

Retail Equity Research



Tata Consultancy Services Limited

BUY

Sector: IT Services

20th January, 2026

Key Changes		Target	Rating	Earnings		Target	Rs. 3,573
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 3,108
Large Cap	TCS:IN	82,180	TCS	532540	12 Months	Return	+15%

Data as of: 20-Jan-2026, 16:00 hrs

Company Data			
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	71.8	71.8	71.8
FII's	12.0	11.5	10.3
MFs/Institutions	11.6	12.0	12.7
Public	4.4	4.5	4.9
Others	0.2	0.2	0.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	6.8%	-0.8%	-23.3%
Absolute Sensex	-0.8%	1.8%	8.6%
Relative Return	7.6%	-2.7%	-32.0%

*over or under performance to benchmark index



Y.E March (Rs.cr)	FY26E	FY27E	FY28E
Sales	266,603	282,918	300,436
Growth (%)	4.4	6.1	6.2
EBITDA	70,713	75,843	81,101
EBITDA Margin (%)	26.5	26.8	27.0
PAT Adjusted	52,773	55,035	58,741
Growth (%)	8.7	4.3	6.7
Adjusted EPS	145.9	152.1	162.4
Growth (%)	8.7	4.3	6.7
P/E	21.7	20.8	19.5
P/B	11.1	10.7	10.2
EV/EBITDA	16.1	15.0	14.0
ROE (%)	47.0	51.9	52.6
D/E	0.1	0.1	0.1

Positive outlook driven by deals and AI

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.

- Consolidated revenue in Q3FY26 grew 4.9% YoY to Rs. 67,087cr, led by resilient performance in BFSI and life sciences and healthcare, increased client activity in North America and steady ramp-up of large ongoing deals.
- BFSI revenue grew 10.3% YoY to Rs. 25,889cr supported by strong deal wins and life science and healthcare revenue grew 10.0% YoY to Rs. 7,068cr.
- EBITDA surged 7.3% YoY to Rs. 18,269cr. EBITDA margin expanded 60bps to 27.2% driven by strong revenue growth and a significant reduction in equipment and software licence costs (-64.1% YoY).
- Despite higher revenue, reported PAT declined 13.9% YoY to Rs. 10,720cr, primarily due to exceptional one-off items totalling Rs. 3,391cr, including restructuring expenses, the impact of new labour code and legal claim provision.
- TCS reported a TCV of \$9.3bn in Q3FY26, of which \$4.9bn came from North America. BFSI accounted for \$3.8bn and the consumer business group \$1.4bn.

Outlook & Valuation

TCS displayed stable financial results in Q3, marked by healthy client engagement, strong deal momentum and growing leadership in AI-led solutions. Despite a challenging macro environment with geopolitical uncertainty and cautious spending, the company secured large contracts, enhanced its digital and cloud offerings and made strategic acquisitions to strengthen consulting capabilities. The management remains confident of delivering a good calendar year 2026, citing positive client conversations and healthy deal flow. It is focused on achieving higher YoY growth in international markets for FY26. While new labour codes may have a moderate impact, the company's robust pipeline and leadership in technology services underpin its positive outlook. Hence, we reiterate our BUY rating on the stock, with a rolled-forward target price of Rs. 3,573 based on 22x FY28E adjusted EPS.

Quarterly Financials Consolidated

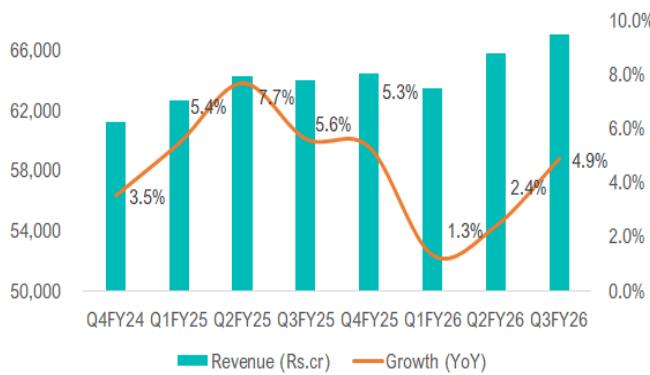
Rs.cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	67,087	63,973	4.9	65,799	2.0	196,323	190,845	2.9
EBITDA	18,269	17,034	7.3	17,978	1.6	53,122	50,427	5.3
Margin (%)	27.2	26.6	60bps	27.3	-10bps	27.1	26.4	70bps
EBIT	16,889	15,657	7.9	16,565	2.0	48,968	46,564	5.2
PBT	14,078	16,666	-15.5	16,068	-12.4	47,125	48,929	-3.7
Rep. PAT	10,720	12,444	-13.9	12,131	-11.6	35,670	36,504	-2.3
Adj PAT	14,048	12,380	13.5	13,210	6.3	40,018	36,329	10.2
Adj. EPS (Rs)	38.8	34.2	13.5	36.5	6.3	110.6	100.4	10.1



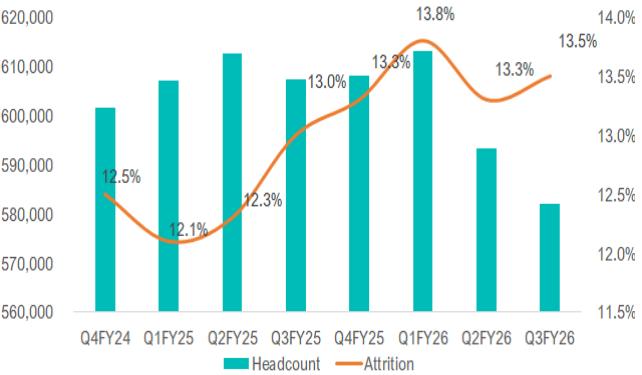
Key concall highlights

- TCS maintained a stable operating margin of 25.2% in Q3FY26, excluding the effect of one-off items. The management continues to target 26-28% margin in the coming quarters. However, the implementation of new labour codes is expected to have a 10-15bps negative impact on margin starting Q4 onwards.
- The management unveiled a \$1 billion equity partnership with TPG to fund the construction of a gigawatt-scale AI data centre infrastructure.
- AI solutions saw robust growth, with annualised revenue reaching \$1.8 billion, registering 17.3% sequential growth, indicating rising client adoption. The company is focused on becoming the world's leading AI-driven technology services provider, supported by its comprehensive five-pillar strategy.
- TCS has acquired Coastal Cloud in the US to enhance its Salesforce and AI consulting capabilities, further strengthening its global presence in these domains. Combined with the earlier ListEngage acquisition, TCS is now positioned among the top five Salesforce consultants worldwide, adding over 500 experts and 3,400 certifications.
- Global headcount of the company is 582,163, with women comprising 35.1%. Voluntary attrition in IT services rose to 13.5%. Around 1,800 employees were released during the quarter as part of the ongoing restructuring focused on redeployment and performance alignment, a process expected to continue into Q4FY26.

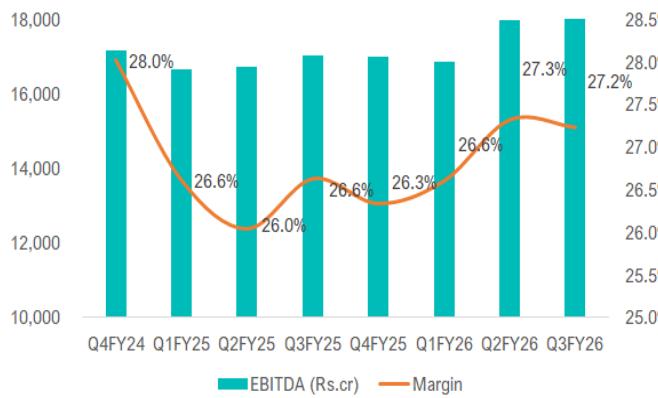
Revenue



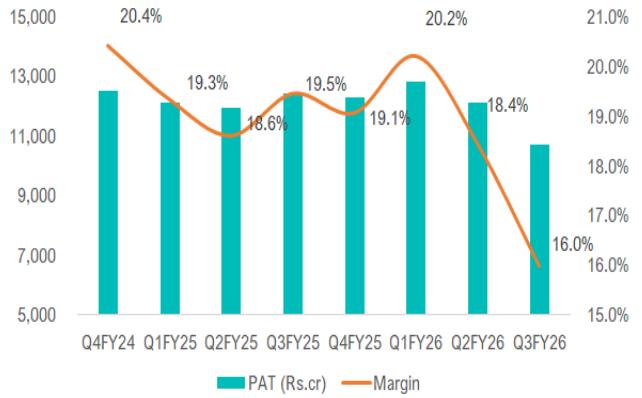
Headcount



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Revenue	267,156	284,494	266,603	282,918	300,436	-0.2	-0.6
EBITDA	71,866	76,760	70,713	75,843	81,101	-1.6	-1.2
Margins (%)	26.9	27.0	26.5	26.8	27.0	-40bps	-20bps
Adj. PAT	52,182	55,687	52,773	55,035	58,741	1.1	-1.2
EPS	144.2	153.9	145.9	152.1	162.4	1.1	-1.2

Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	240,893	255,324	266,603	282,918	300,436
% change	6.8	6.0	4.4	6.1	6.2
EBITDA	64,296	67,407	70,713	75,843	81,101
% change	8.5	4.8	4.9	7.3	6.9
Depreciation	4,985	5,242	5,507	6,135	6,514
EBIT	59,311	62,165	65,205	69,708	74,588
Interest	778	796	826	956	980
Exceptional item	958	-	4,526	-	-
Other Income	4,422	3,962	4,799	4,996	5,107
PBT	61,997	65,331	64,652	73,749	78,715
% change	8.9	5.4	-1.0	14.1	6.7
Tax	15,898	16,534	16,163	18,437	19,679
Tax Rate (%)	25.6	25.3	25.0	25.0	25.0
Reported PAT	46,099	48,797	48,489	55,312	59,036
PAT att. to common shareholders	45,908	48,553	48,247	55,035	58,741
Adj.*	958	-	4,526	-	-
Adj. PAT	46,866	48,553	52,773	55,035	58,741
% change	11.2	3.6	8.7	4.3	6.7
No. of shares (cr)	364.7	361.8	361.8	361.8	361.8
Adj EPS (Rs.)	128.5	134.2	145.9	152.1	162.4
% change	11.6	4.4	8.7	4.3	6.7
DPS (Rs.)	73.0	126.0	87.7	91.3	92.5

Cash Flow

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Depn.	51,084	54,039	53,997	61,447	65,550
Non-cash adj.	-2,787	-3,337	-8,095	-20,940	-23,315
Other adjustments	-	-	-	-	-
Changes in W.C	-3,959	-1,794	-7,206	-2,809	-2,658
C.F. Operation	44,338	48,908	38,696	37,698	39,576
Capital exp.	-2,185	-2,894	-5,599	-6,224	-6,610
Change in inv.	5,657	-416	-3,874	-53	-56
Other invest.CF	2,554	992	2,178	2,986	2,807
C.F - Investment	6,026	-2,318	-7,294	-3,291	-3,859
Issue of equity	-17,046	28	-	-	-
Issue/repay debt	-	-	1,400	290	290
Dividends paid	-25,218	-44,962	-31,722	-33,021	-33,482
Other finance.CF	-6,272	-2,504	-125	-774	-880
C.F - Finance	-48,536	-47,438	-30,447	-33,505	-34,073
Chg. in cash	1,893	-674	954	902	1,644
Closing Cash	9,016	8,342	9,296	10,198	11,842

Balance Sheet

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	13,286	15,463	16,417	17,319	18,963
Accts. Receivable	44,434	50,142	58,386	61,818	65,495
Inventories	28	21	31	30	32
Other Cur. Assets	55,236	57,385	61,581	62,476	64,422
Investments	281	275	325	378	434
Gross Fixed Assets	33,853	37,277	42,876	49,100	55,709
Net Fixed Assets	9,376	10,978	9,987	9,866	9,735
CWIP	1,564	1,546	2,628	2,838	3,066
Intangible Assets	10,228	12,075	13,771	14,210	14,667
Def. Tax -Net	5,003	5,147	5,738	5,808	6,199
Other Assets	7,013	6,597	6,259	6,502	6,773
Total Assets	146,449	159,629	175,123	181,245	189,786
Current Liabilities	44,599	51,447	56,285	58,082	60,359
Provisions	-	-	-	-	-
Debt Funds	8,386	10,072	11,472	11,762	12,052
Other Liabilities	2,145	2,339	3,040	3,222	3,322
Equity Capital	362	362	362	362	362
Res. & Surplus	90,127	94,394	102,705	106,282	111,862
Shareholder Funds	90,489	94,756	103,067	106,644	112,224
Minority Interest	830	1,015	1,257	1,534	1,829
Total Liabilities	146,449	159,629	175,123	181,245	189,786
BVPS	248	262	285	295	310

Ratios

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	26.7	26.4	26.5	26.8	27.0
EBIT margin (%)	24.6	24.3	24.5	24.6	24.8
Net profit mgn. (%)	19.1	19.1	18.2	19.6	19.7
ROE (%)	50.9	51.5	47.0	51.9	52.6
ROCE (%)	59.5	58.7	56.3	58.1	59.1
W.C & Liquidity					
Receivables (days)	67.3	71.7	79.9	79.8	79.6
Inventory (days)	0.3	0.3	0.3	0.3	0.3
Payables (days)	111.2	166.6	160.6	160.8	161.3
Current ratio (x)	2.5	2.3	2.4	2.4	2.4
Quick ratio (x)	1.9	1.8	1.9	1.9	1.9
Turnover & Leverage					
Gross asset T.O (x)	7.3	7.2	6.7	6.2	5.7
Total asset T.O (x)	1.7	1.7	1.6	1.6	1.6
Int. covge. ratio (x)	76.2	78.1	79.0	72.9	76.1
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	5.9	5.1	4.3	4.0	3.8
EV/EBITDA (x)	22.0	19.3	16.1	15.0	14.0
P/E (x)	30.2	26.9	21.7	20.8	19.5
P/BV (x)	15.7	13.8	11.1	10.7	10.2

Recommendation Summary - (Last 3 years)



Dates	Rating	Target
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
20-Jan-26	BUY	3,573

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%

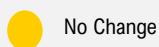
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Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** 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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Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customerservice@geojit.com

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