

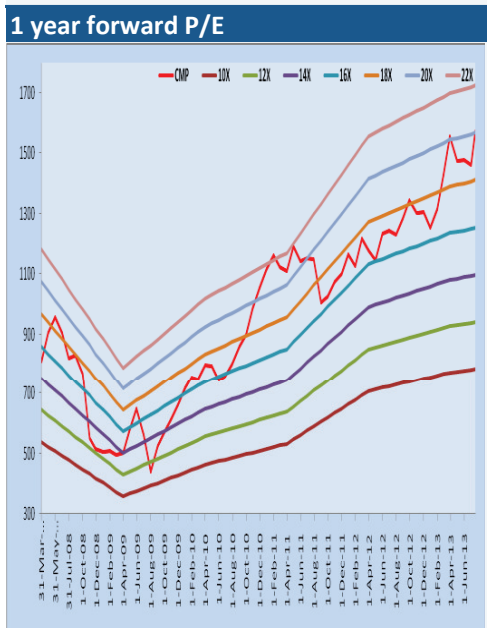
*Playing on its strengths.*

Result update	Buy
CMP	1742
Target Price	1997
Previous Target Price	1485
Upside	15%
Change from Previous	34%

Market Data	
BSE Code	532540
NSE Symbol	TCS
52wk Range H/L	1755/1194
Mkt Capital (Rs Crores)	340928
Average Daily Volume	1011877
Nifty	6029

Stock Performance	1M	1yr	YTD
Absolute	20.3	45.7	30.1
Rel. to Nifty	16.6	30.1	15.3

Share Holding Pattern-%	Current	4QFY13	3QFY13
Promoters	73.96	73.96	73.96
FII	16.14	14.96	14.83
DII	5.44	6.45	6.49
Others	4.46	4.63	4.72



**Better numbers than street, with healthy volume and stable pricing growth;**

Again, TCS witnessed strong set of numbers than streets estimates. Company's consolidated sales grew by 9.5% on sequential basis led by 6.1% volume growth with stable pricing growth. This volume growth was better in previous 7qtrs. PAT grew by 5.9% sequentially.

We continue to believe that TCS will be star performer in growth sense than other peers. Hence, we are maintaining 17% revenue growth in dollar term for FY14E because of improved demand environment, while NASSCOM expects 12-14% for the Industry. We continue to be positive on demand prospect for TCS.

In US dollar terms, revenue was \$3165mn compared with USD 3040 mn in Q4FY13. Net profit was at USD 668 mn, compared with USD 663 mn in Q4FY13.

▪ **Margin:** On margin front, EBITDA inched up by 50bps and EBIT 70bps on QoQ basis to 28.6% and 27%, even when the company had wage hike headwind during the quarter, which is commendable. PAT margin down by 70bps(QoQ) and 100bps (YoY) to 21.3%. TCS is looking to continue investing the gains from a benign currency in SG&A and new service lines.

▪ **Healthy volume and stable pricing growth:** Because of healthy demand environment across all space, Company's volume growth was at 6.1% compare to 4.4 % and Pricing increased 3.2% compare to 2.1% decline in Q4FY13. The pricing is expected to be stable overall but expects variability across the quarters going forward

▪ **Strong growth across segments:** On segmental front, Retail (including consumer-packaged goods) and Telecom (including media and entertainment) reported strong growth, grew by 15% and 12%, sequentially. Major revenue contributor, BFSI (43% of Sales) grew by 9% and manufacturing increased by 9% during the quarter. **The telecom sector posted excellent quarter but still wait to change view on the sector. However, the company signed good deals.**

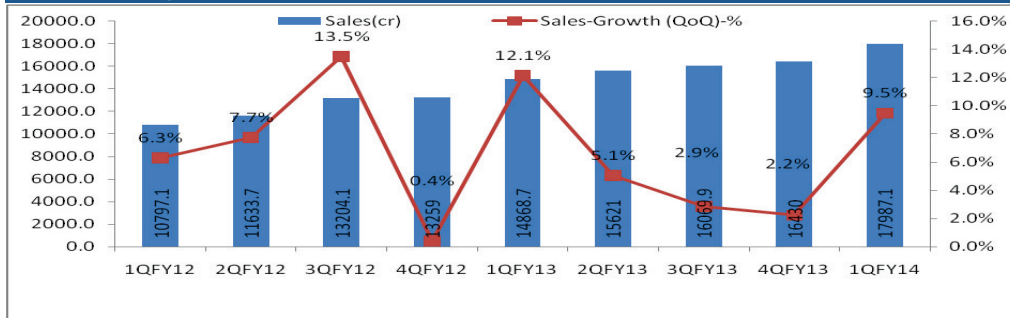
▪ **Growth across the geographies:** The Revenues from the international business grew by 5.4% QoQ in dollar terms and 5.5% QoQ in constant currency terms. Further, US grew by 6.1% QoQ, UK by 5.4% QoQ and continental Europe by 8.9% QoQ in constant currency terms.

We continue to remain positive on demand outlook and margin profile, the management expects for robust deal pipeline going forward. 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 1742, it is trading at 19x FY15E earnings, We upgrade TCS from "HOLD" to "BUY" with a target price Rs1997.

Financials	Rs, Crore				
	1QFY14	4QFY13	(QoQ)-%	1QFY13	(YoY)-%
Revenue	17987.07	16430	9.5	14868.71	21.0
EBITDA	5144.12	4617.33	11.4	4323.89	19.0
PAT	3830.64	3615.55	5.9	3317.68	15.5
EBITDA Margin	28.6%	28.1%	50bps	29.1%	(50bps)
PAT Margin	21.3%	22.0%	(70bps)	22.3%	(100bps)

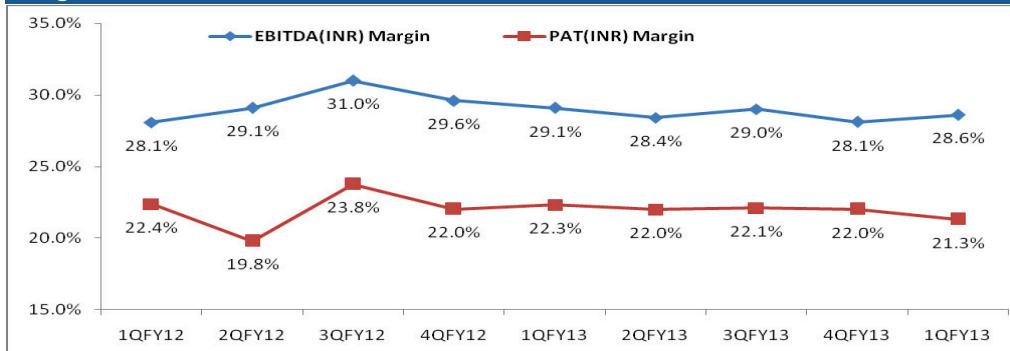
(Source: Company/Eastwind)

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



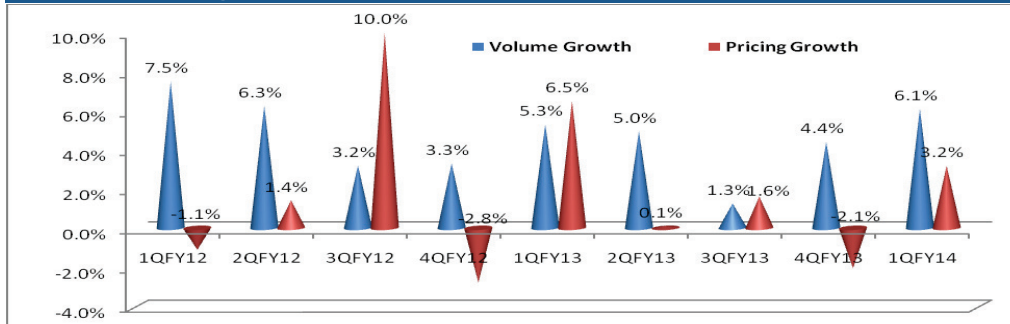
(Source: Company/Eastwind)

## Margin-%



(Source: Company/Eastwind)

## Volume and Pricing Growth (QoQ)-%



(Source: Company/Eastwind)

## Management Guidance:

(1)TCS, which does not provide detailed revenue forecasts, The Company remains confident to clock better growth in FY14 than FY13 and aims to exceed upper end of industry body NASSCOM's guidance at 12-14% in FY14. For earning prospect and deal execution, 1HFY14E would be better than 2HFY14E.

(2) The management stated that pricing would be stable for next 12 months. Realization seeing minor fluctuations, but 2QFY14E, would be stable for better realization.

(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 has maintained hiring target of 45,000 gross employees for FY14, which is encouraging.

The Company remains confident to clock better growth in FY14 than FY13 and aims to exceed upper end of industry body NASSCOM's guidance at 12-14% in FY14.

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 in the International business is 6.53% QoQ and realization was down 1.68% during the quarter.

**Attrition is all time low for IT services – Expects to improve Utilizations to 85% and beyond::** At the end of 1QFY13, the total employee strength was 277586 with a gross addition of 10611 employees and net addition of 1390 employees. The Attrition is at 10.52% (LTM) including BPO during the quarter. For the IT services at 9.55% (LTM) and BPO is 15.77% (LTM) for the same period. Utilization (excluding trainees) during the 1st quarter improved from 81.7 % to 82.7%.

**On immigration bill, it expects the final bill to come by later this year. Further, it indicates that it is engaged with all the stake holders and indicated that the clients are aware of the various scenarios.**

## Financials

Rs, Cr	FY10	FY11	FY12	FY13	FY14E	FY15E
Net Sales-USD	6339	8187	10171	11569	13500.91	16041.30
Net Sales	30029.0	37325.1	48894.3	62989.5	74930.06	88227.13
Employee Cost	10879.6	13850.5	18571.9	24040.0	28848.07	33967.45
Overseas business expenses	4570.1	5497.7	6800.5	8701.9	10490.21	12792.93
Services rendered by business associates and others	1262.0	1743.7	2391.3	3763.7	4870.45	6175.90
Operation and other expenses	4622.8	5054.3	6694.8	8443.9	10115.56	11910.66
Total Expenses	21334.4	26146.2	34458.5	44949.6	54324.29	64846.94
EBITDA	8694.6	11178.9	14435.8	18040.0	20605.77	23380.19
Depreciation	601.8	686.2	860.9	1016.3	1219.68	1436.13
Amortisation	59.1	49.1	57.1	63.7	76.73	76.73
Other Income	272.0	604.0	428.2	1178.2	1498.601	1764.543
Extra Ordinary Items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	8033.7	10443.6	13517.9	16960.1	19386.08	21944.06
Interest Cost	16.1	26.5	22.2	48.5	48.53	48.53
PBT	8289.6	11021.2	13923.8	18089.8	20836.16	23660.08
Tax	1197.0	1830.8	3399.9	4014.0	5000.7	5678.4
PAT	7092.7	9190.3	10524.0	14075.7	15835.5	17981.7
PAT ((Reported PAT))	7000.6	9068.6	10414.0	13917.4	15835.5	17981.7
<b>Growth-%</b>						
Sales-USD		29.2%	24.2%	13.7%	16.7%	18.8%
Sales	8.0%	24.3%	31.0%	28.8%	19.0%	17.7%
EBITDA	21.3%	28.6%	29.1%	25.0%	14.2%	13.5%
PAT	31.8%	29.6%	14.5%	33.7%	12.5%	13.6%
<b>Margin -%</b>						
EBITDA	29.0%	30.0%	29.5%	28.6%	27.5%	26.5%
EBIT	26.8%	28.0%	27.6%	26.9%	25.9%	24.9%
PAT	23.6%	24.6%	21.5%	22.3%	21.1%	20.4%
<b>Expenses on Sales-%</b>						
Employee Cost	36.2%	37.1%	38.0%	38.2%	38.5%	38.5%
Overseas business expenses	15.2%	14.7%	13.9%	13.8%	14.0%	14.5%
Services rendered by business associates and others	4.2%	4.7%	4.9%	6.0%	6.5%	7.0%
Operation and other expenses	15.4%	13.5%	13.7%	13.4%	13.5%	13.5%
Tax rate	14.4%	16.6%	24.4%	22.2%	24.0%	24.0%
<b>Valuation</b>						
CMP	780.8	1182.5	1322	1563	1742	1742
No of Share	195.7	195.7	195.7	196.0	196.0	196.0
NW	18466.7	24504.8	29579.2	38645.7	47957.0	58530.2
EPS	36.2	47.0	53.8	71.8	80.8	91.7
BVPS	94.4	125.2	151.1	197.2	244.7	298.6
RoE-%	38.4%	37.5%	35.6%	36.4%	33.0%	30.7%
Dividen Payout ratio	28.1%	50.8%	37.5%	41.2%	41.2%	41.2%
P/BV	8.3	9.4	8.7	7.9	7.1	5.9
P/E	21.5	25.2	24.6	21.8	21.6	19.0

(Source: Company/Eastwind)