



“Tech Mahindra Limited Q3 FY‘26 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Tech Mahindra Limited Q3 FY'26 Earnings Conference Call.

We have with us today, Mr. Mohit Joshi – Chief Executive Officer and Managing Director, Tech Mahindra, and Mr. Rohit Anand – Chief Financial Officer, Tech Mahindra.

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 this conference, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Joshi – M.D. and CEO for Tech Mahindra. Thank you and over to you, sir.

Mohit Joshi: Thank you. Good morning and good evening. I welcome all of you to our Earnings Call for the Third Quarter of FY2026.

We are starting the calendar year on a very positive note; the 3rd Quarter has delivered a strong performance with most of our targeted market segments contributing meaningfully to our results. Most importantly, deal momentum has remained robust during the quarter. We recorded our highest quarterly deal bookings in the last five years, our highest deal wins on a last 12-month basis in the last five years, and our largest deal win in Europe in the comms industry. This underscores the strength of our client relationships, the relevance of our capabilities, and our ability to deliver long-term value at scale.

Before moving to our 3rd Quarter business performance, I just wanted to touch briefly on this mega deal win in Europe. This is a strategic engagement with a leading European telco, one of the largest wins in the company's history, with a total contract value exceeding \$500 million over five years. This multi-year partnership is about a comprehensive modernization of the client's application across both the CIO and the CTO domains, aimed at accelerating innovation, strengthening digital resilience, and achieving AI-led operational efficiencies enabled by our deep domain expertise and proven transformation capabilities. This win further strengthens our leadership position within the telecom vertical.

Let me now turn to our “Business Performance for the Quarter.” Revenue grew 2.7% year-on-year and 1.5% QoQ on a reported basis, and 1.3% YoY and 1.7% QoQ on a constant currency basis, marking our fastest quarterly growth in the last three years. This performance was driven by a broad-based growth across comms, manufacturing, hi-tech, retail, and healthcare.

Operating margins expanded by 290 basis points year-on-year to 13.1%, underscoring the progress enabled by our improved operating disciplines and the quality of our revenue growth as we have maintained pricing discipline and enhanced our revenue mix.

The communications vertical grew 4.7% year-on-year during the quarter. We are seeing signs of stability across the U.S., coupled with the stabilization of top client spending. Europe is expected to move from a phase of stability into a growth phase supported by the large deal win. We believe the comms vertical is well-positioned to be one of our growth verticals as we move into 2027.

BFSI declined 0.8% year-on-year, primarily due to higher than normal furloughs during the quarter and the passing of annual productivity gains to the large infrastructure contract in the rest of the world, which impacted revenues. BFSI demand remain favorable. We continue to make inroads in engaging clients with tailored solution offerings, and we continue to see strong demand across transformation, experience, data analytics, cybersecurity, coupled with AI adoption. We expect BFSI growth to follow a more steady trajectory in the coming quarters as seasonal factors normalize.

Manufacturing continued a strong trajectory this quarter, building on the strong momentum from the previous quarter with a year-on-year growth of 11.7%.

As stated earlier, we are seeing good traction in the aerospace and industrial segments in the U.S., while in Europe, growth was supported by the ramp of a large automotive client during the quarter. The U.S. automotive segment continues to remain in wait-and-watch mode, and we expect demand trends to turn more positive over the medium-term.

The hi-tech vertical declined 4.6% YoY; however, it showed positive momentum during the quarter; the QoQ was positive, driven by engineering services, particularly in the semi-con segment. That said, we expect the hi-tech sector to remain volatile as companies continue to operate under cost pressure and exercise caution in their IT spending.

Retail, travel and logistics continue to perform, delivering also 11.7% year-on-year growth, supported by strong traction in logistics and above-normal seasonality in the BPS business for retail.

On a geographic performance basis, the Americas grew by 2.1% YoY, Europe delivered a strong growth of 11.2% YoY, supported by the large-deal ramp in European auto. Revenue from the ROW declined by 4% YoY, primarily on account of furlough and annual productivity gains. That said, our priority markets within the rest of the world that we have called out earlier grew 12.9% YoY, reflecting our continued focus on selected markets, which should better contribute to growth in the future as our mix continues to shift. As we said previously, these primary markets are primarily ANZ, Japan, and Singapore.

We added three \$50 million client's year-on-year, reinforcing the strength and scalability of our client relationships. Additionally, revenue from our \$20 million-plus clients, a key focus area for us, continue to significantly outpace the company average. The performance underscores our focused approach to scaling strategic clients and deepening long-term partnerships by bringing

tailored solutions to clients and applying the distinctive domain expertise of our experienced staff.

AI continues to be a growth pillar of our strategy, and we support clients in moving across from the experimentation to the execution phase at scale. We are seeing AI increasingly embedded across large enterprise engagements, driving business experience, process and operations transformation, IT build and change, as well as IT operations.

Client programs are shifting from pilots to scaled multi-year initiatives that are integrated into their operating models. In line with this, our partnership with Google, positions us well to accelerate enterprise adoption of Gemini Enterprise, leveraging Gemini 2.5 multimodal models to drive human-centered innovation and scale AI adoption across global enterprises.

We have also signed an MoU with the University of Texas at Dallas for AI-led innovation, skill development and research. We will launch our First Makers Lab in the U.S. in Dallas, focusing on pushing the boundaries of AI, data science, Gen-AI, agentic AI, quantum computing, cybersecurity, and cognitive network innovation.

Our deal wins this quarter stand at \$1096 million, including the large deals shared earlier. This represents a robust 48% year-on-year growth on an LTM basis. This strong performance is a testament to the focused investments we have made in strengthening our sales engine, our solution-based go-to-market offerings, and the growing relevance of our AI-enabled capabilities, which are resonating well with clients and contributing meaningfully to these wins.

Other notable deal wins include our selection by a global HCM SaaS company to provide implementation and customer support services across their product portfolio. This engagement leverages TechM's HCM, and CX Centers of Excellence, along with capabilities in AI, automation, solution configuration, and data integration to drive greater efficiency, scalability, and innovation, resulting in enhanced customer experience and optimized cost.

We were selected by a leading European aerospace manufacturer as a strategic partner to provide support engineering across all aircraft programs. The service includes an end-to-end capability for aircraft operators and MRO, leveraging Tech Mahindra's deep expertise in aeronautics and strong delivery capabilities. This collaboration will ensure comprehensive support engineering across all aircraft programs.

We were selected by a leading U.S.-based comps provider to lead its transformation and systems integration initiatives. This strategic engagement focuses on consolidating operations under a single trusted partner, modernizing legacy systems, and reducing technical debt through automation and best practice. Leveraging Tech Mahindra's proven delivery excellence and deep expertise, this collaboration will drive cost optimization, accelerate growth, and enable scalable talent deployment through a core flex model.

We were selected by a U.S.-based healthcare provider as a strategic partner to lead its enterprise digital transformation. This engagement includes optimization, simplification, cloud migration, and transformation to unify tech stack to deliver better experience, cost savings, and business transformation in a managed services environment.

Selected by a leading U.S.-based banking institution as a strategic partner to modernize its enterprise-wide payments platform, incorporating real-time real capabilities across markets, cash management, and wealth management, leveraging Tech Mahindra's COE.

As I mentioned in my last earnings, we marked our 39th anniversary on the 24th of October, 2025, with the launch of our brand refresh. Since then, the refresh brand has been well-received across these stakeholders and has reinforced our positioning across innovation and AI-led capabilities. Further reinforcing the strength of the brand, we received the Best Brands 2025 Award at the ETNow Best Brands Conclave by ET Edge. I am proud that our refreshed brand encapsulates who Tech Mahindra is in the AI era, agile in execution, bold in vision, collaborative in culture and with clients, and discerning in our decisions, this branding evolution positions us as the future-ready transformation partner enterprises trust to navigate digital reinvention with intelligence and speed. At its core, our refresh brand reinforces our promise to help clients scale at speed through AI-led innovation and precision.

Last quarter, we successfully concluded the third season of the Global Chess League, reinforcing our commitment to innovation, strategic thinking, and global engagement. Over time, these efforts support brand equity, talent attraction, and differentiated market presence, creating sustainable value for our shareholders.

Tech Mahindra has again been recognized as a Global Sustainability Leader in the S&P Global Dow Jones Sustainability Index. We have proudly regained our #1 position globally in the TSV IT services segment.

We have also been included in the prestigious A-list for both the Carbon Disclosure Project Climate Change and the CDP Water Stewardship 2025, a testament to our collective commitment to sustainability, transparency, and environmental stewardship.

As we close, I would like to highlight the launch of our new culture model, "Limitless Together," which brings our employees, our employee value proposition to life. Limitless Together reflects our belief that when we unite with purpose, support each other, and push boundaries, there is no limit to what we can achieve. It is more than a phrase. It defines how we work, grow, and succeed as one team.

As Margaret Mead had once famously said, "Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has". I believe that this alignment is translating to stronger execution and that each quarter's performance takes us a step closer to our FY27 goals. We expect to grow higher than the peer average by the end

of FY27 while progressing towards a 15% EBIT margin for FY27. The strong quarter reinforces our confidence that we are on the right path and building sustained momentum towards our long-term aspirations.

With that, I hand you over to Rohit to take you through financial performance.

Rohit Anand:

Thank you, Mohit. A very warm welcome to everyone joining us today from across geographies. Turning to our performance for the 3rd Quarter for Fiscal Year 2026, this was a well-rounded quarter, with the majority of our growth engines coming together to deliver a strong set of results.

Our revenue for the quarter stood at US\$1,610 million, representing a 1.5% sequential growth and a 2.7% year-on-year growth on a reported basis. On a constant currency basis, the revenue increased 1.7% QoQ and 1.3% YoY. The constant currency growth this quarter was driven by a 1% increase in service revenue and seasonality, net of furloughs and the remaining contribution was on the back of large-deal execution in European auto, which will normalize next quarter. In INR terms, revenue was at Rs.14,393 crores compared to Rs.13,995 crores in the previous quarter, an increase of 2.8% on a sequential basis and a 8.3% YoY basis.

For the quarter, our operating profit was US\$211 million, with operating margin expanding by close to 100 basis points to 13.1%, marking the ninth consecutive quarter of margin expansion.

Gross margin this quarter expanded by 120 basis points QoQ, driven by improvement in our fixed price productivity program and volume growth.

In INR terms, operating profit reached Rs.1,892 crores, representing a robust year-on-year growth of 40.1%.

These results reflect disciplined execution, sustained focus on efficiency across the business while maintaining momentum in top-line growth.

Other income for the quarter had a loss of \$2.4 million, primarily on account of forex losses. As of 31st December, our hedge book stood at \$1.05 billion, compared to \$1.33 billion in the previous quarter. Based on hedge accounting, the mark-to-market loss for the quarter was close to \$40 million, out of which \$13.9 million was taken to P&L and the loss of \$26.3 million went to reserves.

Our effective tax rate for the quarter was 25.7%, while the normalized ETR, as we mentioned before, stays close to 27%.

Our profit after tax margin before exceptional item for the quarter was 9.2%, up 180 basis points on a YoY basis. The exceptional item for the quarter relates to one-time provision of US\$30 million in accordance with the new wage code notification.

Through disciplined capital allocation and sharper execution, we have strengthened our return on capital employed to 26.9%, reflecting the business that is not just growing, but growing efficiently.

On a YTD basis, our free cash flow to operational PAT is at 123%. During the quarter, free cash flow was \$194 million, driven by strong collection efficiency and continued improvement in our work in capital management.

Our DSO decreased four days on a quarter-on-quarter basis, driven by reduction in our unbilled receivables.

Our total deal wins in the quarter stood at 1,096 million, reflecting a growth of close to 48% on a last 12- month basis. The quarterly deal wins this quarter is the highest as Mohit mentioned in the last five years.

As we move ahead, we remain focused on sustaining our operating rigor, strengthening execution and delivering our F27 strategic goals, where we continue to remain on track.

With this, I hand it back for the Q&A to the moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: Hi! Good evening. Good afternoon. Thanks for taking my question and good to see all your performance. My first question was on the BFSI side, which you spoke about higher-than-usual furloughs and productivity pass-through. So, what led to this higher-than-usual furlough -- is there any sub-segment or client-specific factor which drove that? And also, is the productivity pass-through done entirely for the quarter, or is there something more to come into the next quarter?

Mohit Joshi: Yes. Thanks. Thanks, Rakesh. Look, I think if I look at the BFSI perspective, I just want to call out a couple of things and I will address your specific questions. But the first is that our BFSI business is compared to our own business is relatively small, right? So, a small change in a couple of clients tends to get amplified in terms of the percentage numbers. And there is a lot of underlying good news within the BFSI numbers. What I want to point out is, for instance, we have added up a significant number of logos over the past quarter, I just want to call out a couple of them. So, for instance, in APJ, we signed up one of the largest Japanese banks. We won a transformation deal in wealth for one of the largest banks in Singapore. In Europe, we signed up a global preferred supplier list with one of the largest global insurers, and a new MSA and project wins with one of the world's largest private banks, again in Europe. In the Americas, we successfully renewed a longstanding infra-network support and transformation contract with an American insurer. So, there is a lot of momentum that is happening on the ground. Now, in terms of the furloughs that really had a quarter-on-quarter impact in some markets, like in Canada, for

instance, which is an important market for us, we saw with some of our clients higher furloughs than we had seen in the last year, for instance. Now, this could just be dependent on their project frequency or their own budgeting cycles. As far as the productivity benefit for a larger client that we have spoken about, again, the productivity stepped down because it is a multi-year contract, you have to take a step down every year. We do not expect it to spill through into the current quarter, and we expect to get back to our quarter-on-quarter growth trajectory. I just want to stress that our ambitions for BFSI remain unchanged, and while this quarter has been weak, there is underlying positive movement in terms of client acquisitions and deal activity.

Kumar Rakesh:

Thanks, Mohit, for that. I was actually going to ask about the same thing on the deal-win side as well. Is it fair to say that your deal-win mix for BFSI would be higher than your revenue mix? I think you alluded that you have been getting a lot of new logos, so that is a fair conclusion to make, right?

Mohit Joshi:

Well, it is a fair conclusion to make overall, not specifically for this quarter. In this quarter, I would say that our deal wins have tilted more towards telecom and hi-tech, candidly. We have had a lot of significant renewals from a BFSI perspective, which is also very important. For instance, we renewed our long-standing infrastructure contract, as I mentioned, with an American insurer. In terms of net new, no, that would not be true for this quarter.

Kumar Rakesh:

Got it. My second question was on the headcount. So, sequentially, there is some reduction in headcount. Was that more to manage the productivity pass-through and keep the cost structure under control, or is there something more to that?

Mohit Joshi:

Well, I do not think there is any more to that. What I will say is that we have called out from the beginning of this transformation program that one of the places where we see very significant levers to drive transformation is in our fixed-price portfolio, right, which is over half of our revenue. And so, as we drive productivity into our fixed-price programs, we are obviously releasing a lot of existing talent there. And then, rather than hiring fresh talent, we are largely using this pool. And because of the new sort of software infrastructure that we have created within the company, we have much better visibility of our bench and our talent pool than we previously did. So, redeploying those two projects, which is why, we are also seeing growth, right, we are also growing rather than shrinking, and we have chosen not to backfill the talent that would be leaving. And so, on the one hand, you are getting people freed up from fixed-price projects who are being redeployed, resulting in both margin growth and profit growth. On the other hand, where there is attrition, we are first choosing to redeploy our existing fixed-price pool. And thanks to our new software infrastructure, we have much better visibility of individual-level talent and where they can be redeployed.

Kumar Rakesh:

Thanks a lot, Mohit. Have a great day. I will fall back in the queue.

Mohit Joshi:

Thanks, Rakesh. Thank you.

Moderator: Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Hello! Good evening. Happy New Year and congrats on a very strong quarter. Had a couple. So, on the telecom deal, which you mentioned, is the entire 500 million net new, because it looks like it will drive significant growth for Europe next year? The second is, from a BFSI perspective, how big is payment for us considering all this, the recent thing around the credit card rates being capped at 10%, do you think that becomes a headwind for us or it is not a meaningful part of the portfolio? And finally, with this large win, in some form, does it sort of impact margins as we start executing this? And has this already started executing?

Mohit Joshi: Thanks for those questions. I will take them one by one. So, telecom, yes. The revenue that we have called out is all net new. While this is an existing customer, the number that we have included in our large deals wins is only the net new component. So, we have excluded the existing revenue component over here. This large deal, again, has been signed, but we expect the actual delivery of this to start in the first half of the next financial year. So, it should start kicking in relatively early in the new financial year. As far as your question on BFSI is concerned, while we do have a very large payments practice, our exposure with the actual issuers is somewhat limited. A lot of our exposure is to the payment networks, and we do not see it having a sort of near-term impact. Obviously, this credit card interest rate cap is now just a proposal as it follows through into actual legislation and then into IT budgets. We will be able to give you a clearer picture. But as of now, our exposure is largely to the networks and not to the actual providers. On the margin impact of the large deals, look, we have always been very clear about the fact that we do not want to do large deals that lose us money. And so, we have continued to stay very disciplined from our pricing and from our profitability perspective. And while obviously, large deals involve execution challenges that could dilute margins, we have not upfront signed a money-losing deal, we will not do that.

Nitin Padmanabhan: Perfect. That is very helpful. Thank you so much and all the very best.

Mohit Joshi: Thank you.

Moderator: Our next question comes from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management Company. Please go ahead.

Sudheer Guntupalli: Hi, Mohit. Congrats on a great set of numbers. So, the large deal in European telecom, that in itself should add around 1.6% growth if it were to ramp up relatively early in FY27, and on YTD basis, your net new TCV booking was up almost 45%, in general, there is a sense of improvement in the discretionary demand. So, with these factors in the background, do you now believe reaching high single-digit kind of revenue growth in FY27 is a possibility?

Rohit Anand: Yes. So, I think maybe I will just start off and then Mohit will add on the next year visibility as well. So, on the large deal, I think it is obviously not linear in terms of the way it is going to be happening. And the way Mohit explained, it will ramp up through the year beginning of the

financial year. So, it will take time to ramp it up, right? So, I think it will not be uniform over the five-year period. So, in fact, on next year revenue, it is not going to be equal to the 1.6%, it will be lower than that at a company level. When we look at it, of course, it helps us with more visibility towards FY27. We will have to continue, as I have mentioned before, continue to drive similar results over the next couple of quarters to drive more visibility and comfort around where we want to be. But Mohit can add more on FY27 as well.

Mohit Joshi:

Yes, I think, look, it is too early to give a number for FY27 because we also, what happened last year between Jan and March, but on the whole, we are seeing an improvement in the tech spend environment, which is also reflected in our numbers and the peer numbers. I think more importantly, I am really delighted about the fact that if I look at our client list, and I look at our clients that give us more than \$20 million of revenue, we are consistently growing in that pool. And that really reflects why we are so much more confident about our financial performance, because large clients also are our most profitable clients, and there is a huge opportunity to sell our multiple service lines there. So, that is one particular great source of confidence for us. The momentum that we are seeing in our largest clients that are consistently growing faster than the rest of the company, it is when large clients grow consistently slower than the rest of the company, that you have to fill up your revenue with mid-market or with higher risk clients. This is a huge source of strength for us going forward.

Sudheer Guntupalli:

Sure, Mohit. And my second question is, some of your peers started disclosing some AI metrics, which give confidence to investors on how the AI opportunity is panning out. Any quantitative or qualitative metrics you can share on your AI portfolio, which can give us the confidence on the trajectory we are chatting out here?

Mohit Joshi:

Yes. Actually, that's a good question because we were asked this in the media sessions as well. See the challenges, right? That either you go very narrow, right? Which is, let's say the revenue that we get from either doing direct AI consulting work or the money that we get from building models or either large language models or small language model for our clients, right? And then you are talking about a very small number.

Or you go very extensively, which is, you include everything that has to do with delivering productivity, let's say using GitHub Copilot or clients where you have infused AI, which then comes to almost 100% of the clients. So, we have to figure out something which is meaningful.

Now, over here, because we have given this a lot of thought, we have published a white paper along with Forrester that you may have seen that, it came out about a week ago, which is about building a new pricing model itself, where the pricing for human labour and the pricing for digital labour is very clearly distinguished.

And the pricing for digital labour is then based on token consumption, right? So, if you are doing a testing project, there is a certain amount of effort that comes in from human labour. Let's say a program, a test lead or a test analyst, and a certain amount of revenue that comes in from the

use of testing specific or assurance specific agents, right? So, we have built that model, we have validated it with Forrester, and we have taken it to a few clients. As we start winning deals there and revenue starts to flow, that could be one great model because there it's very clear what's coming from digital labour.

But until that happens, we will have to think of some metric, which will probably be AI infusion for our top 20 clients. I can say with a great degree of assurance that like our peers, we are almost at 100% adoption there because it is impossible to find a Fortune 1000 client that does not use AI. And so therefore, when we are working with that client, you are not using either your own tooling or their own tooling.

I just feel that nobody's really come up with a metric, which is candidly credible and auditable.

Sudheer Guntupalli: Fair enough. And maybe a quick last one from my side. With the deal bookings being very strong for the last 4 quarters, how do you see the incremental deal pipeline? Is there signs of exhaustion or is it still good?

Mohit Joshi: Well, I think the deal pipeline still looks pretty good at the start of the year. Obviously, these things tend to be lumpy. And if you recollect in Q1 of this year, I had actually, when this question was asked, when are your deal wins going to start converting to revenue? We had said that these deal wins will start converting to revenue from the second half of the year onwards. And as we have closed Q3, you have seen that that is true.

So, I do feel that the deal pipeline is still strong. It will continue to be lumpy. So, you may see a quarter-on-quarter of fluctuation. But overall, we are happy with the pipeline and our odds of winning these deals.

Sudheer Guntupalli: Thanks, Mohit, all the very best.

Mohit Joshi: Thank you, Sudheer.

Moderator: Thank you. Our next question is from the line of Rod Bourgeois from DeepDive Equity Research. Please go ahead.

Rod, your line has been unmuted. You may proceed with your question.

As we are not receiving a response from the current participant, we will move to the next participant in the queue. Our next question is from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: Yes. Thanks for the opportunity. Mohit, one question around your BPO segment, right? I mean, if you look at over the past 3 years, the growth there has been really strong when we compare it

to the IT Services business. And if we look around, there are a lot of concerns around this part of the business generally across the value chain, given the risks around AI.

So, one question is, what has driven growth in here for us? And what do you think are potential risks to this part of the business, given how much supportive this has been to our overall growth? And secondly, from a profitability perspective, it hasn't really been similar story. So, what do you think are the reasons on that?

Rohit Anand: Maybe I can answer profitability first, Mohit, and then you can talk about the growth. So, Rishi, on profitability, as we mentioned earlier, right, if you look at the overall trend, we had also had some divisions that we had move to BPS, right? And BPS has a mortgage processing unit in the UK, etc.

They were relatively dilutive, so there was a comparative dip there, right? But from there, post the integration, they have been consistently increasing on margins, as before. Just this quarter, there is a one time that they had, because of which segment was down, but on operating performance is still Q-o-Q improvement, if you exclude that. And we see that trajectory for BPS to continue over the next quarters or so.

Mohit Joshi: Yes. And the whole look, I think I have always been very bullish about our BPS business. That's for a couple of reasons. One is, we have a really strong leadership team in BPS, led by Biren. And at the end of the day, this business is very much based on the quality of your leadership, and therefore the solutions that we are able to develop.

I think the BPS business has also gained from the huge infusion of technology, and specifically AI and automation that we have been able to infuse, because of being a large IT player. So, everything that we are doing from a TechM Orion perspective, in terms of agentic AI, or the work that we are doing to build large and small language models, is feeding into the capabilities of our BPS team, to become more effective, and therefore win deals from pure play BPO providers, who may not have that set of capabilities, right? We see this very clearly, for instance when we are pitching against maybe a pure play BPO for a banking back office deal, right, where our ability to be able to show the level of automation and agentic AI capability, far exceeds what a pure play may be able to provide.

I do feel that as long as this business continues to go up the value chain, and be able to be more solution driven, rather than purely sort of bumps on seats driven, that business will continue to grow. And so, we remain bullish about the long term possibility of this business.

Biren and team have also entered into new areas, where we are able to generate significant revenue. For instance, one of our key capabilities in BPS that's increasingly emerging, is our Saffronic capability, right? Which is our ability to do short digital movies, and a lot of the work on the animation side that is winning them clients across the world, so that BPS capabilities

continue to increase. And we are also driving a greater cross sell between our existing IT and BPS clients.

Rishi Jhunjhunwala: Got it. And just one question, maybe it was asked earlier and I missed it, but just on the wage hike cycle, have you guys thought about if and when we would want to do that?

Mohit Joshi: Yes, on the wage hike cycle, look candidly, with the new labour code having come in, we are studying the implications of that, because it has implications on how wages are structured as well. And therefore, how the wage hike would actually play through. This is something that we will continue to examine, along with our CHRO, Richard Lobo, and the rest of the team. And we expect to be able to decide once we have the required information. But there is nothing that we can share at this time.

Rishi Jhunjhunwala: All right. Thank you. All the best.

Moderator: Thank you. Our next question comes from the line of Rod Bourgeois from DeepDive Equity Research. Please go ahead.

Rod Bourgeois: Yes, hey, you guys had set a target to grow at or above your peers, their average by fiscal '27. And you have now hit that target. Our data says you beat the peer average by about 1.7 percentage points when you look at organic constant currency growth results. So, question is, do you see this as an improved growth position, relative to your peers that should be sustainable going forward at this point as you are now close to fiscal 27? Thanks.

Mohit Joshi: Thanks, Rod. So, look, I think when we had set the plan, it certainly looked like a really ambitious plan because we were at the bottom of the pile in terms of growth. And so therefore setting a path for exceeding the peer average was seen as an aggressive plan. And I am happy with the progress that we have made over the past 2 years.

What really makes us confident that this is credible is first and foremost, the quality of the leadership team that we have assembled. I believe that we have really built a world beating team in TechM.

The second is that we have focused the growth on our largest accounts, right? And so therefore it is stickier, because a lot of the growth is coming from selling new service lines to existing clients, so new design capabilities to existing clients and new AI and data capabilities to existing clients. As I have shared previously, our top accounts, that is accounts with more than \$20 million in revenue are growing significantly higher than the company average. And so therefore there is stickiness because this is not one-off revenue from marginal clients.

And the third factor that I wanted to call out is our large deal book, a large and increasing large deal book also gives us a greater visibility of revenue for the future. So, we are confident that going into F '27, that we will be able to fully meet our promise of growing faster than our peer

average. And then hopefully over time building that momentum, there is a high degree of confidence there.

Rod Bourgeois: Okay, great. And then if I could dive further into the Comms vertical, especially in light of the large deal win in Europe, can you give us more color on your outlook for that vertical in particular? And how much of your outlook is a function of what's happening in the vertical overall versus your ability to capture share? Thanks.

Mohit Joshi: Thanks, Rod. So, look, I think the comms vertical is very interesting, because at the end of the day, it is our largest single vertical. And it is very important that we maintain and grow our relevance in this vertical.

I do feel that for the Comms vertical, we have quite a unique proposition, because we are the only player that has the IT capabilities, but we also have the network capabilities and increasingly a lot of the opportunities are emerging on the network side. And we have BPS and software capabilities, right?

So, in Comviva, which has increasingly won a number of Tier-1 clients for our BSS solution, for our marketing analytics solution, we are able to sell that in Europe and in the America. So, first and foremost, I feel that we are really the only player to have a comprehensive and complete portfolio from a Comms perspective, IT and BPO, Network Services and Software. So, that is a winning combination.

In Europe specifically, we see a lot of consolidation opportunities because most of our clients still have a very long tail of partners. And as they consolidate, like they did in the mega deal that we had referred to earlier, we are getting increased opportunities. We also see a lot of opportunities with the Comms sort of technology providers.

In the US, we do not see so much of a consolidation opportunity because really the vendor landscape is already significantly consolidated. But we are seeing, as opposed to what we were seeing in '23 and '24, a slight loosening of purse strings. I would not break out the champagne yet, but it is a better picture than we saw certainly 18 months ago.

And in Asia, we see an opportunity really to deploy our software stack at scale. And again, it's been a couple of consolidation opportunities, right? For instance, in the early weeks of this current quarter, we have won a consolidation opportunity for an ASEAN based telecoms company, which consolidated from 10 plus vendors to 2. So, I feel consolidation will drive a lot of growth for us, and the software portfolio that we have, especially with Comviva, which is growing much, much faster than the rest of the company, is driving that differentiation.

So, that, in a nutshell, is where we are on Comms. No significant increase in overall spend for the sector, but an increase in market share for us, given our unique portfolio offerings and our incumbency for key clients.

Rod Bourgeois: Thank you.

Mohit Joshi: Thanks, Rod.

Moderator: Thank you. Our next question comes from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Yes, thanks. Thanks for the opportunity. Just one question in terms of deal TCV. So, I do agree, mega deals are lumpy and cannot repeat every quarter. But based on the efforts and the pipeline, and the success ratio in terms of winning the deals, Mohit, is it fair to assume on an annual basis, we can now achieve \$3.5 to \$4 billion worth of new business TCVs?

Mohit Joshi: Well, I hate to make projections about the future, but yes, I do think it sounds reasonable, Sandeep. We have certainly demonstrated that over the past 4 quarters, and I certainly don't see us going down from what we have accomplished.

You will see some up quarters, some sideways quarters, and some down quarters, but the overall trajectory for us has been steadily rising from 300 plus to 500 plus to 800 plus to a billion plus this quarter.

Rohit Anand: Yes, and Sandeep, already the LTM for us is 3.5 billion if you look at the last 12 months. So, as you rightly mentioned, the momentum needs to continue, right? We have to go to the F '27 aspiration, what we articulated 2 years back, executing that.

But as Mohit said, there's lumpiness associated with that, but yes, that mark needs to be ballpark in that range, yes.

Sandeep Shah: Okay, and the last question, Mohit, for you in your opening remarks, you called out there are certain one-time or seasonal strength in the revenues. Can you repeat the same? Where were it? Is it mostly to do with the BPO and Retail in U.S. or also in Pininfarina, which you called out?

Rohit Anand: Yes, so there was marginal impact on the Retail and BPO, but more around the European Auto, which had some deliveries lined up, which will normalize next quarter.

Sandeep Shah: Okay, so will this also have a margin headwind in the 4th Quarter or no?

Rohit Anand: No, it won't have a margin headwind.

Sandeep Shah: Okay, thanks and all the best.

Mohit Joshi: Thank you.

Moderator: Thank you. Our next question is from the line of Abhishek Shindadkar from Incred Capital. Please go ahead.

Abhishek Shindadkar: Hi, thanks for the opportunity and congrats on a good quarter. 2 questions. The first is on the gross margin expansion. Have we reached the peak or there is still juice to be taken out on the gross margin side? That's first.

And second, Mohit, to you, it seems that we are probably on the favorable side of vendor consolidation deals in telecom. Outside of the furlough impact in this quarter, anything or any reason to believe the same or in contrast for the Financial Services space? Or if you can give a color in terms of the vendor consolidation deals in the Financial Services space. Thank you for taking my questions.

Rohit Anand: Yes, so Abhishek, I will probably talk about the gross margins. So, as you look at the first half, we articulated our improvement was predominantly driven by the improvements in the SG&A side and a lot of the Project Fortius efforts, including consolidation of our portfolio companies and various initiatives that we have driven. That led to the margin expansion.

And as we discussed about the second half, I had clearly articulated that our expansion will be more driven by the gross margins. I think it's a journey that will continue as we move forward, not just for the next quarter, but also for the next year, right? Because all the efforts that we are driving around Fortius will be factored and focused around it, while some impact and improvement will continue in SG&A, but on a relative basis, majority of the contribution will come from gross margin.

Mohit Joshi: Yes, and on the BFSI question, look, I think vendor consolidation is happening across sectors. It's just that BFSI has longer buying cycles and longer ramp-up cycles. So, for us, the BFSI story really is about, especially in the Americas and about an APJ, is really getting into new clients and then being able to ramp up, which is why I am very enthused, for instance, like I said, by the signing up of one of the largest global banks headquartered in Japan or winning a transformation deal in Singapore or our preferred supply list selection with one of the largest global insurers, and the win that with the private bank, right? So, we really have to be able to scale up in these accounts.

That is what will give us the growth. And really, we are not really such a large incumbent in existing accounts that we have to fear vendor consolidation in the sector.

Abhishek Shindadkar: Super helpful. Thank you for taking my questions, and best wishes for the rest of the year.

Mohit Joshi: Thank you, Abhishek.

Moderator: Thank you. Our next question comes from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes, hi. Thanks for taking my question and congrats on a great all-round performance. Mohit, I have just 1 question and then a couple of questions for Rohit. I think you mentioned about the very good pipeline that you are seeing in the BFSI vertical. Just wanted to pick your brains on the manufacturing vertical. How are you seeing that, as say, over the next few quarters?

We have heard a lot about the weakness in the Auto segment, and there are a couple of illusions that we have already seen from the peers that maybe Auto sector is showing signs of turnaround. You mentioned about the European Auto as well. So, how is the outlook in the overall Manufacturing vertical, Auto and ex of Auto? Any comment on that would be really helpful.

Mohit Joshi: Yes, so look, I think the Manufacturing vertical has done exceptionally well this quarter, right? Both from a Q-o-Q perspective and a Y-o-Y perspective. But as Rohit pointed out, there were some sort of seasonal ramps that we saw in European Auto, which will not recur next quarter. So, that's a bit of a headwind for us.

Overall, I think U.S. Auto has stabilized, and we should start seeing some growth there over the next few quarters.

We continue to build on our strength in Aerospace. We saw one of the large deal wins was in Aerospace as well. So, there will be some volatility because of European Auto, candidly, in the next couple of quarters. But on the whole, I feel very comfortable with the Manufacturing story that we have built, right? I think the expertise that we have built, the partnerships that we have built with the software providers, the lift that we are seeing because of the SAP upgrade cycles, that makes me long-term confident about Manufacturing.

And also, Manufacturing with the smart factory of the future, with physical AI, we see a lot of opportunities to build on a truly differentiated story within Manufacturing, where we have a natural right to win because of our history and heritage, and also because of the capabilities of the group. So, near-term volatility, but medium- to long-term significant opportunities. And that is just also backed up by the performance in the current quarter.

Vibhor Singhal: Got it. And the deal pipeline also in the vertical looks good?

Mohit Joshi: Yes. Absolutely.

Vibhor Singhal: Great, thanks for answering those questions, Rohit. Rohit, just a couple of bookkeeping questions.

Typically, we have seen in Q4, for the last 2 years at least, we have seen a seasonality plan to a number. We see kind of a 1%, 1.5% kind of Q-on-Q decline. The seasonality will continue this year as well? Or do you see the business exchanging and we might or might not see that kind of a seasonality?

Rohit Anand: Yes, Vibhor, the seasonality on revenue for us is more towards Q1, where we do we were back on the platform, not really Q4. So, I think the degree of that seasonality has definitely improved over the years. It's not as much as we had anticipated before, but it will continue. So, we will see a Q1 pressure on seasonality still to happen. But that's not in Q4.

Vibhor Singhal: But not in Q4. So, the last 2 years' decline in Q4 was not a seasonal factor. It would have been very specific to those quarters.

Rohit Anand: Yes, it was very client and project specific items. Seasonality for us is typically in Q1.

Vibhor Singhal: Got it, got it. Also, if you could just take us through the margin walk for the quarter, the 100-basis point margin expansion Q-on-Q, would you be able to give the break up as to how much have we benefited from operational efficiency, how much from INR depreciation, how much from other factors, breakup?

Rohit Anand: Yes, sure, sure. I think from a currency perspective, the improvement was marginal. It wasn't a big factor. Most of the improvement that you see is driven by operational improvement. Volume, of course, is some part of it, around 20 to 30 basis point is driven by margin, and the rest is driven by Project Fortius, which is all operational improvement.

And that's divided into various initiatives, as we called out, between delivery-led growth, pricing improvement, utilization improvement, fixed-price projects that we continue to call out as a big leaper, where we continue to drive automation, embed AI, and keep on driving what Mohit explained, redeploy people internally into new work, and that's why the revenue productivity also keeps on going up, right? So, all the projects around Fortius are contributing to that, and that's mostly contributing to the improvement.

Vibhor Singhal: Got it, got it. And just 1 last question for me, just a clarification. So, as of now, we have not decided on the wage hike for FY '26, so as of now, it has not happened in Q4.

Rohit Anand: So, it's undecided in terms of when it will happen, and we will keep on sharing updates with you as we move forward, as Mohit mentioned. As we get more information on the evolution of new labour code, we will keep you posted on the development, on the timing, etc.

Vibhor Singhal: Perfect, perfect. Great, thanks for taking my questions, and I wish you all the best.

Rohit Anand: Thanks, Vibhor.

Moderator: Thank you. The next question comes from the line of Sumeet Jain from CLSA. Please go ahead.

Sumeet Jain: Yes, hi, thanks for the opportunity. Mohit, I wanted to first understand, like, in your ambition to grow higher than peer average in FY '27, which vertical other than Telecom you are confident of to achieve that vision?

Mohit Joshi: Fair enough. So, first of all it's not about only next year, right? Because at the end of the day, we are building a company for the long term, so we want to make sure that we are growing really across verticals.

If you look at our portfolio, though, we have seen strong strength in Manufacturing on the basis of the solutions that we have created, the capabilities that we have, and the clients that we have. I continue to seek growth opportunities there.

If you look at our Retail and CPG and Travel, Transportation, Logistics portfolio, that has done extremely well. Candidly, I did not have such high hopes from it when we had started, but under very strong leadership that we have had with Sampath Saagi and the others, that portfolio has done extremely well, and I am very optimistic, bullish about our opportunities there.

The portfolio that we have in BFSI is clearly very important because there is a large spend pool. We are creating capabilities. We have continued to hire exceptional quality talent on the market, and I have no doubt that that will be a medium-to long-term growth driver for us.

In the long run, I expect all of our verticals to do well, right. We have great capabilities. In some spaces, like for instance, U.S. payer, right, it will take us time to build out broader capabilities set and a deeper client presence. But on the whole, for Telco, for Manufacturing, for Insurance and Payments and Asset and Wealth Management, for the design-led capabilities in Retail, those capability sets already exist, so it should be easier to ramp on that.

Sumeet Jain: Right, Mohit. And I guess on your M&M Investor Day, you also, I think, alluded that once FY '27 vision is achieved, we will probably give another 3-year FY '30 vision. Can you give any glimpse of that? Will there be any change in strategy, any further acceleration we might see on either order booking or on revenue growth pickup?

Mohit Joshi: I think it's a little bit too early for that. All I can promise you is that it will be attractive and credible in equal measure, like our previous plan.

Sumeet Jain: Got it. Thanks and all the best.

Mohit Joshi: Thanks, Sumeet. Thanks for the support.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to the Management for closing comments. Over to you, gentlemen.

Mohit Joshi: Thank you. Over the last 21 months, we have really focused on strengthening the fundamentals of our business, investing in the right capabilities, building scalable platforms, sharpening our go-to-market execution, and creating a resilient operating model. So, the results that we see

today, including the improved deal bookings, while also delivering margin expansion, are a direct reflection of these efforts.

As we look ahead, I am going to be traveling to Davos to meet with our leaders and with our clients to also get a perspective on how technology is driving deeper interaction across industries, economies, and societies.

So, thank you for joining us today. I believe we had an incredible quarter. Look forward to meeting you again next quarter.

Moderator: Thank you. On behalf of Tech Mahindra Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.