INVasset Corporate Insights

TATA CONSULTANCY SERVICES

18th May, 2024

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India's Best Performing and Most Customer Centric PMS

Comprehensive Analysis of Tata Consultancy Services (TCS): A Leader in Global IT Services

Tata Consultancy Services roots trace back to 1968 when it was established as the pioneering IT services company under the Tata Group umbrella, known for its commitment to ethical business practices and societal welfare. Over the decades, TCS has evolved into a global leader, leveraging its deep-rooted values and rich heritage to drive innovation and transformation in the digital era. The company's legacy of excellence is upheld through a culture of integrity, professionalism, and customer-centricity, ingrained within its DNA since inception.

Consulting-Led Transformational Approach:

TCS adopts a consultative approach to client engagements, focusing on understanding each client's unique challenges, objectives, and market dynamics. Its consulting-led strategy entails close collaboration with clients to co-create tailored solutions that address specific business needs and drive sustainable growth. By combining industry insights, technological expertise, and a deep understanding of business processes, Tata Consultancy Services empowers clients to embark on transformative journeys with confidence and clarity.

Diversified Revenue Streams:

TCS boasts a diversified revenue model, with contributions from various industry verticals including BFSI, Consumer Business, Life Sciences & Healthcare, Manufacturing, Communication & Media, and Energy, Resources, and Utilities. This diversified revenue stream not only mitigates risks associated with industry-specific fluctuations but also underscores TCS's versatility and adaptability in catering to diverse client requirements.

Global Footprint and Market Leadership:

With a presence in over 50 countries and delivery centers strategically located across the globe, Tata Consultancy Services maintains a robust global footprint, enabling it to serve clients seamlessly across different geographies. TCS's market leadership is underscored by its consistent track record of delivering high-quality services, fostering long-term partnerships, and staying ahead of industry trends through continuous innovation and investment in talent and technology.

Innovative Platforms Powering Digital Transformation:

Tata Consultancy Services suite of innovative platforms caters to a wide spectrum of industry needs, ranging from financial services and education to healthcare and retail. These platforms, including TCS BaNCS, TCS iON, Ignio, and TCS ADD, are designed to streamline operations, enhance customer experience, and drive business agility through advanced technology solutions and domain-specific expertise.

AI Cloud: Revolutionizing AI and Machine Learning: The launch of AI.Cloud represents a pivotal moment for Tata Consultancy Services (TCS), symbolizing the company's unwavering dedication to unlocking the transformative potential inherent in artificial intelligence, cloud computing, and data analytics. By leveraging the convergence of these cutting-edge technologies, TCS aims to usher in a new era of innovation and disruption, empowering organizations to reimagine their business models, drive operational efficiencies.

Stock Data	
CMP (18-05-2024)	3,848
52 Week High/Low	4,255/3,156
Face Value	1.00
Market Cap (In Crs)	13,92,240
Enterprise Value (In Crs)	13,86,975
NSE	TCS
BSE	532540
Bloomberg	TCS:IN
Sector	Software & Consulting

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	72.41	71.77
FII	12.46	12.70
DII	10.03	10.61
Public	5.03	4.86
Others	0.05	0.06

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	2.33	14.29	24.15
TCS	-0.31	9.44	20.38

Key Ratios	
P/E	29.9
P/S	5.78
P/B	15.4
Debt To Equity	0.09
ROE	51.5%
ROCE	64.3%
Dividend Yield	1.43%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	61,237	60,583	59,162	1.08%	3.51%
EBITDA	18,321	16,292	16,949	12.45%	8.09%
EBIT	17,075	15,059	15,663	13.39%	9.01%
Net Profit	12,502	11,097	11,436	12.66%	9.32%
EPS	34.37	30.56	31.13	12.47%	10.41%

Result Highlights

In the most recent quarter, Tata Consultancy Services (TCS) continued its upward trajectory, reporting impressive financial results. Sales for Q4 FY24 reached ₹61,237 crore, reflecting a marginal increase of 1.08% from the preceding quarter (Q3 FY24) and a notable 3.51% growth compared to the same period last year (Q4 FY23). This growth trend was mirrored across key financial metrics, with EBITDA and EBIT rising to ₹18,321 crore and ₹17,075 crore, respectively, representing sequential increases of 12.45% and 13.39%, and year-on-year growth rates of 8.09% and 9.01%. Net profit for the quarter stood at ₹12,502 crore, marking a significant 12.66% sequential increase and a commendable 9.32% growth compared to Q4 FY23. Correspondingly, earnings per share (EPS) surged to ₹34.37, reflecting a sequential growth of 12.47% and a year-on-year increase of 10.41%.

These results underscore TCS's consistent performance and resilience, demonstrating its ability to navigate dynamic market conditions while delivering sustained value to stakeholders. Despite prevailing challenges, TCS has maintained its growth momentum, driven by robust operational efficiency, strategic investments, and a steadfast focus on innovation and client-centricity. The company's strong financial performance reaffirms its position as a market leader in the IT services sector, poised for continued success and value creation in the foreseeable future.

Innovative Solutions Portfolio: Tata Consultancy Services (TCS) stands out for its diverse range of innovative platforms and solutions catering to various industry verticals. From TCS BaNCS for the BFSI sector to TCS iON for education and Ignio for cognitive automation, the company's portfolio reflects its commitment to driving digital transformation and delivering value-added services to clients. TCS's ability to develop and deploy cutting-edge technologies underscores its position as a preferred partner for organizations seeking to stay ahead in the digital age. With AI.Cloud, TCS expands its innovative portfolio, offering clients access to advanced artificial intelligence and machine learning capabilities seamlessly integrated with cloud computing infrastructure, further enhancing its ability to address complex business challenges and drive sustainable growth for its clients.

Strategic Partnerships and Client Relationships: TCS's strategic partnerships with industry leaders such as Google, Amazon, and IBM highlight its collaborative approach to business. By fostering long-term relationships based on trust, reliability, and mutual growth, TCS has solidified its position as a trusted advisor and transformation partner for clients worldwide. These strategic alliances not only enhance TCS's market reach but also enable it to leverage the latest technologies and domain expertise to address clients' evolving needs effectively. With the introduction of AI.Cloud, TCS strengthens its strategic partnerships by offering clients access to state-of-the-art AI capabilities, empowering them to unlock new levels of efficiency, innovation, and competitiveness in the digital era.

Research and Development Excellence: TCS's commitment to research and development is evident through its robust patent portfolio and investment in innovation labs worldwide. The company's focus on foundational research in core computing areas, coupled with its emphasis on applied research and experimentation, underscores its dedication to pushing the boundaries of technological innovation. TCS's research-driven approach enables it to develop cutting-edge solutions that address emerging challenges and opportunities in the digital landscape.

Global Footprint and Market Leadership: With a strong presence in over 50 countries and delivery centers strategically located across the globe, TCS maintains a robust global footprint. Its market leadership is underscored by its consistent track record of delivering high-quality services, fostering long-term partnerships, and staying ahead of industry trends through continuous innovation and investment in talent and technology.

Concall Highlights

Strong Financial Performance: TCS reported exceptional financial results, marked by robust sequential revenue growth and a record Total Contract Value (TCV) of $13.2 billion. This achievement underscores TCS's ability to secure significant deals and capitalize on emerging market opportunities, reinforcing its position as a global leader in IT services. The operating margin reaching 26% for the quarter, the highest in the last 12 quarters, reflects the company's relentless focus on operational excellence and cost optimization. Despite prevailing economic uncertainties, TCS's fiscal year 2024 revenue witnessed healthy growth at 6.8% in rupee terms, driven by consistent operational performance and strategic investments.

Revenue Growth and Margin Expansion: Q4 revenue growth of 3.5% year-on-year in constant currency terms, amounting to ₹61,237 crores, demonstrates TCS's resilience and ability to navigate challenging market conditions. The full-year revenue growth of 3.4% YoY in constant currency, totaling ₹240,893 crores, reflects sustained momentum and customer confidence in TCS's capabilities. Operating margin expansion to 26% in Q4, with a sequential increase of 100 basis points, underscores TCS's efficient cost management strategies and operational discipline.

Workforce Dynamics: TCS's workforce stood at 601,546 by the end of Q4, indicating its robust operational strength and ability to scale effectively to meet evolving client demands. Despite industry-wide talent challenges, TCS managed to keep LTM attrition in IT services at 12.5%, a testament to its effective employee engagement and retention initiatives. The company's consistent recognition as a "Global Top Employer" by the Top Employers Institute for the ninth consecutive year underscores its commitment to fostering a positive work culture and nurturing talent.

Segmental Performance and Product Innovation: TCS's growth was fueled by regional markets, manufacturing, and energy sectors, reflecting its diversified revenue streams and deep industry expertise. Continued traction in innovative products and platforms like ignio™, TCS BaNCS™, and TCS iON highlights the company's focus on driving digital transformation and delivering value-added solutions to clients.

Strategic Focus on Digital Transformation: TCS reiterated its strategic focus on operating model transformation, cloud adoption, AI enablement, and sustainability initiatives to stay ahead of market trends and meet evolving client needs. Notable partnerships and deals announced during the conference call underscore TCS's commitment to driving innovation, enhancing customer experiences, and addressing challenges such as supply chain modernization and ESG integration.

Adoption of AI and Cloud Technologies: The growing adoption of AI and Gen AI technologies across industries underscores TCS's leadership in driving digital innovation and enabling clients to harness the power of emerging technologies. Strategic initiatives and partnerships aimed at accelerating cloud-native architecture and digital transformation projects reflect TCS's commitment to staying at the forefront of technological disruption and delivering cutting-edge solutions to clients.

Record Deal Wins and TCV Growth: Q4 witnessed record TCV of $13.2 billion, fueled by significant deals in BFSI and consumer business segments, signaling strong market demand for TCS's services and solutions. The FY24 TCV growth of $42.7 billion, marking a substantial increase of 25.2% YoY, highlights TCS's ability to win and execute large-scale transformational projects and reinforces its position as a trusted partner for clients worldwide.

ESG Commitment and Sustainability Initiatives: TCS reiterated its commitment to Environmental, Social, and Governance (ESG) principles, emphasizing its role in driving sustainable business practices, social impact, and corporate governance excellence.
The company outlined its sustainability initiatives, including carbon footprint reduction, diversity and inclusion programs, and community engagement efforts, aligning with global ESG standards and stakeholder expectations.

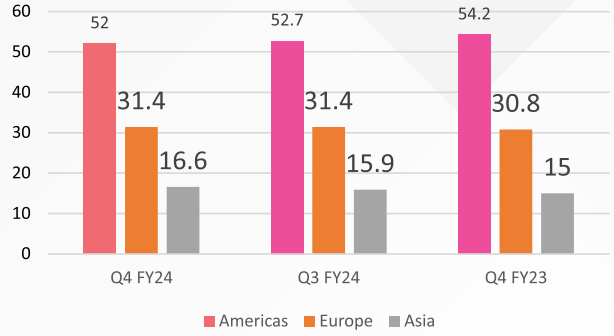
Investments in Talent and Skilling: TCS highlighted its investments in talent acquisition and upskilling initiatives to meet evolving market demands and drive digital transformation across industries. The company's robust talent development ecosystem, encompassing learning programs and career advancement opportunities, reinforces its position as a talent powerhouse.

Digital Transformation Acceleration: TCS emphasized the acceleration of digital transformation initiatives among its clients, driven by the need for agility, innovation, and competitive differentiation. The company showcased its expertise in helping clients navigate complex digital landscapes, leveraging technologies such as AI, analytics, and IoT to drive business outcomes and enhance customer experiences.

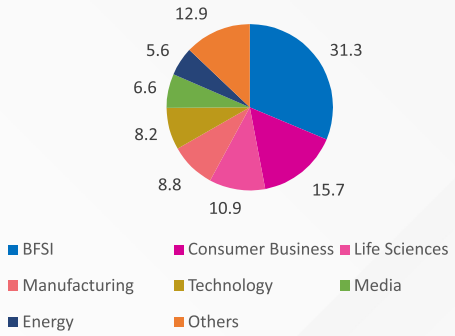
Client Relationship Management: TCS reiterated its commitment to strengthening client relationships and delivering value through proactive engagement, personalized solutions, and continuous innovation. The focus on deepening client partnerships and understanding evolving needs underscores TCS's customer-centric approach and long-term vision for sustainable growth.

Story Through Charts

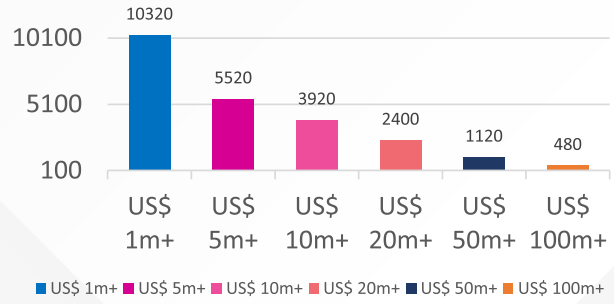
Growth Contribution (by Market)



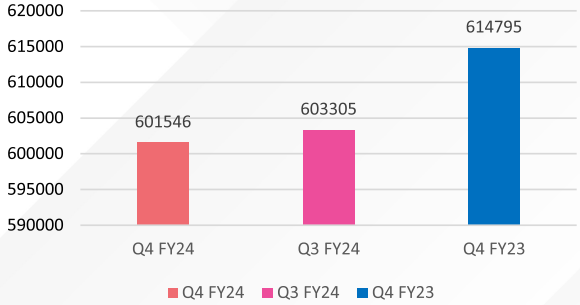
Growth Contribution (by Domain)



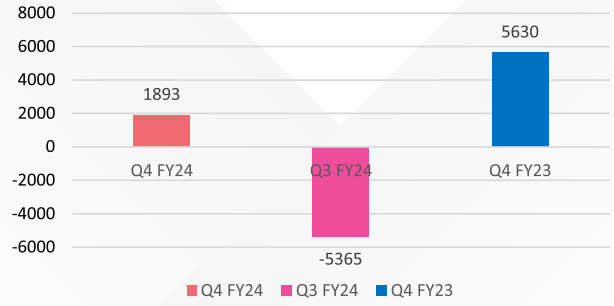
Revenue Contribution (by Client)



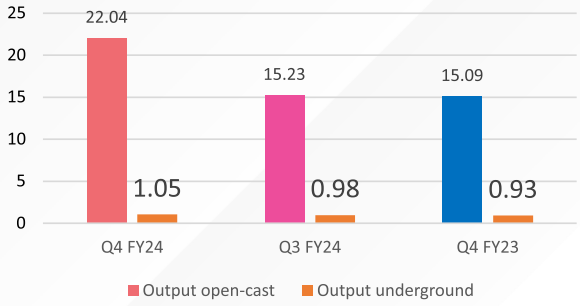
Total Employee Base



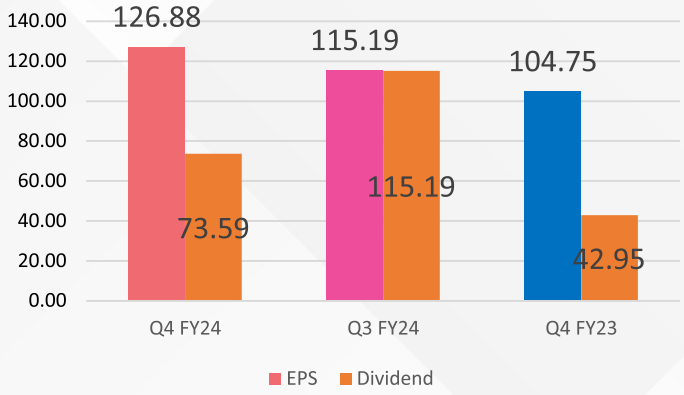
Cash Flows(In Cr)



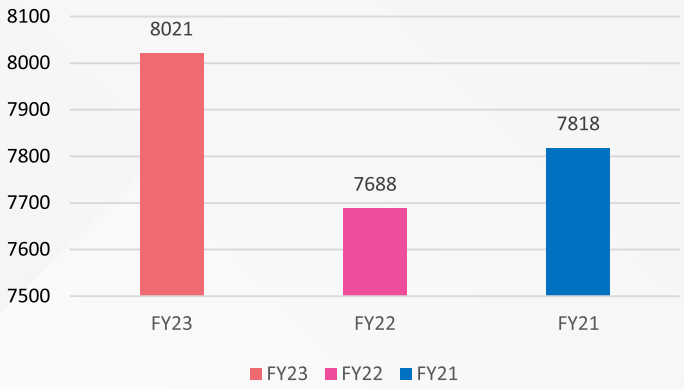
Output per Manshift (In tonnes)



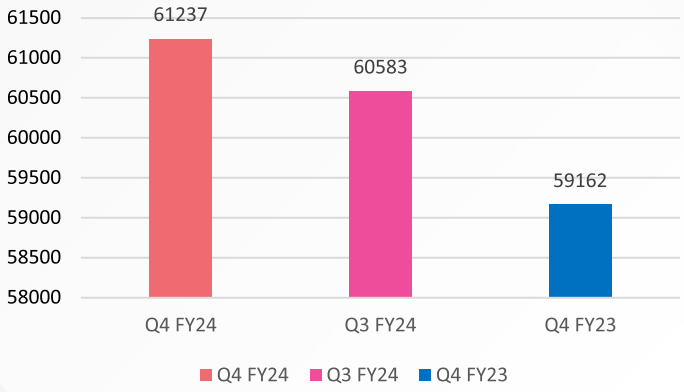
EPS & Dividend



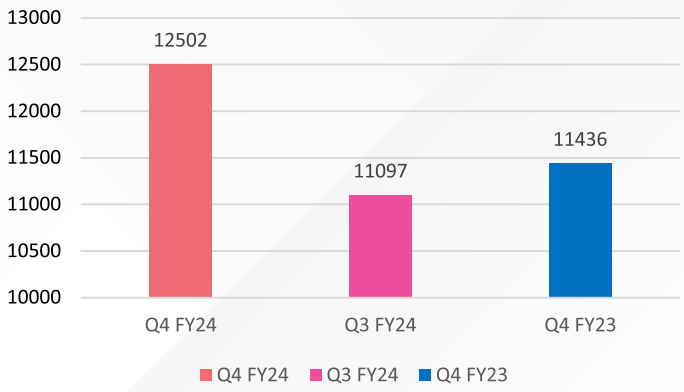
Borrowings (In Cr)



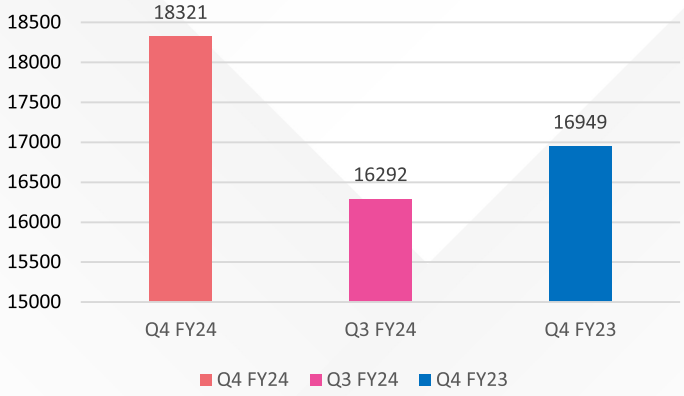
Revenue (In Cr)



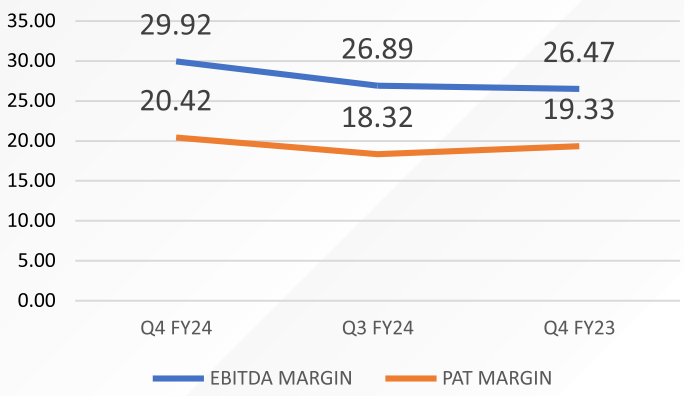
PAT (In Cr)



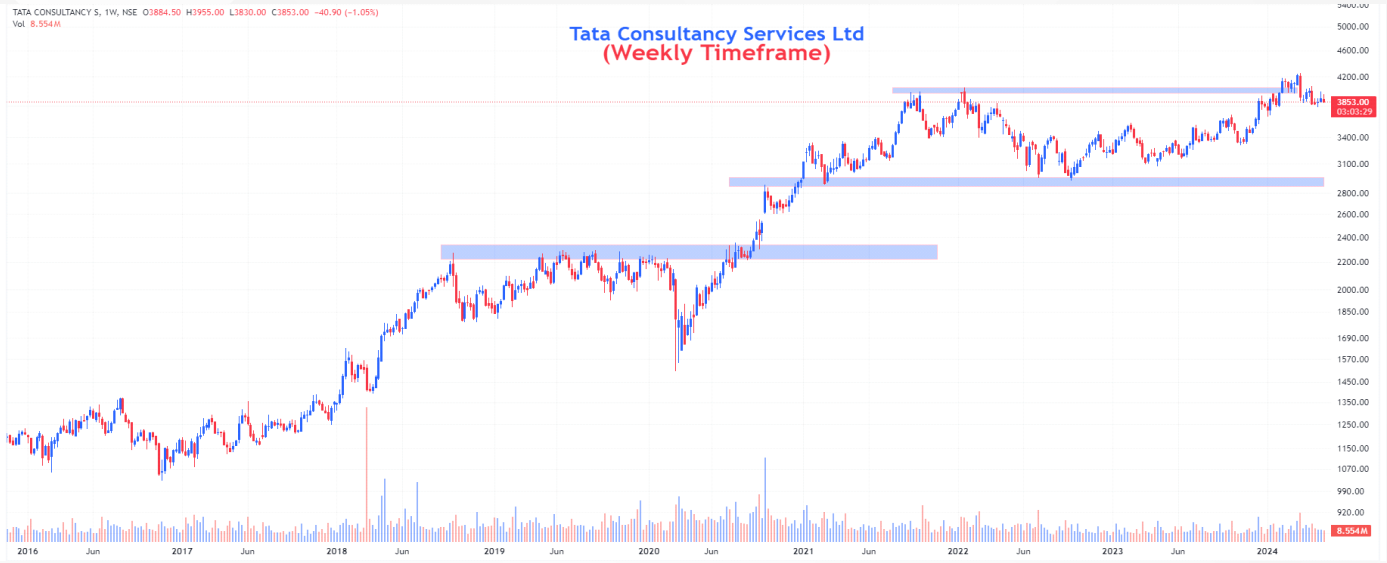
EBITDA (In Cr)



EBITDA & PAT MARGINS (IN %)



Technical Outlook



The weekly chart of Tata Consultancy Services Ltd (TCS) showcases significant long-term growth, with a steady upward trajectory in stock price since 2016. Recent years have brought some volatility, as the stock has oscillated between well-defined resistance and support levels. The resistance near the 4,000 mark has been tested several times since early 2022, reflecting strong selling pressure, while the 3,100 level has acted as robust support, indicating keen buying interest at lower prices. There has also been a notable consolidation phase between these levels, suggesting a period of investor uncertainty. The absence of significant spikes in volume indicates that recent price movements are not driven by heavy trading, suggesting a cautious approach from investors

Tata Consultancy Services Ltd (TCS) exhibits stable market trends with short-term moving averages slightly above the longer-term, suggesting minor fluctuations. The long-term exponential moving average below the simple moving average indicates potential underlying strength and positive investor sentiment.

The Relative Strength Index (RSI) for Tata Consultancy Services Ltd (TCS) shows readings of 44.56 on the daily chart and 50.46 on the weekly chart. These values indicate neither overbought nor oversold conditions, suggesting a relatively balanced market sentiment with potential for stability.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	3,892.9	3,881.9
10	3,919.6	3,894.0
20	3,883.2	3,901.6
50	3,956.3	3,923.1
100	3,938.7	3,881.3
200	3,715	3,754.2

Pivot Levels : FIBONACCI		
R1 3,892.7	Pivot 3,861.37	S1 3,802.7
R2 3,951.4		S2 3,771.4
R3 3,892.7		S3 3,712.7

	Daily	Weekly
Relative Strength Index (RSI)	44.56	50.46

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