



CMP: **Rs.2,639**
Target Price: **Rs.2,945**
Recommendation: **HOLD**

Stock Info

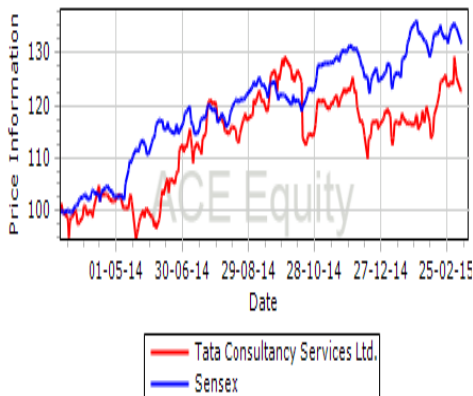
BSE Group	A
BSE Code	532540
NSE Symbol	TCS
Bloomberg	TCS.IN
Reuters	TCS.BO
BSE Sensex	28,710
NSE Nifty	8,712

Market Info

Market Capital	Rs.4,95,999cr
Equity Capital	Rs.195.9cr
Avg. Trading Vol.	12,83,050
52 Wk High/ Low	2834/2000
Face Value	Rs.1

Shareholding Pattern (%) (Dec 2014)

Promoters	73.9
Domestic Institutions	4.7
Foreign Institutions	16.8
Public & Others	4.6



11th March, 2015

We met TCS management at TCS house in Mumbai yesterday.

Revenue is expected to be in-line with last year trend. Q4FY15 will witness slow pick-up in momentum compared to the expectation of acceleration. In terms of verticals, BFSI is expected to be in line, While Retail, Manufacturing, Life science and health care are expected to grow better than the company's average.

■ **Geography :**

Europe is expected to outperform company's growth. And in remaining geographies no major changes are expected.

■ **Segmental share to remain fairly stable:**

Revenue mix among verticals more or less will remain same with BFSI and Retail & Distribution segments contributing ~40% and ~14% to top line. While Retail, Manufacturing, Life science and health care are expected to grow better than the company's average. Company is expecting continued weakness in Insurance and Energy

■ **Margins:**

Company is expecting EBITA margins and EBIT margin band to remain unchanged.

■ **Currency headwinds:**

- (-)40 bps cross currency to EBIT margin.
- (-)275 bps impact from cross currency to reported INR.
- (-)200 bps impact from cross currency to reported USD due to GBP/Euro weakness.
- Other Income :- Hedging gain of ~ Rs 150 – Rs 200 crores.

■ **Outlook:**

We believe TCS will improve its performance with consistent clients wins and improving global scenario from next year onwards. we have valued stock at P/E(x) of 20x to its FY17E earnings and have arrived at fair value of Rs 2,945 per share. At CMP Rs 2,639 stock trades at 17.9 (x) its FY17E earnings. We have 'Hold' rating on the stock.

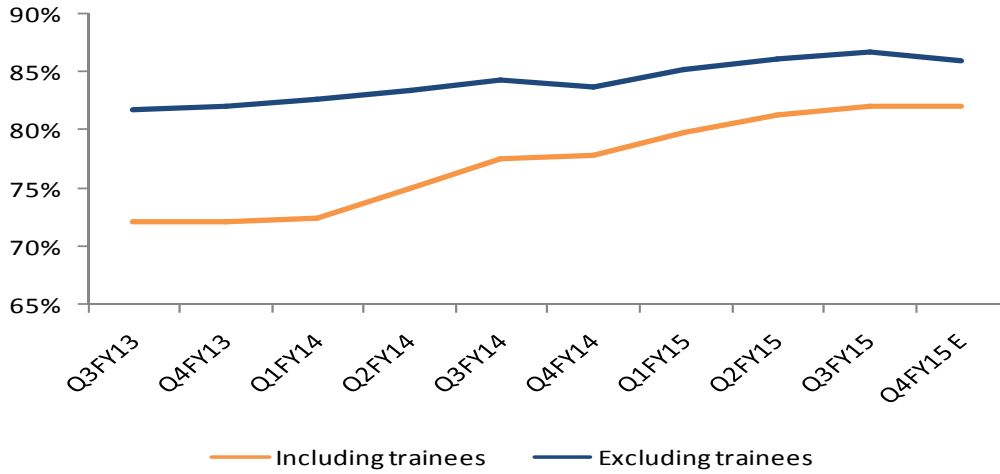
■ **Financials:**

Y/E March (Rs. In Crore)	FY14	FY15 E	FY16E	FY17E
Net Revenue	81809	95274	110154	126782
Growth %	30%	16%	16%	15%
EBIDTA	25153	27426	33454	38302
EBIDTA Margin	31%	29%	30%	30%
Net Profit	19164	21775	25234	28844
Growth %	38%	14%	16%	14%
EPS	98	111	129	147
P/E	27.9	24.6	21.2	18.6
ROE	39.0	41.5	37.8	33.7

Charts

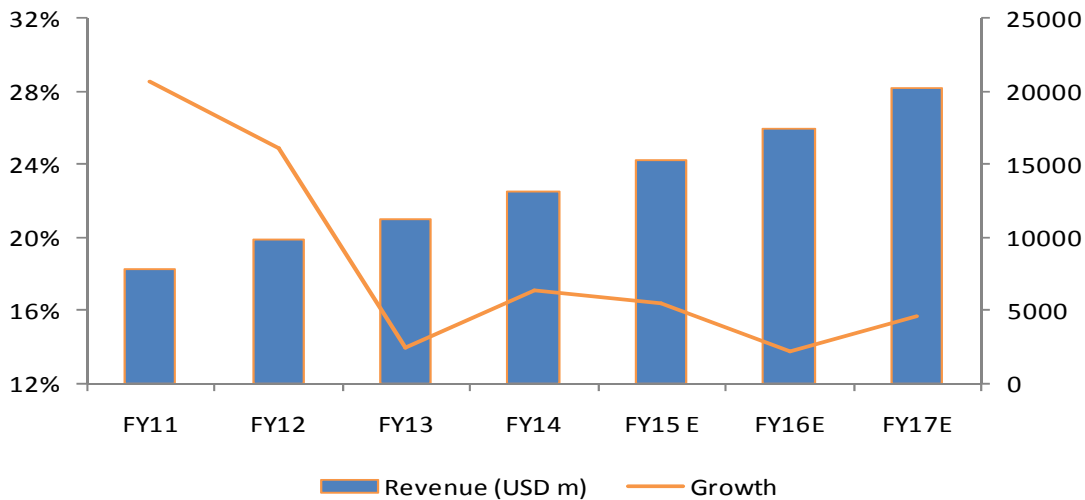
Expected some uptick in the utilization level

Utilisation Rate	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15 E
Including trainees	72.10%	72.15%	72.49%	75.00%	77.50%	77.90%	79.80%	81.30%	82.10%	82.00%
Excluding trainees	81.70%	82.02%	82.68%	83.40%	84.30%	83.80%	85.30%	86.20%	86.70%	86.00%



Expected recovery to be gradual.....

Particulars	FY11	FY12	FY13	FY14	FY15 E	FY16E	FY17E
Revenue (USD m)	7898	9867	11244	13167	15329	17444	20188
Growth	28.56%	24.93%	13.95%	17.10%	16.42%	13.80%	15.73%



Financial Statements

Profit and Loss statement

Particulars (Rs. In Crore)	FY14	FY15 E	FY16E	FY17E
Information technologyservices	80140	93283	108154	123377
Sale of equipment and software licences	1670	1991	2000	3405
Total	81809	95274	110154	126782
Employee costs	29860	36424	40200	53480
Operation and other expenses	26797	31423	36500	35000
Total Operating Expenses	56657	67848	76700	88480
EBIDTA	25153	27426	33454	38302
EBIDTA Margin	31%	29%	30%	30%
Depreciation	1349	1774	1880	1995
EBIT	23804	25652	31574	36307
Interest	39	108	60	60
Other Income	1637	2744	1400	1680
PBT	25402	28288	32914	37927
Tax	6070	6792	7500	8723
Minority Interest & other	168	211	180	360
PAT	19164	21775	25234	28844
Growth (%)	38%	14%	16%	14%
EPS	97.8	111.2	128.8	147.3

Balance Sheet

Particulars (Rs. In Crore)	FY14	FY15 E	FY16E	FY17E
Shareholder's funds				
Share Capital	196	196	196	196
Reserves & Surplus	48999	52334	66609	85336
Total	49195	52530	66805	85531
Minority Interest	708	708	708	708
Total Non Current Liabilities	1565	1566	1707	1934
Total Current Liabilities	15670	17556	18410	17913
Total Liabilities	67138	72360	87631	106086
Net Block	7276	8203	8540	9800
Capital Work-in-Progress	3168	3500	3800	4000
Goodwill on consolidation	2269	2269	2269	2269
Total Non Current Assets	24240	26382	27991	30519
Cash and bank balance	14442	13506	24176	35432
Total Current Assets	42898	45978	59640	75567
Total Assets	67138	72360	87631	106086

Cash Flow Statement

Particulars (Rs. In Crore)	FY14	FY15 E	FY16E	FY17E
Profit before taxes	25402	28288	32914	37927
Add:- Depreciation	1349	1774	1880	1995
Change in Working Capital	-3451	-2130	-2138	-5169
Cash generated from operations	21795	28211	32476	34394
Taxes paid	-7044	-6792	-7500	-8723
Net cash flow from operating activities	21418	24976	25670	0
Purchase of fixed assets	-3126	-2608	-2411	-3340
Others	-1413	-1472	833	0
Net cash flow from investing activities	-9667	-4021	-3882	-2507
Proceeds long term borrowings	0	1	1	0
Dividend paid, including dividend tax	-5480	-18334	-10425	-11908
Other	1	1	0	0
Net cash used in financing activities	-5673	-18332	-10423	-11908
Net Cash Flow	-589	-935	10670	11256
Opening Cash balance	15031	14442	13506	24176
Closing Cash balance	14442	13506	24176	35432

Key Ratios

Particulars	FY14	FY15 E	FY16E	FY17E
EPS	97.8	111.2	128.8	147.3
Book Value	251.4	268.4	341.3	437.0
DPS	32	80	46	52
Payout %	33	72	35	35
Dividend Yield %	1.2	2.9	1.7	1.9
P/E	27.9	24.6	21.2	18.6
EBIDTA Margin	31%	29%	30%	30%
PBT Margin	31%	30%	30%	30%
PAT Margin	24%	23%	23%	23%
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	2.74	2.62	3.24	4.22
ROE	39.0	41.5	37.8	33.7
ROCE	38.9	41.5	37.7	33.7

Arihant Research Desk

E. research@arihantcapital.com

T. 022-42254830

Head Office

#1011, Solitaire Corporate park ,

Building No. 10, 1st Floor,

Andheri Ghatkopar Link Road

Chakala, Andheri (E).

Mumbai – 400093

Tel: (91-22) 42254800

Fax: (91-22) 42254880

Registered Office

Arihant House

E-5 Ratlam Kothi

Indore - 452003, (M.P.)

Tel: (91-731) 3016100

Fax: (91-731) 3016199

Stock Rating Scale

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

Disclaimer:

This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

ARIHANT capital markets ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,

Andheri Ghatkopar Link Road Chakala, Andheri (E)

Tel. 022-42254800 Fax. 022-42254880

www.arihantcapital.com