Operator: Ladies and gentlemen, good day, and welcome to the LTM Ltd. Q2 FY27 earnings call. Please note that all participants are currently in listen-only mode, and there will be an opportunity to ask questions following the conclusion of management's opening remarks. Please note that this call is being recorded. I now hand the call over to Mr. Vikas Jadhav, Head, Investor Relations at LTM Ltd. Over to you, sir.

Vikas Jadhav – Head Investor Relations: Thank you, {? Inba ?}. Good day, everyone, and welcome to LTM's Q2 FY27 earnings conference call. Today on the call, we have with us Mr. Venu Lambu, Chief Executive Officer and Managing Director, and Mr. Vipul Chandra, Chief Financial Officer and Whole-time Director. We'll begin by providing a brief overview of the company's Q2 FY27 performance, after which we'll open the floor for Q&A.

Please note that during the call, we could make forward-looking statements. These statements consider the environment as we see it today and carry risks and uncertainties that could cause our actual results to differ materially from those expressed in today's call. We do not undertake to update any forward-looking statement. I now turn the call over to Mr. Venu for his opening remarks.

Venu Lambu – Chief Executive Officer & Managing Director: Thank you, Vikas. Hello, everyone, and thank you for joining us. We closed Q2 FY27 with broad-based growth across our business, reflecting disciplined execution of our strategy.

This quarter, we made significant progress towards becoming an AI-centric organization. We deepened our AI capabilities, reimagined our partner ecosystem, invested in future-ready talent, and accelerated AI-led revenue through the continued expansion of our Blueverse ecosystem.

We're excited to see that client spending is shifting towards the AI deployment cycle, which includes the reimagination of business processes, scaling contextual implementation, ensuring sovereignty, and optimizing economics. This plays to our strengths of deep domain technology expertise and the ability to deliver consistently in complex enterprise environments.

We see this in the growing number and scale of our engagements across enterprise AI, business AI, industrial AI, and marketing and creative AI. Our progress is reflected in three areas: the deals we are winning, the reimagination of our capabilities and talent, and the evolution of our Blueverse ecosystem. I will take you through each of these today.

Let me now share the financial performance for the quarter. We reported revenues of USD 1.24 billion, delivering 1.1% growth on a sequential basis and 5.1% growth on a year-over-year basis in constant currency terms. EBIT margins came in at 15.6%, a 10-basis-point sequential improvement.

Our order inflow stood at USD 1.3 billion. The order inflow reflects AI-centric deals that are short-tenured, have faster revenue realization, and are incremental in nature. Our overall deal pipeline, including large deals, remains healthy. AI revenue for the quarter reached 13.4% of our overall revenue, representing growth of 40% year-over-year, including enterprise AI. Cumulative AI revenue grew 47% year-over-year.

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Let me now turn to some of the notable deal wins this quarter. We were selected by a leading global banking and financial services institution as its strategic technology partner for consolidating and delivering technology services across wealth and personal banking.

We were selected by a leading North American specialty construction company to consolidate and build an AI-led operating model designed to deliver resilient, outcome-driven infrastructure managed services.

We were selected by a US-based insurance company as a strategic partner to consolidate its global IT services and embed GenAI across its managed services.

We expanded our relationship with a large US property and casualty insurer as a strategic AI-led engineering partner to improve operational efficiency, accelerate delivery, and strengthen quality assurance.

We were selected by one of the world's leading CPG players to support its marketeers and brand managers across multiple businesses in transforming concept-to-creative processes and improving speed to market.

We were selected by a leading global music entertainment company to implement an AI-enabled financial planning and capital approval platform to replace its manual, spreadsheet-driven process.

Let me now share updates on our industry sectors. Three of the four industry segments grew by over 7% year-over-year in quarter two. All numbers referenced next represent growth in constant currency terms.

Financial Services continues its strong momentum and delivered robust sequential growth of 3.1%. On a year-over-year basis, it has returned to growth, reporting expansion of 0.4%. Tech and Services delivered healthy year-over-year growth of 7%. Sequentially, revenue was lower by 4%, reflecting a seasonal, quarter-specific movement.

The Consumer segment grew by 0.3% sequentially and by 8.6% on a year-over-year basis. The Production segment reported sequential growth of 3.7%, contributed by both the manufacturing and energy and utilities segments. On a year-over-year basis, it grew by 7.4%.

On a sequential basis, the Americas grew by 1.5%, Europe grew by 1%, and the rest of the world declined by 1.4% due to the revenue impact in our Middle East business.

All our client categories, from USD 5 million-plus to USD 100 million-plus, expanded year-over-year. I'm pleased to share that during the quarter, we added a Financial Services client to our USD 100 million-plus {? client ?} category, with further growth potential in the account.

At the end of Q2 FY27, total headcount stood at 88,835, reflecting a net addition of 949 employees sequentially. Total fresher additions for the quarter were 1,743.

Our AI 1000 program to develop power-deployed engineers is on track, with nearly 1,000 employees in mentor-led, persona-based journeys and more than 2,000 certifications across cloud, Gemini, Copilot, and Azure AI.

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We completed a global sales enablement program during the quarter to train our sales teams on our AI capabilities, so we are best placed to help our clients lead in the agentic enterprise era.

We continue to see consistent external validation of our capabilities by industry analysts and partners. This quarter, we received several recognitions. I will call out a few of them.

We won a Gold Stevie Award for Blueverse as the Best AI-Powered Product or Service at the International Business Awards 2026. Blueverse was also recognized for Excellence in AI Software and Digital Platforms at The Times of India AI Quotient Awards.

We were recognized at the ISG Paragon Awards North America 2026 in the Excellence category for our work with Phinia and in the Transformation category for our work with Carrier.

We were later named a Leader in three quadrants of the ISG Provider Lens Microsoft AI and Cloud Ecosystem 2026 report for the US.

We were named among Ad Age's Top 25 Global Agencies for our interactive practice. We won the 2026 India Gold MIKE, Most Innovative Knowledge Enterprise, Award for our knowledge management maturity and practices.

We were recognized as a winner for Leading Practices in AI Adoption at the People First HR Excellence Awards 2026.

We won several Brandon Hall Group HCM Excellence Awards 2026 across learning and capability and sales excellence, including Best Use of CRM Solution, Best Model of a Growth-Focused Organization, and Best Use of Collaborative Learning. Please refer to our fact sheet for a complete list of recognitions.

We continue to strengthen our Blueverse ecosystem to address every layer of enterprise AI transformation: AI foundry services, data modernization, AI-led engineering, domain-specific SLMs, agentic products, and governance. We are building capabilities that help clients move from experimentation to scaled deployment.

Let me talk about some of the newest capabilities we have added this quarter. We recently launched Blueverse OneToken, a workload routing and governance layer that automatically channels enterprise AI requests to the right model at the right cost.

We launched Blueverse RightLogic, our cybersecurity assessment and risk assurance framework designed to help enterprises identify, assess, and remediate cyber exposure as they accelerate AI adoption.

We introduced Blueverse SovereignCore Models, a suite of domain-trained SLMs designed to help our clients transform their proprietary knowledge into lasting—sorry, lasting advantage.

We created three new domain-specific small language models and were granted six AI patents.

We're refining our strategy to help our clients build and scale GCCs. With the new business unit, we'll bring together a seamless operating model, governing entity, physical infrastructure, future-ready talent, and agentic processes transformed with Blueverse.

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We continue to deepen our partner ecosystem. Let me share some of the key highlights.

Through our partnership with Anthropic, we have now fully embedded Claude and Claude Code into our Blueverse AI delivery fabric. This partnership will also help us accelerate cloud adoption, expand our pool of FDEs, and establish our Claude Center of Excellence.

We partnered with Glean to connect the enterprise knowledge layer with Blueverse. This gives clients a governed path from enterprise search to autonomous agents.

We partnered with Cognition to bring its software engineering agent, Devin, to Blueverse RightLogic.

We collaborated with IBM and Red Hat on Project Lightwell to help enterprises discover vulnerabilities and validate fixes at scale.

We collaborated with Chainguard, the trusted source for open source, to strengthen software supply chain security through Blueverse RightLogic.

We opened a new global delivery and AI competency center in Kolkata and expanded our Blueverse Studio footprint to Hyderabad. I would now like to share a few proof points across four types of AI work that we are delivering.

In enterprise AI, for a global media and entertainment company, we developed an integrated agentic recovery platform to modernize fragmented BI operations. The platform achieved 100% classification across more than 18 failure scenarios.

For a leading European paytech company, we deployed 12 specialized AI agents across the SDLC as part of a large-scale payment modernization program, reducing delivery cycle time by 50% and cumulative development effort by 38%.

In business AI, for a leading investment management company, we are building intelligent retirement solutions that serve customers through assisted agents and autonomous handling across initially selected plans that will be extended further. The solution is driving cost transformation, a unified experience, and a faster response.

For a global petrochemical leader, we deployed an AI-powered HR agent to unify fragmented HR services and provide intelligent self-service, policy guidelines, and workforce life-cycle support. This has the potential to reduce HR tickets by 40% through agent-led self-service.

In marketing AI, for a global food services business, we enabled AI-powered content generation to deliver more personalized product experiences and improve digital engagement. This generated 50% productivity gains and enabled 10-times-faster campaign rollout.

For a leading home improvement retailer, we redesigned the checkout experience for buy-online, deliver-from-store orders to validate saved customer details. This reduced checkout instruction interactions and improved time to purchase.

In industrial AI, for a leading global automotive manufacturer, we deployed an AI-powered predictive maintenance solution to detect laser blanking failures before they occur, reducing

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unplanned downtime and operational disruption and increasing production.

For a global environmental services and water management company, we deployed agentic AI-based digital twins and robotics to modernize water operations at more than 400 sites. This reduced manual effort by 50% and enabled 2-times-faster turnaround.

With this, I would now like to hand it over to Vipul for an update on financials.

Vipul Chandra - Chief Financial Officer & Whole-time Director: Thank you, Venu. Good evening, everyone, and thank you for joining the call. Let me now walk you through the financial highlights for the second quarter of FY27, starting with our revenue performance.

Our quarter two revenue stood at USD 1.235 billion, reflecting growth of 1.1% quarter-on-quarter and 5.1% year-on-year. The corresponding dollar growth was 1.1% quarter-on-quarter and 4.7% year-on-year. Revenue in INR stood at [crosstalk]

Operator: Sorry to interrupt. Vipul sir, we are not able to hear you clearly. Could you move the microphone a little closer to you?

Vipul Chandra - Chief Financial Officer & Whole-time Director: Okay. Is this better?

Operator: Yes, sir.

Vipul Chandra - Chief Financial Officer & Whole-time Director: Okay. Revenue in INR stood at Rs.11,808 crores, representing growth of 1.7% quarter-on-quarter and 13.6% year-on-year.

Our EBIT margin expanded by 10 basis points sequentially to 15.6%. The PAT margin came in at 11.7%, down from 12.7% last quarter, as we had a one-time gain on the recognition of the value of our investment in Voicing.ai in Q1.

The effective tax rate remained unchanged at 25.8% compared with Q1 FY27. Basic EPS was Rs.47.2 for the quarter, compared with Rs.49.5 in Q1 FY27.

Our total DSO for Q2 improved by 1 day, closing at 84 days compared with 85 days last quarter. The operating cash flow-to-PAT ratio was 39%, down from 79% in Q1.

Vipul Chandra - Chief Financial Officer & Whole-time Director: Q1. This is mainly due to certain advance payments and funding towards a one-time gratuity provision on account of the impact of labor laws.

The free cash flow-to-PAT ratio stood at 24% compared with 63% in Q1. The reason for this decline is similar to the above.

Cash and investment balances stood at USD 1.6 billion, or Rs.15,300 crores, compared with Rs.15,021 crores in Q1 FY27.

Return on capital employed for the quarter was 28.5% versus 29.8% last quarter.

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As of September 30, 2026, our cash flow hedges stood at USD 4.49 billion, and hedges on the balance sheet were USD 334 million.

Utilization, excluding trainees, remained flat at 86.4% for the quarter. Headcount at the end of Q2 was 88,835, and fresher additions stood at 1,743. For the quarter, our trailing 12-month attrition remained stable at 13.3%.

The Board of Directors has approved an interim dividend of Rs.25 per equity share, an increase of 13.6% from the corresponding quarter of the previous year.

Regarding our previously announced plan to acquire certain Randstad Digital businesses in Europe and Australia, the approval process is on track, and we expect to receive all the approvals in Q3, as previously communicated.

During the quarter, we achieved ESG leadership status, receiving a score of 76 from NSE Sustainability Ratings and Analytics Limited. The company was also rated in the leadership category by SES ESG Research Private Limited, with an ESG score of 77.3, placing it among the top-performing Indian companies by market capitalization.

I now hand it back to Venu for the business outlook.

Venu Lambu – Chief Executive Officer & Managing Director: Sorry for that. I was just adjusting the microphone. Thank you, Vipul.

As we indicated at the beginning of the year, we expect our growth trajectory to continue to strengthen as the year progresses. We delivered 5.4% year-over-year growth in H1 FY27 and continue to expect stronger sequential growth.

As AI adoption accelerates, we are seeing growing demand across the AI stack, reinforcing our conviction that AI will become the foundational intelligence layer for modern enterprises and our primary driver of growth.

The continued confidence our clients place in us, our disciplined execution, and the speed of our AI pivot make us well positioned to accelerate the growth momentum. Thank you, and the floor is open for Q&A now.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We request our participants to restrict themselves to two questions and then return to the queue for more questions. To rejoin the queue, you may click on the raise hand icon again. We will wait for a moment while the question queue assembles.

We'll take the first question from Ravi Menon of Axis Capital. Please go ahead.

Ravi Menon – Axis Capital: Hi. Thank you for the opportunity, and congratulations on really strong growth in BFSI.

Venu, you talked about how the high-tech segment has seen a seasonal decline, and I want to know if the quantum of that will be the same every year. Is this due to the anniversary of a last deal

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renewal or something like that which impacts you every year?

Venu Lambu – Chief Executive Officer & Managing Director: Yes, it does, because our top account in the tech sector's financial year starts from July onward. Those are the times when you always have the renewal cycle beginning, so it is not something new for us. We have always managed and absorbed that over the year.

I think this time there is also an additional element when you look at the tech numbers, which is our business in Saudi. It is classified under tech because it is through a JV that we have with a tech company there, and hence it is classified under tech.

Therefore, you also see that the tech decline has two elements. One is the renewal-cycle impact, which is seasonal and known, and the second is the Saudi business impact that is factored into that segment.

Ravi Menon – Axis Capital: Right, thanks for the clarification. Secondly, it looks like you're still adding people pretty strongly, right? So can we say that the model is still largely linear? Over time, as you get royalty revenues from different IP that you create, that changes, but that will be a very gradual change.

Venu Lambu – Chief Executive Officer & Managing Director: Yes, firstly, it will be a gradual change. But if you look at it, headcount addition and revenue will not be linear anyway. We have demonstrated that over the last few quarters, right?

Throughout last year as well, when we delivered, we did not increase headcount, and the same was true this year in Q1 and when we look at these numbers.

The positive thing for us is that we are adding people because there is a demand outlook that we have. That will still establish a good non-linear equation, with AI providing that opportunity. But it will be gradual as we go along, so it is not going to happen with the flick of a switch.

What is more pleasing is that we are adding people because we have an outlook for demand.

Ravi Menon – Axis Capital: Right. One follow-up there. Although you spoke about a good outlook, the deal wins are a little lower this quarter. Can you explain how the new deals are mostly, say, time-and-materials deals, and therefore you do not really see that in the TCV number?

Venu Lambu – Chief Executive Officer & Managing Director: Great question. I think, with regard to deal TCV, we have gone through a very strategic approach in how we looked at the transformation pivot. One thing that I am very clear about is that if we have to pivot into an AI-centric organization, we also need to look at the KPIs a bit differently, right?

If we have to get more AI-led deals, because that is what will help us build capabilities and add value to our customers in the AI era, those are the deals that will be shorter-duration deals. They also present a great opportunity for faster revenue acceleration because there is no long transition period associated with traditional ITO deals.

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This quarter, the majority of those deals were AI-led deals, because I did share with you quite a few wins we had and the kind of work that we are doing in that area. For me, it is a good leading indicator of how our sales team is performing, especially now that we have trained them.

We conducted a boot camp across the world, and that boot camp is producing results in terms of generating more AI-led deals.

Having said that, there will always be one or two quarters where you will still have those traditional large deals, which will come on the back of vendor consolidation or switching from one vendor to another. Those kinds of deals will still be there, and in those scenarios, the deal value for that particular quarter will increase.

But this was a very conscious effort that we are undertaking, because we have to change the way we look at it. We need deals that genuinely have an AI nature and leverage all the investment we have made in our Blueverse ecosystem. Finally, it should be an opportunity to accelerate revenue.

That has been one of the questions raised by most people in terms of the linkage between TCV and revenue, and that is what we are working on.

Ravi Menon – Axis Capital: Thanks so much, and best of luck.

Operator: Thank you. We'll take our next question from Vibhor Singhal of Nuvama Equities. Please go ahead.

Vibhor Singhal – Nuvama Equities: Hi. Thanks for taking my questions.

Venu, to continue the discussion on the deal wins front, as you mentioned, we are now moving towards an environment in which there are a lot of short-duration deals that do not get adequately captured in the TCV number. I have two questions on that.

First, do you think this is a temporary phase because GenAI is currently in its initial stages, and gradually, as the technology matures, the deal sizes will also become bigger, making the number more relevant?

Secondly, for this interim period, or for a longer period of time, if the TCV number becomes less relevant than it was before, is management considering, for the benefit of investors and analysts, providing us with another number, such as ACV, or annual contract value, which would cover those short-duration deals? A couple of our competitors do provide that data.

At the end of the day, what we as an analyst and investor community need is some visibility to project revenues going forward and assess the company from a 2- to 3-year point of view. Is there any consideration on that front?

Venu Lambu – Chief Executive Officer & Managing Director: Sure. No, it is a great point, Vibhor.

Firstly, if I look at the deals that are happening, whether this is temporary or whether they will be converted into big deals, I think it depends on how clients decide their adoption strategy. I will probably take two examples to explain that.

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One is when you start doing an agentic transformation or AI-led transformation in the HR organization of an enterprise. You get a certain deal size, right? That will involve approximately 6 to 8 months of work to transform the HR organization of an enterprise.

But that does not stop there. All customers are moving towards making their enterprises self-autonomous or AI-centric organizations, so you will move on to other processes, whether it is supply chain, finance processes, manufacturing processes, and so on.

Hence, at least in the short and medium term, the AI deals will be of that nature. They will be short-tenure but faster, iterative deals. You do that, keep getting more and more deals, and we are seeing that.

The time to start realizing revenue is also much quicker because, unlike traditional services, where you undertake a 6- to 8-month transition and then start delivering through a steady-state model, in AI you actually go with a prototype using all the assets and capabilities we have built. You essentially build a prototype, convert it into services and a product, and then start realizing the revenue. That is where the revenue acceleration aspect comes about.

The third point is that we will have to wait for a couple more quarters, Vibhor, to arrive at a split between what we can share with regard to ACV and traditional TCV deals. I do not think it will be difficult to share that with you, but I wanted to wait for a couple more quarters, at least one more quarter, before we start sharing it with you.

Even in the order book number that we shared for these deals, a significant part is ACV. The vast majority is ACV deals. Allow us one more quarter so that we can be very definitive on that.

We are excited about where this is going. There are still large deals out there, which essentially involve switching market share from other vendors and taking those deals, whether in AI-led software engineering, agentic operations, or large-scale technology modernization programs.

Those large deals are still out there, and we are still going after them as well. But specifically for AI, this is how I view the status.

Vibhor Singhal - Nuvama Equities: Got it, Venu. I think that will be really helpful whenever management is confident in sharing that number.

As an extension of this question, if I may ask: I think TCV or ACV, at the end of the day, what most of us want, and what I am sure the Board and management are looking for, is better revenue growth.

I am sure these short-duration deals will probably lead to higher revenue growth. What is the outlook on that? Last year, when we were in Q4, we were hoping to touch a double-digit year-over-year growth rate. We missed it by a whisker and were quite close, but in the last two quarters we have drifted a lot away from that number, with growth of only around 5% to 6% year-over-year across the overall portfolio.

I understand this quarter might have been impacted by the Middle East war, but overall, do you see the company moving towards a high-single-digit or double-digit number, perhaps towards the end

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of this year or maybe in FY28? When do we reach there, and what is the outlook you see on the growth front?

Venu Lambu – Chief Executive Officer & Managing Director: As you rightly pointed out, Vibhor, if the Saudi impact had not been there in Q2, I think we had a gap of approximately 0.7% or 0.6% in the growth opportunity that was missed because of the impact on our Saudi business.

Otherwise, we would have been at approximately 1.7% to 1.8% quarter-on-quarter growth, but it is what it is.

The good news is that we have a lot of demand elsewhere, outside Saudi, because the situation in Saudi is beyond our control. There is little we can do at this stage on that, but there is a lot of demand outside the region.

I am very optimistic about continued growth momentum in the second half of the year. When we started Q1, I made a commitment that every quarter would be better than the previous quarter. I will hold on to that and say that Q3 and Q4 will be better quarters than the first quarter, for sure. That is number one.

Number two, with regard to FY28, absolutely, that is the aim. We expect the Randstad acquisition approvals to be completed and the transaction to close by the end of Q3. Then we will have 3 to 4 months for us to realign the newer markets that we are inheriting.

Venu Lambu – Chief Executive Officer & Managing Director: In Australia and Europe and elsewhere. Second, BFSI is back to growth. It has delivered sequential growth and is back to year-on-year growth, so it has only one way to go, which is up.

Tech has delivered fantastic year-on-year growth. All other verticals have delivered 7% or more year-on-year growth. There is one event in one particular region. Even though it contributes a very small percentage of overall revenue, in absolute revenue terms, the Saudi revenue declined materially this quarter.

Therefore, three out of our four verticals have actually grown above 7%. I am really confident about the next two quarters, and with the new capabilities we will inherit in Q4, we should be very well positioned for FY28.

Vibhor Singhal – Nuvama Equities: Got it. Great to hear that. Thank you so much for taking my questions, and I wish you all the best.

Operator: Thank you. Our next question is from Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta – Emkay Global: Thanks for the opportunity. I have a couple of questions.

First, regarding the progress in the rest of the world: growth is not there and there is slight weakness, which indicates that the progress on the CBDT deal seems to be slower. Can you give us some sense of how we should expect that deal to ramp up?

The second question is about the overall growth outlook. You partly indicated that weakness in Saudi has had some implication. Earlier, we were very confident that we would at least deliver

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FY26-level growth in the current year. Despite the challenges we face, are we on track to deliver FY27 at least closer to the FY26 number?

If yes, you are indicating some significant acceleration in the next two quarters. These are the two questions. I also have a question on hi-tech, which I can ask if you can answer that.

Management: Firstly, with regard to the rest of the world, as I said, it is the Saudi business that was material for us this quarter. Otherwise, I would not have called it out, because of the absolute revenue impact in that geography at the moment. It is a difficult situation there, especially for some of our customers. That is why you see the revenue impact in the rest of the world.

With regard to CBDT, CBDT did contribute revenue in Q2. Last time when I spoke to you all, I mentioned that hardware pricing and delivery times had been impacted. It is getting better from the time I spoke at the end of Q1; it is definitely getting better.

You should see a gradual ramp-up that will be linked to hardware delivery for CBDT. We are pretty much on track with regard to that revenue. It is dependent on hardware availability, but it has definitely progressed and improved from where we were in Q1 when I spoke about this topic.

Regarding the second question about FY27, as I said, H2 will be better than H1. That is number one.

Number two, with regard to overall FY27 growth compared with FY26, our endeavor is to work towards coming as close as we can to FY26 growth. There is a lot of good demand out there. We have built fantastic capabilities. We are already seen as an AI-centric company by our customers and industry analysts.

I am fairly optimistic about our journey. In summary, I can say that H2 will be better than H1.

Dipesh Mehta - Emkay Global: Understood. On hi-tech, you indicated that part of the weakness is due to seasonality in the business and some impact from the Saudi-related business. How should we expect the next fiscal year to play out for that account, now that the top customer renewal has also played out? What is the outlook for overall hi-tech growth?

My second question is about cash conversion. You indicated some of the reasons. Can you quantify the impact of gratuity and the other factors you mentioned on cash conversion this quarter? Thank you.

Management: I missed the second part of the question, but let me answer the first one, and you can repeat the second one again, Dipesh, if you do not mind.

On the first point, the tech services vertical includes a portion of the Saudi business because we route it through a JV partner that is a tech company, and hence it is classified under that vertical.

If I keep that aside, which will be static anyway from Q3 onwards, we are seeing good demand in tech and we will be back to normal. This was expected. It was a seasonal renewal.

In fact, we will be back to the normal growth trajectory in the tech vertical. We have secured some good deals that will start realizing revenue as we move into Q3 and beyond.

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The outlook for next year is also good on the tech side. We are dealing with customers who are growing massively, so they need a lot of our help to support their significant growth agenda.

None of the tech customers are showing any signs of slowing growth. They are all growing phenomenally well. We are pleased to be partnering with all of them, and we are diversifying into many areas and will continue to grow in the tech vertical.

I view tech as a seasonal renewal quarter, plus the Middle East impact.

Dipesh Mehta – Emkay Global: Understood. On cash conversion, can you quantify the impact of the two factors we indicated: settlement advances and funding towards gratuity related to the new labor code? Can you quantify the impact, and should it normalize from next quarter?

Management: In terms of the exceptional outflows I mentioned, all of you would remember the gratuity-related provisions that we took in Q3 of last year.

Once we have taken the provision, the same amount also has to be funded to meet that liability. In this quarter, we completed a substantial portion of that funding. There is also a deadline for completing that funding, which is in October.

There may be a small impact from the remaining funding in the next quarter, but largely it should return to normalcy.

The other outflow was the final dividend that we paid in Q1. The TDS on that did not get paid in the same quarter and was paid in the second quarter. That was another one-off difference between the previous quarter and this quarter.

We also had advance tax outflows in both India and the US during this quarter. Overall, it was a confluence of two or three factors coming together, and that led to the reduction in the OCF-to-PAT ratio.

Dipesh Mehta – Emkay Global: And you expect it to normalize in Q3, right?

Management: It will normalize in Q3, except that gratuity funding may still be taking place to some extent. Therefore, it may not return to the previous levels at which we had been operating.

However, we did get the benefit of these factors in previous quarters when our OCF-to-PAT ratio was higher.

Dipesh Mehta – Emkay Global: Understood. Thank you.

Operator: Thank you. We'll take the next question from Sandeep Shah of Equirus Securities. Please go ahead.

Sandeep Shah – Equirus Securities: Thanks for the opportunity. My question is on margins.

If we look at the first half at 15.5%, last year at 15.4%, and the second half being heavier in terms of revenue mix, with growth potentially led more by pass-through revenue, which traditionally happens, plus the gradual ramp-up of the CBDT deal, the fourth quarter will also have a margin

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headwind from the Randstad acquisition.

In this scenario, can you provide an update on the target EBIT margin on exit, the full-year margin we are looking for, and the margin outlook even for FY28?

Management: We had mentioned earlier that we are working towards maintaining our margin for this year at levels similar to the previous year, and I think we are still working towards that.

If you see sequentially in Q1 and Q2, we expanded our margins. We have also completed our wage hikes. After absorbing all that, we came in at 15.5% and 15.6%, respectively, in these two quarters.

Also, with regard to growth in the next two quarters, I do not think we expect growth to come only from the CBDT ramp-up or pass-through revenues. Demand for our regular services business is also robust, as Venu has already mentioned.

The initiatives on the cost-control side are also continuing. Therefore, we expect organic margins to continue to hold and improve further from here.

The impact of the Randstad acquisition will be more in terms of the amortization impact, which, given the value and other factors, is not going to be that significant.

All in all, I would conclude by saying that we are still working towards maintaining our margin at levels similar to last year.

Sandeep Shah – Equirus Securities: And that commitment is on a consolidated basis, not on an organic basis, right?

Management: Sorry?

Sandeep Shah – Equirus Securities: What you said about the margin being flat this year versus last year includes the M&A and is at the consolidated level, not the organic level.

Management: Yes, that is the target we are working towards, Sandeep. So, yes.

Sandeep Shah – Equirus Securities: Okay. Thanks, and all the best.

Operator: Thank you. We take our next question from Rishi Jhunjhunwala of IIFL Capital. Please go ahead.

Rishi Jhunjhunwala – IIFL Capital: Thank you for the opportunity. I have a couple of questions.

Firstly, your top client in BFSI made certain comments in its recent earnings call about tech vendor spending being down 30% year-on-year as a result of AI adoption and insourcing. It also said there is still a long way to go in terms of that contraction and the insourcing that is taking place.

Can you provide some perspective on how this has behaved for us in the past, and how do you think it could potentially play out for us in the near to medium term?

Management: Rishi, thank you for the question.

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Firstly, the top client you are referring to is an engagement that has gone through consolidation from more than 50 vendors to approximately five vendors, and we are one of those five vendors. From the client's perspective, the savings come through this consolidation exercise.

Secondly, when we renewed or secured this vendor-consolidation engagement in the latter part of last year, we had already called out the productivity headwinds that we would have to bear for the first two quarters. That is what we went through in Q3 and Q4 of last year, and that is when we started the sequential growth.

I said that we were done with that productivity headwind. That was a commitment given as part of the vendor consolidation. We said we were done with it when we announced the Q4 results. Hence, you saw sequential growth in Q1, and you also saw significant sequential growth in Q2. I also commented that sequential growth would continue in Q3 and Q4.

The second point is that our Financial Services portfolio is changing dramatically. We announced a USD 100 million account this quarter. This is probably the first USD 100 million account we have announced in Financial Services over the last few years, and it is very significant for us.

It indicates two things. First, we are creating a very balanced portfolio in the financial services sector. Second, we are broadening our capabilities across the banking value chain, especially in the AI era.

The speed at which we secured the USD 100 million-plus account in BFSI speaks to the point I was making: if you are on the AI value-chain journey with a customer, your ability to accelerate revenue will be much faster.

That was evident when this account entered the USD 100 million-plus category at a faster pace than we have probably ever achieved in the history of LTM Ltd. That is how I would sum it up.

Rishi Jhunjhunwala – IIFL Capital: When they say there is still a long way to go in terms of reducing tech vendor spending, do you feel comfortable that we will not be impacted by that in the medium term?

Management: No, we are not concerned. In fact, we are going to benefit from it.

While we will create the balanced portfolio I mentioned, there will be no negative impact because the switch from 50 vendors to five vendors is what the client is driving, and that is the point you are referring to.

Venu Lambu – Chief Executive Officer & Managing Director: But that switchover is a multiyear program, so you have to receive that benefit over the multiyear program. It is not a statement made after this quarter. It is a strategy that was decided last year, was under execution, and is still under execution. Hence, you see the growth as well.

Rishi Jhunjhunwala – IIFL Capital: Great, sir. Thank you.

My other question is regarding capital allocation. If we look at all the peers that are larger than us today, they distribute almost 80% to 100% of their profits through dividends or, in some cases,

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buybacks. We are still around the 40% to 45% range.

We are sitting on more than Rs.15,000 crores of cash. Even after {? Ranstad ?}, the number will probably remain at that level, given the pace at which you are adding to or generating cash. Do you have any thoughts on trying to increase that and enhance shareholder value creation?

Vipul Chandra – Chief Financial Officer & Whole-time Director: Rishik, I'll take that question. I think what you say about the larger peers is correct, but the larger peers also have larger balance sheets and greater cash reserves.

We are balancing our growth plans and the payout according to the Board's directions and the strategy we have in place.

We do look at increasing the payout ratio, and we increased it from approximately 40% to approximately 45% if you look at our payout ratio for last year.

However, we still believe that the strategy we are following will require reinvestment in the business through both M&A and organic investments.

As far as shareholder value creation is concerned, I would say that it has two components. One is dividend payout, and the other is investment in the business, which will generate better returns in the future.

Value also comes from long-term value creation through share price movements. Therefore, it has to be a balanced strategy between the two, and that is what we are trying to follow.

Rishi Jhunjhunwala – IIFL Capital: I was coming from the point that you are generating Rs.4,000 crores of cash every year anyway. Our historical track record has not been to undertake very large acquisitions.

Unless we are looking at something of that scale relative to our size, the cash balance we already have on the books is reasonably large. That potentially makes a case for a higher payout, which could result in a better valuation for the stock as well.

Venu Lambu – Chief Executive Officer & Managing Director: The point is valid. I think that has been the endeavor within LTM Ltd., and you know that, as part of the L&T Group, we are known for shareholder value creation.

We adhere to those ethos and principles. At the same time, we are regularly looking for opportunities to invest, whether in AI, which is one area I discussed.

I spoke about GCCs, and I will share a lot more detail in the coming days on the GCC business because that requires a very focused effort in terms of how we can capture a larger market share of customers that want to come to India and set up GCCs.

We are going to play a significant role there in partnership with some of the other capabilities within the group, such as facilities and real estate.

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Our {? BlueVerse ?} investment will continue to evolve over the next couple of years because it is strengthening and becoming a go-to-market channel for us to serve our customers.

Third, our investments in talent transformation are also taking place at scale.

Of course, M&A is always an option. As Vipul said, the door is open. It is not that we will stop with one acquisition. We will look at the opportunities that come our way.

It is just that we do not want to do acquisitions merely to add revenue. It has to be clearly in a white space. It has to be clearly in a white space like what we did in {? Ranstad ?}, and it has to be acquired at a price and valuation that adds value to shareholders.

Your point is valid, Rishik, but I wanted to tell you that it is acknowledged, and we follow a very good, mature framework established by our group in managing the dividend as well.

Rishi Jhunjhunwala – IIFL Capital: All right. Thank you, sir. All the best.

Venu Lambu – Chief Executive Officer & Managing Director: Thank you, Rishik.

Operator: Thank you. Anyone who wishes to ask a question may click on the raise hand icon. We'll take our next question from Sushovan Nayak of Anand Rathi. Please go ahead.

Sushovan Nayak – Anand Rathi: Hello. I hope my voice is audible.

Operator: Yes.

Venu Lambu – Chief Executive Officer & Managing Director: Yes, Sushovan.

Sushovan Nayak – Anand Rathi: Regarding the contribution of AI for business as a percentage of revenues, could you quantify that?

Also, regarding margins, some of your peers have mentioned that it is much more margin-accretive than traditional legacy businesses. Could you quantify that and explain the margin profile? Also, what is the tenure of these deals? Are they project-based for 6 to 12 months, or are you seeing that increasing? Any perspective on that would be helpful. Thank you.

Venu Lambu – Chief Executive Officer & Managing Director: As I mentioned, 13.4% is the contribution of our AI revenue to overall revenue. These projects are generally anywhere between 6 months and 1 year, depending on the area in which you are involved.

There are also many downstream projects that you receive. Data modernization is one example. You might receive application remediation work as a downstream project, and there will be application rationalization work as well.

Leaving aside the pure-play, AI-native projects, which are generally statements of work of just under 1 year, they will become iterative in nature.

The second point is that the gross margin profile is definitely better than that of traditional services. However, we are also investing at the same time.

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We launched {? BlueVerse ?} OneToken, which is our harnessing layer. I think we are one of the few companies among our competitors to have our own token. We launched the {? BlueVerse ?} OneToken, which is our own technology token to manage our customers' AI spending.

Second, we are committed to building SLMs every quarter. We are building SLMs that are repeatable, accelerated code assets that we can deploy so that we can make deployment faster.

If you do not build those assets, then you are not at the forefront of AI deployment, because AI deployments cannot happen through a multiyear approach, specifically if you take one specific process and start working on it.

The speed to market for an AI project should also be faster, so some investment will be reinvested to strengthen our capabilities in that area.

Over time, I think this will also start flowing into the overall company margins. Vipul, is there anything you want to add?

Vipul Chandra – Chief Financial Officer & Whole-time Director: I think that covers it.

Sushovan Nayak – Anand Rathi: Thank you.

Venu Lambu – Chief Executive Officer & Managing Director: Thank you.

Operator: Thank you. Our next question is from Girish Pai of BOB Capital Markets. Please go ahead.

Girish Pai – BOB Capital Markets: Thanks for the opportunity. [inaudible] Venu, I had a question on the [inaudible]

Operator: Mr. Pai, I'm sorry, we are unable to hear you clearly. Could you please unplug your microphone and speak properly? Girish, we can't hear you. Could you repeat that, please?

Girish Pai – BOB Capital Markets: Hello. Am I audible?

Venu Lambu – Chief Executive Officer & Managing Director: Yes, Girish.

Girish Pai – BOB Capital Markets: My question is on TCV. A couple of your peers indicated that during the last quarter they saw some weakness towards the end of the quarter, which led to deals being pushed out into Q3 and beyond.

Did you see anything of that sort? How would you describe the demand environment in the last quarter versus 3 months ago?

Venu Lambu – Chief Executive Officer & Managing Director: I couldn't hear you properly. I'm trying to understand your question. Is the question related to the GCC demand environment?

Girish Pai – BOB Capital Markets: No, I am talking about the TCV numbers. A couple of your peers indicated that—

Operator: Mr. Pai, I would suggest that you rejoin because we can barely hear you, sir. Alternatively, please disconnect your earphones.

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Girish Pai – BOB Capital Markets: Sure. Okay, thank you. No problem.

Operator: Thank you. We'll take our next question from Karan Uppal of PhillipCapital. Please go ahead.

Karan Uppal – PhillipCapital: I hope I'm audible.

Venu Lambu – Chief Executive Officer & Managing Director: Yes, Karan.

Karan Uppal – PhillipCapital: Venu, I have one question on the Consumer vertical. That vertical has been flat this quarter, and last quarter it was down 1%. How are you seeing growth in this vertical? Specifically, what is the outlook for the travel vertical within it?

Venu Lambu – Chief Executive Officer & Managing Director: The Consumer segment grew 8.6% year-on-year, Karan. The business has grown. Yes, sequentially it has grown less than the other market segments.

Specifically, the travel and hospitality sector was impacted by the fuel prices, energy prices, and the crisis that unfolded. Most of these customers were tightening their budgets to manage the swings in fuel prices.

My assessment after speaking to many customers in that sector is that they are transforming significantly and reimagining the experiences in the travel and hospitality sector.

I expect them to return and put the budgets that were temporarily put on hold into these new areas. What you saw in the last two quarters, specifically in the travel sector, was attributable to fuel prices. As a result, customers were undertaking projects but were being very selective.

Karan Uppal – PhillipCapital: Understood, Venu. One more question for Vipul. Regarding forex losses, how should we think about the next few quarters?

Vipul Chandra – Chief Financial Officer & Whole-time Director: Karan, we have been following a very consistent hedging policy over a long period of time. We follow a program of hedging for the next 2 to 3 years on a rolling and layered basis.

Similar forex losses below EBIT may continue for the next couple of quarters. However, it also depends on rupee depreciation. If the rupee depreciates further, that could increase the losses, but we would receive the corresponding benefit in the profitability of our other businesses.

Overall, our objective and strategy has always been to maintain a consistent earnings profile over a longer period of time, and that is what we are following.

Karan Uppal – PhillipCapital: Understood. Thanks, and all the best.

Operator: Thank you. We'll take our next question from Girish Pai of BOB Capital Markets. Please go ahead.

Girish Pai – BOB Capital Markets: Thanks for the opportunity. Am I audible?

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Operator: Yes, yes.

Girish Pai – BOB Capital Markets: Coming back to the TCV number, which was weak this particular quarter, a couple of your peers indicated that decision-making and deal closures were pushed back because of macro conditions.

Did you see anything like that? How would you describe overall demand conditions compared with 3 months ago?

Venu Lambu – Chief Executive Officer & Managing Director: The macroeconomic condition has been like this over the last 6 months, or the last 2 or 3 quarters. Nothing new has happened this quarter.

Therefore, I would not attribute it to that. This does not mean that the macroeconomic condition has changed dramatically for the better. It has remained the same as it was over the last 2 quarters.

For us, as I said, the TCV was a reflection of the kind of deals we pursued. If you have a sales organization and pivot the sales teams to pursue AI-centric deals, and incentivize them to enter this AI spending area, then you should expect them to spend a good amount of their sales effort on these kinds of deals during that particular 3-month period. That is what we are doing.

For AI-native deals, we have a different sales incentive for our salespeople because we want them to sell more of these deals. It is a change-management exercise. There is a lot of comfort in selling the same thing that you have been selling over the years.

Therefore, we are making an effort by incentivizing salespeople to sell the new AI-native deals. There are different sales commission structures for the solutions we sell with new-age partners.

When you have a program driven in that way, it is reflected in how you book your orders. That is how I see it.

For me, it is pleasing because it is important to be in the right area of customer spending, and that is what will give us long-term sustainability.

Girish Pai – BOB Capital Markets: My last question is regarding pricing. One of your largest peers, which I would say is the largest player in the market, talked about pricing weakening in the last quarter. Did you see anything like that, either for us or in the market itself?

Venu Lambu – Chief Executive Officer & Managing Director: Traditional deals, especially traditional large deals, are fought at a price point—

Venu Lambu – Chief Executive Officer & Managing Director: —which to some extent becomes unmanageable, if I may say so.

In those areas, the more you hold on to them, the more the unit pricing is going to decline. Therefore, I am not surprised that if we all observe pricing weakness, it will happen in the traditional areas. It was expected to happen.

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When you look at the newer areas that I just spoke about, there is a premium attached to the skill set. Our AI rate cards are priced higher than the traditional rate cards.

We actually created AI rate cards and had customers sign up to those AI rate cards, and they include different elements.

My belief is that if we have to transform and pivot, then we have to pivot hard. You cannot hold on to everything and then try to pivot. You have to pivot significantly in one area, and we believe that pivoting hard into AI is the right thing for us.

That is where we build a scalable and very high-growth business in the new business model as we move forward.

Girish Pai – BOB Capital Markets: If I may squeeze in one last question, this is regarding what you said during the analyst meet a few months ago. You talked about deflation to the tune of approximately 25%. Where do we think we are in the deflation cycle? Are we in the middle, towards the end, or probably at the beginning?

Venu Lambu – Chief Executive Officer & Managing Director: Are you talking about the industry or LTM Ltd.?

Girish Pai – BOB Capital Markets: I am talking about the industry, and also LTM Ltd.

Venu Lambu – Chief Executive Officer & Managing Director: From our perspective, we said that some of the top accounts went through that journey. I spoke about the top client in BFSI, and we spoke about the top tech client a couple of quarters ago.

We are done with that productivity-headwind journey. Approximately 60% of the total adoption of productivity headwinds has already been passed on to customers in different phases.

With regard to the industry, it is very difficult to speak for the entire industry, but I can say that traditional services will continue to be challenged. Therefore, there has to be a sense of urgency to reimagine, which is what we are doing.

With regard to LTM Ltd.'s large clients, we are done with it. This essentially means that we are done with it for approximately 60% to 70% of our portfolio.

There will always be 20% to 30% of the portfolio that will go through different renewal cycles, consolidation cycles, and AI infusion cycles. However, the material ones are complete.

From an industry standpoint, I would expect this to continue for a couple of years. However, anyone who can pivot faster and at scale to newer areas will still deliver growth in the way we are delivering growth.

Girish Pai – BOB Capital Markets: Thank you.

Operator: Thank you. That was the last question. I now hand over the call back to management. Over to you, Venu sir.

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Venu Lambu – Chief Executive Officer & Managing Director: Thank you for all the questions. We appreciate you joining the call. Thank you.

Operator: Thank you. Ladies and gentlemen, on behalf of LTM Ltd., that concludes today's call. Thank you for joining us, and you may now click on the leave icon to exit the meeting. Thank you for your participation. Goodbye.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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