L&T Technology Services Limited
L&T Business Park, TC 2 Tower B,
Second floor, North East Wing,
Gate no.5, Saki Vihar Road,
Powai, Mumbai - 400072
www.ltts.com

May 7, 2021

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 31,2021

Dear Sirs,

Please find attached the transcript of Earnings Conference Call organized by the Company on May 3, 2021 for the quarter and year ended March 31, 2021 for your information and records.

Thanking You,

Yours sincerely,
For L&T Technology Services Limited

Kapil Bhalla

Kapil Bhalla
Company Secretary
FCS.3485

Encl: As above

L&T Technology Services
Q4 FY21 Earnings Conference Call Transcript

May 3, 2021, 20:30hrs IST

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

Moderator: Ladies and gentlemen, good day and welcome to L&T Technology Services Q4 FY21 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Pinku Pappan - Head of Investor Relations. Thank you and over to you, sir.

Pinku Pappan: Hello everyone and welcome to the fourth quarter and full year FY21 Earnings Call of LTTS. I am Pinku, heading Investor Relations. To those of you who have joined from India, thank you for participating at this late hour. We apologize for having to hold the call at this time.

Our Financial Results, Investor Release and Press Release have been filed on the stock exchange and are also available on our website, www.ltts.com. I hope you have had a chance to go through them. This call will run 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 approximately one hour after this call ends.

Let me introduce the leadership team present on this call. We have Amit Chadha - CEO; Abhishek - COO 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 performance. Let me now turn the call over to Amit.

Amit Chadha: Thank you, Pinku and thank you all for joining us on the call today. I wish you and your families well and hope all of you especially in India are safe and healthy. Firstly, I would like to thank all our employees who in a difficult year have risen to the occasion, taking care of themselves, their peers, their families and still being resilient in meeting the demands of our customers and keeping the customer satisfaction high. The safety and health of our employees remains on the top of our minds. We recently rolled out a few additional measures towards the health and wellness of our employees and their family members and we are working on a vaccination drive to cover all employees in India as quickly as possible.

Moving on to our Quarter 4 performance:

I am happy to note that our revenue is back on the positive year-on-year grown path. We achieved a sequential growth revenue of 3.9% in Q4 and equally important all five segments grew sequentially. Operationally, we had a good performance with EBIT margin at 16.6% which like our revenue, is better than the pre-Covid Q4FY20 quarter. We continued to generate good free cash flow which has risen to a record high of ₹1,252 crores in FY21 led by good collections and operational improvement. Our large deal pipeline and conversions remains robust - in Q4, we won 7 deals across all segments out of which two deals have TCV of $25 million plus and 4 deals are in the $10-15 million range.

Now, allow me to briefly touch upon FY21 performance:

We had a tough Q1, but we pulled back starting Q2 and have delivered three consecutive quarters of both revenue and margin improvement. Our FY21 dollar revenue is down 6.3% which is better than what we had initially forecasted. If you remember in Q1, our guidance for FY21 was for a decline of 9-10%. Our performance was aided by a gradual improvement of macro-economic conditions in the developed economies, and our own focus towards pursuing and closing large deals and strategic partnerships. All along, we have also worked on improving and retooling our talent development programs that include innovation labs which has helped us forge stronger ties with our customers.

Let me now provide the segmental performance and outlook:

Starting with **Transportation**: we had a sequential growth of 6.5% led by Auto and Trucks & Off Highway, while Aero and Defense had a marginal growth. We see traction in Auto and Trucks & Off Highway both in new areas like Electric, Autonomous and Connected vehicles, but also in the traditional areas where spends are opening up. Customers continue to look at ways to optimize R&D costs and invest heavily in the transition to electric technology and autonomous driving which involves much higher digital engineering. We are having conversations with OEMs beyond the product and into services like connected car platforms AR/VR support etc. In Aerospace, the defense side is doing well while on the commercial side, the deal traction is slowly picking up as we diversify more into the digital side - the Skywise partnership that we recently announced is an example of the same. Overall for Transportation, our EV lab investments are paying off and we are currently pursuing multiple large deals in the areas of EV, autonomous, mobility and we are optimistic about the growth momentum continuing across all three sub-segments.

In **Plant Engineering**, we had a strong quarter with 10% QoQ growth. All three segments grew while Oil and Gas grew strongly aided by the early ramp up of the large $100 million deal. Both in O&G and Chemicals, we continue to see deals in the sustenance engineering space around plant digitization, engineering value center set up etc. Meanwhile capex spends in Oil and Gas are slowly opening up with oil prices steadying. In CPG, brown field expansion, sustainability led products like waste water management, energy conservation are growth areas for us. Summing up, for Plant Engineering we see large deal opportunities across regions and expect the growth to continue into FY22, although Q1 may be a bit muted as a good part of the ramp up of the large $100 million deal happened in Q4 itself and there we will stabilize.

At **Industrial Products**, we had a steady quarter with 1.5% QoQ growth with all three sub-segments showing growth - Electrical, Machinery and Building automation. Demand is strong both in digital and traditional areas of product development and cost optimization. Recently, we invested in a Sensor Lab for rapid design and prototyping of domain specific sensors which will help us in differentiating our offerings further. Customer spends in the segment are likely to rise with the pickup of manufacturing activity in US and Germany. Investment areas range from Industry 4.0 initiatives like smart and connected plants, digital twin, sustainability projects centered around energy consumption, and optimization of energy storage using hybridization. We see momentum in Industrial from Q1 onwards.

In **Telecom and Hi-Tech**, we had a flat quarter as decision making for large deals remains a bit sluggish, even as we continue to win smaller deals. In Semi, there is a good momentum in chip design and testing; in Media for platform modernization and sustenance, and in Telecom for network monitoring, 5G experience and labs-as-a-service. Overall, customer discussions and deal pipeline is moving positively and we are working on closing deals quickly.

Lastly, in **Medical**, we had nearly 1% QoQ growth, a bit softer than we expected as Covid slowed the decision making especially in the diagnostic devices side. OEMs are investing in digital platforms, robotic surgical equipment and connected care where we won deals recently. Cost optimization and QARA using new age technologies like AI/ML are other areas of traction. We expect growth traction to see a jump from Q2 onwards as the large deal traction improves.

Shifting gears as an engineering and technology company, it is important for us to continue to focus on digital engineering and technology investments. A few highlights:

I am happy to share that our Digital Engineering revenues are 52% in Q4 versus 49% in Q3. We see this trend continuing. On the innovation front, despite limited access to labs, our engineers continue to innovate and filed 148 patents in FY21. In Q4, our Chest rAI and i-BEMS solutions were both recognized with the 2021 BIG Innovation award in the US. Lastly, TECHgium which is our initiative to connect with universities, had its fourth edition recently were a record 350+ universities participated.

Let us now discuss the **outlook**:

From a geography standpoint, we see a strong demand outlook in the US while in Europe, our customer discussions are progressing well, and we are seeing strength in pockets. In Japan and in India, the decision making is a bit slow given recent uptake in infections. The deal pipeline is strong across all industry segments as our customers are turning more optimistic about investing in new technology which gives us confidence of broad-based growth. Our guidance for FY22 is for a dollar revenue growth of 13-15%. I must add however that the Covid related uncertainties are not fully behind us. As you are aware the infection count in India has gone up significantly since April. So, the impact on the delivery side is something we have to be watchful off. We have taken several measures to help our employees and their family members who are impacted by the pandemic and we are hopeful that the situation will improve in a month.

Let me end by wishing all of you good health. Thank you and I now hand over to Rajeev.

Rajeev Gupta: Thank you, Amit. Good evening to all of you. I wish and pray that all of you and your families are keeping safe and healthy during these challenging times.

Let me walk you through our Q4 and full year FY21 financials starting with the P&L. Our revenue for the quarter was ₹1,441 crores, a growth of 2.8% on QoQ basis. As mentioned by Amit, this was the third quarter of revenue and margin improvement since the pandemic-hit quarter and we are now back to pre-Covid levels both on revenue and margin. The EBIT margin increased by 140 basis points QoQ to 16.6%. The improvement was driven by a combination of better utilization, higher offshore revenue mix and improvement in operational efficiency, partly offset by rupee appreciation against dollar. We also had 70 basis points benefit from lower amortization in Q4 compared to Q3. Q3 had higher intangible related amortization due to the Orchestra acquisition.

Moving to below EBIT, the Other Income was lower on a QoQ basis due to lower export incentive income. We did not accrue any export incentive income in Q4 as the Government of India has yet to process the claims of fiscal year FY20. We are following up with the authorities to expedite claims for FY20 and also to provide clarity on the export incentive scheme going forward.

Net Income for the quarter stood at ₹195 crores which is 13.5% of revenues, up 4.5% on sequential basis, driven by higher revenue and operating margin. On an annual basis, our revenue for FY21 was ₹5,450 crores, a decline of 3% largely because of the pandemic which hit us in Q1. EBIT margin for FY21 at 14.5% is down 200 basis points, again because of the pandemic impact in Q1 post which we have now recovered. Net income for FY21 at ₹663 crores, down 19% because of lower operating margin and Other income. However, Q4 net profit level has come very close to the pre-Covid levels of ₹200 crores.

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

DSO was 75 days at the end of Q4 compared to 73 days in Q3, while Unbilled days remained flat, QoQ at 17 days. So, combined DSO including unbilled stood at 92 days which is within our target range of less than 95 days. The sustained efficiency in collections and improvement in operating margins has resulted in our cash and investments rising to ₹1,700 crores plus by end of Q4FY21 compared to around ₹1,500 crores end of Q3FY21 and far better compared to around ₹900 crores end of Q4FY20.

Let me talk about cash flows. In FY21, we generated a record free cash flow of ₹1,252 crores which is nearly double of our Net Income. Like I have mentioned in the previous quarters, this performance was driven by the significant improvement in DSO in the first half of the year to sub 95 days which we were able to maintain in Q3 and Q4. So, you can expect the free cash flow conversion rate to see some moderation going forward as the DSO steadies at current levels.

Moving to revenue metrics: the dollar revenue growth was 3.9% in Q4 with all five segments growing sequentially as highlighted by Amit. Growth was mainly led by Transportation and

Plant Engineering. The segmental margin performance was steady on a QoQ basis, with Transportation and Medical improving marginally while Plant Engineering marginally declined.

Now, let me comment on operational metrics: Utilization improved by 140 basis points QoQ to 78.9% while onsite/offshore mix improved in favor of offshore by around 80 bps QoQ to 57.9% with T&M revenue mix improved to 64% in Q4 owing to some of the recent deal wins. This has been within the 60 to 65 range in the past few quarters. In terms of client profile which is the number of million plus accounts across categories showed a sequential improvement in the 1 million and 10 million plus category while others are either marginally down or flat. Again, as I had mentioned in the previous quarters, this metric is measured on Last Twelve months (LTM) basis and not on a quarterly analyzed basis, hence we will see a better reflection of this quarterly picture in Q1FY22 as we would move past the Q1FY20 quarter wherein the revenue dip was quite sharp. As regards client contribution to revenue, here again this is on the last 12-month basis and it appears that top accounts have declined on a QoQ basis, however, we have seen growth across top 5, top 10 and top 20 accounts on a QoQ basis inline with the overall company growth of 3.9%.

Increase in headcount by 383 on a QoQ basis while attrition moved up marginally to 12.2% well below industry levels. Realized rupee for Q4 was around 73 to the US dollar and appreciation of 1% versus Q3.

Lastly on capital return: the board today recommended a final dividend of ₹14.5 per share taking the total FY21 dividend to ₹22 per share. This translates to a dividend payout ratio of 35% for FY21. Our Return on Equity stands at 21% for FY21 lower than last year, mainly on account of the pandemic which hit us in Q1 leading to a drop in net profit to ₹663 crores in FY21 versus ₹818 crores in FY20. However, we have recovered well, both on revenue and margin since the pandemic hit quarter to come back to pre-Covid level.

Before I end, let me give some color on the EBIT margin trajectory we see going forward: in Q1, we will have the headwinds of wage hikes as we roll out salary hikes to employees at mid to junior levels. This is likely to have an impact on the operating margin. We will try to offset this impact through improvements in the combination of operational levers like utilization, offshore ratio, employ pyramid and productivity. We are also working towards improving margins in segments like Telecom and Hi-Tech and Transportation while pushing for better growth in the high margin segments like Medical, Industrial products and Plant Engineering. Overall, while we do not provide the guidance on margin, we will continue to work towards sustaining the progress made so far and adding on efficiencies to strengthen the operating model.

With that, thank you everyone. Moderator, we can now take questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sudheer Guntupalli from ICICI Securities. Please go ahead.

Sudheer Guntupalli: Amit, my first question is that there is a lot of noise around chip shortage disrupting supply chains across industries from Hi-Tech to Auto, one of our top accounts is also a key player in this ecosystem, even otherwise across our different verticals starting from telecom and Hi-Tech to Auto, we may be working on several projects where chips might form key inputs, so how do you think this disruption if any, will shape up going forward?

Amit Chadha: So, number one, the chip shortage that you are hearing about is manufacturing, delivery of chip sets and not design of chip sets, number one. Number two, in automotive, all the programs that you work on R&D is actually model year that are two years out. So, they are not current model years that we are working on. So, as far as we are concerned, we haven't seen any impact of the chip shortage on our business volumes neither in auto nor in semcon. We continue to see both the areas investing in our work product areas.

Sudheer Guntupalli: And the second question is in terms of guidance, actually given the very favorable base of FY21 where actually revenue has declined, ideally the growth expectations would have been higher, but your guidance of 13% to 15%, is it building in some sort of conservatism given the ongoing situation in India and possibly factoring in some of the issues like employee absenteeism, so on and so forth or as mentioned in your initial remarks this remains to be a risk on even that 13% to 15% number, potential employee absenteeism and all remains a risk on that 13% to 15% number?

Amit Chadha: So, where we are today is that, so let me paint two scenarios for you, two sides that went into this decision of giving 13% to 15%. From a market standpoint, we do see the US coming back almost at pre-Covid levels from a decision making standpoint other than commercial aerospace. We do see Europe in most pockets, there are a lot of pockets to be strong in terms of decision making, Japan decision making has been a little slow and India of course is we are aware. So, that is number one. Number two, what has gone into our heads and minds in this is the pandemic is not over yet and it continues to wage on in different shapes and forms and affecting lives and health of people. We have taken both these and the health for employees etc., and we feel that we are fairly comfortable with 13% to 15%, of course, we will come back to you next quarter again in case if there is a change we will let you know. Look, our aspiration is to be to provide sustainable profitable growth and we will continue to down that mantra, we will continue to visit that. Deal pipeline remains strong. It is just that the closures cannot be accurately predicted, so some of that like we saw in Telecom and Hi-Tech last quarter. So, some of that is also a baked in, but we are very comfortable at this stage, but we will continue to update you. Rest assured, the management team is working very hard to make sure that we come back strong and sure.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: Amit, just following up from the previous question on the guidance, if you look at the 13 to 15% number, it basically implies between 2% to 3% QoQ run rate, now if we again look at the last 3 quarter performance, it has been significantly higher than that despite us being in a Covid induced lockdown plus all the uncertainty around that, so while that definitely should form one part of your analysis, what other areas are kind of leading to the quarterly slowdown over next 4 quarters versus last 3 quarters in your assessment and is there some sort of conservatism you have baked in on the risk of a flare-up of another large Covid related lockdown at your client ends or is that more of an industry visibility you have?

Amit Chadha: So, Mukul, two parts here, number one, we have been growing at that 4% clip, you are right and we want to keep on doing that, no questions there, right, but having said that I mean if I would have talked to you at the end of Feb, I may have had a different discussion, you have seen the number of infections that have gone up in India in the last three weeks, just zoomed up and this is India, now, that is number one. Number two is that though vaccinations in the US have been fairly high, UK have been fairly high, there is still the fear and the thing that Covid may resurface in one of these countries.

Number three, decision making like I told you in the last 4 months has been fairly robust, which is good for us, you are right our total TCV closure that we have had in Q4 actually have been better than Q3 if I take out that $100 million deal and our pipeline is also very strong as compared to where we were last year same time. We are not seeing any client cancellations, in fact if anything there is empathy and sympathy plus 100% of our work force is work-from-home enabled and approximately 200 people are still coming to office, because of lab, etc., but everything else is being sorted out, so the only problem I see right now is this Covid and that is why we are giving you the guidance that we are giving you at this stage, but rest assured, we will continue to work to make sure that we come back to pre-Covid clips as we can.

Mukul Garg: Amit, the second question was on the large deal wins, you obviously had a $100 million deal last quarter, but if you look at your top 10 clients, while there is a base effect, but looking at slightly longer-term time horizon from 2018 onwards, it has lost a reasonable share of overall company revenue and that probably is also partially on account of lack of very large regular deal wins, can you share some thoughts on how do you see pipeline in terms of large and small deals going forward and is there a possibility of maybe $50 or $100 million deals kind of coming in at a regular clip given the demand out there or will it still remain predominately a smaller deal market?

Amit Chadha: Mukul, I will answer your two questions, let me talk about deals, then I will talk about account sizes. So, from a deal standpoint, I would like to assure you that we are today looking at a lot more, if I were to look at our deals that we have been closing, I see a lot more $25 million TCV deals closing as opposed to what I would have seen two years ago. So, let us take the one $100 million deal out, just talk about normal, $25 to $40 to $50 million deals, so the closure that you have seen in the year that has just gone by have been higher as compared to past years. Our 10 million plus deals that we have closed in FY21 has been higher than what we have closed in past years, so that is one and two. If I look at my future pipeline today, the number of 10 million deals that I have got going on or 25 million deals going on, 50 million deals going on, there is a fair degree of those deals that continues to happen. You will agree with me, however that the bigger deals that you have, say 50 million or 100 million deal takes some time, it doesn’t close overnight, the closure cycles are longer. So, we are seeing that. We are definitely seeing, we are monitoring very closely and task our teams on their KRAs on the size of the deals that they close, so it is not just closing deal, but the size of the deal and bulking of the conversation and signing bigger deals. So, that will continue to happen as you go forward we will be able to share more with you, but that is a continuous process.

Now, let me share with you on accounts size. So, on account size, if you look at it Mukul, we had four accounts that were more than $30 million sometime ago and then of course it dropped because of Covid, but I do see that our whole aspiration as a management team, as an operations team in the company is to get accounts as big as possible and be able to aggregate that. The good news is that clients also are helping us in this area to be able to go forward. I am hopeful when I come back in Q1, at the end of it, you will start seeing this client pyramid improving and we are focused on this, there is account management effort, there is delivery led growth that we have institutionalized inside the company, so all those put together, we think will be helpful for us as we move along.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Amit, my question was majorly on two points, one is on the medical devices segment, so this segment has actually grown quite massive for us in the last two years, we have increased our revenue share for this segment from around 6-7% to about 12-13% but last 2-3 quarters, when you would have thought that because of the pandemic and as other companies are also trying to make inroads into the segment, this segment would probably be able to compensate for the lack of growth that we had in other verticals, so any specific thing that you can probably point out in this segment that why the growth has been kind of soft in this quarter especially and how do you see this segment going for us over the next 3 to 4 quarters?

Amit Chadha: Vibhor, as we see the medical segment, we do see work happening in four clear areas or 5 clear areas R&D focus that is there in medical, one is Telehealth and the expansion of that, second is connected devices that are there, third is cyber security, fourth is patient experience and the fifth is digital manufacturing or automation whichever we want to call it. These are the five broad areas. Now the sixth one is regulatory compliance certification that is there. Now, we had a good run up last year in medical devices. Last quarter, we have only grown 1%. We are expecting some more deal closures as we speak, the big deal that we won last quarter in medical has to still ramp up, so we are expecting ramp up that showed down a little bit, but the oil and gas expanded faster. There is a give and take here but having said that we are seeing traction in this area and Q2 onwards, you will see clear growth coming back in this segment. This remains as a very important and high visibility segment for us.

Vibhor Singhal: And as a management I am sure you have those targets and also any specific number that we are looking at let us say those segments to probably grow to maybe 15%-20% of revenue at some point of time, is that something that we are looking in a broader kind of a number or is it just we are taking one quarter at a time?

Amit Chadha: Vibhor, we of course have internal targets that we have given out to our teams that the teams have taken based on where they see their pipeline and where they see client traction, client confidence, where they see trends, all that, but there is a little bit that is left to what happens finally. I don't want to comment on any specific percentages by segment, but I can tell you with confidence that it is an important segment as we look at it going forward. Just keep in mind that in November 2nd through Feb 4th, the case load in the US infections was the highest. It was above 100,000, three months, right, so that delayed a little bit of decision making in that segment because elective surgeries again came down, etc., but post Feb, it was coming down, stabilizing March being much better, so we will have some closures and that is why I am saying I am confident that Q2 onwards, we should be seeing the growth back in the business.

Vibhor Singhal: Sir, just one more question from my side on the supply side, so are we seeing any pressure from the supply side in terms of talent availability and the kind of basically the talent that we want, mismatch between what we are looking for and what we are getting, is it also probably reflected in the high attrition number in that we have in this quarter and if at all it is the case what we are doing about that?

Amit Chadha: Sure, let me address in two ways and if I miss out something, I will request my colleague, Abhi, to add to it. So, number one, from a talent standpoint, let us call it recruitment, let us call it retention and then let us call it motivation, right, that is how we will do this. So, if I look at the recruitment part, you have seen about 400 odd headcount increase that has happened in the last quarter and our utilization also is at record level. Utilization will improve slightly. We may be able to take it to about 80%, but we are an engineering & technology company, we don't want to push it beyond that. There has to be innovation that has to continue to happen, we have to continue to differentiate ourselves, continue to invest, etc., so I do believe a little bit of optimization there, but recruitment will continue. If I give you a number, we have taken in more than 300 freshers in the last quarter alone. Over the next year, I do expect more than 1000 freshers to be added into the company, so that is from a recruitment standpoint. We continue to be in the market to recruit talents. All the five centers are hiring, so Baroda, Chennai, Mysore, Bombay, Bangalore we are hiring, and we are seeing a lot of people wanting to join us because we are an engineering and technology company, we are seeing a lot of excitement there. So, yes, can we hire faster, of course, but I think the pace that we are at right now, I am kind of satisfied with it and we are working on trying to improve that as well, so that is in India and US as well from a recruitment standpoint and I will request Abhi to talk about the training that we are doing because he is running that engine very efficiently and effectively with his leadership.

Second one is on retention part and that again, we used to be at about if you remember 14-16%, attrition and we came down to about 10% last year. Q4 for us has been 12%. We have given wage hikes to our juniors and mid-grade effective April 1st; seniors will be effective July 1st. So, as you will agree with me that there is seasonality to the attrition, so there may be a slight uptake, but we will still be within industry standards and below our all-time highs. I am confident of that and we are all working towards it as a single team to do that and that is the retention part of it. So, I am hopeful that we will be within the parameters that we govern ourselves on. Abhi, would you like to take the question on training and supply a little bit and explain to Vibhor as well, please?

Abhishek Sinha: Thanks Amit. Vibhor, one of the great things were done last year when just before Covid started was fitting up a global engine academy as we call it for cross-skilling and up-skilling talent. In fact, our confidence on taking up, roughly almost 400 fresh grads every quarter, including that last quarter we did and this quarter and we will continue to do that over the coming quarters as well plus the lateral talent joining the company and upskilling them has been possible because of the academy we have set up in place which has more than 15 faculty members including PhDs and senior educators. I think the other interesting part is whichever way you look at it, we anticipated, I shouldn't say anticipated, but we didn't want to be blinded this time around, so we set up the academy in a manner assuming some or other event like pandemic might happen again, so most of our cross skilling, upskilling training are actually set in a manner that can be done online and fully training module which we have created, of course a small part of which has to be done in class as well, but that has given us confidence about hiring and upskilling folks which is going to be critical in our growth in the coming quarters.

Moderator: Thank you. The next question is from the line of Pankaj Kapoor from CLSA. Please go ahead.

Pankaj Kapoor: Amit, my first question is, normally you see some kind of business attrition due to project completion in a year, do you think the impact this year might be lower that is in FY22 it might be lower than the traditional levels because of the abnormal revenue curve that we had in FY21?

Amit Chadha: Pankaj, at this stage where we are right now, yes, business attrition or you are saying projects completion, because we are starting from a lower base, we think will be lower than previous years, yes.

Pankaj Kapoor: And this would be normally around 10-12% of the revenue if I recall, right, is that the right understanding?

Amit Chadha: We don't normally quantize it Pankaj, but it will be lower than the previous year what we are anticipating right now, because we have done our account planning, we have gone through with accounts and all that and what we are seeing is, largely ramp up conversations, but I am touching wood, staying all healthy, all safe, the biggest unknown is the Covid bit, but assuming that it takes care of itself, we are discussing ramp up conversations with most of the places.

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

Sandeep Shah: Amit, just on your initial remarks you said this $100 million deal is largely ramped up in the Q4, so does that mean that incremental growth from this deal in the 1Q is unlikely to be that big and if that is true, then Q4 growth outside this deal look slightly softer as a whole and a related question, if 1Q for the coming financial year is likely to be soft, is it the guidance baked in back-ended kind of a growth for FY22? That is question number one? Question number two is in terms of what the CFO has said, are we looking to maintain the current margin of 16.6% in FY22 despite the wage hikes coming in 1Q and 2Q as a whole because even LTM increase in attrition indicates quarterly annualized attrition could have increased sizably in this quarter and you have not given any wage hike in FY21?

Amit Chadha: Let me take the different parts that you asked. So, your first question was around the 100 million deal ramped up, so what is going to happen Sandeep is that the deal is slated to ramp up in parts, so the wave 1, wave 2, wave 3 and then stable. That is broadly it and then once it goes past wave 3, then there is the digitization part that we have to start doing on the sites while these waves are happening, so that we can help transforming, that is how we won this deal. It is not just the cost play, it is also a play of digitization, so wave one ramp up that we were expecting to happen in April actually happened earlier than that. That is the point I was making there and therefore, will we be able to bring wave two in as well, don't know, that is something that we are working towards right now and that is why we haven't said soft, we have used the word muted in Q1 and of course there are different deals that we continue to have and do etc., and as things improve, we will come back on Q2 and talk to you as well. So, that is where we are on that 100 million deal on Plant engineering. Now, if I was to address your EBIT part, wage hike part, I am going to look to Rajeev to answer that.

Rajeev Gupta: Sure Amit. So, Sandeep, I think your question was, would we able to sustain 16.6% EBIT margin in FY22, the way I would like to respond to this is, we still have levers, right and if you look at utilization in Q4, it is at 78.9% there is about 100 basis points headroom, and we will continue to optimize there. In terms of segmental margins, again headroom for improvement in Transportation, we have seen some uptick in Transportation margins compared to Q3 and that is going in the right direction. Telecom, there is still headroom and that is an area that we will continue to work. We will take few quarters to get there, but we are persisting to be able to deliver better margins on Telecom and Hi-Tech segment. Amit and Abhi, both touched upon adding freshers and I think that is also an opportunity because when you look at FY21 and if we step back Q1 and Q2 with revenues coming down, clearly we did not have the opportunity to optimize on the employee pyramid. Q4, we have started to add freshers and that opportunity we are going to continue in all of FY22, so truly our employee pyramid and ability to bring in mid to junior level resources with the whole academy part that Abhi talked about gives us that much more ability to further optimize on the pyramid and that is the project margin and there are other operational levers also. The good part also is that we have seen rupee depreciating compared to what we saw in Q4, I mean, at least beginning of April, we have seen rupee depreciate that will also be sort of a tailwind that we will count on. So, these are the few factors that will help us balance to the point that you made around wage hike in Q1 and Q2.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: Sir, firstly, just wanted a clarification on your client metrics, what I noticed is, you had a $30 million client which cannot be seen in this quarter plus there has also been a reduction in your $20 million client now, if you could just provide some clarity over there, is the deal size got smaller there or what has happened? That is question number one? The second question is again on the overall growth prospects of the industry. Amit, just wanted your perspective on the longer-term growth prospects of this particular industry, while as an investor my expectation has been that the industry has a potential to sort of outpace IT Services Industry by a long way because we are at a nascent stage of accepting outsourcing in ER&D services, so does this 13 to 15% growth reflect the true potential of the industry or may be probably the growth rate could pick up post FY22 when the Covid related fears are over?

Amit Chadha: Vimal, I will answer your questions, you have two different questions. On client metrics, Vimal, we follow last 12 months, if you look at the IR that we have released, it says clearly last 12 months, so it takes into account the last 12 months, you know we had a very bad dip in Q1 of 12.5% and therefore some of the clients went down plus if you remember we had two clients - one of them that walked away from the business, they were in and the second one that became a private equity owned and therefore they reverse-shored the work, etc., so all that is taken into account in that Q1. So, as you start seeing…next quarter when we come back, so the Q1 will be over. Q1 will no longer be considered, it will be Q2, Q3, Q4 and Q1 of FY22, you will see this metrics coming back up, please rest assured the company is divided as hunters and farmers in the company from a sales standpoint and delivery led growth with ADM, account delivery managers from a delivery standpoint and solution architects from our CTO standpoint, so we have done all those three and we are pushing all pedals to keep growing our accounts. So, I hopefully, last 12 months, averages will change, numbers will change, and the metrics will look better as we continue to talk to you in successive quarters, so that is as far as client metrics is concerned and there is an ability in engineering for accounts to be 30 million plus, to be 50 million plus, I am confident of that. We have had a setback in Q1 of last year and we are working through it. That is one.

Now, let me go to growth. From an industry standpoint and I am going to quote some numbers that Zinnov published recently in March, so for them the ER&D industry in 2019 was $1.49 trillion. That number went down to $1.4 trillion because of the pandemic in 2020, so a 6% decline year-on-year. We are expecting that the engineering ER&D spend will jump close to $1.8 to $2 trillion in the next 3 years. So, are we saying that the growth has tapered out? Absolutely not. We absolutely share your enthusiasm for this industry. Just that Covid has been a setback, we do believe knock on wood it should be behind us and infections in India should come down and we should go back to. We aspire to be at levels where we used to be at and the industry offers that opportunity. Now, if you ask me kind of work - digital engineering work is picking up and that is where we are picking up as well and there is legacy engineering work also coming in, so we are hopeful both of these will help us as we go forward, but we share your enthusiasm over the industry.

Vimal Gohil: Amit, you are also hopeful of outpacing the industry because probably that is the whole mandate right, you are hopeful of outpacing the 13% number?

Amit Chadha: So, if I look at my competition right now in terms of where, who fell, how much and it is not a good way to do it, but who fell, how much in the current fiscal year, our growth from an engineering standpoint has been, we have not fallen as bad as peers, we recovered faster than peers, because we have differentiated offerings, we have got five verticals, we have invested in labs, we have invested in patents, we have invested in our own platforms, so I do hope that we will come back, just give us some time and as we go forward, we have always looked at all of you for support, you have been very supportive, we look forward to making sure that we come back and we continue to perform.

Moderator: Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: I have a couple of questions from my side. First one is, regarding the auto's vertical, you are mentioning that the demand has strong growth in the traditional as well as the new areas, I was wondering if you would view the growth prospects for this segment to overshoot the pre-Covid range over a period of time or should we think about the segment sort of going back to the original trajectory or the pre-Covid trajectory, that is one? And then, second just a follow-up on the delivery risks you were talking about, I mean the delivery risk part of it, is that just related to the health and associated disruption or should we also think of projects which are sensitive to let us say, an office location probably slowing down because employees potentially can't get to the office for a period of time?

Amit Chadha: So, Kunal, number one, automotive, we definitely see growth happening in electric, autonomous, connected area and this is the clear are and let me take a minute on that and talk about it. When I talk about electric, autonomous, connected, it is not just that you will get, so the kind of work that you will get will be around the e-powertrain components and vehicle controls which is software and hardware work. You will get work on onboard energy management which again is hardware and software work, offboard energy management which again is hardware, software work. Then there is an EV chassis design, because the car itself is changing and the loading factor etc., is changing, so therefore the loads are changing, so therefore that will be the legacy work that will come in and finally connected and autonomous will also be a lot more software. So, there is software, hardware and mechanical, electrical work that will come in Auto. And not just in Auto. I should also add that if I look at T&OH or Trucks and Off-Highway, they want connected vehicles. They would like to have kind of safe environment where they can see a surround view of an object, do analytics properly, so they don't at a construction site, the excavators, the boom cranes and all that don't hurt people, so all that, so it is not just auto, it is T&OH and auto and I am hopeful at some point, the commercial air will come back and we will start talking about narrow body and start talking about alternative energy to an aircraft in a bigger way, the design cycles are of course much longer tenures now, so I do expect that to happen. So, I do expect and the deal wins that we have had plus I talked to some of you earlier last quarter that we had made investments to start working with the new age auto companies as well and that again is starting to see some color and proof for us coming in from California, so I do hope that all that put together will help us in improving in growth, in automotive, in T&OH, both of those and defense also we are getting contracts we have got ITAR centers in the US, so that should help us as we go forward. So, broad based, all the three sub-segments should fire and grow for us as far as Transportation is concerned.

Now, let me address your second question which is delivery risk. I am going to say this and thanks again everybody on our call, management team has done this and Abhi specially along with our admin team, our HR team etc., 100% of LTTS employees are enabled to work from home, but 98% to 98.5% of the people can work from home, because about 1% to 2% population that needs to come to work. So, here is what we have done about it. We have actually created something called bio-bubbles, so in Bangalore, in Mysore, in Bombay, we have taken these small apartments where we are sending in sanitation crews, cleaning crews etc., there are people that stay there and they walk to work and go back, so we are trying to get around there. We have created home labs, so there are people that had bigger homes, etc., they have taken equipment home, they have set it up, we have kitted them with backup power, etc., so others can log into them and do it. Our IT teams and our admin teams, I would call them our warriors because they continue to go to work to make sure that the rest of the company is functioning. So, all that is there, but yes our delivery risk is not from people not being able to work, but actually the health part where people fall sick, and they cannot work, or a close relative is sick, and they have to take care of it. I mean these are times, where Kunal, the only words I have been repeatedly using and our whole management team uses is empathy. Our empathy and prayers are what we need right now to go out and that is what we are doing, but that is the risk that we see, it is not work from home enabled etc., because IT etc., we have learned whatever we had to with bio-bubbles and labs etc. that we have already done. So, we have done that. Abhi, anything I have missed that you would like to add to this?

Abhishek Sinha: No, I think you have covered all, Amit.

Moderator: Thank you. The next question is from Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Couple of questions, first is about, just want to get sense about the leadership change with rejig after Pandaji retires, so if you can help us understand how the responsibility get realigned across different functions? Second question is about, do we see, now as we recover from pandemic, any change in spending pattern across segments? Any new kind of demand which you are witnessing, and which is accelerating your growth trajectory over medium term? And last question is about the amortization charges, now Orchestra acquisition, I thought it would be steady kind of number, we have seen some volatility, if you can provide some more details?

Amit Chadha: I will take your spend leadership and spend pattern questions and I will request Rajeev to take the Orchestra Technology's question. So, from a leadership standpoint, as a lot of you are aware, I have worked for Dr. Panda for about 20 years now, two decades and I am thankful to the fact that he has trained me, coached me, mentored me through the journey. I have been in the company for about more than 11 years now, I played different roles, I started off as the Head of Sales for North America and then I picked on different responsibilities including being the Chief Sales Officer at one time along with running delivery and operations for a part of the company as well as I had the mandate to build up the digital offering for the company prior to Abhi joining the company. So, I have had experience through the functions, so I don't know what I don't know. That is the reality, but I think I have been trained well, "kitted well," we crossed one month yesterday, and we are so far stable. Second, the other CXOs in the company, the Chief

Operating Officer who is on the call, CFO who is on the call, our CTO who is also on the call and CHRO, have been in the company for some time and we have been working as a true management, one management team to take things forward. There were some other changes that we had to make in the running of the company that we made while Dr. Panda was around, so we have made sure that we are good and stable. Only time will tell, but I am really excited at the opportunities have been provided by the board and with the coaching and mentoring I have received, I look forward to taking this forward to greater heights with the employee base that we have today and I am thankful to them for having their trust and faith and support. From a sales standpoint we have appointed last year, while we were going through the transition, we appointed a Chief Sales Officer for America and Asia and a Chief Business Officer for Europe and they work directly with me and the other Chief Business Officers work with these guys, so we are fairly stable from that standpoint as we see it today. In fact, some of the growth that we have had is because of the stability that we have been able to provide from that standpoint.

Now, if I move on to spend patterns, spend patterns in the US in most of the segments are near pre-pandemic. It is not truly there, but it is near there. The optimism in the market is there. Every day, the moment infections keep going down, vaccination numbers keep going up, we see there is a lot of positiveness in the market. The Biden $2.1 trillion plan that he is talking about plus another $2 trillion, Europe is talking about their own plan in the range of about I guess about 1.8 trillion euros, so all this is creating good sense in the US. Europe, however, if I may where we operate…so, Germany, UK, Sweden, Denmark are the areas we operate and then France and Netherlands. We are seeing a lot of positivity in people's mood, but it is not as much as the US, we expect it to come back. Japan and India, India of course was actually full-blown recovery till 4 weeks ago. All engines fired, but more than business sentiment, I will say there is an emotional sentiment that is low. We as a management team are working very hard within our company to keep the morale of the company high. I thank the employees to keep the morale high, but that is there and Japan again has been kind of little soft because they are not very used to making decisions on video, so that is the part that we have, but I overall see spend patterns to be improving from last year and I am confident of the future. Rajeev, would you please take the OT question?

Rajeev Gupta: Sure Amit, so I think your question in terms of amortization in Q3 pertaining to OT, two parts to it, one there were certain intangible assets that were more near term that had to be written-off in Q3 that was more one-time. As far as the amortization, it continues even in Q4 and that will continue of course for a period of time. So that one-time amortization that we saw in Q3 that is the benefit you are seeing in Q4 and we already called out that is about 50 basis points of improvement that we are seeing in Q4 compared to Q3.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Pinku Pappan for closing comments. Over to you, sir.

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 e-mail. Wishing you safe times. Good bye and have a great day. Thank you.

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