

## Reduce

### Results beat; confident to achieve double digit growth for CY21

- TCS reported revenue growth of 4.1% QoQ in CC terms (DE: 3.2%) led by broad-based growth across verticals. Postbank deal is not included in Q3. OPM improved by 350bps to 26.6% (DE:23.1%). Adjusted OPM improved by 42bps despite full quarter impact of wage hike.
- Signed TCV of US\$6.8bn (BFSI \$2.6bn, Retail \$1bn) implying 1.44x revenue coverage on TTM basis. TCV in Q3 witnessed the closure of multiple large deals which were delayed and expects normalized large deal closure hereon. In Q3, N-America TCV remained strong at \$4Bn.
- TCS is confident to achieve 'double digit growth' for CY21/FY22E as it expects cloud adoption led multi-year growth opportunity which will ensure sustained momentum. TCS believes that its growth is led by differentiated capabilities driving market share gains (evident from strong deal wins) as client is migrating workflows on cloud.
- Strong result beat, continued positive stance on transformation, improved large closure and strong TTM TCV of \$31.2Bn provide us comfort for medium term. Factoring the same we have upgraded our EPS estimates by ~7 over FY21-FY23E and value TCS at TP of Rs3,300 valued at 30x FY23E earnings (3x on PEG basis).

### Multi-year transformation and Market Share led growth

TCS has remained upbeat about the "multi-year transformation" and has highlighted that clients are looking at leveraging the technology for change in biz. models, improving client experience and cost optimization. TCS expects the trend to continue as it believes that it is an investment mandate at client level, not a budget flush (spending spree at end of year Q4). On Demand side, TCS has highlighted that Cloud Adoption is witnessing traction. TCS has developed separate teams focusing on all three hyper-scalers (Google, Amazon, MSFT) and its differentiated expertise is driving the initial traction as evident from over 200 transactions it did in Q4. Some traction from M&A deal in current environments is also expected. TCS expects the uptrend will continue over multiple horizon as even after cloud implementation is done with, client will then focus on using cloud applications to change business model which would further provide spends potential to target upon.

### Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	4,20,150	3,98,540	5.4	4,01,350	4.7
Total Expense	2,98,080	2,89,830	2.8	2,98,400	(0.1)
EBITDA	1,22,070	1,08,710	12.3	1,02,950	18.6
Depreciation	10,230	8,970	14.0	9,980	2.5
EBIT	1,11,840	99,740	12.1	92,970	20.3
Other Income	6,910	8,180	(15.5)	9,140	(24.4)
Interest	1,830	2,230	(17.9)	1,740	5.2
EBT	1,16,920	1,05,690	10.6	1,00,370	16.5
Tax	29,650	24,260	22.2	25,330	17.1
RPAT	87,010	81,180	7.2	74,750	16.4
APAT	87,010	81,180	7.2	74,750	16.4
			(bps)		(bps)
Gross Margin (%)	43.5	43.1	39	42.8	68
EBITDA Margin (%)	29.1	27.3	178	25.7	340
NPM (%)	20.7	20.4	34	18.6	208
Tax Rate (%)	25.4	23.0	241	25.2	12
EBIT Margin (%)	26.6	25.0	159	23.2	345

CMP	Rs 3,121
Target / Upside	Rs 3,300 / 6%
NIFTY	14,347

### Scrip Details

Equity / FV	Rs 3,691mn / Rs 1
MCap	Rs 11,544.4bn / USD 157.6bn
52-week High/Low	Rs 3,128/ 1,506
Avg. Volume (no)	35,02,210
Bloom Code	TCS IN

### Price Performance

	1M	3M	12M
Absolute (%)	12	10	38
Rel to NIFTY (%)	5	(11)	19

### Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	72.1	72.1	72.1
MF/Banks/FIs	8.0	7.9	7.9
FIIIs	15.9	16.0	16.0
Public / Others	4.1	4.1	4.1

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	36.2	31.5	28.4
EV/EBITDA	24.8	21.3	19.4
ROE (%)	36.4	37.3	37.1
RoACE (%)	37.9	38.6	38.3

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	16,38,032	18,89,703	21,15,976
EBITDA	4,47,778	5,16,791	5,65,202
PAT	3,18,734	3,66,735	4,00,548
EPS (Rs.)	86.2	99.1	109.9

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**Exhibit 1: Quarterly performance versus estimates**

(Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
Revenues (in US\$ mn)	5,702	5,630	5,631	1.3	1.3	Revenue beat led by broad based traction across verticals.
Sales	4,20,150	4,15,425	4,11,612	1.1	2.1	
EBIT	1,11,840	96,064	1,04,394	16.4	7.1	EBIT Margin beat due to lower than expected wage hike impact.
EBIT Margin (%)	26.6	23.1	25.4	350 bps	130 bps	
PAT	87,010	76,418	85,490	13.9	1.8	PAT beat slightly negated due to lower Other Income.

Source: Company, DART

**Change in estimates**

Given Quality Commentary on Multi-year transformation, and Post the strong Q3 performance we have scaled up our growth estimates by 3% for both FY22/23 (0.7% for FY21). Also given robust beat on OPM performance we have upgraded our profitability estimates by 148/87/31bps for FY21/22/23E respectively. As a result, our earnings estimates for the company has increased by 7% each across FY21-23E.

**Exhibit 2: Change in Estimates**

(Rs mn)	FY20	FY21E			FY22E			FY23E		
	New	Old	New	% chg	Old	New	% chg	Old	New	% chg
USD Revenue	22,032	21,968	22,121	0.7	24,640	25,361	2.9	26,932	27,842	3.4
YoY growth, %	5.4	(0.3)	0.4	69	12.2	14.6	249	9.3	9.8	48
INR Revenue	15,69,490	16,32,038	16,38,032	0.4	18,48,007	18,89,703	2.3	20,52,001	21,15,976	3.1
EBIT	3,85,800	3,81,814	4,07,399	6.7	4,44,970	4,71,438	5.9	4,93,541	5,15,499	4.4
EBIT mgns, %	24.6	23.4	24.9	148	24.1	24.9	87	24.1	24.4	31
Net profits	3,23,400	3,00,479	3,18,734	6.1	3,47,285	3,66,735	5.6	3,85,868	4,00,548	3.8
EPS (Rs)	86.2	80.1	86.2	7.6	92.6	99.1	7.1	102.8	109.9	6.9

Source: DART, Company

**Exhibit 3: Key Assumptions in our estimates**

Metrics	FY20	FY21E	FY22E	FY23E
USD Revenue (Mn)	22,032	22,121	25,361	27,842
USD Revenue growth (%)	5.4	0.4	14.6	9.8
USD/INR	71.2	74.0	74.5	76.0
INR growth	7.2	4.4	15.4	12.0
EBIT Margins	24.6	24.9	24.9	24.4
EPS growth (%)	2.8	(0.0)	15.1	10.9

Source: Company, DART

**Exhibit 4: Key Revenue Growth Matrix**

YoY Growth	FY20	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC Growth	7.1	10.6	8.4	6.8	3.0	(6.3)	(3.2)	0.4
USD Growth	5.4	8.6	5.8	6.4	0.9	(7.8)	(1.7)	2.1
INR Growth	7.2	11.4	5.8	6.7	5.1	0.4	3.0	5.4

Source: DART, Company

**Exhibit 5: Quarterly and YTD Trend**

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	YTDFY20	YTDFY21	YoY (%)
<b>USD Revenue</b>	<b>5,586</b>	<b>5,444</b>	<b>5,059</b>	<b>5,424</b>	<b>5,702</b>	<b>2.1</b>	<b>5.1</b>	<b>16,588</b>	<b>16,185</b>	<b>(2.4)</b>
<b>INR Revenue</b>	<b>3,98,540</b>	<b>3,99,460</b>	<b>3,83,220</b>	<b>4,01,350</b>	<b>4,20,150</b>	<b>5.4</b>	<b>4.7</b>	<b>11,70,030</b>	<b>12,04,720</b>	<b>3.0</b>
Operating Expense	2,89,830	2,89,700	2,82,970	2,98,400	2,98,080	2.8	(0.1)	8,58,690	8,79,450	2.4
Cost of revenues	2,26,820	2,24,410	2,24,860	2,29,580	2,37,490	4.7	3.4	6,71,940	6,91,930	3.0
as % of sales	56.9	56.2	58.7	57.2	56.5			57.4	57.4	
SG&A expenses	63,010	65,290	58,110	68,820	60,590	(3.8)	(12.0)	1,86,750	1,87,520	0.4
as % of sales	15.8	16.3	15.2	17.1	14.4			16.0	15.6	
<b>EBITDA</b>	<b>1,08,710</b>	<b>1,09,760</b>	<b>1,00,250</b>	<b>1,02,950</b>	<b>1,22,070</b>	<b>12.3</b>	<b>18.6</b>	<b>3,11,340</b>	<b>3,25,270</b>	<b>4.5</b>
Depreciation	8,970	9,510	9,770	9,980	10,230	14.0	2.5	25,790	29,980	16.2
<b>EBIT</b>	<b>99,740</b>	<b>1,00,250</b>	<b>90,480</b>	<b>92,970</b>	<b>1,11,840</b>	<b>12.1</b>	<b>20.3</b>	<b>2,85,550</b>	<b>2,95,290</b>	<b>3.4</b>
Other Income	8,180	7,270	5,980	9,140	6,910	(15.5)	(24.4)	38,540	22,030	
Finance Cost	-2,230	-2,400	-1,420	-1,740	-1,830	(17.9)	5.2			
<b>PBT</b>	<b>1,05,690</b>	<b>1,05,120</b>	<b>95,040</b>	<b>1,00,370</b>	<b>1,16,920</b>	<b>10.6</b>	<b>16.5</b>	<b>3,17,360</b>	<b>3,12,330</b>	<b>(1.6)</b>
Tax	24,260	24,190	24,550	25,330	29,650	22.2	17.1	73,820	79,530	7.7
<b>PAT</b>	<b>81,430</b>	<b>80,930</b>	<b>70,490</b>	<b>75,040</b>	<b>87,270</b>	<b>7.2</b>	<b>16.3</b>	<b>2,43,540</b>	<b>2,32,800</b>	<b>(4.4)</b>
(Profit)/loss from JV's/Ass/MI	250	440	410	290	260	4.0	(10.3)	630	960	
<b>PAT after MI</b>	<b>81,180</b>	<b>80,490</b>	<b>70,080</b>	<b>74,750</b>	<b>87,010</b>	<b>7.2</b>	<b>16.4</b>	<b>2,42,910</b>	<b>2,31,840</b>	<b>(4.6)</b>
<b>Reported EPS</b>	<b>21.6</b>	<b>21.5</b>	<b>18.7</b>	<b>19.9</b>	<b>23.2</b>	<b>7.2</b>	<b>16.4</b>	<b>64.7</b>	<b>61.8</b>	<b>(4.6)</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	27.3	27.5	26.2	25.7	29.1	178	340	26.6	27.0	39
EBIT	25.0	25.1	23.6	23.2	26.6	159	345	24.4	24.5	11
EBT	26.5	26.3	24.8	25.0	27.8	131	282	27.1	25.9	-120
PAT	20.4	20.1	18.3	18.6	20.7	34	208	20.8	19.2	-152
Effective Tax rate	23.0	23.0	25.8	25.2	25.4	241	12	23.3	25.5	220

Source: DART, Company

### What to expect next Quarter

We expect growth of 4.1 % CC QoQ in \$ Revenue lead by broad-based vertical growth and inclusion of Postbank Captive Deal of 120bps (\$72Mn: Calculated from 1,500 employees from Germany and EUR 260Mn disclosed Annual Revenue). OPM margins should decline by 75bps as higher employee base and full quarter impact of 2 Captive Deals would drive up the cost on QoQ basis.

### Exhibit 6: What to expect next quarter

(Rs Mn)	Q4FY21E	Q3FY21	Q4FY20	QoQ (%)	YoY (%)
USD Revenue	5,936	5,702	5,444	4.1	9.0
INR Revenue	4,33,312	4,20,150	3,99,460	3.1	8.5
EBIT	1,12,109	1,11,840	1,00,250	0.2	11.8
PAT	86,894	87,010	80,490	(0.1)	8.0
EPS (Rs.)	23.5	23.2	21.5	1.3	9.5
EBIT Margin (%)	25.9	26.6	25.1	-75 bps	78 bps

### Valuation

We believe TCS and other Tier I IT companies would continue to deliver strong revenue momentum over next 6-8 quarters (translating into double digit revenue growth) and thus would sustain current valuations of 25x-30x which implies 3x on PEG basis. We currently value TCS at 30x (from 28times) on FY23E Earnings of Rs. 109.9 (earlier Rs103) with TP of Rs3300 per share (from Rs. 2,950) and UNCHANGED Rating of **Reduce**.

## Key Highlights of Earning Call

- Revenue:** Revenue grew 4.1% in CC in terms and 5.1% in USD terms where it witnessed 100bps favorable Cross Currency fx impact. TCS highlighted that Revenue growth was led by strong demand for core services, market share gain and **strong conversion of revenue** from deal wins. The current quarter had immaterial impact of Prudential deal (Ireland Center had influx of 1,500 employees in last few weeks in Dec) but did not have included Postbank deal in Q3 as it was closed in Jan'21.
- Margins:** EBIT Margin improved by 350bps to 26.6%. After adjusting for Legal Claim impact last quarter, the EBIT Margin grew by 42bps QoQ. This beat was surprising as current quarter had full impact of wage hike. TCS highlighted that the stable wage bill (Employee Cost up just 1.6% QoQ) was due to its savings from 'location independent delivery model'. We believe this is possibly on account of improved utilisation, increased offshoring and significant people addition in last few weeks of the quarter which will have some bearing in Q4 (Q3 Employees: 453K and Q4 Employees: 469K).
- Deal Wins:** TCS won \$6.8Bn TCV during the quarter. The TCV was largely in-line with the past trend. TTM TCV stood at \$31.2Bn with Revenue Coverage at 1.44x. The BFSI TCV was at all-time high at \$2.6Bn which included only Prudential Captive Deal and not PostBank Deal. Retail TCV was in-line at \$980Mn. Non BFSI & Retail TCV was \$3.2Bn (also in-line). North America TCV was strong at \$4.0Bn. **TCS highlighted that delay in large deal closure was just a timing issue and now it expects large deal closure cycle to normalize. Commentary has turned incrementally positive on TCV as Small Deals are already delivering good momentum and contribution.**
- Vertical Commentary:** BFSI vertical grew 2.0% QoQ in CC terms despite having a seasonal quarter (implying in-line growth despite strong TTM TCV: \$8.8Bn). TCS is positive about BFSI despite its average performance compared to other verticals in Q3 as it sees multiple levers as 1) BFSI Industry is conceptually agreeing that cloud is the way forward 2) Much Work has yet not shifted to cloud (some are still experimenting) 3) Potential for Cloud Application 4) Workplace Analytics and Regulatory Work. Yet TCS has highlighted that APAC and UK Banking region is witnessing some weakness. Most Other verticals have delivered strong growth including Retail Vertical despite Retail Vertical having a seasonal impact. TCS has highlighted that Discretionary CPG and Travel is still weak.

### Exhibit 7: Vertical Trend for Q3FY21

Vertical	Amount (\$ mn)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
BFSI	1,785	2.0	2.4	54	20
Communication & Media	376	5.5	-4.8	24	9
Retail & CPG	827	3.1	-5.1	35	13
Manufacturing	547	7.1	-3.6	38	14
Technnology & Services	490	0.8	2.4	8	3
Life Sciences and Healthcare	559	5.2	18.2	27	10
Regional Markets & Others	1,118	7.3	-2.9	92	33
<b>Total</b>	<b>5,702</b>	<b>4.1</b>	<b>0.4</b>	<b>278</b>	<b>100</b>

Source: DART, Company

- Geographic Commentary:** Revenue Growth was strong across all regions with highest growth (18.1% QoQ in CC terms) from India having 85bps impact. TCS has highlighted that Positive Outlook for North America region and Europe Region. TCS expects UK market to witness some stress but TCS has highlighted that its positioning in UK market will aid growth.

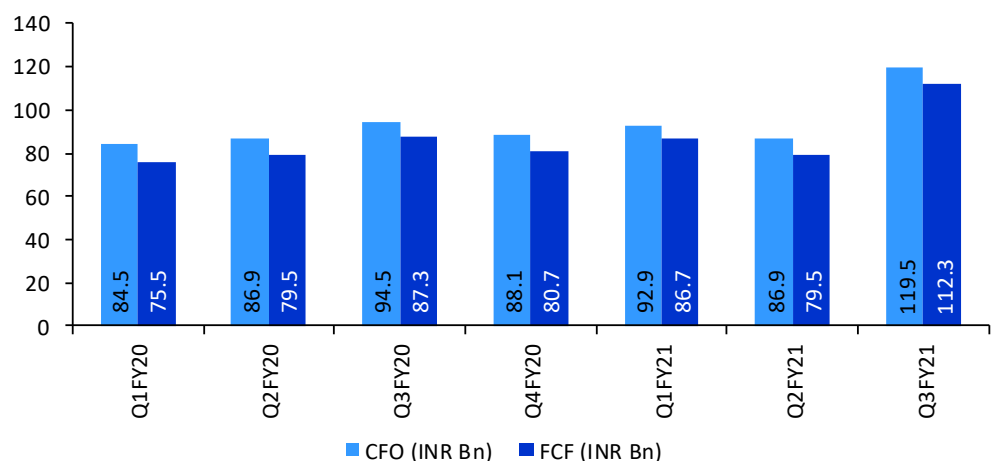
#### Exhibit 8: Geography Trend for Q2FY21

Geography	Revenue (\$ mn)	QoQ (%) (CC)	YoY (%) (CC)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
North America	2,800	3.3	(0.2)	93	33
Latin America	97	3.1	(3.8)	5	2
UK	895	4.5	(1.6)	54	20
Continental Europe	924	2.5	3.6	40	14
India	319	18.1	4.1	48	17
Asia Pacific	553	2.6	1.3	27	10
MEA	114	6.7	(3.8)	11	4
<b>Total</b>	<b>5,702</b>	<b>4.1</b>	<b>0.4</b>	<b>278</b>	<b>100</b>

Source: DART, Company

- Attrition:** The attrition rate (LTM) stood at 7.6% - all time low. TCS expects the attrition to gradually increase but has no visibility over it reaching back to original level.
- Product & Platforms:** The Product & Platforms continue to perform well. TCS has highlighted that Ignio is expected to perform well in the coming quarter. During Q3, Ignio continued to perform with 8 new logo and 7 go lives. TCS highlighted that a new implementation with ignio had achieved 36% automation. TCS Bancs also witnessed 5 wins and 6 go-lives.
- Client Metrics:** The Client Metrics largely remained stable with 1 client increased in \$1mn to \$5mn bucket and 1 client decrease in above \$100mn. TCS expects Client metrics to improve after 3 quarters i.e once the June (Q1FY21) quarter decline impact is over.
- Cash Flow:** TCS witnessed a strong improvement in FCF of 41% QoQ to INR 111.3Bn. This was led by CFO growth of 38% QoQ to INR 119.5Bn. The Reported Cash and Investments stood at INR 653.7Bn (implying Cash Per Share of Rs. 174). The DSO stood at 69 days (v/s 65 last quarter).

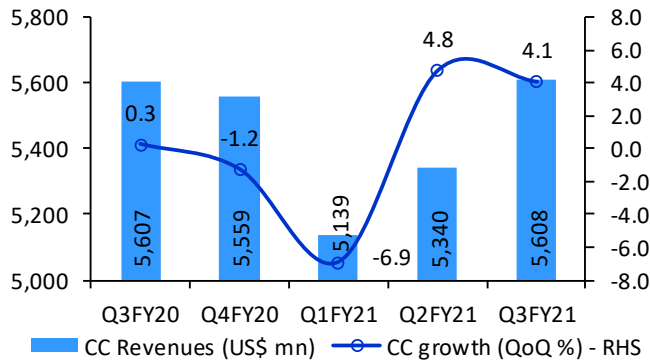
#### Exhibit 9: CFO and FCF Quarterly Trend



Source: DART, Company

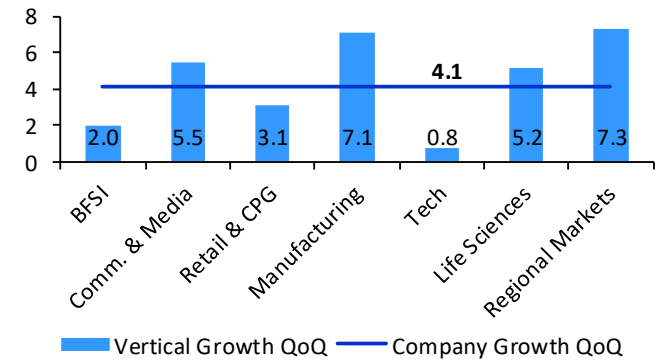
## Story in Charts

**Exhibit 10: CC Revenue grew by 4.1% QoQ led by ...**



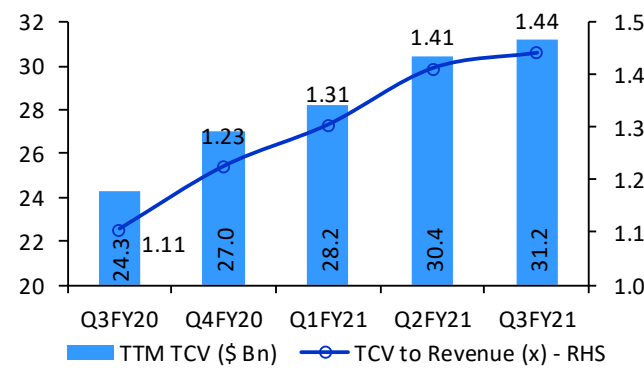
Source: DART, Company

**Exhibit 11: Broad-based CC Growth across verticals**



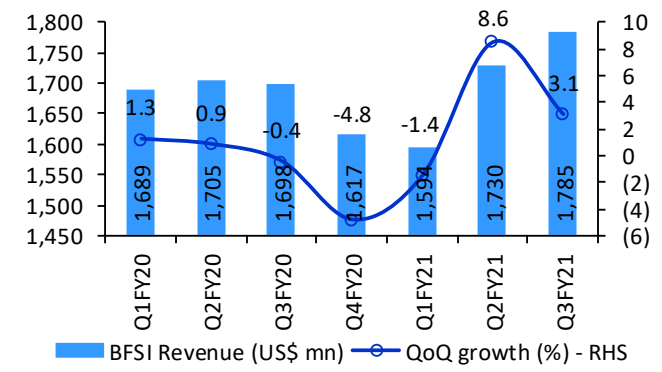
Source: DART, Company

**Exhibit 12: TCV Wins of \$8.1Bn led to TTM TCV of \$31.2Bn with Revenue Coverage of 1.44x**



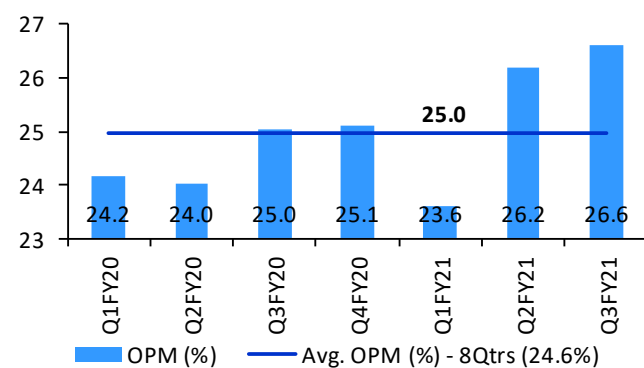
Source: DART, Company

**Exhibit 13: BFSI rev grew 3.1% QoQ in USD Terms, and expects multiple levers to play out in future.**



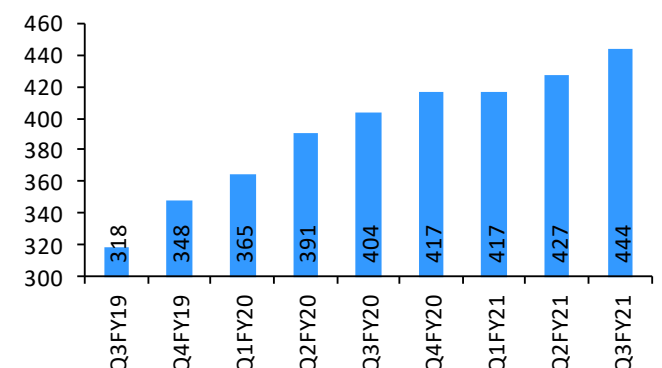
Source: DART, Company

**Exhibit 14: OPM up ~42bps led by improved offshore delivery that covered for wage hike impact**



Source: DART, Company, Adjusted EBIT Margin for Q2FY21 (excluding legal claim)

**Exhibit 15: Despite hike & increase in Headcount (in '000) by 17K. Emp Cost was up just 3.4% QoQ**



Source: DART, Company

**Exhibit 16: Operating Metrics 1**

Operating Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
CC growth (%) (QoQ)	3.7	1.8	2.4	2.3	1.6	0.3	(1.2)	(6.9)	4.8	4.1
CC growth (%) (YoY)	11.5	12.1	12.7	10.6	8.4	6.8	3.0	(6.3)	(3.2)	0.4
<b>Vertical Amount (INR mn)</b>										
BFSI	1,627	1,617	1,668	1,689	1,705	1,698	1,617	1,594	1,730	1,785
Communication & Media	355	362	367	378	381	391	392	349	353	376
Retail & CPG	803	814	815	823	855	849	838	708	792	827
Manufacturing	511	515	518	538	541	559	550	491	510	547
Technnology & Services	464	457	464	483	480	469	474	460	483	490
Life Sciences and Healthcare	391	399	416	433	419	464	479	486	532	559
Regional Markets & Others	1,064	1,087	1,150	1,141	1,137	1,156	1,094	971	1,025	1,118
<b>Vertical Growth (YoY) (CC)</b>										
BFSI	6.1	8.6	11.6	9.2	8.0	5.3	(1.3)	(4.9)	(1.1)	2.4
Communication & Media	8	10.8	10	8.4	11.8	9.5	9.3	(3.6)	(10.1)	(4.8)
Retail & CPG	15.6	10.5	9.9	7.9	4.8	5.1	4.2	(12.9)	(5.7)	(5.1)
Manufacturing	6.9	6.7	9.2	5.5	7.8	9.2	7.0	(7.1)	(7.3)	(3.6)
Technnology & Services	5.8	5.8	6	7.8	5.6	3.3	8.7	(4.0)	(1.5)	2.4
Life Sciences and Healthcare	14.7	15.7	18.2	18.1	16.0	17.1	16.2	13.8	17.2	18.2
Regional Markets & Others	19.8	22.6	20.8	16.9	9.3	5.7	(0.7)	(12.5)	(9.2)	(2.9)
<b>Vertical EBIT Margin (%)</b>										
BFSI	28.7	27.3	28.4	27.3	27.6	28.5	27.5	26.9	29.6	28.9
Communication & Media & Technology	28.4	27.3	27.9	29.3	29.0	29.1	31.1	29.0	29.2	29.6
Retail & CPG	28.3	26.8	27.7	26.2	25.2	26.8	26.3	22.0	29.0	30.0
Manufacturing	27.8	29.4	24.8	26.5	26.0	27.2	28.2	25.4	26.9	29.5
Regional Markets & Others	24.8	24.5	20.4	20.9	21.5	23.2	24.8	25.7	26.9	27.9
<b>Geography Amount (INR mn)</b>										
North America	2,665	2,688	2,736	2,775	2,792	2,799	2,738	2,600	2,707	2,800
Latin America	104	105	108	99	105	106	98	86	92	97
UK	814	814	858	867	861	888	871	774	841	895
Continental Europe	730	740	761	784	805	832	827	789	884	924
India	292	299	313	329	314	318	299	218	271	319
Asia Pacific	501	494	513	516	519	519	506	496	526	553
MEA	110	110	108	115	121	123	103	96	103	114
<b>Geography Growth (YoY) (CC)</b>										
North America	8.1	8.2	9.9	7.7	5.3	4.1	0.2	(6.1)	(3.0)	(0.2)
Latin America	6.8	7.6	16.2	6.4	7.3	6.2	3.9	0.2	(2.7)	(3.8)
UK	22.8	25.1	21.3	16.0	13.3	7.5	5.4	(8.5)	(8.1)	(1.6)
Continental Europe	17.4	17.6	17.5	15.0	16.0	15.9	11.9	2.7	3.7	3.6
India	7.4	9.7	11.3	15.9	7.7	6.4	(1.9)	27.6	(10.7)	4.1
Asia Pacific	12.5	12.6	11.5	9.5	6.5	5.7	3.5	(3.2)	(1.8)	1.3
MEA	(4.4)	(3.3)	(4)	6.4	7.3	10.8	1.3	(11.7)	(5.4)	(3.8)
<b>Client Data \$mn</b>										
>US\$1 million	989	996	1,008	1,014	1,032	1,053	1,072	1,066	1,076	1,077
>US\$5 million	513	519	532	551	554	557	565	564	565	565
>US\$10 million	365	370	371	384	398	395	391	382	386	386
>US\$20 million	213	211	215	219	225	232	240	230	228	229
>US\$50 million	98	99	99	100	101	102	105	100	97	97
>US\$100 million	44	45	44	44	47	47	49	48	49	48

Source: DART, Company

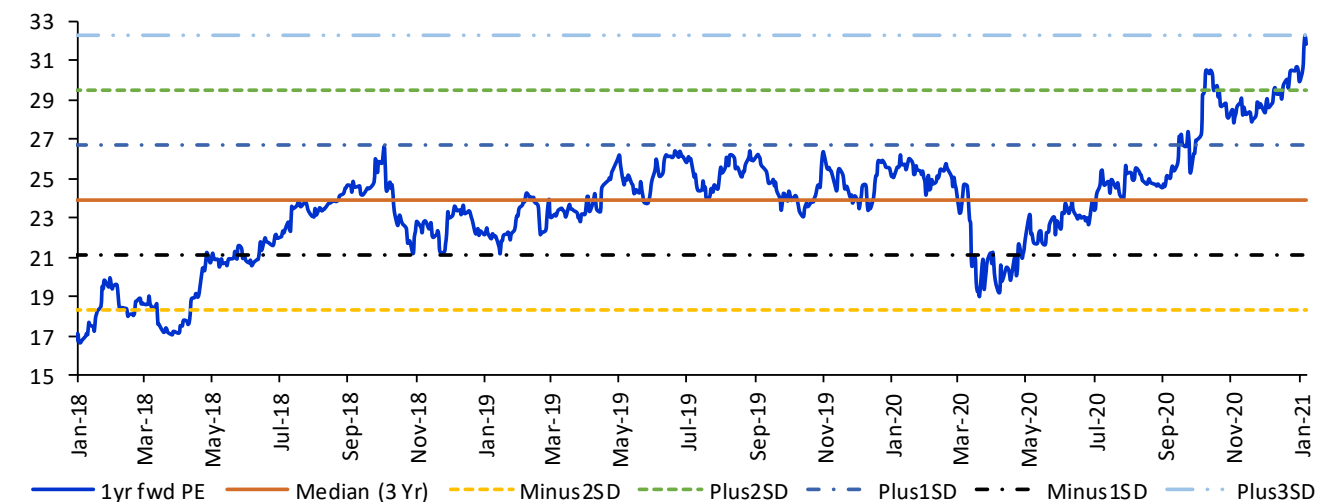
### Exhibit 17: Operating Metrics 2

Operating Metrics	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>TCV Data (\$ mn)</b>										
TCV (\$ mn)	4,900	5,900	6,200	5,700	6,400	6,000	8,900	6,900	8,600	6,800
BFSI TCV (\$mn)	1,500	NA	NA	2,000	2,200	1,800	2,400	2,100	1,700	2,600
Retail TCV (\$mn)	700	NA	NA	1,000	830	860	3,100	900	1,000	980
Non BFSI and Retail TCV (\$mn)	2,700	NA	NA	2,700	3,370	3,340	3,400	3,900	5,900	3,220
North America TCV (\$mn)	2,400	NA	NA	2,800	3,400	3,300	5,300	3,300	3,200	4,000
Non - US TCV (\$mn)	2,400	NA	NA	2,900	3,000	2,700	3,600	3,600	5,400	2,800
TCV TTM basis (\$ mn)	NA	NA	21,900	22,700	24,200	24,300	27,000	28,200	30,400	31,200
Revenue coverage (TTM basis)	NA	NA	1.05	1.06	1.12	1.11	1.23	1.31	1.41	1.44
<b>Employee Metrics</b>										
Total Employees	411,102	417,929	424,285	436,641	450,738	446,675	448,464	443,676	453,540	4,69,261
Net Additions	10,227	6,827	6,356	12,356	14,097	(4,063)	1,789	(4,788)	9,864	15,721
Attrition (IT Services) (LTM)	10.9	11.2	11.3	11.5	11.6	12.2	12.1	11.1	8.9	7.6

Source: DART, Company

### PE Performance

#### Exhibit 18: TCS is trading at rich valuations of Median Plus3SD with PER of ~32.5x



Source: DART, Company



**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>15,69,490</b>	<b>16,38,032</b>	<b>18,89,703</b>	<b>21,15,976</b>
<b>Total Expense</b>	<b>11,48,390</b>	<b>11,90,254</b>	<b>13,72,912</b>	<b>15,50,774</b>
COGS	8,96,350	9,37,407	10,84,284	12,24,079
Employees Cost	0	0	0	0
Other expenses	2,52,040	2,52,847	2,88,628	3,26,695
<b>EBIDTA</b>	<b>4,21,100</b>	<b>4,47,778</b>	<b>5,16,791</b>	<b>5,65,202</b>
Depreciation	35,300	40,379	45,353	49,703
<b>EBIT</b>	<b>3,85,800</b>	<b>4,07,399</b>	<b>4,71,438</b>	<b>5,15,499</b>
Interest	9,130	6,820	7,049	6,649
Other Income	45,810	28,394	26,860	27,938
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>4,22,480</b>	<b>4,28,973</b>	<b>4,91,249</b>	<b>5,36,788</b>
Tax	98,010	1,09,099	1,23,795	1,35,271
RPAT	3,23,400	3,18,734	3,66,735	4,00,548
Minority Interest	1,070	1,140	720	970
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>3,23,400</b>	<b>3,18,734</b>	<b>3,66,735</b>	<b>4,00,548</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	3,750	3,691	3,691	3,637
Minority Interest	6,230	7,370	8,090	9,060
Reserves & Surplus	8,37,510	9,07,467	10,52,258	10,97,870
<b>Net Worth</b>	<b>8,41,260</b>	<b>9,11,158</b>	<b>10,55,950</b>	<b>11,01,506</b>
Total Debt	0	0	0	0
Net Deferred Tax Liability	(20,490)	(20,900)	(21,477)	(22,065)
<b>Total Capital Employed</b>	<b>8,27,000</b>	<b>8,97,628</b>	<b>10,42,563</b>	<b>10,88,501</b>

**Applications of Funds**

Net Block	<b>2,09,280</b>	<b>2,10,701</b>	<b>2,10,898</b>	<b>2,10,244</b>
CWIP	9,060	7,560	6,060	5,560
Investments	12,360	12,560	12,560	12,560
<b>Current Assets, Loans &amp; Advances</b>	<b>9,50,010</b>	<b>10,37,846</b>	<b>12,09,574</b>	<b>12,82,455</b>
Inventories	50	60	60	60
Receivables	3,66,620	3,73,289	4,13,576	4,56,807
Cash and Bank Balances	86,460	1,97,911	3,23,039	3,74,501
Loans and Advances	85,040	86,738	88,467	90,230
Other Current Assets	1,50,440	1,53,449	1,59,031	1,60,457
<b>Less: Current Liabilities &amp; Provisions</b>	<b>3,53,710</b>	<b>3,71,038</b>	<b>3,96,528</b>	<b>4,22,318</b>
Payables	1,03,520	1,07,344	1,23,819	1,39,777
Other Current Liabilities	2,50,190	2,63,694	2,72,710	2,82,541
		<i>sub total</i>		
Net Current Assets	5,96,300	6,66,808	8,13,045	8,60,137
<b>Total Assets</b>	<b>8,27,000</b>	<b>8,97,628</b>	<b>10,42,563</b>	<b>10,88,501</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	42.9	42.8	42.6	42.2
EBIDTA Margin	26.8	27.3	27.3	26.7
EBIT Margin	24.6	24.9	24.9	24.4
Tax rate	23.2	25.4	25.2	25.2
Net Profit Margin	20.6	19.5	19.4	18.9
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	57.1	57.2	57.4	57.8
Employee	0.0	0.0	0.0	0.0
Other	16.1	15.4	15.3	15.4
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	42.3	59.7	66.9	77.5
Inventory days	0	0	0	0
Debtors days	85	83	80	79
Average Cost of Debt	4150.0			
Payable days	24	24	24	24
Working Capital days	139	149	157	148
FA T/O	7.5	7.8	9.0	10.1
<b>(D) Measures of Investment</b>				
AEPS (Rs)	86.2	86.2	99.1	109.9
CEPS (Rs)	95.6	97.1	111.4	123.5
DPS (Rs)	66.0	24.0	60.0	60.9
Dividend Payout (%)	76.6	27.9	60.5	55.4
BVPS (Rs)	227.4	246.3	285.5	297.8
RoANW (%)	37.3	36.4	37.3	37.1
RoACE (%)	39.0	37.9	38.6	38.3
RoAIC (%)	49.7	56.6	66.4	71.9
<b>(E) Valuation Ratios</b>				
CMP (Rs)	3121	3121	3121	3121
P/E	36.2	36.2	31.5	28.4
Mcap (Rs Mn)	1,15,44,369	1,15,44,369	1,15,44,369	1,15,44,369
MCap/ Sales	7.4	7.0	6.1	5.5
EV	1,11,96,509	1,11,20,059	1,09,95,930	1,09,69,469
EV/Sales	7.1	6.8	5.8	5.2
EV/EBITDA	26.6	24.8	21.3	19.4
P/BV	13.7	12.7	10.9	10.5
Dividend Yield (%)	2.1	0.8	1.9	2.0
<b>(F) Growth Rate (%)</b>				
Revenue	7.2	4.4	15.4	12.0
EBITDA	6.6	6.3	15.4	9.4
EBIT	3.0	5.6	15.7	9.3
PBT	1.6	1.5	14.5	9.3
APAT	2.8	(1.4)	15.1	9.2
EPS	2.8	0.0	15.1	10.9

**Cash Flow**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	3,23,690	3,42,972	3,69,590	4,07,743
CFI	85,650	16,174	(23,239)	(2,261)
CFF	(3,99,150)	(2,47,696)	(2,21,223)	(3,54,021)
FCFF	2,92,810	3,02,672	3,25,540	3,59,193
Opening Cash	72,240	86,460	1,97,911	3,23,039
Closing Cash	86,460	1,97,911	3,23,039	3,74,501

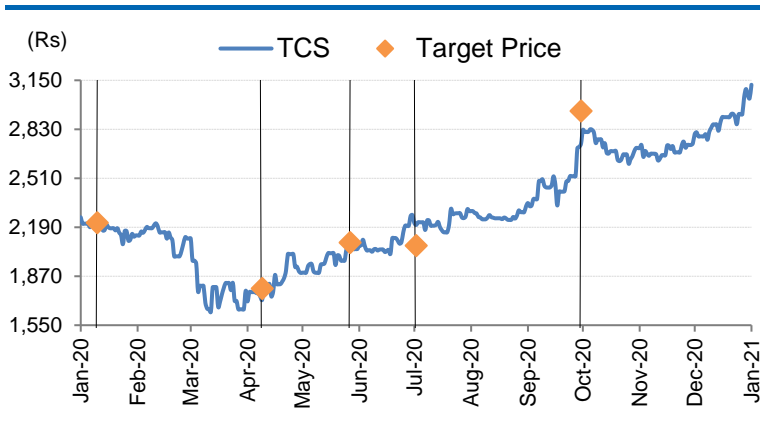
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jan-20	Reduce	2,220	2,219
Apr-20	Accumulate	1,790	1,716
Jun-20	Reduce	2,090	2,046
Jul-20	Reduce	2,070	2,204
Oct-20	Accumulate	2,950	2,736

\*Price as on recommendation date

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