

Bloomberg Code	TCS IN
No of share O/S (in crs)	375.24
Market Cap (in Rs. crs)	11,70,880
Face Value (in Rs.)	1
Dividend Yield (%)	2.34
52 Wk High/Low	3127/1504

Shareholding (%)	
Promoters	72.05
Institutional	23.67
Public	4.28
Total	100.00

## Strong Q3 performance despite seasonal headwinds.

### Key Highlights:

TCS reported a YoY CC (Constant Currency) consolidated revenue growth of 0.4% YoY. Consolidated Revenues in Q3FY21 stood at Rs 42,015 Cr which grew by 5.4% on a YoY basis and 4.7% on a QoQ basis. Operating margins improved to 29.1% impacted by annual salary hikes (160bps), which was offset by operational efficiency and currency support. The growing demand for core transformation services and strong revenue conversion from earlier deals have driven a powerful momentum which helped in overcoming the seasonal headwinds and post one of the company's best performances in a December quarter. PAT margins improved to 20.8% as against 20.4% in Q3FY20, mainly on account of improved operating margins and reduced finance cost. The LTM attrition rate stood at 7.6%, which is at an all time low. The company expects this figure to go up as the business expands.

### Segmental Performance:

Business growth, in CC terms, sequentially, was driven by Manufacturing (+7.1%), BFSI (+2.0%) which witnessed its best December quarter growth, Life Sciences and Healthcare (+5.2%), Communications & Media (+5.5%) and Retail and CPG (+3.1%) despite continued weakness in discretionary retail, CPG and Travel. On a YoY, CC basis, Life Sciences and Healthcare continued to grow in double digits at 18.2%, whereas BFSI (+2.4%) and Technology & Services (+2.4%) also showed signs of improved growth.

On the geographical front, QoQ growth was led by North America (+3.3%), India (+18.1%), UK (+4.5%), and Continental Europe (+2.5%). Other geographies showed growth as well, with Asia Pacific growing by 2.6%, MEA by 6.7% and Latin America by 3.1%.



---

**Concall Highlights:**

- The company, going forward, has identified cloud adoption as its secular growth driver for the next 3 to 5 years with the transformation playing out over multiple horizons.
- The company's total TCv for Q3FY21 stood at USD 6.8 bn. Of this, BFSI contributed USD 2.6 bn and Retail accounted for USD 0.98 bn. Within BFSI, of the 2 large deals which the company signed in Q3FY21, the Prudential Financials deal was closed in mid December due to which very little revenue was added in the current quarter and the Post Banks System deals closed on 1<sup>st</sup> January, 2021.
- TCS BaNCS, the company's flagship product suite in the financial services domain had 5 new wins, which include 2 wins for the digital banking platform and wealth management solutions, respectively and 1 for payments and 6 new 'go-live' during the quarter. Amongst the largest deal wins ever, TCS BaNCS was selected as a preferred cloud-based platform for its wealth management business in the U.S.A by a global investment bank.
- Net cashflow from operations was Rs 11,952 Cr, which was 137.4% of the net income. Free cash stood at Rs. 11,229 Cr.
- The Board recommended an interim dividend of Rs 6 per share.
- DSO for Q3FY21 stood at 69 days in USD terms.

**Valuation**

At the CMP of Rs. 3,120.35 the stock is trading at a 30.1x P/E with an estimated FY22 adjusted EPS of Rs. 103.7.

---

## Financial Summary

Net sales grew by 5.4% YoY and 4.7% QoQ aided by demand for core transformation services, improved market share and quick revenue conversion.

EBITDA Margins improved to 29.1%, despite an annual salary hike.

Other income for the quarter declined by 15.5% YoY and 24.4% on a sequential basis.

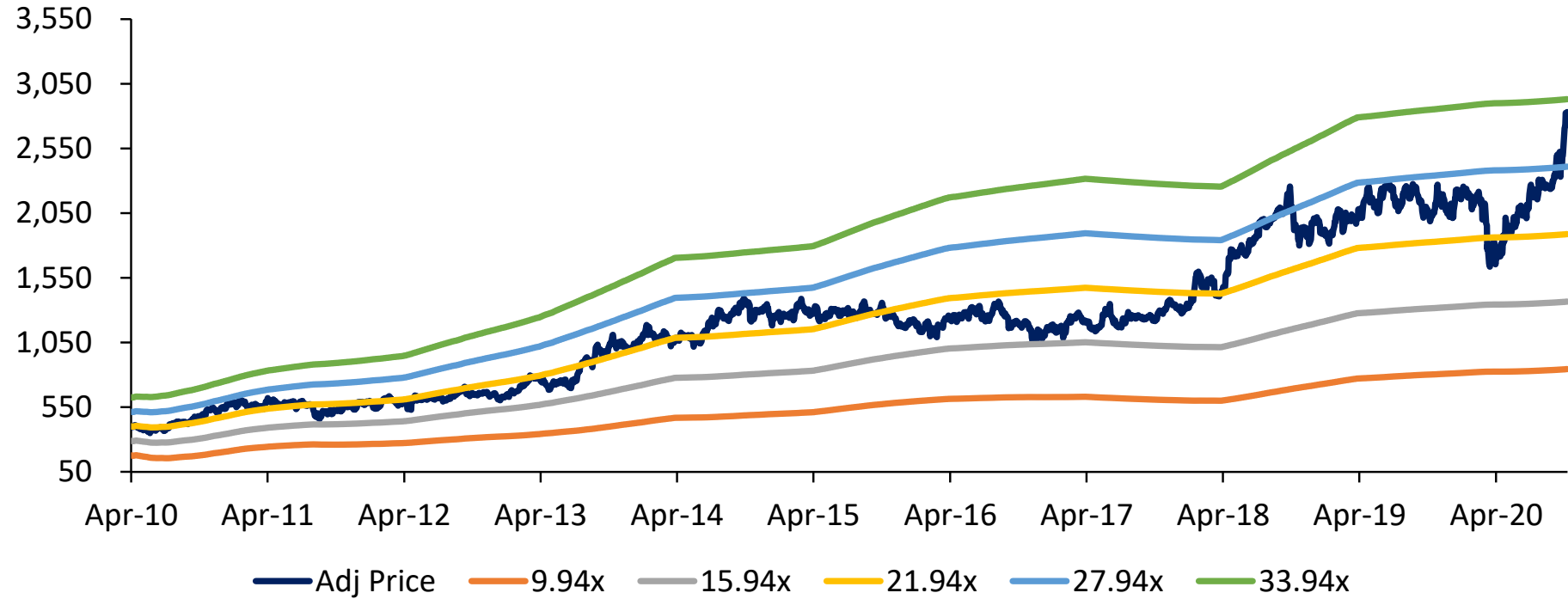
PAT margins improved by 40 bps YoY to 20.8%, mainly aided by improved operating performance and lower finance cost.

Figures are in Rs Cr.	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	FY19	FY20	YoY (%)
Net Sales	42,015	39,854	5.4	40,135	4.7	1,46,463	1,56,949	7.2
Raw Material Cost	3,626	3,728	-2.7	3,313	9.4	11,330	12,937	14.2
<b>RM Cost to Sales (%)</b>	<b>8.6</b>	<b>9.4</b>		<b>8.3</b>		<b>7.7</b>	<b>8.2</b>	
Employee Cost	23,431	21,622	8.4	22,665	3.4	78,246	85,952	9.8
<b>Employee Cost to Sales (%)</b>	<b>55.8</b>	<b>54.3</b>		<b>56.5</b>			<b>54.8</b>	
Operating Expenses	2,750	3,633	-24.3	2,644	4.0	17,381	11,296	-35.0
<b>OPEX to Sales (%)</b>	<b>6.5</b>	<b>9.1</b>		<b>6.6</b>			<b>7.2</b>	
EBITDA	12,208	10,871	12.3	11,513	6.0	39,506	46,764	18.4
<b>EBITDA Margin (%)</b>	<b>29.1</b>	<b>27.3</b>		<b>28.7</b>		<b>27.0</b>	<b>29.8</b>	
Depreciation	1,024	897	14.2	998	2.6	2,056	3,592	74.7
Interest	183	223	-17.9	174	5.2	198	924	366.7
Other Income	691	818	-15.5	914	-24.4	4,311	4,592	6.5
<b>Other Income to Sales (%)</b>	<b>1.6</b>	<b>2.1</b>		<b>2.3</b>		<b>2.9</b>	<b>2.9</b>	
Exceptional Income / Expenses	0			-1,218		0	0	
Profit Before Tax	11,692	10,569	10.6	10,037	16.5	41,563	42,248	1.6
<b>Tax Rate (%)</b>	<b>25.4</b>	<b>23.0</b>		<b>25.5</b>		<b>24.1</b>	<b>23.2</b>	
Profit After Tax	8,727	8,143	7.2	7,475	16.7	31,562	32,447	2.8
<b>PAT Margin (%)</b>	<b>20.8</b>	<b>20.4</b>		<b>18.6</b>		<b>21.5</b>	<b>20.7</b>	
Adjusted EPS	23.3	21.7		19.9		83.9	86.5	
Shareholder's Funds				95,137		89,446	84,126	
BV per share				253.7		238.5	224.3	
Net Debt				-46,980		-41,939	-27,417	
Net Debt to Equity				-0.5		-0.5	-0.3	
Net Debt to EBITDA				-4.1		-1.1	-0.6	
Working Capital Cycle								
CAPEX				-873		2,231	3,057	
RoE				7.9		35.3	38.6	
RoCE				21.8		78.8	76.1	
P/E						37.1	36.1	
P/B						13.1	13.9	
EV/EBITDA						28.6	24.5	

## Segmental Performance

Year ending Mar	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	FY19	FY20
Dollar Revenue (\$ in Crs)	525	540	545	552	559	544	506	542	570	2,091	2,203
CC Revenue YoY Growth (%)	12.1	12.7	10.6	8.4	6.8	3.0	6.3	3.2	0.4	11.4	7.1
<b>Geographical Revenue Breakup (%)</b>											
America	53.2	52.7	52.4	52.5	52.0	52.1	53.1	52.5	50.8	53.0	52.3
Europe	29.6	30.0	30.1	30.2	30.8	31.2	30.9	30.2	31.9	29.7	30.6
Rest of the World	17.2	17.3	17.5	17.3	17.2	16.7	16.0	17.3	17.3	17.3	17.1
<b>Verticalwise Break Up (%)</b>											
Financial Services	30.8	30.9	30.8	31.0	30.4	29.7	31.3	31.3	31.3	31.0	30.5
Retail	15.5	15.1	15.0	14.8	15.2	15.4	14.0	14.9	14.5	16.5	15.2
Communication	6.9	6.8	6.9	7.0	9.5	7.2	7.1	6.9	6.6	7.0	7.0
Manufacturing	9.8	9.6	9.8	9.8	10.0	10.1	9.7	9.8	9.6	7.2	9.9
Others	37.0	37.6	37.5	37.4	34.9	37.6	37.9	37.1	38.0	38.3	37.4
<b>Clientwise Break up (Nos.)</b>											
\$1 Mn+	996	1,008	1,014	1,032	1,053	1,072	1,066	1,076	1,077	1,008	1,072
\$10 Mn+	370	371	384	398	395	391	382	386	386	355	391
\$50 Mn+	99	99	100	101	102	105	100	97	97	97	105
\$100 Mn+	45	44	44	47	47	49	48	49	48	40	49

## 1 year forward P/E band chart



Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is a member of BSE and NSE. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Guaranty Limited is the holding Company of VSL; Ventura Commodities Limited and Ventura Allied Services Private Limited are subsidiaries of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL, disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking, merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for products or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, 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. We may have earlier issued or may issue in future, reports on the companies covered herein with recommendations/ information inconsistent or different than those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently for the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL and the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public /used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as a part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion, estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimates or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. Neither the company nor its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. 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 Securities Market.

### **Ventura Securities Limited**

Corporate Office: 8th Floor, 'B' Wing, I Think Techno Campus, Pokhran Road no. 02, Off Eastern Express Highway, Thane (West) 400 607

**SEBI Registration No.: INH00001634**