

India

ADD (no change)

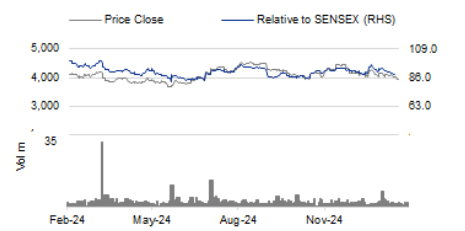
Consensus ratings*: Buy 33 Hold 10 Sell 5

Current price:	Rs3,483
Target price:	Rs3,925
Previous target:	Rs4,915
Up/downside:	12.7%
InCred Research / Consensus:	-12.5%
Reuters:	TCS.NS
Bloomberg:	TCS IN
Market cap:	US\$144,010m Rs12,602,700m
Average daily turnover:	US\$110.4m Rs9664.5m
Current shares o/s:	3,618.2m
Free float:	28.2%

*Source: Bloomberg

Key changes in this note

- Expect 4.5% revenue CAGR over FY25F-27F.
- Expect 9.1% EBIT CAGR over FY25F-27F.
- Expect 9.2% PAT CAGR over FY25F-27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(15.3)	(17.1)	(13.6)
Relative (%)	(10.7)	(8.5)	(12.9)

Major shareholders	% held
FPI	12.4
LIC	4.8
Mutual Funds	4.3

Research Analyst(s)



Abhishek SHINDADKAR
T (91) 22 4161 1543
E abhishek.shindadkr@incredresearch.com



Vikas SWAMI
T (91) 22 4161 1544
E vikas.swami@incredresearch.com

Tata Consultancy Services

Trimming estimates and target price

- Trimming our earnings estimates to account for tariff-led uncertainty.
- Productivity pass-back, potential revisit of 'America First' policy are key EBIT margin headwinds for the sector.
- Maintain ADD, but with a lower target price of Rs3,925 vs. Rs4,915 earlier.

Trimming estimates and target price due to tariff-led uncertainty

We had highlighted in our [2 Feb 2025](#) report that the news flow on tariffs is not constructive for earnings upgrade and decision-making, and that the first-order impact could be trimming of P/E multiples followed by a second-order impact of potential earnings downgrade. The Nifty IT Index has underperformed Nifty Index by ~7% YTD and ~1% since 2 Feb 2025. In this backdrop, we review and trim our earnings estimates to account for a potential 1) slower global growth, 2) change in the clients' IT spending pattern due to the impact of tariffs, and 3) pass-back of productivity gains led by infusion of artificial intelligence (AI).

Model 4.5% US\$ revenue CAGR over FY25F-27F

We trim 4QFY25F US\$ revenue qoq growth to 0.6% and now model in a 4.5% US\$ revenue CAGR over FY25F-27F, vs. 7.5% earlier, to account for the reasons stated above. Our prior growth assumptions were predicated on demand uptick in the 1) financial services (FSI) industry in the US (aided by the recovery in regional banks), and 2) short cycle projects and encouraging client conversations & decision-making. However, the tariff-led uncertainty could drive caution, given the potential earnings cut across user industries.

Productivity pass-back, 'America First' could be key headwinds

Although the supply side environment could remain benign, 1) pass-back of productivity gains, 2) reinitiation of vendor consolidation-led deals with longer transition times, and 3) potential revisit of the 'America First' policy are key headwinds to the EBIT margin profile of the sector partly offset by a depreciating Indian rupee (INR). As a reminder, US President Donald Trump had signed an executive order in his first term that led to onsite hiring and impacted gross margin (Fig. 2). TCS has the best execution in the industry and hence, the cut in the average FY25F-27F EBIT margin is a modest 30bp at 25.4%.

Retain ADD rating, but with a lower target price of Rs3,925

We adjust our estimates modestly and now expect FY25F-27F US\$ revenue CAGR of 4.5% (vs. 7.5% earlier) and PAT (Rs) CAGR of 9.2% (vs.11%). We retain our target PE/G multiple of 2.6x to arrive at our target P/E of 24x (28x) FY27F EPS to arrive at a lower target price of Rs3,925 (Rs4,915 earlier). Operating cash flow and dividend payout ratio certainty, and healthy return ratios help retain the target PE/G multiple. Slower recovery in the North America (NA) geography & the FSI vertical, weak bookings in 1HCY25F and higher project cancellations are key downside risks to our growth assumption and target price.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	2,254,580	2,408,930	2,565,443	2,705,182	2,909,863
Operating EBITDA (Rsm)	592,590	642,960	684,943	746,630	808,942
Net Profit (Rsm)	421,470	468,660	495,763	542,827	591,538
Core EPS (Rs)	115.2	128.5	137.0	150.0	163.5
Core EPS Growth	11.2%	11.6%	6.6%	9.5%	9.0%
FD Core P/E (x)	30.23	27.10	25.42	23.22	21.31
DPS (Rs)	115.0	73.0	128.0	135.0	147.1
Dividend Yield	3.30%	2.09%	3.85%	3.88%	4.22%
EV/EBITDA (x)	20.81	19.17	17.79	16.23	14.89
P/FCFE (x)	32.53	29.91	26.73	24.34	22.45
Net Gearing	(45.7%)	(41.9%)	(45.1%)	(49.3%)	(53.3%)
P/BV (x)	14.09	14.04	13.44	12.71	11.99
ROE	46.9%	51.8%	53.8%	56.3%	57.9%

% Change In Core EPS Estimates
InCred Research/Consensus EPS (x)

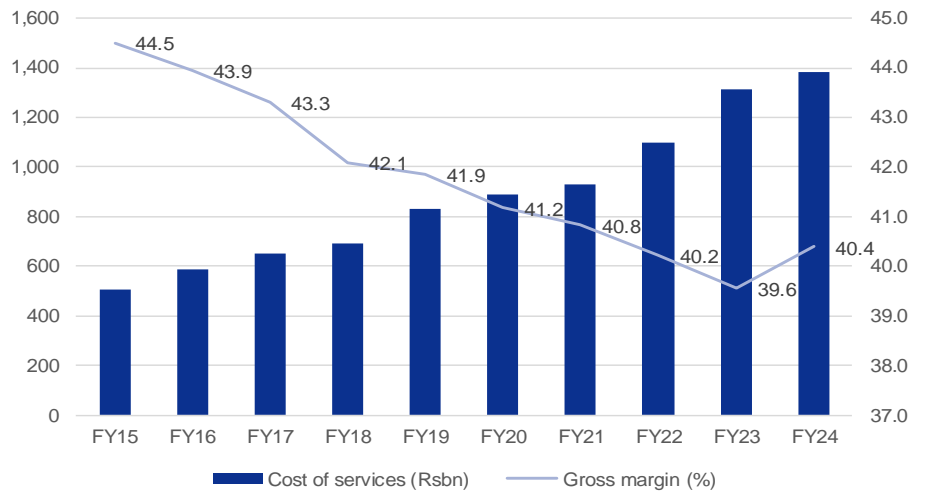
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Change in InCred estimates

Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	New	Old	% change	New	Old	% change	New	Old	% change
US\$ revenue	30,300	30,957	-2.1	31,202	33,114	-5.8	33,067	35,759	-7.5
Revenue	25,65,443	25,96,109	-1.2	27,05,182	28,31,213	-4.5	29,09,863	31,11,056	-6.5
EBIT	6,33,502	6,55,191	-3.3	6,93,879	7,30,453	-5.0	7,53,654	8,06,697	-6.6
EBIT Margin (%)	24.7	25.2	(54)bp	25.7	25.8	(15)bp	25.9	25.9	(3)bp
Net PAT	4,95,763	5,13,137	-3.4	5,42,827	5,71,676	-5.0	5,91,538	6,31,703	-6.4
EPS (Rs)	137.0	141.8	-3.4	150.0	158.0	-5.1	163.5	174.6	-6.4

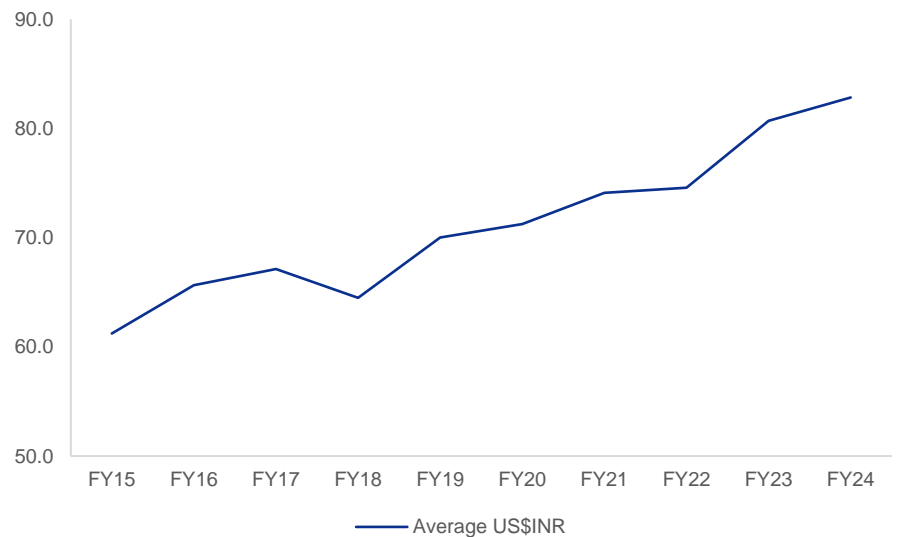
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost of services and gross margin trend during the first presidency (2017-2021) of Mr. Trump



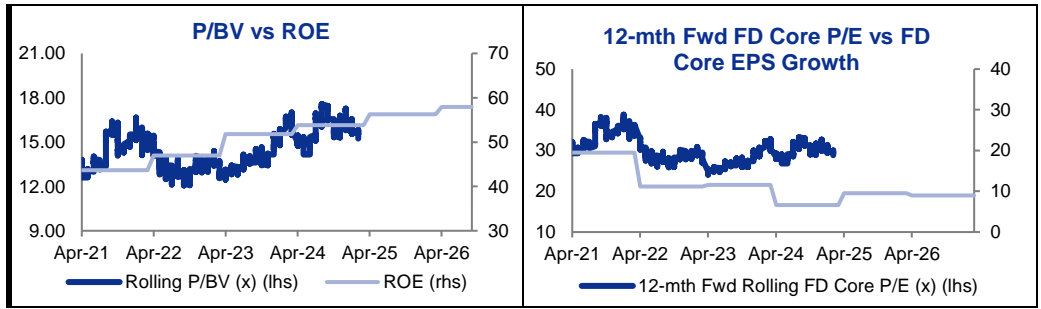
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: INR depreciation during the same period



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	2,254,580	2,408,930	2,565,443	2,705,182	2,909,863
Gross Profit	942,120	1,022,830	1,056,503	1,136,176	1,222,142
Operating EBITDA	592,590	642,960	684,943	746,630	808,942
Depreciation And Amortisation	(50,220)	(49,850)	(51,441)	(52,751)	(55,287)
Operating EBIT	542,370	593,110	633,502	693,879	753,654
Financial Income/(Expense)	26,700	36,440	34,075	36,770	42,272
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	569,070	629,550	667,577	730,649	795,926
Exceptional Items					
Pre-tax Profit	569,070	629,550	667,577	730,649	795,926
Taxation	(146,040)	(158,980)	(169,425)	(185,431)	(201,998)
Exceptional Income - post-tax					
Profit After Tax	423,030	470,570	498,153	545,217	593,928
Minority Interests	(1,560)	(1,910)	(2,390)	(2,390)	(2,390)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	421,470	468,660	495,763	542,827	591,538
Recurring Net Profit	421,470	468,660	495,763	542,827	591,538
Fully Diluted Recurring Net Profit	421,470	468,660	495,763	542,827	591,538

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	592,590	642,960	684,943	746,630	808,942
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(42,170)	(68,820)	(17,788)	(19,027)	(21,059)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(1,560)	(1,910)	(2,390)	(2,390)	(2,390)
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(129,660)	(124,890)	(169,425)	(185,431)	(201,998)
Cashflow From Operations	419,200	447,340	495,341	539,782	583,495
Capex	(25,320)	(22,020)	(22,020)	(22,020)	(22,020)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	25,710	82,280	42,105	46,130	51,632
Cash Flow From Investing	390	60,260	20,085	24,110	29,612
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased	(41,920)	(210,050)			
Dividends Paid	(413,470)	(251,370)	(463,127)	(488,545)	(532,384)
Preferred Dividends					
Other Financing Cashflow	(23,390)	(23,940)	(8,030)	(9,360)	(9,360)
Cash Flow From Financing	(478,780)	(485,360)	(471,157)	(497,905)	(541,744)
Total Cash Generated	(59,190)	22,240	44,269	65,987	71,362
Free Cashflow To Equity	393,880	425,320	473,321	517,762	561,475
Free Cashflow To Firm	419,590	507,600	515,426	563,891	613,106

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	479,290	447,670	491,939	557,926	629,288
Total Debtors	499,540	535,770	561,259	588,125	620,665
Inventories	280	280	280	280	280
Total Other Current Assets	123,590	146,120	146,120	146,120	146,120
Total Current Assets	1,102,700	1,129,840	1,199,598	1,292,450	1,396,353
Fixed Assets	190,240	188,260	158,839	128,108	94,840
Total Investments	29,360	36,980	36,980	36,980	36,980
Intangible Assets	27,250	23,420	23,420	23,420	23,420
Total Other Non-Current Assets	86,960	85,990	85,990	85,990	85,990
Total Non-current Assets	333,810	334,650	305,229	274,498	241,230
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	105,150	99,810	105,429	111,172	119,583
Other Current Liabilities	330,430	361,230	363,312	365,408	368,478
Total Current Liabilities	435,580	461,040	468,741	476,580	488,061
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	88,870	90,260	90,260	90,260	90,260
Total Non-current Liabilities	88,870	90,260	90,260	90,260	90,260
Total Provisions					
Total Liabilities	524,450	551,300	559,001	566,840	578,321
Shareholders Equity	904,240	904,890	937,526	991,808	1,050,962
Minority Interests	7,820	8,300	8,300	8,300	8,300
Total Equity	912,060	913,190	945,826	1,000,108	1,059,262

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	17.6%	6.8%	6.5%	5.4%	7.6%
Operating EBITDA Growth	11.7%	8.5%	6.5%	9.0%	8.3%
Operating EBITDA Margin	26.3%	26.7%	26.7%	27.6%	27.8%
Net Cash Per Share (Rs)	114.06	104.89	117.95	136.19	155.91
BVPS (Rs)	247.17	248.14	259.12	274.12	290.47
Gross Interest Cover	69.62	76.24	78.89	74.13	80.52
Effective Tax Rate	25.7%	25.3%	25.4%	25.4%	25.4%
Net Dividend Payout Ratio	99.8%	56.7%	97.8%	90.0%	90.0%
Accounts Receivables Days	74.28	78.43	78.04	77.54	75.81
Inventory Days	0.07	0.07	0.07	0.07	0.06
Accounts Payables Days	25.81	26.99	24.82	25.19	24.95
ROIC (%)	84.5%	90.1%	91.1%	102.1%	113.5%
ROCE (%)	41.6%	45.4%	47.5%	49.9%	51.4%
Return On Average Assets	28.3%	30.6%	31.8%	33.7%	35.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.