LTM

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Operator: Good day, everyone, and welcome to LTM Ltd.'s Q1 FY27 earnings conference call. Today on the call, we have with us Mr. Venu Lambo, Chief Executive Officer and Managing Director, and Mr. Vipul Chandra, Chief Financial Officer and Whole-time Director. We will begin by providing a brief overview of the company's Q1 FY27 performance, after which we will open the floor for Q&A. During the call, we could make forward-looking statements. These statements consider the environment in which we operate and carry risks and uncertainties that could cause our actual results to differ materially from those expressed in today's call. We do not undertake any obligation to update any forward-looking statement made on this call. I now turn the call over to Venu for his opening remarks.

Management: Thanks, Vikas. Hello, everyone. Firstly, thank you for joining us on a Saturday evening. Our profitable growth journey in the AI era is off to a good start, with our leading industry segments delivering strong quarter-over-quarter growth. Our New Horizon program continues to deliver significant progress, contributing to overall margin expansion. Our deal win momentum remains strong. I will share more details on this later in the call.

Before I turn to the quarterly numbers, let me briefly recap the strategy we set out at our Investor Day 2026. We committed to becoming an AI-centric organization, reorganizing around AI, building a comprehensive AI ecosystem, and steadily shifting our revenue mix towards AI-led work. This quarter, we delivered many proof points with measurable business outcomes in line with our strategy. We now operate through 3 lines of business: iRun, iTransform, and Business AI. iRun operates and secures our clients' technology estates with an AI-infused approach. iTransform delivers large-scale transformation, modernization, and differentiated experiences through AI-led software engineering, data interactive, and enterprise platforms. Business AI reimagines core business processes and client business models through our domain, data agentic, and SLM capabilities.

Foundational to our lines of business is Blueverse, our AI ecosystem. It brings together our AI-led offerings and deployment capabilities with future-ready talent, domain-specific SLMs, and a growing library of pre-built agents supported by new AI-native business models and expanded GTM partnerships. Through this structure, we deliver four distinct types of AI work: Enterprise AI, which embeds intelligence into the enterprise technology stack; Business AI, which reimagines core business processes and business models; Industrial AI, which infuses AI into our clients' manufacturing processes and supply chains through connected products and solutions; and Creative AI, which transforms our clients' creative content, design, and experiences. Three lines of business, four types of AI work, one ecosystem—this is how we outcreate with AI.

I am happy to share that our AI revenue across Creative, Industrial, and Business AI together contributed approximately $150 million on a quarterly run-rate basis. Let me now share the financial performance for Q1 FY27. We reported revenues of $1.22 billion, delivering 0.3% growth on a sequential basis and 6.4% growth on a year-over-year basis in constant currency terms. We are pleased to report that our EBIT margins came in at 15.5%, a 40 basis point sequential improvement despite wage hikes. This also translates into a 120 basis point year-over-year improvement, reflecting strong execution. Our order book continues to be stable at $1.7 billion, including two large deal wins.

Let me now turn to some of our notable deal wins this quarter. In the iRun line of business, we were selected by a US-based insurance company to modernize infrastructure operations through an AI-led delivery model, enhancing resilience, stability, and operational efficiency. We expanded our relationship with a global business travel management company to transform its IT operations and application services and consolidated its infrastructure to an integrated iRun model. In the iTransform line of business, we were selected as a strategic vendor by a US-based multinational organization as part of its effort to consolidate its IT services landscape through our iRun, iTransform, and Business AI models. We will help them reduce complexity, optimize costs, and accelerate transformation. This is the same large deal we referenced during our Investor Day last month. We were chosen as a transformation partner for a leading global automotive manufacturer to consolidate and modernize its technology landscape through an AI-led model, improving operational efficiency and simplifying IT operations.

We were selected as the strategic data transformation partner by a major global industrial manufacturer of climate and energy solutions to consolidate its federated data ecosystem into a unified enterprise data platform, enabling data monetization and building a single source of truth. We were selected by a US-based financial payments company to advance its technology transformation agenda through an AI insight platform, cloud migration, and modernization initiatives. In Business AI, we were selected by a European consumer company to reimagine its existing sales excellence process and deploy an AI-powered data and decision intelligence platform to improve pricing, promotions, and sales effectiveness. We were selected by a global industrial conglomerate to deploy an AI-driven platform that automates end-to-end proposal management, improving the speed, quality, and consistency of client responses.

Our Blueverse Voicing SLM continues to gain momentum with our clients. We completed 17 unique implementations in the past 12 months, including two key wins this quarter. The first, a leading US leisure travel company, selected Blueverse Voicing to automate member verification and resolve routine inquiries autonomously. The second, a global financial administration company, adopted Blueverse Voicing to migrate its customer service operations to an agentic AI-driven voice and intent automation solution. These engagements follow the outcome-based commercial construct.

Let me now share updates on our industry segments. Starting Q1 FY27, we have consolidated our reporting under 4 industry segments: Financial Services, Consumer, Technology and Services, and Production. All numbers referenced represent growth in constant currency terms. As I had indicated regarding Financial Services returning to sequential growth, I am pleased to share that the segment delivered a strong 3.2% sequential expansion. On a year-over-year basis, the segment declined by 2.5%. The Technology and Services segment also reported strong growth of 3.4% sequentially and 10% on a year-over-year basis. The Production segment reported a decline of 5.7%, mainly on account of a fall-off in seasonal pass-through. On a year-over-year basis, it delivered strong growth of 5.3%. The Consumer segment declined by 0.7% sequentially and grew significantly by 18.2% on a year-over-year basis. The quarterly decline was due to delayed ramp-ups and delayed projects in India and the Middle East.

With our large industry segments reporting strong sequential growth, it sets a strong foundation for the year ahead. We are also encouraged to see the growth momentum broadening across client categories, with our top 5 and top 10 customers recording sequential growth of 4.5% and 4.3%

respectively. I am pleased to share that all our client categories expanded both sequentially and year-over-year. On a year-over-year basis, we added 1 client in the $50 million plus category, taking the total to 15, and 11 clients in the $20 million plus category, bringing the total to 52.

We continue to see consistent external validation of our capabilities by industry analysts and partners. This quarter, we received several recognitions. We received the Golden Peacock Award for Excellence in Artificial Intelligence 2026, recognizing our leadership in enterprise-scale AI adoption and innovation through our Blueverse ecosystem. We were recognized as a market leader in the HFS Horizons Next Gen IT Infrastructure Services 2026 report. We were recognized as a leader in the ISG Provider Lens SAP Ecosystem 2026 report. We received the Google Cloud Partner of the Year 2026 awards for Media, Entertainment, and Infrastructure Modernization in North America. We won the 2026 Databricks Global COE Partner of the Year Award. We also won the Talent Acquisition Innovation Award at the Financial Express HR Awards 2026.

This quarter, we continued to strengthen our Blueverse ecosystem. We launched Blueverse iRun for integrated ops, Blueverse Databricks for data transformation, and Blueverse Right Logic for cybersecurity remediation. We launched Blueverse Currency, our new commercial construct that offers outcome-based pricing for AI services. We expanded our Blueverse Studio footprint with a new facility in Bengaluru. We launched AI 1000, our strategic workforce transformation initiative with a goal of developing a pool of 1,000 forward-deployed engineers. To accelerate our SLM development and deployment to clients across key verticals, we participated in a strategic investment round in Uniphore, the Business AI company. Uniphore unlocks the agentic enterprise with a complete composable AI platform spanning agents, models, knowledge, and data. This investment will strengthen our previously announced partnership with Uniphore in delivering industry and domain-specific SLMs. We signed a partnership with OVHcloud in France to accelerate the deployment of sovereign AI clouds in Europe.

I would like to share a few proof points on the four types of AI work that we are delivering. In Business AI, for a global specialty chemicals leader, we built an AI-led growth insights engine that unifies how teams ask, analyze, and act on insights across brand, pricing, and market share to form a centralized agentic intelligence layer. For a US-based multinational organization, we built an end-to-end generative engine for search engine optimization strategy and grew impressions, clicks, and AI mentions, improving LLM-driven traffic by 33%.

In Creative AI, for a leading real estate company, we generated 2 million plus views across 10 video assets by scaling marketing campaigns and creatives through AI-led content generation, cutting time to market by 75% and reducing asset production costs by 50%. For a global beauty brand, we produced organizational change management content through an AI-led content generation approach, accelerating consistent enterprise communication to 4,000 plus researchers and scientists in their research and innovation division.

In Enterprise AI, for a global energy major, we consolidated a fragmented monitoring landscape into a single agentic operations intelligence platform, cutting operations costs by up to 40%, reducing alert noise by 85%, and auto-remediating over a third of recurring incidents. For a global hospitality leader, we modernized a mission-critical revenue platform pricing rooms across 10,000 plus hotels. Our agent-led human-in-the-loop model eliminated 400 plus vulnerabilities per application with zero downtime.

In Industrial AI, for a global power management leader, we created a digital twin and closed-loop robotic correction through our iNext Physical AI platform. This delivered 97.4% defect detection accuracy and 67% less downtime, with clients realizing ROI in the first iteration. For a global automotive leader, we deployed an ML-driven predictive solution on their laser blanking line that detects process instability before it causes downtime, enabling 70% accurate early alerts with actionable operator recommendations. With this, I would now like to hand it over to Vipul for an update on financials.

Management: Thank you, Venu. Hello, everyone. We hope you have reviewed our integrated annual report for FY26, which provides detailed disclosures on both financial and non-financial metrics and highlights our ongoing commitment to ESG principles. Let me now walk you through the financial highlights for the first quarter of FY27. Our Q1 revenue stood at $1,224 million, reflecting a growth of 0.3% quarter-on-quarter and 6.4% year-on-year in constant currency. The corresponding dollar growth was 0.1% quarter-on-quarter and 6.1% year-on-year. Revenue in INR stood at 11,608 crores, up 2.8% quarter-on-quarter and 18% year-on-year.

Our EBIT margin expanded by 40 basis points sequentially to 15.5%, primarily driven by operational efficiencies from the New Horizon program, in addition to forex benefits. The EBIT margin also shows an expansion of 120 basis points year-on-year from 14.3% in Q1 FY26. This expansion has been possible due to the concerted focus on margin improvement initiatives under the Fit for Future program last year and continuing under the New Horizon program this year. Profit after tax for the quarter stood at 1,469 crores as compared to 1,341 crores in the previous quarter, an increase of 9.5% quarter-on-quarter and 17.1% year-on-year. The PAT margin came in at 12.7%, up from 11.9% last quarter.

The movement from EBIT to PAT includes the impact of higher investment income, losses on cash flow hedges, and a one-time gain on the recognition of the value of our investment in Voicing.ai. The effective tax rate for the quarter was 25.8% compared with 26.3% in Q4. Basic EPS was 49.5 for the quarter as compared to 45.4 in Q4 FY26. Our total DSO for Q1 stood at 85 days versus 84 days last quarter. The OCF to PAT ratio stood at 79%, down from 96% in Q4, while FCF to PAT was 63% versus 75% in Q4. Normalized for the one-time gain, these ratios would have been 88% and 70% respectively.

Cash and investment balances stood at approximately $1.5 billion or 15,021 crores post the payout of the final dividend for FY26, compared to 15,445 crores in Q4 FY26. Return on capital employed for the quarter was 29.8% versus 29.2% last quarter. As of June 30, 2026, our cash flow hedges stood at $4.71 billion, and hedges on the balance sheet were $318 million. Utilization, excluding trainees, stood at 86.4% for the quarter compared to 85.7% in Q4. The headcount at the end of Q1 was 87,886. Fresher additions stood at 1,308. For the quarter, our TTM attrition remained stable at 13.3%.

As an update on our previously announced intention to acquire the Randstad technology and consulting services business in Europe and Australia, we have submitted the required applications to regulators across various countries for approvals, and the process remains on track with our planned schedule. I am pleased to share that CRISIL reaffirmed LTM Ltd.'s long-term and short-term credit ratings at AAA stable and A1+ respectively. The company received a CRISIL ESG score of 77 and a core ESG score of 83 in FY26, placing it in the leadership category. At the Business World CFO World Awards 2026, LTM Ltd. received two honors: Excellence in Financial Reporting and Excellence in Crisis Management. I now hand it back to Venu for the business outlook.

Management: Thank you, Vipul. Let me now turn to our outlook for the year ahead. Our order book remains strong and broad-based. The pipeline continues to build across our segments, and we are converting that into sustained delivery momentum. Our AI pivot is now delivering tangible proof points for our clients. Our 3 lines of business, 4 types of AI work, and 1 Blueverse ecosystem are helping us deliver AI impact to our customers, and this is reflected in the nature and size of deals we are winning.

The productivity-linked pricing conversations we have had with some of our large clients are now behind us. That transition is complete, and we see this as a source of strength going forward rather than a headwind, as it has strengthened our strategic positioning with these accounts. Taken together, the order book, the AI proof points, and the completion of this client transition give us confidence that our growth will accelerate through Q2 and into the second half, alongside further expansion of margins. Thank you. The floor is now open for Q&A.

Operator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We have our first question from Sulabh Govila of Morgan Stanley. Sulabh, please go ahead.

Sulabh Govila - Morgan Stanley: Thank you for taking my question and congratulations on the growth seen in the top client buckets. My first question is on the outlook. In the first quarter on a Q-on-Q basis, there was an underlying business momentum that you saw if you adjust for the seasonal pass-through element and the macro-related headwind in the Middle East. Is it fair to assume that business momentum should reflect from Q2 onwards, especially with deal wins sustaining, or are there additional moving parts which can change that trajectory particularly for Q2?

Management: Thanks for the question, Sulabh. The positive news is that some of our biggest segments are in a growth trajectory, and I expect that to continue as we go into the next quarter. Barring seasonal movement and the aspects I called out regarding the Middle East and India ramp-ups, the rest of the market segments should continue their momentum even for Q2. I do not see any issue with any of our global industry segments.

Sulabh Govila - Morgan Stanley: Understood. Secondly, regarding the sales headcount, there has been some moderation over the last year of about 8-9%. Is this more on the support side due to efficiencies, or have there been actions in a particular geography that led to that?

Management: It is related to the enabling and support functions. As we did articulate in our strategy, we want to grow faster and also embrace AI for our internal usage. We are seeing the benefits of that in how we run our internal IT, finance, HR, and operations. Those productivity benefits are visible when you see those changes.

Sulabh Govila - Morgan Stanley: Understood, sir. Thank you.

Operator: Thank you. We are taking our next question from Ashwin Mehta of Ambit Capital. Ashwin, you can go ahead.

Ashwin Mehta – Ambit Capital: Thanks for the opportunity. What is the nature of demand being served by subcontractors instead of our own employees, as that element has gone up by 130 basis points Q-on-Q and almost 320 basis points Y-on-Y?

Management: Ashwin, it is essentially related to a vendor consolidation exercise happening with some of our customers. In deep relationships across a couple of verticals, clients are asking us to transition the tail vendors to be part of a leading vendor. As part of that, the approach is usually to transition from the tail vendors and then convert that into our end-state model over time. I see this as a spike due to those engagements rather than an indicative trend. You should see a decrease in that as it moves into our end-state model.

Ashwin Mehta – Ambit Capital: A follow-up on the SG&A side. Earlier, our expectation was that SG&A would go closer to the 11-11.5% level. Do you see that happening now, or is SG&A expected to be stable at these levels?

Management: We expect it to remain stable. We are not touching the sales organization; in fact, we are investing a lot in sales enablement. We have initiated training for our sales organization on the new AI way of selling. The productivity of our salespeople is moving in a positive direction. All the efficiency you see is to build an AI-driven organization for our internal operations. I do not expect significant variation on that.

Management: I will just add that SG&A is not likely to go up to the 11-11.5% range. Quarter-on-quarter variations can happen because we continue to invest in our sales build-up. But overall, I think we have achieved sustainable efficiencies that prevent it from hitting that higher range.

Ashwin Mehta – Ambit Capital: Thanks, and all the best.

Operator: Thank you. We are taking our next question from the line of Rohit Thorat of Axis Capital. Rohit, please go ahead.

Rohit Thorat – Axis Capital: Thank you for the opportunity. You saw good growth in BFSI, Hi-Tech, North America, and top 5 customers. However, there was a drag in Consumer. Do you expect this drag to continue or worsen?

Management: If you look at Consumer, it has grown 18.2% on a year-on-year basis, which is huge. The quarterly decline is related to a large deal we are dealing with in India and situations where shipments of hardware and memory chips were delayed. I am assuming those shipments will accelerate now, so I do not expect that trend to continue. I am optimistic about the Consumer growth momentum.

Rohit Thorat – Axis Capital: Regarding growth from North America, do you feel growth was broad-based and that things have bottomed out?

Management: Absolutely. Our Tech Services, which is North America-centric, grew 3.4% sequentially and double-digits year-on-year. Financial Services is also back to sequential growth. I am optimistic about continued momentum in North America.

Rohit Thorat – Axis Capital: On utilization, are you at an optimal level, and what are your hiring plans for freshers?

Management: In terms of utilization, we target a range of 86-87%. We are currently in the middle of that range. Regarding freshers, we added 1,308 freshers this quarter and will continue to add them as we build AI-ready talent. While the shape of our pyramid will eventually shift towards a diamond-shaped structure, the initiative to hire freshers will continue.

Operator: Thank you. We are taking our next question from Sandeep Shah of Equirus Securities.

Sandeep Shah – Equirus Securities: Thanks for the opportunity. What percentage of revenue comes from the Middle East, and regarding your outlook for growth to accelerate, are you assuming geopolitical issues are behind us?

Management: Middle East revenue is less than 3% for us. Regarding the outlook, we are confident about growing in the subsequent quarter and continuing that momentum into the second half. Geopolitics is unpredictable, but keeping that aside, our big businesses and North America have great traction. The productivity topic is behind us, and transitions in our top clients are complete. Our top 10 clients have great momentum in their pipelines.

Sandeep Shah – Equirus Securities: When you say growth will improve, are you speaking organically and on a Q-on-Q constant currency basis?

Management: Yes, my commentary was on organic growth. The inorganic acquisition is expected to close around the beginning of Q3.

Sandeep Shah – Equirus Securities: Regarding the Income Tax deal that was delayed, do you expect it to ramp up from Q2?

Management: Yes, I expect it to start ramping up in Q2. We have shipment visibility for the hardware needed for our software services, and we expect that delivery in the beginning of Q2. That will allow us to realize a lot of committed milestones.

Operator: Thank you. We have Dipesh Mehta of MK Global. Dipesh, please go ahead.

Dipesh Mehta – MK Global: Thank you. How should we understand the ramp-up for the Income Tax deal? Will it be gradual or sharp? Also, what are the full-year plans for fresher additions? Finally, what played out in the non-controlling interest gain this quarter?

Management: On the non-controlling interest, there was a revaluation gain in our investment in Voicing.ai and an increase in participation from our Saudi JV. Regarding the ramp-up, Q2 should be higher than Q1. We have project timelines to deliver, and with hardware shipments expected in early Q2, we hope to be back on the original project schedule between Q2 and Q3.

Regarding freshers, we added over 1,100 this quarter and expect similar numbers to continue. Last year, we added 6,000 freshers, and we are encouraged by the AI-native skill sets they bring. We will look for every opportunity to accelerate fresher hiring, but for your models, you can assume an average of these numbers on a quarterly basis. Regarding pricing and margins on that India project, we are not calling out an impact as the client is conscious of the supply chain issues.

Operator: Thank you. We have our next question from Girish Pai of BOB Capital.

Girish Pai – BOB Capital: Venu, you mentioned growth will pick up from Q2. Will this mirror or be better than the growth seen in FY26?

Management: Our endeavor is to keep the growth momentum at or above the base of 6% delivered in FY26. I see good traction across the segments I called out. My one-line summary is that the expectation is for it to be better than FY26.

Girish Pai – BOB Capital: We have seen deployment companies being created by AI labs and hyperscalers. Are these competitors or partners?

Management: It is a new ecosystem, and we are accelerating partnerships within it. Our investments in Voicing.ai and Uniphore are foundations of this. The largest building blocks are our relationships with hyperscalers like Microsoft, Google, and AWS. We have partnered with them for over a decade through digital and cloud journeys, and that is strengthening now. We are also skilling our people in center of excellence programs related to AI labs. I should be able to share more updates on a strategic partnership with an AI lab soon.

Girish Pai – BOB Capital: What were the revenues for iRun, iTransform, and Business AI in Q1?

Management: We haven't specificially split those out because AI is becoming all-pervasive in our delivery. We did call out that Business AI, Creative AI, and Industrial AI together had a quarterly run-rate of approximately $150 million.

Operator: Thank you. We have Sumit Jain of CLSA.

Sumit Jain – CLSA: Microsoft announced 6,000 FDE engineers and significant investments. How does this compete with your AI deployment work?

Management: We have moved from AI creation to AI deployment. As conversations get real, there is a strong demand for FDE engineers globally. Currently, there are only a few thousand available. The market needs a large population of them to accelerate adoption. We worked with hyperscalers during the cloud professional services era, and I see this as an opportunity for us to partner and help them deploy new AI workloads.

Sumit Jain – CLSA: You have a goal to double revenues in 5 years. Given the current 6-8% growth range, what areas will boost this to double digits?

Management: That is a bold goal. Our strategy includes growing faster in the European region, where the Randstad deal will help us accelerate starting in Q3. We also see white spaces in the Asia-Pacific market. Additionally, growing the three types of AI work beyond the current $150 million run-rate will provide impetus. Finally, we are currently navigating a market with limited discretionary spend; once that spend accelerates, we will be geared for it.

Sumit Jain – CLSA: Regarding AI deflation, how much of your portfolio has gone through that phase?

Management: That chapter is behind us for our top accounts and top segments. In smaller engagements, even if deflation occurs, the volume of work makes it net positive. The transitions in our top clients are complete, and we are now focused on grabbing early opportunities in the AI era.

Operator: Thank you. We have a follow-up from Sandeep Shah of Equirus Securities.

Sandeep Shah – Equirus Securities: Vipul, how do you see margins in the next three quarters? Also, are there investment banking or legal costs for the Randstad deal this quarter?

Management: Our organic margin is expected to grow due to initiatives like the New Horizon program. There was no investment banking cost for the Randstad transaction as it was a direct deal. The IT services part of that relationship has already started ramping up and should contribute from Q2.

Sandeep Shah – Equirus Securities: With the Randstad deal likely consolidating in the second half, will margins be lower?

Management: We do not expect a major impact on margins. Our organic expansion should offset any initial consolidation impact, and synergies should kick in a quarter or two into the next year.

Operator: Thank you. We have a follow-up from Girish Pai of BOB Capital.

Girish Pai – BOB Capital: There was a sequential improvement in BFSI margins. Any reason for that? Also, can you provide the margin walk between Q4 and Q1?

Management: The BFSI margin improvement is primarily due to revenue growth returning and utilization improving. Regarding the margin walk, the 40 basis point sequential improvement is attributable to operational efficiencies from our New Horizon program and some forex benefits, which were partly offset by wage hikes.

Management: As we called out, the wage hike was expected to be around 1%. The forex impact and the wage hike impact essentially canceled each other out. The net improvement is due to operational efficiencies.

Girish Pai – BOB Capital: Okay, thank you.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. On behalf of LTM Ltd., that concludes today's conference call. Thank you all for joining us. You may now exit the meeting.