

# Brokerages upbeat on TCS after strong Q4

## WHAT THEY SAY

	Recommendation	Target price (₹)		Change (%)
		Previous	Current	
Morgan Stanley	Overweight	2,900	3,650	26
Macquarie	Neutral	2,580	3,240	26
Investec	Hold	2,690	3,326	24
CIMB	Hold	2,755	3,240	18
IIFL	Add	2,600	3,050	17
BNP Paribas	Buy	3,070	3,550	16
JP Morgan	Neutral	2,800	3,050	9
ICICI Sec	Hold	2,926	3,125	7
Ambit Capital	Buy	3,350	3,511	5
Goldman Sachs	Neutral	3,114	3,226	4

Source: Brokerages

**ROMITA MAJUMDAR**  
 Mumbai, 20 April

Analysts have turned upbeat on Tata Consultancy Services (TCS) after it reported better-than-expected March 2018 quarter earnings.

At least half a dozen foreign brokerages increased their price target for the stock by over 15 per cent. The sharp upgrades propelled TCS' shares by nearly 7 per cent to ₹3,406, a lifetime high. Market players said the one-for-one bonus announcement also buoyed investors' sentiment.

TCS, valued at \$99 billion, reported a 4.5 per cent rise in quarterly earnings after trading hours on Thursday. The firm's digital sales crossed \$4 billion in 2017-18, while revenue from services, such as cloud, grew about 43 per cent.

The strong results also boosted other IT stocks, with Infosys gaining 4 per cent and Wipro adding 2.31 per cent. The BSE IT index jumped 4.8 per cent, the most among BSE sectoral indices, amid the rupee declining to its lowest level in 13 months. Analysts see cloud computing and artificial intelligence as growth opportunities for the domestic IT sector.

Last week, IT shares had declined on Infosys' disappointing outlook for 2018-19.

"TCS delivered a strong March quarter performance, upbeat on dollar revenues and profit after tax," said Madhu Babu, research analyst Prabhudas Lilladher. It has upgraded TCS' share target price by 20

per cent to ₹3,380 per share.

He said TCS is trading on a par with Accenture on the valuation front and upgraded earnings per share (EPS) estimates by 2 per cent per cent for 2019-20 to ₹161 per share.

Sanjeev Hota, analyst at Sharekhan said, "The management commentary was encouraging on digital piece, which grew 43 per cent year-on-year and 10 per cent sequentially, contributing 23.8 per cent to its revenues." He said with a favourable capital allocation policy for investors, we expect TCS to continue to trade at a premium to its peers.

Brokerages see TCS' positive commentary on banking and financial services staging a comeback and higher growth in digital services as a huge momentum to their double digit growth plans for FY19.

"We are now more confident of TCS seeing the best improvement in 2018-19 revenue growth (organic) among IT large-caps," said Urmil Shah of IDBI Capital, which is forecasting 13.3 per cent annual growth in EPS between 2017-18 and 2019-20.

Favourable cross-currency growth and larger digital investments by clients is expected to drive this outlook.

Reliance Securities said, "We are enthused with the IT major's positive growth outlook and stable margin expectations. We upgrade our target price-to-earnings multiple to 22 times to factor in improving growth profile." It has set a price target of ₹3,620 for the stock.