

COMPANY TOPS ACCENTURE IN MARKET VALUE Double-digit growth and high operating margins make the stock a favourite on D-Street

With **100Bn** Mcap, TCS is an Outlier

Our Bureau

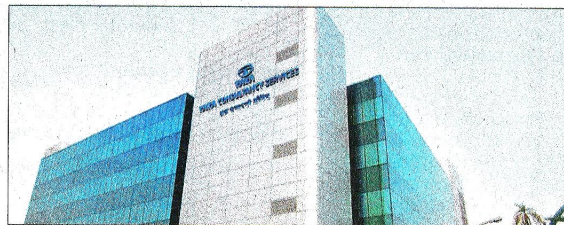
Bengaluru: By inching over Accenture in market cap, Tata Consultancy Services has announced its arrival on the global IT outsourcing stage boosted by strong margin growth and the ability to win large deals.

The Tata Group company's assertion of a double-digit growth and maintain operating margins at 26-28% has made investors back the stock, helping it to touch a market capitalisation of over \$102 billion in intra-day trade on Monday. The stock closed with a market cap of \$98.2 billion. Accenture on Monday trade (Indian time — 21.35) had a market cap of \$98.4 billion on the

New York Stock Exchange

TCS has been an outlier among Indian IT services firms. In the last three years, the IT industry was facing a crisis, largely due to customers shifting their technology budgets towards digital reflecting a market trend of their consumers accessing applications on smartphones than on desktops. To achieve this, they also began hosting applications on the cloud and cutting funds on their IT infrastructure and maintaining them. Traditional services contribute three out of four dollars for Indian IT firms. It was also being disrupted with automation in maintenance and entry level application development.

Some like Infosys tried to shift their business from pure services to a so



called software plus services model, looking to get a pie of the digital spend. It failed.

TCS stuck to its time-tested model of services, waiting for the digital spend to scale. It also sensed the opportunity of stitching the legacy software built for desktops with the applications built for smartphones. It

also gained market as customers looked at TCS as a provider of end-to-end solutions who can help them migrate to the digital world.

"For such a large firm in a maturing industry to be able to maintain and even enhance profitability over so many years, and to be able to deliver well above industry revenue growth

is no mean feat," wrote Harit Shah, senior analyst - IT, Reliance Securities, in a note. "We expect the IT major's strong processes, execution engine and operational efficiency to drive its performances going forward as well, given that these factors are structural and give it a competitive advantage vs its peers."

On Monday, TCS market cap was two-and-half times of Infosys, its smaller rival which has forecast lower growth for the year ahead. In comparison, Infosys stock was one-and-half times more than of TCS in 2009.

TCS CEO Rajesh Gopinathan, who has led the India's largest IT services company to \$100 billion in market capitalization, says the company has stayed its course.

"Our approach is the same. We are boring if you look at it," Gopinathan told ET in an interview on Friday. He describes the company's strategy simply as a 'bet on its people.'

TCS has long been known as a conservative company and its goal was never growing its market valuation.

"I don't think we were chasing numbers. Basically, what we said was, are we delivering on our promises, are we raising the bar every time, are we absorbing new technologies and innovating and bringing out our differentiators day in and day out. So skilling, reskilling and upgrading our employees to ensure they were always ahead of the curve," former CEO S Ramadorai said.

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