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www.ltts.com

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National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (East), Mumbai – 400 051.
NSE Symbol: LTTS

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Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
BSE Script Code: 540115

Subject: Transcript of Earnings Conference Call for L&T Technology Services Limited (LTTS) for quarter ended December 31, 2021

Dear Sirs,

Please find attached the transcript of Earnings Conference Call organized by the Company on January 18, 2022 for the quarter ended December 31, 2021 for your information and records.

Thanking You,

Yours sincerely,
For L&T Technology Services Limited

Ankita Gawankar
Interim Compliance Officer
(M. No. A 28834)

Encl: As above

L&T Technology Services
Q3 FY22 Earnings Conference Call Transcript

January 18, 2022, 20:00hrs IST

MANAGEMENT: MR. AMIT CHADHA – CEO,
MR. ABHISHEK – COO,
MR. RAJEEV GUPTA – CFO,
MR. PINKU PAPPAN – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to L&T Technology Services Limited Q3 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand the conference order, Mr. Pinku Pappan – Head of Investor Relations, thank you and over to you, Mr. Pappan.

Pinku Pappan: Thanks, Neerav. Hello everyone and welcome to the Third Quarter FY22 Earnings Conference Call of LTTS. I am Pinku heading Investor Relations. To those of you, who have joined from India, thank you for participating at this late hour.

Our Financial Results, Investor Release, 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 the management remarks in 20 minutes and then open up for Q&A. The audio recording of this call will be available on our website approximately one hour after the call ends.

Let me introduce the leadership team present on this call. We have Amit Chadha - CEO, Abhishek - Chief Operating Officer and Rajeev Gupta - CFO. We will begin with Amit providing an overview of the company performance and outlook, followed by Rajiv who will walk you through the financial statements.

Let me now turn the call over to Amit.

Amit Chadha: Thank you Pinku and thank you all for joining us on the call today. First, let me wish all of you a very happy and prosperous new year and hope that all of you are safe and healthy. While many of us are still operating in a virtual environment, 2022 will hopefully be the turning point where the world will return to the new normal.

With that said, let me start the key highlights of our Q3 performance:

In USD terms, we had a sequential revenue growth of 4.2% in constant currency, which was broad based across all five segments. In line with our long-term growth prospects and strategy, we've added a record 2,100 plus employees in Q3, which is the highest ever net add for the company.

We also delivered an EBIT margin improvement to 18.6%, again a new high.

Our deal pipeline continues to see good addition. In Q3 we won a USD45 mn deal along with two other deals greater than USD10 million. We also won two significant empanelments-the first with one of the world's largest technology companies and the second with a global aircraft manufacturer. These empanelments mark the strengthening of our relationship with the customer as we become a preferred partner. We see potential of USD50 mn each in revenue over the next few years.

Let me now provide a segmental performance outlook for your consideration:

Starting with **Transportation** – we had sequential growth of 5.1%, led primarily by Auto followed by Trucks and Off-Highway and Aero. In Auto, we are seeing a strong traction in EACV - the highlight being a USD45 mn deal, we won with a US-based auto Tier-1 to be their strategic engineering partner for their Electric Vehicle portfolio. This is the 3rd deal we are winning from this customer over the last three quarters and the combined TCV adds up to USD90 mn plus. As part of the latest deal, we are setting up an R&D center in Krakow, Poland that will help us expand our global footprint as well as EACV delivery.

In EACV, in addition to Auto, we are engaged in high-end research projects aimed at expanding electrification to the Heavy Equipment and Aero segments. At our EV lab, engineers are doing feasibility studies for high voltage topologies. This gives us the ability to work on complex projects - case in point being - the complete design of a High Voltage electric power train for a US Trucks & Off Highway customer, amongst others. In Aero, the spend environment is seeing a gradual pickup, with spends in areas like digital platforms and solutions for traditional OEMs, and Electrification & Hybridization for new age innovative companies, leveraging alternative propulsion technologies. Summing up, we expect the growth momentum to continue in Transportation across all three segments.

In **Plant Engineering**, we had a good quarter with 4.4% QoQ growth, driven by FMCG and Oil and Gas followed by Chemicals. In Oil and Gas, we see a good pipeline of opportunities in establishing High Value Engineering centers for our customers. We are also in early discussions with our customers on priorities like alternative energy, carbon capture and product mix changes - all of which are choices that are required to make significant engineering-led transformation of the business. In FMCG, demand is being driven by capex, both greenfield and brownfield. We won a large deal with a global CPG major for their greenfield expansion in Europe. And we're looking to support their expansion in Americas as well. Under our sustainability big bet, we are working on a few innovative solutions - for an Oil and Gas major, our plant engineers recommended engineering design changes across the refinery value chain from valves, HVAC pumps, process treatment, etc. to ensure compliance with existing and probable future government regulations, while at the same time minimizing disruption and downtime to existing operations.

We believe with tightening of regulations, post COP26, we will see much more of these engagements across geographies in the coming years. We are positive on the outlook for Plant Engineering and expect steady growth.

On **Industrial Products** – we had a soft quarter, although we continue to scale up our engagements across all three sub-segments Electrical, Machinery and Building automation. There is good demand for platform development, digital twin and smart services where customers are wanting to leverage data and analytics to transform their business. In one of the large deals that we won in Q3, we will use engineering data analytics to develop a software platform that will improve the customer's manufacturing process lines. We are having conversations and early deal discussions in the areas of energy transition and storage as well as sustainability.

The deal pipeline continues to improve and we expect Industrial Products growth momentum to pick up in the coming quarters.

In **Telecom and Hitech** – we had a good quarter with 4.7% QoQ growth led by Semi and Telecom Infra. We are seeing a good set of opportunities in the 5G space with our marquee customers and partners to take advantage of huge spends coming up on integrating various network components and implementing AI solutions as the 5G network gets deployed.

In Semi, we are seeing a pickup in new chip design work, especially in the 7-nanometer technology area.

In Hitech, a key highlight is our empanelment as a preferred engineering partner to one of the world's largest technology companies. This is a very promising development, which should give us an opportunity to work on a wide portfolio of products and devices.

In Media, we continue to look at margin expansion, and we will not be renewing few programs in the legacy areas. This is in line with our objective to improve Telecom and Hitech margins by focusing on more value-added part of the value chain.

Let me highlight one of our investments in solutions: Our engineers have designed a lightweight small form-factor sensor that works on advanced 5G communication and optimal for deployment in industrial mesh networks. Such innovation is possible only because of the multi-discipline expertise in our company, where we combine 5G and NB-IoT solutions, Chip-to-Cloud competency and Industry 4.0 knowledge.

Overall, the demand pipeline is building up quite well in Telecom and we are winning deals. However, Q4 Telecom performance may be muted because of the actions we are taking in the Media sub-segment to sustain growth and expand margins for the entire segment.

Lastly, in **Medical** – continues to grow, led by strong spending in digital platform and connectivity areas. We have built solutions in digital/robotics surgery space which is finding good traction in the market - many customers have drawn roadmaps for robotic surgery, and we are participating in such discussions. I'm proud to share that our engineers in collaboration with IIT Madras have developed a sepsis detection device based on Micro Fluidics Infection

Management Platform. This is a portable device for real time patient care, which is an area where many of our customers are investing in, including telemedicine. To sum up, the demand strength continues to be robust, and we see the pipeline improving in Medical.

Now a few highlights on our **Digital Engineering and Technology** progress:

Our Digital Engineering revenues were 56% in Q3 versus 55% in Q2. We see this trend continuing. On the innovation front, our engineers continue to innovate and filed 25 patents in Q3. Most of these filings are in Collaborative and Intuitive spaces in Digital. We recently won CII's prestigious Innovation Award of Top 25 most innovative companies across all sectors in India. We see this as an endorsement of our focus on Technology and Engineering Innovation through differentiated solutions and offerings.

Let me give you an insight on one of the initiatives we are taking to build next generation solutions: Our AI solution AiKno®, is now an integral part of new product development, for e.g., it has helped in enabling faster and accurate Medical Device compliance with FDA. We are investing in R&D for the next version that will leverage embedded AI.

Now talking about our talent scale-up: we have substantially increased the trainee intake to 1,900 plus in Q3, which augurs well for the growth prospects that we see, in addition to helping us optimize the pyramid and manage attrition. We are able to achieve this scale by leveraging our Global Engineering Academy that is focused on continuous training and up-skilling.

Let me now discuss the **Outlook**: our deal pipeline continues to see healthy addition and the demand outlook in US and Europe remains strong. We continue to invest in our six big bets which will allow us to participate significantly in our customers' transformation journey and win large deals. Attrition is a parameter we are keeping a close watch on and we've taken several measures to address it. We do see attrition stabilizing from Q4 onwards.

Finally, I'm happy to reiterate that we are on track to meet our FY22 revenue growth guidance of 19% to 20% in USD terms.

That said thank you. I hand over to Rajeev and we will take questions after he completes, thank you.

Rajeev Gupta: Thank you Amit. I wish you all a very Happy New Year and hope you and your families are keeping safe and healthy.

I'm pleased to share our Q3 FY22 performance. It has been another quarter of strong results, with improvement across all parameters, Revenue, EBIT and PAT.

With that, let me take you through the Q3 FY22 financials, starting with the P&L:

Our revenue for the quarter was Rs. 1,688 crores, growth of 5.0% on sequential basis. Our double-digit YoY growth trajectory continues with Q3 revenues up 20% on YoY basis.

We touched a new high on EBIT margin at 18.6%, making it the sixth consecutive quarter of operating margin improvement. During the quarter, we had gains from operational efficiency measures, including pyramid optimization and rupee depreciation. This was partially offset by lower utilization and higher travel costs.

Moving to below EBIT: Other income was higher on sequential basis due to the dip in Q2 because of the one-time reversal of SEIS income. Effective tax rate for Q3 was 26.6% broadly in line with our full-year ETR expectation of between 26.5% to 27%.

Net Income for the quarter stood at Rs. 249 crores, which is 14.7% of revenue, up 8.2% on sequential basis, driven primarily by higher revenue and operating margin.

Now moving to balance sheet - let me highlight the key line items: DSO was 84 days at end of Q3, one-day improvement over Q2 while, unbilled days increased to 21 days in Q3 compared to 15 days in Q2. The combined DSO including unbilled stood at 105 days, which is above our target range of less than 95 days. We expect improvement in the coming quarters.

Let me talk about Cash Flow: our Free Cash Flow improved to Rs. 725 crores for a YTD, a healthy 104% of Net Income. Our Cash and Investments rose to Rs. 2,143 crores by end of Q3 FY22.

On Capital Return: I'm pleased to share that the Board has recommended an Interim Dividend of Rs. 10 per share, taking the total FY22 dividend so far to Rs. 20 per share.

Moving to revenue metrics: on a sequential basis, $ revenue growth was 3.6% in reported terms and 4.2% on constant currency basis, with all 5 segments growing as highlighted by Amit. Growth was led by Transportation, Telecom and Hitech and Plant Engineering segments. The segmental margin performance was better in 2 out of 5 segments on a sequential basis. As Amit mentioned, in Telecom and Hitech, we will continue to look for margin expansion by reviewing the portfolio of deals.

Now let me comment on operational metrics: Utilization was at 75.9% in Q3. This is because of the strong net addition done, keeping in mind long-term growth prospects and pyramid optimization. Going forward, we expect this to gradually move up to stay within the 78%-80% band.

The Onsite: Offshore mix has shifted slightly towards onsite due to the delivery initiation of new deal wins. Offshore percentage now stands at 58.7% versus 59.2% in Q2. The T&M revenue mix increased to 71% in Q3 and is likely to stabilize around these levels.

Client profile, which indicates number of Million dollar plus accounts has shown a sequential improvement in USD30 mn and USD10 mn plus categories. The client profile numbers have seen an improvement over the past few quarters, this trend will continue in the coming quarters.

Client contribution to revenue - we have seen improvement in the Top 5 and Top 10 clients. Headcount increased sequentially by 2,135 employees to end at 20,118 employees, while Attrition moved up by 100 bps to 17.5%, reflecting the industry-wide trend. We are proactively taking various employee engagement measures to contain attrition.

Realized Rupee for Q3 was nearly Rs. 75 to US dollar, an adverse movement of 1.3% versus Q2.

Before I conclude, let me give some visibility on the EBIT margin trajectory going forward: our aspiration is to maintain a sustainable 18% plus EBIT margin consistently. We will balance the likely headwinds such as intermittent wage hikes in a high-attrition environment, higher travel costs with levers, such as Growth, Quality of Revenues and operational efficiency.

Thank you and wish you all a safe and healthy 2022. Moderator, we can now take the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Just wanted to start off with the impact of the Media which you have highlighted, can you help us quantify what impact it can have on Q4 revenues? I'm just trying to understand the factors behind the lower end of the guidance which you had maintained for FY22, because it implies less than 2% QoQ growth, or is this just a case of you keeping it unchanged, irrespective of the Media impact?

Amit Chadha: We had come out last quarter and as you're aware, every quarter we've continued to provide you an outlook as close to what we will be able to do. When we gave you the outlook of 19% to 20% revenue growth in US dollar terms, we had factored this in, that we may have to take this. We were not sure at that time, but we were thinking we may have to take the action. So, I would stick to the 19% to 20% and leave it there for now, but I can assure you and like I have told you in the past as well, we continue to work and strive to see what best can be done. So, please do not take the lower end.

Mukul Garg: Fair enough. The second question was on the demand environment, have you seen any movement either up or down during the quarter? The employer addition obviously was really strong, but at the same time, you are also seeing attrition stabilizing. How should we see the employee addition vis-à-vis the demand environment, will it continue to ramp up at this scale, which we have seen this quarter or should we expect it to ease off?

Amit Chadha: I do believe that the demand in CY22 is robust and early signs are very encouraging as we see it. I'll give you three data points. This USD45 million win that we talked that we have had, this is actually the third win from the same customer in three quarters. If I total it up, it is more than $90 million of net new win from a single client, close to the 100 million we had signed in a December two years ago. So, that's just one data point. Second is that we have taken about 3,000 freshers now and 1,100 plus 1,900. We will take some more in Q4, but the big haul will again start in Q1 or Q2 onward depending on when the students come out of college. I can confirm to you that the plans right now are to have similar intake of freshers in FY23 as FY22, second data point. Third data point is that we are excited about setting up Krakow, Poland and we're saying we will potentially ramp up to about 300 people in three years in that location, maybe more. I do feel that the demand in Transportation, the demand in Industrial, demand in Telecom with 5G and 7 nanometer coming along the demand in Medical, demand in Plant and product changes etc. will continue as we move forward.

Moderator: The next question is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: I'm just trying to understand that it seems that pyramid rationalization has probably impacted our growth, it appears so. Could you just elaborate whether the understanding is right and was it typically in any particular vertical? The second question is, is this rationalization of pyramid happening more in the Telecom, Hitech space and with any freshers getting on boarded, is there a scope there is a good margin lever both in the segment as well as at the aggregate company?

Amit Chadha: There are two or three parts here. There is no pyramid rationalization that is happening. What is happening is, there are two or three things. We went through a very bad patch and we had not taken freshers, number one. Number two and I had shared this maybe last time or the previous time, we do want to improve our fresher intake so that we can one, broad base the pyramid and make it the right pyramid, right-size it. Second is that lot of times people say innovation stops at 30 and some people say 40. I say, it never stops but then people say you get younger workforce it gives you newer ideas, and gets you new talents, etc. Fourth is that it gives us the flexibility that we need and some kind of attachment. I would not put it as pyramid rationalization I would more put it as newer areas, newer technologies, etc. It gives us an opportunity to refresh. Having said that, we are also hiring laterals. It's not like we're not hiring laterals. What you should keep in mind is though, that Q3 is always impacted-one, by the number of working days, this time there was Diwali, extended Diwali. There was Thanksgiving, there was New Year, so all of that in the same quarter. Second, number of working days, vacations that people took. That is again, seasonal with it. That's how I would look at it more than anything else. And I am confident I'm fairly bullish about, as I look at Q4 and beyond.

Abhishek Shindadkar: Could Rajeev comment on the recovery on the margins….

Rajeev Gupta: To understand your question, I mean, of course we have improved margin, Our EBIT is now at 18.6% in Q3 relative to 18.4% in Q2. So, there's an improvement. I think going forward, as I said our aspiration is to maintain a sustainable 18% plus EBIT. There are always going to be factors which are the headwinds and the tailwinds to manage. In terms of the tailwinds both in quality of revenue, I think productivity improvement and operational efficiency, this is something that we've been talking over the past four to five quarters and you've seen EBIT improving over the past five to six quarters and we will continue to do so using operational efficiency as one lever. On the headwinds, and I may have mentioned this in the past earnings calls also, with improving economic recovery, we'll see more of travel and facilities related spend come and it indeed has been a high attrition environment. So, we will see these wage hikes to manage some of the attrition that we're seeing in the recent past and of course going forward for a few more quarters. Last of all, the organic and inorganic investments, we're an innovation led company. So, we will make these investments. Those are the headwinds and tailwinds that we'll manage. Having said that, we have shown consistently over the last six quarters an EBIT margin improvement.

Moderator: The next question is from the line Apurva Prasad from Elara Capital. Please go ahead.

Apurva Prasad: Can you comment on the large deal pipeline, you did highlight the USD45 million deal, but are you seeing any deceleration in the large deal pipeline? I asked this as I look at the number of 10 million plus wins, it just seems to be tracking lower over the past couple of quarters. I just tie this through the midpoint of the Q4 guidance. Your perspective will be helpful.

Amit Chadha: We have not seen any deceleration when it comes to deals and pipeline. In fact, pipeline has continued to improve quarter-on-quarter. In fact, if anything, I see that going up. I acknowledge the number of $10 million deals in Q3 have been lower than Q2, but I do believe that Q4 onwards, you will see some of that come back up, if you ask me. There were some of these decisions that moved beyond December to January. And I am talking to you with the wisdom of January that has passed so far, that you will see that coming back.

Apurva Prasad: Second question is on medical devices. Any additional comments here and the context here is that it again seems to be slowing down versus prior period growth. Also, if I look at competition appears to be, probably gaining share out here. And also, since I've missed any specific mentions in the key deals in this segment, so your comments will be helpful.

Amit Chadha: It is more to do with our client's programs and the lifecycle they are in, one. So, as that changes, things continue to change. In fact, the good news is we've added a couple of very marquee logos in the last three quarters in this space that will see more expansion as we move along. See, one thing that we have done differently this quarter, you will notice is that we have called out empanelments separate from deal wins. The reason we have done that is that the client is not willing to commit to a sizeable volume, but there is a potential. We turn that into, we call it an empanelment where there's almost a confirmed revenue, but you're not willing to sign the dotted line, he says, this is my estimate. We've seen some smaller ones in Medical, but I do believe that as we move forward, this will start coming back. Some of the differentiated assets that we have built be it Sepsis detection, be it Digital front door or be it Chest rAI as well as some QARA (Quality Assurance and Regulatory Affairs) related algorithms that we have built I believe along with AiKno™ will help us in terms of coming back in this space.

Moderator: The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal: A couple of questions from my side. First of course, is that revenue growth in this quarter was a tad on the softer side, versus our expectations. I know we analysts have very high expectations from the company, which you tend to beat every quarter, but was the numbers in this quarter also slightly miss on your expectations too and if there is any specific reason that you would like to call out for that?

Amit Chadha: Two things here, one it is 4.2% constant currency and we have tried to maintain that we will be in that range as we move forward, so we've done that. Of course, compared to 5.X%, it is lower. There are two realities in our business that you will see over and over, one is there is this Q3 with the number of working days lower than Q2. If Diwali, Thanksgiving and Dussehra and Christmas come in the same quarter, it's a double banging. So, I'm not saying we should not have festivals, but maybe better off doing it in two quarters than one quarter. That is, it's a reality. Second, we were tracking the number of leaves people have taken. So, one way, you know, it is happy people are taking leave, work-life balance, but the reality is the number of people that took leave in this Q3, as opposed to last year Q3 was higher and it's a onetime impact and people do that, take leave will be rejuvenated by the time they come back. Those are the two points that I would say. We continue to strive for performance that will get us to that range of growth, profitable growth as we move forward and that's been our continuous endeavor.

One more thing I didn't answer, Apurva, I thought I will mention it also again, one thing we are also seeing is in some of the cases like in this particular client that gave us this deal of USD45 mn and the previous two were almost about 50. So, the total was about USD90 mn plus. They broke the deal up in three parts. That is a reality in our industry where people do that, though we continue to strive for USD50 million plus USD100 million plus, this is a reality in our business.

So, I didn't answer it so I said I will answer that, but Vibhor to answer your question again I believe that looking at the seasonality, I think we did well. I am confident of delivering the guidance that we talked about in the last quarter. We look forward into FY23 and the freshers we have hired 3,000 in this year so far, we'll hire more in Quarter 4…I do believe are a signal that we are fairly comfortable with our growth prospects in the next year.

Vibhor Singhal: My second question was actually, I just want to basically pick your brain on the performance that we had in this quarter or where we are today, vis-à-vis pre-COVID. Let's say if I look at our, this quarter's revenue around USD225 million and if I go two years back around eight quarters back Q3 FY20 when COVID had not struck. We are ahead of that number of around 13%. If I compare the vertical wise, I think our Industrial Products, Telecom, as well as Medical Devices have grown much beyond what the numbers were two years ago, but our revenue in Transportation and Plant Engineering today is almost at similar levels as it was around eight quarters back. I know these are the two verticals, which are probably the most impacted because of COVID. Would you just maybe to take us to basically what is the composition of the revenue? How is the composition of the revenue different at this point of time? If I look at it, transportation was around $71 million then and today as well. How is this $71 million different from that in terms of let's say maybe higher exposure to Auto, than aerospace and a similar kind of about the breakup if you could probably show for Plant Engineering which is probably at around $34 million, which was almost a similar number of two years back.

Amit Chadha: Very well put I should say that because, I continue to have a chart here in front of me where I see who recovered when and I think you've done a very good job in putting that. Let me say this to you, see you are right, Plant engineering and Transportation have finally come back like you said. See the color of Transportation, let me start with has changed. There was not so much of Electric, there was not so much of Connected. There was a lot of Infotainment at that time. So the amount of electric and amount of connected revenues that we're generating is higher, number one. Second sub-bullet to that is that the hardware-software work that we're doing now is higher now as opposed to pre-COVID. So, that is another reality that we have seen that has happened. Third is in terms of sub-segments, Aero fell very badly for us. So, there's more of Auto now, there's more of Trucks & Off Highway now than Aero I mean, if you look at the same composition, but having said that, with this empanelment we've had in Aerospace plus other deals we are working on newer technologies in Aerospace, I believe that cylinder should also fire going forward.

Now if I go to Plant Engineering, the revenue that you saw pre-COVID, there was a lot of Oil and Gas revenue in that and now if I look at the revenue and there's Oil and Gas, Chemicals, and then CPG. Now, if I was to separate it out, there is CPG, Oil and Gas and Chemicals. So, Oil and Gas has come back slightly, but not to the level where it was. So, that's the difference in composition. There's a lot more plant re-engineering, capacity expansion, product mix changes kind of plant engineering work, corrosion testing and corrosion value analysis work happening as opposed to what was pre-COVID. So, there is a little bit of change, you are right and that's what we've seen. Going forward I do see Oil and Gas coming back. I do see as well Chemicals and CPG growing as we move ahead.

Moderator: The next question is from the line of Vikas Ahuja from Antique Stockbroking. Please go ahead.

Vikas Ahuja: My question is how should we read the hiring numbers? For the second quarter, second consecutive quarter, the hiring is much higher than the growth. Is it the strong demand you foresee and you want to have enough buffer and obviously training fresher also takes time or we are expecting attrition to remain elevated for some more time?

Amit Chadha: So, hiring is higher because with couple of things that we're looking at. One is we're trying to broad base the pyramid and we are planning for future growth. I mean, that's how I would put it, as number one. Number two is the kind of skill set required for our future will be slightly different from what was there two years ago. We are refreshing that as well and getting ready. So, that's broadly where we are. I should tell you in advance that net hiring in Q4 will not be as high because we had shared in last earnings call that we will see a one-time, big jump in numbers in Q3, that was the plan the way we had done it. Now you should probably see a similar jump in maybe Q2 of FY23. We've created a full operational plan to take it forward.

Vikas Ahuja: Initially, you made a comment around some partnerships, sorry. I completely missed that. You said there are couple of partnerships which have the potential size of $50 million, if you can just repeat that?

Amit Chadha: There were two things I talked about. One was, there are two empanelments, one with a big technology company, to work with them on a hardware and software of their devices they are launching. The second one is an Aerospace OEM, where we've signed a partnership, customer vendor contract to be one of their primary vendors as they move forward. Both of these we believe can give us $50 million each in the next few years. So, those are two empanelments. Then I also talked about partnership that we announced, I think about maybe a month or so ago, we announced a 5G partnership with NVIDIA, Mavenir and us. That is what I was alluding to. That is in the areas of O-RAN and 5G, where we are setting up a lab in Munich around test cases for the discreet and process manufacturing segment. So, that was the partnerships, both of those.

Moderator: The next question is from the line of from Vimal Gohil from Union Asset Management. Please go ahead.

Vimal Gohil: My question is a reiteration of what Apurva asked on medical devices, just an extension of that. If I were to observe your margins in medical devices, they are probably upwards of 30%. Do we have any scope of leveraging these very high margins in order to be slightly more aggressive and give some preference to growth here? And that's my first question. The second question is on Autos, rather Transportation, within Transportation we have Autos, I wanted to know, would it be fair to say that a dominant portion of your automotive mix would be OEMs and Tier-1 suppliers would be a smaller portion there. Lastly, just wanted to reiterate your guidance that you gave, in your analyst day recently concluded analyst day of reaching a billion-dollar run rate by Q2/Q3 FY23 and USD1.5 Bn run rate by FY25, those stay intact?

Amit Chadha: Thank you so much. I'll answer the last question first because that is my favorite. I am unequivocally reconfirming that LTTS will get to a billion-dollar run rate by Q2/Q3 of FY23 and get to $1.5 billion as stated in our guidance in the investor day. No change, absolutely no change. I will answer your second question. So, second question was Transportation. Transportation, we are working with OEMs as well as Tier-1s. It's a mix. See what's happening is, that as people have gotten to Electric Vehicles and Connected Vehicles, there was work that three years ago, they would farm out to a Tier-1, they picked that up themselves, earlier they usually only do integration. Now they also deliver key components. They may actually say, I will do the platform, let the detail be done by the Tier-1. So, the kind of work that OEM and a Tier-1 is doing is changing. The skills are almost the same and I can reconfirm to you that there's a healthy mix of OEMs and Tier-1 that we work with. In fact, we work with marquee customers in both of those areas. So, that's earlier potentially maybe Abhishek here is helping me here. He says earlier software was at about 50%, now software work has gone to 70%. That is a change for us and with Abhishek’s background from where he comes from, I think he has been driving this himself with our leaders in the transportation segment.

Now, to go back to the first question on Medical. Like I talked about the sub-segment of Media where we tried to see we could improve margins and we finally felt we could not and we were taking some judicious calls. In the Medical area, we are working with all the marquee customers. I mean, you name a top OEM, we work for them. It is just, it takes little bit of time and that's all there is to it. It is also the youngest of our verticals and still being nurtured. If I go back to 11 years ago when I joined this company or 12 years ago, we nurtured Automotive, we nurtured Aerospace. Dr. Panda was very, very passionate about this area and he nurtured that. Similarly, we are nurturing Medical at this stage. I would not read too much into this at this stage.

Moderator: The next question is from the line of Salil Desai from Marcellus Investment Managers. Please go ahead.

Salil Desai: Can you talk a little more detail about this Automotive Tier-1, where you are now $90 million of business, three deals over the last 12 months or so, more about the journey, what did you do to keep getting a larger share of business? Are these like similar projects or upstream or downstream of what you were doing originally or completely new areas and whether it was to replace or displace some other vendors just about anything about the relationship would be good to know.

Amit Chadha: Sure, this particular Tier-1 automotive that we're working with, we had been working for them for some time, but in a much smaller scale. They had known of us from the industry, small world they had known of us. So, when we invested last year in our big bet EACV, we actually set up our EV lab, remember we did a press announcement etc. everybody looks at LinkedIn all the time. So, we did all that. As a result of it, we got inbound enquiries around power management, remote diagnostics, charging infrastructure, onboard electrical stuff that people talked to us about and said is that something that you would be able to do to help us and do you have the wherewithal and the people available. There was some model based design work they wanted us to do. There was software work they wanted us to pick up and said can you do it. With the global training academy that we had got on up-skilling and re-skilling engineers, we went in and spoke to them. We showed them the results. They said okay, why don't we give you a part of the product that we are developing and why don't you try it out and that the first deal I think was about $25 million they gave us. They said, why don't you see what you can do and let's see the results. So, for about three months, we wrapped up the team. We had the team ready. We had made some investments in, got some people ready. So, we deployed them. They saw the work. As we were ending, coming to month three and they actually signed another deal, similar size. They said, now we want you to look at the power management side, it is little more tough because you will talk about topology etc. and I said let's see you try and do that work. That again, we've been able to help them and we have been able to expand in the software area. Once we had done that, you know I had a hidden agenda if you ask me that I wanted to set up something in Eastern Europe. If some of you remember, we had talked about it a number of times that we should develop something, either in Ukraine or we should develop something in Poland, or we should do Hungary. I remember some of you have been asking these questions and we have been saying we were looking at it. As we develop this relationship, we sat down with them and we said, that look we are trying to develop something in Krakow, Poland. We know that you're trying to set up your own center. Why don't you let us do it for you and we'll take the responsibility, we'll develop it for you etc. One thing led to another and they have signed this deal with us, so already we've hired the first set of people. The head of the Poland center has been hired, a local in Krakow. Location has been identified. People have been made offers. Some people have joined as well. It allows us to be able to, shall I say, address two points at the same time, one expand in Eastern Europe, that'll help us overall with European customers and US customers. And second expand the EACV footprint. I believe that's how this has progressed forward. Again, we continue to pursue this and others.

I also want to make another point. Somebody asked a question OEM and Tier-1. See around 18 months ago as COVID hit, we took a calculated risk and said let's go after the new autonomous companies because they will expand. So, we set up, added infrastructure, people as well as capabilities in the Bay Area and that has helped us sign up some new age auto companies. That again is like, chakravyuh, it's helping us with the Tier-1s because we have the credibility and the names and it's helping us with the competency with the OEM's. So, it's a win-win game, long answer.

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

Sandeep Shah: Just further to the last question, wanted to understand these three deals, which combined to a TCV of $90 million. Just wanted to understand how sticky these deals are. Is it once the platform being launched on an EACV, some portion of these revenue will go off or you believe even after the platform launch, there would be requirement in terms of some amount of verification up-gradation maintenance, which will help you in terms of maintaining these kinds of revenue with a new age area on the EACV as a whole? Second, who are the competitors in terms of getting these kind of deals within your space and the last question in terms of Media portfolio restructuring, do you believe it will have a bigger impact in FY23 or it won't have a big impact to disappoint you as a whole?

Amit Chadha: Let me answer the two questions and I'll ask you to repeat your third one. Number one, that are these deals sticky. We believe in relationships. We don't call our Account Managers as Account Managers; we actually call them Relationship Managers and it takes time to build credibility. Because you're finally going in, you're trying to do engineering, core engineering, ER&D takes time. So, the first two 25 million each were over a three-year period, this one is 45 million is five years. So, as you can see, and they're already talking about trying to see how will they continue on and on, because if you look at the EACV segment you are not talking about developing, say one particular area and then getting out. There are different components that have to be built. They keep on coming out with newer products. So, maybe they'll start with chargers. Then they will go to alternators. They may go to inverters. They may go to battery charging. They may go to other things. So, they continue to come up with newer products and we are not signing these deals just to develop one product. It's a family of products. So, we believe that these are sticky. These continue. In fact, case in point, if you look at our client pyramid, it has improved over the last quarter. I can assure you next quarter also it will improve.

So these are sticky relationships that get built over a period of time and knock-on-wood, they continue to expand. So, that's how I would do say.

Competition the usual suspects, I'm sure we all know who plays in the Automotive space, there've been companies. What they definitely saw in us, which I will definitely mention, I don't want to talk about what others do, because everybody has a business to run, I respect competition, is that the EV lab that we set up, the kind of technology areas we have invested in, have helped us in terms of winning this, I would say equally important to the relationship that we've been able to develop. Can you repeat your third question?

Sandeep Shah: Yes. Just in terms of the Media portfolio restructuring which you called out, starting from 4Q will have a bigger impact in terms of a growth shave off in FY23 or it won't have a big impact?

Amit Chadha: No, it's a single quarter impact. We're taking it on the chin, moving forward. It will not have an impact on FY23.

Moderator: The next question is from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management. Please go ahead.

Sudheer Guntupalli: How do we read the quality of growth during this quarter? If I exclude the strong growth in the Indian geography, the rest of the portfolio growth over there seem to be little underwhelming, especially in the core geographies like North America and Europe. How do you read and anything happening in these geographies and anything that happened in this particular quarter or it's just some sort of a blip?

Amit Shah: So, I should say that our North America and Europe revenue actually grew very well, ROW for us has been very tepid. I think what you are referring to is a billed currency and that's how we do it. But if I look at the growth that we have had, our North America geo has done very well, Europe has done very well and its basically ROW if you ask me the India part where it's been very tepid so it’s the other way around and we are confident to these geographies as we move forward.

Sudhir Guntupalli: No, I'm just looking at the sequential growth in constant currency terms. I understand YoY growth rates are very high, but in this quarter, it seems to be largely driven by India and other geographies don't seem to have contributed in a large way to the overall company growth?

Amit Chadha: It's more related to and maybe you can do a follow-up with Pinku later on this. This is more to do with billed invoices from where it came from, more than anything else.

Moderator: Now I hand the conference over to Mr. Pinku Pappan for closing comments.

Pinku Pappan: Thank you all for participating in our earnings conference call for the Third Quarter. We hope we have answered most of your questions. Please write to me in case you have any queries. Wish you a great day and we will end the call here, thank you.

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

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