Q4 PROFIT RISES 6.2% TO $558 MN

Cognizant revenue falls to 8-quarter low

SAMEER RANJAN BAKSHI
Bengaluru, February 7

NEW JERSEY-BASED IT major Cognizant's revenue for the October-December quarter declined 2.4% quarter-on-quarter to $4.76 billion, a likely eight-quarter low due to continued weakness in demand and limited tech spending by clients.

For the full year, the company posted a revenue of $19.4 billion, down 0.3% in constant currency, which was within the downward revised guidance the company had announced in the preceding quarter.

Net profit during the quarter was up 6.2% sequentially at $558 million on the back of healthy deal wins, acquisitions and steady margins. For the full year, the same was at $2.1 billion against $2.29 billion in FY22.

Revenue from financial services and health sciences, Cognizant's top two verticals witnessed declines of 5.8% and 2.1%, respectively.

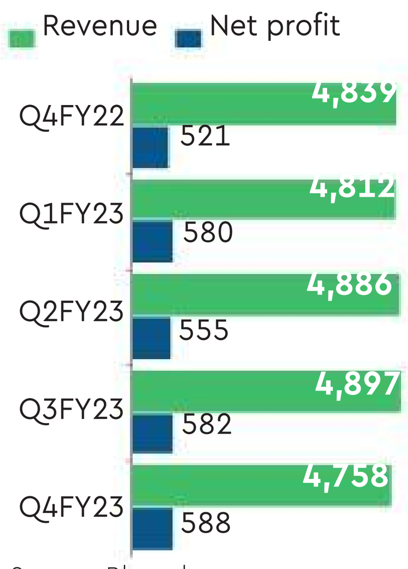
During the quarter, income from operations improved to $724 million, up 5.5% sequentially. For the full year, it declined to $2.68 billion from $2.96 billion in FY22. Full year operating margin was at 15.1%, which was 40 basis points above its guidance. In 2024, the company expects its adjusted operating margin to be in the range of 15.3% to 15.5%, or 20 to 40 basis points of expansion.

Ravi Kumar S, CEO, Cognizant, said, "We delivered Q4 revenue within our guided range and we've maintained our commercial momentum. Full-year bookings of $26.3 billion represent an increase of 9% year-over-year, driven by new clients and large deals. To keep advancing our ability to design and deliver solutions, we continue to invest in generative AI, cloud, data modernisation, digital engineering and IoT. I believe Cognizant is now in a significantly stronger position than a year ago to help our clients transform their businesses to prepare for the future as they navigate ongoing macro-economic pressures."

Jatin Dalal, CFO, who joined the company in December 2023, said, "Fourth quarter's sequential improvement in adjusted operating margin to 16.1% reflects our ongoing operational rigour and our nextgen cost optimisation programme, which have enabled us to exceed our margin commitment and continue to invest in our strategy to improve future revenue growth. We were also pleased to deliver full-year free cash flow of $2 billion, which represented 95% of net income".

REPORT CARD

Cognizant Technology Solutions financials ($ million)



Source: Bloomberg

Next 30 years important for India, says Tata Steel MD

PRESS TRUST OF INDIA
Jamshedpur, February 7

TATA STEEL CEO and managing director T V Narendran claimed India is the fastest growing economy of the world and the next three decades are important for the country on the development front.

China has emerged rapidly during the last 30-40 years and the next 30 years are important for India, which is the fastest growing economy of the world, Narendran said while addressing the members of Singhbhum Chamber of Commerce and Industry (SCCI) here on Tuesday evening.

"Currently, China is the largest steel-producing country in the world and we are second. In view of the global challenges being faced by the steel sector, we have to move forward keeping in mind the steel prices", the Tata Steel MD said.

"Today, India is the world's fastest-growing economy and the infrastructure sector witnessed rapid momentum during last two/three years, which resulted in growing steel supply by the private steel major", he said.

CV demand falls to 7-quarter low

SWARAJ BAGGONKAR
Mumbai, February 7

RELUCTANCE OF BANKS to lend and the upcoming general elections have led to a deceleration in demand for trucks with no hope for revival before June this year, say industry players.

The three months to December witnessed a growth of less than 4% in commercial vehicle (CV) volumes making it the slowest quarter in seven quarters with the exception of the June quarter, when there was a fall, according to data supplied by the Society of Automobile Manufacturers (Siam).

The CV segment was also the worst performing of the four segments of the Indian automotive industry during the December quarter, pulled down by the light commercial vehicle (LCV) segment where banks have become apprehensive to provide loans. LCVs make up over 60% of the total volume of the CV industry. Girish Wagh, executive director, Tata Motors said, "The first-time users are finding it difficult to get higher loan-to-value (and) therefore the down payment requirement is higher. While we do get good leads, the conversion rates are currently low." During the nine months to December period, domestic volumes of LCV cargo carriers dropped by 3%, while that of the bigger and heavier trucks grew by 6% during the same period, as per Siam data. The slackness in demand has spilled over to January as well with the segment recording a 1% drop in volumes.

Research and rating agency Icra expects a pause in infrastructure activities over the next few months as the model code of conduct kicks in though it has made no changes to its full year guidance of 2-5% growth for the domestic CV segment. Estimates remain unchanged with the domestic CV wholesale volumes expected to grow by 2-5% in FY2024. "We expect a pause in growth in Q4. Q4 FY23 was robust because of changeover from BS6 Phase 1 to Phase 2. We expect a single digit decline over Q4 of last year. Q1 should be a bit soft. Traditionally, the segment sees an impact for 3-6 months during elections," Wagh added.

While the small truck segment is expected to continue to face challenges, growth in the medium and heavy truck segment is expected to gather pace after elections given that the focus will continue to be on infrastructure development.

Shenu Agarwal, managing director and CEO, Ashok Leyland said, "Even if there is moderation in growth over the next few months it will recover very well and very sharply. We are confident because we do not see any problems in the macro economic factors that govern our industry."

ROAD BLOCK AHEAD

■ The third quarter witnessed a growth of less than **4% in commercial vehicle volumes**

■ **It was the slowest quarter in 7 quarters** with the exception of the June quarter, when there was a fall

■ The CV segment was the worst performing of the **4 segments of the automotive industry in Q3**

■ **The upcoming Lok Sabha polls and the reluctance** of banks to lend are the major reasons for the slow down

Meesho forays into logistics with Valmo

AYANTI BERA
Bengaluru, February 7

E-COMMERCE STARTUP MEESHO on Wednesday launched a marketplace for logistics solutions - Valmo - that consists of a network of micro entrepreneurs who provide first-mile, last-mile and sorting solutions to sellers on the company's platform.

In contrast to third-party logistics companies or aggregators such as Shiprocket, Meesho claims its disaggregated network of service providers is cheaper for the sellers by at least 5-6% than other players - and the cheapest in the industry - said Sourabh Pandey, CXO, fulfilment and experience.

"In India, logistics and supply chain remain largely unorganised, consisting of several regional players who serve limited geographies. By partnering with fulfilment centres across the country, Valmo aims to create a national logistics solution by eliminating entry barriers for local players," the company said in a statement.

For now, Meesho is passing on any cost savings from the disaggregator model to the sellers, hoping to attract more of them to the platform with lower supply-chain costs.

The company has a target of onboarding 10 million sellers in the next three years.

Any reduction in Meesho's operating costs is particularly in focus this year, as the company doubles down on minimising its losses further and turning profitable on a full-year basis. In FY23, the company was able to halve its losses to ₹1,675 crore, after reducing its customer acquisition, server and infrastructure costs. Pandey added that this disaggregated network also allows delivery partners to be located close to users, thereby reducing delivery time. This network is run on a tech stack built by Meesho in collaboration with companies such as ElasticRun, FarEye, LoadShare and Shipsy.

Started just over a year ago, Valmo currently manages over 900,000 orders per day and reaches about 60,000 pin codes across 20 states.

Meesho claims its disaggregated network of service providers is cheaper for the sellers by at least 5-6% than the cheapest in the industry

Thales to expand supply chain ecosystem

ROHIT VAID
New Delhi, February 7

AS NEW DELHI and Paris want to strengthen their strategic cooperation, French aerospace major Thales plans to expand its India supply chain ecosystem to source more components from the country. At present, the firm currently maintains a network of over 75 India-based suppliers who provide mechanical parts, radar structures, software, and hardware development for domestic and international projects. It's purchase volume in India has exceeded €750 million over the last five years. In 2022, the purchasing volume was €230 million, more than double from three years ago.

Speaking to FE, Ashish Saraf, VP and country director, India, Thales, said India is a strategic country for the company as it holds immense potential across markets such as aviation, defence and digital identity and security. "Over the years, we have aided the development of a strong industrial ecosystem. We have built a team of over 2,000 employees who are working with Thales and its joint ventures in the country."

"Our two engineering competence centres in Delhi NCR and Bangalore with over 1,500 engineers, focus on developing cutting-edge solutions in the digital identity and security, aerospace, and defence domains for India and for the world."

Voda Idea not in favour of Jio's pitch to end 2G

JATIN GROVER
New Delhi, February 7

VODAFONE IDEA HAS opposed Reliance Jio's pitch to shut down 2G services in the country through a regulatory mandate. It said any forceful shutdown of 2G will move low income and marginal consumers away from accessing basic telecom services, thereby increasing the digital divide.

"There is a larger public interest which is being fulfilled through continuation of such older technologies. Any decision to shut down older technologies must be taken after keeping in mind the interest of consumers, as is being done in case of 3G," Anjali Hans, senior VP, regulatory & corporate affairs, said in her counter comments to the Telecom Regulatory Authority of India (Trai) on the consultation paper on digital transformation through 5G ecosystem.

Vodafone Idea's comments assume significance as there are about 200 million 2G users in the country. While Airtel and Vodafone Idea also provide 2G services, Jio's network is fully on 4G from the start. Of the 215 million mobile users, Vodafone Idea is estimated to have around 96 million 2G users. On the other hand, Airtel's 2G users are expected to be around 100 million out of its total wireless base of 345.5 users.

In fact, the telecom operator has recommended that instead of any regulatory mandate for shutting any particular technology, there should be a central and pan-India based handset subsidy scheme. Such a scheme will support migration of feature phones to smartphones through respective operator, the company said. Lately, Reliance Jio in its submission to Trai said that "the government should come out with a policy and guidepath for closing down the 2G and 3G networks completely so that unnecessary network costs should be avoided, and all customers can be migrated to 4G and 5G services".

Jio's argument behind mandatory shutdown of 2G services was also backed by the government that the same will also give great impetus to develop the ecosystem for 5G use cases.

THE DEBATE

Vodafone Idea says

■ Any forceful shutdown of 2G will move low income consumers away from accessing basic telecom services

■ Around 200 mn 2G users in the country as of today

Reliance Jio says

■ 2G & 3G costs are unnecessary and all users can be moved to 4G & 5G

■ Govt backs Jio's idea, says it will give boost to 5G ecosystem