



**“Tech Mahindra Limited Q4 FY24 Earnings Conference Call”**

**April 25, 2024**



**MANAGEMENT: MR. MOHIT JOSHI – MD & CEO, TECH MAHINDRA LIMITED**  
**MR. ROHIT ANAND – CFO, TECH MAHINDRA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Tech Mahindra's Earning Conference Call for the quarter ended March 31<sup>st</sup>, 2024.

Please note, all participants line will be in 'listen-only' mode and there will be an opportunity for you to ask questions after the management presentation. Should you need any assistance during the conference call, please raise your hand from the 'Participant' tab on the screen. While asking questions, request you to please identify yourself and your company. Please note, this conference is being recorded.

I now hand the conference over to TechM management. Thank you and over to you, Sir.

**Mohit Joshi:** Thank you, Vandit, and good evening, everyone. It's a pleasure connecting with you again. In addition to the updates from the recent quarter in the financial year, Rohit and I will share our 3-year strategy with you today. We will also touch upon the actions that we have already taken to achieve our goals. But before we deep dive into our roadmap to FY27, let me brief you on Q4 and our FY24 performance.

**Q4 and our FY24 performance:**

We report a revenue of \$1,548 million in the recent quarter, which is mostly in line with our expectations as the one-off revenue in Q3 was not expected to recur. This is a decline of 6.4% YoY on a constant currency basis. We close the year with a revenue of \$6,277 million, which is a decline of 4.7% on a constant currency basis as compared to revenue in FY23. This decline is mainly driven by the headwinds in the communications vertical, while the non-communications vertical remained stable year over year. We report an Operating Margin of 7.4% and free cash generation of \$129 million in Q4 FY24. For the full year FY24, we have generated a free cash of \$676 million.

In terms of deal wins, we signed large deals with TCV of \$500 million in Q4 taking

the total deal win TCV in FY24 to around \$1.9 billion. This also includes the two large deals that we signed in Q4 each over \$100 million in TCV.

A couple of notable deals include our deal with a large Telco and our long-term partner to transform their business processes across multiple service lines that include customer operations and experience, complex enterprise operations, back office, and support operations through deployment of intelligent automation and new age customer experience technologies.

Another deal is with a European fintech major which selected TechM to enhance their customer experience and provide global support from multilingual hubs while ensuring compliance with local regulations in each of its customer markets across Europe, America and Australia and New Zealand.

In terms of awards, our strength lies in the 145,000 plus strong workforce and a testimony to that is the fact that we have once again been recognized as the best organization for women by ET NOW. We have also been recognized as the ESG Champion of India 2024 Software and IT services by Dun & Bradstreet. We are the only Indian IT company in the top 5% of the global sustainable companies and a member of the S&P Global yearbook 2024 for the ninth consecutive year.

In terms of dividends on a full year basis in FY24 and in line with our capital allocation policy, the Board has recommended a final dividend of ₹28 per share. This will bring the total dividend for FY24 to ₹40 per share.

In terms of FY25 outlook, as we step into the year, we believe that it will be better than the previous one. In a world of heightened geopolitical turmoil coupled with fast evolving AI capabilities, organizations will have to address and adapt their businesses like never before. They are then turning to technology partners like TechM who can help them transform with speed and bring agility, resilience, and efficiency to their businesses.

I will now hand it over to Rohit to take you through the financial performance in more detail.

**Rohit Anand:** Thank you, Mohit. Good evening, everyone. Let me now cover the company financials in a little bit more detail for the quarter and the year ended March, 2024.

As Mohit mentioned, we ended the fourth quarter with the revenue of \$1,548 million versus \$1,573 the last quarter. On a reported basis, this is down 1.6% QOQ, which we had mentioned, based on one-time revenue in the last quarter. But when we adjust for currency, the decline is only 0.8% sequentially, which is better than our expectation.

Revenue in terms of INR terms is ₹12,871 crores versus ₹13,101 crores in Q3. The decline in revenue is mainly attributable, as I mentioned, to the non-recurring revenue from the previous quarter.

In Q4, Communication vertical declined by 2.8% adjusted for Forex by 1.7%, Manufacturing decline by 0.9% and BFSI grew by 3.5% QOQ. The last deal TCV, as Mohit mentioned, is \$500 million up from \$381 million last quarter and the deal wins has been quite broad based across different verticals.

From an EBIT perspective, we report an EBIT of \$114 million for the quarter, which was up from \$84 million last quarter. In rupee terms, ₹946 crores up from ₹703 crores in Q3. The resulting margin for the quarter is 7.4%. It is an expansion of 200 basis point QOQ, and we had mentioned that we had some one-off items last time and hence our normalized EBIT was 7%. This is ahead of that and basis the normalization rate of 7% we had shared.

Following the periodic portfolio valuation exercise that I had shared last time, we'll go through the impairment assessment for all our portfolio companies. We had a charge of 37 million in Q4 which was offset by a corresponding reversal of deferred payout provisions reflecting a high miscellaneous income that you see. So, the net impact of impairment and this reversal is negligible on the P&L.

The effective tax rate for the quarter is 30.7%, which had some one-off items in one of our subsidiary companies which resulted in the PAT number of \$79 million, ₹661 crores in rupee terms and a PAT margin of 5.1%; expansion of 120 basis point versus Q3.

Free cashflow was \$129 million for the quarter and DSO days came down to 92 days. Total hedge book as of March 31<sup>st</sup> stood at \$2.4 billion versus \$2.3 billion last quarter. And based on our hedge accounting, net mark-to-market gain for the quarter was \$23 million out of which \$7 million was taken to the P&L and \$16 million was taken to the reserves.

From a cash perspective, we ended the year with a healthy cash balance of \$949 million, in rupee terms ₹7,912 crores.

**Full year performance:**

Moving to the full year's performance, revenue stood at \$6,277 million at a constant currency decline of 4.7%. In rupee terms, revenue was ₹520 billion; a decline of 2.4%. When you look at the overall yearly performance, the decline, as Mohit mentioned, mainly came from the Communication business driven by the volatility in that segment and other verticals remained flat. Manufacturing and Technology were the two verticals which grew for us. Manufacturing by 7.3% and Hi-tech by 1%.

In terms of full year cashflow, our cashflow for the full year came in at \$676 million. And as Mohit mentioned, basis that the Board has approved a dividend of ₹28 per share taking the total dividend for the year at ₹40.

The TCV wins for the year stood at \$1.9 billion and some of some of this was also as a result of our selective deal participation, which we'd mentioned earlier.

In terms of year-ending EBITDA, we ended up at \$599 million with a margin of 9.6%. And the EBIT for the year was \$380 million at an EBIT rate of 6.1%. The

decline year-on-year, as I mentioned before, is broadly driven by a reduction in revenues, one-time client actions and some of the actions of de-risking the portfolio for the long term.

I now hand it back to Mohit to take you through the strategy presentation.

**Mohit Joshi:**

Thank you, Rohit. So, friends, you know, we've just entered the new financial year and just over the past couple of days our entire global leadership team met here in Bangalore, and we've been talking about our vision for FY27 and our strategy to get there. We wanted to share our path forward with you.

**Vision – Scale At Speed:**

You know, from my perspective, I've been associated with the industry now for over two decades but over the past year or so as we speak to our clients, as we speak to investors, as we speak to analysts it is very clear that we are now living in a new era of scale at speed and this is the vision that we wanted to share with you. So, what does scale at speed really mean? I think what it very clearly means is the way large enterprises look at their technology estate, the way that they look at their operations - this has fundamentally changed and this change really historically you were given a choice of scale or speed. So, if you think about it as a large organization, you were either thinking of scale which is really like assembling a large land army or you were thinking in terms of speed, right, which is 'How do I get a Ninja team?', 'How do I get a small special forces type operation?'. And, really, that duality of scale or speed has now morphed into the need for scale at speed. And this is something that we're really seeing across industries. It's been driven by AI. But before AI, it was driven by the consumerization of technology, it's been driven by demographics, it's been driven by geopolitics, and we are seeing this scale at speed imperative really across industries.

Telecom historically has been the industry that's been at the heart of TechM and as I look at the Telecom business, it's a large and complex global business. So,

the need for scale is really quite self-evident. You've got complex global networks, you've got complex client segments, right. So, for instance, in the B2B business you've got everything from large global multinationals to national players to small enterprises, to very small enterprises. You've got the complexity that comes from multiple channels and the legislative complexity that comes from jurisdictions like the EU or the rules of specific markets like Canada or the U.S. At the same time in the Telecom business, you've also got a need for speed, you've got margin compression, you've got a change in technologies, and you've got a change in consumer behavior. For instance, the move towards prepaid. So, you are seeing the twin imperatives of scale at speed.

In Manufacturing, again, a business that is at the heart of the entire group and at the heart of TechM as well. The need for scale in the Auto business, for instance, is very evident, right?. You cannot be a scale player unless you've got, you know, you're churning out hundreds of thousands of cars. You've got the complexities of not just 'Just in time' but also 'Just in case supply chain' but at the same time you also need speed. When customers buy a car or when they buy a consumer durable, they almost expect it to transform on a daily basis, right. They're looking to consume it as a service and they're looking for improvements every single day. And, so, the scale and speed imperatives are equally true for the Manufacturing business.

If you look at Banking, banks are large and complex global beasts. Historically, we've had financial supermarkets because consumers, whether they're corporates or individuals, do expect multiple services from the same organization and all of these separate and complex products need to come together for a single consumer. At the same time, you've got a need for speed. Regulators are completely unforgiving of tardy actions by banks or insurers. We are seeing fintech enter into the most profitable niches. And so, therefore, large banks have been extremely nimble in the way they respond. And so, again, the scale at speed imperative within the financial services business.

I could keep going on and on but we're seeing the same imperatives in Hi-Tech, in Healthcare and in Life Sciences. And so, again, you see this imperative across

the Board but here's the really interesting piece, right, that the imperative is true for our clients, but it really hasn't come through when you look at the provision of technology services and of the provision of digital services. The largest players, you know, you got players with 800,000 to a million employees. These are large and complex bureaucracies, large and complex organizations with complex processes and sort of a complex hierarchy. On the other hand, you've got boutiques which are nimble but beyond a thin veneer of talent at the top, there isn't really a depth to the organization, there is the inability to provide services globally and there is the risk. There is the risk that comes from not being able to scale up for large programs. If you look at AI for instance, right, a lot of our customers, all our customers are looking for AI to make a difference to their business at scale. They're not looking for pilot programs, they're not looking for individual initiatives and so while the end user industry has changed, while Banking has changed, while Telecom has changed in terms of the tech partners you either have scale or you have speed.

And this essentially is the TechM promise 'Scale at speed'. From a scale perspective, you know, at \$6 billion plus in revenue with 145,000 employees and more importantly with a full stack of services, we have the scale to work with the largest global corporations, with the rich heritage of the Mahindra Group we have an understanding across multiple industries. We have Telecom but we also have Auto and Financial Services and Real Estate and Hospitality. So, a deep understanding because of the Group and because of our client base across multiple industries; a full set of partnerships which gives us scale.

And the promise of speed, that really comes from three essential elements of our DNA.

- It comes from the history of the company and the traditional entrepreneurial approach the companies have. The very entrepreneurial spirit that TechM has always had.
- The second element of our DNA has been the structure that we have created and a service line structure that gives us immense flexibility and speed.



- And, finally, the third element that promises speed is our huge focus on learning. We have a large global university in Mahindra University. In addition to that, we are investing heavily in training. We've just appointed a new Chief Learning Officer under our Chief Operating Officer to build out a large learning program in addition to what we already have. So, speed comes from the heritage of the company, comes from our structure, and comes from our deep focus on learning.

Client feedback and investor feedback has really validated that this unique strength is held to be true on the ground. We have dozens of examples where we can share with you where the benefits of scale at speed are clearly evident. But, obviously, in the interest of time I'm going to talk about two really interesting examples. And the first is from this really iconic brand, really iconic brand of Cartier. And for hundreds of years the way engagement rings are bought really hasn't changed. You go to the store, you pick out a ring until recently. Cartier wanted to take this process online and allow deep personalization through a website and an app. They partnered with us first in Japan and we made it happen in three months. So, that's speed for you. Then over the next 12 months, we scaled it up globally in 12 languages and that's scale for you. That's scale at speed. TechM BORN tied with Apple Vision Pro for the Webby Award this year in the category of Best Design for Web and Mobile. And that is a brilliant example, you know, from us of scale at speed.

The second example that we have is from a North America Tier-1 Telco leader. We worked very closely with them to complete their pivot to the public Cloud in two years with TechM. Before TechM, the client needed to increase Cloud migration velocity to meet their Data Center exit timelines, but it was moving incredibly slowly. They could only migrate six workloads over eight months. With TechM, again, a sea change in the way the program moved ahead. With a Cloud Migration Factory Program over \$100 million program, 400 plus IT workloads migrated to Azure, 200 plus apps were retired in a span of 18 months and this enabled them to lower the number of Data Centers from over two dozen to six within a three-year period. From six workloads in eight months to over 1.2

workloads per day. Again, a terrific perfect example from our perspective of scale at speed.

So, scale at speed is what enterprises need today. And with our experience with our expertise, with our entrepreneurial DNA and with a focus on learning we are ideally suited to fill this requirement.

So, now I wanted to share with you our vision of how this promise or scale at speed is becoming a deep rallying cry within TechM. Wanted to share our bold vision for what we hope to accomplish in the next three years and really the right place to start is to look back, to look back at the last nine months that I've been in TechM and the last four months that I've been the CEO, about my understanding of the organization and its unique strengths and opportunity areas. So, what I've learned about TechM is really the most important thing is the deep engineering roots of the organization, the immense talent base among the 145,000 strong people that we have within the company, being part of a large group with experience across industries, marquee set of clients with deep relationships, a comprehensive full set of offerings for Global 2000 companies and a deep entrepreneurial energy which goes to each and every individual in the company. We have historically been a leader from an ESG perspective. So, these are the deep strengths that TechM brings to the table.

However, there are obviously areas where I think we can, and we will do better. The first is in terms of scaling large accounts. We have an incredibly rich marquee list of accounts that come from our two decades of history. We need to be able to scale these. As we have moved to a service line model, I feel that we have the opportunity to win multitower large deals by really integrating our capabilities more effectively. We've historically done a number of acquisitions and now is the time to drive synergies for ourselves and for our customers from these acquisitions. We have the opportunity to drive significant improvements to our cost structure. And finally and probably most importantly, we have to drive a degree of predictability and profitable growth in the organization. And that is an area of focus for us.

As we look at our 3-year roadmap, like I've stated previously, we've made a beginning in the previous quarter by putting together a structure and by a clear definition of strategy. And FY25, right, the current year is the turnaround year for us where we will anchor the new or we're making investments in our key accounts, in our service lines. We're driving the integration of our portfolio companies. I spoke about our focus on our largest clients and we have a focus on cost optimization. FY26 is the year to continue this journey, to complete the integration of our portfolio companies and by FY27 we expect to have reached the optimized state with an improved structural mix and a pyramid. Throughout this period, we will focus on accelerating revenue growth and improving margins.

And, so, that brings me to the TechM Flywheel and to this wonderful graphic that hopefully you can see. So, this is our vision for FY27. A top-line growth that is greater than peer average, industry standard margins and most importantly a high degree of predictability in our revenue and profitability that has candidly been missing in the past.

How will we drive this vision? Like I said previously, the vision has three elements, right. There are three elements to our vision.

- The Growth strategy.
- The Organization strategy and
- The Operation strategy

that I'll be sharing about. Rohit will dive deeper into the Operation strategy during his presentation.

So, let's start with the Growth strategy. The Growth strategy in terms of focus geographies, we see an opportunity to grow faster in the Americas where candidly we are underweight compared to our peer group. We will continue our focus on Europe where we have a strong position and deep long-term clients and deep

CXO connects. We will also focus on prioritized countries in in other markets. In particular, we have a focus on ANZ, on Japan, on Singapore and in Indonesia.

I will also double click on key verticals and service lines in the next few slides. So, the first from a vertical perspective is clearly Telco, right. Telco has been a position of strength for us. We've got over 30 years of global experience. We have deep leadership, we have deep industrial leadership, in this vertical and really an understanding of what it takes to build a world-class Telco and to move it from being a Telco to being a Techo. We're investing in client services to grow our wallet share and to be the partner of choice for our clients. We also have uniquely got a combination of services capabilities, network capabilities and software capabilities because of portfolio companies like Comviva. Comviva continues to expand with its blue marble products and simplified telco and customer journeys. We've got a rich DigiTech product suite working across Tier-1 Telcos across the world and this combination of services capability, network design and management capabilities, and Comviva software capabilities, I feel are unique. This has also been recognized, for instance, by our winning the AWS Partner of the Year award from a telco perspective this year.

Manufacturing and Automotive have been a strength for us. It contributes more than 18% of our business. We have a strong presence across auto OEMs, Tier-1 industrial process manufacturing and aerospace and defense. Obviously, also given the heritage of the Mahindra group, there is a deep tie in here with common customers, common partners and the co-innovation with M&M is at the next level now with an exchange of talent. I'll talk a little bit more about M&M synergies in the next few slides.

We have deep strengths in Engineering. Engineering Service is a core focus area for us. It differentiates us. Our comprehensive Engineering solution across product lifecycles, we've got a strong IP play because of some of the acquisitions that we've done, and we've got strength because of portfolio companies like CTC, like Pininfarina, the iconic Italian design firm.

Banking and Financial Services, again, very interesting space where I feel we really have an opportunity to capitalize on a late mover advantage. We are over a billion dollars in this segment with multiple Tier-1 clients. However, we are underweight compared to our peers, right, and this is the largest market for IT services despite near term challenges. For us, I see significant opportunities for digital services including Cloud and infrastructure, Cloud and payments infrastructure. We see an opportunity to scale up in Core Banking, in Wealth Management, in Asset Management and in Payments. We've got capabilities in portfolio companies like C.T. Co. C.T. Co is possibly the only digital engineering company in the world, which is focused, which has deep strengths in financial services. We've got capabilities in Guidewire with Tenzing, so which really complements our insurance capabilities. And we are seeing traction in this industry with client wins and with deep client interests.

From a service line perspective, we see tremendous potential in AI. We are making investments in this space. This is the year, from our perspective, of moving Gen AI to production. We're also infusing AI in all parts of our stack, whether it's application development or it's IT operations or it's BPS.

If you look at it from an innovation perspective, we are the only company in our space to have built two foundational LLMs, one for Hindi and one for Bahasa Indonesia. Going forward, and Rohit will cover this, we will report the percentage of our clients that we've infused with AI and Gen AI offerings. We're also, obviously, looking to drive to use AI as a very powerful tool for internal transformation and productivity. This has taken the shape of reskilling over 50,000 employees on AI but also on software purchases and software buildouts that we're doing for ourselves.

I spoke about the focus from a growth perspective on key accounts. We have launched a Turbocharge Program to accelerate growth from our top 80 accounts. We've also got a very clear sense now of our must have accounts, what are the clients that we need to acquire rather than haphazardly building out our portfolio. This program will fuel further growth by strengthening the client partner role. We've got a delivery partner role. We're innovating and building for our large

clients. We have a huge focus on cross sell opportunities.

We've also taken a close look at our incentive structures, right. So, sales incentives are now designed to drive outcome in each of the above categories mentioned over here. We've spoken about the focus that our new structure has on addressing the complexities that we faced earlier. Our earlier structure did to some degree constrain our ability to win multitower deals because we were operating in geography focused silos. Our new structure allows us to bring together multiple service lines to even complex engagements. And to really turbocharge this, we have formed a new group called Strategic Solutions and Transformation Unit. This is focused on multitower large deals.

In addition to our internal transformation, we've also strengthened our Advisor Relationships Program with a new global head and an expanded coverage for top tier and for boutique firms. I'm personally involved in this, and this is , I feel already had an impact in higher early-stage conversations in the last quarter of the previous year. We have also built out a specific private equity team and the deep relationships with three or four large private equity groups to identify scale transformation programs within their portfolio. I feel that private equity, if you look at the strategy consulting firms or if you look at some of our peers, this is a very significant portion of their revenue. And we feel that with the changes that we are driving with the investments we are making, this will drive incremental growth for us.

We will now switch to our operations strategy, which will lead to margin improvement. I'm going to cover this only from a thumbnail perspective. Rohit will be doubling down. We will be double clicking on the details during his session.

So, in previous discussions, I had spoken about our five-pronged approach for margin expansion. This includes your standard operational parameters like our pyramid, like our offshore mix. It includes the productivity gains that we hope to drive for ourselves and for our customers. The focus we have on moving to higher margin services, a focus on delivery excellence to stop the bleed from problem

programs and finally, driving synergy with portfolio companies, both in terms of margins and in terms of growth opportunities. We have further detailed them. Rohit will also be talking about Project Fortius. We anticipate that project Fortius will give us average annual benefits of \$250 million annually. Now in the growth strategy, I had spoken about high growth services like AI and engineering services. I just want to drill down on one of our higher margin services, which is digital enterprise applications. Digital enterprise applications is our package implementation business, which is a leader in established verticals in SAP, in SFDC, in Oracle, in Pega and several other platforms as well, including IFS. We have 360 degree partnerships with key ISVs, a very strong alliance driven pipeline and a number of recent wins. We have the ability to drive large scale global transformation for our clients. We have pre-packaged industry solutions and we will look to work further on integrating the platform ecosystem, the shop floor, to the top floor enabled with GenAI. So, this is an example of our key service line, digital enterprise applications, that we're looking to drive.

In addition to the revenue strategy and the margin strategy, I feel that possibly the most important focus area from our perspective, from a leadership perspective, is the organization strategy and the organization strategy has a couple of components to it. One of the most important is the cultural transformation that we are driving at TechM. Our rich culture is what makes us unique. It has helped us to build deep relationships with our clients, but also deep relationships internally. We will retain the best elements of the existing culture, like entrepreneurship, like warmth, and build further on them. We have been working with a leading leadership and organizational development firm on culture building initiatives. They have completed a series of in-depth interviews with our leadership teams, they have spoken with our clients, they have done focus group discussions with employee groups to understand the key tenets of our culture and how we improve it. As a result of this exercise, we have focused on four pillars of a high-performance culture. These are simplify, clarify, innovate and drive a greater performance orientation. We are working very closely on this initiative. This is at the heart of the new TechM. We have identified several low complexities, high impact initiatives to attain quick results. And as a team, we want to win with ideas, we want to win with execution, we want to win as a team. And I believe that this

cultural transformation will help us deliver and all the promises that we're making today.

From a talent management perspective, we benefit from a very strong employer brand in India. Thanks also partly to the immense name recognition and respect the group has, we have the ability to attract the best and brightest in this market. We're expanding on this strength and replicating it across markets. We have recently launched an internal collaboration platform as a backbone to bring together our employees across the world and to improve our internal communication practices. One of the things that I was told when I joined was about the need to empower leaders so they can make instant decisions to inspire their teams. And we are working on providing this freedom within a framework. We're also working on taking steps to improve diversity and inclusion. One of the most important things that you see on this slide is a huge focus on learning and development. I had spoken about it previously about Mahindra University and about the new organization that our chief learning officer is building. He spoke to our Board about this today and this really is a key priority for us.

We also see a tremendous opportunity to be more synergistic with the group and we have identified three ways in which this synergy will work. The first is very clearly that the Mahindra group itself is driving a very deep tech transformation of their various businesses because tech is a common consistent golden thread running across the entire enterprise. So, we will be a partner for the transformation of the Mahindra group. So, this essentially is TechM being an SI, being a service provider to the Mahindra group. One level above this is TechM's ability to leverage group relationships to expand into the network. So, it's Anand Mahindra, it is Anish, all of us working together to utilize the extremely deep and rich relationships that the group has built over the past 75 years, the huge amount of respect the group has globally, and to leverage these group relationships to drive business for TechM. But really, one of the most interesting areas from my perspective is the ability to use the group's multi-industry presence to work with partners, with hyperscalers, with technology partners, with chip manufacturing companies to create a co-innovation ecosystem, right? So how do we reimagine the future of auto working with tech companies, working with chip companies? How do we reimagine the



future of hospitality working with Mahindra Holidays and working with other partners? This is the Holy Grail and I believe that we have a clear plan to drive synergy with the group.

Moving from the group synergy to the focus that we have on marketing, we really have built a world class marketing team led by our enterprising, dashing chief marketing officer Peeyush. We have centralized our marketing function into a single global team. This has been fostering alignment and cohesion in our marketing efforts and will enable us to maximize our global reach and impact across brand building, demand generation, account-based marketing, and influencer relationships. It also improves the efficiency of the marketing function. And Peeyush has laid out a very clear set of imperatives, a very clear set of results that will be driven almost quarterly for the next three years as a result of our investments in and our interventions in from a marketing perspective.

Historically, TechM has had a huge focus on ESG leadership. I do believe that, and I think the awards, the S&P recognition really reaffirms our position as a leader from a climate perspective. We have at the forefront of our mission is our ambitious goal of being net zero by 2035. Our roadmap for this is a multifaceted approach to integrate renewable energy initiatives, emission reduction strategies and the adoption of circular economy practices. This also ties in very closely with what the group is doing. And if you look at the Mahindra group focus on renewable energy through Susten, it really is all coming together beautifully as part of our initiative. And like I said previously, our focus on ESG hasn't gotten unnoticed. You look at the award just on this page, right, the S&P Global Sustainability Yearbook 24, the only Indian company in the top 5% of global sustainable companies are Terra Carter Seal. Our ESG leadership is being recognized across the world, and is increasingly very important to our teams, it is very important to our clients.

I will now pass it on to Rohit to talk about our plan to deliver profitable growth.

**Rohit Anand:**

Thank you Mohit. So, let me just talk about few metrics or output that we are tracking towards FY27. We just talk about growth first. So, you look at growth over

a period from FY25 to 27, our view is that as we get to FY27 based on the investments and the strategy that Mohit laid out, we will be growing above peer average based on the positioning we would be able to do from a company perspective. Although when you break it down between FY25, FY26, FY27, our view is that next year is going to be from an industry average, a moderate year and increasing incrementally each year as we move forward. During this period, we will also endeavour, continue to invest because our case of growth is based on mostly organic basis, and we will build on our capabilities over this period of time.

Strategic growth plans for each year have a specific focus on market segment and with a detailed action plan that we will execute as we move forward. When you look at margins, we have sufficient levers to improve profitability from here on, both in short term and long term. Several initiatives have already been initiated to improve margins and more actions are planned as Mohit mentioned on the task force, as we call it, Project Fortius, which means stronger. Focus for us, is to exceed 15% EBIT margins by FY27. And, when you look at resultant of the margin expansion you will see based on the robust cash generation and the returns that we have had over the last few years, and I will talk about our change in capital allocation policy, we are fairly confident that based on these outcomes, the return on capital employed will go ahead of 30% and even more as we move forward towards FY27.

Now, giving a little bit more detail on our Project Fortius, where we're going to work on multiple levers over the next three years. The actions of this have already started. We have a lot of scope in bringing down the average resource cost by consistently inducting freshers; the word here is consistently. We have done it in the past, we have done it in various patches, but now the plan is consistent. Over a period of time, make sure that we induct freshers, follow it up with a huge training program so that the deployment gets more seamless. So that's going to be one of the big levers that we will work on. I think we will continue to work on wage inflation. We know it will continue over the three-year period. We will work on developing a robust supply chain system and make sure the learning and development helps us enable a better internal fulfilment rate. We have taken several initiatives to already strengthen that. Mohit already mentioned, the chief

learning officer that we have got on board, and we continue to build, not just inducting a great program for freshers, but across the organization, building capability. If you look at our plan which is organic, we have to continuously invest in the business. We have to make sure that we are building the capability in house. So that's very important for us. So, all of this, as we look forward from action on productivity, be it value based pricing, looking at sales productivity across the region's leadership span, all of this are specific program channels within this project which are led by specific reason and rolling it out all under our chief operating officer's domain. And I'm working closely with him to drive outcome based on these specific plans.

Now, in order to achieve growth above peer average, as we move forward and able to drive these savings, we have to invest in the business. We have to make sure that we look at this from a long-term perspective and not just short term. So that we have done a detailed assessment on what we need. We have gone an extensive evaluation of 16 market segments, each one based on market growth prospects, TechM's ability to win, right? We have evaluated more than 100 benchmarks to identify the areas where we need to invest so that we are able to prioritize a set of investments, plug the gaps that we have and improve our positioning in these markets. These areas can broadly be categorized into service line offerings, into sales and marketing investments, into the whole ecosystem - the ecosystem of hyperscalers, niche domain specific players, industry analysts. We need to continue to work with them and invest in this area. So, we will make sure that we setting this business more for long term and to be able to do that, we continue to work on all of these pillars to structurally invest and develop both for growth as well as enabling margin expansion. Example, if you have to expand margin over a long-term period, we have to invest in internal tools, we have to invest in people supply chain capabilities, we have to invest in various platforms that help us unlock value over a long-term period. So that's why this is going to be the most important aspect for us, because in the short term, we will have to do above normal investments that help us unlock that value both on margin and growth perspective. As we move forward to FY26, probably that will reduce half and then get embedded in the normalized run rate of margins. So, in the initial year, in fact, in FY25, this could be in the quantum of 1.5% of our margins, going down to half of

that, as I mentioned, and then getting embedded in the margin.

So, this is the roadmap from a margin perspective. As I mentioned, we are at 6% this year on EBIT rate. Cost savings under Project Fortius is going to be the big driver for us to be able to get the savings. As Mohit mentioned, we will continue to work on the portfolio mix, geo wise, service line wise, vertical, which will give us better long term returns in terms of expanding margins. And then wage hikes will happen over a period of time, which as I mentioned, we will offset with some internal fulfilment and other levers. And then the investment, right, as we do the investment, more in short term, less than that in medium term, and that gets embedded to give us returns over the long term. And with that we see a roadmap to getting in excess of 15% EBIT over FY27.

So, this is another thing I mentioned earlier. I wanted to highlight our current, I mean, there is a change in our current capital allocation policy that we got an approval from the Board. In the go forward policy, we have an endeavour to distribute at least 85% of our free cash flow generated over a period of five years to shareholders in the form of dividends or buyback. So, that's the change we wanted to drive to make sure that we are generating a great shareholder value, all in terms of getting a top above average growth, expanding our margins over a period of next three years, and then returning back significant amount in the nature of dividends.

And, we also wanted to share some metrics on what are the input metrics that will help us get to those outcomes, what helps us get on growth that were looking at, what helps us get on the margin rate and then the organization talent, how are we going on that. So, these are some of the ones that well be internally tracking, and we will share a constant update on how were progressing on this. Some of this we already externally shared and we will add the others as we move forward. So, example on growth, how do we grow our top accounts? The turbocharged program that Mohit laid out, the focus on the top markets, right, increasing our book business and then on margins looking at how do we work on correcting our pyramid over a period of time. This is a long term benefit, but we have to invest now. So, this is an important metric for us to track. And then the high value service

line, we will invest on that capability build, as I mentioned, organically and that'll help us grow the revenue on those service lines which are better yield and better margin oriented. And that'll help us drive better EBIT over a period of time. And similarly, our organization and talent, we continue to up skill our people, invest in L&D as I mentioned. Mohit mentioned, we will share the percentage of clients where we are infusing GenAI offering; that's a very important lever that we're tracking internally, and then overall the DEI focus. The DEI focus continues, and we will continue to share these metrics as well on how we progress.

I will hand it back over to Mohit to wrap it up with a recap on our scale and scale narrative.

**Mohit Joshi:**

Thank you, Rohit. So, look, I think that is our strategy across the three pillars of growth of operations and the organization. And obviously, we will keep you posted on this as we move ahead. I do feel that we have an incredible platform. TechM has an incredible platform. There's the ability to do so much more. I believe that we have the leadership team in place now that will allow us to make this significant jump to meet the promise that we have laid out for you from an FY27 perspective. But I also want to mention that beyond what we have committed for FY27, because I do recognize that there is much more to do beyond FY27 as well, and what I want to say is that in the longer term, beyond FY27, we want to ensure that TechM is the market leader from a growth perspective, not just above average. We want to make sure that we are in the top three of our peer group from an EBIT profitability perspective, not just the number that we have shared with you. So, our longer-term ambitions and our longer-term aspirations are more aggressive than what we have shared from an FY27 perspective. But we have to make a start. We have to make a start. And so therefore, this is what we feel the roadmap and the trajectory will be for the next three years. As we were preparing this presentation, as we were speaking with our leadership teams, the thought that struck me is over the past year, there has been this narrative, this incredible energy around the India dream, around what can be accomplished, what is being accomplished in India today, the fact that we have hopes and aspirations for what this country will be over the next many years. And I feel that same ambition, the same aspiration for TechM. Like for India, I believe that the

moment for TechM has truly arrived and that we will be moving onwards and upwards from here. Thank you so much for your time. And we will now move to Q&A.

**Moderator:** Thank you. We will now open the call for Q&A session. We will wait for a few minutes until the queue assembles. We request participants to restrict to two questions and then return to the queue for more questions. Please raise your hand from the participants tab on the screen and ask the question.

The first question is from Sudhier.

**Sudhier:** Hi Mohit, thanks for the insightful presentation. Just a couple of questions. When you say higher growth than peers and peers average margins, so who is the benchmark here? Which are the firms that we are considering as peers?

**Mohit Joshi:** Sure. So, look, I think we will lay out the peer definition more clearly, but it is very clear who our peers are. It is the top six or seven players in the industry. From margin perspective, we have given a very clear ambition of reaching 15% EBIT by FY27. So, there's a fairly clear aspiration where we expect to be from our current levels of profitability.

**Sudhier:** Got it. And is this 15% a hard sort of a cut off wherein if you go above 15% that will be reinvested back into the business to sort of drive growth and position ourselves as a growth company or anything on top of this 15%, you will let that flow into margin structure. How to think of it?

**Mohit Joshi:** So, look, I think we wanted to set a stake in the ground. We wanted to make sure that we have the commitment from our leadership team to hit a certain minimum level of profitability. As we get to that point in time in the next three years, we will obviously have to make a decision about what trade-offs there are to reinvest in the business or to grow further. What I also want to stress is that, like I said, our longer term ambition beyond FY27 is to be among the top three in terms of EBIT profitability. So, we will also weigh that into account.

**Sudhier:** Got it, Mohit. And one last question, if I may. Historically, we have been very acquisitive. And now that you are saying 85% of the free cash flow is to be distributed over a five-year basis, does that mean acquisitions will take a backseat?

**Mohit Joshi:** In a sense, yes. In a sense, the focus will very much be on organic growth. Never say no to really compelling opportunities. But we are not in the market for a transformational M&A at this time.

**Sudhier:** Thanks, Mohit. All the very best.

**Mohit Joshi:** Thank you.

**Moderator:** Thank you. The next question is from Rod.

**Mohit Joshi:** Hello Rod, how are you?

**Rod:** Hey there! I'm doing okay. Good to connect here, guys. So, Mohit, I just want to ask a big picture question. You have laid out an initial set of strategies here for your investors, and you seem to have some investment plans to back up those strategies. What is the main takeaway you are wanting investors to glean from the strategy messages that you are presenting here today?

**Mohit Joshi:** Thank you, Rod. So, look, I think what we really want investors to take away is that a lot of thought has gone into it over the past six to nine months. And in preparing for today, we have created the organization structure, in honestly, in record time. We have made sure that we have hired top talent from the market. We have made sure that we have got a plan for the internal organization. We have identified key areas and key avenues for growth, and we have set ourselves credible aspirations from a growth perspective. And these goals are well and clearly understood by our leadership team and by the broader organization. We will now focus on doing the right things and executing to the plan that we have built for ourselves. And obviously, we are, as I very honestly said, we are in the year of turnaround, FY25

is in the year of turnaround and in the year of turnaround, there will be a degree of volatility. We will reduce, damp down the amount of volatility over the next one year. And so, I want the market to understand that we have built a credible plan. The team is fully behind this. We have a really competent team. And while there will be some ups and downs, in the long run we are completely convinced that this is a really powerful platform and that we will deliver for our clients, for our employees, and for our investors. So, there is a huge amount of confidence in the very detailed plan that we have built and our ability to execute to this plan.

**Rod:**

All right, great! So just to follow up on that, I want to ask about timeframes here. Can you talk about the timing of the growth investments you are going to be making? So, for how long are you planning to make those above normal investments that you mentioned? And I'm assuming there will be a lead time in reaping payoffs from those investments. So, I'd like to ask whether you are aiming for quick payoffs or whether your upcoming investments are really geared towards long term payoffs and fiscal 27 and beyond.

**Rohit Anand:**

Yeah, maybe I'll take that. So, thanks for the question. So, as I mentioned, I think we are not thinking short term here, right? We are thinking long term how we make this franchise high performance driven organization, right. And from that perspective, as Mohit said, we want to make sure that it enables unlock of growth and enables unlock for a margin perspective. And for that, as I mentioned, we went through a detailed exercise, looked at all the avenues and basis that we are prioritizing our investments. Some are short term, but most of them are in long-term nature. For example, we are consistently going to hire freshers in a scenario where others are not. And hence that commitment to build long term improvement from an organization structure perspective is what will drive the outcome. Similarly, from a capability build perspective, we want to make sure based on the alignment or the benchmarking we have done, we invest in all those service offerings. We make sure that we are getting ourselves for future and not just for current. So that's very important, and from a time frame perspective, it is going to be above normal in the next twelve months because we have to set it up for long term. It will be probably 1.5% of our margin, given we are not doing any M&A. We are very clear that we want to make sure we take everything organically.



So that's going to be the quantum, and then as we move forward and we start seeing the benefit, it will probably reduce to half of that and then get embedded over a period of time on FY27.

**Rod:** Thank you, guys.

**Mohit Joshi:** Thank you, Rod.

**Moderator:** Thank you. The next question is from Kawaljeet.

**Mohit Joshi:** Hello Kawaljeet, how are you?

**Kawaljeet:** Yeah, I'm good, Mohit. Nice to hear the strategy presentation; quite a detailed one. A couple of questions or three if Rohit permits me to. The first question is for Rohit in that measures to improve profitability. I think there were some 15-20, maybe 150 measures mentioned. Can you just highlight the top two or three that would drive the bulk of the margin expansion and the timeframes involved?

**Rohit Anand:** Yeah, sure. I think from a maximum impact perspective, when we look at it, our making sure that the organization structure, the pyramid of the organization is set right and in alignment where we should be. I think that's going to be the maximum impact. And from a timeline perspective, that's going to take time, right? That's why I'm saying we invest in it right now, we start seeing the benefit probably I would say anywhere between 12 to 18 months onwards. And it's going to keep on increasing significantly as we move forward. So, it is long term in nature, but the impact is going to be maximum. So that's one example. And then short term, I think we will continue to work. We have significant opportunities as we look in our portfolio companies, as Mohit mentioned, we are going to integrate them. They're offering their frontend and backend more strongly with us. So that's a short term one for this year. We will continue to work on our various other operating levers. When we look at our fixed price programs, the comp and benefit structure that we have, or the number of people we have in these accounts, how do we deploy more automation tools there. We are working on a huge set of initiatives on automating a lot of those workloads. So, that's going to give us a benefit this year as we move

forward. And then, the pricing. I think we are working on another stream of price improvements, and that again, would be short-term return-oriented, as we keep on enabling the whole infrastructure better to drive value-based pricing over a period of time.

**Kawaljeet:**

That's fair. The second question is for Mohit. Mohit, you mentioned speed and agility as the cornerstone for turn around or rather growth leadership at TechM. But don't you think that you have a unique disadvantage in which you neither have speed nor the benefits of agility, because you have a lopsided portfolio, which is telecom, in which you have scale, but that does not give you a lot. And then, you have what I would say, a thin layer of relationships across large verticals, in which you have to go actually with a challenger's mindset and may not get you a seat at the table in many cases.

And the second part of the question inherent in your assumption, is that speed and agility for large companies is something which is missing, which need not be the case, because you have large companies which have both characteristics.

**Mohit Joshi:**

Look, I think, you know, our proposition is not built around speed alone. Our proposition is built around scale at speed, right? So, it has elements of scale, which is you have a full-service offering, as also built around speed. Also, it isn't something that, sort of, we've pulled out of a hat. This has been built based on deep customer feedback, deep analysis of where there is a gap in the market, and what people essentially see the TechM promises being. If I look at our vertical mix, I agree that our largest exposure is to where we have significant scale. But we have a billion-dollar-plus business in financial services, we have a billion-dollar-plus business in manufacturing, we've got a sizable business in healthcare and life sciences across life sciences, payers, and providers, we've got an emerging business in retail, transportation, and hospitality. So, I do believe that within these businesses, if you look at these businesses, we really have top-tier clients already, we have permission to hunt in these clients.

What we have not done so far, is a systematic program to tap into these accounts

and to drive growth. So, I do feel that with a measure of tying the entrepreneurial energy of TechM with a degree of operating account discipline, the focus that we have on building out solution capability within the service lines, I do certainly believe it is something which is achievable. I don't believe it's achievable overnight, which is why we're not giving you a plan for FY25. We're giving you a plan for FY27. But within a three-year period, I absolutely feel that the promise of the platform is realizable, married obviously to the strengths and capabilities of the broader group. If I didn't think so, I wouldn't be here.

**Kawaljeet:** Oh, fair enough. That's fair. The final question is that, in that three-year journey, do you have annual milestones that you want to share so that all of us are on the same page?

**Mohit Joshi:** Look, I think we have shared a broad perspective, in the sense that FY25 will be the year of our turnaround. And as we'd shared a short while ago when we announced the results, that we believe that Q4 marks the low point in our year-on-year growth journey, and that we will start turning around from Q1 onwards, and we expect to hit annual year-on-year growth by the end of the year. So, that is what we have said for FY25.

By FY26, we expect that the new service line structure, the new vertical focus areas will start delivering results from a growth perspective, and that we will also start to see some early results from the investments that Rohit spoke about, and that the promise of these investments and the promise of the new structure will be fully realized in FY27. So, that's the sort of the sequencing and the steps that we've given from an FY25, FY26, and FY27 perspective.

**Kawaljeet:** That's very helpful. Just a final question, Mohit. You had a number of acquisitions, or you have inherited a lot of acquired companies, and many of them have not been to the mark. Are you retaining the entire portfolio of companies acquired, or are you thinking of divesting ones which are not strategically important? And, I guess, we did have a discussion at some point in time in this aspect.

**Mohit Joshi:** Yeah, look, I don't think that we have made any decision to divest just now. We have obviously worked to closely integrate all of the portfolio companies much more closely into our service line structure. And because we have said that we are not going to be hugely acquisitive anymore, it gives us the ability to drive synergies, including front-end integration and including back-end integration, a lot more effectively over time. But there is no active disposition plan at this time.

**Kawaljeet:** Thank you so much, and all the best.

**Moderator:** Thank you. The next question is from Ankur.

**Ankur:** Hey, thank you. Thanks, Mohit, and thank you for the very detailed presentation. The business plan is definitely quite comprehensive, but I worry that given you mentioned everything in the textbook for better margins and better growth, is there a risk that at least analysts, if not investors, and the team also gets lost in the breadth for depth in these initiatives? And if you can maybe highlight, you know, the 3-4 main ones which the team, especially the middle to lower management team, can get a line behind?

**Mohit Joshi:** Sure, so I think, look, from a revenue perspective, the way that we have defined the organization, a very clear SBU structure, which is verticals within Geos, and a very clear service line structure. This gives an incredible amount of clarity to the organization, because the SBUs know exactly which accounts we want them to grow, they know exactly which accounts we want them to chase, and there is a very rigorous process of review, and of goal setting, that gives them a very clear sense of where we expect them to be headed in the year.

Equally, from a service line perspective, the service lines are very clear about what we want them to do. Number one, we want them to provide resilience and quality of service to customers. Number two, we expect them to drive productivity. And number three, we expect them to drive innovation.

So, the sales teams are very clear, and the service lines are very clear. It may seem like a trivial thing, but having this level of clarity in an organization is very, very important. So, I would say that is the first and most important change that we've made.

The second thing goes to changing the institutional, sort of, capabilities of the company, right? Whether it's changing the capability from an HR perspective with our new CHRO, changing the capabilities from a marketing, advisor and analyst relationship perspective with Peeyush, changing the broader delivery capabilities through Atul, our new Chief Operating Officer, changing the capabilities from a learning perspective with the new Chief Learning Officer. So, we have made a deliberate effort... a deliberate sort of decision over the past six months to focus on creating the structure, to focus on creating the institutional capabilities, right? And I feel that, while this is a longer-term approach, this will yield greater long-term results.

Like I'd shared at the start itself, we did a global leadership meet with close to 300 people just earlier this week in Bangalore. And all of you speak to people within the organization, right? There is incredible energy and there is incredible clarity in the organization about what needs to be done by each and every single person within the company. So, while obviously, we have a lot of initiatives, right? We need to be kicking off and executing on a number of things at a different point in time. For every individual in the company, there's a clear sense of what needs to be done. And for us as a leadership team, the measurement mechanism, the review mechanism is extremely robust.

**Rohit Anand:**

Maybe, Mohit, I'll just add one more point. The one other change that we've driven to get the organization rally around it, is the plans that we've built, right, Is a bottoms-up plan with stretch that we've discussed and debated, right, and I think the ownership on that plan is their plan. So, the ownership... I think that's a cultural change and that's the way, Ankur, that the organization rallies around. It's much stronger. We're already seeing that impact in the global sales meet that Mohit just did. And as we move forward, I think that ownership will drive better outcomes as well.

**Ankur:** Super. Thank you so much for that elaboration. Second question is, the business environment is very tough, like you mentioned in your initial remarks. How much of these recoveries, both on the growth and on the margin side, is environment dependent, and also growth dependent? How much of this, especially on the margin side, can be done irrespective of how bad, if we just keep moving sideways for two years, it won't impact this journey?

**Mohit Joshi:** Yeah. So look, I think we have an expectation that we will be able to drive growth, especially in the second half of the year. But we're also quite sort of clear-eyed about the market environment, and we do expect... we're not... this plan is not built on a situation where growth suddenly takes off and lasts for a period of time. We obviously want to use this period of time, this slowness, to strengthen our capabilities and to build our institutional knowledge. So, I would say, the plan is built on the world not falling off a cliff, but it is not built on incredible growth, right? If the current market situation continues, I would still very much expect us to hit our plan numbers.

**Ankur:** Thank you. Last question. You mentioned somewhere in the presentation, Rohit, that you expect \$250 million of savings a year. Is that a marker for margin recovery, is about 4% a year, or is that not inclusive of the incremental investment that you also highlighted initially?

**Rohit Anand:** No. So yeah, so savings is... So this is average for the three years. It could be up, down each year, but that's outside of the investment. So, this is the saving that we'll drive and then fund some of the investments we'll deliver to be able to get the margins walk that period.

**Ankur:** Okay. Thank you and best of luck.

**Moderator:** Thank you. The next question is from Kumar Rakesh.

**Kumar Rakesh:** Thanks for taking us through your strategy over the next three years. My first

question was more from the near-term growth outlook. So, you are exiting FY24 on a low growth and second half, you went through restructuring of the businesses as well. So ideally, that should have helped you cyclically to recover some of those back into growth, and hence, start narrowing the growth relative to peers in this year as well. So is that a fair expectation that we would start seeing a narrowing down of growth and possibly meeting the peer average in FY25, or even that would be more pushed out to FY26 or FY27?

**Mohit Joshi:** No, I think that is a fair expectation. The only caveat is, obviously, we have a certain unique industry mix. In the sense that, we are differentiated from our peers through the industry mix. But with that sort of narrow caveat, I think your expectation is completely on point.

**Kumar Rakesh:** Great. Thanks for that. My second question was for Rohit. So Rohit, when you had joined, you had also started a margin expansion plan in which you were looking at many of the parameters that you talked about today as well, value-based pricing, utilizations upon cost pressure. Rather, you were running war-room sort of a setup as well to improve margin, and the expectation at that time also was to reach sort of 14 to 15% margin. And then a lot of things happened. So, what do you think this time is different and we will be able to achieve this? And many of the parameters that you have worked on earlier this time around will give different results. You did talk about consistency, but a little more detail would be useful.

**Rohit Anand:** Yeah, I think the key answer there is the foundation that we've changed. The organization structure change has created a lot of difference from where we were to where we are. So, when you look at the delivery, the delivery was embedded across the 12-13 SBU structures that we have, and a lot of them were as small as \$100-\$200 million P&Ls. And from there, what Mohit... when he came in and when we announced the off-structure change, from an operation perspective, we consolidated everything under a Chief Operating Officer who joined us in August. So that brings a lot of scale, a lot of benefit of that. And now when you look at the delivery, it's a consolidated organization. And we've kind of defined that under 6 ADMS verticalized structure and the 6 competency

layers, and then the BPS additional to that. So, I think, that change and the ability to then drive all these actions, are much more impactful versus the way we were initially.

So, I think you're right. I mean, from an industry perspective, if you go to anybody, I think actions would be similar. The differentiation is going to be execution. I feel the big differentiating sauce for us is the new structure. That's where I'm seeing a lot of confidence with Atul coming in and the team, the new structure that we have in driving this plan much better than before.

**Mohit Joshi:** And if I can just add to that, look, like I said, when we spoke about the new TechM Flywheel, we're very mindful of the fact that we have not delivered predictability in the past. And we're very focused on driving that predictability. Now, obviously in FY25, as we're in the middle of turnaround, there will be volatility. But every single thing that we're doing is focused on damping down that volatility over time, so that we're able to provide superior results, obviously, but more predictable results. That is very important for us because we've heard the feedback from all of you loud and clear.

**Kumar Rakesh:** That's really reassuring. Thanks a lot and all the best.

**Moderator:** Thank you. The next question is from Yogesh Agarwal.

**Yogesh Agarwal:** Hi guys. Hey, just quick questions. Firstly, clarification. So, the \$250 million savings per year, they will happen consistently for the next three years, year after year. Is that correct?

**Mohit Joshi:** Yeah, that's right. That's right.

**Yogesh Agarwal:** Okay. And just another clarification. So, net of this saving and the 1.5% margin investments, so FY25, you will be better off than the current margins. Is that correct understanding?



**Mohit Joshi:** That's right. Yes, it is.

**Yogesh Agarwal:** Okay, great. So, Mohit, I wanted to ask you something else on the billing rate. So in your sense, how are the billing rates for Tech Mahindra like-to-like for the skills and experience versus competition? And if you guys restructure the pyramid, is there a risk that the average billing rates actually come down?

**Mohit Joshi:** Yeah. I'll answer that question more broadly. I do feel that the billing rates by and large are comparable. But we do have an outsized fixed price portfolio within TechM. And obviously, within that, as is known, there are a couple of problem projects that we have.

Secondly, while building out the pyramid may pose challenges from a billing rate perspective, as you mentioned, I believe that that tradeoff at the end will still be beneficial to us. The tradeoff will still be beneficial to us. Maybe you will have marginally lower billing rates, but you will have significantly lower cost. I also believe that it is the only way we can build an organization for the long term, right? So, a focus on the pyramid, but also focus on greater internal fulfillment. While the pyramid will yield us some benefits, I believe we will get a significant amount of benefits from greater internal fulfillment. And we can only have greater internal fulfillment if we're building out the training infrastructure. So, I think a combination of all these factors is what will deliver us the higher profitability.

**Yogesh Agarwal:** Okay, got it. And just one more question. The new deals which are coming today, which you guys are signing today and is flowing through the business, are they margin accretive?

**Mohit Joshi:** Yes.

**Rohit Anand:** Yeah, from an aggregate perspective, that's true, Yogesh. And then as you look at any deal structure, the way the transition happens initially, the first 6-8 months, 12 months, initially there's always a dilution and then the expansion happens after that. So that's the nature of the deal structure, but generally these are more

accretive deals that we sign.

**Yogesh Agarwal:** Sorry, so the initial dilution is on 7% or 15% target? That's all I was trying to understand.

**Rohit Anand:** No, no, I'm just explaining from a structure perspective, right? So when you look at the deals that we're signing today from an urgent perspective comparable to where we want to get to for FY25 at least and the year after, these are accretive to that, because you can look at it over the life cycle, right? But when you look at short-term, there's always a timeline of investments, right? For that period, they will not give you accretive margins.

**Yogesh Agarwal:** Got it. That's all I wanted to know. Thanks, guys.

**Moderator:** Thank you. The next question is from Ravi Menon.

**Ravi Menon:** Hi, thank you. Thanks for the detailed presentation. I think it would have been better appreciated over a full day analysts' meet rather than a 90-minute call, but let's do it. Thanks for laying this out. Just wanted to check on the margin aspiration beyond FY27. So, we have TCS at the top end at 26% today, Infosys in the 20-21% range, and HCL below that around 18-19%. So are you saying that you'd actually get to 18-19% at least, or cross that going into 20%? And is that the aspiration?

**Mohit Joshi:** Yes, that is absolutely the long-term aspiration, Ravi. There is no reason why this platform, with the strengths of the group, with a deep engineering heritage, with the sort of client base that we have, should not be delivering in the top three of the peer groups.

**Ravi Menon:** Thanks for that.

**Mohit Joshi:** In the short run, we have a lot of work to do to build the capabilities, to deliver the promise of the platform, to restructure the portfolio. But in the long run, absolutely.

**Ravi Menon:** And as a follow-up, since you're not planning on much acquisitions, why shouldn't we actually redefine that cash distribution? Instead of an FCF, why not use a net income hurdle? Perhaps that's lower, when looking at the cash conversion, but why not use that instead?

**Rohit Anand:** Yeah, so I think if you look at our history from a PAT to FCF perspective and look at cumulative, I don't think there's going to be much difference between those. And in fact, the way we're going to target our improvement in the cash cycles, we feel that we can get some benefit out of that as well. They're quite aligned, actually.

**Ravi Menon:** Thanks. So we should assume that those 85% will actually be... if you look at a net income percentage, it might even be higher than that. Is that correct?

**Rohit Anand:** Yeah. I mean, from a long-term period, yes. It varies year on year based on a particular event or something. But yes, over an aggregate, you're right. It should be similar or higher.

**Ravi Menon:** Great. Thank you. So understand then, that credit terms will actually probably only getting tighter on the new deals that you're looking at, rather than more generous.

**Rohit Anand:** Yes.

**Ravi Menon:** Great. Thanks so much, gentlemen. Best of luck.

**Moderator:** The next question is from Sandeep Shah.

**Sandeep Shah:** Yeah, thanks. Thanks for the chance and congratulations, Mohit, on a detailed presentation to you as well. The first question, Mohit is, if I look at the CME vertical contribution, although today it is 46%, and your aspiration to outgrow the market in FY27, do you budget CME contribution will come down? My question for asking

this is, if it comes down, your growth aspiration for the non-communication business has to be much steeper versus the industrial growth rates, and are we keeping that angle in mind as well while riding this?

**Mohit Joshi:** Sure. But if you look at it, Sandeep, over the past couple of years, growth in communications has been lower than the industry average anyway, right? So that is the reality that we have. Now, very clearly, as I've said before, we are not de-emphasizing telecoms, we're not stepping away from telecoms. But as we revert to, sort of, a mean of our peer group, that will mean faster growth in other sectors. And so, therefore, rebalancing of the portfolio with a lower overall weight for telecoms, it is something that has been happening in any case over the past five years. And I do expect the process to continue.

**Sandeep Shah:** Okay. Second, Rohit, this saving of \$250 million per annum for next three years, even in FY25, you expect minimum saving of \$250, or it could be lower than \$250 as well?

**Rohit Anand:** Yeah, I mean, this is, Sandeep, an average that I mentioned for three years. As I mentioned, some year it will be higher, some year it will be lower. But an average over a three-year period, that's the per-year average. And I think, as we move forward, as I mentioned to you, we'll be starting on a cycle where we're driving this under a set program. So, we'll continuously keep on updating you as well. As from an investment standpoint, it's an important period for us because it's long-term in nature and both need to go hand in hand. So, we continue to drive savings in excess of that, and at the same time, invest in long-term because capability build and expanding in certain areas is very, very important for long-term success.

**Sandeep Shah:** Yeah. And Mohit, you also said 4Q revenue run rate is at a low point. Are you believing YoY growth may take its own time? But on a QoQ, at least worst is behind on a going forward basis?

**Mohit Joshi:** Actually, I'm saying the opposite. I'm saying that from a YoY perspective, you should expect to see growth from Q1 onwards, even if there is QoQ volatility.

**Sandeep Shah:** Okay. And lastly...

**Rohit Anand:** On YoY perspective, there'll be improvement from where we are right now, and we get better. That's the clarification. Yes.

**Sandeep Shah:** And last thing on the goodwill impairment. Is it the worst of the review has been done, or this is just a normal yearly exercise and the goodwill impairment as a pattern which has continued every 4<sup>th</sup> Quarter in a financial year, and will continue going forward?

**Rohit Anand:** No, I think, Sandeep, we've done a quite comprehensive review of the portfolio. So we feel that this is the current performance, this is the right representation of where we are. As Mohit said, that we continue to integrate the portfolio companies much more stronger in the core business. And as we move forward, we will see how that shapes, and hopefully, that will give us better future projections for these companies.

**Sandeep Shah:** Okay. Thanks and all the best for your execution.

**Moderator:** Thank you. The next question is from Vibhor.

**Vibhor Singhal:** Hi, Mohit. Thanks for taking my question. And congrats on a great presentation, a very thorough one. My question to you, Mohit, was on the banking segment. You've been an expert in this field for so many years. Given the current environment that we see across the world in the banking segment, and given the portfolio that you have driven up till now and the portfolio that TechM has in terms of the banking vertical, what are the key challenges that you see at this point of time? And do you see that vertical... I mean, again, not looking at an actual number, but do you think that vertical will take time to recover in FY25, given the current macro that is there?

**Mohit Joshi:** Yeah. So, I do think that a lot of people have spoken about the recovery that is happening in BFSI in FY25. I do believe that the vertical overall will recover. From

a TechM perspective, we have certain unique pockets of strength, which is why I think we'll be a competent late-mover.

One of these is in core banking. We do feel that there is going to be a focus on core banking transformation really across the world, given the huge increase in volumes that you've seen and the instability of systems really across the world. We think there is a huge opportunity for us in the asset and wealth management space where we have some really compelling consulting credentials. We have a deep engineering expertise in insurance and a deep package implementation experience in insurance on the back of our Guidewire capabilities. So that is what we're going to be using to build out our financial services practice.

We have some really marquee names already in the portfolio that I want to dig down much deeper. There are new clients that we're opening up on a very regular basis. And then there are certain sectors and pockets of strength that we will capitalize on. Now, I'm not saying that we will become the market leader in financial services by FY27, much though I'd hope to be. But I do believe that we will be a very compelling challenger very soon in the sector.

**Vibhor Singhal:**

Got it. Thank you so much for answering that. Rohit, just one small question from my side. On the employee pyramid, you talked about rationalization and also about fresher hiring. Now, if you look at one important metric for the company over the last many quarters, is the utilization, including and excluding trainees. It has practically been the same for the past... I mean, you can name it 24-30 quarters, which probably makes you believe that the trainees are very less in the system. So, I mean, we probably need to build up a bench strength. Do you think that is going to be a significant margin headwind the near term as we build those investments? And, how would that impact your margin expansion program that you're kind of taking into account?

**Rohit Anand:**

That's a great question. As I mentioned, we've outplayed a critical percentage of our margin into investments. That's very critical. And this is one stream of the investment. Unless we don't invest in fresher talent, you're absolutely right,

you've not seen a consistent fresher induction and that's why the percentage has remained static. In this quarter, in fact, you see a reduction in utilization. Some of that is attributable to, in fact, adding freshers. And as we go forward, we're going to be consistently applying that, because I think just focusing short term will not give us the right outcomes that we need, and this is an investment that's already baked in our plan.

**Vibhor Singhal:** Got it. Great to hear that. Thank you so much, guys. And wish you all the best.

**Moderator:** Thank you. That concludes our Q&A session.

**Mohit Joshi:** No, I just want to say I want to thank everybody for making time for us today. Like I'd shared previously, I do believe that we have created a very clear set of goals for the company. We have set ourselves very high standards. We will be consistently doing the right thing. And with all of these, I'm very confident that the platform has the capacity to deliver. We have set ourselves and before you, very clear objectives for what we hope to achieve in FY27 and beyond. And we look forward to keeping you updated on a very regular basis on our progress. There is a tremendous amount of energy in this very competent team, and you will start to see results very soon.

**Rohit Anand:** And we'll have a physical session soon.

**Mohit Joshi:** And, we will have a physical session very soon. Yes. Thank you.

**Moderator:** Thank you, ladies and gentlemen. On behalf of Tech Mahindra Limited, that concludes today's conference. Thank you for joining us. And you may now disconnect your lines and exit the webinar. Thank you.

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