

Tata Consultancy Services Ltd.

BUY

Sector: IT Services

14th October 2026

Key Changes		Target	▲	Rating	●	Earnings	▼	Target	Rs.2,530
Stock Type	Bloomberg Code	Sensex		NSE Code		BSE Code	Time Frame	CMP	Rs.2,267
Large Cap	TCS:IN	73,034		TCS		532540	12 Months	Return	+12%

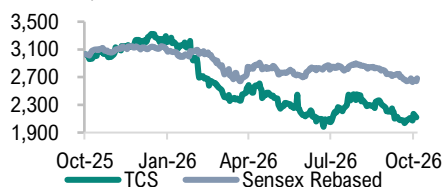
Data as of: 13-Oct-2026, 18:00 hrs

Company Data	
Market Cap (Rs.cr)	820,220
52 Week High — Low (Rs.)	3,337 - 1,976
Enterprise Value ((Rs.cr)	819,918
Outstanding Shares (cr).	361.8
Free Float (%)	28.1
Dividend Yield (%)	4.9
6m average volume (cr)	0.5
Beta	0.8
Face value (Rs.)	1.0

Shareholding (%)	Q3FY26	Q4FY26	Q1FY27
Promoters	71.8	71.8	71.8
FII's	10.4	9.7	9.1
MFs/Institutions	12.9	13.4	13.5
Public	4.6	4.9	5.3
Others	0.4	0.3	0.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	+3.9%	-8.3%	-24.6%
Absolute Sensex	-5.9%	-5.0%	-11.3%
Relative Return	9.8%	-3.4%	-13.3%

*over or under performance to the benchmark index



Y.E March (Rs. cr)	FY26A	FY27E	FY28E
Sales	267,021	293,649	305,475
Growth (%)	4.6	10.0	4.0
EBITDA	72,398	76,502	80,335
EBITDA Margin (%)	27.1	26.1	26.3
Adj. PAT	53,736	55,337	57,205
Growth (%)	10.7	3.0	3.4
Adj. EPS	148.5	152.9	158.1
Growth (%)	10.7	3.0	3.4
P/E	15.3	14.8	14.3
P/B	7.6	7.8	8.0
EV/EBITDA	11.3	10.7	10.2
ROE (%)	46.1	52.5	55.8
D/E	0.1	0.1	0.1

AI Push Strengthens Growth Visibility

Tata Consultancy Services (TCS), a subsidiary of Tata Sons Ltd, is a global IT company providing services to the banking, financial services and insurance - BFSI; telecommunication; transportation; retail and manufacturing sectors.

- Consolidated revenue rose 11.2% YoY to Rs. 73,188cr in Q2FY27 owing to growth in the international market; better performance in BFSI, manufacturing and tech; artificial intelligence -AI revenue exceeding \$3.1bn; and major deal wins.
- Europe revenue rose 12.0% YoY to Rs. 24,155cr on the back of strong growth in the UK, which reported 4.5% YoY constant-currency growth during Q2FY27.
- EBITDA rose 4.7% YoY to Rs. 18,815cr, while EBITDA margin contracted 160bps to 25.7%, due to higher other operating expenses (+35.0% YoY) and cost of equipment and software licences (+39.8% YoY).
- Adjusted profit after tax rose 5.1% YoY to Rs. 13,884cr on robust growth in global markets and strong profitability despite higher cost pressures.

Outlook & Valuation

TCS delivered a steady quarter, supported by broad-based growth across international markets, continued client expansion and a robust pipeline of transformation-led engagements across key geographies and industry verticals. Strategic partnerships with Porsche AG, Best Buy, Aareal Bank and Dubai Gold & Commodities Exchange, along with the proposed acquisition of MHP Management-und IT-Beratung GmbH (MHP), should strengthen its capabilities across AI, cloud, digital transformation, infrastructure services and automotive consulting. Continued AI-led momentum and investments in talent, delivery and industry solutions should enhance long-term growth visibility and competitive positioning. While we modestly recalibrate FY27E/FY28E EBITDA margins by 110bps/100bps to reflect higher subcontracting costs, growth investments and the expected ~50bps dilution from MHP, these initiatives should strengthen execution capabilities and support future growth opportunities.

We retain our BUY rating on the stock, with a revised target price of Rs.2,530 based on 16x FY28E adjusted EPS.

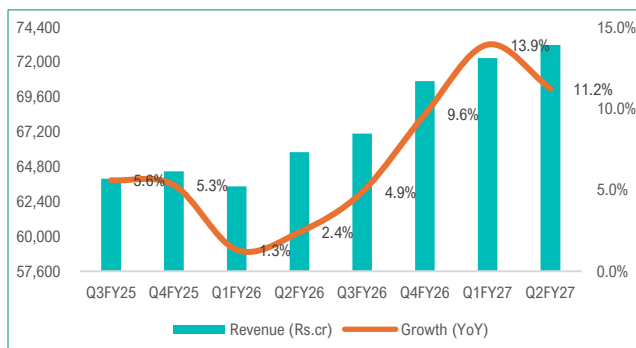
Quarterly Financials Consolidated

Rs.cr	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Sales	73,188	65,799	11.2	72,275	1.3	145,463	129,236	12.6
EBITDA	18,815	17,978	4.7	18,556	1.4	37,371	34,853	7.2
Margin (%)	25.7	27.3	-160bps	25.7	0bps	25.7	27.0	-130bps
EBIT	17,553	16,565	6.0	17,317	1.4	34,870	32,079	8.7
PBT	18,638	16,068	16.0	17,944	3.9	36,582	33,047	10.7
Rep. PAT	13,934	12,131	14.9	13,420	3.8	27,354	24,950	9.6
Adj PAT	13,884	13,210	5.1	14,017	-0.9	27,901	25,970	7.4
Adj. EPS (Rs)	38.4	36.5	5.1	38.7	-0.9	77.1	71.8	7.4

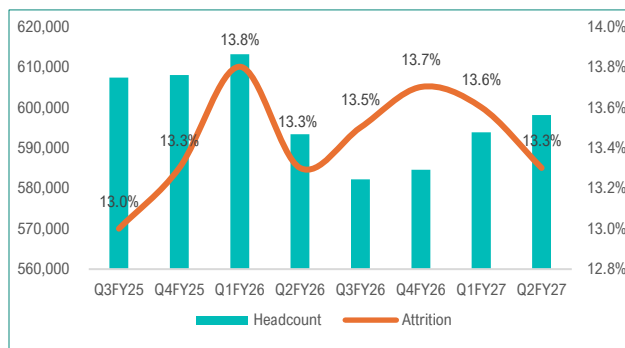
Key Concall Highlights

- Demand remained resilient in Q2FY27, with total contract value -TCV at \$9.6bn and broad-based client expansion. The number of clients contributing \$10mn, \$5mn and \$1mn in revenue increased by 2, 6 and 11 from the previous quarter, respectively.
- Porsche signed a five-year strategic agreement with TCS, providing long-term revenue visibility and strengthening the IT major's presence in the global automotive technology and AI services market.
- Best Buy's global capability centre in India will transition to TCS and be transformed into an AI capability centre.
- TCS announced the proposed acquisition of MHP Management-und IT-Beratung GmbH (MHP), Porsche AG's automotive and industrial consulting subsidiary, for an enterprise value of €320mn.
- The strategic partnership with Aareal Bank positions TCS to provide end-to-end infrastructure support, cloud operations, workplace services and cybersecurity, supporting long-term digital transformation and technology modernisation objectives.
- Dubai Gold & Commodities Exchange partnered with TCS to modernise its market infrastructure through a next-generation integrated trading, clearing and surveillance platform, supporting future growth and operational efficiency.
- Headcount of TCS increased to 598,056 in Q2FY27 from 593,798 in Q1FY27, while voluntary LTM attrition in IT services fell 30bps to 13.3%, reflecting steady workforce expansion and better retention.

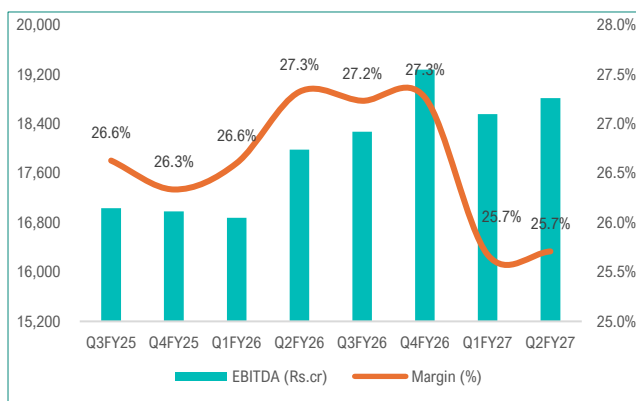
Revenue



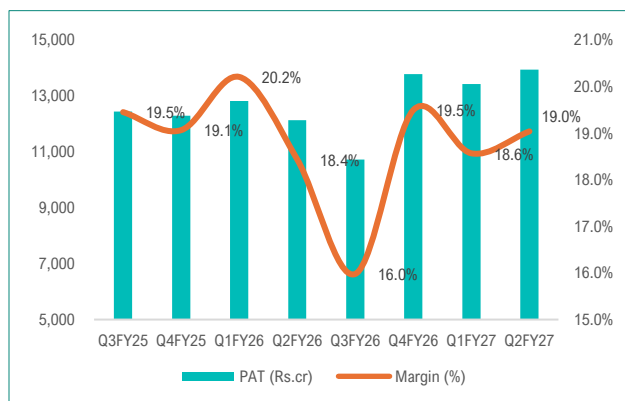
Headcount



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs. cr	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	290,507	302,247	293,649	305,475	1.1	1.1
EBITDA	78,978	82,612	76,502	80,335	-3.1	-2.8
Margins (%)	27.2	27.3	26.1	26.3	-110bps	-100bps
Adj. PAT	57,279	59,149	55,337	57,205	-3.4	-3.3
Adj. EPS	158.3	163.5	152.9	158.1	-3.4	-3.3

Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Sales	240,893	255,324	267,021	293,649	305,475
% change	6.8	6.0	4.6	10.0	4.0
EBITDA	64,296	67,407	72,398	76,502	80,335
% change	8.5	4.8	7.4	5.7	5.0
Depreciation	4,985	5,242	5,560	5,709	6,127
EBIT	59,311	62,165	66,838	70,793	74,208
Interest	778	796	1,227	1,320	1,416
Exceptional Items	958	-	4,526	668	-
Other Income	4,422	3,962	4,402	5,139	4,582
PBT	61,997	65,331	65,487	73,944	77,373
% change	8.9	5.4	0.2	12.9	4.6
Tax	15,898	16,534	16,033	19,004	19,885
Tax Rate (%)	25.6	25.3	24.5	25.7	25.7
Reported PAT	46,099	48,797	49,454	54,940	57,488
PAT att. to common shareholders	45,908	48,553	49,210	54,669	57,205
Adj*	958	-	4,526	668	-
Adj PAT	46,866	48,553	53,736	55,337	57,205
% change	11.2	3.6	10.7	3.0	3.4
No. of shares (cr)	364.7	361.8	361.8	361.8	361.8
Adj EPS (Rs.)	128.5	134.2	148.5	152.9	158.1
% change	11.6	4.4	10.7	3.0	3.4
DPS (Rs.)	73.0	126.0	110.0	122.4	129.6

Cash Flow

Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Net inc. + Depn.	51,084	54,039	55,014	60,650	63,616
Non-cash adj.	-2,787	-3,337	2,971	-12,000	-10,427
Other adjustments	-	-	-	-	-
Changes in W.C	-3,959	-1,794	-5,891	-843	-2,788
C.F. Operation	44,338	48,908	52,094	47,807	50,401
Capital exp.	-2,185	-2,894	-3,605	-6,548	-6,232
Change in inv.	5,657	-416	-11,293	664	660
Other invest.CF	2,554	992	2,053	4,624	4,565
C.F – Investment	6,026	-2,318	-12,845	-1,260	-1,006
Issue of equity	-17,046	28	200	-	-
Issue/repay debt	-	-	-	320	320
Dividends paid	-25,218	-44,962	-39,571	-44,282	-46,908
Other finance.CF	-6,272	-2,504	-2,762	-1,363	-1,364
C.F – Finance	-48,536	-47,438	-42,133	-45,326	-47,952
Chg. in cash	1,893	-674	-1,925	1,221	1,444
Closing cash	9,016	8,342	6,417	7,638	9,081

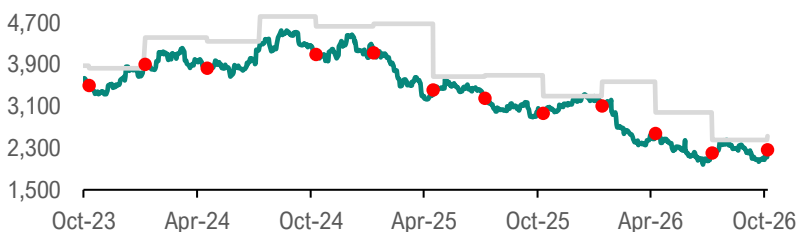
Balance Sheet

Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Cash	13,286	15,463	12,908	14,129	15,572
Accounts Receivable	44,434	50,142	57,630	59,464	64,150
Inventories	28	21	29	34	38
Other Cur. Assets	55,236	57,385	65,138	62,145	58,707
Investments	281	275	218	454	694
Gross Fixed Assets	33,853	37,277	39,208	45,756	51,988
Net Fixed Assets	9,376	10,978	11,032	12,084	12,385
CWIP	1,564	1,546	2,665	2,452	2,256
Intangible Assets	10,228	12,075	20,290	20,025	19,792
Def. Tax Assets	5,003	5,147	5,904	5,886	6,060
Other Assets	7,013	6,597	6,537	5,380	4,264
Total Assets	146,449	159,629	182,351	182,054	183,918
Current Liabilities	44,599	51,447	59,084	60,856	63,651
Provisions	-	-	-	-	-
Debt Funds	8,386	10,072	11,997	12,317	12,637
Other Liabilities	2,145	2,339	2,792	2,748	2,801
Equity Capital	362	362	362	362	362
Reserves & Surplus	90,127	94,394	106,878	104,262	102,673
Shareholders' Funds	90,489	94,756	107,240	104,624	103,035
Minority Interest	830	1,015	1,238	1,509	1,793
Total Liabilities	146,449	159,629	182,351	182,054	183,918
BVPS	248	262	296	289	285

Ratios

Y.E March	FY24A	FY25A	FY26A	FY27E	FY28E
Profitab. & Return					
EBITDA margin %	26.7	26.4	27.1	26.1	26.3
EBIT margin (%)	24.6	24.3	25.0	24.1	24.3
Net profit mgn.(%)	19.1	19.1	18.5	18.7	18.8
ROE (%)	50.9	51.5	46.1	52.5	55.8
ROCE (%)	59.5	58.7	55.5	59.8	63.2
W.C & Liquidity					
Receivables (days)	67.3	71.7	78.8	73.9	76.7
Inventory (days)	0.3	0.3	0.3	0.3	0.3
Payables (days)	111.2	166.6	153.4	142.4	153.3
Current ratio (x)	2.5	2.3	2.2	2.2	2.1
Quick ratio (x)	1.9	1.8	1.7	1.7	1.7
Turnover & Leverage					
Gross asset T.O (x)	7.3	7.2	7.0	6.9	6.3
Total asset T.O (x)	1.7	1.7	1.6	1.6	1.7
Int. coverage ratio (x)	76.2	78.1	54.5	53.6	52.4
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	3.4	3.2	3.1	2.8	2.7
EV/EBITDA (x)	12.8	12.1	11.3	10.7	10.2
P/E (x)	17.6	16.9	15.3	14.8	14.3
P/BV (x)	9.1	8.7	7.6	7.8	8.0

Recommendation Summary (Last 3 years)



Dates	Rating	Target
17-Jan-25	BUY	4,683
23-Apr-25	HOLD	3,671
15-Jul-25	BUY	3,691
17-Oct-25	BUY	3,293
20-Jan-26	BUY	3,573
16-Apr-26	BUY	2,981
16-Jul-26	BUY	2,453
14-Oct-26	BUY	2,530

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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