HEXT/SE/2026/13

Date: February 10, 2026

To, **Listing Department** **National Stock Exchange of India Limited** **Exchange Plaza, Bandra-Kurla Complex,** **Bandra (East), Mumbai - 400 051** **Symbol: HEXT**	**To,** **Department of Corporate Services** **BSE Limited** **Phiroze Jeejeebhoy Towers,** **Dalal Street, Mumbai - 400 001** **Scrip Code: 544362**

Dear Sir,

Sub: Transcript of investor/analyst call held on Thursday, February 05, 2026

Ref: Our earlier intimation with Ref. No. HEXT/SE/2026/03 dated January 14, 2026

In continuation to the above-referred intimation and Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the transcript of the investor/analyst call held on Thursday, February 5, 2026, for the quarter and year ended December 31, 2025. The transcript of the investor/analyst call is also made available on the Company's website.

The link to access the same is as follows: https://hexaware.com/investors/quarterly-results/ .

Kindly take the same on record.

Thanking you,
Yours faithfully,
For **HEXAWARE TECHNOLOGIES LIMITED**

GUNJAN SUMIT METHI

Digitally signed by GUNJAN SUMIT METHI
Date: 2026.02.10 14:07:07 +05'30'

Gunjan Methi
Company Secretary & Compliance Officer

Encl.: as above.

HEXAWARE

Hexaware – Q4 CY25 Earnings

February 05, 2026

Operator

Ladies and gentlemen, good day. Welcome to Hexaware Technologies' limited conference call for the Q4 CY25 earnings call. We'll begin today's session with a presentation from the Hexaware management team, followed by Q&A segment. To ask a question during Q&A, please use the raise hand feature located at the bottom of your Zoom interface. This will place you in a virtual queue. I will now hand the conference over to Mr. Niraj Khemka, Head of Investor Relations. Thank you. Over to you, Mr. Niraj.

Niraj Khemka:

Hello, everyone. Welcome to Hexaware Technology Q4 CY25 earnings call. In the call today, we have with us Mr. R Srikrishna, CEO, and Mr. Vikash Jain, CFO. In the course of this call, we may make certain forward-looking statements which may involve a number of risks and uncertainties. All forward-looking statements made herein are based on the information available currently with the management, and the company does not undertake to update any of these statements made in the course of this call. In this regard, there's a full disclosure which has been provided in the earnings presentation and in the press release. We consider that as read. With this, I'll hand over the call to Keech. Over to you, Keech.

R Srikrishna:

Thank you, Niraj. Now, one announcement from Anthropic yesterday that shook our stock markets globally for our industry. I thought I'll start with that. Today, we were anyway going to do the topic that we're going to deep dive on strategy is on AI. So actually, I'll start with that.

At the highest level, our goal with customers is that every single day, every single client, the work we do is positively impacted by AI. I think we're going to get there sooner than we originally imagined.

Now, if we do that, we're doing four things. First, we're building AI into all of our platforms and reimagining our platforms. Whether it's Tensai for IT operations, RapidX for software engineering, or Amaze. The second thing we're doing is to create and launch new services that deliver new revenue streams which are enabled by AI. The third, our workforce training, we're already in the second generation of retraining our workforce on AI. For the most importantly, processes need to be redone in AI. For example, SDLC, as we know it in the past, is completely being read up. Now, if AI is in the SDLC, it is not just that the same people, same talent, same process don't run the same way. These are four things that we are doing to get to our goal of impacting positively every single customer every single day.

What do we tell our clients? At the highest level, there is AI for IT and AI for business. We tell our clients, when it comes to AI for IT, leave it to us. We know how to get productivity and velocity executed for clients well. You set the guardrails, you set the rules, and leave the execution to us. I think this narrative has found resonance. I think last year, people were not quite willing to do that, but I would say far more so right now, especially when it comes to IT operations and data engineering.

In SDLC, I think it's a little more complicated. We tell them on AI for business, the roles are a little different. Our role is to enable you to meet what you dream of. Now, we certainly have multiple ideas on what they could do, but our first job is to enable the technology to realize the velocity the use cases that they want to execute.

Now, on AI for IT, we have been first off the block multiple times, and consistently so. We were the first to launch a product, RapidX, that focuses on legacy reverse engineering, which is actually a crucial pre-step required for any coding that is needed. In July last year, we were actually the first company to launch a vibe coding offering. Three weeks ago, we launched an offering that goes to the heart of the Anthropic release which says, hey, software products or SaaS products can be replaced by Agentic AI. We agree, well, actually, we think it's a massive opportunity for us, and the service we launch is a reflection of that.

These ones I spoke about are all as it pertains to AI for SDLC. In AI for outsourcing, our Tensai platform, we would have built in the next, I would say less than two quarters, and quite a bit of it is already done. I'll say 80 supervisory agents, underpinned by 400 atomic agents that can operate in a mode which is assisting humans to all the way autonomous over time.

In AI for business, while we are telling customers, we don't know your business as well as you do. For a number of industries we operate in, we've detailed out level 5 to level 1 processes and for each business process, we have a point of view on how can AI impact that process. If all of that is executed, what business value will it deliver the customers.

Now, legacy modernization that we've been now talking about for over a year as a growth accelerator for us is a very specific use case of new revenues cost per AI. We've been making good progress on that. I think in this year, I can say with confidence that we will have at least two or three scale legacy modernizations completed and multiple other smaller ones that we continue to execute. Yet, I think that the biggest opportunities are still ahead of us.

Now, we spoke about a key growth for us is launching a technology vertical. We hired somebody last quarter that we spoke about. We launched a new vertical and renamed it as TPP, Technology, Products, and Platform. From Q1 onwards, you will see us reporting on this vertical as a separate vertical from where it is currently in HTPS.

We did launch three new services on AI this quarter. One of the most exciting things we did is this, I think we are the first company in the world to implement a completely AI-first global multilingual help desk in production. We now have 33,000 employees who, if they call our help desk, it'll be answered by AI. I think we are the first company in the world to put it in production.

Private equity markets, private markets in a more broad sense, is a critical growth driver. Companies are staying private for longer and for larger. There is no more important time than now for value creation in these companies. Amit Vij joined us as the Chief Private Markets Officer. He's done this for a living for over 20 years in different firms. Most recently, in Tech Mahindra. We're pleased to have Amit. He joined us about two weeks ago.

Our people metrics continue to be positive. We closed the year with close to 34,000 headcounts. We continue to be amongst the lowest attrition in the industry, in IT, it was 11%. Our utilization ticked down a bit in anticipation, mainly, of growth in CY26. We'll talk about that later. Last year, we crossed one customer with 100 million. This year, we crossed two customers with 100 million, and we added one client in the north of $50 million category.

Our revenues for Q4 were, a tad lower than we expected. I would say there are three things to call out. One is that one of the GSEs, again, had a substantial cut which amounts to about 70 bps annualized. This had an impact in Q4. It also will have an impact in Q1. We'll talk about CY26 later. The second thing is a client that normally does not do furlough actually did significant furlough. And third, pass-through revenues are materially lower than normal and average. Given all that, it was a tad lower than what we expected.

On profitability, again, we were in absolute reported profitability terms, we were solid, but there're a number of puts and takes on our EBITDA and profitability, which I think Vikash will walk you through later. As always, we had outstanding cash conversion and an outstanding cash balance.

The best part of the quarter for us is that we won any number of deals. We won pretty much everything that we expected to win, expected to close, and some more. Our pipeline continue to go up, and actually it has crossed 4 billion for the first time. Some of the deals, I think the most important one is a very large consolidation deal in a big tech. This is a process that's been going on for a very long time. To be sure, this doesn't come with a predefined book of work, but it does give us the right to hunt and the right to receive RFPs in a very large pool of spend.

The second one here is a bank that we had won earlier last year, but there was a significant deal in this. What the deal does is to put us in a position of nice growth for us in CY26 and forward. Actually, the single largest deal we did is probably globally largest pet insurance company. They've been acquiring companies at a rapid pace, and we do multiple things for them, starting from integrating the acquired entities into a common IT framework. Now we are running all of it, everything in tech, infrastructure, applications, and in the future, the modernization for a new platform. There's another very large insurance company that is modernizing the core into Guidewire, and we have a role in that. We're not the leaders. We're not the only people, but we have a significant role to play in that modernization.

I was talking to you about AI for business, where for multiple industries, we've mapped out the process and showing what are the possible to clients of where can agentic AI play a significant role in transforming operations. This deal here, Global CRO, is an example of that where we're building agents for multiple steps in a clinical research process that will bring substantial efficiency to the customer.

We won a deal with the world's largest casual dining, it’s a holding company. They own multiple large brands in the US and some elsewhere in the world as well. Again, we will do much of tech for them. A very large tech services company in Asia, there’s a scale GCC deal that we won late last year. Finally, one of the large PBMs, which has also happened with PE firm, we are doing product development and platform support and engineering support for this organization. At the highest level, our deal wins were the best part of Q4. Vikash.

Vikash Jain:

Thanks, Keech. A little bit more color in terms of our revenue. So Q4 revenue was $389 million, sequential decline of 1.5%. In absolute terms, this represents a $6 million decline. The decline was primarily driven by calendars and furloughs, which are seasonal in nature, close to $9 million, a lower license revenues of $7 million, and marginal headwinds from Forex. FX was a headwind in the current quarter on revenues and also in terms of margins.

The $16 million of headwind that we had in the current quarter was partially offset by a robust volume growth and a little bit of contribution from CyberSolve, which we closed in the middle of the quarter. Now, calendar and furloughs are seasonal items and will come back in future quarters. However, the way the calendar days are lined up in CY26, it comes back in a more positive way in Q2 and Q3. Q1 will still be a net headwind versus Q4.

License revenue for the quarter was at $11 million versus $18 million in Q3, a drop of $7 million on sequential basis. This was also lower than our historical average, which is anywhere around 12.5 to $13 million a quarter. The volume growth is also reflected in our headcount additions that we have done during the quarter. And Keech spoke about the fact that it also had an impact, particularly with respect to some bit on the utilization, given the fact that we have been building up capacity to service the demand that we have been seeing.

On margins, reported EBITDA for the quarter was 17%. This includes impact of few one-timers during the quarter. Normalized for the one-timers, the margin for the quarter was 15.4%. Now, it's a drop of 210 bps sequentially. The major contributors were Forex, which was a headwind during the quarter of 20 bps. Operationally, it was a tailwind, but then from a hedge perspective, for the hedges that we had started taking, it was close to 40 bps of headwind. The net of operational tailwind plus the hedge headwind, we had a net impact of close to 20 bps of headwinds. Calendar was 60 bps of headwind. Utilization was close to another 60 bps, and we did give merit increases, which was close to 90 bps.

If you think about it, a lot of the drop that we had in the current quarter were seasonal in nature and will come back. Forex, we expect will recover back soon. Calendar is going to come back starting Q2. Utilization, I'll talk through in terms of details how we are thinking about it in terms of recovering some of it.

One timers, during the quarter, I spoke about the adjusted view. One timers during the quarter in EBITDA, were on three fronts. The first one was, we acquired Softcrylic in 2024 and there was an earnout related to the deal which was payable based on the asset delivering agreed financial milestones. Softcrylic missed those targets, so the earnouts are reversed out. This was close to $25 million. Associated with that and for the other assets, we did impairment testing. It's an annual exercise which we do every year. Based on that, there was impairment testing done on client relationships and a charge of close to $15 million. When you think about the reversals, you need to think about the reversals and the impairment charges at the highest levels in conjunction because they are closely interlinked. Those are the two items.

The third one in EBITDA in terms of one-timers is an additional expected credit loss provision of close to $4 million. Now, last couple of years, we have seen an increase in credit risk on account collections. On a prudent basis, we have taken an additional provision during the current quarter. Now, this is one timer in nature. This is an additional generic credit risk provision and not related to any client specific issue. Now, if the collection pattern improves in future, this will come back into the PnL in future years. I just want to call out that what you see as an expected credit loss provision is generic in nature and not associated with any specific client.

The net of the three is close to 160 bps of one-timer credit at an EBITDA level. In addition, there are two more items which are one-timer in nature. If you recall in Q2, we had announced restructuring in one of our European countries. Now, that's progressing on track. Now, with the labor footprint reducing in the European country, there's a need to optimize on the rental state footprint we have. Now, some of these leases are committed and are long term in nature. Now, as these offices are underutilized, we have taken an accelerated amortization towards unused office space. That impact is close to $3.5 million. Now, this impact has been taken at an EBIT level. That makes the total one-timer credit of close to 64 bps at EBIT level.

Last one is the impact of labor code. All of you are aware of the context on labor code change, so I'm not going to get into that detail. Impact for the same for us is close to $12.5 million in Q4. On a continuing basis, we expect the impact to be close to 20 bps on margins for the full year next year.

Revenue growth for the full year was 7.6%, 7.1% in constant currency. Performa growth was close to 6.6%. Now, reported margin for the year is 17.1% versus 15.9% last year, an improvement of 120 bps. Even if you normalize it for the Q4 one-timers, the margin is 16.8%. That's a significant improvement on a full year basis compared to where we were from CY25 perspective.

A little bit of color on the unit level performance. For the quarter, all vertical except HTPS delivered year-on-year growth, and on a full year basis, all verticals delivered year-on-year growth. Financial Services have been the strongest performing vertical and has delivered both sequential and year-on-year growth in all the four quarters of the year. If you recall, this is after absorbing a material headwind from budget cuts in one of the GSE’s in Q1, and some bit of it in from a Q4 perspective. Growth in this vertical was delivered by a combination of scaling existing clients and new wins.

H&I, for the full year, growth was largely in line with the company average. The decline during the quarter, as we had called out in the last earnings call, was driven by an increased licensed revenue in Q3. This is a vertical where we are seeing the maximum amount of deal traction from a new logos perspective.

M&C, we started the year with significant headwind, driven by macro and tariff uncertainty. We called out in our last earnings that the headwinds in the vertical has started to bottom out, and we see growth coming back at a gradual pace. There are green shoots, both in terms of existing account and new logos. We delivered a healthy year-on-year growth for the quarter, and back to green from a full-year perspective.

In HTPS, on a go forward basis, which is starting next quarter, we'll report it as two different verticals, one as a Professional Services, the other as TPP, which is going to be Technology, Products, and Platforms. Now, on a combined basis, performance for the quarter was impacted by decline in two large accounts of the unit. Now, these are in line with what was expected, and Keech had, in fact, called it out in the last earnings call. We expect both the units to get back to the growth from a CY26 perspective, and more color on that, Keech will anyway provide subsequently in the presentation.

Banking, a third straight quarter of strong sequential and year-on-year growth. Again, here, growth is being driven by a combination of scaling existing accounts and opening new logos. Travel and Transportation delivered a healthy year-on-year growth, both in Q4 and on full-year terms. On geos, for the quarter, all the geos grew year-on-year. Sequentially, what you see as a decline in North America was actually driven by lower licenses and calendar plus furlough. The underlying volume growth continues to be very strong from a North America perspective. On a full year basis, North America growth was contributed by FS and Banking, which were one of the best performing even from a unit perspective. APAC is trailing growth. However, we expect to see a turnaround in CY26. More commentary on the '26 outlook will be covered by Keech later during the call.

We continue to add meaningful clients to our client base. Keech spoke about the fact that now we have two $100 million+ clients, and we have also added 1 to $50 million+ client base.

On the offshore mix, it has improved by close to 440 bps on an year-on-year basis. Now, there's a bit of a decline in the current quarter. It's a mix of a few aspects related to how the deals have shaped up. At the highest level, if you zoom out and look into it, on an year-on-year basis, there's an improvement of close to 440 bps. 100 bps of this was contributed by SMC. SMC being in the GCC space is completely offshore centric, so that is helping and aiding. Outside of SMC, too, we continue to make significant progress in terms of improving our offshore mix. On the headcount side, during the quarter, we added close to 254 resources, 10th straight quarter of headcount addition. Now, during the quarter, IT was a net headcount add of 585, and BPS was a decline of 331. On a full year basis, we added close to 1,535 resources, with IT adding close to 2,000, and a net reduction in BPS of close to 500 resources.

Utilization, Keech spoke about the fact that we did have a bit of a softness from a utilization perspective, there was a 300 bps decline in utilization compared to the prior quarter. The 300 bps is contributed 100 bps each by three factors, two of which are seasonal in nature and is expected to sharply recover in the next quarter. Close to 100 bps of the decline was furlough driven. The next 100 bps was on account of employees taking higher number of leaves during the quarter, being the year-end and how the holidays stacked up. The employees took a higher number of holidays in Q4 compared to Q3. And the last 100 bps drop was driven by the bench we are building during the quarter to support the new deal ramp-ups. We expect the utilization to materially improve next quarter.

Let's move to the next page. We continue to generate very healthy cash. Our closing cash balance is close to $235 million+. The balance sheet is completely debt-free. DSO for the quarter came in at 67 days. It's a combination of both build plus unbilled and is one of the lowest in the industry. In fact, the 67 days is lower than our guided range of 70 to 72 days, and that helped a lot in our cash conversion. Our OCF to EBITDA on an LTM basis was 76%, which was higher than our guided range of 70%.

ETR for the quarter came in at 10.4%. This had a one-time impact associated with earn out reversals. Adjusted for that, ETR for the quarter was at 25%. We expect the ETR for CY26 to be between 25% to 26%. EPS for the quarter, what you look at 4.79, obviously has a one-time impact associated with labor code. If we adjust for that, just the labor code impact, our EPS for the current quarter is close to 6.15. With that, I'll hand it over to Keech.

R Srikrishna:

Thank you, Vikash Jain. I'm going to end by talking about the future. First, I'm going to say demand environment is improving, and decision-making is better. I would say this specific to the customer base and the deals that we are fighting. It doesn't necessarily mean macro. I think macro is still spotty. You saw the jobs report from yesterday in US was pretty bad. Certainly, the customers and the deals we're seeing are better in the long term.

Like I said, we are progressing very well on deals. In Q4, we won pretty much everything we expected to win and more. The headline was the consolidation deal in the big tech. There is the one deal that is not desired yet, which could have been late Q4 or Q1, is the GSE consolidation deal, that is still WIP. Now, a little more on that later.

I think AI has two factors. One, whether it's software engineering, testing, IT operations, it is a dampener on our revenue. Whatever best estimate we have, we've included that. I'll say for now two, maybe three quarters, every single thing we do has productivity and impact from AI baked in. And we expect more of that will continue through the year. That's why I said there will be a dampener on revenue growth, which we've accounted for.

On the other hand, I think it is creating exciting new opportunities and avenues for growth. The most recent one, we've been speaking about it for a while, but suddenly the whole world is speaking about it, an opportunity to replace SaaS. Now, if you think about it, that's a massive opportunity. Of course, some of the reactions are initial, but if you think about it, SaaS don't want to replace itself. Somebody needs to work on it. I think there are two parts to it. One part is if you know what to build, you still need somebody to work on it to build it. There's a bigger part of knowing what is in something you want to replace or rewrite. That is a pretty tough problem to solve. Frankly, that's a secret sauce that we have built. That's one of the services that we launched this quarter. I think eventually, all these services will create net new, after accounting for the dampness, positive growth for us.

Now, what does all this mean for CY26? Now, given how CY25 panned out, clearly, we have some lessons learnt on how to communicate with you. What we're saying is that we expect our revenue growth to be better than what we reported in CY25, which is 7.6%. I don't want to mention that we don't think of this as a new baseline. Our core thesis of growth in base growth in low-teens and acceleration levers to get us to mid to high teens, remains completely intact. We've been through many bad growth cycles in the past, and we've recovered pretty quickly. In the last 11 years, I think we've been through three times when we've grown less than 10%. One was COVID. The other interestingly was in 2016. For those of you that may have followed us then, at that time, one of our largest clients, who still is, had a significant drop and we recovered very quickly from there in the following years. We fully expect that theme will continue.

Now, CY26 can be better depending on the following, better depending on deal ramp-ups. I told you, for example, the consolidation deal in big tech, and actually, even the consolidation deal we announced the prior quarter on a big bank, these don't come with big books of work attached. Ramp-ups and how will we execute in those and how much market share we can grab. The fact that the largest consolidation deal is still WIP. Here, unlike in other cases, we're an incumbent, so we actually accounted for some downside in that when we called the 7.6% number. Depending on how all of those pan out, we can do better.

Now, I'll come to vertical outlook. Q1 is always seasonally weak for us. You already heard Vikash say, this year Q4 and Q1 also will be a headwind on calendar. That doesn't happen every year, but it is going to happen this year. We're also going through some additional one-off negatives. I told you about the GSE that got another significant chunk. This is the one where the consolidation deal is still WIP. That impact for us full year is 70 bps. There was some impact in Q4. There is a full quarter impact in Q1. There is a lag between when customers get budgets at a company level to when they get allocated projects. That's one of the reasons why Q1 is seasonally weak. I'll say this year, it's a little more than what we see normally. It was in the beginning of the year, but even a few days lost revenue means a lot.

And so we baked that all into the full year growth outlook and be saying Q1 will be weaker. It will always be seasonally weak, and it will be weak for us this year. We will accelerate growth every quarter after Q1, and you will see that in our numbers.

From a vertical perspective, Banking and H&I will lead growth for the company. They will be probably quite a bit higher than company average. M&C will be back to growth. Professional Services, I called out the two clients last time, one which had a significant ramp down, the other which had a specific budget issue. We'll get back to growth, but lower than company average. Now, TPP, which is the new vertical, will grow but from a small base. Finally, GTT and FS will grow at company average. This is our expectation for the year, M&C and H&I lead. FS and GTT will be at company average. M&C and professional services will trail. TPP will be faster, but from a small base.

Finally, on margins, we will change our reporting to EBIT from Q1. This is because based on , what we see in the market. Our EBIT outlook for the year is at 13 to 14%, which is lower than the current year. What will happen essentially is that in the first half of the year, you will see actually quite a reduction. In Q1, apart from other things, it's also an account of 100 bps headwind on the calendar. But there are lots of deal ramp-ups in the first half of the year, including two or three that include rebadging components, quite a bit of rebadging components that will depress the margins. It will recover pretty sharply as we right shore those deals that we execute in the first part of the year in H2. Actually, you'll see H2 exiting at better than the current year, but in aggregate, because we start with a lower point, it will be at 13 to 14%, but with a stronger exit. With that, I will pause and take questions. Thank you.

Operator:

Thank you very much. We will now begin the question-and-answer segment. To ask a question, please click on the raise hand button at the bottom of your Zoom interface to enter the queue. Once announced, kindly unmute yourself, state your name and organization, and proceed with your question. If your query is addressed before your turn, you may press the lower hand button to exit the queue. We will pause briefly to allow the team to assemble the list of participants.

Our first question comes from Prateek Maheshwari at HSBC. Your line is open. You may now unmute and ask your question.

Prateek Maheshwari:

Hello. Thank you for the opportunity. Keech, I had one question around the expectation for next year. I understand that probably 1Q has a lot of headwinds both around the calendar days and some client-specific issues. To hit again the mid-teen guidance, how do you think probably 2Q and 3Q will pan out? The deal wins, and the deal pipeline is very strong, as you've said, but it seems that it will be a very high ask rate for those two quarters as well. I just wanted you to double down on that.

R Srikrishna:

Hi, Prateek. I said our growth will be better than 7.6%. I said our long-term thesis of low teens to mid-teens is intact. But you're right, no matter what number you pick, the growth ask in Q2 and Q3 will be high. Like I said, we do expect to accelerate growth every quarter from Q1. So yes, that is the expectation that there will be growth. Now, the calendar in itself this year actually is going to give a little bit higher than usual growth from Q1 to Q2.

Prateek Maheshwari:

Beside the headwind from the GSE client, do you think the headwind which company face from the professional services' client, do you think that is curtailed now and probably that should start growing as a run rate basis?

R Srikrishna:

There were two clients in PS. One where we won the consolidation deal. We've been gaining market share. There was plateauing at the beginning of their fiscal year, which is July, and that will come back to growth. The other one where we had a very sharp decline, I'll say 75% decline from where we were a year ago, that stabilized. I think what you will see is that we will get growth again from Q2 in this vertical.

On the other one, the GSE, our best read is that they still haven't decided on the consolidation deal. The cuts and the lack of allocation of budgets early in the year is essentially, we think, pending the decision. We expect that once they decide, those factors will change. Nevertheless, again, in our base growth that we put here, we haven't assumed that. In fact, we assumed, because we're an incumbent, we've assumed some downside case because they haven't decided it, we could win or lose. We assumed downside case, too. That's the commentary on the GSE.

Prateek Maheshwari

Thank you, Keech. Those are my questions.

Operator:

This question comes from Ankur Rudra from J.P. Morgan. Your line is open. You may unmute and ask your question.

Ankur Rudra:

Thank you for your comments on AI, Keech. Just zooming out a bit, what's the best way to assess your relative competitiveness here? I'm asking this because in the lack of anything else, investors normally look at growth. On that basis, if one looks at the growth trajectory on the last five quarters, we've gone from 16% organic growth CC basis to perhaps flat this quarter, maybe 1%. It's a bit of a contrast versus what we've seen in your peers with broadly similar mixes. Maybe you can highlight why the investor should not assume AI is more negatively impacting you versus others.

R Srikrishna:

If you recall, I think last quarter or even last quarter prior to that, I said that for CY25, our performance issues are not to do with AI. I'll say that my view in general for the industry, I do think there'll be an impact on growth for the industry and for us, and we've accounted for it in CY25. Now, I will reiterate why, I think… Actually, not only are we at par, I think we are way better. We've been first off on a number of fronts. I'll recount them again, some of them again. What you will see is that these are all long-term large opportunities, don't necessarily translate to bookings or revenues in any material term in the short term.

We were the first to launch a legacy modernization platform. There are any number of clients that have given us a trial run. These are very large customers that don't do it only with us. They have benchmarked us with any number of others in the industries, and they think we're the best. I could potentially think of having one of those clients speak to you, guys, if it's of interest. We can certainly show you what we do. I think seeing will be believing.

July last year, we launched a vibe coding offering. Essentially, we said we can build software 10X faster. Nobody else went to market with that at that point of time. Three weeks ago, we launched an offering called Zero License. Essentially, think of it as a SaaS skill. What we're telling clients is, we can get you to exit all your license software over time. We identified a number of what think will be easier to execute use cases and types of software to do initially before people start getting closer to the core.

The base stuff is the AI embedded in our platforms for outsourcing. We certainly went through a phase where that was weak. I think in Q3 and Q4, we have had significant wins. To be sure that performance is not demonstrated in our numbers yet, but you will see it in the future.

Ankur Rudra:

Thank you. If you could clarify, you mentioned you baked AI as a dampener in the existing business as you renew things for this year also. How should we think about the level of impact on an existing renewal? Is it 30, 40%? Is it a lot more? Given it's evolving at a very rapid pace, as you mentioned as well, how is this changing?

R Srikrishna:

Yeah, so I'll say if the scope were to remain the same, it could be in that 30 to 40%. I'll say 20 to 40% depending on the type of work. In some cases, at least, I think it comes with a higher volume. For the same scope, that's the auto-magnet of production.

Ankur Rudra:

Thank you. Just the last question. You mentioned 1Q is going to be softer than seasonal. Fourth quarter is seasonally soft. The bulk of your ability to beat last year's number, overall, perhaps organic of 6% falls to the 2 quarters. Just wanted to know, how much visibility do you have to hit the mid-single digit growth rate you need sequentially for those two quarters?

R Srikrishna:

Like I said, we have some lessons learned from communicating and setting expectations. Basis the deal wins, there's a lot of confidence in these numbers. What can happen more is if the deal wins that don't have a number, like the consolidation deals, some of the consolidation deals, if they grow, and we grab a lot of market share there, that will grow. The base is based on deals that we have won.

Ankur Rudra:

I appreciate it. Thank you and best of luck.

R Srikrishna:

Thank you.

Operator:

Our next question comes from Vibhor Singhal at Nuvama Equities. Your line is open. You may unmute and ask your question.

Vibhor Singhal:

Yeah, hi. Thanks for taking my question. Couple of questions from my side, and then I have one question for Vikash. On the Healthcare vertical, I just wanted to pick your brains on how are you looking at the outlook given that the US government Medicare spending next year is expected to be flattish as against it has been growing around 5% historically. This quarter also, we saw basically a sharp correction in the Healthcare vertical. How do we tie these two things together, and the overall outlook for the Healthcare vertical for us, specifically, and maybe for the industry in CY26? My second question was on the margin outlook for next year. From the face of it, it looks like you're downgrading the margin by almost 100 basis points. If you could basically call out the puts and takes for this, what are the major reasons for this? Also, do we expect this band to be back to the 14 to 15% in CY27, or do you think this is where we will settle it?

R Srikrishna:

Okay, so the first one on Healthcare, for good or bad, we don't have much exposure to payers or providers. Now, that's a huge net new opportunity for us. We do have some, but our historic presence is in the Insurance side and life sciences, less so on core health care, and that's a net new opportunity for growth. Notwithstanding the headwinds in the industry, our starting point is at a much lower level. The person we hired, Shantanu, rated as top 25 healthcare IT execs, so we feel good about where we're going in that business, and we will do very well.

On the second question, I'll reiterate a couple of things I said. The margins are going to be lower because of deal ramp-ups in the first part of the year, primarily because of deal ramp-ups. Three of them actually have re-badging components, which will depress our margins. As we normalize for those deals, it will actually improve in second half of the year. Actually, if things go right, we will not only get back to normal in CY27, actually, we'll get back to normal a little better even in the second half of the year. The margins that I'm talking about in this are not the new base. Actually, there'll be quite a bit of difference between H1 and H2. H2 will be higher than or at least as much as the normal base.

Operator:

Our next question comes from Anmol Garg from Dam Capital. Your line is open. You may unmute and ask your question.

Anmol Garg:

Yeah, hi. Thanks for the opportunity. A couple of questions. Firstly, a bookkeeping one. If I look at your note 13 in our BSE release results, then the impairment there is written at around 107 crores, however, in our PPT, the impairment is near about 3.7% of revenues, which comes a little higher than that. So wanted to understand where is this 60 to 70 basis point difference coming from?

Vikash Jain:

There's no difference in terms of the numbers. It's the same number what I called out in terms of the impairment.

In the notes, if you see there are two notes with respect to the impairment, you need to add both the amounts to the impairment to get to the same number what we have from a presentation perspective of what I covered. It's been split into two different line items in the notes. I'll give you the specific note reference numbers. If you have any other questions, you can continue. I'll come back on the specific note references.

Anmol Garg:

Sure. Second question is basically on the growth for next year. So there will be some incremental impact of CyberSolve as well, which will add in around 3.5 odd quarters of impact. Are we saying that growth next year would be better than that excluding the acquisition impact as well?

R Srikrishna:

We're saying our growth will be better than the 7.6%, which is the reported of this year. This year also, there was an impact due to acquisitions. Next year also, there will be some carry forward impact, but what we're saying is our reported number will be better than 7.6%.

Anmol Garg:

Understood. One last thing, just want to tie up utilization dip in this quarter, along with the headcount increase that has come in. With that, we are indicating that 1H, particularly, would be a slight negative during the quarter. Why are we inching up headcount over the last couple of quarters?

R Srikrishna:

Preparing for deal ramp-ups.

Anmol Garg:

Sure. Just one last thing on the license. We have indicated that there is a $6 to 7 million license drop during the quarter, so is there any resale component as well into this license or this is something which are our own products?

R Srikrishna:

No, these are not our own IP. These are third party licenses. It gets baked into the work we do, but it has a little bit of cycles. Sometimes it gets baked into the work we do, sometimes it's independent. For example, ServiceNow, we do quite a bit of work. Some of the clients do the licenses also with us. No, these are not our IPs.

Vikash Jain:

I just wanted to clarify one thing. The impairment numbers, what you were trying to look for from a balance sheet perspective, if you look at note 10 on the balance sheet, it calls out the consol impairment impact of INR 1302 million. So, you can look into that.

Operator:

Our last question comes from Dipesh Mehta at Emkay Global.

Dipesh Mehta:

Okay, thank you. Thanks for the opportunity. A couple of questions. First, just want to understand about the acquisitions. If you can give some sense about SMC and Cybersolve, how those acquisitions have played out because now I think a number of quarters have played out. In terms of synergy benefit, what we envisage, as well as capability expansion, have they help us to extend our overall addressable market. If you can give some sense. We made some impairment provision in some of the past acquisitions, if you can help us understand it pertains to what. Second question is about the overall deal intake. We said we have a good healthy intake in Quarter 4, but can you provide some sense about how the ACV played out in CY25 compared to, CY24? Any change we made to guidance practice, the way we guide for future, if any changes we made to give some comfort about the way we guide.

R Srikrishna:

I think our Softcrylic, which is in CY24, is not doing well. That's why you've seen the impairments. To be sure, the payout goals were aggressive. They are for the other acquisitions we've made as well. Reversing payouts doesn't necessarily mean bad performance. In this case, I would say the performance was not good. I think that's part of the reason why we didn't do well in CY25.

I'll say two software clients, substantial ones, went bankrupt during the year in CY25. Vast majority of the work is also in the Consumer and Manufacturing sector. That's not a sector that's done well due to macros. One of the reasons are in aggregate, it didn't do well.

CyberSolve is still too early. It is not even a quarter, not even a full quarter yet, so it's still too early. We expect it to do well. It's very adjacent to what we do in cybersecurity. It's a service that we sell. Otherwise, when we have been selling, we didn't have the capability to execute. We actually sub a bunch of that work. Very adjacent, we expect it to do well.

SMC, the world is going to GCC. Whoever is not there, is going to set up one. Who is there, is going to grow. Of course, it's not only India. I think the fact that you need the capability to do what SMC does is necessary. I think it gives us visibility. Lots of customers were thinking about GCCs who were not thinking about us before, clearly do now because of this acquisition. Every quarter since we acquired, we announced a deal, including Q4, we said major IT services from Asia, scale GCC deal we won.

R Srikrishna:

I think our most important one is to be more conservative, is to make sure that we can meet what we said we will do.

Dipesh Mehta

ACV trend, if you can give some sense of how it played out, CY25 versus CY24.

R Srikrishna:

Where we ended in CY25 is better than where we ended in CY24, quite a bit so. In terms of bookings, we carry forward into the year. In addition, our pipeline is also materially better. Now, we've spoken about some structural things that went into this. We built a new hunting team through CY24, the second half, CY24. Essentially, the current team, as it stands, came together at the end of CY24. I think it took some time for them to learn, settle in, become productive, and it is now working well. The results for us were in booking in second half of CY24. That's why I said where we ended the year was much better than where we ended CY24. You'll see that translate into revenues through the course of cy26.

Dipesh Mehta:

Understood. Thank you.

Niraj Khemka:

I think that's the last question that we will take. Keech, any final remarks? Then we'll close the call.

R Srikrishna:

Thank you all. I look forward to talk to you again next quarter.

Niraj Khemka:

Thank you.