

TCS Financial Results

Quarter II FY 2014 - 15



October 16, 2014

Disclaimer

Certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to manage growth, intense competition among Indian and overseas IT services companies, various factors which may affect our cost advantage, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which TCS has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. TCS may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

Q2 FY15 Performance Highlights

➤ Revenue:

- INR Revenue of **₹238,165 Mn**, growth of **7.7% QoQ** and **13.5% YoY**
- USD Revenue of **\$3,929 Mn**, growth of **6.4% QoQ** and **17.7% YoY**
- Volume growth : **6.1%**, CC Rev growth : **7.4%** and organic CC Rev growth : **4.6%**

➤ Profit:

- Operating Income at **₹ 63,942 Mn**, Operating Margin of **26.8%**
- Net Income at **₹ 52,883 Mn**, Net Margin of **22.2%**

➤ Demand:

- Clients in \$50M+ revenue band increased by **4** and in \$20M+ revenue band by **9**
- Strong growth in North America, India; Manufacturing, Energy & Utilities and Hi Tech

➤ People:

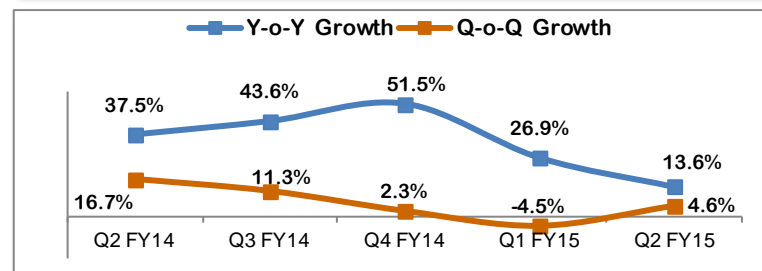
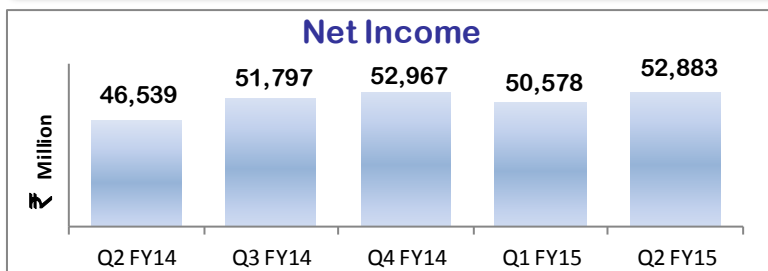
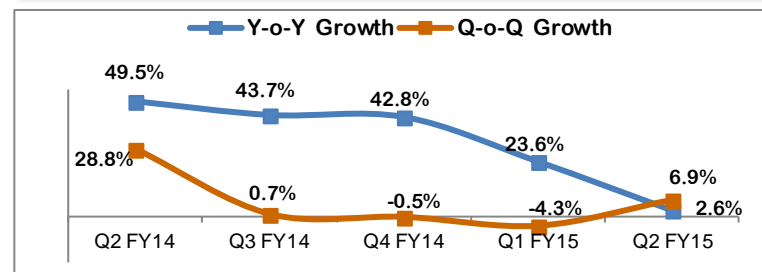
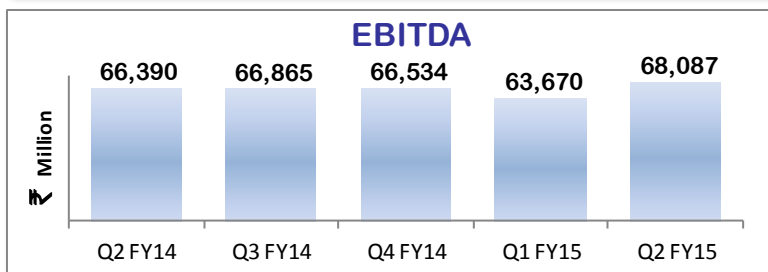
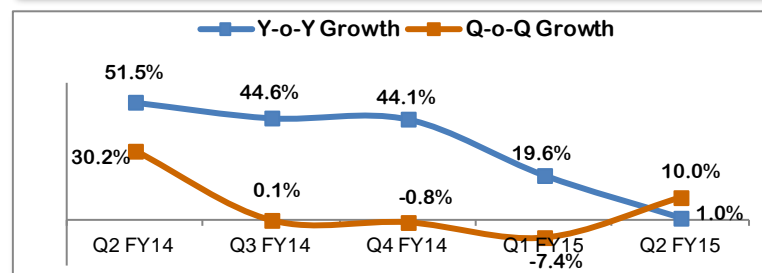
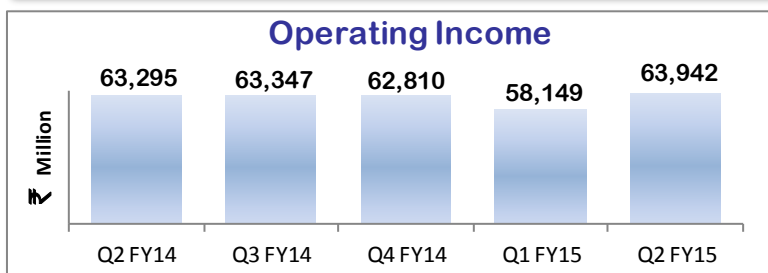
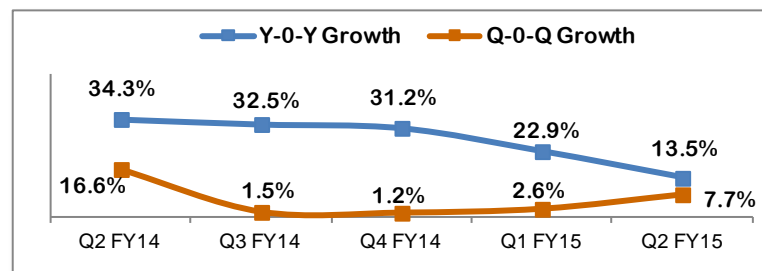
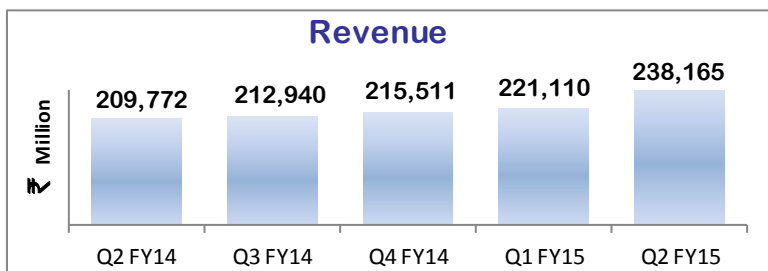
- Gross addition of **20,350** associates, closing headcount: **313,757**
- Utilization at **86.2%** (ex-trainees) and **81.3%** (including trainees)



Financial Performance

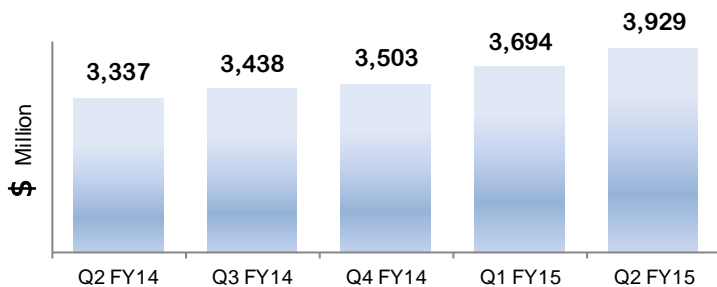


Growth Summary (INR)

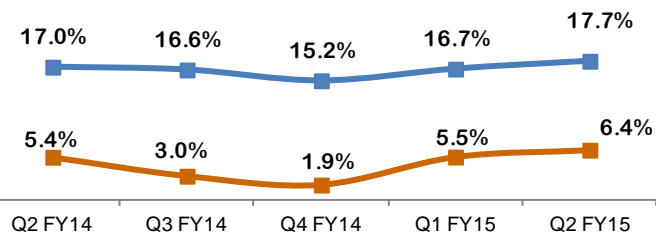


Growth Summary (USD)

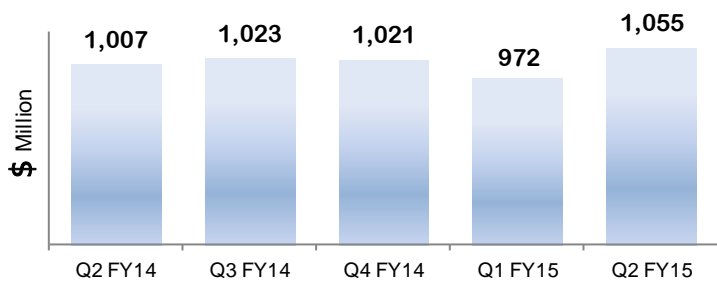
Revenue



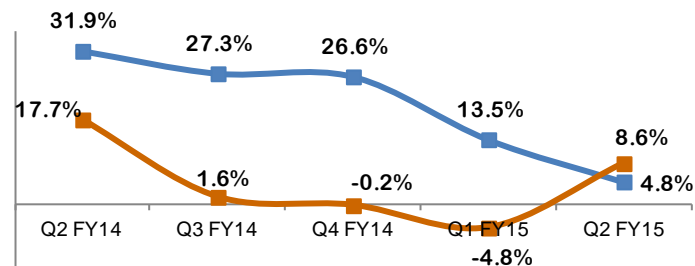
Y-o-Y Growth Q-o-Q Growth



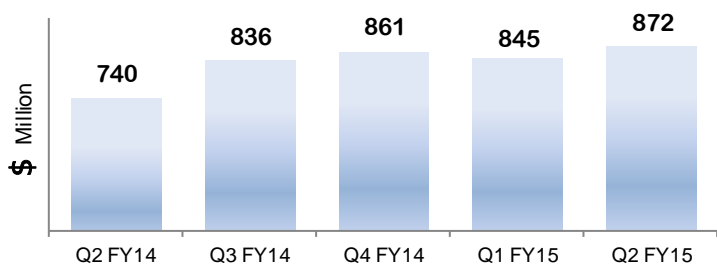
Operating Income



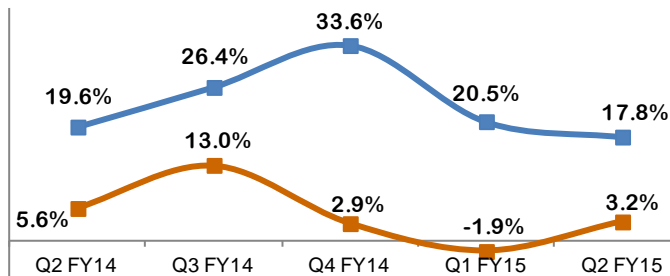
Y-o-Y Growth Q-o-Q Growth



Net Income



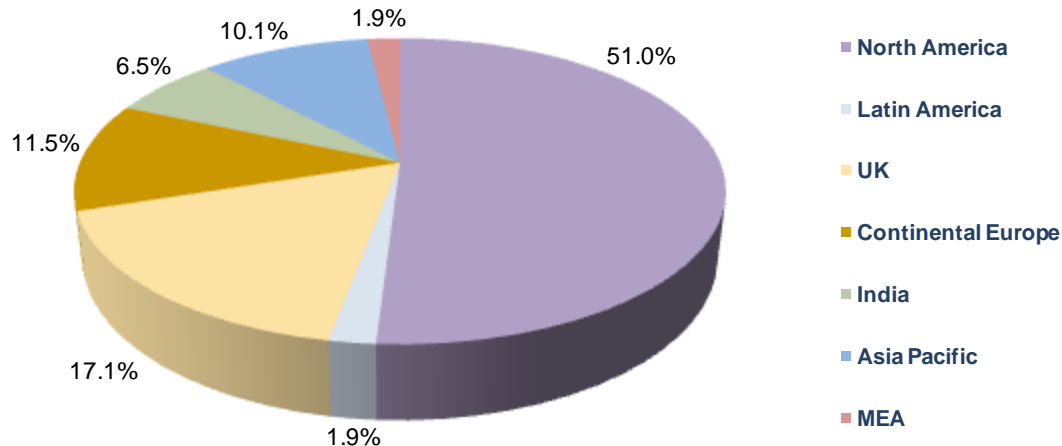
Y-o-Y Growth Q-o-Q Growth



Operational Performance



Growth by Market

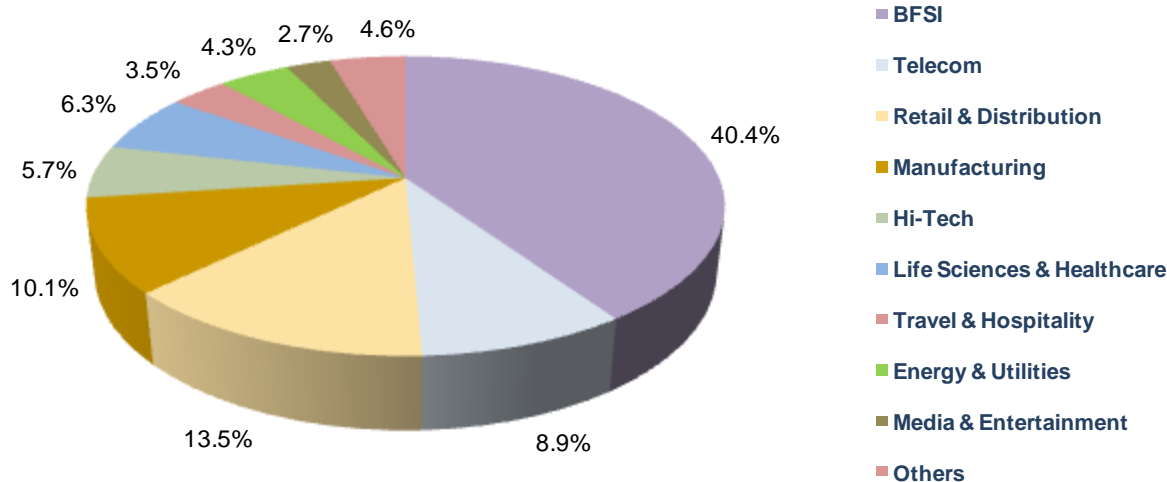


Geography (%)	Q2 FY14	Q1 FY15	Q2 FY15	Q-o-Q Growth	Y-o-Y Growth
Americas					
North America	53.2	52.2	51.0	5.3	8.7
Latin America	2.3	2.2	1.9	-4.8	-2.7
Europe					
UK	17.3	17.7	17.1	3.8	12.2
Continental Europe	11.2	12.0	11.5	3.8	17.5
India					
	6.9	6.3	6.5	9.0	5.0
Asia Pacific					
	7.1	7.6	10.1	43.2	61.3
MEA					
	2.0	2.0	1.9	3.8	8.6
Total	100.0	100.0	100.0	7.7	13.5

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.

Growth by Domain

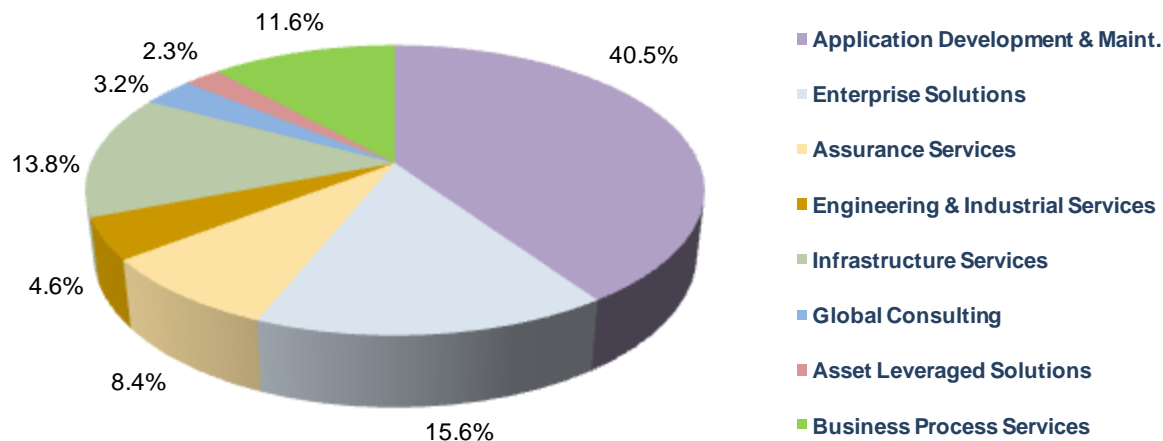


IP Revenue (%)	Q2 FY14	Q1 FY15	Q2 FY15	Q-o-Q Growth	Y-o-Y Growth
BFSI	43.1	41.7	40.4	4.3	6.3
Telecom	9.3	9.4	8.9	1.7	8.5
Retail & Distribution	13.9	13.8	13.5	5.9	10.1
Manufacturing	8.4	8.6	10.1	26.7	36.7
Hi-Tech	5.4	5.5	5.7	12.7	21.1
Life Sciences & Healthcare	5.7	6.3	6.3	6.9	25.7
Travel & Hospitality	3.4	3.6	3.5	6.1	18.5
Energy & Utilities	3.8	3.9	4.3	16.9	26.8
Media & Entertainment	2.2	2.7	2.7	7.6	39.9
Others	4.8	4.5	4.6	10.0	8.8
Total	100.0	100.0	100.0	7.7	13.5

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.

Growth by Service Line



SP Revenue (%)	Q2 FY14	Q1 FY15	Q2 FY15	Q-o-Q Growth	Y-o-Y Growth
IT Solutions and Services					
Application Development & Maint.	41.7	40.8	40.5	7.0	10.3
Enterprise Solutions	15.4	15.9	15.6	5.6	15.3
Assurance Services	8.5	8.6	8.4	4.5	12.4
Engineering & Industrial Services					
Engineering & Industrial Services	4.7	4.5	4.6	8.5	9.8
Infrastructure Services					
Infrastructure Services	11.8	12.6	13.8	18.4	32.7
Global Consulting					
Global Consulting	3.3	3.2	3.2	7.0	11.0
Asset Leveraged Solutions					
Asset Leveraged Solutions	2.7	2.5	2.3	0.8	-2.4
Business Process Services					
Business Process Services	11.9	11.9	11.6	5.3	10.3
Total	100.0	100.0	100.0	7.7	13.5

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.



Client Parameters

Clients Contribution *	Q2 FY14	Q1 FY15	Q2 FY15
US\$ 1m+ Clients	687	724	743
US\$ 5m+ Clients	318	359	367
US\$ 10m+ Clients	224	244	247
US\$ 20m+ Clients	125	144	153
US\$ 50m+ Clients	53	58	62
US\$ 100m+ Clients	22	24	24

*Last Twelve Months' services revenues

Operational Parameters

Revenue %	Q2 FY14	Q1 FY15	Q2 FY15
<i>Delivery Location</i>			
Local Delivery	46.5	47.1	48.9
Remote Delivery	53.5	52.9	51.1
<i>Global DC</i>	5.4	5.7	<i>5.4</i>
<i>India DC</i>	48.1	47.2	45.7
<i>Contract Type</i>			
Time & Material	48.5	47.5	48.7
Fixed Price & Time	51.5	52.5	51.3

Key Wins

- Chosen as a strategic partner by a leading North American diversified process manufacturing major for providing Application Management & Support services.
- Chosen as the Technology Partner by a leading European Global Communications Software and Services Company and has been awarded the full Service Desk, Application Maintenance and Development portfolios
- Selected by a leading North American Investment Management Company as the sole right sourcing partner for providing Application Development, Assurance & IT Infrastructure Services.
- Won an engagement to provide Infrastructure Services to a leading European oil services company.
- Chosen as a strategic partner by a large North American health plan to provide next generation infrastructure solutions
- Selected by a leading UK-based mutual Financial Institution as their strategic partner to manage their core banking systems and Business Process Management Platform.
- Chosen by a North American Utility major as a Strategic Partner to provide managed services across applications and infrastructure.
- Chosen by a leading UK based Airline as its strategic partner to provide end to end Application and Infrastructure Transformation services across the Enterprise.

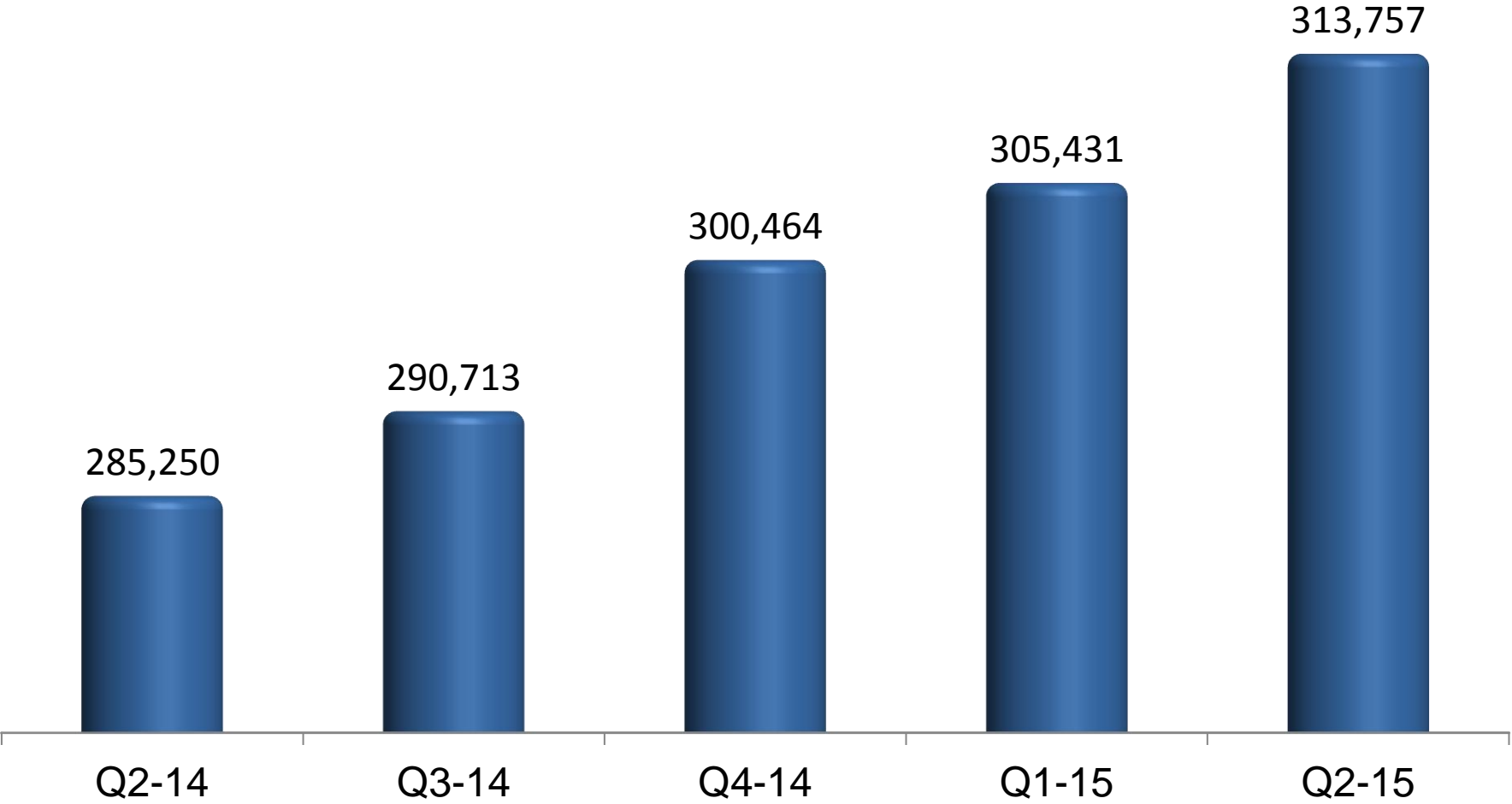


Human Resources



Total Employee Base

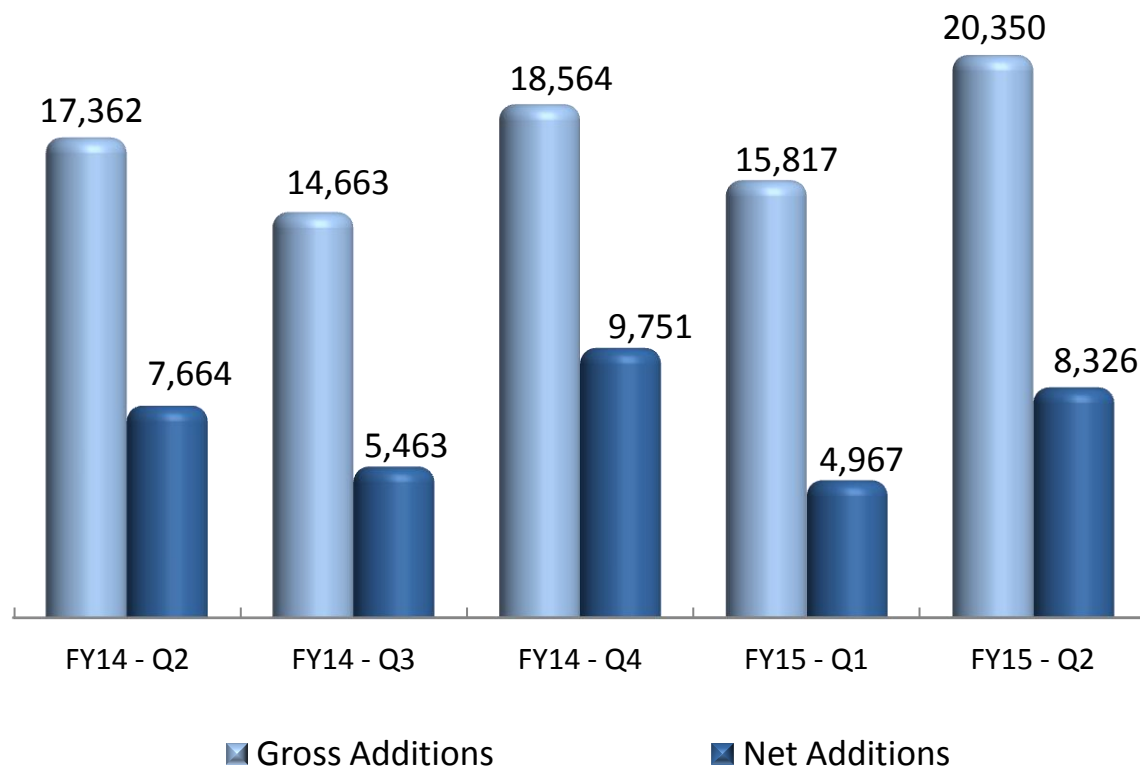
Total Employees : 313,757



Q2 Consolidated - Gross Additions 20,350 & Net Additions 8,326

Gross Additions:

- 7,583 Trainees & 8,924 Laterals in India
- 3,843 employees overseas



Attrition*:

- 12.8% (LTM), including BPS

Utilization Rate*:

- 86.2% (excluding Trainees)
- 81.3% (including Trainees)

Diversity:

- Women employees: 32.9%
- Nationalities: 119

* Excluding CMC & Diligenta

Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Revenue	209,772	221,110	238,165	100.00	100.00	100.00
Cost of revenue	109,048	122,432	132,405	51.98	55.37	55.59
Gross margin	100,724	98,678	105,760	48.02	44.63	44.41
SG & A expenses	37,429	40,529	41,818	17.85	18.33	17.56
Operating income	63,295	58,149	63,942	30.17	26.30	26.85
Other income (expense), net	(906)	8,151	5,659	(0.43)	3.69	2.38
Income before income taxes	62,389	66,300	69,601	29.74	29.99	29.23
Income taxes	15,563	15,312	16,045	7.42	6.93	6.74
Income after income taxes	46,826	50,988	53,556	22.32	23.06	22.49
Minority interest	287	410	673	0.13	0.19	0.29
Net income	46,539	50,578	52,883	22.19	22.87	22.20
Earnings per share in ₹	23.76	25.82	27.00			

COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Employee cost	77,119	86,468	91,549	36.76	39.11	38.44
Fees to external consultants	13,141	13,244	16,113	6.26	5.99	6.77
Equipment & software	3,891	3,264	3,794	1.86	1.48	1.59
Depreciation	2,038	3,608	2,876	0.97	1.63	1.21
Travel	2,603	3,788	3,926	1.24	1.71	1.65
Communication	1,468	1,594	1,960	0.70	0.72	0.82
Facility expenses	4,065	4,580	5,586	1.94	2.07	2.34
Other expenses	4,723	5,886	6,601	2.25	2.66	2.77
Cost of Revenue	109,048	122,432	132,405	51.98	55.37	55.59

SGA	₹ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Employee cost	25,663	28,341	29,725	12.23	12.82	12.48
Fees to external consultants	909	1,242	1,246	0.43	0.56	0.52
Provision for Doubtful Debts	302	374	487	0.15	0.17	0.21
Depreciation	1,057	1,913	1,269	0.51	0.87	0.53
Facility expenses	2,722	2,453	2,639	1.30	1.11	1.11
Travel	2,313	2,335	2,447	1.10	1.06	1.03
Communication	714	779	784	0.34	0.35	0.33
Education, Recruitment and training	802	468	656	0.38	0.21	0.28
Marketing and Sales promotion	913	1,048	1,084	0.44	0.47	0.45
Other expenses	2,034	1,576	1,481	0.97	0.71	0.62
S G & A expenses	37,429	40,529	41,818	17.85	18.33	17.56

IFRS Balance Sheet

Consolidated IFRS	31-Mar-14		30-Sep-14	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	103,644	15.04	111,593	16.87
Intangible assets and Goodwill	41,568	6.03	40,570	6.13
Accounts Receivable	182,304	26.46	199,084	30.09
Unbilled Revenues	40,056	5.81	45,499	6.88
Investments	34,617	5.02	6,847	1.03
Cash and Cash equivalents	14,688	2.13	14,247	2.15
Other current assets	180,934	26.26	167,378	25.30
Other non current assets	91,314	13.25	76,394	11.55
Total assets	689,125	100.00	661,612	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	553,355	80.30	507,152	76.66
Long term borrowings	1,273	0.18	1,410	0.21
Short term borrowings	1,696	0.25	1,247	0.19
Other current liabilities	109,055	15.83	124,341	18.79
Other non-current liabilities	16,844	2.44	19,152	2.89
Minority Interest	6,902	1.00	8,310	1.26
Total Liabilities	689,125	100.00	661,612	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Revenue	3,337	3,694	3,929	100.00	100.00	100.00
Cost of revenue	1,735	2,045	2,184	51.98	55.37	55.59
Gross margin	1,602	1,649	1,745	48.02	44.63	44.41
SG & A expenses	595	677	690	17.85	18.33	17.56
Operating income	1,007	972	1,055	30.17	26.30	26.85
Other income (expense), net	(14)	136	93	(0.43)	3.69	2.38
Income before income taxes	993	1,108	1,148	29.74	29.99	29.23
Income taxes	248	256	265	7.42	6.93	6.74
Income after income taxes	745	852	883	22.32	23.06	22.49
Minority interest	5	7	11	0.13	0.19	0.29
Net income	740	845	872	22.19	22.87	22.20
Earnings per share in \$	0.38	0.43	0.45			



COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Employee cost	1,227	1,445	1,510	36.76	39.11	38.44
Fees to external consultants	209	221	266	6.26	5.99	6.77
Equipment & software	62	55	63	1.86	1.48	1.59
Depreciation	33	60	47	0.97	1.63	1.21
Travel	41	63	65	1.24	1.71	1.65
Communication	23	27	32	0.70	0.72	0.82
Facility expenses	65	76	92	1.94	2.07	2.34
Other expenses	75	98	109	2.25	2.66	2.77
Cost of Revenue	1,735	2,045	2,184	51.98	55.37	55.59

SGA	\$ Million			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
Employee cost	408	474	490	12.23	12.82	12.48
Fees to external consultants	14	21	21	0.43	0.56	0.52
Provision for Doubtful Debts	5	6	8	0.15	0.17	0.21
Depreciation	17	32	21	0.51	0.87	0.53
Facility expenses	43	41	44	1.30	1.11	1.11
Travel	37	39	40	1.10	1.06	1.03
Communication	11	13	13	0.34	0.35	0.33
Education, Recruitment and training	13	8	11	0.38	0.21	0.28
Marketing and Sales promotion	15	17	18	0.44	0.47	0.45
Other expenses	32	26	24	0.97	0.71	0.62
S G & A expenses	595	677	690	17.85	18.33	17.56

IFRS Balance Sheet in USD

Consolidated IFRS	31-Mar-14		30-Sep-14	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,726	15.04	1,808	16.87
Intangible assets and Goodwill	692	6.03	658	6.13
Accounts Receivable	3,035	26.46	3,226	30.09
Unbilled Revenues	667	5.81	737	6.88
Investments	576	5.02	111	1.03
Cash and Cash equivalents	245	2.13	231	2.15
Other current assets	3,012	26.26	2,712	25.30
Other non current assets	1,520	13.25	1,238	11.55
Total assets	11,473	100.00	10,721	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	9,213	80.30	8,218	76.65
Long term borrowings	21	0.18	23	0.21
Short term borrowings	28	0.25	20	0.19
Other current liabilities	1,816	15.83	2,015	18.79
Other non-current liabilities	280	2.44	310	2.90
Minority Interest	115	1.00	135	1.26
Total Liabilities	11,473	100.00	10,721	100.00



Indian GAAP Income Statement - Consolidated

Consolidated Indian GAAP	₹ Crore			% of Revenue		
	Q2 FY14	Q1 FY15	Q2 FY15	Q2 FY14	Q1 FY15	Q2 FY15
INCOME						
a) IT & Consultancy Services	20,533	21,793	23,359	97.88	98.56	98.08
b) Manufacturing, Sale of equipment and Licences	444	318	457	2.12	1.44	1.92
Total Income	20,977	22,111	23,816	100.00	100.00	100.00
EXPENDITURE						
a) Salaries & Wages	7,610	8,532	9,056	36.27	38.59	38.03
b) Overseas business expenditure	2,913	3,283	3,396	13.89	14.85	14.26
c) Other operating expenses	3,821	3,943	4,564	18.22	17.83	19.16
Total Expenditure	14,344	15,758	17,016	68.38	71.27	71.45
Profit Before Interest, Depreciation, Taxes & Other Income	6,633	6,353	6,800	31.62	28.73	28.55
Interest	12	9	67	0.06	0.04	0.28
Depreciation	328	417	449	1.57	1.89	1.88
Profit Before Taxes & Other Income	6,293	5,927	6,284	29.99	26.80	26.39
Other income (expense), net	(26)	787	663	(0.12)	3.56	2.78
Profit Before Taxes & Exceptional Items	6,267	6,714	6,947	29.87	30.36	29.17
Exceptional items	-	490	-	-	2.22	-
Profit Before Taxes	6,267	7,204	6,947	29.87	32.58	29.17
Provision For Taxes	1,595	1,599	1,635	7.60	7.23	6.87
Profit After Taxes & Before Minority Interest	4,672	5,605	5,312	22.27	25.35	22.30
Minority Interest	39	37	68	0.18	0.17	0.28
Net Profit	4,633	5,568	5,244	22.09	25.18	22.02

Indian GAAP Balance Sheet - Consolidated

Consolidated Indian GAAP	₹ Crore		%	
	31-Mar-14	30-Sep-14	31-Mar-14	30-Sep-14
<i>EQUITY AND LIABILITIES</i>				
Shareholders' Funds	49,195	48,462	73.27	74.57
Minority Interest	708	1,079	1.06	1.66
Short term and long term borrowings	254	198	0.38	0.31
Deferred tax liabilities (net)	309	334	0.46	0.51
Current liabilities and provisions	15,543	13,674	23.15	21.04
Non-current liabilities and provisions	1,129	1,244	1.68	1.91
Total Liabilities	67,138	64,991	100.00	100.00
<i>ASSETS</i>				
Fixed Assets (net)	10,444	11,878	15.56	18.28
Investments	3,434	602	5.11	0.93
Deferred tax assets (net)	420	515	0.63	0.79
Goodwill (on consolidation)	2,269	2,235	3.38	3.44
Cash and Bank Balance	14,442	12,101	21.51	18.62
Current Assets, Loans and Advances	27,297	30,445	40.66	46.84
Non-current assets, Loans and advances	8,832	7,215	13.15	11.10
Total Assets	67,138	64,991	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q1 FY15	Q2 FY15	Q1 FY15	Q2 FY15
USD	59.85	60.62	55.83%	54.33%
GBP	100.80	100.64	15.85%	15.29%
EUR	81.92	79.49	9.14%	8.51%
Others			19.18%	21.87%
Total			100.00%	100.00%

Thank You

IT Services
Business Solutions
Consulting

