TCS is Asia's largest IT services company, with presence across 35 countries.

Background

Tata Consultancy Services Limited (TCS) is Asia's largest Information Technology consulting, services, and BPO organisation. Incorporated in 1968, the company has been promoted by the Tata Group. During the early boom years of IT services outsourcing, TCS concentrated as much on servicing the Indian market as on growing its international business. This focus helped the company acquire significant competencies to manage large complex projects like depository systems and stock exchanges that could be later taken to other markets.

Today the company has a presence in 35 countries across six continents. Its customers include six of the Fortune Top 10 US companies. In the year 2003 the company achieved a significant milestone for Indian IT firms, when its revenues crossed US$ 1 billion. Two years later, it achieved the milestone of becoming the first Indian IT company to cross the US$ 2 billion annual revenue mark. Its huge resource base of over 66,000 employees instils confidence with large customers that view TCS as a competent and dependable player, with the expertise and proven ability to handle large and complex projects.

TCS' growth has been driven by a host of acquisitions in India as well as abroad. It merged the Tata Group's holdings in Airline Financial Services (AFS), WTI and Phoenix Global Solutions to create its BPO business in 2004. It also acquired Computer Maintenance Corporation (CMC) in 2001, which gave it a foothold in the domestic government sector. This was followed by the acquisition of Tata Infotech in April 2005, which brought in capabilities in systems integration, contract manufacturing and training. Internationally, TCS has made strategic acquisitions of FNS (Australia) and Comico (Chile) and has a joint venture with the Pearl Assurance Group (UK).

The company’s promoters, Tata Sons Limited, along with other entities of the promoter group, hold a majority stake in TCS (83.69 per cent). Domestic

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<th>Company</th>
<th>Products</th>
<th>Established</th>
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<tr>
<td>TCS</td>
<td>IT services</td>
<td>1968</td>
<td>Tata Group</td>
<td>North America, South America, Europe, Africa, Asia, Australia</td>
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financial institutions, mutual funds, private corporate bodies, non-resident Indians and the Indian public hold the residual shares.

**Products and services**

The company's areas of operation include consulting, application software development, maintenance and enhancement, enterprise solutions implementation, software products and frameworks, software R&D, IT enabled services and IT infrastructure establishment and maintenance. It provides services in system software, commercial applications and engineering and industrial services and serves a number of industry verticals. Amongst these, Banking, Financial services and Insurance is the largest, followed by the Manufacturing and Telecom verticals. The company also has a significant presence in Retail & Distribution, Life sciences & Healthcare, Energy and Utilities, Media and Entertainment, Transportation and Government.

TCS' breadth of services comes closest to that offered by the likes of IBM, Accenture and EDS, starting from the bottom of the value chain with application development and maintenance projects to the top of the value chain with product development. Engineering design and services is one of the areas where TCS has an edge over its domestic rivals. TCS executes high-end work in aerospace design and industrial design because of its strong domain focus on the manufacturing sector. These capabilities, along with new offerings in consulting, infrastructure management services and BPO will serve as growth engines for the near future.

**Financial analysis**

TCS was a closely held company till 2004, the year it got listed on the Indian bourses. During 2005 the company's consolidated revenue was US$ 2.2 billion. The company's consolidated revenue in FY 2006 was US$ 2.97 billion. The Americas were the largest contributors to the revenue, with a share of nearly 59.06 per cent, followed by EU, which had a share of 22.40 per cent. The share of revenue from the domestic market was 12.50 per cent, with the remaining contributed by Asia Pacific countries.

**TCS' contribution in making “Made in India” global**

TCS has a presence in 35 countries across the globe. It has established a global footprint, both in English speaking and non-English speaking areas with services and solutions provided to over 900 global clients through a network of more than 100 offices across the world. Aiming to be a truly global player, the company has non-Indian employees...
high quality solutions to its clients. TCS has structured its operations into Global Delivery Centres, Regional Delivery Centres and Near-shore Delivery Centres based on customer proximity and coverage. The 42 Global Delivery Centres in India, in addition to the one in China, are of very high scale, serve large customers, and have matured processes supported by a depth of skills. The Regional Delivery Centres like the ones in Budapest, Hungary and Montevideo, Uruguay are medium scale, serve regional and local customers and have selected capabilities. These centres have the distinction of being capable of addressing language and cultural challenges. The Near-shore Delivery Centres like the ones in New Jersey, USA and Peterborough, United Kingdom for example, are smaller in scale, and support customers of the same geographies and time zone - meeting the needs of some customers that need the comfort of proximity.

TCS has aggressively backed its globalisation plans by strategic acquisitions. In 2005 it acquired Comicrom for US$ 23 million. Comicrom had revenues of US$ 35.5 million during FY 2005, and is a leading BPO organisation in Chile with a 57 per cent market share of the cheque processing business and counts more than 70 per cent of the banks operating in Chile as its customers.

In October 2005, TCS made a strategic decision to become a complete solutions provider for the global banking industry by acquiring Sydney-based

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**TCS’s global network of offices**

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<th>Americas</th>
<th>Europe</th>
<th>Asia-Pacific</th>
<th>Middle East &amp; Africa</th>
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<tbody>
<tr>
<td>Argentina, Brazil, Canada, Chile, Mexico, Uruguay, USA</td>
<td>Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, Switzerland, The Netherlands</td>
<td>Australia, China, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, South Korea, Taiwan</td>
<td>Saudi Arabia, South Africa, UAE</td>
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representing 6.5 per cent of its workforce across its international development centres and offices.

TCS established its first global footprint way back in 1971 when it began serving customers in the US and later opened its first office in New York in 1979. Today it has over 50 offices in the US with more than 10,000 employees and five Centres of Excellence focussing on industry specific issues. After US, TCS moved on to UK in 1975, where it has 8 offices. TCS is the only Indian company that has a strong presence in the Spanish and Portuguese speaking regions of the world. Its business arm, TCS Iberoamerica, provides high quality IT services as well as consulting and BPO services to over 100 clients across 12 countries including Mexico, Central America, South America, Spain and Portugal. In the Asia Pacific region, TCS has the capability to serve the Japanese, Chinese and Korean speaking zones. TCS’ China centre meets this need, while also addressing the domestic market in that country.

TCS uses the global Network Delivery Model, wherein it combines the skills of consultants with expertise on local industry and business issues with global technology and industry experts to provide
FNS, through the company’s newly formed subsidiary in Australia, TCS FNS Pty Limited. The acquisition of FNS further strengthens TCS’ portfolio of banking and financial services products by adding BANCS, a strong, scalable, high-performance Core Banking Solution with an established global customer-base. TCS expects to derive high synergistic value by combining its own product portfolio with BANCS software and by offering the customer its servicing capabilities.

BANCS has been installed in over 115 banks spread over 35 countries and its clients include Tier I and Tier II banks in emerging markets in Europe, Asia, Australia and Africa. In India, 40 per cent of all bank business will soon be done on BANCS software following its implementation at all branches of State Bank of India and its associate banks, Indian Bank and others.

The company acquired Swedish Indian IT Resources AB (SITAR) through its subsidiary in Sweden viz. TCS Sverige AB, in May 2005. SITAR was TCS’ exclusive partner in Sweden and a non-exclusive partner in Norway. SITAR’s client list includes Ericsson, IKEA, Vattenfall and Hutchison. The acquisition has enabled TCS to deal directly with end-customers and help increase its market share in the region.

In October 2005, the company announced a new growth initiative to enter the Life Insurance and Pensions BPO market in the United Kingdom through a structured transaction with the UK-based Pearl Assurance Group (Pearl). This strategic initiative to pioneer the next generation of industry-specific BPO solutions built around IIMS, the company’s proprietary insurance solution platform, will start operating in FY 2007. It will service the Pearl Group’s closed books portfolio of four million insurance policies and is expected to generate revenues of over GBP 480 million (US$847 million) over the next 12 years.

During the year, TCS formed a majority-owned subsidiary in the UK named Diligenta Limited (Diligenta) to undertake the Pearl transaction. Diligenta will subsequently focus on offering similar services to other life insurance and pensions companies which presents its with a significant growth opportunity in an industry with high-entry barriers.

Factors fuelling TCS’ global initiatives

On its part, TCS has continuously moved up the value chain by expanding its consulting offerings set, leveraging its proficiencies in emerging technologies such as Radio Frequency Identification (RFID) and embedded systems, and through new offerings in Engineering and industrial services. To become an integral part of the global economy, TCS has used different global locations to deliver services. Its Delivery Centres in South America, non-English speaking Europe and China have not only given the company a multi-lingual workforce but also meet a critical requirement of large multinational customers, who require IT services in non-English speaking markets.

Another key factor responsible for growth has been the company’s excellent skills in managing its human resources. In an industry marked with high employee attrition, TCS has witnessed an attrition rate, which is amongst the lowest in the industry. This has been mainly the result of its efforts to align its business objectives with those of individual employees by investing in learning and development, robust career management, conducive work environment and strong reward and recognition mechanisms. The training programmes conducted by TCS for its employees have become benchmarks in the industry.

TCS also has an enduring focus on processes for ensuring high quality delivery. It has received the ISO 9001 certification for quality. It is also assessed
across multiple states and consolidation across sectors like banking offering considerable opportunities for growth. TCS and State Bank of India have announced the formation of a joint venture called C-Edge Technologies Limited to provide advanced technology solutions and world-class domain consulting for the banking and financial services sector. After the acquisition of FNS, this joint venture will play a key role in deploying FNS products in the role of a preferred systems integrator.

The company expects inorganic growth via mergers and acquisitions to complement its organic growth riding on in-house capabilities. The acquisitions would be strategically chosen to close the present gaps in skills as well as bring in new clients.

Future plans

TCS’ articulated vision is to be a Global Top 10 company by 2010. At the core of this aspiration is a strategy wherein the company has identified six strategic growth areas - Consulting, BPO, IT Infrastructure services, IT Solutions & Services, Engineering & Industrial Services and Asset based offerings. Each of these businesses is expected to grow to US$ 500 million to US$ 1 billion in size over the next few years. In order to drive this growth in the future, TCS is strengthening its domain-specific offerings and end-to-end solutions. It is also looking at unexplored opportunities in Eastern Europe, Russia and China in the form of potential markets or global delivery centres.

The domestic market offers multiple opportunities for growth with e-governance initiatives taking root under the Capability Maturity Model (CMM), which deals with the organisation’s competency from the technology viewpoint. In addition it is getting assessed on People Capability Maturity Model (PCMM). In August 2004, TCS became the world’s first organisation to achieve an integrated enterprise wide Maturity Level 5 on both the Capability Maturity Model Integration (CMMI) and the People CMMI. It has further set a benchmark in quality standards by becoming the first company in the world to use the SCAMPP methodology for P-CMM® appraisals.

Globalisation at a glance

- 169 offices in 35 countries across the world
- Strong foothold in non-English speaking areas - its business arm TCS Iberoamerica provides services to more than 100 clients in 12 Spanish and Portuguese speaking countries
- 87.5 per cent of revenues comes from markets outside India
- Strategic acquisitions made to close gaps in current skills - Comicrom (Chile), market leader in banking and BPO business in Chile, and FNS, Australia-based banking solutions company

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