

January 29, 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: Transcripts of Earning Conference call for L&T Technology Services Limited (LTTS) for quarter ended December 31, 2019**

Dear Sirs,

Please find attached the transcripts of Earning Conference Call organized by the Company on January 17, 2020 for the quarter ended December 31, 2019 for your information and records.

Thanking You,

Yours sincerely,  
**For L&T Technology Services Limited**

  
**Kapil Bhalla**  
**Company Secretary**  
**FCS.3485**  
Encl: As above





# **L&T Technology Services Q3 FY20 Earnings Conference Call Transcript**

January 17, 2020, 18:30 hrs IST

**MANAGEMENT: DR. KESHAB PANDA – CEO,  
MR. AMIT CHADHA – PRESIDENT, SALES AND  
BUSINESS DEVELOPMENT,  
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 Q3 FY '20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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:** Thank you. Hello everyone and welcome to the Third Quarter FY '20 earnings conference call of LTTS. I am Pinku from the Investor Relations team. I hope you have had a chance to go through our investor release and financial statements. If not, you can download them 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 20 minutes and then open up for Q&A. The audio of this call will be available for replay on our website right after the call ends. From the management team, we have Keshab Panda, CEO; Amit Chadha, President, Sales and Business Development; Abhishek Sinha, COO; and P. Ramakrishnan, CFO. We will begin with Dr. Panda providing an overview of the company's performance and a commentary on the business outlook. Amit will provide an update on the 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.

**Dr. Keshab Panda:** Thank you, Pinku and thank you all for joining us on the call today. Let me start by wishing all of you a very Happy and Prosperous 2020, and let me also thank you for your continued support and encouragement during last so many quarters.

I will start with highlights of Q3. The overall performance was consistent with our expectations. Growth was very strong - in excess of 20% year-on-year in three of our verticals - Plant engineering, Medical devices, and Transportation. Digital and leading-edge technology, the growth driver for ER&D, contributed to 41% of Q3 revenue and grew 29% year-on-year.

Operationally, we executed well. We held EBIT and Net Profit margin almost steady from the previous quarter. Our deal win traction continues - we closed nine deal wins across sectors which includes two deals each with a TCV of USD 30 million plus.

Let me provide a brief summary of our performance in each of the verticals before providing the overall outlook.

Starting with **Transportation**, we had a good quarter and the pipeline continues to be exciting. We continue to see multiple large deals in our strength areas of electric cars, autonomous driving, and avionics that can help us sustain a strong growth trajectory.

In **Telecom and Hi-tech** while the performance in Q3 was softer than what we expected, we believe that worst is behind us and Quarter-4 onwards we will see growth in this segment. We see deals that play to our advantage especially in the areas like VLSI chip design, new-age media, and hi-tech, and we expect the pace of growth to gradually increase as we win them.

In **Plant Engineering**, where we have a strong competitive advantage in domain knowledge, our solid performance has been on the back of continuously expanding the scope of deals and winning large engineering values-center deals. We are partnering our customers in newer areas like digital transformation, cyber security, and plant automation.

In **Medical**, we continue to see strong growth prospects. Regulation, digitization, and new product development are all driving growth.

**Industrial Product** as communicated last quarter, there was a bit of a slowdown in spending at some of the large accounts due to budget constraints. The smaller accounts have been ramping up very well and we are seeing good opportunities in areas like IOT, smart building consultancy, and so on. I am happy to share with you, Microsoft has acknowledged LTTS as their innovation partner in developing low-carbon solutions. We have an ongoing engagement with them to develop sustainable smart buildings and campuses.

Talking about **Products and Solutions**, we are working on creating a new structure based on the recommendations we received. We see a lot of potential in scaling up i-BEMS and Engineering connected platforms and we will share with you more details as this takes better shape. We are also working on a couple of path-breaking solutions, for example, in the medical domain how to diagnose chest x-ray images using AI technology and increase speed and accuracy of diagnosis. Another challenge we are trying to solve in the agriculture domain using AI, machine learning, imaging, and robotic for weed removal and crop health management.

Let me now discuss the **outlook**: we are on track to meet our revenue guidance of 10% in USD for FY '20. While it is premature to talk about FY '21, we are optimistic on growth as the market opportunities and deal sizes we see are significant and our competitive positioning has only got stronger. Growth continues to be our focus and we are investing in competency building and broadening our presence within each of our segments. In Q3, we opened a design centre in Rockford, Illinois in US that will cater to digital engineering, avionics design, and aftermarket services for the aerospace industry. Investments like this will help us work closer with our customers and enables us to be their preferred partner in their ER&D programs and drive sustainable growth for us. I now hand over to Amit.

**Amit Chadha:**

Good Evening and thank you Dr. Panda. I will cover Large deal wins and our deal pipeline by vertical.

So let us start with the Transportation segment. We spoke about pursuing two deals in auto and one deal in aerospace in the last quarter call. I am happy to share with you that we have closed all the three deals. One of the auto deals in the area of fuel injection optimization and the second one is for modeling and developing safety systems for passenger vehicles. The Aero deal is in Digital IOT for aircrafts and improving user experience. All these deals are net new business for us. We do see ongoing traction for Auto in the areas of electric vehicle, autonomous driving, and mobility solutions, and in Aerospace we are seeing a further consolidation of suppliers which should work in our favor. We are pursuing multiple deals with two significant ones that should close in Quarter-4.

Moving onto Medical, we continue to see traction and growth based on regulatory compliance and digitalization of devices. We have incrementally increased penetration in our accounts and added new accounts this quarter. In Q2, we had spoken about one large deal we were pursuing that we closed. This involves developing a new IOT platform to provide remote monitoring solutions for the customer's life sciences products installed globally. We are further pursuing two more deals for closure in the current quarter.

In the Plant Engineering area, we closed two deals in Europe, one in mineral and metals which is a new sub-segment within plant engineering that we have expanded into. The other deal is in the Oil and Gas industry, which we won because of our Hydrocarbon domain expertise and we are helping the client to increase the utilization of their refinery assets. Both these net new projects have kicked off in Quarter-4 and we expect them to run over a period of three years in one case and 12 months in the other. We have also renewed a large deal with a large O&G client in Quarter-3. As we look at the next quarter and beyond, we are pursuing multiple opportunities in asset management services, engineering value centre deals that will incrementally add to our trajectory for this segment.

Now, for the Industrial Products vertical, we are seeing this segment continue to offer opportunities in Digital and product development and sustenance services. We had spoken last quarter that we are in discussions for three deals in the areas of electrical drives and industrial machinery. We have been able to close one of these deals where the client has started their engineering centre with us in the last week of December and the other two deals have moved for closure to the current quarter.

Finally, the Telecom and Hi-tech segment, we did see a decline in the last quarter. We were pursuing five deals in the areas of Semcon, Media, Hi-tech, and ISV. While four of the five deals slipped to a Q4 closure, we did close the media deal. In this deal, we are responsible for end-to-end chip design for the client to enhance security and authentication for their video and broadband delivery product. This leverages our expertise from our centres in Israel and India and is a testament to our VLSI design and security capabilities. Like Dr. Panda spoke earlier, we are expanding VLSI design services to non-chipset companies. Moving onto traction in the segment, we are pursuing five deals in the area of VLSI design, media sector, and ISV. Though we did see decisions that were delayed, we do see these closing in the current quarter.

Finally, to sum up, in Q3 we did close a larger TCV than Q2 and we see that trend continuing in Q4 and beyond. Our large deal engine and pipeline continues to expand and grow and our differentiators in digital innovation and cross vertical expertise are continuing to help us in increasing client penetration in our T-30 and Next 50 accounts. I would now like to hand over to PR.

**P. Ramakrishnan:**

Thank you, Amit, and Good Evening to all of you. I will summarize the Q3 performance of LTTS. You must have seen the advertisement, which was filed in the stock exchange and I believe you must have also seen the earnings factsheet. I will try to give an overall high-level summary of our performance. The revenue for Q3 FY '20, we posted at 1423 crores as compared to 1402 crores for the previous quarter having a 1.5% growth. In dollar terms, we had a revenue for the quarter ended December 31st 2019 at 199.3 mn registering roughly around 0.8% in reported currency terms and 0.6% in constant currency terms. Our EBIT margin for the quarter stood at 16.8% as against 17% for the previous quarter. The net profit for the quarter has been reported at 204 crores as compared to 205.8 crores for the previous quarter. In terms of giving a flavor of the other income because that is one important element which adds up to the profitability and both on a quarter-on-quarter basis, the Q3 other income aggregated to 35.4 crores as compared to 37.8 crores for the previous quarter.

Our balance sheet size as it stands as of December, is comprising at total balance sheet size of 4023 odd crores comprising largely of shareholder funds at 2749 odd crores. We have I would say a very minimum borrowing of around 21 odd crores as we report the numbers. Our free cash flow for the nine months ended has been at 423 crores and I wish to tell you that Q3, our free cash flow for the quarter was around 234 crores. Coming to revenue by vertical, Transportation continues to be the leader in the pack amongst the five verticals contributing to 35.8% of the total revenue for the quarter followed by Industrial Products at 19.2%, Telecom and Hi-tech at 18.5%, Plant Engineering at 17.2%, and Medical at 9.4%. During this quarter both from a revenue and a margin perspective, from a margins perspective Industrial products, Plant Engineering, and Medical Devices have been as per our expectations and maintained the margins more than the company threshold whereas we have seen a dip in the Telecom Hi-tech margins primarily because of the drop in the revenue for the quarter which was referred to by Dr. Panda in his speech.

From a geography split of revenue perspective, North America we have been always maintaining at 60% plus, so North America contributed 61.2% followed by Europe at 14%, India contributed 13% and the Rest of the world for the balance 11%. For the quarter, from a revenue mix perspective we have been for this year in the 44%-47% on-site revenue mix, so for the quarter ended December, our on-site revenue was 44% and offshore at 56%. In terms of project type, our fixed price contracts as for the quarter was comprising almost 42.7% where time and material stood at 57.3% for the quarter. Coming to utilization, we have improved the utilization by almost 1.4 percentage points for the quarter to end at 79.2% as compared to 77.8% for the previous quarter. Our employee headcount as at December 31<sup>st</sup> was around 16,800 people which was largely unchanged from that of the previous quarter.

So, to sum up the Q3 performance has been broadly in line with our estimates from a growth perspective and from margins and net income perspective as whatever we have talked is almost as per I would say more or less flat as compared to previous quarter. Coming to the segment performance which I reiterated, telecom hi-tech drop in revenue led to probably a little amount of decline otherwise maybe margins could have been positioned higher, so with this I have tried to give you a overall financial summary of our performance and now it is back to for any questions you may have, we will be glad to answer that. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Sandeep Agarwal from Edelweiss Securities. Please go ahead.

**Sandeep Agarwal:** Happy New Year to the management team, Dr. Panda you although explained a little bit on the weakness which we saw and you called out clearly that the worst is behind in the telecom and hi-tech space, what gives you the confidence to make this statement because is it based on your deal pipeline or is it based on your interaction with the clients number one? Number two, do you think that the worst of the trade war if at all they would have impacted this space is behind, and finally, I understand that there is a sharp drop in revenues in telecom would have impacted your margins, but still I would say is the correlation so sharp that we have not been able to achieve what we anticipated because we knew this is coming, so that is part one on the telecom and hi-tech space, and I would also like to know a little bit on that IOT growth. If I understood correctly you mentioned 29% growth and now it forms 43% of the revenue, is it also little lower and impacted by some kind of indirect influence of the telecom and hi-tech space?

**Dr. Keshab Panda:** I think you asked two questions, number one is on the telecom hi-tech, on what basis you are saying Quarter-4 is going to be flat? If the Quarter-4 has to be flat, we have to win orders and the customer downside which could have happened there that is stabilized, so order we already won few of them, already on hand and we always calculate about how much we are going to contribute in Quarter-4 and beyond. We have few orders, if you recall last quarter I talked about few deals we were working on and Amit spoke about. There were some deals we already won and some deals are in pipeline and we expect to close that soon, so based on those pipelines and order we already won taking that into account we believe that Quarter-4 is going to be a good quarter for us. I would say at least there will not be degrowth and there will be growth on the telecom hi-tech. On Digital and Leading Technologies front - there is one correction though - it contributed 41% of the revenue in Quarter-3 and had a growth of 29% year-on-year. If you see last quarter, it was 39% of revenues, what happens is when you say digital and leading-edge technologies, this is not for one segment alone. It is from all the five business segments where we use that extensively, so telecom degrowth has nothing to do with impacting this that is for sure and we believe the impact and the investment we did in creating this will continue to help in coming quarters too. On the margin front, we have been flat. Last quarter and this quarter it remained almost flat and I think there is no margin impact because of this only thing is you can see that Telecom Hi-tech there has been a degrowth from Q2 to Q3, it has a marginal impact on that. Beyond that I do not think any concern on the margin side at all.

- Moderator:** Thank you. The next question is from the line of Sudheer Guntupalli from Motilal Oswal Securities. Please go ahead.
- Sudheer Guntupalli:** If I look at your \$ 50 million plus engagement on a year-on-year basis, it was two in Q3 of FY '19, it has come to zero now so one loss we understand in the semiconductor space earlier, so can the second loss be also be attributed to the telecom and hi-tech vertical, is there an engagement loss or is there a client loss here?
- Dr. Keshab Panda:** I think you are right, the two were in telecom hi-tech but there is no client loss, they have dropped to 30 plus million accounts but we never lost that account so I think both are in telecom and hi-tech segment, yes you are right.
- Sudheer Guntupalli:** In the semiconductor space, so is this expected to be a transient thing because earlier also we were expecting this issue largely driven by disruption in the mobile supply chain so on and so forth, so is this expected to be a transient issue or is it because of more let us say structural reasons like the shift towards open sourcing which is happening in the chipset ecosystem?
- Amit Chadha:** As you rightly said, we did see two accounts that were 50 plus drop-down and in one case which we had talked about earlier in the year that this was because that there was ownership change and they had in-sourced a part of the activity. In the second case, it has been a situation where the client has gone ahead and shutdown that particular business unit that has dealt us this loss. Having said that, we continue to see opportunity in the segment, we do see it in the ISV space, in the Media space as well as in the Semcon space, so this is broad based. There has been some delay in decision-making where some of these deals take a little bit more time, but that is where I would put it. I do not see this weakness going forward into next quarter or beyond.
- Sudheer Guntupalli:** Okay Sir, so we can expect stability in this segment going forward unlike it happened in the case of FY '20?
- Amit Chadha:** We do see growth in Q4.
- Moderator:** Thank you. The next question is from the line of Madhu Babu from Centrum Broking. Please go ahead.
- Madhu Babu:** Sir, we are talking about market share expansion in aerospace I mean in terms of wins and we opened a new Centre in Illinois, so could you talk more about what are the areas we are targeting and what are the cross sell we are trying to do in the aerospace side?
- Dr. Keshab Panda:** A lot of data when we say customer specific data cannot be taken out of country, it is mostly aerospace and part of it on the defense side, so it is critical to the customer and has to remain close to the customer. The Rockford Centre what we built can seat 130 employees. On the aerospace side, multiple things we do. As you know air traffic management is one of the areas we work, in-flight entertainment we are working on it. The customers are very, very receptive to the idea about having a centre close to them and then that centre connects to our centre in India, so I think that model is working out reasonably well. When you are doing a mission critical



project for the aerospace area, it is always important that we connect with the customer. As Amit talked about, the digital areas of aerospace and we talked about the in-flight entertainment and all these are focus areas. Again, some of the system design we do for the customers in aerospace areas - that we partly will deliver from there and partly we will deliver from our centre as well in India.

**Madhu Babu:** Second one on the exit rate, this is going to be again weak, so this year we are going to be doing 10% kind of growth, so for us to move back to 13%-14% kind of momentum for next year, so what should work well, is it some new deal wins or the semiconductor stabilization or what is the key trigger for us to move back to the 14%-15% kind of growth?

**Dr. Keshab Panda:** I think some of the deals we already won, I think if you see nine deals we won and two of them 30 plus million TCV we announced that and there are few in the pipeline what we have. It gives us comfort about; I think we will talk more about in Quarter-4 some of the deals we are going to close. The only thing is decision-making getting delayed that may impact to some extent. Other than that, I think I am not worried about FY '21 going by the deal size pipeline I have seen in multiple segments. You could imagine if Telecom segment would have remained flat, three of our segments has grown in excess of 20%, Plant Engineering, Medical as well as Transportation. If there was no de-growth in telecom and hi-tech we would have had a better number, so I think that is the only problem - as long as it remains flat and the pipeline what we have on hand and as Amit said, we are seeing Quarter-4 onwards not only remaining flat, we see a growth trend happening in that segment with all these deals has to we have the confidence that FY '21 should be a better year.

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

**Mukul:** The first one was again on the telecom and hi-tech decline this quarter, this seems to be coming from your top client right now which was a 50 million plus and you mentioned that this has been because one of the units kind of shut down, so was there also an element of the Q3 seasonality...furloughs which played a part in this and you expect this account ex of this unit to kind of improve going forward or is the growth pickup going to come from other deal wins which you have acquired in this space this quarter?

**Dr. Keshab Panda:** The seasonal issue as you know, I think Quarter-3 is always the case and that has impacted, small impact I would say and let me correct one thing, this is not shutdown or anything. If the customer decides to sell the part of the business and that is one part of the weakness. Second part is customer decided not to do that business and sold it to somebody else. Both the situations divesting the business to the new party - that had some impact and as we see that there is one company where the part that was divested and the company who acquired them, they are keen to continue to work with us. It will take some time; I would say it is a temporary impact and I think whatever value we created is supposed to come back again.

**Mukul:** The second question was on your qualitative view on FY '21, earlier you have stated that you see a lot of opportunity in the space and you would like to kind of grow at high teens to 20% type of a growth rate, because of the disruption which you have seen recently FY '20 was a bit weak, do you expect to kind of revert back to your growth rate in FY '21 especially in light of decision-making I think is still kind of bit dodgy?

**Dr. Keshab Panda:** I think our intent is always to do better than what we do now, I think it is always the case. As we stand today, we are always looking at it, and when we have been able to deliver two years consistently that number, and then in telecom hi-tech had this issue not been there, we may have been in a different place altogether, but there are somethings we control and somethings we do not control and we have been able to deliver those numbers earlier and our intent is how quickly we do that. The intent is always there, we are working towards that. We will have more visibility at the end of Quarter-4, we are working on how FY '21 looks like. And as the clarity comes and we will share with you.

**Moderator:** Thank you. The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.

**Pritesh Vora:** Sir, I had a general question on the employee headcount, which is decreased YOY by 12% and utilization rate has gone up, so if you adjust utilization rate then also there is a 10% decrease in the headcount vis-a-vis the constant currency growth has happened at 7.5%, so has the net billing rate has increased or is it due to mix change, if you can give some color on it that will be much better?

**Dr. Keshab Panda:** One correction though there is an increase in year-on employee, only thing what happened is quarter-on-quarter remained flat, only two employees is less than Q2 to Q3 and today the business we are in, the technology which we are using it now, the equation earlier depending on number of employees the revenue that equation does not hold entirely, so I think it is difficult to calculate that how many employees I should add to get this revenue, no, that is not true. Can you do more with less number of employees and deliver more value to your customer and more value to your investor, that is how we look at the model right now.

**Pritesh Vora:** You are saying better productivity and higher count per employee has happened?

**Dr. Keshab Panda:** Yeah, the only point what I was telling you is year-on-year there is an increase in number of headcount - it has increased. And last quarter to this quarter only two employees left but revenue growth has happened and so we want to continue to do that. As and when required, we always plan, resource planning we do in a way because you can imagine the way technology is changing now what was their last year this is different and the quality of employees we need and the types of employees we need, we always work out and then we will have fourth-quarter, maybe we will have more employees joining there, so additional employees is going to happen, absolutely going to happen but numbers how many numbers we are going to hire that is a question I think we are always working on, I am always challenging the team saying that can you deliver more with less number of employees, are you using robotics, are you doing 3D printing, are you this AI as a

platform can you use it, do it more, so I think there is various options we have and we debate that and what is used for medical may not be true for industrial may not be true for semiconductor, so every segment we look at it and different answer for different segment, that is something we do.

**Moderator:** Thank you. The next question is from the line of Ritesh Rathod from Alchemy Capital. Please go ahead.

**Ritesh Rathod:** Sir, my question was on the Agri side what is the outlook now given the deal which has been signed by China/US to import the Agri commodities from US?

**Amit Chadha:** At this stage, it is too early to say where we are going to go with that. We are hopeful that it will actually mean good things to the industry and therefore for us.

**Ritesh Rathod:** Second on deal pipeline, how would that grown from last year basis this year like in terms of whether it would be 1.5x or 30% up or 2x of what was the number in your pipeline last year at the same time too?

**Amit Chadha:** We have seen two things here, number one our pipeline as it stands today is bigger than where it was year-on-year as well as quarter-on-quarter. Secondly, our TCv of deal closure has also increased from Q1 to Q2 to Q3 and as Dr. Panda said, we continue to be very focused on this to see how we can continue to grow this and continue the growth momentum.

**Ritesh Rathod:** My intention was asking like how the pipeline has improved or expanded is more to get a sense on what are the adjacent areas which you are addressing in your client wallet, which would get in a way reflected in your pipeline so if it has gone up by 50% or 70% which means in a way your capability addition which you have done, you are able to go and target those deals in client's wallet?

**Dr. Keshab Panda:** The answer to this is every vertical there is a different answer, we always look at when we get a new customer, it could be Industrial, it could be Transportation and which are the areas I am going to focus, or where I am going to be relevant long-term and grow, and what technology do I have? Customers are today asking - engineering design we know you can do it and you successfully done that for last few years and what else you can do, what technology you can bring to me from adjacent industry which is going to help me or make me more competitive. What you can do so that my customer experience increases, so those aspects of it for every segment we look at it. We have created a new group called Digital Advisory Group, so Digital Advisory Group goes to customers, some of the customers are still struggling today about which direction they are going to take, so our advisory group goes and talks to them about I think we understand your industry well, we have been doing design for you and we have been doing manufacturing for you and this is what you should be taking first step, this is what you should be doing this quarter or this year and beyond.

I think that is helping in a big way and I think when you start doing in digital or new age technology you start with a pilot. You do for one plant, you do for few numbers of assets then try to expand that, so as long as you are in at the right time because we have been working with them for some time it is going to grow, and some of the customers could be in traditional engineering. When you look at a customer of 40 billion or 20 billion, we are servicing them only for 7 billion or 8 billion but opportunities are there in other areas. In the other areas, the technology we have, the knowledge what we have can I take it and deliver, I think that makes lot of difference so I think that the answer is this is what is our job every day. We look at it every week, we review this and see what changes we are going to do in terms of strategy and investment so that is going to continue to grow.

**Ritesh Rathod:** Okay, my intention was is there any quantitative way we can measure that how you are expanding like reaching to that addressable market?

**Dr. Keshab Panda:** We do look every time at the customer satisfaction index, the win ratio what we have...I would be more worried about if I lose an order to somebody else, so that is not happening, number one. Number two, measurement when you say customer, customer is spending X billion in their ER&D, then what percentage of that I get today. I can talk about technology, I can talk about lab, and what percentage is that, am I missing out something where I should have done that, that is the analysis our ADM and ARM, leadership team together - that is the exercise we always do it, so market share from that customer what I got and how do I improve on that, that is the matrix we always measure.

**Ritesh Rathod:** Two quick questions, your margins given will recover growth in telecom, margins will have a business mix headwind because telecom is relatively low margin but at the same time we have utilization which is down year-on-year by 200 bps so how is the margin guidance outlook from here onwards?

**P. Ramakrishnan:** We do not specifically give a margin guidance, but as I have indicated as always that margins are a function of the kind of revenue mix which we get and also the exchange rate. Obviously, a bump in telecom high-tech growth segment obviously will probably improve the margins from what we have reported for that segment in Q3, but yes we are working on all levers possible which is essential to at least ensure that the overall company margins is protected in and around these levels at constant currency.

**Ritesh Rathod:** Quickly, the L&T Treasury which we had given ICD that has been redeemed I think last time, is that the right way to picture?

**P. Ramakrishnan:** In fact, thanks for taking that point, as I have indicated that whatever we had advanced as a loan or an inter-corporate deposit - it was not a loan, but it was an inter-corporate deposit of short-term to a group company, and it has been completely paid back and we have no exposure in terms of any assistance to the parent or to any of the group companies.

- Moderator:** Thank you. The next question is from the line of Shraddha Agarwal from AMSEC. Please go ahead.
- Shraddha Agarwal:** Sir, between Telecom and Hi-tech how big would semiconductor be for us?
- Amit Chadha:** We do not give out specific sum percentages, but it is a significant part of our hi-tech sector to the tune of about 40% plus in what we do today in the hi-tech area.
- Shraddha Agarwal:** Sir, given the fact that Gartner has talked about 12%-13% decline in worldwide semiconductor revenues, how do you see that space playing out from a medium to longer term perspective for us and also given the fact that we had close to \$200 million revenue coming from semiconductor last year which has now come down to \$ 150-\$ 160 million, so how long will it take to get back to that original number of close to \$200 million in that space?
- Dr. Keshab Panda:** What Gartner talks about semiconductor segment and what we talk about the segment is different. We are talking about designing a chip that can be used for medical, it could be a chip which can be end-to-end, VLSI chip design like the one we won - I think I spoke in my remarks earlier and this chip design could be for an automotive application, so I think when they talk about semiconductor you cannot correlate one to one. Again, customers are now taking ownership of designing their own chip, you are aware of that. Of course I think if you see the semiconductor segment in US, they are all coming back again which is not as bad as two quarters ago, it is much better today but I think if we look at this way - there are very few companies that can do chip design end-to-end and has the domain knowledge in multiple business areas, there are few companies in the world who can do that and we are positioned in that area that we believe that is going to be the growth area for us. One more point, I think Amit talked about it - we designed a security solution which we are doing in Israel and we are creating a chip design taking security into account, this design center plus our Bangalore center plus our California center all three working together to create one, that is a unique proposition what we have.
- P. Ramakrishnan:** And this customer was not a semiconductor client although it is driven from our semiconductor VLSI practice, so when we talk about telecom hi-tech and when we say semiconductor, it is not that our clients are the classic semiconductor companies only - it is also the practice which we do, which largely emanates from the semiconductor companies but for also non-Semcon companies as well.
- Shraddha Agarwal:** Sir, secondly on the margin bit, last quarter we had talked about a 4Q margin seeing a dip because of transition cost in certain large deals, so do we stick with that statement that 4Q margins would see a further dip from the current levels?
- P. Ramakrishnan:** So it depends on whatever deal intakes happen, so till Q3 whatever deal intakes have happened are largely deals which are normal steady state, but as we going to any sort of a transition deal, hopefully at that point of time, we will communicate it.

**Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

**Bharat Sheth:** Sir, just understanding on the margin front, earlier we were looking for 1% improvement EBIT margin YOY in FY '21, so where do we stand?

**P. Ramakrishnan:** As we talked about the margin guidance which we gave as what our objective was from the fact that we will have a growth trajectory which is across all the verticals which we cater to, so this year in fact despite the drop in the telecom hi-tech over last 12 month basis, despite that drop it is not necessary that we have consequently removed people because we believe the skill sets are very much required and because of our opportunity pipeline and what we understand that is going to continue, so despite that part still continuing, I guess we have been able to maintain the margins and it is also evident from the overall utilization we have been improving quarter-on-quarter, so I would say that our margin guidance or our margin trajectory depends on how the mix of revenues come across the various segments and based on constant currency and other parameters, I say that we are trying our level best to ensure that given the revenue mix coming in, we should be in a position to at least protect from where we are today.

**Bharat Sheth:** Sir, can you share nine months' TCV wins?

**P. Ramakrishnan:** We do not disclose that particular number, whatever was told by Amit and Dr. Panda is what we can at this stage tell you.

**Dr. Keshab Panda:** One point I want to tell you that Amit talked about, the order we won in Q1, Q2, and Q3, Q3 is higher than Q2 and Q2 is higher than Q1, that is a very important point Amit made, I think that is something you should make a note of.

**Moderator:** Thank you. The next question is from the line of Srinivas Seshadri from Mirabilis. Please go ahead.

**Srinivas Seshadri:** Sir, just one question for PR, just on the SG&A line item if you see in 3Q or in nine-month, there has been a substantial increase even if you adjust for the Ind-AS part so what are these attributable to and how do we see this going ahead?

**P. Ramakrishnan:** We are talking of the number what we show under SG&A at Q2 at 169 crores and 181 crores, these are elements which will have some sort of a quarterly impacts here and there - largely this quarter we have had a slightly higher amount spent on CSR and also for stock options which were granted in Q2 a larger part of that transaction has happened. So on the SG&A side I think the way we evaluate and see is trailing four quarters whether are we seeing any substantial changes here and there, if there are some specific line items as one-off items be it as an expense or as an income, we will definitely tell that while we announce the results and for this quarter I do not see any specific one-off items in either of the expense side which we merits an attention. So specific to your question I would say the one or two element that is specific cost for the quarter was the higher CSR spend and ESOP allocation for three months pursuant to the stock

grant which was provided in Q2, but over 12 months I guess it is as per what we believe should be.

**Moderator:** Thank you. The next question is from the line of Ashish Anand from Allegro. Please go ahead.

**Ashish Anand:** Just wanted to know, you mentioned that our top two clients as in the two which were in the 50 million plus bucket were from the telecom and the hi-tech vertical, just wanted to check, can you share for the seven clients in the 20 million plus bucket, what is the kind of vertical split there and additionally just also wanted to understand in terms of these clients what is going to be the potential to reach 50 million, which verticals do you see the next bucket of 50 million coming from?

**Amit Chadha:** One, we do not provide a vertical split on accounts, but having said that if you have been attending our quarter calls, you will recall that Dr. Panda in one of the calls talked about the account management program that we run for our T-30 accounts and our Next 20 accounts and this is done as a regular process in the company - it starts with ideation to help the client grow, so it is to see what we can help the client with and then it comes down to proposals, it comes down to areas in different subdivisions, and geographies which we can work with the client, so that mining exercise of our client is key to our strategy and will continue to play out as we move along. If you look at it from Q2 to Q3 you will see that our \$ 10 million clients have also gone up, so we see that as an indication of that and if you look at it from Quarter-3 of last year also, you will see a difference there and that is an ongoing process that we will continue to have in the company.

**Ashish Anand:** Without getting into specific verticals at the client level, I just wanted to understand are certain of the verticals more predisposed towards larger engagement than others or is that not really true?

**Amit Chadha:** The larger deals that we are seeing today or what we have been closing are largely in Transportation and Telecom and Hi-tech and followed by Plant Engineering and IP, it is very broad-based, we see it across all the segments but some of them are slightly better than others in a given quarter.

**P. Ramakrishnan:** I think the priority would be first should be Transportation followed by Hi-tech and third would be Plant Engineering.

**Ashish Anand:** Just lastly, you mentioned a couple of times in terms of the margin drivers and you mentioned business mix, just wanted to understand if you could share a bit more in terms of which are the higher parts of the business or higher margin parts of the business and which are the slightly low margins parts of the business?

**P. Ramakrishnan:** Just to reiterate if you see three segments Industrial products, Plant engineering, and Medical Devices, their EBITDA margins are almost 3 to 4 percentage points higher than what we have for Transportation and Telecom & Hi-tech, so that is why I keep insisting that the revenue mix

is a very important margin driver. At the same time, it is not that we are only trying to pursue high margin opportunities just because we want only margins because growth is important so we are competitively positioned from a competency perspective across all the five segments, but opportunities depend on the underlying growth opportunities in each of the segments to which our customers cater to, so I would tend to say that there are three segments always structurally we have seen that when you talk at EBITDA level they are above 20 odd percent and the other two segments are probably in the mid-teens - that is the way we position this and we are there to take the opportunity depending on wherever the activity is there.

**Moderator:** Thank you very much. That was the last question in the queue, I would now like to hand the conference back to Mr. Pinku Pappan for closing comments.

**Pinku Pappan:** Thank you all for joining us on the call today. I hope we were clear in the way we communicated our performance. If you have any questions, please feel free to write to me. Let me wish you all a Good Evening. Thank you.

**Moderator:** Thank you very much. On behalf of L&T Technology Services, that concludes the conference. Thank you for joining us, Ladies and Gentlemen, you may now disconnect your lines.

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