

Tata Consultancy Services Ltd.

BUY

Sector: IT Services

17th October, 2025

Key Changes		Target		Rating		Earnings		Target	Rs. 3,293
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame			CMP	Rs. 2,971
Large Cap	TCS:IN	83,468	TCS	532540	12 Months			Return	+11%

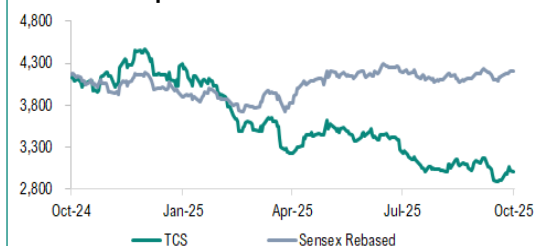
Data as of: 16-Oct-2025, 18:00 hrs

Company Data	
Market Cap (Rs.cr)	10,74,880
52 Week High — Low (Rs.)	4,494 - 2,868
Enterprise Value (Rs. cr)	10,71,594
Outstanding Shares (cr)	362
Free Float (%)	28.1
Dividend Yield (%)	4.3
6m average volume (cr)	0.3
Beta	0.9
Face value (Rs.)	1.0

Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	71.8	71.8	71.8
FIIs	12.7	12.0	11.5
MFs/Institutions	10.9	11.6	12.0
Public	4.4	4.4	4.5
Others	0.3	0.2	0.2
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.9%	-7.0%	-27.5%
Absolute Sensex	-0.2%	9.5%	1.2%
Relative Return	-7.7%	-16.5%	-28.7%

* over or under performance to benchmark index



Y.E March (Rs cr)	FY25A	FY26E	FY27E
Sales	255,324	267,156	284,494
Growth (%)	6.0	4.6	6.5
EBITDA	67,407	71,866	76,760
EBITDA Margin (%)	26.4	26.9	27.0
PAT Adjusted	48,553	52,182	55,687
Growth (%)	3.6	7.5	6.7
Adjusted EPS	134.2	144.2	153.9
Growth (%)	4.4	7.5	6.7
P/E	26.9	20.9	19.5
P/B	13.8	10.6	10.0
EV/EBITDA	19.3	15.1	14.1
ROE (%)	51.5	50.0	51.4
D/E	0.1	0.1	0.1

AI-led transformation anchors growth vision

Tata Consultancy Services (TCS), a subsidiary of Tata Sons Ltd, is a global IT company providing a range of services to industries such as banking, financial services and insurance (BFSI), telecommunications, transportation, retail and manufacturing.

- In Q2FY26, TCS' revenue grew 2.4% YoY to Rs. 65,799cr, led by BFSI and tech momentum, AI-led large deals, vendor consolidation gains and global recovery.
- BFSI revenue grew 8.1% YoY to Rs. 25,717cr, supported by a strong deal momentum. BFSI segment clocked a robust TCV of \$3.2bn in Q2FY26, including the mega Tryg insurance transformation deal.
- Revenue from North America grew 5.0% YoY to Rs. 33,352cr and that from Europe rose 6.3% YoY to Rs. 21,570cr, driven by BSFI growth, IT services, software-defined vehicle innovation hubs in Europe, and TCS' opening of a new flagship interactive design studio in New York.
- EBITDA rose 7.5% YoY to Rs. 17,978cr, and margin expanded 130bps to 27.3%, supported by lower equipment and software licence costs (-70.1% YoY).
- TCS' operating margins are expected to remain within 26-28%, supported by pyramid optimisation, automation and utilisation improvements.

Outlook & Valuation

TCS reported a steady performance in the quarter, backed by broad-based growth, steady deal momentum and sequential margin improvement across verticals. Management guided for stronger FY26 international revenue growth compared with FY25. It expects margins to gradually move towards the 26-28% aspirational band. Strategic initiatives remain centred on scaling AI-led transformation, expanding global delivery hubs, and strengthening cloud modernisation and platform capabilities through acquisitions. The company is also investing in sovereign AI data centres with a capacity of up to 1 GW to capture the massive unmet demand for data centre capacity in India. Despite macro and geopolitical uncertainties, stable execution and sustained investments provide balanced growth visibility. Therefore, **we reiterate our BUY rating on the stock, with a target price of Rs. 3,293 based on 21x FY27E adjusted EPS.**

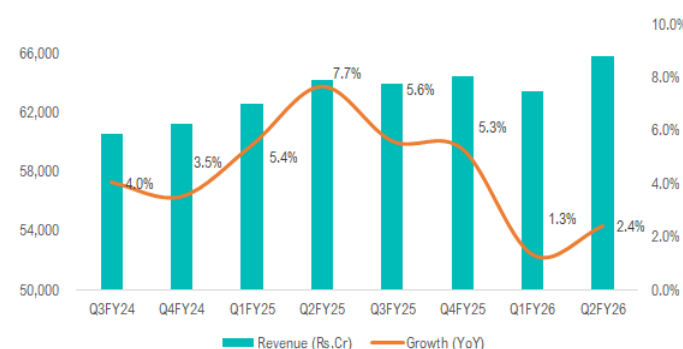
Quarterly Financials Consolidated

Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales	65,799	64,259	2.4	63,437	3.7	129,236	126,872	1.9
EBITDA	17,978	16,731	7.5	16,875	6.5	34,853	33,393	4.4
Margin (%)	27.3	26.0	130bps	26.6	70bps	27.0	26.3	70bps
EBIT	16,565	15,465	7.1	15,514	6.8	32,079	30,907	3.8
PBT	16,068	16,032	0.2	16,979	-5.4	33,047	32,263	2.4
Rep. PAT	12,131	11,955	1.5	12,819	-5.4	24,950	24,060	3.7
Adj PAT	13,210	11,909	10.9	12,760	3.5	25,970	23,949	8.4
Adj. EPS (Rs)	36.5	32.9	10.9	35.3	3.5	71.8	66.2	8.4

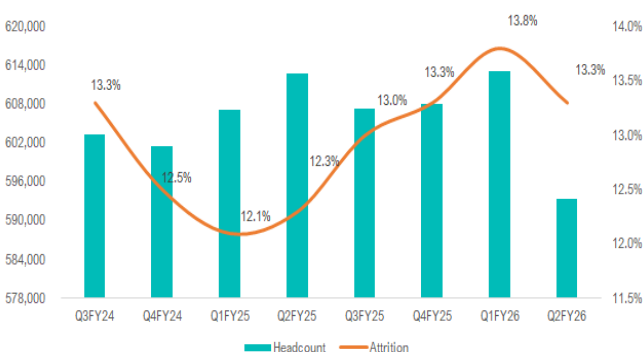
Key concall highlights

- TCS reported a TCV of \$10.0bn in Q2FY26 (+16.3% YoY), including \$4.3bn from North America, \$3.2bn from BFSI and \$1.8bn from the Consumer Business Group.
- TCS secured a \$647mn seven-year deal with Tryg (a Scandinavian non-life insurance company) to standardise operations across Denmark, Sweden and Norway, enhancing growth and efficiency across three core markets.
- The company announced plans to build a 1GW AI data centre in India to create a world-class AI infrastructure and capture unmet demand in India's data centre market.
- TCS approved the acquisition of ListEngage, a US-based Salesforce marketing cloud specialist, expanding its capabilities in digital customer engagement, cloud CRM and AI-integrated marketing automation solutions for enterprise clients.
- The company confirmed FY26 international revenue growth will exceed FY25's 70bps constant currency growth, supported by a strong TCV and demand pipeline, and improving project conversion across markets.
- TCS has significantly reduced its reliance on the H-1B visa program by localizing its workforce, with only 500 associates deployed to the U.S. on H-1B visas. The company claims its model adapts quickly to client needs and immigration policy changes.
- TCS reported a closing headcount of 593,314 vs. 613,069 in Q1FY26 with voluntary LTM attrition at 13.3% vs. 13.8% in Q1FY26, driven by wage hikes and talent upskilling initiatives that strengthened workforce stability.

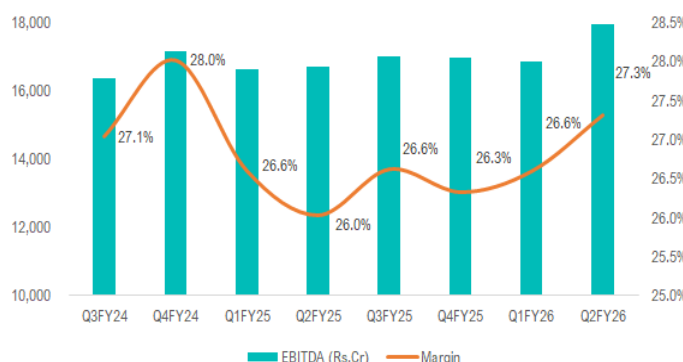
Revenue



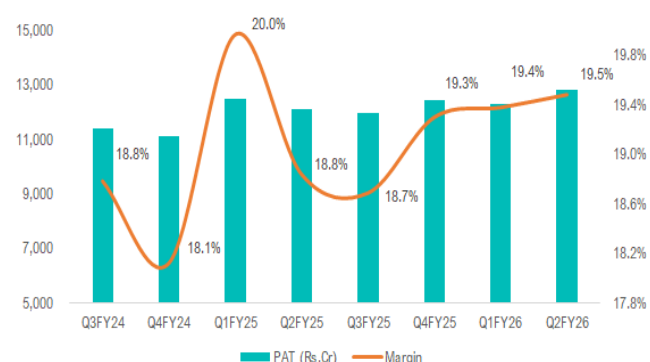
Headcount



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	266,697	283,498	267,156	284,494	0.2	0.4
EBITDA	70,664	75,886	71,866	76,760	1.7	1.2
Margins (%)	26.5	26.8	26.9	27.0	40bps	20bps
Adj. PAT	51,371	55,632	52,182	55,687	1.6	0.1
EPS	142.0	153.8	144.2	153.9	1.6	0.1



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	225,458	240,893	255,324	267,156	284,494
% change	17.6	6.8	6.0	4.6	6.5
EBITDA	59,259	64,296	67,407	71,866	76,760
% change	11.7	8.5	4.8	6.6	6.8
Depreciation	5,022	4,985	5,242	5,507	5,545
EBIT	54,237	59,311	62,165	66,358	71,215
Interest	779	778	796	826	860
Other Income	3,449	3,464	3,962	2,872	4,267
PBT		61,997	65,331	68,405	74,622
% change	10.1	8.9	5.4	4.7	9.1
Tax	14,604	15,898	16,534	17,101	18,656
Tax Rate (%)	25.7	25.6	25.3	25.0	25.0
Reported PAT	42,303	46,099	48,797	51,303	55,967
PAT att. to common shareholders	42,147	45,908	48,553	51,047	55,687
Adj.*	-	958	-	1,135	-
Adj. PAT	42,147	46,866	48,553	52,182	55,687
% change	10.0	11.2	3.6	7.5	6.7
No. of shares (cr)	365.9	364.7	361.8	361.9	361.9
Adj EPS (Rs.)	115.2	128.5	134.2	144.2	153.9
% change	11.2	11.6	4.4	7.5	6.7
DPS (Rs.)	115.0	73.0	126.0	77.6	84.6

Cash Flow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	47,325	51,084	54,039	56,811	61,512
Non-cash adj.	-887	-2,787	-3,337	-19,346	-22,802
Other adjustments	-	-	-	-	-
Changes in W.C	-4,473	-3,959	-1,794	-3,080	-2,294
C.F. Operation	41,965	44,338	48,908	34,385	36,416
Capital exp.	-2,495	-2,185	-2,894	-5,343	-5,690
Change in inv.	7	5,657	-416	-2,009	-53
Other invest.CF	2,527	2,554	992	550	2,079
C.F - Investment	39	6,026	-2,318	-6,802	-3,664
Issue of equity	18	-17,046	28	-	-
Issue/repay debt	-	-	-	250	290
Dividends paid	-41,410	-25,218	-44,962	-28,076	-30,628
Other finance.CF	-6,486	-6,272	-2,504	-299	-759
C.F - Finance	-47,878	-48,536	-47,438	-28,125	-31,097
Chg. in cash	-5,365	1,893	-674	-542	1,655
Closing Cash	7,123	9,016	8,342	7,800	9,454

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	11,032	13,286	15,463	14,921	16,575
Accts. Receivable	41,049	44,434	50,142	54,233	57,923
Inventories	28	28	21	29	30
Other Cur. Assets	58,161	55,236	57,385	66,442	69,423
Investments	266	281	275	325	378
Gross Fixed As-sets	32,344	33,853	37,277	42,620	48,310
Net Fixed Assets	10,230	9,376	10,978	10,582	10,691
CWIP	1,234	1,564	1,546	1,778	1,813
Intangible Assets	10,285	10,228	12,075	13,469	14,592
Def. Tax -Net	5,890	5,003	5,147	5,985	5,783
Other Assets	5,476	7,013	6,597	7,744	8,106
Total Assets	143,651	146,449	159,629	175,507	185,315
Current Liabilities	42,073	44,599	51,447	58,492	61,226
Provisions	-	-	-	-	-
Debt Funds	8,041	8,386	10,072	10,322	10,612
Other Liabilities	2,331	2,145	2,339	2,865	2,967
Equity Capital	366	362	362	362	362
Res. & Surplus	90,058	90,127	94,394	102,194	108,597
Shareholder Funds	90,424	90,489	94,756	102,556	108,959
Minority Interest	782	830	1,015	1,272	1,551
Total Liabilities	143,651	146,449	159,629	175,507	185,315
BVPS	247	248	262	283	301

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	26.3	26.7	26.4	26.9	27.0
EBIT margin (%)	24.1	24.6	24.3	24.8	25.0
Net profit mgn.(%)	18.8	19.1	19.1	19.2	19.7
ROE (%)	46.8	50.9	51.5	50.0	51.4
ROCE (%)	54.6	59.5	58.7	58.1	58.8
W.C & Liquidity					
Receivables (days)	66.5	67.3	71.7	74.1	74.3
Inventory (days)	0.3	0.3	0.3	0.3	0.3
Payables (days)	104.3	111.2	166.6	167.2	167.6
Current ratio (x)	2.5	2.5	2.3	2.3	2.3
Quick ratio (x)	2.0	1.9	1.8	1.7	1.7
Turnover & Leverage					
Gross asset T.O (x)	7.2	7.3	7.2	6.7	6.3
Total asset T.O (x)	1.6	1.7	1.7	1.6	1.6
Int. covge. ratio (x)	69.6	76.2	78.1	80.3	82.8
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	5.2	5.9	5.1	4.1	3.8
EV/EBITDA (x)	19.8	22.0	19.3	15.1	14.1
P/E (x)	27.8	30.2	26.9	20.9	19.5
P/BV (x)	13.0	15.7	13.8	10.6	10.0



Recommendation Summary - last 3 years



Dates	Rating	Target
15-Jan-24	BUY	4,416
24-Apr-24	BUY	4,344
17-Jul-24	BUY	4,821
16-Oct-24	BUY	4,634
17-Jan-25	BUY	4,683
23-Apr-25	BUY	3,671
15-Jul-25	BUY	3,691
17-Oct-25	BUY	3,293

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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