

TCS (TCS) – ADD

Result Update

Current Market Price (CMP) Rs.3,398	Target Price Rs.4,100
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Our fair value of Rs.4,100 implies upside of 20.7% from current market price

Rationale:

- Europe drags, accounts for revenue miss; EBIT margin as per expectations.
- Demand environment is reasonably strong leading to a plethora of digital deals.
- TCS is better-positioned than peers to manage margin headwinds.
- Runway for growth is long with potential for double-digit growth till FY24E.
- Valuing the stock at a PE of 32x on September 2023E EPS.

Q2FY22 Earnings update:

Positives:

- EBIT (Earnings before interest and tax) margin expands by 10 bps qoq to 25.6%.
- Client metrics improved further in the quarter.
- Number of \$10 cr clients up by 4 to 54; number of \$5 cr clients up by 9 to 114.

C/C: Constant Currency.

Negatives:

- TCS reported revenue growth of 4% qoq (15.5% yoy in c/c), missed our estimate
- The attrition rate increased to 11.9% in Q2FY22 from 8.6% in June 2021 quarter
- The cost to backfill higher attrition will show in margin pressure in H2FY22.

[Click here](#)

For detailed report dated 11th Oct 2021. Note: CMP & valuation may differ due to difference in dates.



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