

April 29, 2013

TATA CONSULTANCY SERVICES LTD.

BSE Code: 532540 NSE Code: TCS Reuters Code: TCS.NS Bloomberg Code: TCS:IN

Tata Consultancy Services Limited (TCS) is engaged in providing information technology (IT) services, business solutions and outsourcing. The Company's services portfolio consists of application development and maintenance, business intelligence, enterprise solutions, assurance, engineering and industrial services, IT infrastructure services, business process outsourcing, consulting and asset leveraged solutions. TCS also services several other industries, such as life sciences and healthcare, hi-tech, energy, resources and utilities, media and entertainment and travel, transportation and hospitality.

Investor's Rationale

Broad based growth across verticals has aggressively pushed the bottom line by 24.9% YoY— A broad-based growth across various industry segments helped TCS, the country's largest software services exporter to post a very strong rise in its consolidated bottom line, up by 24.9% YoY to ₹36.16 bn. The banking, other business and retail segments inched up sharply by 24.3%, 0.9% and 32.5% YoY to ₹21.29 bn, ₹9.25 bn and ₹6.74 bn respectively. However, the other income rose significantly by 348.6% to ₹4.42 bn.

Well-rounded performance buoyed the net sales by 22.9% YoY— TCS has logged a phenomenal increase in net sales at ₹158.51 bn, signalling a significant growth of 22.9% YoY on the back of 4.4% volume growth coupled with stable pricing environment. On sectoral front, the banking, other business and retail segments inched up sharply by 27.8%, 13.9% and 32.7% YoY to ₹71.53 bn, ₹38.07 bn and ₹22.06 bn respectively. Moreover, the firm is spreading its operations in the UK and has invested in a new delivery center in Liverpool. The company added 52 new clients totalling to 1,065 active clients in Q4FY'13.

EBITDA margin fell 149 bps YoY on higher operating expenses— The EBITDA of the company surged by 17.7% to ₹46.17 bn, however, the EBITDA margin pulled lower by 149 bps YoY to 28.1% from 29.6%, reflecting a rise (as a % of sales) in employee expenses, other outlay and overseas business cost by 758 bps, 306 bps and 280 bps to 39.4%, 14.7% and 14.3% respectively.

Signed agreement worth € 75 mn with Alti SA - In a bid to enjoy the benefit of expanding footprint in France and other regions in Europe, TCS has entered into an agreement to acquire 100% equity shares in Alti SA, an IT services company in France worth € 75 mn. With enriched services and solutions, the firm will be able to cater its best to the French corporations.

Market Data

| | |
|----------------------------|--------------------------------|
| CMP (₹) | 1,368.2 |
| Target Price | 1,550 |
| Stop Loss | 1,286 |
| Duration | Short-term |
| 52-week High-Low (₹) | 1,598/1,164 |
| Rise from 52WL (%) | 17.5 |
| Correction from 52WH (%) | 14.4 |
| Beta | 0.2 |
| 1 year Average Volume (mn) | 1.3 |
| Stock Return (%) | 3M- 2.9 6M- 4.9 1Y- 14.6 |
| Market Cap (₹bn) | 2,678 |
| Book Value (₹) | 191.8 |

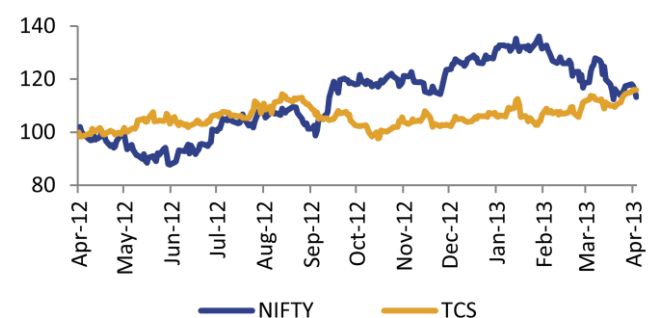
Shareholding Pattern

| | Mar'13 | Dec'12 | Chg |
|---------------------|--------|--------|--------|
| Promoters (%) | 73.96 | 73.96 | - |
| FII (%) | 16.14 | 14.96 | 1.18 |
| DII (%) | 5.44 | 6.45 | (1.01) |
| Public & Others (%) | 4.46 | 4.63 | (0.17) |

Quarterly Performance (Consolidated)

| (₹bn) | Q4 FY'13 | Q4 FY'12 | Q3 FY'13 | YoY Change(%) | QoQ Change(%) |
|------------|----------|----------|----------|---------------|---------------|
| Revenue | 158.51 | 128.99 | 156.63 | 22.9 | 1.2 |
| Op. exp | 118.13 | 93.35 | 114.09 | 26.5 | 3.5 |
| EBITDA | 46.17 | 39.25 | 46.61 | 17.7 | (0.9) |
| OPM (%) | 28.1 | 29.6 | 29.0 | (149bps) | (90bps) |
| Net profit | 36.16 | 28.95 | 35.50 | 24.9 | (18.4) |
| NPM (%) | 21.4 | 21.7 | 21.8 | (24bps) | (36bps) |
| EPS (₹) | 18.5 | 14.7 | 18.1 | 25.6 | 2.0 |

One Year Price Chart





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