

TCS (TCS) - BUY

Result Update

Current Market Price (CMP)

Rs.2,589

Fair Value (FV)

Rs.3,100

Rationale:

- Growth convergence in sight. Q4FY26 in line with expectations.
- Healthy order bookings, aided by renewal of large engagements.
- FY27 should see a meaningful narrowing of the growth differential with peers.
- TCS is participating with greater seriousness in large and mega deals.
- GenAI readiness is also becoming more visible through targeted workforce interventions, broader AI investments & a sharper consulting push.
- The stock price has declined by 19% in the past year, underperforming peers during a cyclically weak phase.
- Maintain BUY, valuing the stock at 18x FY28E EPS, with a FV of Rs3,100.

👍 Positives:

- TCS delivered an in-line quarter, with c/c revenue growth of 1.2% qoq (-0.6% yoy).
- EBIT margin increased by 10 bps qoq to 25.3%.
- Deal TCV increases 29% qoq to US\$1200 cr.
- Revenue growth was led by E&U, hi-tech and BFSI verticals.

👎 Negatives:

- Adjusted net profit of Rs13,718 cr grew 12.2% yoy & 2.1% qoq but missed our estimate due to an forex loss.
- Attrition rate increased by 20 bps qoq to 13.7%.

(EBIT: Earnings before interest and tax, EPS: Earnings Per Share. TCV: Total Contract Value, BFSI: Banking, Financial Services, and Insurance. E&U: Energy & Utilities. GenAI: Generative Artificial Intelligence)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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