

July 13, 2015

Tata Consultancy Services (TCS)

Performance highlights

| (₹ cr) | 1QFY16 | 4QFY15 | % chg (qoq) | 1QFY15 | % chg (yoy) |
|------------------------|--------|--------|-------------|--------|-------------|
| Net revenue | 25,668 | 24,220 | 6.0 | 22,111 | 16.1 |
| Adj. EBITDA | 7,065 | 7,072 | (0.1) | 6,232 | 13.4 |
| Adj. EBITDA margin (%) | 28.2 | 29.2 | (102)bp | 28.2 | (1)bp |
| Adj. PAT | 5,709 | 3,858 | (3.3) | 5,058 | 12.9 |

Source: Company, Angel Research

Tata Consultancy Services (TCS)' 1QFY2016 results have come in lower than our expectations on the sales and net profit fronts. The company has posted a 3.5% qoq growth in its top-line to US\$4,036mn V/s an expected US\$4,056mn. The volume growth during the period was strong, ie of 4.8% qoq. Among verticals, BFS, Retail, Life Sciences and Telecom grew strongly while among geographies; North America and UK were the growth drivers. The Adj. EBITDA margin for the quarter came in at 28.1% V/s an expected 28.5%, a qoq dip of 102bp. The margins were cushioned by higher utilization, which came in at 82.9% for the quarter V/s 81.5% in 4QFY2015. On the flip side, attrition rose marginally to 15.9% V/s 14.9% in 4QFY2015. Consequently, the Adj. PAT came in at ₹5,709cr V/s an expected ₹5,950cr, a dip of 3.3% qoq. **We maintain our Buy rating on the stock with a target price of ₹3,168.**

Quarterly highlights: Company has posted a 3.5% qoq growth in its top-line to US\$4,036mn V/s an expected US\$4,056mn. The volume growth during the period was strong, ie of 4.8% qoq. Among verticals, BFS, Retail, Life Sciences and Telecom grew strongly while among geographies, North America and UK were the growth drivers. In rupee terms, revenues came in at ₹25,668cr V/s an expected ₹25,784cr, up 6.0% qoq. The Adj. EBITDA margin came in at 28.1% V/s 28.5% expected a qoq dip of 102bps. The margins were cushioned by higher utilization, which came in at 82.9% for the quarter V/s 81.5% in 4QFY2015. On the flip side, attrition rose marginally to 15.9% V/s 14.9% in 4QFY2015. Consequently, the Adj. PAT came in at ₹5,709cr V/s an expected ₹5,950cr, a dip of 3.3% qoq.

Outlook and valuation: The Management reiterated that it expects the company's growth in FY2016 to be higher than the NASSCOM growth estimate of 12-14% for the industry. Over FY2015-17E, we expect TCS' revenue to post a CAGR of 13.0% in USD terms and of 14.3% in INR terms.

Key financials (Consolidated, IFRS)

| Y/E March (₹ cr) | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|-------------------|--------|--------|--------|----------|----------|
| Net sales | 62,988 | 81,809 | 94,648 | 1,08,420 | 1,23,599 |
| % chg | 28.8 | 29.9 | 15.7 | 14.6 | 14.0 |
| Net profit | 13,942 | 19,117 | 21,696 | 24,891 | 28,155 |
| % chg | 31.1 | 37.1 | 13.5 | 14.7 | 13.1 |
| EBITDA margin (%) | 28.7 | 30.7 | 28.2 | 28.8 | 28.7 |
| EPS (₹) | 71.2 | 97.6 | 110.9 | 127.2 | 143.9 |
| P/E (x) | 34.7 | 25.3 | 22.3 | 19.4 | 17.2 |
| P/BV (x) | 11.8 | 8.7 | 8.4 | 7.7 | 7.2 |
| RoE (%) | 34.0 | 34.5 | 34.2 | 39.9 | 41.8 |
| RoCE (%) | 32.7 | 34.5 | 33.9 | 30.6 | 31.7 |
| EV/Sales (x) | 7.4 | 5.6 | 4.8 | 4.1 | 3.5 |
| EV/EBITDA (x) | 25.9 | 18.4 | 17.1 | 14.1 | 12.2 |

Source: Company, Angel Research; Note: CMP as of July 10, 2015

BUY

| | |
|--------------|--------|
| CMP | ₹2,472 |
| Target Price | ₹3,168 |

| | |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

Stock Info

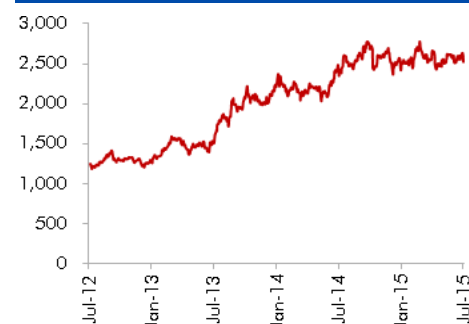
| | |
|--------------------|-------------|
| Sector | IT |
| Market Cap (₹ cr) | 484,171 |
| Net Debt (₹ cr) | (14,442) |
| Beta | 0.6 |
| 52 Week High / Low | 2,834/2,336 |
| Avg. Daily Volume | 86,898 |
| Face Value (₹) | 1 |
| BSE Sensex | 27,661 |
| Nifty | 8,361 |
| Reuters Code | TCS.BO |
| Bloomberg Code | TCS@IN |

Shareholding Pattern (%)

| | |
|-------------------------|------|
| Promoters | 73.9 |
| MF / Banks / Indian Fls | 5.1 |
| FII / NRIs / OCBs | 16.9 |
| Indian Public / Others | 4.1 |

| Abs.(%) | 3m | 1yr | 3yr |
|---------|-------|-----|------|
| Sensex | (4.2) | 9.0 | 57.0 |
| TCS | (6.8) | 5.8 | 96.0 |

3-Year Daily Price Chart



Source: Company, Angel Research

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Exhibit 1: 1QFY2016 performance (Consolidated, IFRS)

| (₹ cr) | 1QFY16 | 4QFY15 | % chg (qoq) | 1QFY15 | % chg (yoy) | FY2015 | FY2014 | % chg(yoy) |
|------------------------|---------------|---------------|--------------|---------------|-------------|---------------|---------------|--------------|
| Net revenue | 25,668 | 24,220 | 6.0 | 22,111 | 16.1 | 94,648 | 81,809 | 15.7 |
| Cost of revenue | 13,984 | 15,176 | (7.9) | 11,826 | 18.2 | 53,227 | 42,207 | 26.1 |
| Gross profit | 11,684 | 9,044 | 29.2 | 10,285 | 13.6 | 41,421 | 39,602 | 4.6 |
| SG&A expense | 4,452 | 4,757 | (6.4) | 4,053 | 9.8 | 17,353 | 14,471 | 19.9 |
| EBITDA | 7,232 | 4,287 | 68.7 | 6,232 | 16.1 | 24,068 | 25,131 | (4.2) |
| Dep. and amortisation | 484 | 324 | 49.6 | 417 | 16.1 | 1,272 | 1,324 | (3.9) |
| EBIT | 6,748 | 3,963 | 70.3 | 5,815 | 16.1 | 22,797 | 23,807 | (4.2) |
| Other income | 771 | 1,129 | (31.7) | 815 | (5.4) | 3,140 | 1,589 | |
| PBT | 7,520 | 5,092 | 47.7 | 6,630 | 13.4 | 25,936 | 25,396 | 2.1 |
| Income tax | 1,747 | 1,202 | 45.3 | 1,531 | 14.1 | 6,083 | 6,071 | 0.2 |
| PAT | 5,773 | 3,891 | 48.4 | 5,099 | 13.2 | 19,853 | 19,325 | 2.7 |
| Earnings in affiliates | - | - | - | - | - | - | - | - |
| Minority interest | 64 | 32 | 97.5 | 41 | 55.6 | 205 | 209 | (2.0) |
| Reported PAT | 5,709 | 3,858 | 48.0 | 5,058 | 12.9 | 19,648 | 19,116 | 2.8 |
| Adj. PAT | 5,709 | 5,906 | (3.3) | 5,058 | 12.9 | 21,696 | 19,116 | 13.5 |
| EPS | 29.1 | 30.2 | (3.4) | 25.8 | 12.8 | 110.9 | 97.6 | 13.5 |
| Gross margin (%) | 45.5 | 37.3 | 818bp | 46.5 | (99)bp | 43.8 | 48.4 | (464)bp |
| EBITDA margin (%) | 28.2 | 17.7 | 1048bp | 28.2 | (1)bp | 25.4 | 30.7 | (529)bp |
| EBIT margin (%) | 26.3 | 16.4 | 993bp | 26.3 | (1)bp | 24.1 | 29.1 | (502)bp |

Source: Company, Angel Research

Exhibit 2: Actual vs Angel estimates

| (₹ cr) | Actual | Estimate | Var. (%) |
|-------------------|--------|----------|----------|
| Net revenue | 25,668 | 25,784 | (0.4) |
| EBITDA margin (%) | 28.2 | 28.5 | (32)bps |
| Adj. PAT | 5,709 | 5,950 | (4.1) |

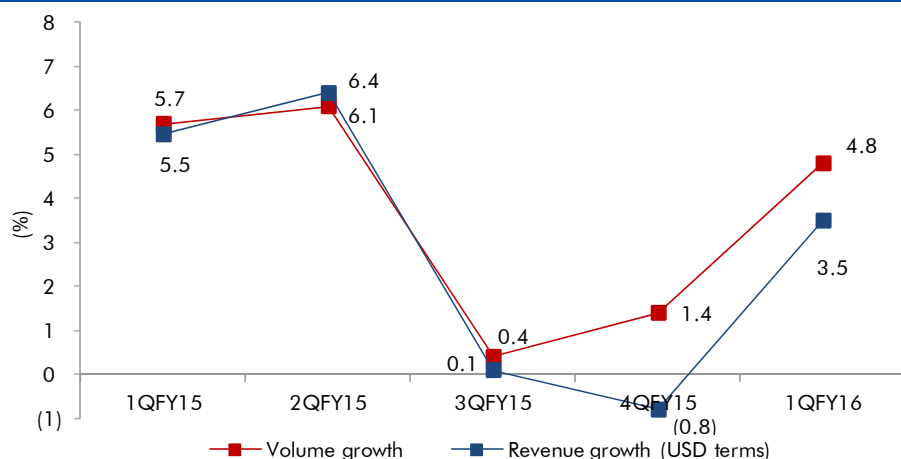
Source: Company, Angel Research

Slightly lower than expected numbers

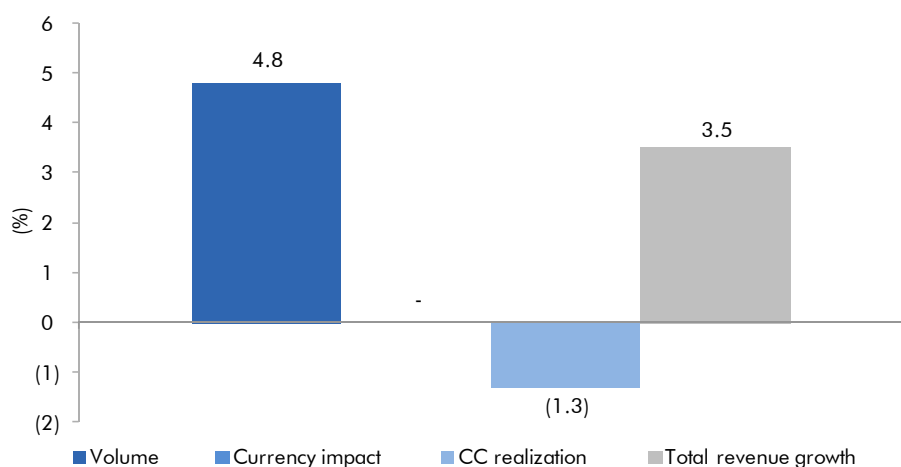
For 1QFY2016, the company has posted a 3.5% qoq growth in its top-line to US\$4,036mn V/s an expected US\$4,056mn. Volume growth during the period was strong, ie of 4.8% qoq. Among verticals, BFS, Retail, Life Sciences and Telecom grew strongly while among geographies, North America and UK were the growth drivers.

Among the key markets Latin America posted a dip of 5.1% qoq while North America, the UK and MEA posted a growth of 4.4%, 2.8% qoq and 8.1%, respectively. Further, India and Asia Pacific posted a qoq growth of 2.6% and 2.6%, respectively.

Amongst the domains, its key domain BSFI posted a 3.3% qoq growth, while Retail & Distribution and Manufacturing posted a qoq growth of 5.1% and 0.3%, respectively. Travel & Hospitality and Energy & Utilities posted a growth of 6.1% and 5.5%, respectively. Telecom and Life sciences & Healthcare posted a qoq growth of 9.6% and 7.0%, respectively. The only domain to exhibit weakness was Media & Entertainment, which dipped by 6.7% qoq.

Exhibit 3: Trend in volume and revenue growth (qoq)


Source: Company, Angel Research

Exhibit 4: Revenue drivers for 1QFY2016


Source: Company, Angel Research

In terms of verticals, BFSI (40.6% of sales) grew by 3.3% qoq, Telecom (8.6% of sales) grew 9.6% qoq, Retail & Distribution (13.8% of sales) grew 5.1% qoq and Manufacturing (9.9% of sales) grew 0.3% qoq, during the quarter. Hi-Tech and Life Sciences & healthcare posted a growth of 2.3% and 7.0% qoq, respectively. Travel & Hospitality (3.5% of sales) posted a growth of 6.1% qoq, while Energy & Utilities (4.0% of sales) posted a growth of 5.5% qoq. The outlook remains weak for Energy & Utilities and Insurance in the coming quarters as well, while Telecom would remain volatile.

The only segment to decline was Media & Entertainment (2.5% of sales), which posted a dip of 6.7% qoq, during the quarter.

Exhibit 5: Revenue growth (Industry wise in INR)

| | % to revenue | % chg (qoq) | % chg (yoy) |
|------------------------------|--------------|-------------|-------------|
| BFSI | 40.6 | 3.3 | 12.4 |
| Manufacturing | 9.9 | 0.3 | 36.0 |
| Telecom | 8.6 | 9.6 | 8.2 |
| Lifesciences and healthcare | 6.9 | 7.0 | 21.8 |
| Retail and distribution | 13.8 | 5.1 | 15.5 |
| Transportation & Hospitality | 3.5 | 6.1 | 16.7 |
| Energy and utilities | 4.0 | 5.5 | 22.2 |
| Media and entertainment | 2.5 | (6.7) | 0.9 |
| Hi-tech | 5.8 | 2.3 | 21.3 |
| Others | 4.4 | (4.2) | 13.7 |

Source: Company, Angel Research

Service line wise, Infrastructure Services reported a sequential growth of 5.1%. In the company's anchor service line - IT solutions and services - ADM grew 4.1% qoq, Enterprise solutions grew by 1.3% qoq and Assurance services grew by 3.8% qoq. The BPO segment grew by 2.4% qoq during the quarter. Global consulting (accounting for 2.9% of sales) de-grew by 7.7% qoq and Asset Leveraged Solutions (2.5% of sales) grew by 17.7% qoq.

Exhibit 6: Revenue growth (Service wise in INR terms)

| | % to revenue | % chg (qoq) | % chg (yoy) |
|-------------------------------|--------------|-------------|-------------|
| IT solutions and services | | | |
| ADM | 40.3 | 4.1 | 14.2 |
| Enterprise solutions | 15.1 | 1.3 | 9.8 |
| Assurance services | 8.5 | 3.8 | 12.7 |
| Engg. and industrial services | 4.5 | 2.7 | 12.7 |
| Infrastructure services | 14.7 | 5.1 | 36.0 |
| Global consulting | 2.9 | (7.7) | 6.3 |
| Asset-leveraged solutions | 2.5 | 17.7 | 22.2 |
| BPO | 11.5 | 2.4 | 12.8 |

Source: Company, Angel Research

Geography wise, growth in INR sales in key geographies was as follows: - USA (4.4% qoq), Latin America (-5.1% qoq), Continental Europe (2.2% qoq), India (2.6% qoq) and MEA (8.1% qoq). The UK and Asia Pacific posted a growth of 2.8% qoq and 2.6% qoq, respectively.

Among verticals, the outlook remains weak for Energy & Utilities and Insurance in the coming quarters as well, while Telecom is expected to remain volatile.

Exhibit 7: Revenue growth (Geography wise in INR terms)

| | % of revenue | % chg (qoq) | % chg (yoy) |
|--------------------|--------------|-------------|-------------|
| U.S. | 52.8 | 4.4 | 11.4 |
| Latin America | 1.9 | (5.1) | 5.4 |
| U.K. | 16.1 | 2.8 | 8.5 |
| Continental Europe | 11.0 | 2.2 | 19.0 |
| India | 6.4 | 2.6 | 15.9 |
| Asia Pacific | 9.6 | 2.6 | 58.0 |
| MEA | 2.2 | 8.1 | 25.3 |

Source: Company, Angel Research

Hiring moderate

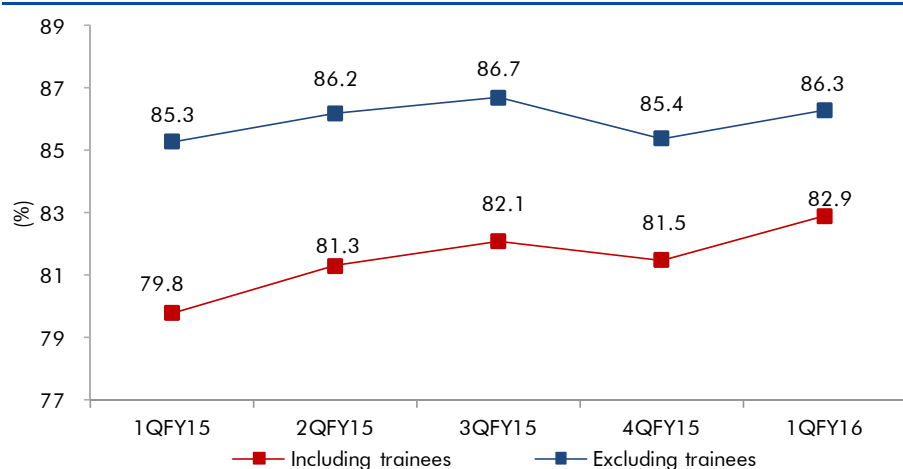
In 1QFY2016, TCS witnessed a gross addition of 20,320 employees and net addition of 5,279 employees, taking its total employee base to 3,24,935. During the quarter under review, the attrition rate (last twelve month [LTM] basis) for the company increased to 15.9% from 14.9% in 4QFY2015. TCS cited that 3 quarters of high attrition were compounded by seasonality of 1QFY2016, and it should start to taper from 2QFY2016.

Exhibit 8: Hiring and attrition trend

| Particulars | 1QFY15 | 2QFY15 | 3QFY15 | 4QFY15 | 1QFY16 |
|---------------------------|----------|----------|----------|----------|----------|
| Gross addition | 15,817 | 20,350 | 16,561 | 14,395 | 20,320 |
| Net addition | 4,967 | 8,326 | 4,868 | 1,031 | 5,279 |
| Total employee base | 3,05,431 | 3,13,757 | 3,22,083 | 3,19,656 | 3,24,935 |
| Attrition (%) - LTM basis | 12.0 | 12.8 | 13.4 | 14.9 | 15.9 |

Source: Company, Angel Research

For 1QFY2016, the utilization rate (excluding trainees) increased by 90bp qoq to 86.3%; including trainees, it was up 140bp qoq to 82.9%.

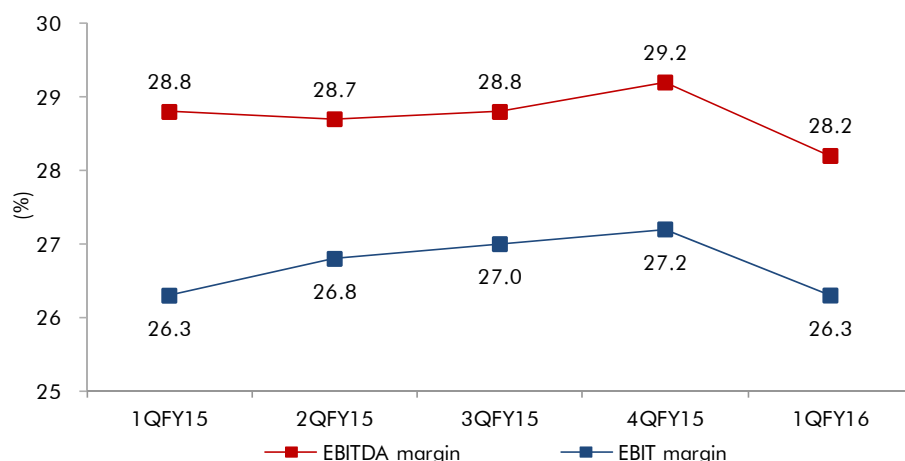
Exhibit 9: Trend in utilization


Source: Company, Angel Research

Margins steady

TCS' EBITDA margin dipped by 100bp qoq to 28.2% and the EBIT margin dipped by 90bp qoq to 26.3%, on back of wage hikes, which rubbed off ~190bp of EBITDA although cushioned by 70bp exchange rate benefit. Operational efficiency contributed around 30bp to the margin expansion. Going forward, the EBIT margins are expected to operate at the mid-range of its 26-28% guided band.

Exhibit 10: Margin profile



Source: Company, Angel Research

Client metrics

The client pyramid during the quarter witnessed a qualitative improvement, with client additions seen in higher revenue brackets. Client metrics for the company continued to remain healthy with the company adding 1 client in the US\$100mn+ revenue bracket, and 9 clients in the US\$10-20mn revenue bracket. TCS also had few client additions in the US\$1-5mn order size category. TCS announced 9 large deal wins during the quarter, won across geographies, including 5 in the US. Vertical-wise, it won 3 deals each in BFSI and Retail, and 1 each in Telecom, Manufacturing and Media.

Exhibit 11: Client pyramid

| | 1QFY15 | 2QFY15 | 3QFY15 | 4QFY15 | 1QFY16 |
|----------------|--------|--------|--------|--------|--------|
| US\$1mn–5mn | 378 | 376 | 377 | 389 | 391 |
| US\$5mn–10mn | 109 | 120 | 138 | 128 | 123 |
| US\$10mn–20mn | 95 | 94 | 90 | 99 | 96 |
| US\$20mn–50mn | 74 | 91 | 94 | 94 | 103 |
| US\$50mn–100mn | 33 | 38 | 40 | 39 | 39 |
| US\$100mn plus | 22 | 24 | 25 | 29 | 30 |

Source: Company, Angel Research

Investment Argument

Guidance – Company to maintain its healthy growth rate: The company has indicated at beating the NASSCOM growth rate of 12-14% for FY2016. The current deal pipeline is presenting opportunities for a robust growth in both run-the-business (RTB) and discretionary activities. For FY2015, the Management has maintained its gross hiring target of 30,000-40,000, which should entail a healthy volume growth of 13-15%. Even with aggressive hiring plans, the Management targets to maintain its utilization levels excluding trainees at 80%+, going ahead. We expect the company to post a US\$ revenue CAGR of 13.0% over FY2015-17E.

Deal pipeline healthier: The Management reiterated that it expects FY2016 to be strong on the back of strong deal pipeline and budget indications from clients. The current deal pipeline is presenting opportunities for a robust growth in both run-the-business (RTB) and discretionary activities. The company is pursuing more number of large deals in terms of cumulative size vs this time last year. A healthy deal pipeline, broad-based deal signings, initial signs of up-turn in discretionary spending and good traction in annuity, traditional and transformational business - all these factors have collectively lent confidence to the company in estimating a robust growth.

Outlook and valuation

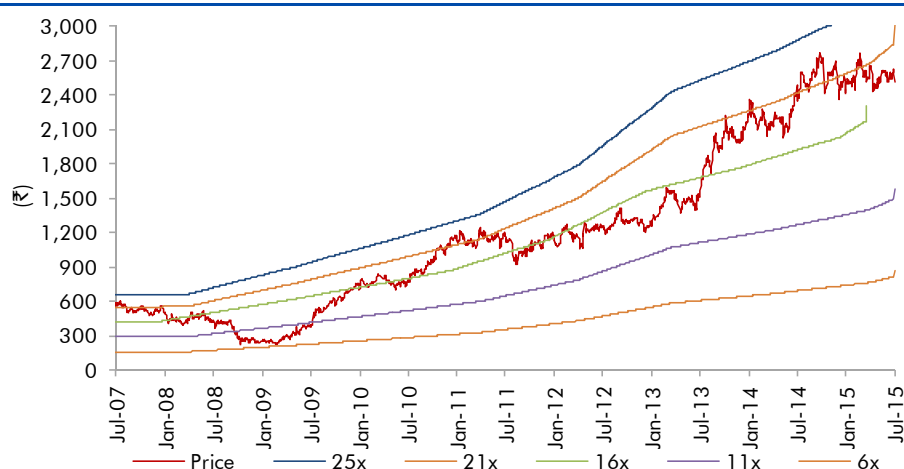
For FY2016, the Management has maintained its gross hiring target of 30,000-40,000. Even with aggressive hiring plans, the Management targets to maintain its utilization levels excluding trainees at 80%+ going ahead. The Management expects the EBIT margins to be in the range of 26-28%, despite rupee volatility.

Over FY2015-17E, we expect TCS' revenue to post a CAGR of 13.0% in USD terms and of 14.3% in INR terms. The company highlighted that it stands comfortable of sustaining the EBIT margin in the range of 26-28%. On the EBIT and PAT fronts, we expect the company to post a 15.6% and 13.9% CAGR over FY2015-17E, respectively. At the current market price of ₹2,472, the stock is trading at 19.4x FY2016E and 17.2x FY2017E EPS of ₹127.2 and ₹143.9, respectively. **We maintain our buy rating on the stock with a target price of ₹3,168.**

Exhibit 12: Key assumptions

| | FY2016E | FY2017E |
|-------------------------|---------|---------|
| Revenue growth (USD) | 12.1 | 14.0 |
| USD-INR rate (realized) | 62.6 | 62.6 |
| Revenue growth (₹) | 14.6 | 14.0 |
| EBITDA margin (%) | 28.8 | 28.7 |
| Tax rate (%) | 21.0 | 21.0 |
| EPS growth (%) | 14.7 | 13.1 |

Source: Company, Angel Research

Exhibit 13: One-year forward PE chart


Source: Company, Angel Research

Exhibit 14: Recommendation summary

| Company | Reco | CMP (₹) | Tgt. price (₹) | Upside (%) | FY2017E EBITDA (%) | FY2017E P/E (x) | FY2015-17E EPS CAGR (%) | FY2017E EV/Sales (x) | FY2017E RoE (%) |
|---------------|------------|--------------|-------------------|---------------|-----------------------|--------------------|----------------------------|-------------------------|--------------------|
| HCL Tech | Buy | 917 | 1,100 | 18.8 | 23.4 | 15.1 | 10.5 | 2.6 | 17.7 |
| Infosys | Buy | 938 | 1,315 | 40.3 | 28.0 | 14.3 | 10.4 | 2.4 | 20.0 |
| TCS | Buy | 2,472 | 3,168 | 28.2 | 28.7 | 17.3 | 13.9 | 3.6 | 41.8 |
| Tech Mahindra | Neutral | 637 | 646 | 36.4 | 20.0 | 12.5 | 17.9 | 1.2 | 20.9 |
| Wipro | Buy | 579 | 753 | 37.3 | 23.8 | 12.4 | 12.0 | 1.7 | 18.8 |

Source: Company, Angel Research

Company background

TCS is Asia's largest IT services provider and is amongst the top 10 technology firms in the world. The company has a global footprint with an employee base of over 3.0lakh professionals, offering services to more than 1,000 clients across various industry segments. The company has one of the widest portfolios of services offerings, spanning across the entire IT service value chain – from traditional application development and maintenance to consulting and package implementation to products and platforms.

Profit & Loss statement (Consolidated, IFRS)

| Y/E March (₹ cr) | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|----------------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Net sales | 62,988 | 81,809 | 94,648 | 1,08,420 | 1,23,599 |
| Cost of revenue | 33,253 | 42,207 | 50,599 | 57,392 | 65,508 |
| Gross profit | 29,736 | 39,603 | 44,049 | 51,029 | 58,092 |
| % of net sales | 47.2 | 48.4 | 46.5 | 47.1 | 47.0 |
| SGA expenses | 11,648 | 14,471 | 17,353 | 19,841 | 22,619 |
| % of net sales | 18.5 | 17.7 | 18.3 | 18.3 | 18.3 |
| EBITDA | 18,088 | 25,132 | 26,696 | 31,188 | 35,473 |
| % of net sales | 28.7 | 30.7 | 28.2 | 28.8 | 28.7 |
| Dep. and amortization | 1079 | 1324 | 1272 | 1383 | 1493 |
| % of net sales | 1.7 | 1.6 | 1.3 | 1.3 | 1.2 |
| EBIT | 17,009 | 23,808 | 25,424 | 29,805 | 33,980 |
| % of net sales | 27.0 | 29.1 | 26.9 | 27.5 | 27.5 |
| Other income, net | 1118 | 1589 | 3140 | 2000 | 2000 |
| Profit before tax | 18,126 | 25,397 | 28,564 | 31,805 | 35,980 |
| Provision for tax | 4,034 | 6,071 | 6,083 | 6,679 | 7,556 |
| % of PBT | 22.3 | 23.9 | 21.3 | 21.0 | 21.0 |
| PAT | 14,092 | 19,326 | 22,481 | 25,126 | 28,424 |
| Earnings in affiliates | - | - | - | - | - |
| Minority interest | 149 | 209 | 205 | 235 | 269 |
| Extra ordinary (Expense)/ Income | | | (2628) | | |
| Reported PAT | 13,942 | 19,117 | 19,648 | 24,891 | 28,155 |
| Diluted EPS (₹) | 71.2 | 97.6 | 110.9 | 127.2 | 143.9 |

Balance sheet (Consolidated, IFRS)

| Y/E March (₹ cr) | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|--------------------------------|---------------|---------------|---------------|---------------|-----------------|
| Assets | | | | | |
| Cash and cash equivalents | 1,843 | 1,469 | 1,862 | 2,200 | 2,600 |
| Other current financial assets | 11,457 | 18,107 | 16,383 | 32,876 | 37,993 |
| Accounts receivable | 14,077 | 18,230 | 20,440 | 23,408 | 26,685 |
| Unbilled revenues | 3,160 | 4,006 | 3,827 | 5,347 | 5,347 |
| Other current assets | - | - | 6,414 | 6,414 | 6,414 |
| Property and equipment | 8,194 | 10,364 | 11,572 | 12,572 | 13,572 |
| Intangible assets and goodwill | 3,506 | 4,157 | 3,931 | 3,931 | 3,931 |
| Investments | 2,040 | 3,449 | 9,619 | 9,619 | 9,619 |
| Other non current assets | - | - | 906 | 906 | 906 |
| Total assets | 52,074 | 68,913 | 74,954 | 97,273 | 1,07,067 |
| Liabilities | | | | | |
| Current liabilities | 8,751 | 10,906 | 14,428 | 31,285 | 35,665 |
| Short term borrowings | 101 | 170 | 243 | 243 | 243 |
| Redeemable preference shares | 100 | - | - | - | - |
| Long term debt | 131 | 127 | 114 | 114 | 114 |
| Other non current liabilities | 1,378 | 1,684 | 1,778 | 2,037 | 2,326 |
| Minority interest | 656 | 691 | 914 | 1,148 | 1,417 |
| Shareholders funds | 40,956 | 55,335 | 57,477 | 62,444 | 67,302 |
| Total liabilities | 52,074 | 68,913 | 74,954 | 97,273 | 1,07,067 |

Cash flow statement (Consolidated, IFRS)

| Y/E March (₹ cr) | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|------------------------------------|----------------|----------------|----------------|-----------------|----------------|
| Pre-tax profit from oper. | 17,009 | 23,808 | 22,481 | 25,126 | 28,424 |
| Depreciation | 1,079 | 1,324 | 1,272 | 1,383 | 1,493 |
| Exp. (deferred)/written off | 149 | 209 | 160 | 174 | - |
| Pre tax cash from oper | 17,939 | 24,923 | 23,913 | 26,683 | 29,917 |
| Other inc./prior period ad | 1,118 | 1,589 | 1,272 | 1,383 | 1,493 |
| Net cash from operations | 19,056 | 26,512 | 25,185 | 28,066 | 31,410 |
| Tax | 4,034 | 6,071 | 6,083 | 6,679 | 7,556 |
| Cash profits | 15,022 | 20,441 | 19,102 | 21,387 | 23,854 |
| (Inc)/dec in acc. recv. | (2,578) | (4,154) | (2,210) | (2,968) | (3,277) |
| (Inc)/dec in unbilled rev. | (912) | (846) | 179 | (1,520) | - |
| (Inc)/dec in oth. current asst. | (4,948) | (6,650) | (6,414) | - | - |
| Inc/(dec) in current liab. | 2,035 | 2,223 | (1,207) | (1,000) | (1,000) |
| Net trade working capital | (6,403) | (9,427) | (9,652) | (5,488) | (4,277) |
| Cash flow from opert. actv. | 8,619 | 11,015 | 9,450 | 15,899 | 19,577 |
| (Inc)/dec in fixed assets | (2,819) | (3,494) | (1,207) | (1,000) | (1,000) |
| (Inc)/dec in investments | (562) | (1,409) | (4,446) | (16,493) | (5,117) |
| (Inc)/dec in intangible asst. | (13) | (651) | (226) | - | - |
| (Inc)/dec in non-cur.asst. | (262) | (1,335) | (906) | - | - |
| Cash flow from invt. actv. | (3,656) | (6,889) | (6,786) | (17,493) | (6,117) |
| Inc/(dec) in debt | 278 | 203 | 61 | - | - |
| Inc/(dec) in equity | - | - | - | - | - |
| Inc/(dec) in minority int. | 129 | 34 | 223 | 235 | 269 |
| Dividends | (4,351) | (14,666) | (19,923) | (23,298) | (26,353) |
| Cash flow from finan. actv. | (1,159) | 9,929 | 17,369 | 24,996 | 13,024 |
| Cash generated/(utilized) | (5,103) | (4,500) | (2,271) | 1,933 | (13,060) |
| Cash at start of the year | (140) | (374) | 393 | 338 | 400 |
| Cash at end of the year | 1,984 | 1,843 | 1,469 | 1,862 | 2,200 |

Key ratios

| Y/E March | FY2013 | FY2014 | FY2015 | FY2016E | FY2017E |
|-------------------------------------|--------|--------|--------|---------|---------|
| Valuation ratio(x) | | | | | |
| P/E (on FDEPS) | 34.7 | 25.3 | 22.3 | 19.4 | 17.2 |
| P/CEPS | 32.2 | 23.7 | 23.1 | 18.4 | 16.3 |
| P/BVPS | 11.8 | 8.7 | 8.4 | 7.7 | 7.2 |
| Dividend yield (%) | 0.8 | 1.3 | 1.8 | 2.1 | 2.3 |
| EV/Sales | 7.4 | 5.6 | 4.8 | 4.1 | 3.5 |
| EV/EBITDA | 25.9 | 18.4 | 17.1 | 14.1 | 12.2 |
| EV/Total assets | 9.0 | 6.7 | 6.1 | 4.5 | 4.1 |
| Per share data (₹) | | | | | |
| EPS | 71.2 | 97.6 | 110.9 | 127.2 | 143.9 |
| Cash EPS | 76.8 | 104.4 | 106.8 | 134.1 | 151.4 |
| Dividend | 19.0 | 32.0 | 43.5 | 50.8 | 57.5 |
| Book value | 209 | 283 | 294 | 319 | 344 |
| Dupont analysis | | | | | |
| Tax retention ratio (PAT/PBT) | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Cost of debt (PBT/EBIT) | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| EBIT margin (EBIT/Sales) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Asset turnover ratio (Sales/Assets) | 1.2 | 1.2 | 1.3 | 1.1 | 1.2 |
| Leverage ratio (Assets/Equity) | 1.3 | 1.2 | 1.3 | 1.6 | 1.6 |
| Operating ROE | 34.4 | 34.9 | 39.1 | 40.2 | 42.2 |
| Return ratios (%) | | | | | |
| RoCE (pre-tax) | 32.7 | 34.5 | 33.9 | 30.6 | 31.7 |
| Angel RoIC | 46.3 | 51.9 | 54.0 | 56.7 | 59.8 |
| RoE | 34.0 | 34.5 | 34.2 | 39.9 | 41.8 |
| Turnover ratios(x) | | | | | |
| Asset turnover (fixed assets) | 7.7 | 7.9 | 8.2 | 8.6 | 9.1 |
| Receivables days | 82 | 81 | 79 | 79 | 79 |

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Disclosure of Interest Statement

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| | |
|--|----|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)