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BSE Limited

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Scrip Code: 544028

National Stock Exchange of India Limited

Exchange Plaza, C-1, Block G,
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Mumbai – 400 051, India

Trading symbol: TATATECH

Dear Sir / Madam,

Subject: Transcript of the conference call on financial results for the quarter ended September 30, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call on financial results for the quarter ended September 30, 2024, conducted after the meeting of the Board of Directors held on October 28, 2024.

The above information will be made available on the website of the Company: www.tatatechnologies.com.

This is for your information and records.

For **Tata Technologies Limited**

Vikrant Gandhe
Company Secretary and Compliance Officer

Encl: As above

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**“Tata Technologies Limited
Q2 FY'25 Earnings Conference Call”
October 28, 2024**

MANAGEMENT: **MR. WARREN HARRIS – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TATA TECHNOLOGIES LIMITED**

MS. SUKANYA SADASIVAN – CHIEF OPERATING OFFICER – TATA TECHNOLOGIES LIMITED

MS. SAVITHA BALACHANDRAN – CHIEF FINANCIAL OFFICER – TATA TECHNOLOGIES LIMITED

MR. VIJAY LOHIA – HEAD OF INVESTOR RELATIONS – TATA TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tata Technologies Q2 FY '25 Earnings Conference 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 an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I will now hand the conference over to your host Mr. Vijay Lohia, Head of Investor Relations at Tata Technologies. Thank you, and over to you, sir.

Vijay Lohia: Thank you, Ryan. Hello, everyone, and welcome to Tata Technologies Second Quarter of Fiscal '25 Results Call. I'm Vijay Lohia, heading Investor Relations. Joining me today are Mr. Warren Harris, CEO and MD of Tata Technologies; Ms. Sukanya Sadasivan, COO; and Ms. Savitha Balachandran, CFO.

Our management team will start with an overview of the company's performance, followed by a Q&A session. As a reminder, we do not provide specific revenue or earnings guidance, and any statements made today regarding our future outlook should be reviewed in light of the risks that the company faces. These risks are outlined in the second slide of the quarterly fact sheet available on our website. Our press release and earnings presentation have been submitted to the stock exchanges and are also accessible on our website, www.tatatechnologies.com. We hope you've had a chance to review them. Let me now turn over the call to Warren.

Warren Harris: Thank you, Vijay, and thank you, everyone, for joining us today on this earnings call. Let me share some key highlights for the second quarter of fiscal 2025. I'll then pass the floor to Savitha for a more detailed overview of our financial performance.

From a revenue standpoint in Indian rupees, we achieved sequential revenue growth of 2.2%. Our **services business** has returned to sequential growth this quarter, posting a 2% increase in revenue as we had guided in the previous quarter's earnings call. While our overall demand trends remain relatively healthy, we are observing a slight delay in customer decision-making in the near term. This is driven by a strategic reconsideration of electric vehicles versus hybrid

compounded by ongoing geopolitical tensions and uncertainty surrounding elections in various parts of the world, including the United States. As a result, recent deal wins have been smaller in size as customers adopt a more cautious approach to committing to larger long-term projects during this period of uncertainty. We anticipate greater clarity to emerge in the early part of the next calendar year. Our order book and pipeline remained healthy, and combined with the continued positive momentum within our anchor accounts, we are confident that the second half of the fiscal year will show stronger performance compared to the first half.

Our **Tech Solutions** business achieved a 2.8% sequential growth this quarter, primarily driven by an impressive 19% growth in our **Education segment**, fuelled by the ongoing ramp-up and successful deliveries at our projects in Bihar and Telangana. We also secured two significant wins during the quarter, one with the Maharashtra Industrial Development Corporation to establish a center for invention, innovation, incubation and training, and another with the Tamil Nadu Industrial Development Corporation to setting up a common engineering facility center. With the strong order book and a healthy pipeline, our education business is well positioned for sustained growth throughout the remainder of the fiscal year. **Products** came in as expected. Product software sales are typically muted in the summer months with most of our customers' product software budgets being discharged in Q3 and Q4.

Our margin performance remains resilient with operating EBITDA coming in at 18.2%, flat quarter-on-quarter and in line with our focus on margin preservation this year.

In terms of our offerings, within the **Product Engineering segment**, we've seen increased traction in the mid-cycle refresh turnkey vehicle programs as well as in the embedded and software offering space. In our **digital engineering** lines of service, we continue to see stronger demand, particularly in areas such as smart manufacturing, digital thread solutions, customer experience enhancements as well as in AI and Gen AI. The growing interest in digital thread reflects our clients' need for seamless integration across the entire product life cycle, enabling greater visibility and operational efficiency. In smart manufacturing, companies are increasingly adopting our solutions to optimize production processes and enhance agility. Additionally, customer experience solutions remain a priority as our business looks to leverage digital tools to deliver personalized, frictionless interactions. These areas of demand underscore the critical role of digital engineering plays in driving innovation and competitive advantage for our clients.

Let me profile a couple of key deals that we have won in the product engineering space in Q2. They include:

We have been selected by an Asian Automotive OEM for a mid-cycle refresh turnkey project for two of their vehicles. These projects entail a comprehensive suite of automotive engineering services, including the design and development of exterior and interior trims, electrical engineering, diagnostic management, closures, aggregate level computer-aided engineering (CAE), prototype build support and vehicle integration. The project is set to spend the next 22 months, positioning us for long-term collaboration and growth with this customer. This engagement underscores our strategic capabilities and commitment

to innovation, marking a pivotal moment in our journey as we continue to drive transformative solutions to deliver long-term value for our customers and stakeholders.

A North America-based global industrial heavy machinery company has chosen Tata Technologies for a project focused on extensive value engineering and cost optimization, culminating in the establishment of an offshore development center (ODC) to replicate this work on their future product lines. Our engagement with this customer began in December of last year when we initiated bench market studies on some of their competitor products. Over the course of this year, we successfully deepened our relationship with the customer's leadership significantly enhancing our mind share and resulting in substantial increases in our wallet share. The creation of the ODC, coupled with the expansion into digital domains, not only demonstrates our ability to deliver tangible value, but also highlights our potential to cross-sell and upsell additional services, further consolidating our presence and growing influence within this account.

A global Tier 1 automotive leader, renowned for its cutting-edge technology and a nearly 70-year legacy in delivering innovative solutions for emission reduction and energy efficiency, has chosen Tata Technologies to establish an offshore development center. This ODC will focus on developing embedded software for electric powertrain products, including e-turbos, e-compressors and hydrogen fuel cells. This collaboration highlights the company's commitment to advancing sustainable technologies, and we are proud to support their mission. Based on current demand and future projections, we anticipate the potential to nearly double the size of the ODC within the next 6 months,

further expanding our contributions to their electric powertrain advancements and reinforcing our position as a key technology partner.

We continue to build our network of partnerships and alliances which we believe will help us to continue to penetrate the fast-growing SDV space. In Q2, we announced a strategic alliance with Telechips, a South Korean-based semiconductor company to co-develop innovative single-chip solutions for software-defined vehicles. The collaboration is focused on delivering cost-effective ADAS and cockpit solutions specifically tailored to meet the demand of the Asian market. Telechips' hardware solutions provide a significant advantage by reducing overhead costs in the software bill of materials, making it possible to develop SDV solutions that are both high quality and affordable for cost-sensitive OEMs. This partnership not only strengthens our ability to offer scalable, efficient technologies but also positions us to meet the growing demand for smart connected vehicle systems in one of the world's most dynamic automotive markets.

In addition to the relationship with Telechips, we also announced a collaboration in the aerospace vertical with Air India earlier today. Air India has selected Tata Technologies as its strategic partner to transform the interiors of the aircraft. Through this partnership, Tata Technologies will deliver comprehensive solutions that cover design, validation, weight optimization and ergonomic considerations. Leveraging our expertise in lightweight materials and advanced design and validation methods, we aim to enhance Air India's fleet performance, safety and operational efficiency, creating an elevated travel experience for all passengers.

This partnership also solidifies Tata Technologies' role in optimizing Air India's operations by deploying advanced digital threat solutions and smart maintenance, repair and overhaul services. These innovations are designed to improve operational efficiency, minimize downtime and maintain Air India's fleet in prime condition, reinforcing both passenger safety and service reliability.

I'm also delighted to note that we've announced the official launch of our partnership with BMW in India named BMW TechWorks India, a Tata Technologies joint venture. BMW undertook an exhaustive search for candidate partners in India before choosing Tata Technologies. During this process, they evaluated numerous firms, many of which held incumbent relationships with BMW. The decision to partner with Tata Technologies is a profound testament to our market-leading automotive capabilities and the trust of BMW places in the core values that underpin the Tata Group.

What make this partnership particularly exciting is its impact, we believe, on the Indian landscape. India has long been recognized for its skilled talent pool, innovation and cost-effective solutions. This collaboration underscores the growing importance of India as an engineering services hub for the global manufacturing sector. By investing in this country, BMW and Tata Technologies will develop some of the best and brightest automotive software and IT professionals in the world. This partnership sets a precedent for future collaborations that we believe will fuel India's growth story, enhance its technological capabilities and contribute significantly to high-end job creation.

BMW TechWorks India will develop advanced software for SDVs, AI-based solutions, including large language models and standard software, automotive driving and next-generation infotainment. The venture will also concentrate on enhancing customer brand experience and delivering cutting-edge digital products and innovations in sales and customer interactions.

With the final signing of the contracts and the approval of the authorities, the JV will commence operations with 100 employees across key technology hubs in Pune, Bangalore and Chennai. The venture is set to scale rapidly targeting a 4-digit workforce by the end of 2025 with a strong emphasis on attracting India's top engineering talent. The joint venture is set to grow into a high double-digit million-dollar revenue stream with projections to surpass \$100 million run rate within a few years. We expect this engagement to make a material contribution to our financial results in the coming years.

As noted earlier, our **digital engineering** segment continues to see growing interest in the areas of smart manufacturing, digital threat integrations and Gen AI. Some of the notable deals won in this space in Q2 include:

We've successfully completed the deployment of a CRM platform for a leading Asian 2-wheeler automotive OEM. Additionally, we implemented the lead management system from our Power of 8 platform, leveraging our templated approach to achieve record-breaking go-live time. This solution has transformed the lead capture process from a previously manual system into a real-time automated workflow, significantly improving operational transparency and efficiency.

Following the successful implementation of the CRM system in the pilot country, we've been further awarded the dealer management system project. With our solution, sDealer from the Power of 8 platform, the goal is to provide a unified one country, one DMS solution across the customer's global footprint, covering 16 countries. This would digitize the entire customer life cycle journey from presales to sales to after sales, including inventory and claim management systems. The solution will enable the OEM to streamline operations, deliver a superior customer experience and enhanced transparency.

We've also been selected by a leading global Tier 1 automotive OEM to facilitate the separation of one of their business entities through the migration of their PLM platform to Siemens Team Center. This strategic initiative aims to unify business unit data into a single platform, streamlining data management and enhancing operational efficiency. It will also simplify disentanglement of shared data between business units while customizing the solution to meet the specific needs of the aftermarket division. And also, it will achieve cost efficiency comparable to replicating the current SAP PLM system. By transitioning to Siemens team Center, the OEM will benefit from improved data transparency, better scalability and a more agile platform that supports the long-term digital transformation goals, ensuring the separation process is seamless and future ready.

For European luxury automotive OEM, we have also initiated the AI governance framework centered around key pillars, such as responsible AI, the use of large language models, AI standardization, AI controls and AI enablement. This framework is supported by the necessary tools and processes to manage AI systems while ensuring

full compliance with regulatory requirements across the organization. By implementing a robust AI governance structure, we are helping the customer accelerate the deployment of AI solutions, ensuring that they are not only faster and more efficient, but also align to the business objectives and importantly, ethical standards. This initiative enhances the OEM's ability to harness the power of AI responsibly, mitigating risks and unlocking greater value from AI-driven innovation.

Our commitment to customer centricity remains a core focus. I'm pleased to share that in FY '24 we were recognized amongst the top 10 percentile of technology service providers, achieving an impressive Net Promoter Score of 66 as reported by our partner, Litmus World. The rating reflects our ongoing dedication to delivering exceptional value and service quality to our clients, ensuring we remain a trusted partner in helping them achieve their strategic goals.

Before turning it over to Savitha, let me briefly reiterate my comments from our Q1 earnings report on concerns regarding the deceleration in electric vehicle sales momentum and why we believe that the medium- to long-term fundamentals remain intact.

Despite recent concerns regarding customer sentiment, global sales of fully electric vehicles are still forecast to grow in 2024, but at a slower rate than in the previous year, 31% in 2024, down from 28% in 2023. However, we still expect the share of EVs on the road to continue to climb rapidly. By 2030, the International Energy Authority expects almost 1 in 3 cars on the road in China to be electric and almost 1 in 5 in the U.S. and the European Union. Consequently, we continue to

believe that our market-leading electrification proposition will provide significant growth opportunities for our company.

Let me now hand over to Savitha to take you through our financial performance.

Savitha Balachandran: Thank you, Warren. Hello, everyone, and thank you for joining us on this call today. Let me now walk you through our financial performance for the second quarter of fiscal '25.

Our revenue from operations grew 2.2% sequentially to INR 1,296 crores for the quarter. The Services segment, which comprised around 78% of total revenues, was up 2% sequentially to INR 1,005 crores. The Technology Solutions segment, which comprised the remaining 22% of revenues witnessed a 2.8% sequential increase, which was driven by a robust growth of close to 19.5% of our education business, driven by reasons that Warren has explained in his remarks. The products business saw a decline of 21%, driven by seasonality, which will reverse in the seasonally strong second half of the fiscal year.

Let me provide some additional insight into the health of the underlying business. On a year-on-year basis, our Services segment revenues grew 1%. Note that this is after covering for VinFast, which contributed almost \$18 million to the top line in the comparable quarter of last year, excluding which, our revenues saw a 15% year-over-year increase, underscoring the continued strength and resilience of the core business. As we've outlined in our earlier interactions, our focus continues to be on maintaining a balanced approach of upholding operational discipline while strategically investing in capabilities to capitalize on the emerging opportunities in the industries of our key

customer segments. Our operating expenses in the quarter was up 2.2% on a sequential basis, which was consistent with our overall revenue growth. As a result, our EBITDA margin came in flat at 18.2%. I'm especially pleased with the disciplined cost management our teams have maintained to ensure we remain on track for our margin preservation targets this fiscal year. We've also made steady progress on our key long-term margin levers with positive gains in our offshoring initiatives this quarter. Additionally, our utilization rates have also improved further supporting our margin objectives. Looking ahead, we remain committed to our medium- to long-term margin aspirations of 20% plus level.

This quarter, the outsourcing and consulting charges saw an increase of about INR 11 crores, driven by a ramp-up in a couple of projects. This was partly offset by a reduction in the employee benefit expense by about INR 5 crores or less than 1%. Our combined consulting and employee expenses increased 0.8% in the quarter, while other expenses increased by about 10% sequentially, driven by higher professional fees associated with specific strategic engagements during the quarter and a slight rise in allowance for expected credit losses following one of our long-tail European customers having entered into self administration. We have adopted a prudent approach by completely providing for our exposure in this quarter. We recognized other income of INR 16.5 crores during the quarter compared with INR 23 crores in the previous quarter. This was largely driven by lower interest income on account of a dividend of INR 408 crores that we paid in June as well as a non-cash net loss of INR 2.5 crores due to a translation effect of change in the fair value of derivative

instruments. Consequently, the profit before tax came in at INR 218 crores, a 1% sequential decline.

Our effective tax rate in the quarter came in at 27.6%, an increase of 140 basis points compared to the previous quarter, driven by profit mix change across geographies. As a result, the profit after tax declined by 2.9% to INR 157 crores.

We remain focused on maintaining a strong and liquid balance sheet. At the end of the second quarter, our net cash on the balance sheet was \$145.3 million compared with \$131.4 million at the end of the previous quarter, and we continue to remain debt-free.

Our collection efficiency continues to remain robust with a total DSO of 85 days at the end of September compared with 84 days at the end of Q1 and 92 days in the same quarter of last year. Billed DSO stood at 60 days, while the unbilled DSO came in at 25 days at the end of Q2.

Turning to cash flows. We've observed an improvement in the working capital position and cash conversion level during the first half of the year. Our free cash flow amounted to approximately INR 453 crores with a net release of about INR 23 crores in working capital in the first half of this fiscal, and we remain focused on sustaining this efficiency in cash collections as well as conversion rates.

Let me now give you some color on the operational metrics.

At the end of the quarter, our head count reached 12,680 employees, representing an increase of 1.4% or 175 employees compared to the previous quarter as we added capacity in some of our focused growth areas, which includes ramping up for our joint venture as well as some

new wins in the embedded area. We remain focused on strengthening the base of our people pyramid with more campus hires and we will also look to make selective lateral hires depending on the business need. Our employee utilization saw an improvement of 120 basis points from the previous quarter, reaching a level of a little under 88%. We believe there is room to further improve this metric in the near term.

Attrition levels have continued to improve, supported by a general decline in industry-wide attrition as well as our ongoing employee engagement initiatives. One such initiative includes our internal chatbot that has enabled us to identify and address potential flight risks proactively. By the end of Q2, our 12-month voluntary attrition rate stood at 13.1%, down from 13.7% of the previous quarter, with further positive momentum observed so far in this current quarter.

We remain committed to investing in the development of our teams focusing on talent building activities that strengthen our capabilities in strategic areas. There has been a substantial increase in training hours, particularly covering key topics such as software-defined vehicles, Generative AI and cybersecurity. In quarter two alone, over 6,000 employees completed nearly 19,000 hours of training equipping them with skills and insights needed to support our evolving business objectives and to meet the challenges of the dynamic industry landscape.

In terms of our on-site and offshore revenue mix, the proportion of revenue generated outside our delivery centers in India and Romania and executed offshore increased by 470 basis points sequentially,

reaching a level of 43.7% and we are actively focused on driving initiatives to further improve this metric over time.

As we drive to do more work in the embedded and digital space as well as large full vehicle programs, our focus will be to leverage offshore far more. This will help us bring in better employee pyramid with focus on reskilling and upskilling as mentioned above and will drive better utilization.

We are also investing in automation and AI tools to improve delivery efficiencies and significantly improve our productivity as well as time to market.

Turning to customer pyramid. You can see that a number of customers generating revenue surpassing \$1 million has improved steadily. Within the \$1 million to \$5 million category, which rose to 30 in the second quarter compared to 28 during the same period last year. We've also seen improvement in the \$10 million to \$50 million category, which now has 6 customers compared with 3 during the same period last year. In the \$50 million-plus category, we now have 2 customers compared with 3 in the same quarter last year.

In summary, while the long-term fundamentals of our business remain sound, we're noticing a slight delay in customer decision-making in the near term. However, we anticipate strong performance in the second half of the year, driven by opportunities reflected in our order book and pipeline. Our margins have remained resilient throughout the first half, and we are committed to maintaining strong operational discipline while continuing to invest in key strategic growth areas.

With that, I thank you for your time. We can now open the floor for questions.

Moderator: Thank you. Our first question comes from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my question. My first question is just on the broader environment for your core automotive segment. Just trying to understand, I think you made a few comments around sizes of deals being slightly smaller and they're waiting for a couple of quarters for more clarity on how the growth might start to rebound in the EV investing end market.

So can you just provide a little more color around those comments and then maybe what you're seeing in your core customers, I think one of your peers had mentioned that JLR is not mainly the primary growth driver for the balance of this fiscal year, it's some of the other OEMs, which might be driving most of the growth. So just that angle between anchor customers and non-anchors as well.

Warren Harris: Yes, it's a great question. And I'll reiterate my comments that in a medium to long term, we fully expect that the pendulum has swung and there will be increasing EV adoption rates as we get through the short-term challenges. And even in the short term, we expect the EV penetration to continue to grow. But there's really 2 things that are covering the short-term decision making of our customers.

In North America, the election is essentially presenting at 2 very polarized policy positions as far as clean energy is concerned. And I think that our customers are waiting for clarity in terms of who wins

next week. And I think that will then provide the basis on which decisions will then be made. I think in Europe, I think that there is concern about the chip -- the threat from China and the ability of the Europeans to react from a technology step perspective and also from a pricing perspective.

And I think that they are waiting for regulatory help in Mainland Europe specifically. And our view through the discussions that we're having with the OEMs and their supply chains is that, that clarity will be provided in the early part of the next calendar year. So, we anticipate short-term headwinds, some tactical headwinds over the next 6 to 9 months, but then we expect the type of accelerated growth that we've seen in the last couple of years to reinstate itself.

Chandramouli Muthiah: Got it. That's helpful. Second question is just around some of the useful comments you had shared with us on BMW. So thanks for that. So just trying to understand, I think at this point, we seem to be guiding for over time, that could be \$100 million revenue opportunity. Just want to understand a couple of things around that.

Do we expect to account this in the revenue line? Or is there clarity around whether it comes below the EBITDA line of share of profit from JVs? And also, just related to that trying to understand given that it's a JV, would you expect this to be as an entity, more profitable than your current core business? And what will be the sort of start-up costs associated with setting it up? When do you think it might achieve steady-state profit?

Warren Harris: Yes. I think the fact that the JV does not begin to operate until the 1st of November means one that we are constrained by confidentiality

agreements with regard to our commitment to the BMW. So, we're not at liberty to share specific details on revenue ramp-up and margins. As far as the accounting treatment is concerned as far as consolidation is concerned, we are still working with our auditors to determine the best approach for us to be able to present the contribution that the JV will make to our business. And so, as that becomes more clear, and we expect that to happen in the next couple of months we will bring that to the investors and share the details.

Chandramouli Muthiah: Got it. Thank you very much and all the best.

Moderator: Thank you. The next question comes from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: Hi, good evening and thanks for taking my question. First is on second quarter revenue growth. When I look at the constant currency growth sequentially for services, it was muted at 0.3%. So, was it in line with what you were expecting? Or were there some negative surprises through the quarter? And related question is, we saw a sharp jump in offshore revenue and one of your peers indicated that clients are correctively asking for work to move offshore. So, did that happen in our case? And if yes, did that had a deflationary impact on the revenues for the quarter?

Warren Harris: Yes. I think in terms of the performance vis-a-vis our forecast. I think the performance was relatively in line with regard to our expectations. Say for the comments that we've made about some of the decision-making being right shifted and some of the deals that we expected to close coming in at smaller quantum's than originally anticipated. So, we signalled at the end of Q1 that we expected to return to growth. We've

achieved that. We had at the beginning of the quarter, expected to do a little bit better than we actually delivered.

But we've factored that into our expectations for the second half of the year. And as I've positioned in my opening comments, we expect the second half of the year to be better than the first half of the year. So, we are reacting to the market dynamics and the challenges in the U.S. and in Europe in the automotive market. But we're still relatively optimistic in terms of the momentum that underpins the business performance.

Abhishek Kumar: Sure. Next, I had a question on margins. We've done well in terms of utilization and also offshore mix. Now going forward in the second half, with probably wage hike, I'm not sure if you decided on the wage hike. But with that still ahead of us, how should we think about margins going forward?

Warren Harris: We'll be rolling out our merit increases this month. And we expect that the merit increases together with the impact of festivals and holidays. We'll likely see a small decline in margins in Q3. But we are optimistic, and we've modelled that we should preserve margins in the second half of the year. So we expect to recover in Q4 and at the full year end we do not see any deterioration in margins from our current position.

Abhishek Kumar: Great. Very helpful. Thank you. And all the best.

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

Manik Taneja: Hi, thank you for the opportunity. What I just wanted you to share some color with regards to the growth within anchor customers, given some

of the details that have been provided in our annual report. That's question number one. The second question was with regards to the BMW joint venture. Given that BMW does work with a number of Tier 1 IT services companies as well as some ER&D companies. Do you think over a period of time, there is an opportunity for us to consolidate that the ones that BMW may be doing with other vendors?

Warren Harris: Yes. Let me start with answering that question first. I think one of the things that has characterized the partnership that we've established with BMW is that it has been driven by the executive leadership team of BMW. The decision to partner with Tata Technologies was primarily made by the Head of Automotive Software and the CIO.

They are on the Board of the joint venture, and they will work with Tata Technologies to ensure that the joint venture delivers against the expectations that BMW have had. And what that's allowed us to do is profile at the top of BMW, the breadth and depth of our capabilities. And it's also helped us influence decision-making at BMW in favor of plans not just for the joint venture, but for the direct business that we expect in the future to deliver.

So, we are very bullish about the opportunity with BMW. Now as far as whether they consolidate the work that they're doing with other third parties into the JV or into a direct relationship with Tata Technologies, that will be obviously a decision for BMW. But we will work very, very hard to continue to do everything that we can to ensure that our share of wallet continues to grow.

As far as the anchor relationships are concerned, I think we've signalled now for some time that given the success of both JLR and Tata Motors,

their capex has increased significantly, and we have been the beneficiary of that. Our share of wallet continues to not only be protected but in areas that are of strategic interest to Tata Technologies, we've seen growth. And we remain bullish for the ongoing support that we can provide for those 2 group companies and the impact that, that will have on both our top and bottom line.

Manik Taneja: Sure. Thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of Aayush Rastogi from B&K Securities. Please go ahead.

Aayush Rastogi: Yes. Thank you. So, I just wanted to understand on the automotive side of the business. So, we have heard that the global players are focusing towards profitability. And today also there were some -- from the one that they are getting kind of job and closing of plants. So, what is the confidence that is giving us that the 2H should be better than 1H? And what are the capabilities that are leading us to have an edge in comparison to the peers that we are seeing kind of a traction in the automotive segment.

Warren Harris: Yes. Great question. The confidence in the second half of this fiscal year is really driven by our order book and pipeline. We have continued to win business and continue to add to the order book. And so, the guidance that we've provided for H2 is informed by that. In terms of why we continue to be bullish about our position in automotive, is that when you look at the automotive value chain and you look at the investments that are being made by our customers.

They are investing not just in electric vehicles and in the transition to software-defined vehicles, but they're also having to optimize legacy products in order to ensure they are profitable to be able to invest in the future. Tata Technologies has capabilities across the entire portfolio. So, the traditional internal combustion engine propulsion solutions and the associated vehicles as well as electric vehicles, the move to connected and again, the move to software-defined vehicles.

And so, we are in a position to be able to partner with our customers in automotive as they navigate the vectors of change that will define the industry in the next 10 years. So, we are seeing a shift in emphasis in the short term, but we are not seeing any decline in the traction that we represent as far as the relationship that we've got with our primary customers.

Aayush Rastogi: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Bhavik Mehta from JPMorgan. Please go ahead.

Bhavik Mehta: Thank you sir. A couple of questions for question. Firstly, when you say 2H is going to be better than 1H. But also, we think about the quarterly growth momentum in 3Q and 4Q versus what we are seeing into Q-on-Q growth accelerating over the next couple of quarters?

Warren Harris: We certainly see the top line accelerating in both Q3 and Q4. Having said that, Q3 will be impacted by the festivals and the holidays that typically impact the third quarter of our fiscal year. And so, the underlying momentum will improve. But the reported top line and

bottom line will be impacted by the seasonality that defines our industry on every year basis.

Bhavik Mehta: Okay. Got it. The second question was on the Air India deal, which was announced today. Can you share any color in terms of when do we expect to start the ramp-up of the deal and how big this deal could be over, let's say, for the next couple of years?

Warren Harris: We've been working with Air India since it became part of the Tata Group. We've spent a significant amount of time, and we've invested a significant amount of resources in reengineering parts for legacy vehicles. And we've also worked with the OEMs and their supply chain to accelerate the delivery of product for Air India. So, both direct business with Air India and the associated business that we derived from Air India has continued to grow.

The partnership that we are announcing today will further accelerate the growth of that business. And I referenced the investment that Air India are making in maintenance, repair and overall, the MRO facility that they will be starting up in Bangalore and we will be one of the key partners in the deployment of that facility. So, it's a relationship that's growing but it's a relationship that will accelerate and drive further growth, particularly as that facility comes on stream.

Moderator: Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: I just want to understand the demand environment. So, some of our peers reported that the slowdown in the Europe, mainly they're facing execution related challenges, whereas we think that in H2

situation will improve and we like to report a better performance compared to H1. So how we feel that H2 will be better? And any conversation with our existing client that they're going to accelerate the spend and all?

Warren Harris: Yes. As I had previously commented, our confidence in H2 is informed by the order book that we're carrying into H2 and the deals that we've previously won. We do see a tapering of demand in the short term, and that is driven by the elections, specifically what's happening in the U.S. and the challenges that the Europeans are facing, particularly as far as the competition with the Chinese OEMs in the EV space.

But as I commented in my opening remarks, we expect to get clarity next month in terms of the policy position of the U.S., and we expect the regulator in Europe to provide some level of protection and some level of clarity to the European OEMs early part of the new calendar year. And we think that, that clarity will provide the basis on which our customers and the market will accelerate decision-making.

So, we do see a softening of demand in the short term for new business, but our H2 is not informed -- we're not dependent upon that because it's really dependent upon the business that we've already closed. I think the outlook as we move into the next fiscal year, I think we we're relatively confident about that because, again, we see the short term -- we see the slowdown in the short term being informed by issues that should be resolved way before the start of the new fiscal.

Chirag Kachhadiya: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: Hi, thanks for the opportunity. Just 2 questions. First, you mentioned about a right shifting of some of the work from customers. So, what I wanted to understand is that when did the customers kind of highlighted the same to you? Was it early part of the quarter, mid-quarter or it was a very short notice kind of a scenario. The second, you mentioned about the chip threat from China, especially for European auto. Now is this a more structural problem? Or are you feeling -- I mean, what's your sense? Is this a structural or the resolution could be early next year?

Warren Harris: I think if we look at the market dynamics, it's different in different regions. If you look at the beginning of the last quarter, I think when Mr. Biden was competing with Mr. Trump, there was relative confidence in the Republican camp that they were going to be successful. And I think that the industry was gearing up for a change in administration in November.

I think the change of candidate at the top of the ticket, has presented a situation where right now, it's too close to tell. And so, I think as the race in the U.S. started to tighten, I think the concerns within our market and within our customer have heightened because the policy positions of both our size are somewhat tolerized and represent fundamentally different market conditions.

I think in Europe, I think the threat and the concern about Chinese OEMs has continued to build over the last 12 months. But I think that the OEMs had anticipated that the regulator would move more quickly than they

actually have. And I think it's only in the last month or so, that confidence has started to be established about policy positions that will be an active early part of next year. So, I think it's a detailed explanation of the fact that the situation has kind of evolved during the course of the quarter. And what we started out with at the beginning is somewhat different in terms of market conditions for the situation that played out in the last month of the quarter.

Abhishek Shindadkar: Very helpful. Just a follow-up to your answer. Does that mean that the tariffs on Chinese OEMs can keep on increasing? What is your assessment basis your interactions with the industry participants?

Warren Harris: Yes, I think it's likely, regardless of who wins on November 5, the tariffs against Chinese OEMs in the United States will continue to increase. And that's primarily because the American OEMs don't sell a lot of products in China. I think it's much more difficult for the Europeans because particularly in the premium segment, the German OEMs and to a lesser extent, some parts or some divisions of the French OEMs do sell product in China. And so, I think that they will have to balance regulation with the ability to continue to service that market, which today is by far and away the largest market in the world. So, I think it will play out in different ways in different regions.

Moderator: Thank you. The next question is from the line of Rajiv Berlia from Citigroup. Please go ahead.

Rajiv Berlia: Yes. On your comments on 2H better than 1H. I just wanted to understand how much confidence is coming from anchor clients and non-anchor clients?

Warren Harris: Well, I think it's relatively balanced. Our services revenue from anchor clients makes up a significant portion of our services revenue. And given the extent of the relationship that we have and the closeness of the working relationship, it means that we have very clear visibility on the business there. But we worked hard over the last 10 years to diversify ourselves, and we've built significant and sizable relationships outside of the group.

And the business that we're in is a relatively sticky business. It doesn't change based upon the sales dynamics that our customers have to grapple with. When you invest in new product, you're investing in the competitive position of that company 3, 4 years from now. And so typically, there is a short-term price shifting. There's sometimes some tactical reduction in discretionary spend. But for the most part, order books are protected and commitments that customers have made to us, they remain relatively intact. And it's that, that's really inspired and informed our confidence in the second half of the year.

Rajiv Berlia: Thank you.

Moderator: Thank you. The next question is from the line of Kshitij Saraf: from Tusk Investment. Please go ahead.

Kshitij Saraf: Hi, good evening. Thank you for taking my questions. Warren, would you see this as an opportune time amidst a little bit of auto decision-making slowdown to ramp up the aerospace and the industrial heavy machinery bit. There's an announcement from Tata Advanced Systems as well. So how do you see Tata Technologies positioned to capture the broader opportunity over there?

Warren Harris: Again, a great question. And we're incredibly bullish about our aerospace business. The accreditation that we've achieved with Airbus, I think not only provides us with a platform to grow within that customer. I think it really provides us with an endorsement in the aerospace market. And if you look at the macro trends within aerospace, there's about 22,000 to 23,000 commercial aircraft in productive use today, that's set to double in the next 20 years.

And right now, the big OEMs, Boeing and Airbus, they can't build enough aircraft quickly enough to satisfy the demand. So, we think that there's a tremendous opportunity in the areas product engineering. We also think that there's a tremendous opportunity in smart manufacturing and accelerating manufacturing throughput.

We also are confident and I'm glad you've referenced it in the tailwinds that the group are providing in terms of the investments that they are making. Obviously, Air India is an important part of that. But what Castle are doing in terms of the work that they are undertaking to develop in a final line assembly capabilities here in India, we believe will provide tremendous opportunities for our company, particularly now that we've received the accreditation of a company like Airbus.

Kshitij Saraf: That's very helpful. And just to recap, we have the BMW JV coming up. We had the collaboration with Agratas, which I believe would only start to materialize once production starts. So where are we with Agratas? And are there any other major joint ventures or similar initiatives such as that of BMW in the middle of all of this?

Warren Harris: Well, just let me clarify on Agratas. We're doing business that we are booking now for Agratas. There're really 3 aspects of the partnership

with Agratas at the moment. One is pack design. So, we are able to advance our coverage of the EV value chain to include now pack design. Previously, we were really focused upon systems integration and software development for batteries. Now we're actually standing up teams that are contributing to the development of packs for different use cases, not just within the 4-wheeler or passenger vehicle space, but also in the 3-wheeler and 2-wheeler space.

We're also working with Agratas to help them digitize their enterprise. So, we are rolling out ERP and PLM systems for that organization. And we're also working with them to help them industrialize the 2 giga factories that they are selling out in Gujarat and the Southwest of the U.K. So, we expect that partnership to continue to scale and to continue to grow. But we are today booking revenue from that partnership, and it continues to grow as we expand our coverage.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Santosh Keshri from SKK HUF. Please go ahead.

Santosh Keshri: Thank you so much for taking my questions. I just have 2 questions. One is, first, is the amount that invested for the BMW JV. Have we invested in any amount so far? And what is the plan of investment for the next 2 years? That's my first question.

Warren Harris: Well, we are, again, constrained by confidentiality in terms of confirming specifically what we've done to help the JV get established. But what I can say is that we have invested in the transfer of resources, and we have invested in the setting up of infrastructure in Pune, in Bangalore and in Chennai. And that investment is part of the commitment that we are making to the partnership and to the joint venture.

And we are fully confident given the business plan that we've established with BMW that those investments will be recovered in the relatively short term. Not only that, we also see that the direct business that we are delivering to BMW will continue to grow and scale. So, we think that, that investment is an investment that has been very well made and an investment that should help our organization, not just in terms of the financial results, but also in terms of the strategic endorsement and the brand endorsement that it represents for our organization.

Santosh Keshri: Yes. But the thing is that what I can see in the balance sheet that's there for the 30th of September '24, the property, plant and equipment line as well as the intangible assets line doesn't have much of growth. It's actually a reduction as of September '24 compared to the March '24 numbers. So, it appears that as you say that there has been some transfer of resources and some infrastructure is created. So of course, not telling you to reveal the numbers, but may I ask that is that appearing somewhere in the profit and loss account? That's why the profitability has gone down this quarter?

Savitha Balachandran: No, the actual investment as far as the joint venture is concerned, at this point of time, financially speaking is really just the share capital investment from Tata Technologies, and that's not a very material amount. Therefore, what you see as change in fixed assets is simply the natural erosion because of depreciation and amortization of assets. There are no special or one-off effects because of JV or otherwise on that particular line item.

Santosh Keshri: Okay. Great. And Savitha, one more question about other income. That is that though our cash balances have been increasing, we can -- I can see that the number for the other income has reduced based in the scenario and the yields have hardened -- sorry, the return on the assets have risen up generally in the economy. So, what is the reason that our other income has gone down from INR23 crores last quarter to the INR16 crores this quarter?

Savitha Balachandran: So, I did address this as part of my opening remarks. To reiterate the point, there are 2 elements that have seen movement between the last quarter and this quarter. One is, like you rightly pointed out, there has been a reduction in the interest income that we earned. And you would recollect, we made a dividend payment of over INR400 crores -- nearly INR410 crores that happened towards the end of Q1.

So, the second quarter didn't really benefit from the full effect of the cash build-up that we've done during the course of the quarter. Therefore, the overall yield has been lower. This is also impacted because the cash for us is distributed across the various material geographies in which we operate. And there, as you know, we have started to see some reduction as far as rates are concerned. So therefore, there's been about INR2 crores of reduction in interest income sequentially.

The second impact is the notional impact because of the -- some of the forex hedges that we currently have. These were contracted several months ago. And the rate, especially as far as dollars and pound is concerned, has moved adversely. So, this is more a translation effect

that you've seen. The swing of that between quarter 1 and quarter 2 is roughly about INR5 crores to INR5.5 crores.

Santosh Keshri: Okay. Got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now hand the conference over to Mr. Vijay Lohia for his closing comments.

Warren Harris: Maybe before we close, let me just extend a very warm and happy Diwali to everybody on the call from everybody here in this room and everybody at Tata Technologies.

Vijay Lohia: Thank you. Thanks, Warren, and thank you, everyone, for joining us on today's call. We hope that we've been able to answer most of your questions. If there are any further questions, please do not hesitate to get in touch with the Investor Relations team, and we'll be happy to answer your questions. Goodbye from all of us here. Thank you.

Moderator: Thank you, members of the management. On behalf of Tata Technologies, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.