

Large deal wins, Digital demand mark Strong Q3

Digital revenue at 22.1%, up 39.6% Y-o-Y; 13.9% Q-o-Q (CC)

- **Revenue Growth of 6.2% Y-o-Y; 1.3% Q-o-Q in CC**
- **Strongest Volume growth for Dec Qtr in 3 years: 1.6% Q-o-Q**
- **Digital comes of age: Largest Digital deal signed till date**

MUMBAI, January 11, 2018: Tata Consultancy Services (BSE: 532540, NSE: TCS), the leading IT services, consulting and business solutions firm reported its consolidated financial results according to IFRS and Ind AS, as on December 31, 2017.

Financial Highlights for Quarter Ended December 31, 2017

- Revenue at ₹ 30,904 crore +3.9 % Y-o-Y; +1.2% Q-o-Q
 - Net Income at ₹ 6,531 crore (3.6%) Y-o-Y; +1.3% Q-o-Q
 - Operating Margin at 25.2%, an expansion of 0.1% Q-o-Q
 - Net Cash from Operations at ₹ 7,788 crore i.e. 119.2% of Net Income
 - Earnings Per Share at ₹ 34.12
 - Dividend per share of ₹ 7
- Proposed record date 23/01/18; Payment date 31/01/18*

Business Highlights for Quarter Ended December 31, 2017

- Retail vertical turns around: +3% Y-o-Y; +6.4% Q-o-Q (CC)
- Digital revenue at 22.1%, +39.6% Y-o-Y; +13.9% Q-o-Q (CC)
- Strong client metrics: 3 clients added in \$50M+ band, 7 in \$20M+, 9 in \$10M+ and 15 in the \$5M+ band
- IT Attrition rate (LTM) down further by 0.2% Q-o-Q to 11.1%
- Total employees: 390,880; Gross addition: 12,534 employees

Commenting on the Q3 performance, Rajesh Gopinathan, CEO and MD, said: *“We wrapped 2017 with a strong performance in the December quarter, marked by the signing of industry-defining deals, robust client metrics and broad-based demand across industry verticals. As lagging parts of our portfolio turn around, and areas of softness reduce, we are well placed for stronger growth ahead.”*

Mr Gopinathan added: *“Progressive organizations looking to take advantage of new opportunities in the Business 4.0 era are ramping up their Digital investments, and TCS has emerged as their preferred transformational partner. We signed our first \$50Mn+ deal in Digital this quarter, crossing an important milestone in the mainstreaming of Digital technologies. The investments we have been*

making over the last few years in Research and Innovation, and in building intellectual property, are giving us a distinct edge in the market in winning such large transformational programs.”

N. Ganapathy Subramaniam, Chief Operating Officer & Executive Director, said: “We had a very good quarter marked by excellent operating metrics all across. New deal ramp-ups, increasing traction in Digital, robust demand pick up in Retail and continuing momentum in most of our industry verticals gave us strong volume growth in a seasonally weak quarter. Our reputation for superior execution, combined with our platform capability, positions us well to close mega deals.”

V. Ramakrishnan, Chief Financial Officer, said: “Concerted efforts by all our teams and tighter working capital management resulted in very strong cash conversion this quarter. The long view we have historically taken with many of our key investment decisions, be it our geographic forays or new cloud-based platform businesses, is now beginning to yield results. Several of the key deals we signed this quarter, are a vindication of that strategic patience.”

Q3 Segment Highlights¹

Industries: Most industry verticals grew above company average in Q3. The Retail and CPG vertical showed a strong turn around, growing 6.4% Q-o-Q. Growth was led by Energy & Utilities (+8.5% Q-o-Q), Travel & Hospitality (+2.9% Q-o-Q) and Life Sciences & Healthcare (+2.5% Q-o-Q). On a year on year basis, all industry verticals – with the exception of BFSI and Retail – grew above 9.5%, with four verticals growing in double digits Y-o-Y.

Markets: Growth was led by Latin America (+5% Q-o-Q), Continental Europe (+2.6% Q-o-Q) and North America (+1.5% QoQ). On a Y-o-Y basis, Continental Europe (+22.3%), UK (+8.2%) and India (+4.1%) performed very well. North America grew 2.8% YoY.

Services: Continuing investments by clients in Digital initiatives resulted in over 150+ wins and strong growth across all service practices. Key highlights:

- **Cloud Services:** Robust growth led by public cloud, private cloud and application modernization services, accounting for 22 Digital wins
- **Cyber Security:** Saw more than 15 major wins, growth was led by demand for services around GDPR, Identity & Access Management, and Vulnerability Management
- **IoT:** The practice saw continued high growth, as IoT deployments go mainstream. TCS won over 10 IoT deals including the one where Rolls Royce chose the TCS Connected Universe Platform (TCUP) to underpin its next generation products and services
- **Digital Interactive:** Experience Intelligence & Humanizing the Machine First World were two key themes behind marquee wins
- **Enterprise Intelligent Automation:** Delivered top of the line growth, with TCS Machine First Delivery Model (MFDM) gaining strong traction
- **Enterprise Application Services:** Adoption of newer Digital offerings such as SAP S/4 HANA, Oracle Cloud, Microsoft Dynamics 365, Salesforce, and other cloud enterprise platforms drove steady growth

¹ Growth rates mentioned are in constant currency

- **Consulting & Service Integration:** A key pillar of TCS' full stakeholder play, consulting-led transformations in the areas of M&A, Supply Chain, Future of Finance, and Customer Experience resulted in several marquee deal wins.
- **Cognitive Business Operations:** Robust order book with 3 large deals in Market Research, Oil & Gas and Telecom industries, as the value proposition of leveraging digital to transform business operations and deliver superior business outcomes gains traction.

Select Key Wins in Q3

- Selected as a strategic partner by a large European bank to operationally transform their mission critical core systems across multiple geographies and lines of business.
- Chosen as a strategic partner by a large Australian bank in a multi-year deal, to provide application services across all lines of business in an agile model.
- Selected as the exclusive partner by Lexmark International Inc. in the US to provide end-to-end IT management for the company's transformation to a future-ready enterprise. The partnership includes private cloud infrastructure, end user services and network management and applications management. The engagement will leverage **ignio™**, TCS' cognitive automation platform, to deploy a machine-first delivery model (MFDM™).
- Partnered with a major US oil field services company to transform their F&A business processes, utilizing a cognitive operations solution, thereby unlocking exponential business value for the customer.
- Selected as a strategic IT partner for a large global engineering procurement construction company, managing multi-sourcing service integration, cyber security, deploying **ignio™** to drive cognitive automation of the company's SAP landscape, and application services.
- Selected for a multi-year deal to drive the business operations management of a large US healthcare organization's six critical healthcare functions, leveraging **ignio's** cognitive capabilities for automation and insights.
- Selected as the preferred digital partner for Rolls Royce in their strategic initiative to develop an IoT platform and associated applications, which will be the foundation of their IoT solution that connects thousands of assets globally.
- Extended a long-standing partnership until 2025 with Nielsen Holding PLC, a leading global market research firm, leveraging TCS' Business 4.0 strategy to help transform their technology, operations, engineering, and knowledge processes to deliver superior outcomes to their customers.
- Selected as the principal technology partner by UK's heritage fashion and foods retailer, Marks & Spencer, to transform customer experience and drive growth of its business.
- Selected as a strategic partner for Western Union, a large US financial services and communications company to maintain and transform its mission critical systems globally, spanning multiple lines of business and evolving to an agile and DevOps operating model.
- Selected by TDC, a Danish telecommunications company to provide IT Infrastructure services and leverage **ignio™** to build a 360 degree view of the enterprise, automate incident and service request resolution, and infrastructure health-checks to reduce costs and enhance the customer experience.

Key Digital Wins

- Selected by a large European retailer as a strategic partner for their digital marketing transformation to provide customers with a proactive, conversational and contextual experience across multiple global channels, while taking the mass-personalization capability of the retailer to the next level.
- Chosen by a leading UK based insurance firm as the partner to chart the roadmap to transform its procure-to-pay business process to be more agile with the next generation cloud capabilities.
- Selected by a German lens manufacturer to conceptualize and bring out a first-of-its-kind offering with sophisticated centration, position of wear and related capabilities built on an IoT framework of intelligent devices to drive next generation automation and deliver a friction-free customer experience.
- Chosen by a leading Japanese hi-tech firm as their IoT partner to engineer next generation safety, security monitoring features in their Data Centers while minimizing their carbon footprint through a Remote Energy Management solution.
- Engaged by a European telecom company to improve visibility on expenditures using machine learning and AI techniques, and leverage the power of analytics to provide greater HR and talent insights.
- Selected by a Canadian insurer to develop the blueprint for an enhanced user experience – a key element of their competitive differentiation - using TCS's Service Design methodologies.
- Engaged by a leading UK based retailer as their cloud transformation partner for their application modernization program leveraging the Microsoft Azure Cloud.
- Engaged by a leading American investment management company to deliver out-of-the-box, disruptive methods of augmenting traditional channels with automated self-service for superior customer experience.
- Selected by a major Indian private bank for big data architecture and design consulting for enabling next generation security analytics capabilities.
- Selected for 3 different Cyber Security engagements - an American healthcare provider, a British stock exchange and an American insurance firm - to provide comprehensive Infrastructure and Application Vulnerability Management services.
- Engaged by an Australian oil and gas company as the strategic partner for their digital transformation journey to improve business stakeholder value leveraging cloud technologies.

Research and Innovation:

- TCS' Research and Innovation scientists received Second Prize at the **INFORMS RAS 2017 Problem Solving Competition** at Houston, Texas. The Institute for Operations Research and the Management Sciences (INFORMS) is the largest society in the world for professionals in the field of operations research, management science, and analytics.

- The National Centre for Promotion of Employment for Disabled People (NCPEDP) selected a TCS R&I Scientist for the 18th NCPEDP Mindtree **Helen Keller Awards 2017**
- TCS hosted the TCS SLUSH Experience 2017 as part of SLUSH - Europe's top startup event in Helsinki. The event brought together a host of TCS customers and startups in the areas of AI and Mixed Reality towards driving collaborative innovation

As of December 31, 2017, the company has applied for **3617** patents, including **100** applied during the quarter. Till date the company has been granted **623** patents.

Human Resources:

Total employee strength at the end of Q3 stood at **390,880** on a consolidated basis, with gross addition of **12,534** employees and net addition of **1,667** employees during the quarter.

Localization initiatives continue to progress well, with **2,929** employees recruited outside India in Q3, bringing the total to **9,908** in FY 18, year to date.

Employee reskilling initiatives, focused on building digital competencies at scale using anywhere anytime access, are helping employees stay relevant at a time of technology change. The company continues to enjoy best in class employee retention rates. The IT Services attrition rate (LTM) fell by 0.2% in Q3 to **11.1%**, while the total attrition rate (including BPS) fell to **11.9%**.

The percentage of women in TCS rose further to **35.2%** in Q3. The total number of nationalities represented in the workforce stood at **131**.

“Our core philosophy of investing in our people and empowering them, and in creating employee-friendly workplaces, is resulting in an engaged, energized and empowered workforce that is central to our continued success,” said Ajoy Mukherjee, Executive Vice President and Global Head, Human Resources.

Awards and Recognition:

<p>Business Leadership:</p> <ul style="list-style-type: none"> - Recognized in the Forbes 2017 Global 2000 list as: <ul style="list-style-type: none"> o One of the Top Regarded Companies o One of the World’s Best Employers - Ranked No 1 in the BT 500 – India’s Most Valuable Companies -2017 - Topped the BW 500 Real rankings in the technology space -2017 - Won the CII Industrial Intellectual Property Award 2017 - Won a Gold for the TCS New York City Marathon App in the Best in Biz Awards 2017 <ul style="list-style-type: none"> o Recognised for Consumer App of the Year for second consecutive year 	<p>Partner:</p> <ul style="list-style-type: none"> - CA Technologies 2017 Global Marketing Innovation Partner of the Year - Cloudera Global System Integrator of the Year - Cisco IT Service Provider Partner of the Year for Cloud Excellence - Perfecto 2017 Global Partner of the Year <p>Sustainability:</p> <ul style="list-style-type: none"> - Recognised as a Leader in Climate Change efforts by CDP (formerly Carbon Disclosure Project)
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| <ul style="list-style-type: none">- Won two awards at the Express IT Awards® 2017<ul style="list-style-type: none">o IT Innovation in large enterprise categoryo Mobility Solutions category- Ranked as Top Employer in South Africa by the Top Employers Institute- Recognised as Top 2017 Recruiter in Canada by the Canadian HR Reporter- Won Canadian National HR Award for 'Best Recruitment Campaign'- Named as one of the 'Best Companies to Work for Women in India' by Working Mother Media and Avtar Group- Won the 'WILL Best Employers for Women' award | |
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IFRS Financial Statements

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended December 31, 2016, September 30, 2017 and December 31, 2017
(In millions of ₹, except per share data)

	Three-month period end December 31, 2016	Three-month period ended September 30, 2017	Three-month period ended December 31, 2017
Revenue	297,350	305,410	309,040
Cost of revenue	168,780	176,110	178,620
Gross margin	128,570	129,300	130,420
SG & A expenses	51,240	52,700	52,610
Operating income	77,330	76,600	77,810
Other income (expense), net	11,850	8,120	8,640
Income before income taxes	89,180	84,720	86,450
Income taxes	21,040	20,120	21,000
Income after income taxes	68,140	64,600	65,450
Minority interest	360	140	140
Net income	67,780	64,460	65,310
Earnings per share in ₹	34.40	33.67	34.12

Unaudited Condensed Consolidated Statements of Financial Position
As of March 31, 2017 and December 31, 2017
(In millions of ₹)

	As of March 31, 2017	As of December 31, 2017
Assets		
Property and equipment	117,410	116,690
Intangible assets and Goodwill	37,680	38,350
Accounts Receivable	226,840	243,760
Unbilled Revenues	53,510	63,250
Investments	419,800	320,980
Cash and Cash equivalents	35,970	48,560
Other current assets	72,580	64,760
Other non-current assets	89,740	107,360
Total Assets	1,053,530	1,003,710
Shareholders' Funds	883,150	815,850
Long term borrowings	710	570
Short term borrowings	2,180	190
Other current liabilities	142,940	161,470
Other non-current liabilities	20,890	21,970
Minority Interest	3,660	3,660
Total Liabilities	1,053,530	1,003,710

Ind AS Financial Statements

Consolidated Statement of Profit and Loss

For the Quarter ended December 31, 2016, September 30, 2017 and December 31, 2017

(In crores of ₹, except per share data)

	Quarter ended December 31, 2016	Quarter ended September 30, 2017	Quarter ended December 31, 2017
INCOME	29,735	30,541	30,904
EXPENDITURE			
a) Employee costs	15,275	16,572	16,458
b) Other operating expenses	6,231	5,805	6,159
c) Depreciation	496	504	506
Total Expenditure	22,002	22,881	23,123
Profit Before Taxes & Other Income	7,733	7,660	7,781
Other income (expense), net	1,185	812	864
Profit Before Taxes	8,918	8,472	8,645
Provision For Taxes	2,104	2,012	2,100
Profit After Taxes & Before Minority Interest	6,814	6,460	6,545
Minority Interest	36	14	14
Net Profit	6,778	6,446	6,531
Earnings per share in ₹	34.40	33.67	34.12

Consolidated Balance Sheet

As at March 31, 2017 and December 31, 2017

(In crores of ₹)

	As at March 31, 2017	As at December 31, 2017
ASSETS		
Property, plant and equipment	11,645	11,556
Investments	41,980	32,098
Deferred Tax Assets (net)	2,828	3,377
Goodwill (on consolidation)	1,597	1,688
Cash and Bank Balance	4,149	5,101
Current Assets, Loans and Advances	34,531	36,575
Non-current Assets, Loans and Advances	6,522	7,869
Total Assets	103,252	98,264
EQUITY AND LIABILITIES		
Shareholders' Funds	86,214	79,478
Minority Interest	366	366
Short term and long term borrowings	271	57
Deferred Tax Liabilities (net)	919	1,029
Current liabilities and provisions	14,312	16,166
Non-current liabilities and provisions	1,170	1,168
Total Liabilities	103,252	98,264

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About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an [IT services](#), [consulting](#) and business solutions organization that partners with many of the world's largest businesses in their transformation journeys. TCS offers a consulting-led, Cognitive powered, integrated portfolio of [IT](#), Business & Technology Services, and [engineering](#). This is delivered through its unique Location Independent Agile delivery model, recognized as a benchmark of excellence in software development. A part of the Tata group, India's largest multinational business group, TCS has over 390,000 of the world's best-trained consultants in 46 countries. The company generated consolidated revenues of US \$ 17.6 billion for year ended March 31, 2017 and is listed on the BSE (formerly Bombay Stock Exchange) and the NSE (National Stock Exchange) in India. For more information, visit us at www.tcs.com.

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