L&T Technology Services
Q2 FY20 Earnings Conference Call Transcript

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Moderator: Ladies and gentlemen, good day and welcome to the L&T Technology Services Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pinku Pappan – Head, Investor Relations. Thank you, and over to you, sir.

Pinku Pappan: Thank you, Stanford. Hello, everyone, and welcome to the Second Quarter FY20 Earnings Conference Call of LTTS. I am Pinku from the Investor Relations team. Firstly, I would like to apologize for the slight delay in the filing. We would obviously want to be on time, but forgive us for the delay this time. I hope you've had a chance to go through the Investor Relations press release and the financial statements. These documents are available on our website, www.LTTS.com. Today on the call I have Keshab Panda – CEO, Amit Chadha – President (Sales & Business Development), Abhishek Sinha - Chief Operating Officer and P. Ramakrishnan - CFO.

We will begin with Dr. Panda providing an overview of the company performance and a commentary on the business outlook. Amit will then provide an update on the large deal wins and the deal pipeline. PR will then walk you through the financial statements. And after that we will open the line for questions.

Let me now hand over the call to Dr. Panda.

Dr. Keshab Panda: Thank you, Pinku, and thank you all for joining the call today. Before I start, I want to congratulate Abhishek, our COO who joined our Board today onwards.

I will start with the highlights of Q2: we grew by 2.5% quarter-on-quarter in constant currency. Growth was very strong - in excess of 20% YoY in Plant Engineering, Medical devices as well as Transportation. Digital and leading-edge technologies, the growth driver for ER&D - contributed 39% of Q2 revenue and grew 32% year-on-year. We did well on margins. Our EBIT margin was 17.0% and flat QoQ despite wage hikes in Q2. Our deal win traction continues - we closed 8 deal wins across sectors.

Let me now talk about our 5 industry verticals:

Transportation – we grew 2.3% sequentially in Q2, which is on the back of the 7.6% growth we delivered in Q1. We expected better growth but deal decision-making delays and ramp-up delays at a few customers impacted the growth. In Automotive and Trucks and Off-highway, we had good wins in the area of electric powertrain, autonomous driving and electric car charging infrastructure. In Aero – we won deals in avionics and digital engineering areas.

The pipeline is growing, and we are seeing a few large opportunities in them, although there is uncertainty in the timing of the same. We expect a muted growth in Q3 on account of delays we are facing in terms of deal closure and ramp ups, and better growth from Q4 onwards as we close out some of the large opportunities.

Moving on to **Telecom and Hi-Tech**: we had a 6% quarter-on-quarter decline in Q2 on account of the weakness in Semiconductors as we disclosed last quarter. The quarter-on-quarter decline was lower than that in Q1, which was as per our expectations, and we did talk about that in our Q1 call as well.

In Semiconductor, we are ramping up in several programs that we won recently, although the ramp-ups are happening at a slower pace and not enough to offset the ramp-downs in some programs. We won deals in VLSI design for graphics, connectivity and camera chipsets. We believe these are areas which are going to grow as well. The overall pipeline is increasing, although the sales cycles are getting longer.

In Media and Entertainment, we had a slight growth post the ramp down at one customer. We are seeing interesting opportunities in chip design, legacy equipment modernization and end-to-end support and enhancement across the entire chain of set-top box, head-end systems, video equipment and content distribution networks.

Overall, for Telecom and Hi-Tech, we are expecting flat trends in quarter 3 and acceleration in quarter 4 onwards.

Now let me talk about **Medical**: we had a very strong quarter with 13% sequential growth on the back of 16% growth in Q1, driven by some of the large deal wins that ramped up nicely. Demand is being driven by remediation work, regulatory compliances, IoT and connectivity solutions as well as process validation for manufacturing services. We are seeing interesting opportunities to enable digital transformation for device OEMs, giving them the ability to capture trends, insights, analytics, all on demand on the cloud.

We expect the growth to continue, on the back of deal wins and a good pipeline.

Moving to **Plant Engineering**: We had another quarter of strong growth with 7.5% sequential growth in Q2 on back of 6% growth that we delivered in Q1. The growth outlook continues to be robust in all 3 subsegments of Plant Engineering - CPG, Oil & Gas and Specialty chemicals. Customers are investing in programs like smart platforms, 4D modeling, productivity enhancement and sustenance projects. We are seeing demand for digital regulatory compliance, plant health check studies like HAZOP (Hazard and Operability), machine safety etc.

We are excited about the pipeline with opportunities across the value chain and expect growth to continue strongly.

Moving to **Industrial Products**: growth was a bit soft at 1% quarter-on-quarter. We are seeing a bit of slowdown in spending a few of our large accounts and deal closure delays, although deal wins at some of the smaller accounts have been ramping up very well. In Q2, we won deals in smart building consultancy, IoT platform work and cybersecurity consulting. Some of the products we design for the customer, we are making them smart products, that's also a great opportunity for us for moving forward. The pipeline looks interesting with opportunities in power distribution products, electrical automation and IoT. We continue to do a lot of innovative work in this space, which is visible in the number of patents that we add every quarter; out of these, a major share is contributed by our engineers in Industrial Product.

We expect the newer logos to continue to drive growth going forward and some bit of acceleration from Q4 onwards as some of these deals in the pipeline close out.

Now let me talk about our **Platforms and Solutions**: As we discussed last quarter, we engaged with a consulting firm to formulate the way forward for our platform. Currently, we are working on their recommendations - primarily around the structure of the new unit that we are likely to create and how best we can leverage our platform to win newer engagement and scale up license revenue. We are now seeing traction in Engineering connected platforms which addresses energy management, predictive maintenance, and the second platform is iBEMS. Multiple customers conversations for POCs and pilots are ongoing today. We are also doing some smart hospital using our iBEMS platform. We believe that's a great opportunity for us moving forward. Currently, we are in the phase where POC projects are being initiated by customers as a first step, and we are awaiting full-scale deployment.

Finally, let me discuss the **outlook for FY20**: We had to face tough conditions this year, starting the year with the loss of $30 million plus at a Telecom customer followed by a slowdown in Semiconductor which further weakened the outlook in Telecom and Hi-Tech segment. In Q2, our performance could have been better, but we were hurt by overall trade-related uncertainties leading to slow decision-making and deal closure delays. As you will see, the revenue share from our top 20 customers has declined from a year back, largely driven by slowdown at a few customers across Telecom and Hi-tech. These customers are going slow on spending in new projects given the weakening economic outlook in developed countries and dip in manufacturing intensity. Outside of these customers, we are seeing an increase in pace of spending in areas like autonomous and electric in Automotive, all 3 sub-segments in Plant Engineering, Medical devices and consumer electronics and telecom infra within Telecom and Hi-tech. In addition, the investments we have been making in newer areas like ISV, Rail, OTT, Pharma, upstream Oil and gas has broadened our industry exposure and we are making further inroads in the top-level segment we serve. This is showing up in growth in the Next-50 customers, which is the set of clients beyond our Top-30 customers - where we are growing in excess of 20% on year-on-year basis. This is helping us continue the path of double-digit growth overall despite major headwinds.

Our aim is to continue building competencies like AI platforms for manufacturing plants, healthcare and transportation, so that we can quickly capitalize on the areas which are seeing uptick in spending. That way even in a tough year, we can deliver double-digit growth and our business model is more resilient.

With greater visibility into the second half, we revise our FY20 USD revenue growth guidance to 10%. This guidance bakes in a muted Q3 followed by growth improvement in Q4. Overall, while we would have liked to do better, the demand environment is robust, and we are confident about our competencies and continue to see significant opportunities for growth. Our large deal wins and the broad-based pipeline that is growing ahead of the company growth reflects the solid positioning and net gains in market share. Our digital and leading-edge technologies growth mirrors the trend in the marketplace towards increasing new-age spends.

I now hand over to Amit.

Amit Chadha: Good evening, and thank you, Dr. Panda, and congratulations once again Abhi. I will cover 2 things - the large deal updates as well as our deal pipeline.

Large Deal updates: We won large deals across verticals and geographies. Let me share details on a few transformational deals:

1. In the Hi-tech segment, we won a program involving connectivity solutions for the client’s worldwide network. It will require us to expand our existing global labs and enhance end user experience on behalf of our client.
2. In the Transportation sector, we've been awarded 2 large deals: one from an OEM and another from a Tier-1. One is in the area of autonomous and intuitive driving controls involving our homegrown AI platform and the second one in electric powertrain design.
3. In the Oil and gas and petrochem sector, we won a deal to set-up an engineering value center for a European refiner in one case and in the second case to support detailed engineering efforts for the customers’ greenfield expansion in Europe.

Before I go on and talk about deal pipeline, I think it is worth to take a step back and share our assessment of what we are seeing on the ground in Transportation and Telecom, where the performance was below our expectations.

In the Telecom segment, out of the 6 large deals that we were targeting to close in Q2, 4 have closed in our favor and 2 are still in decision-making mode. We are seeing a delay in decision-making and delayed starts as customers become more conservative with the uncertainties around trade negotiations. This coupled with the ramp down from a few programs in the semiconductor space, which we spoke about in the last quarter is creating a temporary blip. The good news is that our acquisitions in VLSI have given us end-to-end capabilities in semiconductor space which is helping us win new programs.

Now onto the Transportation segment: we closed both the deals that were in the pipeline for closure in Q2. Again, deals are taking longer to start, and we see a few customers holding back on spending, which is constraining our growth. The good news is, spending on autonomous driving and electric vehicle continues strongly and our differentiators in this space is helping us win new programs, two of which I covered in the large deal update. Net-net, we do see delayed decisions and conservative spending at a few customers, but the demand continues to be robust for our services and solutions.

Moving on to our large deals pipeline: we continue to see a build-up of large proposals to engage with our clients. For the Telecom segment specifically we are seeing 5 deals in the area of Semcon, media, hi-tech and ISV. In the Transportation area, there are 2 deals in automotive and one in aerospace that we are working on. In the Industrial Product segment, we are in discussion on 3 deals in the areas of electric drives and industrial machinery and finally, in medical there is one that we expect closure for in digital manufacturing shortly.

Finally, to sum up: the deal pipeline continues to grow and the scope of large deal discussions are increasing and we are winning against competition. Two, we do believe that our widespread T-30 and Next-50 customer base, multi geography and vertical reach will help us continue increasing customer penetration going forward. And finally, to achieve that, like Dr. Panda mentioned, we will remain focused on building competencies and talent pool.

With that, I would hand over to PR.

P. Ramakrishnan: Thank you, Amit, and good evening to all of you. I will summarize the financial performance of the company for the quarter ended September 30, FY20. You must have gone through the press release and the advertisement and also the earnings fact sheet. For the ease of convenience of all, just summarizing the overall financial performance.

Our revenues for the quarter was posted at around 1,402 crores, a growth of around 4% Q-on-Q and around 11% Y-on-Y. In dollar terms, we posted a revenue number of around $198 million for the quarter, a growth of roughly around 2% Q-on-Q and 11.6% Y-on-Y. Our EBIT for the quarter has been reported at 239 crores odd, a growth of almost 4% Q-on-Q and EBIT margin is marginally lower when compared to Q1. We posted EBIT margin of 17.0%, a drop of 10bps QoQ. The PAT for the quarter was Rs. 206 crores, a growth of almost 1% Q-on-Q and around 8% at Y-on-Y. The PAT to revenue stands a shade below 15%.

Coming to EBIT, the overall from a cost structure perspective, we are not seeing any major move between Q1 and Q2 from a cost perspective. If you see from the gross margin, the gross margin for Q1 was 32.9% as against that we are having a Q2 gross margin of 32.3% and the EBIT margin for Q2 at 17-odd percent. Now from an overall performance perspective, as I had articulated during our earnings call for the first quarter, we did a compensation revision during this quarter, which impacted our EBIT almost by 1.6 percentage points. This was partly offset by a favorable dollar-rupee movement, which enabled us to offset it by almost 50bps. And in Q1, we had a one-time visa and travel cost, which was almost 140bps benefit which we have got. So overall, at a very high level, the increase in compensation benefit has been offset by savings due to visa and travel, which hit us in Q1 and also a favorable dollar rupee.

Coming to the other part, other income: We have reported an overall other income of around 37 odd crores or Rs. 378 million. The breakup would be as follows. Treasury income that is the income which we earn from surplus investments is around 10 crores. We have a net foreign exchange gain, which is comprising of 3 broad elements of hedge cash flows, translation transaction differences that was a net of 7 odd crores, and we had filed for our SEIS licenses for the year FY18-19 in this quarter, and we have taken an overall credit of 29 crores as a mark-to-market for this quarter.

Coming to the segment performance: as you may have seen, the Transportation segment still comprises a major part of our overall growth. It is 35% of our revenue and followed by Telecom and hi-tech. The share of Telecom and hi-tech has dropped this year as Dr. Panda articulated during his speech that is standing to around 21 odd percent followed by Industrial products at 19, Plant engineering 16 and medical devices at 9. In terms of the other parameters like revenue by geography, North America continues to be around 60% plus…at 61.7% of revenues for the quarter, followed by Europe at 14.4, India at 13.1 and the Rest of the world at the balancing 10.7%.

In terms of on-site off-shore revenue mix: as you may have seen through the earnings factsheet, they largely are the same. No major, I would say, parameter difference when compared to Q1.

And coming to net income. The tax, just to convey, post the recent government announcement in the reduction of tax rate, the company still continues to be under the earlier tax regime in view of the high MAT credit which it has accumulated over these years. We believe that we probably will consider going into the new tax regime, maybe at earliest 2 years from now.

Now from a balance sheet perspective: Our balance sheet summary is also there in the advertisement. I would say the major increase in the balance sheet is nothing but the Ind-AS impact because we are now classified all the long-term lease rentals into increasing it on the asset side on the intangibles as a right of use and also a corresponding lease liability on the liability side. From an overall other metric, I would like to say here that the DSO, that is the customer receivables and the work-in-progress, continues to be in the 100 days range for the quarter.

So with that, that's the overall flavor of performance for the quarter. And I will now give back to Stanford for any questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Sir, my first question is on your claim that your pipeline is pretty robust. When you say pipeline, are these executable orders that you're talking about? Or are these some of the negotiations that you are having with your customer which are still to fructify into orders?

Dr. Keshab Panda: There are 2 components there, right? The first part is, there are deals we won in Q1, Q2 where we are staffing it and that's going to give us future revenue. And the second one is, some deals we are going to win, the pipeline we talked about, right? Deals we are going to win in this quarter. Every month, there are some new deals. So there are 2 components. So both looks okay. The Q1, Q2 wins what we won that is going to deliver revenue in the Q3 and Q4. We expect some deals to close in this month and next month and this quarter, that is going to give us Q4 revenue. So I think the pipeline, there are cases where we are very close to signing it. There are cases where it is going to take some time and mix of all that.

Vimal Gohil: Right, sir. The second question is actually on the balance sheet, sir. If you see on the SEBI disclosure of the consolidated balance sheet, on the current asset side, there is an additional entry for loans which is about 262 crores. Can you highlight what is that about?

P. Ramakrishnan: As I talked about the treasury surplus, some part of the investments, the short-term investments were given as an ICD to another corporate house.

Vimal Gohil: Okay. So these are ICDs basically.

P. Ramakrishnan: Yes.

Vimal Gohil: And what rate would these be at?

P. Ramakrishnan: That would be at arm’s length, in fact it has been placed with our parent itself just to manage the short-term surplus. Instead of investing in mutual fund investments we have invested in that. That money will come back, and it's at arm’s length prices, in fact better than prevalent interest rates from the mutual fund.

Vimal Gohil: And Dr. Panda, final one for you, sir. I mean Indian engineering services is expected to outpace software according to me and correct me if I'm wrong. Do you see this trend changing now in the long term? Or do you see these changes or the slowdown that you're seeing as slightly more structural in nature because of more captives coming into play? Or do you still expect that Indian engineering services has a very long rope for growth going forward, and we'll be able to participate in that.

Dr. Keshab Panda: Yes. I think captive is nothing new now. It has been there for last 20 years or so, and they continue to be there. As you know, India does $24 billion of engineering services altogether - captive and service provider like us. So I think the problem what we talk about and you have to remember, ER&D spend globally is as high as what IT spend globally. Engineering by nature, there's opportunity in the market. There is no doubt about that, but there are 2 things happening today. Number one is the conventional engineering what companies have been doing it and new-age technology area this is coming in. Now the growth in new age technology, CAGR if you look at it next 2, 3 years, it's much higher than the conventional engineering people have been doing it. So I am very bullish about what happened last 2 years and going forward and captive is not a threat to any of the business we do. And we have learned to work with them. There are many deals we do sizable deals we work along with the captive plus their corporate office in western world. So this is not an issue at all. Now some of the large deals we got recently, many large deals we won recently, captives are there. They have been there for a long time. So I don't think captive is going to be a threat for us and I would think opportunity is always there in all the segment. You can look at 3 segment, 20-plus percentage we have grown. All the segment you list down and 80% of them, there are captives as well. So I don't think captive is a threat for us. And we need to continue to work so our business model can handle this. More and more what is going to happen is, I think we need to have a business model where you can deliver globally from any locations. Like we have center in California, or Israel or in Europe, plus India, altogether, your business model should be able to support that, number one. Number two, your innovation engine should continue to innovate in new technology and we should never slow down. And number three, the sales engine what we built, we continue to build the sales engine. The people who have been selling all type of engineering and can you refine them and can you get new blood into the system. And this is what we do regularly. So I think any problem I see today is delay in decision-making because, as you know, uncertainty when it comes to in the market where the trade war is going on and this is a temporary issue, I don't think it's a long-term issue and engineering opportunity is always there and I'm very bullish about that.

Vimal Gohil: Actually, sir, the concerns were cropping off from fact that Q2 we said that Q3 and Q4 will be much better now against our expectations, against our data now that we have incremental data that we are getting. Q3 is also not really playing out as per our expectations. What is the risk that you see that it will probably be worse in the near term, that is Q3 and Q4, as things have happened in...

Dr. Keshab Panda: So I think what we do, one thing be rest assured that we want to communicate to you what we know 100%, any time when we have some information we communicate to you. We communicated in Q1 call, we said that Telecom hi-tech in Q2 is going to go down which has happened. But if you see, the percentage decline from Q1 to Q2 is less than from Q4 to Q1, it is less. That also we said in Q1. And again we are saying, Q3 this particular segment is not again going to go down, it will be stabilized. So worst is behind us in Telecom and hi-tech. Now look at it, Q3 is a quarter where a lot of holidays happens, right? Keeping all this in mind, we want to make sure we communicate and some of the decisions signing on this, right, some of the deal signing, we want to be extra careful, making sure this is not going to go away. This is not going to go away. It's a delay what is happened. Keeping that in mind we believe this is what I think we are going to achieve now Q3, Q4. What we did H1, we'll do better in H2 for sure. There is no doubt. We're confident about that. And looking at that what we see, we did our math and given the data.

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

Pankaj Kapoor: Dr. Panda, what's the visibility that you have for the third quarter? You have been saying that probably you expect a muted quarter. What are the chances that we might even have a decline, a Q-on-Q decline in the third quarter, given the kind of near-term headwinds that you see?

Dr. Keshab Panda: See I think, Pankaj, we look at all 5 segments when you look at it, and we have 3 segments which grew 20-plus percentage year-on-year. I think those segments we're very bullish, and we continue to do that, right? And you see, Telecom, Hi-Tech segment is not small, a sizable segment. And uncertainty in that segment, it could have some impact. So overall, the reason we said muted because I think manufacturing in some areas where they go on, customer will close this manufacturing for 1 week or 10 days. So when you have onsite that might impact. Keeping that in mind, we wanted to make sure, let us say we have a deal where offshore, we have to continue for long time and we'd have said, yes, go ahead. Some of the deals we won, customer said that in Q3 because of holiday, we'll start a little later because the transfer of knowledge from onsite to offshore. So I think keeping all this in mind, we said we will have a muted Q3. Pankaj, one thing I want to clarify though, negative is not an option, otherwise I would not have said muted quarter…I would have said that it's a decline quarter. That's not something that will happen.

Pankaj Kapoor: Sure. So if I understand you right, you're saying, I mean you have taken a fairly conservative view when you're talking about a commentary of a muted 3Q and you have factored in most of the potential negatives?

Dr. Keshab Panda: Pankaj, it's like this. We have taken a realistic view, not a conservative view, I don't say that. But one thing realistically what I see, you should know that. That is what we communicated.

Pankaj Kapoor: Sure. Got it. And PR, just a question on the margin outlook then given the kind of visibility that we have on the volume growth in the second half. Do you think maybe for us to improve on margins will be difficult on a constant currency basis? So is it fair to assume that there could be margin headwind as well coming in into second half?

P. Ramakrishnan: Pankaj, as you know that we normally don't give EBITDA guidance. But yes, you are very well aware that our EBITDA, the margin is dependent on the fact of constant currency, that is the dollar will be remaining where it is and also the mix of revenues. But to answer to your specific question, Dr. Panda did talk about opportunities in the pipeline. There are possibilities that some of the deals which we're talking about in 1 or 2 segments are going to see a little more increase in the onsite share, at least for Q4, I would not be in a position to comment on Q3 because Q3 onsite could be largely the same as what we have demonstrated in Q1 or Q2. But Q4, some of the large deal ramp ups, which could be a little onsite centric, there could be some amount of a margin dilution because of that share of revenues coming from onsite at a higher clip. But we have reasonable offshore levers which we will be able to deploy to ensure that there is not much of a margin volatility.

Dr. Keshab Panda: Pankaj, be rest assured that we are a bottomline driven company as well. We want to make sure any deal we do, if there is an impact on the margin, it is a temporary impact where we have levers to bring it back. That type of deal we always look at it and that is how it is.

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

Apurva Prasad: Dr. Panda, what's just driving your confidence of acceleration in fourth quarter? I mean if I'm just looking at the guidance, it pretty much implies a flat trajectory for the next 2 quarters. So what is that, that gives us confidence of an acceleration in 4Q? It will be helpful if you can share any TCV-related data in terms of pipeline or deal signings?

Dr. Keshab Panda: Apurva, it's like this. I think we have the deals what we won recently and also deals we are expecting to win in Q3, that gives us comfort that we're going to hit that. Trust me, these numbers when we give it, we go to the board and write it what is available account by account, customer by customer, region by region, and we look at that, then we give a guidance. So realistically whatever number we see, we have given this. I think Q4, the reason I'm saying is what happens in Q3 because of holiday or any delay there, but Q4 is supposed to be a good quarter. And we have some confidence that we already have orders in hand, which is going to give a growth in Q4. A major part of this order in hand will give Q4 growth. So keeping that in mind we have given this.

Amit Chadha: So Dr. Panda if I can add. This is Amit. So one, Apurva, we have won orders and our TCV wins and I'll defer to Pinku and PR on the exact numbers, but we have won TCV orders that are greater in Q2 as opposed to Q1. So we've seen that happen. That is point number one. Somebody had earlier asked the question what do you call a pipeline and what do you call orders? So order backlog is order backlog. Pipeline is what is not won, right? So we do see that the wins have increased in Q2 for us. That is point number one. Point number two is that in Q3, like Dr. Panda talked about that there is pipeline across segments that we are pursuing. I in fact, mentioned the number of deals also. And we do see a healthy pipeline. In fact, our pipeline is as it would be at correct time in the year, and we're fairly bullish in terms of what we'll able to close. It is only the number of working days that is doing a play in Q3. But we are bullish as we move forward.

Apurva Prasad: And again, on a slightly more medium-term perspective, I mean, we clocked 24% last year, about 10% you are guiding for this year. How do you see more like a medium-term outlook, especially the fact that we operate multiple verticals that being a USP. How do you see that maybe low teens? Is that a level to look forward to if I am looking more on a medium-term perspective, considering both the puts and takes?

Dr. Keshab Panda: Apurva, I think not just last year, if you see last 2 years, we did 20% one year and then 24%. This year we would have continued except one customer issue which we talked about. And then you can see a trade war between what is going on in China and America, if I mention that is no impact, of course there is impact, there's no doubt. One thing I can assure you, if anybody can do, we can do it because more and more the competency what we have built and the customer base what we have created, it gives me confidence that not last 2 years or 2.5 years, we will continue to have the same journey moving forward. And for example, some of the large deals which we win, we have right now sizable deals. So we win this and the whole game changes again. Decision-making, as Amit said, some of the deals decision-making getting delayed, before closing the quarter we expected 3 deals or 4 deals to be closed and that got pushed to the next quarter. Is that going to go away? No. But we are certain about the way we have gone about it and the competency we have and the customer relationships, we believe that I think that's going to give us a good long term. You should look at engineering point of view. We have continued to grow market share. We always look at that. What is the market share growth from customer point of view? If a customer we are doing business with, if they spend whatever they spend, are we increasing market share or not? This is something giving us confidence that not only 2 quarters, so we don't look at those 2 quarters, we look at what happens to next year, what happens next to next year. At least we look at 24 months every time when you do business, next 24 months how does it look like, and we always play accordingly.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singal: Dr. Panda, if I could just basically grill a bit more on this outlook that we're looking at. So you'd mentioned that Telecom & Hi-Tech is what we're seeing the weakness at this point of time. So I mean, keeping that aside, that's like 20% of our revenues, if all our other verticals are able to deliver, then I think not talking about Q3, Q4, but let's say going forward, I think we should be able to sustain the kind of growth momentum. But in your comments in the presentation, you also mentioned the Transport vertical. So what kind of exactly the kind of weakness or delay in decision making are you seeing in the Transport vertical? And specifically which part of Transport vertical in terms of either is it aerospace or basically automobiles, which segment is something which we are kind of looking weakness in terms of?

Dr. Keshab Panda: I think it is not a sectoral issue, I would say some of the customer issue which happened. And I talked about the trade war and what is the impact of the trade war in one particular customer. The exposure of some customer to this area, in a broader area, and that is what is impacting. It is not just everything changed now. Transportation as a whole, I think, not everything in transportation is happening there, right? So no program has been canceled so far. That is one positive thing, right? Nothing is canceled. I think this gives us the confidence now the top customers we have, not that they are canceling the program, that did not happen. So in the medium term if you see, I think, medium term, there is no reason why we should not come back again to what we did in the past.

Vibhor Singhal: Sure, sir. Sir, is European auto a source of concern for us at this point of time? We are kind of seeing some global weakness in that segment as many of the peers have called out. Any specific, I know Europe is small for us. But have you seen any kind of delay in decision-making in that special segment?

Dr. Keshab Panda: We won a deal in Europe in automotive. One deal we won and second deal we've just announced last week. So I think Europe as a region is not doing bad for us. We're doing reasonably well. If you see last 2 years, our revenue Europe contribution has gone up. So there's no question of Europe slowing down. But what happens is automotive Europe, we have some of the marquee customer there. And we won…the 3 customers that you talk about, all 3 we won one deal each this quarter. So I don't think Europe automotive has an impact on the revenue going forward.

Vibhor Singhal: Sure, sir. That's good to hear. PR sir, if I could just harp a bit on 2 things. On the margins, as I think, in the earlier question there was, that we're looking at, let's say, weakened, slightly muted numbers in Q3 and probably a pick up from there in Q4. As you mentioned, we do have levers. But do you see some impact on the margins maybe temporary because of the operating leverage coming down? Or do you believe we have enough levers to be able to mitigate that in the next couple of quarters as well?

P. Ramakrishnan: Actually Vibhor, I think specifically to that question was asked previously, I did mention that as we see it, that margins will be a function of how the revenues come up. And if you really see the 5 segments where we have from the segment result, which is the old EBITDA structure, the 3 segments will continue to have that 25% to 26% EBITDA and the other 2 Transportation, Telecom Hi-Tech in the 15% to 17% EBITDA. Any of the large deals which come across in any of these segments and mostly which happens probably in Transportation, Telecom Hi-Tech could be in the position of initial onsite, slightly higher onsite kind of, I would say, share. But it has always been our practice in the past also, it's not that large deals only keep once in a while. Maybe in a quarter it may have an impact, but later on, we do have a plan to ensure that the margin trend comes back to what we have.

Dr. Keshab Panda: Vibhor, if you look at our last year, we have few deals we won and you see immediately onsite component has gone up. Then we brought it to stability now. So let us say, some of the deal we scale up again and in that particular quarter, a month or whatever timeframe we do the knowledge transfer, it might impact. But our intent is successfully we have been able to do that, onsite-offshore balancing and we'll do that. That's a big lever for margin.

Vibhor Singhal: Sir, my last question on the cash flow statement. I think PR sir mentioned, so there is this 262 crores of entry in the cash flow statement that you mentioned is probably an ICD to the parent company. So I would assume this would be probably a onetime thing and we are not looking at something like this coming back again. And what could be the basically the time tenure of when the money comes back to us and some of the details if you could highlight on?

P. Ramakrishnan: Vibhor, let me clarify. This is actually an inter-corporate deposit forming part of our deployment of short-term surpluses. Let it not be construed as a loan being given to a parent from a longer-term perspective. We have various options like investments in liquid mutual funds and so on and so forth. We also invest with our parent very often at points of time. And sometimes it so happened that we had a proposal where we could be in a better position to earn a better yield than what was available at that point of time. And from a safety perspective, I think our parent exposure is as, in fact, if not, better than the investment which we do in other, I would say, investment areas. But let me clarify to you, this is part of our short-term investment plan to park our temporary surplus as these are technically money callable on demand from anyone. So it is in no form of any long-term exposure. So probably I think by now, we may have also taken back that particular money. Unfortunately, because of, I would say, accounting disclosures, it has to be classified in a separate bracket.

Vibhor Singhal: Sure, sir. That's reassuring to hear that.

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

Sandeep Shah: Just wanted to understand that besides Telecom & Hi-Tech, now we are calling out Transportation and a bit of Industrial, which are also pain areas. So just wanted to understand on Hi-Tech & Telecom, I think Dr. Panda you said that most of the worst is behind and you do not foresee any decline in that segment. Here in Transportation and Industrial, within the subsegment where we witness the pain, wanted to understand the nature of the slowdown. Is it the leakage in the existing revenue? Or is it the growth which is not coming within that revenues as a whole?

Dr. Keshab Panda: No. I think Transportation if you see, year on basically 20% growth we have shown. It's not that it's not growing or degrowth is there. 20% growth happened in Transportation in addition to Plant Engineering as well as the Medical. So I think this happened, we also said it will continue to be the same. The Telecom Hi-Tech we talked about, there's no segmental issue again. It's an issue with a customer, because of the trade issue what we have, got delayed. So that's the reason we are careful about what we are going to talk about. But there's no issue about any particular segment which is going to slow down. And I don't think 22% growth if you do year-on-year, what else we expect. We see the pipeline we have, the order we won. We continue to see growth in this segment.

Sandeep Shah: Okay. The point I was driving is, if there is a leakage in the revenue, then it should not lead to a drag in terms of next year's growth. So that we don't foresee? It's just the new growth is not coming while the existing revenues are still stable as a whole?

Dr. Keshab Panda: No. The way I look at it, I think next year, I'm not looking at right now, I am making sure that whatever I'm communicating to you and committing to you, I must deliver in Q3 and Q4. And we will think about when we do it, how does next year look like. Today, I think the issue, global scenario which is going on, what is going on, if this continued for 3 years, it will have some impact. But in spite of all the headwind and we still say that we're going to do growth. I think one thing remember, as I said in the call earlier, what happens is, the engineering what you're doing earlier, the engineering today is different. CAGR in new-age technology which is increasing more and more. And our investment via the artificial intelligence for manufacturing, healthcare and these areas what we have been doing it and medical area as well, this is going to give us much more traction in the marketplace. And that's what gives us comfort that we will continue to grow. Is there any way that how next year look like and when you come to Q3, Q4 beginning, and we'll give you how does it look, moving forward.

Sandeep Shah: And just in your initial remarks, you said most of these pain portfolios will start growing in the Q4. So one can say that most of these pain portfolios, the worst would be behind by 4Q?

Dr. Keshab Panda: No, I think you can look at this…Q1 to Q2, Telecom Hi-Tech went down, if you see in million terms, number we went down. We said last quarter that Telecom Hi-Tech is still going to go down in Q2, which happened. We also said it's not going to go down the in same ratio what happened from Q4 to Q1. Q1 to Q2 to go down but less than Q4 to Q1, and that's the reality. And we are seeing today, Q3, it is not going to go down at same level, it will stabilize in Q3 and start growing in Q4 onwards. So this particular segment is a big segment. It dragged us for last 2 quarters. And we believe Q3 after that, worst is behind us, and we'll see growth again from Q4 onwards.

Sandeep Shah: Okay. And even we are also expecting that Transportation and the Industrial where there is a bit of ramp downs or the spend delay or decision-making delay, those things may also recover by 4Q.

Dr. Keshab Panda: Yes. If you're looking at the pipeline, if you see Transportation pipeline, it's healthy. So it's a non-issue. Industrial is a segment, again, a number of patents we have, we have filed so far, I would say 60% of patents were filed by the engineers. So the type of work we do Industrial, very few companies can do that in the world. So the pipeline, the order win which we had, what happened is Industrial that due to 1 or 2 customer issues it slowed down. They slowed down because of the exposure to China, exposure to somewhere. So it is not that it was segmental. At the same time, same segment, we won some large deals as well. So combination of both, it is unfair to say that Industrial is slowing down, Industrial is not going to do well. This segment, one thing to remember that Industrial segment is a segment, growing the same level at 20% year-on-year or other thing, it doesn't happen. Let's be very clear. But Industrial is going to grow for sure. Even though this quarter we have grown 1% or 2%, we have grown this quarter. There is no degrowth. See Telecom, if we would have grown at the level what we did in the past or we remain no growth, then our revenue would have looked good, right? Telecom degrowth happened. That's one segment would have remained flat, we would have shown a much better growth this quarter as well. So as long as this comes to flat even show growth later, I think we will show a better result.

Sandeep Shah: Okay. And just 2 things. PR, just wanted to understand the wage inflation for the whole year is done and over? Or some may be coming in Q3, Q4? And second, on the DSO, this time there is a quantum jump from 95 days to almost like 102 days. So is it also to do with some slowdown? Or is it more to do with the quarterly aberration where recovery will be there in the coming quarters?

P. Ramakrishnan: I think you had 2 questions. So the answer to the first question is yes. Our wage revision has happened full in the Q2 itself. No other wage revisions are at least there on the anvil. Okay? And number two is, coming back to the DSO, both for receivables plus work-in-progress accruals is, I would say is a temporary thing for this quarter. There's no structural change per se to merit some different kind of, I would say, explanation. As I summarized it during my call, that we will come back to better cash flow in Q3, Q4.

Moderator: Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.

Madhu Babu: Sir, hiring has been a bit strong despite a kind of medium-term softness. So any reason? Or is it more like a fresher hiring we have done or...

Dr. Keshab Panda: Good that you pointed out that. I always look at it how many people we add and what competence we add and what level we add. This is very important. Today's world is new technology. We hire a lot of people who are in this new technology area, which is going to the future stage. And it also gives comfort that we keep adding people, that means we have a pipeline. Otherwise, wage costs will go up and it will have impact on margin, right? So it should give confidence that what is the number of people we hire in Q1 and Q2 is quite a good number. So we have crossed employee, now today, crossed 16,000 plus, 16,700 employees now globally. And one interesting thing we did is we believe it is not necessary that employees should be added only in India. We should add globally based on the demand what we have and what the business model can support from the margin point of view. So keeping that in mind, we hired in different locations as well.

Madhu Babu: And just one lever which I could see was the offshore shift for the margins this quarter. Utilization has been down. Hiring has been strong. Wage hike has been there, but still I think the margin execution has been very strong. So was there any big on-site cost reduction element which also supported this because we had multiple headwinds but only offshore shift looks like the only tailwind on the metrics side.

Dr. Keshab Panda: No. I think if you look at it today, I think if you have to increase your margin, you need to look at the new-age technology and you should get a better rate than what you do. Some of the education what we did, 39% of the business comes from new-age technology and that percentage has to continue to grow. That's the biggest lever again. Onsite to offshore, regular utilization, I'm not concerned about the utilization today. The 2%, 3% we increase next quarter, we will continue to do that. That's our goal as well. But remember, in engineering, if you go beyond 80%, I'm concerned about it. Because where is innovation going to happen? This is not IT, ADMS infrastructure we are talking about or enterprise ERP we're talking about. Somebody is doing an engineering design and he is thinking about innovation, it is important to keep below 80% as the utilization. I always tell people somebody comes back and say, I crossed 80%, I said, no, I am not happy about 80%, going into 81%. I think we should keep that in mind for engineering services, 80%, we should not go beyond that. You should always remain within that. We have levers. Today, if you see Q1 to Q2, there is a 2% drop in utilization. There is a reason we know why. And there are people who are going through training, we hire people, they've gone through training. They were not invoicing. And I would look at next quarter, there should be improvement on utilization. Our quarter 4, you should hit the highest number I talked about. This lever is an important lever, this is not the only lever. Onsite to offshore, utilization, then we also look at new-age technology, that also is important. Altogether, these levers have to be played. And again, look at this, if you see our segmental growth, a part of business we have where the operating margin is very high and those part of the business if it continues to grow, you see our percentage revenue growth in these different segments, if you see, the segment where revenue has grown are more profitable compared to other segment, right? If that is the lever which you played right and that automatically impacts our margin growth.

Madhu Babu: One more question on the Medical side. It has seen very good growth over the last 2 quarters, though it is on a small base. What is the outlook? You want to see much more momentum there?

Dr. Keshab Panda: We did say that. I think in my talk I talked about. And Medical is something which we continue to be leading in that segment. And the opportunity on hand, we said not only Q1, Q2, medical is an area continuing to grow for the coming quarters as well. So we believe that's the case.

Madhu Babu: Any onsite acquisition on Europe which you would be targeting because after Graphene, we had not done much on the acquisition front? So any boutique acquisitions in Europe where there are good shops on the engineering side, especially on the ADAS and some of the new areas? So any targeted acquisition on Europe which we are liking here to do?

Dr. Keshab Panda: See, one philosophy we have in as a company that we acquire a company where it's going to help us on technology any time we look at it and always we are conscious about, when we acquire a company, can we manage the company. Europe…companies are available, do I need this company, or can I build that? But our philosophy has been always buying a small technology boutique company which you can integrate successfully. We did couple of them that has gone very well. And we look at multiple other opportunities as well. See today's world, there's nothing like Europe only…we look at it globally. Then can we set up a development center? We are looking at right now Eastern Europe. Eastern Europe region, can I have a small company or create a small center which is directly going to support some of the language issue in that segment. Technology if you have, Europeans don't insist that we should have Europeans to support them. I think there is a lot of shift there in last few years.

Moderator: Thank you. The next question is from the line of Aniket Pande from Prabhudas Lilladher. Please go ahead.

Aniket Pande: So basically globally we are seeing that optical fiber prices are going down. Secondly, we are reading news also that there is a lot of inventory which is there into semiconductor side also and which is there also into communication equipment side. I know that you have mentioned that there would be a recovery happening in communications sector in Q4 FY20. But if still that time also, there is global macro uncertainty and if still there is slowdown in communication, so in that case, which other segment can provide revenue tailwind for you rather than Telecom sector?

Amit Chadha: Sure. So if you look at the Hi-Tech segment, we call it the Hi-Tech segment. There are subsegments there. So semiconductor is where we are the strongest. Second is consumer electronics. Third is telecom infra and then media entertainment and ISV, right? Those are technology service providers; those are 5 broad segments that are there. And we are present in all these segments. Our offerings today, Dr. Panda talked about it, the 2 acquisitions we did were in the semiconductor space, and we are seeing growth in that area, new programs, new chip development etc. So we expect that to continue and help us in overcoming the decline that we have seen. Second consumer electronics, we are, again, market leaders in that space. Given our background in embedded systems, software, hardware, firmware, the entire 9 yards, and we believe that, that again is a segment that is growing for us and will continue to show the growth to us in Japan as well as in the U.S. The third segment that is TSP segment or ISV segment is starting to show growth for us. So we do believe that once this decline of this a particular customer completely goes away, we will be able to start showing the growth and the stuff that we talked about, about trade wars etc., we do not think that, that will negatively impact this bounce back that we are expecting coming in the coming quarters. In fact, the large deals we're pursuing also, we're putting special focus on this segment to see if we can get the closures faster.

Aniket Pande: That's helpful. One more question, sir. On your revenue conversion of deals, so basically I mean, the peers in IT services segment have mentioned that global macro uncertainty is reducing their revenue conversion of deals. Okay? Similar kind of situation, are we seeing in the ER&D space? And what is the kind of demand situation in the ER&D space at present?

Amit Chadha: So one thing is the good news to share is that we are not losing deals to competition, right? So it's not like competition is gaining mind share or client share over us. So that's not happening. So we are converting deals. What Dr. Panda mentioned at the beginning of the call, and I am reiterating is that some of the decisions that we expected would happen in Q2 are getting slipped off and delayed. But there is a wait and watch pattern. I don't even want to put it a hold pattern because things are moving along. I mean, instead of doing a due diligence and then signing up immediately, they are doing a little bit extended due diligence. And that's why we're seeing a little bit of a slip that we are seeing right now. But it's more a wait, watch and we like you, we want to work with you, but can we hold on for just a bit, let's start these proof-of-concepts. See, the reason we are still optimistic about our future is because we're starting proof-of-concepts where we would have expected to start the big bang. So it's not like the clients are gone, the opportunities are gone. It's just that they are stretching along. And that's what we've been mentioning so far.

Aniket Pande: And sir, I will just squeeze in one last question, sir. I mean, previous 2, 3 calls, you have mentioned about trajectory of your IP revenues or IP-influenced revenues. Okay. So if you can give a direction in that, it would be great?

Dr. Keshab Panda: I did talk about it when I spoke about the platform revenue or the IP revenue. Right? And we thought revenue, the different way we are attempting now, the 3 million, 5 million, all that is going on, so we thought, can you do a big bang in a long run having created this platform, looking at what is happening worldwide some of the startup that they work on, we identified 2 platforms which, as we call, is the main backbone, I would say 3. We did one customer smart campus, we delivered, and that campus opened last month. So it gives us a lot of comfort. And there is one smart campus our parent is building and that is where we are using our platform again. So it's happening there. And similarly, we talked about the maintenance, energy management, predictive maintenance. On that, we built a security layer now in all these platforms. So we believe these are all going to give us long-term relevance in the market and it's going to give us value in the long run. But what we decided, the exercise we did with one of the consulting companies, we said how do you go to market if the services and this is different, and we have a plan, and that education I presented in the Board today. And we said this is how we're going to do it. I believe this has a much more value in the long run than what we are getting today. So I think that's work in progress. One further part is, we have 300 plus patents, right, 416 patents we have and 300 owned by customer, 116 owned by us as a company. One thing we have not been able to do and demonstrate still, this patents monetization, how do you go about doing it. So we are attempting to do that. We're working on this to some extent, and I always look at it, what is the investment I do, what is the ROI I get and how soon we can get. So that process is on. I'm more bullish about the platform solutions what we have in the long run and one thing you remember, engineering and technology services company when you do, if you don't have patent, if you don't create an atmosphere where people are more innovative, it is difficult to be relevant in the long run. And that engine I don't want to stop, every time I talk about that don't worry about monetization, that's something which is going to happen. And we have number of patents today, you don't see that in many services company. So I think that DNA we will continue to build on that. And I'm sure we also have a team working on the monetization path.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Dr. Panda, sorry to again harp on the guidance issue. But if you look at last 6 months, the upper end of the guidance is down almost 600 basis points. There are 2 parts to this question. First, do you think this is mostly because of a few specific large clients getting impacted by the macroeconomic conditions and our exposure to them? Or is this more broad-based across the Transportation and Telecom and semiconductor space? And the second issue, in terms of our learnings, what do you think we are doing or we will be taking care of which can kind of prevent this kind of cut in guidance?

Dr. Keshab Panda: I think if you look at one segment, we announced last time 30 million plus, there is one issue and semiconductor issue another 10 million, so totally 40 million or so impacting one segment itself. This other semiconductor issue of 10 million was not very clear at that time. So I think it is not an issue with other segment. The other segment are going as per expectation. But this segment had a big impact on the revenue side. The guidance when we give it, whatever visible, we have given that. But please remember, when we look at it, the customer base, we focus on the Next-50 customers also. So Top-30 which contributes 62% of the revenue and the top 80 contribute 84% of the revenue. So I think we spent time, looked at our customer base. We said how do we take care of the drop which happened in this particular segment? Let us say it gets delayed, how do you take care of that by Next-50 customer. So I think the focus on the other 50 customer has paid up, you can see going down by 40 million in a year and you still continue to grow, it is not an easy task to do. Right? We have been able to do that. And the order booking what we have. Only thing we are working hard to make sure there's no drop anymore in this segment. This particular segment doesn't grow, it doesn't drop. Then I don't think it's going to be an issue from the overall growth point of view. So what we gave last time we talked about, risk, we talked about and we looked at the numbers. This is the only segment which is impacted in a big way. If you add 40 million, do the math and you will get the number what we have said, right?

Mukul Garg: And if I kind of correlate it to your commentary about stability in the semiconductor space, I think one thing which is still a concern especially because of the U.S. China issue is that semiconductor companies are still under stress. So how confident we are that this has bottomed out? Near-term deals might help Q3. But is there a risk that it might recur in Q4 onwards?

Dr. Keshab Panda: Mukul, I think, semiconductor, when you look at it, the chip design, now its applicability in automotive, applicability in different areas, right? So this is what the camera chipset we are building now. We are building for the connectivity. We are building for graphics. So this is not going to go away. This has nothing to do with semiconductor side. End to and design for the chip design, if you have a strong VLSI capability working on the segment, that itself is going to take us. And the only thing I am saying is, we should not drop the revenue anymore in Q3. Okay? If you don't do that, then we are back in business again. And in semiconductor segment, the chip design, we had a couple of wins recently. In spite of what is going on, people have to do that. And if you see automotive segment, healthcare segment, every segment that needs a chip set. If you have the competency, we will continue to win. So in VLSI, don't look at always semiconductor companies alone. Do not look at the fabrication of that. Design has to be done for different applications. And if you have competency trust me, there are not many companies in the world, this can do the design of it. If you are there and you have relationship with the customer and the wins we had recently…if these wins didn't happen, then I would not have said that stability has come to the system. Now only thing we are saying is, I look at to date, in Q3, Telecom Hi-Tech must remain at the same level, without drop. And then worst is behind that. That's how we look at it.

Mukul Garg: Got it. And in the Transportation sector, the weakness which you're seeing, is it more due to automotive? Or is it aerospace? And is it fair to assume given the decline in Europe that this is more pronounced in Europe than in North America?

Dr. Keshab Panda: I did mention about Europe. We got couple of deals we won in automotive segment. Right? It is not fair on my part to say, after all the wins we had in Europe that Europe is a problem in auto, no. I think that's not the issue. We won the orders. And there are 1 or 2 orders in pipeline. Hopefully, we'll close it soon as well. See, we got to be clear about the areas where we should work, where opportunity is there. And that we keep changing. If something is not happening, what else can we do. So one point is, the transportation, one particular customer, because you can imagine who has exposure to China and to the war between China and U.S., who has exposure to that, not all the companies in a particular segment. There are companies we have, which doesn't have a huge exposure to China, so transportation we have one particular customer where the exposure to trade war had some impact.

Mukul Garg: Understood. And one final question from my side on the trade issue. If the trade negotiations kind of move towards a success or resolution, how fast can these projects come back or scale up? Anything which you've heard from clients, whether they're just waiting for a confirmation or a confidence on this side and they will be back in business because underlying demand is still there? Or will it take a little bit of a time from them to be confident enough to do it?

Dr. Keshab Panda: The customers have money. It's not like what happened in 2008 and earlier, that's not the issue today. Customers have money. They are a little careful about, I think, what's going to happen. But as soon as this is done, the sentimental issue is going to improve. At once it improves, then we are back in business at the same level. So it is not an issue. I would not be worried that customers doesn't have money. But that's not the case today. So keeping that in mind, I think the day this issue is resolved, that is going to open up more opportunities.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Pinku Pappan for closing comments.

Pinku Pappan: Thank you all for joining us on the call today. We hope we were clear in our communication. In case, you have any doubts, please feel free to write to me. Let me wish you all a very good evening. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of L&T Technology Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been edited for clarity and accuracy.