Operator: Ladies and gentlemen, good day and welcome to the TCS earnings conference call. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Neha Shah from the Investor Relations Team at TCS. Thank you and over to you.

Management: Thank you, operator. Good evening and welcome everyone. Thank you for joining us today to discuss TCS's financial results for the third quarter of fiscal year FY26 that ended on December 31, 2025. This call is being webcast through our website and an archive including the transcript will be available on the site for the duration of this quarter. The financial statements, quarterly fact sheet and press releases are also available on our website.

Our leadership team is present on this call to discuss our results. We have with us today Mr. K. Krithivasan, Chief Executive Officer and Managing Director; Ms. Arati Subramanian, Executive Director, President and Chief Operating Officer; Mr. Samir Seksaria, Chief Financial Officer; and Mr. Sudip Kunummel, Chief Human Resources Officer.

Our management team will give a brief overview of the company's performance followed by a Q&A; session. As you are aware, we don't provide any specific revenue or earnings guidance and anything said on this call which reflects our outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. We have outlined these risks in the second slide of the quarterly fact sheet available on our website and emailed out to those who have subscribed to our mailing list. With that, I would like to turn the call over to K. Krithivasan.

Management: Thank you, Neha. Good evening everyone. Wish you all a very happy new year. The growth momentum we witnessed in Q2 FY26 continued in this quarter. In Q3, we delivered 67,087 crores in revenue. In reported currency, our revenue grew by 2% sequentially and 4.9% on a year-over-year basis. In constant currency, our revenue grew 0.8% sequentially. Our international services revenue grew by 0.4% sequentially.

Growth was led by the consumer business group, energy, resources and utilities, life sciences and healthcare, and communications, media and information vertical. Technology, software and services did well adjusted for seasonality. Amongst major markets, Europe continued to do well while North America was sluggish. Regional markets continue to deliver strong growth. All service lines continue to grow well sequentially. Most client segments showed improvement.

On an LTM basis, this quarter we gained two additional clients generating more than $100 million in revenue, 8 clients exceeding $20 million, and 23 clients bringing in over $1 million each. In Q3, our operating margin stood at 25.2%, remaining stable sequentially, excluding one-offs. We remain steadfast in our ambition to become the world's largest AI technology services company through a comprehensive five-pillar strategy. We are delivering accelerated value to our clients through strategic investments across the full AI stack from infrastructure to intelligence. Our AI services now generate $1.8 billion in annual revenue and are growing at 17.3% quarter-on-quarter in constant currency.

In Q3, we continue to win several large deals across markets and industries including one mega deal win in North America. We achieved an overall TCV of $9.3 billion. BFSI TCV was at $3.8 billion, consumer business TCV was at $1.4 billion, and North America TCV stood at $4.9 billion. Based on client conversations, strong deal momentum, and the leadership we are gaining in AI, we are confident of a good calendar year 2026. I'll now invite Samir to share further details on our financial performance.

Management: Thank you. Good day everyone. Highlighting the revenue numbers, it is 67,087 crores. That is a Q-on-Q growth of 2% in rupee terms and 4.9% year-over-year. In constant currency, it is 0.8% sequentially. Coming to margins, improvements in productivity, pyramid, and other operational efficiencies delivered an 80 basis points benefit. Favorable currency movements contributed an additional 20 basis points. The full quarter impact of the wage increases announced last quarter had a negative impact of 50 basis points. Investments in brand building and partnerships had an impact of 50 basis points.

All of the above resulted in stable operating margins at 25.2%. The operating margin excludes a few one-off items recognized during this quarter. These exceptional items relate to severance-related expenses, legal provisions, and the impact of changes in the India wage code. Our net income margin was at 20% and our EPS grew 8.5% in year-over-year terms. Our account receivable was at 76 days outstanding in dollar terms. Net cash from operations was at $1.6 billion, which is 130.4% of net income. Free cash flows were at $1.4 billion and invested funds at the end of the period stood at $7.1 billion.

Our sustained margin performance and strong cash conversion this quarter reflect our disciplined execution and strong financial resilience. Backed by a robust balance sheet, we continue to invest confidently in strategic growth areas. Executing our five-pillar AI strategy at speed and scale is central to our transformation into an AI-first enterprise and delivering long-term value to our stakeholders. Our capital allocation policy remains unchanged, which is to return substantial free cash flows to our shareholders. The board has recommended an interim dividend of 11 rupees per share and a special dividend of 46 rupees per share. I would now like to invite Arati.

Management: Thank you, Samir. Good evening everyone. I would like to begin by wishing all of you a great year ahead. As you know, this quarter we hosted our analyst day on December 17, 2025. We provided a comprehensive view of our strategy and approach to realize our stated ambition. We covered our full-stack AI play across infrastructure to intelligence and provided details on the five strategic pillars powering our AI transformation.

From a Q3 perspective, multiple service lines delivered growth. AI and data, enterprise solutions, IoT and digital engineering, and cybersecurity led the growth this quarter. Our annualized AI revenue crossed $1.8 billion with 17.3% quarter-on-quarter growth in constant currency. The rate of production deployment for AI in 2025 showed a marked improvement over the prior year.

Last quarter, I talked about how our AI innovation days and rapid build approach are making AI real for our customers. With many enterprises looking to jump-start and scale their AI transformations, these are fast becoming our core levers. Regarding our internal transformation, "TCS to the power

AI," we continued to democratize access to AI tools. Our AI Friday Hackathon generated more than 15 patentable solutions. We also launched AI-first solutions in hiring and employee onboarding and scaled our personalized learning platform, the Learning Coach.

Redefining service lines with AI is a strategic priority. We shared details of a unified human plus AI services autonomy model with five levels. For a global insurer, we improved software engineering practices from level 2 to level 3 autonomy, delivering a 2x improvement in deployment frequency. For a leading UK airline, we compressed major incident cycles by half, resulting in 40% higher operational efficiency.

In Q3, we sustained our focus to innovate, build, and scale AI solutions. We see the innovate-to-build cycle accelerating sharply with over three times more rapid builds delivered this quarter. We set up two AI labs in India: one for a leading US insurer and another for a regional US bank for agentic AI-led operations in KYC and AML.

We also delivered several high-impact AI implementations. Our team played a key role in reimagining store operations with multiple agents automating routine interventions, boosting sales by 25% and saving store managers 90 minutes of weekly effort. TCS won the IoT Breakthrough Award 2026 and was recognized as the AI-powered IoT Solution Provider of the Year. In summary, Q3 saw good traction across services in a traditionally soft quarter. Thank you. I would now like to hand over to Sudip.

Management: Thank you, Arati. Hello everyone again and wishing you a very happy-new-year. Our associates are at the heart of our transformation. At the end of Q3 FY26, our global headcount stood at 582,163 with associates from 149 nationalities and 35.1% women. The last 12 months' voluntary attrition in IT services stands at 13.5%, up 20 basis points sequentially.

We continue to make significant investments in building a high-performance workforce. 51.2 million learning hours have been completed year-to-date. We now have 217,000 plus employees with higher-order skills in AI, which is a 3x increase over last year. AI is creating new roles such as rapid build engineers. Over 50% of our experienced hires are coming with next-generation skill sets. Our initial learning programs for fresh graduates now include generative AI as an integral part of the curriculum.

Recently, we were ranked number 1 in Everest Group Peak Matrix for talent readiness for next-generation data analytics and AI services. We were also featured on Forbes' America's Best Employers for Engineers 2026. I would now like to invite Krithi back.

Management: Thank you, Sudip. Let me now share more details on our performance across industry verticals. BFSI continues to show good growth momentum despite seasonality. BFSI achieved an overall TCV of $3.8 billion, up by $600 million quarter-on-quarter. This includes one mega deal in North America. Organizations continue to exercise cost discipline, prioritizing investments in resilience and compliance.

Retail banks are focused on enhancing customer experience and fraud prevention, while corporate banks are modernizing through cloud migration. For a major global insurer, TCS implemented an AI-powered underwriting solution that shortened quote turnaround time from weeks to hours. For a

Finnish insurance company, an AI-driven quality assurance framework reduced manual testing efforts by 70%.

Our Consumer Business Group saw sequential growth led by retail, travel, and hospitality. Retailers are focusing on value-driven strategies and AI personalization to offset cost pressures. The life sciences and healthcare sectors also saw good growth momentum. Biopharma manufacturers are increasingly investing in automation and AI-driven labs.

Moving to Manufacturing, this sector posted maximum growth in Q3. Automotive remains challenged, but other industries demonstrated growth momentum. We expanded our 18-year partnership with ABB to modernize its global operations and strengthen its digital foundation.

Our Technology, Software, and Services group grew in Q3 primarily due to seasonality. While big tech companies are investing in AI infrastructure, the broader industry faces geopolitical uncertainty. A prominent North American software company engaged TCS for retention and churn mitigation services, implementing a robust execution model to enhance platform adoption.

Communications, Media and Information (CMI) showed positive growth momentum, led by automation efficiency. Energy, Resources, and Utilities saw strong growth as the sector moves toward a low-carbon future. In India, regional markets remain resilient with revenue growth led by the enterprise segment.

Regarding the fifth pillar of our strategy, the AI ecosystem play, we announced a billion-dollar partnership with a leading global alternative asset management firm. We also announced the acquisition of a firm in the US to boost Salesforce and AI consulting services. We are now among the top global Salesforce consultants with over 500 experts. With this, I will now open the line for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Participants who wish to ask a question may press star and one on their touch-tone phone. Take our first question from the line of Sudhir Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudhir Guntupalli – Kotak Mahindra AMC: Hi, thanks for the opportunity. I'm just drilling down on your initial remarks of confidence of a good 2026. Maybe you can elaborate on this statement a bit more. Are you seeing any green shoots of improvement or progress that is giving you this confidence, and in which segments should we expect international recovery?

Management: Thanks, Sudhir. In Q2, we had called out that the overall demand environment is improving compared to Q1. In Q3, that trend continued. As mentioned, the number of rapid build projects in AI is increasing, where decision-making is based on ROI. We see this reflected in our revenue. This is across all industry segments, with AI and data continuing to drive growth for us.

Sudhir Guntupalli – Kotak Mahindra AMC: Okay, and regarding the weakness in North America and UK, is seasonality alone explaining this or are other issues playing out?

Management: It is primarily seasonality that impacted us here.

Sudhir Guntupalli – Kotak Mahindra AMC: Thank you and all the very best.

Operator: Thank you. Next question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon – Macquarie: Hi, thank you. The other expenses saw a sharp increase of about 14%. Could you talk about that? And on the AI revenue, is this driven by specific sectors or a broad landscape adoption?

Management: On the other expenses, it is primarily on account of legal expenses, marketing initiatives, and events we conducted in Q3. Regarding AI revenue, which reached $1.8 billion this quarter, these are primarily AI programs across the industry value chain and the data efforts required to deliver them. It doesn't include internal usage like software engineering or testing.

Operator: Thank you. Next question is from the line of Ankur Rudra from JP Morgan. Please go ahead.

Ankur Rudra – JP Morgan: Hi, thanks. You mentioned weakness in the BFSI segment was seasonal. Do we expect this growth momentum to reflect in revenue growth going forward? And similarly for retail, is that pickup sustainable?

Management: In BFSI, the seasonality impacted us this quarter, but the deal momentum excluding the mega deal gives us confidence we will return to growth. In retail, we are seeing growth across most sub-verticals, though there are still pockets of weakness in UK fashion and specialty. Generally, we are seeing a pick-up.

Ankur Rudra – JP Morgan: Got it. You mentioned targeting higher growth in developed markets. Do you think you can achieve that this year?

Management: It continues to be our aspiration. We have one quarter left, and we are making every effort to grow better in FY26 in international markets compared to FY25.

Ankur Rudra – JP Morgan: A question for Samir on margins. We had strong performance despite wage hikes. Are we getting closer to the 26-28% range? And on the labor law provision, what is the nature of that exceptional item?

Management: We want to inch closer to that 26-28% range and will make all efforts to climb toward 26%. Regarding the labor code, we made a provision of 2,128 crores based on new guidance. This covers past service costs for gratuity (1,800 crores) and leave liability (300 crores). On an ongoing basis, the impact should be in the range of 10-15 basis points.

Operator: Next question is from Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan – Investec: Hi, do you think North America will start catching up from a growth perspective? And regarding restructuring, are those costs largely over?

Management: In North America, customers are looking at ROI-based decisions and the cycle has reduced. We are optimistic. Regarding BSNL, revenue this quarter is similar to last quarter; we await the final PO for a revenue pick-up. On credit cards, we don't see a major net impact from the new rules.

Management: Regarding restructuring, we continue to hire top talent while releasing people where redeployment into future roles isn't successful. We released approximately 1,800 people this quarter and expect this to continue into the next quarter as well, though it's a process-driven review rather than chasing a specific number.

Operator: Next question is from Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh – BNP Paribas: Your book-to-bill has been below 1.3 recently. Are you comfortable that this order book can support growth beyond FY26?

Management: Our order book for the first three quarters is in the range of $28-29 billion. If this continues, we will be near $38-39 billion for the year, which is one of our highest. We are comfortable this will help us in FY27 as well.

Kumar Rakesh – BNP Paribas: On AI revenue, agentic AI implementation is described as "cautious." Could you clarify?

Management: In 2025, adoption has shifted from POCs to ROI-led scale implementation. Agentic AI is being introduced to create value-driven solutions. Regarding expenses, about 10-20 basis points of the increase this quarter could be considered one-time.

Operator: Next question is from Keith Bachman from BMO. Please go ahead.

Keith Bachman – BMO: What do the economics of renewals look like today versus 2 years ago? Is there more price pressure or scope expansion?

Management: Most renewals have productivity built in, traditionally 10-15% over the contract term. However, every time a renewal happens, it usually increases the scope. Net-net, the top-line value often doesn't decrease because the volume of work we deliver increases. With AI, we proactively offer productivity benefits to customers to secure these renewals.

Keith Bachman – BMO: Are you structuring contracts differently, perhaps with more flexibility or gain-sharing?

Management: Some clients are open to it, but most contracts still assume an aggressive productivity target from the start. We are open to sharing productivity benefits, but currently, most follow a structured path of expected improvements over time.

Operator: Next question from the line of Ganeshsri from Choice Institutional Equities. Please go ahead.

Ganeshsri – Choice Institutional Equities: Could you provide more color on the AI pipeline growth? And when will the data center operations start contributing to revenue?

Management: We are seeing increased momentum quarter-on-quarter. The annualized AI revenue grew from $1.5 billion in mid-December to $1.8 billion by the quarter close. Regarding data centers, we will first announce an anchor customer. Typically, the build-out requires about 18 months before revenue starts kicking in.

Operator: That was the last question for today. I now hand the conference over to management for closing comments.

Management: Thank you, operator. In summary, the growth momentum we witnessed in Q2 FY26 continued in Q3 FY26. In Q3, our revenue grew 0.8% in constant currency with an operating margin of 25.2%. AI services now generate $1.8 billion in annualized revenue and are growing at 17.3% quarter-on-quarter. Our TCV was strong at $9.3 billion. We remain steadfast in our goal to become the world's largest AI technology services company. Thank you all for joining.

Operator: Thank you. On behalf of TCS, that concludes this conference call. You may now disconnect your lines.