April 25, 2025

The General Manager
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001

BSE Scrip Code: 532281

The Manager
National Stock Exchange of India Limited
Listing Department
Exchange Plaza
5th Floor, Plot No. C-1, Block-G
Bandra-Kurla Complex, Bandra(E)
Mumbai-400 051

NSE Scrip Code: HCLTECH

Sub: Audio recording of the Conference Call held on April 22, 2025

Dear Sir/ Madam,

In terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed please find a copy of the transcript of the Audio Recording of the Conference Call held on April 22, 2025, post the announcement of the financial results of the Company for the quarter and year ended March 31, 2025.

The is also available on our Company's website https://www.hcltech.com/investor-relations.

This is for your information and records.

Thanking you,

For **HCL Technologies Limited**

Manish Anand
Company Secretary

Encl.: a/a

"HCLTech's Q4 FY25 Earnings Conference Call"

April 22, 2025

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 FY25 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 the conference, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

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

Nitin Mohta: Thank you, Renju. Good morning and good evening, everyone. A very warm welcome to HCLTech's Q4 and Annual FY25 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 harbour statements in the formal investor release documents, and all the factors that can cause the difference.

Over to you, CVK.

C. Vijayakumar: Thank you, Nitin. Good evening, good afternoon, and good morning to everyone. Thank you for joining us for Q4 and FY25 Earnings Call.

Let me get straight to the business performance:

At the beginning of the fiscal year, there was cautious optimism regarding growth considering the market situation, in the backdrop of reduced discretionary spending and a slowdown in certain industry verticals.

In FY25, we demonstrated resilience and growth, supported by our diverse and all-weather portfolio, despite uncertainty in the global economy. I am pleased to share that we have delivered superior growth with good control over steady profitability during this period.

Our razor-sharp focus on clients during this period of uncertainty helped us achieve results that matched our guidance. I sincerely thank all HCLTechies for their dedication and performance during this especially tough year for the industry.

In FY25, we reported a consolidated revenue of $13.84 billion, an increase of 4.7% in constant currency. All growth rates I would refer to, would be in constant currency. This growth is attributed to both Services and Software business. Our operating margin was at 18.3%, a 7 basis points increase over FY24.

FY25 marks the third consecutive year of our Services business outpacing our similar-sized peers. In FY25, our Services business achieved a growth of 4.8%. This performance was driven by IT and Business Services, which reported an increase of 4.6%; and Engineering and R&D Services, which recorded growth of 5.5%.

HCL Software also demonstrated strong performance with a growth of 3.5%. HCL Software's Annual Recurring Revenue, ARR, is now at $1.03 billion. This also marks a growth acceleration in HCL Software compared to FY24.

Now to provide a snapshot of our Q4 performance:

Our revenues declined 0.8% sequentially, due to the seasonality in the Software business. It grew 2.9% on a year-on-year basis. Our operating margin for the

quarter stood at 17.9%. Our Services business grew 0.7% sequentially and 2.7% year-on-year.

In terms of geographies:

During the financial year, all 3 grew. Americas, the largest IT Services market grew 5.3%; ROW followed with a 4.7% increase; and Europe grew 3.5% year-on-year. Shiv will later comment on geo-reporting going forward with some changes that we have coming up.

In terms of verticals:

This year our leading vertical was Telecom, Media and Publishing, which exhibited a very strong growth of 43.4% in FY25; Retail & CPG achieved a 10.7% increase; Technology and Services grew 6.7%.

Further to capitalize on the large spend of public sector, and in line with the strategy to expand our market participation, we recently established HCLTech Public Sector Solutions, a subsidiary dedicated to serving state and local government, and education organizations, as well as federal, civilian and defense agencies in the United States.

We continue to focus on and add G2000 clients or equivalent and emerging enterprises even during this period of relatively slow industry growth. Overall, we have added 6 customers in the $50 million category, and 1 in the $20 million category on a year-on-year basis.

In terms of booking:

We had a very strong quarter. In fact, the second highest after the September 2023 quarter, which was on the back of a mega deal, which all of you know. This quarter, we did $3 billion of net-new booking. At the fiscal year level, the total new booking TCV stands at $9.3 billion.

During the quarter, the strong booking was well balanced across service lines, geographies and verticals. Our Engineering and R&D Services business had a record high booking, which is a 75% growth in FY25. This demonstrates the great execution of our integrated GTM organization.

A couple of deals that stand out in Engineering Services include a US-based global high-tech company, who selected us for a mega engineering Services deal to serve the rapidly growing AI-powered silicon and software-defined vehicle segments. The client will leverage our industry-leading capabilities in semiconductor space to bring cutting-edge solutions to the market.

We announced a collaboration with ChargePoint, a leading provider of networked charging solutions for electric vehicles, to accelerate innovation in EV charging software and to deliver scalable and customizable EV charging experiences. We have established an advanced R&D centre for ChargePoint in Bangalore.

As I mentioned, our deals were balanced across verticals this quarter. For example, in Financial Services, the Western Union has formed a strategic partnership with HCLTech to drive innovation and transformation.

As its largest preferred partner, we will enable the Western Union's transition to an AI-led platform operating model, driving agility and scale in the market. We continue to see good traction in Telecom, Media, and Technology sectors. A Fortune-50 telecom company expanded its partnership with us to enhance its high-density network performance and customer experience. We will guide the implementation of client’s customer experience services portfolio.

A US-based global media company expanded its partnership with HCLTech to establish an AI Centre of Excellence for direct-to-consumer platforms, media supply chains, enterprise systems, and brand experiences.

Geographically, we are well-diversified globally as we are winning deals across our focus on new frontier markets, apart from our core markets like US, UK, and Nordics.

A Middle East-based real estate company selected us to modernize and manage its entire technology operations, leveraging our cutting-edge AI Force and CloudSMART solutions to drive its digital transformation and improve customer experience.

A Europe-based global technology major selected HCLTech as a strategic infrastructure partner for its rapidly expanding enterprise applications, cloud platform, and customer base.

I will talk about some of the other interesting deals in AI, when I discuss the progress around our AI initiatives.

In terms of pipeline:

We are very pleased with the health of our pipeline. It continues to be near all-time high, even as we saw healthy conversions in Q4. The pipeline is supported by multiple deals across ITBS, ERS, and HCL Software. Notably, AI and GenAI are now integral components of almost every deal. Both Americas and Europe have shown considerable growth in the pipeline during the last quarter.

In terms of people:

As of 31st March 2025, our count was 223,420 across 60 countries and includes 167 nationalities. Our IT Services voluntary attrition on an LTM basis is at 13%, one of the lowest in the industry. As the revenue grew 4.7% this year, we had a 1.8% reduction in our employee base. This was well supported by acceleration in our AI-led automation efforts.

It's directionally aligned with our intent to drive non-linearity in our business. We have made significant strides in AI and GenAI impacting both clients and internal operations and processes. Our 4 flagship AI offerings- AI Force, AI

Foundry, AI Labs, and AI Engineering, have seen substantial adoption and scaling in FY25.

AI Force has gained significant traction with 57 deployments among 22 clients in this financial year. These service transformations have created a significant business impact for our clients, such as a billion-dollar impact for a large insurance company by accelerating their policy modernization using GenAI. We have integrated the AI Force platform with leading technology providers, including NVIDIA, Intel, Google, Anthropic Claude 3, Amazon Bedrock, GitHub Copilot, SAP, Azure, OpenAI, et cetera.

We are driving agentic capabilities for a variety of use cases. AI Force has built 50-plus pre-built recipes across requirements, development, testing, DevOps, technical support, and supporting commercially off-the-shelf products.

AI Engineering has been pivotal in this transformation, offering solutions such as vision-based inspection, predictive equipment failure analysis, silicon engineering, data and AI transformation, and more.

We launched:

- Assure AI, a comprehensive suite of testing Services, to ensure the quality and trustworthiness of LLM-powered applications.
- 3D IIP, which is 3D Industrial Inspection Platform, for AI-powered autonomous inspection in asset-heavy industries.

We are also focused on driving industry-focused and horizontal repeatable solutions, including AI-powered safety and security solutions, through multi-modal edge awareness; and insight for defect detection and classification for manufacturers; trade-compliant solutions in financial Services; clinical advisor solutions; intelligent regulatory platforms in Life Sciences; Netsight for improved telecom network performance; and enhanced customer experience for telecom and horizontal offerings.

Our AI Labs continue to help clients in their AI journey. It has delivered 500 AI and Gen AI engagements for 400 clients. We are investing significantly in driving agentic capabilities across our offerings, AI Force, AI Foundry, and AI Engineering.

We are a premier partner to Google, Microsoft, AWS, ServiceNow, Salesforce, and SAP on agentic technologies. We released 50 agents on Google Marketplace across multiple industries, transforming various business processes, including IT, HR, customer relationship management, finance, and sales. We are partnering with Salesforce to bring agentic AI to PenFed Credit Union, America's second-largest federal credit union, accelerating its journey towards enhanced member engagement and operational efficiency.

We used Google Cloud's Cortex Framework, manufacturing data engine platform- Vertex AI, and agentic framework to build HCLTech Insight, an AI agent that helps enterprises by identifying product defects and other anomalies.

HCL Software is adopting AI and Generative AI into various aspects of its business. We launched UNO, our agentic AI orchestrator, to strategically target the rapidly growing agentic market for next-gen process optimisation and transformation.

With the focus on talent transformation, we have trained more than 100,000 users and 4,000 developers in AI / Gen AI in 2025. We're also partnering with ecosystem providers such as NVIDIA, IBM, Microsoft, and Google for training and certification programs.

Some of the deal wins in AI space include Carrix, the world's largest independent marine and rail terminal operator, who selected us to improve its global port operations with the advanced suite of AI engineering and AIoT offerings.

We will leverage our experience in automation, AIoT, and Vision AI to unify Carrix's various terminal management tools into one optimized system.

Children's Minnesota, a non-profit and one of the largest pediatric health systems in the US, chose us, and we will use AI Force platform to optimize Children's Minnesota systems, reducing manual tasks and enable data-driven decision-making.

A Middle East-based financial Services firm selected HCLTech's AI Lab offerings to build COEs for key technologies like Generative AI and data, enhanced IT capabilities, and drive operational efficiencies.

A very important feature of our wins is that we have now had several instances where we're winning higher wallet share with existing customers, even as we bake in Generative AI-induced productivity gains in our bids.

In terms of business outlook:

Enterprises are expected to accelerate the adoption of AI into their digital core, to address technical debt and modernize legacy systems. This will require cloud migration efforts, updating infrastructure frameworks, and developing a solid data foundation.

AI-led efficiency ambitions of clients will continue to drive demand, emphasizing vendor consolidation and technology transformation.

In this period, discretionary spending will continue to be subdued. New technology projects will need strong ROI justifications, with client organizations amidst macroeconomic challenges. However, geopolitical factors like tariffs and deglobalization are expected to impact IT Services. It may lead to budget cuts and contract renegotiations or delays. In the coming months, it will be important to observe and monitor the evolving developments.

It can also play out differently, where quick decisions are made to optimize costs and diversify supply chains. We will be nimble enough to capitalize on opportunities. We remain committed to collaborating with our clients, supporting them in achieving their primary objectives as a trusted partner. Together, we will navigate through these uncertainties.

As I look beyond the uncertain short-term, we strongly believe there are strong growth opportunities emerging out of the market uncertainties. We are well positioned to capitalize on them, as we continue to diversify and expand our portfolio to address the needs of enterprise clients in the AI era. I think it's important to make those strategic decisions and the right investments, both organically and inorganically, keeping the long term in mind.

With respect to our guidance, as mentioned in our Investor Release, our guidance for FY26 is as follows. The revenue growth guidance for the full year is 2% to 5% in constant currency. EBIT margin guidance is at 18% to 19%. The guidance is the same for Services and Company.

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

Shiv Walia: Thank you, CVK. Good morning, good afternoon, and good evening to all of you.

Thank you for joining our Q4 FY25 Earnings Call.

Let me walk you through our financial performance for the quarter first:

Starting with the revenue performance:

Total revenue for the quarter is at $3,494 million, a 0.8% degrowth quarter-on-quarter, attributed to the software seasonality with a growth of 2.9% year-on-year in constant currency terms.

Coming to the Services side:

Services revenue came in at $3,163 million, which is an increase of 0.7% quarter-on-quarter, and a growth of 2.7% year-on-year in constant currency terms. We are pleased with the positive sequential growth despite tactical headwinds in our portfolio that we had talked about in January.

Software revenue for the quarter is $348 million, a 12.9% degrowth quarter-on-quarter due to the usual quarterly seasonality. This represents healthy growth of 4.9% year-on-year in constant currency terms.

Moving on to the profitability metrics:

Our EBIT is at $627 million at 17.9% of revenue, which is a year-on-year improvement of 34 basis points. Net income for the quarter is $496 million at 14.2% of revenue.

Just to give you some color on how our margins have moved quarter-on-quarter, seasonality in Software business caused 124 basis point drop in margins at the company level. Services margin dropped by 38 basis points quarter-on-quarter due to second cycle of increments in this quarter, which had an impact of 50 basis points and Forex had a positive impact of 46 basis points. A balance drop in margins is contributed by investment in sales and marketing. Project Ascend continues to help us to deliver to our margin goals, even as we continue to make investments in sales and build our Gen AI capabilities.

Now moving on to our Financial Performance for the full Financial Year 2025:

Again, starting with the revenue performance. Total revenue for the year is at $13,840 million, a growth of 4.7% YoY in constant currency terms.

Coming to the Services side. Services revenue came in at $12,462 million, a growth of 4.8% YoY in constant currency terms. Software revenue for the year is at $1,424 million, a growth of 3.5% YoY in constant currency terms.

And the profitability:

Our EBIT for the full year is at $2,531 billion at 18.3% of revenue, which is an improvement of 7 basis point year-on-year basis. Net income for the year is at $2,041 million at 14.7% of revenues.

An update on return on invested capital:

Our ROIC continues to improve. Thanks to our ongoing focus on profitability and efficient capital management. The LTM ROIC is at 37.9% for the company, up 411 basis point YoY. And Services ROIC now is at 45.5%, up 376 basis points YoY. Software continues to improve with ROIC at 19.9%, up 370 basis point year-on-year.

Our cash generation is another highlight I would like to focus your attention on. Cash generation remains strong this year also. Over the last 12 months, operating cash flow is at $2.63 billion, while free cash flow is amounted to $2.5 billion for this year. Our Operating Cash Flow to Net Income conversion is at 129%, and Free Cash Flow to Net Income is at 123%. Our balance sheet continues to strengthen with Gross Cash at $3.62 billion and Net Cash at $3.35 billion.

Our DSO has significantly contributed to strong cash generation for the company. Our total DSO, including unbilled, is currently at 80 days, a three-day improvement, YoY basis.

EPS and dividend for our shareholder: The diluted EPS for the last 12 months came in at Rs. 64.09, which is up 10.8% YoY. The board has declared an interim dividend of Rs. 18 per share for the quarter. The record date is 28th of April 2025 and the payment date of the same shall be 6th of May 2025. That brings our 12 months payout to Rs. 60 per share, effectively distributing 93.5% of our net income.

As CVK mentioned, I just wanted to take a moment to address some of the questions that have come up regarding the difference in our geographic revenue mix between our Investor Release (IR) and Annual Reports. There are two main reasons for this difference. First, the geographic revenue mix in IR only covers the Services business while the Annual Report disclosure is at the company level. Secondly, historically the IR disclosure was based on the location from where the relationship was managed for a particular account, whereas the annual accounts disclosure is based on the location of the billing entity.

Starting Q1, we will align the IR disclosure with our Annual Report approach. For comparison purposes, this IR release includes the geographic revenue mix according to both approaches. Hopefully, this will address your queries.

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 very much. Over to you, operator.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Ravi Menon with Macquarie. Please go ahead.

Ravi Menon: Thanks for the opportunity, and congrats on good guidance for next year. I want to ask about your performance in North America this quarter. We have seen a decline of 128 million quarter-on-quarter, but when we look at the verticals, it doesn't really seem to be showing up as a sharp decline in the near time for BFSI. Telecom, I think if I have not mistaken, organically it has shown growth, we have seen some weakness in Life Sciences and in Manufacturing and Retail. But overall, can you talk a bit about what you are seeing in North America and there is also some material weakness compared to your expectations going in to the quarter?

C. Vijayakumar: Yes, Ravi, thank you for your question. If you remember last quarter, we had called out that there was one large program which got completed in the Retail CPG segment. And we did call out that that will have an impact in Q4. And that impact is probably playing out in the US business. And even I called out the specific number during the last quarter. That's the only reason. Across the board we saw the quarter proceed as we had envisaged. There weren't any major surprises during this three months.

Ravi Menon: Thank you, CVK. And so the caution that you are making into your guidance, or assuming probably slight deterioration, that's something that you have not really seen yet, but you are thinking that it might happen, looking at one of the deal deferrals that you referred to in the press conference. Is that right?

C. Vijayakumar: Yes, I think that deal deferral was not directly related to the tariff. It was based on general environment. The client decided not to go forward on that. And we did not see any cancellation or any specific rundown during the last three months. And our guidance, the lower end, we believe the environment will deteriorate from where we are. And that's what the 2% represents. And obviously the midpoint also we assume that the environment will deteriorate, but it assumes that a couple of large deals, which were in the pipeline, we are likely to close in Q1. That's the assumption for the midpoint. And at the higher end, we believe the environment could remain the same and we will do well in Q1 based on the pipeline and the deals which are expected to be closed.

Ravi Menon: Thank you for the detailed explanation. One last question on the ER&D side. I mean, last year we had seen decline in ER&D. So, how is the environment looking for that segment?

C. Vijayakumar: Yes, it's good. And we are very happy to report that our year-on-year booking in ER&D has grown 75%. Our joint go-to market across most verticals are delivering very good results. A lot of client relationships where we could significantly create a mindshare on our engineering capability. And we think it's going to be a good growth year for our ER&D Services purely based on what we have done and what we have seen. Obviously, the macro might have some impact, but as we see it now, we feel good about how ER&D will play out in FY26.

Moderator: Thank you. Next question comes from the line of Sudheer Guntupalli with Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli: Yes, hi, CVK. Congrats on the good numbers and a couple of questions. So, if you look at the general consensus of the economists, we are almost in a recessionary environment with median odds of US recession pegged at around 50-60%. However, that kind of gloom is not reflecting in your guidance or the outlook shared by a couple of your competitors. So, what is driving this disconnect? Is this because of the fact that industry is now coming off to back-to-back low growth years, and we might be at a stage where the business cycle

and easy comps, sort of put a floor on the extent of growth deterioration this time around?

C. Vijayakumar: Yes, I mean, obviously, so far we haven't seen any impact, but I mean, I think we are all reasonably certain that the environment will deteriorate. And yes, as you are referring to the recession is the most likely outcome. And that's what is baked in a lower end of our guidance, which does not assume any meaningful growth from our exit. I think our forecast is also driven by the Q4 bookings and we have had a good booking and it will definitely convert into revenue and we have analyzed each of the deals. We believe it's very important for clients to continue and some of them may not really have an impact due to tariff. So we feel confident of the ramp up of the Q4 bookings. And it is one of the strongest bookings that we have had in the recent past.

So, I think that's where we are. I guess it's very dependent on where you are in the business and what has been the performance on booking in the recent quarters and how your pipeline looks and things like that. I mean, 2% to 5% is still a very modest kind of guidance because we were used to much higher numbers in the past. So, I think we will see how it evolves. We have factored, as I have explained, the two, three scenarios which kind of advises our guidance.

Sudheer Guntupalli: CVK, thanks for that color. So, at the bottom end of the band, just for clarity, when you say macro is assumed to deteriorate further, is this a scenario where the US may actually go ahead implementing the reciprocal tariffs announced on 2nd April after a 90-day pause?

C. Vijayakumar: I mean, I am not trying to take a guess on how exactly this will play out. A general assumption that the discretionary spending environment will deteriorate. It could be due to various factors. I mean, obviously, what you are saying is possibly the first trigger. But I am not like specifically saying only if this happens, this will happen. Generally, due to various reasons, the discretionary spending could deteriorate. And, I mean, recession and all of that, so that's the assumption.

Sudheer Guntupalli: Sure, sir. And when Ukraine war and Fed hiking cycle started in February - March 2022, the most real-time indicator we had seen was deterioration in deal-bookings by April or May months. So, how has been the deal-booking and pipeline discussions this time around in March and April months compared to December '24 or January '25 months? And are you seeing any similar pattern of deterioration in deal-bookings even now?

C. Vijayakumar: It may be contrary to what everybody expects. 50% of our $3 billion booking happened in March. So, we did see a very good closure. There is a sense of urgency. As I said, one of the comments, is quite possible this environment might make people make decisions faster, especially on efficiency-led, AI-led and AI and efficiency-led opportunities. So, it could play out either ways. So, we don't know how it will really play out.

Moderator: Thank you. Next question comes from the line of Abhishek Pathak with Motilal Oswal Financial Services Limited. Please go ahead.

Abhishek Pathak: Hi. Thanks for the opportunity. CVK, just a clarification on the upper end of guidance. So, as you said, right, I mean, if you end up closing the large deal and the demand environment remains the same, in that case, should we assume an upside kind of risk to this number? That's one.

And the other question I had was slightly nuanced around the nature of demand this time. You did mention that discretionary spend will again be subdued. And if we again go into kind of cost takeout sort of scenario, do you think this time the cost takeout will be AI driven? And if yes, are organizations even ready to sort of scale AI enterprise wide, which means, should we kind of, you know, be expecting accelerated spend around data and cloud and stuff like that in which scenario again, what exactly is discretionary anymore, right? So, any color on that will be helpful because cloud and modernization ideally would be considered discretionary, but in the scenario that we are talking about, all of those spends might actually be fast-tracked. So, any perspective on that, that will be helpful. Thanks.

C. Vijayakumar: Okay, right now, our guidance is 2% to 5% and as you clearly understood the assumptions for the upper end of the range. I mean, based on Q1 bookings or how the Q1 pans out, we will give you an update. Right now, 2% to 5% is our guidance. The nature of demand, see, today it's very difficult to think of a pure play cost optimization deal, which really means using global delivery and shifting labor and things like that. They are far and few of that nature.

It's always led by some transformation, which is going to drive a reduced total cost of ownership over a longer period of time. And in this aspect, Generative AI is a huge positive trigger, like modernization of applications. They are not, I mean, obviously they are modernizing for many reasons, but one of the very important reasons is to simplify the landscape and reduce the cost of ongoing management of these platforms.

So, I do believe there will be good modernization type of programs. Like in Engineering Services, there is obviously a lot of development work that happens. These are not just cost take out, but it's really creating higher capacity to innovate by leveraging a lower cost solution, right? And I think the large engineering, the mega engineering deal that we signed is really in this category. And we plan to ramp this up fairly quickly as we go through the first two quarters. Cost take-out in isolation does not exist. It's more modernization, transformation through AI, and then an outcome of that is what the efficiency benefits the clients get.

Abhishek Pathak: Thanks, CVK. And just a very small follow-up. Do you think the cost pressures will kind of put a little bit of a break on the GCC expansion story? Do you think vendors now become, I mean, they again become the first go-to solution for clients in this scenario?

C. Vijayakumar: It is very difficult to kind of respond to that. I mean, what you are saying is logically right, but I don't have a strong view on that.

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

Surendra: Yes, good evening, everyone. CVK you made a point on higher wallet share in clients where you pass back AI-led efficiencies. So, just three points on that. Could you share, firstly, the level of deflation you are seeing for existing business in those situations? Secondly, what happens to your revenue run rate in absolute terms on an ongoing basis with the higher wallet share gains? What are the trends you have seen so far? And third, who are you getting this wallet share from? Thanks.

C. Vijayakumar: Yes, so the level of deflation is something which is very dependent on what services are we delivering. If you are looking at software development, then I think the AI Force adoption is a journey. And if it is fully adopted, in fact, there are four clients who are looking at not just our portfolio of SDLC. But all the vendors in their ecosystem are expected to leverage the AI Force platform. So efficiency is a little broader.

And in software development, we are looking like 20% to 25% when we are able to implement and the maturity picks up. And we have a number of recipes which helps drive maturity in the whole SDLC life cycle. In digital process operations, agentic solutions are very real. We believe there can be a significant reduction. And I mean, obviously we have a very modest book of business in DPO, but we are obviously going after a large installed base, both insourced and outsourced to drive this. There it can be anywhere between 20% to even 50%. And obviously this is not happening on day one. There is a roadmap, and it also requires clients to do a lot of things. So it's more of a joint journey, but with a clear vision and proof points on what can be achieved. The wallet share gained, in fact, most of the renewals that we have done. This quarter was also a very strong renewal quarter. There was incremental business from almost all the renewals that we signed. It was more than the deflationary impact. I wouldn't be able to call out anything more specific. And I hope this was able to address your question.

Surendra Goyal: And the third part was who are you gaining this wallet share from?

C. Vijayakumar: From all our friends in the market.

Surendra Goyal: That's what all our friends tell us, all your friends. And just one, sorry, go ahead.

C. Vijayakumar: Eventually that should reflect in the growth, right, Surendra?

Surendra Goyal: No, no, fair enough. And just one last point, you shared the ACV YoY last quarter at 23%. Could you share the same data point for this quarter?

C. Vijayakumar: The last quarter was unique because there were a lot of questions around our ability to meet the guidance. So we were sharing the ACV data point. We are not planning to kind of share the ACV metric on an ongoing basis, Surendra.

Moderator: Thank you. Next question comes from the line of Gaurav Rateria with Morgan Stanley. Please go ahead.

Gaurav Rateria: Hi, thanks for taking my question. My first question is on the net new deal wins. Has there been any bunching up of decisions which led to significant increase in the deal win this quarter? Or is this something that you expect more as a regular phenomena based on the kind of pipeline that you're seeing?

C. Vijayakumar: No, I don't think there was a bunching up. I mean, these were deals which are in the pipeline, which have been cooked for many, some of them many quarters. They converted during the quarter. And I mean, as I said, our aspiration was to significantly increase our booking from the two billion kind of range that we have had for a long time, except a couple of quarters where we had some mega deals. And as I called out last time, our pipeline was near all-time high without a deal of whatever we delivered in the last year. So it was more well-spread, and this deal was just above our threshold of mega deals. So in spite of, even without the mega deal, we would have delivered a very strong booking in this quarter. And the pipeline is strong. We have good number of opportunities which we think will close in Q1 or H1.

Gaurav Rateria: Got it. Second question on, from a guidance point of view, what are you envisaging from a 1Q perspective, the usual seasonality that you see or do you think that will be covered up because of the very strong ramps from the mega deal that you talked about which is going to come in the next two quarters?

C. Vijayakumar: Maybe Shiv, you can respond.

Shiv Walia: So Gaurav, we do expect the Q1, it's going to be better than what it was last year, but we will have a usual seasonality again playing out. So that's what we expect in Q1.

C. Vijayakumar: It wouldn't be like last year, last year was an outlier. We would revert back to the normal small seasonality that will be there in Q1.

Shiv Walia: Basically, what we have signed that takes usual rhythm of ramping up, so it's going to take some time.

C. Vijayakumar: And it's not like a people transfer type of opportunity and we need to ramp up and that will start like a couple of weeks from now, the ramp up.

Gaurav Rateria: Got it. Lastly, from AI perspective, you have been talking about the aspiration of getting to a higher revenue productivity or revenue per employee. Basically, that means for the same revenue, you would have a lower workforce to deliver the same. So this reduction would be more from an offshore perspective, more onsite perspective. I am just trying to understand that fundamentally, will that mean any change on the delivery model that we have? Thank you.

C. Vijayakumar: I think if you see this year FY'25, revenue grew in Services 4.8% and headcount declined roughly 2%. So that's the nonlinearity that we want to build on an ongoing basis. And we envisage this execution model to be less location agnostic as we kind of get to a mix of 50% people and 50% agentic resolutions. So that's a direction we will move. It's a journey and we have seen some good use cases. There are clients who were keen to adopt it. I think the location thing will become less important, at least for half of the work. That's the way it should evolve based on what I am seeing.

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

Vibhor Singhal: Yes, thanks for taking my question. CVK, just wanted to get some color on the vertical distribution. What is the conversation that we are having? I think some of your peers have called out specific weaknesses in the Manufacturing and Retail verticals. Because here the companies are expected to be impacted more by tariffs if at all they come in at some point in time. Given that we had called out weaknesses in the auto segment, probably falls in the industry. What are we hearing in these verticals and do we also see these verticals to be at the brunt of the entire market also really to begin with and then maybe spillover to other verticals or is it anything different that you are seeing there in your conversation with clients?

C. Vijayakumar: So Vibhor, we did not see an impact in the last quarter, but we do see Retail and Manufacturing, including Auto to be impacted. But this impact is going to spill over to all the verticals very, very quickly. That is a sense we have based on just doing some analysis on how each customer is impacted and what will that impact mean to both upstream and downstream in their value chain. I think it's something which is going to be broad-based. It might show up in Retail and Manufacturing to start with, but it's only a quarter lag before it has an impact on other verticals. So this is just how we are foreseeing this to happen, though we did not have anything specifically in the last quarter.

Vibhor Singhal: Got it. I think the conversations that you're having with clients, say the uncertainties that they're talking about, I mean, are we able to make out that is it like a kind of a temporary uncertainty that they are waiting for the final listing of the tariffs at the end of the 90-day period? Or do you believe they are in for a longer store and they're still not able to make up their mind about the tech spends and the way forward their business is going to be?

C. Vijayakumar: I think from a discretionary spend, the little bit of thinking is to wait and watch because they don't have clarity on how this would play out. That's the way I think.

Vibhor Singhal: Got it. But nothing on the talks of this being a temporary thing. We are just basically waiting and watching and whichever way it will happen.

C. Vijayakumar: Yes, that's right.

Moderator: Thank you. Next question comes from the line of Yogesh Aggarwal with HSBC Securities. Please go ahead.

Yogesh Aggarwal: Hi, have a couple of questions. Firstly, on the quarter, was March weaker than Jan and Feb? Did you see any kind of weakness generally in business activity or in deal momentum?

C. Vijayakumar: So in fact, as I said, we had a large part of our bookings happen in March. Obviously, these were programs that we have been working on for a long time. So we didn't see anything specific reflective of the upcoming uncertainties that will impact this business except one large deal which was delayed or deferred or whatever not directly related to tariffs but due to the broader environment.

Yogesh Aggarwal: Okay. Secondly, the guidance in the beginning of the year was 3% to 5%. And I think on organic CC terms, you are just about closer to the lower end. So were there things during the year which happened unexpectedly or were you expecting this performance to be more closer to the lower end?

Nitin Mohta: Yogesh, we had very clearly articulated in January, 50 basis points is what inorganic is. So if you look at even from the start of the year, we are above the midpoint of the guidance that we gave. So I hope that answers. I can discuss this more with you later.

Yogesh Aggarwal: No, I get it. I think we were, I was adding the inorganic component from FY24, which was a spillover. So I get it. Thank you.

Moderator: Thank you. A reminder to all the participants, please restrict yourself to two questions. Next question comes from the line of Sumeet Jain with CLSA. Please go ahead.

Sumeet Jain: Hi, thanks for the opportunity. Firstly, just wanted to understand what is the organic growth guidance for FY26 given that the HPE asset acquisition closed on 2nd December and in this quarter you had a significant increase in your

telecom vertical on the back of it. But there will be practically a nine-month impact or eight-month impact in next year of this acquisition.

Shiv Walia: So, Sumeet, we expect an additional ~1% impact on our next year's guidance because of CTG acquisition.

Sumeet Jain: Got it. And secondly, in your ER&D side, I mean, we can see very strong growth in this quarter. And you also mentioned that order booking had a 75% growth in FY25. So can you just highlight what's happening in your ER&D business? Because generally, when we look at the automotive or the Manufacturing space, and ER&D is considered to be discretionary in nature. So what is the difference what you are seeing in your end markets?

C. Vijayakumar: I think of course 75% increase in booking, a big part of the increase happened in Q4 because we had one large deal and then the Western Union was also, there is a significant digital engineering component. Now, of course the current growth is a lot influenced by the full quarter impact of CTG integration. I think what we are seeing is, I mean, this whole thing, platform engineering, modernization, that's one thing. The second one is there is existing work that's happening in some of the semiconductor and other firms. And obviously, to enhance capacity or really do more with less, they are looking at providers like us. And then it's more widespread as well. We had some success in telecom. We had some success in tech vertical. We also saw some success in a couple of Manufacturing clients on the PLM side. So these are some of the examples. I won't be able to give you a macro trend which drives this.

Sumeet Jain: No, thanks, CVK. That's very clear. And lastly, on the GCC opportunity, I can see some of your deals mentioned are around setting up GCCs in India. So can you just highlight the kind of margins you are seeing in these deals? Are they very similar to the corporate average? And how do you see this ecosystem shaping up going forward? Is it a loss of opportunity for you, or is it sort of a new opportunity getting developed?

C. Vijayakumar: So Sumeet, we have had very good success in GCCs in the last six months. A very large company out of Germany has chosen us to build their entire digital capability. And these are at company level profitability. And we are also working, we have enough opportunities in the pipeline where it's a GCC, which is pretty much starting from scratch for a large firm and we become the partner. And obviously they may insource a percentage of it and we have made sure that the long-term for us is very meaningful in these opportunities. So we are not really focused on, I mean, completely transitioning is not something which we are looking at. We should have a meaningful long-term value from these opportunities.

Sumeet Jain: And maybe just a follow up to that, I mean, given that this insourcing can happen at any point in time from the GCC, does that reduce your annuity revenue visibility in the medium to long run from that particular client?

C. Vijayakumar: I don't think the constructs are insourcing anytime. That's not the construct that we are working on. So we have various models where it is meaningful at least three year or five year and a percentage that can get in source and things like that. Net-net, I think it is going to be a positive impact so far. Positive and when I say positive, we are constantly looking for is it long-term positive and the answer is yes.

Moderator: Thank you. Next question comes from the line of Ashwin Mehta with Ambit Capital Private Limited. Please go ahead.

Ashwin Mehta: Yes, thanks for the opportunity. CVK, one question in terms of your software business. This is 3.5% this year improved margins by around 200 bps. And looking at the guidance, it seems to be growing almost similar to what you think the Services business would grow at? So what is fundamentally changing in terms of your software business for it to start growing at par with Services and also improve margin?

C. Vijayakumar: I mean, the Services growth has come down, so software has become on par with this. And software has also accelerated, which means from broadly like 1%

to 2%, now it is 3.5%. I think we have done tremendous amount of work in modernizing, repositioning our analyst ratings for a number of products where in the lower quadrant, now most of them are in leaders quadrant in most of the analyst reports. And we are also significantly expanding our software business in India, Middle East, and a lot of emerging markets where we see a strong demand for these products. And there are products like marketing automation where we are the best solution available for large scale customers. In fact, several banks in the emerging markets, our existing clients and we are enabling them, we are migrating the existing base to cloud. So number of things and all of this will create a good momentum in the long term. But obviously there is some headwind due to conversions to term and other things. We feel good. I think our strategy is working. Things are moving in the right direction and we will keep you updated on progress.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. 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. In FY25, our business has remained resilient due to a portfolio which is an all-weather portfolio which will deliver in the upcycle, which will deliver in the downcycle and we are being cautiously optimistic about the road ahead. We are acutely cognizant of the upcoming macro impact on the client's IT spending, and we are being nimble to capture opportunities. I think it's a great time to find opportunities to help our customers and be their trusted partner. Thank you for your support. Thank you for joining and look forward to talking to you during the next quarterly call. Thank you and good evening, everyone.

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