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National Stock Exchange of India Limited,
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The BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
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NSE Symbol: LTIM

BSE Scrip Code: 540005

Dear Sir(s)/Madam,

Subject: Transcript of Earnings Conference call held on January 16, 2025

With reference to the captioned subject, please find enclosed transcript of the Earnings Conference Call held on January 16, 2025.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For LTIMindtree Limited

Angna Arora
Digitally signed by Angna Arora
Date: 2025.01.20 17:11:50 +05'30'

Angna Arora
Company Secretary and Compliance Officer

Encl: As above

“LTIMindtree Q3 FY'25 Earnings Conference Call”

January 16, 2025

MANAGEMENT: ***Mr. Debashis Chatterjee*** *– Chief Executive Officer & Managing Director*
Mr. Sudhir Chaturvedi *– President, Markets*
Mr. Nachiket Deshpande *– Chief Operating Officer*
Mr. Vipul Chandra *- Chief Financial Officer*
Mr. Vikas Jadhav *– Head, Investor Relations*

Moderator: Ladies and gentlemen, good day and welcome to the LTIMindtree Q3 FY'25 Results Call.

As a reminder, all participant lines will remain 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 the operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Mr. Vikas Jadhav, Head, Investor Relations, LTIMindtree. Thank you. And over to you.

Vikas Jadhav: Thanks, Yashashree. Welcome to LTIMindtree's Q3 FY'25 Earnings Call.

Today, on the call, we have with us

Mr. Debashis Chatterjee, Chief Executive Officer and Managing Director,

Mr. Sudhir Chaturvedi – President (Global Markets),

Mr. Nachiket Deshpande – Chief Operating Officer and

Mr. Vipul Chandra, Chief Financial Officer.

We will begin the call by providing a brief Overview on the company's Q3 Performance, after which we'll open the floor for Q&A. During the call, we could make forward-looking statements. These statements consider the environment as we see as of today 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 to update any forward-looking statements made on this call.

I now turn the call over to DC for his opening remarks.

Debashis Chatterjee: Thank you, Vikas. Good evening and good morning to everyone. I wish you all a very Happy New Year and thank you for joining us today.

I am pleased to report that the growth momentum from the previous two quarters continued into Q3. Revenue for Q3 increased by 1.8% sequentially and 5.6% year-over-year in constant currency, reaching US$1.14 billion. The quarter marked multiple accomplishments including year-over-year growth across all verticals with particular traction in the BFSI vertical, which we have consistently highlighted.

Additionally, we signed a record TCV amounting to US$1.68 billion, up 29% quarter-over-quarter. These wins included a new logo in manufacturing vertical worth over US$50 million as well as two large deals in the BFS vertical. We also opened 17 new logos during this quarter. Furthermore, we enhanced our cash generation and increased employee headcount for the third consecutive quarter. These positive outcomes were achieved despite seasonal challenges including furloughs and fewer billing days.

The EBIT margin for the quarter was 13.8%, down from 15.5% in Q2. The 170-basis points decline was mainly due to wage hikes, which we estimated would impact margins by approximately 200 basis points.

In recent quarters, we have extensively discussed our AI strategy and its potential impact on our growth. With this context, I would like to take this opportunity to explain how we are actively implementing our AI strategy.

Our framework, "**AI in everything**, **Everything for AI**, and **AI for everyone**" not only continues to resonate strongly, driving innovation and delivering value for our stakeholders, but is also helping us win deals.

From a customer penetration standpoint, we are now engaged with the majority of our customer base across verticals on AI initiatives, demonstrating growing trust in our ability to drive impactful AI-led transformations. In the current landscape, every major deal is assessed through an AI lens. As we discussed during our Investor Day (https://www.ltimindtree.net/investor-day-2024) held in November last year while AI may cannibalize some revenue, it offers substantial opportunity for growth and increased market share when strategically leveraged. Our recent record deal wins demonstrate our capabilities and positioning, and we remain committed to viewing AI as a key opportunity for growth. Here is an account of some critical deal wins this quarter, where AI played a crucial role.

Let me begin with **"AI in Everything"** deal wins:

A global manufacturer chose LTIMindtree to manage its end-to-end IT landscape, using LTIMindtree's '*AI in operations*' platform.

A leading global investment firm has selected LTIMindtree's proprietary '*AI and infrastructure*' platform to manage its end-to-end infrastructure services.

A Middle East nuclear energy company chose LTIMindtree for its end-to-end IT landscape, leveraging our '*AI in operations*' platform.

I would like to now highlight our **"Everything for AI"** wins:

A state-owned insurance company selected LTIMindtree to implement data fabric and development of AI use cases, including data governance.

A leading US headquartered software company that provides enterprise cloud computing solutions has entrusted LTIMindtree with managing its Next-Gen Data Fabric.

A leading Middle East oil and gas major has partnered with LTIMindtree to implement an Advanced Data Governance Platform.

The third pillar of our strategy is **"AI for Everyone"**, which focuses on empowering people and humanizing AI:

We are happy to share that we have achieved nearly company-wide completion of foundational AI training. In addition to expanding the breadth of training, we have curated and invested in advanced skill building programs that focus on specializations tailored to customers' needs such as hyperscaler platforms, enterprise applications and both closed and open source LLMs.

In Q3, we deepened our partnerships focused on building more AI-led transformative services and solutions for our clients.

Here's an account:

LTIMindtree and GitHub established a strategic alliance to enhance AI-driven software engineering.

LTIMindtree and Microsoft entered a partnership to accelerate AI innovation and drive digital transformation for global enterprises.

LTIMindtree collaborated with AWS to launch industry-specific Gen.AI solutions. Our Gen.AI platform, AI frameworks, and accelerators combined with AWS's robust Gen.AI capabilities enable rapid development and deployment of customized Gen.AI solutions across industries.

LTIMindtree developed "Smart Underwriter", an Agentic AI Solution powered by ServiceNow. The solution is designed to assist underwriters in making more informed data-driven decisions and enhance efficiency through intelligent automation.

In Q3, we announced a partnership and strategic investment in "Voicing.AI", an advanced Agentic AI Solution for Customer Engagement Processes. These processes are critical for clients to not only serve their customers for products sold but also enhance their sales effectiveness. A majority of customer service firms are expected to adopt Gen.AI in 2025. LTIMindtree in partnership with Voicing.AI's Agentic AI intends to disrupt this market and provide significant cost savings to clients in addition to superior experience. We are actively involved in over 40 client conversations that leverage our combined value proposition.

We are pleased about our AI progress and excited about the opportunities ahead. We remain committed to driving AI innovation for our customers and within our own organization.

Next, I will discuss our "Industry Verticals Performance":

Q3 growth was led by BFSI vertical which grew 8% year-over-year and 4.2% quarter-over-quarter in constant currency. Both BFS and Insurance witnessed healthy growth; we signed one large deal using LTIMindtree's proprietary "*AI* *in infrastructure"* platform to manage clients end-to-end infrastructure services.

The Manufacturing and Resources vertical grew 1% year-over-year and 9.1% quarter-over-quarter in constant currency. This quarter included some pass-through revenue. We also won a deal worth over US$50 million in which we will manage the customers' application stack, ERP and infrastructure using our AI platform.

Technology, Media and Communications vertical grew 9.1% year-over-year and declined by 5.5% quarter-over-quarter in constant currency. Tech companies continue to be at the forefront of AI adoption. In the spirit of doing more for less, we are passing on AI-driven productivity benefits to our clients.

Customer business grew 2.2% year-over-year and 0.2% quarter-over-quarter in constant currency.

Healthcare, Life Sciences and Public Services vertical grew 2.2% year-over-year and 0.4% quarter-over-quarter in constant currency.

We continue to expand our workforce to support growth. This marks our third consecutive quarter of employee additions. In Q3, we onboarded 2,362 employees, bringing the year to date count to 5,150 new hires, reflecting a 6.3% increase compared to the previous year's end headcount. At the end of the quarter, our total headcount stands at 86,800. Attrition remains stable at 14.3%.

I will now turn over the call to Vipul for Financial Highlights.

Vipul Chandra: Thank you, DC. Hello, everyone and thank you for joining the call. Firstly, I would like to wish everyone on the call a Very Happy New Year.

Let me now walk you through the Financial Highlights for the 3rd Quarter of FY'25 starting with our revenue performance. Our Q3 revenue stood at US$1.14 billion, reflecting sequential growth of 1.1% and 5.1% year-on-year in dollar terms. The corresponding constant currency growth was 1.8% quarter-on-quarter and 5.6% year-on-year.

EBIT margin declined by 170 basis points to 13.8% as compared to 15.5% in the previous quarter. The impact on account of wage hikes came in at about 220 basis points, and the hikes were effective from first October and given to all eligible employees across the company. However, despite the seasonal impact of furloughs and lower working days, our ongoing efforts on cost optimization helped margins by 50 basis points sequentially. The foreign exchange movements negatively impacted the revenue line and positively affected the cost line items at EBIT level. At the PAT level, it has been broadly neutral for us.

The effective tax rate for the quarter was 26.2% as compared to 25.8% in Q2. We expect the effective tax rate for FY'25 to be in the same range.

The PAT margin for the quarter was 11.2% as compared to 13.3% in the previous quarter. Basic EPS was at Rs.36.7 for the quarter as compared to Rs.42.3 in Q2 FY'25.

Our efforts towards our aspirational DSO target of 75-days are continuing, and in line with this we close the total DSO for this quarter at 80-days compared to 81-days in the previous quarter.

We had a significant improvement in our cash conversion metrics in Q3, the operating cash flow to PAT improved to 126.3% as against 74.2% in Q2. Furthermore, free cash flow to PAT has shown a strong improvement to 106.8% compared to 54.5% in Q2.

Despite a significant cash outflow due to interim dividend payment and mid-year variable payout, I am pleased to report that our cash and investment balances are up by almost 500 crores quarter-on-quarter and stood at 12,488 crores. This corresponds to US$1.45 billion. The return on equity for the quarter was at 23.7%.

As of December 31, 2024, our cash flow hedges stood at USD3.88 billion and hedges on the balance sheet were USD360 million.

Our utilization, excluding the trainees dropped further to 85.4% compared to 87.7% last quarter. This aligns with our focus on strengthening the bench capacity, enabling us to support our growth ahead. We also continue to onboard freshers in line with our strategy to broaden the pyramid; we onboarded over 1,400 freshers this quarter. Our TTM attrition remained stable for the quarter at 14.3% compared to 14.5% last quarter.

On the CSR front, I am pleased to announce that LTIMindtree was placed in the top 10 of 50,000 assessed companies in Achilles Networks, with an overall ESG score of 84 out of 100, Achilles' average score stands at 56 only.

Our commitment to sustainability involves embedding the principles into our culture and long-term strategy. LTIMindtree was featured in Business World Magazine for being one of the top 50 India's Most Sustainable Companies in 2024.

We have also been named one of the Top 50 Companies for Women in India and one of the top 20 best IT Companies for Women in India by the 2024 Avtar & Seramount Best Companies for Women in India.

These recognitions are a clear acknowledgement of our efforts to create value beyond profits for all our stakeholders.

I now hand it back to "DC for the Business Outlook."

Debashis Chatterjee: Thank you, Vipul. In terms of the business outlook, there has been a promising increase in deal activity and the deal pipeline in Q3 as evidenced by a record order inflow in the quarter. The continuing client focus on cost reduction and vendor consolidation is supporting a strong pipeline. The savings generated from these cost cutting measures are directed towards pilot programs and scaling AI initiatives. AI spends have started shifting from point proof of concepts (POC) to scaled projects in select areas as well as in foundational data and infrastructure.

As we enter calendar year '25 political and economic uncertainties persist. With a new government in the US and the possibility of policy changes, predicting spending trend with certainty is challenging.

We are optimistic about sustaining growth momentum into the fourth quarter supported by the deal ramp ups, reversal of most furloughs and continued strength in the BFSI vertical; however, it could be impacted by short-term headwinds on account of AI-driven productivity. While we expect to improve margins in Q4, absorbing the full impact of wage hikes may take a bit longer in the current growth environment.

With that, let me now open up the floor for questions.

Moderator: We will now begin the question-and-answer session. We will take the first question from the line of Abhishek Pathak from Motilal Oswal. Please go ahead.

Abhishek Pathak: I had a couple of questions, DC. Firstly, on the composition of deals, have you started seeing short cycle deals coming in more aggressively in this quarter? A lot of your peers have indicated that discretionary spends are coming back or at least are partly coming back more strongly than earlier expected and considering LTIMindtree has a heritage of transformation and what you would call discretionary deals, are we seeing more of that as well? And the second thing was I guess the margins were a positive surprise this quarter despite a 3% headcount addition and the productivity gains that you passed. And now that utilization levels are at 85%, how should we model margins going forward, will you be comfortable at this utilization level or should we expect this to dip further, and for FY'26 then, considering once the productivity benefits are absorbed, how do you expect margins to play out?

Debashis Chatterjee: So, basically, you asked three questions, right?

Abhishek Pathak: Yes, one on the deal composition, the second on comfortable level of utilization and likewise the margin outlook because of that.

Debashis Chatterjee: So, let me start with the composition of deals. As you see the order intake for this particular quarter has been quite substantial, very positive and there is a portion of renewals in that but bulk of the orders are more cost take out and productivity and vendor consolidation related. Now having said that, there are pockets in which the short cycle deals are back. When I say short cycle deals, we can call it discretionary but more in terms of the regulatory space especially in BFSI. So, those are back, but it's also a reflection of the portfolio of clients that we have. So, given our portfolio of clients, I don't think it's fair to say that it's kind of back across all the industry in a uniform way, but definitely in BFS we can see some traction and we are hoping that it should come back over a period of time. So, that kind of gives you a view of what's happening with respect to the deals.

Second thing, in terms of utilization, we had very clearly called out that we have to lower the utilization, keeping in mind that there is a build up with respect to deals and now that we have won those deals, I think the utilization may inch up a little further in Q4, keeping in mind that the people that we have got on bench right now they can be deployed easily. You can probably see the utilization inch up a little further, which will also have some positive impact in terms of margin as we go along in Q4. Now, as far as FY'26 is concerned, specifically, it is a little too early to call out, but if you have heard our commentary before, our intention is to have a profitable growth which means that margin is very important for us. So, though margin is a factor of growth and probably we will be able to take the margin up if we do see a double-digit growth coming back in FY'26, but it will be always our endeavor to take the margin up slowly based on the framework that we have already put in place. Vipul, do you want to add anything?

Vipul Chandra: I think you covered the points. So, even the comment that you made, Abhishek, about this quarter, the margin is seeing a surprise. I think part of the reason for that, as we had called out in the earlier earnings call and the investor day commentary as well that we are looking at employing other margin levers also in terms of cost optimizations and pyramid optimizations, etc., and those efforts are ongoing, and that's where we continue to work on.

Abhishek Pathak: On the Hi-Tech top line, should we expect 4Q to be the bottom there or do we expect that to spill over to FY'26?

Debashis Chatterjee: The productivity gain that we pass to the client and especially the top client, I think that will at least one more quarter we have to bear that before it stabilizes.

Moderator: We'll take our next question from the line of Yogesh Aggarwal from HSBC Securities. Please go ahead.

Yogesh Aggarwal: A couple of questions. Going back to the Hi-Tech client where you passed on the productivity gain, DC, I am just curious it seems a little counterintuitive, we're talking about an upcycle and you guys obviously are very thick partners with that hyperscaler as well. So, why this sharp cut right now and was there any volume compensation promised for this productivity gain for future?

Nachiket Deshpande: So, if you look at the commentary made by our top client, they are significantly increasing their investments around AI, creating infrastructure all around the world and there is a significant CAPEX that has been announced by them over the last one to two quarters. So, as they are looking at rebalancing some of that investment. There is an expectation of harvesting that from ongoing operations. And also I think to be honest, it is also proof of the pudding, right. Some of these AI-related efficiencies that we are jointly advocating to our clients, we got to also demonstrate that in the work that we deliver. And that's really what is driving that productivity expectation in this particular situation. It's a demand problem that they are seeing, but it is more about one demonstrating that the efficiencies are getting generated and we are able to do that within our own environment and then continue to reinvest that into the AI-related investments.

Yogesh Aggarwal: Nachiket, it doesn't bode very well because that would mean that the same thing now will be offered to the clients of the client, right, hyperscaler am I understanding it correctly?

Nachiket Deshpande: So, we are already seeing that. We are able to infuse AI in delivering higher levels of productivity than we could in the past and that is becoming a key differentiator for us to win some of these vendor consolidation and cost take out deals. So, that's an expectation from client all around and that's been a focus area for us in the last six months.

Yogesh Aggarwal: On the other note, the deal wins are so impressive, especially in the 3rd Quarter when usually deal signings are not that good, but still you sound a little more cautious compared to all the other companies who have reported so far. Is it just the Hi-Tech impact or you worry about some other customer issues as well?

Debashis Chatterjee: I don't know what you mean by cautious, but as far as we are concerned, I think we are very clear that the momentum that we have generated in the last two quarters and the growth momentum into this quarter will continue in the next quarter. So, that's number one. The other thing is the order inflow that we have and whatever we have in terms of pipeline as we go along, that also gives us the confidence to say that FY'26 will definitely be better than FY'25. So, that's the confidence we have now. Calling out specifics is a little difficult because the clients are still going through budgeting sessions and we are kind of working with them and as Nachiket rightly called out, I mean, there is a pressure in terms of doing more for less. That's why there are consolidation initiatives that we are working on. And we have been very well placed in those initiatives because of our understanding of where we can make a difference in terms of everything.

Moderator: We will take a next question from the line of Kawaljeet Saluja from Kotak Securities. Please go ahead.

Kawaljeet Saluja: I've got a couple of questions. DC, first is the productivity benefit that you passed on to the large client. When did that happen and what is the duration of residual impact in the fourth quarter from it?

Debashis Chatterjee: The entire theme of doing more with less and the productivity benefits that we are talking about, I think you can probably say at least two months within this quarter, and which will also extend into the next quarter.

Kawaljeet Saluja: So, obviously there'll be some impact on profitability. So, what are the measures to recoup some of the hit to profitability from this productivity reset, and by when would you be able to, let's say, recoup the losses or to margins from here?

Debashis Chatterjee: I think when you talk about profitability, I don't think the specific productivity benefit that we have passed out is really playing a role in profitability. As Vipul commented in his commentary, we did consciously decide to do the wage hike because I think it was very important for us to do that. We had a few less working days and also there was a huge Forex impact. So, those were the factors. But in terms of overall profitability where we are, it can only go higher from this point as we enter into the next quarter.

Nachiket Deshpande: Where we are passing on the productivity benefit, we are actually generating those benefits and passing on. That's why it is relatively margin-neutral.

Kawaljeet Saluja: So, it's not a pricing reset which is going through to your margins from that large account?

Nachiket Deshpande: No.

Kawaljeet Saluja: The other question, for you DC and Nachiket, is that let's say in FY'26, discretionary does not recover and your business portfolio continues to be cost take out heavy. With that assumption, where do you think will end up on margins?

Debashis Chatterjee: Well, I think that's an assumption. I have not seen in this industry, discretionary at an all time low for almost two years. So, I think that is something that will probably be changing. And as I said, it's not that discretionary is not back. We are doing a lot of regulatory related work in BFS, which will continue into the next year as well. When I say next year, next fiscal. So, I think the margin trajectory will continue. We will always try to focus how to improve the margin, and the levers are all known to us, whether it is pyramid or whether it is utilization. So, I don't think there is any worry on that front, but yes, if I can get a double-digit growth back in FY26 with the discretionary coming back, then it will be even more positive on the margin side.

Kawaljeet Saluja: Right. You see, in the past, whenever you used to give wage increases, you would recoup the impact of wage revisions into the subsequent quarter. I mean, does that still hold true or life has changed?

Debashis Chatterjee: Absolutely. It holds good and normally takes 2 to 3 quarters.

Kawaljeet Saluja: Just a final question, a couple of questions for Vipul. Vipul, first is that what is the rate at which you have your $3.8 billion of hedges. And second is that where do you think the depreciation charge stabilizes, is the capitalization of most of the facility over?

Vipul Chandra: So, on the first question, Kawaljeet, I don't think we talk about the specific rates at the hedges. We do follow a systematic hedge program. And we build up the hedges over a period of time as we go along. So, it's a systematically taken up hedge program which continues. So, it's not a one time hedge where you can specify a rate because every quarter the rates keep changing, the average rates keep changing. I think our track record in terms of our hedging program which I am sure you must be tracking and it does show its efficacy over the last multiple years now.

Coming to the second point about the depreciation, I think our investments in our office spaces and building up further capacity as we have been calling out, we have been investing into our business and some of those investments are still continuing. Some of our office buildings are still under construction. So, we will see some more additions to the capital stock. And consequently, maybe a bit higher depreciation. But at the same time, as the buildings get commissioned and we get into our own buildings, some of the lease rentals also may see some rationalization. So, I think suffice it to say that in answer to your question, the depreciation has not yet come to a stable state. It will probably go up a bit more before stabilizing.

Moderator: Thank you. We will take our next question from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Thanks for taking my question and congrats to the team for very solid deal wins in the quarter. DC, my question was on the manufacturing and the Retail vertical. In the manufacturing vertical, we have reached back the $200 million to $220 million quarterly run rate after almost 3 to 4 quarters. So, I mean very solid growth in this quarter, but I think from overall market participants we're hearing a lot of negative commentary regarding the auto segment while the ex-auto remains quite decent. What are our clients talking about it? How is our portfolio aligned towards that?

Sudhir Chaturvedi: So, on manufacturing, just to call out a couple of things. Firstly, we signed our largest ever deal win last quarter in manufacturing. And even in this quarter, we have actually had a couple of good large deal wins in the manufacturing sector, which are about $50 million in size. So, that's sort of contributing to us having a good order book in manufacturing and the pipeline being there. I think our exposure to the auto vertical in manufacturing is relatively low. We do a lot of work with industrial manufacturing clients. So, I think for us, we see that there is continuing sort of good pipeline there and continuing momentum.

Vibhor Singhal: Given the deal wins that you mentioned in this vertical in this quarter, can we expect the growth momentum in this vertical to continue in the coming quarters?

Sudhir Chaturvedi: So, there is an element of some pass-through in this quarter, but if you look at it from a year-on-year perspective, you'll see good growth.

Vibhor Singhal: I will just pick your brains on the Retail vertical as well. I think in this quarter, we have seen some of your peers talk about Retail vertical bottoming out. Another peer reported quite good growth in that again. So, any color on that, what have we seen? Of course, we clubbed CPG, Retail and Pharma. So, you might want to break that down. But overall, the vertical, what is the kind of traction that we're looking at? And if you think it has bottomed out for us?

Sudhir Chaturvedi: Yes, for us, it's primarily consumer goods and Pharmaceutical and there's some exposure in retail, but quite small. And there we are seeing more or less a stable sort of demand environment. There are some deals in the pipeline, but I would say it's more stable.

Vibhor Singhal: Just one quick last question for Vipul, if I may. Vipul, we have seen another round of headcount addition in this quarter, and that headcount addition has been quite good over the past two to three quarters, along with the lines that you had mentioned earlier that we would be adding this. So, when do you think the balance between incremental hiring utilization is going to play out in the margins. This quarter, of course, the wage hike impact was there. Can we expect the pyramid rationalization and the hiring to basically decelerate a bit over the next coming quarter and hence help us in our margins?

Vipul Chandra: So, I think part of the answer you have called out yourself, that we have always called out that our comfortable range for utilization is 85% to 86%. We have reached those levels. So, from here on, the utilization and hiring will be a function of the market conditions and the demand environment that we see. So, it's not that we are actively looking to kind of target any other utilization levels. It's a question of how the demand plays out. As far as the pyramid correction is concerned and the fresher intake is concerned, that is one of the levers that we have talked about. And we are continuing to focus on that. Again, it's a function of how the demand plays out and how we are able to kind of deploy the freshers after getting them trained up. But I think the fact that we are working on these margin levers, as I've covered just a little while back also, is visible even in terms of the margin impact in this quarter. And that is something which we will continue to work upon as we go along.

Vibhor Singhal: Got it. And same thing with offshoring, I suppose. I think we would be comfortable with these levels, little scope to go beyond these numbers, I suppose?

Vipul Chandra: Yes, I think onshore-offshore ratio is something which we monitor, but I think we are doing reasonably well on that parameter. Again, as the situation requires, we will continue to adjust. But it's, again, a function of the ongoing business demand.

Moderator: Thank you. Next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja: The first question was with regards to the productivity benefits that you passed on to your top customer on the Hi-Tech side. I want to understand, do you envisage situation that something similar might happen with other customers as well. That's question number one. The second question was on your margins. So, in your Analyst Meet, you spoke about trying to essentially get margins to about 17%-18% over the medium term given the current margin profile and some of the operating levers and I would presume that through the course of the last 12 months you would have already seen some G&A consolidation gains. How should we be thinking about the bigger drivers for us to recover on margins?

Debashis Chatterjee: Let me take the first question and request Vipul to take the margin question. So, Manik, in terms of when you talk about productivity benefits, the reason why we called out the top client is because it's a large client with a large revenue. But if you ask me, what is it that we are doing with respect to AI, if you have seen our strategy rollout, during the investor day, we clearly called out that we are doing AI in everything, which means that whatever we do for our clients and ourselves, we want to infuse AI in everything that we do, which means that we are not waiting for clients to come back, but we want to go to our clients proactively and figure out how can they do more with less. Now with that approach even with existing portfolios, we have seen that clients are very excited. And whenever there's an opportunity to expand the portfolio beyond whatever we are doing, we have actually gained market share within that particular client. And even in consolidation initiatives, which is vendor consolidation, our strategy is working well. You know, it also kind of indicates that we have a good handle in terms of what kind of solutions we can propose to the client when it comes to AI in everything. So, we called out the top clients specifically because it's a substantial impact, but I don't think there is any substantial impact on any of the other clients, but as a theme, we are going to aggressively push AI in everything, which we hope that eventually it will be beneficial to us because we will be winning more market share in the process.

Manik Taneja: So, does that mean in the near term, this could be diluted to our growth as other customers also look for some of these efficiency gains?

Debashis Chatterjee: No, I don't think so. See, whatever we have called out for the near term, the only thing I would say that for the top client, we will have an impact in the next quarter as well. But I think we will see growth in the next quarter. As I said, the growth momentum will continue into Q4, so which means that there is enough growth out there in other opportunities which will nullify the slight impact that we will have at the top client. So, we are very confident that our strategy will work, and this strategy can actually be a differentiator for us as we go along.

Vipul Chandra: So, coming to your second question on the margins front, I think in Quarter 2 Earnings Call, we had already called out the impact of the wage hike. And we had also talked about the fact that a wage hike impact cannot be recovered in one quarter. While we have been working on our cost optimization and other margin levers, and that's why the full impact of the wage hike is not visible in the margins. It's lesser than that. But it will take, as DC had said a little while back maybe a couple of more quarters or 2-3 quarters to recover back fully. We had also spoken about in the investor day interactions that one of the biggest levers for margin to be recovered, is growth. And as long as the growth is in single digits, the other levers, the pace at which they work versus the growth lever, their pace is different. And to that extent, if the growth comes back in double digit, then of course the journey towards margin recovery and going beyond gets faster. Otherwise, it's a bit of a slow grind in operational levers.

Moderator: Thank you. We will take our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: DC, if I look at our growth within the top 10 for the last two, three quarters, has been slightly volatile. So, you explain that most of the growth has been coming through your top 10 clients. So, to explain very well on the Hi-Tech account, is there any other large top 10 client specific issues which makes us slightly cautiously optimistic?

Debashis Chatterjee: The answer is no. I don't think, and even if you look at the top 10, it has remained fairly stable, which means that within my top 10, the other accounts have grown.

Sandeep Shah: And also in terms of AI related productivity, you are saying the theme which is growing is more with less. So, in that scenario, one can assume that in the near term, there could be more benefits to be passed on, which may lead to an increase in the volume starting at FY26.

Nachiket Deshpande: I think you're right. You answered the question.

Sandeep Shah: And just on insurance, if I am not wrong, we work with some of the US logos, which also has exposure in terms of California fire. So, any client-specific issue you foresee or it's too early to make this judgment?

Sudhir Chaturvedi: Too early. Right now it's too early.

Moderator: Thank you. We will take our next question from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Just a couple of questions. One, your deal number has been reasonably strong at that $1.68 billion. But you haven't really called out any like $100 or $200 million kind of deals in that. I just wanted to understand if you can give some more color in terms of the mix of this order inflow, split between maybe qualitatively split between discretionary versus cost takeout and new versus renewal?

Sudhir Chaturvedi: So, I think if we look at the $1.7 billion, almost $1.7 billion worth of order intake and you see the makeup of that, there is a significant amount that has come from new large deal wins. If you remember, even in our investor meet, we talked about a good large deal pipeline with deals in the final stages. We also spoke about us being on the right side of several vendor consolidation deals that were underway. So, those were the two major contributors, along with the renewals. So, Q3 is our renewals quarter, especially in the BFSI vertical. And we saw strong renewals. And again, strong renewals is also a good sign that we continue to maintain the base of clients and we will seek to grow them further during the year. A majority of this renewal is longer term deals as evidenced by both renewals as well as the large deal makeup of this. We are yet to see discretionary comeback in a secular fashion. There are projects in certain verticals that are there, but this order intake is essentially a combination of deal wins, vendor consolidation, and renewals.

Rishi Jhunjhunwala: And just very quickly, for this quarter at 1.8%, the two headwinds that we saw, one was with the top Hi-Tech client and the other one on the furloughs. Furloughs are going to get reversed in 4Q and the impact of the Hi-Tech client is going to reduce. So, I just wanted to understand, I mean, is it possible to quantify say what the growth in this quarter would be ex of that client's issue and can we at least get that kind of growth in 4Q as well?

Debashis Chatterjee: I think we don't want to quantify, but we can only say that we are very confident about the momentum continuing into Q4 as far as growth is concerned, keeping in mind that some of the issues that we will have with the top client. I mean, please remember, as I said some time back, the top client impact was probably for not the full quarter in Q3. But we will have a full quarter impact in Q4, but the furloughs will be back, may not be fully, but they will be coming back. And I think the number of working days also will be less in Q4. So, keeping all these things in mind, all these headwinds, we are still confident that we will continue the growth momentum.

Moderator: Thank you. We will take our next question from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Despite this productivity improvement given to you, Hi-Tech customer, your top five revenue is still just barely down 0.7% quarter-on-quarter. So, does that mean other clients grew despite furloughs and all that?

Debashis Chatterjee: Yes.

Ravi Menon: So, we have seen, I would say, consistent growth across most of the other client base. So, are we seeing a broad base pick up across except for this one client?

Vipul Chandra: So, even on this client, if you compare year-on-year, there is still growth. So, for this quarter, our productivity pass-back has happened, that's the reason why we are calling out, because it's a noticeable number to not talk about. Otherwise, I would say that the growth is there.

Ravi Menon: Is this related to a certain revenue size milestone being hit or is this like a contract renewal process every four years or something like that? How should we think about this?

Debashis Chatterjee: I think Nachiket has articulated it very well that when we talk about AI, the top client is pretty much in the forefront of AI, and along with the top client, we are actually working with many other clients in terms of how do you really do the AI in everything. And when it comes to the top client, we need to also do the same thing. So, I think you need to look at it from that perspective that when you say AI in everything, it will be in our own environment, in our top client, as well as all the other clients that we work with. So, just that the top client has a huge revenue and there is some impact. That's why it's worth mentioning. But otherwise, I don't think there is anything that we are concerned about. As we said, that even on a Y-o-Y basis, the top client has still grown.

Ravi Menon: Thanks so much. And one last question on the impact of pass-through on the margins. Could you quantify that this quarter?

Vipul Chandra: So, I think, as you're aware that pass-throughs in the past has been a regular phenomenon. I think over a period of time, the pass-through revenues have become a part of the overall revenue makeup of the company. And the impact is also now pretty much factored in into the quarter-on-quarter movements. So, I think it's not, and we don't really call out the impact individually for pass through and services and everything. I would just say that it's a regular part of the business revenue now and it's continuing in the same way.

Moderator: Thank you. The next question is from the line of Abhishek Kumar from JM Financial, please go ahead.

Abhishek Kumar: Again, sorry to harp on the productivity pass back. We have heard of 20%, 25% productivity coming through AI, especially in product development. So, in that context, just 5% decline sequentially in your Hi-Tech vertical seems small. So, does that mean either we were able to offset some of that pass through or it is just the beginning of sharing some of the productivity gains. It might have started in one section of the relationship. And it can continue because even we have discussed earlier the productivity gains are significantly higher than what we are seeing right now in terms of decline.

Nachiket Deshpande: So, I think all of the above in a way. So, number one, I think the productivity benefits in different parts of the services within the top client also have different characteristics, right? So, hence you will not be able to apply one number. It's not just one service, but a variety of things that we do in our engagement. Second, we have been also gradually working on it. So, it is beginning and as DC said, in Q4, we will see a full quarter impact of what we are passing-through for this particular customer as well. And as I think we talked about the philosophy of more for less, it is also getting compensated by growth in the adjacent areas where we are passing on productivity. So, it's a combination of all of these three is why you see a different impact versus what would be the productivity deals that are being passed on.

Abhishek Kumar: Sure, maybe just to follow up. So, do we expect growth in FY26 over FY25, especially in this account or in Hi-Tech vertical, given the continuation of productivity pass back?

Nachiket Deshpande: Yes, I think on a full year basis in FY26, we will surely see the momentum. But as I think DC called out, it's too soon. Budgets are still getting finalized.

So, I don't think we are in a position to sort of confidently say that, but the indications are that I will continue to see the momentum.

Abhishek Kumar: So, one last question on Europe. We saw decline. I am not sure how much it declined in constant currency, but any color on what is leading to drag in Europe?

Sudhir Chaturvedi: In CC terms, Europe grew 0.7% sequentially.

Moderator: Thank you. We will take our next question from the line of Rohan Nagpal from Helios Capital India. Please go ahead.

Rohan Nagpal: So, just, sorry, this is on the productivity pass through again. So, since we're at a stage where we are generating the productivity gains internally and then passing them on, there has to be a fairly objective way of measuring the kind of productivity gains that we have seen because there is a contract that determines payment. So, could you just provide, I mean while you don't want to get into specifics in terms of exactly how much productivity gain you are seeing, but could you provide some color on the areas or directionally what sort of quantum of productivity gains you are seeing?

Debashis Chatterjee: No, we may not be able to call out specific quantum, but I think it is fair to say that if you follow our strategy at an overall level, we have been calling it out well ahead of time that we know that when you talk about AI, there has been a lot of conversations about how does AI reflect in terms of productivity and will it cannibalize some revenues in specific areas. And we have been proactive in terms of understanding that and launching our overall strategy, which is AI in everything. knowing very well that if we do that, in the short term, maybe there could be certain benefits you need to pass on to the clients, but in the medium to long term, that will only benefit us to get more market share for the client. For example, we have, just the only thing I can call out is that the top client, we have been working with co-pilot adoption. We are leveraging co-pilot very aggressively which by inherent, by using copilot inherently, you get a significant productivity gain. Now, if you imagine the volume that we support and for that volume, if we leverage copilot, that's a significant volume, that's a significant number. So, it is not a copilot is just one example in case of the top client, but there are other levers as well and as Nachiket articulated, there are multiple areas within the same client in which you work, and the approach is very different in different areas. But overall, we are very confident, and I think we are actually ahead in terms of understanding the need to look at this productivity benefit so that in the long run, it will only be beneficial to us.

Rohan Nagpal: I just have a follow-up over here. So, if there is AI in everything, we just expect like productivity benefits that could have a material impact in the relationship with our top client to effectively diffuse through our entire client base and every workstream? Is that right?

Debashis Chatterjee: No, I think let me take a step back and explain to you. When you say AI in everything, it is not just top client. It's pretty much across the entire client base. In fact, we have launched an initiative where almost 60 out of the top clients, we are doing something or the other in the form of AI. Now, typically, there are deals which we have won, and I think some of them we announced earlier, where we would not have won that vendor consolidation unless we had committed to AI productivity gain. So, which means that even in situations which is a new deal, unless you have a very clear strategy in terms of how you can solution the productivity gain for the client, we may not be able to win that deal. So, the way to look at it is that we know very well that for our existing client base, in some areas we may be cannibalizing, but at the same time, we are very confident that with our approach, when it is appreciated, we will actually be able to expand in the same client. That's the way we are looking at it. And that's why, in spite of all the headwinds, in spite of some of the things that we talked about, the Forex, the lesser number of working days, productivity gains, passing onto the top client, still we are confident that our growth momentum, which we have developed over the last two quarters into Q3. We will also continue into Q4.

Moderator: Thank you. Ladies and gentlemen, that was the last question. On behalf of LTIMindtree, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Safe Harbour

Certain statements in this release concerning the future prospects are forward-looking statements. These statements, by their nature, involve risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. The Company assumes no obligation to revise or update any forward-looking statements that may be made from time to time by or on behalf of the Company.

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