

# TCS Financial Results

## Quarter III FY 2017 - 18



Jan 11, 2018

# 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



# Q3 FY18 Performance Highlights

## ➤ Revenue:

- INR Revenue of ₹ **309,040 Mn**, **1.2% QoQ** and **3.9% YoY**
- USD Revenue of \$ **4,787 Mn**, **1.0% QoQ** and **9.1% YoY**
- Constant currency revenue growth of **1.3% QoQ** and **6.2% YoY**, Volume growth of **1.6% QoQ**

## ➤ Profit:

- Operating Income at ₹ **77,810 Mn**, Operating Margin of **25.2%**
- Net Income at ₹ **65,310 Mn**, \$ **1,012 Mn**, Net Margin of **21.1%**

## ➤ Demand:

- Clients \$50M+ up by 3; \$20M+ up by 7, \$10M+ up by 9, & \$5M+ up by 15

## ➤ People:

- Net addition of **1,667** associates, closing headcount: **390,880**
- LTM attrition down further QoQ to **11.1%** in IT Services

# Operational Parameters



# Growth by Market

Geography (%)	Q3 FY17	Q2 FY18	Q3 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
<b>Americas</b>					
North America	55.0	51.9	<b>52.0</b>	<b>1.5</b>	<b>2.8</b>
Latin America	2.2	2.2	<b>2.2</b>	<b>5.0</b>	<b>5.4</b>
<b>Europe</b>					
UK	13.3	14.0	<b>14.1</b>	<b>0.8</b>	<b>8.2</b>
Continental Europe	11.1	13.4	<b>13.5</b>	<b>2.6</b>	<b>22.3</b>
<b>India</b>	6.3	6.3	<b>6.3</b>	<b>0.5</b>	<b>4.1</b>
<b>Asia Pacific</b>	9.6	9.8	<b>9.5</b>	<b>0.0</b>	<b>6.2</b>
<b>MEA</b>	2.5	2.4	<b>2.4</b>	<b>- 0.2</b>	<b>3.7</b>
<b>Total</b>	100.0	100.0	<b>100.0</b>	<b>1.3</b>	<b>6.2</b>



# Growth by Domain

Vertical (%)	Q3 FY17	Q2 FY18	Q3 FY18	Q-o-Q CC Growth	Y-o-Y CC Growth
<b>BFSI</b>	33.9	33.0	<b>32.1</b>	- 1.5	<b>0.2</b>
<b>Retail &amp; CPG</b>	13.0	11.9	<b>12.5</b>	<b>6.4</b>	<b>3.0</b>
<b>Communication &amp; Media</b>	6.7	7.3	<b>7.4</b>	<b>2.2</b>	<b>16.9</b>
<b>Manufacturing</b>	7.4	7.5	<b>7.6</b>	<b>2.1</b>	<b>9.5</b>
<b>Life Sciences &amp; Healthcare</b>	6.9	7.2	<b>7.3</b>	<b>2.5</b>	<b>13.5</b>
<b>Energy &amp; Utilities</b>	3.6	4.2	<b>4.5</b>	<b>8.5</b>	<b>29.4</b>
<b>Travel &amp; Hospitality</b>	3.2	3.8	<b>3.8</b>	<b>2.9</b>	<b>24.1</b>
<b>Technology &amp; Services</b>	7.8	8.1	<b>8.0</b>	<b>0.1</b>	<b>9.6</b>
<b>Regional Markets &amp; Others</b>	17.5	17.0	<b>16.8</b>	<b>0.5</b>	<b>2.2</b>
<b>Total</b>	100.0	100.0	<b>100.0</b>	<b>1.3</b>	<b>6.2</b>
<b>Digital Revenue (%)</b>	16.8	19.7	<b>22.1</b>	<b>13.9</b>	<b>39.6</b>



# Service Lines Commentary

- The B&TS service lines post transition saw **continued strong business momentum capped by 150+ wins**, as TCS continued to cement its place as **the partner of choice for our customers in their growth and transformation initiatives**.
- All new offerings such as **Agile, Automation, Cloud, Analytics and Cognitive services** saw **strong revenue growth** as well as pipeline build-up as **TCS full services play advances to full stakeholder play** meeting the needs of business stakeholders.
- TCS was ranked a **Leader in 14 analyst surveys during the quarter**, and in 38 analyst surveys year till date.

## Digital Transformation Services



### Cloud Services

Robust growth led by **public cloud, private cloud** and **application modernization services**



### Cyber Security

**More than 15 major wins** with clients choosing TCS as their trusted partner for security; GDPR, Identity & Access Management, and Vulnerability Management led the growth



### Internet of Things

**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

## Consulting & Services 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 closures** driven by 3 large deals in Consumer Analytics, Oil & Gas and Telecom industries, as the **value proposition of leveraging digital to transform business operations** and deliver superior business outcomes is gaining increasing traction.



# Client Parameters

Clients Contribution	Q3 FY17	Q2 FY18	Q3 FY18
US\$ 1m+ Clients	880	933	<b>941</b>
US\$ 5m+ Clients	454	470	<b>485</b>
US\$ 10m+ Clients	300	328	<b>337</b>
US\$ 20m+ Clients	186	196	<b>203</b>
US\$ 50m+ Clients	80	91	<b>94</b>
US\$ 100m+ Clients	34	37	<b>37</b>



# Key Wins

- 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 Wins in Digital Services and Solutions



## Cloud Services

- 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.
- Engaged by a leading UK retailer as the strategic partner for their Cloud adoption journey, leveraging Azure Cloud platform and management services as part of their application estate modernization program.
- 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.



## Cyber Security

- 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.



## Digital Interactive

- 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.
- 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 American investment management company to deliver out-of-the-box, disruptive methods of augmenting traditional channels with automated self-service for superior customer experience.



## Internet of Things

- 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.



## Analytics & Insights

- Engaged by a notable 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 Major Indian Private Bank for a consulting engagement to provide Security Analytics using Big Data Technologies

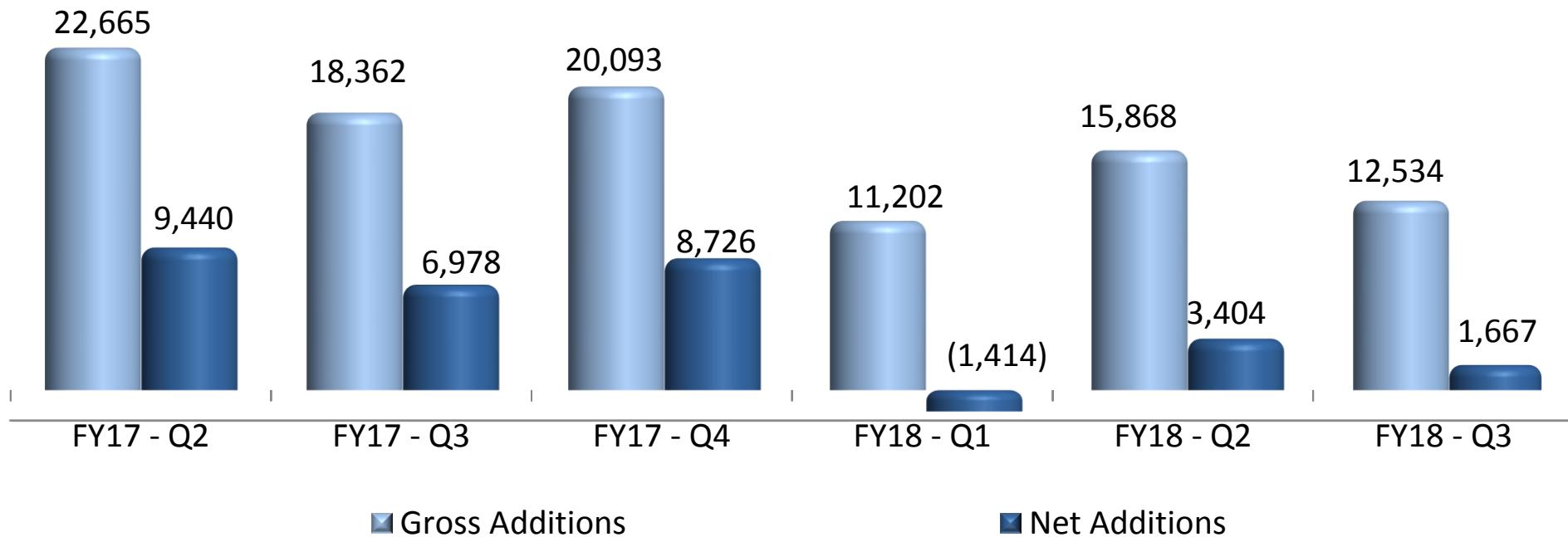
# Human Resources





# Employee Addition

Q3 FY 2018	FY 2018 (YTD)
<ul style="list-style-type: none"><li>• Gross additions: 12,534 employees</li><li>• India:<ul style="list-style-type: none"><li>• 5,933 Trainees</li><li>• 3,672 Laterals</li></ul></li><li>• 2,929 employees overseas</li></ul>	<ul style="list-style-type: none"><li>• Gross additions: 39,604 employees</li><li>• India:<ul style="list-style-type: none"><li>• 14,314 Trainees</li><li>• 15,382 Laterals</li></ul></li><li>• 9,908 employees overseas</li></ul>
Net additions: 1,667 employees	• Net additions: 3,657 employees



# Annexure



# IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
<b>Revenue</b>	<b>297,350</b>	<b>305,410</b>	<b>309,040</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Cost of revenue	168,780	176,110	178,620	56.76	57.66	57.80
<b>Gross margin</b>	<b>128,570</b>	<b>129,300</b>	<b>130,420</b>	<b>43.24</b>	<b>42.34</b>	<b>42.20</b>
SG & A expenses	51,240	52,700	52,610	17.23	17.26	17.02
<b>Operating income</b>	<b>77,330</b>	<b>76,600</b>	<b>77,810</b>	<b>26.01</b>	<b>25.08</b>	<b>25.18</b>
Other income (expense), net	11,850	8,120	8,640	3.99	2.67	2.80
<b>Income before income taxes</b>	<b>89,180</b>	<b>84,720</b>	<b>86,450</b>	<b>30.00</b>	<b>27.75</b>	<b>27.98</b>
Income taxes	21,040	20,120	21,000	7.08	6.59	6.80
<b>Income after income taxes</b>	<b>68,140</b>	<b>64,600</b>	<b>65,450</b>	<b>22.92</b>	<b>21.16</b>	<b>21.18</b>
Minority interest	360	140	140	0.13	0.05	0.05
<b>Net income</b>	<b>67,780</b>	<b>64,460</b>	<b>65,310</b>	<b>22.79</b>	<b>21.11</b>	<b>21.13</b>
Earnings per share in ₹	34.40	33.67	34.12			



# COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
Employee cost	114,360	125,070	125,560	38.46	40.95	40.63
Fees to external consultants	21,190	21,100	20,860	7.13	6.91	6.75
Equipment and software	9,370	6,930	7,490	3.15	2.27	2.42
Facility expenses	5,810	6,510	6,670	1.96	2.13	2.16
Depreciation	3,640	3,930	4,010	1.22	1.29	1.30
Travel	4,530	4,590	4,510	1.52	1.50	1.46
Communication	1,810	1,760	1,940	0.61	0.58	0.63
Other expenses	8,070	6,220	7,580	2.71	2.03	2.45
<b>Cost of Revenue</b>	<b>168,780</b>	<b>176,110</b>	<b>178,620</b>	<b>56.76</b>	<b>57.66</b>	<b>57.80</b>

SGA	₹ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
Employee cost	38,390	40,660	39,020	12.91	13.31	12.63
Fees to external consultants	1,230	1,300	1,460	0.41	0.43	0.47
Facility expenses	3,440	3,170	3,220	1.16	1.04	1.04
Depreciation	1,320	1,110	1,060	0.44	0.36	0.34
Travel	2,070	2,210	2,230	0.70	0.72	0.72
Communication	770	740	700	0.26	0.24	0.23
Provision for Doubtful Debts	330	480	660	0.11	0.16	0.21
Other expenses	3,690	3,030	4,260	1.24	1.00	1.38
<b>S G &amp; A expenses</b>	<b>51,240</b>	<b>52,700</b>	<b>52,610</b>	<b>17.23</b>	<b>17.26</b>	<b>17.02</b>

# Cash Flow Summary

IFRS in ₹ Mn	Q3 FY17	Q2 FY18	Q3 FY18
Net Cash from Operations	81,250	58,090	77,880
Capital Expenditure	4,090	4,850	3,770
Free Cash Flow	77,160	53,240	74,110
Dividends Paid	14,820	16,150	16,110
Operating Cash Flow to Sales (%)	27.3	19.0	25.2
Operating Cash Flow to Net Profit (%)	119.9	90.1	119.2
Total Cash and Investments	431,690	358,350	405,910



# IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-17		31-Dec-17	
	₹ Million	%	₹ Million	%
<b>Assets</b>				
Property and equipment	117,410	11.14	116,690	11.62
Intangible assets and Goodwill	37,680	3.58	38,350	3.82
Accounts Receivable	226,840	21.53	243,760	24.29
Unbilled Revenues	53,510	5.08	63,250	6.30
Investments	419,800	39.85	320,980	31.98
Cash and Cash equivalents	35,970	3.41	48,560	4.84
Other current assets	72,580	6.89	64,760	6.45
Other non current assets	89,740	8.52	107,360	10.70
<b>Total assets</b>	<b>1,053,530</b>	<b>100.00</b>	<b>1,003,710</b>	<b>100.00</b>
<b>Liabilities and Shareholders' Equity</b>				
Shareholders' Funds	883,150	83.83	815,850	81.28
Long term borrowings	710	0.07	570	0.06
Short term borrowings	2,180	0.21	190	0.02
Other current liabilities	142,940	13.56	161,470	16.09
Other non-current liabilities	20,890	1.98	21,970	2.19
Minority Interest	3,660	0.35	3,660	0.36
<b>Total Liabilities</b>	<b>1,053,530</b>	<b>100.00</b>	<b>1,003,710</b>	<b>100.00</b>

# IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
<b>Revenue</b>	<b>4,387</b>	<b>4,739</b>	<b>4,787</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Cost of revenue	2,490	2,733	2,767	56.76	57.66	57.80
<b>Gross margin</b>	<b>1,897</b>	<b>2,006</b>	<b>2,020</b>	<b>43.24</b>	<b>42.34</b>	<b>42.20</b>
SG & A expenses	756	818	815	17.23	17.26	17.02
<b>Operating income</b>	<b>1,141</b>	<b>1,188</b>	<b>1,205</b>	<b>26.01</b>	<b>25.08</b>	<b>25.18</b>
Other income (expense), net	175	127	134	3.99	2.67	2.80
<b>Income before income taxes</b>	<b>1,316</b>	<b>1,315</b>	<b>1,339</b>	<b>30.00</b>	<b>27.75</b>	<b>27.98</b>
Income taxes	310	312	325	7.08	6.59	6.80
<b>Income after income taxes</b>	<b>1,006</b>	<b>1,003</b>	<b>1,014</b>	<b>22.92</b>	<b>21.16</b>	<b>21.18</b>
Minority interest	6	3	2	0.13	0.05	0.05
<b>Net income</b>	<b>1,000</b>	<b>1,000</b>	<b>1,012</b>	<b>22.79</b>	<b>21.11</b>	<b>21.13</b>
Earnings per share in \$	0.51	0.52	0.53			

# COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
Employee cost	1,687	1,941	1,945	38.46	40.95	40.63
Fees to external consultants	312	327	323	7.13	6.91	6.75
Equipment and software	138	107	116	3.15	2.27	2.42
Facility expenses	86	101	103	1.96	2.13	2.16
Depreciation	54	61	62	1.22	1.29	1.30
Travel	67	71	70	1.52	1.50	1.46
Communication	27	27	30	0.61	0.58	0.63
Other expenses	119	98	118	2.71	2.03	2.45
<b>Cost of Revenue</b>	<b>2,490</b>	<b>2,733</b>	<b>2,767</b>	<b>56.76</b>	<b>57.66</b>	<b>57.80</b>
SGA	\$ Million			% of Revenue		
	Q3 FY17	Q2 FY18	Q3 FY18	Q3 FY17	Q2 FY18	Q3 FY18
Employee cost	566	631	604	12.91	13.31	12.63
Fees to external consultants	18	20	23	0.41	0.43	0.47
Facility expenses	51	49	50	1.16	1.04	1.04
Depreciation	19	17	16	0.44	0.36	0.34
Travel	31	34	35	0.70	0.72	0.72
Communication	11	12	11	0.26	0.24	0.23
Provision for Doubtful Debts	5	7	10	0.11	0.16	0.21
Other expenses	55	48	66	1.24	1.00	1.38
<b>SG&amp;A expenses</b>	<b>756</b>	<b>818</b>	<b>815</b>	<b>17.23</b>	<b>17.26</b>	<b>17.02</b>

# IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-17		31-Dec-17	
	\$ Million	%	\$ Million	%
<b>Assets</b>				
Property and equipment	1,811	11.15	1,828	11.62
Intangible assets and Goodwill	581	3.57	601	3.82
Accounts Receivable	3,498	21.53	3,819	24.29
Unbilled Revenues	825	5.08	991	6.30
Investments	6,474	39.84	5,028	31.97
Cash and Cash equivalents	555	3.42	761	4.84
Other current assets	1,119	6.89	1,016	6.46
Other non current assets	1,385	8.52	1,682	10.70
<b>Total assets</b>	<b>16,248</b>	<b>100.00</b>	<b>15,726</b>	<b>100.00</b>
<b>Liabilities and Shareholders' Equity</b>				
Shareholders' Funds	13,619	83.82	12,782	81.28
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	2,529	16.08
Other non-current liabilities	323	1.99	344	2.19
Minority Interest	57	0.35	59	0.37
<b>Total Liabilities</b>	<b>16,248</b>	<b>100.00</b>	<b>15,726</b>	<b>100.00</b>

23

# Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-17	31-Dec-17	31-Mar-17	31-Dec-17
<b>ASSETS</b>				
Property, plant and equipment	11,645	11,556	11.28	11.76
Investments	41,980	32,098	40.66	32.67
Deferred tax assets (net)	2,828	3,377	2.74	3.44
Goodwill (on consolidation)	1,597	1,688	1.55	1.72
Cash and Bank Balance	4,149	5,101	4.02	5.19
Current Assets, Loans and Advances	34,531	36,575	33.44	37.22
Non-current assets, Loans and advances	6,522	7,869	6.31	8.01
<b>Total Assets</b>	<b>103,252</b>	<b>98,264</b>	<b>100.00</b>	<b>100.00</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' Funds	86,214	79,478	83.50	80.88
Minority Interest	366	366	0.35	0.37
Short term and long term borrowings	271	57	0.26	0.06
Deferred tax liabilities (net)	919	1,029	0.89	1.05
Current liabilities and provisions	14,312	16,166	13.86	16.45
Non-current liabilities and provisions	1,170	1,168	1.14	1.19
<b>Total Liabilities</b>	<b>103,252</b>	<b>98,264</b>	<b>100.00</b>	<b>100.00</b>



# Currency mix and average realized rates in INR

Currency	Average rates			% of Revenue	
	Q2 FY18	Q3 FY18	QoQ	Q2 FY18	Q3 FY18
USD	64.45	64.56	0.17%	54.71%	54.79%
GBP	84.83	85.87	1.22%	12.20%	12.28%
EUR	76.22	76.22	0.00%	9.33%	9.52%
Others				23.76%	23.41%
<b>Total</b>				<b>100.00%</b>	<b>100.00%</b>



# Thank You

