L&T Technology Services
Q1 FY26 Earnings Conference Call Transcript

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q1FY26 Conference Call of L&T Technology Services Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Sandesh Naik, Head of Investor Relations. Thank you and over to you, sir.

Sandesh Naik: Hello, everyone. I am Sandesh and welcome you all to the Earnings Call of L&T Technology Services for Q1FY26. Our Financial Results, Investor Release and Press Release have been filed on the stock exchanges and are also available on our website www.ltts.com

I hope you have had a chance to go through them. This call is for 60 minutes. We will try to wrap up the management remarks in 20 minutes and then open up for Q&A. The audio recording of this call will be available on our website approximately one hour after the call ends.

With that, let me introduce the leadership team present on this call. We have with us Amit Chadha – CEO and MD, Abhishek – Executive Director and President, Alind Saxena – Executive Director and President and Rajeev Gupta – CFO.

We will begin with Amit providing an overview of the company's performance and outlook followed by Rajeev who will walk you through financial performance. I now invite Amit for his opening remarks.

Amit Chadha: Thank you all for joining us on the call today.

First, let me provide the **key Highlights on our Q1 Performance:**

- In US dollar terms, our revenue was up 13.6% YoY, while our Q1 Smart World seasonality predominantly impacted revenues to decline by 2.9% QoQ.
- Our major markets of North America and Europe continue to grow sequentially.
- Our most profitable segment, Sustainability grew 16.4% YoY and 4.1% QoQ, to cross the USD 100 Mn quarterly milestone, and is now USD 400 Mn + annual business on a run rate basis. Therefore, all three segments are at USD 400 + Mn annualized revenue.
- Based on targeted efforts to pivot on growth and improve our market share, we continued with the large deal momentum in Q1 to surpass USD 200 Mn in large deal

TCV for the third consecutive quarter which includes one USD 50 Mn deal, three USD 20 - 30 Mn deals and six USD 10 Mn + deals. Again, for clarification, we will be going forward report LDTCV which is Large Deal TCV, and these are deals above USD 10 Mn each.

- Our "Go deeper to scale" strategy and proactive investment in new age technologies are leading to stronger partnerships with clients and a robust TCV booking - the LDTCV booking and TCV booking.
- The EBIT margin held at 13.3% for the quarter.
    - This is in spite of the revenue impact of SWC seasonality, headwinds in the Mobility segment and support extended to strategic customers as highlighted in the previous earnings call.
    - We expect EBIT margins to see an improvement in the coming quarters as growth gets broad-based across segments.

Now, a few highlights on our **Technology and Innovation Charter:**

- Today, our engineers have deployed multiple programs for clients in AI and have filed 206 patents in this domain. AI is also becoming central in our deal wins and in establishing strategic partnership with our clients.
- Additionally, we are launching PLxAI, our proprietary AI framework, which accelerates product development life cycle for global customers. PLxAI combines smart prompting, contextual intelligence and agentic workflows to significantly reduce product life cycle.
- PLxAI was originally incubated in the Mobility segment but has now been scaled and propagated to other segments using our multi-vertical crosspolli-innovation approach.
- Overall, patent portfolio stood at 1,550, out of which 952 are co-authored with clients and the rest are filed by LTTS.
- To address specific areas of client investments in the U.S. market, we inaugurated a new design center in Plano, Texas, focused on cutting-edge technologies, cybersecurity and AI. This will help us to expand our footprint in our key markets, helping us gain further market share.
- As an ITAR-compliant facility, the center is also equipped to design, develop and test defense-related products and systems.
- This investment made ahead of the curve underscores LTTS' commitment to delivering advanced solutions in AI & Tech and establish much more nearshore centers tailored to evolving needs of our clients.

With that, let me move to **segmental performance** and outlook**:**

We will start with **Mobility:**

- So, starting with some good news, the Trucks & Off Highway and Aerospace & Rail subsegment did well and grew sequentially and YoY for us.

- The Auto segment continues to be in flux, and let me provide some color around BEV, hybrid and ICE. China's alternative low-cost innovation and stack in this area, is creating disruptions to existing industry causing further challenges to established global players.
- There is continued demand by consumers to get more SDV features, which with high cost of ER&D development OEMs in U.S. and Europe is becoming slightly difficult. Our investment in building solutions like LTTS iDriVe and stacks for EV and hybrid, coupled with our offshore delivery model, which provides a lower cost model as compared to a completely onsite model, have positioned us as a partner of choice for our customers basis which we continue to win new programs, which I will detail in a bit.
- There is, however, a short-term pause in some programs and delayed starts in others. We expect these dynamics to keep Automotive muted in the short term for another couple of quarters with growth returning after that.
- On to the deals we have won around SDV, AI, next-gen product design, software design development and digital engineering include:
    - A multi-year deal with a U.S. automotive components maker to deliver engineering support, including ASPICE- compliant systems, software, functional safety, cybersecurity and quality assurance.
    - We have been named a strategic supplier for thyssenKrupp Steering and TRATON Group.
    - A satellite Technology company awarded LTTS a significant deal for software design, development, and embedded engineering for airborne systems.
    - Overall, in the Mobility segment, we have won 5 $10 Mn+ deals in Q1. This vindicates our solution stack, and we are actively engaged in securing many more deals.
- The pipeline in Mobility overall remains robust with a lot of action in Auto, T&OH, Aero and Rail. We continue to work with our clients to get these to closure.

We believe that overall, Mobility will stay muted in the near term and expect a turnaround in the second half of FY26.

Coming to **Sustainability:**

- The Sustainability segment did well with 16.4% YoY and 4.1% QoQ growth, to cross the USD 100 Mn milestone for the first time in a quarter. The large deal closures in the previous quarters are ramping up, leading to further growth during the year.
- More than half of the large deals wins in Q1 are in the Sustainability segment, which is our highest profitable segment.
- Subsegment details:
- In **Plant Engineering**, we continue to see strong demand across O&G and CPG, led by greenfield and brownfield capex projects. We are also seeing ongoing demand in

plant modernization for increased efficiency, sustainability and safety-led projects for legacy plants.

- Key clients continue to ramp up with us. In fact, Q2 will see us back with a $50 Mn account on an annualized run rate basis, which is a milestone that we should all be happy and proud about.
- In a large deal of $50 Mn, we were chosen by a Global Energy major for Enterprise Data and Digital Services based entirely on our proprietary tools.

- In **Industrial**, we continue to see ramp-ups of large deals signed and a robust pipeline of deals going ahead, because of our AI-led interventions in the PDLC offerings.
- A Couple of Details:
  - We have signed a strategic agreement with Tennant Company to advance sustainable new product development. We have set up a dedicated offshore engineering center for them.
  - We have also signed a definitive agreement to support product sustenance and lifetime development for a Semiconductor equipment manufacturing company across multiple product lines.

Overall, for the Sustainability segment, we see an increased large deal pipeline and expect the growth momentum to continue with both Industrial and Plant subsegments doing well this year.

Now to **Tech:**

- The Tech segment grew 29.4% YoY as it includes the benefit of Intelliswift revenue for the quarter. Though as expected Q1 is down sequentially on account of the seasonality of Smart World subsegment.
- With the integration of Intelliswift complete, the Software and Platform subsegment with its software and Agentic AI offerings has seen a good response from our customers across hyperscalers, fintech & healthcare.
- The Media & Tech subsegment continues to evolve with new technology areas and experiencing significant transformation driven by advancements in AI and immersive technologies.
  - We continue to grow in the U.S. market and have seen some traction in our Semiconductor accounts. We are pursuing some deals in this area and expect to close them shortly.
- In the Med-Tech subsegment, demand is being led by AI investments across Digital Manufacturing, Sustenance Engineering and QARA. All of them have shown good growth despite some delays in decision-making in the U.S. market.
  - We have onboarded new logos, especially in Ophthalmology space, which should aid for the growth.
  - Overall, MedTech is expected to grow further in the second half of the year as we look forward.

- In the Smart World space, we have developed a domain-centric computer vision ops Platform applicable for Urban & Smart spaces, Public Safety, Energy & Utility and Manufacturing.
    - We recently won a Safe City project in India, leveraging AI and analytics to enhance public safety with an Adaptive Traffic Control System.
    - Our foray in the Middle East is progressing, setting up a strong foundation. with a pipeline, and we expect that FY26 will be the year when we start revenues from the Middle East.

In the Tech segment, there are various large deals in advanced stages of negotiation, which we hope to sign off in the coming months. This will help us continue Tech's growth trajectory from Q2 onwards.

Before I come to outlook, let me provide some overarching color on the **state of the market** as we see today:

- Given the dynamic nature of the market, our clients are still a little cautious about decision-making. But based on multiple conversations with a confidential poll that we ran across our client base, a large number of our clients see things stabilizing, and as a result, H2 potentially being better than H1.
- We are seeing AI become a central area of focus with our clients. The AI wave of engineering R&D is beginning to gain traction, and this is on account of enterprise tech leaders who believe that they are behind their peers in embracing AI to accelerate product development and improve productivity. The poll also finds that 30% of the clients are engaged in full-fledged AI programs, while others are still in POC stage. Therefore, the AI spend appears to be real. This is resulting in deals and programs coming up for bids and rebids.
- The setting up of localized and regionalized supply chains, along with Software-Defined Everything, Industrial automation in the near term and Robotics and Humanoids in the medium term will continue to drive spends.

With that, let me discuss our **Outlook:**

- Our unique balanced 3 segment approach allows us to grow in a derisked manner and safeguarding us in the current uncertain market environment and tightened demand conditions.
- I'm encouraged by our robust backlog order book, which has been increasing QoQ and YoY and a healthy pipeline of $50 Mn+ deals slated to close in the coming quarters.
- Backed by an increased order book with a focus on resilience and profitable growth, we look forward to double-digit growth over FY25 while maintaining our medium-term outlook of $2 Bn of revenue.

Thank you all for your continued support. With this, I'll now hand over the call to Rajeev and then stay back for questions. Thank you so much.

Rajeev Gupta: Thank you, Amit. Greetings to all of you.

Let me begin with the key highlights for Q1FY26:

- Our focus on growth has led to another quarter of healthy large deal wins over $200 Mn, which provides comfort that H2 will be better compared to H1. The Sustainability segment now stands at $100 Mn quarterly run rate, and all our 3 segments have crossed the $400 Mn annual run rate. This vindicates our diversification strategy and a well-balanced portfolio, especially during these dynamic times.
- This quarter saw 13.6% YoY growth in dollar terms, though there was a decline in sequential revenues due to seasonality of Smart World business, headwinds from macro environment and challenges in Automotive sector. Despite these challenges, our margins have been resilient and stable compared to the previous quarter.
- We continue to innovate and build next-gen solutions. Glad to share that we have been recognized in the Leadership quadrant by ISG in Aerospace and Defense Services 2025 in Europe, and by HFS in Engineering Research and Development Service Provider 2025.

With that, let me take you through Q1FY26 financials, starting with P&L.

Our revenue for the quarter was ₹ 2,866 crores, a growth of 16.4% on a YoY basis and a decline of 3.9% on a sequential basis due to reasons mentioned earlier.

Our EBIT margin for the quarter came in at 13.3%, which saw a slight improvement over the previous quarter. We expect margins to show gradual improvement from here on.

Moving to below EBIT:

Talking about Other Income

The Other Income was ₹ 51 crores higher on a sequential basis, majorly due to forex gains.

Our Effective Tax Rate for Q1 was 26.9%, better compared to our expected range of 27.5%.

Net Income for the quarter was ₹ 316 crores, up 1.5% on a QoQ basis, which is 11% of revenue.

Moving to Balance Sheet, let me highlight key line items:

Our Q1 DSO was at 98 days compared to 88 days in Q4; Unbilled days at 17 in Q1 compared to 18 days in Q4. The combined DSO, including unbilled, stood at 116 days compared to 106 days in Q4, which is still within our target range of 110 to 115 days for the year. We expect this to improve as the year progresses.

Our Free Cash Flow came in negative ₹ 28 crores due to the seasonality of our Smart World business.

Our Cash and Investments stood at ₹ 2,431 crores at the end of Q1, vs ₹ 2,981 crores at the end of Q4. This is on account of payment of dividend and balance consideration of Intelliswift acquisition.

Moving to revenue metrics:

In dollar terms, we reported revenue of $335 Mn compared to $345 Mn in Q4, a decline of 2.9% in reported terms.

Talking about segment margin performance for Q1FY26:

Mobility segment margins for Q1 came in at 15.3%, lower compared to previous quarter, stemming from delayed decision-making of large deals, pauses in existing programs and discounts being sought by customers.

Sustainability margins for the quarter came in at 27.4%, showing significant improvement due to the ramp up of large deal wins in both subsegments. We are witnessing healthy pipeline and deal closures in this segment, which will continue to aid revenue growth and margin improvement in the coming quarters.

Tech segment margins for the quarter came in at 9.0%, pleased to share that our integration plan for Intelliswift acquisition is on track and showing improvement in revenue growth and margins, though we saw a decline in this segment in the margins compared to the previous quarter due to continued strategic support for select programs and customers.

Moving on to operational metrics:

The Onsite:Offshore mix showed slight improvement towards offshore, compared to Q4. Offshore percentage now stands at 56.1%.

The T&M revenue mix was 62.2% in Q1, slightly higher compared to Q4.

With respect to Client Profile, which indicates the number of million-dollar-plus accounts showed a sequential improvement in the $10 Mn+, $5 Mn+ and $1 Mn+ category. The client profile will continue to improve in the coming quarters.

Our Client Contribution to revenue was slightly muted compared to Q4 in the top 20 category. We expect revenue from top customers to improve going forward as we are running targeted programs on client mining.

The Headcount came in at 23,626 in Q1 compared to 24,258 in Q4, while Attrition came in at 14.8%. We have been leveraging AI and automation for customer projects and also driving internal efficiencies. We now see a trend of non-linearity between revenue and headcount.

The Realized Rupee for Q1 was around ₹ 85.48 to the US dollar, an appreciation of around 1.1% vs Q4.

Before I conclude, let me provide visibility on the margin trajectory going forward:

We expect our EBIT margin trajectory in H2 to be better than H1, based on continued momentum on large deal wins, revenue growth in higher margin segments and leverage on operational efficiency, including AI-led automation.

We continue to aspire for improving EBIT margins to mid-16% levels between Q4FY27 and Q1FY28.

Thank you. I now hand it over to the moderator for questions.

Moderator: We will now begin the Q&A session. The first question is from Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Hi, thank you for the opportunity. The first question was for Amit. Basically, some of your other peers seem to be slightly more positive with regard to the Automotive passenger vehicle demand while your commentary seems to be slightly more somber. If you could just talk about this customer-specific impact because of which you've seen a more muted performance? That is question number one. The second question is with regard to the margin outlook. And while we continue to retain the mid-16% EBIT margin target by Q4FY27 or Q1FY28, just wanted to understand if you could broadly talk about how we should be thinking about the scope for recovery across gross margins and SG&A on a go-forward basis?

Amit Chadha: Okay. So, Manik, first of all, on a lighter note, we don't do Automotive only. We do a lot more. We are a diversified player, which is good news here. Now if I specifically talk about Auto, see I'll tell you generically and I'm not talking LTTS clients specifically, U.S. automakers are in a flux because they were investing in EV till two quarters ago and now are not sure whether to continue to invest in EV or should they go back to ICE, right? number one. In the case of European players, which is facing competition from China and the Chinese stack and the EV stack, the China EV players are selling cars at 1/3 and 1/4 of the price of the same cars available from the European OEMs. That is putting immense pressure on them to reimagine the stack. At the same time, SDV features that were being rolled out by U.S. OEMs and European OEMs are being pushed out because of the dynamics in the market. So, that is creating the pauses, that is creating a little bit of dynamism, shall I say. Now the positives are that traditional European ER&D players and the small amount of U.S. players, and they are very few and you are aware of it as well, are unable to service the later gen offerings that are required by the OEMs out there. That is creating an opportunity for companies like LTTS and our peer group. We also announced a $50 Mn win last quarter just before the quarter ended in Auto. I reaffirmed that in terms of the wins we have had in this quarter, I am being cautious on grounds of prudence in the Auto sector. The deals are robust, the pipeline that we have got is robust. Now, it depends on what will close when and if it does, it will turn out as an upside for us. So, that's broadly where I am on Auto. I also want to reaffirm that we have not paused any investment. In fact, the PLxAI tool came out of Mobility, we could have killed it thinking that nothing will happen in Mobility right now, but we have actually taken it forward. Second, LTTS iDrive 1.0 was launched last year. LTTS iDrive 2.0, will be launched in the next two months. We already have production customers for LTTS iDrive 1.0 and we have customers lined up for LTTS iDrive 2.0 as well. So, signs, like I said, market a little bit of flux but there is an opportunity, let us see where it goes. The year is to be played off. Rajeev, I want to hand it over to you for the margins.

Rajeev Gupta: Sure. So, Manik, to talk about the margins, there are various levers that we are continuing to work on. First, of course, the growth and quality of revenue, right? We have been talking about large deal wins. And particularly, we are seeing good traction of large deal wins in the Sustainability segment, right, which is, of course, going to improve the mix of revenue within high margin segments, leading to improvement in margin. That is one. Second, we have talked about productivity levers. So, operational efficiency, be it in terms of pyramids, fresher intake, offshoring looking at automation, AI, etc., these are areas that we continue to work upon. Third, from an SG&A standpoint, I would guide that you should model between 10.5% - 11.5% of SG&A cost. Fourth, we have talked about Intelliswift integration plan. This is an integration plan that we have built for the next eight quarters where you will see incrementally margin improving. So, these are all the areas that we are working upon. Largely, what we have talked about is H2 will see better margins compared to H1 because some of the strategic support that we called out for in Q4 continues to be there in Q1 and may extend even in Q2. But thereafter, we expect that some of these strategic supports that we are calling out should turn into either billing or phasing out, beginning Q3. Hence, H2 margins will be better compared to H1. So, those are a few things which gives us the confidence to get to mid-16% levels by Q4FY27 or Q1FY28.

Manik Taneja: Sure, that is helpful. The second question is for Amit. With regards to the strong pipeline that you spoke about and continuous pressure on the European OEM players, do you think probably not FY26, but sometime in FY27, we see a repeat of the kind of growth that we saw in FY22 and FY23 in the Mobility segment?

Amit Chadha: So, again, Manik, we are getting into conjunctures here. We are reading tea leaves too much. My humble request to you, dear friend, is to allow us a quarter to come back to you because there is a lot of play here on Auto like I said, and I am confident that the stack that we have built is there. I am also confident that this is going to come back. In fact, I said that Auto should come back after a couple of quarters. That is what I said. And Mobility will come back because of T&OH and Aero, it will come back from Q3 onwards. And maybe Q2, if we win the deals in the ramp-up happens. So, we are not giving up. What I'm saying is I would like to make sure that I deliver whatever I commit to you all in a call. We really appreciate your confidence in us. So, a little bit of caution there, please.

Manik Taneja: Sure. Thank you. All the best for the future.

Moderator: The next question is from Karan Uppal from Phillip Capital India. Please go ahead.

Karan Uppal: Yes. Thanks for the opportunity. A couple of questions from my side. Firstly, Amit, on the revenue conversion, so the last three quarters were pretty strong from the deal signings perspective. How are you seeing that revenue conversion -- is the revenue conversion on track or are you seeing some delay due to the macro uncertainty? And the second question is on the overall pipeline. So, the last three quarters have been pretty strong in terms of the deal signings. So, should we expect this $200 Mn deal win number to be a new base for LTTS?

Amit Chadha: So, Karan, thank you. Karan, first, I would like to confirm to you, our aspiration is to stay at this $200 Mn LDTCV every quarter. And I in fact want to start inching upward. And I will tell you what we have changed. Once we have gone to these segments, the three segments externally and seven segments internally, we kind of now have seven sales organizations in the company. So, I do expect this to start bearing fruit and growing as we go forward. So, Karan, to answer your question straight, the $200 Mn LDTCV should be considered as something that we will continue to try and deliver as you go forward. With the segment approach, we have got LD teams in every segment, and we expect this to continue to fire. Number two, in terms of pipeline, we have a robust pipeline. It has grown QoQ and YoY. Not just that order backlog because of this TCV closures have increased YoY for us and QoQ as well. Now in terms of execution, we are more or less on target in execution. You can see that in the Sustainability growth that you are seeing. Also, I would like to confirm to you that outside of Smart World, the company QoQ has grown sequentially as well, and that is a result of the pipeline getting converted. As I mentioned, in the Automotive segment, there were pauses and some delays that our clients wanted in specific cases and some program cancellations. But that is a one-off from just Automotive. Other than that, the rest of it is all in line and growing.

Karan Uppal: Okay. Just a follow-up. Outside of SWC, you mentioned the company has grown. If you can quantify how much is the growth there?

Amit Chadha: We do not do that, Karan, but I can confirm to you that the swing of SWC in Q4 was there. And we hope that as we go through the year and we start getting Middle East revenues, some of that will go away. But that is work to be done as we move forward into FY26 and beyond.

Karan Uppal: Okay. And the last question is on the top clients, there has been a decline across the top 5, top 6 to 10 and 11 to 20 client buckets. Could you clarify what happened there and what is the outlook on top 20?

Amit Chadha: See, that was largely driven by the Automotive decline that you saw in revenues. See, if I look at it, Mobility, right, if you take the percentages out, the degrowth was what, about $2 Mn, right? So, 1.x was a decline in Mobility that we had. So, if you look at it, T&OH and Aero grew to make up and Automotive came down, right? So, overall, we want it to be nice, kind of flattish, but yes, a little bit of decline. But if I look at it, that has what has impacted some of these accounts. But I would not be worried about this. Kindly give us a quarter or so. You will start by seeing some of these improvements. In fact, part of my commentary, I announced that we will in Q2 hit our first $50 million ARR account yet again, and it will start reflecting, you see, we report trailing 12-months to you, but we see ARR ourselves. So, I would like to provide you with confidence that you will see this improvement. I would not be too worried about it at this stage.

Karan Uppal: Okay. Thanks, Amit and all the best.

Moderator: The next question is from Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes, hi. Thanks for taking my question. Amit, I just want to understand the SWC part a bit more here. As you mentioned, outside of SWC, the business grew. We just have two data points. I think in both years in FY25 and FY26, in Q1, our revenue fell by around $10 million sequentially. Assuming that is all attributable to SWC, I mean, is this a seasonality that we are going to continue to see going forward as well that will have basically a ramp up in Q4 and then a sharp ramp down of almost $10 million in Q1 or do you think this is going to come down over a period of time as we sign more deals? Just an outlook on that because I think, overall, our business continues to be stable, but this is the one which is probably dragging the numbers down.

Amit Chadha: Sure. So, Vibhor, thank you so much. And you have been a guide and a coach to us as well as we move through the years. So, number one, SWC swing this year from Q4 to Q1 was greater than $10 million. And it was made up by the growth of LTTS heritage business and IS organic growth as well because IS also came into a certain base, we have had to grow IS, right? So, IS grew, LTTS heritage grew. SWC, the swing was greater from Q4 to Q1, right? So, we have been able to manage it a little better now. Had Automotive not given us a surprise, you would have seen a much smaller swing in terms of the decline, right? So, that is a reality. Having said that, we are working hard, Vibhor, to stabilize this. We are very choosy in the contracts that we are bidding for in SWC. We are trying to even it out by getting more work from the Middle East right now. In fact, I want to request Abhishek, who is our Director, to talk about this as well a little bit. And then there is other business, Vibhor, work with the segmentation, and more people in the large deals team, more people in the sales team and U.S. and Europe starting to grow for us. We believe that when you come to Q1FY27, the decline should be lower or not there. Our intent is to not be there. Abhi, if you could please add on Smart World, the solutions and what we are doing.

Abhishek Sinha: Yes, thanks, Amit. A couple of points. I truly believe that our growth in the International segments, U.S. and Middle East and the kind of deals we are seeing there, U.S., especially in the data center side and Middle East led by platforms and fusion and another platform that we are building on computer vision. These are the kinds of deals which will be more service-heavy and that should reduce the swing that you are seeing. But again, this is something that we are working on. The pipeline is good, but till it converts, it is not converted. So, let's hope that in the coming quarters, we are able to do much better.

Amit Chadha: You talk about this vision?

Abhishek Sinha: Yes, that is what I am seeing. The computer vision platform they are building. So, what we have done is the last seven years of work, we have done smart cities. We have more than 50 use cases of various smart city solutions. We are building a platform where we intend to have a model studio where not just our models, but even customers can try out their models, their data. This is work-in progress. We should be able to release the MVP shortly. And from there on, a sandbox where customers can play on. Something ambitious. And of course, based on what we have uniquely achieved in industry and this platform is what we intend to take to the market in the coming quarters.

Vibhor Singhal: Got it, got it. Thanks for that very comprehensive answer and looking forward to a much lesser decline in 1Q FY27 as we just promised, Amit. Just two quick questions for Rajeev. So, Rajeev, I think if I understand correctly, I mean, SWC business has traditionally been and when we acquired it also, it is a lower-margin business. So, shouldn't Q1 automatically have a margin tailwind if SWC business ramps down in that quarter. I mean, we did see an expansion in Q1 last year and this year as well. So, could you just take me through the math as to why, despite lower SWC revenue, we see basically flattish margins in this quarter or nothing, let's say, kind of a jump in margins?

Rajeev Gupta: So, I think spot on Vibhor, I think I was expecting a question like this. So, really what has transpired is, see, SWC business though you call to be relatively lower margin, still has an impact on the overall margin, right? So, there is a decline on account of SWC seasonality impacting the margins. But what you are also seeing is the strategic support that we have called out continues in Q1, right? There are other programs that Amit highlighted in terms of Auto that also faced some headwinds, right? You had some program pauses. So, there is more than what we have had to deal in Q1 compared to Q4. And that's essentially where you see that despite these headwinds through the LTTS heritage business, particularly wins in Sustainability and growth in Sustainability segment, we have been able to marginally improve EBIT margins and essentially, that's where it is, right? Now if you really bake this out and play forward Q2 and Q3, we are anticipating some of these headwinds will phase out, leading to improvement in margins, Vibhor.

Vibhor Singhal: Got it, got it, Rajeev. Just one last bit. The cash flow in this quarter was I think I missed your original comments. Anything to worry about or just basically a quarterly thing and some of the cash flows may be spilled over to the next quarter?

Rajeev Gupta: Yes, Vibhor. I think it might sound like a similar response. Actually, this is a SWC seasonality effect, right? Much like revenue, you kind of see an uptick because we are in projects kind of business. Of course, with milestones being delivered, that follows through with higher cash payment so you will see the uptick, you will see cash improving from here on, you would have seen a similar pattern in Q1 last year where we had negative cash flows, but we recovered to deliver almost 109% of free cash flow all of FY25. I mean, hoping to get there, if not 100%, at least do 90%-plus free cash flows.

Vibhor Singhal: Great. Thank you so much for taking my questions and I wish you all the best.

Rajeev Gupta: Thank you.

Moderator: The next question is from Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Hi, thanks for the opportunity. Congrats on the strong large deal wins. Just wanted to check on the Tech segment where you said that you accelerated some support to customers. Is this in Semiconductors?

Amit Chadha: Can I request, Ravi, let us leave it at Tech and let us do it.

Ravi Menon: Sure. Just wanted to understand, Amit, here because it looks like there's a little bit more of that this quarter compared to last because QoQ, despite SWC seasonality, margins have gone down in the Tech segment. So, that is why I wondered if this is like -- it's become a little bit more widespread. Is it more customers or a larger extent of support?

Amit Chadha: No, it's not wider customers. There are two specific customers. And like we told you last quarter, Ravi, this was Q4, Q1 and potentially a little bit in Q2 support that will be done, and that is the end of it. And there are various other measures being taken in the company that we are taking, and that is why Rajeev confirmed to you that from an EBIT trajectory H2 will be better than H1. And it is our goal to try and get there, a lot of work being done right now and work in play.

Amit Chadha: One more thing. Ravi, also, please keep in mind that with the new age solutions that we are launching, etc., we have got a robust pipeline in all the three segments, Mobility, Sustainability and Tech. If some of these deals that we are expecting closure on get closed quickly in the quarter earlier, before the summer holidays, it will help us as well. So, various things being worked on.

Ravi Menon: Thanks so much. I appreciate that. Rajeev, once you are past the Intelliswift acquisition, how should we think about the seasonality of margins in our business here overall, considering SWC -- should Q1 be the low point or Q4 be the lowest for margins, how should we think about seasonality for margins?

Rajeev Gupta: So, Ravi, tempted to almost say that, look, Q1 is the bottom in terms of margins. What probably we are a little vary about is, is there any further shocks to absorb in Q2. Having said that, I think we have got enough and more to be able to improve margins from here on, right? So, you will see gradually margins improve. The reason we are calling out Q2 is because you are still seeing some of the dynamics being played out from a macro standpoint. But we are hoping Q2 is the last quarter and then we will see margins improving thereafter.

Ravi Menon: Alright. Thanks so much and best of luck.

Moderator: The next question is from Sandeep Shah from Equirus. Please go ahead.

Sandeep Shah: Yes, thanks for the opportunity. Just a clarification question. We are reiterating the guidance which we have given for double-digit growth in this year. But the last time in the earnings call and the press release, we have mentioned about constant currency versus this time, the press release does not mention a constant currency. So, is it any assumption change in terms of a full year’s guidance this time?

Amit Chadha: No.

Sandeep Shah: So, one can fairly assume the guidance is based on Q4FY25 rates?

Amit Chadha: Q4FY25 Absolutely. Yes, sir.

Sandeep Shah: Okay. Okay. And directionally, one can assume this growth would be more back-ended rather than second quarter may pick up significantly?

Amit Chadha: Need to be worked. I mean internal goals are much higher. You say Man proposes God disposes, right? So, I led out with my friend. See, you will see growth in revenue from here on. No second doubts about it. How much can we grow in Q2 and then take to Q3 and then to Q4 is to be worked on.

Sandeep Shah: Okay. Okay. And Rajeev, just a clarification. This quarter, we had 11.9% in terms of SG&A, which I agree because of the lower revenue base. But you are saying one can model 10.5% - 11.5%. So, what are the extra things which we are doing beyond growth as a lever which will decline into SG&A as a cost?

Rajeev Gupta: So, Sandeep, I think part of this, and if you do go back a few quarters, we have been running at that 10.5% - 11% SG&A clip, right? The increase in SG&A from Q4 was largely because of Intelliswift, right? Intelliswift being a smaller company at higher levels of SG&A. As part of the integration plan, we are continuing to look at opportunities on optimizing and also efficiently managing some of the SG&A costs. So, what you will naturally see is that it will come in between this 10.5% - 11.5% range, and that is the reason I am guiding to model in that range.

Sandeep Shah: Okay. Thanks, and all the best.

Moderator: The next question is from Dipesh from Emkay Global. Please go ahead.

Dipesh: Just two questions. First, on the Intelliswift. Can you provide, let's say, how the integration playing out and the growth rate momentum playing out pipeline and other things? Because when we acquired, I think we have a very ambitious target to scale the business in three years. So, if you can provide some update on that? Second question is on the clarification side. Last quarter, we said organic growth to be better in FY26 compared to FY25. Are we maintaining or we think because of weakness in some of the segments that might be tough? Thanks.

Amit Chadha: Okay. Dipesh, thank you. So, first question on Intelliswift that you asked. So, we have created a five-year plan for Intelliswift. And so Intelliswift, you can divide up into Hyperscalers in ISV business, which was two-third of the business or half of the business. And half of the business is in retail, fintech nonbanking institutions, which include private equity and providers and pet care, right? So, that is the area that they play in or we play in with Intelliswift. So, we are doing two or three things. Immediately, what we have done is we have taken the Hyperscalers, combined it with our hyperscalers and going full hog at that. And we have actually now launched about 40 AI agents and about six Agentic AI tools that can be leveraged for Hyperscalers. In the other three subsegments, which is retail, fintech nonbanking, which includes private equity and in providers and pet care. We have engaged in doing a strategic plan or how can we make each of these three subsegments to $100 Mn each in six years. And that is in play right now. We remain comfortable and confident, right, that the growth will be there and is there right now with a pipeline, right? So, that is number one. Number two, your question on FY26, I am reiterating two statements. Number one is that we will have double-digit growth. Number two, we continue to work on making sure FY26 will be a better year than FY25. Sustainability is already helping us to deliver that. We are choosing whereas do we get the other stuff to be able to deliver but year to be played out, my friend.

Dipesh: Thank you.

Moderator: The next question is from Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Yes, hi, thanks for the opportunity. Just clarification. So, my question was about you talked new client addition in the quarter. Is it led by Intelliswift and if yes, then what is the contribution of this unit in the quarter?

Amit Chadha: No, the new clients that we added to Intelliswift must have been added in Q4, right? So, this is a new client in addition. There have been teams that have been working hard, my friend.

Rahul Jain: This is across the board, and this must be smaller deals because larger deals cumulatively account for other bulk, are this coming as a smaller deal versus what we used to own the accounts earlier versus now scaling some smaller-sized accounts?

Amit Chadha: Understand. So, I heard you. Are you asking, are we going after smaller accounts as opposed to larger accounts? I think I have got what you are referring to. So, Rahul, of I look at it, our Q1FY26 has 200 clients that are $1 Mn+. The last quarter was 194, and one year ago was 177. See, this 194 is the new base with Intelliswift. So, from there, we have added six more into Q1 that are $1 Mn+. Rahul, if you look at it, some of these accounts will move up, right? So, there will be addition that we will see, we look at, there are specific clients that we are wanting to acquire, right, that we will acquire because we have a must-have logos need to have logos list that we have got, plus existing clients will grow. So, both will happen. I also want to confirm to you our whole strategy of wanting accounts that are $1 Mn +. In fact, we try and say that if a client is not a $1 Mn client, annually for us in about four to six quarters, we do not want to be able to continue unless we are working on a specific technology area because it is not a viable thing for us to do. So, it is a stated policy within the company respectfully to clients as well. So, that has not changed, Rahul.

Rahul Jain: Yes. So, Amit, why I was connecting the two is because the net active client addition is 38 vs it was very static prior to this transaction. So, that is why I was just thinking that most of it might have come in the nature of this business.

Amit Chadha: No. Rahul, in fact, I would like to confirm to you that 194 is including Intelliswift. So, the jump between 177 and 194, which is because of Intelliswift, correct? And 194 to 200 is there. Now you must be also referring to the total number of active clients. That is from 421 to 459. See, because there are seven sales teams in the company now rather than one unified sales team. So, there will be more action that you will see. And as you see the pyramid will grow up and our whole goal is to go deeper to scale, build larger relationships so you will see more progress.

Rahul Jain: And just one last bit on the aspiration of Q4FY27. I know there is some time for that. Given the way macro is shaping, very strong deal win that you are having, we are not seeing the revenue ramp up. So, would it be prudent to have a different timeline for that goal or do you think the growth in the subsequent year would be much better and that is why it is fair to stay with that number?

Rajeev Gupta: So, Rahul, I think a good point. I mean we still would like to stay with that timeline. Like I mentioned earlier, I think there are parts to this timeline. One, of course, is the Intelliswift integration, which is indeed panning out well, which, of course, gives us the comfort. The second, like we talked about, we are seeing a lot of large deal wins in Sustainability segment, right? So, along with Plant Engineering, we are seeing a turnaround in Industrial Products also, which gives us the comfort. We believe that some of the strategic support is more short-term, right, if I were to call out. And beyond Q1, Q2, it should phase out, right? So, we will continue to hold the timeline. If there is any, let's say, worsening of the global environment, then we will call it out. At this stage, the basis remains the current global environment.

Rahul Jain: Right, right. Thanks for the color and congrats on winning consistently strong deals despite this kind of environment.

Rajeev Gupta: Thank you, Rahul.

Moderator: That was the last question in the queue. I would now like to hand the conference over to Mr. Sandesh Naik for any closing comments.

Sandesh Naik: Thank you, Ryo. Thank you, everybody, for joining us at this late hour in the evening. And if there are any questions which still remain to be answered, we will connect offline. Thank you, and take care, everybody. Thank you.

Moderator: Thank you very much. On behalf of L&T Technology Services Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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