

TCS Financial Results

Quarter III FY 2022-23

Jan 9, 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.

Q3 FY23 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **582,290 Mn**, up **19.1% YoY**
- USD Revenue of \$ **7,075 Mn**, up **8.4% YoY**
- Constant currency revenue up **13.5% YoY**

➤ Profit:

- Operating Margin at **24.5%**
- Net Margin at **18.6%**
- Cash flow from operations at **102.8%** of net profit

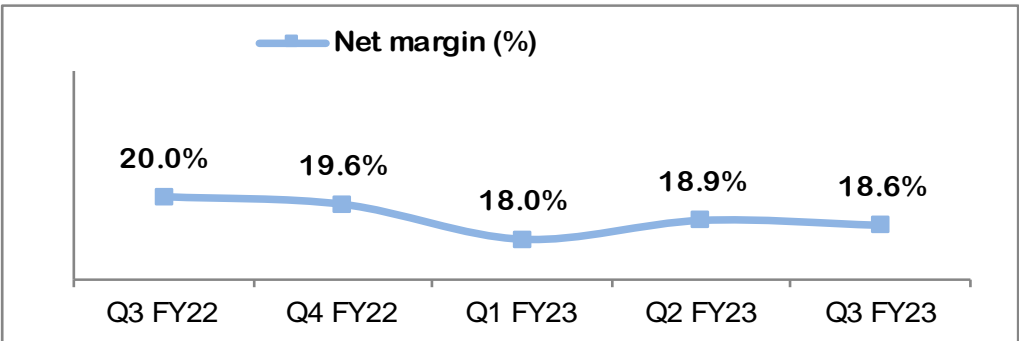
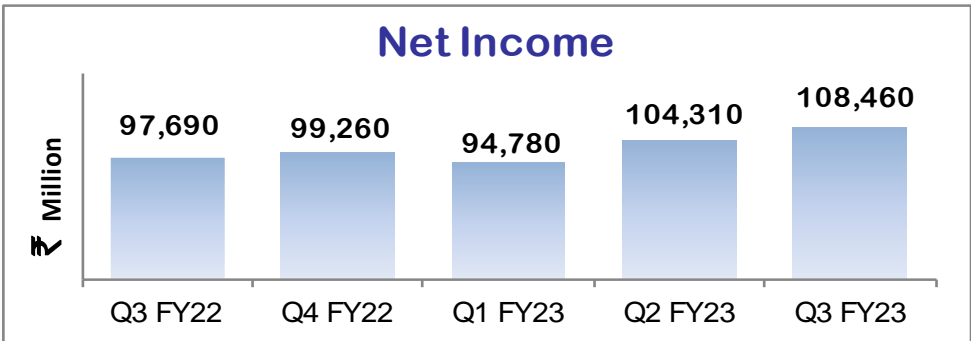
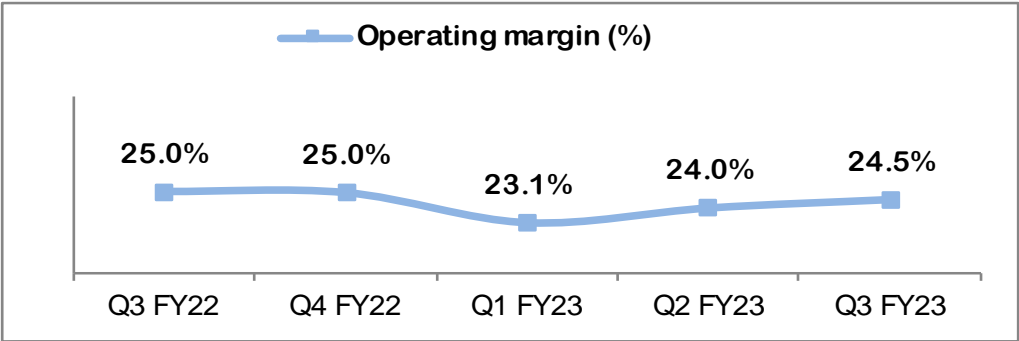
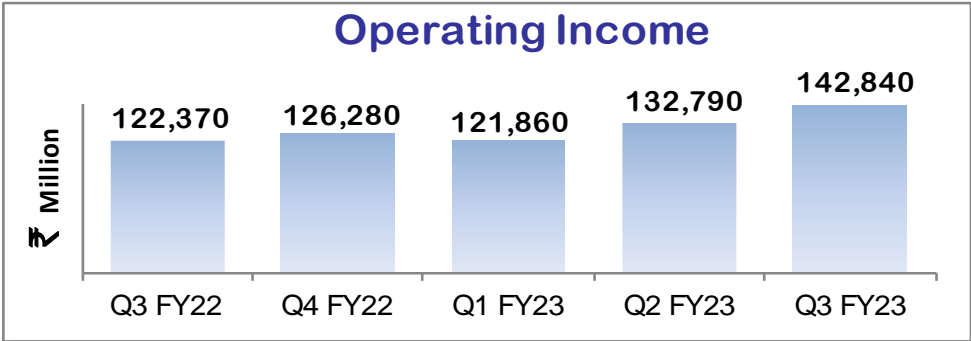
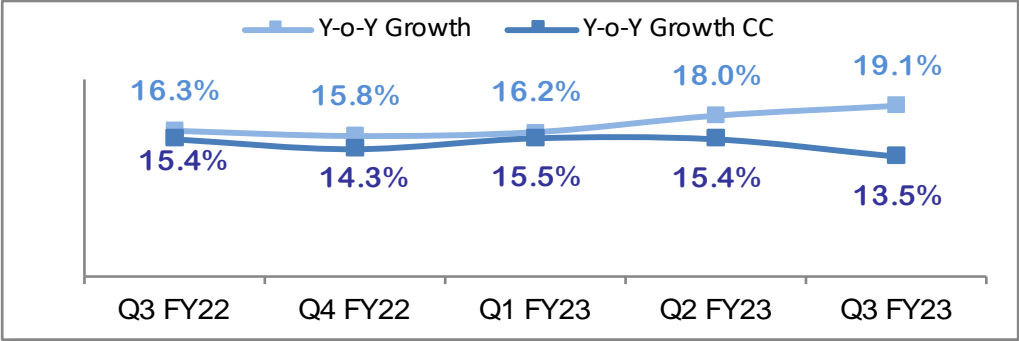
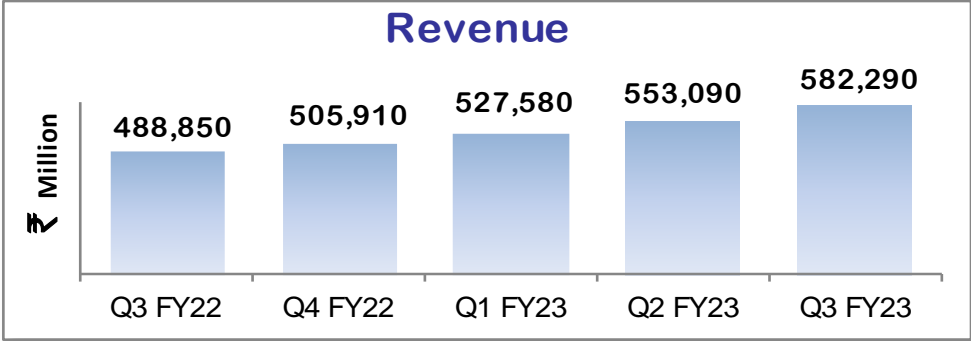
➤ Demand:

- Clients \$100M+ up by 1 ; \$50M+ up by 12 ; \$10M+ up by 30 & \$1M+ up by 42 YoY

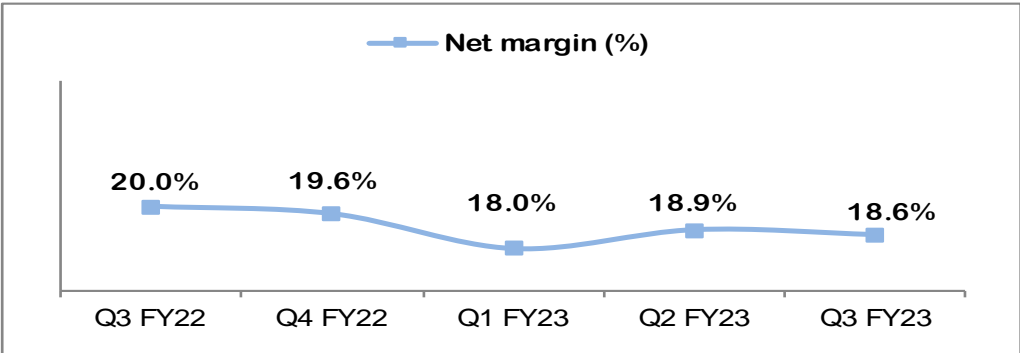
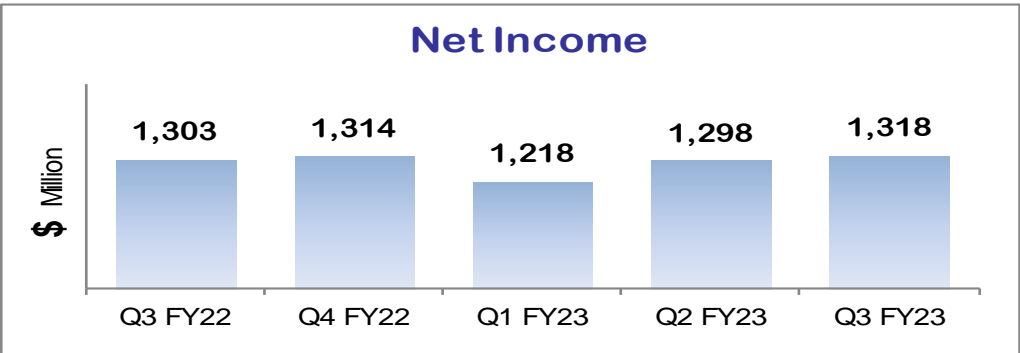
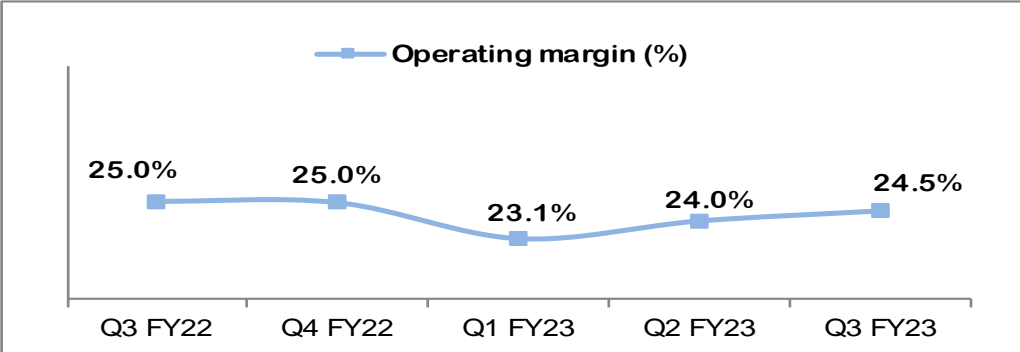
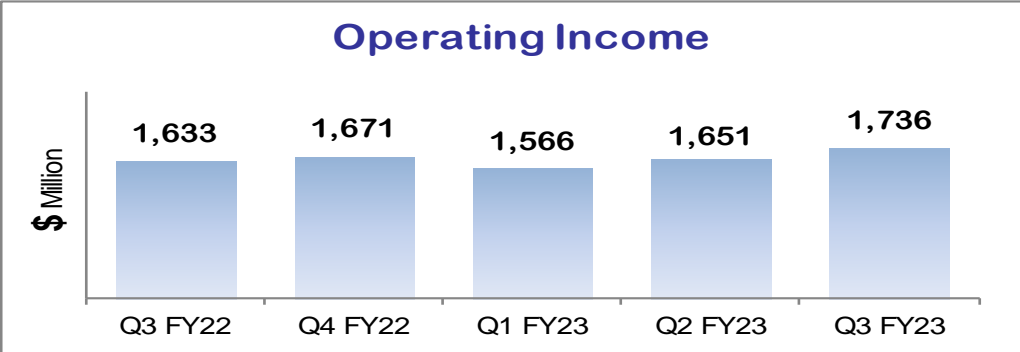
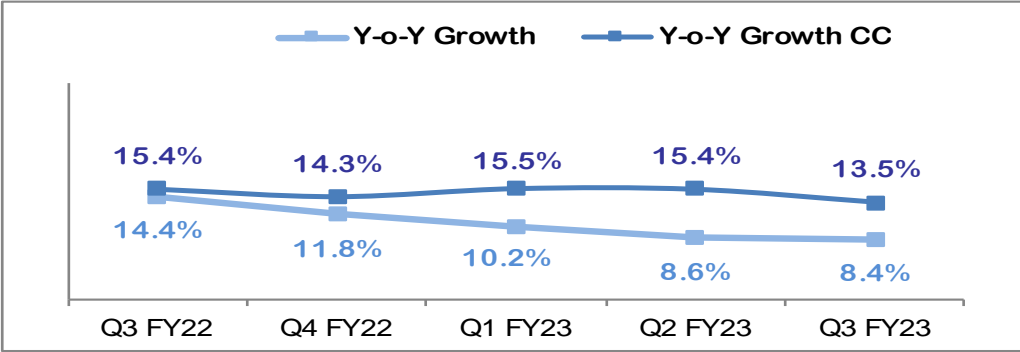
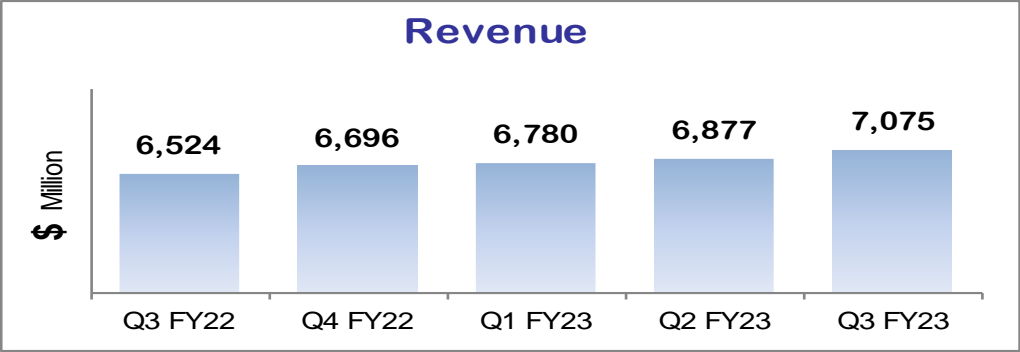
➤ People:

- Net addition of **(2,197)** associates during the quarter, closing headcount: **613,974**
- LTM attrition at **21.3%** in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters

Growth by Market

Geography (%)	Q3 FY22	Q3 FY23	Y-o-Y CC Growth
Americas			
North America	50.7	53.7	15.4
Latin America	1.7	1.8	14.6
Europe			
UK	15.6	14.9	15.4
Continental Europe	16.0	14.8	9.7
Asia Pacific	8.6	7.9	9.5
India	5.5	5.1	9.1
MEA	1.9	1.8	8.6
Total	100.0	100.0	13.5

Growth by Domain

Vertical (%)	Q3 FY22	Q3 FY23	Y-o-Y CC Growth
BFSI	32.0	31.5	11.1
Retail & CPG	15.1	15.7	18.7
Life Sciences & Healthcare	9.9	10.3	14.4
Manufacturing	9.9	9.9	12.5
Technology & Services	8.7	8.9	13.6
Communication & Media	6.7	6.6	13.5
Regional Markets & Others	17.7	17.1	13.3
Total	100.0	100.0	13.5

Service Lines Commentary

- Overall demand outlook for technology services remains positive as companies are carefully balancing their investments to drive efficiency with the need for growth-oriented digital transformation.
- Growth for our services was led by Cloud, Consulting Services, Enterprise Application Services, and Cyber Security.
- Key demand & customer success themes we are seeing include Cloud Modernization & Security, SaaS Services, Supply Chain, Customer Experience, Connected Plants, and Sustainability.
- Our associates have acquired over 94,000 certifications on the three major hyperscaler platforms.
- We won two Awards at NASSCOM Cloud Summit '22 for Sustainability and for Customer / Citizen Strategy.



Cloud

We are seeing the next wave of Cloud adoption by enterprises as they seek to leverage the Cloud as a strong innovation enabler. Our Cloud units continued to see very strong growth led by services for cloud migration & modernization, hybrid cloud adoption, managed services & governance.



Cyber Security

Focus during the quarter was to uplift and automate the invested 'defense in depth' security architecture and processes while ensuring agility in tackling adverse events through Threat Surface management & Automation. Customers are looking to us to help them with Cyber audits and assessments, threat intelligence, and Digital Identity Management. Growth for the quarter was led by Managed Security Services and Enterprise Vulnerability Management.



Cognitive Business Operations

Strong bookings in this quarter led by several large deals reflecting the robust demand for our services. Our next-gen integrated MFDM™ led operations services leveraging Cognix™ continued to see strong adoption. We are seeing a trend among our customers of vendor consolidation and managed services across functions to enable optimization, co-innovation, faster decisions with intelligent analytics, and better user experience. Growth for the quarter was led by Supply Chain, F&A, and Digital Workplace services.



Enterprise Application Services

We are seeing increased SaaS adoption to improve the experience across sales & service channels, improve employee engagement, and derive better business insights. Our services leveraging TCS Crystallus™ are delivering business value through industry innovations across the enterprise. Growth during the quarter was led by Salesforce, SAP, and Niche SaaS Platform Services in the areas of human capital management, supply chain & CRM.



Consulting & Services Integration

Demand for Consulting services focused on strategic growth and transformation offerings, validating our value proposition. Next-Gen ERP Transformation, Supply Chain and Cloud Strategy led the growth during the quarter.

Client Parameters

Clients Contribution	Q3 FY22	Q3 FY23
US\$ 1m+ Clients	1175	1217
US\$ 5m+ Clients	619	658
US\$ 10m+ Clients	426	456
US\$ 20m+ Clients	255	290
US\$ 50m+ Clients	118	130
US\$ 100m+ Clients	58	59

*Last Twelve Months' services revenues

Key Highlights (1/2)

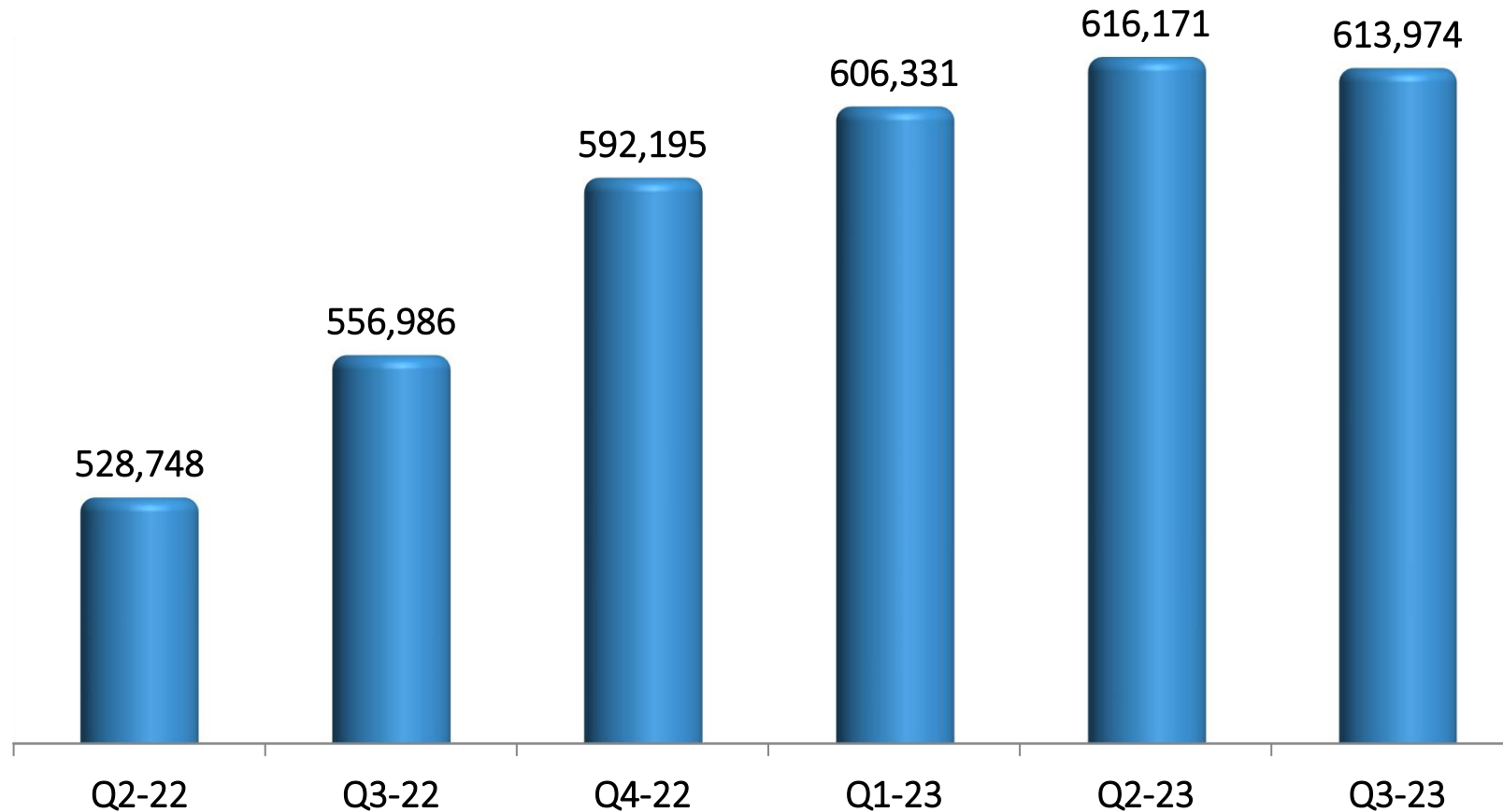
- **AGL**, Australia's largest energy provider, is transforming into a multi-service retailer. AGL has selected TCS as the partner for the Retail Next Program, which lays the foundation for their new business strategy. The program will aim to create a new unified platform for CRM, product catalogue and process automation. TCS brings together cross-industry expertise like service bundling and retail customer analytics, in addition to deep knowledge of utilities which will help AGL to deliver an improved speed to market, transform consumer and agent experience, and unlock operational efficiency.
- Chosen by **Rail Delivery Group**, UK's leading rail industry membership body, for the creation of a Rail Data Marketplace. TCS will leverage the data syndication, monetization and marketplace features of its DeXAM platform on a leading hyperscaler platform to combine fragmented sources of rail data forming one digital service. This will optimize the sharing of data and real-time information to passengers and operational bodies, improve transparency and enable a UK-wide railway innovation ecosystem.
- Engaged by an American energy company to modernize its ERP landscape and support as part of their cloud journey. TCS will leverage its contextual knowledge and technical expertise to deliver a future-ready, stable and secure digital core. This will improve agility and productivity with enhanced business processes.
- Selected by a US based pharmaceutical distributor, to support their expansion into emerging markets. TCS will leverage its deep domain and contextual knowledge to build the digital core on a leading cloud ERP SaaS platform.
- Selected by an American flavors supplier as the preferred partner for seamless M&A execution. TCS will lead this with its proprietary consulting approach as it impacts a large portion of customers business and deliver multi-million-dollar TSA (Transition Service Agreements) cost-savings.
- Having become a preferred transformation partner of choice to a leading US-based media and entertainment company, TCS has won a multi-year deal to strategically transform, manage and consolidate billing and payments platforms along the client's digital convergence roadmap. TCS will be driving the transformation to next-gen billing and is enabling both biller independence and biller convergence under the stewardship of our Transformation and Value management office.
- Engaged by a European life and material science company to lead the global integration of one of their largest acquisitions. TCS is responsible for the end-to end integration of warehouses and factories. TCS' consulting capabilities spearheaded by its Transformation Management Office (TMO) will enable faster realization of synergies and further serve as the foundation for future M&A.
- Selected by a leading European retailer to provide superior and high availability ERP Operations services with unified business services monitoring. The new services will enable superior customer experience across channels and brands while also transforming the process by leveraging the synergies across technology services and high degrees of automation
- Engaged by a global health and hygiene products manufacturer as the strategic partner for their manufacturing operations transformation. TCS will provide end-to-end design and implementation of new age Manufacturing Execution Systems leveraging strong technology and domain expertise, and contextual knowledge. This will help the customer achieve zero-loss operations, improved overall efficiency and quality.
- Chosen by a global manufacturer of automotive electronics and infotainment systems as the strategic partner to collaborate in product development, HMI (Human Machine Interface), functional safety and cyber security.

Key Highlights (2/2)

- TCS has expanded its decade-long partnership with **Marks & Spencer plc** as they continue to transform their business. TCS will work with the M&S Tech team to simplify the retailer's technology landscape and modernize core business systems using a cloud first and composable platform strategy, enabling faster time to value. TCS will leverage its industry-leading engineering talent and practices to drive a culture of empowered teams and continuous innovation, helping deliver superior customer experience.
- **BT Group**, UK's leading provider of fixed and mobile telecommunications, announced a new partnership with TCS for its Digital Unit to boost its modernization plans. TCS will manage and ramp down over 70% of Digital's legacy technology estate and boost its capacity to accelerate the build of its new strategic technology architecture, supporting the Group's growth.
- Selected by a leading global electronics solution provider to support their end-to-end global IT infrastructure. TCS will implement a reimagined and lean operating model by leveraging substantive contextual knowledge and technology expertise in hybrid Cloud, hyper-automation & AIOps. This will enable business agility, faster time to market and an enriched user experience.
- Chosen by an American multinational appliances manufacturer, as the strategic cyber security partner for the entire group. TCS will provide risk assessment, identity & access management and vulnerability management by leveraging its contextual knowledge, Cyber Defense Suite and threat surface reduction framework.
- Chosen by a leading Brazilian energy provider to modernize and transform its core enterprise applications. TCS will leverage its expertise, contextual knowledge, accelerators and partnership to integrate a leading ERP SaaS solution with their other satellite solutions. This will enable greater automation, business agility and improve end-user experience and security.
- Selected by **Gilead Sciences**, a leading American biopharmaceutical company as a long-term strategic partner to provide business process management services across regulatory affairs and patient safety globally. This will help Gilead to significantly scale their capabilities to meet the growing development pipeline.
- Selected by a leading European telecom company as the partner in their OSS (operations support systems) transformation. TCS will simplify and modernize their application landscape and service assurance processes on a leading hyperscaler and leverage data and insights. This future-ready ecosystem will enable the client to implement zero-touch operations, reduce time-to-market and expand into new 5G-based growth areas.
- Selected by an American multinational luxury fashion holding company as a partner to drive their digital growth with a newer business model pivoting from in-store to e-commerce. TCS will transform operations leveraging TCS Cognix™ powered by MFDM™ to drive improved business outcomes and customer experience.
- Led the transformation of the Worldwide Incentive Compensation program for **Microsoft**, towards enabling the right sales strategy and motivating sales teams with accurate incentives and compensation. TCS designed and deployed a managed services solution to support incentives for all the Sales personnel, managing Payout as a process, Target delivery as a process and helping with support. The TCS solution is helping the field sales personnel understand their sales plans better, learn how to maximize earnings, ensure they receive their rewards accurately and on time resulting in higher motivation, productivity and sales.

Human Resources

Total Employee Base



Attrition*:

- **21.3%** (LTM), IT Services

Diversity:

- Women employees: **35.7%**
- Nationalities: **153**

*Excluding Subsidiaries

Talent Development:

- **11.4 Mn** Learning Hrs in Q3'23
- **498K** Digital Trained Associates
- **562K** Agile Trained Associates

Annexure

IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Revenue	488,850	582,290	100.00	100.00
Cost of revenue	293,320	349,080	60.00	59.96
Gross margin	195,530	233,210	40.00	40.04
SG & A expenses	73,160	90,370	14.97	15.51
Operating income	122,370	142,840	25.03	24.53
Other income (expense), net	9,540	3,600	1.95	0.62
Income before income taxes	131,910	146,440	26.98	25.15
Income taxes	33,850	37,610	6.92	6.46
Income after income taxes	98,060	108,830	20.06	18.69
Non-controlling interests	370	370	0.08	0.06
Net income	97,690	108,460	19.98	18.63
Earnings per share in ₹	26.41	29.64		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Employee cost	211,620	251,940	43.29	43.27
Fees to external consultants	43,770	53,470	8.95	9.19
Equipment and software	4,320	6,430	0.88	1.10
Facility expenses	3,610	4,110	0.74	0.71
Depreciation	9,310	9,660	1.90	1.66
Travel	4,610	4,560	0.94	0.78
Communication	3,750	3,790	0.77	0.65
Other expenses	12,330	15,120	2.53	2.60
Cost of Revenue	293,320	349,080	60.00	59.96

SGA	₹ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Employee cost	60,060	72,730	12.29	12.49
Fees to external consultants	1,420	1,320	0.29	0.22
Facility expenses	2,120	2,650	0.43	0.46
Depreciation	2,650	3,040	0.54	0.52
Travel	510	2,750	0.10	0.47
Communication	1,350	2,260	0.28	0.39
Provision for Doubtful Debts	420	430	0.09	0.07
Other expenses	4,630	5,190	0.95	0.89
S G & A expenses	73,160	90,370	14.97	15.51

Cash Flow Summary

IFRS in ₹ Mn	Q3 FY22	Q3 FY23
Net Cash from Operations	108,530	111,540
Capital Expenditure	9,100	9,390
Free Cash Flow	99,430	102,150
Dividends Paid	25,890	29,270
Operating Cash Flow to Sales (%)	22.2	19.2
Operating Cash Flow to Net Profit (%)	111.1	102.8
Total Cash and Investments	669,850	669,240

IFRS Statement of Financial Position

Consolidated IFRS (₹ Million)	31-Mar-22	31-Dec-22
Assets		
Property and equipment	120,800	117,710
Right-of-use Assets	76,360	73,880
Intangible assets and Goodwill	50,360	49,180
Accounts Receivable	342,190	410,040
Unbilled Revenues	122,100	144,320
Invested Funds	560,530	669,240
Other current assets	79,210	55,900
Other non current assets	84,790	86,960
Total assets	1,436,340	1,607,230
Liabilities and Shareholders' Equity		
Shareholders' Funds	912,590	1,082,440
Other current liabilities	423,510	425,120
Other non-current liabilities	93,170	92,170
Non-controlling interests	7,070	7,500
Total Liabilities	1,436,340	1,607,230

Detailed financials are uploaded.

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Revenue	6,524	7,075	100.00	100.00
Cost of revenue	3,915	4,241	60.00	59.96
Gross margin	2,609	2,834	40.00	40.04
SG & A expenses	976	1,098	14.97	15.51
Operating income	1,633	1,736	25.03	24.53
Other income (expense), net	127	44	1.95	0.62
Income before income taxes	1,760	1,780	26.98	25.15
Income taxes	452	457	6.92	6.46
Income after income taxes	1,308	1,323	20.06	18.69
Non-controlling interests	5	5	0.08	0.06
Net income	1,303	1,318	19.98	18.63
Earnings per share in \$	0.35	0.36		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Employee cost	2,824	3,061	43.29	43.27
Fees to external consultants	584	650	8.95	9.19
Equipment and software	58	78	0.88	1.10
Facility expenses	48	50	0.74	0.71
Depreciation	124	117	1.90	1.66
Travel	62	55	0.94	0.78
Communication	50	46	0.77	0.65
Other expenses	165	184	2.53	2.60
Cost of Revenue	3,915	4,241	60.00	59.96

SGA	\$ Million		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Employee cost	801	884	12.29	12.49
Fees to external consultants	19	16	0.29	0.22
Facility expenses	28	32	0.43	0.46
Depreciation	35	37	0.54	0.52
Travel	7	33	0.10	0.47
Communication	18	28	0.28	0.39
Provision for Doubtful Debts	6	5	0.09	0.07
Other expenses	62	63	0.95	0.89
SG&A expenses	976	1,098	14.97	15.51

IFRS Statement of Financial Position in USD

Consolidated IFRS (\$ Million)	31-Mar-22	31-Dec-22
Assets		
Property and equipment	1,596	1,423
Right-of-use Assets	1,009	893
Intangible assets and Goodwill	665	595
Accounts Receivable	4,520	4,955
Unbilled Revenues	1,613	1,745
Invested Funds	7,405	8,089
Other current assets	1,047	673
Other non current assets	1,117	1,051
Total assets	18,972	19,424
Liabilities and Shareholders' Equity		
Shareholders' Funds	12,053	13,079
Other current liabilities	5,593	5,138
Other non-current liabilities	1,231	1,114
Non-controlling interests	95	93
Total Liabilities	18,972	19,424

Detailed financials are uploaded.

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
Revenue	48,885	58,229	100.00	100.00
Expenditure				
a) Employee Costs	27,168	32,467	55.58	55.76
b) Cost of equipment and software licences	432	643	0.88	1.10
c) Other Operating expenses	7,852	9,566	16.06	16.43
d) Depreciation	1,196	1,269	2.45	2.18
Total Expenditure	36,648	43,945	74.97	75.47
Profit Before Taxes & Other Income	12,237	14,284	25.03	24.53
Other income (expense), net	954	360	1.95	0.62
Profit Before Taxes	13,191	14,644	26.98	25.15
Provision For Taxes	3,385	3,761	6.92	6.46
Profit After Taxes & Before Non-controlling interests	9,806	10,883	20.06	18.69
Non-controlling interests	37	37	0.08	0.06
Net Profit	9,769	10,846	19.98	18.63
Earnings per share in ₹	26.41	29.64		

Ind AS Balance Sheet – Consolidated

Consolidated Ind AS	₹ Crore	
	31-Mar-22	31-Dec-22
Assets		
Property and equipment	11,979	11,634
Right-of-use Assets	7,636	7,388
Intangible assets and Goodwill	2,888	2,770
Accounts Receivable	34,219	41,004
Unbilled Revenues	12,210	14,432
Invested Funds	56,053	66,924
Other current assets	7,921	5,590
Other non current assets	8,608	8,861
Total Assets	141,514	158,603
Liabilities and Shareholders' Equity		
Shareholders' Funds	89,139	106,124
Other current liabilities	42,351	42,512
Other non-current liabilities	9,317	9,217
Non-controlling interests	707	750
Total Liabilities	141,514	158,603

Detailed financials are uploaded.

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q3 FY22	Q3 FY23	Q3 FY22	Q3 FY23
USD	74.93	82.30	53.12%	56.37%
GBP	100.90	98.05	13.40%	12.69%
EUR	85.38	85.06	11.80%	10.64%
Others			21.68%	20.30%
Total			100.00%	100.00%

Thank you