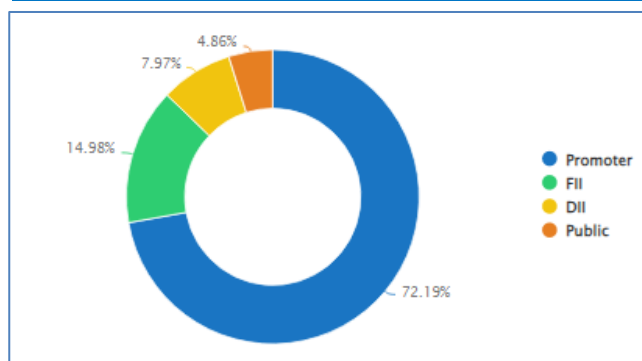


April 2022

VALUE PARAMETERS

Face Value (Rs.)	1.00
EPS (TTM)	105
52-Week High/Low	4046/3004
M.Cap (Rs. in Cr.)	1,302,256
P/E Ratio (TTM)	34
Sector P/E	34.7
P/B Ratio (calc at CMP)	14.7
Dividend Yield (%)	1.05
Enterprise value (Rs. in Cr.)	1,291,853

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Rs. bn)	1918	2225	2520
EBIT (Rs. bn)	485	555	655
EBIT margin	25.28	25.0	26.0
PAT (Rs. bn)	384	450	515
EPS (Rs)	104	123	140
ROE	43.7	49.5	55
ROCE	36.8	41	46
DPS	111	98.5	115
P/E	35.3	30	26

Price performance over 1-year



Our Recommendation: From a long-term perspective, we believe TCS outshines its peer companies by building a resilient business model and by securing long-term contracts and procuring new ones with world’s leading brands. With the robust Q4 results and 15-20% multi-year growth in digital technologies, we believe TCS will be the key beneficiary. Thus, we recommend BUY in price range Rs. 3425-3500 with target price 4000 (upside 18%).

Investment Rationale:

About Company: TCS is an IT services, consulting and business solutions providing organization. The company has been partnering with many of the world’s largest businesses. TCS offers a consulting-led, cognitive powered, integrated portfolio of IT, business & technology services, and engineering. These services are delivered through its unique Global Network Delivery Model. The company has expertise in different set of industries like Banking, Financial Services, communication and media, life sciences, manufacturing healthcare, energy, retail and CPG and others. The company operates in many continents but North America and Europe has been the biggest contributor in revenues.

Q4FY22 results: Strong Q4 results led by all-round growth across business verticals and stable deals win. Company created a milestone with revenue crossing Rs 50,000 Cr and profit is close to Rs 10,000.

- Consolidated revenue for TCS during Q4 stood at Rs 50,591 crore, up 16 percent from the year-ago.
- Consolidated net profit of Rs 9,926 crore, a jump of 7.35 per cent on a year-on-year basis.
- Consolidated operating income increased 6.79 per cent to Rs 12,383 crore against Rs 11,596 crore earlier.
- EPS increased to Rs 26.85 compared with Rs 24.97 at the end of the March 2021 quarter.

Key Highlights:

- TCS reported highest ever total contract value for Q4 worth \$11.3 billion. For the financial year FY22, orders stood at \$34.6 billion.
- Growth in all verticals reported led by retail and CPG (up 22.1 %), manufacturing vertical (up 19 %) and communications and media (up 18.7%), Technology and services (up 18 %) and life sciences and healthcare (up 16.4 %) while BFSI (up 12.9 %).
- Business from North America grew by 18.7%, followed UK grew by 13 %, and Continental Europe grew by 10.1%. Among emerging markets, Latin America grew by 20.6 %, Middle East & Africa grew by 7.3 %), India grew by 7 %, and Asia Pacific is up 5.5 %.
- High attrition rate was noted of 17.4% that affected the margins.
- Total expenditure also increased by 18.74% to Rs 37,963.
- The boards of directors have proposed a Final dividend of Rs 22 per equity share.

Risks:

- High attrition rate could affect the margins.
- Increase in employee expense to reduce retention.
- Competition from peers like Infosys and Wipro.

Financials and Valuations

Consolidated Income Statement (Rs. bn)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22
Revenue	1,180	1,231	1,465	1,569	1,642	1,918
Growth (%)	8.6	4.4	19	7.2	4.6	16.8
Cost of Services	669	713	852	923	971	1,146
SG&A Expenses	208	213	239	260	246	287
EBITDA	323	325	395	421	465	532
As a percentage of Revenue	27.4	26.4	27	26.8	28.4	27.8
Depreciation	20	20	21	35	41	48
EBIT	303	305	375	386	425	485
As a percentage of Revenue	25.7	24.8	25.6	24.6	25.9	25.3
Other Income	42	36	41	37	25	32
PBT	345	341	416	422	450	517
Tax	82	82	100	98	115	132
Rate (%)	23.6	24.1	24.1	23.2	25.5	25.6
PAT	264	259	316	324	335	384
Extraordinary Gains/Losses	0	0	0	0	-10	0
Adjusted PAT	264	259	316	324	326	384
Minority Interest	1	1	1	1	1	1
Reported PAT	263	258	315	323	324	383
Growth (%)	8.6	-1.8	21.9	2.8	0.3	18.2

Consolidated Balance Sheet (Rs. bn)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22
Equity capital	2	2	4	4	4	4
Reserves & Surplus	860	849	891	838	861	888
Net Worth	862	851	894	841	864	891
Minority Interest and Others	25	33	34	97	102	100
Loans	1	1	0	0	0	0
Capital Employed	888	885	929	938	966	992
Gross Block	247	266	287	408	449	502
Depreciation	131	151	171	207	247	295
Net Block	116	115	116	201	201	207
Intangibles	44	52	44	45	57	55
Other LT assets	67	84	69	60	56	70
Current Assets	805	812	921	902	993	1,083
Debtors	280	316	325	363	367	418
Cash and Bank Balance	41	49	72	97	69	125
Investments	416	380	347	261	316	360
Other Current Assets	67	67	177	182	241	180
Current Liabilities and Provisions	145	178	221	271	342	424
Net Current Assets	660	634	700	632	651	660
Application of Funds	887	885	929	938	966	992

Financials and Valuations

Key Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22
Efficiency Ratios						
EPS	66.7	67.61	83.93	86.24	86.7	104
Cash EPS	71.8	72.2	87.6	95.6	97.6	117
EBITDA margin (%)	29	29.37	29.92	29.76	30.26	29.76
EBIT margin (%)	27	27.74	28.51	27.51	27.04	27.36
Book Value per share	218.8	220.9	233.8	224.2	231.1	241.8
DPS	27.5	70.7	76.9	71.4	97.2	100.9
Payout (%)	41.2	105.6	93.5	82.8	112.1	97.1
Valuation (x)						
P/E	55.4	55.2	44.9	42.9	42.6	35.3
EV/EBITDA	45	43.7	35.6	32.7	29.5	25.4
EV/Sales	12.3	11.5	9.6	8.8	8.4	7
Price/Book Value	16.9	16.7	15.8	16.5	16	15.3
Dividend Yield (%)	0.7	1.9	2.1	1.9	2.6	2.7
Return Ratios (%)						
RoE	34.7	30.1	36.1	37.3	38	43.7
RoCE	29.7	26.1	31.4	31.7	33.2	36.8
RoA	25	25.46	29.34	28.17	26.59	29.06
Solvency Ratios						
Debt to Equity ratio	0	0	0	0	0.1	0.1
Current ratio	4.5	4.56	4.17	3.33	2.91	2.56
Quick ratio	4.2	4.55	1.17	3.33	2.91	2.56

Cash Flow Statement (Rs. bn)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22
Cash Flow from Operations	259	282	308	370	379	427
Cash for Working Capital	-6	0	-22	-47	9	-28
Net Operating Cash Flow	252	282	286	324	388	399
Net Purchase of FA	-20	-19	-21	-32	-32	-30
Free Cash Flow	232	263	265	291	356	370
Net Purchase of Investment	-147	16	36	118	-50	21
Net Cash from Investment	-167	-3	16	86	-81	-9
Proceeds from Equity Issues	-1	0	0	0	0	0
Proceeds from LTB/STB	0	0	-2	-13	-211	-195
Others	0	0	-2	-9	-6	-7
Dividend Payments	-110	-268	-275	-377	-109	-134
Cash Flow from Finance	-110	-268	-279	-399	-326	-336
Net Cash Flow	-27	13	23	14	-18	56
Opening Cash Balance	68	41	54	77	91	73
Add: Net Cash	-27	13	23	14	-18	56
Closing Cash Balance	41	54	77	91	73	130

Revenue break-up Geography wise

Geographies	Contribution to revenue (%)	QoQ growth (%)
North America	51.6	4.5
Latin America	1.7	2.6
UK	15.6	2.6
Continental Europe	15.5	-0.6
India	5.1	-4.8
Asia Pacific	8.5	1.4
MEA	2	8

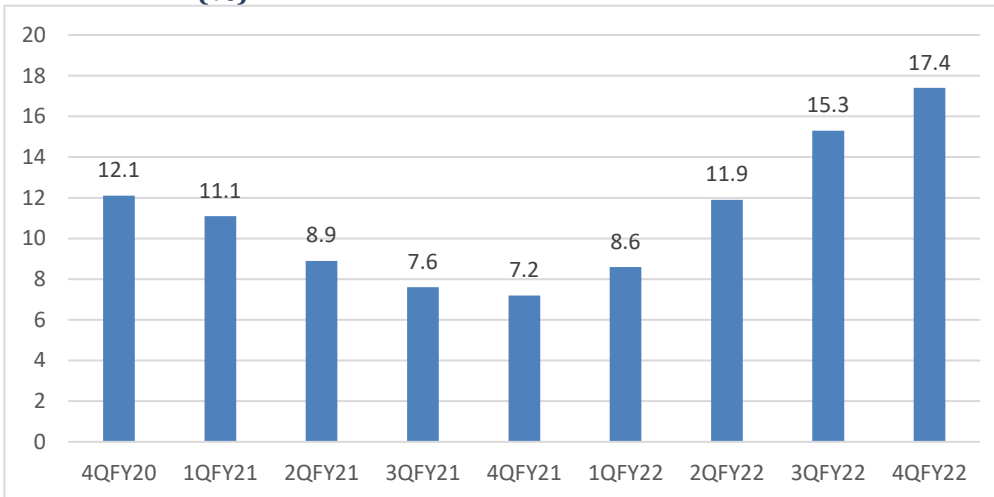
North-America is the biggest contributor to revenue followed by UK and Continental Europe. Continental Europe has shown de-growth due to Russia-Ukraine war.

Vertical wise break-up

Verticals	Contribution to revenue (%)	QoQ growth (%)
BFSI	31.9	2
Retail and CPG	15.4	9
Communications and Media	6.7	4.2
Manufacturing	10	6.9
Life Sciences and Healthcare	10	4.7
Technology and Services	8.7	3.8
Regional Markets and Others	17.3	-5.6

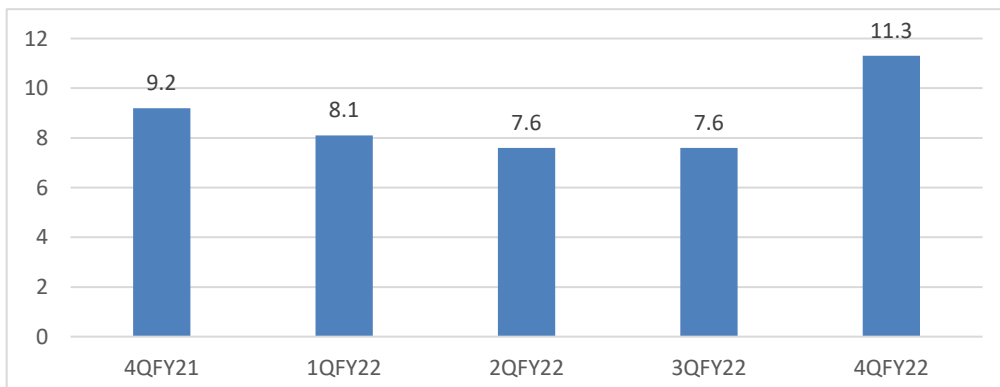
BFSI, Retail and CPG as well as manufacturing and life sciences drive growth

Attrition rate (%)



Attrition rate rose to 210 bps to 17.4% which is a growing concern for entire IT industry in India.

Contracts won on QoQ basis (bn dollars)



TCS won biggest deal in 4QFY22 worth \$ 11.3 billion in the last five quarters.

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Disclosure:

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