

TATA CONSULTANCY SERVICES LTD.

13th Jan 2017

Company Update

| | |
|-----------------------|------|
| CMP | 2343 |
| Target Price | 2780 |
| Previous Target Price | 2780 |
| Upside | 19% |
| Change from Previous | - |

Market Data

| | |
|---------------------|-----------|
| BSE Code | 532540 |
| NSE Symbol | TCS |
| 52wk Range H/L | 2740/2055 |
| Mkt Capital (Rs Cr) | 461,730 |
| Av. Volume(,000) | 932 |
| Nifty | 8,407 |

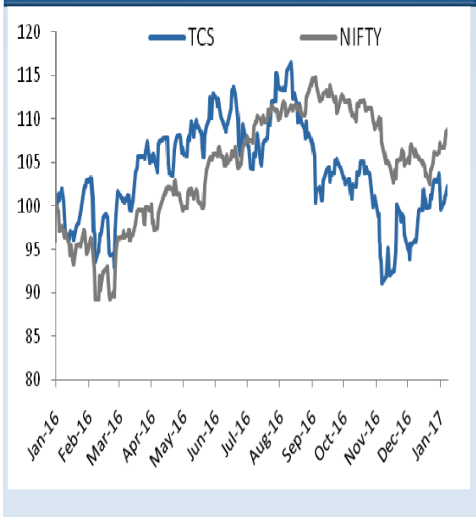
Stock Performance

| | 1M | 3M | 12M |
|--------------|-----|-----|------|
| Absolute | 2.7 | 9.4 | 2.8 |
| Rel.to Nifty | 3.3 | 4.1 | 11.5 |

Share Holding Pattern-%

| | 2QFY17 | 1QFY17 | 4QFY16 |
|-----------|--------|--------|--------|
| Promoters | 73.3 | 73.3 | 73.4 |
| Public | 26.7 | 26.7 | 26.6 |
| Others | - | - | - |
| Total | 100.0 | 100.0 | 100.0 |

Company Vs NIFTY



Strong Digital Demand, Great execution mark robust Q3FY17. The company reported Net Profit of Rs 6778 Cr ; increased 2.9% sequentially driven by the strong digital business and great execution work. It touched USD 1 billion mark in profit for the first time. Revenue during the quarter increased 1.5% to Rs 29735 Cr and dollar revenue growth was 0.3% at Rs 4387 Cr compared with previous quarter. Digital business registered a 30.2% growth on YoY basis. Its contribution to total revenue increased to 16.8% in 3QFY17 from 16.1% in 2QFY17. The growth was led by energy & utilities segment (up 5.8% QoQ), hi-tech (up 2.6% QoQ), BFSI (up 2.1% QoQ), manufacturing (up 2.1% QoQ) and retail (1.9% QoQ) in constant currency. Other income, also supported profitability, increased by 12.77% QoQ to Rs 1192 Cr. Operating income during the quarter grew by 1.5% to Rs 7,733 crore and margin remained stable at 26% compared with previous quarter.

Q3FY17_Key Highlights

>>Constant currency revenue growth for the quarter was at 2% with volume growth of 1% on sequential basis.

>>Infrastructure services showed 9.5% sequential growth and engineering & industrial services 3.1% in 3QFY17.

>>TCS has added 2 clients in USD 50 million revenue category and 5 clients in USD 10 million category.

>>Total employee strength at end of Q3FY17 was 3.78 lakh on a consolidated basis with gross addition of 18,362 and net addition of 6,978 employees.

>>The company has received 440 patents till date. As of December 2016, it has applied for 3,161 patents, including 80 applied during the quarter.

Outlook & Valuation

Strength in growing segments like Platforms, Cloud and Internet of Things is evident from the growth in Asset Leveraged Solutions (up 21% sequentially). The companies good operating strategy helped them to deliver a good 3QFY17 result, traditionally a quarter of weak demand. Seeing a good opportunities in Digital, the Co. continues to built new capabilities there, empower employees to enhance agility in the workplace & invest more to develop IP-based platforms and products. The company presently is trading at 5.7 times FY17 earnings. With this we remain positive on the stock and recommend 'BUY' with the target of 2780 at P/b of 5.8 times FY17 earnings.

| | Rs,Cr | | | | |
|------------|-------|-------|-------|--------|--------|
| Financials | 2013 | 2014 | 2015 | 2016 | 2017E |
| Sales | 62989 | 81809 | 94648 | 108646 | 121684 |
| Net Profit | 13917 | 19164 | 19852 | 24270 | 26478 |
| ROE | 36% | 39% | 39% | 37% | 34% |
| P/B | 8.0 | 8.5 | 9.9 | 7.6 | 5.8 |
| Div Yield | 1.4% | 1.5% | 3.1% | 1.7% | 2.8% |