TECH mahindra

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21st January, 2025

To,

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code : 532755

National Stock Exchange of India Limited
Exchange Plaza, 5th floor,
Plot No. - C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051
NSE Symbol : TECHM

Subject: Transcript of the earnings conference call for the quarter ended 31st December, 2024 – Regulations 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Intimation of earnings conference call vide letter dated 07th January, 2025 and audio recording of earnings conference call vide letter dated 17th January, 2025

Dear Sir/Madam,

In terms of Regulations 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI Listing Regulations, please find enclosed the transcript of the quarterly earnings conference call of the Company for the quarter and nine months ended 31st December, 2024, held on Friday, 17th January, 2025 after the meeting of the Board of Directors for your information and records.

The text transcript is uploaded on the website of the Company and can be accessed at the weblink:
https://insights.techmahindra.com/investors/tml-q3-fy-25-earnings-transcript.pdf

This intimation is also available on the website of the Company at the weblink:
https://www.techmahindra.com/investors/

Kindly take the above on record.

Thanking you,

For Tech Mahindra Limited

Ruchie Khanna Digitally signed by Ruchie Khanna Date: 2025.01.21 18:59:09 +05'30'

Ruchie Khanna
Company Secretary

Encl.: as above

"Tech Mahindra Limited Q3 FY'25 Earnings Conference Call"

January 17, 2025

MANAGEMENT:	**MR. MOHIT JOSHI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, TECH MAHINDRA LIMITED** **MR. ROHIT ANAND – CHIEF FINANCIAL OFFICER, TECH MAHINDRA LIMITED** **MR. ATUL SONEJA – CHIEF OPERATING OFFICER, TECH MAHINDRA LIMITED** **MR. RICHARD LOBO – CHRO, TECH MAHINDRA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tech Mahindra Limited Q3 FY'25 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 listen-only mode. 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 "*" 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. & CEO for Tech Mahindra. Thank you and over to you, sir.

Mohit Joshi: Thank you, operator. I am joined here today by our CFO, but also by our Chief Operating Officer, Atul Soneja; and by our CHRO, Richard Lobo.

Good evening, everyone. And I hope your year is off to a great start. Thank you for joining us today as we discuss the company's performance for the quarter ended December 2024. With the turn of the year, we hope that the New Year will bring additional opportunities for all of us. It is not just the turn of the calendar year though, but it's also the completion of a year since I took over as the CEO of Tech Mahindra. And as I reflect on the previous year, I am reminded of our commitment to delivering value to our clients and stakeholders, and how the more than 150,000 Techmighties have rallied to deliver to that commitment.

So, if you ask me, where are we on the journey? To think of the ground, we have covered in 2024, I was reminded of the words of Daniel Ek, the CEO of Spotify, because I feel that this is very similar to my sense of where we are. And Daniel had said, where we set out to be, if not a little bit further and on the steady path towards achieving our long term goals. We are particularly focused on improving our growth capabilities and our revenue mix in order to meet our growth aspirations by FY27, and we are making concerted efforts to improve our organization and to drive productivity gains and price optimization to achieve a 15% EBIT margin by FY27.

For Q3 FY25, we report revenues of $1.567 billion, which translates to a constant currency growth of 1.3% on a year-on-year basis and a constant currency growth of 1.2% for the sequential quarter. The steep currency movements through the quarter have impacted the reported numbers. Adjusted for these fluctuations, we saw healthy revenue growth in Communications, BFSI and Healthcare and Life Sciences. In terms of regions, we see pockets of demand across our prioritized markets of North America, Europe and APJ.

We report new deal wins of $745 million for Q3 FY25 on the back of several large and multi tower deals in the Telecom and Manufacturing sectors. On an LTM basis, our deal wins have improved to $2.4 billion in Q3 FY25.

Among the key deal wins is a global mandate for network transformation and delivering Network-as-a-Service to one of the world's largest chemical manufacturers. The project involves service delivery from our capability centers across various countries. This deal will lead to a very innovative managed Network-as-a-Service project, leveraging the power of netOps.AI and multi-country delivery capabilities.

We have onboarded a new logo in Europe where we have been chosen by a large telco as their strategic partner for consolidation and accelerated transformation of their digital, IT and network ecosystem. TechM has an unmatched depth of expertise and IP in the telecom vertical. While we are expanding other verticals for a balanced revenue mix, we are committed to maintaining our leadership in the telecom vertical and serving new and existing clients.

TechM was selected by one of the largest communication service providers in North America to provide frontline customer experience services and to help clients achieve operational efficiencies, while providing enhanced services for its customers by leveraging our BPS capabilities.

Another large European telco has chosen TechM to simplify and modernize their network, IT and service operations, including driving autonomous operations using GenAI. This deal is a tangible example of tailoring automation and GenAI solutions to vertical specific needs.

We have also been selected by a leading European automaker to support their core applications and infrastructure operations. Despite challenges in the automotive sector, we see opportunities to support clients by leveraging our unique capabilities. In addition to the above, we have seen healthy deal wins in the Technology, Media and Entertainment space, and encouraging progress in the BFSI and Healthcare and Life Sciences verticals.

While these new deal wins will help us scale our priority verticals, we have made sure to chase quality over quantity. I am really proud to announce that we have on boarded 40-plus new clients from a must-have account so far in the current fiscal year, of which 12 were onboarded in the December quarter itself. Over two dozen accounts from this must-have list have now crossed a revenue run rate above $1 million annually. And we have won six large deals from the must-have accounts in the current year. We will continue building a high quality and a scalable client base that can contribute to our long-term growth.

We have also reported EBIT margins of 10.2%, which is about a 60 basis points expansion from the last quarter despite the steep currency headwinds and the ongoing investments. We attribute this gain to efficient delivery, pricing excellence and cost optimization under project Fortius.

As we progress on the transformation journey that we have embarked on, we also attract the best talent in the industry. Last quarter, we welcomed Sumit Popli as the Head of Technology, Media and Entertainment as Harshul Asnani transitions to lead the European business. Sumit comes with a track record of success for over two decades in transforming international businesses across various industries.

We also welcome the senior industry leader as the head of client delivery and operations in Europe, and other industry veteran as the global head of cloud consulting. We are on boarded two experienced CIOs in the US and Australia, respectively, to bolster our consultation practice in the telecom space. We have expanded the leadership teams for our cybersecurity and risk management practice, our Salesforce practice, and our Microsoft applications practice. We have created a large deal solutioning team comprising of superstar deal makers who will identify and oversee complex multi-tower deals throughout the deal life cycle.

And just as we build a team of the best-in-class talent, we also invest in strengthening our partner ecosystem. We have forged several new partnerships to enhance our capabilities and to expand our service offerings. We announced the establishment of a Center of Excellence powered by NVIDIA platforms to drive advancements in sovereign large language model frameworks, Agentic AI and physical AI. Based on TechM's optimized framework, the COE leverages the NVIDIA AI enterprise software platform to offer customized enterprise grade AI applications to help clients adopt agentic AI in their businesses. The COE also uses the NVIDIA Omniverse platform to develop connected industrial AI digital twins, and physical AI applications across various sectors including Manufacturing, automotive, telecom, healthcare, banking and financial services.

TechM has also entered into a partnership with ServiceNow for the integration of the One E2E platform. This will enable businesses to enhance operational efficiency and competitiveness by integrating Gen AI capabilities in critical processes and modernizing the infrastructure using TechM's global capabilities. We are seeing momentum in our ServiceNow practice bolstered by our investments in this ecosystem and by the client adoption of the ServiceNow platform, which in turn is partly driven by our clients' deep interest in AI.

We have collaborated with Universal Scientific Industrial, a global leader in electronic design and Manufacturing; and in SiP – 'System in Packaged' technology to establish their first engineering offshore development center in India to accelerate innovation in smart device engineering. The collaboration will provide scalable solutions, accelerate time-to-market and deliver innovative advancements to drive the future of connected devices, additive manufacturing, connected vehicles, and augmented and virtual reality.

We assigned a multi-year strategic collaboration agreement with Amazon Web Services to develop an autonomous network operations platform built by TechM on AI ML and GenAI services powered by AWS. The platform enables customers to transition the network operations from an on-premise infrastructure to a real time proactive and preventive model operating on a hybrid cloud. This enhances speed and efficiency by accelerating the implementation of network services on the one hand, and reducing the time required for infrastructure maintenance and repairs on the other. TechM's offerings in this hybrid cloud space can enable clients to make the foundational moves needed to achieve tangible returns from ML and GenAI.

We recently announced the launch of TechM agentX, a comprehensive suite of GenAI powered solutions designed to drive intelligent automation and enhance efficiency for enterprises globally. Through these solutions, enterprises can automate complex business, IT and data tasks, improving productivity by up to 70%.

I think a testament to our capability building efforts is the recognition that we received from industry analysts. I am happy to announce that we have improved our position in analysts rating top quadrants from 81% to 88% for the same period this year. Some notable recognitions recently are, for instance, TechM is positioned as a Leader in multi-public cloud services 2024, consulting and transformation services for the UK, the Nordics and the US by ISG. We are positioned as a Leader in advanced analytics and AI services 2024 data modernization services by ISG. And as a Leader in Everest Group Quality Engineering Services for AI applications and systems PEAK Matrix 2024.

In the 3rd Quarter, TechM garnered encouraging accolades and recognitions, including the three that I will mention over here. TechM has been recognized for the best mobile banking app under the vendor category by the Digital Banker Global Retail Banking Innovation Awards 2024, highlighting TechM's outstanding contributions in the digital transformation of lending and collections businesses in both consumer and commercial loans. We have been ranked number one in India and number two globally in the Dow Jones Sustainability Index, DJSI 2024. I am really proud of this because this also goes to show the huge focus that TechM and the Mahindra Group has on sustainability.

Before I pass it on to Rohit, I would like to express my gratitude to our employees, to our clients, to our partners and to our shareholders for their continued support and trust in our company. Together, our efforts are bearing fruit, and together we will seize the opportunities that lie ahead.

I now invite Rohit to take you through the financial performance in more detail.

Rohit Anand: Thanks, Mohit. Good evening, everyone. I wish you a very happy New Year.

Let me begin with an overview of the Company's Financial Performance for the quarter.

We ended the quarter with revenue of $1,567 million, which is a growth of 1.2% quarter-over-quarter and a growth of 1.3% on a Y-o-Y basis on constant currency. Q3 was a quarter where we encountered major cross-currency headwinds due to which the reported revenue was down 1.3% Q-o-Q and 0.4% Y-o-Y. Translating this in rupee terms, the revenue was Rs. 13,286 crores, which on a reported basis is a decline of 0.2% and an increase of 1.3% on a constant currency basis. And similarly on a Y-o-Y basis, in rupee terms, the growth is 1.4% on a reported basis.

This quarter, the growth in revenue was led by BFSI vertical at a 2.7% Q-o-Q sequential growth, followed by healthcare and life sciences at a 4.5% constant currency growth. Communication business grew marginally positive at 0.4% in constant currency terms. Manufacturing vertical declined by 2.5%, mainly due to the pressures that we are seeing in the automotive segment, including Pininfarina. We reported an EBIT of $159 million, or in rupee terms, Rs. 1,350 crores, which is an increase of 4% over the previous quarter and a resultant EBIT margin of 10.2%, an expansion of 60 basis points despite the currency headwinds.

The margin expansion is driven by operating leverage from the continued savings that we worked towards the project Fortius. The other income in Q3, and you compare that to the previous quarter, there is a reduction which is driven by one time item exceptional of the land sale proceeds that we had announced in the last quarter of $54 million.

When you look at the tax rate, the effective tax rate for the quarter was 23.8%, while low for the quarter, the YTD number is 26% as the range that we had mentioned for our expected ETR to be 26% to 27%. When you look at the profitability number at a PAT level, it's $116 million, which in INR terms is Rs. 983 crores. The profitability margin for the quarter is 7.4%, which on a sequential basis went up by 80 basis point adjusted for the land sale proceeds last quarter. And from a dollar operating PAT perspective it grew by 9.9%.

When you look at the free cash flow, we had a robust free cash flow of $199 million, which translates to 172% of PAT conversion. Cash and cash equivalents at the end of the quarter was $799 million, or in rupee terms, Rs. 6,841 crores. We look at the DSO including unbilled, we were at 88 days, which is a reduction of six days on a sequential basis and an improvement of three days on a Y-o-Y basis. Some of the improvement is attributable to the exchange rate movement, but operationally, the reduction is significant from a Q-o-Q perspective. And this is, I am happy to report, this is one of the lowest DSOs we have seen as we continue to generate operating cash flow in the business, but by improving our processes across the company.

When you look at the total hedge book, we stood at $2.1 billion for the quarter, as against $2.3 billion last quarter. And basis on our hedge accounting, the mark-to-market loss for the quarter was $4.7 million, out of which $0.7 million was taken to the P&L as gain, and the rest was carried as losses of $5.4 million towards balance sheet.

The net new deal wins as Mohit mentioned was $745 million, which was an increment on a quarter-over-quarter basis. And the good part for the deal wins was, it was originating from our priortised verticals and the regional markets.

While we continued to expand margins, we have also made significant investments as I mentioned earlier, driving long term sustainable growth, right, and margin expansion. Some of these I would like to summarize are in the areas of generative AI capability build in terms of training tools partnerships. Recent example is TechM agentX, which is a comprehensive suite of GenAI powered solutions, designed to drive intelligent automation and enhance efficiency for enterprises.

We continue to consistently induct freshers to address long term pyramid change from an organization perspective, and also supplement that with a learning and development platform, both physical as well as from a software perspective.

We also are investing in building service line capabilities in modernizing tools and platforms for delivery excellence. This all is in addition to the efforts we are making towards investment and shift of revenue mix through our investment in prioritized verticals and markets.

So, to summarize, this quarter we delivered growth in EBIT margins and operating PAT, both on a sequential and Y-to-Y basis, resulting from targeted actions under Project Fortius. Along with a steady increase in new deal wins and getting operating focus on the working capital, right.

With that, I will take a pause and pass it on back to you for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management Company. Please go ahead.

Sudheer Guntupalli: Hi, Mohit. Congrats on a good all-round performance. We have seen a steady buildup of net new deal momentum over the last couple of quarters. This, combined with the change in strategy, does that give you confidence of meeting industry average growth in the near term on a sequential basis maybe, given that Y-o-Y numbers may take some time to reflect?

Mohit Joshi: Look, again, on the large deals space, I think this is an important metric because we have also been very focused from a quality perspective to make sure that we are only getting the kind of deals that we want to do. But even with that qualification, if I look at the numbers, we moved from 381 in Q3 to 500 to 534 to 603 and now to 745. So, I do feel that this build up that we are seeing in large deals, obviously there will be a ramp up time and there will be sort of a transition period. But I do feel confident that it will allow us to first catch up with, and then to deliver higher than peer average growth which we have committed to in FY27. So, it is certainly a step in that direction.

Sudheer Guntupalli: And your deal wins reflect and also one of your larger competitors called it out that there is a renewed interest among global telecos in upping discretionary spends. So, finally, can we call out an inflection point in the comms vertical?

Mohit Joshi: Look, I think the comms vertical is a little bit complicated, right. So, if I think of it from an Asia Pacific perspective where we also have a large comms business, I do feel that we are seeing growing momentum in that portion of the business. From a Europe perspective again, the space is highly competitive, but I would say it is stable to improving. In North America, especially for some of our largest clients. We continue to see challenges from a discretionary perspective. So, I would really not want to declare victory so quickly. But I do feel that the opportunities for further deterioration are limited, and we have reached a point from which we can see improvement.

Sudheer Guntupalli: And lastly in terms of the broader demand outlook, let's say compared to where we were 3 to 6 months ago, so any characterization that you want to do for the coming for this quarter? That's it from me.

Mohit Joshi: So, look I think you know because we think quite deeply about this point because so much of our revenue is dependent on the macro situation and what the overall enterprise tech spend is. I would not say that there has been any sort of major shift from a 3-month period or from a 6-month period also. But I would say on the whole if you look at it from a calendar year perspective, 2023 was probably the worst, 2024 was an improvement over 2023 and we feel that 2025 will be an improvement over 2024. But it is an incremental improvement. It is not sort of a V shaped recovery but we do see that 2025 should be better than 2024. It’s a calendar year characterization, yes.

Moderator: The next question comes from the line of Rod Bourgeois from Deep Dive Equity Research.

Rod Bourgeois: Thank you for your commentary so far about the GenAI activities that you're pursuing. I wanted to ask, do you have GenAI related offerings or capabilities that you currently see as being particularly differentiated and actually actively having impact in the market and with clients?

Mohit Joshi: Obviously GenAI but AI more broadly is possibly the hottest topic for the past year and change. And let me answer that question in two ways. First, how are we thinking about GenAI? And the way we are thinking about GenAI is obviously first from a client perspective, how do we create the horizontal and the vertical solutions that help answer the challenges our clients are facing? So, the horizontal solutions are obviously in terms of developer productivity, in terms of HR and talent, in terms of cyber security, in terms of contact center transformation. And then there are obviously vertical solutions created for each industry. Now these solutions obviously rely on a significant network of partner solutions whether it's the hyperscalers or the you know the chip manufacturers that we are working on. So, that's one piece of it. And the second piece is our own R&D. So, that's how we are thinking about the GenAI environment more broadly. What is differentiated from a TechM perspective, I would point out to a couple of things. I think the first is that were the first player and really the only player to start building out among our SI counterparts to start building out sovereign large language models. And I think it's very important that we are the only player that has the capability to build large language models from scratch that is not relying on existing model frameworks. I think that's a really powerful capacity that has given confidence to our teams and confidence to the markets. We have since moved from these LLMs to creating small language models and tiny language models. Customers really find the relevance of these models in small use cases. They allow customers to solve fairly specific problems without using up too much of compute or carbon. And we have started winning deals over here. So, let's say you want to figure out maybe a search functionality on an executive's desktop without relying on an external maybe a ChatGPT type agent. So, that's an example of a small language model or a tiny language model. We are also obviously creating domain industry specific SLM. So, that's the first piece. I think the second piece is our push on GenAI also includes the movement towards chips and ensuring the models that we build, they run well on the chips as well and we have got amazing partnerships with chip companies to take these propositions to our customers. Agentic AI is a huge focus area just now and we have released our Agent X frameworks which uses a multi agent workflow suite to take care of these agentic based AI needs. So, that's I would say is the third observation I want to make. And the fourth piece is from an innovation and from an R&D perspective. We have been working to make sure that AI is more explainable because neural networks obviously still don't provide reasoning and causal references. So, we are researching this and developing points of view and use cases on Neuro-symbolic AI to bridge this gap. And again, hopefully this gives you a sense of the intense R&D efforts that is going in our Lab space. Finally, I'll mention that AI is now infused into everything that we do. So, for this board meeting, for instance we are in our Chennai center, and we just opened up a Manufacturing center of excellence over here and hopefully some of you on the call will have an opportunity to come and visit this. And when you see our demos and our solutions, whether it's for process manufacturing or for industrial manufacturing or for aerospace and defense or for auto, these solutions really whether it's at the shop floor or for customers, all of these solutions have AI embedded and infused into them. So, it really is getting into each and every one of our solutions and I believe that this is providing the differentiation from our peer group. Sorry a bit long worded answer. But just want to give you a deeper sense of the framework that we are thinking of and the point solutions that we are developing.

Rod Bourgeois: And I want to ask as a follow up, just a big picture about your transformation journey. You're now a few quarters into that journey and in pursuing your Fiscal '27 targets. So, there's progress on that journey that we can actually see so far in your growth and margin results. But at the same time there's still considerable progress that you need in order to reach those targets. So, I want to ask if you can give us a sense of underlying progress that you're making internally that we may not be able to see from the outside. And it would be great to know any particular remaining opportunities that are especially important in reaching those Fiscal '27 targets.

Mohit Joshi: So, look I think when we think about the transformation journey that we announced in April of last year, first we came up with an overall strategic narrative which is Scale at Speed. We announced a new organization structure which essentially meant that we were moving to a global service line model. And we announced a plan to the markets which was a plan for revenue which is about the focus on our largest clients, the focus on must have accounts, the focus on balancing our portfolio from a geo perspective and from an industry perspective, the focus on large deals. We announced a plan for margins which is about fixing our pyramid, getting better rate realizations and other interventions including automation and a plan for the organization which is about the culture shift of the organization of focus on talent development and we said that this plan will deliver certain outcomes. And the outcomes were in terms of margins in terms of growth and in terms of return on capital and we said we would do this all organically. So, if you think about it the organization structure is now in place. It has started to get bedded down. Almost every quarter we have been talking about some of the top talent that we are attracting, and this talent is really meshing together, aligning well because the goals are so clearly articulated. And I feel that that will give us a significant lift in the future. The plan for the revenues that we have has meant that there has been an intense focus on our largest customers. And you're seeing this in the fact that our growth of our largest customer portfolio is exceeding the growth for the company despite the challenges that we have in some large telco clients, the must have focus as I shared in the earnings sort of pre-statement earlier today, shows that we have added more than two dozen clients that have given us more than a million dollars in revenues and these are must have clients typically organizations with over $5 billion in revenues. But obviously you will see a lot more of this in the future. You have seen the large deal momentum sort of proceed at a steady pace from a 300 million-odd number to a 500 million to a 600 million and now to a $745 million number. You're seeing the progress that we are making in terms of our BFSI growth. And I expect that over time all of these factors, portfolio rebalancing, by vertical portfolio rebalancing, by geography, the growth in our sort of focused service lines like engineering, like data and AI, like digital enterprise applications will start to gather steam. You have seen the sort of the steady movement in revenues that we have declared over the past three quarters, the steady expansion in margins, the very clear focus that we have as a well aligned executive team. And I expect that these will pick up over time. These are still early days in our transformation journey but like I said, we are very happy with the progress that we have made. I feel it's a little bit like an iceberg. You can thankfully see the tip of the iceberg, you can see the top 10%, the 90% below it is the one that gives me a huge amount of confidence that we are building momentum towards achieving the FY27 goals. We are completely focused on that, and we want to make sure that we do it consistently and not a single sort of blip in FY27. We will see continued and consistent progress towards the FY27 goals as we move ahead.

Rohit Anand: Maybe Mohit I can add a few points which drive a little bit more sustainability in our goals that we are trying to drive which is very important, improve investment in the tools on the delivery side, investment in the tools on the people supply chain side, investment in learning and development. These are all long-term sustainable investments that we are putting in to make sure that it's not just an FY27 story and goes beyond that. So, that's very important. Similarly, to couple that operational plan Rod, we are also combining that closely with the finance transformation. As you can see our closure cycles from a result perspective have moved from somewhere around 25th to now 17th. We keep on pulling that better including incorporating and integrating the portfolio companies. Our plan was integrating the portfolio companies to the core organization. The front-end commercial integration is mostly done. Now the system and the back-end integration is in progress. It's all those infrastructural investments that we are doing is also very important which as Mohit mentioned, probably not visible but some flavor that we can provide you.

Moderator: The next question is from the line of Ruchi Mukhija from ICICI Securities.

Ruchi Mukhija: I had a couple of questions. First, we heard 3 of the 6 deals that you discussed are from telecom vertical. Do you see uptick in telecom deal activity as an enduring one trend when you look your pipeline or client conversation?

Mohit Joshi: Yes. So, look I think again there are always headwinds and tailwinds. But yes, you know client deal activity in telecom is growing. But I would again stress that a lot of it remains sort of consolidation and cost focused rather than incremental discretionary spend at this time.

Ruchi Mukhija: We saw now for two quarters; your other vertical is showing traction. Could you specify what is driving growth here?

Mohit Joshi: So, look I think you know as we shared as I shared in my answer to Rod's question is, we have a very clear focus on the fact that we want to retain our leadership position in telecom and Manufacturing but also become a very credible challenger from a BFSI, from a healthcare and from a Retail, Energy, Utilities perspective. And so, we have created a global vertical structure in our service line organization and we have vertically focused geography teams. We are also creating a significant number of industry specific solutions. And I think this combination of the new structure and the focus on balancing the portfolio is giving us good growth and good momentum. Again, it's still very early days in our transformation journey. So, we are very far from declaring victory. But I feel very confident that with the team that we have assembled together, the structure that we have created, the solutions that we are creating, the new clients that we are opening and the headroom for growth in existing clients that we will succeed in our efforts to have a more balanced portfolio over time. And proof of that is also coming up in not just only in client wins but also in some of the other accolades that we are receiving in the market. Just recently actually only a couple of days ago were selected by Temenos as their best partner. I think this is a remarkable achievement with a key ecosystem participant for us in the Financial Services space. So, we are seeing you know these recognitions have come thick and fast over the past 6 to 9 months.

Rohit Anand: And Ruchi specifically to your vertical question, the other vertical as it's defined in the external reporting is a very small base. The improvement there was driven by a certain ramp up of projects that we had in the global public sector accounts which is an important focus for us as we move forward. So, that's some ramp up that gave that increment that you see for the last two quarters. But that's a very small portion of our business.

Ruchi Mukhija: Coming to your P&L, the FOREX losses have been sizable for last two quarter. Will these forex losses interrupt assuming the current INR exchange rate prevail through the quarter, is that right way to look?

Rohit Anand: I mean from a FX perspective you look there are 2-3 dynamics. If INR continues to depreciate against the US dollar, then from that aspect the hedges work the opposite way, and cross currencies are the bigger one. So, cross currencies while we have the hedging that flows in the other income but it's not given the steep decline that you see on a reported currency basis not enough to offset that. So, hence I think that's a fair assumption to have from the other income perspective, Ruchi.

Ruchi Mukhija: As I glanced through the accounts, I see provision reversal to the tune of roughly Rs. 470 million, is it right really?

Rohit Anand: Yes. So, I think the way to think about that is as we mentioned on our margin expansion journey and the “Project Fortius”, one of the big focus for us is going to be improvement in fixed price projects and you can see that reflection in the headcount. So, if you see the headcount from an IT perspective that's gone down through the year despite us adding freshers. That we have done through the year. So, that's part of contract optimization reviews, productivity, automation that we have driven in fixed price projects as a result of and hence when we look at these contracts and certain tough one that we had on different geographies, once we optimize the cost and release the people the future outlooks better. Hence that helps us operationally drive improvements in those projects and hence helping us reverse certain adverse positions that we have.

Moderator: The next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: The first question is kudos for a consistent increase in a new business deal, TCV wins despite being selective. So, based on the investment, the pipeline of the orders, and improvement in client sentiment as highlighted some of your peers, one can expect this journey of uptick on a Q-on-Q basis may continue which helps us to commit FY27 being a better year.

Mohit Joshi: FY27, yes. Look I think we have made very clear commitments about FY27. I do feel that the momentum is positive but again like I keep saying, it's too short a timeframe to declare victory. We are still in the early stages of our turnaround journey. Again, we have shown consistent improvement now for the past six quarters in terms of large deals and I do feel that capability and the muscle is building up in the organization and I feel that there is a greater credibility with clients and with partners as well. So, we are feeling good about the momentum. At the same time, we recognize that it is still very early days, and we need to continue on this journey for many more quarters to come before we can declare victory.

Sandeep Shah: And just a related question, this increase of TCV wins in this quarter, can you throw some highlight in terms of nature of deal wins? Is it more cost take out vendor consolidation or some small size discretionary transformational deals are also coming into the bag?

Mohit Joshi: That's a good question. So, I think you know the telco deals like I mentioned are largely consolidation and cost takeout type deals, from a life sciences perspective and from a Retail perspective, we are seeing S/4 HANA and broadly SAP ecosystem deals and data analytics deals as well. So, it's a little bit of a mix but the sort of the mix is still largely I would say cost and consolidation focused.

Sandeep Shah: And question to Rohit, any decision on wage hike timing and the quantification and second what margin lever headroom you have still in terms of continuing this journey of a Q-on-Q increase in margins?

Rohit Anand: So, from a wage hike perspective we have announced that to be in the current quarter Jan-Feb-March. So, that's the decision we have taken, I think that definitely will impact margins to the tune of 1%-1.5%. And as we look at our journey towards operating improvement like we have delivered in the last quarter, we are enthused with the programs that we are running throughout the organization for continued expansion, even in the future quarters too, make sure that we deliver on various aspects. To name a few, as I mentioned our track on pricing and delivery led growth has yielded very good benefits. I think that the pipeline we see continue to be positive. So, that will continue to drive improvements for us. As I mentioned a little while back, the improvement on fixed price projects will continue as we improve our productivity, automation, drive various tools across the organization on those projects to be able to take cost out. I think there we again have significant actions to show continuous movement. I think those are some of the things and then we have some seasonality, where we see some return from a furlough perspective on toplines as well as margin and there is some marginal seasonality, which has reduced overtime on Comviva business, so that helps from a Q4 perspective. So, those are various actions, Sandeep that we are focusing on and making sure that as we look at the increments that operating actions work towards offsetting the impact there.

Sandeep Shah: So, just the last question with 1%-1.5% headwind on the wage and the levers which you explained, you still believe most of this can be recouped in the fourth quarter?

Rohit Anand: That is our endeavor, Sandeep that is the journey. So, as you think about it, your clear target for FY27, which is 15% and from an improvement perspective, the ideas as we get towards that goal, we have to continually expand our journey from a margin perspective, right. So, I think the endeavor is to make sure that we work towards setting that impact that we have.

Mohit Joshi: And from a margin perspective, maybe I would like to ask Atul also to wane from a Fortius program and from a delivery perspective, some of the actions that we have been taking?

Atul Soneja: Thanks, Mohit for that. And again, as Rohit and Mohit were talking about earlier, I think there is this journey, we obviously look at the operating levers that are continuously in focus to improve our margins quarter-on-quarter and offset some of the challenges that we will see based on the increments that we have decided for Q4. But again, if I look at it, there are obviously the operating levers that we look at. There is the use of technology, AI, automation, lean, etc., to offset some of the challenges that is an ongoing exercise and then as we were talking earlier as well as part of the strategy the operating efficiencies that we get by integrating the companies, the portfolio companies that we have planned for. So, that is a journey. We are obviously optimistic about the fact that we will be able to offset some of the seasonal challenges and continue on this journey of FY27, 15% EBIT that we have committed to.

Moderator: Thank you. The next question is from the line of Abhishek Kumar from JM Financial Limited. Please go ahead.

Abhishek Kumar: My question is on deal wins, if I understand correctly, we disclosed net new deals. I just wanted to understand the trends on the renewal portion of the deals, are we seeing healthy renewals? Are there any asks from clients for productivity pass through pricing, etc.?

Rohit Anand: So, maybe I will talk about renewals and Mohit, you can mention about the net-new as well, some flavor to Abhishek. So, from the renewals perspective, Abhishek, I think we are seeing consistent trends. I think healthy renewal rate. There is obviously challenge at every renewal opportunity to pass on new technology benefits, right. So, I think that continues to be a discussion at each and every renewal that we do and I think some of the deal wins that we have announced, a part of that is a big renewal as well as incremental business that we got. So, that is a sign of excellent delivery capability that we delivered on some of those clients, right. So, I think coming back to the point, the discussions on renewals are paying in the new technology benefits, but I think we are seeing a decent renewal rate from a trend perspective.

Mohit Joshi: Yes, I think I just want to second what Rohit mentioned for instance, we announced a large deal win with a North America based auto manufacturer. Now, we have announced we included about 20% or 25% of that deal, which was net new, but obviously a significant portion of the deal which is not included in the $745 million number was a multi-year renewal as well. So, I think we are seeing good traction in renewals. We have an excellent delivery track record and as I mentioned in the past as well, we really have the most experienced team in the industry with an average experience of 9-10 years, which really gives an immense amount of confidence to customers, especially since our customers view, our deep domain and technology and client relevant experience is very important. I think that is a key factor that allows us to be successful from a renewal perspective.

Abhishek Kumar: Next question is on margin journey, Rohit, I think when we started this transformation journey, we said that in the first year there will be $250 million of saving which is roughly 4% of the revenue offset by 1.5% of investment. In the 3 quarters since then, the margin has already expanded by almost 300 basis points. So, is it fair to say that we are probably little ahead of what we set out on at the beginning of this journey and does that increase or improve the line of sight or the 15% target that we have?

Rohit Anand: So, Abhishek, the way to think about it is from this year perspective, if you compare to last year to this year, there is some normalization also. We had certain one-time impacts which you normalize and get to a number and from there we have expanded more closer to the vision we had, which is net of investments. So, I think, if you think of the improvement from a saving perspective, broadly within line, what we thought, and the good part is the investments are also aligned to what our vision was. I think it is broadly there and as we look forward I think as Mohit mentioned, we are on track on what we envisioned in April, so to be honest, not ahead or not behind. So, as we move forward, we will continue to look at opportunities to get ahead of that plan, but as of now, we think we are on track.

Moderator: Thank you. The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: My first question is on net new deal wins. We have seen a very steady improvement. How would you characterize your pipeline now and your confidence to sustain this kind of numbers over the coming quarters?

Mohit Joshi: So, look, I think the improvement that we have had is a combination of two things, right. The first is we have expanded the size of the overall funnel. We have increased the size of the pipe and we have done that through investing in ecosystem, deal advisor partnerships, improving our relationships with advisory firms and also the sort of the new talent that we have bought in that is allowing us to reach a lot more of these deals, right. The second factor is important as well that we have improved our win rates. We have improved our contracting discipline. And I think the combination of these two factors is what is helping us to show this steady improvement in numbers. I think as of now, I am very confident with the capabilities that we have built up will allow us to continue being successful from a large deals perspective, but also I recognize that this is a lumpy business, right. This is a lumpy business. You will have quarter-on-quarter fluctuations, and it is not like we can go on for 3 or 4 years without any bump in the road, but as of now, I am very confident to the capabilities that we have created organically are long-lasting and they will continue to give us expansion. We do have visibility obviously in this business for the near term and I feel quite comfortable with where we are.

Gaurav Rateria: My second question is on partnerships, you have renewed your focus on expanding them, would there be any metric of what percentage of our revenues are attributable to a partner ecosystem and how would you compare this to where it should be on an optimal basis?

Mohit Joshi: Look, I think the headroom for expansion with all of our key partners is huge, right. For instance, we are one of the largest partners for SAP from an implementation perspective and that business has been growing at a healthy clip. But when I compare ourselves with an Accenture for instance, right, there is a significant opportunity for us to expand further. Similarly, beyond the ISV space, if I look at the hyperscaler space, we have a very healthy partnership with Amazon, with Google and with Microsoft, but there is significant room for expansion over here. So, across the board, we do see significant headroom. We are in the top tier of partnerships with almost all of our partners and there is a degree of confidence that they have in the company, in the leadership team and the investments we are making. So, I do feel that increasingly a lot of our growth will be partner driven because it will be driven either by the hyperscalers or by the ISVs. This is a great business. This is a high margin, high-skill business and we really want to focus on growing this.

Gaurav Rateria: Last question on your margin progress, one of the key levers has been cost optimization. So, where are we in the journey of lowering our cost to serve and how has the client response been on those initiatives?

Rohit Anand: We had Atul to wane from a client response standpoint as an endeavor to get the cost reduction.

Atul Soneja: Yes, I think the way we are looking at it is obviously when while we are reducing the overall cost, our delivery excellence is paramount, right. And as we mentioned, we are seeing very good response from our clients with respect to the deep domain and technology competencies that we are continuously bringing to the table. So, I think there is a good positive sentiment which obviously reflects in the deal wins that we have also announced this quarter. Overall, delivery excellence is paramount and that doesn't go because of the cost control. So, if you look at the operating levers that we have been speaking about, it is about improving our efficiency in utilization. It is about bringing in automation, lean, AI to the various fixed price programs that we were doing. It is about reducing our dependence on contractors. It is about bringing in pricing as a core discipline. So, if you look at all of these, these are actually almost helping our clients, are helping our overall delivery capabilities as well. And I believe we are in a healthy state where some of these operating levers we can continuously try to use as we look forward to the next few quarters and we will continuously try and optimize that.

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

Vibhor Singhal: So, Mohit again, harping on the very solid deal win number in this quarter. So, as we talked about a lot already on this call, three of the six large deals that we have won in this TCV suppose telecom segment, given that you mentioned the other pipeline as well, how sustainable do you think this deal win number is? Or do you believe there is still in fact more room for this number to grow given that we haven't had some other verticals which could potentially come in the coming quarters? So, just to understand where we are in the journey on this TCV and the potential numbers that we could probably look at in coming quarters?

Mohit Joshi: So, look, I think if you look at the large deal space right, I would say that while we have given the narrative of the story around some of the deals and these are telco focused because we also wanted to make sure that people understood that the telcos in area where Tech M has remarkable strengths and we are looking to dig deeper into this sector. At the same time, the first deal for which we provided the details was the global chemicals manufacturer, right. In the context of this call, I spoke about on North America deal win that we had in the automotive sector. We also referred to deal wins that we had in Financial Services for instance including at least one core banking win, we have had wins in the healthcare sector, in the North America payer space. So, I would say that our deal wins are sort of quite widespread across regions and across verticals. The narrative around the deals, maybe just has come across as being telco focused and there is no doubt that telco is the largest sector, so that is where we have gotten to the most volume deal wins from. But the portfolio wins out of the 745 is very widespread both across geography and verticals.

Vibhor Singhal: So, it is not that we are looking at just the deal win numbers or let us say a concentration of some maybe inching up, you do believe there is a good enough pipeline for this number too continue for this?

Mohit Joshi: No, absolutely, look, I think like I mentioned, right, our endeavor is to make sure that we are able to show consistently improving trajectory of performance, right. The reality, though, is that from a large deals perspective, deals are a little bit lumpy. We do have decent visibility for the next 3-6 months and we believe that we have created capabilities that will allow us to deliver consistently, but for large deals, there will be a degree of lumpiness and a degree of volatility. But as of now, we feel very comfortable with our pipeline, with our win rates and with our capabilities.

Rohit Anand: And this is considering the fact our filtering mechanism will continue to be strong, and we will continue to be selective, the iteration that Mohit that made on our deal choices, so that continues.

Vibhor Singhal: Just one last question from my side, you alluded to weakness in the Pininfarina business in Manufacturing vertical, how deep do you think the problem in the auto business is because some of your competitors have been calling out, the auto sector companies, especially in Germany are facing headwinds and the tech spends are likely to be modest, do you see this thing also in our business excluding Pininfarina as well? And do you see that continuing for some time to come?

Mohit Joshi: So, bulk of the weakness that you saw in Manufacturing for this quarter, from a year-on-year comparison perspective really relates to Pininfarina, right. The Pininfarina business is a little bit lumpy because there is a Manufacturing operation there as well, right. So, part of the lumpiness is because of that. Actually, if you look at it as a company, aside from Pininfarina, most of our auto exposure is in the US and the US has been relatively sort of more shielded compared to European auto, so most of our exposure non-Pininfarina is to US auto and not to Europe auto. I feel that we have also over the past one year had a huge focus on building out the engineering side of our auto operations rather than only the IT side and we have seen some good progress there, including more recently with Japanese automakers as well, right. As you know, with Japanese automaker, it is a very long approval and a validation and a selection process. But we have made the leap for some of the largest Japanese automakers, and I am confident that we will be able to drive growth there as well. While the auto sector is pressured, it is a very significant portion of our Manufacturing revenue, the fact that we are looking to diversify our exposure across geographies and the fact that our exposure non-Pininfarina to European auto manufacturers is somewhat limited will hopefully give you a degree of comfort in that space.

Vibhor Singhal: If I may just harp upon that slight more and pick up the point that you mentioned, given that the weakness in the European auto is quite visible at this point of time, is there a fundamental difference between the European and American automakers that makes you believe that the weaknesses that you see in European auto won't spill over to the US or the Japanese automakers at some point of time in the coming quarter?

Mohit Joshi: Anything is possible. I am just telling you what we are seeing just on, but we do feel that look, if we have a diversified base rather than over dependence on a single geography, I think the long run it will stand us in good stead. If I include Pininfarina as well, we also have a good European auto presence we obviously have a strongest presence in North America and a growing presence in Japan. So, I do feel that a diversified base will help us because it is unlikely that we will see a simultaneous and equal hit across all the geographies, right.

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

Mohit Joshi: Thank you, operator. So, I think in summary, we see the ingredients coming together in place that should make 2025 a period of further progress for Tech Mahindra. The company's positioning is further improving due to the dedication and expertise of our talent combined with our capability investments and the organization change efforts of the past year. In addition, the overall demand in the services industry has shown stabilization with some areas showing possibilities for improved spending. Additionally, the acceleration of GenAI deployments across various industries and actually the AI deployment across various industries is likely to open up a plethora of possibilities for us and for our clients. Organizations of all sizes will eventually invest in technology to enhance their operations, improve customer experience and drive innovation. We are at the forefront of these innovations, constantly exploring new ways to integrate these technologies into our offerings and to tailor our offerings to deliver unparalleled value to our clients. In 2025, we will continue to invest to stay ahead of the curve and drive technology advances. We believe that by fostering a culture of collaboration and excellence, we can develop solutions that address the evolving needs of our customers and set new industry standards. Thank you all again and wish you all a wonderful 2025.

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.