HSIE Results Daily

Contents

Results Reviews

- **TCS:** TCS's Q2FY27 performance signals a gradual improvement in growth momentum (+0.5% QoQ CC), led by its international business (+1.2% QoQ CC) and accelerating AI adoption, even as macro remains unchanged and discretionary spending muted. AI has emerged as the key growth driver, with annualized AI revenue surpassing USD 3bn (+19.2% QoQ, +72% YoY) and contributing ~10% of revenue (vs 8.6% in Q1). Non-AI revenue declined ~3% YoY, reflecting the deflationary impact of AI-led productivity gains on traditional services. Adoption is broadening across AI-native solutions, autonomous systems and AI-led business-process transformation, with BFSI, Manufacturing and Life Sciences leading. TCS also launched its AI Agent Hub and is strengthening agent governance, token-cost management and cybersecurity capabilities. Management indicated AI revenues carry better margins than the company average. Margins remain a key monitorable as elevated subcontracting costs, which are likely to rise further given the recent tightening of US immigration rules, and sustained investments in talent, partnerships and high-growth areas are expected to weigh on near-term profitability. MHP consolidation adds a further ~50bps headwind. Nevertheless, management reiterated its long-term margin aspiration of 26-28%, backed by growth, subcontractor optimization and operating leverage. Hiring momentum remains robust, with ~10k freshers added in the quarter and further hiring planned in H2, signalling confidence in the pipeline. We maintain ADD with a TP of INR 2,470, based on 15x Sep-28E EPS (vs 10-year average of ~24x).

HSIE Research Team
hdfcsec-research@hdfcsec.com

TCS

Slight growth acceleration, margins muted

TCS's Q2FY27 performance signals a gradual improvement in growth momentum (+0.5% QoQ CC), led by its international business (+1.2% QoQ CC) and accelerating AI adoption, even as macro remains unchanged and discretionary spending muted. AI has emerged as the key growth driver, with annualized AI revenue surpassing USD 3bn (+19.2% QoQ, +72% YoY) and contributing ~10% of revenue (vs 8.6% in Q1). Non-AI revenue declined ~3% YoY, reflecting the deflationary impact of AI-led productivity gains on traditional services. Adoption is broadening across AI-native solutions, autonomous systems and AI-led business-process transformation, with BFSI, Manufacturing and Life Sciences leading. TCS also launched its AI Agent Hub and is strengthening agent governance, token-cost management and cybersecurity capabilities. Management indicated AI revenues carry better margins than the company average. Margins remain a key monitorable as elevated subcontracting costs, which are likely to rise further given the recent tightening of US immigration rules, and sustained investments in talent, partnerships and high-growth areas are expected to weigh on near-term profitability. MHP consolidation adds a further ~50bps headwind. Nevertheless, management reiterated its long-term margin aspiration of 26-28%, backed by growth, subcontractor optimization and operating leverage. Hiring momentum remains robust, with ~10k freshers added in the quarter and further hiring planned in H2, signalling confidence in the pipeline. We maintain ADD with a TP of INR 2,470, based on 15x Sep-28E EPS (vs 10-year average of ~24x).

- **Q2FY27 highlights:** (1) TCS' Rev stood at USD 7,642mn, +0.5/2.8% QoQ/YoY in CC terms. (2) TCV stood at USD 9.6bn (v/s USD 9.5bn in Q1), excl. 2 strategic deals: a 5-year partnership with Porsche AG (alongside the MHP acquisition) and the transition of Best Buy's India GCC into an AI Capability Center. (3) Growth was led by Manufacturing (+3.1% QoQ CC), Tech & Services (+3.1% QoQ CC) and BFSI (+2.5% QoQ CC). Regional Markets fell 5.8% on a project deferral in India (-10.3% QoQ CC), while Consumer Biz was down 0.7% QoQ CC. (4) Annualized AI Rev reached USD 3.1bn (~10% Rev), at margins well above company average. Non-AI revenue declined 1.5/2.7% QoQ/YoY. (5) OPM was flat QoQ (+2bps) at 24.0% (v/s our est. 24.5%). Gross margin fell 37bps on higher subcontractor costs (+90bps) and M&A initiatives; MHP consolidation will be a ~50bps headwind in H2, subject to closure timing.
- **Outlook:** We have factored in FY27/28/29E growth at +2/+3.2/3.3% (implying 0.4/1.0/0.7% CQGR in FY27/28/29E respectively). EBITM is factored in at 24.4/24.7/25.0% for FY27/28/29E respectively, translating to an EPS CAGR of 5.2% over FY26-29E.

Quarterly financial summary

YE March (INR bn)	Q2 FY27	Q2 FY26	YoY (%)	Q1 FY27	QoQ (%)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (USD mn)	7,642	7,466	2.4	7,624	0.2	30,179	30,017	30,607	31,581	32,608
Net Sales	731.88	657.99	11.2	722.75	1.3	2,553.24	2,670.21	2,923.86	3,031.75	3,162.95
EBIT	175.53	165.65	6.0	173.17	1.4	621.65	668.39	713.99	747.79	791.14
APAT	138.84	129.38	7.3	146.85	(5.5)	485.53	526.50	566.99	580.14	613.18
Diluted EPS (INR)	38.4	35.8	7.3	40.6	(5.5)	134.2	145.5	156.7	160.3	169.5
P/E (x)						15.5	14.3	13.2	12.9	12.2
EV / EBITDA (x)						10.5	9.7	9.2	8.9	8.4
RoE (%)						52.4	52.1	53.2	55.1	58.8

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)	30,598	30,607	*0.0*	31,541	31,581	*0.1*	32,548	32,608	*0.2*
Revenue	2,916.80	2,923.86	*0.2*	3,027.90	3,031.75	*0.1*	3,157.12	3,162.95	*0.2*
EBIT	713.08	713.99	*0.1*	751.11	747.79	*(0.4)*	793.10	791.14	*(0.2)*
EBIT margin (%)	24.4	24.4	*-3bps*	24.8	24.7	*-14bps*	25.1	25.0	*-11bps*
APAT	558.70	566.99	*1.5*	580.18	580.14	*(0.0)*	612.45	613.18	*0.1*
EPS (INR)	154.4	156.7	*1.5*	160.4	160.3	*(0.0)*	169.3	169.5	*0.1*

Source: Company, HSIE Research

ADD

CMP *(as on 08 Oct 2026)*	INR 2,076
Target Price	INR 2,470
NIFTY	22,232

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 2,470	INR 2,470
EPS %	FY27E	FY28E
	+1.5	+0.0

KEY STOCK DATA

Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / ($ mn)	7,508/77,576
6m avg traded value (INR mn)	10,254
52 Week high / low	INR 3,350/1,976

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.9	(18.9)	(30.4)
Relative (%)	7.3	(11.2)	(18.0)

SHAREHOLDING PATTERN (%)

	Mar-26	Jun-26
Promoters	71.77	71.77
FIs & Local MFs	13.41	13.47
FPIs	9.66	9.06
Public & Others	5.16	5.70
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

Harsh Yadav
harsh.yadav1@hdfcsec.com
+91-22-6171-7308

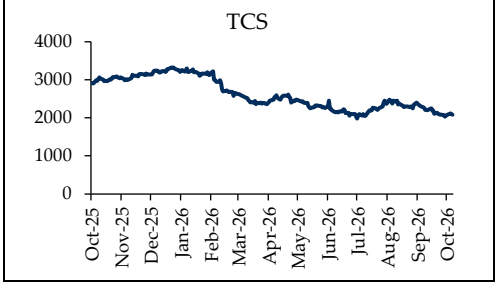
Rating Criteria

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
Harsh Yadav	TCS	MBA	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.

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.

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.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg(East), Mumbai 400 042 Tel.: +91-22-30753400 Fax: +91-22-30753435 www.hdfcsec.com

Compliance Officer: Murli V Karkera, Contact: +91 022-69151436, Email: complianceofficer@hdfcsec.com, For any complaints / grievance: services@hdfcsec.com

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. BSE Enlistment Number: 5159; 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, enlistment as RA with Exchange and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

SEBI Registration & Disclaimer https://www.hdfcsec.com/article/disclaimer-1795.

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