

Tata Consultancy Services Limited**Q4 & FY23 Earnings Conference Call
April 12, 2023, 19:00 hrs IST (09:30 hrs US ET)**

Moderator: Ladies and gentlemen, good day and welcome to the TCS Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press '*' then '1' on your telephone keypad. To withdraw your question, please press '*' then '2'. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kedar Shirali – Global Head, Investor Relations at TCS. Thank you and over to you, sir.

Kedar Shirali: Thank you, operator. Good evening, and welcome, everyone. Thank you for joining us today to discuss TCS' financial results for the fourth quarter and full year FY 2023 that ended March 31, 2023. This call is being webcast through our website, and an archive including the transcript will be available on the site for the duration of this quarter. The financial statements, quarterly fact sheet and press releases are also available on our website.

Our leadership team is present on this call to discuss our results. We have with us today, Mr. Rajesh Gopinathan -- Chief Executive Officer and Managing Director, Mr. K. Krithivasan -- CEO Designate and President, Mr. N G Subramaniam -- Chief Operating Officer and Executive Director, Mr. Samir Seksaria -- Chief Financial Officer and Mr. Milind Lakkad -- Chief HR Officer.

Kedar Shirali: They will give a brief overview of the company's performance followed by a Q&A session. As you're aware, we don't provide specific revenue or earnings guidance. And anything said on this call which reflects our outlook for the future, or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. We have outlined these risks in the second slide of the quarterly fact sheet available on our website and e-mailed out to those who have subscribed to our mailing list.

With that, I would like to turn the call over to Rajesh.

Rajesh Gopinathan: Thank you, Kedar. Good morning, good afternoon and good evening to all of you. In FY 2023, our full year revenue grew at **17.6%** in rupee terms, **13.7%** in constant currency terms and **8.6%** in dollar terms. Our operating margin for the year came in at **24.1%** and net margin was at **18.7%**.

As you are aware, four weeks ago, we announced a leadership transition at TCS. I'll be stepping down from my role and stepping away from TCS on September 15th. The Board identified Krithi, who has led our largest segment, BFSI, over the last many years, as the CEO-Designate. Today, the Board also announced that Krithi will be taking over the role of CEO and MD on June 1st.

We are currently going through a structured transition plan and for the purpose of this call, I will speak about the year gone by, and he will cover the forward-looking topics.

I'll first invite Samir, Milind and NGS to go over the different aspects of our performance during the quarter. Krithi and I will step in later to provide more color on the demand trends we're seeing. Over to you, Samir.

Samir Seksaria: Thank you Rajesh. In the fourth quarter of financial year 2023, our revenue was **₹59,162 crore**, which is a year-on-year growth of **16.9%**. In dollar terms, revenue was **\$7.195 billion**, a year-on-year growth of **7.4%**. In constant currency, our revenue growth in Q4 was **10.7%**.

For the full year, our revenue was **₹225,458 crore**, which is a growth of **17.6%** over the prior year. In dollar terms, the reported revenue was **\$27.927 billion**, a growth of **8.6%**. Constant currency revenue growth for the full year was **13.7%**.

Let me go over our financial performance. Our operating margin in Q4 stayed flat sequentially at **24.5%**. With supply-side challenges abating, we were able to further bring down our use of sub-contractors in Q4. The benefit of that, other efficiencies and some currency gains was canceled out by higher on-site costs.

Our full year operating margin was at **24.1%**, a contraction of **1.2%** over the prior year. In terms of headwinds, our annual wage increase set us back by **1.6%**. The supply side challenges during the year cost us another **1.4%** and travel expenses went up by **0.3%**. This was mitigated by **0.5%** of realization improvement, **0.5%** of benefit from a flatter employee pyramid and **1.1%** of currency benefit.

Net income margin in Q4 was **19.3%** and for the full year was **18.7%**. Our EPS grew **11.2%** during the year.

Effective tax rate for the year was **25.7%**. It's worth noting that this has risen steadily from about **24%** in FY 19 as more of our facilities come out of SEZ tax benefit.

Our accounts receivable was at **65** DSO in dollar terms, down 1 day sequentially.

Net cash from operations was **₹118.64 billion**, which is **104%** of net income. Free cash flows were at **₹110.95 billion** and invested funds at the end of March stood at **₹498.23 billion**.

The Board has recommended a final dividend of **₹24** per share, bringing the total dividend for the year to **₹115** per share. For the full year, including the buyback tax paid out at the beginning of April, the company's shareholder payout was **₹45,602 crore**.

Over to you, Milind.

Milind Lakkad:

Thank you, Samir.

We are honoring all the job offers and had a net addition of **821** employees in Q4 and **22,600** employees for the full year, resulting in a closing headcount of **614,795**.

These numbers mask the full extent to which we had ramped-up our talent acquisition during the year to cope up with the unprecedented churn in the first half of the year. We onboarded over **44,000** freshers, and our highest ever number of experienced professionals during the year.

We continue to have a very diverse workforce with **150** nationalities represented and with women making up **35.7%** of the base. Our investment in organic talent development continues to deliver exceptional outcomes. In FY 23 TCSers logged **48.3 million** learning hours and acquired around **6 million** competencies.

Increased rigor and focus on external certifications resulted in **53,000** TCSes acquiring certifications on hyperscaler cloud skills during the year, bringing the