

# ANNUAL REPORT 2007-08



YEARS OF **LEADERSHIP**

### **TCS Siruseri, Chennai**

*This campus will be the single largest of its kind in Asia, coming up in Chennai and would showcase the technical and engineering capabilities of TCS. This facility will accommodate over 22,000 IT Professionals in a built-up area of 5 million sq.ft.*





### **TCS Banyan Park, Mumbai**

*This site originally housed a chemical factory and was bought by TCS in 2002. It now has 1,400 trees in its 22-acre spread. Every tree in the campus has been mapped. The campus is divided into five zones and subdivided into endemic (these cannot be disturbed) and exotic (these can be transplanted) areas. Wooden signposts provide information on Banyan Park's bio-diversity. TCS has mapped a 'nature trail' that highlights the wildlife found in Banyan Park. This includes 51 species of butterflies, around 2,500 bats and 44 kinds of birds, which amounts to about 14 per cent of the bird species found in Mumbai.*

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*The Annual General Meeting will be held on Tuesday, July 1, 2008, at Birla Matushri Sabhagar, Sir V. T. Marg, Mumbai, at 3.30 p.m. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.*

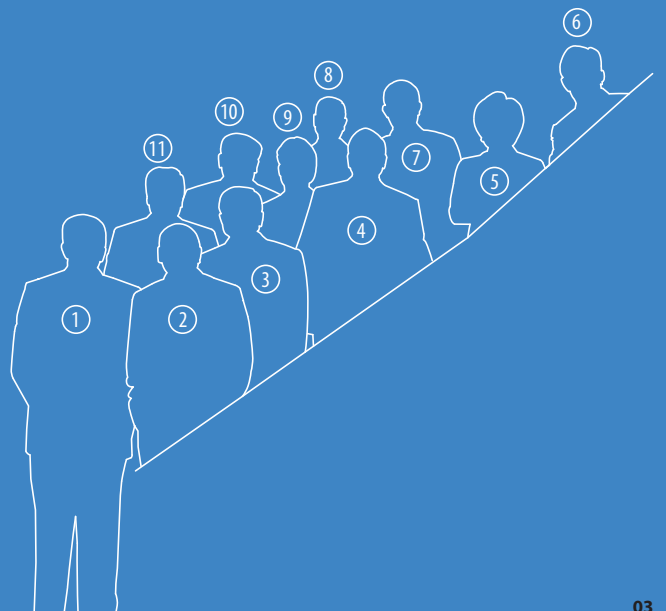


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## Board of Directors

- 11 R N Tata**  
Chairman
- 8 A Mehta**  
Independent Director
- 10 N Chandra**  
Independent Director
- 6 V Thyagarajan**  
Independent Director
- 1 C M Christensen**  
Independent Director
- 5 Laura Cha**  
Independent Director
- 9 Ron Sommer**  
Independent Director
- 2 S Ramadorai**  
Chief Executive Officer and Managing Director
- 3 N Chandrasekaran**  
Chief Operating Officer and Executive Director
- 4 S Mahalingam**  
Chief Financial Officer and Executive Director
- 7 P A Vandrevala**  
Executive Director and Head, Global Corporate Affairs







## Our Leadership Team

(Standing - Left to Right)

**S Mahalingam**

Chief Financial Officer and Executive Director

**A Mukherjee**

VP and Head, Global Human Resources

**P A Vandrevala**

Executive Director and Head, Global Corporate Affairs

(Sitting - Left to Right)

**S Ramadorai**

Chief Executive Officer and Managing Director

**N Chandrasekaran**

Chief Operating Officer and Executive Director



**S Ramadorai**

Chief Executive Officer and Managing Director

## Letter from CEO

*Dear Shareholders,*

I am pleased to report that your Company continues to perform on a sustained basis and it has been able to demonstrate its robust business model with strong, satisfactory results for the year 2007-08. During this period, your Company's consolidated revenues have grown by 22% to Rs 22,863 crore or US\$ 5.7 billion. We have, therefore, added Rs.4,178 crore to our revenues during 2007-08. Your Company's Board of Directors has also recommended a final dividend of Rs 5, thereby taking the total proposed dividend of the year to Rs 14 per share.

Your Company's consolidated profits were at Rs 5,026 crore or US\$ 1.25 billion, a growth of 19.3 %, and this performance came against the backdrop of the Indian Rupee's rapid appreciation by 11 % against the US dollar during FY08. Despite this, your Company has maintained its profitability with net margins stable at around 22 %.

A slowing of the US economy in 2007-08, led by the banking and financial services sector, has made the IT industry more circumspect about growth in demand in the short term. Your Company has demonstrated its leadership under challenging circumstances again. A nimble organisation, an agile structure and long-term investments in market and domain diversification has helped TCS emerge stronger and more focused in a dynamic business context. This ability to think ahead of its time has been the hallmark of TCS from the time your Company began operations 40 years ago in 1968.

The decision of the Tata Group to set up TCS was indeed visionary, as we all now know, it led to the creation of the IT industry in India. Your Company was led for a substantial period of its history by F.C.Kohli, who not only laid the foundations for this industry, but also infused your Company with its core strengths. Your Company has benefited immensely by the support it enjoyed from great Tata group visionaries like JRD Tata and Nani Palkhivala and later, Ratan Tata. Their guidance was the key reason that your Company was able to build a reputation for India's technology skills single-handedly during the first two decades of its existence, thereby paving the way for the rest of the industry to follow. Today, corporate governance standards at TCS continue to be of the highest level with a Board of Directors comprising of eminent Indian and global business and academic leaders with a wide range of experience and expertise.

TCS and the Tata group have always invested with a keen eye on the long-term. Initiatives like the launch of the Tata Research, Design and Development Centre in Pune in 1981 was the first attempt by the Indian private sector to spur innovation in the software sector on a broad-based framework. Today, that centre is part of a network of 20 Innovation Labs across the world that works in collaboration with partners in academia, start-up companies, and technology product firms co-innovating for customers. This early adoption of various forms of technology and its ability to remain technologically agnostic has helped today's TCS have an unmatched expertise in a range of technologies from mainframes to PDAs, embedded systems to electronics and Cobol to Java. Your Company can tune the core banking engine for a bank and tweak the Formula 1 engine for a racing car, without missing a beat.

Your Company has also been a pioneer when it comes to opening up new markets and geographies or introducing new business models. These investments in new growth markets which have been made since 2002-03, can act as a bulwark against global economic headwinds. The investments your Company has made in new growth markets like India, Asia-Pacific, Latin America and now Middle East and Africa since 2002 are attaining scale, size and a meaningful presence with revenues crossing US\$1.1 billion and growing at over 40 % in the year under review. Major markets also continue to grow: North America remains our biggest market, while others like United Kingdom and Europe have crossed the one billion dollar and 500 million dollar mark respectively. The fast growing presence in multiple markets is important for your Company to ensure diversification of its revenue base and continue to sustain its growth momentum.



#### TCS House, Mumbai

*A silent witness to Mumbai's historic commercial development, TCS House stands proudly in the tree-lined avenue of Mumbai's commercial district since 1922. This essence of history is now at the core of the heritage building that is the corporate headquarters of Tata Consultancy Services.*

*Within the original stone shell, walls of glass not only bring down barriers between the past and the future but among people too, encouraging seamless collaboration. Providing arresting views of surrounding areas as well as a 360 degree pictorial history of the city that impatiently surges ahead and never sleeps.*

From a business perspective, your Company's strong core business of application development and maintenance continues to grow. Revenue from new growth services like BPO, Assurance, Infrastructure Services and Consulting was up 52% to US\$ 1.1 billion in 2007-08, indicating a strong market acceptance of our full-services play. To enter new customer segments, like the small and medium business sector in India initially, your Company has launched a new strategic business unit that is offering "IT as a service" to smaller enterprises – creating a one-stop shop for all their technology needs. We believe that such initiatives can be replicated, once they are mature, into multiple global markets.

When it comes to people, TCS has always been at the forefront with the highest retention rates in the industry. The Company's human capital development initiatives start from programmes to raise the level of the scientific education on campus by developing and mentoring teachers and students and providing experiential facilities through labs and internships on an ongoing basis. Our most recent initiative, Ignite, that transforms science graduates into software professionals through a 7-month training programme, is yet another example of how we continue to innovate and invest in building talent. Having evolved through 2007-08, we are scaling it up and have made over 4,000 offers to science graduates to join us next year.

The immense talent, professionalism, dedication and support of over 108,000 TCSers, including over 10,000 TCSers of foreign nationality, continues to be your Company's greatest asset. This dynamic population with an average age of 27 is helping chart your Company's future progress path not only in terms of its business but also in its impact on the communities we live and work in. Volunteering under the "TCS Maitree" umbrella is thriving in your Company. Children, schools, colleges, even entire villages are being positively impacted by TCS volunteers who have spent over 100,000 man hours working on education, health and environment issues. These are some initiatives that make your Company a preferred employer because of the "work-life" balance it offers.

Your Company's commitment to the environment and conservation aims to minimise waste generation from business operations through renewable and recycling initiatives that include building 'green' facilities, rainwater harvesting and recycling IT hardware among others. Being a global organisation, TCS needs to adopt initiatives that are standard throughout the globe. It is working towards achieving ISO 14001:2004 certification in all its Delivery Centres in India.

TCS continues to invest in high quality, eco-friendly infrastructure and is bringing the IT revolution to new, smaller cities like Bhubaneswar, Ahmedabad, Cochin, and Coimbatore in India, thereby providing more opportunities for India's skilled, young professionals and creating the conditions for further direct and indirect employment creation.

TCS has led the industry for 40 years and continues to be an engine of growth because of its ability to reinvent the organisation. Given the secular long-term growth trend forecast for this industry, your Company is building a customer centric organisation that is agile and poised to take advantage of opportunities across markets. We are building depth in our domain-based approach and are investing in people and technology to attain the global scale required for large end-to-end engagements implemented across multiple markets and countries. This is what has given your Company its rightful place among the top technology companies globally.

With regards,

**S Ramadorai,**

Chief Executive Officer and Managing Director



**S Mahalingam**

Chief Financial Officer and Executive Director

## Building a Multi-dimensional Finance Function

Running a large corporation with operations spread over many parts of the world brings with it a number of unique challenges – and the financial dimension is a very critical one.

As TCS has grown exponentially over the last four decades, the scope of the finance function within the Company has enlarged considerably. As a consultant who has been with the Company since 1970, I have had a ring-side seat – managing projects, country operations and global delivery centres - on the journey which has seen this Company emerge as a global leader by creating disruptions in the way a variety of IT and IT-enabled services can be delivered to global customers from multiple off-shore locations.

A key portion of the finance function is strategic and focused on the long-term prudent financial management and readiness to enable the Company to invest for growth on an on-going basis.

A global organisation requires the right kind of structure in each geography and TCS operates through branches and multiple levels of subsidiaries all over the world. This Company not only has selling operations in over 50 countries, but wherever it makes economic sense, we have built large Delivery Centres as well, outside India. In this Global Network Delivery Model (GNDM™), clients are served from the most suitable locations. We ensure that these new centres operate at the same level of efficiency as the more mature centres in India and the performance measurement systems translate quantitative factors impacting project performance into financial outcomes. These measurement and control systems are standardised across the world. Global operations also result in a large number of inter-unit transactions. Such a configuration requires well established transfer pricing model and in line with the best practice followed by some of the multinationals, transfer pricing documentation has been centralised in India.

Similarly, another topic of utmost importance for the Company is compliance with multiple tax jurisdictions as a result of the Company operating in multiple geographies. So far, India has provided the maximum tax benefits. Therefore, there has been bias in favour of India when it comes to carrying out most of the project operations. However, we have balanced this preference with what is best for the customer. At the same time, we have exercised considerable care in the choice of location and size of each of these centres. Therefore, most of our global delivery centres have cost and tax structures which are not very different from those of India. The taxation department at the Corporate Headquarters provides the right set of guidelines after an expert survey, for which we use internationally reputed consultants.

Another arena where this Company has clearly been the leader has been in the realm of foreign exchange management, where we have hedged our exposure to multiple currencies during a highly volatile period. We have managed through developing clear policies and we have an active Risk Management Board. We have defined our objectives clearly – that of protecting the currency exchange rates at the level we budgeted. We rely on simple structures and we budget the premium expenses in our business plan. We take views, we build up our positions gradually and we attempt to minimize our costs – without resorting to “exotic” structures. The gains from foreign exchange management have been evident in the financial results for FY08 when the Indian Rupee appreciated by 11 %. We also need to present results in a manner which does not result in volatility.