



"HCL Technologies Limited Q4 & Annual FY'26 Earnings Conference Call"

April 21, 2026



Management:

Mr. C. Vijayakumar – Chief Executive Officer & Managing Director

Mr. Shiv Walia – Chief Financial Officer

Mr. Nitin Mohta – Senior Vice President & Head - Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to HCLTech's Q4 and Annual FY'26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Mohta, Head, Investor Relations. Thank you and over to you, sir.

Nitin Mohta: Thank you, Dorwin. Good morning and good evening, everyone. A very warm welcome to HCLTech's Q4 and Annual FY'26 earnings call. We have with us Mr. C. Vijayakumar, CEO and Managing Director, HCLTech, Mr. Shiv Walia, Chief Financial Officer, along with the broader leadership team to discuss the performance of the company during the quarter, followed by a Q&A. In the course of this call, certain statements that will be made are forward-looking, which involve a number of risks, uncertainties, assumptions, and other factors that could cause actual results to differ materially from those in such forward-looking statements.

All forward-looking statements made herein are based upon information presently available to the management, and the company does not undertake to update any forward-looking statements that may be made in the course of this call. In this regard, please do review the Safe Harbor statements in the formal investor release documents and all the factors that can cause a difference. Over to you, CVK.

C. Vijayakumar: Thank you, Nitin. Good evening, good afternoon, and good morning to all of you. Thank you for joining HCLTech's Q4 and FY'26 earnings call. This year marks 50 years of HCL Group, 50 years of building, reinventing, leading, and giving back. It's the start of the next one. The next 50 starts now. It's fitting that as we mark this milestone,

HCLTech has been named to Fortune's World's Most Admired Companies 2026 list.

Coming to business performance, FY'26 unfolded with an uncertain outlook. Tariff volatility remained a persistent uncertainty. Discretionary spending contracted in traditional areas but emerged in new pockets, and client behavior reflected familiar patterns of cost-takeout initiatives coupled with accelerated adoption of AI-led productivity gains.

Notably, AI momentum remained strong with nearly all deals incorporating an AI or GenAI component. Given this backdrop, the year marks the third consecutive year of HCLTech's likely to deliver the highest organic revenue growth amongst scale players. I sincerely thank all HCLTechies for their dedication and outstanding performance.

Coming to our Q4 performance, our revenue for the quarter was \$3.7 billion, a decline of 3.3% QoQ, and an increase of 2.4% YoY in constant currency. Our services business declined 0.1% sequentially, and an increase of 4.2% YoY. Our software business declined 28% sequentially, and 14% on a YoY basis. Advanced AI revenue for the quarter stood at \$155.1 million, marking a 6.1% QoQ growth.

Our operating margin for the quarter came at 16.5%, and it would be 17.7%, excluding restructuring costs. Apart from sequential decline due to seasonality in the software business, we saw delay in procurement decisions in the month of March that resulted in revenue coming below our expectations. In case of services, our performance during the quarter came in at the lower end of our expectations.

This was primarily due to reduction in discretionary spending on Telecom vertical as well as discontinuation of the two SAP programs. Some of this became visible only towards end of the quarter, mostly

in early March. While the annuity programs in the Telecom vertical performed as per expectations, the discretionary spend both in digital business and engineering services was cut by select Telecom customers, specifically two large clients in the U.S. during the quarter. We expect the impact to continue for rest of the calendar year as well, which is accounted for in the guidance we will provide.

In FY'26, we reported a consolidated revenue of \$14.7 billion, an increase of 3.9% in constant currency. All growth rates referred are in constant currency. This growth includes growing contribution from Advanced AI and AI offerings. Our operating margin for the full year was 17.2%, a dip of 107 basis points compared to last financial year. Excluding the restructuring costs, our full year margins were 17.9%, down 40 basis points on a YoY basis.

In FY'26, our services business achieved a growth of 4.8%. The performance was driven by IT and Business Services, which reported an increase of 3.7%, and Engineering and R&D Services, which recorded growth of 9.8%. Our HCL Software revenue stood at \$1.4 billion, and annual recurring revenue at \$1.05 billion, a decline of 4.1% and 0.5% respectively.

Our annualized Advanced AI revenue for the fiscal reached \$620 million. After two quarters of strong booking, new deal booking for the quarter moderated to \$1.9 billion. Bookings for the fiscal was good. TCV of net new bookings for the year clocked \$9.3 billion, same as last year, in spite of some of the AI deflation that you see in the TCV net new booking.

As we close the quarter and fiscal year, our AI strategy is translating into deeper client engagement and clear market leadership. Momentum across our Advanced AI offerings and overall, AI portfolio remains strong, reflecting the strength of our early bets and our continued focus on AI that scales from experimentation to measurable business impact.

Our ambition is to be the best AI solutions company, leveraging our engineering pedigree. Our AI growth strategy is based on one, proactive transformation of our services, two, building differentiated IP that help clients scale AI adoption within the enterprises, three, expanding into new AI-led services, four, strengthening our AI partnerships, and five, grooming our AI talent.

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

Let me share an update on each one of these five AI strategic pillars. Starting with proactive transformation of our services, we have deployed AI across delivery and operations to augment velocity, quality, and efficiency across delivery workflows. Our service transformation platform, AI Force, is now deployed across 75 distinct accounts. This continued momentum is translating into large and strategic deal wins that demonstrate the tangible value of our AI capabilities.

Beyond delivering measurable, scalable AI impact for our clients, we are also transforming internally towards an autonomous, zero-friction enterprise by reimagining core operations and employee experiences. For example, LUMI, our enterprise AI agent, enables seamless employee interactions and instant query resolution, and Talent Navigator, our talent acquisition platform, which I talked about last quarter. We released our Responsible AI Transparency Report, the first among GSIs, outlining the progress we have made in

embedding responsible AI across our organization and client engagements.

The report details our governance model, how we operationalize accountability, fairness, security, privacy, and transparency aligned with global standards. On the second strategic pillar of building differentiated IP, which is AI Force and all industry AI solutions, a key focus of our strategy is building differentiated IP that help clients move from experimentation to scaled impact. In this fiscal, we have filed 38 patents across Advanced AI technologies.

In parallel, we continue to broaden our AI services portfolio to meet industry-specific needs. This quarter, we launched two new AI Force SKUs for SAP and MedTech. We also unveiled 2.0 release of AI Force, which further strengthens its agentic capabilities with a sharper focus on extensibility, modularity, enterprise-grade governance, and interoperability.

This was followed by AI Force 2.1, which enhanced platform's administrative controls and enriched contextual responses through knowledge graphs. Our existing vertically aligned industry AI solutions are gaining strong market traction, and we continue to invest in building scalable, repeatable offerings, with three currently under development and more in our pipeline. Expanding into the third pillar, which is new AI-led services.

In Physical AI, we unveiled VisionX 2.0, our edge AI platform. The release introduces a multi-modal AI engine, LLM-based surveillance agent, vertical-specific use cases, zero-touch architecture, zero-touch provisioning, and a scalable edge-to-cloud design. VisionX integrates with NVIDIA Metropolis and supports flexible edge infrastructure through Dell and HPE. In Physical AI, we also launched Kinetic AI.DC Ops integrated with AI Factory.

Under AI advisory services, we hosted 123 new engagements in our AI labs in Q4, with a notable increase in CEO and COO-led transformation programs. These engagements are increasingly focused on agentic AI-driven enterprise transformation, value stream re-engineering, and workforce transformation.

I want to mention two of the many Advanced AI deals we won. A global technology major selected HCLTech for another AI Factory program worth over \$100 million. An HCLTech solution will fast-track the client requirements of building and operating next-generation AI data centers to support cutting-edge AI workloads using the latest GPU technologies.

A global semiconductor major selected HCLTech's AI engineering services to support ASIC development across multiple advanced node chips, strengthening its position in Physical AI. I would also encourage you to view some of the client success stories we have delivered in the new Advanced AI services showcased through our editorial series with WIRED magazine titled *Pioneers of Enterprise AI*, available on our website homepage. Coming to the fourth pillar, AI partnerships across the entire technology stack, our ecosystem continues to be a force multiplier for innovation and scale.

We announced an expanded collaboration with Google Gemini, leveraging Gemini Enterprise and Gemini models to build custom AI agents for global clients, while strengthening security and collaboration through Google Workspace. HCLTech was selected by AWS as a global capability center partner with AWS under Rick's initiative and also named an official launch partner for AWS European Sovereign Cloud, a new independent cloud for Europe. At NVIDIA GTC 2026, NVIDIA highlighted HCLTech as a key partner using Cosmos to accelerate Physical AI training and video analytics, the only GSI referenced in this context.

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

We continue to bring academia and industry together through partnerships like MIT. Recently, we expanded our collaboration with MIT Media Lab to include an applied AI research internship program and an agentic AI hackathon, building on a shared ambition to advance agentic AI innovation with real-world impact.

Lastly, our partnership with OpenAI is delivering measurable impact. We are helping clients scale enterprise AI operating systems and agentic workflows through our dedicated OpenAI Enterprise Consulting and OpenAI-badged agentic engineering teams, working in close collaboration with OpenAI forward-deployed engineers. Recent examples include two large retailers in Europe and the US. More partnerships to come in the coming weeks.

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

Coming to bookings, bookings in Q4 were well-balanced across service lines, geographies and verticals. Calling out a few large deals other than the large AI Factory deal for a global tech major and AI engineering work we are doing for a global semiconductor major, which I mentioned as a part of Advanced AI deals.

An US-based biopharma major selected HCLTech's physical AI solution, TraceX, to strengthen inventory visibility and control. The engagement will enable the client to improve operational efficiency, accuracy, enhance supply chain resilience, and create a scalable digital foundation to support its broader smart manufacturing transformation program.

A US-based global MedTech company selected HCLTech to set up a state-of-the-art cybersecurity center of excellence. By leveraging its next-gen Cybersecurity Fusion Center and AI Force.Secure platform, HCLTech will help establish an adaptive security posture, secure connected health devices, and support regulatory compliances across a client's global value chain.

A US subsidiary of a global memory semiconductor group that powers next-generation AI factories and hyperscale data centers worldwide selected HCLTech to provide end-to-end firmware development and sustenance services, helping strengthen the reliability, performance and scalability of clients' high-performance storage platforms.

HCLTech's advanced engineering services will strengthen the client's enterprise-grade storage portfolio. A Europe-based industrial engineering and manufacturing company selected HCLTech to modernize its IT infrastructure and application landscape. HCLTech will leverage its AI Force platform to improve productivity and agility across the client organization's technology environment.

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

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

We are also recognized as one of the world's most ethical companies by Ethisphere for the third consecutive year. We are also included in S&P Global Sustainability Yearbook for the fourth year in a row. Coming to our pipeline, market trends and business outlook, our pipeline remains robust and broad-based across segments, verticals and regions, with AI increasingly integral to every deal conversation.

While we continue to see demand in traditional buying motions through cost take-out, vendor consolidation and modernization dominate the deal mix, we are continuing to invest in AI-aligned go-to-market, Advanced AI offerings and AI-led service transformation to exploit when client spend ramps up on the AI transformation program. If we look at the industry today and categorize it, 40% of the industry runs the risk of being disrupted by AI and can shrink 3% to 5% CAGR for a few years and can eventually be 25% of the enterprise spend.

This spend is what I would call as AI disrupted and is in traditional areas like application development support, traditional infrastructure operations, customer support, etcetera. Then there is a 55% of the industry that can take advantage of AI like data, cybersecurity, cloud, and grow healthy at about 10% plus and grow its share of enterprise spend marginally. We would call this as AI amplified or AI augmented services.

Finally, there is a market that is AI native, currently at 5% of the market, growing at 30%, and can become 20% plus of the market in

five years. This includes AI Factory, AI Engineering, Custom Silicon Engineering, and many other Advanced AI services. Our AI growth strategy is customized to align to the differential growth rates of each of these three categories that I mentioned.

We believe it would help us grow faster than the market. And the 3% to 5% deflation that I mentioned in the AI disrupted services, based on the mix of services that we have, it would translate to 2% to 3% for our portfolio. Overall, geopolitical escalations and rapidly evolving situation that limits everyone from having a very definitive view of things that will evolve over the next 12 months. We are seeing some of this impact already hurting the growth outlook in Europe while there are no broad macro challenges in North America.

While our business remains strong, two client-specific challenges in America would have close to 50 basis points growth headwind in FY27. These customers are going through business challenges which are not related specifically to the macroeconomic conditions and have decided to scale down their IT budget significantly.

For the software segment, we continue to work on pivoting the business to more and more subscription and steady revenue streams away from the perpetual license sale. On the margin front, underlying profitability of our portfolio is resilient and margins adjusted for restructuring are indicative of the same. While we work through the specific growth challenges of FY27, the benefit of currency depreciation would be used to continue our investments in sales and GenAI capabilities.

Now coming to guidance, our guidance for FY'27 is as follows. The revenue growth guidance for the full year is 1% to 4% in constant currency and 1.5% to 4.5% for Services. EBIT margin guidance is 17.5% to 18.5%. At the lower end, this assumes continued soft discretionary spend environment and the two clients that I referenced ramped down beyond the planned ramp-downs.

At the midpoint, the two clients land at planned revenue and discretionary spend trajectory remaining constant. At the higher end, moderate pick-up in discretionary spend and couple of large deals materializing in the first half.

This guidance does not include the two acquisitions, the Telecom Solutions Group from HPE that we announced to carve-out and Jaspersoft. Both of these are not closed yet. They are delayed due to the US government approval that's delayed due to the US government shutdown of the specific departments.

Now I would request Shiv to walk you through more details on our financial numbers.

Shiv Walia:

Thank you, CVK. Good morning, good afternoon and good evening to all of you. Thank you for joining our Q4 financial year '26 earnings call. Let me walk you through our financial performance for the quarter first. Starting with the revenue performance, please note all the growth numbers quoted are in constant currency unless noted otherwise.

Total revenue for the quarter is \$3,682 million, a drop of 3.3% QoQ, but with a growth of 2.4% YoY in constant currency. Services revenue for the quarter came in at \$3,386 million, a drop of 0.1% QoQ and a growth of 4.2% YoY. The ITBS services grew 0.1% QoQ and 4.3% YoY. The ERS segment dropped by 1.3% QoQ and grew by 3.8% YoY. Software revenue for the quarter is \$307 million, a drop of 28.1% QoQ and a drop of 14.1% YoY.

In terms of geographies, during the quarter USA grew at 4.9% YoY, Europe dropped 2.9% YoY, while Rest of the World (ROW) grew 16.6% YoY, and India reported an increase of 5.3% YoY. In terms of verticals, our Q4 growth was broad-based with 6 out of 7 verticals registering YoY growth. Growth was led by Technology and Public Services up 17.8% YoY and 10.7% YoY, respectively.

In terms of clients, our relentless focus on services serving our customers has helped us to grow our client relationship. On a YoY basis, we added 1 client in the \$100 million category, 8 clients in the \$50 million category and 11 in the \$20 million category and 26 in the \$10 million category.

In terms of profitability, our EBIT is \$607 million at 16.5% of revenue. If you were to adjust the restructuring expense of 122 basis points this quarter, our Q4 margins are at 17.7%, just 20 basis points down YoY. Net income for the quarter is \$486 million at 13.2% of revenue.

In terms of margin walk, softness in Software business due to seasonality and delayed client decisions making 181 basis points drop in margins at the company level. Services margins dropped by 27 basis points sequentially due to second cycle of increments in this quarter, which had an impact of 45 basis points. Restructuring expense had an incremental impact of negative 41 basis points. And higher bad debt provision had an impact of 19 basis points. And Project Ascend helped us to obtain 13 basis points gain during the quarter and forex had a positive impact of 65 basis points.

Now, moving on to our financial performance for FY'26. Here again, please note that all the growth numbers quoted are in constant currency. Starting with the revenue performance, total revenue for the year is \$14,664 million, a growth of 3.9% YoY. Coming to the Services side, Services revenue came in at \$13,315 million, a growth of 4.8% YoY. Software revenue for the year is \$1,395 million, a degrowth of 4.1% YoY.

Moving on to the profitability, our EBIT is at \$2,526 million at 17.2% of revenue, which is down by 107 basis points YoY basis. Adjusted for restructuring, our EBIT margins for FY26 stood at 17.9%, down 42 basis points versus last year. Project Ascend has been instrumental in helping us stabilize our margins as we navigate a tough FY'26 with uncertain demand environment.

Net income for the year is at \$1,959 million at 13.3% of revenue. EBIT and Net Income exclude the one-time impact of New Labor Codes. Including the same, FY'26 EBIT is at \$2,417 million and Net Income is at \$1,877 million. Moving on to return on invested capital (ROIC), it continues to improve, thanks to our ongoing focus on profitability and efficient capital management.

The last 12 months ROIC is at 40.3% for the company, up 235 basis points YoY, and Services ROIC now is at 47%, up 155 basis points YoY. Software continued to improve with ROIC at 22.6%, up 274 basis points YoY. In terms of cash generation, over the last 12 months, operating cash flow is at \$2.25 billion with free cash flow amounted to \$2.09 billion.

Operating cash flow to Net Income conversion is healthy at 115% and free cash flow to Net Income is at 107%. Our balance sheet continues to strengthen with gross cash at \$3.53 billion and net cash at \$3.51 billion. Our DSO is currently at 84 days, increased by three days QoQ.

In terms of EPS and dividend for our shareholders, the Diluted EPS for the last 12 months came in at INR64.01, which is down 0.1% YoY. Including the impact of New Labor Code, the diluted EPS is at INR61.36. The Board has declared an interim dividend of INR24 per share for the quarter. The record date is 25th of April '26, and the payment of the same shall be on 5th of May'26. That brings our last 12 months payout to INR60 per share, effectively distributing 97.6% of our Net Income.

Now, the capital allocation policy - over the last 5 years since introducing our capital allocation policy in FY22, we have paid out 89.9% of our Net Income to our shareholders. This translates into a record \$8.5 billion in cash back to shareholders. We are pleased to share that the Board has extended the capital allocation policy today for a period of another 5 years. In line with our previous policy, we are

committed to return at least 75% of our Net Income back to the shareholders over the next 5 years.

That's all from my side for now, and I would like to hand over the session to our moderator for a Q&A session. Thank you.

Moderator: Thank you very much. Our first question comes from the line of Abhishek Pathak from Motilal Oswal Financial Services Limited. Please go ahead.

Abhishek Pathak: Yes, hi, thank you for the opportunity. My first question is on the deflation number that CVK referenced. So CVK, on the 3% to 5% deflation estimate that we have, what is the risk that this number kind of keeps expanding over, let's say, the next 2 to 3 years as model capabilities improve, and more and more of what IT services kind of provide comes under the ambit of what GenAI can do? That's the first question.

And the second question is - as an offset to that is, you did mention your GenAI offerings across be it Chip Design, be it Agentic AI, etc. So, across those five offerings that you have, which of the offerings do you think are seeing the maximum uptake and where you feel like over-indexing a lot over the next 2 to 3 years so the impact of deflation kind of gets offset?

And if I could just squeeze in one more on the guidance front, how much of the guidance softness comes from geopolitical pressures and how much of it comes from the event that have happened between the last 2 to 3 months that includes, the release of Opus 4.6 or the geopolitical impact that we've had? Thank you.

C. Vijayakumar: Thank you, Abhishek. Let me answer one by one. Starting with the deflation number, 3% to 5% that I shared is mostly based on the industry mix of services. And for the specific question on how it changes with respect to the model effectiveness, I think most of the enhancement in models are really driving more and more velocity

and efficiency in the SDLC lifecycle. I think that piece could go through a little higher deflation based on the model outcomes.

In rest of the areas, it is Agentic, it is human-in-the-loop, and even the latest model on Anthropic's Mythos, ability to run production environment fixes without human-in-the-loop is very limited. And this has been acknowledged even in their own release notes. It depends on the service mix. For us, we called out 2% to 3% and I think that holds true even now.

In terms of new services, I think that's a great question. We have obviously called out 5 key areas, which is Physical AI, AI Factory, Custom Silicon Engineering for Inferencing, AI-led Marketing Services, and IP and Platforms. Of course, IP and platforms are integral to a lot of service transformation. It has a very small component of IP embedded into it.

AI Factory is where we are seeing tremendous traction. One of the large deals that we called out this quarter is a \$100 million+ AI factory deal for design, implementation and support of a next-gen AI data center for a large Technology company. So, I think we are seeing good traction. We are already now into two major clients for this, and we hope to get to another three or four more in this coming year.

Similarly, Semiconductor Engineering, we also announced a new deal this quarter on Physical AI, which is really some ASIC development work on advanced nodes, which is also the cutting-edge work, and these are the areas which we are doubling down and we see great traction.

Coming to the guidance, what it takes in, I don't want to kind of say that geopolitics is driving this. I would want to be more specific. Of course, there has been some impact in March, which is what is reflected in our significantly lower revenue in Q4. And as I said, two large Telecom clients have cut down on the discretionary spent for

this calendar year. I see that continuing till end of the year. A couple of SAP programs got discontinued. That will also have an impact.

We are seeing some softness in Europe, and the US seems to be quite robust except for this specific client situation that I called out. For FY'27, we see a half a percent reduction due to two clients and their own business challenges. We continue to have a very high wallet share, but their own business pressures have reduced significant spend and that is what is driving the overall guidance.

Abhishek Pathak: Thanks CVK, all the best.

Moderator: Thank you. Our next question comes from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management Company. Please go ahead.

Sudheer Guntupalli: Hi, CVK. Just one clarification. These two SAP programs and the two Telecom accounts, are they overlapping or are they two separate events? Number two, what gives us the confidence that these two might be isolated events and there is no underlying factorial or causality driving this at a vertical level, at either a Telecom vertical level or maybe in a broader set of SAP implementation programs or in any geography at this stage?

And the third one if I may squeeze in, if you add back that 50 basis points of impact because of these two accounts, still it would be like you are essentially talking about 2% to 5% kind of growth in services, which might be a bit tad softer than what we are anticipating. So anything to explain that delta, that would be helpful. Thank you.

C. Vijayakumar: Two Telecom clients and the two other clients are completely different. The two other clients where there is a half-a-percent decrease in FY'27 guidance, one is a large Manufacturing client, other one is a Retail client. So there is no overlap in these clients.

Now, what gives us confidence? This is restricted. As I said, in the lower end of our guidance, we are baking in that the softness continues. That is what we have baked in at the lower end of our guidance. And I think, given it is a well-known fact that 2% to 3% deflation happens, I think barring this, getting to 2% to 5% is a reasonable growth in the given environment and in so much of uncertainty.

I think it is good and this of course does not include any acquisitions and they will get closed sometime during the year and we will call it out separately.

Sudheer Guntupalli: Fair enough, CVK. Thanks a lot.

C. Vijayakumar: Outside of these two data points that we shared, the business continues to perform at the same pace. I think we have done enough. So that is how we have arrived at our guidance.

Moderator: Our next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Yes. Hi. Good evening. Thank you for the opportunity. The impact we had in Telecom this quarter, I think sequentially some \$12-odd million, so that began in March. We should assume that you will see a full quarter kind of an impact in the next quarter. So over and above this 50 basis points which is with those two other clients, this itself is quite a drag. Is that a fair understanding? Almost a 1% drag?

C. Vijayakumar: Yes, I wouldn't say that it was only in March, though the decision got communicated to in March, but it does have a little more impact than just one month because I think these were the SOWs which were expected as a part of CY'26 spend, and it was dragging and finally it was called off. I would say it's a little more than a month. We are assuming at least that it is there till end of the year and that is all accounted in our guidance.

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

C. Vijayakumar: I think these were related to the client budgets. I think they kind of de-prioritized this modernization. I think there is a general understanding that the timelines for some of this is also going to get extended from SAP. I mean, some of that is probably playing into these decisions.

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

C. Vijayakumar: Firstly, this Q4 revenue decline is not related to anything on AI or any of the latest developments. As you know, the last fortnight of the quarter is crucial for all the deal closures in the Software segment. I think the situation in West Asia led to deferral in client decision-making and some of the delays in the US government also caused this. We expected it to get done before March, but they didn't get done.

And then, of course, a couple of other situations where some client stakeholder changes and all that overall led to a little more scrutiny and more review of the deals. I think it's very specific and our long-term trajectory for Software business remains intact. There are three broad portfolios - One is data; second is operations, which is all our IntelliOps and AEX; and the third is experience, which has got some of the declining products.

So, I think the two categories which I called out, data and operations, are growth-oriented. They will get offset by the declines in the experience portfolio. So, our expectation is low-single digit, flattish or marginally declining, in the coming year. As the recurring part of the portfolio improves, that will also help.

If you see on a YoY basis, we had a decline, bigger decline in the perpetual licenses and maybe a slight decline or flattish in the steady stream revenue. So, I think we need to kind of go through the entire cycle, but it's not something we are able to predict because especially government buying is all perpetual licenses, so we are not able to clearly predict it at this point.

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

C. Vijayakumar: Thank you.

Moderator: Thank you. Our next 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 more of the near-term performance. In first quarter, we usually see a seasonality when there is a productivity pass-through which happens. Given there are a couple of account-specific issues which will have a full quarter impact, should we see higher than usual seasonality going into the first quarter? And also, on the deal TCV, you spoke about that there was some deflationary impact of AI as well in that. From at least near-term, should we expect the deal TCV also to remain muted, around \$2 billion-odd?

C. Vijayakumar: Rakesh, you can assume the usual Q1 seasonality. Despite the headwinds that we had in Q4, which will continue into Q1, the mega deal ramp-up is on track. And that growth will offset the headwinds from the two client challenges that we talked about. So otherwise, you can assume a usual Q1 seasonality.

Kumar Rakesh: And deal TCV, the AI impact?

C. Vijayakumar: Yes, of course. I mean, \$100 million deal would be much lesser today - maybe 80 million, just on a rough ballpark. So, deal TCV is flat. But technically, it does require at least 25%, 30% more effort to convert and get to the same number. But I also want to call out - we have lost some deals which are voluntary losses. We have walked away from some deals which will not make sense and that would have easily contributed at least \$1 billion more to this number.

It's only prudent to be a little bit more careful about this and spend the energy and organizational bandwidth on more reinventing for the future and enhancing our AI positioning and delivering more value to our clients using AI instead of really fighting some of the traditional deals where it's hyper-competitive. If it doesn't make sense, we walked out on quite a few in the last six months.

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

C. Vijayakumar: Yes, of course. It is different because you're managing the hyperscaler networks, the AI Factory, a lot of the operational work; all of that is different. The tools used are different. The underlying network technology is significantly different. So, it's really a similar kind of capability, but it's different technologies on which we have to work.

We have invested in training and retraining a lot of our infrastructure and data center teams to drive or to really participate in the new AIDC programs. And we've also hired a lot of lateral talent because a lot of this is also very geography specific. We have been hiring a lot more lateral talent on this front in the last maybe a year or so.

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

Vibhor Singhal: Yes, hi. Thanks for taking my question. CVK, so my question was on the product business. You mentioned that basically there was a spillover of the last 14 days in this quarter because of which the revenue was a bit down. If I see for the full year also, our product business is down on a 4% on a YoY basis. So is the revenue that we missed in this quarter kind of a spillover we can expect to come back in Q1.

And hence the next year performance for product business could look better? Or what is the trajectory that we're looking for the product business given the circumstances that we have at this point of time with the tariffs, the war, and other external factors?

C. Vijayakumar: Yes, I think whether these deals will come back depends on many variables. So it's too early to say and the timing of closure is unpredictable. You would have noticed this would be the first time in recent years that the total revenue growth is half a percent below the Services revenue growth. So, at the lower end, you can compute what our assumptions for the Software business have been.

Vibhor Singhal: Got it. And if I look at the client-specific issues that you mentioned, two in Telecom, one in Manufacturing, and one in Retail, I would assume the three of them would probably be in the ER&D part, and the Retail would be in the pure IT services part?

C. Vijayakumar: No, no, I mentioned the Telecom is in the discretionary spend. It's a digital business which is part of our ITBS portfolio. Manufacturing client is both engineering services and BPO; both large. Retail client is also mostly in our digital business. We were building a new platform and some of that is related to this.

Moderator: Thank you. Our next question comes from the line of Rushabh Jain from Axis Capital. Please go ahead.

Rushabh Jain: Hi, thanks for taking my question. CVK, you talked about 3% to 5% deflation, but that's kind of what we see anyway, even before AI. In renewal deals, we were seeing 10% to 15% cut in pricing over the life of the deal, which would translate to more or less 3% to 5%. So, it doesn't look like with AI there is anything significantly different. Would that be right?

C. Vijayakumar: No, I think we were always careful that this is the incremental impact. I mean, considering the traditional productivity what we normally commit – we should be now looking at an incremental kind of impact or reduction in the overall solution.

Rushabh Jain: I agree. Then should we think about this then being low to mid-single digits being equivalent to high single digits given the demand or the lack of growth in the last three years and now this is the fourth year of poor demand? I mean, can we say that some of this is also due to AI, the deflation impact?

C. Vijayakumar: No, I would say that very little has really played out in already reported numbers. We expect this to happen in FY'27 and onwards. That's also why you'll see this guidance lower than what we had given last year. Thanks.

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

C. Vijayakumar: Thank you, everyone, for joining us on our earnings call for financial year FY'26 closing. I think, given the backdrop of the external environment, HCLTech has delivered good performance, dealing with all the different variables that are playing, and our business remains very resilient.

We continue to focus on reinventing the company to be the best AI solutions company with an engineering pedigree, on the basis of which we want to focus and reinvent. We will see differential growth

rates in all the three different categories: AI disrupted, AI amplified, and AI native or Advanced AI services. We really look forward to growing our AI native services in the 25% to 30% range.

And that will truly be the validation of how we are evolving as a company. Thank you for your support. I look forward to talking to all of you in due course. Thank you and good evening.

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