

October 12, 2020



TATA CONSULTANCY SERVICES

Current Price: ₹ 2814.95

STOCK DATA

BSE Code	532540
NSE Symbol	TCS
Reuters	TCS.BO
Bloomberg	TCS IN

VALUE PARAMETERS

52 W H/L(Rs)	2885.00/1504.40
Mkt. Cap.(Rs Cr)	1056277.5
Latest Equity(Subscribed)	375.24
Latest Reserve (cons.)	88485
Latest EPS (cons.) -Unit Curr.	83.19
Latest P/E Ratio -cons	33.84
Latest Bookvalue(cons.) -Unit Curr.	236.81
Latest P/BV - cons	11.89
Dividend Yield -%	2.59
Face Value	1

SHARE HOLDING PATTERN (%)

Description as on	% of Holding (AS ON 30 Sept 2020)
Foreign	16.00
Institutions	7.85
Govt Holding	0.07
Non Promoter Corp. Hold.	0.14
Promoters	72.05
Public & Others	3.90

Consolidated Results

	Qtr Ending		Var. (%)	Qtr Ending	
	Sept. 20	Jun. 20		Sept. 2019	Var. (%)
Sales	40135.00	38322.00	5	38977.00	3
OPM (%)	28.70	26.20		26.20	
OP	11513.00	10024.00	15	10225.00	13
Other inc.	914.00	598.00	53	1361.00	-33
PBIDT	12427.00	10622.00	17	11586.00	7
Interest	174.00	142.00	23	193.00	-10
PBDT	12253.00	10480.00	17	11393.00	8
Dep.	998.00	976.00	2	864.00	16
PBT	11255.00	9504.00	18	10529.00	7
EO Exp	1218.00	0.00		0.00	
PBT after EO	10037.00	9504.00	6	10529.00	-5
Tax	2533.00	2455.00	3	2471.00	3
PAT	7504.00	7049.00	6	8058.00	-7
MI	29.00	41.00	-29	16.00	81
Net Profit	7475.00	7008.00	7	8042.00	-7
EPS (Rs)*	22.26	18.69		21.45	

Tata Consultancy Services' (TCS) reported Q2FY21 result, Board announces Rs 16000 crore share buyback, beats estimates

Tata Consultancy Services (TCS) for the quarter ended Sep 2020 reported a consolidated revenue of Rs 40135 crore, a growth of 5%QoQ and 3%YoY. On USD terms the revenue for the quarter was USD 5424 million, a growth of 7%QoQ and -2%YoY. On constant currency basis the revenue was up 4.8%QoQ and down 3.2%YoY.

Growth in revenue on sequential basis is largely due to increase in revenue of all business verticals of the company barring manufacturing. Its core BFSI registered a sequential growth of 6% to Rs 16138 crore. Similarly the revenue of retail, communications and others was up by 7%, 1% and 8% respectively to Rs 6353 crore, Rs 6560 crore and Rs 7258 crore. However the revenue of manufacturing was down by marginal 1% to Rs 3826 crore. Growth in QoQ CC was led by BFSI (+6.2%), Retail and CPG (+8.8%) and Life Sciences and Healthcare (+6.9%). Similarly Technology & Services and manufacturing grew 3.1% and 1.4% respectively while that of Communications & Media de-grew by 2.4%. All markets showed good sequential growth, with North America growing 3.6%, UK +3.8%, and Continental Europe +6.1%. Emerging markets also grew well, with India growing 20%, MEA +8%, Latin America +5.5% and Asia Pacific +2.9%.

As OPM expand by 250 bps to 28.7% (compared to 26.2% in in sequential previous quarter) the operating profit was up by 15% to Rs 11513 crore. Gained further by 53% jump in other income to Rs 914 crore, the PBIDT was up by 17% to Rs 12427 crore. However hit by higher interest and depreciation, the PBT was up by 18%QoQ to RS 11255 crore. But with EO Expense being provision of Rs 1218 crore (against nil in corresponding previous period), the growth at PBT after EO level was restricted at 6% to Rs 10037 crore. With taxation being up by 3% to Rs 2533 crore, the PAT was up by 6% to Rs 7504 crore. Eventually the net profit (after MI) was up by 7% to Rs 7475 crore with MI (being share of profit) stand lower by 29% to Rs 29 crore.

Quarterly result YoY comparison

Consolidated revenue was up by 3% to Rs 40135 crore even while it was up by 1.7%YoY in USD terms and down 3.2%YoY on constant currency terms. On yoy comparison the OPM expanded

by 250 bps to 28.7% and thus the growth at operating profit was 13% to Rs 11513 crore. Hit by 33% fall in OI, the growth at PBIDT was restricted at 7% to Rs 12427 crore. The interest cost was down by 10% to Rs 174 crore. The depreciation was up by 16% to Rs 998 crore. Thus the PBT was up by 7% to Rs 11255 crore. The taxation was up by 3% to Rs 2533 crore and thus the PAT was down by 7% to Rs 7504 crore. With minority interest stand lower by 81% to Rs 29 crore, the net profit was down by 7% to Rs 7475 crore.

Other developments

In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin alleging unauthorized access to and download of their confidential information and use thereof in the development of the Company's product MedMantra.

In April 2016, the Company received an unfavorable jury verdict awarding damages of Rs 6937 crore (US \$940 million) to Epic which was thereafter reduced by the Trial Court to Rs 3100 crore (US \$420 million). Pursuant to reaffirmation of the District Court order in March 2019, the Company filed an appeal in the Appeals Court to fully set aside the Order. Epic also filed a cross appeal challenging the reduction by the District Court judge of Rs 738 crore (US \$100 million) award and Rs 1,476 crore (US \$200 million) in punitive damages. On August 20, 2020, the Appeals Court vacated the award of `2,066 crore (US \$280 million) in punitive damages considering the award to be constitutionally excessive and remanded the case back to District Court with instructions to reassess and reduce the punitive damages award to at most Rs 1,033 crore (US \$140 million), affirmed the District Court's decision vacating the jury's award of Rs 738 crore (US \$100 million) in compensatory damages for alleged use of 'other confidential information' by the Company, and affirmed the District Court's decision upholding the jury's award of Rs 1,033 crore (US \$140 million) in compensatory damages for use of the comparative analysis by the Company.

The company has received legal advice to the effect that the Appeals Court has misapprehended the facts of the case while delivering its judgement and that the Company has correct and the strongest possible arguments in its petition filed at the Appeals Court on September 3, 2020, for re-hearing of the awards for both compensatory and punitive damages, which is currently pending. Epic has also filed for re-hearing that portion of the Appeals Court's decision that invalidated award of punitive damages.

However, considering all the facts and various legal precedence, on a conservative and prudent basis, the Company has provided Rs 1218 crore (US \$165 million) towards this legal claim in its financial statements for the period ended September 30, 2020. This has been presented as an 'exceptional item' in the condensed consolidated interim statement of profit and loss.

Announces share buyback

The Board has approved a proposal to buy back up to 53333333 equity shares of TCS, being 1.42% of the total paid up equity share capital, at Rs 3,000 per equity share for an aggregate amount not exceeding Rs 16000 crore (excluding taxes and related expenses), on proportionate basis under the tender offer route using the stock exchange mechanism, subject to approval of the members by means of a special resolution through a postal ballot.

To pay an interim dividend of RS 12 per equity share with record date being Oct 15, 2020.

Management Comment

Rajesh Gopinathan, CEO & MD of the company commenting on the performance said, "Driving accelerated business value realization of our customers' digital investments has resulted in broad-based revenue growth. The strong order book, a very robust deal pipeline, and continued market share gains give us confidence for the future.' He added: 'What we are witnessing right now is the start of the first phase of a multi-year technology transformation cycle. In the current phase, enterprises are building a cloud-based foundation that will serve as a resilient, secure and scalable digital core. In subsequent phases, we will see the native capabilities of these platforms being utilized to create innovative new business models and

differentiated customer experiences. Our investments in building deep expertise on these platforms, in research and innovation and in industry-specific solutions leveraging our contextual knowledge, position us very strongly to benefit fully from this secular demand driver.”

N Ganapathy Subramaniam, COO & ED said, “Our all-round performance this quarter is a huge endorsement of the increased relevance of our services and solutions to our clients as they pivot from risk mitigation to long-term resilience powered by cloud, digital and simplification of working methods. Clients are partnering us to leverage our thought leadership in SBWS™, Vision 25 x 25™ and Location Independent Agile™ to build a resilient, adaptable and futureproof operating model.’ He added: ‘Accessibility and Touchless are becoming important attributes for solution design, and our products and platforms continue to gain traction. Besides core systems transformation, our Quartz Block chain Solution is the choice of a leading bank and a market infrastructure player for inter-bank lending, crypto assets and for enabling real-time settlements.”

V Ramakrishnan, CFO said, “We have always maintained that growth is the best margin lever, and that is very evident in our numbers this quarter. It is very gratifying to see every financial metric precisely where we would like it to be, with a stellar operating margin despite neutral currency, strong cash conversion, and lowest ever DSO. We continue to invest in our people and are doubling down on building newer capabilities to power the next leg of our growth and market share expansion.”

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