

CMP - 3890

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3890

3,072

About the Company

TCS is a top global IT services firm, founded in 1968 and part of the Tata Group. They operate in 46+ countries, serving various industries with IT, consulting, digital solutions, and more. TCS specializes in AI, cloud computing, cybersecurity, IoT, and blockchain. The company emphasizes sustainability, diversity, and community support, employing over 500,000 professionals to drive digital transformation worldwide.

Recent Quarter Highlights

- TCS reported revenue of INR 51,488 crore in 4QFY24, up 1.1% quarter-on-quarter (QoQ) in constant currency (CC) terms.
- Growth was slightly below estimates but in line with Bloomberg consensus, driven by India (up 11% QoQ/37% YoY) and the UK (up 3.6% QoQ).
- TCS reported its best quarterly deal Total Contract Value (TCV) of INR 97,472 crore, up 63% QoQ/32% YoY, including one mega deal.
- FY24 year-on-year (YoY) CC USD growth was 3.4%. Operating margin performance remained strong, with EBIT margin up 100 basis points (bp) QoQ to 26.0%.
- Profit after tax (PAT) for 4Q was in line at INR 11,393 crore (20.3% PAT margin), and FY24 PAT stood at INR43,559 crore (up 9.3% YoY).
- TCS generated Free Cash Flow (FCF) of INR 4,430 crore during the year.
- TCS is expected to benefit from the large BSNL deal execution in FY25, but uncertainty on growth pickup in North America and Europe may weigh on overall growth.
- Full-year EBIT margin for FY25 is expected to be 25.6%, up 90bp YoY, with limited incremental cost levers.
- TCS has delivered INR PAT growth of 11% in FY24 and has INR 47,000 crore in cash and investments.
- The company announced a dividend of INR28 per share in 4Q, bringing the full-year payout at approximately 100% to USD5.6 billion
- Over FY24-26E, a USD revenue Compound Annual Growth Rate (CAGR) of ~10% and an INR Earnings Per Share (EPS) CAGR of ~15% are expected.
- The target price (TP) of INR 4,503 implies a 15% upside potential.

SERVICE PORTFOLIO (BUSINESS MODEL)

1

Tata Consultancy Services (TCS) is a leading Indian multinational specializing in global IT and consultancy services.

2

TCS's business model focuses on IT services and consulting, emphasizing customer satisfaction through timely, cost-effective, and high-quality service delivery.

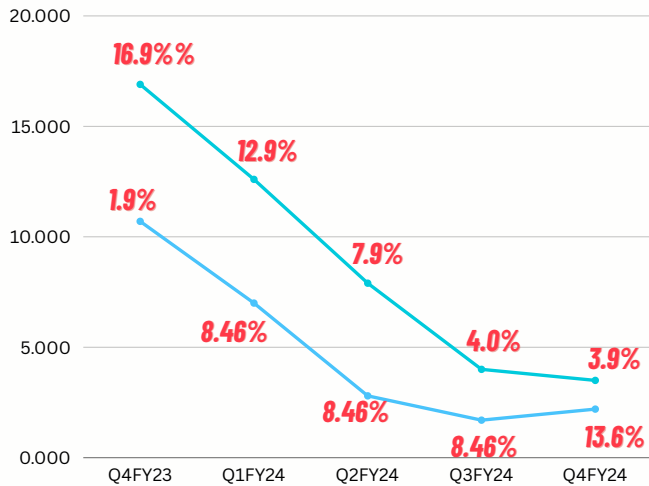
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The company employs a global delivery model to provide efficient services while maintaining quality standards.

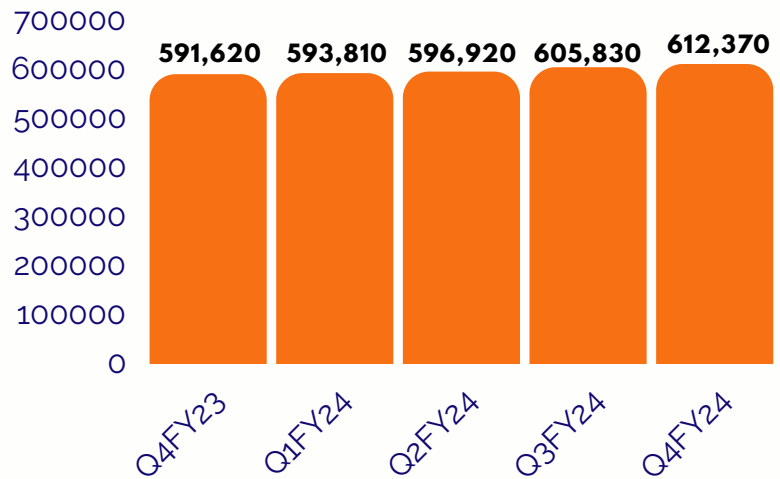
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TCS's business model prioritizes cost and service efficiency, leveraging digital technologies such as mobility, big data, social media, cloud computing, and robotics.

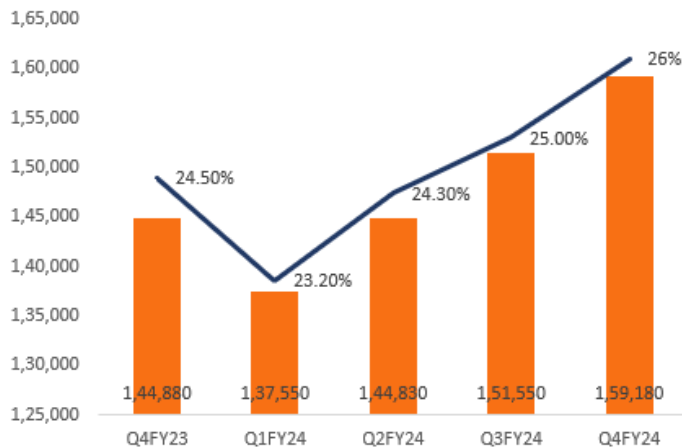
Y-O-Y GROWTH & Y-O-Y GROWTH CC (IN REVENUES)



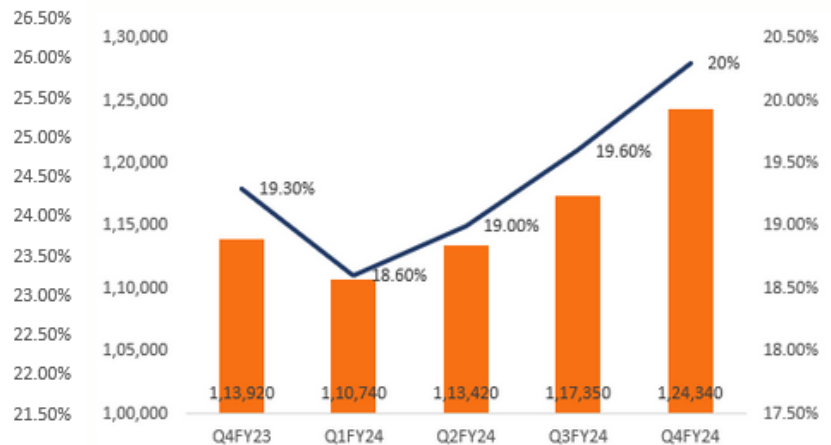
TOTAL REVENUE



OPERATING INCOME VS MARGINS



NET INCOME AND MARGINS



SOURCES:TCS FACTSHEET

GROWTH BY MARKET

GEOGRAPHY (%)	Q4FY23	Q4FY24	Y-O-Y CC GROWTH	FY23	FY24	Y-O-Y CC GROWTH
Americas						
North America	52.4	50.0	- 2.3	53.4	51.1	-0.2
Latin America	1.8	2.0	9.8	1.8	2.0	12.4
Europe						
UK	15.7	16.8	6.2	15.0	16.5	10.1
Continental Europe	15.1	14.6	- 2.0	14.9	14.9	0.7
Asia Pacific	8.0	7.8	5.2	8.0	7.8	4.5
India	5.0	6.7	37.9	5.0	5.6	20.2
MEA	2.0	2.1	10.7	1.9	2.1	14.4
Total	100.0	100.0	2.2	100.0	100.0	3.4

GROWTH BY DOMAIN

VERTICAL (%)	Q4FY23	Q4FY24	Y-O-Y CC GROWTH	FY23	FY24	Y-O-Y CC GROWTH
BFSI	32.9	31.3	- 3.2	33.3	32.0	- 1.0
Consumer Business	16.0	15.7	- 0.3	16.0	15.8	1.8
Life Sciences & Healthcare	10.9	10.9	1.7	10.8	10.9	4.8
Manufacturing	8.1	8.8	9.7	8.2	8.6	7.3
Technology & Services	8.9	8.2	- 5.6	9.0	8.5	- 2.3
Communication & Media	7.1	6.6	- 5.5	7.2	6.8	- 2.6
Energy, Resources and Utilities	5.4	5.6	7.3	5.2	5.6	12.6
Regional Markets & Other	10.7	12.9	26.0	10.3	11.8	19.8
Total	100.0	100.0	2.2	100.0	100.0	3.4

SOURCES:TCS FACTSHEET

QUARTERLY RESULT

(ALL FIGURES IN CR.)

PARTICULARS	Mar-23		Jun-23		Sep-23		Dec-23		Mar-24	
Net Sales	49,780.00	100%	49,862.00	100%	50,165.00	100%	50,844.00	100%	51,488.00	100%
Total Expenditure	36,910.00	74.15%	36,726.00	73.66%	36,363.00	72.49%	36,481.00	71.75%	36,942.00	71.75%
Operating Profit	12,870.00	25.85%	13,136.00	26.34%	13,802.00	27.51%	14,363.00	28.25%	14,546.00	28.25%
Other Income	1,433.00	2.88%	1,903.00	3.82%	1,755.00	3.50%	1,809.00	3.56%	1,806.00	3.51%
Interest	250.00	0.50%	138.00	0.28%	134.00	0.27%	204.00	0.40%	197.00	0.38%
Depreciation	1,008.00	2.02%	969.00	1.94%	979.00	1.95%	964.00	1.90%	975.00	1.89%
Exceptional Items	0.00	0%	0.00	0%	0.00	0%	-958.00	-2%	0.00	0%
Profit Before Tax	13,045.00	26.21%	13,932.00	27.94%	14,444.00	28.79%	14,046.00	27.63%	15,180.00	29.48%
Tax	3,245.00	6.52%	3,448.00	6.92%	3,515.00	7.01%	3,293.00	6.48%	3,787.00	7.36%
Profit After Tax	9,800.00	19.69%	10,484.00	21.03%	10,929.00	21.79%	10,753.00	21.15%	11,393.00	22.13%
Adjusted EPS (Rs)	26.78		28.64		29.86		29.70		31.47	

INCOME STATEMENT

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	LTM
Sales	₹ 1,56,949.0	₹ 1,64,177.0	₹ 1,91,754.0	₹ 2,25,458.0	₹ 2,40,893.0	₹ 2,40,893.0
Sales Growth	7.16%	4.61%	16.80%	17.58%	6.85%	0.00%
COGS	₹ 87,857.0	₹ 93,276.0	₹ 1,08,717.0	₹ 1,29,403.0	₹ 1,40,131.0	₹ 1,76,597.0
COGS % Sales	55.98%	56.81%	56.70%	57.40%	58.17%	73.31%
Gross Profit	₹ 69,092.00	₹ 70,901.00	₹ 83,037.00	₹ 96,055.00	₹ 1,00,762.00	₹ 64,296.00
Gross Margins	44.02%	43.19%	43.30%	42.60%	41.83%	26.69%
Selling & General Expenses	₹ 26,983.00	₹ 24,355.00	₹ 29,980.00	₹ 36,796.00	₹ 36,466.00	
S&G Exp % Sales	17.19%	14.83%	15.63%	16.32%	15.14%	0.00%
EBITDA	₹ 42,109.00	₹ 46,546.00	₹ 53,057.00	₹ 59,259.00	₹ 64,296.00	₹ 67,569.00
EBITDA Margins	26.83%	28.35%	27.67%	26.28%	26.69%	28.05%
Interest	₹ 924.00	₹ 637.00	₹ 784.00	₹ 779.00	₹ 778.00	₹ 778.00
Interest % Sales	0.59%	0.39%	0.41%	0.35%	0.32%	0.32%
Depreciation	₹ 3,529.00	₹ 4,065.00	₹ 4,604.00	₹ 5,022.00	₹ 4,985.00	₹ 4,985.00
Depreciation%Sales	2.25%	2.48%	2.40%	2.23%	2.07%	2.07%
Earnings Before Tax	₹ 37,656.00	₹ 41,844.0	₹ 47,669.0	₹ 53,458.0	₹ 58,533.0	₹ 61,806.0
EBT % Sales	23.99%	25.49%	24.86%	23.71%	24.30%	25.66%
Tax	₹ 9,801.0	₹ 11,198.0	₹ 13,238.0	₹ 14,604.0	₹ 15,898.0	₹ 15,898.0
Effective Tax Rate	26.03%	26.76%	27.77%	27.32%	27.16%	25.72%
Net Profit	₹ 27,855.0	₹ 30,646.0	₹ 34,431.0	₹ 38,854.0	₹ 42,635.0	₹ 45,908.0
Net Margins	17.75%	18.67%	17.96%	17.23%	17.70%	19.06%

SOURCES:TCS FACTSHEET

BALANCE SHEET

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	₹ 375.0	₹ 370.0	₹ 366.0	₹ 366.0	₹ 362.0
Reserves	₹ 83,751.0	₹ 86,063.0	₹ 88,773.0	₹ 90,058.0	₹ 90,127.0
Borrowings	₹ 8,174.0	₹ 7,795.0	₹ 7,818.0	₹ 7,688.0	₹ 8,021.0
Other Liabilities	₹ 27,820.0	₹ 35,764.0	₹ 43,967.0	₹ 44,747.0	₹ 47,939.0
Total Liabilities	₹ 1,20,120.0	₹ 1,29,992.0	₹ 1,40,924.0	₹ 1,42,859.0	₹ 1,46,449.0
Fixed Assets Net Block	₹ 20,928.0	₹ 21,021.0	₹ 21,298.0	₹ 20,515.0	₹ 19,604.0
Capital Work in Progress	₹ 906.0	₹ 926.0	₹ 1,205.0	₹ 1,234.0	₹ 1,564.0
Investments	₹ 26,356.0	₹ 29,373.0	₹ 30,485.0	₹ 37,163.0	₹ 31,762.0
Other Assets	₹ 31,727.0	₹ 39,256.0	₹ 27,885.0	₹ 22,933.0	₹ 35,771.0
Total Non Current Assets	₹ 79,917.0	₹ 90,576.0	₹ 80,873.0	₹ 81,845.0	₹ 88,701.0
Receivables	₹ 30,532.0	₹ 30,079.0	₹ 41,810.0	₹ 49,954.0	₹ 44,434.0
Inventory	₹ 5.0	₹ 8.0	₹ 20.0	₹ 28.0	₹ 28.0
Cash & Bank	₹ 9,666.0	₹ 9,329.0	₹ 18,221.0	₹ 11,032.0	₹ 13,286.0
Total Current Assets	₹ 40,203.0	₹ 39,416.0	₹ 60,051.0	₹ 61,014.0	₹ 57,748.0
Total Assets	₹ 1,20,120.0	₹ 1,29,992.0	₹ 1,40,924.0	₹ 1,42,859.0	₹ 1,46,449.0

CASH FLOW STATEMENT

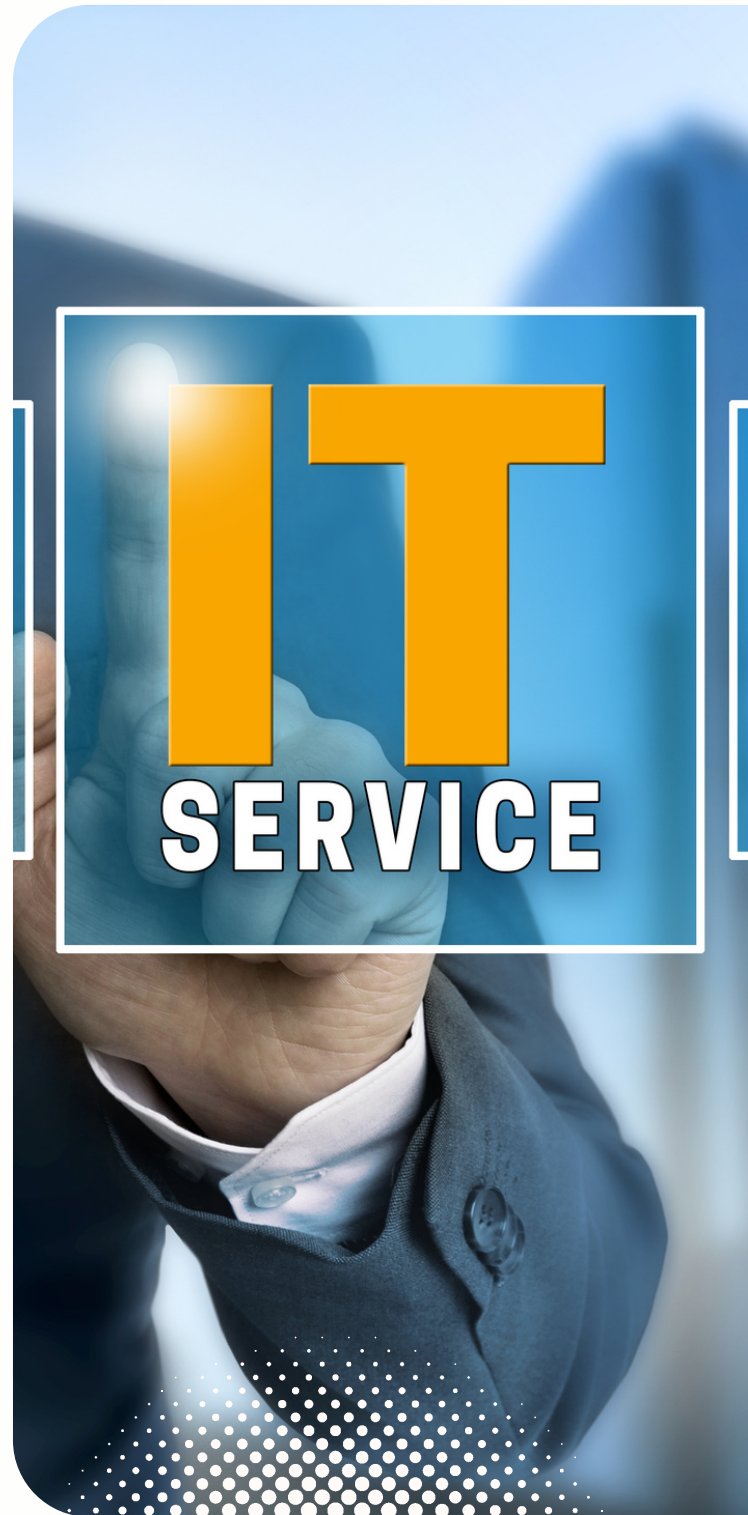
PARTICULARS	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Profit from operations	41,991	40,902	49,723	51,690	57,602
Adjustment	-3,997	73	-2,326	-838	-2,298
Changes in Assets & Liabilities:	-5,025	652	-934	-2,889	-5,579
Tax paid	-6,366	-7,805	-10,336	-10,934	-10,583
Operating Cash Flow	26,603	33,822	36,127	37,029	39,142
Investing Cash Flow	12,967	-4,539	3,755	3,460	10,833
Financing Cash Flow	-39,045	-32,023	-32,797	-47,224	-47,793
Net Cash Flow	525	-2,740	7,085	-6,735	2,182

WHAT SHOULD INVESTORS DO?

TCS's Q4FY24 results showed a 9.1% increase in net profit to Rs 12,434 crore and a 3.5% rise in revenue from operations. The company secured \$13.2 billion in TCV, with a full-year order book of \$42.7 billion. TCS's operating margin expanded by 150 basis points to 26%, and the net margin grew by 100 basis points to 20.3%.

These positive financial indicators suggest that TCS's valuation after Q4FY24 results is likely to be positive, reflecting its ability to grow, secure large deals, and improve operational efficiency. The market's response and TCS's future outlook, along with any guidance from the company's management, will also impact its stock market valuation.

Our current stance on TCS is to maintain an upgrade target of 4443, representing a potential upside of 14%.




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