

TCS Financial Results

Quarter I FY 2022-23

July 08, 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.

Q1 FY23 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **527,580 Mn, up 16.2% YoY**
- USD Revenue of \$ **6,780 Mn, up 10.2% YoY**
- Constant currency revenue **up 15.5% YoY**

➤ Profit:

- Operating Margin at **23.1%**
- Net Margin at **18.0%**
- Cash flow from operations at **114.1%** of net profit

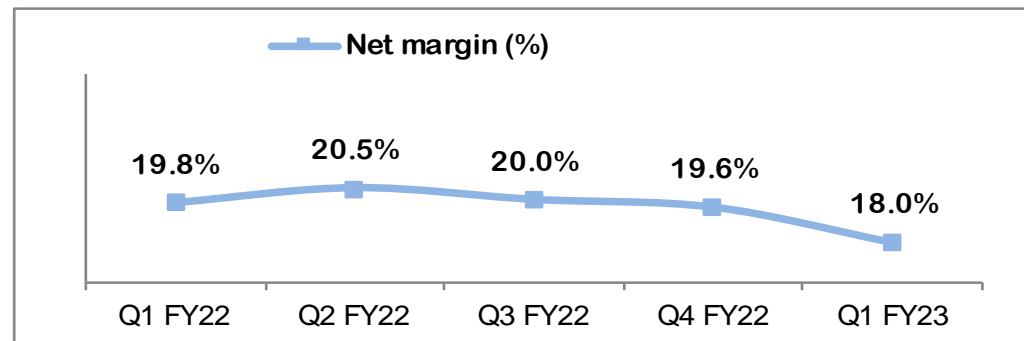
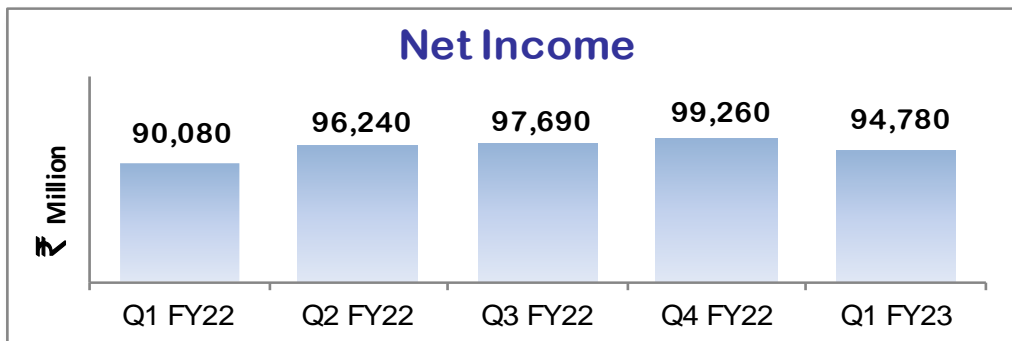
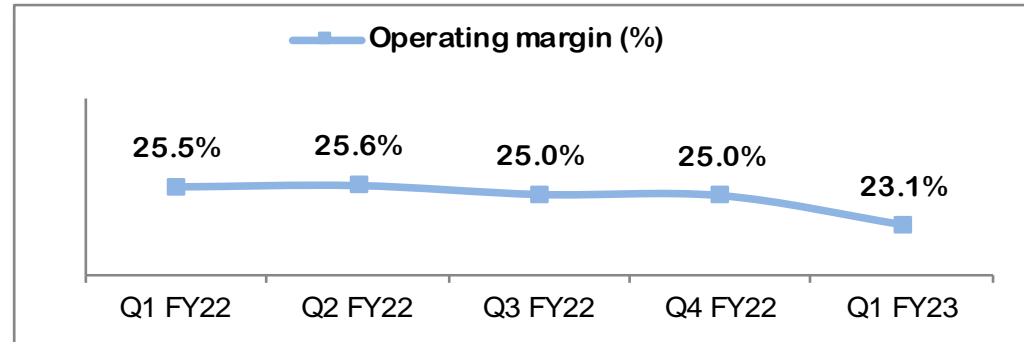
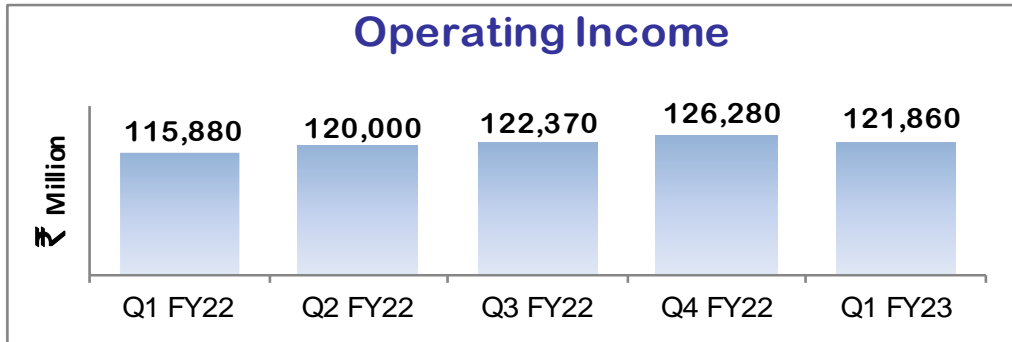
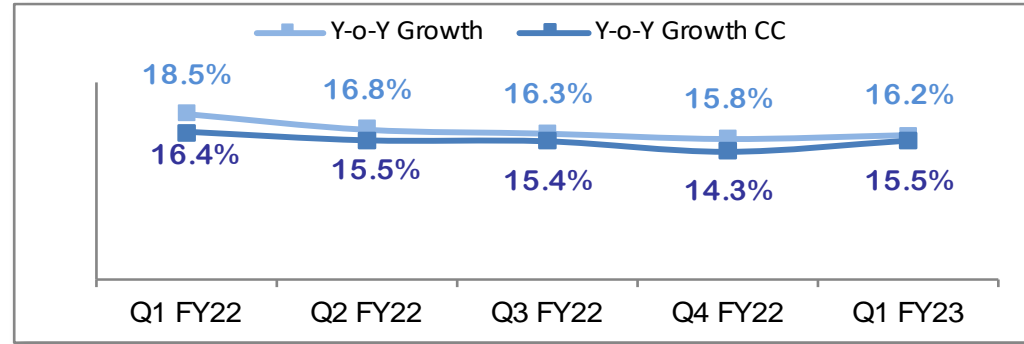
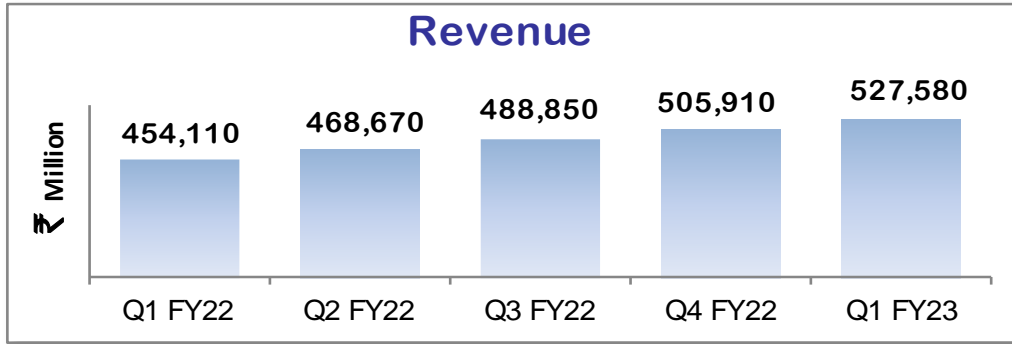
➤ Demand:

- Clients \$100M+ up by 9 ; \$50M+ up by 19 ; \$10M+ up by 41 & \$1M+ up by 78 YoY

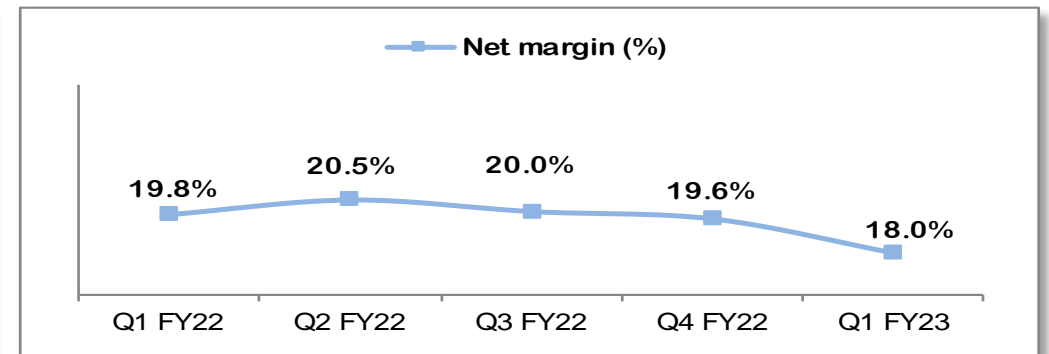
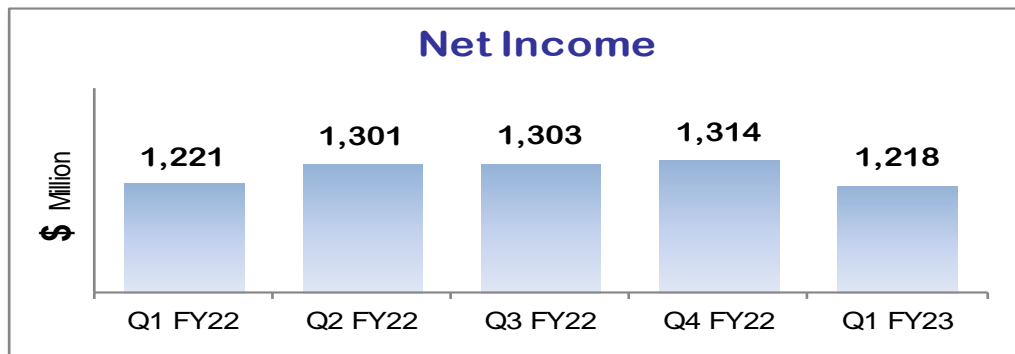
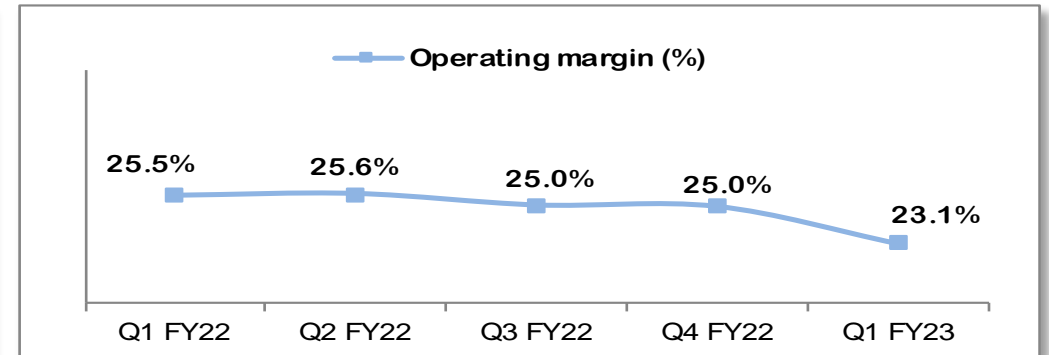
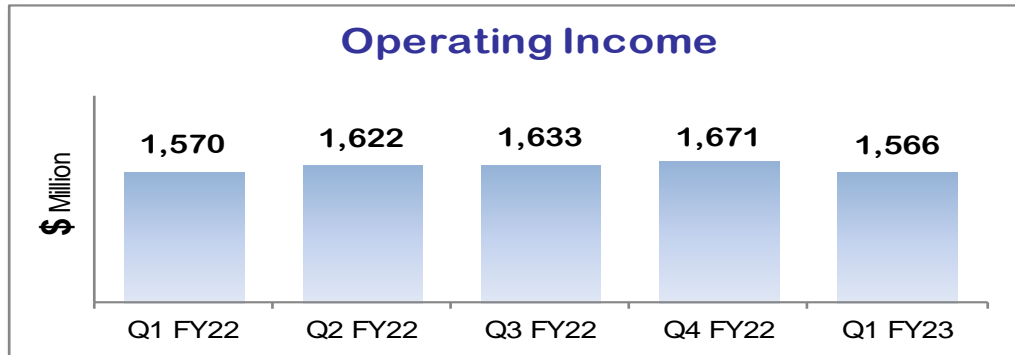
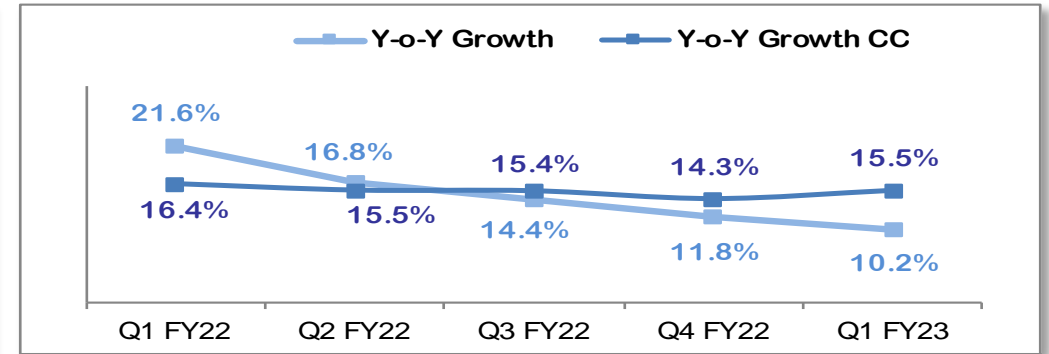
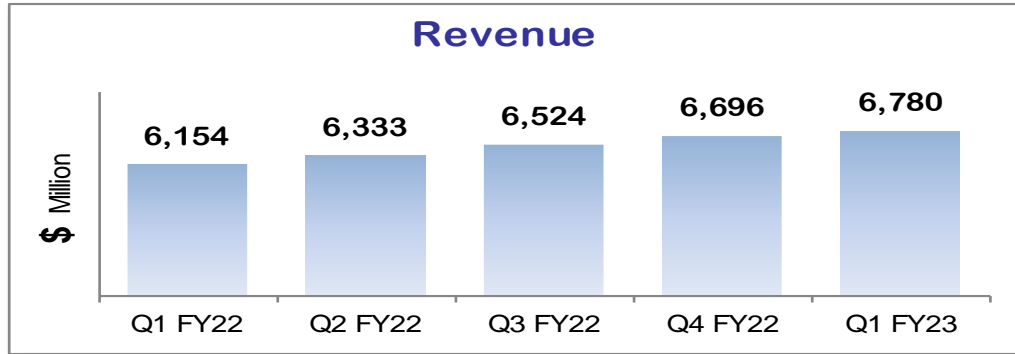
➤ People:

- Net addition of **14,136** associates during the quarter, closing headcount: **606,331**
- LTM attrition at **19.7%** in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters

Growth by Market

Geography (%)	Q1 FY22	Q1 FY23	Y-o-Y CC Growth
Americas			
North America	49.4	53.2	19.1
Latin America	1.6	1.8	21.6
Europe			
UK	16.3	14.9	12.6
Continental Europe	16.7	15.2	12.1
Asia Pacific			
India	4.6	4.8	20.8
MEA	2.1	1.8	3.2
Total	100.0	100.0	15.5

Growth by Domain

Vertical (%)	Q1 FY22	Q1 FY23	Y-o-Y CC Growth
BFSI	32.4	32.1	13.9
Retail & CPG	14.7	15.9	25.1
Life Sciences & Healthcare	10.2	10.1	11.9
Manufacturing	9.8	9.9	16.4
Technology & Services	8.6	8.8	16.4
Communication & Media	6.6	6.8	19.6
Regional Markets & Others	17.7	16.4	9.8
Total	100.0	100.0	15.5

Service Lines Commentary – Q1 FY23

- We saw strong, broad-based growth for our services led by Cloud, Consulting, Cognitive Business Operations and Enterprise Application Services.
- Customer experience, cloud modernization & sustainability are the themes that led the G&T demand during the quarter.
- Recognitions for TCS as a leading Cloud GSI continued from all partners:
 - TCS won 3 global Microsoft Partner of the Year Awards, and 3 regional awards.
 - TCS won the AWS GSI Partner of the Year for ANZ.
 - TCS won the Google Industry Solutions Partner of the Year for Retail, and Global Partner of the Year for D&I.
- We have over 71K Cloud hyperscaler certifications, among the highest in the industry.

Cloud

Strong growth as our clients are actively investing in Hybrid IT strategies and multi-horizon cloud transformation initiatives. Our cloud services including: infra, app & data modernization, operating model transformation & business transformations saw strong resonance. Our full services play, and contextualised solutions enable clients to adapt to continuously changing business and regulatory requirements while accelerating the journey to the cloud. Hyperscaler partnerships continue to strengthen and expand as we progress on several of the joint GTM initiatives.

Enterprise Application Services

Clients continue to invest in Cloud ERP modernization to improve customer and employee experience on their growth and transformation journeys. Growth for the quarter was led by SAP (Cloud, S/4 HANA), Salesforce & Digital Process Management Services. Our industry solutions powered by TCS Crystallus™ continues to resonate strongly with our clients.

Cognitive Business Operations

Growth propelled by several large deals driving digital transformation of operations for customers, across Data Center & Network Services, Customer Experience Management, HR Operations, Supply Chain, Digital Workplace and Industry specific operations. Continuing trends of Vendor consolidation, Multi-Services & Integrated Operations drove demand. TCS extensive contextual knowledge and sophisticated assets like Cognix™, MFDM™ and ignio™ are helping drive agility for enterprises.

Consulting & Services Integration

Strong growth led by Finance & Shared Services, Supply Chain, NextGen Enterprise Transformation and Cloud Strategy & Transformation. We have good demand momentum across services and a strong pipeline, as our customers continue to entrust strategic transformation programs to us.

TCS Interactive

As clients are sharpening their focus on leveraging experience as a differentiator, TCS interactive continues to see strong demand in design led digital experience services across B2B & B2C segments and renewed interest in D2C initiatives by traditional B2B companies. Key services that led the growth in this quarter include Design led Transformation services and Digital Marketing. TCS won the Adobe 'Digital Experience' Partner of the year award.

Cyber Security

Cyber Defense Suite continues to gain adoption with new wins and opportunities. We saw continued demand for managed services in security support, upgrades and monitoring & operations with a reinforcement of focus in all round reduction and management of cyber threats using risk prioritized investments. IAM modernization, Fraud Prevention & Digital Forensics Services led growth during the quarter.

Client Parameters

Clients Contribution	Q1 FY22	Q1 FY23
US\$ 1m+ Clients	1118	1196
US\$ 5m+ Clients	586	650
US\$ 10m+ Clients	405	446
US\$ 20m+ Clients	241	272
US\$ 50m+ Clients	105	124
US\$ 100m+ Clients	50	59

*Last Twelve Months' services revenues

Key Highlights

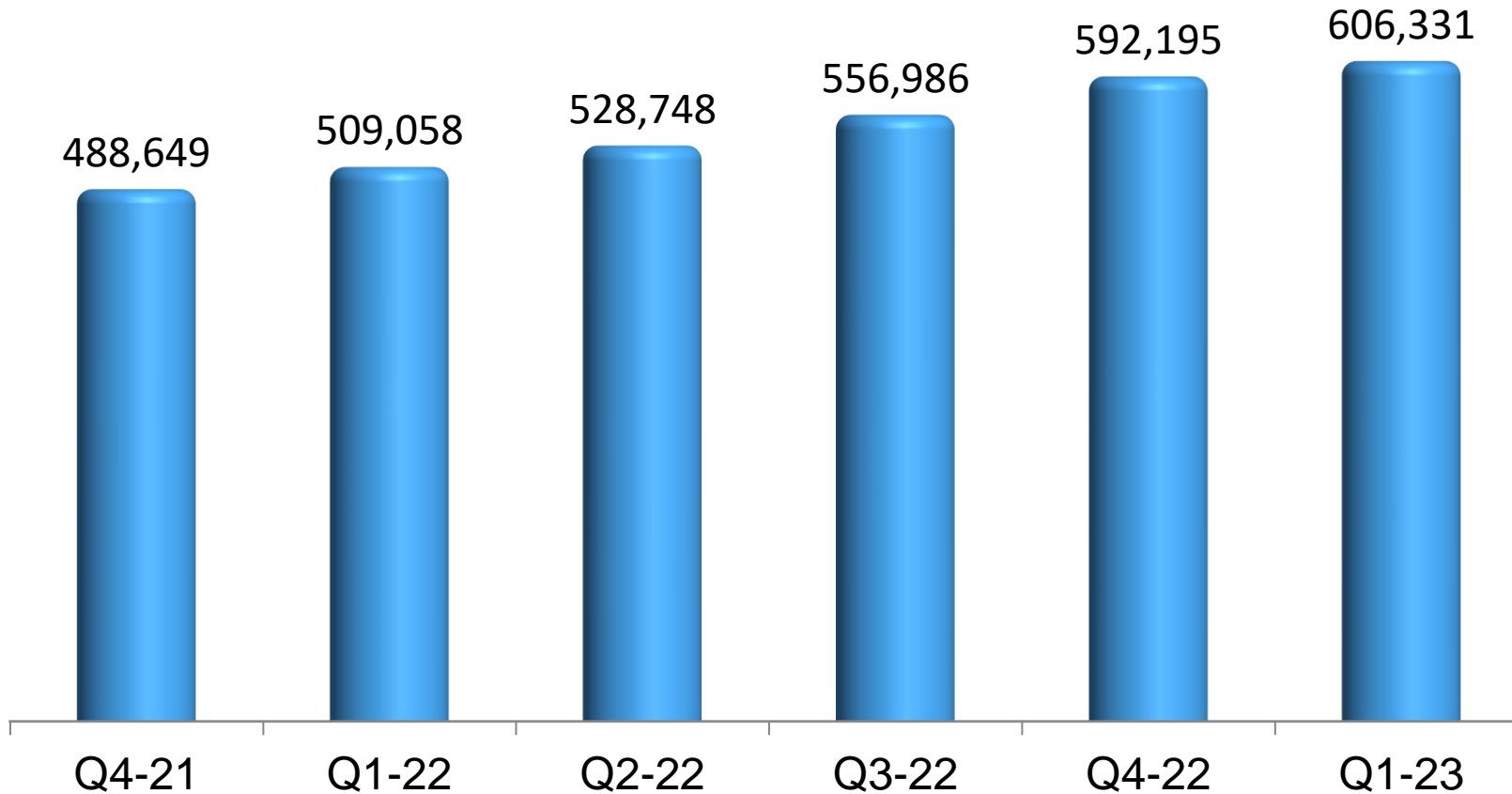
- Selected by a leading US based freight railroad operator, as a strategic partner to transform their complete IT landscape & support their operations, locomotives, and assets to enhance employee experience and productivity. TCS will leverage ignio™, Cognix™ and MFD™ as part of its "Right-fit Automation" for Digital Operations.
- Selected by a global leader in HR services, to provide a consolidated cloud-based Infrastructure as a Service for consumption across its Global and local operating companies. As part of this engagement, TCS will be responsible for centralizing all Cloud consumption, standardize the operating processes and bring efficiency in usage.
- Selected by **Outokumpu**, a Finland based global leader in sustainable stainless steel, to transform its IT landscape with an agile and secure cloud-based digital core to reduce its carbon footprint and support its strategic aspirations.
- Selected by **HellermannTyton**, subsidiary of Aptiv PLC, a technology company focused on shaping the future of mobility, as their strategic partner to Transform their IT Infrastructure Operations and management, by bringing in business aligned, scalable, secure, digitally automated operations through Technology Transformation and Consolidation.
- Selected by a leading American pharmaceuticals distributor as the strategic transformation partner with a focus on patient care & experience, supply chain resilience, and agility in new product introduction. TCS will establish a strong IT foundation and transform the IT operating model across the full stack of application, data, infrastructure & security, and will also streamline operational processes. TCS will leverage its assets & investments including ignio™, Cognix™ powered by MFD™, TCS' Cloud, TNaaS™, and Cognitive Bots to address both near-term and long-term client priorities, accelerating business growth.
- Selected by a Japanese multinational pharmaceutical company for their HR transformation initiative. Leveraging TCS Crystallus™ for Experience Transformation, TCS will enable enhanced employee engagement, retention, and recognition within the organization.
- Selected by a North America Energy Infrastructure client as a strategic partner for the digital transformation of Finance, Supply Chain and Asset Work Management functions. TCS will drive adoption of the industry best practices to align ERP processes, data and systems across the enterprise to deliver next-gen user experience leveraging a leading ERP Cloud platform along with asset management platform.
- Selected by **Scottish Power Energy Retail Limited**, part of the Iberdrola group, to help bring Customer Experience Transformation. TCS will adopt a 'Digital First' approach leveraging Cognix™, MFD™ and deep contextual knowledge to help provide an omni-channel personalized customer experience.
- Selected by a Large Global Oil & Gas Industry client as the Global Digital Engineering partner. TCS will bring its IoT and Digital Engineering solutions to modernize their Drilling, Well Construction and Production Systems and provide innovation in Digital Transformation Initiatives. This will enable our Client to offer innovative connected solution to their End customers-delivering improved productivity and safety.
- A leading global payment provider has selected TCS for building a new extensible and scalable Benefits platform for CEMEA (Central Europe, Middle East and Africa). The new platform will enable improved benefits management, transform experience for card holders and Issuers, enable easy onboarding of new partners, scalable to meet planned growth in the region, and provide an API portal to leverage services from technology partners (building ecosystem).
- TCS has been selected as a strategic partner by **Student Loans Company's (SLC) Technology Group**, to enable the lender's transformation through delivery of strategic technology capabilities. A key focus will be on enabling the journey to the cloud through the delivery and support of SLC's new Software-as-a-Service (SaaS) technologies and expanding its enterprise integration platform.

"TCS is truly a collaborative and strategic partner that helped develop our technology platform. Our vision is "Powering the safest and most seamless customer experience of any global alliance". TCS brings transformational ability driven by its technology and domain experience globally, which is essential for our success." - **Andy Lui, CIO, SkyTeam**

"We are delighted to be partnering with TCS to help support the transformation of our service. We share a common desire to create digital channels that make a difference in serving all our customers, both businesses and consumers, by increasing accessibility to our service and improving our response times. Working with a world leader in technology services and digital delivery, whose values reflect our own, is a significant milestone in our digital journey and we are looking forward to delivering on our ambitious plans." - **Nicola Wadham, CIO, The Financial Ombudsman Service**

Human Resources

Total Employee Base



Attrition*:

- 19.7 % (LTM), IT Services

Diversity:

- Women employees: 35.5%
- Nationalities: 153

*Excluding Subsidiaries

Talent Development:

- ~12Mn Learning Hrs in Q1'23
- 497K Digital Trained Associates
- 551K Agile Trained Associates

Annexure

IFRS Income Statement

Consolidated IFRS	₹ Million		%of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Revenue	454,110	527,580	100.00	100.00
Cost of revenue	270,800	324,890	59.63	61.58
Gross margin	183,310	202,690	40.37	38.42
SG & A expenses	67,430	80,830	14.85	15.32
Operating income	115,880	121,860	25.52	23.10
Other income (expense), net	5,750	5,900	1.26	1.12
Income before income taxes	121,630	127,760	26.78	24.22
Income taxes	31,320	32,570	6.90	6.17
Income after income taxes	90,310	95,190	19.88	18.05
Non-controlling interests	230	410	0.05	0.08
Net income	90,080	94,780	19.83	17.97
Earnings per share in ₹	24.35	25.90		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Employee cost	201,570	236,850	44.39	44.89
Fees to external consultants	37,470	51,000	8.25	9.67
Equipment and software	2,580	2,170	0.57	0.41
Facility expenses	3,340	3,880	0.73	0.74
Depreciation	8,400	9,360	1.85	1.77
Travel	2,760	4,290	0.61	0.81
Communication	3,720	3,550	0.82	0.67
Other expenses	10,960	13,790	2.41	2.62
Cost of Revenue	270,800	324,890	59.63	61.58

SGA	₹ Million		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Employee cost	54,920	66,410	12.09	12.59
Fees to external consultants	1,530	1,840	0.34	0.35
Facility expenses	1,820	2,210	0.40	0.42
Depreciation	2,360	2,950	0.52	0.56
Travel	690	1,300	0.15	0.24
Communication	1,260	1,380	0.28	0.26
Provision for Doubtful Debts	410	150	0.09	0.03
Other expenses	4,440	4,590	0.98	0.87
S G & A expenses	67,430	80,830	14.85	15.32

Cash Flow Summary

IFRS in ₹ Mn	Q1 FY22	Q1 FY23
Net Cash from Operations	102,960	108,100
Capital Expenditure	5,460	7,420
Free Cash Flow	97,500	100,680
Dividends Paid	55,870	80,910
Buy Back (incl. expenses)	-	41,920
Operating Cash Flow to Sales (%)	22.7	20.5
Operating Cash Flow to Net Profit (%)	114.3	114.1
Total Cash and Investments	543,600	527,600

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-22		30-Jun-22	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	120,800	8.41	119,860	8.40
Right-of-use Assets	76,360	5.32	75,510	5.29
Intangible assets and Goodwill	50,360	3.51	48,720	3.41
Accounts Receivable	342,190	23.82	358,620	25.14
Unbilled Revenues	122,100	8.50	135,160	9.48
Investments	304,850	21.23	327,120	22.93
Cash and Cash equivalents	124,880	8.70	55,750	3.91
Other current assets	195,020	13.58	208,300	14.59
Other non current assets	99,780	6.93	97,640	6.85
Total assets	1,436,340	100.00	1,426,680	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	912,590	63.53	919,820	64.46
Other current liabilities	423,510	29.48	407,230	28.55
Other non-current liabilities	93,170	6.49	93,060	6.52
Non-controlling interests	7,070	0.50	6,570	0.47
Total Liabilities	1,436,340	100.00	1,426,680	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Revenue	6,154	6,780	100.00	100.00
Cost of revenue	3,670	4,175	59.63	61.58
Gross margin	2,484	2,605	40.37	38.42
SG & A expenses	914	1,039	14.85	15.32
Operating income	1,570	1,566	25.52	23.10
Other income (expense), net	78	76	1.26	1.12
Income before income taxes	1,648	1,642	26.78	24.22
Income taxes	424	419	6.90	6.17
Income after income taxes	1,224	1,223	19.88	18.05
Non-controlling interests	3	5	0.05	0.08
Net income	1,221	1,218	19.83	17.97
Earnings per share in \$	0.33	0.33		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Employee cost	2,732	3,044	44.39	44.89
Fees to external consultants	508	655	8.25	9.67
Equipment and software	35	28	0.57	0.41
Facility expenses	45	50	0.73	0.74
Depreciation	114	120	1.85	1.77
Travel	37	55	0.61	0.81
Communication	50	46	0.82	0.67
Other expenses	149	177	2.41	2.62
Cost of Revenue	3,670	4,175	59.63	61.58

SGA	\$ Million		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Employee cost	744	854	12.09	12.59
Fees to external consultants	21	24	0.34	0.35
Facility expenses	25	28	0.40	0.42
Depreciation	32	38	0.52	0.56
Travel	9	16	0.15	0.24
Communication	17	18	0.28	0.26
Provision for Doubtful Debts	6	2	0.09	0.03
Other expenses	60	59	0.98	0.87
SG&A expenses	914	1,039	14.85	15.32

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-22		30-Jun-22	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,596	8.41	1,518	8.40
Right-of-use Assets	1,009	5.32	956	5.29
Intangible assets and Goodwill	665	3.51	617	3.41
Accounts Receivable	4,520	23.82	4,543	25.14
Unbilled Revenues	1,613	8.50	1,712	9.48
Investments	4,027	21.23	4,144	22.93
Cash and Cash equivalents	1,650	8.70	706	3.91
Other current assets	2,577	13.58	2,636	14.59
Other non current assets	1,315	6.93	1,237	6.85
Total assets	18,972	100.00	18,069	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	12,053	63.53	11,648	64.46
Other current liabilities	5,593	29.48	5,158	28.55
Other non-current liabilities	1,231	6.49	1,178	6.52
Non-controlling interests	95	0.50	85	0.47
Total Liabilities	18,972	100.00	18,069	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
Revenue	45,411	52,758	100.00	100.00
Expenditure				
a) Employee Costs	25,649	30,327	56.48	57.48
b) Cost of equipment and software licences	258	217	0.57	0.41
c) Other Operating expenses	6,841	8,798	15.06	16.68
d) Depreciation	1,075	1,230	2.37	2.33
Total Expenditure	33,823	40,572	74.48	76.90
Profit Before Taxes & Other Income	11,588	12,186	25.52	23.10
Other income (expense), net	575	590	1.26	1.12
Profit Before Taxes	12,163	12,776	26.78	24.22
Provision For Taxes	3,132	3,257	6.90	6.17
Profit After Taxes & Before Non-controlling interests	9,031	9,519	19.88	18.05
Non-controlling interests	23	41	0.05	0.08
Net Profit	9,008	9,478	19.83	17.97
Earnings per share in ₹	24.35	25.90		

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-22	30-Jun-22	31-Mar-22	30-Jun-22
ASSETS				
Property, plant and equipment	13,080	12,888	9.24	9.17
Right-of-use assets	7,636	7,551	5.40	5.37
Investments	30,485	32,712	21.54	23.27
Deferred tax assets (net)	3,708	3,498	2.62	2.49
Goodwill (on consolidation)	1,787	1,732	1.26	1.23
Cash and Bank Balance	18,221	10,642	12.88	7.57
Current Assets, Loans and Advances	59,827	64,845	42.28	46.14
Non-current assets, Loans and advances	6,770	6,684	4.78	4.76
Total Assets	141,514	140,552	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	89,139	89,866	62.99	63.94
Non-controlling interests	707	657	0.50	0.47
Deferred tax liabilities (net)	590	665	0.42	0.47
Current liabilities and provisions	42,351	40,723	29.92	28.97
Non-current liabilities and provisions	8,727	8,641	6.17	6.15
Total Liabilities	141,514	140,552	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q1 FY22	Q1 FY23	Q1 FY22	Q1 FY23
USD	73.79	77.81	51.69%	55.59%
GBP	103.13	96.68	14.02%	12.76%
EUR	89.10	82.38	12.52%	11.03%
Others			21.77%	20.62%
Total			100.00%	100.00%

Thank you