

Tata Consultancy Services

BSE Sensex 19,906	S&P CNX 6,024
Bloomberg	TCS IN
Equity Shares (m)	1,957.2
M.Cap. (INR b)	2,612/48
52-Week Range (INR)	1,438/1,040
1,6,12 Rel. Perf. (%)	4/-6/0

Financials & Valuation (INR b)

Y/E March	2013E	2014E	2015E
Sales	630.9	703.6	793.7
EBITDA	182.9	201.2	219.6
PAT	140.4	153.6	168.7
EPS (INR)	71.7	78.5	86.2
EPS Gr. (%)	31.9	9.4	9.8
BV/Sh. (INR)	199.4	244.1	296.9
RoE (%)	39.2	35.4	31.9
RoCE (%)	45.7	41.6	37.4
Payout (%)	37.6	37.0	33.6
Valuations			
P/E (x)	18.6	17.0	15.5
P/BV (x)	6.7	5.5	4.5
EV/EBITDA (x)	13.7	12.1	37.4
Div. yield (%)	2.0	2.2	2.2

CMP: INR1,334
TP: INR1,465
Neutral

- **Volume growth disappoints:** TCS' volume growth of 1.25% QoQ (v/s our estimate of 3% QoQ) in 3QFY13 was a key disappointment, offset partially by realization improvement of 1.3% QoQ in constant currency. Commentary on discretionary spending and growth outlook in CY13, especially on the back of Infosys' strong results, implies brighter prospects for the industry.
- **PAT higher than estimated:** Revenue grew 3.3% QoQ to USD2,948m (in line). In constant currency, growth was 2.65% QoQ (v/s our est of 3% QoQ). EBIT margin was 27.3%, higher than our est of 26.6% due to better realization (82bp contribution to margins). PAT was INR35.5b, above our est of INR34.3b due to higher other income (INR2.1b v/s est of INR1.66b) and better OPM.
- **Marginal upgrade in estimates:** We have revised our estimates slightly post the results, factoring realization improvement and outlook of higher growth in FY14. Revenue estimate for FY14 is up ~1% to USD13.28b. EBIT estimates for FY14/15 on an improved realization base are up 80bp/82bp. Higher revenue in FY14 and EBIT margin in FY14/15 drive 3.4% upgrade in EPS est for FY14/15.
- **Maintain Neutral:** Discounting FY15E EPS of INR86.2 by 17x would imply no more than 10% upside. Also, weak volume growth in 3QFY13 should have some bearing on valuations till visibility into CY13 budgets emerges. **Neutral.**
- **Prefer Infosys over TCS:** Volume growth of 1.25% QoQ was the lowest in 15 quarters, and fell below Infosys' organic volume growth for the first time in 12 quarters. Infosys' convergence in performance post increased pricing flexibility is also manifested in converging growth rates in the traditional commoditized IT services business. We continue to prefer Infosys over TCS, given the higher operating leverage enjoyed by the former, with utilization remaining low - implying greater scope to expand margins.

TCS Quarterly Performance (IFRS)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E	Est.	(% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenues	107,970	116,335	132,040	132,593	148,687	156,208	160,699	165,339	488,938	630,933	159,485	0.8
Q-o-Q Change (%)	6.3	7.7	13.5	0.4	12.1	5.1	2.9	2.9	31.0	29.0	2.3	58
EBITDA	30,310	33,829	40,921	39,117	43,328	44,403	46,540	48,633	144,177	182,904	45,233	2.9
Margins (%)	28.1	29.1	31.0	29.5	29.1	28.4	29.0	29.4	29.5	29.0	28.3	66.0
Other Income	2,887	997	-920	1,077	1,754	3,103	2,133	1,960	4,041	8,950	1,658	28.6
PAT	23,804	24,390	28,866	29,324	32,806	35,121	35,518	36,921	106,384	140,365	34,305	3.5
Q-o-Q Change (%)	-0.9	2.5	18.3	1.6	11.9	7.1	1.1	3.9	22.5	31.9	-2.3	343
Diluted EPS	12.2	12.5	14.7	15.0	16.8	17.9	18.1	18.9	54.4	71.7	17.5	3.7
US\$ Revenues	2,412	2,525	2,586	2,648	2,728	2,853	2,948	3,062	10,171	11,590	2,952	-0.1
Q-o-Q Change (%)	7.5	4.7	2.4	2.4	3.0	4.6	3.3	3.9	24.2	14.0	3.5	(16)
Operating Metrics												
Gross Margin (%)	45.5	46.6	48.0	47.8	47.2	46.4	47.4	48.0	47.1	47.2	46.4	100
SGA (%)	17.5	17.5	17.1	18.3	18.1	18.0	18.4	18.5	17.6	18.3	18.1	34
Tax rate (%)	22.7	24.3	22.6	21.6	22.2	21.0	21.8	22.0	22.8	21.8	21.5	32
Net Empl additions	3,576	12,580	11,981	11,832	4,962	10,531	9,561	7,091	39,969	32,145	8,648	10.6
Util - excl. trainees (%)	83.2	83.1	82.0	80.6	81.3	81.6	81.7	82.4	82.2	81.8	81.3	40
Q-o-Q Volume Gr (%)	7.5	6.3	3.2	3.3	5.3	5.0	1.2	3.6	23.0	15.0	3.0	(175)
Q-o-Q Realiz Chg (%)	-0.5	-1.0	2.0	-1.0	-1.0	-0.5	2.3	0.2	1.1	-0.4	0.6	172
Offshore revenues (%)	55.2	54.8	55.0	54.8	55.3	54.2	54.4	54.8	54.9	54.7	54	10

E: MOSL Estimates

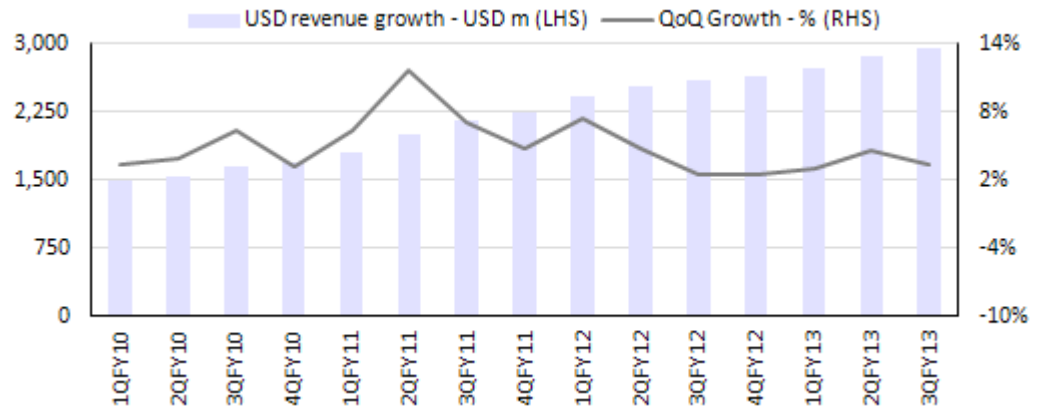
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Volume growth disappoints; margins, PAT higher than estimated

- TCS' 3QFY13 revenue grew 3.3% QoQ to USD2,948m, in line with our estimate of USD2,952m (implying 3.5% QoQ growth). In constant currency terms, however, growth was 2.65% QoQ, slightly lower than our estimate of 3% QoQ. Cross currency movements had a positive impact of 65bp QoQ on revenue growth.

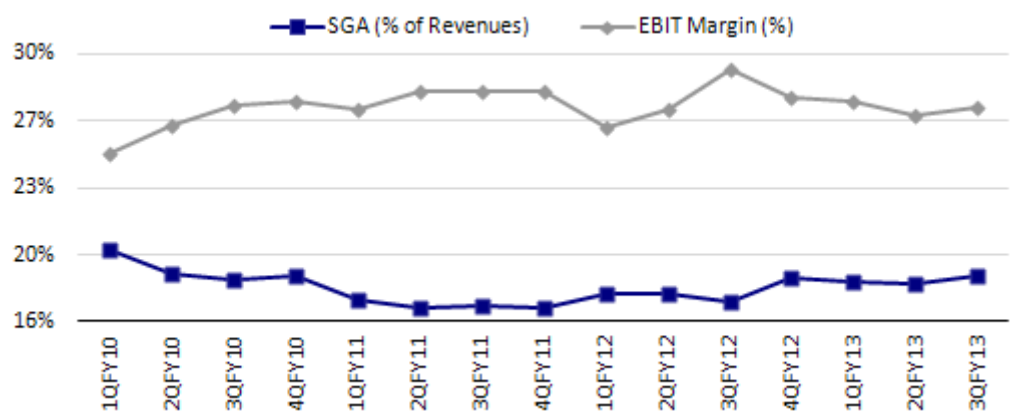
USD revenue growth was in line despite low volumes due to realization improvement



Source: Company, MOSL

- The key highlight of the quarter was disappointing volume growth - just 1.25% QoQ, the lowest in the last 15 quarters. We had estimated volume growth of 3% QoQ. Lower volume growth was partly offset by realization improvement of 130bp QoQ.
- In Rupee terms, revenue grew 2.9% QoQ to INR160.7b (v/s our estimate of INR159.85b, +2.3% QoQ). Growth came from: [1] volume: +1.25%, [1] constant currency realization improvement: +1.3%, [3] currency movements: +0.24%, and [4] efforts mix shift: +0.09%.
- EBIT margin for the quarter was 27.3% (+50bp QoQ), above our estimate of 26.6% (-20bp QoQ) due to better realization (we had expected realized rates to remain flat QoQ). Break-up of EBIT margin movers during the quarter was: [1] productivity led gains: +82bp, [2] offshore mix shift: +16bp, [3] SGA: -50bp, and [4] currency movements: +3bp.

EBIT margin was above estimate due to productivity gains



Source: Company, MOSL

- PAT was INR35.5b, +1.1% QoQ, higher than our estimate of INR34.3b, -2.3% QoQ. Higher than estimated PAT was driven by higher other income (INR2.1b v/s our estimate of INR1.66b) and better-than-estimated margins, led by productivity.

INR Revenue Impacts	%	EBIT margin impacts (IFRS)	(bp)
Volume	1.25	Currency	3
Pricing (CC)	1.30	Productivity	82
Currency	0.24	SGA	-50
Efforts Mix	0.09	Efforts mix shift	16
Total	2.88	Total	51.0

BFSI and manufacturing grew well despite impact of furloughs

Despite the impact of furloughs during the quarter, BFSI volumes grew above company average. Telecom was sluggish; growth was driven by Manufacturing (+7.1% QoQ; 17.5% of incremental revenue), Energy & Utilities (+9.1% QoQ; 9.8% of incremental revenue) and Others (+9.8% QoQ; 14% of incremental revenue).

Energy & Utilities grew fastest among verticals

Verticals	Contr. to overall rev (%)	QoQ Gr. (%)	Contr. to incr rev (%)
BFSI	43.0	3.8	49.0
Mfg	8.5	7.1	17.5
Telecom	9.5	-4.7	-14.5
LS & Healthcare	5.2	3.3	5.2
Retail & Distr	13.4	3.3	13.4
Transportation	3.6	3.3	3.6
Energy and Utilities	3.8	9.1	9.8
Media & Entmnt	2.1	-1.4	-0.9
Hi-Tech	5.8	1.6	2.8
Others	5.1	9.8	14.1

Source: Company, MOSL

Latin America grew fastest among geographies

Among geographies, Latin America grew the fastest (+9.4% QoQ; 9.6% of incremental revenue) and UK grew above company average (+5.8% QoQ; 29.5% of incremental revenue). Continental Europe declined 1% QoQ, described by the management as a one-off.

Latin America outgrew other geographies, followed by UK

Geographies	Contr. to overall rev (%)	QoQ Gr. (%)	Contr. to incr rev (%)
North America	52.6	2.9	46.6
Latin America	3.6	9.4	9.6
UK	17.5	5.8	29.5
Continental Europe	9.1	(1.0)	(2.9)
India	7.6	4.7	10.6
APAC	7.5	2.0	4.5
MEA	2.1	3.3	2.1

Source: Company, MOSL

IMS, EAS, Consulting grew notably among services

Discretionary services like EAS (+4.7% QoQ; 21.1% of incremental revenue), Consulting (+10.2% QoQ; 9.2% of incremental revenue) and Products (+7.8% QoQ) all notably grew above the company average. Growth at IMS remained strong (+6.1% QoQ; 21% of incremental revenue).

Discretionary services like Consulting, EAS, Products all grew above company average

Services	Contr. to overall rev (%)	QoQ Gr. (%)	Contr. to incr rev (%)
ADM	42.4	1.7	21.4
Engg Services	4.7	5.6	7.7
IMS	11.7	6.1	20.7
EAS	15.1	4.7	21.1
Consulting	3.2	10.2	9.2
Products	2.8	7.2	5.8
Testing	7.7	3.3	7.7
BPO	12.4	1.7	6.4

Top client was flattish QoQ, while top-5 clients grew 1.1% and top-10 clients grew 1.7% QoQ.

Source: Company, MOSL

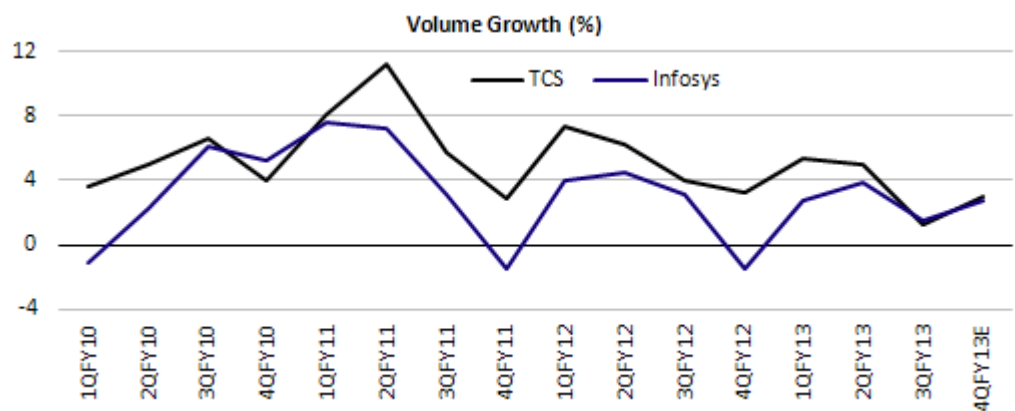
CY13 commentary on the back of Infosys' strong results implies brighter industry outlook

Despite disappointing volume growth during the quarter, TCS' commentary on the outlook for CY13 remained bullish. Healthy pipeline, solid and broadbased order booking during the quarter, expectations of a much improved performance in Europe and continued recovery in discretionary spending collectively lend confidence to the company's outlook of FY14 being a better year than FY13. Following Infosys' performance, the outlook by TCS bodes well for the industry at large.

Infosys' performance gradually converging with TCS'

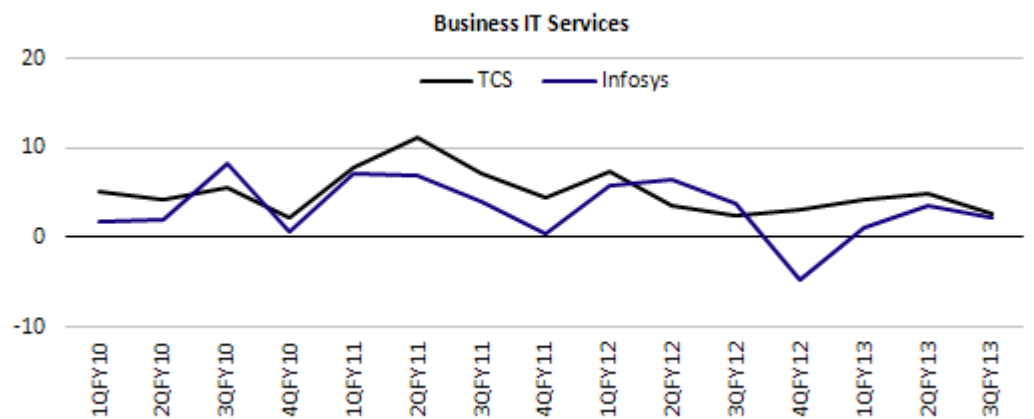
We note that Infosys' performance is converging with TCS', following increased pricing flexibility in its quest for growth. We highlight trends in two parameters: volume growth; and revenue in Business IT Services (BITS). 3QFY13 was the first in 12 quarters when volume growth at Infosys (organic) exceeded that at TCS, albeit marginally. But this was after two consecutive quarters of narrowing the gap. Also, Infosys' growth in traditional commoditized IT services drew criticism for its inflexibility on pricing. Pricing has come off in the past three quarters, and correspondingly, Infosys' growth in BITS has picked up, and closed the gap with TCS in the last couple of quarters.

TCS' volume growth lowest in 15 quarters; lower than Infosys' for the first time in 12 quarters



Source: Company, MOSL

Growth in BITS at Infosys converging with TCS following pricing decline earlier in the year



Source: Company, MOSL

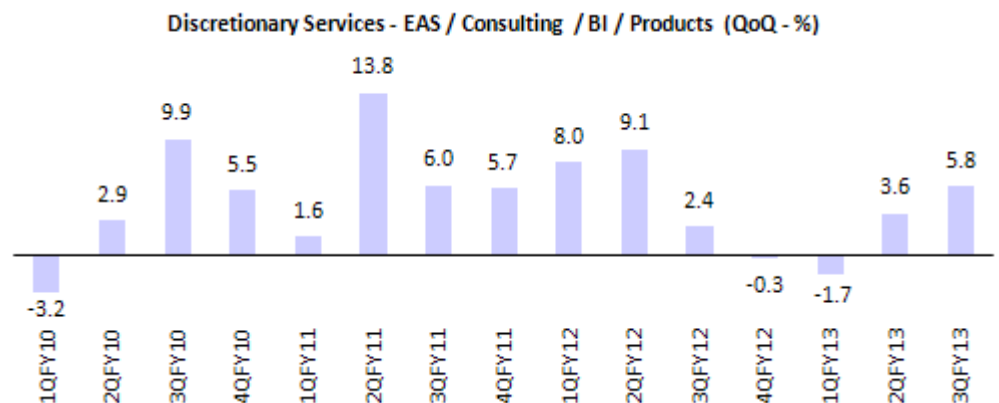
Takeaways from management commentary - discretionary spends improving; outlook for CY13 healthy

Strong order booking / pipeline: Order booking during the quarter was solid and broadbased. Of the 7 large deals, 2 were in BFSI, and 1 each in Retail, Healthcare, Government, Telecom and Transportation. The pipeline for large deals is also looking healthy.

CY13 should be better than CY12: While TCS still awaits details from clients for further clarity into budgets, the momentum witnessed while exiting 2012 is better than 2011. The clients have much greater clarity around the initiatives they want to spend on. There are no delays in deal closures or sluggishness in decision making.

Discretionary spending improving: The environment for discretionary spending has been improving over the past few months. Efficiency and transformation-led work has been more broadbased, while Enterprise Services spends have been seen across select clients. Discretionary spend, which struggled in much of 2012, is likely to improve in 2013.

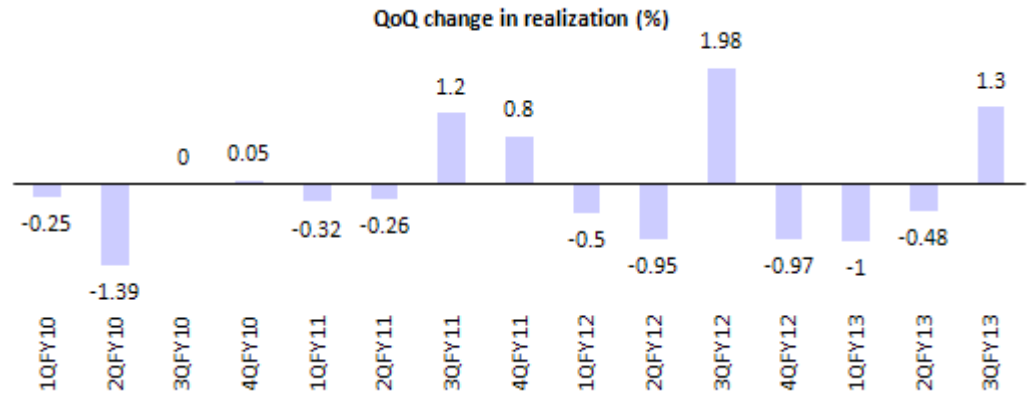
Growth in discretionary services accelerating, in line with management commentary



Source: Company, MOSL

Room to improve realization further: Improvement in realization through productivity will be an ongoing process. While the pricing environment remains stable, there remains room to extract better realization through greater efficiency on an ongoing basis.

QoQ realization has been up only in 4 out of last 15 quarters; room for further increase



Source: Company, MOSL

Growth in Europe to improve: Expect growth in Europe to be better than many other geographies in CY13. The decline in Continental Europe in 3QFY13 is one-off and momentum in Europe is strong.

Deal momentum is broad-based: TCS remains confident of growth from multiple verticals like Retail, Banking and Financial Services, Government, and Transport. Even within services, Application Management, IMS, BPO, and discretionary services like Digitization are expected to grow well.

To hire 26,000 freshers from campus: TCS plans to bring onboard 26,000 fresher joiners from campus in the next year. It has already given offers to 24,000 campus graduates.

Upgrading earnings estimates for FY14/15 by 3.4% post commentary on FY14 growth and realization improvement

We have revised our earnings estimates slightly post the 3QFY13 results to reflect the company's confidence of higher growth in FY14 and realization improvement in 3QFY13. Our USD revenue estimate for FY14 is up ~1% to USD13.28b. Our FY15 revenue estimate is unchanged.

TCS' constant currency realization improvement of 130bp QoQ was a positive surprise during the quarter. Our EBIT estimates for FY14/15 on an improved realization base are up 80bp/82bp.

Higher revenue in FY14 and EBIT margin in FY14/15 drive 3.4% upgrade in our EPS estimates for FY14/15. We currently build volume growth moderation in FY15 on a high base of FY14.

Change in Estimates

	Revised			Earlier			Change (%)		
	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
INR/USD	54.4	53.0	53.0	54.3	53.0	53.0	0.2	0.0	0.0
USD Revenue (m)	11,591	13,276	14,976	11,597	13,177	14,965	-0.1	0.8	0.1
Volume Growth (%)	15.0	14.5	13.3	16.1	14.4	13.9	-116bp	3bp	-59bp
Pricing (%)	-0.4	0.0	-0.4	-1.4	-0.8	-0.3	100bp	77bp	-15bp
EBIT Margin (%)	27.3	26.9	26.0	27.0	26.1	25.2	32bp	80bp	82bp
EPS (INR)	71.7	78.5	86.2	70.9	75.9	83.4	1.2	3.4	3.4

Source: Company, MOSL

Valuation and view: Expect healthy growth, but valuations rich; prefer Infosys

We expect TCS to grow its USD revenue at a CAGR of 13.7% and EPS at a CAGR of 9.6% over FY13-15. The stock trades at 17x FY14E and 15.5x FY15E EPS. 17x FY15E EPS implies 10% upside from current levels for the stock. Also, we would expect weak volume growth in 3QFY13 to have a bearing on valuations till visibility into CY13 budgets emerges. Maintain **Neutral**.

While we expect TCS to continue outgrowing the industry, we see peers like Infosys gradually bridging the gap. We continue to prefer Infosys over TCS, given the higher operating leverage enjoyed by the former, with utilization remaining low - implying greater scope to expand margins.

Other results highlights

- Utilization including trainees at 72.1%, -70bp QoQ (v/s estimate of 74.3%, +150bp QoQ)
- Headcount addition at 9,561 (net) (v/s estimate of 8,648) and 17,145 (gross)
- Attrition at 11.2% (v/s 11.4% in 2QFY13 and 15.1% at Infosys)
- Revenue proportion from onsite declined 20bp QoQ to 45.6%
- Revenue contribution from fixed price contracts improved 50bp QoQ to 47.3%
- 7 large deals were announced in 3QFY13
- DSO at the end of the quarter stood at 79 days, v/s 81 days in the previous quarter
- Total invested funds were INR131.7b (v/s INR108b in 2QFY13).

Growth Comparison

QoQ Growth (%)	FY11				FY12				FY13		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Service Lines											
ADM	7.1	9.2	2.9	7.3	7.7	1.3	0.8	3.3	0.7	3.8	1.7
Engineering and Indl Services	6.4	14.0	4.8	4.7	3.0	9.2	-1.9	2.4	3.0	4.6	5.6
Infrastructure Services	11.5	20.7	19.5	-9.3	12.2	5.8	13.1	0.5	5.0	12.5	6.1
Enterprise Solutions	3.2	17.4	-0.3	17.8	7.5	53.2	2.4	-1.5	3.0	2.5	4.7
Global Consulting	-10.6	11.7	17.2	-4.4	12.6	23.7	10.3	-1.3	6.8	12.0	10.2
Asset Leverage Solutions	-1.6	2.7	25.9	-5.8	7.5	16.3	-2.7	5.1	-26.0	0.8	7.2
Assurance Services	17.4	15.2	15.1	3.2	12.1	9.0	2.4	-1.6	7.3	5.9	3.3
BPO	3.6	8.7	11.9	6.5	1.0	4.7	1.5	9.0	16.5	1.3	1.7
Industry Verticals											
BFSI	4.3	10.0	8.4	3.3	5.7	5.2	1.9	-0.2	5.0	4.1	3.8
Manufacturing	0.9	11.7	4.1	9.1	8.3	8.0	2.4	3.7	3.0	8.5	7.1
Telecom	10.8	12.6	-0.5	-3.2	14.3	-4.3	-4.3	2.4	6.1	4.6	-4.7
Life Sciences & Healthcare	6.4	9.6	9.1	6.7	5.4	6.7	2.4	2.4	3.0	2.6	3.3
Retail & Distribution	7.4	10.7	7.0	7.6	11.3	9.2	4.1	4.1	8.8	6.2	3.3
Transportation	3.1	15.3	13.7	20.1	1.9	7.5	2.4	-0.3	3.0	1.7	3.3
Energy and Utilities	17.0	45.6	9.5	9.5	-11.2	18.5	-2.3	-5.1	-2.4	4.6	9.1
Media & Entertainment	12.3	17.6	23.0	4.7	2.8	-0.1	7.3	2.4	3.0	4.6	-1.4
Hi-Tech	11.2	11.7	16.3	13.1	15.4	6.5	2.4	4.1	3.0	2.8	1.6
Others	10.0	4.4	-4.3	-1.5	14.2	-7.6	20.6	23.6	-22.7	4.6	9.8
Client growth											
Top Client	5.1	10.3	3.0	0.6	3.1	1.7	2.4	0.9	1.5	1.4	0.2
Top 5	7.4	12.2	6.0	2.3	3.9	1.1	0.4	0.3	0.9	2.3	1.1
Top 10	7.5	10.3	7.0	3.0	4.9	2.5	0.2	0.2	0.7	1.0	1.7
Non top 10 Clients	5.9	12.4	7.0	5.4	8.5	5.6	3.3	3.2	3.9	5.8	3.9
Geographies											
America	8.4	9.1	6.6	4.5	6.5	5.7	2.2	3.0	2.8	3.2	2.9
UK	5.7	13.2	11.9	1.4	6.1	6.1	-0.9	3.8	15.2	5.2	5.8
Rest of Europe	-5.3	14.2	9.3	11.4	7.5	6.8	6.5	-4.4	0.9	3.5	-1.0
Europe	1.3	13.6	10.9	5.1	6.6	6.3	2.0	0.4	9.6	4.6	3.3
India	5.2	25.7	-0.6	0.1	13.6	-6.6	3.6	3.6	-13.9	10.5	4.7
APAC	12.1	17.4	19.1	9.2	9.0	7.6	3.8	3.7	-1.0	7.4	2.0
Ibero America	4.0	1.3	-15.0	8.1	4.1	1.3	5.8	2.4	9.7	7.7	9.4
MEA	12.0	6.1	12.6	4.7	18.2	4.7	-2.2	2.4	3.0	4.6	3.3
Others	9.1	9.9	7.0	8.2	9.2	5.5	3.2	3.2	2.2	7.0	4.1
Offshore	6.9	11.1	7.4	3.0	7.5	6.5	1.5	1.9	5.0	1.2	3.9
Onsite	6.5	12.1	6.3	7.7	7.1	6.8	1.9	2.7	3.4	6.7	2.8
GDC	2.6	7.1	4.6	7.4	-1.7	-10.3	18.0	2.3	11.6	10.6	1.2
Overall International business	6.5	11.3	6.7	5.3	6.9	5.8	2.3	2.3	4.6	4.1	3.2
Domestic Business	5.2	15.5	9.3	-0.9	13.6	-6.6	3.6	3.6	-13.9	10.5	4.6

Source: Company, MOSL

Tata Consultancy Services: an investment profile

Company background

TCS is the largest IT services company in India, with (LTM) revenue of over USD11.2b. It employs over 263,000 people and provides IT and BPO services to over 1,000 global clients. It is one of the preferred IT vendors for most Fortune 500/Global 1,000 companies.

Key investment arguments

- Despite the prevailing macro headwinds, TCS' execution remains spectacular and outlook bullish, defying any concerns from a weak macro thus far.
- Traction has been broad-based; company bagged 7 large deals across industries in 3QFY13.
- One of the largest players in IMS, a key growth driver for the industry.

Key investment risks

- The appreciation of the Rupee and continued attrition could hamper profitability.
- Slowdown in BFSI due to the prevailing threat of a sovereign default in Europe.

Recent developments

- Signed a large service management deal with a global financial services major in US. TCS as the sole

provider has been entrusted with their entire application portfolio.

- Awarded a multi-million dollar, multi-year contract with the Mexican government department.

Valuation and view

- We expect TCS to report revenue CAGR of 13.7% and EPS CAGR of 9.6% over FY13-15.
- The stock trades at 17x FY14E and 15.5x FY15E EPS. Maintain **Neutral**.

Sector view

- In the last few quarters, increasingly weak macroeconomic data have been emanating from both the US and Europe, which implies deceleration in growth for Indian IT services.
- Early commentary on CY13 IT budgets indicates that growth in FY14 is likely to compare with that in FY13.
- We reckon frontline Indian IT companies would be better placed to sail through the near-term challenges mentioned above. Niche IT/ITeS companies with strong business models are also likely to be better placed to face uncertainties in the near term.

Comparative valuations

		TCS	Infosys	Wipro
P/E (x)	FY13E	18.6	17.3	15.9
	FY14E	17.0	16.0	15.4
P/BV (x)	FY13E	6.7	4.2	3.3
	FY14E	5.5	3.7	2.9
EV/Sales (x)	FY13E	4.0	3.3	2.2
	FY14E	3.5	2.9	2.0
EV/EBITDA (x)	FY13E	13.7	11.4	10.9
	FY14E	12.1	10.3	10.3

EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	71.7	70.3	2.0
FY14	78.5	77.6	1.1

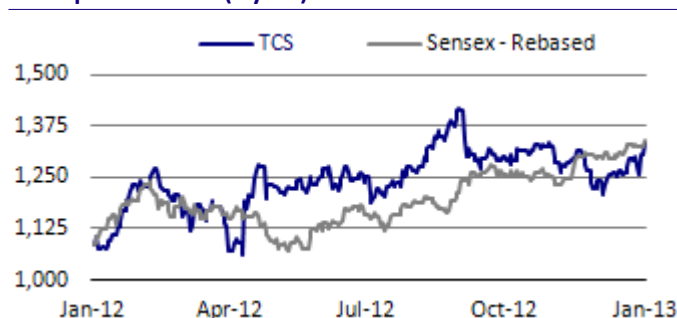
Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
1,334	1,465	9.8	Neutral

Shareholding pattern (%)

	Sep-12	Jun-12	Sep-11
Promoter	74.0	74.0	74.1
Domestic Inst	6.5	6.7	8.1
Foreign	14.8	14.6	12.8
Others	4.7	4.7	5.0

Stock performance (1 year)



Financials and Valuations

Income statement		(INR Million)			
Y/E March	2012	2013E	2014E	2015E	
Sales	488,938	630,933	703,643	793,750	
Change (%)	31.0	29.0	11.5	12.8	
Cost of Services	258,773	332,819	373,275	429,712	
SG&A Expenses	85,988	115,210	129,215	144,459	
EBITDA	144,177	182,904	201,154	219,578	
% of Net Sales	29.5	29.0	28.6	27.7	
Depreciation	9,036	10,525	11,897	13,420	
Other Income	4,041	8,950	11,081	13,846	
PBT	139,182	181,329	200,338	220,004	
Tax	31,688	39,451	45,142	49,723	
Rate (%)	22.8	21.8	22.5	22.6	
Eq. in earnings of affilia	0	0	0	0	
Minority Interest	1,110	1,512	1,596	1,596	
PAT	106,384	140,365	153,601	168,686	
Extraordinary	0	0	0	0	
Net Income	106,384	140,365	153,601	168,686	
Change (%)	22.5	31.9	9.4	9.8	

Balance Sheet		(INR Million) ₹ Million)			
Y/E March	2012	2013E	2014E	2015E	
Share Capital	1,957	1,957	1,957	1,957	
Reserves	323,276	387,316	474,803	578,068	
Net Worth	325,233	389,273	476,760	580,026	
Preference shares	1,000	1,000	1,000	1,000	
Minority Interest	5,276	5,780	5,780	5,780	
Loans	12,306	14,195	15,517	17,510	
Capital Employed	343,815	410,248	499,058	604,315	
Gross Block	107,400	129,705	148,275	166,845	
Less : Depreciation	42,852	53,376	65,273	78,694	
Net Block	64,548	76,328	83,002	88,151	
Other LT Assets	110,269	113,049	119,127	126,735	
Investments	0	29,541	29,541	29,541	
Curr. Assets	237,173	303,207	384,035	494,818	
Debtors	137,469	175,757	189,917	216,704	
Cash & Bank Balance	34,617	91,635	154,604	233,026	
Loans & Advances					
Other Current Assets	65,087	35,814	39,514	45,088	
Current Liab. & Prov	68,175	111,877	116,648	134,929	
Current Liabilities	68,175	111,877	116,648	134,929	
Net Current Assets	168,998	191,330	267,388	359,888	
Misc. Expenses	2	2	2	2	
Application of Funds	343,815	410,248	499,058	604,315	

E: MOSL Estimates

Ratios*					
Y/E March	2012	2013E	2014E	2015E	
Basic (INR)					
EPS	54.4	71.7	78.5	86.2	
Cash EPS	59.0	77.1	84.6	93.0	
Book Value	166.7	199.4	244.1	296.9	
DPS	25.0	27.0	29.0	29.0	
Payout %	46.0	37.6	37.0	33.6	
Valuation (x)					
P/E	24.5	18.6	17.0	15.5	
Cash P/E	22.6	17.3	15.8	14.3	
EV/EBITDA	18.0	13.7	12.1	10.8	
EV/Sales	5.3	4.0	3.5	3.0	
Price/Book Value	8.0	6.7	5.5	4.5	
Dividend Yield (%)	1.9	2.0	2.2	2.2	
Profitability Ratios (%)					
RoE	36.7	39.2	35.4	31.9	
RoCE	44.1	45.7	41.6	37.4	
Turnover Ratios					
Debtors (Days)	87	91	95	93	
Fixed Asset Turnover (x)	8.4	9.0	8.8	9.3	

* 1:1 bonus in FY07, accordingly ratios are adjusted

Cash Flow Statement		(INR Million) ₹ Million)			
Y/E March	2012	2013E	2014E	2015E	
CF from Operations	115,420	150,890	165,498	182,107	
Cash for Working Capital	-73,671	34,686	-13,089	-14,079	
Net Operating CF	41,748	185,576	152,409	168,028	
Net Purchase of FA	-41,584	-25,085	-25,193	-26,722	
Net Purchase of Invest.	18,390	-29,541	0	0	
Net Cash from Invest.	-23,193	-54,626	-25,193	-26,722	
Proc. from equity issues	24,319	-13,995	0	0	
Proceeds from LTB/STB	1,588	1,889	1,323	1,992	
Net Cash Withdrawn by Tata Sons					
Dividend Payments	-57,246	-61,826	-66,406	-66,406	
Cash Flow from Fin.	-31,339	-73,932	-65,083	-64,413	
Free Cash Flow	165	160,491	127,216	141,306	
Net Cash Flow	-12,784	57,018	62,133	76,893	
Opening Cash Bal.	47,401	34,617	91,635	154,133	
Add: Net Cash	-12,784	57,018	62,133	76,893	
Closing Cash Bal.	34,617	91,635	154,133	231,391	

N O T E S

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