



Tata Consultancy Services Ltd

Sector: IT - Software

Market Data (01-Apr-2013)

Sensex	18864.75
CMP	1554.95
M Cap (in Cr)	304334.81
BSE code	532540
NSE Symbol	TCS
52 Week H/L (Rs.)	1598.00 / 1046.55
FV (Rs.)	1
Equity (Rs. In Cr.)	195.72
EPS (FY 2012)	49.53
Div Yield (%)	1.61
PE (x)	23.85
BV (FY 2012) (Rs.)	150.62
PBV (x)	7.75
Volume (Nos)	593653
Beta	0.55
Standard deviation	1.53

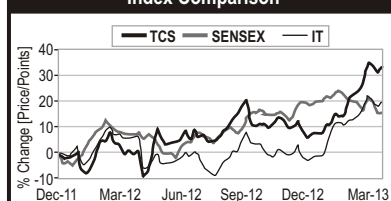
Annual Results Summary (Rs. Cr.)

Particulars	Mar-12	Mar-11	Mar-10
Revenues	48893.83	37324.51	30028.92
Net Profit*	10523.45	9189.79	7092.66
EPS	49.53	44.55	32.76
OPM %	30.40	31.57	29.86
NPM %	21.52	24.62	23.62

Key Ratios

Debt-Equity Ratio	-
Current Ratio	2.18
Interest Cover Ratio	627.33
ROCE (%)	49.69
RONW (%)	38.26

Index Comparison



QUARTERLY PERFORMANCE (CONSOLIDATED)

The company has posted a strong operational performance for the quarter ended December 2012. The consolidated revenues grew by 3% QoQ in Q3'FY 13 to Rs. 16069.63 crore driven by the growth across the geographies (except continental Europe) and Verticals (except Telecom). The operating profit grew by 5% QoQ to Rs. 4660.49 crore. The other income declined by 33% QoQ to Rs. 221.29 crore. The interest cost declined to Rs. 7.90 crore in Q3'FY 13 from Rs. 15.11 crore in Q2'FY 13. There is marginal 4% increase in depreciation in Q3'FY 13 to Rs. 277.42 crore from Rs. 265.58 crore in Q2'FY 13. The profit after tax (PAT) grew by 3% QoQ to Rs. 3590.62 crore. After accounting to the minority interest of Rs. 41 crore, the net profit grew by 3% QoQ to Rs 3549.62 crore.

Quarterly Results Summary (Rs. Cr.)

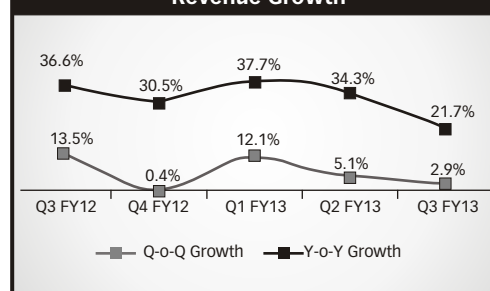
Particulars	3QFY12	2QFY12	1QFY12
Revenues	16069.93	15620.75	14868.71
Net Profit	3590.62	3469.68	3357.67
EPS	18.10	17.51	16.92
OPM %	29.00	28.41	29.08
NPM %	22.34	22.21	22.58

Stock Return (%) (01-Apr-2013)

	1w	1m	3m	6m	1y
	0.64	3.69	23.07	19.37	33.15

The revenue growth of 3% QoQ was broad-based. Among mature markets, USA and UK led the growth, and amongst growth markets, Latin America showed double digit growth sequentially. Amongst industries, growth was led by Banking, Financial Services and Insurance (BFSI), Energy & Utilities, Manufacturing and Retail & Distribution. However, overall there was subdued 1.25% volume growth QoQ due to lower

Revenue Growth



Key points

- Revenue of Rs. 16069.93 Cr., growth of 2.88% QoQ and 21.71% YoY
- Operating profit of Rs. 4660.49 Cr., growth of 5.01% QoQ and 13.84% YoY
- Profit After Tax of Rs. 3590.62 Cr., growth of 3.49% QoQ and 26.61% YoY
- 31 new clients added during the quarter; Active clients: 1051
- 7 large deals signed across verticals

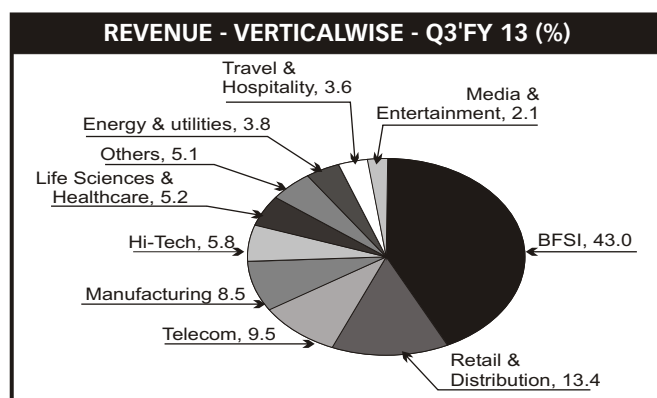
Quarterly Performance - Consolidated (Rs. Cr)						
Particulars	Corresponding Quarter			Sequential Quarter		
	Dec-12	Dec-11	% change	Dec-12	Sep-12	% change
Net Sales	16069.93	13203.99	21.71	16069.93	15620.75	2.88
Operating Profit	4660.49	4093.81	13.84	4660.49	4438.11	5.01
OPM (%)	29.00	31.00	-	29.00	28.41	-
Other Income	221.19	-87.28	-353.43	221.19	328.33	-32.63
Depreciation	277.42	234.83	18.14	277.42	265.58	4.46
Profit Before Tax	4596.36	3766.84	22.02	4596.36	4485.75	2.47
Tax	1005.74	930.81	8.05	1005.74	1016.07	-1.02
Profit After Tax	3590.62	2836.03	26.61	3590.62	3469.68	3.49
EPS	18.10	14.3	-	18.10	17.51	-

number of working days coupled with furloughs. Generally in Q3, furloughs will be in the Manufacturing and Hitech verticals only but this quarter they witnessed in BFSI vertical as well.

The company has signed 7 large deals across verticals during the quarter. Notably, there were strong client additions in the US\$20 mn plus category. It has added 31 new clients in Q3; Active clients were at 1051 as on December 31, 2012. It indicated that order book is solid and pipeline is robust.

REVENUE MIX - Q3'FY 13

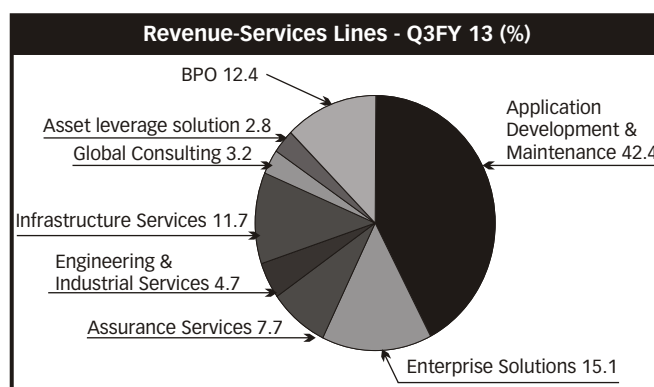
Vertical wise - Revenues from the key verticals such as BFSI (43% of sales) grew by 3.5% QoQ and Retail (13.4% of sales) grew by 2.8% for the quarter ended December 2012. Despite the furloughs Manufacturing grew by 5.8% and hi-tech decline by mere 0.4% during the quarter. Also, Energy & Utilities grew by 9.7% QoQ, Life Sciences & Healthcare grew by 3.7% QoQ, Travel & Hospitality grew by 2.2% QoQ, but Media & Entertainment declined by 0.9% QoQ for the same period. However, Telecom vertical (9.5% of sales) continue to be challenging fell by 4.6% QoQ during the quarter.



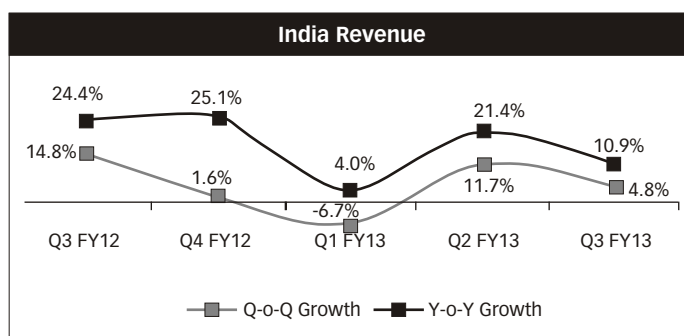
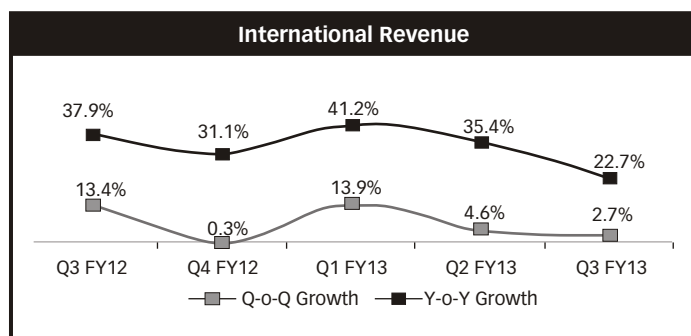
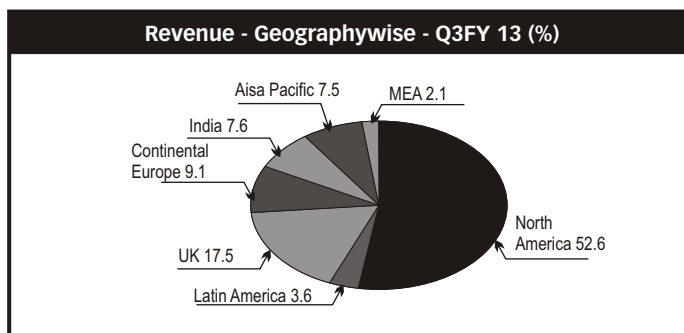
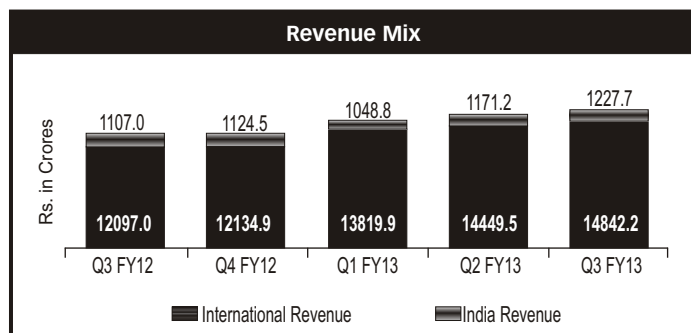
Geography wise - The company's share of revenue from the international businesses stood at 92 percent while the remaining 8 percent came from India in Q3'FY 13. In Americas, North America (52.6% of sales) grew by 2.5% QoQ, whereas Latin America business grew by sharp 10.9% QoQ for the Quarter ended December 2012. In Europe, UK (17.5% of sales)

grew by 5.2% QoQ but Continental Europe fell by 2.4% QoQ for the same period. In Emerging Markets, India grew by 4.8% QoQ, Asia Pacific by 1.9% QoQ and MEA by 0.8% QoQ during the quarter.

Services Lines - In IT Solutions and Services, Application Development & Maintenance (42.4% of sales) grew by 1.2% QoQ, Enterprise Solutions grew by 4.3% QoQ and Assurance Services grew by 3.3% QoQ for the quarter ended December 2012. Whereas, Engineering & Industrial Services grew by 4.2% QoQ and Infrastructure Services grew by 5.1% and BPO grew by 1.3% QoQ for the same period. Notably, Global Consulting grew by sharp 11.1% QoQ and Asset leverage solution grew by robust 8.1% QoQ during the quarter.

**YEARLY PERFORMANCE (CONSOLIDATED)**

The consolidated revenue for fiscal 2012 grew by 31% to Rs. 48,893.83 crores (Rs.37, 324.51 crores in fiscal 2011) due to customer demand for holistic portfolio of services and solutions. The operating profit recorded a growth of 29.44% to Rs. 13,517.37 crores in fiscal 2012 (Rs. 10,443.10 crores in fiscal 2011). The profit before tax (PBT) grew by 26.34% to Rs. 13,923.31 crores in fiscal 2012 (Rs.11,020.62 crores in fiscal 2011). The net profit grew by 14.84% to Rs. 10,413.49 crores in fiscal 2012 (Rs.9,068.04 crores in fiscal 2011). TCS is the first Indian IT company, which has crossed Rs. 10,000 crores of net profit in a year.



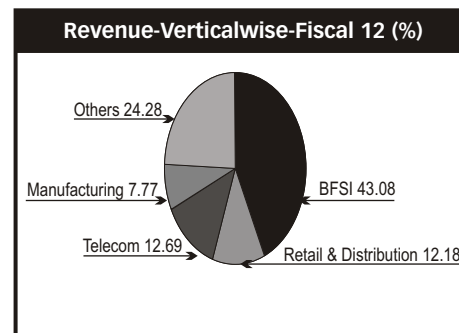
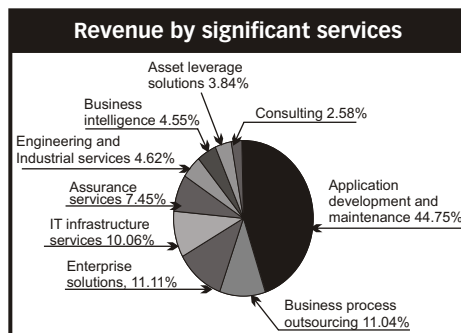
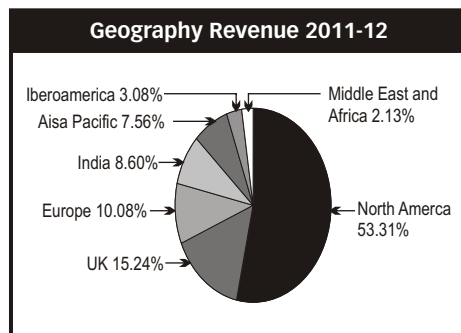
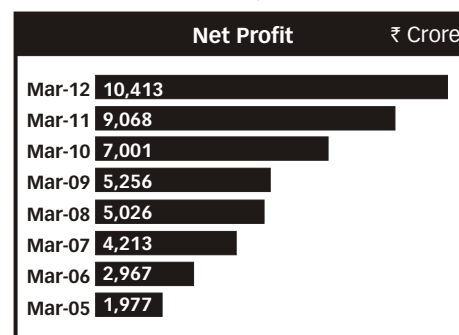
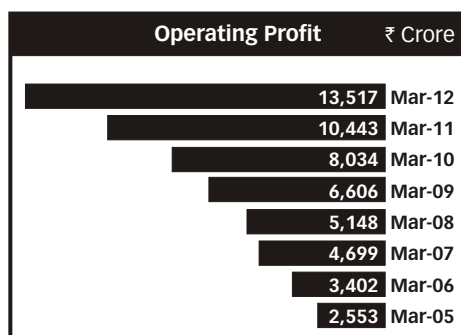
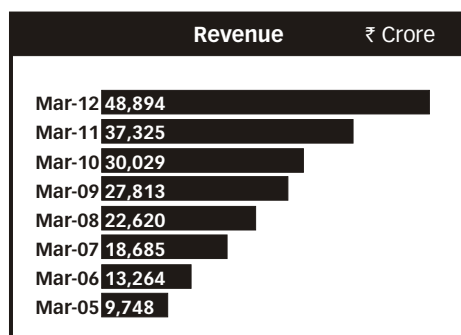
Income Statement (Con) (All figures in Rs. Cr, except per share data)					
Particulars	Mar-12	Change	Mar-11	Change	Mar-10
Net Sales	48893.83	31%	37324.51	24%	30028.92
Other Income	428.17	-29%	604.00	122%	272.07
Total Income	49322.00	30%	37928.51	25%	30300.99
Operating Expenses	5259.10	34%	3928.10	23%	3197.55
Employee Cost	24703.99	31%	18805.70	25%	15065.75
Power/Electricity Charges	366.32	21%	302.08	21%	250.59
Selling and Administration Exp.	3584.98	31%	2739.31	26%	2169.31
Miscellaneous Expenses	544.13	47%	370.96	-43%	651.17
Total Expenditure	34458.52	32%	26146.15	23%	21334.37
Operating Profit	14863.48	26%	11782.36	31%	8966.62
Interest	22.23	-16%	26.48	64%	16.10
Gross Profit	14841.25	26%	11755.88	31%	8950.52
Depreciation	917.94	25%	735.26	11%	660.89
Profit Before Tax	13923.31	26%	11020.62	33%	8289.63
Tax	3431.03	89%	1813.71	31%	1389.25
Fringe Benefit Tax	0.13	-533%	-0.03	-99%	-4.57
Deferred Tax	-31.30	-283%	17.15	-109%	-187.71
Net Profit	10523.45	15%	9189.79	30%	7092.66
Minority Interest (after tax)	109.96	-9%	121.45	33%	90.99
Profit/Loss of Associate Company	0.00	-100%	-0.30	-71%	-1.03
Net Profit after Minority Interest & P/L Asso.Co.	10413.49	15%	9068.04	30%	7000.64

The growth in volume in fiscal 2012 was less than that of fiscal 2011 primarily on account of lingering economic uncertainties and resultant reduction in discretionary spending by customers. Out of the total revenue of the company, 92% was earned in foreign currencies. Impact of exchange rate fluctuation contributed positively in fiscal 2012. The Depreciation expense increased from Rs. 735.26 crores in fiscal 2011 to Rs. 917.94 crores in fiscal 2012 was mainly on account of additional capitalisation in items of tangible fixed assets. The minority interest decreased from Rs. 121.45 crores in fiscal 2011 to Rs. 109.96 crores in fiscal 2012 because of lower profit in two of the subsidiaries.

The revenue (geography-wise) has shown double digit growth

during fiscal 2012. North America is the major markets that constituted 53.31% of the company's revenue in Fiscal 2012 grew by 29.62% y-o-y. UK business grew by 29.16% y-o-y. Latin America has improved significantly in fiscal 2012. Europe business grew by 41.62% y-o-y. Revenue from India also registered reasonably good growth of 22.34%.

As per service-line-wise revenue, Consulting has shown good growth in fiscal 2012. In IT Solutions and Services, Application Development & Maintenance (44.75% of revenue) grew by 26.17% y-o-y in fiscal 2012. Enterprise Solutions grew by 43.46% y-o-y and Assurance Services grew by 44.01% y-o-y. Whereas, Engineering & Industrial Services grew by 26.03% y-o-y and Infrastructure Services grew by 39.96% and BPO grew



KEY RATIOS					
Particulars	Mar-12	Mar-11	Mar-10	Mar-09	Mar-08
Debt-Equity Ratio	-	-	0.01	0.04	0.04
Current Ratio	2.18	2.05	1.95	2.11	2.19
Interest Cover Ratio	627.33	417.19	515.88	215.59	195.80
PBDTM (%)	30.35	31.50	29.81	24.14	28.33
ROCE (%)	49.69	49.88	46.83	41.88	52.15
RONW (%)	38.26	42.11	40.89	37.50	47.12
PE	23.85	26.92	24.18	10.54	16.56
P/BV	7.75	9.48	8.32	3.39	6.50
EV/EBIDTA	15.02	19.27	16.53	7.52	12.20

Dividend History							
Year	Mar-12	Mar-11	Mar-10	Mar-09	Mar-08	Mar-07	Mar-06
Dividend (%)	2500	1400	2000	1400	1400	1300	1350
Div. Yield (%)	2.14	1.18	2.56	2.59	1.73	0.93	0.71

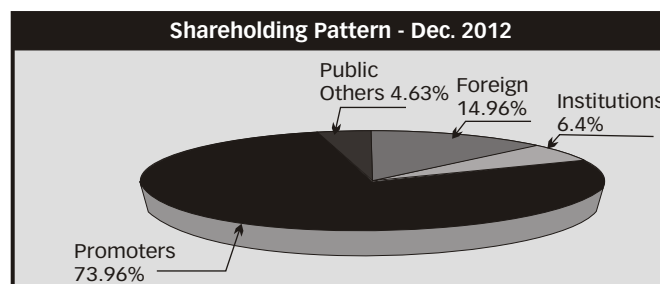
by 28.28% y-o-y.

As per vertical-wise revenue, BFSI grew at a healthy rate of 27.44% in fiscal 2012 over fiscal 2011 due to sustained demand. Industry verticals which recorded high growth in fiscal 2012 were Retail and CPG (45.05%), Manufacturing (37.27%), Life sciences and Healthcare (33.10%), Hi-Tech (57.32%), Energy, resources and utilities (25.28%) and Travel, transportation and hospitality (43.85%). Telecom grew at 17.24% in fiscal 2012.

COMPANY PROFILE

Tata Consultancy Services Ltd (TCS) is an Information Technology (IT) services, consulting and business solutions company that delivers measurable results to global enterprises. The company is a part of Tata Group, one of

India's most respected business conglomerates and most respected brands. The company's full services portfolio consists of Application Development and Maintenance, Business Intelligence, Enterprise Solutions, Assurance Services, Engineering and Industrial Services, IT Infrastructure Services, Business Process Outsourcing, Consulting and Asset Leveraged Solutions.



SWOT ANALYSIS

Strengths

- Global reach
- Strong Financial performance
- Ability to win large contracts
- Part of TATA Group

Weaknesses

- Needs to strengthen an other service lines besides application development & maintenance.

Opportunities

- Growth in worldwide IT services
- Emerging markets
- Acquisitions

Threats

- Financial slowdown in US economy
- Intense competition
- Rupee Appreciation

Peer Comparison - March 2012

(Rs. in Cr.)

Particulars	TCS	Wipro	Satyam	Infosys	Patni	Oracle
Sales	48893.83	37187.80	6395.60	33734.00	3567.94	3146.68
PAT*	10523.45	5596.90	1297.60	8332.00	401.46	909.27
Equity	195.72	491.50	235.40	286.00	26.90	41.99
OPM (%)	30.40	22.32	24.27	37.44	17.17	46.52
NPM (%)	21.52	15.05	20.29	24.70	11.25	28.90
EPS	49.53	21.80	11.02	138.01	29.85	108.27
CEPS	54.22	25.77	12.36	154.23	40.02	113.82
PE	23.85	20.11	7.23	20.76	14.95	24.20
P/BV	7.75	3.99	3.16	5.23	1.63	3.48
P/CEPS	21.76	17.01	6.45	18.58	11.15	23.02
BV	150.62	109.94	25.38	547.76	274.24	752.25

Source: Cline

In addition, the company has launched several new service offerings around Mobility, Social Computing, Big Data and Cloud. The company has built strong domain capabilities in a range of industry verticals. Key industry verticals serviced by the company are Banking, Financial Services and Insurance, Retail and Consumer Packaged Goods, Telecom, Media and Entertainment, Hi-Tech, Manufacturing, Life Sciences and Healthcare, Energy, Resources and Utilities, and Travel, Transportation and Hospitality. The company had 183 offices in 43 countries and 117 delivery centers in 21 countries as at March 31, 2012.

The company has recorded highest revenue of Rs. 48893.83 crores compared with its peers. It is the first Indian IT

company, which has crossed Rs. 10,000 crores of net profit in a year. The company has recorded operating profit margin of 30.40% in Fiscal 2012.

Impact of Union Budget 2013-14

Budget Provisions

- Increase surcharge from 5 to 10 percent on domestic companies whose taxable income exceed Rs 10 crore.
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2 to 5 percent, if the taxable income exceeds Rs 10 crore.

IT Industry: Snapshot

(Fig of Equity, Sales, Net profit & Mkt cap in Rs cr)

Company Name	Year End	Equity	Sales	Net profit*	Div%	B.V (Rs.)	EPS (Rs.)	P/E	Price as on 1-Apr-2013	Mkt. Cap.
TCS	2012	195.72	48893.83	10523.45	2500	150.62	49.53	23.85	1554.95	304334.81
Technivision Ven.	2012	6.28	29.10	1.06	0	43.57	1.69	12.82	12.40	7.79
Tata Elxsi	2012	31.14	538.71	38.71	70	61.65	11.30	19.65	197.05	613.61
Infosys	2012	286.00	33734.00	8332.00	940	547.76	138.01	20.76	2943.25	169013.19
Mindteck (India)	2012	24.45	222.62	-5.06	0	51.21	0.00	0.00	14.00	34.82
ASM Technologies	2012	5.00	145.57	11.74	25	61.32	23.08	2.87	65.00	32.50
Nucleus Soft.	2012	32.38	282.25	35.34	25	97.01	10.51	5.92	74.65	241.72
B2B Soft.Tech.	2012	11.59	5.56	-0.09	0	3.03	0.00	0.00	4.98	5.77
Panoramic Univ.	2012	38.87	104.99	2.70	10	28.35	0.00	0.00	7.27	56.52
Accentia Tech.	2012	14.63	260.38	23.12	0	271.50	15.80	4.25	42.00	71.48
Zenith Infotech	2012	12.68	155.03	-68.01	0	114.63	0.00	0.00	15.40	19.53
Geometric	2012	12.53	807.89	73.33	80	29.78	11.13	7.52	103.85	654.26
Oracle Fin.Serv.	2012	41.99	3146.68	909.27	0	752.25	108.27	24.20	2548.70	21424.37
Goldstone Tech.	2012	18.78	67.76	2.77	0	35.81	1.47	4.63	5.40	10.14
Subex	2012	69.31	477.83	31.84	0	20.86	4.59	5.51	10.92	180.63
California Soft.	2012	12.37	74.18	-75.08	0	12.18	0.00	0.00	6.85	8.47
Helios Matheson	2012	23.91	449.84	29.41	18	122.21	12.01	3.09	40.65	102.28
Logix Microsys.	2012	12.10	33.45	4.07	0	139.29	3.36	5.33	9.68	11.71
Polaris Finan.	2012	49.72	2049.15	220.43	100	122.21	21.36	7.67	115.65	1150.72
Blue Star Info.	2012	10.39	125.98	3.57	20	79.17	3.12	23.14	58.90	61.20
Mindtree	2012	40.50	1915.20	218.50	40	236.35	53.31	9.14	902.95	3760.79
3i Infotech	2012	191.99	1681.02	-357.40	0	37.42	0.00	0.00	6.16	352.19
Visesh Infotec.	2012	63.74	239.29	1.25	0	30.14	0.20	15.80	1.73	652.97
Intrasoft Tech.	2012	14.73	66.28	10.99	10	73.73	7.30	7.34	47.60	70.11
Visu Intl.	2012	38.33	13.75	-14.17	0	24.48	0.00	0.00	0.85	3.26
Sankhya Infotech	2012	11.25	76.54	0.73	0	58.20	0.65	20.46	7.46	9.49
Commex Tech.	2012	31.02	14.26	6.09	6	6.53	0.37	51.49	11.26	174.64
Ontrack Systems	2012	19.34	111.84	2.00	0	13.57	1.03	19.76	14.49	28.02

Source: Cline

- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5 to 10 percent.
- The Concessional rate of tax of 15 percent on dividend received by an Indian company from its foreign subsidiary proposed to continue for one more year.
- It allotted Rs 4909 crore for the ambitious IT driven project to modernize the postal network. Post offices to become part of the core banking solution and offer real time banking services

Industry expectations

- MAT on SEZ income to be withdrawn-Not fulfilled
- Tax deductions for onsite services-Not fulfilled

Budget Outlook

The modernization of the postal net work with IT driven project is the key positive for the industry. However, the increase in surcharge for domestic and foreign players, surcharged on dividend distribution tax or tax on distributed income will expected to result in marginally higher tax outgo going forward. Overall the Union budget 2013-14 will have minor impact on the IT sector.

* Net Profit before minority interest & P/L Asso. Company

DISCLAIMER

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. The company has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. The company, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of the company. The views expressed are those of analyst and the Company may or may not subscribe to all the views expressed therein. Neither the Firm, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Analyst holding in the stock: no.