L&T Technology Services
Q1 FY25 Earnings Conference Call Transcript

For the Earnings Call held on July 18, 2024, 19:30hrs IST

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY25 Conference Call of L&T Technology Services Limited. As a reminder, 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 this conference, 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 of Investor Relations. Thank you and over to you, Mr. Pappan.

Pinku Pappan: Thank you, Dorwin. Hello, everyone, and welcome to the earnings call of L&T Technology Services for the First Quarter of FY25. I am Pinku, Head of Investor Relations. Our financial results, investor release and press release have been filed on the stock exchanges and are also available on our website, www.ltts.com I hope you have had a chance to go through them. This call is for 60 minutes. We will try to wrap up the management remarks in 20 minutes and then open up for Q&A. The audio recording of this call would be available on our website approximately 1 hour after this call ends.

With that, let me introduce the leadership team present on this call. Amit Chadha – CEO and MD; Abhishek – Executive Director and President; Alind Saxena – Executive Director and President; and Rajeev Gupta – CFO. We will begin with Amit providing an overview of the company performance and outlook, followed by Rajeev, who will walk you through the financial statements and performance.

Let me now turn the call over to you, Amit.

Amit Chadha: Sure. Thank you, Pinku, and thank you all for joining us on the call today.

With that, let me provide the key highlights of our **Q1 performance:**

- In USD terms, our Revenue went up 6% YoY, though on account of SWC seasonality it declined by 3% QoQ in line with what we had guided last quarter.
- Large deal wins have been healthy with two USD 30 million, two USD 15 million, three deals with TCV of USD 10 million, in the quarter. Additionally, we also got a significant empanelment in this quarter.
- In order to prioritize growth, we have made investments in Sales and Technology under our "Go Deeper to Scale" strategy. Our trajectory on both revenue and margins from this quarter on will be upwards.

Before I do the segmental outlook, I would like to report our progress on AI:

- In AI, we have filed a record 61 patents till date across segments in Transportation, Medical and Industrial Products. We are collaborating with NVIDIA for Medical, AWS for Transportation and Google for multiple segments.
- We have launched 6 solutions in the last quarter alone in Gen.AI for Driver Experience, Annot AI for Autonomous Driving, AiCE & AiCH for Medical QARA, and Secure AI which for cross-segments. Some of these have been implemented for clients in production environments.
- We continue to remain focused on enhancing our solutions in AI @ software development lifecycle, AI @ product development lifecycle, AI @ test automation & process automation.
- AI has finally become a revenue generator – we have won 2 significant empanelment deals, one with the Middle Eastern oil customer and a second with an auto major in Europe and both are showing a lot of interest in ramping up with us. We are also seeing increased interest and traction in this area and the pipeline is significantly higher than two quarters ago last quarter in this area.

With this, let me provide a segmental performance and outlook.

Starting with **Mobility**,

- Mobility is now a $400 million run rate segment for us. Our growth of 6%+ was the strongest in the last 6 quarters driven by Auto and followed by Commercial Vehicles and Aero.
- As you know we have been investing in EV, Hybridization, Vehicle Engineering and SDV. Our Q1 performance was result of deals across all these areas.
- In total we won 3 large deals in Mobility – One USD 30 million, Two USD 15 million deals, across OEMs and Tier 1s.
- While EV opportunities continue, the spends are shifting to SDV. We are accelerating our SDx competencies and building a proprietary framework. Some of those components are ready and others will be ready later this year.
- The deals we have won in SDV is helping us to open new engagements and deeper collaboration with OEMs and Tier-1s.
- In Commercial Vehicles, EV continues to be a strong growth area, while in Aero we are seeing large deal opportunities in Avionic equipment development.

Overall, looking at the pipeline and the deals we have won, we expect the growth momentum in Mobility to continue in the coming quarters.

In **Sustainability**,

- We had strong growth in the Plant engineering sub-segment, which is firing on all cylinders - led by new capex projects, spent on plant modernization and digital twin. The growth in this sub-segment helped us notch a slight growth on YoY basis offsetting the decline in the Industrial sub-segment.

- Customers are looking to do more offshoring and our model of establishing high value engineering centers is helping us capitalize on this opportunity and win deals.
- In the Industrial sub-segment, the supply chain inventory is at an all-time high for many of our customers leading to a dip in spending and budgets. In addition, deal decision-making delays led to large deals getting pushed out which led to a decline QoQ.
- We are investing in asset management solutions, and in Variable speed motors, and motor drives and controls. This will be the next engine of growth in IP in addition to AI led solutions in Digital Manufacturing.
- We won a $30M deal in Digital manufacturing with the North American OEM which will ramp up in Q2.

We believe that the worst is over for this sub-segment and expect Sustainability as a segment will get back to the growth part from next quarter onwards.

Finally, **Hi-Tech.**

- We had good growth in the Semcon sub-segment. We see strong demand from customers for AI chip design and we have signed up COE's for post-silicon activities.
- In Semcon, we are building differentiated capabilities and are executing programs in next generation advanced chipsets.
- In the Medical sub-segment, we are seeing customers spend on Sustenance engineering, QARA, Value analysis and Value engineering, Digital manufacturing solutions for operational excellence. We are investing in building Patient experience platform and GenAI based accelerators for QARA.
- In the Comms and Media sub-segment, our performance was impacted by the seasonality in the SWC business and a few 1-time programs that ended in Q4 in Telecom. Customers are looking for cost optimization and more software and AI based solutions for improving network operations.
- In the ISV sub-segment, we're investing in an AI build out for the software development life cycle for continuous integration, continuous development targeted to Hyperscalers and software platform companies.

We see multiple large deals in play across Telecom, Semcon, ISV and MedTech that gives us the confidence of growth for Hi-Tech rebounding from Q2 onwards.

Now, a few highlights on our **Technology and Innovation charter:**

- Our engineers continue to innovate. We had a total of 47 patent filings in Q1 and our accumulative filings now stand at 1,343.
- We have been ranked as a Leader in the Everest Connected Product Services assessment across Product Engineering, Embedded Engineering and Design Engineering.

With that, let me now discuss the **Outlook**:

- I am encouraged by our pipeline that's 2x of last year with deals across segments and more $40- 50M deals than earlier and slated to close in the next two quarters.
- Customers spend is broadly focused on consolidation, cost optimization, leveraging AI and advanced technologies, leading to efficiencies and faster go-to-market.
- We are comfortable with our guidance of 8-10% revenue growth. We see growth in all the three quarters ahead and expect H2 to be better than H1.
- Our aspiration of $1.5 billion continues.

Before I end, I would like to announce that we plan to host an Investor and Analyst Day on August 27th in Bangalore. We will be providing additional details in the coming days. Pinku will get in touch with you.

That said, thank you so much. I'll be around for questions and hand it over to Rajeev.

Rajeev Gupta: Thank you, Amit. Good evening and hope you all are doing well.

Let me start by saying that this has been a quarter in line with what we had guided for FY25.

Q1 FY25 revenue and margin were impacted due to:

- Seasonality effect of our SWC business,
- Investments in strengthening leadership on account of reorganization to “Go Deeper to Scale” and prioritize for growth
- Building segment-specific solutions and horizontal solutions like SDx, AI/Gen.AI, Digital manufacturing labs and Asset Health Platforms.

With that said, let me now take you through Q1 FY25 financials, starting with the P&L.

Our revenue for the quarter was ₹ 2,462 crores, a decline of 3.0% on sequential basis, mainly due to the seasonality effect of our SWC business.

Our YoY growth came in at 7.0%.

EBIT margin for the quarter came in at 15.6% in line with the aspiration of 16% levels for FY25.

Moving to below EBIT

Talking about Other Income,

Other Income was 49 crores, slightly higher on sequential basis due to our continued efforts of consolidation of facilities.

Effective Tax Rate (ETR) for Q1 was at 27.4%, within our expected range of 27.5%.

Net Income for the quarter was up by 0.8% on a YoY basis and came in at ₹ 314 Cr, which is 12.7% of revenue.

Moving to Balance sheet, let me highlight the key line items:

The reorganization was implemented by middle of the quarter and has now stabilized. This resulted in rebalancing of portfolios leading to delayed invoicing and collections moving into next quarter. In addition, we saw an impact of delayed collections in our SWC business due to the general elections. We believe this will stabilize in Q2.

Our Q1 DSO was at 102 days compared to 100 days in Q4. Unbilled days at 23 in Q1 compared to 14 days in Q4. The combined DSO including unbilled stood at 125 days compared to 114 days in Q4 which is within our target range of 115 to 125 days for the year.

Consequently, our Free Cash Flow was negative ₹ 89 crores.

Our Cash and Investments stood at ₹ 2,784 crores at the end of Q1, vs ₹ 2,883 crores end of Q4.

Moving to revenue metrics:

In $ terms, we reported revenues at $ 295 million as compared to $ 305 million in Q4, a decline of 3.3% in reported terms and 3.1% on a constant currency basis.

Moving to operational metrics:

The Onsite:Offshore mix improved moved slightly towards offshore compared to Q4. Offshore percentage now stands at 58.9%. Our aspiration is to improve the offshore ratio to 60%.

Client profile – which indicates number of Million dollar plus accounts – has shown a sequential improvement in the 30M & 5M+ category. The client profile will continue to improve in the coming quarters.

Client contribution to revenue – Has shown an improvement in the Top 20 Categories as compared to Q4. We expect revenue from top customers to improve going forward as we are running targeted programs with our strategic clients.

Headcount was 23,577 in Q1 compared to 23,812 in Q4, while attrition was stable at 14.8% in Q1.

Realized Rupee for Q1 was around 83.40 to the dollar, a depreciation of 0.3% compared to Q4.

Before I conclude, let me give some visibility on EBIT margin trajectory going forward.

- Our operating playbook continues to provide opportunities for margin improvements through levers like Quality of revenue, Offshoring and Pyramid optimization.

- With the current environment and our revenue outlook, we see the EBIT margin trajectory in H2 to be better than H1, and
- As Amit already highlighted in his commentary that we are pivoting on revenue growth. I reiterate that we maintain our EBIT aspiration of 16% levels in FY25.

Thank you. With that, now I hand it over to the moderator for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Just wanted to prod you with regards to the margin outlook. If you could first of all give us a sense of the hiring outlook for the year as well as the wage hike plan for the year and also well on the segmental margins specially in verticals like hi-tech and mobility?

Amit Chadha: So, I am going to break up the question here. So, you talked about hiring outlook, talked about margin outlook.

Manik Taneja: Wage hikes for the year and also if you could talk about the puts and takes for the segmental margin performance across different industries.

Amit Chadha: What I will do is let me provide you hiring and wage and then I'll request my colleague Rajeev to weigh in on the margin outlook and segmental margins. So, as far as we are concerned, we continue to recruit actively freshers as well as laterals. Having said that, there are two things that we are seeing in our business. Number one, we are seeing automation, so that straight line impact of headcount to revenue is slightly changing. As you see, mobility increased, you saw QoQ, YoY you saw the others increase, but plant engineering expanded as a sub-segment QoQ itself, medical expanded as a sub-segment QoQ, but the headcount went down about 300 people. I would not worry about it because we are leveraging more from the same team. Number two, we are continuing to optimize and reduce management layers with this new segmentation that we have done. Number three, there is the performance appraisal that we have done and every year where we do some kind of HR action on the lower performance, we are doing that. Having said that, you will see positive headcount coming in next quarter onwards and for the entire year you will see an increase in headcount that will happen across the company as we move forward. We don't give exact numbers on laterals, but I want to confirm to you that about 1,800 offers to freshers have been made and people will continue to join, and we will honor those letters just like last year. Now, in terms of the wage hike we are concluding the appraisal process. It's still not done. We expect to complete that in the next week or so and then we will go ahead and provide increments for the year. For the purpose of your calculation, you can assume that these will come into effect from October.

Rajeev Gupta: Yes, I can take the question on the margin or rather the EBITDA by segment. So, Mobility as a segment EBITDA is at 18.8%, Sustainability segment has an EBITDA of 27.1% and Hi-Tech has an EBITDA of 12.6%. That's how we are now reporting into our new segment.

Manik Taneja: Rajeev, I looked at the headline numbers. I am just trying to understand the puts and takes on the margins for each of these industry verticals.

Rajeev Gupta: Could you clarify when you mean by puts and takes?

Manik Taneja: If you could talk about the different factors that have impacted margins for each of the industry segments.

Rajeev Gupta: So, I will give you broad highlights. So, in terms of Mobility, of course, directionally we saw a large deal beginning in Q1. So, when I compare our EBITDA margin in Q1 for mobility at 18.8%, it came down slightly, largely because of the new deal that started off in Q1. When we look at Sustainability 27.1% compared to 28.8% in the previous quarter. Amit did talk about the fact that, look, Plant Engineering continues to grow whereas we saw challenge on Industrial Products, but that's largely for a quarter. We should see it coming back. That's the major reason why you saw margin on Sustainability came down. On the Hi-Tech side, 12.6% in Q1 compared to 15.6% EBITDA in Q4. This was largely because of the seasonality of SWC business. We have always mentioned that our SWC business has better traction in terms of revenue and margin in H2 compared to H1.

Moderator: The next question comes from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Could you talk a bit about what led to really good growth in Europe and similar in the US? I mean, I wasn't aware that SWC has much exposure to America, but it looks like America has had a sharp decline. So, what's caused that?

Amit Chadha: So, Europe growth has been based on the deals we have been winning and the investments we have made. As you're aware, we announced a deal with a Tier-1 and that helped us there and has helped us expand Europe, not just that one deal, we've been seeing expansion in our Auto OEM as well as our Industrial and Plant Engineering relationships, Aerospace relationships that we have announced in the past. So, all that combined, Europe has done very well for us, and we continue to be excited about the geography as it holds promise for the company and continues to accelerate. I do want to confirm that Europe this year will grow faster than the company outlook that we have provided. Now, in terms of SWC, yes, there was a seasonality we spoke about. And there was a one-off program that ended in March for the same segment in the US and therefore you see that decline QoQ, and YoY we have said. Having said that, we are pleased with the performance of Semcon that has finally turned around and the capabilities that we have built in VLSI, Semcon design, RTL, PD, all of that is working out for us, including establishing based on empanelment we had announced in the past on Semcon companies that have ramped up for us. So, that has worked out in our favor. I had also talked to you, if you remember about two years ago that we would make targeted efforts to get into Hyperscalers. So, I am happy to share with you that a couple of these Hyperscalers now are either almost $10 M or passed $10 M run rate for us as accounts and we are truly looking at seeing as they continue to spend money on how we can expand that.

Ravi Menon: Just a follow up on the EV side. We've heard about the Tier-1 German OEM restructuring the software part of their business with about I think 1,400 layoffs. So, are you expecting that there will be any impact due to that or are you even a beneficiary of this?

Amit Chadha: So, again, not getting into specifics, because I don't know which Tier-1 you're talking about, there's a lot of Tier-1 actions going on, but so not getting into specifics, all I will say is that there are two or three things that are definitely happening in the Auto industry. Number one, OEMs are pulling in software work in-house. And that means that instead of just integrating stuff, they're building larger teams. Now, knock on wood, that's been positive for us, and we are expanding with the OEMs in Europe and the US as well as the new age ones in California. So, we continue to ramp up with them. As far as Tier-1s are concerned, there is restructuring, there is a lot of these consolidation deals that are floating out there. Last quarter, we had won a deal in Europe from a Tier-1 where we won a consolidation opportunity and gain market share over competition, and this quarter, again there are opportunities that we are looking at, we have won one of them, there are others we are pursuing, and we'll see how we get up there. And therefore, I had mentioned that there are deals in Q2 and Q3 up for closure that we are working closely on right now.

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

Karan Uppal: Amit, firstly, I want to check on the Auto business. So, one of your larger peers has mentioned significant weakness in the European Auto segment due to a pullback in the EV-related spends. Are you witnessing something like that? Second is on the Maharashtra government cyber security deal which you had won. So, when is that expected to ramp up? And the third question is on that $1.5 billion aspirational target, is it still targeted for FY25 or are you pushing this to next year?

Amit Chadha: Let me start the last question first which is close to our heart. Our $1.5 billion aspirational run rate is FY25 goal and aspiration and various things in play. We will see as to where we end up. Number two, Maha Cyber has ramped up; however, there are other deals that close right and therefore that seasonality of SWC comes in, and you will see Maha Cyber ramping up over the next couple of quarters as well. But we are being judicious on the kind of deals that we pursue, and we win, plus there was an election cycle impact also on not just collections like Rajeev mentioned, but also on order inflow. So, we are working on that and seeing where we can work on. Now, in terms of Auto, in EV space the work has changed from Product Development to Value Engineering. In fact, we are doing a tear down of various vehicles without naming them to see as to what we can learn on components, what can we learn on manufacturing techniques, assembly techniques and operation techniques, right, that we can then offer suggestions and service offerings to our other customers. Having said that, some of these EV spends are getting replaced with extension of programs on ICE, Software-defined vehicles for ICE vehicles as well as for EV and hybridization, plus there is a significant amount of discussion that we are doing now on model year 2029 for alternate fuel technologies as well. So, am I worried about Auto and EV at this stage? What I will say is that we saw this about two quarters, two and half quarters, three quarters ago and we've been investing in the SDV area and the Hybrid technologies area. In fact, the deal that we took over with the Tier-1 in Europe was in that direction to fortify our position. I am happy to share the center where we took over has got certified by other OEMs as well as by actually now Aerospace customers who use the same skills. So, I do believe that we are in a positive path forward, though we are cautious and watching as things develop. But most importantly, and I am sorry, I am going to say this, I have said this last quarter as well. See, I do believe we have to invest because what was current today or yesterday will not be current tomorrow and that is something that we will continue to do on an ongoing basis.

Moderator: The next question is from the line of Dipesh from Emkay Global. Please go ahead.

Dipesh Mehta: Two questions. First is whether Q1 performance was in line with your expectation or weaker or better than expectation and if you can highlight factors driving that difference? The second question is a slightly medium term. Now, if I look at your segment and the way we now club three segments, there is a big variance in margin profile of all three segments. Can you help us understand how one should look for medium term perspective, whether this gap to sustain or it will narrow down, and what factors likely to lead to the trajectory change?

Amit Chadha: So, look, the company is pivoting to revenue growth, right? We took your feedback actually and others feedback and said, muted revenue growth. So, Q1 was broadly in line with what we expected and that's why we had said to you last quarter, will be muted, but having said that, we would have got more, we have done more. But having said that, it's in line is what we had said. But it is onward. and upward from here.

Rajeev Gupta: So, to answer your question in the medium-term outlook for the margins in each of the segments, so like you said, Mobility and Sustainability, they are on the higher side of the margin and will continue to hold up well. On the Hi-Tech side, like we said, Hi-Tech includes as sub-segments, Smart World, MedTech, Comms, Media and Tech. Smart World, there is an impact of seasonality. We believe you will see that to normalize as we go forward. MedTech is a sub-segment with high margin, right, typically that's been at about 30% levels of margin. So, we feel that the gap between Mobility, Sustainability and Hi-Tech will narrow down. We will continue to run programs to also improve margins in the Hi-Tech segment and you will see that going forward.

Dipesh Mehta: So, whether with this mix change, now, because at least in near-term you are indicating different growth prospect for each segment, and medium-term, considering Mobility is showing better trajectory at least for near-term perspective, do you think this can have implication on a blended margin or do you think broadly expected improvement kind of trajectory across segments will not have any material impact because of mix change?

Rajeev Gupta: So, let me answer it this way. See, we've already shared the aspiration for FY25 for overall EBIT margins to be at 16% levels. And in terms of the mix, I mean, we did see strong growth coming in Mobility. We are seeing good growth in Plant Engineering. Of course, Medical has shown growth in this quarter. We believe that will continue to show growth in future quarters also. So, while we've given aspiration for FY25 to be at 16%, Amit talked about the IAD to happen end of August, we will come back and clarify to you our medium-term aspirations on EBIT. We definitely aspire to do better. Our aspirations for FY25 are more short-term and near-term, but I will certainly come back and clarify in the IAD on the medium-term outlook on EBIT margin.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Sir, I wanted to understand what the seasonality impact of SWC, If you can quantify both at the company level and second also in the North America region? I just wanted to understand what the underlying growth is after removing the seasonality impact of SWC. The second question was just on the SDV. You mentioned that you are signing a couple of SDVs. If you can provide some details as to what kind of OEMs are this and what size of contracts are this, that will be helpful.

Rajeev Gupta: So, let me take the first one in terms of the SWC margins and the impact on the overall that you mentioned about. Look, we don't provide specific margins in terms of SWC, we've mentioned that in the past as well. But what I can definitely let you understand is that, look, this is a project-based business and its fixed price in nature. So, what happens typically is when these projects get executed, they are milestone-based, right? As the milestones get achieved, there are contingencies as part of the margins that get released, right, because we tend to bake that as part of our contingencies and that's how usually the projects get executed. We feel that given the seasonality of SWC business and more of revenue and margin in H2 this will normalize, right. So, we wouldn't want to call that to be an effect that's more worrisome. It's more of just a Q1, Q2 phenomena. We saw very similar to the same phenomena in FY24 as well. I'll hand it over to Alind in terms of the SDV part.

Alind Saxena: Hi. So, SDV is getting increased traction from our customers across the board. We have recently signed some deals with North American OEMs. We also have signed deals with the Tier-1s in Europe. In fact, we had partly executed some of the solutions in CES as well earlier in the year and we are working on solutions in the SDV space, which are AI-based, and we would be talking more about that in the forthcoming investor meets that we have gone along. But it's a very broad-based concept that is catching. And outside of Auto, we're also seeing tractions in some of our Trucks and Off-Highway customers as well which are in the earlier life cycle of implementation and those are the ones that are increasing for us as well.

Mihir Manohar: I mean on the SDV side, I wanted to understand more on your revenue rather than the margins. If I rephrase my question, without considering the SWC seasonality, what would have been the growth at the company level and at North America level?

Amit Chadha: So, to respond to that, if you look at the SWC seasonality, that's what you see largely in India, okay? and the India revenues. On the US part, I mentioned there was one program that was a one-off program that ended in March and that is the impact you're seeing in North America.

Mihir Manohar: Just a last question was on the guidance side. Guidance of 8%-10% still implies like 4%-6% kind of growth depending on the quarter, that appears to be quite steep. So, just wanted to understand the assumptions and the logic that we are building behind maintaining the guidance of 8%-10%.

Amit Chadha: Three components here. A certain part of the guidance, significant part gets covered based on the backlog that we have. There is a part of the guidance that will get covered by the deals that we will win. So, that's where we are on that. Having said that, like I said, our pipeline is about 2x to what it was same time last year. Our TCV wins have been higher than what they were earlier. And given the fact that it's a much bigger pipeline and we know decision-making of a number of our $50 M deals, $25 M deals, $40 M deals will happen in the next say 8 to 12 weeks, will swing us in our direction. Having said that, I am confirming that we are fairly comfortable with what we have stated as guidance. If you remember, we also had an uphill task in Q4 of last year and we did deliver. So, we are cognizant of that and working towards it as a team.

Moderator: The next question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari: So, Rajeev and Amit, just one small clarification. When you say to the $1.5 billion run rate in some quarter of FY25, does it include any inorganic means, because otherwise from $300 million what you started in Q1 $297 the growth numbers are actually out of sync of your 8%-10% guidance for FY25?

Amit Chadha: Very valid question. Of course, it does bake in inorganic means. If you remember, we had shared with you earlier that also that we have created a separate M&A section in the company and there are various prospects that we continue to look at and continue to engage with. So, you should assume that there will be an inorganic action between now and end of the year and we are working hard to see diligently as to what is reasonable for us to pick up at a reasonable valuation and that actually lines up with our strategy of Automotive in Europe; ISV & Hyperscalers in North America; and Medical in North America. These are the only three areas we are looking at. Again, I have reiterated in the past and I will say it again, A) If we don't have anything in this area, we will not acquire; B) We will not acquire at unreasonable sums and multiples; C) We will acquire for capability, not for market, because we have the market reach. So, we will do it for a combination of factors that are strategic to us. And yes, I am confirming that there is inorganic action that is in play in the company, and we'll see what happens, but these are ongoing discussions at any given time.

Abhishek Bhandari: Amit, one follow-up to previous Mihir's question on the breakdown you gave around the building elements of 8%-10% guidance for FY25, basis the deals what you've already won at the end of Q1, would you say 60%-70% of whatever growth number is already in pocket and the remaining would be the work-in progress for the remaining nine months?

Amit Chadha: So, see, like I said, a considerable part of the guidance is already backlogged into the company, but there are deals that we have to work on. See, we just started Q1. I am confirming one thing that you should take away; we will grow every quarter hereon top line and bottom line. Allow me a little leeway if you can. I hope that given our credibility with you and what we delivered to you in Q4 and met what we had told you, allow me some time and we will come back, and we will keep on updating you. In fact, one of the things we are working on now which we haven't done in the past and I will admit that as our learning, we don't do a lot of these press releases on what we win. We do a lot of stealth mode. You will see more press releases coming out on our wins as well as our partnerships as we go forward in the next few weeks and that should give you an indication of progression in the company and the pivot that we are doing on a growth trajectory.

Abhishek Bhandari: Last question, Amit. There are chatters around a possible macro improvement maybe after the rate cut cycle begins in US and US election ends sometime in November. The question on that is how much of a business is discretionary or dependent on tailwind from these kinds of things, do you think there could be a meaningful lift both in terms of client conversations leading to higher deals and certain growth improvement because of that?

Amit Chadha: So, see what we are definitely seeing is that, like I said, pipeline at 2x, significant part of that is actually equally divided is proactive deals and reactive deals. Reactive is the client issues an RFP paper, proactive is what we pitch, right? The one predominant thing people are interested in is cost conservation, reducing their costs as well as cash conservation if they can, and third is around getting the market faster. When we go to people with AI, technology, etc., they come back and say, tell us the value this will create. Will it reduce headcount? Will it increase market reach? Will it improve my customer experience and therefore improve my sales, what will it do? And that's where we are right now. Any cycle to turn takes time. If you ask me, reasonably speaking, the guidance we have given you is baking in a little bit of everything, but if there is a lift off like you're talking about on a complete change in segment and people start spending money in big numbers, of course, the guidance will improve and change. But at this stage we are not factoring in big lift offs. I think by the time it has an impact into Engineering, if something changes immediately, you will see an impact in our calendar year or next year. But the good part is that a number of programs that we work on are actually model years and work done for future years. So, that's where we are.

Moderator: The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: I am sure this is asked in a different way already, but just trying to understand that generally the confidence that you are emanating is coming from the deal you have won what you see in the pipeline and stuff like that. So, in general view in terms of how timely are you seeing these deals are ramping up from signing period, are these back to the way it used to be historically, and do you think the guidance range should be more seen skewed towards the lower end this point, or you think it is equal possibility through the range?

Amit Chadha: I am so sorry. Can you repeat your question because there's a problem with the phone here?

Rahul Jain: So, what I was saying is that, if you could say that what is the general ramp up that we are seeing in our deal, is it from signing to ramping up, is it normalized the way it used to be or you're seeing some bit of changes in that? And secondly, at this point you think guidance range is equally skewed to the entire band or it's more towards the lower end at this point?

Amit Chadha: So, if I look at say take the example on deals where everyone is different, right? If I take the example of Maha Cyber right, that ramped up early on, right, as we had talked about and started off immediately. FORVIA which we announced, right, also ramped up immediately in two parts, first, Bangalore and then Germany. If you remember, we announced OEM deals in SDV. Those have taken a little bit longer to ramp up and are ramping up right now as we speak. So, it is not one-size-fits-all. Deals are being signed and then they are being ramped up. It depends on the specific situation of that customer, right. It's not even a segmental thing I should tell you, right. It's on the health of that customer and the need of that customer. But clearly if we're not able to show, how will it address in our top line or bottom line or market access point, they are not interested in doing the deal. Now, in terms of guidance. Look, I will maintain that 8%-10% band right now and leave it there for now and we'll continue to update you as we move forward. But there is work to be done in the year for sure. Otherwise, we would consider the year closed and we would be in April.

Moderator: The next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: Just wanted to check back on your comments a few months back when you've spoken about spring and then summer coming in. In that context, how should one be assessing our Q1 performance and have you had some negative surprises in that backdrop?

Amit Chadha: So, in the same backdrop, my comment now is onward and upward, if that helps you.

Manik Taneja: Did the Q1 performance come as a negative surprise?

Amit Chadha: No, it did not. Like I said, I answered this question earlier. I'll repeat myself. Listen, we knew the seasonality that was going to come in SWC. FY23, please look at the restated results and look at FY24 and you will see that there was a seasonality from Q4 to Q1 that time as well, the same one. The only difference this time is that the pipeline is 2x to what it was last time and because the pipeline is 2x, there is a lot more decision to be made and taken in the next 12 weeks, which was not the case, the pipeline was half at that time. As you remember, we ran the G45 program. We continuously run the large deals program and that has helped us in terms of showing up the pipeline and discussions. In addition to that, the play in AI we are having to put in AI in a lot of bids that we are making right now that is in consolidation. So, with all that, it is a different time and like one of your colleagues earlier said as well that with the markets easing up, we do believe that we are in a much better place.

Manik Taneja: With regards to the India domestic deal that you won with one of those PSU departments, if you could help us understand the typical trajectory for that business and should we probably be seeing a significant bump up in the second quarter given Q1 also had the impact of elections in India?

Amit Chadha: So, yes, we said that H2 for SWC is better than H1 and that's how they operate, and we operate in SWC, and you will see that liftoff happening in H2 in that business as opposed to H1. The rest of the heritage business will continue to see an increase in Q2 onwards as it did in Q1.

Moderator: The next question is from the line of Mayank Babla from Enam Asset Management Company. Please go ahead.

Mayank Babla: I just wanted your view on one aspect. So, given the upcoming election, I remember the last time there were certain curbs on China, there was a certain revenue impact in our client. So, given that there are a lot of news articles about this upcoming curb, can this be a potential source of risk for us?

Amit Chadha: So, at this stage we are closely monitoring the situation. But I, to my mind, don't think there will be a revenue impact from the elections or plus/minus from China. I think what you will see is as consumption patterns change and as different opportunities come up, you will see that the deployment of the technology solutions we have built will help us in winning more market share and that is what I would take as a positive as opposed to a negative.

Moderator: The next question is from the line of Dipesh from Emkay Global. Please go ahead.

Dipesh: Just one clarification. I think in an earlier question you mentioned about M&A is part of the guidance working. Whether it is for the $1.5 billion aspiration or even for 8%-10% we consider some of the contribution from M&A, because last time you indicated for $1.5 billion, not for 8%-10%? So, just want to get that clarified.

Amit Chadha: You're absolutely right. 8-10% constant currency is organic growth guidance, and the $1.5 aspiration includes M&A. The 8%-10% organic does not.

Dipesh: The focus area which you said for M&A, if you can provide some more color and more detail in terms of what specific area you are looking for, because Auto in Europe is a very wide, similarly ISV, if you can provide some more detail around it?

Rajeev Gupta: While Amit did provide color on that, see, there are three areas we want to build our M&A capability into. One is of course on the Auto side in Europe. Now, particularly this is in the newest technologies like SDV, all of these factors, right. And the reason Europe is of course, it gives us a lot more market breadth within that region. ISV, Hyperscalers in North America and rightfully so, because we see a lot of spend pattern developing in those companies. And third, MedTech because we feel there's a good opportunity, right. Medical has been a strong forte for us. We are looking to build more solutioning on the healthcare side and hence on the MedTech side, right. And we will continue to look for the right level of targets to help us scale these capabilities.

Dipesh: Any sense on comfort range or something around there?

Rajeev Gupta: So, see, in terms of the ticket size, I mean we are open to look at anything that could range from $50 M to about $150 M. That's the range. Of course, we do have thresholds. They should be at the right levels of margin so that we do not dilute the overall company level margins and of course we need to come at the right levels of valuation so that we are going to be able to make it value-accretive for our stakeholders.

Dipesh: The range you said is for consideration, right, rather than revenue?

Rajeev Gupta: For revenue.

Moderator: That would be our last question for today, ladies and gentlemen. I would now like to hand the conference over to Mr. Pinku Pappan for closing comments. Over to you, sir.

Pinku Pappan: Thank you, all for joining us on the call today. We hope we were able to answer most of your questions, and if there are any follow-ups, I would be happy to address them. With that, we are signing off and I look forward to meeting some of you through the quarter. Have a good day and good evening. Thank you.

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

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