

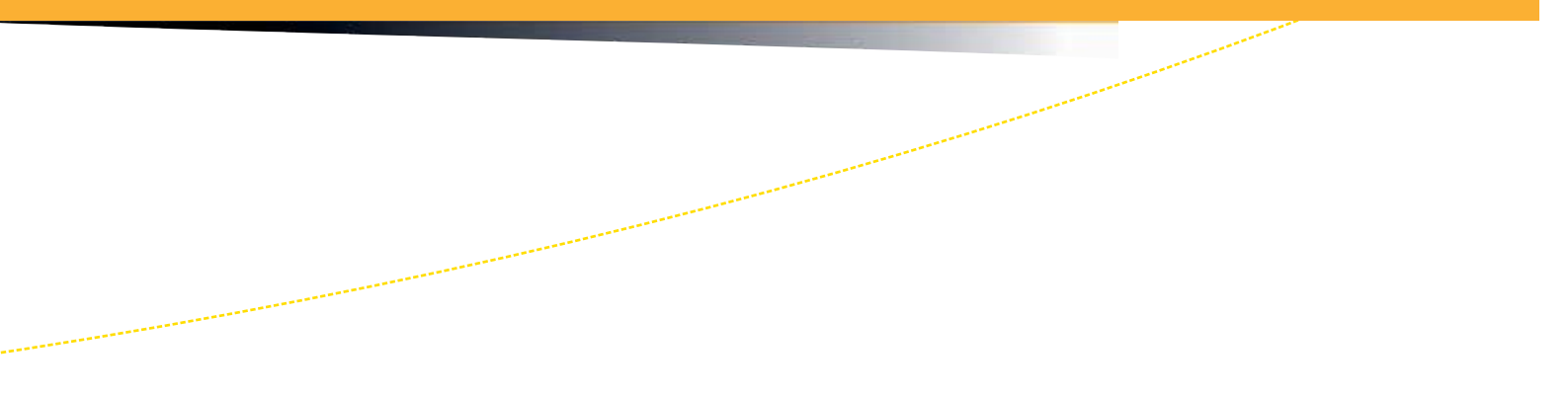


Annual Report **2009 - 10**



Cover image: **TCS Siruseri, Chennai, India.**

Set up in the Siruseri Special Economic Zone, Chennai, this campus will be the single largest of its kind in Asia, showcasing the technical and engineering capabilities of TCS. This facility, housing six software development blocks, will accommodate over 22,000 IT professionals in a built-up area of 5 million sq.ft. It will include recreational and fitness facilities as well as dedicated client engagement zones. Siruseri is a green building project which extensively employs a rain water harvesting facility and a treatment plant for recycling water with zero discharge.



The Annual General Meeting will be held on Friday, July 2, 2010, 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

R N Tata

Chairman



S Ramadorai

Vice Chairman



A Mehta

Director



N Chandrasekaran

Chief Executive Officer and
Managing Director



S Mahalingam

Chief Financial Officer and
Executive Director



P A Vandrevalla

Executive Director and Head,
Global Corporate Affairs



C M Christensen

Director

R Sommer

Director

Laura Cha

Director



I Hussain

Director

V Kelkar

Director

V Thyagarajan

Director



Financial Highlights

8%

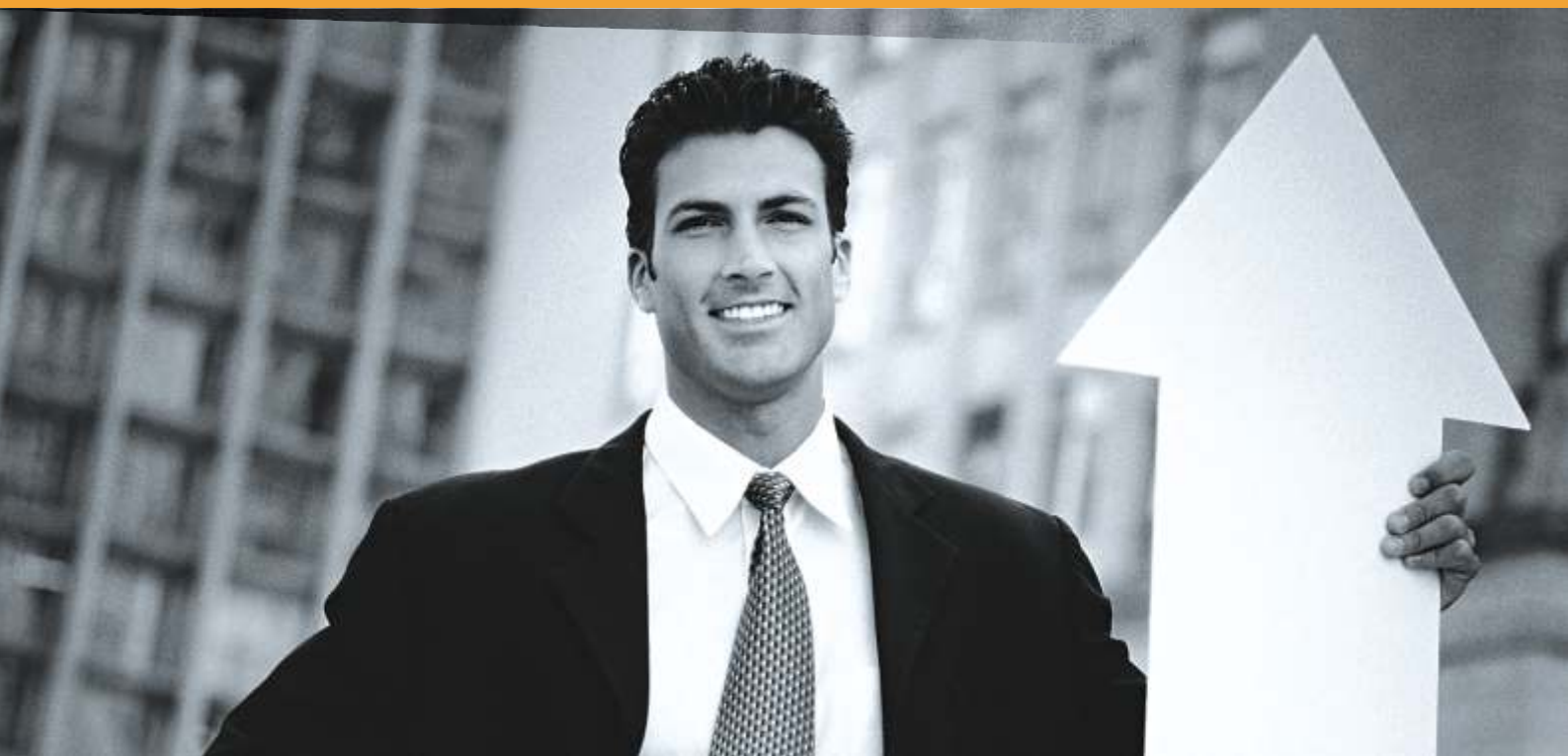
Growth in Consolidated Revenue to **Rs. 30,029** crore

22%

Growth in Consolidated Operating Profit to **Rs. 8,018** crore

33%

Growth in Consolidated Profit after Tax to **Rs. 7,001** crore



Our Leadership Team



(Standing - Left to Right)

P A Vandrevala
Executive Director and Head,
Global Corporate Affairs

A Mukherjee
VP and Head,
Global Human Resources

(Sitting - Left to Right)

N Chandrasekaran
Chief Executive Officer and
Managing Director

S Mahalingam
Chief Financial Officer and
Executive Director

Letter from CEO



Your Company kept its focus on the simple things: Remain close to customers and help them enhance efficiency and enable growth; focus on execution to deliver a superior quality of experience; and manage costs and operations optimally.

Dear Members,

In a year marked with challenges and opportunities, your Company has achieved credible financial results. On a consolidated basis, revenues have grown 8 per cent to Rs. 30,029 crore (\$6.34 billion) driven by robust volume growth of 17 per cent.

Revenue growth was translated into higher profitability at the operating and net levels on the back of good execution. On a consolidated basis, operating profits (EBT before Other Income) grew to Rs. 8,018 crore, an increase of 21.91 per cent during the year. As a result, operating margins increased to near historic highs of 26.7 per cent up from 23.66 per cent last year.

Profits after tax increased to Rs. 7,001 crore, a growth of 33.2 per cent in 2009-10. Net margin stood at 23.32 per cent for 2009-10 up from 18.91 per cent in the previous year. Our Earnings per share for the year were Rs. 35.67.

This stellar performance has helped us reward our shareholders in a significant manner with a total dividend of Rs. 20 per share, subject to shareholder approval. In addition to interim dividends of Rs. 2 per share paid every quarter on an expanded equity base following the bonus issue in 2009-10, the Board of Directors have recommended a final dividend of Rs. 4 per share as well as a special dividend of Rs. 10 per share.

This takes the total dividend payout ratio to 65.6 per cent on a consolidated basis in 2009-10 – among the highest in the corporate sector in India. This is a strong signal about our policy of rewarding shareholders on a consistent basis.

When we entered the financial year, the demand environment was very uncertain. As a Company, our priority was to capture growth opportunities. To do this, we needed an organisation that was not only domain-intensive and customer centric but also agile, adaptable and accountable. I am happy to report that your Company's new organisational structure was able to capitalize on the growth opportunities by displaying these attributes. This has helped your Company emerge from the global recession with a stronger market position and a compelling value proposition for its customers. We are an integral part of the business recovery process, globally.

Your Company focused on doing the simple things well. We kept our

focus on the customers, understood their business pain points and worked to solve them. As a result, we have been able to increase the number of active clients to 1034 and also increased the number of clients across revenue bands.

The changing dynamics of the market drove the point home that your Company must always be frugal and efficient. We must have the ability to manage costs without compromising on the investments required. The focus on operational execution witnessed your Company using all necessary operational levers in 2009-10. As a result, our off-shore revenues rose to 51 per cent from 44.2 per cent in the previous year.

From an industry perspective, the business recovery was led by the Banking and Financial Services industry with Retail, Energy and Utilities, Life Sciences playing a supporting role. By the year end, we had begun seeing signs of recovery in other sectors like Telecom, Hi-Tech and Manufacturing. Our telecom revenues suffered significantly as there was drop in volumes from one large European telecom service provider and this could not be compensated despite growth in the telecom business in emerging markets.

In terms of services, Assurance, BPO and Infrastructure continued to grow at higher than Company average. We are also beginning to see larger deals coming through in the traditional Application Development and Maintenance (ADM) space as well. Discretionary spending remained under pressure for most of the year and our products unit and consulting group were negatively impacted in the first half before returning to growth in the second half.

Looking at markets, North America continued to lead the major markets in terms of growth. UK also grew but the rest of Europe remained slow and stagnant. Our scale in Emerging Markets like Latin America, China, Middle East and Africa continued to grow and now contributes revenues of over \$1 billion but remain largely project based and not annuity.

Your Company continues to focus on developing talent. The Company honored all the campus offers it had made in 2008-09. The fourth quarter saw the single largest organic addition of 16,851 professionals on a consolidated basis. Given the volatile economic environment at the beginning of 2009-10, there was no annual increment for employees but as the business recovered from the second quarter

Letter from CEO

onwards, employees were rewarded with quarterly variable payouts of between 125-150 per cent and promotions. Your Company remains focused on providing a unique employee experience for its 160,000 professionals and helping them realise their potential.

Your Company's strategy continues to be very relevant and is paying rich dividends for the business. For a large organisation operating in over 42 countries, it is imperative to make strategic bets, stay the course and deliver on them without getting distracted by short-term opportunities. To sustain growth, your Company has a five pronged strategy.

One: A strong focus on the customer enabled by a customer-centric organisation with domain capabilities, backed by excellence in execution. This strategy is working as we continue to migrate customers into higher revenue bands and increase the number of key customers.

Two: Enhance our value proposition to the customer through the power of our integrated full services play. This unifies the IT environment with operations and remote infrastructure management to always deliver efficiencies and transformation where needed. At the end of 2009-10, over 25 per cent of your Company's revenues came from new services like BPO, Infrastructure, Assurance and Asset Leveraged Solutions, reflecting the effectiveness of this strategy.

Three: Our global engagement model is maturing as our investment in the Global Network Delivery Model™ is acquiring scale in places like China, Brazil, Mexico and Hungary. Moreover, its relevance is only increasing in the new global context, where consumers in Emerging Markets like China, India, Latin America are being seen as engines of global growth going forward as developed markets undergo a deleveraging process in their consumer and financial sectors.

Four: Our focus on Experience certainty as an important proposition is more relevant today than ever before to our global customers. Just as we have come to be known for our certainty of delivery, we must now focus on providing a quality of experience in order to open doors to new opportunities.

Five: Growth through non-linear growth models is a strategic priority. Your Company is working on several models to achieve this. The most mature is our products business. This business contributed 3.3 per cent of revenues in 2009-10 and grew by 23.3 per cent during

the year. While the majority of products are in the Banking and Financial Services sectors, your Company is also developing solutions in healthcare, retail and government sectors.

The other non-linear initiatives are all at an investment stage. They are all exciting new business models for technology use based on cloud computing initiatives. Among the segments your Company is targeting include small and medium enterprises, rural and cooperative banks. It is also building Process Clouds on a number of horizontal and vertical processes. These investments will mature and progress beyond pilots in the next financial year.

Your Company will continue to drive these strategies that help us become more customer centric and better positioned to capture bigger growth opportunities in the market place. As an organisation, we will continue to adapt, remain agile and be accountable. We continue to build capabilities, scale up our global engagement model as well as our full services offerings.

Other partners and stakeholders, including the global influencers and the media, continue to appreciate and applaud TCS for its thought leadership and innovation with awards and recognitions.

We continue to make progress every year in the area of corporate sustainability. The positive environmental impact made by the Company is increasing and our efforts in this area have been ranked A+ by the Global Reporting Initiative.

Your Company has a robust business model that is even more relevant today. Four decades ago, when your Company began to promote the concept of global sourcing in IT and application services, it was a market defining model. Today, it is the mainstream model for the global IT industry. Your Company has the same opportunity to create new business models for the future.

I look forward to your support as together we take this Company to the next level of growth.

Yours Sincerely,

N Chandrasekaran
CEO and MD
May 24, 2010