

TCS Financial Results

Quarter I FY 2019 - 20



July 09, 2019

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.

Quarterly Financial Performance



Q1 FY20 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **381,720 Mn, up 11.4% YoY**
- USD Revenue of \$ **5,485 Mn, up 8.6% YoY**
- Constant currency revenue **up 10.6% YoY**
- Digital revenue of **32.2%, up 42.1% YoY**

➤ Profit:

- Operating Margin at **24.2%**
- Net Margin at **21.3%; EPS up 13% YoY**
- Cash from operations at **103.9%** of net profit

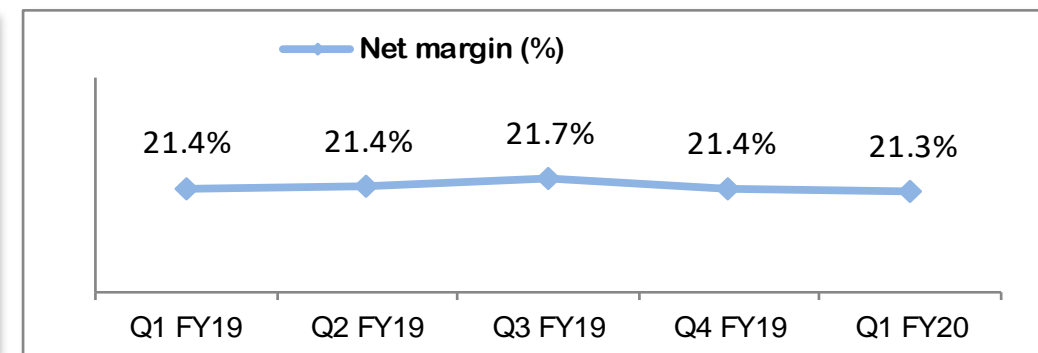
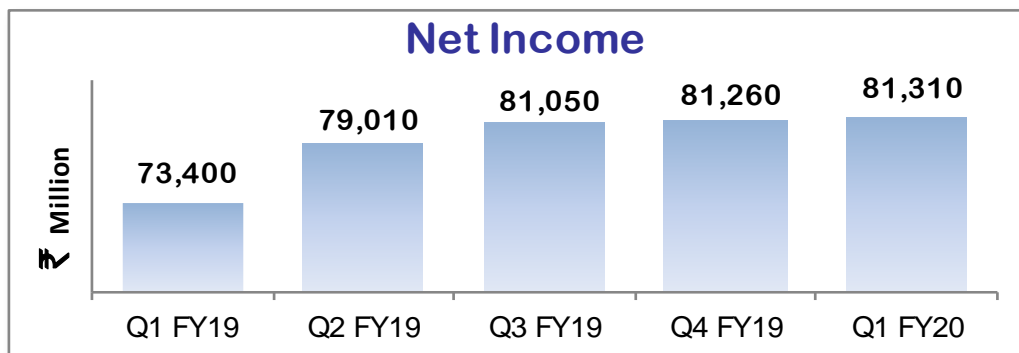
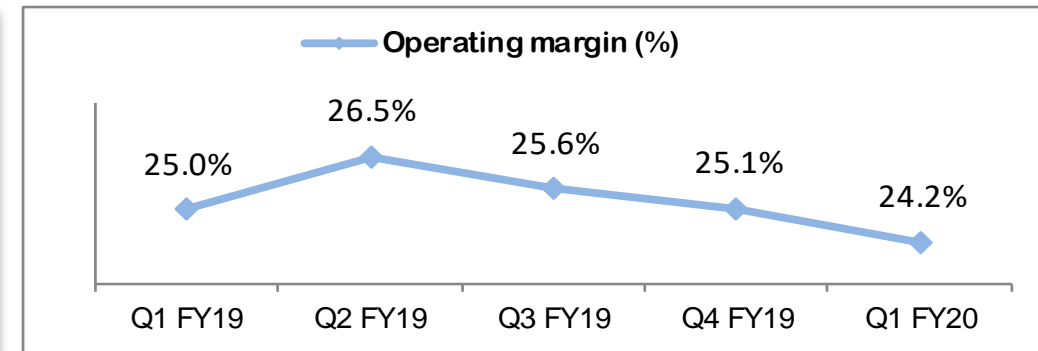
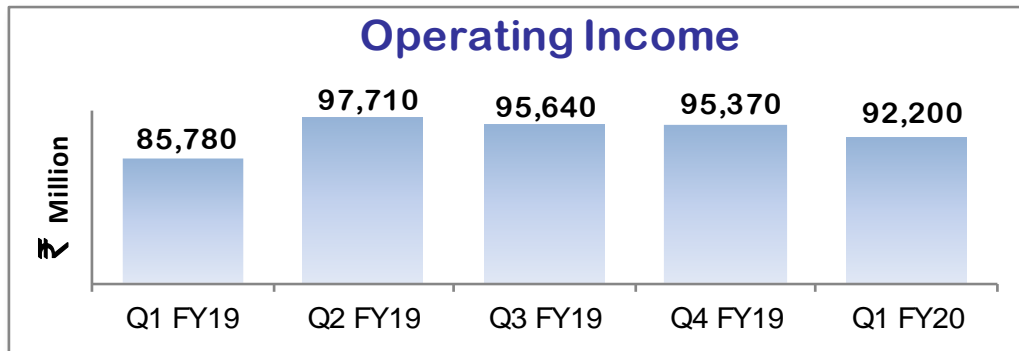
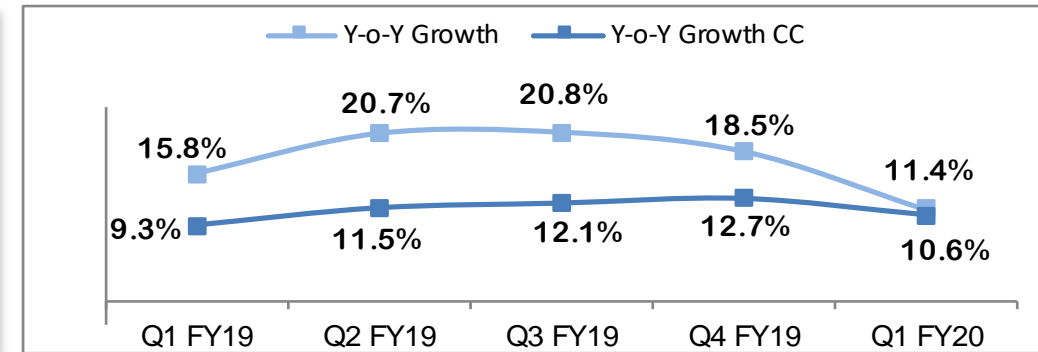
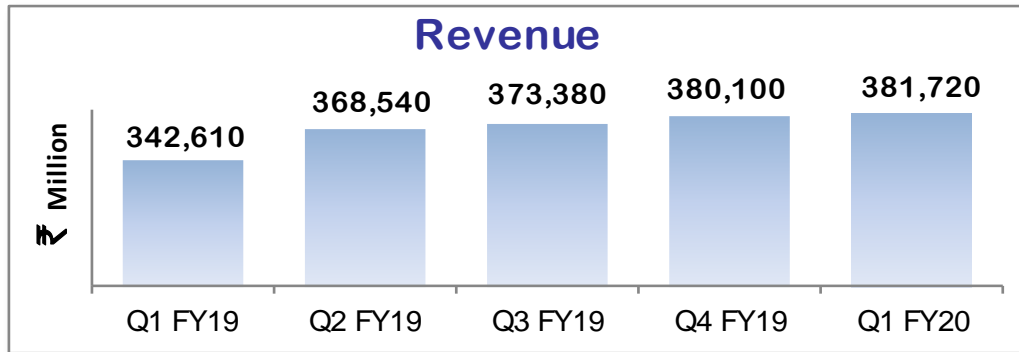
➤ Demand:

- Clients \$100M+ up by 4 ; \$50M+ up by 3 ; \$20M+ up by 13 ; \$10M+ up by 29 & \$5M+ up by 43 YoY

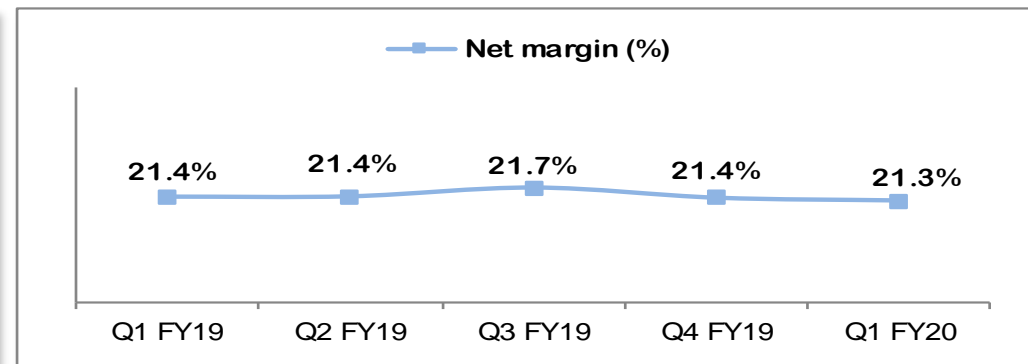
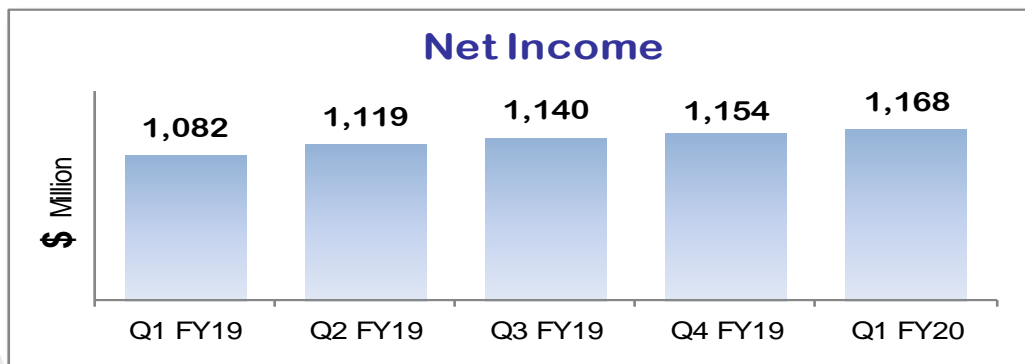
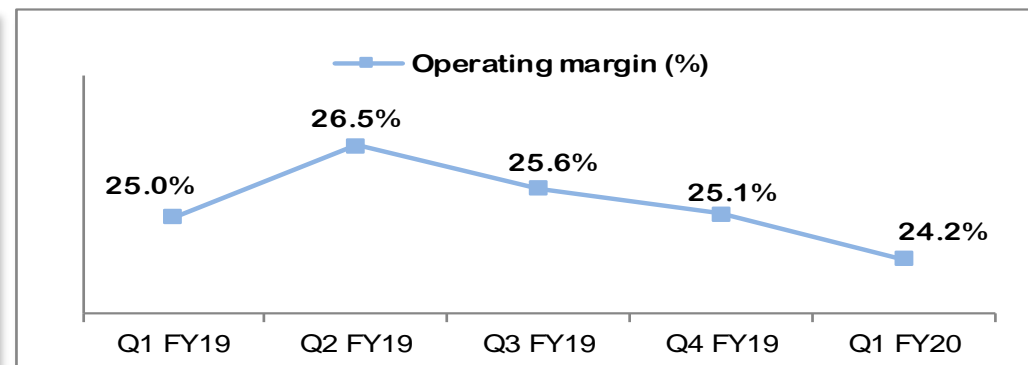
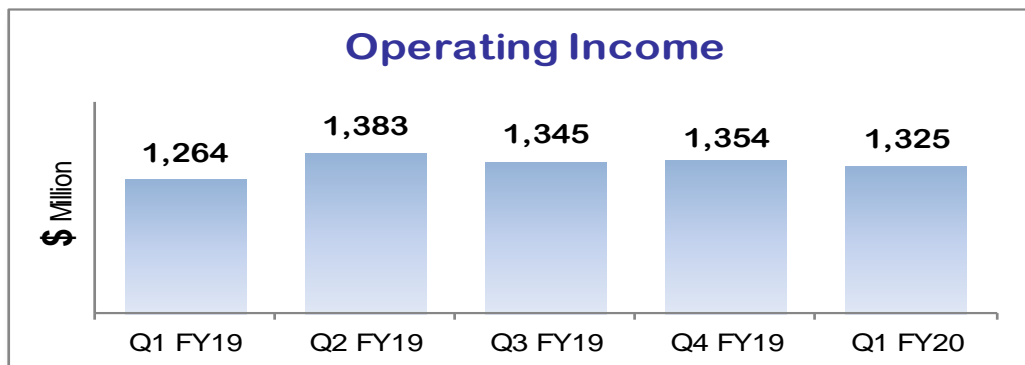
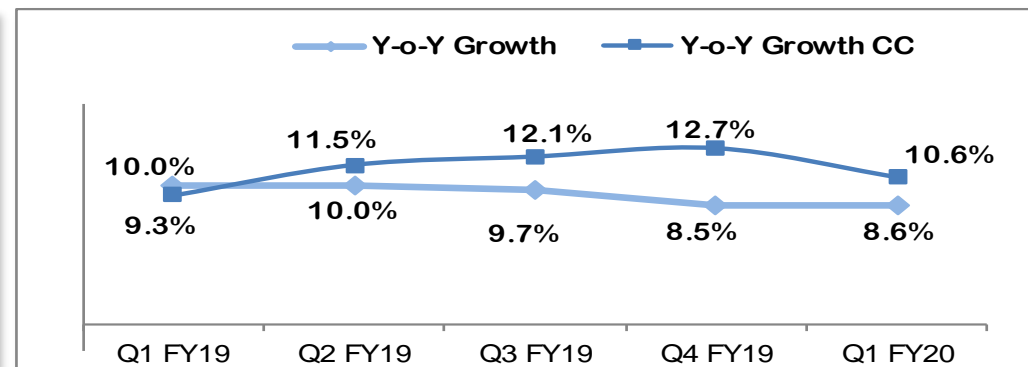
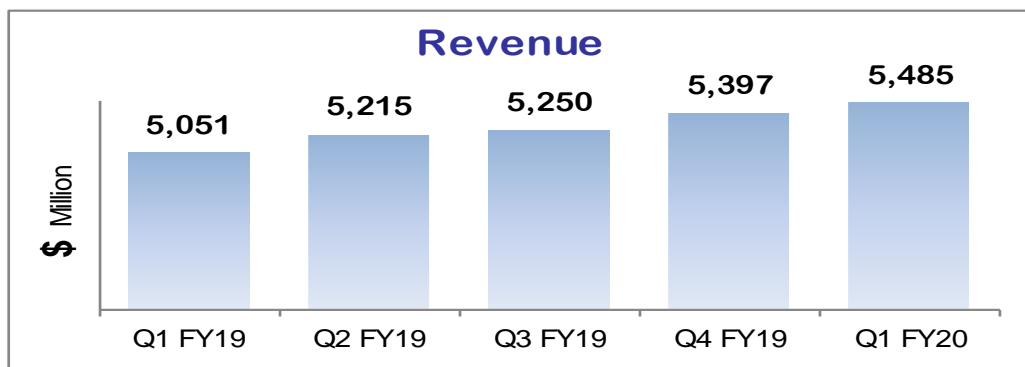
➤ People:

- Net addition of **12,356** associates, highest in 5 years; closing headcount: **436,641**
- LTM attrition at **11.5%** in IT Services

Growth Summary (INR)



Growth Summary (USD)



Operational Parameters



Growth by Market

Geography (%)	Q1 FY19	Q1 FY20	Y-o-Y CC Growth
Americas			
North America	51.0	50.6	7.7
Latin America	1.9	1.8	6.4
Europe			
UK	15.5	15.8	16.0
Continental Europe	14.0	14.3	15.0
India	5.8	6.0	15.9
Asia Pacific	9.6	9.4	9.5
MEA	2.2	2.1	6.4
Total	100.0	100.0	10.6

Growth by Domain

Vertical (%)	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Y-o-Y CC Growth
BFSI	31.1	31.2	30.8	30.9	30.8	9.2
Retail & CPG	15.4	15.4	15.5	15.1	15.0	7.9
Communication & Media	7.1	6.8	6.9	6.8	6.9	8.4
Manufacturing	10.2	9.8	9.8	9.6	9.8	5.5
Life Sciences & Healthcare	7.3	7.5	7.6	7.7	7.9	18.1
Technology & Services	9.0	8.9	8.7	8.6	8.8	7.8
Regional Markets & Others	19.9	20.4	20.7	21.3	20.8	16.9
Total	100.0	100.0	100.0	100.0	100.0	10.6
Digital Revenue (%)	25.0	28.1	30.1	31.0	32.2	42.1

**The vertical break-up of revenue has been recast to reflect recent changes in the organization structure. Restated data for the last four quarters is provided here for comparison.*

Service Lines Commentary

- Our approach of addressing strategic issues for all client stakeholders is paying dividends with areas such as IoT, Cyber Security, Cloud and Consulting services scaling rapidly.
- TCS' Location Independent Agile Methodology is seeing strong traction as the method of choice to help meet the rapid pace of transformation needs, including elements of organization design, location independent distribution of teams, agile architecture, culture and continuous value realization.
- Customer Experience is emerging as a key competitive differentiator across industries and is now a top executive priority driving growth across multiple service lines.
- TCS & T-Mobile won a major award in the **best digital experience category**. TCS New York City Marathon App won **MediaPost's APPY Award and a Silver Stevie in the 2019 American Business Awards**.



Cognitive Business Operations

Digital Customer experience management, Digital F&A, Business Cloud Aligned Solutions, and Operations at the Edge led growth. Won 2 Global Sourcing Awards – UK & Ireland for Excellence in Business Process & Shared Services and 5 awards at NIQR (National Institute of Quality & Reliability).



Cyber Security

Uplifting cyber defence capability and improving cyber resilience is a strong customer priority driving **strong growth for Advisory, Risk & Compliance, Threat & Vulnerability management solutions, and the TCS Cognitive threat management platform**. TCS Digital Identity management platform has gone live with the Dollar Financial Group. TCS is positioned by Nelson Hall as a **Leader in Cyber Resiliency Services**.



Consulting & Services Integration

Customer Experience & Enterprise Agility are emerging as the top C-level priorities leading to strong growth for **CX Transformation Services & Enterprise Agility Services** during the quarter.



Cloud Services

Sequential programs of cloud migration and modernization are fast giving way to a “Modernize-as-you-Migrate” transformation continuum, now being explored for increased agility. This is leading to **strong demand for our Cloud Migration & Modernization Services**.



Enterprise Application Services

Demand for new Cloud CRM, Next Gen ERP and Enterprise Content Management Services led growth. Launched an Intelligent Field Inventory Management (iFIM) solution based on a major enterprise platform, which leverages IoT and Blockchain to help medical device manufacturers streamline surgical kit handling.



Internet of Things

Acceleration of scaled deployment across industries – led by Manufacturing & Logistics (integrating ecosystems such as Connected Shipping and Connected Fleets).



Key Highlights (1/2)



Multi-Tower Engagements

- Selected by one of the leading financial services groups in Finland, for a multi-year digital transformation and orchestration of its IT ecosystem, to improve quality of services, customer experience and overall security posture. TCS will integrate its Enterprise Cloud Platform, application operations & security services for improved business service availability, reliability, efficiency, increased productivity & predictability by leveraging TCS ignio™'s advanced machine learning & cognitive technologies.
- Engaged by one of the largest car rental companies in the world, as the strategic partner for a multi-year engagement to provide infrastructure, application management and quality engineering transformation services.
- Selected by a large European bank, as a strategic partner for operating model transformation across application development, application management and infrastructure services leveraging agile methods and DevOps. TCS will modernize the IT portfolio to drive core banking monetization (Bank as a service), GDPR compliance, improve efficiency, reduce system complexity, improve product innovation, reduce time to market and provide connected & personalized experience to customers.
- Engaged by a large Swiss multinational healthcare company, as a strategic partner to provide global infrastructure management (including data centres) and platform services across the enterprise.
- Engaged by a leading financial institution, to leverage the ecosystem of partners to setup an API Management solution and an API marketplace using TCS Melting Pot solution, which will allow charging for services through an economy-based consumption and gamified subscription model. TCS is also collaborating to develop and implement a Digital Playbook, a roadmap for a Unified Experience platform by leveraging Design Thinking.
- Engaged by, a major US airline, as a strategic partner for a multi-year engagement to provide application management and quality assurance services.
- Selected by an American entertainment company, for a multi-year partnership to provide digital transformation covering Analytics, Finance, Technology modernization, Agile & DevOps, and application management services.



Cognitive Business Operations, Automation & Conversational Experiences

- Engaged by one of the major Australian telecommunications companies, to transform the customer experience, deliver greater efficiency and improve Net Promoter Score using a TCS-built Digital Twin supported by Cognitive and AI-enabled automation interventions powered by TCS Machine First Delivery Model (MFDM™).
- Selected by a grocery retailer in Denmark, as the partner for the modernization of its legacy applications & workload management services leveraging TCS MFDM™ and TCS ignio™ to automate processes, deploy industry best practices, improve governance, and drive innovation.
- Selected by a US healthcare provider, as the partner for transforming its infrastructure operations by leveraging cognitive automation with the TCS MFDM™ and TCS ignio™ to automate operations, improve efficiency, and drive continuous service improvement.
- Selected by one of the major US based commercial insurers, to modernize their Contact Center platform with additional voice & non-voice channels and extended self-service capabilities by leveraging cloud, conversational AI and integration technologies to provide better experience and engagement for their end customers and users.
- Chosen by an European airline, as the strategic partner to deliver a transformed Digital-First customer experience through a new Enterprise Distributed Agile Model leveraging TCS MFDM™ and TCS ignio™, in addition to providing application management & support services.



Interactive, Blockchain

- Selected by a large airline group in South America, to transform customer experience on its omni-channel digital commerce platforms with TCS Interactive design, implementation & maintenance services
- Chosen by a US-based financial services firm for authorized dealers and franchisees, to transform customer experience by modernizing their digital marketing platform with a leading customer experience management (CXM) solution for scalable, industry-best and cross-channel marketing, advertising, analytics and commerce capabilities.
- Engaged by a US airline, as their strategic partner to help realize their Digital 2020 vision for transforming the customer experience. TCS will leverage a design-integrated agile engineering model to transform crew and employee channels to enable them to deliver an outstanding traveler experience.
- Selected by a leading medical devices company, to develop a Hyperledger Fabric blockchain solution to track products for sterilization from manufacturing through distribution for efficient process automation and improved movement visibility across stakeholders.

Key Highlights (2/2)



Analytics and Insights, IoT

- Selected by a large American infrastructure and services provider, as a strategic partner to provide Technology Consulting and Digital Transformation services to deliver business insights by modernizing the Data & Analytics platforms.
- Selected by a leading US financial institution, for data lake platform modernization engagement leveraging leading enterprise cloud platforms with multiple solution accelerators to achieve effective campaign management, better management of credit risk, increased cross-sell and business growth, and improve the customer centricity, service and engagement.
- Selected by a leading UK-based insurance company, to transform their marketing campaign management by leveraging TCS contextual, technological and digital marketing capabilities for enabling faster time to market. TCS will also help the bank to stay ahead of the curve and drive business insights at scale by accelerating its data modernization journey by transforming to a modern architecture on the cloud.
- Selected by a leading American multinational confectionery, food, and beverage company, to improve the security infrastructure across its plants. TCS will standardize the current security landscape and provide IoT-based remediation services to minimize vulnerabilities and reduce plant down time.
- Selected by a leading American chemical conglomerate, for improving their plant safety by leveraging IoT-based TCS Digifleet solution that enables real-time tracking of vehicle movement and safety compliance within their facilities.
- Chosen by a leading Industrial Air Filtration (IAF) company, as its strategic partner of choice to design, build and deploy their IoT Platform-based Connected Solutions program for Condition Monitoring, Predictive Maintenance and Automated Service Ordering & Predictive Analytics to facilitate better services to their end customers based on real-time data & business insights, and improve their product capabilities and designs.



Consulting, Enterprise Applications

- Selected by a US-based chain of beauty stores, to implement state of the art processes by leveraging a leading ERP platform, driven by the management's imperative of international expansion and omni channel strategy. The new best-in-class international operations platform, to be deployed using TCS agile methodologies & frameworks, will help centralize and manage their global financial and retail processes to achieve growth ambitions, increase visibility, drive faster time to market and reduce cost to serve.
- Selected by a global semiconductor manufacturer, for a strategic initiative to prioritize marquee customers with better supply chain metrics. TCS will create an independent digital supply chain platform leveraging a leading enterprise solution interfacing with public cloud platforms.
- Engaged by a global US based healthcare company, for a global digital transformation program for process standardization and simplification leveraging a leading ERP and TCS pre-configured solutions, to improve the organization's ability to respond quickly to market opportunities, while enhancing efficiency and reducing operational complexity.
- Engaged by a US-based manufacturer of industrial test, measurement and diagnostic equipment, as the partner for its finance & enterprise performance management program, by modernizing its business processes and leveraging a leading Cloud ERP platform to provide enhanced business insights & analytics driven decision making, and support its business acquisition strategy, seamless financial consolidation and reconciliation.
- Engaged by one of the world's largest auto makers, as the partner for modernizing their CRM portfolio in Latin America for enabling superior customer experience & feature rich services, leveraging a leading enterprise service cloud and agile methodology.



Cloud, Security & Assurance

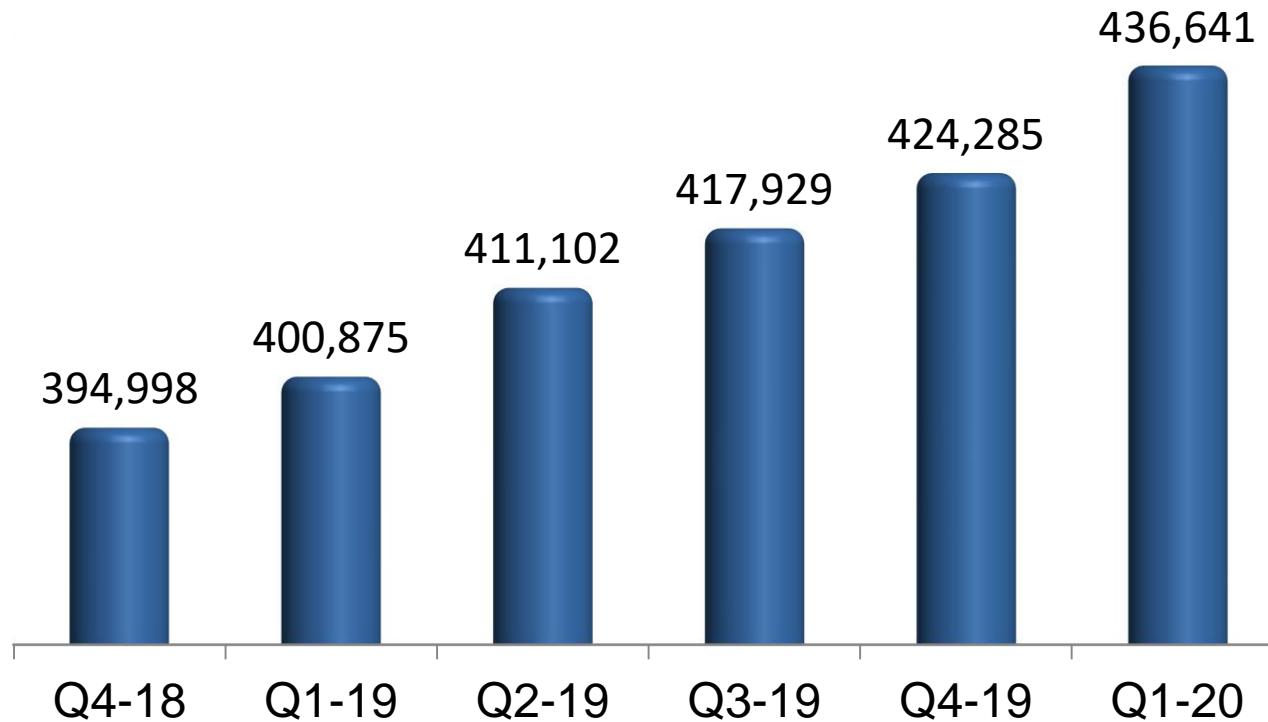
- TCS Enterprise Cloud Platform was selected by a leading Central Data Services Provider (CDSP) for the gas industry in the UK, as the strategic platform to transform their IT landscape using cloud technologies.
- Selected by a leading global financial services and communications firm, for enterprise wide application modernization of its core & boundary systems by leveraging a leading cloud platform and a microservices based architecture for enabling future business expansion.
- Selected by one of the largest travel agencies in the Middle East, to implement Identity and Governance management leveraging industry-leading tools for enhanced control on auditing, compliance and segregation of duties, reduced efforts on user administration tasks, centralized view of users and access rights, enhanced control on privileged users, and reduced identity related security risks.
- Engaged by a leading American multinational investment bank and financial services company, for infrastructure security modernization and security operations in a managed security services model for reduced risk, greater efficiency and compliance to global information security program policy. TCS has also been engaged for their Enterprise-wide Agile transformation program where TCS will automate application deployment through DevOps, to address the need for faster time to business value and train key project personnel.
- Chosen by a Canadian multinational banking and financial services corporation, to provide end-to-end Quality Engineering services leveraging TCS CX Assurance & SmartQE platforms for its Channels Business with the objective of reducing time to market, increasing test quality and improving efficiency.

Human Resources



Total Employee Base

Total Employees : 436,641



Attrition*:

- 11.5% (LTM), IT Services

Diversity:

- Women employees: 36.1%
- Nationalities: 149

* Excluding Subsidiaries

Talent Development:

- 10 M Learning hours
- 315k+ employees Digital Trained
- 365k+ employees Agile Trained



Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Revenue	342,610	381,720	100.00	100.00
Cost of revenue	200,830	227,210	58.62	59.52
Gross margin	141,780	154,510	41.38	40.48
SG & A expenses	56,000	62,310	16.35	16.32
Operating income	85,780	92,200	25.03	24.16
Other income (expense), net	12,080	14,180	3.53	3.71
Income before income taxes	97,860	106,380	28.56	27.87
Income taxes	24,240	24,850	7.08	6.51
Income after income taxes	73,620	81,530	21.48	21.36
Minority interest	220	220	0.06	0.06
Net income	73,400	81,310	21.42	21.30
Earnings per share in ₹	19.17	21.67		



COR – SG&A Details

COR	₹ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Employee cost	143,550	160,030	41.90	41.92
Fees to external consultants	23,980	31,140	7.00	8.16
Equipment and software	6,130	5,110	1.79	1.34
Facility expenses	7,290	4,550	2.13	1.19
Depreciation	3,980	6,190	1.16	1.62
Travel	5,620	6,020	1.64	1.58
Communication	2,070	2,910	0.60	0.76
Other expenses	8,210	11,260	2.40	2.95
Cost of Revenue	200,830	227,210	58.62	59.52

SGA	₹ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Employee cost	41,920	48,060	12.24	12.59
Fees to external consultants	1,410	800	0.41	0.21
Facility expenses	3,110	2,280	0.91	0.59
Depreciation	950	1,980	0.28	0.52
Travel	2,570	3,320	0.75	0.87
Communication	790	870	0.23	0.23
Provision for Doubtful Debts	480	500	0.14	0.13
Other expenses	4,770	4,500	1.39	1.18
S G & A expenses	56,000	62,310	16.35	16.32



IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-19		30-Jun-19	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	116,500	9.95	114,780	9.24
Right-of-use Assets	-	-	62,900	5.06
Intangible assets and Goodwill	40,130	3.43	40,650	3.27
Accounts Receivable	274,410	23.44	281,290	22.64
Unbilled Revenues	89,760	7.67	98,930	7.96
Investments	293,300	25.06	306,350	24.66
Cash and Cash equivalents	72,240	6.17	56,660	4.56
Other current assets	200,750	17.15	193,830	15.61
Other non current assets	83,440	7.13	86,860	7.00
Total assets	1,170,530	100.00	1,242,250	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	915,560	78.22	914,330	73.60
Long term borrowings	440	0.04	-	-
Short term borrowings	180	0.02	-	-
Other current liabilities	220,660	18.85	244,030	19.64
Other non-current liabilities	29,160	2.48	78,850	6.35
Minority Interest	4,530	0.39	5,040	0.41
Total Liabilities	1,170,530	100.00	1,242,250	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Revenue	5,051	5,485	100.00	100.00
Cost of revenue	2,961	3,265	58.62	59.52
Gross margin	2,090	2,220	41.38	40.48
SG & A expenses	826	895	16.35	16.32
Operating income	1,264	1,325	25.03	24.16
Other income (expense), net	178	203	3.53	3.71
Income before income taxes	1,442	1,528	28.56	27.87
Income taxes	357	357	7.08	6.51
Income after income taxes	1,085	1,171	21.48	21.36
Minority interest	3	3	0.06	0.06
Net income	1,082	1,168	21.42	21.30
Earnings per share in \$	0.28	0.31		



COR – SG&A Details – In USD

COR	\$ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Employee cost	2,116	2,299	41.90	41.92
Fees to external consultants	354	448	7.00	8.16
Equipment and software	90	73	1.79	1.34
Facility expenses	108	65	2.13	1.19
Depreciation	59	89	1.16	1.62
Travel	83	87	1.64	1.58
Communication	30	42	0.60	0.76
Other expenses	121	162	2.40	2.95
Cost of Revenue	2,961	3,265	58.62	59.52

SGA	\$ Million		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Employee cost	618	691	12.24	12.59
Fees to external consultants	21	11	0.41	0.21
Facility expenses	46	33	0.91	0.59
Depreciation	14	28	0.28	0.52
Travel	38	48	0.75	0.87
Communication	12	12	0.23	0.23
Provision for Doubtful Debts	7	7	0.14	0.13
Other expenses	70	65	1.39	1.18
SG&A expenses	826	895	16.35	16.32

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-19		30-Jun-19	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,685	9.95	1,663	9.24
Right-of-use Assets	-	-	911	5.06
Intangible assets and Goodwill	581	3.43	588	3.27
Accounts Receivable	3,969	23.44	4,075	22.64
Unbilled Revenues	1,298	7.66	1,433	7.96
Investments	4,243	25.05	4,438	24.66
Cash and Cash equivalents	1,045	6.17	821	4.56
Other current assets	2,908	17.17	2,809	15.61
Other non current assets	1,207	7.13	1,260	7.00
Total assets	16,936	100.00	17,998	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	13,243	78.19	13,246	73.60
Long term borrowings	6	0.04	-	-
Short term borrowings	3	0.02	-	-
Other current liabilities	3,192	18.85	3,536	19.64
Other non-current liabilities	423	2.49	1,142	6.35
Minority Interest	69	0.41	74	0.41
Total Liabilities	16,936	100.00	17,998	100.00

Ind AS Income Statement - Consolidated

Consolidated Ind AS	₹ Crore		% of Revenue	
	Q1 FY19	Q1 FY20	Q1 FY19	Q1 FY20
Revenue	34,261	38,172	100.00	100.00
Expenditure				
a) Employee Costs	18,548	20,809	54.14	54.51
b) Cost of equipment and software licences	613	511	1.79	1.34
c) Other Operating expenses	6,029	6,815	17.60	17.85
d) Depreciation	493	817	1.44	2.14
Total Expenditure	25,683	28,952	74.97	75.84
Profit Before Taxes & Other Income	8,578	9,220	25.03	24.16
Other income (expense), net	1,208	1,418	3.53	3.71
Profit Before Taxes & Exceptional Items	9,786	10,638	28.56	27.87
Provision For Taxes	2,424	2,485	7.08	6.51
Profit After Taxes & Before Minority Interest	7,362	8,153	21.48	21.36
Minority Interest	22	22	0.06	0.06
Net Profit	7,340	8,131	21.42	21.30
Earnings per share in ₹	19.17	21.67		



Ind AS Balance Sheet - Consolidated

Consolidated Ind AS	₹ Crore		%	
	31-Mar-19	30-Jun-19	31-Mar-19	30-Jun-19
ASSETS				
Property, plant and equipment	11,553	11,648	10.05	9.54
Right-of-use assets	-	6,290	-	5.15
Investments	29,330	30,635	25.52	25.09
Deferred tax assets (net)	2,656	3,110	2.31	2.54
Goodwill (on consolidation)	1,700	1,709	1.48	1.40
Cash and Bank Balance	12,848	12,212	11.18	10.00
Current Assets, Loans and Advances	50,192	50,210	43.67	41.12
Non-current assets, Loans and advances	6,664	6,303	5.79	5.16
Total Assets	114,943	122,117	100.00	100.00
EQUITY AND LIABILITIES				
Shareholders' Funds	89,446	89,325	77.82	73.15
Minority Interest	453	504	0.39	0.41
Short term and long term borrowings	44	6,846	0.04	5.61
Deferred tax liabilities (net)	1,042	886	0.91	0.72
Current liabilities and provisions	22,084	23,325	19.21	19.10
Non-current liabilities and provisions	1,874	1,231	1.63	1.01
Total Liabilities	114,943	122,117	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates			% of Revenue	
	Q1 FY19	Q1 FY20	YoY	Q1 FY19	Q1 FY20
USD	67.83	69.60	2.61%	53.82%	53.16%
GBP	90.95	88.77	-2.39%	13.56%	14.01%
EUR	79.77	78.28	-1.87%	10.15%	10.40%
Others				22.47%	22.43%
Total				100.00%	100.00%

Thank You

