



TCS Financial Results

Quarter II FY 2018 - 19

October 11, 2018

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 FY19 Performance Highlights

➤ Revenue:

- INR Revenue of **₹ 368,540 Mn, 7.6% QoQ and 20.7% YoY**
- USD Revenue of **\$ 5,215 Mn, 3.2% QoQ and 10.0% YoY**
- Constant currency revenue growth of **3.7%**

➤ Profit:

- Operating Income at **₹ 97,710 Mn, Operating Margin of 26.5%**
- Net Income at **₹ 79,010 Mn, \$ 1,119 Mn, Net Margin of 21.4%**

➤ Demand:

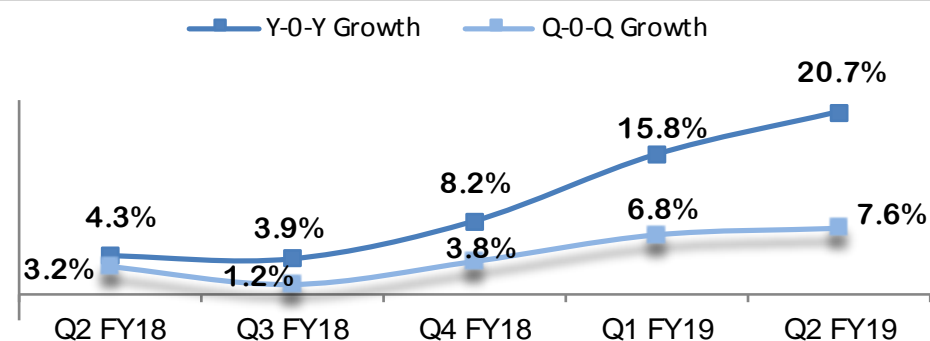
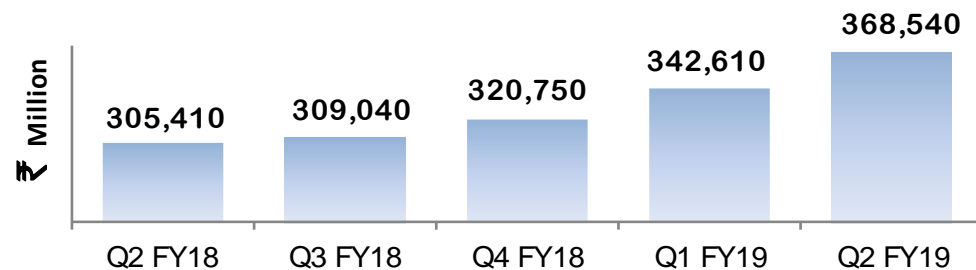
- Clients \$100M+ up by 4; \$50M+ up by 1, \$20M+ up by 7 & \$10M+ up by 10

➤ People:

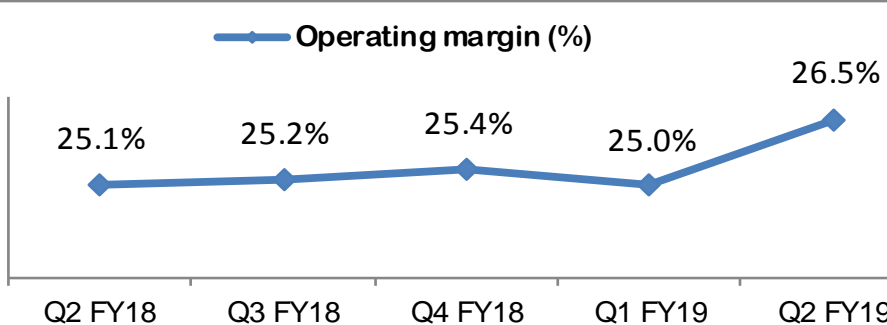
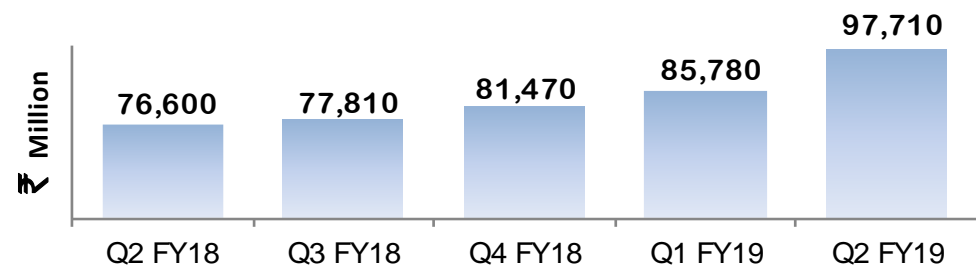
- Net addition of **10,227** associates, closing headcount: **411,102**
- LTM attrition QoQ to **10.9%** in IT Services

Growth Summary (INR)

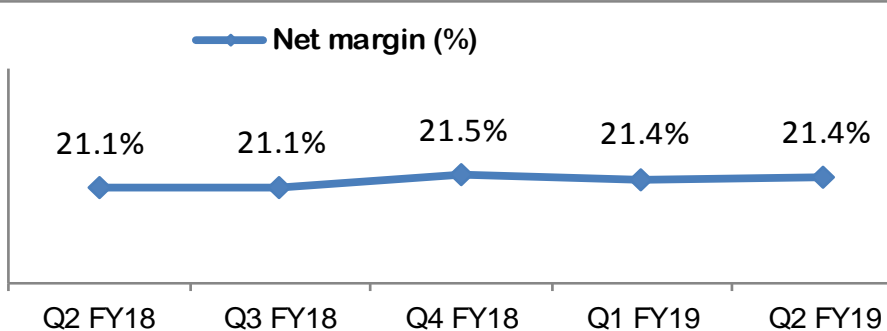
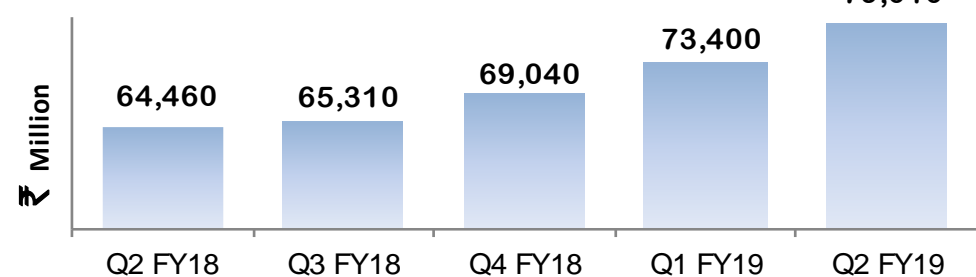
Revenue



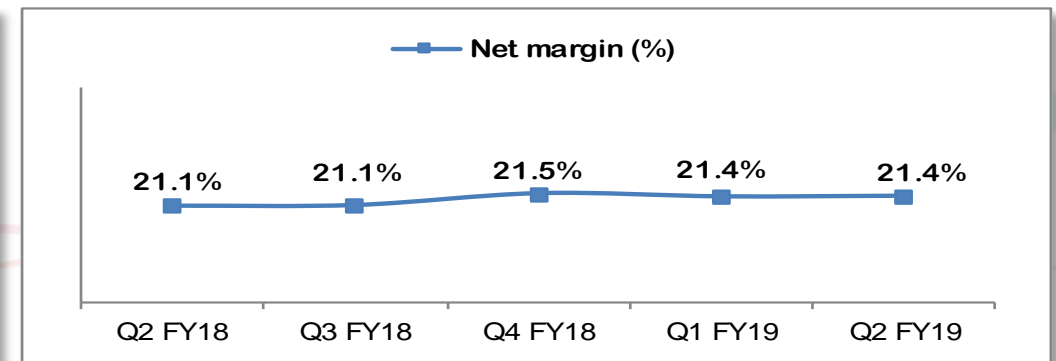
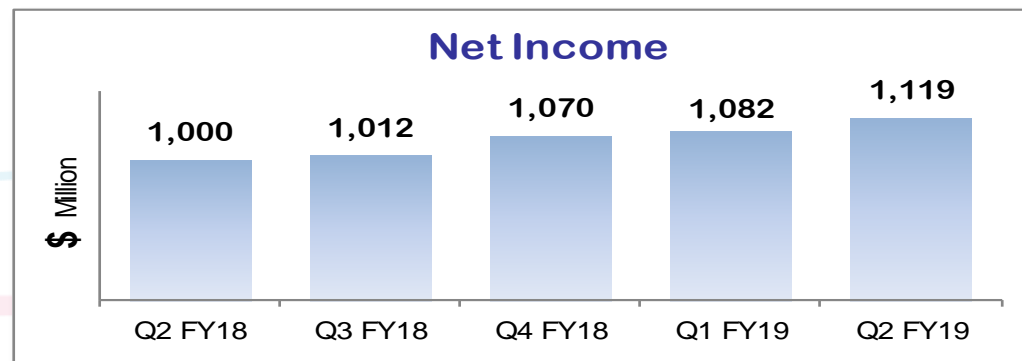
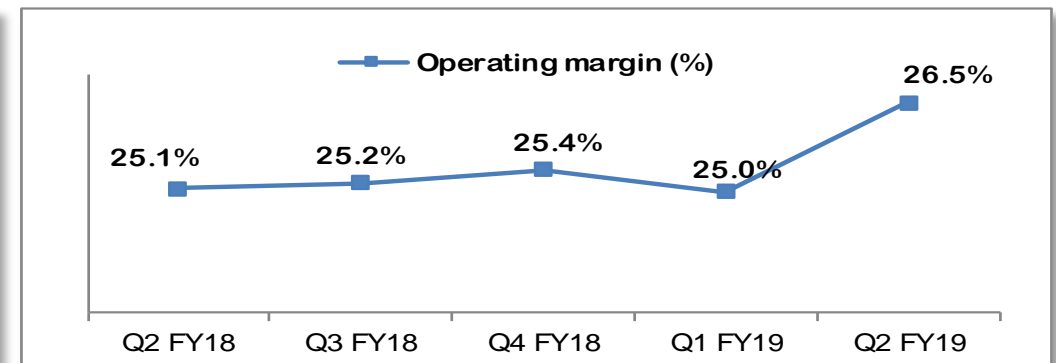
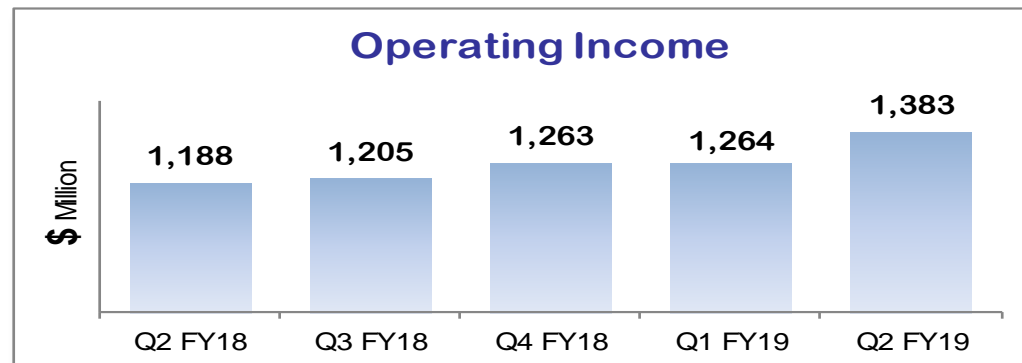
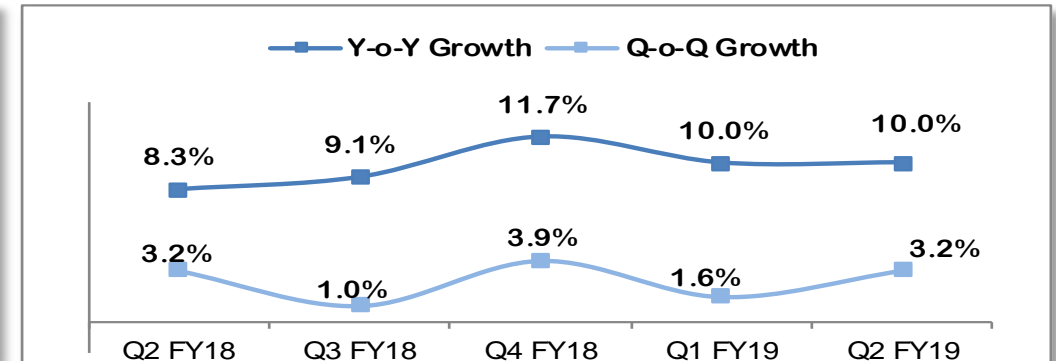
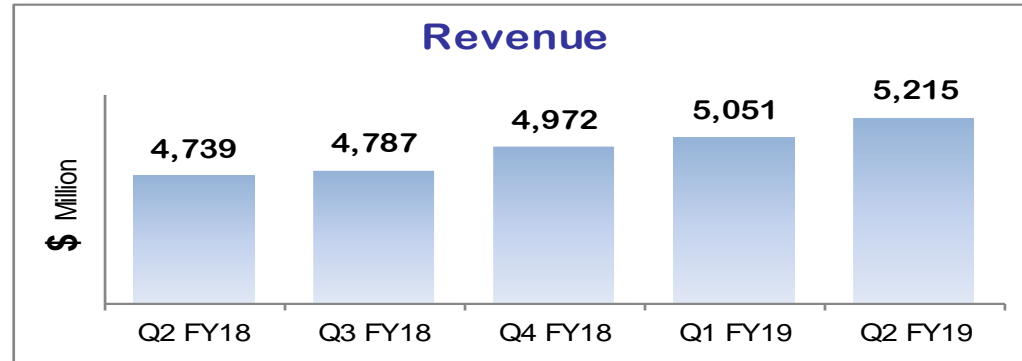
Operating Income



Net Income



Growth Summary (USD)



Operational Parameters

Growth by Market

Geography (%)	Q2 FY18	Q1 FY19	Q2 FY19	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	51.9	51.0	51.1	2.6	8.1
Latin America	2.2	1.9	2.0	7.1	6.8
Europe					
UK	14.0	15.5	15.6	6.0	22.8
Continental Europe	13.4	14.0	14.0	4.1	17.4
India	6.3	5.8	5.6	5.0	7.4
Asia Pacific	9.8	9.6	9.6	4.5	12.5
MEA	2.4	2.2	2.1	0.3	-4.4
Total	100.0	100.0	100.0	3.7	11.5

Growth by Domain

Vertical (%)	Q2 FY18	Q1 FY19	Q2 FY19	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	32.6	31.1	31.2	3.5	6.1
Retail & CPG	15.9	16.6	16.6	3.4	15.6
Communication & Media	7.1	7.1	6.9	0.0	8.0
Manufacturing	7.4	7.3	7.2	1.6	6.9
Life Sciences & Healthcare	7.2	7.3	7.5	5.7	14.7
Energy & Utilities	4.2	4.8	4.6	0.0	22.2
Technology & Services	8.0	7.7	7.6	2.3	5.8
Regional Markets & Others	17.6	18.1	18.4	7.3	19.8
Total	100.0	100.0	100.0	3.7	11.5
Digital Revenue (%)	19.7	25.0	28.1	16.5	59.8

*Includes Travel & Hospitality.

- **TCS Business 4.0** framework for enterprise transformation continues to see strong resonance among clients. **TCS Machine First™ in combination with Enterprise Agile** is emerging as the engagement model of choice for business re-imagination and transformation.
- Strong growth for **Cloud Services, Analytics, IoT, TCS Interactive, Cyber Security, Enterprise Intelligent Automation and Enterprise Agility**. Newer service lines – **Blockchain, Digital Workplace, Quality Engineering & Transformation** are seeing **strong pipeline buildup**.
- Our services business grew across all geographies with **Europe & UK** being the strongest.
- TCS received several **partner & industry recognitions & awards** during the quarter.

Digital Transformation Services



Cloud Services

Large **multi-cloud** deals powered strong growth as enterprises accelerate their cloud adoption. **BFSI & Retail** sectors led the way. Won the partner Innovation award from Salesforce.



Analytics & Insights

Machine Learning solutions delivered excellent results across industry verticals, and leveraging **DATOM Framework** for improved data maturity and governance. **Decision Fabric™** Pharmacovigilance Solution won Times Network National Award & CMO Asia Award for "Use of Technology for Operational Excellence"



Internet of Things

IoT increasingly emerging as a key lever for innovation & business re-imagination across multiple industries. **Connected Cars, Intelligent Devices, Remote Monitoring and Smart City** powered strong growth. Key growth verticals being **Manufacturing, Retail and Travel**. Featured as a **Leader** in **IoT Services** by **Nelson Hall**.



TCS Interactive

Customer experience gaining prominence even among B2B industries such as Manufacturing & Life Sciences. Strong growth for services in **Experience design, Digital Channels and Digital Marketing**.



Cyber Security

Cyber Security Services saw robust growth as clients continued to trust TCS to protect them from economic, reputational & operational threats. **Identity & Access Management and Managed Security Services** drove the growth during the quarter. TCS has been recognized by **Nelson Hall** as a **Leader** in **Managed Security Services**.



Enterprise Intelligent Automation

Robust growth powered by demand for **Intelligent Process Automation**. TCS was named a **Leader** in the **IT Infrastructure Services Automation** by **Everest Group**, recognized for **MFDM™** & our cognitive automation product – **ignio™**.

Cognitive Business Operations



Cognitive Business Operations (CBO) continues to see strong resonance and traction in the market as our clients seek to leverage TCS digital innovations such as **MFDM™** for enhancing their customer experience and other priorities. TCS CBO was awarded the **APAC BPM Services Provider of the year 2018 by Frost and Sullivan**.

Clients Contribution	Q2 FY18	Q1 FY19	Q2 FY19
US\$ 1m+ Clients	933	978	989
US\$ 5m+ Clients	470	508	513
US\$ 10m+ Clients	328	355	365
US\$ 20m+ Clients	196	206	213
US\$ 50m+ Clients	91	97	98
US\$ 100m+ Clients	37	40	44

*Last Twelve Months' services revenues

Key Highlights



Consulting & Services Integration, TCS Interactive

- Selected by a leading UK retail chain, to improve the in-store experience with next gen Interactive technologies leveraging virtual personal assistance. TCS will also optimize the operations to improve efficiency across the organization by creating a collaborative, agile and smart workplace leveraging TCS' Machine First Delivery Model.
- Engaged by a large Australian Pay TV provider, to increase the online sales and provide exceptional customer experience by re-imagining the existing online channels using TCS Interactive services with an Agile first delivery model.
- Selected by a North American manufacturer of plastic and paper packaging products, to consolidate and standardize multiple ERP systems into one single global platform using leading cloud based ERP solutions.
- Engaged by a leading US Airline carrier, to enhance the customer experience by designing a digital channel solution in different markets, supporting multiple languages for faster time to market.
- Chosen by a top US agricultural firm for a multi-year transformation and managed services engagement using ignio™ and Mastercraft™ platforms for application, infrastructure and security services.
- "TCS has been involved as one of the key partners in enabling the DowDuPont merger and the intended separations into three companies next year. We are working with DuPont to make them ready for post integration and separation. We are also engaged in the separation work in the areas of Digital Marketing and Cloud adoption. This will enable the new companies to be ready on day one and chart course as market leaders"



Cloud Services & Security

- Selected by a global banking firm in Germany, to design an operating model for quality assurance of its Cryptography Engineering solutions, and enable the customer to leverage its partnership ecosystem for identifying new revenue channels. TCS will define and set up a Centralized Quality Engineering services division and also provide the roadmap to rollout existing business frameworks to other geographies.
- Selected by one of the largest Sweden based insurance companies, to enable adoption of Workspace as a Service in Business strategy by virtualization of the workspace leveraging the TCS Cloud platform. TCS would also enhance the security levels by providing Security Operation Services, Information Assurance and several IT Security Management services.
- "Asda has expanded its existing relationship with TCS by selecting TCS as their partner for their Transformation into a DevOps delivery model in its eCommerce and Logistics, Customer and Store processes, Integration and Fast fashion areas. As part of the engagement, TCS has been selected as a digital partner to collaborate with Asda in building innovative business capabilities using digital technologies to bring value for colleagues and customers."



Cognitive Business & Digital Assurance

- Selected by a leading US financial institution, to help transform to a frictionless customer experience leveraging world class automation and the Machine First Delivery Model in implementing TCS Digital Service Desk solution.
- Chosen by a British multinational banking and financial services company, to digitally transform the financial services division and implement a data platform to support regulatory reporting using S4 HANA capabilities.
- Selected by a leading African airline to transform their customer boarding experience as well as to prevent revenue leakage by implementing TCS Revenue Recovery Solution.



Automation, Analytics & Insights

- Selected by a world leading software technology firm, to enable superior customer relationships and help monetize the investments in advertising platforms. TCS will deliver these benefits by transforming their Digital marketing, Campaign Analytics and Business Intelligence.
- Selected by a leading Banking firm from North America, to improve data governance, Data Quality and Metadata Gap remediation by analyzing the equities Data Portfolio and provide recommendations, leveraging the TCS DATOM framework.
- Engaged by a leading Middle East Retailer for enterprise application & infrastructure transformation powered by Ignio™, to simplify the IT environment and improve speed, flexibility, and significantly enhance the user experience.
- Selected by a top US retailer to transform its IT infrastructure and deploy TCS' cognitive automation solution, ignio™ to help build an agile, flexible and self healing infrastructure.



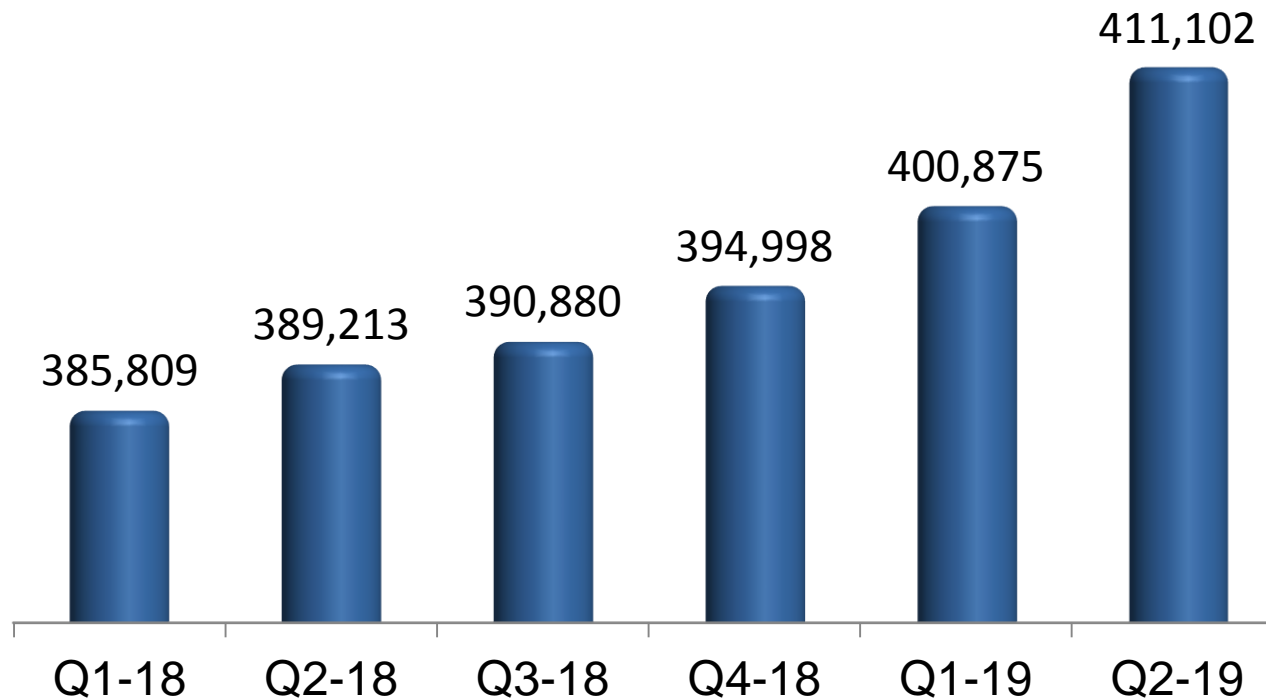
IoT & Blockchain

- Engaged by TOTAL, a French multinational integrated oil and gas company, to create a Digital Innovation Centre. The focus is to improve industrial efficiency, energy performance, and availability rates to enhance refinery performance leveraging real-time data analytics, IoT, automation, artificial intelligence and Agile technologies.
- Chosen by an American multinational financial services company, for designing a central repository to manage projects across departments with a blockchain based platform solution integrating all the business units leveraging Hyperledger Fabric.

Human Resources

Total Employee Base

Total Employees : 411,102



Attrition*:

- 10.9% (LTM), IT Services

Diversity:

- Women employees: 35.7%
- Nationalities: 147

* Excluding Subsidiaries

Talent Development:

- 12.4m Learning hours
- 278k+ employees Digital Trained
- 279k+ employees Agile Trained

IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Revenue	305,410	342,610	368,540	100.00	100.00	100.00
Cost of revenue	176,110	200,830	212,000	57.66	58.62	57.52
Gross margin	129,300	141,780	156,540	42.34	41.38	42.48
SG & A expenses	52,700	56,000	58,830	17.26	16.35	15.96
Operating income	76,600	85,780	97,710	25.08	25.03	26.52
Other income (expense), net	8,120	12,080	5,930	2.67	3.53	1.61
Income before income taxes	84,720	97,860	103,640	27.75	28.56	28.13
Income taxes	20,120	24,240	24,370	6.59	7.08	6.61
Income after income taxes	64,600	73,620	79,270	21.16	21.48	21.52
Minority interest	140	220	260	0.05	0.06	0.08
Net income	64,460	73,400	79,010	21.11	21.42	21.44
Earnings per share in ₹	16.84	19.17	20.66			

COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Employee cost	125,070	143,550	151,770	40.95	41.90	41.18
Fees to external consultants	21,100	23,980	25,810	6.91	7.00	7.00
Equipment and software	6,930	6,130	5,220	2.27	1.79	1.42
Facility expenses	6,510	7,290	7,760	2.13	2.13	2.11
Depreciation	3,930	3,980	4,050	1.29	1.16	1.10
Travel	4,590	5,620	6,280	1.50	1.64	1.71
Communication	1,760	2,070	2,550	0.58	0.60	0.69
Other expenses	6,220	8,210	8,560	2.03	2.40	2.31
Cost of Revenue	176,110	200,830	212,000	57.66	58.62	57.52

SGA	₹ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Employee cost	40,660	41,920	43,480	13.31	12.24	11.80
Fees to external consultants	1,300	1,410	1,860	0.43	0.41	0.51
Facility expenses	3,170	3,110	3,170	1.04	0.91	0.86
Depreciation	1,110	950	1,020	0.36	0.28	0.28
Travel	2,210	2,570	2,980	0.72	0.75	0.81
Communication	740	790	900	0.24	0.23	0.24
Provision for Doubtful Debts	480	480	500	0.16	0.14	0.13
Other expenses	3,030	4,770	4,920	1.00	1.39	1.33
S G & A expenses	52,700	56,000	58,830	17.26	16.35	15.96

Cash Flow Summary

IFRS in ₹ Mn	Q2 FY18	Q1 FY19	Q2 FY19
Net Cash from Operations	55,310	76,130	73,630
Capital Expenditure	4,840	4,280	4,910
Free Cash Flow	50,470	71,850	68,720
Dividends Paid	16,150	64,670	18,380
Buy Back (incl. expenses)	-	-	160,450
Operating Cash Flow to Sales (%)	18.1	22.2	20.0
Operating Cash Flow to Net Profit (%)	85.8	103.7	93.2
Total Cash and Investments	358,350	474,500	366,070

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-18		30-Sep-18	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	116,000	10.70	115,580	11.11
Intangible assets and Goodwill	38,960	3.59	40,060	3.85
Accounts Receivable	250,370	23.09	286,980	27.57
Unbilled Revenues	69,130	6.38	88,600	8.51
Investments	360,080	33.21	285,050	27.39
Cash and Cash equivalents	48,830	4.51	55,620	5.34
Other current assets	90,050	8.31	68,830	6.61
Other non current assets	110,670	10.21	100,040	9.62
Total assets	1,084,090	100.00	1,040,760	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	872,410	80.47	782,640	75.20
Long term borrowings	540	0.05	460	0.04
Short term borrowings	1,930	0.18	170	0.02
Other current liabilities	176,350	16.27	225,300	21.65
Other non-current liabilities	28,840	2.66	27,980	2.69
Minority Interest	4,020	0.37	4,210	0.40
Total Liabilities	1,084,090	100.00	1,040,760	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Revenue	4,739	5,051	5,215	100.00	100.00	100.00
Cost of revenue	2,733	2,961	3,000	57.66	58.62	57.52
Gross margin	2,006	2,090	2,215	42.34	41.38	42.48
SG & A expenses	818	826	832	17.26	16.35	15.96
Operating income	1,188	1,264	1,383	25.08	25.03	26.52
Other income (expense), net	127	178	85	2.67	3.53	1.61
Income before income taxes	1,315	1,442	1,468	27.75	28.56	28.13
Income taxes	312	357	345	6.59	7.08	6.61
Income after income taxes	1,003	1,085	1,123	21.16	21.48	21.52
Minority interest	3	3	4	0.05	0.06	0.08
Net income	1,000	1,082	1,119	21.11	21.42	21.44
Earnings per share in \$	0.26	0.28	0.29			

COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Employee cost	1,941	2,116	2,148	40.95	41.90	41.18
Fees to external consultants	327	354	365	6.91	7.00	7.00
Equipment and software	107	90	74	2.27	1.79	1.42
Facility expenses	101	108	110	2.13	2.13	2.11
Depreciation	61	59	57	1.29	1.16	1.10
Travel	71	83	89	1.50	1.64	1.71
Communication	27	30	36	0.58	0.60	0.69
Other expenses	98	121	121	2.03	2.40	2.31
Cost of Revenue	2,733	2,961	3,000	57.66	58.62	57.52

SGA	\$ Million			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Employee cost	631	618	615	13.31	12.24	11.80
Fees to external consultants	20	21	26	0.43	0.41	0.51
Facility expenses	49	46	45	1.04	0.91	0.86
Depreciation	17	14	14	0.36	0.28	0.28
Travel	34	38	42	0.72	0.75	0.81
Communication	12	12	13	0.24	0.23	0.24
Provision for Doubtful Debts	7	7	7	0.16	0.14	0.13
Other expenses	48	70	70	1.00	1.39	1.33
SG&A expenses	818	826	832	17.26	16.35	15.96

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-18		30-Sep-18	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,784	10.70	1,591	11.10
Intangible assets and Goodwill	599	3.59	552	3.85
Accounts Receivable	3,849	23.09	3,952	27.57
Unbilled Revenues	1,063	6.38	1,220	8.51
Investments	5,536	33.21	3,925	27.39
Cash and Cash equivalents	751	4.51	766	5.34
Other current assets	1,385	8.31	949	6.62
Other non current assets	1,702	10.21	1,377	9.62
Total assets	16,669	100.00	14,332	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	13,413	80.47	10,777	75.20
Long term borrowings	8	0.05	6	0.04
Short term borrowings	30	0.18	2	0.01
Other current liabilities	2,712	16.27	3,101	21.63
Other non-current liabilities	443	2.66	386	2.70
Minority Interest	63	0.37	60	0.42
Total Liabilities	16,669	100.00	14,332	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore			% of Revenue		
	Q2 FY18	Q1 FY19	Q2 FY19	Q2 FY18	Q1 FY19	Q2 FY19
Revenue	30,541	34,261	36,854	100.00	100.00	100.00
Expenditure						
a) Employee Costs	16,572	18,548	19,525	54.26	54.14	52.98
b) Cost of equipment and software licences	693	613	522	2.27	1.79	1.42
c) Other Operating expenses	5,112	6,029	6,529	16.74	17.60	17.70
d) Depreciation	504	493	507	1.65	1.44	1.38
Total Expenditure	22,881	25,683	27,083	74.92	74.97	73.48
Profit Before Taxes & Other Income	7,660	8,578	9,771	25.08	25.03	26.52
Other income (expense), net	812	1,208	593	2.67	3.53	1.61
Profit Before Taxes & Exceptional Items	8,472	9,786	10,364	27.75	28.56	28.13
Provision For Taxes	2,012	2,424	2,437	6.59	7.08	6.61
Profit After Taxes & Before Minority Interest	6,460	7,362	7,927	21.16	21.48	21.52
Minority Interest	14	22	26	0.05	0.06	0.08
Net Profit	6,446	7,340	7,901	21.11	21.42	21.44
Earnings per share in ₹	16.84	19.17	20.66			

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-18	30-Sep-18	31-Mar-18	30-Sep-18
ASSETS				
Property, plant and equipment	11,506	11,527	10.82	11.31
Investments	36,008	28,505	33.88	27.96
Deferred tax assets (net)	3,449	2,808	3.24	2.75
Goodwill (on consolidation)	1,745	1,794	1.64	1.76
Cash and Bank Balance	7,161	5,862	6.74	5.75
Current Assets, Loans and Advances	38,356	43,595	36.08	42.75
Non-current assets, Loans and advances	8,071	7,869	7.60	7.72
Total Assets	106,296	101,960	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	85,128	76,148	80.09	74.68
Minority Interest	402	421	0.38	0.41
Short term and long term borrowings	235	46	0.22	0.05
Deferred tax liabilities (net)	1,170	1,271	1.10	1.25
Current liabilities and provisions	17,647	22,547	16.60	22.11
Non-current liabilities and provisions	1,714	1,527	1.61	1.50
Total Liabilities	106,296	101,960	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates			% of Revenue	
	Q1 FY19	Q2 FY19	QoQ	Q1 FY19	Q2 FY19
USD	67.83	70.67	4.19%	53.82%	53.84%
GBP	90.95	92.29	1.47%	13.56%	13.82%
EUR	79.77	82.56	3.50%	10.15%	10.12%
Others				22.47%	22.22%
Total				100.00%	100.00%



Thank You