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Operator: Ladies and gentlemen, good day and welcome to the Q2 and FY27 earnings conference call of L&T Technology Services Limited. As a reminder, all participant lines will be in 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 star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandesh Nayak, Head of Investor Relations. Thank you, and over to you, Mr. Sandesh.

Sandesh Nayak – Head of Investor Relations: Thank you, Danish. Good evening. I wish you and your family a happy festive season. I am Sandesh, and I welcome you all to the earnings call of L&T Technology Services for the second quarter of FY27. Our financial results, investor release, and press release have been filed on the stock exchanges and are also available on our website, www.lts.com. I hope you have had a chance to go through them. This call is for 60 minutes. We will try to wrap up the management remarks in 20 minutes and then open the session for Q&A. The audio recording of this call will be available on the website approximately one hour after the call ends.

With that, let me introduce the leadership team present on this call. We have with us Amit Chadha, CEO and MD; Alind Saxena, Executive Director and President; Rajiv Gupta, Executive Director and CFO; and Munjees Singh, Chief Operating Officer. We will begin with Amit providing an overview of the company performance and outlook, followed by Rajiv, who will walk you through the financial performance. I now invite Amit for his opening remarks. Over to you, Amit.

Amit Chadha – CEO & MD: Perfect. Good evening, everyone. I thank you all for joining the call on this last day of Navratri and wish you and your families a very happy Navratri and Dussehra. With our investments in EI and diversified portfolio, we are addressing a broader market with our customers, resulting in accelerated sequential growth across revenue, profitability, large deals, and AI revenue. Large deal wins from earlier quarters are converting into revenue, and we are continuing to have a robust pipeline for the same.

Let me move to the key highlights of quarter two. Revenue was USD 317.1 million, up 2.7% sequentially and 4.8% year-on-year in constant currency on a continuing operations basis. EBIT margins improved by 60 bps quarter-on-quarter to 16.3%, delivering ahead of schedule on our aspiration for mid-16% EBIT levels. Large deal TCV was USD 203 million across segments, with over 50% of the deals being AI-led wins. Both order backlog and pipeline are up year-on-year. Sustainability continued to grow and delivered its strongest growth in the last six quarters. Mobility sustained its growth momentum, and Tech remains steady, with gross margins improving across all segments.

We completed the divestment of our SWC business on schedule, giving us a sharper and more focused portfolio. We would like to recognize our SWC employees for their amazing work and wish them all the best in their journey.

Moving on to EI, which is the central part of our strategy. EI has annualized AI-led revenue of USD 120 million for us in this quarter. Our deep domain expertise, proprietary AI toolkits, and a growing

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ecosystem of academic and industry partnerships are expanding our addressable market and creating new revenue opportunities. LTTS's EI strategy spans three areas: EI for engineering, EI for products, and EI for manufacturing and operations.

We made progress across all three areas in the last couple of quarters. For EI for engineering, as the V-model moves to a W-model, we are embedding AI across the engineering life cycle through a human-plus-agent delivery model. In one of our major engagements, we are helping clients accelerate time to market by 50%, with 40% of the code being generated by AI. To date, we have upskilled more than 16,000 engineers, about 67% of our workforce, in AI.

For EI for products, EII, our platform of 100-plus AI solutions, is gaining client traction. Our AI patent filing crossed 253 this quarter, taking the total patent count across the company to 1,808.

For EI for manufacturing and operations, we launched a new EI lab in partnership with Nvidia to build and deliver next-generation physical AI-native applications across manufacturing, robotics, and supply chain. We conducted multiple AI readiness workshops with clients in collaboration with MIT Media Labs and expanded our partnership ecosystem to include Cognite, Anthropic, Nvidia, and Databricks.

Innovation remains central to our long-term agenda, with a focus on frontier applied research and emerging technologies to address evolving market needs. Looking ahead, our FARM program will connect deep-tech startups with clients to accelerate innovation and bring new technologies to the market. The LTTS Distinguished Fellows program recognizes and empowers technical leaders who drive innovation, create business impact, and represent LTTS as global industry leaders across forums.

Moving on to segmental performance. Mobility has delivered a phase of steady growth, with revenues up 2.3% sequentially. Growth came from Auto North America, Aero and Rail, and Trucks and Off-highway. Auto Europe remained muted, but we believe it should bounce back next year, and we continue to see significant large deals in the pipeline in Europe. We are working on building capabilities in system engineering and diversifying with new-age mobility providers to work on advanced transportation platforms and digital microservices.

Aerospace continues to grow strongly as clients continue to expand production and modernize supply chains by leveraging digital transformation. Rail as a subsegment is growing for us, supported by freight rail, rolling stock modernization, and digitalization. In Trucks and Off-highway, we added four new logos across global OEMs, led by EI, with wins spanning autonomy, AI, embedded software, and digital programs. In a strategic deal, a leading automotive technology provider renewed and scaled its engagement with us for AI-powered engineering across product and digital engineering.

In summary, mobility is showing sustained growth, and we expect strong momentum ahead, driven by a robust pipeline across geographies and the ramp-up of large deals.

Moving on to sustainability: growth was 13.4% year-on-year and 4.9% quarter-on-quarter, as we execute multiple large deals won over the past six quarters. Nearly half of our Q2 large deal wins were in this segment. Industrial Products is led by data centers, energy transition, motion and

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robotics, and AI-enabled automation, with electrification and smart manufacturing driving a robust pipeline. A leading cleaning equipment manufacturer selected LTTS to design and develop robotic machines.

In Plant Engineering, demand continued steadily across oil and gas and chemicals, supported by LNG, upstream, and non-conventional energy projects. In CPG, we partnered with a leading food and beverage company to scale its Industry 4.0 framework, enabling IT-OT convergence and enterprise-wide AI readiness across its global manufacturing operations. The sustainability segment is on track to deliver another year of double-digit growth.

Finally, on Tech, Tech was stable this quarter. Demand was driven by client investments in agentic AI, AI infrastructure, cloud-native modernization, data center software, advanced connectivity, and semiconductors. Tech Infra and Semcon delivered another strong quarter, while Media remained steady. We have set up a dedicated data center engineering business line servicing AI infrastructure servers, the storage ecosystem, ODMs, and OEMs. We expect it to become an important growth area as customers redesign infrastructure for AI workloads. As filed earlier, we won a large AI-led engagement with a global telecom equipment provider to design end-to-end systems spanning AI and data centers. This program started ramping up in the current quarter.

In MedTech, we are expanding in pharma and life sciences, while demand remains healthy across digital health, diagnostics, and connected devices. In the current quarter, a specific program ramped down as scheduled, and the next phase will begin only in H2. In Software and Platforms, pipeline quality is improving. The pure-play software world is being impacted by the adoption of new-age tools and AI tools. We see demand for AI-led software development across existing and new logos in retail, fintech, and platform companies.

Let me provide two more inputs, one on the business landscape, and then I will summarize. On the business landscape, across our client interactions this quarter, the common theme is that clients are doubling down on growth. This makes us cautiously optimistic about their investment plans. Technology spending is shifting towards AI infrastructure, silicon, cloud platforms, data centers, and time to market. We have aligned our portfolio with these priorities as part of our Lakshya 3I strategy, and our EI capabilities help clients improve productivity in current programs and free up investments for next-generation technologies.

To summarize, Q2 was a good quarter. I would like to thank our clients, our employees, and our stakeholders for that, with improved growth, margins ahead of plan, and our strategic investments gaining traction. With our order backlog and pipeline both improving year-on-year and several large deals in place, we expect revenue momentum to further strengthen in H2 while sustaining healthy EBIT margins. Growing demand for our EI solutions, diversified portfolio, dedicated large deal engine, and improving regional opportunities give us confidence in our medium- and long-term trajectory.

This progress supports our long-term aspiration of a 13-15% revenue CAGR, with EBIT margins in the 16-17% range over the next 3-5 years. With that said, I am going to stay back for questions. I would like to request Rajiv to provide his comments.

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Rajiv Gupta – CFO: Thank you, Amit. Greetings to everyone. Wishing you and your family a happy Navratri and happy Dussehra in advance. Let me start by sharing the key highlights for the quarter. Q2 FY27 was a strong quarter across all key parameters: large deal wins of USD 203 million, sequential revenue growth of 2.7% in constant currency terms, and EBIT margins of 16.3%, with margin expansion across all segments. I am pleased to share that we have been able to achieve our committed mid-16% margin aspiration ahead of time by a couple of quarters.

Disciplined capital allocation towards building a scalable business and profitable growth is yielding results. Sustainability, our most profitable segment, grew by double digits year-on-year at 13.4% and now contributes 38% of our revenues. Our Q2 FY27 annualized EPS came in at INR 143.12, which is an increase of 23.5% over FY26 EPS. We successfully concluded the divestment of the SWC business in this quarter. This resulted in a one-time gain of 165 crores.

Amit Chadha – CEO & MD: In Q2 FY27, with that, I will move to Q2 financials, starting with the P&L. Revenue for the quarter was INR 3,040 crores, representing growth of 3.4% sequentially and 12.1% year-on-year. EBIT margin for the quarter stood at 16.3%, an improvement of 60 basis points sequentially and 220 basis points year-on-year. The effective tax rate for the quarter was 26%. Going ahead, we expect ETR to remain in the range of 26%–26.5%.

Net income for the quarter was 548 crores, up 53.7% sequentially and 66.8% year-on-year. This represents 18% of revenue. This includes a one-time gain of INR 165 crores from the divestment of the Smart World business. EPS from continuing operations was INR 35.78 for the quarter, translating into annualized EPS of INR 143.12. Compared to reported FY26 EPS of INR 115.89, this represents an increase of 23.5%. This improvement reflects our disciplined capital allocation towards sustainable profitable growth and investments in new technologies aligned with our long-term strategy.

Other income was 17 crores for the quarter, higher compared with the previous quarter while absorbing foreign exchange volatility and currency movements.

Moving to the balance sheet and cash flow, let me highlight the key line items. Q2 FY27 overall DSO came in at 78 days. This is split into billed DSO of 60 days and unbilled DSO of 18 days, which remains stable versus 77 days in Q1 FY27 and is well below our guided range of 80–85 days. With the divestment of the Smart World business now complete, henceforth we will report overall DSO.

Our year-to-date free cash flow was INR 790 crores, a healthy 108% of net income. Our cash and investments stood at INR 4,197 crores at the end of Q2 FY27, compared with INR 3,394 crores at the end of Q1 FY27. The board has approved an interim dividend of INR 20 per share, reflecting our focus on creating value for our stakeholders.

On revenue metrics, revenue in dollar terms was USD 317.1 million compared with USD 309.9 million in Q1 FY27, representing constant currency sequential growth of 2.7% and year-on-year growth of 4.8%.

On segment margin performance, we saw margin expansion across all the segments. Mobility margins in Q2 improved to 16.9%, up 130 basis points sequentially, resulting from the quality of growth and operational efficiencies. Sustainability margins improved to 29.5%, up 40 basis points

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sequentially, supported by the execution of large deals and strong growth in this segment. Tech segment margins improved to 12%, up 50 basis points sequentially. The ramp-up of a recently won AI-led engagement with a global telecom equipment provider also aided in margin improvement.

On the operational metrics for Q2 FY27, our offshore mix improved to 55.9% in the quarter, reflecting our continued efforts to improve the offshore mix. Fixed-price mix improved to 35.6% in Q2, progressing towards higher-value fixed-price and outcome-based engagements. Client profile remained stable on a sequential basis, reflecting the strength of our customer relationships. Client contribution to revenue remained broadly similar compared with Q1 FY27 across categories. Headcount marginally increased from 23,845 in Q1 to 24,035 in Q2. Attrition remained largely range-bound at 14.7% during the quarter. The realized rupee rate for Q2 FY27 was 95.9 to the dollar, representing depreciation of 1.09% compared with Q1 FY27.

Before concluding, I will share a bit about the margin outlook. We achieved our margin aspiration of mid-16% EBIT levels ahead of time by a few quarters and aspire to maintain this margin range in the near future. Our margin levers will mainly be revenue growth and a healthy segment mix, operational efficiency including AI-led productivity gains across delivery and functions, and disciplined SG&A management.

We remain confident about our growth trajectory, supported by a healthy pipeline, deal ramp-ups, prudent capital allocation, engineering intelligence-led execution, and continued operational discipline. We expect these factors to drive stronger revenue growth for us while sustaining our margin performance, and we reiterate our aspiration of a 13-15% CAGR over the next 5 years, with margins in the range of 16-17%.

I take this opportunity to thank our investors, analysts, and stakeholders for their continued trust and support, and the entire LTTS team for their dedication and resilience. I will now hand over the call to the moderator for questions.

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Ravi Menon with Axis Capital. Please go ahead.

Ravi Menon – Axis Capital: Hi, Amit. Good to talk to you. Congratulations on a really good performance. In the past, we have seen that the sustainability segment was a bit volatile. I think you were trying to move towards more annuity deals, and you have now shown very good growth in the last couple of years. Could you talk a bit about how much of the revenue comes from long-term programs and how you managed to bring down the volatility in this segment?

Amit Chadha – CEO & MD: Hi, Ravi. Good evening. So the question is, how did we bring down volatility in sustainability? Correct.

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Over the last 2 years, if I look at it, there are 2 or 3 things that have thematically changed. Number one, when you look at sustainability, we have now split that business into four broad categories, if I may. The four categories into which we have broken up that business are Oil and Gas and Chemicals as the first part, FMCG as the second part, Energy Automation as the third part, and Industrial Machinery and Building Technologies as the fourth part.

First, we have essentially focused on these four areas. We have redefined our offerings, and the offerings are broken up almost like a service industry into Mod 1, Mod 2, Mod 3, or Gen 1, Gen 2, and Gen 3, and we have doubled down on them.

If I look at the Oil and Gas and Chemicals business that we have, we have been able to win some large, long-term relationships built on trust with our clients. These are continuous work volumes that remain steady and increase over a period of time. It is almost like moving from supporting one refinery to do some design, to supporting a second one, and then a third one, across the landscape of that clientele.

The second part is that we have invested in creating digital twin solutions in this area, and not just that, we are now leveraging AI. Therefore, these are not single-variable and single-dimension solutions, but multidimensional, multivariable solutions. That is helping reduce downtime for our customers. It is helping them with planned shutdowns, and so on. That is the second part. I am giving just one example; there are various solutions that we have created there.

The third part is that, as the six-layer AI cake has unfolded, there is work happening across the six layers, and the layers start with energy. We are seeing work coming in in that area on a continuous basis.

Finally, given the work that we have done in solutions, this has always been a moat for the company for the longest period. With the increased focus that we have had, we have been able to win large deals in this area. In fact, one of the questions earlier used to be that we had won large deals but were not growing. Many of those large deals that we won last year in sustainability have now moved to revenue and execution. In the current quarter also, more than 50% of the deals are in sustainability.

As I look ahead, we are bringing in a lot more AI content into this area as well. We believe that this will be the next wave to help us sustain the growth that we have had.

Ravi Menon – Axis Capital: Thank you so much for that detailed answer. On the mobility side, although the German OEMs are still in restructuring mode, do you expect that segment to come back, or are you more diversified beyond that? What can drive growth in this segment?

Amit Chadha – CEO & MD: Number one, if we look at our mobility business, we have Auto US, Auto Europe, T&H, and Aero and Rail. Those are the four broad components. We have said in the past that Auto contributes approximately 50% of our mobility revenues. Therefore, we are not overtly dependent on Auto Europe.

What we have seen happening in the last 2 quarters, and what we had shared earlier as well, is that Auto US has a clear strategy and is in execution mode, and we are seeing that benefit. T&H is in

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execution mode, and we are seeing that benefit. Aero and Rail are in execution mode, and we are seeing that benefit. Auto Europe has been a problem. In fact, in the current quarter also, we faced some headwinds from Auto Europe.

However, we do believe that Auto Europe should come back sometime next year. We are working on a lot of solutions in AI-defined mobility. We are working on OEM software sovereignty. We believe that this, along with the alternative energy or EV and BEV components, will create the next phase of the growth cycle. Again, it is still early days, and we are working through it. You have seen growth in mobility in the last 2 quarters, and that should continue.

Ravi Menon – Axis Capital: Thanks a lot. One last question, if I may. In aerospace, there is talk about a new single-aisle aircraft program that Airbus might start. Do you have any idea when that could happen and whether it could benefit us?

Amit Chadha – CEO & MD: On a lighter note, I have been waiting to fly on such a plane for the last 5 years. On a serious note, I think there is a little more to be done in that area. We will see.

Ravi Menon – Axis Capital: Okay. Thanks so much. Best of luck.

Operator: Thank you. Our next question comes from the line of Vibhor Singhal with Nuvama Equities. Please go ahead.

Vibhor Singhal – Nuvama Equities: Hi. Thanks for taking my question, and congratulations to the LTTS team for a solid performance. Amit, I have a couple of questions from my side, just looking a bit more deeply into the verticals.

In the sustainability vertical, you mentioned that growth in Plant Engineering and Industrial Products contributed well to growth. In the Oil and Gas vertical specifically, are we seeing any challenges due to the Middle East situation at this point? Not just in that vertical, but in the overall business as well, were there any challenges that we saw in this quarter or that you foresee in the coming quarters?

My second question is on the mobility vertical. You just mentioned that you expect the European Auto segment to come back next year. Is that comment specific to our portfolio in terms of the deals that we are seeing, or do you believe European Auto companies themselves might be able to turn around next year in terms of their capex spending and could be positive for the industry as a whole? Those are my two questions, and I will probably have one more follow-up.

Amit Chadha – CEO & MD: Sure. Vibhor, on Oil and Gas, I want to say that most of the work that we are doing for Oil and Gas companies, Chemicals companies, and LNG companies is largely focused on the US and Europe. We have very little business in the Middle East. We are trying to build that out, but there is very little business in the Middle East, so the impact is not there.

In fact, we are seeing many of these medium-sized projects being started in Oil and Gas in the US and Europe. We are seeing digital projects and AI projects coming in, and we are seeing that as a positive. The Middle East overall is a very small part of our portfolio. Our heart goes out to everyone affected by what is happening there, but we do not have any significant business impact from that yet.

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Having said that, as these things drag on, God knows what will happen, but right now we are not worried about this at this stage.

Now, when we come to Europe Auto, there are two things happening. Like US Auto, what they did last year was to go ahead and take some write-offs clearly from the technology side, and they moved very decisively towards original technology vehicles.

Therefore, they started SDV and AI-native solutions, among other initiatives, and they are seeing the benefits of that. At some point, Europe Auto will have to take a step back and potentially do whatever it has to do in terms of write-offs and so on, and rebaseline itself. I believe that time will come. Many companies are talking about it, and some are doing it, so I do believe that should clear up in the next 6, 9, or 12 months.

The second thing happening is that a number of local European service providers continue to work with old ways of working and old models. Those are being replaced or augmented by India Inc. With our investments in Munich, the EI center that we have set up, and other initiatives, I do believe that we have a fair chance and share of winning some of that business.

Vibhor Singhal – Nuvama Equities: That was really helpful. I have one more question for you, and then I have one follow-up, basically on the financials. On the high-tech vertical, I think the numbers were somewhat softer. You alluded to that in the opening remarks as well. I think the telecom business is doing well, while Media and the remaining business are probably not performing as well as the other segments. Could you provide some color on that and when you think that vertical should also start supporting the growth of the overall business?

Amit Chadha – CEO & MD: Sure. There are four parts in high-tech. There is the MedTech business, where we had one significant program that ramped down and the follow-on program did not start. That accounts for that part of the performance. Outside of that, we have been having a fair degree of smaller wins in the MedTech space.

The second area is Semcon, which continues to grow for us and is differentiated for us. The third is the Tech Infra space, where we have won this AI-led program for communications. The fourth is the Media business. The fifth, actually, is Systems and Platforms, which we acquired with IntelliSwift.

The Systems and Platforms business has improved its margins for us sequentially as well as year-on-year. We do believe that its growth trajectory will accelerate sometime in Q4 and beyond. Media will remain steady. I do not expect anything significant from Media. Tech Infra will show growth because of the deal that we have won. Semcon will continue to grow. For Medical, I would like to say Q3, but I am going to be careful and say Q4 because I want to give our teams a little time to regroup, rebuild, and take things forward.

Overall, Tech should be muted for you in Q3, but beyond that, we do see growth coming back.

Vibhor Singhal – Nuvama Equities: That is really helpful. I have one last question for Rajeev. Rajeev, you mentioned that DSO is now around 78 days, including billed and unbilled. Are these levels with which we are comfortable, or do you think that, following the completion of the SWC divestment, there could be further scope to improve from these levels?

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Rajiv Gupta – CFO: Hi, Vibhor. At this point, we are comfortable. The range that I have provided is 80–85 days. I think we are operating well below that range. We are fairly comfortable, and this is where we are likely to operate.

Vibhor Singhal – Nuvama Equities: Great. Thank you so much for taking my questions, and I wish you all the best.

Operator: Thank you. The next question comes from the line of Jyoti Singh with Haitong Securities. Please go ahead.

Jyoti Singh – Haitong Securities: Thank you for the opportunity, and congratulations on the good execution. My question is largely on the bookkeeping side regarding the SWC exit parameters. We cannot expect this discontinued number in the upcoming quarters. The operating line is around USD 36 million. Can we now expect zero from the next quarter?

Rajiv Gupta – CFO: Jyoti, thank you for this question. I did highlight that this was a one-time gain in Q2. The one-time gain is 165 crores, and this is now a complete business that has been divested. Going forward, Q3 will include only the continuing part of the business. We have reported it separately under the accounting principles for continuing and discontinued operations. Going forward, we will report only the continuing business.

Jyoti Singh – Haitong Securities: Thank you. My follow-up question is on Europe. We continue to see downside in Europe, which fell by around 4% year-on-year. Are we seeing any changes in the ER&D budgets of our top clients, or are they still flat or shrinking?

Amit Chadha – CEO & MD: Actually, Europe grew for us quarter-on-quarter and year-on-year. Maybe there is something to do with the currency billing that we had, but we have Alind here, who runs growth markets and large deals. Alind, would you like to talk about the momentum in Europe?

Alind Saxena – Executive Director and President: Thank you. Amit already covered Auto, so I will not spend time on that. If we look at the other sectors, the AI infrastructure-led spending in Europe is present. We are seeing the effects of that, and some of what you see in sustainability growth is also coming from Europe.

In addition, we are fairly confident about the Plant side of the business. Both Industrial and Plant will continue to grow in Europe. We are opening up a few more areas in Tech based on some of the recent wins that we have had. Europe will remain cautious, as Amit said, in automotive, but otherwise we see a fair amount of growth happening.

I would suggest that if we look perhaps one quarter ahead, the consolidation deals that we have been discussing can also contribute to the growth that we see in Europe. We remain fairly confident about what can happen there.

Jyoti Singh – Haitong Securities: Thank you. I have just two more questions. One is on furloughs. What are we expecting in Q3, and are we seeing this momentum hold? The other is how we are seeing deal wins shape up in H2.

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Amit Chadha – CEO & MD: There are two answers here. First, we are not providing quarter-on-quarter or annual guidance, but I am confirming that H2 will be better than H1. We expect regular furloughs to occur, so that is the lay of the land.

Now, in terms of deal wins, we did USD 203 million this quarter. I still owe you all USD 100 million from last quarter. I have not forgotten that, and I am looking at my colleague here as I answer this. We will make sure that we get you that additional USD 100 million in Q3 and Q4 because we want to maintain that USD 200 million pace.

Lastly, regarding your question about next year, as you have seen, we had sustainability deals last quarter, last year, and now this quarter as well. These deals are coming into revenue. Similarly, you will see these deals coming into revenue. That is the focus that we have. Our pipeline is up more than 25% year-on-year. Order bookings are up. Knock on wood, let us see where it goes.

Jyoti Singh – Haitong Securities: Great. Thank you.

Operator: Thank you. The next question comes from the line of Bhavik Mehta with JP Morgan. Please go ahead.

Bhavik Mehta – JP Morgan: Thank you. I have a couple of questions. Firstly, if I look at our deal TCV over the last few quarters, it has always been very strong. The question was whether it would convert into revenues, which seems to be playing out now. If that is what is playing out in the environment, can you help us understand what has changed on the client side? Why are they spending now, given that the macro environment remains uncertain? What has changed from a client perspective that is driving this deal conversion into revenues and helping growth?

My second question is on margins. It is good to see you hitting the mid-16% band this time. In the near term, how should we think about sustainable margins going forward? Will there be a growth-margin trade-off, where margins remain around 16.5% before you think about expanding margins? I am trying to understand what the exit margins might be by Q4, because that will set the base for next year's margins.

Amit Chadha – CEO & MD: Bhavik, thank you very much. If I look at what has changed in the last few quarters, client conversations have actually been very positive. AI capex spending across chips, software, industrial electrical companies, and telecom infrastructure is powering up a lot of companies and a lot of spending. That is a positive that we are seeing.

Second, when I or our executive team speak to our clients, they are largely focused on growing their businesses despite the unstable environment rather than on cost-cutting. That is a significant shift that we are seeing.

Third, everybody wants help with AI and wants to understand how they can become more resilient and productive. Our AI-led strategy is therefore playing out in our favor in this area. I also believe that we are approximately 9-12 months ahead of our competition and peer group in this area. We are therefore gaining market share rather than simply competing for it.

Taken together, all of these factors make me cautiously optimistic that growth has accelerated across the 3 quarters. Let us see where it goes. That is the situation.

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Rajiv Gupta – CFO: Bhavik, thank you for bringing up the margin question. I clarified this in my commentary, but let me add to it. In terms of margins, we came in at 16.3% in Q2. As we said earlier, this was 2 quarters ahead of schedule. In the near term, you should assume that margins will be at these levels, around the mid-16% EBIT levels.

A few things have helped us reach these margin levels. First, of course, the segment mix has improved. I mentioned that sustainability revenues now contribute almost 38% of overall revenues. Second, AI revenue has now reached USD 120 million on an annualized basis. Third, the quality of revenues is improving across segments.

In fact, this is also true in Mobility. We discussed Auto US and how it is contributing. There are still levers available, but we believe that we will continue to double down on growth while maintaining margins at these mid-16% levels.

Bhavik Mehta – JP Morgan: Okay, understood. Thank you.

Operator: Thank you. The next question comes from the line of Ankur Pant with IIFL Capital. Please go ahead.

Ankur Pant – IIFL Capital: Hi. Thank you for taking my question. I wanted to understand your view on wage hikes for this year. How are we looking at that? That is my first question. I will follow up with the second.

Amit Chadha – CEO & MD: Please give us the second question as well, and then I will answer them together.

Ankur Pant – IIFL Capital: My second question is about your comment on H2 and the strengthening momentum from here. How does that translate in terms of numbers, given that Q2 growth was 2.7%? When you say strengthening momentum from here, does that mean better growth than 2.7% as the benchmark, or how are you looking at that comment?

Amit Chadha – CEO & MD: Excellent. I will take the second question first and the first question second. In terms of where we see growth, I talked about H2. If I look at our H1 performance, you can do your own calculations on year-on-year and quarter-on-quarter growth. What I am confirming to you is that H2 will be better year-on-year and quarter-on-quarter than H1. This applies sequentially as well as year-on-year.

That is number one. I am not getting into the quarter-by-quarter view because we are entering a muted quarter, and we will see where it goes. At the end of the day, I would like to deliver profitable growth. That is why we are here.

Second, the wage hike has been confirmed for all employees. We will implement wage hikes in Q3. The margin remaining at the mid-16% levels is after considering all of this.

Ankur Pant – IIFL Capital: Thank you. All the best.

Operator: Thank you. The next question comes from the line of Sandeep Shah with Equirus Securities. Please go ahead.

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Sandeep Shah – Equirus Securities: Thanks for the opportunity, and congratulations on a great set of numbers. Most of my questions have been answered. Amit, in your opening remarks, you also said that clients are accelerating AI-led engineering and spending. What is driving this for you as well as for the industry? Are clients shifting spending from cloud hyperscalers and GPU-based subscriptions to system integrators, particularly on the engineering side, or is it too early to identify that trend?

Amit Chadha – CEO & MD: I would like to request Munji to add to what I am going to say here. First, what we are definitely seeing is that AI is a board-level question being raised with all our CXO communities. What are you doing to leverage AI? Are you leveraging it enough? That is creating a top-down push to use AI.

Second, in our daily lives, we have started using AI, whether ChatGPT, Anthropic, or other tools, in a significant manner. Employees and teams are using it and are very familiar with it as well. This is now a confluence of both factors, and that is where the demand is.

Amit Chadha – CEO & MD: Legacy spending is going down; there are no two questions about it. That is why money is shifting, if I may, towards AI. Number one, the overall budget is also increasing in line with the respective companies' growth. If a company is growing at 5%, its budget is expanding as well.

Therefore, there is a shift within the budget. This is why we invested early. About a year ago, we started talking about this. We started the data center offering 2 quarters ago, but we did not discuss it with you because we wanted to secure some wins first. We have now won a deal in that area. Part of what we are doing is therefore expanding our overall addressable TAM.

Would you like to address what we are doing specifically in AI, Munji?

Munjees Singh – Chief Operating Officer: Certainly, Amit. Let me provide some color on the shift. First, people have stopped using these POCs and are looking at broader processes that can deliver a P&L impact. That is a major change that has happened in the market. All our customers are looking at that.

Second, what they are now trying to do using AI is to perform tasks faster. Speed is very important. Because they can do things faster, they are looking at their ability to accomplish a process change or a migration from A to B in a shorter time frame.

Third, and this is very relevant to us, as you know, the context for training these AI agents is very important, and we bring that to the forefront. Our ability to bring the context is one of the biggest moats that we have when we shift the narrative while discussing matters with the client.

If you look at the combination of all three factors, we are seeing large, complex programs that can shift some of the client's P&L being considered for execution, and we are receiving a lot of that work. I think that is what Amit is alluding to in terms of the expansion of the market. We are participating in a segment or a type of deal that was not available to us earlier, and we are able to execute it.

Sandeep Shah – Equirus Securities: Thanks, and all the best.

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Operator: Thank you. The next question comes from the line of Deepesh Mehta with MK Global Financial Service Limited. Please go ahead.

Deepesh Mehta – MK Global Financial Service Limited: Thanks for the opportunity. I have two questions. First, I want to understand how we define AI-led revenue. Can you help us understand whether it is 100% new revenue that was not part of our revenue 2–3 years ago? What kind of profitability does it generate? One of the reasons for margin expansion that you indicated is the change in mix, so if you can provide some sense around that, it would be helpful.

My second question is on the wage hike. You indicated that it would be effective in Q3. Can you provide some sense of the likely impact from the wage hike?

Amit Chadha – CEO & MD: We will request Raju to take the wage hike question. On AI revenue, I want to request Munji to explain how we qualify AI revenue. We are not going to provide margins by service line; we are not doing that right now. Needless to say, however, I want to tell you that we do charge a premium. If you have a project, you can give it to us, and we will charge a premium; you will realize how much we are charging. Over to you, Munji.

Munjees Singh – Chief Operating Officer: Deepesh, good to hear from you. What we do is that if we take any deliverables that we are creating and a significant part of the deliverable is created through the leverage of the AI stack, then we classify that as AI revenue.

The significant part is very important. It is not as though you can build a report at the end of the project and claim AI revenue. It has to be part of the deliverable that we create, and that is how we track it. The number that you see is approximately 9.5% for the quarter, which is around USD 120 million on an annualized basis. I will let Rajiv handle profitability.

Rajiv Gupta – CFO: Thank you, Deepesh, for the questions that you raised. Let me take the wage hike first. We did mention that we have already announced the wage hike in Q3. The likely impact will be in the range of 50–80 bps. We are still working out the modalities, but we will clarify this when we discuss the Q3 commentary.

On AI-led profitability, Deepesh, at this stage we would not like to quantify it. What you will see is its implication and impact on overall LTTS profitability. As I mentioned earlier, AI-led revenue is a lever for margin improvement and will continue to be so. I hope that answers your questions, Deepesh.

Deepesh Mehta – MK Global Financial Service Limited: Thank you.

Operator: Thank you. Our next question comes from the line of Karan Uppal with Phillip Capital India. Please go ahead.

Karan Uppal – Phillip Capital India: Thanks for the opportunity. I have two questions. Firstly, with AI-infused deals in the mix and many platform offerings across verticals, are you seeing any change in the tenure of deals compared with 2 years ago? I want to understand whether average tenures are increasing, decreasing, or remaining stable.

My second question, Amit, is on the AI data center build-out. Can you elaborate on the role LTTS is playing in it? What kinds of deals is LTTS pitching for, and what are the deal sizes and deal tenures?

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Amit Chadha – CEO & MD: Average tenures have actually increased slightly rather than decreased. Our focus is always to try to bring more ACV than TCV, but it is what it is. Clients in engineering take some time to start, so tenures are expanding or staying the same; there is no significant change that I can call out.

There are large deals. A USD 100 million deal will be for 5, 7, or 8 years. A USD 50 million deal will be for 4–5 years. A USD 25 million deal will normally be for approximately 3 years. A USD 10 million deal will be between 2 and 3 years. These are the norms that exist.

Second, when we look specifically at data centers, there are approximately multiple layers. For the physical infrastructure, we work through OEMs, electrical companies, HVAC companies, and others, and that revenue for us is showing up in Sustainability. GPU bring-up, infrastructure validation work, building clusters, baselining, and similar activities are part of the Tech vertical that we have.

Then there is the control plane. There is token metering software to be developed, such as usage token ingestion, automated invoicing, anomaly guardrails, and similar work. Then there is observability, autonomous AIOps, and, finally, agents on top.

There are approximately 6 or 7 layers here, and we are a service provider. We can work with anybody setting up and running a data center, or with a neocloud, to help them.

Our first business, on which we have done a lot of work, is the physical infrastructure component with electrical OEMs and HVAC companies. We are also starting to work on the other layers, and as we move forward, you will see more and more of that happening. In fact, the deal that we won with the Tech Infra major is for them to service a data center for communications.

Karan Uppal – Phillip Capital India: Got it. Thanks for the elaborate answer. I have one more question on European Auto. Has the business stabilized, or can it drag the Mobility vertical further from here? Also, can you quantify how much European Auto contributes as a percentage of total revenue?

Amit Chadha – CEO & MD: Karan, we do not disclose exact numbers for European Auto, but Alen, if you want to answer on European Auto.

Alind Saxena – Executive Director and President: You have been reading what is happening in European Auto in general. Our feeling is that it will remain steady for now, for the next approximately 6–9 months. We do not foresee a further decline in European Auto. The growth that we have been discussing, which we expect to see, should start coming back in the next 9–12 months.

If you read about Auto in general, the North American companies or OEMs have clearly articulated their strategy regarding the types of cars they are going to bring out and the technology that will go into those cars. Once that is done, it moves to execution, which is why you see North American Auto revenue increasing.

Similarly, if you look at Japan, they have recently declared their positioning on car models and other matters over the next few years, and they are all discussing 3–4 years into the future. European Auto is still to do that. That is what we believe will happen as we move into early next quarter or so.

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Once that happens, they will get back to execution, and it should return to the ramp-up that we expect over the next 9-12 months.

Karan Uppal – Phillip Capital India: Got it. Thanks, and all the best.

Operator: Thank you. Our next question comes from the line of Chandan Kumar with Narnolia Financial Service Limited. Please go ahead.

Chandan Kumar – Narnolia Financial Service Limited: [inaudible]

Operator: Chandan, I am sorry to interrupt you, but can you please start again? Thank you.

Chandan Kumar – Narnolia Financial Service Limited: My question is, you have disclosed annualized engineering intelligence-led revenue of USD 120 million, and AI-related deals accounted for over 50% of Q2 large deal TCV. Could you clarify how much of the USD 120 million annualized revenue translates into actual revenue recognized during this quarter?

Amit Chadha – CEO & MD: This quarter, Chandan, the revenue is USD 120 million annualized, so you can divide it by 4 and calculate it. If I look at the AI deals that we have won, they account for more than 50% and will move into operations. Some of that revenue will come through as we move forward from these deals. In fact, the AI revenue we tracked last quarter was much lower, and it has expanded. A significant portion of those deals had not operationalized, or had only operationalized marginally, in the current quarter.

Munjees Singh – Chief Operating Officer: To add to what Amit said, Chandan, we will continue to quantify this every quarter. You will see AI-led revenues improving quarter-on-quarter. To say that 50% of the overall deal wins translates into a particular amount of AI revenue is difficult because these deals run over 10 years. You will not be able to break it down in that way, but we will certainly quantify the quarterly trend in AI-led revenues.

Chandan Kumar – Narnolia Financial Service Limited: Okay, thank you.

Operator: Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Amit Chadha – CEO & MD: Thank you. Thank you all for joining us on the call today. We hope we were able to answer your queries. If there are any follow-ups, we will be happy to address them. With that, we are signing off for the day and look forward to interacting with you through the quarter. I wish you all a very happy Dussehra and a good day. Thank you.

Operator: Thank you very much, sir. Ladies and gentlemen, on behalf of L&T Technology Services Limited, that concludes today's call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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