

TCS reconfigures for the future

Its new growth and transformation strategy lies in building large advisory and strategy capabilities alongside its traditional outsourcing and System Integrator businesses



SHIVANI SHINDE
Mumbai, 25 October

In March this year, when Tata Consultancy Services (TCS) unveiled a new brand statement of "Building on Belief", many wondered if it was the right strategy. When things are uncertain, wouldn't a brand statement such as "Experience Certainty" have been better? But for Rajesh Gopinathan, CEO & MD, TCS, it was all about the way the company was looking at business.

As Gopinathan explained over a video call, "Today, we have over 1,000 customers and 98 per cent of our business is repeat business; our relevance to customers should continue, and to increase. Our situation is unique as our customers want to work with us more, so the onus is on us to ensure that we develop ourselves continuously so that we remain relevant to the customer ecosystem and that is our G&T [growth and transformation] agenda."

The company started to talk about its G&T-led strategy more openly about three quarters back. At a Q4 FY21 media meet Gopinathan had said: "The overall opportunity, what we call 'growth and transformation', is huge, and we are still early stage participants there. We are investing in it across the value chain, whether in developing capabilities by harnessing contextual knowledge, by innovation, experimenting and investing into new opportunities."

He also pointed out that the upstream (consulting) work that is cornered by the Big Four — Deloitte, PricewaterhouseCoopers, KPMG, and EY — and the consulting services provider needs to change. The traditional consultants have used a "cookie-cutter" type of approach to solve problems, he said.

Peter Bendor-Samuel, CEO, Everest Group, a global research and advisory firm, believes that there are two reasons for TCS to enter this space. "First, it is a large and attractive market. Accenture and Capgemini are two somewhat similar firms that have been successful in building and sustaining large advisory and strategy businesses alongside their outsourcing and System Integrator (SI) business," he said.

The second reason is that TCS hopes to use the influence that advisory or strategy provides to get in early to large transformation SI and outsourcing opportunities and potentially create a sole-source capability similar to Accenture, Deloitte and E&Y's.

This shift has meant a lot of internal introspection. Within TCS, this change was being brought about by the 'triple A strategy' — Awareness, Articulation and Amplification.

"It starts with a heightened awareness of what we do. One of the exercises that we have been doing for the past few years has been identifying the value of what we do," Gopinathan explained. "There are multiple G&T projects in which TCS was participating and executing very well, but what we did in the last few years was to become more aware of which part of the customer agenda we are partnering with. And this awareness is the key part of our strategy."

The Articulation strategy began within TCS a decade back when the company brought in vertical focus into its business. This meant that

there were people who were experienced in a particular vertical, its trend, internal culture, challenges, technology needs and new possibilities and what that industry was doing at that stage. These individuals were identified as Contextual Masters. At present TCS has 25,000 Contextual Masters, who not only know their industry needs inside-out but also hold patents for their research work. Gopinathan is focused on increasing this number manifold in the coming years.

The final "A" is Amplification. This is where clients endorse what TCS has made possible for them. "This whole exercise was triggered by the feedback we got from our clients who said they cannot be our salesmen," added Gopinathan.

This is important for TCS as it's known for its execution capabilities. But the G&T strategy focuses on innovative thinking and execution. Take the case of the Nordic insurance player Gjensidige. The firm wanted to increase its market share in Sweden. Instead of asking what the client wanted, TCS suggested that Gjensidige could be part of its innovation lab in Amsterdam, called Pace Port. This is a place where clients and TCS co-innovate.

In this case Gjensidige got a team of business leaders who worked with a TCS team to create a pilot. Based on the results of the pilot, the company has created a backlog of activities that need to be carried out as part of its transformation, and TCS is part of it. At present, TCS Pace has four hubs — in Tokyo, New York, Pittsburgh and Amsterdam.

"These co-innovation labs are not directed at solving immediate problems, but are designed to bring the engagement forward, and this has increased in volume. We have built a lot of credibility with the client and now we are taking it a step further and saying why not ideate on other areas, and it is generating a lot of interest," Gopinathan said.

To reach this point has meant a lot of internal change. "The challenging part has been the internal mindset. This is not moving away from our values but claiming what is ours," Gopinathan added. "Talking about what is rightfully ours is not negation of it but a logical extension because of the size we have and the aspiration that we have. When you are small, your work is visible internally and externally, but when you are large and diverse as we are you need to tell your story."

Bendor-Samuel thinks this shift will be a challenging one, especially when several have failed miserably when they shifted gears to be players in the advisory and strategy space. "It is possible to pair the advisory and/or strategy business with SI and outsourcing as Accenture and Deloitte demonstrate. What makes TCS' journey harder is that there are already large firms in consulting advisory and strategy in the market blocking their progress," he added.

"On the other hand, TCS' strong customer relationships, with footholds in SI and outsourcing, is a very deep balance sheet," he pointed out, while adding, "But even with these formidable advantages, it faces a steep learning curve and a difficult journey if it is to emerge with a market leading business. Buying an existing firm is possible but the integration challenges are formidable; growing the business organically may mean that it never gets to scale and falls short of the kind of revenue and influence that it seeks."

Restaurant industry shrank 53% in pandemic year: Report

RITWIK SHARMA
New Delhi, 26 October

The restaurant business worldwide was one of the hardest hit by the Covid-19 pandemic. The Indian food services market was no exception, as it witnessed 53 per cent degrowth in FY2021 compared to the previous fiscal, a report by the National Restaurant Association of India (NRAI) said on Monday.

The contraction in the food services industry led to the permanent closure of over 25 per cent of food business operators, which resulted in job losses of nearly 2.4 million in India. The Indian market size slid to an

estimated ₹200,762 crore after a high of ₹423,624 crore in FY2020, but the organised sector was faster to recover and its share in the food services pie is expected to increase to 54 per cent by FY2025, up from 27 per cent in FY2021, the Covid-19 impact assessment report added. In the ongoing fiscal year, the industry — which employs 7.3 million people — is expected to recover and reach a size of ₹472,285 crore.

Revenue and profitability also took a significant hit due to Covid-19, with average revenue post-lockdown seeing degrowth of 46 per cent compared to pre-Covid levels, and

average profitability falling 88 per cent, said the report that was released at a flagship roundtable of the industry body.

The report cited measures taken by the Centre and policy advocates, and also offered recommendations to the central and state governments to bail the industry out. The recommendations include restoration of input tax credit on the goods and services tax, framing a fair e-commerce policy, unemployment pay cover for employees, general notification allowing the invoking of force majeure and adjustment of licence fees for the period of operations under restrictive conditions.

ON THE JOB An IT, ITeS labour conundrum



MAHESH VYAS

According to CMIE's Household Survey (CPHS), information technology (IT) and information technology enabled services (ITeS) together employed 1.78 million people in September 2021. The average for the quarter ended September 2021 was lower at 1.74 million. This is also lower than the average 1.9 million the industry employed in the quarter of June 2021. Employment in the IT and/or ITeS industry had peaked at 2.23 million in June 2021.

The IT and/or ITeS industry is a small employer. At about 2 million, it accounts for a mere half per cent of the total employment in the country. But, it provides one of the most coveted jobs in the private sector. Demand for IT and/or ITeS professionals from larger companies is on the rise. Companies are reportedly hiring aggressively. But, at the same time, attrition rates have risen. This suggests that much of the hiring by companies is from within the industry. There seems to be a much lower

preference for fresh graduates. This could be because of some scepticism regarding the quality of fresh candidates graduating after remote education in the shadow of Covid-19 and stringent lockdowns.

Most of the employment in this industry is provided by some of the best companies in India. Tata Consultancy Services employs over half a million. It alone accounts for over a quarter of the total estimated employment in this coveted industry. Infosys is a distant second but it is still a very large provider of good quality jobs to nearly 280,000 people. Next, HCL Technologies and Wipro come close with both employing a little short of 200,000. Wipro is a somewhat diversified enterprise and so some of its employment is in non-IT businesses. Wipro also does not provide details of employment like other listed IT companies do. We have estimated employment by the company using its wage bill as a reference point.

All the top IT job providers in India are listed companies. There are some large unlisted IT companies as well, such as Accenture Solutions, Microsoft Corporation, SAP India, etc. While some of them hire in the thousands, none matches the hundreds of thousands hired by the top four IT companies in India mentioned above.

Two databases maintained by CMIE show somewhat comparable employment estimates for IT and/or ITeS companies in India. CPHS estimates that



the industry employs about 2 million people. This estimate is drawn from a large household survey. Independent estimates drawn from CMIE's Progress database indicate that listed IT and/or ITeS companies employ about 1.5 million. This implies that the unlisted companies could be employing more than a million or a little more than that. This is what TCS alone employs.

Indian companies are not very good at providing information on the number of persons they employ. Even listed companies do not provide employment data at a quarterly frequency the way they provide quarterly financial statements. We have used the salary and wage data, which is available at a quarterly frequency for all listed companies, and the employment data of a select few that provide such data to estimate employment among listed companies in the industry.

There are 300 listed IT and/or ITeS companies in India. Of these, employment data was available for only 10 for the June 2021 quarter. Of these, six are among the top 10 companies and four from the rest. We use this and similar data for earlier quarters along with the total wage bill of individual companies to derive an average wage rate for the top 10 IT and/or ITeS companies and separately for the remaining IT and/or ITeS companies. Using the average wage rates from the select few who provide employment data and the published total wage bill for individual companies, we estimate the employment by each company.

The top 10 listed IT and/or ITeS companies are estimated to have employed 1.46 million people in the quarter ended June 2021. The remaining 130 employed only an estimated 0.13 million.

A concrete estimate of the

size of the IT and/or ITeS industry is the wage bill as provided by the companies. The total wage bill of all 140 listed companies for which financial statements were available for the quarter ended June 2021 was ₹536 billion. Of this, the top 10 companies accounted for ₹495 billion and the remaining 130 made for a meagre ₹41 billion. The top 10 companies account for about 91 per cent of all employment among listed IT and/or ITeS companies and they make 92.4 per cent of all wage payments to them. Wage rates are higher in the top 10 companies.

The total wage bill of IT and/or ITeS companies shot up by 15 per cent yoy in the quarter ended June 2021. In the preceding four quarters, growth was between 4.7 and 6.3 per cent. The 15 per cent growth of the June 2021 quarter was the best since the December 2018 quarter. Ten companies that have provided data for the quarter ended September 2021 indicate a further acceleration in the wage bill to 17.4 per cent. These are mostly the top companies.

Evidently, the demand for labour from IT and/or ITeS companies shot up in the quarter ended September 2021 but the lack of growth in total employment seen in CPHS in the September 2021 quarter indicates that the larger companies are mostly poaching available human resources. The demand for fresh labour is limited. Smaller companies that are losing human resources are not replenishing them commensurately.

The writer is MD & CEO, CMIE/PLD

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STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30 SEPTEMBER 2021												
(Rs. in Crores)												
Particulars	Standalone						Consolidated					
	For the quarter ended		For the six months ended		For the Year ended	For the quarter ended		For the six months ended		For the Year ended		
	30.09.2021 (Unaudited)	30.06.2021 (Unaudited)	30.09.2020 (Unaudited)	30.09.2021 (Unaudited)	30.09.2020 (Unaudited)	31.03.2021 (Audited)	30.09.2021 (Unaudited)	30.06.2021 (Unaudited)	30.09.2020 (Unaudited)	30.09.2021 (Unaudited)	30.09.2020 (Unaudited)	31.03.2021 (Audited)
Revenue from Operations	1520.74	1321.63	1308.91	2842.37	1917.06	4770.90	1619.64	1402.76	1383.21	3022.40	2022.13	5074.25
Net Profit for the Period (before Tax and Exceptional Items)	130.60	159.02	230.22	289.62	282.56	724.89	120.32	152.08	228.66	272.40	270.21	712.45
Net Profit for the Period before tax (after Exceptional Items)	130.60	159.02	219.40	289.62	271.74	714.07	120.32	152.08	228.66	272.40	270.21	712.45
Net Profit for the Period after tax (after Exceptional Items)	98.54	118.88	159.28	217.42	199.41	530.60	87.28	111.38	167.96	198.66	197.60	525.72
Total Comprehensive Income for the Period	98.36	118.69	158.83	217.05	198.51	530.87	88.26	110.26	168.72	198.52	197.04	525.63
Equity Share Capital	53.89	53.89	53.89	53.89	53.89	53.89	53.89	53.89	53.89	53.89	53.89	53.89
Other Equity						4023.13						3999.01
Earnings Per Equity Share (of Re. 1/- each) (not annualised)												
Basic	1.83	2.21	2.96	4.03	3.70	9.85	1.71	2.12	3.12	3.82	3.74	9.83
Diluted	1.83	2.21	2.96	4.03	3.70	9.85	1.71	2.12	3.12	3.82	3.74	9.83

Note: The above is an extract of the detailed format of Statement of Unaudited Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of Statement of Unaudited Financial Results are available on the websites of Stock Exchanges at <https://www.bseindia.com> and <https://www.nseindia.com> and also on the Company's website at <https://www.nerolac.com>. The auditors have expressed an unqualified review report on the financial results for the quarter and six months ended 30 September, 2021.

For KANSAI NEROLAC PAINTS LIMITED
H. M. BHARUKA
VICE CHAIRMAN AND MANAGING DIRECTOR

Coforge Limited (erstwhile NIIT Technologies Limited)							
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Statement of Audited Financial Results for the Quarter and half year ended September 30, 2021							
(Rs. In Million)							
S. No.	Particulars	Standalone			Consolidated		
		3 Months ended	Corresponding Quarter ended	Year to date figures for the current period ended	3 Months ended	Corresponding Quarter ended	Year to date figures for the current period ended
		30.09.2021	30.09.2020	30.09.2021	30.09.2021	30.09.2020	30.09.2021
1.	Total income from operations	8,121	6,084	15,490	15,694	11,537	30,310
2.	Net profit for the period (before Tax & Exceptional items)	1,473	538	3,277	2,061	1,525	3,693
3.	Net profit for the period before tax (after Exceptional items)	1,473	538	3,277	2,061	1,525	3,693
4.	Net profit for the period after tax	1,263	446	2,980	1,615	1,222	2,927
5.	Total comprehensive Income for the period	1,338	579	2,973	1,649	1,312	3,022
6.	Paid up equity share capital	606	606	606	606	606	606
7.	Other Equity	-	-	-	-	-	-
8.	Earnings Per Share (after extraordinary and exceptional items) of face value of Rs.10/- each) (not annualized):						
	1. Basic	20.84	7.36	49.18	24.21	19.93	44.61
	2. Diluted	20.36	7.25	48.10	23.65	19.61	43.63

Notes:-

- The above is an extract of the detailed format of Quarterly Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the websites of the Stock Exchange(s) and the listed entity <http://www.coforgetech.com>
- The above results were reviewed and recommended by the Audit Committee at the meeting held on October 23, 2021 and approved by the Board of Directors at their meeting held on October 25, 2021.
- The information presented above is extracted from the audited interim condensed consolidated / standalone financial statements. These interim condensed consolidated / standalone financial statements are prepared in all material respects, in accordance with the requirements of Indian Accounting Standard (Ind AS) 34 specified under section 133 of the Companies Act, 2013 ("the Act"), read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The statutory auditors have expressed an unmodified audit opinion on interim condensed consolidated / standalone financial statements.
- On April 12, 2021, the Group entered into Share Purchase Agreement and Shareholders Agreements with SLK Global Solution Private Limited (investee) and acquired 35% equity shares. Further, it acquired additional 25% equity shares on April 28, 2021. The total consideration paid amounted to Rs 9,183 mn. As per the terms of the agreement, the Group shall acquire the remaining stake of 20% after two years. The Group is in process of concluding the fair valuation assessment and has recorded identifiable assets basis provisional fair valuation and financial liability for future acquisition for the balance 20% stake at fair value. The Group funded the above transaction partially through redeemable Non-Convertible Bonds amounting to Rs. 3,400 Mn and balance through internal accruals. These bonds having face value of Rs. 1,000,000 each are non-convertible and unsecured with maturity upto five years from the date of allotment i.e. April 26, 2021.
- The Board of Directors at its meeting held on October 25, 2021 has declared an interim dividend of Rs. 13 per equity share.

By order of the Board
For Coforge Limited
(erstwhile NIIT Technologies Limited)
Sd/-
Sudhir Singh
CEO & Executive Director
DIN: 07080613

Date : October 25, 2021
Place : Gurugram

