Tech Mahindra Ltd
Sharda Centre, Off Karve Road,
Erandwane, Pune 411 004
Tel: +91 20 66018100
www.techmahindra.com

22 July 2026

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 quarterly earnings conference call for the quarter ended 30 June 2026– 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 quarterly earnings conference call vide letter dated 30 June, 2026 and audio recording of quarterly earnings conference call vide letter dated 16 July 2026.

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 and in furtherance to the outcome and audio recording of the quarterly earnings conference call filed on 16 July 2026, please find enclosed the transcript of the said quarterly earnings conference call of the Company for the quarter ended 30 June 2026, held on Thursday, 16 July 2026 after the meeting of the Board of Directors for your information and records.

The text transcript is also uploaded on the website of the Company and can be accessed at the weblink: https://insights.techmahindra.com/investors/tml-q1-fy-27-earnings-transcript.pdf

Please note that the Company has referred to publicly available documents for discussions and no unpublished price sensitive information has been shared during the aforesaid meeting.

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: 2026.07.22 11:54:28 +05'30'

Ruchie Khanna
Company Secretary

Encl.: as above

"Tech Mahindra Limited

Q1 FY27 Earnings Conference Call"

July 16, 2026

MANAGEMENT: **MR. MOHIT JOSHI – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TECH MAHINDRA LIMITED**
MR. ROHIT ANAND – CHIEF FINANCIAL OFFICER – TECH MAHINDRA LIMITED
MR. ATUL SONEJA – CHIEF OPERATING OFFICER – TECH MAHINDRA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tech Mahindra Limited Q1 FY27 Earnings Conference Call. We have with us today Mr. Mohit Joshi, Chief Executive Officer and Managing Director; Mr. Rohit Anand, Chief Financial Officer; and Mr. Atul Soneja, Chief Operating Officer.

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 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.

Mohit Joshi: Thank you and thank you all for joining us. Welcome to our Q1 FY27 earnings call. Now, in April 2024, we had presented a three-year turnaround plan with clear goalposts and measurable markers for success. The first year of our plan was focused on laying the foundations which would lead to margin expansion, and in the final year of the plan, we would see growth outpacing our peers. We also promised to build a future-facing organization with differentiated capabilities and talent, a performance-oriented culture, and a proven execution engine.

Now, in the final year of our transformation journey, we are increasingly seeing the benefits of the investments and the actions taken over the past two years. We have delivered margin expansion consistently over the past two years. More recently, our revenue growth has begun to move ahead of the peer average. We had said that in the third year of our transformation, we would pivot strongly to growth, and as the numbers today show, we have done just that.

For the quarter, we reported revenues of US$1.66 billion, representing a 6.1% year-on-year growth on a reported basis and 6.6% growth in constant currency. This performance reflects continued momentum across the business, broad-based growth across our key verticals, progress in our AI-led strategy, and strong client engagement across markets. Operating margins stood at 14.4%, reflecting sustained execution discipline, operational rigor, and a continuous focus on profitable growth.

This profitable growth is being enabled by our posture of using our experienced talent and domain expertise. This enables us to work more closely with clients, design tailored solutions, and deliver measurable business outcomes. Let me now turn to our performance across the key verticals.

In our communications business, we grew by 1.3% year-on-year. The vertical continued to benefit from stability in key accounts, sustained client engagement, and the ramp-up of the large deals secured over the last few quarters. Our communications experience center in Pune, which many of you had the opportunity to visit in April, is strengthening the way we engage with clients. The center brings together immersive demonstrations, integrated solutions, and industry-specific use cases in one environment.

In the first two months since its launch, we have hosted more than 10 executive sessions with global clients, highlighting the breadth and depth of our capabilities. The center is also enabling deeper collaboration with strategic partners, including hyperscalers, and strengthening our engagement at industry forums such as Digital Transformation World, DTW. Together, these efforts are creating opportunities for richer client relationships and long-term growth.

Our BFSI business grew 8.1% year-on-year. We continue to see healthy demand in areas such as payment modernization, wealth platforms, regulatory compliance, identity and access management, and AI-led transformation. During the quarter, we also announced the acquisition of Avant Techno Solutions, a Canada-based firm specializing in payments modernization and wealth platforms. This acquisition is aligned with our stated strategy of deepening our presence in payments and the wealth segments, which we have consistently identified as important growth areas for TechM.

It also strengthens our position in a structurally high-growth segment. Payments modernization, particularly real-time payment rails and cloud-native transformation, is expected to grow faster than traditional IT services. Avant Techno Solutions adds capabilities and client relevance in areas where we see sustained long-term demand.

Manufacturing grew 17.2% year-on-year. Our focus remains on scaling sustainable growth across aerospace, industrial, and process manufacturing. We continue to see strong client interest in intelligent, data-driven operations that bring together AI, data platforms, engineering, and enterprise systems at scale. In this context, I am pleased to share that Tech Mahindra was recognized as the 2026 Google Cloud Partner of the Year in services and industry solutions in manufacturing. This recognition highlights our ability to help manufacturing clients modernize operations, improve agility, and build more resilient digital foundations.

Retail, travel, and logistics grew 8.6% year-on-year, supported by momentum across e-commerce expansion, logistics modernization, automation, warehousing, and last-mile delivery optimization. We are bringing together our digital, data engineering, and experience capabilities to help clients improve efficiency and customer engagement across the value chain. While the macroeconomic environment for this vertical remains mixed, our tailored offerings and focused client engagement approach are gaining traction and we remain positive about the direction of the business.

Our healthcare business grew 7.2% year-on-year, supported by momentum across providers and life sciences. We are seeing opportunities in vendor consolidation and AI-led discretionary spend. Our AI solutions catalog, developed in partnership with hyperscalers and other ecosystem partners, is helping us win new clients and take differentiated solutions to clients. TechM Scale enables us to be agile while also participating effectively in larger vendor consolidation opportunities. We are encouraged by the growing contribution of AI-related work as adoption accelerates in the healthcare and life sciences vertical.

Overall, every vertical delivered year-on-year growth during the quarter. Based on our pipeline and the ramp-up of recent deal wins, we expect this positive momentum to continue, subject of course to the broader macroeconomic environment. Equally encouraging is the continued deepening of client relationships. The number of clients generating more than US$50 million in revenue increased by seven year-on-year, reflecting the trust our clients place in us and our ability to expand strategically within our key accounts.

Another important area of progress during the quarter was TechM Helix, which represents the next phase of our AI-led transformation. It brings together our platforms, talent, partnerships, and innovation efforts to help clients adopt AI at scale. Atul Soneja, our Chief Operating Officer, will talk about it in more detail shortly, but let me highlight a few developments from the quarter.

In Q1, our focus was on strengthening the foundational elements of Helix. These investments are now translating into scaled execution, deeper client engagement, and stronger mindshare in the market. A key milestone has been the launch of our agentic development and modernization services portfolio. The next-gen offering is designed to help enterprises reimagine how applications are built, modernized, and operated.

By embedding agentic AI across the application lifecycle, this portfolio enables clients to accelerate their transition towards AI-led autonomous enterprise ecosystems. Alongside this, we continue to scale our agentic AI platform ecosystem led by TechM Orion, which enables multi-agent orchestration across complex enterprise environments.

These AI investments are complemented by a strong innovation engine. Makers Lab continues to play a central role in advancing applied AI research and engineering-led innovation across Tech Mahindra. During the quarter, Frost & Sullivan recognized Orion Marketplace, our next-gen agentic AI solution that enables enterprises to design, deploy, and manage autonomous action-oriented AI agents across business processes. Its hyperscaler-agnostic architecture supports rapid deployment across assisted and fully autonomous models while maintaining enterprise-grade governance, transparency, and lifecycle control.

While capability and innovation form the foundation of Helix, scale will come from real-world enterprise adoption and a strong partner ecosystem. During the quarter, we continued to expand our ecosystem across hyperscalers, enterprise platforms, and emerging AI players, enabling us to bring more integrated and industry-specific AI solutions to clients. One example is our collaboration with Microsoft on AI-driven 5G network digital twin solutions for autonomous network operations.

The solution is designed to help communications service providers modernize their networks, improve service performance, and accelerate the monetization of next-gen 5G capabilities. Another example is our partnership with Kitsa, the AI operating system for clinical startups, to advance agentic AI-driven medical writing solutions for the global pharma and biotech industry.

In Europe, we expanded our relationship with Telefonica Germany through a multi-year engagement to build an AI-first private cloud platform. The partnership combines Tech Mahindra's platform engineering and AI-led operations with Telefonica Germany's telecom infrastructure modernization objectives. The platform will create the foundation for a full-scale private cloud with building blocks across compute, storage, backup, containers, GPUs, and ransomware protection as a service.

These examples reinforce an important shift we are seeing in the market. AI adoption is moving beyond pilots into production ecosystems. Helix is enabling us to support this transition by integrating platforms, talent, partnerships, innovation, and delivery capabilities into a more scalable operating model. It is also bolstering our capability to structure and deliver outcome-based engagements.

Let me also touch briefly on two of our portfolio companies, Comviva and Pininfarina. Comviva continues to build momentum, supported by revenue growth, improved margins, and a healthy order book. Drawing on a heritage of more than nine decades, Pininfarina is preparing for the AI-led transformation of its mobility and architecture businesses while strengthening its commercial and operational foundations.

Moving to deal momentum, we delivered total deal wins of US$1.078 billion. These wins were broad-based across key verticals and geographies, with the largest deal wins coming from manufacturing and HLS verticals. This performance reflects continued client confidence in Tech Mahindra's ability to deliver transformation programs anchored in domain expertise, operational execution, and AI-led capabilities. Based on the annual contract value won over the last 12 months, ISG named Tech Mahindra among the top 15 sourcing standouts across all regions: Global, Americas, EMEA, and Asia.

Let me share a few notable wins from the quarter. A leading regional healthcare system in the US selected Tech Mahindra as a strategic partner for an integrated applications and infra managed services engagement. Leveraging our experience supporting 200 plus health systems and deep healthcare transformation expertise, we will help strengthen operational resilience, accelerate modernization, and enhance caregiver and patient experiences.

We were selected by an American autonomous driving technology company to enhance the scale rollout of fully autonomous technology across US cities and global markets. This deal will leverage TechM's strong GIS domain expertise to deliver high-quality HD map development and maintenance services for the customer's technology.

A leading global aerospace and defense company selected TechM to provide end-to-end database administration services across a complex, mission-critical environment and enhance the customer's long-term digital transformation objectives through AI-driven operations, strengthen cybersecurity and compliance, and cloud-ready operations.

We were selected by a leading global payments technology company as a preferred technology partner to support its next-gen product and program roadmap. Leveraging Tech Mahindra's product engineering expertise, payments domain knowledge, and AI-led delivery capabilities, the collaboration will help scale innovative payment solutions, reduce technical debt, and drive KPI-led outcomes across global operations.

During the quarter, we partnered with Perplexity and deployed Perplexity Enterprise Pro across our sales and client-facing teams. By embedding AI-powered intelligence into account planning, pursuit strategy, and client conversations, we are enabling our teams to develop more relevant insights and shape stronger transformation propositions.

Lastly, I am proud to share that Tech Mahindra has once again been recognized as one of the world's most sustainable companies by Time and ranked number one among Indian corporates.

This recognition reflects our continued commitment to environmental stewardship, responsible business practices, and long-term value creation.

It reinforces our focus on extending sustainability beyond our own operations and working closely with partners and suppliers to build a more resilient and sustainable ecosystem. Cameron Sinclair once said, "When sustainability is viewed as being a matter of survival for your business, I believe you can create massive change." In many ways, that captures our own belief that sustainability and business performance are increasingly interconnected.

As we continue to grow, we remain committed to driving positive impact alongside long-term value creation. And with that, I will hand you over to Atul, who will take you through our operational performance and AI progress for the quarter.

Atul Soneja: Thank you, Mohit, and thank you all for tuning in. As Mohit mentioned, we delivered a strong quarter with solid top-line and bottom-line performance, and the ramp-up of large deals remains on track, positioning us well to sustain this momentum. AI is increasingly central to our performance and how we deliver value to our clients.

For TechM, AI represents a significant opportunity because enterprise AI is not a single-layer technology shift. It cuts across the full services value chain, including consulting, domain use cases, data modernization, agentic platforms, application engineering, infrastructure operations, testing, customer experience, business process transformation, and increasingly, AI cost governance and operating model redesign. This is where our AI-first strategy across IT and BPS comes together.

In IT, we have launched agentic development and modernization services, a next-generation portfolio that gives Tech Mahindra a unique opportunity to help customers modernize their tech and enterprise functions using agentic AI. In BPS, our AI strategy is built around three vectors: new markets, new services, and internal transformation. Together, these vectors are helping us drive growth, create differentiated offerings, and improve operational efficiency across the enterprise.

Across TechM, we now have more than 350 deployable AI agents developed across industry and functional use cases, and we are deepening our strategic partnerships with hyperscalers and foundational AI players. This puts us in a strong position to help our clients move from experimentation to enterprise-scale deployment of AI solutions, whether in applications, data platforms, infrastructure, or operations.

Our approach remains anchored in AI delivered right. Through Project Helix, we are bringing together domain expertise, agentic AI, platforms, partnerships, delivery transformation, talent, commercial models, and internal AI adoption, all into one integrated operating model.

The objective is simple: make AI part of how we build, sell, deliver, run, and scale services across both IT and BPS, rather than treating it as a stand-alone initiative. Project Helix is to AI-led transformation what Project Fortius has been to margin improvement. We are seeing a clear shift in client demand.

Clients are looking for agentic workflows, AI-native engineering, autonomous operations, AI-led modernization, responsible AI, model governance, and better control over AI consumption and cost. This is bringing AI FinOps, token economics, model assurance, responsible AI, and outcome-linked delivery to the forefront.

We are working with clients not only to deploy AI, but to make it measurable, governed, cost-managed, and scalable within their operating environments. Let me share a few examples of how this is playing across our industry. In healthcare, we won a transformation engagement where AI is embedded in the operating model from day one. The client is moving towards an AI-enabled digital operations center with self-service, self-healing, and shift-left capabilities.

The program is designed to improve reliability, reduce manual effort, and enhance the experience across applications, infrastructure, service desk, data, cybersecurity, cloud, and FinOps. The commercial model is tied to measurable outcomes, roughly 40% fewer tickets, 20% lower mean time to resolution, 30% to 35% reduction in technical debt, and significant productivity improvement over the deal duration.

In telecom, we secured a recent win where AI is central to the managed operations model. The roadmap moves from AIOps to agentic AI-led root cause analysis, agentic assistance, and eventually self-healing operations. Close to 30 AI and automation use cases are already live, with more under development. The program targets doubling the release velocity and about 40% reduction in incident handling effort, leading to significant cost reduction.

For one of our clients in the life sciences segment, our AI vector squad approach has compressed upgrade timelines from months to weeks, while improving quality through an evidence-based repeatable model. In our BPS business, we are seeing this AI momentum reflected directly in deal wins. The largest this quarter was a marquee AI engagement with a large high-tech player, one of the largest AI-led BPS deals.

This is not a technology experiment, it is a large-scale AI operations engagement where BPS is embedded as the AI delivery infrastructure for the client. Across our wins this quarter, AI operations contributed an overwhelming majority of our total BPS deal TCV. On internal transformation, our focus is not simply deploying tools, but reimagining the way we work.

Our approach is tailored by work type, lifecycle stage, and delivery context. So productivity gains are linked to both efficiency and quality, predictability, and customer outcomes. Our AI belt certification program continues to help TechM associates become increasingly relevant to client AI needs, with over 65% of our associates certified as white, blue, or brown belt.

Across our delivery and internal adoption initiatives, we are seeing measurable progress. 70% of eligible developers are now enabled to code alongside an AI pair programmer. We have established more than 100 productivity benchmarks across SDLC activities and technology combinations, and thousands of bots and agents supporting internal adoption and automation programs.

A key element of our differentiation is our platform and IP foundation. Orion is being deployed as an enterprise-grade agentic AI platform and is available through major hyperscaler marketplaces. More than 20 Orion agents are listed on the Google Gemini marketplace, with over 100 users actively using Orion to develop agentic AI solutions for clients.

We are also investing in domain-specific and sovereign AI, with purpose-built models that understand industry terminology, operate securely, reduce inference cost, and provide stronger contextual accuracy than generic models in specialized environments. This work spans across our industry segments like telecom, BFSI, healthcare, and other domains and complements our AI-led BPS offerings.

When we look at AI, we see both opportunity and a fundamental operating model change. Some traditional work will become more productive and require new commercial constructs. At the same time, AI is creating new demand across modernization, data readiness, agentic operations, trusted deployment, industry-specific AI, sovereign AI, platform engineering, business transformation, and AI governance.

Our focus now is on disciplined scaling, accelerating deployment velocity, scaling adoption, building repeatable offerings, strengthening our platform and partnerships, developing AI-ready talent, ensuring governed adoption, and converting innovation into measurable business outcomes for our customers and for TechM.

AI is just not a technology theme for us, it is becoming a structural lever for growth, delivery modernization, productivity, talent transformation, and long-term competitiveness. With that, I will now hand it over to Rohit to walk you through the financial performance.

Rohit Anand: Thank you, Atul. Good evening, everyone, and thank you all for joining. I'm pleased to report a strong start to fiscal '27 with our first quarter performance reflecting the momentum we're carrying into the financial year. We delivered our strongest revenue growth since the start of our transformation journey, while continuing to expand margins for 11 consecutive quarters. We also maintained strong deal momentum, securing another quarter of a billion-plus deal wins.

In Q1, we reported revenues at USD1,660 million, representing a 2.2% quarter-on-quarter growth and a 6.1% Y-o-Y growth on a reported basis. On a constant currency basis, revenue grew 2.6% quarter-on-quarter and 6.6% Y-o-Y. Organic revenue grew 2.5% quarter-on-quarter and 6.2% Y-o-Y in constant currency.

Manufacturing led the growth, delivering 9% on a quarterly sequential basis, driven by sustained momentum in aerospace along with earlier than planned execution of a large European automotive program which contributed to higher revenue this quarter. This was followed by BFSI at 2.7% Q-o-Q and healthcare and life sciences at 2.5% Q-o-Q. The underlying communication business remained healthy during the quarter, supported by large deal ramp-ups and growth in top clients.

The core business continued to grow sequentially while the reported performance was impacted by seasonality in Comviva business and one-time transition associated with clients' post-acquisition integration and insourcing of cloud revenue. Technology, media, and entertainment declined 1.7% Q-o-Q on account of continued volatility in the client spend.

From an INR perspective, revenues stood at INR15,712 crores, growing 4.2% Q-o-Q and 17.7% on a Y-o-Y basis. Our total deal wins for the quarter stood at US$1,078 million, up 33.3% Y-o-Y. As Mohit highlighted earlier, this performance reflects the trust our clients place in Tech Mahindra and an increasing relevance of our offering. Importantly, the momentum was broad-based across multiple verticals with strong contribution from BFSI, manufacturing, and healthcare.

EBIT margins for the quarter were at US$238 million with EBIT percent at 14.4%, up 60 bps Q-o-Q and 330 basis points Y-o-Y. The margin expansion was led by volume growth and savings from Project Fortius, partially offset by Comviva seasonality and business mix. In rupee terms, operating profit stands at INR2,264 crores, up 53.3% on a Y-o-Y basis.

Our effective tax rate for the quarter came in at 27.2%. Profit after tax for the quarter was US$154 million, a year-on-year increase of 16.2%. In INR terms, profit after tax is INR1,465 crores with a PAT margin of 9.3% and an expansion of 80 basis points on a Y-o-Y basis.

Our hedge book as of June 30th stands at US$0.72 billion. Under the hedge accounting guidelines, the mark-to-market movement was negative US$24.85 million, of which US$14.55 million was recorded in the P&L and US$10.3 million taken into reserves. We generated US$167 million of free cash flow during the quarter, up 94% on a Y-o-Y basis. Higher collection efficiency supported the DSO improvement to 84 days, a reduction of five days on a quarter-on-quarter basis.

Our return on capital employed stood at 28.3% for the quarter, reflecting a sequential improvement of 210 basis points. On a Y-o-Y basis, ROCE improved by 450 basis points driven by enhanced profitability and disciplined capital allocation.

We continue to invest in AI capabilities. Our Makers Lab, which remains the core of our innovation engine, helps us translate emerging technology into practical enterprise solutions. At the same time, we're building differentiated capabilities in domain-specific and sovereign AI, areas where we believe demand will continue to grow as enterprises seek greater control, governance, and contextual relevance in their AI deployments.

As we look ahead, we'll continue to invest in the areas that we believe will shape the next phase of growth for the industry. Our focus remains on building a future-ready enterprise by strengthening our AI capabilities, expanding our platform ecosystem, and investing in talent required to deliver AI at scale.

To sum up, this quarter is a testament to the disciplined execution of our strategy and the trust our clients continue to place in us, even amidst a volatile macroeconomic environment. Delivering high single-digit Y-o-Y growth alongside strong profitability demonstrates the progress we've made in strengthening the fundamentals of the business. As we look back in our transformation journey over the last two-plus years, we're all very proud of the journey we've covered till now.

More importantly, the momentum we've built across growth, deal wins, client engagement, and profitability gives us confidence that we are well-positioned to deliver on our FY 27 ambition of achieving above average of the peer growth and an operating margin of 15%. Thank you. We can open it up for Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Our first question comes from the line of Kumar Rakesh with BNP Paribas. Please go ahead.

Kumar Rakesh: Hi, good evening and thank you for taking my question. My first question was around growth. So in this quarter, we saw pretty strong growth delivery driven by Europe and manufacturing as a vertical. Going into the second quarter, especially when you won't have the Comviva seasonality as well impacting, do you see this growth momentum continuing into that quarter and what would be driving that?

Mohit Joshi: Sure, Rakesh. Thanks for the call. Look, I think we're delighted that we've had a very strong quarter in what is seasonally a weaker quarter for us, right? If you recollect, Q1 we typically have negative Comviva seasonality. As we go into Q2, I think we will see the continued ramp-up of the large deals that we have won over the past 12 months, so that should be a strong tailwind for us.

We continue to see, like we were seeing in our healthcare business, a positive outlook towards that sector again driven by some of the wins that we've had. The one sort of headwind that we will have is the fact that we had a one-off in our European auto business in this quarter, which will show some signs of slowdown then in Q2.

On the whole, we feel we have a healthy order book for the remainder of the year, and barring any sort of unexpected and so far unforeseen macroeconomic developments, we remain confident that the growth momentum that we have set in the first quarter of the year will continue for the remainder of the year and that we will, you know, we will meet or exceed our goal of being ahead of peer average for the full financial year, as we already are in the first quarter of the financial year.

Kumar Rakesh: Thanks, Mohit. That's very reassuring. My second question was on the margin side. So in this quarter, we have seen the margin expansion led by SG&A. Earlier, Rohit had spoken about that we expect gross margin to drive the margin. So how much of the gross margin lever is still there in our hand and what kind of exit margin we are targeting to get to?

Rohit Anand: Yes, so I think on margin, two or three things, right? We typically have seasonality on costs on visa travel in Q1 from Q4 to Q1 perspective, so that comes negative in the gross margin predominantly. Then the Comviva seasonality also comes in there, so that's a negative. And then as I mentioned, the European auto segment where we got accelerated program deliveries, that's dilutive to the gross margin which has caused the negative.

And on the SG&A side, as I'd mentioned that our portfolio company consolidation continues and we try to get the benefits there, and that progress continues this quarter as well. I think as we move forward into the next few quarters, I think it will be a mix of both.

We will continue to drive gross margin on all the actions that we're delivering on Project Fortius, from fixed price productivity to more utilization from a T&M perspective, as well as continued

SG&A benefit on portfolio company consolidation. So it will be a mix of both, but actions are all over to make sure that we are on track for the 15%.

Kumar Rakesh: Thanks, Rohit. Any target which you have in mind to exit the year at?

Rohit Anand: We've not articulated that, but I mean if you look at Q1, we're at 14.4%, and as we move forward incrementally, as I mentioned, we'll keep on improving margins, so it has to be upwards of 15% for the fourth quarter, and we'll see how each quarter progresses from here and now.

Kumar Rakesh: Got it. Just one clarification. We have seen strong improvement in DSO and free cash flow generation as well. So how sustainable from here on we should see -- should we expect a similar performance in the coming quarters? And thanks a lot, that's my last question.

Rohit Anand: Yes, no worries. So Yes, so DSO has been favorable. Usually, Q1 is a seasonally weak quarter from a cash and DSO perspective. This time there were two or three drivers. Operationally, we did do well, that contributed to the performance, but there were some accelerated payments also that came in which will normalize for the next quarter.

And similarly, there was some FX benefit on the AR side that contributed, which was negative last time but positive this time. So it's a mix of all of that, so you'll see some normalization come through as you move forward, but as a focus area, and I'd articulated it earlier also, you know, just the working capital strategy is very important for us and we will continue to make sure on a long-term basis we'll keep on improving, though quarterly seasonality you'll see.

Kumar Rakesh: Thanks, team.

Moderator: Thank you. Our next question comes from the line of Sudhir with Kotak Mahindra. Please go ahead.

Sudhir: Yes, hi Mohit and team, congrats on a great performance. On the Comms vertical, we have two large deals. So what percentage of the -- or what part of the ramp-up impact was already there in the current quarter, and how does the revenue ramp from these two deals stack up in terms of growth impact in the subsequent quarters?

Mohit Joshi: Look, I think one of these deals will only start to ramp up, has not ramped up in Q1 at all, so we will see the impact in subsequent quarters only. I think as we had shared with you previously, for Comms we had the Comviva seasonality as a negative impact, and the second impact, as Rohit pointed out in his notes, was the case of, you know, of a client where cloud consumption was being routed through us as part of a larger deal, and as part of their takeover by a larger tech company, that cloud consumption is now being sourced directly, right?

So I think these were the two headwinds for us coming into Comms for Q1, but despite that, we've delivered, you know, we've delivered a positive year-on-year growth number. I think going forward into the year, we feel positive about the possibilities and the opportunity in Comms. There is clearly volatility in a large US telecoms client, but despite that, we remain optimistic about Comms being a growth driver for us for the remainder of the year.

Sudhir: Sure, Mohit. And so your earlier guidance of doing better than industry growth, obviously that statement will not have much of a predictive power right now because you are already way ahead of the industry getting into this year. So if you can help us understand that on a year-on-year basis, do you expect the growth to accelerate further from here on, maybe into high single digit for the full year? High single digit or how to think about the full year growth, that would be very helpful.

Mohit Joshi: Sure. So look, like I said, as of now, we see a strong order book, we see strong continued execution on large deals, we see very high NPS scores, we see an expansion of service lines into existing clients, we see strong opportunities, especially in continued strong opportunities in areas like ServiceNow, building out a strong set of AI capabilities.

So on the whole, we're very optimistic about our business and what we see, but clearly we're operating in an environment with enormous volatility, so it would be foolhardy of me to give you any specific numbers. But standing where we are, we continue to have confidence that we will have strong execution through the year and like I said we will more than achieve the targets that we've set for ourselves in terms of beating peer average. By how much percentage, that is harder to say at this time.

Sudhir: Fair enough, Mohit. And the European auto account where you have seen accelerated delivery, this is just a normal project which got accelerated or is there any particular one-off in it and if possible, can you quantify the impact?

Mohit Joshi: No, it's not a one-off. It is accelerated delivery within a program. I would ask Rohit to answer the second part of the question.

Rohit Anand: Yes, it is a normal project which got accelerated, which will have a next quarter pressure for us because it will not be repeated. I would say around a 1% to 1.3% range would be the impact coming into the next quarter. And as we have the large deal ramp-up which we'd mentioned, Mohit mentioned has not started yet, that will offset that and above and over and above that, the rest of the business needs to continuously perform to offset that and grow further for us for the next quarter.

Sudhir: Thanks, Mohit and Rohit. All the very best.

Mohit Joshi: Thank you.

Moderator: Thank you. The next question comes from the line of Ankur Rudra with JP Morgan. Please go ahead.

Ankur Rudra: Thank you. So clearly the 1Q performance was very impressive. A few parts in my question, it's a single question only. Were you surprised by any segment or was this a plan and as you look at the performance, can you maybe separate out the demand environment, was it -- has it improved at all or were you just taking more successful at taking share and the same comment if you can make for the rest of the year, your confidence of sustaining this comes from your own execution or you think demand is also improving? Thanks.

Mohit Joshi: Sure. So look, I think the first part of your question was about the – sorry Ankur I completed blank out in the first part of your question was that about the European auto.

Ankur Rudra: Were you surprised by the performance or was this a plan all along?

Mohit Joshi: No, I think look clearly the quarter turned out to be stronger than we were originally expecting and I think part of it is the acceleration of the delivery for the European auto piece that we spoke about, so that was a positive surprise coming into the quarter. This is a seasonally weak quarter for us, but we were expecting a strong performance, but yes it did come out to be higher than what we expected.

For the remainder of the year, like I said now we're getting into seasonally stronger quarters for us and we're also going to be delivering on the order book that we have closed in the previous year, so we feel pretty good about the opportunities in front of us. Now, as you talk about the total demand environment and we did a significant amount of analysis over the past 12 months.

So what we're seeing is we are seeing a little bit of a shift. I believe that the core which is relatively stable, but the demands are changing in the sense that the demands from an application development perspective are more from a modernization perspective. From a platform enterprise applications perspective where there is a growing fear of a SaaS eclipse, we're not really seeing that.

We are seeing the platform or the enterprise application demand actually strengthening, specifically seeing strong demand in areas like ServiceNow and SAP, but also in Salesforce. Seeing a very strong demand as you would expect in the data and AI family. So whether it's cloud AI services or it's data engineering, Databricks, Snowflake or on the GenAI frameworks. Also seeing, given the fact that we are building out capabilities strongly in that sector on the sector-specific or the vertical packages like a Guidewire or a Temenos or a LabWare LIMS.

Areas where we are seeing challenges to demand are sort of as you would expect in the manual testing area in your traditional big data area, in standalone e-commerce, in legacy CRM and legacy infra admin. So I would feel that the demand situation is not catastrophic. Clearly, there is a ton of competition out and our competition at times is doing irrational things, but aside from that we remain as they would say cautiously optimistic about the demand environment for the rest of the year and our ability to execute.

Ankur Rudra: Awesome. Thank you so much. Best of luck.

Mohit Joshi: Thank you, Ankur.

Moderator: Thank you. The next question comes from the line of Rod Bourgeois with DeepDive Equity Research. Please go ahead.

Rod Bourgeois: Yes, thank you. Hey, so given your growth acceleration and the positive growth that you have in each of your verticals, I'd like to ask if you could if you could just pinpoint what are the main enablers that have allowed you to achieve that improved growth and the breadth of growth across the verticals? And now that has improved relative growth in the sector has been enabled, do you have a key next step in your strategy to try to extend and add to that? Thank you.

Mohit Joshi: Sure. So look, Rod, I think there was a very meaningful strategy that we'd laid out at the start of the transformation journey itself. And it was predicated on the need to build deep domain vertical depth across the sectors and it was not just a sectoral question. Look in sectors like telecom, we have depth in your traditional IT which is OSS, BSS, but also in networks and we have our own software packages.

So we pretty much cover the entire ground there. In areas like financial services where we are smaller than our peers, we clearly identified sub-verticals like payments, like wealth, like insurance and like core systems where we wanted to build that very deep vertical expertise, hire a ton of industry experts and then start building AI agentic AI frameworks across processes that we feel were amenable to automation.

We did the same thing in healthcare where we identified areas of strength in life sciences and in the provider space. In manufacturing, we opened up aerospace in a very significant way and it's been a huge growth driver for us, which has compensated for the somewhat slower movement that we've seen on the auto side.

So through Sham Arora our CTO, we've been building very strong horizontal capabilities, very strong tooling for our teams, supplemented by the work in our Makers Lab. But I feel it is the vertical piece that is really bringing the sort of the special sauce to our capabilities and I'll give you an example. For one of our telco clients, we're building out a small language model, but then the client also wanted us to fit a harness onto the small language model so that it could drive agent-based action.

Our ability to understand the process flows within telecom, our capabilities to build a small language model from scratch have really allowed us to marry the two in a very seamless way, which we believe is a great differentiator. All of this combined with the architecture that we've created for the organization that allows us to really act with agility, I feel is giving us the lift as is shown in our significantly differentiated growth in this quarter.

I think the future pivot will be to dig deeper into marrying the AI capabilities onto the domain capabilities because I feel that the real value for clients will not come from model-specific changes, the real value for clients will come from deep process knowledge and deep industry knowledge and that's what we look to do is to combine our core technical and engineering skills with deep vertical expertise.

And we will continue driving deeper and deeper. For instance, our BFSI teams have created a remarkable set of agentic solutions for wealth management that can give a very quantifiable degree of savings and growth to our clients and that's the direction we're going to be headed towards in all of our vertical businesses.

Rod Bourgeois: That's helpful. I'll go back in the queue. Thanks.

Mohit Joshi: Thank you, Rod.

Moderator: Thank you. The next question is from the line of Kawaljeet Saluja with Kotak Securities. Please go ahead.

Kawaljeet Saluja: Hey, hi, fantastic performance team, congratulations. Just a couple of questions. First, actually both questions are for Mohit. Mohit, the first question is that when you joined TechM, you mentioned that the pricing of Tech Mahindra is comparable to peers, implying potential of high teens margins. Does that assessment hold true even today, and if yes, you know, have you thought through as to how you would use the surplus margin in case you're able to execute well over the coming quarters? That's the first question.

Mohit Joshi: Okay, super. So you want to ask all your questions now or should I go through one by one?

Kawaljeet Saluja: Okay, the second question is that I think on one of the questions of Ankur's question, you did mention that the competition is irrational. Now without naming any competitor, can you give flavors of irrationality so that we can understand and appreciate the industry perspective a little bit better?

Mohit Joshi: Sure. So look, first on the pricing piece, right? Hopefully, Kawal, you consider 15% also as high teens because then I can reassure you we will hit that number for the year. As you know, we have been consistently growing our margin over the past 11 quarters now. We continue to have a number of operating and pricing levers that will allow us to hit that number and we have been incredibly disciplined in terms of our deals.

And so we absolutely make sure that all of the deals are at least in the long term accretive to our margins and we will continue that discipline. As you know, we have also been investing. We've been investing in talent, we've been investing in IP, we've been investing in software licenses and we will continue to do that and we will calibrate that based on where we see the growth opportunities.

For instance, in my opening remarks, I'd spoken about the Comm Center of Excellence, but when you have a chance to visit Hyderabad next, you will also see our learning center of experience, you will see our engineering center of excellence and you will get to see our retail CPG center of excellence.

So we're investing very heavily in these showcases that showcase our technology, our use cases and our partner technologies. So we will calibrate the level of investments according to where we see the most opportunity. For the year, I think 15 is a number we're comfortable with, and obviously for beyond FY27, we will have to spell out a path.

I feel that we continue to remain disciplined in terms of our pricing, and so that gives us the optionality in the future about whether we want to -- how much we want to focus on expanding margins and how much we want to focus on further deepening capabilities.

On your second question about competitor irrationality, I'll give you a couple of examples, right? I think one example is obviously the level of productivity baked into, 5 to 7 year deals. Now, obviously, we want to make sure that we are aggressive, but getting into a 70%, 80% productivity benefit over a 5-year deal, I feel is getting into productivity benefits that are not visible today without very significant process or system changes by the client, so that is where we would hold back.

I think a second area is on the infrastructure side. As you know, memory prices and chip prices are increasing significantly, and we are not willing to guarantee those for the customer, right? If you're seeing a pricing inflation of 20% year-on-year, to tell clients that you will hold the price for a 3 or 5-year deal, we think is a forward call which doesn't really make sense. So I think these are two examples of irrationality where we have stepped back.

Kawaljeet Saluja: Okay, noted. Looks like deal values are getting an Ozempic treatment. Fantastic. Thank you so much.

Mohit Joshi: Thank you, Kawal.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan with Investec. Please go ahead.

Nitin Padmanabhan: Yes, hi, good evening. Congrats on a very solid quarter. Had a couple. So one is there are a couple of puts and takes both on comms and manufacturing as we get into the following quarter. Just wanted your thoughts on do you believe that both these verticals can actually grow, or do you think we could see declines? That's the first one.

The second is when are we sort of planning wage increases? And finally, Mohit, are you seeing any instances of delays on ramp-ups due to the macro that you would worry about incrementally, or is it just business as usual at the moment?

Mohit Joshi: Okay. So let me answer your first question. We fully expect to see growth in comms and manufacturing to continue. In manufacturing, like we said, a portion of the year-on-year growth came from the fact that we were able to deliver early for our client project in Europe, but even if you take that out, we remain optimistic about our ability to drive growth in manufacturing on a year-on-year basis.

Obviously, the quarter-on-quarter piece is attributable to an increase and that will pull back. For comms, it's the other way around. We had growth, but we had a relatively softer quarter because of one is the Comviva seasonality and the second, like I said, is a cloud pass-through within a complex project that got pulled back by a client, which will go away in Q2.

So I remain optimistic about both comms and manufacturing growing through the remainder of the year, barring obviously any unforeseen surprises. As far as the wage piece is concerned, we expect to be able to announce it effective Q2, obviously in a phased fashion which we will be announcing, to our employees in the days to come, so that will be effective, it'll start becoming effective Q2 in a phased fashion.

On signs of delays in contract signing, candidly, I've seen one or two examples where clients have been, if it's a multi-year contract, there have been questions about should we do this in-house, is this really very strategic and should we outsource it, what will we do with the AI piece, are we getting enough benefits?

But candidly, it's not very different from what I used to see, in my 25-plus years in this industry. So I would say I'm not seeing an outsized or a very large level of client delays or cancellations, and hopefully this is proven by our own large deal track record over the past three quarters.

Nitin Padmanabhan: Anything on ramp-ups of deals that you've already won that's getting pushed out that you would worry you?

Mohit Joshi: No, nothing out of the ordinary, Nitin.

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

Mohit Joshi: Thank you, Nitin.

Moderator: Thank you. Our next question comes from the line of Surendra Goyal with Citi. Please go ahead.

Surendra Goyal: Yes, good evening and thank you for the opportunity. Couple of questions. Firstly, on the IT services headcount, it's down 7% year-over-year. So based on the plans, do you see it kind of continuing to decline further or are you at a point where this may kind of need to start going up?

Mohit Joshi: Sure. So look, I think look, IT services revenues has continued to go up year-on-year. As you know, as we have shared in the past as well, our productivity for our fixed price engagements was below our expectations, and so we've driven with the help of the new AI tooling a higher level of productivity, which has meant lower headcount.

At times, that headcount has therefore been repurposed to other engagements, either FP or T&M, and that has meant that we have not had the need to be able to backfill as much as we traditionally would have. I believe we're running a healthy utilization, but we also see a good, trajectory for revenue growth for the remainder of the year, and I assume that that will mean hiring in the remainder of the year absolutely, which will be a mix of fresh talent and experienced talent, so that should -- that should absolutely happen, Surendra. The decline so far, which is not a revenue decline, just headcount decline, has been driven by our ability to drive greater efficiencies in our very large fixed price portfolio.

Surendra Goyal: Thanks. And just one clarification for Rohit. Rohit, on the SG&A, is there any one-off provision reversal, bad debt related provision reversal, anything to call out which could impact going forward?

Rohit Anand: No, nothing as a one-timer in this quarter that will impact next time.

Surendra Goyal: Sure. Thank you so much.

Rohit Anand: Thank you.

Moderator: Thank you. The next question is from the line of Sandeep Shah with Equirus Securities. Please go ahead.

Sandeep Shah: Yes, thanks for the chance and thank you, congratulations on a very strong performance. Just first question, Mohit, in terms of this is a consistently third quarter in a row where the deal TCV is above 1 billion and which is in line with what you have been indicating earlier. But now we are near to the aspirational margin of 15%, is it fair to assume the TCV has an upwards scope in the coming quarters because discipline approach on the margin, that challenge is reducing quarter-on-quarter?

Mohit Joshi: Thanks, Sandeep. Look, I think, as far as TCV is concerned, TCV is also feeding through to growth, and we're very happy about that. We will continue to be very competitive in the deals where we think it makes long-term economic sense for us. But as you know, for large deals specifically, right, it's quite a binary outcome, it's a zero or one, and our ability to forecast beyond let's say a quarter or two, is quite limited.

We're very confident that our capabilities on the large deals front have built up quite significantly. Our pipeline looks quite strong as of now, but I candidly don't know what it would look like 2 or 3 quarters down the line, so it's hard for me to forecast. We will continue to stay aggressive.

And on the margin point, all I'll say is while we're very happy with the margin growth that we've been able to deliver, I'm also mindful of the fact that we have the wage bill coming up in this quarter, we will certainly have, some productivity pressures from an AI perspective, and we still have to deliver the 15% margin, right? So we're not taking that for granted and losing our discipline on large deals and on profitable growth.

Sandeep Shah: Okay. And just the last question, Rohit, I think we have done a post-mortem of many of the acquired entities and wherever required, we have taken a control or started liquidating. But if I look at the IT headcount mix on the offshore, it has been going down on a Y-o-Y basis. So this is still a lever which we have not fully utilized and can be a big margin driver ahead?

Mohit Joshi: Yes, so I think you're talking about the pyramid, is that right?

Sandeep Shah: Yes, IT headcount mix, onsite-offshore. Yes.

Mohit Joshi: Onsite-offshore. So look, I think as you know, we've signed up a lot of large new deals, and some of these new deals have a rebadge component as well. So I think that will limit very significant changes because obviously for the large deals, initially the headcount ramp-up is much higher onsite and then over time you're able to transition some of that work offshore.

So I feel our ability to pull this lever will be limited also, in response to a question that was asked earlier by Ankur, I'd shared the fact that we are seeing, strong momentum and opportunities on the enterprise application side, an SAP, a ServiceNow, or even a Salesforce, and as you know, these are more onsite-heavy programs of work, right? So that is the other aspect there.

Rohit Anand: The strength, Sandeep, will continue, right, as we ramp up on the large deals that we've announced, that will have more onsite portion as well. I think the trend will continue as we build in more maturity stage of execution of these deals, we'll see a reduction, but not in this year.

Sandeep Shah: Okay. Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen, we will now take one last question which will be from the line of Vibhor Singhal with Nuvama Equities. Please go ahead.

Vibhor Singhal: Yes, hi, thanks for taking my question and congrats team for a solid quarter. Mohit, just one question from my side. In the manufacturing vertical, I think a large part of our manufacturing vertical still pertains to the auto segment. We are hearing a lot of commentary by peers about weakness in the auto segment, especially in US and Europe, especially on their EV programs and other parts as well.

How is that playing out for us? Are we also seeing that kind of a weakness, and despite that, there is just strength that we have seen in the manufacturing vertical? Are we not really present in those parts where the typical cut down in spend or weakness is happening, and how do you see vertical playing this vertical playing out given the auto segment itself? Any color on that would be very helpful?

Mohit Joshi: Sure. So I think it's a little bit nuanced. So first of all, we look at industrial manufacturing, so we look at auto and aerospace sort of -- together from a manufacturing perspective. Now, obviously in aerospace, there has been an uptick in demand. We're especially seeing an uptick in the IT function but also in the engineering business function.

In auto, customers are looking for AI for cost reduction, they're looking for faster turnaround of system changes, which is a little bit of a downer. But on the whole, I think, some of our auto customers actually we had a significant hits last year, which we had called out if you remember our manufacturing growth last year had stalled because of auto cutbacks.

Some of those we see coming back, so it's a little bit of a nuanced picture, right? We are not certainly seeing the same level of stress that some of our other competitors have called out. There is some pressure certainly, there is a huge ask of productivity, but in some cases, this has also meant consolidation opportunities.

In some other cases, we have seen growth, for instance, while the auto sector is a little bit challenged, auto finance has actually shown reasonable resilience, right? So because we have a reasonably diversified portfolio, we've been able to manage through, and if I look at the combination of aerospace and auto together, then certainly feel positive about it.

Vibhor Singhal: Got it, got it. Great. Thanks for taking my question and wish you all the best.

Mohit Joshi: Thank you, Vibhor.

Moderator: Thank you. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Mohit Joshi: Well, thank you so much. Thank you all for making time for us today. Again, just to reiterate, very pleased about the very strong start that we've had to financial year '27 with really strong growth, strong large deal performance, strong addition of large clients, strong margin performance that has been aided by a strong team, strong, customer satisfaction and NPS performance.

And we're very confident that in the last year of our transformation, these trends will continue and that we will continue to deliver on all the promises that we had made to all our investors and stakeholders. And thank you all for your support again.

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.