

# Industry overview

- Strong growth in technology spends were led by higher digital and cloud transformation program.
- With a strong recovery in economy, global technology spending reached to \$1.7 trillion in 2021 from \$1.4 trillion in 2020.



GrowMore

- IT & ITES
- GrowMore

Code : tcs

TCS is an IT services, consulting and business solutions organization partnering many of the world's largest businesses in their transformational journeys for the last 50 years.

portfolio of offerings – grouped under consulting and service integration, digital transformation services, cloud services, cognitive business operations, and products and platforms

# Tata Consultancy Services Ltd

India Equity Research



• IT & ITES  
• GrowMore  
Code : tcs



- **1968** Tata Consultancy Services launched as a division of Tata Sons on April 1, 1968, as a management and technology consultancy that would create demand for downstream computer services.
- Acquired an ICL 1903 in 1970
- **1976** Crossed the \$1 Million mark in export revenues.
- **1979** Set up our first sales office in New York, headed by S Ramadorai.
- **2001** Won the largest banking software project in India, to implement a core banking solution at State Bank of India across 13,000 branches, including seven associate banks.
- **2003** Crossed the \$1 Billion mark in annual revenue. Then-CEO S Ramadorai formally unveiled the vision statement,
- **2009** S Ramadorai, who led TCS for 13 years, and had grown its revenues from \$140 Million to over \$6 Billion, stepped down from his executive position, making way for N Chandrasekaran, then Chief Operating Officer, to take over as the CEO & MD.
- **2012** Crossed \$10 Bn in revenue.
- **2013** Acquired French IT services firm ALTI SA

# ***Rajesh Gopinathan, Chief Executive Officer and Managing Director***

**Rajesh Gopinathan** (born 1971) is the CEO and Managing Director of Tata Consultancy Services (TCS), a global IT services, consulting and business solutions organization.<sup>[1]</sup> He was elevated to the role of Chief Executive in February 2017 after serving as the Chief Financial Officer since 2013.

He joined the Tata Strategic Management Group in 1996, where he worked on multiple assignments with Tata companies.

Under Rajesh's leadership, the market capitalization of the company crossed USD 100 billion during April 2018.





# Healthy demand

- TCS management, the company does not see any softness in demand or any delay in decision-making from clients despite the uncertain macro environment. Management is confident of sustaining revenue growth momentum in the coming quarters.
- TCS indicated that the deal pipeline remains healthy with a good mix of small, medium and large deals. TCS signed deals worth USD34.6bn in FY22 (up ~10% YoY).
- Won a very large contract from a Fortune 100 US company, further expanding the long-standing partnership, to transform the technology at its global data centers into a future-ready, hybrid cloud stack for greater agility.
- TCS also launched Google Cloud Garages for co-innovation leveraging analytics and AI on the cloud, at its Pace Ports in Amsterdam, New York and Tokyo

## *Some Information*

### *Company details*

tcs #2 most valuable brand in the IT services sector globally

Market cap: Rs. **1,175,269** cr

52-week high/low: Rs. 4,045 / 2755

NSE volume: (No of shares) 25 lakh

BSE code: 532540

NSE code: TCS

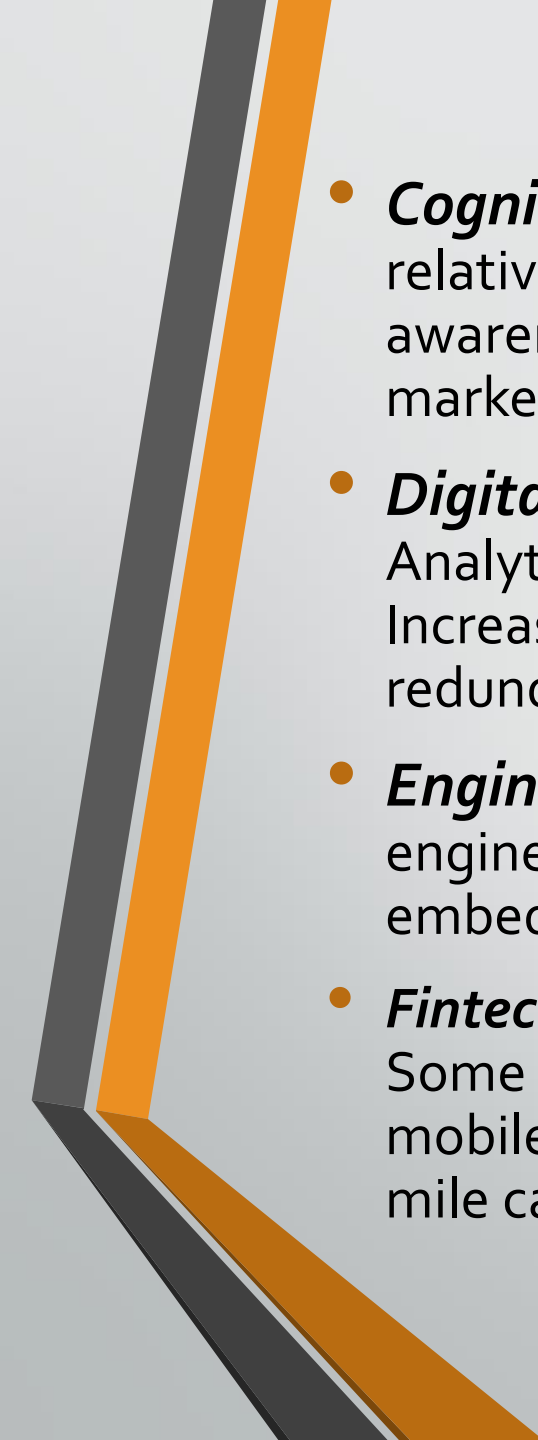
# *Research and Innovation*


- As on **March 31, 2022**, the company has applied for **6,583** patents including **187** applied during the quarter, and has been granted **2,287** patents. For the full year, TCS filed for **704** patents and was granted **437**.

# Growth

- Completed the fourth successful share buyback in five years, to the tune of ₹18,000 crore at ₹4,500 per share, through the tender offer route, extinguishing 4 crore equity shares, representing 1.08% of the total paid-up equity share capital.
- *TCS is considering dividing its operations into four groups: acquisition, relationship incubation, enterprise growth, and business transformation.*
- the five key vertical clusters are: Banking, Financial Services and Insurance (BFSI), Retail and Consumer Business, Communications, Media and Technology (CMT), Manufacturing and Others. The last category includes Life Sciences and Healthcare, Energy, Resources and Utilities, Public Services and others.
- Business 4.0: TCS' thought leadership framework that helps enterprises leverage technology to further their growth and transformation agenda. Successful Business 4.0 enterprises use technology to deliver mass personalization, leverage ecosystems, embrace risk and create exponential value. Such enterprises are agile, intelligent, automated and on the cloud.



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- ***Cognitive Automation:*** The use of AI and machine learning to automate relatively more complex tasks that require reasoning capability and contextual awareness. TCS' ignio™ a leading cognitive automation software product in the market today
  - ***Digital Represents:*** new age technologies such as Social Media, Mobility, Analytics, Big Data, Cloud, Artificial Intelligence and Internet of Things. Increasingly, with these technologies becoming mainstream, this word is becoming redundant.
  - ***Engineering and Industrial Services:*** Consists of next generation product engineering, manufacturing operations transformation, services transformation, embedded software and Internet of Things.
  - ***Fintech Businesses:*** that use technology to make financial services more efficient. Some fintech developments have improved traditional services, for example mobile banking apps, while others have revolutionized services such as pay per mile car insurance, or created new products, such as Bitcoin.

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- ***All-time High Order Book:*** Highest Ever Order Book TCV: **\$11.3** billion in Q4; **\$34.6** billion in FY 22
  - Highest Ever Incremental Revenue in a Year: **\$3.533** billion
  - Q4 Revenue **\$6.696** billion, **+11.8%** (CC: **+14.3%**)
  - FY 22 Revenue **\$25.707** billion, **+15.9%** (CC: **+15.4%**)
  - Industry-leading Profitability: Operating Margin **25.3%**, Net Margin **20%** in FY 22
  - FY 22 Net Income at **\$5.139** billion, **+13.9%\*** YoY

# *Services*

- Demand continued to be strong during the quarter as well as the full year across all markets, industries, and services, with growth led by Cloud, Cyber Security, Enterprise Application Services and IoT & Digital Engineering. Industries: All verticals grew in the mid to high teens. Growth was led by Retail and CPG (**22.1%**), Manufacturing vertical (**+19%**) and Communications & Media (**+18.7%**). Technology & Services grew (**+18%**) and Life Sciences and Healthcare grew (**+16.4%**) while BFSI grew (**+12.9%**).



# Financial results

	Standalone		Consolidated	
	<i>Financial Year</i> <i>2021-22</i> <i>(FY 2022)</i>	<i>Financial Year</i> <i>2020-21</i> <i>(FY 2021)</i>	<i>Financial Year</i> <i>2021-22</i> <i>(FY 2022)</i>	<i>Financial Year</i> <i>2020-21</i> <i>(FY 2021)</i>
Revenue from operations	1,60,341	1,35,963	1,91,754	1,64,177
Other income	7,486	5,400	4,018	3,134
Total income	1,67,827	1,41,363	1,95,772	1,67,311
Expenses				
Operating expenditure	1,14,096	95,653	1,38,697	1,17,631
Depreciation and amortisation expense	3,522	3,053	4,604	4,065
Total expenses	1,17,618	98,706	1,43,301	1,21,696
Profit before finance costs, exceptional item and tax	50,209	42,657	52,471	45,615
Finance costs	486	537	784	637
Profit before exceptional item and tax	49,723	42,120	51,687	44,978
Exceptional item				
Provision towards legal claim	-	1,218	-	1,218
Profit before tax	49,723	40,902	51,687	43,760
Tax expense	11,536	9,942	13,238	11,198
Profit for the year	38,187	30,960	38,449	32,562
Attributable to:				
Shareholders of the Company	38,187	30,960	38,327	32,430
Non-controlling interests	NA	NA	122	132
Opening balance of retained earnings	70,928	71,532	79,586	78,810
Closing balance of retained earnings	68,949	70,928	78,158	79,586



# *Balance sheet analysis*

- Total investments and cash & cash equivalents increased by 11.2% y-o-y to Rs. 56,053 crore in FY2022.
- Total cash and cash equivalents remained at 55.7% of total assets and 4.9% of current market capitalisation.
- PPE increased by 5.7% y-o-y to Rs. 30,300 crore, while the capex for PPE declined by 8.6% y-o-y to Rs. 2,345 crore (8% of the opening PPE).
- RoE and RoCE stood at 43.3% and 49.6% in FY2022 versus 38.9% and 44.8% in FY2021.





## *Company's performance*

- On a consolidated basis, the revenue for FY 2022 was `1,91,754 crore, higher by 16.8 percent over the previous year's revenue of `1,64,177 crore.

## Overview

TTM EPS	104.75
TTM PE	30.77
Sector PE	28.04
Book Value Per Share	245.54
P/B	13.13
Face Value	1

## *Strength*

Promoters increasing shareholding QoQ

Effectively using its capital to generate profit - RoCE improving in last 2 years

Company with No Debt

Increasing Revenue every Quarter for the past 4 Quarters

Increasing profits every quarter for the past 3 quarters

Strong cash generating ability from core business - Improving Cash Flow from operation for last 2 years

Annual Net Profits improving for last 2 years

Book Value per share Improving for last 2 years

Stock has been generating better return on equity than bank FD

Stock offers good dividend returns

**Largecap** With a market cap of ₹11,75,269 cr, stock is ranked 2

Over the last 5 years, debt to equity ratio has been 3.86%, vs industry avg of 11.53%

## *Weakness*



- MFs decreased their shareholding last quarter
- Over the last 5 years, revenue has grown at a yearly rate of 8.41%, vs industry avg of 8.75%
- Over the last 5 years, market share decreased from 32.09% to 32.04%
- Over the last 5 years, net income has grown at a yearly rate of 5.97%, vs industry avg of 7.27%.
- Not very strong in product segment.
- Stock is trading at 13.52 times its book value



## *Key Risks:*

- Foreign currency fluctuations.
- Employee Attrition.



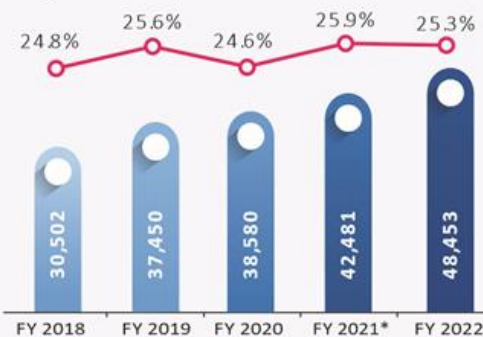
## Financial Highlights

### Revenue Trend CAGR 10.2%



(₹ crore)

### Operating Profit Trend



(₹ crore)

■ Operating Profit ○ Operating Margin

### Earnings per share ^ CAGR 9.2%



(Amount in ₹)

^ Earnings per share is adjusted for bonus issue

### OCF and Cash Conversion



(₹ crore)

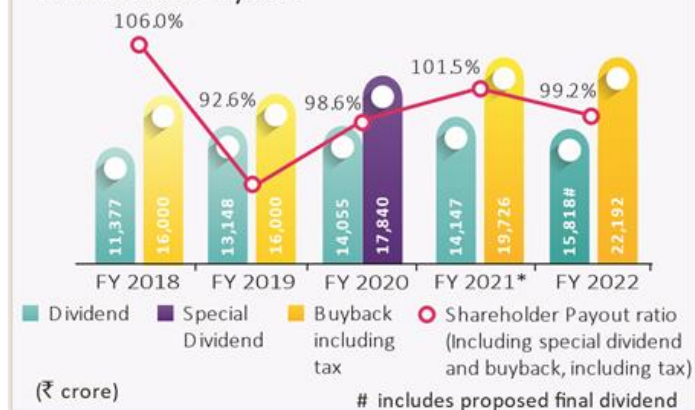
■ Operating Cash Flow (OCF) ○ OCF to Net Profit Ratio

### Cash Usage#



# Cash usage for the period FY 2018 to FY 2022

### Shareholder Payouts



(₹ crore)

# includes proposed final dividend

\* Excluding provision towards legal claim

## *Cash flow*

- OCF before change in working capital increased by 15.3% y-o-y to Rs. 54,204 crore, while OCF increased by just 3% y-o-y to Rs. 39,949 crore in FY2022 from Rs. 38,802 crore in FY2021.

## Expenditure on R&D

(₹ crore)

Expenditure on R&D and		Standalone		Consolidated	
innovation		FY 2022	FY 2021	FY 2022	FY 2021
a.	Capital	₹*	1	₹*	1
b.	Recurring	337	298	341	302
c.	Total R&D expenditure (a+b)	337	299	341	303
d.	Innovation center expenditure	1,841	1,546	1,901	1,614
e.	Total R&D and innovation expenditure (c+d)	2,178	1,845	2,242	1,917
f.	R&D and innovation expenditure as a percentage of total turnover	1.4%	1.4%	1.2%	1.2%

\*Represents value less than ₹0.50 crore.

TCS research and innovation centres are located in India and other parts of the world. These research centres in India, as certified by Department of Scientific & Industrial Research (DSIR), function from Pune, Chennai, Bengaluru, Delhi- NCR, Hyderabad, Kolkata and Mumbai. Expenditure incurred in the R&D centers and innovation centers of TCS during FY 2022 and FY 2021 are given below: (₹ crore)

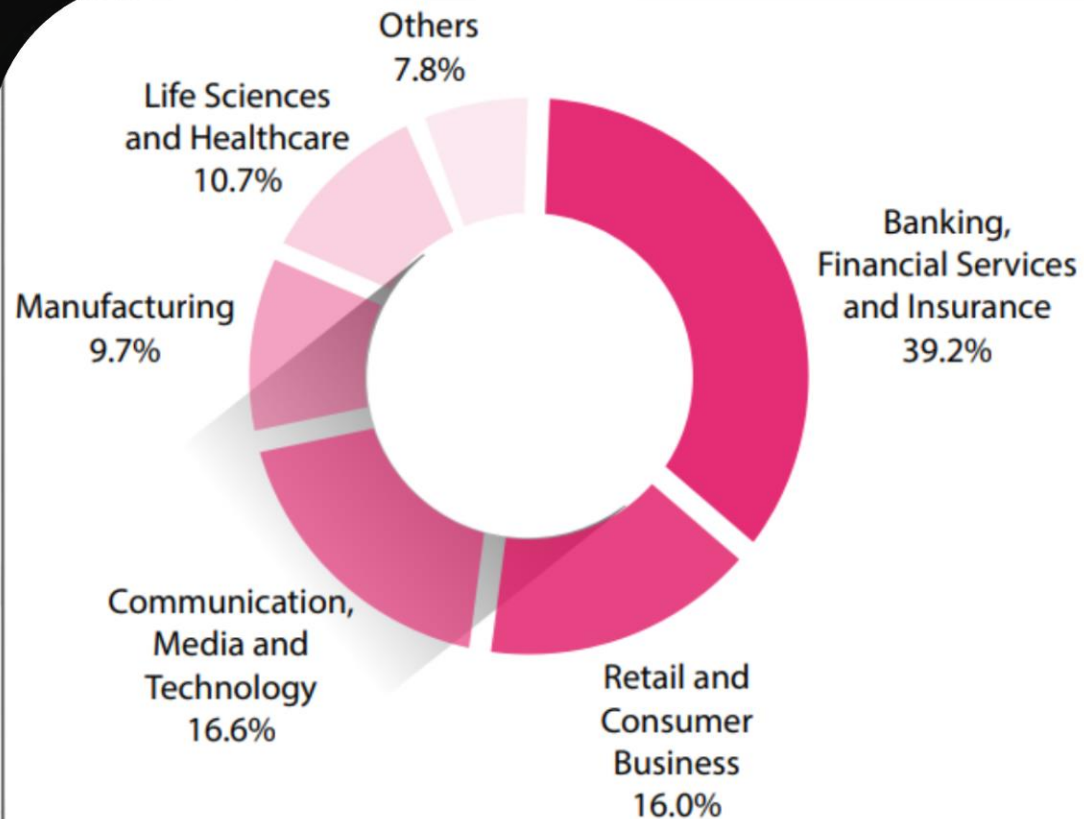
## *Analysis of revenue growth*

- On a reported basis, TCS' revenue grew 16.8% in FY 2022, compared to 4.6% in the prior year, due to accelerated spending on digital transformation initiatives, cloud adoption and increased outsourcing

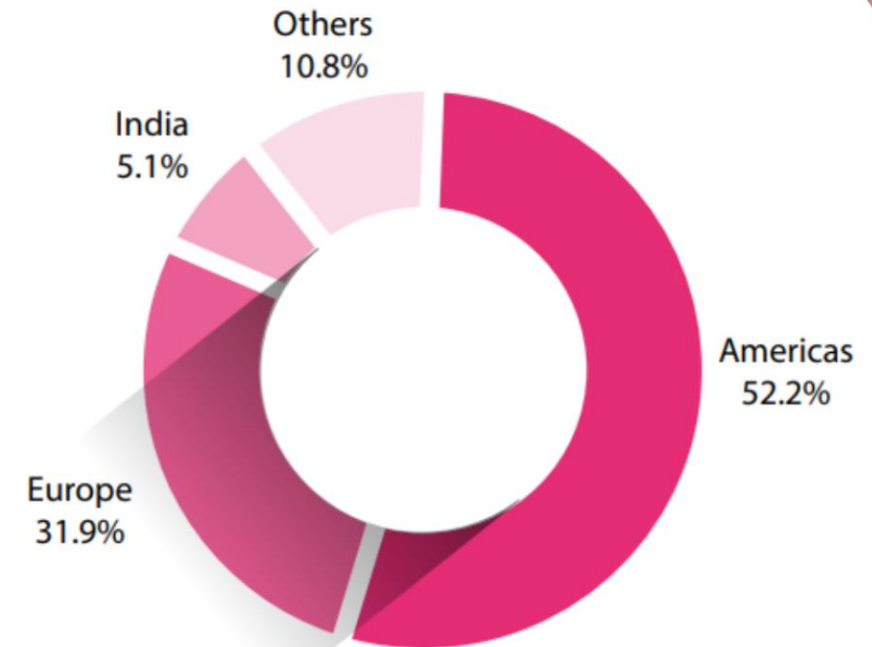
Growth attributable to	FY 2022 (%)	FY 2021 (%)
Business growth	15.4	(0.8)
Impact of exchange rate	1.4	5.4
Total Growth	16.8	4.6

# Segmental Performance

- The revenue break-up by Industry Vertical and Geography is provided below:



Revenue by Industry Vertical



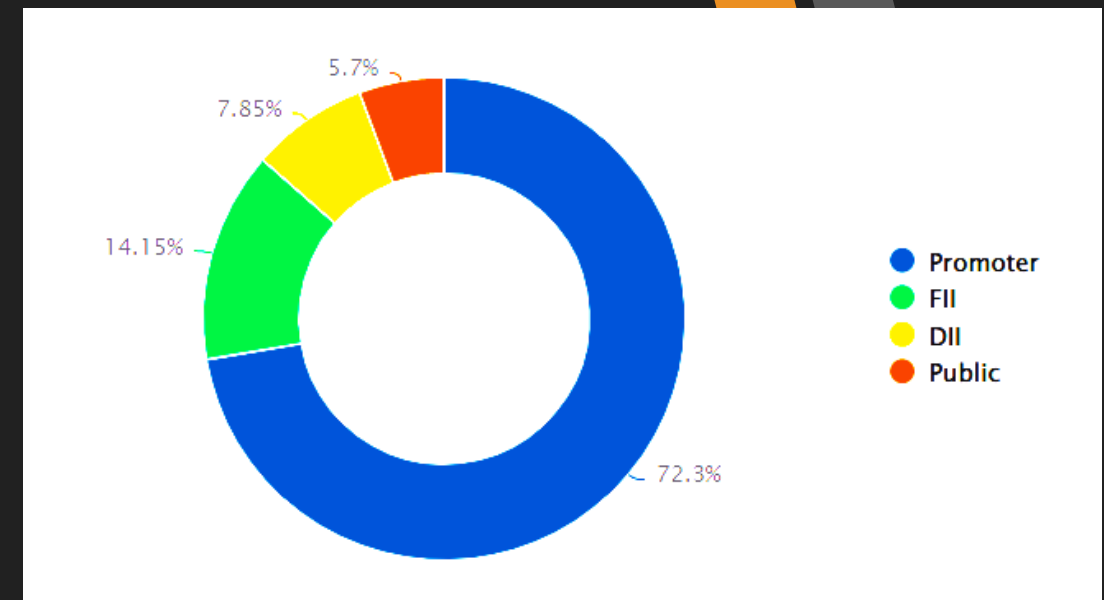
Revenue by Geography



# Performance Trend – 10 years

				Ind AS						Indian GAAP		
	FY 2022	FY 2021*	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015*	FY 2015	FY 2014	FY 2013
Revenue from operations												
Total revenue from operations	191,754	164,177	164,177	156,949	146,463	123,104	117,966	108,646	94,648	94,648	81,809	62,989
Revenue by geographic segments												
Americas	100,072	84,278	84,278	82,000	77,562	66,145	66,091	60,011	51,053	51,053	45,259	35,247
Europe	61,142	52,346	52,346	48,037	43,456	34,155	30,038	29,092	26,730	26,730	23,433	16,813
India	9,805	8,449	8,449	8,964	8,393	7,921	7,415	6,729	6,108	6,108	5,488	4,890
Others	20,735	19,104	19,104	17,948	17,052	14,883	14,422	12,814	10,757	10,757	7,629	6,039
Cost												
Employee cost	107,554	91,814	91,814	85,952	78,246	66,396	61,621	55,348	48,296	50,924	40,486	31,922
Other operating cost	31,143	25,817	27,035	28,888	28,711	24,192	24,034	22,621	19,242	19,242	16,170	13,027
Total cost (excluding interest & depreciation)	138,697	117,631	118,849	114,840	106,957	90,588	85,655	77,969	67,538	70,166	56,656	44,949
Profitability												
EBITDA (before other income)	53,057	46,546	45,328	42,109	39,506	32,516	32,311	30,677	27,110	24,482	25,153	18,040
Profit before tax	51,687	44,978	43,760	42,248	41,563	34,092	34,513	31,840	28,437	25,809	25,402	18,090
Profit after tax attributable to shareholders of the Company	38,327	33,388	32,430	32,340	31,472	25,826	26,289	24,270	21,912	19,852	19,164	13,917
Financial Position												
Equity share capital	366	370	370	375	375	191	197	197	196	196	196	196
Reserves and surplus	88,773	87,014	86,063	83,751	89,071	84,937	86,017	70,875	52,499	50,439	48,999	38,350
Gross block of property, plant and equipment	30,300	28,658	28,658	26,444	24,522	22,720	20,891	19,308	16,624	16,624	13,162	10,996
Total investments	30,485	29,373	29,373	26,356	29,330	36,008	41,980	22,822	1,662	1,662	3,434	1,897
Net current assets	65,959	66,076	65,125	63,177	70,047	63,396	65,804	47,644	30,726	28,495	27,227	19,734
Earnings per share in `												
EPS - as reported	103.62	89.27	86.71	86.19	83.05	134.19	133.41	123.18	111.87	101.35	97.67	70.99
EPS - adjusted for Bonus Issue	103.62	89.27	86.71	86.19	83.05	67.10	66.71	61.59	55.94	50.68	48.84	35.50
Headcount (number)												
Headcount (including subsidiaries) as on March 31 <sup>st</sup>	592,195	488,649	488,649	448,464	424,285	394,998	387,223	353,843	319,656	319,656	300,464	276,196

- Categories of equity shareholding as on March 31, 2022:*



- Top ten equity shareholders of the Company as on March 31, 2022:**

Sr. No.	Name of the shareholders*	Number of equity shares held	Percentage of holding
1	Tata Sons Private Limited	264,43,17,117	72.3
2	Life Insurance Corporation of India	13,51,44,680	3.7
3	SBI Mutual Fund	3,11,90,218	0.9
4	InvescoDeveloping Markets Fund	3,10,72,921	0.9
5	Axis Mutual Fund	2,35,05,274	0.6
6	NPS Trust	1,44,43,818	0.4
7	Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	1,41,43,562	0.4
8	Government of Singapore	1,36,41,333	0.4
9	Vanguard Total International Stock Index Fund	1,30,13,618	0.4
10	UTI Mutual Fund	1,16,88,173	0.3

## *Financials*

- Stock with good financial performance alongside good to expensive valuation

***Piotroski Score: 7***  
***indicates Strong Financials***

### 3 year CAGR growth

Revenue	9.1%
NetProfit	6.8%
OperatingProfit	10.3%

# PEERS

Company Name	Price	% Chg	MCap(Cr)	TTM PE	P/B	ROE (%)	1 Yr Perform(%)	Net Profit(Rs.)	Net Sales(Rs.)	Debt to Equity
<a href="#"><u>TCS</u></a>	3,293.10	-0.47	1,204,962.21	31.44	13.41	42.99	-2.39	38,449	191,754	0.00
<a href="#"><u>Infosys</u></a>	1,441.10	-0.78	606,360.22	27.42	8.01	29.34	-7.57	22,146	121,641	0.00
<a href="#"><u>HCL Tech</u></a>	966.70	-0.47	262,330.00	19.44	4.23	21.80	-2.32	13,523	85,651	0.06
<a href="#"><u>Wipro</u></a>	418.75	-0.07	229,572.90	18.77	4.20	18.69	-23.73	12,237	79,312	0.23
<a href="#"><u>Tech Mahindra</u></a>	981.20	-1.00	95,413.89	17.14	3.76	20.70	-9.15	5,630	44,645	0.06

# ***MANAGEMENT - TATA CONSULTANCY SERVICES***

Name	N Chandrasekaran (Chairman)	N G Subramaniam (Exe.Director & COO)	Keki M Mistry (Ind. Non- Executive Director)	Pradeep Kumar Khoslan (Ind. Non-Executive Director)	Don Callahan (Ind. Non- Executive Director)
Name	Rajesh Gopinathan (Managing Director & CEO)	Aarthi Subramanian (Non Exe.Non Ind.Director)	O P Bhatt (Ind. Non- Executive Director)	Hanne Sorensen (Ind. Non- Executive Director)	



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# GrowMore

It's your company for profit and wealth

*Your profit is our profit*

It's Your space to discuss the Indian Economy

All about investing in India, to get updates on varied financial

**Growing wealth is  
not easy.**

It's a long hard journey that often sees  
unexpected twists and turns.