

HSIE Results Daily

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Results Reviews

- **Tata Consultancy Services:** Tata Consultancy Services (TCS) delivered slightly lower revenue growth and operating performance in Q4, but deal wins continue to remain strong. The TCV of 12.2bn was broad-based and does not include any mega deal. The book-to-bill for the quarter stood at 1.6x and registered best book-to-bill for 2H. The management has indicated some delays in decision making in March and challenges in some verticals like Retail & CPG, Manufacturing, Insurance and Comms. Key positives for TCS include (1) strong TCV, driven by large deal wins across various markets and industries, (2) no impact on the BFS spends, (3) better growth outlook of FY26E (despite the impact of BSNL deal), supported by increase in AI for business engagements and (4) continued fresher addition provide growth outlook. BSNL deal tapering off in FY26E will impact growth but will improve margins. The pause on discretionary spend is short-lived and will improve gradually. Our TP of INR 4,000 is based on 25x FY27E EPS (10Y average at 24x).

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Tata Consultancy Services

Deal momentum strong

Tata Consultancy Services (TCS) delivered slightly lower revenue growth and operating performance in Q4, but deal wins continue to remain strong. The TCV of 12.2bn was broad-based and does not include any mega deal. The book-to-bill for the quarter stood at 1.6x and registered best book-to-bill for 2H. The management has indicated some delays in decision making in March and challenges in some verticals like Retail & CPG, Manufacturing, Insurance and Comms. Key positives for TCS include (1) strong TCV, driven by large deal wins across various markets and industries, (2) no impact on the BFS spends, (3) better growth outlook of FY26E (despite the impact of BSNL deal), supported by increase in AI for business engagements and (4) continued fresher addition provide growth outlook. BSNL deal tapering off in FY26E will impact growth but will improve margins. The pause on discretionary spend is short-lived and will improve gradually. Our TP of INR 4,000 is based on 25x FY27E EPS (10Y average at 24x).

- **Q4FY25 highlights:** (1) TCS' revenue print stood at USD 7,465mn, -1% QoQ in USD terms (vs our estimate of -0.5% QoQ); however, the YoY trajectory moderated to 2.5% YoY CC. (2) Deal bookings were higher at USD 12.2bn as compared to USD 10.2bn in Q3 comprising NorthAm TCV at USD 6.8bn (highest ever bookings), BFSI TCV at USD 4bn and Retail & CPG TCV at USD 1.7bn. (3) Vertical commentary was weak in Retail & CPG, Travel & Hospitality and Automotive due to macro uncertainty led by global tariff war. The BFS vertical continues to remain stable while there has been some softness in the Insurance. (4) EBITM at 24.2% was down -28bps QoQ (lower vs our estimate of 24.9%), impacted by promotions (-100bps), -60bps by higher marketing expenses, which were partially offset by the FX tailwind. The management aspires the EBIT margin to be in the range of 26-28% for FY26E. (5) There has been net headcount addition of 625 employees in Q4 while TTM attrition increased by 30bps QoQ to 13.3%. TCS continues with its planned campus hiring strategy, with a slight increase in FY26E. (6) It has appointed Mangesh Sathe as Chief Strategy Officer and Aarthi Subramanian as Chief Operating Officer.
- **Outlook:** We have factored in FY26/27E growth at 2.9% and 7.4% (implying 2/1.6% CQGR in FY26/27E respectively). EBITM is factored in at 25.1/25.6% for FY26/27E respectively, translating to an EPS CAGR of 9% over FY25-27E.

Quarterly financial summary

YE March (INR bn)	Q4 FY25	Q4 FY24	YoY (%)	Q3 FY25	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E
Revenue (USD mn)	7,465	7,363	1.4	7,539	(1.0)	27,927	29,080	30,179	31,052	33,347
Net Sales	644.79	612.37	5.3	639.73	0.8	2,254.58	2,408.93	2,553.24	2,670.43	2,901.16
EBIT	156.01	159.19	(2.0)	156.57	(0.4)	542.37	593.11	621.65	670.73	743.26
APAT	122.24	124.34	(1.7)	123.80	(1.3)	421.47	466.35	485.53	524.56	580.69
Diluted EPS (INR)	33.8	34.4	(1.7)	34.2	(1.3)	116.5	128.9	134.2	145.0	160.5
P/E (x)						27.9	25.2	24.2	22.4	20.2
EV / EBITDA (x)						19.0	17.6	16.7	15.5	14.1
RoE (%)						46.9	51.6	52.4	54.8	59.0

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	31,297	31,052	(0.8)	33,446	33,347	(0.3)
Revenue	2,691.52	2,670.43	(0.8)	2,909.83	2,901.16	(0.3)
EBIT	676.34	670.73	(0.8)	749.60	743.26	(0.8)
EBIT margin (%)	25.1	25.1	-1bps	25.8	25.6	-14bps
APAT	529.20	524.56	(0.9)	584.03	580.69	(0.6)
EPS (INR)	146.3	145.0	(0.9)	161.4	160.5	(0.6)

Source: Company, HSIE Research

ADD

CMP (as on 9 Apr 2025) INR 3,247

Target Price INR 4,000

NIFTY 22,399

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,040	INR 4,000
EPS %	FY26E -0.9	FY2&E -0.6

KEY STOCK DATA

Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / (\$ mn)	11,746/1,35,488
6m avg traded value (INR mn)	9,926
52 Week high / low	INR 4,520/3,056

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(18.3)	(22.4)	(16.4)
Relative (%)	(13.5)	(13.1)	(15.3)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	71.77	71.77
FIs & Local MFs	10.92	10.92
FPIs	12.66	12.68
Public & Others	4.65	4.63
Pledged Shares	0.20	0.00

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

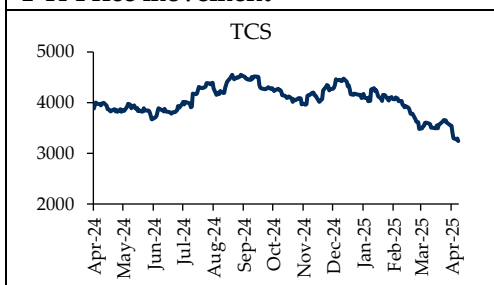
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Amit Chandra	Tata Consultancy Services	MBA	NO
Vinesh Vala	Tata Consultancy Services	MBA	NO

1 Yr Price movement

Disclosure:

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