

**23<sup>rd</sup> October, 2024**

To,

**BSE Limited**

Phiroze Jeejeebhoy Towers,

Dalal Street,

Mumbai - 400 001

**Scrip Code : 532755**

**National Stock Exchange of India Limited**

Exchange Plaza, 5<sup>th</sup> floor,

Plot No. - C/1, G Block,

Bandra-Kurla Complex, Bandra (East),

Mumbai - 400 051

**NSE Symbol : TECHM**

**Subject: Transcript of the earnings conference call for the quarter ended 30<sup>th</sup> September 2024 – 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 earnings conference call vide letter dated 30<sup>th</sup> September 2024 and audio recording of earnings conference call vide letter dated 19<sup>th</sup> October 2024**

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, please find enclosed the transcript of the quarterly earnings conference call of the Company for the quarter ended 30<sup>th</sup> September, 2024, held on Saturday, 19<sup>th</sup> October, 2024 after the meeting of the Board of Directors for your information and records.

The text transcript is uploaded on the website of the Company at the weblink:  
<https://insights.techmahindra.com/investors/tml-q2-fy-25-earnings-transcript.pdf>

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**  
**Company Secretary**

Encl.: as above



"Tech Mahindra Limited Q2 FY'25 Earnings Conference Call"

**October 19, 2024**



**MANAGEMENT: MR. MOHIT JOSHI – M.D. & CEO, TECH MAHINDRA LIMITED  
MR. ROHIT ANAND – CFO, TECH MAHINDRA LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Tech Mahindra Limited Q2 FY'25 Earnings Conference Call.

We have with us today Mr. Mohit Joshi – Chief Executive Officer and Managing Director, Tech Mahindra and Mr. Rohit Anand – Chief Financial Officer, Tech Mahindra.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Joshi – M.D. & CEO for Tech Mahindra. Thank you and over to you, sir.

**Mohit Joshi:** Hello, everyone and thank you for joining us for our Q2 FY'25 Earnings Conference Call and we are delighted to speak to you again as we discuss our Financial Performance and Strategic Achievements of the Past Quarter.

We continue to progress on our strategic improvement efforts even as the overall IT services industry has remained soft. We are focused on strengthening client relationships and expanding the partner ecosystem. All this with the sharp focus on operational excellence through Project Fortius which has resulted in an expansion of margins for the third sequential quarter. For Q2 FY'25, our revenue increased by 2.2% year-over-year and by 1.9% quarter-over-quarter.

By region, Europe achieved a 4.1% year-over-year growth and the rest of the world achieved 9.7% year-over-year growth. The Americas growth was soft at a 2% year-over-year decline. We see weaknesses in the communications vertical, which posted a decline of 1.7% year-over-year as our key telecom clients continue to prioritize cost savings and their spending on discretionary projects is constrained. The manufacturing vertical had a soft quarter with a moderate growth of 0.6% YoY as the outlook for discretionary spending in this vertical continues to be conservative.

Among our focus verticals, BFSI reported 4.5% year-over-year growth, in this vertical, helping partnerships with our existing clients and continuing to see new logos signing on. We are focused on better utilization of existing capabilities, including those of portfolio companies, which is helping to build the foundations for longer-term growth in the sub segments of insurance, asset management and payments among others. All the other verticals have also seen positive momentum with the tech, media and entertainment reporting 2.4% YoY growth, healthcare and life sciences reporting 4.5% YoY growth and the retail segment growing by 4.7% YoY.

The new deal win TCV for the quarter was US\$603 million and was broad-based across our key markets.

We opened a new logo with one of the largest US-based cards and payment services providers for an AI-Ops based production management for the bank's applications in addition to a tech modernization program across application development and maintenance services, data and cloud and infrastructure engineering, making TechM the "Change the Bank" partner for the client as well.

We were chosen as a partner to a European bank for Temenos T24 implementation program to modernize the current core banking platform and provide ongoing support of core banking systems post implementation by leveraging our strong capabilities in core banking transformation.

Tech Mahindra was selected by a leading European communications services provider for an autonomous operations program, enabling them to provide the best customer experience and transform into a highly digitally mature and innovative operator by leveraging TechM's network services, application development and maintenance services and AI capabilities for its business, IT and workforce transformation.

We were also selected by a leading telecommunications Company in Australia to deliver customer experience services and to support their journey to achieve industry-leading digital and customer service.

We are excited to announce several new partnerships that will enable us to broaden our service portfolio and deliver enhanced value to clients. For example, we launched a collaboration with Microsoft to modernize modern workplaces with Copilot for Microsoft 365 for our customers and employees across 15 locations. The collaboration positions Tech Mahindra as a leading global systems integrator, adopting Copilot for Microsoft 365.

We are partnering with Temenos to provide a core banking offering on their SaaS platform specifically designed for Europe for Electronic Money Institutions in the UK and Continental Europe.

Tech Mahindra and Google Cloud announced a partnership to host GenAI adoption and digital transformation for Mahindra Group entities.

In close partnership with the International Chess Federation (FIDE), we successfully concluded the second season of the Global Chess League in London. This collaboration significantly strengthens our brand, aligning it with the qualities of intellect, rigor, and strategic thinking, which are central to both chess and our broader vision.

Operationally, we made further progress in our efforts towards cost savings and efficiency. We posted an EBIT margin of 9.6% for the quarter, an expansion of 110 basis points sequentially, enabled by savings achieved under Project Fortius and with support from currency tailwinds.

The free cash flow for the quarter is US\$157 million, and in line with our committed capital allocation policy, the board has approved an interim dividend of Rs.15 per share.

Earlier this year, we had called out areas where we would make above-normal investments to drive improvements to achieve our FY'27 targets. We will report progress on our key investment areas annually but would like to share updates on some of them today. We have invested in strengthening the capabilities in the focused service lines by broadening the leadership, investing in technical specializations.

We continue to invest in strengthening our fresh graduate hiring program, building the right mindset in future skilling our associates by building capabilities in AI First and Cloud First skill sets.

We have created a Next-Gen Skill Framework for all of our IT associates which would fuel career mobility among our workforce.

We will continue to invest in creating and sustaining an outcome-driven learning organization and cultivating a high-performance culture based on the pillars of “Simplify, Clarify, Innovate and Drive a Performance Orientation.”

It’s also heartening that our commitment to excellence and purpose has been recognized. For instance, Navistar honored us with the 2024 Supplier Excellence Award for the 5th Consecutive Year. Tech Mahindra received this award for its performance, strategic alignment and innovative ideas in sustainable mobility.

We won the prestigious Diamond Supplier Award 2024 from Bombardier for the third time. This award is a testament to TechM successfully achieving Bombardier’s operational performance standards and quality and delivery.

We are proud to have won the 2024 Oracle Best in Class Innovation Partner Award for App Services Partners.

Tech Mahindra has also been recognized as one of the World’s Top 50 most Sustainable Businesses at SEAL 2023 Business Sustainability Awards.

And we are among the Financial Times Asia Pacific Climate Leaders 2024.

I am proud that Tech Mahindra is also one of the Most Preferred Workplaces for Women 2024-25 recognized by Team Marksmen.

And we are ranked as a leader in Avasant Telecom Digital Services 2024 and were placed in the Leadership Zone in Digital Engineering and ER&D Services overall by Zinnov.

We were placed as a leader in Contact Center Customer Experience Services 2024 by ISG and as a Challenger in Gartner's 2024 Magic Quadrant for Public Cloud IT Transformation Services among other analyst recognitions.

We were ranked among the top five providers in the 2024 IT Sourcing Study by Whitelane Research.

Underscoring our commitment to sustainability, Tech Mahindra was recognized among the World's Most Sustainable Companies by Time Magazine. Remarkably, we achieved the prestigious #1 position among all Indian companies.

I believe that we are on the right path for a long-term sustainable transformation. Our leading indicators are moving in the right direction and our scale at speed narrative is resonating in the market.

This year as I have mentioned in the past could be volatile as we are in the turnaround phase, I am confident that the platform is being set up for a long-term valuable franchise, thanks to a high caliber and united leadership team and a clearly articulated strategic plan. We look forward to diving deeper into these topics and answering any questions you may have during the Q&A session.

I now hand over to Rohit to elaborate on the Financial Performance and thank you again for joining us today.

**Rohit Anand:**

Thank you, Mohit. Good evening, everyone in India, elsewhere in US good morning.

Let me begin with an overview of the Company's Financial Performance for the Quarter:

We ended the quarter with revenue of US\$1,589 million, a growth of 1.9% quarter-on-quarter and 2.2% on a year-on-year basis. On constant currency, it is growth of 0.7% QoQ and 1.2% YoY. Translating this in rupee terms, revenue was 13,313 crores, a growth of 2.4% QoQ and 3.5% YoY.

This quarter, if you see, the growth was led by communications vertical was growing at 2.7%, while Mohit mentioned, it was a YoY decline of 1.7%, but sequentially the communications vertical grew for us after five quarters followed by TME business at 5.7% and BFSI at 2.4%, manufacturing declined by 4% as we see softness in the auto sector.

We posted EBIT of US\$153 million or 1,280 crores, which is 16.2% increase over our previous quarter and the resultant EBIT margins is 9.6%. Of the 110 basis points QoQ expansion in operating margins, about 40 bps is contributed by FOREX movements and the balance 70 bps improvement is due to operating efficiencies and savings as pointed out by Mohit under Project Fortius.

Other income was US\$62 million or 521 crores including gain on sale of land of approximately US\$54 million. The effective tax rate for the quarter was 26.6% and we posted a profit after tax of US\$149 million which is in INR terms 1,250 crores, the PAT margin for the quarter is 9.4%.

The free cashflow generated during the quarter was 157 million excluding the land sale, which translates to 105.4% of PAT. Cash and cash equivalents at the end of the quarter was 784 million or 6,566 crores.

Based on the cash flow generation and our capital allocation policy, the board has approved an interim dividend of Rs.15 per share.

DSO including unbilled was at 94 which is an increase of one day on a sequential basis, but improvement of three days on a YoY basis.

The total hedge book stood at US\$2.3 billion versus US\$2.2 billion last quarter, and based on our hedge accounting, our net mark-to-market loss for the quarter was US\$3.6 million.

The new deal win TCV for the quarter was US\$603 million and as Mohit mentioned, the highlight of the deal wins this quarter was the strategic wins in the communications space coupled with an expansion of our BFSI portfolio, the onboarding of two new logos, one each from the US and Europe.

While we continue to expand margins, we have also made significant investments for long-term sustainable growth. Some areas of investment include opening a new center in the Baltic region, bolstering our presence and service offering in Europe, expansion of partnerships in the AI, BFSI and manufacturing segments to strengthen domain-specific capabilities, and investments towards strengthening our capabilities in high growth service lines.

We have also invested in modernizing learning and upskilling infrastructure to enable advanced skill development for our associates.

The total number of employees at the end of the quarter was 154,273 including 2,000 plus freshers that we onboarded for the quarter, which is a part of our strategy, and we are on line to get more than 6,000 for the year.

So, to summarize this quarter, we see consistent performance around increasing deal wins, revenue growth, cost optimization and steady free cash flow generation, as we continue our journey towards FY27 stated targets.

With that, I will take a pause now, and hand back to the moderator for Q&A. Thank you.

**Moderator:** We will now begin the question-and-answer session. Our first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** I had a couple of questions. So, the first is in terms of Project Fortius, of the 150-bps kind of investments that we were seeking to do in the first year, how much would have been baked in, in the first half? The second, wanted your thoughts on how you're seeing furloughs and the demand environment going forward? And any thoughts on wage increases broadly?

**Rohit Anand:** Maybe I will take the Project Fortius investment question first, on the demand environment, I will pass it to Mohit, including the wage hike question. So, on the "Project Fortius", as we rightly mentioned, we have said that we will broadly invest percent and a half of our margins for long-term investments and we are kind of accelerating that moving into Q1 to Q2 as we screened all these investments and the benefit that we will get out of that. So, I think from a pacing perspective, you should see second-half being slightly heavier than the first half, but every quarter we are getting towards all the investments as I gave examples to you on some of those to make sure that we set the right platform for our FY27 goals because it's important that while we drive short-term metrics which you see in the financial subcon reduction, you see improvements around C&B as a percentage of revenue, but at the same time, we also got to make sure that we are making these investments for long-term mix change of business, long-term change in terms of the composition of the organization, you want to drive. So, I think just coming back to your answer, it's equally spread out through the year, the second half might be slightly more but not materially different.

**Mohit Joshi:** Nitin, on your question on the furloughs and the demand environment first, look, I think we all know that Q3 is a seasonally weaker quarter because of lower working days and because of the furloughs as well. We see the same pressures of furloughs as we have in the past, but I also reckon it's a little bit early and we will probably get better visibility on the furloughs over the next four to six weeks as the customer expectations start to flow in. As far as the demand environment is concerned, I would say, it's largely unchanged from what we had said the last time. We don't see any significant difference. The one thing that we have mentioned which you see in our results as well is a slight softness from a Manufacturing perspective, especially for auto where we do have significant exposure in Europe and in the US. But overall, I would say, the demand environment is broadly similar to what we saw coming into Q2. On the wage increases again, this is something that we have kept in mind as we have shared in the previous quarter as well. After the conclusion of the Q2 results,



we are going to assemble together as a leadership team and discuss both the expectations from a salary hike perspective as well as the affordability question and we expect to close it out over the next few months. So, that is what we are thinking about from a wage hike perspective. Hopefully that answers your question, Nitin.

**Nitin Padmanabhan:** Yes, it does. That's very helpful. From an offshore mix standpoint, I think there's been a pretty good sort of improvement on a year-on-year and sequential basis. How are you thinking about your targets on that where you think you'd be pretty comfortable longer term?

**Mohit Joshi:** Look, I think it should be stable and obviously both from our perspective as well as from a clients perspective, there are certain benefits towards going offshore. But I don't think there is any major trend shift that we are expecting over the next couple of quarters at least.

**Moderator:** The next question is from the line of Rod Bourgeois from DeepDive Equity Research. Please go ahead.

**Rod Bourgeois:** Hey, so as you execute your transformation plans and investments, I wanted to ask if you're seeing additional early signs that you're making underlying progress towards your fiscal '27 target? So, I guess I am asking are you seeing any underlying signs of improvement or progress either in the organization or also in Tech Mahindra's positioning with its clients?

**Mohit Joshi:** Thank you, Rod. So, look, Rod, as we had shared in April, right, and we went through a fairly elaborate process to figure out what our long-term metrics should be and how we are thinking about transformation. And if you will recollect, we had stated that the transformation would be on the three pillars of our strategy which is Growth, Margins and Organizational Transformation and we have also defined the long-term metrics that we expect to use to measure our progress, right. So, while we are not formally sharing the progress across all the metrics, maybe we can give you a little bit of a flavor about the change that has already happened. So, first on growth. On accounts with revenues greater than US\$20 million, we have grown 1.5X the pace that the rest of the Company. And this is the result of the focus that we have on our top accounts under the Turbocharge Program. And as we shared previously, we are investing in dedicated client and delivery partners for our top accounts. We have a significant program of work to develop account-based marketing for our top accounts. There is training for our top teams and an infusion of deep technical and architectural talent for these accounts, and we are seeing the early results of this investment in terms of accelerated growth for our top accounts. So, that's the key metric from a growth perspective. From the margins perspective, we are working on both short-term and long-term measures. On the short-term you can see a reduction in C&B including subcon costs as a percentage of revenues and at the same time we are also adding more freshers to the Company and investing the long-term right. So, from a short-term perspective there is the reduction that you're seeing including in subcons and from a longer-term perspective, it's

the infusion of fresh graduate trainees and the investments that we are making in training to make sure that they can be absorbed into the workforce at a rapid pace. From an organization perspective, one of the key things that we are working on was the area of cultural transformation, right. So, keeping the intrinsic strengths of TechM, but initially simplifying, clarifying, innovating and driving performance management. On the innovation track, for instance, we are tracking our progress on GenAI skilling and how we are embedding that into our deals. So, for instance, 1/3 of our IT services workforce is now using GitHub Copilot right, which we think is ahead of our peer groups, and in addition, obviously there are people using the AWS and the Google Solutions as well. We are also seeing the percentage of GenAI infused deals go up every quarter. So, I do feel that across the three elements of our strategic plan -- growth, margins and organization -- we are seeing progress on the long-term metrics that we had shared with all of you in April. Hopefully, that answers your question, Rod.

**Rod Bourgeois:**

No, that's great. And just a quick follow up on the transformation plan. But to what extent are you prioritizing large deal wins in your plan? I guess I am asking because large deals can definitely boost your bookings results, but they can also sometimes require margin sacrifices and contract risk, right, to win those large deals. So, I'd like to ask how you're thinking about large deals in the overall plan?

**Mohit Joshi:**

Yes. So, Rod, look, we had clearly identified large deals as a key factor that would drive our growth, right, and we have invested in creating significant large deal capability within the organization. The way I think about large deal TCV in any given quarter, right, is that it's a function of the size of the pipe that you can build and your conversion rates. Now to build the pipe for large deals and we do get invited to almost all the deals in the market. We have invested in creating a sales force that is focused on must-have accounts. The investments that I have already referenced earlier that we are making in our top accounts from our Turbocharge Program. We have also under our Chief Marketing Officer build out extensive program of work to build on the relationships that we have with the deal advisor and the analyst community. And so we see a constantly broadening pipe from a invite perspective. And then equally we are working on improving our conversion rates which we track very closely. And for that we are ensuring that the quality of our technical solution and our commercial solution is very robust. So, we have invested in deal architects, technical architects as well as negotiators. We are also constantly working on the commercial elements of our offer, and we are seeing the results coming through, you saw a healthy clip of deal wins for this quarter as well and a predictable quarter-on-quarter improvement. However, we have also been very clear about the fact that we will prioritize margins over large deals at this point of time. And we want to be very clear, right, that in this environment, obviously, it is very tempting to do the sort of deals that can potentially come back to bite you later by making what I would say are heroic assumptions about productivity or making heroic assumptions about what can be accomplished, and we are shying away from that, right. So, it is as you can imagine as the sales team a little bit difficult, but we do feel that we are being incredibly disciplined, but at the same time, there is a huge will to win and to make sure that

we are getting our fair share of large deals. I also feel that we are creating institutional capabilities that will help us broaden the pipe and improve our conversion rates going ahead.

**Moderator:** The next question is from the line of Abhishek Kumar from JM Financial Limited. Please go ahead.

**Abhishek Kumar:** Mohit, my question is given your relationship and your leadership teams relationship opening new logos, while it's the right step, probably the easier one given the competitive intensity in this sector. Two questions. One, how should we look at scaling these accounts given the competitive nature? And second, what kind of contracts have we got? Are these broader MSAs that we have signed, or these are smaller SOW kind of work to start with.

**Mohit Joshi:** Thank you for that question. Look, I think we have identified financial services as a focused vertical for us. Just given simply the fact that this is where the largest spend pool is right from a tech services perspective. Now, I would slightly differ from you in terms of the ease of opening logos in my own experience, right, and I would qualify that by saying that we are focused on serving the largest financial institutions across the globe. I do feel that it is harder to get in. Once you get in because the doors are closed fairly tightly, once you get into the preferred supplier, landing and expanding is relatively easier, right. It is harder to get in as opposed to other verticals where it may be easier to be selected as a preferred supplier, but then harder to win business. So, that's the first piece. The second piece is we have clearly identified that we cannot be a me-too player, right not a cut price player from a BFSI perspective. And so therefore we have identified clear areas of differentiated strength from a Tech Mahindra perspective that are coming from our own experience as well as the experience of our portfolio companies and some of these areas are for instance in insurance where we have industry-leading capabilities in Guidewire, among other things. It is coming from the focus that we have on asset and wealth management where because of city soft and our own experience, we believe we have a depth of subject matter expertise. It is coming from payments where we have experience working with issuers and with the networks. It is coming from core banking where we have strong partnerships with a variety of leading software providers. And so we are focused on the must-have accounts and looking to open the must-have accounts through areas where we have differentiated capabilities rather than being a cut price player. Now, with regard to the wins, it is a mix, right. So, for instance, we shared the details of one deal, which is a large maintenance and development deal with the card services provider. But equally there are other clients where we have gotten permission to enter as a preferred supplier and that has opened up all sorts of doors for opportunities in diverse areas of the business. There is a bit of a mix. I do recognize that financial services is a hugely competitive industry and it is a space where all the players are very, very focused. But I do believe that we have the makings of being a credible challenger in this space and we have a very well thought through strategy and really a depth of talent that understands the industry, understands the key players and is able to build the compelling solutions that allow us to be in the consideration set for our clients.

**Abhishek Kumar:** One, maybe a related question on demand in BFSI. Some players are calling out some discretionary spend especially capital markets, etc., Have we seen any change in the customer behavior in BFSI?

**Mohit Joshi:** So, I will just mention two things. One is, it does seem that BFSI sector the spend levels seem to be slightly elevated compared to about a year ago. Briefly as mentioned that because the sector is so heavily concentrated, right, and a downturn in a single client can wipe away the benefits that you're seeing elsewhere. And finally, BFSI is also the sector that is most exposed to furlough pressures, right along with manufacturing. So, there is that element to consider as well. But on the whole, I would agree that there appears to be a slight improvement in sentiment, but it's not a dramatic 180-degree shift.

**Moderator:** The next question is from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

**Gaurav Rateria:** My questions are on top five clients, continues to see weakness for the last few quarters. Where do you see this bottoming out? Secondly, is your current deal win trajectory enough to get you to an industry growth rate next year? If not, then what should be the target quarterly win rate one should look at? And the puts and takes for margins in second-half?

**Mohit Joshi:** So, I will answer the first part of the question and then pass it on to Rohit for the puts and takes from margin perspective. Now if I look at our top five clients, right, candidly there is a preponderance of telecom clients among our top five, right. While the top 30 is more diversified, but for the top five clients, we do have a significant number of telco clients in that space. And over here specifically, for a couple of clients, we are seeing significant budget pressures that they're facing as a result of their own challenges as a result of high interest rates, and we have dug in quite deeply into these accounts to make sure that we are not losing market share. And so I am quite comfortable based on the conversations that we have had with the clients that we are retaining market share and any reductions that we are seeing are the results of their own budget cuts and in some cases a degree of insourcing that is happening, but I do feel quite comfortable that for an overall top account portfolio, we remain a strategic partner and a credible long-term partner, right. So, I am quite comfortable that there is no loss of competitive positioning from a TechM perspective there.

**Rohit Anand:** Also from a deal quantum perspective, your question, how do we kind of look at the range for us to drive industry average growth for next year. I think we said that earlier as well, somewhere around 600 to 800 is a kind of a range for us to look at from an industry average. It obviously varies given the tenure of the deal, so there's variation around it, but that's broadly the range we should look at. The last couple of quarters were below that, now we have crossed that threshold. I think as we move forward, that will be a lever for us to be in from a next year perspective, right, so that's kind of the way to think about it. In terms of margins, I would say short term, you know, we are working on everything possible. You can see in the subcon reduction, the percentage of revenue that's come down

sequentially over the last few quarters. We will continue to drive that even further. We mentioned that we feel we can get a single digit on those. That will continue. Our governance around project management and execution is a big focus for us to drive change requests, automation, deliver the benefit that we can drive on the fixed price program. So, that will be a big, big focus area for us as we move forward. We are focusing a lot on pricing as well. I think there's a lot of tools and analytics that we are driving internally under a dedicated program which is rolling up from a governance standpoint to Mohit just to ensure that we are getting the right entitlement from a pricing perspective. So, I think it's spread-out across various factors to give us the balance that we need from a short-term perspective. And as I mentioned, we are also investing in the business. It's very easy to look at short-term gains and forget about them. That's been very clear on our strategy from April that we articulated. So, we are continuously focusing on that investment because that's what's going to give us benefit in year three, right, year three, year four, year five. So, that's the way we think about it. Thank you.

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

**Sandeep Shah:** Mohit, just wanted to understand that your recent talks with the communication clients, the rate cut creates some hope in terms of recovery in the demand, may not be immediate, but next year in CY25 and if more rate cut comes, this could be also a growth driver for Tech Mahindra going forward.

**Mohit Joshi:** Yes, so clearly rate cuts will offer a degree of relief to many of our telecom clients because they're carrying heavy debt loads and will therefore allow them to maybe spend more from a tech perspective, right. I also think that as you look at this quarter itself, if you look at our performance from a Q2 perspective, you will see that we have had QoQ growth from a comms perspective. And that is coming from the fact that we have actually seen stabilization and growth in our Asia Pacific Telecom portfolio and in our Europe portfolio. We continue to see stresses in the US portfolio. But again, we are also hopeful that this will turn around next year. When I think about our telecoms practice from a longer-term perspective, I do feel that we have a significant range of capabilities that we offer to these clients, that's broadly under three buckets. The first is under the Simplify bucket where there's an opportunity for OPEX cost transformation by really impacting operations. And one of the deals that we spoke about in this particular quarter for instance has been about autonomous operations for a leading European telco. We also feel that we have a great set of solutions around modernizing the tech stack which really impacts our telecom clients in reducing their time to market and improving their customer experience. And over here, working with ecosystem partners like a Salesforce or like a Servicenow, we believe that we have a great set of solutions. And finally, in the longer term, we feel that we have the opportunity to help our clients monetize their assets and to drive their revenue growth. So, when I take it all together, right, our opportunity is to work with clients on the cost perspective and the modernization perspective and on the revenue growth perspective. As and when the industry does come back to growth, we will be very well positioned given our expertise

and a very clear strategic vision for how we expect to help the industry leap forward into its next phase.

**Sandeep Shah:** And last two question in terms of BPO being 16% of your topline. Mohit, are you worried because GenAI may disrupt BPO higher than most of the other horizontal?

**Mohit Joshi:** Well, I would be worried if we were standing still, right. But we are not standing still. I believe that we have among the most forward-looking and agile teams from a BPO perspective. And our teams have really worked to reshape the portfolio over time. If you look at our portfolio, maybe a few years ago, it was heavily weighted towards contact center. But we have now replaced that with a huge amount of analytics work, for instance, that is being done with the high-tech companies. It's been replaced by specific vertical solutions that have been built. It has been replaced by crowd sourcing platforms, for instance that have been built. So, I do feel that we are reshaping and moving up the value chain from our BPO business perspective. And so, I remain very optimistic about the future of the business, given the strategic direction and the leadership team that we have within the organization. Obviously we will always be paranoid, we are always mindful of the impact that GenAI could have on contact centers for instance. But I do feel that we are well positioned compared to our peer group. And the opportunities continue to expand. We feel that there is a whole host of opportunities for instance in the high-tech sector and financial services and healthcare that we have not fully exploited so far.

**Rohit Anand:** Just going to add, while the pivot has really helped us balance off the risk there. But even in the contact center, we see more and more deals surprisingly come through. And the team has been quite nimble and agile to get a fair share of that. So, I think it's a good thing.

**Mohit Joshi:** The AI enabled contact center is really a winning story for us, and really differentiates us from maybe the pure play contact center players who do not have that deep AI capability that we have built as an organization with really a preponderance of technology talent.

**Sandeep Shah:** Just the last question on the offshore headcount mix for the IT services. It is up by 300 bps on a YoY basis. So, does that also mean the offshore revenue mix is increasing and if yes, why are we not calling out as an immediate margin tailwind as well?

**Rohit Anand:** I think that's been a consistent effort YoY. So, yes, it is a factor as we really called out, right. We called out that we will be continuously driving more offshoring, and that's a function of every quarter effort that we are doing. So, yes, there is a continuous improvement that we are having, and we will continue to drive that, Sandeep. So, every quarter, you will see a movement there. And it's a little bit of a new deal as we keep on getting what's the on-site offshore ratio and with that the transition happens over the period of two to three quarters, so it's a result of that. And obviously, inherently we

had some opportunity to work with, so as we continue to work around it, this will be a factor for us as well.

**Sandeep Shah:** And does it imply higher volume growth versus reported revenue growth because we are moving more work to offshore?

**Mohit Joshi:** Yes, marginally. Marginally it does impact. But I think we have, when we look at our overall revenue and volume, the differential with the movements is not that significant right now.

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

**Kawaljeet Saluja:** Couple of questions for you, Mohit. First is that if you look at Comms for Tech Mahindra, there have been market share losses through FY24 due to aggressive competition and maybe possibly a state of flux at TechM. Do you think we have made sufficient interventions to clearly call for the turning off the corner in the telecom vertical? And related to this is the comment that you made on possibly challenges in the US communications market. Is that something which is competition-induced or is just basically the grind themselves under stress? So, that's the first question. The second question is that you made a comment on large deals that you don't want to make headway assumptions on execution. Now is that the TechM being conservative or are you seeing a lot of headways from your competition on large deals assumptions here?

**Mohit Joshi:** I think on your first question, right, I am quite comfortable based on my detailed discussions with our top clients that there is no market share erosion. We have a unique and differentiated set of capabilities as I have shared in the previous answer, whether it is from a simplified, modernized, or monetized perspective that we bring to the telco industry. And a unique set of capabilities, both from an IT perspective and from a network perspective. Also as you look at our portfolio in the current quarter, but really over the past couple of quarters, we are seeing a degree of stabilization in the Asia Pacific business and in the Europe business. And I am quite confident that over time stabilization and growth will come back to the US portfolio as well. As regard to the specific large deal losses, again I will go back to the answer that I have given to Rod on a large deals, is that we have to be at this current state of transformation, we have to be laser focused on what we are looking to do and what we have promised the market, right, which is a significant and predictable expansion of margins to FY27. And so therefore, we have to be mindful about in telecom, but also in other verticals, about the deals that we are playing for and winning. I do believe that we have the right to win deals that make sense for us. And I am confident that as the sector itself comes back to a healthier spend level that we will gain from that. Also keep in mind that we are the only IT services player that has unique software capability as well for Telecoms' business. And so, when I marry the Comviva software capabilities with our tech capabilities and our BPS capabilities, no other player has the same offering

set as us. But again, please be assured that we have been in detailed discussions with our clients and our client relationships are strong. We continue to infuse talent on a regular basis to our comms business, just to give you a couple of examples. We hired a very experienced senior technologist who's been a CIO for multiple telcos to our APJ business to supplement our existing team. We hired a senior network talent for our US business to supplement our network services capabilities. And we are in the process of hiring senior talent for our European operations as well. So, it's a continuous add of capabilities to add to the already deep bench that we have in TechM. We have a question on large deals. I really don't know how our competitors are thinking about this, but I do know that for us discipline and focus is very, very important. When I speak about various assumptions, the fact of the matter is there is a level of productivity that we can see coming from GenAI. But from what I understand, and it is quite evident in the pricing, that when people are making assumptions about deals that could be, have a five-year type tenure, they are assuming productivity in the out-years, which is not visible to me just now. So, I can only assume that they are making assumptions ahead of the capabilities, and it could be a reasonable assumption, right? At the end of the day, this is how the chip business works. This is how a lot of business works. But you assume productivity coming in from things that you can't see. We are just not in a place where I am comfortable making those bets because we have a margin target that we have committed and that we have to meet.

**Kawaljeet Saluja:**

Now if I can ask you a final question that I had is more on the auto segment. And I just wanted to understand the composition of that business, the nature of programs between let's say engineering and IT services spread between tier one and OEM and anything happening in the vertical, given the kind of state of flux, which is there in the auto OEM segment, anything that raises a red flag for you?

**Mohit Joshi:**

I think auto has obviously been a significant portion. So, if I look at our manufacturing business, for instance, there are a couple of areas there. Auto is clearly one, but we also have Aerospace and Industrial, and then we do a lot of work on the process side and the chemical and the extraction related business. If I look at our automotive footprint, our automotive footprint is largely actually in the, has a bias towards the Americas. But we do have a presence in Europe and the ROW pieces as well. That gives you a sense of how we should have auto exposure because of our Pininfarina business. And the business is almost equally spread between the work that we do for the tier 1 suppliers and the work that we do for the auto companies directly. We have been working extensively on creating out, we do feel that if I look at the auto business, we have a set of capabilities that we are creating across the entire chain. And by that I mean we are creating these capabilities from an engineering perspective that you referenced. But also supply chain is a very significant portion of the business for us, again, given our SAP capabilities, for instance, and capabilities in other packages. Manufacturing and quality, again, given the heritage of the group, the work that we are doing to build out the factory of the future. But again, a lot of the AI driven interventions are coming through, whether it is a pin-defect retention or vision-based quality or digital twin construction or AI-based dynamic buffer management, on the manufacturing quality side, we have a unique set of capabilities.



And then beyond that, in sales and marketing, through a bond and through a set of IPs that we have created and in the after sales market, it's a very comprehensive offering that we have in auto with 75 plus solutions brought under the auto portfolio. So, it is comprehensive across engineering, IT and maybe some amount of IP related work as well. And as far as the auto business composition is concerned, I give you a sense it is largely the auto manufacturers, some work with tier 1 suppliers, and with a bias towards the Americas. So, hopefully that gives you a sense of where we are.

**Moderator:** Thank you. Our next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

**Manik Taneja:** So, I was just trying to say to understand the moving parts when I look at your segmental margin performance, it seems that the IT services margins have expanded significantly over the course of recent quarters, practically the highest that we have seen in several quarters. While there is some reduction in terms of the BPO margin. So, it would be great to understand what is driving this segmental margin performance?

**Rohit Anand:** So, I think from a margin perspective, when you look at BPS, we did mention earlier also we have done some portfolio reallocation which rightly fit in the BPS segment, example Target, that is one business which is dilutive from a margin perspective. So, that's impacting of course the BPS performance. And then beyond that for the quarter, there's some large deal ramp ups that are going on which have negatively impacted the quarter but as they move forward we see that trajectory to improve significantly going forward, so I think we will see an expansion there. From an IT perspective you know the improvements we have been talking about, so we will be consistently working on that organically.

**Manik Taneja:** Just one clarification on that part, historically our segmental margins on BPO have been higher than IT services. Is that going to change on a go-forward basis because that's a trend from first half performance?

**Rohit Anand:** I think both of them will have an expansion mode. I think clearly BPO is 15%-16% of our revenue. As Mohit mentioned, it's an area where we see significant demand even though we are working on portfolio shifts, we are working on how GenAI impacts the business. So, as we are shifting the portfolio even within that the growth opportunities are dramatic. As we get that, it's important that the BPS business continues to expand margins in line with our portfolio expectations. So, we see a path for us to deliver on that, and some of the portfolio companies that we reorganize under BPO, we see an expansion happening there also over time. So, I think BPO will expand margins and will flow through along with the portfolio average. I don't see a dilution coming from there. And IT as we have rightly mentioned, given the majority of the business, 85% is IT. I think that has to drive expansion across the organization because that's what will reflect in the total company performance as well.

- Moderator:** Thank you. Our next question is from the line of Ravi Menon from Macquarie. Please go ahead.
- Ravi Menon:** Mohit, we talked about how your large deal capability has been strengthened. But when we look at it year-on-year, it just seems that deal wins have reduced. If you were to think about the environment, I would think we are actually in a little bit of a better environment compared to where we were last year this time, SVB collapse, and things were a bit difficult. And similar, when I look at your 20 million plus customer tier as well, that's flat year-on-year and your 50 million plus customer count is down year-on-year. And Rohit, just the land sales you mentioned, could you talk a bit about the rationale for this? Who was the sale made to? And why is it structured in a way where the payouts actually happening right only after four years or so when you're getting an interest of just 8% plus on this amount?
- Rohit Anand:** Maybe I will take the land question first, and Mohit you can answer about that. I think the intent always was to get a university, Mahindra University, to work as an autonomous body, right, and built, we developed and functioning like any other big university. And when we look at that model, in that structuring we made that transition from an ownership to get more autonomous. So, that's the reason why the transaction happened. And it's at arm's length from a value perspective, the consideration while it's deferred over a period of time, it has an arm's length interest associated with that, which will be paid along with a deficit consideration. So, we have recognized the gain in the current quarter in the differential between our book value and the market value that we have got, and that's reflected in the P&L.
- Mohit Joshi:** And then on your question on the large deals, I think there really isn't, if I look at the past six quarters for instance from a large deals perspective, right? I am just going to read out the numbers to you in million dollars from Q1FY24 to Q2FY25; 359, 640, 381, 500, 534, 603. So, there isn't a pattern of reduction in large deals if you look at it. We are certainly trending way above the six-quarter average. But having said that, I am also mindful of the fact that as a leadership team we have made a determination that we are going to focus on margins, that we are going to be very selective about the clients we go after, and that we have established a very clear must-have priority list of customers that we are working with, and sort of a discipline about pricing and about the deals that we take on. So, you're seeing some of that being reflected in our results. Large deals continue to be a very important area for us, but I candidly do not agree that there has been deterioration over the past six quarters. It's certainly not monotonous numbers.
- Rohit Anand:** Maybe I will add one more point, Ravi. As you think about our large deal number, it's greater than 5 million incremental deal wins, which gives you an indication of how the growth is going to flow through. And I'd given an earlier range that we want to be in, right. So, I think from that perspective, we are looking in the right direction. Also, a lot of expansion that we do into the BSFI space, which is where our strategy is, as Mohit mentioned, and I mentioned in my commentary that we have gotten

into two large logos and it's like landing and expanding there. So, the growth that we see in those accounts are not really reflecting in the large data because those are volumes that grow organically over a period of time. So, I think as we do more of that, you would see a better organic growth pattern also over and above the deal wins that you see.

**Moderator:**

Thank you. The next question is from the line of Abhishek Pathak from Motilal Oswal. Please go ahead.

**Abhishek Pathak:**

I think the first phase of the transformation, which was essentially the turnaround phase, seems to be admirably on track. So, congrats on that. My question was, as we move to the stabilization phase, FY26 might coincide with a slightly liberal spend environment. Just like in your case, everybody has again reported probably a bottom out attrition. We saw slight inch up in attrition across the board. In FY26, as attrition levels inch up, the cost of backfilling employees again goes up, how easy or how difficult does it become to fix the pyramid, and get the average resource cost down? And what are the challenges that arise in that margin expansion journey as you move to the next phase in context of the changing demand environment? Thank you.

**Mohit Joshi:**

Good question. I think if there is an overall pickup in demand, that I think that will really help us because obviously resetting the pyramid is easier if you're looking at a significant amount of growth. As far as the attrition rates are concerned, we are also mindful of the fact that attrition will start to pick up slowly. We benefit hugely from the very strong Mahindra brand name that we have in India that helps us from a recruitment and from a retention perspective and we are organically building deeper relationships and linkages with the group to benefit from the aura of the group. I also feel that we are working along with our chief HR officer on creating a strong employee value proposition. And we have already articulated a lot of the work that we are doing from a cultural transformation perspective including simplification. Part of the simplification is things like expense reimbursements, for instance, that really make life simpler for our teams. So, there is a multi-pronged attempt to ensure retention. And growth will help us, you know, fix our pyramid to a greater degree than we can now. I also want to stress the fact that we have the most experienced workforce in the industry at this point of time, candidly. We have a diamond-shaped structure just now. And that also gives us unique strengths, right? And one of the things that our Chief Operating Officer has been very focused on, Atul, is working to make sure that we are able to get the sort of realizations that we should for such an experienced workforce. So, a number of steps are in place to make sure that we can fully derive value from the experienced workforce that we have. And then to reshape it over time, part of it is also investments that we are making from a technology perspective. We have just implemented a new platform that allows us to fully capture the skill set requirements of our teams. There is a lot of work that is going on in sort of defining skills and capabilities and defining the sort of detailed architecture for that that can be used both from a matching perspective as well as from a training

perspective. So, a comprehensive set of interventions in place to make sure that we have a robust and nimble workforce.

**Moderator:** Thank you. Our next question is from the line of Ashwin Mehta from Ambit Capital Private Limited. Please go ahead.

**Ashwin Mehta:** Just a follow up to an early comment made, that the volume of revenue growth for us is not materially different despite almost 5.5% shift towards offshore in terms of headcount. So, was it underlying underutilization, fixed price flexibility that's helped us or there are other factors at play?

**Rohit Anand:** Yes, as I mentioned earlier, there are various factors we are working through. So, as I mentioned, there is better price realization that we are going after the program. Mohit also mentioned how do we better utilize the skills that we have, the diamond-shaped organization while we keep on driving towards more freshers. At the same time, I think how do we realize the true value from a pricing perspective. So, that's all in motion, so that's seeing some benefit. And we continue to realize that benefit over the second half. As we look at the fixed price contracts, I clearly articulated that will be a big focus for us. Atul and I drive a very systemic program around fixed price programs which is driving more discipline around governance, the automation interventions that we drive on those programs. I think that's also helping us realize better value. I think we are in a very early stage of that program from a value realization perspective. As we look at the next year and a half, there will be a key focus of our margin driver. So, I think all those are helping us offset some of the shifts that you see from the head-count perspective.

**Moderator:** Thank you. Ladies and gentlemen, we would take that as our last question for today. I would now like to hand the conference over to the management for closing comments.

**Rohit Anand:** Yes, so as we look at the second half, and Mohit, I will let you summarize it, but I just want to mention that getting into the second half, we are fairly confident this is the foundation we have set on the turnaround phase. So, we will continue to capture that both on margins and growth perspective. I think specifically for Q3 last year we had one timers of 22 million that we had called out around some of our product specific revenues, which of course over year-on-year comparatives won't be repeated. But as we look at the second half, looking at foundational inputs that we have given both in margins, we are fairly confident that we will continue the trajectory we have had in the first half as well. Mohit, I hand it over to you for the wrapping comments.

**Mohit Joshi:** Thank you, Rohit. So, again, just to reiterate, we are delighted by our performance within the quarter. And I also feel that more importantly, we are living up to the strategy that we had laid out for all of our investors in April. We are on the path to a sustainable long-term transformation. And I feel very confident with the intrinsic strengths of Tech Mahindra, the high caliber leadership team that we have



*Tech Mahindra Limited  
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assembled together and the solutions that we are creating and the client base that we have, that we are well set to meet the expectations that we have set earlier in April. Look forward to connecting with all of you on a regular basis and thank you for your time today.

**Moderator:**

On behalf of Tech Mahindra Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.