



Another strong quarter... Outlook positive

CMP: Rs.2,443
Target Price: Rs.2,557
Recommendation: Neutral

Stock Info

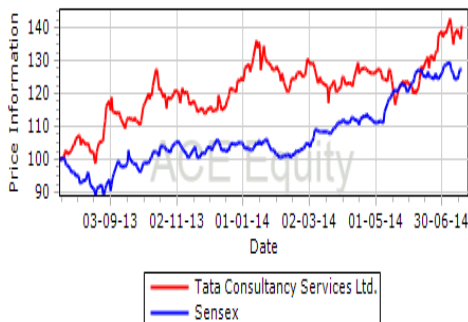
BSE Group	A
BSE Code	532540
NSE Symbol	TCS
Bloomberg	TCS.IN
Reuters	TCS.BO
BSE Sensex	25,642
NSE Nifty	7,664

Market Info

Market Capital	Rs.4,78,510cr
Equity Capital	Rs.195.9cr
Avg. Trading Vol.	14,40,300
52 Wk High/ Low	2492/1645
Face Value	Rs.1

Shareholding Pattern (%) (June 2014)

Promoters	73.9
Domestic Institutions	5.1
Foreign Institutions	16.5
Public & Others	4.5



21th July, 2014

TCS's 1QFY15 performance was better than our and consensus estimates on revenue and operating margins front. TCS reported \$ revenue growth of 5.5% QoQ and 16.7% yoy. In rupee terms revenues were 2.6% higher QoQ at Rs 22,111cr. Volume growth during the quarter was at 5.66%, while realizations declined 1.09%. Business across geographies, except MEA, increased on QoQ basis. EBIT margins dipped 285bps QoQ to 26.3%, while profit after tax declined by 4.5% QoQ to Rs 5,058cr.

Utilizations levels (ex trainees) were at all time high of 85.3%, while including trainee's utilization level was at 79.8%. Employee attrition level was 12%. Company added 4,967 employees on net basis. Gross employee additions were at 15,817.

Number of clients in \$100mn and above category remained constant on QoQ basis at 24, however clients in \$50mn to \$100mn bucket increased from 136 to 144 on QoQ basis.

Concall Update:

- Management expects FY15 to be better than FY14 due to 1) order pipeline 2) deal wins and 3) execution ability.
- TCS won 7 large deals during the quarter.
- Margins were impacted by 1) Wage hike (-219bps). 2) Rupee appreciation (-73bps). 3) One time depreciation charge of Rs 179 crs (-79bps) and 4) Better efficiency (+87bps).
- Margins to remain in the range of 26-28%.
- 55,000 employees to be added in FY15.

Valuations

We believe, TCS will continue to deliver stellar performance every quarter with consistent client wins and improving global economic scenario. We estimate FY16 revenue/earnings to record a CAGR of 17%/14.5%. We have valued stock at P/E(x) of 20x (premium to its peers) it's FY16 EPS and have arrived at a fair value of Rs 2,557. **Recommend 'Neutral' rating on the stock, post the run-up in the price.**

Y/E March, (Rs. in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	62990	81809	95175	111700
Growth %	28.8	29.9	16.3	17.4
Net Profit	13921	19117	22141	25045
Growth %	35.5	37.2	15.8	13.1
EPS	71.1	97.6	113.0	127.8
P/E(x)	34.4	25.0	21.6	19.1
ROANW	37.2	40.1	36.6	33.3
ROACE	47.0	52.1	47.7	44.5

Source: Company data, Arian Research

Quarterly Results:

Particulars (Rs. Cr)	Q1FY15	Q1FY14	% yoy	Q4FY14	% qoq
USD Revenues (USD Mn)	3,694	3,165	16.7	3,503	5.5
Revenues	22,111	17,987	22.9	21,551	2.6
Cost of services	11,864	9,489	25.0	11,217	5.8
Gross Profits	10,247	8,498	20.6	10,334	-0.8
SG&A Expenses	4,053	3,454	17.3	3,806	6.5
EBIDTA	6,194	5,044	22.8	6,528	-5.1
Depreciation	379	181	109.4	247	53.4
EBIT	5,815	4,863	19.6	6,281	-7.4
Other Income	815	442	84.3	699	16.6
PBT	6,630	5,305	25.0	6,980	-5.0
Income tax expense	1,531	1,231	24.4	1,631	-6.1
Minority Interest/Non rec	41	87		52	
PAT	5,058	3,987	26.9	5,297	-4.5
EPS	25.82	20.37	26.8	27.04	-4.5
EBITDA Margins (%)	28.01	28.04		30.29	
EBIT Margins (%)	26.30	27.03		29.14	
Net Margins (%)	22.87	22.16		24.58	

Source: Company data, Arian Research

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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

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