HCL Tech.

21 April 2026

Operator: Good day and welcome to HCLTech's Q4 and annual FY26 earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nithin Mutha, Head of Investor Relations. Thank you, and over to you, sir.

Management: Thank you, Darvin. Good morning and good evening everyone. A very warm welcome to HCLTech's Q4 and annual FY26 earnings call. We have with us Mr. C. Vijayakumar, CEO and Managing Director of HCLTech, and Mr. Shiv Walia, Chief Financial Officer, along with the broader leadership team to discuss the performance of the company during the quarter, followed by a Q&A. In the course of this call, certain statements that will be made are forward-looking which involve a number of risks, uncertainties, assumptions, and other factors that could cause actual results to differ materially from those in such forward-looking statements. All forward-looking statements made herein are based upon information presently available to the management, and the company does not undertake to update any forward-looking statements that may be made in the course of this call. In this regard, please do review the safe harbor statements in the formal investor release document and all the factors that can cause the difference. Over to you, CVK.

Management: Thank you, Nithin. Good evening, good afternoon, and good morning to all of you. Thank you for joining HCLTech's Q4 and FY26 earnings call. This year marks 50 years of HCL Group — 50 years of building, reinventing, leading, and giving back. It is the start of the next one. The next 50 starts now. It is fitting that as we mark this milestone, HCLTech has been named to Fortune's World's Most Admired Companies 2026 list.

Coming to business performance, FY26 unfolded with an uncertain outlook. Tariff volatility remained a persistent uncertainty, and discretionary spending contracted in traditional areas but emerged in new pockets. Client behavior reflected familiar patterns of cost-takeout initiatives coupled with accelerated adoption of AI-led productivity gains. Notably, AI momentum remains strong with nearly all deals incorporating an AI or GenAI component. Given this backdrop, the year marks the third consecutive year that HCLTech is likely to deliver the highest organic revenue growth among scale players. I sincerely thank all HCLTechies for their dedication and outstanding performance.

Coming to our Q4 performance, our revenue for the quarter was $3.7 billion, a decline of 3.3% quarter-on-quarter and an increase of 2.4% year-on-year. Our services business declined 0.1% sequentially and saw an increase of 4.2% year-on-year. Our software business declined 28.1% sequentially and 14.1% on a year-on-year basis. Advanced AI revenue for the quarter stood at $155.1 million, marking a 6.1% QOQ growth. Our operating margin for the quarter came at 16.5%, and it would be 17.7% excluding restructuring costs.

Apart from the sequential decline due to seasonality in the software business, we saw a delay in procurement decisions in the month of March that resulted in revenue coming below our expectations. In the case of services, our performance during the quarter came in at the lower end of our expectations. This was primarily due to a reduction in discretionary spending in the telecom

vertical, as well as the discontinuation of two SAP programs. Some of this became visible only towards the end of the quarter, mostly in early March. While the annuity programs in the telecom vertical performed as per expectations, the discretionary spend, both in the digital business and engineering services, was cut by select telecom customers, specifically two large clients in the US during the quarter. We expect the impact to continue for the rest of the calendar year as well, which is accounted for in the guidance we will provide.

In FY26, we reported a consolidated revenue of $14.7 billion, an increase of 3.9% in constant currency. All growth rates referred to are in constant currency. This growth includes a growing contribution from advanced AI and AI offerings. Our operating margin for the full year was 17.2%, a dip of 107 basis points compared to the last financial year. Excluding the restructuring costs, our full-year margins were 17.9%, down 40 basis points on a year-on-year basis.

In FY26, our services business achieved a growth of 4.8%. The performance was driven by IT and Business Services, which reported an increase of 3.7%, and Engineering and R&D Services, which recorded growth of 9.8%. HCL Software revenue stood at $1.4 billion and annual recurring revenue at $1.05 billion, a decline of 4.1% and 0.5% respectively. Our annual advanced AI revenue for the fiscal reached $620 million.

After two quarters of strong booking, new deal booking for the quarter moderated to $1.93 billion. Bookings for the fiscal were good. TCV of net new bookings for the year clocked $9.3 billion, same as last year, despite some of the AI deflation that you see in the TCV net new booking.

As we close the quarter and fiscal year, our AI strategy is translating into deeper client engagement and clear market leadership. Momentum across our advanced AI offerings and overall AI portfolio remains strong, reflecting the strength of our early bets and our continued focus on AI that scales from experimentation to measurable business impact. Our ambition is to be the best AI solutions company leveraging our engineering pedigree. Our AI growth strategy is based on: one, proactive transformation of our services; two, building differentiated IP that helps clients scale AI adoption within the enterprises; three, expanding into new AI-led services; four, strengthening our AI partnerships; and five, grooming our AI talent.

If you look at our client categories, we have grown them across the board, starting with an increase of one for clients greater than $100 million, an increase of eight $50 million dollar clients, and all the way at the $1 million level, we added 28 clients. All $100 million and $50 million client additions are through organic growth. This is a great proof of our AI strategy and the relevance of our AI propositions, and most importantly, the client relevance which is helping us increase wallet share in a number of our top clients.

Let me share an update on each one of these five AI strategic pillars. Starting with the proactive transformation of our services, we have deployed AI across delivery and operations to augment velocity, quality, and efficiency across delivery workflows. Our service transformation platform, AIForce, is now deployed across 75 distinct accounts. This continued momentum is translating into large and strategic deal wins that demonstrate the tangible value of our AI capabilities. Beyond delivering measurable, scalable AI impact for our clients, we are also transforming internally towards an autonomous zero-friction enterprise by reimagining core operations and employee experiences. For example, Lumi, our enterprise AI agent, enables seamless employee interactions and instant

query resolution, and Talent Navigator, our talent acquisition platform which I had talked about last quarter. We released our responsible AI transparency report, the first among GSIs, outlining the progress we've made in embedding responsible AI across our organization and client engagements. The report details our governance model, how we operationalize accountability, fairness, security, privacy, and transparency aligned with global standards.

On the second strategic pillar of building differentiated IP, which includes AIForce and all industry AI solutions: A key focus of our strategy is building differentiated IP that helps clients move from experimentation to scaled impact. In this fiscal, we have filed 38 patents across advanced AI technologies. In parallel, we continue to broaden our AI services portfolio to meet industry-specific needs. This quarter, we launched two new AIForce SKUs for SAP and MedTech. We also unveiled the 2.0 release of AIForce, which further strengthens its agent capabilities with a sharper focus on extensibility, modularity, enterprise-grade governance, and interoperability. This was followed by AIForce 2.1, which enhanced the platform's administrative controls and enriched contextual responses through knowledge graphs. Our existing vertically aligned industry AI solutions are gaining strong market traction and we continue to invest in building scalable, repeatable offerings with three currently under development and more in our pipeline.

Expanding into the third pillar, which is new AI-led services: In physical AI, we unveiled VisionX 2.0, our AJA platform. The release introduces a multimodal AI engine, LVM-based surveillance agent, vertical-specific use cases, zero-touch architecture, zero-touch provisioning, and a scalable H2O cloud design. VisionX integrates with Nvidia Metropolis and supports flexible engine to structure through Dell and HPE. In physical AI, we also launched Kinetic AI DC Ops integrated with AI Factory. Under AI advisory services, we hosted 123 new engagements in our AI labs in Q4 with a notable increase in CEO and CO-led transformation programs. These engagements are increasingly focused on agentic AI-driven enterprise transformation, value stream re-engineering, and workforce transformation.

I want to mention two of the many Advanced AI deals we won. A global technology major selected HCLTech for another AI Factory program worth over $100 million. HCLTech's solution will fast-track the client requirements of building and operating next-generation AI data centers to support cutting-edge AI workloads using the latest GPU technologies. A global semiconductor major selected HCLTech's AI engineering services to support ASIC development across multiple advanced node chips, strengthening its position in physical AI. I would also encourage you to view some of the client success stories we have delivered in the new Advanced AI services, showcased through our editorial series with Wired Magazine titled "Pioneers of Enterprise AI" available on our website homepage.

Coming to the fourth pillar, AI partnerships across the entire technology stack: Our ecosystem continues to be a force multiplier for innovation and scale. We announced an expanded collaboration with Google Gemini, leveraging Gemini Enterprise and Gemini models to build custom AI agents for global clients, while strengthening security and collaboration through Google Workspace. HCLTech was selected by AWS as a global capability center partner under the Management initiative and was also named an official launch partner for AWS European Sovereign Cloud, a new independent cloud for Europe. At Nvidia GTC 2026, Nvidia highlighted HCLTech as a key partner using Cosmos to accelerate physical AI training and video analytics — the only GSI

referenced in this context. We recently hosted a virtual hackathon focused on agentic AI to accelerate AI innovation in partnership with Microsoft. In the AI security space, we expanded our partnership with CrowdStrike with the launch of continuous threat exposure management services, enabling continuous intelligence-led identification, prioritization, and remediation of exposure across endpoints, cloud, identity, applications, and data.

We continue to bring academia and industry together through partnerships like MIT. Recently, we expanded our collaboration with MIT Media Lab to include an applied AI research internship program and an agentic AI hackathon, building on a shared ambition to advance agentic AI innovation with real-world impact. Lastly, our partnership with OpenAI is delivering measurable impact. They are helping clients scale enterprise AI operating systems and agentic workflows through our dedicated OpenAI enterprise consulting and OpenAI-powered agentic engineering teams, working in close collaboration with OpenAI forward-deployed engineers. Recent examples include two large retailers in Europe and the US. More partnerships are to come in the coming weeks.

On the fifth pillar of developing our AI talent, we continue to expand our talent pipeline. To date, we have trained 135,000 employees in next-generation technologies. Additionally, 11,800 AI builders and more than 700 black belts for service transformation have been trained and certified. Taken together, these outcomes reflect not just strong quarterly execution but a strategy that is clearly resonating with clients as they move decisively into an AI-accelerated future.

Coming to bookings, bookings in Q4 were well-balanced across service lines, geographies, and verticals. Calling out a few large deals, other than the large AI Factory deal for a global tech major and the AI engineering work we are doing for a global semiconductor major, which I mentioned as a part of advanced AI deals: A US-based biopharma major selected HCLTech's physical AI solution, TraceX, to strengthen inventory visibility and control. The engagement will enable the client to improve operational efficiency and accuracy, enhance supply chain resilience, and create a scalable digital foundation to support its broader smart manufacturing transformation program. A US-based global MedTech company selected HCLTech to set up a state-of-the-art cybersecurity center of excellence. By leveraging its next-gen cybersecurity fusion center and AIForce.Secure platform, HCLTech will help establish an adaptive security posture, secure connected health devices, and support regulatory compliance across the client's global value chain. A US subsidiary of a global memory semiconductor group that powers next-generation AI factories and hyperscale data centers worldwide selected HCLTech to provide end-to-end firmware development and sustenance services, helping strengthen the reliability, performance, and scalability of the client's high-performance storage platforms. HCLTech's advanced engineering services will strengthen the client's enterprise-grade storage portfolio. A Europe-based industrial engineering and manufacturing company selected HCLTech to modernize its IT infrastructure and application landscape. HCLTech will leverage its AIForce platform to improve productivity and agility across the client's organization's technology environment.

A few other business updates: In the India AI Summit, we were privileged to host the Honorable Prime Minister of India, Shri Narendra Modi, at our booth. He engaged with us to explore how HCLTech is advancing AI for people, planet, and progress. HCLTech is the only service provider rated as a Customers' Choice across all six published Gartner Voice of the Customer assessments

for IT services. We signed a definitive agreement to acquire Synergic Solutions, a boutique wealth consulting firm headquartered in Singapore. Synergic will enhance our financial services portfolio, adding specialized capabilities in core banking and wealth management transformation. This quarter we also completed the acquisition of Wabi, a data intelligence AI offering, to augment our data offerings in our software space.

We are also recognized as one of the world's most ethical companies by Ethisphere for the third consecutive year. We are also included in the S&P Global Sustainability Yearbook for the fourth year in a row. Coming to our pipeline, market trends, and business outlook, our pipeline remains robust and broad-based across segments, verticals, and regions, with AI increasingly integral to every deal conversation. While we continue to see demand in traditional buying motions through cost-takeout, vendor consolidation and modernization dominate the deal mix. We are continuing to invest in AI-aligned go-to-market, advanced AI offerings, and AI-led service transformation to exploit when client spend ramps up on AI transformation programs.

If we look at the industry today and categorize it, 40% of the industry runs the risk of being disrupted by AI and can shrink at a 3-5% CAGR for a few years and can eventually be 25% of the enterprise spend. This spend is what I would call AI-disrupted and is in traditional areas like application development support, traditional infrastructure operations, and customer support. Then there is 55% of the industry that can take advantage of AI—like data, cybersecurity, and cloud—and grow healthy at about 10% plus, growing its share of enterprise spend marginally. We would call this AI-amplified or AI-augmented services. Finally, there is a market that is AI-native, currently at 5% of the market growing at 30%, which can become 20% plus of the market in 5 years. This includes AI Factory, AI engineering, custom silicon engineering, and many other advanced AI services. Our AI growth strategy is customized to align with the differential growth rates of each of these three categories that I mentioned. We believe it will help us grow faster than the market. Regarding the 3-5% deflation that I mentioned in the AI-disrupted services, based on the mix of services that we have, it would translate to 2-3% for our portfolio.

Overall, geopolitical escalations present a rapidly evolving situation that limits everyone from having a very definitive view of things as they will evolve over the next 12 months. We are seeing some of this impact already hurting the growth outlook in Europe, while there are no broad macro challenges in North America. While our business remains strong, two client-specific challenges in the Americas would have close to a 50 basis points growth headwind in FY27. These customers are going through business challenges which are not related specifically to the macroeconomic conditions and have decided to scale down their IT budgets significantly. For the software segment, we continue to work on pivoting the business to more subscription and steady revenue streams away from perpetual license sales.

On the margin front, the underlying profitability of our portfolio is resilient, and the EBIT margins adjusted for restructuring are indicative of the same. While we work through the specific growth challenges of FY27, the benefit of currency depreciation would be used to continue our investments in sales and GenAI capabilities. Now, coming to guidance: Our guidance for financial year 2027 is as follows. The revenue growth guidance for the full year is 1-4% in constant currency and 1.5-4.5% for services. EBIT margin guidance is 17.5-18.5%. At the lower end, this assumes a continued soft discretionary spend environment and the two clients that I referenced ramp down

beyond the planned ramp-downs. At the midpoint, the two clients land at the planned revenue and discretionary spend trajectory remains constant. At the higher end, we expect a moderate pickup in discretionary spend and a couple of large deals materializing in the first half.

By the way, this guidance does not include the two acquisitions—the Telecom Solutions Group from HPE that we announced as a carve-out, and JasperSoft. Both of these are not closed yet. They are delayed due to US government approval that is delayed due to the US government shutdown of specific departments. Now, I would request Shiv to walk you through more details on our financial numbers.

Management: Thank you, CVK. Good morning, good afternoon, and good evening to all of you. Thank you for joining our Q4 financial year 2026 earnings call. Let me walk you through our financial performance for the quarter first. Starting with the revenue performance, please note all the growth numbers quoted are in constant currency unless noted otherwise. Total revenue for the quarter is $3,682 million, a drop of 3.3% QOQ, but with a growth of 2.4% year-on-year. Services revenue for the quarter came in at $3,386 million, a drop of 0.1% quarter-on-quarter and a growth of 4.2% year-on-year. IT-based services grew 0.1% quarter-on-quarter and 4.3% year-on-year. The ERS segment dropped by 1.3% quarter-on-quarter and grew by 3.8% year-on-year. Software revenue for the quarter is $307 million, a drop of 28.1% quarter-on-quarter and a drop of 14.1% year-on-year. In terms of geographies, during the quarter USA grew at 4.9% year-on-year. Europe dropped 2.9% year-on-year, while Rest of the World (ROW) grew 16.6% year-on-year and India reported an increase of 5.3% year-on-year. In terms of verticals, our Q4 growth was broad-based with six out of seven verticals registering year-on-year growth. Growth was led by Technology and Public Services, up 17.8% year-on-year and 10.7% year-on-year respectively. In terms of clients, our relentless focus on serving our customers has helped us to grow our client relationships. On a year-on-year basis, we added one client in the $100 million category, eight clients in the $50 million category, 11 in the $20 million category, and 26 in the $10 million category. In terms of profitability, our EBIT is $607 million at 16.5% of revenue. If you were to adjust the restructuring expense of 120 basis points this quarter, our Q4 margins are at 17.7%, just 20 basis points down year-on-year. Net income for the quarter is $486 million at 13.2% of revenue. In terms of the margin walk, the software business due to seasonality and delayed client decision-making caused an 181 basis point drop in margins at the company level. Services margins dropped by 27 basis points quarter-on-quarter due to the second cycle of increments in this quarter, which had an impact of 45 basis points. Restructuring expense had an incremental impact of negative 41 basis points and higher bad debt provision had an impact of 19 basis points. Project SN helped us to obtain a 13 basis point gain during the quarter and Forex had a positive impact of 65 basis points. Now, moving on to our financial performance for FY26. Here again, please note that all the growth numbers quoted are in constant currency unless noted otherwise. Starting with the revenue performance, total revenue for the year is $14,664 million, a growth of 3.9% year-on-year. Coming to the services side, services revenue came in at $13,350 million, a growth of 4.8% year-on-year. Software revenue for the year is $1,395 million, a degrowth of 4.1% year-on-year. Moving on to profitability.

Management: Our EBIT is at $2,526 million at 17.2% of revenue, which is down by 107 basis points on a year-on-year basis. Adjusted for restructuring, our EBIT margins for FY26 stood at 17.9%, down 42 basis points versus last year. Project SN has been instrumental in helping us stabilize our margins as we navigate a tough FY26 with an uncertain demand environment. Net income for the

year is at $1,959 million at 13.3% of revenue. EBIT and net income exclude the one-time impact of new labor codes; including the same, FY26 EBIT is at $2,417 million and net income is at $1,877 million.

Moving on to return on invested capital (ROIC): Our ROIC continues to improve, thanks to our ongoing focus on profitability and efficient capital management. The last 12 months ROIC is at 40.3% for the company, up 235 basis points year-on-year, and services ROIC now is at 47%, up 155 basis points year-on-year. Software continues to improve its ROIC at 42.6%, up 274 basis points year-on-year. In terms of cash generation, over the last 12 months, operating cash flow is at $2.25 billion with free cash flow amounting to $2.09 billion. Operating cash flow to net income conversion is healthy at 115%. Free cash flow to net income is at 107%. Our balance sheet continues to strengthen with gross cash at $3.53 billion and net cash at $3.51 billion. Our DSO is currently at 84 days, which increased by 3 days quarter-on-quarter.

In terms of EPS and dividend for our shareholders: The diluted EPS for the last 12 months came in at Rs.64.01 which is down 0.1% year-on-year. Including the impact of the new labor code, the diluted EPS is at Rs.61.36. The board has declared an interim dividend of Rs.24 per share for the quarter. The record date is April 25, 2026, and the payment for the same shall be on May 6, 2026. That brings our last 12 months payout to Rs.60 per share, effectively distributing 97.6% of our net income. Now, regarding the capital allocation policy: Over the last five years since introducing our capital allocation policy in FY22, we have paid out 89.9% of our net income to our shareholders. This translates into a record $8.5 billion in cash back to shareholders. We are pleased to share that the board has extended the capital allocation policy today for a period of another five years. In line with our previous policy, we are committed to returning at least 75% of our net income back to the shareholders over the next five years. That's all from my side for now. I would like to hand over the session to our moderator for today's Q&A session. Thank you.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to please use handsets while asking a question. You are also requested to please restrict yourselves to one question only per participant. If you have any further questions, you may rejoin the queue. Ladies and gentlemen, we will now wait for a moment while the question queue assembles.

Operator: Our first question comes from the line of Abhishek Pathak from Motilal Oswal Financial Services Limited. Please go ahead.

Abhishek Pathak – Motilal Oswal: Yeah hi, thank you for the opportunity. Am I audible?

Operator: Yes, you are audible.

Abhishek Pathak – Motilal Oswal: Yeah hi team. So team, my first question is on the deflation number that CVK referenced. So CVK, on the 3-5% deflation estimate that we have, what is the risk that this number keeps expanding over the next 2 to 3 years as model capabilities improve and as more and more of what IT services provides comes under the gambit of what Generative AI can do? That's the first question. The second question as an offset to that is you did mention your offerings across reach, design, agentic AI, etc. So across those five offerings that you have, which of the

offerings do you think are seeing the maximum uptake and where do you feel like you are over-indexing a lot over the next 2 to 3 years, so the impact of deflation gets offset? And if I could just squeeze in one more on the guidance front, how much of the guidance softness comes from geopolitical pressures and how much of it comes from the events that happened between the last 2 or 3 months, including the release of Anthropic models or the geopolitical impact that we've had? Thank you.

Management: Thank you, Abhishek. Let me answer one by one. Starting with the deflation number of 3-5% that I shared, it is mostly based on the industry mix of services. For the specific question on how that changes with respect to model effectiveness, I think most of the enhancement in models is really driving more and more velocity and efficiency in the SDLC lifecycle. So I think □ piece could go through a slightly higher deflation based on this model outcome. In the rest of the areas, it is agentic — it is human in the loop. Even the latest model from Anthropic, its ability to run production environment fixes without human in the loop is very limited, and this has been acknowledged even in their own release notes. So it depends on the service mix, and for us, we called out 2-3%, and I think that holds true even now.

In terms of new services, I think that's a great question. We have obviously called out five key areas: Physical AI, AI Factory, custom Silicon engineering for inferencing, AI-led marketing services, and IP and platforms. Of course, IP and platforms are integral to a lot of service transformation; it has a small component of IP embedded into it. I think AI Factory is where we are seeing tremendous traction. One of the large deals that we called out this quarter is a $100 million plus AI Factory deal for the design, implementation, and support of a next-generation AI data center for a large technology company. So I think we are seeing good traction. We are already into two major clients for this, and we hope to get to another three or four more in this coming year. Similarly, on semiconductor engineering, we also announced a new deal this quarter on physical AI, which is really some ASIC development work on advanced nodes — which is also cutting-edge work. These are the areas on which we are doubling down and we see great traction.

Coming to what the guidance reflects, I don't want to say that geopolitics is driving this; I want to be more specific. Of course, there has been some impact in March, which is reflected in our significantly lower revenue in Q4. As I said, two large telecom clients have cut down on their discretionary spend for this calendar year. I see that continuing until the end of the year, and a couple of SAP programs were discontinued, which will also have an impact. We are seeing some softness in Europe, while the US seems to be quite robust except for the specific client situations that I called out. For FY27, for two clients, we see a half a percent reduction due to their own business. We continue to have a very high wallet share, but due to their own business pressures, they have reduced significant spend, and that is what is driving the overall guidance.

Abhishek Pathak - Motilal Oswal: Thanks CVK, all the best.

Management: Thank you.

Operator: Thank you. Our next question comes from the line of Sudhir Mantapali from Kotak Mahindra Asset Management Company. Please go ahead.

Sudhir Mantapali – Kotak Mahindra: Uh yeah hi, just one clarification. Are these two telecom accounts overlapping, or are they two separate events? That is number one. Number two, what gives you the confidence that these two might be isolated events and there is no underlying sectoral causality driving this at a vertical level — either at a telecom vertical level or maybe in a broader set of SAP implementation programs or in any particular geography at this stage? And third, if I may, if you add back that 50 basis points of impact because of these two accounts, you're essentially talking about a 2-5% kind of growth in services, which might be a bit softer than what we were anticipating. Anything to explain that delta would be helpful. Thank you.

Management: Yeah, the two telecom clients and the two other clients are completely different. The two other clients where there is a half a percent decrease in the FY27 guidance — which is whatever $75 plus million dollars — one is a large manufacturing client, and the other one is a retail client. So there is no overlap in these clients. Now, regarding what gives us confidence that this is restricted: as I said, in the lower end of our guidance, we are baking in that the softness continues. That's what we have baked in at the lower end of our guidance. I think, given it's a well-known fact that 2-3% deflation happens, barring this, getting to 2-5% is a reasonable growth in the given environment and with so much uncertainty. I think it's good, and this of course does not include any acquisitions. Those will get closed sometime during the year and we will call them out separately.

Sudhir Mantapali – Kotak Mahindra: Thanks.

Management: Thank you. Outside of these two data points that we shared, the business continues to perform at the same pace. So I think we've done enough validations to arrive at our guidance.

Operator: Thank you. Our next question comes from the line of Nitin Padmanabhan from InvesTech. Please go ahead.

Nitin Padmanabhan – InvesTech: Yeah hi, good evening. Thank you for the opportunity. So the impact we had in Telecom this quarter, I think sequentially it's some $12-odd million. So that began in March. Should we assume that you'll see a full quarter kind of impact in the next quarter? So over and above this 50 basis points which is with those other clients, this itself is quite a drag. Is that a fair understanding?

Management: Yeah, almost a percent drag. I wouldn't say that it was only in March, though the decision was communicated in March. But it does have a little more impact than just one month because I think these were the SOWs which were expected as a part of the calendar year 2026 spend. It was dragging and finally it was called off. I would say it's a little more than a month, and that will create a significant drag. We are assuming at least that stays until the end of the year, and that is all accounted for in our guidance.

Nitin Padmanabhan – InvesTech: Sure. That's helpful. The second one I wanted to ask you was on the cancellation of SAP programs. Is this purely a budget decision, or is it a technology or strategic decision regarding the cancellation of the SAP programs?

Management: I think these were related to client budgets. I think they deprioritized this modernization. I think there is a general understanding that the timelines for some of this are also going to get extended from SAP, and some of that is probably playing into these decisions.

Nitin Padmanabhan - InvesTech: Sure, that's helpful. Just one last one from my end: on the products business, considering that a lot of these were end-of-life products which we have built on and tried to modernize in the context of whatever we are seeing with AI and all of that, how are you thinking about the long-term trajectory of this business? Are we likely to see a higher cadence of new product launches from your end to sort of make up for that?

Management: Yeah, first of all, the Q4 revenue decline is not related to anything on AI or any of the latest developments. As you know, the last fortnight of the quarter is crucial for all the deal closures in the software segment. I think the situation in West Asia led to a deferral in client decision-making, and some of the delays in the US government also caused this. We expected it to get done before March, but it didn't get done. Then, of course, there were a couple of other situations where some client stakeholder changes led to more scrutiny and review of the deals. I think it's very specific, and our long-term trajectory for the software business remains intact. There are three broad portfolios: one is data, the second is operations — which includes IntelliOps and AUX platforms — and the third is experience, which has some of the declining products. So, the two categories which I called out — data and operations — are growth-oriented.

They will get offset by the declines in the experience portfolios. Our expectation is low single-digit, flattish, or marginally declining growth for the coming year. As the recurring part of the portfolio improves, that will also help because right now there is still, if you see on a year-on-year basis, a bigger decline in the perpetual licenses and a slight decline or flattish performance in the steady-stream revenue. I think we need to go through the entire cycle, but it's not something we are able to predict because, especially with government buying, which is all perpetual licenses, we're not able to clearly predict it at this point.

Nitin Padmanabhan - InvesTech: Sure. That's very helpful. Thank you so much and all the very best.

Management: Thank you.

Operator: Thank you. Our next question comes from the line of Kumar Rakesh with BNP Paribas. Please go ahead.

Kumar Rakesh - BNP Paribas: Hi, good evening and thank you for taking my question. My first question was regarding near-term performance. In the first quarter, we usually see seasonality when there is a productivity pass-through that happens. Given there are a couple of client-specific issues which will have a full quarter impact, should we see higher than usual seasonality going into the first quarter? Also, on the deal TCV, you mentioned that there was some deflationary impact of AI in that. From at least the near term, should we expect the deal TCV to remain muted around $2 billion?

Management: Yeah Rakesh, see you can assume the usual Q1 seasonality. Even in spite of the headwinds that we had in Q4 which will continue into Q1, the mega-deal ramp-up is on track, and that growth will offset the headwinds from the two client challenges that we talked about. Otherwise, you can assume usual Q1 seasonality.

Kumar Rakesh - BNP Paribas: And regarding the TCV and AI impact?

Management: Yes, of course. Whatever $100 million normal ITO deal would be much less today, maybe $80 million, just on a rough ballpark. So the deal TCV is flat, but technically it has required at least 25% or 30% more effort to convert and get to the same number.

But I also want to call out that we have lost some deals which were voluntary losses. We have walked away from some deals which did not make sense, and that would have easily contributed at least a billion dollars more to this number. It is only prudent to be a little bit more careful and spend the energy and organizational bandwidth on reinventing for the future and enhancing our AI positioning and delivering more value to our clients using AI, instead of fighting for some of the traditional deals where it is, of course, hyper-competitive. If it doesn't make sense, we've walked out on quite a few in the last six months.

Kumar Rakesh - BNP Paribas: Thanks for that. The second question was regarding the capability side. For the infrastructure managed services work that we do for enterprise customers, do we have a scope of work with hyperscalers as well, and if yes, how does that differ from the work that we do for enterprise customers?

Management: Yes, of course it is different because you're managing the hyperscaler networks, the AI Factory, and a lot of the operational work. The tools used are different and the underlying network technology is significantly different. It's really a similar kind of capability but on different technologies. We have invested in training and retraining a lot of our infrastructure and data center teams to participate in the new AIDC programs, and we've also hired a lot of lateral talent because a lot of this is also very geography-specific. We have been hiring a lot more lateral talent on this front in the last year.

Kumar Rakesh - BNP Paribas: Thank you.

Operator: Our next question comes from the line of Vibhor Singal from BofA Securities. Please go ahead.

Vibhor Singal - BofA Securities: Yeah hi, thanks for taking my question.

Management: Yeah, go ahead.

Vibhor Singal - BofA Securities: Yeah, CVK, my question was on the product business. You mentioned that there was a spillover from the last 14 days of this quarter because of which the revenue was a bit down. For the full year as well, our product business is down 4% on a year-on-year basis. Is the revenue that we missed in this quarter kind of a spillover? Can we expect that to come back in Q1, and hence will the next year performance for the product business look better, or what is the trajectory that we're looking for given the circumstances with tariffs, the war, and other external factors?

Management: Yeah, regarding whether these deals will come back, there are too many variables so it's too early to say, and the timing of closure is unpredictable. But you would have noticed this would be the first time in recent years where the total revenue growth is half a percent below the services revenue growth. At the lower end, you can compute what our assumptions for the software business have been.

Vibhor Singal – BofA Securities: Right, got it. And if I look at just the client-specific issues that you mentioned — two in telecom, one in manufacturing and one in retail — I would assume that three of them would probably be in the R&D part and the retail would be in the pure IT services part.

Management: No, I mentioned the telecom is in the discretionary spend. It's the digital business which is part of our ITBS portfolio. The manufacturing client is in both engineering services and BPO; both are pretty large. The retail client is also mostly in our digital business where we were building a new platform.

Operator: Our next question comes from the line of Rushab Jain from Axis Capital. Please go ahead.

Rushab Jain – Axis Capital: Hi, thanks. This is Rushab from Axis Capital. So CVK, you talked about 3-5% deflation. I think that's what we see anyway, even before AI, during time renewal deals where we were seeing 10-15% over the life of the deals, which translates to more or less 3-5%. It doesn't look like there is anything significantly different with AI. Would that be right?

Management: No, I think we were always careful that this is an incremental impact. The traditional productivity what we normally commit in a Greenfield or in a first-generation outsourcer — we should now be looking at an incremental impact or reduction in the overall solution.

Rushab Jain – Axis Capital: Right. And should we think about this then as low-to-mid single digits being your equivalent to high single digits for demand? Does the lack of growth in the last three years and now the fourth year mean we can say some of this is also due to AI deflationary impact?

Management: No, I would say that very little has really played out in the already reported numbers. We expect this to happen in FY27 and onwards, and that is also why you see this guidance lower than what we had given last year.

Rushab Jain – Axis Capital: Thanks for those thoughts.

Management: Thank you, Rushab.

Operator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. C. Vijayakumar, CEO and MD, for closing comments. Over to you, sir.

Management: Yeah, thank you everyone for joining us on our earnings call for the financial year 2026 closing. I think given the backdrop of the external environment, HCLTech has delivered good performance while dealing with all the different variables that are playing out. Our business remains very resilient and we continue to focus on reinventing the company to be the best AI solutions company with an engineering pedigree. On that basis, we want to focus and reinvent. We will see differential growth rates in all the three different categories: AI-disrupted, AI-amplified, and AI-native or Advanced AI services. We really look forward to growing our AI-native services in the 25-30% range, and that will truly be the validation of how we are evolving as a company. Thank you for your support and I look forward to talking to all of you in due course. Thank you and good evening.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you. On behalf of HCLTech, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.