

Information Technology Business

Overview

The Global IT-BPM industry grew by 4.3% and the IT-BPM market (excluding hardware) stood at USD 1.3 trillion in CY17. Indian IT-BPM industry revenues (including hardware) stood at USD 167 billion in FY18. The industry added ~USD 12 billion in incremental revenues last year, representing year-on-year growth of ~8% in USD terms. IT-BPM export revenues for the industry for FY'18 are expected to reach USD 126 billion, i.e. growth of 7.7% over the past year. Domestic IT-BPM revenues are estimated at USD 26 billion, a growth of 8% from USD 24 billion in FY'17. IT-BPM export revenues are expected to grow by 7-9% in FY'19, and the domestic market is likely to grow by 10-12% next year.

Digital technologies are increasingly becoming all-pervasive and are not only blurring the boundaries between business units (technology, finance, marketing, etc.) but also between companies; it is now no longer tech and non-tech companies. Many companies – especially in the banking, automotive and manufacturing spaces – are re-branding themselves as tech companies.

Source: NASSCOM IT-BPM Strategic Review 2018

Our Business

Larsen & Toubro Infotech (LTI) (NSE: LTI), is a global technology consulting and digital solutions company helping more than 300 clients succeed in a converging world. With operations in 27 countries, LTI goes the extra mile for its clients, accelerating their digital transformation with its Mosaic™ platform, enabling clients' mobile, social, analytics, IoT (Internet of Things), cloud and cyber security journeys. In 2017, NASSCOM ranked LTI as the sixth-largest Indian IT services company in terms of export revenues. LTI was amongst the top 15 IT service providers globally in 2017, according to the Everest Group's PEAK Matrix for IT service providers. Its clients comprise some of the world's largest and best-known organizations, including 60 global Fortune 500 companies. LTI offers an extensive range of IT services to its clients in diverse industries such as Banking & Financial Services, Insurance, Manufacturing, Energy & Utilities, Consumer Packaged Goods, Retail and Pharma, High-Tech and Media & Entertainment. Its range of services includes application development, maintenance and outsourcing, enterprise solutions, infrastructure management services, testing, digital solutions, cyber security and platform-based solutions. The Company serves its clients across these industries by leveraging its domain expertise, diverse technological capabilities, wide geographical reach, an efficient global delivery model, thought partnership and 'new age' digital offerings.

Headquartered in Mumbai (India), LTI is part of the L&T Group. The Company has inherited the promoter Group's engineering and innovation mind-set, domain expertise, and large programme management capabilities. It leverages the strengths and heritage of the L&T Group, imbibing

Larsen & Toubro Infotech's (LTI) global headquarters in Mumbai. The Company's solutions focus on improving efficiencies for its clients.



its virtuous risk management and corporate governance practices.

1. Strategy

LTI's overall business strategy for long-term growth has the following key elements:

- Client-centricity
- Deliver amplified outcomes to our clients
- Investing in new technologies to build differentiated service offerings
- Transforming as an organization to align ourselves in this dynamic world
- Focusing on new large transformation deals
- Expanding in new geographies
- Investing in new avenues through partnerships, alliances and acquisitions

Client-centricity is at the nucleus of the Company's strategy, with primary focus on solving complex problems at the convergence of the digital and physical world for its clients. LTI's long association with key clients and understanding of their business and investment in account management teams has positioned it well to deliver profitable growth. The Company has posted significant improvement in client satisfaction over the last two years.

The Company is focussed on amplifying outcomes for its clients by:

- Enabling new business models
- Enabling revenue growth
- Transforming customer and employee experiences
- Next-gen efficient operations

LTI sees its customers' world changing through tectonic changes in technology. There are three things that are happening in the industry: First, there are exponential technologies that are available today. Second, these are all-new technologies, and they are new for everyone – no one has the incumbency advantage. Third, to help clients navigate and win in these times, one needs deep business knowledge to imagine and co-create with the customer. To facilitate and deliver amplified outcomes to its clients, the Company has embraced the concept of 'Shoshin', beginner's mind – a mind that has openness, eagerness, and lack of preconceptions. In the beginner's mind, there are many possibilities; in the expert's mind, there are few. Expertise is important however, and what is needed is the willingness and openness to keep learning – and then keep building expertise.

The Company's relentless focus on digital, analytics, automation, IoT and cloud technologies through its proprietary Mosaic™ platform is helping it stand out in the marketplace. Its cutting-edge work in these areas

Larsen & Toubro Infotech's (LTI) Mosaic™ Experience Centre demonstrates exponential technologies



has been recognized by leading industry tech analysts in numerous studies.

The Company continues to move on its own path of transformation – ‘Change from Within’. The Company executed a comprehensive brand launch and global rollout during FY’18. LTI’s modern corporate identity reflects its aspiration to be a next-generation IT services company with deep understanding of physical and digital convergence. LTI also expanded its European footprint by setting up its latest development centre in Poland in FY’18.

To accelerate its revenue growth, the Company has adopted a three-pronged approach, focusing on partnerships, acquisitions and association with start-up ecosystems. Together, these would assist in driving amplified outcomes for its clients. In FY’18, the Company acquired Luxembourg-based Syncordis S.A., a leading core banking implementation services provider. This acquisition is poised to aid in growing LTI’s presence in Europe by deepening capabilities in the Banking & Financial services sector. The Company has also created 360-degree relationships with a few select partners, viewing them as global growth engines. The Company is creating an ecosystem to partner with innovators around the world and co-create value for clients through association with 600+ start-ups, using inputs from L&T’s other businesses.

2. Opportunities

The Company has strong domain expertise derived from its parentage. It is at an inflexion point, being the right size to attain the agility of a start-up while maintaining the stability of an established player – which gives it a competitive advantage over its peers.

- a) **Banking & Financial Services:** In the US market, the softening of regulatory changes has resulted in more funds being diverted to digital and data projects, with an intent to increase efficiency. They are increasingly adopting cloud infrastructure to drive down costs through radical automation and superior asset utilization. They are moving towards master data management and analytics to allow for a single view of the customer and easier regulatory response and operations. However, in Europe, the focus will remain on modernizing core banking operations. The anxiety towards Cloud and Blockchain has subsided to a certain extent as banks see these as technology enablers rather than mass disruptors. Clients are relying on strategic partners, such as LTI, to help establish the new iterative model that some banks are looking to adopt.
- b) **Insurance:** Spend on digital transformation is the emerging trend in this sector, despite the pressure on run-the-business spend. Life annuity insurers are focused on digital, optimized workflow and operating efficiencies as they face changing customer expectations. Property and casualty insurers are focused on analytics and speed-to-market, as market competition and the threat of adverse selection drives their need for better and faster product deployment. LTI has built deep expertise in leading insurance products like Duck Creek, Insurity and Guidewire, and has unique offerings (digital and non-digital) that can help clients reduce turnaround time for operations, one of the core enablers for cost reduction.
- c) **Manufacturing:** There are three key trends emerging in this vertical. First, cloud-enabled IT modernization has become mainstream, and more and more clients are embarking on programmes to move majority workloads to the cloud and reduce the cost of maintaining internal data centres. Second, manufacturing entities are proactively assessing ERP modernization, especially in SAP and Oracle economies. Third, clients in this industry have or are building definitive roadmaps for creating digital-ready application landscapes for agility. With its focus on Industry 4.0, LTI is uniquely positioned to address the digital transformation journey for its clients.
- d) **Energy and Utility:** Clients in this space are focusing on technology to streamline operations for cost reduction. Digital investments are majorly focused on IoT, Analytics, Mobility and Cloud adoption. Advanced analytics is a major investment area for oil & gas companies. Augmented reality and drones to aid worker productivity, and wearables to provide over-the-shoulder coaching to workers are some of the next-gen areas where LTI sees traction in this market.
- e) **CPG, Retail and Pharma:** Large players in CPG/retail industry segment are facing intense local competition. Consumers are seen to drift towards more online purchases, and it becomes imperative for these large players to directly engage with the consumers. LTI has helped clients in their participation across the customer journey through smart support, chat bots and automated interactions, and will continue to enhance its offerings to reinforce such digital interaction.

- f) **Hi-Tech, Media and Entertainment:** In the M&E space, the changing demographic mix is leading to shifting spend patterns and is impacting ad-supported businesses. The Company sees hi-tech clients focus on faster speed-to-market initiatives, energy-efficient smart devices and industry models shifting towards pay-per-use models.

Digital Business

Digital strategy is evolving with unprecedented speed of change in our clients' businesses. It is creating new businesses and new paradigms for clients. The Company aims to be the digital transformation partner for clients to build their digital business and thrive in the digital era. New methodologies, like design-driven delivery, help collapse layers and be more agile for clients.

For LTI, Digital will not just be a set of capabilities. It will be a Way of Working (WoW) and has these core components:

- Cutting-edge capabilities
- Next-gen delivery models
- Extreme domain focus
- Business outcome as a success metric
- Digital inside

Mosaic™ – LTI's proprietary digital transformation platform: Mosaic™ is a converged platform providing data engineering, advanced analytics, process automation, IoT connectivity and an improved solution experience to its users. The Mosaic™ ecosystem enables entities to undertake quantum leaps in digital transformation and bring an insights-driven approach to decision-making.

Human Capital

LTI provides a range of professional skills to develop the finer aspects of executing its roles. The Company's Anytime,

Anywhere, byte-sized programmes help employees to quickly brush up their skills, learn new skills or simply collaborate and learn.

The Company institutionalized its five key beliefs across the organization:

- Be agile
- Go the extra mile
- Push frontiers of innovation
- Keep learning
- Solve for society

As on March 31, 2018, LTI's headcount was 24,139. During FY'18, the Company added 2900+ net new hires. Compared to FY'17, LTI improved on attrition – the full-year attrition was 14.8% in FY'18 as compared to 16.9% last year.

Outlook, Risks and Concerns

The businesses of LTI's clients are being impacted at an unprecedented speed by the world of digital and exponential technologies. LTI has made proactive investments in digital technologies, bringing its in-house expertise together under the Mosaic™ platform and enhancing these offerings through acquisitions. Today, enterprises want to work with partners that are agile, can de-clutter new technologies and can co-create solutions with them. LTI's sustained investments in digital and exponential technologies are establishing the Company as the partner-of-choice for its customers worldwide.

In FY'18, LTI delivered an industry-leading revenue growth of 16.7% in USD terms. With intense focus on client success and comprehensive transformation capabilities across digital, analytics, IoT, automation and cloud, LTI is optimistic about its future.