

Company	Sector	CMP	Recommendation	Target	Potential Upside
TCS Ltd.	IT	2228	BUY	2465	10%

Key Stock Data

BSE Script Code	TCS
NSE Script Code	TCS
No. of shares	375
FV (Rs.)	1
MCAP (Rs.)	8,43,742 Crs
MCAP (\$)	12,053 Crs
52 Week High	Rs.2290
52 week Low	Rs. 1784
Time Frame	6 months

Tata Consultancy Services (TCS) is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions.

Investments Rationale**1. 1QFY19 results at 16 quarters high**

TCS reported healthy set of 1QFY20 results in a seasonally weak quarter whereby it's constant currency revenue grew by good 10% Y-o-Y and total revenue grew by 11.4% Y-o-Y to Rs. 38,172 Crs in 3QFY19 as against Rs. 34,261 Crs in 1QFY19 and a Bottom-line jump of 11% to Rs. 8,153 Crs in 1QFY20 as against Rs. 7362 Crs in 3QFY18, which is highest in the past 16 quarters.

2. Strong digital revenues

TCS reported good digital revenue growth of 42.1% Y-o-Y basis. Digital revenue contributes 32% of the total revenue. The management does not see digital revenue growth slacking in future despite the higher base.

3. Healthy growth in BFSI segment

TCS's BFSI vertical which constitutes 39% of the total revenue grew at 11% Y-o-Y to Rs. 14,978 Crs in 1QFY20 as against Rs. 13,464 Crs in 3QFY19. Across verticals too, TCS, reported double digit revenue growth.

Outlook & Valuations

TCS reported decent set of 1QFY20 numbers in a seasonally weak quarter on every count. The management is confident of growing its digital business aggressively even on a higher base. The management also feels the demand scenario across verticals and geographies is very encouraging. The stock is currently trading at 19.78x FY21 E PE and looking at the sustainability of healthy growth rate, we would like to allot a premium valuation to the stock and assign PE multiple of 21.5x to arrive at a target price of Rs.2465 per share.

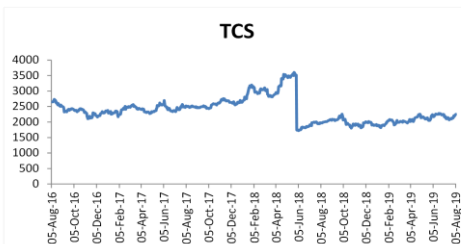
Key Financial

Amt in Crs

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
Total Revenue	117966	123104	146463	168432	185275
EBITDA	32311	36158	39506	47161	53730
PAT	26357	25880	31562	37055	42613
EPS	70.28	69.01	83.05	98.81	113.65
PE	31.99	32.57	27.07	22.75	19.78

Shareholding Pattern

Promoters	72.05%
DIIs	7.4%
FIIIs	16.05%
Others	4.5%

3 Years Price Chart

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