

Bloomberg Code	TCS IN
No of share O/S (in crs)	369.90
Market Cap (in Rs. crs)	14,47,577
Face Value (in Rs.)	1
Dividend Yield (%)	1.0
52 Wk High/Low	3990/2600

Shareholding (%)	
Promoters	72.19
Institutional	23.30
Public	4.51
Total	100.00

Key Highlights:

TCS reported a CC (Constant Currency) consolidated revenue growth of 4.0% QoQ. The results were lower than the expected growth of 4.6% QoQ mainly due to weak performance in Europe, where a large project came to an end and enhanced offshoring out-of-Europe because of talent scarcity. Consolidated Revenues in Q2FY22 stood at Rs 46,867 Cr which grew by 16.8% on a YoY basis and 3.2% on QoQ. Operating margins (EBIT) fell by ~60bps YoY but improved by ~10bps sequentially to 25.6%. Consolidated PAT margins improved by ~190bps to 20.5% as against 18.6% in Q2FY21 and 19.8% in Q1FY21 mainly on account of higher other income & reduced finance cost.

Segmental Performance:

Revenue growth was broad-based and all verticals posted double-digit CC growth YoY in Q2. Growth was led by Manufacturing (21.7% CC YoY), Life Sciences & Healthcare (19%), Retail & CPG (18.4%), BFSI (17%), and Communication and Media (15.6%). All geographies, except for Asia Pacific, posted double-digit growth YoY, with North America growing 17.4% YoY CC, Latin America 15.2%, UK 15.6%, India 20.1%, MEA 13.8%, and Continental Europe 13.5%. India business bounced back with ease of Pandemic restrictions.

TCS reported robust deal wins of USD7.6bn (book-to-bill: 1.2x) for the quarter, with a good mix of small, mid-sized and large deals. The TCV of deals signed in BFSI, Retail and North America stood at USD2.1bn, USD1.2bn and USD3.9bn, respectively. The deal intake stood at USD7.6bn in Q2, down 11.6% YoY on reported basis. However, adjusted for ~USD2.5bn mega deal in base quarter, deal intake grew ~25% YoY in Q2.



Concall Highlights:

- Demand environment is very strong and is likely to continue to be strong in the medium term.
- Pipeline continues to remain strong with mix of both low duration as well as medium to large duration deal.
- Strong growth and disciplined execution should help overcome headwinds from supply-side inflation.
- Added 19,690 employees sequentially.
- Total headcount stands at 528,748. TCS has on boarded 43,000 fresh graduates in H1FY22.
- Plans to gradually get employees back to office by the end of FY22, considering the progress made on the vaccination front (70% workforce fully vaccinated and over 95% received at least one dose).
- The company declared a dividend of Rs7 per share.

Valuation

At the CMP of Rs. 3,934 the stock is trading at a 37.3x P/E with an estimated FY22 EPS of Rs. 105.

Financial Summary

Net sales grew by 16.8% YoY and 3.2% QoQ. Revenues were lower mainly due to weak performance in Europe where a large project came to an end.

EBITDA Margins fell by 70bps to 28.0%, due to enhanced offshoring out of Europe.

Exceptional item for the year FY21 constitutes provisions of USD 165 mn towards legal claim.

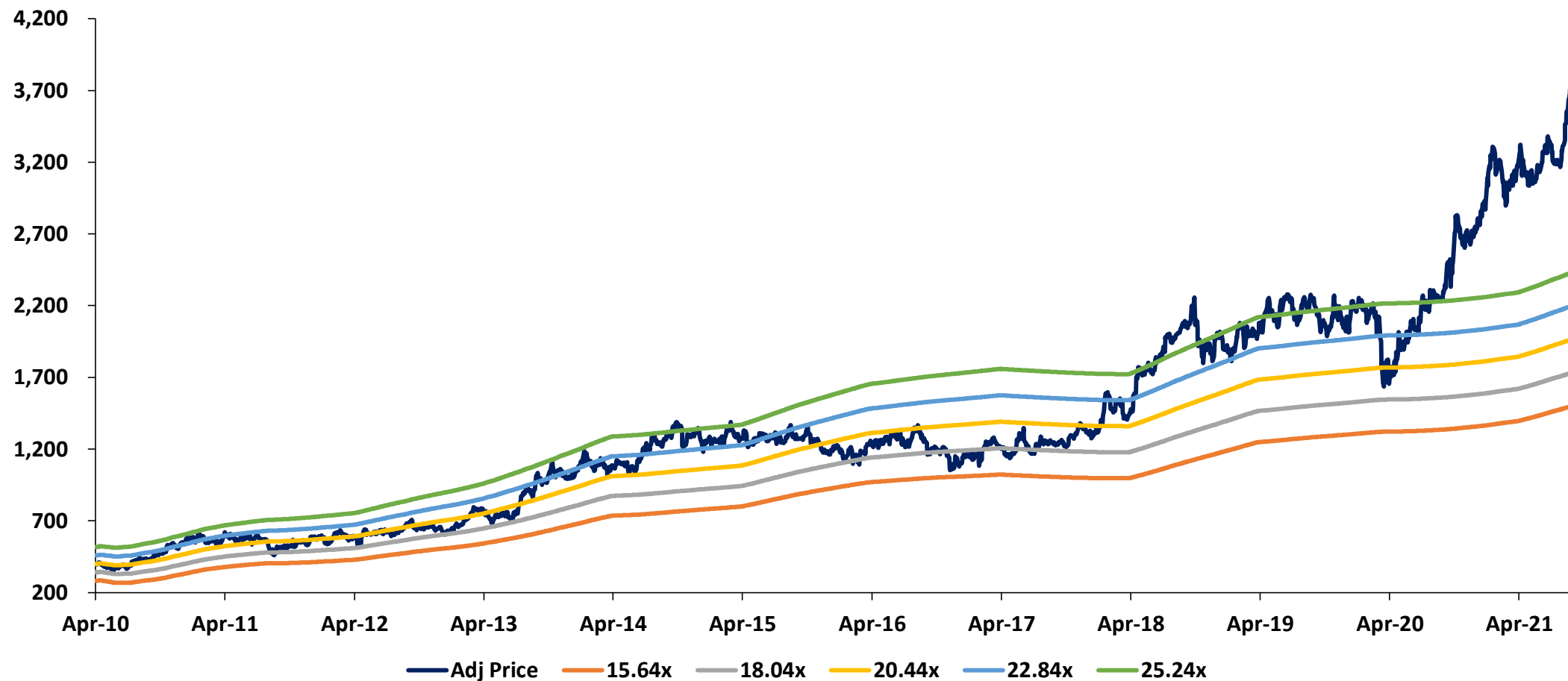
PAT margins stood at 20.5% for Q2FY22 v/s 18.6% in Q2FY21 and 19.8% in Q1FY22.

Figures are in Rs Cr	Q2FY22	Q2FY21	YoY (%)	Q1FY21	QoQ (%)	FY21	FY20	YoY (%)
Net Sales	46,867	40,135	16.8	45,411	3.2	164,177	156,949	4.6
Cost of equipment/consultants	4,403	3,313	32.9	4,158	5.9	14,676	12,937	13.4
Cost to Sales (%)	9.4	8.3		9.2		8.9	8.2	
Employee Cost	26,384	22,665	16.4	25,649	2.9	91,814	85,952	6.8
Employee Cost to Sales (%)	56.3	56.5		56.5		55.9	54.8	
Operating Expenses	2,964	2,644	12.1	2,941	0.8	11,141	14,046	-20.7
OPEX to Sales (%)	6.3	6.6		6.5		6.8	8.9	
EBITDA	13,116	11,513	13.9	12,663	3.6	46,546	44,014	5.8
EBITDA Margin (%)	28.0	28.7		27.9		28.4	28.0	
Depreciation	1,116	998	11.8	1,075	3.8	4,065	3,592	13.2
EBIT	12,000	10,515		11,588		42,481	40,422	
EBIT Margin (%)	25.6	26.2	-2.3	25.5	0.3	25.9	25.8	0.5
Interest	142	174	-18.4	146	-2.7	637	924	-31.1
Other Income	1,111	914	21.6	721	54.1	3,134	4,592	-31.8
Other Income to Sales (%)	2.4	2.3		1.6		1.9	2.9	
Exceptional Income / Expenses	0	1,218		0		1,218	0	
Profit Before Tax	12,969	10,037	29.2	12,163	6.6	43,760	42,248	3.6
Tax Rate (%)	25.6	25.2		25.8		25.6	23.2	
Profit After Tax	9,653	7,504	28.6	9,031	6.9	32,562	32,447	0.4
MI/JV	29	29		23		132	107	
Consolidated PAT	9,624	7,475	28.7	9,008	6.8	32,430	32,340	0.3
PAT margin (%)	20.5	18.6		19.8		19.8	20.6	
Adjusted EPS	26.0	19.9	30.6	24.4		86.2	86.4	-0.2

Segmental Performance

Year ending Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Dollar Revenue (\$ in Crs)	545	552	559	544	506	542	570	599	615	633
CC Revenue QOQ Growth (%)	2.3	1.6	0.3	(1.3)	(6.7)	4.8	4.1	4.2	2.4	3.6
Geographical Revenue Breakup (%)										
America	52.4	52.5	52.0	52.1	53.1	52.5	50.8	50.2	51.0	51.9
Europe	30.1	30.2	30.8	31.2	30.9	30.2	31.9	32.8	33.0	32.0
Rest of the World	17.5	17.3	17.2	16.7	16.0	17.3	17.3	17.0	16.0	16.1
Verticalwise Break Up (%)										
Financial Services	30.8	31.0	30.4	29.7	31.3	31.3	31.3	32.2	32.5	32.4
Retail	15.0	14.8	15.2	15.4	14.0	14.9	14.5	14.5	14.8	15.0
Communication	6.9	7.0	9.5	7.2	7.1	6.9	6.6	6.5	6.4	6.5
Manufacturing	9.8	9.8	10.0	10.1	9.7	9.8	9.6	9.6	9.8	9.9
Others	37.5	37.4	34.9	37.6	37.9	37.1	38.0	37.2	36.5	36.2
Clientwise Break up (Nos.)										
\$1 Mn+	1,014	1,032	1,053	1,072	1,066	1,076	1,077	1,096	1,118	1,138
\$10 Mn+	384	398	395	391	382	386	386	387	405	417
\$50 Mn+	100	101	102	105	100	97	97	101	105	114
\$100 Mn+	44	47	47	49	48	49	48	48	50	54

1 year forward P/E band chart



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