

Annual Report **2008 - 09**



agility

in a Dynamic Environment



The Annual General Meeting will be held on Tuesday, June 30, 2009, at Birla Matushri Sabhagar, Sir V. T. Marg, Mumbai 400020, 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

(Standing - Left to Right)

Prof. Clayton M Christensen
Independent
Director

Naresh Chandra
Independent
Director

S Mahalingam
Chief Financial Officer
and Executive Director

Aman Mehta
Independent
Director

N Chandrasekaran
Chief Operating Officer
and Executive Director



Laura M Cha
Independent
Director

Dr. Ron Sommer
Independent
Director

S Ramadorai
Chief Executive Officer
and Managing Director

R N Tata
Chairman

Phiroz Vandrevala
Executive Director
and Head, Global
Corporate Affairs

V Thyagarajan
Independent
Director



Our Leadership Team

(Standing - Left to Right)

Ajoyendra Mukherjee
VP and Head,
Global Human Resources

S Mahalingam
Chief Financial Officer
and Executive Director



N Chandrasekaran
Chief Operating Officer
and Executive Director

S Ramadorai
Chief Executive Officer
and Managing Director

Phiroz Vandrevala
Executive Director and Head,
Global Corporate Affairs



Letter from CEO

Dear Shareholders,

Report

I am pleased to report that your Company continues to demonstrate the robustness of its business model with a strong annual performance for the year 2008-09. During this period, your Company's consolidated revenues grew by 23 per cent to Rs.27,813 crore, thereby helping Tata Consultancy Services cross the \$ six billion revenue milestone.

Your Company's consolidated operating profits grew by 26 per cent to Rs.7,170 crore and its operating margins improved by 109 basis points to 23.73 per cent. The net profit was Rs.5,256 crore, a growth of 5 per cent over 2007-08, due to external factors like extreme currency volatility.

The Company's Board of Directors has recommended a final dividend of Rs.5 per share subject to shareholder's approval. This brings the total dividend payout in the financial year to Rs.14 per share. The Board of Directors have also recommended an issue of bonus shares in the ratio of 1:1 – the second bonus issue since your Company went public in 2004. This demonstrates the confidence in the ability to perform and the soundness of the business model of your Company.

At the end of the year 2008-09, TCS' global footprint extended to over 42 countries through its 140 offices globally. Your Company remained focused on helping customers experience certainty while simultaneously adding new customers and growing the business in new market segments and emerging verticals. Your Company closed 28 large deals and added 163 new customers globally in the past one year. There was an increase in the number of customers across all revenue bands of \$1 million, \$5million, \$ 10 million, \$20million and \$ 50 million.

TCS' biggest market North America crossed the \$3 billion revenue milestone and grew by 26 per cent in 2008-09 despite the recession in the region, while Europe grew by 38.5 per cent during the year. The growing presence in multiple markets is important for your Company to ensure diversification of its revenue base and sustain its growth momentum.

The immense talent, professionalism, dedication and support of over 143,000 TCSers continues to be your Company's greatest asset. This includes 10,000 international associates from 67 nationalities. Your Company inducted 48,000 professionals including more than 22,000 campus graduates over the past year. More than 1.6 million learning days have been invested in developing new competencies during 2008-09 and around 23,000 TCSers gained additional technology certifications. The policies to recruit and retain women professionals continue to bear fruit and the number of women in your Company has risen from 28% to 30% of the total employee count last year.

TCS continued to drive new growth opportunities as demonstrated by the strategic, \$ 505 million acquisition of Citigroup's captive BPO in India. This acquisition, which has since been renamed TCS e-Serve Limited, has enabled your Company to add a vital new aspect to its banking and financial services business. The acquisition came with 12,500 talented professionals and a contract from Citigroup worth \$2.5 billion over nine years. This move will help expand your Company's leadership in the Banking Financial Services domain and has already made TCS BPO among the top two BPO players in India in terms of the size of operations.

Your Company has also increased its focus on a sustained efficiency program across the enterprise. This includes working towards

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improving cash collection, controlling expenditure and optimising wherever possible. These measures are showing visible success.

TCS' growth has occurred within a challenging economic climate. Your Company has demonstrated leadership, remained disciplined in execution and faced a volatile market with a positive 'can do' attitude. The recession which began as a client-specific US instance expanded to an industry-generic malady and affected global businesses. While there has been some impact on the short-term growth rates of the Indian IT industry in this financial year, TCS' value proposition to global business remains strong.

Looking towards the future, your Company will remain focused on agility, innovation and operational excellence. TCS has always adapted quickly to changing circumstances by its responsive and creative thinking. For customers, TCS presents an enviable value proposition enabled by four decades of experience, domain knowledge, technology excellence and offerings of full services play. TCS is well poised to gain advantage from newer areas such as Healthcare, Energy, Utilities and Telecommunication including the impact of new technologies such as Broadband, 3G, WIMAX, LTE and others.

TCS continues to invest for the future. Sustainability, Green IT and Cloud Computing are areas of opportunity and your Company is leveraging these. The Cloud Computing based IT services model for small and medium enterprises, currently being piloted in India, is an example of a business model innovation that will set a new precedence in the IT industry. Such initiatives can be replicated, once they are mature, into multiple global markets. TCS' platform-based BPO initiatives in areas like Human Resources and Finance and Accounting will also contribute to future growth.

Your Company has been continuously making investments to open up new markets and services. The investments your Company has made in new growth markets like Asia-Pacific, Latin America and now in Middle East and Africa are attaining scale, size and a meaningful presence. In 2008-09, the new growth markets grew at a rate of 16%.

Your Company's vast pool of human capital is helping chart the Company's future progress not only in terms of its business but also by its impact on the community. Over 50,000 hours of volunteering effort was expended by TCSers, in the past year. One area where considerable progress was made, has been in the area of corporate sustainability. The increased environmental consciousness across the organisation has resulted in reduction in air travel, 8% drop in electricity consumption, lower paper and printer cartridge utilisation. This coupled with 'green' buildings and 'green' technologies has helped reduce carbon footprint this year.

TCS continues to be an engine of growth because of its proven ability to reinvent the organisation and the business. Your Company is positioned to work in collaborative mode, learning constantly, critically evaluating all that it does and demonstrate the leadership it is known for. Thanks to the employees and their extended families, the many shareholders and the community at large, the future holds new promise for TCS as a top technology company globally.

With regards,

S. Ramadorai,
Chief Executive Officer and Managing Director

CREATE

Value

Credibility: 1970s-1990s

A small and innocuous beginning marked the birth of Tata Consultancy Services. In 1968, Tata Sons established TCS as a division to service their electronic data processing (EDP) requirements and provide management consulting services.

However, over the next few years, the bright young engineers at TCS, including a slim, bespectacled 23 year old electronics graduate, working under the steely gaze of a visionary, MIT trained electrical engineer – Mr FC Kohli - realised that they were staring at a potential new business opportunity and started offering data processing services to clients outside the group.

When it came to scientific talent, Indians were already established in the West but, India's first generation computer experts felt handicapped by an antiquated computing environment in the country – when TCS started there were only 17 computers in India!

The first breakthrough in India came in 1969, when TCS won a contract from Central Bank of India to automate branch reconciliation processes. But progress was slow as India had draconian foreign exchange laws which made it difficult to import hardware without commensurate export earnings. Ramadorai recalls that to get into the technology game on a global basis, there was no option but to expose TCS engineers to the latest technologies.

To bridge the gap, TCS became the exclusive distributor for mainframe computer maker Burroughs and simultaneously started doing programming for the hardware maker's customers in the USA. Using its export revenues, TCS was able to bring in new computers enabling the fledgling company to keep pace with the evolving needs of its growing client roster in the US.

The defining moment for the Indian Software Industry came through in 1974, when TCS won a large export project for the Detroit Police Department. After this came a few other projects in the US and UK and the notion of "off-shore" services or the ability to provide services from remote locations was born. Without adequate telecommunication infrastructure, programmed tapes were sent on weekly flights to US, while software requirements came through the postal services. Till date, this has been the biggest disruptive innovation to take place in the global IT industry.

In 1977, the Government also enacted legislation, forbidding foreign firms from operating fully owned subsidiaries in India, as a result of which, IBM chose to leave India. This opened up a new window of opportunity. As its core competency, TCS installed hardware and systems software and created and ran data centers. In 1979, Ramadorai moved to the US to expand the US business, a responsibility he accomplished after considerable upscaling of his sales skills. The first project outside of the Burroughs Computing environment came from the financial services industry when TCS won an engagement from Institutional Group Information Corporation to maintain and migrate retail banking applications for ten banks handling over two million accounts. This helped establish TCS as an independent software house.