

HOLD
TP: Rs 3,377 | ▲ 4%
**TATA CONSULTANCY
SERVICES**

| IT Services

| 13 January 2026

Broadly in line; Talks of a 'good' 2026

- Revenue came in a tad short while margin was better than our estimates. AI and India drive growth QoQ
- Talks of improved decision making in North America. Reiterates target of increasing international revenue YoY and in 2026 versus 2025
- Broadly keep estimates. Reiterate HOLD with Target PE multiple of 21.7x (10 year mean less 0.5 SD) on Dec '27 EPS

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3QFY26 broadly in line: Revenue growth of 0.8% QoQ in CC terms fell a tad short of our estimate of 1.5% as BSNL business did not kick in as much as we anticipated. The EBIT margin at 25.2% (excluding one offs) was higher than the 24.5% that we estimated and was flat QoQ. Pyramid, operating efficiencies and forex offset wage related pressures on a QoQ basis.

Says it expects a 'good' 2026. Downside risks exist to our estimate: Based on client conversations, deal momentum and traction it is gaining in AI, TCS says it is confident of a good 2026 without giving further color. The sense we get is that it expects international revenue to improve in 2026/FY27 versus 2025/FY26. Unless TCV picks up materially in 4QFY26 and 1HFY27 we believe there is downside risk to our 4.3% US\$ revenue growth estimate in FY27 considering AI deflation.

AI and India drivers of growth QoQ: AI and India grew 17.3% and 8% QoQ in CC terms respectively. AI revenue for TCS is different from that of HCLT and Accenture.

AI is driving additional productivity pass back and self-cannibalization: TCS admitted that it is proactively approaching clients even before renewals happen and discuss AI related productivity pass back. But it says that it can get additional work from clients, leading to revenue remaining broadly similar. It also stated that if AI delivers higher than anticipated productivity gains during the life of the contract, it is willing to share that with its clients.

Value it at 21.7x Dec '27 EPS and maintain HOLD rating: Post 3QFY26, estimates for FY27/FY28 broadly maintained. We value TCS at a Target PE multiple of 21.7x which is 10 year mean less 0.5SD. The reason for that is the material deceleration in revenue/EPS growth that one has seen in recent years and the revenue deflation in its large book of legacy offerings due to AI. With it becoming more acquisitive in recent months we believe there could be dilution in its industry best margins and return ratios along with heightened integration risks. However, acquisitions ensure that TCS can at least hit mid-single digit revenue growth in the foreseeable future rather than low single digit one.

Key changes

	Target	Rating
	▲	◀ ▶

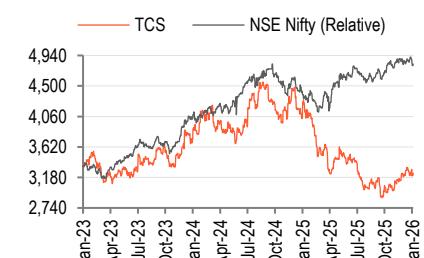
Ticker/Price	TCS IN/Rs 3,240
Market cap	US\$ 130.0bn
Free float	28%
3M ADV	US\$ 93.1mn
52wk high/low	Rs 4,323/Rs 2,867
Promoter/FPI/DII	72%/10%/13%

Source: NSE | Price as of 12 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	2,553,240	2,638,214	2,793,638
EBITDA (Rs mn)	674,070	709,665	745,423
Adj. net profit (Rs mn)	485,530	519,193	537,295
Adj. EPS (Rs)	134.2	134.0	148.5
Consensus EPS (Rs)	134.2	142.2	151.6
Adj. ROAE (%)	51.9	50.6	47.6
Adj. P/E (x)	24.1	24.2	21.8
EV/EBITDA (x)	17.6	16.7	15.9
Adj. EPS growth (%)	4.2	(0.1)	10.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance


Source: NSE



Key Points from the quarter and the earnings call

- Revenue stood at USD 7,509 mn, up 0.8% QoQ (against our estimate of 1.5%) and down 2.6% YoY in CC terms
- AI solutions generated US\$1.8 bn in annualized revenue and grew 17.3% QoQ in CC terms
 - Two main buckets of AI programs contributing to revenue: 1. AI for business transformation across industry value chains and verticals 2. AI for modernization initiatives
 - In 2025, shift observed from POCs/experiments to ROI-led, scaled AI implementations.
 - Combination of traditional AI, generative AI, and agentic AI driving measurable value for clients
 - Short-cycle AI rapid build projects contributing to faster decision-making based on ROI, driving steady increase in AI revenue
- QoQ CC Growth Vertical wise (%): BFSI: -0.4; Consumer Business: 1.3; Life Sciences & Healthcare: 0.9; Manufacturing: 0.2; Technology & Services: -1.3; Communication & Media: 0.6; Energy, Resources and Utilities: 1.0; Regional Markets & Others: 4.6
 - Growth was led by Consumer Business Group, Energy, Resources and Utilities, Life Sciences and Healthcare, and Communications, Media and Information verticals
- EBIT Margin (excluding certain one-time items recognized during the quarter, including severance-related expenses, legal provisions and impact of changes in India Wage Code) remained stable sequentially at 25.2% and grew 70 bps YoY. This was higher than our estimate of 24.5%
 - Productivity improvements across the pyramid and other operational efficiencies contributed a positive impact of 80 bps to margins; Favorable currency movements contributed an additional 20bps benefit; Full-quarter impact of wage increases announced in the prior quarter had a negative margin impact of 50 bps; Investments in brand building and partnerships resulted in a margin impact of 50 bps
- Adjusted PAT margin stood at 19.7%, stable sequentially and growing 30 bps YoY
- Headcount stood at 582,163, declining 1.9% sequentially. Second quarter of sequential decline at ~11,000. It was ~20,000 in 2QFY26
- TCS as of the December quarter 2025 had 2,17,000 associates with advanced AI skills. TCS said that it doubled its intake of fresh graduates with higher-order skills.
- TCV stood at US\$9.3 bn (down 7% QoQ and 9% YoY); North America TCV at US\$4.9 bn; BFSI TCV at US\$3.8 bn, Consumer Business TCV at US\$1.4 bn

- Execution of the five-pillar AI strategy at speed and scale positioned as central to transformation into an AI-first enterprise and long-term value creation
- Forward strategy focused on a two-pronged approach: enabling customers to become AI-ready through strong enterprise technology foundations and leading with AI to help customers establish early competitive advantage
- Continued improvement in overall demand environment compared to 2Q
- Growth markets remain resilient despite geopolitical challenges, supported by steady enterprise IT spending and increasing public sector investment in digital infrastructure
- Revenue growth led by enterprise segment in India and strong public services momentum across India, APAC, and MEA, with broad-based service revenue gains. Public services delivered standout wins in the quarter
- Announced US\$1 bn equity partnership with TPG to support gigawatt-scale AI data center infrastructure build-out
- Acquisition of Coastal Cloud in the US announced to strengthen Salesforce and AI consulting services, pending regulatory approval. Post-acquisition, TCS positioned among top five global Salesforce consultants, adding over 500 experts and 3,400 certifications, enhancing CRM capabilities. Acquisition strengthens advisory, implementation, and managed services capabilities, providing a complete multi-cloud offering across all Salesforce modules
- Soft performance in North America and UK in the quarter attributed primarily to seasonality. North America expected to return to better growth as customers increasingly adopt ROI-based decision making and shorter project decision cycles, continuing momentum from 2Q
- Reiterates that international markets will deliver higher growth than FY25, with continued efforts to achieve this in FY26 despite only one quarter remaining. Demand in international markets showed gradual improvement in 2Q, which continued in 3Q
- BFSI weakness in the quarter was attributed primarily to seasonality. Deal momentum and account-level growth provide confidence that BFSI will return to growth
 - BFSI achieved TCV of US\$3.8 bn, up US\$600 mn QoQ, including one megadeal in North America
 - BFSI organizations continue to exercise cost discipline while prioritizing targeted investments in resilience, compliance, and operational efficiency. AI adoption is increasing, supported by robust governance and regulatory alignment, with agent implementation proceeding cautiously
 - Retail banks prioritize enhancing customer experience, adopting AI applications, leveraging ecosystem partnerships, and strengthening fraud prevention efforts. Corporate banks are modernizing operations via cloud migration and digital enhancements

- Payment sector undergoing rapid transformation driven by regionalization
- Capital markets and asset management sectors maintain strong performance
- Consumer Business Group saw sequential growth led by retail, travel, and hospitality segments
 - Retail business growth in the quarter is not mainly seasonal. Growth observed across all sectors of the CBG, with pockets of weakness in domestic airlines, fashion, and specialty segments; International TTH and essential retail performing well, indicating overall sustained growth momentum in the CBG segment
 - Americas, Europe, and APAC regions grew, while the UK faced ongoing challenges
 - Retailers focused on value-driven strategies, digital engagement, and AI-powered personalization to offset cost pressures
 - CBG companies prioritized health, premiumization and operational efficiency through AI and automation
- Life Sciences and Healthcare sector showed strong growth momentum
 - Sector undergoing shifts from regulatory interventions, AI-related risks, security challenges, and changing consumer behavior
 - Biopharma manufacturers invest heavily in automation. Generative AI adoption is widespread, particularly for drug discovery and automating literature reviews. Investments in digital health tools, telemedicine, wearables and remote patient monitoring
 - Providers and payers leading AI deployment in revenue cycle management, clinical workflows, utilization, and network management, moving beyond pilot projects
 - Cloud infrastructure, cybersecurity, data governance, and edge computing spend increasing
- Manufacturing posted marginal growth; automotive sector remains subdued
- Technology, software, and services growth declined in 3Q due to typical seasonality
 - Big tech companies invest heavily in AI infrastructure and frontier AI capabilities, while broader industry faces geopolitical uncertainty, trade restrictions, and evolving data and AI regulations
 - Semiconductor and electronics segments showing moderate growth, particularly in AI hardware; industrial and automotive electronics remain weak
 - Investment in semiconductor manufacturing and R&D rising in US, India, and Europe
- CMT demonstrated growth momentum in the quarter, driven by client focus on measurable ROI, automation, AI efficiency, ad monetization, and resilient IT

- ERU sector investing significantly in renewable energy, electrification, advanced storage solutions, and AI-driven platforms, with workforce training to boost efficiency and adaptability
- Americas and APAC showed notable ERU growth, while UK and Europe prioritized clean energy initiatives and digital enhancements despite slower progress
- Provision of Rs21.28bn made for past service costs under new labor codes, comprising Rs18bn crore for gratuity and Rs3bn for leave liabilities, recognized as one-off exceptional item
- TCS also made a provision towards a legal claim of Rs10.1bn pertaining to a 2019 claim filed by Computer Sciences Corporation (CSC) against the company in the US District Court for the Northern District of Texas, Dallas Division, alleging misappropriation of trade secrets and other confidential information belonging to CSC.
- Ongoing impact of labor codes expected to be minimal, approximately 10–15 bps on EBITDA
- Revenue from BSNL in the quarter like previous quarter; no significant pickup expected until formal PO is received
- TCS stated that the impact of recent US credit card rate changes (Trump had talked about freezing credit card interest rate to 10% for 1 year) is nuanced: potential reduction in interest income for banks, offset by higher consumer spending; overall, no major net impact expected on banking clients
- Employee restructuring expected to continue into the next quarter but is process-driven, not target-number driven
- TCS renewals embed productivity gains but increased work scope keeps total contract value stable; with AI, renewals now proactively expand services, offsetting any price impact while growing overall value
- New contracts typically bake in expected AI productivity upfront, but TCS would be open to adjusting if actual productivity differs
- Declared an interim dividend of INR 11/ share and a special dividend of INR 46/ share

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 ([Slow is the \(new/old\) normal](#)) and reiterated our view with an update on 12th March 2025 ([FY26 unlikely to be better than FY25](#)). We also put out updates ([Uncertainty stays and 'eating the tariff' may impact even FY27](#)) and ([A fourth slow year?](#)) elaborating on continued cautious stance on the sector.

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: Tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc., all point to uncertainty in the coming days that may delay the decision making.

While Tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in November 2026 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US\$200bn MBSs, etc). There will be winners/ losers due to this in USA Inc and that could reflect in IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

The Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase that are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS and move it away from the those who have lower bargaining power – the global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology as also using TCS as our industry benchmark. Target PE used for TCS now is 21.7x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. This has been raised from 19x (which is the average PE multiple of TCS over the last 10 years less 1SD). We have been giving subjective premium/discount to the benchmark Target PE to arrive at Target PE multiples for the rest of our coverage.

The reason for raising our Target PE multiple: With Nifty IT underperforming by ~23ppt versus the Nifty in 2025 we believe much of the downside is factored in. With a modest uptick in growth rates in FY27 we believe the stocks will trade a bit higher.

Our target PE multiples are lower than those used by consensus/competitors. Through our choice of the benchmark target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution as well as their smaller size. And, unlike in the past cycles, they have performed better than the Tier-1 set, largely due to better management teams.

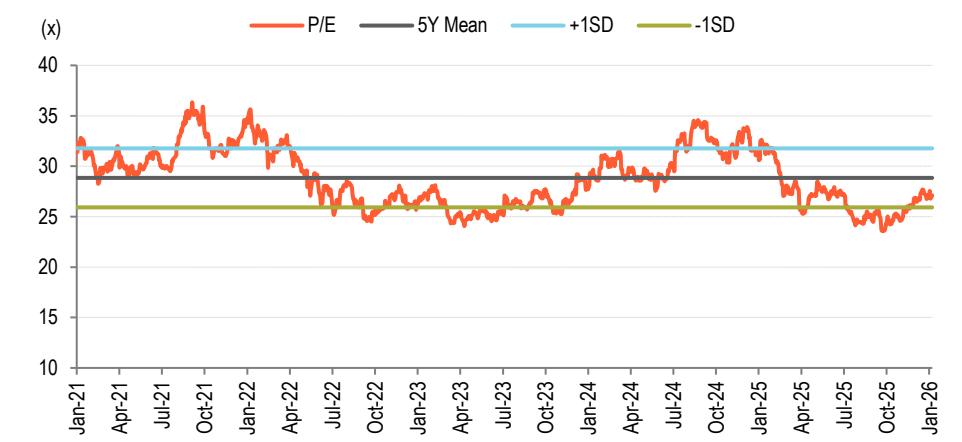
However, current PE premium to Tier-1s is excessive for certain stocks, as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

Also, some of the Tier-2s have been underperforming on the growth front as they are discretionary project-oriented businesses which are struggling to pivot to a cost-take out driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	Deviation (%)
Net Sales (USD mn)	7,539	7,466	7,509	(0.4)	0.6	7,533	(0.3)
Net Sales	639,730	657,990	670,870	4.9	2.0	671,148	(0.0)
Software Expenses	391,390	397,580	397,040	1.4	(0.1)	407,169	(2.5)
% of Sales	61.2	60.4	59.2			60.7	
Gross Margin	248,340	260,410	273,830	10.3	5.2	263,978	3.7
% of Sales	38.8	39.6	40.8			39.3	
Operating Expenses	91,770	94,760	104,940	14.4	10.7	99,373	5.6
% of Sales	14.3	14.4	15.6			14.8	
EBIT	156,570	165,650	168,890	7.9	2.0	164,605	2.6
EBIT Margin (%)	24.5	25.2	25.2			24.5	
Other Income	10,090	(4,970)	(28,110)	(378.6)	465.6	9,601	(392.8)
PBT	166,660	160,680	140,780	(15.5)	(12.4)	174,207	(19.2)
Provision for Tax	42,220	39,370	33,580	(20.5)	(14.7)	44,423	(24.4)
Effective Tax Rate	25.3	24.5	23.9			25.5	
Minority share in Profit / Loss	640	560	630	(1.6)	12.5	560	12.5
Less: One-off Items	0	8,569	25,822	0.0		0	
Reported PAT	123,800	120,750	106,570	(13.9)	(11.7)	129,224	(17.5)
Margin (%)	19.4	18.4	15.9			19.3	
PAT Adjusted	123,800	129,319	132,392	6.9	2.4	129,224	2.5
Margin (%)	19.4	19.7	19.7			19.3	

Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend

Source: Bloomberg, BOBCAPS Research

Fig 3 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	88.0	89.4	91.1	87.9	89.4	91.1	0.1	-	-
USD Revenue (USD mn)	29,980	31,256	32,807	30,073	31,310	32,784	(0.3)	(0.2)	0.1
USD Revenue Growth (%)	(0.7)	4.3	5.0	(0.4)	4.1	4.7			
Revenue (Rsbn)	2,638	2,794	2,987	2,645	2,798	2,985	(0.2)	(0.2)	0.1
EBIT (Rsbn)	654	681	725	645	681	726	1.4	(0.0)	(0.3)
EBIT Margin (%)	24.8	24.4	24.3	24.4	24.3	24.3			
PAT (Rsbn)	519	537	572	512	528	563	1.5	1.7	1.6
FDEPS (Rs)	143.5	148.5	158.0	141.4	146.0	155.6	1.5	1.7	1.6

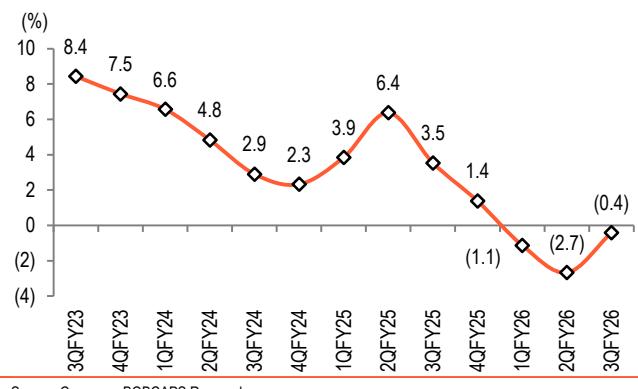
Source: BOBCAPS Research

Fig 4 – P&L at a glance

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.5	60.8	61.2	65.6	67.1	64.5	70.1	71.0	74.1	74.6	80.7	82.8	84.6	88.0	89.4	91.1
Net Sales (USD mn)	11,569	13,443	15,454	16,544	17,575	19,089	20,913	22,032	22,174	25,707	27,927	29,080	30,179	29,980	31,256	32,807
-Growth (%)	15.7	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	3.8	(0.7)	4.3	5.0
Net Sales	630	818	946	1,086	1,180	1,231	1,465	1,569	1,642	1,918	2,255	2,409	2,553	2,638	2,794	2,987
-Growth (%)	28.8	29.9		14.8	8.6	4.4	19.0	7.2	4.6	16.8	17.6	6.8	6.0	3.3	5.9	6.9
Cost of Sales & Services	339	431	525	609	669	713	852	923	971	1,146	1,363	1,436	1,560	1,592	1,711	1,832
Gross Margin	291	387	421	477	511	518	613	646	670	771	892	973	993	1,047	1,083	1,156
% of sales	46.2	47.4	44.5	43.9	43.3	42.1	41.9	41.2	40.8	40.2	39.6	40.4	38.9	39.7	38.8	38.7
SG& A	121	149	167	190	208	213	239	260	246	287	350	380	372	393	402	431
% of sales	19.2	18.3	17.6	17.4	17.6	17.3	16.3	16.6	15.0	15.0	15.5	15.8	14.6	14.9	14.4	14.4
EBIT	170	238	254	288	303	305	375	386	425	485	542	593	622	654	681	725
EBIT Margin (%)	27.0	29.1	26.9	26.5	25.7	24.8	25.6	24.6	25.9	25.3	24.1	24.6	24.3	24.8	24.4	24.3
Other income (net)	10	15	31	31	42	36	41	37	25	32	27	37	32	(11)	28	29
PBT	180	254	286	318	345	341	416	422	450	517	569	630	653	643	709	754
-PBT margin (%)	28.6	31.0	30.2	29.3	29.3	27.7	28.4	26.9	27.4	27.0	25.2	26.2	25.6	24.4	25.4	25.2
Provision for tax	40	61	67	75	82	82	100	98	115	132	146	163	165	155	169	180
Effective tax rate (%)	22.4	23.9	23.3	23.6	23.6	24.1	24.1	23.2	25.5	25.6	25.7	25.8	25.3	24.2	23.9	23.9
Minority Interest	2	2	2	1	1	1	1	1	1	1	2	2	2	2	3	3
Adj Net profit	138	191	217	242	263	258	315	323	334	383	421	466	486	519	537	572
-Growth (%)	29.9	38.2	13.5	11.6	8.6	(1.8)	21.9	2.8	3.2	14.8	10.0	10.5	4.2	(0.1)	10.8	6.4
-Net profit margin (%)	22.0	23.4	22.9	22.3	22.3	21.0	21.5	20.6	20.3	20.0	18.7	19.3	19.0	19.7	19.2	19.1

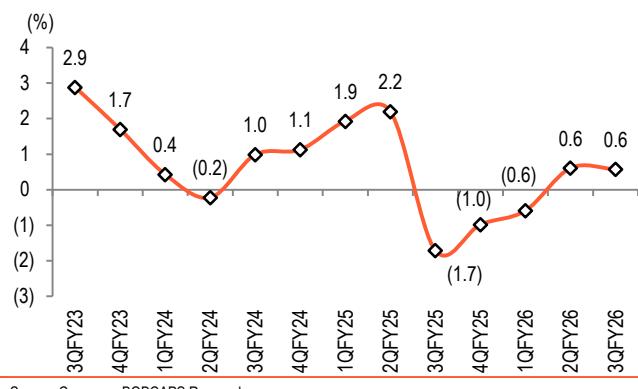
Source: Company, BOBCAPS Research

Fig 5 – US\$ revenue growth rate (YoY)



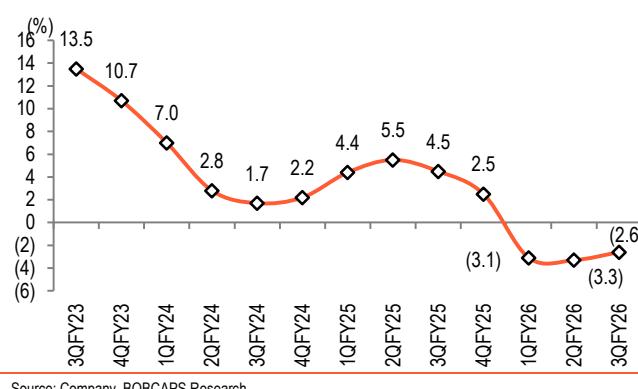
Source: Company, BOBCAPS Research

Fig 6 – US\$ revenue growth rate (QoQ)



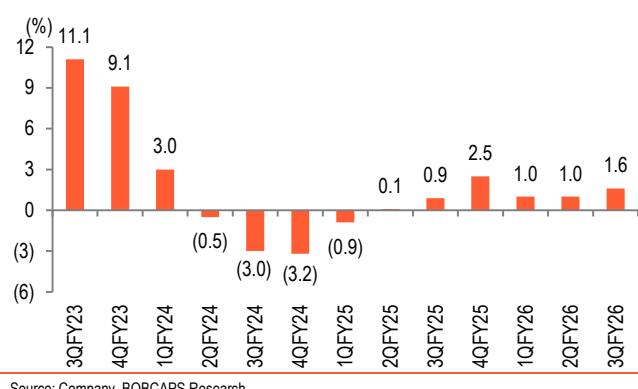
Source: Company, BOBCAPS Research

Fig 7 – CC Revenue Growth (YoY)



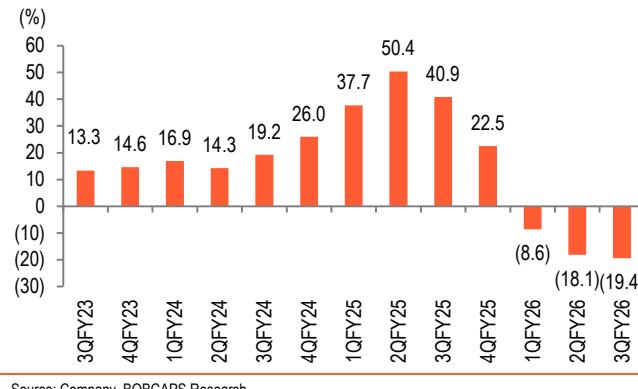
Source: Company, BOBCAPS Research

Fig 8 – CC BFSI Vertical Growth (YoY)



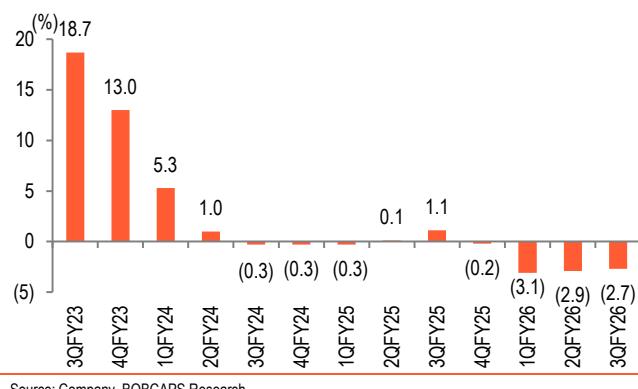
Source: Company, BOBCAPS Research

Fig 9 – CC Regional Market and Others Vertical Growth (YoY)



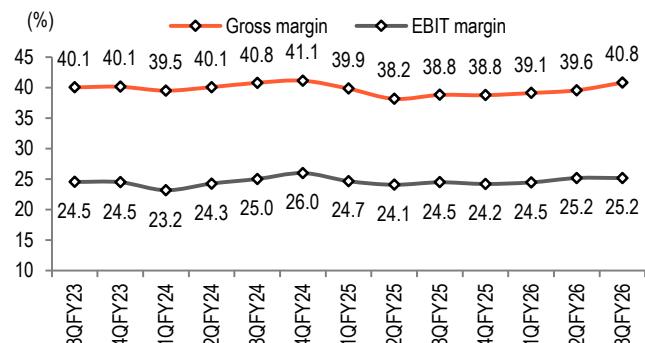
Source: Company, BOBCAPS Research

Fig 10 – CC Retail and CPG Vertical Growth (YoY)



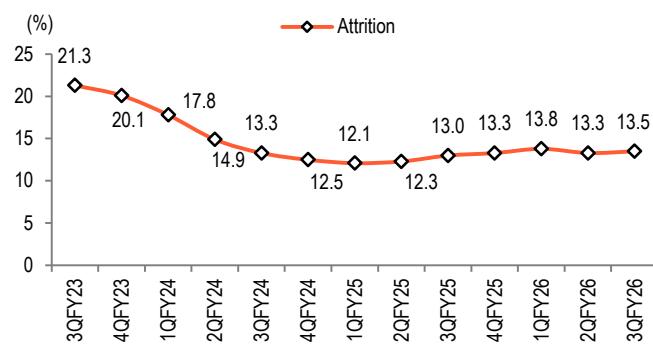
Source: Company, BOBCAPS Research

Fig 11 – Gross and EBIT margin trend



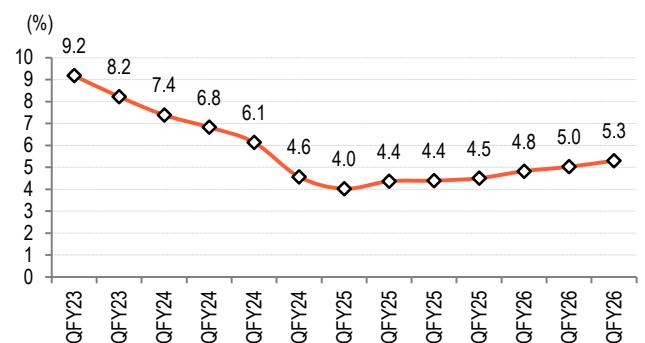
Source: Company, BOBCAPS Research.

Fig 13 – LTM Attrition rate



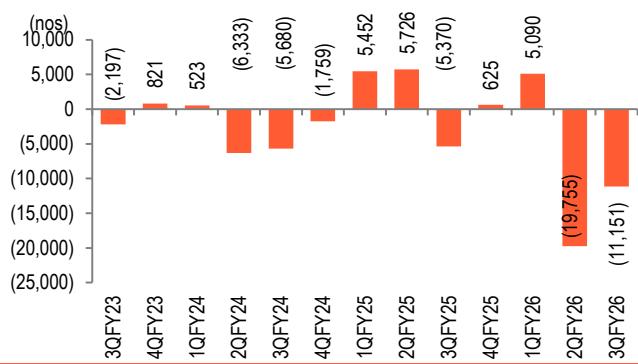
Source: Company, BOBCAPS Research

Fig 15 – Subcontractor charges (% of revenue)



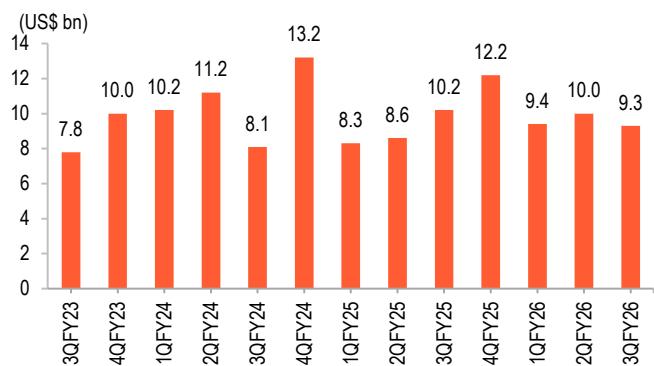
Source: Company, BOBCAPS Research

Fig 12 – Net employee addition (QoQ)



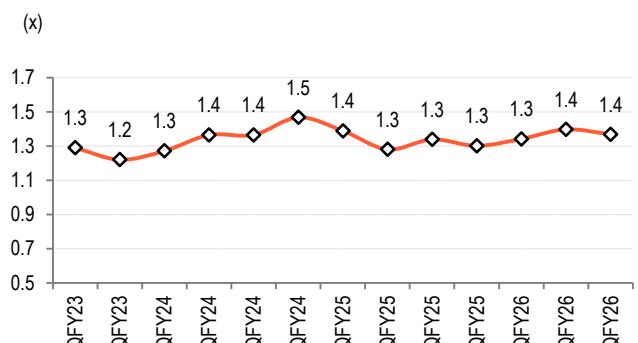
Source: Company, BOBCAPS Research

Fig 14 – Order book TCV picture



Source: Company, BOBCAPS Research

Fig 16 – TTM Book/ Bill Ratio



Source: Company, BOBCAPS Research

Fig 17 – Quarterly Snapshot

Year to 31 March	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
INR/USD	82.3	82.2	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4	85.5	88.1	89.3
Revenue (in USD bn)	7.1	7.2	7.2	7.2	7.3	7.4	7.5	7.7	7.5	7.5	7.4	7.5	7.5
(Rs bn)													
Revenue	582.3	591.6	593.8	596.9	605.8	612.4	626.1	642.6	639.7	644.8	634.4	658.0	670.9
Gross margin	233.2	237.5	234.7	239.3	247.1	251.9	249.5	245.4	248.3	250.1	248.3	260.4	273.8
EBIT	142.8	144.9	137.6	144.8	151.6	159.2	154.4	154.7	156.6	156.0	155.1	165.7	168.9
Other income	3.6	9.0	12.3	8.5	7.2	9.3	7.9	5.7	10.1	8.0	14.7	(5.0)	(28.1)
PBT	146.4	153.9	149.9	153.3	158.7	168.5	162.3	160.3	166.7	164.0	169.8	160.7	140.8
Tax	37.6	39.6	38.7	39.5	41.0	43.5	41.3	40.8	42.2	41.1	41.6	39.4	33.6
PAT	108.5	113.9	110.7	113.4	117.4	124.3	120.4	119.1	123.8	122.2	127.6	120.8	106.6
EPS	29.6	31.1	30.3	31.0	32.5	34.4	33.3	32.9	34.2	33.8	35.3	33.4	29.5
YoY Growth													
USD Revenue	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)
INR Revenues	19.1	16.9	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	1.3	2.4	4.9
Gross profit	19.3	17.0	15.8	9.5	6.0	6.1	6.3	2.5	0.5	(0.7)	(0.5)	6.1	10.3
EBIT	16.7	14.7	12.9	9.1	6.1	9.9	12.3	6.8	3.3	(2.0)	0.5	7.1	7.9
Net profit	11.0	14.8	16.8	8.7	8.2	9.1	8.7	5.0	5.5	(1.7)	6.0	1.4	(13.9)
QoQ Growth													
USD Revenues	2.9	1.70	0.43	(0.22)	1.0	1.1	1.93	2.20	(1.71)	(0.98)	(0.59)	0.61	0.6
INR Revenues	5.3	1.6	0.4	0.5	1.5	1.1	2.2	2.6	(0.4)	0.8	(1.6)	3.7	2.0
EBIT	7.6	1.4	(5.1)	5.3	4.6	5.0	(3.0)	0.1	1.2	(0.4)	(0.6)	6.8	2.0
Net profit	4.0	5.0	(2.8)	2.4	3.5	6.0	(3.2)	(1.1)	4.0	(1.3)	4.4	(5.4)	(11.7)
Margins (%)													
Gross margin	40.1	40.1	39.5	40.1	40.8	41.1	39.9	38.2	38.8	38.8	39.1	39.6	40.8
EBIT	24.5	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.5	25.2	25.2
PAT	18.6	19.3	18.6	19.0	19.4	20.3	19.2	18.5	19.4	19.0	20.1	18.4	15.9
SGA	15.5	15.7	16.4	15.8	15.8	15.1	15.2	14.1	14.3	14.6	14.7	14.4	15.6

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
P and L (Rs mn)													
Revenue	582,290	591,620	593,810	596,920	605,830	612,370	626,130	642,590	639,730	644,790	634,370	657,990	670,870
EBITDA	142,840	144,880	137,550	144,830	151,550	159,180	154,420	154,650	156,570	156,010	155,140	165,650	168,890
PAT	108,460	113,920	110,740	113,420	117,350	124,340	120,400	119,090	123,800	122,240	127,600	120,750	106,570
Vertical Mix (%)													
BFSI	33.1	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0	32.2	31.9
Manufacturing	8.2	8.2	8.3	8.6	8.7	8.8	8.8	8.6	8.4	8.4	8.7	8.8	8.8
Communication and Media	7.2	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8	5.9	5.9
Life Sciences	10.8	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2	10.5	10.5
Retail & Distribution	16.0	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6	15.3	15.4
Hi-Tech	9.0	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4	8.5	8.4
Energy And Utility	5.2	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9	5.9	6.0
Others	10.5	10.6	10.9	10.9	12.2	12.9	14.0	15.5	16.3	15.4	13.4	12.9	13.1
Geographic Mix (%)													
North America	53.7	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7	48.8	48.5
UK	14.9	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0	17.5	16.9
Europe	14.8	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0	15.3	15.6
India	5.1	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8	5.8	6.1
APAC	7.9	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4	8.3	8.3
Ibero America	1.8	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9	1.9	2.0
MEA	1.8	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2	2.4	2.6
Number of Client													
\$100mn +	59	60	60	61	61	62	63	66	64	64	62	60	62
\$50mn +	130	133	137	137	137	139	140	136	134	130	131	136	136
Employee Number	613,974	614,795	615,318	608,985	603,305	601,546	606,998	612,724	607,354	607,979	613,069	593,314	582,163
Net Addition	(2,197)	821	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090	(19,755)	(11,151)
Attrition (%)	21.3	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8	13.3	13.5
Net Employee Growth (YoY%)	10	4	1	(1)	(2)	(2)	(1)	1	1	1	1	(3)	(4)
P&L (USD mn)													
Revenue	7,075	7,195	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421	7,466	7,509
EBIT	1,736	1,761	1,674	1,749	1,821	1,915	1,850	1,846	1,845	1,807	1,815	1,750	1,511
PAT	1,318	1,385	1,347	1,370	1,410	1,497	1,441	1,421	1,459	1,418	1,493	1,370	1,194
Per Capita (Annualised) (USD)													
Revenue	46,093	46,812	46,974	47,357	48,274	48,961	49,457	50,071	49,651	49,114	48,419	50,334	51,594
EBIT	11,311	11,456	10,880	11,488	12,072	12,732	12,190	12,051	12,148	11,891	11,842	11,798	10,382
PAT	8,588	9,009	8,755	8,999	9,347	9,953	9,495	9,276	9,606	9,332	9,741	9,236	8,204
Direct and Opex cost per capita	34,782	35,357	36,094	35,869	36,202	36,228	37,266	38,021	37,503	37,222	36,577	38,536	41,212

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in US\$)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
QoQ Growth (%)													
Revenue	2.9	1.7	0.4	(0.2)	1.0	1.1	1.9	2.2	(1.7)	(1.0)	(0.6)	0.6	0.6
Geographical Data													
Americas	1.7	(0.8)	(0.3)	(0.8)	(1.2)	(0.1)	0.9	(1.7)	(1.5)	0.1	0.4	0.8	(0.0)
UK	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2	6.5	(2.2)	(2.9)
Europe	5.0	3.8	(0.9)	(0.2)	1.7	(1.6)	0.5	3.6	(6.4)	1.9	4.3	2.6	2.5
India	2.9	(0.3)	(1.6)	(0.2)	25.7	11.1	14.1	21.3	8.2	(15.1)	(31.4)	0.6	5.8
APAC	1.6	3.0	(2.1)	(0.2)	1.0	1.1	1.9	4.8	(4.2)	2.8	3.1	(0.6)	0.6
Ibero America	8.9	1.7	11.6	(0.2)	6.0	(3.7)	(3.2)	(3.2)	3.8	(6.2)	4.9	0.6	5.9
MEA	(2.5)	13.0	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3	(8.9)	9.8	9.0
Verticals													
BFSI	1.3	1.1	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3	2.0	1.2	(0.4)
Manufacturing	2.9	1.7	1.7	3.4	2.2	2.3	1.9	(0.1)	(4.0)	(1.0)	3.0	1.8	0.6
Communication and Media	1.5	0.3	(1.0)	(1.6)	(1.9)	(0.4)	(4.2)	(2.7)	(3.4)	(1.0)	(0.6)	2.3	0.6
Life Science & Healthcare	3.8	2.6	1.4	(1.1)	1.0	1.1	2.9	(3.4)	(4.5)	(1.0)	0.4	3.6	0.6
Retail and distribution	2.2	1.7	1.1	(1.5)	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)	1.4	(1.3)	1.2
Hi-Tech (Now Technology Services)	1.7	0.6	(1.8)	(1.4)	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3	3.1	1.8	(0.6)
Energy and Utilities	7.0	5.6	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8	2.9	0.6	2.3
Regional Market & Others	8.0	2.7	3.3	(0.2)	13.0	6.9	10.6	13.1	3.4	(6.4)	(13.5)	(3.1)	2.1
YoY Growth (%)													
Revenue	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)
Geographical Data													
Americas	14.9	9.1	4.2	(0.2)	(3.0)	(2.4)	(1.1)	(2.1)	(2.4)	(2.3)	(2.7)	(0.2)	1.3
UK	3.6	8.1	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4	5.3	0.2	1.4
Europe	0.3	4.7	4.5	7.7	4.3	(1.1)	0.4	4.2	(4.0)	(0.7)	3.0	2.0	11.8
India	0.6	5.3	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1	(23.5)	(36.6)	(38.0)
APAC	(0.4)	1.1	0.2	2.2	1.6	(0.2)	3.9	9.1	3.5	5.3	6.5	1.0	6.0
Ibero America	14.8	13.8	18.4	23.3	20.1	13.7	(1.3)	(4.3)	(6.3)	(8.8)	(1.1)	2.7	4.8
MEA	2.7	7.5	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9	8.8	11.2	12.6
Verticals													
BFSI	11.8	10.8	7.9	1.7	(1.4)	(2.6)	(1.3)	0.5	(0.4)	1.1	2.4	1.8	4.2
Manufacturing	(10.2)	(11.9)	(10.6)	10.0	9.2	9.8	10.1	6.4	(0.0)	(3.2)	(2.2)	(0.4)	4.3
Communication and Media	20.1	13.9	9.7	(0.9)	(4.2)	(4.9)	(8.0)	(9.0)	(10.4)	(10.9)	(7.5)	(2.7)	1.3
Life Science & Healthcare	18.3	17.1	16.1	6.8	3.9	2.3	3.9	1.5	(4.1)	(6.1)	(8.3)	(1.7)	3.5
Retail and distribution	14.9	11.6	7.9	3.5	1.0	0.4	(0.7)	1.0	0.9	(1.2)	0.2	(1.4)	0.3
Hi-Tech	12.2	9.9	5.4	(0.9)	(3.9)	(5.7)	(3.3)	(1.0)	(1.4)	0.1	2.5	3.4	4.6
Energy and Utilities	0.0	0.0	0.0	17.4	12.8	6.1	5.7	8.3	1.7	3.2	4.2	0.8	6.7
Regional Market & Others	(36.0)	(34.2)	(29.2)	14.3	19.6	24.5	33.4	51.3	38.3	21.0	(5.4)	(19.0)	(20.0)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	2,408,930	2,553,240	2,638,214	2,793,638	2,987,300
EBITDA	642,950	674,070	709,665	745,423	804,074
Depreciation	49,840	52,420	55,631	64,467	79,513
EBIT	593,110	621,650	654,035	680,956	724,561
Net interest inc./exp.)	(7,780)	(7,960)	(15,000)	(21,520)	(21,520)
Other inc./exp.)	45,050	39,620	3,611	49,474	50,996
Exceptional items	0	0	0	0	0
EBT	630,380	653,310	642,646	708,910	754,036
Income taxes	162,620	165,340	155,433	169,095	179,859
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	1,910	2,440	2,410	2,520	2,520
Reported net profit	465,850	485,530	519,193	537,295	571,657
Adjustments	0	0	0	0	0
Adjusted net profit	465,850	485,530	519,193	537,295	571,657

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	99,810	139,090	147,197	155,654	166,854
Other current liabilities	344,780	373,580	398,236	413,471	433,646
Provisions	1,400	1,800	11,950	11,950	11,950
Debt funds	0	0	0	0	0
Other liabilities	105,310	124,110	142,197	144,150	146,736
Equity capital	3,620	3,620	3,620	3,620	3,620
Reserves & surplus	909,570	954,090	1,091,179	1,158,122	1,223,247
Shareholders' fund	913,190	957,710	1,094,799	1,161,742	1,226,867
Total liab. and equities	1,464,490	1,596,290	1,794,379	1,886,967	1,986,053
Cash and cash eq.	132,860	154,630	103,339	179,303	175,855
Accounts receivables	537,200	591,750	657,538	695,316	745,345
Inventories	280	280	260	260	260
Other current assets	148,930	180,670	182,064	191,054	202,960
Investments	314,810	306,890	455,460	385,460	385,460
Net fixed assets	109,400	125,240	137,289	173,853	210,091
CWIP	0	0	0	0	0
Intangible assets	23,420	28,000	29,390	29,390	29,390
Deferred tax assets, net	34,030	35,780	40,265	42,579	45,642
Other assets	163,560	173,120	188,774	189,753	191,050
Total assets	1,464,490	1,596,360	1,794,379	1,886,967	1,986,053

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	486,970	551,930	543,943	601,385	642,876
Capital expenditures	(44,600)	(68,260)	(67,680)	(101,030)	(115,752)
Change in investments	54,010	7,980	(148,310)	70,000	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	9,410	(60,280)	(215,990)	(31,030)	(115,752)
Equities issued/Others	(207,400)	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(7,780)	(7,960)	(15,000)	(21,520)	(21,520)
Dividends paid	(318,888)	(549,334)	(562,414)	(566,773)	(610,371)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(534,068)	(557,294)	(577,414)	(588,293)	(631,891)
Chg in cash & cash eq.	22,540	21,770	(51,291)	75,964	(3,448)
Closing cash & cash eq.	132,860	154,630	103,339	179,303	175,855

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	128.8	134.2	134.0	148.5	158.0
Adjusted EPS	128.8	134.2	134.0	148.5	158.0
Dividend per share	73.2	126.0	129.0	130.0	140.0
Book value per share	252.4	264.7	302.6	321.1	339.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.9	4.6	4.5	4.2	4.0
EV/EBITDA	18.4	17.6	16.7	15.9	14.8
Adjusted P/E	25.2	24.1	24.2	21.8	20.5
P/BV	12.8	12.2	10.7	10.1	9.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.9	74.3	75.4	75.8	75.8
Interest burden (PBT/EBIT)	106.3	105.1	98.3	104.1	104.1
EBIT margin (EBIT/Revenue)	24.6	24.3	24.8	24.4	24.3
Asset turnover (Rev./Avg TA)	166.1	166.8	155.6	151.8	154.3
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.5	1.6	1.6
Adjusted ROAE	51.0	50.7	44.3	46.2	46.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	6.8	6.0	3.3	5.9	6.9
EBITDA	8.5	4.8	5.3	5.0	7.9
Adjusted EPS	11.8	4.2	(0.1)	10.8	6.4
Profitability & Return ratios (%)					
EBITDA margin	26.7	26.4	26.9	26.7	26.9
EBIT margin	24.6	24.3	24.8	24.4	24.3
Adjusted profit margin	19.3	19.0	19.7	19.2	19.1
Adjusted ROAE	51.0	51.9	50.6	47.6	47.9
ROCE	33.6	33.8	32.8	31.5	31.9
Working capital days (days)					
Receivables	81	85	91	91	91
Inventory	NA	NA	NA	NA	NA
Payables	15	20	20	20	20
Ratios (x)					
Gross asset turnover	22.0	20.4	19.2	16.1	14.2
Current ratio	1.8	1.8	1.7	1.8	1.8
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	(0.2)	(0.1)	(0.2)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: 1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051

SEBI Research Analyst Registration No: INH000000040 valid till 03 February 2025

Brand Name: **BOBCAPS**

Trade Name: www.barodaetrade.com

CIN: U65999MH1996GOI098009



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

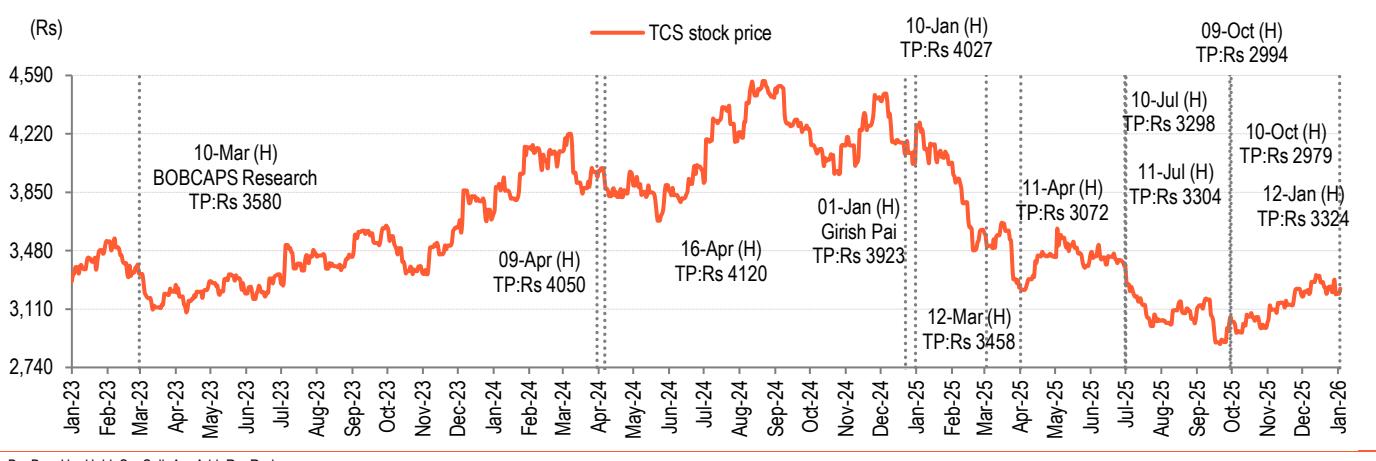
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): TATA CONSULTANCY SERVICES (TCS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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