

TCS Financial Results

Quarter II FY 2015 - 16



Oct 13, 2015

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.



Q2 FY16 Performance Highlights

➤ Revenue:

- INR Revenue of ₹ **271,655 Mn**, **5.8% QoQ** and **14.1% YoY**
- USD Revenue of \$ **4,156 Mn**, **3.0% QoQ** and **5.8% YoY**
- Constant currency revenue growth of **3.9% QoQ** and **12.0% YoY**; Volume growth of **4.9%**

➤ Profit:

- Operating Income at ₹ **73,536 Mn**, Operating Margin of **27.1%**
- Net Income at ₹ **60,552 Mn**, Net Margin of **22.3%**

➤ Demand:

- **13** Key Wins: 9 in North America, 2 in Europe, 1 each in UK and APAC
- Clients in \$100M+ revenue band increased by **3** and in \$10M+ revenue band by **6**
- Digital Services & Solutions grew **10.7% QoQ** in CC terms; now **13.3%** of Revenue.

➤ People:

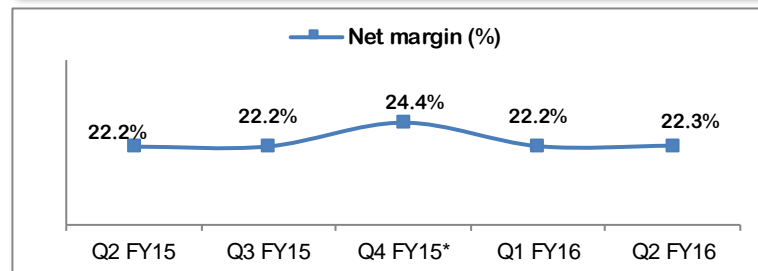
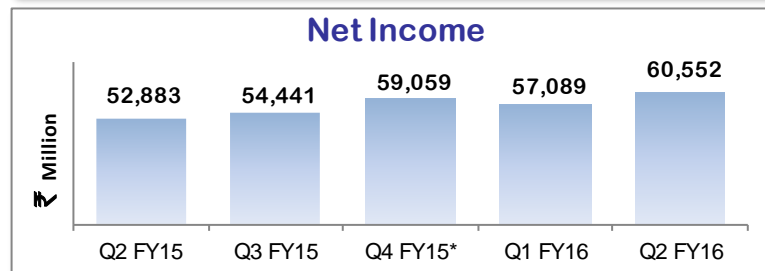
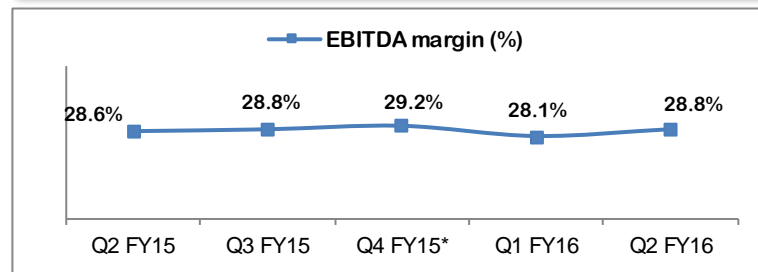
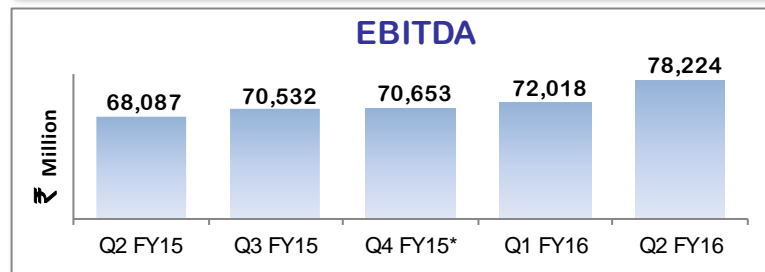
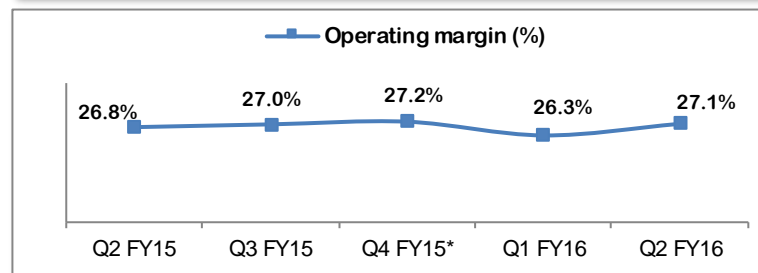
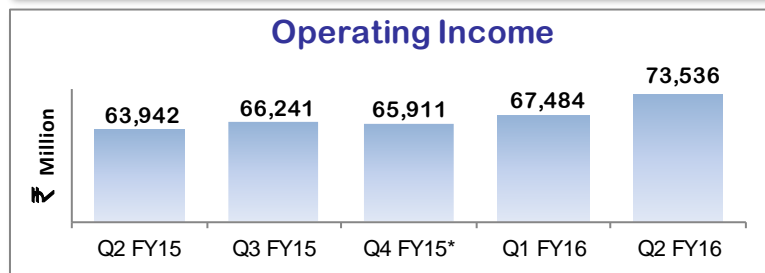
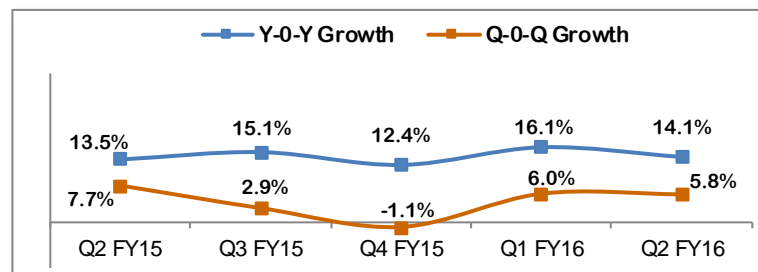
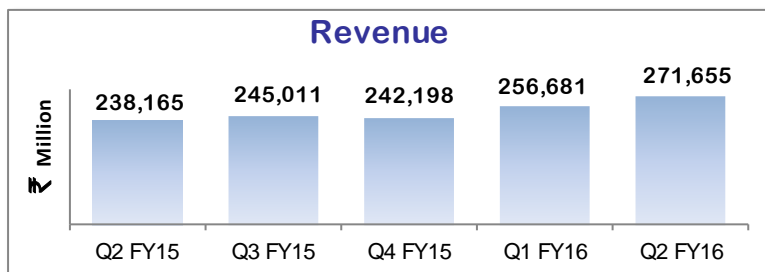
- Gross addition of **25,186** associates, closing headcount: **335,620**
- Utilization at **86.0%** (ex-trainees) and **82.3%** (including trainees)
- Quarterly Annualized Attrition down **120 bps QoQ** to **17.3%**



Financial Performance

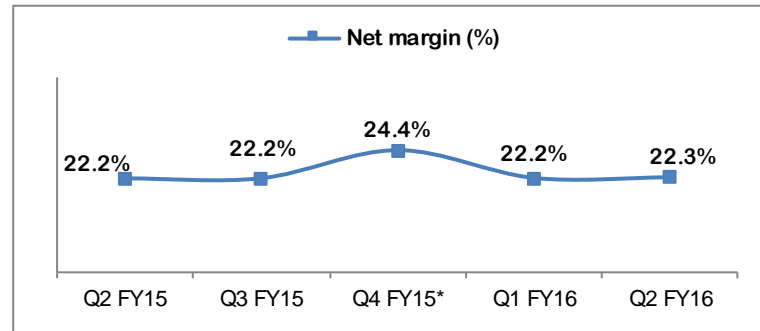
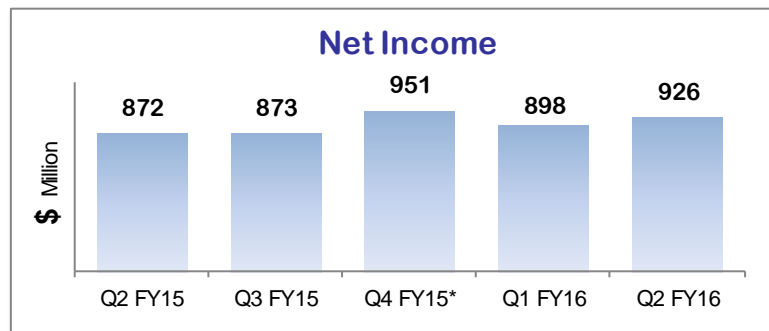
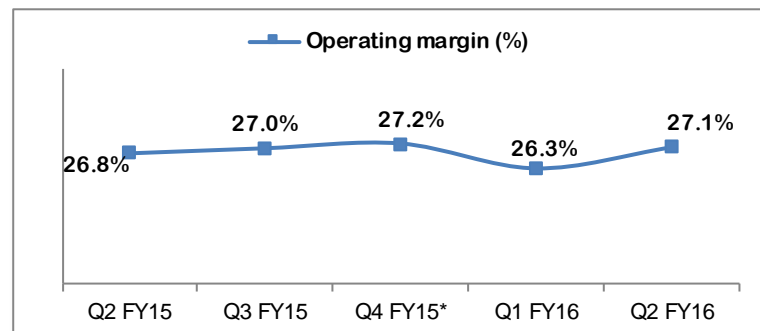
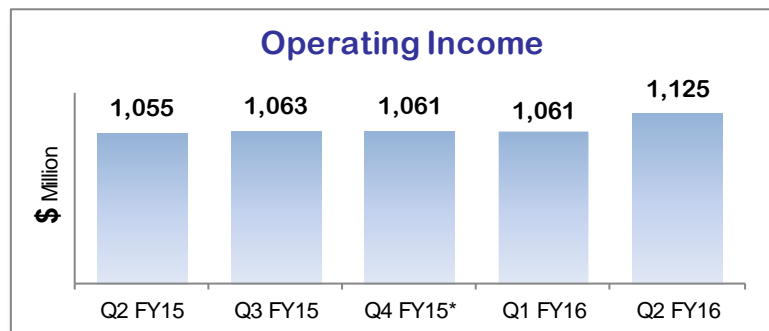
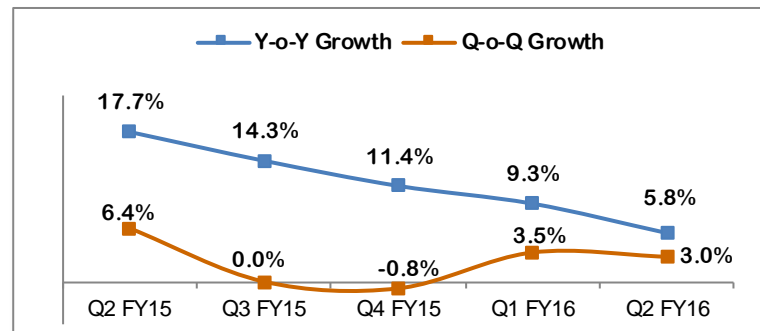
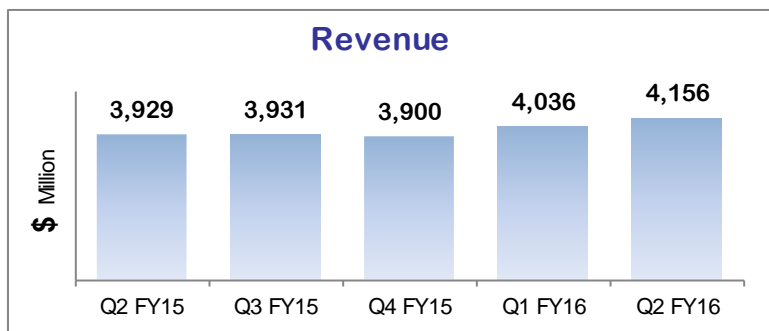


Growth Summary (INR)



Excludes Employee Rewards; Impact on Operating Income & EBITDA: ₹ 26,279 Mn, Net Income: ₹ 20,477 Mn in Q4 FY15

Growth Summary (USD)



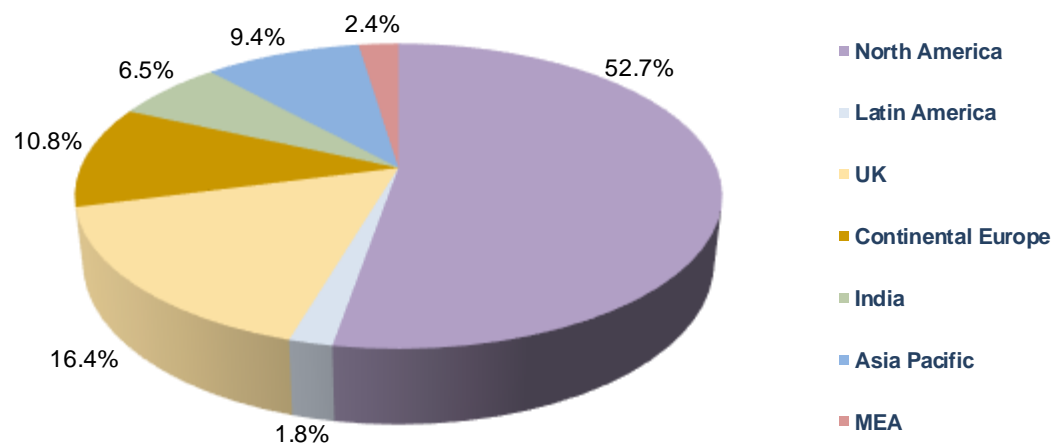
Excludes Employee Rewards; Impact on Operating Income: \$423 Mn, Net Income: \$330 Mn in Q4 FY15



Operational Parameters



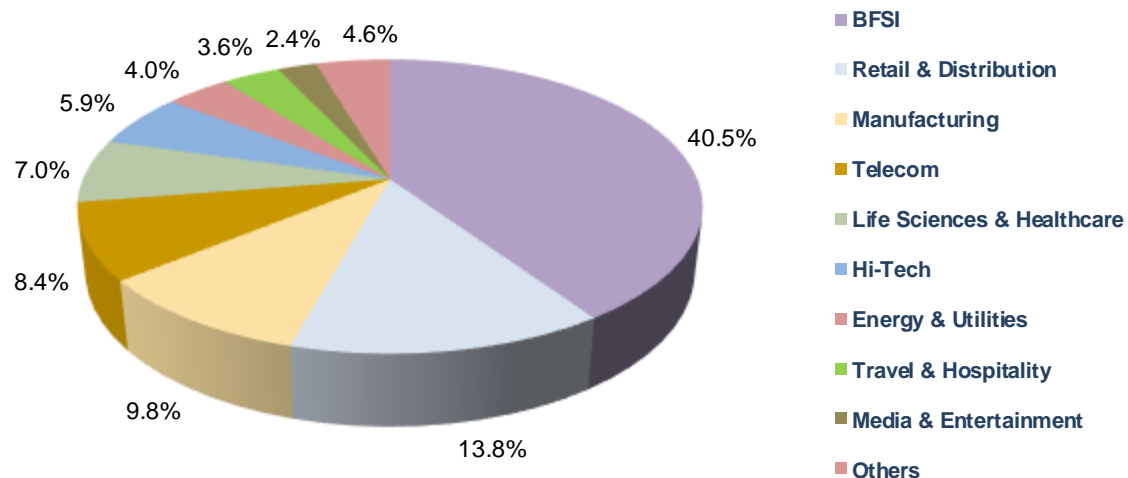
Growth by Market



Geography (%)	Q2 FY15	Q1 FY16	Q2 FY16	Q-o-Q CC Growth	Y-o-Y CC Growth
Americas					
North America	51.0	52.8	52.7	3.1	10.5
Latin America	1.9	1.9	1.8	6.2	19.1
Europe					
UK	17.1	16.1	16.4	4.6	8.9
Continental Europe	11.5	11.0	10.8	2.0	13.9
India					
	6.5	6.4	6.5	7.8	15.1
Asia Pacific					
	10.1	9.6	9.4	4.1	14.3
MEA					
	1.9	2.2	2.4	12.9	37.5
Total	100.0	100.0	100.0	3.9	12.0

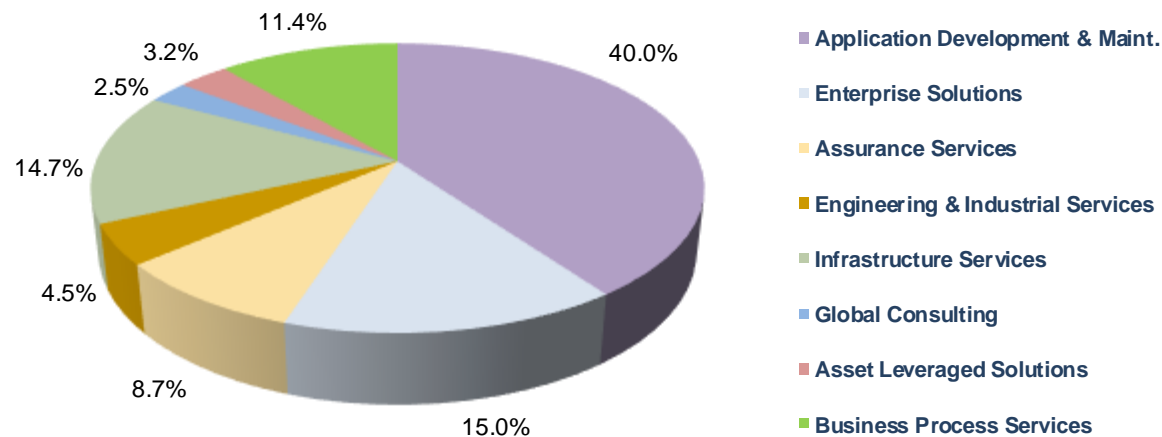


Growth by Domain



IP Revenue (%)	Q2 FY15	Q1 FY16	Q2 FY16	Q-o-Q CC Growth	Y-o-Y CC Growth
BFSI	40.4	40.6	40.5	3.9	12.4
Retail & Distribution	13.5	13.8	13.8	3.6	13.2
Manufacturing	10.1	9.9	9.8	1.8	9.1
Telecom	8.9	8.6	8.4	2.5	9.0
Life Sciences & Healthcare	6.3	6.9	7.0	5.4	20.6
Hi-Tech	5.7	5.8	5.9	3.0	12.1
Energy & Utilities	4.3	4.0	4.0	5.8	9.5
Travel & Hospitality	3.5	3.5	3.6	5.7	16.1
Media & Entertainment	2.7	2.5	2.4	2.1	-3.2
Others	4.6	4.4	4.6	9.0	13.1
Total	100.0	100.0	100.0	3.9	12.0

Growth by Service Line



SP Revenue (%)	Q2 FY15	Q1 FY16	Q2 FY16	Q-o-Q CC Growth	Y-o-Y CC Growth
IT Solutions and Services					
Application Development & Maint.	40.5	40.3	40.0	3.1	10.3
Enterprise Solutions	15.6	15.1	15.0	3.4	7.6
Assurance Services	8.4	8.5	8.7	6.1	14.9
Engineering & Industrial Services	4.6	4.5	4.5	3.1	7.3
Infrastructure Services	13.8	14.7	14.7	3.4	19.3
Global Consulting	3.2	2.9	2.5	-9.3	-9.9
Asset Leveraged Solutions	2.3	2.5	3.2	32.8	60.5
Business Process Services	11.6	11.5	11.4	3.4	11.0
Total	100.0	100.0	100.0	3.9	12.0



Client Parameters

Clients Contribution*	Q2 FY15	Q1 FY16	Q2 FY16
US\$ 1m+ Clients	743	804	819
US\$ 5m+ Clients	367	391	404
US\$ 10m+ Clients	247	268	274
US\$ 20m+ Clients	153	172	171
US\$ 50m+ Clients	62	69	65
US\$ 100m+ Clients	24	30	33

*Last Twelve Months' services revenues

Key Wins

- Selected as Strategic Partner by a large mutual life-insurance company to manage IT Application Portfolio for driving efficiency, simplification and automation leveraging TCS Integrated Service Delivery Model and GNDM
- Expanded relationship with a leading retailer in North America through a multi-year managed services deal covering enterprise wide Application Management, Infrastructure Support and Assurance services
- Selected by a large universal bank in UK as a strategic partner for providing services across Application Development, Production Support and Service Delivery for a major transformation program.
- Selected by leading integrated Utility in North America as their strategic partner to manage and transform their IT Infrastructure operations
- Chosen by North American Telco service provider as strategic partner to transform its Quality Assurance and Testing organization
- Selected by global Life Sciences Diagnostics company for next phase of its SAP transformation program
- Selected as strategic partner by European Industrial Manufacturing company for Infrastructure services
- Selected as a strategic partner by a leading global manufacturer of protective and specialty packaging to manage and transform its Finance, HR and Procurement functions
- Selected by a leading technology company to provide end to end lab management services for all of their global product labs
- Selected by a leading Aircraft manufacturer for implementing a Data Lake for consolidation of all financial data across disparate IT systems & P&Ls for analytics and business insights
- Selected by a leading Aircraft manufacturer to develop IOT applications in the area of Contractual Services agreements
- TCS' TAP, the Accounts Payable Platform, was selected by a leading global media research firm to transform their Finance and Accounting Function to become leaner & more agile by improving efficiency of their Invoice to Payment Cycle
- Selected by a leading APAC publisher to complete transformation of its finance operations using TCS' TAP platform



Key Wins in Digital Services and Solutions

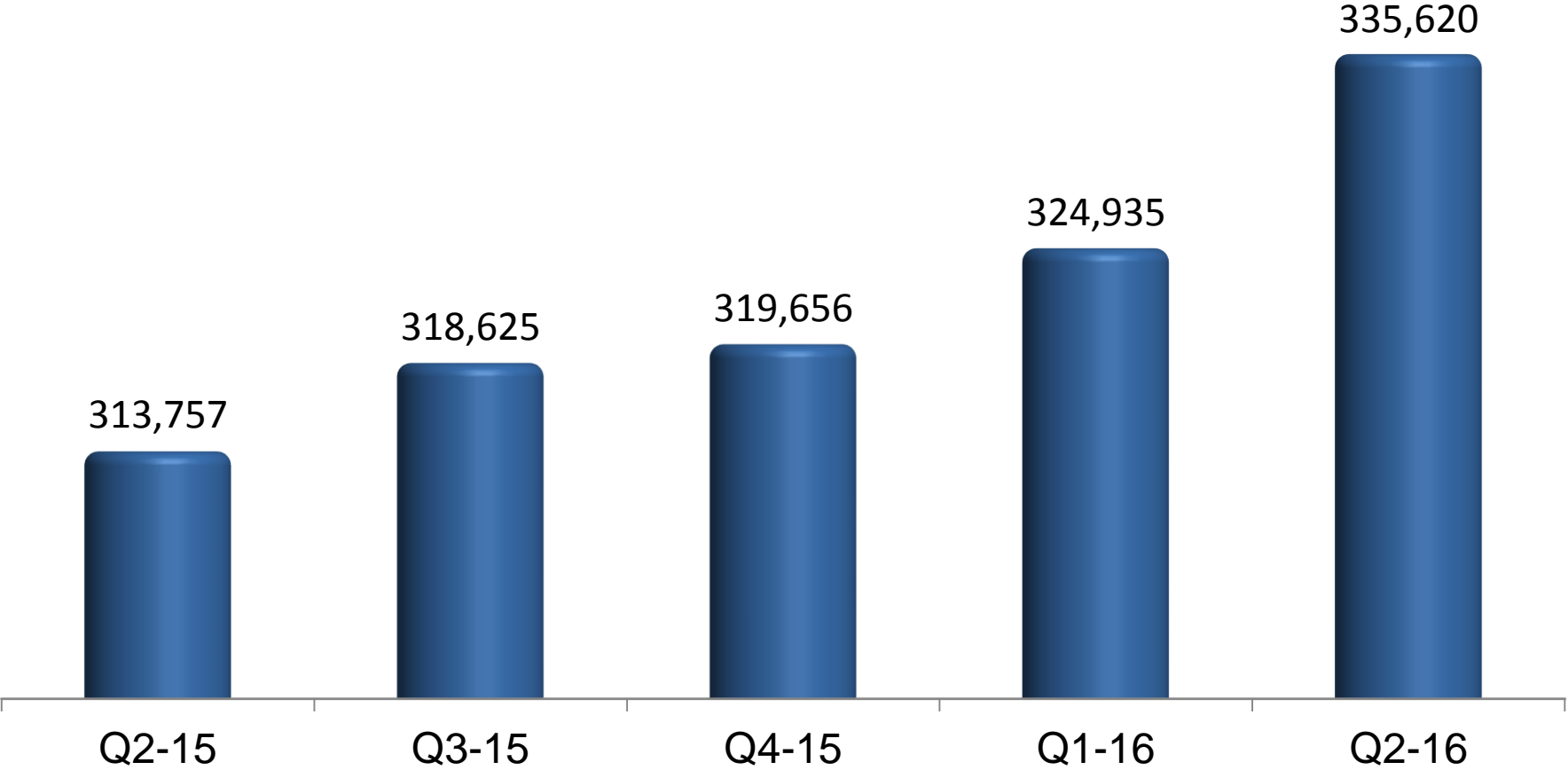
- Chosen by a global bank to create its strategy and technology roadmap for its advanced analytic needs using big data technologies
- Selected by an APAC bank to provide consulting services to develop architecture and roadmap for a Hadoop based Data Lake.
- Selected by an European retail conglomerate to implement its product information management program using big data technologies
- Selected by a European utilities company for analytics and insights
- Engaged by a leading Middle East bank for a consulting engagement to develop social media roadmap for its customer experience program
- Chosen by a leading North American bank to implement a social collaboration platform
- Engaged by a UK utilities company to provide consulting services to develop cloud based enterprise data integration platform
- Selected by a leading UK based insurance company as a strategic partner for their digital transformation initiative
- Chosen by a European bank as a strategic partner to develop a digital banking platform for its next generation customer experience program
- Chosen by a European bank to envisage and enhance its customer facing online channel

Human Resources



Total Employee Base

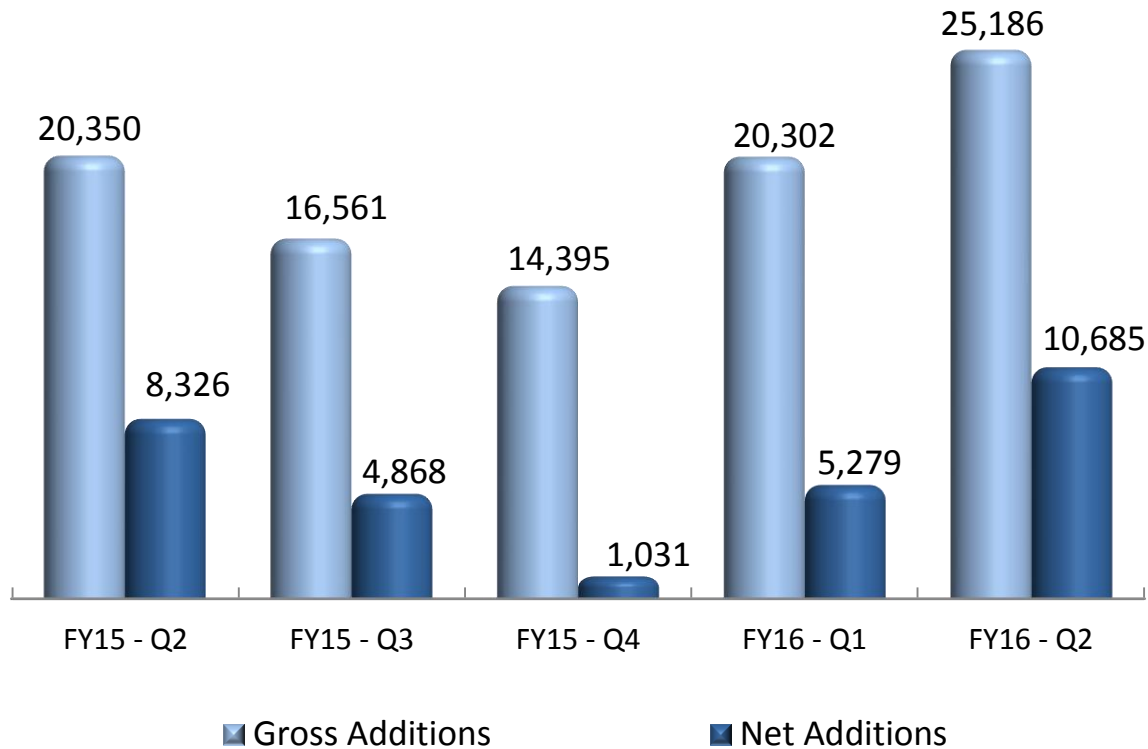
Total Employees : 335,620



Q2 Consolidated - Gross Additions 25,186 & Net Additions 10,685

Gross Additions:

- 9,943 Trainees & 10,978 Laterals in India
- 4,265 employees overseas



Attrition*:

- 15.5% (LTM), IT Services
- 16.2% (LTM), including BPS

Utilization Rate*:

- 86.0% (excluding Trainees)
- 82.3% (including Trainees)

Diversity:

- Women employees: 33.7%
- Nationalities: 127

* Excluding CMC & Diligenta

Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Revenue	238,165	256,681	271,655	100.00	100.00	100.00
Cost of revenue	132,405	144,679	151,501	55.59	56.37	55.77
Gross margin	105,760	112,002	120,154	44.41	43.63	44.23
SG & A expenses	41,818	44,518	46,618	17.56	17.34	17.16
Operating income	63,942	67,484	73,536	26.85	26.29	27.07
Other income (expense), net	5,659	7,711	6,750	2.38	3.00	2.48
Income before income taxes	69,601	75,195	80,286	29.23	29.29	29.55
Income taxes	16,045	17,468	19,356	6.74	6.80	7.12
Income after income taxes	53,556	57,727	60,930	22.49	22.49	22.43
Minority interest	673	638	378	0.29	0.25	0.14
Net income	52,883	57,089	60,552	22.20	22.24	22.29
Earnings per share in ₹	27.00	29.15	30.82			

COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Employee cost	91,549	100,676	103,964	38.44	39.22	38.27
Fees to external consultants	16,113	17,236	20,114	6.77	6.72	7.41
Equipment & software	3,794	6,586	5,606	1.59	2.57	2.07
Depreciation	2,876	3,249	3,344	1.21	1.26	1.23
Travel	3,926	3,515	4,184	1.65	1.37	1.54
Communication	1,960	2,095	1,884	0.82	0.82	0.69
Facility expenses	5,586	5,198	5,498	2.34	2.02	2.02
Other expenses	6,601	6,124	6,907	2.77	2.39	2.54
Cost of Revenue	132,405	144,679	151,501	55.59	56.37	55.77

SGA	₹ Million			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Employee cost	29,725	32,242	32,271	12.48	12.56	11.88
Fees to external consultants	1,246	1,204	1,466	0.52	0.47	0.54
Provision for Doubtful Debts	487	395	359	0.21	0.15	0.13
Depreciation	1,269	1,286	1,344	0.53	0.50	0.49
Facility expenses	2,639	2,929	3,035	1.11	1.14	1.12
Travel	2,447	2,511	2,591	1.03	0.98	0.95
Communication	784	714	770	0.33	0.28	0.28
Education, Recruitment & training	656	462	535	0.28	0.18	0.20
Marketing and Sales promotion	1,084	948	1,488	0.45	0.37	0.55
Other expenses	1,481	1,827	2,759	0.62	0.71	1.02
S G & A expenses	41,818	44,518	46,618	17.56	17.34	17.16



IFRS Statement of Financial Position

Consolidated IFRS	31-Mar-15		30-Sep-15	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	115,716	15.41	117,039	14.87
Intangible assets and Goodwill	39,308	5.23	39,484	5.02
Accounts Receivable	204,399	27.22	225,253	28.62
Unbilled Revenues	38,271	5.10	42,184	5.36
Investments	17,543	2.34	41,958	5.33
Cash and Cash equivalents	18,622	2.48	23,101	2.94
Other current assets	212,709	28.33	207,155	26.33
Other non current assets	104,300	13.89	90,755	11.53
Total assets	750,868	100.00	786,929	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	574,767	76.55	631,058	80.19
Long term borrowings	1,143	0.15	920	0.12
Short term borrowings	2,434	0.32	582	0.07
Other current liabilities	144,281	19.22	131,911	16.76
Other non-current liabilities	19,107	2.54	19,735	2.51
Minority Interest	9,136	1.22	2,723	0.35
Total Liabilities	750,868	100.00	786,929	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			%of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Revenue	3,929	4,036	4,156	100.00	100.00	100.00
Cost of revenue	2,184	2,275	2,318	55.59	56.37	55.77
Gross margin	1,745	1,761	1,838	44.41	43.63	44.23
SG & A expenses	690	700	713	17.56	17.34	17.16
Operating income	1,055	1,061	1,125	26.85	26.29	27.07
Other income (expense), net	93	121	103	2.38	3.00	2.48
Income before income taxes	1,148	1,182	1,228	29.23	29.29	29.55
Income taxes	265	274	296	6.74	6.80	7.12
Income after income taxes	883	908	932	22.49	22.49	22.43
Minority interest	11	10	6	0.29	0.25	0.14
Net income	872	898	926	22.20	22.24	22.29
Earnings per share in \$	0.45	0.46	0.47			



COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Employee cost	1,510	1,583	1,591	38.44	39.22	38.27
Fees to external consultants	266	271	308	6.77	6.72	7.41
Equipment & software	63	104	86	1.59	2.57	2.07
Depreciation	47	51	51	1.21	1.26	1.23
Travel	65	55	64	1.65	1.37	1.54
Communication	32	33	29	0.82	0.82	0.69
Facility expenses	92	82	84	2.34	2.02	2.02
Other expenses	109	96	105	2.77	2.39	2.54
Cost of Revenue	2,184	2,275	2,318	55.59	56.37	55.77

SGA	\$ Million			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Employee cost	490	507	494	12.48	12.56	11.88
Fees to external consultants	21	19	22	0.52	0.47	0.54
Provision for Doubtful Debts	8	6	5	0.21	0.15	0.13
Depreciation	21	20	21	0.53	0.50	0.49
Facility expenses	44	46	46	1.11	1.14	1.12
Travel	40	40	40	1.03	0.98	0.95
Communication	13	11	12	0.33	0.28	0.28
Education, Recruitment & training	11	7	8	0.28	0.18	0.20
Marketing and Sales promotion	18	15	23	0.45	0.37	0.55
Other expenses	24	29	42	0.62	0.71	1.02
SG&A expenses	690	700	713	17.56	17.34	17.16

IFRS Statement of Financial Position in USD

Consolidated IFRS	31-Mar-15		30-Sep-15	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,849	15.41	1,781	14.87
Intangible assets and Goodwill	628	5.23	601	5.02
Accounts Receivable	3,266	27.22	3,427	28.62
Unbilled Revenues	612	5.10	642	5.36
Investments	280	2.34	638	5.33
Cash and Cash equivalents	298	2.48	351	2.94
Other current assets	3,399	28.33	3,152	26.33
Other non current assets	1,667	13.89	1,381	11.53
Total assets	11,999	100.00	11,972	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	9,185	76.55	9,601	80.19
Long term borrowings	18	0.15	14	0.12
Short term borrowings	39	0.32	9	0.07
Other current liabilities	2,306	19.22	2,007	16.76
Other non-current liabilities	305	2.54	300	2.51
Minority Interest	146	1.22	41	0.35
Total Liabilities	11,999	100.00	11,972	100.00

Indian GAAP Income Statement - Consolidated

Consolidated Indian GAAP	₹ Crore			% of Revenue		
	Q2 FY15	Q1 FY16	Q2 FY16	Q2 FY15	Q1 FY16	Q2 FY16
Income	23,816	25,668	27,165	100.00	100.00	100.00
Expenditure						
a) Salaries & Wages	9,056	9,976	10,284	38.03	38.87	37.86
b) Overseas business expenditure	3,396	3,579	3,688	14.26	13.94	13.57
c) Other operating expenses	4,564	4,918	5,401	19.16	19.16	19.88
Total Expenditure	17,016	18,473	19,373	71.45	71.97	71.31
Profit Before Interest, Depreciation, Taxes & Other Income	6,800	7,195	7,792	28.55	28.03	28.69
Interest	67	4	4	0.28	0.02	0.02
Depreciation	449	471	485	1.88	1.83	1.79
Profit Before Taxes & Other Income	6,284	6,720	7,303	26.39	26.18	26.88
Other income (expense), net	663	740	702	2.78	2.88	2.59
Profit Before Taxes	6,947	7,460	8,005	29.17	29.06	29.47
Provision For Taxes	1,635	1,719	1,897	6.87	6.70	6.98
Profit After Taxes & Before Minority Interest	5,312	5,741	6,108	22.30	22.36	22.49
Minority Interest	68	30*	23	0.28	0.11	0.09
Net Profit	5,244	5,711*	6,085	22.02	22.25	22.40

* Adjusted post CMC merger



Indian GAAP Balance Sheet - Consolidated

Consolidated Indian GAAP	₹ Crore		%	
	31-Mar-15	30-Sep-15	31-Mar-15	30-Sep-15
<i>EQUITY AND LIABILITIES</i>				
Shareholders' Funds	50,634	60,307	68.74	78.41
Minority Interest	1,128	456	1.53	0.59
Short term and long term borrowings	300	92	0.41	0.12
Deferred tax liabilities (net)	343	387	0.47	0.50
Current liabilities and provisions	20,133	14,551	27.33	18.92
Non-current liabilities and provisions	1,123	1,125	1.52	1.46
Total Liabilities	73,661	76,918	100.00	100.00
<i>ASSETS</i>				
Fixed Assets (net)	12,311	12,358	16.71	16.07
Investments	1,662	4,074	2.26	5.29
Deferred tax assets (net)	594	707	0.81	0.92
Goodwill (on consolidation)	2,093	1,844	2.84	2.40
Cash and Bank Balance	18,556	17,414	25.19	22.64
Current Assets, Loans and Advances	28,765	32,289	39.05	41.98
Non-current assets, Loans and advances	9,680	8,232	13.14	10.70
Total Assets	73,661	76,918	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q1 FY16	Q2 FY16	Q1 FY16	Q2 FY16
USD	63.59	65.36	56.91%	56.55%
GBP	98.24	100.91	14.22%	14.51%
EUR	70.30	73.18	7.72%	7.56%
Others			21.16%	21.38%
Total			100.00%	100.00%

Thank You

IT Services
Business Solutions
Consulting

