

This is a quick analysis of fourth quarter results of Tata Consultancy Services Limited.

The Company reported 16.9% y-o-y growth in INR revenues, 7.4% growth in USD revenues and 10.7% in constant currency. Sequentially, the INR revenues grew marginally by 1.6%, which is low compared to at least past couple of years.

The positives include y-o-y sales growth as already mentioned; EBITDA margins at levels better than previous quarter; TCV for the quarter at \$10 billion that was a significant jump from previous quarter; some of the geographies such as UK, Latin America and verticals such as retail, healthcare witnessing good growth; continuing focus on enhancing the talent base with net employee addition of 821; and a strong pipeline of deals.

The vertical-wise numbers depict a decelerating trend across all sectors, a trend that highlights management's worries.

In terms of the negatives, clearly BFSI vertical, which is the largest vertical for the Company, has been suffering, and so is the North American territory. However, there have been news in recent days regarding a few large US banks reporting good profit numbers. And even the management stated that the ongoing scenario may turn around to significantly benefit the larger banks. If that happens then that vertical at least might reverse the trend. We are not saying everything will turn around rapidly to benefit the Company. It would take time, at least a couple of quarters, and the management couldn't have emphasized the same point any more than they did.

The management also emphasized that order book to revenue conversion will be quicker since the newer orders are not as lumpy as before. At the same time the deal pipeline continues to remain strong. They acknowledged there are uncertainties on clients' IT spends. Clients are surely postponing the discretionary or non-critical expenditures but they have prioritized cost optimization and strategically important projects. There was a spike in operating model transformation deals. The company was able to win an all-time high number of large operations transformation-deals in Q4.

There is a downward trend in overall orders if we were to split them in revenue-wise buckets as shown in the chart alongside. However, the same is to some extent mitigated by the overall order book or the TCV.

Market uncertainty, which was predicted to decrease in Q4, has not improved and has severely impacted equally all sectors. Hopefully the situation will improve in the next couple of quarters.