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www.ltts.com

**May 26, 2020**

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

The BSE Limited  
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 and year ended March 31, 2020**

Dear Sirs,

Please find attached the transcript of Earnings Conference Call organized by the Company on May 15, 2020 for the quarter and year ended March 31, 2020 for your information and records.

Thanking You,

Yours sincerely,

**For L&T Technology Services Limited**

A handwritten signature in blue ink, appearing to read 'Kapil Bhalla'.

**Kapil Bhalla**  
**Company Secretary**  
**FCS.3485**

Encl: As above

Submitted by: Mr. Kapil Bhalla  
Contact No.: 7567999669



# **L&T Technology Services**

## **Q4 FY20 Earnings Conference Call Transcript**

May 15, 2020, 20:30hrs IST

**MANAGEMENT: DR. KESHAB PANDA – CEO,**  
**MR. AMIT CHADHA – DEPUTY CEO,**  
**MR. ABHISHEK SINHA – COO,**  
**MR. P. RAMAKRISHNAN – CFO,**  
**MR. PINKU PAPPAN – HEAD, INVESTOR RELATIONS**

**Disclaimer:** *Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve number of risks, and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. L&T Technology Services Limited (LTTS) does not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf.*

**Moderator:** Ladies and gentlemen, good day. And welcome to the L&T Technology Services Limited Q4 FY20 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 call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pinku Pappan – Head, Investor Relations. Thank you and over to you, sir.

**Pinku Pappan:** Hello, everyone. And welcome to the fourth quarter and full year FY20 earnings conference call of LTTS. I am Pinku, heading Investor Relations. Let me start this call with an apology for keeping you up so late on a Friday evening. Our Board meetings are usually scheduled to start at 4 pm, but this time because it was a virtual meeting, we had to move it to 5:30 pm in order to accommodate our Board member across three time zones.

Now, I hope you have had a chance to go through our investor release and financial statements. You can download the results from our website [www.ltts.com](http://www.ltts.com). This call is for 60 minutes. We will try to wrap the management remarks in 25 minutes, and then open up for Q&A. The audio of this call will be available for replay on our website, approximately one hour after this call ends.

Let me introduce the leadership team present on this call. We have Keshab Panda – CEO, Amit Chadha – Deputy CEO, Abhishek Sinha – COO, and P. Ramakrishnan – CFO. We will begin with Dr. Panda providing an overview of the company performance and a commentary on the business outlook. Amit will talk about our large deal wins and the deal pipeline. And finally, PR will walk you through the financial statements. Let me now turn the call over to Dr. Panda.

**Keshab Panda:** Thank you, Pinku. And thank you all for joining us on the call today. We are sorry about extending your Friday working hours, so we will try to keep the management remarks concise. I hope all of you are safe and stay safe.

Let me start with an update on how we are coping up with COVID-19 crisis. Since we last spoke with you on the investor call held on March 26<sup>th</sup>, I am happy to share that all our employees continue to be safe and healthy. The health of our employees has been our priority from day one. And we have been very proactive in ensuring they get all the support from the company. We also worked aggressively to minimize the disruption to our business and proactively communicated our business continuity plans to customers, somewhere around mid-March. The response from our customer has been broadly positive. And with their approvals, we have been able to shift even labs to homes, what we call as “Home Labs”. This is a very interesting concept

and many of our customers wanted to imitate that for their business as well. This has allowed us to move the threshold higher than what would have otherwise been possible in terms of work from home for engineering services.

On our last call, we communicated that we were at about 80% in terms of work from home enablement, and our target was to take it to 90% plus. We did face some challenges in the final stretch which impacted our productivity in last week of March. But today, we are at about 93% for offshore billable employees. We are working on new models for the future called work from anywhere, which is called WFX, that will simplify processes and policies for employees to connect with the company network.

We also reached out to all our customers globally to find out how we can support them in this time, especially with our top 80 customers with whom we have a CXO connect. While longer term priorities remain unchanged, customers are having near-term business challenges around supply chain, reprioritizing product lines, inventory management, etc., which they have to solve immediately. We are working on multiple proposals with the customer at this time, and we have seen a very good response so far during last six weeks.

Now let me talk about our Q4 performance. We declined by around 1% in consumer currency in quarter four. This was below our expectations at the start of the quarter, for two reasons. The first is, on account of COVID, both supply side constraints and demand side challenges. We lost some productivity as we tried to move up the Work from Home enablement. There were also some project ramp-up delays, furloughs and pause requests, especially in Transportation and Industrial Products, as we had indicated in our March call. Secondly, in Plant Engineering, we had to face abrupt project closures - which happened second week, third week, fourth week of March, in the upstream oil and gas sub-segment due to collapse in oil prices.

Our deal win traction continues. We closed nine deal wins across sectors, which include one deal with TCV of \$30 million plus, and three deals of TCV in the range of \$10 million to \$20 million.

Let me provide a brief summary of our performance in each vertical before providing the overall outlook, starting with **Transportation**. We had a sequential dip of 2% on account of furloughs and some productivity loss. We continue to be positioned strongly in areas like electric cars, safety and ADAS in Auto, and avionics software in Aerospace. There is a temporary push back in some of the longer-term projects, but we are looking to assist customers in the near-term priorities, around shifting supply chain, inventory management and shop-floor line transfer as we speak.

In **Telecom and Hi-Tech**, we had an almost flat quarter, our expectation was that we would show growth in quarter four, but we were hurt by deal ramp-up slowdowns as onboarding at the customer end was delayed. Some renewals also got hit due to the uncertainty in the environment. We had solid wins in the quarter, winning four large deals and Amit will talk more on these deals. Semiconductor and Media & Entertainment will clearly benefit from this crisis, with more

demand for chipsets and entertainment, so we believe we are in a good position to benefit from this.

In **Plant Engineering**, we lost some of the strong momentum in this segment due to a few abrupt project closures in the Oil and Gas upstream segment, which was a growth area in FY20. This is, of course, a result of the unprecedented collapse in oil prices, with oil futures going to a never-before seen negative territory. The forecast indicates oil prices will stabilize by Q2 of FY21 as demand picks up. However, the other two segments we are present in are ok. CPG is not affected and in Chemicals, the specialty chemical standalone companies are not impacted. Across the plant industry we are seeing a shift in the customer mindset - they are looking at a lower cost of operations for run and maintain part of plants and there are some interesting proposals in the pipeline.

At **Industrial Products**, Q4 performance was impacted by low demand in the Oil and Gas machinery side, which is a part of Industrial Products, and some factory shutdowns. There continues to be demand for value engineering as customers look to make products which are smarter and cheaper.

In **Medical**, the reported growth of 7% quarter-on-quarter would have been better, if not for the COVID related impact from delayed elective surgeries and revenue disruption for hospitals. We expect the upside in this segment to only improve because of higher healthcare spending especially on diagnostic devices and remote patient monitoring where we are very strong.

Let me now discuss briefly **FY20 and then the outlook**. We closed FY20 with 9.3% constant currency growth, despite multiple headwinds. Our broad-based portfolio helped us achieve this growth as we had 20% plus growth in three segments, namely Medical, Transportation and Plant Engineering. I am particular happy with the progress we made in the Medical segment, which grew by almost 50% year-on-year and is now 10% of our revenue. We remain very focused on being our customer strategic and preferred partner. And getting to 93% work from home enablement in engineering services is an achievement, given the complexity involved. My compliments to the team and I would also thank my customers for that.

While there is going to be a period of uncertainty in the near-term, we believe the current crises is only like to accelerate the longer-term trend of consolidation of engineering spends towards stronger and established vendors. We believe this is an opportunity for us in the future.

Our large deal engine continues to churn wins. Right during the midst of lockdown, we won two large deals in month of April and May. And one of them is \$30 plus million, and the other is \$15 plus million in terms of TCW. So during the lockdown when customer is not going to office, I think this is a solid win for us.

We continue to invest in technology and quickly pivot our offering to meet customer needs. For example, we have iBEMS Shield for companies looking to transform workplaces post COVID.

Another example is our Frugal manufacturing offering to help enterprise transfer or prioritize their manufacturing and production line.

At this point of time, we are unable to provide a guidance given a lack of clarity on when the effects of pandemic will start reversing. There are various predictions of economic recovery. But based on our conversations with customers, we expect some recovery in quarter two, following a dip in quarter one, as restrictions are slowly lifted, and many cities and many countries start opening slowly and business activity and demand start recovering. Developed economies are likely to take a hit this year. The consensus forecast currently for the US economy is a decline of nearly 5% in 2020. The US as you know, is our biggest market with 60% contribution there. And we are carefully looking at the impact to every industry and exploring opportunities for growth and market share expansion in our biggest market.

Before I hand over, let me take a moment to congratulate Amit Chadha on his elevation to Deputy CEO. Amit joined LTTS - earlier it was L&T IES - in 2009 and he has been working with me since then. His elevation is a part of the succession planning of the company, and I wish him the best for the future. Now, let me hand it over to Amit.

**Amit Chadha:**

Thank you so much, Dr. Panda, for your wishes and support. Good evening to all of you. I do wish and trust that you and your families are safe and healthy.

Allow me to share with you our approach, the conversations we have been having with customers, details or some of the wins in Q4 and the pipeline and outlook as we see today. In response to the pandemic, we created Growth streams and Resilience streams amongst the entire leadership team of this company, right from March onwards. The Resilience streams have been focused on bench management, retraining and collections, led by our COO, Abhishek Sinha. I have been leading the Growth streams with some of our senior leaders across the organization. This is made up of five broad areas - proactive large deals, Medical growth, Hi-Tech growth, Frugal manufacturing, and digital repositioning. If you go to our website, you can see some of the new offerings in context of the current situation, that we have launched.

COVID did have an impact on our pipeline and conversions. We also saw furlough notices and some cancellations in the Transportation, Industrial Products and Oil and Gas area. But we have seen an uptick in the pipeline value in May. It has returned to pre-COVID levels after dipping in March and April. The conversations in the last few weeks have turned cautiously positive and clients are receiving and discussing our proposals.

Let me give you a segment wise update. For Transportation, in Q4, we won the two deals we had spoken about last quarter - one in the construction equipment and one with an auto OEM. In May, that is the current quarter, we have been awarded an autonomous driving deal from a European OEM, for whom we have been engaged to execute the entire software integration and build management for their engine control units. We are in conversations with our clients in U.S., Europe and Japan for four more deals in the areas of powertrain, connectivity and

autonomous driving in the Auto segment, and in electronics hardware and software in the Aerospace segment.

Moving on to Plant Engineering, this segment for us did very well last year, but has been impacted by oil prices tanking and subsequent budget cuts by our clients. We did manage to close one deal in Q4 in the Oil and Gas segment, and that is underway. We have also been trying to grow the CPG segment where we have had one win in Q4. We are pursuing some engineering value center and digital factory deals. This segment will take some time to come back to normalcy.

Talking about Industrial Products, our differentiated offerings in digital towards cloudification of products and services, frugal manufacturing and home labs have seen traction with clients. We closed two small deals in quarter four. And like Dr. Panda mentioned, we just signed a large deal a week ago. In this large deal, we will help our client provide technology solutions, including software and data analytics platforms for the oil and gas upstream industry. We are in the process of discussing other proposals and hope to make continued headway in this segment.

In the Medical segment, we have repurposed some of our offerings to address the ongoing situation in areas like certification of equipment, and supply chain rejigging. We closed the two deals we were pursuing in Q4. There are four deals in the pipeline that we expect to close in this quarter.

Moving on to the Hi-Tech segment, we have seen continued traction. If you recall, we were pursuing five deals when I spoke to you last time. Happy to share that we have closed four of these five in Q4. The largest deal that we have closed was a complete managed services deal for a Media and Entertainment customer. We will be involved in the development and deployment of new features as part of a roadmap to support 60 end-customers across North and South America. We see traction in the telecom operators space, semcon space and media entertainment space in the areas of product support, vendor consolidation, and cloudification of products.

Summing up, we faced notices and deal delays in the early part of the current quarter. But with our growth stream organization-wide focus, we were able to bring back the pipeline. For FY21, we expect the strong momentum in Medical to continue, we see a path for growth in Telecom and Hi-Tech. We will try to recover quickly in Transportation and Industrial Products, while Plant engineering may take longer to come back. Like Dr. Panda mentioned, on the back of our strong client relationships, we do see several consolidation and product engineering Center of Excellence (COE) opportunities. And seven of the nine deals we won in quarter four were of this nature. We stay committed to returning to our growth trajectory soon.

I now hand over to PR. Thank you.

**P. Ramakrishnan:**

Thank you, Amit. Good evening to all of you. Our thanks to you for taking the call on a Friday late evening weekend at 8:30 pm. You must have heard from Dr. Panda and Amit on the on the

way the performance has been. I will try to summarize the financials for the year ended 31st March, 2020, and also give highlights for the quarterly performance as well.

So we closed the FY20 with a revenue of almost Rs. 5,620 crores, almost 10.5% plus growth year-on-year. In dollar terms, we had revenue of \$786 million, which is roughly a growth of around 9% compared to FY19. The net income, that is the PAT, was reported at Rs. 819-odd crores, which is almost a growth of 7%. And the net margin being maintained at 14.6% for the year.

When it comes to quarter-on-quarter, our revenues, we reported at \$195.4 million for the quarter, which is roughly a decline of 2% Q-on-Q. And in constant currency, a decline of around 1%. Our profit after tax for the quarter ended 31st March 2020, has been reported at Rs. 205 crores, and the net margin at 14.2%.

You must have gone through the financial statements and the investor and press release, just to take you through there. Coming to the overall numbers from a margin perspective. Our EBIT margin for the quarter has been at 15.2%. And I request all the people to pay attention that during this quarter we had a one-time spend in terms of contribution to PM Cares, it was roughly around Rs. 18.3 crores. If I take that amount and adjust it for that one-time payment, then the EBIT margin would be almost 16.5%, more or less equal to the previous quarter.

Having said this, during this quarter, the company did take the benefit of a sharper rupee down move in terms of almost, I would say, Rs. 3.5% in realized exchange rate which benefited the EBIT, but that got partly offset because of lower revenue which we generated during the quarter

Coming to income tax rate. Throughout this year we had around 25% income tax overall rate, and that continues.

Now, coming to other income, for the quarter, we have almost Rs. 52 crores we have shown and roughly that comprises majorly on account of foreign exchange gains because of translation and transaction of debtors, partially offset by losses on our hedge covers, which we show against in this particular line. As I told you, we also managed to get the licenses which we had filed, the export licenses for the previous year during the quarter, and that's one of the major amount which is shown as government incentives of almost around Rs. 32 crores for the quarter. Thereby taking the overall other income net, net to Rs. 52 crores. Other income also includes a finance charge because of IndAS 116, which is more or less an adjustment. Because of IndAS, the rent is now substituted by way of a higher amortization charge and also higher finance cost. Otherwise, the debt at the company at closing of 31st March, 2020, is around Rs. 30-odd crores.

Coming to the balance sheet size, our balance sheet for 31st March, 2020 is around Rs. 4,300-odd crores, which is roughly around, I would say, almost Rs. 1,000 crores increase compared to 31st March, 2019, primarily because of major part of that is because of the IndAS adjustment where you can see in the property and plant and equipment there is a huge increase because of



we are bringing as the right of use of asset, and against that creating a current and a non-current liability of the lease payable.

Having said this, one important thing which you would see that, another increase is because of the accounts receivable almost around, I would say, Rs. 300 crores it has seen the increase. And that is one of the reasons for the increase in overall balance sheet size.

Our free cash flow for the year has not been as good as it was in the previous year. We had a roughly free cash flow of around Rs. 487 crores, which is roughly around 60% conversion of PAT to free cash flow, largely driven by the fact that we could have collected almost \$30 million more by the end of March in terms of our receivables, but because of the COVID situation, there were some delays. And as we speak, some of those shortfalls have been actually recouped in the current quarter. And going ahead, I think this year, especially the first two quarters, a lot of emphasis will be given to improve overall collections. And as we speak, you don't see any great headwinds from non-realizability of receivables, as we speak now.

The return on equity for the year has been around 31% as compared to 34.8% of the previous year.

Coming to the revenue by verticals, since already Dr. Panda and Amit gave you a colour of the verticals, performance for the year. But just to give a perspective. In terms of overall revenues, Transportation continues to be the major share, almost 35% of the yearly revenues accrued from Transportation. Followed by Industrial Products, and Telecom, Hi-Tech, both of them are at 20% share each. In fact, as Dr. Panda talked about, Transportation, Plant Engineering and Medical Devices are the three segments which actually had almost 20% growth year-on-year, but was actually offset by degrowth in Telecom and Industrial Products. So the share of revenues in Telecom and Industrial Products remains at 20%, Plant Engineering and 16%, and Medical is almost at 10%, as against 7% in the previous year.

Coming to revenue share by geography. We still continue to see overall share of North America having a major share of revenue, excess of 60% of our revenue from North America customers, followed by Europe at 15%, and India and the Rest of the World are at 13% and 11% respectively.

In our onsite-offshore revenue mix, for the quarter, we did see a slightly higher on-site component, from 44% in Q3 it jumped to 47%. And hence the overall yearly onsite offshore revenue mix is 45:55 for the quarter. And in terms of the revenue by fixed price and time and material contracts, we have not seen a major change. I would say that around 40% in terms of fixed price and 60% on time and material contract.

The rest of the statistics in terms of client contribution and utilization are there for everyone to view. In the interest of time, I would probably close at this level. And we are there ready to take questions now. Thank you.

**Moderator:** Sure. Thank you very much. We will now begin the question and answer session. We take the first question from the line of Laxmi Narayanan from ICICI Mutual Fund. Please go ahead.

**Lakshmi Narayanan:** I have three questions. The first question is, what is your effort mix onsite-offshore this year and how it was last year full year? Second question is, what have been your revenues from new clients for this year? And the third question is, do you get any synergy from Mindtree, in case if there are some clients of Mindtree which you can actually mine? These are my three questions?

**Keshab Panda:** The first part I think I would request PR to answer that, and the second part let me answer, the new customer. If you look at it, we always focus on Top 80 customers, top 30, next 20 and next 30. And consistently FY18, FY19 and FY20, the similar trend - Top 30 customer contributes anywhere between 58% to 61%, and Top 80 customers contribute 83% to 84%, that trend remains the same. Then when we look at the numbers, we always look at what happens to our top customers and how they are doing it, and then other customers. So I think we always focus on these 80 customers without fail we must continue to maintain the percentage what we do and grow. And absolute number also is growing. So about the synergy from Mindtree, yes, of course, we are looking at if there is a possibility of working together, specifically when we see some of the areas where they do IT and there is an opportunity for us to do engineering, of course, we look at that. As we speak, there are few areas we are bidding together. But only thing is, you need to remember we need to have an arms-length distance, we need to have a different MSA, we need to have clarity at the beginning itself. And that governance is in place and that seems to be working fine. On onsite-offshore, we have improved, our offshore component increased compared to FY19 to FY20. I think it is in a healthy condition right now. PR, can you give the numbers, last year for FY19 - FY20 onsite-offshore.

**P. Ramakrishnan:** Sorry, Lakshmi, I am sorry, whereas we have been always giving the onsite-offshore revenue mix perspective, we don't have a practice of disclosing the efforts part of it. So we only disclose the revenue side.

**Moderator:** Thank you. We take the next question from the line of Pankaj Kapoor from CLSA. Please go ahead.

**Pankaj Kapoor:** Dr. Panda, my first question is to you. If you look at your business portfolio, how much of it would be called discretionary? I mean, for example, relate to say a new product development etc., whether disruption in supply chains can have an impact for an extended period? And conversely, how much of it would be more that you can recover relatively quickly once things start normalizing?

**Keshab Panda:** You know if look at it, 40% of the business is consulting and design work, and 60% is what's called skill-based engineering which is annuity business, that's how it works. Now, when you go up, the product engineering, the discretionary business - it changes from industry to industry. What is discretionary in Automotive and Off Highway segment is different from what we do for Hi-Tech segment. So today if you see what is discretionary and if discretionary is impacted, there are some segments which have not been impacted at all. But there are some segments

because of supply chain - the Auto industry for example has taken a hit. But at the same time, because of supply chain issue we also won few orders, the orders we talked about the recent wins what we have. So, in my view, overall when you look at it, it's a minimum percentage with impacts on the discretionary part. It depends on...like in medical areas, the product which we are working earlier, customers come with new ideas... "can you the project on hold and this project can restart and complete by this date". So I think it keeps changing from segment to segment. That is where I think his current situation is.

**Pankaj Kapoor:** Understood. And Amit, your comment seems to suggest that there appears to be some normalization in the decision making on these deals in the recent weeks. So just wanted to understand, has there been any release in deals, or have you seen any higher expectation from the clients on price of these deals? If you can clarify please. Thank you.

**Amit Chadha:** If I heard your question correct, the question was, if there has been any level is the same, video was cutting off. Repeat the question please.

**Pankaj Kapoor:** So what my question was that, your comments were suggesting that the deal decision making is now getting normalized to some extent, especially in the last few weeks. So just wanted to understand if you have seen any rescoping in these deals? And has there been any higher aggression from clients on pricing in such deals?

**Amit Chadha:** So number one, so where we were in early March and onwards from there in early April, where people were bothered about survival and life. We do have clients talking to us and say, 75% of a meeting would basically be focused on COVID. We have clients talking about their supply chain disruption, how it's going to change, they are talking about their plans in the new environment, and they are positively receiving proactive proposals that we are making. So that's for sure happening. Now, is the speed of decision making back to pre-COVID levels? The answer is no, they are taking longer to make those decisions. Third, do we see price point pressures? The answer to that is that, again, it's a mixed bag, because there are areas that we are getting engaged in, like the ones that we have won where we have won them at pre-COVID levels, we have not had to make any room there. But there are conversations that we are doing in consolidation, etc., which requires a little bit of aggression. But again a mixed bag, it's not one sign that you are getting to give up rates etc.

**Keshab Panda:** And Pankaj, segment-wise when you look at it, Telecom Hi-Tech and Medical, which even though people were in panic condition earlier, and that will have impact in quarter one. But what we see is, in end of quarter one some of the deal wins will come back. So Telecom, Hi-Tech and Medical segment, I think will come back faster than other segments. Now, coming to Plant Engineering segment, if you see Plant Engineering - CPG, food beverage industry and chemical industry that is going to grow faster than the Oil and Gas segment. Oil and Gas we don't know, it might go to quarter three, quarter four as well. So it is not going to come back in quarter two. In Transportation, in the Auto segment in particular we won a deal recently, when crises was going on and customers are sitting at home, still a decision was made, and a sizable deal we won. Because that is a priority for them, the supply chain - the way they were managing earlier, they

want to change that today. They are saying companies like us, we can play a bigger role than what we have been doing. But at the same time, in the Automotive segment there are instances of furloughs. So it's a combination based on segments. What we are saying is, at least communication - when we were in March, early April, customers were not available to have a dialogue. Now the proactive proposals and the business model we are proposing to them, the response that is coming back from them is "let us have a dialogue and let us talk about it". At least that gives us a hope and the recent wins, like yesterday, we won a deal in Germany. That's a very high level of design work, which we do, chip design work on semiconductor segment. This was something we thought we will close in March end. But it happened only yesterday. So from the second half of March till first half of April, the communication was one-sided only. As Amit said, we were talking about COVID-19 only, we were talking about how they are doing, how their employees are doing, how their family is doing. Business discussion has started happening from second half of April onwards which gives us a comfort that some segments are going to come back sooner. And those segments we are prioritizing so that we can bring back our revenue growth.

**Moderator:** Thank you. The next question is from the line of Abhishek from Elara. Please go ahead.

**Abhishek Shindadkar:** Just a question on the deal activity, your commentary sounds little optimistic in terms of the deal wins in the quarter as well as the pipeline and what you are seeing on the ground. Could you elaborate as to what, why, or how are you winning this? Is it the activity is progressing faster than you anticipated? Or some clients are kind of aggressively closing the deals?

**Keshab Panda:** Listen, Abhishek, the reality is 4.5 million people are impacted, 300,000 people died and 190 million people globally are unemployed, and America has 37 million people unemployed. So we have issues like there are furloughs and SOW's getting cancelled. I think when you see overall, at this particular time when you go through, you hear negative news, you hear positive news, but it gives us comfort that what we intended to do as a company, as a leadership team, some of the proactive proposals, some of the new ideas we are telling, customers are listening to that. There is one customer we had a videoconference in last few days, and he was telling "let's not wait for it, this COVID will continue, but I have a problem in supply chain, I believe we want to do something different in India. Can we do a center for me there?" So, those issues also supply chain also can create a positive impact for us.

So, the way we are saying is, there are negatives happening, we talked about that, and positives happening at today's time, in April May when you win a \$15 million engineering deal, \$30 million engineering deal, it is definitely a positive thing. And we have to be optimistic, otherwise every morning you wake up and see 2,000 people died in America, and then oil price going to negative which never happened in a decade, it happened now. So keeping in mind what the business opportunity is for us, we believe the technology and domain knowledge what we built over years, the innovation what we have done, it is time for us to stay strong. And that seems to be working. That's all I would say.

**Abhishek Shindadkar:** That's helpful. And just a short data question. My apologies if it's a repeat, but could you quantify the drop in Q4 to demand challenges and the execution challenges? And second part is to PR, PR the realized rate for the quarters is substantially higher. Anything you would like to highlight? Thanks.

**Keshab Panda:** See, demand and supply part I will answer first one, PR will take second one. See what happens is, we did work from home, when we started working, I did communicate in March 26, work from home which we did. But when you work from home, the productivity for work from home, even though there are some cases customer approval came, some cases where the fixed bid projects which we thought are going to be completed, customer approvals got delayed. For us to perfect this delivery from home and being as productive as in office what we visualize, that has not happened. So that had an impact in quarter four. That's number one.

Number two, there are some cases we thought we are going to close. Usually, in engineering the last part of it, we will have 10% to 15% of business we close later...so that got delayed. And second part, I would ask PR to answer.

**P. Ramakrishnan:** So thank you. Abhishek, I did tell while I was explaining the numbers that there was an increase of almost Rs. 2.50 in realized exchange rate in Q4 as compared to Q3 and that obviously added to top-line and profitability. But also you have seen that in Q4 there is a drop of almost \$4 million in top-line. And plus the other aspect is that our onsite-offshore revenue mix also went into more into onsite centric in Q4. That's one of the reasons that we were just able to manage the margins as what we were aiming to.

**Moderator:** Thank you. The next question is from the line of Ashish Agarwal from Principal Asset Management. Please go ahead.

**Ashish Agarwal:** I just wanted to understand couple of things. There was a sharp increase in onsite revenues, any specific reason for that? And secondly, how should we look at your margins going forward into FY21?

**Keshab Panda:** PR, can you take that please?

**P. Ramakrishnan:** So the onsite-offshore revenue mix, historically we have been always saying that onsite-offshore revenue mix will range from 45:55 to 55:45. It depends on the type of project we get during the quarter and which goes into maximum amount of execution. For a large part of the last four, five quarters we have been seeing onsite-offshore revenue mix hovering between 45:55. This is one quarter where the number has undergone a slight change, tilting in terms of going into more of onsite side, almost 3%, from 44% to 47%. But I expect this is not something which is going to change also in the near future, we will operate in that 48:52 or 52:48 band in terms of revenue mix. And secondly, when it comes to margin, we don't give a specific margin guidance. But all of you are aware of the fact, and that is also demonstrated in the segment result part of it, margin is, I would say, more of a function of where the business comes from. And if the business seems to be coming from three segments, there the margin profile is slightly higher. And when it comes

from Transportation and Telecom and Hi-Tech, the two segments where the margin clip is lower and around 15% to 17% at constant currency rate that we see today. So, I guess we are not here to talk about in a sense that we will take only margin dilutive revenue growth or margin accretive value growth. I think it's a question of what kind of growth which will come, and we will take that. And that will obviously have the related margin consequence. Having said this, yes, there are margin levers in terms of utilization and all, which we continue to work upon. And hopefully I guess we should be in a position to maintain in a sense that based on constant currency and constant growth as the way we have talked about, otherwise there will be an impact.

**Moderator:** Thank you. The next question is from the line of Shashi Bhushan from Axis Capital. Please go ahead.

**Shashi Bhushan:** In verticals wherein we are seeing weaker environment, like oil and gas and plant engineering, is it pricing that is under pressure or that aggressive stance may help gaining wallet share? Or is it that there is complete freeze on decision making with cancellation of projects?

**Keshab Panda:** See, Oil and Gas is a part of Plant engineering, okay. And some part of the industry, if you see oilfield services, we service that in the Industrial Product segment. If oil price goes down, the customers who were willing to invest in new project in upstream areas, that is getting delayed. The pricing pressure doesn't come here. Opportunity goes away or opportunity is deferred because the project you are doing today, this investment required, that they stopped. They said let's stop this, we will discuss this after a few quarters. There is no pricing pressure there. In plant engineering, again, there are three segments, right. One is Oil and Gas; then other one is CPG and food beverage industry. And the third one is Chemical industry. So Chemical and CPG is not impacted. So we see this is an area where again, there is no pricing pressure or not impacted as high as what we see there in Oil and Gas. It could have deferrals, but I think this is going to comeback faster than the Oil & Gas segment within in plant engineering.

**Shashi Bhushan:** And how do we see Q1 evolving as we are already six weeks into the quarter, would the decline this similar to this quarter or steeper than this?

**Keshab Panda:** Every day is new, and I wish I had the answer to give you today. In the current scenario, some cities are open, some plants are open, and some plants are not open. Even if it's open, it's going to start at 25% or 30%. And sales people, all the communication goes through video. And in the current scenario the people who completed their projects - they can't fly back to India, as commercial flights are not there. So I think a lot of questions need to be answered. I think overall point of view, is there going to be a dip? I think we said that, Q1 is going to be a dip. We are making assessments and we are trying to win new deals, so it depends on how fast it is going to recover and how many deals we are going to win quickly, so that we minimize that dip. So that's where we are at this time.

**Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Pa.

**Madhu Babu:** Sir, captives have been impacted substantially in this lockdown in terms of logistics etc. So how do we see the market share moving within captives? Because engineering anyways has a large amount of captives. So are we seeing a market share gains in the captives? Second, are there any captives which will be on the block and we would look for acquisitions?

**Keshab Panda:** Listen, I think we are looking at it right now. One thing we did well compared to, I don't have the data to say for sure, the work from home and moving the lab or the engineering center to home, I think we did very effectively. Some of the BCP plan when we send to our customer who have captive in India, they say "you guys have been able to do what we couldn't do". So, I think as we speak, we are looking at the captives in India and where we have the possibility of doing more than what we do today. Some of them are our customers as well globally, including captives. But one thing you have to be careful about, what are we going to acquire a captive for? Do I get technology or do I get people, or do I get revenue? So, I think it is important for us, is a captive working on a particular segment only, and if that segment is going to be impacted long term we may not be interested in doing that. So, I think, as we speak now, absolutely we are looking at few opportunities in captive area, which has potential and synergy for us for future growth and taking these people is going to be helpful. We did a small scale, one or two we did not on a bigger scale, last few months. Are we going to look at the bigger ones? And if we do bigger ones, what is the value I get for the long term? We always debate on that. Yes, there is an opportunity on that.

**Moderator:** Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

**Mukul Garg:** Dr. Panda, based on your previous comments, it seems like you are seeing a fair number of clients coming back to discussion table in last few weeks. Now, if you look at overall global macroeconomic environment that continues to remain quite weak. And usually despite people's desire to maintain R&D, that is an area which seems to be sort of amount of cost reduction. So why is this time the kind of decisions with client a bit different versus what we have seen in the past? Why are they willing to continue spending on R&D instead of cutting costs?

**Keshab Panda:** Mukul if you go through what is R&D, R&D is not research and development in true sense when you go to a customer, right? When you go to a customer, he has a product already there. He has to take out the cost, he has to do more than what he was doing before. He has less money now, still he has to do it. He has a product now where the people are there right now working on it and then there is a cost pressure. He doesn't want to do capital investment. Whereas we already have a lab, we already have people. So any crisis brings opportunity, whether that's 2001, or 2007-2008 we believe. At the end of March, April when we were trying to look at when you get furlough or you get sort of a cancellation, and we analyze why the cancellation is happening...so customers were looking at that time saying that we are not sure what is going to happen to our liquidity position, so which are the projects we can stop. And I still believe an Industrial company or Telecom Hi-tech company or a company like a Plant engineering company, FMCG Company, the core thing is, they manufacture their product, and their manufacturing shop floor has to run.



So, if I am thinking about new ideas which are going to hit the market, I am going to roll it out two years from today, I am doing innovative projects. Then I look at my bank balance, do I have money to invest for two years. Those projects are put on hold, they are not going to do it. Now, there are projects we have heard from customers saying, this project was supposed to be delivered in two quarters, can you do in one quarter, then I go and hit that in the market quickly. Same is the case of product development, the product development project which I am doing which is supposed to have a plan for working for long-term, that has been put on hold. So, I think multiple things are happening but it's not a question of research and development, this is a survival issue. If a customer has to survive, then he has to do product, if a customer has to survive then manufacturing shop-floor has to run, it has to be more efficient and it has to be a smart product. And if a customer wants to go to a new geography – do they go now or delay by three months, six months, look at how market is going on, the liquidity condition, debt condition, all that they look at. So that's how it was, nothing has changed. So, temporary impact of course is going to happen ...this is something nobody has seen in a lifetime, but it's not going to remain long term. At the same time, I still believe if we do this right with the technology and the vertical segment what we have, it is an opportunity. If you play it well, you can have a temporary dip, but you will be able to come back.

**Moderator:** Thank you. The next question is from the line of Sandeep Shah from CGS CIMB. Please go ahead.

**Sandeep Shah:** Just the experience in terms of the deal wins which has happened in January, February, and March and also in the last few weeks which you have said in April, May. Are they ramping up as per your expectations? And your expectation of 2Q bouncing back in terms of the growth, is it on an assumption that there could be some normalization of COVID? Or is it largely in terms of the deal wins, which has happened? The third question is, just in terms of what you said in April and May, one large deal of \$30 million and second was \$50 million, and that is largely a new business? And PR, are using in the coming years the margins could be flattish in a constant currency, is it what you are trying to say in a previous reply?

**P. Ramakrishnan:** Dr. Panda, I will take the last questions. So what I talked about was that I told that we don't give specific margin guidance. I also told that margin for us is dependent largely on the fact as to how the revenue growth comes across the five segments. So if you see revenue growth coming from the higher profitable segments, obviously margins would be higher. And I also told that if at constant currency and constant revenue whatever we had; I don't see why margins cannot be maintained. But, obviously, it's a mathematical equation which you are trying to talk about. So, for us, the margin profile primarily depends on which segment the growth is coming from and that will determine our margin profile in a normal scenario.

**Keshab Panda:** There's one correction though, I think you said \$50 million, that's not correct. \$15 million, that's what we talked about. What Amit spoke and I spoke, \$30 million and \$15 million, April, May. Amit, can you answer the other one, what gives comfort on Q2, that first question, can you answer that please?



**Amit Chadha:** Sure. So the way we look at this, and I have given commentary vertical by vertical the reason we think that our quarter two onwards we will be able to start our trajectory is because, one, in the Medical segment, though it is small for us, we are seeing continued demand. We see that Telecom & Hi-Tech also will continue to have positive conversations. Though Transportation, Industrial Products and Plant Engineering were hit, Transportation - again people are coming back, people are starting to buy cars, and there is positivity in terms of discussion going on there. And so is Industrial Products. Plant Engineering like Dr. Panda talked about, will take some more time. So we already covered that. But I am happy to take any specific item that you may have in this area.

**Sandeep Shah:** Yes, can you throw some light in terms of aerospace as a whole? And is there any systematic risk in any of your top 20, 30 clients as a whole?

**Amit Chadha:** So from an aerospace standpoint, we work in the avionics space, we do not work with airlines, right? I mean, that's not our business, we are more with the aerospace companies, avionics, etc. And Dr. Panda had also shared with you, I think last time we had the earnings call that we had set up this center in the U.S. focused on ITAR and defense. So, though there is a hit on these areas, we do expect these to bounce back sooner, there are conversations going on in this area. So we do expect avionics - the work that we do is very specialized, and we do see that that will come back sooner. So that was one. You had another part of the question?

**Moderator:** Thank you. We will take that as the last question. I would now like to turn the conference back to Mr. Pinku Pappan for closing comments.

**Pinku Pappan:** Thank you for joining us on the call today. We hope we were able to answer most of your questions. If you have any follow-up queries, please reach out to me on email. Wishing you very safe times. Goodbye and have a great day.

**Moderator:** Thank you very much. With that we conclude today's conference. Thank you. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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