



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q1 FY19 Result Update@ Dalal &Broacha

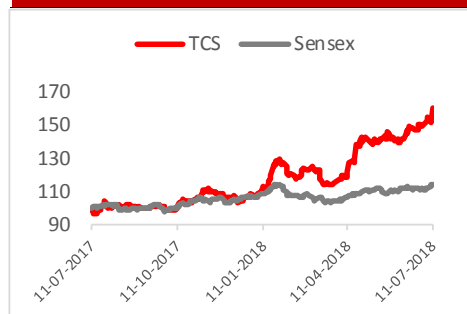
Accumulate on Dips

Current Price	1,970
Target	1,850
Upside	-6%
52 Week Range	

Key Share Data

Market Cap (Rs.bn)	7,556
Market Cap (US\$ bn)	109.5
No of o/s shares (mn)	3,828
Face Value	1
Monthly Avg.	
Vol(BSE+NSE)'000 Nos	5,305
BSE Code	532540
NSE Code	TCS
Bloomberg	TCS:IN

Price performance



% Shareholding

	Jun 18	Mar-17
Promoters	71.9	71.9
Public	28.1	28.1
Others		
Total	100	100

Revenue marginally below estimates, however strong profitability trend and stable guidance invokes re-rating: USD revenue was reported at 5,051 Mn, which was 0.6% below our estimate of USD 5,083 Mn. However, Operating income and PAT were in-line with our estimates for the quarter.

- Revenue in Rupee Terms was reported at INR 342,610 Mn, reporting a growth of 6.8% qoq and 15.8% yoy, and below our estimate of INR 345,658 Mn by 0.9%.

- EBIT was recorded at INR 85,780 Mn, up 5.3% qoq and 24.1% yoy. Translating into an EBIT margin of 25%, 30 bps above our estimate of 24.7%.

- PAT was recorded at INR 73,400 Mn, up 6.3% qoq and 23.5% above our estimate of 67,851 Mn. PAT margin was reported at 21.4% versus 21.5% in Q4FY18 and 20 bps above our estimate of 21.2%

- Company delivered an EPS of INR 19.2 in Q1

Broad-based Q1FY19 performance along with depth

- Digital contributed 25% to total revenues, reporting a growth of 9% qoq and 40% yoy. Visibility and deal booking in Digital was strong and outlook remains robust.

- As per management commentary in Q4FY18, BFSI (31.1% of revenue) reported a strong performance with a 3.7% qoq cc growth in Q1 and 4.1% yoy. Retail & CPG (16.6% of revenue and also includes Travel & Hospitality from Q1FY19) grew 3.6% qoq and 12.7% yoy. Energy & Utilities outperformed with a 5.2% qoq growth and 31% yoy growth.

- Geographically, North America bounced back with a 3.7% qoq growth followed by UK at 8.2% qoq and Continental Europe at 5.3% qoq growth.

- Client additions were broad based across all categories. Most notably, company saw 2 additions in in \$100 Mn+ (40 as of Q1FY19)

Key Concall Takeaways (i) Expect strong performance in BFSI to continue for the next few quarters (ii) Platforms are particularly facing good demand and a strong pipeline. Ignio saw immense traction. Optemera – TCS' flagship platform for the retail space has witnessed robust demand as well (iii) Company aspires to revive growth to double digits over the next few years with an intact target operating margin range of 26-28% (iv) Huge transformational deals, traction in products & platforms and revival in BFS spend improve visibility of delivering solid growth going ahead. (v) Total TCV stood at YSD 4.9 Bn, out of which UDS 1.6 Bn was accounted for by BFS – displaying the strength in visibility

Valuation & Outlook: At CMP, the Stock is currently trading at 25x and 22.9x FY19E and FY20E EPS. This is the 2nd consecutive quarter that TCS has reported industry leading performance with a stable guidance, which leads us to believe that performance is undergoing a huge revival. However, the stock has moved up considerably post its Q1FY19 results which limits upside potential from CMP. We therefore recommend a 'Buy on dips' strategy with a target price of INR 1,850 – 20x FY20E EPS of INR 92.5.

Consolidated Financials (In INR Mn)

YE March	Net Sales	% Growth	EBIT	EBIT (%)	PAT	% Growth	EPS	PE (x)	ROE (%)	ROCE (%)
FY16	10,86,462	14.8%	2,87,901	26.3%	2,41,386	22.9%	122.8	28.4x	35%	34%
FY17	11,79,660	8.6%	3,03,240	5.3%	2,61,648	8.4%	132.8	26.2x	31%	30%
FY18	12,31,040	4.4%	3,05,020	0.6%	2,58,457	-1.2%	135.0	25.8x	28%	28%
FY19E	14,32,992	16.4%	3,70,807	21.6%	3,17,131	22.7%	82.8	23.8x	31%	30%
FY20E	15,93,086	11.2%	4,08,574	10.2%	3,54,318	11.7%	92.5	21.3x	29%	29%

Source: Company, Dalal & Broacha Research



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q1 FY19 Result Update@ Dalal &Broacha

YE March (Rs. mn)	Q1 FY19	Q4 FY18	Q-o-Q change %	Q1 FY18	Y-o-Y change %	Q1FY18 Est.	Deviation %
Total Revenue (USD Mn)	5,051	4,972	1.6%	4,591	10.0%	5,083	-0.6%
Total Revenue (INR Mn)	3,42,610	3,20,750	6.8%	2,95,840	15.8%	3,45,658	-0.9%
Less:							
Cost of Revenues	1,96,850	1,81,220	8.6%	1,69,140	16.4%	1,92,155	2.4%
SG&A Expenses	55,050	53,010	3.8%	52,580	4.7%	61,527	-10.5%
Total Expenditure	2,51,900	2,34,230	7.5%	2,21,720	13.6%	2,53,682	-0.7%
EBIDTA	90,710	86,520	4.8%	74,120	22.4%	91,976	-1.4%
Less: Depreciation	4,930	5,050	(2.4%)	4,980	(1.0%)	6,466	-23.7%
Operating Income	85,780	81,470	5.3%	69,140	24.1%	85,510	0.3%
Other income (expense), net	12,080	9,820	23.0%	9,320	29.6%	10,024	20.5%
Profit Before Tax	97,860	91,290	7.2%	78,460	24.7%	95,534	2.4%
Total Tax	24,240	22,040	10.0%	18,960	27.8%	21,973	10.3%
PAT before Minority Interest	73,620	69,250	6.3%	59,500	23.7%	73,561	0.1%
Minority Interest	220	210	N.A.	50	N.A.	223	
Profit After Tax	73,400	69,040	6.3%	59,450	23.5%	73,338	0.1%
Basic & Diluted EPS (Rs.)	19.2	35.0		30.4		19.2	0.1%
Basic & Diluted Outstanding (mn)	3,829	1,970		1,956		3,829	
Margin Analysis %			<i>Change In bps</i>		<i>Change In bps</i>		
EBIDTA Margin	26.5%	27.0%	-50	25.1%	142	26.6%	-13
Operating Margin	25.0%	25.4%	-36	23.4%	167	24.7%	30
PBT Margin	28.6%	28.5%	10	26.5%	204	27.6%	92
NPM	21.4%	21.5%	-10	20.1%	133	21.2%	21
Effective Tax Rate (%)	24.8%	24.1%	63	24.2%	60	23.0%	177
Cost Analysis %			<i>Change In bps</i>		<i>Change In bps</i>		
Cost of Revenues/ Sales	57.5%	56.5%	96	57.2%	28	55.6%	186
Other income/ PBT	12.3%	10.8%	159	11.9%	47	10.5%	185

Source: Company, Dalal & Broacha Research

- Cash & Cash Equivalents stood at INR 46,130 Mn
- Attrition stood at 10.9% during the quarter
- EPS stood at INR 19.2 during the quarter
- Effective tax rate for the quarter stood at 24.8% in Q4FY18. Guidance for FY19E remains in the range of 24-25%
- Notably the company added 2 clients in the \$100 Mn+ category
- Management has stayed intact with its target of return 80-100% of Free Cash Flows to shareholders going ahead



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q1 FY19 Result Update@ Dalal &Broacha

Profit & Loss Statement

YE March (Rs.mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10,86,462	11,79,660	12,31,040	14,32,992	15,93,086
Sales Growth%	14.8%	8.6%	4.4%	16.4%	11.2%
Total Revenue	10,86,462	11,79,660	12,31,040	14,32,992	15,93,086
Less:					
Employees Cost	5,95,490	6,54,300	6,97,150	8,05,321	8,93,864
SG&A	1,84,193	2,02,250	2,08,730	2,37,144	2,62,859
Total Operating Exp	7,79,682	8,56,550	9,05,880	10,42,465	11,56,723
EBITDA	3,06,780	3,23,110	3,25,160	3,90,527	4,36,363
EBITDA Growth%	24.4%	5.3%	0.6%	20.1%	11.7%
Less: Depreciation	18,879	19,870	20,140	19,720	27,789
Operating Profit	2,87,901	3,03,240	3,05,020	3,70,807	4,08,574
Growth%	26.3%	5.3%	0.6%	21.6%	10.2%
Non-operating Income	30,833	42,060	35,900	44,791	55,758
Profit Before Tax	3,18,403	3,45,130	3,40,920	4,15,598	4,64,332
Tax	74,825	81,106	80,116	95,588	1,06,796
Minority Interest	2,192	2,376	2,347	2,880	3,218
Net Profit	2,41,386	2,61,648	2,58,457	3,17,131	3,54,318
Adjusted Profit	2,41,386	2,61,648	2,58,457	3,17,131	3,54,318
Diluted EPS Rs	122.8	132.8	135.0	82.8	92.5
Diluted EPS Growth%	22.4%	8.2%	1.7%	-38.6%	11.7%

Currency Assumptions:

We assume USD/INR at INR 68 over FY19E-FY20E and do not expect it to breach the INR 70 levels. However, a USD/INR rate of above 70 would invoke a re-rating on earnings.

Free Cash Flow Statement

YEMarch (Rs.mn)	FY16	FY17	FY18	FY19E	FY20E
EBITA	2,87,901	3,03,240	3,05,020	3,70,807	4,08,574
Less: Adjusted Taxes	67,657	71,261	71,680	85,286	93,972
NOPLAT	2,20,244	2,31,979	2,33,340	2,85,521	3,14,602
Plus: Depreciation	18,879	19,870	20,140	19,720	27,789
Changes in Working Cap	38,640	6,334	7,718	9,849	20,513
Operating Cashflow	2,00,484	2,45,515	2,45,763	2,95,392	3,21,877
Less: Net Capex	21,259	19,440	19,100	25,939	22,091
Total FCF	1,61,125	2,42,465	2,08,143	2,17,591	2,78,523

Ratio Analysis

YE March (Rs.mn)	FY16	FY17	FY18	FY19E	FY20E
Key Operating Ratios					
EBITDA Margin(%)	28.2%	27.4%	26.4%	27.3%	27.4%
Tax/PBT(%)	23.5%	23.5%	23.5%	23.0%	23.0%
Net Profit Margin(%)	22.2%	22.2%	21.0%	22.1%	22.2%
RoE(%)	34.8%	31.1%	28.4%	31.4%	29.4%
RoCE(%)	33.7%	30.2%	27.5%	30.4%	28.5%
Current Ratio(x)	2.6x	2.7x	2.5x	3.5x	4.0x
Dividend Payout(%)	47.5%	42.2%	41.5%	44.1%	44.1%
Book Value Per Share(Rs.)	361.5	437.5	444.7	268.6	320.3
Growth Indicators%					
Growth in Gross Block(%)	17.7%	8.2%	8.8%	8.8%	8.1%
Sales Growth(%)	14.8%	8.6%	4.4%	16.4%	11.2%
EBITDA Growth(%)	24.4%	5.3%	0.6%	20.1%	11.7%
Net Profit Growth(%)	22.9%	8.4%	(1.2%)	22.7%	11.7%
Diluted EPS Growth(%)	22.4%	8.2%	1.7%	(38.6%)	11.7%
Turnover Ratios					
Debtors (Days of sales)	94	87	94	87	87
Creditors	35	27	21	27	27
Inventory	0.1	0.1	0.1	0.1	0.1

Balance Sheet

YE March(Rs.mn)	FY16	FY17	FY18	FY19E	FY20E
Liabilities					
Equity Capital	1,970	1,970	1,910	3,820	3,820
Reserves & Surplus	7,08,750	8,60,170	8,49,370	10,24,636	12,22,588
Equity	7,10,720	8,62,140	8,51,280	10,28,456	12,26,408
Preference Share					
Net Worth	7,10,720	8,62,140	8,51,280	10,28,456	12,26,408
Minority Interest	3,550	3,660	4,020	6,900	10,118
Deferred tax	8,050	9,190	11,700	11,700	11,700
Total Loans	1,960	2,710	2,350	2,710	2,710
Other Non Current	11,720	11,310	11,850	13,739	15,274
Capital Employed	7,36,000	8,89,010	8,81,200	10,63,505	12,66,210
Assets					
Gross Block	1,93,080	2,08,910	2,27,200	2,47,200	2,67,200
Less: Depreciation	93,370	1,08,340	1,25,040	1,44,760	1,72,549
Net Block	99,710	1,00,570	1,02,160	1,02,440	94,651
Capital WIP	16,700	15,410	12,780	18,719	20,811
Investments	2,28,220	4,19,800	3,60,080	2,86,598	3,18,617
Intangible Assets	18,030	16,440	17,570	17,570	17,570
Others-A	1,20,960	93,500	1,15,200	1,57,629	1,75,239
Current Assets					
Inventories	160	210	260	256	284
Sundry Debtors	2,80,650	2,80,350	3,16,290	3,40,555	3,78,602
Cash and Bank Balance	66,450	39,390	63,720	2,50,847	3,83,902
Loans and Advances	27,430	29,090	32,050	35,337	39,285
Other Current Assets	32,650	37,760	37,820	45,869	50,993
Total Current Assets	4,07,340	3,86,800	4,50,140	6,72,863	8,53,066
Less: Current Liabilities					
Sundry Creditors	75,410	62,790	50,940	76,419	84,794
Provisions	1,550	1,050	2,660	19,118	21,359
Other Current Liabilities	78,000	79,670	1,23,130	96,779	1,07,591
Total Current Liabilities	1,54,960	1,43,510	1,76,730	1,92,315	2,13,745
Capital Applied	7,36,000	8,89,010	8,81,200	10,63,505	12,66,210



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q1 FY19 Result Update@ Dalal &Broacha

Disclaimer

Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Mayank Babla (022) 67141442

Q1 FY19 Result Update@ Dalal &Broacha

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141435	Mid Cap
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com