

CMP	: INR 3,382
Reco	: BUY ↔
Target Price	: INR 3,725 ↓
Target Price Change	: -3%
Target FY27 P/E (x)	: 24
EPS Change FY26/ 27	: -2%/ -3%

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Market data	
Sensex	: 83,190
Sector	: IT
Market Cap (INR bn)	: 12,236.4
Market Cap (USD bn)	: 142.867
O/S Shares (mn)	: 3,618.1
52-wk HI/LO (INR)	: 4520/3056
Avg. Daily Vol ('000)	: 2,092
Bloomberg	: TCS IN

Source: Bloomberg

Valuation			
	FY25	FY26e	FY27e
EPS (INR)	134.2	145.3	155.0
P/E (x)	25.2	23.3	21.8
P/BV (x)	13.2	10.8	9.2
EV/EBITDA (x)	19.1	17.8	16.5
Dividend Yield (%)	3.7	2.2	2.4

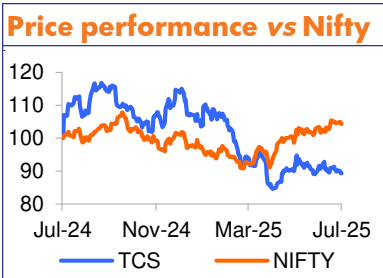
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(2)	4	(19)	(12)
Relative	(3)	(8)	(25)	(16)

Source: Bloomberg

Shareholding pattern		
Promoters	:	72%
Public	:	28%
Others	:	0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

1QFY26 RESULT REVIEW

Tata Consultancy Services

A weak start to FY26 amid macro pressures

Tata Consultancy Services (TCS) reported revenue of USD 7.42 bn, down 3.3% QoQ in constant currency (CC) terms and below our expectation of a 1.2% decline in CC. The miss was driven by the ramp-down of the BSNL deal (-2.8%) and weakness in the international business (-0.5%). Core business growth was impacted by ongoing global macroeconomic and geopolitical uncertainties, leading to a contraction in demand. Management highlighted increased delays in client decision-making and discretionary investments compared to the previous quarter, and they expect some small residual impact to persist into Q2 as well. The company maintained its FY26 outlook for international business, which is better than its growth in FY25 and implies marginal growth, as FY25 was affected by a decline in the North America business. Management expects spending to remain cautious across verticals, resulting in deferred deal ramp-ups. Deal bookings were in line with expectations at USD 9.4 bn, compared to the eight-quarter average of USD 10.25 bn. We have reduced our EPS estimates by 2%/3% for FY26/FY27, leading to a cut in the target price (TP) to INR 3,725, in line with the EPS revision. However, we maintain a BUY rating on the stock due to its inexpensive valuation.

1QFY26 result highlights

TCS reported revenue of USD 7.42 bn, down 3.3% QoQ in constant currency (CC) terms, which was weaker than our expectation of a 1.2% decline. On a YoY organic basis, revenue declined 3.1%, in contrast to Accenture's growth of 4.5%. Among verticals, performance was negatively impacted by regional markets (down 13.5% QoQ in USD terms), and both Technology and Communication & Media segments declined by 0.6% each. On the positive side, other verticals provided support: Manufacturing grew 6.8% QoQ, Energy & Utilities (E&U) rose 2.9%, BFSI increased 2.0%, Consumer Business was up 1.4%, and Lifesciences grew marginally by 0.4%. The order book stood at USD 9.4 bn, compared to the eight-quarter average of ~USD 10.25 bn. North America TCV stood at USD 4.4 bn, BFSI TCV at USD 2.5 bn, and Consumer TCV at USD 1.6 bn. EBIT margin improved by 30 bps QoQ to 24.5%, in line with our estimate, primarily driven by the absence of BSNL deal costs and operational efficiencies. Total headcount stood at 613,069, reflecting a net addition of 5,090 employees (up 0.8% QoQ), while LTM IT services attrition increased by 50 bps QoQ to 13.8%. The company declared a final dividend of INR 11 per share.

Investment Summary

The company continues to report muted revenue growth, driven by delays in client decision-making amid ongoing global macroeconomic and geopolitical uncertainties. TCS has corrected 25% from its peak over the past year, making valuations more reasonable. The stock currently trades at a forward P/E of 23x, which represents an 8% discount to the Nifty IT index, compared to a peak premium of 30% in April 2020. Amid macroeconomic instability and a weak start to FY26, we have reduced our EPS estimates by 2%/3% for FY26/FY27, leading to a cut in our target price to INR 3,725 (from INR 3,850). However, we maintain a BUY rating on the stock due to its inexpensive valuation.

Table 1: Financial summary

INR mn	1QFY26	4QFY25	QoQ	4QFY25	YoY	FY23	FY24	FY25	FY26e	FY27e
Revenues (USD mn)	7,421	7,465	-0.6%	7,505	-1.1%	27,927	29,080	30,179	30,435	32,740
Revenues	6,34,370	6,44,790	-1.6%	6,26,130	1.3%	22,54,580	24,08,930	25,53,240	26,01,681	27,98,685
EBIT	1,55,140	1,56,010	-0.6%	1,54,420	0.5%	5,42,370	5,93,110	6,21,650	6,60,365	7,12,891
EBIT Margins	24.5%	24.2%		24.7%		24.1%	24.6%	24.3%	25.4%	25.5%
PAT	1,27,600	1,22,240	4.4%	1,20,400	6.0%	4,21,470	4,68,660	4,85,530	5,25,690	5,60,754
NPM	20.1%	19.0%		19.2%		18.7%	19.5%	19.0%	20.2%	20.0%
EPS	35.3	33.8	4.4%	33.3	6.0%	115.2	128.5	134.2	145.3	155.0

Source: Company, Antique

Table 2: Key metrics

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Revenue (USD mn)	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
QoQ growth (%)	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)
CC QoQ growth (%)	3.5	4.0	2.2	0.6	0.1	(0.2)	1.0	1.1	2.2	(0.2)	0.0	(0.8)	(3.3)
YoY growth (%)	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)
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
Net Profit Margin (%)	18.0	18.9	18.6	19.3	18.6	19.0	18.3	20.3	19.2	18.5	19.4	19.0	20.1
Geography-wise (%)													
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
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
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
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
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
Asia Pacific	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
MEA	1.8	1.9	1.8	2.0	2.0	2.2	2.0	2.0	2.0	2.1	2.3	2.4	2.2
Geography-wise QoQ growth (%)													
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
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
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
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
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)
Asia Pacific	(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
MEA	(8.9)	7.1	(2.5)	13.0	0.4	9.8	(8.2)	1.1	1.9	7.3	7.7	3.3	(8.9)
Vertical break up (%)													
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
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
Manufacturing	9.9	8.2	8.2	8.1	8.4	8.5	8.6	8.8	8.8	8.6	8.4	8.4	8.7
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
Life Sciences & Healthcare	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
Energy, Resources and 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
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
Regional Markets & Others	16.4	10.0	10.5	10.7	10.8	11.0	12.3	12.9	14.0	15.5	16.3	15.4	13.4
Revenue by Vertical													
BFSI	2,176.4	2,310.7	2,341.8	2,367.2	2,348.5	2,350.5	2,308.1	2,304.6	2,319.0	2,362.4	2,299.4	2,329.1	2,374.7
Communication & Media	461.0	502.0	509.4	510.8	505.8	497.5	487.8	486.0	465.3	452.5	437.3	433.0	430.4
Manufacturing	671.2	563.9	580.2	582.8	607.0	612.9	626.2	647.9	660.4	659.6	633.3	627.1	645.6
Consumer Business	1,078.0	1,107.2	1,132.0	1,151.2	1,163.4	1,146.4	1,143.1	1,156.0	1,155.8	1,158.2	1,153.5	1,142.1	1,157.7
Life Sciences & Healthcare	684.8	735.8	764.1	784.3	794.9	785.9	793.6	802.6	825.6	797.7	761.4	754.0	756.9
Energy, Resources and Utilities		343.9	367.9	388.5	397.4	403.8	415.0	412.3	420.3	437.2	422.2	425.5	437.8
Technology & Services	596.6	625.8	636.8	640.4	628.7	620.1	611.6	603.8	607.9	613.6	603.1	604.7	623.4
Regional Markets & Others	1,111.9	687.7	742.9	769.9	780.4	793.1	895.6	949.8	1,050.7	1,188.9	1,228.9	1,149.6	994.4
Total	6,780.0	6,877.0	7,075.0	7,195.0	7,226.0	7,210.0	7,281.0	7,363.0	7,505.0	7,670.0	7,539.0	7,465.0	7,421.0

Table 2: Key metrics (continue...)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Vertical break up QoQ growth (%)													
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
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)
Manufacturing	0.2	(16.0)	2.9	0.5	4.2	1.0	2.2	3.5	1.9	(0.1)	(4.0)	(1.0)	3.0
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
Life Sciences & Healthcare	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
Energy, Resources and Utilities	-	-	7.0	5.6	2.3	1.6	2.8	(0.6)	1.9	4.0	(3.4)	0.8	2.9
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
Regional Markets & Others	(4.0)	(38.2)	8.0	3.6	1.4	1.6	12.9	6.1	10.6	13.1	3.4	(6.4)	(13.5)

Client data

US\$ 1m+ clients	1,196	1,210	1,217	1,241	1,268	1,272	1,288	1,294	1,310	1,307	1,309	1,332	1,336
US\$ 5m+ clients	650	650	658	665	677	688	693	693	697	710	722	723	714
US\$ 10m+ clients	446	455	456	461	468	483	480	487	486	491	497	493	495
US\$ 20m+ clients	272	283	290	291	296	292	299	301	300	298	294	298	300
US\$ 50m+ clients	124	124	130	133	137	137	137	139	140	136	134	130	131
US\$ 100m+ clients	59	59	59	60	60	61	61	62	63	66	64	64	62

Deal wins

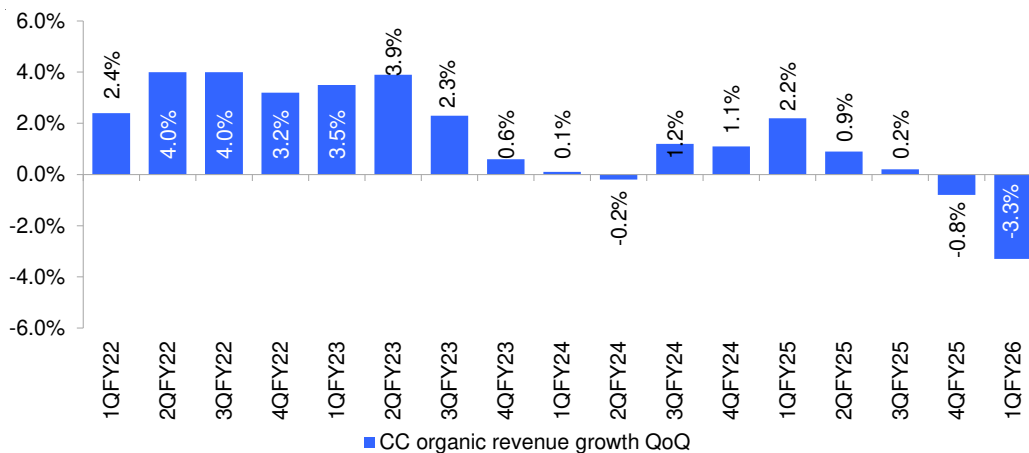
TCV	8,200	8,100	7,800	10,000	10,200	11,200	8,100	13,200	8,300	8,600	10,200	12,200	9,400
Book-to-bill ratio (x)	1.2	1.2	1.1	1.4	1.4	1.6	1.1	1.8	1.1	1.1	1.4	1.6	1.3

Employee Metrics

Total employees (nos)	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
Net addition (nos)	14,136	9,840	(2,197)	821	523	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090
Attrition IT services (%)	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

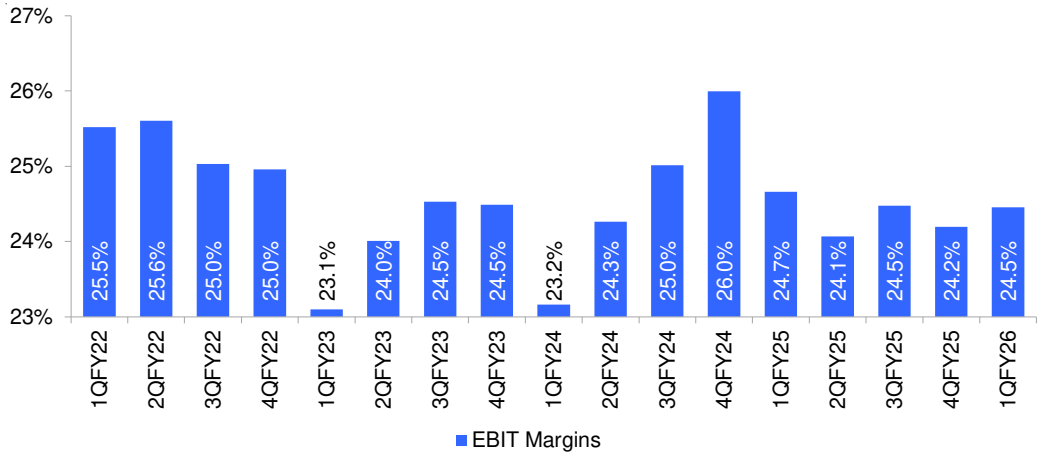
Source: Company, Antique; * In 2QFY24, *Revenues from APAC ex-Japan, Middle East and Africa, Energy and Resources, which were hitherto reported under Regional Markets and Others, have now been included in the respective industry verticals.

Exhibit 1: Revenue was down -3.3% QoQ in CC terms, below our expectation of -1%



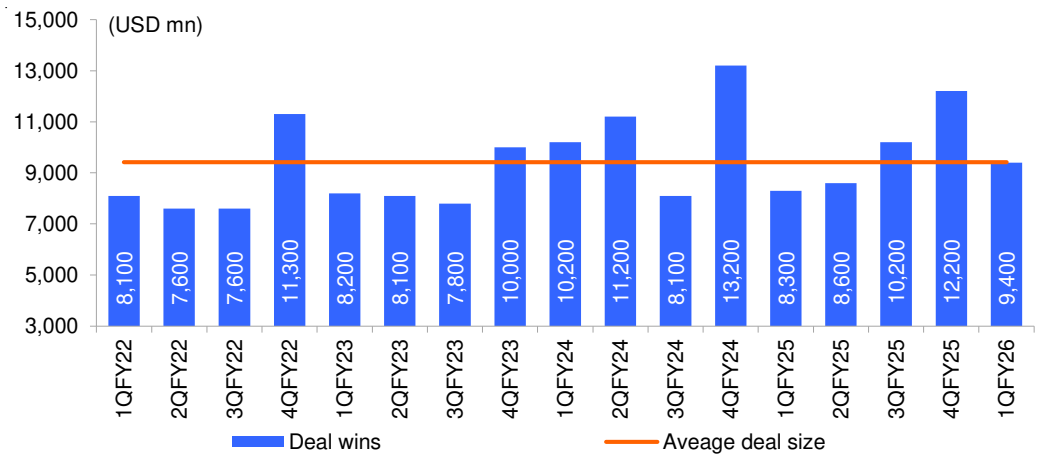
Source: Company, Antique

Exhibit 2: EBIT margin was up 30 bps QoQ at 24.5%, in line with our estimate



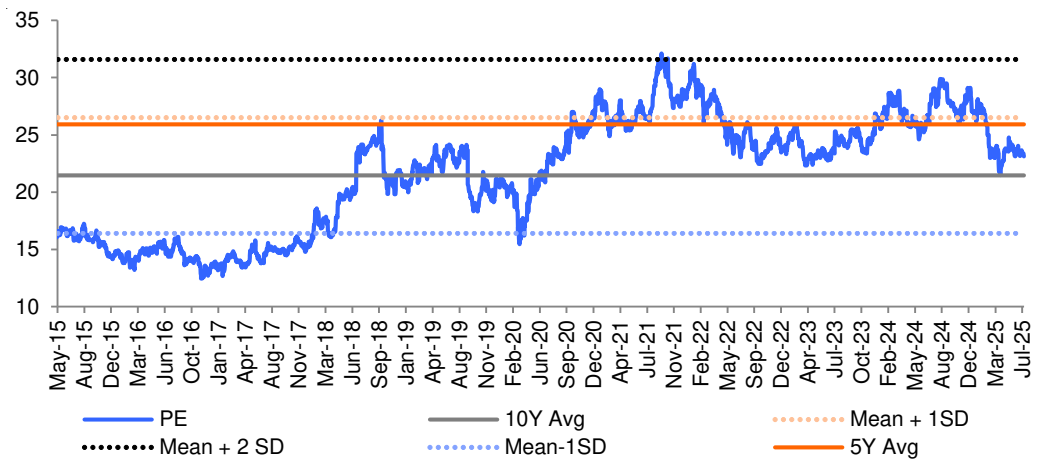
Source: Company; Antique

Exhibit 3: Deal bookings were in-line at USD 9.4 bn



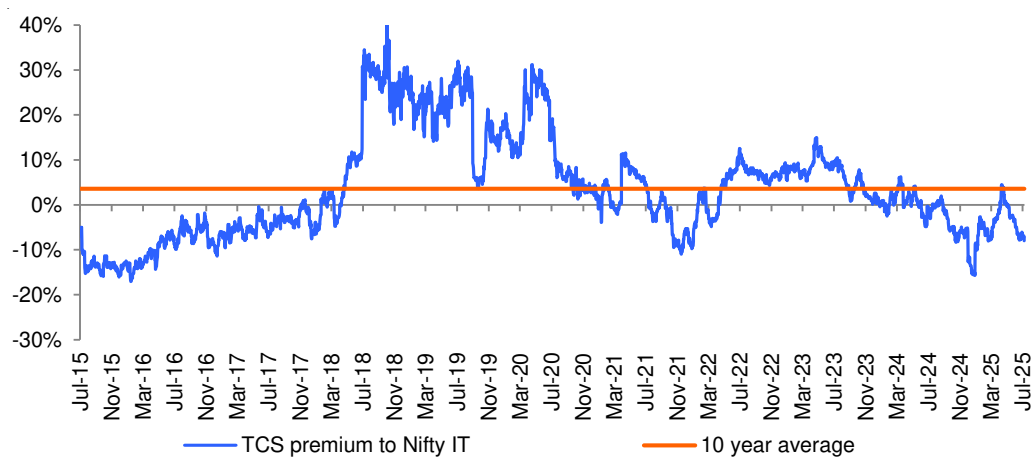
Source: Company; Antique

Exhibit 4: TCS is currently trading at 23.1x one-year forward P/E, near its long-term average and...



Source: Bloomberg; Antique

Exhibit 5: ...at a discount to the Nifty IT vs. 30% peak premium in Apr-2020



Source: Bloomberg; Antique

Table 3: Change in estimates

	Old		New		Change	
	FY26	FY27	FY26	FY27	FY26	FY27
Revenue	26,80,809	28,87,325	26,01,681	27,98,685	-3.0%	-3.1%
EBIT	6,78,814	7,35,470	6,60,365	7,12,891	-2.7%	-3.1%
PAT	5,34,247	5,77,575	5,25,690	5,60,754	-1.6%	-2.9%
EPS	148	160	145	155	-1.6%	-2.9%
EBIT Margins	25.3%	25.5%	25.4%	25.5%	0.1%	0.0%
PAT Margins	19.9%	20.0%	20.2%	20.0%	0.3%	0.0%

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
Net Revenue	22,54,580	24,08,930	25,53,240	26,01,681	27,98,685
Op. Expenses	16,61,990	17,65,970	18,79,170	18,85,499	20,29,820
EBITDA	5,92,590	6,42,960	6,74,070	7,16,183	7,68,865
Depreciation	50,220	49,850	52,420	55,817	55,974
EBIT	5,42,370	5,93,110	6,21,650	6,60,365	7,12,891
Other income	26,700	36,440	31,660	46,150	42,000
Reported PBT	5,69,070	6,29,550	6,53,310	7,06,515	7,54,891
Tax	1,46,040	1,58,980	1,65,340	1,78,465	1,92,497
Reported PAT	4,23,030	4,70,570	4,87,970	5,28,050	5,62,394
Minority Int./Profit (loss) From Asso.	1,560	1,910	2,440	2,360	1,640
Net Profit	4,21,470	4,68,660	4,85,530	5,25,690	5,60,754
Adjusted PAT	4,21,470	4,68,660	4,85,530	5,25,690	5,60,754
Adjusted EPS (INR)	115.2	128.5	134.2	145.3	155.0

Balance sheet (INR mn)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
Share Capital	3,660	3,620	3,620	3,620	3,620
Reserves & Surplus	9,21,760	9,22,500	9,43,940	11,52,985	13,62,392
Networth	9,25,420	9,26,120	9,47,560	11,56,605	13,66,012
Debt	76,880	80,210	93,920	93,920	93,920
Minority Interest	7,820	8,300	10,150	10,150	10,150
Capital Employed	10,10,120	10,14,630	10,51,630	12,60,675	14,70,082
Net Fixed Assets	1,15,950	1,91,100	2,17,990	48,078	34,084
Goodwill	48,730	44,990	28,000	28,000	28,000
Investments	4,03,870	3,65,230	3,80,940	3,80,940	3,80,940
Non Current Investments	2,660	2,810	2,750	2,750	2,750
Current Investments	4,01,210	3,62,420	3,78,190	3,78,190	3,78,190
Current Assets, Loans & Adv.	8,94,222	8,89,482	9,74,442	10,75,761	11,64,666
Debtors	4,99,540	5,35,770	5,90,460	6,01,663	6,47,221
Cash & Bank balance	76,312	95,242	88,502	1,78,619	2,21,965
Loans & advances and others	3,18,370	2,58,470	2,95,480	2,95,480	2,95,480
Current Liabilities & Provisions	4,47,570	4,71,090	5,44,660	5,83,352	6,23,144
Liabilities	26,840	25,100	30,190	30,190	30,190
Provisions	4,20,730	4,45,990	5,14,470	5,53,162	5,92,954
Net Current Assets	4,46,652	4,18,392	4,29,782	4,92,409	5,41,523
Application of Funds	10,10,120	10,14,630	10,51,630	12,60,675	14,70,082

Per share data

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
No. of shares (mn)	3,699	3,699	3,699	3,699	3,699
Diluted no. of shares (mn)	3,699	3,699	3,699	3,699	3,699
BVPS (INR)	250.2	250.4	256.2	312.7	369.3
CEPS (INR)	127.9	140.7	146.1	157.8	167.2
DPS (INR)	115	73	126	73	81

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
PBT	5,69,070	6,29,550	6,53,310	7,06,515	7,54,891
Depreciation & amortization	50,220	49,850	52,420	55,817	55,974
(Inc)/Dec in working capital	(44,450)	(33,420)	(1,200)	27,490	(5,768)
Tax paid	(1,29,660)	(1,24,890)	(1,55,860)	(1,78,465)	(1,92,497)
Other operating Cash Flow	(158)	(51,770)	(34,410)	(1,80,825)	(1,94,137)
CF from operating activities	4,45,022	4,69,320	5,14,260	4,30,533	4,18,463
Capital expenditure	(25,320)	(22,020)	(29,170)	(23,770)	(23,770)
Inc/(Dec) in investments	(11,49,530)	(14,20,090)	(15,02,150)	-	-
Others	11,42,070	14,69,450	14,74,560	-	-
CF from investing activities	(32,780)	27,340	(56,760)	(23,770)	(23,770)
Inc/(Dec) in share capital	(41,740)	(2,10,050)	-	-	-
Dividend Paid	(4,29,250)	(2,68,320)	(4,65,980)	(3,16,646)	(3,51,346)
CF from financing activities	(4,70,990)	(4,78,370)	(4,65,980)	(3,16,646)	(3,51,346)
Net cash flow	(58,748)	18,290	(8,480)	90,117	43,346
Opening balance	1,29,970	76,312	95,242	88,502	1,78,619
Closing balance	76,312	95,242	88,502	1,78,619	2,21,965

Growth indicators (%)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
Revenue	17.6	6.8	6.0	1.9	7.6
EBITDA	11.7	8.5	4.8	6.2	7.4
Adj PAT	10.0	11.2	3.6	8.3	6.7
Adj EPS	11.2	11.6	4.4	8.3	6.7

Valuation (x)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	29.4	26.3	25.2	23.3	21.8
P/BV (x)	13.5	13.5	13.2	10.8	9.2
EV/EBITDA (x)	21.6	20.0	19.1	17.8	16.5
EV/Sales (x)	5.7	5.3	5.0	4.9	4.5
Dividend Yield (%)	3.4	2.2	3.7	2.2	2.4

Financial ratios

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
RoE (%)	45.9	50.6	51.8	50.0	44.5
RoCE (%)	56.7	62.2	63.2	61.1	55.3
Asset/T.O (x)	3.9	4.1	4.1	4.4	5.0
Net Debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)

Margins (%)

Year-ended March 31	FY23	FY24	FY25	FY26e	FY27e
EBITDA Margin (%)	26.3	26.7	26.4	27.5	27.5
EBIT Margin (%)	24.1	24.6	24.3	25.4	25.5
PAT Margin (%)	18.5	19.2	18.8	19.9	19.7

Source: Company Antique