

Week Gone

- ⇒ In the week ended on Friday, 27 May 2022, the Sensex gained 558.27 points or 1.03% to settle at 54,884.66. The Nifty 50 index advanced 86.30 points or 0.53% to settle at 16,352.45.
- ⇒ The BSE Mid-Cap index rose 10.89 points or 0.05% to settle at 22,517.74.
- ⇒ The BSE Small-Cap index fell 729.72 points or 2.77% to settle at 25,621.57.

Week Ahead

- ⇒ On the macro front, S&P Global Manufacturing PMI for May will be declared on 1 June 2022.
- ⇒ The S&P Global Composite PMI and the S&P Global Services PMI for May will be declared on 3 June 2022.
- ⇒ Trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the near term.

Technical Overview

Nifty saw series of decline as the trading week started, however, on declining volumes. Thursday trading session saw a buoyant turnaround and continued to move up on Friday ending with 1.13% weekly gains. The index has broadly formed a trading range between 15700 -16400 and any sustainable directional bias can be concluded only after either of these levels is taken out. Going ahead Nifty faces resistance near 16420 - 16685 - 16750 whereas support comes in at 16170 - 16000 - 15900.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	27-May-22	20-May-22	Weekly % Chg
Nifty 50	16,352.4	16,266.2	0.5
Nifty Next 50	38,039.6	38,569.1	-1.4
Nifty 100	16,516.8	16,476.7	0.2
Nifty 500	13,873.1	13,895.0	-0.2
NIFTY MIDCAP 100	27,657.2	27,872.2	-0.8
S&P BSE SENSEX	54,884.6	54,326.3	1.0
S&P BSE 100	16,638.3	16,588.3	0.3
S&P BSE 200	7,063.2	7,051.4	0.2
S&P BSE 500	22,112.9	22,137.1	-0.1
S&P BSE MidCap	22,517.7	22,506.8	0.0
S&P BSE SmallCap	25,621.5	26,351.2	-2.8

WORLD INDICES

Index	27-May-22	20-May-22	Weekly % Chg
Nikkei Index	26,781.6	26,739.0	0.2
Hang Seng Index	20,697.3	20,717.2	-0.1
Kospi Index	2,638.0	2,639.2	0.0
Shanghai SE Composite	3,130.2	3,146.5	-0.5
Strait Times Index	3,230.5	3,240.5	-0.3
Dow Jones	32,942.8	31,261.9	5.4
NASDAQ	12,021.1	11,354.6	5.9
FTSE	7,591.5	7,389.9	2.7

FOREX

Currency	27-May-22	20-May-22	Weekly % Chg
US\$ (Rs.)	77.6	77.8	-0.3
GBP (Rs.)	97.8	97.2	0.6
Euro (Rs.)	83.0	82.1	1.1
Yen (Rs.) 100 Units	61.0	60.0	1.7

NIFTY TOP GAINERS (WEEKLY)

Scrip	27-May-22	20-May-22	Weekly % Chg
Kotak Mahindra Bank	1,946.2	1,829.1	6.4%
HDFC	2,330.4	2,201.6	5.9%
Mahindra & Mahindra	952.8	903.8	5.4%
HDFC Bank	1,392.0	1,320.9	5.4%
Hero MotoCorp	2,719.8	2,590.1	5.0%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
27-May-22	4,954.3	6,897.4	-1,943.1
26-May-22	8,248.3	9,846.1	-1,597.8
25-May-22	6,371.2	8,174.3	-1,803.1
24-May-22	7,947.1	10,340.5	-2,393.5
23-May-22	7,039.5	8,990.7	-1,951.2
MTD	34,560.4	44,249.1	-9,688.6

NIFTY TOP LOSERS (WEEKLY)

Scrip	27-May-22	20-May-22	Weekly % Chg
JSW Steel	548.4	631.1	-13.1%
ONGC	143.8	161.9	-11.2%
Tata Steel	1,043.5	1,170.6	-10.9%
Asian Paints	2,834.8	3,109.9	-8.8%
GAIL India	142.8	156.3	-8.6%

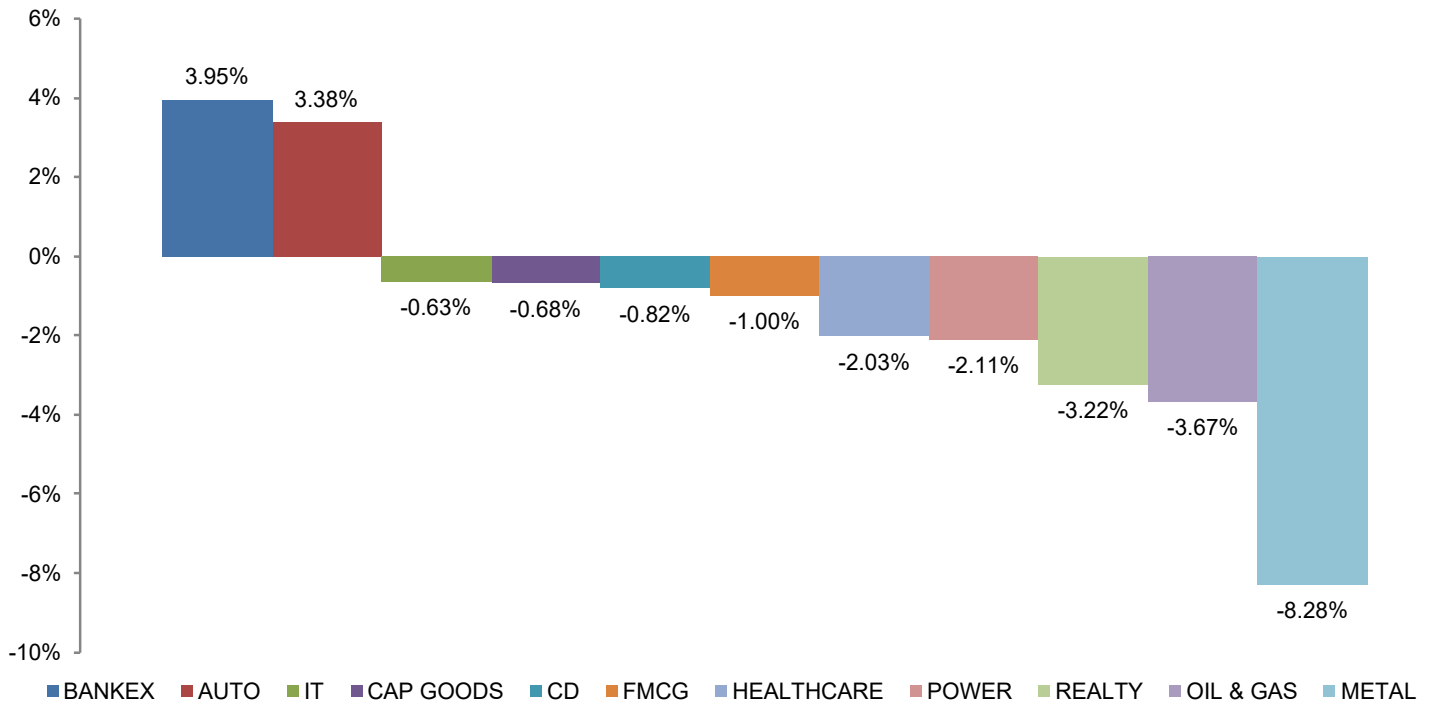
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
27-May-22	6,397.2	3,669.7	2,727.5
26-May-22	7,535.2	4,628.8	2,906.5
25-May-22	7,025.7	4,795.9	2,229.8
24-May-22	6,171.8	4,223.4	1,948.5
23-May-22	6,281.5	4,836.1	1,445.4
MTD	33,411.5	22,153.9	11,257.6

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	27/05/22	20/05/22	Weekly % Chg	27/05/22	20/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
GNFC	625.2	636.9	1.9	2551900	3655600	43.3
ALKEM	3042.3	3001.0	-1.4	202600	280200	38.3
IOC	113.4	117.3	3.4	34989500	46299500	32.3
ATUL	8182.6	8226.0	0.5	110925	143925	29.7
ICICIGI	1258.6	1253.8	-0.4	2312000	2984775	29.1

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	27/05/22	20/05/22	Weekly % Chg	27/05/22	20/05/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
HDFC	2304.2	2204.7	-4.3	21568800	11161500	-48.3
INFY	1448.5	1458.6	0.7	49477200	26577600	-46.3
TATASTEEL	995.3	1172.4	17.8	35147925	21095300	-40.0
DIVISLAB	3526.9	4308.1	22.1	3282600	1972800	-39.9
TCS	3272.0	3277.1	0.2	11526450	6969450	-39.5

Company Background

TCS Ltd. was established in 1968 as a division of Tata Sons, Tata Consultancy Services Limited is currently the largest Indian IT services company. The company pioneered the concept of offshore IT services in 1974 and emerged as an integrated full-service provider with a global footprint. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions. This is delivered through its unique Location Independent Agile TM delivery model, recognized as a benchmark of excellence in software development. A part of the Tata group, India's largest multinational business group, TCS has over 592,000 of the world's best-trained consultants in 55 countries. The company generated consolidated revenues of US \$25.7 billion in the fiscal year ended March 31, 2022. TCS' proactive stances on climate change and award winning work with communities across the world have earned it a place in leading sustainability indices such as the MSCI Global Sustainability Index and the FTSE4Good Emerging Index.

Investment Rationale

Leading position among Indian players in the global IT and ITeS

TCS is the largest Indian company in the global IT services outsourcing industry lending scale efficiencies. Indian IT services companies, including TCS, continue to benefit from India's massive educated workforce that provides a large technical talent pool resulting in global competitiveness. TCS offers full-stack services and enjoys deep-rooted relationship with the large global banks, retailers and technology names. It remains in the leader's quadrant in terms of capability matrix. Looking ahead, we expect TCS to remain the key beneficiary of accelerated medium-term tech budgets. The company has a large, diversified and growing client base with meaningful incremental addition of clients in the above \$20-million, \$50-million and \$100-million buckets across years till Q4 FY2022. Its superior execution ability has resulted in high repeat business, thus providing stability to the revenue stream. With scale and best-in-class product base, TCS is expected to gain market share, which will be supported by consolidation of IT vendors and captive monetization efforts.

Full-service capability with an increasing share of digital business

The company's ability to offer full-service capability has helped it win deals across a wide spectrum of verticals. The company has strong domain expertise and contextual knowledge and has demonstrated its ability to structure and execute large-scale projects globally. This has differentiated it in the market place, enabling it to continually gain market share over its competitors. TCS' significant organic investments in manpower training and developing capabilities have also given it a competitive edge and helped it capture many transformational digital deals. The company had been constrained by disruption due to cloud adoption, a sharp shift towards digital services and intense competition from local as well as international players. TCS has been able to capture higher spends on digital technologies, however its early organic investment within digital services. Further, the company's integrated service offerings, backed by its own intellectual property rights (IPRs), strong domain expertise and contextual knowledge, have helped it differentiate itself in the market place, thus enabling it to withstand competitive pressure and win large deals. The above factors combined with the continued cost benefit through the outsourcing model have resulted in market share gains for the company.

Valuation and Outlook

Tata Consultancy Services Limited's (TCS) leading position among Indian players in the global information technology (IT) and IT-enabled services (ITeS) outsourcing segment, its diversified and growing client base, a wide range of services, scale of operations and strong financial profile characterised by healthy revenue growth and recurring cash accruals and strong liquidity in the form of free cash reserves. Further, the company's integrated service offerings, backed by its own intellectual property rights (IPRs), strong domain expertise and contextual knowledge, have helped it differentiate itself in the marketplace, thus enabling it to withstand competitive pressure and win large deals. The above factors combined with the continued cost benefit through the outsourcing model have resulted in market share gains for the company. Moreover, after migration of significant infrastructure and enterprise workload to cloud, overall industry prospects will remain bright in the medium term—this is expected to be driven by the customer's need to derive business value from cloud native capabilities leading to higher technological spends. With its capabilities, TCS is well positioned to exploit such growth opportunities and drive growth. Considering the above factors, we recommend a BUY rating on TCS with a price target of INR 3,912 based on 28x FY24e earnings.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	3,261
Target Price (INR)	3,912
NSE Symbol	TCS
BSE Code	532540
Bloomberg	TCS IN
Reuters	TCS.BO

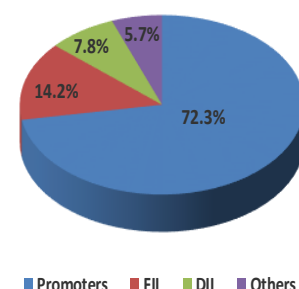
Key Data

Nifty	16,352
52WeekH/L(INR)	4,043/2,755
O/s Shares (Mn)	365
Market Cap (INR bn)	1,193
Face Value (INR)	1

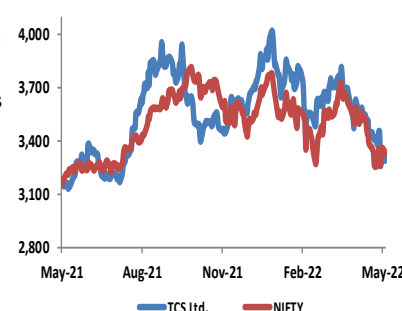
Average volume

3 months	26,68,780
6 months	27,48,260
1 year	26,78,730

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials

YE March (INR. bn)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	1,465	1,569	1,642	1,918	2,211	2,470
<i>Revenue Growth (Y-o-Y)</i>	19.0%	7.2%	4.6%	16.8%	15.3%	11.7%
EBIDTA	395	421	465	530	599	674
<i>EBIDTA Growth (Y-o-Y)</i>	21.5%	6.6%	(10.5%)	(14.0%)	12.9%	12.5%
Net Profit	315	323	324	383	453	511
<i>Net Profit Growth (Y-o-Y)</i>	21.9%	2.8%	0.3%	18.2%	18.3%	12.8%
Diluted EPS	86.0	88.4	88.6	104.7	123.9	139.7
<i>Diluted EPS Growth (Y-o-Y)</i>	21.9%	2.8%	0.3%	18.2%	18.3%	12.8%

Key Ratios

EBIDTA margin (%)	27.0%	26.8%	28.4%	27.7%	27.1%	27.3%
NPM (%)	21.5%	20.6%	19.8%	20.0%	20.5%	20.7%
RoE (%)	35.2%	38.4%	37.5%	43.0%	41.2%	39.1%
RoCE (%)	44.2%	50.1%	53.9%	59.5%	54.5%	51.6%

Valuation Ratios

P/E (x)	37.9x	36.9x	36.8x	31.1x	26.3x	23.3x
EV/EBITDA	29.9x	28.1x	25.4x	22.2x	19.4x	17.0x
P/BV (x)	13.3x	14.2x	13.8x	13.4x	10.9x	9.1x
Market Cap. / Sales (x)	8.1x	7.6x	7.3x	6.2x	5.4x	4.8x

Source: Company, BP Equities Research



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