

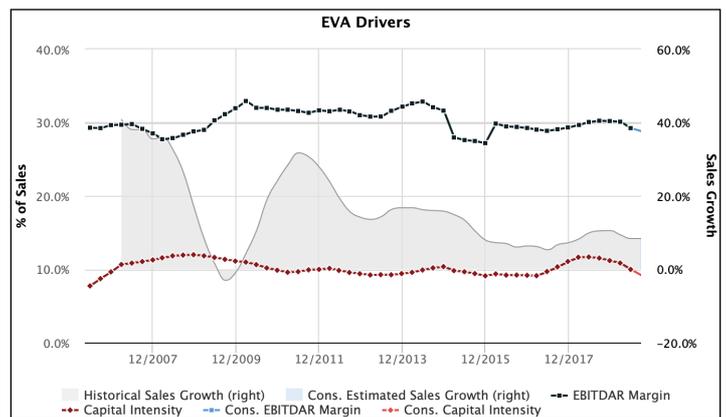
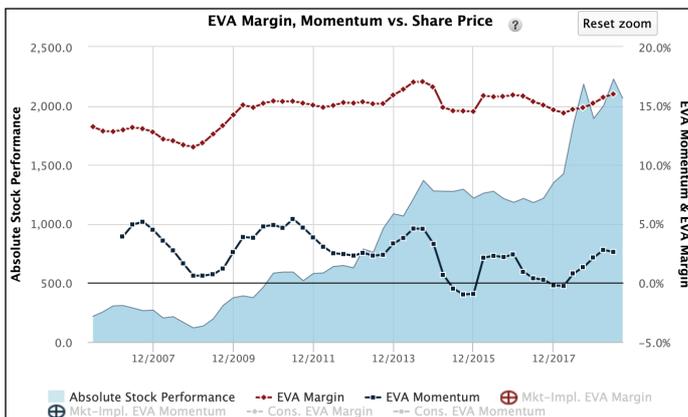
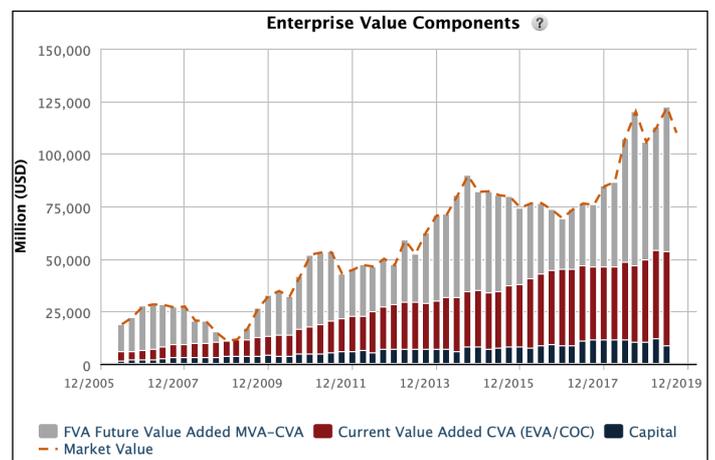
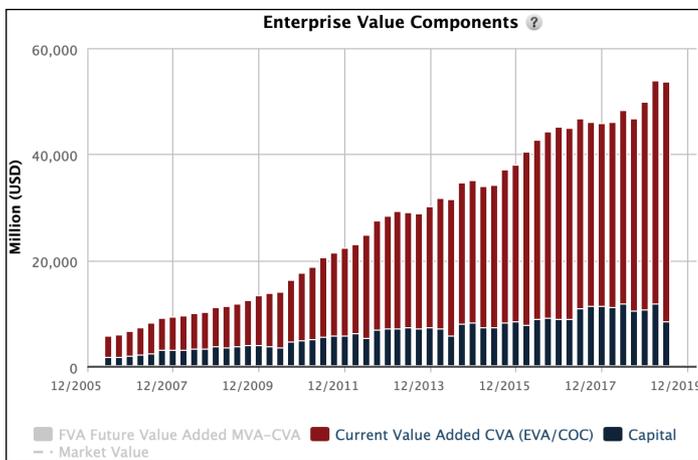
Tata Consultancy Services (TCS IN)

Sept 23rd, 2019

Moat Category Reinvestment Moat	Fair Value Estimate -	Price \$29.07	Enterprise Value \$109.9bn
Moat Type Switching Costs - Embeddedness	Economic Moat Narrow	Stewardship Rating Exemplary	Market Cap \$109.1bn

What does it do: "Tata Consultancy Services is India's largest IT services provider. The company was founded in 1968 and has its headquarters in Mumbai. The firm provides end-to-end IT and consulting services across the globe and has 224 offices in 46 countries and 149 solution centers in 25 countries. The

company employs over 380,000 staff, which makes it one of the largest IT employers in the world. TCS derives a significant portion of its revenue from the North American market and the banking, financial services, and insurance industry." (Source: Morningstar)



Source: www.evaexpress.com

Industry observations

Life Cycle Stage	Growth
Revenue Volatility	Low
Capital Intensity	Low
Industry Assistance	Low
Concentration Level	Low

Regulation Level	Light
Technology Change	High
Barriers to Entry	Low
Industry Globalization	High
Competition Level	High

Source: www.ibisworld.com

Wide Moat Checklists

Competitive Strengths	Does TCS have it?	Evidence
Product or service is needed or desired (and will continue to do so)	<input checked="" type="checkbox"/>	End-to-end IT services is a required service for many organizations, and will continue to be so.
Product is perceived by its customers to have no close substitute	<input type="checkbox"/>	Tata Consultancy Services is in a highly competitive market, regardless of it being one of the largest companies in the world of its kind. There are plenty of substitute service providers available.
Product is not subject to price regulation	<input checked="" type="checkbox"/>	Regulation levels are light in the IT Consulting industry. Price is not regulated.
Strong barriers to entry	<input checked="" type="checkbox"/>	<p>Potential entrants are subject to a low level of regulation and minimal start-up costs. A strong knowledge base and an ability to attract clients are the primary barriers to entry. These are challenging, however a number of small players have successfully entered the market, and continue to do so.</p> <p>That said, competing with larger players such as TCS is a different story. Firms need brand-recognition and scale, two substantial barriers, to be able to win business with large corporate clients. Even if a competitor manages to clear these two hurdles, there remains the question about Switching Costs for the client.</p>
Loyal customers	<input checked="" type="checkbox"/>	IT consulting companies enjoy high levels of repeat business because clients are reluctant to switch between IT vendors, as established end-to-end vendors become increasingly intertwined in the clients' operations, resulting in high Switching Costs.
Low risk of technological obsolescence	<input type="checkbox"/>	Naturally the rate of technological change within the IT Consulting industry is high, as computer technology, both hardware and software, is constantly being updated and revised. Players must continuously update the scope of their expertise in order to remain competitive.
Abundant growth possibilities	<input checked="" type="checkbox"/>	<p>The industry's lifecycle is reported to be in the Growth phase by IBIS.</p> <p>TCS's operations are predominantly in North America. However, it is reported they will be pushing their services into Asia-Pacific, Latin America and the Middle East and Africa, given the infancy of these markets.</p>
Limited capital requirements	<input checked="" type="checkbox"/>	As discussed above, capital requirements are limited for this industry. It is largely a labour-intensive, service-oriented industry.
Significant and growing free cash flows (and EVAs)	<input type="checkbox"/>	Deeper research required to know TCS's plans for growth.