# L&T Technology Services
# Q3 FY26 Earnings Conference Call Transcript

*For the Earnings Call held on January 15, 2026, 19:00hrs IST*

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| **MANAGEMENT:** | **MR. AMIT CHADHA – CEO & MD,**<br>**MR. ALIND SAXENA – EXECUTIVE DIRECTOR & PRESIDENT,**<br>**MR. RAJEEV GUPTA – CFO,**<br>**MR. SANDESH NAIK – HEAD, INVESTOR RELATIONS** |

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3FY26 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 Happy New Year. I am Sandesh and welcome you all to the earnings call of L&T Technology Services for the 3rd 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 about an 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 performance and outlook, followed by Rajeev, who will walk you through the financial performance. I now invite Amit for his opening remarks.

**Amit Chadha:** Perfect. I hope I am clear. Thank you so much and thank you, Sandesh. Wishing everybody on this call a very, very happy and prosperous new year, a very Happy Pongal, Happy Sankranti, and a Happy Lohri.

That said, in Q3, we have had multiple conversations with clients, including hosting our fourth Advisory Council in MIT Media Lab in Boston. Based on our interactions, we believe CY26 holds promise as macro situation improves and demand, particularly in new-age technology areas, continues to strengthen. This is also reflected in our large deal pipeline and closures.

In preparation of our Lakshya 5-year strategy starting FY27, we have used the past quarter to re-evaluate market trends, consulted with clients on their spending priorities and potential high-growth profit pools. Based on these insights, we are taking decisive actions for delivering full-stack Engineering Intelligence (EI) solutions, trying to become the first company worldwide in EI solutions, and reassess our regional focus and offerings, which are not in line with our 5-year Lakshya roadmap.

In Q3, we have therefore deliberately improved our quality of revenue in line with this strategy. Therefore, this and other factors have been reflected in a 120bps QoQ improvement, with Q3 EBIT margins at 14.6% Rajeev will share more details in his commentary.

Now let me provide the key highlights of our Q3 performance:

- Revenue of $326 Mn grew 4.6% annually, while we de-grew 3.2% sequentially as we rebalanced our portfolio towards futuristic technologies to serve our customers and tap into market potential.
- Sustainability continued its double-digit YoY growth momentum, while Mobility showed early signs of improvement despite a seasonably weak and slow quarter.
- Our large deal wins came in at a healthy TCV of $180 Mn in the quarter. It is the fifth straight quarter where we have maintained this TCV trajectory.

Now let me provide our segmental performance and outlook:

**Mobility:**

- Despite being a furlough quarter, Mobility showed modest uptick. 50% of our large deal wins in Q3 were in the Mobility segment.
- Our Aero & Rail sub-segment has shown growth sequentially while Trucks & Off Highway was slightly subdued.
- The Auto sub-segment turned the corner and is seeing positive traction.
    - We won a large multi-million-dollar engagement from a global luxury OEM, covering infotainment system engineering across multiple product domains and assessment & assurance of telematic modules.
    - We signed a multi-year agreement focused on engineering the next generation of AI-powered premium, connected and intelligent marine experience.
    - We are accelerating Software-Defined Vehicle (SDV) offerings by incorporating advanced EI capabilities in the software lifecycle and product development. This is enhancing the overall product experience for end-customers. In fact, happy to share that we have been rated in the top 2 in SDV in the last two weeks. We will share the report with you in a short while.
- From Geo perspective:
    - The US market is positioned for a recovery after several quarters of slowdown in spends, with increased investments particularly in SDV technology.

    - Europe's focus is shifting towards low-cost countries and strategic partnerships. Investments for new vehicle models are deferred while cost optimization remains a priority. We are well positioned to be the net beneficiary of these opportunities as demonstrated by the recent large deal win from the region.
    - New model launches by OEMs in Japan indicate growth opportunities and we are seeing steady wins.
    - 80% of the revenue in Mobility is now predominantly from OEMs as compared to 20% from them a few years ago, ensuring greater stability in our client revenue mix, and if you remember this was one of the factors that we have been a little worried about till now.
- The pipeline remains robust with multiple deal conversions happening in Auto, T&OH, Aero & Rail.

In summary, the Mobility segment is witnessing green shoots, and we expect to see continued growth momentum in CY26 due to better ramp-up on large deals.

**Coming to Sustainability:**

- The sustainability segment grew 11.4% YoY and quarterly, reflecting steady demand and execution strength in the deals we have won in the last few quarters.
- The **Industrial** sub-segment is benefiting from our EI solutions which combine digital, automation & AI-powered platforms across PDLC offerings for our clients.
    - The Energy and Automation and Industrial Machinery sectors continue to see good demand with a strong pipeline in asset management and large deals.
    - On the $ 100 Mn deals announced last quarter, we are steadily ramping up and going as per plan, leveraging our EI portfolio to support the client across new product development and platform automation.
- In **Plant Engineering**, demand continues across O&G and CPG, for capex projects and ongoing spend on digital and modernization of legacy plants In India, we are also seeing demand from the chemical industry.
    - We were chosen by an Australian enterprise to establish a high-value engineering center focused on engineering and digital technologies in a multi-year engagement.
    - We further expanded our partnership with a leading global energy company to enhance Information Management and Existing Assets, including Document & Data Management for its Capital Projects leveraging AI NLP solutions.
- Re-industrialization in the US and pharma companies setting up plants domestically will create significant opportunities in the Sustainability segment.

We expect growth momentum in the Sustainability segment to continue across Industrial & Plant due to ramp-up in large deals and a strong pipeline.

**Moving on to Tech:**

- The AI investments that we have made have been validated by recent client spending and we are doubling down our focus on AI/EI solutions that will help us scale.
- As I mentioned earlier, we have recalibrated our business in this segment to ensure that we put our attention to future technologies that will offer higher profitable growth.
- The **Media & Tech** sub-segment is rapidly evolving with a strong focus on design-led offerings, resulting in the execution of more high-end and high-margin work for our clients.
    - We have seen steady growth in our Semiconductor accounts and have also entered into a multi-year engagement with a leading global semicon platform provider to consolidate advanced lab support operations.
    - Deals that we had won in previous quarters in the **Telecom** sub-segment has been steadily ramping up.
- In the **MedTech** sub-segment, we are seeing healthy demand across all geographies.
    - LTTS has secured a new multi-year deal with a leading medical device manufacturer to deliver comprehensive product development engineering services in the cardiopulmonary segment.
    - We expect MedTech to grow in CY26, leveraging AI/EI solutions across Digital Manufacturing, Sustenance Engineering, and QARA.
- The **Software and Platform** sub-segment, which includes Intelliswift, has provided us a platform to leverage our Engineering Intelligence framework for data-driven intelligence and automation and Data Science and Data engineering.
    - Intelliswift is on plan delivering as envisaged.
    - We have received a large empanelment from hyperscaler and expect that to start ramping up Q1 onwards.
- In **SWC**, we have been working on FusionWorld.ai solution, an AI-based compute vision operating platform for smart spaces, which is seeing traction amongst customers internationally.
    - We recently deployed this solution for a Smart Campus project in India and are also making bids in exciting areas including data center programs across North America.

Finally, let me share a few updates on our technology and innovation charter.

Our suite of AI offerings are evolving with the launch of new Agentic AI platforms, as we pivot from Artificial Intelligence (AI) to delivering full-stack Engineering Intelligence (EI) solutions for our clients' product and manufacturing lifecycles.

- We have filed 229 patents in AI & GenAI alone, while our overall patent count is 1,655 this quarter.
- We have moved AI from pilots to production-grade deployments across Engineering, Manufacturing, Mobility, and MedTech, with AI now embedded across PDLC, SDLC, Embedded Systems, IT/OT, and manufacturing workflows.

- For our clients, we are doing multiple programs leveraging NVIDIA's Omniverse platform to develop and accelerate AI-powered solutions, focused on digital twins, medical technology, and industrial digitization.
- We have built AgenticIQ$^{TM}$, a scalable, enterprise-ready platform enabling rapid creation, orchestration, deployment, monitoring, and governance of AI agents across engineering lifecycles, positioning LTTS beyond point AI solutions into platform-led value creation.
- 30% of our workforce is already trained in AI, with plans to reach near-universal AI literacy within the next three quarters, ensuring delivery capability and capacity keeps pace with client demand.

Overall, the macroenvironment has started looking positive, with revival in deal related conversations across all segments.

As we pivot to a full-stack Engineering Intelligence provider, we see more headroom for proactive deal-structuring opportunities. This will give us the ability to offer an integrated suite of AI-led solutions to our customers in areas like Digital Manufacturing, Software Product Engineering, Engineering Analytics, and New Product Development.

Talking about **Outlook**, Let me reiterate our emphasis on **Shareholder Value Creation:**

As I mentioned earlier, we have made a conscious decision during the quarter on discontinuing select regional and technology offerings. This is evident in our results, reflected in a 120 bps QoQ improvement, with Q3 EBIT margins at 14.6%.

With these developments in mind, we are guiding for mid-single overall growth in FY26. Meanwhile, our focused business areas will see double-digit growth in the same period.

Thank you for your continued guidance and support. I would now hand over the call to Rajeev for further updates. Thank you.

**Rajeev Gupta:** Thank you, Amit. Wishing you and your families a very Happy New Year.

I will start with the key highlights for Q3 FY26:

- Our sustained focus on building strong pipeline and 'Go Deeper to Scale' strategy has helped in large deal wins, resulting in an average TCV of $ 200 Mn for five consecutive quarters.
- Sustainability, our highest margin segment, grew both in revenue and margins, while Mobility saw slight growth in a seasonally weak quarter.
- Q3 FY26 saw a boost of 200 bps in gross margin on sequential basis, largely due to
    - Improved quality of revenue and operational efficiencies
    - Discontinuation of strategic support provided in the past few quarters, and
    - Rupee depreciation during the quarter.

Moving to Q3 FY26 financials, starting with P&L:

Our revenue for the quarter came in at ₹ 2,924 crores, a growth of 10.2% YoY, down 1.9% on sequential basis.

EBIT margins for the quarter came to 14.6%, an improvement of 120 bps over the previous quarter.

Other Income (net) was Rs 18.4 crores, sequentially lower due to USD appreciation compared to INR and asset transfers pertaining to closure of client projects.

Effective Tax Rate for Q3 came in at 26%, showing an improvement from previous quarters by 50 bps. We expect ETR to be in the range of 26.5%-27.0% for the year, showing an improvement relative to previous year.

Net Income (excl exceptional items) for the quarter came in at ₹ 329.1 crores, at 11.3% of revenue.

I would like to also highlight the impact of New Wage Code: The impact of new labour codes is treated as one-time "exceptional item" amounting to ₹ 35.4 crores, net of tax at ₹ 26.5 crores. Over the past few years, we have been consciously working towards improving the basic salary component in line with new wage code, resulting in relatively lower liability.

Talking about the balance sheet, Let me highlight key line items:

The combined DSO came in at 112 days compared to 114 days in Q2. This is within the target range of 110-115 days and expected to improve further. The billed DSO also improved to 91 days as compared to 94 days in Q2.

Our Free Cash Flows improved further over the quarter to ₹ 470 crores due to consistent collection efforts leading to YTD free cash flows at ₹ 886 crores, which is a healthy free cash flow ratio of 91% over net income.

Cash and Investments stood at ₹ 3,160 crores at the end of Q3, vs ₹ 2,883 crores at the end of Q2.

With respect to Revenue metrics:

In $ terms, we reported revenue of $326.3 Mn as compared to $337.1 Mn in Q2, a growth of 4.6% on YoY basis while a decline of 3.2% on sequential basis. The decline in Q3 revenue is on account of being selective on revenue portfolio of offerings and regions in line with our upcoming 5-year strategy plan.

Talking about segments:

Mobility segment margins for Q3 came in at 14.8% flat compared to previous quarters and this is despite furloughs. Mobility revenues will show growth in coming quarters with environment now showing improvement in Automotive sector along with sustained growth in Aero & Rail subsegments. This will lead to improvement in overall Mobility margins from here on.

Sustainability segment further improved in margins to come in at 28.8% higher by 70 bps on sequential basis. The ramp-up of deal wins in previous quarters have led to improvement in quality of revenue and also margins and this will continue to aid revenue growth and margins as we go into FY27.

Tech segment margins for the quarter came in at 10.6% and an improvement of 160 bps over previous quarters. This is due to improvement in Intelliswift margins, discontinuation of strategic support to customers in the last few quarters and the action taken on recalibration of portfolios and geographies to improve quality of revenue in line with our upcoming 5-year strategy plan.

On operational metrics:

The Onsite:Offshore mix has slightly moved towards Onsite, as compared to Q2. Offshore percentage now stands at 54.6%. We continue to work to improve this in the coming quarters.

The T&M revenue mix was at 61.4% in Q3, similar range as compared to Q2.

Our Client Profile has seen an increase in the number of clients in 20 Mn + category and our deep relationship with clients and new age offerings, will help improve this profile from here on.

Client contribution to revenue, similar range compared to Q2 across categories.

Headcount remained flat at 23,639 in Q3 compared to 23,678 in Q2.

Attrition came in at 14.6%, slightly better compared to Q2.

Our Realized Rupee in the quarter came in at 89.58 to the dollar, a depreciation of 1.4% versus Q2.

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

- We did refer to in our Q2 commentary that H2 margins will be better than H1 and have already seen Q3 margins improved by 120 bps.
- We expect margins to continue to improve from here on based on,
    - Capital Allocation towards high-margin segments of Sustainability and Mobility,
    - Selective choice of portfolio and geography, which will result in improvement in quality of revenue and thus improvement in margin,

- Operational efficiencies including AI-led delivery.

With that, we maintain our aspiration for mid-16% EBIT margins between Q4 FY27 and Q1 FY28.

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

**Moderator:** Thank you very much. We will now begin the Q&A session. Our first question comes from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

**Vibhor Singhal:** Thanks for taking my question and wishing the team a very Happy New Year. Amit and Rajeev, I have a few questions with a few more some questions. So, I will squeeze in as many as I can. Just wanted to understand the nature of this restructuring exercise that we have taken. Is it like they are some of the clients for which we have stopped doing the projects? Is it some of the divisions that we have basically kind of shut down and we will not be taking any more projects in that domain? And also, if I look at, basically breakup of this, I think it appears to be that the major restructuring has happened in the Tech segment and in the India business. So, would it be fair to say that the large part of it or predominantly this is the SWC business that we have acquired that we are kind of closing down because that is also leading to an improvement in margins?

**Amit Chadha:** Sure. So, first of all, thank you so much and wish you a Happy New Year as well. So, let me step back and talk a little about what's happening. See, what's happening is there are huge capex spends that are happening in the Data center build-up and the Energy build-up area in the US and that is creating follow-up opportunities in the Hyperscalers. It is creating opportunity in the Tech Infra business, in our area, in the Semcon area as well as, in IP because for Data center build-out you need all those things and then finally, partly in Plant. So, it's a cross-vertical tailwind, if I may. Second, we are seeing re-industrialization of the US. Third, people are moving from AI for enterprise to actually physical, digital plus industrial, which we are calling Engineering Intelligence. So, when we looked at all that and we looked at our bets, we said that we need to narrow our focus into specific areas that will give us extraordinary growth and leap forward as opposed to areas that may be lukewarm in growth and lower in margins. So, we balanced all of that and we said we don't want to play in a commoditized business tomorrow where you can do copy-paste and cut-paste. We want to be people that are known for technology and we want to look ahead so we don't get into a problem in the future. And then we knew that with our business that we were at, we were comfortable with this double-digit guidance that we had given you and we were at that trajectory. So, we spoke to our board as well and the guidance was that if there is stuff that doesn't make sense and is getting commoditized, start looking at seeing if you want to rationalize it. So, with that said, what we have done is there is parts in our business that we were doing in a Tech segment in Israel that we have taken and we have now closed that down. There was business in parts of Europe in very small area of Mobility, a little bit in Tech, again, which was old technology and we knew that the next step would be deep discounts, etc. So, we shut that down as well. And third, then we looked at US - a couple of US clients that were operating on projects - that were on older technology, where we were counting the revenue actually from India because the PO was from India. So, we took that also and we have taken that out as well, including shutting down the lab, providing the equipment back to the customer. And then there was a little bit of revenue that was coming from Indian customers that was not adding value. So, we did not accept new orders in that area. So, all put all that together is what we have done before as we stand today. So, that was the question, right?

**Vibhor Singhal:** So, is it fair to say given that we have seen a very sharp decline in the India business and in the Tech vertical that a major part of this restructure exercise would be in the SWC business?

**Amit Chadha:** No, Vibhor, I would not land that case. I would say it is, Vibhor, it is a lot of, in fact, a lot of it is POs that were being routed to India on Tech labs, etc., that we have taken out. And, you know, look at the other part that I talked about, Middle East, Europe. And there are these orders that we would have otherwise taken. But we said, there is no point taking in empty calories. I'd rather take something that is value-add for the Company. And that is why we decided to let it go. So, it's a mixed portfolio, if I may. In fact, if you remember, we had purchased SWC, there was this Telco-Infra part, Cyber part. So, I am happy to share the Cyber part we have actually won three new contracts, less than $10 Mn, but Cyber contracts in the US. In fact, we were hoping to sign a bigger deal and announce it to you guys. But Christmas came and everybody went merry. So, we will do it in this quarter. So, cyber is growing there. And Tech-Infra, as well in the US, there are newer areas coming up on connectivity, which we are actively engaged in and growing. In fact, that one operator that we signed has been signed because of the Tech business domain experience that we got from SWC. So, those continue to be the bright spots. In fact, Middle East also, we are there. In fact, I was there in Middle East for three days. And again, going back in Feb, appears to be a promising area for us. I would not come to that conclusion just yet. But this is in play. We expect to finish all of this by March. See, on grounds of prudence, because we could have actually kept quiet and said, we will tell you in March and all that, right? We decided we are a very clear, honest, transparent management team. So, we wanted to in prudence tell you that by the time you end Q4, March end, the floor is you will end up somewhere in the middle digits. And if we are able to win some of this and grow, maybe it will be a little bigger than that. But this is the right time, we thought consciously, to make this pivot on margins, get it to that, like Rajeev said, get to the 16.5% EBIT range, where we also are comfortable and you are also comfortable.

**Vibhor Singhal:** Okay, Amit sir. I really appreciate that gesture. And I think we have discussed it many times. It's good to take a decision which are in the benefit of the long term of the Company rather than focusing on the short-term goals. So, congrats to the entire team for taking this step. Just last couple of questions. So, is the restructuring exercise done or could we see some more steps being taken and some more accounts being closed in Q4 or in the coming quarters?

**Amit Chadha:** See, Vibhor, like I am saying, if I had only assumed Q3, I would have maybe given higher single or whatever. I have taken everything into account and telling you the floor is mid-single and you will be done. So, maybe a little bit here or there, we will just play.

**Vibhor Singhal:** Got it, got it. And just one last question for Rajeev and then I will leave the floor for the other participants as well. Rajeev, I know this business definitely boosts the margins also. So, going forward, do you expect more margin expansion vis-à-vis because of this restructuring exercise that continues to go or do you think we have kind of plucked most of the fruits of this restructure exercise? And secondly, does this also benefit our DSOs in the coming future and will it also help getting them down as well?

**Rajeev Gupta:** Vibhor, let me respond to both of your questions. So, of course, we have been taking guidance from many of you. So, appreciate that part. The margin improvement will continue and that's the reason I provided guidance of mid 16% levels between a range of Q4 FY27 and Q1 FY28. And there were three factors. Of course, one was because of the Intelliswift acquisition, the integration plan would continue to show margin improvement sequentially as we move forward. That was one. Second of course, this recalibration exercise that Amit largely explained, I think lands in Q3. He's given a view for FY26, but that largely solidifies our ability to grow in portfolios that we think are more futuristic and are profit pools. So, that will also contribute. Third, if you really see, and that's what we talked about earlier, our Sustainability segment and all the large deal wins continue to translate. So, you see growth double digit YoY, you also see improvement in profitability. Of course, that part will continue. But alongside, we are now seeing green shoots in Mobility. So, Mobility, if you look at YoY margins, it's come down EBITDA of about 19% to 20%, it's down to about 15%. We also believe that Mobility will continue to turn around from Q4 onwards. Work to be done, but you will see over the course of next four quarters that the profitability will move and we aspire for that mid 16% range. Second on the DSO, yes, we will continue to improve DSO. Our aspiration is much like on our free cash flow. And I remember some of you posing that question that will be delivered 95%, 90% plus of free cash flows in the year. Indeed, we are delivering in the first nine months. Much like that, we will continue to improve DSO. At the moment, I have given a range of between 110 days to 115 days. Our aspiration is to improve even beyond that. But at least I have given a view for these.

**Vibhor Singhal:** Got it. Great, Rajeev. Thank you. Thank you so much for taking my question and congrats again to the management team for the bold step. Wish you all the best.

**Amit Chadha:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:** Yes, thanks. Thanks for the opportunity and Happy New Year to all the management team. So, the first question is, Project Lakshya was in place for more than 2-3 years at a group level. So, why suddenly this exercise versus last three months before we were not thinking about the same? I do agree, this will create a value-added portfolio with a higher margin. But what has led to this? Why I am asking is there has been more than 2 or 3 restructuring exercises which we have carried out in terms of growth strategy in the last 3-4 years. But somehow organic growth is not picking up. So, now with the new restructuring exercise, what will change in terms of changing that organic growth part?

**Amit Chadha:** Sure. So, thank you so much. So, if I may provide a little bit color. So, Lakshya is not a 2-3-year program. It's a 5-year program. It happens every five years. We are, in fact, our first Lakshya was 2010-2011, right up to 2015-2016. Then it was there in 2021 to 2026. And now we will do 2026 to 2031. So, it's a 5-year program. These are not 2-3 year programs. So, that is point number one. Point number two is that we did mention, and I think we talked about it during our investor call or we talked about it in one of those processes that we do five-year programs. So, the next five-year program will start on April 1st, 2026, and go on till March 31st, 2031. So, this is part of the process that we follow. Point number three is that we are, if I look at it, we have restructured or simplified our organization in segments. And we today have six sales teams in North America. We have got four regional teams outside of North America, total 10 teams that allow us the ability to continue to look at deals globally rather than in specific areas. This has actually given us the ability to sign around $200 Mn dollars TCV for five straight quarters. And the wins that we have had in Sustainability, you can see that playing out. You can see Mobility turning around. And in Tech, if I was to include the stuff that we dropped, we have actually grown double-digit. So, we do have organic growth coming along. Now, if we are a Tech company, we have two choices. I could go back and stay in a business that tomorrow will become dilutive, continue to be dilutive in margins and continue to drain away some of the good stuff that is happening in other areas. Or the choice is that before I get commoditized, I turn around and then do it in advance. Lastly, we have talked to you in advance, and you'll notice that in our calls, we give you some forward views. We normally have views that are between nine to 12 months ahead of the market. So, we do believe that the market is pivoting on AI. They are pivoting to physical, digital, industrial combined AI. And that's why if we don't pivot now, we will be in a problem in nine months' time or 12 months' time. So, this is our first restructuring exercise in this space, in this area. And I would like to acknowledge actually that our teams have done very well in terms of being able to identify in the last quarter itself, take action and decisive action which has helped us improve the margins within the quarter. I would have rather done that than come back, lower the revenue, not improve the margins and done it two quarters down. We have been able to provide decisive action in the same quarter. And from here on, you will continue to see margin improvement as you're seeing. And like I said, we will shut everything off. Whatever we have to do should happen, hopefully by or will happen by March 31st for our current plan. And your Company, therefore April 1st onwards, continues to focus on EI. Look, our ambition is to become the world's first and biggest EI company in services and solutions. And we will continue to march towards that.

**Sandeep Shah:** Just a follow-up. In this rationalization exercise, once it's over, one can assume SWC seasonality which leads to volatile growth will now no longer be valid starting next year. And a question to CFO, sir. Sir, we are cutting down on low-profit portfolios, but our margin milestone has not been changed. It should have changed with the restructuring exercise. It could have been better than 16.5%. So, any reason for this?

**Amit Chadha:** I heard you. So, we seem to be in love with Mobility on some calls and we seem to be in love with SWC on some calls. We just don't like Sustainability, which is the highest profit margin in the Company, is it? So, let's go to this. So, all I can say at this stage is that we are looking at our portfolio very seriously. There are actions that we have taken. There are actions that we are taking. So, please allow us till April when we come back, when we provide you with that kind of clarity at this stage, please give us some more time in play right now. And on margins, I think Rajeev can please answer.

**Rajeev Gupta:** Sandeep, Rajeev here. I think on the second question that you have, that we should have seen probably an acceleration in terms of EBIT improvement. Rightly acknowledge, at this point, there is a little bit of prudence that is baked in. I probably will come back in Q4 to clarify. Our intent is definitely to deliver earlier than what I am guiding for. But at this point, it is more prudence that I have maintained that time period.

**Sandeep Shah:** Okay, fair enough. Thank you all the best.

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

**Nitin Padmanabhan:** Hi, good evening. Wishing you a very Happy New Year. I just wanted some context around the margins. So, one, obviously, the support that we were giving for the customer has come off and we have also had some currency benefit as well. And looks like, well, we have cut down these businesses, the headcount is still pretty flattish. So, just wanted some context around how should we understand this? Is the margin benefit from the cut down of businesses likely to accrue more in the next quarter and beyond? Or that is largely already factored in, in the current quarter? So, yes, that was the first question. The second one was around when are we expecting to sort of give out salary increases? And finally, well, our deal wins have been consistently strong, I think, for the past couple of quarters. And I think if you look at it YoY, it is a very strong growth. When should we start expect that to really start showing up from an overall portfolio perspective in terms of higher growth?

**Rajeev Gupta:** So, Nitin, let me take the first couple of questions and then I will have Amit to respond to the deal wins part. So, first one on the margin trajectory, I think what you need to understand is that in the quarter, we have seen the margin improvement come through from three areas. I called out during my commentary; it has indeed been on the improved quality of revenue and operational efficiencies. Of course, Sustainability has grown. We have also talked about some of the selective choice of portfolio of revenues and geographies. That is one. The second is on discontinuation of the strategic support that we provided in the past few quarters and rupee depreciation. So, it is a mix across. But what I would like to leave you with is that look, going forward, the margin improvement will come from 3 to 4 areas. One is that we want to become more, I would say sharper in terms of capital allocation towards higher margin segments and technologies. Amit talked about EI, which is really the engineered intelligence. And you will see margins improving across Mobility, Sustainability and Tech. So, it is going to be a combination. I already talked about selective choice of portfolio and geography. Last but not the least is the operational efficiency. We have recently had Munjay, who has joined us as a Chief Operating Officer. He is championing the AI cause for the Company. And there is a lot of work at this point in time going around AI-led delivery. And we will call out more specifics as we come into Q4. But these are the areas that likely will continue to improve. And last is around the Intelliswift acquisition. Like I said earlier, we have got about 6 to 8 quarters of integration plan. And that business has continued to grow and improve in profitability. So, those are the 3-4 areas that I will clarify in terms of the margin trajectory going forward.

**Amit Chadha:** Second question was about wages. We will provide wage hikes to all our employees worldwide in Q4. And we have baked that in into our estimates as we have provided you with our margin trajectory. So, that was your second question. Third was on deal wins. So, Nitin, we have had deal wins in Sustainability. So, I was very honest and open in sharing what did not ramp up. So, the Mobility win that we had in Q4 has not ramped up for us. And still going small as opposed to what we were expecting. The other wins that we have had in Sustainability and Plant subsegment as well as in Industrial Products have ramped up. And therefore, you can see that growth. Mobility, there were some smaller wins, sub $10 Mn wins that have helped us in terms of, you see, the biggest hit we take on the furlough quarter, which is October, November, December is in Mobility. And largely Mobility is US, in Europe where we take them, Mobility where we take the hit. So, in spite of that, Mobility sequentially grew for us. And we believe Mobility has bottomed out. You will see growth from here. And a little bit of ramp up, whatever we have won in Q3, that entire ramp up, that I am confirming to you has already taken place. In Tech, the deals that we had won, they did, like I mentioned to one of the earlier colleagues in the call, that when you look at Tech, if I keep the business that I walked away from, I would have actually shown you double digit growth as well as sequential growth in Tech as well. So, the deals are ramping up other than that one deal that I called out, the others have ramped up as we speak.

**Nitin Padmanabhan:** Perfect. That's helpful. Just one clarification. So, as we get into the next quarter with the wage increases in place, are there any, could you give us some sense in terms of puts and takes on how to think about margins there or should we expect margins to be lower? We will not be able to offset the wage increase, I presume.

**Rajeev Gupta:** So, Nitin, let me take this question. So, you should see the wage increases in Q4 that Amit talked about could likely have an impact of about a percent. But we will continue to see improvement in margin because we factored this wage increase. Like you saw in Q3, we saw an improvement of 200 bps in gross margins and that also will somewhat pan out, not to that extent, but will pan out in Q4 between both gross margin or SG&A. So, about a percent of increment impact will get absorbed on account of all the aspects that I talked about on margin improvement.

**Nitin Padmanabhan:** Perfect. That's very helpful. Thank you so much and all the very best.

**Moderator:** Thank you. Our next question is from the line of Ravi Menon from Macquarie. Please go ahead.

**Ravi Menon:** Thank you and congrats on the margin improvement. Just some clarity on the Tech vertical margins. Last year, Q3, I know that prior to the acquisition, but still, that's on an EBITDA basis, we are still a bit below that. So, to understand a bit with the restructuring, what would be a sort of sustainable EBITDA in Tech that we could see a year or so down the line?

**Rajeev Gupta:** Ravi, I will take that question. This is Rajeev here. So, a sustainable EBITDA in the Tech portfolio and you said, right, if you look at YoY, Q3 FY25 we had EBITDA of 11.5%. We have come in at 10.6% in Q3 FY26. What I will say that look, we would aspire for between 12% to 13% EBITDA range in Tech sector. Work left and I think we will continue to see this over a period. So, that's what you should factor in.

**Ravi Menon:** Right. Thanks so much. And this deal that you have won with this luxury OEM covering infotainment systems, is that purely, I can say, project-oriented work or is there a bit of IP also bundled as part of that?

**Amit Chadha:** There is a little bit of IP bundled in that, Ravi, and part of a little bit of that is renewal, being completely transparent, and there is a part of it that is new. So, we have won all that. In fact, I want to share that the IP that we have created, we have bundled that in, including our AI solution for improving productivity, etc., for the client. That's how we won this.

**Ravi Menon:** Right. Thanks so much. And another clarification on this deal, this Australian Enterprise, which segment would that fall under? The high-value engineering center that you are setting up.

**Amit Chadha:** Australia?

**Ravi Menon:** Yes.

**Amit Chadha:** That is LNG. LNGs will come in Plant Engineering. Most of the work will be offshore.

**Ravi Menon:** Thanks so much. And one last question on this on-site shift. I missed that part of the comment. I think, when do you expect this to move offshore? This is a strictly temporary issue.

**Rajeev Gupta:** So, Ravi, I will take this one. Rajeev here. I would say that this is more of, I think, kind of come back. See, we have hovered around offshore ratio between, say, 56% to 58%. Hence, I would not at this stage guide for where it stands to be in Q3. You will see a few quarters, and this will come back to that range.

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

**Moderator:** Thank you. Our next question is from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management. Please go ahead.

**Sudheer Guntupalli:** Hi, Amit. Thanks for the opportunity and appreciate the color you have shared on restructuring of lower margin business and agree with you on all the logic that you spoke about. But my question is, when the SWC acquisition was announced roughly three years back, most of the analysts and investors have expressed the same concern at that point in time. So, three years out, what has changed for us to sort of claim that it's a great strategic trade to going to the level of saying that a lot of these businesses may become obsolete and that's why we are now restructuring it?

**Amit Chadha:** So, Sudhir, if I may help you here, the business that we have right now looked at that is not strategic for us for the future. So, if I step back and I talk about the whole portfolio, Sudhir, if I look at, so if I go back 15 years, we used to work on mechanical engineering in Auto with Tier 1s. Right? If I look at the last 5 years, 5 years ago we decided that we don't get into OEMs, we will be dead. And if we don't move to EV and Software, we will be gone. Today, if I look at our Mobility portfolio, you got 80% coming from OEMs and most of it in the non-mechanical area. So, things change, times change. 15 years ago, mechanical was core for the Company, they would give out embedded and software, car companies. Today, they don't care about mechanical, they are concerned about embedded and software because that is a differentiation. So, there is a part and relevance that core becomes contextual, contextual becomes core. This is reality in the business. Right? That's number one. Now, let me take the pointed question on SWC. I am again saying the part that we have rationalized, and we have taken out is stuff that's in Middle East/Europe part in Tech. There is a portion of US Tech, which is old technology that we were supporting and testing that we realized will actually become completely commoditized in the next 18 months. So, we actually shut that down and respectfully returned the equipment to the customer and that was all India billing that was happening. And third is there are parts of Indian customers where we did not accept new business that we could have otherwise accepted. So, those are the three elements there. Now, as far as Smart World specifically is concerned, there are parts of Smart World like I said, Cybersecurity and Telco Infra that have found their foothold in US and Europe. There's parts on data centers that have found their foothold in US and Middle East. But please give us some more time as we go through this process to come back to you as well. But we are fully aware of decisions made, decisions being made right now, and we are being strategic about it.

**Sudheer Guntupalli:** Sure, sir. I appreciate that context. So, I agree with you that over 10-15 year time frame technology changes and a lot of things which were very relevant then might not be consequential anymore. But given that this is fairly recent, it's a three-year-old acquisition, and most of us have expressed this concern when you have actually refuted all these concerns and given a comfort that this is very strategic for you. So, in that backdrop comes my question of what is the incremental discovery here that led to this rationalization? That is part number one. And part number two, I am following up on this question because I think Vibhor and Sandeep asked the same question in a different form. And from your response to them, I was not very clear whether this entire restructuring is happening entirely out of SWC or there are other parts to it also. So, based on these two aspects, I am repeating this question. My apologies if there is a misunderstanding on my end.

**Amit Chadha:** No, Sudhir. So, let me again try to explain.So, number one, there are parts of Tech that we were servicing through Israel which we have shut down. Part two, there are parts of Tech where we were supporting them from India, getting the orders on INR billing which is what shows up as offshore for us in India revenue that we have shut down. There are parts, very small parts of old Mobility stack work in Europe that we have shut down. And fourth, there are Indian clients that take some of our offerings where we could have accepted the order at lower margins that we did not accept. We continue, in my commentary I told you FusionWorld.ai continues. There are parts of smart world that we are working on in cyber security that continue overseas. And the smart world delivery is continuing to happen in India. So, I don't think the premise that you know the rationalization is all smart world is correct. But like I told you, you will allow us some more time and we will come back by within Q4 on what else steps we will make to take it forward. Look, our final business, the markets we operate are US, Europe, Japan, Middle East and parts of India that are profitable. If there are businesses in profit pools in India that are not profitable, I would not want to work on those businesses because that does not make sense for my investors.

**Sudheer Guntupalli:** Fair enough, sir. Thank you.

**Moderator:** Thank you. Our next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

**Dipesh Mehta:** Thanks for the opportunity. A couple of questions. First, about the $ 200 Mn deal intake, which we refer for five quarter on average basis, whether it is sufficient for us to meet our aspirational organic growth? Considering all the rationalization, what we are currently carrying out and optimal mix or let's say business mix change, which we envisage over the next couple of quarters? So, that is question one. Second question is about SWC and related to restructuring. First is whether you can quantify impact of restructuring? Whatever we have carried out this quarter, you alluded 3-4 elements of restructuring. What would be the cumulative impact of that, if you can quantify? And last is about SWC business used to have a regular seasonality in Q4. Partly you indicated it is not only SWC, it is other part of business also where restructuring is heading out kind of thing. So, whether the usual seasonality, what we observe in the residual SWC, which we continue to execute, whether we will see in Q4. Thank you.

**Amit Chadha:** Thank you. So, number one, we aspire from this $ 200 Mn clip, we want to move to a $ 300 Mn clip. But I don't know when because it will take a little time. So, to answer your question, to accelerate growth, we should move from $ 200 Mn to $ 300 Mn clip. Absolutely, and then $ 400 Mn and then $ 500 Mn from there. That is broadly, of course, where we will look at as we move forward. So, that is A. B now, again, I am going to repeat myself here. But Smart World, the stuff that we have let go or we are letting go will have an impact. Let me answer it differently, had we not let it go, you would have had double digit growth. Now, because you let it go, you are going to have mid-single digit growth. So, you can do the calculation of what is the impact of that, that restructuring. Now, I have taken that into account and given that to you as a floor, assuming what we know in Q4 at this stage. If some deals, new deals come in, all of a sudden execution starts, Q4 picture could change. So, we will keep you updated as we move forward. I assure you, we will be as transparent as we can be with you. Whatever we know, you will know.

**Dipesh Mehta:** Let me ask it slightly different way. Considering whatever restructuring exercise, we are considering to make the organization future ready, do you think any impact on those extents on FY27 growth trajectory or we will end this exercise by year end?

**Amit Chadha:** We should end the exercise. Our current plan is that the exercise will end by March 31st , 2026 and we will be able to go forward from there. That is the current plan.

**Rajeev Gupta:** Maybe I will add to that, Amit, just to clarify. See, maybe Amit talked about it earlier. Large part of this restructuring exercise has already been done in Q3. The impact that flows into Q4 you talked about which is baked into the mid-single digit growth. So, I would not want you to think that there is more coming in Q4. Whatever is done in Q3, that is already baked in the mid-single digit growth. That is one part. Second, to your point on the $ 200 Mn deal wins in a quarter, does that suffice, to tell you that is not the only barometer for revenue growth. We operate through our order book, which gives us definite view in terms of revenue growth plus the large deal wins accelerate the revenue growth. So, I would not want you to think about large deal wins as the only way for driving revenue growth. So, those are the two points I will add to what Amit said.

**Amit Chadha:** I would like to confirm, the pipeline that you got is year on year has grown double digit as well. And we are confident there is some good significant deal in our pipeline. There are, I would like to say, multiple hundred million plus deals that we have got. There are some $ 50 Mn deals, $ 20 Mn, $ 10 Mn. Let us see how we can get to closure. The year is in play. The quarter is still in play.

**Dipesh Mehta:** No, fair point. I think we just try to understand because if I look at organic growth, Q4 would be double digit down. And that is why we try to understand how to do attain it. Thank you.

**Amit Chadha:** Thank you, sir.

**Moderator:** Thank you. Our next question is a follow up from Vibhor Singhal from Nuvama Equities. Please go ahead.

**Vibhor Singhal:** Hi, sir. Thanks for giving me the opportunity again. Now, assuming all the questions on the restructuring part are done, I will just focus a couple of questions on the core business in which we are doing really well. So, on the Mobility side, you mentioned that you possibly see a turnaround. I remember a couple of quarters ago, we had discussed and you had mentioned that in the Mobility vertical, it's a very interesting situation that in the US, the Auto companies are kind of confused whether they should go towards EV or ICE vehicles. And the latest step by Ford is a testimony to that thing. And in Europe, they are facing a lot of competition from the Chinese competitors. So, what do you think has changed or could change in the coming quarter, which gives you the confidence that this Mobility vertical could be at the cusp of a turnaround? And secondly, on the Sustainability vertical, I think it's consistently done really well for us. Is the Plant Engineering sub segment of that really doing good for us? And do you think it will continue to do well going forward as well, given the backdrop of the uncertainty around the tariffs?

**Amit Chadha:** Got it. So, why don't I request Alind, why don't you take the Mobility question on US and Europe, and then I will take the Sustainability question.

**Alind Saxena:** So, Vibhor, hi. You know that the Mobility segment for us is basically three different verticals, Auto, Trucks & Off Highway and Aero & Rail. We do see the deliberateness coming in Auto, for sure. We do see the wins that we had done earlier ramping up now and leading to the growth that you are seeing or the growth that you are going to see going forward. Plus, the solutions that we had built out in SDV and we talked about the investment that we had done earlier, those are beginning to bear fruit. Now, your question about the electrification and the others, you have seen some write-offs happen by the large US automakers on the electrification side. So, that's out in the open, but we see that the momentum on the SDV still remains and will continue to power the growth that we have. T&OH, as we talked about earlier, is a little bit soft for now, but Aero & Rail, which again has been a market for us and growing, especially on the engine manufacturer and certain rail companies, remain positive and we will see that trajectory grow as we think about it in the short term. A long time is not going to be played out, but we remain very positive about this sector as we see it.

**Amit Chadha:** So, if I may, so US bottomed out, we do expect growth from here on and we have seen the deals and they have started ramping back up organically and like Rajeev said, on the small one, less than $ 10 Mn number of deal wins, and on Europe, what is happening is that they are taking out higher cost suppliers and they are moving that work to India Inc. So, not just us, others should also gain from Europe as we go forward. Sustainability, the growth is coming from IP as well as PE, both of them. In fact, PE is getting a lot more work in industrial AI and digital and physical AI and plant is getting work because of build-out in LNG, build-out in Oil and Gas, build-out in CPG. So, both the areas are expanding for us and doing well.

**Vibhor Singhal:** Got it. CPG also? You are seeing good traction in CPG as well

**Amit Chadha:** So, right now, its between CPG and Oil & Gas, CPG some project got over, another one is going to start, but Oil and Gas is chugging along. In fact, we are diversifying into LNG and that we believe will be the next play in Middle East as well as Australia. So, this Australia win we have had in LNG is good for us to create the credentials in that area and US anyway, the work is going on and Europe in the digital part for Oil and Gas.

**Vibhor Singhal:** Got it. Thanks for taking my questions again and again, wish you all the best.

**Amit Chadha:** Absolutely. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, we will take that as 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:** Thank you. Thank you all for joining us on the call today. We hope we were able to answer your queries. I know some of the questions will still be left. So, we look forward to interact with you through the quarter and answer those queries. Wish you all a very good evening and a good day. Thank you.

**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.

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