



Digitalization to drive the growth

19<sup>th</sup> April, 2016

**CMP:** Rs.2,519  
**Target Price:** Rs.2,782  
**Recommendation:** HOLD

Stock Info

BSE Group	A
BSE Code	532540
NSE Symbol	TCS
Bloomberg	TCS.IN
Reuters	TCS.BO
BSE Sensex	25,816
NSE Nifty	7,914

Market Info

Market Capital	Rs.4,970,20cr
Equity Capital	Rs.197.0cr
Avg. Trading Vol.	12,59,810
52 Wk High/ Low	2769/2119
Face Value	Rs.1

Shareholding Pattern (%)	31 <sup>st</sup> Dec (2015)
Promoters	73.9
Domestic Institutions	7.3
Foreign Institutions	14.4
Public & Others	4.4

Price VS Sensex Chart



■ Dollar Revenue increased by 1.5% QoQ, and 7.9% YoY:

TCS has delivered a good set of numbers with a top line increased by 1.5% qoq to \$4,205 mn. Rupee revenues increased by 4.0% qoq to Rs. 28,449 cr. Utilization level (ex-trainees) was at 87.0% and including trainees it was 80.9%. During the quarter company's attrition rate went down by 60bps QoQ stood at 14.7%. Management continues to aggressively hire to support business growth and invest in building digital skills with over 120,000 TCSers trained in 400+ new digital technologies in FY16. Net addition during the quarter was 9,152 employees. In FY16 Digital TCS revenues grew 52.2% due to faster adoption of digital solutions as customers moved to embrace a holistic digital transformation of the enterprise. With its strong suite of products and solutions, extensive domain expertise and customer contextual knowledge, TCS captured significant customer opportunities with 15.5% of total revenues coming from Digital in Q4 led by Analytics & AI, cloud and mobility and channels.

■ Segmental share remains fairly stable:

Revenue mix among verticals more or less remained stable with BFSI and Retail & Distribution segments contributing 40.9% and 14.1% to the top line. Manufacturing segment's share in total revenues was marginally increased to 10.4% from 10.1%. Major geographical share remained more or less stable with share of North America, UK and Continental Europe at 54%, 14.9% and 11.2% respectively.

■ Operating profits:

Company has recorded an operating profit of Rs 7,887 cr. EBIT margin during the quarter stood at 25.9% vs 26.4% QoQ. PAT reported during the quarter was at 6,413 cr. TCS completed its highest ever hiring of over 90,000 new employees globally during the year. Company delighted that their employee retention continues to increase as they continue to invest in building digital skills of TCSers to help them participate extensively in the new digital economy.

■ Key Wins in Digital Services and Solutions in Q4

- Engaged by North American conglomerate to design and develop an IoT enabled secure, scalable and mobile-first technology platform to enable the creation of new service lines.
- Chosen by UK Utilities Company as a strategic consultant to create the roadmap, operating model and mobile technology architecture to transform its field operations.

Innovation and Intellectual Property:

As of March 31, 2016, the company has applied for 2,842 patents, including 260 applied during the quarter. Till date the company has been granted 341 patents.

■ Outlook:

We believe TCS will improve its performance with consistent client wins and stabilizing global scenario. We are optimistic on company's transformation on digital platform. We have valued stock at P/E(x) of 20x to its FY17E earnings and have arrived at fair value of Rs 2,782 per share. We have 'HOLD' rating on the stock.

■ Financials:

Y/E March (Rs. In Crore)	FY14	FY15	FY16	FY17E
Net Revenue	81809	94648	108646	127362
Growth %	30%	16%	15%	17%
EBIDTA	25153	24482	30590	36355
EBIDTA Margin	31%	26%	28%	29%
Net Profit	19164	19852	24292	27250
Growth %	38%	4%	22%	12%
EPS	98	101	123	139
P/E	25.3	24.4	20.4	18.1
ROE	39.0	39.2	37.2	39.2

Source: Ace Equity, Arianth Research



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### Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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