

Reco/View: **BUY**CMP: **Rs. 3,240**Price Target: **Rs. 3,900**

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

IT & ITES

COMPANY DETAILS

Market cap:	Rs. 11,72,115 cr
52-week high/low:	Rs. 4255/2867
NSE volume: (No of shares)	27.9 lakh
BSE code:	532540
NSE code:	TCS
Free float: (No of shares)	102.1 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	71.8
FII	10.3
DII	12.6
Others	5.3

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	0.6	7.7	0.2	-23.3
Relative to Sensex	2.2	5.8	-1.3	-33.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- Q3FY26 revenue was \$7,509mn, up 0.8% q-o-q and down 2.6% y-o-y in CC terms. International revenue rose 0.4% q-o-q, led by Consumer, ER&U, Life Sciences, and Communications.
- Despite stable performance, recovery in client spending remains weak. Growth is driven by select verticals, limiting visibility.
- EBIT margin at 25.2% beat our estimates by 21 bps, aided by better productivity, improved pyramid mix, higher revenue per employee, Partially offset by wage hike and investments in brand building.
- We roll forward valuation to Dec-2028, reiterate Buy with unchanged PT of Rs. 3,900. Stock trades at 20.9x FY27E and 19.6x FY28E PE.

Result overview

- Q3 Result:** Revenue stood at Rs. 67,087 crore, up 2% q-o-q and 4.9% y-o-y, in line with estimates. EBIT rose 2.0% q-o-q and 7.9% y-o-y to Rs. 16,889 crore, with EBIT margin at 25.2%, flat q-o-q rising 70 bps y-o-y. Margin tailwinds from forex and operational efficiencies were partly offset by wage hikes and brand investments. Adj. PAT was Rs. 13,438 crore, up 4.1% q-o-q and 8.5% y-o-y. TCS booked a one-time cost of Rs. 2,128 crore (Rs. 1,816 crore gratuity, Rs. 312 crore compensated absences) under exceptional items due to new labour code.
- Margin band:** Management reiterated its long-term 26–28% aspirational margin band, while noting that labour code impacts could compress margins by 10–15 bps in the near term.
- Provision made against CSC Case:** TCS recorded a provision of \$112 million (~Rs. 1,010 crore) toward the CSC (now DXC) claim under Exceptional Items, along with \$38 million (~Rs. 342 crore) of interest under other costs.
- Annualized AI revenue** reached \$1.8 billion, up 17.3% q-o-q CC, reflecting a shift from pilots to large-scale, ROI-driven deployments.
- Navigating recovery and margin discipline:** Revenue growth to speed up through FY26–FY28, led by deal wins, stable macros, recovery in North America, and a resilient Europe. While revenue visibility is constructive, margin guidance faces execution risks. We maintain EBIT margin estimates at 25.2%, with an upside hinging on workforce pyramid optimization, higher utilization, and productivity gains, alongside a recovery in discretionary spending.

Our Call

Valuation & Outlook – TCS's AI-led pipeline shows strong momentum, expected to sustain high growth rates as clients embed aggressive AI productivity (10-15%) in contracts. North America poised for rebound with ROI-focused decisions and shorter cycles sustaining Q2 momentum; broader resilience in Europe, regional markets, and sectors like semiconductors and clean energy, amid geopolitical challenges, positions TCS for stronger CY2026 growth. However, margin improvement hinges on better productivity (via AI/automation), workforce pyramid optimization, and stronger execution. We roll forward our valuation to Dec-2028 with a Buy rating and reiterate our price target of Rs. 3,900. At CMP, the company trades at a PE of 20.9x and 19.6x on FY27E and FY28E, respectively.

Key Risks

Slowdown in AI adoption, rupee's appreciation and global macroeconomic uncertainties.

Valuation

Particulars	Rs cr			
	FY2025	FY2026E	FY2027E	FY2028E
Total Revenue	2,55,324	2,65,032	2,86,971	3,02,895
EBITDA margin (%)	26.4	27.1	27.1	27.3
Net Profit	48,553	52,713	56,613	60,187
% YoY growth	4.2	8.6	7.4	6.3
EPS (Rs)	134.2	145.7	156.5	166.4
P/E (x)	26.9	22.4	20.9	19.6
P/B (x)	13.6	12.0	11.7	11.3
EV/EBITDA	18.8	15.8	15.2	14.3
ROE %	51.9	54.3	56.7	58.6
ROCE %	60.0	62.4	66.2	68.2

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 12, 2026

Concall Highlights:

- **BFSI** remained steady despite facing furloughs registering degrowth of 0.4% q-o-q in CC. In BFSI, demand for modernization, digital transformation, and AI remains resilient despite cautious client spending. Retail banking prioritizes customer experience upgrades, AI-powered applications, ecosystem partnerships, and enhanced fraud/digital risk controls. Corporate banking continues steady progress on cloud migration and core operations digitization. Payments, capital markets, and asset management verticals exhibit the strongest momentum, driven by rapid structural transformation and sustained performance.
- **Consumer Business** delivered sequential growth of 1.3% CC, led by resilient pockets in retail, travel, and hospitality. Americas, Europe, and APAC showed strength, while the UK faced challenges. Retailers prioritize value strategies and AI personalization; CPG focuses on efficiency via AI/automation; travel/hospitality benefits from international recovery.
- **Life Sciences & Healthcare** maintained good momentum and registered a growth of 0.9% q-o-q amid regulatory interventions, AI risks, security challenges, and evolving consumer behavior. Biopharma and life sciences companies are accelerating investments in automation, robotics, continuous manufacturing, and AI-driven labs for better efficiency and sustainability. Providers/payers are scaling AI in revenue cycle management, clinical workflows, and network ops moving beyond pilots. Cloud, cybersecurity, data governance, and edge computing spend is rising steadily.
- **Manufacturing growth** was marginal in Q3, but automotive held steady despite seasonal headwinds. Investments in smart manufacturing, agentic/physical AI continue to drive competitiveness, agility, and resilience amid market uncertainty.
- **Semiconductor and electronics segments** show moderate growth, led by AI hardware demand, while industrial and automotive electronics remain weak. Semiconductor manufacturing and R&D investments are rising notably in the US, India, and Europe. Network growth is flat overall, though enterprise networking benefits from rising AI infrastructure spend. Software companies steadily integrate agentic AI and migrate products to cloud; professional services face slower growth amid ongoing cost optimization.
- **Data Center and Coastal Cloud:** TCS announced a \$1 billion equity partnership with TPG to fund the build-out of gigawatt-scale AI data centers. The timeline: Construction is expected to take ~18 months following the announcement of an anchor customer, with meaningful revenue contribution beginning thereafter. The acquisition of Coastal Cloud in the US to strengthen Salesforce and AI consulting services.
- **Deal Wins:** TCS posted deal wins at \$9.3 billion, down 7.0% q-o-q (down 8.8% y-o-y). On LTM deal win stand at \$40.0 billion, down 2.2% q-o-q (1.5% y-o-y). BFSI TCV was at \$3.8 billion, including one mega deal. Consumer business TCV was at \$1.4 billion and North America TCV stood at \$4.9 billion.
- **Regional Performance:** Europe grew 2.1% q-o-q and 1.4% y-o-y in CC terms, while North America remained subdued with 0.1% q-o-q and 1.3% y-o-y growth. The UK underperformed, declining 1.9% q-o-q and 3.2% y-o-y in CC.
- **Other Details:** Headcount stood at 582,163, declining by 11,151 on a sequential basis, with attrition rate at 13.5%. More than 217k+ employees have high order skills in AI. TCS has declared an interim dividend of Rs 11 and a special dividend of Rs 46 per share.

Q3FY26 Result Snapshot:

Particulars	Rs cr				
	Q3FY26	Q3FY25	Q2FY26	Y-o-Y (%)	Q-o-Q (%)
Revenues In USD (Mn)	7,509	7,539	7,466	-0.4	0.6
Revenues In INR	67,087.0	63,973.0	65,799.0	4.9	2.0
Direct Costs	38,623.0	38,061.0	38,665.0	1.5	-0.1
Gross Profit	28,464.0	25,912.0	27,134.0	9.8	4.9
SG&A	10,195.0	8,879.0	9,156.0	14.8	11.3
EBITDA	18,269.0	17,033.0	17,978.0	7.3	1.6
Depr & amort.	1,380.0	1,376.0	1,413.0	0.3	-2.3
EBIT	16,889.0	15,657.0	16,565.0	7.9	2.0
Other Income	922.0	1,009.0	638.0	-8.6	44.5
PBT	17,811.0	16,666.0	17,203.0	6.9	3.5
Tax Provision	4,310.0	4,222.0	4,243.0	2.1	1.6
PAT	13,501.0	12,444.0	12,960.0	8.5	4.2
Minority interest/Share of associates	63.0	64.0	56.0	-1.6	12.5
Adj. Net Profit	13,438.0	12,380.0	12,904.0	8.5	4.1
EPS	37.1	34.2	35.7	8.6	4.1
Margin (%)					
GPM	42.4	40.5	41.2	192.4	119.1
EBITDA	27.2	26.6	27.3	60.7	-9.1
EBIT	25.2	24.5	25.2	70.0	0.0
NPM	20.0	19.4	19.6	67.9	41.9
Tax Rate	24.2	25.3	24.7	-113.4	-46.6

Source: Company; Mirae Asset Sharekhan Research

Regional and Vertical Performance

Particulars	Rs cr					
	Q2FY26	Q2FY25	Q2FY25	Y-o-Y %	Q1FY26	Q-o-Q %
Revenues In USD (Mn)	7,509.0	7,539.0	7,466.0	-0.4	0.6	-2.6
Geographic Mix						
North America	3,641.9	3,596.1	3,643.4	-98.7	-98.7	1.3
Latin America	150.2	143.2	141.9	4.8	5.9	1.4
UK	1,269.0	1,251.5	1,306.6	14.8	11.3	-3.2
Continental Europe	1,171.4	1,047.9	1,142.3	7.3	1.6	1.4
India	458.0	738.8	433.0	0.3	-2.3	-34.3
APAC	623.2	588.0	619.7	7.9	2.0	3.5
MEA	195.2	173.4	179.2	-8.6	44.5	8.3
Industry Verticals						
BFSI	2,395.4	2,299.4	2,404.1	4.2	-0.4	1.6
Retail & CPG	1,156.4	1,153.5	1,142.3	0.3	1.2	-2.7
Communication & Media	443.0	437.3	440.5	1.3	0.6	-1.6
Manufacturing	660.8	633.3	657.0	4.3	0.6	1.7
Life Science and healthcare	788.4	761.4	783.9	3.5	0.6	2.2
Energy & Utilities	450.5	422.2	440.5	6.7	2.3	1.7
Technology & Services	630.8	603.1	634.6	4.6	-0.6	-19.4
Regional markets and others	983.7	1,228.9	963.1	-20.0	2.1	2.2

Source: Company; Mirae Asset Sharekhan Research

Charts:

Deal wins remains steady



Source: Company; Mirae Asset Sharekhan Research

Margins remain steady despite wage hike effect



Source: Company; Mirae Asset Sharekhan Research

TCS registers sequential growth



Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp Of India	5.02
2	Vanguard Group Inc	1.22
3	SBI Funds Management Ltd	1.2
4	ICICI Prudential AMC Ltd	1.04
5	Blackrock Inc	1.01
6	UTI AMC Ltd	0.48
7	Nippon Life AMC Ltd	0.44
8	HDFC AMC Ltd	0.44
9	FMR LLC	0.4
10	Mirae Asset Financial Group	0.39

Source: Bloomberg

Key management personnel

Name	Designation
K Krithivasan	CEO and MD
Nehal Shah	Head - IR
Samir Seksaria	CFO

Source: Company Website

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