

# Tata Consultancy Services | BUY

## Early optimism

TCS' 3Q revenue growth beat expectations, with revenue up 0.8% cc QoQ versus JMFe's 0.5%. EBIT margins remained stable QoQ at 25.2% (JMFe: 25.4%), while PAT (ex-one-offs) at INR 134.4bn beat JMFe by 2%. Deal wins declined 9% YoY to USD 9.3bn; however, LTM book-to-bill remained healthy at 1.4x. TCS reiterated that FY26 international revenue growth will exceed FY25 (0.7% cc) and expressed optimism on CY26, supported by client conversations and deal momentum. Management noted an improving demand environment, with a pick-up in short-cycle deals (ROI-led AI rapid builds) and accelerating growth in AI-led services. Deal wins are on track to close USD 38-39bn in FY26 - should support growth in FY27. However, 10-15% productivity pass-through on renewals and proactive sharing of gains remain a concern. We raise revenue estimates by 0.3%-0.7% over FY26-28E. A headcount reduction of 2% in the quarter, with more to follow, signals further cost rationalization, partly offset by higher SG&A. We marginally raise margin estimates and upgrade EPS by 0.5%-3.5%. Maintain BUY.

- 3QFY26- beat on topline:** Revenue grew 0.8% QoQ cc beating JMFe/Cons est. of 0.5%/0.6%. India revenues grew 8% QoQ in cc, International revenues grew 0.4%. All geographies grew, except UK (-1.9% QoQ cc). North America was soft at 0.1% QoQ cc growth. Among verticals, Regional markets led with 4.6% QoQ cc growth. Consumer, healthcare and ETRS grew c.1% each in QoQ cc terms. BFSI (-0.4% cc QoQ), Tech (-1.3% cc) saw QoQ decline due to seasonality. EBIT margins were stable at 25.2%, in-line with estimates (JMFe: 25.4%). Operational efficiency (80bps), currency (20bps) aided margins offset by investments in brand building (-50bps) and full quarter impact of wage hike (-50bps). PAT (excl. exceptional items of INR 2,530mn/INR 21,280mn/INR 10,100mn towards restructuring/labor law provision/legal expense; cumulatively 5% of rev.) stood at INR 134.4bn (2% beat on JMFe). Annualized AI services revenue accelerated to reach USD 1.8bn (17.3% QoQ cc) vs USD 1.5bn (16.3% QoQ cc) as on Dec-25. Headcount declined by c.11k, a decline of 2% QoQ. TCS announced a dividend of INR 57.
- Outlook- optimistic on CY26:** Deal wins declined 9% YoY to USD 9.3bn, implying a book-to-bill of 1.24x. However, LTM deal wins grew 1.5% with LTM book-to-bill at 1.37x. In 3Q, BFSI deal momentum remained strong, including a mega deal in North America, and the pipeline stayed robust. Management expressed optimism on CY26, supported by client conversations and deal momentum. Client decision cycles were reported to be shortening, with rising traction in short-cycle, ROI-led programs. TCS reiterated that FY26 intl. revenue will outperform FY25, while BSNL is expected to remain flat until incremental POs are secured. Management indicated FY26 order wins to reach USD 38-39bn, which will support growth in FY27. TCS reiterated its aspiration to become the world's largest AI tech services company, and they see demand driven by AI and data-led services, ROI-led rapid build projects, cybersecurity and cloud. TCS maintained its margin target of 26-28%; near-term margins face headwinds from annual wage interventions in Q4 and higher SG&A, with restructuring continuing for another quarter. However, management remain confident on margin expansion despite investments for growth.
- EPS raised 0.5%-3.5%; Maintain BUY:** We raise USD growth estimates by 0.3%-0.7% over FY26-28E, driven by the 3Q beat and positive commentary. Headcount declined 2% in 3Q following a 3% cut in 2Q, with further reductions planned, signaling a reset in the cost base, this is offset by higher SG&A. We increase margin estimates by 10-21bps over FY26-27E. These revisions translate into EPS upgrades of 0.5%-3.5% over FY26-8E. We continue to value the stock at 23x, raising our TP to INR 3,810 (from INR 3,770). Maintain BUY.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,810
Upside/(Downside)	17.6%
Previous Price Target	3,770
Change	1.1%

### Key Data – TCS IN

Current Market Price	INR3,240
Market cap (bn)	INR11,721.2/US\$130.0
Free Float	23%
Shares in issue (mn)	3,618.1
Diluted share (mn)	3,618.1
3-mon avg daily val (mn)	INR9,369.0/US\$103.9
52-week range	4,255/2,867
Sensex/Nifty	83,878/25,790
INR/US\$	90.2

### Price Performance

%	1M	6M	12M
Absolute	0.6	-0.8	-22.8
Relative*	2.3	-2.4	-28.8

\* To the BSE Sensex

Financial Summary	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	24,08,930	25,53,240	26,49,151	28,15,661	29,90,550
Sales Growth (%)	6.8	6.0	3.8	6.3	6.2
EBITDA	6,42,950	6,74,070	7,24,189	7,72,135	8,25,392
EBITDA Margin (%)	26.7	26.4	27.3	27.4	27.6
Adjusted Net Profit	4,68,660	4,85,530	5,33,573	5,62,665	6,08,865
Diluted EPS (INR)	128.5	134.2	147.5	155.5	168.3
Diluted EPS Growth (%)	11.6	4.4	9.9	5.5	8.2
ROIC (%)	97.3	95.5	99.3	104.1	108.5
ROE (%)	50.6	51.2	50.9	44.9	40.3
P/E (x)	25.3	24.1	22.0	20.8	19.3
P/B (x)	12.8	12.1	10.4	8.5	7.1
EV/EBITDA (x)	17.6	16.7	15.3	14.1	12.9
Dividend Yield (%)	2.2	3.9	3.8	2.7	2.9

Source: Company data, JM Financial. Note: Valuations as of 12/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Key highlights from the call

- Demand:** Management highlighted that the improving demand environment observed in Q2 continued into Q3, supported by better client conversations and increased traction in short-cycle, ROI-driven programs. International services revenue grew 0.4% QoQ cc, with Consumer business group, energy resources and utilities, life sciences and healthcare and CMI verticals and Europe and India geographies leading growth. North America geography, BFSI and tech and services verticals were soft due to seasonality. Manufacturing saw growth with segments other than auto doing well. Management noted that decision-making cycles have shortened, with clients increasingly prioritizing projects with near-term business impact, particularly in AI- and data-led transformation.
- Outlook:** Management reiterated confidence that the improving demand environment seen in Q2 has sustained through Q3 and expressed optimism on CY26, citing stronger client conversations, rising AI adoption and increased flow of rapid-build, ROI-led projects, with AI and data increasingly driving incremental growth. For FY26, management reiterated guidance that international revenue growth will be better than FY25. On BSNL, management clarified that revenue in Q3 was similar to Q2 and that until the formal final PO is received, no material pickup should be assumed. Looking ahead to FY27, management highlighted that the strong order book and deal wins over the past three quarters provide confidence on growth visibility beyond FY26, positioning TCS well for sustained growth into FY27, particularly in international markets.
- Bookings:** Deal momentum remained strong, with USD 28–29bn of TCV signed over the last three quarters, implying full-year deal wins of ~USD 38–39bn, among the highest for TCS. The quarter included a mega deal win in North America, and management highlighted balanced deal wins across verticals and geographies. BFSI pipelines remain robust, driven by cost optimisation, compliance and modernisation programs, and management indicated that the current order book provides strong visibility into FY27 growth.
- Margin:** Management reiterated its aspirational EBIT margin band of 26–28%, while outlining several near-term puts and takes during the quarter. Q3 margins saw tailwind of productivity pyramid and other operational efficiencies of 80bps, currency contributed an additional 20bps. Investments in brand building and full quarter impact of wage hikes saw impact of 50bps each resulting in stable margins for the quarter. SG&A expenses increased primarily due to higher legal expenses (including M&A-related items), marketing initiatives with multiple events converging in Q3, and CSR spends; management clarified that ~10–20bps of the SG&A impact is one-time, while some elements may persist. Significant exceptional items impacted reported PAT in the quarter. TCS made a provision of INR 2,128cr related to labour law guidance received from authorities, restructuring costs of INR 2530mn were incurred and a provision of INR 10,100mn was made toward legal expenses. On margin outlook, management noted that annual wage interventions in Q4 remain a headwind, but beyond this, no new structural margin pressures are expected. Restructuring is expected to continue into Q4 as well.
- Verticals and geographies:** BFSI was soft in the quarter due to seasonality; excluding seasonality, management expects BFSI to return to growth, supported by strong pipelines in payments, capital markets and insurance, with AI adoption increasing though Agentic AI deployment remains cautious given governance and regulatory considerations. Consumer business saw good growth in retail, travel and hospitality, with the Americas, Europe and APAC performing well, while the UK remained challenged and CPG clients continued to focus on premiumization and operational efficiency. Life Sciences & Healthcare delivered good growth momentum despite ongoing pressures, with clients increasing investments in automation and moving beyond pilot AI programs. Manufacturing posted growth with auto subdued while other sub-segments performed better, and geographically, Europe improved sequentially, India enterprise growth remained strong and broad-based, and North America softness was largely seasonal with management optimistic on a return to stronger growth driven by ROI-based decision-making.
- AI strategy:** Management reiterated its ambition to become the world's largest AI-led technology services company and highlighted continued acceleration in AI execution during

*Demand environment noted to be improving, International revenue grew 0.4% QoQ cc*

*Confident on strong CY26 on the back of client conversations and deal momentum*

*Mega deal win in North America BFSI*

*Reiterated target of 26-28% EBIT margins*

*BFSI and Tech services saw softness due to seasonality. BFSI to return to growth going ahead.*

the quarter. AI services reached an annualized revenue run-rate of USD 1.8bn, growing ~17% QoQ, driven by AI programs across industry value chains and data platforms required to deliver AI-led transformation. Management emphasised a clear shift from PoCs to scaled, ROI-led implementations through 2025, with rapid-build projects emerging as a key growth lever. Agentic AI adoption is progressing cautiously, particularly in regulated industries, with value being delivered through a combination of traditional AI and agentic models. Internal AI transformation continues through democratization of AI tools, AI innovation days and rapid-build frameworks, supporting differentiation in client engagements.

*AI services annualized run-rate reach USD 18bn, growing at a pace of 17% QoQ cc*

- **Supply Side:** Total employee attrition increased marginally to 13.5% (up ~20bps QoQ), while management reiterated a continued focus on future-ready hiring, reskilling and workforce rebalancing. Over 220,000 employees are now trained in AI, representing a threefold increase YoY, and over 50% of incremental hires are being made in next-generation skill areas such as AI, cloud, data, cybersecurity and enterprise solutions, with GenAI embedded into fresher training curricula. TCS continues to selectively invest in advisory, cyber, AI and cloud talent while undertaking ongoing restructuring and role rebalancing to align the workforce with future demand.

**Exhibit 1. 3QFY26 result summary**

	3Q26 A	2Q26 A	Change (QoQ)	Estimate (JMF <sub>e</sub> )	Variance (vs. JMF <sub>e</sub> )	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMF <sub>e</sub>	Consensus
USD-INR	89.34	88.13	1.4%	89.50	-0.2%	89.20	0.2%	1.6%	1.2%
CC Revenue Growth (QoQ)	0.8%	0.8%	0.8%	0.5%	26bp	0.6%	20bp	0.5%	0.6%
Revenue (USD mn)	7,509	7,466	0.6%	7,471	0.5%	7,484	0.3%	0.1%	0.2%
Revenue (INR mn)	670,870	657,990	2.0%	668,689	0.3%	667,573	0.5%	1.6%	1.5%
EBIT (INR mn)	169,059	165,650	2.1%	169,543	-0.3%	167,561	0.9%	2.4%	1.2%
EBIT margin	25.2%	25.2%	2bp	25.4%	-15bp	25.1%	10bp	18bp	-8bp
PAT (INR mn)	134,380	132,100	1.7%	131,918	1.9%	128,842	4.3%	-0.1%	-2.5%
EPS (INR)	37.1	36.5	1.7%	36.5	1.9%	35.6	4.3%	-0.1%	-2.5%

Note: 3QFY26 figures exclude severance (INR 2530mn), provision for legal charge (INR 10100mn) and provision for change in labor law (INR 21280mn). Source: Company, JM Financial estimates

## 3QFY26 result review

### Exhibit 2. Key Financials

(INR mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Cons. revenues (USD mn)	7,505	7,670	7,539	7,465	7,421	7,466	7,509
Change (YoY/QoQ)	1.9%	2.2%	-1.7%	-1.0%	-0.6%	0.6%	0.6%
Cons. Revenues	6,26,130	642,590	639,730	644,790	634,370	657,990	670,870
Change (YoY/QoQ)	2.2%	2.6%	-0.4%	0.8%	-1.6%	3.7%	2.0%
Cost of revenues	3,67,210	387,340	380,610	383,890	375,450	386,650	386,230
Gross profit	2,58,920	255,250	259,120	260,900	258,920	271,340	284,640
Gross margin	41.4%	39.7%	40.5%	40.5%	40.8%	41.2%	42.4%
Total operating expenses	92,300	87,930	88,790	91,100	90,170	91,560	101,950
EBITDA	1,66,620	167,320	170,330	169,800	168,750	179,780	182,690
EBITDA margin	26.6%	26.0%	26.6%	26.3%	26.6%	27.3%	27.2%
Depreciation	12,200	12,670	13,760	13,790	13,610	14,130	13,800
EBIT	1,54,420	154,650	156,570	156,010	155,140	165,650	168,890
EBIT margin	24.7%	24.1%	24.5%	24.2%	24.5%	25.2%	25.2%
Non-operating income	7,890	5,670	10,090	8,010	14,650	6,380	9,220
Profit before tax	1,62,310	160,320	166,660	164,020	169,790	172,030	178,110
Income tax expense	41,260	40,770	42,220	41,090	41,600	42,430	43,100
PAT from operations	1,21,050	119,550	124,440	122,930	128,190	129,600	135,010
Minority interest	650	460	640	690	590	560	630
Net Profit (reported)	1,20,400	119,090	123,800	122,240	127,600	129,040	134,380
Adjusted EPS (INR)	33.28	32.92	34.22	33.79	35.27	35.67	37.14
Change (QoQ/YoY)	-3.2%	-1.1%	4.0%	-1.3%	4.4%	8.4%	8.5%

Note: PAT and EPS exclude severance related restructuring expenses of INR 11.35bn. Source: Company, JM Financial

Revenue grew 0.8% QoQ in CC terms, with a cross currency headwind of 20 bps. International business saw growth of 0.3% cc QoQ

EBIT margin was stable sequentially

Margin walk:

Tailwinds were productivity pyramid and operational efficiency (+80bps), Currency (+20bps). Headwinds were investments in brand building (-50bps) and full quarter impact of wage hikes (-50bps).

### Exhibit 3. Verticals portfolio

	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Distribution</b>					
BFSI	30.5%	31.2%	32.0%	32.2%	31.9%
Consumer Business	15.3%	15.3%	15.6%	15.3%	15.4%
Communication & Media	5.8%	5.8%	5.8%	5.9%	5.9%
Life Science & Healthcare	10.1%	10.1%	10.2%	10.5%	10.5%
Manufacturing	8.4%	8.4%	8.7%	8.8%	8.8%
Energy & Utilities	5.6%	5.7%	5.9%	5.9%	6.0%
Technology & Services	8.0%	8.1%	8.4%	8.5%	8.4%
Regional Markets & Others	16.3%	15.4%	13.4%	12.9%	13.1%
<b>USD revenue (mn) and QoQ growth</b>					
BFSI	2,299	2,329	2,402	2,404	2,395
Change (QoQ)	-2.7%	1.3%	3.1%	1.2%	-0.4%
Consumer Business	1,153	1,142	1,171	1,142	1,156
Change (QoQ)	-0.4%	-1.0%	2.5%	-1.3%	1.2%
Communication & Media	437	433	435	440	443
Change (QoQ)	-3.4%	-1.0%	0.5%	2.3%	0.6%
Life Science & Healthcare	761	754	766	784	788
Change (QoQ)	-4.5%	-1.0%	1.5%	3.6%	0.6%
Energy & Utilities	422	426	443	440	451
Change (QoQ)	-3.4%	0.8%	4.1%	0.6%	2.3%
Manufacturing	633	627	653	657	661
Change (QoQ)	-4.0%	-1.0%	4.1%	1.8%	0.6%
Technology & Services	603	605	630	635	631
Change (QoQ)	-1.7%	0.3%	4.3%	1.8%	-0.6%
Regional Markets & Others	1229	1150	1006	963	984
Change (QoQ)	3.4%	-6.4%	-12.5%	-3.1%	2.1%

Revenue growth was led by Regional markets and others vertical at 4.6% QoQ cc growth. Consumer, lifesciences and healthcare and EURS grew c.1% each in QoQ cc terms. BFSI (-0.4% cc QoQ) and Tech services (-1.3% cc QoQ) saw sequential decline due to seasonality.

Source: Company, JM Financial

## Exhibit 4. Deal momentum

	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Booking (USD bn)</b>					
BFSI	3.2	4.0	2.5	3.2	3.8
Consumer Business	1.3	1.7	1.6	1.8	1.4
Other verticals	5.7	6.5	5.3	5	4.1
<b>Total</b>	<b>10.2</b>	<b>12.2</b>	<b>9.4</b>	<b>10</b>	<b>9.3</b>
North America	5.9	6.8	4.4	4.3	4.9
Other Geographies	4.3	5.4	5	5.7	4.4
<b>Billing (USD bn)</b>					
BFSI	2.30	2.3	2.4	2.4	2.4
Consumer Business	1.15	1.1	1.2	1.1	1.2
Other verticals	4.09	4.0	3.9	3.9	4.0
<b>Total</b>	<b>7.54</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
North America	3.60	3.6	3.6	3.6	3.6
Other Geographies	3.94	3.9	3.9	3.8	3.9
<b>Book-to-Bill</b>					
BFSI	1.39	1.72	1.04	1.33	1.59
Consumer Business	1.13	1.49	1.37	1.58	1.21
Other verticals	1.39	1.63	1.36	1.28	1.04
<b>Total</b>	<b>1.35</b>	<b>1.63</b>	<b>1.26</b>	<b>1.34</b>	<b>1.24</b>
North America	1.64	1.89	1.22	1.18	1.35
Other Geographies	1.09	1.40	1.29	1.49	1.14

Source: Company, JM Financial

## Exhibit 5. Expense analysis

Cost of revenue	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Employee cost	46.0%	45.5%	44.4%	45.3%	47.6%	46.9%	44.9%
Fees to external consultants	4.0%	4.4%	4.4%	4.5%	4.8%	5.0%	5.3%
Equipment & Software	3.4%	5.0%	5.5%	4.3%	1.1%	1.5%	1.9%
Depreciation	1.5%	1.5%	1.7%	1.7%	1.7%	1.7%	1.6%
Travel	1.0%	1.0%	0.9%	0.9%	1.0%	0.9%	0.8%
Communication	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%
Facility expenses	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	0.9%
Other expenses	2.8%	2.9%	2.9%	3.1%	3.0%	2.9%	3.0%
<b>Total cost of revenues</b>	<b>60.1%</b>	<b>61.8%</b>	<b>61.2%</b>	<b>61.2%</b>	<b>60.9%</b>	<b>60.4%</b>	<b>59.2%</b>

Source: Company, JM Financial

Employee costs declined 200bps likely aided by currency and restructuring

## Exhibit 6. Client Metrics

	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Bucket movement</b>					
USD 1-5mn	587	609	622	653	662
Change	-10	22	13	31	9
USD 5-10mn	225	230	219	209	224
Change	6	5	-11	-10	15
USD 10-20mn	203	195	195	196	187
Change	10	-8	0	1	-9
USD 20-50mn	160	168	169	166	174
Change	-2	8	1	-3	8
USD 50-100mn	70	66	69	76	74
Change	0	-4	3	7	-2

Source: Company, JM Financial

Decline in headcount was due to restructuring efforts, these efforts are expected to continue in Q4 as well. 220,000 employees now trained in AI representing a 3x increase YoY

## Exhibit 7. Key Manpower metrics

	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
<b>Total headcount</b>	<b>607,354</b>	<b>607,979</b>	<b>613,069</b>	<b>593,314</b>	<b>582,163</b>
Net addition	-5,370	625	5,090	-19,755	-11,151
Attrition (%) - LTM	13.0%	13.3%	13.8%	13.3%	13.5%

Source: Company, JM Financial

## Maintain BUY, Revised TP of 3,810

TCS beat estimates on revenue growth in the quarter and margins were in-line. We have raised our USD revenue growth assumptions by 0.3%-0.7% over FY26-28E. We have raised assumptions for healthcare, consumer and manufacturing verticals while reducing our assumptions for BFSI and Tech services. We have revised our EBIT Margin assumptions higher by (6bps)-21bps. This is largely led by a decline in employee benefit expenses on account of currency depreciation and restructuring, our SG&A expense assumptions see increases. Our PAT (adjusted) estimates are revised by 0.5-3.5% over FY26-28E given changes to our growth and margin assumptions.

We maintain our target multiple for TCS at 23x 24M fwd EPS. Our TP is revised to INR 3,810 from INR 3,770. Current TP implies an upside of 17%, maintain BUY.

### Exhibit 8. What has changed

	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	88.16	89.50	90.00	88.25	90.00	90.00	0.1%	0.6%	0.0%
Constant currency growth – YoY	-2.5%	3.8%	6.2%	-2.3%	4.2%	6.2%	17bp	40bp	bp
Consolidated revenue (USD mn)	29,927	31,071	33,000	30,017	31,285	33,228	0.3%	0.7%	0.7%
Growth in USD revenues (YoY)	-0.8%	3.8%	6.2%	-0.5%	4.2%	6.2%	30bp	40bp	bp
Consolidated revenue (INR mn)	2,638,436	2,780,831	2,969,997	2,649,151	2,815,661	2,990,550	0.4%	1.3%	0.7%
EBITDA margin	27.3%	27.2%	27.7%	27.3%	27.4%	27.6%	7bp	20bp	-7bp
EBIT margin	25.1%	25.1%	25.5%	25.2%	25.3%	25.4%	10bp	21bp	-6bp
PAT (INR mn)	526,945	551,854	606,105	533,573	565,195	608,865	1.3%	2.4%	0.5%
Adjusted EPS (INR)	142.5	152.5	167.5	147.5	155.5	168.3	3.5%	2.0%	0.5%

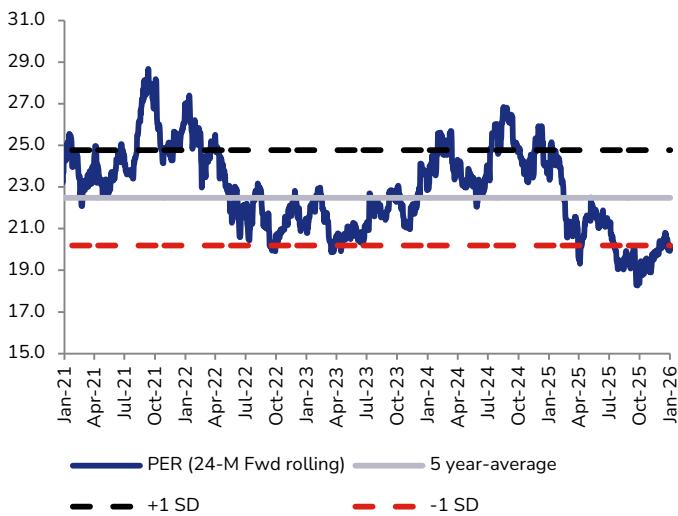
Source: JM Financial estimates

### Exhibit 9. JMFe vs Consensus

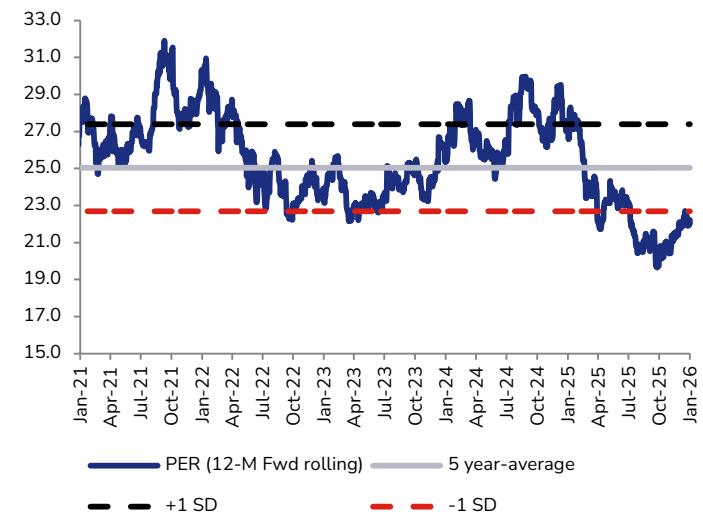
	Consensus estimates			JMFe			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales (USD mn)	29,279	31,139	33,126	30,017	31,285	33,228	2.5%	0.5%	0.3%
Sales (INR mn)	2,642,325	2,810,224	2,989,584	2,649,151	2,815,661	2,990,550	0.3%	0.2%	0.0%
EBITDA (INR mn)	716,917	758,780	809,746	724,189	772,135	825,392	1.0%	1.8%	1.9%
EBITDA margin	27.1%	27.0%	27.1%	27.3%	27.4%	27.6%	20bp	42bp	51bp
EBIT (INR mn)	660,552	699,792	745,513	667,920	712,001	760,877	1.1%	1.7%	2.1%
EBIT margin	25.0%	24.9%	24.9%	25.2%	25.3%	25.4%	21bp	39bp	51bp
Adj. EPS (INR)	142.8	151.1	160.6	147.5	155.5	168.3	3.3%	2.9%	4.8%

Note: Consensus estimates as of 12<sup>th</sup>Jan'26 and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

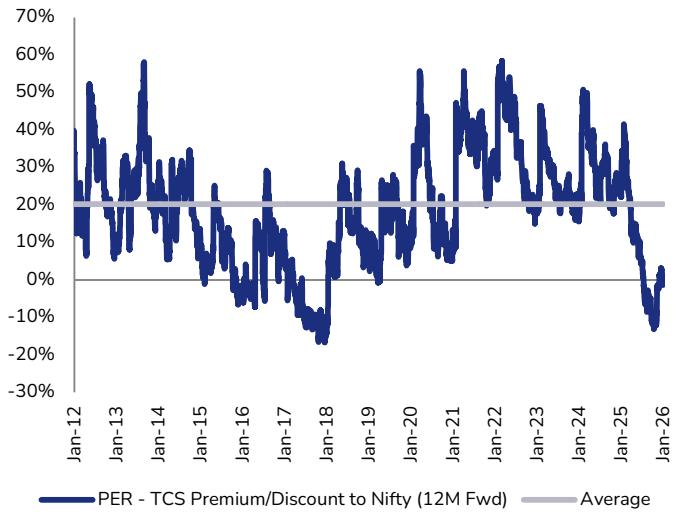
## Exhibit 10. TCS: PER 24M Fwd – Lower than 5 year -1SD



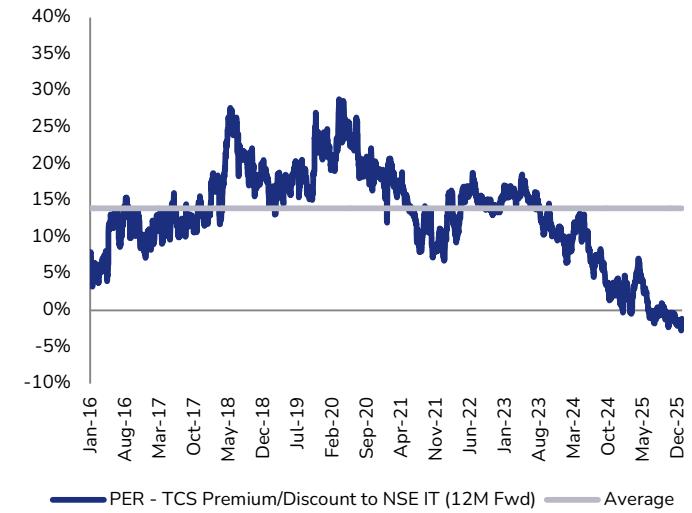
## Exhibit 11. TCS: PER 12M Fwd- Lower than 5 year -1SD



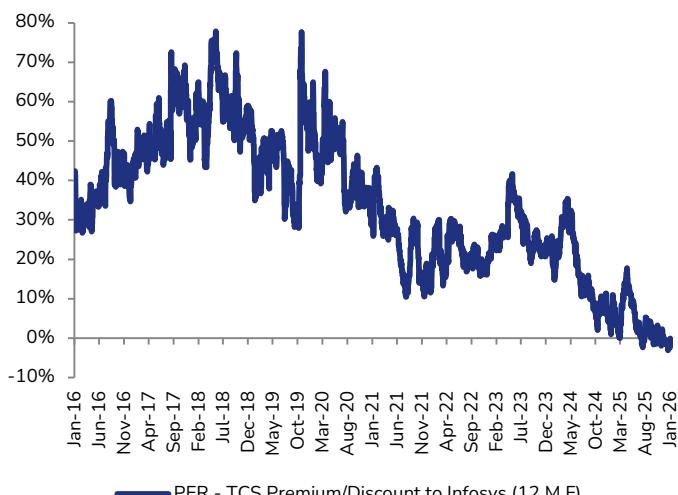
## Exhibit 12. TCS PER – Premium discount to Nifty



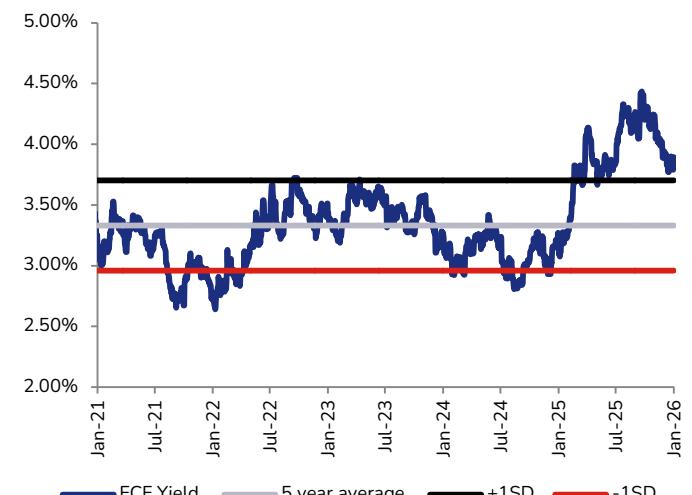
## Exhibit 13. TCS PER – Premium discount to NSE IT



## Exhibit 14. PER – TCS Premium to Infosys



## Exhibit 15. TCS: LTM FCF Yield



## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales		24,08,930	25,53,240	26,49,151	28,15,661	29,90,550
Sales Growth		6.8%	6.0%	3.8%	6.3%	6.2%
Other Operating Income		0	0	0	0	0
<b>Total Revenue</b>		<b>24,08,930</b>	<b>25,53,240</b>	<b>26,49,151</b>	<b>28,15,661</b>	<b>29,90,550</b>
Cost of Goods Sold/Op. Exp		13,97,750	15,19,050	15,41,363	16,15,557	17,13,585
Personnel Cost		0	0	0	0	0
Other Expenses		3,68,230	3,60,120	3,83,599	4,27,969	4,51,573
<b>EBITDA</b>		<b>6,42,950</b>	<b>6,74,070</b>	<b>7,24,189</b>	<b>7,72,135</b>	<b>8,25,392</b>
EBITDA Margin		26.7%	26.4%	27.3%	27.4%	27.6%
EBITDA Growth		8.5%	4.8%	7.4%	6.6%	6.9%
Depn. & Amort.		49,840	52,420	56,270	60,134	64,515
EBIT		5,93,110	6,21,650	6,67,920	7,12,001	7,60,877
Other Income		36,440	31,660	39,752	46,636	59,775
Finance Cost		0	0	0	0	0
PBT before Excep. & Forex		6,29,550	6,53,310	7,07,672	7,58,637	8,20,651
Excep. & Forex Inc./Loss(-)		0	0	0	0	0
PBT		6,29,550	6,53,310	7,07,672	7,58,637	8,20,651
Taxes		1,58,980	1,65,340	1,71,689	1,93,452	2,09,266
Extraordinary Inc./Loss(-)		0	0	41,060	2,530	0
Assoc. Profit/Min. Int.(-)		1,910	2,440	2,410	2,520	2,520
Reported Net Profit		4,68,660	4,85,530	5,74,633	5,65,195	6,08,865
<b>Adjusted Net Profit</b>		<b>4,68,660</b>	<b>4,85,530</b>	<b>5,33,573</b>	<b>5,62,665</b>	<b>6,08,865</b>
Net Margin		19.5%	19.0%	20.1%	20.0%	20.4%
Diluted Share Cap. (mn)		3,646.9	3,618.1	3,618.1	3,618.1	3,618.1
<b>Diluted EPS (INR)</b>		<b>128.5</b>	<b>134.2</b>	<b>147.5</b>	<b>155.5</b>	<b>168.3</b>
Diluted EPS Growth		11.6%	4.4%	9.9%	5.5%	8.2%
Total Dividend + Tax		3,19,848	5,48,687	5,39,978	3,74,501	4,13,692
Dividend Per Share (INR)		72.9	126.0	124.0	86.0	95.0

Balance Sheet		(INR mn)				
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund		9,26,120	9,68,820	11,29,429	13,78,408	16,43,555
Share Capital		3,620	3,620	3,620	3,620	3,620
Reserves & Surplus		9,22,500	9,65,200	11,25,809	13,74,788	16,39,935
Preference Share Capital		0	0	0	0	0
Minority Interest		8,300	10,150	11,360	13,880	16,400
Total Loans		0	0	0	0	0
Def. Tax Liab. / Assets (-)		0	0	0	0	0
<b>Total - Equity &amp; Liab.</b>		<b>9,34,420</b>	<b>9,78,970</b>	<b>11,40,789</b>	<b>13,92,288</b>	<b>16,59,955</b>
Net Fixed Assets		1,57,230	1,78,960	1,88,214	1,81,821	1,86,964
Gross Fixed Assets		1,12,240	1,29,320	1,37,184	1,30,791	1,35,934
Intangible Assets		44,990	49,640	51,030	51,030	51,030
Less: Depn. & Amort.		0	0	0	0	0
Capital WIP		0	0	0	0	0
Investments		2,810	2,750	2,490	2,490	2,490
Current Assets		13,25,680	14,35,840	16,52,247	19,45,348	22,20,273
Inventories		0	0	0	0	0
Sundry Debtors		5,37,200	5,91,750	6,31,441	6,55,702	6,96,429
Cash & Bank Balances		4,65,440	4,69,550	6,25,936	8,83,059	11,18,921
Loans & Advances		0	0	0	0	0
Other Current Assets		3,23,040	3,74,540	3,94,870	4,06,587	4,04,923
Current Liab. & Prov.		5,51,300	6,38,580	7,02,162	7,37,372	7,49,773
Current Liabilities		90,260	1,08,570	1,24,590	1,24,590	1,24,590
Provisions & Others		4,61,040	5,30,010	5,77,572	6,12,782	6,25,183
Net Current Assets		7,74,380	7,97,260	9,50,085	12,07,976	14,70,501
<b>Total - Assets</b>		<b>9,34,420</b>	<b>9,78,970</b>	<b>11,40,789</b>	<b>13,92,288</b>	<b>16,59,955</b>

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax		4,60,990	4,87,970	5,35,983	5,65,185	6,11,385
Depn. & Amort.		49,850	52,420	56,270	60,134	64,515
Net Interest Exp. / Inc. (-)		0	0	0	0	0
Inc (-) / Dec in WCap.		-75,940	-36,460	-6,429	5,431	-13,301
Others		1,59,310	1,66,190	1,31,937	1,46,816	1,49,492
Taxes Paid		-1,24,890	-1,55,860	-1,61,845	-1,82,361	0
<b>Operating Cash Flow</b>		<b>4,69,320</b>	<b>5,14,260</b>	<b>5,55,915</b>	<b>5,95,205</b>	<b>8,12,091</b>
Capex		-22,020	-29,170	-86,833	-59,941	-83,019
<b>Free Cash Flow</b>		<b>4,47,300</b>	<b>4,85,090</b>	<b>4,69,082</b>	<b>5,35,265</b>	<b>7,29,071</b>
Inc (-) / Dec in Investments		59,170	14,710	39,752	46,636	59,775
Others		-9,810	-42,300	0	0	0
<b>Investing Cash Flow</b>		<b>27,340</b>	<b>-56,760</b>	<b>-47,081</b>	<b>-13,305</b>	<b>-23,245</b>
Inc / Dec (-) in Capital		0	0	7,320	0	0
Dividend + Tax thereon		-2,52,180	-4,49,620	-4,48,643	-3,11,156	-3,43,718
Inc / Dec (-) in Loans		0	0	0	0	0
Others		-2,26,190	-16,360	14,290	0	0
<b>Financing Cash Flow</b>		<b>-4,78,370</b>	<b>-4,65,980</b>	<b>-4,27,033</b>	<b>-3,11,156</b>	<b>-3,43,718</b>
Inc / Dec (-) in Cash		<b>18,290</b>	<b>-8,480</b>	<b>81,801</b>	<b>2,70,745</b>	<b>4,45,128</b>
Opening Cash Balance		71,230	90,160	83,420	1,65,221	4,35,966
<b>Closing Cash Balance</b>		<b>90,160</b>	<b>83,420</b>	<b>1,65,221</b>	<b>4,35,966</b>	<b>8,81,094</b>

Dupont Analysis						
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin		19.5%	19.0%	20.1%	20.0%	20.4%
Asset Turnover (x)		2.4	2.4	2.3	2.0	1.8
Leverage Factor (x)		1.1	1.1	1.1	1.1	1.1
RoE		50.6%	51.2%	50.9%	44.9%	40.3%

Key Ratios						
Y/E March		FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)		254.0	267.8	312.2	381.0	454.3
ROIC		97.3%	95.5%	99.3%	104.1%	108.5%
ROE		50.6%	51.2%	50.9%	44.9%	40.3%
Net Debt/Equity (x)		-0.5	-0.5	-0.6	-0.6	-0.7
P/E (x)		25.3	24.1	22.0	20.8	19.3
P/B (x)		12.8	12.1	10.4	8.5	7.1
EV/EBITDA (x)		17.6	16.7	15.3	14.1	12.9
EV/Sales (x)		4.7	4.4	4.2	3.9	3.6
Debtor days		81	85	87	85	85
Inventory days		0	0	0	0	0
Creditor days		0	0	0	0	0

Source: Company, JM Financial

Source: Company, JM Financial

## History of Recommendation and Target Price

## Recommendation History

Date	Recommendation	Target Price	% Chg.
9-Dec-22	Hold	3,190	
9-Jan-23	Hold	3,320	4.1
13-Apr-23	Hold	3,420	3.0
13-Jul-23	Hold	3,400	-0.6
12-Oct-23	Hold	3,500	2.9
12-Jan-24	Hold	3,850	10.0
13-Apr-24	Hold	4,130	7.3
12-Jul-24	Hold	4,140	0.2
11-Oct-24	Hold	4,140	0.0
10-Jan-25	Buy	4,680	13.0
11-Apr-25	Buy	4,060	-13.2
11-Jul-25	Buy	3,950	-2.7
1-Oct-25	Buy	3,410	-13.7
10-Oct-25	Buy	3,520	3.2
18-Dec-25	Buy	3,690	4.8

## Tata Consultancy Services



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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