

**DAWN OF
BUSINESS**

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**YEARS OF
INNOVATION
AND GROWTH**

Annual Report **2017-18**

About TCS

TCS is an IT services, consulting and business solutions provider that has been partnering with 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, a benchmark of excellence in software development.

A part of the Tata group, India's largest multinational business group, TCS has over 394,000 of the world's best-trained consultants in 46 countries. The company generated consolidated revenues of US \$19.1 billion for the 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.

Recent Annual Report Themes:



FY 2017: Reimagining the Enterprise



FY 2016: Shaping the Future



FY 2015: Default is Digital



FY 2014: One TCS



FY 2013: Connected World

The Annual General Meeting will be held on Friday, June 15, 2018 at Birla Matushri Sabhagar, Sir VT Marg, New Marine Lines, Mumbai 400 020, at 3:30 p.m. Towards preserving our environment, printed copies of the Annual Report will not be distributed at the Annual General Meeting.

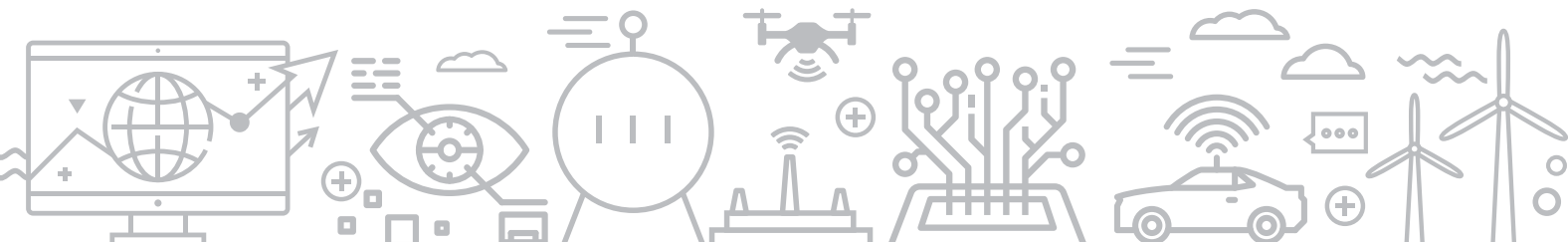


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The fourth industrial revolution is underway, driving the confluence of the physical, digital, and biological worlds. Rapid breakthroughs in digital technologies are reshaping industries and a new generation of agile organizations are evolving - embracing automation, robotics and artificial intelligence.



Board of **Directors**



Seated from
left to right

R Sommer

Independent Director

Aarthi Subramanian

Director

N Chandrasekaran

Chairman

Rajesh Gopinathan

Chief Executive Officer &
Managing Director

C M Christensen

Independent Director

Standing from
left to right

N G Subramaniam

Chief Operating Officer &
Executive Director

O P Bhatt

Independent Director

A Mehta

Independent Director

P K Khosla

Independent Director

V Thyagarajan

Independent Director

Management Team

Corporate



Rajesh Gopinathan

Chief Executive Officer
& Managing Director



N G Subramaniam

Chief Operating Officer
& Executive Director



Ramakrishnan V

Chief Financial Officer



Ajoyendra Mukherjee

Global Head
Human Resources



Ravi Viswanathan

Chief Marketing Officer



K Ananth Krishnan

Chief Technology Officer



Vishwanathan Iyer

Global Head
Legal & Corporate Affairs



Rajendra Moholkar

Company Secretary

Business Heads



Surya Kant

North America,
UK & Europe



Krishnan Ramanujam

Business and
Technology Services



K Krithivasan

Banking, Financial Services
and Insurance



Pratik Pal

Retail, Travel &
Consumer Products



Kamal Bhadada

Communication, Media
& Information Services



Debashis Ghosh

Life Sciences, Healthcare
and Public Services



Milind Lakkad

Manufacturing



Suresh Muthuswami

BFSI Platforms

Letter from the **CHAIRMAN**

Dear Stakeholder,

It is my privilege to write to you on this occasion as we celebrate the 50th anniversary of the birth of TCS, as well as the 150th anniversary of the founding of the Tata Group.

It is a matter of immense pride that today, 50 years later, your Company is one of the largest IT service-providers globally, a trusted partner to so many Fortune 500 corporations in their digital transformation journeys, and counted among the top three IT services brands globally.

TCS is an inspiring story of a successful technology start-up. Over the past five decades, your Company has emerged from each cycle of technology change – from mainframes to the digital era – stronger, with bigger footprints across markets with more capabilities, solutions and customers. It has seeded and opened up new markets in Latin America, Europe, China and Japan for the industry. It has built an industry-wide ecosystem of students and academic institutions to develop new capabilities and innovations on a continuous basis.

As technology is infused into every aspect of business and society today, its power to disrupt has only magnified the process of creative destruction. Against this backdrop, your Company's strong growth and customer impact over the last five decades in a dynamic global industry to emerge as a leader in its field is a worthy achievement.

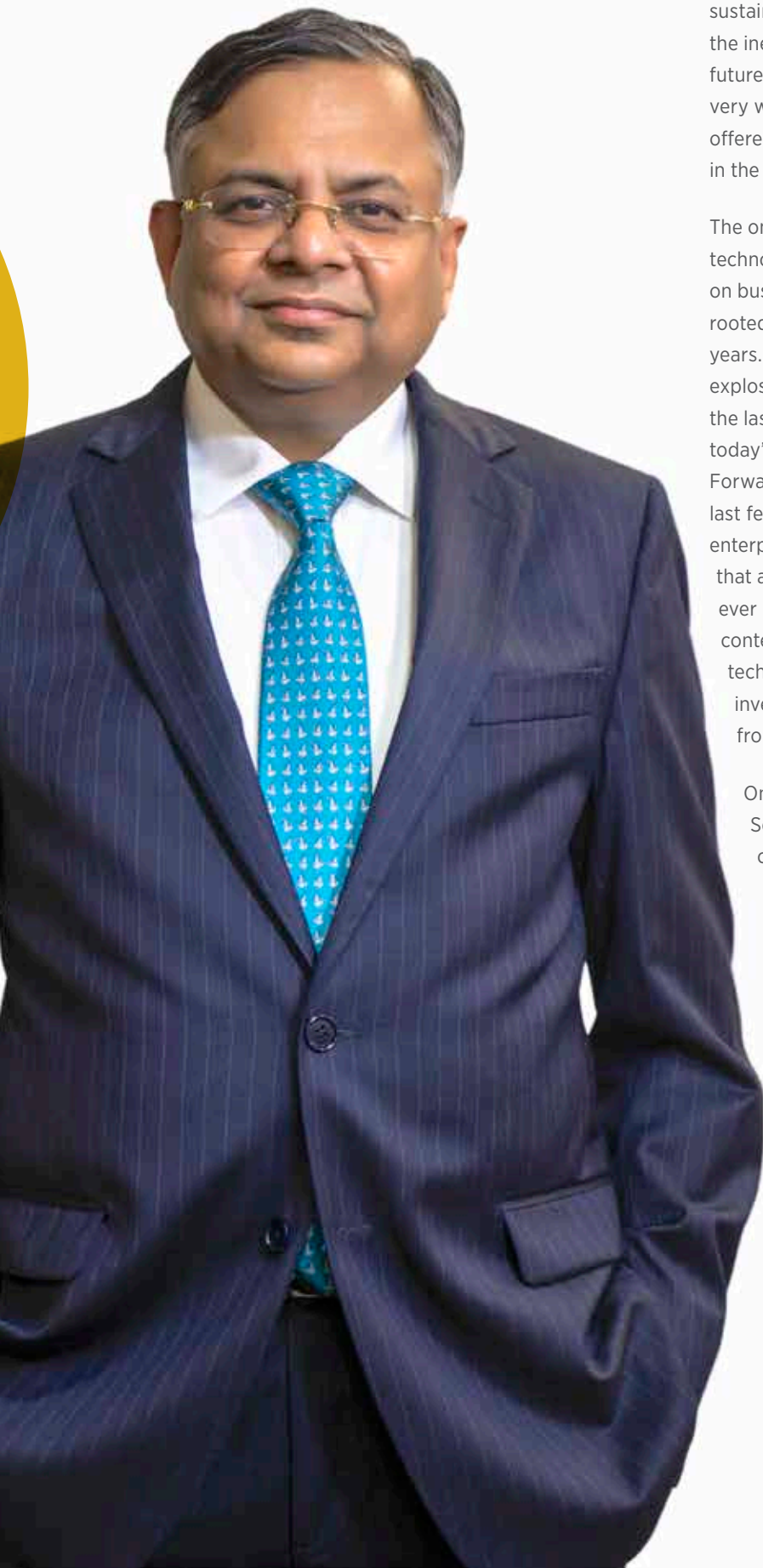
What has helped your Company sustain its journey has been its strong value systems, its ability to always put the customer at the center of its strategy and a never-ending desire to collaborate and learn. What also stands out are the employees who have made this possible with their strong customer focus, agile mindset and a strong performance ethic. TCS has invested in the right capabilities, at the right time, and at scale; helping it

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to stay relevant to customers through every period of technology change. Empowering employees and helping them realize their potential has resulted in an entrepreneurial, innovative, and agile organization. TCS has also inspired trust in all its stakeholders by delivering an experience of certainty in everything it does.

I believe that longevity is not an end in itself but an opportunity for your Company to make a sustainable impact on society by aligning the interests of the organization with those of all our stakeholders. TCS has been pursuing a very well thought out, global Corporate Social Responsibility program with measurable outcomes in sectors like education, healthcare and the environment.

In every community that TCS touches, it has been a force of good, creating skills and well-paying jobs that boost the local economies, promoting health and



wellness of its constituents as well as driving environmental sustainability. Our efforts in many parts of the world to reduce the inequities caused by the digital skill divide, and to build future generations of digitally savvy individuals, are scaling up very well. All this, and the structured volunteering programs offered to employees have imbued a higher sense of purpose in the organization.

The onset of digital technologies is very different from prior technology changes, and is having a far more profound impact on businesses and entire industries, triggering very deep-rooted transformations that will play out over the next few years. The changes we are seeing are a direct outcome of the explosion of data in the last few years. Leading organization of the last many years were renowned for their process maturity, today's winners will be decided by their data maturity. Forward thinking enterprises have been investing over the last few years to harness the abundance of data within the enterprise and outside, to design products and experiences that are highly personalized for their customers. They will rely ever more on strategic partners like TCS, who possess a deep contextual knowledge of their business, and a full range of technology capabilities. Your Company's strategic and early investments in Digital have positioned it well to benefit from the immense opportunities that lie ahead.

On behalf of the Board of Directors of Tata Consultancy Services, I want to thank you for your continued trust, confidence, and support.

Warm regards,
N Chandrasekaran
Chairman

Letter from the **CEO**

Dear Stakeholder,

It is my privilege to be writing to you from this desk on completion of 50 years since our inception.

TCS was established on April 1, 1968, and over the last five decades, your company benefited from the vision of three outstanding leaders – F C Kohli, S Ramadorai and N Chandrasekaran. Each of these leaders was instrumental in taking the organization to the next level, and each left a distinctive imprint on the company.

Our values, entrepreneurial agility, customer-centricity, and social responsibility – all of which define who we are and how we got here, are direct outcomes of their vision and leadership. Following in their footsteps and building upon the accomplishments of these giants is humbling, and inspirational.

Coming to the present, it has been a full year after our leadership transition. I am happy to report that it has been a very stable and seamless experience for all our stakeholders. I want to take this opportunity to thank our Chairman, Chandra, for his continuous guidance and support in helping us through this tough and crucial year. His effortless combination of ensuring that I had all the support he could give, and all the space I need, was the single biggest driver for your company's successful transition into the new management structure. I also want to highlight the unique culture and value system of the senior management team at TCS. They accepted and adopted the change in leadership wholeheartedly and worked relentlessly to make it a success. It is a matter of great joy and pride for me that during this transition year, each and every member of our leadership team stood steadfast by your company.

The last year saw a steady acceleration on a path that we were already on, and we used the opportunity to make some incremental changes. We refocused the organization on the market opportunity presented by four big themes: Intelligence, Agility, Automation and Cloud, and reorganized the teams to align with these themes.



In FY 2018, your Company delivered a reported revenue of ₹123,104 crore, growing 4.4% over the prior year, which is 6.7% growth in constant currency terms. On a constant currency basis, barring BFSI which grew 3.2% and Retail & CPG which grew 1.5%, we had very strong growth in the other six industry verticals, averaging 13.2% in aggregate. Growth was led by Energy and Utilities which grew 26.8%, Travel and Hospitality which grew 22.4%, Life Sciences & Healthcare which grew 11.9% and Communications & Media which grew 11.6%.

In terms of our markets, growth was led by Continental Europe which grew 19.1% in constant currency, UK which grew 8.6%, Latin America which grew 7.8% and India which grew 6.9%.

Operating margin was 24.8%, which was flattish year on year, on a currency-adjusted basis. Net profit was ₹25,826 crore, a net margin of 21%. In keeping with our shareholder friendly capital allocation policy, the Board has recommended a final dividend of ₹29 for the year, bringing the total dividend payout for the year to ₹50 per share. The Board has also recommended a bonus issue in the ratio 1:1.

FY 2018 saw many of our customers embark on the refurbishment of their core. With our contextual knowledge, domain expertise, depth in digital and intellectual property, we have been their preferred partner in these strategic initiatives. We signed several mega deals that are industry-defining in nature.

Business 4.0

Mid-year, we articulated our Business 4.0 thought leadership framework that allows enterprises to leverage digital technologies to further their growth and transformation agendas.

The defining attributes of successful enterprises in the Business 4.0 world are their ability to mass personalize the customer experience – sometimes at a very granular, transactional level; actively leverage ecosystems and embrace risk to deliver exponential value. They are agile, intelligent, automated and on the cloud. At the core of Business 4.0 is a shift in mind-set, from optimizing the use of scarce resources to harnessing the technology-enabled abundance of talent, compute power, storage, and market reach.

During the year, we revamped our services portfolio substantially, in tune with our Business 4.0 vision and evolving buying behaviours in the market. This is further strengthening our engagement with other stakeholders in our customers' organizations – like the CMO, COO, CFO and other CXOs, in addition to the CIOs and CTOs that we have traditionally worked with.

Our Business 4.0 framework is resonating very well with our customers across every industry vertical, and guiding their transformational journeys. Their digital transformation is proceeding at three levels: the digital core, the intelligence layer and the experience layer. While popular attention has been on the latter two, the transformation of the core is a much larger, more complex, and riskier undertaking – and yet, that is the most critical program without which many of the digital initiatives simply can't progress further.

FY 2018 saw many of our customers embark on the refurbishment of their core. With our contextual knowledge, domain expertise, depth in digital and intellectual property, we have been their preferred partner in these strategic initiatives. We signed several mega deals that are industry-defining in nature. Whether it was the largest Internet of Things (IoT) deal that we signed with Rolls Royce, or the deal with Transamerica to replace their fragmented, legacy core with a modern, cloud-based digital platform – the largest contract signed by TCS till date – these are all examples of progressive organizations embracing digital transformation at their core.

Unlike the large deals of the past which were large in scale, but were mostly homogeneous in terms of the services sold, the large deals we are now signing are very large in scope as well, leveraging the full spectrum of our capabilities. That makes them very difficult for others to replicate, and strengthens our competitive positioning. Revenue from digital engagements accounted for 21.2% of our revenue in FY 2018 and grew 35.3% year on year.

Another important proof point of our participation in our customers' Business 4.0 spend is the steady increase in the number and size of the digital assignments they give us, resulting in increased share of wallet. At an aggregate level, this is evident from the client metrics where we see a strong progression of customers into higher revenue buckets on a quarterly as well as annual basis. For the full year, we added 3 more clients in the \$100 Mn+ revenue band bringing the total to 38, 13 more clients in the \$50 Mn+ revenue band, 17 more in the \$20 Mn+ band and 40 more in the \$10 Mn+ band.

Research and Innovation

Much of the Business 4.0 spending by customers is around leveraging technology to innovate and gain competitive advantage. Our continued investments in Research and Innovation, and in building intellectual property, have further strengthened our transformational credentials. Many of our earlier research and innovation programs, now monetized into successful platforms and solutions – such as the TCS Connected Universe Platform, ignio™ and Optumera™ – performed very well this year and helped differentiate TCS.

TCS built an Open Banking API Framework to help banks accelerate their digital transformation journey. The AI offerings developed by our R&I teams in the areas of conversational systems and natural language processing (NLP) were successfully deployed internally in TCS for employee engagement.

We continue to invest in research in cutting edge areas in computational sciences – covering NLP, machine learning, deep learning and data marketplaces, materials engineering, behavioural sciences and bio-sciences – particularly in genome interpretation for personalization of medicine and developing biomarkers for early detection of diseases.

In addition to the research and innovation that happens within TCS, we also leverage the innovation taking place in the start-up ecosystem through the TCS Co-Innovation Network or COIN. The program has now expanded its start-up connects to over 3000 start-ups in key innovation hubs in America, UK, Europe, Asia and Australia.

The TCS Research Scholarship Program is now in its fourteenth cycle, covering 261 PhD scholars across 33 institutes across India. 67 individuals have obtained their PhD through this program. TCS Researchers presented 250+ papers in premier conferences. Your Company has filed more than 3,900 patent applications to date, with 522 filings in FY 2018. It has been granted 654 patents as of March 31, 2018.

People

TCS' culture and people practices continue to differentiate us from the rest. We firmly believe that there are no legacy people, only legacy technologies. TCS had 394,998 employees

at the end of FY 2018. While we continue to hire talent from outside, we have doubled down on investing in internal talent development at scale, empowering individuals to acquire skills that will keep them relevant in an evolving technology landscape. In FY 2018, over 247,000 employees were trained in digital technologies, resulting in them gaining over 861,000 digital competencies.

Our workforce continues to be young, dynamic and diverse. Women make up 35.3% of our workforce. We continue to attract, retain, and engage top notch talent across the world. For the third consecutive year, TCS was recognized as a Global Top Employer by the Top Employer Institute, and as one of the Best Employers globally in the Forbes 2000 list.

The most gratifying validation of our employee-friendly practices however, is the best-in-class retention rate we continue to enjoy. In FY 2018, our attrition rate in the IT Services segment was 11%; once again, the lowest in the industry.

Beyond Business

TCS and TCSers continue to make a big difference to every community we touch, across the world. In FY 2018, TCSers volunteered over 570,000 hours for worthy social and environmental causes in their respective communities. Our various CSR programs – be it the Adult Literacy Program and BridgeIT in India, or goIT and related programs to encourage STEM education and careers among students in North America and elsewhere, are scaling up nicely and making a difference, and estimated to have benefited over 900,000 people across the world.

The cutting edge work we do for our customers, our best-in-class service quality, our reputation as a best employer, our award winning Investor Relations program, our sponsorship of various high profile marathons and other marketing efforts including the #digitalempowers campaign, have all gone towards elevating our brand and putting us firmly among the top 3 brands in IT services globally. In FY 2018, TCS was the fastest growing brand by value, crossing the \$10 Bn mark and growing 14.4% year on year.

Looking forward, we only see greater opportunity ahead, as businesses become more technology-intensive and depend more on technology to drive competitive differentiation. Our agility, core attributes and belief systems which have ensured our success over the last fifty years will continue to help us benefit from each new wave of technology change, and create ever more value for our stakeholders. I thank you all for your continued support and encouragement.

Best regards,
Rajesh Gopinathan
Chief Executive Officer & Managing Director