

Digital Demand Drives Double Digit Growth in Q2 for TCS

Digital revenue at 28%, up 60% YoY (CC)

- ₹ Revenue grows +20.7% YoY¹; Constant Currency: +11.5% YoY
- Operating Margin at 26.5%; +144 bps expansion YoY
- Net Profit up 22.6% YoY

MUMBAI, October 11, 2018: Tata Consultancy Services (BSE: 532540, NSE: TCS), the leading IT services, consulting and business solutions firm reported its consolidated financial results according to Ind AS and IFRS for the period ending September 30, 2018.

Financial Highlights for Quarter Ended September 30, 2018

- Revenue at ₹ 36,854 crore, +20.7 % YoY
- Net Income at ₹ 7,901 crore, +22.6% YoY
- Operating Margin at 26.5%, an expansion of 1.4% YoY
- Earnings Per Share at ₹ 20.66, +22.7% YoY
- Net Cash from Operations at ₹ 7,363 crore ie 93.2% of Net Income
- Dividend per share of ₹ 4.00

Record date 24/10/18; Payment date 30/10/18

Business Highlights for Quarter Ended September 30, 2018

- BFSI, Retail verticals continue to accelerate: +6.1% and +15.6% YoY respectively
- UK and Europe lead growth: +22.8% YoY and +17.4% YoY respectively
- Superior client additions across bands: 4 new clients in the \$100M+ band, 7 in the \$20M+ band, 10 in the \$10M+ band, 11 in the \$1M+ band
- World's largest Agile-ready workforce: 279,000+ employees Agile trained
- Net addition of 10,227 in Q2: highest in 12 quarters
- Best-in-class retention: IT Services attrition rate steady at 10.9% LTM

Commenting on the Q2 performance, Rajesh Gopinathan, CEO and MD, said: *"We are very pleased with our all-round strong performance in Q2. Revenue growth was driven by expanding demand for digital transformation across verticals, and continued acceleration in BFSI and Retail. Our industry-leading digital growth, and best-in-class client metrics bear testimony to our standing as the preferred partner in our customers' growth and transformation initiatives."*

He added: *"Our Business 4.0 thought leadership framework, contextual knowledge, and full stakeholder capabilities differentiate us, and drive demand for our solutions and services. Our Machine First Delivery Model (MFD™) and Location-independent Agile methods are helping customers integrate automation deep within their enterprise, and orchestrate a more effective human-machine interplay to deliver superior customer experience at scale."*

¹ YoY: Year on Year. All growth rates are YoY, and in constant currency unless specified otherwise

N Ganapathy Subramaniam, Chief Operating Officer & Executive Director, said: *"This has been a very good quarter, with strong demand in areas like analytics, cloud and automation. Our Quartz Blockchain Solution is gaining traction, and we are seeing the creation of nascent ecosystems which could transform markets. Our Enterprise Agile 2020 vision is shaping open, collaborative workplaces and Agile ways of working. This, along with MFDm, is driving intelligent automation and the discovery of a new meaning to work ie training the machines with the contextual knowledge, scaling businesses and creating ecosystems. This people-first approach to the machine-first world is seen as a key differentiator by our clients in driving growth, competitive edge and innovation in their businesses"*

V Ramakrishnan, Chief Financial Officer, said: *"It is encouraging to be back in our preferred range of profitability at the operating level. Even as we expand our investments to build on our lead in the Digital space, our disciplined operations, the improving growth trajectory and a supportive currency make our margins resilient."*

Q2 Segment Highlights

Industries: Revenue growth accelerated in BFSI (+6.1% vs +4.1% in Q1) and Retail & CPG (+15.6% vs +12.8% in Q1) in Q2. Other verticals to show strong growth were: Energy & Utilities (+22.2%), and Life Sciences & Healthcare (+14.7%).

Markets: Growth was led by UK (+22.8%), Europe (+17.4%), and Asia Pacific (+12.5%). Revenue growth in North America accelerated further to 8.1%, versus 7% growth in Q1. India grew 7.4%.

Services: Business & Technology Services saw strong and broad-based revenue growth across service practices. Investments in new services and offerings, assets, thought leadership and innovation have started showing results in terms of deal wins and pipeline build-up, as well as through client and analyst endorsements and thought leadership publications.

- **Consulting & Services Integration:** The full-stakeholder strategy is playing out nicely and helping win and deliver end-to-end transformation initiatives for business stakeholders. Strategic offerings which address priorities of board-level significance, such as Enterprise Agility, M&A and Finance Transformations, saw excellent traction in Q2.
- **Digital Transformation Services:** TCS' Business 4.0 thought leadership framework to guide and shape the re-imagination of businesses for growth and transformation continues to resonate strongly with customers. Cloud Services, Analytics, IoT, TCS Interactive, Cyber Security and Enterprise Intelligent Automation, all experienced strong growth during the quarter. Newer service lines – Blockchain, Digital Workplace and Quality Engineering & Transformation – are seeing strong pipeline build-up.
- **Cognitive Business Operations:** CBO saw solid growth on a large base and the holistic, outcome-based approach continues to see strong traction in the market as customers seek to leverage TCS digital innovations such as MFDm™ for enhancing their customer experience and other priorities.

Key Highlights

- Selected by a leading UK retail chain to improve the in-store experience with next gen Interactive technologies leveraging virtual personal assistants. 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 (MFD™).
- Engaged by a large Australian Pay TV provider to increase 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.
- 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 roll out existing business frameworks to other geographies.
- Selected by one of the largest Swedish insurance companies to enable adoption of Workspace-as-a-Service by virtualization of the workspace leveraging the TCS Cloud platform. TCS will also enhance the security levels by providing security operation services, information assurance and several IT security management services.
- Selected by a leading US financial institution to help transform to a frictionless customer experience leveraging world class automation and for implementing the 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 and prevent revenue leakage by implementing TCS Revenue Recovery Solution.

"TCS has been involved as one of the key partners in enabling the Dow-DuPont 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"

DuPont

- 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 Eastern Retailer for enterprise application and 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.
- Engaged by Total, the 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.

"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"

Asda Stores Ltd

"After having integrated digital solutions within the Group, we now want to invent those of tomorrow by combining Total's know-how with the agility of TCS."

*Marie-Noëlle Semeria
 Senior Vice President and Group CTO, Total.*

Research and Innovation

- TCS Optumera™ won the "Best Application of AI in the Enterprise Category" award at The Alconics from amongst 300 candidates
- TCS Analytics & Insights' offering, DecisionFabric™ for Pharmacovigilance won the award for Usage of Technology for Operational Excellence at the CMO Asia Awards 2018.
- TCS' Research Scientist was the winner of the University Challenge of the DST-Lockheed Martin - Tata Trusts India Innovation Growth Programme (IIGP) 2.0 for 2018

As on September 30, 2018, the company has applied for **4185** patents, including **207** applied during the quarter and has been granted **782** patents

Human Resources

TCS added **10,227** employees on a net basis in Q2, the highest net addition in 12 quarters. Total employee strength at the end of Q2 stood at **411,102** on a consolidated basis. The percentage of women in the workforce rose further to **35.7%**, while the total number of nationalities represented grew to **147**.

The company's investments in organic talent development resulted in a cumulative **12.4 million** learning hours, that trained over **278K** employees in digital technologies, and over **279K** employees in Agile methods. TCS continued to have the best retention rate in the industry, with IT Services attrition rate (LTM) staying unchanged sequentially at **10.9%**.

As part of the 'Billion Steps Challenge', one of the largest employee engagement initiatives undertaken as part of the company's year-long golden jubilee celebrations, employees were challenged to walk or run individually or in groups within a 10-day window, so as to collectively log a billion steps in a special app. This unique employee challenge drew 200,000 participants globally who logged a record 3 billion steps.

"Our investments in organic talent development and innovative employee engagement initiatives continue to deliver best-in-class HR outcomes. This quarter, we introduced yet another innovation, democratizing the entry-level talent acquisition processes in India with the TCS National Qualifier Test. To all the talented youth out there, I want to say this: Regardless of where you are from, if you have the talent and the drive, we have a career for you," said **Ajoy Mukherjee, Executive Vice President and Global Head, Human Resources.**

Awards and Recognition

Business Leadership:

- Voted the **Overall Most Outstanding Company** in India, in **Asiamoney's 2018 Asia's Outstanding Companies** poll.
- Ranked #35 on the **Forbes 2000 list of World's Best Regarded Companies in 2018**
- TCS emerged as the **third most valuable brand in India** by the Kantar Millward Brown Brand Z Report., and the **only IT company in the top 10**
- Named as the '**Nearshore Company of the Year**' 2018 in the third edition of the Nexus Illuminate Awards, in Latin America
- Recognized as one of the **Achievers 50 Most Engaged Workplaces™** in North America
- TCS' #DigitalDirections campaign won three accolades at the Communicate magazine's **Corporate Engagement Awards**:
 - Two Golds, in the '**Best Stakeholder Communications**' and '**Best Sponsorship Activity To Support or Develop A Corporate Reputation**' categories
 - One Silver in the '**Best PR and external communications**' category

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- Won **The Best Innovation Centre by a Non-Financial Services Institution** at The Asian Banker Financial Technology Innovation Awards 2018.
- TCS BaNCS, along with its customer DBS, won the **Financial Markets Technology Implementation of the Year – Best Custodian System Implementation** at The Asian Banker Financial Markets Awards 2018.
- Won **Frost & Sullivan’s Award for 2018 Asia-Pacific BPM Solutions Provider of the Year**

Partner:

- Won the **Business Excellence - Market Development award** at the **2018 Cloudera Partner Impact Awards**; additionally, named the **North EMEA Partner of the Year**
- Awarded the **Salesforce Partner Innovation Award** during Dreamforce 2018

IFRS Financial Statements

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended September 30, 2017, June 30, 2018 and September 30, 2018
(In millions of ₹, except per share data)

	Three-month period end September 30, 2017	Three-month period ended June 30, 2018	Three-month period ended September 30, 2018
Revenue	305,410	342,610	368,540
Cost of revenue	176,110	200,830	212,000
Gross margin	129,300	141,780	156,540
SG & A expenses	52,700	56,000	58,830
Operating income	76,600	85,780	97,710
Other income (expense), net	8,120	12,080	5,930
Income before income taxes	84,720	97,860	103,640
Income taxes	20,120	24,240	24,370
Income after income taxes	64,600	73,620	79,270
Minority interest	140	220	260
Net income	64,460	73,400	79,010
Earnings per share in ₹	16.84	19.17	20.66

Unaudited Condensed Consolidated Statements of Financial Position
As of March 31, 2018 and September 30, 2018
(In millions of ₹)

	As of March 31, 2018	As of September 30, 2018
Assets		
Property and equipment	116,000	115,580
Intangible assets and Goodwill	38,960	40,060
Accounts Receivable	250,370	286,980
Unbilled Revenues	69,130	88,600
Investments	360,080	285,050
Cash and Cash equivalents	48,830	55,620
Other current assets	90,050	68,830
Other non-current assets	110,670	100,040
Total Assets	1,084,090	1,040,760
Liabilities and Shareholders' Equity		
Shareholders' Funds	872,410	782,640
Long term borrowings	540	460
Short term borrowings	1,930	170
Other current liabilities	176,350	225,300
Other non-current liabilities	28,840	27,980
Minority Interest	4,020	4,210
Total Liabilities	1,084,090	1,040,760

Ind AS Financial Statements

Consolidated Statement of Profit and Loss
For the Quarter ended September 30, 2017, June 30, 2018 and September 30, 2018
(In crores of ₹, except per share data)

	Quarter ended September 30, 2017	Quarter ended June 30, 2018	Quarter ended September 30, 2018
INCOME	30,541	34,261	36,854
EXPENDITURE			
a) Employee costs	16,572	18,548	19,525
b) Cost of equipment and software licences	693	613	522
c) Other operating expenses	5,112	6,029	6,529
d) Depreciation	504	493	507
Total Expenditure	22,881	25,683	27,083
Profit Before Taxes & Other Income	7,660	8,578	9,771
Other income (expense), net	812	1,208	593
Profit Before Taxes	8,472	9,786	10,364
Provision For Taxes	2,012	2,424	2,437
Profit After Taxes & Before Minority Interest	6,460	7,362	7,927
Minority Interest	14	22	26
Net Profit	6,446	7,340	7,901
Earnings per share in ₹	16.84	19.17	20.66

Consolidated Balance Sheet
As at March 31, 2018 and September 30, 2018
(In crores of ₹)

	As at March 31, 2018	As at September 30, 2018
ASSETS		
Property, plant and equipment	11,506	11,527
Investments	36,008	28,505
Deferred Tax Assets (net)	3,449	2,808
Goodwill (on consolidation)	1,745	1,794
Cash and Bank Balance	7,161	5,862
Current Assets, Loans and Advances	38,356	43,595
Non-current Assets, Loans and Advances	8,071	7,869
Total Assets	106,296	101,960
EQUITY AND LIABILITIES		
Shareholders' Funds	85,128	76,148
Minority Interest	402	421
Short term and long term borrowings	235	46
Deferred Tax Liabilities (net)	1,170	1,271
Current liabilities and provisions	17,647	22,547
Non-current liabilities and provisions	1,714	1,527
Total Liabilities	106,296	101,960

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions. This is delivered through its unique Location Independent Agile delivery model, recognized as a benchmark of excellence in software development.

A part of the Tata group, India's largest multinational business group, TCS has over 411,000 of the world's best-trained consultants in 46 countries. The company generated consolidated revenues of US \$19.09 billion in the fiscal year ended March 31, 2018, and is listed on the BSE (formerly Bombay Stock Exchange) and the NSE (National Stock Exchange) in India. TCS' proactive stance on climate change and award winning work with communities across the world have earned it a place in leading sustainability indices such as the Dow Jones Sustainability Index (DJSI), MSCI Global Sustainability Index and the FTSE4Good Emerging Index. For more information, visit us at www.tcs.com.

To stay up-to-date on TCS global news, follow [@TCS_News](https://twitter.com/TCS_News).

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