INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **TCS:** TCS's Q1FY27 points to a gradually improving demand environment, with client priorities increasingly aligned to AI-led transformation, modernization, cybersecurity, sovereign platforms, and vendor consolidation, even as geopolitical and macro headwinds keep discretionary spend selective. Growth revival is underpinned by a robust deal pipeline and TCV of USD 9.5bn in Q1, anchored by a USD 800mn AI-led transformation megadeal with SKF, taking total megadeal wins to six over the last five quarters. USD revenue grew 0.4% QoQ CC, while operating margins declined 130bps QoQ to 24% on annual wage hikes, with management targeting a 25%+ exit margin in FY27 through pyramid optimization, productivity gains, and operational efficiencies. On the vertical outlook, BFSI and Technology, Software & Services remained resilient, Manufacturing and Life Sciences are expected to recover in Q2 aided by net new deal wins, while Consumer Business continues to be impacted by geopolitical uncertainties, inflationary pressures, and weakness in airlines and non-essential retail. Hiring recovery was a key highlight, with TCS reporting its highest net headcount addition in 15 quarters (9,279 net additions) and a continued focus on digital and AI-native talent pool. AI services revenue reached an annualized run-rate of USD 2.6bn (~8% of revenue), driven by rising enterprise adoption moving from POCs to scaled deployments, supported by marquee partnerships with Anthropic and Mistral AI and platforms such as HyperVault. TCS remains confident of growth recovery, led by better pipeline, strong deal TCV, and net-new AI-led deal wins. We maintain ADD with a TP of INR 2,580, based on 16x Jun-28E EPS (vs. the 10-year average of 24x).

HSIE Research Team
hdfcsec-research@hdfcsec.com

TCS

Mega deals pave the way for growth recovery

TCS's Q1FY27 points to a gradually improving demand environment, with client priorities increasingly aligned to AI-led transformation, modernization, cybersecurity, sovereign platforms, and vendor consolidation, even as geopolitical and macro headwinds keep discretionary spend selective. Growth revival is underpinned by a robust deal pipeline and TCV of USD 9.5bn in Q1, anchored by a USD 800mn AI-led transformation megadeal with SKF, taking total megadeal wins to six over the last five quarters. USD revenue grew 0.4% QoQ CC, while operating margins declined 130bps QoQ to 24% on annual wage hikes, with management targeting a 25%+ exit margin in FY27 through pyramid optimization, productivity gains, and operational efficiencies. On the vertical outlook, BFSI and Technology, Software & Services remained resilient, Manufacturing and Life Sciences are expected to recover in Q2 aided by net new deal wins, while Consumer Business continues to be impacted by geopolitical uncertainties, inflationary pressures, and weakness in airlines and non-essential retail. Hiring recovery was a key highlight, with TCS reporting its highest net headcount addition in 15 quarters (9,279 net additions) and a continued focus on digital and AI-native talent pool. AI services revenue reached an annualized run-rate of USD 2.6bn (~8% of revenue), driven by rising enterprise adoption moving from POCs to scaled deployments, supported by marquee partnerships with Anthropic and Mistral AI and platforms such as HyperVault. TCS remains confident of growth recovery, led by better pipeline, strong deal TCV, and net-new AI-led deal wins. We maintain ADD with a TP of INR 2,580, based on 16x Jun-28E EPS (vs. the 10-year average of 24x).

- **Q1FY27 highlights:** (1) TCS' revenue stood at USD 7,624mn +0.4/3.2% QoQ/YoY in CC terms. (2) Deal wins stood at USD 9.5bn (USD 12bn in Q4), with a USD 800mn mega deal won from SKF. NorthAm TCV stood at USD 4.7bn, BFSI TCV at USD 2.5bn, and Retail & CPG TCV at USD 1.4bn. (3) Growth was led by Technology & services (+1.7% QoQ CC), BFSI (+1.6%), Communication (+0.3%) while Retail & CPG revenues were muted (-4% QoQ) due to geopolitical issues. (4) Annualized AI revenue grew 13.6% QoQ to USD 2.6bn. (5) EBITM declined 132bps QoQ to 24% (vs our estimate of 24.8%), due to wage hikes rolled out to the global workforce (-170bps), which was partially offset by favourable currency and operational efficiency (+40bps).
- **Outlook:** We have factored in FY27/28/29E growth at +2/+3.1/3.2% (implying 0.4/0.9/0.7% CQGR in FY27/28/29E respectively). EBITM is factored in at 24.6/24.8/25.2% for FY27/28/29E respectively, translating to an EPS CAGR of 4.9% over FY26-29E.

Quarterly financial summary

(INR bn)	Q1FY27	Q1FY26	*YoY (%)*	Q4FY26	*QoQ (%)*	FY25	FY26	FY27E	FY28E	FY29E
Revenue (USD mn)	7,624	7,421	2.7	7,621	0.0	30,179	30,017	30,628	31,571	32,579
Net Sales	722.75	634.37	13.9	706.98	2.2	2,553.24	2,670.21	2,901.19	2,999.22	3,127.57
EBIT	173.17	155.14	11.6	178.70	(3.1)	621.65	668.39	714.60	745.25	787.25
APAT	146.85	127.60	15.1	137.18	7.0	485.53	526.50	559.83	575.79	608.06
Diluted EPS (INR)	40.6	35.3	15.1	37.9	7.0	134.2	145.5	154.7	159.1	168.1
P/E (x)						15.3	14.1	13.2	12.9	12.2
EV / EBITDA (x)						10.3	9.6	9.1	8.8	8.4
RoE (%)						52.4	52.1	52.5	54.3	57.6

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR bn)	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %	FY29E Old	FY29E Revised	Change %
Revenue (USD mn)	30,621	30,628	*0.0*	31,522	31,571	*0.2*	32,552	32,579	*0.1*
Revenue	2,899.80	2,901.19	*0.0*	2,994.62	2,999.22	*0.2*	3,125.03	3,127.57	*0.1*
EBIT	713.72	714.60	*0.1*	745.00	745.25	*0.0*	788.34	787.25	*(0.1)*
EBIT margin (%)	24.6	24.6	*2bps*	24.9	24.8	*-3bps*	25.2	25.2	*-6bps*
APAT	551.06	559.83	*1.6*	574.27	575.79	*0.3*	607.22	608.06	*0.1*
EPS (INR)	152.3	154.7	*1.6*	158.7	159.1	*0.3*	167.8	168.1	*0.1*

Source: Company, HSIE Research

ADD

CMP *(as on 09 Jul 2026)*	**INR 2,050**
Target Price	**INR 2,580**
NIFTY	**23,963**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 2,575	INR 2,580
EPS %	FY27E	FY28E
	+1.6	+0.3

KEY STOCK DATA	
Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / ($ mn)	7,415/77,739
6m avg traded value (INR mn)	11,912
52 Week high / low	INR 3,367/1,976

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	(20.8)	(35.2)	(38.5)
Relative (%)	(21.0)	(27.0)	(30.4)

SHAREHOLDING PATTERN (%)	**Dec-25**	**Mar-26**
Promoters	71.77	71.77
FIs & Local MFs	12.87	13.41
FPIs	10.37	9.66
Public & Others	4.99	5.16
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Amit Chandra
amit.chandra@hdfcsec.com
+91-22-6171-7345

Vinesh Vala
vinesh.vala@hdfcsec.com
+91-22-6171-7332

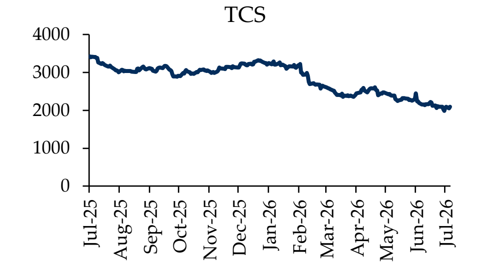
Maitreyee Vaishampayan
maitreyee.vaishampayan@hdfcsec.com
+91-22-6171-7308

Rating Criteria
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Amit Chandra	TCS	MBA	NO
Vinesh Vala	TCS	MBA	NO
Maitreyee Vaishampayan	TCS	MSc	NO

Price movement



Disclosure:

Authors and the names 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 have/does not have any material conflict of interest.

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.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

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

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com