TCS
SAP HANA and S/4HANA Services

Vendor Assessment
Report Abstract

January 2019

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12 pages

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Who Is This Vendor Assessment For?

NelsonHall's SAP HANA and S/4HANA Services Vendor Assessment for TCS is a comprehensive assessment of TCS's SAP HANA and S/4HANA services offerings and capabilities designed for:

• Sourcing managers monitoring the capabilities of existing suppliers of IT services and identifying vendor suitability for SAP HANA and S/4HANA services

• Vendor marketing, sales and business managers looking to benchmark themselves against their peers

• Financial analysts and investors specializing in the SAP services sector.

Key Findings & Highlights

Tata Consultancy Services Ltd. (TCS) was formed in 1968 and is headquartered in Mumbai, India. It is part of The Tata Group, India's largest private business conglomerate. TCS has grown rapidly throughout its 50-year history and became the first Indian heritage IT service provider to reach a market cap of ~$100bn in 2018. Its headcount at September 30, 2018, was ~411k.

As digital transformation has grown as a key business objective, TCS has re-positioned its offerings to support evolution to what it calls "Business 4.0". These services look to embed intelligence, agility, automation, and cloud across the enterprise. To address this, TCS is positioning its offerings along three broad themes:

• Cognitive business operations: includes BPS, application operations and IT infrastructure services

• Digital transformation services: includes new practices focusing on various elements of the digital service stack, such as cloud, analytics, and IoT, with ADM broken into smaller practices

• Consulting and services integration.

TCS aligns its Business 4.0 framework with SAP' Intelligent Enterprise including a focus on cloud, automation and data driven intelligence.

TCS has a global SAP client base of ~450 clients and a total annual revenue of $1.6bn. Its ~18.5k SAP resources are distributed globally with presence in all major geographic regions including North America, Europe, South America, and Asia-Pacific.

In 2013, TCS expanded its SAP capabilities through the acquisition of Alti, a France-based IT services company with 1.2k employees for €75m to target clients in France, Belgium, and Switzerland.

In 2015, TCS acquired a 51% controlling interest in Japan-based Company IT Frontier from Mitsubishi Corporation for $59.6 million. TCS Joint Venture with Mitsubishi IT group in Japan provided an avenue to understand and target the digital services needs of the region, including supporting localization on many offerings.

For CY18, TCS reported total revenues of ~$20.5bn. NelsonHall estimates that CY18 total SAP revenues are ~$1.8bn. Of this, NelsonHall further estimated that ~29% (~$525m) represents HANA, S/4HANA, and bundled SAP transformation engagements.

In support of its Business 4.0 framework and in alignment with the objectives it sees for clients adopting S/4HANA, TCS has an approach it calls iConnectingDots which brings together all of the key capabilities into a single bundled approach. This includes S/4HANA as a digital core and augments it with proprietary offerings including:

- TCS intelligent rail digital maintenance (incorporating IoT and ML)

- TCS intelligent field inventory management (incorporating IoT and ML)

- TCS smart maintenance (incorporating IoT and analytics)

- TCS secure pharma product transfer (incorporating IoT and blockchain).

TCS positions its S/4HANA and HANA engagements specifically to address the overall client business objectives across three families:

- Strategic offerings

- Line of business transformation

- Industry solutions and extensions.

TCS' headcount at the end of December 2018 was ~418k. TCS has ~18.5k SAP skilled employees. Of these, ~8.5k are certified on SAP HANA and S/4HANA.

HANA and S/4HANA make up ~35% of TCS' current SAP footprint, and TCS is investing heavily in building its capabilities and positioning itself to grow. It is up-skilling its workforce, possessing ~8.5k experienced employees and another ~10k trained and building SAP Model Company offerings, extensions and tools to increase adoption. These investments are primarily targeted at the industries with which it is currently seeing adoption (manufacturing, logistics, life sciences, retail) so as it seeks to expand its footprint and grow other industry verticals it will need to continue to expand these offerings, such as in utilities, media, and its largest vertical BFSI.

As ECC progresses toward a 2025 end of support deadline, S/4HANA matures, and capabilities are broadened, larger clients and those in a broader set of industries are seeking to migrate or redeploy on S/4HANA. TCS is positioned to support these clients, through its industry-focused offerings and accelerators like SAP Model Company. The challenge will be to ensure they are positioned to demonstrate its advisory and assessment capabilities, moving out of the application management role where it might be positioned today.

Departing from its heavy historical reliance on India for delivery, TCS possesses a broad geographic delivery footprint of HANA and S/4HANA services, in part thanks to the acquisition of Alti and JV with Mitsubishi Corporation, in seeding these capabilities. As the broader SAP team is training up on S/4HANA, delivery is shifting toward India. TCS needs to maintain and grow its onsite presence to help clients navigate increasingly complicated migrations while leveraging its Indian SAP presence to build out migration factories.

Scope of the Report

The report provides a comprehensive and objective analysis of TCS's SAP HANA and S/4HANA service offerings, capabilities and market and financial strength, including:

- Analysis of the company's offerings and key service components

- Revenue estimates

- Identification of the company's strategy, emphasis and new developments

- Analysis of the profile of the company's customer base including the company's targeting strategy and examples of current contracts

- Analysis of the company's strengths, weaknesses and outlook.

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January 2019