

## Tech Mahindra

**Operator:** Ladies and gentlemen, good day and welcome to the Tech Mahindra Limited Q3 FY26 earnings conference call. We have with us today Mr. Mohit Joshi, Chief Executive Officer and Managing Director, Tech Mahindra and Mr. Rohit Anand, Chief Financial Officer, Tech Mahindra.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Joshi, MD and CEO for Tech Mahindra. Thank you and over to you, sir.

**Management:** Thank you. Good morning and good evening. I welcome all of you to our earnings call for the third quarter of FY26. We are starting the calendar year on a very positive note. The third quarter has delivered a strong performance with most of our targeted market segments contributing meaningfully to our results.

Most importantly, deal momentum has remained robust during the quarter. We recorded our highest quarterly deal bookings in the last 5 years, our highest deal wins on a last 12 months basis in the last 5 years, and our largest deal win in Europe in the communications industry. This underscores the strength of our client relationships, the relevance of our capabilities, and our ability to deliver long-term value at scale.

Before moving to our third quarter business performance, I wanted to touch briefly on this mega deal win in Europe. This is a strategic engagement with a leading European telco, one of the largest wins in the company's history with a total contract value exceeding \$500 million over 5 years. This multi-year partnership is about a comprehensive modernization of the client's applications across both the CIO and the CTO domains aimed at accelerating innovation, strengthening digital resilience, and achieving AI-led operation efficiencies enabled by deep domain expertise and proven transformation capabilities. This win further strengthens our leadership position within the telecom vertical.

Let me now turn to our business performance for the quarter. Revenue grew 2.7% year-on-year and 1.5% QOQ on a reported basis and 1.3% YOY and 1.7% QOQ on a constant currency basis, marking our fastest quarterly growth in the last 3 years. This performance was driven by broad-based growth across communications, manufacturing, high-tech, retail, and healthcare.

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

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

BFSI declined 0.8% year-on-year, primarily due to higher than normal furloughs during the quarter and the passing of annual productivity gains to large infrastructure contracts in the rest of the world

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which impacted revenues. BFSI demand remains favorable. We continue to make inroads in engaging clients with tailored solution offerings and we continue to see strong demand across transformation, experience, data analytics, and cybersecurity coupled with AI adoption. We expect BFSI growth to follow a more steady trajectory in the coming quarters as seasonal factors normalize.

Manufacturing continued its strong trajectory this quarter, building on the strong momentum from the previous quarter with a year-on-year growth of 11.7%. As stated earlier, we are seeing good traction in the aerospace and industrial segments in the US. In Europe, growth was supported by the ramp of a large automotive client during the quarter. The US automotive segment continues to remain in wait-and-watch mode and we expect demand trends to turn more positive over the medium term.

The high-tech vertical declined 4.6% YOY; however, it showed faster momentum during the quarter where QOQ was positive driven by engineering services, particularly in the semiconductor segment. That said, we expect the high-tech sector to remain volatile as companies continue to operate under cost pressures and exercise caution in their IT spending.

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

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

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

AI continues to be a growth pillar of our strategy and we support clients in moving from the experimentation to the execution phase at scale. We are seeing AI increasingly embedded across large enterprise engagements driving business experience, process and operations transformation, IT build and change, as well as IT operations. Client programs are shifting from pilots to scaled multi-year initiatives that are integrated into their operating models.

In line with this, our partnership with Google positions us well to accelerate enterprise adoption of generative AI, leveraging Gemini 2.5 multimodal models to drive human-centered innovation and scale AI adoption across global enterprises. We have also signed a Memorandum of Understanding (MOU) with the University of Texas at Dallas for AI-led innovation, skill development, and research. We will launch our first Maker's Lab in the US in Dallas, focusing on pushing the boundaries of AI, data science, agentic AI, quantum computing, cybersecurity, and cognitive network innovation.

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Our deal wins this quarter stand at \$1,096 million, including the large deal shared earlier. This represents a robust 48% year-on-year growth on an LTM basis. This strong performance is a testament to the focused investments we have made in strengthening our sales engine, our solution-based go-to-market offerings, and the growing relevance of our AI-enabled capabilities which are resonating well with clients and contributing meaningfully to these wins.

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

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

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

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

We were also selected by a leading US-based banking institution as a strategic partner to modernize its enterprise-wide payments platform, incorporating real-time rail capabilities across markets, cash management, and wealth management, leveraging Tech Mahindra's Center of Excellence.

Regarding awards, as I mentioned in my last earnings call, we marked our 39th anniversary on October 24, 2025, with the launch of our brand refresh. Since then, the refreshed brand has been well received across key stakeholders and has reinforced our positioning across innovation and AI-led capabilities. Further reinforcing the strength of the brand, we received the Best Brand 2025 award. I am proud that our refreshed brand incorporates how Tech Mahindra is in the AI era: agile in execution, bold in vision, collaborative in culture with clients, and discerning in our decisions. This branding positioning establishes us as the future-ready transformation partner enterprises trust to navigate digital reinvention with intelligence and speed.

Last quarter, we successfully concluded the third session of the Global Chess League, reinforcing our commitment to innovation, strategic thinking, and global engagement. Tech Mahindra has again been recognized as a global sustainability leader in the S&P Global Dow Jones Sustainability

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Index. We have proudly regained the number one position globally in the TS IT Services segment. We have also been included in the prestigious A-list for both the Carbon Disclosure Project (CDP) Climate Change and the CDP Water Stewardship 2025.

As we close, I would like to highlight the launch of our new cultural model "Limitless Together," which brings our employee value proposition to life. It defines how we work, grow, and succeed as one team. I believe that this alignment is translating to stronger execution and that each quarter's performance takes us a step closer to our FY27 goals. We expect to grow higher than the peer average by the end of FY27, while progressing towards the 15% EBIT margin for FY27.

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

**Management:** Thank you, Mohit. Welcome to everyone joining us today. Turning to our performance for the third quarter of fiscal year 2026, this was a well-rounded quarter with the majority of our growth engines coming together to deliver a strong set of results.

Our revenue for the quarter stood at \$1,610 million, representing a 1.5% sequential growth and a 2.7% year-on-year growth on a reported basis. On a constant currency basis, the revenue increased 1.7% QOQ and 1.3% YOY. The constant currency growth this quarter was driven by a 1% increase in service revenue and seasonality net of furloughs, and the remaining contribution was the impact of large deal execution in European auto, which will normalize next quarter.

In INR terms, revenue was at 14,393 crores compared to 13,995 crores in the previous quarter, an increase of 2.8% on a sequential basis and 8.3% on a YOY basis. For the quarter, our operating profit was \$211 million with operating margin expanding by close to 200 basis points to 13.1%, marking the ninth consecutive quarter of margin expansion. Gross margin this quarter expanded by 120 basis points QOQ, driven by improvement in our fixed-price productivity program and volume growth. In INR terms, operating profit reached 1,892 crores, representing a robust year-on-year growth of 40.1%. These results reflect disciplined execution and sustained focus on efficiency across the business while maintaining momentum in top-line growth.

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

Our effective tax rate for the quarter was 25.7% while the normalized ETR stays close to 27%. Our profit after tax margin before exceptional items for the quarter was 9.2%, up 180 basis points on a YOY basis. The exceptional item for the quarter relates to a one-time provision of \$30 million in accordance with the new wage code notification.

Through disciplined capital allocation and sharper execution, we strengthened our return on capital employed to 26.9%. On a YTD basis, our free cash flow to operations PAT is at 123%. During the quarter, free cash flow was \$194 million driven by strong collection efficiency and continued improvement in our working capital management. Our DSO decreased 4 days on a quarter-on-quarter basis driven by a reduction in our unbilled receivables. Our total deal wins in the quarter stood at \$1,096 million, reflecting a growth of close to 48% on a last 12-month basis.

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As we move ahead, we remain focused on sustaining our operating rhythm and strengthening execution to deliver our FY27 strategic goals. With this, I hand it back to the operator.

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

**Kumar Rakesh – BNP Paribas:** Hi, good evening, good afternoon, and thanks for taking our question. It is good to see and all-around performance. The first question was on the BFSI side which you spoke about regarding furloughs and productivity pass-through. What led to this higher than usual furlough? Is there any sub-segment or client factor? Also, is the productivity pass-through this time entirely for the quarter, or is there something more to come in the next quarter?

**Management:** Thanks, Rakesh. Regarding the BFSI perspective, I want to call out a few things. First, our BFSI business is relatively smaller compared to our overall portfolio, so a small change in a couple of clients tends to get amplified in percentage terms. However, there is a lot of underlying good news. We added a significant number of logos over the past quarter. For instance, in APJ, we signed up one of the largest Japanese banks. We won a transformation deal in wealth for one of the largest banks in Singapore. In Europe, we signed up as a global preferred supplier with one of the largest global insurers and won project deals with one of the world's largest private banks. In the Americas, we successfully renewed a longstanding infrastructure network support and transformation contract with an American insurer.

Regarding the furloughs, that really had a quarter-on-quarter impact in some markets like Canada, where we saw higher furloughs than last year. As far as the productivity benefit for a large client, that step-down occurs because it is a multi-year contract where you take a step-down every year. We do not expect it to spill through into the current quarter. We expect to get back to our quarter-on-quarter growth trajectory. Our ambitions for BFSI remain unchanged.

**Kumar Rakesh – BNP Paribas:** Thanks for that. Is it fair to say that your deal mix for BFSI would be higher than your revenue mix? It appears you have been winning a lot of deals in that space.

**Management:** It is a fair conclusion to make overall, though not specifically for this quarter. In this quarter, our deals tilted more towards telecom and high-tech. We have had significant renewals from a BFSI perspective, such as the infrastructure contract with the American insurer I mentioned.

**Kumar Rakesh – BNP Paribas:** Got it. Next question was on the headcount. Sequentially, there is some reduction in headcount. Was that more to manage the productivity pass-through and keep the cost structure under control, or is there something more to that?

**Management:** We have called out that one of the places where we see significant levers is the fixed-price portfolio, which is over half of our revenue. As we drive productivity into our fixed-price programs, we are releasing existing talent. Rather than hiring fresh talent, we are largely using this pool. Because of the new software infrastructure we created within the company, we have much better visibility of our bench and talent pool. We are redeploying those people to new projects, which is why we are seeing growth rather than shrinking. Where there is attrition, we are first using our existing fixed-price pool to redeploy.

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**Kumar Rakesh – BNP Paribas:** Thanks, Mohit. I will fall back in the queue.

**Operator:** Thank you. Our next question is from the line of Nitin Padmanabhan from Invesco. Please go ahead.

**Nitin Padmanabhan – Invesco:** Hello, good evening, and congrats on a very strong quarter. On the telecom deal, is the entire \$500 million net new? It looks like it will drive significant growth for Europe next year. Second, how big is payments for us considering the recent proposals around credit card rates being capped? Finally, does this large win impact margins as we start executing?

**Management:** On telecom, yes, the revenue we called out is all net new. While this is an existing customer, the number included in our large deal wins is only the net new component. We expect the actual delivery to start in the first half of the next financial year.

Regarding BFSI, while we have a large payments practice, our exposure with actual issuers is limited. A lot of our exposure is to the payment networks, so we do not see a near-term impact yet. On margin impact, we have always been clear that we do not want to do large deals that lose money. We have stayed disciplined from a pricing and profitability perspective.

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

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

**Sudhir Gautam – Kotak Mahindra Asset Management Company:** Hi, Mohit, congrats on a great set of numbers. On a YTD basis, your net new TCV booking was up almost 45%. Do you now believe reaching single-digit revenue growth in FY27 is a possibility?

**Management:** On the large deal, it is not linear and will ramp up through the year starting early in the financial year. The impact on next year's revenue will not be equal to the full 1.6% impact annually; it will be lower as it builds. While it helps visibility toward FY27, we need to continue driving similar results for the next couple of quarters to drive more comfort.

**Management:** To add, it is too early to give a specific number for FY27. But overall, we are seeing an improvement in the tech spend environment. More importantly, we are consistently growing our pool of clients that give us more than \$20 million in revenue. This is a huge source of strength as these clients are also our most profitable and offer cross-selling opportunities.

**Sudhir Gautam – Kotak Mahindra Asset Management Company:** Some of your peers started disclosing AI metrics. Any quantitative or qualitative metrics you can share on your AI portfolio?

**Management:** The challenge is that if you go narrow, you talk about a very small number from direct AI consulting. If you go extensive, it includes almost 100% of the work where we infuse AI for productivity. We published a white paper with Forrester about a new pricing model where the pricing for human labor and digital labor is clearly distinguished based on token consumption. As we win deals there, that could be a great model. Until then, we can say that AI adoption across our top 20 clients is almost at 100%.

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**Sudhir Gautam – Kotak Mahindra Asset Management Company:** One last one from my side. Is the incremental deal pipeline showing signs of exhaustion or is it still growing?

**Management:** The deal pipeline still looks pretty good. In Q1, we said these wins would start converting to revenue from the second half of the year, and that has proven true in Q3. The pipeline remains strong, although it will always be lumpy.

**Sudhir Gautam – Kotak Mahindra Asset Management Company:** Thank you and all the very best.

**Operator:** Thank you. Our next question comes from the line of Rod Bujah from Deep Dive Equity Research. Please go ahead.

**Rod Bujah – Deep Dive Equity Research:** Congrats. You have hit your target to grow at or above your peer average. Do you see this improved growth position as sustainable going forward into FY27?

**Management:** We are happy with the progress. What makes us confident is first the quality of the leadership team. Second, we have focused growth on our largest accounts. Our top accounts are growing significantly higher than the company average. Third, an increasing large deal book gives us greater visibility. We are confident that going into FY27, we will fully meet our promise of growing faster than our peer average.

**Rod Bujah – Deep Dive Equity Research:** Can you give us more color on your outlook for the communications vertical? Is it sector-wide or your ability to capture share?

**Management:** The communications vertical is our largest. We have a unique proposition because we have IT, network, BPS, and software capabilities. In Europe, we see consolidation opportunities where clients with long tails of partners are consolidating, like in the mega deal mentioned. In the US, we see a slight loosening of purse strings compared to 13-18 months ago. In Asia, we see opportunities to deploy our software stack at scale. Overall, there is no massive increase in sector spend, but we are seeing an increase in market share for us.

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

**Sandeep Shah – Equirus Securities:** Thanks for the opportunity. Is it fair to assume we can now achieve \$3.5 billion to \$4 billion worth of new business TCV on an annual basis?

**Management:** It sounds reasonable. We have demonstrated strong achievement over the past 4 quarters and our LTM has already been \$3.5 billion. We need to continue this momentum to reach our FY27 aspirations.

**Sandeep Shah – Equirus Securities:** Rohit, you mentioned some one-time or seasonal trends in revenues. Can you clarify?

**Management:** There was a marginal impact on retail and BPO, but it was mostly around European auto, which had some deliveries that will normalize next quarter.

**Sandeep Shah – Equirus Securities:** Will this have a margin headwind in the fourth quarter?

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**Management:** No, it will not.

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

**Abhishek Shindadkar – Incred Capital:** Regarding gross margin expansion, have we reached the peak or is there still juice left? And Mohit, can you give color on vendor consolidation in the financial services space?

**Management:** Regarding margins, the first-half improvement was driven by SG&A; and Project 40s initiatives. In the second half, expansion will be driven more by gross margin. This is a journey that will continue through next year as majority of the contribution comes from gross margin improvements.

**Management:** On BFSI consolidation, it is happening across sectors, but BFSI has longer buying cycles. Our story is about getting into new clients and ramping up. We are not such a large incumbent in existing accounts that we have to fear vendor consolidation; rather, we are gaining share.

**Operator:** Thank you. Our next question comes from the line of Vibhor Singhal from Nuwama Equities. Please go ahead.

**Vibhor Singhal – Nuwama Equities:** How is the outlook in the overall manufacturing vertical, particularly auto?

**Management:** The vertical has done exceptionally well this quarter. While there was a seasonal ramp in European auto that will not recur, we believe US auto has stabilized. We continue to build strength in aerospace. Long term, we are confident because of the expertise we have built in SAP upgrade cycles and smart factory solutions.

**Vibhor Singhal – Nuwama Equities:** Rohit, typically we see seasonality in Q4. Will that continue?

**Management:** Seasonality for us is more towards Q1 where we see an impact on the productivity pass-through, not really Q4. The degree of that seasonality has improved over the years.

**Vibhor Singhal – Nuwama Equities:** As of now, we have not decided on the wage hike for FY26?

**Management:** It is currently undecided. We are evaluating the impact of new labor codes and will keep you posted on the timing.

**Operator:** Thank you. Our next question comes from the line of Sumeet Jain from CLSA. Please go ahead.

**Sumeet Jain – CLSA:** Mohit, which vertical other than telecom are you most confident in to achieve the FY27 vision?

**Management:** We have seen strong strength in manufacturing and our retail and logistics portfolio has done extremely well. BFSI is also important because of the massive spend available. In the long run, I expect all our verticals to do well as we build out deeper capabilities in areas like US

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healthcare.

**Sumeet Jain – CLSA:** You alluded to an FY30 vision. Can you give us a glimpse of that?

**Management:** It is a little too early for that. I can only promise it will be attractive and credible.

**Operator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments.

**Management:** Thank you. Over the last 21 months, we have focused on strengthening the fundamentals of our business, investing in the right capabilities, building suitable platforms, and sharpening our go-to-market execution. The results we see today, including improved bookings and margin expansion, are a direct reflection of these efforts. As we look ahead, I will be traveling to Davos to meet with our leaders and clients to discuss how technology is driving deeper interaction across industries. Thank you for joining us today. Look forward to meeting you again next quarter.

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

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