continue in the coming year as well.

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**Sandeep**

This is Sandeep from CIMB, thanks for the presentation. Sir if we look at the market impression about Infosys, I think everybody believes that Infy has offerings or the market presence which is comparable to the peers. But if we analyze last 4 to 6 years of performance, I think there are internal issues which are led by the instability in the leadership or the senior management. So any thoughts that this would not be repeated. This time the focus is more on execution and less in terms of repairing the house. So any thought in terms of retaining the talent and motivating the talent going forward?

**Salil Parekh**

One of the things that I announced and I think it is public, is as we build out our leadership on the sector side, we have essentially moved a few of our internal leaders into those positions. As the team that presented here today, you could see that they were focused on different elements of what we were driving collectively as a strategy. So our focus is definitely to build the talent pool that we have from within and to drive that into the market. As you rightly pointed out, a lot of that attention now is moving to execution. We have in a very detailed way articulated what we want to do. A lot of that we shared here with some real examples which show that it is backed by what is going on in the market that we are driving and there is a lot more of that detail that we now want to execute upon.

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**Ankur Rudra**

This is Ankur from CLSA. Till FY17, I think Infosys was growing in line or ahead of its larger peers. If you are saying that you will accelerate in FY21, will you basically be slower than peers for 3 years in a row?

**Salil Parekh**

We have had lot of different situations in the last 12 and 18 months. We have now put together what we think is a comprehensive approach to how to go after where our clients digital journey is going, how we 'Navigate your Next' for them. In doing that, fiscal '19 will be in our mind a year of stabilization. We also want to make sure that all of the elements of investments whether employee, whether digital, whether sales are starting to be put in place, so we can become more relevant for our clients future. That will translate itself into that available market space over the next years.

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**Ankur Rudra**

So should we not read these as milestones from a financial perspective, it is more of milestones from when the company is ready to finish its investment phase. You may actually accelerate faster than what this implies from a revenue growth perspective?

**Salil Parekh**

The only guidance we have given right now is for fiscal '19 for revenue. We have not said anything about any other year at this stage.

**Ankur Rudra**

The other question I had was, you referred to distributed agile, I think either in your prepared comments during the results call or today to the extent that Infosys has been able to do that successfully, do you think the need to localize significantly will be somewhat lesser than what people previously expected for digital?

**Salil Parekh**

There are two different elements. So again the distributed agile that we talked about, falls under multiple components of that pentagon, a lot of it in the accelerate piece. The localization that we refer to also falls some of it in the acceleration, but much more on the experience piece. So we want to progress on multiple dimensions of that digital and the way that we have articulated it within the company, is at the next level of detail to drive both of those. Because both are needed when you do the full life cycle of digital.

**M. D. Ranganath**

Just to add on to that, on the second part, US is over 60% of our revenues, and the distributed digital is already under way. That is where I think, we are trying to kind of full proof some of the elements that are specific to those markets. So to get back to the same point, even in the distributed digital, a distributed development, we still need fairly localized talent wherever we want to do that part. So I think that is where the focus is. Last year as I was telling earlier, one of the surprise elements for us has been ability of our staffing the onsite projects through freshers. So far the pyramid was only offshore, now that onsite piece is also coming. That is something, which has been very encouraging for us last year. I think Ravi has a detailed plan of accelerating that further down. So that's the emphasis on the local talent still being relevant for the distributed digital.

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**Madhu Babu**

**This is** Madhu Babu from PL. My question is on the acquisition of more design studios. So we have just bought one design studio. Would you see more acquisition on design studios? Apart from that, I think Accenture has been buying a lot of ad agencies. So would we be looking at that strategy also to tap the CMO spend?

**Salil Parekh**

The way we are looking at acquisition is, really around the five elements that we described within digital, so it is in each of those areas and any area that we feel will benefit our future relevance with our client. Now within that, 'Experience' will have some designs studios, the 'Insights' will have some analytics. So it is a mix of those types of elements across all five that are being looked at, but no other specific view either saying yes or no to any of those points.

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**Divya Nagarajan**

This is Divya from UBS, thanks for the presentation. Going back to the topic of investments, I am sure that you have some kind of a budget in mind based on all the areas that you have already decided to spend on. It would be great if you could share it with us but if not, could you kind of run us through, how for your individual business units and leaders, those budgets are going to be apportioned and for those leaders to deliver what are the KPIs that you are looking at. That is my question number one. And number two, you also talked about solutioning into the industry verticals and sub-verticals. How do you think about, how that fits into the current delivery organization which is horizontal across the company?

**Salil Parekh**

So on the first one you are right, we do have an internal number in terms of the investments across all the four elements and those are distributed across our various business units and that is guided by how we track what the investment is vis-à-vis what sort of impact we are likely to see with our investments, so that is internally in place. On the verticals and the sub-verticals, we have both go-to-market via sector and a service line organization which is horizontal and both of those come together when we look at how we specialize whether by vertical or sub-vertical.

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**Srinivas**

Srinivas, Deutsche Bank. I would just take on again on previous question, your largest growth area, aggressive digital which cuts across the organization but your leadership probably historically has been structured around the industry verticals, would we expect a change going forward? In that context, you are also now recruiting people and buying companies like creative agencies. How do you think Infosys will manage these kinds of people which is probably very different from what you have done over the last 15 years? Churn rates could be different, their motivation could be different. Someone working in WONGDOODY might wake up in six months' time and say that this is not what I joined WONGDOODY for. So, any thoughts around that? And finally, on the financials, assuming this digital journey works out for you, as you said the one number which is revenue for the employee, over the three-year period what kind of rate of growth can be seen? Again, a broad range is fine, but that's something which I think is what has to differentiate Infosys from what it has done in the past 10 years. Any thoughts around that would be helpful.

**Salil Parekh**

On the point around how we look at the structure, we have no plans of changing the structure. What we want to do is, as you heard through the example, a lot of work that we do cuts across multiple disciplines, multiple service lines and that is critical for the way the clients want to use and leverage what we are doing. So we have to stitch together multiple components of our capability. So we don't need to change our structure to make that happen. What we do need to do is with this, let's say a clearer definition of where we are going in terms of the pentagon and the digital journey, we will have more focus on how we bring those things together, but not a change of structure. In terms of people and how we deal with different types of talent, that is something that we have to make sure, we learn and scale up on because you are right these are different talents and we need to leverage them if we want to build the experience side. All of that needs to fit in to the future that the client is asking for.

**M. D. Ranganath**

On the per capita revenue if you look at this year 6.3% as I talked about and over the last 6-7 quarters, it has been going up. I think that will be the focus, but we don't want to really put a number at this point of time. I think it is a good suggestion. During the course of the year as we make progress, we will relook at that aspect.

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**Apurva**

Apurva from HDFC. It is just to probe on the stabilize, build momentum and accelerate. If you can provide a few more vectors in terms of maybe margins or revenue productivity that you talked about, that is my first question. Secondly, what do you think of the four pillars of strategy requires maximum transformation?

**Salil Parekh**

So on the three year journey, what I have said before I would say again. Given where we are in a transformation approach and given everything that we have gone through over the last 12 to 18 months, the focus with the new strategy and the new approach is to make sure that we use this current fiscal 2019 for the stabilize and we use it for the investments that we have described. That will give us more client relevance as that scales up into where our clients are going on the digital journey and that is what follows in the years to come.

The second question was on the four pillars. I think, with the way we defined those whether it is the 'Scaling of the Agile Digital', 'Energizing the Core' or 'Localization of Re-skilling' each of them has a critical set of elements and what we tried to do today was showcase that first we have some depth behind it and second, what we need to do in terms of the execution for the years to come. So from that, each has a different type of a challenge but each has some momentum that we started to build. Hopefully those will be the results that we will start to see in the next three-year journey.

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**Sohini**

This is Sohini from SBI Mutual Fund. So, a question on the metrics, that you shared. On the utilization side we have increased 300 bps this year and if you look at the journey for the last three years or so, you would have increased utilization every year. Also, you shared the data on the revenue per employee which has gone up and also the fact that your employee cost as a percentage of revenue has been stable. So would we assume that your employee cost or cost per employee would have also moved up in line with your revenue growth per employee or given that your utilization has consistently gone up for last 3 years, we have not seen a change in the employee cost as a percentage of revenue. Going ahead, do we have a room to further increase the utilization on a high base that we are and whether there will be any change in the employee cost per as a percentage of revenue?

**M. D. Ranganath**

Let me address the employee cost part. You are right, as assured employee cost with the percentage of revenue both onsite and offshore put together has been steady. That is the end result of multiple things. There are three key factors. One, clearly the onsite mix to some extent influences that, we have seen certain reduction at the onsite mix. Second, it also gets influenced by the role ratios that we talked about, both offshore as well as onsite. The onsite role ratio disproportionately changes the onsite cost and the total cost, employee cost as well. Coming to the utilization part, well we are comfortable at the current levels, if the question is, are we seeing further increase on the current levels, I think we are comfortable at the current levels. The whole piece on the core part, now as I said earlier we are looking at the margin resilience on 2 aspects even in fiscal 2018, one was on the better pricing on the digital, second one is really the productivity part. So we do believe that certain services which are more amenable for automation, we are going to much more sharply focus on them. Some of the per capita revenue growth disproportionate to the head count growth has been primarily on account of these 3-4 service areas and there the differential is much bigger. We will continue to focus on that. On the utilization, I think we are comfortable at the current levels. We do not really expect much significant improvement from the current levels.

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**Sohini**

No, essentially the essence of asking this question was that whatever efforts that we are doing on the revenue side because of the digital that our realizations have gone up and also on the utilization side, it is really helping us to tide over the commoditize part of our core because essentially your employee cost as a revenue has not gone down despite this. So while our margins have improved because we have not increased the base, the growth was close, so we have not had to invest into G&A, etc. and so that really helps on the productivity side. So going forward, do we have room on this side and basically what is an important metric from your side that you look at when we talk about this. Because the revenue per employee is not really translating into an improvement on the margin side which it should be otherwise it should have happened right.

**M. D. Ranganath**

If you look at the per capita revenue improvement 6.3%, this year at least in the Fiscal 2018, the resilience of the market in the operating margin is really showing. We exited at a 24.7% despite some of the other headwinds that we had. So, clearly if you look at the metric of percentage of employee cost as a percentage of revenues important for us because it takes into account both the billing rate aspect as well as the cost aspect because we are not putting the absolute dollar number here. For example, in case of the digital though it has higher onsite component by definition, there the onsite employee cost of digital as a percentage of revenue still we are comfortable because the denominator which is the billing rate is higher, that is that part. Coming to the core IT, the commoditize piece that you talked about, there the focus is not really the per capita employee cost, the focus is especially in fixed price projects do we require so many people. So, even while keeping the average employee cost same, we could still optimize that part by removing excess staff in fixed price projects. I think both elements are in place, that focus is going to continue and that kind of played out in FY18 as well.

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**Abhishek**

This is Abhishek from Equirus. You talked about large deal emphasis, just from a data perspective on a Y-o-Y basis the LTM large deal is down 12%. There may be enough reasons for it like digital, lack of focus or any other. How much of it is related to transition at the top and from a numbers perspective next year same time if you had to put a number on this related to you what your strategy is. What is the number that you would be happy with on a Y-o-Y basis? Thank you.

**Salil Parekh**

I think on the first part, large deals are a combination of a number of factors that Mohit described, with where the market is, with the changes in the market, with all the changes within Infosys, a lot of those things could affect large deals. In terms of fiscal 2019, I would like to make sure that we start to put in the building blocks that we need to show them that the large deal numbers start to increase.

**M. D. Ranganath**

Just to add on to that I think coming to the deals, a couple of years ago, there are 2 distinct buckets people would say this is the digital deal, this is the core IT deal and digital deal by and large was presumed to be the user experience base kind of deal. Now increasingly we see very tight dovetailing between the digital and the core IT part. So, this also requires some amount of significant presence in the account to kind of stitch these deals as well. Typically, they may not be always RFP based deals. So, dovetailing the digital to the core IT for example now increasingly from the client side, we do see that they have not moved beyond client experience in defining digital. They want the quality of data that is going into the frontend is supported by analytics, takes into account the desperate systems plus the cloud integration piece, data leg piece, couple of these things. I think the coupling between digital and the core IT services is something which we see increasingly as an expectation from the client. That is where our investments are all too. Some of the sales investment that Mohit talked about is also a kind of ability to stich those deals which are not typically RFP based as of now. So, we need to look at both components.

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**Girish Pai**

This is Girish Pai from Nirmal Bang. Had a couple of questions, one was regarding your investments, 100 basis points investments in FY19. Do you think that will be enough for you to become relevant to your clients, do you expect further investments down the road in FY20 and 2021 that is question number one? Second is your restructuring of Consulting business has been a work in progress for a fairly long time, what is exactly is the problem there?

**Salil Parekh**

So, on the investments what we built is our view what we want to do for fiscal 2019. We believe that between the 4 buckets that we have described the employee, the sales, the digital and the localization. This is the approach we need to take to increase the client relevance. We have not made any other views for anything beyond that at this stage. In terms of the Consulting, we have started to work on what we need to do in terms of making our Consulting business more relevant for where the clients are today. We have parts of our business that have been addressed and that are working well. There are other parts of the business for which we have a plan to make it further relevant for our clients. We believe this plan is now thoroughly in place and we would hope to start to see the benefits of that accruing between the next 6 to 18 months as we execute on that plan.

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**Ravi Menon**

This is Ravi Menon from Elara. I had a question on how you think about the onsite-offshore component, I mean you have spoken of how you want to increase localization yet. We have seen offshore execution move up and as you look at increasing localization and maybe look at increasing digital, scaling that up, should we see this continue because you have talked also about how you are going to thin down fixed price project headcount. So, that also implies that offshore execution should reduce?

**M. D. Ranganath**

Let me address this in two parts, one is clearly when you look at the digital, the onsite component is higher than the regular one. But when we slice that, some of the ones which have really achieved scales, at least 2 or 3 services have achieved good scale there, we have seen our ability to offshore that has increased over the quarters. So in some parts of the digital including agile development and keeping all that into focus, the services today we have 12 to 13 services there, 3 of them have really achieved scale. We have begun to offshore there, that is one dimension. The second part is really on some of the regular, the core IT services they extent of offshoring that we have done in the past we are really relooking at some of the specific service client testing, maintenance some of the infrastructure pieces and in fact today we have seen especially the United States clients, their willingness to do that offshoring by specific service line, the propensity is also higher. The third piece is really the local talent part where we are trying to build a pyramid. I think we are addressing all the 3 elements together and that is the number which probably gets reflected in the overall onsite mix.

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**Pravin Rao**

I just wanted to add on the localization. So, overall when you look at the mix you will typically have 30% to 70% and the mix could vary in a narrow range. But what we are trying to do is in the current model, a big part of 30% was deputies travelling from here. So, we are trying to correct that by bringing in local skills and earlier both Ravi and me talked about how we are going about localization, how we are trying to tap into diverse skill pools. I mean when we are looking at recruiting people from liberal arts or economics background, they come with critical thinking, they come with better creativity, they come with strong communication and design skills. With little bit of enablement, we believe that we can convert them into data science, business analysts, designers and so on. So, we are trying to change in bringing in locals who will have much more contextual awareness to what is happening. They will probably play a much larger and more impactful role particularly on the onsite part of the digital services. So, that is what we are trying to do.

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**Ravi Menon**

One follow-up about Panaya., I had read a white paper that Infosys has gone ahead with AWS which talked about moving mainframe batch jobs and I think it was using Panaya for that. So, that seems to really fit in with your strategy of 'Energizing the Core'. So wanted to understand why do you think this is not scalable or is this a question of clients being not willing to pay for Panaya as a license and you needing to just give it practically for free along with the services?

**Salil Parekh**

For Panaya, our approach as we talked about what we are doing with respect to the portfolio was as I described earlier. For clients and for what we do with existing work and new work, we will continue to partner with them no matter where they end up whether within Infosys or wherever they end up in the future. So, in that sense, we do not change the relationships. It is simply in the sense of how we look at our portfolio businesses and given all the criteria that we have looked at. We had some of the criteria that they didn't meet and hence we looked at the options that we have looked at. But in terms of partnering for our clients both today and the future that still remains very much part of our business.

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**Nitin**

This is Nitin from Investec. So, I think couple of times today we spoke about modernizing the core and if we look at the past few years it has been more about a faster change around the core and not really getting into the core. Do you think we are at a stage of the life cycle wherein clients are now more amenable to making those changes to the core and thereby incumbent vendors have a sort of an edge there? Do you think we are in a scale wherein a big change **on the core can really start happening from here on?**

**Salil Parekh**

One of the things I learned as I talked to a lot of our clients that I described earlier today. The knowledge that we have about the core becomes a huge advantage as any change that our clients are backing upon. And generally, any enterprise is now starting from the core and then building out various components of digital. So, it is both standalone digital in those 5 buckets but also this reenergizing the core itself which is critical. So to address your point very much that is the change that we see and that is exactly the reason why we think we are in the best position to make that happen for our clients.

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**Ashwin**

This is Ashwin from Nomura. I had one question. You talked about digital deals moving from decoupled to more coupled. If deals become much more coupled, do you think it will be much more difficult to extract the premium on those deals.

**Salil Parekh**

What we are starting to see is clients are valuing the type of work you bring if it is in the areas of digital much more highly. Now as you heard earlier from Ranga, we want to make sure that with the arrangements we have with our clients through our existing MSA's, we find a way to differentiate and show that, so that we can get the value for it as we are driving that in. Even as things are coupled, my sense is, it is evident what components of that are coming from what we would call the digital 5 components and what is coming from the more core areas. Hence it is not an issue for us to demonstrate where the value is being put.

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**Ashwin**

Just one more clarification in terms of your onsite pyramiding strategy. What has been your experience till now while it is a shorter time period, in terms of the attrition of these people because given the shortage of skills in the US, people coming in getting trained, maybe working in a few engagements and then leaving. Has that been something that you have seen?

**M. D. Ranganath**

One point there. If you look at as Ravi talked about earlier we started this almost 1.5 years ago. One of the reasons when we looked at why the local talent does not join us was one of the core questions that we asked. We figured out after speaking to employees and even the attrition part, the location certainty is one of the key factors driving people to join or not to join or to continue. Let me define what location certainty is. Typically in current model we expect quite a mobile situation for people going from here in a particular location. After the project is over they move on to the different place. That was quite a big factor. So, that is why we addressed that, through developing these innovation hubs in 5-6 centers which are focused on our client hubs footprint in United States. Now, that has helped us in attracting, for example the university hiring that Ravi talked about the conversion ratios are very healthy for us. So, people see that location certainty and being in an environment where they can move across projects not coming to one particular client just like a DC here, when they join they have not made it to one technology, they have even not made it to one particular engagement or a vertical. There will be free flow depending upon where they need to go and they get a much broader and richer experience. So, that helped us in attracting this 650-700 people from the campuses. Virtually if you look at the branding of bulk of the IT, Indian IT folks in the universities is quite minimal but we are able to convert that. Beyond that, we also are investing in terms of integration of those people, in terms of the cultural aspects, the other aspects certain benefit aspects are also there. So, we are looking at it in a much more holistic manner where both attracting and retaining is the emphasis.

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**Rahul**

This is Rahul from Emkay. With our business model getting converging to what the global model was, they have been building capability in India from an offshoring. Now we are talking about building localization. So, in this change in thought what is the real long term growth, aspirational growth as well as margin metrics that we would say is an achievable number? Does it go closer to the global IT spend growth because that is how the model looks like moving towards.

**Salil Parekh**

So, the way we are seeing it and as we have stated before, with the approach we put in place our main focus today is through the agile digital scaling and through localization. We want to make sure that the opportunity that exists in the addressable market we start to capture it. That is the focus of the approach there we put in place. We have not given any other view today in terms of longer term views on the growth rates or margins.

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**Rahul**

So, what I mean to say is that what is the benchmark if we are even having a strategy to accelerate or build a momentum, there must be a number which looks like a realistic number to be benchmarked upon. Given the current opportunity in the market be it on agile or on the traditional side, be it Infosys's existing capability and maybe the future capability that we would build over next 2 years, what is that number in your mind from growth or margin perspective that should be the ideal benchmark for this industry or Infosys in particular?

**Salil Parekh**

So, again we have not given a view on what that number is in the medium term either on the growth or on the margin.

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**M. D. Ranganath**

Thank you folks for a wonderful session and an interactive session and all the presentations and all the transcripts are available and during the course of the quarter all of us will be actively engaged with you during the course of the quarter to delineate some of these aspects and thank you very much.

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