

TCS (TCS) – ADD

Company Update

Current Market Price (CMP)

Rs.3,776

Target Price

Rs.4,200

Our fair value of Rs.4,200 implies upside of 11.2% from current market price.

Rationale:

- Business momentum is reasonably strong.
- TCS will have longer runway of growth from digital transformation spending.
- Low attrition is a competitive advantage in a supply-constrained environment.
- We expect earnings to grow by 19.2% in FY22E and 14.3% in FY23E.
- Valued the stock at 32x. Raise earnings estimates and fair value, maintain ADD.

Company update:

Positives:

- TCS has the highest return on invested capital (RoIC) among peers.
- TCS will be a key beneficiary of large lift-shift-transform deals.
- Digital transformation can be a 3-5-year journey for organizations.
- TCS enjoys low levels of attrition compared to peers.
- It can sustain ~26% EBIT (Earnings before interest and tax) margin.

Negatives:

- TCS' attrition to be lower than peers; we expect it to increase above preCovid level

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For detailed report dated 16 Sep 2021. Note: CMP & valuation may differ due to difference in dates.



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