

TCS Financial Results

Quarter III FY 2016 - 17



Jan 12, 2017

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.

Q3 FY17 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **297,350 Mn**, **1.5% QoQ** and **8.7% YoY**
- USD Revenue of \$ **4,387 Mn**, **0.3% QoQ** and **5.8% YoY**
- Constant currency revenue growth of **2.0%**, Volume growth of **1.0% QoQ**

➤ Profit:

- Operating Income at ₹ **77,330 Mn**, Operating Margin of **26.0%**
- Net Income at ₹ **67,780 Mn**, \$ **1 Bn**, Net Margin of **22.8%**

➤ Demand:

- Clients in \$50M+ revenue band by **2** and in \$10M+ revenue band by **5**

➤ People:

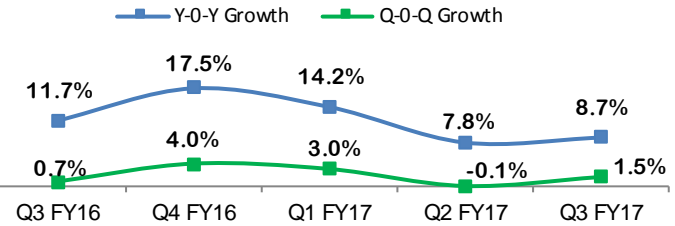
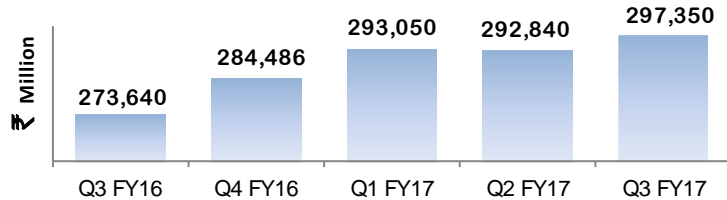
- Net addition of **6,978** associates, closing headcount: **378,497**
- LTM attrition down further QoQ to **11.3%** in IT Services

Financial Performance

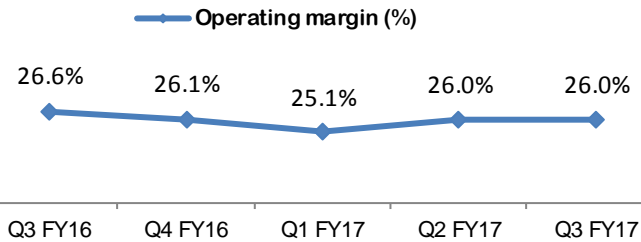
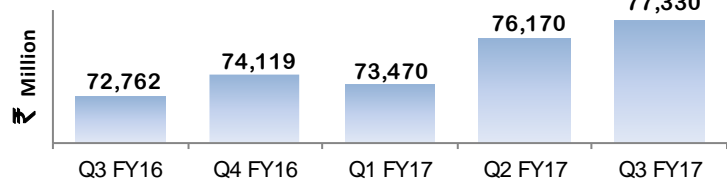


Growth Summary (INR)

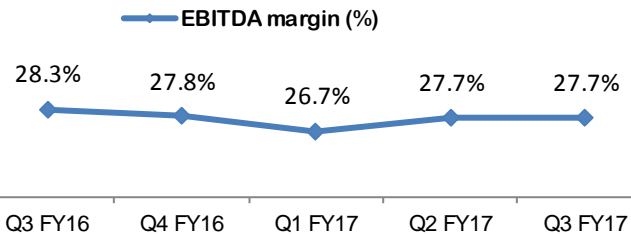
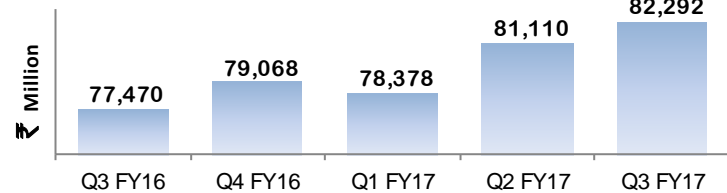
Revenue



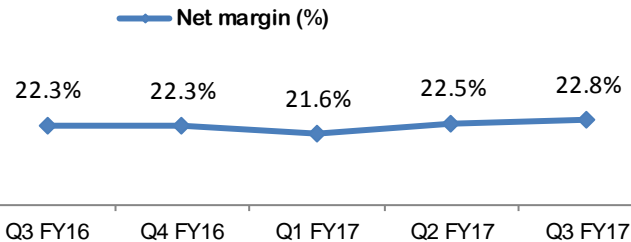
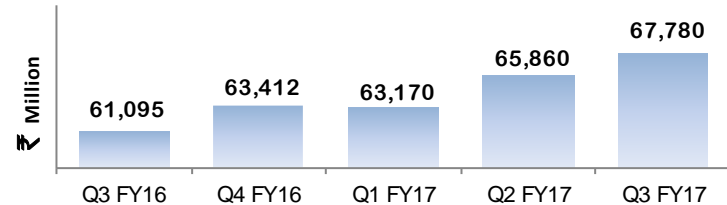
Operating Income



EBITDA

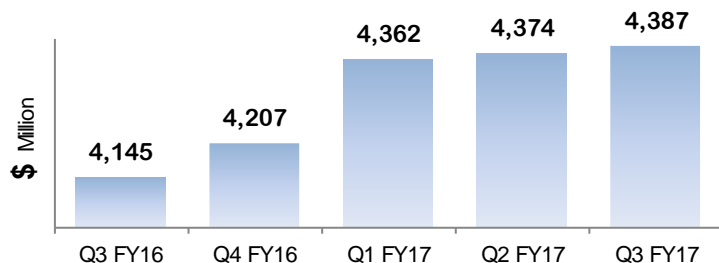


Net Income

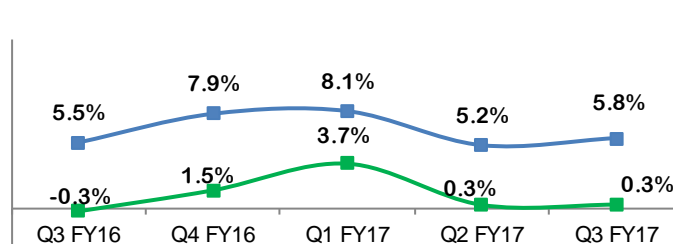


Growth Summary (USD)

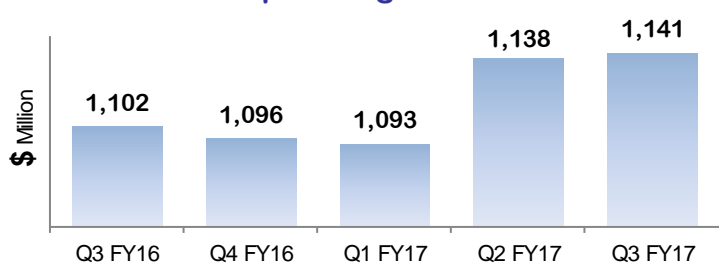
Revenue



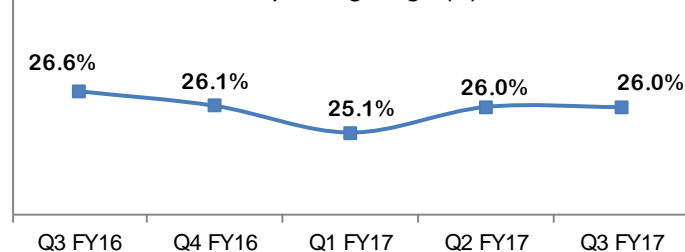
Y-o-Y Growth Q-o-Q Growth



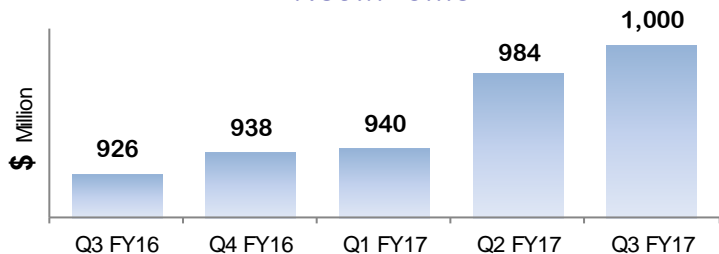
Operating Income



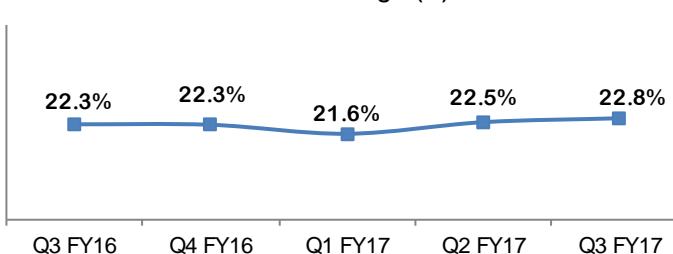
Operating margin (%)



Net Income



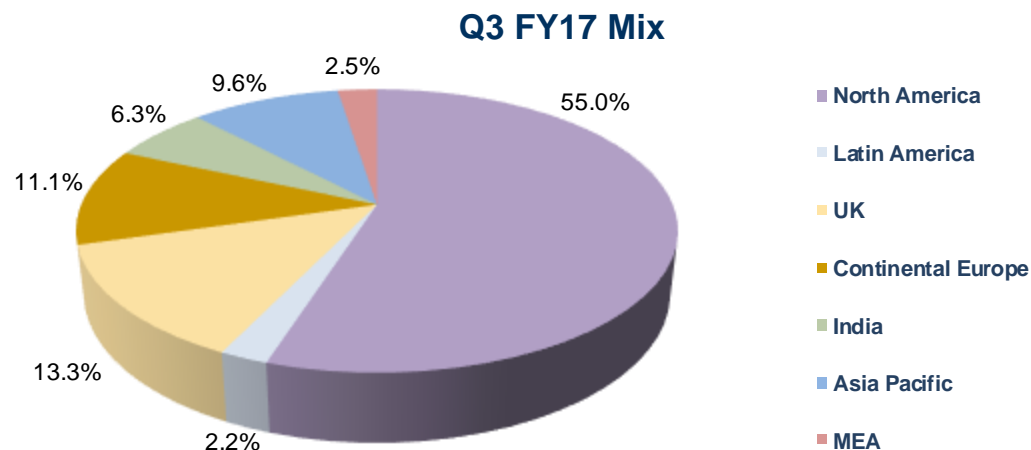
Net margin (%)



Operational Parameters

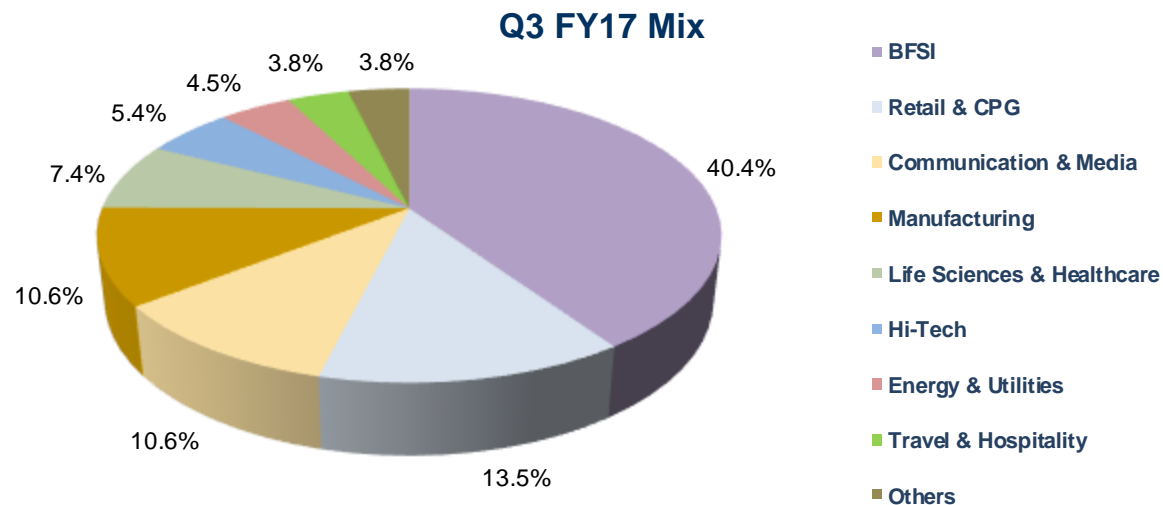


Growth by Market



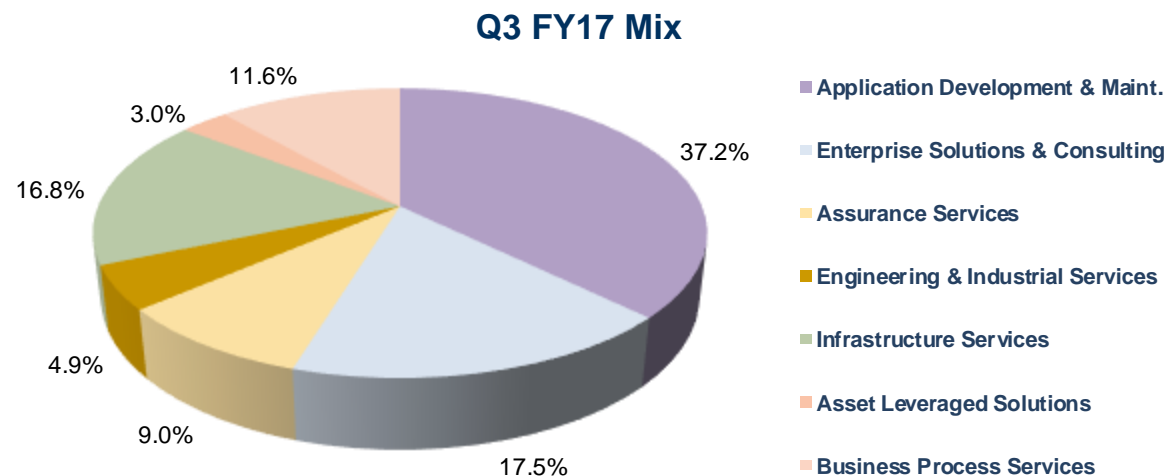
Geography (%)	Q3 FY16	Q2 FY17	Q3 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	53.5	54.0	55.0	2.2	8.7
Latin America	2.1	2.0	2.2	12.5	15.1
Europe					
UK	15.9	13.8	13.3	1.7	4.9
Continental Europe	10.9	11.8	11.1	-1.1	11.3
India					
	6.0	5.8	6.3	10.3	13.1
Asia Pacific					
	9.4	10.2	9.6	-1.8	3.9
MEA					
	2.2	2.4	2.5	3.8	19.8
Total	100.0	100.0	100.0	2.0	8.6

Growth by Domain



IP Revenue (%)	Q3 FY16	Q2 FY17	Q3 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	40.6	40.4	40.4	2.1	8.4
Retail & CPG	14.1	13.4	13.5	1.9	3.4
Communication & Media	10.9	11.4	10.6	-4.9	5.4
Manufacturing	10.1	10.7	10.6	2.1	12.5
Life Sciences & Healthcare	7.3	7.6	7.4	-0.8	9.3
Hi-Tech	5.8	5.4	5.4	2.6	1.2
Energy & Utilities	4.1	4.3	4.5	5.8	21.3
Travel & Hospitality	3.7	3.9	3.8	0.6	12.7
Others	3.4	2.9	3.8	30.6	21.4
Total	100.0	100.0	100.0	2.0	8.6

Growth by Service Line



SP Revenue (%)	Q3 FY16	Q2 FY17	Q3 FY17	Q-o-Q CC Growth	Y-o-Y CC Growth
IT Solutions and Services					
Application Development & Maint.	39.7	38.4	37.2	-1.3	1.6
Enterprise Solutions & Consulting	17.4	17.8	17.5	0.2	8.7
Assurance Services	8.6	9.0	9.0	1.7	13.5
Engineering & Industrial Services	4.5	4.8	4.9	3.1	18.2
Infrastructure Services	15.2	15.7	16.8	9.5	19.9
Asset Leveraged Solutions	2.8	2.6	3.0	21.0	17.2
Business Process Services	11.8	11.7	11.6	1.5	8.2
Total	100.0	100.0	100.0	2.0	8.6
Digital Revenue (%)	13.7	16.1	16.8	6.6	30.2

Client Parameters

Clients Contribution*	Q3 FY16	Q2 FY17	Q3 FY17
US\$ 1m+ Clients	838	859	880
US\$ 5m+ Clients	413	449	454
US\$ 10m+ Clients	281	295	300
US\$ 20m+ Clients	173	185	186
US\$ 50m+ Clients	65	78	80
US\$ 100m+ Clients	34	36	34

*Last Twelve Months' services revenues

Key Wins in Digital Services and Solutions

- Engaged by a North America based investment services firm for a consulting engagement to define an end-to-end strategy for predicting commercial loan performance using machine learning
- Selected by a European multinational pharmaceutical company to empower employees Digitally as a part of initiative to reimagine the workplace
- Selected by a leading North American auto insurance company to reimagine the driver's connected cars experience
- Chosen by a leading North American insurance firm to transform their legacy claims program by using TCS proprietary Big Data product TCS Active Archive™
- Selected by an American multinational financial services corporation to deliver advanced analytics using a comprehensive data management framework developed using TCS Big Data methodology
- Chosen by a North American federal bank for an architecture and strategy consulting engagement to define their enterprise data strategy, operating model and execution roadmap
- Chosen by a leading North American Bank to implement an end-to-end data transformation program using big data technologies
- Selected by a leading North American Utilities company to transform their customer experience through a state-of-the-art digital customer engagement platform across all channels

Key Wins

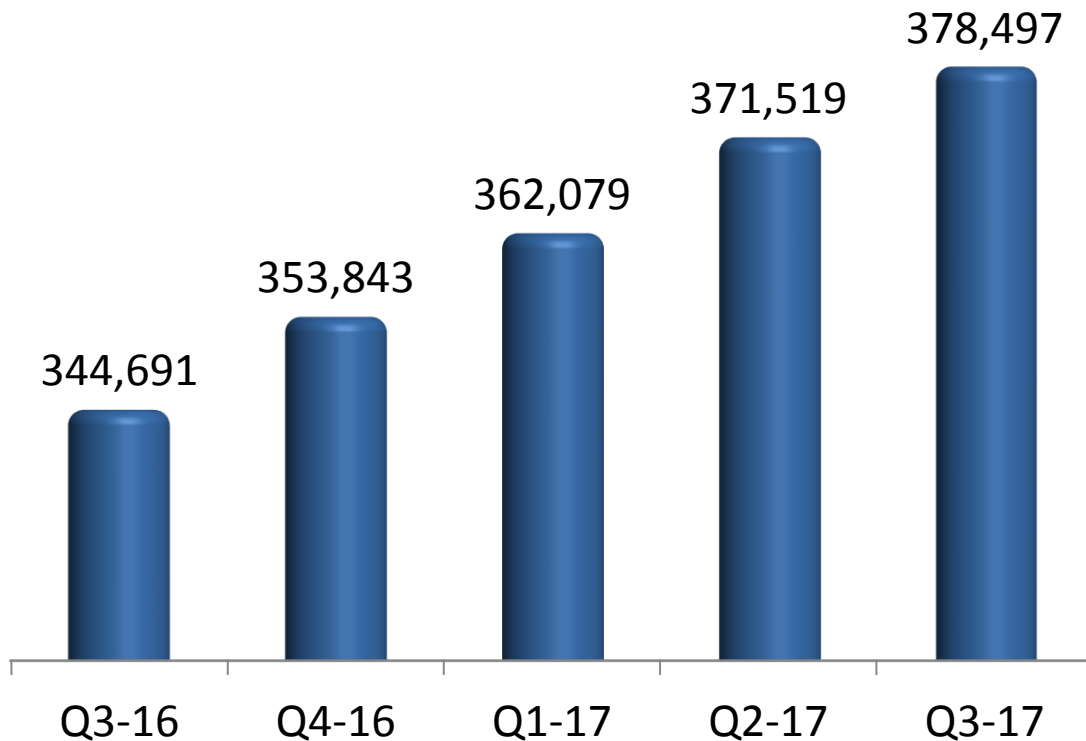
- Selected by a large European Bank as global strategic partner for IT transformation programs
- Chosen as a Strategic Partner by a Global Financial Services major in North America to deliver Enterprise Infrastructure and Production Services leveraging Ignio™, TCS' cognitive automation product.
- Selected by a leading energy company in United Kingdom for next-generation initiatives to enable faster adoption of cloud-based infrastructure and applications.
- Selected by a large Global Bank for a multi-year transformation project to optimise IT operations.
- Selected by a North American Tier-1 Manufacturer as a strategic global transformation partner to drive in business agility, operational efficiency and IT model refinements.
- Chosen by a large Europe retailer for establishing a Global Enterprise cloud across ANZ, US and Europe.
- Engaged by India government for the transformation of digital services in areas of customs, central excise and service tax to enable GST implementation and the ease of doing business.
- Selected by a large equipment rentals company in Japan to transform and replace its core systems.
- Selected by a leading European supplier of logistics & communication solutions to households and businesses to manage and digitally transform their core operational systems.

Human Resources



Total Employee Base

Total Employees : 378,497



Attrition*:

- 11.3% (LTM), IT Services
- 12.2% (LTM), including BPS

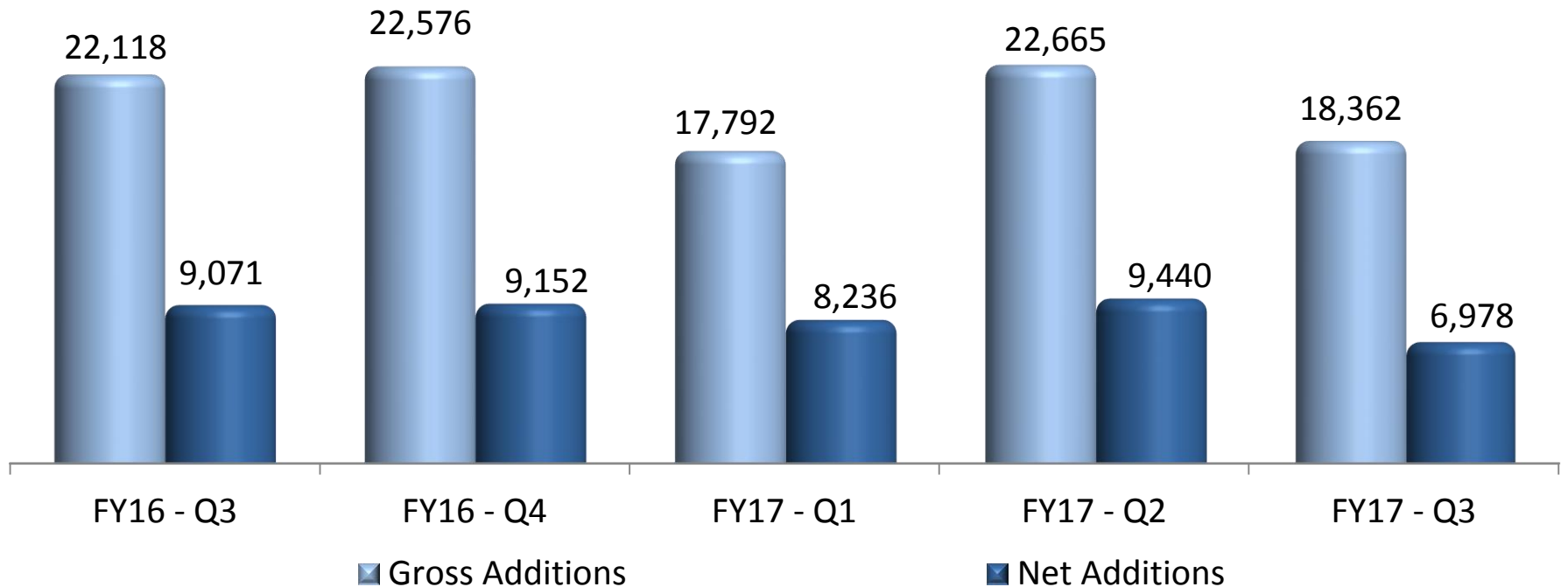
Diversity:

- Women employees: 34.6%
- Nationalities: 132

* Excluding Subsidiaries

Employee Addition

Q3 FY 2017	9M FY 2017
<ul style="list-style-type: none"> Gross additions: 18,362 employees India: <ul style="list-style-type: none"> 10,950 Trainees 4,804 Laterals 2,608 employees overseas 	<ul style="list-style-type: none"> Gross additions: 58,819 employees India: <ul style="list-style-type: none"> 27,872 Trainees 22,167 Laterals 8,780 employees overseas
Net additions: 6,978 employees	Net additions: 24,654 employees



Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17
Revenue	273,640	292,840	297,350	100.00	100.00	100.00
Cost of revenue	152,194	165,340	168,780	55.62	56.46	56.76
Gross margin	121,446	127,500	128,570	44.38	43.54	43.24
SG & A expenses	48,684	51,330	51,240	17.79	17.53	17.23
Operating income	72,762	76,170	77,330	26.59	26.01	26.01
Other income (expense), net	6,991	10,520	11,850	2.55	3.59	3.99
Income before income taxes	79,753	86,690	89,180	29.14	29.60	30.00
Income taxes	18,501	20,660	21,040	6.76	7.05	7.08
Income after income taxes	61,252	66,030	68,140	22.38	22.55	22.92
Minority interest	157	170	360	0.05	0.06	0.13
Net income	61,095	65,860	67,780	22.33	22.49	22.79
Earnings per share in ₹	31.01	33.43	34.40			

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Cash Flow Summary

IFRS in ₹ Millions	Q3 FY16	Q2 FY17	Q3 FY17
Net Cash from Operations	58,770	57,100	79,570
Capital Expenditure	4,690	4,260	4,080
Free Cash Flow	54,080	52,840	75,490
Dividends Paid	13,280	26,210	14,820
Operating Cash Flow to Sales (%)	21.5	19.5	26.8
Total Cash and Investments	277,500	364,840	431,690

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-16		31-Dec-16	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	117,900	12.93	116,970	11.63
Intangible assets and Goodwill	39,460	4.32	38,280	3.81
Accounts Receivable	240,730	26.39	242,120	24.07
Unbilled Revenues	39,920	4.38	45,370	4.51
Investments	228,220	25.02	349,210	34.71
Cash and Cash equivalents	62,950	6.90	37,460	3.72
Other current assets	63,740	6.99	87,230	8.67
Other non current assets	119,200	13.07	89,350	8.88
Total assets	912,120	100.00	1,005,990	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	731,890	80.24	838,470	83.35
Long term borrowings	830	0.09	590	0.06
Short term borrowings	1,620	0.18	1,960	0.19
Other current liabilities	154,070	16.89	140,640	13.98
Other non-current liabilities	20,170	2.21	20,800	2.07
Minority Interest	3,540	0.39	3,530	0.35
Total Liabilities	912,120	100.00	1,005,990	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17
Revenue	4,145	4,374	4,387	100.00	100.00	100.00
Cost of revenue	2,305	2,470	2,490	55.62	56.46	56.76
Gross margin	1,840	1,904	1,897	44.38	43.54	43.24
SG & A expenses	738	766	756	17.79	17.53	17.23
Operating income	1,102	1,138	1,141	26.59	26.01	26.01
Other income (expense), net	106	157	175	2.55	3.59	3.99
Income before income taxes	1,208	1,295	1,316	29.14	29.60	30.00
Income taxes	280	309	310	6.76	7.05	7.08
Income after income taxes	928	986	1,006	22.38	22.55	22.92
Minority interest	2	2	6	0.05	0.06	0.13
Net income	926	984	1,000	22.33	22.49	22.79
Earnings per share in \$	0.47	0.50	0.51			

COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17
Employee cost	1,589	1,704	1,687	38.34	38.95	38.46
Fees to external consultants	301	323	312	7.27	7.39	7.13
Equipment and software	85	73	138	2.05	1.67	3.15
Facility expenses	83	87	86	1.99	1.98	1.96
Depreciation	51	54	54	1.23	1.24	1.22
Travel	57	68	67	1.38	1.55	1.52
Communication	33	29	27	0.80	0.66	0.61
Other expenses	106	132	119	2.56	3.02	2.71
Cost of Revenue	2,305	2,470	2,490	55.62	56.46	56.76

SGA	\$ Million			% of Revenue		
	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17
Employee cost	533	579	566	12.87	13.23	12.91
Fees to external consultants	18	13	18	0.44	0.29	0.41
Facility expenses	48	51	51	1.14	1.16	1.16
Depreciation	20	19	19	0.49	0.45	0.44
Travel	40	37	31	0.96	0.85	0.70
Communication	11	11	11	0.27	0.25	0.26
Provision for Doubtful Debts	4	2	5	0.09	0.05	0.11
Other expenses	64	54	55	1.53	1.25	1.24
SG&A expenses	738	766	756	17.79	17.53	17.23

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-16		31-Dec-16	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,780	12.93	1,723	11.63
Intangible assets and Goodwill	595	4.32	564	3.80
Accounts Receivable	3,634	26.39	3,566	24.07
Unbilled Revenues	603	4.38	668	4.51
Investments	3,445	25.02	5,144	34.71
Cash and Cash equivalents	950	6.90	552	3.73
Other current assets	963	6.99	1,284	8.67
Other non current assets	1,799	13.07	1,317	8.88
Total assets	13,769	100.00	14,818	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	11,048	80.24	12,350	83.34
Long term borrowings	12	0.09	9	0.06
Short term borrowings	25	0.18	29	0.20
Other current liabilities	2,325	16.89	2,072	13.98
Other non-current liabilities	305	2.21	306	2.07
Minority Interest	54	0.39	52	0.35
Total Liabilities	13,769	100.00	14,818	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore			% of Revenue		
	Q3 FY16	Q2 FY17	Q3 FY17	Q3 FY16	Q2 FY17	Q3 FY17
Revenue	27,364	29,284	29,735	100.00	100.00	100.00
Expenditure						
a) Employee Costs	14,011	15,280	15,275	51.20	52.18	51.37
b) Other Operating expenses	5,606	5,891	6,231	20.49	20.12	20.95
c) Depreciation	471	496	496	1.72	1.69	1.67
Total Expenditure	20,088	21,667	22,002	73.41	73.99	73.99
Profit Before Taxes & Other Income	7,276	7,617	7,733	26.59	26.01	26.01
Other income (expense), net	699	1,052	1,185	2.55	3.59	3.99
Profit Before Taxes	7,975	8,669	8,918	29.14	29.60	30.00
Provision For Taxes	1,850	2,066	2,104	6.76	7.05	7.08
Profit After Taxes & Before Minority Interest	6,125	6,603	6,814	22.38	22.55	22.92
Minority Interest	15	17	36	0.05	0.06	0.12
Net Profit	6,110	6,586	6,778	22.33	22.49	22.80
Earnings per share in ₹	31.01	33.43	34.40			

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-16	31-Dec-16	31-Mar-16	31-Dec-16
ASSETS				
Property, plant and equipment	11,775	11,612	13.22	11.79
Investments	22,822	34,921	25.62	35.45
Deferred tax assets (net)	2,908	2,674	3.26	2.72
Goodwill (on consolidation)	1,669	1,633	1.87	1.66
Cash and Bank Balance	6,788	4,298	7.62	4.36
Current Assets, Loans and Advances	33,946	36,920	38.10	37.48
Non-current assets, Loans and advances	9,188	6,437	10.31	6.54
Total Assets	89,096	98,495	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	71,072	81,742	79.77	82.99
Minority Interest	355	354	0.40	0.36
Short term and long term borrowings	196	225	0.22	0.23
Deferred tax liabilities (net)	805	916	0.90	0.93
Current liabilities and provisions	15,456	14,094	17.35	14.31
Non-current liabilities and provisions	1,212	1,164	1.36	1.18
Total Liabilities	89,096	98,495	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q2 FY17	Q3 FY17	Q2 FY17	Q3 FY17
USD	66.95	67.78	56.92%	58.21%
GBP	87.77	83.79	12.00%	11.40%
EUR	74.78	72.18	8.16%	7.92%
Others			22.92%	22.47%
Total			100.00%	100.00%

Thank You

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