

Tata Consultancy Services Limited

Q1FY27 Result Update | Sector: IT - Software

July 10, 2026



BUY

Current Market Price	2070.6
Target Price	2,825
Upside	36.4%
Nifty	24,183
Sensex	77,495

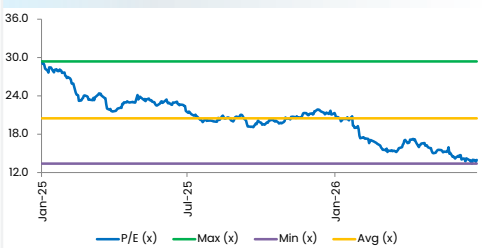
Key Stock Data

Company Name	TCS
BSE Code	532540
NSE Code	TCS
Bloomberg	TCS:IN
Shares o/s, Cr (FV 1)	361.8
Market Cap (Rs Cr)	7,49,143
3M Avg Volume (NSE)	48,94,738
52 week H/L	3,425/1,977

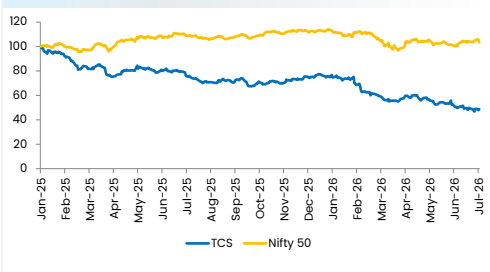
Shareholding Pattern

	Sep-25	Dec-25	Mar-26
Promoter	71.8	71.8	71.8
FII	10.3	10.4	9.7
DII	12.6	12.8	13.3
Others	5.3	5.1	5.2

1 year forward P/E (x)



1 year relative price chart



Strong Q1FY27 Financial Performance: TCS reported a healthy start to FY27 with revenue of ₹72,275 crore, up 13.9% YoY and 2.2% QoQ, supported by strong BFSI demand, large deal execution and favourable currency movement. Net profit increased 4.7% YoY to ₹13,420 crore, though growth was impacted by a one-time legal settlement. Operating margin stood at 24%, down 130 bps sequentially due to annual wage hikes, partly offset by operational efficiencies and currency benefits. The company declared an interim dividend of ₹12 per share, highlighting its strong cash generation and shareholder-friendly capital allocation despite a challenging macro environment.

Healthy Deal Pipeline & AI-Led Growth: TCS secured US\$9.5 billion in Total Contract Value (TCV) during the quarter, including an US\$800 million mega deal with SKF, marking its sixth mega deal in the last five quarters. Although deal bookings moderated sequentially, the pipeline remains healthy. AI continued to be a key growth driver with annualized AI revenue rising to US\$2.6 billion. Strategic partnerships with Anthropic and Mistral AI, along with growing adoption of Agentic AI, are strengthening TCS' AI capabilities. Management highlighted that AI is increasingly moving from pilots to enterprise-wide deployment, creating long-term growth opportunities.

Demand Trends & Business Outlook: The BFSI segment remained the strongest contributor to growth, while Technology Software & Services also delivered healthy performance. However, Manufacturing, Life Sciences and Consumer businesses witnessed some softness due to macroeconomic uncertainty and cautious discretionary spending. Management indicated that recently won deals in these segments are expected to ramp up over the coming quarters. AI-driven transformation, cloud modernization and cost optimization continue to remain the key areas of client spending. TCS believes enterprises still have a significant technology investment backlog, which should gradually translate into stronger demand as business confidence improves during FY27.

AI Strategy & Talent Investments: TCS continues to strengthen its AI leadership through investments in technology partnerships, platforms and workforce capabilities. The company added over 9,200 employees during the quarter, taking total headcount to nearly 594,000, while onboarding around 14,000 fresh graduates focused on AI-native skills. Employees completed 14.6 million learning hours, adding over 1.3 million new competencies. Management reiterated that AI is expected to enhance productivity rather than replace jobs, creating new opportunities in prompt engineering, AI governance and model lifecycle management. AI-led projects are currently delivering 10-15% productivity improvements, supporting client efficiency and long-term engagement growth.

Strategic Initiatives & Key Monitorables: TCS launched the Sovereign Secure Cloud for Europe to address increasing demand for data sovereignty and regulatory compliance. It also established a dedicated Global Value & Innovation Center to support enterprises in setting up and transforming Global Capability Centers (GCCs). While execution remains strong, investors should monitor moderation in quarterly deal bookings, pressure on operating margins from wage hikes, and weak discretionary spending across select verticals. Manufacturing and Consumer demand remain soft, although management expects gradual improvement. Continued execution in AI-led transformation and large cost optimization programs will remain key drivers for sustaining long-term growth.

Outlook & Valuation: Management remains optimistic that demand will improve from Q2FY27, supported by AI adoption, cloud transformation, cost optimization programs and the ramp-up of recently won deals. Recovery in Manufacturing and Life Sciences, along with continued strength in BFSI, is expected to support growth over the medium term. While near-term revenue may remain influenced by cautious enterprise spending and lower sequential TCV, TCS remains well positioned given its strong client relationships, robust execution capabilities and leadership in AI services. We estimate Revenue/EBIT/PAT CAGR of 4%/2.9%/2.6% over FY26-28E and maintain a **BUY** rating with a target price of ₹2,825.

Financial Summary - Consolidated				
Particulars, INR Cr	FY25	FY26	FY27E	FY28E
Net revenue	2,55,324	2,67,021	2,77,702	2,88,810
EBIT	62,165	66,838	68,037	70,758
EBITM (%)	24.3	25.0	24.5	24.5
APAT	48,797	53,980	54,812	56,781
APATM (%)	19.1	20.2	19.7	19.7
EPS (Rs)	134.9	149.2	151.5	156.9
PE (x)	15.4	13.9	13.7	13.2
RoE (%)	46.7	47.6	45.1	44.9

Research Analyst

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Source : RBL Research

Key Highlights:

- » **Indian IT Spending Recovery to Gain Pace:** After a subdued FY26, the Indian IT services industry is expected to witness a gradual recovery in FY27 as enterprises restart delayed digital transformation projects. While discretionary spending remains muted across Retail and Manufacturing, spending on cloud, cybersecurity, data analytics and AI continues to remain resilient. Easing interest rates in developed markets and improving business confidence are likely to support stronger technology budgets in H2FY27. TCS, with its diversified client base and strong execution capabilities, remains well positioned to capture the recovery as large enterprises accelerate modernization initiatives.
- » **Cost Optimization Driving Client Spending:** Enterprises continue to prioritize cost efficiency amid an uncertain macro environment, resulting in strong demand for vendor consolidation, application modernization and managed services. Rather than large discretionary transformation projects, clients are increasingly focusing on initiatives with measurable business outcomes and quicker payback periods. TCS continues to benefit from this trend owing to its scale, execution capabilities and long-standing client relationships. The company's integrated service portfolio enables it to win multi-year transformation programs while strengthening wallet share across existing customers.
- » **Large Deal Pipeline Remains Robust:** Despite moderation in quarterly TCV, TCS continues to maintain one of the strongest large deal pipelines in the industry. Mega deals across BFSI, Energy, Telecom and Manufacturing reflect clients' confidence in TCS' delivery capabilities and global execution model. The company's ability to convert strategic engagements into long-term managed services contracts provides strong revenue visibility. With vendor consolidation emerging as a structural industry trend, TCS is expected to remain a key beneficiary as global enterprises reduce the number of technology partners.
- » **AI Moving Beyond Experimentation:** Generative AI adoption is shifting from pilot projects to enterprise-scale implementation, creating significant opportunities for TCS. The company is increasingly integrating AI across software engineering, customer experience, business operations and infrastructure management. AI is also improving developer productivity and accelerating project execution, enabling outcome-based commercial models. Strong partnerships with leading AI platform providers and deep domain expertise position TCS to capture a larger share of enterprise AI spending as organizations move from experimentation to production deployment.
- » **Competitive Position Strengthens:** TCS continues to strengthen its leadership through investments in AI capabilities, cloud services, cybersecurity and Global Capability Center (GCC) transformation. Its strong balance sheet, diversified geographic presence, high client retention and consistent execution differentiate it from peers. The company's focus on innovation, employee upskilling and strategic partnerships enhances its ability to deliver complex digital transformation programs. These structural advantages should help TCS maintain market share even amid a volatile demand environment.
- » **FY27 Outlook:** Management expects technology spending to improve progressively during FY27 as AI adoption, cloud modernization and cost optimization remain top enterprise priorities. Although discretionary spending could remain selective in the near term, the medium-term demand outlook remains constructive. TCS is well positioned to benefit from improving global IT spending, supported by its strong deal pipeline, diversified client portfolio and leadership in AI-led transformation. While the stock trades at a premium to peers, its consistent earnings growth, superior return ratios, robust free cash flow and predictable execution continue to justify the premium valuation over the long term.

Profit & Loss Account - Consolidated					
Particulars, INR Cr	Q1FY27	Q1FY26	Y-o-Y %	Q4FY26	Q-o-Q %
Net Sales (\$ Mn)	7,624	7,421	2.7	7,621	0.0
Net Sales (Rs Cr)	72,275	63,437	13.9	70,698	2.2
Employee Cost	42,137	37,715	11.7	40,143	5.0
Cost of equipment and licences	1,354	726	86.5	1,444	(6.2)
Other Expense	10,228	8,121	25.9	9,835	4.0
Total Expenditure	53,719	46,562	15.4	51,422	4.5
EBITDA	18,556	16,875	10.0	19,276	(3.7)
EBITDA Margins (%)	25.7	26.6	-93bps	27.3	-159bps
Depreciation	1,239	1,361	(9.0)	1,406	(11.9)
EBIT	17,317	15,514	11.6	17,870	(3.1)
EBIT Margins (%)	24.0	24.5	-50bps	25.3	-132bps
Other Income	1,568	1,660	(5.5)	757	107.1
Interest	273	195	40.0	265	3.0
PBT	18,612	16,979	9.6	18,362	1.4
PBT Margin (%)	25.8	26.8	-101bps	26.0	-22bps
Exceptional item	(668.0)	-	-	0	-
PBT (after Excep.)	17,944	16,979	5.7	18,362	(2.3)
Tax	4,524	4,160	8.7	4,578	(1.2)
PAT (after except.)	13,420	12,819	4.7	13,784	(2.6)
PAT Margin (%)	18.6	20.2	-164bps	19.5	-93bps
EPS	38.9	35.4	9.9	38.1	2.2

Source : RBL Research

US dollar revenue remained flat, weighed down by North America and Consumer weakness.

EBIT margin declined due to annual wage hikes, partly offset by operational efficiencies and currency gains

PAT growth was supported by strong operations, but impacted by a one-time legal settlement expense.

Revenue Distribution by Geography & Growth in Constant Currency (%)

Particulars	Q1FY27	Q1FY26	Y-o-Y %
Americas	50.6	50.6	
North America	48.7	48.7	2.0
Latin America *	1.9	1.9	(2.1)
Europe	33.0	33.0	
UK	18.0	18.0	(0.6)
Continental Europe	15.0	15.0	4.3
India	5.8	5.4	22.9
Asia Pacific	8.4	8.4	2.5
MEA	2.2	2.2	7.6
Growth in CC %			3.2

Source : RBL Research

Growth was led by India and Europe, while North America and the UK remained soft.

Revenue Distribution by Industry & Growth in Constant Currency (%)

Particulars	Q1FY27	Q1FY26	Y-o-Y %
BFSI	32.0	32.0	2.4
Consumer Business	15.6	15.6	(1.2)
Communication & Media	5.8	5.8	1.4
Manufacturing	8.7	8.7	2.9
Life Science & Healthcare	10.2	10.2	3.5
Technology & Services	8.4	8.4	3.5
Energy, Resources and Utilities	5.9	5.9	6.9
Regional Markets & Others	13.4	13.4	9.0
Growth in CC %			3.2

Source : RBL Research

Growth was led by Energy, Regional Markets and Healthcare, while Consumer remained weak.

BFSI sustained positive momentum on Y-o-Y basis

Particulars	Q1FY27	Q1FY26
USD 1 mn clients *	1336	1336
USD 5 mn clients *	714	723
USD 10 mn clients *	495	495
USD 20 mn clients *	300	298
USD 50 mn clients *	131	130
USD 100 mn clients *	62	62

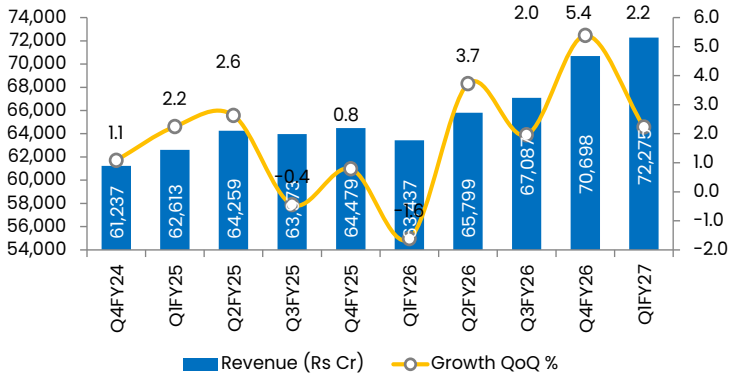
* Last Twelve Months' services revenues; includes clients in India

Source : RBL Research

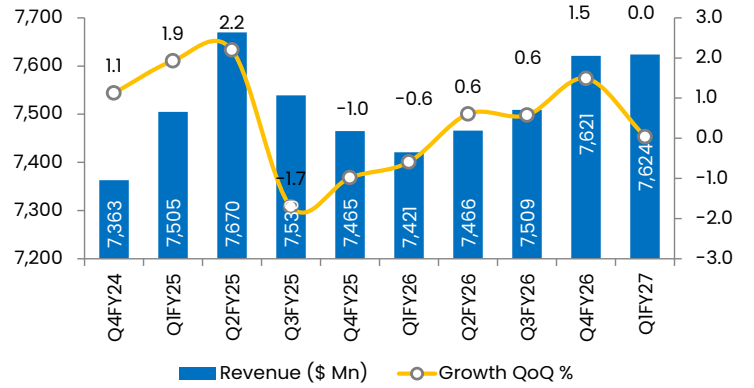
Large client additions remained steady, with growth in the US\$20M+ and US\$50M+ buckets despite slight mid-tier consolidation.

Story in Charts

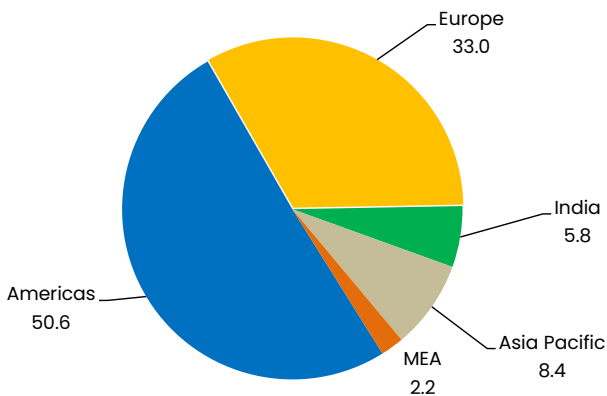
Revenue in rupee grew by 13.9% YoY and 2.2% QoQ



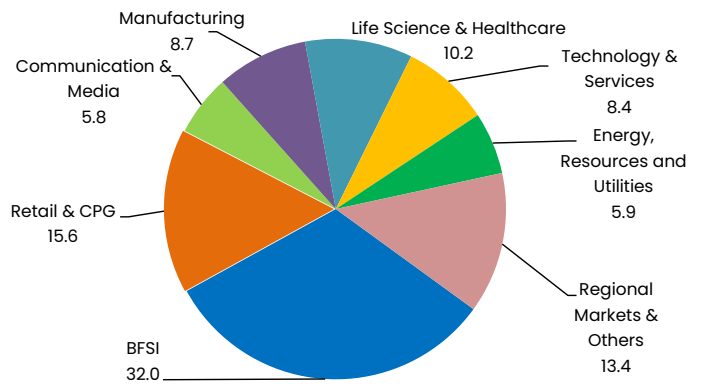
Revenue in dollar increased by 2.7% YoY and flat QoQ



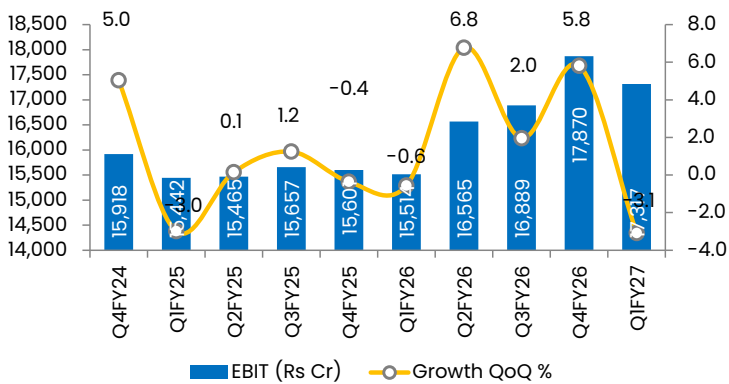
Revenue Distribution by Geography (%)



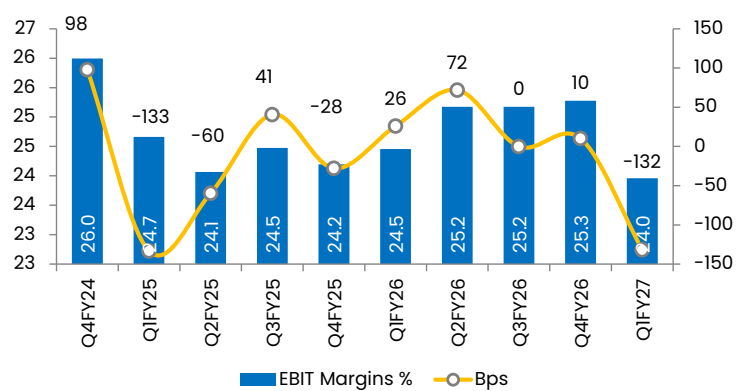
Revenue Distribution by Industry Vertical (%)



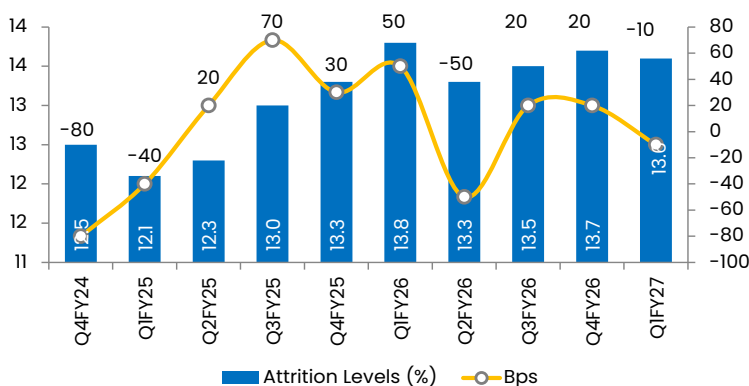
EBIT grew by 11.6% YoY but declined 3.1% QoQ



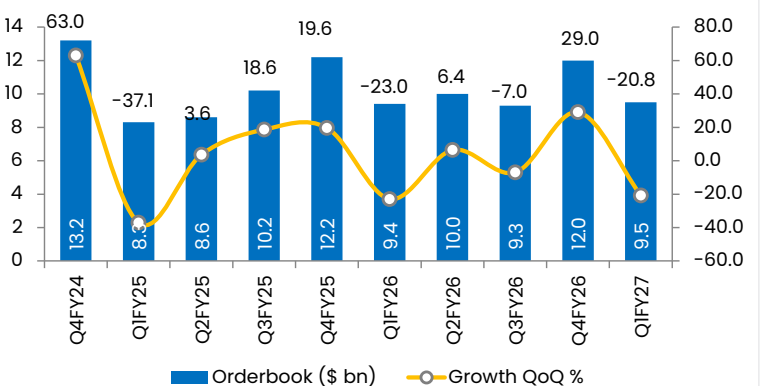
EBIT margin contracted by 50 bps YoY and 132 bps QoQ



Attrition has decreased slightly YoY



Order Book remained stable at USD 9.5bn in Q1FY27



Profit & Loss Account - Consolidated

Particulars, INR Cr	FY25	FY26	FY27E	FY28E
Net Sales (\$ Mn)	30,179	30,017	31,218	32,466
Net sales	2,55,324	2,67,021	2,77,702	2,88,810
Growth %	6.0	4.6	4.0	4.0
Employee cost	1,45,788	1,54,994	1,63,844	1,70,398
Cost of equipment and software licences	11,648	4,399	6,943	7,220
Other expenses	30,481	35,230	33,324	34,657
Total expenditure	1,87,917	1,94,623	2,04,111	2,12,275
EBITDA	67,407	72,398	73,591	76,535
EBITDAM (%)	26.4	27.1	26.5	26.5
Depreciation	5,242	5,560	5,554	5,776
EBIT	62,165	66,838	68,037	70,758
EBITM (%)	24.3	25.0	24.5	24.5
Other income	3,962	4,402	4,443	4,621
Interest expenses	796	1,227	1,389	1,733
PBT	65,331	70,013	71,092	73,647
Tax	16,534	16,033	16,280	16,865
PAT (after Exceptional)	48,797	53,980	54,812	56,781
PAT Margin %	19.1	20.2	19.7	19.7
EPS	134.9	149.2	151.5	156.9

Source: RBL Research

Balance Sheet - Consolidated

Particulars, INR Cr	FY25	FY26	FY27E	FY28E
Share Capital	362	362	362	362
Reserves & Surplus	1,04,191	1,12,946	1,21,084	1,25,860
Total Shareholder's Fund	1,04,553	1,13,308	1,21,446	1,26,221
Minority Interest	1,015	1,238	1,238	1,238
Deferred tax liabilities	980	1,068	1,111	1,155
Other long term liabilities	9,702	9,079	9,442	9,820
Total	10,683	10,147	10,553	10,975
Current Liabilities				
Trade payables	13,909	14,808	12,173	12,660
Short term provisions	148	155	161	168
Other current liabilities	38,950	38,718	40,267	41,877
Total	53,007	53,681	52,601	54,705
Total liabilities	1,69,257	1,78,374	1,85,838	1,93,140
Application of Assets				
Net Block	18,892	19,252	19,618	19,991
Current work in process	1,546	1,546	1,546	1,546
Goodwill on consolidation	1,860	1,860	1,860	1,860
Non current investment	255	267	278	289
Deferred Tax assets	3,607	3,772	3,923	4,080
Long term loans and advances	2	2	2	2
Other non-current assets	10,213	10,681	11,108	11,552
Total	36,376	37,380	38,335	39,321
Current Assets				
Current investments	30,664	36,048	37,490	38,989
Inventories	21	31	32	34
Trade receivables	50,141	52,439	54,536	56,718
Cash balance	22,029	21,271	23,049	24,532
Bank balance	4,270	4,270	4,270	4,270
Short term loans and advances	1,501	1,569	1,632	1,697
Other current assets	24,256	25,367	26,494	27,579
Total	1,32,882	1,40,994	1,47,503	1,53,819
Total assets	1,69,257	1,78,374	1,85,838	1,93,140

Source: RBL Research

Cash Flow - Consolidated

Particulars	FY25	FY26	FY27E	FY28E
Profit before tax	65,331	70,013	71,092	73,647
Add: Depreciation	5,242	5,560	5,554	5,776
Add: Interest cost	796	1,227	1,389	1,733
Others	-	-	-	-
Operating profit before working capital changes	67,407	72,398	73,591	76,535
Changes in working capital	(948)	(3,982)	(4,541)	(1,408)
Cash from Operations	66,459	68,416	69,050	75,126
Less: Taxes	(16,534)	(16,033)	(16,280)	(16,865)
Cash flow from Operations	49,925	52,383	52,770	58,261
Net cash used in Investing				
Purchase of fixed assets	(6,372)	(5,919)	(5,920)	(6,150)
Purchase of investments	842	(5,395)	(1,453)	(1,511)
Sales of fixed assets	-	-	4,282	4,453
Dividend Income//Interest Rec.	3,962	4,402	(1,533)	(1,587)
Cash flow from investing	(1,568)	(6,912)	(2,569)	(2,585)
Cash flow from Financing				
Proceeds from Equity shares	-	-	-	-
Dividend (Incl dividend tax)	(34,733)	(45,225)	(47,034)	(52,461)
Interest cost	(796)	(1,227)	(1,389)	(1,733)
Others	185	223	-	-
Cash flow from Financing	(35,344)	(46,229)	(48,423)	(54,194)
Net cash Inflow/Outflow	13,013	(758)	1,778	1,483
Opening cash	9,016	22,029	21,271	23,049
Exchange gain/loss	-	-	-	-
Closing Cash	22,029	21,271	23,049	24,532

Source: RBL Research

Key Financial Ratios

Particulars	FY25	FY26	FY27E	FY28E
Per share Data				
EPS (Rs)	134.9	149.2	151.5	156.9
Book value per share (Rs)	289.0	313.2	335.7	348.9
Dividend per share (Rs)	96.0	125.0	130.0	145.0
Dividend Payout (%)	71.2	83.8	85.8	92.4
Dividend Yield (%)	4.6	6.0	6.3	7.0
Profitability Ratios				
EBITDAM(%)	26.4	27.1	26.5	26.5
PBTM (%)	25.6	26.2	25.6	25.5
NPM (%)	19.1	20.2	19.7	19.7
RoE (%)	46.7	47.6	45.1	45.0
RoCE (%)	59.5	59.0	56.0	56.1
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Fixed Asset Ratio	0.1	0.1	0.1	0.1
Debtors Days	71.7	71.7	71.7	71.7
Payable Days	19.9	16.0	16.0	16.0
WC Days	51.8	55.7	55.7	55.7
Valuation				
P/E (x)	15.4	13.9	13.7	13.2
P/BV (x)	7.2	6.6	6.2	5.9
EV/EBITDA (x)	10.8	10.1	9.9	9.5
EV/Sales (x)	2.8	2.7	2.6	2.5

Source: RBL Research

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Ratings Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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S No.	Statement	Answer	
		Yes	No
		Tick Appropriate	
		Yes	No
1.	I/we or any of my/our relative has any financial interest in the subject company? (If answer is yes, nature of interest is given below this table)		No
2.	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of the research report or date of the public appearance?		No
3.	I/we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of the public appearance?		
4.	I/we have received any compensation from the subject company in the past twelve months?		No
5.	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
6.	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
7.	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
8.	I/we have served as an officer, director or employee of the subject company?		No
9.	I/we have been engaged in market making activity for the subject company?		No

2014 is/are as under:

Statements of ownership and material conflicts of interest, compensation – Research Analyst (RA)

Nature of Interest [If answer to f (a) above conflicts is Yes]

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

S. No.	Name of RA	Signature of RA	Serial Question of question which the signing RA needs to make a separate declaration	Answer	Answer

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