Dated: 25 August 2026

TCS (TCS) - ADD

Company Update

Current Market Price (CMP)	Fair Value (FV)
Rs.2,284	**Rs.2,450**

Rationale:

- TCS opts for a 'value' acquisition.
- Acquires MHP for a consideration of EUR32 cr at ~0.43x CY25 sales.
- MHP is 100% owned by Porsche. Porsche and Volkswagen are anchor clients.
- MHP provides IT, consulting and engineering services to European firms with a large exposure to the German automotive industry.
- Delivery is largely onsite, with some nearshore and offshore presence in Romania, Mexico and India.
- On an absolute basis, an EUR32 cr acquisition is not costly.
- Assumption of 7% EBITDA margin & EUR70 cr revenue in CY26 yield ~7x EV/EBITDA, which we consider inexpensive.
- The deal could be EPS neutral or accretive.

Positives:

- TCS will scale AI programs across the business and mobility sector as part of the EUR125 cr deal.
- Porsche mega deal provides a spending commitment for a period of five years.

Negatives:

- Unlike Porsche, Volkswagen has not signed any spending commitment with TCS.
- High reliance on the impacted German automotive sector and high client concentration pose downside risks.

(AI: Artificial Intelligence, EV: Enterprise Value, EBITDA: Earnings Before Interest, Tax, Depreciation, and Amortization, EPS: Earnings Per Share)

Holding Period: 12 months

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RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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