



TCS/SE/19/2024-25

April 17, 2024

**National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block G, Bandra Kurla  
Complex, Bandra (East)  
Mumbai - 400051  
Symbol - TCS**

**BSE Limited  
P. J. Towers,  
Dalal Street,  
Mumbai - 400001  
Scrip Code No. 532540**

Dear Sirs,

**Sub: Transcript of the earnings conference call for the quarter and year ended  
March 31, 2024**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended March 31, 2024, conducted after the meeting of Board of Directors held on April 12, 2024, for your information and records.

The above information is also available on the website of the Company: [www.tcs.com](http://www.tcs.com).

Thanking you,

Yours faithfully,

For **Tata Consultancy Services Limited**

**Pradeep Manohar Gaitonde  
Company Secretary**

Encl: As above

**TATA CONSULTANCY SERVICES**

**TATA Consultancy Services Limited**

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**Tata Consultancy Services Limited**  
**Q4 FY24 Earnings Conference Call**  
**April 12, 2024, 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 and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Nehal Shah from the Investor Relations team at TCS. Thank you and over to you.

**Nehal Shah:** Thank you, operator. Good evening and welcome everyone. Thank you for joining us today to discuss TCS's financial results for the fourth quarter and full year financial year 2024 that ended March 31st, 2024.

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. K Krithivasan, Chief Executive Officer and Managing Director.

**K Krithivasan:** Hello everyone.

**Nehal Shah:** Mr. N G Subramaniam, Chief Operating Officer and Executive Director.

**N G Subramaniam:** Good evening to you.

**Nehal Shah:** Mr. Samir Seksaria, Chief Financial Officer.

**Samir Seksaria:** Hello.

**Nehal Shah:** And Mr. Milind Lakkad, Chief HR Officer.

**Milind Lakkad:** Hi everyone.

**Nehal Shah:** Our management team will give a brief overview of the company's performance followed by a Q&A session. As you are 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 emailed out to those who have subscribed on our mailing list.

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

**K Krithivasan:** Thank you, Nehal. Good day everyone.

I am pleased to share that we are wrapping up the last quarter of financial year 2024 with the **strongest sequential revenue growth** in many quarters, an **all-time high TCV** and an **operating margin of 26%** for the quarter, highest in the last 12 quarters.

Our FY 2024 revenue grew at **6.8%** in rupee terms, **3.4%** in constant currency terms and **4.1%** in dollar terms. Our operating margin for the year came in at **24.6%** and net margin was at **19.3%**. Our ability to maximize market opportunities is evident in our record Q4 TCV of **\$13.2 billion**.

We are seeing solid deal momentum across markets resulting in strong double-digit growth in our last 12 months TCV, which is a reflection of our deepening partnership with our clients.

This is going to be NGS last quarter with all of us. I want to thank NGS with whom I have worked closely for more than three decades. I witnessed first-hand the tremendous impact it has made on TCS over a 42-year long career, working side-by-side with him and our entire leadership team on every aspect of our strategy and operations.

NGS played a key role in developing and executing our growth strategy, especially our products and platform business, positioning us very well for continued market leadership. He has played a strategic role in several landmark projects that TCS undertook across geographies,

most recently BSNL being one. We will miss him in his executive capacity very much.

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

**Samir Seksaria:**

Thank you, Krithi. Good day, everyone. In the fourth quarter of FY24, our revenue grew **2.2%** year-on-year in constant currency terms at **₹61,237 crores**. This translates to a growth of **3.5%** in rupee terms. In dollar terms, the revenue was **\$7.36** million, a YoY growth of **2.3%**.

For the full year, our revenue grew **3.4%** YoY in constant currency at **₹240,893 crores** and that translates to a growth of **6.8%** in rupee terms. And in dollar terms, our revenue was at **\$29.1 billion**, a YoY growth of **4.1%**.

Our Q4 operating margin stood at **26%**, a sequential expansion of **100** basis points. This was in spite of **90** basis points due to higher third-party costs and travel expenses, offset by **190** basis points improvement from reduced subcontractor costs, improved productivity and better utilization.

Our FY24 operating margin was at **24.6%**, an expansion of **50** basis points over the prior year. During the year, we had **250** basis points headwind on account of annual wage increases and other interventions and a further **90** basis points from higher third-party expenses and discretionary expenses. We were able to successfully mitigate those by optimizing subcontractor expenses, improving productivity, realization and support from currency.

Net margins in Q4 was **20.3%** and for the full year was **19.3%**. Our annual EPS grew **10.9%** during the year.

Our effective tax rate for the year was **25.8%**.

Please note that all the full year FY24 numbers are adjusted for the settlement of legal claim which was accounted for in Q3.

Our accounts receivable was at **67** days DSO in dollar terms, flat sequentially.

Our cash conversion continues to be strong and over 100% of our net profits.

Invested funds at the end of March stood at **₹46,963 crores**.

The board has recommended a final dividend of **₹28** per share. The shareholders payout year till date were **₹46,223 crores** including the buyback and dividends.

Over to you, Milind.

**Milind Lakkad:**

Thank you, Samir. Our workforce at the end of the fourth quarter was **601,546**. Our LTM attrition in IT services kept trending down throughout the year and was at **12.5%** at the end of Q4, down **80 bps** sequentially and in our comfort range of 11% to 13%.

TCS has been recognized as a **“Global Top Employer”** by the Top Employers Institute for the ninth consecutive year. The global certification follows a series of localized certifications with TCS being named the top employer in 32 countries and regions.

The company remains the preferred employer and one of the largest job creators in IT services in several major markets for both, freshers and lateral hires. We have commenced fresher hiring from campuses and continue to recalibrate our lateral hiring focusing more on utilizing the capacity that we have built over the prior years.

TCS organic talent development initiatives continue to deliver industry-leading outcomes. Employees logged **51 million learning hours** during the year and acquired **5 million competencies**. In FY24, several key initiatives were launched to inculcate a strong engineering culture among the company associates, build deeper skills in market-relevant technologies and create an AI-ready workforce.

As we have done consistently every year, we have announced a salary increment for all of our employees with effects on April 1st, similar in quantum to prior years, with top performers receiving double digit hikes.

Over to you NGS for some color on our segments and products and platforms.

**N G Subramaniam:** Thank you, Milind. Good evening to all of you. As Krithi mentioned, I'll be superannuating from TCS in a few weeks. I thoroughly enjoyed and it's been an absolute honour interacting with all of you over this forum. And I always have looked forward to your reports and all our interactions and the reports have only made me wiser. Thank you so much.

Let me walk you through our segmental performance now. As a reminder, all growth numbers are in year-on-year constant currency terms.

In Q4, growth was led by Regional markets, which grew **26%**. Manufacturing vertical grew by **9.7%**. Energy, resources and utilities grew by **7.3%**. Life sciences and healthcare grew by **1.7%**.

Our consumer business **declined by 0.3%**. However, it returned to positive sequential growth in Q4. Banking, Financial Services and Insurance **declined by 3.2%**, but saw a return of growth in the insurance business across all markets during the quarter. CMI **declined by 5.5%** and Technology & Services **declined by 5.6%**.

Among major markets, the United Kingdom led with **6.2%** growth. Continental Europe **declined by 2.0%**. North America **declined 2.3%**. In emerging markets, India led with **+37.9%** growth, Middle East & Africa grew **+10.7%**, Latin America grew **+9.8%**, and Asia Pacific grew **5.2%**.

Let me move on to our **products and platforms**. Our industry-leading portfolio of products and platforms saw good traction during the quarter.

- **ignio™**, our cognitive automation software suite, saw 32 new deal wins and 6 go-lives.
- **TCS BaNCS™**, our flagship product for financial services, had 8 new wins and 7 go-lives during the quarter.
- Central Bank, a leading Midwest regional Bank in North America selected TCS BaNCS for its core banking and payments modernization. The solution will come pre-integrated with TCS BaNCS for Payments, an ISO 20022-ready solution, enabling the Bank to offer FedNow® services and RTP<sup>1</sup>® by The Clearing House.

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<sup>1</sup> Real time payment

- **TCS BaNCS insurance platform** continues to see strong growth in Q4 with 2 wins and 2 go-lives during the quarter.
  - Aviva, UK's leading insurance, wealth and retirement provider, expanded on the existing relationship with TCS, for a 15-year deal to transform its life business and enhance customer experience leveraging the TCS BaNCS based platform. As part of this, the end-to-end policy administration and servicing will expand to cover over 5.5 million policies, to be managed by Diligenta, TCS' FCA regulated subsidiary in the UK.
- **Quartz blockchain platform** had 3 wins this quarter.
- In life sciences, the **TCS ADD™** platform had 1 new win and 2 go-lives this quarter.
  - Gen AI is a potential game changer in identifying probable drug candidates, optimizing trials, harnessing vast pools of dissimilar clinical data, capturing and processing efficacy, and safety data. There are many such Gen AI use cases where Pharma companies are investing. TCS ADD™ is actively working on PoCs on Gen AI across multiple innovative use cases, including literature insights, patient insights, safety case processing, and medical writing.
- **TCS Optumera™**, our AI-powered merchandise optimization suite had 1 new win in Q4.
  - A Dutch retail client has transformed its pricing strategies in their 800 Netherlands stores for the last 7 years with TCS Optumera™, fulfilling their promise of 'providing high quality at low price'. Our product will now drive their pricing initiatives in Belgium that will help them improve usability, provide flexibility in pricing, and help maintain consistent pricing position.
- **TCS iON, our platform for digital assessment, exam administration, and learning**, had 22 new wins and 80+ go lives.
  - Our assessment platform administered exams for 13.9 million candidates. Our platform now offers Gen AI-powered content creation and text translation in Indian regional languages, improved security in question paper creation with restrictions in editing, overwriting media/images, and creating duplicate subject codes and names, audio-based marking; with noise suppression and dual recording capabilities.
- **TCS TwinX**, our digital twin solution, had 2 wins and 2 go-lives.
- **MasterCraft** and **Jile** won 29 new clients in Q4.

### **Client Metrics**

Let me now go over our client metrics. As you are aware, our customer-centric business strategy enhances our ability to continually expand and deepen our client relationships. These metrics provide a measure of our progress in the journey and a validation of the strategy.

- In Q4, we added 2 more clients year-on-year in the \$100 million+ band bringing the total to 62.
- 6 more clients in the \$50 million+ band bringing the total to 139.
- 10 more clients in the \$20 million+ band bringing the total to 301.
- 26 more clients in the \$10 million+ band bringing the total to 487.
- 28 more clients in the \$5 million+ band bringing the total to 693.
- And 53 more clients in the \$1 million+ band bringing the total to 1,294.

I will now request Krithi to speak on the demand drivers during the call.

#### **K. Krithivasan:**

Thank you, NGS. As we review the last year's performance, TCS has once again proved its adaptability and relevance to customers. By working closely with them and utilizing our contextual knowledge, we proactively identified solutions to their industry-specific challenges, leading to significant deal wins and market share gains for us. Our growth remained resilient amidst macro uncertainties and geopolitical volatilities.

During Q4, customers continued to reprioritize spend in projects, where return on investment was high and immediate. Several key engagement themes, which are priorities for enterprises, include operating model transformation, vendor consolidation, cloud transformation, AI enablement, i.e. Cloud and Data foundation for AI, customer and employee experience enhancement, business process optimization, sustainability, and early-stage AI-infused transformational engagements.

We continue to see pressure on customers' discretionary spend. At the same time, transformation also remains a key ask, and customers are expecting the same to be funded through savings from operations.

For the BFSI vertical, 2023 was a year of resilience, balancing the challenges due to inflation and complex geopolitics against the initial benefits from rising interest rates. In 2024, while evolving regulation, transformative technologies like Gen AI, cybersecurity, embedded



finance, and green transition have become the constant driving change, businesses are going to be focused on innovation driving their plans and building new business models for the future that will unravel tremendous growth potential. We continue to see pent-up demand in BFS, which will be a growth driver in the medium to long term, but in the near term, clients continue to conserve cash and focus on business-critical projects with immediate RoI.

Challenges such as economic slowdown, soft recession, high interest rates, geopolitical tensions continue to put pressure on the consumer business group vertical throughout FY 2024. However, we saw some green shoots and moderate growth during the quarter, which represented the highest sequential growth in the last four quarters. We expect accelerated spend in the medium term in areas such as improving customer experience, loyalty and reach, hyper-personalization, scaling Retail Media Network revenues, security services, cloud transformation, cloud ERP modernization, leveraging AI / Gen AI to enhance business value.

I am now going to talk in detail about some of the major themes driving demand for our services.

We are witnessing a growing trend in deals enhancing **Customer and Employee Experience** for enterprises and are actively pursuing such deals and taking proactive measures across industries.

- An American retailer of office supplies partnered with TCS to reimagine and digitally transform their loyalty program. The omni-channel platform is enabling the launch of new features like real-time reward point redemption, special savings events and customized offers and is key to improve customer retention and satisfaction. TCS leveraged its contextual knowledge to shape the cloud-based solution and deliver a highly scalable, flexible, reliable and secure solution.
- TCS entered into a strategic partnership with a multinational energy management company to bring grid flexibility management and energy transition for global utilities and their end customer base. TCS will integrate Cloud Energy™ into customers' energy management platform and together go to market for commercial, industrial and residential end customers of global utility companies. The joint partnership will target a potential saving of around \$1 billion in energy bills for over 10 target utilities and their end industrial and

commercial customers. It will generate a business value of \$40 - \$60 million for the customer over the next 10 years.

The global supply chain is rapidly evolving and striving to stay abreast of the ever-changing environment and advancing technological innovations. Below are a few examples of how TCS is helping businesses in modernizing processes and platforms to enhance efficiency, adaptability to market shifts and boost their bottom line.

- An Norwegian postal service provider partnered with TCS to modernize its critical logistics management platform that was constraining its growth ambitions. TCS leverages deep contextual knowledge to implement a new digital core, a command center, improved workforce, real-time data visibility and predictive analytics and insights. This has helped the client reduce operating costs by 40%, enable timely interventions, improved user experience and reliability during peak periods. With an empowered workforce and faster time to market, the platform has fortified the company's position in the market.
- A distributor and retailer of beauty products was facing several challenges across the supply chain and specifically significant inefficiencies in purchase order management. TCS' assessment found that over 50% of POs contained errors, and investigation was cumbersome. A control tower with automated exception handling and shipment notifications and streamlined vendor approvals, was implemented. This reduced manual intervention in PO processing by up to ~90%, significantly mitigating the risk of human error, improving operations and vendor relations..

ESG has gained traction amongst organizations and is becoming a crucial investment. The need for emissions reporting and regulatory compliance towards net zero commitment is driving new business of data collection and deriving insights. Sustainable financing has emerged as a top priority and is driving the transition towards a carbon neutral economy.

Our clients actively seek our expertise to develop innovative technology-driven solutions that leverage IoT, AI and advanced analytics, aiming to reduce energy and resource consumption, monitor and measure greenhouse gas emissions throughout the supply chain, minimizing carbon footprint, reducing waste, promoting recycling and reporting their sustainability initiatives.

- A Nordics major partnered with TCS to enable ESG credit risk assessment with varied degree of automation and complexity aligned to the sustainable financing approach for corporate customers. With an efficient and harmonized approach, this program improved ECB regulatory compliance covering four out of the six regulatory requirements. Our solution has flexibility to accommodate future regulatory requirements and supervisory expectations and enables a risk-based approach to ESG assessment and monitoring.

AI is beginning to permeate our lives incrementally through everything from the tech powering of our smartphones to autonomous driving features on cars, to the cool applications retailers use to surprise and delight consumers. As a result, its progress has been almost imperceptible.

Moving on to **Generative AI**, excitement over this technology is substantial. Gen AI is steadfastly at the forefront of the technology trends and customers are on the lookout for POCs on the efficiencies that can be enabled by Gen AI in application development, application maintenance and deployment automation.

A full realization of Gen AI's benefits will take time and enterprises and society still have considerable challenges to address. These include managing the risks inherent in Gen AI, reskilling and upskilling the workforce and reimagining core business processes. Customers are looking at scaling out POCs and pilots by implementing necessary guardrails. TCS has been making all the relevant investments required to participate in this opportunity.

- Last year in August, we launched our AI.Cloud business unit, bringing together the power of cloud data and AI - including Gen AI, into a dedicated group that builds on our strategic hyperscaler partnerships and deep relationships with other major AI players.
- We launched AI.Cloud Academy, which provides our associates with a powerful platform to train, get certified, share knowledge, accelerate deployment and play in our unique AI experience zone. We have one of the largest pools of employees trained on AI and Gen AI competencies.

The type and size of opportunities are evolving, with a noticeable shift towards larger, more strategic projects that encompass cloud and AI technologies. As Assist use cases become Augment, it will drive

underlying initiatives on Cloud and Data. We are gradually seeing a few Gen AI use cases moving to production.

Gen AI's ability to create new data and content is driving innovation across sectors. We expect wider adoption in financial year 2025, with focus on seamless integration with current workflows with a “human-in-the-loop” approach.

- TCS has partnered with a large turbine manufacturer to identify duplicate parts in the system, which are resulting in suppliers being charged different prices for the same item, causing losses to the manufacturer. TCS has leveraged AI to extract defined attributes from the information stored in PDFs to create a data model to identify the duplicates that resulted in \$15 million annualized savings for the manufacturer.
- TCS is helping an enterprise in the material handling business to help service engineers with specific insights for equipment. The Machine Learning-based solution, complemented with Gen AI, is directed to understand both structured and unstructured data around equipment manuals and enterprise data and generate targeted instructions for service personnel to improve productivity and reduce the equipment service insights.

In the past, cost and optimization benefits led to cloud adoption. Today, cloud is not merely a technology to adopt, but a strategy for business transformation and growth itself. Cloud technologies enable us to overcome existing limitations of scale and bring partners, data supply chains and customers together and connected.

TCS has been working closely with clients and fine-tuning their cloud strategies. The following examples demonstrate this partnership.

- Openreach, UK's largest digital network provider and a part of the BT group, wanted to implement a cloud-native microservices architecture. On a mission to roll out fiber connectivity across the country, Openreach realized an overall enterprise rehaul was urgently required. TCS designed a modular and scalable orchestration engine on cloud which streamlines the entire fulfilment journey from order to billing. It provides real-time business insights while optimizing cost and reducing the total time to market for the customer.
- United Airlines engaged TCS to revolutionize pilot pay with the intention of providing real-time gross pay information with improved

pay accuracy and transparency to its 15,000 pilots. TCS was at the forefront of this collaborative approach, leading the transformation across design, architecture and solution development. By embracing a data-driven approach with insights from United, we have truly built a future-ready cloud-based scalable solution that seamlessly evolves alongside United's vision.

- Legal and General Retirement Institutional (LGRI), a leading provider in the UK's Pension Risk Transfer (PRT) market, partnered with TCS to modernize its customer administration platform with the power of cloud. Leveraging the contextual knowledge of the client's application landscape, its cloud expertise and partnership is a major hyperscaler. TCS helped the client build a highly available and resilient platform. The migration to public cloud has helped the client to enhance the capacity to on board large PRT schemes quickly and meet the demands of the growing PRT market. The new architecture has also ensured increased availability of its customer administration platform with the ability to recover applications within 1.5 hours. With the new platform, TCS has laid the foundation for LGRI's future growth, continued success and scale.

Fuelled by cloud-native capabilities and data-intensive technologies like AI/ Gen AI and IoT, enterprises can harness insights and apply skills and knowledge to spur innovation to the benefit of all, whether it's solving complex societal and climate challenges or creating new markets and revenue streams. We are very optimistic about the longer-term opportunities from this trend.

Moving on to our deal wins, TCV in Q4 was at a record high, at **\$13.2 billion**. This includes one mega deal we announced during the quarter. The BFSI TCV was **\$4.1 billion**, while the TCV for our Consumer business group was at **\$1.6 billion**. The TCV of deals signed in North America stood at **\$5.7 billion**.

Our FY24 TCV was **\$42.7 billion**, a record growth of **25.2% YoY**.

We can now open the lines for questions.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Yogesh Aggarwal from HSBC. Please go ahead.

**Yogesh Aggarwal:** Hi, good evening. Just a couple of questions. On the TV, you guys mentioned that there is only one large mega-deal in the entire quarterly TCV, which is very strong. But still, the near-term growth outlook is not very clear. So, I was just a bit confused. If a large part of the deals are smaller in TCV, shouldn't the near-term outlook improve quite a bit?

That is one. And secondly, just on the India business, Krithi, in the past, companies have regretted growing India business after a while, due to issues with margins, cash flows, etc. So, do you think the market has matured now and it's not a risk going forward?

**K Krithivasan:** Thanks Yogesh. First on the large deal, we said there is one mega-deal in the deal pipeline. Others are all deals of normal size we have every quarter, which are large deals, but not all are mega-deals. So from an overall deal-term perspective, there is no change otherwise.

And since you mentioned the TV interview, we said that the number of deals that we have been winning in the last few quarters, gives us confidence that after a period, the growth would return. So, I don't see there is a reason for confusion or conflict there.

Coming to India, we do believe that we have to participate in the India growth story. And many of the large Indian enterprises, both in the public sector and private sector, are embarking on new programs to leverage the technology that's available today. So, we are selective, and we want to ensure that we enter the right deals, but we believe there are enough right deals in the market today.

**Yogesh Aggarwal:** Thank you so much.

**Moderator:** Thank you. We have our next question from the line of Sudheer Guntupalli from Kotak Mahindra AMC. Please go ahead.

**Sudheer Guntupalli:** Yes. Hi, team. Congratulations on a good set of numbers. Krithi, you reported solid deal wins, and you are indicating that the demand visibility has improved over the previous three months, I think on the press meet. On the contrary, one of our consulting heavy peers has indicated that demand situation further deteriorated over the previous three months.

So, is it fair to assume that the problem of incremental deterioration over the last three months is more pertinent to the discretionary strategy consulting kind of engagements, and the rest of the portfolio remains largely resilient?

**K Krithivasan:** So, definitely, in a way, if you look at what we have been saying, discretionary programs with not so exciting ROI are under pressure. So, if the ROI is not immediate or ROI is not meeting the threshold the customers have set for themselves, they tend to pause those programs or delay those programs.

So, to that extent, there could be a lack of visibility in the near term. But, as I said, since the TCV has been quite high, on the medium to long term, we are more optimistic.

**Sudheer Guntupalli:** Sure, Sir. Second question to Samir. If we adjust for BSNL deal ramp-up led margin dilution over the previous two quarters, your EBIT margins would have already been somewhere midway of your aspirational band of 26% to 28%. So, my question is, have we peaked out in terms of margins or you see further scope for a margin upside?

**Samir Seksaria:** Sure, Sudheer. So, first, we'll look at our margins on a portfolio basis and we'll not split or exclude a single customer or geography out of it. Coming to your question on whether the margins have peaked out, as you know, first quarter we will take the impact of increments. So, we would have a headwind coming up.

But, I think, overall, during the year, we have, despite strong headwinds coming through, and in a challenging macro, we have been able to deliver consistent good margin improvement in the last three quarters, almost 100 basis points in each of the quarters.

We believe some of the levers, like the subcontractor cost which was one of the levers which helped significantly in FY'24, might have bottomed out. But with our focus on disciplined execution, we believe levers like pyramid, pricing and utilization can still help us. And if the macro risk recedes and growth reverts back higher to its normal trajectory, then that can only help us accelerate this journey.

**Sudheer Guntupalli:** Got it. And lastly, congratulations to NGS on a glorious career. It's a privilege to listen to you, and all the best for your future endeavours.

**N G Subramaniam:** Thank you.

**Moderator:** Thank you. The next question is from the line of Ankur Rudra from JPMorgan. Please go ahead.

**Ankur Rudra:** Hi, thank you. Just the first question is on the strong signing momentum you mentioned. How are you thinking about the conversion of this into revenues over the next year or so? And how does it set you up for FY'25, given perhaps easier comparable this time (FY24 growth not being very high). Does it help you significantly?

**K Krithivasan:** Yes, we are quite comfortable on the revenue conversion of the deal that we signed in the last three, four quarters. And the conversion rate has been at a similar rate that we used to convert in the past as well. We've been saying in the last few quarters, the headwind has always been in those projects that we signed quite some time ago which are discretionary in nature or where the clients can slow it down or pause for some time. Those are the ones providing the headwind.

**Ankur Rudra:** Will FY'25 pan out better given how FY'24 was?

**K Krithivasan:** Ankur, last quarter also we mentioned this. Seeing the TCV of whatever we signed this quarter, we believe FY'25 should be better than FY'24.

**Ankur Rudra:** Understood. Maybe if you can comment a bit more in terms of how do you think or where do you think clients are and where do you think the environment is in terms of spending cycle? It's been almost, I think, two years now. It's not slightly longer till we've seen, you know, revenue sort of decline, decline, decline, perhaps bottom out and begin to recover.

How do you feel about the spend cycle right now, especially the mix of discretionary and non-discretionary? And also, if you can touch upon financial services and CMT verticals.

**K Krithivasan:** See, look at it this way, Ankur. Clients want to do transformative work, and they want to embrace new technology. We talked about cloud adoption, enterprise cloud modernization and also about Gen AI. Clients want to do all of them, and clients also want to conserve costs. These two are the drivers that make them choose the appropriate projects.



Wherever they're trying to do cost and optimization, you would see programs around vendor consolidation, operating model transformation, or sometimes application rationalization. Those kinds of engagements are started. And the savings generated are used to fund the programs that I talked about.

So, I don't think that if you look at purely the TCV and look at the kind of projects, you cannot say there's only one kind of project. You would see a fair mix. I would say maybe 55 to 60% in terms of cost and optimization and the remaining in terms of transformative engagement.

**N G Subramaniam:** If I can add, Ankur, to what Krithi has said, every organization wants to become an AI organization. There is a huge amount of upskilling and transition that internally they are going through to train their own people on the impact that AI can have in terms of every one of their internal processes and their planning process, and what are the parameters that are important for their growth, all of it.

So, they are going through their AI transition themselves. And in addition to that, given the number of new technologies that are coming in this space, the possibilities are opening up. As I alluded to in the press conference, the first phase of defining the architecture in which they would like to develop these programs, which LLMs will be relevant for them, which one they want to keep in-house, which one they want to keep in the public domain, what data that they have internally, what data they need to get it externally.

A lot of these strategic decisions are also at play. So, I think as far as the cost and optimization, efficiency, using AI for internal purposes, they're all -- there's no dearth of opportunities, they're all happening. But on the strategic transformation programs, the kind of work that they want to do, they are calibrating it, they want to solve all this internal issues, strategic issues first, assess the regulatory impacts before they want to progress further.

**Ankur Rudra:** Thank you for the color, NGS, and thank you so much for your guidance over the years. That was my last question. Thank you.

**Moderator:** Thank you. The next question is from the line of Kawaljeet Saluja from Kotak. Please go ahead.

**Kawaljeet Saluja:** Hi. Thanks a lot. I have a couple of questions. First is on TCV and the relative lack of, what I would say, excitement about the near-term growth acceleration. Is there anything in the composition of TCV which is leading to this relative lack of enthusiasm, anything which you can throw some color on the renewal component or the ACV, anything that can help us understand the dynamics of growth and our TCV a little bit better?

**K Krithivasan:** Thanks, Kawaljeet. I won't call it a lack of excitement. We are quite happy with the TCV we signed. Our caution comes from the headwinds that we face. The short-term demand remains very unclear or volatile. So that's a cautionary stand. Like, once we go through the quarter, probably we'll get a better understanding of the overall net demand. So, we are quite happy with the TCV, and its conversion into revenue as well.

But what we have not been able to predict is the headwinds that come out because customers want to conserve cash and then stop some of those ongoing large programs. So that's the reason you see the amount of caution in terms of predicting the revenue.

**Kawaljeet Saluja:** And Krithi, anything in terms of renewals versus new TCV? Because I saw a stream of announcements, but plenty of them were renewals. So how does that compare with the historical average? And if you can throw any -- if you can add any insights on the ACV number, that would be useful as well.

**K Krithivasan:** We don't publish ACV number, Kawaljeet, but from a mix perspective between renewal to new revenue, there is no change. If at all, I would say that our new revenue has been stronger.

**Kawaljeet Saluja:** Okay. That's heartening to hear. The second question is for Samir. Samir, any other lever through which you can juice up the margins? I understand there's some near-term headwind from compensation provision, but just to understand the perspective of profitability and how it can improve, any levers that you can highlight, because at least from the face of it to us, it looks like the engine is running nice and in a very optimized way today?

**Samir Seksaria:** Yes, Kawaljeet. The ones I called out – pyramid, pricing and utilization - - definitely have further scope. And we also believe that incremental margins will have to be contributed by pricing improvements.

**Kawaljeet Saluja:** Right. The final question that I have is on the BSNL deal. So there's \$1 billion of revenues that come in, say, a period of 12 to 18 months. Are there subsequent work packets that will flow in or does this create, let's say, a revenue vacuum as you move into FY 2026?

**N G Subramaniam:** Hi, this is NGS here. We are focusing on installing the network across 100,000 towers. We have achieved about 10,000 towers as of date, and there are further opportunities.

For example, beyond rolling out these 100,000 towers, we also have to upgrade a good number of them to 5G. That's another revenue stream that will come. And then subsequently, the maintenance support is for the next foreseeable future. That's another thing that is expected.

In addition, there are also opportunities to increase the number of towers that BSNL will deploy, because clearly they are focused on what they call as saturation sites, which essentially means rolling out new towers in rural areas where hitherto even a mobile network doesn't exist. So there are clearly some more opportunities that will come from the BSNL.

But clearly, this is a mission critical project, very complex, highly integrated, and indigenously developed. The opportunities to take it to market with other operators is an opportunity that we are calibrating.

**Kawaljeet Saluja:** Got it. Fantastic. Thanks a lot.

**Moderator:** Thank you. We have our next question from the line of Surendra Goyal from Citigroup. Please go ahead.

**Surendra Goyal:** Good evening, everyone. Krithi, I'm just trying to understand your commentary better. You have sequential growth in Q4. You are saying that visibility has gotten better. Deal TCV trends are good and mostly regular-sized deals. And June and September are seasonally strong as well, based on what we have seen over the years.

So why are you not willing to call out growth in the coming quarters? Is the leakage in the existing big business a concern enough to hold you back despite so many positives? Any clarity would really be helpful.

**K Krithivasan:** Surendra, two things. One, we have never given guidance. Two, as I told, whatever answer I gave to Kawaljeet, like, there is an amount of

unpredictability in terms of our customers' readiness to cut the discretionary work that they are doing based on the return on investment they're seeing.

And it is also a factor of how they see the economy panning out or what they should be ready for. So, if there is a greater confidence on their overall business growth, you would see them at least embarking upon more discretionary projects or not pausing the projects. It's a question of the overall economic sentiments our customers are in. That's the reason that we are not sounding very optimistic. We have been cautious because of these reasons.

**Surendra Goyal:** And are there particular verticals where you see the reprioritization happening more commonly compared to the rest of the business?

**K Krithivasan:** No, it comes from their individual perception. See, there are some programs that have seen a number of incremental enhancements that are supposed to be done. But when they see the new enhancements not going to yield greater value, they don't do those enhancements, they stop at wherever, whatever, after the initial set of modernization.

There are programs where clients signed up to initially a very high SLA, but they realized that given the current environment, that kind of SLA is not required. Then you have a lesser number of associates handling the same program with a reduced SLA. There was one instance where the customer sold off a business to somebody else or they got out of that business, and they ran down the people in that program. Some of these decisions happen in a very short notice. This is broadly the spectrum we are seeing.

**Surendra Goyal:** And just a housekeeping question, are any deals which get cancelled, either because of customers selling off a business or any other reason? What you report, is that a net number or just a gross number? See, if you had signed a deal six months back and then the deal got cancelled, would this quarter be net of that cancellation or the cancellations are not accounted for?

**K Krithivasan:** TCV is only what we sign new in a given quarter.

**Surendra Goyal:** Understood. Thanks. NGS, thank you for all your insights over the years and all the best.

**N G Subramaniam:** Thank you so much.

**Moderator:** Thank you. We have our next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

**Gaurav Rateria:** Hi, thanks for taking my question. Just wanted to get little bit better trends on BFSI. You did talk about insurance vertical growing during the quarter across geographies.

If you could lay out in terms of outlook within BFSI of subsectors, what's going to grow and where the visibility is higher, where visibility is still not there, that would be very helpful.

**N G Subramaniam:** Hi Gaurav, this is NGS here. I think overall our engagement with our customers in the BFSI segment has been terrific and very good partnership that led to about \$4.1 billion worth of TCV during the quarter. Insurance is doing well.

Capital markets is doing well, almost every stock market is doing well. So, there are increasing opportunities that are coming. But largely in putting controls, risk, and safety measures as opposed to trading systems or settlement systems because they're all working fine, they're all scaling, and they don't want to touch it, and they've invested a lot in the algo trading.

On the retail banking side, clearly payments and wealth management are two significant areas where we have customers wanting to try out new technologies. And especially portfolio management, portfolio optimization using Gen AI to rebalance, and assist in a way that increases their own productivity and provide that agility to their end customers is something that we are seeing and identifying arbitrage opportunities on the fly.

These are all cases that people are experimenting, and there are opportunities in payments specifically and wealth management on the retail segment. On the Market infrastructure side, there are a good number of programs in the pipeline. As you know, we signed up the deal with ASX, Australian Stock Exchange, and we implemented one of the most complex commodity systems for MCX. And we continue to engage with customers like London Clearing House and other firms.

Large market infrastructure programs in payments, payments modernizations, and almost every market, they are considering implementing something like a UPI, faster payments, instant payments. There are lot of discussions that are going on, but these are all long-term projects, so deal cycles are expected to be longer. I hope that gives you a perspective.

**Gaurav Rateria:** Thank you for the very comprehensive answer. Just to follow up on this, where are you seeing the unexpected ramp downs or behaviour of client decision-making within these segments, and any likelihood of that kind of continuing? I mean, are you expecting this to continue in the current quarter as well?

**N G Subramaniam:** I think, I can't really, pinpoint something except that, look, if you take our BFSI segment, for example, most of our customers, are all long-term strategic customers for us. We have enjoyed a phenomenal relationship and partnership with all of them. So we sign deals and they commit deals to work with us.

But then at the same time, they come back and then say that, look, yes, I signed this deal, and then I want to defer this for about a quarter. Even though contractually they may not have that option, we remain flexible with them, and then we have to accommodate them in the interest of our long-term relationship, and culturally we are like that. From that perspective, we see some volatility in decisions because, for example, if they face a headwind, come back and then talk to us and then say that, look, can you execute this program in terms of 12 months, 18 months or 24 months? And such things happen, it's an unplanned, distribution of work that we need to manage, and customers love us for that. I think we will continue to operate in that fashion to stay relevant to our customers and help in their times of need, and it is that volatility which we are not able to predict.

And at the same time, today there are so many startups coming in AI. Some of the clients want to invest in those startups rather than building it organically. Clients want to experiment and see whether the concepts what they are coming up with is interesting. Maybe I will invest in them and then accelerate their journey and adopt that technology. These are all the volatility that we see in the marketplace, for which, we will have to be respectful of clients' thoughts and decisions and accordingly align ourselves to the changing paradigm.

And that's the volatility which I'm not able to predict, and I'm not able to communicate it. We only echo what we see and what we hear from our customers to all of you.

**Gaurav Rateria:** Thank you very much. Last question for Samir. On the operating margin comfort band of 26% to 28%, you did talk about pricing to be one of the levers that will be required to sustain the margin in that.

In the current environment, do you expect this to play out in the coming quarters based on the kind of deals that you have signed? Or is it more of a factor that could be, at play only when the discretionary spend were to return back? Thank you.

**Samir Seksaria:** NoW we believe that incremental margins will have to be contributed by pricing improvements that need not be through an immediate pricing increase, but we will need to work out structurally. Towards that, it would be a combination of various factors. Overall portfolio-based pricing increase, renewals getting priced in at a higher price or when the renewals happen, asking for a price increase, or the overall new deals which come in get factored at a higher price. I wouldn't expect it in one quarter, or we go and ask for a price increase to a customer and we would get it immediately.

**Gaurav Rateria:** Thank you.

**Moderator:** Thank you. We have our next question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

**Kumar Rakesh:** Hi, good evening. Thank you for taking my question. My first question was for Samir. So, we are exiting this year closer to 26% on the margin side. So, through the next year, FY'25 through the quarters, should we expect the quarterly movement of margin similar to what we saw this year? Or there was some difference in the trajectory which we saw, and we should build accordingly?

**Samir Seksaria:** I think one thing for sure is like it happens in every year. We would take the impact of increments, the largest headwinds coming in Q1 and then we claw back on the margins as we go through the year. And we would expect a similar trajectory to happen in FY25.

**Kumar Rakesh:** Got it. And there has already been a lot of questions around the deal TCV, ACV and the revenue conversion. Additionally, Krithi, you also

spoke about in the last part about the pent-up demand in the retail segment this quarter.

You have spoken about pent-up demand to be there in BFS. How do you see that panning out in the context where you have caution in the near term while you are also talking about there is a pent-up demand? What do you think that would be the catalyst that, you would be looking at where the pent-up demand eventually starts translating into revenue and gives you more better visibility on demand and comfort as well?

**K Krithivasan:** I think, once the customers are comfortable about their demand environment, about their market could be the catalyst. For instance, see insurance today, they look at their long-term growth, or manufacturing, we find there is a lot of activity. So those sectors we find there is an investment happening. Capital markets has done reasonably well this quarter, spend happening in the regulatory sector, the risk and compliance. So, it depends on the individual customer and wherever they see that there is a greater confidence of their business, you would see the pent-up demand also being satisfied. Again, it is a factor of what is the return on investment that particular investment will give them. So it's more a factor of the individual business and the client's outlook.

**Kumar Rakesh:** Got it. So, in any of the verticals or pockets have you already started seeing this pent-up demand starting to...

**K Krithivasan:** I wouldn't call it pent-up demand, but as I spoke in my original commentary, consumer business for now we started seeing green shoots in pockets. Like even this quarter, we found airlines, transportation, doing very well. So you will see pockets in each of these verticals. I won't say any given vertical, you may not have all sub-verticals return to growth. But there will be some sub verticals that would return to growth. But as I said, this quarter, Insurance grew well, Airlines and Transportation grew well. Manufacturing, by and large, most of the segments in manufacturing grew well. So, this is what we are seeing.

**Kumar Rakesh:** Perfect. That's very helpful. Thanks a lot.



**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

**K Krithivasan:** Thank you, operator. We are very pleased with our financial year 2024 performance, growing at **3.4%** in constant currency, amidst the macro uncertainty prevailing in the major markets.

- Our Q4 revenue grew **3.5%** in Rupee terms and **2.2%** in constant currency terms. Deal momentum continued to be very strong in Q4, with our order book at **\$13.2 billion** for the quarter, and **\$42.7 billion** for the full year.
- Our Q4 operating margins improved to **26%**, an expansion of **100 bps** sequentially. Our net margin in Q4 stood at **20.3%**.
- Our LTM attrition in IT services fell further to **12.5%**.
- We continue to deliver resilient results, winning market share, and balancing growth with profitability.
- We have an exceptional leadership team and an extremely dedicated workforce. It has been every TCSers' hard work during the year which fuelled our collective achievements, and I would like to thank each one of them for their contribution to the company's success. With that, we wrap up our call for today. Thank you all for joining us.

**Moderator:** Thank you, members of the management. On behalf of TCS that concludes this conference call. Thank you for joining us and you may now disconnect your line.

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**Note:** This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.