

TCS Financial Results

Quarter III FY 2021-22

Jan 12, 2022



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.

Q3 FY22 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **488,850 Mn**, up **16.3% YoY**
- USD Revenue of \$ **6,524 Mn**, up **14.4% YoY**
- Constant currency revenue up **15.4% YoY**

➤ Profit:

- Operating Margin at **25.0%**
- Net Margin at **20.0%**
- Cash flow from operations at **111.1%** of net profit

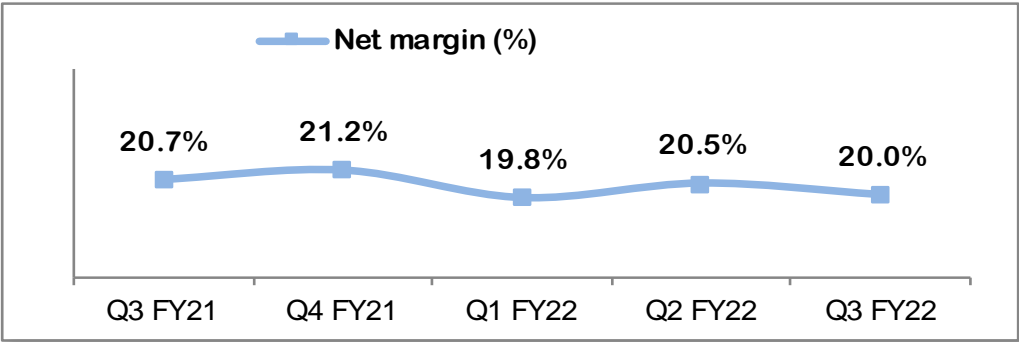
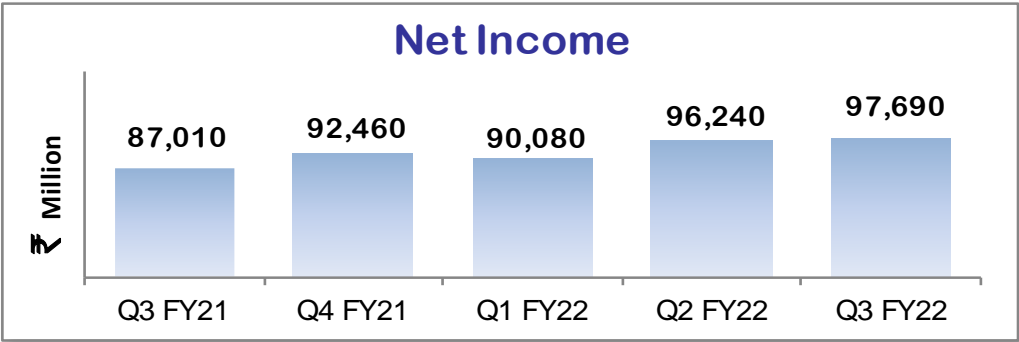
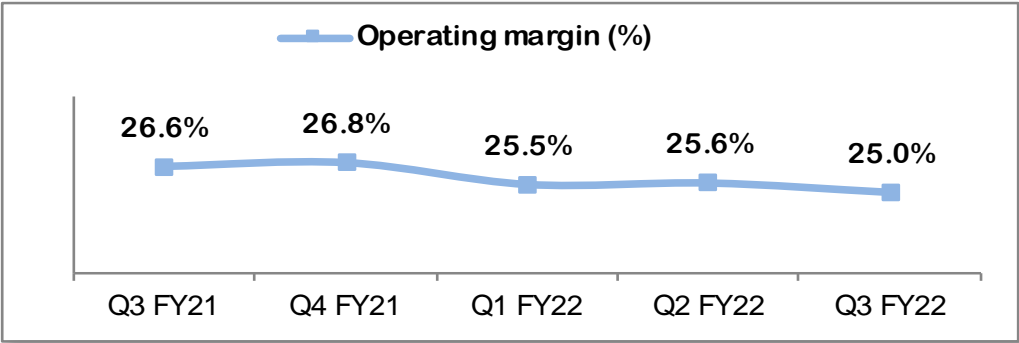
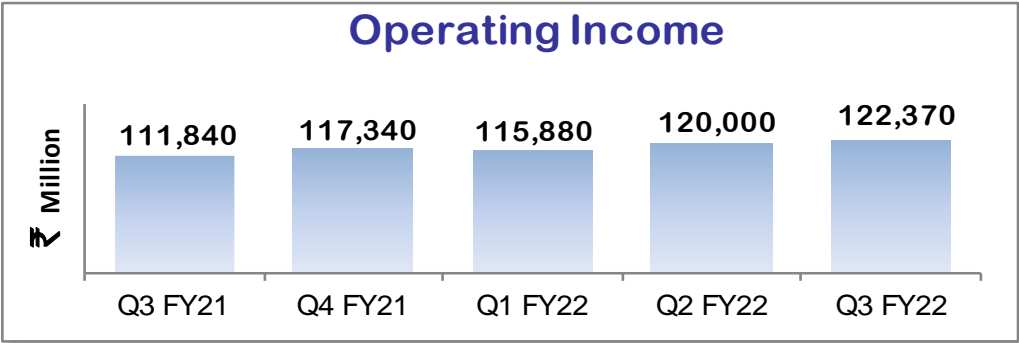
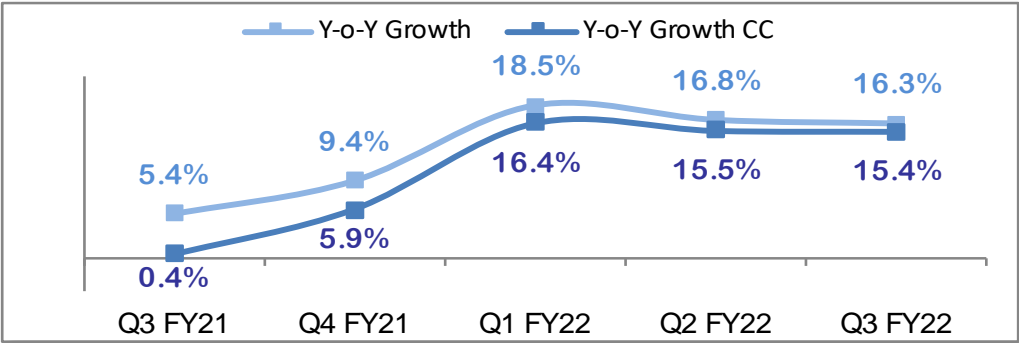
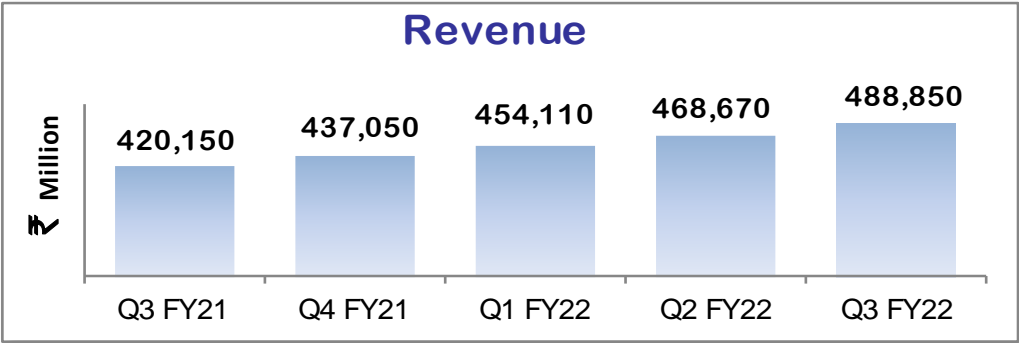
➤ Demand:

- Clients \$100M+ up by 10 ; \$50M+ up by 21 ; \$10M+ up by 40 & \$1M+ up by 98 YoY

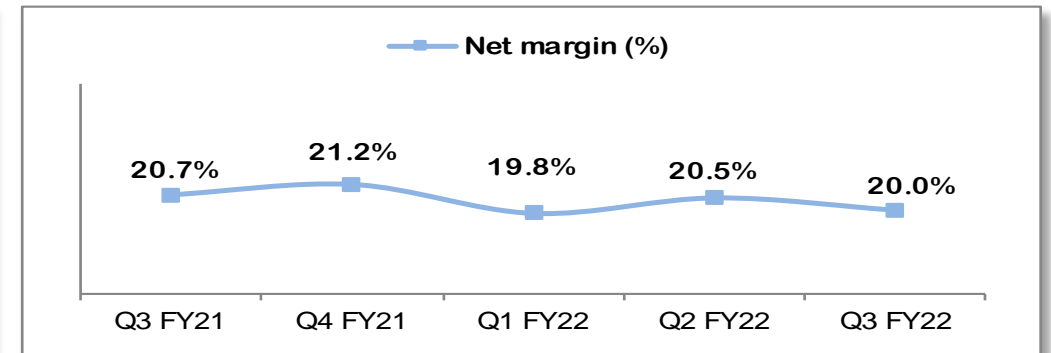
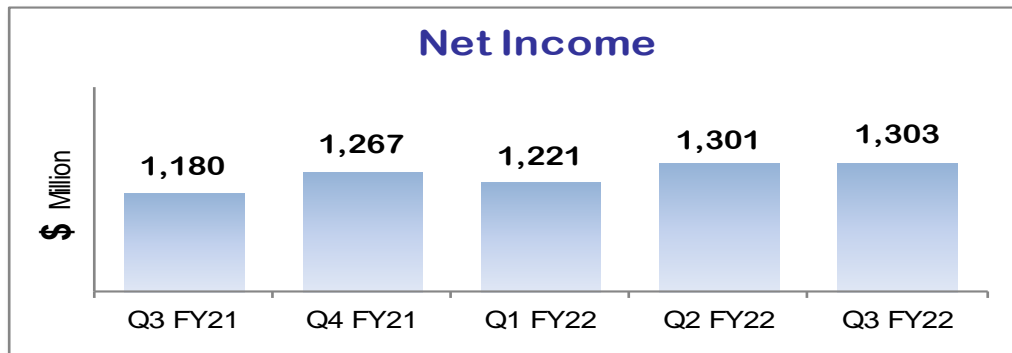
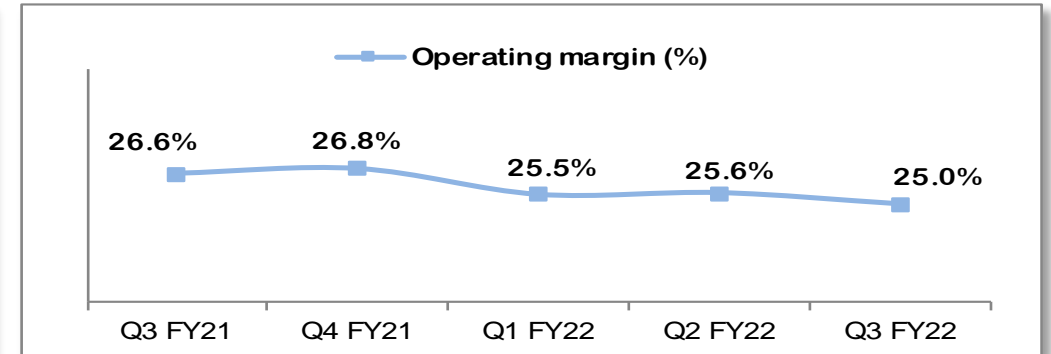
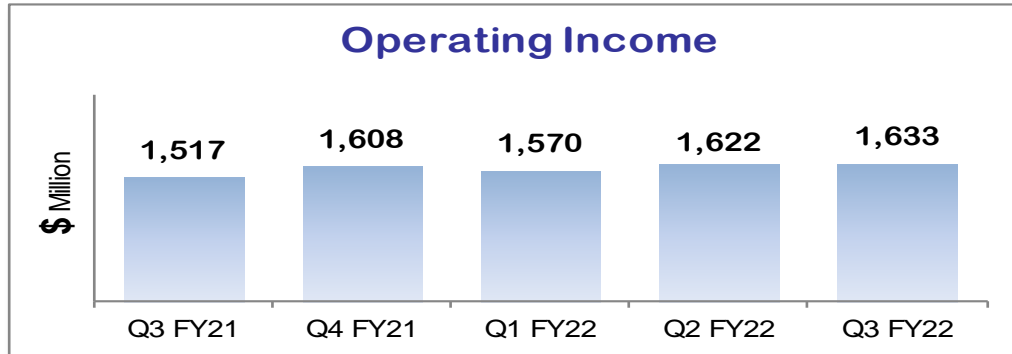
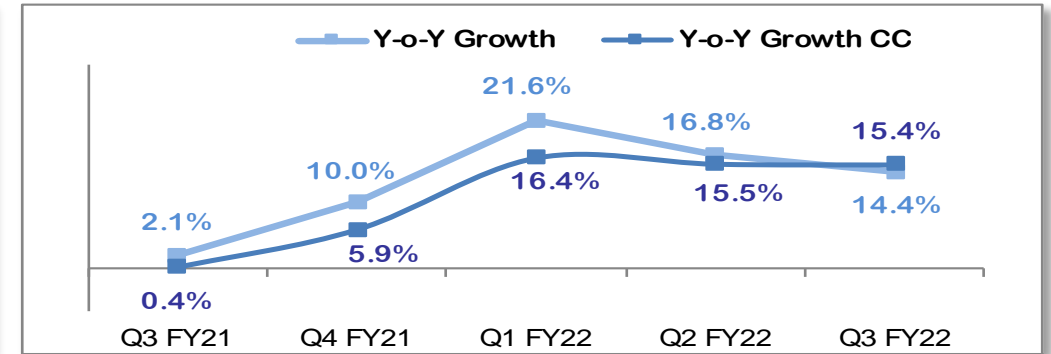
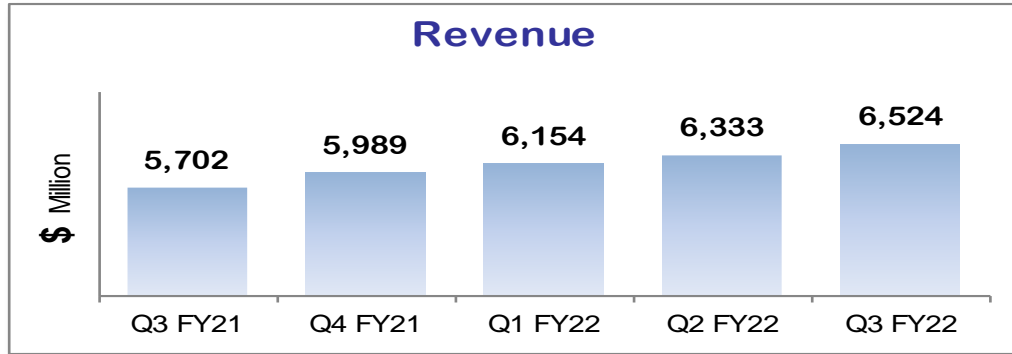
➤ People:


- Net addition of **87,725** associates YoY, closing headcount: **556,986**
- LTM attrition at **15.3%** in IT Services

Growth Summary (INR)



Growth Summary (USD)





Operational Parameters

Growth by Market

Geography (%)	Q3 FY21	Q3 FY22	Y-o-Y CC Growth
Americas			
North America	49.1	50.7	18.0
Latin America	1.7	1.7	21.1
Europe			
UK	15.7	15.6	12.7
Continental Europe	16.2	16.0	17.5
Asia Pacific	9.7	8.6	4.3
India	5.6	5.5	15.2
MEA	2.0	1.9	6.9
Total	100.0	100.0	15.4

Growth by Domain

Vertical (%)	Q3 FY21	Q3 FY22	Y-o-Y CC Growth
BFSI	31.3	32.1	17.9
Retail & CPG	14.5	15.1	20.4
Life Sciences & Healthcare	9.8	9.9	16.3
Manufacturing	9.6	9.9	18.3
Technology & Services	8.6	8.7	17.7
Communication & Media	6.6	6.5	14.4
Regional Markets & Others	19.6	17.8	5.2
Total	100.0	100.0	15.4

Service Lines Commentary

- We saw broad-based growth for our services as customers accelerated investments in cloud based digital transformation initiatives. Cloud, Cyber Security, and IoT & Digital Engineering led the growth in the quarter. The outlook remains strong with the highest ever pipeline.
- Consulting & Digital Transformation Services Practices saw growth momentum that was among the strongest ever for Q3. Key growth & transformation themes which saw traction include – Cloud Modernization, Connected Enterprise & Product Innovation, Customer Experience & Digital Workplace Transformation.
- TCS DigiFleet, TCS Smart Store & TCS's Head of IOT Practice were among the winners at IoT Global Awards 2021.
- TCS won the AWS 2021 Rising Star Partner of the Year (GSI, for USA) & AWS Application Transformation and Migration Partner of the Year (for ANZ) awards.



Cloud

We saw accelerated cloud adoption by enterprises spanning across horizons including core applications transformation, IT landscape modernization, shift to Hybrid Cloud, and Data Modernization on Cloud. Hybrid Multi Cloud is becoming the default model, as organizations look to optimize spend, invest in more advanced capabilities, and brace for increasing regional regulation.



Cyber Security

Increasing digitalization & cloud adoption, coupled with strong M&A momentum in the industry requires speed, scale, and auditable identity management functions. This is driving strong demand for Cyber Security Services. TCS Cyber Defence Suite™ and Globally Distributed Threat Management Centers steered growth during the quarter with our agile, localized, regulatory compliant security services across ransomware protection, cloud security and managed security services with strong market resonance.



Cognitive Business Operations

Demand was propelled by customers seeking to outsource IT and business operations to drive business agility, operational resilience, and cost efficiency than ever before. Growth this quarter was led by Enterprise BPS, Infra transformation & automation services. MFD™ and Cognix™ continue to demonstrate strong market relevance and customer delight.



IoT & Digital Engineering

Engineering and IoT services are enabling customers to gain complete traceability of products across the value chain, manage assets, innovate products, re-design plants and improve predictability & operational efficiency. This drove growth in Intelligent devices, GIS and Plant Solutions & Services. IoT, Engineering and Analytics services are also helping customers in their sustainability journey, a critical business priority.



Consulting & Services Integration

C&SI continues focus on growth & transformation initiatives for clients with proactive propositions combining TCS contextual knowledge, technology & domain expertise integrating multiple services across our practices. Cloud Strategy & Transformation, Customer Experience, Finance & Shared Services led the growth in the quarter.



Enterprise Application Services

We see continued adoption of Digital ERPs on cloud across multiple industry segments. We are enabling clients on their digital journey leveraging TCS Crystallus™ to empower enterprise digital transformation and drive exponential business value. Oracle Cloud and Niche SaaS transformations led the growth this quarter.

Client Parameters

Clients Contribution	Q3 FY21	Q3 FY22
US\$ 1m+ Clients	1077	1175
US\$ 5m+ Clients	565	619
US\$ 10m+ Clients	386	426
US\$ 20m+ Clients	229	255
US\$ 50m+ Clients	97	118
US\$ 100m+ Clients	48	58

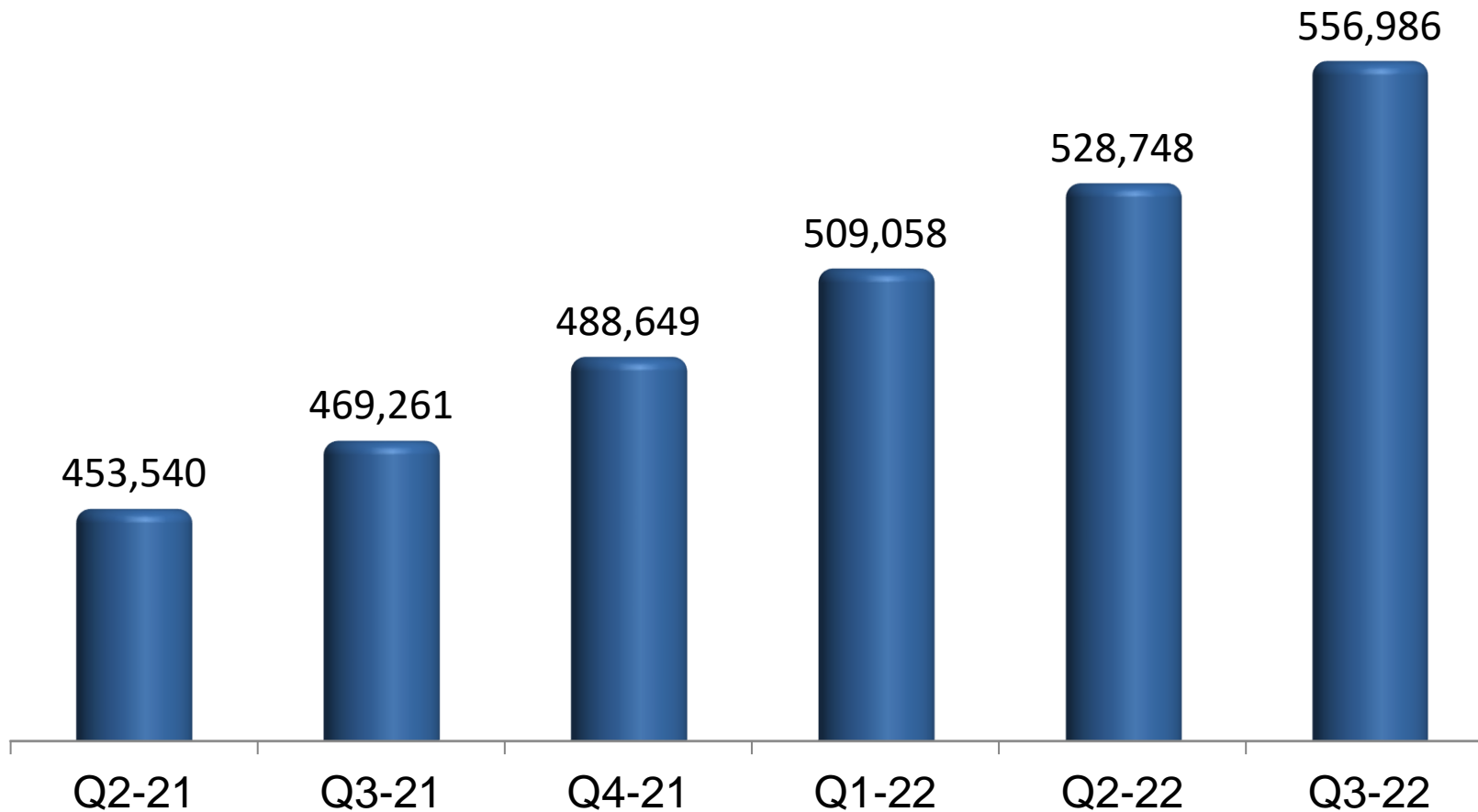
*Last Twelve Months' services revenues

Key Highlights

- Engaged by **FactSet**, a leading provider of integrated financial information and analytical applications, to understand, analyze and repackage their datasets to enable them to target untapped industries and prospective customers. TCS has been instrumental in creating a business case and delivering a consulting-led strategy, leveraging TCS' Salesforce Center of Excellence. TCS' NYC Paceport drove the design thinking workshops, solution ideation and creation of workflow along with wireframes to enable the integration of the datasets.
- Selected by a leading ANZ-based manufacturer and retailer of building materials, as the strategic consulting partner to build a modern enterprise. TCS will help integrate the business processes (finance, order to cash, forecast to plan, plan to manufacture, inventory) under a common Digital ERP platform on a leading hyperscaler, enabling new digital services and higher efficiency. TCS will also program manage the initiative, including providing OCM services.
- Engaged by a leading US-based banking company as an advisor for data governance across all operational processes for its retail banking business. TCS will use its DATOM™ framework and expertise in banking operations and data governance to model and implement a modern Data & Analytics solution. This will enable an Enterprise Data Management Strategy across all operational processes (disputes, customer complaints, fraud, collections & recoveries).
- **Swiss Re**, one of the world's leading providers of reinsurance, insurance, and other forms of insurance-based risk transfer, is partnering with TCS to build a more social and open digital workspace leveraging the cloud, to drive greater collaboration and innovation. TCS will help design the new future-ready, persona-based digital workplace using Microsoft technologies and manage the underlying operations.
- Selected by a leading European postal and logistic company for its hybrid cloud initiative. TCS Enterprise Cloud powered by TCS Alpha 4.0 as a Strategic Hybrid Cloud Platform will empower the client by curating a business-aware, stable, agile, and modern infrastructure, providing reliability, flexibility and scalability.
- TCS and **IAG Global Business Services (GBS) Limited**, have signed an agreement to modernise and transform their business applications through leveraging cloud native features and through TCS accelerators. TCS has designed this programme on a sustainable cloud foundation in support of IAG's vision to be the world's leading airline group on sustainability. IAG GBS is part of International Consolidated Airlines Group (IAG), one of the world's leading airline groups.
- Selected by a Swiss based investment banking firm as a strategic risk analytics partner for one of their groups in the APAC region. TCS will provide analytics services for the Chief Risk and Compliance Officer (CRCO) function and will also enhance the risk platform to drive sustainable returns along with risk control and regulatory advice services.
- Selected by a US based critical emergency equipment provider for product engineering services for its newly acquired ventilator company. It is rebranding and developing the products along with ensuring FDA compliance, prior to launch in other geographies including emerging markets. TCS will do product tear down analysis, product development, quality verification & validation services and regulatory documentation and submission.
- Selected by a leading US based Retailer as the customer experience transformation partner to modernize existing loyalty and online services capability. This will deliver orchestrated customer journey across channels and enrich first person data for marketing initiatives.
- Selected by **Iron Mountain**, a leading US-based information management services company, to modernize its finance and accounting processes. Using TCS CogniX™ and intelligent visualization, TCS will execute an end-to-end transformation of Iron Mountain's procure-to-pay, record-to-analysis, cashflow forecasting, and lease accounting processes. This program is expected to boost productivity, increase cash on hand, and drive data-driven business decisions.
- Selected by **Zebra Technologies Corporation**, a US-based computer peripheral equipment manufacturing company, as a strategic partner to drive its IT Agile transformation. TCS will implement higher levels of intelligent automation to drive agility and synergy across integrated operations of application and infrastructure services. TCS will also provide DevSecOps services for speedy roll out of new products and services.
- **Petco**, a leading US based pet health and wellness company, has partnered with TCS for its IT transformation journey to gain next-gen capabilities across applications, digital, infrastructure, BI, and business process services. These initiatives are focused on bringing efficiency, agility, compliance, streamlined processes, and better customer engagement to help Petco in their growth & transformation journey.
- Engaged by **Sensata Technologies**, a global industrial technology company in North America to enable a Service Business Model that provides actionable insights for commercial vehicle operators. This transformation would create subscription based recurring revenue stream, build customer stickiness and improve customer retention and renewals.
- Partnered with a super regional bank in North America to build a next-gen crypto engine to provide access to crypto assets to its end-customers. The TCS solution will include a self-service client portal integrated with core systems and crypto vendors, to enable the bank's end-customers to trade in crypto assets.
- Chosen as a strategic integration partner by a large UK based communications service provider in their merger journey and commercial launch of products for the newly formed joint entity. The new cloud-based data solution will enable faster time to market, drive analytics driven decision making on product performance and enhance brand experience for end customer.

Human Resources

Total Employee Base



Attrition*:

- 15.3% (LTM), IT Services

Diversity:

- Women employees: 36.0%
- Nationalities: 156

*Excluding Subsidiaries

Talent Development:

- 14+Mn Learning Hrs in Q3'22
- 421K Digital Trained Associates
- 508K Agile Trained Associates



Annexure

IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Revenue	420,150	488,850	100.00	100.00
Cost of revenue	245,270	293,320	58.38	60.00
Gross margin	174,880	195,530	41.62	40.00
SG & A expenses	63,040	73,160	15.00	14.97
Operating income	111,840	122,370	26.62	25.03
Other income (expense), net	5,080	9,540	1.21	1.95
Income before income taxes	116,920	131,910	27.83	26.98
Income taxes	29,650	33,850	7.06	6.92
Income after income taxes	87,270	98,060	20.77	20.06
Non-controlling interests	260	370	0.06	0.08
Net income	87,010	97,690	20.71	19.98
Earnings per share in ₹	23.19	26.41		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Employee cost	181,670	211,620	43.24	43.29
Fees to external consultants	30,870	43,770	7.35	8.95
Equipment and software	3,960	4,320	0.94	0.88
Facility expenses	3,740	3,610	0.89	0.74
Depreciation	7,780	9,310	1.86	1.90
Travel	2,150	4,610	0.51	0.94
Communication	3,750	3,750	0.89	0.77
Other expenses	11,350	12,330	2.70	2.53
Cost of Revenue	245,270	293,320	58.38	60.00

SGA	₹ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Employee cost	52,640	60,060	12.53	12.29
Fees to external consultants	1,440	1,420	0.34	0.29
Facility expenses	1,580	2,120	0.37	0.43
Depreciation	2,450	2,650	0.59	0.54
Travel	390	510	0.09	0.10
Communication	960	1,350	0.22	0.28
Provision for Doubtful Debts	280	420	0.07	0.09
Other expenses	3,300	4,630	0.79	0.95
S G & A expenses	63,040	73,160	15.00	14.97

Cash Flow Summary

IFRS in ₹ Mn	Q3 FY21	Q3 FY22
Net Cash from Operations	119,520	108,530
Capital Expenditure	7,230	9,100
Free Cash Flow	112,290	99,430
Dividends Paid	45,020	25,890
Operating Cash Flow to Sales (%)	28.4	22.2
Operating Cash Flow to Net Profit (%)	137.4	111.1
Total Cash and Investments	653,770	669,850

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-21		31-Dec-21	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	121,350	9.13	119,650	7.85
Right-of-use Assets	76,330	5.74	78,370	5.14
Intangible assets and Goodwill	44,280	3.33	50,520	3.32
Accounts Receivable	301,340	22.68	341,690	22.43
Unbilled Revenues	109,360	8.23	108,870	7.14
Investments	293,730	22.11	456,620	29.97
Cash and Cash equivalents	68,580	5.16	59,920	3.93
Other current assets	227,700	17.14	217,620	14.29
Other non current assets	86,140	6.48	90,070	5.93
Total assets	1,328,810	100.00	1,523,330	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	885,550	66.65	1,060,210	69.58
Other current liabilities	341,550	25.69	357,710	23.49
Other non-current liabilities	94,960	7.14	98,490	6.47
Non-controlling interests	6,750	0.52	6,920	0.46
Total Liabilities	1,328,810	100.00	1,523,330	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Revenue	5,702	6,524	100.00	100.00
Cost of revenue	3,329	3,915	58.38	60.00
Gross margin	2,373	2,609	41.62	40.00
SG & A expenses	856	976	15.00	14.97
Operating income	1,517	1,633	26.62	25.03
Other income (expense), net	68	127	1.21	1.95
Income before income taxes	1,585	1,760	27.83	26.98
Income taxes	402	452	7.06	6.92
Income after income taxes	1,183	1,308	20.77	20.06
Non-controlling interests	3	5	0.06	0.08
Net income	1,180	1,303	20.71	19.98
Earnings per share in \$	0.31	0.35		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Employee cost	2,466	2,824	43.24	43.29
Fees to external consultants	419	584	7.35	8.95
Equipment and software	54	58	0.94	0.88
Facility expenses	51	48	0.89	0.74
Depreciation	106	124	1.86	1.90
Travel	29	62	0.51	0.94
Communication	51	50	0.89	0.77
Other expenses	153	165	2.70	2.53
Cost of Revenue	3,329	3,915	58.38	60.00

SGA	\$ Million		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Employee cost	714	801	12.53	12.29
Fees to external consultants	20	19	0.34	0.29
Facility expenses	21	28	0.37	0.43
Depreciation	34	35	0.59	0.54
Travel	5	7	0.09	0.10
Communication	13	18	0.22	0.28
Provision for Doubtful Debts	4	6	0.07	0.09
Other expenses	45	62	0.79	0.95
SG&A expenses	856	976	15.00	14.97

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-21		31-Dec-21	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,653	9.13	1,613	7.85
Right-of-use Assets	1,040	5.74	1,056	5.14
Intangible assets and Goodwill	603	3.33	681	3.32
Accounts Receivable	4,106	22.68	4,605	22.43
Unbilled Revenues	1,490	8.23	1,467	7.14
Investments	4,002	22.11	6,154	29.97
Cash and Cash equivalents	934	5.16	808	3.93
Other current assets	3,102	17.14	2,934	14.29
Other non current assets	1,173	6.48	1,217	5.93
Total assets	18,103	100.00	20,535	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	12,065	66.65	14,289	69.58
Other current liabilities	4,651	25.69	4,823	23.49
Other non-current liabilities	1,293	7.14	1,328	6.47
Non-controlling interests	94	0.52	95	0.46
Total Liabilities	18,103	100.00	20,535	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
Revenue	42,015	48,885	100.00	100.00
Expenditure				
a) Employee Costs	23,431	27,168	55.77	55.58
b) Cost of equipment and software licences	396	432	0.94	0.88
c) Other Operating expenses	5,980	7,852	14.23	16.06
d) Depreciation	1,024	1,196	2.44	2.45
Total Expenditure	30,831	36,648	73.38	74.97
Profit Before Taxes & Other Income	11,184	12,237	26.62	25.03
Other income (expense), net	508	954	1.21	1.95
Profit Before Taxes	11,692	13,191	27.83	26.98
Provision For Taxes	2,965	3,385	7.06	6.92
Profit After Taxes & Before Non-controlling interests	8,727	9,806	20.77	20.06
Non-controlling interests	26	37	0.06	0.08
Net Profit	8,701	9,769	20.71	19.98
Earnings per share in ₹	23.19	26.41		

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-21	31-Dec-21	31-Mar-21	31-Dec-21
ASSETS				
Property, plant and equipment	12,516	13,026	9.57	8.67
Right-of-use assets	7,633	7,837	5.84	5.22
Investments	29,373	45,662	22.46	30.40
Deferred tax assets (net)	3,931	2,915	3.01	1.94
Goodwill (on consolidation)	1,798	1,743	1.38	1.16
Cash and Bank Balance	9,329	13,186	7.13	8.78
Current Assets, Loans and Advances	60,791	59,286	46.49	39.47
Non-current assets, Loans and advances	5,388	6,557	4.12	4.36
Total Assets	130,759	150,212	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	86,433	103,900	66.10	69.17
Non-controlling interests	675	692	0.52	0.46
Deferred tax liabilities (net)	767	754	0.59	0.50
Current liabilities and provisions	34,155	35,771	26.12	23.82
Non-current liabilities and provisions	8,729	9,095	6.67	6.05
Total Liabilities	130,759	150,212	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q3 FY21	Q3 FY22	Q3 FY21	Q3 FY22
USD	73.68	74.93	51.23%	53.12%
GBP	98.13	100.90	13.45%	13.40%
EUR	88.26	85.38	12.19%	11.80%
Others			23.13%	21.68%
Total			100.00%	100.00%



Thank You