

Tata Consultancy Services Limited

Q4FY26 Result Update | Sector: IT - Software

April 10, 2026





Current Market Price	2516
Target Price	3255
Upside	29.4%
Nifty	24,003
Sensex	77,373

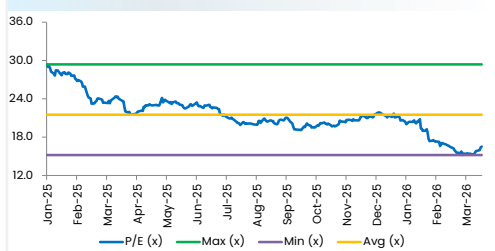
Key Stock Data

Company Name	TCS
BSE Code	532540
NSE Code	TCS
Bloomberg	TCS:IN
Shares o/s, Cr (FV 1)	361.8
Market Cap (Rs Cr)	9,10,289
3M Avg Volume (NSE)	40,90,438
52 week H/L	3,631/2,346

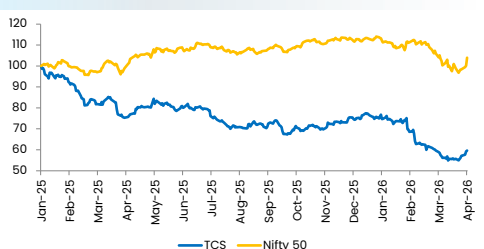
Shareholding Pattern

	Jun-25	Sep-25	Dec-25
Promoter	71.8	71.8	71.8
FII	11.5	10.3	10.4
DII	12.0	12.6	12.8
Others	4.8	5.3	5.1

1 year forward P/E (x)



1 year relative price chart



Strong Financial Performance & Margin Expansion: TCS delivered a solid Q4 FY26 performance, with revenue at ₹70,698 crore, reflecting steady growth despite global uncertainties. Net profit rose 12.2% YoY to ₹13,784 crore, supported by operational efficiencies and better cost control. A key highlight was operating margin expansion to 25.3%, a four-year high, driven by improved utilization, pyramid optimization, and higher realization from premium services. For the full year, margins remained strong at 25%, showcasing consistency. Despite currency headwinds in dollar terms, the company maintained profitability through disciplined execution, indicating resilience in a volatile macro environment.

AI-Led Transformation Driving Growth: A major structural shift is TCS's rapid transition toward AI-led services. Annualized AI revenue crossed \$2.3 billion, signaling a move from pilot projects to enterprise-scale deployment. The company's "infrastructure to intelligence" strategy positions it as a full-stack AI provider, covering cloud, data, and AI solutions. Strategic partnerships with players like OpenAI and AMD are strengthening capabilities. Importantly, clients are shifting toward outcome-based pricing, improving realizations and margins. AI is now becoming a core revenue driver rather than an experimental segment, supporting long-term growth visibility.

Robust Deal Wins & Order Book Visibility: TCS reported strong deal momentum with a Q4 Total Contract Value (TCV) of \$12 billion, including multiple mega deals. This contributed to a robust full-year order book of \$40.7 billion, providing strong revenue visibility ahead. The company also demonstrated strong client engagement, with growth across large client buckets, including the addition of new \$100M+ and \$50M+ clients. This indicates deeper relationships and higher wallet share from existing customers. The strong pipeline reflects sustained demand for digital transformation and AI-led solutions, positioning TCS well to navigate macro uncertainties and maintain steady growth momentum.

Demand Trends & Segment Performance: Demand trends remained mixed across geographies and verticals. Energy, Resources & Utilities and Consumer segments led growth, while BFSI- TCS's largest vertical remained subdued due to cautious spending globally. Regionally, the UK was the strongest performer, while North America showed gradual recovery. However, some regions like Asia Pacific and emerging markets faced pressure due to weaker discretionary spending. This divergence highlights a selective recovery environment, where clients are prioritizing cost optimization and efficiency-driven projects over discretionary IT spending, thereby favoring AI, cloud, and automation-related investments.

Workforce Strategy & Operational Efficiency: TCS ended FY26 with a workforce of 584,519 employees, reflecting a focus on productivity and efficiency. The company announced salary hikes effective April 2026, including double-digit increases for top performers, signaling confidence in future demand. A key strategic focus has been large-scale upskilling, with over 270,000 employees trained in AI and machine learning. This investment ensures readiness for the next technology cycle. Margin expansion was supported by better utilization, pyramid restructuring, and automation. The company's ability to deliver growth with a leaner workforce highlights its transition toward a more efficient, AI-integrated operating model.

Outlook & Valuation Perspective: Tata Consultancy Services management remains optimistic for FY27, supported by a strong deal pipeline, rising AI adoption, and sustained client investments in technology. While geopolitical and macro uncertainties persist, AI-led services are expected to be net accretive to growth over time. The company continues to command a premium valuation, backed by strong margins, consistent cash flows, and leadership in digital transformation. Its transition toward an AI-driven, platform-led model enhances long-term earnings visibility. We estimate Revenue/EBIT/PAT CAGR of 5.6%/3.5%/3.2% over FY26-28E and maintain a **BUY** rating with a target price of **₹3,255**.

Financial Summary - Consolidated

Particulars, INR Cr	FY25	FY26	FY27E	FY28E
Net revenue	2,55,324	2,67,021	2,81,707	2,98,046
EBIT	62,165	66,838	69,018	71,531
EBITM (%)	24.3	25.0	24.5	24.0
APAT	48,797	53,980	55,602	57,448
APATM (%)	19.1	20.2	19.7	19.3
EPS (Rs)	134.9	149.2	153.7	158.8
PE (x)	18.7	16.9	16.4	15.8
RoE (%)	46.7	47.6	45.6	45.3

Research Analyst

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Source : RBL Research

Key Highlights:

- » **Future Growth Driven by AI & Digital Transformation:** Tata Consultancy Services's future growth is increasingly anchored in AI, cloud, and digital transformation. With AI revenue already crossing \$2.3 billion (annualized), the company is transitioning from experimentation to enterprise-scale deployments. Strong deal wins and a \$40.7 billion order book provide multi-year revenue visibility. Clients are prioritizing cost optimization and automation, where TCS is well positioned. The company's "infrastructure to intelligence" strategy and partnerships with global AI leaders strengthen its competitive moat. Over the medium term, AI-led services are expected to become a key growth engine, offsetting slower growth in traditional IT outsourcing segments.
- » **IT Sector Growth Outlook & Industry Trends:** The Indian IT sector has crossed the \$300 billion mark and continues to grow, though at a moderated pace amid global uncertainties. Growth is expected to remain in the mid-single digits in the near term, with gradual acceleration driven by AI adoption, cloud migration, and digital engineering. However, the FY27 outlook remains cautious due to geopolitical risks and weak discretionary spending in key markets like the US and Europe. The sector is undergoing a structural shift from labor arbitrage to technology-led transformation, where value creation will depend on innovation, platforms, and domain expertise rather than scale alone.
- » **Key Tailwinds Supporting the Sector & TCS:** Several structural tailwinds support TCS's long-term growth. Rising enterprise AI adoption is creating new demand pools, especially in automation, analytics, and cybersecurity. Large enterprises are accelerating digital transformation, ensuring sustained deal pipelines. Currency depreciation also benefits export-oriented IT companies by boosting margins. Additionally, BFSI, energy, and manufacturing sectors are resuming tech spending, providing demand stability. India's strong talent base and cost advantage continue to attract global outsourcing deals. These factors collectively position TCS to maintain steady growth, even in a volatile macro environment, while capturing emerging high-value opportunities in AI-led transformation.
- » **Headwinds & Structural Challenges in the IT Sector:** Despite strong tailwinds, the sector faces meaningful headwinds. Global macro uncertainty, geopolitical tensions, and cautious discretionary spending continue to impact demand visibility. AI itself poses a structural risk by automating repetitive tasks - the core of traditional IT services. This could compress pricing and reduce volume growth in legacy services. Additionally, verticals like BFSI and retail remain cautious, delaying large-scale tech investments. Margin pressure may also arise from wage inflation and continued investments in AI capabilities. As a result, IT companies must continuously evolve their business models to sustain growth in an increasingly competitive and technology-driven landscape.
- » **Shift from Services to a Platform-Led, Subscription-Based Model:** TCS is gradually transitioning from a traditional time-and-material services model to a platform-led, outcome-based, and subscription-driven business. Clients are increasingly opting for managed services, cloud platforms, and AI-driven solutions with recurring revenue models. Products like TCS ignio™, AI platforms, and cloud-based offerings are enabling this shift. Outcome-based pricing improves revenue predictability and margins while reducing dependence on headcount growth. This transition marks a structural evolution in the IT industry from linear growth tied to employee addition to scalable, IP-led growth driven by platforms and recurring revenue streams.
- » **AI Products, Growth Visibility & Valuation Perspective:** Tata Consultancy Services is building a strong AI ecosystem through platforms like ignio™, HyperVault (AI infrastructure), and partnerships with OpenAI and AMD. With over 270,000 employees trained in AI, it has one of the largest AI-ready workforces globally. AI is expected to be net accretive to revenue growth, supporting long-term visibility. From a valuation standpoint, TCS commands a premium due to consistent margins, strong cash flows, and leadership in digital transformation. While near-term growth may remain moderate, its structural shift toward AI-led platforms continues to support growth visibility.

Profit & Loss Account - Consolidated					
Particulars, INR Cr	Q4FY26	Q4FY25	Y-o-Y %	Q3FY26	Q-o-Q %
Net Sales (\$ Mn)	7,621	7,465	2.1	7,509	1.5
Net Sales (Rs Cr)	70,698	64,479	9.6	67,087	5.4
Employee Cost	40,143	36,762	9.2	38,530	4.2
Cost of equipment and licences	1,444	2,748	(47.5)	1,262	14.4
Other Expense	9,835	7,989	23.1	9,026	9.0
Total Expenditure	51,422	47,499	8.3	48,818	5.3
EBITDA	19,276	16,980	13.5	18,269	5.5
EBITDA Margins (%)	27.3	26.3	93bps	27.2	3bps
Depreciation	1,406	1,379	2.0	1,380	1.9
EBIT	17,870	15,601	14.5	16,889	5.8
EBIT Margins (%)	25.3	24.2	108bps	25.2	10bps
Other Income	757	1,028	(26.4)	1,118	(32.3)
Interest	265	227	16.7	538	(50.7)
PBT	18,362	16,402	11.9	17,469	5.1
PBT Margin (%)	26.0	25.4	53bps	26.0	-7bps
Exceptional item	-	-	-	-3,391	-
PBT (after Excep.)	18,362	16,402	11.9	14,078	30.4
Tax	4,578	4,109	11.4	3,358	36.3
PAT (after except.)	13,784	12,293	12.1	10,720	28.6
PAT Margin (%)	19.5	19.1	43bps	16.0	352bps
EPS	38.1	34.0	12.1	39.0	(2.3)

Source : RBL Research

Revenue growth was driven by strong AI-led demand, robust deal wins (\$12B TCV), improved realizations.

EBIT margins remained stable due to efficiency gains, AI productivity, currency tailwinds etc.

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

Particulars	Q4FY26	Q4FY25	Y-o-Y %
Americas	50.4	50.0	-
North America	48.5	48.2	2.5
Latin America *	1.9	1.8	(2.9)
Europe	32.8	31.1	-
UK	17.2	16.8	(1.2)
Continental Europe	15.6	14.3	1.0
India	6.0	8.4	(23.0)
Asia Pacific	8.3	8.1	(3.5)
MEA	2.5	2.4	7.8
Growth in CC %			(0.6)

Source : RBL Research

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

Particulars	Q4FY26	Q4FY25	Y-o-Y %
BFSI	31.6	31.2	0.4
Consumer Business	15.7	15.3	0.8
Communication & Media	5.8	5.8	(2.1)
Manufacturing	8.8	8.4	3.1
Life Science & Healthcare	10.4	10.1	3.3
Technology & Services	8.4	8.1	2.5
Energy, Resources and Utilities	6.3	5.7	7.3
Regional Markets & Others	13.0	15.4	(12.8)
Growth in CC %			(0.6)

Source : RBL Research

BFSI sustained positive momentum on Y-o-Y basis

Particulars	Q4FY26	Q4FY25
USD 1 mn clients *	1397	1332
USD 5 mn clients *	738	723
USD 10 mn clients *	499	493
USD 20 mn clients *	311	298
USD 50 mn clients *	139	130
USD 100 mn clients *	66	64

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

Source : RBL Research

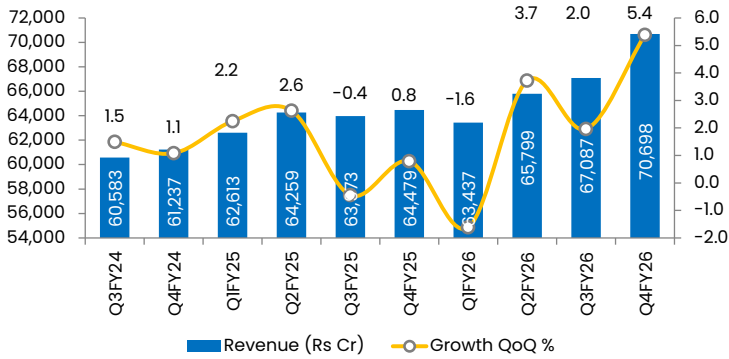
Growth was supported by North America, Europe, and MEA, while India, UK, and Asia Pacific witnessed a decline.

Growth led by Energy, Life Sciences, Manufacturing, and BFSI, while Communication & Media and Regional Markets declined.

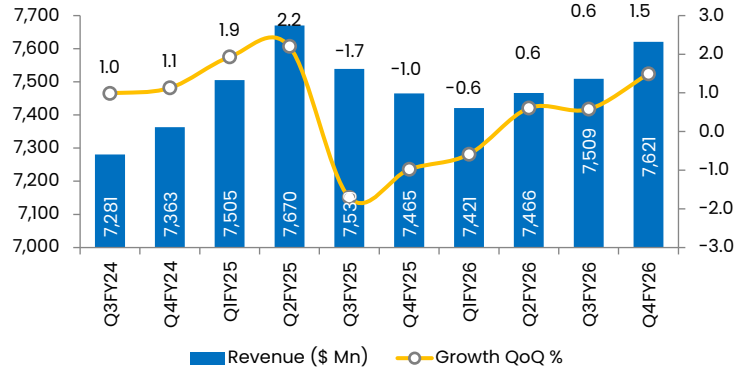
Growth across client tiers, with strong additions in \$100M+, \$50M+, and \$1M+ segments, supporting a healthy pipeline.

Story in Charts

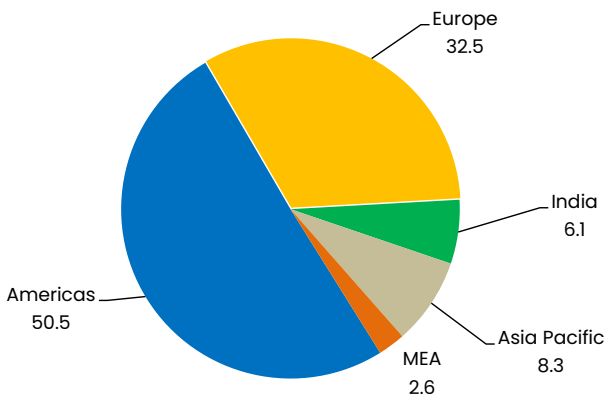
Revenue in rupee grew by 9.6% YoY and 5.4% QoQ



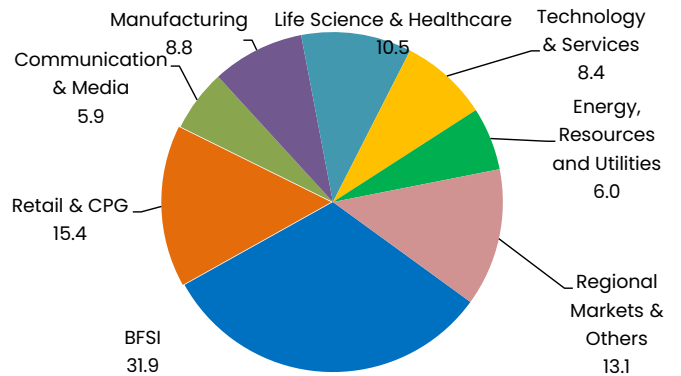
Revenue in dollar increased by 2.1% YoY and grew by 1.5% QoQ



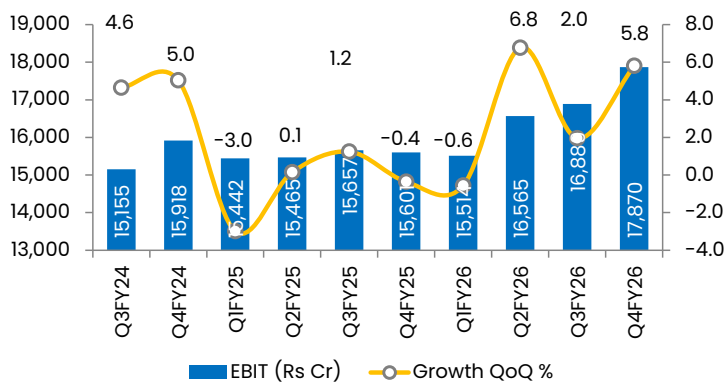
Revenue Distribution by Geography (%)



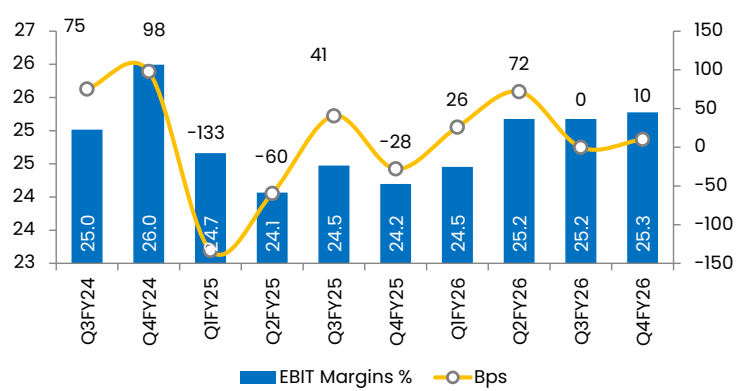
Revenue Distribution by Industry Vertical (%)



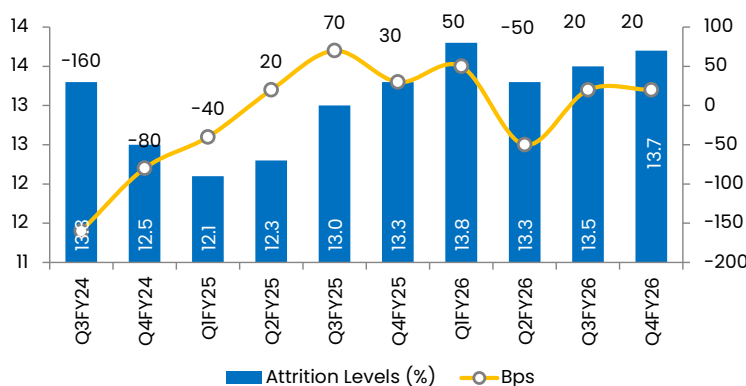
EBIT grew by 14.5% YoY and 5.8% QoQ



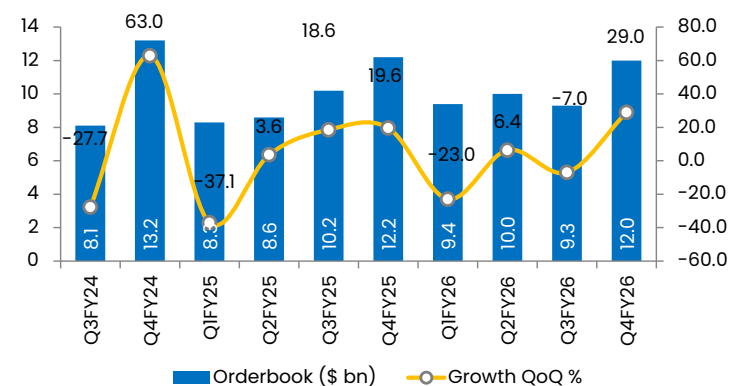
EBIT margin expanded by 108bps YoY but remained flat QoQ



Attrition has increased slightly YoY



Order Book remained stable at USD 12bn in Q4FY26



Profit & Loss Account - Consolidated

Particulars, INR Cr	FY25	FY26	FY27E	FY28E
Net Sales (\$ Mn)	30,179	30,017	31,668	33,505
Net sales	2,55,324	2,67,021	2,81,707	2,98,046
Growth %	6.0	4.6	5.5	5.8
Employee cost	1,45,788	1,54,994	1,66,207	1,75,847
Cost of equipment and software licences	11,648	4,399	7,043	8,941
Other expenses	30,481	35,230	33,805	35,766
Total expenditure	1,87,917	1,94,623	2,07,055	2,20,554
EBITDA	67,407	72,398	74,652	77,492
EBITDAM (%)	26.4	27.1	26.5	26.0
Depreciation	5,242	5,560	5,634	5,961
EBIT	62,165	66,838	69,018	71,531
EBITM (%)	24.3	25.0	24.5	24.0
Other income	3,962	4,402	4,507	4,769
Interest expenses	796	1,227	1,409	1,788
PBT	65,331	70,013	72,117	74,512
Tax	16,534	16,033	16,515	17,063
PAT (after Exceptional)	48,797	53,980	55,602	57,448
PAT Margin %	19.1	20.2	19.7	19.3
EPS	134.9	149.2	153.7	158.8

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	1,21,514	1,26,502
Total Shareholder's Fund	1,04,553	1,13,308	1,21,876	1,26,864
Minority Interest	1,015	1,238	1,238	1,238
Deferred tax liabilities	980	1,068	1,127	1,192
Other long term liabilities	9,702	9,079	9,578	10,134
Total	10,683	10,147	10,705	11,326
Current Liabilities				
Trade payables	13,909	14,808	12,349	13,065
Short term provisions	148	155	164	173
Other current liabilities	38,950	38,718	40,848	43,217
Total	53,007	53,681	53,360	56,455
Total liabilities	1,69,257	1,78,374	1,87,179	1,95,882
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	282	298
Deferred Tax assets	3,607	3,772	3,980	4,210
Long term loans and advances	2	2	2	2
Other non-current assets	10,213	10,681	11,268	11,922
Total	36,376	37,380	38,556	39,830
Current Assets				
Current investments	30,664	36,048	38,030	40,236
Inventories	21	31	33	35
Trade receivables	50,141	52,439	55,323	58,531
Cash balance	22,029	21,271	22,438	22,772
Bank balance	4,270	4,270	4,270	4,270
Short term loans and advances	1,501	1,569	1,656	1,752
Other current assets	24,256	25,367	26,875	28,457
Total	1,32,882	1,40,994	1,48,623	1,56,052
Total assets	1,69,257	1,78,374	1,87,179	1,95,882

Source: RBL Research

Cash Flow - Consolidated

Particulars	FY25	FY26	FY27E	FY28E
Profit before tax	65,331	70,013	72,117	74,512
Add: Depreciation	5,242	5,560	5,634	5,961
Add: Interest cost	796	1,227	1,409	1,788
Others	-	-	-	-
Operating profit before working capital changes	67,407	72,398	74,652	77,492
Changes in working capital	(948)	(3,982)	(5,038)	(2,057)
Cash from Operations	66,459	68,416	69,614	75,435
Less: Taxes	(16,534)	(16,033)	(16,515)	(17,063)
Cash flow from Operations	49,925	52,383	53,100	58,371
Net cash used in Investing				
Purchase of fixed assets	(6,372)	(5,919)	(6,000)	(6,334)
Purchase of investments	842	(5,395)	(1,997)	(2,222)
Sales of fixed assets	-	-	4,285	4,522
Dividend Income//Interest Rec.	3,962	4,402	(1,971)	(2,159)
Cash flow from investing	(1,568)	(6,912)	(3,490)	(3,788)
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)	(1,409)	(1,788)
Others	185	223	-	-
Cash flow from Financing	(35,344)	(46,229)	(48,443)	(54,249)
Net cash Inflow/Outflow	13,013	(758)	1,167	334
Opening cash	9,016	22,029	21,271	22,438
Exchange gain/loss	-	-	-	-
Closing Cash	22,029	21,271	22,438	22,772

Source: RBL Research

Key Financial Ratios

Particulars	FY25	FY26	FY27E	FY28E
Per share Data				
EPS (Rs)	134.9	149.2	153.7	158.8
Book value per share (Rs)	289.0	313.2	336.9	350.6
Dividend per share (Rs)	96.0	125.0	130.0	145.0
Dividend Payout (%)	71.2	83.8	84.6	91.3
Dividend Yield (%)	3.8	5.0	5.2	5.8
Profitability Ratios				
EBITDAM(%)	26.4	27.1	26.5	26.0
PBTM (%)	25.6	26.2	25.6	25.0
NPM (%)	19.1	20.2	19.7	19.3
RoE (%)	46.7	47.6	45.6	45.3
RoCE (%)	59.5	59.0	56.6	56.4
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)	18.7	16.9	16.4	15.8
P/BV (x)	8.7	8.0	7.5	7.2
EV/EBITDA (x)	13.2	12.3	11.9	11.5
EV/Sales (x)	3.5	3.3	3.2	3.0

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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