

TCS Financial Results

Quarter I FY 2014 - 15



17th July 2014

Disclaimer

Certain statements in this release concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to manage growth, intense competition among Indian and overseas IT services companies, various factors which may affect our cost advantage, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which TCS has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. TCS may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

Highlights



Q1 FY15 Performance Highlights

➤ Revenue:

- INR Revenue of **₹221,110 Mn**, growth of **2.6% QoQ** and **22.9% YoY**
- USD Revenue of **\$3,694 Mn**, growth of **5.5% QoQ** and **16.7% YoY**
- Constant currency revenue growth of **4.8%**, volume growth of **5.7% QoQ**

➤ Profit:

- Operating Income at **₹ 58,149 Mn**, Operating Margin of **26.3%**
- Net Income at **₹ 50,578 Mn**, Net Margin of **22.9%**

➤ Demand:

- Clients in \$50M+ revenue band increased by **5** and in \$20M+ revenue band by **8**
- Strong growth in Telecom, Retail and Life Science

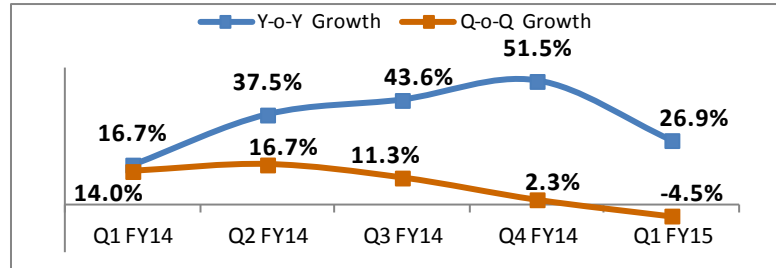
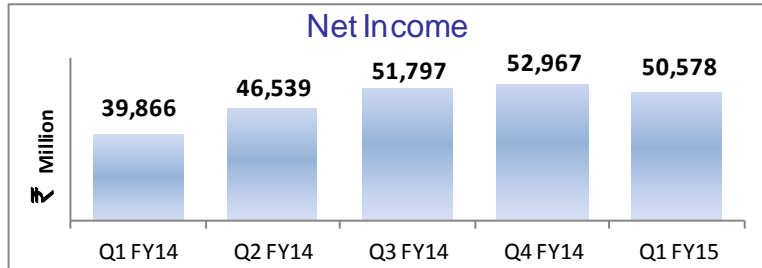
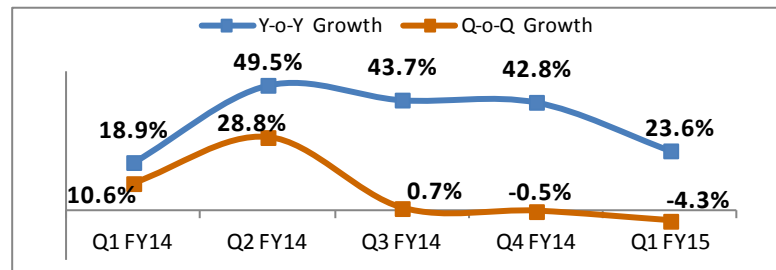
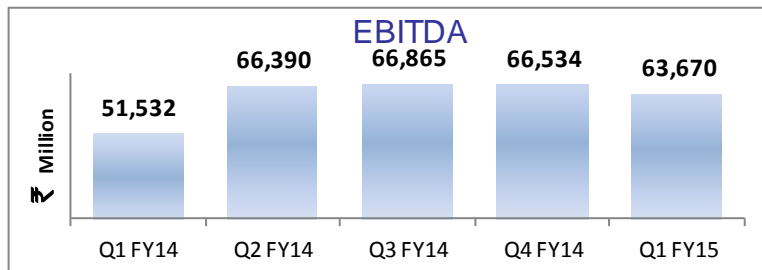
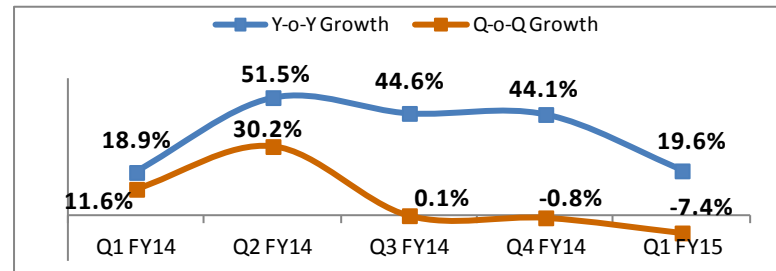
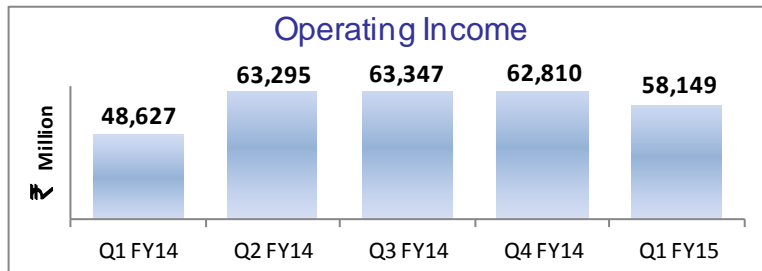
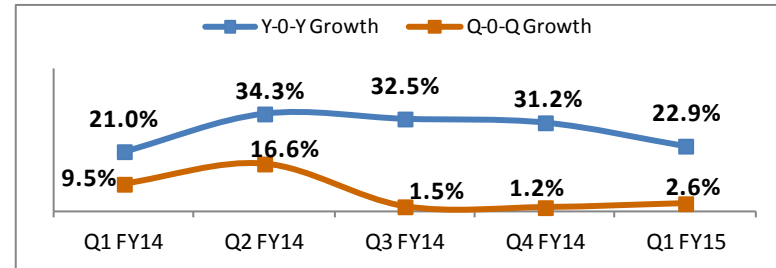
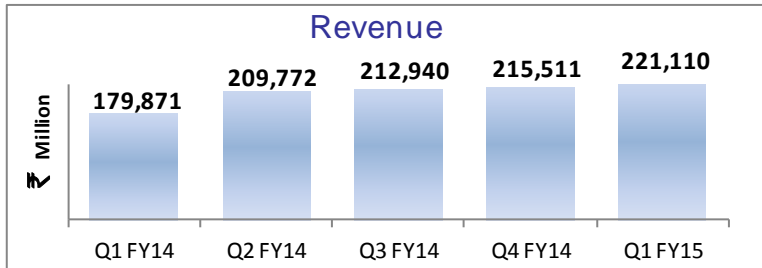
➤ People:

- Gross addition of **15,817** associates, closing headcount: **305,431**
- Utilization at **85.3%** (ex-trainees) and **79.8%** (including trainees)

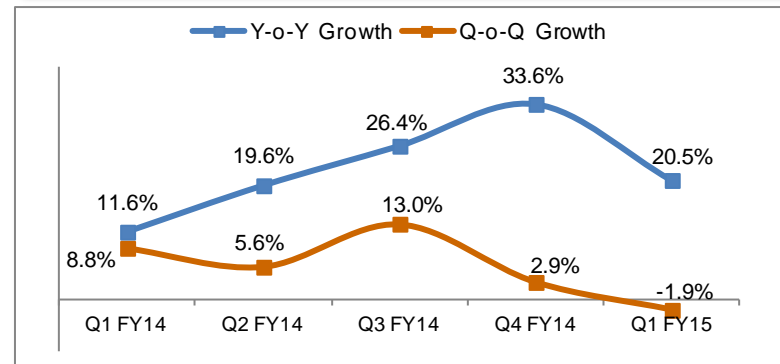
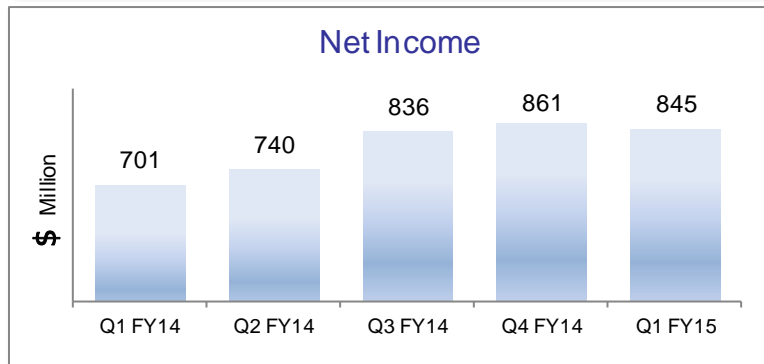
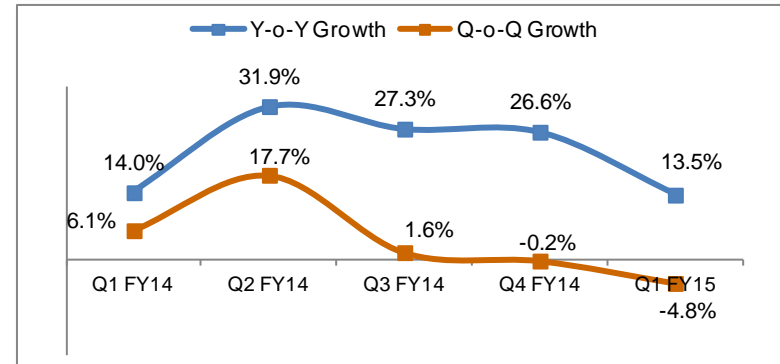
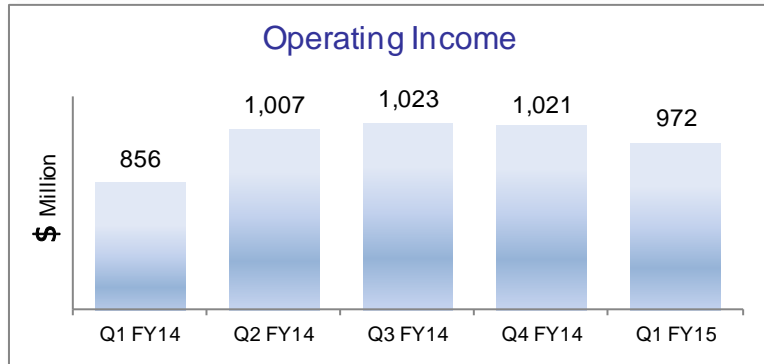
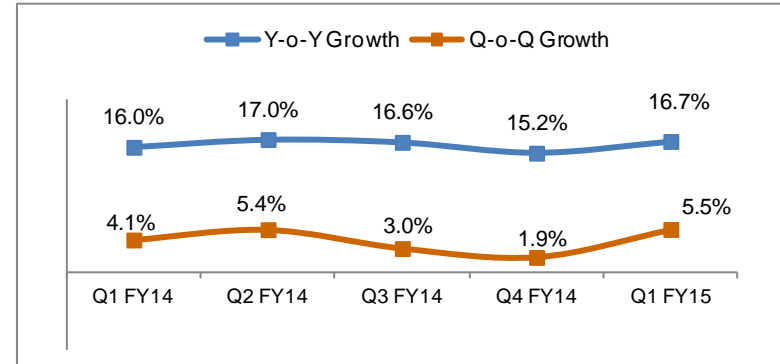
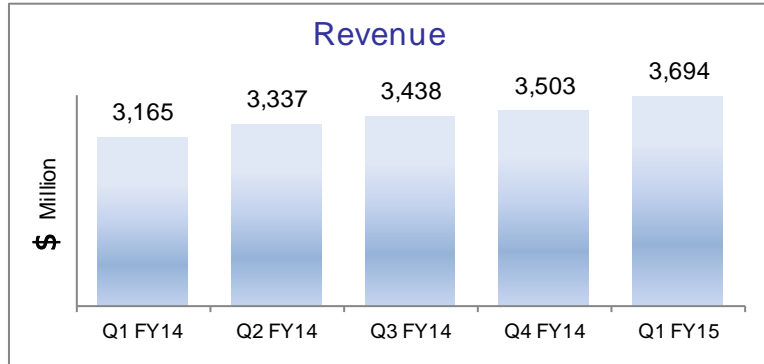
Financial Performance



Growth Summary (INR)



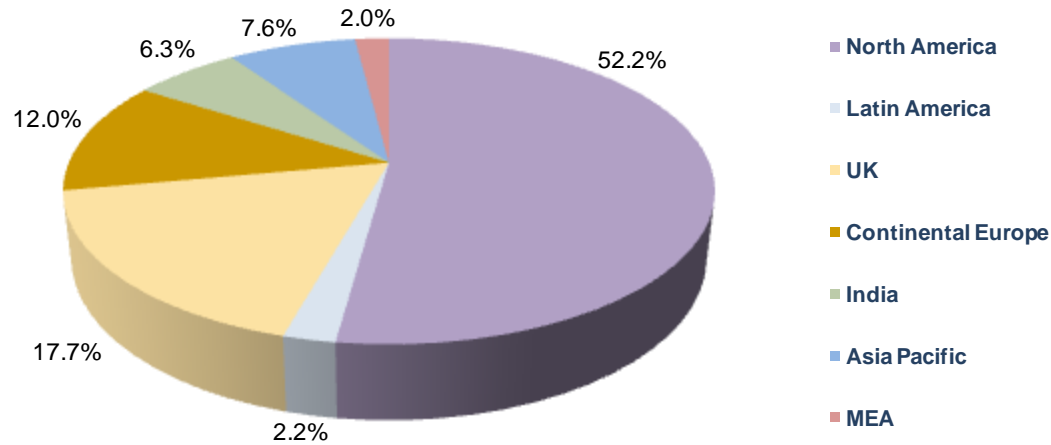
Growth Summary (USD)



Operational Performance



Growth by Market



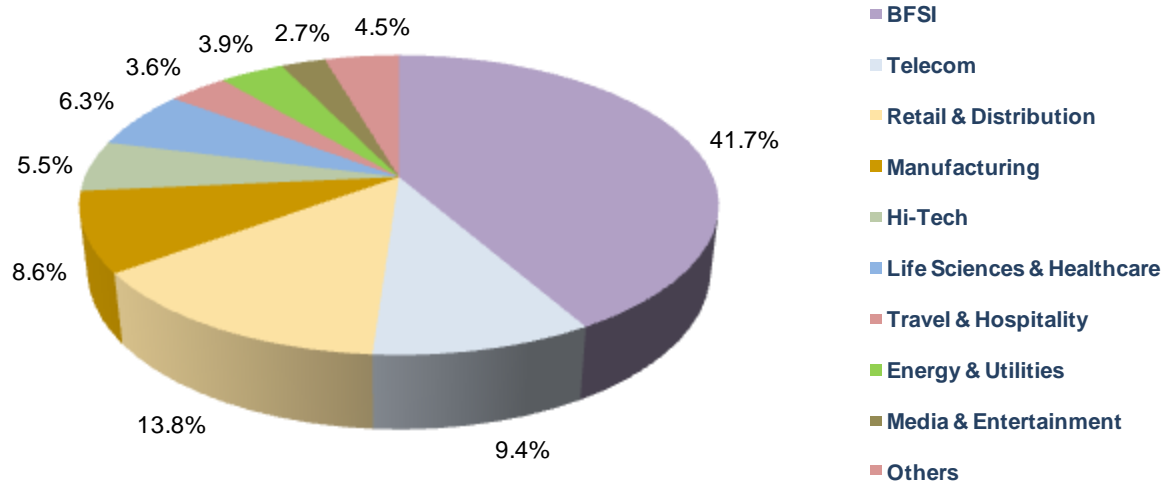
Geography (%)	Q1 FY14	Q4 FY14	Q1 FY15	Q-o-Q Growth	Y-o-Y Growth
Americas					
North America	54.1	52.2	52.2	2.6	18.5
Latin America	2.4	2.2	2.2	1.4	13.5
Europe					
UK	17.0	17.8	17.7	2.3	28.1
Continental Europe	9.9	12.1	12.0	1.8	49.3
India					
	7.6	6.2	6.3	5.2	2.1
Asia Pacific					
	6.9	7.4	7.6	4.5	34.9
MEA					
	2.1	2.1	2.0	-2.0	20.1
Total	100.0	100.0	100.0	2.6	22.9

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.



Growth by Domain



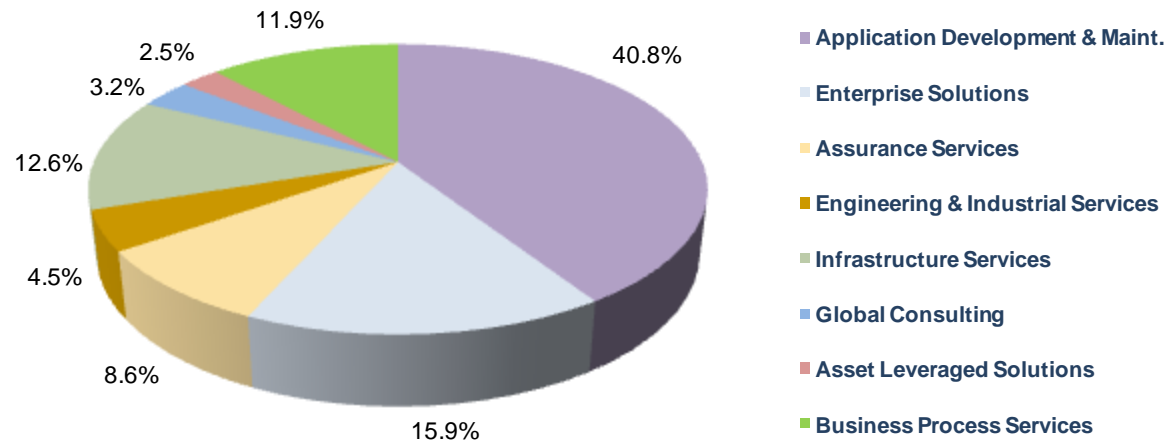
IP Revenue (%)	Q1 FY14	Q4 FY14	Q1 FY15	Q-o-Q Growth	Y-o-Y Growth
BFSI	43.0	42.9	41.7	-0.3	19.3
Telecom	9.6	9.3	9.4	4.0	20.6
Retail & Distribution	14.0	13.5	13.8	4.3	20.1
Manufacturing	8.4	8.6	8.6	2.6	24.8
Hi-Tech	5.5	5.3	5.5	5.6	23.5
Life Sciences & Healthcare	5.5	6.1	6.3	6.4	41.2
Travel & Hospitality	3.4	3.5	3.6	5.6	30.5
Energy & Utilities	3.7	3.8	3.9	5.0	30.8
Media & Entertainment	2.1	2.6	2.7	9.8	61.1
Others	4.8	4.4	4.5	5.6	15.9
Total	100.0	100.0	100.0	2.6	22.9

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.



Growth by Service Line



SP Revenue (%)	Q1 FY14	Q4 FY14	Q1 FY15	Q-o-Q Growth	Y-o-Y Growth
IT Solutions and Services					
Application Development & Maint.	42.3	41.0	40.8	2.0	18.3
Enterprise Solutions	15.1	15.7	15.9	4.1	29.8
Assurance Services	8.1	8.4	8.6	5.9	31.8
Engineering & Industrial Services					
Engineering & Industrial Services	4.7	4.8	4.5	-2.6	17.9
Infrastructure Services					
Infrastructure Services	11.9	12.0	12.6	7.2	30.0
Global Consulting					
Global Consulting	3.5	3.4	3.2	-2.1	13.7
Asset Leveraged Solutions					
Asset Leveraged Solutions	2.5	2.6	2.5	-3.5	20.8
Business Process Services					
Business Process Services	11.9	12.1	11.9	0.3	22.5
Total	100.0	100.0	100.0	2.6	22.9

Growth in INR terms

Note: The growth rates reported here are based on actual revenues in INR. Calculating growth using the % Rev figures might result in some variance due to rounding error.



Client Parameters

Clients Contribution *	Q1 FY14	Q4 FY14	Q1 FY15
US\$ 1m+ Clients	657	714	724
US\$ 5m+ Clients	309	354	359
US\$ 10m+ Clients	216	231	244
US\$ 20m+ Clients	124	136	144
US\$ 50m+ Clients	53	53	58
US\$ 100m+ Clients	19	24	24

*Last Twelve Months' services revenues

Operational Parameters

Revenue %	Q1 FY14	Q4 FY14	Q1 FY15
<i>Delivery Location</i>			
Local Delivery	46.3	47.0	47.1
Remote Delivery	53.7	53.0	52.9
<i>Global DC</i>	5.2	5.6	5.7
<i>India DC</i>	48.5	47.4	47.2
<i>Contract Type</i>			
Time & Material	47.8	47.6	47.5
Fixed Price & Time	52.2	52.4	52.5

Key Wins

- A US based global pharmaceutical and medical device company has selected TCS for a multi-year multi-million dollar end to end IT infrastructure outsourcing deal.
- A leading Nordics based Operator selected TCS as its partner to modernize and simplify the fixed network operations in a multi year contract.
- A large Australian Bank selected TCS as the preferred partner for providing IT services for its private banking, wealth management, insurance and superannuation lines of businesses.
- Leading North American Specialty Retailer has selected TCS as a Strategic Preferred Partner for Global Technology transformation.
- TCS has won a multi-million euro, multi-year engagement to provide Infrastructure Services to a leading fashion apparel retailer in Europe.
- Selected by a North American insurance company for a multi-million dollar, multi-year engagement to support and enhance their core IT Applications.
- A Global Semiconductor company awarded multi-year, multi-million dollar end to end managed infrastructure services deal.
- Won an engagement with an American healthcare and insurance company to build big data platform for enabling 360 degree customer view
- Selected by a large North American food retail chain to develop digital application to provide “on the go” analytics and enable quicker decision making for store managers
- Chosen by a leading global insurance major to develop customer centric sales applications using digital technologies.
- Won an engagement to define strategic roadmap and provide consulting services on operating model for campaign management for a major Australian superannuation service provider.
- Selected by an Asian telecom company to define its big data strategy and roadmap.

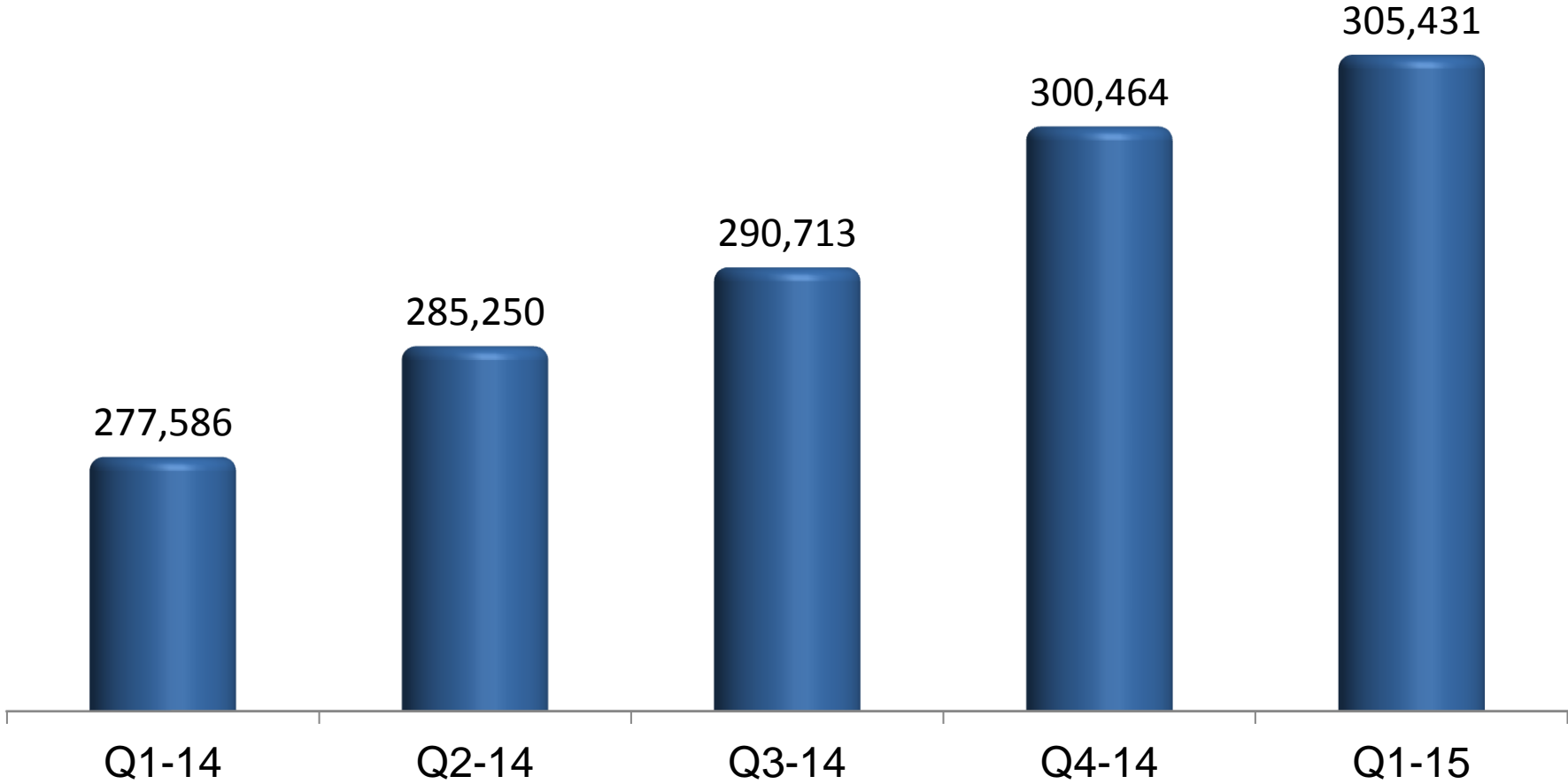


Human Resources



Total Employee Base

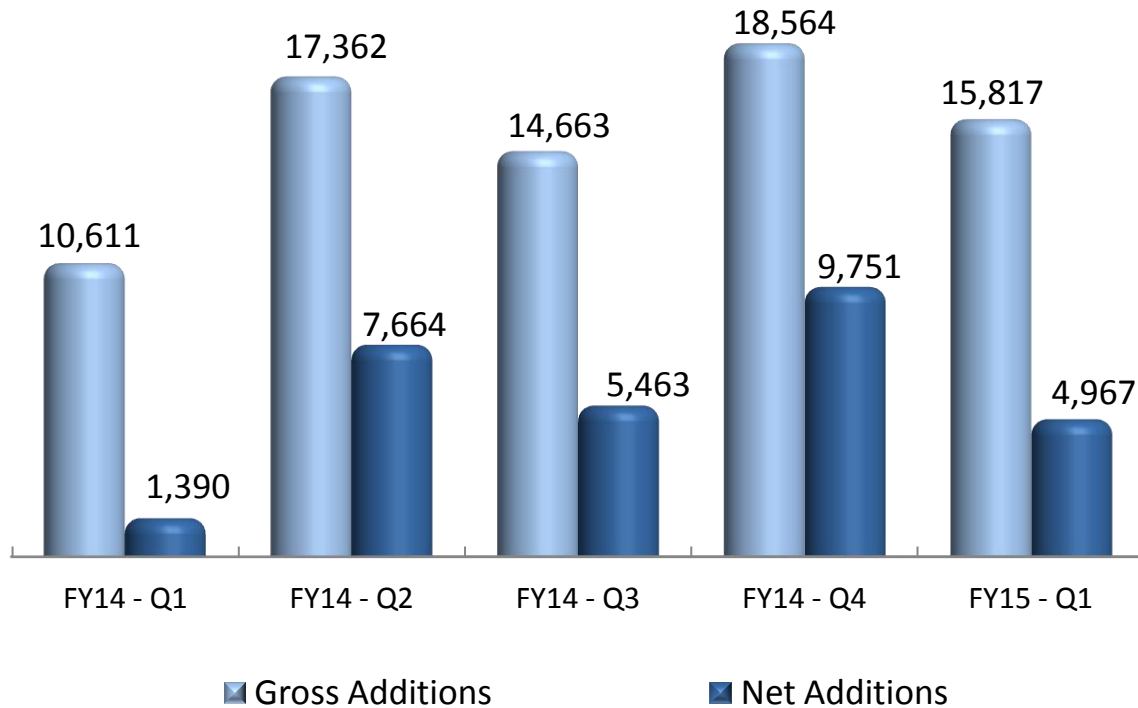
Total Employees : 305,431



Q1 Consolidated - Gross Additions 15,817 & Net Additions 4,967

Gross Additions:

- 3,452 Trainees & 8,488 Laterals in India
- 3,877 employees overseas



Attrition*:

- 12.0% (LTM), including BPS

Utilization Rate*:

- 85.3% (excluding Trainees)
- 79.8% (including Trainees)

Diversity:

- Women employees: 32.7%
- Nationalities: 119

* Excluding CMC & Diligenta

Annexure



IFRS Income Statement

Consolidated IFRS	₹ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Revenue	179,871	215,511	221,110	100.00	100.00	100.00
Cost of revenue	96,700	114,640	122,432	53.76	53.19	55.37
Gross margin	83,171	100,871	98,678	46.24	46.81	44.63
SG & A expenses	34,544	38,061	40,529	19.21	17.66	18.33
Operating income	48,627	62,810	58,149	27.03	29.15	26.30
Other income (expense), net	4,422	6,990	8,151	2.46	3.24	3.69
Income before income taxes	53,049	69,800	66,300	29.49	32.39	29.99
Income taxes	12,312	16,313	15,312	6.84	7.57	6.93
Income after income taxes	40,737	53,487	50,988	22.65	24.82	23.06
Minority interest	871	520	410	0.49	0.24	0.19
Net income	39,866	52,967	50,578	22.16	24.58	22.87
Earnings per share in ₹	20.37	27.04	25.82			

Expenses include an additional one time charge of ₹ 1,746 million in depreciation on account of change in useful life of assets as at April 1, 2014



COR – SG&A Details

COR	₹ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Employee cost	68,221	79,555	86,468	37.93	36.91	39.11
Fees to external consultants	11,025	12,377	13,244	6.13	5.74	5.99
Equipment & software	4,027	3,559	3,264	2.24	1.65	1.48
Depreciation	1,809	2,469	3,608	1.01	1.15	1.63
Travel	2,447	2,885	3,788	1.36	1.34	1.71
Communication	1,511	1,570	1,594	0.84	0.73	0.72
Facility expenses	3,731	4,534	4,580	2.07	2.10	2.07
Other expenses	3,929	7,691	5,886	2.18	3.57	2.66
Cost of Revenue	96,700	114,640	122,432	53.76	53.19	55.37

SGA	₹ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Employee cost	24,006	25,794	28,341	13.35	11.97	12.82
Fees to external consultants	766	1,718	1,242	0.43	0.80	0.56
Provision for Doubtful Debts	206	190	374	0.11	0.09	0.17
Depreciation	1,096	1,255	1,913	0.61	0.58	0.87
Facility expenses	2,737	2,818	2,453	1.52	1.31	1.11
Travel	2,117	2,569	2,335	1.18	1.19	1.06
Communication	637	720	779	0.35	0.33	0.35
Education, Recruitment and training	582	756	468	0.32	0.35	0.21
Marketing and Sales promotion	661	914	1,048	0.37	0.42	0.47
Other expenses	1,736	1,327	1,576	0.97	0.62	0.71
S G & A expenses	34,544	38,061	40,529	19.21	17.66	18.33



IFRS Balance Sheet

Consolidated IFRS	31-Mar-14		30-Jun-14	
	₹ Million	%	₹ Million	%
Assets				
Property and equipment	103,644	15.04	105,370	14.11
Intangible assets and Goodwill	41,568	6.03	41,539	5.56
Accounts Receivable	182,304	26.45	191,373	25.63
Unbilled Revenues	40,056	5.81	42,961	5.75
Investments	34,617	5.03	86,726	11.62
Cash and Cash equivalents	14,688	2.13	20,730	2.78
Other current assets	180,934	26.26	185,319	24.82
Other non current assets	91,314	13.25	72,685	9.73
Total assets	689,125	100.00	746,703	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	553,355	80.30	557,555	74.67
Long term borrowings	1,273	0.18	1,209	0.16
Short term borrowings	1,696	0.25	814	0.11
Other current liabilities	109,055	15.83	163,677	21.92
Other non-current liabilities	16,844	2.44	16,526	2.21
Minority Interest	6,902	1.00	6,922	0.93
Total Liabilities	689,125	100.00	746,703	100.00

IFRS Income Statement – In USD

Consolidated IFRS	\$ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Revenue	3,165	3,503	3,694	100.00	100.00	100.00
Cost of revenue	1,701	1,863	2,045	53.76	53.19	55.37
Gross margin	1,464	1,640	1,649	46.24	46.81	44.63
SG & A expenses	608	619	677	19.21	17.66	18.33
Operating income	856	1,021	972	27.03	29.15	26.30
Other income (expense), net	78	114	136	2.46	3.24	3.69
Income before income taxes	934	1,135	1,108	29.49	32.39	29.99
Income taxes	217	265	256	6.84	7.57	6.93
Income after income taxes	717	870	852	22.65	24.82	23.06
Minority interest	16	9	7	0.49	0.24	0.19
Net income	701	861	845	22.16	24.58	22.87
Earnings per share in \$	0.36	0.44	0.43			

Expenses include an additional one time charge of \$ 29 million in depreciation on account of change in useful life of assets as at April 1, 2014



COR – SG&A Details – In USD

COR	\$ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Employee cost	1,200	1,293	1,445	37.93	36.91	39.11
Fees to external consultants	194	201	221	6.13	5.73	5.99
Equipment & software	71	58	55	2.24	1.65	1.48
Depreciation	32	40	60	1.01	1.15	1.63
Travel	43	47	63	1.36	1.34	1.71
Communication	26	25	27	0.84	0.73	0.72
Facility expenses	66	74	76	2.07	2.10	2.07
Other expenses	69	125	98	2.18	3.58	2.66
Cost of Revenue	1,701	1,863	2,045	53.76	53.19	55.37

SGA	\$ Million			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
Employee cost	422	419	474	13.35	11.97	12.82
Fees to external consultants	13	28	21	0.43	0.80	0.56
Provision for Doubtful Debts	4	3	6	0.11	0.09	0.17
Depreciation	19	20	32	0.61	0.58	0.87
Facility expenses	48	46	41	1.52	1.31	1.11
Travel	37	42	39	1.18	1.19	1.06
Communication	11	12	13	0.35	0.33	0.35
Education, Recruitment and training	11	12	8	0.33	0.35	0.21
Marketing and Sales promotion	12	15	17	0.37	0.42	0.47
Other expenses	31	22	26	0.96	0.62	0.71
S G & A expenses	608	619	677	19.21	17.66	18.33

IFRS Balance Sheet in USD

Consolidated IFRS	31-Mar-14		30-Jun-14	
	\$ Million	%	\$ Million	%
Assets				
Property and equipment	1,726	15.04	1,754	14.11
Intangible assets and Goodwill	692	6.03	692	5.56
Accounts Receivable	3,035	26.46	3,186	25.63
Unbilled Revenues	667	5.81	715	5.75
Investments	576	5.02	1,444	11.61
Cash and Cash equivalents	245	2.13	345	2.78
Other current assets	3,012	26.26	3,085	24.82
Other non current assets	1,520	13.25	1,210	9.74
Total assets	11,473	100.00	12,431	100.00
Liabilities and Shareholders' Equity				
Shareholders' Funds	9,213	80.30	9,282	74.67
Long term borrowings	21	0.18	20	0.16
Short term borrowings	28	0.25	14	0.11
Other current liabilities	1,816	15.83	2,725	21.92
Other non-current liabilities	280	2.44	275	2.21
Minority Interest	115	1.00	115	0.93
Total Liabilities	11,473	100.00	12,431	100.00

Indian GAAP Income Statement - Consolidated

Consolidated Indian GAAP	₹ Crore			% of Revenue		
	Q1 FY14	Q4 FY14	Q1 FY15	Q1 FY14	Q4 FY14	Q1 FY15
INCOME						
a) IT & Consultancy Services	17,552	21,142	21,793	97.58	98.10	98.56
b) Manufacturing, Sale of equipment and Licences	435	409	318	2.42	1.90	1.44
Total Income	17,987	21,551	22,111	100.00	100.00	100.00
EXPENDITURE						
a) Salaries & Wages	6,965	7,581	8,532	38.72	35.18	38.59
b) Overseas business expenditure	2,498	3,186	3,283	13.89	14.78	14.85
c) Other operating expenses	3,380	4,095	3,943	18.79	19.00	17.83
Total Expenditure	12,843	14,862	15,758	71.40	68.96	71.27
Profit Before Interest, Depreciation, Taxes & Other Income	5,144	6,689	6,353	28.60	31.04	28.73
Interest	7	12	9	0.04	0.06	0.04
Depreciation	297	375	417	1.65	1.74	1.89
Profit Before Taxes & Other Income	4,840	6,302	5,927	26.91	29.24	26.80
Other income (expense), net	259	721	787	1.44	3.35	3.56
Profit Before Taxes & Exceptional Items	5,099	7,023	6,714	28.35	32.59	30.36
Exceptional items	-	-	490	-	-	2.22
Profit Before Taxes	5,099	7,023	7,204	28.35	32.59	32.58
Provision For Taxes	1,226	1,613	1,599	6.82	7.49	7.23
Profit After Taxes & Before Minority Interest	3,873	5,410	5,605	21.53	25.10	25.35
Minority Interest	33	52	37	0.18	0.24	0.17
Net Profit	3,840	5,358	5,568	21.35	24.86	25.18

Exceptional items consist of a write back of ₹ 665 crore due to change in method of charging depreciation on assets as at April 1, 2014 and a charge of ₹ 175 crore in depreciation due to change in useful life of assets as at April 1, 2014



Indian GAAP Balance Sheet - Consolidated

Consolidated Indian GAAP	₹ Crore		%	
	31-Mar-14	30-Jun-14	31-Mar-14	30-Jun-14
<i>EQUITY AND LIABILITIES</i>				
Shareholders' Funds	49,195	44,373	73.27	60.40
Minority Interest	708	712	1.06	0.97
Short term and long term borrowings	254	158	0.38	0.22
Deferred tax liabilities (net)	309	327	0.46	0.44
Current liabilities and provisions	15,543	26,725	23.15	36.38
Non-current liabilities and provisions	1,129	1,171	1.68	1.59
Total Liabilities	67,138	73,466	100.00	100.00
<i>ASSETS</i>				
Fixed Assets (net)	10,444	11,265	15.56	15.34
Investments	3,434	8,598	5.11	11.70
Deferred tax assets (net)	420	444	0.63	0.60
Goodwill (on consolidation)	2,269	2,272	3.38	3.09
Cash and Bank Balance	14,442	14,304	21.51	19.47
Current Assets, Loans and Advances	27,297	29,684	40.66	40.41
Non-current assets, Loans and advances	8,832	6,899	13.15	9.39
Total Assets	67,138	73,466	100.00	100.00

Currency mix and average realized rates in INR

Currency	Average rates		% of Revenue	
	Q4 FY14	Q1 FY15	Q4 FY14	Q1 FY15
USD	61.53	59.85	56.03%	55.83%
GBP	101.84	100.80	15.82%	15.85%
EUR	84.32	81.92	9.34%	9.14%
Others			18.81%	19.18%
Total			100.00%	100.00%

Thank You

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