

India

ADD (no change)

Consensus ratings*: Buy 32 Hold 13 Sell 6

Current price: Rs3,062
 Target price: ▼ Rs3,663
 Previous target: Rs3,818
 Up/downside: 19.6%
 InCred Research / Consensus: 3.6%

Reuters: TCS.NS
 Bloomberg: TCS IN
 Market cap: US\$124,759m
 Rs11,077,500m
 Average daily turnover: US\$104.6m
 Rs9284.9m
 Current shares o/s: 3,617.9m
 Free float: 28.2%

*Source: Bloomberg

Key changes in this note

- Expect 2.4% US\$ revenue CAGR over FY25-28F.
- Expect 4.9% EBIT CAGR over FY25-28F.
- Expect 5.8% PAT CAGR over FY25-28F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.4	(9.5)	(26.9)
Relative (%)	(0.5)	(8.4)	(27.4)

Major shareholders	% held
FPI	12.7
LIC	4.8
Mutual Funds	4.3

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Tata Consultancy Services

Decent 2Q; capital allocation shifts to AI

- 2Q revenue growth/adjusted EBIT margin 40bp/50bp better than estimates.
- Bookings healthy. Commentary shows steady spending, but conversion is key.
- Maintain ADD rating with a lower TP of Rs3,663 vs. Rs3,818 earlier.

2QFY26 results summary

Tata Consultancy Services' (TCS) 2QFY26 revenue, up/down 0.8%/3.3% qoq/yoy in constant currency (CC terms), respectively, was marginally above the consensus estimate, driven by 0.6% CC growth in international revenue. The demand environment commentary of steady IT spending with no significant change expected in the near term, tight control over discretionary budgets, no acceleration in smaller projects qoq, and the number of projects getting deferred or paused reducing vs. 1Q, is consistent with our recent [report](#). That said, conversion of book-to-revenue is critical. Finally, the pivot towards creation of a passive component sovereign artificial intelligence (AI) data centre capacity of up to 1GW over five-to-seven years, with an investment of ~US\$1bn per 150MW, was noteworthy. Although revenue kicks in 18-24 months, our preliminary calculation suggests Rs18-22.5bn of incremental revenue per 150MW, per year, at full capacity and a potential RoE dilution.

Healthy bookings, conversion critical

2QFY26 order bookings at US\$10bn were up 6.4% qoq and 16.3% yoy. The North America deal TCV win at US\$4.3bn was down 2.3% qoq, but up 2.4% yoy and up 14.4% on a TTM basis vs. 12.1% in 2QFY25. Consumer TCV at US\$1.8bn was up 12.5% qoq and 50% yoy (up 18.5% on a TTM basis vs. 3.6% in 2Q) while BFSI at US\$3.2bn was up 28%/10.3% qoq/yoy (up 4.9% vs. 1.6%). TCS expects FY26F international revenue growth to be better yoy than 70bp yoy reported in FY25, and 2HFY26F to be better than 1H led by deal wins. That said, potential slower conversion of the order book to revenue and the deflationary impact of AI drives our revenue estimates lower.

Adjusted EBIT margin performance is better

The EBIT margin declined (101bp qoq) led by restructuring expenses amounting to Rs11,350m, while excluding this cost the EBIT margin stood at 25.2%, an improvement of ~70bp qoq. Wage hike for 80% of the workforce and quarterly variable allowance (70bp) was the key headwind while the Indian Rupee (INR) depreciation (+80bp), pyramid rebalancing (+40bp), and operational efficiency (+20bp) were key tailwinds.

Maintain ADD rating with a slightly lower target price of Rs3,663

We now expect FY25-28F US\$ revenue CAGR of 2.4% (4% earlier) and PAT (Rs) CAGR of 5.8% (7.3%). We continue to value TCS at 23x FY28F EPS to arrive at our lower target price of Rs3,663 (Rs3,818 earlier). Better operating cash flow and dividend payout ratio certainty, and healthy return ratios support the valuation while a slower recovery in the North America geography & the FSI vertical, weak bookings, and higher project cancellations are key downside risks.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	2,408,930	2,553,240	2,618,798	2,711,537	2,849,141
Operating EBITDA (Rsm)	642,950	674,070	698,650	732,115	774,966
Net Profit (Rsm)	468,660	485,521	509,342	541,024	574,736
Core EPS (Rs)	128.5	134.2	140.8	149.5	158.9
Core EPS Growth	11.6%	4.4%	4.9%	6.2%	6.2%
FD Core P/E (x)	23.82	22.81	21.75	20.47	19.27
DPS (Rs)	73.0	128.0	86.0	134.6	143.0
Dividend Yield	2.38%	4.31%	2.81%	4.40%	4.67%
EV/EBITDA (x)	16.78	15.88	15.01	14.23	13.36
P/FCFE (x)	26.54	24.18	22.25	21.73	20.72
Net Gearing	(41.9%)	(40.0%)	(52.2%)	(55.2%)	(57.7%)
P/BV (x)	12.34	11.69	9.67	9.23	8.81
ROE	51.8%	52.4%	48.7%	46.1%	46.8%
% Change In Core EPS Estimates			(0.40%)	(3.03%)	(4.20%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

Y/E Mar (Rs m)	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)	2QFY26F	Var. (%)
Revenue (US\$ m)	7,466	7,670	(2.7)	7,421	0.6	7,427	0.5
Revenue (Rs m)	6,57,990	6,42,590	2.4	6,34,370	3.7	6,48,413	1.5
USD-Rs realization	88.1	83.8	5.2	85.48	3.1	87.3	1.0
EBITDA	1,68,430	1,67,320	0.7	1,68,750	(0.2)	1,72,478	(2.3)
EBITDA Margin (%)	25.6	26.0	(44bp)	26.6	(100bp)	26.6	(100bp)
EBIT	1,54,300	1,54,650	(0.2)	1,55,140	(0.5)	1,58,731	(2.8)
EBIT Margin (%)	23.5	24.1	(62bp)	24.5	(101bp)	24.5	(103bp)
Depreciation	14,130	12,670	11.5	13,610	3.8	13,746	2.8
Net other income	6,380	5,670	12.5	14,650	(56.5)	15,017	(57.5)
PBT	1,60,680	1,60,320	0.2	1,69,790	(5.4)	1,73,749	(7.5)
Provision for tax	39,370	40,779	(3.5)	41,600	(5.4)	43,785	(10.1)
% tax rate	24.5	25.4	(93bp)	24.5	0bp	25.2	(70bp)
Net Profit	1,20,750	1,19,081	1.4	1,27,600	(5.4)	1,29,374	(6.7)
EPS (Rs)	33.4	32.9	1.4	35.3	(5.4)	35.8	(6.7)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key conference-call takeaways

- **Guidance:**
 - FY26F international revenue growth could be better than in FY25 (70bp).
 - Improved growth momentum in 2HFY26F vs. 1H led by large deal wins.
- **Demand environment:** Discretionary spending continues to be impacted due to macroeconomic uncertainty. No improvement or acceleration in smaller projects qoq. Clients continue to focus on vendor consolidation deals.
- **Vertical commentary:** Growth momentum could continue for all industry verticals with the usual 3Q seasonality at play.
- **Workforce:**
 - 1% of the mid-to-senior workforce has been let go due to skill and capability mismatch. Further evaluation would be done appropriately.
 - Wage hike rolled out for 80% of the workforce.
 - Embedding AI across talent pool. Has 160k employees with higher-order AI skills. 10k sales and delivery leaders have undergone AI programs.
 - ~ 500 associates have travelled to the US on H-1B visas.
- Inaugurated AI research and innovation centre in Singapore, expanding AI research and innovation footprint to 13 hubs globally.
- To expand India footprint by adding incremental 50,000 seats in Tier-1 and Tier-2 cities.
- Aims to increase participation in the AI ecosystem by building partnership with deep tech companies, hyperscalers, startups and expanding in adjacencies (AI infrastructure).
- TCS' sovereign secure cloud saw good traction from Indian clients.
- Partnering with IBM and the government of Andhra Pradesh to deploy India's largest quantum computer in Quantum Valley Tech Park.
- TCS' board has approved the setting up of a wholly-owned subsidiary to build a sovereign AI data centre with up to 1GW capacity. The investment would be a mix of equity and debt.

Figure 2: Operating metrics trend

Operating trends	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (US\$m)	6,780	6,877	7,075	7,195	7,226	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421	7,466
Growth YoY (%)	10.2	8.6	8.4	7.5	6.6	4.8	2.9	2.3	3.9	6.4	3.5	1.4	-1.1	-2.7
Growth QoQ (%)	1.3	1.4	2.9	1.7	0.4	-0.2	1.0	1.1	1.9	2.2	-1.7	-1.0	-0.6	0.6
CC Growth YoY (%)	15.5	15.4	13.5	10.7	7.0	2.8	1.7	2.2	4.4	5.5	4.5	2.5	-3.1	-3.3
CC Growth QoQ (%)	3.5	3.9	2.3	0.7	0.0	-0.2	1.2	1.2	2.2	0.9	0.2	-0.8	-3.4	0.7
Revenue (Rsm)	5,27,580	5,53,090	5,82,290	5,91,620	5,93,810	5,96,920	6,05,830	6,12,370	6,26,130	6,42,590	6,39,730	6,44,790	6,34,370	6,57,990
Growth YoY (%)	16.2	18.0	19.1	16.9	12.6	7.9	4.0	3.5	5.4	7.7	5.6	5.3	1.3	2.4
Growth QoQ (%)	4.3	4.8	5.3	1.6	0.4	0.5	1.5	1.1	2.2	2.6	-0.4	0.8	-1.6	3.7
EBIT Margin (%)	23.1	24.0	24.5	24.5	23.2	24.3	25.0	26.0	24.7	24.1	24.5	24.2	24.5	23.5
US\$-Rs realized rate	77.8	80.4	82.3	82.2	82.2	82.8	83.2	83.2	83.4	83.8	84.9	86.4	85.5	88.1
Headcount	6,06,331	6,16,171	6,13,974	6,14,795	6,15,318	6,08,985	6,03,305	6,01,546	6,06,998	6,12,724	6,07,354	6,07,979	6,13,069	5,93,314
LTM attrition (%)	19.7	21.5	21.3	20.1	17.8	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8	13.3
Vertical (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
BFSI	32.1	33.6	33.1	32.9	32.5	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0	32.2
Communication & Media	6.8	7.3	7.2	7.1	7.0	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8	5.9
Manufacturing	9.9	8.2	8.2	8.1	8.3	8.5	8.6	8.8	8.8	8.6	8.4	8.4	8.7	8.8
Consumer Business	15.9	16.1	16.0	16.0	16.1	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6	15.3
Life Science & Health Care	10.1	10.7	10.8	10.9	11.0	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2	10.5
Technology & Services	8.8	9.1	9.0	8.9	8.7	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4	8.5

Energy & Utilities	-	5.0	5.2	5.4	5.5	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9	5.9
Regional Market & Others	16.4	10.0	10.5	10.7	10.9	11.0	12.3	12.9	14.0	15.5	16.3	15.4	13.4	12.9
Vertical (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
BFSI	2,176	2,311	2,342	2,367	2,348	2,350	2,308	2,305	2,319	2,362	2,299	2,329	2,375	2,404
Communication & Media	461	502	509	511	506	497	488	486	465	453	437	433	430	440
Manufacturing	671	564	580	583	600	613	626	648	660	660	633	627	646	657
Consumer Business	1,078	1,107	1,132	1,151	1,163	1,146	1,143	1,156	1,156	1,158	1,153	1,142	1,158	1,142
Life Science & Health Care	685	736	764	784	795	786	794	803	826	798	761	754	757	784
Technology & Services	597	626	637	640	629	620	612	604	608	614	603	605	623	635
Energy & Utilities	-	344	368	389	397	404	415	412	420	437	422	426	438	440
Regional Market & Others	1,112	688	743	770	788	793	896	950	1,051	1,189	1,229	1,150	994	963
Vertical yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
BFSI	8.8	13.0	11.8	10.8	7.9	1.7	-1.4	-2.6	-1.3	0.5	-0.4	1.1	2.4	1.8
Communication & Media	17.1	20.1	20.1	13.9	9.7	-0.9	-4.2	-4.9	-8.0	-9.0	-10.4	-10.9	-7.5	-2.7
Manufacturing	11.3	-10.1	-10.2	-13.0	-10.6	8.7	7.9	11.2	10.1	7.6	1.1	-3.2	-2.2	-0.4
Consumer Business	18.4	16.6	14.9	11.6	7.9	3.5	1.0	0.4	-0.7	1.0	0.9	-1.2	0.2	-1.4
Life Science & Health Care	9.1	16.2	18.3	17.1	16.1	6.8	3.9	2.3	3.9	1.5	-4.1	-6.1	-8.3	-1.7
Technology & Services	12.7	12.3	12.2	9.9	5.4	-0.9	-3.9	-5.7	-3.3	-1.0	-1.4	0.1	2.5	3.4
Energy & Utilities	-	-	-	-	-	17.4	12.8	6.1	5.7	8.3	1.7	3.2	4.2	0.8
Regional Market & Others	2.1	-37.6	-36.0	-33.5	-29.2	15.3	20.6	23.4	33.4	49.9	37.2	21.0	-5.4	-19.0
Vertical qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
BFSI	1.9	6.2	1.3	1.1	-0.8	0.1	-1.8	-0.1	0.6	1.9	-2.7	1.3	2.0	1.2
Communication & Media	2.8	8.9	1.5	0.3	-1.0	-1.6	-1.9	-0.4	-4.2	-2.7	-3.4	-1.0	-0.6	2.3
Manufacturing	0.2	-16.0	2.9	0.5	2.9	2.2	2.2	3.5	1.9	-0.1	-4.0	-1.0	3.0	1.8
Consumer Business	4.5	2.7	2.2	1.7	1.1	-1.5	-0.3	1.1	-0.0	0.2	-0.4	-1.0	1.4	-1.3
Life Science & Health Care	2.3	7.5	3.8	2.6	1.4	-1.1	1.0	1.1	2.9	-3.4	-4.5	-1.0	0.4	3.6
Technology & Services	2.4	4.9	1.7	0.6	-1.8	-1.4	-1.4	-1.3	0.7	0.9	-1.7	0.3	3.1	1.8
Energy & Utilities	-	-	7.0	5.6	2.3	1.6	2.8	-0.6	1.9	4.0	-3.4	0.8	2.9	0.6
Regional Market & Others	-4.0	-38.2	8.0	3.6	2.3	0.7	12.9	6.1	10.6	13.1	3.4	-6.4	-13.5	-3.1
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
BFSI	40.4	134.3	31.2	25.3	-18.7	2.0	-42.4	-3.5	14.4	43.3	-63.0	29.7	45.6	29.3
Communication & Media	12.4	41.0	7.4	1.4	-5.0	-8.3	-9.7	-1.9	-20.6	-12.8	-15.3	-4.3	-2.6	10.1
Manufacturing	1.6	-107.3	16.2	2.6	17.0	13.1	13.3	21.8	12.5	-0.8	-26.3	-6.2	18.6	11.4
Consumer Business	46.8	29.2	24.8	19.2	12.2	-17.0	-3.3	12.9	-0.2	2.4	-4.7	-11.3	15.5	-15.4
Life Science & Health Care	15.2	51.1	28.3	20.2	10.6	-9.0	7.7	8.9	23.0	-27.9	-36.2	-7.5	3.0	27.0
Technology & Services	14.1	29.2	10.9	3.6	-11.7	-8.6	-8.5	-7.8	4.1	5.7	-10.5	1.5	18.7	11.2
Energy & Utilities	-	-	24.1	20.6	8.9	6.3	11.3	-2.7	8.0	16.9	-15.0	3.3	12.3	2.7
Regional Market & Others	-46.5	-424.2	55.2	27.0	17.8	5.5	102.5	54.3	100.9	138.2	40.0	-79.2	-155.2	-31.3
Geography (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	53.2	54.3	53.7	52.4	52.0	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7	48.8
Latin America	1.8	1.7	1.8	1.8	2.0	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9	1.9
Continental Europe	15.2	14.5	14.8	15.1	14.9	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0	15.3
UK	14.9	14.5	14.9	15.7	16.4	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0	17.5
APAC	8.3	8.0	7.9	8.0	7.8	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4	8.3
India	4.8	5.1	5.1	5.0	4.9	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8	5.8
Rest of the world	1.8	1.9	1.8	2.0	2.0	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2	2.4
Geography (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	3,607	3,734	3,799	3,770	3,758	3,728	3,684	3,682	3,715	3,651	3,596	3,598	3,614	3,643
Latin America	122	117	127	130	145	144	153	147	143	138	143	134	141	142
Continental Europe	1,031	997	1,047	1,086	1,077	1,074	1,092	1,075	1,081	1,120	1,048	1,067	1,113	1,142
UK	1,010	997	1,054	1,130	1,185	1,190	1,194	1,237	1,268	1,304	1,251	1,254	1,336	1,307
APAC	563	550	559	576	564	562	568	574	585	614	588	605	623	620
India	325	351	361	360	354	353	444	493	563	683	739	627	430	433
Rest of the world	122	131	127	144	145	159	146	155	150	161	173	179	163	179
Geography yoy (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	18.6	17.2	14.9	9.1	4.2	-0.2	-3.0	-2.4	-1.1	-2.1	-2.4	-2.3	-2.7	-0.2
Latin America	23.9	15.4	14.8	13.8	18.4	23.3	20.1	13.7	-1.3	-4.3	-6.3	-8.8	-1.1	2.7
Continental Europe	0.3	-1.0	0.3	4.7	4.5	7.7	4.3	-1.1	0.4	4.2	-4.0	-0.7	3.0	2.0
UK	0.7	-2.2	3.6	8.1	17.3	19.3	13.3	9.5	7.0	9.6	4.8	1.4	5.3	0.2
APAC	-1.7	-3.5	-0.4	1.1	0.2	2.2	1.6	-0.2	3.9	9.1	3.5	5.3	6.5	1.0
India	15.0	8.6	0.6	5.3	8.8	0.7	23.1	37.1	59.0	93.2	66.3	27.1	-23.5	-36.6
Rest of the world	-5.6	3.2	2.7	7.5	18.4	21.4	14.3	7.5	3.9	1.5	19.1	15.9	8.8	11.2
Geography qoq (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	4.4	3.5	1.7	-0.8	-0.3	-0.8	-1.2	-0.1	0.9	-1.7	-1.5	0.1	0.4	0.8
Latin America	7.2	-4.2	8.9	1.7	11.6	-0.2	6.0	-3.7	-3.2	-3.2	3.8	-6.2	4.9	0.6
Continental Europe	-0.7	-3.2	5.0	3.8	-0.9	-0.2	1.7	-1.6	0.5	3.6	-6.4	1.9	4.3	2.6
UK	-3.3	-1.3	5.7	7.2	4.9	0.4	0.4	3.6	2.5	2.8	-4.0	0.2	6.5	-2.2
APAC	-1.1	-2.2	1.6	3.0	-2.1	-0.2	1.0	1.1	1.9	4.8	-4.2	2.8	3.1	-0.6
India	-4.7	7.8	2.9	-0.3	-1.6	-0.2	25.7	11.1	14.1	21.3	8.2	-15.1	-31.4	0.6
Rest of the world	-8.9	7.1	-2.5	13.0	0.4	9.8	-8.2	6.2	-2.9	7.3	7.7	3.3	-8.9	9.8
Incremental revenue (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
North America	151.8	127.3	65.1	-29.1	-12.7	-29.9	-43.4	-2.7	33.5	-64.1	-54.8	2.0	15.9	29.4
Latin America	8.2	-5.1	10.4	2.2	15.0	-0.3	8.7	-5.6	-4.7	-4.5	5.2	-8.9	6.6	0.9
Continental Europe	-7.3	-33.4	49.9	39.3	-9.8	-2.4	17.9	-17.2	5.7	39.1	-71.9	19.6	45.7	29.1
UK	-34.4	-13.1	57.0	75.4	55.4	4.6	4.4	42.9	31.4	35.6	-52.4	2.6	81.7	-29.2
APAC	-6.4	-12.6	8.8	16.7	-12.0	-1.2	5.5	6.4	11.1	28.2	-25.6	16.6	18.7	-3.7
India	-16.1	25.3	10.1	-1.1	-5.7	-0.8	90.9	49.2	69.6	119.8	56.2	-111.8	-196.6	2.6
Rest of the world	-11.9	8.6	-3.3	16.6	0.6	14.1	-13.0	9.0	-4.5	11.0	12.3	5.8	-15.9	15.9
Deal wins (US\$m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
TCV	8200	8,100	7,800	10,000	10,200	11,200	8,100	13,200	8,300	8,600	10,200	12,200	9,400	10,000
qoq	-27.4	-1.2	-3.7	28.2	2.0	9.8	-27.7	63.0	-37.1	3.6	18.6	19.6	-23.0	6.4
yoy	1.2	6.6	2.6	-11.5	24.4	38.3	3.8	32.0	-18.6	-23.2	25.9	-7.6	13.3	16.3
LTM TCV	34,700	35,200	35,400	34,100	36,100	39,200	39,500	42,700	40,800	38,200	40,300	39,300	40,400	41,800
yoy	6.1	11.0	8.9	-1.4	4.0	11.4	11.6	25.2	13.0	-2.6	2.0	-8.0	-1.0	9.4
Client mining	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26

US\$1m	785	797	796	819	840	851	852	864	876	860	860	870	886	925
US\$5m	411	413	421	422	428	421	436	430	434	447	449	462	450	435
US\$10m	239	237	237	243	249	267	257	263	263	263	273	261	264	272
US\$20m	207	218	219	218	219	216	223	224	223	228	224	232	231	226
US\$50m	65	65	71	73	77	76	76	77	77	70	70	66	69	76
US\$100m	59	59	59	60	60	61	61	62	63	66	64	64	62	60
Client mining (yoy change)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
US\$1m	34	38	9	42	55	54	56	45	36	9	8	6	10	65
US\$5m	44	34	33	17	17	8	15	8	6	26	13	32	16	-12
US\$10m	20	7	6	10	10	30	20	20	14	-4	16	-2	1	9
US\$20m	21	31	24	12	12	-2	4	6	4	12	1	8	8	-2
US\$50m	10	5	11	11	12	11	5	4	-	-6	-6	-11	-8	6
US\$100m	9	5	1	2	1	2	2	2	3	5	3	2	-1	-6
Per employee analysis	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue (US\$m) - TTM	26,333	26,877	27,428	27,927	28,373	28,706	28,912	29,080	29,359	29,819	30,077	30,179	30,095	29,891
Employees (average TTM)	5,71,065	5,92,921	6,07,168	6,12,818	6,15,065	6,13,268	6,10,601	6,07,289	6,05,209	6,06,143	6,07,156	6,08,764	6,10,282	6,05,429
Revenue per employee (TTM)	46,112	45,330	45,174	45,571	46,130	46,808	47,350	47,885	48,511	49,195	49,538	49,574	49,313	49,372

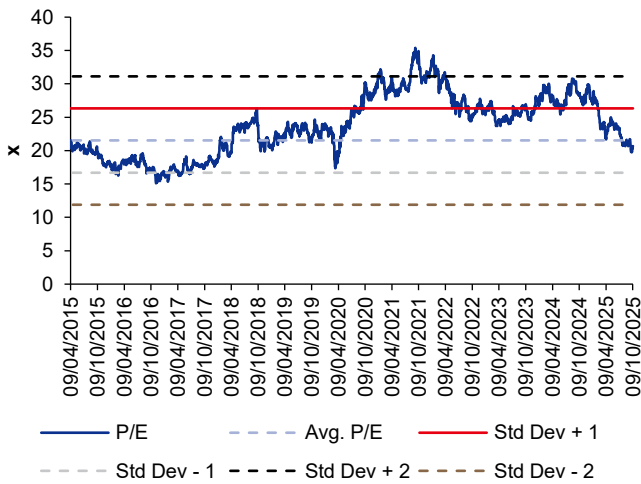
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in our earnings estimates

Y/E, Mar (Rs m)	FY26F			FY27F			FY28F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	29,938	30,482	-1.8	30,989	32,022	-3.2	32,377	33,963	-4.7
Revenue	26,18,798	26,05,676	0.5	27,11,537	27,85,889	-2.7	28,49,141	29,88,730	-4.7
EBIT	6,43,721	6,48,952	-0.8	6,77,884	7,06,223	-4.0	7,17,984	7,57,643	-5.2
EBIT Margin (%)	24.6	24.9	(32)bp	25.0	25.4	(35)bp	25.2	25.4	(15)bp
Net PAT	5,09,342	5,11,391	-0.4	5,41,024	5,57,910	-3.0	5,74,736	5,99,918	-4.2
EPS (Rs)	140.8	141.4	-0.4	149.5	154.2	-3.0	158.9	165.8	-4.2

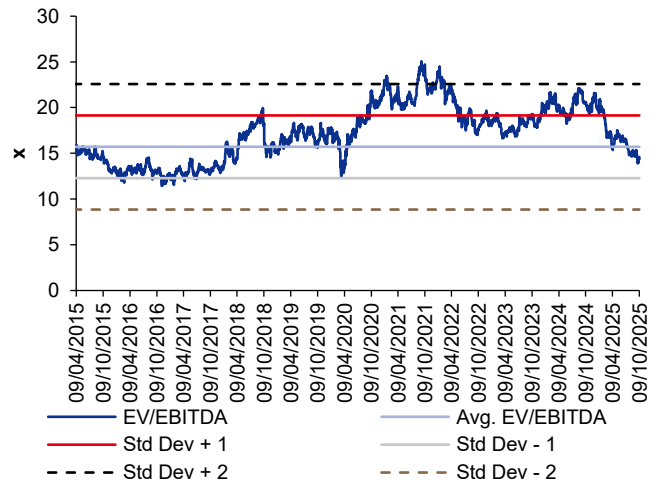
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: TCS trades at one-year forward P/E of 20.8x



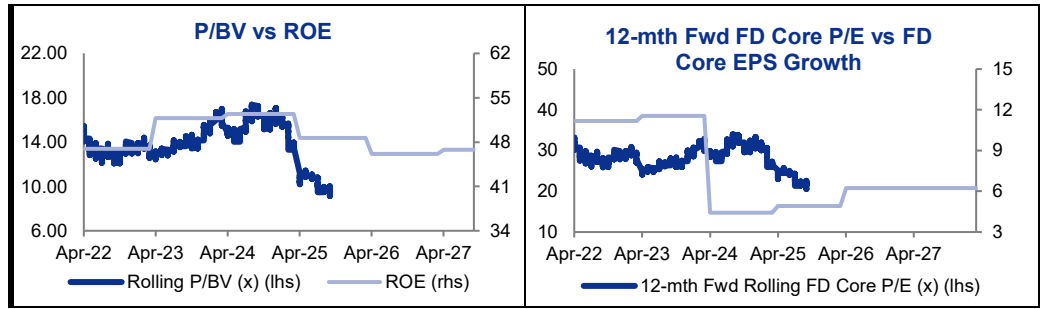
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: TCS trades at one-year forward EV/EBITDA of 14.7x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	2,408,930	2,553,240	2,618,798	2,711,537	2,849,141
Gross Profit	1,022,820	1,045,720	1,088,871	1,125,288	1,179,544
Operating EBITDA	642,950	674,070	698,650	732,115	774,966
Depreciation And Amortisation	(49,840)	(52,420)	(54,929)	(54,231)	(56,983)
Operating EBIT	593,110	621,650	643,721	677,884	717,984
Financial Income/(Expense)	36,440	31,660	33,928	41,727	46,281
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	629,550	653,310	677,648	719,611	764,265
Exceptional Items					
Pre-tax Profit	629,550	653,310	677,648	719,611	764,265
Taxation	(158,980)	(165,349)	(166,036)	(176,318)	(187,259)
Exceptional Income - post-tax					
Profit After Tax	470,570	487,961	511,612	543,294	577,006
Minority Interests	(1,910)	(2,440)	(2,270)	(2,270)	(2,270)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	468,660	485,521	509,342	541,024	574,736
Recurring Net Profit	468,660	485,521	509,342	541,024	574,736
Fully Diluted Recurring Net Profit	468,660	485,521	509,342	541,024	574,736

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	642,950	674,070	698,650	732,115	774,966
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(68,820)	(33,590)	(3,281)	(14,674)	(21,773)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(5,860)	4,460	(2,270)	(2,270)	(2,270)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(124,890)	(155,860)	(166,036)	(176,318)	(187,259)
Cashflow From Operations	443,380	489,080	527,062	538,853	563,665
Capex	(22,020)	(29,170)	(29,170)	(29,170)	(29,170)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	82,280	5,990	42,748	50,547	55,101
Cash Flow From Investing	60,260	(23,180)	13,578	21,377	25,931
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased	(210,050)				
Dividends Paid	(251,370)	(448,640)	(311,185)	(486,921)	(517,262)
Preferred Dividends					
Other Financing Cashflow	(23,940)	(25,740)	(8,820)	(8,820)	(8,820)
Cash Flow From Financing	(485,360)	(474,380)	(320,005)	(495,741)	(526,082)
Total Cash Generated	18,280	(8,480)	220,635	64,489	63,513
Free Cashflow To Equity	421,360	459,910	497,892	509,683	534,495
Free Cashflow To Firm	503,640	465,900	540,640	560,230	589,596

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	447,670	461,520	682,155	746,644	810,158
Total Debtors	535,770	590,460	561,275	581,151	610,643
Inventories	280	210	210	210	210
Total Other Current Assets	146,120	177,920	177,920	177,920	177,920
Total Current Assets	1,129,840	1,230,110	1,421,560	1,505,926	1,598,931
Fixed Assets	188,260	217,990	192,231	167,170	139,358
Total Investments	36,980	31,600	31,600	31,600	31,600
Intangible Assets	23,420	28,000	28,000	28,000	28,000
Total Other Non-Current Assets	85,990	88,590	88,590	88,590	88,590
Total Non-current Assets	334,650	366,180	340,421	315,360	287,548
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	99,810	139,090	107,622	111,433	117,088
Other Current Liabilities	361,230	390,920	389,922	391,313	393,377
Total Current Liabilities	461,040	530,010	497,544	502,746	510,465
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	90,260	108,570	108,570	108,570	108,570
Total Non-current Liabilities	90,260	108,570	108,570	108,570	108,570
Total Provisions					
Total Liabilities	551,300	638,580	606,114	611,316	619,035
Shareholders Equity	904,890	947,560	1,145,718	1,199,820	1,257,294
Minority Interests	8,300	10,150	10,150	10,150	10,150
Total Equity	913,190	957,710	1,155,868	1,209,970	1,267,444

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	6.8%	6.0%	2.6%	3.5%	5.1%
Operating EBITDA Growth	8.5%	4.8%	3.6%	4.8%	5.9%
Operating EBITDA Margin	26.7%	26.4%	26.7%	27.0%	27.2%
Net Cash Per Share (Rs)	104.89	105.90	166.89	184.71	202.27
BVPS (Rs)	248.14	261.91	316.68	331.64	347.52
Gross Interest Cover	76.24	78.10	72.98	76.86	81.40
Effective Tax Rate	25.3%	25.3%	24.5%	24.5%	24.5%
Net Dividend Payout Ratio	56.7%	98.2%	61.1%	90.0%	90.0%
Accounts Receivables Days	78.43	80.50	80.26	76.89	76.34
Inventory Days	0.07	0.06	0.05	0.05	0.05
Accounts Payables Days	26.99	28.92	29.43	25.20	24.98
ROIC (%)	90.1%	89.5%	84.8%	92.9%	100.3%
ROCE (%)	45.4%	46.1%	42.8%	40.6%	41.2%
Return On Average Assets	30.6%	30.3%	28.9%	28.6%	29.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.