January 16, 2026

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

BSE Scrip Code: 532281

The Manager
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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: Transcript of the Conference Call held on January 12, 2026

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 Conference Call held on January 12, 2026, post the announcement of the financial results of the Company for the quarter and nine months ended December 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
Digitally signed by MANISH ANAND
Date: 2026.01.16 20:39:15 +05'30'

Manish Anand
Company Secretary

Encl.: a/a

"HCLTech's Q3 FY26 Earnings Conference Call"

January 12, 2026

Management:
Mr. C. Vijayakumar – Chief Executive Officer & Managing Director
Mr. Shiv Walia – Chief Financial Officer
Mr. Nitin Mohta – Senior Vice President & Head - Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to HCLTech's Q3 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Nitin Mohta: Thank you, Dorwin. Good morning and good evening, everyone. A very warm welcome to HCLTech's Q3 FY26 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 on information presently available to the management and the company does not undertake to update any forward-looking statements that may be made in the course of this call. In this regard, please do review the Safe Harbor statements in the formal investor release document and all the factors that can cause the difference. Over to you, CVK.

C. Vijayakumar: Thank you, Nitin. Good day, everyone. Thank you all for joining HCLTech's FY26 Q3 earnings call, wishing all of you a very Happy New Year. I'm very pleased to report HCLTech has delivered yet another standout quarter on all fronts; revenue growth, bookings, and margin improvement. This performance is underpinned by our AI vision and offerings, our deep engineering heritage and our unwavering commitment to client value creation.

We delivered excellent top line growth this quarter, demonstrating our ability to capture market opportunities even in what is seen by many as a constrained environment. Reflecting on the quarter, we see continued momentum in AI-powered solutions like physical AI, AI Factory, Custom silicon engineering as well as large-scale transformation programs and application development and modernization offerings.

Our revenue for Q3 came in at $3.79 billion, a growth of 4.8% YoY and 4.2% on a QoQ in constant currency terms. This quarter, we also crossed $15 billion of annualized revenue. This milestone reflects the scale of our platform and the durability of our growth model.

Our services business grew 5% year-over-year and grew 1.8% sequentially. Our IT and Business Services grew 3.8% YoY and grew 1.5% sequentially. Engineering and R&D Services grew 10.8% YoY and grew 3.1% sequentially, and all growth rates referred here are in constant currency.

HCLSoftware delivered very good performance – the business grew 3.1% YoY and a 28.1% sequentially in constant currency, a seasonal uptick that was also a healthy YoY growth. Annual recurring revenue stood at 1.07 billion, 0.6% increase YoY in constant currency. In addition to the seasonality, this growth is fuelled by strong traction in our data intelligence business.

Our operating margin, including restructuring costs, but excluding the one-time impact of new labour code, came at 18.6%, a 111 basis points QoQ and a decrease of 94 basis points YoY. When we exclude restructuring costs, our operating margin in Q3 is down marginally 13 basis points YoY, and we are confident of recovering that as well in the future.

We are executing well on our improvement plan, and this disciplined approach has placed us firmly in the right trajectory for the medium term. Shiv would provide further details on the adjustments both for restructuring costs and the onetime labour code impact. Our net new bookings were strong at $3 billion, which is a 17% QoQ and 43% YoY growth.

Booking momentum this quarter was driven by strong traction in our applications and engineering and R&D services, which together accounted for 63%. I will talk about this and the mega deal later. We also delivered strong ACV booking, which is the highest in the last four years.

Coming to people metrics - our headcount at the end of December stood at

226,379, a slight decline of 0.1% compared to the previous quarter. Our attrition stands at 12.4% on an LTM basis, lower compared to the previous quarter. I'm happy to share we have been included in Forbes list of world's best employers for the sixth year in a row.

Coming to AI updates. Our AI propositions continue to drive our overall business reflected as a robust growth, highlighting the strength of our value propositions, our comprehensive ecosystem, and the confidence our clients have in us as an AI partner in their transformation. AI is now embedded across every major engagement, whether service transformation, advanced AI or classical AI.

Our strategic focus and early bits are positioning us as a clear leader in an AI accelerated world. In advanced AI, we have grown 19.9%, led by a strong uptick in Agentic physical AI and AI factory programs. We are now sharing the actual revenue for your reference in the investor release.

Let me update you on the progress along the four pillars of our AI growth strategy. First, on our proactive transformation of our services, AI Force our flagship platform remains a major market differentiator in this space. Specific SKUs of AI Force are now deployed across 60 of our priority accounts.

We are seeing large AI-led service transformation, net new deals happening and service transformation increasingly becoming core to decision-making in every pursuit. Certain use cases like AI-led legacy modernization are also creating niche interest amongst our clients. In addition, we also continue to implement GenAI and AI capabilities across our lines of business, and scale adoption with customer-specific AI tooling.

To enable all this, we are making strong progress on the talent scale up front. Within HCLTech 38,000-plus additional employees have been trained on GenAI and 600-plus on responsible AI. Today, we have the highest number of open AI badged experts among all open AI partners. Our proprietary talent acquisition platform, Talent Navigator has now been deployed at scale across HCLTech.

The second pillar of our strategy is building differentiated IP that accelerates AI adoption for our clients. Our vertical aligned industry AI solutions continue to gain strong market traction. Our contact-centre-as-a-service offering is experiencing a notable adoption curve, driven by our strong agentic solution for real-time guidance, knowledge-based solutions and omni-channel support.

We had launched AI Force 2.0 beta in the previous quarter, which is an agentic platform delivering service transformation offerings. We are seeing excellent results, and we expect to launch GA soon.

On the third element of our strategy in new AI-led services. In AI factory, we launched OEM aligned joint offerings with Dell, HPE, Cisco, NVIDIA, AWS, Azure, and GCP. Our engagement with one of the top 10 global tech companies to implement global AI factories continues to scale. We won another similar engagement last quarter. We are ramping up to service this demand. This is a significant growth vector for our Digital Foundation business.

In Physical AI, our proactive investments in skills, ecosystem build-out and our proven engineering and infrastructure strengths have allowed us to secure a differentiated position in this rapidly evolving market. AI Engineering services are also seeing a greater demand. Custom silicon development focused on Edge inferencing and compute for training. Both Physical AI and Custom silicon work are significant growth vectors for our engineering services. There is substantial momentum in the adoption of agentic solutions within Application Engineering, Integration and Migration services across industries such as Telecom, Financial Services, Life Sciences and Technology.

Value Stream innovation is getting reflected, has increased momentum across key value chains, particularly in supply chain management, customer billing, commerce and retail. In AI Advisory, we signed several significant engagements this quarter and also joined the AI Verify Foundation, reinforcing our commitment to trustworthy AI.

And on the fourth pillar, we continue to strengthen our partnership ecosystem. We announced 2 major partnership advancements this quarter, the launch of a Physical AI lab with NVIDIA in Santa Clara and exploration of next-generation industrial AI use cases with SAP.

We deepened existing collaborations with AWS or AI-powered innovation for Financial Services sector, we deepened collaboration with Open AI, increasing adoption of Open AI Codex making us one of the first GSIs globally to earn this recognition with Open AI. All this effort is helping us with several recognitions and citations including a very notable mention as a key Physical AI and Robotics partner during NVIDIA CEO's keynote at CES 2026, which happened last week. This reinforces the strategic depth of our collaboration in Physical AI.

Many other recognitions are in the investor release. If I look at the outcome of our work on the AI front, I'm pleased to say we won several large engagements in this quarter in areas like Physical AI, our offerings like AI Factory and AI Foundry. You can find more details in our investor release.

Coming to bookings, as I mentioned earlier, we did $3 billion bookings this quarter. In our services business, we are also experiencing rapid growth in our application business, fueled by strong deal momentum and execution. Clients count on us for value stream transformation, application modernization, data solutions and large-scale system integration.

If I look at our services business with a wider lens, our AI propositions drive success in areas like engineering productivity, enhanced data management and new digital experiences powered by Agentic AI Force 2.0. With the investments in Enterprise Advisory, Digital, Modern Apps and Commercial Apps, Data and Core AI and the partnerships with hyperscalers and product companies, we are accelerating our customers' business transformation in a unique way.

Calling out a couple of big deals, starting with the mega deal with a global apparel retailer; we won a mega 5-year strategic engagement with a TCV of $473 million to serve as its long-term AI-led technology partners. Under the agreement, HCLTech will modernize client's application and data landscape, leveraging our Agentic AI Force 2.0 platform.

The agreement extends beyond IT services to include collaboration on improving brand experience while supporting evolving business needs of the client. Additionally, HCLTech will facilitate the transformation of clients' current operating models, simplifying the technology organization, and realigning teams are on outcome-oriented functional domains.

This engagement is designed to improve engineering productivity, modernize software engineering and data life cycle management through advanced AI capabilities and deliver enhanced digital platforms and product experiences. A leading U.S. based insurance company has chosen HCLTech as a Strategic Technology Partner, consolidating services previously delivered across multiple providers. Powered by HCLTech GenAI led service transformation platform, AI Force, this partnership will help transform IT Service Delivery, enhancing engineering outcomes, accelerating time to market, and driving operational efficiency through automation across application development, support, testing and infrastructure.

A Europe-based global food major selected HCLTech to design and implement a greenfield IT setup and build an AI powered digital foundation. HCLTech solution will include Digital Workplace, Network, Hybrid Cloud, Network Security, Service Management, SIAM, and Automation. The new IT setup will integrate NextGen capabilities covering the AI Lifecycle and reimagining the business value chain.

While we continue to win many such large deals, we remain disciplined to walk away from those that do not align with our financial and strategic objectives. We continue to guide our sales organization remain focused on opportunities that make long-term economic sense.

I also wanted to share some insights about our recent acquisition in the Telecom engineering space. We've been seeing good traction in this space and to further reinforce our leadership in the telecom service provider industry. This quarter, we acquired Telco Solutions Business from Hewlett Packard Enterprise (HPE).

This strategic move builds on the momentum from our successful integration of HPE's Communications Technology Group (CTG), acquired in 2024, which is now growing nicely. We are doubling down on Telco Solutions to gain more industry-leading intellectual property aligned with our nonlinear growth aspirations and enhanced product engineering and

R&D capabilities, and deepen existing client relationship, as well as gain new relationships with top global communication service providers across geographies.

With this deal, we are now well positioned as a system integrator with comprehensive telecom IP portfolio, unlocking access to significant telecom engineering spend. It is now starting to reflect as a good telecom engineering pipeline.

Now I want to provide some comments and update on our Software business. This quarter, we've had multiple wins, including large ones. New clients were added across verticals and geographies. We achieved major competitive wins in HCL Workload Automation, and UnO, which is an Agentic AI Orchestration product, across regions – where our products/offerings successfully displaced long-standing incumbents.

Let me call out a couple of wins. A Europe-based technology service provider selected HCL Software Workload Automation platform to offer secure, scalable, efficient digital banking services to its customers. The platform will be paired with HCL UnO to support the company's mainframe environment.

A US-based global food and beverage major selected the HCL Workload Automation platform to consolidate multiple environments, streamline operations and drive measurable cost efficiencies. A couple of these large opportunities were also synergy coming from our HCLTech services clients.

On the partnership front, HCLSoftware and Microsoft have partnered globally to deliver HCLSoftware unified XDO blueprint to the joint customers using Microsoft Azure and AI.

HCLTech's Data and AI division, Actian, is seeing increased demand for its metadata management, data catalogue and data governance solutions and has demonstrated good growth over the last 5 years, driven by enterprise data management solutions.

During the quarter, we announced the acquisition of Jaspersoft and Wobby which will strengthen this division's offerings. By combining Actian enterprise data management capabilities with Jaspersoft advanced analytics, we will offer a unified end-to-end data and analytics platform, that addresses rising demand for metadata management, data catalog, and governance. Integrating Wobby' s proprietary semantic layer and agentic architecture will help deliver AI-powered natural language analytics on a unified, governed platform enabling clients to query complex datasets and receive actionable insights instantly.

With the integration of Zeenea, Wobby and Jaspersoft, HCLSoftware data offerings is evolving into a holistic, AI-powered end-to-end data intelligence platform with an integrated architecture that supports secure data management, advanced analytics, and proactive natural language-driven insights, all positioned to meet the growing demand.

Coming to a few more key business updates, over the past few years we have strategically expanded our presence across multiple countries that offer significant opportunities for technology services driven by scale, rapid growth, or both. Many of these markets, including India have seen strong acceleration and we continue to invest in deepening our footprint.

India represents a high-growth market with substantial opportunities to deliver high-value, cutting-edge work, specifically in the context of India-centric domestic opportunities distinct from the GCC model. I am pleased to share that Sandeep Kumar Saxena, a seasoned leader with over 25 years at HCLTech, having led strategic initiatives across multiple geographies, will now lead our India business as a part of his portfolio.

This would accelerate our engagement and growth in the fast-growing Indian market. Finally, on pipeline and market trends, our pipeline continues to demonstrate strength and sustain growth across business segments, verticals, and geographies. While uncertainties persist in the global market leading to slow spending growth on traditional offerings, the fundamental demand for technology as a driver for business transformation remains structurally intact.

We see strong demand for Gen-AI, Agentic AI across the portfolio and is getting embedded in every deal. In addition, we see very good demand for advanced AI capabilities like Physical AI, AI Factory, that are well linked to the capex spend in the AI space. While traditional discretionary spending areas have slowed, opportunities are emerging in newer pockets like this in establishing and managing AI infrastructure where discretionary investments continue.

We are performing well here and would see strong growth going forward as well. I also believe there is little value in waiting for either historical or anticipated discretionary spending to resume. Instead, the focus should be on proactively identifying where new spending is occurring and targeting those opportunities like what I just mentioned.

Capturing such opportunities in this environment demands a high degree of creativity and innovation and should be aligned with where the money is moving today rather than where it used to be. We at HCLTech are always working to address such evolving trends and I am confident we would do it well in this cycle as well. Now I would request Shiv to walk you through more details on the numbers and the updated guidance. Over to you, Shiv.

Shiv Walia: Thanks. Thank you, CVK. Good morning, good afternoon, and good evening to all of you. Thank you for joining our Q3 financial year '26 earnings call. Let me walk you through our financial performance for the quarter. Starting with the revenue performance, total revenue for the quarter is $3,793 million, a growth of 4.2% QoQ and 4.8% YoY in constant currency terms.

Services revenue for the quarter came in at $3,379 million, a growth of 1.8% QoQ and 5% YoY in constant currency terms. Our ITBS services grew 1.5% QoQ and 3.8% YoY. The ERS segment grew 3.1% QoQ and 10.8% YoY in constant currency terms.

Software revenue for the quarter is $425 million, a growth of 28.1% QoQ and 3.1% YoY in constant currency terms. In terms of geographies, during the quarter, USA grew at 1.5% YoY. Europe grew at 4.6% YoY, while India grew at 15.8% YoY, and Rest of the World reported an increase of 22.1% YoY in constant currency terms.

In terms of verticals, our Q3 growth was broad-based with 5 out of 7 verticals registering YoY growth. Growth was led by two of our largest verticals, financial services and technology, up 8.1% YoY and 14.4% YoY, respectively in constant currency terms.

On sequential basis, the growth in this quarter was driven by manufacturing, up 4.1% QoQ. Retail and CPG, up 5.8% QoQ and public services, up 3.7% QoQ in constant currency terms.

Now, an update on clients. Our relentless focus on serving our customers has helped us grow our client relationship. On a YoY basis, we added one client in the $100 million category. Three clients in the $50 million category and 15 in the $20 million category and 20 in the $10 million category.

HCLSoftware business continues to progress in the right direction as clients choose us for the increasing relevance of our products for the digital economy. Let me now share an update on profitability. Our EBIT is $704 million at 18.6% of revenue. Net income for the quarter is $537 million at 14.2% of revenue. EBIT and net income exclude the one-time impact of new labor costs. Including the same, Q3 EBIT is at $595 million and net income is at $455 million.

If you were to adjust for the restructuring expenses of 81 basis points this quarter, our Q3 margins are at 19.4%, just 13 basis points down YoY. This should address concern around underlying profitability of our portfolio.

We have consistently maintained that our focus on industry-leading growth is intertwined with disciplined approach towards margin and our Q3 results are a testimony to that. In terms of margin bridge, our company margins have increased by 111 basis points QoQ to 18.6% from 17.5% in the previous quarter. The improved profitability for the software segment gave us 118 basis point benefits.

For Services, the 7 basis point QoQ decreases were driven by the following factors. Project Ascend helped us to obtain 104 basis point gain from higher utilization during the quarter. Wage hike impact was 80 basis points. Furlough seasonality impact was 45 basis points and forex gain from INR depreciation gave us a positive 40 basis points. Restructuring expenses had an incremental impact of negative 26 basis points in the quarter.

Now moving on to the return on invested capital, ROIC. Our ROIC continues to improve, thanks to our ongoing focus on profitability and efficient capital management. The last 12 months ROIC is at 39.4% for the company, up 277 basis points YoY.

And services, ROIC now is at 45.9%, up 117 basis points YoY. Software continued to improve with ROIC at 23.1%, up 513 basis points YoY. Let me also now share the details on our strong cash generation. Over the last 12 months, operating cash flow is at $2.5 billion, while free cash flow amounted to $2.35 billion.

Operating cash flow to net income conversion is healthy at 127%, and free cash flow to net income is at 120%. The balance sheet continues to strengthen with gross cash at $3.82 billion and net cash at $3.55 billion. Our total DSO, including unbilled, is currently at 81 days, an increase of 3 days QoQ due to seasonality in the software business.

For our shareholders, the diluted EPS for the last 12 months came in at INR63.35, which is up 0.7% YoY, including the impact of new labour code, the diluted EPS is INR 60.70. The Board has declared an interim dividend of INR 12 per share for the quarter and the record date is 16th of January and the payment date of the same shall be January 27, 2026. That brings our last 12 months payout to INR 54 per share, effectively distributing 88.8% of our net income.

Now an update on guidance. On the back of a standout quarter and sustained growth momentum, we are raising our full year services revenue growth guidance to 4.75% to 5.25% in constant currency terms and the company level guidance to 4% to 4.5% in constant currency terms. We remain on track to deliver on our full year EBIT margin guidance of 17% to 18%.

Please note that our guidance does not include contribution from the 3 recently announced acquisitions - Telco solutions business from HPE, Jaspersoft and Wobby. The margin guidance is inclusive of the restructuring costs but excludes the one-time impact of the new labour code. That's all from my side for now. And I would like to hand over the session to our moderator for a Q&A session. Thank you.

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

Abhishek Pathak: Yes, hi team. Thanks, and congrats on another good quarter. So, I got a couple of questions. Firstly, when you talk to clients right now versus exactly this time last year, what differences do you see in conversations? Are we moving towards more serious discussions around AI implementation? What is impeding clients from getting there? Are we indicating that some foundation, that will begin maybe in the next 3-4 months? Just trying to understand the YoY colour and how is it different versus the same time last year? That's one.

Second question and related, of course. In which service lines do you think is the client coming in and saying that earlier, we were constrained by budgets, but now that AI is helping us immensely, we can really unlock and maybe do a lot more of something we weren't doing at all? That's the second question.

And lastly for Shiv, if you can part a brief update on how much more restructuring charges are pending? And update on the SG&A investments as well, whether they should continue into Q4, or how should we model that in? Thank you, that's all from my side.

C. Vijayakumar: Thank you, Abhishek. So let me take the first couple of questions, then I'll hand it over to Shiv. On the AI conversations last year to this year, definitely, there is a lot more holistic conversation on how AI would change the entire organization. I think last year, we were still talking significantly about point solutions and trying to prove that AI can deliver some meaningful value.

But then after that, the conversations changed to how clients should be focusing on some of the foundational elements like data and cloud migration. But this conversation has matured to an extent that clients realize that to get holistic benefit, they need to completely reimagine their business processes.

Once that realization is there, then the deployment of AI also slows down a little bit because clients want to take a holistic approach. However, the biggest area where we are seeing good outcomes and good client interest is- delivering an accelerating software development, data life cycle management. That area is undisputedly the sweet spot for Generative AI to be most helpful for a lot of organizations.

The other broader enterprise adoption for business processes is going to revolve around significant process transformation. So, to that extent, it is a little bit muted. Now, where clients are talking about more and which service line. If you really see the enterprise adoption, revenue and spend from that perspective, it is still not very high. It's still very, very small.

The real acceleration in what we are seeing is not necessarily in deploying AI within enterprises, but really "Day -1" services, which are foundational for enabling AI, like a lot of work in our engineering services. Like I mentioned about custom silicon for edge inferencing It is a big area with a lot of companies across multiple industry verticals. This is not restricted to semiconductor industry.

Everybody who's got products and solutions, if they needed to use the regular GPU architecture for edge inferencing, it's going to be unviable. So, they're looking at custom chips to be a big spend area to get the best ROI out of the AI spend. And similarly, for a lot of technology companies, the AI factory, which is largely the AI data centres, the professional services around design, implementation, operations, support managed services.

We talked about a large client who's a Top 10 technology company. They continue to expand as their capex spend is expanding. We have acquired another Top 10 technology company for the same AI Factory services. Those are the areas, which are "Day -1" of AI, where we are seeing very good traction, especially for Advanced AI services. And for the question on the restructuring?

Shiv Walia: Abhishek, if you recall, we have indicated that for the full year, we will have an impact of 50 basis points on our margins. This is a one-off restructuring cost this year. And we expect the similar kind of impact in Q4 also. Our endeavour is to finish this exercise by Q4 and start the new financial year on a clean state. So, I expect a similar kind of charge in the Q4 also. And, on the SG&A part, we will continue to invest on the AI solutions as well as on the GTM.

Abhishek Pathak: Got it. Thank you and all the best.

Moderator: Thank you. We have our next question from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Congrats on a good quarter. Just wondering about the Retail vertical performance. Seasonally, normally, Q3 is not great for Retail, but this quarter you showed really strong performance. And you also talked about a mega deal win there. Has that already started contributing this quarter?

C. Vijayakumar: No, there is no contribution from the mega deal this quarter. It will start ramping up in the current quarter. And retail is really coming from a number of wins. In a couple of large clients, where we have won business in the previous quarters, they are getting into execution.

Ravi Menon: Thanks, CVK. And you've also seen in Q3, there was good performance in the Software segment. Last year, we had a slight decline YoY for Software products. Is this a sign that customer spending is starting to pick up again on annual maintenance contracts? And they're starting to open up wallets again for IT spending?

C. Vijayakumar: I don't think this is reflective of broader IT spending. We have the seasonality, which has driven strong growth. There is a very strong demand for data intelligence portfolio. Zeenea, coupled with Actian's existing portfolio, is a very compelling offering, and we are able to replace several of the incumbents, and we have some good success stories. So that is scaling up. And overall, data portfolio continues to do very well.

And very significant couple of wins were also on our marketing automation platform, especially with the clients who are looking at sovereign solutions rather than a public cloud solution. Those also contributed to some meaningful wins.

Ravi Menon: Thank you, CVK. One last one for me. With such strong deal wins over the last nine months, why is the guidance still implying a slight decline in the lower end of the guidance for Q4 for services?

C. Vijayakumar: So, we have to give a range, right? We can't give such a precise range. So, we took a 0.5% range, which I think is very reasonable. So that's where we landed. We have certain calculations, which leads to the guidance, which is optimistic, pessimistic and all that. And then after that, it gets rounded to some reasonable number.

Ravi Menon: Thanks so much. Best of luck.

C. Vijayakumar: Thank you.

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

Sudheer Guntupalli: Hi, CVK. Congrats on a great quarter. My question is the existing data centre infra has to be repurposed or upgraded for AI use cases like inferencing or model training because of the capacity constraints globally. How does that feed into demand for our IMS segment? And when you talk about "Day -1" kind of opportunity, is this already playing out in some form and fashion?

C. Vijayakumar: Yes, it's a very significant opportunity for our infrastructure business. We believe in the next five years, the entire installed base of private data centres will get technology refreshed. However, we haven't started seeing much of traction yet on that front. But this is something we expect will be a good growth driver.

The "Day -1" on infrastructure business is largely with the technology companies who are building planet-scale data centre capacities to support their AI workloads. That's where we are seeing. That's why I call it a "Day -1", which is infrastructure required to enable AI. There is some traction on the edge as well. So that is also an opportunity in the AI Factory offerings.

Sudheer Guntupalli: Got it, sir. And just one question on margins to Shiv. ER&D has shown very good growth; the sequential margin drop seems to be a bit surprising. Is that largely because of the restructuring costs going into that head?

Shiv Walia: Yes, that's correct. If you take out the impact of restructuring costs, then the margins were 17.6% versus 18% last year. And this quarter, there's around 90 basis point impact of wage hike we had given and also another 30-40 basis point of furloughs. So that's what caused the slight dip in the margins.

Sudheer Guntupalli: Fair enough, sir. Thanks, and all the best.

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

Vibhor Singhal: Yes. Hi. Thanks for taking my question. And congrats on a very solid performance in, what is likely, a very soft quarter. CVK, my question was mainly on the manufacturing vertical. This vertical has been under the tariff uncertainty hit as well as the auto vertical has also been taking a lot of headwinds for entirely different details, in the U.S. and Europe. How do we see the composition in this vertical with the clients? If you could break up your answer into non-auto part of manufacturing- how is that looking? Do you expect the tariff uncertainty to come down and growth to pick up in the coming quarters? And then secondly, on the auto sub-vertical, how are we looking at it? And do you think the pain is going to continue in terms of the EDR option for the challenges that the auto OEMs are facing in different sub-verticals?

C. Vijayakumar: Yes. So, in manufacturing vertical, of course, we have 3 major components. One is the mobility vertical, which is the auto and travel transportation. The second is traditional industrial manufacturing and third is aero and defense.

We are seeing good traction in aero and defense, and that has contributed to some of the growth. In the mobility segment, especially in the engineering services, we are seeing stability coming but it's still a little early to call out if there is secular growth in this segment. That is all I want to call out.

Vibhor Singhal: And in the traditional engineering segment that you mentioned, the manufacturing part of it?

C. Vijayakumar: Yes, manufacturing, I think it is still a little bit muted, I would say.

Vibhor Singhal: Got it. And the tariff uncertainty would still be there for most of these companies?

C. Vijayakumar: Yes. Yes.

Vibhor Singhal: Got it. Sure. That's great. Just my last question to Shiv. Shiv, you mentioned that we are looking to basically take the entire impact of restructuring in Q4, and a similar kind of impact can be seen as we saw in this quarter. So, beyond that, are we basically looking at possibly going back to over 18% to 19% margin guidance range in FY27? Or would you like to take this comment later on in Q4?

Shiv Walia: As regards to OND'25 performance, if we normalize the restructuring cost, the margins were 19.4%, versus 19.5%. That's a very healthy sign that structurally, there's no issues with the margins. But for the next year, we'll update you in April on what sort of guidance we want to give, but I would not like to call out the margins for next year now.

Vibhor Singhal: Got it. I appreciate your comment on that. I think that's all from us. I have no further questions from you. Thank you so much for taking my questions and wish you all the best.

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

Sandeep Shah: Yes, thanks. Thanks for the opportunity and congrats on a very strong set of numbers across many attributes. Sir, the first question is in terms of commentary about ACV being highest in the four years, as well as if I look at your services growth guidance on the 4Q exit at the upper end, you will have a strong exit in services in Q4 of this year versus Q4 of last year? I'm not asking for guidance, but if there are no further macro negatives, directionally you believe the organic services growth could be better in the next year versus last year. And just related to that, this can also fillip if clients try to increase the investment on the AI adoption more on system integration phase rather than just on the capex side?

C. Vijayakumar: Yes, as you would see, we are on track to be the fastest growing large cap services company for the fourth year running. Our all-weather portfolio continues to deliver, capturing the pockets of discretionary spend available in the market. And we remain very confident to meet the ever-changing needs of our clients during this exciting times.

Would FY27 see faster growth than this year, let's wait until April to see where we are able to end the year. And then we can discuss.

The integration- right now, we are looking at a lot more traction in "Day -1" and some service offerings across all verticals and some very specific to the Tech vertical. But the general AI adoption trend is there across the board, and we see that incrementally growing as clients make up their mind to holistically transform their business processes.

That's when this trend will be really meaningful. Otherwise, it largely traditional deals, but fuelled by AI-Led transformation of the IT operating model, Software Development, Data Lifecycle Management. That is the biggest differentiator, which is driving some better wins. In fact, all the 4 of our largest deals were by our AI Force 2.0 Agent platform. So that's where we are heading.

Sandeep Shah: Yes. Sir, just last couple of questions. In terms of TCV last quarter earnings, you said you target now $10 billion new business TCV, which could have some volatility on QoQ. And you have also closed $3 billion in this quarter, last quarter on $2.5 billion, so looking at the pipeline and the closure, you still believe plus or minus $2.5 billion could be a new normal going forward, at least in the near term per quarter?

C. Vijayakumar: See, I mean, as you called out, these bookings can be spiky. And if you take our last 4 quarters, we have delivered $10.4 billion net new booking. Now I would not really call out that every quarter we are going to go above $2.5 billion. But if you take some kind of a moving average over 3 quarters, 2 quarters, then I think we should be hitting that number. That's what I expect.

Sandeep Shah: Sir, just last thing on the press conference, we have said the incremental recurring impact because of the labor law could be now just 10 or 20 bps. So that means the further hit on a recurring basis may not be higher than 10 or 20 bps. Am I wrong in understanding this?

Shiv Walia: No, your understanding is correct. We have already taken the one-off charge in the P&L. And going forward, we don't expect this to be more than 10 to 20 basis points on a recurring basis.

C. Vijayakumar: Barring any further changes in the labour code regulation. Some of them are still pending clarifications.

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

Manik Taneja: Yes. I just wanted to pick your thoughts with regards to the demand around legacy modernization using AI. Are you seeing this segment is a significant interest from customers across verticals? And how do you think this contributes to growth over the foreseeable future?

C. Vijayakumar: Yes. As I said, in modernization and SDLC is where the biggest opportunity is in the enterprises. And we are seeing good demand. I mean, obviously, these projects also clients take one segment of modernization, see success of that, and then continue to scale.

We think this will become a very big opportunity if you take a next 2 to 3 year window, legacy modernization using AI will be a very significant opportunity across most verticals. Some verticals have a lot more enterprise ERP and SaaS type of large footprint around. But there are certain verticals- financial services, telecom, healthcare who are all on mostly custom software- will be a significant opportunity.

Manik Taneja: Great. Thank you and all the best for future.

Moderator: Thank you. Our next question is from Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Yes. Hi, good evening and wishing you a very Happy New Year. I had a question related to the products business. This quarter, after many, many quarters, we have seen the perpetual license upfront sort of see significant revenue accretion. Usually, that's been on a downtrend as we shifted to subscription. I wanted your thoughts on how we should think about this, any change in strategy or this was opportunistic?

C. Vijayakumar: You should compare the perpetual license revenue in December last year to December this year. It's only a marginal uptick. Usually, seasonality is there and some incremental quantities. If some clients were a hell bent on continuing on the perpetual license, so we continue with that.

And this time, we saw one client who really wanted it to be perpetual sovereign type of requirement, which helped this revenue go a little higher than what it was last year December. I think it was $49 million, which has become $55 million. Otherwise, our general approach is to minimize perpetual and convert as much possible to term and subscription.

Nitin Padmanabhan: Got it. And 1 last on the products/ Will Actian be amongst your top three products right now by revenue?

C. Vijayakumar: Yes, of course.

Nitin Padmanabhan: Yes, sure. Perfect. Thank you. All the very best.

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

C. Vijayakumar: Yes. Thank you, everyone, for joining our call. I know it's late in the evening. I really appreciate all of you taking time to join. We continue to remain quite confident of the growth trajectory. We've delivered two outstanding quarters. We've delivered very good booking, and we have a strong pipeline. We remain optimistic about the overall progress, overall growth potential of our business. And we look forward to talking to you in the subsequent calls. Thank you very much. Have a good evening.

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

(This document has been edited for readability and is not a verbatim record)