



L&T Technology Services

Q2 FY26 Earnings Conference Call Transcript

For the Earnings Call held on October 17, 2025, 19:00hrs IST

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2FY26 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 conference call, please signal an operator by pressing “*” and 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, Mr. Naik.

Sandesh Naik: Thank you, Dorwin. Good evening. Wishing you and your family a Very Happy Diwali. I am Sandesh and welcome you all to the Earnings Call of L&T Technology Services for the 2nd Quarter of FY26. 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 one hour after the call ends.

With that, let me introduce you to the Leadership Team present on this call. We have with us Amit Chadha – CEO and MD; 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, Sandesh. I would like to actually thank you so much for joining the call today and would like to wish you and all your families a very Happy Diwali.

Well, we celebrated Diwali early, with a near-\$300 Mn large deal TCV intake in Q2.

I am happy to see our ‘Go Deeper to Scale’ and multi-segment strategy leading to deeper engagements with our global clients and a strong order book in spite of the current market dynamics and geopolitical unpredictability.

Let me provide the **key highlights for our Q2 performance:**

- Revenue in USD CC terms grew by 1.3% sequentially and 10.4% annually, with the Sustainability segment achieving double-digit annual growth for two quarters consecutively and Tech segment remaining resilient.
- Business in both US & Europe continued to expand steadily, showing consistent growth on a sequential and annual basis.
- Our strong momentum of deal wins continued as we touched a record high, large deal TCV of \$292 Mn this quarter, including \$100 Mn and a \$60 Mn deal.
- The EBIT margins are slightly better at 13.4% for the quarter.
- We expect both revenue and EBIT margins to see improvement in second half of FY26 with H2 growth better than H1.

Before diving into segments, I want to share some updates about our **Technology and Innovation Charter**. We have filed 216 patents in AI & GenAI alone, while our overall patent count has exceeded 1,600 mark this quarter:

- We established a strong leadership position in engineering and industrial AI offerings, which is helping us gain client mindshare and market-share.
- We launched our AI-first delivery model and continue to make targeted investments to make the workforce ready in GenAI, Agentic AI and Physical AI. Physical AI for us includes multimodal AI, AI reasoning and Edge AI.
- We scaled our AI portfolio with platforms like Qguard.ai, FusionWorld.ai, PLxAI, AiNexus, GENIQ, and TrackEi to drive automation, contextual intelligence and real-life world machine applications.
- For example, our proprietary AI framework PLxAI, has already been deployed across 36+ use cases, accelerating innovation by embedding intelligence throughout the product lifecycle.
- Qguard.ai and FusionWorld.ai are enabling synchronized, scalable workflows while GENIQ and AiNexus are powering intelligent decision-making across engineering processes.
- These platforms are seeing strong client traction and early monetization. About 1% of our trailing 12-month revenue has come from license revenue of these products, including AI, and our goal is to expand this to 5% of trailing 12 months revenue in the medium term.
- We are also making strategic investments in humanoids for manufacturing environments, with use-cases focused on repetitive, precision-driven tasks, a clear step forward in our vision of autonomous, intelligent factories.
- Our partnership with SiMa.ai, NVIDIA and MIT Media Lab further strengthens our AI backbone, ensuring we remain future ready.

Let me now provide details on our **Segmental performance** and outlook:

Mobility:

- Our Trucks & Off Highways sub-segment did well and grew sequentially, while Aerospace & Rail sub-segment was resilient. The Auto sub-segment remained subdued due to continued program pauses and muted decision-making.
- Let me provide some additional color
 - In Auto, our clients are reviewing model year choices, and we believe some certainty will emerge in the next 3 months.
 - Client spending on local manufacturing and supply chain continues to be resilient; we are also actively participating in consolidation deals in the US & Europe.
 - This quarter, we saw an uptick in clients wanting to use our proprietary EV platform, LTTS' iDrive solution (for SDV) and TrackEi for specific OEM programs.
 - In T&OH, we are seeing continued investments from customers as they roll out new products with new features leveraging AI & automation - one of our \$20 Mn wins in this area.
- The pipeline remains active with multiple conversations in Auto, T&OH, Aero & Rail. We continue to work with our clients to get these to closure.

The Mobility segment will be muted with cyclical impact due to furloughs in the coming quarter, and expect a comeback in Q4FY26.

Coming to **Sustainability**:

- The Sustainability segment continued to perform well, delivering 3.0% sequential and 12.6% annual growth, reflecting steady demand, execution strength and ramping up of large deal closures from the previous quarters.
- In Q2, we had two significant achievements in this segment – One, we achieved a \$50 Mn+ account on an annualized run-rate basis in the Plant Engineering sub-segment. If you will recall, this is the same account where we had announced a large deal of \$100 Mn some 2-3 years ago.
- Secondly, we closed the quarter with our largest-ever deal of \$100 Mn in the Industrial subsegment, very proud moment for all of us and vindication of our being number 1 in this area.
- Now let me provide some color:
 - The Industrial sub-segment has been digital and has seen digital & AI-led interventions across the PDLC offering to our clients. We are ramping up large deals, signed and continue to see deal wins with a robust pipeline ahead.
 - On the \$100 Mn+ deal, we are leveraging our AI portfolio. We will support the client across new product development, sustenance engineering, value engineering and platform automation.
 - Our partnership with Tennant for sustainable product development continues to ramp up with the setup of a dedicated offshore engineering center.

- In Plant Engineering, demand continues across O&G and CPG for greenfield-brownfield capex projects and ongoing spend on digitization and modernization of legacy plants.
 - We were chosen by a global food and beverage company for a greenfield project in plant design, process and utility engineering. While in another large deal win, a global beverage major has engaged us for end-to-end execution of their machine safety program across several global sites.
 - Key clients continue to ramp up as demonstrated by the \$50 Mn account mentioned earlier.

For the Sustainability segment, we expect the growth momentum and large deal wins to continue in both Industrial and Plant sub-segments.

Now on **Tech**:

- The Tech segment, while continuing remaining resilient for the quarter, grew 28.6% annually as it included the benefits of Intelliswift revenue over previous year.
- The Software and Platform subsegment, along with the integration of Intelliswift is making strides with Agentic AI offerings & Data Engineering Platform.
- This has led to a good industry response with a notable deal win to build a data factory model for a healthcare client in the Pharma area, which again is a new entry for us as an area.
- The Media & Tech sub-segment is rapidly evolving with significant transformations driven by AI and immersive technologies.
 - We continue to grow in the US and have seen steady growth in our semiconductor accounts.
 - This quarter saw us win a significant deal with a US-based telecom infra major to deliver advanced network software development and application engineering solutions, in Media & Tech. This again was leveraging the Smart World telecom infra piece that we had got some years ago.
- In the MedTech sub-segment, we are seeing healthy demand from Europe and Japan, while seeing some delay in ramp-ups in a few programs in the US market.
 - A new client in the Ophthalmology space has selected LTTS for the only technology partner for their program in Lifecycle Engineering and New Product Development. This will help us in our growth going ahead.
 - We expect MedTech to grow in the second half of the year, leveraging AI solutions across Digital Manufacturing, Sustainance Engineering and QARA.
- In the Tech segment, various large deals in advanced stages of negotiation will help us continue Tech's growth trajectory in the second half of the year.

Overall, we are seeing client decisions being made and anticipate strong growth trajectory across all three segments in Q4 and beyond.

Before I come to the outlook, I would like to highlight our readiness and strengthening our processes and teams to Build the Company for the Next Level of Growth.

- First: As mentioned earlier, we are pivoting to an AI First delivery model for our service, creating and selling new offerings with AI and taking a frontal position in Engineering, Industrial and Physical AI.
- Second: strengthening Leadership and Organizational Depth.
 - We have a robust succession planning mechanism and have reenergized our leadership team with the addition of three new segment heads in the last quarter. This was as some of the current leaders retired. Joining us from global MNCs, these leaders have already taken charge of the Mobility segment, the MedTech subsegment and the Media & Tech subsegment. We have also hired a new global large deals head to be based on the East Coast of the US to bolster the large deal engine. Of the 4 new leaders, 3 are based in US, and all of them have spent between 2-3 decades in the Technology Services industry.
 - These appointments strengthen our delivery and operational depth across horizontals, sub-verticals and technology.
 - Similarly, augmenting of leadership done last year in Sustainability segment have reaped beneficial results in the Plant Engineering & Industrial Products subsegments.
- Lastly: Focus on Profitable and Sustainable Growth
 - Our focus remains clear, to prepare LTTS for the next phase of growth, doubling down on areas that are value accretive while proactively pruning those that are not.
 - This efficiency focus will continue reinforcing our commitment to sustainable margin improvement and shareholder value creation.

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

The macro environment has remained similar to Q1; however, we have observed revival in deal-related conversations across all sub-segments except Automotive.

We recognize that FY26 may be a tight year, but the long-term fundamentals remain robust.

The changing spends on AI, softwarization of products and services and ongoing reindustrialization of the US is creating opportunities for LTTS to lead with engineering and AI innovation, and we believe we are well positioned to capitalize on the shift.

With a strong order book and our large deal wins, we aspire for double-digit growth in FY26 and reiterate medium-term outlook of \$2 Bn revenue.

With that said, I would like to thank all of you. I am going to stay on for the questions, and I would like to hand over the call to Rajeev.

Rajeev Gupta:

Thank you, Amit.

Good evening, everyone.

First of all, wish you and your families a very Happy Diwali and Prosperous New Year in advance.

Let me begin with the key highlights for Q2FY26:

- Our diversification strategy, early investments in AI and new age technologies, coupled with deep relationships with clients have led to the highest ever large deal wins of about \$300 Mn in the quarter, including a \$100 Mn deal win in Sustainability and \$60 Mn win in Tech segment.
- We are indeed seeing fructification in our strategy of having \$100 Mn, \$50 Mn accounts. Pleased to share that we now have a \$50 Mn account in Sustainability on an annualized run rate basis.
- Q2FY26 saw an improvement in performance across the board – deal wins, revenue growth, margins and cash flows. This is in line with our earlier commentary.

With that, let me take you through Q2FY26 financials.

Starting with the P&L:

Our revenue for the quarter was ₹ 2,980 crores, a growth of 15.8% on a YoY basis and a growth of 4.0% on a sequential basis.

EBIT margin for the quarter came to 13.4%, slight improvement over the previous quarter. We expect margins to show improvement from here on.

Moving to below EBIT:

To start with Other Income was at ₹ 50 crores, marginally lower on a sequential basis.

Our Effective Tax Rate (ETR) for Q2 was 26.5%. That's an improvement of 40 bps from previous quarter. With that, we have now reduced our expected range for tax rate between 26.5% to 27.0%.

Our Net Income for the quarter was ₹ 328.7 crores, up 4.1% on a sequential basis, which is 11.0% of revenue.

Moving to balance sheet, let me highlight key line items:

The combined DSO, including unbilled, stood at 114 days compared to 116 days in Q1, a reduction of 2 days. Q2 DSO was at 94 days compared to 98 days in Q1. Unbilled days at 20

days in Q2 compared to 17 days in Q1. The combined DSO is within the target range of 110 to 115 days, and we expect to improve as the year progresses.

Our Q2 Free Cash Flow came in at a healthy ₹ 445 crores, leading to YTD free cash flow of ₹ 417 crores.

Our Cash and Investments stood at ₹ 2,883 crores at the end of Q2 versus ₹ 2,431 crores at the end of Q1.

As you would have seen today, the Board approved an interim dividend of ₹ 18 per share.

Moving to revenue metrics:

In Dollar terms, we reported revenue of \$337 million as compared to \$335 million in Q1, a growth of 1.3% sequentially and 10.4% YoY on a constant currency basis.

Talking about segment margin performance for Q2FY26:

Mobility segment margins for Q2 came in at 14.8%, lower compared to previous quarter due to subdued demand environment in Automotive sector. Amit already highlighted our overall Mobility segment is balancing out with growth in Truck and Off-Highways and Aero and Rail subsegments. We see Automotive sector stabilizing going ahead and expect the Mobility segment to return to growth and better margins in Q4FY26.

Sustainability segment margins for Q2 came in at 28.1% margins, up 50 bps over previous quarter, resulting from ramp-up of large deal wins. Further, large deal wins of \$100 Mn in Q2 and a healthy pipeline in this segment will continue to aid revenue growth and margin improvement going ahead.

Tech segment margins for the quarter came in at 9.0%, remained stable compared to previous quarter. Our integration plan for Intelliswift acquisition continues to show results with improvement in margins sequentially.

Let me now comment on operational metrics:

The Onsite:Offshore mix showed slight improvement towards Offshore as compared to Q1. Offshore percentage now stands at 56.4%.

The T&M revenue mix was 61.9% in Q2, lower compared to Q1.

Client Profile – which indicated number of Million dollar plus accounts, has shown sequential improvement in \$30Mn and \$1Mn+ categories. The client profile will continue to improve in the coming quarters.

Client contribution to revenue is quite similar compared to Q1 across categories. We expect revenue from top customers to improve going forward as we are running targeted programs on client mining.

Headcount was 23,678 in Q2 compared to 23,626 in Q1, while Attrition remained at similar levels as compared to Q1.

Realized rupee for Q2 was at ₹ 88.39 to the dollar, a depreciation of around 3.4% versus Q1 when compared to ₹.

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

We have seen margins improve sequentially in Q2FY26 and we will see further improvement from here on. Improvement in margins will be facilitated by

- Growth, improvement in quality of revenue and segment mix, with higher large deal wins in our highest profitable segment – Sustainability. That's the first that we see.
- The second, Operational efficiencies such as optimization of pyramid, leveraging AI and automation and project delivery, review of low-margin portfolio and tail accounts, higher offshoring and optimization of G&A costs are going to further help us in terms of improving margins.
- Thirdly, the integration plan for Intelliswift acquisition continues to yield incremental improvement as we move sequentially and QoQ.
- Launch of our internal AI platform to leverage AI across our functions – Delivery, HR, Finance, Marketing, IT will deliver efficiencies and also aid in terms of margin improvement.

All of this will lead to H2FY26 margins to be better than H1FY26 margins.

With that, we maintain our aspirations of mid-16% EBIT margins between Q4FY27 and Q1FY28.

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

Moderator: Thank you very much. Our first question comes from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Hi, thank you for the opportunity. Congrats on really good deal wins. I want to check about the growth across geographies. It looks like the core geographies are doing well. Americas and Europe have grown. Even India has grown. The rest of the world has seen a decline. Should we think about that correlated to the challenges in Automotive?

Amit Chadha: No, I would not necessarily do that. See, the way to look at it is that there are businesses in ROW that we did decide that we will look at. They are small. So, I would not worry. Basically, our

strong geographies, the US, Europe as well as Japan actually have grown and done well, and that's where it is.

Ravi Menon: And any progress on taking SWC to the Middle East?

Amit Chadha: Yes. So, that is where we have been working on. So, we have got a pipeline in the Middle East that we are working on, but it is taking longer than what we had expected in terms of closures in the Middle East. In fact, we have got some good inquiries for Smart World in the US as well, but again, going slower than what we had anticipated.

Ravi Menon: And one last thing. You had started a cybersecurity center in the US So, is that something that can leverage the credentials of Smart World Communications in India?

Amit Chadha: So, again, if you go look at Smart World, there were three parts to it. There was a Smart Cities piece, there was a Telecom Infra piece and there was Cyber piece. And broadly, if I recall, about 60%-65% was cities, about 40-odd % to 35%-38% was Telco Infra and the remaining was the Cyber, very small.

So, Cyber now I can confirm is in excess of, I would say, at a company level, we have been able to take it about between 1.0% -2.5% of our revenues and fairly profitable. The Telco Infra piece is anyway international. In fact, this large deal win that we had with the Telecom operator was from that area and because of the credential. Smart Cities continue to be like I talked a little down.

Ravi Menon: Thanks so much for the call. And the \$100 Mn in Sustainability, just to confirm, this is the largest deal win that you had in this segment, right?

Amit Chadha: This is the largest deal we have had in this segment. If I recall, we had a deal that was \$100 Mn in the Oil and Gas space. It was, I think, about 4 years ago or 5 years ago. And so that was that. And now the \$100 Mn in Sustainability, in IP is the first \$100 Mn deal. And no rebadging, all offshore, largely offshore, a little bit onsite, in line with the Sustainability margins.

Ravi Menon: All right. Thanks so much. Best of luck.

Moderator: Thank you. Our next question comes from the line of Bhavik Mehta from JPMorgan. Please go ahead.

Bhavik Mehta: Thank you. So, a couple of questions. Firstly, on the Auto vertical, we do expect recovery from 4Q, but how should we think about the pace of recovery over the course of, let's say, by CY26? Is there something where you expect a gradual recovery or there could be some pent-up demand because of the recovery could be more faster?

Amit Chadha: So, first, I am an optimist, right? And for those that have met me they would agree with that. See, here's what I am seeing in the market. There's a certain certainty that has come into the decision-making in the last couple of months where we are seeing people accept the new normal

and start to make decisions for their business, for their customers, for their products, reshoring of manufacturing starting up. I am not saying production has started, but permits are being built, taken up, etc. So, I am seeing that happen for sure.

Second, AI in enterprise, there's a lot of use cases, but AI in manufacturing and engineering are also picking up steadily. In fact, every Board is asking our Head of Engineering or Head of Product Development, our CTOs, have you used AI and where? So, it's coming top down.

So, those 2 are, in my view, some very strong signs that stuff will start to pick up pace right about February time frame because again, October, November, December is a furlough quarter. We will see how it goes. It's not a washout, but we will see. We have to grow, right? So, that will be there. There are also a lot of consolidation deals going on. See, there are companies in Western and Eastern Europe that are getting consolidated against, because their skill sets don't match the latest skill sets needed. So, lot of activity is going on, I would say. And I do hope that Feb onwards will be higher growth than current year growth has been. I hope I have answered your question.

Bhavik Mehta: Yes, that's helpful. Thank you for that. The other question is the large deal what we are reporting, at \$200 Mn, which was trending in the last few quarters, gone up to \$300 Mn now. Is this entirely net new? Or does it include an element of renewals also? Because if the renewals are also included, then what is the ratio of net new over the past few quarters trending?

Amit Chadha: Yes. So, about 20% would be what was already there and 80% broadly is what we have built on as add-on new. That's how you should look at it.

Bhavik Mehta: Okay. Got it. That's it from my side. Thank you.

Amit Chadha: And one more point, just to answer that. Most of the deals we are getting when we are announcing a TCV \$10 Mn +, it is a plus-plus. It is not just a renewal. I am just making sure that you understand that.

Bhavik Mehta: Right. Right. Got it. Thanks.

Moderator: Thank you. Our next question comes from the line of Karan Uppal from Phillip Capital (India). Please go ahead.

Karan Uppal: Yes. Thanks for the opportunity. Just a question on the TCV to revenue conversion. So, LTTS has been reporting very strong TCV since last 4 quarters, but the growth has been a bit soft in the last couple of quarters. So, from here on, how do you think about the TCV to revenue conversion? Your commentary suggests that the revenue conversion is improving. Do you think that the clients are now more open to spending now versus, let's say, 6 months back? That's the first question.

Amit Chadha: Sure. So, to answer your first question, see, broadly, if you look at it, our wins used to be in \$100 Mn range, and they have jumped to \$200 Mn for the last 4 quarters, including this quarter. Now

if you look at Sustainability, we have announced a deal that was \$70-plus Mn in Q4, and that is one big one that we did in Sustainability. And you have seen that Sustainability is growing, right? So, I would say that the way to think about it is that Auto has been subdued. Like I said, program pauses have continued and subdued. Otherwise, you would have seen this come out full potential in terms of the growth. And we are working on it. And I do believe that H2 will be better than H1.

Karan Uppal: Okay. Amit, last time you mentioned that for FY26, organic growth would be better than last year. Do you still hold to that guidance?

Amit Chadha: I said double digit, and I hold to that.

Karan Uppal: Okay.

Amit Chadha: See you also should be aware. No, so good you are asking it. Look, we have always been very honest and transparent. So, you should be aware that we continue to look at the portfolio and see if there is stuff that's really dragging us down, non-strategic, we try and avoid doing such stuff. So, because we want to maintain market dominance in the areas we operate.

So, the way to look at it is that, like I said, Feb onwards, I am not saying that nothing will happen in Q3. I am confirming H2 better than H1. I am also not saying it's going to be hockey stick Q3 to Q4. There will be growth, but I can see clear signs of the burst coming Feb onwards.

Karan Uppal: Okay. Thanks for that clarification. One question for Rajeev. Just a bookkeeping one. So, depreciation has been rising for 3 quarters, post Intelliswift acquisition. So, how much should we bake in from a go-forward perspective?

Rajeev Gupta: So, what I would guide is see, this quarter, we did have capitalization of one of the facilities that we have set up in Baroda. That's a dedicated facility for LTTS. So, there is indeed increase in depreciation on account of that. You should model depreciation in the range of ₹ 95 crores in a quarter.

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

Moderator: Thank you. Our next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Thank you for the opportunity. I wanted to check with you on a couple of things. First of all, on the Tech side, if you could break your commentary in terms of what are you seeing within your heritage portfolio, the Intelliswift portfolio and SWC? That's question number one.

The second question is that through at the start of this year, you had supported certain strategic customers through certain price or volume discounts, and which have been a headwind to margins in the more recent quarters. You were expecting them to essentially go away from sometime in Q2 and thereby margins expected to improve. Are we on track on that? And the

third one essentially is on wage hikes for the year, if you could give us your thoughts on the same. Thank you.

Amit Chadha:

So, let me start with the third question. Wage hikes are in consideration. We are working on it. So, it will be either sometime in Q3 or sometime in Q4. It is a decision to be made, and we are working through it. And we are committed to doing it in one of the quarters or last time we had done it in November of last year. So, we are working on it. So, please give us a little time on that as we go through stuff, right? But either Q3 or Q4, we will do it.

Now in terms of client support, I am happy to report that the client support has ended as of Q2 end. And Rajeev can add more color, but the margins will improve from here on, like we have said.

Now let me go to the heritage portfolio, etc, on Tech. So, start with Smart World. Smart World, Smart Cities, we are not seeing a lot of traction. And for Telco Infra part of it and Cyber are doing okay for us, growing. And we are being very picky and choosy on the jobs that we pick up in Smart World, because we are careful about the margins that we operate under. Middle East is something we have invested in a sales team. US, we have invested in a sales team. There are active deals. We had closed one earlier. We have executed it. Others, we are working on trying and do that. So, there is an active pipeline that we continue to work on. But very honestly, I would have expected this to be faster. It hasn't panned out at the pace that we had expected.

Now I'm going on to Intelli. Intelli, we had picked up at x margins, and we had committed to you, we will grow the margins. I can confirm to you that the Intelli margins stand-alone have grown also QoQ.

Now in terms of the heritage business that we have plus, we are actively talking to grow accounts. In fact, 3 accounts that are hyperscalers are \$30Mn+ accounts for us. We have been posting stuff on LinkedIn also, you can look at it, a lot of excitement that we have created around some accounts.

Now if you go to the Heritage business, which was Media & Tech, Semiconductor, and some of the Medical areas, we have won the \$60 Mn account that was in the Telecom place. So, done okay. There are certain areas which we are looking at reducing there, because some of the work that we have got is non-strategic. So, we look at it but largely growing.

And we had another win on Telecom Infra last quarter, if you remember, in Telecom Infra this quarter as well. So, growing, right? Medical has been a little slow in the US for us. We have won some very interesting programs in Japan. We have won a good, very nice program, client in Ophthalmology, very excited about it.

I am happy to share that now we have a near \$50 Mn account in Medical. We also have two \$10 Mn+ accounts in Medical that are really promising. And some of them, 3 actually. And then we have got others that are sub \$ 10 Mn or above \$ 5Mn. So, we do believe the change of approach

with a new segment leader, along with a dedicated sales team that's been reorganized will help us bring growth back in this, say, from Q4. I hope I have answered your question.

Manik Taneja: No, that's quite helpful. And just one clarification. Your outlook on margins probably will stay respective of the wage hike that is yet to essentially be decided upon. And will that probably be an incremental headwind for our margins in the near term?

Rajeev Gupta: So, Rajeev here, let me add to that. Amit already mentioned the fact that, look, this is in consideration, and a lot of factors are being evaluated at this stage. It will be an event either in Q3 or Q4. But whenever that decision is being made, our commentary around H2 margins being better than H1 continues, right? So, we will be able to absorb the headwinds that come from wage hikes.

Manik Taneja: Great. Thank you, and all the best for future.

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

Vibhor Singhal: Yes. Hi. Thanks for taking my questions. And congrats on very solid deal wins. Amit, my question is on the deal wins again. I think we have seen very strong deal wins. And gradually, I think every quarter, we are just upping the benchmark in terms of the deal win quantum that we are reporting. So, just wanted to understand 2 parts to this question here. One is, of course, is it mainly because that like, we have become bigger and we have basically been able to get more kind of capabilities under our belt, that we are able to win these kinds of large deals? Or is it something different that we are doing?

And secondly, is it somehow also a reflection of how the ER&D industry has evolved that now we are seeing the kind of deals that we had never seen before. And maybe we will probably see more of such large deals going forward also?

Amit Chadha: Sure. So, thank you so much for that question. See, number one, what's changed is that for us is that instead of one central sales organization, we now have 6 sales teams in the US across the 6 segments, plus a regional sales team in Europe, in India, Middle East and Japan and Australia, right, ROW. So, that's number one, we have created a lot more capillary force here.

Second is that we have been investing in technology, I believe, at times ahead of the curve and filing that 216 patents in AI is a signal of that. And getting like 1% of trailing 12 months of revenue is not a lot, but vindication that we are on the right path from license sales and most of them AI license sales is a good vindication that the technology we are ahead.

Third is the type of conversations we are able to have with our customers actually involves the CTO, involves the Head of Product Development, involves the Head of Manufacturing, includes at times the CIO for the manufacturing part, is helping us in mapping up larger areas and picking up more areas than we did earlier.

Fourth, as practice, see, earlier, we would go, and we would pick up an order for \$1 Mn be happy come away. Now we ask the question, if you are giving me a \$1 Mn PO, can you give me a 3-year SOW. So, there's some certainty to the demand. So, what we are building is we are building steps of the future that some of this TCV will. So, like this, this \$100 Mn win is not across 2 years. This \$100 Mn win is across 5+ years, right? The \$60 Mn win is a 5+ win. So, the point is the duration, we are trying to increase the duration. We are not doing 10 years. We are not doing 20 years. The highest we have done is 7.5 years for a deal.

But the whole idea is try and get 3-digit approvals and wait for that to work out. So, that's the large intent that we have got. So, net-net, more sales penetration; second, pre-investment in Technology; third, mapping further areas. And fourth is getting into the larger terms.

fifth is, and I just want to make a point, see, many years ago, we didn't have Automotive when we started. We invested in it; we got into it. 4 years ago, some of you gave us feedback that you are working with Tier-1s. In Automotive, you don't work with OEMs. Today, 80% of the work in Automotive, 85% actually is coming from OEMs, West Coast OEMs, East Coast OEMs, Midwest OEMs and Europe OEMs, Japan OEMs. Similarly, you have given us feedback that you are not focused on Tech. You are not looking at hyperscalers. Today, 3 hyperscalers are 25 Mn+ accounts for us. So, we continue to learn from you. We learn from others. We learn from our customers, and we continue to grow. And that is helping us, if you ask me in this TCV.

Now I also want to tell you because somebody will ask the next question that will Q3 also have \$300 Mn win. I am telling you right now, Q3, I am confirming \$200 Mn. Still, we will try that \$200 Mn. let me walk, and then I will run. So, I am walking right now at \$200 Mn, God was kind. Diwali was there. We got \$300 Mn, now maybe Christmas also, we will get \$300 Mn, we will see.

Vibhor Singhal:

Got it. Got it. That's really encouraging to hear. So, is it fair to say that maybe clients are also now okay to award slightly longer duration deal or let's say, clients are also okay to award, what should I say, a multifaceted deal. As you mentioned, you start with the CTO and production engineering head in multiple. Earlier, I think most of the deals in ER&D used to be with, let's say, a specific segment and then maybe used to cross-sell. But now at the time of inception of the deal itself, you are able to stitch together multiple departments. Is that a change that is happening in the industry gradually?

Amit Chadha:

What's happening for sure is that clients are also starting to have larger conversations, have the appetite to have larger conversations. In fact, a lot of our client conversations today are happening. And some of our clients can you come and sit down with me and tell me strategically, I am trying to think about Engineering for the next 10 years. And as I look at Engineering and Technology for the next 10 years, what should I do in-house? What should I take out? How should I reskill my people, right? So, those are the larger conversations we are having and much more meaningful than give me 10 bodies and give me one horse and go away.

- Vibhor Singhal:** Got it. Got it. That is great to hear. Just one last question for Rajeev. Rajeev, this quarter, would have seen a good amount of, let's say, margin tailwind from currency depreciation. Despite that, we saw only 10 basis points of margin expansion on a sequential basis. Any margin work that you would provide as to how much the currency benefit was in the margins and where was it consumed?
- Rajeev Gupta:** So, Vibhor, the way I would try to explain this is, see, there is, of course, a tailwind coming from FX. But what you also see are the headwinds that are coming from the Auto subsegment of Mobility, right? And I will request you to talk more to Sandesh on the specifics. But if you really put it together, that's where it is. And hence, you see just about a 10-bps improvement.
- Having said that, I have already called about the fact that, look, whatever strategic support that we are offering to our customers between Q4, Q1 concludes in Q2, right? So, going forward from Q3, we should see improvement in margins. Of course, FX continuing should be a further tailwind for us, but that's where we are, Vibhor.
- Vibhor Singhal:** Got it. And the mid-16% margin guidance by Q4FY27 or Q1FY28 that you are confident about?
- Rajeev Gupta:** Yes, absolutely, Vibhor.
- Vibhor Singhal:** Perfect. Good. Thank you so much. Thanks for taking my questions, guys, and wish you all the best.
- Rajeev Gupta:** Thanks.
- Moderator:** Our next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah:** Yes. Thanks for the opportunity. Amit, you also mentioned in your opening remarks in the US reindustrialization is an emerging opportunity. So, why am I asking a question because some parts of the tariff-related announcement are still changing period after period. So, in this kind of a scenario, clients are in decisive mode. So, I just wanted to understand the nature of this demand, especially in the US
- Amit Chadha:** Sure. Sure. See, what we are seeing is that, to start with, when the tariffs got announced and the whole thing was being negotiated, our clients built a lot of what if then scenarios, right? And which included either changing the supplier, moving supply from Mexico to the US, China to the US, looking at India, looking at other places. So, we saw all those scenarios and they consulted with us, they consulted with others in that area.
- What we have seen in the last 2 months is some of those people have come up with those decisions that irrespective of what gets announced further, let's make this move and do XYZ. Specifically, we are seeing discrete manufacturing being set up or factories being expanded or starting to get expanded, plants being done in that area, clearly.

Second, we are seeing in Medical and Pharma, people actively looking at doing stuff in the US itself. There is some amount of high-end electronics that people are talking about. And look, I would actually request you, why don't you look at the sales of people like Siemens, ABB, Hitachi and all these guys in the industrial automation demand that they are reporting, that is new sales that are happening in the US and Europe. And you will realize that all of this is going into some of these newer plants, refurbished plants that are happening. Am I saying production has gone up drastically? No. What I am saying is the plants are being activated. There's a lot more kind of certainty in that area that people are developing.

Sandeep Shah: Thanks for the detailed answer. Helpful. Just a couple of follow-ups. In terms of Intelliswift, you mentioned that the margins have gone up. Is it the revenue trajectory also moving up on a QoQ basis?

Rajeev Gupta: So, Sandeep, Rajeev here, let me take the question. So, see, both the aspects, right? One, of course, the revenue growth because we definitely see opportunities on the Software Platform side, working with the hyperscalers and also the adjacencies that we talked around in terms of Healthcare.

The other is on the margin. We talked about the integration plan, and we had called out that, look, we have an opportunity in terms of the margin improvement at the project level. We also have an opportunity in terms of rationalizing the SG&A cost, right?

So, if you really see in Q2, there's about 50 bps of improvement, that's actually 40-50 bps improvement that's coming on the SG&A cost. So, indeed, some of the plans are translating. So, it's not only the revenue part, but also the integration plan that's working through.

And likely, we will see that, look, a few more quarters, we should have Intelliswift get to what used to be Tech-like segment margins, which is where we probably will conclude because essentially, we want to grow the business. We want to invest in the business so that we are able to tap into the opportunity that is with hyperscalers.

Sandeep Shah: Okay. Thanks. And sir, just last question in terms of the guidance on double digit. My calculation implies 3% growth. I understand Q4 seasonality strength generally comes through SWC. But in the Q3, don't you believe furlough can have an impact in terms of achieving this kind of ask rate in Q3, Q4. Q4, just a question whether SWC seasonality may continue even this year?

Amit Chadha: To be played out for the year, half year. Lots of stuff in progress, action, we will see where it ends up.

Sandeep Shah: Right.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Hi, good evening. Thanks for the opportunity. Just wanted your thoughts on the fact that see the last 3 quarters, including the fourth quarter, we have had deals consistently with about \$200 Mn. Now if you look at the revenue accretion, could you contextualize that? Has some of that not ramped up or been pushed out or have they been ramped up and this sort of replaced the leakages on the book? So, I am just trying to understand if you have a rising backlog? Or is it that it just made up for the leakage?

Amit Chadha: So, look, the order book has grown. So, the backlog has grown definitely. In Engineering, the ramp-ups, unless you are doing a rebadge, there's a gradual ramp-up. See, like, for example, the \$100 Mn win that we had almost 5 years ago in the Oil and Gas customer continue to grow with us. They finished at \$100 Mn, gave us more. Now it's become a \$50 Mn ARR account for us, 2nd Quarter in a row.

So, it takes a little time for these to become 50 Mn accounts, 30 Mn accounts, all that. So, when you look at \$200 Mn, the average of that \$200 Mn is approximately between 4-odd years that you have got, right? So, that's how you manage that.

Second, so then if you do the math, it then goes to order backlog and there's a ramp-up that's a little slow.

Third, Mobility has been a challenge. And if you remember, last 2 quarters, I have been saying that, that Mobility has not grown for us. Some of the accounts have ramped down. There has been program pauses. And we believe it will come back. My belief is Feb, March, it will come back, but that's where that is.

And that's the reason you are not seeing it directly totally drops down and show up. Like if I may, see, if you look at the margins also, we had some client support to be provided in the last 2 quarters. Now that that is gone, you will see that come into the margins. So, give us a little time, work with us. And I am excited that we are able to get to this number of TCV wins. We will continue to push on this and then revenue realization. Thank you.

Nitin Padmanabhan: Perfect. Yes. That's actually quite encouraging from a deal win improvement perspective. Thanks for that. On the margins, this client supports, what do you think we should be penciling in, in terms of recovery in margins in the second half broadly? How should we think about it?

Rajeev Gupta: Nitin, this is Rajeev here. So, I already mentioned it earlier. I am not sure if you are able to hear me out. But the strategic support that we had called out between Q4FY25, Q1FY26 and Q2FY26 comes to a conclusion in this quarter, right? We are not anymore carrying that forward.

We have also said that our H2 margins will be better than H1. That begins with Q3 itself. We haven't given a specific number so far on the margin for the year. We have definitely given clarity that we will come back to mid-16% levels by Q4FY27 or Q1FY28. So, yes, the margins will improve from here on, though we have not put a number for the year, given, of course, all the headwinds that we saw between Q1 and Q2. But yes, I think the worst is behind us now.

- Nitin Padmanabhan:** Perfect. That's helpful, Rajeev. Thanks a ton, and all the very best.
- Moderator:** Thank you. Our next question comes from the line of Prateek Maheshwari from HSBC Securities. Please go ahead.
- Prateek Maheshwari:** Thank you for the opportunity. Amit, I had a question, I just wanted you guys to double-click on the outlook for Mobility. So, you guys expect probably furloughs in 3Q, but growth from 4Q onwards. I wanted to understand if you guys also think that probably Automotive could also turn to growth by that timeline. And would it be just because of Trucks & Off-Highway, and Railways?
- Amit Chadha:** Can you just repeat this question, please?
- Prateek Maheshwari:** Amit, I wanted to understand, so your guidance is basically Mobility would turn to growth by Q4. So, I just wanted to understand probably if you can give it subsegment-wise, what do you think about Automotive in that? Or would it be just based on the ramp-ups that you are seeing with Trucks & Off-Highway, and Railways?
- Alind Saxena:** So, as you are aware, Mobility for us is 3 parts. So, we talk about Automotive, we talk about Trucks and Off-Highway, and we talk about Aero and Rail. And if we look at how this quarter played out, we actually grew in the other sectors and Automotive was quiet. We expect Q4 to come back with growth in Automotive itself.
- We are seeing deals starting to ramp up that we had closed earlier and we had talked about. They took a little bit of time, but now we are seeing that happen. And this is cross borders. So, we are fairly confident that unless something happens dramatically different in the next few months in Q3, we should see a good amount of growth coming across all the 3 sectors that we have in Mobility.
- Prateek Maheshwari:** One question I had for Rajeev. So, I just wanted to understand SG&A. Like how much of target reduction is there with the Intelliswift integration?
- Rajeev Gupta:** So, Prateek, wouldn't be able to put a number to that, but I can give you an overall view in terms of where we see the SG&A for LTTS to finally arrive at. So, prior to the Intelliswift acquisition, I had mentioned that our then target range used to be between 10.5% to 11.0%, right? At this point in time, we are at about 11.5%. We will continue to work upon this, because we are also conscious that with the opportunities that might come ahead of us, we will invest in sales. G&A, we will continue to look at as part of the economies of scale, the AI solutions, etc. So, our target range for LTTS would be between that 10.5% to 11.0% range, which will take us a few quarters, more than a few quarters, but that's what we are working towards.
- Moderator:** Thank you. Our next question comes from the line of Rahul Jain from Dolat Capital. Please go ahead.

- Rahul Jain:** Yes. Hi. Thanks for the opportunity. Most of my questions have been answered. Just one thing, just to try getting into this 16.5% that we are talking about, does that build a significant growth acceleration in the coming year or a similar growth rate that we are locking this year should be able to reach this point?
- Sandesh Naik:** Yes. Sorry. We talked about 16, mid-16 before this. We will carry on with that from here on. So, it will be quite gradual.
- Rahul Jain:** Yes. My question was more on the growth side. Do we expect growth acceleration as a precondition for this to be achieved?
- Rajeev Gupta:** Not really. So, we haven't put like growth will only lead to margins. I think I have talked about 3 or 4 areas. Of course, there is one growth, quality of revenue. We are seeing a lot of large deal wins in Sustainability, which is, of course, a tailwind for us. That's one.
- Second, you will continue to see AI-led delivery improvements. And that's across all the functions, right? We are looking at AI internally and also trying to see how best we can drive efficiency and economies.
- Third, I talked about SG&A. I also mentioned the targeted range. That's the third part. Also, we are looking at the portfolio, because we want to be mindful in terms of how we want to grow the organization more towards where we see the opportunities with the customers and to tap into the newer areas of technology. So, any of the accounts or portfolio that are not margin accretive, we will give it a serious look, right? So, these are 3, 4 areas that we are looking at. It's not just hinging on growth.
- Rahul Jain:** Sure. But given the kind of run rate we are seeing right now on the growth side of it and also that we are probably at a lower point of our margin in the last several years. So, what is so obvious to you that it gives you that confidence a meaningful 200 - 300 bps margin uptick is quite a possibility?
- Rajeev Gupta:** So, the 200-300 margin improvement that you are talking of, of course, is over a period of time. I have talked about between Q4FY27 and Q1 FY28. That's one. So, it will happen sequentially. Having said that, I think the biggest uptick that you will see is the strategic support that we called out in Quarter 4, Quarter 1 and Quarter 2 of this year concludes in Quarter 2, right? So, that will lead to a margin uptick.
- And then, of course, all the large deal wins that we are seeing in Sustainability, of course, that is the highest margin segment that we have. Mobility, we expect it to come back in terms of growth and profitability in Q4. So, there are varied factors. It is not that suddenly you will see a 200-300 bps improvement. That's all sequentially lined up.
- Moderator:** Ladies and gentlemen, that was our last question. I would now like to hand the conference over to Mr. Sandesh Naik for closing comments. Over to you, sir.

Sandesh Naik: So, thank you all for joining us on the call today. We hope we have been able to answer your queries. Any follow-ups, we will be happy to address them. With that, we are signing off and wish you a Happy Diwali again. Thank you all.

Moderator: Thank you. On behalf of L&T Technology Services Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

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