

Tata Consultancy Services Limited

Instrument	Amount	Rating Action
	Rs. Crore	
Long-term/short-term Fund-based / Non-fund based facilities	4,939.0	[ICRA]AAA(stable) / [ICRA]A1+ reaffirmed
Long-term/short-term Fund-based facilities	500.0	[ICRA]AAA(stable) / [ICRA]A1+ reaffirmed
Long-term/short-term Non-fund based facilities	620.0 (enhanced from 320.0)	[ICRA]AAA(stable) / [ICRA]A1+ reaffirmed/assigned

ICRA has reaffirmed its [ICRA]AAA (pronounced as ICRA triple A) and [ICRA]A1+ (pronounced as ICRA A one plus) ratings to the Rs. 4,939.0 crore fund-based/non fund-based facilities of Tata Consultancy Services Limited (TCS). ICRA has also reaffirmed [ICRA]AAA and [ICRA]A1+ ratings to the Rs. 500.0 crore fund-based facilities and Rs. 620.0 crore (enhanced from Rs. 320.0 crore) non-fund based facilities of TCS. The Rs. 4,939.0 crore facilities are fully interchangeable between fund based and non fund-based facilities. The outlook on the long term rating is stable.

The ratings factor in the leading position of TCS among Indian players in the Global Information Technology (IT) and IT enabled services (ITES) outsourcing segment, its diversified and growing client base, wide range of services offered and strong financial profile characterized by revenue growth, healthy recurring cash accruals and net cash position. The ratings to continue to draw comfort the company's presence in diversified verticals and solid execution track record which has helped it gain market share. ICRA also factors in the long-term favourable outlook for IT outsourcing from India, considering its technical talent pool and cost advantage. Though growth has remained subdued in the Banking, Financial services and Insurance (BFSI) on account of holding back of discretionary spends, it remains a key vertical for TCS and has shown resilience in the past even during periods of turmoil in the global financial markets, demonstrating strength of TCS's business and goodwill it enjoys from its clients. ICRA also notes the company's investment in digital technologies (Social, Mobility, Analytics, Cloud) in the past few years reflected in growing share of the same in the company's portfolio and which shall remain critical to drive the industry and company growth.

Though the long-term outlook for the Indian IT industry appears favourable, any legislation restricting outsourcing or immigration in its key markets such as the US immigration bill may have an adverse impact on the current business model of the industry thus putting pressure on its revenues and profitability. The IT industry continues to face headwinds from increasing competitive pressures (from companies in India as well as other low-cost countries), wage inflation, pricing pressure and foreign exchange fluctuations. ICRA also notes the near term uncertainties such as the Brexit issue impact of which on the Indian IT services industry remains to be seen. These risks are, however, mitigated by TCS's large scale of operations, diversified customer base across geographies and long presence in the IT services business and its ability to generate operational efficiencies to mitigate such pressures. Further, the company's liquidity profile remains strong given cash and equivalents of Rs. 36,657 crore as on September 30, 2016, low capital expenditure requirements and robust free cash flow generation providing buffer against any short term fluctuations.

Company Profile

Established in 1968 as a division of Tata Sons, Tata Consultancy Services Limited (TCS) is amongst the largest Indian IT services companies. The company pioneered the concept of offshore IT services in 1974 and emerged as an integrated full services provider with a global footprint. As on 31st March, 2016, TCS had offices in 55 countries. It got listed in the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in August 2004. It is a part of the Tata Group, with Tata Sons (rated [ICRA]AAA(Stable)/[ICRA]A1+) holding 73.26% equity share in the company. TCS is a CMMI-level 5 company.

The services offered by the company include IT solutions & services, Infrastructure Services, Global Consulting, Engineering & Industrial Services and IT enabled services (Business Process Management –BPM Solutions). TCS has also diversified into software products mainly through inorganic route. Its portfolio of software products includes Financial Solutions (BaNCS), Health & Life Science Industry Solutions and Asset Leverage Solutions. Based on industry verticals, the company is focused on the BFSI segment, with telecom,



manufacturing and retail segments being the other major segments. TCS has a widespread geographical presence including the US, continental Europe, UK, India, Asia Pacific and Middle East.

Recent results (Consolidated):

For H1, FY 2017, as per Ind AS, TCS reported net revenues of Rs. 58,589.0 crore and total comprehensive income of Rs. 13,325.0 crore. For Financial Year (FY) 2016, as per Indian GAAP, TCS recorded net revenues of Rs.108,646.2 crore (PY Rs. 94,648.4 crore), and PAT after minority interest of Rs. 24,291.8 crore (PY Rs. 19,852.2 crore).

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