

## Tata Consultancy Services (TCS)

### Performance highlights

| (₹ cr)                 | 3QFY16        | 2QFY16        | % chg (qoq) | 3QFY15        | % chg (yoy) |
|------------------------|---------------|---------------|-------------|---------------|-------------|
| <b>Net revenue</b>     | <b>27,364</b> | <b>27,166</b> | <b>0.7</b>  | <b>24,501</b> | <b>11.7</b> |
| Adj. EBITDA            | 7,065         | 7,839         | (9.9)       | 7,053         | 0.2         |
| Adj. EBITDA margin (%) | 28.3          | 28.9          | (60)bp      | 28.8          | (50)bp      |
| <b>Adj. PAT</b>        | <b>6,110</b>  | <b>6,055</b>  | <b>0.9</b>  | <b>5,444</b>  | <b>12.2</b> |

Source: Company, Angel Research

TCS posted a lower than expected top-line for 3QFY2016, while the EBDITA and net profit were in line and higher than expected, respectively. The company posted a 0.3% sequential de-growth in USD revenues to US\$4,145mn (V/s our expectation of US\$4,177mn). In constant currency terms (CC), the company posted a qoq revenue growth of 0.5%, mainly impacted by the Indian business. The international business posted a 1.1% qoq growth during the quarter. On the operating front, the EBIT margin came in at 26.6% (V/s 26.4% expected) a downtick of 47bp qoq. Consequently, the PAT came in at ₹6,110cr (V/s ₹5,999cr expected), a growth of 0.9% qoq. While we have downgraded the numbers, **we maintain our Buy on the stock with a target price of ₹2,854.**

**Quarterly highlights:** TCS posted a 0.3% sequential de-growth in USD revenues to US\$4,145mn (V/s an expectation of US\$4,177mn). In CC terms, the company posted a qoq growth of 0.5%, mainly impacted by the Indian business. The volume growth during the quarter was of 0.4% qoq. On the operating front, the EBIT margin came in at 26.6% (V/s 26.4% expected) a downtick of 47bp qoq. Consequently, the PAT came in at ₹6,110cr (V/s ₹5,999cr expected), a growth of 0.9% qoq. The employee utilization was 84.9% excluding trainees and 80.9% including trainees, while attrition was 15.3% in IT services and 15.9% including the BPS. Overall attrition was down 30bp qoq.

**Outlook and valuation:** TCS' commentary remained largely unchanged with the Management highlighting that it had not received any 'negative' indications on IT budgets/ spending trends. Over FY2015-17E, we expect TCS' revenue to post a CAGR of 10.5% in USD terms and of 13.8% in INR terms.

### Key financials (Consolidated, IFRS)

| Y/E March (₹ cr)  | FY2014        | FY2015        | FY2016E         | FY2017E         |
|-------------------|---------------|---------------|-----------------|-----------------|
| <b>Net sales</b>  | <b>81,809</b> | <b>94,648</b> | <b>1,08,487</b> | <b>1,22,590</b> |
| % chg             | 29.9          | 15.7          | 14.6            | 13.0            |
| <b>Net profit</b> | <b>19,117</b> | <b>21,696</b> | <b>24,038</b>   | <b>27,096</b>   |
| % chg             | 37.1          | 13.5          | 10.8            | 12.7            |
| EBITDA margin (%) | 30.7          | 28.2          | 28.3            | 28.5            |
| <b>EPS (₹)</b>    | <b>97.6</b>   | <b>110.9</b>  | <b>122.8</b>    | <b>138.4</b>    |
| P/E (x)           | 23.4          | 20.6          | 18.6            | 16.5            |
| P/BV (x)          | 8.1           | 7.8           | 7.1             | 6.4             |
| RoE (%)           | 34.5          | 34.2          | 38.0            | 38.9            |
| RoCE (%)          | 34.5          | 33.9          | 29.9            | 30.5            |
| EV/Sales (x)      | 5.2           | 4.4           | 3.7             | 3.2             |
| EV/EBITDA (x)     | 16.8          | 15.7          | 13.0            | 11.3            |

Source: Company, Angel Research; Note: CMP as of January 14, 2016

## BUY

|              |        |
|--------------|--------|
| CMP          | ₹2,283 |
| Target Price | ₹2,854 |

|                   |           |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

### Stock Info

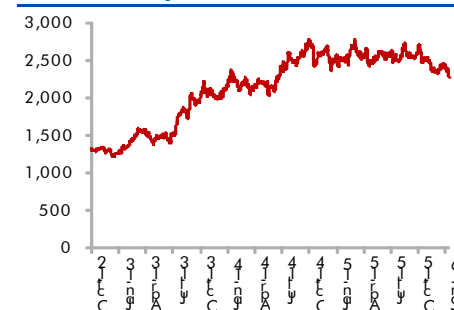
|                    |             |
|--------------------|-------------|
| Sector             | IT          |
| Market Cap (₹ cr)  | 446,378     |
| Net Debt (₹ cr)    | (14,442)    |
| Beta               | 0.5         |
| 52 Week High / Low | 2,810/2,253 |
| Avg. Daily Volume  | 82,322      |
| Face Value (₹)     | 1           |
| BSE Sensex         | 24,773      |
| Nifty              | 7,537       |
| Reuters Code       | TCS.BO      |
| Bloomberg Code     | TCS@IN      |

### Shareholding Pattern (%)

|                         |      |
|-------------------------|------|
| Promoters               | 73.9 |
| MF / Banks / Indian Fls | 5.4  |
| FII / NRIs / OCBs       | 16.6 |
| Indian Public / Others  | 4.1  |

| Abs.(%) | 3m    | 1yr   | 3yr  |
|---------|-------|-------|------|
| Sensex  | (7.5) | (9.4) | 24.4 |
| TCS     | (8.2) | (9.5) | 70.8 |

### 3-Year Daily Price Chart



Source: Company, Angel Research

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**Exhibit 1: 3QFY2016 performance (Consolidated, IFRS)**

| (₹ cr)                 | 3QFY16        | 2QFY16        | % chg (qoq)  | 3QFY15        | % chg (yoy) | 9MFY2016      | 9MFY2015      | % chg(yoy)  |
|------------------------|---------------|---------------|--------------|---------------|-------------|---------------|---------------|-------------|
| <b>Net revenue</b>     | <b>27,364</b> | <b>27,166</b> | <b>0.7</b>   | <b>24,501</b> | <b>11.7</b> | <b>80,198</b> | <b>70,429</b> | <b>13.9</b> |
| Cost of revenue        | 14,883        | 14,665        | 1.5          | 13,087        | 13.7        | 43,397        | 38,051        | 14.0        |
| Gross profit           | 12,481        | 12,500        | (0.2)        | 11,414        | 9.3         | 36,801        | 32,378        | 13.7        |
| SG&A expense           | 4,734         | 4,662         | 1.6          | 4,361         | 8.6         | 13,982        | 12,148        | 15.1        |
| <b>EBITDA</b>          | <b>7,747</b>  | <b>7,839</b>  | <b>(1.2)</b> | <b>7,053</b>  | <b>9.8</b>  | <b>22,819</b> | <b>20,230</b> | <b>12.8</b> |
| Dep. and amortisation  | 471           | 485           | (3.0)        | 429           | 9.7         | 1,441         | 1,396         | 3.2         |
| EBIT                   | 7,276         | 7,354         | (1.1)        | 6,624         | 9.8         | 21,378        | 18,834        | 13.5        |
| Other income           | 699           | 675           | 3.6          | 630           | 11.0        | 2,145         | 2,011         |             |
| PBT                    | 7,975         | 8,029         | (0.7)        | 7,254         | 9.9         | 23,523        | 20,845        | 12.8        |
| Income tax             | 1,850         | 1,936         |              | 1,745         | 6.0         | 5,532         | 4,881         | 13.3        |
| <b>PAT</b>             | <b>6,125</b>  | <b>6,093</b>  | <b>0.5</b>   | <b>5,509</b>  | <b>11.2</b> | <b>17,991</b> | <b>15,964</b> | <b>12.7</b> |
| Earnings in affiliates | -             | -             | -            | -             | -           | -             | -             | -           |
| Minority interest      | 16            | 38            | (58.5)       | 64            | (75.5)      | 117           | 173           | (32.3)      |
| <b>Reported PAT</b>    | <b>6,110</b>  | <b>6,055</b>  | <b>0.9</b>   | <b>5,444</b>  | <b>12.2</b> | <b>17,874</b> | <b>15,791</b> | <b>13.2</b> |
| <b>Adj. PAT</b>        | <b>6,110</b>  | <b>6,055</b>  | <b>0.9</b>   | <b>5,444</b>  | <b>12.2</b> | <b>17,874</b> | <b>15,791</b> | <b>13.2</b> |
| <b>EPS</b>             | <b>31.0</b>   | <b>30.8</b>   | <b>0.6</b>   | <b>27.8</b>   | <b>11.6</b> | <b>91.0</b>   | <b>80.7</b>   | <b>12.8</b> |
| Gross margin (%)       | 45.6          | 46.0          | (40)bp       | 46.6          | (97)bp      | 45.9          | 46.0          | (8)bp       |
| EBITDA margin (%)      | 28.3          | 28.9          | (54)bp       | 28.8          | (48)bp      | 28.5          | 28.7          | (27)bp      |
| EBIT margin (%)        | 26.6          | 27.1          | (48)bp       | 27.0          | (45)bp      | 26.7          | 26.7          | (8)bp       |

Source: Company, Angel Research

**Exhibit 2: Actual vs Angel estimates**

| (₹ cr)             | Actual        | Estimate      | Var. (%)     |
|--------------------|---------------|---------------|--------------|
| <b>Net revenue</b> | <b>27,364</b> | <b>27,538</b> | <b>(0.6)</b> |
| EBIT margin (%)    | 26.6          | 26.4          | 19bps        |
| <b>Adj. PAT</b>    | <b>6,110</b>  | <b>5,999</b>  | <b>1.8</b>   |

Source: Company, Angel Research

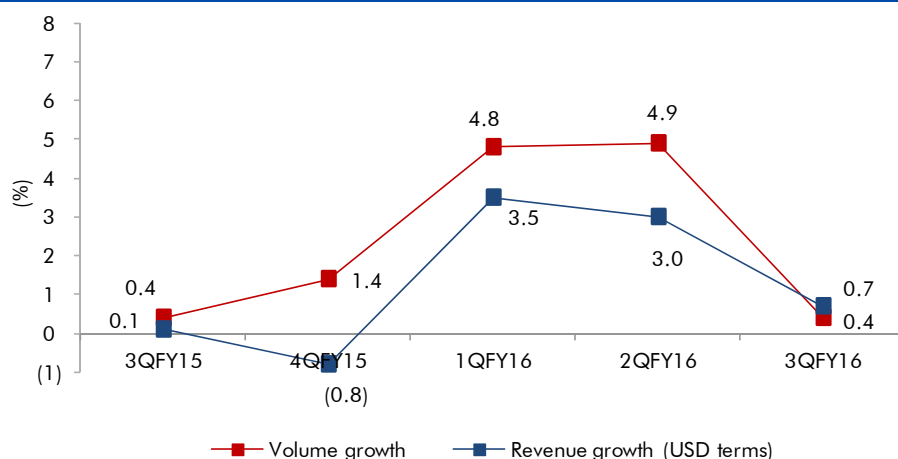
**Numbers slightly lower than expected**

TCS posted a 0.3% sequential de-growth in USD revenues to US\$4,145mn (V/s an expectation of US\$4,177mn). In CC terms, the company posted a qoq growth of 0.5%, mainly impacted by the Indian business. The international business posted a 1.1% qoq growth during the quarter. In rupee terms, revenues came in at ₹27,364cr (V/s our expectation of ₹27,538cr), up 0.7% qoq.

In terms of geographies, North America posted a 1.4% qoq (CC terms), UK posted de-growth of 0.7% (CC), while Continental Europe posted a 2.3% qoq (CC terms). India and Asia Pacific posted a qoq de-growth of 6.7% (CC) and growth of 0.4% (CC), respectively. Latin America posted a 13.3% qoq (CC) growth during the quarter.

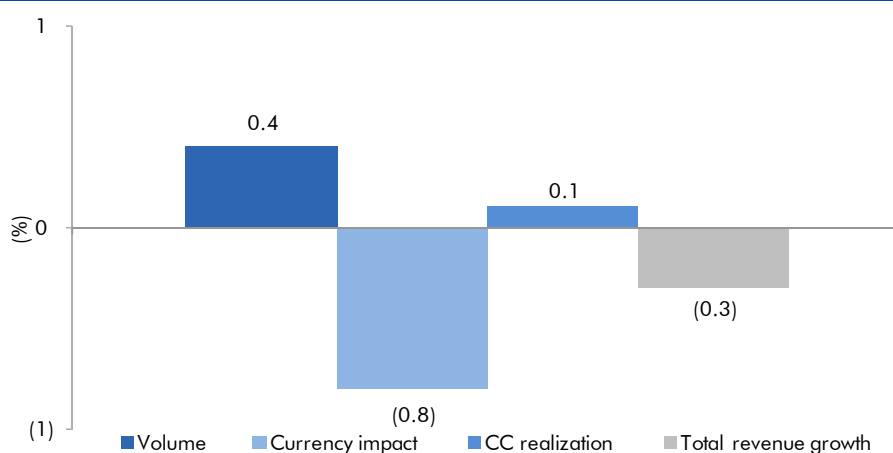
In terms of domains, BSFI grew 0.7% qoq, Retail & Distribution grew 0.3% qoq, Manufacturing grew 2.3% qoq, Telecom grew 0.3% qoq, Life Sciences & Healthcare grew 4.1% qoq, Hi-Tech grew 2.0% qoq and Energy & Utilities grew 1.6% qoq, all in CC terms.

**Exhibit 3: Trend in volume and revenue growth (qoq)**



Source: Company, Angel Research

**Exhibit 4: Revenue drivers for 3QFY2016**



Source: Company, Angel Research

In terms of verticals, BFSI (40.5% of sales) grew 0.7% qoq on CC, Telecom (8.4% of sales) grew 0.3% qoq on CC, Retail & Distribution (13.8% of sales) grew 0.3% qoq on CC and Manufacturing (9.9% of sales) grew 2.3% qoq on CC, during the quarter. Hi-Tech and Life Sciences & Healthcare posted a growth of 2.0% and 4.1% qoq on CC, respectively. Travel & Hospitality (3.6% of sales) posted a growth of 2.9% qoq on CC, while Energy & Utilities (4.1% of sales) posted a growth of 1.6% qoq on CC basis.

TCS has been making significant progress in Digital, evident from the growth in the area, and deal wins. Digital, which is now ~13.7% of total revenues, grew by 4.4% qoq CC basis. Although the growth was lower than in the previous quarter, it was still strong given the seasonal weakness during 3QFY2016.

**Exhibit 5: Revenue growth (Industry wise in INR)**

|                              | % to revenue | % chg (CC qoq) | % chg (yoy) |
|------------------------------|--------------|----------------|-------------|
| BFSI                         | 40.5         | 0.7            | 10.3        |
| Manufacturing                | 9.9          | 2.3            | 8.1         |
| Telecom                      | 8.4          | 0.3            | 5.6         |
| Life sciences and healthcare | 7.3          | 4.1            | 21.1        |
| Retail and distribution      | 13.8         | 0.3            | 12.4        |
| Transportation & Hospitality | 3.6          | 2.9            | 15.4        |
| Energy and utilities         | 4.1          | 1.6            | 7.3         |
| Media and entertainment      | 2.5          | 2.5            | (1.8)       |
| Hi-tech                      | 6.0          | 2.0            | 10.4        |
| Others                       | 3.9          | (14.3)         | (1.5)       |

Source: Company, Angel Research

Service line wise, Infrastructure Services reported a sequential growth of 3.7% qoq on CC basis. In the company's anchor service line - IT Solutions and Services - ADM de-grew 0.2% qoq on CC basis, Enterprise Solutions de-grew 0.1% qoq and Assurance Services grew by 0.1% qoq on CC basis. The BPO segment grew by 3.5% qoq on CC basis, during the quarter. Asset Leveraged Solutions (2.8% of sales) de-grew by 11.6% qoq on CC basis.

**Exhibit 6: Revenue growth (Service wise in INR terms)**

|                               | % to revenue | % chg (CC qoq) | % chg (yoy) |
|-------------------------------|--------------|----------------|-------------|
| IT solutions and services     |              |                |             |
| ADM                           | 39.7         | (0.2)          | 10.2        |
| Enterprise solutions          | 17.4         | (0.1)          | 0.7         |
| Assurance services            | 8.6          | 0.1            | 10.9        |
| Engg. and industrial services | 4.5          | 1.5            | 8.4         |
| Infrastructure services       | 15.2         | 3.7            | 16.5        |
| Asset-leveraged solutions     | 2.8          | (11.6)         | 29.7        |
| BPO                           | 11.8         | 3.5            | 11.2        |

Source: Company, Angel Research

Geography wise, growth in INR sales in key geographies was as follows: - USA (1.4% qoq on CC basis), Latin America (13.3% qoq on CC basis), Continental Europe (2.3% qoq on CC basis), India (-6.7% qoq on CC basis) and MEA (-5.8% qoq on CC basis). The UK and Asia Pacific posted a de-growth of 0.7% qoq and growth of 0.4% qoq on CC basis, respectively.

**Exhibit 7: Revenue growth (Geography wise in INR terms)**

|                    | % of revenue | % chg (CC qoq) | % chg (yoy) |
|--------------------|--------------|----------------|-------------|
| U.S.               | 53.5         | 1.4            | 9.7         |
| Latin America      | 2.1          | 13.3           | 20.4        |
| U.K.               | 15.9         | (0.7)          | 9.3         |
| Continental Europe | 10.9         | 2.3            | 9.2         |
| India              | 6.0          | (6.7)          | 3.4         |
| Asia Pacific       | 9.4          | 0.4            | 12.0        |
| MEA                | 2.2          | (5.8)          | 21.8        |

Source: Company, Angel Research

**Hiring moderate**

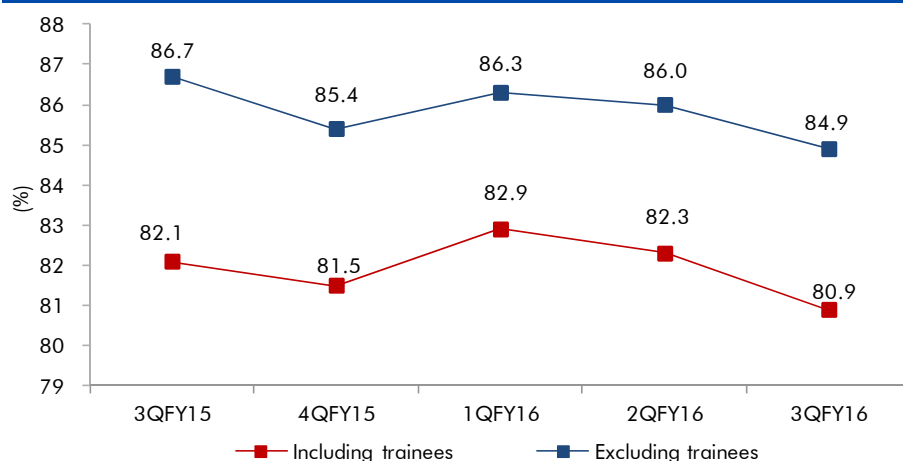
In 3QFY2016, TCS witnessed a gross addition of 22,118 employees and net addition of 9,071 employees, taking its total employee base to 3,44,691. During the quarter under review, the attrition rate (last twelve month [LTM] basis) for the company decreased from 16.2% to 15.9% in 3QFY2016.

**Exhibit 8: Hiring and attrition trend**

| Particulars               | 3QFY15   | 4QFY15   | 1QFY16   | 2QFY16   | 3QFY16   |
|---------------------------|----------|----------|----------|----------|----------|
| Gross addition            | 16,561   | 14,395   | 20,320   | 25,186   | 22,118   |
| Net addition              | 4,868    | 1,031    | 5,279    | 10,685   | 9,071    |
| Total employee base       | 3,22,083 | 3,19,656 | 3,24,935 | 3,35,620 | 3,44,691 |
| Attrition (%) - LTM basis | 13.4     | 14.9     | 15.9     | 16.2     | 15.9     |

Source: Company, Angel Research

For 3QFY2016, the utilization rate (excluding trainees) decreased by 120bp qoq to 84.9%; including trainees, it was down 180bp qoq to 80.9%.

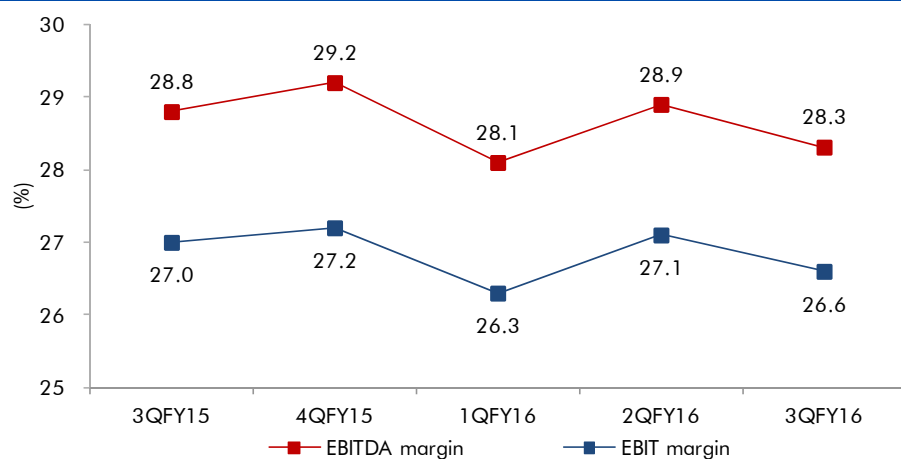
**Exhibit 9: Trend in utilization**


Source: Company, Angel Research

## Margin dips

TCS' EBITDA margin dipped by 54bp qoq to 28.3% and the EBIT margin dipped by 48bp qoq to 26.6%. Utilization was a factor of lower number of working days and the operational disturbance caused by the Chennai floods. Going forward, the EBIT margin is expected to operate at the mid-range of its 26-28% guided band.

### Exhibit 10: Margin profile



Source: Company, Angel Research

## Client metrics

The client pyramid during the quarter witnessed a qualitative improvement, with client additions seen in higher revenue brackets. It added one in the US\$100mn+ revenue bracket, and 2 clients in the US\$20-50mn revenue bracket. Overall, the company added 9 clients.

### Exhibit 11: Client pyramid

|                | 3QFY15 | 4QFY15 | 1QFY16 | 2QFY16 | 3QFY16 |
|----------------|--------|--------|--------|--------|--------|
| US\$1mn–5mn    | 377    | 389    | 391    | 415    | 425    |
| US\$5mn–10mn   | 138    | 128    | 123    | 130    | 132    |
| US\$10mn–20mn  | 90     | 99     | 96     | 103    | 108    |
| US\$20mn–50mn  | 94     | 94     | 103    | 106    | 108    |
| US\$50mn–100mn | 40     | 39     | 39     | 32     | 31     |
| US\$100mn plus | 25     | 29     | 30     | 33     | 34     |

Source: Company, Angel Research

## Investment Argument

**Guidance – Outlook upbeat:** While the Management refrained from giving any additional color on CY2016/FY2017E revenue growth outlook and expects greater clarity on this front over the next few weeks. TCS highlighted that deal wins remain decent across major markets like the US and Europe with traction in Digital deals also remaining solid. We expect the company to post a US\$ revenue CAGR of 13.8% over FY2015-17E.

**Deal pipeline outlook healthier:** Company has given a positive outlook for FY2017. It expects a strong demand environment across the board, for most areas that it focuses on. It doesn't see any cuts in client budgets and is still getting inputs on the same and would cite an outlook for FY2017E only in the next quarter. In the Retail business, the company expects a pick-up in subsequent quarters after the seasonal weakness in 3QFY2016.

## Outlook and valuation

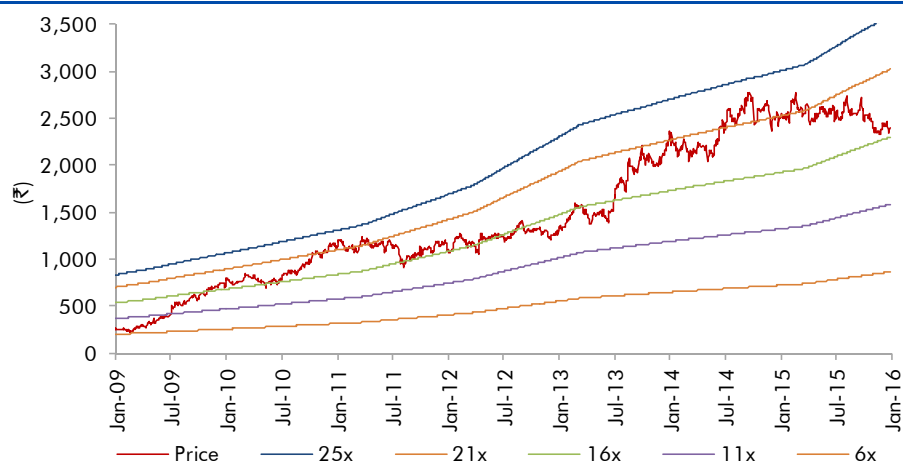
Over FY2015-17E, we expect TCS' revenue to post a CAGR of 10.5% in USD terms and of 14.3% in INR terms. The company highlighted that it stands comfortable of sustaining the EBIT margin in the range of 26-28%. On the EBIT and PAT fronts, we expect the company to post a 14.5% and 12.6% CAGR over FY2015-17E, respectively. At the current market price of ₹2,283, the stock is trading at 18.6x FY2016E and 16.5x FY2017E EPS of ₹122.8 and ₹138.4, respectively. **We maintain our Buy rating on the stock with a target price of ₹2,854.**

### Exhibit 12: Key assumptions

|                         | FY2016E | FY2017E |
|-------------------------|---------|---------|
| Revenue growth (USD)    | 8.0     | 13.0    |
| USD-INR rate (realized) | 65.0    | 65.0    |
| Revenue growth (₹)      | 14.6    | 13.0    |
| EBITDA margin (%)       | 28.3    | 28.5    |
| Tax rate (%)            | 22.5    | 22.5    |
| EPS growth (%)          | 10.8    | 12.7    |

Source: Company, Angel Research

**Exhibit 13: One-year forward PE chart**



Source: Company, Angel Research

**Exhibit 14: Recommendation summary**

| Company       | Reco       | CMP<br>(₹)   | Tgt. price<br>(₹) | Upside<br>(%) | FY2017E<br>EBITDA (%) | FY2017E<br>P/E (x) | FY2015-17E<br>EPS CAGR (%) | FY2017E<br>EV/Sales (x) | FY2017E<br>RoE (%) |
|---------------|------------|--------------|-------------------|---------------|-----------------------|--------------------|----------------------------|-------------------------|--------------------|
| HCL Tech      | Buy        | 829          | 1,132             | 36.5          | 23.5                  | 13.2               | 10.6                       | 1.9                     | 19.8               |
| Infosys       | Buy        | 1129         | 1,306             | 15.7          | 28.0                  | 17.7               | 8.9                        | 3.1                     | 19.7               |
| <b>TCS</b>    | <b>Buy</b> | <b>2,280</b> | <b>2,854</b>      | <b>25.2</b>   | <b>28.5</b>           | <b>16.5</b>        | <b>11.8</b>                | <b>3.2</b>              | <b>38.9</b>        |
| Tech Mahindra | Buy        | 514          | 646               | 25.7          | 17.0                  | 16.1               | 8.0                        | 1.4                     | 18.6               |
| Wipro         | Buy        | 545          | 719               | 31.8          | 23.8                  | 12.9               | 9.7                        | 1.7                     | 17.9               |

Source: Company, Angel Research



## **Company background**

TCS is Asia's largest IT services provider and is amongst the top 10 technology firms in the world. The company has a global footprint with an employee base of over 3.0 lakh professionals, offering services to more than 1,000 clients across various industry segments. The company has one of the widest portfolios of services offerings, spanning across the entire IT service value chain – from traditional application development and maintenance to consulting and package implementation to products and platforms.

**Profit & Loss statement (Consolidated, IFRS)**

| Y/E March (₹ cr)            | FY2013        | FY2014        | FY2015        | FY2016E         | FY2017E         |
|-----------------------------|---------------|---------------|---------------|-----------------|-----------------|
| <b>Net sales</b>            | <b>62,988</b> | <b>81,809</b> | <b>94,648</b> | <b>1,08,487</b> | <b>1,22,590</b> |
| Cost of revenue             | 33,253        | 42,207        | 50,599        | 58,583          | 64,973          |
| <b>Gross profit</b>         | <b>29,736</b> | <b>39,603</b> | <b>44,049</b> | <b>49,904</b>   | <b>57,617</b>   |
| % of net sales              | 47.2          | 48.4          | 46.5          | 46.0            | 47.0            |
| SGA expenses                | 11,648        | 14,471        | 17,353        | 19,202          | 22,679          |
| % of net sales              | 18.5          | 17.7          | 18.3          | 17.7            | 18.5            |
| <b>EBITDA</b>               | <b>18,088</b> | <b>25,132</b> | <b>26,696</b> | <b>30,702</b>   | <b>34,938</b>   |
| % of net sales              | 28.7          | 30.7          | 28.2          | 28.3            | 28.5            |
| Dep. and amortization       | 1079          | 1324          | 1272          | 1383            | 1629            |
| % of net sales              | 1.7           | 1.6           | 1.3           | 1.3             | 1.3             |
| <b>EBIT</b>                 | <b>17,009</b> | <b>23,808</b> | <b>25,424</b> | <b>29,319</b>   | <b>33,310</b>   |
| % of net sales              | 27.0          | 29.1          | 26.9          | 27.0            | 27.2            |
| Other income, net           | 1118          | 1589          | 3140          | 2000            | 2000            |
| Profit before tax           | 18,126        | 25,397        | 28,564        | 31,319          | 35,310          |
| Provision for tax           | 4,034         | 6,071         | 6,083         | 7,047           | 7,945           |
| % of PBT                    | 22.3          | 23.9          | 21.3          | 22.5            | 22.5            |
| <b>PAT</b>                  | <b>14,092</b> | <b>19,326</b> | <b>22,481</b> | <b>24,272</b>   | <b>27,365</b>   |
| Minority interest           | 149           | 209           | 205           | 235             | 269             |
| Extra-ordinary (Exp.)/ Inc. | -             | -             | (2627.9)      | -               | -               |
| <b>Reported PAT</b>         | <b>13,942</b> | <b>19,117</b> | <b>19,648</b> | <b>24,038</b>   | <b>27,096</b>   |
| <b>Adj. PAT</b>             | <b>13,942</b> | <b>19,117</b> | <b>21,696</b> | <b>24,038</b>   | <b>27,096</b>   |
| <b>Diluted EPS (₹)</b>      | <b>71.2</b>   | <b>97.6</b>   | <b>110.9</b>  | <b>122.8</b>    | <b>138.4</b>    |

**Balance sheet (Consolidated, IFRS)**

| Y/E March (₹ cr)               | FY2013        | FY2014        | FY2015        | FY2016E       | FY2017E         |
|--------------------------------|---------------|---------------|---------------|---------------|-----------------|
| <b>Assets</b>                  |               |               |               |               |                 |
| Cash and cash equivalents      | 1,843         | 1,469         | 1,862         | 1,096         | 1,735           |
| Other current financial assets | 11,457        | 18,107        | 16,383        | 34,676        | 41,188          |
| Accounts receivable            | 14,077        | 18,230        | 20,440        | 23,422        | 26,467          |
| Unbilled revenues              | 3,160         | 4,006         | 3,827         | 5,487         | 5,347           |
| Other current assets           | -             | -             | 6,414         | 6,414         | 6,414           |
| Property and equipment         | 8,194         | 10,364        | 11,572        | 12,572        | 13,572          |
| Intangible assets and goodwill | 3,506         | 4,157         | 3,931         | 3,931         | 3,931           |
| Investments                    | 2,040         | 3,449         | 9,619         | 9,619         | 9,619           |
| Other non current assets       | -             | -             | 906           | 906           | 906             |
| <b>Total assets</b>            | <b>52,074</b> | <b>68,913</b> | <b>74,954</b> | <b>98,123</b> | <b>1,09,178</b> |
| <b>Liabilities</b>             |               |               |               |               |                 |
| Current liabilities            | 8,751         | 10,906        | 14,428        | 31,304        | 35,373          |
| Short term borrowings          | 101           | 170           | 243           | 243           | 243             |
| Redeemable preference shares   | 100           | -             | -             | -             | -               |
| Long term debt                 | 131           | 127           | 114           | 114           | 114             |
| Other non current liabilities  | 1,378         | 1,684         | 1,778         | 2,080         | 2,307           |
| Minority interest              | 656           | 691           | 914           | 1,148         | 1,417           |
| Shareholders funds             | 40,956        | 55,335        | 57,477        | 63,234        | 69,723          |
| <b>Total liabilities</b>       | <b>52,074</b> | <b>68,913</b> | <b>74,954</b> | <b>98,123</b> | <b>1,09,178</b> |

**Cash flow statement (Consolidated, IFRS)**

| Y/E March (₹ cr)                   | FY2013         | FY2014         | FY2015         | FY2016E         | FY2017E         |
|------------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| Pre-tax profit from oper.          | 17,009         | 23,808         | 22,481         | 24,272          | 27,365          |
| Depreciation                       | 1,079          | 1,324          | 1,272          | 1,383           | 1,629           |
| Exp. (deferred)/written off        | 149            | 209            | 160            | 174             | -               |
| Pre tax cash from oper             | 17,939         | 24,923         | 23,913         | 25,829          | 28,994          |
| Other inc./prior period ad         | 1,118          | 1,589          | 1,272          | 1,383           | 1,629           |
| Net cash from operations           | 19,056         | 26,512         | 25,185         | 27,212          | 30,622          |
| Tax                                | 4,034          | 6,071          | 6,083          | 7,047           | 7,945           |
| <b>Cash profits</b>                | <b>15,022</b>  | <b>20,441</b>  | <b>19,102</b>  | <b>20,165</b>   | <b>22,677</b>   |
| (Inc)/dec in acc. recv.            | (2,578)        | (4,154)        | (2,210)        | (2,982)         | (3,045)         |
| (Inc)/dec in unbilled rev.         | (912)          | (846)          | 179            | (1,660)         | 141             |
| (Inc)/dec in oth. current asst.    | (4,948)        | (6,650)        | (6,414)        | -               | -               |
| Inc/(dec) in current liab.         | 2,035          | 2,223          | (1,207)        | (1,000)         | (1,000)         |
| Net trade working capital          | (6,403)        | (9,427)        | (9,652)        | (5,643)         | (3,904)         |
| <b>Cash flow from oper. actv.</b>  | <b>8,619</b>   | <b>11,015</b>  | <b>9,450</b>   | <b>14,522</b>   | <b>18,773</b>   |
| (Inc)/dec in fixed assets          | (2,819)        | (3,494)        | (1,207)        | (1,000)         | (1,000)         |
| (Inc)/dec in investments           | (562)          | (1,409)        | (4,446)        | (18,293)        | (6,512)         |
| (Inc)/dec in intangible asst.      | (13)           | (651)          | (226)          | -               | -               |
| (Inc)/dec in non-cur.asst.         | (262)          | (1,335)        | (906)          | -               | -               |
| <b>Cash flow from invt. actv.</b>  | <b>(3,656)</b> | <b>(6,889)</b> | <b>(6,786)</b> | <b>(19,293)</b> | <b>(7,512)</b>  |
| Inc/(dec) in debt                  | 278            | 203            | 61             | -               | -               |
| Inc/(dec) in equity                | 129            | 34             | 223            | 235             | 269             |
| Inc/(dec) in minority int.         | (4,351)        | (14,666)       | (19,923)       | (18,281)        | (20,607)        |
| Dividends                          | (1,159)        | 9,929          | 17,369         | 24,626          | 9,715           |
| <b>Cash flow from finan. actv.</b> | <b>(5,103)</b> | <b>(4,500)</b> | <b>(2,271)</b> | <b>6,580</b>    | <b>(10,623)</b> |
| <b>Cash generated/(utilized)</b>   | <b>(140)</b>   | <b>(374)</b>   | <b>393</b>     | <b>(766)</b>    | <b>639</b>      |
| Cash at start of the year          | 1,984          | 1,843          | 1,469          | 1,862           | 1,096           |
| <b>Cash at end of the year</b>     | <b>1,843</b>   | <b>1,469</b>   | <b>1,862</b>   | <b>1,096</b>    | <b>1,735</b>    |

**Key ratios**

| Y/E March                           | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|-------------------------------------|--------|--------|--------|---------|---------|
| <b>Valuation ratio(x)</b>           |        |        |        |         |         |
| P/E (on FDEPS)                      | 32.0   | 23.4   | 20.6   | 18.6    | 16.5    |
| P/CEPS                              | 29.7   | 21.8   | 21.3   | 17.6    | 15.5    |
| P/BVPS                              | 10.9   | 8.1    | 7.8    | 7.1     | 6.4     |
| Dividend yield (%)                  | 0.8    | 1.4    | 1.9    | 1.7     | 2.0     |
| EV/Sales                            | 6.8    | 5.2    | 4.4    | 3.7     | 3.2     |
| EV/EBITDA                           | 23.8   | 16.8   | 15.7   | 13.0    | 11.3    |
| EV/Total assets                     | 8.3    | 6.1    | 5.6    | 4.1     | 3.6     |
| <b>Per share data (₹)</b>           |        |        |        |         |         |
| EPS                                 | 71.2   | 97.6   | 110.9  | 122.8   | 138.4   |
| Cash EPS                            | 76.8   | 104.4  | 106.8  | 129.8   | 146.6   |
| Dividend                            | 19.0   | 32.0   | 43.5   | 39.9    | 45.0    |
| Book value                          | 209    | 283    | 294    | 323     | 356     |
| <b>Dupont analysis</b>              |        |        |        |         |         |
| Tax retention ratio (PAT/PBT)       | 0.8    | 0.8    | 0.8    | 0.8     | 0.8     |
| Cost of debt (PBT/EBIT)             | 1.1    | 1.1    | 1.1    | 1.1     | 1.1     |
| EBIT margin (EBIT/Sales)            | 0.3    | 0.3    | 0.3    | 0.3     | 0.3     |
| Asset turnover ratio (Sales/Assets) | 1.2    | 1.2    | 1.3    | 1.1     | 1.1     |
| Leverage ratio (Assets/Equity)      | 1.3    | 1.2    | 1.3    | 1.6     | 1.6     |
| Operating ROE                       | 34.4   | 34.9   | 39.1   | 38.4    | 39.2    |
| <b>Return ratios (%)</b>            |        |        |        |         |         |
| RoCE (pre-tax)                      | 32.7   | 34.5   | 33.9   | 29.9    | 30.5    |
| Angel RoIC                          | 46.3   | 51.9   | 54.0   | 55.6    | 58.8    |
| RoE                                 | 34.0   | 34.5   | 34.2   | 38.0    | 38.9    |
| <b>Turnover ratios(x)</b>           |        |        |        |         |         |
| Asset turnover (fixed assets)       | 7.7    | 7.9    | 8.2    | 8.6     | 9.0     |
| Receivables days                    | 82     | 81     | 79     | 79      | 79      |

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| <b>Disclosure of Interest Statement</b>                            | <b>TCS</b> |
|--|------------|
| 1. Analyst ownership of the stock                                  | No         |
| 2. Angel and its Group companies ownership of the stock            | No         |
| 3. Angel and its Group companies' Directors ownership of the stock | No         |
| 4. Broking relationship with company covered                       | No         |

*Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors*

| <b>Ratings (Based on expected returns over 12 months investment period):</b> | <b>Buy (&gt; 15%)</b> | <b>Accumulate (5% to 15%)<br/>Reduce (-5% to -15%)</b> | <b>Neutral (-5 to 5%)<br/>Sell (&lt; -15)</b> |
|--|-----------------------|--|---|
|--|-----------------------|--|---|