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January 17, 2023

National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (East), Mumbai — 400 051.
NSE Symbol: LTTS

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400001
BSE script Code: 540115

Subject: Transcript of Business Update Conference Call

Dear Sir / Madam,

Please find attached the transcript of Business Update Conference Call organized by the Company on January 12, 2023 on acquisition of the Smart World & Communication business of Larsen & Toubro Limited.

This will also be posted on the Company's website at www.ltts.com.

This is for your information and records.

Thanking You,

Yours sincerely,
For **L&T Technology Services Limited**

Prajakta Ashish Powle Digitally signed by Prajakta Ashish Powle Date: 2023.01.17 14:25:01 +05'30'

Prajakta Powle
Company Secretary & Compliance Officer
(M. No. A 20135)

Encl: As above

L&T Technology Services
Business Update Conference Call Transcript

For the Business Update Call held on January 12, 2023, 20:00hrs IST

MANAGEMENT: **MR. AMIT CHADHA – CEO,**
MR. ABHISHEK SINHA – COO,
MR. RAJEEV GUPTA – CFO,
MR. PINKU PAPPAN – HEAD, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Business Update Conference call of LTTS. 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 conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pinku Pappan. Thank you, and over to you, sir.

Pinku Pappan: Thank you, Faizan. Hello everyone, and welcome to the LTTS Conference Call to discuss our acquisition of the Smart World & Communication business of L&T. I am Pinku, Head of Investor Relations, and M&A. The press release and investor release relating to this acquisition has been uploaded on our website www.ltts.com. I hope you have had a chance to go through them. This call is for 60 minutes. We will try to wrap up the management remarks in 15 minutes and then open-up for Q&A. The audio recording of this call will be available on our website approximately one hour after the call ends. We will be discussing only the acquisition today. Our Q3FY23 results are scheduled on the January 19th, and I would request you to hold your questions about the quarter and the demand environment till then.

With that, let me introduce the leadership team present on this call. We have Amit Chadha, CEO; Abhishek, COO; Rajeev Gupta, CFO. Amit will provide an overview of SWC and talk about the growth potential we see, and Rajeev will take you through the financial details. Let me now turn the call over to Amit.

Amit Chadha: Sure. Thank you, Pinku, and I hope I am loud and clear.

Pinku Pappan: Yes, Amit.

Amit Chadha: Perfect. So, thank you all for joining this call today at really short notice. Let me begin by wishing all of you a very Happy New Year. I am happy to share that earlier today we signed an agreement to acquire Smart World & Communication Business Unit of L&T. We are excited about joining hands with SWC and entering a new phase of growth in the areas of Next-Gen Communications, Sustainable Spaces and Cybersecurity. For us, this acquisition is a continuation of our Big Bets driven growth strategy and aligns with our bets in 5G, Digital Products & AI and Sustainability.

Let me first provide you some background.

SWC was started within L&T in 2016 with a mandate to leverage technology and address opportunities arising in India around smart cities and mass connectivity. SWC has surely risen to the challenge with a track record of winning and implementing several large-scale city/state/ pan India projects for cities, Utilities, Government entities leveraging disruptive technologies such as AI/ML, Cloud and 5G.

It has talent with decades of experience from marquee Telecom services and OEM companies and in just over 6 years crossed an annual run rate of INR 1,000 Crores. They are also innovation driven like LTTS having built a software platform called *Fusion*, a state-of-the-art platform for data analytics, and *gEdge* – a green Data Center that can be used at the Edge which can deliver significant savings in Capex and Opex.

The moment, we believe, is ripe for this business to be taken to the world to address the growing market across Next-Gen Communications, Sustainable Spaces and Cybersecurity. With LTTS' reach globally, we have got a client base that includes 6 of the top 10 Telecom Infra OEMs and 4 of top 10 Telecom operators in North America and Europe. We believe that with this base of marquee customers we can take SWC's capabilities globally.

On the capability front, with SWC we get a full spectrum technology stack in Communications, Cybersecurity and a bigger platform led play across Sustainable Spaces. So together, we have the qualifications to participate in large opportunities globally, that may involve design, build, roll out and managed services across SOC, NOC and Data Center rollouts.

I would like to now take you through the 3 segments in details. For each segment, I will cover three broad questions.

- What capabilities will LTTS and Smart World have?
- How are we better together?
- What is the market that we now can address?

Starting with Next-Gen Communications,

Capability wise,

SWC has strong credentials in network design, planning, implementation and management including Network Operation Centers (NOC), OSS work, Data Center, Cloud/ private 5G. It has assisted multiple state governments in India with Network Operating Centers and Network Management Systems while establishing end-to-end network connectivity and public safety projects such as TANFINET and Telangana Fiber Grid.

LTTS on the other hand has been a strategic partner for OEMs for a long time with a track record of delivering device R&D for more than 100 product families. We identified 5G as a Big Bet in 2020 and our 5G offerings and services have resulted in the company taking complete ownership of 10+ Labs-as-a-Service for customers in product R&D, 5G network assurance with over 100 5G use cases for our clients.

Together, we now have a full spectrum of offering from consulting, network planning, managed services, automation, NOC and SOC. We can also address opportunities across segments like Devices, RAN, 5G, Edge, Data Center, Applications and Orchestration.

What is the market that we can now address? First, we can qualify for large global opportunities across Conceptualization, Network Planning, Architecture, Proof of Concept, Rollouts and Managed Services leveraging NOC/SOC/DCO. We will expand this in the U.S and Europe primarily, and target Operators, OEMs and in partnership with hyperscalers. In addition, we plan to address the huge Private 5G network with the ability to architect rollout and cloud managed networks to enterprise clients.

Moving on to Sustainable Spaces.

Capability wise, SWC brings capabilities around public safety, smart cities, and critical infrastructure, smart metering along with L&T Fusion Platform and the Integrated Command and Control Center (IC3). They have implemented mega safety projects in Mumbai, Hyderabad and Nagpur where tens of thousands of devices including cameras and network equipment have been implemented for city level surveillance. SWC has also architected, conceptualized and implemented smart metering in states like Uttar Pradesh, Haryana, Delhi to the tune of 6 million meters.

LTTS brings the smart building and experience management capability and through its i-BEMS platform that has been deployed in the 'world's smartest office campus' in Israel with over 14,000 sensors.

Together, LTTS and Smart World gain the ability to offer End to End solutions across Efficient Campuses and Cities, Utilities, Mobility, Public Safety and Environment. We can also leverage a track record of executing mega projects in Safety and Surveillance, Traffic, Waste Management, Water and Power with the ability to establish and operate Integrated Control and Command Centers (ICCCs), which differentiates us with our scale to win global opportunities.

With over 70% people expected to live in cities by 2050, there is a need to make living sustainable. Ability for cities to govern, survey & act is paramount. The line between Smart Spaces & Sustainability is blurring with more participation and action initiated by countries as was seen during the COP27 Summit. Also, our scope increases from buildings to utilities, hospitals, sports arenas, infrastructure, transportation, among others. This was an area that we were present in a very minor manner. We plan to take target markets like Middle East where huge new city infrastructure projects are being undertaken in addition to U.S, Europe and Canada. LTTS's own enterprise customers including Oil & Gas and CPG customers with ultra large plants are another opportunity for us to address.

Cyber security

Capability wise, SWC brings with it Full Lifecycle Threat Management capabilities with offering in risk assessment, threat monitoring, security architecture, design, DevSecOps.

LTTS has been offering Cybersecurity services to our clients for Operational Technology (OT) cybersecurity and product cybersecurity globally.

Together, the Joint team can provide Security Operating Centers or the SOCs, full life cycle threat management, OT cybersecurity and product security credentials. Managed services is an opportunity for us as we plan to offer SOCs as a service along with Cyber advisory and consulting.

In terms of market, 1 in 3 companies have experienced Cyber-attacks since 2019, and the trend is only increasing. With growing digitalization, Cyber Security needs to be embedded in all our solutions. We plan to treat Cybersecurity or Cybersecure as we call it going forward, as a Horizontal along the Digital Products & AI work that we do and leverage existing relationships to expand. Our global Partnerships and Alliances with hyperscalers and product companies would be key to penetrating this market.

Finally, let me provide a view on our outlook.

We believe this acquisition will enhance and augment LTTS's capabilities across Next-Gen Communications, Sustainable Spaces and Cybersecurity allowing us,

1. the ability to address 5G in a much more meaningful manner and expand addressable market in multiple segments - Operators, Enterprises and tap into potential of large future spends like Sustainable Spaces.
2. Address the market from a cyber security standpoint and enterprise security in a much more meaningful and bigger manner with the SOC that we get.
3. Third, it will help to take India, which has been a test bed for disruptive technology at scale, to the world and expand our footprint into the Middle East as well as India, APAC, US and Europe as multiple countries are starting to invest in a smart and sustainable future.

While this is early days, and we have about 2 months for closure of this acquisition, we have put in place an integration plan that will help us create a joint go to market and capture synergies as early as possible.

We are excited about the future growth potential and reconfirm our aspiration to get to a $1.5 Bn run rate aspiration by FY '25.

Let me end by wishing all of you great health. Thank you. Have a great day, and I will hand over to Rajeev from here.

Rajeev Gupta: Thank you, Amit. Wish all the participants on the call a very Happy New Year and thank you for joining us on this call today.

We are happy to start the new year on a high, with announcement of the acquisition of SWC, a unit of L&T. We believe this acquisition will open new avenues of growth in 3 of our 6 Big Bets: 5G, Digital products & AI, and sustainability.

Amit gave an overview about the business and potential synergies. I would like to give you some color on the financials of the business and the plan to integrate going forward.

SWC's business is broadly split into 3 segments:

1. Communications, which contributes to around 75% of the Revenue
2. Safe and Smart Solutions, which contributes to 24% of the Revenue
3. And, the newest vertical Cybersecurity contributes to 1% of the Revenue

The EBITDA margin profile of the acquired business is in the 8- 10% range, relatively lower for two broad reasons:

1. Currently, SWC operates in the Indian market, executing modernization projects involving Design phase, Build phase and then Operate and Maintenance phase. This was the plan to get established in the market, and now they have started positioning themselves for more Services Oriented playbook of Design, Opex and Managed Services that has higher margin profile versus Capex and Build programs.
2. Secondly, higher initial investments in terms of people, labs and product development, that will start to yield benefits with scale. Amit already talked about talent and innovation at SWC, evidenced by their *Fusion* Platform and the *gEdge* Data Center solutions.

Going forward, our goal is to improve the EBITDA margin profile of SWC business in line with that of LTTS. With commercial and financial diligence, we have identified levers that will enable us to achieve the margin target.

1. First, take the capabilities of SWC to global markets where there is a good potential to win large transformational projects. A complete end-end offering stack combined with strong customer relationships and track record of large implementations would help us create differentiation in the market.
2. Secondly, in the India market, focus more on the higher margin Services business, which includes Managed Services, SOC, NOC as a service, Design and Consultation.
3. We will also leverage the solutions and platform play of SWC to drive non-linearity. Our success in Telecom with our own IntelliAgent product gives us confidence of the market potential.

To summarize, the combination of leveraging joint capabilities in Global markets, a strong differentiation to win larger deals and an improving Services share in the India business will help drive scale and improve business mix towards higher margin areas resulting in margin improvements.

Now let me talk timelines.

We have drawn up initial plans to integrate our offerings and be ready with a joint go to market of our services. The leadership teams are ready and excited to take this forward at both LTTS and SWC. The common L&T DNA gives us the confidence of a faster and smoother integration to realize synergies early enough.

We are planning for closure of this transaction before March 31, 2023, subject to shareholder approval. We will provide more details as we approach Q4 FY23 closure.

With that, we are reaffirming our aspiration of $1.5Bn run rate by FY25 and a sustainable 18% EBIT margin trajectory in the medium term.

Thank you for all your continued support and wishing you a very Happy New Year once again. With that, moderator, we can now take the questions.

Moderator: Thank you very much. We will now begin the Q&A session. The first question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Thanks for taking my question. So, Amit, my question was basically just couple of questions on the nature of the transaction. One is I would assume that large part of revenue if not 100% of the revenue of the SWC would be coming from the Indian markets or the Indian geography itself. So, if that is the case, do you believe having worked with the government entities in India and as I see that the company was founded in 2016 mainly to cater to the smart city project, there is definitely a case for, is there a case for a similar kind of work being done for private entities in outside markets outside India? I mean, do you really see? I mean, is there a real like for like mapping that we can do in terms of basically catering those services to the set of clients that we have?

Amit Chadha: Sure. So, Vibhor, thank you so much. I will address the question this way that like Rajeev pointed, 70%+ of this business is in the Communications area, and when you look at communications, the kind of work that they do around conceptualizing an entire network, or if you look at the work that they do on in terms of the *gEdge* Data Center that they have got, or you look at the work that they have done around, you know, around private 5G rollout etc., all these be put together, this is something that we can immediately take to our OEMs and our Telecom customers, our Operator customers. In fact, we work for 6 of top 10 OEMs, and we work for 4 of top 10 global operators, US and Europe operators. So, it creates a full stack offering along with the NOC. And therefore, this immediately becomes applicable to our US and European market and Japanese market customers. So, that's number one.

Now in terms of Safe and Smart, we were working with our enterprise customers around i-BEMS, we were working in Building Automation, etc. What this gives us in the scale of work done around Safety Surveillance, Traffic Management, Waste Management, smart metering and the *Fusion* platform allows us to be able to give us an immediate upside in terms of going after utilities, as well as going after markets in the US, Europe, Middle East and parts of Asia taking this scale advantage of the kind of work that's been done. Thousands of cameras managed, if you look at it, so many nodes brought together, the *Fusion* platform, which actually allows us to be able to do analytics on top of the feed. So, it does bring together that particular part.

And the third on the cybersecurity again, with the work that they have done along with the Security Operation Center (SOC) they have got, taking that to our North American and European clients is an immediate thing that we would play, because we will all of a sudden have an end-to-end playbook, if I may, rather than having just product and Operational Technology (OT) in cybersecurity. So, we do see a lot of applicability, Vibhor. Not only that. Today worldwide, and I say this because I have, you know, been talking to a lot of our clients here based in the US and in Europe and in Japan. They look up to India, and they look up to Indian technology from a standpoint that the kind of work being done in India and the scale being done at India has not been done at other places. So, I am fairly confident that this provides an upside.

Vibhor Singhal: Right. But if I could just maybe extend the argument a bit, I mean, we have been tracking LTTS for quite a while now, and we like speak very highly of the delivery capabilities that the company has. So, many of these capabilities exist already with LTTS. I mean, is this a void they are filling that we didn't have these capabilities specifically I think in the Communication space, 5G space? We talked a lot about what we are already offering to our existing clients. I mean, are there specific white spaces that this acquisition is filling? And if yes, then my question again is that wouldn't we have, couldn't we have made an acquisition let's say outside India with already existing set of clients, which would have probably given us access to new clients maybe which we didn't have rather than trying to basically cross-sell the capabilities that they have that SWC has delivered in India into clients outside India in a completely different government to private kind of a setup?

Amit Chadha: So, number one, thank you so much. See, Vibhor, we did, so if you go back, we did acquire Orchestra Technologies in I guess 2020, and they brought with them capabilities of the network operator assurance, network assurance for operators. They brought that capability. When we did our assessment, what we were missing as a white space was the ability to conceptualize and architect an entire network. And as 5G became a Big Bet area, we tried to organically develop it by creating the Lab-as-a-Service by doing a more than hundred 5G use cases for clients globally etc. But we did see that the ability to conceptualize, architect the network was one thing that we were looking for, and that was what SWC brought to us that we did not have.

We were also looking for a company that had done it to scale. We didn't want somebody that would have done it for one, you know, for a Telecom Operator or a second telecom operator etc. And based on what we saw in the market and we did a diligence, we realized that SWC brought that.

Second, we have got key things like the *gEdge* Data center, right, which is actually a software-defined Edge Data Center with immersion cooling technology, which is again a great asset to have to take forward. So, second, when we were looking at our business space that we were looking at Smart, we have been talking about Sustainability for a long time. We looked at the COP guidelines that came out. We started seeing a lot of Utilities starting to spend. A lot of people that we were seeing had a product. There were very few companies that only do services from a Smart Sustainability standpoint. That Smart World has got, that was not there outside. And we do not want to become a product company. So, therefore, it was an excellent fit for us, or it is an excellent fit for us along with a smart metering capabilities they have got and the *Fusion* platform.

From a cyber standpoint, of course, it provides the SOC capability that we do not have. So, therefore, it is complementary, if I may, in terms of the white spaces that we had to take it forward.

Vibhor Singhal: Thanks for taking those questions. If I could just maybe get a couple of data points? What possibilities of revenue would be in India and outside India? I'm assuming it is 100% India. If not, please correct me. What percentage of revenue is government business or private business? The third is, yes, if you could provide a color on what is the receivable days of the entity that we are acquiring?

Amit Chadha: Sorry. What was the third question?

Vibhor Singhal: The receivable days? The DSO days for the company that we are acquiring – SWC's?

Amit Chadha: Sure. So, number one, from a revenue standpoint, it is 100% India, but there is an active pipeline for APAC and Middle East and parts of North America. So, I can confirm that.

Number two, from a government and private, I don't think we give that data out. I will hand over to Rajeev to handle that on the DSO part. Rajeev?

Rajeev Gupta: So, two points on this. One, these are largely government driven projects. And second, in terms of receivable days, I mean, given that these are largely government projects, generally, the duration of these projects in terms of receivables is relatively high and would be in the range of 400+ days, but like we said, you know, there is a good opportunity for us to take this business and offer it to our customers globally. So, as we start to change the profile of this business, we see that there is going to be improvement both in terms of receivables and other operating levers as well.

Vibhor Singhal: So, you mentioned 400 days, right?

Rajeev Gupta: Yes.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Thanks for giving the opportunity. Sir, largely wanted to understand the existing business, which is there running INR 1,100 Crore kind of a business, largely government-oriented business and over where, you know, we are having a 400+ days of receivables. I mean, would we still continue the existing business after making the acquisition? What is the strategy of the existing business which is there currently at SWC?

And my second question was on the GTM strategy. You know, how are we looking at the overall GTM strategy to take this particular business to maybe APAC or US? Something, you know, you mentioned about you want to take it to other geographies, but largely wanted to understand what are the changes that you are making in the organization to have a meaningful GTM strategy?

And my third question was on the $1.5Bn aspiration. I mean, lastly, when I recollect timings, you know, there is $1.5Bn number which was there, I mean that was largely organic kind of a number. So, I mean, after addition of this INR 1,100 Crore, does that aspiration still hold? Or would there be an upside from that?

Amit Chadha: So, let me address your last question first, because your line was not clear for the first question. Then we will address the second question, and the first we will ask you to repeat. So, when we had told you that we will get to $1.5Bn run rate in FY25, we did have it as organic plus inorganic. And therefore, this is the inorganic part that has been added. Does that change the goalpost? It's early days, and as we go forward, if aspirations change and goals change, we will keep you informed, but we wanted to reconfirm at this stage $1.5Bn by FY25 for sure, right. So, that's number one.

Number two, in terms of strategy, see, we have been seeing over the last few quarters or months that we have been working on the 6 Big Bets that we took almost about 21 months ago now. We were noticing and we were seeing that we did not have certain capabilities. In the communication area, & 5G area, it was clearly in the areas of network architecture, SOC, NOC that we did not have. We also saw that there is a huge market that is coming up for global enterprises to roll out their private 5G. We also see operators spending money. We thought that the capabilities they bring plus our Lab-as-a-Service etc., provide us an ability to go forward.

When we were looking at Sustainability, often we used to talk about Product Sustainability. If you remember, some of you will recall, I have talked about water -waste management. I have talked about, you know, utilities etc. But whenever we would talk to them, we would only end up going to the OEM. We would not be able to go on to the utility itself. We were not able to go to the municipality itself. And because we had smaller projects, we were not able to show scale to them.

We believe that the scale that SWC brings in terms of the kind of work that they have done and executed is huge in terms of what we will be able to handle, right. And for just one example, the Prayagraj festival in India recently, you know, that was concluded last year, SWC managed 250 million people along with complete coverage face recognition including AI etc.

If I look at smart metering, I cannot think of another company that's rolled out 6 Million meters across three states, right. The *Fusion* platform brings with it a certain degree of data visualization not seen before. So, we believe that adds up, and clients in US, Europe, as well as Middle East are actively looking for such stuff. And we have done some bit of polling etc, and we believe that that is a good market for it.

Cybersecurity is again, you know, since I believe that from a strategy standpoint, it fits very well into our Digital Products as a Big Bet as well as taking it forward. So, it's aligned with that. Now, could you repeat your first question so that we can answer it?

Mihir Manohar: Sure. Largely wanted to understand that, you know, given the fact that this business is largely a government business, and we are having 400+ days of receivables over here, making 8%-10% margin EBITDA margin, so, I mean, I believe that they won't be contributing much to the ROE and ROCE. And you know, would we continue such business in the existing LTTS structure where we have higher margins, working capital business and good capital efficiency? So, I mean, would we continue the existing business? Or we would like to, you know, scrap it out gradually, the existing business of SWC?

Amit Chadha: So, I would request Rajeev to take that question. Just key point keep in mind, Rajeev has already said that our medium term is to get to do 18% EBIT. You have seen us operate at those levels. Our whole goal is to take this business to international markets and do higher value services business if we do it in India also. So, we are fairly cognizant of that, but Rajeev, could you please answer the ROE, ROCE as well as the DSO?

Rajeev Gupta: So, we have already talked about the fact that, you know, we can look at improving the profile of this business, which has been more in the nature of Capex and Build programs to more Managed Services programs, right. That is one. Second, to also take this business to global customers and newer geographies.

To answer your question, the government projects will conclude over a period of time, right. And that by the very nature, we may not look to renew because those are, of course, programs that have come into play in the past few years. So, we see over the course of next 18 to 24 months and naturally, some of that business concluding. And as we spoke, changing the profile of the business would start immediately post the integration, and a lot of that thinking has already gone as part of the diligence. Hence, as you see over the next three to four quarters, the profile of the business will start to improve. So, the EBITDA that we have indicated, which is currently at 8% to 10%, over the course, will start to improve.

Our aspiration of $1.5 billion in terms of run rate by FY '25, like Amit said, included inorganic strategy. Our aspiration of 18% sustainable EBITDA in the medium term remains to be 18%. And sorry, sustainable EBIT remains to be 18%, and we will continue to work to improve the profitability of Smart World & Communications.

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

Bhavik Mehta: Thank you. I have a couple of questions. Firstly, you know, if I just do a rough math based on FY '22 numbers, it looks like the EBITDA margin hit is going to be like 180 basis points. So, if you can just elaborate on, you know, how do we plan to maintain 18% EBIT for the combined entity going forward? You know, what are the timelines you are looking at to maintain those 18% levels? Because my sense is that initially, we will take a hit of around 180 basis points. So, what are the levers available to, you know, make up for that? That's one.

And second question is, you know, what is the typical pricing model of this business? Because it's not a typical ER&D business. So, how does the pricing work over here? Because this company has like just 700 people, but the revenues are like INR 10Bn. So, if you can just throw some light on the business model and especially in terms of how the pricing work around the contracts or structures? Thank you.

Rajeev Gupta: So, I will cover the EBIT part of it. So, Bhavik, like I said in the opening commentary, we have done our due diligence. We have identified certain levers. As we look at over the next two months or so, we intend to close the transaction by 31st March 2023 subject to shareholders' approval. We will come back with more details in terms of some of those levers and how we will improve. I again maintain that in the medium term, aspiration is to maintain that 18% EBIT range, but we will come back with more details in Q4 FY23 once we see more details around this business. Amit, you want to take the pricing model?

Amit Chadha: Yes, pricing largely, Bhavik, has been fixed price for them. They don't work on T&M. And we are also looking to expand our own fixed price model as we go forward. So, it's in line with that. Like Rajeev mentioned, our whole goal of taking over this business is that we have high confidence given our leadership bandwidth, given our ability to be able to improve profit margins in the past as well of our own business. If you remember, we used to be at about 14% EBIT. We have come to 18%. Our own ability to manage our business and take it forward, and third, our ability to scale, we believe these three internationally, globally, give us the ability to have the confidence to turn this around. So, I would not be worried about pricing models at this stage. I do believe that this is doable and as well as make sure that we are back at that it does, and that's why we wanted to make sure we make that statement that we are medium term, we are back at the 18% EBIT levels that we have always been at.

Bhavik Mehta: And just lastly, what was the rationale L&T group had in selling this business to LTTS and not, you know, continue within L&T?

Rajeev Gupta: So, the way L&T, see that question you should maybe ask L&T, but I will attempt to answer the question in a different manner. L&T has, and our chairman has gone on record, Vice-Chairman has gone on record to say that, that L&T looks at LTTS as its expression of Engineering and Technology to the world. L&T has spent the last six years to sort of incubate this business, right, building the *Fusion* platform, building the *gEdge* Data Center, building out the smart metering capabilities, building the SOC, the NOC. They have invested in this business to take it forward. And I think the time had come for this business to go global, and at that point they thought that LTTS being an Engineering Technology company, and this business that we are doing is largely Engineering and Technology, we thought was the right fit for us to take forward. So, that probably is what went on in the mindset.

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

Akshay Ramnani: Thanks for the opportunity. And Amit, just one question. How should one think about the growth profile of this business? So, you mentioned that some of the government contracts maybe ending over the next few quarters over the next 18 months, and we are also focusing on improving our international presence and Managed Services in India. So, there will be a headwind and tailwind overall. So, some sense on the over the past two years how has the business grown? And how should we think about the growth prospects of this business?

Amit Chadha: So, to answer the question, you are talking about the growth prospect, and I am trying to answer it, Akshay, right?

Akshay Ramnani: Yes.

Amit Chadha: So, if you look at the growth prospects, we do believe that 5G spends have yet to roll out completely. They haven't completely come out. In fact, I mean, there are numbers thrown & the public information is that by 2030, 5G is expected to have a global impact of $1.3Tn, right, on the global economy, and that is not just operators. It's across, you know, it's from operators. It is from healthcare providers. It is from, so overall, right? So, we do believe that that's the kind of revenue that is expected to be rolled out. Now we believe that that we are in the right space with this business to be able to take that forward. So, that's number one from a growth standpoint. We have already got demand. I mean, we have been actively recruiting SWC has been actively recruiting to try and take this forward and creating 5G use cases, and we have talked to you before about investments we made already in setting up labs in Bangalore or setting up labs in Mysore on 5G. We announced a partnership with Mavenir, with Qualcomm. If you have done, there are others that we have not taken names, but we have done work. There is a lot of work that we have done with one of the largest operators in the US actually to connect 911 calls to rural areas in the US. So, there is a lot of these case studies work that we have done along with the Orchestra Technologies acquisition that we had done. So, the uptick that we saw in our Orchestra acquisition and the work that we have been able to generate from there gives us the confidence that this is an area that's up and we will see tailwinds from a spend standpoint over the next two years at least.

Now in terms of Sustainable Spaces, again, various numbers being thrown, but the market size seems to be about at about $240Bn by 2025 is what they are talking about across infra, building, utilities, mobility, public safety etc., which, again, I think is the right place to do and take it forward. And that we are not going to be selling directly to them only, but we have got hyperscaler partnerships. I mean, you have seen this partnership we had with Microsoft. There are others that we have announced masking the name, which I can't name because, you know, we don't have the permission, but there are these hyperscalers we have got partnerships with that are addressing these spaces, and these capabilities we bring will address it.

So, if you look at the growth profile, I do believe it's in line with the growth profile that LTTS has shown traditionally without the COVID aberration that we had. So, you should look at the growth profile in a similar manner.

Akshay Ramnani: And so just to confirm that despite headwinds from ramp downs from Indian government contracts, we should still expect the growth on this run rate what they have reported on FY '22.

Amit Chadha: Yes, absolutely. In fact, as you will see, see like Rajeev mentioned, and like I said in the early days, you will see more of it coming along. You know, we have confidence that we will turn around. We will take the case studies and the qualifications that we are getting from this business and leverage it globally. That allows us to be able to change the profile of some of the business that we are doing in the customers we are doing so that growth continues to happen and margins improve.

Akshay Ramnani: And just another clarification that this $1.5Bn, would that include another round of acquisition? Or are we done? Or what are your thoughts there?

Amit Chadha: So, we have an active pipeline of M&A prospect that we continue to look at. I am fairly … when we made a commitment to you, if you remember last year, two years ago, September, we told you three things. $1Bn run rate by 22-23. We committed to you 18% EBIT in the medium term. We committed to you $1.5Bn run rate by FY25. We had a little bit of acquisition built into that $1.5Bn. The $1Bn did not have acquisition. So, we delivered $1Bn to you in constant currency in Quarter 2. We delivered 18% actually the quarter following that, and we have stayed in that trajectory, right, in spite of wage hikes etc. I am again reconfirming the $1.5Bn at this stage is doable. Do we need another tuck-in? I don't think so. Will we get another acquisition? We will see.

The right price, if we get the right size, right technology, because we don't look at an acquisition only because of revenue. We look at an acquisition, we look at market potential. We look at, of course, top line, bottom line. We look at the tech assets because we are not an IT company. We are an Engineering Technology company. So, we look at the tech assets. We then look at the ability to grow and expand. And of course, the qualifications and reference case studies. So, we take all of that into account. So, if there is another one, maybe we will do it, and then maybe we will come back and give you another number for FY25 or FY26, but story to be played. We are right here. We will continue to engage.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Thank you, and my apologies, first of all, if you have already answered this as I joined a bit late. I just wanted to understand, you know, from Rajeev, how should we look at the EBIT margin of this acquisition? Because then obviously, there is a fair bit of capital intensity to this business, and while you have shared 8% - 10% EBITDA margin. Is it also possible to share the EBIT and PBT margin for this business?

Rajeev Gupta: So, Mukul, let me clarify, and like you said, you may have joined a bit late. I did respond to this question earlier. So, we continue to look at this business over the next two months. We have identified initial levers. The levers being, one, we would see more projects in the Managed Services and in Opex space. That's one. Second, take this business globally to existing customers, to new customers, right, and that should be more margin accretive. So, if I look at in the medium term, our aspiration remains to see this business in the 18% margin trajectory. We will come back with more details as we see this business over the next two months in our Q4FY23 closure, and we will clarify further on this. So, I hope, Mukul, that should address, but we will certainly come back with more details as we look at this business over the course of next two months.

Mukul Garg: No, Rajeev, so I heard, you know, this part of your answer, but because I still just if it will be possible for you given that you just acquired this entity, historically, or maybe most recent period if you can share what kind of, you know, below EBITDA line item what kind of numbers are because, you know, we have seen historically, especially for the large project companies profitability being very, very low due to high depreciation, amortization or interest expenses? And also, if you can share, you know, the way you have arrived at the valuation, does that also include some assets or IP you are taking over or a majority of the valuation is the skills and the projects which they already have? Project value obviously will get impacted as you will ramp down the Indian government projects.

Rajeev Gupta: So, I think interesting questions, Mukul. Certainly, happy to respond to those. So, one, beyond EBITDA, this profile of business is not asset intensive. So, from a balance sheet standpoint, we are not taking over assets that will load on to the balance sheet. Second, there is not a high interest cost, right? So, that will also not be a burden beyond the EBITDA. So, hopefully, that should give you some comfort. The third part, your question, and maybe can you repeat that, Mukul, because you had quite a few questions. I just wanted to clarify all of those. The third question was on?

Mukul Garg: The third question was on the, you know, when we look at the INR 800 Crores, which you have paid for this asset, are you also onboarding some, you know, some physical assets or technology IP in addition to the business as well as the team which are valued separately?

Rajeev Gupta: Yes. I did respond to the fact that this is not a business with high physical assets, but certainly, this is a business that brings in technology. Amit earlier talked about *Fusion* platform, *gEdge* Data Center solution. So, these are certainly all technologies that have been baked in as part of the valuation. Again, I reiterate this is not an asset intensive business and certainly does not bring the burden of higher interest cost.

Mukul Garg: Thanks for answering this aspect. You know, in terms of I think obviously you guys will probably come back in the next quarter with more details. But in terms of when we look at the areas where overlap was limited or the skill set which LTTS had was less, if you can just highlight a few points where it was probably something which will accelerate rapidly for you something an opportunity from a global aspect which you did not have right now?

Amit Chadha: So, Mukul, one, from our Telecom Operator and Infra, so we look at Hitech, right. You look at Hitech as Telecom Operators, Telecom Infra, which is the Nokia, Siemens of the world, the Nokia, Ericsson of the world. You got Semiconductors. Then you got Consumer Electronics. You got ISV, you know, these hyperscalers.

Now if I look at this particular business, this business is largely a Telecom Operator's business and they have operated, right. And we have operated largely in the OEM space, though with the Orchestra acquisition, we did get the 5G part with some operators. So, like I said, we work for 4 of top 10 across US and Europe in terms of operators. We work for 6 of top 10 OEMs globally. So, I believe that this adds our ability to go to current clients with a much wider offering.

Second, it allows us to be able to expand into other operators in US, Europe and the Middle East, right. So, that is one clear area that we see provide us that upside. Second upside that we get is that we have been largely working, if you look at, Building Management etc., so I will not give names here on this call, but we work with a lot of these guys who create that equipment. So, refrigeration equipment or metering equipment etc., but we didn't have the ability to stitch a solution and take it to say a city or take it to an airport or even take it to our own clients in Oil & Gas or Chemicals segments that have got large plants, and they want to, you know, let's say they want to make the whole thing Smart. They want to implement a 5G network and also want to do Wi-Fi 6. We didn't have those qualifications. We may have capabilities in parts, but to do the whole thing to scale, we didn't have that. So, this brings that, and it allows us to be able to participate in some of these RFPs etc., that continue to get rolled out.

And third, cyber security has been an area that we have been keenly doing. In fact, we have talked about Digital Products and some of you that have been to our centers in Mysore have seen that we do, a lot of work there. We had some very good talent that we have got there, but that coupled with the SOC that we have got we believe is a high powered, high growth story that we can take forward.

Mukul Garg: Understood. That's really helpful, and thanks for answering my question. Best of luck for the acquisition.

Moderator: Thank you. The next question is from the line of Mihir Manohar from Carnelian Asset Management. Please go ahead.

Mihir Manohar: Thanks for giving me follow-up. Sir, largely, I wanted to understand, and, you know, I understand that it's difficult at current juncture to see what kind of synergies could pop up. But the background that I am coming from is that, you know, we are paying INR 800 Crores for this acquisition that will get added to our Net Worth and across the next 18 to 24 months, there are some of the programs, which are getting concluded, and we will not go for renewal and, you know, so with the revenue ramping down or in the existing business we are paying INR 800 Crores. So, just wanted to understand, I mean, the existing $200M of Telecom & Hitech Business, which is there, I mean, what kind of number are we looking at over the next two years so as to understand as to what the sweating of the asset will happen?

Amit Chadha: So, Mihir, we look at synergy, like I already explained just now for Mukul Garg, we do see growth expansion opportunities, right. We have always been topline focused with a sustainable bottom line company. That's been our mantra, right. So, with that said, we do see synergies in if I tell you from a technology standpoint, right, we do see the fact that we have done some 5G use cases more than 100. Smart World has done about 100 use cases in 5G. Together when the labs come together is a great story. We don't need to build our own NOC. That NOC now exists in Next-Gen Communication with them.

We have our i-BEMS platform and UBIQWeise platform, that synergize technologically with the *Fusion* platform that SWC brings is a huge plus for us. We have got OT and product security capabilities. We have got SOC capabilities along with full life cycle threat management, again, A plus B. So, we see those synergies.

With that said, given that we see synergies, and I already mentioned prior, that the profile of growth of this business is similar to our business. We do believe that we will be able to accelerate growth in a profitable manner as we move forward.

Moderator: Thank you. Ladies and gentlemen, we will take one last question from the line of Sameer Dosani from ICICI Prudential AMC. Please go ahead.

Sameer Dosani: Hi, Amit and Rajeev. Just one, actually, two clarifications. I joined a bit late, but what is Managed Service part of the portion where we would be trying this new acquisition? So, we are trying to increase the Managed Services portion, right? So, what is the proportion now? And what is the plan to take up it, you know, what is the plan or a milestone that you would be trying to get it up to?

Amit Chadha: So, we are today doing, I don't know Rajeev would give out exact data we will come back in Q4 and give it, but I should say that the business, and again like I said, Sameer, see if you look at the business, look at it this way that last six years was being incubated by L&T and had done a lot of projects etc. Whatever projects are getting over, actually are converting to Managed Services because you have to then manage whatever you have built etc. We traditionally have been in Managed Services. So, as you go forward, you will see a lot more content in India, in Middle East, APAC, US, Europe in Managed Services. And that's one of the reasons why we are betting on the fact that we would be able to turn around the margins of this.

We are fairly confident of what we have done with our recent other acquisitions. So, we have done three acquisitions in the high-tech spaces you are aware. We did Orchestra Technologies.

We did Esencia. We did Graphene before that. So, all these three if you look at it have been over a period of time allowed us to be able to grow our top line in a sustainable manner. We believe this will do that as well.

Sameer Dosani: But any ballpark number what would be the percentage? 10? 20? 30? I mean, just overall just to understand.

Rajeev Gupta: So, Sameer, maybe I can add to what Amit was sharing. So, Sameer, first, yes, we will come back with more details as we are looking at various aspects of this business, but the part that I would want to add, right, like we said at the opening of this call, this is a business that was seeded in 2016 as a unit of L&T. The first six years really has been at the back of a lot of investments in terms of technology, people, labs. Going forward, the pipeline is more representative of the Managed Services. So, I think in addition to the fact that, of course, like we said, we should be able to take this business even further. We will come back with more details and give clarity in terms of the breakdown in the profile of this business.

Sameer Dosani: Understood. And second, what is the government part of the business that you would look to ramp down or not renew? Right now, what is the percentage of that revenue?

Rajeev Gupta: So, we did respond to this earlier, Sameer. The current business is largely representative of the government business, and these have been projects that commenced over the last few years and likely will continue over the course of the next 18 plus months or so.

Sameer Dosani: And lastly, I think that valuation question was not answered. I think, what is the valuation basis right now, I mean, on which we have arrived at INR 800 Crore value?

Rajeev Gupta: So, the valuation has been arrived using the platforms, the technology. We talked about *Fusion*. We talked about *gEdge*. Of course, the people, also various assets in terms of labs etc., these are some of the things that have been factored in as part of the valuation.

Sameer Dosani: Correct. And 18% EBIT margin would be including the amortization hit that would come, right? Because that would also be there involved.

Rajeev Gupta: So, Sameer, to clarify, the current business of LTTS is operating at 18%+ EBIT levels. We hold the aspiration of a sustainable EBIT margin over a medium term. There certainly will be some impact. We will come back with those details, but clearly, there is going to be a curve, and we will bring this business back over a period.

Sameer Dosani: That clarifies. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Pinku Pappan for closing comments.

Pinku Pappan: Thank you everyone for joining us on the call today. I know it was a long day for you, and I really hope, you know, we get to interact in the coming days and especially on Jan 19th when we report our Q3 results. With that, let me say goodbye, and it's a goodbye from all of us here at the LTTS. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of L&T Technology Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been lightly edited for clarity and accuracy.