L&T Technology Services
Q1 FY27 Earnings Conference Call Transcript

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1FY27 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 "*" then "0" on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandesh Naik, Head of Investor Relations. Thank you, and over to you, sir.

Sandesh Naik: Thank you, Dorwin. Good evening. I'm Sandesh and welcome you all to the earnings call of L&T Technology Services for the first quarter of FY27. 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 had a chance to go through them. This call is for 60 minutes. We will try to wrap up the management remarks in 20 minutes and then open up for Q&A. The audio recording of this call will be available on our website approximately 1 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 and CFO; and Munjay Singh – Chief Operating Officer. We will have Amit providing an overview of the company's performance and outlook with Alind sharing perspectives across our business segments. Rajeev will then walk you through the financial performance.

With that, I now invite Amit to start his opening remarks.

Amit Chadha: Thank you, Sandesh.

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

The strategic actions initiated under our Lakshya 31 plan and continued investments across our Six Technology Bets are now delivering tangible business outcomes reflected in the healthy quarterly growth and continued margin improvement.

Now for the key highlights for our Q1 performance:

- Revenue came in at $ 310 Mn, growing 1.5% sequentially and 1.9% YoY on a constant currency basis

- Mobility segment showed encouraging signs of recovery in a dynamic macro environment, recording a 2.3% sequential growth

- Our most profitable segment, Sustainability, continued the growth journey at 4.3% QoQ and 11.3% YoY, continuing with its double-digit growth driven by continued deal wins and ramp-ups

- North America, our major market continued to grow sequentially along with ROW and India, while Europe demonstrated slight moderation during the quarter

- The enhanced growth profile, coupled with operational discipline and actions taken, contributed to a continued EBIT margin expansion to 15.7%, up 50 bps QoQ and 200 bps YoY

- Our Engineering Intelligence solutions, which I'm personally very proud of, are opening up more strategic client conversations and translating into a healthy pipeline of large opportunities

- In Q1, we recorded large deal TCV wins of nearly $100 Mn, with a few large deal wins that were supposed to close in Q1 having moved to early part of Q2 right now

- We are confident of closing even larger engagements in the coming quarters

- Further strengthening our Engineering Intelligence portfolio, we just announced a strategic partnership with Anthropic to integrate Claude models across engineering processes and LTTS' AI-powered platforms like AgenticIQ, PlxAI and others

In Q1, we achieved several milestones across our Technology and Innovation Charter:

- One, we inaugurated, Europe's first Engineering Intelligence Center in Munich, strengthening our ability to support AI-led engineering and manufacturing transformation globally

- Two, through our consultative engagements, we are helping clients assess their AI maturity and shape future AI road map, supported by an AI Readiness Index developed by MIT Media Labs

- Third, Ainfonix, our latest Engineering Intelligence platform, was launched to help the process industry clients unlock insights from engineering data.

- Finally, our innovation momentum remains strong. AI patents now stand at 244, taking the total patent count to 1,757

With that said, I would request Alind to provide a detailed segment performance outlook and review. Alind, over to you.

Alind Saxena: Thank you, Amit.

Alind Saxena: First of all, good morning, good afternoon and a good evening to wherever you are. I appreciate all of you joining us today. I will now walk you through the segment-wise performance and outlook.

Mobility:

- Mobility delivered 2.3% sequential growth. This was broad-based, led by Aerospace & Rail and Trucks and Off-Highway
- In North America, the business is seeing good traction and growth
  - With increase in new vehicle launch plans by OEMs, we are participating in their next-gen vehicle architecture programs
  - We also continue to expand into newer areas such as autonomous mobility and advanced transportation platforms
- While Europe remains challenging, we believe that LTTS is well positioned to benefit from vendor consolidation and engineering outsourcing opportunities in that area
- In Japan, OEMs are increasingly looking to leverage India for engineering, product localization, and supply chain optimization, where we continue to expand our presence
- Across the industry, customers remain focused on reducing vehicle development timelines and cost
- With improvement in our client engagements, substantial investments in SDV platform and leadership in EV solutions, our Engineering Intelligence capabilities are helping improve engineering productivity and speed to market for all our subsegments in Mobility
  - A leading Aerospace technology provider selected LTTS to establish engineering capability for next-generation airborne connectivity platforms and aviation communication solutions
  - We also expanded our engagement with a leading electric vehicle manufacturer to support vehicle development across exterior systems, lighting technologies, and future mobility solutions

Overall, Mobility remains a key contributor to our large deal wins and our pipeline remains healthy, giving us confidence in gradual improvement in revenue and margin through rest of the fiscal year.

Sustainability:

- Sustainability remains a strong growth driver, delivering 11.3% YoY and 4.3% sequential growth, driven by strong execution of recently won programs

- Both Plant Engineering and Industrial Products ensured strong growth towards this quarter's performance

- In Plant Engineering, we continue to see strong demands across Upstream Oil & Gas, LNG, and Chemicals, supported by investments in capacity expansions, digitalization, engineering information management, and operational optimization

- Our newly launched Ainfonix platform is gaining strong client adoption and is expected to improve project productivity, quality, and cost efficiency

    - The strategic partnership announced last quarter with a leading global energy company continues to ramp up as planned

    - LTTS secured a project to lead the design and site construction supervision program for a major industrial development company

- Industrial Products continues to see healthy demand across Data Centers, Electrical Equipment, Motion & Robotics, and Automation. These are supported by investments in digital infrastructure, energy transition, and smart manufacturing

- These trends are helping us expand our engagements with leading global clients across the industrial, energy, and technology sectors

    - Emerson selected LTTS as a global System Integrator and technology development partner, supporting the design, deployment and life cycle enablement of advanced systems engineering platforms across industries

Overall, we continue to see healthy growth with a strong pipeline driven by demand for digital transformation, plant modernization, power electronics, and data center investments.

Tech:

- In the Tech segment, we are doubling down on strategic partnerships across technology ecosystem through collaborations with Anthropic, Databricks, and other leading AI innovators. By combining their technologies with our engineering domain expertise, we are advancing Engineering Intelligence solutions for clients in the products, services, and manufacturing. This is being leveraged across all other segments

- The segment operated in a measured demand environment during the quarter. We expect these headwinds to ease over the next few quarters and a significant deal in Telecom to close in early Q2

- The Media & Tech business continues to see healthy demand, driven by investments in semiconductors, AI-powered networks, and digital systems

- We are expanding our engagements with semiconductor and telecom customers through vendor consolidation, offshore engineering, and transformation program

- Our Software & Platform subsegment is scaling AI-led solutions across software testing, AI and analytics optimization, helping clients improve productivity and accelerate enterprise AI adoption

- We are also seeing encouraging traction in FinTech, including addition of our first customer in the Private Equity segment

- Our pipeline continues to strengthen, supported by improved sales execution and growing demand for AI-led engineering and platform solutions

- In MedTech sub-segment, one of our programs reached its planned conclusion, while the start of the other program has been temporarily delayed

- Demand remains healthy across digital health, diagnostics, imaging, surgical robots, and connected medical devices

    - LTTS has won a deal from a global medical technology leader in Ophthalmology and Microsurgery solutions to establish an offshore engineering center to innovate, support new product development, product refresh, and life cycle engineering

- We are also expanding our Pharma business by bringing together our engineering, manufacturing, and healthcare capabilities to deliver end-to-end solutions for life sciences clients

- Building on innovation from our Software & Platform business, our PharmaWiseAI solution is gaining good traction in the marketplace, which is an end-to-end AI platform accelerating pharmaceutical R&D by transforming data into actionable insights with regulatory compliance

Overall, the Tech segment has several large opportunities at advanced stages of discussion, and we remain optimistic about converting them over the coming months. We expect this segment to return to growth from Q2 onwards.

With that, I hand the call back to Amit to share the outlook. Amit, over to you.

Amit Chadha: Sure. Thank you so much, Alind. Before I conclude, let me briefly touch upon why we remain confident about the road ahead. It comes down to “Engineering Intelligence”.

- We believe that 6-layer AI cake is real, and LTTS is uniquely positioned with capabilities spanning the entire tech stack - from energy, chips, infrastructure, to data engineering, AI models and real-world applications

- Second, our Lakshya 31 strategy continues to gain momentum, providing a clear road map to help clients, transform products, processes and manufacturing while positioning LTTS for the next phase of sustainable growth

- Third, I would like to confirm and reconfirm that your company will continue to grow sequentially in revenues and margins in the quarters ahead

- Finally, looking ahead, we remain committed to our aspiration of delivering 13-15% CAGR over the next 5 years while maintaining EBIT margins of 16-17%

With that said, I'd like to thank you for all your support and would like to hand over the call to Rajeev to provide his commentary.

Rajeev Gupta: Thank you, Amit, and greetings to everyone joining us on the call.

Let me start by sharing key highlights and themes for the quarter.

First, we made good progress on our journey from an engineering services company to an engineering intelligence solutions company.

Engineering Intelligence is becoming integral to both how we engage with customers and how we deliver programs – enabling smarter, faster and more scalable outcomes.

As part of our Engineering Intelligence live event, we brought together nearly 40 industry analysts to experience our Engineering Intelligence solutions through live demonstrations across Engineering AI, Agentic AI, Manufacturing AI, and Physical AI.

Second, our focus on building a scalable business, and improving operational efficiency, maintaining disciplined SG&A management helped us deliver constant currency revenue growth of 1.5% sequentially and 1.9% YoY, EBIT margin improved by 50 bps sequentially and 200 bps year-on-year and strong free cash flows at 153% of net income.

With that, I will move to Q1 FY27 financials, starting with the P&L.

Revenue for the quarter came in at ₹ 2,940 crores, representing growth of 2.9% sequentially and 11.5% YoY.

EBIT margin for the quarter stood at 15.7%, an improvement of 50 bps sequentially and 200 bps YoY.

Effective Tax rate for the quarter was 26%, improving by 60 basis points over the previous quarter. We expect ETR to remain in the range of 26.2% to 26.7%.

Net Income for the quarter was ₹ 352 crores, up 1.5% sequentially and 17.4% YoY, representing 12% of revenue.

Our Earnings Per Share from continuing operations was ₹ 33.17 for the quarter, translating to an annualized EPS of ₹132.68 compared with reported FY26 EPS of ₹115.89, which is improvement of nearly 15%. This reflects the benefits of our portfolio mix, prudent capital allocation, alongside investments in Engineering Intelligence and Six Technology Bets aligned with Lakshya 31 strategy.

Other income net was ₹ 14.7 crores for the quarter, lower compared to previous quarter, primarily due to forex losses.

Now turning to balance sheet. Let me highlight key line items.

Our combined DSO improved to 77 days from 83 days in Q4, an improvement of 6 days. Billed DSO improved to 57 days from 68 days in Q4. Going forward, we expect combined DSO to remain in the range of 80 to 85 days.

Free cash flow for Q1 FY27 was ₹ 540 crores at 153% of net income.

Cash and investments stood at ₹ 3,394 crores at the end of Q1 FY27 compared to ₹ 3,555 crores at the end of Q4 FY26.

Revenue metrics

In dollar terms, revenue was $ 309.9 Mn compared with $ 305.9 Mn in Q4. This represents constant currency sequential growth of 1.5% and YoY growth of 1.9%.

On segment margin performance,

Mobility margins for Q1 came in at 15.6%. There was a slight decline primarily due to on-site ramp-up of new programs. As these engagements mature, we expect both revenue and margins to improve sequentially.

Sustainability continued to perform well with margins improving to 29.1%, up 40 bps sequentially. A healthy pipeline and good quality of revenue continue to support both growth and profitability.

Tech segment margins came in at 11.5%, reflecting softer revenue performance during the quarter. As recently won deals move into execution, we expect both growth and margins to improve over the coming quarters.

On operational metrics,

Offshore mix was 53.9%, broadly in line with Q4. We continue to work on opportunities to improve this mix going forward.

T&M revenue mix was 64.9% in Q1, lower compared with Q4 as we focus on favourable shift towards fixed price and outcome-based engagements.

Client profile improved with an increase in $ 20 Mn+ accounts, $10 Mn+ accounts compared with previous quarter.

Client contribution to revenue remained broadly similar with Q4 across categories.

Headcount remained steady at 23,845 in Q1 compared with 23,830 in Q4.

Attrition as well remained range-bound at 14.7%.

The realized rupee for Q1 was around ₹ 94.86 to the dollar, representing depreciation of 1.5% versus Q4.

Margin outlook before concluding, let me talk about our margin outlook.

We continue to expect sequential improvement in EBIT margins throughout the year, resulting from 3 factors:

- Continued growth in our higher-margin Sustainability and Mobility business, along with improving margin outlook for Tech
- Second, greater productivity through Engineering Intelligence-led delivery model; and
- Continued focus on operational excellence and disciplined SG&A management

With that, we remain on track towards our aspiration of achieving a mid-16% EBIT margin on or before Q4 FY27.

To summarize, Q1 FY27 reflects steady execution, sequential revenue growth, margin expansion, disciplined working capital management, and strong cash conversion. We also continue to invest in engineering intelligence and our sixth strategic technology bets, which we believe will strengthen our differentiation and support long-term value creation.

With a strong foundation in place, we remain focused on executing our Lakshya 31 strategy and achieving our aspiration of 13-15% CAGR for revenue over the next 5 years while maintaining EBIT margins between 16-17%.

Thank you, everyone, for your support. I will now hand the call back to the moderator for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Ravi Menon with Axis Capital. Please go ahead.

Ravi Menon: Thank you for the opportunity. Amit, congrats on really strong growth in Mobility & Sustainability both. In Mobility, especially in Auto, some of your peers have been struggling.

So, I want to talk a bit about what works for you here and how -- I know that you said there is a good pipeline, but what's really differentiating you in this market? And then in Tech, I know we used to have a Q1 seasonality with SWC, but I was sort of surprised to see that decline. So, talk about why that declined.

Amit Chadha: Sure. So, I'm going to start. I'm going to hand over to Alind to talk about differentiators in a bit. So, one, if you look at Ravi, we've invested in advance like Rajeev talked about, Alind talked about, in Engineering Intelligence, that allows us to continue to have new deal wins and ramp-ups for the deal wins that were done throughout last year in Sustainability.

And I had said this during Q4 as well, that I expect Sustainability to grow double-digit in the current financial year, FY27, and you are seeing that play out. So, these differentiators are there based on EI, based on the work that we're doing with our bets, will continue. Now in Mobility, we have invested in EV. We've invested in hybrid. We've invested in SDV, and all 3 are playing out positively for us. Alind will share a few more details in a second.

On the Tech part, like Alind mentioned, there was a particular medical program that actually stopped and per plan the new one didn't start, and that's why we said a couple of our wins have moved into Q2. And that's why you saw that slight decline that was there. But as I look forward, I do believe Mobility and Tech as 2 segments will also grow in this financial year. Alind, would you like to share a few details on differentiators for Mobility and Sustainability

Alind Saxena: Sure, Amit. So, if you fundamentally look at it, we look at Mobility and we think about it as 3 different sectors within that. So, we've got Automotive, we've got Trucks and Off-Highway and we've got Aero and Rail. So that's our Mobility as a world, and that diversification as a strategy really helps, as we are seeing now as well.

So, we have been very closely and been very intimate with our clients in what we have been doing with them. And that I do believe that above all, technology that remains a key differentiator for us to be able to leverage the part of the journey that we are undertaking. So that's one.

Two like Amit said, look we have advanced invested in the whole EV strategy, which didn't play out as the way. But what it is doing is the hybridization, which is now becoming very popular. This remains a very key aspect of that. The fact that we had invested in our labs in our solutions is playing out well for us because that hybrid strategy is very clearly laid out, not just for automotive, but for some of the off-highway vehicles and off-highway engines as well.

So that's helping us go through. The third thing is that we were one of the earlier adopters to not just look at SDV, but SDV with an angle of AI and which means that you look at a software-defined vehicle through the angle of autonomous and intelligence and those are the solutions that we have built.

I think we showcased that in one of our investor’s road show. We'll be happy to do that again, which is key and crucial to our continuing differentiation. Now if I were to talk about on

Sustainability. See, on Sustainability side we know that there is an upside, which is there due to data centres.

But the forward investments that we have done in our solutions like Ainfonix, which is helping transform our Plant Engineering customers and having them utilize the data that they are already generating to be able to create differentiation. That is very unique and sort of unparalleled in the outcomes that we are able to deliver.

And similarly, on Industrial Products we have had a very strong relationship with the OEMs and their whole product development process as well. And embedding the AI solutions in there is helping in creating not just us catch the momentum but catch the momentum favorably on the base of technology and solutions that we have developed. I'll take a pause.

Ravi Menon: Thanks so much for the detailed explanation. And the rest of the world, that includes the Middle East. This is a segment that people are expecting not to do very well, but that's done pretty well here. Could you talk about that?

Amit Chadha: So, we operate largely in Japan. ROW for us is a little bit of Australia, a little bit of Middle East. So, I think it's done okay for us. It's Europe that has moderated this quarter for us, but that should come back next quarter for us again.

Ravi Menon: Thanks so much and best of luck.

Moderator: Thank you. Our next question comes from the line of Vibhor Singhal with Nuvama Equities.

Vibhor Singhal: Hi, thanks for taking my questions and congrats to the LTTS team for a solid performance. Amit, just one question from me for you and Alind maybe and then just one for Rajeev. So, talking in terms of the broader context of how deals are shaping up, if you look at the peer set in the IT service industry, a lot of the large companies have now started reporting some large deals in the AI space, which is basically helping client’s complete end-to-end transformation using AI.

Do you believe a similar kind of deal transition might also happen in ER&D at some point of time, maybe with a lag or may it is already happening, that the deal sizes might actually start increasing with the clients using AI to, let's say, do more, let's say, gamut of work from one end to the other and which could eventually lead to some sort of vendor consolidation also or do you think it's too early to call anything on that part in the ER&D space specifically?

Amit Chadha: Sure. And your second question was for Rajeev. Do you want to give us that question as well or you will hear it later.

Vibhor Singhal: Yes, sure. No, I'll just say that. So, Rajeev, I think very solid cash flow generation in this quarter. So, our free cash flow to net income is around 153%. I mean, is that going to -- you mentioned that the DSO range has to be between 80 to 85 is what we are expecting. Does the free cash flow to net income also remain as high as 153% or was it an aberration in this quarter and we would probably settle more at 100% to 125% range, which generally is the case? Yes, that's it. Those are the two questions?

Amit Chadha: Rajeev, you want to answer that, and then I'll answer the AI part after that.

Rajeev Gupta: Sure. Thank you, Vibhor, as always supportive of LTTS team, so I appreciate that. See as far as the cash flow, I think I've always guided that we will deliver free cash flows in the range of 90% plus. This has been a stellar quarter in terms of working capital management. While we will attempt to do as well as we did in this quarter, but you try to keep it between 90% to 95%, that is for certain that we can deliver for the year. So that's what I will say. But yes, we'll see our best if we can deliver as well as we delivered in this quarter.

Vibhor Singhal: Got it. That was useful.

Amit Chadha: Okay. Now that Alind runs strategic initiatives and large deals for us. Alind, do you want to take a stand at that?

Alind Saxena: Sure, Amit. See Vibhor today if I look at any large deals and we talked about this earlier, Vibhor, there are two fundamental shifts which are happening. One is that most of these large deals are on a fixed-price or an outcome-based model where there is clarity on what's the outcome that needs to be delivered.

The second equally important point is that our customers are asking us on how we are going to transform the current processes, which they are running and unless the transformation happens along with that deal, it is not going to really be a winnable opportunity. And there we play in and we think about AI.

So, AI is a central part of the transformation theme, which is there. And to say that you take any process. And if you're not putting that thought process in there and the solution that we have built around engineering intelligence in there, it's not going to come to fruition. So, AI is clearly embedded. How we talk about it, how we announce is different, but that's the fundamental which is there.

Amit Chadha: So, I will just add a couple of things. Number one, Vibhor, if you look at -- so we have -- because we announced MIT Labs. So, we have gotten into now consulting and being the consultation partner to our clients on which engineering processes, which manufacturing processes to take and roll out EI or AI and which ones to leave because the ROI is not there. So, we are starting at that level.

So, there's a lot of those projects that we are executing for our customers paid assignments. From there, you are then getting into the ones which we agreed to roll out manufacturing like lights-out factory or if I take engineering, you take PLxAI, you take Ainfonix. In fact, we have developed a tool now even for the finance function that we have rolled out through our segment. On LinkedIn, I just liked it yesterday. We've just launched it yesterday; we announced a win there. So that is the second part where you are actually implementing it for various parts. So that's the second piece.

The third part then comes like Alind is talking about where their existing work is there and you are figuring out whether you are going to implement AI and do productivity improvement, of course, pass it on, etc. The last thing which I want to mention is this Claude partnership that we have signed, and this is very important because this will help us in taking the Claude model as well as the various workflow to our clients.

I'll give a small example. We were in Midwest recently. And one of our clients is moving from a complete EV to a hybrid set of vehicles. And he was sharing that; look it takes us about 36 months to 40 months to do a complete design. Is it possible for you to come in and do it in 18 - 15 months?

Now part of the engineering design will be done by us for sure, but part of it will be done by their own engineers. So now what you're doing is with this Claude partnership with other tools that you're developing, you are starting to become the owner's engineer, which is a very different positioning than just going asking for work.

So that's what's helping us, knock on wood, as you look at us today. And that's the EI part that we have talked about. And I'm sure you've seen the new logo as well; you love the colors. All the credit goes to Sameer and his team for that.

Vibhor Singhal: Got it. That's really helpful, Amit. Just one last follow-up question on that. Do you believe this kind of a positioning that you mentioned that we will be able to own that basically IP or that process or that existing domain that we're talking about? And that also eventually, if not immediately, lead to some basically pricing benefit for us in the medium to long term or do you think it's difficult to call on that?

Amit Chadha: So, we see God has been very kind to us other than specific cases that Rajeev and I had called out last year. Nobody has ever come back and say reduce your rates to us because they see the value, and we are not a commodity player, right? We are a differentiated engineering player. We are a higher-end engineering player. So, we will continue to see expansion.

We'll see a lot to be done. I think Munjay had also spent a lot of time with you during the EI event most of the time as well. So, we are leading all this. We'll see where it goes. A lot to be done. A lot of excitement, a lot to be covered. Like I said, 6-layer AI cake. You decide which one is strawberry and which one is vanilla and which one is chocolate in the layer.

Vibhor Singhal: Got it. Great. Thank you so much for answering my question and wish you all the best.

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

Sandeep Shah: Thanks for the opportunity. Congrats on a good start despite the difficult macro-led challenges. Amit, sir, just wanted to understand in a pivot from engineering services to EI, do you believe the productivity gain demand can take a lead versus a higher wallet share or both goes in a hand-to-hand and the impact on the growth may not be material?

Amit Chadha: So, when I look at EI, right? And I've actually divided it up. And so, see the EI part that I talked about the 6 layers, which is energy, then there's chips, there's infrastructure, there's data and data engineering, there is models and then there is application. These are 6 layers, right? If I take those and I then map it to our bets are software platforms and AI, number one, Software-Defined Mobility. Third is plant build-out and modernization. There is do AI and without AI as well. There's energy automation with digital manufacturing, Medical Technologies and next-gen compute and AI infrastructure. Those are our bets that we have got.

Now Sandeep, as we move forward and for the past few quarters, the wins that we have been having, we are having to use our own tools, and I'll request Munjay to chip in here and talk about the tools we have got. But the tools are being used as part of our bids to our customers, and we are having to pass on some productivity improvement. Absolutely. Otherwise, we will not win it.

It's a very competitive environment. But the clients are able to see the value and allow us to keep some of that as well. So, as you look forward, there will be 2 parts. One, you will continue to see LTTS gain market share over competition because we do believe that we are still between 6 to 9 months ahead of competition in this area, number one.

And number two, you will continue to see some of these benefits being passed, and we will have to continue to reinvent ourselves and build new offerings as we take it forward. Munjay, do you want to take a minute and talk about toolkit that we have established in EI, please?

Munjay Singh: Sure, Amit. Good evening, everyone. So, we have tools which is like -- I'll put in 3 buckets. One is to tools which we use to work faster, which are basically ones that can aid to people to do their jobs better. The second is to make sure we are able to generate tools which can automate work so that the systems can become autonomous, as autonomous as possible.

And the third is to actually embed this in the product itself. So, these are the 3 sets. We have specific tools built for each one of them. I have PlxAI, AiNexus, AiTest, Ainfonix for aiding people to do the jobs faster. I have AgenticIQ platform for creating agents, which can make systems autonomous.

And then I have physical AI that we embed, like Track AI, etc, that we embed in products, which will take this AI application into real world. Now the broad question that you ask is, and I'll try 30 seconds to explain that. See, the use of AI is to do things faster, right? And when you do things faster, it will produce more, not less because the customers will have an opportunity to create a lot more variety of products.

So eventually, it will lead to explosion of the work that we are seeing today. If you look at code basis, for example, you will see a lot more code getting generated. And eventually, these codes, somebody will have to rather maintain; new products need to be launched. So, it's a broader shift that is happening in the industry.

And we believe in the way we have approached this, which ensures that the intelligence is being engineered using the tools in the products and the processes, we believe that it will lead to a lot more expansion of the work that we do in the market.

Sandeep Shah: Okay. And is it possible to throw some nature of the demand shaping up in the Europe-based auto segment, both with Tier-1 and the OEMs?

Amit Chadha: Sure. So, Sandeep, I think Alind alluded to it in his commentary, but I'll just -- 2 things here. See, Europe OEMs will take a little time to recover and come back. I had actually mentioned this in the last 2 quarters as well. See, if I look at -- let me not just take -- let me take US, then Europe and then ROW.

See, if I look at US, the OEMs are largely insulated from the world requirements. They largely service the India -- I mean US market other than one company on the West Coast that is global. Most of them only service the US market. And the US demand is as the US demand is. And we do believe that the worst from US auto is behind us. Stuff is growing, not just that, we do believe that Truck & Off-Highway segment as well in the US is on a steady path for SDV and others. So, our SDV is not limited to Auto, it's also to T&OH.

So therefore, the US, we believe, is in a better shape. Europe, because they were depending on Asia and China for a significant part of their market, which seems to have been vanishing over the last few quarters. You must have read this in the commentary from all the OEMs, there is a challenge, right? Some of them, some model years are being pushed, some consolidation happening, all that.

Tier1s in Europe, again, seem to be in a similar waterfall effect from the OEMs in an issue. Now the silver lining in all this is that I do believe, and I'm not just talking about LTTS, but I talk about all India Inc. engineering companies. All of us actually start from a lower cost base than European service providers, and therefore, we stand a much better chance.

In fact, one of the reasons we inaugurated our EI center in Munich is that we believe that the new technology along with productivity improvements, I think somebody asked the question, I think it was before you -- Vibhor asked the question about productivity improvement.

So, we can bring EI and bring productivity improvement, our chances to win once the shakeout continues and happens in this consolidation is higher. So that's how I would see it. But again, to be played out. I mean, today, another one of our esteemed peer competitors or peers announced their results and others are going to come. You can make your own analysis.

But I do believe that like Alind said, being diversified into Auto, T&OH and Aero, number one. Number two, being in US, Europe, and ROW rather than just being focused on Europe has played to our advantage, and we do believe very strongly in our diversification strategy.

Sandeep Shah: Okay. Thanks. And just the last question. We have done well in first quarter, but the commentary suggests in 2Q, the growth drivers could be broad-based, A, in terms of verticals, B, in terms of markets. So, is it fair to assume the growth momentum in the coming quarter could be better versus first quarter growth momentum?

Amit Chadha: Sandeep, I will not comment on that because we are providing a five-year outlook, and we are committing to you growth every quarter, but we are shying away and not providing annual outlooks. That is a decision we have made after feedback from a number of you. So, I'll leave that question unanswered, but I can commit to you growth in Q2. How much to be played out? The quarter just started.

Sandeep Shah: Okay. Fair enough. All the best.

Moderator: Thank you. Our next question comes from the line of Jyoti with Haitong. Please go ahead.

Jyoti: Yes. Thank you for the opportunity and congratulations on the great execution. So just wanted to understand that Tech not did very well in this quarter and now contributing only 30.6% of revenue compared with 34.4% a year ago. So, is this a structural shift in portfolio mix or are we expecting Tech to regain its historical share?

Amit Chadha: So, Tech -- and I would request Rajeev to actually help me here slightly on the percentages. Our Tech now is without SWC and therefore, continuing business, number one. Number two, it's a fair point that actually Sustainability has grown double-digit last year, which Tech didn't. But Rajeev, do you want to chip in on this, please?

Rajeev Gupta: So, Jyoti, let me add to what Amit said. There are 2 parts to this. One, you are aware of it that we did portfolio rationalization in Q4 with our Smart World business, right? Just to update everyone, we are looking to conclude the transaction in Q2. We did announce the disinvestment end of March. I think with most of the condition precedents in progress, hopefully, we should be able to conclude the transaction in Q2.

Having said that, I think the proportion is with the growth coming a lot more in Sustainability, followed by Mobility. Tech, I think maybe Amit would have alluded to, but we do see good momentum on some large deals, right? We, in fact, expected to close that in Q2, which moved to early part of -- sorry, end of Q1, which moved to early part of Q2.

So likely, you will see some more momentum in Tech, but do we expect it to come back to 34% levels? Not really. I think you will see more of Sustainability and Mobility followed by Tech.

Jyoti: Okay. Thank you, sir. And another small question on the other income side that has declined sharply in this quarter. So, should we assume lower other income going forward?

Rajeev Gupta: So, this is, I think, primarily hedge losses, which is why you're seeing a lower other income. I think for the next few quarters, you probably could assume to be in this range, while we are seeing some benefit from the rupee depreciation. But on the other side, we are seeing hedge losses. For the next few quarters, you could likely assume to be in this range.

Jyoti: Okay. Thank you so much.

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

Karan Uppal: Yes. Thanks for the opportunity and congratulations on a strong set of numbers. First question is on Sustainability vertical. So, Amit, does crude price volatility impact the decision-making of clients within the Plant Engineering segment in terms of their R&D budgets? Just wanted to understand if this could be a factor which can come in our way in terms of the solid run in the Sustainability vertical, which we are seeing? Yes, that's the first question?

Amit Chadha: Why don't you give me your second question as well? Let me answer it once and for all. Anything else? That was your first question…

Karan Uppal: Second question was on Mobility. So, you are quite optimistic on Aero, Rail, Trucks and Off-Highway. But do you expect Automotive also to grow given the puts and takes you have mentioned in terms of European as well as US OEMs? So overall, do you expect Auto also to grow? And within the transport or the Mobility segment, what is the broad split between Aero, Rail, Trucks Off-Highway as well as Auto?

Amit Chadha: So, on Sustainability, see, if you look at the Sustainability vertical for us, it is broadly broken up into 2 or 3 broad components. There is energy automation, electrical equipment, right? All that being one part. And then there is buildings and factories. Then there is Plant Engineering where we do plant design for CPG and chemicals and oil and gas, including digital twins and all that work that we do on Sustainability.

So, as we look at crude prices today and we look at the volatility given the recent excitement that's been happening in the Middle East region, we have not seen any pullback from our customers.

In fact, we do see a good pipeline of projects and work execution happening, and we continue to hire in this area. In fact, I think we could have grown a little more had we had all the talent in Sustainability, right? So that is definitely there. Yes, there were some -- we do -- Middle East was very small for us that did decline for us a little bit in Q4 and got hit in Q1, got hit a little bit, but it is very small for us. So, I wouldn't want to make a big deal out of it. But some execution got delayed, all that happened, right? So that is true.

So long answer short, I do believe that given tailwinds from AI spending, given tailwinds of people wanting to continue to convert projects to more service-led revenue as well as plants being built out globally, including a lot of chemical plants coming up in India, I do believe that this growth should continue. I'm confirming double-digit growth for Sustainability for FY27, right? Now on Mobility, we don't give the split anymore between Aero, Rail, T&OH and Auto because it's one segment for us now, unless Sandesh or Rajeev wants to make a point on that.

But as far as Mobility is concerned, like we just said, see, T&OH, Aero and Rail have done well for us in the current quarter. US Auto has done well for us in the current quarter. There is a lot of deals in the pipeline right now that we have got in Aero, Rail as well as in Auto. Let's see which one closes and where the ramp-up starts. And please allow us some more time. By the time we come back to you in October, we would be in a much better position to answer that. Rajeev, would you like to provide a split or we don't provide a split?

Rajeev Gupta: So, we don't provide the split. I think, Amit, you've covered part of that question, but we don't provide the split, and I'll maintain in that fashion.

Karan Uppal: Got it thanks for the detailed explanation. Just one on Tech. So, Amit, in your opening remarks, you mentioned a significant telecom deal, which is in the pipeline. So, could that be a growth driver for the Tech vertical going ahead?

Amit Chadha: Yes. Yes, please.

Karan Uppal: Any sense in terms of the size and the scope of work for LTTS?

Amit Chadha: It's a significant deal. And hopefully, if all goes well, like Rajeev alluded and Alind alluded, we should be able to announce it in the early part of Q2, and the ramp-up will start immediately. That's one. Then there is a couple of others in the medical domain, which is a profitable vertical for us, which we are currently in negotiation with as well. So, we'll see which one closes first, second, third, but the pipeline definitely has gone up from last quarter, last year as well of the backlog. So, working on. Work to be done.

Karan Uppal: Sure. Thanks a lot, and all the best.

Moderator: Thank you. The next question comes from the line of Dipesh Mehta with Emkay Global. Please go ahead.

Dipesh Mehta: Yes. Thanks for the opportunity. Just want to get some clarity about this right-shifting of the deal, which we observed. Whether it is broad-based or it is, let's say, some specific areas which are seeing some kind of delay in decision-making? And what would be the nature of it? Is it largely, let's say, macro or some client-specific situation, which is leading to delay in some of the decision-making?

And second related question to first question is whether, let's say, because of some right-shifting, do you expect it to have revenue implication also compared to what you anticipated at the beginning of year because of right-shifting, any implication on full-year growth? Thanks.

Alind Saxena: So, we are not -- it's not broad-based. And as you probably know that the decision-making varies from client to client, and it's dependent on always some of the other factors, which is there, part of which is also that Europe does go on vacation during this time. So, it's not broad-based. It's dependent on certain things. We are fairly positive that it's going to come around. And like Amit said earlier, the ramp-up is scheduled along with the win. So, that's going to come in the quarter.

Now I mean, the question is, had it come earlier, would the ramp-up would have done earlier? I mean that's always the case depending on when that happens. But that -- those are just two deals. There are others that we have closed earlier, which are contributing to the results as we see. And we will keep track on the other deals as well, which are on pipeline and bring them to closures.

And at the end of the day, the growth is some net of all of this that comes about. But we are seeing continued traction. We are seeing a very healthy pipeline of deals of different nature. We are seeing across sectors as well. So, these are not just in one sector. So, there is a broad-based coverage that we see in these deals going forward. Amit if you want to add anything?

Amit Chadha: I'll add two items. And maybe this is the last question, I believe. So, two items. Number one, we do believe that AI is not replacing services. If you remember February, there was this utterance by a number of people that AI will take out the IT sector completely and India Inc. is going to go down and all that. I would like to actually please, point you out to the 2 large providers of models who have actually set up their own service companies. And a third hyperscalers has announced a service company. So, if services were to go away out of fashion, why would they do that? Just an open question for us to think about.

So, my belief is that what is happening is the kind of services we provide, the way we provide the services is changing, and companies that can anticipate that in advance. One thing we did not mention, we've actually now created a team of 100 forward-deployment engineers as well. So, we've jumped into that area as well. So, the point is as you can envisage, stay close to the clients; before reports come out on what the client wants, you should know what the client needs, build that offering prior, and get the fastest finger first will help, number one.

Number two, in terms of macros, yes, decision-making continues to be up and down, but we have created a model internally in the company, and I thank Munjay for that, and all the other segment leaders and horizontal leaders in the company for building a flexible ramp-up model that allows us to start ramping up the moment we close a deal. So, I think these 2 things we can do and continue to be very, very, very, very careful and continue to be to the point of being paranoid of when am I going to get phased out, and what should I do, I think we'll be okay. Last question from Bhavik.

Moderator: Our next question is from the line of Bhavik Mehta from JP Morgan. Please go ahead.

Bhavik Mehta: So just one question. I mean, at a broader level, how have the client conversations changed over the last 3 months given where the geopolitics is? Are we still in that wait-and-watch mode given the macro? Or do you get a sense that maybe discretionary spends will finally start to come back, and there could be some acceleration in R&D spend by the clients?

Amit Chadha: Bhavik, in fact, interestingly, yesterday, my office was telling me, that just 2 months, April and May, my own meetings, I did 48 meetings with clients, different clients, 48 meetings just in 2 months, face-to-face. That's -- and this is just me. And then you've got Alind, you've got Rajeev now, you've got Munjay, you've got segment heads. So, a lot of client conversations and meetings going on, 3 broad items coming out.

We are still a little shielded from the impacts of the Middle East in the business that we operate in. And again, God be kind to everybody, and I don't want to get political on this, and let things pass and be okay. But number one, most of the client conversations are still shielded from a war standpoint, right? Still conversations around, how do we increase market share, how do we make products more viable? How do we improve our products experience with our customers? That's number one key.

Number two question, which is where we've been actually spending a little bit of our time ourselves is will AI be a net positive for my business or be a net negative? And how do I make sure it's a net positive? Because a lot of -- their Boards are asking them this question, so they come back and ask us. And though other companies are very strong in IT and are able to do that. These are engineering-based and these are manufacturing-based, and these questions come up on how to address it, right? And now we have tied up with Databricks, we have tied up with Anthropic. We've done a couple of other tie-ups. So, we are able to bring these in and be able to address it.

The third question coming up is that is their better ways to execute the projects that we are doing and others are doing on existing systems? So, overall cost remains neutral or comes down because they are all facing this token cost that is there, so they want to find a way to neutralize it. So Bhavik, that's broadly the conversations that we have had across sectors. I hope I have answered your question.

Bhavik Mehta: Yes, that's helpful. Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Sandesh Naik for closing comments. Over to you, sir.

Sandesh Naik: Thank you all for joining us on the call today. We hope we were able to address your queries. If there are any follow-ups, we'll be happy to address them. With that, we are signing off for today, and look forward to interacting with you through the quarter. Wish you all a very good evening and a good day. Thank you.

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

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