Suresh Venkat: Welcome back, everyone, to a session that promises to be big on strategy and innovation. It is my pleasure to introduce Salil Parekh, CEO and Managing Director of Infosys. Mr. Parekh charts the strategic direction for the company and its portfolio of offerings, and also nurtures the strong leadership team that drives its execution. Mr. Parekh has nearly three decades of global experience in the IT services industry, during which time he has also been a member of the Group Executive Board of Capgemini, where he held several leadership positions for 25 years, including the Chairman of Capgemini's North America Executive Council. He has also been a partner at Ernst & Young. Salil Parekh holds master's degrees in computer science and mechanical engineering from Cornell University, as well as a bachelor's degree in aeronautical engineering from IIT, Bombay.

In this session, Salil Parekh will be in conversation with Kawaljeet Saluja, Head of Research KIE and lead analyst for Tech Research. Quick reminder once again, if you have any questions for Mr. Parekh, please send them to us over the chat function or use the raise hand function to ask a question in person.

With that Kawal, it's over to you to get the ball rolling.

Kawaljeet Saluja: Hey, thank you, Suresh. Thanks a lot Salil for joining in. Let's straight away jump into questions Salil.

Salil Parekh: Absolutely. Thanks Kawal for having me on this session and very good to be here.

Kawaljeet Saluja: Fantastic. Okay Salil. So, the first question that I have is if you look at the last 15 months it's been quite remarkable for the IT industry, with the clients on binge spending so to say. How long do you think the party continues?

Salil Parekh: So, Kawal, the thinking we have is everything we've seen in the recent past as you point out, the growth is looking strong. When we look at what we are seeing, for example, on the cloud side, the growth is very strong, on the digital side, it's very strong; and clients are going in for more and more digital transformation, making big changes to the technology landscape. So, from my perspective, the demand environment is looking quite good today. When you look at last quarter, where we had 21% growth year-on-year, 7% quarter-on-quarter, we see continued traction across different industries, very strong growth in Europe, very strong growth in US. So, all indicators to me show that this is looking good right now. Of course, our own guidance remains till March of this year- 19.5% to 20%. But everything we see in the environment looks like technology is in good shape as we look ahead.

Kawaljeet Saluja: That's great to hear Salil. But Salil, one of the questions that always comes up is that there's a belief that, in the current revenue stream for the industry, there is some revenue that is one-time in nature and can fade into the future. So, the common belief is that migration of workloads to the cloud may start fading in calendar year 2023 and can create a growth void. What's your view on it?

Salil Parekh: So, there, if you step back and look at the cloud business that, for example, we are looking at within Infosys, it's across a number of different areas. There's a lot of work, which is on public cloud, there's work on private cloud, there's work with the SaaS players, which is growing tremendously and there's work, which is building really new cloud native applications and technology platforms. All of these are growing well. What we notice is as large enterprises move their workloads to the cloud, which has a certain amount of effort in doing that, the next step is invariably building new applications, new features, thinking of new ways to connect, whether it's with their customers or employees or across the supply chain. So, we have not seen this thing becoming spikey at this stage. The demand seems fairly broad based and as workloads increase in the cloud, more and more activity comes there because the flexibility that it's supporting them in a high security environment.

Kawaljeet Saluja: Right. And Salil, what percentage of your revenues would be coming from a workload migration to the cloud versus let's say leveraging, the true native capabilities of the cloud, any directional sense would be very helpful.

Salil Parekh: So there, as you know, Kawal, we don't give out the specific percentages beyond the overall digital, which is at 58%. What I can say is it's an important part, but it's not the overwhelming part of our cloud business. Lot of our cloud business also does private cloud work. Private cloud work is building new environments. It's not just migrating things. A lot of our work is working with SaaS players, for example, ServiceNow, Salesforce, Adobe, those are not cloud migrations, those are actually building new capabilities and then there's cloud native. So, it's part of it, but not an overwhelming part of it now.

Kawaljeet Saluja: Right. And do you see Salil that the clients are actually spending on leveraging the native capabilities of cloud? So, they're basically developing applications that are native to cloud leveraging the true potential that is being offered. And is this consistent, across industries, any flavor that you might want to highlight?

Salil Parekh: So, there today, frankly, there is very few, maybe I can't think of any large program which is not cloud native, at least what we are working on. Because the idea for most large enterprises even where they have public cloud or private cloud, they don't want to use a particular platform. They will build a cloud native application because they know the scalability it affords, the ability to connect seamlessly especially with large enterprises globally and the security features. So, practically all of it today is cloud native. The work on tech across industries, of course financial services takes as always the first position as we go into tech, but also in cloud. But there are interesting moves, for example, in retail consumer product, there's a tremendous move. So, we have built a platform called Equinox. So, this Equinox is something that is working extremely well in the market where we are seeing tremendous traction. And that is something which is digital and cloud based. We are seeing good traction in manufacturing, whether a global enterprise is looking to move to cloud environments. We are seeing good traction in the utilities sector, so it's broad-based, but yes, financial service is very strong.

Kawaljeet Saluja: Fantastic. That's great to hear. Shifting gears a little bit Salil, what do client conversations indicate on budgets for calendar year 2022; would the spending be as strong as you saw in 2021?

Salil Parekh: So again, as you know we don't have a view yet on the guidance for our financial year, which starts in April, but everything we see in the discussions with clients, the budgets are looking in good shape today because the budgets for most of our clients are calendar year based. So, all of those discussions were starting to happen late in our Q3. And we continue to see that. So, they're in good shape today. We see good interactions with that. We don't see any change at this stage in the budgets.

Kawaljeet Saluja: That's very interesting. And, if you have to highlight on a qualitative basis, what are the key priorities of clients and the areas where spending will be directed that will be extremely helpful?

Salil Parekh: So, the priority really of course we've talked a lot about digital, the first priority I see with our clients is on cloud. The second priority is on what we call data and analytics, which is a huge area of focus where we have a strength, but the clients are looking for more and more work on that leveraging within that artificial intelligence. And the third area that we are seeing more and more traction today is across the area of cybersecurity, which sees a good impact within clients. What we are also seeing which is a little bit more specific to Infosys is great traction on automation. What we are observing with our large enterprise clients is, they're using automation on their technology landscape constructing efficiency there, and then using that to drive their digital transformation. So, we have a very strong automation business. And in fact, last quarter we saw while digital grew 40%, our core services were stable because we are gaining even in automation market share where many of our peers may be shrinking in that.

Kawaljeet Saluja: And who are you gaining market share from Salil, in automation?

Salil Parekh: My sense on that is we are actually gaining market share on all players because our automation story, I think is the strongest. And so maybe, you have data for all the peers. If you look at almost every large peer of ours, my sense is their core services are shrinking, whereas ours was flat in last quarter.

Kawaljeet Saluja: Right. The context of that question Salil was that when you look at automation you have own RPA product, which is reasonably strong. And then there are a lot of, RPA providers as well. So, my context was also that - are you gaining share from your traditional software comp providers as well?

Salil Parekh: So there, what we have done is we have, as you mentioned, a very good product on RPA, which is our own product, but we have also made sure that we are working with third party providers and open source components to build automation capabilities, which are more directed to specific client situations because every automation product may not work in every situation. And we have built several use cases around what other sorts of things that can be automated across the technology landscape. Some of them use our own capability and some of them use a third-party capability.

Kawaljeet Saluja: Got it. That's clear Salil. Just shifting gears once again, this is a question which always gets asked. It's a 'must ask question' in any case, which is that, how do you get multi-year visibility in the light of shrinking deal sizes?

Salil Parekh: So, there, my own sense is when you do large digital programs and as you know, of course we track and report large deals, which is deals above $50 million every quarter. Those programs have the ability to give you visibility, give us visibility across multiple years. Beyond that, what we see is when we see large enterprises make a push in a certain area whatever scale that starts with, it typically then goes through the whole enterprise for the digital transformation. And so we may not have a contractual visibility, but we have a very good visibility from the perspective of what the business case that our clients are driving.

Kawaljeet Saluja: Got that. And on large deals, moving to large deals. Now, Salil, one of the key elements of, for avenues of cost takeout for clients is through large mega deals that have an element of what I would say, transformation as well. In addition to, of course, the cost takeout, yet the industry has been remarkably silent on these deals. What would trigger the urgency and focus on cost takeout led mega deals as you used to see it in the past, or do you think that there is enough money available with clients that they're not focused on cost takeout for the time being?

Salil Parekh: No, I think we are seeing, if you look at our mix over the last two or three years, we do see a good number of cost takeout deals. What we are noticing, because we are bringing this concept of 'One Infosys' to our clients, this is sometimes combined with a digital transformation initiative. So, it becomes part of the whole thing that take an area with operations and technology across the whole process, take out the cost, use that cost and do a transformation for a period let's say 3, 5, 7 years and so on. So, cost takeout is very much on top of client's minds and that remains very important. And as the automation work really that we discussed a little bit earlier is part of that area itself.

Kawaljeet Saluja: Okay. That's reasonably clear. Now Salil, Infosys has topped the growth chart under your leadership and actually broken new grounds. Do you want to define new targets for the next phase of your journey, and what are the other areas that you would want to focus on to really cement this growth leadership for a fairly long period of time?

Salil Parekh: So there, we would be delighted to continue with our growth. I think the way we look at it is we put in place a few building blocks, a strategic sort of guidelines four years ago, and that has helped us to be in the right place, in the right area that clients were looking for. So, we were doing things which were relevant for our clients, and that has helped us. We are now ongoing our approaches to make sure that our portfolio has as what our clients are looking for today. And we have a small piece of that, which focuses on what we think the clients will look at in the future, what we hear from them as the next step. And so while we have not publicly disclosed those areas of investment or scaling, but that's our focus, because that will give us an ongoing portfolio that is shifting to what clients are looking for, and hopefully continue to gain market share, and show good growth in the years to come.

Kawaljeet Saluja: Okay. So, no, three, four-year target, so basically let the performance do all the talking. Fantastic.

Salil Parekh: Yeah, I think we are happy with where we are today, but for sure there are internal objectives and ambitions we have, but externally we are looking really the way where we are doing sort of quarterly, annually and then gaining market share, that I think is critical.

Kawaljeet Saluja: Right. And Salil, cloud experience and data are your big bets in digital. And you defined strategic priorities of scaling digital, energizing the score, rescaling and localization very strategic priorities, do these require a refresh?

Salil Parekh: So there, we are constantly looking to make sure that these remain relevant for clients. As in when we come through with, let's say some sort of an evolution of that, because some of them are still relevant. For example, we talked about digital and automation, but reskilling, for example, extremely relevant and going very well for us. We will continue to update that and then communicate that obviously externally as well.

Kawaljeet Saluja: Got that. Just moving on to a topic which is something which every investor would want to know about, which is pricing, margins, profitability. So, I have a few questions on this topic. On pricing, Salil, can you talk about the pricing dynamics, especially the pockets where you have a real pricing power?

Salil Parekh: So there, we believe that in the area of digital, clients are starting to see the value that Infosys can bring to them. With that, we see the opportunity to communicate that more clearly with our clients. And if you are successful in that, we will start to see some benefits of pricing in that. One of the things that's also changed in addition to that in the environment is, there is within the western geographies and maybe everywhere, more inflation. And so, most of our clients are seeing that in all aspects of their business. So, I sense a little bit more openness to have those sorts of discussions with respect to pricing. So, I think it's one of those areas in a margin discussion which can possibly give us some support or positive, while of course there are other areas which we also need to work on.

Kawaljeet Saluja: Right, right. And just on the pricing, just to drill down a little bit further, typically Salil, IT business, you have certain businesses which are long tenured which cannot be reopened for discussion. So, let's say BPO, large IMS deals or let's say Daimler type deals which will have a long tenured pricing. So, when you actually look at your portfolio, is the leverage on pricing entirely in T&M contracts and within T&M contracts, do those contracts come up for discussion every year in which you can have a pricing discussion, or have discussion on COLA adjustments?

Salil Parekh: So, there are two elements to that Kawal as we dig into it. One, which I mentioned at the high level before was on areas where we are doing more digital work. What we are seeing is our capability set, if you look at, there are some 40 odd parameters that we internally measure - sort of digital capability with respect to analyst ratings - Gartner, and those type of analyst ratings. And we are in the leadership position on those that gets communicated and translated, because then you have a pricing, which we can start to show to the client that look, here's the value and impact we are creating. The second part is we have announced it, it's public, last year we have given three compensation increases within the company. Everyone, our clients including in their own organizations are seeing that those sort of increases, the demand for people is strong. And so we then use that to also communicate to clients, whatever the nature of the program is, whether it's fixed IMS, BPM T&M, new, old, etc, to say that look, here's a situation, of course it's not a direct correlation, but I find clients certainly open to those discussions and obviously given the high quality of delivery that we are providing, want to make sure that they also support us in all of those actions.

Kawaljeet Saluja: That's fair. And just to again drill down further on pricing. I remember that you had started an initiative under Munjay to get the right pricing of skills in addition to cost initiatives as well. What has been the success in the same for you over the last couple of years?

Salil Parekh: So there, we've had quite a bit as Munjay has done a very good job. We've had good traction internally each quarter - we are seeing a larger number, which is coming through from that specific part of the initiative, and we feel good. We're expanding that to a larger number of digital skills. We're expanding that to a larger number of client relationships, so we are seeing good traction on that.

Kawaljeet Saluja: Fantastic. So, rolling everything up on the pricing discussion, what you're saying is that things are looking good from an FY23 standpoint at least?

Salil Parekh: So there, definitely we have the right pieces in place. My own sense is and just to step back, if you look, how things play out, compensation increases happen right away as we see what the impact is in the market. And the pricing, you cannot change it overnight, but once you put these things in place over a period of time, that starts to come good. Because the positive for me really is that we are seeing good traction, we are seeing good discussion. So, that balance will again come back, but there's always a timing mismatch.

Kawaljeet Saluja: Right. Got that. And Salil, in addition to pricing, there's also a question about cost of talent attrition, etc. So, the first question that I had on that topic is that, are you surprised with the rather high attrition rate of Infosys relative to the industry? Given that you have done plenty for employees, given them three wage hikes, etc, are you surprised with the high attrition rate compared to competition?

Salil Parekh: So there, first, as you know very well our attrition rates are somewhere in the middle with respect to our peers. What I see, we have a tremendous training capability within Infosys. And my own view is it's probably the best training in the industry. We had a lot of people joining our training before the COVID situation. A lot of that was in person in Mysore, 6 weeks, 8 weeks, 12 weeks, different long duration training. And even now we've done it very strongly, in this sort of remote environment it's been working extremely well. Now that becomes a huge pool where there are companies which don't have that training infrastructure, and that's where they look for someone like Infosys. Having said that, what we see are two things, one, we have managed to work very well with clients to ensure that there is complete delivery support and fulfillment as our clients have needed. In fact, just a couple of weeks ago in a discussion I had with one of our clients, they were asking us to further expand and consolidate with us against a large peer because they have seen our delivery to be, especially in these past 18, 24 months, extremely stable and strong. And we've been able to scale up given, this 21% growth last quarter and so on. The second piece is we've expanded every quarter, the annual number, we are planning on recruiting from colleges this year. So, this year we have a view that we'll recruit 55,000 college graduates. This is a year ending March. And my sense is that is going on, that whole aspect is working extremely well. And so, that will continue and that will allow us to scale our business and notwithstanding all the other parameters outside.

Kawaljeet Saluja: Got it. So, at a broader level directionally, do you think that margins would be on an improving trajectory given your success in pricing initiatives, and you mentioned earlier that the cost of wage increase etc. has been absorbed to some extent, do you think directionally margins improve?

Salil Parekh: So there, on margins the way, and you know this very well from how you look at across the industry, there are some parameters that support the margin. We talked about one of them on pricing. There are other levers we can possibly use in terms of the mix, in terms of the role ratios of pyramid, in terms of some of our subcontractor expenses, which we can make more efficient and there are other parameters which will go against it. We talked about the wage increases, and I think the demand environment for people is still very strong. Then there are scenarios with respect to what will happen with travel coming back. While the onsite mix in the past has worked in our favor, especially with not so much travel, we had a lot of that working well. With travel, the ratio might move the other way as well. And there could be scenarios where we see, as we build out more and more skills in some areas in digital skills and so on, we will have that building out in the role ratio as well. So, there are parameters on both sides. So, the way we are looking at it is we want to make sure this year, we have a margin guidance of 22% to 24%. So, we want to make sure that we are within that sort of margin guidance and given our strong growth, as we look ahead, we also want to make sure that we are doing everything right for our shareholders, from EPS growth perspective. So, those are the sorts of things we keep in mind. We don't have a clear view how, which parameters will work at what speed, when all of those, we have central programs that look at it and drive it. So, we feel, we have, let's say some level of visibility and control, but we will see how these play out over the next few quarters as well.

Kawaljeet Saluja: Right. And Salil I think one of the points that you touched upon in your answer was, indirectly was perhaps some changes to delivery mix and ratios basis return to work from office rather than from homes. So, what do you think changes once things get back to normal and work from office rather than work from home?

Salil Parekh: I think, I mean, from a business perspective, we will see obviously, lot more people returning to campus over time. So, within Infosys, we don't have a specific mandate at this stage of what people should do. Of course, we are working very closely with clients because we want to make sure that we support them. They've been extremely supportive of us as we did the remote work and the work from home. In terms of what will happen to the ratios, the parameters- one, there could be more travel as broadly travels opens up. Because it's not so much working from office there, but this travel has not been there. So, you know, we've managed to do a lot of the work differently. And so that will, that will add to something on the parameters that impact the margin in terms of compressing it. And then there will be, while a lot of the work, we've also learned, our clients have learned to do remotely, there'll be some proximity work that will also expand which may change some of the onsite offshore mix because as you know, we've changed it dramatically in favor of offshore in the last 24 months. Some of that while it's working very well, just how clients will work may go back. As I said, there are some parameters which will help. Some parameters, which we have to work because those are cost. But on balance we see a way to be where we are for this year, of course. And our effort is ongoing to make sure we keep a strong margin business.

Kawaljeet Saluja: Right. And what's the status on back-to-office for Infosys?

Salil Parekh: So, at this stage, I'm in my office, for example, we are starting to see more and more people back in the office. We are going to start to put in place set-up and procedure to see when individuals will start to come back. But today there's no mandate that we are having everyone back in the office.

Kawaljeet Saluja: Right. Got that. Now, there are a few questions in the chat window, which I'll take up after I ask my next question, which is on acquisitions. So, when I look at FY20 and '21 there were quite a few acquisitions made by Infosys. Have those acquisitions been the force multiplier the way you envisaged?

Salil Parekh: So we've done, I think, seven or eight acquisitions over the last three, four years. We have a very comprehensive tracking of those internally, and we've seen each of them deliver really well in terms of the business case we laid out. Today each of them is about where we anticipated in terms of what they could deliver. And then we had a synergy case inside. These were all really drivers in terms of client impact. So, they are all meeting our synergy cases. So, we are extremely positive on the acquisitions we've done at this stage. But we will run these through, the integration really is critical and that's what we focus on when we, after we acquired those businesses. And that'll be sort of the guiding principle also for us as we look ahead for more acquisitions.

Kawaljeet Saluja: Got it, Salil. I'll just read out a question from the chat window. Let me just summarize it. Okay. So, here's the gist of the question. Do you think that the IT spending intensity of the clients have increased and the reason why this client is asking this question is that because earlier it was perceived that, non-cloud and digital spending will reduce sharply and digital spending will offset it resulting in just a modest growth in IT spending? So, the sum and substance of the question is that, has the intensity of IT spending increased, and will it continue increasing into the future?

Salil Parekh: So there, I think they're absolutely right. The intensity of IT spend, tech spend has definitely increased, if you look back over the last, let's say two or three years versus before, and we see that in the Infosys outcomes. We were at something like 5% growth four years ago and we are something like 19.5% to 20% growth for this year. But what we think is going on is we talked a little bit about this digital and cloud and where companies are looking for transformation that action is going on with clients. There's another action where we see that clients are also willing to take on these big programs and in part use CapEx in addition to OpEX. So, I can start to see slightly larger pool becoming available in terms of how they look at it when it was only OpEX that they were obviously in your boundaries that clients had. When it's CapEx, it's not free for all, but it's a little bit more open and that gives a multiyear sort of a view to some of these programs. So, that to me gives me a good indication. Now, will it continue? As we discussed a little bit earlier, the current indication looks pretty good, but specifically for us, we will see in April, how that looks for next financial year.

Kawaljeet Saluja: Right. And just out of curiosity Salil, is CapEx linked spending more profitable. I mean, do you have more pricing power in it?

Salil Parekh: There, we don't see a difference on the pricing side between CapEx, OpEx spending, but we do see a small difference when there are decision makers, which are also getting spread across the client company, whether it's in the tech environment, but sometimes the decision comes also from the business side, let's call it marketing or sales or those type of other departments. Then we have a little bit more let's say, ability to show the value. And sometimes, the CapEx also comes from those groups, but it's not more because CapEx is more where the decision is being made.

Kawaljeet Saluja: Right. The next question from the chat window Salil is that, when companies mention that deal sizes are smaller, but there's a longer term game plan in terms of transformation. Can you provide any color on the duration of this transformation exercise and, does the spend happen evenly through this transformation exercise as such, if you can explain this with an example, that would be extremely helpful?

Salil Parekh: So there, as you know, we won't be able to go to specific client, but to give a sense, the transformation programs each are somewhat different. So, it's difficult to say all come into the same bucket. Our own experience is, many of the transformation programs could be 6 months, 12 months, 18 months, 24 months. So, there's a level of intensity that comes in that sort of a time period, depending on what the client is looking for. Many times it's even because it spreads through different departments in the client over a staged period. And then what we discussed a little bit earlier, many of these programs also have a cost takeout element for the current environment. So, the current cost goes down, also across time. So, when you look at it it's difficult to model these very exactly that X will happen, but broadly speaking, we see fairly even spreads when these happen, we don't see something which is suddenly spiked up early, middle or late like that.

Kawaljeet Saluja: Okay. That's very interesting. So, even if it's a CapEx or OpEx spending that is something which the distribution is not something which causes a huge spike or a trough essentially?

Salil Parekh: Yeah.

Kawaljeet Saluja: Okay. That's very clear, thanks for that Salil. The next question from the chat window is that JP Morgan recently placed a big bet on replacing their core banking system with the new Fintech company called Thought Machine. How do you see products like Finacle competing with this, with these new age companies that are essentially cloud based platforms?

Salil Parekh: So there, we are seeing again in Finacle, very good traction. We've in the past focused much more on markets, which were in Asia, India, Middle East, and so on. We've started to see good traction in the US market. We've seen good traction in the European market. Our own platform Finacle is built where it's cloud enabled, it's cloud ready, it's digital, we've got it working with public cloud providers. We have an approach where it can work with a private cloud setup. So, we feel it's extremely strong competitively, and we have seen a steadily good traction and expansion. My own sense is this is a sort of a play that we see we'll go and land in large, medium to large banks and start to expand across. So, we see a nice runway for our Finacle business in the years ahead.

Kawaljeet Saluja: Right. And what are the pockets of big uptick that you're seeing in Finacle? That's my question. That one is not from the participant, but yeah.

Salil Parekh: So there, we are seeing a good uptick, for example, where clients are launching new digital banks, there's a very good traction. We have seen with Finacle in several different banks. We are seeing even in large banks where they build their own core banking platform, where they look at building new capabilities with speed, which their core banking platform may not go or is not as flexible, Finacle is being used, and then that starts to expand within those areas. And of course, we continue to see traction in the medium banks as well as Finacle is growing.

Kawaljeet Saluja: Right. Fantastic. Salil, the next question will involve you, I mean, having, strong view on the macroeconomic situation as well in the US, but nonetheless let me go ahead with the question. There's some concern that the US fed is behind the curve and rate hikes to curve in session may tip the US economy into a recession later this year or next year. How will IT spending be impacted in a weak US economic environment and how is Infosys positioned vis-à-vis competitors?

Salil Parekh: So there, I mean, what the fed will do, I think you and Kotak will have a much better sense than anyone from our side of the business, but that's what we read from all the notes and the meetings and discussions we have with experts like yourselves. The question of whether it will go into recession or not is not clear today. Of course, there is a great level of attention on the interest rates. What we are seeing because of this digital transformation, it appears today to be quite central to the large clients we are working with, and this sort of discussion we had a little bit, a little, few minutes ago on OpEX and CapEx, we see a good ongoing spend on tech that's going through what our clients are thinking. We've also got a very strong business that we talked earlier about on automation. So, that comes into play when clients are looking at efficiency and cost as well. My own sense is Infosys is extremely well positioned in multiple scenarios that can potentially play out. Of course, today most people's baseline view is tech is growing pretty well. We will of course see in April, our own guidance for the full year.

Kawaljeet Saluja: The next question is also linked in some way to a potential slowing down of growth in US, but the question texture is slightly different. So, let me read out. How do you see the criticality of cloud migration and data and analytics transformation programs in the face of slowing growth in the US? Can these programs be cut down if clients in the US geography go through a slowdown as some are projecting for US in the latter half of this year?

Salil Parekh: Yeah. So, specifically with the cloud and data type of work, these tend to be part of large transformation programs that the clients are running. There is an opportunity as we discussed, of course in OpEx there's some more opportunity in CapEx and it is a little bit more resilient in these times, especially if there's a business impact that client believes they can get from the program. And again, because of our automation capability, a lot of times our digital transformation is, we do the transformation and we do the cost takeout. So, it becomes not fully self-funding, but somewhat self-funding and that allows the clients to continue. So, while nothing can be said with the full clarity on that, we think we have some of the tools that can help us to continue with what we are seeing in terms of the traction with clients.

Kawaljeet Saluja: Got that. That's reasonably clear. The next question which is in the chat window is on captives and deals around it. So, you know, how's the landscape for captive carve out based large deals like Vanguard and Daimler, and what roles do these deals play as a reference for getting new deals?

Salil Parekh: So, we don't comment on specific client situations and if they're captive or not, what I will say is, without a doubt, the captive opportunity is quite good. And as clients are looking to make large transformations, many times they perceive that something that they have built over time, which is an older capability, they are more open to this sort of a captive discussion. And we see many active discussions in the pipeline. Of course, these are big decisions for clients, so it's not always predictable, whether it'll happen today or tomorrow, but it's a good pipeline over time that we continue to see. So, it's a very strong opportunity. We have extremely strong references, whether it's on transformation, whether it's on captive, whether it's on really bringing employees into Infosys and how they've worked and got different growth opportunity. So, we have a very good set of experiences and capabilities, which work well when we discuss with new clients.

Kawaljeet Saluja: Got that. And these captive deals, Salil, is it largely take out of India captives, or it's more of rebadging a type of deals that are there in the pipeline?

Salil Parekh: So, today the pipeline has captive situations which are India related, which are related to taking employees over in other locations, it's also related to captive businesses, which are in other geographies. So, as you know well, many large companies have built a lot of them in India, but in some other geographies as well, in other countries, and we are looking at those, some we have already gone through in the past, but those will continue.

Kawaljeet Saluja: Got that. The other which is again there in the chat window is, I don’t know whether you will be able to comment on it or not, but has attrition declined on a month-on-month basis for you?

Salil Parekh: Yeah, we don't give out month-on-month updates. But as we shared for Q3, we see some leveling and that's the comment we've made at Q3. And with all the discussion we had earlier, we have tremendous intake of individuals, 55,000 college grads. So, we feel quite good that the delivery is in good shape and will continue to expand.

Kawaljeet Saluja: Got that. Moving to the next question Salil is, it's more on mid-cap, so, you know, can you give us a color on the reasons why large enterprises are inviting small IT companies for their digital programs? Is there something which has changed in the deal tenure etc., which makes these companies lot more competitive vis-à-vis, Infosys as compared to what you have seen in the past?

Salil Parekh: So, for large digital programs, especially with large enterprises, and as you know, for Infosys, we work more primarily with the global 2,000 type of companies, we don't see any of the smaller companies in these deals at all. Now what we do see are just a couple of international players because of the digital nature of the work and we have really stepped up on the digital side. Maybe I'm not very familiar, maybe those smaller companies are working with mid-size or smaller clients or on the periphery somewhere, but in our large digital transformation program, we don't see that.

Kawaljeet Saluja: Okay. That's very interesting. Salil, I know we are running out of time, but I'll just take a quick couple of questions. The first one is on the pipeline of deals, how's the pipeline of deals overall and the pipeline of large deals as well. I think that's the recurring question that large deals, the closure has ebbed a little, so people want to know how does the pipeline look overall as well as pipeline for large deals?

Salil Parekh: So, the overall pipeline is very strong for us. The pipeline for large deals remains strong. As you know, last quarter, we closed 25 large deals. Our large deals are deals about USD50 million. What I think you might be referring to is, or the question might be referring to that, we have not seen some mega deals that we have seen in the last 12 or 18 months. My view is, there are mega deals in our pipeline, but for mega deals there's much more volatility when it happens. We had a situation where over a two or three quarter period, we had very strong mega deals. We'll continue to see them in the pipeline. It's just not very clear when a mega deal will happen. But last quarter's large deals, we had 44% net new, which is a very strong number given what it gives us in terms of visibility for next year.

Kawaljeet Sahuja: Got it. And, the next question is something which you, you know, answered, but, how does the high attrition rate and salary interventions made by Infosys impact the overall cost structure and profitability?

Salil Parekh: So, absolutely, I think on attrition itself we've seen that from a delivery perspective with our clients, we're making sure we are fulfilling what their needs are, what their requirements are. We are fortunate that we are able to hire those 55,000 college grads and also a significantly large number of other levels into the company, that is working well from a delivery perspective and efficient that way we don't have a direct cost impact. On the wage increases, absolutely - as we were discussing earlier, there are some parameters which will affect our margin in a positive way, and some parameters which will affect our margin in a negative way, but our objective is to balance those, make sure we are driving each of the parameters, which help us to lift the margin and then make sure we remain a high margin business and to the guidance we've given for this year.

Kawaljeet Saluja: Fantastic Salil. Thanks a lot for answering the questions. I'll hand it over to Suresh to close the session.

Salil Parekh: Thanks, Kawal and thanks for all those questions.

Suresh Venkat: Once again, thank you Kawaljeet and to drawing off these useful insights. Mr. Parekh, thank you once again for your time addressing all those questions in the freewheeling discussion. We wish you all best and look forward to having you back again on our platform. And members of the audience, thank you for your interest and participation.