Infosys Limited Analyst Meet 2022

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Kavya Chavali

Thank you very much, Mr. Nilanjan. Thank you once again for sharing these valuable insights. And with that, ladies and gentlemen, it is literally time to switch the gears because we are now about to get up with the open house session. While we are setting the stage, let me also quickly share some important pointers in order to ensure that we can maximum participation, we are going to request for one question per person. We are also going to request you to please raise your hand so the mics can be passed on to you, and since you all know that the event is being recorded, we are going to request you to please share your name and the name of your organization before you share your question. So again, just a quick request - one question per person in order to ensure maximum participation. That being said, looks like we are already seeing the hands raised but first up, let me invite on stage once again, Mr. Salil Parekh and Mr. Nilanjan Roy. It is time for the open house session, and it is time for your questions to come on board.

Yogesh Aggarwal

We have discussed since morning lots of COVID habits are reversing, people are traveling and shopping online, lot of US e-com results are showing results that people are back to the physical world. And if you see companies also saved a lot of money last couple of years and those savings are reversing as well now. So, why would the tech spend not reverse back to the historic growth rate of 3%. I mean for few sectors like autos it may not but for banks and retailers why would it stay elevated and not go back to the 3% run rate. Thanks.

Salil Parekh

Thanks for the question. What we are seeing today as we look out over the next few years is the demand environment has changed in a couple of ways. One, Digital that we have talked a lot about which is really every company is attempting to make sure they reach out to their customer, work with their employee, work with their partners in the supply chain in a digital-electronic-online format and that needs a lot of work that has to be done on their tech spent. The second also which we talked a little bit about is automation where anything that is going on the clients technology landscape which can be improved with efficiency. We have an ability to do that and we see from our perspective at Infosys much greater ability both on automation and digital to drive that overall growth. And the third Nilanjan alluded to a little bit also in is session, which is everyone has now understood from client's perspective that work from anywhere can be applied to almost any role that was going on within their organization. So, that is not something that will happen overnight this quarter or next, but it expands the available target opportunity that we are going after in terms of the type of market. So, from our perspective given all of those parameters we see the demand environment looking to be quite strong and looking quite secular at this stage where this early stages of Cloud and Digital, early stages of efficiency and very early stage of this addressable work from anywhere.

Ankur Rudra

Obviously the most interesting stat for me so far is the 85,000 graduates Infosys hired last year and Infosys has a great history and legacy of training. But how relevant is it in the digital world - I mean question is how do you a) train and deploy 85,000 people partly digitally, partly in the physical world right now; and secondly how do you imbibe culture in them especially if they cannot come to your campus. I am sure this bothers you Salil as you think about scaling the firm?

Salil Parekh

On the training I think we are first very excited with that number 85,000 college graduates. We have just recently restated our in-person training which is very well known in our Mysore location, but we have also put in place this online learning which Krish referenced in his session which relates to having all of our employees access an online learning platform. So our sense is over the next 12 and 24 months, there is an initial training which everyone is going through, but over the next 12 and 24 months more and more between in person and online the training will happen and people will become deployed and working on client engagements.

I think the point on building the culture and the social connect is extremely critical. So, what we are starting to see is more and more of our employees are coming back to campus. If you look at many of our employees at the senior levels, a vast majority of them are back in offices, working three, four and five days a week - so more or less where we were pre-COVID not quite at that level but pretty close. For the other employees again you saw in one of our sessions, a percentage of those actually not in our main campus locations today - they are in their home based locations, and slowly we are seeing those also starting to come back either in the new hubs we have formed - there are four that were mentioned for example Coimbatore and so on, or back into our campus location. So, we feel that our social connect is going to be important - is going to be important for building the culture and employees are also seeing that. But it is not going to happen overnight, and we expect to see this in the next several quarters to come into play. And if we have this sort of a situation where the COVID prevalence is low as it is today in India, we will have more and more of that connect happening.

Kawaljeet Saluja

The first question is on large deals. While there has been plenty written on Infosys success on the sales side of large deals the focus has now shifted to execution for large deals and there are various interpretation once can draw on how well are the deals being executed. On the positive side one can always take an assumption the revenue growth is good but the moment you look at the volatility in the segmental profitability that makes you wonder whether the large deal execution is progressing on track. So, just wanted some broad indicators either in terms of CSAT scores or otherwise which can give comfort on large deal execution of Infosys?

Salil Parekh

Kawal the way we are seeing it is, you have seen all the stats in 90 odd large deals last year - even year before that it was a significant number. Today, if I look at some of the largest deals we have done, for example, a deal in Europe or a deal in US, our delivery on the most complex cloud data center transformation is going very well. So, we have extreme comfort in the way our delivery is going on those large deals. Of course, there are many large deals and starting those programs we always have to make sure that the start goes in a smooth way, but there is no concern from our side with respect to delivery; and that I feel is one of the things where Infosys has a very strong track record over the years in delivering very well to what we have promised to. We have never had a situation where we have given some sort of commitment which we have not been able to deliver. So, to answer the point you made, our delivery on large deals today is going well.

Kawaljeet Saluja

Thanks a lot. The example that you gave was quite an interesting one as well European client. So let us assume that we head into recession sometime next year, and a customer who wanted to spend, let’s say $100 on tech transformation as well as run operations decides that okay let us bring that to $90. Now if you were to imagine yourself in the client’s situation how would a client go about rationalizing the spend, which are the areas which he will cut back on? Would there be consolidation recession taken and how does the client ensure that they get the maximum bank for the buck even with reduced spends?

Salil Parekh

I think it is difficult for us to have that sort of a view because there are so many factors, let us say a few quarters from today. But maybe to address some of the elements of what you are posing, what we see from client discussions who want to launch transformation also want to make sure that they can gain some efficiency from their current operation. And there are multiple ways they are looking at it. One we have discussed a few time is automation, one that you brought up and we are saying that we have been the beneficiary of their consolidation. So there are several discussions going on even today with clients where we are potentially receiving benefit from their consolidation. And who are they consolidating? There are, which you know very well, several quite large companies which have some issue whether in delivery, whether in the way they are going to market, or whether there is some governance issues, and we feel comfortable that we are consolidating from those companies quite regularly. So many of the clients at an individual level take a view that they need to drive the digital world. They can do it from their opex. They also are opening up their capex to do it - so it opens a little bit more of the spend. And then they are using automation or consolidation to get some benefit from that. So, given all of that today, our discussions with clients remain good on demand. I think Mohit shared earlier that our pipeline today is looking very strong and that is where we are coming from given the macro environment that is going on.

Apurva Prasad

Salil my question is on the delivery structure and evolution of that. How do you see that over medium term - so is the fresher intake or the fresher hiring a lot more institutionalized and therefore you think the bottom of the pyramid as a percentage of the overall can expand? And does that also imply that attrition can remain elevated for longer periods of time?

Salil Parekh

On college recruiting, in fact Nilanjan and Krish have put in a program where we have the ability to do, let us say a target X, and then we have the ability to flex it on a monthly, quarterly cycle. So that gives us a tremendous advantage and that is part of the reason why we saw this large college recruitment program that happened in FY2022. We already set a target for FY2023 and we are well on our way to execute that. The idea as you know very well, our business model will be to make sure that essentially our cost per employee - the average remains within the band we want to be across the whole company. It is not just at one level or the other.

Attrition you heard also from Krish – first, in Q4 it has come down by about 5 percentage points from the previous quarter. Generally speaking what we see with the initiatives we put in place - faster progression, more predictability, the comp increases that we have given - we see generally speaking attrition coming more in control. Anecdotally we are also seeing some of the startup ecosystem starting to face some issues in their funding - that was one source where we were seeing attrition going towards. So, some small X points will be reduced of attrition because that ecosystems seems more fragile and there will be less offtake into that as well. So, we generally feel attrition will remain more in control and campus hiring, college hiring is looking good there.

Pankaj Kapoor

I understand the macro risk are yet to show up in client decision making on their IT spend, but I was wondering how are you thinking about your own spends, your own investment plan for the year? Have there been any calibration or any thoughts of the investment that you are planning to do this year, or you think it is still too early; maybe look at some of the cost measures, some of your hiring plans for example? Are you thinking about it or you think it is still early to start preparing for any kind of slowdown in the demand?

Salil Parekh

I think on the cost what Nilanjan mentioned, we have a very strong cost management program that runs basically all the time but with new targets every year. So, not that we have taken anything because of the macro but in general we have a tight cost management program. We had three wage increase cycles, so that has been more of a driver than the external environment. On investments, again Nilanjan shared in his session, we have looked at where we want to build capability and that is something we want to go ahead with. We also have looked at what we want to drive, in terms of the employee connect and that we want to go ahead with. So, those have continued. We have not made any changes to that.

Girish Pai

Two questions; one was with regard to your Retail, CPG business. We have had a few retail companies in the US come up with fairly bad results and also commentary for the rest of the year. In that part of the business, are you seeing any kind of initial pressure from conversations on sales cycle or implementation of projects or discussions on value based pricing, is there any pushback coming from them? Second question was regarding your value based pricing proposition itself - is it a little too late in the cycle to talk about it because now we are kind of going into a bit of a slowdown situation?

Salil Parekh

On the retail, at this stage, we have not seen any change in the pipeline. What we do see is there are some of our clients who are well on their way to e-commerce transformation, omni-channel journey; they are accelerating what they want to drive through. But we have not seen anything which has come subsequent to the results that you mentioned.

Nilanjan Roy

I think the problem still is there. I mean if you see the latest U.S. economic stats there are 12 mn jobs and there are 6 mn people applying for them. I mean wage inflation is 5% to 6% in the US and consumer inflation was in the headline last month - 8%. So this is not typical recession, this is stagflation led recession, if it’s going to ever come. Clients are seeing same pressure internally within their teams as what we are seeing - the same kind of wage pressure. And therefore, we are going back to clients to talk about wage inflation, how we can plowback some of what they gave to us into our own teams. And the other side - change overall on a longer term basis, how we transform businesses, right? We have to move away as an industry because today we are core to business transformation, we are no more outsourced to India because it is the cheapest place in the world you can do a BPM transformation. That is history that was 10 years back. Now we are centerpiece in large deals. You are sitting centerpiece into the IT landscape of the company. So I think the narrative has to change - the way we are selling to our clients. And like I said, it starts first with us - we are making sure our sales people are educated on what value we are able to get and making that a wider conversation. So, I don’t think the opportunity has left us at all.

Sandeep Shah

This question is almost similar to what the previous participant asked. I think you as well as some of your global MNC vendors have also alluded that the pricing hike may come with a lag and if we look at from where we are today when the pricing hikes are due, the macro headwinds may further worsen. So, in that scenario, do you believe this pricing uptick commitment can be reversed or tough to get?

Nilanjan Roy

I think again horses for courses. I mean, you cannot say, all clients will go out and next they have pricing conversation. In some places, you maybe 4th or 5th vendor, and you cannot suddenly become price leader. In some cases, you may be the number one vendor and you can start a pricing conversation. So, it will actually depend across industries, across the relationship with the client - the kind of work you have, are you on T&M, are you doing FP, what program, so it is going to be very customized to each client. But the reality is that you will have to have these conversations across the board. I mean we tell our sales guys the worst clients will say is 'no' - that is the worst it can happen. But you must go out and have those conversations now because that is what we are seeing in our structure. And if we are not able to pass that benefit on to our employees, in a way it will tell on attrition. So, it is in the clients' interest as well to make sure that some of these which we can plowback into their teams, retention bonuses, etc., and they see this linkage in what they are doing with their own teams inside. Like if they are plowing back wage hikes to their own teams because they want to curtail attrition we are part of the extended teams. So, those are the kind of conversations we will have to have.

Mihir Manohar

I had a question on spends on Horizon 2 and Horizon 3. I mean, how should we spend see the spends on Horizon 2 and Horizon 3 versus Horizon 1 and when should that start getting some quantification some understanding of that, will be helpful. And what kind of services will largely be there in Horizon 2 and Horizon 3?

Salil Parekh

There we showed a little bit about what we are doing with the seeding on the future growth. We have not quantified that externally today but typically speaking, these things are more in the three year and plus type of range in terms of financial years. But the thing with these things is we brought a set of technologies, Ravi highlighted some of those, which we start to build out today. Sometimes, they kick in in 18 months, sometimes they may kick in 4 years. So it is not a very definitive view but is something certainly outside of the current financial year.

Atul Mehra

Again on pricing so fairly strong demand environment, where obviously post the pandemic demand has been extremely strong what has been the biggest constraint on pricing like is it every company's wish to grow topline at a much faster pace and so what are the underline constraint to pricing? Is it client constraint - obviously they are facing inflation in their own entire cost structure - so what is the key in terms of constraint to underlying pricing going up?

Nilanjan Roy

No, I think, every client is very unique. It is not that you can go tomorrow and ask your 1800 clients that my wage inflation has been two and a half wage hikes now, I think I need an 10% increase from you, it just does not work like that. It is different for different contracts - like I mentioned, you have to go to some clients and position yourself in terms of how you are influencing outcomes, rather than saying it is a rate card, because the easiest way that the client can knock you down is because there is somebody else who had the cheaper rate card. So these are conversations and the way you sell which are very nuanced by client by client, and therefore, some of them will have to be places where you can say I will have some skin in the game, the way I sell to you, it is an outcome let us price it, can I influence net promoter score, can I influence innovation cycles, can I have a certain skin in the game in terms of your outcome, those are the things which we are doing. High skill digital talent, which we fundamentally know is in short supply - based on experience, if you want somebody with 7 years of experience, who has worked on some Digital programs, can you get a 20% premium on billing for that client? So these are conversations which will happen. Some of them we ourselves are already picking up, but these have longer lead times - they do not just stick in overnight, where clients will say I agree to you. So I think this is a longer term thing, but more importantly, it is something which we have started programmatically inside the company - looking at digital program specifically at the time of striking new deals - what are you doing on T&M, what are you doing on small innovation project. That is the entire approach, it is not one size fits all.

Gaurav Rateria

Firstly you talked about very strong demand in Europe where we see maximum disconnect with the macro so trying to understand the demand drivers there. Secondly, you also talked about doubling down your investments in Europe so if you could quantify in terms of how much of margin drag is coming through in fiscal 2023 and what is a payback period when do you think that starts reflecting in incremental revenues or margins and that comes to our numbers? Thank you.

Salil Parekh

On Europe I think the way we wanted to share is this is an outlook that we have for the next phase of our strategic journey. so think of the next, let us say 4 or 5 years as the horizon for what was discussed when Mohit shared some of that, I shared some of it, Nilanjan pointed to it. The thinking for us is we have a very strong business in Europe, but there are still more opportunities and there are a few geographies within the Europe where we think we can grow faster. We have some clear focus on what we will do to drive that, but we have not shared specific investment and return parameters externally. It is part of the mix that we have - as one of the initiatives we want to drive is to make sure we further expand in Europe, and that among the other things we discussed will give us a growth rate which is ahead of where the market is and we will continue to gain market share on an overall basis.

Vimal Gohil

Sir my question was on the large deals, the construct of the large deals seems to have changed over the past couple of years where we have seen a couple of very large deals which have involved significantly higher pass through costs and that probably has led to higher unbilled receivables, and free cash would have been even better than what you reported. Going forward how should we look at this - inherently will pass through costs remain elevated and probably have higher unbilled receivable, could you help us explain how do we sort of account for the pass through? Is it that we have frontloaded some of it while the revenue hasn't come - which relates to Kawal's question on the profitability of the segments, so manufacturing has weaker profitability this time around?

Nilanjan Roy

I think we have two different questions. I think unbilled and pass through are actually quite different. I think one of the reasons of the unbilled is many of these large deals have a large transformation element to it. They are not just simple T&M, bill every month, there you are involved in transformation milestones over a longer period of time and therefore their billing cycles do not necessary follow a typical monthly billing cycle or quarterly billing cycle. So that is why you are seeing this gap - it is nothing to do with whether you have a larger pass through and you have a larger unbilled. The biggest reason of unbilled is basically more transformation programs being done. I cannot answer about the future.

Vimal Gohil

What I meant was when you actually go and bid for these larger deals does it inherently have a clause wherein the pass through costs will be probably be higher than what you have been historically been comfortable with?

Nilanjan Roy

It does not. I think today, like Ravi mentioned, a lot of deals which are there are end to end 'as-a-service' deal - that is the end objective of that. The client frankly does not want to see the nuts and bolts of what you are doing. So it is bundled with service, software, cloud, hardware; and we are in a best position because then you can leverage that. Because the moment the client starts buying hard chips and servers etc., then there is a cost transparency. If you are getting an end output and say it's per transaction, per gigabyte process which is what cloud is about, you do not care how many servers you are putting. You are saying how much VMware capacity I can process in a microsecond, and that is the best way for the industry because then you created this opaque layer of cost to end delivery, and that is what as-a-service is about. So you will see bundled deals happening, and as Ravi's slide said as-infrastructure layer moving up and then finally business-as-a-service.

Mukul Garg

On the Europe side Mohit mentioned that next 4 to 5 years the spend will be in line with this spend which is happening in US. Is that more to do with US being more mature market and hence our growth is slowing down there vis-à-vis Europe? And again the model which has been followed in Europe over last many years is a higher share of rebadging versus how things are in US. So, is that likely to continue or is the model changing there?

Salil Parekh

On Europe, I think what Mohit was sharing was we now see a greater openness for the large companies in Europe to look at both digital transformation and also global delivery. So we have seen, let us say country like Germany, the Nordic countries, we see the discussions there that we are having with the CXOs. And Mohit is very well positioned by being in that geography. At a very high level, the discussions are about how will those transformations happen. So we think that, it will give us more opportunity. So nothing to do with US being less in that sense, it is more that those discussions are giving us the confidence. We still think US will grow pretty well, but Europe has that newer set of clients which seem to be more keen for digital transformation and the global delivery programs.

Mukul Garg

On the nature of rebadging - which kind of prevailed in Europe in past, will that continue?

Salil Parekh

There again our experience is we have done work where we have taken employees over from clients in the US, from clients in different countries in Continental Europe and also UK. We have a specific method of doing it. We are not taking employees just for the sake of taking employees - we have a view that will we be able to now look at placing those employees on other programs in the future so that is one lens we have. And then we have a lens on the skills that they are bringing in which can be relevant. We are doing it from that perspective and then clients both in Europe and US are seeming to be more open. We are also very attractive employer. Typically we have seen the rates at which those employees join us are fairly high, and that gives a feeling that as an employer brand we are very strong with those employees.

Mukul Garg

The second question was more conceptual keeping aside all the macro concerns which are out there, you presented a multitude of opportunities today during both your and Mohit's session. There are many segments which by themselves are billion dollar businesses now and growing really fast, and then you also mentioned every $1 spend results in two to three times spend on services in many of the cases. Then why it is the case that your addressable market is still growing in mid-teens and not faster and the second way which is also there is there a likelihood of a winner looser kind of a scenario coming up in IT services or is that remote possibility because that is the only way for any company to meaningfully outgrow the peer set?

Salil Parekh

What I understood is you think that it should grow faster than the 13% or high teen growth?

Mukul Garg

The industry growth - the forecast was about 14% to 16% but the end markets are growing much faster.

Salil Parekh

I do not have a sense of why that is. Your point is valid. There is a lot of opportunity that exists. The way we took that was from external data sources that 14% to 16% - from what the industry analyst people put together - that was a consolidation, one of our external providers gave it to us. My own sense is 14% to 16% is a very strong growth rate for the scale that we are talking about, because at the end if you look at that addressable market that was about $400bn, that is very large chunk of the overall tech services market which anyway between $1tn and $1.2tn depending how you count it. So it is a very large chunk of that which is going extremely well, and there are pieces within that which may grow, as you said, at the rate that you were describing even faster. For example we see even within that $400bn - the Cloud piece - however you cut it - just take the SaaS services piece, that is growing at a much faster rate. And that is why the Cobalt capability is very important for us because we built it all out. What Ravi was describing, the team has built it, it is ready now. What Mohit shared - we are putting industry solution. So, we are well ahead of where any peer is on that and our objective is, like we had last year we get 4, 6, 8 points of growth faster than anyone else in the industry, that is a significant outperformance for us. So we are now thinking of 20 points - for us 4 to 6 points would be very good. Any growth which is greater than the industry peers or industry leaders will give us some traction. And then as Nilanjan has said, we have the levers for margin. So that is how we created the business model and we get the growth, and we make sure we drive the levers for the operating margins.

Ashwin Mehta

So over the last 2 years we have added almost 106,000 fresher's that is almost 1.5 times your net headcount addition is almost one-third of your current headcount. So is the demand becoming more complex or less complex for us to induct so many freshers? And secondly the follow up is, does this fresher-lateral ratio continue going forward or as you get into the next year or the year after, the lateral backfill will possibly increase? And the third associated question is if the staffing is so fresher led, will the clients be paying you extra?

Salil Parekh

There what we have seen is the first point on what is the type of demand and can a larger number of college graduates help us sufficiently fulfil it. What we see is there are a set of methodologies and tools, Mohit referred to some of the platforms, that Infosys has built which is allowing us to make sure that many of our employees are getting skilled on that quickly enough and making sure that they become much more productive vis-à-vis what the clients are looking for. Now equally what the clients are looking for is complex in the digital transformation arena but we are making sure that with the tools that we built and the training that the individuals get, plus the remaining people within the company which are not college graduates, we have sufficient depth in delivery to make all of this happen. As we look ahead we do not have a specific view on the mix between as you called the lateral recruitment and college recruitment, but what we are very clear is there will be more and more emphasis on fulfilling internally - it is not 100% but it is more and more emphasis on that, and that gives us a way to build out what was described as a pyramid from internal basis which gives a lot of confidence to the people joining the company that they have a long and predictable carrier within the company.

Girish Pai

Ravi mentioned about business shifting from IT towards business operations. Would that mean you do more rebadging going forward? Second there was also discussion around experience studio being in-sourced by clients. So what is the logic behind that and then now would that lead to more business coming in your way?

Salil Parekh

On the IT and OPS I think what Ravi was sharing was there is more and more connected decision making when we are working with clients to not just look at tech but look at tech and OPS as a combined piece, and making sure that the OPS is also leveraging some of the new automation capabilities we have. I do not think it necessarily will translate to a discussion on client employees joining us or not, but it is much more that. As more of these things are becoming integrated what we spoke early, the more this 'One Infosys' model becomes more relevant because that in itself is something which differentiates us - not so many of our peers are able to bring all of this together with client discussions. Now on experience I did not follow what you meant.

Girish Pai

Ravi mentioned that some of the experience studios are being in-sourced by customers. I felt that was bringing in people. Now how does that help you because you would be loosing business?

Salil Parekh

I think so what I thought Ravi was sharing, there is much more emphasis on the experience capability today with clients. What he said with in-source - what we see is the WongDoody Digital Lab is placed within the client organization while we are making sure that is being run with those methods of human experience. So it is not just that the clients are coming to our labs, it is like we are building a center within their organization in their headquarters so that allows them a greater usage and then it brings to us more capability as they are using. So not that they are taking it from outside provider but putting the WongDoody Lab inside the client.

Rahul Jain

Just on the subcontracting initiatives that you shared in the slide. What are the easy efficiency that we can bring in FY2023 or maybe near-term that you could do with some of the three, four things that you shared is it like more getting fresher helping out easing on that number or even from any other form?

Nilanjan Roy

Yes, I think the whole recruitment model is very interconnected. It is interconnected with fresher's, it has got lateral, it has got an attrition element, it has got a fresher element and in a way "subcon" quote unquote is a balancing figure because that is the final place where the pyramid does not fit, then you say okay let me get you a subcon that is the way the whole operational model of this industry work. Therefore, all these four have an impact on number of subcons. So, theoretically if attrition comes down no need of so many subcon. Theoretically if you can put more freshers you will have less subcons. So, these are all interrelated. There are some programs which we are consciously driving and not waiting for the outcome of attrition and not waiting for more freshers to come and getting deployed - for instance to subcon to hire. So reaching out to many of these subcons. I am saying okay a permanent employee position does not demand this kind of a wage premium because the flexibility cost of subcons is that you have to pay that wage premium because they do not have fixed job. So you hire them and you do not have to pay that kind of a wage premium which the subcon demand or you replace them because now you already know there is a steady state demand already available for this job and therefore in three to five months of redeployment you actually replace them with an employee. So, those are something which are quick levers which we can deploy, and even on the rate side looking at ways how we can bring down the rates of subcons through vendors consolidation etc. So there are number of levers which we can deploy and we will already see some effect of that.

Ankur Rudra

If there is a slowdown for example second half of this year or sometime next year, there has been a historical perception that Infosys has a higher proportion of discretionary services compared to many of your large players and if there is a slowdown it might be more exposed now. We do not have a service line split anymore because you have been sharing with us only the digital proportion of business. How should we think about it right now in terms of what proportion of your engagements are likely to be reviewed if there is a slowdown next year versus the rest. Is proportion of fixed price contracts one relevant proxy for example?

Salil Parekh

For us what has happened with the change in both the Digital and also the larger deals is, in general, without giving percentages, there is more of a shift to the managed services approach. So I do not have a specific view on what the market considered discretionary in the past and what will it be in the future but our mix is definitely much more managed services, much more medium to long-term in the way we are working with clients. So we will see of course in the event that you describe if some of the thing happens, but that is how our mix has changed.

Nilanjan Roy

Just to add, I think this was a question when COVID struck most investors have asked Infosys seems to have the most discretionary spend. We were the only player which grew in this period of COVID when this cut down in your way happened - just to give you an answer of how widespread our services are.

Ankur Rudra

Also if we look at the nature of these deals that you have been winning, the proportion of large deals has been high - it has been a significant success story for you. However, the large deals that you have shared has been sort of plateauing for the last year or so. And I think one of the assumptions we have had and I think you have shared this as well, there is a higher proportion of medium size contracts, smaller size contracts we are winning with clients which is not visible in what you publish normally. Is that something which might be a source of risk for you and perhaps for the industry? If the proportion of small size deals and small contracts is increasing, they are easier to not renew or easier to shut down as opposed to large contracts which was in that at a high proportion a year ago?

Salil Parekh

The large deals the way we are seeing is - what we have shared in the past is our large deals are deals over $50mn. So they are already significant sized deal. We only refer to what we call some mega deals and those we said are not predictable in a sense. So we do not know which quarter they may come in and they may come across a year, 2 years. We still, as I look at our pipeline, have mega deals in our pipeline, but the large deal number which is what Mohit and Nilanjan shared - the number of over 90 - that number is increasing. So these are not small deals meaning these are not deals which are $1mn and $2mn deal - these are deals each over $50mn. So today when we look at the pipeline that pipeline is looking strong for us and we feel comfortable with that sort of a pipeline what we have closed and that looks good for our guidance for this year.

Aayush Rastogi

So first question is in today’s world clients are at a different stage of transformation and so cutting their IT budgets today will make their existing investments as sunk cost so do you agree to this and then only we will see the less tech spending this time? And the second question is considering the current macro environment do you think the current growth guidance is at risk?

Salil Parekh

I think on the first one what I understood is the IT is very critical so they may not cut the IT is that what you are saying?

Aayush Rastogi

Yes.

Salil Parekh

What we see is there is a strong prevalence within large company that we are working with to drive this digital transformation because it is helping them position themselves better. They are also using both opex, sometime some capex so that gives in a little bit more flexibility in how they are looking at their budgeting. Because of automation, consolidation they are also taking some cost out of their existing landscape, which is allowing them to fund it. So given all of those parameters we see the digital transformation continuing. On the second our guidance at 13% to 15% remains where it is. We feel comfortable with our guidance given where we are in the environment.

NGN Puranik

I have a question on the pyramid - the whole pyramid architecture. If you look back to the early 2000, the first tech boom, a lot of hiring happened and a lot of promotions happened very quickly and those who were promoted quickly they become they target for pyramid correction later because there were capability issue of those guys who have been promoted earlier. So do you see any correlation to what happened that time and today in the context of people who are working from home today? Would some of these guys would get into a situation where they may not be very relevant unless they are trained very well?

Salil Parekh

I think what happened in 2000, I do not have a strong sort of a correlation with what we are seeing today from that perspective. What we do see is the duration of the skill relevance is shorter today. So what could have been 10, 15 years for an SAP, ABAP skill, today in the world of Cloud, Cyber is probably 5, 7 years where you have to replenish your skill. What I feel happened in the past, if people were willing to re-skill themselves even in the longer duration, their longevity in the career was higher in terms of percentages and it will be the same if people are will to re-skill. So let us say in this five, seven year horizon which is shorter horizon, if at the end of that horizon people say look I am going to re-skill and build a new skill - whatever that skill – quantum, meta - whatever that skill is on that day, then that longevity will increase. And the thing with Infosys has always been which is a very strong company value is, if people are willing to re-skill they will continue. We are not a company which is churning people just for the stake of it. We are much more a company which is reskilling. That is how I think it can play out if people choose to re-skill.

Krati Sankhlecha

Sir wanted to understand Infosys' guidance of 13% to 15% - last year you had 20%. What is stopping Infosys from growing 14% to 16% every year for the next 5 years, 6 years? Because of COVID people have accelerated their digital spends, there is a huge market, which is not digitalized yet. So what is stopping Infosys from growing much higher? Is it just a lack of sales force on the ground or is it because there is a market that Infosys will never pitch in for?

Salil Parekh

There for us the guidance for this financial year April to March is 13% to 15% for growth. We do not give a guidance which is a multi-year guidance so we do not have any specific view for the year after. Of course last year we did 19.7% so the guidance which we changed a few times in the year upwards. The way we look at the guidance as you know is where we have the deals that have worked for the previous few quarters what we see in the pipeline and how we are converting at that stage in the market. of course we would like to grow at a rate which is above the market. what will happen in the sort of the year after in the financial year, we do not have a view of. what we tried to do today was more give you a sense that if you look out over the next few years the demand environment is fairly solid with this cloud and digital and our capability is very strong. so we will play well in that demand environment and we will more than likely grow at a rate which is above so that we gain market share from our peers.

Krati Sankhlecha

Sir I was not looking for a guidance specifically but wanted to understands in your mind what are the constraints that cannot let this industry grow higher than this for continuously every year?

Salil Parekh

There I do not have a specific view on the industry. Within for Infosys particularly, I do not see any constraints. We have a very strong engine, it is this that we do not have a view of what that number will be in second and third year.

Kavya Chavali

So on that note, ladies and gentlemen, we conclude the open house.