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**“Tata Technologies Limited  
Q3 FY24 Results Conference Call Transcript”  
January 25, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Tata Technologies Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

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

**Vijay Lohia:** Hello everyone and welcome to Tata Technologies Third Quarter Fiscal 24 Results Call. I am Vijay Lohia, Heading Investor Relations. With me today are Mr. Warren Harris, CEO and MD, Tata Technologies, and Ms. Savitha Balachandran, CFO, Tata Technologies. This call is for 60 minutes.

Our management team will give a brief overview of the company's performance, followed by a Q&A session. As you are aware, we do not provide specific revenue or earnings guidance, and anything said on this call which reflects our outlook for the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces.

We have outlined these risks in the second slide of the quarterly investor deck available on our website. Our press release and earnings deck have been filed with the stock exchanges and are also available on our website, [www.tatatechnologies.com](http://www.tatatechnologies.com). I hope you had a chance to look at them.

Let me now turn over the call to Warren.

**Warren Harris:**

Thank you, Vijay, and thank you everyone for joining us on today's earnings call. I trust and hope that you've all had a good start to the New Year, and it's my distinct pleasure to be hosting you on the first earnings call as a listed company. Let me provide the key highlights for the third quarter of fiscal year 2024, and I'll then hand over to Savitha to provide more details on our financial performance.

From a revenue perspective, in Indian rupees, we recorded aggregate sequential revenue growth of 1.6%, and annual growth of 14.7%. Q3 tends to be a seasonally soft quarter because of reduced billing days that can largely be attributed to the festivals in India and the Christmas and New Year holidays in other parts of the world.

However, our margin performance was much improved, operating EBITDA coming in at 18.3% compared with 16.9% in the previous quarter. Q3 was also a good quarter in terms of signings, with five large deals won during October, November, and December. This includes one deal with a TCV of more than \$50 million in our automotive vertical and another \$25 million deal in aerospace. The remaining three deals were all in the automotive vertical.

Let me give you some further color on these deals. We have been selected by a global automotive OEM to support the rebalancing of their engineering resource pool in North America. This \$50 million TCV deal will involve the movement of several hundred roles from onshore locations in the U.S. to offshore delivery centers in India.

I'm also happy to inform that we've also won a \$25 million multi-year engagement with a large European aerospace OEM in support of the digital transformation of their manufacturing operations. One of the major challenges faced by the aerospace sector is manufacturing throughput. Following the pandemic, demand for aircraft has exceeded the industry's ability to supply.

This engagement is focused upon addressing that challenge through the deployment of digital tools, processes, and methods. We've also won a top-hat vehicle deal in China, the responsibility for the rollout of a digital thread solution that combines PLM, ERP, and MES tools for a North American new energy vehicle company, and a major AUTOSAR engagement with a luxury vehicle manufacturer in the UK.

Delivering value to our customers continues to be our primary focus, so let me now provide a brief summary on what's been happening with our top three customers. At Tata Motors, we've recently completed the rollout of a smart manufacturing solution for the new Sanand plant that Tata Motors acquired from the Ford Motor Company in January 2023. We were responsible for architecting and deploying a solution that fully integrates ERP, PLM, MES and IoT systems that has enabled Tata Motors to increase its annual production capacity by 300,000 units. This agile deployment was achieved in an industry-leading timeline, allowing Tata Motors to commence production earlier this month.

At Jaguar and Land Rover, we cemented our position at the heart of their digital transformation program by accelerating the deployment of S4 Hana for a targeted number of their production facilities.

At VinFast, their focus is pivoting from developing new product to building and selling cars. We've almost completed the development of the two electric vehicles that were outsourced to Tata Technologies on a turnkey basis, and our activities are now transitioning to launch support. This transition began in the second quarter, accelerated in Q3, and will largely be completed in the current quarter. Whilst I'm pleased with the agility that our delivery and resource management teams have shown in redeploying resources, revenues at VinFast materially dropped in Q3. We expect further reductions in the current quarter.

Despite this, the service's runoff was backfilled with business from other customers, and the impact at an aggregate revenue level was largely mitigated. Outside of our top three customers, traction continues to build,

and we remain committed to harvesting the opportunity from this growing base. Indeed, the health of our customer pyramid continues to improve, with 39 customers recording more than a million dollars of annualized services revenue to Tata Technologies in the quarter. This compares with 34 customers in the same period last year.

The strategic importance of our customer relationships also continues to improve. During the third quarter, we confirmed a multifaceted partnership with Agratas, the new global battery business of the Tata Group. Today, we have issued a press release that confirms that Agratas has selected Tata Technologies to support its ambitions to design, develop and manufacture high-quality, high-performance, sustainable battery solutions for the global mobility market.

The partnership will include a series of engagements that will focus upon battery-packed design, the industrialization of the planned giga factories in India and the UK, together with the implementation of a digital thread that will enable Agratas to track all product and digital assets from concept through design, manufacturing, quality, and service. This partnership will enable Tata Technologies to further expand its upstream electric vehicle capabilities, thus extending our industry-leading electric vehicle proposition.

From an offerings perspective, we continue to expand our portfolio of service lines, especially in areas such as software-defined everything, cybersecurity, and autonomy. In October last year, we participated in ELIV in Germany. ELIV is the world's leading event for automotive electronics and software. At the event, we demonstrated a cloud-native architecture for software-defined vehicles, leveraging industry standards such as AUTOSAR and SOAFEE.

We partnered with leading technology players like NXP, Arm, Intel, and Amazon AWS to profile software-defined vehicle platform solutions for high-performance computing, next-generation digital cockpit solutions and cybersecurity. Earlier this month, we also exhibited our software-defined vehicle capabilities at CES and celebrated our emerging partnerships with Intel, Arm, and Foxconn's Motion in Harmony.

As the world of high-tech and mobility converge, the traditional vertically integrated automotive supply chains will likely transform into complex, horizontally structured ecosystems. OEMs and Tier 1 suppliers will have to abandon strategies that are focused upon total control of a vehicle and instead pick and choose their partners. That's why Tata Technologies is

committed to building a strategic network of partnerships and alliances to address this structural shift in the industry. To that end, we are delighted to announce two important partnerships that will further reinforce our software-defined vehicle credentials.

The first is with Intel. Intel is a leader in compute technology across various industries and our collaboration with Intel in the automotive space aligns with our vision to leverage cutting-edge technologies in delivering the latest innovations around software-defined vehicles to our customers. We will be utilizing Intel's new range of software-defined vehicle system-on-chip family of products for building software platforms. This partnership marks an important milestone in our software-defined vehicle journey. Together with Intel, we intend to work on a joint go-to-market strategy for our customers in Asia, where we see strong demand for a high-performance compute system-on-chip-based vehicle solutions.

The second partnership is with Arm, the SoftBank-owned British semiconductor and software design company based in Cambridge in the UK. We already have a strong partnership with Arm and have recently developed solutions for SDVs or software-defined vehicles using the SOAFEE framework that we've demonstrated at ELIV and CES.

Arm microprocessor chip architecture represents the world's largest computational footprint. Arm technology underpinned the software smartphone revolution and is ubiquitous in IoT, embedded, mobile, and automotive applications. We are absolutely thrilled to continue to collaborate closely with Arm, including working with them on a range of new solutions, bringing cloud-native software architecture for automotive applications into upcoming Arm-based automotive chips. We're looking forward to sharing more detail on these partnerships along with live demonstrations and industry events in the coming months.

Our efforts from a customer and a capability perspective continue to attract the attention and respect of industry watch organizations like Zinnov. With their recently published industry rankings, Tata Technologies was confirmed for the sixth consecutive year as the number one automotive engineering service provider in India. And in their new EV rankings, Tata Technologies was not only confirmed as number one in India, but number two globally.

From the perspective of supply, we remain confident in the growing demand for our services, and so we continue to add delivery capacity. In Q3, we added

172 new team members to our global ER&D and digital delivery teams. We also inaugurated a new innovation center in Coimbatore that will focus on vehicle software.

Our employee engagement initiatives continue to yield success, with the last 12-month voluntary attrition coming down to 15.4% in the quarter, compared with 17.2% in Q2. Our Q3 annualized attrition was at 13.6%. We continue to invest in talent development activities for our teams. In Q3, we trained over 8,000 employees, with more than 1,000 employees trained on Gen AI, AI, and ML, and 3,000 employees trained on various aspects of our embedded electronics and software proposition.

From a Technology Solutions perspective, our products and education business delivered strong sequential growth of 5% in INR, fuelled largely by our software products business. The products business, which is focused primarily upon our value-added reseller partnerships with the PLM software vendors, typically does well at the end of each calendar year when our customers in the U.S. renew maintenance contracts and discharge year-end budgets.

In our education vertical, we built a large order book. This has allowed revenue to be smoother and much more predictable than in prior years. We expect this to continue. Overall, despite the short-term headwinds associated with the runoff at VinFast, customer demand remains resilient, and we are well positioned for a very strong start to FY25.

With that, let me hand it over to Savitha to give an update on the details of our Q3 financial performance.

**Savitha Balachandran:** Thank you, Warren. Good morning or good evening, everyone, depending on where you're joining us from, and thank you for joining this call today. Continuing on the details that Warren shared about how our business is shaping up, let me share with you the financial performance in the third quarter.

Overall, the results were resilient with a solid margin profile in a quarter that tends to be seasonally slow due to the festive holidays in various parts of the world. Our revenue from operations grew 1.6% sequentially to \$12,895 million for the quarter. On a year-on-year basis, the growth in revenue was 14.7%. On a constant currency basis, total revenues grew 1.9% sequentially from Q2 and 11.6% on a year-on-year basis.

Breaking this down into the two segments that we operate in, revenue from services segment, which formed about 78% of our revenues in this quarter, was up 0.6% quarter-on-quarter to clock a top line of about INR10 billion. This segment was impacted by holidays and the ramp-down in one of our mega full vehicle programs as the project nears the launch phase, and this was partly backfilled by growth in other accounts.

In U.S. dollar constant currency terms, revenues were down 0.5% sequentially. The technology solutions segment grew by 5.2% over Q2 to clock a revenue of INR2.89 billion, largely supported by the renewal deals that is characteristic of the final quarter of the calendar year in the products business. The year-on-year growth was a more robust 38.9%, supported by increased delivery in our education business this year, compared with the previous financial year, which was heavily back-ended, with only a third of our annual revenues in this business clocked in the first nine months, given the project stage and the state of infrastructure readiness by our customers.

Our operating margin increased by 140 basis points sequentially to 18.3% in Q3, driven by improved services gross margins that saw increased offshoring, reduced spend on outsourced costs as we ramped down or replaced contractors in line with our revenue profile, as well as to some extent, better revenue quality in Q3 against some of the pass-through business that we had in Q2 relating to test and validation work for our projects. We recognized other income of about 307 million rupees during the quarter.

Consequentially, our EBIT was up 11.3% sequentially and up 15.2% year-on-year to INR2,094 million. In line with the improvement witnessed in the operating EBITDA margin, EBIT margin also expanded 140 basis points sequentially to 16.2% during the December quarter. Our effective tax rate was 27.6% and the sequential increase was driven by a higher percentage of profits coming from India and the UK this quarter compared with the previous quarter.

Net income increased by 14.7% year-on-year to INR1,702 million, representing 13.2% of our operating revenues.

Coming to the balance sheet, we've continued to remain focused on strong liquidity with \$132.5 million in net cash at the end of third quarter. This compares to \$120 million that we had at the end of September.

The total DSO, billed and unbilled, stood at 95 days at the end of December versus 92 days at the end of Q2. The increase in billed DSO from 73 to 81 days



was more invoicing as we hit certain milestones in delivery-based projects, while the unbilled DSO reduced from 19 to 15 days. Overall, the DSO remains within a target range of 90 to 110 days.

Coming to cash flows, our free cash flow stood at INR2,198 million in Q3 and we continue to strive to further improving our cash collections and conversion levels.

Let me now give you some color on the operational metrics. Our headcount increased by 172 employees sequentially. Our total employee count stood at 12,623 at the end of the quarter. And as Warren referenced in his comments, we are in the process of redeploying resources who are coming off the large full vehicle projects and we should see utilization levels improve as these actions take effect. Attrition levels have continued to come down and stood at 15.4% compared with 17.2% in second quarter as we continue to see positive impact from our employee engagement measures as well as an overall reduction in the industry-wide attrition levels.

Our employee cost increased by 2.9% sequentially driven by about 3% increase in our average headcount during the quarter. And this was more than offset by an 18% sequential reduction in our outsourcing and consulting charges as we continue to optimize our cost base. Our customer pyramid, which shows the number of customers with a million dollar plus in revenue has continued to show steady improvement.

I'd like to specifically call out customers in the one-to-five-million-dollar category, which has increased to 29 in third quarter compared to 24 in the same quarter last year. As far as the onsite and offshore mix is concerned, mix has moved in favor of offshore this quarter. Of our total services revenue, offshore revenue improved to 56% from 54.5% in Q2. As a percentage of the offshore revenues, which references revenues that we source from outside our delivery centers in India and Romania, 39.5% of revenue was delivered offshore compared to 37% in the previous quarter. And we continue to work on measures to gradually improve this metric.

And before we open up the call for Q&A, I can conclude my remarks by saying we'll continue to make the necessary investments in building capabilities and capacity in the areas of industry focus, such as SDV, embedded, alternative propulsion systems, and autonomous to create the runway for sustained growth.



At the same time, we maintain our focus on operational efficiencies and keeping our cost base competitive. Our long-term levers of margin expansion continue to focus on increasing offshoring, moving towards an optimal people pyramid and operating leverage as our business scales.

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

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

**Abhishek Kumar:** Yes, hi. Thanks for taking my question, Warren, and congratulations on a very good operating performance. My first question is on the outlook, especially around VinFast...

**Moderator:** Sorry to interrupt you, sir. May I request you to use your handset, sir? Your audio is slightly muffled, sir.

**Abhishek Kumar:** Sure.

**Moderator:** Thank you.

**Abhishek Kumar:** Hi. Is this better?

**Moderator:** Yes, sir. Please go ahead.

**Abhishek Kumar:** Yes, hi. Thanks for taking my questions and congratulations on a good operating performance. Warren, I wanted to pick your brain around outlook on VinFast specifically first. You said you expect some drop in Q4 as well. I wanted to understand if Q4 will probably be the last of the decline in this account, and then we can see some stability, or how should we think about VinFast, given that most of the programs you're working on are coming to an end?

**Warren Harris:** Yes. Thanks, Abhishek, and it's great to hear from you. In terms of VinFast, as I positioned in the opening comments, we began the transition from engineering and developing the two EVs that we've been responsible for. We began the transition to launch support in Q2. That accelerated in Q3, and we'll be largely through that transition at the end of Q4.

So as we go into FY'25, the base will largely be unaffected by any volatility or change at VinFast. We expect a slight tapering of growth in Q4, but as we go

into the next fiscal year, we're very bullish about our prospects for Q1, Q2, Q3, and Q4.

**Abhishek Kumar:** Just one quick follow-up on VinFast. We've heard VinFast plan to enter India and set up factory here. Does that give us scope of improving that relationship and maybe expanding it, and therefore should we expect some growth once they enter India?

**Warren Harris:** Yes, I think as with many new energy vehicle companies, when they develop product, they develop their first products that underpin their portfolio. They quickly shift to building product and to selling product, and that's the phase that VinFast are in. I think that their prospects for further expansion and for expanding the manufacturing capacity is going to be somewhat dependent and linked to the success of their current portfolio.

We're very proud of the relationship with VinFast. We're very excited about the impact that they can have on the overall market. But the timing for when they come here to India and the timing associated with when they will launch new product investments is still, from our perspective, still somewhat up in the air.

**Abhishek Kumar:** Okay. One last question from my side on the large deal that you mentioned, \$50 million deal. The rebalancing of engineering resources from US to India, it sounds a little counterfactual to the insourcing trend that we hear in the market. I just wanted to understand, is it because the OEMs are increasingly under budget constraints and therefore that is driving higher offshoring? Is that kind of driven by that? And if so, do you see this kind of trend accelerating going forward? Thank you.

**Warren Harris:** I think if you look at the North American market and you look at Detroit specifically, I think despite the investments that have been made in offshoring, a substantial part of the Detroit resource pool that is leveraged by the big three and the Tier 1s is somewhat still dependent upon staffing companies. I think that given the need to invest in capacity and new skills, I think all of the companies that define the North American market, I think they are increasingly looking to India and to offshore locations like Eastern Europe to satisfy that new demand. And that's really what this deal is focused upon. As the clock speed of technology change continues to accelerate, the access to local talent is important.

**Abhishek Kumar:** Great, that is very helpful. Thank you and all the best, Warren.

**Moderator:** Thank you. Our next question is from the line of Jay Vleeschhouwer from Griffin Securities. Please go ahead.

**Jay Vleeschhouwer:** Thank you. Hello, Warren. You made some very interesting remarks concerning the evolution of the automotive ecosystem as you see it, and as well your own evolution in terms of your offerings and now your partnership announcements.

With that in mind, two things if I may. Number one, what are you seeing in terms of your engagement or pipeline with regard to functions that complement PLM? I have in mind specifically, for example, simulation, ALM and other associated applications. Are you beginning to see more demand for those functions to complement your PLM implementation work?

Then with regard to the partnerships, the comments about Intel and ARM are quite interesting. Would it stand to reason that you could take that a step further and also partner with any role of the EDA companies, such as Siemens, with whom you already have a relationship, or the others to further deepen your exposure to the electronics world?

**Warren Harris:** It is great to hear from you, Jay. Again, thanks for joining the conference call and thanks for the questions. I think there are a number of questions in there, and I think if I answered them comprehensively, we would probably be on the call all night.

Just in terms of summary, I think if we look at the work that we are doing with the companies that we are working with on the digital side, I think increasingly, we are looking at comprehensive digital twin and digital thread initiatives that extend beyond PLM, certainly at ALM and into manufacturing execution systems and ERP systems.

One of the things that I think has really defined the difference that matters that we represent is the ability to be able to integrate those platforms in a way that is aligned and required by the industry and the companies that we are working with. We certainly see that analysis and simulation is a key component of that in some of our most recent implementations of profiles.

The value that can be crystallized if you can get the integration right and you can align that to an optimized product development process. As far as the relationships with the chip manufacturers, they are relationships that we are very excited about.

I referenced that the industry is going through a transition from a supply chain that was somewhat vertical and controlled by the OEM to a horizontal ecosystem that is somewhat dependent upon the contribution from multiple players.

I think partnerships and alliances are going to define the industry going forward. We are very excited about being able to really form a meaningful relationship with the type of companies that we believe will be a major player. Obviously, Intel and ARM are major players today, but I think the strategies and the commitment that they are making to the mobility sector certainly gives us confidence that they are going to grow their influence. By association, we expect to make a big contribution towards their plans.

**Moderator:** Thank you. Our next question is from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

**Kshitij Saraf:** Hi. Good evening. Congratulations on the consistency in the performance. My first question is on the partnership. We have ARM as a partner and we have Intel as a partner. With Intel, we primarily intend to focus on the APAC and with ARM in the European region. Is that understanding correct?

**Warren Harris:** No. The solutions that we're looking to deploy, we will take to the markets globally, but specifically in Asia Pacific. We have agreed to work with Intel on a joint go-to-market proposition that will be focused upon Southeast Asia and specifically China. That's an extension of the technical partnership that we're celebrating today.

**Kshitij Saraf:** Okay. The Tata Group overall announced a collaboration with NVIDIA for the drive platform with relation to 2026-27 launches. Would Tata Technologies play a role in that whole piece?

**Warren Harris:** We're not at liberty because of confidentiality agreements to share specifics of what we're doing for different customers. Rest assured, with regard to JLR and TML, we're involved in all aspects of their product development process. When announcements of that type are made, you can have confidence that Tata Technologies is involved.

**Kshitij Saraf:** Got it. That's very helpful. Lastly, on the client pyramid and the mining effort, how is the pipeline for the large deals shaping up? How does it work for you guys? Does it so happen that the 1-250-odd-million bracket engagements, they become into a more holistic sort of end-to-end solution? Or does it start

from a large contract when from a new customer? Any light there would be really helpful.

**Warren Harris:** I think the architecture and the specifics of large deals vary from customer-to-customer engagement to engagement. What I will say is that we are targeting large deals both in terms of our hunting activities and in terms of the relationships that we have with our existing customers. One of the things that we've been focusing on is proactive architecting of large propositions that address the unmet needs of our customers.

That investment and that capability that we are building is in part what's informed progress that we're making on the large deal front.

**Moderator:** Thank you. Our next question is from the line of Karan Uppal from Phillip Capital India. Please go ahead.

**Karan Uppal:** Yes, thanks for the opportunity. So, Warren, the first question is on EVs. We have seen some bit of a customer adoption which has slowed down in EVs in the US and Europe due to multiple reasons. We have a very strong success in the EV segment. Will it have any impact on our business due to this?

**Warren Harris:** That's a great question and a question that we've been asked multiple times since the statements from companies like GM and Ford and to a lesser extent, the likes of Toyota. Our view is that the pendulum swing has been affected within the automotive industry in terms of the move to alternative propulsion systems.

All of the projects that we are currently involved with from a product development perspective, almost all of the projects have some form of electrification. And if you look at where the industry is investing, we are quite confident that the thrust towards the skill sets and capabilities that we have will not only continue, but it will sustain through the extended period over the next 5 to 10 years.

I think that there are some specific things that are influencing the North American market. I think that there is concerns about the change in the White House at the end of the year and the impact that that will have on the Inflation Reduction Act. And there may be things like that that will play out in different parts of the world. And I think that could have an impact on demand and the number of units that are sold.

But I do not believe that it's going to impact the investment in new product. We are typically, when we are engaged to develop product for our customers, we're investing in what will define the competitive position of our customers in 3- and 4-years' time. And we do not see at the moment any compromise or slowdown in the demand that we've been building our thesis around for the last 3 to 4 years.

**Karan Uppal:** Okay. Thanks a lot for the detailed answer. The second question is regarding the services segment. So, in services, we have seen a growth rate of close to double digits in this quarter and in H1 it was around 15. So, considering the drag from VinFast, how should we think about the growth in services segment for FY '25?

**Warren Harris:** As I said before, I think that the transition from engineering to launch support, it impacted Q3. We expect further runoff in Q4. And so, growth will taper. But we'll be largely through it come the end of February, March time frame. And so, as we go into FY '25, the base will be solid and we expect to continue the growth trajectory that we've been on for the last 3 years. So, we're extremely bullish about next year. And we anticipated what's happened at VinFast. We've planned and we've prepared for it. So, this is not a surprise.

**Karan Uppal:** Okay. And last question is on margins. So, the margins have seen a very smart expansion over the last 3 years. And in this quarter also, we have seen a margin expansion. So, from a medium-term perspective, how are you thinking about margins? Are they optimized or do you think there's still room for expansion going right?

**Warren Harris:** I'll let Savitha take that one.

**Savitha Balachandran:** Yes, thanks for the question. You're right. I think there's been a lot of concerted effort to look at improving our cost base and our operational efficiencies. And the result of that is what you've seen as part of our margin expansion story, aided of course by growth that we've enjoyed as well. And if you look at within the industry, one would say that our peers of similar size tend to operate at the same level that we are at right now, somewhere between 18% to 18.5%.

And that's the band that at this point, we want to consistently be able to deliver. And as we continue to grow and scale our business, the North Star in the medium to long term would be to try and build another 200 to 250 basis point on top of this level.

And that's the kind of goalpost we'll try and move the business towards.

**Karan Uppal:** Any timeline you're looking at for these 200 to 250 bps expansions?

**Savitha Balachandran:** Sorry, could you repeat your question?

**Karan Uppal:** I'm saying any timeline you're looking at for these 200 to 250 bps expansions, maybe over the next one year, two years?

**Savitha Balachandran:** At this point in time, I'm afraid we won't be able to put a specific timeline on it. But as the business scales, one should be able to see benefits of that flowing through to margins, through both operating leverage and efficiency.

**Karan Uppal:** Okay, thanks a lot. And all the best.

**Savitha Balachandran:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ashish T from JM Mutual Funds. Please go ahead.

**Ashish T:** Thanks for the opportunity. So we do understand that we also have an engagement with Airbus. So as far as the recent development is concerned, Airbus and Tata will be manufacturing H125 single engine helicopters, again, based out of Gujarat facility. So if you could help us understand our engagement, the entire scheme of things, you said that we are involved with Tata Motors and JLR in almost every aspect.

So would it be fair to assume that as far as Airbus and Tata group contracts are concerned, to be there spread out across pretty nicely?

**Warren Harris:** Again, I'm not at liberty to confirm the specifics of the engagement that we have with TASL or Airbus. But what I will say is that we were accredited by Airbus some 18 months ago. We're now part of their EMES cube supply program. That program is a program that supports over EUR2 billion of annualized outsourced spend.

And increasingly, that spend is coming to India. We are the only accredited Tata Group engineering service provider. The relationship between Airbus and the Tata group continues to grow, not just with the C295 engagement with TASL, but also through the investment that Air India have made in terms of a new aircraft that will be coming into the fleet in the next couple of years.



And we believe that the tailwinds associated with that partnership will provide significant opportunity for Tata Technology. So we're excited about the relationship with Airbus. We've invested in opening up facilities in Toulouse and Hamburg. We've had a longstanding relationship with TASL. We have a relationship with Air India.

And we expect to continue to support all of those organizations as we build out our aerospace proposition in the future.

**Ashish T:** And would we have a similar engagement with Boeing as well?

**Warren Harris:** We've worked with Boeing for many, many years. I worked in the 90s with -- through the partnership that we have with Dassault Systems on the first digital aircraft, the 777. We were also a major supplier to their PLM initiatives in and around the 787. We have a number of technical engagements with Boeing at the moment and are in discussions with regard to scaling that and making that relationship into something that's meaningful to both organizations. So we do have ambitions to build out our partnership with Boeing.

**Ashish T:** This is helpful. And lastly, our proportion of services business and the technology business to our overall revenues. So 80% of the revenues coming from services part, so that should remain stable or you envisage a higher percentage contribution as we go ahead into the years?

**Warren Harris:** I think our ambitions are to scale the services business at a faster rate than the technology solutions business. The technology solutions business is important to us because it helps us maintain the relationship with the technology vendors that provide the technology stack on which manufacturing companies do business.

And so it's important in terms of revenue, but it's more important in terms of the strategic contribution that it makes to our business. So our ambitions in terms of growth for technology solutions is somewhat lesser than the ambitions that we have for our services business.

**Ashish T:** Yes, this is very helpful. Thanks and all the best.

**Moderator:** Thank you. Our next question is from the line of Kshitij Saraf from Tusk Investments. Please go ahead.

**Kshitij Saraf:** Yes, thank you again. If I could just chip in with one more question. We have 80 odd% of revenues within services segment from the auto industry. So going forward, how do we see this mix shifting because we have aerospace and the tailwinds there of. And there's a mention of helping the world farm as well. So in context of that is industrial heavy machinery and any sort of work that you're doing, you could share what's building in the pipeline and what sort of capabilities are really helpful.

**Warren Harris:** Yes, it's a great, great question. And I think just in terms of how we are looking at the industry diversification in the business, we continue at our heart to focus upon the mobility sector. We are recognized by Zinnov as the number one automotive engineering service provider in India. And I think our proposition, our full vehicle, our full turnkey capabilities that we have in automotive that extend beyond mechanical into embedded electronics and software defined vehicles.

I think that proposition continues to differentiate ourselves and by association represents significant opportunity. And we want to harvest that opportunity. So we're going to stay focused upon automotive. But aerospace is a business that it represents a much smaller base. And so in percentage terms, given the relationship that we've established with Airbus specifically, and given the investments that the group is making, we expect the growth rate of aerospace to extend and exceed the growth in automotive.

And with transport, construction, and heavy machinery, typically that industry lags automotive by three to four years. And so the move to electrification, connected, autonomous and shared, we're starting to see that in the farm equipment and the construction equipment space. And many of the skills and experiences that we've capitalized in automotive are directly fungible to the opportunity that that vertical represents.

So we certainly see that the aerospace transport, construction, and heavy machinery in three to five years' time will likely make up a bigger percentage of our services mix than they do today. But that continues to -- But I would continue to reinforce that we are not going to be diverted from the material and the sizable opportunity that we continue to see in automotive.

**Kshitij Saraf:** Thank you. All the best. Congratulations.

**Moderator:** Thank you. The next question is from the line of Girish Pai from Nirmal Bang Equities Private Limited. Please go ahead.

**Girish Pai:** Yes, thanks for the opportunity. Warren, you mentioned that FY25 is going to see robust growth on the one hand, whereas you're saying that VinFast, which is probably the largest kind of customer, which constituted almost like 20%-25% of revenues in FY23, if I'm not mistaken. I don't know the number for FY24, will wind down by 4Q. So what is going to replace that in FY25 and still deliver robust growth?

**Warren Harris:** Again, great question. And so in terms of our business plan and expectations for next year we are working with our automotive customers on the move to electrification and the move to connected and software-defined vehicles. And increasingly, we are seeing a shift of investment from mechanical systems into the new tech areas.

And that's why we've invested very heavily in terms of capacity in those areas, and also in terms of capability. And that's why the partnerships with Agratas, the partnerships with Intel, and the partnerships with Arm are so important. And so our expectations for growth next year are informed by order book and informed by pipeline in and around those vectors.

We have also seen with aerospace that we will significantly improve the contribution from Airbus as a customer. We were empanelled 18 months ago. We have gone through the accreditation process at Airbus. Airbus is a very regulated company. And so we've had to demonstrate compliance in multiple areas. We've opened offices in Toulouse and Hamburg. And during that time, we've built up a sizable order book, and we expect to discharge that next year.

So the order book and trust book that we've built in automotive together with the pipeline and the expectations that we have in and around accounts like Airbus are really inspiring the confidence that we have about the next fiscal year.

**Girish Pai:** Okay. My second question, Warren, in one of your media interviews, I think prior to the IPO, you mentioned that the exposure to the Tata group, not just Tata Motors and JLR, was to the extent of almost 43%, if I'm not mistaken. And you made a point that, that is up. So is it going to come from Tata Motors, JLR or some other entities within the Tata group?

**Warren Harris:** Yes, I would distinguish the Tata Motors group from other Tata group companies. Agratas is a subsidiary of Tata Suns, not the Tata Motors group. In terms of percentages last year, Tata Motors and JLR, at an aggregate revenue level, represented less than 33%. Because of the confidence that both of

those organizations have given their recent success, they've increased capex over the last 12 months. And that capex investment, and these are public domain numbers, that capex investment is expected to rise somewhat exponentially. And so we clearly want to harvest that opportunity.

And so we are bullish about the growth at Tata Motors and JLR. And as a result, in the short term, we expect the percentage contribution from the Tata Motors group to spike up a little bit. But I think medium to long term, the trend that we've been on for the last 10 years is likely to continue. And I certainly would expect in three to five years' time, the contribution from Tata Motors group to diminish in percentage term because of the growth that we see outside of the group.

Now, typically within the group, in the past, we've worked with organizations like Tata Steel, we've worked with TASSL, and we've worked with Air India. And we'll continue to cultivate independent relationships with those organizations. But the partnership that I guess I'm most excited about at the moment is the partnership with Agratas. The group is making a major investment in gigafactories. There will be a need for pack engineering and pack design capabilities.

We will have the opportunity to partner with them in terms of industrializing the plants in Gujarat and in the UK, and in deploying the digital tools that will enable the development of a product and the optimization of how they run the operations and specifically drive the smart manufacturing solutions into the gigafactory. So very, very excited about the partnership that we've announced today and the potential that augurs in the future.

As I said in my opening comments, it really extends upstream the Tata Technologies capabilities. Traditionally, we've taken responsibility for systems integration of batteries and battery management systems. And this partnership will afford us the opportunity to build and cultivate capabilities in and around the engineering and the design and the development of batteries, not just for the automotive industry, but also for the two-wheeler and the three-wheeler space, and also non-mobility products that require batteries in the future.

**Girish Pai:**

My last question is with regard to what you're seeing in the pipeline, the size of orders. The largest order would be of what size? Would it be somewhere around 100 million, 250 million or 500 million? What is the approximate size of the largest order that you see in your pipeline?

- Warren Harris:** All that I will say as far as order book and pipeline is concerned is that we are confident that the order book and the pipeline will support the ambitions that we have for growth next year. We don't disclose specific customer order book information and we don't disclose the aggregate order book information. I would just say again that we are confident that we have a sufficient platform and sufficient opportunity to realize the type of growth that's expected of this sector.
- Girish Pai:** Okay, thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. Vijay Lohia for closing comments.
- Vijay Lohia:** Thank you everyone for joining us on the call today. We hope that we've been able to answer most of your questions. If there are any further questions, please do get in touch with our investor relations team and we will be happy to answer all your questions. Goodbye from all of us here at the management team.
- Moderator:** Thank you. On behalf of Tata Technologies, that concludes this conference. Thank you for joining us and you may now disconnect your lines.