

TCS (TCS) – ADD

Result Update

Current Market Price (CMP) Rs.3,483	Target Price Rs.4,550
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Rationale:

- Strong deal wins is a good beginning. Deal TCV at \$1,020 cr, impressed us.
- Q3FY25: Adjusted net profit stood up 4% qoq and 12% yoy.
- BSNL ramp-down in FY26E to impact revenue growth and aid margins.
- Strong execution & a well-honed full-service model enable TCS to be a strong contender in discretionary & cost take-out programs.
- Fair Value is Rs4,550, valuing the stock at 27x FY27E EPS.

Q3FY25 Earnings update:

Positives:

- Adjusted EBIT margin increased 40 bps to 24.5% (KIE: 24.4%).
- Emerging markets led growth with the India & MEA businesses growing 8.2% & 7.7%, respectively, in USD terms qoq.

Negatives:

- Nearly all verticals were flat or declined qoq.
- Attribute weak BFSI & Continental Europe to lower revenue from German bank.
- We expect the BSNL deal to ramp down sharply after Q4FY25.

EBIT: Earnings before Interest and Tax. EPS: Earning per share. BFSI: Banking, Financial Services and Insurance. MEA: Middle East & North Africa.

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For detailed report dated 9th Jan 2025. Note: CMP & valuation may differ due to difference in dates.



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