

HOLD
 TP: Rs 2,607 | ▲ 1%

TATA CONSULTANCY SERVICES

| IT Services

| 10 April 2026

4Q optically decent. First annual revenue dip since listing

- View on FY27 positive vis-à-vis FY26 due to exit momentum, order inflow and traction in new age services
- 4Q revenue, margin and TCV in line. 1.2% CC QoQ revenue driven by business from Tata entities and M&A
- Reiterate HOLD with Target PE multiple of 16.8x in line with FY15-FY20 pre-pandemic mean with revenue growth halving from that time

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4Q QoQ CC growth supported by related parties and M&A: 1.2% was in line but US\$188mn and ~US\$30mn came from related parties (JLR and TATA Steel Netherlands) and M&A respectively. Against a reported incremental revenue of US\$112mn QoQ. M&A part was from Costal Cloud and Listengage. Project 2.8% YoY growth in FY27 in USD terms with modest decline in EBIT margin (YoY). About 70-80bps of growth will come from M&A. FY27 international growth described as positive based on 4QFY26 momentum, order inflow and traction in new age services

2.4% CC revenue decline in FY26: The first revenue dip in its listed history was driven by the hole created by lower BSNL revenue compared to FY25. BSNL could be a tailwind if there is follow-through business in FY27.

FY26 EBIT margin supported by a large INR depreciation benefit: The adjusted EBIT margin improved by 70bps QoQ. This was largely supported by 190bps benefit from INR depreciation. This and what we believe is Gen AI related gains had partly been invested in AI partnerships, subcontractors and upskilling.

West Asia war has not had a material impact thus far nor has advanced AI : Except for business in the middle east and in the TTH vertical, TCS did not indicate much impact yet, though it did indicate potential pressure if the situation continues for longer period. Also, unlike Kyndryl and Epam, TCS did not indicate that AI has slowed down decision making at the customer end.

Value it at 16.8x FY28 EPS and maintain HOLD rating: Post 4QFY26, EPS estimates for FY27/FY28 broadly maintained. We value TCS at a Target PE multiple of 16.8x - 10 year mean less 1.5SD. While stock may appear cheap based on past 5-year history we think it is in line with its pre-pandemic FY15-FY20 mean trading multiple. 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. Against ~7% CAGR seen during FY15-FY20 in organic growth we will possibly see ~2-4% CAGR over FY26-FY30. Our target PE multiple also partly captures the relevance risk in the era of advanced AI models.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TCS IN/Rs 2,589
Market cap	US\$ 101.1bn
Free float	28%
3M ADV	US\$ 120.8mn
52wk high/low	Rs 3,631/Rs 2,346
Promoter/FPI/DII	72%/10%/13%

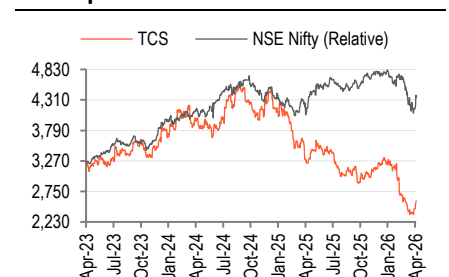
Source: NSE | Price as of 9 Apr 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	2,553,240	2,670,210	2,897,684
EBITDA (Rs mn)	674,070	723,980	778,223
Adj. net profit (Rs mn)	485,530	526,491	540,750
Adj. EPS (Rs)	134.2	136.0	149.5
Consensus EPS (Rs)	134.2	136.0	142.2
Adj. ROAE (%)	51.9	51.6	48.3
Adj. P/E (x)	19.3	19.0	17.3
EV/EBITDA (x)	14.1	13.1	12.3
Adj. EPS growth (%)	4.2	1.4	9.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

4QFY26

- Revenue stood at US\$7,621mn, up +1.2% QoQ (almost in line with our estimate of 1.5%) and down 0.6% YoY in CC terms
- 4Q annualized AI revenue crossed US\$2.3 bn which was up ~28% QoQ.
- Vertical Growth (QoQ CC terms): BFSI: 0.1%; Consumer Business: 2.8%; Life Sciences & Healthcare: 0.4%; Manufacturing: 1.2%; Technology & Services: 1.0%; Communication & Media: -0.4%; Energy, Resources and Utilities: 6.1%; Regional Markets & Others: 1.2%
- EBIT Margin stood at 25.3% (in line with our estimate of 25.2%), up 10 bps QoQ and 108 bps YoY
 - Tailwinds
 - Improved realization contributed 40 bps to margin while currency contributed 110 bps
 - Headwinds
 - higher external consultant cost - 40 bps
 - talent certifications, upskilling, and creation of niche delivery pods and impact of India wage code - 40 bps
 - ecosystem partnership and GTM with OpenAI, AMD, and ServiceNow, etc - 50 bps
 - integration related investments - 10 bps
- Order book TCV at US\$12.0 bn (up 29% QoQ and down 2% YoY) in line with our estimate; North America TCV at US\$5.4 bn; BFSI TCV at US\$3.9 bn, Consumer Business TCV at US\$2.8 bn with 3 mega deals (mega deal we believe is for TCV greater than US\$500mn)
- Strong deal momentum in 4Q was driven by AI led deployments across new services, enterprise transformation, digital engineering, and cloud modernization
- Board recommended final dividend of INR31/ share. Total FY26 dividend stands at INR110/ share
- Closing headcount: 584,519, increasing 0.4% sequentially; Voluntary LTM attrition at 13.7% in IT Services

FY26

- Revenue stood at US\$30,017mn, CC revenue decline of 2.4%
- EBIT Margin stood at 25%, expanding 70 bps YoY

- Talent and capability-building investments created a 200-bps headwind in FY26; Additional investments in ecosystem partnerships and GTM expansion created a further 100 bps headwind
- Headwinds were mitigated through 100 bps benefit from business mix improvement, productivity, and realization; Pyramid rebalancing contributed 80 bps to margins; Currency contributed 190 bps to margins
- FY26 operating margin excluded one-off items recognized during the year. Exceptional items included severance related expenses, legal provisions, and impact of changes in India wage
- Order book TCV at US\$40.7 bn, growing 3.5% YoY; North America TCV at US\$19.0 bn; BFSI TCV at US\$13.4 bn, Consumer Business TCV at US\$7.6 bn
- Strong order book in FY26 was driven by vendor consolidation, AI led modernization, enterprise AI scaling, digital core transformation, digital code and data platform modernization, operating model transformation, and regulatory compliance programs
- FY26 closed with good momentum in AI and new services. FY27 focus remains on accelerating deployment of the five pillar AI strategy. Positioning for FY27 is supported by enterprise context knowledge and ability to integrate AI across customer business and technology landscapes
- HyperVault business made significant progress since the October 2025 announcement. HyperVault was identified as a foundational long-term investment
- AI engagement strategy continued under two tracks: helping customers get ready for AI and partnering with customers to lead with AI
- **Customer AI adoption remains constrained by enterprise stack readiness gaps. Current customer engagements are focused on scalable and secure infrastructure upgrades, core application modernization, and creation of modern data foundations. A significant portion of technology spending is currently directed toward infrastructure readiness, application modernization, and data foundation buildout**
- FY26 saw significant investment in AI partnerships spanning enterprise partners, hyperscalers, deep-tech AI-native partners, and domain-specific partners
- FY27 international growth outlook was described as positive. Recovery trend in international business is viewed positively, supported by improved demand and strong quarter end momentum
- Confidence entering FY27 is supported by healthy exit growth and multiple mega deal wins
- Direct impact from geopolitical developments has remained limited so far. Current exposure is mainly in the Middle East and partly in travel and transportation. No major disruption has been seen across other industries or geographies. Broader impact could emerge only if supply chain disruption or secondary effects intensify

- Margin focus in FY27 remains growth with profitability. Management indicated willingness to continue strategic investments despite near-term headwinds
 - Immediate FY27 headwinds include annual wage increments. Investments under the Build-Partner-Acquire framework will continue
 - Part of the investment impact is expected to be offset through operational rigor and optimization of non-employee costs. Rupee depreciation remains supportive but is not a stable lever
 - Longer-term objective remains gradual movement toward 26% margin
- Forward strategy remains focused on continued investment to maximize growth.
- Management aspiration remains to become the world's largest AI-led tech services company. Growth strategy is built around AI-led renewals, vendor consolidation, cost optimization deals, and market share gains.
- Strategic focus includes expansion through new-age services and adjacencies that prepare enterprises for AI. Positioning is aimed at becoming a full-stack AI services player spanning infrastructure to intelligence. Objective remains delivering maximum ROI on client AI investments through end-to-end industry value chain reimagination

Segmental Commentary

- BFSI vertical delivered growth in 4Q
 - BFSI client demand remained technology-led and outcome-focused through 4Q despite macro and geopolitical volatility. Interest rate uncertainty, inflation, and central bank actions led to cautious investment decisions. Despite caution, BFSI clients continued spending on core and legacy modernization, data estate transformation, cloud migration, scaled AI and GenAI deployment, productivity-led operating model transformation, and vendor consolidation
 - BFSI spending shifted further from experimentation to industrialized business-led transformation. Cost discipline, regulatory resilience, and measurable outcomes remained central to BFSI decision-making
 - BFSI caution is geography-specific, not broad-based
- Consumer Business group delivered another quarter of good growth
 - Growth in Consumer Business was supported by market share gains
 - Retail globally and TTH in UK and EMEA led growth within Consumer Business; CPG and TTH North America declined
 - Vendor consolidation, technology simplification, legacy modernization, and selective AI and GenAI adoption remained key spending themes in Consumer Business
- Life Sciences and Healthcare delivered marginal growth in 4Q

- Healthcare payers are managing rising costs and provider friction linked to pre-authorization and claims issues. Healthcare priorities remain affordability, transparency, simplicity, and improved patient experience. Healthcare organizations are investing selectively in data marketplaces, cyber resilience, and AI for productivity
- Regulatory changes are increasing compliance, cost, and administrative burden, leading to selective modernization focused on efficiency
- Pharmaceutical clients are streamlining pipelines and adopting AI to address growth and pricing pressures. Pharma clients in Americas, UK, and EU are focused on efficiency through vendor consolidation, technology modernization, and enterprise-wide transformation
- Manufacturing delivered good growth despite macro uncertainty and supply chain disruption
 - Manufacturing demand remained cautious in 4Q due to macro uncertainty, tariff volatility, EV demand recalibration, and restrained capex across automotive, industrial, and chemicals
 - Manufacturing clients prioritized near-term cost optimization and operational resilience
 - AI-led productivity use cases in manufacturing included predictive maintenance and quality automation
 - ERP and cloud modernization remained active to improve reliability and streamline operations
- Technology and software delivered reasonable growth in 4Q
 - Demand remained disciplined amid geopolitical tension, tariff-related uncertainty, and tighter manufacturing and data sovereignty requirements
 - Technology clients prioritized cost rationalization to fund AI-led transformation
 - Savings from vendor consolidation, GCC expansion, and structural efficiency are being reinvested into AI scaling across operations and product portfolios
 - Incremental spending in technology was also directed toward digital sovereignty and supply chain resilience
- CMI declined modestly in 4Q
 - Early signs of rebound in IT spending are emerging in CMI
 - Telecom clients are expanding into adjacent businesses while improving efficiency in core operations
- ERU delivered robust growth in 4Q
 - Within ERU, energy and resources performed well driven by supply chain modernization initiatives

- Utilities segment remains under stress. Significant cost optimization opportunities are opening in utilities

Other Points

- Annual increments were announced for all eligible employees effective 1 April, 2026 with top performers receiving double-digit increases
- New revenue streams include AI infrastructure buildout
- According to management, clients recognize that model evolution will remain continuous and do not see benefit in delaying investment for the next model cycle
- SG&A remains elevated due to continued investments under the Build-Partner-Acquire strategy. Incremental SG&A investments include partnerships, recruitment, training, and new business initiatives. Part of the SG&A elevation is expected to continue both in absolute terms and as a percentage of revenue
- First half seasonality expected to continue in FY27 consistent with historical trends
- Strategic partnerships are being built across all major frontier model companies
 - Partnership with OpenAI has already been announced. Significant engagement is already underway with Anthropic. Strategic partnership announcement with Anthropic is expected soon
 - AI model partnerships are being designed differently from traditional software GTM alliances. Objective is to create 360-degree partnerships rather than conventional channel-led relationships
 - HyperVault creates a new strategic layer where model companies can also become customers. OpenAI collaboration includes committed 100-megawatt capacity with scale-up option to 1 gigawatt
 - Similar infrastructure-linked discussions are underway with other model companies and hyperscalers
 - One pillar of collaboration is AI infrastructure capacity through HyperVault. Second pillar is enterprise usage of model-company products, including ChatGPT Enterprise and Anthropic cloud capabilities. Third pillar is joint development of industry-specific solutions. Fourth pillar is targeted GTM collaboration like traditional strategic alliance models
- **Management indicated most known client-specific headwinds are largely behind. Only limited residual headwinds remain, including a few already accounted for**
- **Management indicated the current AI cycle is structurally similar to the earlier digital cycle. AI revenue is expected to grow while some traditional revenue streams gradually taper down. AI-led growth is expected to eventually overcompensate for decline in legacy service lines. Timing of the cycle is expected to vary versus the prior digital cycle**
- Transformation spending currently spans three buckets

- First bucket remains broader enterprise transformation including cloud migration, data modernization, cybersecurity, and enterprise system upgrades such as SAP S/4HANA and Salesforce
- Second bucket is AI-led modernization, especially tech debt reduction, where AI is helping clients accelerate legacy cleanup
- Third bucket is pure-play AI transformation focused on industry value chain impact and direct business outcomes
- Management does not view margin focus as a constraint on revenue growth. Strong margins are seen as creating greater flexibility to compete in new deals and gain market share. Pricing discipline was not cited as a key reason for deal losses.
Current strategy remains to pursue both growth and profitability simultaneously
- Annual wage hike impact is expected at 150–200 bps, broadly in line with past cycles. 1Q margin impact from increments is expected to follow historical annual wage revision pattern
- Deal TCV mix in the quarter was broadly balanced between renewals and new programs. Renewals accounted for ~50%–55% of TCV; New programs contributed around 45%. Most renewals are occurring on schedule
- Reported AI revenue includes only AI for business transformation revenue. AI business transformation revenue has exceeded US\$2.3 bn annualized
- Agentic AI in business process services is seeing increasing traction. Implementation cycles in FY26 are faster than in FY25. Customer willingness to move AI into production has improved
- Client metric improvement reflects better spending stability, stronger client confidence, and some market share gains through vendor consolidation
- AI and data business delivers better revenue productivity than company average

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 updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 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 the IT spending outcomes.

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

Gen AI and GCCs are going to disrupt growth: We 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. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between 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 ones with lower bargaining power – 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 TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

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 mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

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

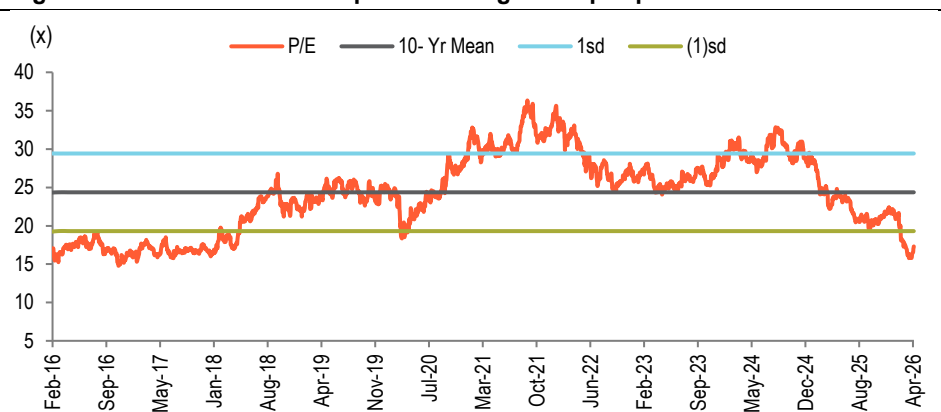
However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

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

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rsmn)	4QFY25	3QFY26	4QFY26	YoY(%)	QoQ (%)	4QFY26E	Deviation (%)
Net Sales (USD mn)	7,465	7,509	7,621	2.1	1.5	7,656	(0.5)
Net Sales	644,790	670,870	706,980	9.6	5.4	700,518	0.9
Software Expenses	394,740	397,040	419,150	6.2	5.6	415,046	1.0
% of Sales	61.2	59.2	59.3			59.2	
Gross Margin	250,050	273,830	287,830	15.1	5.1	285,472	0.8
% of Sales	38.8	40.8	40.7			40.8	
Operating Expenses	94,040	104,940	109,130	16.0	4.0	109,169	(0.0)
% of Sales	14.6	15.6	15.4			15.6	
EBIT	156,010	168,890	178,700	14.5	5.8	176,303	1.4
EBIT Margin (%)	24.2	25.2	25.3			25.2	
Other Income	8,010	(28,110)	4,920	(38.6)	(117.5)	7,041	(30.1)
PBT	164,020	140,780	183,620	11.9	30.4	183,344	0.2
Provision for Tax	41,090	33,580	45,780	11.4	36.3	46,753	(2.1)
Effective Tax Rate	25.1	23.9	24.9			25.5	
Minority share in Profit / Loss	690	630	660	(4.3)	4.8	630	4.8
Less: One-off Items	0	25,822	0	0.0		0	
Reported PAT	122,240	106,570	137,180	12.2	28.7	135,961	0.9
Margin (%)	19.0	15.9	19.4			19.4	
PAT Adjusted	122,240	132,392	137,180	12.2	3.6	135,961	0.9
Margin (%)	19.0	19.7	19.4			19.4	

Source: Company, BOBCAPS Research

Fig 2 – 10 Year PE trend. Multiples reverting to the pre-pandemic trend

Source: Bloomberg, BOBCAPS Research

Fig 3 – Revised estimates

TCS Change in estimates	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	93.9	94.9	95.9	93.9	94.9	95.9	-	-	-
USD Revenue (USD mn)	30,867	31,489	32,123	30,870	31,492	32,126	(0.0)	(0.0)	(0.0)
USD Revenue Growth (%)	2.8	2.0	2.0	2.7	2.0	2.0			
Revenue (Rsbn)	2,898	2,988	3,080	2,898	2,988	3,080	(0.0)	(0.0)	(0.0)
EBIT (Rsbn)	714	739	759	706	730	750	1.2	1.2	1.2
EBIT Margin (%)	24.6	24.7	24.7	24.4	24.4	24.4			
PAT (Rsbn)	541	561	577	544	564	579	(0.5)	(0.4)	(0.4)
FDEPS (Rs)	149.5	155.2	159.5	150.2	155.9	160.2	(0.5)	(0.4)	(0.4)

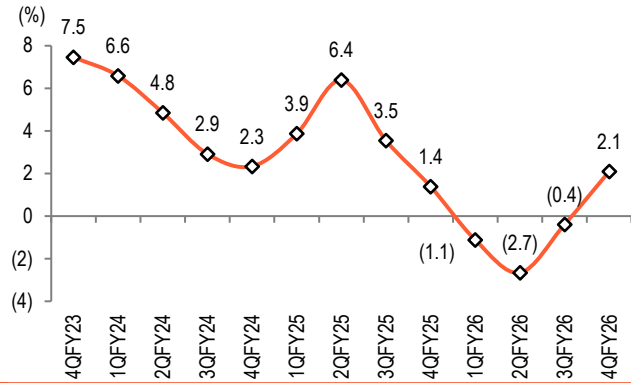
Source: BOBCAPS Research

Fig 4 – P&L at a glance

(YE March) Rs bn	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average INR/USD	60.8	61.2	65.6	67.1	64.5	70.1	71.0	74.1	74.6	80.7	82.8	84.6	88.9	93.9	94.9	95.9
Net Sales (USD mn)	13,443	15,454	16,544	17,575	19,089	20,913	22,032	22,174	25,707	27,927	29,080	30,179	30,017	30,867	31,489	32,123
-Growth (%)	16.2	15.0	7.1	6.2	8.6	9.6	5.4	0.6	15.9	8.6	4.1	3.8	(0.5)	2.8	2.0	2.0
Net Sales	818	946	1,086	1,180	1,231	1,465	1,569	1,642	1,918	2,255	2,409	2,553	2,670	2,898	2,988	3,080
-Growth (%)	29.9		14.8	8.6	4.4	19.0	7.2	4.6	16.8	17.6	6.8	6.0	4.6	8.5	3.1	3.1
Cost of Sales & Services	431	525	609	669	713	852	923	971	1,146	1,363	1,436	1,560	1,600	1,731	1,788	1,849
Gross Margin	387	421	477	511	518	613	646	670	771	892	973	993	1,070	1,167	1,200	1,231
% of sales	47.4	44.5	43.9	43.3	42.1	41.9	41.2	40.8	40.2	39.6	40.4	38.9	40.1	40.3	40.2	40.0
SG&A	149	167	190	208	213	239	260	246	287	350	380	372	402	453	461	472
% of sales	18.3	17.6	17.4	17.6	17.3	16.3	16.6	15.0	15.0	15.5	15.8	14.6	15.1	15.6	15.4	15.3
EBIT	238	254	288	303	305	375	386	425	485	542	593	622	668	714	739	759
EBIT Margin (%)	29.1	26.9	26.5	25.7	24.8	25.6	24.6	25.9	25.3	24.1	24.6	24.3	25.0	24.6	24.7	24.7
Other income (net)	15	31	31	42	36	41	37	25	32	27	37	32	(14)	10	12	13
PBT	254	286	318	345	341	416	422	450	517	569	630	653	655	724	752	772
-PBT margin (%)	31.0	30.2	29.3	29.3	27.7	28.4	26.9	27.4	27.0	25.2	26.2	25.6	24.5	25.0	25.2	25.1
Provision for tax	61	67	75	82	82	100	98	115	132	146	163	165	160	180	187	193
Effective tax rate (%)	23.9	23.3	23.6	23.6	24.1	24.1	23.2	25.5	25.6	25.7	25.8	25.3	24.5	24.9	24.9	24.9
Minority Interest	2	2	1	1	1	1	1	1	1	2	2	2	2	3	3	3
Net profit	191	217	242	263	258	315	323	334	383	421	466	486	526	541	561	577
-Growth (%)	38.2	13.5	11.6	8.6	(1.8)	21.9	2.8	3.2	14.8	10.0	10.5	4.2	1.4	9.9	3.8	2.8
-Net profit margin (%)	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	18.7	18.8	18.7

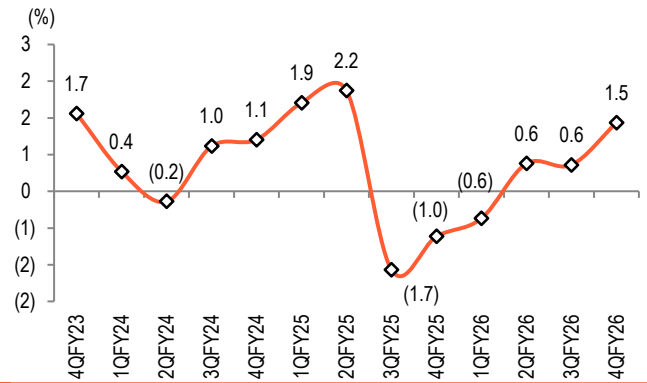
Source: Company, BOBCAPS Research

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



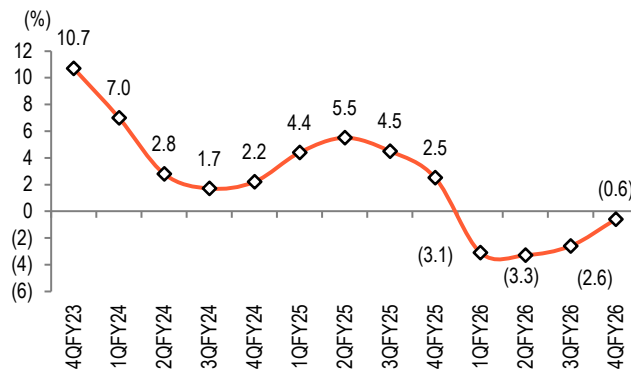
Source: Company, BOBCAPS Research

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



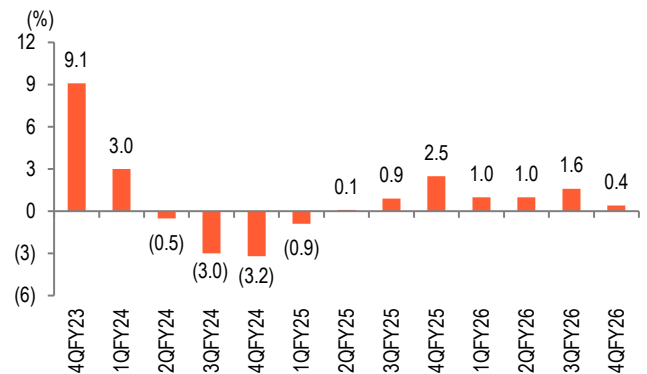
Source: Company, BOBCAPS Research

Fig 7 – CC Revenue Growth (YoY)



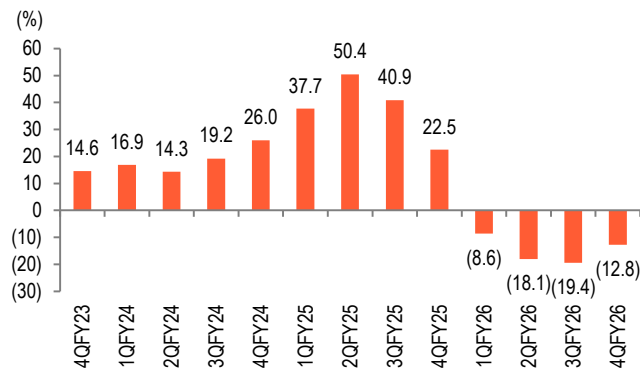
Source: Company, BOBCAPS Research

Fig 8 – CC BFSI Vertical Growth (YoY)



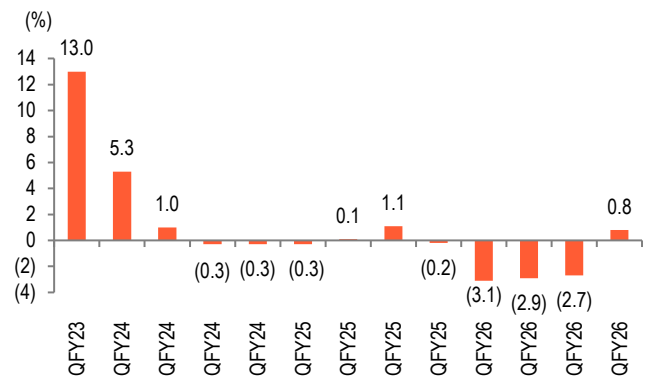
Source: Company, BOBCAPS Research

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



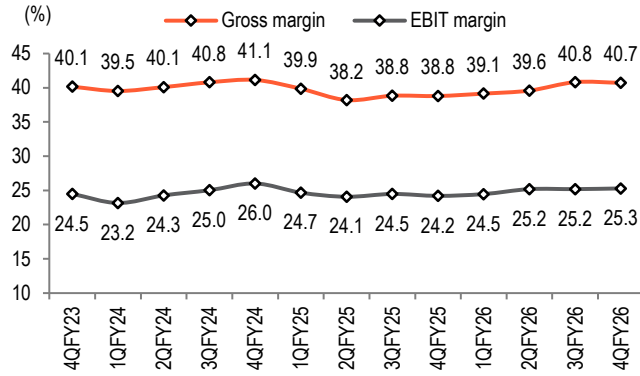
Source: Company, BOBCAPS Research

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



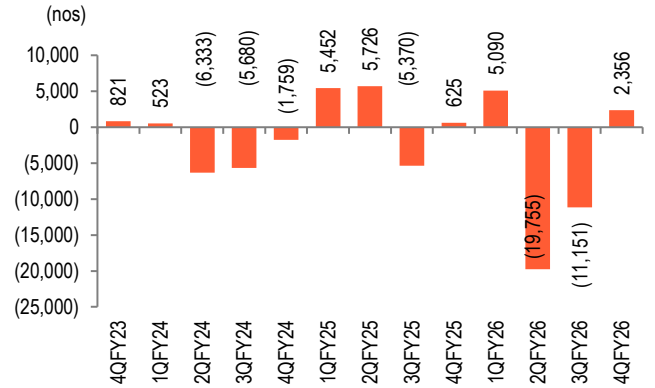
Source: Company, BOBCAPS Research

Fig 11 – Gross and EBIT margin trend



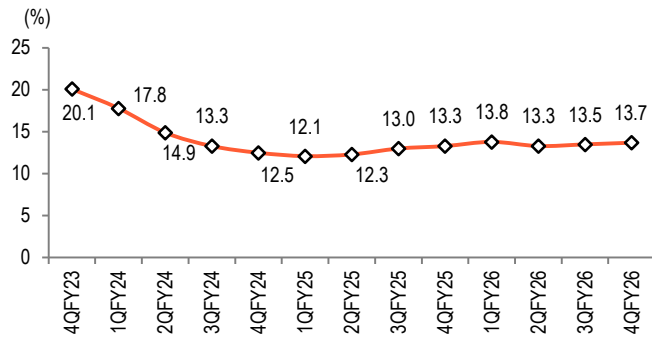
Source: Company, BOBCAPS Research.

Fig 12 – Net employee addition (QoQ)



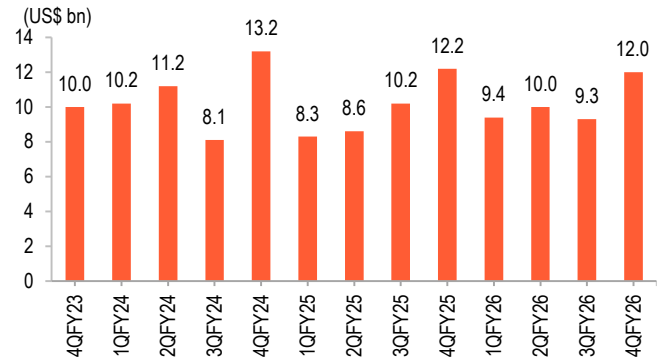
Source: Company, BOBCAPS Research

Fig 13 – LTM Attrition rate



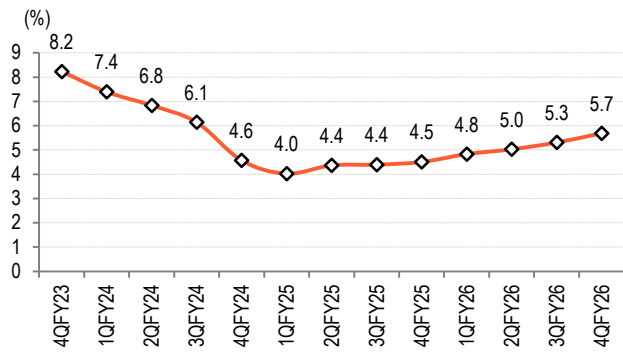
Source: Company, BOBCAPS Research

Fig 14 – Order book TCV picture



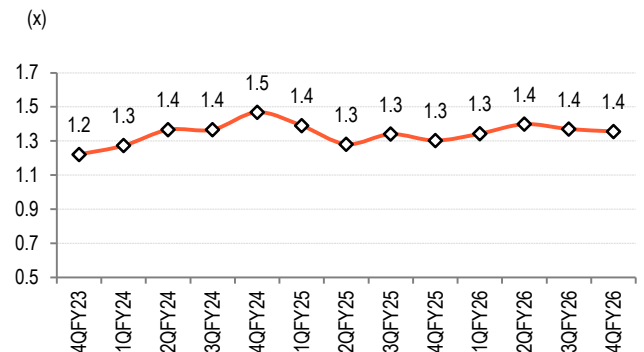
Source: Company, BOBCAPS Research

Fig 15 – Subcontractor charges (% of revenue)



Source: Company, BOBCAPS Research

Fig 16 – TTM Book/ Bill Ratio



Source: Company, BOBCAPS Research

Fig 17 – Quarterly Snapshot

Year to 31 March	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	3QFY26	4QFY26
INR/USD	82.2	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4	89.3	92.8
Revenue (in USDbn)	7.2	7.2	7.2	7.3	7.4	7.5	7.7	7.5	7.5	7.509	7.621
(Rsbn)											
Revenue	591.6	593.8	596.9	605.8	612.4	626.1	642.6	639.7	644.8	670.9	707.0
Gross margin	237.5	234.7	239.3	247.1	251.9	249.5	245.4	248.3	250.1	273.8	287.8
EBIT	144.9	137.6	144.8	151.6	159.2	154.4	154.7	156.6	156.0	168.9	178.7
Other income	9.0	12.3	8.5	7.2	9.3	7.9	5.7	10.1	8.0	(28.1)	4.9
PBT	153.9	149.9	153.3	158.7	168.5	162.3	160.3	166.7	164.0	140.8	183.6
Tax	39.6	38.7	39.5	41.0	43.5	41.3	40.8	42.2	41.1	33.6	45.8
PAT	113.9	110.7	113.4	117.4	124.3	120.4	119.1	123.8	122.2	106.6	137.2
EPS	31.1	30.3	31.0	32.5	34.4	33.3	32.9	34.2	33.8	29.5	37.9
YoY Growth											
USD Revenue	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(0.4)	2.1
INR Revenues	16.9	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	4.9	9.6
Gross profit	17.0	15.8	9.5	6.0	6.1	6.3	2.5	0.5	(0.7)	10.3	15.1
EBIT	14.7	12.9	9.1	6.1	9.9	12.3	6.8	3.3	(2.0)	7.9	14.5
Net profit	14.8	16.8	8.7	8.2	9.1	8.7	5.0	5.5	(1.7)	(13.9)	12.2
QoQ Growth											
USD Revenues	1.70	0.43	(0.22)	1.0	1.1	1.93	2.20	(1.71)	(0.98)	0.58	1.5
INR Revenues	1.6	0.4	0.5	1.5	1.1	2.2	2.6	(0.4)	0.8	2.0	5.4
EBIT	1.4	(5.1)	5.3	4.6	5.0	(3.0)	0.1	1.2	(0.4)	2.0	5.8
Net profit	5.0	(2.8)	2.4	3.5	6.0	(3.2)	(1.1)	4.0	(1.3)	(11.7)	28.7
Margins (%)											
Gross margin	40.1	39.5	40.1	40.8	41.1	39.9	38.2	38.8	38.8	40.8	40.7
EBIT	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	25.2	25.3
PAT	19.3	18.6	19.0	19.4	20.3	19.2	18.5	19.4	19.0	15.9	19.4
SGA	15.7	16.4	15.8	15.8	15.1	15.2	14.1	14.3	14.6	15.6	15.4

Source: Company, BOBCAPS Research

Fig 18 – Key Metrics

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
P and L (Rs mn)													
Revenue	591,620	593,810	596,920	605,830	612,370	626,130	642,590	639,730	644,790	634,370	657,990	670,870	706,980
EBITDA	144,880	137,550	144,830	151,550	159,180	154,420	154,650	156,570	156,010	155,140	165,650	168,890	178,700
PAT	113,920	110,740	113,420	117,350	124,340	120,400	119,090	123,800	122,240	127,600	120,750	106,570	137,180
Vertical Mix (%)													
BFSI	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0	32.2	31.9	31.6
Manufacturing	8.2	8.3	8.6	8.7	8.8	8.8	8.6	8.4	8.4	8.7	8.8	8.8	8.8
Communication and Media	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8	5.9	5.9	5.8
Life Sciences	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2	10.5	10.5	10.4
Retail & Distribution	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6	15.3	15.4	15.7
Hi-Tech	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4	8.5	8.4	8.4
Energy And Utility	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9	5.9	6.0	6.3
Others	10.6	10.9	10.9	12.2	12.9	14.0	15.5	16.3	15.4	13.4	12.9	13.1	13.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Geographic Mix (%)													
North America	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7	48.8	48.5	48.5
UK	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0	17.5	16.9	17.2
Europe	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0	15.3	15.6	15.6
India	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8	5.8	6.1	6.0
APAC	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4	8.3	8.3	8.3
Ibero America	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9	1.9	2.0	1.9
MEA	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2	2.4	2.6	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Client													
\$100mn +	60	60	61	61	62	63	66	64	64	62	60	62	66
\$50mn +	133	137	137	137	139	140	136	134	130	131	136	136	139
Employee Number	614,795	615,318	608,985	603,305	601,546	606,998	612,724	607,354	607,979	613,069	593,314	582,163	584,519
Net Addition	821	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090	(19,755)	(11,151)	2,356
Attrition (%)	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8	13.3	13.5	13.7
Net Employee Growth (YoY%)	4	1	(1)	(2)	(2)	(1)	1	1	1	1	(3)	(4)	(4)
P&L (USD mn)													
Revenue	7,195	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421	7,466	7,509	7,621
EBIT	1,761	1,674	1,749	1,821	1,915	1,850	1,846	1,845	1,807	1,815	1,750	1,511	1,927
PAT	1,385	1,347	1,370	1,410	1,497	1,441	1,421	1,459	1,418	1,493	1,370	1,194	1,479
Per Capita (Annualised) (USD)													
Revenue	46,812	46,974	47,357	48,274	48,961	49,457	50,071	49,651	49,114	48,419	50,334	51,594	52,152
EBIT	11,456	10,880	11,488	12,072	12,732	12,190	12,051	12,148	11,891	11,842	11,798	10,382	13,187
PAT	9,009	8,755	8,999	9,347	9,953	9,495	9,276	9,606	9,332	9,741	9,236	8,204	10,121
Direct and Opex cost per capita	35,357	36,094	35,869	36,202	36,228	37,266	38,021	37,503	37,222	36,577	38,536	41,212	38,965

Source: Company, BOBCAPS Research

Fig 19 – QoQ and YoY growth of various parameters

(in US\$)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
QoQ Growth (%)													
Revenue	1.7	0.4	(0.2)	1.0	1.1	1.9	2.2	(1.7)	(1.0)	(0.6)	0.6	0.6	1.5
Geographical Data													
Americas	(0.8)	(0.3)	(0.8)	(1.2)	(0.1)	0.9	(1.7)	(1.5)	0.1	0.4	0.8	(0.0)	1.5
UK	7.2	4.9	0.4	0.4	3.6	2.5	2.8	(4.0)	0.2	6.5	(2.2)	(2.9)	3.3
Europe	3.8	(0.9)	(0.2)	1.7	(1.6)	0.5	3.6	(6.4)	1.9	4.3	2.6	2.5	1.5
India	(0.3)	(1.6)	(0.2)	25.7	11.1	14.1	21.3	8.2	(15.1)	(31.4)	0.6	5.8	(0.2)
APAC	3.0	(2.1)	(0.2)	1.0	1.1	1.9	4.8	(4.2)	2.8	3.1	(0.6)	0.6	1.5
Ibero America	1.7	11.6	(0.2)	6.0	(3.7)	(3.2)	(3.2)	3.8	(6.2)	4.9	0.6	5.9	(3.6)
MEA	13.0	0.4	9.8	(8.2)	6.2	(2.9)	7.3	7.7	3.3	(8.9)	9.8	9.0	(2.4)
Verticals													
BFSI	1.1	(0.8)	0.1	(1.8)	(0.1)	0.6	1.9	(2.7)	1.3	2.0	1.2	(0.4)	0.5
Manufacturing	1.7	1.7	3.4	2.2	2.3	1.9	(0.1)	(4.0)	(1.0)	3.0	1.8	0.6	1.5
Communication and Media	0.3	(1.0)	(1.6)	(1.9)	(0.4)	(4.2)	(2.7)	(3.4)	(1.0)	(0.6)	2.3	0.6	(0.2)
Life Science & Healthcare	2.6	1.4	(1.1)	1.0	1.1	2.9	(3.4)	(4.5)	(1.0)	0.4	3.6	0.6	0.5
Retail and distribution	1.7	1.1	(1.5)	(0.3)	1.1	(0.0)	0.2	(0.4)	(1.0)	1.4	(1.3)	1.2	3.5
Hi-Tech (Now Technology Services)	0.6	(1.8)	(1.4)	(1.4)	(1.3)	0.7	0.9	(1.7)	0.3	3.1	1.8	(0.6)	1.5
Energy and Utilities	5.6	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8	2.9	0.6	2.3	6.6
Regional Market & Others	2.7	3.3	(0.2)	13.0	6.9	10.6	13.1	3.4	(6.4)	(13.5)	(3.1)	2.1	0.7
YoY Growth (%)													
Revenue	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	(1.1)	(2.7)	(0.4)	2.1
Geographical Data													
Americas	9.1	4.2	(0.2)	(3.0)	(2.4)	(1.1)	(2.1)	(2.4)	(2.3)	(2.7)	(0.2)	1.3	2.7
UK	8.1	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4	5.3	0.2	1.4	4.5
Europe	4.7	4.5	7.7	4.3	(1.1)	0.4	4.2	(4.0)	(0.7)	3.0	2.0	11.8	11.4
India	5.3	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1	(23.5)	(36.6)	(38.0)	(27.1)
APAC	1.1	0.2	2.2	1.6	(0.2)	3.9	9.1	3.5	5.3	6.5	1.0	6.0	4.6
Ibero America	13.8	18.4	23.3	20.1	13.7	(1.3)	(4.3)	(6.3)	(8.8)	(1.1)	2.7	4.8	7.8
MEA	7.5	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9	8.8	11.2	12.6	6.3
Verticals													
BFSI	10.8	7.9	1.7	(1.4)	(2.6)	(1.3)	0.5	(0.4)	1.1	2.4	1.8	4.2	3.4
Manufacturing	(11.9)	(10.6)	10.0	9.2	9.8	10.1	6.4	(0.0)	(3.2)	(2.2)	(0.4)	4.3	7.0
Communication and Media	13.9	9.7	(0.9)	(4.2)	(4.9)	(8.0)	(9.0)	(10.4)	(10.9)	(7.5)	(2.7)	1.3	2.1
Life Science & Healthcare	17.1	16.1	6.8	3.9	2.3	3.9	1.5	(4.1)	(6.1)	(8.3)	(1.7)	3.5	5.1
Retail and distribution	11.6	7.9	3.5	1.0	0.4	(0.7)	1.0	0.9	(1.2)	0.2	(1.4)	0.3	4.8
Hi-Tech	9.9	5.4	(0.9)	(3.9)	(5.7)	(3.3)	(1.0)	(1.4)	0.1	2.5	3.4	4.6	5.9
Energy and Utilities	0.0	0.0	17.4	12.8	6.1	5.7	8.3	1.7	3.2	4.2	0.8	6.7	12.8
Regional Market & Others	(34.2)	(29.2)	14.3	19.6	24.5	33.4	51.3	38.3	21.0	(5.4)	(19.0)	(20.0)	(13.8)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Total revenue	2,553,240	2,670,210	2,897,684	2,987,563	3,079,887
EBITDA	674,070	723,980	778,223	818,378	853,624
Depreciation	52,420	55,600	64,271	79,302	94,333
EBIT	621,650	668,380	713,952	739,076	759,291
Net interest inc./(exp.)	(7,960)	(12,270)	(10,600)	(10,600)	(10,600)
Other inc./(exp.)	39,620	(1,240)	20,511	23,028	23,763
Exceptional items	0	0	0	0	0
EBT	653,310	654,870	723,863	751,503	772,454
Income taxes	165,340	160,330	180,473	187,364	192,588
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2,440	2,440	2,640	2,640	2,640
Reported net profit	485,530	526,491	540,750	561,499	577,226
Adjustments	0	0	0	0	0
Adjusted net profit	485,530	526,491	540,750	561,499	577,226

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Accounts payables	139,090	148,080	153,478	158,232	163,115
Other current liabilities	373,580	428,980	439,241	448,277	457,559
Provisions	1,800	13,780	13,780	13,780	13,780
Debt funds	0	0	0	0	0
Other liabilities	124,110	148,100	149,386	150,518	151,681
Equity capital	3,620	3,620	3,620	3,620	3,620
Reserves & surplus	954,090	1,081,160	1,151,559	1,224,616	1,295,310
Shareholders' fund	957,710	1,084,780	1,155,179	1,228,236	1,298,930
Total liab. and equities	1,596,290	1,823,720	1,911,064	1,999,044	2,085,066
Cash and cash eq.	154,630	129,080	216,899	239,626	259,607
Accounts receivables	591,750	679,270	704,033	725,840	748,240
Inventories	280	290	290	290	290
Other current assets	180,670	215,020	221,047	226,355	231,807
Investments	306,890	337,700	267,700	267,700	267,700
Net fixed assets	125,240	136,970	173,553	209,795	246,037
CWIP	0	0	0	0	0
Intangible assets	28,000	92,840	92,840	92,840	92,840
Deferred tax assets, net	35,780	44,650	46,278	47,711	49,184
Other assets	173,120	187,900	188,425	188,887	189,361
Total assets	1,596,360	1,823,720	1,911,064	1,999,044	2,085,066

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Cash flow from operations	551,930	534,120	602,264	639,953	670,329
Capital expenditures	(68,260)	(67,330)	(100,854)	(115,544)	(130,575)
Change in investments	7,980	(30,240)	70,000	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(60,280)	(97,570)	(30,854)	(115,544)	(130,575)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	0	0	0	0	0
Interest expenses	(7,960)	(12,270)	(10,600)	(10,600)	(10,600)
Dividends paid	(549,334)	(479,578)	(566,773)	(588,572)	(610,371)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(557,294)	(491,848)	(577,373)	(599,172)	(620,971)
Chg in cash & cash eq.	21,770	(25,550)	87,819	22,727	19,981
Closing cash & cash eq.	154,630	129,080	216,899	239,626	259,607

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
Reported EPS	134.2	136.0	149.5	155.2	159.5
Adjusted EPS	134.2	136.0	149.5	155.2	159.5
Dividend per share	126.0	110.0	130.0	135.0	140.0
Book value per share	264.7	299.8	319.3	339.5	359.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
EV/Sales	3.7	3.6	3.3	3.2	3.1
EV/EBITDA	14.1	13.1	12.3	11.7	11.3
Adjusted P/E	19.3	19.0	17.3	16.7	16.2
P/BV	9.8	8.6	8.1	7.6	7.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26E	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	75.1	74.7	74.7	0.0
Interest burden (PBT/EBIT)	105.1	98.0	101.4	101.7	0.0
EBIT margin (EBIT/Revenue)	24.3	25.0	24.6	24.7	0.0
Asset turnover (Rev./Avg TA)	166.8	156.2	155.2	152.8	0.0
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	0.0
Adjusted ROAE	50.7	45.4	46.8	45.7	0.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	6.0	4.6	8.5	3.1	3.1
EBITDA	4.8	7.4	7.5	5.2	4.3
Adjusted EPS	4.2	1.4	9.9	3.8	2.8
Profitability & Return ratios (%)					
EBITDA margin	26.4	27.1	26.9	27.4	27.7
EBIT margin	24.3	25.0	24.6	24.7	24.7
Adjusted profit margin	19.0	19.7	18.7	18.8	18.7
Adjusted ROAE	51.9	51.6	48.3	47.1	45.7
ROCE	33.8	33.1	32.1	31.7	31.1
Working capital days (days)					
Receivables	85	93	89	89	89
Inventory	NA	NA	NA	NA	NA
Payables	20	20	19	19	19
Ratios (x)					
Gross asset turnover	20.4	19.5	16.7	14.2	12.5
Current ratio	1.8	1.7	1.9	1.9	2.0
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)

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

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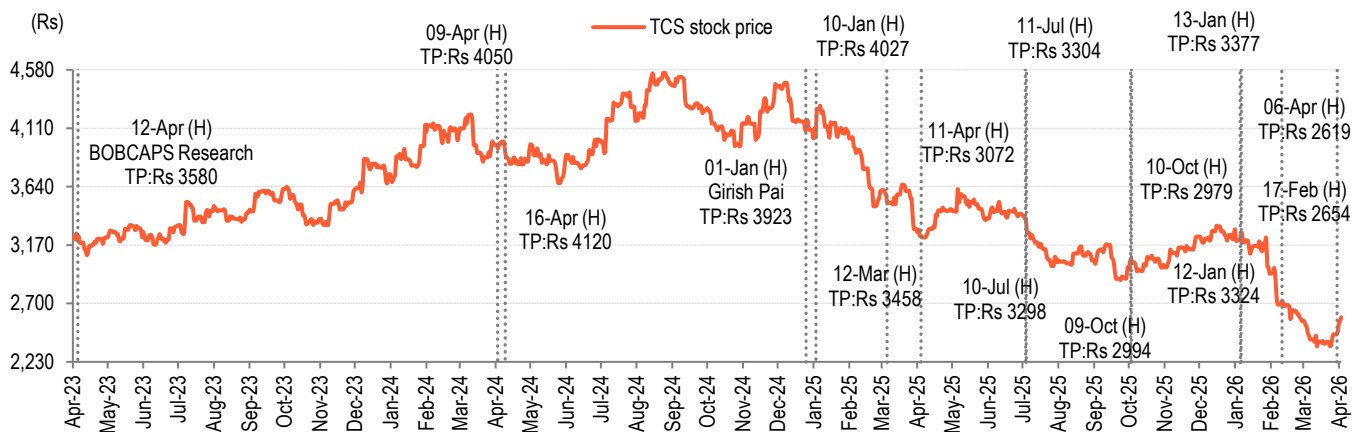
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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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