

# Higher costs hit profit at Indian software giant TCS

July 8 2022

---

India's largest software exporter Tata Consultancy Services on Friday reported quarterly earnings that missed analyst estimates, as higher wages and expenses hurt margins despite a strong order book.

Net profit at the IT giant rose to 94.78 billion rupees (\$1.2 billion) in the three months ended June 30, 5.2 percent higher than in the same period last year.

Sustained demand across business segments pushed revenues 16.2 percent higher year-on-year to 527.58 billion rupees.

"We are starting the new fiscal year on a strong note, with all-round growth and strong deal wins across all our segments," [chief executive](#) and managing director Rajesh Gopinathan said in a statement.

"Pipeline velocity and deal closures continue to be strong, but we remain vigilant given the macro-level uncertainties," he added.

The Mumbai-headquartered [company](#) said the value of its order book had declined from a record \$11.3 billion last quarter and stood at \$8.2 billion at the end of June.

Annual salary increases, the elevated cost of managing talent churn and gradual normalisation of travel expenses hurt operating margins in the quarter, the company said.

"It has been a challenging quarter from a cost management perspective," chief financial officer Samir Seksaria said.

The company—one of India's largest private employers—hired more than 14,000 employees in the quarter to help meet demand and combat high attrition.

TCS was at the forefront of an IT boom that saw India become a back office to the world as firms in North America and Europe subcontracted work, taking advantage of a skilled English-speaking workforce.

More recently, IT companies have benefited from a boost in demand for [digital services](#) since the pandemic.

The company earns more than 80 percent of its revenues from Western markets.

Its overseas growth in the quarter was led by North America, which contributed half of its business and saw revenue growth of 19.1 percent.

Domestic revenues grew 20.8 percent year-on-year, as its India business rebounded from a devastating second wave of COVID-19 infections in the same quarter last year.

TCS, India's second-most valuable firm by market size, announced an interim dividend of eight rupees per share.

Shares in the firm closed 0.67 percent lower in Mumbai ahead of the release of the results.

© 2022 AFP

Citation: Higher costs hit profit at Indian software giant TCS (2022, July 8) retrieved 27 April

2024 from <https://techxplore.com/news/2022-07-higher-profit-indian-software-giant.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.