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TCS propels Tata group into ₹10-trillion club

IT major nears $100 bn m-cap, accounts for 61% of the group's combined valuation

KRISHNA KANT & SAMIE MODAK
Mumbai, 20 April

Tata Consultancy Services (TCS) has played a stellar role in helping the Tatas to become the first private business group to enter the ₹10-trillion market capitalisation league. This has happened because of the double-digit rally in the TCS share price in the current year.

Shares of TCS, the most valuable Indian company, on Friday closed at a lifetime high of ₹3,406. At the current price, TCS is valued at ₹6.52 trillion, or $98.52 billion, a whisker away from the $100-billion mark.

The 27 listed companies of the Tata group now have a combined market capitalisation of ₹10.7 trillion, up 11.2 per cent during the current calendar year. The group companies had a combined market capitalisation of ₹9.6 trillion at the end of December 2017.

Mukesh Ambani-owned Reliance Industries is ranked second on the league table with the group companies' combined market capitalisation of around ₹6 trillion.

If Tata group companies were listed as a single holding company, the group would be the world's 49th most valuable conglomerate with a market capitalisation of $162.2 billion — behind French oil and gas major Total SA and ahead of Anglo-Dutch consumer products major Unilever Plc.

TCS is set to enter the league of the world's 100 most valuable companies. Currently, TCS is ranked 103, ahead of British pharmaceutical company GlaxoSmithKline (GSK).

Interestingly, the rupee has come off by 1.7 per cent in the past two weeks from 65 to 66.11 against the greenback. If not for the weakness in the rupee, TCS' market cap would have breached the $100-billion mark.

Reliance Industries had crossed the $100-billion mark a decade ago. Back then, the rupee traded at only 40 against the dollar. In domestic currency terms, TCS' market cap is the highest for an Indian company.

TCS shares have gained 26.4 per cent during the year so far, against 1.2 per cent rise in the benchmark BSE Sensex index during the period.

The information technology (IT) major now accounts for 61 per cent of the Tata group companies' combined market capitalisation, up from 53.8 per cent at the beginning of the current calendar year and 59 per cent at the beginning of 2016.

Among large group companies, TCS is the single-biggest contributor to the incremental growth in the Tata group's market cap, followed by Titan Company and Indian Hotels.

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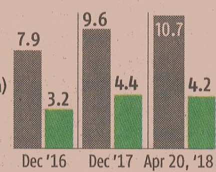
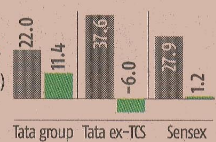
PART OF THE BIG LEAGUE

TCS to the rescue
Market capitalisation (in ₹ trn)



Change in group market capitalisation (in %)



Tata group pecking order

Company	M-cap (₹ bn)	YTD change (%)
TCS	6,532.8	26.4
Tata Motors	971.0	-22.0
Titan Co	850.5	11.9
Tata Steel	684.8	-3.7
Tata Power	232.6	-8.4

Source: Capitaline Compiled by BS Research Bureau

MARKETS 6
Brokerages upbeat on TCS after strong Q4

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WHAT THEY SAY

	Recommendation	Target price (₹) Previous	Current	Change (%)
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.