

# India's TCS second-quarter profit up 34%, beating estimates (Update)

15 October 2013, by Salil Panchal

India's biggest IT outsourcing firm, Tata Consultancy Services, on Tuesday reported a 34 percent jump in quarterly net profit, beating market forecasts, led by outsourcing deals and new contracts.

The company, popularly known as TCS and part of the steel-to-tea Tata conglomerate, said consolidated net profit rose to 47.02 billion rupees (\$760 million) for the three months to September from 35.12 billion rupees in the same period a year earlier.

Revenue jumped 34 percent to 209.77 billion rupees, the company said.

Analysts had forecast TCS to post a profit of 45 billion rupees.

"It was yet another great quarter. We have demonstrated all-round strong growth across markets and industries, highlighted by efficient and rigorous execution," chief executive N. Chandrasekaran said in a statement.

Chandrasekaran said TCS, which signed at least nine large contracts, has a "robust demand pipeline" and the company hired 7,664 people in the quarter.

TCS counts blue-chip companies such as British Airways, BP, Citigroup and Microsoft among its main clients.

"The global environment is good. Businesses are being reinvented to digital needs," Chandrasekaran told reporters later in the day.

Analysts were impressed with TCS's earnings, led by a 7.3 percent rise in volume growth, its highest in the past nine quarters.

"Volume and margins growth is healthy, the company is consistently growing," said Ankita

Somani, IT analyst with Mumbai's Angel Broking.

"TCS has been able to effectively identify opportunities in a volatile macro environment and has been able to provide an integrated services approach to clients," said Dipen Shah, head of private client group research with Kotak Securities.

In the quarter, TCS added three new clients whose business is over \$100 million, totalling 22 such clients.

Last week, TCS's rival Infosys reported a lower-than-expected 1.6 percent rise in quarterly net profit, but raised its full-year revenue outlook.

Infosys said net profit rose to 24.07 billion rupees (\$383 million) for the three months to September from 23.69 billion rupees a year earlier.

Both TCS and Infosys, which lead India's flagship IT outsourcing industry, have shown higher revenues as their clients—mostly US and Europe-based firms—have started to spend more on technology and outsourcing.

Chandrasekaran said he expects TCS's business in Europe to scale up further over the next two years, without giving details.

TCS completed its acquisition of French IT services firm Alti SA for 75 million euros (\$98 million) this year.

Alti will start growing and contributing more after a couple of quarters, Chandrasekaran said.

The sharp fall in the Indian rupee against the dollar this year has boosted earnings for Indian outsourcing firms, who bill their overseas clients in dollar terms.

The rupee, one of the worst performing Asian currencies this year, fell 5.2 percent in the July to

September quarter, amid slowing domestic growth and fears of overseas fund outflows to the United States as its economy recovers.

India's IT outsourcing industry carries out a wide range of jobs for Western firms such as answering calls from bank customers, processing insurance claims and developing software.

India, with its large English-speaking workforce, accounts for at least 50 percent of the global outsourcing market.

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