HDFC securities | 25 YEARS
Powering India's Investments

Stock Update

Tata Consultancy Services Ltd.

April 16, 2026

PRIME RESEARCH
Empowering decisions

Tata Consultancy Services Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
IT Consulting & Software	Rs 2577	Hold and add on dips in the band of Rs 2315-2360	Rs 3262	Rs 3423	4 quarters

BSE Code	532540
NSE Code	TCS
Bloomberg	TCS IN
CMP Apr 16, 2026	2577
Equity Capital (Rs Cr)	361.8
Face Value (Rs)	1.0
Equity Share O/S (Cr)	361.8
Market Cap (Rs Cr)	932,359
Book Value (Rs)	296.0
Avg. 52 Wk Volumes	3,803,119
52 Week High	3630.0
52 Week Low	2346.0

Share holding Pattern % (March, 2026)	
Promoters	71.8
Institutions	23.2
Non Institutions	5.0
Total	100

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst
Abdul Karim
abdul.karim@hdfcsec.com

Our Take:

Tata Consultancy Services (TCS) is an IT services, consulting and business solutions organisation and partnering with many of the world's largest businesses in their transformational journeys for the last 57 years. It has a global presence across North America, Latin America, continental Europe, the United Kingdom (UK), India, Asia Pacific, West Asia and Africa, deep domain expertise in multiple industry verticals and a complete portfolio of IT, BPS, infrastructure, engineering and assurance services – grouped under consulting and service integration, digital transformation services, cognitive business operations, and products and platforms. TCS has over ~585,000 of the world's best-trained consultants in 55 countries.

The company's deal total contract value (TCV) stood at US$ 12bn in Q4FY26 vs. US$ 9.3bn in Q3FY26, US$ 10 bn in Q2FY26, US$ 9.4 bn in Q1FY26, US$ 12.2bn in Q4FY25, US$ 10.2 bn in Q3FY25, US$ 8.6 bn in Q2FY25, and US$ 8.3 bn in Q1FY25, indicating strong market share gains. The company delivered strong TCV performance at $40.7 bn for FY26 with 3 mega deals for the quarter and 5 mega deals for the year. With the increase in new deal signings, the rate of conversion of the new contracts into revenues has also gone up. However, the company has not experienced any slowdown in its large deals. The company highlighted that a strong deal TCV provides confidence in FY27E growth. New demand is across segments and geographies, and includes cost optimisation and transformation deals.

TCS reported FY26 revenue at Rs 267,021 crore, grew +4.6% YoY, -2.4% in CC and operating margin at 25%; up 70 basis points YoY – highest operating margin in last 4 years. The company reported net margin at 19.8%; up 80 basis points YoY – highest net margin in last 4 years. TCS has also retained its industry-leading EBIT margins of 25%. However, despite INR depreciation and improvement in revenue per employee, margin expansion remains unimpressive, with most positive levers have reinvested or passed through in a cautious demand environment.

Q4FY26 Result Update:

- TCS numbers were above expectations, and margins remained stable. Consolidated revenue grew 5.4% QoQ and 9.6% YoY to Rs 70,698 crore in Rupee terms in Q4FY26, and revenue in constant currency (CC) terms grew 1.2% YoY
- EBIT rose 5.8% QoQ and 14.5% YoY to Rs 17,870 crore, and EBIT margin inched up by 10bps QoQ to 25.3% in Q4FY26, increased 110bps YoY. Adj. net Profit grew 3.7% QoQ and 12.1% YoY to Rs 13,718 crore. In Q3FY26, net profit was largely impacted by one-off expenses due to the new Labour Codes. Adj PAT margin ramped up to 19.4% vs. 19.7% in Q3FY26 and 19% in Q4FY25.
- Among verticals, BFSI, which accounts for 31.8% of the company's revenue, maintained signs of recovery, grew by 0.4% YoY in CC terms. Manufacturing was up 3.1% YoY, technology services 2.5% YoY, Life Sciences & Healthcare 3.3% YoY, and Energy Resources

and Utilities 7.3% YoY. Consumer business was up by 0.8% YoY. However, regional markets continued to fall 12.8% YoY in CC terms, and communication and media declined by 2.1% YoY.
- Among major markets, North America continued to rise by 1.4% YoY CC and continental Europe grew by 1.2%, whereas the UK de-grew by 1.2% YoY in CC terms.

Concall takeaways:

- TCS remains positive about the FY27E outlook, particularly for international business growth. Q1FY27 and Q2FY27 are expected to follow typical seasonality, but they will be stronger than Q4FY26.
- The company will continue to look at profit margin expansion through levers, such as utilisation, which helped in FY26.
- The pipeline of projects as "stable" and quickly added "stable is good", and sees signs of improvement in the discretionary demand front. Clients are seeking partners with deep technology expertise, strong domain context, and end-to-end accountability.
- TCS invested significantly in strengthening AI partnerships across enterprise platforms, hyperscalers, deep-tech, AI-native, and domain-specific players, including partnerships with Service Now, Google Cloud, and ABB.
- Client metrics improved, with an increase in accounts generating over US$ 100mn in revenue, indicating greater stability and willingness for large transformation programs.
- TCS has made 25,000 offers to freshers in the current fiscal, and pointed out that the demand scenario will determine whether it hires more college graduates, and the company had hired 44,000 freshers in FY26.

Valuation & Recommendation:

TCS has strong domain expertise and contextual knowledge and has demonstrated its ability to structure and execute large-scale projects, globally. This has differentiated it in the marketplace, enabling it to continually gain market share over its competitors. TCS' significant organic investments in manpower training and developing capabilities, along with being at the forefront of adopting new-age technologies such as GenAI have given it a competitive edge, and helped it capture many transformational digital deals across the globe. The company's ability to capitalise on growth areas like AI, cloud, and cybersecurity will be critical to sustaining its leadership. TCS's robust financial profile, characterised by healthy cash accrual generation, negative net debt position and robust liquidity profile, brings a positive view on the stock.

We had issued an investment idea report (Link) on TCS on Sept 01, 2025, suggested to buy in the band of Rs 3085-3145 and add on dips in the band of Rs 2775-2835 for a base case fair value of Rs 3423 and the bull case fair value of Rs 3630 over the next two to three quarters. The stock entered into add-on dips on Feb 12, 2026, and our average price is at Rs 2966. Considering its client's cautious approach due to AI disruption and macro uncertainties, we revised the targets and recommend to hold the stock and add on dips in the band of Rs 2315-2360 (14x FY28E EPS) for a revised base case fair value of Rs 3262 (19.5x FY28E EPS) and revised bull case fair value of Rs 3423 (20.5x FY28E EPS) over the next four quarters from here on.

Key Risks:

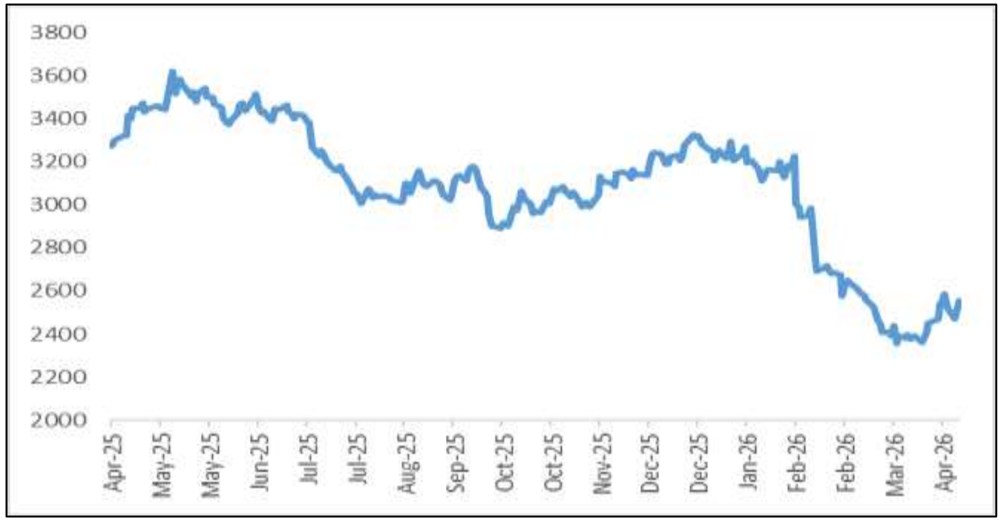
- Indian rupee appreciation against the USD/Euro,
- Strict immigration norms and rise in visa costs,
- Competition from global IT giants like Accenture, IBM, and Infosys, as well as from niche startups offering specialised solutions,
- Revenue decline in a couple of subsidiaries, and
- Heavy reliance on US exposes TCS to risks from economic fluctuations, regulatory changes, and political tensions in the region

Financial Summary:

Particulars (Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	70698	64479	9.6	67087	5.4	2,40,893	2,55,324	2,67,021	2,86,654	3,04,930
EBIT	17870	15601	14.5	16890	5.8	59311	62165	66839	72785	77916
APAT	13718	12224	12.2	13234	3.7	46635	48553	52650	56653	60,431
Diluted EPS (Rs)	37.9	33.8	12.1	36.6	3.6	128.9	134.2	145.5	156.6	167
P/E (x)						20.0	19.2	17.7	16.5	15.4
EV/EBITDA (x)						13.9	13.2	12.3	11.4	10.7
RoE-%						51.6	52.4	52.1	52.2	54.5

(Source: Company, HDFC sec)

One Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

Abdul Karim

Digitally signed by Abdul Karim
Date: 2026.04.16 15:55:51 +05'30'

Disclosure:

I, **(Abdul Karim),** Research Analyst, **(MBA),** author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. “This report may have been refined using AI tools to enhance clarity and readability.” Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400
HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193