

**BUY****SUHANI ADILABADKAR RESEARCH REPORT**4<sup>th</sup> July, 2025**Tata Consultancy Services****QUARTERLY OUTLOOK & RECOMMENDATION**

Tata Consultancy Services (TCS) reported stable March Quarter 2025 results amid geo-political uncertainty. Revenue stood at Rs 644790 million in Q4FY25 compared to Rs 612370 million same period previous year. Earnings before interest, tax, depreciation and amortization (EBITDA) margin was reported at 24.2% in Q4FY25 compared to 26% in the same period previous year. Margins declined 180 basis points (bps) YoY due to promotional interventions and strategy marketing spend in Q4FY25. In dollar terms, revenue stood at \$ 7,465 million with a YoY growth of 2.5% in Q4FY25 in constant currency. Net profit for Q4FY25 stood at Rs 12,2930 million, down 1.7% YoY. While the IT major saw early signs of revival and improvement in discretionary spend in Q3FY25, management commentary is currently back on the track of cautious optimism with heightened scrutiny and pressure on discretionary spend amid geopolitical uncertainty. TCS reported total contract value (TCV) of \$ 12.2 billion in March Quarter 2025, a fall of 8% YoY. TCV or order book indicates growth potential in the near future. The TCV in Q4FY25 did not include any mega deals. North America TCV reached an all-time high of \$6.8 billion. Banking Financial Services and Insurance (BFSI) TCV was \$4 billion, and Consumer Business Group contributed \$1.7 billion.

North America, largest market with 50% revenue contribution reported 2% YoY revenue fall in Q4FY25. All other geographies reported positive YoY revenue growth. While India topped the growth table with 33% YoY growth, revenue generation rate has declined over the past three quarters with the tapering of BSNL project in India. India growth was driven by BSNL project which is at the fag-end of its revenue generation cycle and will extend till Q1-Q2FY26. TCS is rolling out 4G telecom infrastructure across India for BSNL.

BFSI continued with its strong positive momentum with 2.5% YoY revenue growth, largest vertical with more than 30% revenue share. TCS has maintained positive growth in BFSI vertical over the past three quarters. With the tariff overhang and recession fears in North America, Consumer business (retail) and manufacturing verticals are expected to be impacted in the near future. While retail business faces lower consumer spend, manufacturing sees disruption of global supply chain. Life Sciences vertical is awaiting policy clarity and communications business is impacted by lower discretionary spend. The management expects investment cycle to improve and discretionary spend to pick up as tariff headwinds are resolved. But global economic uncertainty is here to stay in some form or another and market leader, TCS with strong TCV and stable margin profile is best placed to deliver in the medium to long term. The stock has corrected nearly 25% from a high of Rs 4400 levels in December last year and looks reasonable for the medium and long term. We recommend BUY with a target price of Rs. 4,340 with PE multiple of 23.41 x FY26E & 22.14 x FY27E.

**Q4FY25****CMP**

Rs 3420.95

**TARGET**

Rs 4,340

**INDUSTRY**

Computers - Software &amp; Consulting

**SCRIP CODE**

532540/INE467B01029

**FACE VALUE**

1.00

**MARKET  
CAP**

12383839

**52 WEEK  
HIGH/LOW**

Rs 4,585.90/Rs 3,060.25

**SHAREHOLDING PATTERN (%)****PROMOTER**

71.77

**PUBLIC**

28.23

**OTHERS**

-

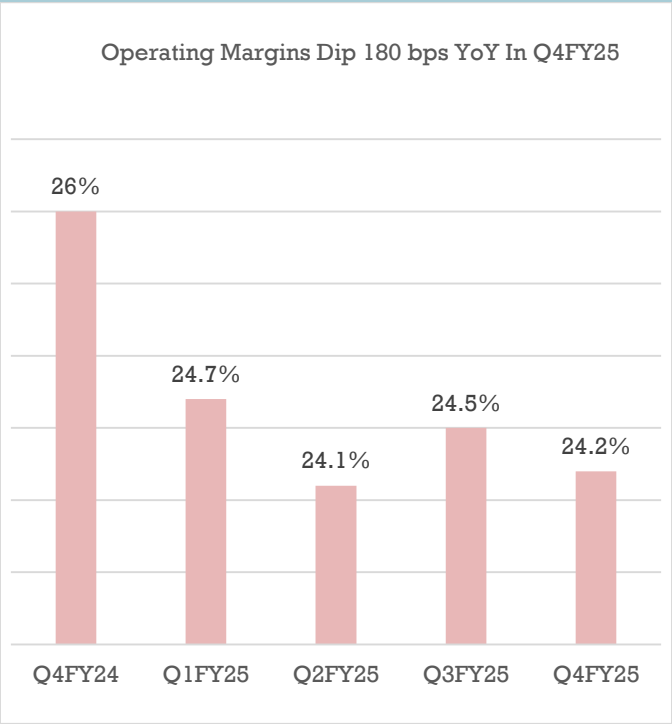
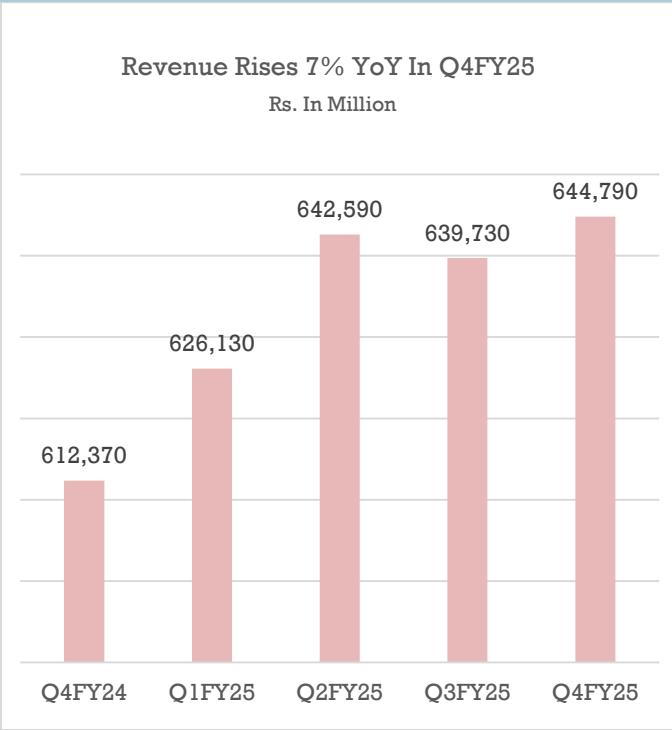
**TOTAL**

100.00

In Rs Million	Q4FY25	Q4FY24	CHN%
REVENUE	644790	612370	5.3%
PAT	122930	125020	-1.7%
EBDITA	180080	183210	-1.7%
EPS	33.79	34.37	-1.7%
In Rs Million	FY25A	FY26E	FY27E
REVENUE	2553240	2693668	2855288
PAT	487970	529052	559276
EBDITA	713690	765899	809578
EPS	134.19	146.15	154.50
PE	25.49	23.41	22.14

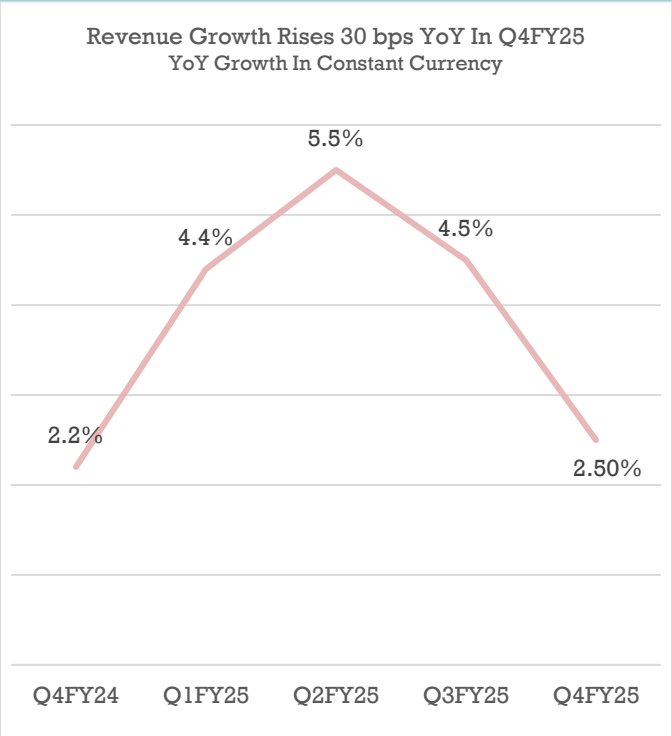
**TCS V/S S&P BSE SENSEX**

Shift In Management Commentary In Q4FY25, Margins Fall 180 bps YoY

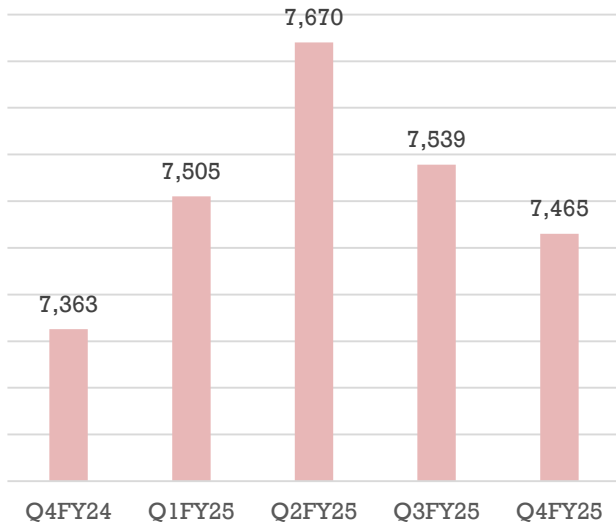


Customers prioritize initiatives around technology modernization, cost optimization, vendor consolidation, operational model transformation risk and compliance. There is a shift in management commentary in Q4FY25, compared to previous quarter as the present business environment is witnessing an increased level of uncertainty in the global economic and geopolitical landscape. While global macro uncertainty might be short lived, artificial intelligence has changed the dynamics of global IT industry. Pressured by global uncertainty, deal pricing is influenced by cost efficiencies and higher productivity driven by artificial intelligence.

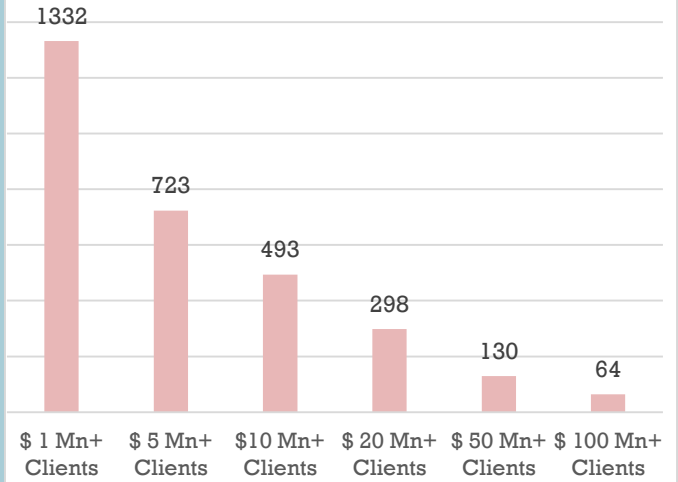
The company reported 180 bps YoY fall in operating margins in Q4FY25. A 100 bps headwind was due to tactical interventions and another 60 bps headwind on account of strategy marketing and purpose-driven initiatives. This was partly offset by revenue mix optimization and improved operating leverage. The management maintains that TCS aspirational margin band remains 26-28%.



Dollar Revenue Up 2.5% YoY In Q4FY25

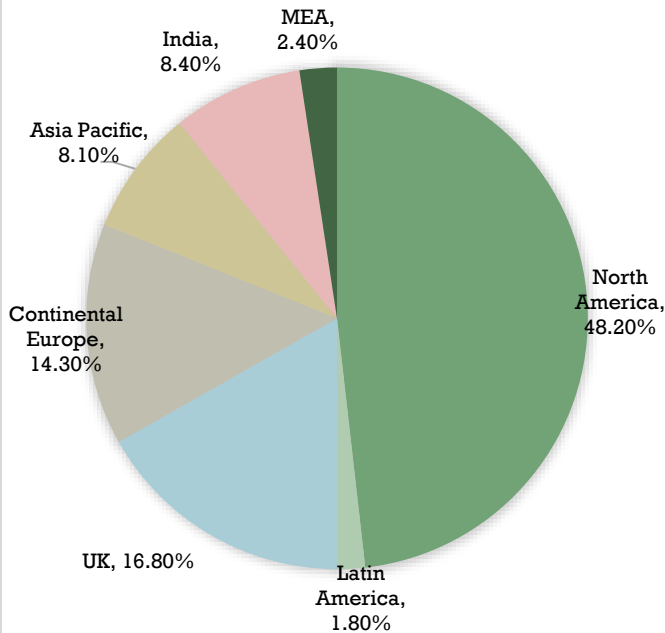


Number Of Clients In March Quarter 2025

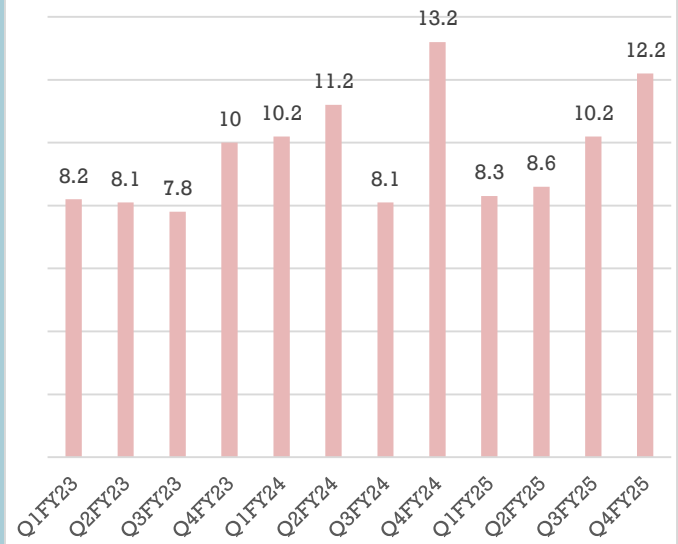


**BFSI witnesses strongest growth over the past five quarters, retail & manufacturing remain soft**

TCS REVENUE MIX IN Q4FY25

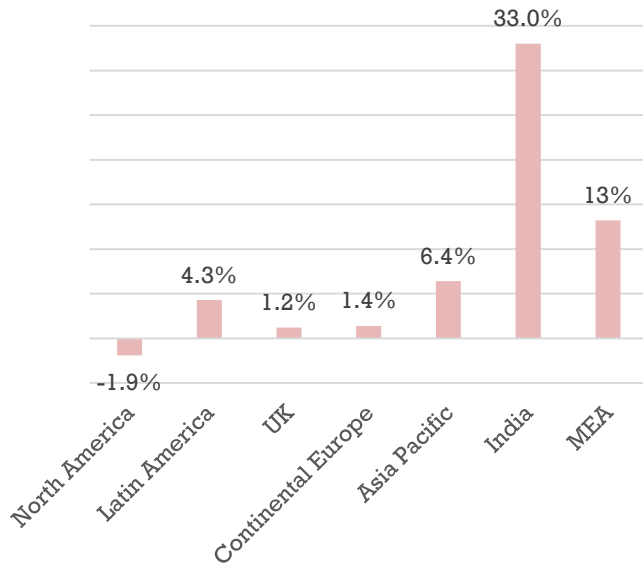


TCV Falls 8%YoY In Q4FY25  
In \$ Billion

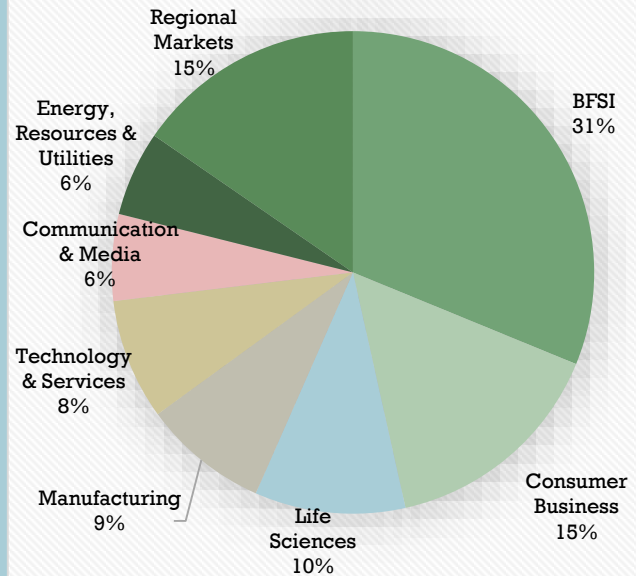


Largest vertical BFSI reported stable growth of 2.5% YoY as clients continue to focus on modernization, cost optimization, vendor consolidation and regulatory spend. Banking and financial institutions are proactively focussing core platform upgrades and payment operations and improved lending experience. The insurance business is witnessng softness and delayed decision making. On the same lines, the consumer business (retail) also witnessed heightened caution and delays in discretionary projects, especially in the US. According to the mangement, this was driven by the significant drop in consumer sentiment in the month of February, which preceded changes in global trade and tariffs creating a domino effect on retail and travel, transportation and hospitality industries. The clients are prioritizing cost saving and defensive technology and are showing fair interest in the adoption of next-gen technology such as AI, GenAI and IoT via relatively small projects.

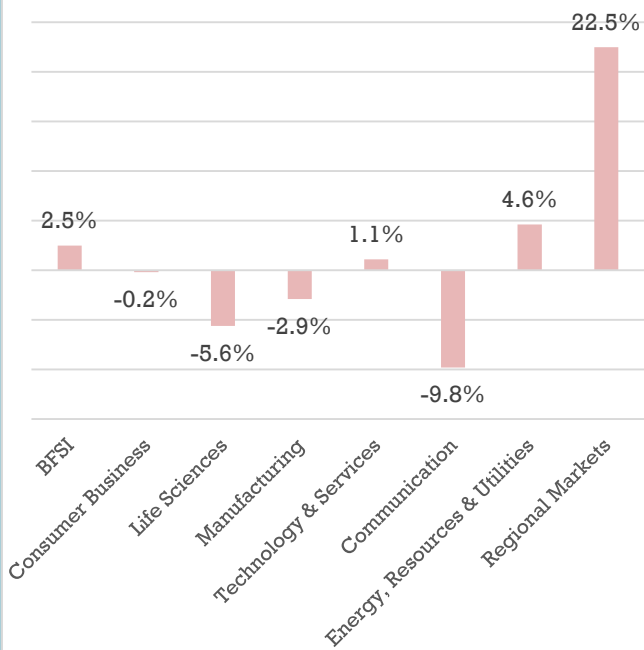
**North America Still In Negative Zone**  
% YoY Growth In Q4FY25



**TCS Vertical Mix In Q4FY25**



**Regional Markets Report Strong Growth**  
Q4FY25



The manufacturing vertical is also seeing softness. According to the management, the auto industry is facing uncertainties due to electric vehicle (EV) downturn and turbulence in the internal combustion engine (ICE) market with the burgeoning inventories. Auto original equipment manufacturers (OEMs) are experiencing pressure, weak demand and cuts on discretionary spending. The aerospace industry on the other hand is seeing a surge in demand for new planes and engines, but the industry is struggling in the near term due to supply chain disruptions. The communications, media and information vertical is witnessing industry-specific challenges and discretionary spend continues to remain under pressure. But in the current quarter, the vertical witnessed growth due to demand from vendor consolidation, technology productivity and improvements programs. The communications industry is seeing movement towards cloud services and cyber security. The Energy, Resources & Utilities vertical continued with its stable growth in Q4FY25. Key factors contributing to strong growth were investments in AI, GenAI, data analytics and energy storage.

Vertical YoY Growth (%) CC	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
BFSI	2.50%	0.90%	0.10%	-0.90%	-3.20%
Consumer Business	-0.20%	1.10%	0.10%	-0.30%	-0.30%
Life Sciences & Healthcare	-5.60%	-4.30%	0.10%	4.00%	1.70%
Technology & Services	1.10%	-0.40%	-1.90%	-3.90%	-5.60%
Manufacturing	-2.90%	0.40%	5.30%	9.40%	9.70%
Communication	-9.80%	-10.60%	-10.30%	-7.40%	-5.50%
Energy, Resources & Utilities	4.60%	3.40%	7.00%	5.70%	7.30%
Regional Markets	22.50%	40.90%	50.40%	37.70%	26.00%

Geographic YoY Growth (%) CC	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24
North America	-1.90%	-2.30%	-2.10%	-1.1%	-2.3%
Latin America	4.30%	7.00%	6.80%	6.3%	9.8%
UK	1.20%	4.10%	4.60%	6.00%	6.2%
Continental Europe	1.40%	-1.50%	1.80%	0.90%	-2%
Asia Pacific	6.40%	5.80%	7.50%	7.60%	5.2%
India	33.00%	70.20%	95.20%	61.8%	37.9%
MEA	13.20%	15.00%	7.90%	8.5%	11%

Expenditure Mix Rs. In Million	Q4FY25	Q3FY25	CGH%	Q3FY25	Q2FY25	CHG%	Q2FY253	Q1FY25	CHG %	Q1FY255	Q4FY24	CHG%
Employee Benefit Expense	367620	359560	2%	359560	366540	-2%	366540	364160	1%	364160	351380	4%
Cost Of Equipment and Software Licenses	27480	35190	-22%	35190	32300	9%	32300	21510	50%	21510	15610	38%
Finance Costs	2270	2340	-3%	2340	1620	44%	1620.00	1730	-6%	1730	2260	-23%
Depreciation	13790	13770	0%	13770	12660	9%	12660	12200	4%	12200	12460	-2%
Other Expenses	79890	74640	7%	74640	76440	-2%	76440	73840	4%	73840	73740	0.14%

## Corporate Profile

Tata Consultancy Services is an IT services, consulting and business solutions organization that has been partnering with many of the world's largest businesses in their transformation journeys for over 56 years. Its consulting-led, cognitive powered, portfolio of business, technology and engineering services and solutions is delivered through its unique Location Independent Agile™ delivery model, recognized as a benchmark of excellence in software development. A part of the Tata group, India's largest multinational business group, TCS has over 601,000 of the world's best-trained consultants in 55 countries. The company generated consolidated revenues of \$30 billion in the fiscal year ended March 31, 2025, and is listed on the BSE and the NSE in India

Quarterly Profit & Loss Statement of Tata Consultancy Services from 30<sup>th</sup> September 2024 To 30<sup>th</sup> June 2025E

VALUE	30-Sept-24	31-Dec-24	31-March-25	30-June-25E
Rs. In Million	3 months	3 months	3 months	3 months
INCOME FROM OPERATIONS	642590	639730	644790	658975
OTHER INCOME	7290	12430	10280	11308
TOTAL INCOME	649880	652160	655070	670283
EXPENDITURE	-475280	-469390	-474990	-484490
EBITDA	174600	182770	180080	185794
DEPRECIATION	-12660	-13770	-13790	-14066
PROFIT BEFORE INTEREST & TAX	161940	169000	166290	171728
INTEREST	-1620	-2340	-2270	-2384
EXCEPTIONAL ITEM	0.00	0.00	0.00	0.00
PROFIT BEFORE TAX	160320	166660	164020	169344
TAX	-40770	-42220	-41090	-41912
PROFIT AFTER TAX	119550	124440	122930	127432
EQUITY CAPITAL	3620	3620	3620	3620
FACE VALUE	1.00	1.00	1.00	1.00
EPS	32.92	34.21	33.79	35.20

Annual Profit & Loss Statement of Tata Consultancy Services from 2023 To 2027E					
VALUE	31- Mar-23	31- Mar-24	31- Mar-25	31-Mar-26E	31-Mar 27E
Rs. In Million	12 months	12 months	12 months	12 months	12 months
INCOME FROM OPERATIONS	2254580	2408930	2553240	2693668	2855288
OTHER INCOME	34490	44220	39620	41601	45761
TOTAL INCOME	2289070	2453150	2592860	2735269	2901049
EXPENDITURE	-1661990	-1765970	-1879170	-1969370	-2091471
EBITDA	627080	687180	713690	765899	809578
DEPRECIATION	-50220	-49850	-52420	-55041	-57793
PROFIT BEFORE INTEREST & TAX	576860	637330	661270	710858	751785
INTEREST	-7790	-7780	-7960	-8199	-8486
EXCEPTIONAL ITEM	0	-9580	0	0	0
PROFIT BEFORE TAX	569070	619970	653310	702659	743299
TAX	-146040	-158980	-165340	-173607	-184023
PROFIT AFTER TAX	423030	460990	487970	529052	559276
EQUITY CAPITAL	3660	3620	3620	3620	3620
RESERVES	900580	901270	943940	991473	1044057
FACE VALUE	1.00	1.00	1.00	1.00	1.00
EPS	115.19	125.88	134.19	146.15	154.50

Ratio Analysis

Year	FY 23A	FY24A	FY25A	FY26E	FY27E
EPS	115.19	125.88	134.19	146.15	154.50
NPM	18.76%	19.14%	19.11%	19.64%	19.59%
EBITDA MARGIN	27.81%	28.53%	27.95%	28.43%	28.35%
ROE	46.78%	50.94%	51.50%	53.17%	53.38%
ROCE	57.63%	63.51%	62.02%	63.07%	63.11%
BOOK VALUE	247.06	249.97	261.76	274.89	289.41
P/BV	13.85	13.69	13.07	12.44	11.82
PE	29.70	27.18	25.49	23.41	22.14



# Balance Sheet of Tata Consultancy Services Ltd From 2023-2027E

Rs. In Million	2023	2024	2025	2026E	2027E
<b>CAPITAL &amp; LIABILITIES</b>					
Share Capital	3660	3620	3620	3620	3620
Other Equity	900580	901270	943940	991473	1044057
Non-Controlling Interests	7820	8300	10150	11673	13073
<b>NETWORTH</b>	<b>912060</b>	<b>913190</b>	<b>957710</b>	<b>1006765</b>	<b>1060750</b>
<b>NON CURRENT LIABILITIES</b>					
Lease Liabilities	62030	65160	78380	87786	95686
Other Financial Liabilities	3530	3650	6800	7480	8078
Employee Benefit Obligation	5360	6860	8410	9419	10173
Deferred Tax Liabilities	7920	9770	9800	10290	10805
Unearned and Deferred revenue	10030	4820	5180	5439	5711
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>88870</b>	<b>90260</b>	<b>108570</b>	<b>120414</b>	<b>130453</b>
<b>CURRENT LIABILITIES</b>					
Lease Liability	14850	15050	15540	15851	16643
Trade Payables	105150	99810	139090	155781	169801
Other Financial Liabilities	90680	83620	85420	89691	94176
Unearned and Deferred Revenue	38430	36400	40280	42294	44409
Other Liabilities	48920	65240	71880	75474	79248
Provisions	3450	1400	1800	2070	2256
Employee Benefit Obligation	40650	45190	48850	51781	55406
Income Tax Liabilities	93450	114330	127150	136051	144214
<b>TOTAL CURRENT LIABILITIES</b>	<b>435580</b>	<b>461040</b>	<b>530010</b>	<b>568992</b>	<b>606152</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1436510</b>	<b>1464490</b>	<b>1596290</b>	<b>1696171</b>	<b>1797354</b>
<b>ASSETS</b>					
<b>NON CURRENT ASSETS</b>					
Property, Plant & Equipment	102300	93760	109780	117465	123338
Capital Work In Progress	12340	15640	15460	16233	17045
Right Of Use Asset	75600	78860	92750	97388	104205
Goodwill	18580	18320	18600	19530	20116
Other Intangible Assets	8670	5100	9400	10528	11265
Investments	2660	2810	2750	2838	2980
Trade Receivable	3480	1430	1290	1344	1425
Loans	1730	20	250	263	268
Other Financial Assets	21490	32720	27310	28676	30109
Deferred Tax Assets	33070	34030	35780	37569	39823
Income Tax Assets	25830	16000	15690	16004	16484
Other Assets	28060	35960	37120	39347	41315
<b>TOTAL NON CURRENT ASSETS</b>	<b>333810</b>	<b>334650</b>	<b>366180</b>	<b>369835</b>	<b>390463</b>
<b>CURRENT ASSETS</b>					
Inventories	280	280	210	231	247
Investments	368970	314810	306890	322235	338621
Trade Receivables	499540	535770	590460	631792	669700
Cash and Cash Equivalents	71230	90160	83420	87591	91971
Other Balances With Banks	39090	42700	71210	79755	85338
Loans	13250	4910	90	99	111
Other Financial Assets	13190	17030	27420	31533	33740
Income Tax Assets	80	1510	2570	3084	3547
Other Assets	97070	122670	147840	170016	183617
<b>TOTAL CURRENT ASSETS</b>	<b>1102700</b>	<b>1129840</b>	<b>1230110</b>	<b>1326336</b>	<b>1406892</b>
<b>TOTAL ASSETS</b>	<b>1436510</b>	<b>1464490</b>	<b>1596290</b>	<b>1696171</b>	<b>1797354</b>

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