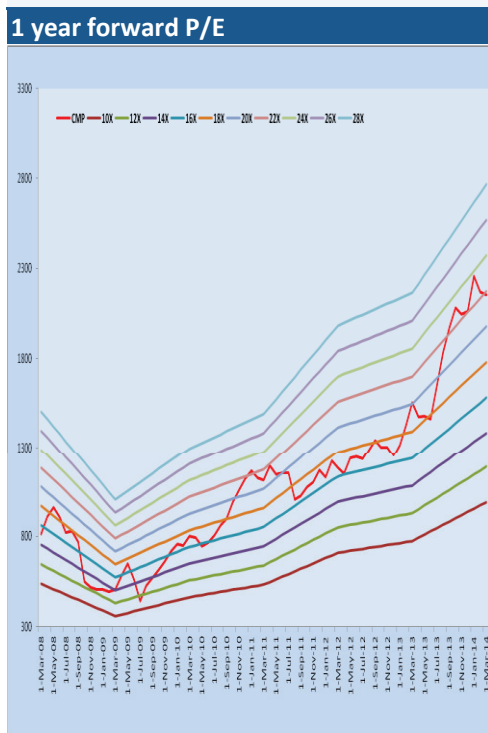


Results update	Buy
CMP	2217
Target Price	2510
Previous Target Price	2360
Upside	13%
Change from Previous	6%

Market Data	
BSE Code	532540
NSE Symbol	TCS
52wk Range H/L	2384/1300
Mkt Capital (Rs Crores)	434338
Average Daily Volume	1011877
Nifty	6779

Stock Performance	1M	1yr	YTD
Absolute	3.6	49.3	67.2
Rel. to Nifty	-0.6	30.1	47.2

Share Holding Pattern-%	Current	3QFY14	2QFY14
Promoters	73.9	73.9	73.96
FII	16.11	16.33	16.09
DII	5.36	5.26	5.58
Others	4.63	4.51	4.37



**Inline show, but positive stance remains intact driven by strong outlook:**

TCS reported almost inline set of numbers with healthy guidance for FY15E. Sales grew by 1.9%(QoQ) in USD term and 1.2% (QoQ) in INR term driven by strong growth in Europe, particularly UK, and the Asia Pacific region. PAT was up by 3% (QoQ) in USD term.

For FY14, the company witnessed sales growth by 16.2% in USD term better than NASSCOM guidance at 12-14%, in INR term; they reported 30% sales growth.

We continue to believe that TCS will be star performer in growth sense than other peers. Hence, we are maintaining 18% revenue growth in dollar term for FY15E because of improved demand environment, while NASSCOM expects 12-15% for the Industry. We continue to be positive on demand prospect for TCS.

▪ **Steady Margin:** During the quarter, company's EBITDA Margin has inched down by 40bps (QoQ) to 31%. The company attributed this fall to reinvestment of gains from margin into the business. Management is very confident to maintain EBITDA margin at a range of 26-28% ahead.

▪ **Marginally better volume and stable pricing growth:** The volume growth of 2.6% was better than expectations and what the company has delivered over the previous quarter. The company attributed this volume growth was adversely impacted by de-growth in India business. The pricing is expected to be stable overall but expects variability across the quarters going forward.

▪ **Strong growth across segments:** On segmental front, BFSI grew by 1.7% (QoQ), and Telecom (including media and entertainment) by 1% (QoQ), while, Manufacturing and Retail (including consumer-packaged goods) reported strong below 1% growth, sequentially. Management sees the banking, financial services and retail verticals as being the main growth driver.

▪ **Growth across the geographies:** Among growth markets, Europe, APAC and North America registered strong growth. India business suffered from volatility and declined sequentially. Further, US and RoW seen flattish growth, Europe up by 4% QoQ. USA contributes 54%, Europe 30% and RoW 15.7% of its revenue.

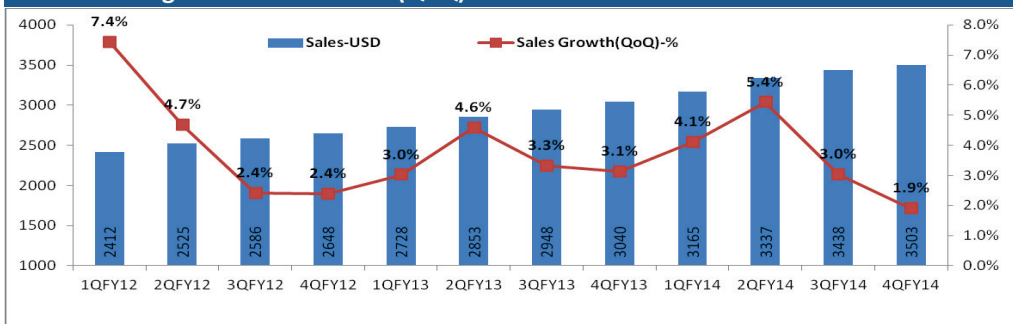
**View and Valuation:** We continue to remain positive on demand outlook and margin profile, the management expects for robust deal pipeline going forward and expects to materialize its emerging space like Digital as well as Cloud, Mobility, Analytics and Big data. Based on initial discussions with customers and growth recovery on US and Europe market, TCS management believes to see stronger FY15E than FY14.

**We continue to be positive on demand environment and company's strength of efficient deal execution. We advise that TCS now seem to be trading ahead of fundamentals; At a price of Rs 2217, it is trading at 19.3x FY15E earnings, We maintain "BUY" view on the stock with target price of Rs 2510.**

Financials	4QFY14	3QFY14	(QoQ)-%	4QFY13	(YoY)-%
Revenue	21551.1	21294.0	1.2	16430	31.2
EBITDA	6688.96	6686.8	0.0	4617.33	44.9
PAT	5365.77	5333.4	0.6	3615.55	48.4
EBITDA Margin	31.0%	31.4%	(40bps)	28.1%	290bps
PAT Margin	24.9%	25.0%	(10bps)	22.0%	290bps

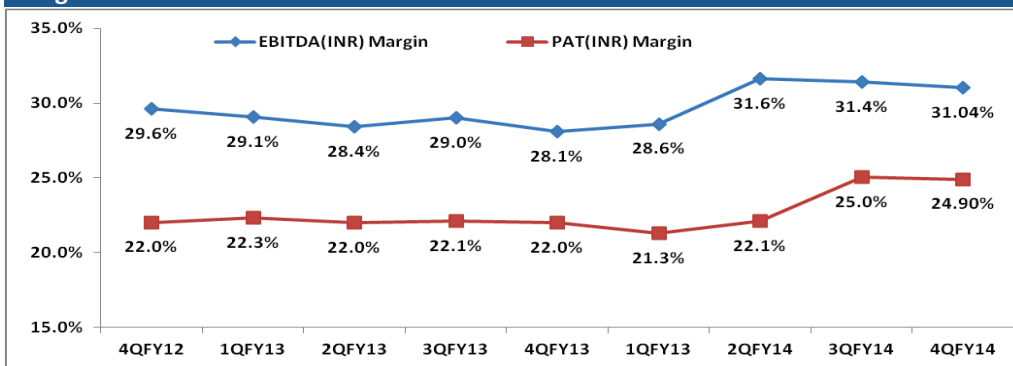
(Source: Company/Eastwind)

## Revenue and growth in USD term-(QoQ)



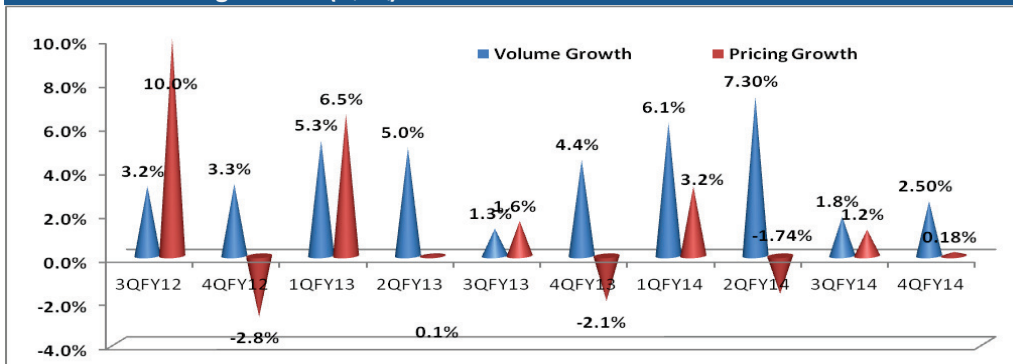
(Source: Company/Eastwind)

## Margin-%



(Source: Company/Eastwind)

## Volume and Pricing Growth (QoQ)-%



(Source: Company/Eastwind)

## Key Facts from Conference Call (attended on 16th April,2014):

- (1)TCS, which does not provide detailed revenue forecasts, The Company remains confident to clock better growth in FY15E than FY14 and aims to exceed upper end of industry body NASSCOM's guidance at 13-15% in FY15E.
- (2) The management stated that pricing would be stable for next 12 months. Realization seeing minor fluctuations.
- (3) The outlook on margins, it indicated that is comfortable in the current level and will be in the range of 26-28% range going forward.
- (4) The company hired 61,200 employees in FY14 and is looking to add another 55,000 employees this year.
- (5) Wage hike announced for domestic employee at 10%, for developed at 2-4% and for developing nation employee at 4-6% from June 1st,2014.

The Company remains confident to clock better growth in FY15E than FY14 and aims to exceed upper end of industry body NASSCOM's guidance at 12-14% in FY14. We expect better revenue growth than its peer like Infy

The outlook on margins, it indicated that is comfortable in the current level and will be in the range of 26-28% range going forward.

The volumes were strong across the board during the quarter. The pricing is expected to be stable overall but expects variability across the quarters going forward. The volume growth could be improve further because of better demand environment across all geographies and space.

## Attrition is low in the Industry – Expects to improve Utilizations to 85% and beyond::

The company's retention rate of employees was among the highest in the industry. The company hired 61,200 employees in FY14 and is looking to add another 55,000 employees this year. It managed to keep employee attrition rate to 11.3 percent. In all, it added 9,751 employees during the quarter.

**Sound clients metrics:** The company said it signed 9 large deals across verticals during the March quarter. India business was hit by delay in deal closures last year. In any case, company does not expect it get any worse.

## Financials

Rs, Cr	FY10	FY11	FY12	FY13	FY14E	FY15E	FY16E
Net Sales-USD	6339.0	8187.0	10171.0	11569.0	13443.3	15842.2	18411.4
Net Sales	30029.0	37325.1	48894.3	62989.5	81809.4	96637.6	113230.0
Employee Cost	10879.6	13850.5	18571.9	24040.0	29860.0	35755.9	42461.3
Overseas business expenses	4570.1	5497.7	6800.5	8701.9	11636.4	14012.5	16418.4
Services rendered by business associates and others	1262.0	1743.7	2391.3	3763.7	4938.4	5798.3	7360.0
Operation and other expenses	4622.8	5054.3	6694.8	8443.9	10221.8	12079.7	13587.6
Total Expenses	21334.4	26146.2	34458.5	44949.6	56656.6	67646.3	79827.2
EBITDA	8694.6	11178.9	14435.8	18040.0	25152.8	28991.3	33402.9
Depreciation	601.8	686.2	860.9	1016.3	1311.5	1554.5	1850.3
Amortisation	59.1	49.1	57.1	63.7	37.6	40.8	40.8
Other Income	272.0	604.0	428.2	1178.2	1636.7	2174.3	2264.6
EBIT	8033.7	10443.6	13517.9	16960.1	23841.3	27436.8	31552.6
Interest Cost	16.1	26.5	22.2	48.5	38.5	40.7	38.2
PBT	8289.6	11021.2	13923.8	18089.8	25439.5	29570.5	33779.0
Tax	1197.0	1830.8	3399.9	4014.0	6070.0	7096.9	8107.0
PAT	7092.7	9190.3	10524.0	14075.7	19369.5	22473.6	25672.1
PAT ((Reported PAT))	7000.6	9068.6	10414.0	13917.4	19369.5	22473.6	25672.1
<b>Growth-%</b>							
Sales-USD		29.2%	24.2%	13.7%	16.2%	17.8%	16.2%
Sales	8.0%	24.3%	31.0%	28.8%	29.9%	18.1%	17.2%
EBITDA	21.3%	28.6%	29.1%	25.0%	39.4%	15.3%	15.2%
PAT	31.8%	29.6%	14.5%	33.7%	37.6%	16.0%	14.2%
<b>Margin -%</b>							
EBITDA	29.0%	30.0%	29.5%	28.6%	30.7%	30.0%	29.5%
EBIT	26.8%	28.0%	27.6%	26.9%	29.1%	28.4%	27.9%
PAT	23.6%	24.6%	21.5%	22.3%	23.7%	23.3%	22.7%
<b>Expenses on Sales-%</b>							
Employee Cost	36.2%	37.1%	38.0%	38.2%	36.5%	37.0%	37.5%
Overseas business expenses	15.2%	14.7%	13.9%	13.8%	14.2%	14.5%	14.5%
Services rendered by business associates and others	4.2%	4.7%	4.9%	6.0%	6.0%	6.0%	6.5%
Operation and other expenses	15.4%	13.5%	13.7%	13.4%	12.5%	12.5%	12.0%
Tax rate	14.4%	16.6%	24.4%	22.2%	23.9%	24.0%	24.0%
<b>Valuation</b>							
CMP	780.8	1182.5	1322.0	1563.0	2041.0	2217.0	2217.0
No of Share	195.7	195.7	195.7	196.0	196.0	196.0	196.0
NW	18466.7	24504.8	29579.2	38645.7	49194.8	62409.2	77504.4
EPS	36.2	47.0	53.8	71.8	98.8	114.7	131.0
BVPS	94.4	125.2	151.1	197.2	251.0	318.4	395.4
RoE-%	38.4%	37.5%	35.6%	36.4%	39.4%	36.0%	33.1%
Dividen Payout ratio	28.1%	50.8%	37.5%	41.2%	41.2%	41.2%	41.2%
P/BV	8.3	9.4	8.7	7.9	8.1	7.0	5.6
P/E	21.5	25.2	24.6	21.8	20.7	19.3	16.9

(Source: Company/Eastwind)