



“L&T Technology Services Limited Earning Conference Call”

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Moderator: Good day, ladies and gentlemen and a very warm welcome to the L&T Technology Services Limited Earnings Conference Call for the first quarter fiscal 2018. We have with us today from the management Dr. Keshab Panda – Chief Executive Officer and Managing Director, Mr. P. Ramakrishnan – Chief Financial Officer, Mr. Amit Chadha – President, Sales & Business Development and Member of the Board. As a reminder for the duration of this conference call, all participant lines will be in the listen-only mode. 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 ‘*’ followed by ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Dr. Keshab Panda for his opening remarks. Thank you, and over to you.

Dr. Keshab Panda: Thank you, moderator. Good evening and warm welcome to all of you on Q1 call of FY18. We have posted results with revenue and net income rising on a sequential basis in this quarter; US dollar revenue was 128 million for the quarter, a growth of 5.3% quarter-on-quarter. Compared to 121 million last quarter, we did 128 million this quarter, I think we have done reasonably well. Net income at Rs. 980 million for the quarter, a growth of 1.6% quarter-on-quarter. Net profit margin remains steady at 11.9% same as last quarter. The growth was driven by our continued focus on top 30 accounts, T30 accounts, which I spoke about last time have done very well.

Our focus for last few quarters on the T30 growth has paid up now and we did very well. Order booking, the quarter was also boosted by L&T Technology Services winning several significant multiyear large-sized orders and they are for the global customers in the new age areas like robotics, lot of orders we got in video platform solutions, high-end avionics and the autonomous car technologies for the high-paid cars. So a lot of work has gone in this and we have multiple orders in this.

I will hand over now to our President, Sales & Marketing Mr. Amit Chadha who is also the member of the board to take you through on some of the interesting orders we got and then I will come back again. Over to Amit, please.

Amit Chadha: Thank you, Dr. Panda. Good evening, everybody. Our focus on ideation and accelerators in the T30 accounts has started to pay dividends.

First let me go to some numbers on order backlog that we had talked about last time. So from an order backlog standpoint, we stand at \$270 million of order backlog for the next 3 quarters executable over the next 3 quarters that is Q2, Q3, Q4. In addition to that, there is about \$90 million of renewals that we expect for the next 3 quarters and we have a weighted pipeline of \$270 million additionally.

Given these numbers and given our orders, we are fairly bullish and confident about our performance going forward. Dr. Panda talked about some of the deals that we have done and

signed. So I would walk you through some of them. So, the first one is this large deal around enhancement of video platform solutions that is deployed in tens of millions of subscribers globally. This has allowed us to be able to expand our presence in Israel, in India as well as the US and Europe. It is a middle of life support deal, we had spoken about this last time as about to close, this has been closed.

The second one is around robotic programming and simulation that we have won with the Japanese auto OEM across various centers they have got. The third one is the European aero major where we have been invited to engage in development of high-end avionics applications where we are working with them. The fourth one is for a European O&G major, a project to capture, retrieve, store metadata information as well as working on geo-scientific data. We expect this engagement which is already started to continue on for a couple of years.

We also won for a US oil field services major monitoring data analytics and predictive maintenance application development across various divisions of the company. Finally, we have also got from a US industrial major support and development contract on entire family of drives and motors. All these orders are already in execution and we expect this to help us going forward in our quarters.

With this, I will hand it over back to Dr. Panda.

Dr. Keshab Panda:

Thank you, Amit. Some of the new orders we got in very interesting areas on Augmented Reality, Mobile Solutions for defense segment again. Artificial Intelligence, we have been working on, this is on a very interesting project now that is going to scale up, I think this is an interesting beginning again. Machine learning, that is an area again some projects on Machine learning area. I think the difference is I always say that we believe that engineering as a different segment altogether to getting into digital, we need to have engineering background. The DNA of engineering that is very essential and I think that making a difference now. Some of the measures being happened because of that.

There are a few recognitions we got during the quarter. If you see HfS came the report on Industry 4.0, they have looked into companies globally, we have been placed in Winners Circle. I think that is a great story there. They looked at it every areas like Data Analytics, Robotics, they looked at Manufacturing Automation and Digital Clone Simulation and 3D Printing and so on, Manufacturing IoT, Making Assessment and Placing as the Winners Circle, I think there is a good story again. Nelson Hall came with a IoT story looking at the companies around and they placed as a leader, this is a recent progress.

So the investment we did in the multiple areas we worked on. In Imaging, we worked on areas on the iBEMS, we worked on the IoT platform. I think these are all connecting all the dots of the engineering that is paying us in a reasonable way.

Esencia M&A I talked about Esencia last quarter, that process is gone through now from 1st June onwards. Esencia is 100% owned by us. The company is in San Jose in California and they do

very innovative work in engineering, in drone technology, they work on internet using drone. The multiple areas in hardware and software, they also work on the ASIC design and so on. Semiconductor is a growth area and ER&D space, they play very important role on VLSI, ASIC design and so on. We believe this is going to be a big growth area for us as well.

Tractions on deal in VLSI, embedded space for some of the world's leading technology companies, we have seen already making progress there. One thing we always believe in, I would welcome all of you to come to our analysts meeting we are doing in Bangalore that is on Friday. We are going to demonstrate the electric vehicle innovation, driverless electric vehicle. There are multiple technologies that we are going to demonstrate there. Stackable inverter, DC/DC converter, battery management system, ADAS system, all these technologies we are going to demonstrate there and some of you may have opportunities to drive that as well That is I think our innovation. What we did, the DC/DC converter and stackable inverter, this we did for industrial, our innovation we have taken back to car technology in electric cars. So this is where going to make lot of difference.

We have incubator technologies that can also be integrated into Indian commercial vehicle to create new breed of hybrid and electric trucks and buses, we are working on that.

Outlook: Looking ahead, the business momentum looks promising based on the order book what Amit talked about. Repeat business from our customers and large deals which we signed across the vertical, that is going to drive our growth. As stated earlier, we have confidence to deliver double digit growth for this year FY18 as compared to FY17. Analyst day invitation, I think we have sent invitation to most of you. I would request you to come and join us. You would see difference between IT and engineering and we will demonstrate you in multiple areas, industrial, medical, telecom. We will show you some of the areas in automotive, aerospace, every segment where you will see what our engineers are doing day and night there working on the innovation engine.

I now hand over to our CFO, Mr. P. Ramakrishnan to talk more about the financial performance of the quarter. Thank you.

P. Ramakrishnan:

Thank you, Dr. Panda. Good evening to all of you Our revenue numbers, I start with revenue numbers followed by the EBITDA, then PAT and then I will try to summarize the segmental performance and also some of the key metrics.

Our rupee million revenue for the first quarter ended 30th June 2017 was posted at Rs. 8,226 million, a quarter-on-quarter growth of 1.3% in rupee terms and in rupee terms Y-on-Y 2.5%. Compared to this, the dollar reported revenue Dr. Panda articulated at the start of the call, our numbers in dollar terms was for the current quarter at \$128 million, a growth of 5.3% Q-on-Q and 6.3% Y-on-Y basis. This number of \$128 million topline includes Esencia one-month revenues of roughly around \$1.9 million. Excluding that, still our quarter-on-quarter sequential growth will be around 4%.

Coming to EBITDA, our operational EBITDA which means without impact of other income, for the current quarter was 15.3% as against 16.5% for the previous quarter ended 31st March. The drop of 16.5 to 15.3 is primarily on account of exchange rate that is the appreciation of the rupee against the dollar. The Q4 average exchange rate was around 66.96 whereas in the current quarter, the average exchange rate is around 64.45. As I have explained earlier in the earlier calls, for LTTS 1% change in the exchange rate either way impacts our EBITDA margin to the extent of 0.3%.

Our profit after tax which is net income, we have posted at Rs. 980 million when compared to the previous quarter at Rs.965 million. Marginally, it has improved and despite the fall in EBITDA, we have been able to show a marginally higher PAT is primarily on account of better other income because of hedge cash flows coming in our favor.

Coming to the point on segment results, if you see our fact sheet, the segments numbers, you will find that all the segments on a Q-on-Q growth business have shown a growth, industrial products is just about remained the same level but that is not something, again it is a question of the various jobs which are under execution. But as such transportation, telecom, hi-tech, process industry and medical devices all have shown decent levels of growth.

In terms of revenue by geography, structurally for LTTS, our revenues from North America continues in the range of 65 odd percent that trend continues. Europe was around 17%, India contributed India revenues around 9% and the balance rest of the world at around 10%.

Coming to the revenue mix, it is almost the same as the previous quarter. Our onsite-offshore revenue mix stood at 49.2% and 50.8% respectively and in the revenue by types of the projects we do, fixed price contracts was around 30%, time and material around 70%.

In terms of client profile, one important thing is based on the Q1 revenues on our run rate based on that, one important point, one of the other clients in our top 20 has crossed the \$30 million bucket, so that is something which we see as very encouraging.

In terms of the constitution of client as per the distribution of revenues, the top 5 clients contributed to roughly around 24% of our revenues and top 20 clients contribute to around 53% thereby reemphasizing that our client mix is balanced in terms of overall risk profile. The utilization, marginally we have improved our blended utilization to 75% from 74.2% in the previous quarter and in terms of headcount, as of June 2017 our total headcount is at 10,805 and that includes the acquisition of roughly around 86 odd people as compared to the previous quarter at 10,463.

Coming to the assumptions on the exchange rate which I talked about, our dollar numbers are all have taken in the average exchange rate of 64.45 as compared to 66.99 in the previous quarter. So with this, I have given you an overall performance, summary performance for the quarter and we can now take questions. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Apurva Prasad from HDFC Securities. Please go ahead.

Apurva Prasad: Sir, my first question is pertaining the process industry vertical. We saw the headwinds in the previous year and how do we really see this vertical going forward that is one and the next one I have on this margins.

Dr. Keshab Panda: On the process vertical, if you look at last 4 quarters, there was a degrowth. We talked about multiple areas like Donald Trump factors and many other factors and CAPEX investment in different geographies getting delayed. We see in the first quarter, many growth on process vertical, right. It was not the case last few quarters. So, we believe the worst is behind us and we start a growth now. We started now and there are multiple areas we did, whether the brownfield, Greenfield projects where we are focusing on earlier, we got the sustained engineering, we have got into smart plant design, we are going to multiple areas in CPG industry, food and beverage industry, chemical industry and so on. So, we believe that worst is behind us and this segment, we will continue to grow from here.

Apurva Prasad: Great. And sir on the margin, how do we see that trending going ahead and what levers can we apply?

Dr. Keshab Panda: There are multiple things we look at. I think we can assume that earlier we had the dollar at \$67, \$68, that days have gone now. We need to prepare ourselves making sure that we will be more efficient, more automation and then this one lever which is always with us, I think we have not been able to use that successfully about our IP-led revenue, right. If you sell 1 million revenue, it impacts the margin by 0.8% on EBITDA. So, I think this is a good lever available to us. We have made every effort and we continue to do that, that is going to give us a growth. The other parts is we are also looking at how many the mid-level engineers we really need them. People have to be effective, can we manage these by engineers in the lower level efficient way. So I think do we need domain or these technologies. So youngsters do better technology than domain people. So mixed of that, we are still looking at that very seriously and at the same time, we have to be clear about when you create innovation and technology, when we do that, it takes time to monetize those, okay. So I think we do not want to distort the innovation engine which is working well. We are not going to disturb that. Lever point of view, I still believe 75% what utilization today. Is that going to be 1% or 2% possible growth is not going to be 85% engineering that is not possible. And in terms of pyramid, there is options still available to us. We are looking at that very carefully. Some verticals have done very well, some verticals still depending on these type of verticals, I think type of projects they do, some work to be done in those areas as well. So, I think there are levers available, automation for the skill based engineering. We are using artificial intelligence for skill based engineering which we are doing, right now working on that and to master that, I think there will be lot more levers available for the margin improvement. So any particular time, we look at those aspect as well and we also look at it. There are something we do our onsite-offshore because I think that ratio has to be optimized when you go through, that is also lever available to us. So, I think I would say the

platform led revenue that is most important. Second thing is the people on the mix of pyramid that is important and improving the utilization 1% or 2% more, I think that is also important. So, I think we are looking at the levers available to us for the margin improvement.

Apurva Prasad: And in that case, will we be targeting getting towards the FY17 margin levels?

Dr. Keshab Panda: I think that is our goal. I think when we look at it overall point of view, I can tell you clearly if you are able to get the IP revenue of few million more and who will hit that or exceed that. So, I think the operations point of view, what we can do plus the IP part and that is the major difference right now and which we can drive it and we are doing good progress there though. The team is working very aggressively on that. So together I think we should be able to get there.

Apurva Prasad: Great. That is helpful. Just quickly couple of book-keeping ones. On the ETR, we saw that increasing for this quarter, how do we see that ahead?

P. Ramakrishnan: This is the current time, the current year the effective tax rate at a consolidated level will be around 27%-28% for the year. And one of the reasons is as I think many a time I have communicated that in India we are operating through both SEZs and STPIs. The revenue which accrues from the STPI is obviously from income tax perspective is fully taxed, whereas in the SEZ depending on whether the SEZ is in the first 5 years where we enjoy a 100% exemption and subsequent 5 years we enjoy a 50% exemption, so what we will have is one or two centers are going into the 50% category and hence the marginal increase in the effective tax rate.

Apurva Prasad: Okay. And lastly from my side, the Esencia revenue would be largely clubbed in the Telecom and Hi-Tech vertical?

P. Ramakrishnan: Yes. That is correct.

Moderator: Thank you. We will take the next question from the line of Pankaj Kapoor from JM Financial. Please go ahead.

Pankaj Kapoor: Dr. Panda, just a few questions on the large deal wins that you mentioned. So is that the one which we were pursuing for some time and is this the one which got converted now, which we have mentioned in the release. If so, if you can give some color about what could be the size of the deal and is there any transition involved with this which can have some impact on the near term, big on the margins?

Dr. Keshab Panda: You know Pankaj, I talked about last time we are going to close the deal. Of course, when you talk about large deals, it will take some time. It happens one quarter, two quarters, we have been working for some quarters. At least I would say 3 quarters or so and finally it gets closed. So I think when you do a large deal, it requires you know knowledge transfer, require people working on different technology, different geography and so on. It is a sizeable deal. If I combine 3 of them together, I would say it is a 3-digit number. It is not a small number. So 3 digit number of engineering, it does not happen so often, I think that is the reason we have been able to say. So

altogether, this is again multiyear 3 digit number. So it is going to again add the revenue to this year. So I think consistently last quarter also I talked about the growth is double digit, that gives us confidence in doing that. The other part is the new technologies when we talk about, there are areas we talked about Robotics, we talked about Artificial Intelligence, we talked about Video Technology, Security Solutions and so on. There are multiple areas and multiple deals altogether. I think the order closed in last quarter is a sizeable order. Is that going to impact the margin to some extent, near terms, yes maybe and we are working out multiple ways of getting out of that. One concern I think, all of you I think last call we discussed about is are we going to show a growth at all. You know in this company because if you look at overall point of view last year and that is a discussion we are going through and the process of signing deal and closing deal has taken some time, now we are there. So I think levers, we are using multiple levers to see how we can grow that, how can we improve the margin and that I think should be possible to do it.

Pankaj Kapoor: Thank you sir. That is helpful. One of the levers which you mentioned was the IP revenues. So any visibility in terms of how much was in this quarter or how much are you targeting for this year?

Dr. Keshab Panda: I think this quarter absolutely nothing. I would say very negligible and next quarter because I think if you see, I did say 1 million we will sell, EBITDA increases by 0.8%. I think that is the impact overall. So I think this quarter absolutely nothing. We could not do that, right? But we have done in the past. Our track record we have done in the past. We believe that we will be able to do that in the future as well. So that is a lever, will definitely very seriously try to use that.

Pankaj Kapoor: And just lastly I think the wage hike are still some time off, but any thoughts on what kind of a quantum you are looking at and are you going to stick to those timelines or there could be some possible difference like the way other companies have been doing?

Dr. Keshab Panda: Number one is Pankaj, this one point is we will invite you to come to Bangalore. There are multiple, you will see all my leaders have been talking about it. All my leaders are going to be around and we will discuss about the levers, we will talk about the technology, we will talk about innovation, all that we are going to go through Friday. So I would request everybody because we wanted to do a sort call this time, so that we give you the numbers, some outline. So I think the analysts call, lot of technology is there and I promise you when you come there you will not be disappointed. You will see what engineers really do in technology and different areas. So I think this is going to be exciting thing. Multiple things we can discuss about it. Wage increase, I think we have delayed. That is a fact and we delayed to a later date and we did not do which is normal, we did delay that.

Moderator: Thank you. The next question is from Vibhor Singal from PhillipCapital. Please go ahead.

Vibhor Singal: So, my question was mainly pertaining to the margins. Now that we have done strong performance in the revenue front, is there any band that we would say that we would be comfortable in terms of margins and we would be able to achieve that in FY18?

- Dr. Keshab Panda:** I would not comment on that right now. The reason is this deals we got, we are still digesting and looking at it. But our goal is how do we maximize this. I think we have the bandwidth right now and we have multiple levers available to us. I think we are only, maybe I think few months from today I will be able to tell you. Right now I will not comment on margin point of view.
- Vibhor Singal:** Sure sir. Sir my second question was on the WAGES platform again. I know it is probably part of the IP led revenues that we are looking at, so any progress on that. I mean, basically what exactly is where are we on that front, how close are we to basically increasing our monetization on that platform. Some light on that?
- Dr. Keshab Panda:** You know if you see IP led, we have multiple IPs we have in place. I would request Mr. Amit Chadha, who is the President - Sales and Marketing. He has been doing this every day. He and his team, request him to talk about it.
- Amit Chadha:** Sure. So thank you so much, Dr. Panda. So we look at our IPs, we have got UBIQWiSE which is our IoT platform. We got WAGES which is for plants. We have got iBEMS which is intelligent building management system for facilities, right? And then we have got some CDMA and USB 3.0 IPs that we have been selling. Like Dr. Panda talked about, we were not able to make any impact in the last quarter in the closures, some of the deals got slipped out. We are working hard finally to make sure that we are able to come out with some of this in the current quarter. We also are working with global cloud provisioning platform provider to see if we can jointly go to the market on some of this IP and that is to be as we move forward. So we do expect some of that to happen in this quarter and the next one and we are working towards that. And like he spoke about, if you come into Bangalore we will be able to show you what it is exactly and where it fits in into the general ecosystem.
- Vibhor Singal:** Sure. So Amit if I can just basically dwell further on that. Most of these IPs that you would be looking to monetize, there would be a mix of the license revenues and some of the customization part that we would be offering as well?
- Amit Chadha:** Yes, both of those. In fact we are in conversation with some prospects where we even talking about UBIQWiSE platform as a service. So we are doing that as well. It is just that some of these decisions take a little bit more time than we would like them to, so.
- Vibhor Singal:** Right. And we know that the process design segment has not been doing really well for us primarily because of maybe the oil prices being low and the overall CAPEX for the CPG and FMCG industry globally being not very high. So do you believe that those could actually impede let us say our chances of maybe striking a deal for WAGES or any other platform in that domain?
- Dr. Keshab Panda:** No, not really. Look at this, the plant engineering when we talk about, there are multiple factor impacted including Donald Trump as we talked about earlier, right, the CAPEX investment. Now we are out of that. We have started seeing the growth and we have also changed our service offering in different areas. It is not just Brownfield and Greenfield, we have gone to sustained engineering, we have gone into more and more. There are product engineering happens in the

process industry as well. So we have got into that, we are into smart plant design and so on. What Amit was talking about, joining hand with one of the cloud providers and together, the platform when you talk about, you need to understand will demonstrate few of them, we have iBEMS, we have WAGES, we have Imaging platform, we have DC/DC-converter, Augmented Reality, Energy, these different areas. So I think all these together, we are going to take it to the markets. What happens is when you do a platform, customer selling the platform right and this is a platform as you rightly said, there is a license revenue and all revenue around that, customized revenue. So that is where I think going to make a difference and there were many areas it takes time and we believe I think we are going to make that progress now in coming quarters.

Moderator: Thank you. We will take the next question from the line of Abhishek S from Equirus Securities. Please go ahead.

Abhishek S: Sir, the first question is regarding margins. PR sir, can you just highlight what percentage impact we had this quarter is nonrecurring?

P. Ramakrishnan: The one is as I talked earlier in the call is that we had 16.5 in Q4 and that dropped to 15.3 that is primarily because of the exchange rate. Having said this, we also took a nonrecurring visa cost almost around Rs. 12 crores which is almost 1.2% that got partly offset by performance reward rationalization which we did across the company, so that is how we enable to ensure that we had this margin. And as Dr. Panda mentioned about that in Q2, we do not expect any increase in any large headcount from the current levels barring for any growth related requirements which may Esencia may need, but at LTTS level, the numbers will be more or less sufficient for whatever Amit talked about the earlier pipeline opportunity and the backlog, so we expect that we have seen the cost in terms of overall increase in account, I think more or less has stabilized. We do not expect to massive increase in the headcount. So in terms of margin levers, assuming that our dollar-rupee continues to be at 64.5 levels and obviously better revenue kick up happening in the subsequent quarter, I do not expect that the margin to any substantially different from the current levels barring for any positive increases in the margin due to more of solutions or IP led selling.

Abhishek S: That is helpful. So on the second question, Dr. Panda can IP revenue contribution or let us say IP revenue be 3 to 4x, I am not looking from a quarter-to-quarter perspective, but what contribution of IP you look or what revenue size you look maybe 2 or 3 years from FY17 levels?

Dr. Keshab Panda: I think when we look at the overall numbers, I am still in the process of doing this what number going to be, but I can tell you the number of platform we have now, right now we created is lot of potential to do that. It is not something, it is straight forward I will tell you that it is going to be buddy, that is our biggest differentiator as a company. We started selling it. We have done that. So, we did one thing called WAGES for energy audit, that is a system every manufacturing companies lead that. Now WAGES when you create a platform, you created a product level which you can sell it. I have been always telling about this number, so I think a little careful about it with numbers I gave because unless I see and believe I can give you revenue on this

areas, but I can only tell you that this is something I presented in the board today I was telling about. It is like a start-up, Imaging could be a start-up and DC/DC converter or battery management could be a start-up and i-BEMS could be a start-up or UbiqWeise could be a start-up. There are lot of start-ups there. If I take all the platforms and do multiple start-ups and try to go and dip into that, there is a lot more potential. Now as a services company and doing this is that going to be 2% of revenue, 5% of revenue, even though if not these numbers, if I do whatever 5 million, 10 million revenue, whatever number we do, it is impacted big way to the margin that I think we are all aware of this and we are looking at very aggressively. Amit has hired somebody who is focusing on selling only this platform. He is doing that now. So, which was not the case earlier because we recognized the people who are selling services, they are selling platforms is difficult. So we realized that. So that is the change we did. This is the lesson we learned in last 3 quarters going through this because when you look at it, the people who convinced now platform, it is like you do analysis what are the platforms available in the market and what difference your platform does? So the feedback has been positive. There are few of them right now, some of the big players we are competing with and we have gone to the final now, we are in the final now. So those final if we close it, then it is a sizable again, it is going to benefit us in IP. So we are in the process of working out the numbers, but we strongly believe that is going to continue. The biggest differentiator we will do whatever he takes from us to do it whether independent group, be it a center for IP alone and independent, we have focused sales people for this. That is something we are working on.

Abhishek S: That is helpful. And lastly from my side, sir PR sir could you just highlight the revenue contribution from STP and SEZ revenues. Is that you could disclose, thank you.

P. Ramakrishnan: Abhishek, roughly if I have to talk about, I guess our revenue from STP would be around 40% and from SEZ would be 60. If you ask me immediately 60% of SEZ revenue, how much is the 100%-50% category, I think we will talk it separately.

Moderator: Thank you. We will take the next question from the line of Madhu Babu from Prabhudas Lilladher. Please go ahead.

Madhu Babu: Sir, how is the sales cycle for engineering deals different from the traditional IT services deal?

Amit Chadha: So when you look at our IP deal which you are talking about, right, this is part of, so the USB 3.0 that I had talked about and the MIPI, CDMA IP that I had just spoke about, they are part of a larger product that the customer will be launching and this is a small part of it. So therefore it gets impacted by their launch cycles on those products and that is why we saw a delay in this quarter. Now if I talk about the other which is UbiqWeise which is IoT, I talked about WAGES which is Dr. Panda talked about it and I talked about iBEMS. These are pretty standalone, right and therefore their cycles are again different. Services, of course follow its own. But if I look at from a comparison standpoint, the IP deal cycles take a little longer, by about maybe 25%-30% more time as opposed to regular services revenue that we generate.

Dr. Keshab Panda: Madhu Babu, I think your question was engineering sales, right.

Madhu Babu: So how is the sales cycle and then gestation period?

Dr. Keshab Panda: I will tell you that. We need to understand that we are selling to the CTO, VP engineering head of manufacturing. We are not selling to CIO. So the sales cycle is one part, the type of sales people in each who sell engineering is different. So I must tell people who are working again, the sales people who need in America is different from what you need in Germany or Japan, right depending on the industry segment. So I think because you are going into VP engineering and telling him he has been designing a product for 20 years, you tell him that I can do better, faster and cheaper than what you do, better you know what you are talking about right. So I think so far we have mastered that reasonably well, I would say we have the best sales team now in geographically around the world. And the sales people, we keep changing it. In case the sales guy is not able to pick up that technology and that domain understanding and understand the culture, we do not keep him, we do not have sympathy for that. So, I think overall cycle point of view, there is a product engineering when you do areas which you have been working for long time, that cycle is sort because we can demonstrate quickly. The areas where we can do POC and that takes time. So overall cycle if you talk to a new customer we start talking today, it takes anywhere between 12 to 18 months to start seriously working with them because they want to test you once, two, three, four, make sure that you understand what you are talking about. So I think that process, but positive thing for us is we have 42 of our top 100 ER&D spend are already our customers, that investment we have already done. So customers are there now more and more. I talked about T30 accounts, top 30 accounts, the growth that happened in top 30 accounts, our focus in top 30 accounts. So that is what is going to be more and more, the cycle of 18 months or 12 months already done. So now it is action, what technology you have, what area we can get into beyond what we have been doing it, that is the action.

Madhu Babu: Sir just one more from my side. Would we have any advantage computer traditional players like HCL Tech who have good engineering practice as well?

Dr. Keshab Panda: I do not know HCL, but I can tell you overall point of view, our heritage of Larsen & Toubro as a company, engineering, we understand only design not going to work. Design, manufacturing, material, technology, all that together. I do have 1500 engineers who work with the product engineering with the medical, industrial, plant engineering. They are part of us, who are in L&T for 15 years, 20 years. That domain knowledge is difficult to acquire. You can get software, you can do hardware building, what you can do, but having the complete system starting from the conceptual engineering to design manufacturing, manufacturing the product and sourcing a product, that is a domain what we have acquired from Larsen & Toubro as an engineering company, very difficult to duplicate that. That is our differentiator and I think that is going to make a different. HCL Tech has done reasonably well. I think they have the ideas where they do very well because of heritage they come from and areas we do in multiple verticals very well because of heritage we come from.

Moderator: Thank you. The next question is from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: My first question relates more to the IP solutions which we would have been selling. How many of this would have been sold or would have been in discussion fronts with your top 30 accounts?

Dr. Keshab Panda: Not necessarily top 30 accounts are going to buy the IP, anybody can buy the IP. We have a focused team working on, the people who are going to iBEMS, that's a smart building management system everybody wants and top 3 customers have already bought this. Now can we take it to top 30, of course we can. Now coming to UBIQWeise, UBIQWeise is a platform, the companies who are going to buy are the companies who afford to go to Predicts or Watson for example that is a big platform, lot of money investment required, so they do that. So we have demonstrated that. I talked about there is a deal we are working right now in Europe where we have gone through the process competing with the local platform and we have come to finals. Then we have a platform called WAGES, it is going to testing right now. We have done one customer and we have successfully 51 plant around the world we are doing that right now. So now that is the test bed. And we are now going and selling to our process industry customer and saying we can do WAGES implement in your segment. So there are multiple platforms, Emerging, we did an Emerging platform as you know, we sold the license to one of our top 10 customers, we sold that. Now we are trying to do it, can we take it to the other areas, so we are working on that. So the problem in this segment in IT segment is what happens is unless you have a focused approach because selling is different, then we would invest on creating that platform, we have learned a big way. Now UBIQWeise is our IoT platform, IoT platform has done very well. We have tested in L&T ECC itself and I can tell you if ECC works in remote area, the assets what we do, it can work anywhere. So I do not think it is an issue. So I think there are multiple platforms sold in multiple areas, not necessary top 30 customer only. So our focus in different IT, different areas. As we talked today and there are 7 IPs overall, 7 to 8 IPs we have today and I am sure Amit and his team are focusing on different geographies, multiple discussions going on at this time.

Priya Rohira: Sure, that is helpful. And is it possible to have the latest count of your captive patents and co-innovation patents?

Dr. Keshab Panda: We have 57, I think the number we have given there, 57 is the number of patents.

P. Ramakrishnan: Last quarter also was 57. There have been no additions this quarter.

Dr. Keshab Panda: No, 57 patents last quarter, this quarter there are two patents because we decided not to pursue. So number 57 remains same, last quarter we added three of them, this quarter we added two of them. So that process because I am considered about if patents do not add any quarter, I will be worried. Engine has to be fired, continue to have patents.

Moderator: Thank you. We will take the next question from the line of Varshit Shah from Centrum Broking. Please go ahead.

Varshit Shah: Just one clarification. If we could give us some sense on margins of Esencia that will be helpful and is there a seasonality involved in the business or it is evenly spread out throughout the year?

Dr. Keshab Panda: No, Esencia I think I did talk about last time. It is a double digit number doing around 14%-15% EBITDA which do and will continue to maintain that. So I think overall point of view, they do some of the innovative work and their billing rate, being onsite having 14%-15% EBITDA that I think complement there. They also have some platforms which they sold the platform to Google, they sold it, one. But being a small company, they have not been able to multiply to multiple customers. We are also focusing that is there any way we can multiply that. So the Esencia margin will remain it 14%-15% EBITDA will continue to remain and the revenue Ramakrishnan talked about 1.9 million we did in the last one month in this quarter in Q1 and we will continue to at least minimal continue to that level of revenue.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Dr. Keshab Panda for closing comments.

P. Ramakrishnan: Thank you, moderator. This is PR. On behalf of LTTS, wish to thank all of you on the call and I am also requesting for whomsoever is present, the invites have gone to most of the analysts and investors. We have the analyst day or the investor day on Friday at our Manyata Delivery Campus. The details of the program is already there in our website and last, I would also like to formally introduce our Head Investor Relations – Mr. Pinku Pappan who has joined us recently and he will be in touch with you from now onwards. You can hopefully meet him on when you come over to our campus on Friday and I am now requesting Dr. Panda to close the call.

Dr. Keshab Panda: I think we had a great quarter and whatever commitment we make, we continue to meet that and exceed that. This is our goal. Please always remember that we are not IT, do not compare to number of headcounts to the revenue, it does not work. Innovation must happen and continue to happen and we should be able to monetize the platform what we have created and that is our role. And you will see once you come and see some of the cool things we do in different technologies and I am sure you will be convinced. I think the future is very bright. I am convinced and my engineers are doing very innovative work and we continue to maintain that. Thank you again for joining.

Moderator: Thank you. Ladies and gentlemen, on behalf of L&T Technology Services Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.