

TCS Financial Results

Quarter II FY 2022-23

Oct 10, 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.

Q2 FY23 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ 553,090 Mn, up 18.0% YoY
- USD Revenue of \$ 6,877 Mn, up 8.6% YoY
- Constant currency revenue up 15.4% YoY

➤ Profit:

- Operating Margin at 24.0%
- Net Margin at 18.9%
- Cash flow from operations at 102.3% of net profit

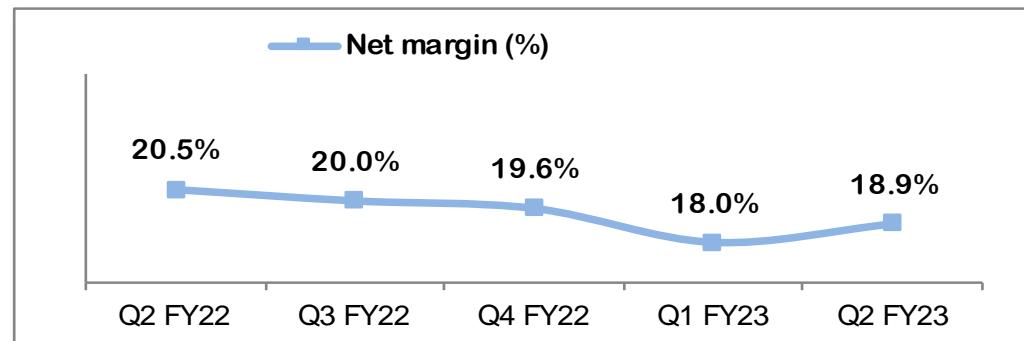
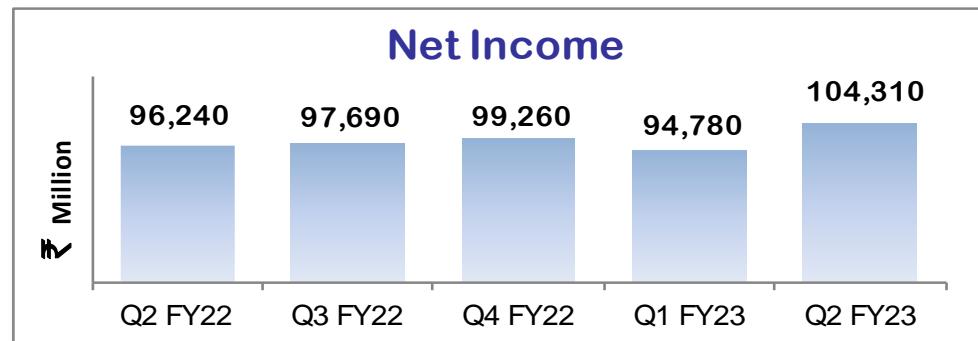
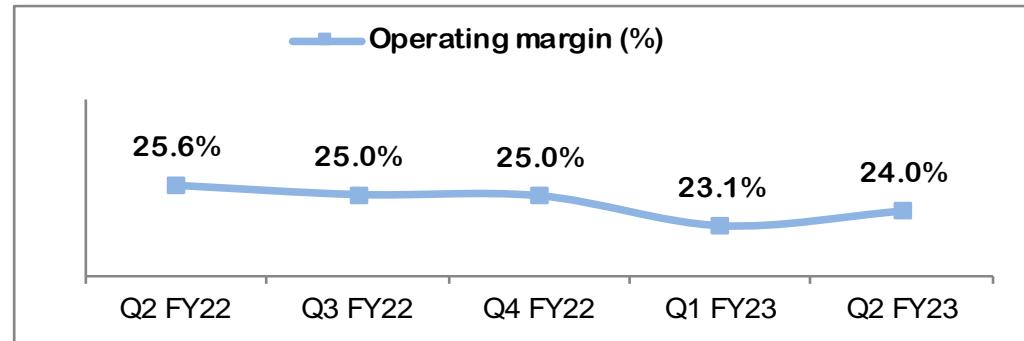
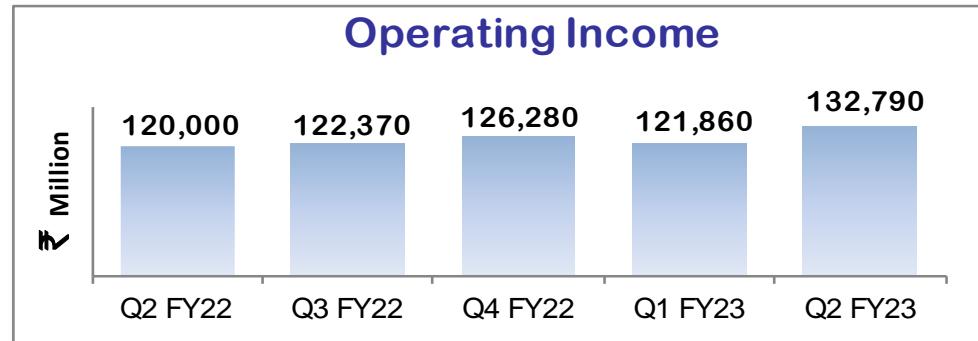
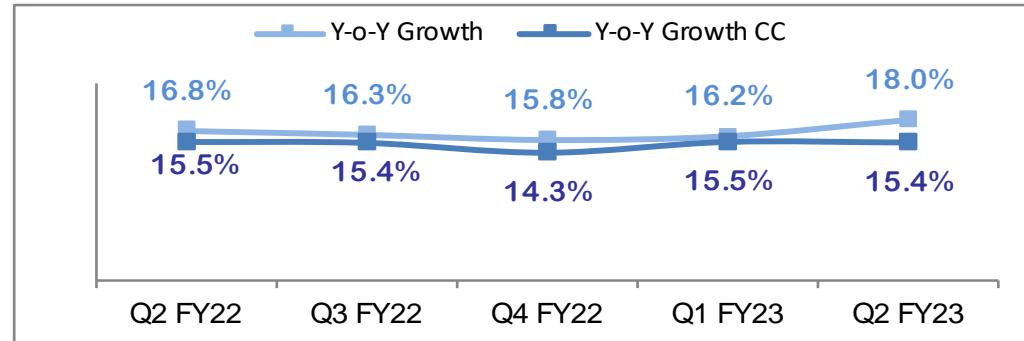
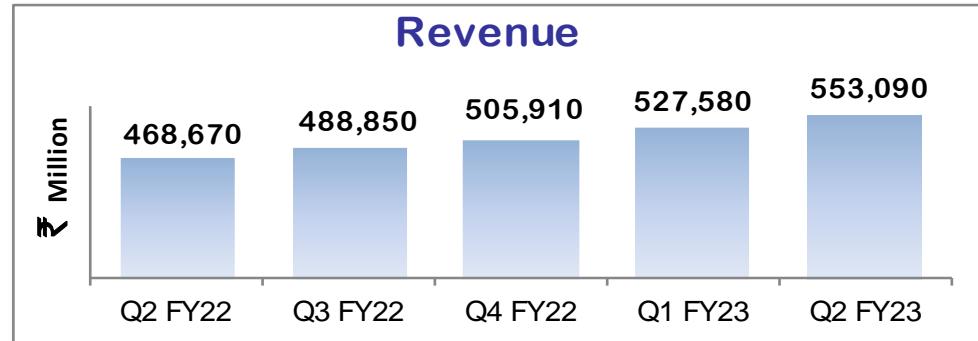
➤ Demand:

- Clients \$100M+ up by 5 ; \$50M+ up by 10 ; \$10M+ up by 38 & \$1M+ up by 72 YoY

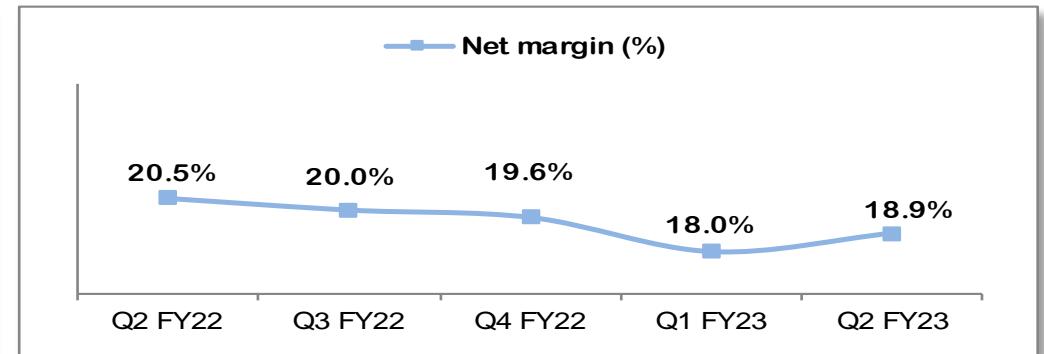
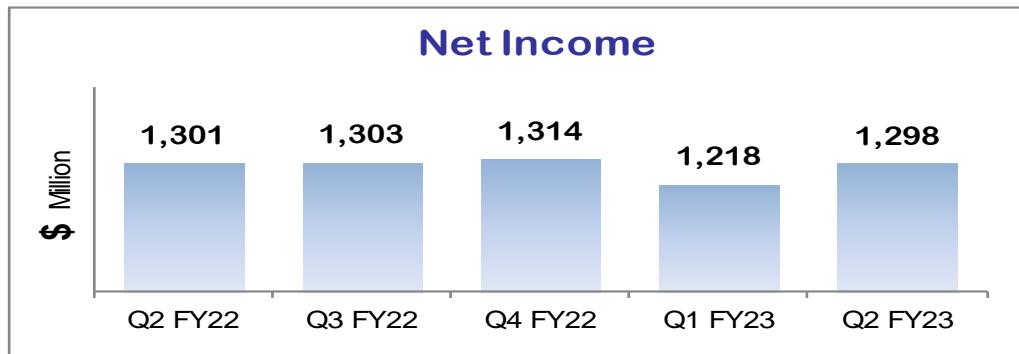
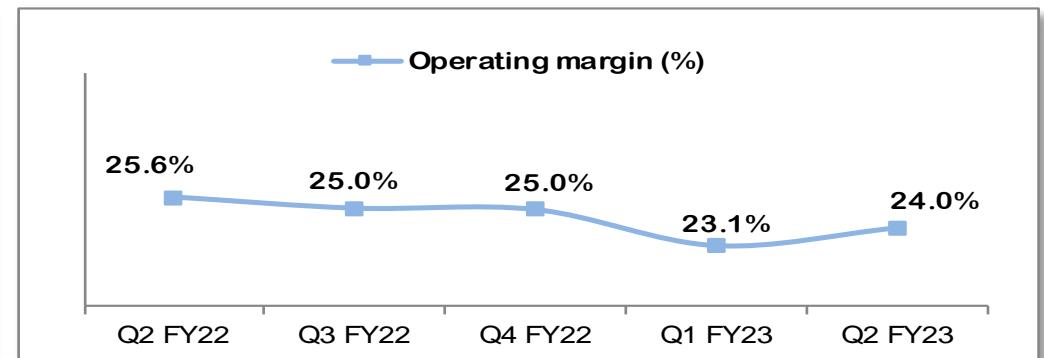
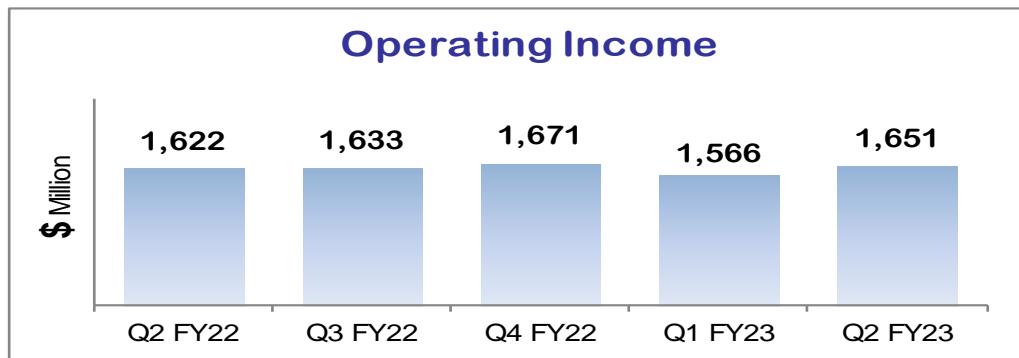
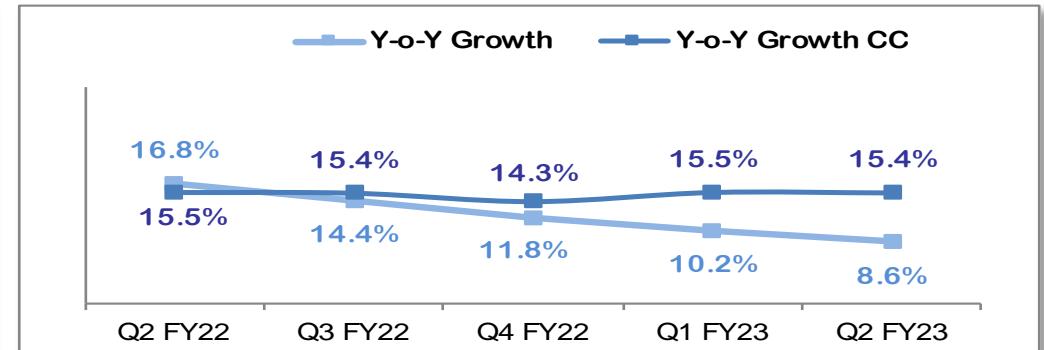
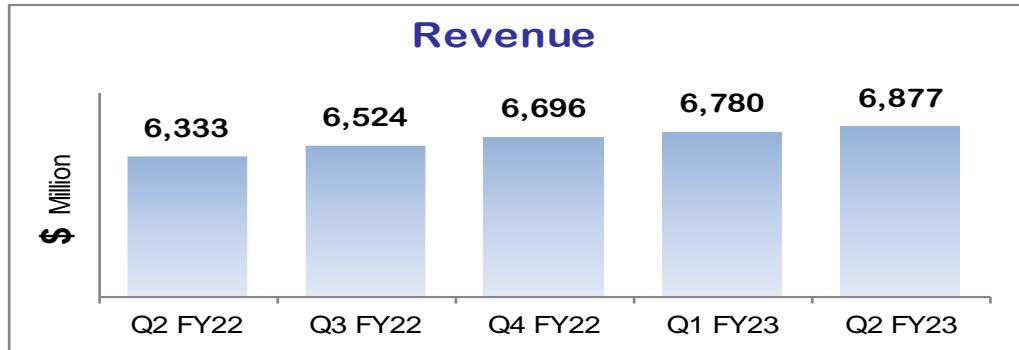
➤ People:

- Net addition of 9,840 associates during the quarter, closing headcount: 616,171
- LTM attrition at 21.5% in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters

Growth by Market

Geography (%)	Q2 FY22	Q2 FY23	Y-o-Y CC Growth
Americas			
North America	50.3	54.3	17.6
Latin America	1.6	1.7	19.0
Europe			
UK	16.1	14.5	14.8
Continental Europe	15.9	14.5	14.1
Asia Pacific			
India	9.0	8.0	7.0
MEA	5.1	5.1	16.7
Total	2.0	1.9	8.2
Total	100.0	100.0	15.4

Growth by Domain

Vertical (%)	Q2 FY22	Q2 FY23	Y-o-Y CC Growth
BFSI	32.3	31.9	13.1
Retail & CPG	15.0	15.9	22.9
Life Sciences & Healthcare	10.0	10.2	14.5
Manufacturing	9.9	9.9	14.5
Technology & Services	8.8	9.0	15.9
Communication & Media	6.6	6.7	18.7
Regional Markets & Others	17.4	16.4	13.1
Total	100.0	100.0	15.4

Service Lines Commentary – Q2 FY23

- We saw strong, broad-based growth for our services led by Cloud, Enterprise Application Services, and Cyber Security.
- The demand environment continues to be strong. The pipeline build-up and deal closure activity were robust during the quarter, lending good revenue visibility.
- Cloud ERP, Modernization & Security, Customer Experience, Connected Services and Managed Security are the themes that drove the growth during the quarter.
- TCS has been awarded the 2022 Salesforce Partner Innovation Award for Auto, Manufacturing and Energy industries.



Cloud

During the quarter, demand for cloud modernization services continued across all hyperscaler cloud services to drive scalability, reliability, and business transformations throughout industry verticals. Hybrid Cloud strategy continues to be the preferred approach for most enterprises as it offers the right balance across the IT and business spectrum.



Cyber Security

The demand for enterprise cybersecurity continued to be robust as customers are now focused on ensuring protection of critical infrastructure. We saw a rise in the acceptance of TCS Cyber Defence Suite for operations, monitoring, GRC & reporting. In addition to security posture visibility, customers also want to implement Detect, Respond and Recovery functions with increased automation. Managed Security Services and Enterprise Vulnerability Management Services led the growth during the quarter.



IoT & Digital Engineering

Strong traction across Intelligent Products – Software Defined Vehicles, Connected Services, Sustainability and Energy transition areas. TCS Neural Manufacturing solutions are adopted by customers in their 'Factory of the Future' initiatives. Connected Plants & Connected Services led the growth to deliver on agility, adaptability, resilience, performance, and sustainability.



Enterprise Application Services

We continue to see strong growth from cloud ERP transformation and M&A plays leveraging TCS Enterprise Navigator™ consulting led transformation framework and preconfigured industry solutions built on TCS Crystallus™. We are seeing increased cloud adoption across sales & service channels, supply chain, human capital, and analytics to drive business value by transforming the customer experience and providing better insights & decisioning. Growth this quarter was broad-based and led by services in the areas of Salesforce, Digital Process Management and Niche SaaS Solutions.



Consulting & Services Integration

We continue to be the thought leaders for clients for programs of high strategic relevance. Growth for the quarter was led by M&A, Cloud Strategy & Transformation and Enterprise Agility Consulting Services.



Cognitive Business Operations

We had multiple large deal wins for digital transformation of operations in data center & network, digital workspace, and customer experience. TCS' deep domain and contextual knowledge coupled with differentiated value propositions underpinned by MFDM™, ignio™ and Cognix™ are helping capture opportunities. Services which saw strong growth during the quarter include Digital F&A, Agile Supply Chain and Human Capital Management Services.

Client Parameters

Clients Contribution	Q2 FY22	Q2 FY23
US\$ 1m+ Clients	1138	1210
US\$ 5m+ Clients	609	650
US\$ 10m+ Clients	417	455
US\$ 20m+ Clients	247	283
US\$ 50m+ Clients	114	124
US\$ 100m+ Clients	54	59

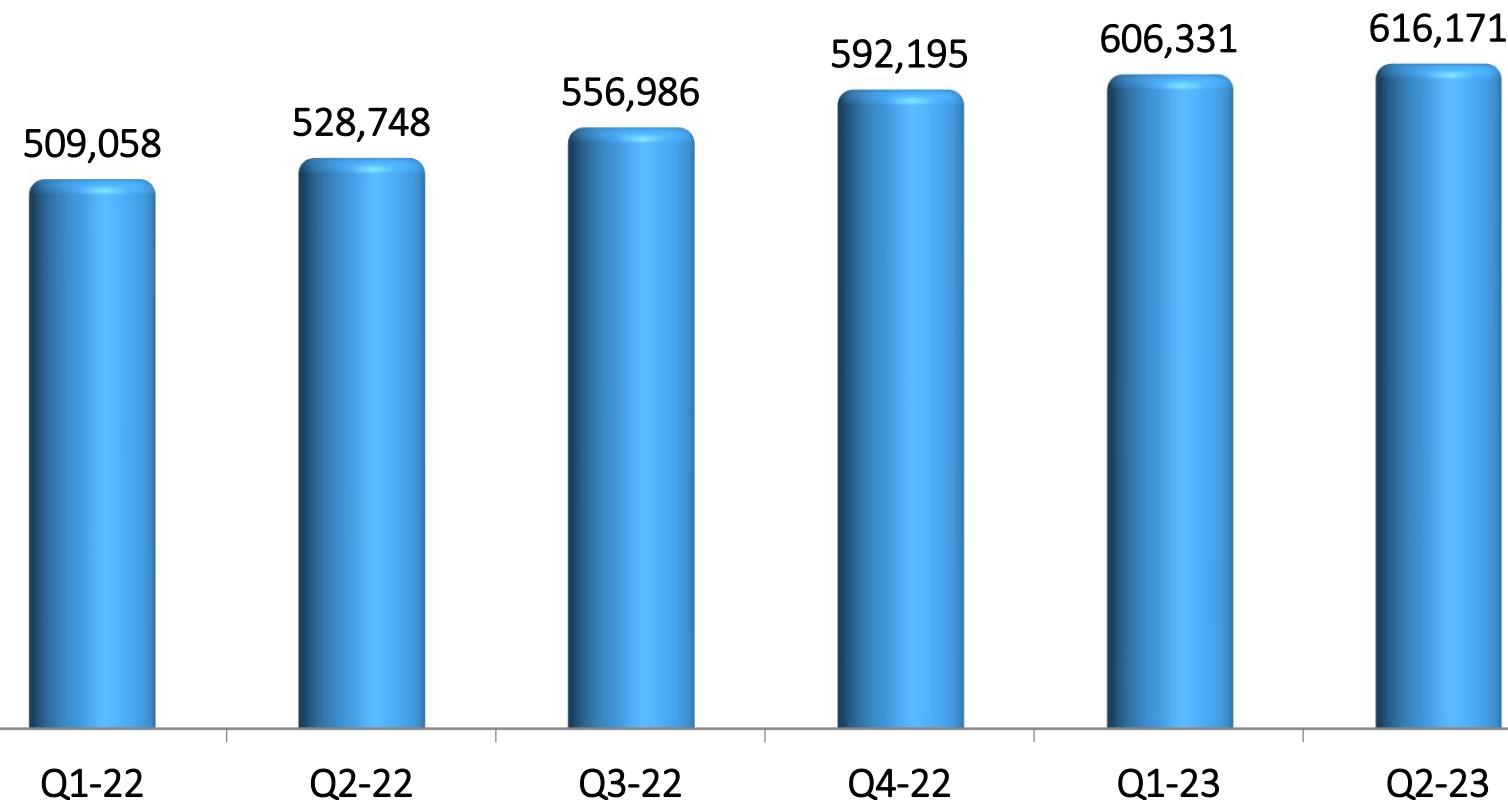
*Last Twelve Months' services revenues

Key Highlights

- **Sainsbury's**, a leading supermarket retailer in UK, has selected TCS as its transformation partner to build business agility and flexibility. TCS will modernize Sainsbury's infrastructure landscape using TCS Enterprise Cloud™. Additionally, TCS will provide end-to-end managed services for application support, information security, modern workplace services, and network connectivity. The new flexible and scalable digital core will help Sainsbury's provide better value for customers through innovation and lower cost to serve; drive growth with data-led, machine-first core operations; and meet its net zero goals.
- **Catalent, Inc. (Catalent Pharma Solutions)**, an S&P 500® company, has selected TCS to transform to next gen operating model led by Machine First approach for its global infrastructure services. TCS' transformative and automation led solution will deliver enhanced user experience, resilient, stable, and mature operations to support Catalent's business growth globally.
- Selected by **PostNord**, a European postal services company, as the strategic partner to transform and manage critical business applications. TCS engagement scope includes Agile development, Cloud ERP/CRM, Datacenter services, and Network services.
- Selected by **Bane Nor**, a European railway infrastructure operator and provider, to transform their Identity and Access Management (IAM) landscape with TCS Cyber Defense Suite.
- Selected by **Northern Powergrid**, a large UK-based power distribution company, as the partner for Smart Utility Solutions. TCS will implement Distribution System Analysis Tools, which support long term planning, advanced power systems analysis, real-time network analytics and automated operations. This will ensure flexibility and resilience of their entire distribution system.
- Selected by **Prorail**, the Dutch Government organization responsible for management of the national rail infrastructure, to manage and transform its core traffic management portfolio of applications. TCS has been selected for its rich railway domain experience and proven delivery capabilities in Netherlands. TCS will accelerate Agile and DevSecOps adoption across the portfolio and establish best in class practices to make operations safer.
- A leading Oil and gas MNC, has renewed its partnership with TCS for business transformation and generating value through digital. TCS will help reimagine and transform the organization's workplace thereby improving digital experience for their workforce across 70+ countries. TCS will also leverage its products and solutions like ignio™ for neural automation and Digilocker to help modernize operations and support the delivery of their long-term strategy.
- **TAP Air Portugal (TAP)**, the flag carrier of Portugal has selected TCS as a strategic partner to accelerate digital transformation roadmap and drive innovation as part of its post pandemic business strategy. TCS will leverage its rich global airline experience combined with its Portugal centric delivery model to help TAP develop and execute the airline's digital strategy, while bringing operational cost down
- Chosen by a North America based air carrier as the core transformation partner on a multi-year Cloud Migration/ Modernization program spanning applications across technology and core business functions. This will help in business agility, enhance travel experience and improve operational efficiency.
- Selected by a leading European pharmaceuticals manufacturer to provide quality and compliance services globally and drive digital transformation. TCS will leverage agile practices, automation controls and processes for accelerating product development.
- Chosen by a UK supermarket chain to drive Finance and HR process transformation. TCS will leverage TCS Cognix™ for Finance powered by MFDM™, analytics and AI/ML to re-engineer processes, make them fit for purpose and drive TCO optimization.
- Selected by a UK-based semiconductor technology company as the strategic partner to transform its enterprise IT operating model. TCS will leverage its contextual knowledge to deploy a synergized operating model across applications and infrastructure services enabling the customer's growth journey.
- Selected by a European healthcare equipment manufacturer for building a digital core leveraging a leading ERP solution on a hyperscaler platform to enable a standardized scalable business model for its carved-out entity. The new platform will create capability for growth and expansion into new markets
- **Boots**, a leading health & beauty retailer and pharmacy chain, selects TCS to reimagine its supplier funding – to automate, redefine, simplify and standardize supplier promotion funding processes. The scope includes blueprinting and development of a supplier funding application to enable and improve supplier promotion funding set up and approval process.
- A large UK bank has selected TCS for developing an enterprise data fabric architecture that enables advanced analytics at scale. TCS proposed this solution leveraging its deep contextual knowledge, portfolio of tools and accelerators and hyperscaler cloud expertise. This will help the bank drive more personalized products and services, understanding customer's financial needs at various life stages and deepening relationships with customers thereby propelling growth for the bank.

Human Resources

Total Employee Base



Attrition*:

- **21.5 % (LTM)**, IT Services

Diversity:

- Women employees: **35.7%**
- Nationalities: **157**

*Excluding Subsidiaries

Talent Development:

- **11.7Mn** Learning Hrs in Q2'23
- **483K** Digital Trained Associates
- **551K** Agile Trained Associates

Annexure

IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Revenue	468,670	553,090	100.00	100.00
Cost of revenue	279,220	334,620	59.54	60.50
Gross margin	189,450	218,470	40.46	39.50
SG & A expenses	69,450	85,680	14.85	15.49
Operating income	120,000	132,790	25.61	24.01
Other income (expense), net	9,690	8,170	2.07	1.48
Income before income taxes	129,690	140,960	27.68	25.49
Income taxes	33,160	36,310	7.08	6.56
Income after income taxes	96,530	104,650	20.60	18.93
Non-controlling interests	290	340	0.06	0.06
Net income	96,240	104,310	20.54	18.87
Earnings per share in ₹	26.02	28.51		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Employee cost	206,230	240,650	44.00	43.51
Fees to external consultants	40,390	53,270	8.61	9.64
Equipment and software	2,130	4,010	0.45	0.72
Facility expenses	3,150	4,120	0.67	0.74
Depreciation	8,740	9,360	1.86	1.69
Travel	3,050	4,740	0.65	0.86
Communication	3,720	3,560	0.79	0.64
Other expenses	11,810	14,910	2.51	2.70
Cost of Revenue	279,220	334,620	59.54	60.50
SGA	₹ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Employee cost	57,610	69,760	12.29	12.61
Fees to external consultants	1,510	1,820	0.33	0.33
Facility expenses	1,770	2,410	0.38	0.44
Depreciation	2,410	3,010	0.52	0.54
Travel	860	1,770	0.19	0.32
Communication	1,070	1,670	0.23	0.30
Provision for Doubtful Debts	350	400	0.08	0.07
Other expenses	3,870	4,840	0.83	0.88
S G & A expenses	69,450	85,680	14.85	15.49

Cash Flow Summary

IFRS in ₹ Mn	Q2 FY22	Q2 FY23
Net Cash from Operations	99,450	106,750
Capital Expenditure	7,160	6,130
Free Cash Flow	92,290	100,620
Dividends Paid	26,090	29,490
Operating Cash Flow to Sales (%)	21.2	19.3
Operating Cash Flow to Net Profit (%)	103.3	102.3
Total Cash and Investments	605,480	592,900

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-22		30-Sep-22	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	120,800	8.41	118,760	7.90
Right-of-use Assets	76,360	5.32	72,840	4.85
Intangible assets and Goodwill	50,360	3.51	48,660	3.23
Accounts Receivable	342,190	23.82	373,930	24.88
Unbilled Revenues	122,100	8.50	147,060	9.78
Investments	304,850	21.23	431,180	28.69
Cash and Cash equivalents	124,880	8.70	58,340	3.88
Other current assets	195,020	13.58	161,210	10.75
Other non current assets	99,780	6.93	90,860	6.04
Total assets	1,436,340	100.00	1,502,840	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	912,590	63.53	995,650	66.24
Other current liabilities	423,510	29.48	409,880	27.28
Other non-current liabilities	93,170	6.49	90,730	6.04
Non-controlling interests	7,070	0.50	6,580	0.44
Total Liabilities	1,436,340	100.00	1,502,840	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Revenue	6,333	6,877	100.00	100.00
Cost of revenue	3,773	4,161	59.54	60.50
Gross margin	2,560	2,716	40.46	39.50
SG & A expenses	938	1,065	14.85	15.49
Operating income	1,622	1,651	25.61	24.01
Other income (expense), net	131	102	2.07	1.48
Income before income taxes	1,753	1,753	27.68	25.49
Income taxes	448	451	7.08	6.56
Income after income taxes	1,305	1,302	20.60	18.93
Non-controlling interests	4	4	0.06	0.06
Net income	1,301	1,298	20.54	18.87
Earnings per share in \$	0.35	0.35		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Employee cost	2,787	2,992	44.00	43.51
Fees to external consultants	546	663	8.61	9.64
Equipment and software	29	50	0.45	0.72
Facility expenses	43	51	0.67	0.74
Depreciation	118	116	1.86	1.69
Travel	41	59	0.65	0.86
Communication	50	44	0.79	0.64
Other expenses	159	186	2.51	2.70
Cost of Revenue	3,773	4,161	59.54	60.50
SGA	\$ Million		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Employee cost	778	867	12.29	12.61
Fees to external consultants	20	23	0.33	0.33
Facility expenses	24	30	0.38	0.44
Depreciation	33	37	0.52	0.54
Travel	12	22	0.19	0.32
Communication	14	21	0.23	0.30
Provision for Doubtful Debts	5	5	0.08	0.07
Other expenses	52	60	0.83	0.88
SG&A expenses	938	1,065	14.85	15.49

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-22		30-Sep-22	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,596	8.41	1,456	7.90
Right-of-use Assets	1,009	5.32	893	4.85
Intangible assets and Goodwill	665	3.51	596	3.23
Accounts Receivable	4,520	23.82	4,584	24.88
Unbilled Revenues	1,613	8.50	1,802	9.78
Investments	4,027	21.23	5,286	28.69
Cash and Cash equivalents	1,650	8.70	715	3.88
Other current assets	2,577	13.58	1,981	10.75
Other non current assets	1,315	6.93	1,113	6.04
Total assets	18,972	100.00	18,426	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	12,053	63.53	12,205	66.24
Other current liabilities	5,593	29.48	5,026	27.28
Other non-current liabilities	1,231	6.49	1,113	6.04
Non-controlling interests	95	0.50	82	0.44
Total Liabilities	18,972	100.00	18,426	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
Revenue	46,867	55,309	100.00	100.00
Expenditure				
a) Employee Costs	26,384	31,041	56.30	56.12
b) Cost of equipment and software licences	213	401	0.45	0.72
c) Other Operating expenses	7,154	9,351	15.26	16.91
d) Depreciation	1,116	1,237	2.38	2.24
Total Expenditure	34,867	42,030	74.39	75.99
Profit Before Taxes & Other Income	12,000	13,279	25.61	24.01
Other income (expense), net	969	817	2.07	1.48
Profit Before Taxes	12,969	14,096	27.68	25.49
Provision For Taxes	3,316	3,631	7.08	6.56
Profit After Taxes & Before Non-controlling interests	9,653	10,465	20.60	18.93
Non-controlling interests	29	34	0.06	0.06
Net Profit	9,624	10,431	20.54	18.87
Earnings per share in ₹	26.02	28.51		

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-22	30-Sep-22	31-Mar-22	30-Sep-22
ASSETS				
Property, plant and equipment	13,080	12,808	9.24	8.64
Right-of-use assets	7,636	7,284	5.40	4.91
Investments	30,485	43,118	21.54	29.10
Deferred tax assets (net)	3,708	2,957	2.62	2.00
Goodwill (on consolidation)	1,787	1,698	1.26	1.15
Cash and Bank Balance	18,221	7,350	12.88	4.96
Current Assets, Loans and Advances	59,827	66,396	42.28	44.81
Non-current assets, Loans and advances	6,770	6,562	4.78	4.43
Total Assets	141,514	148,173	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	89,139	97,454	62.99	65.77
Non-controlling interests	707	658	0.50	0.44
Deferred tax liabilities (net)	590	703	0.42	0.48
Current liabilities and provisions	42,351	40,988	29.92	27.66
Non-current liabilities and provisions	8,727	8,370	6.17	5.65
Total Liabilities	141,514	148,173	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q2 FY22	Q2 FY23	Q2 FY22	Q2 FY23
USD	74.01	80.42	52.86%	56.92%
GBP	101.69	92.46	13.70%	12.29%
EUR	87.10	79.86	11.79%	10.31%
Others			21.65%	20.48%
Total			100.00%	100.00%

Thank you