INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Tata Consultancy Services:** TCS reported +0.8% QoQ revenue growth in CC terms, ahead of our expectation of 0.6% CC, while operating margins remained stable at 25.2% (in line with our estimates), supported by productivity gains and operational efficiencies. The company indicated confidence in a strong CY26, underpinned by sustained deal momentum and TCS's leadership position in AI services. TCS's AI-led revenue scaled to an annualized run rate of USD 1.8bn, posting 17.3% QoQ growth in CC, with AI gaining strength across the full stack—from infrastructure to intelligence—as well as in cybersecurity, Enterprise Solutions, and IoT. Enterprises are transitioning from AI pilot programs to ROI-driven deployment and TCS delivered over three times the number of "rapid builds" projects for clients during the quarter compared to prior periods. The decision-making cycles have shortened versus earlier periods, with clients increasingly willing to commit to spends backed by ROI visibility. The total TCV for the quarter reached USD 9.3bn (~7% YoY on TTM basis ex mega deal), which included a significant megadeal win in North America. Regarding the vertical-wise demand environment, BFSI showed good momentum despite seasonal furloughs, ENU posted strong growth, and Life Sciences saw positive shifts, though manufacturing remained marginal and the automotive sector was subdued. TCS continues to aspire to faster growth in international markets in FY26E vs FY25. The aspirational margin band remains at 26-28% and Q4 will be heading towards 26%. Our EPS estimates remain unchanged, and we maintain our ADD rating with a TP of INR 4,000, based on 23x Mar-28E EPS (10Y average multiple of 24x).
- **HCL Technologies:** HCL Tech (HCLT) delivered a strong Q3FY26 revenue growth of 4.2% QoQ CC, which surpassed expectations. The outperformance was supported by broad-based strength across IT services, software (seasonality), and strong growth in the ER&D segment. Deal wins remained healthy at USD 3bn (+17% QoQ / +44% YoY), led by a USD 473mn mega deal with a global apparel retailer, under which HCLT will act as a long-term AI-led technology partner. The robust deal activity and solid pipeline reinforce management's confidence in continued growth momentum. For FY26E, the management raised services revenue growth guidance to 4.75-5.25% CC (from 4–5% earlier) and overall revenue growth guidance to 4-4.5% CC (earlier 3-5%). EBIT margin guidance was retained at 17–18%, incorporating the impact of restructuring (50bps in FY26, to be completed by Q4) and labor code-related costs (10–20bps recurring annual impact). The management reiterated confidence in capturing AI-led spending despite a slowdown in discretionary IT budgets. A significant shift is occurring as clients prioritize "day minus one" investments, such as AI Factory infrastructure and custom silicon engineering, which are closely linked to massive AI CapEx. Organizations are reimagining their operations holistically; GenAI and Agentic AI capabilities are now being embedded into nearly every new deal and demand remains robust in Financial Services and Technology verticals. Given there is better visibility, we raise our FY27/28E earnings estimates by +0.5% / +0.3%. We maintain a BUY rating with a target price of INR 1,950, based on 22x Mar-28E EPS.

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Tata Consultancy Services

AI-led growth inflection with margin resilience

TCS reported +0.8% QoQ revenue growth in CC terms, ahead of our expectation of 0.6% CC, while operating margins remained stable at 25.2% (in line with our estimates), supported by productivity gains and operational efficiencies. The company indicated confidence in a strong CY26, underpinned by sustained deal momentum and TCS's leadership position in AI services. TCS's AI-led revenue scaled to an annualized run rate of USD 1.8bn, posting 17.3% QoQ growth in CC, with AI gaining strength across the full stack—from infrastructure to intelligence—as well as in cybersecurity, Enterprise Solutions, and IoT. Enterprises are transitioning from AI pilot programs to ROI-driven deployment and TCS delivered over three times the number of "rapid builds" projects for clients during the quarter compared to prior periods. The decision-making cycles have shortened versus earlier periods, with clients increasingly willing to commit to spends backed by ROI visibility. The total TCV for the quarter reached USD 9.3bn (~7% YoY on TTM basis ex mega deal), which included a significant megadeal win in North America. Regarding the vertical-wise demand environment, BFSI showed good momentum despite seasonal furloughs, ENU posted strong growth, and Life Sciences saw positive shifts, though manufacturing remained marginal and the automotive sector was subdued. TCS continues to aspire to faster growth in international markets in FY26E vs FY25. The aspirational margin band remains at 26-28% and Q4 will be heading towards 26%. Our EPS estimates remain unchanged, and we maintain our ADD rating with a TP of INR 4,000, based on 23x Mar-28E EPS (10Y average multiple of 24x).

- **Q3FY26 highlights:** (1) TCS's revenue stood at USD 7,509mn, +0.6% QoQ in USD terms (vs. our estimate of +0.2% QoQ). (2) Deal bookings came in at USD 9.3bn, down from USD 10bn in Q2, comprising NorthAm TCV at USD 4.9bn, BFSI TCV at USD 3.8bn, and Retail & CPG TCV at USD 1.4bn. Notwithstanding seasonality, TCS won a mega deal in BFSI in NorthAm. (3) Retail & CPG/LS&H/Manufacturing recorded sequential CC growth of 1.3/0.9/0.2% respectively, while Tech/BFSI declined 1.3/0.4% QoQ CC. (4) EBITM remained stable QoQ at 25.2% (in line with our estimate), supported by productivity improvement (+80bps), and favourable currency movement (+20bps), which were offset by full quarter impact of wage hikes (-50bps) and strategic investments in brand building and partnerships (-50bps). (5) Net headcount declined by 11,151 employees in Q3, while TTM attrition increased 20bps QoQ to 13.5%. (6) An exceptional item charge of INR 33.91bn was taken for restructuring costs and to account for new labour codes. The ongoing impact of the labour code changes is expected to be 10-15bps.
- **Outlook:** We have factored in FY26/27/28E growth at -0.4%/+7.7%/+8.5% (implying 0.7/1.8/2.4% CQGR in FY26/27/28E respectively). EBITM is factored in at 25.1/25.5/25.6% for FY26/27/28E respectively, translating to an EPS CAGR of 9.2% over FY25-28E.

Quarterly financial summary

YE March (INR bn)	Q3FY26	Q3FY25	*YoY (%)*	Q2FY26	*QoQ(%)*	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	7,509	7,539	(0.4)	7,466	0.6	29,080	30,179	30,069	32,385	35,151
Net Sales	670.87	639.73	4.9	657.99	2.0	2,408.93	2,553.24	2,650.00	2,898.43	3,181.19
EBIT	168.90	156.57	7.9	165.65	2.0	593.11	621.65	665.23	738.86	815.50
APAT	132.34	123.80	6.9	129.38	2.3	466.35	485.53	524.72	574.23	631.89
Diluted EPS (INR)	36.6	34.2	6.9	35.8	2.3	128.9	134.2	145.0	158.7	174.6
P/E (x)						25.1	24.1	22.3	20.4	18.5
EV / EBITDA (x)						17.5	16.7	15.7	14.2	12.9
RoE (%)						51.6	52.4	55.5	59.9	63.2

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	30,066	30,069	*0.0*	32,329	32,385	*0.2*	35,040	35,151	*0.3*
Revenue	2,647.89	2,650.00	*0.1*	2,893.43	2,898.43	*0.2*	3,171.10	3,181.19	*0.3*
EBIT	665.76	665.23	*(0.1)*	734.60	738.86	*0.6*	810.92	815.50	*0.6*
EBIT margin (%)	25.1	25.1	*-4bps*	25.4	25.5	*10bps*	25.6	25.6	*6bps*
APAT	526.31	524.72	*(0.3)*	572.04	574.23	*0.4*	630.84	631.89	*0.2*
EPS (INR)	145.5	145.0	*(0.3)*	158.1	158.7	*0.4*	174.4	174.6	*0.2*

Source: Company, HSIE Research

ADD

CMP *(as on 12 Jan 2026)*	**INR 3,240**
Target Price	**INR 4,000**
NIFTY	**25,790**

KEY CHANGES	**OLD**	**NEW**
Rating	ADD	ADD
Price Target	INR 4,000	INR 4,000
EPS %	FY27E	FY28E
	+0.4	+0.2

KEY STOCK DATA	
Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / ($ mn)	11,721/129,997
6m avg traded value (INR mn)	9,549
52 Week high / low	INR 4,424/2,867

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	4.6	(4.9)	(23.5)
Relative (%)	0.5	(8.8)	(27.3)

SHAREHOLDING PATTERN (%)

	Jun-25	**Sep-25**
Promoters	71.77	71.77
FIs & Local MFs	12.01	12.70
FPIs	11.47	10.33
Public & Others	4.75	5.250
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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HCL Technologies

Accelerating growth; guidance increased

HCL Tech (HCLT) delivered a strong Q3FY26 revenue growth of 4.2% QoQ CC, which surpassed expectations. The outperformance was supported by broad-based strength across IT services, software (seasonality), and strong growth in the ER&D segment. Deal wins remained healthy at USD 3bn (+17% QoQ / +44% YoY), led by a USD 473mn mega deal with a global apparel retailer, under which HCLT will act as a long-term AI-led technology partner. The robust deal activity and solid pipeline reinforce management's confidence in continued growth momentum. For FY26E, the management raised services revenue growth guidance to 4.75-5.25% CC (from 4–5% earlier) and overall revenue growth guidance to 4-4.5% CC (earlier 3-5%). EBIT margin guidance was retained at 17–18%, incorporating the impact of restructuring (50bps in FY26, to be completed by Q4) and labor code-related costs (10–20bps recurring annual impact). The management reiterated confidence in capturing AI-led spending despite a slowdown in discretionary IT budgets. A significant shift is occurring as clients prioritize "day minus one" investments, such as AI Factory infrastructure and custom silicon engineering, which are closely linked to massive AI CapEx. Organizations are reimagining their operations holistically; GenAI and Agentic AI capabilities are now being embedded into nearly every new deal and demand remains robust in Financial Services and Technology verticals. Given there is better visibility, we raise our FY27/28E earnings estimates by +0.5% / +0.3%. We maintain a BUY rating with a target price of INR 1,950, based on 22x Mar-28E EPS.

- **Q3FY26 highlights:** (1) HCL Tech reported revenue of USD 3,793mn (+4.2/4.8% QoQ/YoY CC), above our estimate of USD 3,706mn. The services revenue was up +1.8/+5% QoQ/YoY CC, driven by financial services, technology, and manufacturing. (2) IT & Business services (72% of revenue) grew +1.5% QoQ in CC term, ER&D services (17% of revenue) grew +3.1% QoQ CC and Software (11% of revenue) grew +28.1% QoQ CC. (3) EBITM came in at 18.6% (vs our estimate of 17.9%), expanded 118bps QoQ, driven by Project Ascend benefits (+104bps), forex (+40 bps) and seasonal strength in the software segment, which was partially offset by wage hikes (-80bps) and seasonal furloughs (-45bps). (4) Deal wins in Q3 stood at USD 3,006mn, given that the company won a mega deal worth USD 473mn. (5) HCL Tech expects 50bps impact from the restructuring costs for FY26E and anticipates finishing the restructuring exercise by Q4FY26E. (6) INR 956mn has been charged as an exceptional item to provide for the one-time impact of new labor codes. The recurring impact of the changes in Labor Code is expected to be 10 to 20 bps annually, going forward.
- **Outlook:** We have factored in 6.2% growth in IT & BS and 11.9% growth in ER&D services and a 1.8% growth in the software segment for FY26E. The overall USD revenue growth is estimated at 6.7%/7.7%/7.3% respectively in FY26/27/28E. We expect EBITM at 17.5% in FY26E (mid-point of the guidance) and then expect it to improve to 19/19.4% by FY27/28E, translating into an EPS CAGR of 12.2% over FY25-28E.

Quarterly Financial summary

YE March (INR bn)	Q3FY26	Q3FY25	*YoY (%)*	Q2FY26	*QoQ (%)*	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	3,793	3,533	*7.4*	3,644	*4.1*	13,270	13,840	14,765	15,910	17,068
Net Sales	338.72	298.90	*13.3*	319.42	*6.0*	1,099.13	1,170.55	1,300.23	1,423.90	1,544.62
EBIT	62.85	58.21	*8.0*	55.50	*13.2*	200.27	214.21	227.45	270.65	299.79
APAT	47.95	45.91	*4.4*	42.35	*13.2*	157.02	169.61	180.92	215.95	239.86
Diluted EPS (INR)	17.7	16.9	*4.4*	15.6	*13.2*	58.0	62.6	66.8	79.7	88.6
P/E (x)						28.8	26.6	25.0	20.9	18.8
EV / EBITDA (x)						17.6	16.7	15.5	13.1	11.8
RoE (%)						23.5	24.6	25.6	29.1	29.9

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %	FY28E Old	FY28E Revised	Change %
Revenue (USD mn)	14,659	14,765	*0.7*	15,816	15,910	*0.6*	16,956	17,068	*0.7*
Revenue	1,289.65	1,300.23	*0.8*	1,415.52	1,423.90	*0.6*	1,534.50	1,544.62	*0.7*
EBIT	228.39	227.45	*(0.4)*	267.92	270.65	*1.0*	296.06	299.79	*1.3*
EBIT margin (%)	17.7	17.5	-22bps	18.9	19.0	8bps	19.3	19.4	11bps
APAT	183.32	180.92	*(1.3)*	215.22	215.95	*0.3*	239.49	239.86	*0.2*
EPS (INR)	67.6	66.8	*(1.1)*	79.3	79.7	*0.5*	88.3	88.6	*0.3*

Source: Company, HSIE Research

BUY

CMP *(as on 12 Jan 2026)*	INR 1,668
Target Price	INR 1,950
NIFTY	25,790

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,940	INR 1,950
EPS %	FY27E	FY28E
	+0.5	+0.3

KEY STOCK DATA	
Bloomberg code	HCLT IN
No. of Shares (mn)	2,714
MCap (INR bn) / ($ mn)	4,525/50,189
6m avg traded value (INR mn)	4,541
52 Week high / low	INR 2,005/1,303

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	13.7	2.3	(11.5)
Relative (%)	9.6	(1.6)	(15.3)

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	60.81	60.81
FIs & Local MFs	16.21	17.84
FPIs	18.56	16.64
Public & Others	4.42	4.71
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

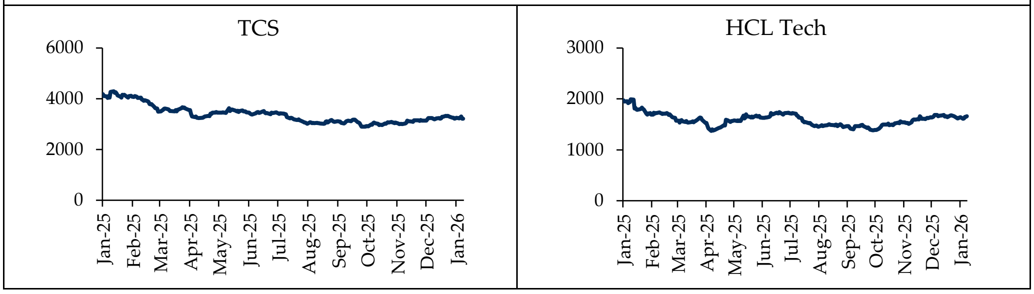
REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Amit Chandra	Tata Consultancy Services, HCL Technologies	MBA	NO
Vinesh Vala	Tata Consultancy Services, HCL Technologies	MBA	NO
Maitreyee Vaishampayan	Tata Consultancy Services	MSc	NO
Maitreyee Vaishampayan	HCL Technologies	MSc	YES

Price movement



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