Near-term Challenges Persists; Outlook Remains Cautious

Est. Vs. Actual for Q1FY24: Revenue – MISS; EBITDA Margin – MISS; PAT – INLINE; Deal Wins – BEAT

Change in Estimates post Q1FY24 (Abs.)

FY24E/FY25E: Revenue 1%/2%; EBITDA 1%/2%; PAT 1%/2%

Recommendation Rationale

- BFSI and Retail verticals reported sluggish growth which may indicate softening of demand.
- TCV was within the typical quarterly range at $10.1 Bn (vs. $10 Bn QoQ).
- While the management is sceptical about the demand scenario, the medium to long-term outlook remains healthy.

Sector Outlook: Cautiously positive

Company Outlook & Guidance: The growth rate may slow down in FY24 due to uncertainties in the world’s largest economies. However, supply-side constraints are easing up, which will help the company to gain some margin expansion in the near term. While H2FY24 may see some revision on the demand side, the industry’s and the company’s long-term outlook remain robust.

Current Valuation: 23x FY25E P/E; Earlier Valuation: 24x FY25E

Current TP: 3,370/share (Earlier TP: Rs 3,350/share)

Recommendation: With a limited upside from the CMP and the stock lacking triggers for the upside, we maintain our HOLD rating on the stock.

Financial Performance

In Q4FY23, Tata Consultancy Services Ltd (TCS) reported revenue of Rs 59.381 Cr, up only 0.4% on a YoY basis (in rupee terms). While it posted better revenue growth of 12.6% on a YoY basis, it nonetheless was the lowest in the last 12 quarters. The company reported operating profits of Rs 13.755 Cr with operating margins at 23.2% (a decline of 130 Bps). This was on account of wage hikes, higher visa and other operating costs. Attrition levels did drop by 220bps but they stood at 17.8%, looming concerns over the company’s execution efficiency in the future. The management commentary on the verticals BFSI, Hi-tech Media, Life Sciences, and Retail was cautious. Furthermore, it expects the company to report moderate growth in the near term. On a brighter note, deal-wins for the quarter continued strong and remained high. Moreover, deal wins were spread across verticals and across geographies and stood at $10.2 Bn (BFSI TCV at $3 Bn, Retail TCV at $1.2 Bn). However, TCS expects technology spending to remain resilient and expects the secular tailwinds to drive healthy growth over the medium term to long term.

Outlook: From a long-term perspective, we believe TCS has built a resilient business model by securing multiple long-term contracts with the world’s leading brands. It has also established robust capabilities that will enable it to gain market share moving ahead. However, prevailing uncertainties in large economies continue to pose short-term headwinds to the growth prospects of the company.

Valuation & Recommendation

We recommend a HOLD rating on the stock and assign a 23x P/E multiple to its FY25E earnings of Rs 144.5/share to arrive at a TP of Rs 3,370/share, implying an upside of 3% from the CMP.

Key Financials (Consolidated)

<table>
<thead>
<tr>
<th>(Rs Cr)</th>
<th>Q4FY23</th>
<th>QoQ (%)</th>
<th>YoY (%)</th>
<th>Axis Est.</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>59162</td>
<td>1.6</td>
<td>16.7</td>
<td>59456</td>
<td>0%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>14488</td>
<td>1.5</td>
<td>2</td>
<td>15094</td>
<td>-4%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>24%</td>
<td>-</td>
<td>100 bps</td>
<td>25</td>
<td>50 bps</td>
</tr>
<tr>
<td>Net Profit</td>
<td>11392</td>
<td>1.4</td>
<td>14.7</td>
<td>11482</td>
<td>-1%</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>31.14</td>
<td>1.4</td>
<td>14.7</td>
<td>31.5</td>
<td>-1%</td>
</tr>
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</table>

Source: Company, Axis Research

Shareholding (%)

<table>
<thead>
<tr>
<th>Mar-22</th>
<th>Jun-22</th>
<th>Sep-22</th>
</tr>
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<tbody>
<tr>
<td>Promoter</td>
<td>72.3</td>
<td>72.3</td>
</tr>
<tr>
<td>FIs</td>
<td>13.5</td>
<td>13.1</td>
</tr>
<tr>
<td>MFs / UTI</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Banks / FIs</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Others</td>
<td>10.8</td>
<td>11.3</td>
</tr>
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</table>

Financial & Valuations

<table>
<thead>
<tr>
<th>Y/E Mar (Rs Cr)</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,25,458</td>
<td>2,35,499</td>
<td>2,57,682</td>
</tr>
<tr>
<td>EBITDA</td>
<td>73,046</td>
<td>63,114</td>
<td>69,059</td>
</tr>
<tr>
<td>Net Profit</td>
<td>58,454</td>
<td>47,196</td>
<td>53,474</td>
</tr>
<tr>
<td>EPS (Rs)</td>
<td>158.4</td>
<td>128.0</td>
<td>144.9</td>
</tr>
<tr>
<td>PER (x)</td>
<td>20.5</td>
<td>25.4</td>
<td>22.4</td>
</tr>
<tr>
<td>P/BV (x)</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>E/EBITDA (x)</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>49%</td>
<td>49%</td>
<td>49%</td>
</tr>
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</table>

Change in Estimates (%)

<table>
<thead>
<tr>
<th>Y/E Mar</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>PAT</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
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</table>

ESG disclosure Score**

<table>
<thead>
<tr>
<th>Source</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Disclosure Score</td>
<td>49.8</td>
</tr>
<tr>
<td>Social Disclosure Score</td>
<td>35.7</td>
</tr>
<tr>
<td>Governance Disclosure Score</td>
<td>91.1</td>
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<tr>
<td>Total ESG Disclosure Score</td>
<td>58.9</td>
</tr>
<tr>
<td>Sector Average</td>
<td>42.5</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Scale: 0-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company’s performance on any data point. All scores are based on 2020 disclosures.

Relative performance

Source: Ace Equity, Axis Securities

Omkar Tanksale
Research Analyst

Email: omkar.tanksale@axissecurities.in
Recommendation Rationale & Key Highlights

- **Management is confident of continuing strength in demand environment in the medium term to long term:** The US is relatively better placed in terms of demand. The UK is seeing higher cost optimization deals (with faster decision-making) while the Europe market will continue to be impacted in the near term. As the macro environment stabilizes, the company expects a pick-up in decision-making.

- **Broad-based vertical growth:** TCS delivered broad-based growth in the majority of the verticals during the quarter. Growth in Q1 was led by Life Sciences and Healthcare (+10.1%), while Manufacturing grew by 9.1%. Regional markets & Other verticals grew 16.9% Retail & CPG grew 5.3%. Technology & Services grew by 4.4%, BFSI grew by 3%, and Communications & Media grew marginally by 0.5%.

- **Better geographical performance** On a geographical front, North America (55.5% of revenue) posted a growth of 5.4% YoY, Latin America grew by 13.5% and Europe (29% of revenue) grew by 9.7% YoY. while India’s business grew by 14.5% YoY.

- **TCS announces Rs. 9/ share as interim dividend.**

Key Risks to our Estimates and TP

1. The demand environment is uncertain because of the potential threat of recession from the world’s largest economies.
2. The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Source: Company, Axis Securities
Revenue Distribution by Geography - New Classification

<table>
<thead>
<tr>
<th>Region</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>Q3FY23</th>
<th>Q4FY23</th>
<th>Q1 FY24</th>
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<tbody>
<tr>
<td>Americas</td>
<td>52%</td>
<td>53%</td>
<td>55%</td>
<td>56%</td>
<td>56%</td>
<td>54%</td>
<td>0%</td>
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<tr>
<td>North America</td>
<td>51%</td>
<td>52%</td>
<td>53%</td>
<td>54%</td>
<td>54%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Latin America *</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Europe</td>
<td>32%</td>
<td>31%</td>
<td>30%</td>
<td>29%</td>
<td>30%</td>
<td>31%</td>
<td>16%</td>
</tr>
<tr>
<td>UK</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>India</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>Asia Pacific</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>MEA</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
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</table>

Source: Company, Axis Research

Revenue Distribution by Industry Domain

<table>
<thead>
<tr>
<th>Industry</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>Q3FY23</th>
<th>Q4FY23</th>
<th>Q1 FY24</th>
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<tr>
<td>BFSI</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
<td>32%</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Retail &amp; CPG</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Communication &amp; Media</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Life Science &amp; Healthcare</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Technology &amp; Services</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Regional Markets &amp; Others</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Company, Axis Research

Average Realized Rates in INR

<table>
<thead>
<tr>
<th>Currency</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>Q3FY23</th>
<th>Q4FY23</th>
<th>Q1 FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>74.9</td>
<td>75.6</td>
<td>77.8</td>
<td>80.4</td>
<td>82.3</td>
<td>82.4</td>
<td>82.4</td>
</tr>
<tr>
<td>GBP</td>
<td>100.9</td>
<td>100.5</td>
<td>96.7</td>
<td>92.5</td>
<td>98.1</td>
<td>98.4</td>
<td>98.4</td>
</tr>
<tr>
<td>EUR</td>
<td>85.4</td>
<td>84.3</td>
<td>82.4</td>
<td>79.9</td>
<td>85.1</td>
<td>85.3</td>
<td>85.3</td>
</tr>
</tbody>
</table>

Source: Company, Axis Research

Client Parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>Q3FY23</th>
<th>Q4FY23</th>
<th>Q1 FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 1 Mn clients *</td>
<td>1,175</td>
<td>1,182</td>
<td>1,196</td>
<td>1,210</td>
<td>1,217</td>
<td>1,241</td>
<td>1,268</td>
</tr>
<tr>
<td>USD 5 Mn clients *</td>
<td>619</td>
<td>638</td>
<td>650</td>
<td>650</td>
<td>658</td>
<td>665</td>
<td>677</td>
</tr>
<tr>
<td>USD 10 Mn clients *</td>
<td>426</td>
<td>439</td>
<td>446</td>
<td>455</td>
<td>456</td>
<td>461</td>
<td>468</td>
</tr>
<tr>
<td>USD 20 Mn clients *</td>
<td>255</td>
<td>268</td>
<td>272</td>
<td>283</td>
<td>290</td>
<td>291</td>
<td>296</td>
</tr>
<tr>
<td>USD 50 Mn clients *</td>
<td>118</td>
<td>120</td>
<td>124</td>
<td>124</td>
<td>130</td>
<td>133</td>
<td>137</td>
</tr>
<tr>
<td>USD 100 Mn clients *</td>
<td>58</td>
<td>58</td>
<td>59</td>
<td>59</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
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</table>

Source: Company, Axis Research

Client Parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Q3FY22</th>
<th>Q4FY22</th>
<th>Q1FY23</th>
<th>Q2FY23</th>
<th>Q3FY23</th>
<th>Q4FY23</th>
<th>Q1 FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Headcount</td>
<td>5,56,986</td>
<td>5,92,195</td>
<td>6,06,331</td>
<td>6,16,171</td>
<td>6,13,974</td>
<td>6,14,795</td>
<td>6,15,318</td>
</tr>
<tr>
<td>Net Addition</td>
<td>28,238</td>
<td>35,209</td>
<td>14,136</td>
<td>9,840</td>
<td>(2,197)</td>
<td>821</td>
<td>523</td>
</tr>
<tr>
<td>Attrition (%)</td>
<td>15%</td>
<td>17%</td>
<td>20%</td>
<td>22%</td>
<td>21%</td>
<td>20%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Company, Axis Research
<table>
<thead>
<tr>
<th>In Crs.</th>
<th>Q1 FY24</th>
<th>Q4 FY23</th>
<th>Q1 FY23</th>
<th>% change (Y-o-Y)</th>
<th>% change (Q-o-Q)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>59,381</td>
<td>59,261</td>
<td>52,758</td>
<td>13%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>35,916</td>
<td>35,409</td>
<td>32,489</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>23,465</td>
<td>23,852</td>
<td>20,304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>9,710</td>
<td>9,265</td>
<td>8,083</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>13,755</td>
<td>14,488</td>
<td>12,186</td>
<td>13%</td>
<td>-5%</td>
</tr>
<tr>
<td>Margin(%)</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
<td>7</td>
<td>-128</td>
</tr>
<tr>
<td>Total Other Income/(Expense)</td>
<td>1,234</td>
<td>903</td>
<td>590</td>
<td>7</td>
<td>-128</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>14,989</td>
<td>15,391</td>
<td>12,776</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Taxes</td>
<td>3,889</td>
<td>3,955</td>
<td>3,257</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ETR (%)</td>
<td>26%</td>
<td>26%</td>
<td>25%</td>
<td>32</td>
<td>12</td>
</tr>
<tr>
<td>Net Profit After Taxes</td>
<td>11,120</td>
<td>11,436</td>
<td>9,519</td>
<td>17%</td>
<td>-3%</td>
</tr>
<tr>
<td>Non Controlling Interest</td>
<td>46</td>
<td>44</td>
<td>41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income After Extraordinary Items</td>
<td>11,074</td>
<td>11,392</td>
<td>7,478</td>
<td>48%</td>
<td>-3%</td>
</tr>
<tr>
<td>Margin(%)</td>
<td>20%</td>
<td>20%</td>
<td>21%</td>
<td>-123</td>
<td>-</td>
</tr>
<tr>
<td>EPS</td>
<td>30.26</td>
<td>31.14</td>
<td>25.90</td>
<td>17%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Source: Company, Axis Securities
## Financials (consolidated)

### Profit & Loss

<table>
<thead>
<tr>
<th>Y/E March</th>
<th>FY22A</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,91,754</td>
<td>2,25,458</td>
<td>2,35,499</td>
<td>2,57,682</td>
</tr>
<tr>
<td>Other operating income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total income</td>
<td>1,91,754</td>
<td>2,25,458</td>
<td>2,35,499</td>
<td>2,57,682</td>
</tr>
<tr>
<td>Employee Cost</td>
<td>1,07,554</td>
<td>1,16,837</td>
<td>1,33,528</td>
<td>1,46,106</td>
</tr>
<tr>
<td>Fees to External Consultants</td>
<td>17,410</td>
<td>19,702</td>
<td>21,666</td>
<td>23,707</td>
</tr>
<tr>
<td>Cost of Equipment and Software Licenses</td>
<td>1,298</td>
<td>991</td>
<td>1,177</td>
<td>1,288</td>
</tr>
<tr>
<td>Travel</td>
<td>1,588</td>
<td>2,077</td>
<td>1,884</td>
<td>2,061</td>
</tr>
<tr>
<td>Communication</td>
<td>2,051</td>
<td>2,077</td>
<td>1,777</td>
<td>1,288</td>
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<tr>
<td>Facility Expenses</td>
<td>2,139</td>
<td>2,127</td>
<td>2,355</td>
<td>2,577</td>
</tr>
<tr>
<td>Other Costs</td>
<td>6,657</td>
<td>8,668</td>
<td>10,597</td>
<td>11,596</td>
</tr>
<tr>
<td>EBITDA</td>
<td>53,057</td>
<td>73,046</td>
<td>63,114</td>
<td>69,059</td>
</tr>
<tr>
<td>Other income</td>
<td>3,234</td>
<td>2,462</td>
<td>3,532</td>
<td>3,865</td>
</tr>
<tr>
<td>PBIDT</td>
<td>56,291</td>
<td>75,508</td>
<td>66,646</td>
<td>72,924</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,604</td>
<td>4,266</td>
<td>4,710</td>
<td>4,710</td>
</tr>
<tr>
<td>Interest &amp; Fin Chg.</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>E/o income / (Expense)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pre-tax profit</td>
<td>51,685</td>
<td>71,242</td>
<td>61,936</td>
<td>68,214</td>
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<tr>
<td>Tax provision</td>
<td>13,238</td>
<td>12,642</td>
<td>14,601</td>
<td>14,601</td>
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<tr>
<td>(-) Minority Interests</td>
<td>-122</td>
<td>-146</td>
<td>-140</td>
<td>-140</td>
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<tr>
<td>Associates</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>38,325</td>
<td>58,454</td>
<td>47,196</td>
<td>53,474</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>PAT after Comprehensive Income</td>
<td>38,325</td>
<td>58,454</td>
<td>47,196</td>
<td>53,474</td>
</tr>
</tbody>
</table>

Source: Company, Axis Securities

### Balance Sheet

<table>
<thead>
<tr>
<th>Y/E March</th>
<th>FY22A</th>
<th>FY23E</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>1,02,514</td>
<td>1,43,260</td>
<td>1,79,622</td>
<td>2,39,350</td>
</tr>
<tr>
<td>Net Block</td>
<td>12,080.0</td>
<td>12,135.0</td>
<td>12,080.0</td>
<td>0.0</td>
</tr>
<tr>
<td>CWIP</td>
<td>5,167.0</td>
<td>5,856.6</td>
<td>6,753.1</td>
<td>4,555.3</td>
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<tr>
<td>Investments</td>
<td>19,309.0</td>
<td>20,336.2</td>
<td>21,484.8</td>
<td>19,535.4</td>
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<tr>
<td>Wkg. cap. (excl cash)</td>
<td>53,471</td>
<td>67,015</td>
<td>71,569</td>
<td>40,887</td>
</tr>
<tr>
<td>Cash / Bank balance</td>
<td>12,488</td>
<td>37,918</td>
<td>67,736</td>
<td>1,74,355</td>
</tr>
<tr>
<td>Misc. Assets</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Capital employed</td>
<td>1,02,514</td>
<td>1,43,260</td>
<td>1,79,622</td>
<td>2,39,350</td>
</tr>
<tr>
<td>Equity capital</td>
<td>366.0</td>
<td>366.0</td>
<td>366.0</td>
<td>366.0</td>
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<tr>
<td>Reserves</td>
<td>90,894</td>
<td>1,32,250</td>
<td>1,66,480</td>
<td>2,18,211</td>
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<tr>
<td>Minority Interests</td>
<td>707.0</td>
<td>707.0</td>
<td>707.0</td>
<td>707.0</td>
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<tr>
<td>Borrowings</td>
<td>7,617</td>
<td>7,617</td>
<td>7,617</td>
<td>1,249</td>
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<tr>
<td>Def tax Liabilities</td>
<td>590.0</td>
<td>590.0</td>
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<td>590.0</td>
</tr>
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</table>

Source: Company, Axis Securities
# Cash Flow

<table>
<thead>
<tr>
<th>Y/E March</th>
<th>FY22A (Rs Cr)</th>
<th>FY23E (Rs Cr)</th>
<th>FY24E (Rs Cr)</th>
<th>FY25E (Rs Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources</td>
<td>11,339</td>
<td>46,849</td>
<td>40,375</td>
<td>51,612</td>
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<tr>
<td>Cash profit</td>
<td>43,053</td>
<td>62,866</td>
<td>52,046</td>
<td>58,324</td>
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<tr>
<td>(-) Dividends</td>
<td>11,210</td>
<td>17,098</td>
<td>13,805</td>
<td>0</td>
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<tr>
<td>Retained earnings</td>
<td>31,843</td>
<td>45,769</td>
<td>38,241</td>
<td>58,324</td>
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<tr>
<td>Issue of equity</td>
<td>(4.0)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Change in Oth. Reserves</td>
<td>2,578.0</td>
<td>1,080.2</td>
<td>1,176.2</td>
<td>1,281.1</td>
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<td>Borrowings</td>
<td>157</td>
<td>0</td>
<td>0</td>
<td>-6,368</td>
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<td>Others</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Applications</td>
<td>11,339</td>
<td>46,849</td>
<td>40,375</td>
<td>51,612</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>8,731.0</td>
<td>8,126.9</td>
<td>5,448.6</td>
<td>6,418.0</td>
</tr>
<tr>
<td>Investments</td>
<td>1,774.0</td>
<td>751.3</td>
<td>563.7</td>
<td>597.0</td>
</tr>
<tr>
<td>Net current assets</td>
<td>(4,796.0)</td>
<td>12,540.1</td>
<td>3,613.1</td>
<td>(19,043.8)</td>
</tr>
<tr>
<td>Change in cash</td>
<td>5,630</td>
<td>25,430</td>
<td>29,818</td>
<td>1,06,619</td>
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<tr>
<td>Closing cash</td>
<td>6,858</td>
<td>6,858</td>
<td>6,858</td>
<td>6,858</td>
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</table>

Source: Company, Axis Securities

# Ratio Analysis

<table>
<thead>
<tr>
<th>Y/E March</th>
<th>FY22A (%)</th>
<th>FY23E (%)</th>
<th>FY24E (%)</th>
<th>FY25E (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth</td>
<td>16.8</td>
<td>17.6</td>
<td>4.5</td>
<td>9.4</td>
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<tr>
<td>OPM</td>
<td>27.7</td>
<td>32.4</td>
<td>26.8</td>
<td>26.8</td>
</tr>
<tr>
<td>Oper. profit growth</td>
<td>14.0</td>
<td>37.7</td>
<td>(11.4)</td>
<td>9.4</td>
</tr>
<tr>
<td>COGS / Net sales</td>
<td>56.1</td>
<td>51.8</td>
<td>56.7</td>
<td>56.7</td>
</tr>
<tr>
<td>Depreciation / G. block</td>
<td>(6,306.8)</td>
<td>7,757.2</td>
<td>(8,563.6)</td>
<td>(39.0)</td>
</tr>
<tr>
<td>Effective interest rate (%)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Net wkg.cap / Net sales</td>
<td>0.31</td>
<td>0.28</td>
<td>0.30</td>
<td>0.24</td>
</tr>
<tr>
<td>Net sales / Gr block (x)</td>
<td>43.7</td>
<td>46.5</td>
<td>44.0</td>
<td>47.7</td>
</tr>
<tr>
<td>RoCE</td>
<td>52%</td>
<td>58%</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Debt / equity (x)</td>
<td>0.08</td>
<td>0.05</td>
<td>0.04</td>
<td>0.00</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>25.6</td>
<td>17.7</td>
<td>23.6</td>
<td>21.4</td>
</tr>
<tr>
<td>RoE</td>
<td>40%</td>
<td>49%</td>
<td>31%</td>
<td>27%</td>
</tr>
<tr>
<td>Payout ratio (Div/NP)</td>
<td>25.0</td>
<td>25.0</td>
<td>25.0</td>
<td>0.0</td>
</tr>
<tr>
<td>EPS (Rs.)</td>
<td>103.9</td>
<td>158.4</td>
<td>128.0</td>
<td>144.9</td>
</tr>
<tr>
<td>EPS Growth</td>
<td>16.0</td>
<td>52.4</td>
<td>(17.2)</td>
<td>13.3</td>
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<tr>
<td>CEPS (Rs.)</td>
<td>116.1</td>
<td>169.6</td>
<td>140.3</td>
<td>157.3</td>
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<tr>
<td>DPS (Rs.)</td>
<td>25.9</td>
<td>39.5</td>
<td>31.9</td>
<td>0.0</td>
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</table>

Source: Company, Axis Securities
Tata Consultancy Services Price Chart and Recommendation History

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<thead>
<tr>
<th>Date</th>
<th>Reco</th>
<th>TP</th>
<th>Research</th>
</tr>
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<tr>
<td>11-Jan-21</td>
<td>BUY</td>
<td>3,550</td>
<td>Result Update</td>
</tr>
<tr>
<td>12-Apr-21</td>
<td>BUY</td>
<td>3,721</td>
<td>Pick of the week</td>
</tr>
<tr>
<td>13-Apr-21</td>
<td>BUY</td>
<td>3,560</td>
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<td>31-May-21</td>
<td>BUY</td>
<td>3,560</td>
<td>AAA</td>
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<tr>
<td>09-Jul-21</td>
<td>HOLD</td>
<td>3,560</td>
<td>Result Update</td>
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<tr>
<td>11-Oct-21</td>
<td>HOLD</td>
<td>4,100</td>
<td>Result Update</td>
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<tr>
<td>13-Jan-22</td>
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<td>Result Update</td>
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<td>12-Apr-22</td>
<td>BUY</td>
<td>4,200</td>
<td>Result Update</td>
</tr>
<tr>
<td>11-Jul-22</td>
<td>HOLD</td>
<td>3,460</td>
<td>Result Update</td>
</tr>
<tr>
<td>19-Aug-22</td>
<td>HOLD</td>
<td>3,650</td>
<td>AAA</td>
</tr>
<tr>
<td>11-Oct-22</td>
<td>BUY</td>
<td>3,460</td>
<td>Result Update</td>
</tr>
<tr>
<td>10-Jan-23</td>
<td>HOLD</td>
<td>3,650</td>
<td>Result Update</td>
</tr>
<tr>
<td>13-Apr-23</td>
<td>HOLD</td>
<td>3,350</td>
<td>Result Update</td>
</tr>
<tr>
<td>13-Jul-23</td>
<td>HOLD</td>
<td>3,350</td>
<td>Result Update</td>
</tr>
</tbody>
</table>

Source: Axis Securities
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<table>
<thead>
<tr>
<th>Ratings</th>
<th>Expected absolute returns over 12-18 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUY</td>
<td>More than 10%</td>
</tr>
<tr>
<td>HOLD</td>
<td>Between 10% and -10%</td>
</tr>
<tr>
<td>SELL</td>
<td>Less than -10%</td>
</tr>
<tr>
<td>NOT RATED</td>
<td>We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation</td>
</tr>
<tr>
<td>UNDER REVIEW</td>
<td>We will revisit our recommendation, valuation and estimates on the stock following recent events</td>
</tr>
<tr>
<td>NO STANCE</td>
<td>We do not have any forward looking estimates, valuation or recommendation for the stock</td>
</tr>
</tbody>
</table>

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