

# TCS Looks to Begin FY19 with a Bang as Q4 Net Profit Jumps 4.5%

Co posts ₹6,925-cr profit on large transformational deal wins, board announces 1:1 bonus share issue

## Our Bureau

**Mumbai/Bengaluru:** Tata Consultancy Services (TCS) marked half a century of existence with a 1:1 bonus issue, its highest-ever final dividend and upbeat commentary about its prospects for the financial year 2018-19.

India's largest software services company, which was founded in 1968, said revenue in the fourth quarter increased 3.9% sequentially to \$4.97 billion, bettering estimates, and the operating margin perked up to 25.4%.

For the fourth quarter ended March 2018, TCS reported 4.5% growth in net profit to ₹6,925 crore against ₹6,622 crore during the year-ago period. The company's revenues grew 8.2% to ₹32,075 crore compared with ₹29,642 crore in previous quarter.

While TCS reported 24.8% operating margin for financial year 2017-18, its margin stood at 25.4% for the fourth quarter. In 2017-18, TCS grew 6.7% in dollar revenue, its slowest in six years.

"Our full-year growth has been lower than it has been in the recent past but our Q4 growth gives us optimism that we are back on to double-digit growth," CEO Rajesh Gopinathan told reporters after announcing the quarterly results



Rajesh Gopinathan, CEO, TCS

on Thursday. His optimism stems from the large deals the company has won from customers such as Nielsen and Transamerica.

"Strong demand in digital across all verticals and large transformational deal wins made this one of our best fourth quarters in recent years," said Gopinathan. "The strong exit allows us to start the new fiscal on a confident note."

TCS does not offer a revenue forecast. However, its assertion of returning to over 10% growth on a higher revenue base, is a positive signal for the export-focused Indian IT services industry. In recent years, the sector has struggled due to the rising adoption of automation, and cus-

## Report Card

Q4 revenue  
**\$4.97B**

FY18 revenue  
**\$19.09B**

Q4 margin  
**25.4%**

IT attrition falls to  
**11%**

HEADCOUNT COMES IN AT  
**394,998**

DIGITAL REVENUE CROSSES  
**\$4 BILLION**

tomers shifting their technology budgets toward newer areas such as digital and cloud. In addition, strident protectionism in its largest markets in the US has also dampened business.

Nasscom, the software industry lobby, expects software exports to grow by 7-9% in fiscal 2019.

TCS' optimism is in contrast to the circumspection displayed by rival Infosys, which weathered top management churn last year. With new CEO Salil Parekh trying to bring in stability, the Bengaluru-based company expects to grow at 6-7%, slower than the industry lobby forecast.

Analysts are of the view that TCS is on

a strong growth path.

"Post 4QFY18 performance, we are encouraged by renewed traction in TCS' business. Apart from BFSI and retail, other verticals achieved either in-line with or better than company average growth. The company also issued a bonus of 1:1, which along with the share buyback, is likely to improve sentiment," Harit Shah, analyst with Reliance Securities, said.

The firm saw its digital revenue grow 35% to contribute 23.8% or \$4 billion to its revenues. In the last six months, TCS won deals worth over \$6 billion. It offers to transform clients' IT assets, improve efficiency and productivity.

The Tata Group company also expects growth to revive in its main market — the US and from customers in the banking and financial services industry. The banking sector, which is facing a disruption from upstart payment companies, is undergoing a churn in the US. These firms are slashing their IT outsourcing budgets and shifting to digital projects to take on the upstarts.

"We are seeing some green shoots in North America and BFSI. After discussing with our clients, we hear the concerns have bottomed out, we will see growth returning," said NG Subramanian, chief operating officer at TCS.