

TCS: Strong Share Gains in Europe Stand Out in Seasonally Weak Q3

- Q3 CC Revenue Growth of **6.8%** YoY
- Europe (**+15.9%** YoY), LSHC (**+17.1%** YoY) Drive Growth
- Operating Margin at **25%**

MUMBAI, January 17, 2020: Tata Consultancy Services (BSE: 532540, NSE: TCS), the leading global IT services, consulting and business solutions organization, reported its consolidated financial results according to Ind AS and IFRS, for the quarter ending December 31, 2019.

Financial Highlights for Quarter Ended December 31, 2019

- Revenue at **₹39,854** crore, **+6.7%** YoY
- Constant currency revenue growth: **+6.8%** YoY
- Net Income at **₹8,118** crore, **+0.2%** YoY
- Operating Margin at **25%**; Net Margin at **20.4%**
- Earnings Per Share at **₹21.63**, **+0.2%** YoY
- Net Cash from Operations at **₹9,451** crore ie **116.4%** of Net Income
- Dividend per share: ₹ 5.00

Record date 25/01/2020; Payment date 31/01/2020

Business Highlights for Quarter Ended December 31, 2019

- Life Sciences & Healthcare continues to outperform, growing **+17.1%** YoY; Manufacturing grew **+9.2%** YoY and Communications & Media grew **+9.5%**
- Europe grew **+15.9%** YoY
- Net addition of **22,390** employees YTD
- 93% of the **30K** freshers onboarded in H1 deployed in projects
- Continued investments in organic talent development:
 - **327K+** employees trained in digital technologies
 - **404K+** employees trained in Agile methods
- Industry-leading talent retention: IT Services attrition rate at **12.2%** LTM

Commenting on the Q3 performance, **Rajesh Gopinathan, Chief Executive Officer and Managing Director**, said: *"We saw the sectoral trends of the first half of the year continue to play out in the third quarter. Our robust order book during the quarter reflects our ability to pitch innovative technology solutions to address the business needs of different stakeholders in the enterprise, and participate in our customers' enterprise-wide transformation initiatives. This is also helping deepen and broaden our customer relationships, and make the business more resilient."*

He added: *“Our participation in the growth and transformation spends of our customers is most evident in our sustained success in continental Europe where our revenues have more than doubled in the last five years. Our thought leadership in areas like the Business 4.0™ framework, Enterprise Agility and the Machine First Delivery Model, our domain and technology consulting expertise, investments in research and innovation, and our ability to design complex solutions leveraging multiple capabilities from across TCS, have made us the preferred partner for CEO-level initiatives at progressive organizations.”*

N Ganapathy Subramaniam, Chief Operating Officer & Executive Director, said: *“In a seasonally weak quarter characterized by furloughs across multiple industry verticals, we focused on execution, while continuing to invest for future growth. Having onboarded over 30,000 trainees in the first half of the year, we worked on driving up utilization in Q3 and had good outcomes. Our client metrics were also very good, with additions across most revenue buckets.”*

He added: *“Our large core transformation engagements are all progressing very well. At M&G Prudential as well as at Scottish Widows, we crossed important transformation milestones, successfully migrating hundreds of thousands of policies from legacy systems onto our platform, significantly enhancing the customer experience for those policy holders. These are industry-defining engagements, closely watched by other insurance companies. Our achievement of these key milestones adds further impetus to their own transformation plans.”*

V Ramakrishnan, Chief Financial Officer, said: *“Our ability to expand our margins in a volatile environment speaks of the strength of our business model, strong execution focus and the higher quality revenues we are getting on account of our strong positioning in our customers’ growth and transformation spends.”*

Q3 Segment Highlights

Industries: Revenue growth was led by Life Sciences & Healthcare (+17.1%), Communications & Media (+9.5%) and Manufacturing (+9.2%). Other verticals – BFSI (+5.3%), Retail & CPG (+5.1%) and Technology & Services (+3.3%) – showed more modest growth.

Markets: Growth was led by Europe (+15.9%) and MEA (+10.8%). and UK (+7.5%). North America and Asia Pacific grew 4.1% and 5.7% respectively. India grew 6.4% while Latin America grew +6.2%.

Services:

- **Consulting & Services Integration:** Saw strong growth in Q3, led by next-gen enterprise transformation services, M&A, divestiture and Supply Chain as a Service.
- **Digital Transformation Services:** The MFD™ framework which integrates Automation, Analytics and AI has been central to many core transformation deals. Growth in Q3 was led by Enterprise Intelligent Automation, Cyber Security, IoT and Enterprise Application Services.
- **Cognitive Business Operations:** Continuing to see strong growth in managed hybrid cloud services. TCS’ new operating models leveraging service reliability engineering, AIOps powered by ignio™ and Agile are seeing strong traction. Q3 order book was the strongest in the last several quarters.

Key Highlights

- **Walgreens Boots Alliance**, a leading North American pharmacy retailer, selected TCS as trusted partner to accelerate the work on transforming its critical pharmacy operating system leveraging TCS contextual knowledge. The solution will be cloud native with modern architecture enabling business agility and improved customer's experience.
- **Petco**, America's leading pet specialty retailer, selected TCS Optumera™, the award-winning AI-powered merchandize optimization suite, to hyper-localize and optimize its store products and space strategies in an integrated way, with greater speed and precision in decision-making, and deliver an improved end-to-end customer experience.
- **IAG Tech**, part of International Airlines Group, has extended its strategic technology partnership by selecting TCS to support existing datacenter infrastructure and services. This multi-year managed services contract will optimize and support datacenter operations, standardize processes and technologies, and reduce the legacy IT footprint to enable IAG's datacenter transformations across all operating companies.
- Chosen by **Bayer**, a leading life sciences company, as a strategic partner to provide IT transformation services across the pharmaceuticals and consumer health business, as well as in the area of corporate functions and HR across the enterprise. TCS was selected for its capabilities in research and development, as well as track record in delivering large and complex engagements.
- Selected by a France-based global pharmaceutical company, for end to end transformation of the user experience, enabled by Digital Workplace Services, leveraging the combined strengths of next gen analytics and cognitive automation with robust global service delivery capability.
- Selected by one of the largest pan-Asian life insurance groups to deliver a major cloud transformation and modernization program, leveraging Agile techniques, to enable hyper personalized customer experience and to support future growth.
- Engaged by a UK-based multinational pharmaceutical company to deliver an Agile/Dev-Ops transformation of its IT Research and Development operating model. This value-driven Agile culture will enable the company to deliver "medicines that matter" and change patient's lives by focusing on a unique equation combining Science x Technology x Culture.
- Chosen by a global banking and financial services holding company as its partner for transforming its FDIC compliance regulatory reporting.

"The consolidation of multiple platforms onto a single standards-based solution has been Strate's business vision, and with the TCS BaNCS for Market Infrastructure Solution, we have been able to achieve our objectives with ease. Our long partnership with TCS, complemented by TCS BaNCS' successful track record for transformation program delivery, has assisted in the successful deployment and operationalization of the platform, supporting five exchanges in South Africa. The new solution has created common reference data and uniform messaging standards across all asset classes and business processes for all the markets we service, as well as enabling us to roll out newer services faster."

André Nortjé
CEO, Strate

- Selected by **CSL Behring**, a leading rare diseases biotech company, as a strategic business technology partner to help consolidate and transform its operations and business enablement model and support its accelerated growth plans.
- Chosen by a major UK-based financial services company, to re-imagine and transform the employee experience by implementing a persona-centric, modern and collaborative Digital Workplace to dramatically improve workplace productivity, co-ordination, agility and innovation. TCS will also transform the security ecosystem to provide superior protection against major cyber threats.
- Selected by a leading UK-based multinational energy and utilities company as their strategic innovation-ecosystem partner for transforming their product portfolio and innovating at scale. The engagement includes building capabilities for legacy modernization, cloud transformation, integration of acquisitions, and AI-based data security compliance with GDPR/CCPA regulations.
- One of Australia's leading banks is expanding its strategic partnership with TCS to drive service management transformation in its Consumer Banking, Business Banking, Institutional Banking businesses and corporate functions. As the single partner of choice, TCS will enable this transformation leveraging TCS' Run-the-Bank framework and assets, Machine First™ Delivery Model and its cognitive automation product, ignio™.
- Chosen by a pioneering high-end luxury fashion group based in France, to transform their global finance and supply chain functions for better customer experience and efficient operations. TCS will lead the design and deployment of the enterprise resource planning template to rationalize applications for their North America operations to ensure faster time to market, streamlined fashion management supply chain cycle and greater efficiency.
- Selected by a US-based multinational pharmaceutical company for enabling real-time analytics to optimize their business functions including manufacturing, sales, transportation, scrap & raw materials inventory, and quality metrics analysis. TCS will develop a solution on a leading public cloud platform using state-of-the-art data analytics and visualization technologies.
- Selected by a global leader in the transportation and storage of specialty chemicals, to stay ahead of changing markets by modernizing its big data platform on the cloud. This will help unlock the

"Petco is re-imagining our merchandising strategy leveraging TCS Optumera, to support a seamless omni-channel shopping experience for our customers. Optumera is expertly designed to help enhance the speed of critical merchandising decisions, like floor space and assortment mix, to improve the overall customer experience."

Mike Nuzzo
Chief Operating Officer, Petco

"Our strategy to ensure the realization of our business goals led us to identify irregularities in our current systems and acknowledge issues with performance, database size and manual business processes. TCS as a partner, has the meticulous skills, experience and insights to help us stride through this extremely complex and demanding transformation initiative."

Annie Alipao
CIO, Ayala Land, Inc

power of data, accelerate the growth and transformation journey for organizational agility, and deliver enhanced business ROI.

- Engaged by an American Fortune 100 energy company, for enhancement and managed services for their IoT-based mobile field management suite of applications. This application is used to track their real time field problems, relevant maintenance service, resource planning, outage management and periodic inspections.
- Engaged by one of the largest telecom service provider in USA, to implement an online device registration portal leveraging a leading IoT platform to enhance their connectivity management API with real time inputs, provisioning, monitoring, usage management, reporting & analytics integrated with messaging, location services and firmware management features.
- Engaged by a leading US-based automated pool accessories manufacturer as partner in their connected pool IoT solution for its line of residential pool equipment to generate additional revenue streams and increased market share from hi-tech value-added services.
- Engaged by one of the largest American multinational technology companies, to transform their current legacy and home-grown HR systems and processes, and enable their transition to a unified cloud platform for seamless employee onboarding, superior engagement and experience.
- Selected by a leading American health insurer to improve engagement of customers and partners, while creating new efficiencies in related business functions. A leading cloud-based health insurance CRM platform will replace the legacy front and back-office systems, reimagining how business is done and provide a unified experience across business functions.
- Engaged by a US-based bank to streamline its customer engagement channels and operations, migrating its legacy technology applications to a leading cloud-based financial services CRM solution. This move will consolidate business processes and systems across its retail, wealth, and commercial lines of business, to increase customer wallet-share.
- Selected by a leading networking company based in the US to manage onboarding, migration, and integration of its most recently acquired company to its operations and enterprise platforms on the cloud. This integration will ensure that the investment made in the acquisition is maximized through cross-selling solutions across the respective customer segments.
- Chosen by a British semiconductor and software design company for its employee experience transformation program designed to consolidate its diverse HR portfolio into a harmonized platform which will help improve employee experience.

“TCS has a strong track record of delivery with Cardinal Health. We look forward to elevating our partnership and accelerating the transformation of our IT operating model to enable growth. TCS’ approach toward driving Enterprise Agility and its ability to leverage key digital technologies such as ignio and their MFDM framework positions it as a preferred transformational partner. TCS’ investments align well with our strategic digital transformation roadmap.”

Greg Boggs
Senior Vice President, Cardinal Health

- Engaged by a global pharmaceutical giant based in Germany to deliver digital content production services for its global marketing needs as part of its renewed go to market strategy.
- Selected by a global medical devices company, to prepare for scaling blockchain solution for tracking movement of surgical supplies. The pilot solution that has been deployed to improve visibility from manufacturing through distribution would be evolved to scale up transaction volumes in 2020.
- Selected by a global leader in airline catering, retail-on-board and hospitality products and services, to host their ERP and Analytics applications on the TCS Enterprise Cloud Platform, and provide ongoing support for ERP administration.
- Selected by a major UK insurer for transforming its IT infrastructure to meet dynamically growing business requirements, leveraging the TCS Enterprise Cloud Platform.
- Engaged by a leading global financial services firm, as the strategic partner to modernize their application portfolio, currently on legacy mainframe systems, to a leading public enterprise cloud platform by leveraging TCS' Cloud Migration & API factory model.
- Chosen by a leading multinational bank based in Europe to govern and manage their risk and assurance process for security infrastructure. TCS will enable it to transform to a new operating model leveraging its Machine First approach, and migrate their SOC to a cloud to optimally support increased demand with real-time analysis and visualization of machine data.
- Engaged by a Netherlands-based global semiconductor manufacturer as a delivery and innovation partner to transform their overall security posture, by setting up a robust security operations center with contextualized threat intelligence and orchestration, leveraging intelligent automation technologies.
- Engaged by a leading American coffee company and coffeehouse chain to support their security operations including Public Key Infrastructure, privileged identity management, web single sign on and federation, virtual directory, external identity management and automated provisioning.
- Selected by **Aptiv PLC**, a global technology company, as a strategic partner to continue to advance their IT Infrastructure Operations by bringing in business aligned, scalable, secure, digitally automated operations using cognitive tools powered by the MFDM™ framework.

“The new HR application built on Oracle HCM Cloud helped Extreme Networks to transform and streamline core HR, employee and manager self-service, employee onboarding, and leave management processes globally. A part of our larger digital transformation roadmap, the new application will significantly improve HR operations and deliver a modern, connected HR system empowering all our employees in 33 countries. TCS did an excellent job to make the transformation journey comfortable with minimal disruptions, and helped Extreme to onboard and adopt the new HR application rapidly.”

*Dean Chabrier
Chief People Officer, Extreme Networks*

- Selected by one of the largest agricultural products firms, to provide end to end infrastructure services with a new engagement model leveraging service reliability engineering & digital technologies. The scope includes cognitive technology powered service desk, field services, digital workplace services, client experience and unified collaboration services, cloud and on-premise hosting services, security and global network services. The proposed solution and operating model will prime their Global IT Infrastructure for the future, ensuring business continuity and transformation.

“Through our strategic technology partnership with TCS, we’ve been able to transform the modern-day flight experience and make it easier to travel. We’re always striving for innovation and are looking forward to reaching the next step in our continuous journey to become the most loved travel company.”

Ash Jokhoo
CIO, Virgin Atlantic

- Selected by a global pharmaceutical company headquartered in USA, to enhance and transform their end user experience through TCS’ futuristic Digital Workplace Services Solution that is based on zero touch, nextgen technology and experience-focused services. TCS’ intuitive, immersive and intelligent UX solution, leveraging MFDM™-based service delivery, cognitive automation capabilities, and persona-based analytics, will deliver a hyper-personalized, reimagined experience to their customer-facing workforce.
- Selected by a financial software and risk solutions to render digital workplace services on a hybrid cloud solution leveraging a leading public cloud platform and TCS Enterprise Cloud Platform. TCS’ Machine First design, leveraging automation and chatbots, security and support services, will result in improved customer experience, reduced onboarding timelines and higher user productivity.
- Chosen by a US-based global fashion retailer to improve the customer experience and drive online business growth by implementing a leading enterprise CRM platform with a Machine First approach leveraging chat bots for enhanced response times and enriched contextual customer conversations. TCS will also drive the consolidation of multiple contact centres into a single digitally enabled multi-lingual center to enable better call handling, customer up-sell and cross-sell.
- Selected by a leading US-based multinational technology company, to transform its procurement operations, deployment engineering, network deployment services. TCS will leverage its Machine First approach to automate and expedite hardware deployment and procurement functions to bring in agility and efficiencies to one of the largest and widely spread global cloud operations.

Research and Innovation

As on December 31, 2019, the company has applied for **5,006** patents, including 132 applied during the quarter, and has been granted **1,211** patents.

Human Resources

Following the unprecedented levels of hiring in H1 FY20, headcount addition moderated in Q3. The company continues to be the industry benchmark in talent retention, with the IT Services attrition rate (LTM) at **12.2%**. Net of attrition, the headcount stood at **446,675** as of December 31, 2019.

The workforce is young and very diverse, comprising **146** nationalities and with women making up **36.2%** of the workforce. TCS' investments in organic talent development continue to deliver superior outcomes. At the end of Q3, over **327,000** employees had been trained on multiple new technologies, and over **404,000** had been trained on Agile methods.

"Our standing as an innovation partner for our customers has been enabled by the incredible energy of our people, their creativity and their ability to bring together their digital expertise and their deep contextual knowledge to reimagine how business is done," said **Milind Lakkad, Global Head, Human Resources**. *"Our culture of life-long learning, world-class learning infrastructure, a vibrant workplace and exciting work opportunities across various industries, coupled with progressive policies and systemic collaboration in the TCS ecosystem; all these enable and empower our associates to realize their potential."*

Awards and Recognition

Business Leadership:

- Won the Intellectual Asset Management's **Asia IP Elite** award in the category 'Internet and Software Team of the Year' at the Intellectual Property Business Congress Asia 2019 in Tokyo.
- Recognized with the **Best Patents Portfolio** Award in the Large (Engineering) Enterprises category at the Confederation of Indian Industry (CII) **Industrial Intellectual Property Awards 2019**.
- Won the ITSMA 2019 **Marketing Excellence Diamond Award** in the 'Building Reputation Through Brand and Differentiation' category.
- TCS' IoT solutions won two awards at ASSOCHAM's Emerging Digital Technologies Awards 2019, in the '**Most Innovative Use of Emerging Digital Technology – IoT**' category for its Remote Monitoring and Predictive Maintenance solution, and in the '**Intelligent Enterprise Award for Most Innovative Application – Developed for Government**' category for using TCS DigiFleet™ to transform public transportation in India.
- TCS Advanced Drug Development (ADD) won an award in the category **Excellence in Ancillary Pharma Services** at the **India Pharma Awards 2019**.
- TCS Optumera won the **IT Innovation Award** in the Large Enterprise category at the **Express IT Awards 2019**.
- TCS' Intelligent Urban Exchange City Command Center software won the **Channel Innovation Award** in the category **Big Data and Analytics Innovation** at an event organized by Channel Partner Insight.
- TCS New York City Marathon App named the '**Best Sports Mobile Application**' at the **2019 MobileWebAwards** for excellence in mobile web development.
- Won Community Business' **2019 D&I Pioneering Initiative Award** for the **Allies of Diversity Conclave**.

- Named the **Number One Top Employer in Asia Pacific for 2020** by the **Top Employers Institute** for the second year in a row. Additionally, TCS was recognized as the Number 1 Top Employer in Australia and a Top Employer in China, India, Philippines, Singapore, Malaysia and Hong Kong.
- Presented with **Three Stevies®** for Workforce Development and Community Initiatives in Canada – a Gold Stevie for Best CSR Strategy, a Silver Stevie for Best Learning and Development Strategy, and a Bronze Stevie for Achievement in Workforce Development and Learning.
- The SMU-TCS iCity Lab's **SHINESeniors project** won Constellation Research's 2019 **SuperNova Award** in the category **AI & Augmented Humanity**.
- Won the **US Chamber of Commerce Foundation's 2019 Citizens Award** in the category of **Best Commitment to Education Program** for the Ignite My Future in School (IMFIS) program.
- Won the **Organization for International Investment's CSR Award** in partnership with Discovery Education for the Ignite My Future in School (IMFIS) program.

Partner:

- Won the **Salesforce Partner Innovation Award** in the **'Emerging Product'** category.
- Won the **UiPath Automation Excellence Award** in the category **'Fastest and Most Efficient Scaling'**.

IFRS Financial Statements

Unaudited Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended Dec 31, 2018, Dec 31, 2019
(In millions of ₹, except per share data)

	Three-month period ended Dec 31, 2018	Three-month period ended Dec 31, 2019
Revenue	373,380	398,540
Cost of revenue	217,350	233,690
Gross margin	156,030	164,850
SG & A expenses	60,390	65,110
Operating income	95,640	99,740
Other income (expense), net	11,470	5,950
Income before income taxes	107,110	105,690
Income taxes	25,900	24,260
Income after income taxes	81,210	81,430
Minority interest	160	250
Net income	81,050	81,180
Earnings per share in ₹	21.60	21.63

Unaudited Condensed Consolidated Statements of Financial Position
As of Mar 31, 2019 and Dec 31, 2019
(In millions of ₹)

	As of Mar 31, 2019	As of Dec 31, 2019
ASSETS		
Property and equipment	116,500	117,920
Right-of-use Assets	0	66,050
Intangible assets and Goodwill	40,130	41,070
Accounts Receivable	274,410	291,840
Unbilled Revenues	89,760	103,850
Investments	293,300	262,300
Cash and Cash equivalents	72,240	52,720
Other current assets	200,750	175,630
Other non-current assets	83,440	78,850
Total Assets	1,170,530	1,190,230
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' Funds	915,560	851,930
Long term borrowings	440	0
Short term borrowings	180	0
Other current liabilities	220,660	249,360
Other non-current liabilities	29,160	83,400
Minority Interest	4,530	5,540
Total Liabilities	1,170,530	1,190,230

Ind AS Financial Statements

Consolidated Statement of Profit and Loss
For the Quarter ended Dec 31, 2018, Dec 31, 2019
(In crores of ₹, except per share data)

	Quarter ended Dec 31, 2018	Quarter ended Dec 31, 2019
Revenue	37,338	39,854
Expenditure		
a) Employee Costs	19,994	21,622
b) Cost of equipment and software licences	540	460
c) Other Operating expenses	6,721	6,901
d) Depreciation	519	897
Total Expenditure	27,774	29,880
Profit Before Taxes & Other Income	9,564	9,974
Other income (expense), net	1,147	595
Profit Before Taxes	10,711	10,569
Provision For Taxes	2,590	2,426
Profit After Taxes & Before Minority Interest	8,121	8,143
Minority Interest	16	25
Net Profit	8,105	8,118
Earnings per share in ₹	21.60	21.63

Consolidated Balance Sheet
As at Mar 31, 2019 and Dec 31, 2019
(In crores of ₹)

	As of Mar 31, 2019	As of Dec 31, 2019
ASSETS		
Property, plant and equipment	11,553	11,938
Right-of-use assets	0	6,605
Investments	29,330	26,230
Deferred tax assets (net)	2,656	2,978
Goodwill (on consolidation)	1,700	1,720
Cash and Bank Balance	12,848	11,132
Current Assets, Loans and Advances	50,192	50,734
Non-current assets, Loans and advances	6,664	5,572
Total Assets	114,943	116,909
EQUITY AND LIABILITIES		
Shareholders' Funds	89,446	83,079
Minority Interest	453	554
Short term and long-term borrowings	44	0
Deferred Tax Liabilities (net)	1,042	977
Current Liabilities and Provisions	22,084	24,936
Non-current liabilities and provisions	1,874	7,363
Total Liabilities	114,943	116,909

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 446,000 of the world’s best-trained consultants in 46 countries. The company generated consolidated revenues of US \$20.9 billion in the fiscal year ended March 31, 2019, 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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