



TATA
CONSULTANCY
SERVICES

MARKET CAP

₹ 13,78,763 CR

CURRENT MARKET PRICE

₹ 3,811

RESEARCH REPORT AS ON JUNE 2024

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PEE AAR SECURITIES

ABOUT THE COMPANY



- Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for over 56 years.
- Its consulting-led, cognitive powered, portfolio of business, technology and engineering services and solutions is delivered through its unique Location Independent Agile™ 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 601,000 of the world's best-trained consultants in 54 countries. The company is listed on the BSE and the NSE in India.
- TCS is the second-largest Indian company by market capitalization, the most valuable IT service brands worldwide, and the top Big Tech (India) company.
- Key Offerings of TCS are:
 - 1.IT Services: Application Development, Systems Integration, IT Infrastructure, Digital Transformation.
 - 2.Business Solutions: ERP, CRM, SCM, Business Process Outsourcing.
 - 3.Digital and Technology Services: Cloud Computing, AI & Machine Learning, IoT, Blockchain, Cyber Security.

HISTORY

Tata Consultancy Services (TCS) has a rich history that reflects its growth from a regional IT service provider to a global leader in technology and business solutions. Here is a brief overview of the key milestones in TCS's history:

1968: TCS was founded by Tata Sons and established as a division of Tata Group. It started as a management and technology consultancy focused on providing computer services to Tata Group companies.

1969: TCS's first project involved automating the inter-branch reconciliation system for the Central Bank of India.

1971: The company ventured into software development and exported its first software project to an American client, a milestone in India's IT export history.

1980: TCS introduced its offshore delivery model, which became a cornerstone of its business strategy.

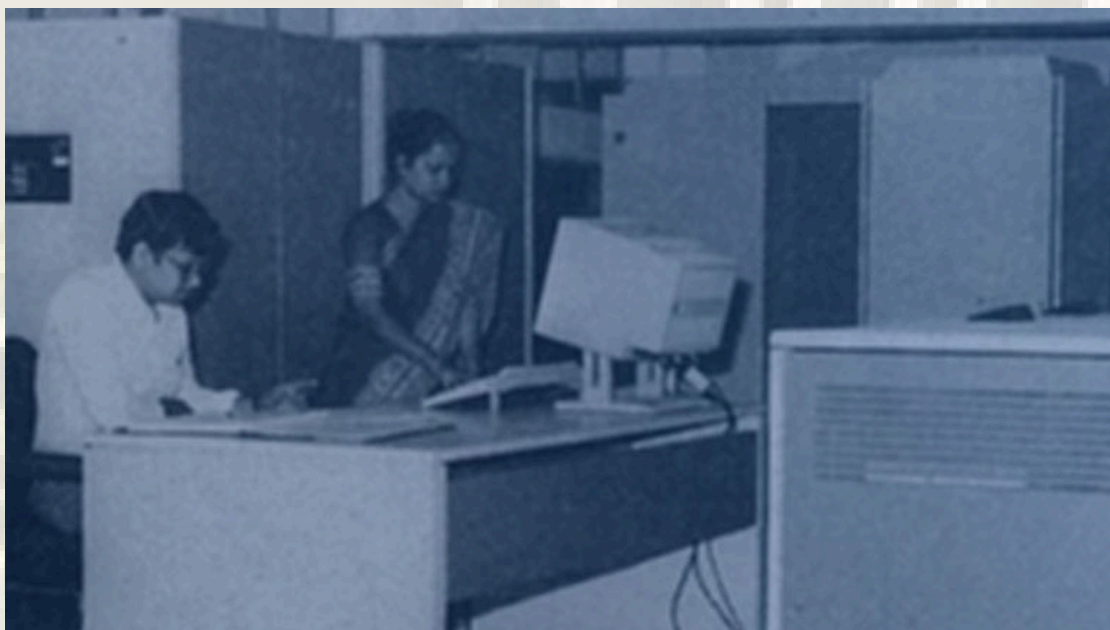
1993: TCS became the first Indian company to develop and release a commercial product, MasterCraft, a software engineering and project management tool.

2004: TCS went public with an initial public offering (IPO) on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India.

2005: TCS became the first Indian IT services company to cross the \$2 billion revenue mark.

2018: TCS crossed the \$100 billion market capitalization mark, making it one of the most valuable IT services companies globally.

From its inception in 1968 to becoming a global IT powerhouse, TCS has consistently focused on innovation, customer-centric solutions, and global expansion. Its history is marked by significant milestones in technology development, market expansion, and strategic acquisitions, establishing TCS as a leader in the IT and business solutions industry.



MEET OUR TEAM



K. Krithivasan is the Chief Executive Officer and Managing Director of Tata Consultancy Services (TCS). In his prior role, Krithi was the Global Head of Banking, Financial Services, and Insurance (BFSI) Business Group. Krithi has a bachelor's degree in Mechanical Engineering from the University of Madras and a master's degree in Industrial and Management Engineering from IIT Kanpur.



Mr. Samir Seksaria took over as the CFO of Tata Consultancy Services on 1st May 2021. Prior to this role, he was heading the Business Finance function for TCS. In his former role, he was responsible for the financial management of the company's individual operating units. Samir graduated in 1997 from Narsee Monjee College in Mumbai, and completed his Chartered Accountancy from ICAI, Mumbai.



Milind Lakkad is the Executive Vice President and CHRO in TCS since May 2019. Prior to taking this role, he was the Global head of Manufacturing Business Group since 2008.

INDUSTRY OVERVIEW

The India ICT Market size was estimated at USD 273.50 billion in the current year and is expected to reach USD 421.59 billion in five years, registering a CAGR of 9.04% during the forecast period. Source:

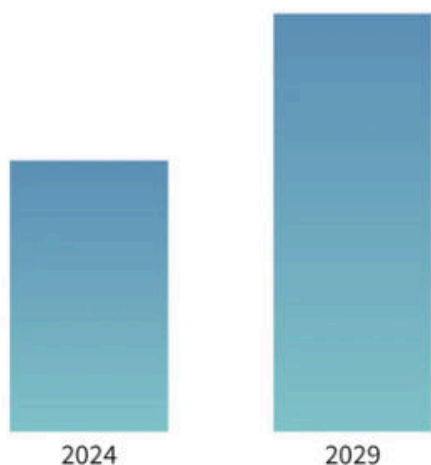
- The ICT market is estimated based on IT hardware, software, and services supplied by organizations in the country. With India's digital transformation, the Indian information technology market has become more diverse
- Digital technologies are emerging as a game changer for every sector of India's economy, driven by digital capabilities increasing and connectivity becoming universal. Developing a digital infrastructure is fundamental for countries to move their digital value chains.
- The Government of India is driven to establish favorable policy and regulatory environments for the ongoing expansion of 5G, Internet of Things (IoT), Artificial Intelligence (AI), Cloud Technology, Blockchain and Machine-to-Machine (M2M), and many more sectors as a result of the ICT sector's rapid growth in India and its substantial contribution to the socioeconomic development of the nation.
- The Intensity of competitive rivalry is expected to be high in the Indian ICT market, as several key players in the ICT market are constantly trying to bring advancements. A few prominent companies are entering into collaborations and are expanding their footprints in developing regions to consolidate their positions in the market. The major players are Tata Communications, HCL Technologies, and Infosys Limited, among many others.

The Indian ICT market is divided into organized and unorganized sectors. The organized sector consists of well-established companies with structured operations, regulatory compliance, and significant market presence. The unorganized sector comprises smaller entities, often with less formal business structures and limited market reach. Organized Sector accounts Approximately 65-70% & Unorganized Sector accounts Approximately 30-35% of the Indian ICT market.

India ICT Market

Market Size

CAGR 9.04%



Source : Mordor Intelligence



Study Period 2019 - 2029

Base Year For Estimation 2023

Forecast Data Period 2024 - 2029

Historical Data Period 2019 - 2022

CAGR 9.04 %

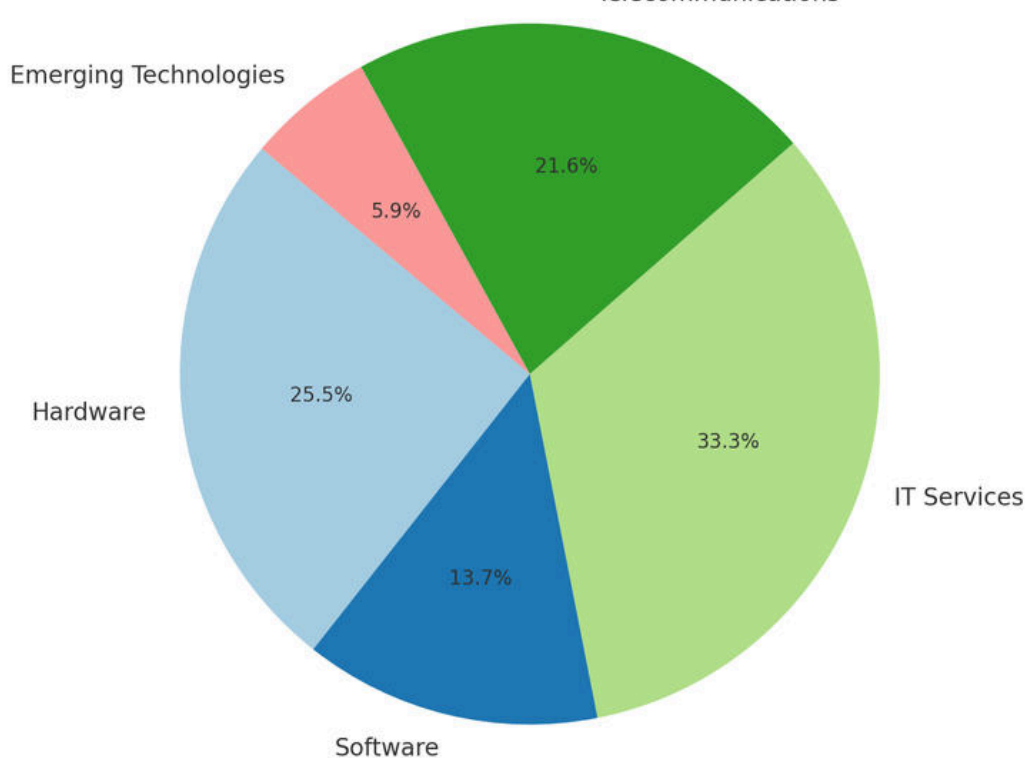
Market Concentration Low

Major Players



*Disclaimer: Major Players sorted in no particular order

Indian ICT Market Share by Product and Services



MARKET SHARE

TATA CONSULTANCY SERVICES

- Global IT Services Market: TCS is among the top IT services providers worldwide. As of recent reports, TCS holds about **3-4% of the global** IT services market, which is substantial given the fragmented nature of this market.
- Indian IT Services Market: In India, TCS is a dominant player. The company's market share in the Indian IT services sector is significantly higher, estimated to be around **25-30%**, considering the size and scope of its operations relative to other Indian IT service providers.
- TCS's revenue provides a strong indicator of its market position. For example, TCS reported revenues of approximately USD 25 billion for the fiscal year 2023, highlighting its significant footprint in the industry.
- The CAGR of TCS over the period from FY 2018 to FY 2023 is approximately **5.52%**. TCS has **51** subsidiaries spread throughout the globe.

TCS offers a wide range of products and services catering to a wide customer base across various industries it includes:

Products and Platforms

- TCS ADD™
- TCS BaNCS™
- TCS BFSI Platforms
- TCS CHROMA™
- TCS Customer Intelligence & Insights™
- TCS ERP on Cloud
- ignio™ Opens in new tab
- TCS HOBS™
- TCS Intelligent Urban Exchange™

- TCS OmniStore™
- TCS Optumera™
- TCS TAP™
- Quartz™ – The Smart Ledgers™
- TCS TwinX™
- TCS MasterCraft™
- Jile™ Opens in new tab
- TCS iON™

Services

- Artificial Intelligence
- Cloud
- Cognitive Business Operations
- Consulting
- Cybersecurity
- Data and Analytics
- Enterprise Solutions
- IoT and Digital Engineering
- Sustainability Services
- Network Solutions and Services
- TCS Interactive
- TCS and AWS Cloud
- TCS Enterprise Cloud
- TCS and Google Cloud
- TCS and Microsoft Cloud

TCS also provides tailored solutions for various industries

These products and services illustrate TCS's comprehensive approach to addressing the diverse needs of its global client base, leveraging technology and innovation to drive business value.

MAJOR CLIENTS

TATA CONSULTANCY SERVICES

Banking and Financial Services:

- Citibank
- Bank Of America
- JP Morgan Chase

Insurance:

- Prudential Financial
- AIG (American International Group)

Retail and Consumer Goods:

- Walmart
- Marks and Spencer

Telecommunications:

- Verizon
- BT group

Manufacturing:

- General Motors
- Siemens

Healthcare and Life Sciences:

- AstraZeneca
- Johnson & Johnson

Travel, Transportation, and Hospitality:

Airbus

Marriott International

Energy, Resources, and Utilities:

- ExxonMobil
- Shell

Government and Public Service:

UK Government

Indian Government



SWOT ANALYSIS

Strengths of TCS

Broad client base: TCS caters to a broad range of audiences from Industries like entertainment banking, financial services, media services, and telecommunication. The company has also worked with many industry giants and has helped them implement their digital presence across the globe. By expanding and bringing diverse services to its plate, TCS can easily loosen the risk of being reliant on a specific industry.

Expanded global reach: The worldwide reach of TCS extends from the UK, Africa, Europe, North America, and the Asia Pacific regions. This showcases the consistent efforts of the company to acquire as many areas as possible. It has helped the company to stretch its presence and solidify its global position.

Varied service portfolio: TCS has a decentralized portfolio including various services like business intelligence, application development, IT infrastructure, and better maintenance of business process services. A lot of business clients attract such effective portfolios and make respective collaborations.

High return on investment: With all the strengths the company has, TCS successfully implements its new projects as well as ventures. It helps generate high returns on capital expenditure resulting in the company's exponential growth across the globe.

Strong collaborations: TCS has established successful connections with numerous multinational companies including HP, Dell, Amazon, Bosch, etc. The company provides technical and strategic sustainable solutions to its clients through its different collaborations and partnerships.

Weaknesses of TCS

TCS has the following weaknesses that come under the SWOT analysis.

Legal complexities: In 2014, TCS and Epic Systems had a legal dispute and the company was accused of inappropriate use of confidential corporate information. In 2016, TCS was hit for its repetition and was proven guilty with a safety amount of penalty. This amount was a staggering \$900 million in damages. The company however disagreed and ignored the court decision which harmed the company's reputation.

Sharp fall in performance: TCS subsidiary, Diligenta performed poorly continuously in its financial reports. As the company was not efficient enough to perform well, the bottom line of TCS couldn't rise quickly. This, however, tarnished the company's overall performance.

Tata Consultancy Services needs to be more agile to compete with the giants as well as companies that are developing specialized IT solutions and operations landscapes.

Opportunities of TCS

Below are the major opportunities that TCS holds.

Mobility solutions: The digital space is evolving continuously and has increased the use of mobile phones as well as digital gadgets. TCS is an available position company and has got the opportunity to leverage this emerging digital age. The progress of business applications is given extra attention by the company. These applications are really expected to be the primary driving force behind the mobility solutions for different companies.

M2M solutions: Tata Consultancy Services has made provision for M2M solutions including wired and wireless communication media. The company leverages the emerging opportunities in this field. TCS offers a range of machine-to-machine solutions and services with increasing demands.

Demand for cloud-based computing: TCS has a very strong cloud-based infrastructure that is all set to benefit from the demand developed for the services. Today, the industry is moving towards cloud-based solutions and hints demand innovation as well as the speed of digital transformation.

Digital transformation: Today, the world is becoming more digital and companies are forced to change their digital economy. The company's primary goal is to transform and deliver digital solutions and expects more expenditure on technology for the evolution.

Threats to TCS

TCS faces major threats like intense competition, legal complexities, etc.

Severe competition: The competition in the IT industry is becoming more tough. The market share of TCS is very limited so the constant price issues remain. Big IT companies like Accenture, Infosys, Deloitte Capgemini, etc. are playing a major role in the IT industry with the same efforts. TCS should continuously develop better and new solutions for its clients to overcome the intense competition.

Legal issues: Continuously, changing legal rules in unions and countries can disturb the company's functionalities. This can impact the profit and revenue of TCS.

Higher turnover rate: TCS undergoes particular attrition that harms its reputation and brand image. It ultimately increases the expense of upgrading the skill sets of new employees and instilling leadership qualities.

STRENGTHS

TCS's global reach, diversified portfolio, and strong brand reputation bolster its position in the competitive IT services market.

WEAKNESSES

Reliance on a few key clients and the potential for skills shortage could pose challenges to sustained growth.

THREATS

Intense competition from both established players and nimble startups, along with geopolitical uncertainties, may threaten TCS's market share and profitability.

OPPORTUNITIES

Expansion into emerging markets, investment in digital technologies, and strategic partnerships offer avenues for further expansion.



KEY RATIOS

CONSULTANCY SERVICES

Market Cap	₹ 13,79,088 Cr.	Current Price	₹ 3,812	High / Low	₹ 4,255 / 3,182
Stock P/E	29.6	Book Value	₹ 250	Dividend Yield	1.44 %
ROCE	64.3 %	ROE	51.5 %	Face Value	₹ 1.00
Sales	₹ 2,40,893 Cr.	Sales Qtr	₹ 61,237 Cr.	Qtr Profit Var	9.15 %
EPS	₹ 127	Promoter holding	71.8 %	Profit after tax	₹ 46,598 Cr.
PAT Qtr	₹ 12,434 Cr.	Price to Earning	29.6	Return on assets	32.5 %
Change in Prom Hold	-0.64 %	Qtr Sales Var	3.51 %	Price to book value	15.2
Debt to equity	0.09	Debt	₹ 8,021 Cr.	Pledged percentage	0.28 %

BALANCE SHEET

CONSULTANCY SERVICES

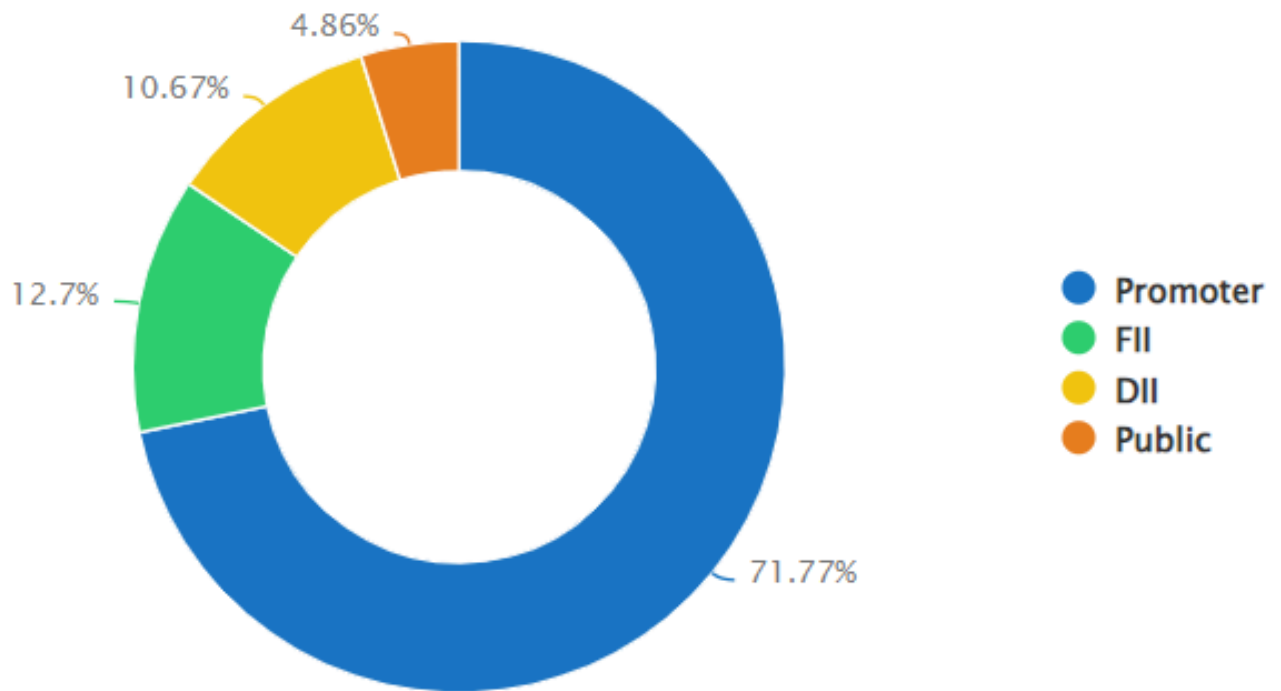
	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Equity Capital	375	370	366	366	362
Reserves	83,751	86,063	88,773	90,058	90,127
Preference Capital	0	0	0	0	0
Borrowings +	8,174	7,795	7,818	7,688	8,021
Other Liabilities +	27,820	35,764	43,967	44,747	46,962
Total Liabilities	120,120	129,992	140,924	142,859	145,472
Fixed Assets +	20,928	21,021	21,298	20,515	19,604
CWIP	906	926	1,205	1,234	1,564
Investments	26,356	29,373	30,485	37,163	31,762
Other Assets +	71,930	78,672	87,936	83,947	92,542
Total Assets	120,120	129,992	140,924	142,859	145,472

PROFIT & LOSS

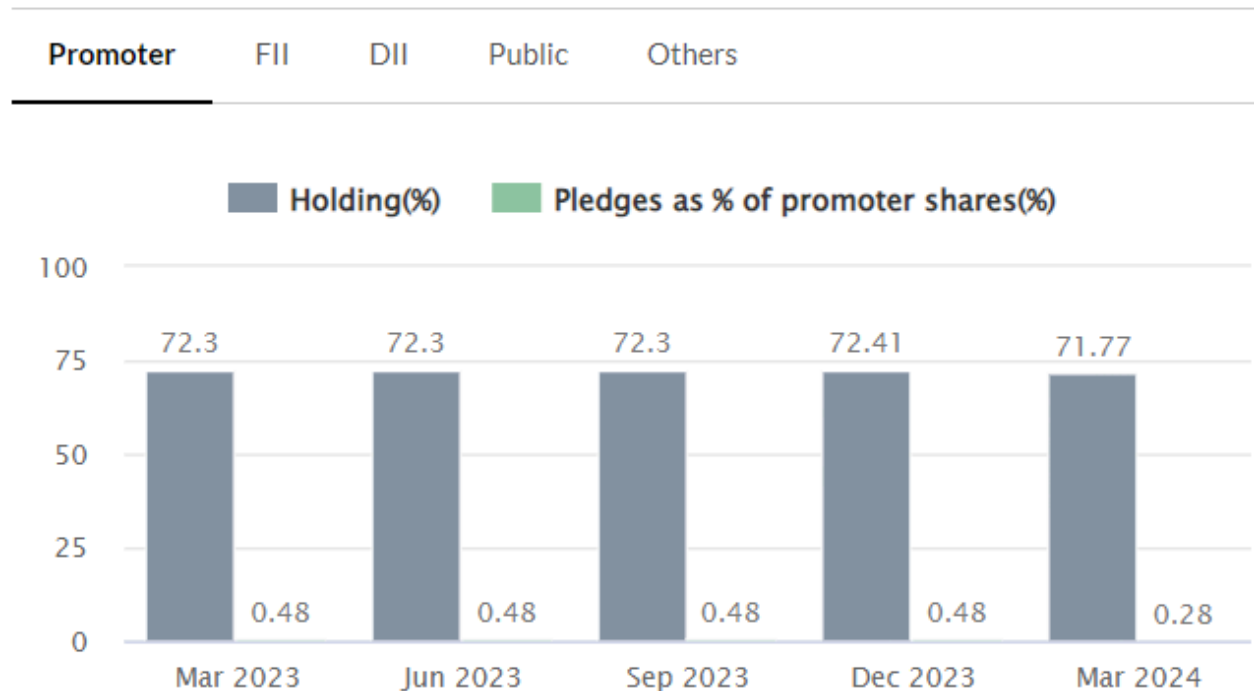
CONSULTANCY SERVICES

	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Sales -	164,177	191,754	225,458	240,893
Sales Growth %	4.61%	16.80%	17.58%	6.85%
Expenses +	117,631	138,697	166,199	176,597
Operating Profit	46,546	53,057	59,259	64,296
OPM %	28%	28%	26%	27%
Other Income +	1,916	4,018	3,449	3,464
Interest	637	784	779	778
Depreciation	4,065	4,604	5,022	4,985
Profit before tax	43,760	51,687	56,907	61,997
Tax %	26%	26%	26%	26%
Net Profit +	32,562	38,449	42,303	46,099
EPS in Rs	87.67	104.75	115.19	126.88
Dividend Payout %	43%	41%	100%	58%

SHAREHOLDING



Trend



FINANCIALS

- As of March 2024, company's promoter held 71.77% stake in Tata Consultancy Services, with no shares having been pledged.
- Over the last one year, Tata Consultancy Services share price has moved up from Rs.3215.45 to Rs.3838.45 registering a gain of Rs.623 which is around 19.76%.
- EBITDA stands at Rs.17,075 Cr in March 2024 which is up by 8.26% from Rs.15,663 Cr in March 2023.
- Net profit has increased from Rs.11,436 Cr in March 2023 to Rs.12,502 Cr in March 2024 which is a gain of approximately 8.52%. This was due to a number of factors including-
- Despite achieving a robust order book and maintaining strong demand for their services, TCS faced challenges in converting these into significant revenue growth. The global economic environment and varying client spending patterns impacted the overall growth rate. Additionally, the macroeconomic environment influenced IT spending, leading to cautious expenditure by clients
- TCS continued to invest heavily in new technologies and workforce development, including a significant focus on generative AI and other emerging technologies. These investments, while crucial for long-term growth, added to the operational costs and affected short-term revenue growth. The company also rolled out salary increases and made other employee-related investments, impacting margins.
- Certain sectors like Life Sciences and Healthcare, and Manufacturing showed strong growth, but other sectors did not perform as well, leading to an overall moderate growth rate. This sectoral variability contributed to the overall revenue growth being less pronounced.

- Debt to equity ratio is 0.09 which shows ability of a company's shareholder equity to pay its debt obligations in a tough time. D/E of less than 1 is preferred in case of TCS limited it is very low which is very good.
- Return on capital employed is 64.3% means the company is able to generate favorable amount of returns on the investment done in business activities.
- 58% is the dividend payout ratio of TCS. It is the percentage of a company's earnings that are paid out to shareholders as dividends. It is very good as investors are receiving dividends every year good for people looking for dividend as one source of income.

PEER COMPARISON

CONSULTANCY SERVICES

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	TCS	3811.65	29.57	1379088.31	1.44	12502.00	9.15	61237.00	3.51	64.28
2.	Infosys	1537.00	24.56	638146.26	2.49	7975.00	30.04	37923.00	1.29	39.99
3.	HCL Technologies	1440.10	24.90	390794.90	3.66	3995.00	0.13	28499.00	7.11	29.84
4.	Wipro	493.15	23.30	257914.68	0.20	2858.20	-7.80	22208.30	-4.23	17.15
5.	LTIMindtree	5092.50	32.91	150821.22	1.27	1100.70	-1.24	8892.90	2.32	31.17
6.	Tech Mahindra	1412.15	58.63	138091.68	2.81	664.20	-40.86	12871.30	-6.17	11.89
7.	Persistent Sys	3966.25	57.18	61100.10	0.66	315.32	25.37	2590.53	14.91	29.17

- Tata Consultancy Services tops the chart is doing very well as compared to its peers in the same sector.
- It has a comparatively very high return on capital investments and high quarter on quarter profit variation as compared to most its peers.
- The company's working in the same sector has a very high price to earnings ratio as compared to Coal India Limited.

CONCLUSION

- Tata Consultancy Services (TCS) reported a record \$13.2 billion in deal wins, which was an all-time high for the company & the company is continuously researching into development of new technologies to keep up with the fast changing world.
- It has a very stable financial performance over the years with a continuous growth also giving value to its investors by sharing dividends regularly.
- Other news include A 15-year deal with UK insurance company Aviva, TCS got core banking transformation deal from Kuwait's Burgan Bank, TCS launched an industry-first GenAI aggregation platform called TCS AI WisdomNext

