

TCS Financial Results

Quarter II FY 2016 - 17



Oct 13, 2016

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 FY17 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **292,840 Mn**, **-0.1% QoQ** and **7.8% YoY**
- USD Revenue of \$ **4,374 Mn**, **0.3% QoQ** and **5.2% YoY**
- Constant currency revenue growth of **1.0%**, Volume growth of **1.3% QoQ**

➤ Profit:

- Operating Income at ₹ **76,170 Mn**, Operating Margin of **26.0%**
- Net Income at ₹ **65,860 Mn**, Net Margin of **22.5%**

➤ Demand:

- Clients in \$50M+ revenue band by **1** and in \$20M+ revenue band by **6**

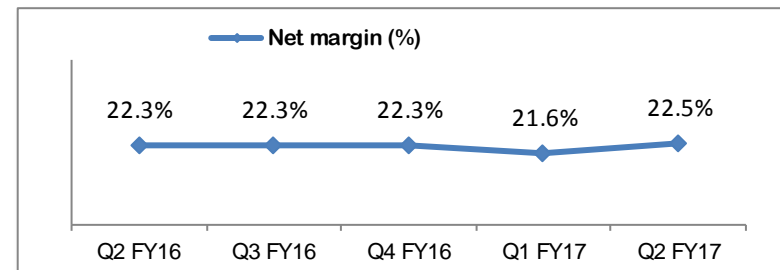
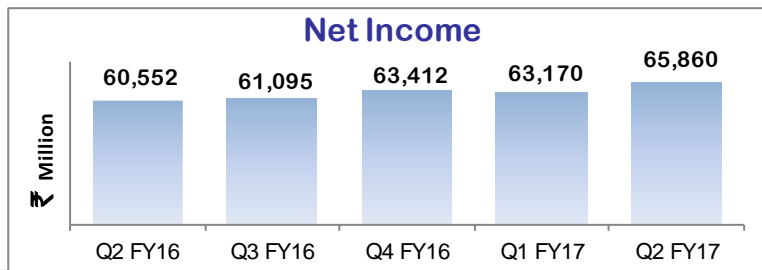
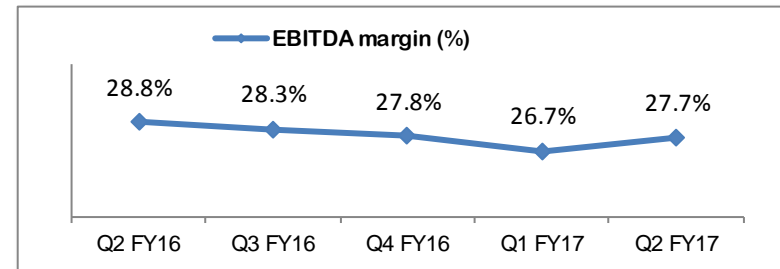
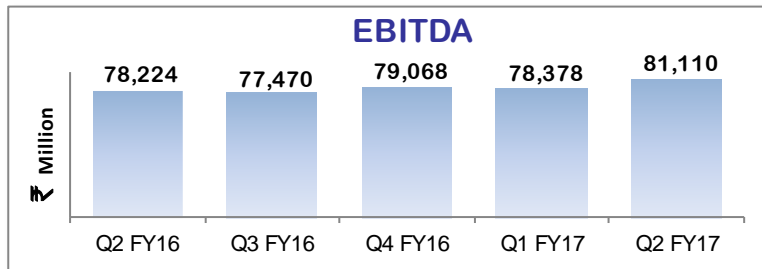
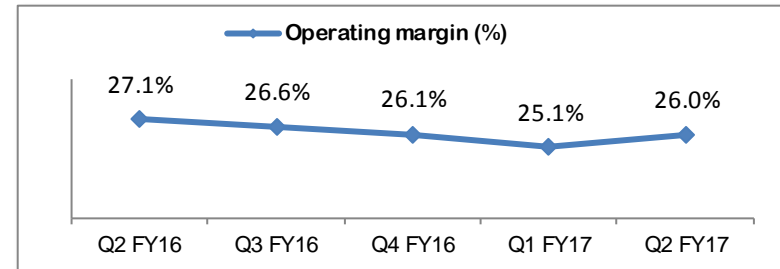
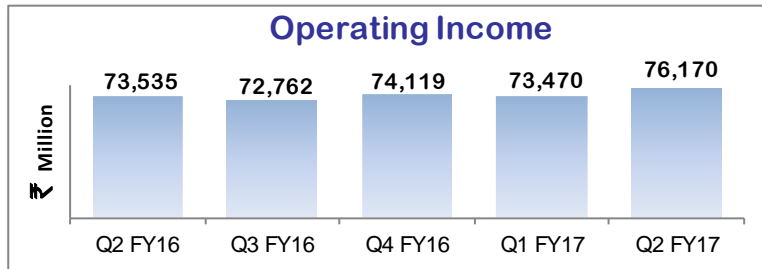
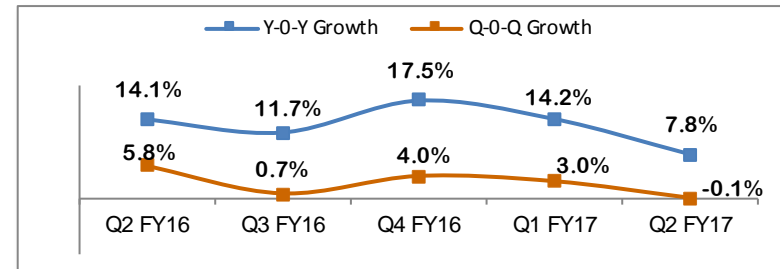
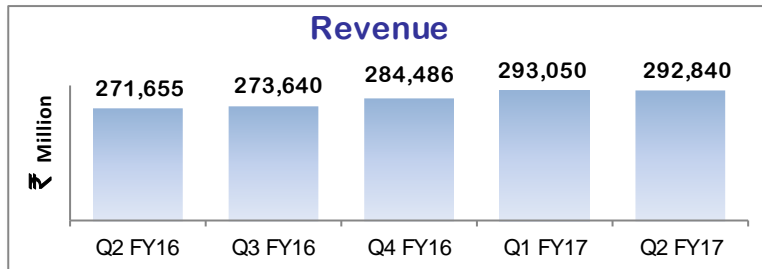
➤ People:

- Net addition of **9,440** associates, closing headcount: **371,519**
- LTM attrition down further QoQ to **11.9%** in IT Services

Financial Performance

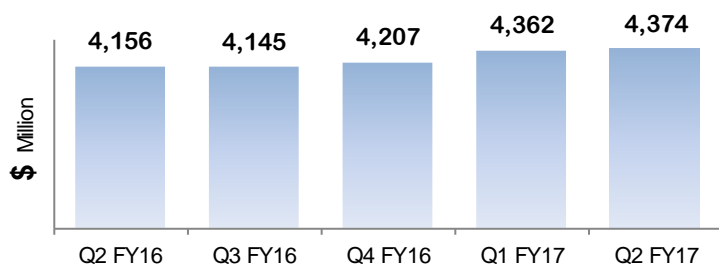


Growth Summary (INR)

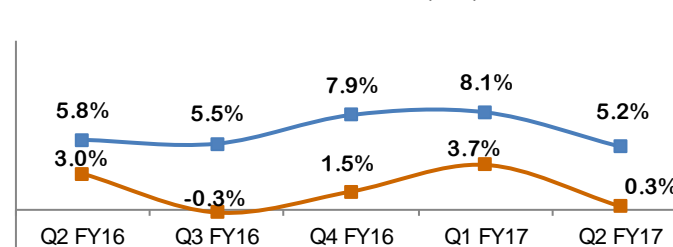


Growth Summary (USD)

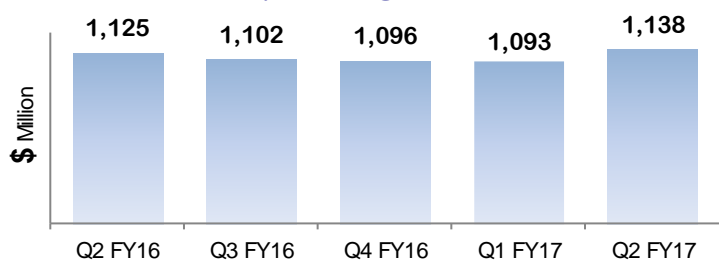
Revenue



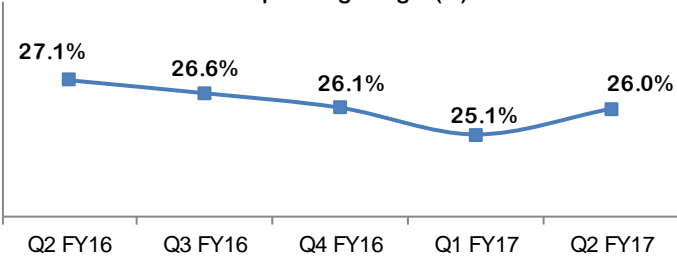
Y-o-Y Growth Q-o-Q Growth



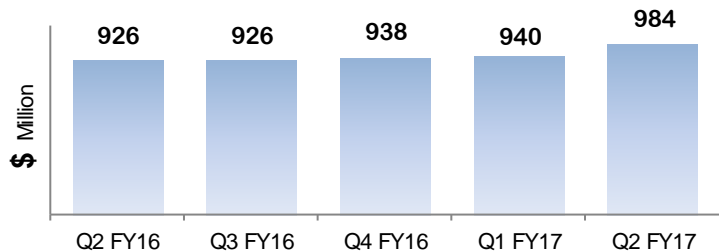
Operating Income



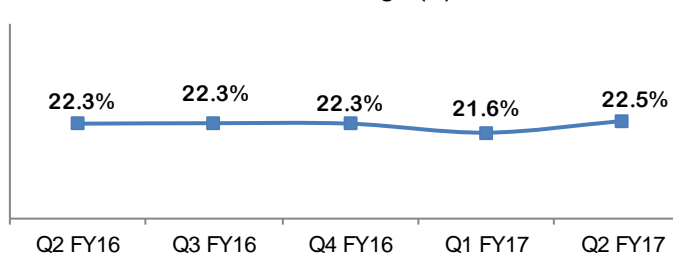
Operating margin (%)



Net Income



Net margin (%)

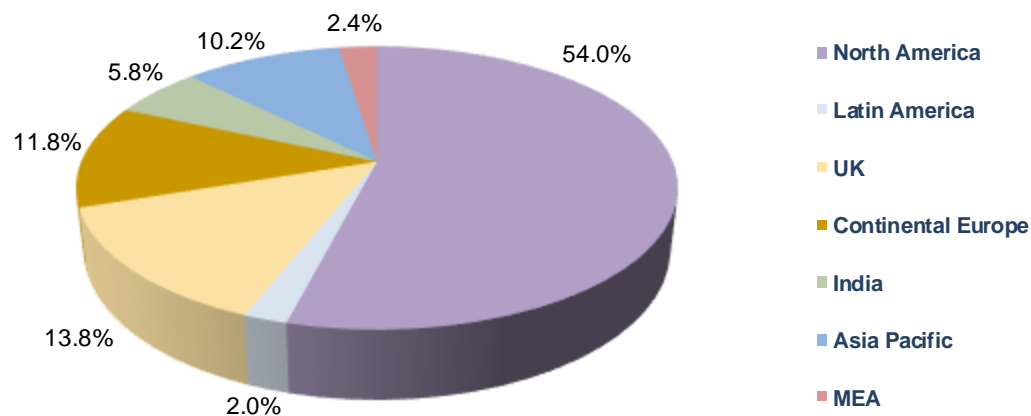


Operational Parameters



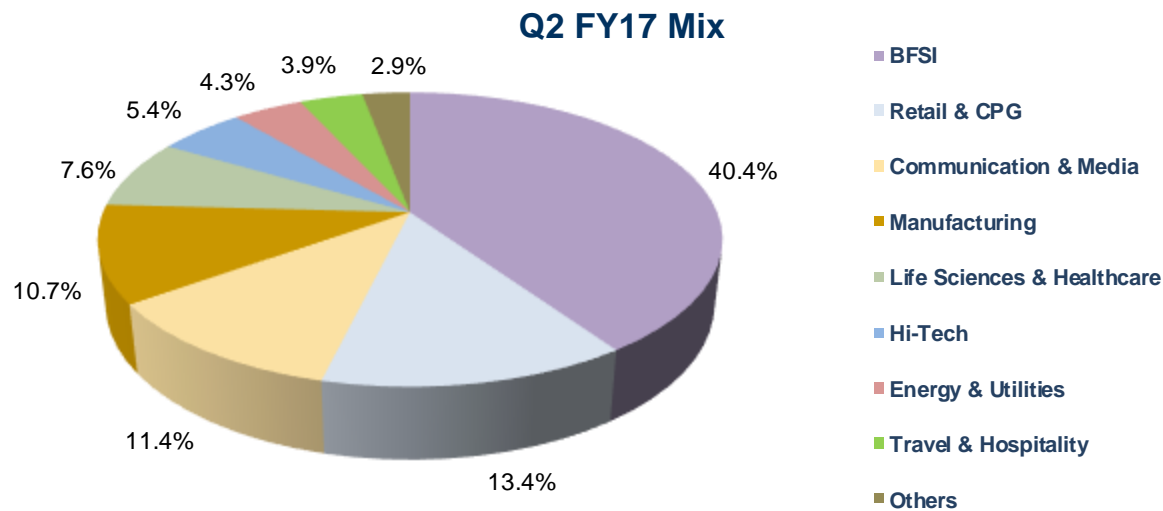
Growth by Market

Q2 FY17 Mix

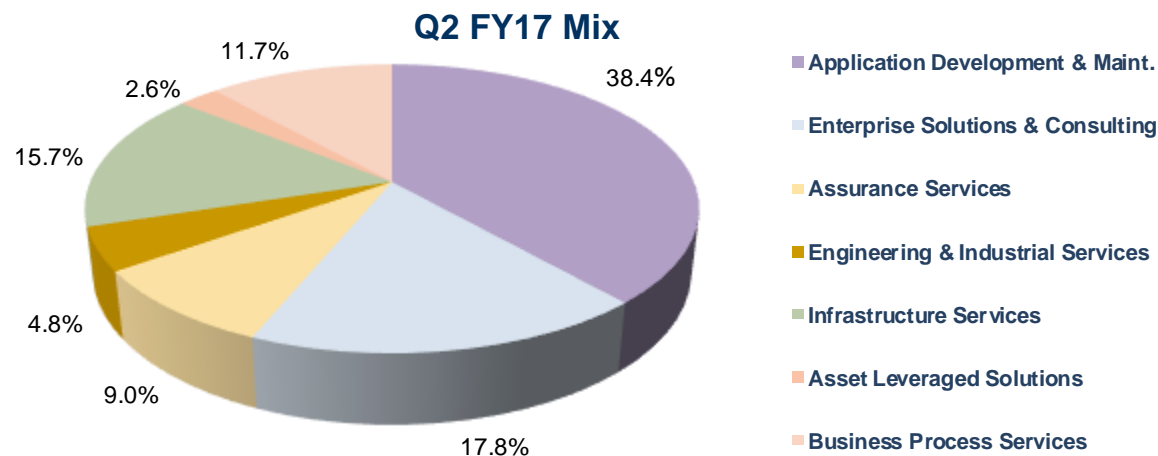


Geography (%)	Q2 FY16	Q1 FY17	Q2 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	52.7	53.5	54.0	1.4	7.9
Latin America	1.8	2.0	2.0	-0.2	15.8
Europe					
UK	16.4	14.8	13.8	-0.1	2.5
Continental Europe	10.8	11.5	11.8	3.7	14.9
India					
	6.5	6.2	5.8	-7.6	-4.5
Asia Pacific					
	9.4	9.6	10.2	3.5	6.5
MEA					
	2.4	2.4	2.4	2.2	8.8
Total	100.0	100.0	100.0	1.0	7.0

Growth by Domain



IP Revenue (%)	Q2 FY16	Q1 FY17	Q2 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	40.5	40.4	40.4	1.2	7.2
Retail & CPG	14.1	14.0	13.4	-3.1	1.9
Communication & Media	10.8	11.3	11.4	2.0	12.3
Manufacturing	9.8	10.4	10.7	3.1	15.1
Life Sciences & Healthcare	7.0	7.3	7.6	4.7	14.8
Hi-Tech	5.6	5.4	5.4	0.1	1.1
Energy & Utilities	4.0	4.2	4.3	3.6	17.3
Travel & Hospitality	3.6	3.9	3.9	2.3	17.1
Others	4.6	3.1	2.9	-4.6	-31.0
Total	100.0	100.0	100.0	1.0	7.0



SP Revenue (%)	Q2 FY16	Q1 FY17	Q2 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
IT Solutions and Services					
Application Development & Maint.	40.0	38.5	38.4	0.9	2.5
Enterprise Solutions & Consulting	17.5	17.7	17.8	2.0	8.6
Assurance Services	8.7	8.8	9.0	3.5	11.9
Engineering & Industrial Services	4.5	4.8	4.8	1.1	16.1
Infrastructure Services	14.7	15.5	15.7	2.1	13.7
Asset Leveraged Solutions	3.2	3.2	2.6	-20.1	-14.5
Business Process Services	11.4	11.5	11.7	2.5	10.3
Total	100.0	100.0	100.0	1.0	7.0

Client Parameters

Clients Contribution*	Q2 FY16	Q1 FY17	Q2 FY17
US\$ 1m+ Clients	819	847	859
US\$ 5m+ Clients	404	439	449
US\$ 10m+ Clients	274	298	295
US\$ 20m+ Clients	171	179	185
US\$ 50m+ Clients	65	77	78
US\$ 100m+ Clients	33	37	36

*Last Twelve Months' services revenues

Key Wins

- Selected as a strategic partner by a leading Professional Services firm to Transform and Manage their Global Work Place Operations supported by a smart digital mobile solution for managing their corporate and partner community.
- Selected as a Strategic Partner by a leading food & beverage consumer goods manufacturer in North America to create a digital business aware platform through synergised operating model across applications and IT landscape delivered through a global and diverse workforce.
- Selected by a leading North American Pension Fund as a Strategic partner for establishing an agile service delivery and operations model leveraging devops.
- Selected by a leading European player in medical and optical technology as a strategic partner for their IT infrastructure program towards increasing flexibility, reducing time to market and improvement of service quality.
- A large retailer in North America has engaged TCS in managing and transforming their entire IT operations.
- A leading APAC telecom operator selected TCS to operate and digitize its order-to-activate services to significantly enhance customer experience and drive operational efficiency.
- A large global bank selects TCS as a key strategic partner for their sourcing transformation across multiple lines of business.
- Chosen by a leading Australian Oil & Gas Company as a strategic partner to rapidly expand its global footprint, optimise cost and drive synergies by simplifying the client's IT landscape and create a platform to enable future business growth.
- A US based large Health Insurer selected TCS as a Strategic Partner to manage maintenance and production operations for its applications across the value chain including Digital, Wellness, Sales, Services and Enterprise data.

Key Wins in Digital Services and Solutions

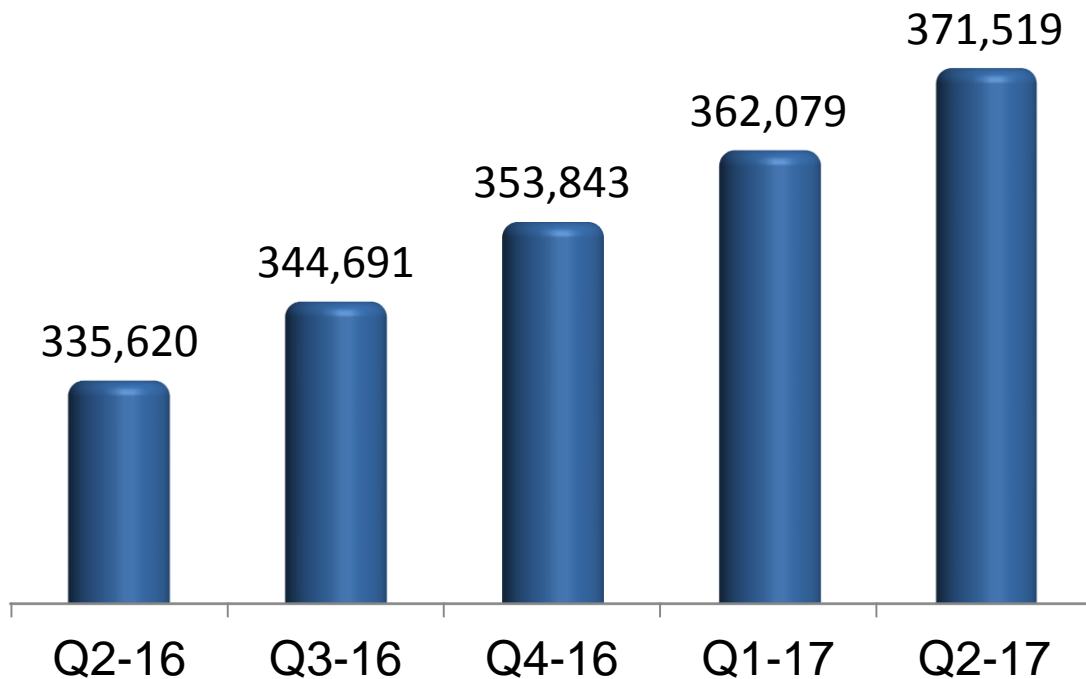
- Selected by an European pharmaceutical company to create a Health Patch integration app linked to the cloud for instant analysis of a patients vital signs
- Engaged by a global financial services firm to implement an enterprise data lake using Big Data technologies
- Engaged by an APAC bank as a design consultant for providing its customers with a rich, unified experience across multiple channels
- Engaged by a North American pharmaceutical company to analyze the performance of their supplier distribution process using Big Data technologies
- Selected by a European pharmaceutical company for a consulting engagement to revamp user experience and design of its unified portal
- Chosen by a European bank for a consulting engagement to create the roadmap, operating model and architecture of their API platform using TCS proprietary methodology
- Engaged by a North American manufacturer to revamp user experience and design of their brand sites
- Chosen by North American financial firm for a consulting engagement to create the roadmap, operating model and architecture for their Big Data platform
- Chosen by a UK based pharmaceutical company as a strategic consultant to create roadmap and architecture for its R&D unit using Master Data Management and Big Data technologies

Human Resources



Total Employee Base

Total Employees : 371,519



Attrition*:

- 11.9% (LTM), IT Services
- 12.9% (LTM), including BPS

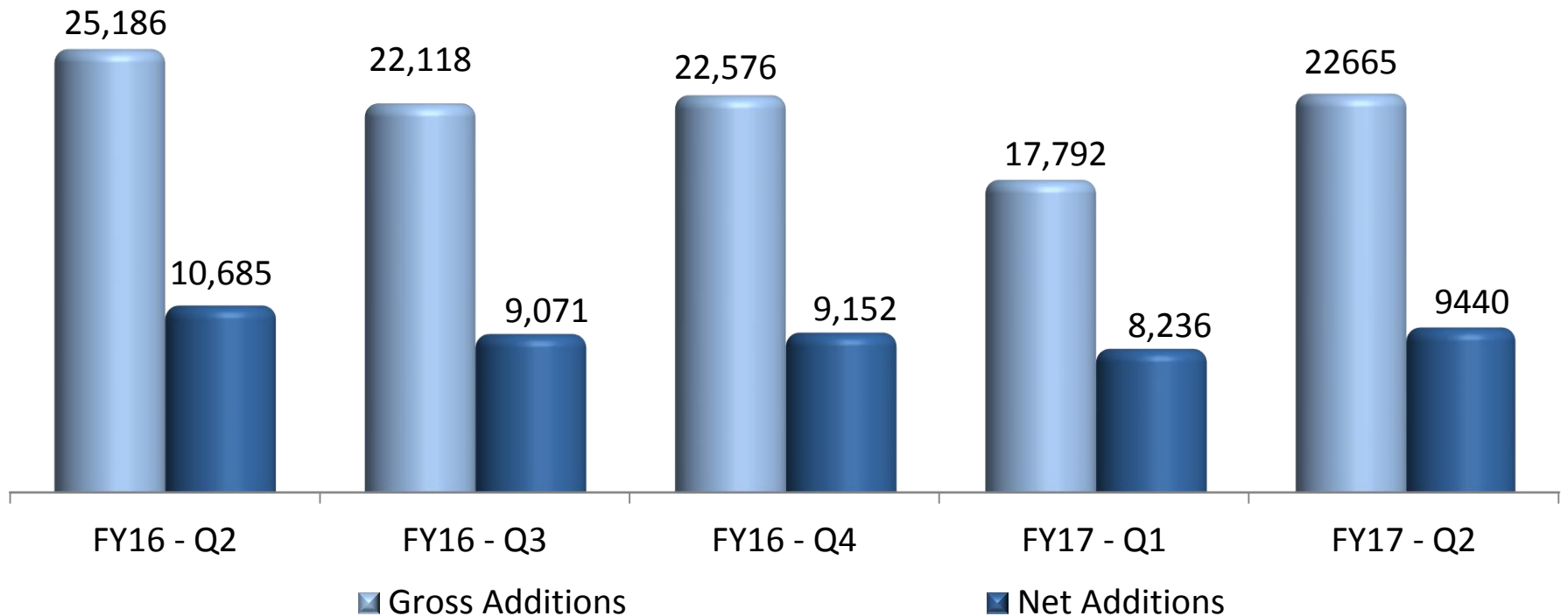
Diversity:

- Women employees: 34.3%
- Nationalities: 129

* Excluding Diligenta, Alti, eServe

Employee Addition

Q2 FY 2017	FY 2017 YTD
<ul style="list-style-type: none"> Gross additions: 22,665 employees India: <ul style="list-style-type: none"> 11,884 Trainees 7,486 Laterals 3,295 employees overseas 	<ul style="list-style-type: none"> Gross additions: 40,457 employees India: <ul style="list-style-type: none"> 16,922 Trainees 17,363 Laterals 6,172 employees overseas
Net additions: 9,440 employees	Net additions: 17,676 employees



Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q2 FY16	Q1 FY17	Q2 FY17	Q2 FY16	Q1 FY17	Q2 FY17
Revenue	271,655	293,050	292,840	100.00	100.00	100.00
Cost of revenue	151,501	168,020	165,340	55.77	57.33	56.46
Gross margin	120,154	125,030	127,500	44.23	42.67	43.54
SG & A expenses	46,619	51,560	51,330	17.16	17.60	17.53
Operating income	73,535	73,470	76,170	27.07	25.07	26.01
Other income (expense), net	6,750	9,630	10,520	2.48	3.29	3.59
Income before income taxes	80,285	83,100	86,690	29.55	28.36	29.60
Income taxes	19,356	19,920	20,660	7.12	6.80	7.05
Income after income taxes	60,929	63,180	66,030	22.43	21.56	22.55
Minority interest	377	10	170	0.14	0.00	0.06
Net income	60,552	63,170	65,860	22.29	21.56	22.49
Earnings per share in ₹	30.82	32.06	33.43			

COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q2 FY16	Q1 FY17	Q2 FY17	Q2 FY16	Q1 FY17	Q2 FY17
Employee cost	103,964	116,210	114,050	38.27	39.66	38.95
Fees to external consultants	20,114	21,420	21,640	7.41	7.31	7.39
Equipment and software	5,606	6,780	4,880	2.07	2.31	1.67
Facility expenses	5,498	5,890	5,800	2.02	2.01	1.98
Depreciation	3,344	3,590	3,630	1.23	1.22	1.24
Travel	4,184	4,570	4,560	1.54	1.56	1.55
Communication	1,884	2,190	1,940	0.69	0.74	0.66
Other expenses	6,907	7,370	8,840	2.54	2.52	3.02
Cost of Revenue	151,501	168,020	165,340	55.77	57.33	56.46

SGA	₹ Million			% of Revenue		
	Q2 FY16	Q1 FY17	Q2 FY17	Q2 FY16	Q1 FY17	Q2 FY17
Employee cost	32,271	37,530	38,750	11.88	12.81	13.23
Fees to external consultants	1,466	1,530	850	0.54	0.52	0.29
Facility expenses	3,035	3,400	3,420	1.12	1.16	1.16
Depreciation	1,344	1,320	1,310	0.49	0.45	0.45
Travel	2,592	2,730	2,480	0.95	0.93	0.85
Communication	770	780	720	0.28	0.27	0.25
Provision for Doubtful Debts	359	490	140	0.13	0.17	0.05
Other expenses	4,782	3,780	3,660	1.77	1.29	1.25
S G & A expenses	46,619	51,560	51,330	17.16	17.60	17.53

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-16		30-Sep-16	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	117,900	12.93	117,630	12.34
Intangible assets and Goodwill	39,460	4.32	38,890	4.08
Accounts Receivable	240,730	26.39	250,610	26.29
Unbilled Revenues	39,920	4.38	47,120	4.94
Investments	228,220	25.02	292,270	30.65
Cash and Cash equivalents	62,950	6.90	28,720	3.01
Other current assets	63,740	6.99	85,680	8.99
Other non current assets	119,200	13.07	92,510	9.70
Total assets	912,120	100.00	953,430	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	731,890	80.24	784,950	82.33
Long term borrowings	830	0.09	600	0.06
Short term borrowings	1,620	0.18	370	0.04
Other current liabilities	154,070	16.89	142,330	14.93
Other non-current liabilities	20,170	2.21	21,630	2.27
Minority Interest	3,540	0.39	3,550	0.37
Total Liabilities	912,120	100.00	953,430	100.00

Consolidated IFRS	\$ Million			% of Revenue		
	Q2 FY16	Q1 FY17	Q2 FY17	Q2 FY16	Q1 FY17	Q2 FY17
Revenue	4,156	4,362	4,374	100.00	100.00	100.00
Cost of revenue	2,318	2,501	2,470	55.77	57.33	56.46
Gross margin	1,838	1,861	1,904	44.23	42.67	43.54
SG & A expenses	713	768	766	17.16	17.60	17.53
Operating income	1,125	1,093	1,138	27.07	25.07	26.01
Other income (expense), net	103	143	157	2.48	3.29	3.59
Income before income taxes	1,228	1,236	1,295	29.55	28.36	29.60
Income taxes	296	296	309	7.12	6.80	7.05
Income after income taxes	932	940	986	22.43	21.56	22.55
Minority interest	6	0	2	0.14	0.00	0.06
Net income	926	940	984	22.29	21.56	22.49
Earnings per share in \$	0.47	0.48	0.50			

TATA CONSULTANCY SERVICES

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-16		30-Sep-16	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,780	12.93	1,765	12.34
Intangible assets and Goodwill	595	4.32	583	4.08
Accounts Receivable	3,634	26.39	3,761	26.28
Unbilled Revenues	603	4.38	707	4.94
Investments	3,445	25.02	4,386	30.65
Cash and Cash equivalents	950	6.90	431	3.01
Other current assets	963	6.99	1,287	8.99
Other non current assets	1,799	13.07	1,389	9.71
Total assets	13,769	100.00	14,309	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	11,048	80.24	11,780	82.33
Long term borrowings	12	0.09	9	0.06
Short term borrowings	25	0.18	6	0.04
Other current liabilities	2,325	16.89	2,135	14.92
Other non-current liabilities	305	2.21	326	2.28
Minority Interest	54	0.39	53	0.37
Total Liabilities	13,769	100.00	14,309	100.00

TATA CONSULTANCY SERVICES

TATA CONSULTANCY SERVICES

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q1 FY17	Q2 FY17	Q1 FY17	Q2 FY17
USD	67.18	66.95	56.47%	56.92%
GBP	95.46	87.77	13.02%	12.00%
EUR	75.24	74.78	7.96%	8.16%
Others			22.55%	22.92%
Total			100.00%	100.00%

Thank You

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