

December 18, 2025

Analyst Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	3,800		3,800	
Sales (Rs bn)	2,871	3,123	2,871	3,123
% Chng.	-	-	-	-
EBITDA (Rs bn)	789	872	789	872
% Chng.	-	-	-	-
EPS (Rs.)	159.5	175.8	159.5	175.8
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	2,553	2,662	2,871	3,123
EBITDA (Rs. bn)	673	720	789	872
Margin (%)	26.4	27.0	27.5	27.9
PAT (Rs. bn)	486	529	577	636
EPS (Rs.)	134.2	146.2	159.5	175.8
Gr. (%)	5.3	8.9	9.1	10.2
DPS (Rs.)	126.0	128.7	143.6	158.2
Yield (%)	3.9	4.0	4.5	4.9
RoE (%)	51.8	54.3	56.1	58.4
RoCE (%)	49.6	51.0	52.8	55.2
EV/Sales (x)	4.4	4.2	3.9	3.5
EV/EBITDA (x)	16.7	15.5	14.1	12.7
PE (x)	24.0	22.0	20.2	18.3
P/BV (x)	12.3	11.7	11.0	10.4

Key Data

TCS.BO | TCS IN

52-W High / Low	Rs.4,363 / Rs.2,867
Sensex / Nifty	84,560 / 25,819
Market Cap	Rs.11,642bn/ \$ 1,28,824m
Shares Outstanding	3,618m
3M Avg. Daily Value	Rs.9935.3m

Shareholding Pattern (%)

Promoter's	71.77
Foreign	11.48
Domestic Institution	12.01
Public & Others	4.74
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	(8.5)	(24.5)
Relative	4.2	(11.7)	(27.9)

Pritesh Thakkar

priteshtthakkar@plindia.com | 91-22-66322533

Sujay Chavan

sujaychavan@plindia.com | 91-22-66322536

Scaling AI to Drive the Next Phase of Growth

Quick Pointers:

- Laid out strategy to drive AI led services and become full stack AI partner for clients
- Aspire for EBIT margin band of 26-28% while investing for growth

We attended TCS analyst day, the company demonstrated progress in AI-led services, its approach to make the talent AI-ready, and redefining partner ecosystem to provide measured value to enterprise clients. The company generates ~0.5% (annualized USD 1.5b) of its revenues through AI services, which is growing at a faster pace (around mid-teens QoQ) than the traditional IT Services. Currently, BPM as a function and BFS as a vertical are undergoing major chunks of pilots and experimentations, while other verticals have also joined the bandwagon of late. The AI maturity into business processes and functions would be slower starting with AI assisting humans (L2) to limited human intervention (L4), before it reaches the full autonomy (L5) with self-learning AI agents. TCS is also redefining partnerships beyond Hyperscalers & Enterprise solution providers to engaging proactively with deep-tech and AI native players ecosystem.

The management re-iterated its aspirations to achieve ~26-28% margin band from ~25% currently, despite having invested into a wide pool of AI opportunity that are time-tested. Additionally, to drive the AI efforts internally and make the existing employee pool AI-ready, it is investing ~USD1bn in training infra and re-skilling. We believe the strategic move to fill the white gaps through partnerships and acquisitions is much needed to stay competitive. With this service-led investment roadmap it is stitching end-to-end offerings with infra-led investments (USD 6-7b) put out earlier. We retain BUY with TP of Rs. 3,800

Pivot from Digital to AI enterprise: TCS is pivoting from a digital transformation partner to an **AI-led technology enterprise partner**, positioning AI as the core operating layer for clients through a **five-point strategy** spanning internal AI transformation, service redefinition, future-ready talent, industry-led solutions, and ecosystem partnerships. Strong demand reflected in AI services revenue of **~USD 1.5 bn (annualized)** and **~5k AI engagements** executed across industries, with broad-based adoption evidenced by 54 of the top 60, USD 100 mn+ clients actively running AI programs, underpinning this strategic transition. Growth opportunities span BFSI, manufacturing, consumer, technology, and services, while AI is also catalyzing adjacent spend across cloud, data, ERP, cybersecurity, and legacy modernization as clients scale pilots into enterprise-wide AI deployments.

Investing for One Stop Enabler for AI: TCS's strategy aspires to position itself as a one-stop AI orchestrator, combining internal IP, industry solutions, and deep ecosystem partnerships with hyperscalers and AI-native firms. To support this, TCS is making **significant investments in AI infrastructure**, including planned **~1 GW data center capacity**, enabling full-stack AI services. In parallel, the company

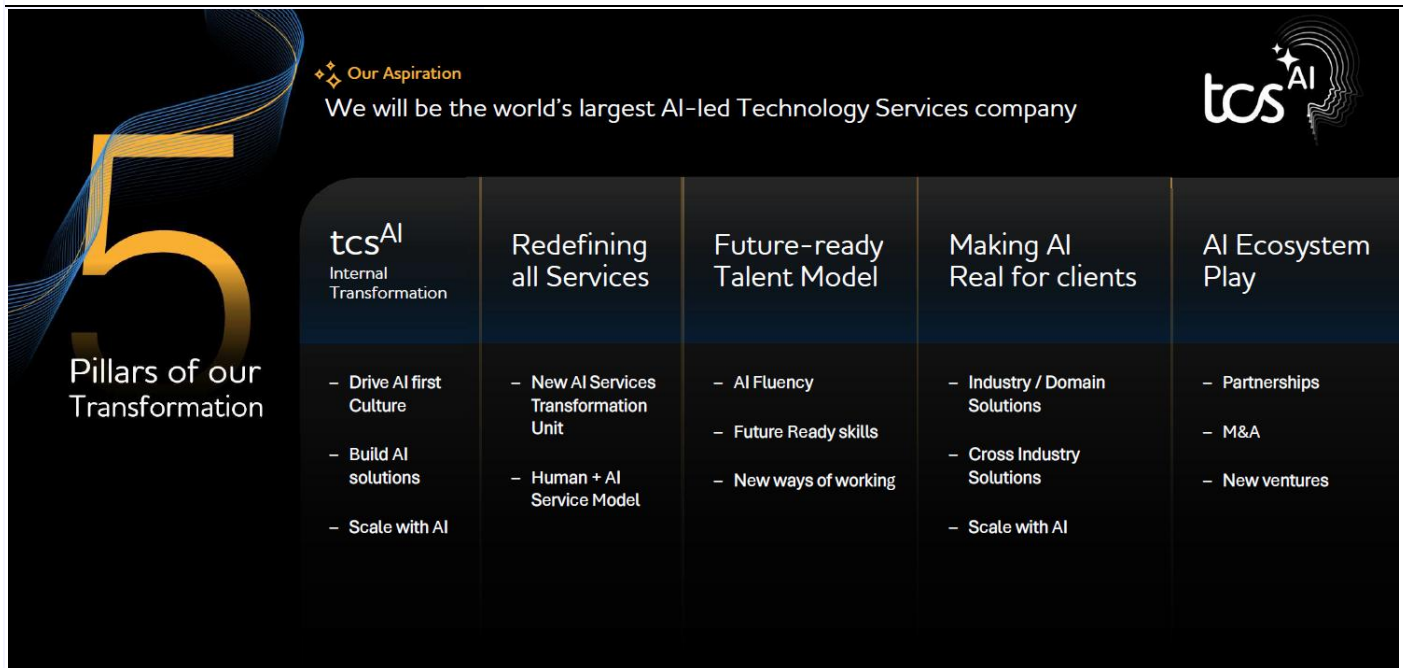
continues to invest heavily in **employee learning and development**, with large-scale AI skilling programs and broad access to AI tools across its workforce to drive internal adoption and delivery readiness. This integrated approach will allow TCS to capture a larger share of client technology budgets while supporting scalable, enterprise-wide AI adoption over the long term.

Sustaining Margins while investing for growth: TCS reiterated its **operating margin aspiration of 26–28%**, even as it steps up investments in AI infra, platforms, and talent. Management indicated that incremental investments will be largely funded through AI-led productivity gains, improved utilization, pyramid optimization, and tighter SG&A control. The increasing mix of outcome-based pricing and higher-margin AI and new-age services is also expected to structurally support margins.

Other KTA's

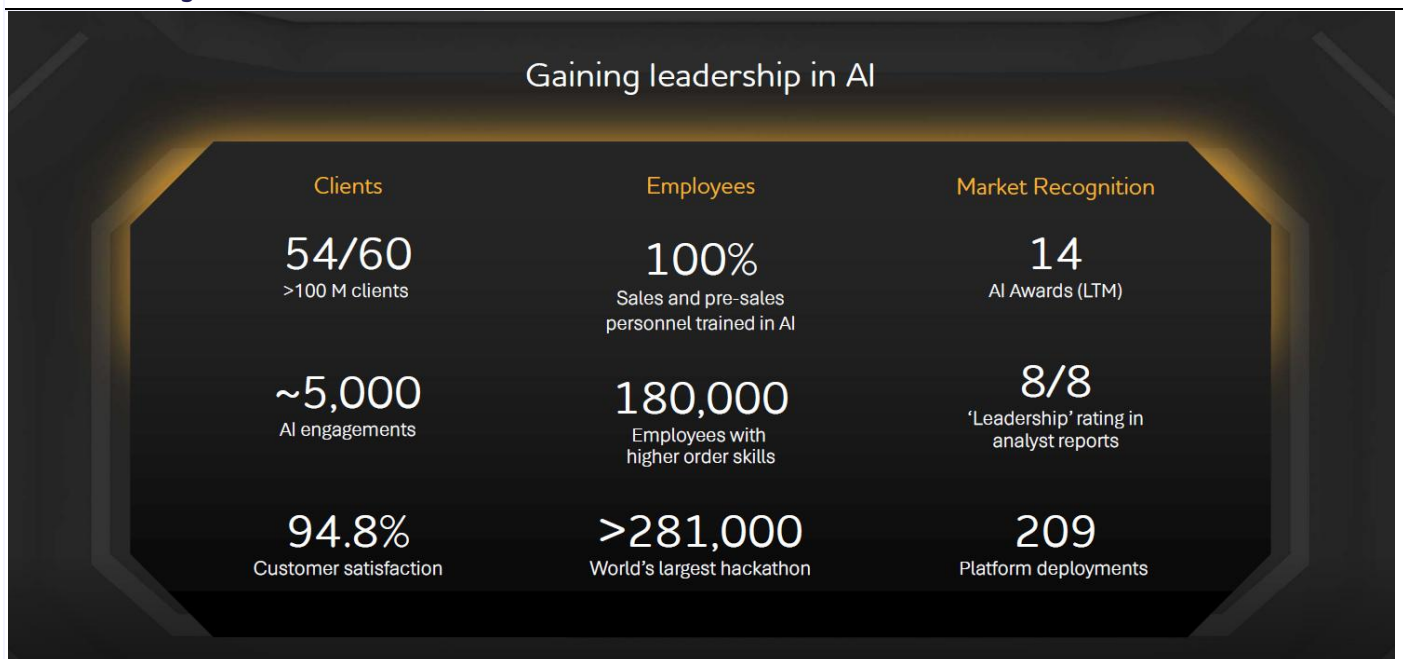
- TCS indicated that new-age services revenue has grown to ~USD 11 bn and that the company is proactively redesigning clients' legacy spend toward new-age and AI-infused services, which is expected to cannibalize a portion of existing revenue. However, management expressed confidence that the faster-growing AI and new-age technology services revenue will more than offset this revenue loss over time.
- TCS is positioning itself as a full-stack AI partner, covering the entire value chain from infrastructure and migration to models, use cases, and AI agents which will enhance client ROI and stickiness.
- TCS is creating an AI autonomy maturity model inspired by ADAS in vehicles, defining a structured progression from AI-assisted tools to fully agentic enterprises. Using this framework, TCS will assess clients' current infrastructure and autonomy readiness, and systematically guide upgrades toward higher autonomy levels to drive productivity and scalable AI adoption.
- TCS underscored its strong organizational readiness for AI, underpinned by significant investments in AI infrastructure that give employees broad access to hyperscalers, platforms, and advanced AI tools. The company has developed a deep AI talent base, with 180k+ employees trained in higher-order AI skills, while over 50% of new hires are equipped with new-age and AI-native capabilities.
- TCS is helping clients operationalize AI by building industry-specific, cross-functional solutions and enabling scalable deployment beyond pilots. Management highlighted significant incremental opportunities across cloud, ERP, data, and cybersecurity, which remain critical for AI readiness. TCS is driving end-to-end value-chain impact through innovate-build-scale frameworks, including the development of 100+ AI agents in manufacturing (35 already deployed), while AI-led approaches are also accelerating legacy modernization.
- TCS highlighted a dual strategy of **deepening AI ecosystem partnerships** across hyperscalers, platforms, domain leaders, and AI-native firms, while pursuing **selective M&A** to strengthen capabilities in cloud, cybersecurity, digital, enterprise platforms, and advisory. This approach accelerates scaling of new-age offerings, enhances cross-sell, and reinforces TCS's positioning as a **full-stack AI transformation partner**.

Exhibit 1: 5 pillar strategy to transition to AI led Tech Services company



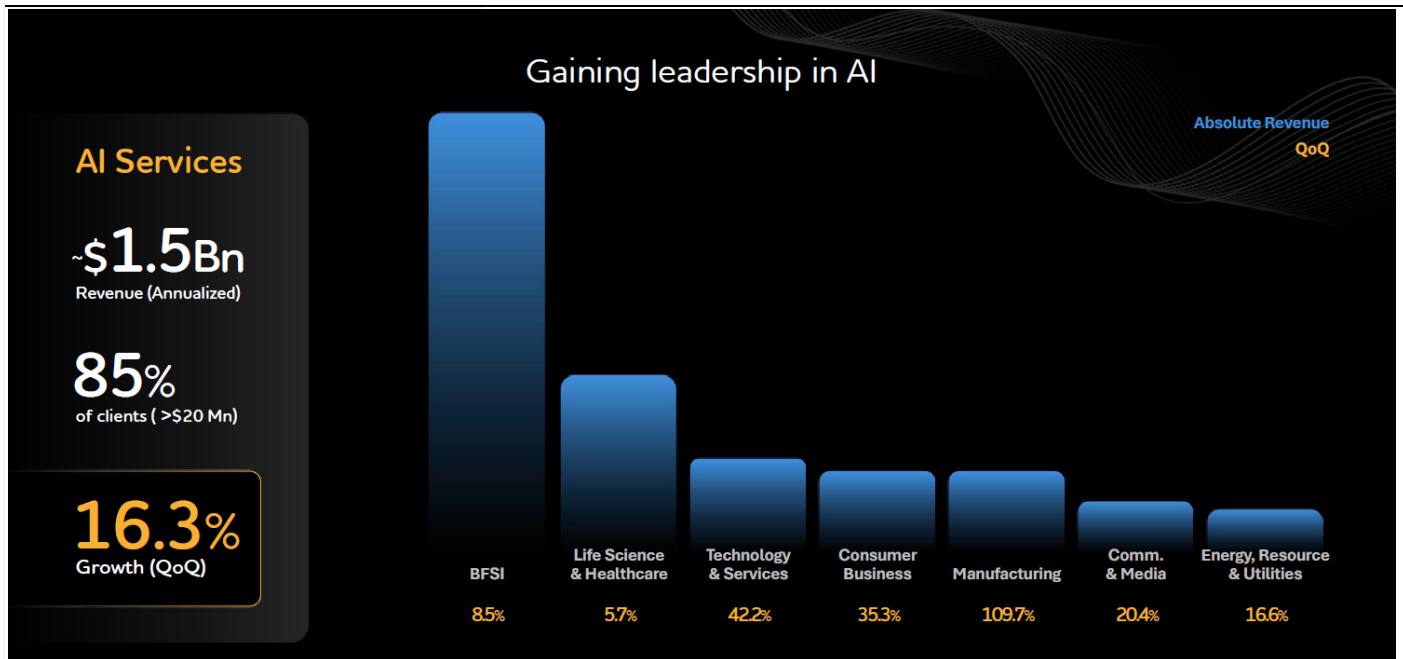
Source: Company, PL

Exhibit 2: Strong traction in AI services with AI revenue of USD 1.5 bn (annualized) for TCS



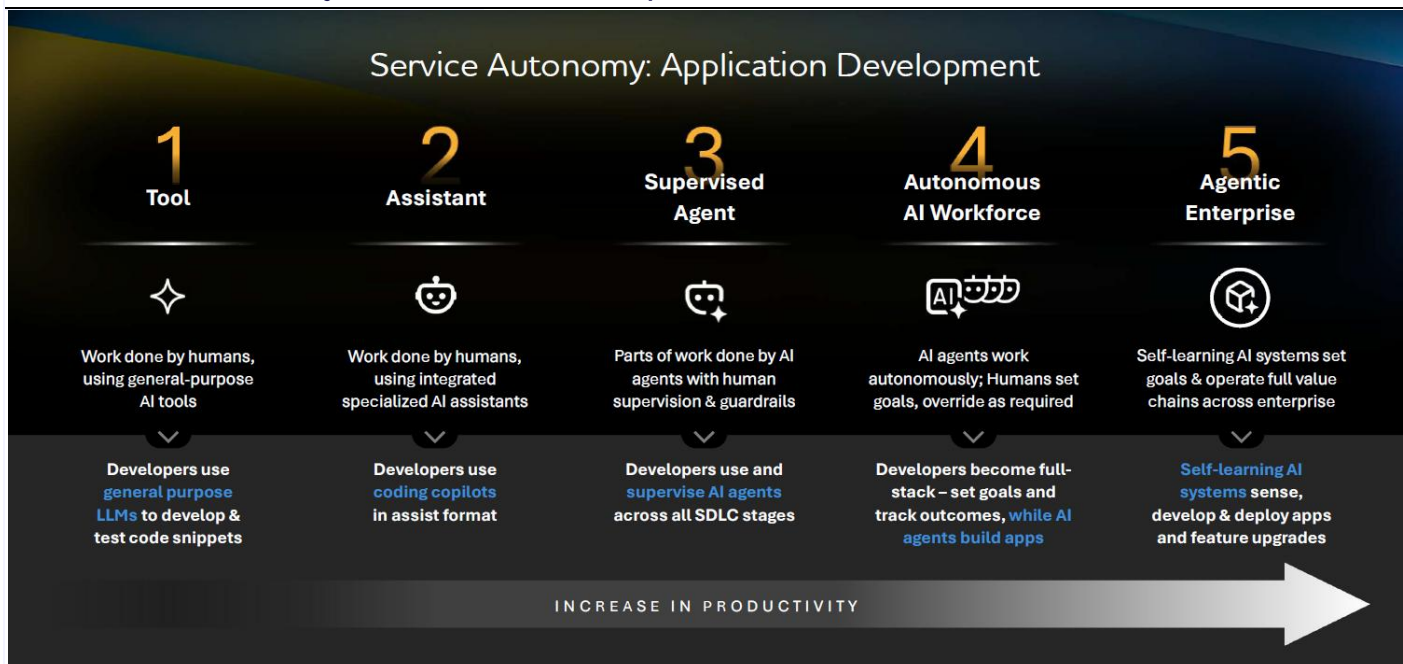
Source: Company, PL

Exhibit 3: Broad based Robust growth in AI led services which is stronger than company level growth



Source: Company, PL

Exhibit 4: Services Autonomy model of TCS with which it plans to scale clients AI led services



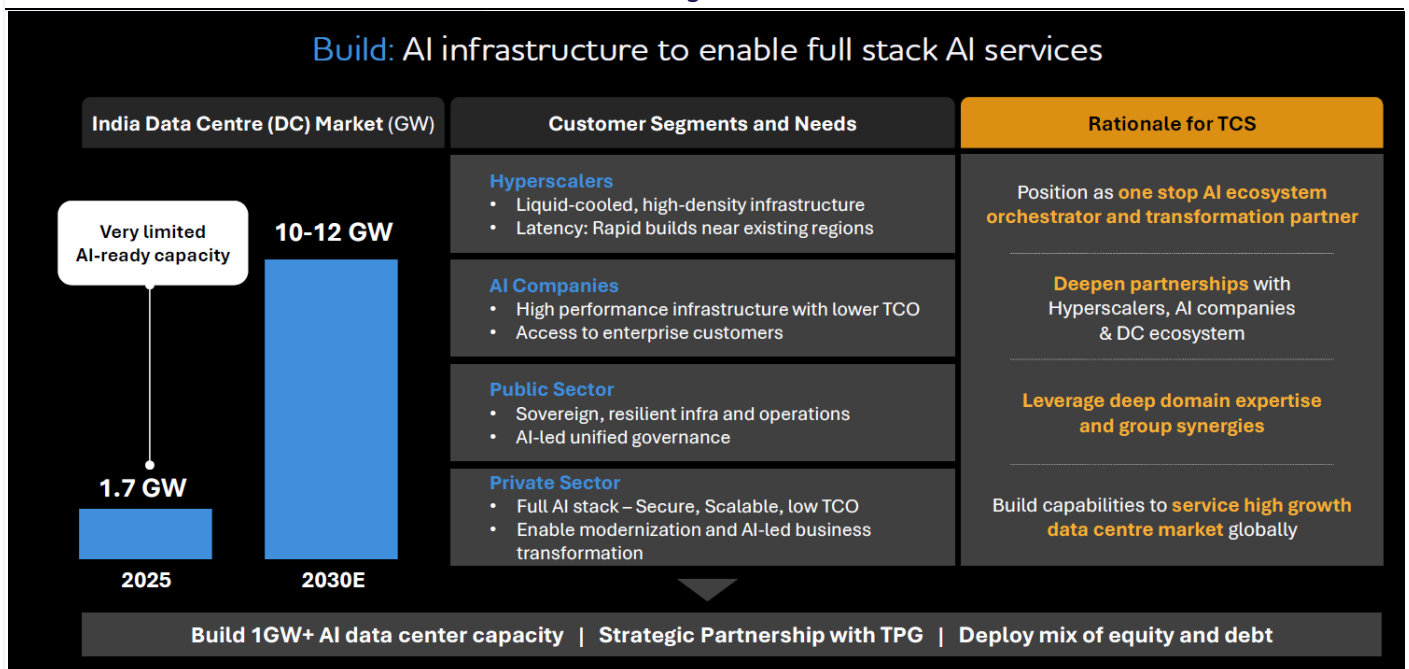
Source: Company, PL

Exhibit 5: Expanding partnership with global partners to enhance capabilities and offerings



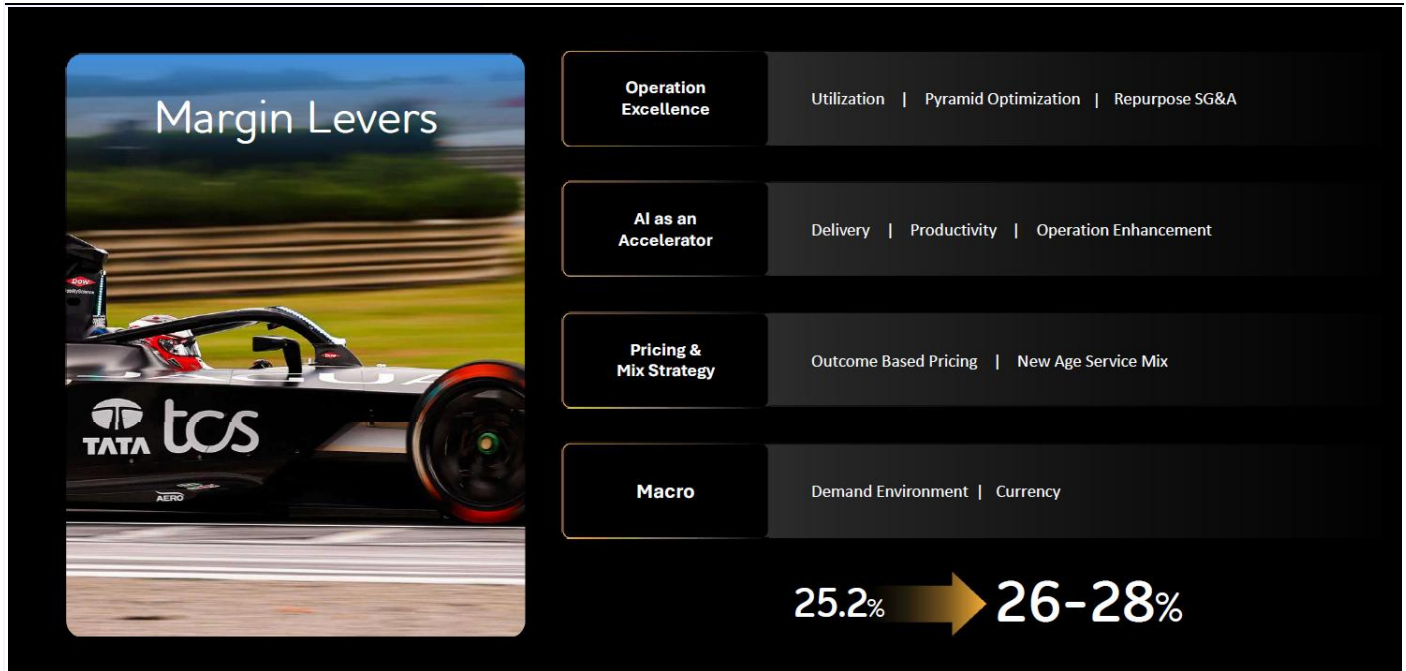
Source: Company, PL

Exhibit 6: Data center investment to offer full stack AI offerings



Source: Company, PL

Exhibit 7: Improve margins despite elevated investments



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	2,553	2,662	2,871	3,123
YoY gr. (%)	6.0	4.3	7.8	8.8
Employee Cost	1,560	1,619	1,734	1,879
Gross Profit	993	1,043	1,136	1,244
Margin (%)	38.9	39.2	39.6	39.8
Employee Cost	-	-	-	-
Other Expenses	64	60	57	62
EBITDA	673	720	789	872
YoY gr. (%)	4.6	6.9	9.7	10.6
Margin (%)	26.4	27.0	27.5	27.9
Depreciation and Amortization	51	56	60	66
EBIT	622	663	729	807
Margin (%)	24.3	24.9	25.4	25.8
Net Interest	-	-	-	-
Other Income	32	46	49	50
Profit Before Tax	653	709	778	857
Margin (%)	25.6	26.6	27.1	27.4
Total Tax	165	178	198	218
Effective tax rate (%)	25.3	25.1	25.5	25.5
Profit after tax	488	531	579	638
Minority interest	2	2	2	2
Share Profit from Associate	-	-	-	-
Adjusted PAT	486	529	577	636
YoY gr. (%)	4.2	8.9	9.1	10.2
Margin (%)	19.0	19.9	20.1	20.4
Extra Ord. Income / (Exp)	-	(11)	-	-
Reported PAT	486	518	577	636
YoY gr. (%)	5.8	6.6	11.5	10.2
Margin (%)	19.0	19.4	20.1	20.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	486	518	577	636
Equity Shares O/s (bn)	4	4	4	4
EPS (Rs)	134.2	146.2	159.5	175.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	703	745	791	841
Tangibles	703	745	791	841
Intangibles	-	-	-	-
Acc: Dep / Amortization	476	542	614	692
Tangibles	476	542	614	692
Intangibles	-	-	-	-
Net fixed assets	227	203	177	149
Tangibles	227	203	177	149
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	19	19	19	19
Non-Current Investments	56	58	62	67
Net Deferred tax assets	26	27	29	32
Other Non-Current Assets	29	30	32	35
Current Assets				
Investments	307	357	407	457
Inventories	-	-	-	-
Trade receivables	501	523	564	613
Cash & Bank Balance	83	98	106	118
Other Current Assets	311	324	350	380
Total Assets	1,596	1,677	1,788	1,916
Equity				
Equity Share Capital	4	4	4	4
Other Equity	944	996	1,053	1,117
Total Network	948	999	1,057	1,121
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	99	103	111	121
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	139	144	155	168
Other current liabilities	391	408	440	478
Total Equity & Liabilities	1,596	1,677	1,788	1,916

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	488	697	778	857
Add. Depreciation	52	56	60	66
Add. Interest	(25)	-	-	-
Less Financial Other Income	32	46	49	50
Add. Other	(2)	-	-	-
Op. profit before WC changes	513	754	838	922
Net Changes-WC	(34)	(14)	(27)	(32)
Direct tax	9	(178)	(198)	(218)
Net cash from Op. activities	489	562	612	671
Capital expenditures	(50)	(32)	(34)	(37)
Interest / Dividend Income	31	-	-	-
Others	(4)	(50)	(50)	(50)
Net Cash from Invt. activities	(23)	(82)	(84)	(87)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(450)	(466)	(519)	(572)
Interest paid	(8)	-	-	-
Others	(16)	-	-	-
Net cash from Fin. activities	(474)	(466)	(519)	(572)
Net change in cash	(8)	14	9	12
Free Cash Flow	439	530	578	634

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	134.2	146.2	159.5	175.8
CEPS	148.3	161.8	176.2	193.9
BVPS	261.9	276.2	292.1	309.7
FCF	121.4	146.5	159.7	175.2
DPS	126.0	128.7	143.6	158.2
Return Ratio(%)				
RoCE	49.6	51.0	52.8	55.2
ROIC	31.5	32.0	32.8	34.0
RoE	51.8	54.3	56.1	58.4
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	52	52	52	52
Valuation(x)				
PER	24.0	22.0	20.2	18.3
P/B	12.3	11.7	11.0	10.4
P/CEPS	21.7	19.9	18.3	16.6
EV/EBITDA	16.7	15.5	14.1	12.7
EV/Sales	4.4	4.2	3.9	3.5
Dividend Yield (%)	3.9	4.0	4.5	4.9

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	640	645	634	658
YoY gr. (%)	5.6	5.3	1.3	2.4
Raw Material Expenses	391	395	386	398
Gross Profit	248	250	248	260
Margin (%)	38.8	38.8	39.1	39.6
EBITDA	170	169	169	180
YoY gr. (%)	3.9	(1.8)	1.3	7.4
Margin (%)	26.6	26.1	26.6	27.3
Depreciation / Depletion	14	13	14	14
EBIT	157	156	155	166
Margin (%)	24.5	24.2	24.5	25.2
Net Interest	-	-	-	-
Other Income	10	8	15	6
Profit before Tax	167	164	170	172
Margin (%)	26.1	25.4	26.8	26.1
Total Tax	42	41	42	42
Effective tax rate (%)	25.3	25.1	24.5	24.7
Profit after Tax	124	123	128	130
Minority interest	1	1	1	1
Share Profit from Associates	-	-	-	-
Adjusted PAT	124	122	128	129
YoY gr. (%)	5.5	(1.7)	6.0	8.4
Margin (%)	19.4	19.0	20.1	19.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	124	122	128	118
YoY gr. (%)	12.0	(1.7)	6.0	(1.2)
Margin (%)	19.4	19.0	20.1	17.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	124	122	128	118
Avg. Shares O/s (bn)	4	4	4	4
EPS (Rs)	34.2	33.8	35.3	35.7

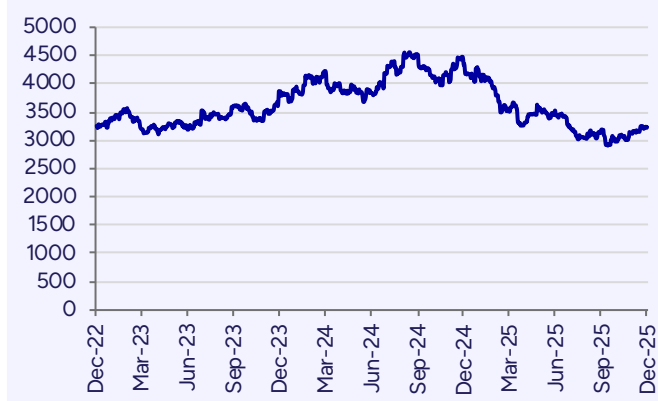
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	30,179	30,326	31,895	33,581

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Oct-25	BUY	3,800	3,062
2	04-Oct-25	BUY	3,950	2,902
3	11-Jul-25	BUY	3,920	3,382
4	01-Jul-25	BUY	3,980	3,462
5	11-Apr-25	BUY	4,160	3,247
6	03-Apr-25	BUY	4,510	3,544
7	27-Mar-25	BUY	4,510	3,636
8	10-Jan-25	BUY	4,810	4,039
9	07-Jan-25	BUY	4,900	4,100

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Cyient	Hold	1,130	1,170
2	HCL Technologies	BUY	1,760	1,495
3	Infosys	BUY	1,780	1,472
4	KPIT Technologies	BUY	1,380	1,193
5	L&T Technology Services	Hold	4,360	4,155
6	Latent View Analytics	BUY	600	425
7	LTIMindtree	Hold	5,470	5,623
8	Mphasis	BUY	3,310	2,861
9	Persistent Systems	BUY	6,280	5,338
10	Tata Consultancy Services	BUY	3,800	3,062
11	Tata Elxsi	Hold	5,010	4,861
12	Tata Technologies	Reduce	640	685
13	Tech Mahindra	Hold	1,500	1,468
14	Wipro	Hold	250	254

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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