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BSE Limited

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Scrip Code: 544028

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Exchange Plaza, C-1, Block G,
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Trading symbol: TATATECH

Dear Sir / Madam,

Subject: Transcript of the conference call on financial results for the quarter ended June 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 June 30, 2024, conducted after the meeting of the Board of Directors held on July 18, 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 Q1 FY'25 Results Conference Call Transcript" July 18, 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 Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Vijay Lohia: Hello everyone, and welcome to Tata Technologies Q1 of Fiscal '25 Results Call. I am Vijay Lohia, heading Investor Relations. With me today are Mr. Warren Harris, CEO and MD, Tata Technologies; Ms. Sukanya Sadasivan, COO, Tata Technologies; and Ms. Savitha Balachandran, CFO, Tata Technologies. This call is for 60 minutes. Our management team will give a brief overview of the company's performance, followed by a Q&A session. As you are aware, we do not provide specific revenue or earnings guidance, and anything said on this call, which reflects our outlook for the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

We have outlined these risks in the second slide of the quarterly factsheet available on our website. Our press release and earnings deck have been filed with the stock exchanges and are also available on our website, www.tatatechnologies.com. I hope you had a chance to look at them. Let me now turn over the call to Warren.

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

At an aggregate level, revenue declined by 2.5% sequentially. This was informed in part by the expected seasonality of our value-added product reseller business that is reported as part of Technology Solutions.

Specifically, **Technology Solutions** grew by 7.4% from the prior quarter.

As I previously shared, our products business typically does well at the end of each calendar year when our customers in the U.S. renew maintenance contracts and discharge year-end budgets. Consequently, revenue growth in

the first half of the fiscal year is always lower than the second half of the year. Typically, the revenue split between H1 and H2 is roughly 40:60.

In contrast to our products business, our education vertical grew by 4% sequentially. Moreover, order book and pipeline for our education business is healthy and we anticipate sustained growth throughout this fiscal year.

Despite the aggregate sequential drop in top line, the performance of our Technology Solutions business was largely in line with expectations.

In **Services**, we also recorded a sequential revenue decline of 1% on account of the short-term phasing of a number of large programs and the completion of our ramp down at VinFast.

These customer-specific headwinds are isolated and unrelated to the overall market conditions, which we believe remain favorable as the manufacturing sector continues to future proof itself through ongoing investments in alternative propulsion systems, software-defined products and services and smart manufacturing.

I am pleased to note that the VinFast transition is now largely behind us, and we fully expect sequential revenue growth of our services business to pick up from the current quarter. Confidence in our full year prospects is fuelled by our order book, continued positive momentum within our anchor accounts together with tailwinds that we expect to continue to intersect with across automotive, aerospace and industrial heavy machinery.

Despite the decline in revenue in Q1, our margin performance remained resilient with operating EBITDA coming in at 18.2% in Q1 compared with 18.4% in the previous quarter. Moreover, net profit increased by 3.1% sequentially.

Q1 was also a solid quarter in terms of deal signings, with 3 large deals won during April, May and June. Let me give you some color on these deals.

- We've been awarded a multimillion-dollar, multiyear award for battery and pack design services by a global EV battery manufacturer. This engagement highlights the expansion of our upstream EV capabilities into battery pack engineering, thus extending our industry-leading EV proposition.
- We've also secured an engagement with the North American commercial vehicle manufacturer for the turnkey development of an all-new cab, highlighting once again the applicability of our turnkey full vehicle capabilities beyond the automotive sector.
- In Aerospace, I'm pleased to inform you that we've won a large deal from a European Aerospace Tier 1 to develop first and business class seats for the commercial airline sector. This new logo further extends our growing aerospace customer base.

As far as our offerings are concerned, within **our product engineering segment**, we continue to see healthy trends across our software-defined products and services offerings. Within our **digital engineering lines of service**, demand remains strong in the areas of digital threat, smart manufacturing and customer experience solutions.

Specifically in **the software-defined products and services domain (SDx)**, we've secured a number of high-profile awards. They include:

- We've been selected by a commercial vehicle OEM as their SDV technology partner for the development of middleware stack on a high-performance computing platform. The strategic engagement will focus on building the foundational elements of their software-defined vehicle framework. Notably, we are now starting to witness the accelerated adoption of software-defined capabilities within the commercial and off-highway vehicle space. This growing demand should help us extend our ambitions beyond our traditional focus upon passenger vehicles.

- A European luxury OEM, automotive OEM has selected Tata Technologies to deploy a cloud-based virtual platform for the development of software for again, SDVs. With SDV technology increasingly defining the competitive landscape within the automotive sector, OEMs are investing in their own SDV platforms. With proprietary SDV platforms, OEMs can embrace as a service business models that position future opportunities to monetize data and digital services. As a consequence, OEMs are under pressure to shorten the time to market for their SDV propositions. This deal, we see Tata Technologies employee virtualization and cloud-based development capabilities to enable the concurrent development of SDV technology from anywhere in the world, thus leveraging a global talent pool without any need to access physical hardware.

We're also extending our industry-leading SDV capabilities by our network of partners and alliances. Building upon the collaboration that we announced earlier in the year, we signed a memorandum of understanding (MoU) in Q1 with Arm that is focused upon leveraging the Arm AE technology platform to accelerate the development of AI-enabled vehicles. In addition, we entered into a strategic partnership with a U.S.-based edge computing start-up to develop an edge engine solution tailored specifically for SDV use cases.

As I previously referenced, within our **digital engineering offerings**, demand for our smart manufacturing capabilities continues to scale across all focused industry sectors. Specifically, in Q1,

- We leveraged our global footprint and manufacturing process knowledge to successfully implement SAP S/4 HANA for Mitsubishi Electric in just 11 months, cutting the original program time line by 25%. Our cross-functional teams streamline business processes and apply digital accelerators to integrate multiple business units, enhancing operational efficiency by a significant 15%. This deployment has

improved data visibility and decision-making throughout the Mitsubishi Electric enterprise.

- We've also implemented an MES solution for a global Tier 1 automotive OEM that's enabled them to monitor, track documents and control the entire product life cycle of their -- of the products that they deliver to their customers, thus helping the customer improve quality control and increase uptime while reducing inventory and costs. Additionally, we have created a global smart manufacturing template for this customer that will be deployed to an additional 20 manufacturing plants globally.

Let me now provide you with an update on the progress we are making with AI and Gen AI. We believe Gen AI has the potential to revolutionize and transform the manufacturing sector. While the technology is still in the very early stages of adoption, we continue to see growing customer investments in Gen AI to transform new product introduction, manufacturing and aftermarket processes.

Let me profile a couple of AI and Gen AI solutions that we are currently implementing for our customers.

- We have partnered with a leading commercial vehicle manufacturer to deploy a Gen AI-powered virtual sales assistant. This cutting-edge solution leverages large language models and internal databases to streamline sales processes, reduce training dependencies and enhance productivity. By providing real-time product information and negotiation support, we've transformed the effectiveness of our customer sales teams.
- In North America, for a North American automotive Tier 1, we are also leveraging AI and Gen AI to harmonize raw materials -- raw material purchasing across their entire supply chain. And for a luxury German

automotive OEM, we're also using AI to accelerate their autonomous driving ambitions by enhancing the speed of object detection.

Given the impact that Gen AI will have on the manufacturing sector, we are making significant investments in training and capability development. In Q1, we have successfully launched the training program and a capability building program that will be focused upon building capacity in anticipation of growing market demand.

Furthermore, in support of our plans to leverage Gen AI to foster innovation, we've launched InnoVent Hackathon in collaboration with our partners, Microsoft and Tata Motors. This initiative aims to provide engineering students with a dynamic platform to upskill, showcase their creativity and develop pioneering solutions using Gen AI. The overwhelming response from the top 200 engineering colleges in India reinforces our confidence in the use of this country. The registration phase concludes on July 31st, and we look forward to culminating this journey with a demo day in January of next year. We anticipate that the best and brightest engineering students in India will present their Gen AI innovations on that day.

Before I hand over to Savitha, let me give you a brief update on the current industry concerns surrounding the slowing sales momentum for electric vehicles.

This calendar year, there has been a steady flow of stories in the mainstream and business press about a reversal in fortunes of the electric car industry.

We believe that most technology transitions, including EVs, do not follow a smooth adoption curve. Despite growth rates tapering in 2024, the International Energy Agency continues to assert that global EV sales are likely to increase to somewhere close to 17 million units this year, meaning more than 1 in 5 cars sold around the world will be electric.

We remain convinced that surging demand for clean, cheap EVs across the rest of this decade will completely change the global automotive industry. By 2035, the International Energy Association projects 50% of all cars sold globally will be EVs, cutting oil demand between 6 million to 10 million barrels per day, equivalent to the current amount used for road transportation in the United States.

In the coming decade, the automotive sector is clearly poised for a transformative shift. In addition to the move to electrification, this will be propelled by interrelated trends that include autonomous, connected and shared vehicles. This sector transformation will usher in changes in consumer habits and mobility preferences, reconfiguring the landscape of value distribution, fostering innovative business strategies and welcoming new players into the mobility sector.

These trends are underpinned by technological progress in electronics and software that will drive an exponential demand for engineering services. This shift is unlikely to be reversed, which is good news for the automotive sector, engineering service providers like Tata Technologies and most importantly, the planet.

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

Savitha Balachandran: Thank you, Warren. Good morning or good evening, everyone, depending on your time zone. Thank you for joining us on this call today. Following the business overview shared by Warren, let me now walk you through our financial performance in the first quarter of fiscal '25.

Our revenue from operations came in at INR 1,269 crores with services contributing to INR 986 crores and Technology solutions to the balance INR 284 crores during the quarter. The **Services segment** constituting about 78%

of our revenue was down 1% sequentially, driven by a short-term phasing of a couple of deals as well as the completion of the ramp down of the last batch of our people coming off the large full vehicle programs as we had indicated previously.

In our **Technology solutions segment**, the education business continued to maintain its growth trajectory on the back of a good order book with revenues growing sequentially and in line with our expectations supported by ongoing projects, one with multiple state governments in the past quarters.

This growth was more than offset by the anticipated seasonality in our products business, which typically has a relatively stronger volume in the second half of the year when our customers, mainly in the U.S., renew contracts and accelerate their budget spend. This meant the total Technology solutions revenue registered a 7.4% sequential decline.

The combined effect of the performance of the two segments resulted in the overall revenue decline of 2.5% sequentially on a reported basis.

We continue to exercise strong operating discipline during the quarter with the operating expenses reducing by 2.2%, thereby enabling us to maintain a relatively stable EBITDA margin that came in at 18.2% compared with 18.4% of the previous quarter. While our employee benefits expenses remained relatively flat, our other expenses witnessed a quarter-on-quarter increase of over 11.5% led by increased professional fees and advisory expenses for some matters, increased CSR spend as well as an increase in the travel expenses. This was, however, more than offset by the 12.4% decline in our outsourcing and consultancy charges as we continued to optimize our subcontracting and outsourced services, especially in high-cost locations.

Our focus remains steadfast on margin preservation this year, and we continue to aim for a 20% plus EBITDA margin in the long term as our business

scales. To reinforce what we've previously communicated, leveraging operational efficiencies through focus on offshoring, people pyramid optimization, and productivity remains our key levers for margin expansion in the future, while we build capabilities for sustainable growth.

Our effective tax rate in the quarter came in at 26.2% compared with 31.9% of the previous quarter. Consequently, our profit after tax increased by 3.1% sequentially to INR 162 crores, registering a PAT margin of 12.8%, up 70 basis points quarter-on-quarter.

Maintaining a strong balance sheet with robust liquidity is a key area of focus for us. At the end of first quarter, we continue to remain debt free and the net cash on our balance sheet stood at a healthy \$131.4 million compared with \$146.3 million at the end of the previous quarter. This balance is after a dividend payout of \$49 million that we did during the month of June.

We've maintained robust collection efficiency with a total DSO of 84 days compared with 83 days of the previous quarter and 96 days in the same quarter of last year, and billed DSO came in at 58 days, while unbilled DSO stood at 26 days at the end of Q1.

Our cash conversion and working capital position has also shown improvement during the quarter. Our free cash flow stood at about INR 220 crores, and we saw a net release of close to INR 70 crores in working capital in Q1.

In the last three years, the working capital requirements of our business has increased, driven by the growth we have seen in our education business as well as the large, fixed price deals in our Services segment. This led to a build-up of contract assets on our balance sheet for the revenues recognized as per the accounting standards, while the payment milestones have not yet been reached. However, this has had no impact on our collection efficiency,

which in fact has seen improvement in the last three years with the DSO coming in at about 83 days at the end of last fiscal in 2024 versus the position of 91 days where it stood at the end of fiscal '21. Additionally, we also limit the collection risk through appropriate commercial structures with our customers. Excluding these working capital changes, our net cash to free cash flow conversion has been in the range of 90% to 110%, which is in line with industry trends.

Moving on to the operational metrics, the highlights are as follows:

The total headcount stood at about 12,505 at the end of the quarter, a reduction of about 1.4%, reflecting about 183 employees compared with the previous quarter and this reflects an optimization of our capacity between full-time employees and the outsourced resources. This quarter also saw the completion of redeployment of the last batch of associates coming off the full vehicle program as indicated in the previous quarter and this led to a 50 basis point improvement in our utilization, which stood at 86.5% during the quarter. We continue to focus on improving our people pyramid, and we look to hire strategically in some of our focused growth areas as well as strengthening the base of the pyramid with more campus hires.

Trends on attrition levels continue to remain favorable as we saw our last 12-month attrition coming down again this quarter to 13.7% compared with 14.5%, which it stood in Q4. The annualized attrition rate stood at about 12.8%, and we expect attrition to further reduce in the coming quarter.

Regarding our mix of on-site and offshore revenues, revenues generated from outside our delivery centers in India and Romania and executed offshore improved by 130 basis points sequentially, reaching 39%. And we continue to implement measures to gradually enhance this metric.

In closing, I would like to summarize that our margins have remained resilient during the quarter reflecting a strong operating discipline. We expect sequential growth to pick up from Q2 onwards, supported by our healthy deal pipeline. We remain committed to strategically investing in key growth areas while also optimizing costs and improving efficiency across the organization to ensure that we are poised for long-term success.

Thank you. We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: Hi, good evening, Warren and Savitha. Thanks for taking my question. First question Warren is on demand. You mentioned in your opening remarks that there are isolated cases of weakness in few clients. I just wanted to understand what do you mean by isolated cases and what gives you the confidence that these are not because of the EV slowdown or more broader trends and then I have a follow-up?

Warren Harris: Yes. I think just responding to that. At an aggregate level, we're not really seeing any drop in demand. What we have seen over the last couple of years is that there are specific customer related issues that are impacting the quantum of investment and the speed of investment. And so, we're having to monitor that. But again, at an aggregate level there is little change in the demand environment.

And specifically, and I think if you look at the OEMs, they're largely segregating into two groups those that have strong balance sheets that can invest through the transition in and around not just electrification but connected and shared and autonomous. And those organizations that do not have the ability to invest in the same way and they're obviously having to balance their

investment commitments with the short-term requirements of the business. So, we're watching and following those trends and obviously look into as best we can pick the winners.

Abhishek Kumar: Sure. Second question is on FY '25 outlook you indicated sequentially there should be acceleration from Q2, but just the arithmetic given a soft start to the -- in terms of probably achieving growth similar to FY '24 could be difficult. So, any -- I mean, do you think the assessment is correct if any color you would like to give us for the full year growth expectations for FY'25?

Warren Harris: Well, I think what we can say is that we are confident in being able to drive sequential growth from the Q1 position. Q1 was not only informed by the runoff at VinFast, we also had some phasing issues with a couple of large projects that also contributed towards the solid, but somewhat flat performance of the services business. We don't anticipate that, that will continue and specifically the programs that I've referenced have now kicked off and started.

And so, we are confident in the quarter-on-quarter growth that should see the business at the end of the year being much improved in terms of volumes from where we are today. And I think as we always do, we'll continue to work to monitor things as the year plays out and we'll calibrate accordingly. But right now, I can say that we are confident in consistent growth across the quarters as the fiscal year plays out.

Abhishek Kumar: Great. Thank you so much and wish you all the best.

Warren Harris: I appreciate it. Thanks for the question.

Moderator: Thank you. Next question is from the line of Ruchi Mukhija from ICICI Securities. Please go ahead. Ms. Ruchi Mukhija can you check if your line is muted.

Ruchi Mukhija: Thank you for the opportunity. Warren, I had question on demand only. You report there has been some issue in a couple of large projects. Could you elaborate more on what kind of issues are these, are these going to persist, or do we see reversal of these issues and we can count on growth from these projects?

Warren Harris: When large programs kick off particularly mid-cycle full vehicle programs, there's always the dynamic of setting the projects up in the appropriate way. There is a dependency upon the styling studio. There's a dependency upon on boarding suppliers at the right time and the complexity of balancing all of those things out very often crops a staggered start or a delayed start. And that's what we've seen with the programs that I've referenced, but I will repeat that those programs are now online, and we've got clarity in terms of what they mean not just now, but what our expectation is for the full year.

Ruchi Mukhija: Secondly, one of your large peers HCL Tech called out specific weakness in automotive or in European geography. Is your experience suggest something similar? Do you expect -- or do you see any challenges specifically for your European clients?

Warren Harris: No, somewhat to the contrary we are engaged obviously with our anchor customers, Tata Motors and JLR. They have had a very good set of results themselves in the recent past and that's informing their confidence in terms of capex and investment in new products.

We announced the joint venture with BMW in -- at the beginning of the fiscal year. We are building out our presence in Germany and despite the fact that investment commitments is somewhat specific to the individual customers in that region, I think again at an overall level demand continues to grow. There is some volatility in the North American market that I think is being driven by concerns about the potential legislation change towards the end of the calendar year, but it's not having a material impact.

So, from our perspective we remain cautiously optimistic about the demand environment and certainly that's informed our confidence in our commitment to drive sequential growth from the first quarter.

Ruchi Mukhija: I got you. Thank you and all the best.

Moderator: Thank you. We have a next question from the line of Moez Chandani from Ambit. Please go ahead.

Moez Chandani: Good evening and thank you for taking my question. My first question was on your near-term outlook. Sir, do you expect growth to be gradual in Q2 and then accelerate forward in Q3 and Q4 or do you think that we'll be returning to significant sequential growth in Q2 itself. So how do you see growth coming in throughout the next few quarters?

Warren Harris: We don't provide guidance but what I will say is that we expect growth to pick up and we expect growth rates to be relatively range bound. I do not necessarily anticipate that Q3 and Q4 will be very different than Q2. But we're obviously pushing hard across all of the sectors that we are operating in and we're engaging in a very strategic way with all of our key and focused customers. So, we'll be looking for opportunities to accelerate growth, but as of right now in terms of visibility we think that growth will be relatively consistent and again range bound.

Moez Chandani: Got it. And also, on the BMW JV when do you start -- when do you expect it to start contributing to revenues?

Warren Harris: Well, we expect the joint venture to be launched in the second half of this fiscal year. I announced in April that we have to go through regulatory approval. We have to confirm the seed team and confirm the leadership team that will run that organization. Our plans are going well. We're working through the work that will need to be undertaken to ensure that, that organization is launched in a successful way, and the impact that will have on the business.

And I think we'll have much greater visibility as we enter the second half of the year. So, I'm not going to comment on the impact that it will have on our business, but the business plan as confirmed at the beginning of April is being executed as we expected. And certainly, as far as timelines are concerned, we're confident that we're going to meet what we've committed to each other.

Moderator: Thank you. Next question is from the line of Rajiv from Citi. Please go ahead.

Rajiv: Can you talk about the performance of service business ex VinFast? And also, can you share what is the contribution of VinFast in 1Q? And the second question is you have talked about the phasing issues which you have faced in 1Q. Are all these behind or some part of it will also play out in 2Q?

Warren Harris: Thanks for the question, Rajiv. I think -- if you look year-on-year as the business ex VinFast, we've grown the services business by close to 26%. And so, I think that demonstrates the momentum that we certainly enjoyed over the last 12 months. And I think if we look sequentially, the business ex VinFast is up about 1%. In large part that's the case of the challenges that we have in terms of the phasing of the large projects. But we certainly expect to be able to pick up from that in Q2, Q3 and Q4.

Rajiv: Yes, that's all from my side.

Moderator: Thank you. We have a next question from the line of Nitin Sharma from M.C Pro Research. Please go ahead.

Nitin Sharma: Warren, how large these commercial vehicle dealings are? A broader range would be fine. And also, do you see a rise in the contribution from the commercial retail segment significantly in FY '25?

Warren Harris: If I understand the question, you're asking about the commercial vehicle business.

Nitin Sharma: Just how large these deals are -- the buckets? Is it 50 million plus -- 10 to 50...

Warren Harris: Well, we're not providing specific information about the size of the deals. We are covered by client confidentiality agreement. But what I can say is that they are material and I think what I'm excited about as far as the 2 deals that I referenced in my opening comments. One, the cap design opportunity is a demonstration that our full vehicle credentials that we've established in passenger vehicles are applicable to the off-highway and the truck sector.

And I'm also very excited that the commercial truck industry is really now starting to invest in software-defined vehicles in a way, again that we've seen from the passenger vehicle, et cetera. And our involvement at a middleware level is exciting because it really positions us centrally to help the customer that we're working with architect and deploy the platform from which Connected services will be delivered to not just the product that we are working on but to future products as well.

And so, we're expecting that relationship to extend beyond one program. So, the sort of direction of our commercial truck business the business that we refer to as industrial heavy machinery is not only improving in terms of the Quantum revenue that it represents, it's also improving strategically. And that gives us confidence not just for this fiscal year but beyond.

Nitin Sharma: Understood. And one book-keeping question. Is it possible for you to share how much was the education sub-segment revenue in rupee terms.

Moderator: Sorry, sir, we cannot hear you.

Nitin Sharma: Yes. One book-keeping question. Is it possible for you to share how much was the education sub-segment revenue in rupee terms?

Savitha Balachandran: Yes. Maybe that is something that we can share with you through our IR team after the call. Is that okay?

Nitin Sharma: Perfect. Thanks, and all the best.

Moderator: Thank you. Next question is from the line of Ashish from JM Mutual Fund. Please go ahead.

Ashish: In one of your recent interactions, you did mention that FY '25 momentum. So, whatever you achieved in FY '25 that momentum will continue in FY '25. So, given that in FY '24, we did around 15% kind of a revenue growth would it be fair to assume that you have a reasonable amount of confidence to achieve that similar revenue growth run rate even in FY '25?

Warren Harris: Again, we don't provide guidance -- specific guidance but what I can say is that we will assert what I've said previously. We expect to grow from the first quarter. We expect a relatively strong year this year. The visibility that we've got across the sectors that we are operating in gives us confidence at this stage that momentum will continue along calendar year 2024 and into calendar year 2025. So right now, we're not seeing any drop in the demand environment. And so, we'll continue to invest in order to be able to take full advantage of that.

Ashish: Fair enough. Sir, incrementally, anything on the semiconductor business if you could share because Tata Electronics is setting up a unit along with PSMC. Is there a certain role that we also have to play? Is there an opportunity that you see?

Warren Harris: When we look at the semiconductor sector. There're 2 areas of interest for us in terms of value that we expect to deliver. One is in smart manufacturing. There is a significant opportunity here in India not just with the group but with the potential that is building in and around semiconductors. And we think that the skill sets that we've established in sectors like automotive are fungible to

the semiconductor industry. We are also excited about the fact that as OEMs look to bring down their cost and control the type of capability that will inform future products, they're looking to vertically integrate software and electronics, which includes silicon. And we are in some fairly exciting discussions with some of our customers that will look to leverage the product from organizations like Tata Electronics in a packaged way in support of future product development.

Ashish: Fair enough. And lastly, on Airbus anything you would like to show in terms of timeline as to when we can see the commercial ramp-up benefiting us?

Warren Harris: What we've seen at Airbus, we've seen growth in the first quarter from the second half of last fiscal year. We expect that to continue in Q2 and also in H2. And not only are we looking to discharge the current order book at Airbus, as you can imagine, we're also looking for additional opportunities and we're in discussions with Airbus in different parts of the world about those opportunities.

We're excited about the Airbus relationship, but we're also excited about the aerospace sector. I referenced in my comments the deal that we've secured with an aircraft seat manufacturer the business class and first-class seating manufacturer. And that organization is looking to leverage our support to build an ODC here in India. And I think the opportunity that represents is not just an opportunity for us to increase our aerospace volumes it represents obviously diversification from the relationship that we've got with Airbus and that's something that we expect to build upon.

Ashish: So, in all segments, the Airbus deal can be as larger to all VinFast was to us then you go that's a fair assumption?

Warren Harris: No, I certainly think that the potential with Airbus is there for us to grow significantly. But one of the things that I would caution you on is that the

aerospace industry is a highly regulated industry. And so, one has to demonstrate process and capability compliance before one is entrusted to be able to take on at different and bigger engagements. And so, we're working very closely with Airbus to demonstrate what we are capable of. And as confidence builds, then obviously, we will look to extend our current ambition.

Ashish: And sir, last question, if I may. This for Savitha, ma'am. You said on margins -- like to maintain margins for FY'25. So, are you benchmarking FY'24 exit margins or first quarter FY'25 margin?

Savitha Balachandran: Well, the margins between first quarter and the full year '24 are not too far apart. So obviously, let's take the higher one as a target for the year, and that's really what we want to try and aim towards. And as we see progress of business growth and pipeline during the year, we will see other opportunities that evolve as well before we move into fiscal'25.

Ashish: This helps thanks and all the best.

Moderator: Thank you. Next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: My first question is just on the utilization rates. It's pretty healthy, 86.5%. And you mentioned that you're redeploying employees more efficiently in the firm. Just trying to understand how you're thinking about hiring outlook for FY'25. And in the past few years, what has been sort of the maximum utilization rate that you've been able to achieve. So just trying to understand, so the interplay between hiring and utilization in our sort of efficiency and margin journey going forward?

Warren Harris: Just in terms of utilization, I'll make some comments, and then I'll invite Sukanya, our Chief Operating Officer to come in and talk about the work that we're doing, not just in the area of utilization, but also in other areas of operational efficiency. I think the utilization rates that we achieved in Q1 are

close to the optimum levels of utilization that we're going to look to drive inside of our business.

When we look at utilization, we obviously look at it at an aggregate level, but we also look to analyze utilization, both onshore and offshore, there's more work that I think that we can do onshore rather in terms of improvements in utilization. But I think for the most part, we're close to an optimum level in our offshore center.

Sukanya Sadasivan: Yes. Thank you, Warren. And I think I'd just like to add there that while we are focusing on utilization, I think the important part is also to look at how the whole demand is shaping up and as the focus area has changed, there is going to be capability building investments that we need to continuously do so that we can repurpose a lot of our workforce to the new area.

So, there will be some more hiring that we will do, and also look at optimizing our pyramids. So, it will be a combination of GETs that we will hire as well as look at augmenting the capability by looking at recruiting for certain areas and at the same time, having a focus on the utilization.

Chandramouli Muthiah: That's helpful. My second question is just as you look at how you're building your business for the next few years. If you were to split your key areas of activity into aerospace, education, industrial, automotive. Just trying to understand where you see the maximum opportunity and potential for the company to capitalize on growth, like if you were to sort of divide the business into these 4 buckets, just trying to understand what your rank order of opportunity set would be amongst these key buckets?

Warren Harris: Yes, it's a good question. I think if we look at demand across the different sectors, I think if we look at percentage growth, aerospace is perhaps the sector that represents the larger opportunity because we're coming up such

a pretty small base. I also think that the investments that we've made in aerospace in the last 2 years to 3 years, we've really not yet fully harvested.

And so, I think if we look 12 months, 18 months, 2 years from now, I would certainly expect the aerospace business to make a bigger percentage contribution than it does today. But the core of our business is automotive, and it will continue to be. And if you look at automotive, despite the volatility from a sales perspective, the R&D investment in the transformation that is going on in automotive that continues to excite us, not just in the short term, but medium and long term.

The industry is going through a once in a generation transformation and the investments that are being made in autonomous driving in the move to alternative propulsion systems. And in the move to connected and software-defined vehicles will drive a significant demand for engineers and for the services that organizations like ourselves provide. So we'll be focused on taking advantage of that work at the same time and looking to take advantage of our footprint in aerospace and the opportunity that is there.

Chandramouli Muthiah: That's helpful. And my last question is just trying to understand sort of the VinFast, little bit it looks like we are now coming towards the end of whatever the customer-specific changes are in their outlook. So just trying to understand, are we now at sort of close to 0 level contribution from VinFast. Is there a very minimal sort of maintenance revenue that will continue there? Just trying to understand how to sort of now piece that out and start analyzing the rest of the business?

Warren Harris: Yes. At VinFast, as I commented, we've completed the 2 vehicles that we were responsible for. We're very proud of those 2 vehicles. VinFast will launch the vehicles this year, and we think that those vehicles will have a significant impact on the markets in which they are launched. The product development work is largely concluded.

They are moving to a focus upon building the products that we've engineered for them. We'll continue at a relatively modest level to support that. And as their fortunes are confirmed in and around the success of the products that they are selling in different parts of the world, we expect them to at some point in the future, invest in extending their portfolio.

At that point, we will have the opportunity, I think, to compete for similar types of projects that we've delivered in the last couple of years. But as of right now, the only visibility that we've got is to maintain a relatively small footprint with VinFast, and we expect that to continue in the coming quarters.

Chandramouli Muthiah: That's helpful. Thank you very much, and all the best.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Vijay Lohia for closing comments. Over to you.

Vijay Lohia: Thank you, everyone, for joining us on the call today. We hope we've been able to answer most of your questions. If there are any further questions, please do get in touch with the Investor Relations team, and we'll be happy to answer your questions. Goodbye from all of us here at the management team. 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.