

Innovate, Adapt, Thrive

Integrated Annual Report
2022-23



About TCS

Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for over 55 years. Its consulting-led, cognitive powered, portfolio of business, technology and engineering services and solutions is delivered through its unique Location Independent Agile™ delivery model, recognized as a benchmark of excellence in software development.

A part of the Tata group, India's largest multinational business group, TCS has over 614,000 of the world's best-trained consultants in 55 countries. The company generated consolidated revenues of US \$27.9 billion in the fiscal year ended March 31, 2023, and is listed on the BSE and the NSE in India.

TCS' proactive stance on climate change and award-winning work with communities across the world have earned it a place in leading sustainability indices such as the MSCI Global Sustainability Index and the FTSE4Good Emerging Index. For more information, visit www.tcs.com

Innovate, Adapt, Thrive.

This year's theme reflects the agility that enterprises require to thrive in a fast-changing, uncertain world. For two years, enterprises battled for scarce talent to embrace the cloud and experiment with powerful technologies like AI and ML. They had just gotten started on their growth and transformation journeys when the war in Europe changed everything. With raging inflation and resultant interest rate hikes dampening global economic outlook, companies are now recalibrating their plans and adapting to the changed circumstances.

TCS, with its full services capability, helps clients thrive in good times and bad. It helped them move to the cloud, accelerate their innovation, adopt new business models and drive competitive differentiation. Now it is helping them adapt, transforming their operations and giving them the agility, resilience and efficiency needed to weather the storm. Its clients see it as their preferred all-weather partner, making its services an enterprise staple, and its business very resilient.

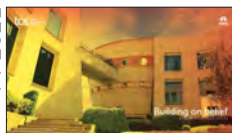
Recent Annual Report Themes

FY 2022



Innovating for
Greater Futures

FY 2021



Building on Belief

FY 2020



Purpose-driven.
Resilient. Adaptable

FY 2019



Growth and
Transformation
with Business 4.0™

FY 2018



Dawn of
Business 4.0™

Content

About TCS.....	02
Board of Directors.....	04
Management Team.....	05
Letter from the Chairman.....	06
Letter to Shareholders.....	08
Letter from the CEO.....	11
The Year Gone by.....	12

Integrated Reporting Framework

TCS Integrated Business Model.....	15
Financial Capital.....	16
Human Capital.....	18
Intellectual Capital.....	20
Social Capital.....	22
Natural Capital.....	24

Thematic Section

Helping Versuni become a Digital-First, Innovation-Led Standalone Entity.....	26
Enabling Eversource Energy's Transition to a Green Energy Future.....	27
Innovate, Adapt, Thrive: A Fireside Chat.....	28
Revolutionizing Small Value Payments in South Africa.....	30
Supporting Takenaka Corporation Realize its Vision of a Sustainable Society.....	31
Q&A with CFO and CHRO.....	32
Innovating to Improve Crop Yields and Farmer Incomes.....	34

Statutory Section

Notice.....	35
Directors' Report.....	72
Management Discussion and Analysis.....	86
Awards and Accolades.....	109
Corporate Governance Report.....	113
Corporate Social Responsibility.....	136
Business Responsibility and Sustainability Report.....	145

Consolidated Financial Statements

Independent Auditor's Report.....	183
Consolidated Balance Sheet.....	190
Consolidated Statement of Profit and Loss.....	191
Consolidated Statement of Changes in Equity.....	192
Consolidated Statement of Cash Flows.....	194
Notes forming part of the Consolidated Financial Statements.....	196

Standalone Financial Statements

Independent Auditor's Report.....	251
Standalone Balance Sheet.....	260
Standalone Statement of Profit and Loss.....	261
Standalone Statement of Changes in Equity.....	262
Standalone Statement of Cash Flows.....	264
Notes forming part of the Standalone Financial Statements.....	266
Statement under section 129 of the Companies Act, 2013 relating to Subsidiary Companies.....	316

Glossary	321
----------------	-----

Sustainability Disclosures

Identification of Material Topics	330
Climate change risk and opportunities assessment and management.....	333
GRI Content Index.....	339

Board of Directors

Non-Independent, Non Executive



N Chandrasekaran
Chairman



Aarthi Subramanian



Independent, Non Executive



O P Bhatt



Dr Pradeep Kumar Khosla



Hanne Sorensen



Non-Independent, Executive



K Krithivasan
CEO & MD



N G Subramaniam
COO & ED



Keki Mistry



Don Callahan



- I Independent, Non-Executive Director
- NE Non-Independent, Executive Director
- N Non-Independent, Non-Executive Director

Board Committees

C Chairman

M Member

- | | |
|---|---|
| ■ Audit Committee | ■ Nomination and Remuneration Committee |
| ■ Stakeholders' Relationship Committee | ■ Corporate Social Responsibility Committee |
| ■ Executive Committee | ■ Risk Management Committee* |

*Samir Seksaria (Chief Financial Officer) is also a member of the Committee

Average Age (years)



Average Tenure on the Board (years)



Board Independence (%)



Average Tenure of Independent Directors on the Board (years)



Management Team

Corporate

K Krithivasan

Chief Executive Officer
and Managing Director

N G Subramaniam

Chief Operating Officer
and Executive Director

Samir Seksaria

Chief Financial Officer

Milind Lakkad

Chief Human Resources Officer

Rajashree R

Chief Marketing Officer

K Ananth Krishnan

Chief Technology Officer

Madhav Anchan

General Counsel Legal

Pradeep Manohar Gaitonde

Company Secretary

Business Heads

Susheel Vasudevan

Relationship Incubation Group

Krishnan Ramanujam

Enterprise Growth Group

Debashis Ghosh

Business Transformation Group

Suresh Muthuswami

Chairman – TCS North America

Amit Bajaj

North America

Amit Kapur

UK & Ireland

Sapthagiri Chapalapalli

Europe



A portrait of a middle-aged man with grey hair and glasses, wearing a dark blue suit, white shirt, and a red tie with a small white pattern. He has his arms crossed and is looking directly at the camera. The background is a blurred cityscape at night with bokeh light effects. The overall design includes a large pink quotation mark graphic in the top right and a wavy orange and black graphic at the bottom right.

Letter from the

Chairman



The global environment is going through considerable changes. At the same time, the world is navigating several important transitions: the Energy transition, the Supply Chain transition and the AI transition. Undoubtedly, these transitions will require significant investments in technology and innovation, and offer a huge growth opportunity for the IT industry.

Dear Shareholder,

I am pleased to share that your company has done well in a volatile global environment in the year gone by. In FY 2023, your company delivered revenue of **₹225,458 crore**, a growth of **17.6%**. This growth has come at an industry-leading operating margin of **24.1%**.

TCS continues to play a crucial role with clients to enable their business transformation, helping them accelerate new technology adoption and bring agility into execution. We work with large enterprises on transformation initiatives to build a digital foundation for the future, enable strategic leverage of data and artificial intelligence (AI) and reimagine customer and employee experiences.

Your company delivered healthy client metrics enabled by new customer additions and deep client relationships. In FY 2023, growth has come from broad-based performance across markets and industry verticals. The order book continues to be strong, indicating demand for your company's services. From a talent perspective, the employee strength grew to over 614,000 associates with 35.7% women associates.

The global environment is going through considerable changes. Geopolitical factors such as the conflict between Russia and Ukraine, rising inflation and volatile commodity prices have caused slowing down of global growth and created stress in the overall economic environment.

At the same time, the world is navigating several transitions. Undoubtedly, these transitions will require significant investments in technology and innovation, and offer a huge growth opportunity for the IT industry.

The global **energy transition** is accelerating. Businesses are making clear commitments towards a sustainable future. There are many innovations across products, services, manufacturing, and delivery. New business models are also emerging. This requires investments in technology and innovation including electric mobility, renewable power, hydrogen and sustainable fuel. In addition, sustainability compliance and reporting requirements are fast evolving as new standards and regulations are coming into play. Across the facets of this transition, investments in IT and digital technology will be an important enabler for businesses.

The **supply chain transition** resulting from the geo-political situation is altering the global supply chains. Companies are rebalancing their supply chains for resilience and efficiency. New global supply chain ecosystems are being created with India playing an important role. This is being led by significant capital investments in technology to set-up 'digital-first' manufacturing and supply chain operations as well as to build ecosystem integration with partners.

In the past decade, there has been a rapid evolution of digital technologies, bringing about a transformation across every industry. Now, the advancements in AI have made **AI transition**

a central focus. The impact of AI and Machine learning is going to be profound. There is a transition already underway from predictive AI to generative AI. Majority of the businesses are still adopting predictive AI and are on the journey of capturing large volume of data, harnessing the power of cloud and IoT. There are varying levels of adoption in companies across sectors. Leveraging generative AI would further require technology innovation and investments.

There is another important area that companies need to focus on – building talent for the future. The energy, supply chain and AI transitions are going to require companies to reskill/upskill existing talent base, hire and integrate new talent and invest in research. Our technology strengths make us well-placed to respond to the global demand and scale up our talent base.

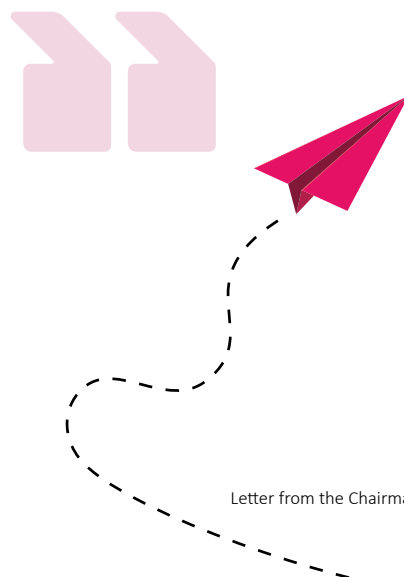
As the future of work is evolving, enterprises globally are also assessing their approach to talent. Today, companies can tap into talent anywhere and leaders need to learn how to harness the global talent pool effectively. Technology and tools are facilitating collaboration and enabling virtual and hybrid models of work. Harnessing this talent will need an approach that leverages technologies like AI and cloud to enable effective employee engagement and collaboration.

Your company is significantly investing in building AI capabilities which include products and platforms that are AI-powered. Over the last few years, your company has leveraged partnerships to design and orchestrate a completely indigenous software-defined 4G/5G network stack. 5G technologies along with IoT, edge and AI will enable new digital transformation opportunities across industries, both industrial and consumer. We will also invest in research areas important for the future, in collaboration with our global academic partners and start-up ecosystem.

I would like to thank Rajesh Gopinathan for his contribution during his tenure as CEO & MD and I wish him the very best for the future. I also take this opportunity to wish K Krithivasan the very best in his new role as CEO & MD of your company.

On behalf of the Board of Directors of Tata Consultancy Services, I want to thank you for your continued trust, confidence, and support.

Warm regards,
N Chandrasekaran
Chairman



Our full services capability enables us to help our clients thrive, in good times and bad. During the up-cycle, we help clients accelerate and expand their technology-led innovation to differentiate themselves and drive growth. On the down cycle, we help them adapt, using technology to drive the efficiency, agility and resilience needed to cope with a faltering economy, and prepare for better times ahead. ”

Letter to Shareholders¹

Dear Stakeholder,

Demand for our services showed remarkable resilience even as other parts of the technology universe deflated, and macroeconomic uncertainties worsened in our major markets throughout FY 2023. Our revenue for the year was **₹225,458 crore**, a growth of **17.6%** over the prior year (**13.7%** in constant currency).

This growth came with an industry leading operating margin of **24.1%**. Our Net Margin was at **18.7%**. The Earnings Per Share was at **₹115.19**, a growth of **11.2%** over the prior year.

From an industry vertical perspective, growth in FY 2023 was led by Retail and Consumer Business, which grew **22.1%**, Life Sciences and Healthcare which grew **20.2%** and Communications, Media and Technology which grew **18.1%**. Banking, Financial Services and Insurance grew **14.6%** while Manufacturing grew **14.1%**. Others, which make up **8.2%** of revenues, grew **22.5%**.

By geographic markets, North America grew **24.2%**, UK grew **11.4%** and Continental Europe grew **9.2%**. Among emerging markets, Latin America grew **24.8%**, India grew **14.9%**, Middle East & Africa grew **12.5%** while Asia Pacific grew **7.1%**.

The Board has recommended a final dividend of **₹24** per share, bringing the total dividend for the year to **₹115** per share. For the full year, the company's shareholder payout was **₹42,079 crore**, **108.2%** of the free cash flow during the year.

Innovate, Adapt, Thrive

Our performance this year reflects how much of an enterprise staple IT services have become. Our full services capability enables us to help our clients thrive, in good times and bad. During the up-cycle, we help clients accelerate and expand their technology-led innovation to differentiate themselves and drive growth. On the down cycle, we help them adapt, using



technology to drive the efficiency, agility and resilience needed to cope with a faltering economy, and prepare for better times ahead.

Cloud transformation remained a high priority area for enterprises in FY 2023, with greater focus on execution. They engaged us to take up the modernization and migration of their bigger, more complex workloads. The breadth and depth of our cloud expertise, our scale, deep domain knowledge, strong partnership credentials with the hyperscalers and our portfolio of intellectual property on the cloud, give us a distinct competitive edge in this phase of the cloud adoption cycle.

We also helped clients cope with the challenge of managing cloud expenses. In some cases, it required rearchitecting their application stack to be more cloud native, capable of dynamically ramping up resource consumption during periods of high demand, and automatic ramping down at other times. Elsewhere, we offered our FinOps advisory and cloud managed services to rein in cloud costs.

The adoption of cloud technologies continues to drive innovation within enterprises. The availability of compute, data

¹ GRI 2-22

and networks at scale provides access to powerful technologies like advanced analytics and machine learning, applied to diverse areas like computer vision, text and speech processing, in domains like dynamic supply chain optimization, new molecule discovery in life sciences and usage-based pricing of insurance coverage.

Newer developments like generative AI, large language models, and quantum computing triggered more experimentation and innovation by our clients. Our investments in research and innovation across different industries, and our Pace innovation architecture have positioned us well to partner with them in these initiatives. Our Agile Innovation Cloud offering, where we create dedicated, location-independent innovation teams to help clients accelerate and scale up their innovation, gained further traction in FY 2023. 7 new clients signed up during the year, bringing the total to 30 clients.

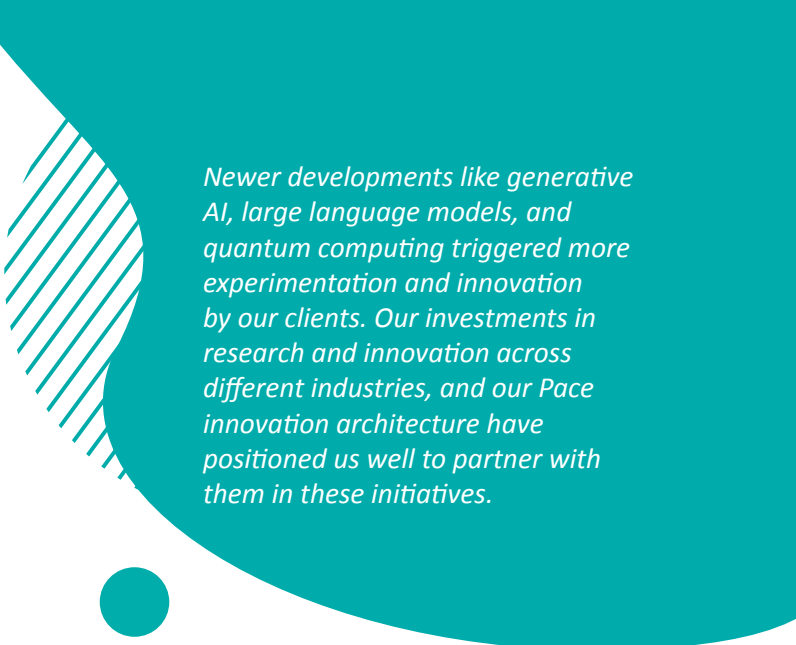
Some of the emerging innovation themes that we helped customers with include ecosystem and multi-industry models underpinned by technologies like data marketplaces, API and blockchain, in industries like transportation and public sector; AI-powered autonomous robotics in the logistics industry, and new applications for digital twins in the BFSI, Telecom and Retail industries.

Within our growth and transformation (G&T) portfolio, business model innovation continued to be a key theme. For example, for a large Fortune 500 electric gas utility, we built the service delivery platform central to their new business model of providing warranty repair, refurbishment and replacement services of various home appliances to households.

Ingram Micro, one of the largest technology distributors in the US, engaged us as a partner to power their pivot into e-commerce and achieve their mission to transform from a traditional distributor to a platform company that does distribution. **Tapestry Inc.**, a leading New York-based house of iconic accessories and lifestyle brands such as Coach, Kate Spade, & Stuart Weitzman, partnered with TCS to drive their omnichannel modernization and transform the customer journey experience.

Other G&T themes, such as M&A and sustainability continued to bring in high-profile deal wins and new strategic engagements for us in FY 2023. Elsewhere in this report, you can read about the work we did for **Philips Domestic Appliances** in its journey to be a standalone company, and how we helped **Eversource Energy** pursue its carbon neutrality aspirations.

Digital transformation, which began in the front office, towards enhancing customer experience, made further inroads within the enterprise during the year, unlocking tremendous value in the middle and back office. As critical technologies such as machine vision and conversational systems get better with the use of AI, our Machine First™ approach is helping clients use them innovatively in the back office, embedding them into reimagined processes to drive greater velocity, agility, throughput and resilience – which, among other things, also enhances customer experience.



Newer developments like generative AI, large language models, and quantum computing triggered more experimentation and innovation by our clients. Our investments in research and innovation across different industries, and our Pace innovation architecture have positioned us well to partner with them in these initiatives.

Applied at scale, across a broad set of business or IT operations, this can result in an entirely new operating model that significantly boosts our clients' competitiveness. As macroeconomic uncertainty increased in the second half of the year, we saw clients adapting by reprioritizing their spends and showing greater interest in such operating model transformations.

TCS Cognix™, our AI-driven human machine collaboration suite, has been a game changer, enabling faster transformations that deliver concrete business benefits within months. Its 600 pre-built configurable and reusable digital solutions enable plug and play transformation of a range of business and technology functions, horizontal and vertical. Nearly 300 of our clients have used it to transform their business and IT operations.

In traditional outsourcing deals, we saw more multi-services integrated deals. By consolidating multiple elements of the operation stack – processes, applications, and the underlying technology and infrastructure – with a single strategic partner, clients not only achieve greater accountability, but also reduce complexity and derisk their larger business transformations. The same rationale is driving more vendor consolidation initiatives that favor a few strategic partners with end-to-end service offerings, the right innovation capabilities and scale.

All these trends play to our strengths. Our scale, structure, and ability to bring together different capabilities into a seamless service delivery team, helped us win several large deals throughout the year.

Investing in People

The supplyside challenges of the last two years peaked in the first half of FY 2023, with employee churn reaching unprecedented levels. We broke out of the vicious cycle of hiring and counter-hiring within the industry by investing in onboarding an unprecedented number of fresh engineers – over **110,000** in FY 2022 and over **44,000** in FY 2023 – and training them on the technologies most in demand.

In FY 2023, we focused on utilizing the spare capacity built up in the prior year, and recalibrated our hiring especially as attrition started falling in the second half of the year. Our LTM attrition in IT services for the year was **20.1%**. Net addition in FY 2023 was **22,600**, and the closing headcount was **614,795**. Our workforce continued to be very diverse, with over 150 nationalities represented and with women making up 35.7% of the employee base.

Our investments in organic talent development continue to deliver exceptional outcomes. In FY 2023, TCSers logged **48.3 million** learning hours, and acquired nearly **6 million** competencies. Popular technologies witnessed unprecedented levels of interest from our employees. During the year, **53,000** TCSers acquired certification on hyperscaler cloud skills, bringing the total number to over **110,000**, making TCS one of the Top 2 partners to the largest cloud providers.

Caring for Communities

We continued to work with communities across the world, pursuing our long-standing commitment to programs in the areas of skills development, bridging of digital divides and STEM education. In FY 2023, we estimate that our community initiatives touched the lives of over **4.5 million** beneficiaries – women, youth and members of marginalized communities.

Our large programs in India around literacy, digital entrepreneurship and youth skilling continued to gain scale. Likewise, our STEM initiatives outside India. goIT is shaping the next generation of digital innovators in 42 countries, while Ignite my Future in School program has doubled its original goal, serving over **2 million** students and educators in five geographies worldwide since inception in 2017.

Our employee volunteer program called HOPE (Hours of Purpose by Employees) resulted in over **2.8 million** hours of volunteering effort towards promoting issues most relevant in their local communities, such as mental health, climate action, circularity, education, skilling, mentoring, and conservation.

On the environmental front, we continue to make good progress in our net zero journey. We have brought down our absolute carbon footprint across Scope 1 and Scope 2 emissions by **71%** over base year 2016, meeting our target two years ahead of time. This was despite increased electricity consumption in FY 2023 from employees' return to office. In addition to enterprise-wide initiatives for energy efficiency, we have also significantly increased our use of renewable energy. Renewable energy sources today make up **55%** of the total (7.25% in 2016).

So long, farewell

This year marks a key milestone in my journey with TCS, and an important transition point for the company, as I step down from my role as CEO and MD on 31st May 2023. It has been an absolute privilege and an unparalleled learning experience to lead our company in the last six years, a period of tremendous growth and transformation for us.

On a more personal note, I am grateful to Chandra, our Chairman, for his mentorship and backing over the years, to our Board members for their guidance, and to all our customers for the confidence they reposed in us. I take this opportunity to thank all my colleagues whose support and trust made my journey as CEO successful, satisfying and unforgettable. I also thank all my fellow TCSers whose energy, dedication and aspirations continue to power the organization's success.

I have had the pleasure of interacting with some of you in person over the last decade. Your feedback and insights helped me learn and shaped my worldview. Thank you for all your support and encouragement.

With enterprises relying on technology ever more to drive their competitive differentiation, technology intensity is rising and on a secular basis, the share of IT services within overall tech spending is also going up. I am confident that TCS' best years are ahead, and I look forward to watching the company's continued success from outside.

Best Regards,
Rajesh Gopinathan
Chief Executive Officer and Managing Director
(For FY 2022-23)

