

TCS Financial Results

Quarter I FY 2020 - 21

July 09, 2020



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 global IT services companies, various factors which may affect our profitability, 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 cross-border movement of skilled personnel, 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.

Q1 FY21 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **383,220 Mn**, up **0.4% YoY**
- USD Revenue of \$ **5,059 Mn**, down **7.8% YoY**
- Constant currency revenue **down 6.3% YoY**

➤ Profit:

- Operating Margin at **23.6%**
- Net Margin at **18.3%**
- Cash flow from operations at **132.6%** of net profit

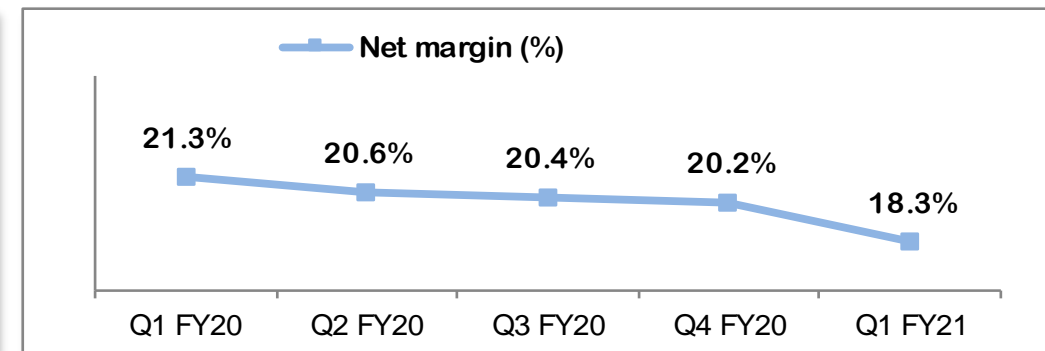
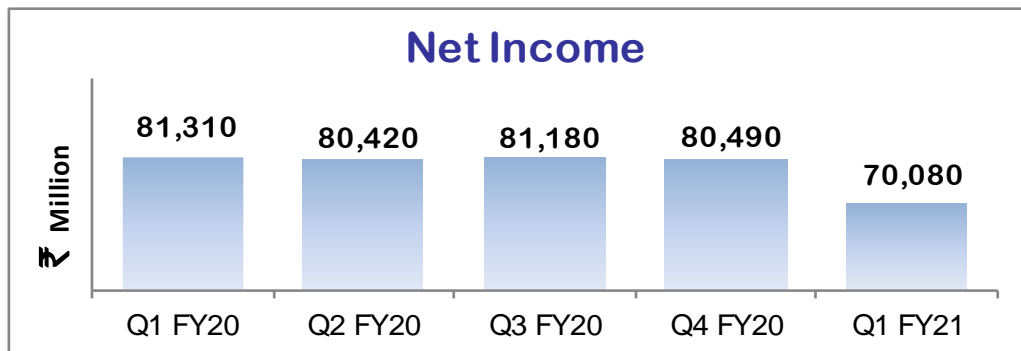
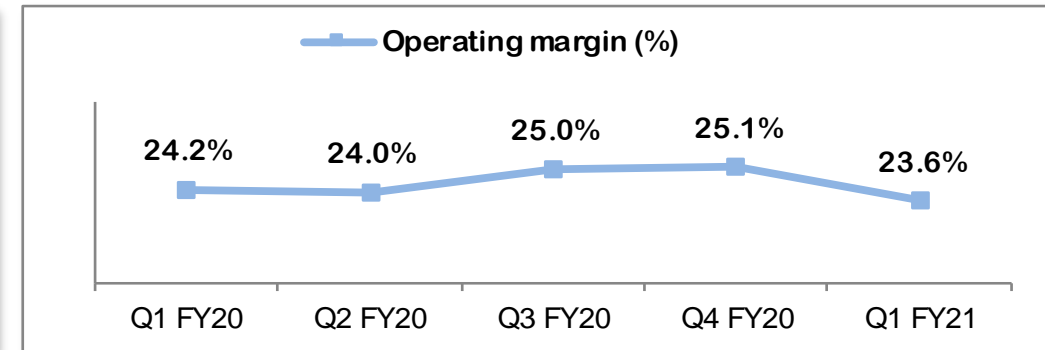
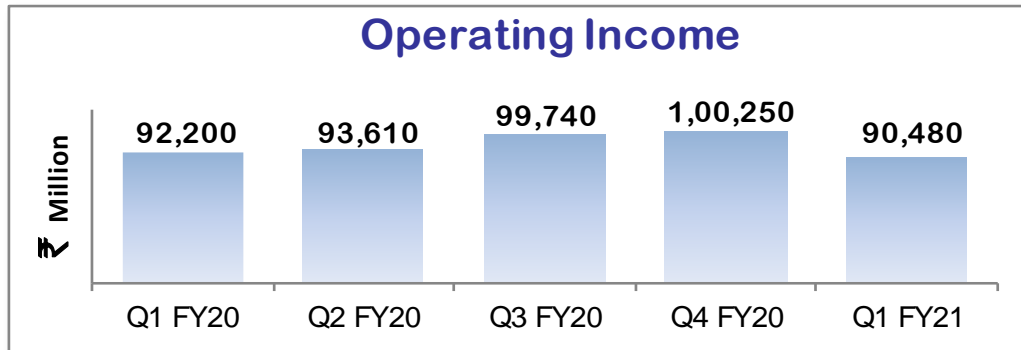
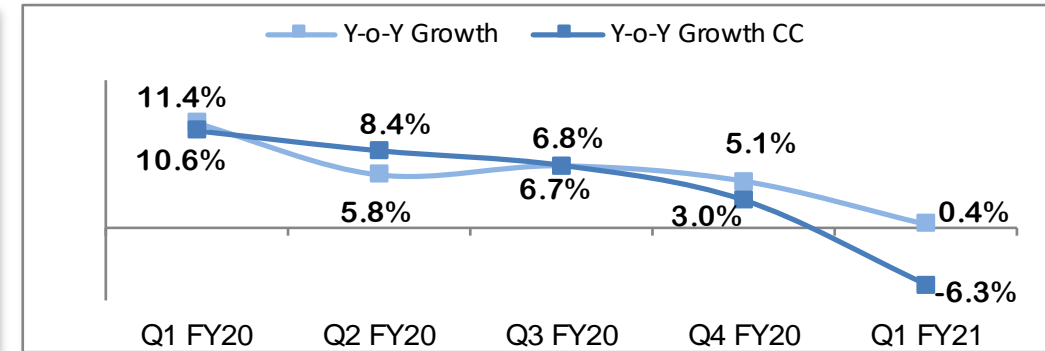
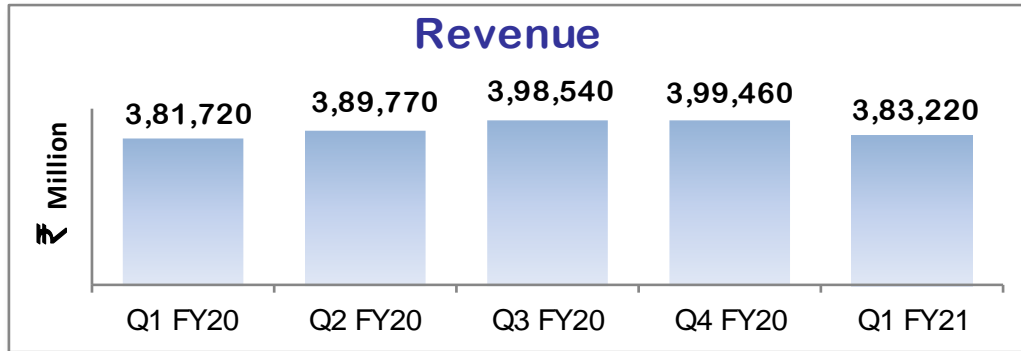
➤ Demand:

- Clients \$100M+ up by 4 ; \$20M+ up by 11 & \$5M+ up by 13 YoY

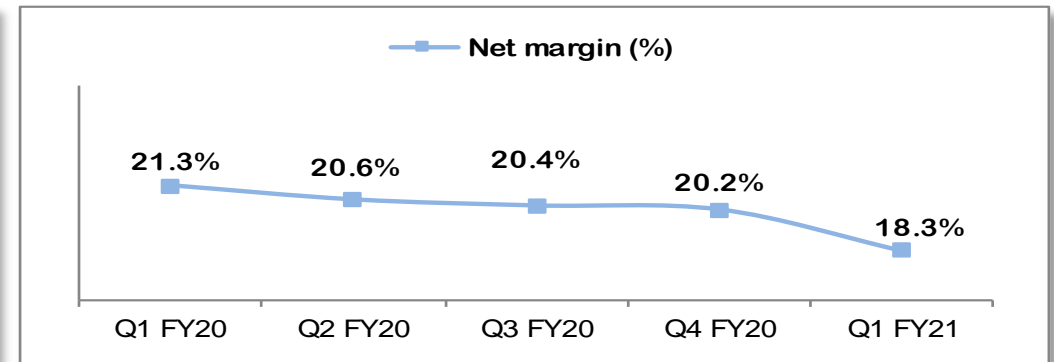
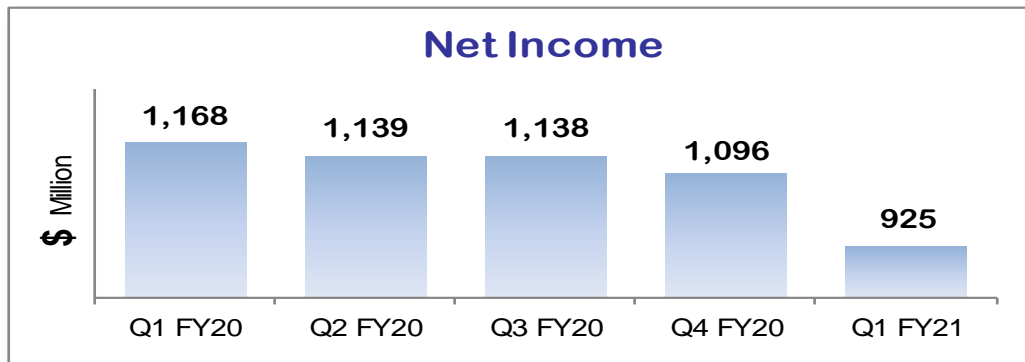
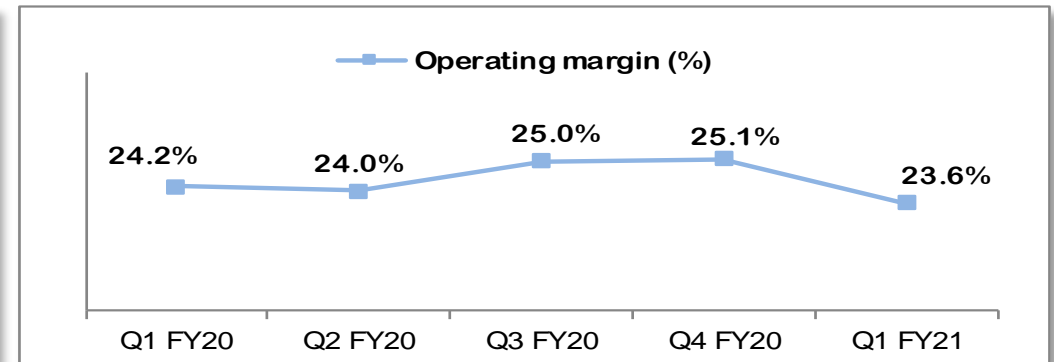
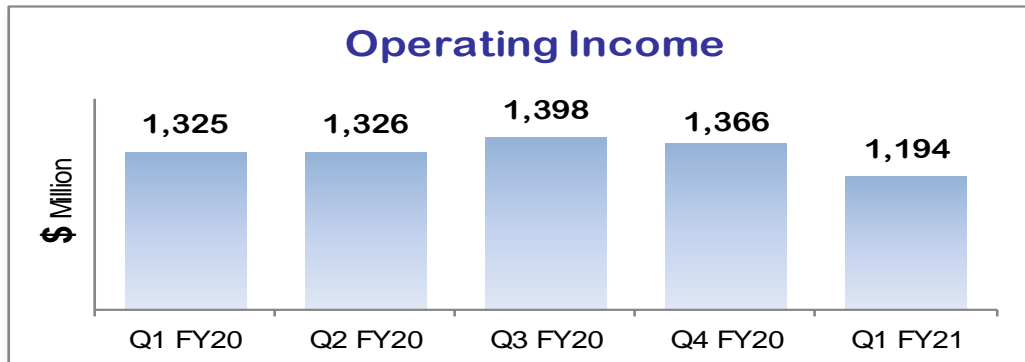
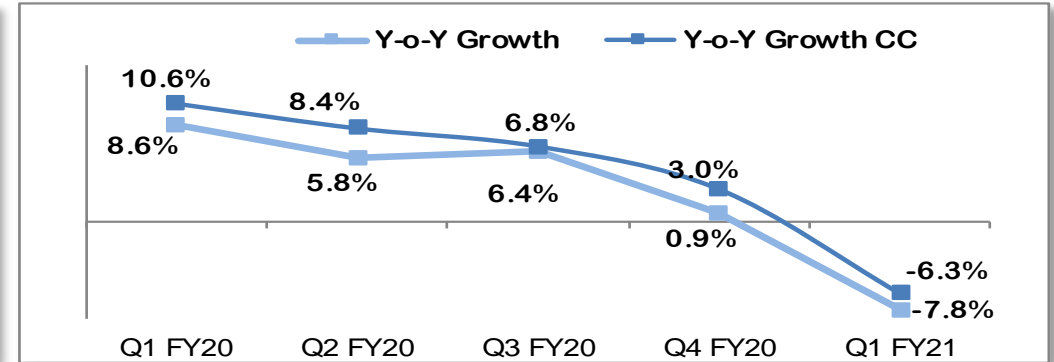
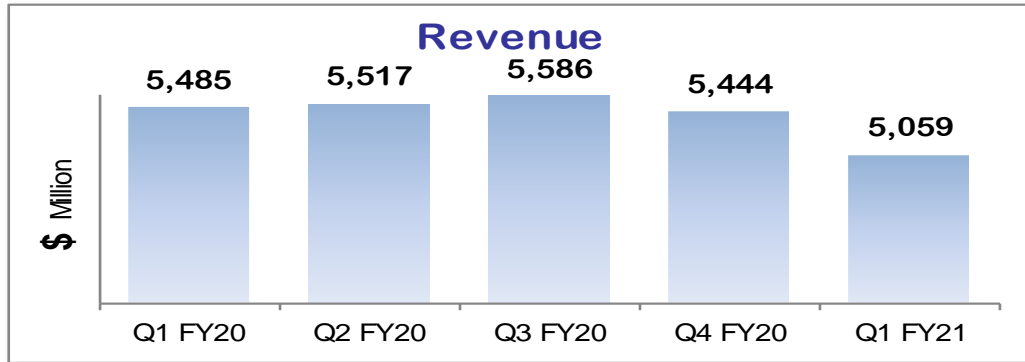
➤ People:

- Net addition of **(4,788)** associates, closing headcount: **443,676**
- LTM attrition QoQ to **11.1%** in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters



Growth by Market

Geography (%)	Q1 FY20	Q1 FY21	Y-o-Y CC Growth
Americas			
North America	50.6	51.4	-6.1
Latin America	1.8	1.7	0.2
Europe			
UK	15.8	15.3	-8.5
Continental Europe	14.3	15.6	2.7
India	6.0	4.3	-27.6
Asia Pacific	9.4	9.8	-3.2
MEA	2.1	1.9	-11.7
Total	100.0	100.0	-6.3

Growth by Domain

Vertical (%)	Q1 FY20	Q1 FY21	Y-o-Y CC Growth
BFSI	30.9	31.3	-4.9
Retail & CPG	15.1	14.0	-12.9
Communication & Media	6.9	7.1	-3.6
Manufacturing	9.8	9.7	-7.1
Life Sciences & Healthcare	7.8	9.6	13.8
Technology & Services	8.8	9.1	-4.0
Regional Markets & Others	20.7	19.2	-12.5
Total	100.0	100.0	-6.3

Service Lines Commentary

- Cash conservation and cost optimization was the topmost priority for our clients during Q1. We however, expect this to be temporary and Digital Transformations to resume acceleration over the next two quarters.
- Pioneering Contactless Experiences as a key theme for enterprises to combat the COVID crisis, we positioned multiple focused offerings – Remote Digital Workplaces, Customer Experience & Support Services, Ecosystem Modernization, Digital Learning, Employee Onboarding and Wellness, to name but a few.
- We leveraged our strong partner ecosystem to deliver a range of services & solutions for our customers during the pandemic.
- TCS Secure Borderless Workspaces (TCS SBWS™) saw strong resonance from our clients and has been a very effective driving force behind Next Gen secure, remote digital workplaces enabling us to deliver quick and smart solutions for immediate needs such as handling transaction volume spikes and enabling remote workforce solutions, while ensuring continuity of business operations.
- MFDM™ foundation in over 100+ clients provided them the ability to respond to the crisis effectively with resilience and adaptability.
- We continued to see strong demand for Cloud and Cyber Security services during the quarter.



Consulting & Services Integration

Our Consulting business is expected to post a robust recovery. Strong traction continued in M&A and Location Independent Agile services. Finance & Shared Services Transformation and Digital Strategy & Integration services had strong performance.



Cognitive Business Operations

Despite the pandemic, we provided uninterrupted services for our clients with 99% of our teams now working in the SBWS™ model. We secured several large wins and had multiple success stories where we are helping our clients enhance enterprise resilience, accelerate cloud adoption, improve customer experience in a virtual world and improve enterprise agility for new operating models.



Cloud Services

COVID-19 disruption reaffirmed cloud being an integral component for enterprise resilience. Cloud Migration, Modernization and Integration posted strong revenue and pipeline growth. Our private cloud solutions helped customers sustain business operations by ensuring continuity of services with an average availability of 99.99% in the said period.



Cyber Security

Clients are increasingly adopting Risk based Threat Management as the core strategy rather than limit to a compliance driven strategy. There is a significant uptick in IdentiFence™ platform offering (Privilege Access Management aaMS). We saw strong and growing demand for Automated/Agile Security implementations for cloud adoption, Identity and Access Management, Vulnerability Management and Governance, Risk and Compliance solutions.



Enterprise Application Services

We enabled Microsoft Digital Workplace & collaboration services for numerous customers to ensure safe and secure communication and collaboration for their employees while enhancing productivity and ensuring employee wellbeing. We launched TCS Crystallus™, a set of pre-configured industry solutions that accelerate SAP S/4HANA-enabled digital transformations.



Quality Engineering & Transformation Platform Services

We saw increased traction for Intelligent Automated Assurance to ensure higher performance and availability due to the COVID-19 situation. We launched 'QE Hub' to deliver essential services with the key pillars of rapid test setup, on-demand services, elastic operating model and integrated services including tools & infrastructure, which quickly gained momentum.

Client Parameters

Clients Contribution	Q1 FY20	Q1 FY21
US\$ 1m+ Clients	1014	1066
US\$ 5m+ Clients	551	564
US\$ 10m+ Clients	384	382
US\$ 20m+ Clients	219	230
US\$ 50m+ Clients	100	100
US\$ 100m+ Clients	44	48

*Last Twelve Months' services revenues

Key Highlights (1/3)



Consulting & Services Integration

- Selected by global market data firm, to transform their operating model to enable a faster, smarter and leaner product-based organization with zero disruption, adopting a machine first approach.
- Selected by a Fortune 500 American multinational staffing corporation, for transforming its business processes and establishing Global Shared Services with automation and cloud enablement . TCS will leverage an industry-leading cloud ERP solution to drive an increase in operational efficiency and consolidation at group level, with significant process level improvement across finance functions globally.
- Selected by an American multinational developer of networking products and software-defined networking technology as the strategic partner for its Customer Experience Center (CEC) transformation. The CEC platform will encapsulate the customer service and support experience and become the primary engagement platform and key facilitator of their transition to a subscription-based business model.
- Selected by a leading fashion and beauty retail pioneer to transform their global finance and supply chain operations. TCS will undertake design and deployment of the SAP S4 solution to substantially reduce leakages in supply chain and IT costs and enable better customer experience.
- Selected by a Scandinavian retail chain, as the transformation partner for its strategic initiative to integrate businesses across the organization and stores under a common leading cloud ERP platform. TCS solution will empower the client to launch new digital services and become a leader in customer experience.
- Engaged by a multi-level marketing company, to implement enterprise-wide Agile and DevOps as a part of its transformation strategy, to drive consistent adoption of agile practices globally for increased customer centricity and productivity.
- Selected by a global leader in connected LED lighting systems, to manage its systems and processes. TCS will increase efficiency in business-critical services and enhance the underlying systems & processes for better performance. TCS will undertake service transformation, through use of its Machine First Delivery Model (MFDM™), leading to enhanced end-user experience.
- Engaged by a large Fortune 500 Utility in the US, for strategic transformation of their IT operating model and services with the Machine First approach leveraging ignio™. Also selected as the partner for their digital journey for accelerated adoption of Automation, Mobility and Cloud leveraging the Business 4.0 Framework.
- [Aegon UK](#) has selected TCS as the strategic partner to provide end-to-end digital solutions by leveraging new-age technologies and newer ways of working for an extended duration of 3 years.
- Selected by the [Reserve Bank of India](#) for a program of national importance, to develop, implement and support the Public Credit Registry (PCR), a digital registry to capture and store the credit information of individual and corporate borrowers in India, to enable faster and transparent credit provisioning to a larger set of borrowers. PCR will be highly secure, resilient and scalable platform built using the latest technologies, supporting easy integration and interoperability for institutions like CERSAI ,MCA, GSTN, SEBI etc, and accessible online to the various stakeholders of the credit ecosystem through a strong data privacy and consent management framework.



TCS Interactive, Conversational Experiences

- Selected by a major American low-cost airline, as a strategic partner in its Digital 2020 vision of transforming customer experience. Using a leading web apps framework and a distributed agile team, the TCS solution will enable improved customer engagement and higher conversion across digital channels.
- Selected by a subsidiary of one of the largest global financial services providers, to reimagine the resource center for its employees. Using our expertise in experience design and content services, TCS will deliver a frictionless self-service learning capability helping increase self-service and drive operational gains.
- Selected by a European railway company, to implement a multi-lingual conversational interface for its sales & marketing applications, allowing customers to use their channel-of-choice. TCS solution will help them achieve 24x7 sales operations, with substantial improvements in sales conversion and customer satisfaction along with reduction in call volumes.

Key Highlights (2/3)



Enterprise Applications Services, Enterprise Intelligent Automation

- Selected by a global engineering conglomerate, to deliver a strategic business and IT transformation initiative designed to ensure digital ready processes on a global scale. TCS will enable continuous improvements and transformation that will create a future-oriented enterprise architecture, enabling globally integrated business processes to improve time to market & operational efficiencies.
- Engaged by a US-based bank offering a range of banking services and one of the largest residential mortgage servicers, to transform its mortgage operations business. Leveraging a leading CRM cloud platform, customer management and engagement will be transformed with omni-channel engagement, accelerated time to market for new offerings, and increased employee productivity.
- Selected by a leading global management consulting firm, to transform its employee experience across multiple countries. TCS will enable HR transformation leading to enhanced engagement with globally diverse employees, increased employee satisfaction, and better talent retention.
- Selected by a large global consumer products company, to enhance the employee experience and enable collaboration & remote working by leveraging a leading workplace, mobility and chatbot solution.
- Engaged by an internet and communications services company in the Middle East, to initiate and drive its digital transformation journey. TCS will migrate its legacy CRM solution to an industry leading solution driving the growth & transformation agenda for the organization.
- Chosen by a leading retailer in Australia with a chain of supermarkets and grocery stores, to implement an application integration platform on a hyperscale public cloud, to aid faster separation of a business unit as per their divesture plan.
- A leading European airline, has scaled up its association with TCS for RPA and AI initiatives in application management and operations. As part of the MFD™ roadmap, TCS has proposed the implementation of Augmented AI capabilities to drive cognitive automation across business value chains for higher efficiencies and enhanced customer satisfaction.



Cognitive Business Operations, Cloud, Cyber Security

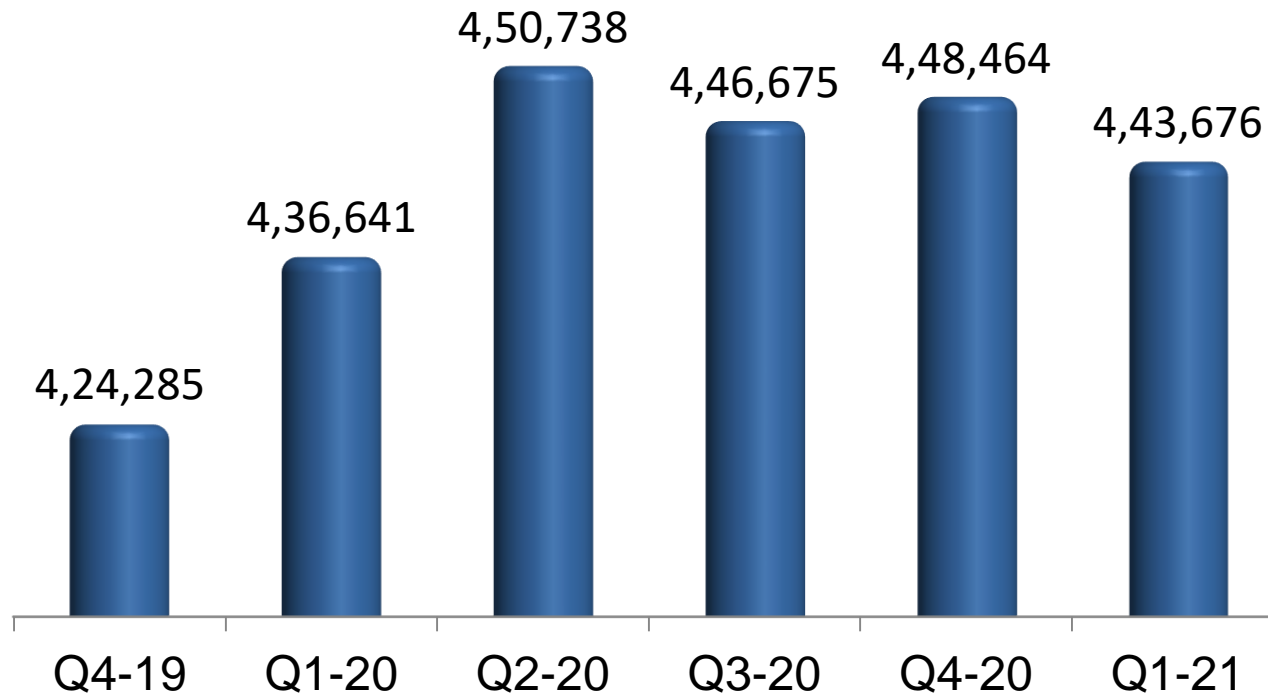
- Chosen by a European multinational corporation, as the strategic partner to transform its operations harnessing the power of digital technologies. TCS will leverage MFD™ framework, ignio™ and its cloud experience platform for rapid cloud migration delivering faster time to market
- Selected by [Tata Steel in Europe](#), one of the largest steelmakers in Europe, as its strategic partner to transform its IT infrastructure leveraging TCS cognitive operations platform powered by MFD™ for substantially increased efficiency and customer experience.
- Engaged by [Tryg Forsikring](#), a large Nordic non-life insurance company to transform the existing infrastructure platform to a modern hybrid cloud platform powered by TCS Enterprise Cloud Platform and a leading hyperscale cloud platform. This transformation will enable the customer to accelerate its cloud first strategy and reduce their time to market significantly, with an automation based digital foundation.
- Chosen by a leading global financial services company, to conceptualize, design and implement its infrastructure security leveraging a Machine First approach, for reduced risk, greater efficiency and compliance to global information security program policy.
- Engaged by [Visionworks of America](#), a leading provider of eye care services in the US, for revamping their point of sale estate by unlocking the power of cloud and using Agile methods to provide a seamless experience for their employees and end customers.
- Engaged by a global semiconductor design & manufacturing company, to transform its supply and sales processes by leveraging a leading cloud platform and a microservices based architecture for greater efficiency and visibility across the business ecosystem.
- Won a multi-year deal to manage global infrastructure operations supporting business platforms, content and product platforms for [John Wiley & Sons, Inc.](#), a global leader in research and education. The scope also includes enabling transformation to cloud to cater to growth in digital subscriptions, support the future business models, and new acquisitions.

Human Resources



Total Employee Base

Total Employees : 443,676



Attrition*:

- 11.1 (LTM), IT Services

Diversity:

- Women employees: 36.2%
- Nationalities: 146

* Excluding Subsidiaries

Talent Development:

- 7.9m Learning hours
- 353k+ employees Digital Trained
- 417k+ employees Agile Trained

Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Revenue	3,81,720	3,83,220	100.00	100.00
Cost of revenue	2,27,210	2,32,140	59.52	60.58
Gross margin	1,54,510	1,51,080	40.48	39.42
SG & A expenses	62,310	60,600	16.32	15.81
Operating income	92,200	90,480	24.16	23.61
Other income (expense), net	14,180	4,560	3.71	1.19
Income before income taxes	1,06,380	95,040	27.87	24.80
Income taxes	24,850	24,550	6.51	6.41
Income after income taxes	81,530	70,490	21.36	18.39
Minority interest	220	410	0.06	0.10
Net income	81,310	70,080	21.30	18.29
Earnings per share in ₹	21.67	18.68		

COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Employee cost	1,60,030	1,73,680	41.92	45.32
Fees to external consultants	31,140	29,550	8.16	7.71
Equipment and software	5,110	3,460	1.34	0.90
Facility expenses	4,550	3,320	1.19	0.87
Depreciation	6,190	7,280	1.62	1.90
Travel	6,020	2,340	1.58	0.61
Communication	2,910	3,310	0.76	0.86
Other expenses	11,260	9,200	2.95	2.41
Cost of Revenue	2,27,210	2,32,140	59.52	60.58

SGA	₹ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Employee cost	48,060	47,250	12.59	12.33
Fees to external consultants	800	1,080	0.21	0.28
Facility expenses	2,280	2,040	0.59	0.53
Depreciation	1,980	2,490	0.52	0.65
Travel	3,320	520	0.87	0.13
Communication	870	1,290	0.23	0.34
Provision for Doubtful Debts	500	530	0.13	0.14
Other expenses	4,500	5,400	1.18	1.41
S G & A expenses	62,310	60,600	16.32	15.81

Cash Flow Summary

IFRS in ₹ Mn	Q1 FY20	Q1 FY21
Net Cash from Operations	84,460	92,900
Capital Expenditure	8,920	6,220
Free Cash Flow	75,540	86,680
Dividends Paid	80,560	22,850
Operating Cash Flow to Sales (%)	22.1	24.2
Operating Cash Flow to Net Profit (%)	103.9	132.6
Total Cash and Investments	4,89,030	5,11,120

IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-20		30-Jun-20	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	1,19,380	9.71	1,18,950	9.23
Right-of-use Assets	79,940	6.50	80,100	6.22
Intangible assets and Goodwill	41,330	3.35	42,040	3.26
Accounts Receivable	3,06,060	24.88	3,03,820	23.59
Unbilled Revenues	1,05,440	8.57	95,050	7.38
Investments	2,63,560	21.42	2,97,200	23.07
Cash and Cash equivalents	86,460	7.03	97,450	7.57
Other current assets	1,48,950	12.12	1,78,540	13.89
Other non current assets	79,010	6.42	74,600	5.79
Total assets	12,30,130	100.00	12,87,750	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	8,62,400	70.10	9,17,700	71.25
Other current liabilities	2,70,600	22.00	2,73,570	21.24
Other non-current liabilities	90,900	7.38	90,150	7.01
Minority Interest	6,230	0.52	6,330	0.50
Total Liabilities	12,30,130	100.00	12,87,750	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Revenue	5,485	5,059	100.00	100.00
Cost of revenue	3,265	3,065	59.52	60.58
Gross margin	2,220	1,994	40.48	39.42
SG & A expenses	895	800	16.32	15.81
Operating income	1,325	1,194	24.16	23.61
Other income (expense), net	203	60	3.71	1.19
Income before income taxes	1,528	1,254	27.87	24.80
Income taxes	357	324	6.51	6.41
Income after income taxes	1,171	930	21.36	18.39
Minority interest	3	5	0.06	0.10
Net income	1,168	925	21.30	18.29
Earnings per share in \$	0.31	0.25		

COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Employee cost	2,299	2,293	41.92	45.32
Fees to external consultants	448	390	8.16	7.71
Equipment and software	73	46	1.34	0.90
Facility expenses	65	44	1.19	0.87
Depreciation	89	96	1.62	1.90
Travel	87	31	1.58	0.61
Communication	42	44	0.76	0.86
Other expenses	162	121	2.95	2.41
Cost of Revenue	3,265	3,065	59.52	60.58

SGA	\$ Million		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Employee cost	691	624	12.59	12.33
Fees to external consultants	11	14	0.21	0.28
Facility expenses	33	27	0.59	0.53
Depreciation	28	33	0.52	0.65
Travel	48	7	0.87	0.13
Communication	12	17	0.23	0.34
Provision for Doubtful Debts	7	7	0.13	0.14
Other expenses	65	71	1.18	1.41
SG&A expenses	895	800	16.32	15.81

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-20		30-Jun-20	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,583	9.71	1,575	9.23
Right-of-use Assets	1,060	6.50	1,061	6.22
Intangible assets and Goodwill	547	3.35	556	3.26
Accounts Receivable	4,057	24.88	4,024	23.59
Unbilled Revenues	1,398	8.57	1,259	7.38
Investments	3,494	21.42	3,936	23.07
Cash and Cash equivalents	1,146	7.03	1,291	7.57
Other current assets	1,976	12.12	2,369	13.89
Other non current assets	1,048	6.42	987	5.79
Total assets	16,309	100.00	17,058	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	11,433	70.10	12,154	71.25
Other current liabilities	3,587	22.00	3,623	21.24
Other non-current liabilities	1,204	7.38	1,195	7.01
Minority Interest	85	0.52	86	0.50
Total Liabilities	16,309	100.00	17,058	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q1 FY20	Q1 FY21	Q1 FY20	Q1 FY21
Revenue	38,172	38,322	100.00	100.00
Expenditure				
a) Employee Costs	20,809	22,093	54.51	57.65
b) Cost of equipment and software licences	511	346	1.34	0.90
c) Other Operating expenses	6,815	5,859	17.85	15.29
d) Depreciation	817	976	2.14	2.55
Total Expenditure	28,952	29,274	75.84	76.39
Profit Before Taxes & Other Income	9,220	9,048	24.16	23.61
Other income (expense), net	1,418	456	3.71	1.19
Profit Before Taxes & Exceptional Items	10,638	9,504	27.87	24.80
Provision For Taxes	2,485	2,455	6.51	6.41
Profit After Taxes & Before Minority Interest	8,153	7,049	21.36	18.39
Minority Interest	22	41	0.06	0.10
Net Profit	8,131	7,008	21.30	18.29
Earnings per share in ₹	21.67	18.68		

Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-20	30-Jun-20	31-Mar-20	30-Jun-20
ASSETS				
Property, plant and equipment	12,130	12,126	10.03	9.57
Right-of-use assets	7,994	8,010	6.61	6.32
Investments	26,356	29,720	21.80	23.46
Deferred tax assets (net)	2,828	2,654	2.34	2.10
Goodwill (on consolidation)	1,710	1,752	1.41	1.38
Cash and Bank Balance	9,666	9,988	8.00	7.89
Current Assets, Loans and Advances	54,431	56,902	45.02	44.92
Non-current assets, Loans and advances	5,784	5,509	4.79	4.36
Total Assets	1,20,899	1,26,661	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	84,126	89,656	69.58	70.78
Minority Interest	623	633	0.52	0.50
Deferred tax liabilities (net)	779	623	0.64	0.49
Current liabilities and provisions	27,060	27,357	22.38	21.60
Non-current liabilities and provisions	8,311	8,392	6.88	6.63
Total Liabilities	1,20,899	1,26,661	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates			% of Revenue	
	Q1 FY20	Q1 FY21	YoY	Q1 FY20	Q1 FY21
USD	69.60	75.75	8.84%	53.16%	54.04%
GBP	88.77	93.96	5.84%	14.01%	13.30%
EUR	78.28	83.67	6.88%	10.40%	11.11%
Others				22.43%	21.55%
Total				100.00%	100.00%



Thank You

