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January 24, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001, India
Scrip Code: 544028

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051, India
Trading symbol: TATATECH

Dear Sir / Madam,

Subject: Transcript of the conference call on financial results for the quarter and nine months ended December 31, 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 quarter and nine months ended December 31, 2024, conducted after the meeting of the Board of Directors held on January 21, 2025.

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 CHANDRASHEKHAR GANDHE
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Date: 2025.01.24 15:18:47 +05'30'

Vikrant Gandhe
Company Secretary and Compliance Officer

Encl: As above

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"Tata Technologies Limited
Q3 FY'25 Earnings Conference Call"
January 21, 2025

MANAGEMENT:	**MR. WARREN HARRIS – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TATA TECHNOLOGIES**
	MS. SUKANYA SADASIVAN – CHIEF OPERATING OFFICER – TATA TECHNOLOGIES
	MS. SAVITHA BALACHANDRAN – CHIEF FINANCIAL OFFICER – TATA TECHNOLOGIES
	MR. VIJAY LOHIA – HEAD INVESTOR RELATIONS – TATA TECHNOLOGIES

Moderator: Ladies and gentlemen, good day, and welcome to the Tata Technologies 3Q FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal the operator by pressing star, then zero on your touchtone phone.

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

Vijay Lohia: Thank you, Ryan. Good day, everyone, and welcome to Tata Technologies Third Quarter of Fiscal 2025 Results Call. I'm Vijay Lohia, Head of Investor Relations. Joining me on the call today are Mr. Warren Harris, CEO and Managing Director; Ms. Sukanya

Sadasivan, COO; and Ms. Savitha Balachandran, CFO. We'll begin with an overview of the company's performance, followed by a Q&A session. Please note that we do not provide specific revenue or earnings guidance.

Any forward-looking statement made during this call should be considered in the context of the risks that the company faces as outlined on the second slide of the quarterly fact sheet available on our website. The press release and earnings presentation have been submitted to the stock exchanges and are also available on our website, www.tatatechnologies.com. We hope you've had a chance to review them.

With that, I'll now hand over the call to Warren.

Warren Harris: Thanks, Vijay, and welcome to the call, everybody. Let me start by wishing you and your families a healthy and prosperous new year. I will begin by sharing highlights of our third quarter before inviting Savitha to provide a detailed analysis of our financial results.

I'm pleased to report that we achieved sequential revenue growth of 1.7% in constant currency despite operating in an environment marked by economic uncertainty and Q3 being a seasonally soft quarter. The third quarter typically features fewer billing days due to festivals and holidays in different parts of the world.

Our **services business** grew sequentially by 1.1% in constant currency terms, aligning with the outlook we shared during last quarter's call. Meanwhile, our **Technology Solutions** segment delivered robust sequential growth of 3.7% in constant currency, driven by an impressive 55% growth in our **products business**, partially offset by a 20% decline in the **Education segment.**

The products business typically delivers strong performance in Q3, driven by the discharge of year-end customer PLM software budgets. In contrast, our education business faced challenges due to delays in infrastructure readiness. Our "phygital" edtech model relies on fully operational labs within the academic institutes that we partner with. Construction delays impacted bookings in Q3. However, we anticipate that these facilities will become available in the early part of calendar year 2025. Coupled with a robust pipeline we expect to convert, we are confident that the growth momentum of our education business will continue.

Our operating EBITDA for Q3 stood at 17.8%, reflecting a sequential decline of 40 basis points. This performance, however, underscores the strength of our operational discipline as we effectively absorbed a 150-basis-point impact from salary hikes implemented during the quarter.

From the perspective of demand, let me comment on the demand trends within the three industry verticals in which we operate. In the Automotive segment, demand patterns remained consistent with what we've seen in the prior quarter, with decision-making delays persisting due to regulatory uncertainties in the US and the challenges in the European market, driven by weakening consumer demand and competition from China.

While these headwinds have tempered EV growth, we see this as being temporary with the passenger vehicle market still projected to grow in calendar year 2025 by 1.7% as confirmed by S&P Global.

We anticipate greater policy clarity in the coming months that is likely to prompt a diversification of OEM investments across various propulsion technologies. This shift plays to our strengths as we offer deep expertise across battery electric vehicles, plug-in hybrids, and internal combustion engine propulsion systems.

In contrast, the Aerospace and Industrial Heavy Machinery segments showed continued resilience with strong demand for our services. Notably, our aerospace business achieved 39% sequential growth in Q3, supported by a growing order book. We expect this momentum to continue into Q4 and into the next fiscal year.

From a deal signings perspective, we closed 4 significant deals in Q3, reflecting strong traction in digital engineering, smart manufacturing, GenAI and embedded software solutions. The key wins include:

- A multiyear contract with a European luxury automotive OEM for testing and validation of a new battery electric vehicle.
- We've also secured the responsibility to stand up an offshore development center for a global Tier 1 automotive company.

- In addition, we won a software and embedded engagement with a global technology provider to the automotive industry that will provide emission reduction and energy efficiency solutions for turbo, hybrid and electrified components and subsystems. And in the education sector, we're partnering with the government of Tripura to deploy our edtech proposition across 19 ITIs.

From an investment perspective, we continue to develop solutions that deliver value for our clients in areas that are relevant to their strategic imperatives.

- In the area of sustainability, we are developing a prognostics platform for a European automotive OEM that will help them predict the future condition of the remaining useful life of their vehicle components using data-driven or model-based approaches. We're also developing a battery platform for the same customer, which will offer life cycle analysis tools for environmental impact assessment, material traceability and carbon footprint reduction strategies.

- Across each of these areas, we continue to double down on our investments in AI and GenAI. A notable achievement for our company in Q3 was the formal launch of our proprietary AI and GenAI framework. The plan is to leverage the platform for both internal and external use cases. This framework leverages modular architectures, pretrained models and real-time IoT data to streamline application development. By enabling faster prototyping and seamless integration, it empowers businesses with predictive analytics, defect detection and workflow optimization whilst integrating seamlessly into open source and closed source LLMs and existing enterprise IT applications.

The platform is currently being used by a North American Tier 1 customer as part of a manufacturing transformation engagement to drive improvements in productivity, predictability, and efficiency across multiple plants. Moreover, our AI and GenAI-based capabilities are increasingly being recognized by the technology and the manufacturing sectors. For instance, one of our GenAI- powered sales assistant applications that we've deployed for an Asian automotive OEM dealership network has recently received several innovation awards.

I'm also delighted that in Q3, the partnership with BMW has begun operations. We now have facilities in Pune, Bangalore, and Chennai. The business began with a headcount of over 100 people. We're scaling rapidly, and we expect to stand up a team of more than 1,000 people by the end of this calendar year. We're incredibly proud of the endorsement that BMW have given to Tata Technologies. Their commitment to partner with us to establish a global hub for automotive software and digital services is a tremendous testament to our industry-leading capabilities.

Despite the economic uncertainties, we remain confident in our ability to deliver value to our clients. Our robust pipeline, coupled with strategic investments in technology and innovation, positions us well for sustained growth as market conditions stabilize and improve.

And with that, I'll hand it over to Savitha for a detailed commentary of our financial performance.

Savitha Balachandran: Thank you, Warren. Good morning or good evening, everyone, depending on your location, and thank you for joining this call today. In continuation to the details that Warren shared about the progress in different areas of our business, let me share with you the financial performance in the third quarter of fiscal '25.

Overall, while our operating environment continued to present some challenges, our results for the quarter were resilient with revenues from operations growing 1.6% sequentially to INR 1,318 crores. On a constant currency basis, our total revenues were up 1.7% in the quarter.

As far as segmental performance is concerned, revenue from our **services business**, which contributed approximately 77% to our total revenues, increased 1.1% sequentially in constant currency terms and 0.8% on a reported basis, reaching approximately INR 10 billion. It is particularly noteworthy that this growth has been delivered in the backdrop of a challenging business environment and a seasonally weak quarter with a higher number of holidays. Overall, we believe our strong service portfolio positions us well to effectively adapt to the challenges of the current market, demonstrating both resilience and agility.

An additional data point that demonstrates the health of the underlying business is the 17% year-over-year increase in the 9-month services dollar revenue when you exclude the effect of the very large project completion, we did for VinFast last year, which in fiscal '24 contributed to over 14% of our services revenue. Overall, we believe a strong service portfolio positions us well.

Moving on to **Technology Solutions**, which forms the remaining 23% of revenues. The segment grew by 4.6% over Q2 to clock a revenue of INR 305 crores, largely supported by the renewal deals, which is characteristic of the final quarter of the calendar year in the products business. On a constant currency basis, the segment witnessed a 3.7% sequential growth.

On the margin front, performance is noteworthy with the EBITDA margin for the quarter coming in at 17.8%, arresting the sequential decline to 40 basis points despite the 150-basis point increase in our salary costs from the organization-wide annual salary increase across all levels during the quarter. I am pleased with the swift cost optimization measures taken that enabled us to partially offset this cost headwind.

- There is a 40-basis point reduction in the outsourcing and consultancy charges achieved through effective bench management and replacing external resources with internal talent.

- We've also seen a 50-basis point benefit from the reversal of provisions for credit loss as we collected some old dues
- And, a 60-basis point reduction in certain discretionary expenses that helped us to ensure that our margin decline is arrested.

We continue to make progress on our stated margin expansion levers such as pyramid optimization as well as improved productivity. And these actions will reflect our commitment to maintaining operational efficiency while supporting sustainable growth.

As Warren mentioned in his remarks, I'm very pleased to share that our partnership with BMW began operations in Q3. As far as the accounting treatment is concerned, we are applying the equity method of accounting. And in Q3, our share of profit amounted to INR 56 lakhs. Furthermore, the other income also includes a deferred income of INR 8.3 crores, representing the fair value gain on the call and put option relating to the investment in this company.

I would like to highlight that beyond the technical form of a vehicle that's used to deliver services to BMW, this partnership is a multiyear large deal from our perspective and hence, an extension of Tata Technologies' operations. Due to client confidentiality, we are unable to disclose specific details on the commercials, but the deferred income represents a recurring item alongside the share of profit. Consequently, we report this income as part of our operating profit or EBIT, which grew by 3.1% sequentially to INR 212 crores.

During the quarter, we reported the other income of INR 27.6 crores, marking a sequential increase of 68% compared to INR 16.4 crores in the previous quarter.

In addition to the deferred income already discussed, this growth was primarily driven by:

- An increase of INR 2.8 crores in interest income resulting from higher cash balances
- A net gain of INR 2.2 crores from fair value measurement of certain investments.

As a result, profit before tax increased to INR 226 crores, representing a 4% sequential growth. Our effective tax rate in the quarter came in at 25.4%, a decrease of 220 basis points compared to the previous quarter. As a result, the profit after tax saw a robust increase of 7.1% quarter-on-quarter to INR 169 crores.

We observed a modest increase in DSO during the quarter, reflecting increased billing velocity of the seasonally strong products business. However, our collection efficiency continues to remain robust, reflecting the strength of our credit management process.

Turning to cash flows. Our free cash flow for the first 9 months of the fiscal stood at INR 681 crores. We remain focused on enhancing the cash collections and optimizing the conversion levels to maintain liquidity and support sustainable growth. At the close of the third quarter, our net cash position stood at $154 million, up from the $145 million of the previous quarter.

Moving on to highlights of operational metrics. We continue to optimize capacity by balancing full-time employees and outsourced resources. And as a result, utilizations improved by about 40 basis points sequentially to 88.1% with a modest scope for further improvement in the near term. We continue to strengthen our talent pyramid by increasing campus hires while making selective lateral recruitment aligned with business needs.

Attrition trends also continue to move in a favorable direction, supported by a broader decline in the industry-wide attrition rates. Our last 12-month attrition improved further this quarter, decreasing to 12.9% from 13.1% of the previous quarter.

We remain focused on talent development, increasing training in key areas such as software-defined vehicles, generative AI and cybersecurity, among others.

As far as our on-site and offshore mix is concerned, we saw a sequential reduction of 200 basis points with our offshore revenue mix reaching 41.7%, driven by a temporary shift of efforts to onshore work in line with certain project milestones. We remain focused on implementing measures to gradually increase the offshore ratio in the coming quarters.

In conclusion, I'm encouraged with our performance this quarter, highlighted by a 1.7% top line growth, 3.1% EBIT growth and a 4% sequential increase in pretax earnings. Looking ahead, we remain committed to strategic investments in our identified areas of growth. Simultaneously, we will also continue to prioritize operational efficiencies and maintain a competitive cost structure to drive long- term value creation.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah: My first question is just around the environment for spending on electric vehicle R&D and autonomous vehicle R&D. You did mention in your prepared remarks that you expect more policy clarity around climate change and electrification-related incentives from different governments around the world?

So just want to understand, post the inauguration of the US presidency last night, there are press articles talking about his focus on trying to come a little lower on the electric vehicle mandate, focus a little more on local fossil fuel production. Just want to understand what your initial thoughts are on some of the emerging news flow soon after the Presidency inauguration last night?

Warren Harris: Yes. Thank you for the question. And I think it's particularly relevant given the timing of yesterday's inauguration. We fully expect various components of the Inflation Reduction Act to be revisited. We think some of the incentives that have been provided in the United States for EVs will either be removed or will be resized. And so, we think that that will prompt some tapering of demand for full battery electric vehicles.

And we think that the industry response is going to be that the OEMs will invest in a much more balanced portfolio of propulsion propositions. So, they will not only invest in EVs, but we think that there will be much greater investment in plug-in hybrids and also optimizing and refining in the United States, legacy internal combustion engines. And I think the great news for us at Tata Technologies is the strength of capability we have in all three of those areas.

We have a particularly strong EV proposition given the work that we've done with the likes of VinFast and Neo and companies like Rivian. We have a plug-in hybrid set of references, the most notable of which is the work we did with Polestar when we completed the Polestar 1. And we've been in the automotive business for over 30 years. And so, the breadth and depth of our legacy propulsion system capabilities is something that has helped us define the brand over the last 25 - 30 years.

So, for us, what's kind of exciting is the fact that policy clarity, we think, will prompt a release of R&D budgets, which will stimulate the type of demand that we intersect with. So, we're somewhat agnostic in terms of the type of investment, we're much more dependent upon investments being made. So, for us, policy clarity is very much a good thing.

Chandramouli Muthiah: Got it. That's helpful. My second question is just a follow-up on the aerospace business. You mentioned there is an impressive sort of 39% Q-o-Q growth there. Just want to understand, post that sort of growth, what the rough size of the aerospace business could be just ballpark as a percentage of our total revenues today?

Warren Harris: We're incredibly ambitious for our aerospace business. And I think we've signaled in the past the investments that we've made, not only in relationships and capabilities, but also in terms of accreditation. One of the big customers that we are working with has recently granted design authority for the work that we undertake.

And what that means is that we can actually sign off on our own work, and it's not -- it doesn't have to go through an approval process with the client. That's an accreditation that typically takes 2.5 - 3 years. And so, the fact that we have that now has certainly helped us scale that particular relationship. And so, whilst I don't -- we don't give out specific guidance and quantify what the aerospace business will mean in terms of mix. What I can say is that we certainly expect aerospace to grow at the fastest rate of all 3 verticals off a relatively small base, but we expect it to increasingly become a very important and material part of our business mix.

Chandramouli Muthiah: Got it. That's helpful. And just lastly, a housekeeping question around the deferred income that was discussed earlier. So, you mentioned that the share of profit from the BMW contract will come in share of profit from associates and JVs line below the EBIT line. Just want to understand the deferred income a little better, how that's getting accounted? Is that going into the top line? Is that going into any of the other lines in the P&L? Just want to understand that a little bit better.

Savitha Balachandran: Sure. Thanks for the question, opportunity to clarify, Chandramouli. As you rightly said, there are 2 effects in our P&L this quarter from our partnership with BMW. One is the share of profit, as you can see above the face of the P&L, it's above the PBT item. The other effect is the deferred income, which technically as per accounting standards, we are forced to show that as part of the other income because as I said, it reflects the fair value gain on the option that the partners hold in the joint venture company.

But it is a continuing effect that we expect to receive in the foreseeable future. And therefore, from our perspective, given our ability and intention to collect this, we are covering it as part of our other income, and that's why it's called out as included in our EBIT for this quarter.

Warren Harris: And let me just reinforce, this is compensation for the work that we are undertaking for BMW. We've taken the responsibility of setting up the 3 centers in Pune, Bangalore and Chennai. We have -- we've provided the leadership team for this joint venture. And many of the systems and processes benefit from the infrastructure investments that we, Tata Technologies, have made. So, although we are constrained by the way in which we are accounting for this compensation through the various accounting rules, this, again, should be seen very much as a return for the investment that we've made in the joint venture.

Chandramouli Muthiah: Got it. So, is this something that we expect to record on a quarterly basis in our other income line just as we sort of model the other income line going forward?

Savitha Balachandran: Yes. As I said, for the foreseeable future, we do see this coming through on a quarterly basis.

Moderator: Next question is from Bhavik Mehta from JPMorgan.

Bhavik Mehta: So, my first question is around the broader demand in auto ER&D. Obviously, there has been a slowdown. But if you have to characterize the extent of slowdown that's across US, Europe, and Asia, how will you define that in terms of where is the slowdown highest? And also, the related question is, as you expect the pace of recovery to happen, which geography could be the first one to recover from this downturn?

Warren Harris: Again, a very fair question. If I look at this geographically, what we've seen in the US and Europe, we've not seen it in Asia. So, the slowing of demand that we've seen in the Western markets - we've not seen in Asia. We've not seen in China. We've not seen here in India. So, the demand here continues to be relatively robust.

As far as the US is concerned, I think the extreme policy positions of the Democrats and the Republicans have presented a challenge for the industry in terms of aligning investment with what the regulatory framework is likely to look like. And so now that we have clarity, at least in terms of what we expect, then I think you'll see investments return much sooner in that region than you will in Europe. I think Europe is still grappling with the fact that many of the OEMs are still selling a significant number of units in the China market.

And so, any regulatory reaction to the competition that Chinese OEMs represent in Europe is likely to be considered and thought for and calibrated. And we expect the clarity around that to take several months. There will be a response. There is no doubt about that, but it will probably clarify after we see the administrative position of the new administration in the United States.

So, Asia, we've not seen any real dip in demand. Europe is likely to come -- is likely to rebound after the United States. But what I will say, overarching in terms of the relative positions of the different regions is that the automotive industry is going through somewhat of an existential challenge.

If you look at the recent merger discussions that are going on between Nissan and Honda, there is significant change that is really being driven by the competition that is expected to manifest itself in and around the movement to EVs, the movement to connected, software-defined vehicles and autonomous driving. And for those organizations that are committed to not only survive but to thrive, they have to continue to invest and invest in a way that is not exactly linked to the sales performance of the individual company.

And that's one of the reasons that we continue to be bullish certainly in the medium to long term in terms of the opportunity that automotive represents for our company.

Bhavik Mehta: Okay. That's very helpful. The second question was, because of the slowdown we are seeing in Europe, does this impact the planned capacity additions with the BMW JV in India? Is there any risk to it?

Warren Harris: Not at all. In fact, even when I make high-level comments about the regions, you need to look at the individual positions of each company before, I think, you can judge what the implications are for the various brands. And one of the things that I think characterizes BMW is: one, a very strong balance sheet; and two, the focus that they always have on the medium to long term. So, the cyclical nature of the automotive industry typically does not impact the R&D commitment of the more successful companies and BMW is certainly one of those.

Moderator: The next question is from Abhishek Kumar from JM Financial.

Abhishek Kumar: I think a good performance in a difficult environment. First question, Warren, you mentioned in your initial remarks that you expect the slowdown to be temporary. Just wanted to understand how do you define temporary? Is it like two quarters, a year or longer? And a related question is, what are the kind of conversations that we are having with some of these OEMs, which are under pressure, especially the mass market OEMs in Europe, etcetera. Are there any talks around more outsourcing, larger cost takeout deals that will help them in the current environment? Thank you.

Warren Harris: Yes. Two great questions. I think we will continue to calibrate and recalibrate expectations every day, every week, every month, and every quarter. But I think if we look at our current visibility, our anticipation is that within the next couple of months, the big three in Detroit and the new energy vehicle companies on the West Coast will return to the type of investment that we saw running up to the beginning of last year.

I think, again, Europe will take a little bit longer, but organizations like BMW will stand out and continue to invest. And again, we don't expect any real change to the demand environment here in Asia. And so, if you aggregate all of that together, we're expecting improvement in the early part of the next fiscal year. As I said before, we'll continue to calibrate and recalibrate, but that's our view. This is a short-term slowdown.

And certainly, the type of conversations that we are having with our customers right now and the opportunities and the deals that we are adding to the pipeline certainly reinforce confidence around that. As in response to the second question, one of the things that I always reinforce to our business development teams is that when things are tough for our customers specifically, that represents massive opportunity for us. One, it gives us an opportunity to communicate to our clients that we're there for them in the good times -- we're there for them in the bad times as well as the good times. So, it's an opportunity for us to reinforce relationships. But it's also an opportunity for us to look at creative ways of increasing the value that we can deliver to those customers.

And one of the things that we've seen recently is conversations with customers whereby we've been looking at opportunities to deliver things like hardware infrastructure and deliver that back as a service, wrap a service around that. We've looked at ways of carving out capabilities from our customers and delivering that from offshore locations. None of these things are baked into our operating plan as yet.

None of them are based into our forecast. But I share that with you primarily to signal that during these types of times, the conversations that we're having with our customers provide the opportunity for us not only to do more from an offshore perspective, but also enter into white space that typically we've not competed or delivered services in. So, we're seeing those conversations play out in many of our strategic customer relationships. And it's another reason, another data point that we continue to be optimistic about the future.

Abhishek Kumar: That's very detailed. One question for Savitha. Savitha, our medium-term margin aspiration of 20% plus, do you think in the current environment that kind of gets pushed out? I know we have not given any timeline, but still given the growth challenges, etcetera, do you think it will be a lot more gradual now to reach to that aspiration level?

Savitha Balachandran: Yes, thanks, Abhishek. So, I would say we continue to remain bullish on the medium to long term also on the structural tailwinds available to the industry and the market. And therefore, we believe that our performance, both from a top line and a margin perspective, should benefit from that. So, to your question, the aspirational goal of 20% definitely continues to be live for us.

Moderator: Next question is from Karan Uppal from PhillipCapital.

Karan Uppal: So, Warren, just a question on our anchor clients. What's the outlook there, both within JLR and Tata Motors? You sounded quite optimistic on the APAC business, which includes Tata Motors. So, what's the outlook there? And the larger context of the question is, is Tata Tech to an extent, insulated from the headwinds which other ER&D players might be facing because of their higher exposure to the Western OEMs?

Warren Harris: I think in terms of Q3, the performance of the anchor clients was robust. We didn't see any runoffs. Both of those organizations, in terms of their sales performance continued to do well. And we obviously have visibility on their investment plans, and we are confident that we will continue to support them in many of the ways that we are currently supporting them.

So, we do not see any material change to the relationships and the performance of the anchor customers. In terms of - does our mix protect us vis-a-vis some of the competitors that are more exposed to Western geographies? I think the fact that we have a global footprint in terms of people and customers, I think that does interject some balance and some form of protection against the ebbs and flows in different markets. It's something that we've worked hard to build over the last 20 - 25 years, and it's something that I think we'll continue to invest in.

Karan Uppal: Okay. Great. The second question is on aerospace. So, you sounded quite optimistic on the aero growth story. So, I just wanted to check with you in terms of the service mix, which services are finding traction at this point of time? Is it new product development? Is it MRO? Is it avionics? Any color would be helpful.

Warren Harris: Yes. Again, another fair question. We look at aerospace in the context of 4 areas. We look at aerostructures, which for us includes interiors. We look at propulsion systems, we look at MRO and we look at digital. And those are the relevant areas for us. Where we are seeing traction is digital, particularly in the context of manufacturing throughput. The likes of Airbus and Boeing and their associated supply chains can't build aircraft quickly enough.

And so, they're leveraging technology to optimize the way in which they build aircraft, and we are playing a big part of -- a big role in that, particularly at Airbus. As far as the other sectors are concerned, MRO has been relatively stable for us.

And aerostructures has really started to contribute in a material way. I announced in the last quarter, one of the deals that we had won with a business class seat manufacturer in Europe. And that has scaled during the third quarter and has now come online in terms of contributing in a material way. So that's going well.

On propulsion, we are seeding the relationships with a number of North American engine providers through the placement of people and through some small project work. And that's helping us build relationships. And those things are going well and certainly give us confidence that we'll continue to scale that through this quarter and into the next fiscal year.

Moderator: Next question is from Rajiv Berlia from Citigroup.

Rajiv Berlia: Two questions from my side. On the, I'll say the client bucket, 10 million to 15 million, we saw one drop-in client. Can you please clarify that? And secondly, you mentioned in the opening remarks that you won four deals. From a trend perspective, can you talk about on the TCV, how the TCV has been the last three, four quarters?

Warren Harris: Could you repeat the first question? I got the TCV question, but if you could repeat the first part of the question, I'd very much appreciate it.

Rajiv Berlia: Yes. So, in the client metrics, if you look at it, 10 million to 15 million size of clients, we saw on a sequential basis, a drop in client?

Warren Harris: So, in terms of the drop-in clients, I think the primary impact has been the way in which VinFast is dropping through our various customer categories. The baseline effect of VinFast in terms of year-on-year comparisons continues to impact the way in which we look at not just customer categories, but also the growth trajectory of the company.

I think Savitha commented in her opening comments that we've grown at 17% outside of VinFast in the last 12 months. So, we continue to perform well, but obviously, the runoff of that material engagement has impacted on our performance at an aggregate level. In terms of TCV, we don't disclose the quantum of deals that we closed.

But what I would say is that from a large deal perspective, our performance in Q3 was commensurate with the performance in the first two quarters of this year. So, we've not seen a drop-off in terms of our large deal conversion capability.

Moderator: The next question is from Kumar Saurabh, who's an Individual Investor.

Kumar Saurabh: I'm Saurabh, a retail investor. I'm trying to buy stock of Tata Technologies for a long time, but unfortunately, its falling stock price is stopping me from enter into the stock. Now as I'm fortunate to talk with the management, I want to ask two questions. With a large portion of our revenue coming from the automotive sector, isn't there a significant risk of overdependence on this cyclical industry? What steps are we taking to diversify into other sectors? And what measurable progress have we made so far in diversifying our revenue stream?

Warren Harris: Yes. We have a significant amount of business in automotive. There are three verticals that we support, automotive, aerospace, and industrial heavy machinery. And we've built our brand and our reputation on the back of the value that we deliver to automotive. One of the things that distinguishes Tata Technologies is that we are still the only ESP in India that demonstrated its ability to be able to develop a full vehicle from concept all the way through, the launch of the vehicle and the delivery of the vehicle to the consumer.

So that's a very strong part of our value proposition. And when we look at the industry, if we look at the market size, and we look at the growth projection, we think that there is more than enough headroom for us to satisfy the growth aspirations of our business in that space.

There will be -- as we have seen over the last couple of quarters, that there will be tactical slowdowns that we have to navigate our way through. But if we look at medium to long term, we think that there is a massive -- there will continue to be a massive opportunity in automotive.

And that will be driven by the once-in-a-generation shift that we are seeing in the automotive sector as the industry pivots towards alternative propulsion systems, as the importance of software becomes more pervasive, and as the industry embraces the move to autonomous. These vectors of change, we believe, provide a significant amount of opportunity, and we think we are ideally positioned to take advantage of that.

Now there is some diversification that we have in the business through the investments we made in aerospace and industrial heavy machinery. And those sectors, as we profiled previously, are growing at a very healthy rate. And one of the things that I think we benefit from is particularly as it pertains to smart manufacturing, there's fungibility across the three sectors that we're able to support.

And so, we are able to leverage the investment we've made in automotive in these other sectors. But we constantly look at our strategy, and we always look at the balance that we need to affect between focus and diversification. And right now, we think we have the balance about right for where the company is at.

Kumar Saurabh: That's very helpful. Next question. In the Investor Presentation, leadership mentioned that policy clarity would drive future growth. Does this indicate that our growth strategy is overly reliant on external factors? Shouldn't we place a stronger focus on internal readiness to ensure growth regardless of external conditions?

Warren Harris: In terms of what we're doing to stimulate growth -- if I understand the question correctly, what are we doing to stimulate growth despite the impact of the external factors. I think -- I outlined in my opening comments, the investments that we are making in capitalizing our experience in IP and investing in technologies such as AI and GenAI.

And through the investments that we're making in these platforms and these technology accelerators, we believe that we are building compelling propositions that not only make sense for our customers during times of good performance for them, but these are propositions that will make sense when things such as budgets are a little bit tighter.

So, we're taking the opportunity to complement the headcount growth commitment that we are making by investing in IP and using both aspects of that value proposition to stimulate the type of growth that will help us navigate through the ups and downs of the various markets that we support.

Moderator: Next question is from Vidyadhar Ginde from Sohum Asset Managers.

Vidyadhar Ginde: You did mention in one of your answers that the automotive industry in the West is facing an existential crisis. So, do you think that if some of the big auto players in the West, especially in Europe or the US, if they were to not survive or -- would it take considerable years before that happens? Or is that an event which can happen in the next 12, 18, 24 months?

Warren Harris: Well, I think it's a great question that I'd love to discuss over dinner with you. But I think if I look at how things are likely to play out, the existential crisis does not mean that the capability that's in the automotive industry today will go away. The volumes still need to be delivered by somebody. And the plants and the IP and the skills and the capabilities will still continue to be relevant.

I think that there are likely to be more mergers. I think there is likely -- there's likely to be more consolidation. I think you'll likely see new energy vehicle players continue to evolve in terms of their market position and the influence that they have over the overall market. So, I think that the industry is likely to change. And I think it's incumbent upon organizations like ourselves to ensure that we are agile and flexible.

And we are in a position to take advantage of the change as it manifests itself. So, we're not intimidated by this existential challenge that I referred to before because we actually think there will be more and more opportunity that will be generated through the investments that the various players would have to affect.

Vidyadhar Ginde: My understanding is that in terms of the EV part, except for Tesla and some of the top Chinese guys, almost all other players in the West are way behind. And so, is that correct? And so even if they merge some of these guys, how does it really help in a sense?

And is-- the gap between these top players in China and Tesla, can it be narrowed much in, say, 12-24-month time frame? Because from the other thing I understand is that one of the big issues for these guys is providing an EV, which -- in terms of quality, which matches these top guys plus at the price at which they are able to deliver, especially with the Chinese guys.

Warren Harris: Yes, I'm sure you'll understand that I can't comment on individual companies, particularly those companies that are our customers. But what I will say is that, yes, China enjoys today a tech and a bill of materials advantage over the players in the West. But don't underestimate the capabilities of the European automotive industry and certainly don't underestimate the ability of the Americans to innovate and to play catch-up.

And so, whilst there is an advantage that China has today, I'm fully confident that the Europeans and the Americans, those organizations that make the progressive calls and invest in the right areas, they will affect increasingly greater balance in terms of the EV marketplace.

So again, this is an exciting space for us to be in because of the imbalance, again, in terms of the tech stack and in terms of bond cost, all of the players that are committed to being competitive in the future, all of them are having to invest, which by association provides opportunity for organizations like ourselves.

Moderator: Next question is from Ruchi Mukhija from ICICI Securities.

Ruchi Mukhija: Thank you for the opportunity and congratulations on the resilient performance. I wanted to check, Warren, in terms of client conversation, do we see any change in the commitment from our clients on the existing projects like deferral or temporary pauses? And secondly, on the new deals that we are winning, are they ramping as per the expected timelines?

Warren Harris: In terms of customer decision making, what we've seen over the last six months is not really that delays the existing projects. The projects that have been committed to and the projects that we are engaged in have continued as expected and as planned. What we've seen is a delay in decision-making particularly as it pertains to things like power-trains.

And as I referred to before, we expect clarity to be provided, particularly in the US and Europe during the early part of calendar year 2025, and that will, what we believe, translate into those decisions that have been delayed being made. So, we've not really seen any show closing of existing projects. The impact has really been on new business.

Moderator: We'll have to take that as the last question. I would now like to hand the conference back to Mr. Vijay Lohia for closing comments.

Vijay Lohia: Thank you all for joining us on today's call. We hope we have addressed most of your questions. If you have any additional queries, please feel free to reach out to the Investor Relations team, and we'll be glad to assist you. Wishing you all the best and goodbye here from all of us. Thank you.

Savitha Balachandran: Thank you.

Moderator: Thank you very much. On behalf of Tata Technologies, that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.