

December 16, 2013

Rating Remains	Buy
Target price Remains	INR 2440
Closing price December 16, 2013	INR 2019

Key highlights from TCS analysts' briefing

Quick Note

We attended the TCS (TCS IN, Buy) analysts' briefing today. Key highlights of management's commentary were:

Status quo in commentary

- TCS has maintained its earlier stance that FY14 will be a better year than FY13 and that 2HFY14 will be weaker than 1HFY14.
- 3QFY14F will be a seasonally weaker quarter on account of: 1) lower number of working days and 2) furloughs in multiple industries (especially retail) impacting revenues.
- In terms of service lines, consulting will be weak, while among geographies, India will be weak as there has been a slowdown in spending ahead of the upcoming elections. The US and UK will also be weak, however Europe, APAC and Latam will do better than company average. The weakness in regions other than India is in line with typical seasonality, according to TCS.
- No budget flush seen by TCS in 3QFY14.

Currency to benefit USD revenue growth by 100bps and impact margins by ~30bps

- For 3QFY14F, cross currency moves in the quarter will benefit q-q USD revenue growth by 100bps and negatively impact q-q INR revenue growth by 100 bps. Margins in 3QFY14F will see a 25-30bps q-q negative impact on account of cross currencies. But they will be stable q-q ex of currency impact, according to management.
- Forex gain of INR1.5bn likely in 3QFY14F (vs loss of INR3.75bn in 2Q). Interest income will be similar to 2QFY14 levels according to management.

No indication on FY15 yet but environment is positive

- Budgeting cycle is happening in a more positive environment this year and demand environment continues to be positive. TCS will comment on how FY15 will look like in Jan/Feb. when they get better info from clients.
- Demand uptick is being driven by smaller deals in US: in Europe its large deal driven.

Nomura view

- TCS' indications on 3QFY14F revenue growth were slightly muted vs our expectations - but that was largely on account of the weakness in India (which is typically lumpy in nature) and hence we are not concerned. On margins, TCS' indications for 3QFY14F are in line with our expectations but likely better than consensus expectations. Profit for 3QFY14F is likely better than our expectations on forex gains (vs our assumption of forex loss).
- We maintain our Buy on TCS with a TP of INR2,440. We expect TCS to be the top performer in revenue growth among Tier-1 Indian IT, for FY15F too as it is best placed to benefit from a demand upturn given strengths in both cost efficiency and discretionary segments. We look

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

for 16.9/15.5% USD revenue growth in TCS and EPS of INR95.5/112.8 in FY 14/15F.

- We prefer TCS to Infosys (INFO IN, Buy) given its recent underperformance vs INFO over the last 3 months, greater predictability of growth (no portfolio or sales issues) and better EPS growth expectations over FY13-15F (26% CAGR at TCS vs 14% at INFO).

Appendix A-1

Analyst Certification

We, Ashwin Mehta and Pinku Pappan, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

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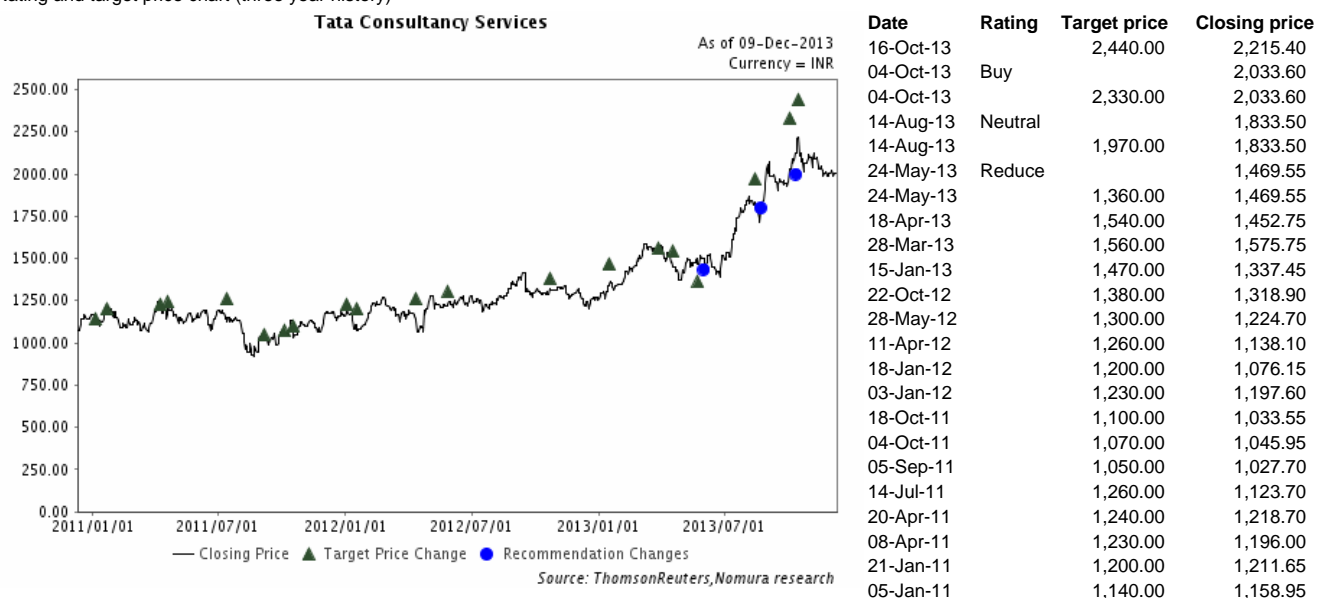
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Infosys	INFO IN	INR 3452	16-Dec-2013	Buy	N/A	
Tata Consultancy Services	TCS IN	INR 2019	16-Dec-2013	Buy	N/A	

Tata Consultancy Services (TCS IN)

INR 2019 (16-Dec-2013) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

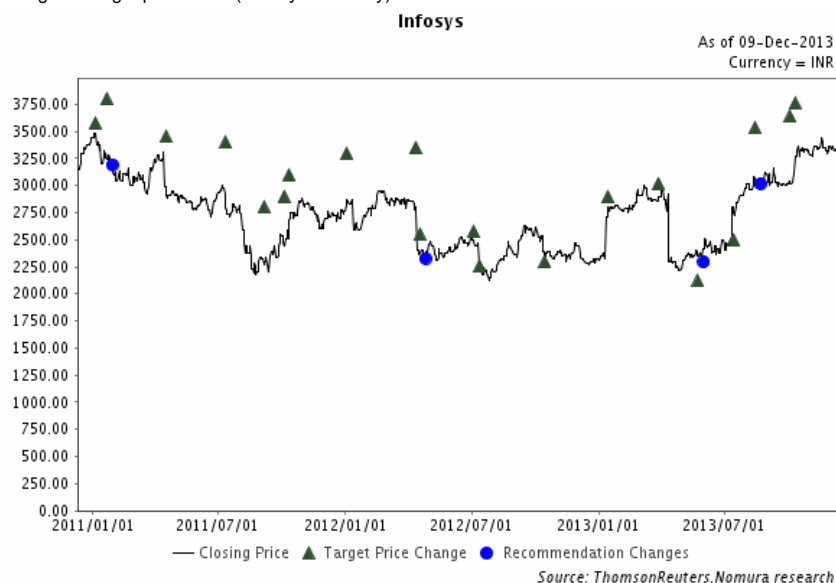
Valuation Methodology Our target price of INR2,440 is based on 20x one-year-forward EPS of INR122. The 20x multiple is at the higher end of TCS's historical valuation range, and we expect this to sustain on higher predictability of growth/margins and improving demand environment. The benchmark index for this stock is MSCI India.

Risks that may impede the achievement of the target price Downside risks include 1) a slower-than-anticipated discretionary pickup, 2) INR appreciation, and 3) the U.S. immigration bill.

Infosys (INFO IN)

INR 3452 (16-Dec-2013) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
11-Oct-13		3,760.00	3,274.50
04-Oct-13		3,640.00	3,016.40
14-Aug-13	Buy		3,069.65
14-Aug-13		3,530.00	3,069.65
15-Jul-13		2,500.00	2,742.70
24-May-13	Reduce		2,347.90
24-May-13		2,120.00	2,347.90
28-Mar-13		3,020.00	2,889.35
14-Jan-13		2,900.00	2,806.50
15-Oct-12		2,300.00	2,365.60
13-Jul-12		2,260.00	2,229.80
04-Jul-12		2,580.00	2,479.40
17-Apr-12	Neutral		2,380.70
17-Apr-12		2,550.00	2,380.70
11-Apr-12		3,350.00	2,804.40
03-Jan-12		3,300.00	2,864.30
12-Oct-11		3,100.00	2,679.35
04-Oct-11		2,900.00	2,438.50
05-Sep-11		2,800.00	2,265.10
12-Jul-11		3,400.00	2,791.55
17-Apr-11		3,450.00	2,989.50
21-Jan-11	Buy		3,243.85
21-Jan-11		3,800.00	3,243.85
05-Jan-11		3,580.00	3,459.60

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of INR3,760 is based on 17x one-year-forward EPS of INR221, in line with the stock's historical average valuations. The benchmark index for this stock is MSCI India.

Risks that may impede the achievement of the target price Key downside risks include 1) a slower-than-anticipated discretionary pickup, 2) INR appreciation, 3) higher-than-anticipated pricing pressure in commoditized services, and 4) re-emergence of risks from the U.S. immigration bill.

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Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

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