

TCS Financial Results

Quarter I Ended FY 2023-24

Jul 12, 2023



Disclaimer

Certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to, manage growth, intense competition among global IT services companies, various factors which may affect our profitability, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on cross-border movement of skilled personnel, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which TCS has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. TCS may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

Q1 FY24 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **593,810 Mn, up 12.6% YoY**
- USD Revenue of \$ **7,226 Mn, up 6.6% YoY**
- Constant currency revenue **up 7.0% YoY**

➤ Profit:

- Operating Margin at **23.2%**
- Net Margin at **18.6%**
- Cash flow from operations at **102.5%** of net profit

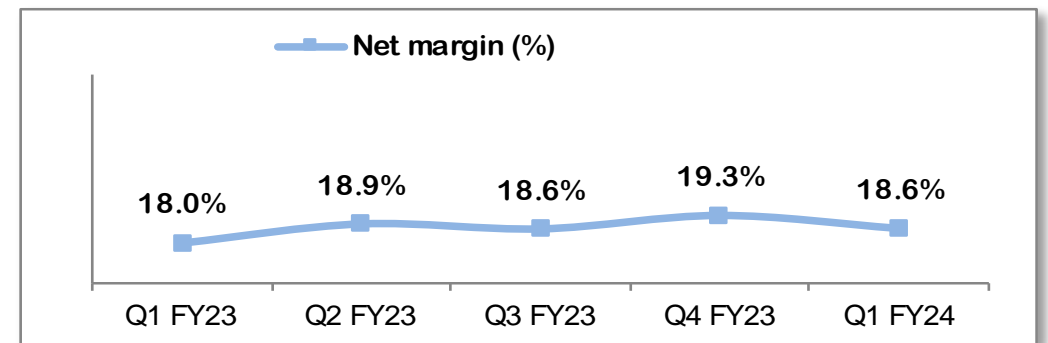
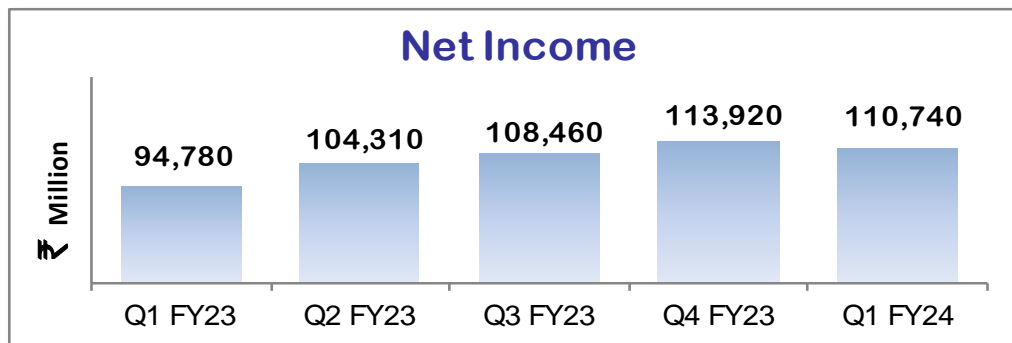
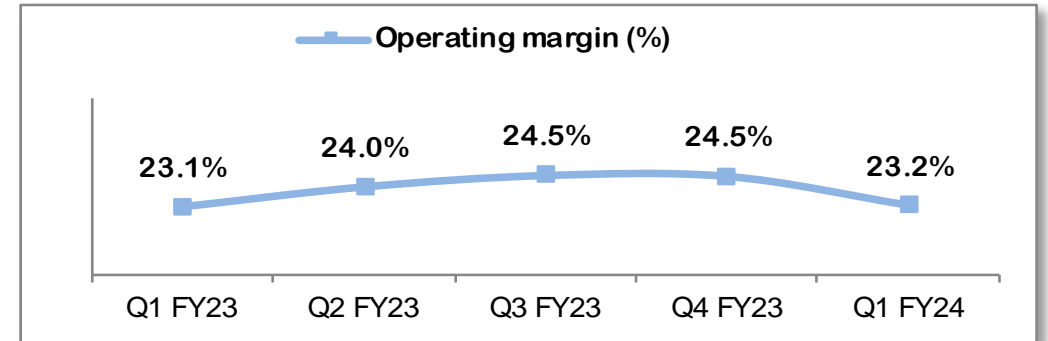
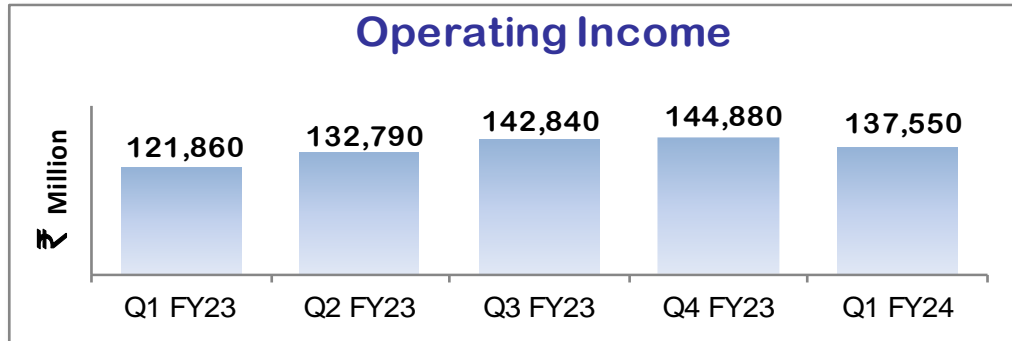
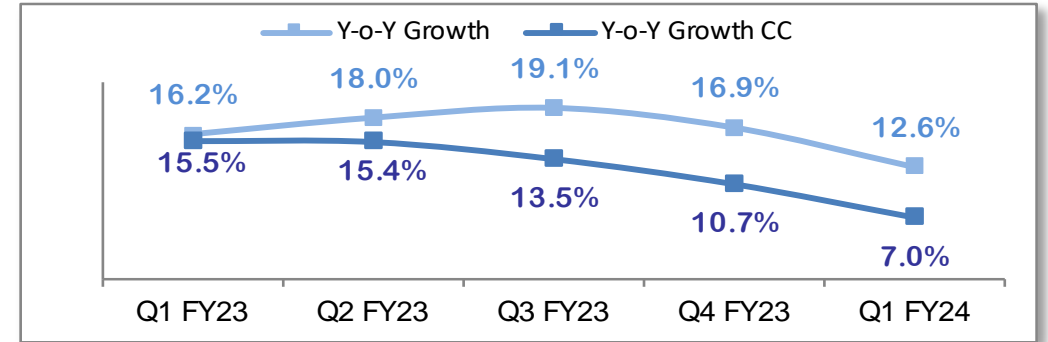
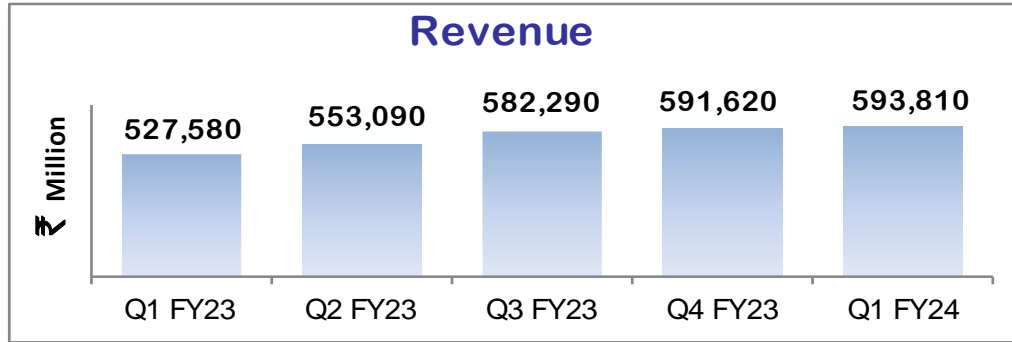
➤ Demand:

- Clients \$100M+ up by 1 ; \$50M+ up by 13 ; \$20M+ up by 24 & \$1M+ up by 72 YoY
- Order book TCV at \$10.2 Bn; North America TCV at \$5.2 Bn; BFSI TCV at \$3 Bn, Retail TCV at \$1.2 Bn

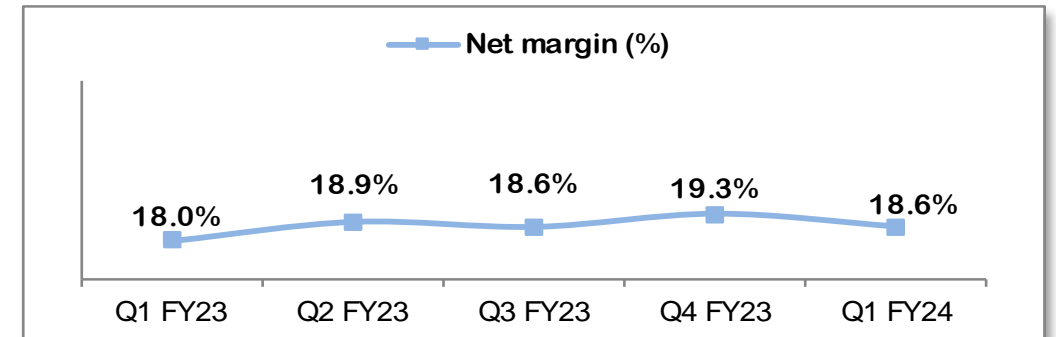
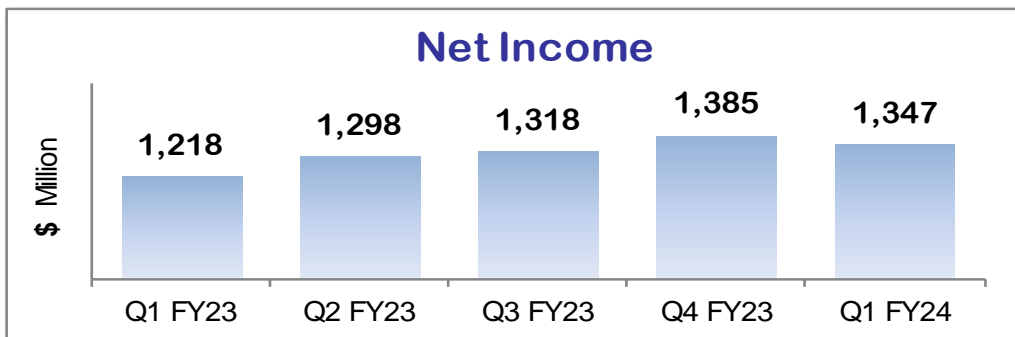
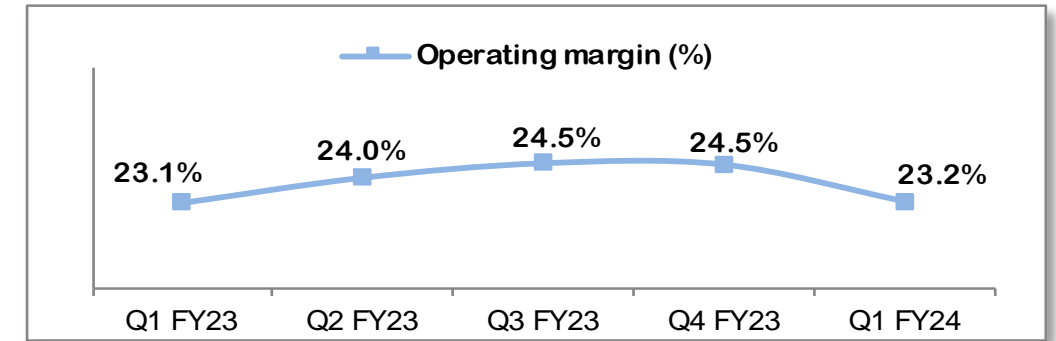
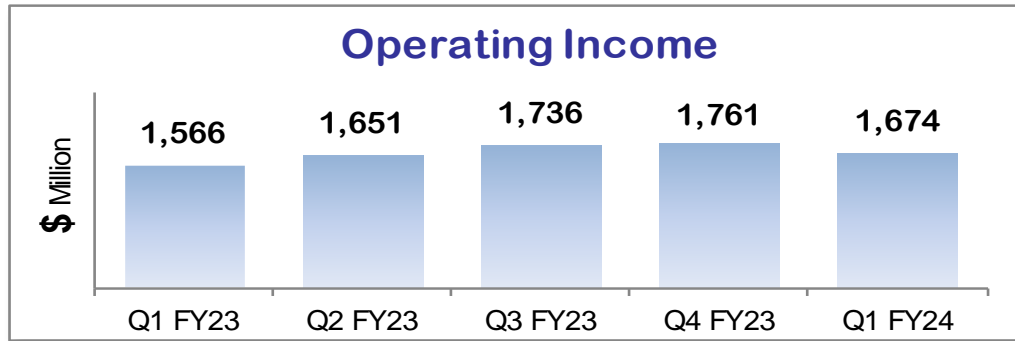
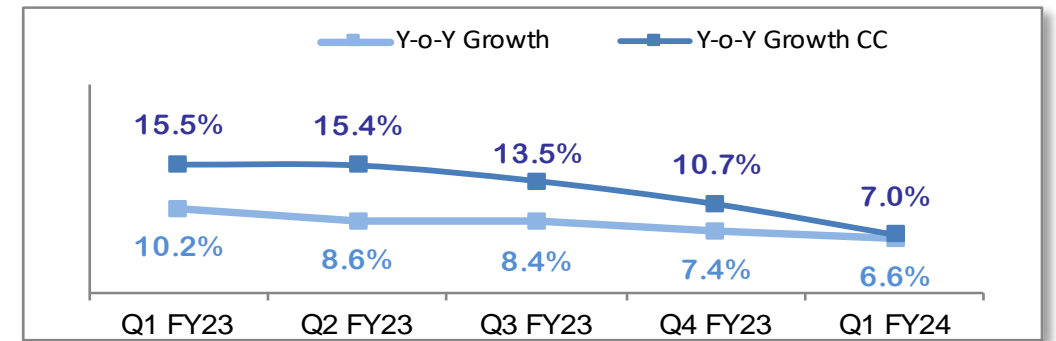
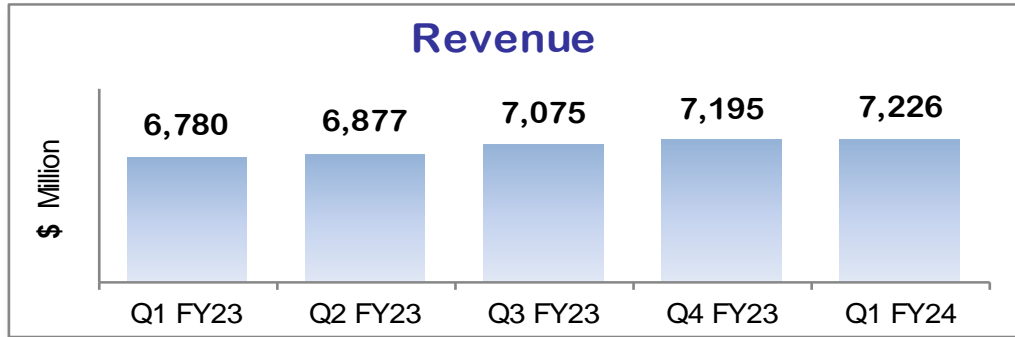
➤ People:

- Net addition of **523** associates during the quarter, closing headcount: **615,318**
- LTM attrition at **17.8%** in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters

Growth by Market

Geography (%)	Q1 FY23	Q1 FY24	Y-o-Y CC Growth
Americas			
North America	53.2	52.0	4.6
Latin America	1.8	2.0	13.5
Europe			
UK	14.9	16.4	16.1
Continental Europe	15.2	14.9	3.4
Asia Pacific	8.3	7.8	4.7
India	4.8	4.9	14.0
MEA	1.8	2.0	15.2
Total	100.0	100.0	7.0

Growth by Domain

Vertical (%)	Q1 FY23	Q1 FY24	Y-o-Y CC Growth
BFSI	32.1	31.0	3.0
Retail & CPG	15.9	15.7	5.3
Life Sciences & Healthcare	10.1	10.5	10.1
Manufacturing	9.9	10.2	9.4
Technology & Services	8.8	8.6	4.4
Communication & Media	6.8	6.4	0.5
Regional Markets & Others	16.4	17.6	16.9
Total	100.0	100.0	7.0

Service Lines Commentary – Q1 FY24

- Clients continue to reprioritize, preferring business critical projects and those with a faster ROI. Cost optimization, vendor consolidation and integrated operations are high on priorities. Enhanced flexibility, resilience, and establishment of a solid foundation continue to drive transformation initiatives.
- Growth for our services was led by Cloud, Cyber Security and IoT & Digital Engineering.
- Key demand & customer success themes include Cloud Modernization & Security, Connected Plants and Services, and Interactive & Design Services. There is strong interest across industry verticals to engage with TCS to explore enterprise use cases around generative AI.
- In Q1, TCS won Microsoft's 2023 Partner of the Year awards in five categories.
- We have ~148k hyperscaler cloud certifications by our associates, among the highest in the industry.

Cloud

Clients continue to invest in building a strong cloud foundation for business innovation. Cloud Migration, data modernization & application modernization coupled with new digital technologies such as AI continue to drive growth. TCS' investments in deepening competencies and building new capabilities have yielded good results. TCS is a launch partner for the hyperscalers in multiple new technology launches, including Generative AI.

Cyber Security

Our client's focus has been to transform their security operations to improve effectiveness, observability and coverage leading to implementation of Enterprise Security visibility engines, automated processes, coverage metrics, simulation and red teaming. Our Cyber Defense platform is ideally suited for NextGen SecOps. Risk and Compliance, Enterprise Vulnerability Management and Managed Security Services drove growth during the quarter.

TCS Interactive

As technology continues to advance, enterprises are adopting Design led innovation to transform and modernize digital customer experience to drive growth and customer loyalty. Digital Marketing services enabled by Adobe Experience Cloud with real-time insights continue to deliver exceptional digital experiences. We are also seeing Digital commerce initiatives to assess current e-commerce ecosystems and add new capabilities, increase digital sales and customer satisfaction.

Enterprise Application Services

Clients continued to invest in ERP cloud platforms focusing on ecommerce, customer experience, digital workplace and analytics. We are enabling clients on their digital journey leveraging TCS Crystallus™ to empower enterprise digital transformation and drive business value through industry innovations.

IoT & Digital Engineering

We continue to see demand in manufacturing transformation with integrated Manufacturing Execution System (MES) and Smart Manufacturing engagements with multi-plant implementations. Our TCS Clever Energy™ is also seeing good interest as clients are embracing Energy Management solutions. We are delivering differentiated experiences by using emerging technologies, as we participate in customer spends in automotive software engineering related to new product development and EV charging infra.

Cognitive Business Operations

Clients focused on improving employee experience, transforming infrastructure operations leveraging MFDM™ and vendor consolidation. Interest in operating model transformations led by Cognix™ continues to be very strong. Another area of strong demand was for implementing TCS' Integrated Operations model, with AI-powered business command centers, offering business owners greater visibility and resilience across their entire operations stack.

Client Parameters

Clients Contribution	Q1 FY23	Q1 FY24
US\$ 1m+ Clients	1196	1268
US\$ 5m+ Clients	650	677
US\$ 10m+ Clients	446	468
US\$ 20m+ Clients	272	296
US\$ 50m+ Clients	124	137
US\$ 100m+ Clients	59	60

*Last Twelve Months' services revenues

Key Highlights (1/2)

- Selected by **Nest**, UK's largest workplace pension scheme, to digitally transform its scheme administration services with a future-ready, digitally enabled, omnichannel platform powered by TCS BaNCS™. TCS will leverage the latest technologies and data analytics to deliver enhanced, personalized, and self-directed experiences to members. This will enable Nest's 12 million members and 1 million employers to access the right information at the right time, in the way that suits them best.
- Awarded a 10-year contract by the UK's Department for Education (DfE) to manage the scheme administration services and further enhance customer experiences for the **Teachers' Pension Scheme** in England and Wales. TCS' future-ready, digitally enabled, omnichannel platform, powered by TCS BaNCS™, will enable accurate administration of pension records, payment of benefits, effective scheme finance management, proactive member engagement and easy access to information.
- Engaged by **Standard Life International DAC**, a wholly owned subsidiary of the Phoenix Group, to transform its operating model and enhance the customer experience for its policyholders in Europe, using the TCS Digital Platform for Life and Pensions, powered by TCS BaNCS. TCS will set up a customer operations center in Germany, and a future-ready Life and Pensions Digital Platform for Germany and Austria. As part of the transformation, TCS will create comprehensive, omnichannel, journey-based digital experiences for policyholders and advisors.
- Selected by a US-based healthcare company as the strategic partner to provide end-to-end application management and end-user services across their entire value chain. TCS will leverage its deep expertise in med-tech and regulated life sciences, and MFDM™, to implement a transformative solution that will improve the user experience, efficiency, resilience and compliance.
- Chosen by a US-based global technology company to transform their B2C ecommerce platform. TCS will modernize their core online business portfolios worldwide in a phased manner. This will lead to improved sales, enhanced customer experience and faster go to market.
- Chosen by a US-based large utility services provider to re-architect their Geographic Information Systems. TCS will integrate IoT devices and enable real-time data feeds to multiple systems including transmission and distribution, asset management, wildfire protection and earthquake monitoring. This will help the client effectively plan preventive maintenance, improve agility, and enhance end-customer experience.
- Selected by a leading American multinational diesel and natural gas engine manufacturer, as the strategic partner in their sustainable products development initiative. TCS will develop electrified powertrain and green hydrogen products and implement next gen product lifecycle management (PLM) processes & tools. This will accelerate product launch through global product design collaboration.
- Chosen by a US-based automotive supplier as the partner to support their next-gen program for EVs. TCS will develop the software for critical electrical components which will enable aggressive launch timelines while also ensuring required safety compliance.
- Chosen by a US-based leading producer and distributor of dairy products, as the strategic partner to manage security services. TCS will support the security operations center (SOC), security incident response and privilege access management by leveraging TCS Cyber Defense Suite.
- Selected by a leading North American healthcare service provider to transform three of their core areas - pharmacy care services, pharmacy benefit manager and pharmacy experience, to increase speed, create efficiencies, drive revenues, and make it the preferred pharmacy choice for clients, consumers, and providers.
- Selected by a European semiconductor manufacturer to build modern digital experience capabilities for its ecommerce business. TCS will design and develop a globally consistent purchase journey that empowers prospects and customers with various self-service capabilities and enable competitive differentiation.

Key Highlights (2/2)

- Chosen by a US-based pharmacy benefit management and specialty managed care company as their trusted partner in a multi-year transformative journey to re-imagine their patient care models. TCS will build a cloud-based and data-driven platform that will connect patients to the highest quality care. This will lead to improved clinical outcomes and better patient and care-giver experiences.
- Selected by a large European airline group to migrate all workloads to the cloud and manage the IT infrastructure operations across its operating companies. TCS will provide end-to-end managed hybrid cloud services including multi-modal cloud operations, AIOps, FinOps and SRE. This will enable greater business agility, faster time to market and enhanced customer experience.
- **DAMEN** Shipyards, a leading shipbuilding, and engineering conglomerate, based out of Netherlands has extended its strategic partnership in application management services with TCS to focus across the key themes of digitalization, customer experience, operational excellence, and sustainability. As part of the engagement, TCS will drive technology transformations through intelligent automation, rapid prototyping, standardization and quality management and will enable DevOps adoption and IT modernization of its application landscape in a seamless, scalable and secure manner.
- TCS has won a comprehensive strategic managed services program from a leading technology product and platform firm. TCS will facilitate the expansion of their cloud services by effectively overseeing their partner and customer ecosystem, helping proficiently manage customer investment funds and strategically utilizing them to drive transformative initiatives across various areas, including Cloud, Modern Workplace, Security, and Business Applications platforms.
- TCS is selected by a large global payment processing and technology company to migrate their existing infrastructure to TCS Enterprise Cloud. TCS is responsible for data center migration, cloud infrastructure hosting and management, driven by transformation and modernization initiatives. This will bring resiliency and scalability to support their growth strategy and reduce total cost of ownership to manage their infrastructure landscape.

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We partnered with TCS to reimagine our digital workspace operations with the vision to create ‘Best in class Digital Workplace Service’ for our employees and partners. Backed by their deep contextual industry knowhow, TCS deployed Cognitive and Integrated Operations model and leveraged Cognix™ value builders to embed advanced technologies such as AI, Automation and Self-healing. We were able to provide an intelligent, intuitive and proactive ‘Virtual Techlounge’ that significantly uplifted our employee experience, operational efficiency, and effectiveness.”

Kelvin Wing, Chief Information Officer, EDF

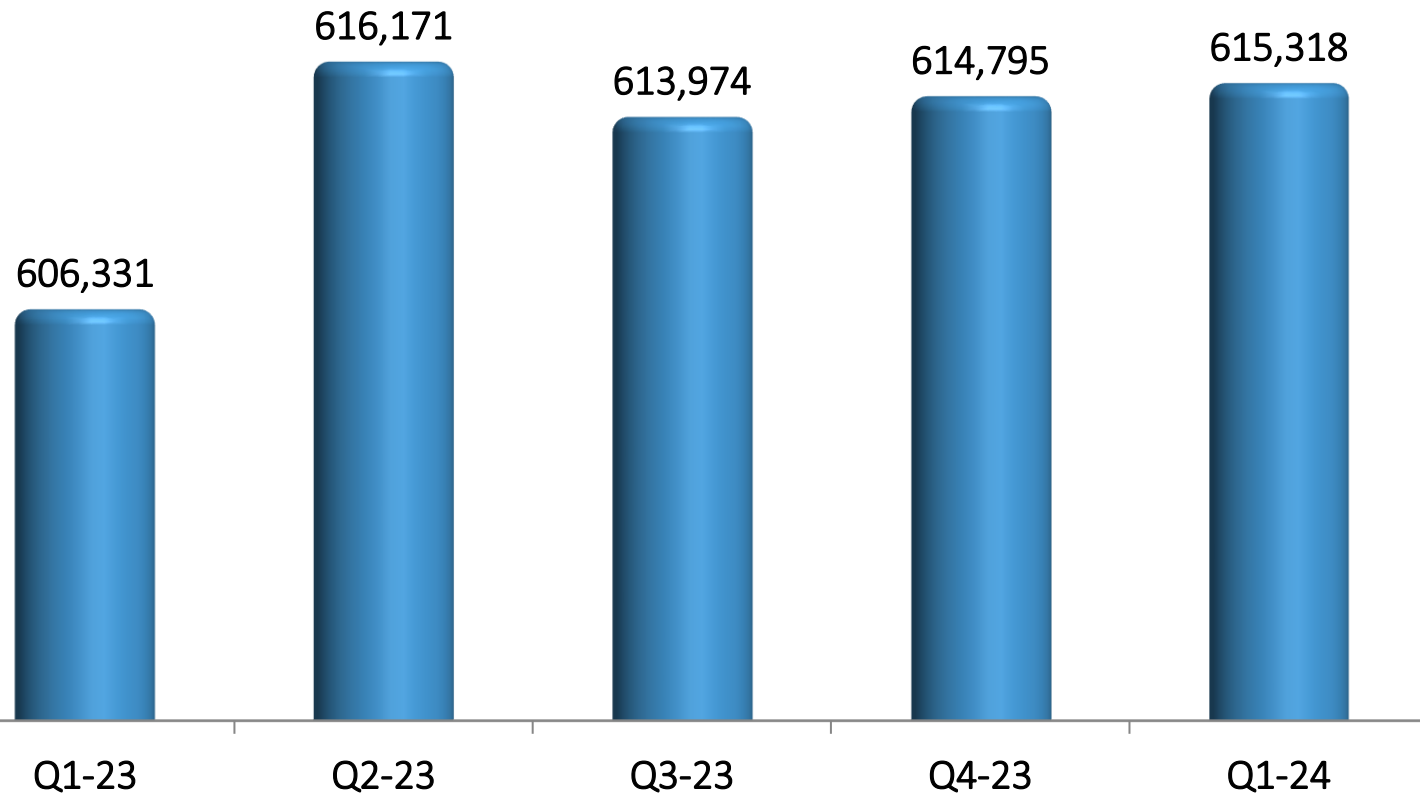
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Agile and future-ready cargo operations have been the bedrock at Swiss World Cargo, enabling us to provide seamless SWISS quality to our air freight customers through our services. TCS has been our long-standing partner in this journey, supporting our finance and airline operations with their consulting-led approach, freight industry know-how, and innovative digital solutions powered by Cognix™. This partnership has helped us enhance even further our quality of service and our profitability, as we continue to deliver on our quality and work on our sustainable practices.

Lorenzo STOLL, Vice President and Head of Cargo Division, Swiss World Cargo

Human Resources

Total Employee Base



Attrition*:

- **17.8%** (LTM), IT Services

Diversity:

- **35.8%** Women employees
- **154** Nationalities

*Excluding Subsidiaries

Talent Development:

- **12.7Mn** Learning Hrs YTD (FY24)
- **1.3Mn** competencies acquired YTD (FY24)
- **103K** associates trained in high demand competencies YTD (FY24)

Annexure

IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Revenue	527,580	593,810	100.00	100.00
Cost of revenue	324,890	359,160	61.58	60.48
Gross margin	202,690	234,650	38.42	39.52
SG & A expenses	80,830	97,100	15.32	16.35
Operating income	121,860	137,550	23.10	23.17
Other income (expense), net	5,900	12,340	1.12	2.08
Income before income taxes	127,760	149,890	24.22	25.25
Income taxes	32,570	38,690	6.17	6.52
Income after income taxes	95,190	111,200	18.05	18.73
Non-controlling interests	410	460	0.08	0.08
Net income	94,780	110,740	17.97	18.65
Earnings per share in ₹	25.90	30.26		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Employee cost	236,850	272,990	44.89	45.97
Fees to external consultants	51,000	43,880	9.67	7.39
Equipment and software	2,170	5,060	0.41	0.85
Facility expenses	3,880	4,720	0.74	0.80
Depreciation	9,360	9,430	1.77	1.59
Travel	4,290	4,940	0.81	0.83
Communication	3,550	3,650	0.67	0.61
Other expenses	13,790	14,490	2.62	2.44
Cost of Revenue	324,890	359,160	61.58	60.48

SG&A	₹ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Employee cost	66,410	78,500	12.59	13.22
Fees to external consultants	1,840	1,940	0.35	0.33
Facility expenses	2,210	2,860	0.42	0.48
Depreciation	2,950	3,000	0.56	0.51
Travel	1,300	3,000	0.24	0.51
Communication	1,380	2,100	0.26	0.35
Provision for Doubtful Debts	150	180	0.03	0.03
Other expenses	4,590	5,520	0.87	0.92
S G & A expenses	80,830	97,100	15.32	16.35

Cash Flow Summary

IFRS in ₹ Mn	Q1 FY23	Q1 FY24
Net Cash from Operations	108,100	113,530
Capital Expenditure	7,420	3,610
Free Cash Flow	100,680	109,920
Dividends Paid	80,910	550
Buy Back (incl. expenses)	41,920	-
Operating Cash Flow to Sales (%)	20.5	19.1
Operating Cash Flow to Net Profit (%)	114.1	102.5
Total Cash and Investments	527,600	609,420

IFRS Statement of Financial Position

Consolidated IFRS	₹ Million	
	31-Mar-23	30-Jun-23
Assets		
Property and equipment	115,950	112,600
Right-of-use Assets	75,600	75,780
Intangible assets and Goodwill	48,730	47,690
Accounts Receivable	411,980	415,920
Unbilled Revenues	149,350	147,840
Invested Funds	498,240	609,420
Other current assets	66,100	64,390
Other non current assets	91,740	87,310
Total assets	1,457,690	1,560,950
Liabilities and Shareholders' Equity		
Shareholders' Funds	925,420	949,580
Current liabilities	435,580	518,250
Non-current liabilities	88,870	85,850
Non-controlling interests	7,820	7,270
Total Liabilities	1,457,690	1,560,950

Detailed financials are uploaded.

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Revenue	6,780	7,226	100.00	100.00
Cost of revenue	4,175	4,370	61.58	60.48
Gross margin	2,605	2,856	38.42	39.52
SG & A expenses	1,039	1,182	15.32	16.35
Operating income	1,566	1,674	23.10	23.17
Other income (expense), net	76	150	1.12	2.08
Income before income taxes	1,642	1,824	24.22	25.25
Income taxes	419	471	6.17	6.52
Income after income taxes	1,223	1,353	18.05	18.73
Non-controlling interests	5	6	0.08	0.08
Net income	1,218	1,347	17.97	18.65
Earnings per share in \$	0.33	0.37		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Employee cost	3,044	3,322	44.89	45.97
Fees to external consultants	655	534	9.67	7.39
Equipment and software	28	62	0.41	0.85
Facility expenses	50	57	0.74	0.80
Depreciation	120	115	1.77	1.59
Travel	55	60	0.81	0.83
Communication	46	44	0.67	0.61
Other expenses	177	176	2.62	2.44
Cost of Revenue	4,175	4,370	61.58	60.48

SG&A	\$ Million		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Employee cost	854	955	12.59	13.22
Fees to external consultants	24	24	0.35	0.33
Facility expenses	28	35	0.42	0.48
Depreciation	38	37	0.56	0.51
Travel	16	36	0.24	0.51
Communication	18	26	0.26	0.35
Provision for Doubtful Debts	2	2	0.03	0.03
Other expenses	59	67	0.87	0.92
SG&A expenses	1,039	1,182	15.32	16.35

IFRS Statement of Financial Position in USD

Consolidated IFRS	\$ Million	
	31-Mar-23	30-Jun-23
Assets		
Property and equipment	1,410	1,372
Right-of-use Assets	919	924
Intangible assets and Goodwill	593	581
Accounts Receivable	5,010	5,069
Unbilled Revenues	1,816	1,801
Invested Funds	6,058	7,428
Other current assets	805	784
Other non current assets	1,117	1,065
Total assets	17,728	19,024
Liabilities and Shareholders' Equity		
Shareholders' Funds	11,252	11,572
Current liabilities	5,297	6,316
Non-current liabilities	1,082	1,046
Non-controlling interests	97	90
Total Liabilities	17,728	19,024

Detailed financials are uploaded.

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
Revenue	52,758	59,381	100.00	100.00
Expenditure				
a) Employee Costs	30,327	35,148	57.48	59.19
b) Cost of equipment and software licences	217	506	0.41	0.85
c) Other Operating expenses	8,798	8,729	16.68	14.70
d) Depreciation	1,230	1,243	2.33	2.09
Total Expenditure	40,572	45,626	76.90	76.83
Profit Before Taxes & Other Income	12,186	13,755	23.10	23.17
Other income (expense), net	590	1,234	1.12	2.08
Profit Before Taxes	12,776	14,989	24.22	25.25
Provision For Taxes	3,257	3,869	6.17	6.52
Profit After Taxes & Before Non-controlling interests	9,519	11,120	18.05	18.73
Non-controlling interests	41	46	0.08	0.08
Net Profit	9,478	11,074	17.97	18.65
Earnings per share in ₹	25.90	30.26		

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore	
	31-Mar-23	30-Jun-23
Assets		
Property and equipment	11,464	11,125
Right-of-use Assets	7,560	7,578
Intangible assets and Goodwill	2,725	2,620
Accounts Receivable	41,198	41,592
Unbilled Revenues	14,935	14,784
Invested Funds	49,824	60,942
Other current assets	6,610	6,439
Other non current assets	9,335	8,899
Total Assets	143,651	153,979
Liabilities and Shareholders' Equity		
Shareholders' Funds	90,424	92,842
Current liabilities	43,558	51,825
Non-current liabilities	8,887	8,585
Non-controlling interests	782	727
Total Liabilities	143,651	153,979

Detailed financials are uploaded.

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q1 FY23	Q1 FY24	Q1 FY23	Q1 FY24
USD	77.81	82.18	55.59%	54.42%
GBP	96.68	103.06	12.76%	14.19%
EUR	82.38	89.53	11.03%	10.99%
Others			20.62%	20.39%
Total			100.00%	100.00%

Thank you