



TCS's management hosted an investor and analyst day where the CEO & Managing Director, Mr K Krithivasan, and his management team presented business progress and medium to long-term priorities. The company highlighted its aim to become the world's largest AI-led Technology Services company. The management views the transition from a digital to an AI enterprise as a huge opportunity for growth. It has identified specific areas, such as the Salesforce services market, Revenue verticals, Workforce and India Data Centre, as pockets of high growth. TCS aspires to maintain its EBIT margins between 26-28%, led by strategic initiatives and productivity gains.

Key Takeaways:

- Strategically Evolving from Infrastructure to Intelligence:** TCS is transitioning from a Digital Enterprise model, i.e., focused on automation and data reporting, to an AI Enterprise, driven by reasoning, autonomy, and intelligence. Therefore, to achieve this, the company is deploying an Infrastructure to Intelligence architecture that spans the entire technology stack. This includes foundational layers like the TCS Sovereign Cloud and AI-ready data center, moving up to domain-tuned models, AI platforms like TCS AI Wisdom Next, and finally to Intelligence in Action through physical robotics and digital agents. This strategy is anchored around its five key transformation pillars: internal transformation, redefining all services, building a future-ready talent model, making AI real for clients through industry-specific solutions, and expanding the AI ecosystem.
- Implementation of Human + AI framework:** TCS's plans to complete a redesign of its service delivery through a Human + AI autonomy framework. This model progresses through five distinct levels of maturity, i.e., starting at Level 1, where humans use general purpose AI tools; advancing to Level 2 with specialized AI assistants; Level 3 involving supervised agents which can handle parts of the work; Level 4 where AI agents work autonomously with human goal-setting; and in Level 5, the **Agentic Enterprise**, where self-learning AI systems manage full value chains. Currently, this approach has already been operationalised in application development, allowing developers to move from simple coding assistants to overseeing autonomous agents that build and deploy apps. Therefore, to support this, the company has established a massive AI Foundry to democratize access to AI infrastructure for its employees and launched the TCS AI Fridays initiative to foster innovation and problem-solving.
- Building AI-first Workforce and Ecosystem:** The company, in its meet reports, has over 580,000 AI-aware associates and more than 180,000 employees with higher-order AI skills, backed by a "Future-ready Talent Model" that treats AI as a teammate. On the partnership front, TCS is engaging in "360-degree collaboration" with major hyperscalers (AWS, Google, Microsoft), AI innovators (Anthropic, NVIDIA, OpenAI), and enterprise solution providers. Moreover, this ecosystem play is further strengthened by strategic acquisitions, such as "ListEngage" and "Coastal Cloud", which enable TCS as a top global Salesforce advisory firm and enhance its capabilities in high-growth areas like marketing and data. Moreover, it also announced a subsidiary to build a sovereign AI data center of up to 1GW capacity (150 megawatts would be around \$1 Bn), phased over 5–7 years at an estimated \$6-7 Bn investment, in collaboration with technology and finance partners.
- Robust Financial Performance and Internal Targets:** TCS is focusing on strong momentum and discipline. The specific portfolio continues to focus on "Redesigning services through AI" and has reached approximately \$11 Bn in annualised revenue, while the dedicated AI Services segment alone is generating ~\$1.5 Bn annualised, reflecting a robust 16.3% QoQ growth. The company maintains industry-leading profitability with a reported EBIT margin of 25.2%, and has set a medium-term target to expand this to 26-28% through operational excellence and outcome-based pricing models. TCS continues to deliver exceptional shareholder value, a RoE of 51.2% for FY25, significantly higher than the peers. Its cash generation remains robust, with free cash flow consistently exceeding 100% of net profit, supporting a history of returning capital to shareholders through dividends and buybacks, totalling over Rs 3.7 Lc Cr since the date of listing.

Valuation & Recommendation

For FY26, management expects its international growth to exceed FY25's 0.7% constant currency growth, driven by strong deal momentum and AI-led modernisation. We believe TCS's revenue and EBIT to grow at a CAGR of 5% and 9% over FY25-27E on the back of continued deal wins despite a stable macro-environment, driven by mining of large clients across end-user industries and greater ability to bag larger deals. The company is currently at a 23x/21x P/E multiple for FY26E/FY27E. We recommend a **BUY** on the stock and value the company at 23x multiple to its FY27E earnings to arrive at a TP of Rs 3,565/share, implying an upside of 11% from the CMP.

 (CMP as of 17th December, 2025)

CMP (Rs)	3,218
Upside /Downside (%)	11%
High/Low (Rs)	4,382/2,867
Market cap (Cr)	11,64,536
Avg. daily vol. (6m)Shrs.	30,56,960
No. of shares (Cr)	362

Shareholding (%)

	Mar-25	Jun-25	Sept-25
Promoter	71.8	71.8	71.8
FIs	12.0	11.5	10.3
MFs/UTI	5.0	5.1	5.6
Banks/FIs	0.0	0.0	0.0
Others	11.2	11.6	12.3

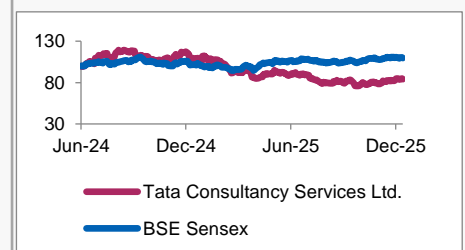
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,55,324	2,61,324	2,81,703
EBIT	62,165	65,303	73,276
Net Profit	48,553	49,551	56,326
EPS (Rs)	135.5	144.6	157.2
PER (x)	24.0	23.0	20.7
P/BV (x)	12.3	11.5	10.7
EV/EBITDA (x)	17.2	16.4	14.5
ROE (%)	52.4	51.8	53.6

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.1%	1.4%
EBIT	1.5%	4.6%
PAT	1.2%	4.5%

Relative Performance



Source: AceEquity, Axis Securities

Results Gallery

[Q2FY26](#)
[Q1FY26](#)

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Exhibit 1: Building an AI-First Culture

tcs^{AI} Infra
World's largest AI Foundry for employees

- AI infra access for **ALL**
- **Safe, Secure, Cloud-native, On-demand**
- Pro-code, Vibe-code, Low-code, No-code

tcs^{AI} Hackathon
World's largest, most inclusive, innovative

- World's Largest**: 281,000+ participants
- Most Inclusive**: CXOs & 100+ P&L Heads, 38% Gen-Z, 29% non-tech
- Most Innovative**: AI for evaluations

tcs^{AI} Fridays
Discover 'Human + AI' capabilities

- AI Foundry + Physical Labs + Mentors
- Competitive and **Gamified** problem solving
- **Bridging gaps**: Senior – Junior, Expert – Novice

Hackathon Partners

- aws, Google, Microsoft
- ANTHROPIC, Gemini, OpenAI
- databricks, snowflake
- HackerRank, nuvepro, Windsurf

Source: Company, Axis Securities Research

Exhibit 2: Winning Partnership with Experts

Enterprise partnerships

- Hyperscalers: aws, Google, Microsoft
- Enterprise solutions: ORACLE, SAP, servicenow, workday

Domain partnerships

- DISSAULT SYSTEMES
- Honeywell
- ptc
- SIEMENS

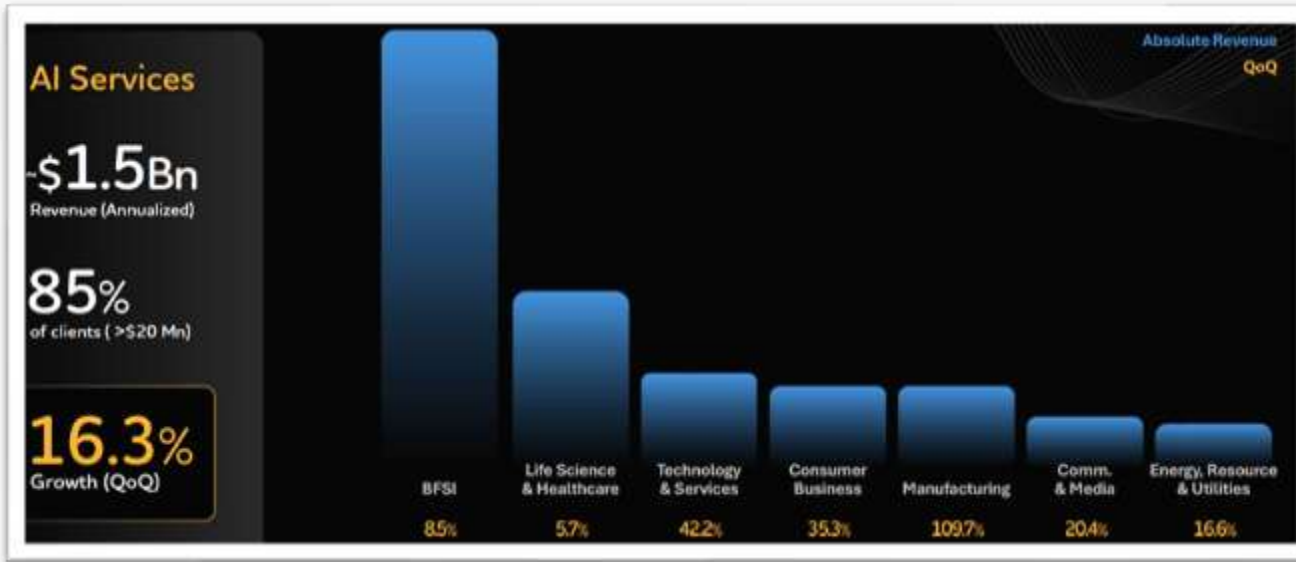
Deep tech partnerships

- ANTHROPIC
- Mistral AI
- NVIDIA
- OpenAI

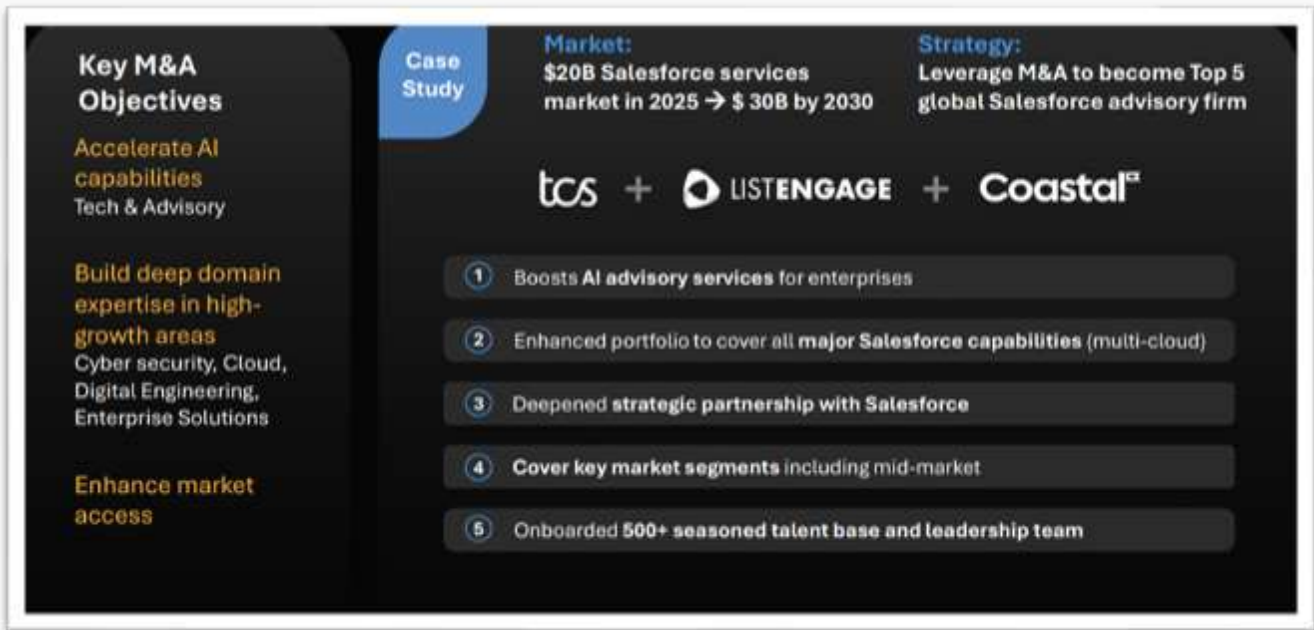
AI-native partnerships

- CURSOR
- kore.ai
- VIANAI
- Windsurf

Source: Company, Axis Securities Research

Exhibit 3: AI Services Across Key Verticals


Source: Company, Axis Securities Research

Exhibit 4: AI First Transformation Through Merger & Acquisitions


Source: Company, Axis Securities Research

Change in Estimates
(Rs Cr)

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,77,896	2,81,703	2,61,012	2,61,324	0.1%	1.4%
EBIT	70,035	73,276	64,347	65,303	1.5%	4.6%
PAT	53,918	56,326	51,188	49,551	-3.2%	4.5%

Key Risks to our Estimates and TP

- The lack of demand improvement due to the potential threat of recession from the world's largest economies.
- The rising subcontracting cost and any cross-currency headwinds may impact operating margins negatively.
- Execution risks around large deal ramp-ups and seasonal factors.

Financials (Consolidated)
Profit & Loss
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	2,25,458	2,40,893	2,55,324	2,61,324	2,81,703
Change (YoY, %)	17.58	6.85	5.99	2.35	7.80
Operating expenses	1,66,198	1,76,597	1,87,917	1,90,342	2,02,230
EBITDA	59,260	64,296	67,407	70,983	79,473
Change (YoY, %)	11.7	8.5	4.8	5.3	12.0
Margin (%)	26.3	26.7	26.4	27.2	28.2
Depreciation	5,023	4,984	5,242	5,680	6,197
EBIT	54,237	59,312	62,165	65,303	73,276
Interest paid	779	778	796	840	869
Other income	3,449	4,422	3,962	4,376	3,060
Pre-tax profit	56,907	61,998	65,331	67,704	75,466
Tax	14,604	15,898	16,534	16,761	18,867
Effective tax rate (%)	26	26	25	25	25
Minority interest	-156	-191	-244	-257	-274
Net profit	42,147	45,909	48,553	49,551	56,326
Exceptional items	-	(958)	-	(1,135)	-
Adjusted net profit	42,147	46,867	48,553	50,686	56,326
Change (YoY, %)	10.0	11.2	3.6	4.4	11.1
Adj. EPS	116	130	136	145	157
Dividend per share	115	73	126	120	130
Dividend Payout (%)	100	58	96	88	85

Source: Company, Axis Securities Research

Balance Sheet
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	366	362	362	362	362
Reserves & surplus	90,058	90,127	94,394	1,00,694	1,08,935
Shareholders' funds	90,424	90,489	94,756	1,01,056	1,09,297
Total Debt	6,203	6,516	7,838	7,838	7,838
Other liabilities	2,684	2,510	3,019	3,019	3,019
Current liabilities & provisions	43,558	46,104	53,001	53,610	54,742
Current liabilities	43,213	45,964	52,821	53,430	54,562
Provisions	345	140	180	180	180
Total liabilities	52,445	55,130	63,858	64,467	65,599
Total equity & liabilities	1,43,651	1,46,449	1,59,629	1,66,538	1,75,911
Net fixed assets	10,230	9,376	10,978	11,354	11,787
Investments	266	281	275	275	275
Other non-current assets	22,885	23,808	25,365	25,340	25,340
Current assets	1,10,270	1,12,984	1,23,011	1,29,568	1,38,509
Inventories	-	-	-	-	-
Sundry Debtors	49,954	53,577	59,046	60,976	59,428
Cash & Liquid	11,032	13,286	15,463	20,091	30,579
Other Current Assets	49,284	46,121	48,502	48,502	48,502
Total assets	1,43,651	1,46,449	1,59,629	1,66,538	1,75,911

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	42,147	45,909	48,553	50,686	56,326
Depreciation	5,023	4,984	5,242	5,680	6,197
Change in working capital	(7,942)	2,086	(953)	(1,321)	2,680
Other operating activities	2,353	2,298	2,076	3,279	4,007
Cash flow from operations (a)	36,558	50,293	49,676	52,644	63,013
Capital expenditure	(2,044)	(1,509)	(6,844)	(500)	(600)
Change in investments	67	197	(51)	25	-
Other investing activities	2,661	3,287	2,462	4,376	3,060
Cash flow from investing (b)	684	1,975	(4,433)	3,901	2,460
Equity raised/(repaid)	-	(4)	-	-	-
Debt raised/(repaid)	(430)	139	1,831	-	-
Dividend (incl. tax)	(42,266)	(26,674)	(46,642)	(44,386)	(48,085)
Change in minorities	75	48	185	-	-
Other financing activities	(1,810)	(23,523)	1,560	(7,531)	(6,899)
Cash flow from financing (c)	(44,431)	(50,014)	(43,066)	(51,917)	(54,984)
Net change in cash (a+b+c)	(7,189)	2,254	2,177	4,628	10,488
Opening cash balance	18,221	11,032	13,286	15,463	20,091
Closing cash balance	11,032	13,286	15,463	20,091	30,579

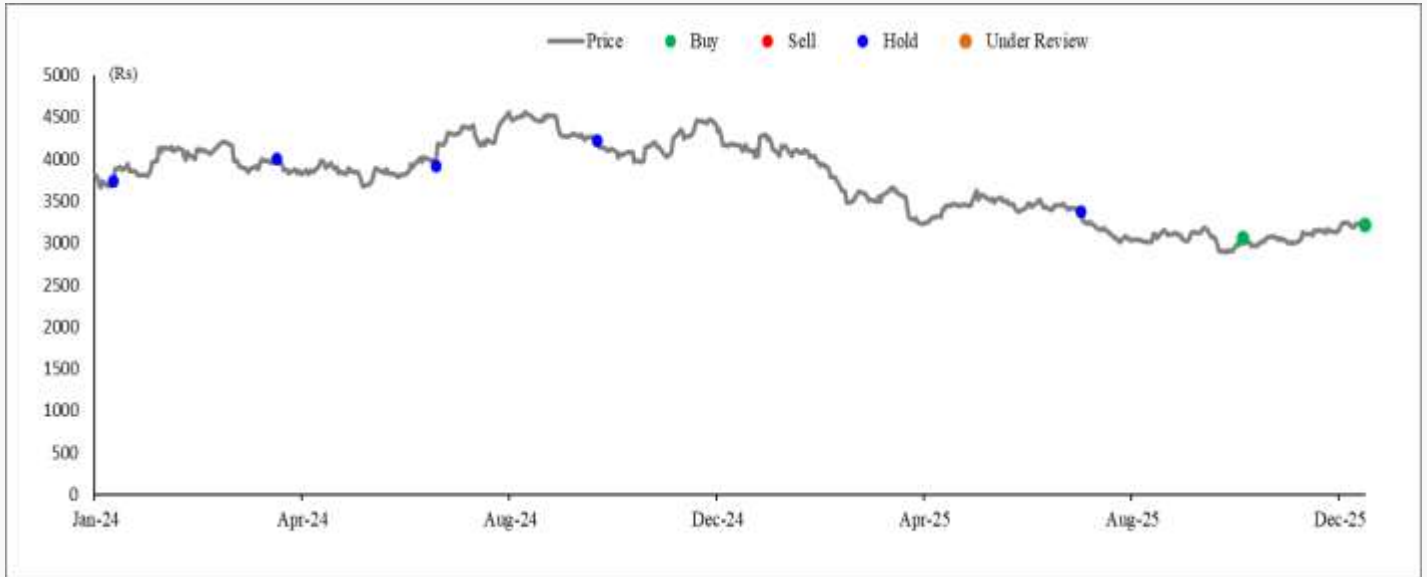
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	247	248	262	279	302
Adj EPS (Rs)	116	130	136	145	157
Adj EPS growth (%)	26.83	28.35	27.67	26.28	26.69
EBITDA margin (%)	26.3	26.7	26.4	27.2	28.2
Pre-tax margin (%)	25.2	25.7	25.6	25.9	26.8
Debt/Equity (x)	0.07	0.07	0.08	0.08	0.07
ROCE (%)	43	47	48	47	49
ROE (%)	47	51	52	52	54
Financial leverage ratios					
Debt / Equity (x)	0.1	0.1	0.1	0.1	0.1
Interest Coverage (x)	69.6	76.2	78.1	77.7	84.3
Interest / Debt (%)	0.1	0.1	0.1	0.1	0.1
Working Capital & Liquidity Ratio					
Inventory days	0	0	0	0	0
Receivable days	80	80	84	84	84
Payable days	17	15	20	20	20
Valuation ratio					
PER (x)	28.0	25.6	24.0	23.0	20.7
Adjusted PER (x)	27.8	24.9	23.8	22.3	20.5
P/BV (x)	13.0	13.0	12.3	11.5	10.7
EV/EBITDA (x)	19.8	18.2	17.2	16.4	14.5
Market Cap. / Sales (x)	5.2	4.9	4.6	4.5	4.2

Source: Company, Axis Securities Research

TCS Price Chart and Recommendation History



Date	Reco	TP	Research
11-Jan-24	HOLD	4,075	Result Update
15-Apr-24	HOLD	4,250	Result Update
12-Jul-24	HOLD	4,250	Result Update
11-Oct-24	HOLD	4,560	Result Update
11-Jul-25	HOLD	3,625	Result Update
10-Oct-25	BUY	3,460	Result Update
18-Dec-25	BUY	3,565	Company update

Source: Axis Securities Research

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