

TCS (TCS)

IT Services

BUY

 CMP(₹): **3,382**

 Fair Value(₹): **3,800**

 Sector View: **Neutral**

 NIFTY-50: **25,355**
July 10, 2025

Misses the mark

TCS reported revenue decline of 3.3% qoq, driven largely by BSNL ramp-down. Revenue from the international business declined 0.5% and was broad-based, a tad disappointing. The revenue decline is attributable to both a weak macro and slippages. Slippages are fixable in our view but need to be acted upon fast given a combination of industry-wide margin pressure, technology inflection from gen AI adoption and increased competitive intensity. TCS is well-positioned to navigate gen AI adoption but needs to prudently manage deflation and new opportunities. Retain BUY with an unchanged FV of Rs3,800.

Misses growth estimate by 290 bps, largely driven by BSNL ramp-down

TCS reported revenue of US\$7,421 mn, declining 0.6% qoq in reported terms. Revenue declined by 3.3% sequentially in constant currency, missing our estimate by 290 bps, out of which ~120 bps is attributable to international and domestic businesses and ~210 bps to BSNL ramp-down. On a yoy basis, c/c revenues declined by 3.1%. Qoq revenue decline was driven by telecom, healthcare and retail verticals. On a geo basis, revenue declined in the UK and Europe sequentially. EBIT margin increased 30 bps qoq and was above our estimate by 20 bps, driven by lower revenue from the margin-dilutive BSNL program. Net profit of Rs128 bn increased 4.4% qoq and 6% yoy, 3.3% above our estimate, driven by higher other income (Rs6.76 bn of interest income from tax refunds) and a marginally lower tax rate. DSO, including unbilled, increased to 99, a multi-year high.

Weak quarter is indicative of macro uncertainty and middling execution

While TCS attributed the weak performance in the international business to macro-related uncertainty, we believe execution could have been better. These are difficult to diagnose from the outside. A few symptoms are visible—(1) weak performance across many verticals and geos, (2) continued underperformance in the healthcare vertical, (3) lack of mega deals in the past few years, excluding BSNL (low/nil-margin business) and JLR (Tata Group entity) and (4) sharp revenue contraction in the top account in TCS E-Serve subsidiary. Demand challenges are present, but TCS could have executed better.

Reasonable deal wins; a tad optimistic on growth outlook

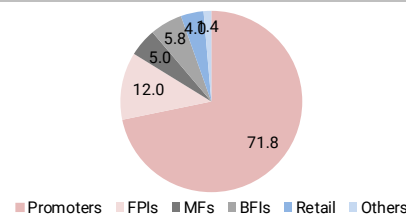
TCV of US\$9.4 bn was reasonably healthy with robust closures. Deal wins were moderate in key segments of BFSI and North America but strong in retail on a yoy basis. The pipeline continues to be healthy. Reasonable deal wins, strong pipeline and management's expectation of lower macro uncertainty to increase near-term demand underlie the outlook of better growth in the international business in FY2026 compared to FY2025. The outlook is a tad optimistic, in our view.

Company data and valuation summary

Stock data

CMP(Rs)/FV(Rs)/Rating	3,382/3,800/BUY
52-week range (Rs) (high-low)	4,520-3,056
Mcap (bn) (Rs/US\$)	12,236/142.8
ADTV-3M (mn) (Rs/US\$)	8,862/103.4

Shareholding pattern (%)



Price performance (%)

	1M	3M	12M
Absolute	(2)	4	(12)
Rel. to Nifty	(3)	(9)	(16)
Rel. to MSCI India	(3)	(10)	(14)

Forecasts/Valuations

	2025	2026E	2027E
EPS (Rs)	134.2	140.5	151.8
EPS growth (%)	3.5	4.7	8.0
P/E (X)	25.2	24.1	22.3
P/B (X)	12.6	11.6	10.7
EV/EBITDA (X)	17.5	17.0	15.4
RoE (%)	51.2	50.2	49.8
Div. yield (%)	3.4	3.4	3.7
Sales (Rs bn)	2,553	2,582	2,803
EBITDA (Rs bn)	674	687	756
Net profits (Rs bn)	486	508	549

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of July 10, 2025

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Cut FY2026-28 EPS estimates by 1-2%; retain BUY

We cut FY2026-28 US\$ revenue growth estimates by ~0-1% and marginally tweak margin assumptions. The cut in FY2026E estimates have been cushioned by baking in additional US\$132 mn revenues (~0.4% additional revenues) from the new BSNL programs and constant currency tailwind of 2%. We also incorporate revised USD/INR assumption as per KIE economist. These lead to 0-1% cut to FY2026-28E EPS. We value the stock at 24X (unchanged) June 2027E earnings, leading to an unchanged FV of Rs3,800. Positive stance stays due to a few factors—(1) TCS has adapted to several technology cycles in the past few decades and has been a consistent market share gainer; (2) a balanced portfolio of services across the run-and-change agenda of clients; and (3) strong client relationships and understanding of both industry and client domain. We believe TCS is well-positioned to drive cost optimization and technology transformation journey of clients. Retain BUY.

Macro tailwinds missing, leading to continued disconnect between revenue and deals

Despite relatively healthy deal wins, revenue continues to be under pressure. Clients continue to focus on cost efficiency and vendor consolidation but continue to be cautious on discretionary spending. Macro uncertainty is also affecting decision-making and program ramp-up timelines. Stocks have already moved to capture reduced impact of Liberation Day tariffs compared to initial expectations. Further upmove in stocks will require macro tailwinds, which are missing in the current environment.

FY2026 will be a year of underperformance for TCS

We reduce our FY2026E revenue growth forecast for TCS ex-BSNL to (-)0.1% from 3% earlier, below that of Infosys and HCLT. TCS's edge over peers has reduced in the last several years driven by better execution of peers who have caught up on large/mega deal structuring and digital competencies. Competitive intensity has increased with ambitious mid-tier and renewed push from Tier-1. Valuation premium enjoyed by TCS over peers on PE basis has also reduced with TCS currently trailing both HCLT and Infosys.

Symptoms indicating execution slippages are visible

- ▶ **Weak performance is across many verticals and geos.** On yoy basis, revenue has declined across all the three key developed markets—North America, the UK and Continental Europe. Revenue has declined yoy across multiple verticals—retail, telecom, manufacturing, healthcare and regional markets. It is interesting to note that the decline in telecom and healthcare (both on qoq and yoy basis) is larger than that in retail and manufacturing where tariff-related pressure is largely being felt.
- ▶ **Continued underperformance in the healthcare vertical.** The healthcare vertical has continued to be in a weak spot for the fourth quarter in a row. TCS has indicated client-specific issues to be the cause. Yet, we believe it may not reflect the full picture given the length of underperformance and better performance by peers in the vertical. It is interesting to note that CTSH grew 11% yoy on a far higher revenue base in March 2025 quarter (see Exhibit 14).
- ▶ **Lack of mega deals in the last few years excluding BSNL and JLR.** TCS last announced a mega deal excluding significant inter-group transactions (such as BSNL and JLR) and Diligenta platform (such as Aviva and NEST) where competition is low, in 2022. From then to now, competition has announced multiple mega deals.
- ▶ **Sharp revenue contraction in top account in TCS E-Serve subsidiary.** The TCS E-Serve subsidiary was formed when TCS acquired Citi's India-based captive BPO in FY2009. Revenue in the subsidiary declined by 31% yoy to US\$155 mn in FY2025 (see Exhibit 11). While absolute revenue of the subsidiary is not significant in the context of overall TCS revenue, it is worth noting that the revenue decline stems from a couple of clients. The entire yoy revenue decline in FY2025 is driven by the top account revenue shrinking to US\$27 mn from US\$96 mn in the prior year. BFSI vertical revenue has also declined by a similar amount. Revenue from the top account has reduced by US\$107 mn in the last couple of years.

Apart from the issues mentioned above, TCS has been impacted by client-specific events—

- ▶ **Revenue decline in Postbank deal with Deutsche Bank.** TCS Technology Solutions was part of the Deutsche Bank Group until the end of 2020 and was acquired by TCS on January 1, 2021 as part of a large deal where the revenue was front-loaded. Revenue in the subsidiary declined by 33% yoy to EUR126 mn (see Exhibit 12). The decline was on account of lower revenue from Deutsche Bank account due to completion of Postbank engagement. TCS annual report indicates that the expected revenue from Deutsche Bank account will continue to decline significantly in CY2025.
- ▶ **Insourcing of Transamerica deal.** While the insourcing was announced in 2023, it is expected to be a long process. We expect some revenue decline from the Transamerica account in FY2026 as a result. Note that part of Transamerica revenues is captured in the e-serve subsidiary.

Lagging behind in BFSI vertical on absolute basis and in comparison with peers

TCS reported revenue growth of just 1% yoy in the BFSI vertical. The vertical is among the least impacted by macro uncertainty with relatively better discretionary spending. Exhibit 13 compares TCS' yoy c/c revenue growth in BFSI versus peers. TCS's growth is lower than all compared companies with the exception of HCLT. Ex-State Street, insourcing growth would have been higher for HCLT. Weak growth in BFSI can be partly attributed to client-specific factors in our view, part of which are programmatic.

Margin pressure becoming more visible and driven by higher employee costs in COR

EBIT margin declined 20 bps on yoy basis despite absence of wage hike in 1QFY26 and lower cost of equipment and software licenses as a percentage of revenue. From a segmental perspective, margins have declined for several verticals (see Exhibit 6) offset by an improvement in the telecom vertical (partly from lower BSNL deal revenue). In fact, margins in telecom vertical have become better than most verticals despite residual component of BSNL deal in that EBITDA margin ex-telecom vertical is 30 bps lower than EBITDA margin with telecom vertical.

Employee costs on absolute basis have increased significantly on sequential basis despite no wage hike and muted headcount growth of 0.8%. Employee costs have two components—SG&A and COR. The entire increase is concentrated in the COR component. Employee costs in COR increased 3.4% qoq in INR terms and 4.5% qoq in US\$ terms. Increased variable pay-outs and lower utilization rates among laterals can be possible reasons.

At a broader level, weak operating leverage from accumulation of a couple of years of weak growth is a contributing factor to margin pressure. Employee pyramid has weakened in the last couple of years. Exhibit 21 lays out the percentage of employees in various age groups across geographies. It is interesting to note that the percentage of employees in the less-than-30 years' age group is at the lowest level over the past six years across most geographies. The trend will likely continue into next year as well, considering muted growth prospects.

Margin pressure + revenue underperformance + technology inflection is not a good combination

Margin pressure is not unique to TCS but across IT companies visible in delayed wage hikes and indications of lower variable payouts across other Tier-1 names. Adoption of generative AI promises to be a technology inflection point across enterprises. Revenue underperformance in such an environment can lead to additional spending to play catch-up, which can lead to margin headwinds. All three together can become a recipe for structural margin decline. TCS has been able to maintain margins for the last couple of decades due to being in the leader category across major technology inflections. With margin pressure and technology inflection appearing unescapable, TCS needs to act fast and get back to consistent industry matching or exceeding growth of the past.

Gen AI—TCS has a head-start but needs to prudently manage deflation and new opportunities

TCS is well-positioned to benefit from opportunities arising from increased AI adoption. TCS has adapted to several technology cycles in the past few decades and has been a consistent market share gainer. The company has several years of experience working across data and AI practices. As a result of being a strategic partner to several clients, TCS will also enjoy client's trust in enabling data governance and responsible AI framework, which will form a crucial part of enterprise AI rollouts. While these advantages do help in new opportunities from AI adoption, we believe the initial years of AI adoption will be characterized by revenue deflation headwinds due to adoption in software development and BPO. TCS will find the revenue deflation harder to offset than smaller players. Not doing so will impact mind share in AI. The company will need to play a prudent balancing act.

Sharp decline in domestic business led by BSNL ramp-down

India business declined by a sharp 31.4% qoq to US\$430 mn with revenue mix declining to 5.8%. This is largely led by BSNL ramp-down. Additionally, TCS usually benefits from seasonality in select domestic programs in 4Q, which consequently present sequential growth headwinds in the following quarter. The initial BSNL deal has likely ramped down in 1QFY26. There will be a small maintenance and support component going forward, which will be business-as-usual. TCS has signed advance purchase order for a new deal with BSNL, which can have ~US\$280 mn TCV that will contribute to revenue in FY2026. We have assumed entirely the new deal to be consumed in FY2026.

Headcount and attrition

Headcount increased 0.8% qoq to 613,069 with net addition of 5,090 employees. Headcount increased by 1% yoy despite revenue decline of ~1.1% yoy in c/c ex-BSNL. Attrition rate inched up further to 13.8%, an increase of 50 bps qoq and 170 bps yoy. TCS' attrition is significantly higher than pre-Covid levels.

Key highlights of the earnings call

- ▶ **Demand outlook.** Trend of delays in decision-making and project start with respect to discretionary investments has continued and intensified to some extent. Cost pressures in clients resulted in previously unseen project deferrals and decision delays resulting in less-than-expected revenue conversion. TCS is confident of demand and its own business model from a medium to long term perspective. In the near term, the CEO expects lack of clarity on macro to continue until most of the trade deals are announced.
- ▶ **2QFY26 outlook.** Large part of the impact of delays was felt in 1QFY26. 2QFY26 can have some residual impact of the delays. If there are no further delays, 2QFY26 will be at least better than 1QFY26.
- ▶ **Growth outlook.** Growth in international business will be higher in FY2026E compared to FY2025.
- ▶ **AI.** Enterprises' focus on scaling up AI adoption remains strong. They are moving from pilots to production. Spending is centered on three themes—(1) AI-led business transformation, (2) AI-enabled SDLC, IT operation, and (3) data platform modernization.
- ▶ **BSNL.** TCS indicated successful completion of a very large strategic program of national importance, which likely refers to the BSNL program.
- ▶ **Utilization.** Demand contraction during the quarter impacted utilization.
- ▶ **Vertical-wise commentary.** (1) **BFSI.** In Americas, BFS clients are cautious on tech spending. Discretionary spend is under pressure. BFS remains cautious in Europe and the UK. Demand is weak in the US insurance but doing well in Europe. Expect current caution in BFSI to be temporary. (2) **Consumer.** Industry challenges led to funding delays, project postponements and delayed milestone completion. (3) **Manufacturing.** Automotive sector faced significant challenges and reduced spending. (4) **Healthcare.** Life sciences are cautious and postponed growth initiatives. Medicaid focused insurers and hospital operators will be impacted by cut in Medicaid funding. Medical devices clients are focused on cutting costs. (5) **Energy and utilities.** Clients have reduced spending and capital investments. (6) **Technology and services.** Clients are deferring business transformation initiatives and focused on controlling costs. (7) **Telecom.** Clients are focused on costs, AI and automation.

Reports a revenue decline of 3.3 % in c/c terms, missing our estimate by 290 bps

Exhibit 1: TCS Interim Results 1QFY26 (consolidated, IFRS)

	1QFY26	1QFY26E	1QFY25	4QFY25	% chg.			FY2026E	FY2025	% chg.
					KIE	yoy	qoq			
Re/US\$ rate	85.5	85.6	83.4	86.4	(0.1)	2.5	(1.0)	86.1	84.6	1.7
Revenues (US\$ mn)	7,421	7,593	7,505	7,465	(2.3)	(1.1)	(0.6)	30,001	30,179	(0.6)
Revenues	634,370	649,926	626,130	644,790	(2.4)	1.3	(1.6)	2,581,947	2,553,240	1.1
Cost of revenues	(386,120)	(394,526)	(376,610)	(394,740)	(2.1)	2.5	(2.2)	(1,573,010)	(1,559,940)	0.8
Gross profit	248,250	255,400	249,520	250,050	(2.8)	(0.5)	(0.7)	1,008,936	993,300	1.6
SG&A expenses	(93,110)	(97,558)	(95,100)	(94,040)	(4.6)	(2.1)	(1.0)	(376,596)	(371,650)	1.3
EBIT	155,140	157,841	154,420	156,010	(1.7)	0.5	(0.6)	632,341	621,650	1.7
Other Income	14,650	8,882	7,890	8,010	64.9	85.7	82.9	42,781	31,660	35.1
Profit before tax	169,790	166,723	162,310	164,020	1.8	4.6	3.5	675,122	653,310	3.3
Provision for tax	(41,600)	(42,512)	(41,260)	(41,090)	(2.1)	0.8	1.2	(164,448)	(165,340)	(0.5)
Net income before MI	128,190	124,211	121,050	122,930	3.2	5.9	4.3	510,674	487,970	4.7
Minority Interest	(590)	(704)	(650)	(690)				(2,432)	(2,440)	
Net income (before EO items)	127,600	123,508	120,400	122,240	3.3	6.0	4.4	508,242	485,530	4.7
Extraordinary items	-	-	-	-				-	-	
Net income	127,600	123,508	120,400	122,240	3.3	6.0	4.4	508,242	485,530	4.7
EPS (Rs/ share)	35.3	34.1	33.3	33.8	3.3	6.0	4.4	140.5	134.2	4.7
As % of revenues										
Gross profit margin	39.1	39.3	39.9	38.8				39.1	38.9	
Operating margin (EBIT)	24.5	24.3	24.7	24.2				24.5	24.3	
SG&A expenses	14.7	15.0	15.2	14.6				14.6	14.6	
Tax rate (% of PBT)	24.5	25.5	25.4	25.7				24.4	25.3	

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: TCS: Key changes to FY2026-28 estimates

Rs mn	New			Old			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenues	2,581,947	2,803,253	3,057,892	2,614,044	2,828,488	3,065,340	(1.2)	(0.9)	(0.2)
EBIT	632,341	700,925	768,126	646,787	707,033	768,493	(2.2)	(0.9)	(0.0)
Net Profit	508,242	549,122	599,867	510,462	554,428	600,859	(0.4)	(1.0)	(0.2)
EPS (Rs/ share)	140.5	151.8	165.8	141.1	153.2	166.1	(0.4)	(1.0)	(0.2)
Revenues (US\$ mn)	30,001	31,855	33,977	30,175	31,960	34,059	(0.6)	(0.3)	(0.2)
Revenue growth (US\$, %)	(0.6)	6.2	6.7	(0.0)	5.9	6.6			
Revenue growth (c/c, %)	(2.6)	6.2	6.7	(0.0)	5.9	6.6			
Revenue growth (organic c/c, %)	(2.6)	6.2	6.7	(0.0)	5.9	6.6			
Revenue growth (organic c/c, %) ex-BSNL deal	(0.1)	7.4	6.7	3.0	6.6	6.6			
Re/\$ rate	86.1	88.0	90.0	86.6	88.5	90.0	(0.7)	(0.6)	0.0
EBIT margin	24.5	25.0	25.1	24.7	25.0	25.1			
EBIT margin ex-BSNL deal	24.8	25.0	25.1	24.9	25.0	25.1			

Source: Kotak Institutional Equities estimates

Sequential revenue decline in Europe and UK; among verticals in BFSI, retail, telecom and healthcare

Exhibit 3: Revenue mix across geographies and verticals (June 2025)

	Revenues	Growth (%)		% of total	C/C growth (%)	
	(US\$ mn)	QoQ	YoY		QoQ	YoY
Total revenues	7,421	(0.6)	(1.1)	100.0	(3.3)	(3.1)
Revenue by geography						
North America	3,614	0.4	(2.7)	48.7	NA	(2.7)
Latin America	141	4.9	(1.1)	1.9	NA	3.5
UK	1,336	6.5	5.3	18.0	NA	(1.3)
Continental Europe	1,113	4.3	3.0	15.0	NA	(3.1)
India	430	(31.4)	(23.5)	5.8	NA	(21.7)
Asia Pacific	623	3.1	6.5	8.4	NA	3.6
MEA	163	(8.9)	8.8	2.2	NA	9.4
Revenue by verticals						
BFSI	2,375	2.0	2.4	32.0	NA	1.0
Retail & CPG	1,158	1.4	0.2	15.6	NA	(3.1)
Communication & Media	430	(0.6)	(7.5)	5.8	NA	(9.6)
Manufacturing	646	3.0	(2.2)	8.7	NA	(4.0)
Life sciences & healthcare	757	0.4	(8.3)	10.2	NA	(9.6)
Technology & Services	623	3.1	2.5	8.4	NA	1.8
Energy, Resources & Utilities	438	2.9	4.2	5.9	NA	2.8
Regional markets and others	994	(13.5)	(5.4)	13.4	NA	(8.6)

Source: Company, Kotak Institutional Equities

Yoy revenue growth deceleration across retail, telecom, manufacturing, healthcare and regional markets and others verticals

Exhibit 4: Revenue growth across geographies and verticals in constant-currency terms, %, Dec22-Jun25

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Constant currency revenue (yoy %)											
Revenue by geography											
North America	15.4	9.6	4.6	0.1	(3.0)	(2.3)	(1.1)	(2.1)	(2.3)	(1.9)	(2.7)
Latin America	14.6	15.1	13.5	13.1	13.2	9.8	6.3	6.8	7.0	4.3	3.5
UK	15.4	17.0	16.1	10.7	8.1	6.2	6.0	4.6	4.1	1.2	(1.3)
Continental Europe	9.7	8.4	3.4	1.3	0.5	(2.0)	0.9	1.8	(1.5)	1.4	(3.1)
India	9.1	13.4	14.0	3.9	23.4	37.9	61.8	95.2	70.2	33.0	(21.7)
Asia Pacific	9.5	7.5	4.7	4.1	3.9	5.2	7.6	7.5	5.8	6.4	3.6
MEA	8.6	11.3	15.2	15.9	16.0	10.7	8.5	7.9	15.0	13.2	9.4
Revenue by verticals - NEW											
BFSI	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)	(0.9)	0.1	0.9	2.5	1.0
Retail & CPG	18.7	13.0	5.3	1.0	(0.3)	(0.3)	(0.3)	0.1	1.1	(0.2)	(3.1)
Communication & Media	13.5	5.3	0.5	(2.1)	(4.9)	(5.5)	(7.4)	(10.3)	(10.6)	(9.8)	(9.6)
Manufacturing	12.5	9.1	9.4	5.8	7.0	9.7	9.4	5.3	0.4	(2.9)	(4.0)
Life sciences & healthcare	14.4	12.3	10.1	5.0	3.1	1.7	4.0	0.1	(4.3)	(5.6)	(9.6)
Technology & Services	13.6	9.2	4.4	(2.2)	(5.0)	(5.6)	(3.9)	(1.9)	(0.4)	1.1	1.8
Energy, Resources & Utilities				14.8	11.8	7.3	5.7	7.0	3.4	4.6	2.8
Regional markets and others	13.3	14.6	16.9	14.3	19.2	26.0	37.7	50.4	40.9	22.5	(8.6)
Revenue by services											
Total growth	13.5	10.7	7.0	2.8	1.7	2.2	4.4	5.5	4.5	2.5	(3.1)

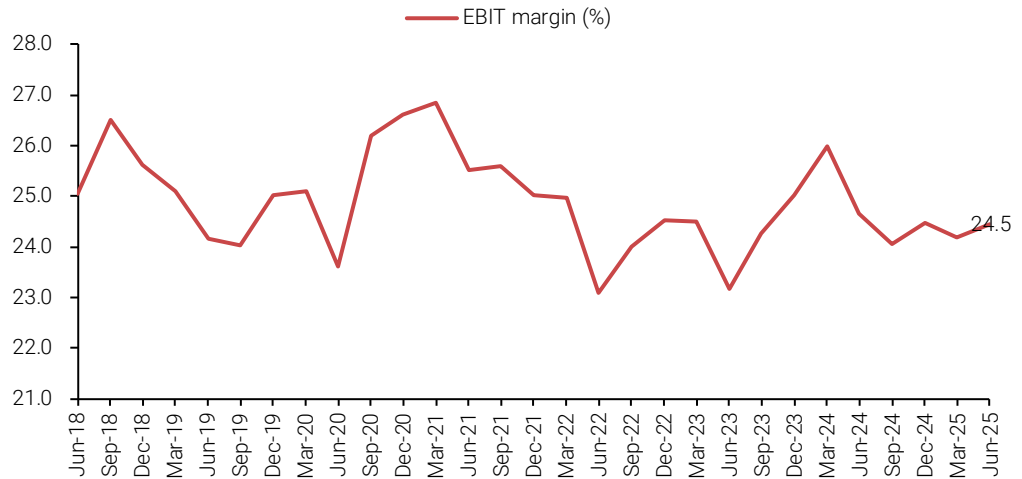
Notes:

(a) Verticals reclassified in Sep-23 quarter.

Source: Company, Kotak Institutional Equities

EBIT margin increased 30 bps qoq to 24.5%, driven by lower revenue from margin-dilutive BSNL program

Exhibit 5: Trend in EBIT margin, %, Jun11-Jun25



Note: Dec 2023 quarter margin excluding one-time costs.

Source: Company, Kotak Institutional Equities

EBITDA margin decline across multiple verticals and sharp improvement in telecom vertical

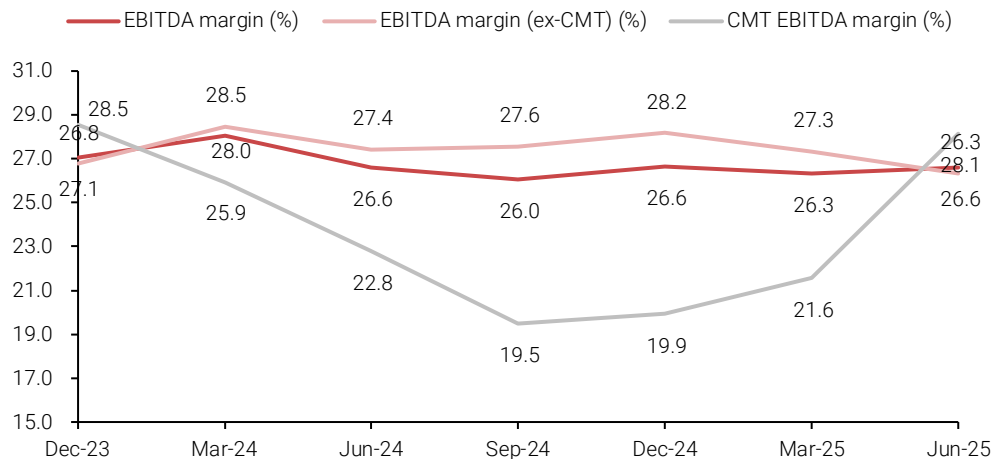
Exhibit 6: Trend in segmental EBITDA margin, %, Jun25 quarter

	EBITDA margin (%)	QoQ change (%)	YoY change (%)	Revenue mix (%)	US\$ growth (%)	
					QoQ	YoY
BFSI	25.1	(1.2)	(0.9)	39.0	3.0	4.6
Manufacturing	31.2	(0.5)	(2.1)	10.1	1.1	(0.4)
Retail CPG	27.6	(1.3)	1.3	16.0	1.1	(0.8)
CMT	28.1	6.6	5.4	14.9	(13.5)	(14.7)
LSH	24.5	(1.5)	(5.8)	10.1	(0.0)	(9.3)
Others	26.0	0.4	1.2	9.9	3.0	10.1
Total	26.6	0.3	(0.0)	100.0	(0.6)	(1.1)

Source: Company, Kotak Institutional Equities

EBITDA margin ex-CMT is 30 bps higher than EBITDA margin, including CMT in 1QFY26

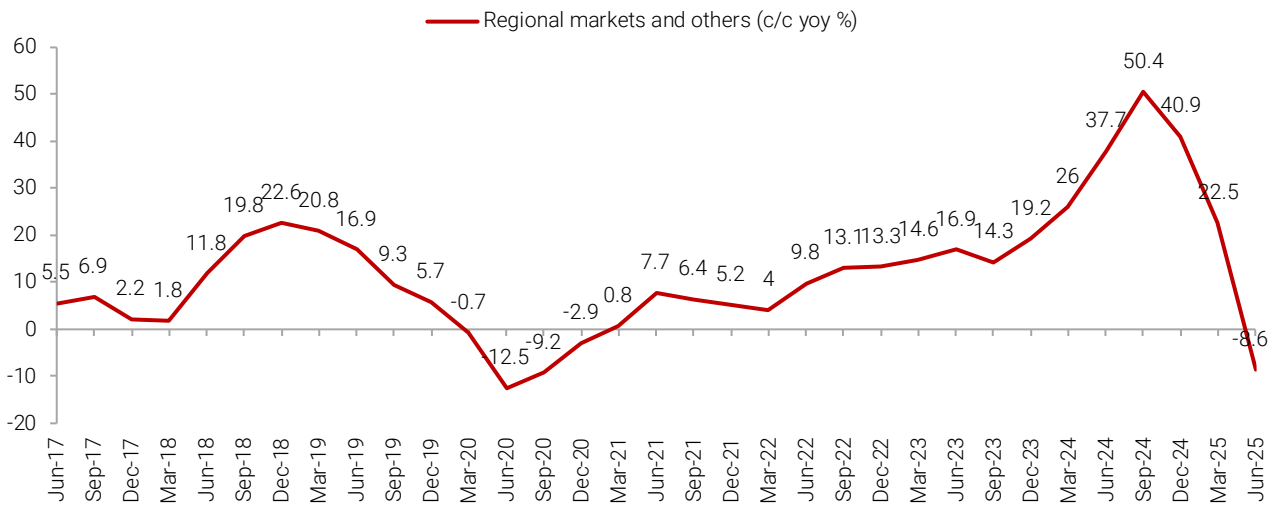
Exhibit 7: TCS: Overall EBITDA margin versus EBITDA margin (ex-CMT), Dec23-Jun25, %



Source: Company, Kotak Institutional Equities

Regional markets and others revenue growth decelerates to 8.6% yoy as BNSL deal ramps down

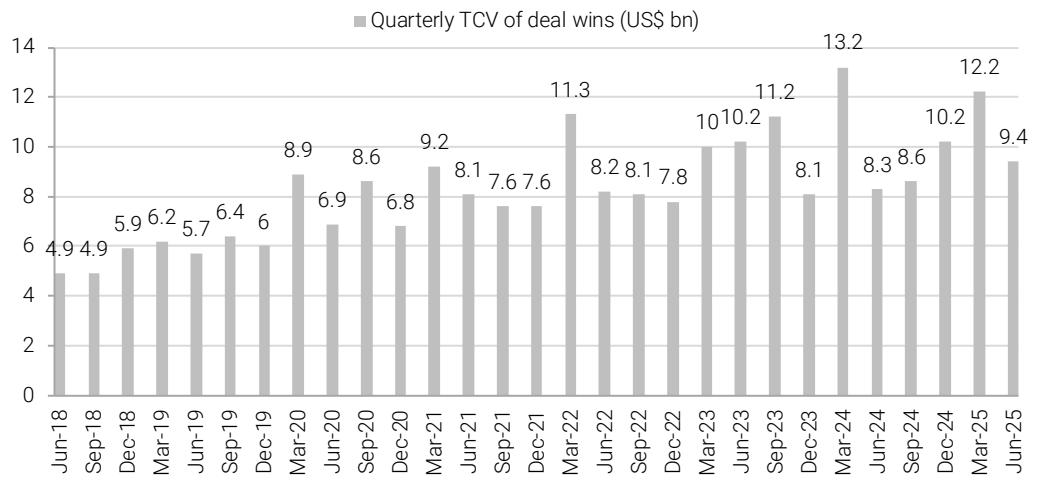
Exhibit 8: Trend in constant currency yoy revenue growth of regional markets and others vertical, %, Jun17-Jun25



Source: Company, Kotak Institutional Equities

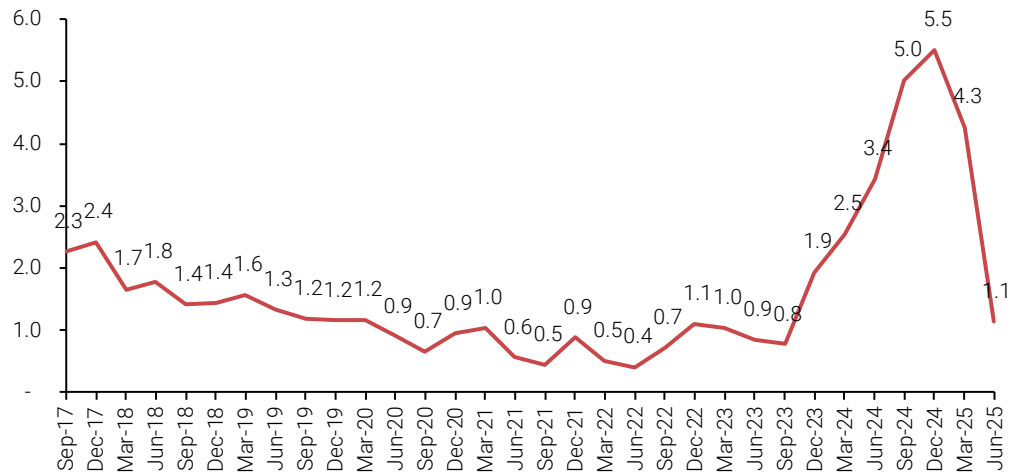
Deal TCV back to sub-US\$10 bn range after a robust show in 4QFY25

Exhibit 9: Trend in TCV of all deal wins, US\$ bn, Jun18-Jun25



Source: Company, Kotak Institutional Equities

Exhibit 10: Trend in equipment and software license costs as a % of revenue, Sep17-Jun25



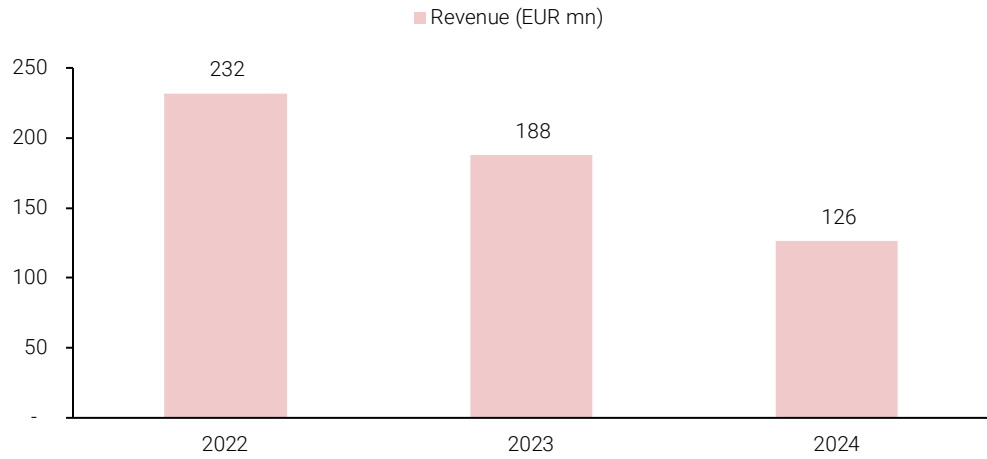
Source: Company, Kotak Institutional Equities

Exhibit 11: Trends in key metrics for TCS E-Serve International subsidiary, 2019-25, March fiscal year-ends

	2019	2020	2021	2022	2023	2024	2025
Revenue (Rs mn)	11,969	12,306	14,894	18,629	20,233	18,584	13,075
Revenue (US\$ mn)	171	173	201	250	251	224	155
Vertical revenue mix (%)							
BFSI				95.7	95.9	95.4	92.6
Others				4.3	4.1	4.6	7.4
Vertical-wise revenue breakup (US\$ mn)							
BFSI				239	240	214	143
Others				11	10	10	11
Top client revenue concentration (%)		76.5	49.5	46.4	53.4	42.7	17.3
Top client revenue (Rs mn)		9,415	7,366	8,636	10,798	7,945	2,258
Top client revenue (US\$ mn)		132	99	116	134	96	27

Source: Company, Kotak Institutional Equities

Exhibit 12: Revenue trend in TCS Technology Solutions GmbH subsidiary, 2022-24, December year-ends



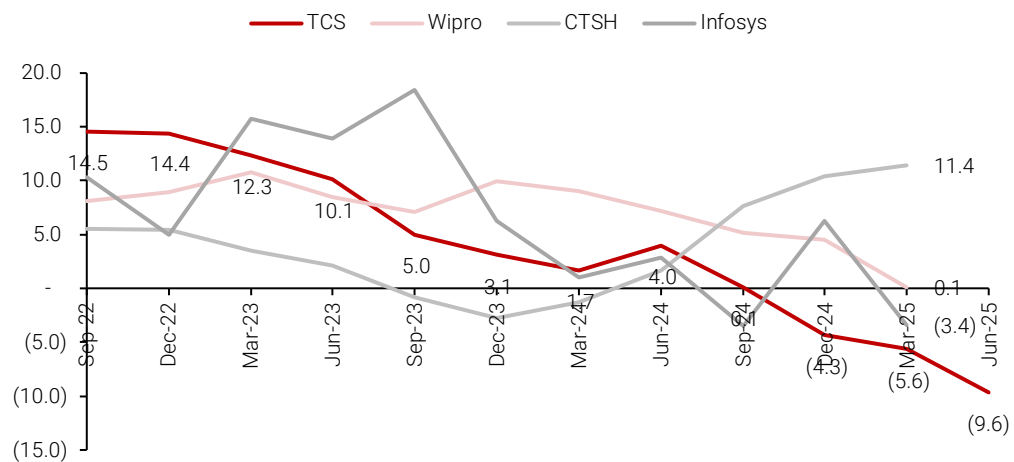
Source: Company, Kotak Institutional Equities

Exhibit 13: Comparison on yoy c/c revenue growth in the BFSI vertical across TCS, Infosys, HCLT, CTSH and Accenture, %, Jun22-Jun25

	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
TCS	13.9	13.1	11.1	9.1	3.0	(0.5)	(3.0)	(3.2)	(0.9)	0.1	0.9	2.5	1
Infosys	12.1	11.5	5.5	0.4	(4.2)	(7.3)	(5.9)	(8.5)	0.3	2.3	6.1	12.6	NA
HCLT	16.4	15.4	8.8	9.6	14.4	12.5	12.9	8.6	(1.3)	(4.5)	(1.4)	0.7	NA
CTSH	5.1	1.6	(1.4)	(1.4)	(4.8)	(4.0)	(6.6)	(6.5)	(0.8)	0.7	2.8	6.5	NA
Accenture	24.0	22.0	13.0	10.0	5.0	3.0	-	(6.0)	(5.0)	(2.0)	4.0	11.0	NA

Source: Companies, Kotak Institutional Equities

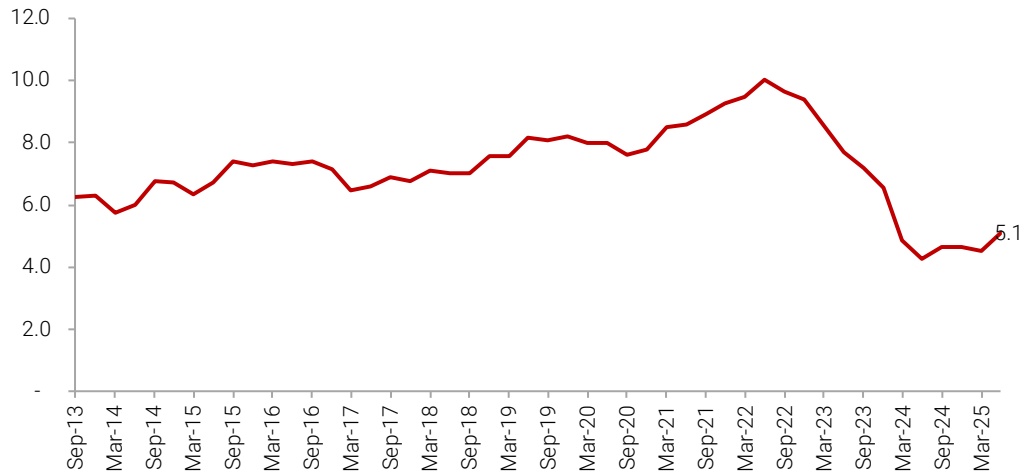
Exhibit 14: Comparison on yoy c/c revenue growth in the healthcare vertical across TCS, Wipro, CTSH and Infosys, %, Sep22-Jun25



Source: Companies, Kotak Institutional Equities

Subcontracting cost as a % of revenue increased by 60 bps qoq to 5.1%

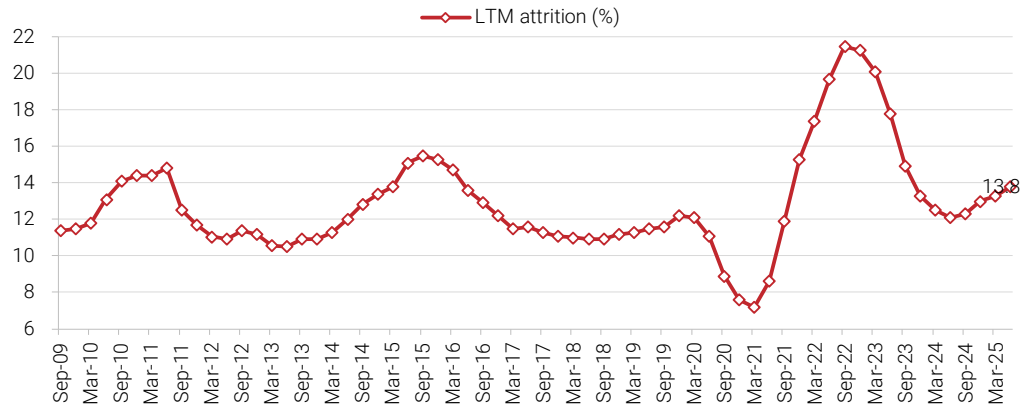
Exhibit 15: Trend in subcontractor costs as a % of revenue, Sep13-Jun25



Source: Company, Kotak Institutional Equities

Attrition rate increases by 50 bps qoq to 13.8%

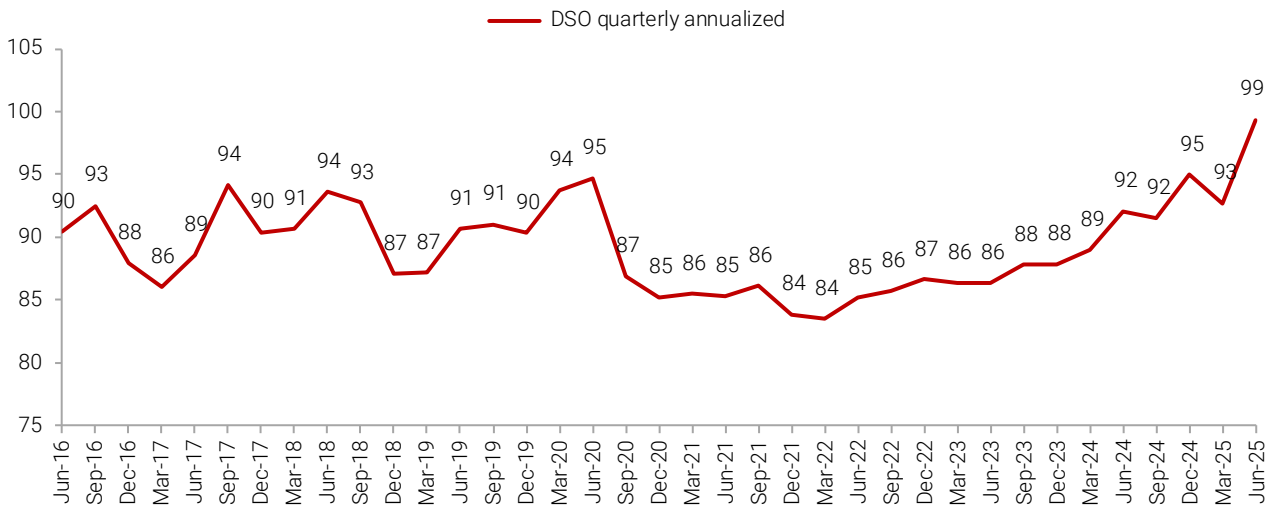
Exhibit 16: Trend in attrition rates, %, Jun09-Jun25



Source: Company, Kotak Institutional Equities

DSO (including unbilled) increased by 6 qoq to 99

Exhibit 17: Trend in DSO, Jun16-Jun25



Source: Company, Kotak Institutional Equities

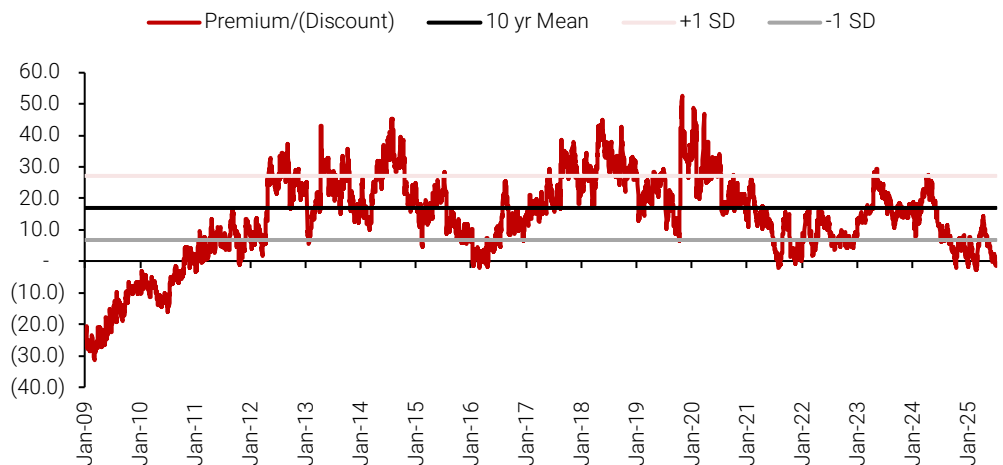
Progress halted in number of US\$50 mn clients

Exhibit 18: Trend in number of clients in various billing buckets, Dec22-Jun25

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
US\$1 mn clients	1,217	1,241	1,268	1,272	1,288	1,294	1,310	1,307	1,309	1,332	1,336
US\$5 mn clients	658	665	677	688	693	693	697	710	722	722	714
US\$10 mn clients	456	461	468	483	480	487	486	491	497	493	495
US\$20 mn clients	290	291	296	292	299	301	300	298	294	298	300
US\$50 mn clients	130	133	137	137	137	139	140	136	134	130	131
US\$100 mn clients	59	60	60	61	61	62	63	66	64	64	62

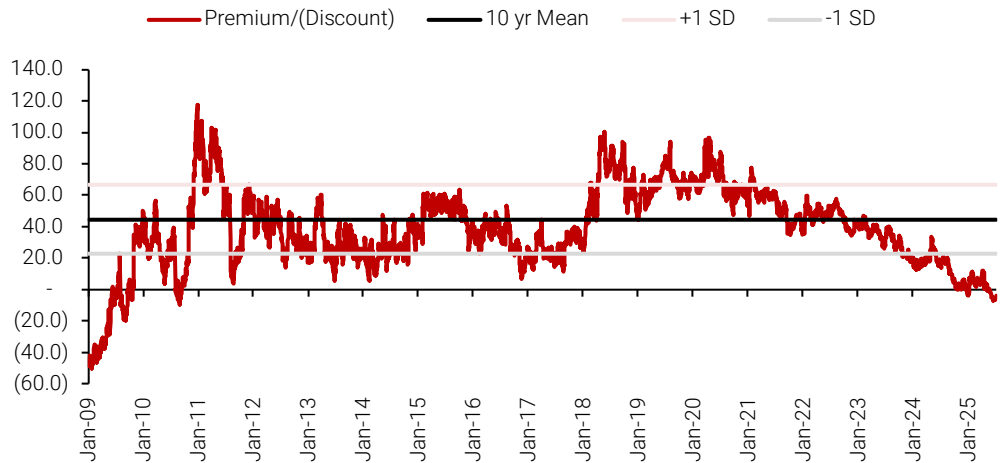
Source: Company, Kotak Institutional Equities

Exhibit 19: TCS premium over Infosys, 1-year forward PE



Source: Bloomberg consensus estimates

Exhibit 20: TCS premium over HCLT, 1-year forward PE



Source: Bloomberg consensus estimates

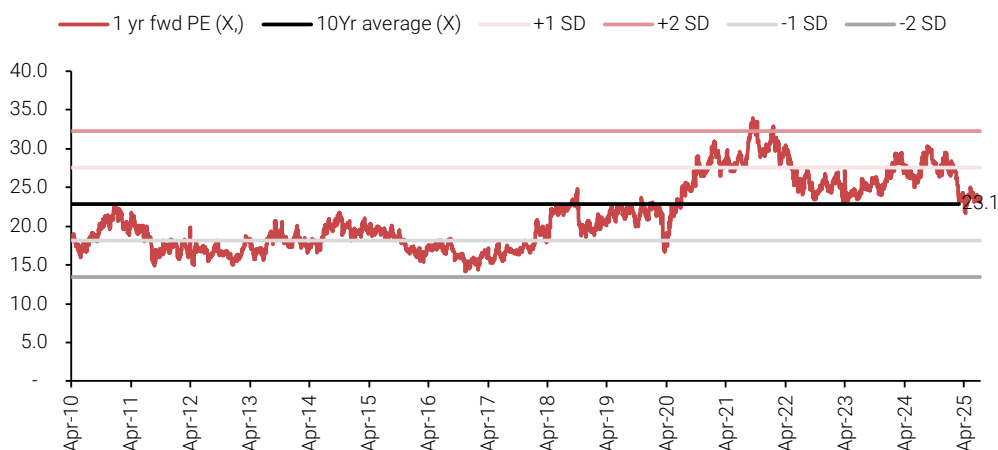
Employee pyramid deteriorated significantly in 2024 and 2025

Exhibit 21: TCS: Employee distribution by region and age, March fiscal year-ends, 2020-25, %

	2020	2021	2022	2023	2024	2025
India						
>50	1	1.1	1.1	1.1	1.3	1.5
40-50	8	7	7	8.7	12.6	11.9
30-40	39	36	33	37.3	35.8	38.9
<30	52	56	59	52.9	50.3	47.7
Total	100	100	100	100	100	100
North America						
>50	21	21	20	21.8	20.7	20.5
40-50	33	28	27	28.4	35.3	32.9
30-40	30	29	30	32.8	30.9	35.5
<30	16	22	23	17	13.1	11.1
Total	100	100	100	100	100	100
UK						
>50	26	23	26	27.1	27	26.5
40-50	33	30	28	27.5	30.6	27.2
30-40	19	27	25	26.2	23.8	25.9
<30	23	20	21	19.2	18.6	20.4
Total	101	100	100	100	100	100
Europe						
>50	14	16	25	25.5	25.8	26.7
40-50	27	22	23	23.8	26.8	24.7
30-40	34	33	30	34.2	31.5	34.8
<30	25	29	22	16.5	15.9	13.8
Total	100	100	100	100	100	100
Emerging markets						
>50	6	7	7	7.6	8.5	9.3
40-50	17	19	16	17.4	21.5	19.9
30-40	40	42	38	41.1	38.5	42.2
<30	37	32	39	33.9	31.5	28.6
Total	100	100	100	100	100	100
APAC						
>50	6	7	9	8.5	8.2	8.8
40-50	19	15	20	21.5	27.1	24.6
30-40	43	38	43	45.2	39.5	42.1
<30	32	40	28	24.8	25.2	24.5
Total	100	100	100	100	100	100

Source: Company, Kotak Institutional Equities

Exhibit 22: TCS 1-year forward PE multiple band chart



Source: Companies, Kotak Institutional Equities

We expect revenue decline of 0.1% in FY2026E ex-BSNL

Exhibit 23: Key model assumptions, March fiscal year-ends, 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Average Exchange Rate	71.2	74.0	74.6	80.7	82.8	84.6	86.1	88.0	90.0
Revenues (US\$ mn)	22,031	22,174	25,707	27,927	29,081	30,178	30,001	31,855	33,977
Revenue Growth (%)	5.4	0.6	15.9	8.6	4.1	3.8	(0.6)	6.2	6.7
C/c revenue growth	7.1	(0.8)	15.4	13.7	3.4	6.4	(2.6)	6.2	6.7
C/c organic revenue growth	7.1	(0.8)	15.4	13.7	3.4	6.4	(2.6)	6.2	6.7
Employees	438,564	477,649	579,195	601,395	588,446	594,979	602,908	641,373	675,667
Employee addition	22,739	39,085	101,546	22,200	(12,949)	6,533	7,929	38,465	34,294
EBITDA margin (%)	26.8	28.4	27.7	26.3	26.7	26.4	26.6	27.0	27.0
EBIT margin (%)	24.6	25.9	25.3	24.1	24.6	24.3	24.5	25.0	25.1
SG&A (%)	16.6	15.0	15.0	15.5	15.8	14.6	14.6	14.7	14.7
Effective tax rate (%)	23.2	25.5	25.6	25.7	25.8	25.3	24.4	25.5	25.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 24: Key operating metrics

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Revenues (US\$ mn)	7,210	7,281	7,363	7,505	7,670	7,539	7,465	7,421
Revenues (Rs mn)	596,920	605,830	612,370	626,130	642,590	639,730	644,790	634,370
Exchange rate (Re/US\$)	82.8	83.2	83.2	83.4	83.8	84.9	86.4	85.5
Revenue by geography (%)								
North America	51.7	50.6	50.0	49.5	47.6	47.7	48.2	48.7
Latin America	2.0	2.1	2.0	1.9	1.8	1.9	1.8	1.9
UK	16.5	16.4	16.8	16.9	17.0	16.6	16.8	18.0
Continental Europe	14.9	15.0	14.6	14.4	14.6	13.9	14.3	15.0
India	4.9	6.1	6.7	7.5	8.9	9.8	8.4	5.8
Asia Pacific	7.8	7.8	7.8	7.8	8.0	7.8	8.1	8.4
MEA	2.2	2.0	2.1	2.0	2.1	2.3	2.4	2.2
Vertical split of revenues (%) - new classification								
BFSI	32.6	31.7	31.3	30.9	30.8	30.5	31.2	32.0
Consumer Business	15.9	15.7	15.7	15.4	15.1	15.3	15.3	15.6
Communication & Media	6.9	6.7	6.6	6.2	5.9	5.8	5.8	5.8
Manufacturing	8.5	8.6	8.8	8.8	8.6	8.4	8.4	8.7
Life sciences & healthcare	10.9	10.9	10.9	11.0	10.4	10.1	10.1	10.2
Technology & Services	8.6	8.4	8.2	8.1	8.0	8.0	8.1	8.4
Energy, Resources & Utilities	5.6	5.7	5.6	5.6	5.7	5.6	5.7	5.9
Regional markets and others	11.0	12.3	12.9	14.0	15.5	16.3	15.4	13.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Client metrics								
US\$1 mn clients	1,272	1,288	1,294	1,310	1,307	1,309	1,332	1,336
US\$5 mn clients	688	693	693	697	710	722	722	714
US\$10 mn clients	483	480	487	486	491	497	493	495
US\$20 mn clients	292	299	301	300	298	294	298	300
US\$50 mn clients	137	137	139	140	136	134	130	131
US\$100 mn clients	61	61	62	63	66	64	64	62
TCV of deal wins (US\$ mn)								
Total	11,200	8,100	13,200	8,300	8,600	10,200	12,200	9,400
North America	4,500	4,200	5,700	4,600	4,200	5,900	6,800	4,400
Financial services	3,000	2,600	4,100	2,700	2,900	3,200	4,000	2,500
Retail	1,400	1,500	1,600	1,100	1,200	1,300	1,700	1,600
Employee metrics								
Total employees - incl Indian subsidiaries	608,985	603,305	601,546	606,998	612,724	607,354	607,979	613,069
Net addition	(6,333)	(5,680)	(1,759)	5,452	5,726	(5,370)	625	5,090
IT services attrition rate (%)	14.9	13.3	12.5	12.1	12.3	13.0	13.3	13.8

Notes:

(a) Verticals reclassified in Sep 2023 quarter.

Source: Company, Kotak Institutional Equities

Exhibit 25: Profit model, balance sheet, cash model of TCS, March fiscal year-ends (Rs mn), 2020-28E

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model									
Revenues	1,569,490	1,641,770	1,917,540	2,254,580	2,408,930	2,553,240	2,581,947	2,803,253	3,057,892
Cost of sales	(923,220)	(971,380)	(1,146,210)	(1,362,680)	(1,435,950)	(1,559,940)	(1,573,010)	(1,695,096)	(1,844,064)
SG&A expenses	(260,470)	(245,580)	(286,800)	(349,530)	(379,870)	(371,650)	(376,596)	(407,232)	(445,702)
EBIT	385,800	424,810	484,530	542,370	593,110	621,650	632,341	700,925	768,126
Other income	36,680	24,970	32,340	26,700	37,270	31,660	42,781	39,420	39,831
Pre-tax profits	422,480	449,780	516,870	569,070	630,380	653,310	675,122	740,345	807,957
Provision for tax	(98,010)	(114,580)	(132,380)	(146,040)	(162,620)	(165,340)	(164,448)	(188,791)	(205,658)
Recurring net income	324,470	335,200	384,490	423,030	467,760	487,970	510,674	551,554	602,299
Minority Interest	(1,070)	(1,320)	(1,220)	(1,560)	(1,628)	(2,440)	(2,432)	(2,432)	(2,432)
Extraordinary items	-	-	-	-	(6,770)	-	-	-	-
Reported net income	323,400	333,880	383,270	421,470	466,132	485,530	508,242	549,122	599,867
EPS (Rs)	86.2	89.3	103.6	115.2	129.6	134.2	140.5	151.8	165.8
Balance Sheet									
Shareholders funds	862,400	885,550	912,590	925,420	926,120	968,820	1,055,221	1,148,572	1,250,549
Borrowings	-	-	-	-	-	-	-	-	-
Minority interest	6,230	6,750	7,070	7,820	8,300	10,150	12,582	15,013	17,445
Other non-current liabilities	88,820	88,240	90,670	85,770	90,720	109,130	108,418	110,030	111,876
Total liabilities	957,450	980,540	1,010,330	1,019,010	1,025,140	1,088,100	1,176,221	1,273,616	1,379,870
Net fixed assets	119,380	121,350	120,800	115,950	112,240	129,320	115,853	123,790	128,900
Goodwill	38,500	39,480	39,350	40,060	39,890	40,240	40,240	40,240	40,240
Intangibles	2,830	4,800	11,010	8,670	5,100	9,400	9,400	9,400	9,400
Investments	2,160	2,130	2,230	2,660	2,810	2,750	2,750	2,750	2,750
Other non-current assets	149,640	150,110	159,630	162,910	159,210	187,350	189,756	192,251	195,043
Cash and bank balances	441,092	502,338	555,770	495,973	465,440	469,550	543,043	594,681	652,388
Net current assets excluding cash	203,848	160,332	121,540	192,787	240,450	249,490	275,179	310,504	351,149
Total assets	957,450	980,540	1,010,330	1,019,010	1,025,140	1,088,100	1,176,221	1,273,616	1,379,870
Cash flow									
Operating cash flow, excl. working capital changes	370,360	388,970	427,180	461,820	512,360	525,540	522,823	567,273	620,075
Working capital	(46,670)	8,630	(27,690)	(42,170)	(75,940)	(36,460)	(26,751)	(34,112)	(39,250)
Cash flow from operations	323,690	397,600	399,490	419,650	436,420	489,080	496,072	533,161	580,825
Capital expenditure	(33,150)	(31,390)	(34,850)	(31,000)	(26,470)	(49,770)	(25,449)	(42,171)	(41,209)
Net finance cost/ income	36,680	24,970	32,340	26,700	37,270	31,660	42,781	39,420	39,831
Increase/(decrease) in lease liabilities	(10,620)	(13,360)	(14,170)	(15,150)	(16,140)	(16,360)	(22,150)	(23,000)	(23,850)
Free cash flow	316,600	377,820	382,810	400,200	431,080	454,610	491,254	507,409	555,597
Ratios (%)									
Gross profit margin	41.2	40.8	40.2	39.6	40.4	38.9	39.1	39.5	39.7
EBITDA margin	26.8	28.4	27.7	26.3	26.7	26.4	26.6	27.0	27.0
EBIT margin	24.6	25.9	25.3	24.1	24.6	24.3	24.5	25.0	25.1
EPS growth	3.8	3.7	16.0	11.1	12.6	3.5	4.7	8.0	9.2
RoAE	36.4	38.2	42.6	45.9	50.4	51.2	50.2	49.8	50.0

Source: Company, Kotak Institutional Equities estimates