



L&T Technology Services

Q4 FY26 Earnings Conference Call Transcript

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MANAGEMENT: **MR. AMIT CHADHA – CEO & MD,**
MR. ALIND SAXENA – EXECUTIVE DIRECTOR & PRESIDENT,
MR. RAJEEV GUPTA – EXECUTIVE DIRECTOR & CFO,
MR. MUNJAY SINGH – CHIEF OPERATING OFFICER
MR. SANDESH NAIK – HEAD, INVESTOR RELATIONS

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4FY26 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 this conference, please signal an operator by pressing the “*” 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. Sandesh.

Sandesh Naik: Thank you, Sagar. Hello, everyone. I'm Sandesh, and welcome to the Earnings Call of L&T Technology Services for the fourth 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 half an hour after the call ends.

With that, let me introduce the leadership team present on this call. We have with us Amit Chadha – CEO and MD; Alind Saxena – Executive Director and President; Rajeev Gupta – Executive Director & CFO; and Munjay Singh – COO. We will begin with Amit providing an overview of the company's 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. So, thank you all for joining us on the call today on a very busy results day. First of all, I would like to congratulate and welcome our CFO, Rajeev Gupta, as Executive Director and Chief Financial Officer on the Board of LTTS.

I would also like to extend a warm welcome to Mr. Amitabh Kant on his appointment as an Independent Director on the Board of LTTS. We are delighted to have him join the Board. A governance reformer and public policy change agent, Mr. Kant also serves on the Board of Directors of the L&T Group.

Now let me share the **key highlights for FY26:**

- In FY26, the total revenue, including continued and discontinued operations, grew 5% to \$1,321 Mn as indicated in the previous quarter
- The SWC business has been classified as discontinued going forward, and therefore, the revenue from continued operations delivered a higher growth of 8.3% at \$1,233 Mn. Here on, we will only talk about the continued operations
- Sustainability continued to do well with 12.8% growth, while Tech, including Intelliswift, grew 19.7%
- North America did well with a growth of 12%. All other geos showed positive growth
- Our FY26 total large deal wins came up at \$855 Mn, up 40% over the previous year

Now let me provide you **key highlights for Q4FY26:**

- Revenue was \$306 Mn, grew 0.3% annually, while we de-grew 1.7% sequentially, reflecting a deliberate shift towards improving the quality of revenue over the last 2 quarters with strategic portfolio rationalization leading to a more resilient business baseline. This is as we had informed you during the Q3 results call
- This is reflected in our EBIT margins expanding by 40 bps sequentially to 15.2%, second quarter in a row. Rajeev will share more details in his commentary
- Sustainability grew sequentially, continuing with its double-digit YoY growth momentum and Mobility remained steady.
- Our large deal win continued its momentum with a healthy TCV of \$182 Mn in the quarter, reflecting our deep client relationships and validation of our new technology investments
- We finalized our Lakshya 31-Plan and completed the strategic portfolio realignment exercise, resulting in pruning businesses based on regional focus and offerings and divestment of the SWC business to pivot on Engineering Intelligence and core AI-led digital engineering services.

Let me now provide you a segment performance and outlook:

Mobility:

- The Mobility segment remained steady with revenues almost flat on a sequential basis. Over 40% of our large deal wins in Q4 were in the Mobility segment, indicating a turnaround for CY26
- We see momentum in Auto subsegment, particularly North America Automotive, showing good growth over the previous quarter

- Aerospace and Rail subsegment has been resilient, while Trucks and Off Highway has been slightly subdued
- We are gaining traction significantly in optimizing products and software life cycle through Generative AI and Agentic AI-led delivery models, enhancing enablement of product experience for end customers
 - A global premier technology group selected LTTS as a strategic engineering partner to drive digital transformation across its entities and establish a High Value Engineering Hub with us
 - LTTS entered into a strategic collaboration to establish a Center of Excellence for next-generation recreational marine solutions, leveraging its cross-domain expertise in Software-Defined Vehicles, electrification, AI and digital engineering
 - LTTS was selected as a strategic partner for cargo logistics major to develop next-gen air mobility solutions, leveraging LTTS' capabilities across aerospace, engineering, electrification, manufacturing to accelerate aircraft readiness
- From a Geo standpoint:
 - The U.S. market, particularly Automotive, is seeing positive traction with increased investments in SDV technology, and we have been gaining market share
 - In Japan, steady wins in programs for future model launches has led to our growth in that geography
 - For European OEMs, cost optimization remains a priority through strategic partnerships. We are well positioned to benefit from these as we go forward with a number of deals in the pipeline

In summary, the Mobility segment is showing early signs of growth. We expect sustained momentum in CY26, driven by a robust pipeline and stronger deal ramp-ups of the large deals.

Moving on to our second segment of **Sustainability**

- Sustainability grew 11% YoY on the back of strong execution of deals that we have won in the previous quarters. Over 50% of large deal wins in Q4 were in the segment ensuring strong momentum growth.
 - This segment established its strong credentials by forging a strategic partnership with a leading global energy major to be its engineering service

and technology partner for digital expertise in India with 500-plus engineers. This was filed in the stock exchanges earlier last week.

- The **Industrial** subsegment is benefiting from capex tailwinds in AI-led Datacenter spending globally. Combined with our strong engineering capabilities in power electronics, embedded systems expertise, enabling cross-domain solutions combined with EI, which integrate digital automation and AI-powered platforms across PDLC offerings
 - The Energy and Automation and Industrial Machinery sector continue to see strong demand with reindustrialization of the US, supported by a healthy pipeline in asset management and backed by large deal wins
- **Plant Engineering**, a subsegment of Sustainability, demand continues to hold steady across CPG and O&G.
 - We were selected by a leading Oil and Gas operator for strategic initiative to build digital foundation across global assets, enabling engineering, operations and digital transformation.
 - We were awarded a multiyear program by a North American energy major for data modernization and asset integrity support across onshore operations, leveraging advanced digital platforms across multiple geographies.

We expect the growth momentum to continue for Sustainability segment across both Industrial and Plant on the back of ramp-up in large deals and strong pipeline.

Moving on to **Tech**

- As mentioned earlier, we have recalibrated our business in this segment to focus on profitable growth, driven by forward-looking technologies. The subdued revenues in Tech segment reflect the conscious exit from nonstrategic businesses where we have also incurred some one-time expenses on account of the same.
- The **Media & Tech** subsegment is rapidly evolving with strong focus on AI-led platform-centric offerings, resulting in execution of more high-end and high-margin work for our clients.
 - We do see growth in Semiconductor and Tech Infra accounts, while Media business has been steady
 - Deal wins we have won in the previous quarters in the **Telecom** and **Semcon** subsegment have been steadily ramping up.
- The **MedTech** subsegment, the deal momentum has evolved through ramp-ups in certain new accounts, strategic programs and deeper relationships.

- We have secured multiple design and development mandates in human, biologics and drug delivery devices from 2 leading global pharmaceutical companies.
- We also partnered with top 10 EU-based medical device manufacturer to bring camera-based AI intelligence to the operating room.
- This subsegment grew in line with company revenue annually.
- The **Software and Platform** subsegment, which includes Intelliswift, is leading our engineering intelligence framework for data-driven intelligence and automation.
 - A large empanelment received from a leading hyperscaler is expected to start ramping up Q1 onwards.

Let me now cover a bit on our **technology quotient**:

- EI, or Engineering Intelligence, is LTTS' approach to embedding AI across products, processes, and next-gen manufacturing - translating deep engineering expertise into reliable real-world outcomes
- Powered by multimodal, agentic, and edge AI, EI delivers autonomous, production-grade systems, driving differentiated high-value outcome reflected in our large deal wins
- LTTS has also strengthened its partnership with MIT Media Lab to explore and incubate forward-looking technologies such as Multisensory Intelligence, Signal Kinetics and Personal Robotics
- We have surpassed the 1,700-mark in our patent filings for FY26, congratulations to all our employees and technologists, including 673 patents filed by LTTS and 1,033 co-authored with clients. Of these, 237 patents now are in AI and GenAI domain alone.

Finally, let me share a **glimpse** of our **Lakshya 31-Plan** and the way forward.

After careful consideration and deep analysis of the futuristic technologies and evolving market needs, LTTS has defined its course for the next 5 years. The company is doubling down across technology, manufacturing and industrial domains.

Under its 5-year strategic Lakshya plan, LTTS is sharpening its focus with 6 large technology bets, including EI, which will accelerate growth further in the 3 segments of Mobility, Sustainability and Tech, while consolidating our position as a global engineering intelligence partner for our clients.

Our 6 bets include,

- Software-Defined Mobility

- Plant Build-Out and Modernization
- Energy and Industrial Automation to Digital Manufacturing,
- Next-Gen Compute and AI Infra
- Software Platforms in EI
- MedTech

These are the 6 bets that we have bet on.

To ensure strong execution of Lakshya 31 strategy, we have reorganized and promoted our leadership from within to sharpen accountability, deepen segment focus and accelerate market share gains through a differentiated growth approach. To this end, I already shared with you the elevation of Rajeev on the Board.

- Additionally, Alind Saxena, who is currently Executive Director and President for Mobility and Tech, will take responsibility for strategic initiatives, large deals and growth markets. In his role, he will drive scale to deals, bringing in additional revenues and growth to the company as well as drive partnerships and complex deal wins
- Subrat Tripathy, who has been in the company for more than 15 years and has led our Plant Engineering portfolio as segment head, will now lead the entire Sustainability segment, IP plus PE and is being promoted to Chief Growth Officer, Sustainability, strengthening our play in energy, physical AI, automation, plant and manufacturing modernization
- Finally, Srinath Nagarur, who's been in the company again for 6-plus years, is being promoted to Chief Growth Officer for Mobility and MedTech, driving growth across software-defined technologies in mobility as well as advancing remote diagnostics, robotics and GenAI, agentic AI-led solutions in the MedTech space. Sri in his past has worked on mobility, medical and tech, all the 3 spaces and brings that rich experience

All these leaders have been part of the LTTS executive management team for between 6 to 15 years and bring the right blend of energy, experience, humbleness and strong client relationships to accelerate our growth agenda.

Now moving on to **outlook**:

The last 5 years saw LTTS grow at 12.4% CAGR, outpacing industry growth of 8% as per Zinnov estimates. We believe we continue to be in a position to grow faster than the industry over the medium term, supported by strong core capabilities and execution discipline on revenue and margins.

We remain cautiously optimistic in the near term. And as part of our 5-year Lakshya 31-Plan, we aspire to deliver 13% -15% CAGR over the next 5 years with EBIT margins in the range of 16% -17%.

With that said, I would like to truly thank all of you for the support that you have provided me over these last 5 years. I look forward to the next 5 and would now hand over to Rajeev to provide his commentary, and then we'll stay back for questions. Thank you so much.

Rajeev Gupta:

Thank you, Amit. Before getting into the commentary, I'd like to thank our Chairperson, the Board for reposing trust in me and having me on the Board and to Amit for his continued support.

With that, let me begin by giving you an overall picture for the year FY26

- FY26 total revenue included continuing and discontinued operations came in at \$1,321 Mn, and YoY growth of 4.9%,
- EBIT margins for FY26 came to 14.1%,
- Net income margin for FY26 came in at 11.3%.

Now talking about disinvestment of SWC business.

In March of 2026, we announced the disinvestment of SWC business. Accordingly, SWC business has now been classified as discontinued operations beginning quarter 4 FY26. With that context, my commentary here and after will address the continuing operations.

Starting with the key highlights for Q4FY26,

- We had consistent deal momentum, resulting in average large deal TC wins of \$200 Mn across 6 consecutive quarters
- Our focus on improving the quality of revenue and operational efficiencies has further boosted the gross margins in Q4 FY26 with a 150 basis points increase on a sequential basis. All 3 segments have shown sequential improvement in gross margins
- Further, our collection efforts have led to improvement in DSO metrics during the quarter

Moving to both Q4FY26 and FY26 financials, starting with P&L:

Our revenue for the quarter came in at ₹ 2,858 crores, a growth of 2.5% on a sequential basis, while YoY grew at 8.3%.

Revenue for FY26 was at ₹ 10,996 crores, a growth of 14% over FY25.

EBIT margin for the quarter came to 15.2%, an improvement of 40 bps over the previous quarter. EBIT margin for FY26 was at 14.5% of revenue.

Effective Tax Rate (**ETR**) for the quarter came in at 26.6%. For the year, ETR was at 26.5%, showing an improvement of 90 bps over previous year. Going ahead, we expect this to be in the range of 26.5% to 27%.

Net Income for the quarter stood at ₹ 346 crores, which is 12.1% of revenue, showing an improvement of 70 bps over previous quarter.

For FY26, net income was ₹ 1,282 crores at 11.7% of revenue.

EPS from continuing operations stood at ₹ 30.14 for the quarter, translating to an annualized EPS of ₹ 120.56. This represents an improvement over the reported FY25 EPS of ₹119.7, underscoring the success of our portfolio rationalization strategy and the strengthened performance of our continuing business.

Other Income for the quarter was ₹ 38 crores, higher compared to previous quarter.

Now moving to the balance sheet, highlighting a few key line items:

The combined DSO was at 83 days compared to 93 days in Q3, an improvement of 10 days. Billed DSO also improved from 68 days as compared to 77 days in Q3. The combined DSO is expected to be in the range of 85-90 days going forward.

In FY26, Free Cash Flow came in at ₹ 1,280 crores. Our FY26 FCF as a percentage of net income stood at 100%.

Our Cash and Investments improved to ₹ 3,555 crores end of FY26 versus ₹ 2,981 crores end of FY25.

On Capital Return

The Board today recommended a final dividend of ₹ 40 per share, taking the total dividend for FY26 to ₹ 58 per share. This translates to a dividend payout ratio of 48% for FY26.

Our Return on Equity stands at 20.4% for FY26.

With respect to Revenue Metrics,

In dollar terms, we reported revenue of \$305.9 Mn, growth of 0.3% on a year-on-year basis, while a decline of 1.7% on a sequential basis. The sequential decline reflects the conscious exit from low-margin and nonstrategic portfolio in addition to the disinvestment of SWC business. FY26 revenue came in at \$1,233 million, year-on-year growth of 8.3%.

Talking about segment margin performance for Q4FY26,

Mobility segment margins for Q4 came in at 16.1%, a sequential improvement of 130 bps over previous quarter. Healthy deal wins in Mobility in the previous quarters and sign of improvement

in the Automotive sector should lead to revenue growth in FY27, leading to further improvement of margins in this segment.

Sustainability segment margins for Q4 remained steady on a sequential basis at 28.7%. Strong execution of the deal wins in recent quarters led to improvement in quality of revenue and will continue to aid revenue growth and margins in FY27 for Sustainability.

Tech segment margins for the quarter came in at 12.6%, sequential improvement of 210 bps over previous quarter. This is due to continued improvement in Intelliswift margins and restructuring efforts in this segment to focus on sustainable and profitable growth.

On operational metrics,

The Offshore Mix was 53.5%, slightly better compared to Q3. We do see improvement opportunities in this mix in the coming future quarters.

The T&M revenue mix was at 66.1% in Q4, higher compared to Q3.

Client Profile, we have the first \$50 Mn+ account in Sustainability segment and have formally reported in the IR report and also an increase in number of clients across \$5 Mn +, \$1 Mn + accounts compared to previous quarter. With our deep relationships with clients and new age offerings, we expect this profile to improve further.

Client Contribution to revenue improved as compared to Q3 across categories.

Headcount improved sequentially by 522 to 23,830 at year-end as we onboarded freshers during the quarter.

Attrition remained range bound at 14.7% levels.

Realized rupee for Q4 was around ₹ 93.43 to the dollar, a depreciation of 4.3% versus Q3.

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

- We did refer in our Q3 commentary that margins will continue to improve and indeed have seen Q4 margins improve to 15.2%.
- We expect margins to continue to improve further based on
 - Capital allocation towards high-growth segments and newer technologies in line with our Lakshya 31 strategy
 - Also, we will see improved segment mix with now Sustainability segment contributing 36% of overall revenues in FY26. The recent deal wins will allow to continue this trend in FY27, leading to improvement in overall margins

- Further operational efficiency parameters around AI-led delivery, initiatives to improve operational levers, nonlinearity of revenue and rationalization of SG&A costs in line with continuing business are further opportunities to improve margins
- With this, we now advance our aspiration to achieve mid-16% EBIT margin levels on or before Q4FY27
- And as part of our 5-year Lakshya 31-Plan, we aspire to deliver 13%-15% CAGR over the next 5 years with EBIT margins in the range of 16%-17%

I thank everyone for their support. And with that, I hand it over to the moderator for any questions.

Moderator: Our first question comes from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes. Okay. Thank you so much and congrats to Alind and Rajeev for their elevation. Amit, a couple of questions from my side. A very bold decision indeed in terms of divestment of the SWC business, something that we had acquired just 3 years ago. Just want to understand the thought process behind this step.

I think we had earlier talked about this business offering us opportunities in the Middle East and some other places as well. So, was the consideration here just the profitability of the business that we were looking at? Or was it also that basically the growth opportunities that we saw in other segments were much better, and that is where we basically decided to allocate our capital to. Any basically color on what the thought process was behind this decision would be really helpful.

Amit Chadha: Sure. I'll start, and then I'll request Rajeev to add to it. So, see, when we acquired Smart World, there were three components in Smart World. There was Smart Cities part which was there. The second part was the Telco Infra piece and the third was the Cyber piece, right? So, what we did was that our whole thesis was that we will take these three, and we will immediately work on taking them international, right? That was our whole play that we had done.

Now as we have moved forward, what has happened is the Telco Infra piece, we were able to take it international. We have been able to deliver 2 accounts that are upwards of \$20 Mn in the company and very profitable at that and growing, right, and gaining market share over competition with differentiated offerings.

The Cyber business, which was running actually at record margins, again, we were able to take those capabilities and be able to infuse them within the company and take those forward. Smart Cities, however, we were not able to internationalize because a lot of that work is done with local governments and is done for creating local jobs.

So, after we have done it for 3 years with different kind of management as well as attention, what we have done is we have, therefore, decided to divest. So, mostly India and slightly international operations of Smart World have been divested.

And at the same time, we have retained some of the capabilities that we've built organically being just associated, those have continued on in the company and continue to provide leverage to us as we move forward. So that's broadly where it is right now. Would you like to add anything at this stage, Rajeev?

Rajeev Gupta: No, I think, Amit, you've covered broadly. Vibhor, the only thing I would add to is that, look, when SWC business was acquired back in the start of 2023, the rationale was to take SWC global, right? And much like Amit said, there were three areas of business. There was Smart City, there was Infra and Cyber.

I think Infra and Cyber have shown positive results. Smart City, for particularly India business is where we could not see taking global. And that led to making a strategic decision for the purpose of disinvestment. So largely, that's where it is, Vibhor. Hopefully, it answers your question.

Vibhor Singhal: Yes, it definitely does. Thanks for that explanation. And since you are at it, Rajeev, may I just ask a couple of more bookkeeping questions on basically accounting of that. So, we have basically the \$1,232 Mn revenues that we have mentioned, that basically takes into account the SWC revenue not being considered for the entire FY26. And so does the P&L as well. Am I right?

Rajeev Gupta: That's correct. So, what you see on the Investor Report is reflecting the continued part of the business and does not have SWC in any of the prior quarters. So, it has comparability and it's like-for-like.

Vibhor Singhal: And we are not expecting any more divestment or any more basically modifications to the financials from Q1 onwards?

Rajeev Gupta: So, from Q1 onwards, we will report the continued operations only.

Vibhor Singhal: Only. Got it. Got it. And the restructuring exercise is complete. Nothing is left in the residual part of that?

Rajeev Gupta: Yes, it is complete.

Vibhor Singhal: Got it. And just one last question, and then I'll probably switch back to Amit for another question. Now that we have divested SWC business, and we know that basically the margins and the working capital days of the business were significantly inferior to our core business. Do we expect, I mean, you mentioned the margin guidance we're looking at around 16% - 17%.

I mean, is that a kind of a target for the next 5 years? Or do you believe it can be achieved over the next 2 to 3 years itself? And also, do we expect an improvement in the DSO days immediately in the near term given that SWC business will be out of the books?

Rajeev Gupta: So, on the margin part, Vibhor, I did clarify. So, we continue to aspire to get to mid-16% levels by Q4FY27 of this year. And if we've got an ability, we would like to deliver that prior to Q4FY27. This...

Vibhor Singhal: Okay, so that guidance remains?

Rajeev Gupta: Correct. And the 16%-17% is in line with the Lakshya FY31 strategy. So, over the period of 5 years, we would like to maintain EBIT margins in that band. Third, on DSO metrics, you are already seeing the improvement. I talked about the improvement in DSO metrics, and I highlighted, right, what was the DSO metrics, excluding the SWC business.

So, for Q4, we came in at 83 days. So, you're already seeing the benefit of DSO days coming down. And we will be in the band of, say, between 85 to 90 days. What used to be including SWC, if I were to recall Q3, we were closer to between 110 and 115.

Vibhor Singhal: Got it. Got it. Thanks for the detailed explanation. Amit, just one more question from my side. Your commentary alluded to some very positive signals on the Auto segment. Now this is a very positive sign because this vertical has been under pressure for quite a while for almost all of the players. You mentioned that the North America Auto specifically is looking positive. So, any color on basically how we are looking at, are there anymore -- are there good frequent deals that we're looking at in North America auto? And also, will European Auto also expected to follow suit? Or will there be some time before that kind of recovers?

Amit Chadha: Sure. So, thank you so much, Vibhor. Vibhor, I just want to make one more point on your previous question on just the continued business. So, if you look at the Q4 results, the Q4 numbers that we have published for continued business, that does have the business that we stopped doing also.

So Q1 onwards, it's all clean as you see it moving forward. So, it's not just SWC, it's also the other part that we divested, we are talking about \$19 Mn annualized that we are taking out. That has been taken out in Q4. So, quarter 1 onwards, it will be all upward. And that's why you see the revenues and margins in Q4, gross margin itself going up in the business, right?

Now moving on to Automotive. Number one on Automotive. See, in US Automotive, what has happened is that our customers as well as overall, as you've seen, they have taken a chunk of whatever hits they had on EV last year, and they are all surefootedly moving ahead with hybrid and gas vehicles. This is a good thing because it provides clear decision now that it will clear up the path for design cycles to start yet again. And we are seeing some of that positive impact in SDV coming to us. That's number one.

In Europe, they are still between losing market share in Asia, etcetera. But in Europe, there is a number of deals that we are fighting right now and competing for consolidation against European

majors as well as other India Inc. companies. So, there is a lot of that pipeline. So, both have got slightly different, shall I say, context and contours to it, but we are seeing positive momentum in Automotive coming back.

Vibhor Singhal: Got it. Great. Thank you so much for taking my question. Congrats again on the very strong fit and wish you all the best.

Amit Chadha: Thank you.

Moderator: Your next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Yes, thanks. Thanks for the opportunity. Amit sir, just wanted to understand within Mobility and Sustainability, one can assume the worst is behind. Sustainability, we were anyway doing better. So, Mobility, you expect we can start growing QoQ starting from the first quarter? And even in Tech, when do you expect the worst to get over?

Amit Chadha: So, thank you, Sandeep. So one, Sustainability will continue to grow as we move forward, right? Mobility has stabilized this quarter. You will start seeing growth from next quarter. And in Tech, there are three components. There's MedTech and there's Media and Tech, which includes Semcon and then there is Software. And we do believe that next quarter onwards, we should start seeing that growth again.

So, we should see growth in all 3 as we move forward. The quantum of that, of course, will depend on as the quarter closes. As you know, we are still in the quarter now, new quarter. So, we'll come back at the end of the quarter.

Sandeep Shah: Yes, yes. And just in terms of Lakshya outlook, is it fair to assume whatever we are targeting, which is 12%-15% growth CAGR is largely organic or it also incorporates some inorganic?

Amit Chadha: So, what we have stated right now is -- will largely be -- it's 13%-15%, not 12%-15%. Then again, there will be a new comment or question will come, is it 12% or 13%. So, I'm being very clear, 13%-15% and largely organic with some tuck-in acquisitions as opportunities arise.

Sandeep Shah: Okay. Thanks, and all the best

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

Nitin Padmanabhan: Yes. Hi, good evening. Thanks for the opportunity. Sir, first question is that from a 13%-15% growth CAGR, you mentioned that historically, it's grown at twelve & a half %. So, these numbers, the twelve & a half % is excluding the SWC bid, how should we understand that? And second, this 13% -15% CAGR is basically this is all the dollar CC, is that how you're thinking about it?

Amit Chadha: I'm going to actually look at Rajeev to clarify on the dollar CC part and this one. Rajeev, do you want to take this?

Rajeev Gupta: So, Nitin, to your first question, on 12.4%, this is actually including SWC. And second, in terms of the constant currency, it will be of course, we will peg it more constant currency. But yes, over a 5-year period, there may be some areas where we'll talk even on reported currency as well.

Nitin Padmanabhan: So, this 13% -15% is rupee or dollar, it's dollar?

Rajeev Gupta: It's dollar, yes.

Nitin Padmanabhan: It's dollar. Okay. And see, so far, despite we're seeing very strong deal wins, obviously, we have had leakage in the business, and that's been sort of a drag. Do you think this year onwards, we should start seeing the 13% -15% sort of CAGR beginning to show from this year itself? Or you think it will be a little beyond that was the question.

The only other thing is from a growth perspective, do you believe that at least from an Automotive perspective or in terms of the large accounts that you have, the largest account is \$50 Mn +. When do we really start seeing for our scale, at least a few hundred million kind of accounts? That's the second bit.

Amit Chadha: Okay. So, I'll take part of that, and request Rajeev to add. Number one, we are not providing any annual guidance. So, I'm not going to fish in the waters of what will be next year. All I will say is 13%-15%, and we are working towards it, various deals in play. Let's see what closes first, what closes second. I can assure you, we'll be faster than industry, we'll be better than industry and Engineering Industry and IT industry of our size, right? That's one.

Second is that in terms of accounts, our last Investor Meet, which I think we did last year or the year prior -- Rajeev, year prior, Investor Meet?

Rajeev Gupta: Yes, 2 years ago.

Amit Chadha: Yes, 2 years ago. We had created a plan to get to \$100 Mn accounts. Our aspiration, if I may Nitin is to have X number of \$100 Mn accounts, Y number of \$50 Mn accounts. I'm happy to share that we finally were able to deliver a \$50 Mn account trailing 12 months in this quarter. This is the first one after a long time for us. And there is a path forward. In fact, the fact that we are moving -- having Alind focus entirely.

A very senior member on the Board of the company been with us for as long as I've been there in the company. To focus only on large deals and growth markets should signal to you that there is a lot of seriousness in the organization towards this. So please allow us some time. Some of this -- most of this is organic. So, it takes a little time to build out. We'll see as things progress.

Nitin Padmanabhan: Perfect. Just one last clarification. From an earlier practice of this annual guidance, we are moving away from that permanently, is that it? Or is this only for this year?

Amit Chadha: Again, can I take the fifth and say I don't know. See we'll see. At the end of it, there's no reason to not provide something or provide something. We're comfortable as you look at our 5-year --

if I go back and look at the thesis of the company. See, we are here to build and stay and grow, right?

That's a long-term objective of the company. That comes from the L&T parentage, right? So, the whole idea is to take longer-term decisions and deliberative steps to move. Thematically if you look at it, the company would like to deliver a CAGR sooner than later. But to be seen, to be tested.

Moderator: Your next question comes from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: Just first on clarification side. Between this continued and overall combined business, I think margin gap seems to be 40 basis points in FY26. So, headwind from SWC used to be only 40 bps or there is any one-off in the numbers?

Rajeev Gupta: Dipesh, Rajeev here, I can take it. So, what -- I mean, we did talk about realignment of portfolio back in Q3. So, what you see as SWC revenues have actually come down from Q3 onwards, and it was a deliberate intent. So, while it assumes that there is only a 40-bps improvement, actually, it's much more than that. It's closer to almost 70 bps to 80 bps of improvement.

Dipesh Mehta: No, Rajeev, my question was FY26 combined business, you reported 14.1% margin and continuing operation, you reported 14.5% margin for the full year, which in a way the impression SWC dilution was around 40 bps. That is what I just want to understand?

Rajeev Gupta: What we can do, Dipesh, maybe we'll have Sandesh talk to you offline, give you clarification, like I said. Yes, go ahead...

Dipesh Mehta: Second question is about the bet, which we have indicated, let's say, about the 6-Technology Bet and obviously, 5 focus areas. Can you provide some let's say, current mix of the business around those? How big are those businesses currently in overall scheme of things? And what kind of growth and investment you intend to make in each of them?

Amit Chadha: Sure. So right now, as we look at it for these bets that we have got, if you give me a minute, I will be exact, this contributes to approximately about -- give me one minute please, I'll just open this up. So, investments as we do this -- Alind, you want to take a minute and talk about the investments while I bring up the exact data? Alind, you're on mute.

Alind Saxena: Can you hear me?

Amit Chadha: Yes, now we can hear you. Would you like to talk about some of the investments that we're making, yes.

Alind Saxena: Yes, yes. See, when you look at it broadly the space that we have to ourselves, given the customers that we work with is around the whole physical AI. And where we have very consciously looked at making investments and we can walk you through the -- all the different segments that we have is to continue to deepen our presence in this area.

That includes the collaborations that we are doing, which you may have seen on our postings as well earlier. But that's where we are investing and ensuring that we bring those solutions back to our customers in the physical AI space, which is very unique to us in our business. So that's one.

Two, we -- if I were to go by segments, we have talked about the investment that we have made in solutions and SDV. That continues to be there for us. And if anything, we are actually doubling down to increase more on Connectivity and SDV solutions. So that's there on the Mobility side.

Similarly, extending to Sustainability, we are in a very unique position where we work with bringing AI in construction-related areas as well as the investments in AI and Data Centers. So those 2, again, become very formidable for us. In Tech, we have talked about there earlier -- we'll be working with hyperscalers closely.

And working on the solutions that we have and building our own solutions to bring in back to our customers across the industry that we work with. That's the philosophy. And that's what we are very clear that will give us the edge to be close to our customers and continue to grow with them. I'll take a pause and if you have a follow-on question on this.

Amit Chadha:

Yes. And Munjay if you want to take a minute and talk about the EI pivot and the software pivot that we're doing? And then I'll give the numbers.

Munjay Singh:

Dipesh, good to meet you here. Let me explain what we are doing on the EI because that's where the bulk of pivot shift is going to happen. We are looking at EI in 3 distinct buckets. One is to help improve our productivity. So, we have a bunch of products we have created. We're going to make them robust enough so that they can deliver anything between 10% to 30%, 40% productivity in the work that we do. So that's one part of the EI that we are building.

The second part of the EI is to embed this in the processes for client end process, right? So, for example if somebody is running a supply chain, I can optimize that. You have inventory I can optimize that. You have a maintenance cost; I can probably do a preventive maintenance and optimize that. And the last bit is to embed AI in the products, which will go to my customers' customers.

So, some of the physical AI that Alind was referring to are like products that will go into my customers' product. Now these 3 pivots will require us to do a lot of solutioning, do a quick prototyping, delivering solutions on an AI stack. And as you know, AI stack is constantly going to keep evolving.

So, we are going to invest heavily in uplifting not just talent also building tools, bringing alliances which can actually help us deliver this. So, there is a significant shift happening in our business due to AI across the Board, processes for the client, processes of our SDLC, PDLC and the products that will go out to the customer.

Amit Chadha:

So Dipesh, to answer your question here, less than 50% of the revenue today comes from these bets. In 5 years', time, we expect more than 70% of business to be coming from these 6 bets.

- Moderator:** Your next question comes from the line of Shradha Agrawal from AMSEC.
- Shradha Agrawal:** Yes. So, 2 questions, Amit. I think in one of the comments, you indicated that apart from SWC restructuring, there were some other restructurings as well in which there was an impact of \$19 Mn. So, what does that relate to?
- Amit Chadha:** What is the second question?
- Shradha Agrawal:** Second question is, we've seen a smart headcount addition of almost 3% to our base. So, is it in anticipation of some large deal ramp-up that we can expect? And also, in terms of restructuring, are we done with all low-margin businesses realignment? Or are there any other businesses that we need to think about going ahead?
- Amit Chadha:** So let me answer the happy question first. Headcount has gone up. We've added about 500 people net in the company QoQ. We do expect to add another 500 sometime in Q1FY27, Q2 FY27, Q3 FY27 as well. Because we believe that there's this new skill set around the forward deployment engineers that is required.
- It requires a lot more -- a slightly different skill set. So, we are bringing people on as we speak, and this is for billable headcount. And it is in anticipation of ramp-up of wins that we have had. So, this is not future business we are ramping up, current business we are ramping up or business that is already won. So therefore, there is some surefootedness around the reason why we have added. So that's that answer.
- Now in terms of the \$19 Mn that I talked about annualized, that you can see that impact coming out in shrinkage of Q4FY26 over Q3FY26 in continuing business. And that has been a deliberate attempt. There has been some work that we were doing in a certain geography in the Middle East, which we shut down, and we had talked about it in the last quarter. There is a little bit in Europe that we've shut down.
- There was in Telecom Infra, there was a couple of low-margin, non-value-add businesses that we were on. We have returned the lab equipment and shut that down very respectfully for the client. As far as I'm concerned, this completes the entire restructuring and cleanup that we had to do. We do believe going forward, you will see growth in the continuing portfolio as we move forward.
- Shradha Agrawal:** Great. Thanks. Amit, if I can squeeze in one more question. I know that you advanced the margin guidance, but without giving any timeline to it. But now we have two tailwinds, one coming from SWC going away and the second from rupee depreciation. So, can we expect a 15% margin by as soon as second half of '26 itself?
- Amit Chadha:** Shradha, we just got the CFO promoted to the Board. You got to be nice to him at least today, right? And he has also improved. He's also brought it forward. This is what he said. He said Q4 or prior. Now if you want him to say H2 or prior, I don't know if he can say that right now. But look, at the end of it, we want to say what we can deliver. And we are very sure about Q4 or prior. We are working towards it. Rajeev, do you want to add anything?

- Rajeev Gupta:** No, I think Shradha has been nice to me. You already said it. Shradha, we maintain our intent is to deliver Q4 or prior, but we certainly have advanced it. And you have seen the results of Q4. I mean what we talked 2 to 3 years ago in terms of margins were a lot lower, right? We were talking more 13.3%- 13.6%. We are now at 15.2% So it has certainly accelerated. I've talked about the timelines, and that's -- I mean, we'll continue to work around it.
- Shradha Agrawal:** Got it. Thank you and all the best.
- Amit Chadha:** And the only other thing I'd like to add -- Shradha, the only thing I would like to add there is please, again look at continuing business and look at the gross margins there. I think we are in a good state now, knock on wood. As I look forward with the differentiated service offerings that we have got and the deep client relationships, I do believe and hope that you will see improvement in growth and margins both.
- Shradha Agrawal:** Sure. Thank you.
- Moderator:** Thank you. The next question comes from the line of Bhavik Mehta from JP Morgan. Please go ahead.
- Bhavik Mehta:** Hi. Thank you. I've just one question, Amit. On AI, how are the client conversations progressing across your 3 different segments? Because on the IT services side, we do hear a lot of ask from clients for productivity pass-through the pricing discounts. But curious to hear in ER&D, how the conversations have progressed over the past few months, even development on the AI side of things since February, March?
- Amit Chadha:** Sure. Bhavik, just like Munjay was mentioning, there are three parts to what we are seeing. Number one is efficiencies in PDLC and SDLC. So that is being -- one is being asked for by clients. But second, we are ourselves implementing our own tools to bring it about to almost all our programs. This is a work in progress right now.
- 65% of the company/60% of the company has been trained on AI tools. Another 40% is being done to be completed in the next 6 months, right? So that is SDLC, PDLC. In fact, website also shows a couple of tools that we have developed that are already industrialized and being improved, right? Munjay is taking control of that, taking it forward.
- The second part is all about the agentic AI IQ platform that we have launched for engineering and manufacturing. There is specific engineering work processes we are dabbling to change in that. We are actually partnering with industry majors to see if we can bring their tools in to take it forward. So that's the second area that we are dabbling playing with.
- Third is physical AI, which can be broken up into Industrial AI and Device AI. And that, again, is new area that we are trying to implement and add on. So, we are definitely seeing a lot more conversations on AI, a lot more what can be done, usability improvement, etcetera. And of course, spends are also changing. People are wanting to put more money in AI. It's actually a bold question that is coming down to the engineering head as opposed to engineering head taking it ground up. So, some work to be done.

In Engineering and Manufacturing, AI will come in, but it will take over the course of this year and next 18 months to expand. And I do believe still, Bhavik, we are about 6 months, 8 months ahead of competition in the cycle. So, we continue to keep our head up and continue to work hard. I do believe that it will become a net positive and tailwind for all of us.

Bhavik Mehta: Okay, got it. Thank you.

Moderator: Thank you. Your next question comes from the line of Rahul from Dolat Capital. Please go ahead.

Rahul: Yes. I just wanted to clarify on this charge of exceptional cost that we have done in the quarter. Can you let me know for what business this was done? And is there anything more to happen on this plan going into next year?

Rajeev Gupta: Rahul, I can take this question. This is Rajeev here. So, Amit did talk about \$19 Mn of annualized business, right, particularly in Europe and in Israel and parts of UK. This restructuring cost actually entails towards those businesses and, of course, adjoining people and facilities that have been recorded in Q4. And like Amit said, we reconfirm that there are no more restructuring costs to continue from here on.

Rahul: And from a revenue point of view, is there some part of the revenue from this business still in Q4, which may not happen in Q1?

Rajeev Gupta: There is no revenue in Q4 because we took quite a few of these actions at the end of Q3 or start of Q4, and hence, you see no revenues for these businesses in Q4.

Rahul: Right. And just one last thing. If I take the outlook that we shared in the previous analyst meet, our current -- this 5-year objective actually increases the expected growth rate over next 5 years and 4 years. And at the same time, it talks about lower margin than what we said a year back.

With SWC transaction, I think our margin thought process should have improved while growth number should have cut down given the \$90 million exit. So why there is a difference between what we were thinking then versus now?

Rajeev Gupta: Rahul, again, this is Rajeev. I can take that because, of course, we've talked about our Lakshya FY31 aspiration to deliver at a CAGR of 13%-15% band on revenue growth. As for EBIT margins, I reiterate that the aspiration is to deliver mid-16% levels Q4FY27 or prior, and we are working towards it.

The 16%-17% range over the course of next 5 years in line with Lakshya FY31 strategy is to keep in mind that this growth might have some tuck-in acquisitions. And as you would appreciate, right, any tuck-in acquisition might have some dilution impact. So, we will maintain the margins in that band. It's not reducing, but actually, it's maintaining the band over a period of 5 years.

Rahul: And just lastly from my side, I think this has been said earlier that we're not sharing the outlook for this particular fiscal, but looking at the situation that we are in, is it possible to share some thought process whether it will be double-digit or any qualitative way to represent it?

Amit Chadha: Better than industry is what I would say.

Rahul: Sure. Thank you. That's it from my side.

Amit Chadha: Thank you, Rahul.

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

Karan Uppal: Yes. Thanks for the opportunity. Amit, two questions from my side. Firstly, any impact of the Middle East war, price volatility you are seeing in, let's say, the Plant Engineering business, especially in some of the subsegments like Oil and Gas, CPG, chemicals, any impact in greenfield or that could have an impact on the overall Sustainability vertical? That is one.

Second is the six big bets which you talked about. Any M&A you are planning to do in any of these 6 big bets, if you can also share the size of it? And subpart to that question is that would you be open to take hit on margins again because of M&A? Yes. Those are the two questions.

Amit Chadha: Okay. So, one Middle East and Plant (*Plant Engineering*). So, the Middle East is a very small piece of our operations. Of course, we can look at growth there. We'll see. We hopefully believe that -- over a 5-year period, we do believe that Plant (*Plant Engineering*) in Middle East will grow for us but let this situation get resolved.

Will it have an impact on our current quarter or next quarter? The answer is no. I think it's a very small part of our operations. I mean unless something drastic happens in which case that very small piece disappears. So, in normal course of time, no.

Six bets, I've already shared the amount of revenue. My request will be that we will hold an Investor Day sometime in the year. We'll walk you through the 6 bets and it will be on our website. So, at that point, we'll spend a lot more color and time on it for you. What was your third question?

Karan Uppal: Are we open to take a hit on margins again because of M&A.

Rajeev Gupta: So, Karan, we talked about tuck-in acquisitions. We are not thinking of any large acquisition at this stage. I think the acquisition that we made of Intelliswift start of last year has panned out well. We continue to build our software capability. In fact, Munjay is leading the entire effort of building the software and AI horizontal for the company.

So, at this stage, we are not talking of any large acquisition. There are more tuck-in acquisitions. And hence, I have given an EBIT range of 16%-17%. But much like Amit mentioned, when we

host the Investor and Analyst Day, we'll give you more clarity on big bets, investments and related M&A.

Karan Uppal: Cool. Thanks a lot.

Moderator: Thank you. We will take that as our last question for today. I now hand the conference over to Mr. Sandesh Naik for closing comments.

Sandesh Naik: Thank you. Thank you all for joining us on the call today. We hope we were able to answer your queries. We look forward to interacting with you throughout the quarter. 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 for joining us, and you may now disconnect your lines. Thank you.

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