TCS/SE/125/2025-26

October 15, 2025

National Stock Exchange of India Limited	**BSE Limited**
Exchange Plaza, C-1, Block G,	**P. J. Towers,**
Bandra Kurla Complex, Bandra (East)	**Dalal Street,**
Mumbai - 400051	**Mumbai - 400001**
Symbol - TCS	**Scrip Code No. 532540**

Dear Sirs,

Sub: Transcript of the earnings conference call for the quarter and six-month period ended September 30, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and six-month period ended September 30, 2025, conducted after the meeting of Board of Directors held on October 9, 2025, for your information and records.

The above information is also available on the website of the Company: www.tcs.com.

Thanking you,

Yours faithfully,

For **Tata Consultancy Services Limited**

YASHASWIN NARENDRA SHETH

Digitally signed by YASHASWIN NARENDRA SHETH
Date: 2025.10.15 10:54:05 +05'30'

Yashaswin Sheth
Company Secretary
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Encl: As above

Tata Consultancy Services Limited
Earnings Conference Call
October 09, 2025,19:00 hrs IST (09:30 hrs US ET)

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

I now hand the conference over to Ms. Nehal Shah from the Investor Relations team at TCS. Thank you, and over to you.

Nehal Shah: Thank you, operator. Good evening, and welcome, everyone. Thank you for joining us today to discuss TCS's Financial Results for the Second Quarter of Fiscal Year FY 2026 that ended on September 30, 2025.

This call is being webcast through our website and an archive, including the transcript, will be available on the site for the duration of this quarter. The financial statements, quarterly fact sheet and press releases are also available on our website.

Our leadership team is present on this call to discuss our results. We have with us today Mr. K Krithivasan, Chief Executive Officer and Managing Director.

K Krithivasan: Hi everyone.

Nehal Shah: Ms. Aarthi Subramanian, Executive Director, President and Chief Operating Officer.

Aarthi Subramanian: Hi, everyone.

Nehal Shah: Mr. Samir Seksaria, Chief Financial Officer.

Samir Seksaria: Hello, everyone.

Nehal Shah: And Mr. Sudeep Kunnumal, Chief Human Resources Officer.

Sudeep Kunnumal: Hello, everyone.

Nehal Shah: Our management team will give a brief overview of the company's performance followed by a Q&A session. As you are aware, we don't provide any specific revenue or earnings guidance and anything said on this call, which reflects our outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. We have outlined these risks in the second slide of the quarterly fact sheet available on our website and e-mail out those who have subscribed to our mailing list.
With that, I would like to turn the call over to Krithi.

K Krithivasan: Firstly, I would like to warmly welcome Sudeep Kunnumal who has taken charge as our CHRO w.e.f. 01st October, 2025. Sudeep brings over three decades of experience, encompassing a wide spectrum of areas within Human Resources, with leadership roles across multiple geographies, business groups and HR sub-functions.

Please join me in wishing Sudeep all the very best in his new role.

Sudeep Kunnumal: Thank you.

K Krithivasan: Moving on to Q2 performance, we have delivered a good performance in the backdrop of continued macro challenges.

All verticals (except Consumer Business) and all geographies (except United Kingdom) returned to positive sequential growth this quarter. India and Emerging markets continued to show strong growth momentum in Q2.

In reported currency, our revenue grew **3.7% sequentially and 2.4% year-on-year.** Our quarterly revenue grew **0.8%** sequentially in constant currency. International revenue growth was **0.6**% quarter-on-quarter in constant currency.

We also delivered strong operating margins and free cash flow.

We continue to see robust sales momentum this quarter across industries and markets. We are pleased to report a TCV of **$10 billion**. **BFSI TCV** was **$3.2 billion**, and **Consumer Business Group** contributed **$1.8 billion**. **North America TCV** was **$4.3 billion**.

Our TCV had a sequential increase of **6.5%** and a year-on-year growth of **16%**. More importantly, this quarter, we announced a significant mega deal win with **Tryg Insurance**, underscoring our continued success in securing large-scale complex engagements and reinforcing our position as a trusted strategic partner for our clients.

Our deal pipeline continues to show strong momentum with a healthy mix of cost optimization and transformation deals as well as services and platform deals across new and existing businesses.

Based on client conversations, Q2 revenue growth and TCV, and a strong demand pipeline, we see FY26 International revenue growth to be better than last fiscal year.

IT services spend is steady with no significant change expected in the near term. Lingering uncertainties in the broader economic environment continue to remain a key challenge. Companies are keeping tight control over their discretionary budgets.

In response to economic and demand volatility, clients are consolidating vendors to achieve transformation objectives effectively and efficiently. We are finding good success in many such large deals using our differentiated, AI-infused solutions.

The mega deal with **Tryg Insurance** is a good example of how we scale long standing partnerships with our contextual knowledge, unmatched delivery track record and leadership in AI.

Now I want to move on to another important message.

In the last few quarters, we have undertaken many internal and external transformation initiatives to accelerate the adoption of AI within TCS and our clients. We have been engaging with our clients in understanding the challenges they are facing in scaling AI and collaborating with technology partners and academia to unlock the true potential of this technology. This experience gives us the confidence to say:

TCS will become **the world's largest AI-led technology services Company, enabling Business, Government and Society.**

This transformation is currently underway.

Early this year, we expanded our leadership team with Aarthi Subramanian joining us as COO and Mangesh Sathe as CSO. We also created the new roles of Chief Digital and Information Officer (Jana) and Head of AI and Service Integration (Amit Kapur).

We are committed to making significant investments towards transforming ourselves to realize our vision. Currently, our investments are focused on these five pillars:

1. **tcs**[AI] - Internal transformation to Drive an AI-first Culture, Build AI solutions, and Scale AI for connected intelligence
2. **Redefining all Services** in a Human + AI services model; We have established an AI and Services Transformation unit for this purpose.
3. **Building A 'Future ready' talent model** – We are investing in Future ready skills, embracing new ways of working, and recruiting top talent locally in the markets we operate.
4. **Making AI real for clients –** We are redesigning business value chains for every industry; we are also investing in development of innovative cross industry solutions leveraging AI.
5. **AI Ecosystem play** – We are deepening our partnerships in the AI ecosystem, stepping up our efforts in M&A, and foray into new business ventures. You would have seen the Press Release earlier for ListEngage and new entity for AI Infrastructure in India.

I'll now invite Samir to share the update on our financial performance.

Samir Seksaria: Thank you, Krithi. Good day everyone.

In the second quarter of FY26, our revenue was **₹65,799 crore.** In reported currency, our revenue grew **3.7% QoQ and 2.4% YoY.**

In constant currency, our revenue **grew 0.8% QoQ.**

Our Q2 operating margin stood at **25.2%**, reflecting a sequential improvement of **70** basis points. This is excluding one-time severance provided this quarter.

We achieved good growth momentum across all verticals this quarter. Our disciplined execution helped us expand our margins while making strategic investments. We have prioritized wage hikes, building future-ready capabilities and establishing new ecosystem partnerships.

Currency helped support margins by **80 basis points**. Giving wage hike to our employees was our priority and so we have rolled out increments for 80% of our workforce. This increment combined with additional Quarterly Variable Allowance (QVA) impacted our margins by **70bps**, offset by the benefit of **40bps** from rebalancing of pyramid and **20bps** from operating efficiency.

We continued to make capex investments in infrastructure. A couple of examples are:

- We inaugurated a **innovation centre in Singapore**, expanding our AI research and innovation footprint to 13 hubs globally. This helps clients accelerate innovation by providing quicker access to advanced capabilities and TCS' expertise.
- A **new AI-driven operations centre** in Mexico City
- **In Europe**, we expanded our **software-defined vehicle innovation capabilities with three new hubs.**
- Recently, we opened our flagship **TCS Interactive Design Studio** in New York City, to help clients create iconic products, services, and experiences that are seamless and unified across digital ecosystems.

It is also important to note that we are on a drive to expand our already vast pan-India footprint further in **both Tier-1 and Tier-2 cities to the tune of about 50,000 seats in the next 2 to 3 years**.

Our net income margin was **19.6%.** Our EPS grew **8.4%** Y-o-Y.

Our accounts receivable was at **75** days outstanding in dollar terms.

Net cash from operations was **$1.5 billion**, which is **110.1%** of net income. Free cash flows were at **$1.4** billion and invested funds at the end of the period stood at **$6.3 billion**.

Our industry leading margins are a vindication of our belief that we have the strongest ability to absorb market fluctuations and competitive pressures. Secondly growth, when achieved through value creation and innovation, will have a positive impact on margins over time. We continue to work towards getting back to our aspirational band of **26-28%**.

Our financial discipline is also evident in our strong balance sheet, robust cash flows, and consistent shareholder payouts. We are committed to maintaining a healthy financial position that enables us to invest in our bold vision and return value to shareholders.

This financial strength positions us well in our journey to become the world's largest AI-led technology services Company, to build AI centric capabilities, invest in talent development and acquisition, strengthen our ecosystem partnerships, while investing in infrastructure like data centres and scaling AI platforms.

Our capital allocation policy remains unchanged. We continue to prioritize the return of substantial free cash flow back to shareholders. The Board has recommended a second interim dividend of **₹11** per share.

I would now like to invite Aarthi.

Aarthi Subramanian: Thank you, Samir. Good evening to all of you.

As called out by our CEO, we want to **become the world's largest AI-led technology services company**. Towards this goal we have taken a number of steps.

I will share some perspectives on each of them starting with internal AI transformation, that is well underway.

TCS' Internal AI transformation:

We have been focused on our internal transformation journey which is now under the broader umbrella of what we call as tcs^{AI,} . We are pursuing across three tracks:

First one is **AI-first Culture:** To make everyone in TCS to be AI-first, we have democratized access to AI Learning by enabling various AI tools & environments for our employees to explore, experiment, learn and embed AI in their work. The benefit of this is visible in our AI-Ready Talent – we now have close to 160,000 associates at higher order AI skills. Our leaders are walking the talk - over 10,000 of our Sales and Delivery leaders have gone through an immersive and hands-on AI Dojo program that we have rolled out.

I am also happy to share that in our effort to make everyone an AI practitioner, we just established a global benchmark in our recently concluded Global annual format of tcs^{AI} Hackathon. We saw over 281,000+ TCSers participating in this hackathon submitting over half a million entries which includes both ideas as well as solution base. As we share this with our customers we are hearing encouraging response in replicating similar culture change within their organization and are keen to work with us to innovate with AI.

The second initiative as part of the internal transformation is '**Building AI first solution'.** As part of this we are looking at our internal functions like finance, HR, legal and all other internal functions and our own IT operation including how we support our system as well as build system. One such case in point is HR - we have been reimagining how we look at our employee engagements with an AI first approach and we are also looking at rolling out a learning Co-pilot for every associate.

Scaling AI: Third aspect of our internal transformation is how do we continue to scale these initiatives. We have set up a tcs^{AI} office that addresses the three critical foundations of our initiative (a) Scaled Agentic AI architecture, (b) Responsible AI use and (c) Platform & Partner innovation & IP creation. These foundations are in place and continuously evolving within the dynamic ecosystem around us.

Now let me talk about how we are scaling AI for our customers.

Making AI Real for our customers:

The journey of making AI real and experiential for our customer cuts across industry value chain, enterprise platforms and solutions. We see this journey starting with Ideating and Innovating leading to Building and Scaling with AI.

- We are taking AI close to customers with AI Innovation Days at customer locations, TCS Paceports and India Delivery Centers
- We are leveraging Rapid Builds as an approach delivering business outcomes with AI in matter of weeks
- We are also helping customers scale AI across their enterprise through AI Labs, AI Office and AI Platforms.

We are also building Agentic AI solutions for business value chains in each industry and enterprise functions across all our industry verticals.

Moving on to the third pillar of our strategy, we are transforming every service line that we operate in and offer to our customers. We are reimagining with a 'Human + AI' collaboration solutions blueprint.

This blueprint uses our 5 scale AI Autonomy model to define the interplay between our employees and AI agent /systems, as we progress towards our North Star ambition for each service line, we are defining the art of service possible for what the future can look for each of this service line

Sudeep and Krithi will cover the remaining 2 pillars of our strategy later in the call.

Now, I would like to provide a brief update on Cyber Security.

As all of us know, global businesses are increasingly experiencing cyber-threats. These threats are getting more and more sophisticated. We are working closely with our customers to safeguard their interests. Recent incidents saw some of TCS's clients becoming victims to these cyber-attacks resulting in severe disruptions to their businesses.

I would like to clarify that **there has been no compromise of TCS systems, nor any impact to other customers in all these incidents**. Investigations for these incidents are being managed directly by the customers respectively, and TCS is playing a significant role in supporting the customers in their recovery efforts. These efforts have been positively acknowledged by our customers.

I would now like to invite Sudeep.

Sudeep Kunnumal: Thank you, Aarthi. Good evening, all of you.

In Quarter 2, we announced a wage hike for over 80% of our workforce with effect from September 1st. Our Quarterly Variable Allowance (QVA) was higher than the last quarter, reflecting our commitment to rewarding employees for their contributions. TCS has always been first in announcing wage hikes across cycles.

The IT services industry is rapidly changing with new technologies like GenAI, shifts in operating models, and changing client expectations. This is a great opportunity for TCS to reposition itself and become future-ready. As Krithi outlined, we have embarked on our journey **to become the world's largest AI-led technology services Company**. Building a future-ready talent model is a critical and core element of our approach.

Towards this, we are making efforts across four fronts:

- Creating personalized learning pathways using Artificial Intelligence for our employees. We are also working with academia to introduce skills required for next-generation technologies, and human-AI collaboration.

- Acquiring top talent from industry for cutting edge skills and capabilities.
- Hiring diverse skills locally across geographies. We have perfected this model in Latin America and have large local workforces in all key geographies including the US, UK and Europe, which we will continue to expand.
- We have released 1% of our workforce, mainly mid and senior level with skill and capability mismatch. We are providing the impacted employees with benefits, counselling, and outplacement support for their transition, as well as severance at terms higher than industry standards.
- Additionally, there has been involuntary attrition as part of regular ongoing efforts pertaining to performance and bench policies. With the new hires, the releases, and attrition (voluntary and involuntary), TCS' global workforce at the close of Q2FY26 stands at 593,314.

Finally, on H1B, we have significantly localized our workforce in the US. Just about ~ 500 associates have travelled to the US in this financial year on H-1B. We believe our business model will be able to adapt quickly to any changes in immigration policy.

In Q2, we provided **₹1,135 crore** towards severance. The severance package is much better than industry standards. We have approached this whole exercise with empathy and care.

We are on a journey to build a stronger future for our associates, clients, and all other stakeholders. We will continue to nurture our employees and recruit future relevant skills required for our growth across all markets. We will continue to be a net job creator.

Lastly, we continue to be benchmarked with the best employers globally for our workplace practices and policies. In Q2, we won more than **23** awards globally across various aspects of HR value chain, including our work towards gender equity.

I will now like to invite Krithi.

K Krithivasan: Thank you, Sudeep.

Earlier in the call, I had articulated the 5-pillar strategy to become the world's largest AI-led technology services company. Aarthi spoke about our internal transformation - tcs^AI and also how we are reimagining all service lines and making AI real for our customers. Sudeep spoke about the future ready talent model.

Moving on to the fifth pillar of our strategy, we will be significant player in the AI Ecosystem, towards this,

- We have built strong partnerships with deep tech companies, hyperscalers, niche startups, amongst others.
- We are deepening our participation in the AI ecosystem by expanding into adjacencies. We are creating a world class AI Infrastructure for all stakeholders including enterprises, hyperscalers and sovereign requirements.
- Earlier this year we announced the launch of TCS SovereignSecure™ Cloud. We are seeing very good traction for the same in our client base in India.

- In partnership with IBM and Government of Andhra Pradesh, we are deploying India's largest Quantum computer in the country's first Quantum Valley Tech Park.
- We have formed strong 360-degree partnerships with all major technology players including all the hyperscalers, GenAI players, cybersecurity product companies, enterprise product companies, and specialist AI-solution providers.
- Today our Board approved creation of a TCS Subsidiary that will focus on building a Sovereign AI datacenter with a capacity of up to 1 Giga Watt.

We have stepped up our efforts in pursuing acquisitions to enhance our capabilities including high end services, intellectual property, and market presence.

We have just announced acquisition of **ListEngage,** a leader in marketing tech and Salesforce.

Our journey to becoming an AI-led organisation is anchored in bold transformation—from talent and infrastructure to customer value and ecosystem partnerships. With this objective, TCS is poised not only to lead the AI revolution but to shape a future where technology and human ingenuity together create lasting impact for all. We are confident that staying true to our values will lead us to sustainable long-term growth with superior profitability.

I'll now open the line for questions.

I'll now open the line for questions.

Moderator: Thank you very much. We'll take our first question from the line of Yogesh Aggarwal from HSBC Securities. Please go ahead.

Yogesh Aggarwal: Hi. Thank you so much. So, Krithi, couple of questions. Firstly, the heightened investments in AI are a very welcome change. My question was, can you provide a little more clarity on the capex required? Because 1 gigawatt seems to be a very, very big investment.

I mean global references are almost $20 billion of investment. So, what is the time period? what is the kind of capex? And you said it is sovereign. So, what does it mean in terms of clientele? Would you be selling into your traditional clients or mostly in India? So, a little more clarity would be very helpful.

K Krithivasan: Yogesh, from a capex perspective, while we have set a target of 1 gigawatt, we will be doing it in phases. We expect to achieve 1 gigawatt over a period of five to seven years. And our calculation roughly is about every 150-megawatt will require a capex of about $1 billion. It's not that we are going to put all the money in year one. And we also clarified that this would be a combination of equity and debt, and we'll also bring in finance partners for the equity. So maybe if you require more color, Samir can provide on that.

The reason that we are saying sovereign cloud is it's going to be established in all centers in India. We are expecting all data and compute to be hosted in India and not leave the shores of India. That's the reason we are saying sovereign data center.

Just to provide more information. Our current objective is to provide all passive components. The client whosoever is occupying, they will bring in their compute and storage.

Yogesh Aggarwal: Great. Thank you.

K Krithivasan: And secondly hoping to sell this to the pure-play AI providers, the deep tech companies and the hyperscalers and to a great extent the government needs in India and the Indian enterprises or the expected participants here.

Yogesh Aggarwal: Thank you. Secondly, on the growth, you said the demand environment hasn't changed and the macro uncertainties are the key reason. While the quarter has been a little bit of a beat, the current growth rates have not been impacted by deflation on SDLC by AI, you think that's not a factor. Is it all macro?

K Krithivasan: Yogesh, we had better growth compared to Q1. And as I said, macros have not changed much. But our deep engagements with our clients and the AI solutions, the rapid builds that we take to our clients. All of us give us confidence that we will be able to sustain the growth momentum or improve the growth momentum compared to H1. Otherwise, there's no major change in the demand environment.

Yogesh Aggarwal: Very well, thank you.

Moderator: Thank you. We'll take our next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

Sudheer Guntupalli: Hi Krithi. Thanks for the opportunity. And a follow-up to what Yogesh has asked. So, on this AI data center move, currently, do we have any tie ups with any of the, let's say, large consortium players like a Stargate or any of the deep tech players, either for bringing in more equity investments or for being our tenants once this is set up in the steady state? And any broad indications on the revenue per megawatt you're looking at and the EBITDA margins and the IRR's you are expecting on this data center investment?

Samir Seksaria: Sudheer, in terms of both, one, Krithi talked about finance partners, we are speaking to multiple partners, and we'll finalize in terms of combination, it could be one or more coming in. Also in terms of customers, as we called out, it would be hyperscalers, India enterprises, government, and we look at in terms of overall partnership.

In terms of metrics, too early to call out, we have just set up the subsidiary. It would be about 18 to 24 months, when the first revenue starts kicking in at the appropriate time, we'll start calling out the metrics as well.

Sudheer Guntupalli: Fair enough, sir. And just to get to understand the operating model right. Did you say that we will provide it on a cloud service provider basis or a co-location basis or just on a managed services basis?

Samir Seksaria: On a co-location basis.

Sudheer Guntupalli: Okay. It will be on a co-location basis. Okay sir, thank you and all the very best.

Moderator: Thank you. Next question is from the line of Ankur Rudra from JPMorgan. Please go ahead.

Ankur Rudra: Thank you. I just wanted to understand this AI transformation you're doing. What does it entail in terms of existing client engagements? Do you have a sense of potential productivity gains or any kind of change in scope from a deflation or inflation perspective on your existing services as you transform?

K Krithivasan: Ankur, this whole our belief and confidence in becoming the largest AI-led services company is based on the strength of the existing client relationships. And the partnerships that we are building with all the players in this ecosystem. And we expect every project that we do will be AI led.

So, which means that we'll be offering speed, we'll be offering flexibility and there could be productivity gains also in these projects, but we'll also be doing projects that could not have been done without AI in the past.

So, our expectation is overall scope of engagement or size of engagements would definitely increase. But there would be productivity benefits that the clients would get in the individual projects. And we also will get some productivity benefits from doing these projects because we'll be leveraging AI.

Ankur Rudra: I just want to clarify a couple of things. One, was there any headwind on the client this quarter, which had a cybersecurity incident in terms of your revenues and margins? And, the second clarification was if the redundancy charge, we took this time, given 1% was impacted. Should we expect something similar in future quarters also?

K Krithivasan: No. First on the headwind, Ankur, the only headwind was because of the nature of the outages they had, we could not start some of the projects that we were planning to start, that was the headwind. Otherwise, there was no other significant headwind because we are working very closely with the customer in helping them recover the overall operations.

The second question on the charges we had taken as severance. As we explained before, we would be continuing this exercise throughout the year. We are not chasing a particular number here, but we will continue to do this throughout the year.

Whenever we are paying any severance, we'll take that charge appropriately in the next two quarters. I cannot quantify what the number would be at this time.

Ankur Rudra: Appreciate it. Thank you and best of luck.

Moderator: Thank you. Next question is from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Thank you. Congrats on a very broad-based growth. If I look at the data centre investment, again, what really prompted this? Is this very unlike, I'd say, approach so far of being asset light.

K Krithivasan: Yes. Ravi, we've been looking at opportunities to expand our play in the overall AI ecosystem. We've been working with many of them as solution providers, solution integrators, or leveraging the cloud. Now in the past, if you look at, we also wanted to expand the footprint in India, leveraging the participation we have with all these partners.

As you know, some time ago we've also been in private cloud to a limited extent in the past. And then we announced recently the Secure Sovereign Cloud for India requirement. We also announced participation in the Quantum program with the Andhra Pradesh Government.

We looked at this as an important adjacency that we should enter. And with that in mind, and to also strengthen our partnership and relationship with the hyperscalers and the deep tech by doing this. All this put together, we thought, and of course, the most important thing is our calculation of unmet demand; that's going to be in the data center space.

Our calculation shows that we have only 1.2 gigawatt of capacity in the country. And in the next five to six years, the demand can go up by almost 10 times, whereas the committed capacity is only about 5 to 6 gigawatts.

So that is going to leave so much unmet demand. So, with all these things put together, we thought it's a good opportunity for us. And another point is it also guarantees stable annuity revenue as well.

Ravi Menon: Thanks for a detailed explanation. Second question on the productivity improvements that you're seeing in AI. I got it. So, if I understand correctly, the primary benefit of GenAI is the application development from scratch, right? And that's a relatively actually a small part of the overall market that we play in because what we do is primarily IT outsourcing, which is application maintenance and infrastructure maintenance, things like that, right?
So would that be right that those activities we already have Level 1 support more or less automated. So on the existing book of business, how should we think about the impact of AI?

Aarthi Subramanian: Ravi, when you look at the existing book of business, when you look at our application support services or our infra services, they are increasingly becoming AI led. When you look at how we deliver these services, we see significant opportunities to drive productivity benefits and drive the quality of the service delivery with AI.

So that's where the imagination is happening. And the initial productivity savings are starting to be seen, and as we increase the level of autonomy as we understand these technologies better, we should be looking at further productivity benefits.

Then the second portfolio, which is significantly, again, aided by AI, is our software engineering life cycle. Again, starting to see good benefits coming in, but then there is an evolution, right? You start with single digits, 10% to 15% productivity, then there's an evolution to reach 20%-25%, but that's a journey to achieve a higher level of autonomy, and that's what we are driving.

The third area where we are seeing significant, I would say, opportunity is around AI-powered modernization. As you would appreciate, many of our customers globally have a lot of technology debt that they have carried over the years.
GenAI and Agentic AI are powerful tools to really address the tech debt. You can use these AI, GenAI to understand the legacy code and forward engineer and deliver the new code. So, modernization with AI is a huge opportunity, and we are seeing significant uptick across customers, but I would say right now significantly in BFSI. And we expect to replicate this across other verticals.

Ravi Menon: And if I recall right, you already announced a North American bank that's doing a complete mainframe organization using AI right now?

Aarthi Subramanian: Yes.

Moderator: Thank you. We'll take our next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: My first question is about the investment in the new subsidiary on data center. Should we look at this investment as a standalone new business you need for providing co-location services or should we think about having a very thick synergy with your existing portfolio of services using this asset intensive business to build some services on top of it?

Samir Seksaria: The business itself, we'll be keeping it separate. It will have separate management bandwidth. We are in the process of putting in an entirely separate team outside of TCS for this, but it will have adjacencies with TCS.

It's a natural extension in terms of what partnerships we are looking at creating with hyperscalers, what services we want to provide to our customers, and this nicely fits in as an adjacency.

Aarthi Subramanian: And if I may just add to what Samir said, Gaurav, if you look at the entire AI stack, starting from infrastructure as the starting layer, all the way up to the apps and the agentic apps at the most layer, this gives us the coverage across the AI technology stack.

Gaurav Rateria: My second question is the interplay between humans and AI that you talked about. How is it going to change the delivery model and the billing models? Do you think that will incrementally move away from effort-based business models to outcome-based business models? Is that how the business should evolve, and there should be more nonlinearity in the business going forward?

Aarthi Subramanian: I think that is the direction in which the model is going to evolve. These are initial days, but we are starting to make commitments on outcome-based projects with the select customers. And there are learnings, and this is a model that we see increasingly evolving and becoming more mainstream with customers.

Gaurav Rateria: My last question is whether we should evaluate, or should we consider this new adjacency as a completely different business with respect to the return ratio profile given that right now, we are very asset-light business and having a very different return ratio profile. Just trying to understand how we should think from a medium-term perspective of the company?

Samir Seksaria: As we said, this is an investment which will have partners coming in. From a profitability perspective, I don't think at an overall TCS level, it will not be margin dilutive. Return ratios, also given the overall size expected over the years, should not have a significant impact. Our ROEs are currently over 50%. So, we still expect it to be benchmarked.

Gaurav Rateria: Okay. Thank you so much.

Moderator: Thank you. The next question from the line of Surendra Goyal from Citi. Please go ahead.

Surendra Goyal: In your prepared remarks, you said that FY '26 growth in international business will be better than FY '25. So just wanted to clarify if this is in constant currency terms, USD terms? And could you also tell us what the comparable growth in FY '25 was?

Samir Seksaria: It was about 70 basis points, and it is in constant currency terms.

Surendra Goyal: So constant currency basis, 70 basis points and this year will be better than 70 basis points. Understood. The second question is with the release of 1% of the workforce; the headcount declined by

20,000 people, or 3%. And then what you had announced earlier was 2%. So, should we expect a similar kind of head count reduction in the next quarter as well?

Sudeep Kunnumal: The 20,000 net head count decline is a factor of voluntary and involuntary attrition. So, you should consider all of that. But as we announced again the 2 percent, we are midway, so we have done approximately 1 percent of it.

And like what Krithi just mentioned, we don't have a target. We are not chasing a target. We'll continue to evaluate everyone after all the investment in learning and development that we've done, where we find certain mid and senior level people are not able to find the right role based on their seniority. Those are the ones that we will release with a lot of care.

Surendra Goyal: So just to clarify, there will be no involuntary attrition beyond the 1% number. Is that understanding, correct?

Sudeep Kunnumal: No, I didn't say that. We estimate it to be approximately 2%. We are currently at 1%, and we will continue to evaluate people whom we can redeploy. The ones we are not able to re-deploy; those are the people that we will release.

Surendra Goyal: One last question, Krithi, Aarthi, I think, in terms of the data center business, I think there are a lot of businesses which are synergistic to AI if we take such a broad view of things. So, is there clarity in terms of that, okay, what other areas could we possibly invest in?

K Krithivasan: We've been evaluating multiple opportunities. As I said, this one looked more attractive to us based on the discussion that we've been having with the potential buyers, the demand commitment we could get, the kind of revenue profile, the committed annuity revenue profile it has and the potential unmet demand we'll have in India, all combined look most attractive for us to start with. But we'll continue to explore if there are other adjacencies that come up, we'll explore.

Surendra Goyal: And Samir, just one clarification on ROE of this new business. What is the expected ROE versus your current ROE of 50% plus, as you highlighted earlier?

Samir Seksaria: The ROE of this new business, as you all rightly identified, that's capital-intensive and will be low. What I'm saying is, overall TCS ROE will remain market benchmarked.

Surendra Goyal: Understood. Thank you.

Moderator: Thank you. We'll take our next question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: Hi, thank you for taking my question. My first question was for clarification. So, the statement which you made is that TCS intends to become the world's largest AI-led technology services company. How are you defining that as the largest AI-led technology company, which metrics you are targeting at?

K Krithivasan: Kumar, based on the discussions that we've been having with customers, and Aarthi talked about the internal training we did, Hackathon we did, and the number of participations.

So, we believe that in multiple metrics, in terms of the number of people participating, the number of projects we'll be doing. All combined definitely, we aspire to become the largest.

If you ask me for one single metric today, I don't have it, to be honest. We will be evolving. How do we measure ourselves on a year-on-year growth and improve on this, so that's the honest answer. But we are confident that we'll be able to have the biggest impact that we'll deliver in the industry because of leveraging AI.

Kumar Rakesh: Got it. Thank you for that. My second question was on margins. So, we have seen sequential improvement now the wage hike is behind you, and pyramid rationalization also will start kicking in and going by your comment, your second half growth should be better than first half. So, for the rest of the year, is it fair to expect the margin should continue to see an expansion?

Samir Seksaria: Kumar, as you know, in H1, we have improved 100 basis points. We will continue our journey towards our aspirational band of getting closer to 26%. But the puts and takes on it have been in terms of the implications which you called out.

The wage hike was in Q2 for 1 month; it will be for the full quarter next quarter. Also, in terms of the investments which we have called out would have an impact we have been investing, and this would have increased investment requirements. Irrespective of it, we would want to inch closer to 26%.

Kumar Rakesh: Great. Thanks a lot for that.

Moderator: Thank you. Next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanbhan: Good evening. Thank you for the opportunity. Just a couple of questions. So, one is in the last quarter on the deal, well we have had very good deals on a consistent basis. You had alluded to three points that were not leading to better revenue conversion. One of them being projects starting at a lower pace and the other one being some projects being paused. How is that sort of evolving at the moment?

K Krithivasan: Nitin, at that point like we probably as I was alluding to, I would say, much improved situation. The number of deferrals or projects getting paused has been reduced compared to last quarter.

Nitin Padmanabhan: Sure. So incrementally, we should see better accretion. At least growth should be in the positive territory here on and you have alluded to that?

K Krithivasan: That is our hope.

Nitin Padmanabhan: Correct. Any incremental update on, let's say, BFSI or consumer business and Europe, I think last quarter you were a little tepid from a commentary on those three. So just wanted to have thoughts there?

K Krithivasan: See, if you look at the growth momentum, all of them have improved. BFSI continues to grow globally, particularly BFSI North America has done well. And similarly, if you look at Europe, it has done well compared to last quarter.

And then even if you take Consumer Business, the degrowth has been largely arrested. And so overall we expect most of the industry segments to bend the curve subject to seasonality of Q3, but they'll be getting into growth momentum. Of course, the Q3 seasonality would be in play.

Nitin Padmanabhan: On the data center capex, maybe roughly based on what you said, it's maybe around $6.5 billion over a 7-year period. From a cadence perspective, how should we think about it with the early part of the 7 years versus the later part? So would the capex be partially by partners and partially by us. Just clarification on both?

K Krithivasan: Yes, definitely, it will be partially by partners, partly by us. And at this time we told you it's about 5 to 7 years for the complete build-out of 1 gigawatt. Currently, we expect it will be more uniform, but if there is an increased demand, if we have to accelerate, we will definitely calibrate it at that time, but current planning is that it will be phased out uniformly over the 6 years.

Nitin Padmanabhan: And just one last one if I may. Any color on the kind of deals in terms of sizing? Are you seeing a return of smaller deals or discretionary, any improvements there that you have seen during the quarter or directionally?

K Krithivasan: No significant improvement, but at the same time, when Aarthi spoke, she was mentioning about the number of rapid build projects that we are doing. They are smaller in nature, smaller tenure which we tend to complete them within a quarter.

Such projects are increasing in number and we also find more modernization projects. Some of them tend to be shorter. While a large mainframe modernization will take a long time, some of the other modernizations can also be completed in a short time.

So, such projects are increasing. But overall, if you ask me, is the number of short-term projects increasing compared to larger projects. There is no significant change.

Nitin Padmanabhan: Perfect. Thank you so much, Krithi and all the very best.

K Krithivasan: Thank you.

Moderator: Thank you. Next question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: Hi, good evening. Two quick questions about the cybersecurity instance, just wanted to check if the issue has now been resolved and the projects you said which couldn't start, have they now started resuming?

Aarthi Subramanian: Yes, I think the recovery process has been completed. And all the sales and manufacturing systems are all up, and this happened early this week. So, I think we expect the projects to pick-up in the coming weeks.

Abhishek Kumar: Great. That's good to hear. Second, near term especially 3Q, any early indication of how furloughs are looking this year compared to previous years. Generally, we have seen that in a weak demand environment furloughs tend to be longer. Any such signs at this stage?

K Krithivasan: At this time, we are planning based on the inputs we have, it's likely to be similar to last year.

Abhishek Kumar: Okay. Sure. Thank you and all the best.

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

Vibhor Singhal: Thanks for taking my question. So Krithi, just once again, on the AI data center investment. Given that you mentioned that it's going to be more like a sovereign data center and given the GDPR regulations across the world, is it fair to say that this will have limited synergies with our existing clients and most of the clients that we would be deploying in this data center will be more of India based and that is where we would be looking for any synergies if at all from our current sector?

K Krithivasan: It's a passive data center. The likely users could be the hyperscalers, deep tech who want to do the training, inferencing in India or Indian enterprises, they want to leverage it as a private cloud. We are not expecting our overseas customers to be hosted, specifically in India. It's more like what we are offering for these hyperscalers and India-based businesses or deep tech.

Vibhor Singhal: And you mentioned that we've basically gone ahead with this, as for the demand commitments and the annuity commitments. I would assume we would already have conversations with.

K Krithivasan: I did not say demand commitment. I'm saying that there is a lot of unmet demand in the market that led us to getting into this business.

Vibhor Singhal: So, are there any MoUs that we have signed or any early connections that we have got into potential clients?

K Krithivasan: We are having quite a few conversations with our customers, to explore the demand, and we are quite positive about the prospects.

Vibhor Singhal: One last question from my side. In terms of the revenue this quarter, we saw a sharp jump in the sale of equipment and software licenses revenue. Almost more than half of the incremental revenue in this quarter came from that. Is it just a quarterly specific thing? Or do you think there could be a trend going forward as well?

Samir Seksaria: The increase of the equipment and software expenses this quarter has been about ₹250 crores. BSNL this quarter has remained flat.

Vibhor Singhal: I mean it's expected to remain in the same range as it has been?

Samir Seksaria: We have Q3 seasonality, which you'd typically see. Other than that, we don't expect to see any material change, unless we get the BSNL PO later.

Vibhor Singhal: Thank you so much for taking my question. I wish you all the best.

Moderator: Thank you. We'll take our next question from the line of Rishi Jhunjhunwala from IIFL. Please go ahead.

Rishi Jhunjhunwala: Yes, thanks for the opportunity. So, just harping a little bit more on that AI investment, a couple of reasons that you provide was that the demand in this space is very high and provides a new stream of annuity revenues. But outside of that, does it put us in any kind of disadvantage versus our peers, if we are not doing this investment or does it put us at an advantage versus other peers on the global revenues that we earn here?

If that is not the case, then I mean if you look at the overall technology spending landscape, then there would be a lot of pockets around software and solutions, where those kinds of investments probably would have been more synergistic to us.

K Krithivasan: Rishi, there are definitely a number of places where we can invest. We took this place because it creates a synergy with our existing relation with hyperscalers, who also happen to be our large clients as well, large GTM partners as well. And we also have deep relationships with all the AI native companies, who could potentially be using it for their India requirement.

So, we believe that there will be a natural synergy that will be created. As I said, we want to play in this ecosystem strongly.

K Krithivasan: And, it gives another group synergy as well. If you look at the Tata Group companies are in the power, real estate, project management business.

Aarthi Subramanian: Tata Communication

K Krithivasan: Tata Communication. So there is a different kind of synergy we can build in here. But from a client perspective, we believe the strong collaboration can be derived of this one.

Aarthi Subramanian: And the Tata Group synergy, we see this as a very unique Tata advantage.

Rishi Jhunhunwala: Understood. And the second question is, I think in the opening remarks, you hinted that while we have done this one acquisition, there seems to be some focus around trying do more acquisitions as well. I guess this is something we've done after almost 10 years, so should we assume that our acquisition intensity may also potentially go up in the coming years? And how does that change our capital payout policy, if at all?

K Krithivasan: Yes. We are very actively looking at more opportunities for acquisitions. And capital payout policy, currently; the stated policy continues to be to return 80% to 100%.

Samir Seksaria: Of substantial free cash flows and that is after all investments.

K Krithivasan: But so, but if we end up making a huge acquisition that impact our ability to do a cash flow, we will be upfront about it.

Rishi Jhunjhunwala: Understood. All right, thank you sir.

Moderator: Ladies and gentlemen, we'll take that as a last question for today. I now hand the conference over to management for closing comments. Over to you.

K Krithivasan: Thank you, operator.

- In Q2 FY26, our Revenue grew **0.8% sequentially** in constant currency, with an operating margin of **25.2%** and a net margin of **19.6%.** We saw good growth momentum across most verticals, service lines and geographies this quarter.
- International business fuelled growth, along with India and emerging markets performing well.
- Our TCV was robust, at **$10 billion** in Q2, which grew **16%** YoY, including a mega deal win, using AI-enabled differentiated solutions.
- We reiterate our outlook for FY26 International Revenue growth being better than last year.
- TCS will continue to be a key jobs provider in the industry.

- We want to become the the **world's largest AI-led technology services Company, enabling Business, Government and Society.**

With that, we wrap up our call today. Thank you all for joining us and wish you and your families a very happy festive season ahead. Thank you.

Moderator: Thank you, members of the management. On behalf of TCS, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.