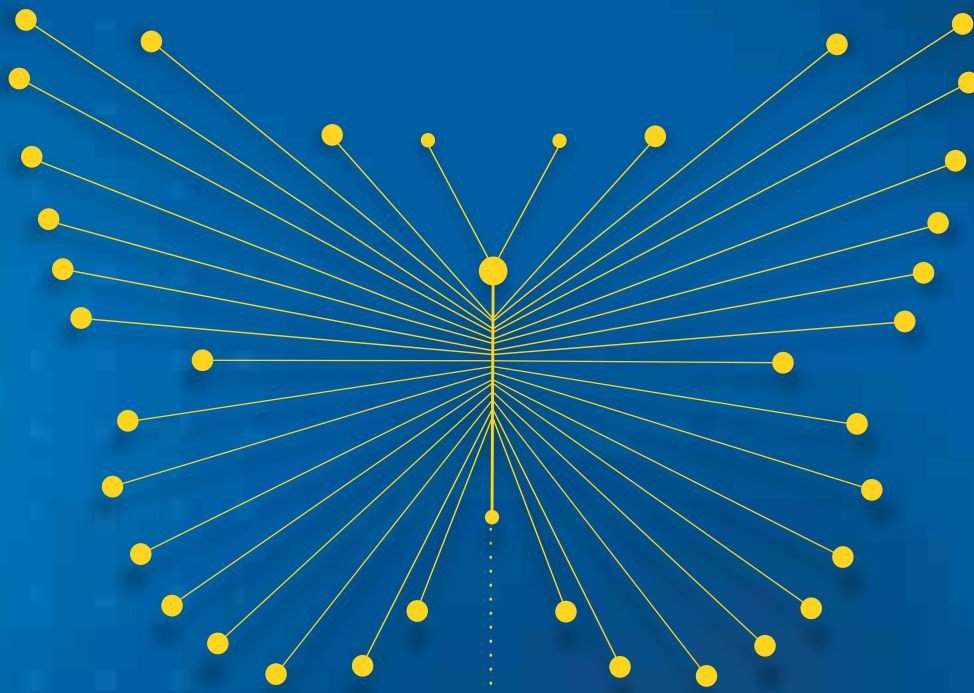


Annual Report  
**2018 - 19**



**GROWTH AND  
TRANSFORMATION  
WITH BUSINESS 4.0™**

# 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 420,000 of the world's best-trained consultants in 50 countries. The company generated consolidated revenues of US \$20 billion for the 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.

## Theme

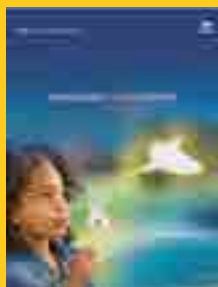
In last year's report (*theme: Dawn of Business 4.0*), we had discussed the Business 4.0™ thought leadership framework, its attributes, the enabling technologies and the investments TCS had made over the years, that have positioned us very well to partner customers in their transformation journeys.

This year's theme is *Growth and Transformation with Business 4.0*. In the ensuing pages, we explore how customers are embracing the Business 4.0 thought leadership framework, the nature of their growth and transformation initiatives, the role of enterprise agile, and how our participation in those programs is transforming our own business, and powering our longer term growth.

## Recent Annual Report themes



FY 2018  
Dawn of Business 4.0



FY 2017  
Reimagining the Enterprise



FY 2016  
Shaping the Future



FY 2015  
Default is Digital



FY 2014  
One TCS

The Annual General Meeting will be held on Thursday, June 13, 2019 at Birla Matushri Sabhagar, Sir V.T. 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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## TCS' Business 4.0™ Thought Leadership Framework

### Delivering **Mass Personalization**

Embracing greater segmentation and responding to individual transactions, customized for a single customer in a single instance.



### Leveraging **Ecosystems**

Rapidly tapping into the capabilities and resources of partners and competitors through technology platforms, to influence their entire value and supply chains.



### Creating **Exponential Value**

Creating true value propositions that deliver on customer demands for the best products, world class services, instantaneous delivery, and incredible price points.



### Embracing **Risk**

Responding to threats and delivering new capabilities much faster, by changing the traditional risk mitigation mindset to that of embracing risk and adapting and transforming continuously.

# Board of Directors



From  
left to right

**O P Bhatt**

Independent Director

**Dr Ron Sommer**

Independent Director

**Don Callahan**

Independent Director

**Rajesh Gopinathan**

Chief Executive Officer  
and Managing Director

**Aarthi Subramanian**

Director

**N Chandrasekaran**

Chairman

**Hanne Birgitte**

**Breinbjerg Sorensen**

Independent Director

**Aman Mehta**

Independent Director

**Dr Pradeep Kumar Khosla**

Independent Director

**N G Subramaniam**

Chief Operating Officer  
and Executive Director

**Keki M Mistry**

Independent Director

# Management Team

## Corporate



**Rajesh Gopinathan**

Chief Executive Officer  
and Managing Director



**N G Subramaniam**

Chief Operating Officer  
and Executive Director



**V Ramakrishnan**

Chief Financial Officer



**Milind Lakkad**

Global Head  
Human Resources



**Ravi Viswanathan**

Chief Marketing Officer



**K Ananth Krishnan**

Chief Technology Officer



**Madhav Anchan**

General Counsel



**Rajendra Moholkar**

Company Secretary

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## Business Heads



**Surya Kant**

North America,  
UK and Europe



**Krishnan Ramanujam**

Business and  
Technology Services



**K Krithivasan**

Banking, Financial Services  
and Insurance



**Shankar Narayanan**

Retail, Travel and  
Consumer Products



**Kamal Bhadada**

Communication, Media  
and Information Services



**Debashis Ghosh**

Life Sciences, Healthcare  
and Public Services



**Susheel Vasudevan**

Manufacturing and  
Utilities



**Suresh Muthuswami**

BFSI Platforms

# Letter from the **Chairman**



For a business that has navigated technology change over the last five decades, the ups and downs of short term economic cycles become insignificant blips in the broader sweep of history.

Your Company has shown itself to be immensely entrepreneurial, agile, adaptive and innovative over the years, and these attributes will continue to serve it well in the years ahead.





## Dear Stakeholder,

I write this letter with a sense of pride about how well your Company performed this year, not just in financial terms, but also in terms of what we accomplished for customers, employees, shareholders and communities across the world.

Your Company crossed two important milestones in FY 2019. Its annual revenue crossed the \$20 billion figure, a 20-fold increase over the last 16 years. It also became the first Indian company to achieve a market capitalization of \$100 billion in the last decade, and join the list of the Top 100 most valuable companies in the world. In my opinion, this market valuation is the outcome of a better appreciation of TCS' differentiated strategy, market success, capital allocation policy and most importantly, belief in your Company's ability to sustain its superior revenue growth and profitability in the longer term.

Brands take a long time to build, and are an outcome of how we conduct ourselves with our stakeholders. Our values guide us in everything we do, and are core to the reputation for trust and integrity that we have built up over the decades. In FY 2019, your Company was named the fastest growing brand of the decade in IT services, and ranked among the top 3 IT services brands globally by brand value, in an independent brand value assessment.

At a time when the world is wrestling with problems like climate change and socioeconomic inequities, corporations can and should play their part in shaping favorable outcomes. Sustainability, for us, has always been the entrepreneurial pursuit of economic opportunities while aligning the interests of the organization with those of all our stakeholders. Of course, one key enabler is the unique ownership structure which ensures that much of the shareholder value that TCS creates, automatically flows back to civic society through the sterling work undertaken by the various Tata trusts.

In addition, your Company has been a force of good in communities across the world, investing in building digital talent, reducing the digital divide and resultant inequities, creating well-paying jobs that boost local economies, promoting health and wellness, and advocating responsible environmental stewardship. Your Company's structured corporate social responsibility initiatives offer volunteering opportunities to employees, helping them give back to their local communities and imbuing them with a higher sense of purpose.

Globally, geopolitical events threaten to drag down major economies and disrupt global trade and commerce. At times like this, it is more important than ever, to stay close to the customer. In the last downturn, TCS' customer centric philosophy and modular organization structure allowed it to work closely with customers, and be agile in responding to their needs and reacting to events on the ground. Today, thanks to the differentiated capabilities that your Company steadily invested in building up over the last decade, and the innovative, business-centric solutions it is called upon by its customers to provide today, it is even more deeply embedded in their businesses, and is central to their growth and transformation initiatives. These deep relationships, the broad and diversified global footprint, spanning all major markets and industries, and its robust financials makes your Company's business very resilient and well positioned to weather any storms ahead.

For a business that has navigated technology change over the last five decades, the ups and downs of short term economic cycles become insignificant blips in the broader sweep of history. Your Company has shown itself to be immensely entrepreneurial, agile, adaptive and innovative over the years, and these attributes will continue to serve it well in the years ahead.

As enterprises become more technology-defined, they need more than ever before, a partner like TCS, who understands their business very well and can bring to bear the power of new technologies to craft innovative solutions that give them the differentiation they need to thrive in a Business 4.0 world.

The opportunities ahead are huge. By staying true to its mission and its values, and by continually investing in building newer capabilities, your Company is positioned well to become the foremost partner of choice to all forward thinking enterprises in their growth and transformation journeys.

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,

Your Company had a standout year, crossing major milestones, and delivering outstanding financial performance in FY 2019. Our revenue was **₹146,463 crore**, a growth of **19%** over the prior year in Rupee terms, and **11.4%** in constant currency terms.

The growth was not only very strong, it was also very broad based, with all our major industry verticals and geographies growing very nicely. On a constant currency basis, we saw demand strengthen and growth accelerate right through the year in our Banking, Financial Services and Insurance vertical, clocking **7.7%** growth for the full year, compared to **2.8%** in the prior year. Likewise, our Retail cluster grew **12.1%** in FY 2019 compared to **6.7%** in the prior year.

We continued to see strong revenue growth in our Energy and Utilities vertical which grew **19.9%**, and our Life Sciences and Healthcare vertical which grew **15.3%**. Our remaining three verticals — Communications and Media, Manufacturing, and Technology and Services — grew **9.6%**, **7.5%**, and **6.1%** respectively.

All our major markets reported strong growth. Growth was led by UK and Continental Europe which grew **22%** and **17.8%** respectively. North America, our largest market, accounting for **51%** of revenues, grew **8.3%** (compared to 3.7% in the prior year). Asia Pacific grew **11.8%** and other markets — LatAm, India and Middle East and Africa — collectively grew **4.3%**.

Our operating margin expanded 0.8% year on year, to **25.6%**. Net profit was **₹31,472 crore**, a net margin of **21.5%**. Our cash conversion continues to be very strong, with free cash flow of **₹26,461 crore**.

The Board has recommended a final dividend of **₹18** for the year, bringing the total dividend for the year to **₹30** per share. In terms of actual payouts, your Company returned **₹29,148 crore** to shareholders in FY 2019, **₹13,148 crore** as dividends, and **₹16,000 crore** through the share buyback, which is **110.2%** of the free cash flow.

## Driving Growth and Transformation

Our strong performance is driven by two inter-related factors: the rapid mainstreaming of digital technologies, and our expanding participation in our customers' growth and transformation initiatives.

Adoption of digital technologies such as cloud, mobile, IoT, analytics, machine learning, AI and automation has reached the inflexion point and is triggering large re-architecture programs.

It is safe to say that this technology stack is now mainstream — and in fact, the default stack for all new investments today, obviating the need to specify that it is digital.

Second, enterprises are reimagining multiple aspects of their business model, investing in technology-led product or service innovation, customer analytics and insights, and core transformation programs. These are large, multi-year engagements, large in scale and scope, and we are winning such deals by leveraging our thought leadership, our contextual knowledge, intellectual property and our ability to stitch together different capabilities from across TCS.

Let me now cover some of the themes that shaped our performance.

## Business 4.0™: Shaping the Agenda

In September 2017, we unveiled our Business 4.0 thought leadership framework, identifying four key behaviors of successful organizations in the digital era: mass personalization, leveraging ecosystems, embracing risk and creating exponential value. Customers have responded very positively to this framework, embracing it to define their growth and transformation roadmaps.

I am very happy to share with you that this framework is now validated by empirical data. A survey we commissioned a few months ago found that over 90% of the 1200 enterprises polled had adopted at least one of the four Business 4.0 behaviors. More than 9% had adopted all four behaviors. These leaders are also at the forefront of adopting cutting edge technologies like AI and blockchain, and are seeing superior business outcomes, with six out of ten such organizations expecting double digit growth over the next three years.

## Agile and MFDM™: Transformation's Yin and Yang

Speed to market is critical to our customers' Business 4.0 transformation initiatives. To help give them that time to market advantage, we have reimagined the Agile methodology, freeing it from the constraints of co-location that historically limited its usage.

Our unique, Location Independent Agile model is better suited for global organizations whose business teams are distributed across the world, and for whom co-location is impractical. It enables adoption of Agile at scale, and is winning us large transformational engagements. Today, we have an Agile footprint with over **500** customers and have executed over **6,000** Agile engagements.

Increasingly, we are advocating an Enterprise Agile approach, applying Agile principles beyond IT projects, to all aspects of their business. It is a fundamentally different management method that empowers individuals, enables collaboration and harnesses the collective initiative and creativity of the workforce to help the business continuously innovate and create value at scale.



TCS' business resilience and longevity comes from its ability to stay abreast with technology change, continually investing in building capabilities on newer technologies, and creatively harnessing the power of those technologies in bespoke ways for our customers. As the rate of change of technology increases, our value to them will only increase.

The other dimension of our strategy is what we call the Machine First™ Delivery Model or MFDM™. This integrates analytics, AI, and automation technology deep within the enterprise to redefine how humans and machines can work together more effectively to deliver superior outcomes and at scale.

These two dimensions go hand in hand. Human ingenuity, creativity and empathy are as important as machine-driven speed and scale in meeting the objectives of today's Business 4.0 transformation programs. By pioneering these novel delivery concepts, and investing in requisite enablers ahead of everyone else in the industry, we have strengthened our reputation as thought leaders and innovators.

### Innovation is Key

While the Business 4.0 framework provides a roadmap, business success depends on how well an enterprise innovates on the ground. Customers like Total and Newcrest are partnering us to set up dedicated innovation hubs, looking to harness the combinatorial power of IoT, analytics, machine learning and AI to enhance customer experiences, boost productivity and profitability, and establish competitive differentiation.

Our participation in this strategically important spend is an outcome of significant investments in building differentiated capabilities, and enabled by the customer-centric organization structure that we adopted in 2008. The domain knowledge, customer-specific contextual knowledge and executive relationships that each business unit built up over the last decade have been critical to our success.

We have also been systematically investing in research and innovation, and integrating that function into our business units. Our researchers take up promising themes in each industry, and collaborate with domain experts to build innovative solutions that we proactively showcase to customers at our innovation centers. On occasion, the outcome is intellectual property – accelerators, frameworks or products such as Optumera™, Quartz™ or ignio™ – which help customers digitally reimagine key elements of their business, reduce risk and gain speed to market.

TCS partners with all the major technology providers to launch and jointly market industry-specific solutions that leverage our domain knowledge and their technology. We continue to invest in our Co-Innovation Network (COIN™), where we work with start-ups with promising new technologies.

All these elements – our investments in research and innovation, the contextual knowledge, our portfolio of intellectual property, our Business 4.0 framework, Location Independent Agile and MFDM, are critical differentiators which have helped us gain significant market share and mind share.

### Experience the Energy

Our ability to come up with innovative ideas and solutions for our customers comes from the energy, talent and contextual knowledge of our youthful, diverse workforce. Our large scale investments in organic talent development initiatives are delivering industry leading learning outcomes.

TCSers collectively logged **52 million** learning hours in FY 2019, building deeper competencies in multiple technologies in pursuit of individual career aspirations.

To support our growth, we continue to tap into talent pools across the world and add to our ranks. In FY 2019, we added **29,287** employees on a net basis, bringing the total headcount at the end of the year to **424,285**. The workforce has representation from **147** nationalities, with women making up **35.9%** of the base. By creating a vibrant, enriching and fulfilling workplace, we have established an industry benchmark in talent management and retention. In FY 2019, our attrition rate in IT Services was **11.3%**, the lowest in the industry.

This year, we reimagined entry level hiring in India by holding the TCS National Qualifier Test on the iON™ Assessment platform. This democratizes the opportunity to pursue fast track careers in TCS for talented youth across the nation, regardless of where they study. The test attracted over **280,000** students from over **1800** colleges, across **100** cities. Besides benefiting students from outside our traditional catchment area, this gives us access to the most talented youngsters in the country.

Our people-centric investments go beyond the boundaries of our organization, into communities across the world, where we support initiatives to bridge the digital divide, and encourage STEM education and careers. All these programs continue to scale up very well, and are benefiting hundreds of thousands of people across the world. Our purpose-driven worldview is shared by our employees who collectively racked up over **650,000** volunteering hours in FY 2019, for worthy social and environmental causes in their respective communities.

### Looking Ahead

Enterprises are increasingly embracing business models that are defined by technology, structurally driving up technology intensity across industries. This, as well as the greater leverage of technology for competitive differentiation, significantly increases the market opportunity for us.

We are participating very well in this expanding opportunity, getting embedded deeper in our customers' business ecosystems, and becoming an industry staple. This is resulting in better visibility, predictability, and business sustainability, all of which create ever more value for our stakeholders in the longer term.

TCS' business resilience and longevity comes from its ability to stay abreast with technology change, continually investing in building capabilities on newer technologies, and creatively harnessing the power of those technologies in bespoke ways for our customers. As the rate of change of technology increases, our value to them will only increase. We are at the start of an exciting journey ahead. I thank you for your continued support.

Best regards,

**Rajesh Gopinathan**

Chief Executive Officer and Managing Director

