

TCS Financial Results

Quarter II FY 2017 - 18



Oct 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.

Highlights



Q2 FY18 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **305,410 Mn**, **3.2% QoQ** and **4.3% YoY**
- USD Revenue of \$ **4,739 Mn**, **3.2% QoQ** and **8.3% YoYR**
- CC revenue growth of **1.7% QoQ** and **7.1% YoY**, Volume growth of **3.2% QoQ**

➤ Profit:

- Operating Margin of **25.1%**, QoQ expansion of **1.7%**
- Net Margin of **21.1%**, QoQ expansion of **1.0%**

➤ Demand:

- Clients \$100M+ up by 1; \$50M+, \$20M+ & \$10M+ each up by 6

➤ People:

- Net addition of **3,404** associates, closing headcount: **389,213**
- LTM attrition down further QoQ to **11.3%** in IT Services

Operational Parameters



Growth by Market

Geography (%)	Q2 FY17	Q1 FY18	Q2 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	54.0	52.5	51.9	1.4	3.6
Latin America	2.0	2.1	2.2	5.7	13.6
Europe					
UK	13.8	13.9	14.0	2.5	9.2
Continental Europe	11.8	12.5	13.4	5.3	18.2
India	5.8	7.0	6.3	- 6.8	14.3
Asia Pacific	10.2	9.5	9.8	3.0	4.1
MEA	2.4	2.5	2.4	1.0	7.6
Total	100.0	100.0	100.0	1.7	7.1



Growth by Domain

Vertical (%)	Q2 FY17	Q1 FY18	Q2 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	33.6	32.9	33.0	1.9	4.7
Retail & CPG	13.0	12.2	11.9	- 0.9	- 1.4
Communication & Media	7.2	7.3	7.3	1.4	9.5
Manufacturing	7.3	7.5	7.5	1.9	9.6
Life Sciences & Healthcare	7.0	7.1	7.2	3.6	10.3
Energy & Utilities	3.7	4.0	4.2	7.2	22.7
Travel & Hospitality	3.3	3.5	3.8	8.0	23.2
Technology & Services	7.8	7.9	8.1	3.4	10.1
Regional Markets & Others	17.1	17.6	17.0	- 0.6	6.9
Total	100.0	100.0	100.0	1.7	7.1
Digital Revenue (%)	16.1	18.9	19.7	5.9	31.0



Service Lines Commentary

- The reorganized service lines successfully completed their transition in Q2, and are experiencing strong demand in each of their respective domains.
- TCS was ranked as a Leader in 10 analyst surveys during the quarter.
- Won 10+ major awards from Customers, Partners and Independent 3rd Party Bodies – Across multiple service lines.

The practice saw **double digit quarterly growth** as the **mainstreaming of IoT** deployments gathered steam, with several wins in this quarter including a Digital Twin and AI based monitoring & optimization solution for a Japanese heavy industrial equipment manufacturer.

Internet of Things

Newly launched strategic offerings which combine consulting and multiple service lines saw **more than 10 major wins** in Q2 across Enterprise Agility, M&A, Global Shared Services, Supply Chain and Front Office Customer Experience Transformations.

Consulting & Services Integration

The value proposition around leveraging **cognitive technologies** to simplify and streamline business operations is gaining strong traction. **2 large deals**, powered sales momentum in Q2

Cognitive Business Operations

Experienced robust growth in Q2, driven by **transformational wins around newer Cloud Platforms** from SAP, Oracle, Salesforce, Microsoft & others. We also expanded our partner footprint in specialized areas.

Enterprise Application Services



Client Parameters

Clients Contribution*	Q2 FY17	Q1 FY18	Q2 FY18
US\$ 1m+ Clients	859	905	933
US\$ 5m+ Clients	449	464	470
US\$ 10m+ Clients	295	322	328
US\$ 20m+ Clients	185	190	196
US\$ 50m+ Clients	78	85	91
US\$ 100m+ Clients	36	36	37

*Last Twelve Months' services revenues



Key Wins

- Engaged by a large UK based global insurer to provide policy administration services to their four million heritage customers using TCS BaNCS' digitally-enabled, end-to-end policy administration platform for Life, Pensions and Investment products
- Selected as a strategic partner by a large North America based global insurer for application services across multiple geographies and lines of business.
- Chosen by one of the world's largest quick service restaurants for global implementation of 'point of sale' software across 58 countries, including country specific localization and hosting services on the cloud.
- Engaged as the single strategic partner for a leading North America based pet specialty retailer to transform and optimize all of its IT, Infrastructure and Business Process Services.
- Partnered with a large APAC based airline to provide technology managed services for IT applications and Infrastructure, enabled by increased automation.
- Chosen by a North America based cable TV provider as a partner for its network and video engineering services.
- Selected by a European headquartered global automotive OEM as its strategic engineering partner to support the design and development of a new range of vehicles.
- Engaged by a Japanese pharmaceutical company to simplify and standardize their IT services delivery.
- Chosen by a large APAC based banking group for a multi-year transformation and maintenance of their Information Management, Social, Mobile, and Digital applications.
- Selected by a North America based global publisher to provide Infrastructure Services and technology transformation to support their growing digital portfolio.
- Chosen by a European communications services provider to implement a business-centric operating model for their applications and shared services.

Key Wins in Digital Services and Solutions



Consulting

- Selected by a leading North America based global information services firm for a consulting engagement to create an omni-channel experience for its customers through the development of an end-to-end digital customer experience platform.
- Chosen as the strategic partner for the largest UK based banking firm to lead their Devops transformation program using Agile methodologies.
- Partnered with a North America based leading technology company to provide consulting services to reduce costs by making systems smarter through analytics and automation technologies.



Analytics

- Engaged by an APAC based leading Telecom provider to migrate their existing systems to a Hadoop environment and build an analytics framework using big data technologies.
- Selected by a leading North America based power generation company to improve their accounts receivables by predicting invoice outcomes through advanced analytics and machine learning techniques.



Cloud Services

- Engaged by a British airline to facilitate API-fication and enhanced interactions with partner systems using cloud technologies.
- Chosen by a Europe based multinational auto manufacturer for Salesforce service cloud implementation, leading to an enhanced global customer experience.
- Selected by a North America based global hotel brand to lead digital transformation initiatives across all available platforms and systems to enhance the customer experience.
- Strategic partner for a leading UK based financial services provider to create secure and innovative payment systems driven by API-fication transformation programs.



Security Services

- Chosen by a North America based multinational conglomerate for their Applications Vulnerability Management and Remediation.



Internet of Things

- Partnered with a leading Japanese power systems company to develop a Boiler Digital Twin, leveraging AI control and industrial analytics to enable far more efficient operations.



Digital Design

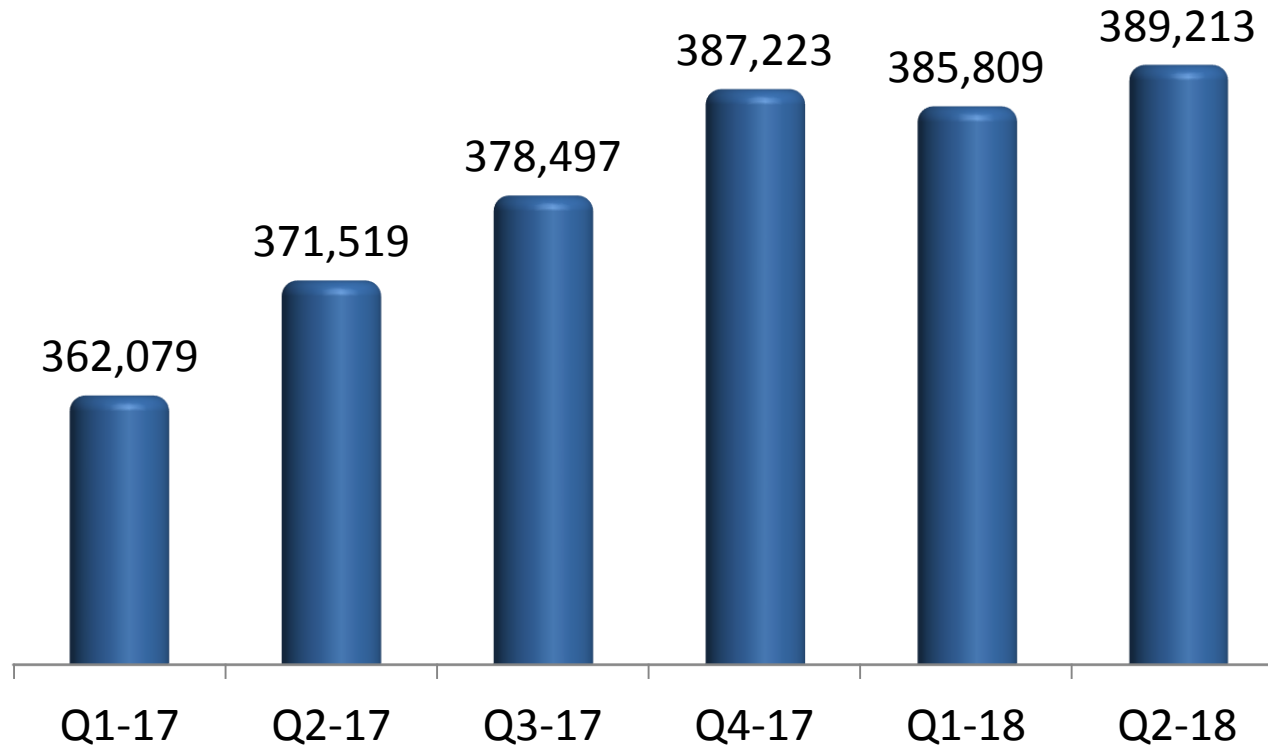
- Strategic partner for a North America based multinational semiconductor manufacturer to revamp the digital design for all handheld devices controlling autonomous vehicles.
- Engaged by a European logistics service provider to revamp their multi-channel digital communications program using digital interactive technologies.

Human Resources



Total Employee Base

Total Employees : 389,213



Attrition*:

- 11.3% (LTM), IT Services
- 12.1% (LTM), including BPS

Diversity:

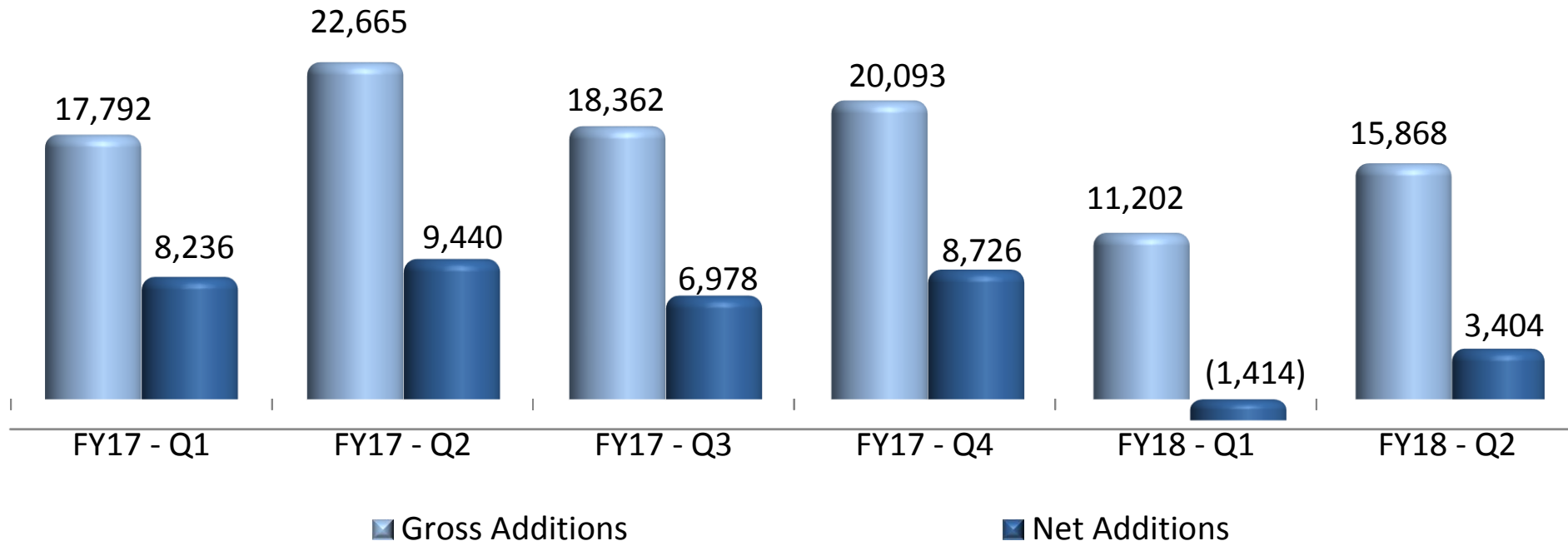
- Women employees: 35.0%
- Nationalities: 133

* Excluding Subsidiaries



Employee Addition

Q2 FY 2018	FY 2018 (YTD)
<ul style="list-style-type: none"> Gross additions: 15,868 employees India: <ul style="list-style-type: none"> 6,722 Trainees 5,421 Laterals 3,725 employees overseas 	<ul style="list-style-type: none"> Gross additions: 27,070 employees India: <ul style="list-style-type: none"> 8,381 Trainees 11,710 Laterals 6,979 employees overseas
Net additions: 3,404 employees	Net additions: 1,990 employees



Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Revenue	292,840	295,840	305,410	100.00	100.00	100.00
Cost of revenue	165,340	172,910	176,110	56.46	58.45	57.66
Gross margin	127,500	122,930	129,300	43.54	41.55	42.34
SG & A expenses	51,330	53,790	52,700	17.53	18.18	17.26
Operating income	76,170	69,140	76,600	26.01	23.37	25.08
Other income (expense), net	10,520	9,320	8,120	3.59	3.15	2.67
Income before income taxes	86,690	78,460	84,720	29.60	26.52	27.75
Income taxes	20,660	18,960	20,120	7.05	6.40	6.59
Income after income taxes	66,030	59,500	64,600	22.55	20.12	21.16
Minority interest	170	50	140	0.06	0.02	0.05
Net income	65,860	59,450	64,460	22.49	20.10	21.11
Earnings per share in ₹	33.43	30.40	33.67			



COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Employee cost	114,050	121,520	125,070	38.95	41.08	40.95
Fees to external consultants	21,640	19,530	21,100	7.39	6.60	6.91
Equipment and software	4,880	7,250	6,930	1.67	2.45	2.27
Facility expenses	5,800	6,310	6,510	1.98	2.13	2.13
Depreciation	3,630	3,770	3,930	1.24	1.28	1.29
Travel	4,560	4,900	4,590	1.55	1.66	1.50
Communication	1,940	1,950	1,760	0.66	0.66	0.58
Other expenses	8,840	7,680	6,220	3.02	2.59	2.03
Cost of Revenue	165,340	172,910	176,110	56.46	58.45	57.66

SGA	₹ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Employee cost	38,750	40,310	40,660	13.23	13.63	13.31
Fees to external consultants	850	1,580	1,300	0.29	0.54	0.43
Facility expenses	3,420	3,350	3,170	1.16	1.13	1.04
Depreciation	1,310	1,210	1,110	0.45	0.41	0.36
Travel	2,480	2,650	2,210	0.85	0.90	0.72
Communication	720	780	740	0.25	0.27	0.24
Provision for Doubtful Debts	140	320	480	0.05	0.10	0.16
Other expenses	3,660	3,590	3,030	1.25	1.20	1.00
S G & A expenses	51,330	53,790	52,700	17.53	18.18	17.26

Cash Flow Summary

IFRS in ₹ Mn	Q2 FY17	Q1 FY18	Q2 FY18
Net Cash from Operations	58,020	61,700	58,090
Capital Expenditure	4,260	5,830	4,850
Free Cash Flow	53,760	55,870	53,240
Dividends Paid	26,210	60,730	16,150
Buy Back (incl. expenses)	-	160,420	-
Operating Cash Flow to Sales (%)	19.8	20.9	19.0
Operating Cash Flow to Net Profit (%)	88.1	103.8	90.1
Total Cash and Investments	364,840	322,710	358,350



IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-17		30-Sep-17	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	117,410	11.14	118,240	12.31
Intangible assets and Goodwill	37,680	3.58	38,610	4.02
Accounts Receivable	226,840	21.53	247,430	25.76
Unbilled Revenues	53,510	5.08	68,630	7.14
Investments	419,800	39.85	295,050	30.71
Cash and Cash equivalents	35,970	3.41	42,760	4.45
Other current assets	72,580	6.89	56,950	5.93
Other non current assets	89,740	8.52	93,020	9.68
Total assets	1,053,530	100.00	960,690	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	883,150	83.83	771,620	80.32
Long term borrowings	710	0.07	590	0.06
Short term borrowings	2,180	0.21	200	0.02
Other current liabilities	142,940	13.56	163,030	16.97
Other non-current liabilities	20,890	1.98	21,670	2.26
Minority Interest	3,660	0.35	3,580	0.37
Total Liabilities	1,053,530	100.00	960,690	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Revenue	4,374	4,591	4,739	100.00	100.00	100.00
Cost of revenue	2,470	2,683	2,733	56.46	58.45	57.66
Gross margin	1,904	1,908	2,006	43.54	41.55	42.34
SG & A expenses	766	835	818	17.53	18.18	17.26
Operating income	1,138	1,073	1,188	26.01	23.37	25.08
Other income (expense), net	157	145	127	3.59	3.15	2.67
Income before income taxes	1,295	1,218	1,315	29.60	26.52	27.75
Income taxes	309	294	312	7.05	6.40	6.59
Income after income taxes	986	924	1,003	22.55	20.12	21.16
Minority interest	2	1	3	0.06	0.02	0.05
Net income	984	923	1,000	22.49	20.10	21.11
Earnings per share in \$	0.50	0.47	0.52			

COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Employee cost	1,704	1,886	1,941	38.95	41.08	40.95
Fees to external consultants	323	303	327	7.39	6.60	6.91
Equipment and software	73	113	107	1.67	2.45	2.27
Facility expenses	87	98	101	1.98	2.13	2.13
Depreciation	54	59	61	1.24	1.28	1.29
Travel	68	76	71	1.55	1.66	1.50
Communication	29	30	27	0.66	0.66	0.58
Other expenses	132	118	98	3.02	2.59	2.03
Cost of Revenue	2,470	2,683	2,733	56.46	58.45	57.66

SGA	\$ Million			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Employee cost	579	626	631	13.23	13.63	13.31
Fees to external consultants	13	25	20	0.29	0.54	0.43
Facility expenses	51	52	49	1.16	1.13	1.04
Depreciation	19	19	17	0.45	0.41	0.36
Travel	37	41	34	0.85	0.90	0.72
Communication	11	12	12	0.25	0.27	0.24
Provision for Doubtful Debts	2	5	7	0.05	0.10	0.16
Other expenses	54	55	48	1.25	1.20	1.00
SG&A expenses	766	835	818	17.53	18.18	17.26

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-17		30-Sep-17	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,811	11.15	1,809	12.31
Intangible assets and Goodwill	581	3.57	591	4.02
Accounts Receivable	3,498	21.53	3,785	25.75
Unbilled Revenues	825	5.08	1,050	7.14
Investments	6,474	39.84	4,514	30.71
Cash and Cash equivalents	555	3.42	654	4.45
Other current assets	1,119	6.89	872	5.93
Other non current assets	1,385	8.52	1,424	9.69
Total assets	16,248	100.00	14,699	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	13,619	83.82	11,804	80.30
Long term borrowings	11	0.07	9	0.06
Short term borrowings	34	0.21	3	0.02
Other current liabilities	2,204	13.56	2,495	16.97
Other non-current liabilities	323	1.99	332	2.26
Minority Interest	57	0.35	56	0.39
Total Liabilities	16,248	100.00	14,699	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore			% of Revenue		
	Q2 FY17	Q1 FY18	Q2 FY18	Q2 FY17	Q1 FY18	Q2 FY18
Revenue	29,284	29,584	30,541	100.00	100.00	100.00
Expenditure						
a) Employee Costs	15,280	16,183	16,572	52.18	54.70	54.26
b) Other Operating expenses	5,891	5,988	5,805	20.12	20.24	19.01
c) Depreciation	496	499	504	1.69	1.69	1.65
Total Expenditure	21,667	22,670	22,881	73.99	76.63	74.92
Profit Before Taxes & Other Income	7,617	6,914	7,660	26.01	23.37	25.08
Other income (expense), net	1,052	932	812	3.59	3.15	2.66
Profit Before Taxes	8,669	7,846	8,472	29.60	26.52	27.74
Provision For Taxes	2,066	1,896	2,012	7.05	6.40	6.59
Profit After Taxes & Before Minority Interest	6,603	5,950	6,460	22.55	20.12	21.15
Minority Interest	17	5	14	0.06	0.02	0.05
Net Profit	6,586	5,945	6,446	22.49	20.10	21.10
Earnings per share in ₹	33.43	30.40	33.67			



Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-17	30-Sep-17	31-Mar-17	30-Sep-17
ASSETS				
Property, plant and equipment	11,645	11,706	11.28	12.46
Investments	41,980	29,505	40.66	31.40
Deferred tax assets (net)	2,828	3,279	2.74	3.49
Goodwill (on consolidation)	1,597	1,704	1.55	1.81
Cash and Bank Balance	4,149	4,385	4.02	4.67
Current Assets, Loans and Advances	34,741	37,192	33.65	39.58
Non-current assets, Loans and advances	6,312	6,190	6.10	6.59
Total Assets	103,252	93,961	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	86,214	75,054	83.50	79.88
Minority Interest	366	358	0.35	0.38
Short term and long term borrowings	271	59	0.26	0.06
Deferred tax liabilities (net)	919	992	0.89	1.06
Current liabilities and provisions	14,312	16,323	13.86	17.37
Non-current liabilities and provisions	1,170	1,175	1.14	1.25
Total Liabilities	103,252	93,961	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates			% of Revenue	
	Q1 FY18	Q2 FY18	QoQ	Q1 FY18	Q2 FY18
USD	64.44	64.45	0.01%	55.62%	54.71%
GBP	82.61	84.83	2.68%	11.98%	12.20%
EUR	71.78	76.22	6.19%	8.57%	9.33%
Others				23.83%	23.76%
Total				100.00%	100.00%

Thank You

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