

December 18, 2025

Positioned to lead the AI-first shift...

About the stock: Tata Consultancy Services (TCS) is one of the leading IT service providers with a presence in BFSI, communication, manufacturing, retail & hi tech.

TCS, on its Investor Day 2025, articulated a clear shift towards an AI-first enterprise, positioning AI as a multi-year structural transformation opportunity to position it as the world's largest AI led technology services company.

Key Investor Day Highlights

- The AI strategy is anchored around 5 pillars viz a) internal AI adoption, b) service redefinition through a Human+AI model, c) future-ready talent, d) client-centric AI solutions, and e) a broad AI ecosystem spanning partnerships, M&A and new ventures. It shall achieve this through a **build-partner-acquire approach**.
- TCS's AI services revenue, at US\$1.5bn (5% of overall revenue), is growing at +16.3% QoQ & 38.2% YoY CC.** In comparison, Accenture reported US\$2.7bn (~4% of revenue) & HCLTech reported US\$0.4bn (3% of revenue) as AI revenue.
- It also disclosed ~US\$11bn annualised "new-age" revenues (~39% of overall revenue) including AI services (+38.2% YoY CC), cloud (+7.55% YoY CC), interactive (+9% YoY CC), cybersecurity (+7.5% YoY CC), enterprise solutions (+6.2% YoY CC), IoT and digital engineering (+2.6% YoY CC), with each of these service lines growing faster than the company's average growth rate.
- Management expects growth in new age services to offset weakness in legacy/traditional business.** Notably, **AI expected to be margin accelerator** via productivity, higher-value services & delivery efficiency.
- TCS is pivoting to acquisitions to speed up capability creation, as technology is changing rapidly due to GenAI and Agentic AI innovations. **More acquisitive stance to strengthen AI advisory and domain depth** (e.g., Coastal Cloud, ListEngage for Salesforce). Post-acquisition, TCS' portfolio now has all major Salesforce capabilities and market coverage.
- Management reiterated its aspiration of **industry-leading EBIT margins of ~25%, 26-28% in the medium/long term despite talent and AI related investments, >100% cash conversion, strong RoE (~51% - 2x peer average) and ~80-100% FCF (post all investments) payout policy supported by strong balance sheet with US\$6.3bn investible surplus.**

Rating and Target Price

- We believe, TCS has a clear & scaled AI strategy among Indian IT peers, backed by scale, talent depth & strong financial discipline, positioning it well for AI-led growth with industry leading margins and returns.
- We expect dollar revenue to grow at a CAGR of ~4% over FY25-FY28E and have baked in EBIT margins of 24.8%/ 25.3%/25.5% in FY26E/FY27E/FY28E vs. 24.3% in FY25. We maintain BUY rating with TP of ₹3,800 as we roll over to FY28E; valuing it at 23x on FY28E EPS.**

Key Financial Summary

₹ crore	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	2,40,893	2,55,324	10.2	2,64,812	2,82,082	3,03,772	6.0
EBITDA	63,337	67,407	9.9	71,458	77,291	83,841	7.5
EBITDA Margins (%)	26.3	26.4		27.0	27.4	27.6	
Adj. PAT	45,908	48,553	8.5	51,667	54,853	59,783	7.2
Adj. EPS (₹)	125.9	134.2		142.8	151.6	165.3	
P/E	25.5	24.2		23.2	21.4	19.6	
RoNW (%)	50.7	51.2		51.2	48.9	48.1	
RoCE (%)	60.9	60.4		60.1	58.1	57.6	

Source: Company, ICICI Direct Research



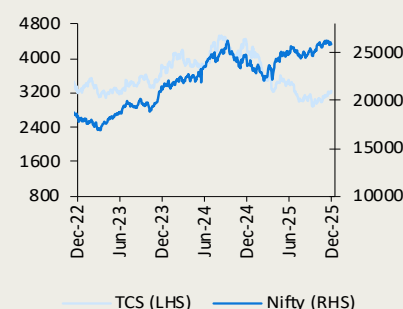
Particulars

Particular	Amount
Market Cap (₹ Crore)	11,80,120
Total Debt (₹ Crore)	9,392
Cash & equiv. (₹ Crore)	39,031
EV (₹ Crore)	11,50,481
52 week H/L	4432 / 2866
Equity capital (₹ Crore)	362
Face value	1.0

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	71.8	71.8	71.8	71.8
FII	12.7	12.0	11.5	10.3
DII	10.9	11.6	12.0	12.7
Others	4.6	4.6	4.8	5.2

Price Chart



Key risks

- Lower than expected ROIs from data centre capex plans;
- Slower than expected revenue growth recovery

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Exhibit 1: Gaining leadership in AI



Source: Company, ICICI Direct Research

TCS invests US\$1bn (~3% of revenue) annually in building AI first talent with 100% sales & pre-sales personnel trained in AI, 180k employees with higher order skills & 90% developers already using coding assistants. Large internal AI infrastructure ("AI Foundry") gives TCS speed and scale advantage vs peers.

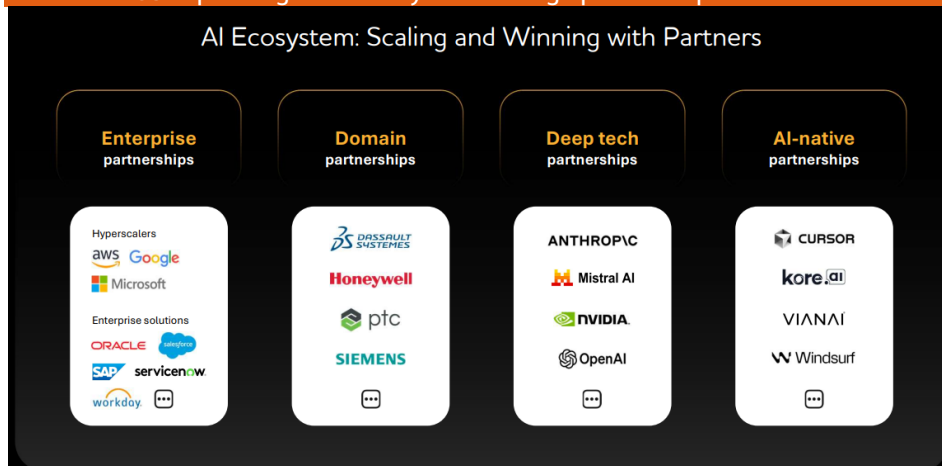
Exhibit 2: TCS is reimagining its service offerings by incorporating AI for autonomy



Source: Company, ICICI Direct Research

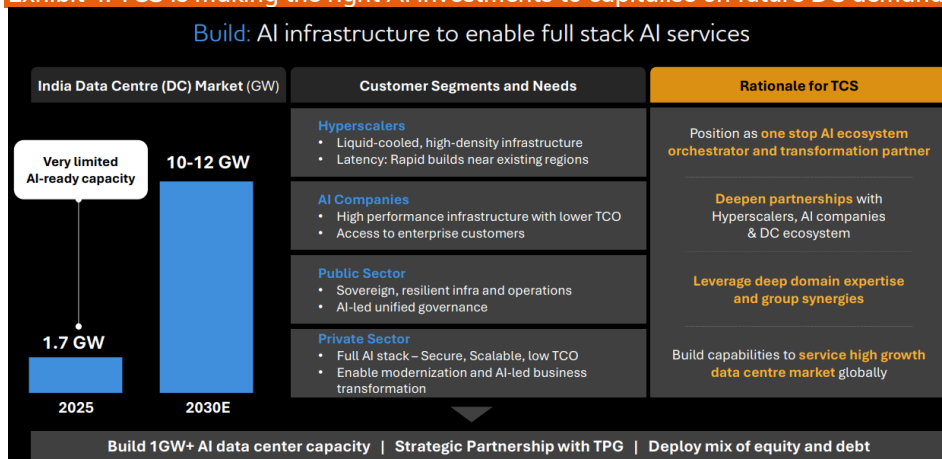
TCS' clients currently are at Level 1 to 3 autonomies.

Exhibit 3: TCS expanding its AI ecosystem through partnerships and M&A



Source: Company, ICICI Direct Research

Exhibit 4: TCS is making the right AI investments to capitalise on future DC demand



Source: Company, ICICI Direct Research

TCS has planned a 1GW AI data centre network across India with TPG as a partner and formed a new subsidiary named HyperVault AI Data Centre Ltd for it. Funding would be a mix of debt and equity with an anchor investor.

Financial Summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	2,55,324	2,64,812	2,82,082	3,03,772
Growth (%)	6.0	3.7	6.5	7.7
COGS (employee expenses)	1,51,905	1,56,200	1,65,018	1,77,706
S,G&A expenses	36,012	37,154	39,774	42,224
Total Operating Expenditure	1,87,917	1,93,353	2,04,792	2,19,931
EBITDA	67,407	71,458	77,291	83,841
Growth (%)	6.4	6.0	8.2	8.5
Depreciation	5,242	5,685	6,056	6,299
Other Income less interest	3,166	3,379	2,545	2,836
PBT	65,331	69,152	73,779	80,379
Total Tax	16,534	17,250	18,666	20,336
Minority Interest	244	235	260	260
Adj. PAT	48,553	51,667	54,853	59,783
Growth (%)	5.8	6.4	6.2	9.0
Adj. EPS (₹)	134	143	152	165
Reported PAT	48,553	50,532	54,853	59,783
EPS - Reported (₹)	134.2	139.7	151.6	165.3

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit before Tax	65,331	69,152	73,779	80,379
Add: Depreciation	5,242	5,685	6,056	6,299
(Inc)/dec in Current Assets	(8,511)	(3,121)	(5,681)	(7,134)
Inc/(dec) in CL and Provisions	5,152	2,485	3,674	4,613
Taxes paid	(15,586)	(17,250)	(18,666)	(20,336)
CF from operating activities	48,908	53,572	56,617	60,985
(Inc)/dec in Investments	(416)	(2,651)	(455)	(571)
(Inc)/dec in Fixed Assets	(4,972)	(2,940)	(13,131)	(13,372)
Others	3,070	3,379	2,545	2,836
CF from investing activities	(2,318)	(2,212)	(11,041)	(11,107)
Inc/(dec) in loan funds	(1,664)	-	-	-
Dividend paid & dividend tax	(44,864)	(45,570)	(43,486)	(47,613)
Others	(910)	-	-	-
CF from financing activities	(47,438)	(45,570)	(43,486)	(47,613)
Net Cash flow	(848)	5,791	2,090	2,265
Exchange difference	174	-	-	-
Opening Cash	9,016	8,342	14,133	16,223
Closing cash and Bank	8,342	14,133	16,223	18,488

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	362	362	362	362
Reserve and Surplus	94,394	1,00,491	1,11,858	1,24,028
Share Premium	0	0	0	0
Total Shareholders funds	94,756	1,00,853	1,12,220	1,24,390
Total debt	9,392	9,450	9,555	9,687
Other liabilities & Provisions	2,039	2,555	2,643	2,754
Deferred tax liability(net)	980	980	980	980
Minority Interest / Others	1,015	1,250	1,510	1,770
Total Liabilities	1,08,182	1,15,087	1,26,908	1,39,581
Assets				
Net assets & CWIP	22,739	19,993	27,068	34,141
Goodwill	1,860	1,860	1,860	1,860
Other non current assets	12,019	14,670	15,125	15,696
Debtors	50,142	52,005	55,397	59,656
Loans and Advances	266	276	294	316
Other Current Assets	33,572	34,819	37,090	39,942
Current Investments	30,689	30,689	30,689	30,689
Cash	8,342	14,133	16,223	18,488
Trade Payable	13,909	14,426	15,367	16,548
OCL & Provisions	37,538	38,933	41,472	44,661
Application of Funds	1,08,182	1,15,087	1,26,908	1,39,581

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data				
Adjusted EPS (Diluted)	134.2	142.8	151.6	165.3
BV per share	261.8	278.6	310.0	343.6
DPS	120.0	126.0	120.2	131.6
Cash Per Share	23.0	39.0	44.8	51.1
Operating Ratios (%)				
EBIT margins	24.3	24.8	25.3	25.5
PBT Margins	25.6	26.1	26.2	26.5
PAT Margin	19.0	19.5	19.4	19.7
Debtor days	72	72	72	72
Creditor days	20	20	20	20
Return Ratios (%)				
RoE	51.2	51.2	48.9	48.1
RoCE	60.4	60.1	58.1	57.6
RoIC	89.9	93.6	89.0	85.8
Valuation Ratios (x)				
P/E	24.1	22.7	21.4	19.6
EV / Net Sales	4.5	4.3	4.0	3.7
Market Cap / Sales	4.6	4.4	4.2	3.9
Solvency Ratios				
Debt / EBITDA	0.1	0.1	0.1	0.1
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	1.6	1.6	1.6	1.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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