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May 7, 2024

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

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

Dear Sir / Madam,

Subject: Transcript of the conference call on financial results for the quarter and financial year ended March 31, 2024

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call for the quarter and financial year ended March 31, 2024, conducted after the meeting of the Board of Directors held on May 3, 2024.

The above information will be made available on the website of the Company: www.tatatechnologies.com.

This is for your information and records.

For **Tata Technologies Limited**

VIKRANT CHANDRASHEKHAR GANDHE
Digitally signed by VIKRANT CHANDRASHEKHAR GANDHE
Date: 2024.05.07 11:25:10 +05'30'

Vikrant Gandhe
Company Secretary and Compliance Officer

Encl: As above

"Tata Technologies Limited
Q4 FY'24 Results Conference Call Transcript"
May 03, 2024

MANAGEMENT: MR. WARREN HARRIS – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TATA TECHNOLOGIES LIMITED

MS. SUKANYA SADASIVAN – CHIEF OPERATING OFFICER – TATA TECHNOLOGIES LIMITED

MS. SAVITHA BALACHANDRAN – CHIEF FINANCIAL OFFICER – TATA TECHNOLOGIES LIMITED

MR. VIJAY LOHIA – HEAD OF INVESTOR RELATIONS – TATA TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Tata Technologies Conference Call. As a reminder, all participant lines will be in 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 your touchtone phone. Please note that this conference is being recorded.

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

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

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

We've 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. I hope you've had a chance to look at them.

Let me now turn the call over to Warren.

Warren Harris: Thank you, Vijay and thank you, everyone, for joining us on today's earnings call. Let me share some key highlights for the quarter and the year gone by. I will then pass the floor to Savitha for a more detailed overview of our financial performance. I'm delighted with the way our business performed in fiscal year '24 with full year revenue growth of 15.9% in Indian rupees and a 15% growth in operating EBITDA.

In the last 3 years, our revenue from operations has grown at 29% compound annual growth rate with operating EBITDA growing at 35% CAGR. We closed a total of 12 large deals in fiscal '24, which included one $50 million plus deal and 5 deals in the $15 million to $25 million range. We signed a strategic agreement with BMW to establish a JV in India that will be focused upon developing next-generation automotive software and digital technologies that will further enable BMW to optimize the way in which they manage their global enterprise.

Our customer pyramid has continued to improve with 2 customers added in the $10 million to $50 million category, two in the $5 million to $10 million category and three in the $1 million to $5 million category. For Q4, we recorded aggregate sequential revenue growth of 1.2% in U.S. dollars. Our services business, which formed 77% of our total revenue was flat sequentially, driven by the anticipated ramp down at VinFast. Excluding VinFast, however, the rest of our services businesses continued to show very healthy momentum with industry-leading sequential growth of 10.4% and full year growth of 30%.

So let me just reinforce, outside of the runoff we've seen at VinFast, our services business grew 10.4% sequentially and again 30% year-on-year. Our margin performance has remained resilient with operating EBITDA coming in at 18.4%, an improvement of 10 basis points compared with the previous quarter.

In the automotive sector, we are witnessing robust demand for software-defined vehicles driven by our customers' growing interest in developing AI-powered autonomous driving and connected services for their next-generation vehicles. Additionally, we continue to see growth in areas like smart manufacturing, PLM, ERP, and manufacturing execution solutions as our customers strive to further optimize their product realization capabilities.

Outside of automotive, our aerospace vertical continues to scale with opportunities opening up in North America, Europe and here in India. Whilst demand for high-end embedded and cybersecurity solutions has largely informed the growth that we see in the industrial heavy machinery sector. We had two milestone wins in the quarter, which included the strategic partnership with BMW and a $30 million deal in the Education segment with the government of Telangana to modernize 65 state-owned ITIs.

Our large deal pipeline remains healthy and continues to grow. We are currently engaged in several large deal discussions with existing and new customers and anticipate an uptick in deal conversions in the current quarter. Let me now talk about the joint venture with BMW. A landmark deal for Tata Technologies and the engineering services sector in India. The JV is subject to regulatory approval. And so, at this stage, we are not able to share too many details. However, what I can say in addition to my previous comments is that this partnership represents a strategic commitment from BMW to Tata Technologies.

We expect regulatory approvals to be secured in the next couple of months and anticipate that the JV will commence operations sometime in the second half of this fiscal year. The JV is intended to accelerate the progress of BMW in the field of automotive software and enterprise IT solutions. In automotive software, the focus will be on automated driving, infotainment and digital services. In Business IT, the emphasis will be on digitization and automation of the product development, production and customer experience value chains.

BMW's decision to select Tata Technologies as a JV partner, following an exhaustive 12-month evaluation of candidate Indian engineering services firms, many of which had incumbent relationships with BMW. The fact that BMW selected Tata Technologies is a testament to the breadth and depth of our capabilities and the trust that underpins the Tata brand.

With 2.5 million vehicle deliveries in 2023, BMW continues to be the leading car -- luxury car brand in the world. We are honoured to partner with them as they actively invest to shape the future of mobility. Let me now provide you with a brief synopsis of the progress we continue to make with our largest customers. In the previous quarter, I profiled the growing collaboration between Tata Motors, JLR and Tata Technologies by highlighting the joint work that we've undertaken to implement a smart manufacturing solution at Sanand 2, the production facility that Tata Motors acquired from Ford Motor Company in January 2023.

Synergy projects in Q4 have extended to include support that we currently -- we are currently providing to enable Tata Motors to develop an all-new battery electric vehicle for the Indian market using JLR's EMA platform.

The developments at VinFast has been broadly in line with the guidance that we provided in the previous quarter. In Q4, we have largely completed the transition from engineering to launch support for the 2 vehicles that we've successfully developed for VinFast. Consequently, sequential revenues dropped in a material way between Q3 and Q4. We expect to see further runoff in the first quarter of this fiscal year and will enter Q2 with revenues from VinFast largely being restricted to a small number of T&M positions.

I'm very proud of the fact that despite the steep runoff of VinFast in H2 of fiscal year 2024, the aggregate impact was mitigated by new business from other customers; a real testament to the forward visibility and the operational rigor that we have built into our business.

Apart from our top 3 clients, momentum continues to build as evidenced by the 30% year-on-year services growth that we've seen outside of VinFast in FY24. Furthermore, our customer pyramid continues to improve with 41 customers generating over $1 million in annualized services revenue in Q4 as opposed to 34 customers during the corresponding period last year. From an offering perspective, we are excited about the potential that GenAI has to revolutionize the manufacturing sector.

We are making good progress in deploying GenAI solutions for our customers in engineering, manufacturing, and various aspects of the customer experience value chain. Despite GenAI adoption in manufacturing still being relatively nascent, we currently -- we are currently implementing solutions that are delivering tangible value to our customers.

Let me profile a couple of examples. For a luxury German automotive OEM, we are using AI and GenAI to develop a recommendation engine for their in-vehicle infotainment system. The solution limits driver distractions by configuring infotainment options based upon location, time of day and prior usage.

For global automotive Tier 1, we are developing a GenAI Bot for field engineers that provides quick access to service documents that are stored in various data silos, formats and languages. For an Indian automotive OEM, we are developing a factory copilot using GenAI, which will improve manufacturing quality by enabling assembly workers to log build issues with text-to-voice in local language. This data repository will be used to standardize and accelerate future quality interventions.

Given the significant impact that GenAI will have on the manufacturing sector, we are making material investments in training and capability building. Specifically, we have curated specialized learning paths and training programs that will ensure that more than 10,000 of our engineers are trained in basic GenAI skills with a further 2,000 engineers receiving intermediate-to-advanced GenAI training over the course of the next 12 months. In Q4 alone, we trained almost 1,000 engineers.

As previously guided, we remain committed to building an ecosystem of partnerships that will further enhance the value that we deliver to our customers. To that end, we are pleased to unveil 2 significant partnerships that will further strengthen our expertise around software-defined products and services.

The first is with Siemens electronic design automation in support of their PAVE360 platform that has been developed to enable multi-supplier collaboration across their software-defined vehicle value chain. Our partnership will focus upon building this platform with Tata Technologies digital services to enable vehicle OEMs, chip makers, Tier 1 automotive suppliers, software houses and other vendors to collaborate on the development and customization of extraordinarily complex software-defined vehicle solutions.

The second partnership is with Databricks that is focused upon data analytics and AI and specifically the Databricks Lakehouse for manufacturing. Data Lakehouse is an architecture that enables AI applications to leverage directly the vast amounts of data stored in data lakes. Our focus will be on smart manufacturing and targeted solutions will include predictive maintenance, part-level forecasting and the development and implementation of computer vision applications.

From a Technology Solutions standpoint, our products and education business saw robust sequential growth of 6% in Indian rupees, driven largely by our education business, where we have multiple ongoing projects for the governments of Bihar, Assam and UP, amongst others. Our order book is healthy, and we expect to close a number of sizable deals in this area in the current quarter. The products business was steady after the sharp jump that we realized in the seasonally strong third quarter. Overall, I'm pleased with our Q4 and FY '24 performance. Market conditions remain favourable, and we are well positioned for continued growth and success in the current fiscal year.

Let me now hand it over to Savitha to take you through our 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 us on this call today. Let me now walk you through the financial performance in the fourth quarter and for the full year fiscal '24. Our revenue from operations grew 0.9% sequentially to INR 13,010 million for the quarter. On a constant currency basis, the total revenues were up 0.3% sequentially. For the full fiscal year 2024, our revenues from operations increased 15.9% year-on-year to INR 51,172 million. On a constant currency basis, the full year revenues were up 12.6% year-on-year.

Let me now highlight the performance for the 2 segments that we operate in. In the Services segment, which formed about 77% of our revenues in the quarter, revenues marginally slipped by 0.6% over the previous quarter to INR 9,951 million. In U.S. dollar constant currency terms, revenues were sequentially down by 1%. For the full fiscal year 2024, Services segment revenues were up 12.8% over fiscal year '23. And on a constant currency basis, full year revenues were up 9.2% year-on-year.

As we shared in the earnings call last quarter, the contribution to the services revenue from the mega full vehicle programs with VinFast significantly declined in Q3 and further in Q4, as we ramped down our deployed capacity having completed the development of the 2 electric vehicles that we were in charge of and our activities are now transitioning to long support. I'm pleased to note that the rest of the services business has continued to grow at a very healthy rate and helped to significantly offset this impact to a large extent. In fact, our services revenues growth, excluding VinFast was 10.4% in this quarter compared with Q3 and 31.7% compared with quarter 4 of last fiscal year, and it grew by 30% year-on-year for the full year 2024.

This was driven by robust growth across both anchor as well as non-anchor customers. In our other segment of Technology Solutions, Top line grew by 6.1% over Q3 to register a revenue of INR 3,060 million. On a year-on-year basis, the Q4 revenues were down 28.6%, driven by a very high base effect from the fourth quarter of last year, where nearly half of the full year segment revenue was recognized in that particular quarter as we began execution of the multiple programs, we had secured in our education business earlier during the year. Continuation of these deliveries to various state governments, including the government of Bihar, Assam and Uttar Pradesh, among others, enabled the full fiscal year 2024 revenues in Tech Solutions to grow by 28.5% year-on-year to INR 11,346 million.

Our operating margin in Q4 increased by 10 basis points sequentially from 18.3% in Q3 to 18.4% in this quarter, driven by better utilization and continued reduction in the outsourcing and subcontracting cost, partly offset by higher employee expenses as we strategically align our resource base with revenue profile. For the full year fiscal '24, our operating EBITDA increased by 14.7% to INR 9,413 million, and we closed the full year with an EBITDA margin of 18.4% in line with the range that we have aspired for.

We recognized other income of about INR 241 million during the quarter compared with INR 307 million in Q3, and this was primarily driven by the lower R&D credit income in the quarter, in line with the qualifying revenues.

Consequently, profit before tax declined 1.8% sequentially to INR 2,308 million and for the full year, our PBT increased 17.1% to INR 9,321 million. During Q4, we assist the underlying assumptions of our business scenario and decided to adopt the new tax regime in India from fiscal 2024. This resulted in an increase in deferred tax expense of INR122 million for the year ended 31st of March 2024, which is a onetime impact on account of remeasurement of deferred tax assets resulting in our effective tax rate increasing to 31.9% in Q4. Excluding this one-off impact, the effective tax rate for the quarter was 26.6%, and the effective tax rate for the full year fiscal '24 will be under 26%.

Net income came in at INR1,572 million compared with INR1,702 million in Q3 and for the full year of fiscal '24 net income increased 8.9% year-on-year to INR6,794 million, representing 13.3% of our operating revenues.

The Board today recommended a final dividend of INR8.4 per share for fiscal year '24, which translates to a dividend payout of 50% for fiscal '24. In addition to this, the Board has also proposed a special dividend of INR1.65 per share. The dividend payment is subject to approval by shareholders of the company at the AGM.

Regarding the balance sheet, our focus remains steadfast on maintaining robust liquidity with a net cash balance of $146.3 million at the end of the fourth quarter, as opposed to the $126.5 million we held at the end of December 2023. The total DSO billed and unbilled stood at 83 days at the end of March, much improved compared to the 95 days at the end of Q3. Improvement in DSO was the result of improved collection efficiency during the quarter, and therefore, the billed DSO came in at 69 days compared to 81 days at the end of Q3, while unbilled DSO stood at 14 days, flat compared to the 15 days at the end of Q3.

Coming to cash flows. Our free cash flow stood at INR2,124 million in Q4, and we persisted in our efforts to maintain efficiency in our cash collections and conversion rates. Let me now give you some colour on the operational metrics. Our head count stood at 12,688 employees at the end of the quarter, representing a point-to-point increase of 0.5% or 65 employees compared to the previous quarter as we showed up capacity in some of our focused growth areas. This is broadly in line with our overall revenue growth for the quarter.

I'm very pleased with our teams who have done a great job of redirecting most of our talent that came off from the VinFast programs to other programs, while we still have a small tail that is being actioned in the current quarter. Our utilization levels improved 180 basis points sequentially to 86% as a result of this as well as due to higher working days in Q4 compared to the previous quarter.

In fiscal '24, we added about 1,072 new net members to our employee base, which was up 9.2% over fiscal '23, including the campus hires that continue to contribute in optimizing our people pyramid, while building great talent pipeline. Attrition level has continued to improve, driven by a reduction in the overall attrition level in the industry as well as enabled by our employee engagement initiatives. At the end of Q4, our 12-month voluntary attrition stood at 14.5% compared with 15.4% in Q3 and the annualized attrition rate in Q4 now stands at 13%.

The progression of our customer pyramids, indicating the number of customers generating revenue surpassing $1 million has remained consistently positive. I want to highlight the notable growth within the $1 million to $5 million category, which rose to 30% in the fourth quarter compared to 27% during the same period last year. We have also seen improvement in the $10 million to $50 million category, which now has 5 customers compared with 3 at the end of the previous quarter. On the revenue mix, while revenue source from outside our delivery centres in India and Romania and executed offshore saw a marginal drop this quarter, in the full year, fiscal '24, our on-site offshore mix has moved in Favor of offshore with 38% of revenues being executed here compared with 36% in the previous fiscal year. We continue to actively focus on strategies to steadily enhance this metric.

Overall, I'm pleased with our execution in this fiscal '24, ending the year with a robust EBITDA margin of 18.4% and strong liquidity. And also with having delivered over 18% margins consistently in the last 3 consecutive years, in line with our stated aspiration. We will continue to follow a balanced approach of exercising operational discipline, we are strategically investing in capacity and capabilities to seize the opportunity for growth as the industry pivots towards alternative professional systems, smart manufacturing, embedded and autonomous technologies. We are excited about our prospects in fiscal '25 and remain committed towards creating long-term value.

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

Moderator: We'll take a first question from the line of Abhishek Kumar from JM Financial.

Abhishek Kumar: Congratulations on...

Moderator: I'm sorry, Mr. Kumar, may I request you to use your handset mode, please?

Abhishek Kumar: Yes. Just one minute. I hope I'm audible now?

Moderator: Yes, please go ahead.

Abhishek Kumar: Warren, Savitha, congratulations on good execution. My first question is on VinFast. Ex of VinFast, we have grown 10%. I just wanted to understand whether this is -- and still, overall growth has been kind of flattish, completely offsetting the decline in VinFast. So is it just a coincidence or in a way, it's by design as the resources that are being released from the VinFast projects are being deployed in some of the other programs. And the reason why I'm asking this is the implication once the VinFast runoff is over, does it mean that the growth -- headline growth will start looking that much better? Or it would be much more subdued than what we can foresee now?

Warren Harris: Well, thanks for the question, Abhishek. And I think the question is a fair one, given the circumstances that we've grappled with over the course of the last 6 months. The relationship with VinFast has been a really important part of the development that we've realized in terms of the full breadth and depth of our full-vehicle capabilities.

Not only have we developed the 2 SUVs that we were directly responsible for, but we also have developed an electrical architecture and a connected architecture that is informed for vehicles. So we're very proud of what we've done there. We're very proud of the contribution that we've made to the development of VinFast.

But like most new energy vehicle companies, when they develop a portfolio of products, they shift their focus to building them and generating demand for them. And that's exactly what's happening at VinFast. The focus that they have right now is ramping up their production capabilities in Haiphong, in preparing additional capacity in North Carolina and also here in India and shipping product to consumers.

And so we anticipated this some 12 months ago. We worked on aligning pipeline with the capability that we knew was coming off. And we've been able to navigate the material transition in terms of head count from VinFast to other customers. I think your insight is spot on.

I think once we get through this current quarter, we will be largely through the complete decoupling of the work that we've done on the 2 projects that we've been responsible for. And we certainly expect growth then to pick up. We have entered the year with a very strong pipeline. We are expecting an uptick, as I mentioned, in terms of large deal conversions this quarter. And we certainly expect that will inform a very strong set of growth numbers as we transition through the year.

Abhishek Kumar: Okay. Maybe my next question is on demand in general outside of VinFast. We've heard EV slowdown globally, et cetera. How much of that is impacting our programs on the EV -- more on the core engineering side, less on the SUV side. Is there any impact at all that we see in demand?

Warren Harris: Yes. Frankly, we're not seeing any drop-off in demand. The transition away from conventional IC propulsion systems to electric vehicles is very much the direction that the industry is taking and the fortunes of individual companies is being influenced by the tapering of the sales cycles.

But my observation, my point of view is that much of that is being driven by the fact that certainly, Western OEMs do not have low-cost EVs to be able to sell. And so, what we're seeing is that they're doubling down on building out the portfolio and resisting the threat and the technology gap that they see between themselves and the Chinese OEMs. So for us on the engineering and new product development side of things, those market dynamics are driving tailwinds that we are intersecting with.

Moderator: We'll take the next question from the line of Nitin Sharma from MC Pro Research.

Nitin Sharma: Firstly, can you please quantify the total deal win in the quarter? How much was the change on Q-on-Q or Y-O-Y basis?

Warren Harris: We don't share those details and by association, we don't share guidance going forward. But what I can say is that deal conversions was robust and in line with our expectations. And the commentary that we've effected in terms of confidence in fiscal 2025 is informed by that. So we don't see any drop-off in demand.

And not only are we targeting deal wins with our existing customers, we're also taking full advantage of the halo effect associated with the BMW deal and leveraging that to generate interest from new logos. So, we remain confident about this fiscal year and the productivity of our sales teams continues to be at a very high level.

Nitin Sharma: Okay. And secondly, is it possible for you to provide some colour on how was the performance of the product and education subsegments? And also, can you please repeat the utilization in FY '24?

Warren Harris: In terms of the Technology Solutions division of our business, we saw growth in education. Products was relatively flat. But the product business is a seasonal business. We typically see growth in Q3 and then there is typically a strong start to the calendar year. So that's played out in fiscal '24 in the same way that it has in previous years.

And one of the things that we saw last year was very predictable growth in education sequentially throughout the year. Savitha referenced in her comments, in Q4 of FY '23, almost 2/3 of the education business for FY '23 was discharged in the fourth quarter. And so what we've done is we've worked hard to smooth that out throughout the fiscal year and that's played out. And we saw incremental growth in education, Q3 to Q4, but that was very much along the lines of what we had budgeted and what we planned for.

Nitin Sharma: And on the utilization levels, I missed that on your initial commentary.

Savitha Balachandran: Currently, we have utilization in excess of about 85%, 86%. And around that is where we believe the normalized levels would be for us at a global level.

Moderator: We'll take a next question from the line of Jatin Kalra from Bank of America.

Jatin Kalra: My first question, just an extension on the earlier question asked on the EBIT. The hybrid versus electric debate keeps coming up I wanted to check if it is fair to assume that, if at all, there is a significant shift happening from electric to hybrid, would it be largely net neutral event for you? Is the research intensity same in both kinds?

Warren Harris: Yes, great question and good to hear your voice again. As far as we are concerned, if you look at the portfolio of vehicles that we've delivered for our customers, it encompasses the various propulsion options that are available to what we have. If you take the work that we did for Polestar when Volvo launched that particular brand. We did the Polestar 1. That was a plug-in hybrid, a very sophisticated halo product for Volvo that was used to launch the brand. Not only was it a sophisticated plug-in hybrid proposition, but it also had a very complex carbon fiber upper structure that we engineered and developed in Europe, the U.K. and India, and we helped Volvo launch in China.

So that's a technology that we understand very well. We are seeing with the North Americans and some of the Europeans that want to hedge their bets as far as full EVs are concerned, we are starting to see renewed interest in a much more balanced approach to the transition that we're seeing overall in the industry. But for us, we're as excited about working on plug-in hybrids as we are on fully electric vehicles.

Jatin Kalra: Great. That was really helpful. My second question, on the services business, because there is a big delta in your Y-O-Y profile at VinFast and ex-VinFast, could you provide a bit more colour on the Y-o-Y growth cadence for the next few quarters; does it pick up uniformly? Have you bottomed in Q4? Or do you expect to see another slower quarter on Y-O-Y basis and then see big jumps in Q2, Q3 as you move forward?

Warren Harris: What I can say is that the material transition of VinFast has played out in Q3 and Q4. There is a slight overhang that we'll work through in the current quarter. And then for all intents and purposes, we will be through the transition. And the growth rates that I referenced and Savitha referenced will inform, I think, the trajectory beyond that. But we don't provide specific guidance. So, I'm not going to give you any specific numbers. But I'm confident about the momentum that we've established. We don't see any drop in demand. And so we expect fiscal year '25 to be a good year.

Jatin Kalra: Understood. Got it. Can I slip in one more, if that's allowed?

Warren Harris: Go ahead.

Jatin Kalra: Yes. So I understood that you're not saying anything on the BMW deal. But in these kinds of JVs, is there a practice to involve a buyout clause by the enterprise on the JV after some time? Is that something that one should keep account of?

Warren Harris: Yes. We're not at liberty to make any comments about the specifics of the JV at this stage. We certainly -- once we've gotten through regulatory approval, we'll provide more colour on what we can expect and what the market can expect from that deal. But one of the things that I'll just reinforce is that, that deal is not only an important deal for Tata Technologies. It's a really important deal for the Indian engineering services sector.

BMW is a very discerning customer, and they are coming into India at scale. They're coming into India for automotive software and also digital technologies that will help them optimize the way in which they run their enterprise. And I think it will send a signal to other OEMs that are not yet fully vested in this region. And we are very, very excited about what it means, not just for us, but again, the legitimizing of the engineering services market here in this country.

Moderator: We'll take our next question from the line of Moez Chandani from AMBIT Capital.

Moez Chandani: I wanted to understand what percentage of your revenue contribution ex-VinFast has been driven by your anchor clients versus your non-anchor clients? And also on a related note, is there any particular client or a project that you would like to call out that has helped you scale up your and replace of VinFast revenues so strongly in Q4 as well as Q3?

Savitha Balachandran: I think the short answer to your first question is the growth has been fairly diversified outside of the VinFast runoff. And therefore, both anchor as well as some of our key and focus accounts outside of the anchor accounts have broadly grown anywhere between 25% to 30% during the fiscal year on a year-on-year basis. So, it's been a fairly broad-based growth would be my response. Do you want to take the second one, Warren?

Warren Harris: Can you help me with the second question?

Moez Chandani: Sure. Is there any particular client that you'd like to call out where you've been able to scale up so fast, so as to replace these revenues from VinFast?

Warren Harris: Just to reinforce what Savitha said, there's no 1 project or 1 customer that has really provided the lion's share of support for the growth that we've seen. It's really been very broad-based. And for me, that's been one of the most encouraging things. And not only are we seeing it in automotive, we're also seeing it outside of automotive and specifically in aerospace. I signalled in January that we were pleased that we were now starting to discharge the sizable order book that we've built at Airbus. We've seen that play out in the fourth quarter and that's a relationship that we are very excited about, not just in FY '25, but beyond that.

We are very much ensconced now in the EMES3 supplier program. We've been through the accreditations. We've established the Nexus in the Toulouse and Hamburg, and we are really well positioned to take advantage of the support and sponsorship that we are getting from Airbus.

We're also, again, beneficiaries of the big bets that the group is making. We've certainly provided support at JLR and TML for the ongoing investments that they are making in their portfolio. But one of the things that we announced in January was the relationship, the partnership with Agratas, and that's allowed us to move upstream in terms of the coverage of the EV value chain, particularly as it pertains to pack design, and we've seen a material contribution from that partnership in the fourth quarter.

Moez Chandani: Okay. My second question was on the education sector. So you had a lot of projects with Telangana, UP and a few other states. So how long are these projects? And when do you expect to start to see those projects wind down for Tata Tech?

Warren Harris: Well, those projects are typically multiyear projects. They typically are our projects that are managed in phases. So, for instance, the award that we received in Telangana, providing that we execute well, we would expect to build upon that. The order book for our education business continues to grow. And so we have visibility and confidence that we will see year-on-year improvement in that business, not just in FY '25, but beyond.

Moez Chandani: Sure. But is there a timeline in terms of the number of years that these projects are?

Warren Harris: Typically, the relationships extend through 10 years. The lion's share of the work is in the first couple of years. But then there's a services relationship that we will maintain somewhat indefinitely. And that's the nature of the value proposition that we represent. There are centers that we are deploying, but we are also deploying our e-learning platform and providing training services to support the investment in talent that the ITIs themselves are making.

Moderator: The next question is from the line of Bhavik Mehta from JPMorgan.

Bhavik Mehta: A couple of questions. Firstly, if I look at the head count over the past couple of quarters, it has not gone up much. Now I understand this could be because you're redeploying the people from VinFast project to other projects. But given that VinFast is bottom out next quarter, and the demand still remains strong in terms of these wins and pipeline, how should we think about head count growth over the next 2 quarters?

Warren Harris: Yes. I think good question, Bhavik. I think if you look at what we've done as far as head count is concerned in Q3 and in Q4, we've calibrated to accommodate the runoff that we've seen at VinFast. So your observation, I think, is aligned with what went on.

Also, at the beginning of the calendar year, typically, that's a relatively slow period as far as large deals are concerned. And so again, we plan our recruitment activities and our onboarding activities to reflect that. We are ramping up as far as recruitment is concerned right now, and we certainly expect the capacity requirements that our growth will position on us to be satisfied as we take full advantage of the teams that we are bringing in.

We are also, in addition to adding headcount, and I've referenced this in the past, we've made significant investments in our internal university, what we brand and refer to as TechVarsity. And we made reference to the reskilling activities in and around GenAI in our opening comments. That university trained and reskilled over 8,500 people last year. And so, it's a capability, which we believe truly differentiates us in the engineering services sector.

So we are investing in talent in terms of increasing headcount, but we're also investing in talent in terms of aligning the skills and capabilities with the demand that the market is imposing upon us.

Bhavik Mehta: Okay. Got it. The second question is on margins. How should we think about margins for FY '25? Are we trying to maintain margins in that ballpark of 18.5% EBITDA? Or is there a scope for some expansion?

Warren Harris: One of the things that I'll do is I'm going to use that question to introduce Sukanya. I'm delighted -- I was delighted last quarter. to confirm the appointment of Sukanya as our COO. Sukanya joins us after over 3 decades at TCS and was part of the leadership team that saw TCS scale to the size and to the capabilities that it has. And we are certainly looking to leverage the experience and the understanding and the insights that Sukanya has. We are relatively modest in terms of our margin expectation improvements for the year. But Sukanya, perhaps you could just profile for us some of the areas that we're doubling down on in terms of improvements that we expect to realize in fiscal 2025.

Sukanya Sadasivan: Yes. Thank you, Warren, and hello, everyone. While we don't give any guidance on the margin itself, but I think overall, we are at the range that we want to operate at. But given the focus on sustaining and improving on margins, I think we are looking at multiple levers. One is the efficiency that we want to drive around the overall leverage that we want to have in being able to deliver from India for our global customers. We also are looking at how we can improve our pricing based on the newer engagements that we do in embedded, SDV, cybersecurity, GenAI.

So I think pricing is going to be an important lever as well. And Savitha also alluded to the fact that some of the efficiency drivers that we are looking at in terms of utilization as we ramp-up on a large transformation program, how do we very quickly reskill some of these using our TechVarsity and then are able to efficiently redeploy our people globally. So, I think some of these are going to be important levers that will pan out for us in the coming quarters and we definitely have that higher on our radar.

Moderator: We'll take our next question from the line of Rajiv Berlia from Citigroup.

Rajiv Berlia: I just want to understand the performance of aerospace vertical in 4Q and the outlook for the same for FY '25? And the second question is the deal which you had announced in the last quarter, the Agratas deal, what is the status of the deal? And by when do we expect the deal to start ramping up for Tata Technologies?

Warren Harris: Okay. As far as aerospace is concerned, Rajiv, we have invested very heavily in the infrastructure to support Airbus. And I discussed in January, the fact that in the second half of last year, we began discharging the order book that we have built at Airbus. What I can say is that we doubled our revenues at Airbus in Q4 from a relatively small base in Q3. And that momentum is something that we expect to sustain in the current fiscal year. So, we are very bullish about the Airbus relationship. But we're also bullish about the overall aerospace market. If you look at the expectations that is being imposed upon the industry, there's currently about 23,000 productive aircraft in use today that's expected to double in the next 15 to 20 years.

And so we're working with Airbus on things like manufacturing throughput. We have relatively mature discussions with other OEMs and the influence that the Tata Group is starting to have on aerospace, particularly in the context of the aircraft; it's buying, the partnerships that it's establishing on both the commercial and on the defence side of the aerospace market is providing significant opportunity for us. So very excited about aerospace. And then we've shared in the past that in the next 3 to 5 years, we expect the sort of 90% bias that we have to automotive at the moment to reset in and around about a 20% contribution from aerospace and industrial heavy machinery.

As far as Agratas is concerned, we really have been involved in that organization since its inception. We are providing support for pack design as Agratas looks to confirm its anchor relationships with a couple of targeted OEMs. So we're involved with that in the U.K. and here in India, we are working on the deployment of enterprise IT solutions as they look to build the digital backbone that will inform how they run their organization. And we're also in the planning stages at the moment on the industrialization of the 2 giga factories, one in Gujarat and the other in the southwest of the UK. So that relationship has already established scale, and we expect to continue to build upon that in the coming quarters and the coming years.

Rajiv Berlia: Last question from my side. You have talked about GenAI. Can you talk about some of the proof of concepts that you are seeing in GenAI and what are the sizes of these proof of concepts as of now?

Warren Harris: I'll talk a little bit about projects that I didn't reference in my opening comments. And then Sukanya, if there's any additional comments that you want to reinforce then please share. One of the things that I didn't share in my opening comments, I referenced what we were doing with a German OEM. I referenced what we were doing here in India as far as a factory Copilot solution and the interventions that we're affecting in terms of quality. But one of the things that we're also doing for another OEM is that we are building and deploying a sales assist capability.

And what that sales assist capability does is support salespeople in the dealerships to compare and contrast the products that they are looking to position for sale with competitive products and with intelligence that relates to some of the technical specifications that underpin a particular vehicle. And that is something that is complementing the training interventions that are being planned for the dealership. So, we are not just looking at the traditional engineering or product development and manufacturing value chain, we're looking to extend the services that we deploy and the applications that we build into the customer experience arena.

Sukanya Sadasivan: Yes. The only other thing that I would like to add is that I think even though it is in very early stages, like Warren mentioned in his opening remarks in terms of manufacturing industry adopting it. But I think we have moved from initial POCs to realize industry use cases where we are seeing a lot of uptick from our customers, and that is reinforcing our investments that we are making in the GenAI space.

Moderator: We'll take our next question from the line of Karan Uppal from PhillipCapital India.

Karan Uppal: Two questions from my side. So firstly, Warren, on the outlook on JLR. So you were very bullish on JLR account regarding their EV transition at the time of the IPO. What's the outlook on this account at this point of time? And a related question to that is Tata Tech the only company who was going to benefit because of JLR EV transition? And what kind of work is being outsourced to Tata Tech versus being done in JLR's in-house R&D facility?

Warren Harris: Well, I'll qualify my response by saying we are bound by confidentiality agreements with most of our customers. And certainly, at JLR, I can speak about some things, but I can't speak about the specifics of the detailed engagements that we are involved with. But I think if you have followed the fortunes of JLR over the last couple of years, you'll see that they've been through the transformation that was initiated in 2019. They've embraced this modern luxury strategy. They've resized the organization to support a breakeven point at about 300,000 units. And they've invested in a portfolio of products for the Jaguar brand that we'll see that brand being relaunched as a pure battery electric vehicle brand in the future.

The investments that they've made in the transition and the work that they've undertaken to come out of the semiconductor challenge, for instance, has really propelled JLR through the last couple of years to a level of performance that for them is record-breaking. And I think that, that's informing confidence. And that has driven an increase in the CapEx that has certainly benefited the partnership between Tata Technologies and JLR.

Now JLR has an ecosystem of partners. There are other Tata Group companies that provide services and support at JLR, there are also organizations outside of the group that provides support for JLR. And I think right now, most of the incumbent partners have seen an increase in business as a result of the improved market position of JLR and the confidence that they have in their current portfolio and the investments that they are making in next-generation vehicles.

Rajiv Berlia: Okay. Second question is on ICE to EV opportunity. So you have worked with Tata Motors in a couple of its models transitioning from ICE to EV. So are you seeing similar kind of deals from other OEMs? Do you think that's a very big opportunity? Anything in the pipeline you can share?

Warren Harris: I think we are seeing the transition away from internal combustion engines. We're seeing that transition manifest itself in multiple ways. We referenced before plug-in hybrids. Some companies are jumping straight into a full BEV platform. And others are staging that transition in the same way that Tata Motors have by changing the ICE platform and through the changes, accommodating an electric propulsion system.

We're seeing demand across all of those segments, and we're working not just inside of the group with Tata Motors and JLR in those areas, we're working outside of the group as well. And I think that's a testament to the breadth and depth of capabilities that we represent. When we engage with our customers, we're not positioning a proposition in a single area. We are aligned with the various options that they have to improve their competitive position.

Moderator: We'll take one last question from the line of Bharat Sheth from Quest Investment.

Bharat Sheth: Sir, from a medium perspective, if we understand, how do we really have a strategy to leverage our engineering R&D capability in other areas like Auto is the one, then second is aerospace that we have, other mobility as well as industrial, health care side and services in the education. So, first is, how big is the opportunity that you are seeing? And what is really challenge, I mean, to grab those opportunities?

Warren Harris: I think what I would say as far as new technologies are concerned, if I understand the question correctly, the clock speed of technology change is accelerating. And every engineer that is coming into the marketplace now is having to embrace this lifelong learning challenge. And that's why we have invested in TechVarsity. That's why we've invested in our i GET IT learning platform. That platform is used by more than 50,000 engineers globally outside of our company. So, it has content that's relevant for the industry, and we're certainly leveraging that to develop the type of skill sets that are required of the industries and the customers that we support.

That investment and that understanding of what it takes to rescale is informing the education proposition that we are driving into the public and the private sectors. The manufacturing industry is going through a massive change. The automotive industry is going through a change now that we've not seen in the last 120 years.

And so the traditional skills whilst still relevant, are needing to be complemented with next-generation skills. And that's what we are building our proposition around. The relationship here in India with the public sector is providing us with business value that we are leveraging to further invest in content for our e-learning platform, and we are taking that to individual engineers and also to manufacturing enterprises to further extend our education proposition and build our business in a way that's aligned with the growth expectations that we've got for the company.

Bharat Sheth: Further to that question...

Warren Harris: Yes. Go ahead.

Moderator: Mr. Sheth. Please go ahead.

Bharat Sheth: Further to that question, which is the next industry that you are seeing a mindset changing for outsourcing, like in Auto and Aerospace, it took several years to outsource from the in-house. So where do we see a kind of a mindset for other industry is playing out?

Warren Harris: Well, this is my point of view. So, it's not -- it's our perspective. Our perspective is that as the need for new technology, continues to grow and dominate this market, we think that many of our customers will likely shrink their focus and will protect and invest in the things that differentiate them and inform their unique position in the market. And increasingly, they will complement their fixed cost investment in engineering with relationships with organizations like ourselves.

And so we think that the tailwinds that we've leveraged to drive growth in the recent past will continue to inform the momentum that we expect to leverage in the future. So that mindset that you referred to, I think is really starting to drive a lot of the decision-making throughout the market. And I think that's why you see consistently not just with our company, but across the sector, type of growth rates that we are seeing, and we are expecting to continue.

Moderator: Thank you. I would now like to hand the conference over to Mr. Vijay Lohia for closing comments. Over to you.

Vijay Lohia: Thank you, everyone, for joining us on today's call. 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'll be happy to answer all your questions. Goodbye from all of us here at the management team. Thank you. Have a good weekend.

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