

April 20, 2020



TATA CONSULTANCY SERVICES

Current Price: ₹ 1806.80

STOCK DATA

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

VALUE PARAMETERS

52 W H/L(Rs)	2296.00/1504.40
Mkt. Cap.(Rs Cr)	677980.88
Latest Equity(Subscribed)	375.24
Latest Reserve (cons.)	83559
Latest EPS (cons.) -Unit Curr.	86.19
Latest P/E Ratio -cons	20.96
Latest Bookvalue(cons.) -Unit Curr.	223.68
Latest P/BV - cons	8.08
Dividend Yield -%	4.04
Face Value	1

SHARE HOLDING PATTERN (%)

Description as on	% of Holding (AS ON 31 Dec 2019)
Foreign	15.9
Institutions	8.03
Govt Holding	0.06
Non Promoter Corp. Hold.	0.12
Promoters	72.05
Public & Others	3.83

Consolidated Results

	Qtr Ending	Qtr Ending	Var. (%)	Qtr Ending	In Cr. Var. (%)
	Mar. 2020	Dec. 2019		Mar. 2019	
Sales	39946.00	39854.00	0	38010.00	5
OPM (%)	27.50	27.30		26.50	
OP	10976.00	10871.00	1	10074.00	9
Other inc.	738.00	818.00	-10	1193.00	-38
PBIDT	11714.00	11689.00	0	11267.00	4
Interest	251.00	223.00	13	28.00	796
PBDT	11463.00	11466.00	0	11239.00	2
Dep.	951.00	897.00	6	537.00	77
PBT	10512.00	10569.00	-1	10702.00	-2
Tax	2419.00	2426.00	0	2550.00	-5
PAT	8093.00	8143.00	-1	8152.00	-1
MI	44.00	25.00	76	26.00	69
Net Profit	8049.00	8118.00	-1	8126.00	-1
EPS (Rs)*	85.90	86.60		86.70	

Tata Consultancy Services' (TCS) Flat revenue on QoQ basis as core BFSI report lower sales, in line with the estimates

Tata Consultancy Services (TCS) for the quarter ended Mar 2020 reported a consolidated revenue of Rs 39946 crore, a flat growth (up 0%) compared to sequential previous quarter ended Dec 2019 revenue of Rs 39854 crore. Flat growth in revenue is largely due to 2%QoQ fall in BFSI revenue, which roughly accounts for about 38% of the reported revenue. Lower BFSI revenue was due to continuation of slowdown as well as delay in shifting to remote working in BFSI vertical due to regulatory approvals in view of Covid 19 lockdown globally. While the core BFSI stood at RS 15207 crore (down from RS 15483 crore in quarter ended Dec 2019) the retail vertical revenue stood flat at Rs 6682 crore (or 17% of sales). However the revenue of manufacturing, communications and others stood marginally higher at Rs 4217 crore (up 1%, and 11% of t.sales), Rs 6751 crore (up 2%, and 17% of t.sales) and Rs 7089 crore (up 3%, and 18% of t.sales) respectively.

As OPM expanded by 20 bps to 27.5% from 27.3% in sequential previous quarter the operating profit was up by 1% to Rs 10976 crore. Hit further by lower other income, higher interest and higher depreciation, the PBT was down by 1%QoQ to RS 10512 crore. With taxation stay flat at RS 2419 crore, the PAT was down by 1% to Rs 8093 crore. Eventually the net profit (after MI) was down by 1% to Rs 8049 crore with MI (being share of profit) stand higher by 76% to Rs 44 crore.

Quarterly result YoY comparison

Sales for the quarter ended March 2020 was up by 5% to Rs 38010 crore. On constant currency (CC) basis the revenue grew by 3%yoy. Revenue growth for the quarter was led by Life Sciences & Healthcare (up 16.2%), Communications & Media (up 9.3%) and Manufacturing (up 7%). Retail & CPG grew up 4.2% and Technology & Services grew up 3.5%. BFSI revenue declined 1.3%. In terms of markets, the growth was led by Europe (up 11.9%) and UK (up 5.4%), Latin America grew up 3.9%, Asia Pacific grew up 3.5% and MEA grew up 1.3%. North America grew up 0.2% while India declined 1.9%.

On yoy comparison the OPM expanded by marginal 100 bps to 27.5% and thus the growth at operating profit was 9% to Rs 10976 crore. Hit by 38% fall in OI, the growth at PBIDT was

restricted at 4% to Rs 11714 crore. However hit further by higher interest (a jump of 796% to Rs 251 crore) and depreciation cost (up 77% to Rs 951 crore), the PBT was down by 2% to Rs 10512 crore. With taxation stand lower by 5% to Rs 2419 crore, the PAT was down by 1% to Rs 8093 crore. With MI stand higher by 69%yoy to Rs 44 crore, the net profit after MI was down by 1% to Rs 8049 crore.

Annual performance

Sales for the period was up by 7%yoy to Rs 156949 crore and with OPM contract by 20 bps to 26.8%, the growth at operating profit was 7% to Rs 42109 crore. Gained by 7% growth in OI to Rs 4592 crore, the PBIDT was up by 7%yoy to Rs 46701 crore. As interest cost and depreciation stand higher, the growth at PBT was restricted to stand at 2% to Rs 42248 crore. After accounting for taxation (down 2% to Rs 9801 crore), the PAT was up by 3% to Rs 32447 crore. With MI stand higher by 19% to Rs 107 crore, the net profit was up by 3%yoy to Rs 32340 crore.

Other developments

Epic Systems Corporation (referred to as Epic) in October 2014, filed a legal claim against the company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's proprietary information. In April 2016, the Company received an unfavourable jury verdict awarding damages totaling Rs 6703 crore (US \$940 million) to Epic. In September 2017, the Company received a Court order reducing the damages from Rs 6703 crore (US \$940 million) to Rs 2995 crore (US \$420 million) to Epic. Pursuant to US Court procedures, a Letter of Credit has been made available to Epic for Rs 3138 crore (US \$440 million) as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Pursuant to reaffirmation of the Court order in March 2019, the Company has filed a notice of appeal in the superior Court to fully set aside the Order. Epic has also filed a cross appeal challenging the reduction by the trial judge of Rs 713 crore (US \$100 million) award and Rs 1426 crore (US \$200 million) in punitive damages. The Company has received legal advice to the effect that the order and the reduced damages awarded are not supported by evidence presented during the trial. Accordingly, this matter is disclosed as contingent liability.

Declared final dividend of Rs 6 per equity share

The Board of Directors at its meeting held on April 16, 2020, has declared a final dividend of Rs 6 per equity share. This is in addition to the interim dividend of Rs 5 per equity share paid earlier.

Management Comment

Rajesh Gopinathan, CEO & MD of the company commenting on the performance said, 'Amidst the tumult of the last few weeks, our priority has been to safeguard the health and well-being of our employees while continuing to support our customers' mission critical activities globally. The agility, resilience and adaptability of our operating model were put to the test, and it has emerged stronger and more proven than ever before. This has further strengthened our customers' confidence in TCS. Many of them have reached out to us to express their appreciation, and gratitude for how our teams went above and beyond to help them keep their businesses running under very difficult circumstances. I want to thank all the TCSers who showed immense grit, resolve and ingenuity, in the true spirit of TCS, to make this possible.' He added 'The pandemic completely reversed the positive momentum that we had started seeing in some of our biggest verticals in the first half of the quarter. On the positive side, we had very strong deal closures during the quarter. In fact, our order book this quarter is the largest ever, from the time we started reporting the metric. Organizations across the world are realizing the need for operational and systems resilience. Many of the large deals we signed during the quarter address precisely that need. They are core transformation programs that leverage the power of technology to make our customers' operations leaner, faster, and more resilient.'

N Ganapathy Subramaniam, COO & ED said, 'Covid 19 presented us an operational challenge of scale, speed and complexity. Although we have been the pioneers of the Location Independent Agile model, switching a long-established infrastructure model of an organization of over 448,000 employees in a matter of days is pushing the boundaries of location independence as well as agility to their limits. It also required recalibrating the project management methodology and the security posture. The outcome was our Secure Borderless Workspaces framework, which has now enabled close to 90% of our employees to work remotely and securely. Despite the lockdowns, I am pleased that our customers continue to experience the same energy and delivery certainty from TCS as before. All in all, we managed to not only maintain all essential services for our customers, but also continue the journey in their growth and transformation programs. As for the operating metrics, I am particularly happy with the robust client metrics this quarter, with strong additions across most revenue buckets.'

V Ramakrishnan, CFO said, 'The speed with which we were able to switch from a highly centralized delivery to a fully distributed model is also on account of the investments we have been making over the years in building an agile and resilient core. We have digitized virtually all our processes and invested in cutting edge infrastructure and collaboration tools to support our Location Independent Agile delivery model and Secure Borderless Workspaces. As we enter a difficult and uncertain period, our strong balance sheet, best-in-class profitability and the inherent resilience of our business model position us well to navigate the challenges ahead and gain share.'

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