INSTITUTIONAL RESEARCH

HSIE Results Daily

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Results Reviews

- **Tata Consultancy Services:** Tata Consultancy Services' (TCS) revenue miss (-3.3% QoQ CC) was attributed to BSNL ramp-down while the international market's revenue decline of 0.5% QoQ CC was as per expectations. The operating margin expanded 30 bps QoQ despite the revenue decline due to the ramp-down of lower-margin BSNL deal. Amidst delays in decision-making and lower discretionary investments due to global uncertainties and clients seeking immediate ROI, TCS clocked TCV of USD 9.4b, primarily fueled by cost optimization projects rather than large transformation programs. The company remains optimistic that international revenue for FY26E will be better than FY25 and expects pent-up demand for technology transitions once market clarity emerges. Key positives include (1) strong TCV, driven by large deal wins across various markets and industries, (2) continued BFS spending, (3) better growth outlook, supported by increase in AI for business engagements, and (4) continued fresher addition. We expect international revenue to deliver growth of ~4% in FY26E. Our TP of INR 4,020 is based on 25x June-27E EPS (10Y average of 24x).
- **Tata Elxsi:** Tata Elxsi (TELX) reported its second consecutive quarterly revenue decline, with Q1FY26 revenue down 3.9% QoQ in CC terms. This was primarily driven by a significant slowdown in the Media & Communication and Healthcare segments. Margin pressures persisted due to the revenue contraction; however, management expects EBITDA margins to rebound with growth. TELX anticipates FY26 growth to be fueled by the Transportation and Media & Communication verticals. The Transportation segment, which contributes around 50% of total revenue, is showing signs of stabilization, particularly with its largest client, JLR. Continued strong demand for ADAS, SDV, infotainment systems, and electrification is expected to support growth beyond Q2FY26 in Transportation. Recent large deal wins (Mercedes-Benz, a European OEM, and Suzuki) have bolstered confidence in a revenue rebound in Q2FY26E. However, global macroeconomic uncertainties remain a key risk. EBIT margins are likely to stay under pressure due to two main factors: (1) lower utilization and (2) pricing challenges arising from vendor consolidation deals. We downgrade our earnings estimated 8-11% for FY26/27E due to pressure on revenue and gross margins. We maintain a REDUCE rating on TELX, with a target price of INR 5,075, based on a valuation of 32x FY27E EPS.

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Tata Consultancy Services

Deal wins continue; recovery expected

Tata Consultancy Services' (TCS) revenue miss (-3.3% QoQ CC) was attributed to BSNL ramp-down while the international market's revenue decline of 0.5% QoQ CC was as per expectations. The operating margin expanded 30 bps QoQ despite the revenue decline due to the ramp-down of lower-margin BSNL deal. Amidst delays in decision-making and lower discretionary investments due to global uncertainties and clients seeking immediate ROI, TCS clocked TCV of USD 9.4b, primarily fueled by cost optimization projects rather than large transformation programs. The company remains optimistic that international revenue for FY26E will be better than FY25 and expects pent-up demand for technology transitions once market clarity emerges. Key positives include (1) strong TCV, driven by large deal wins across various markets and industries, (2) continued BFS spending, (3) better growth outlook, supported by increase in AI for business engagements, and (4) continued fresher addition. We expect international revenue to deliver growth of ~4% in FY26E. Our TP of INR 4,020 is based on 25x June-27E EPS (10Y average of 24x).

- **Q1FY26 highlights:** (1) TCS' revenue print stood at USD 7,421mn, -0.6% QoQ in USD terms (vs our estimate of +1.6% QoQ). QoQ revenue declined 3.3%CC, attributed to -0.5% from international markets and -2.8% due to the BSNL ramp-down. (2) Deal bookings trended down QoQ to USD 9.4bn, compared to USD 12.2bn in Q4, comprising NorthAm TCV at USD 4.4bn, BFSI TCV at USD 2.5bn and Retail & CPG TCV at USD 1.6bn. (3) Vertical commentary was weak in BFS, Retail & CPG, Lifesciences and Heathcare due to macro uncertainty, led by the global tariff war. While automotive sector continues to face challenges, manufacturing vertical as a whole witnessed minor growth. Technology vertical reported growth, driven by AI-led business transformation opportunities. (4) EBITM at 24.5% improved 26bps QoQ (higher vs our estimate of 24.3%), driven by lower third-party costs and currency tailwinds. Better utilization thus leading to better op-lev is expected to drive margin expansion in Q2. (5) There was a net headcount addition of 5,000 employees in Q1 while TTM attrition increased by 50bps QoQ to 13.8%. TCS may reconsider its hiring strategy based on demand. (6) International markets are expected to do better in FY26 thanFY25.
- **Outlook:** We have factored in FY26/27/28E growth at 1.8%/7.7%/10.5% (implying 1.5/2%/2.1% CQGR in FY26/27/28E respectively). EBITM is factored in at 24.7/25.5/25.7% for FY26/27/28E respectively, translating to an EPS CAGR of 9% over FY25-28E.

Quarterly financial summary

YE March (INR bn)	Q1 FY26	Q1 FY25	YoY (%)	Q4 FY25	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	7,421	7,505	(1.1)	7,465	(0.6)	29,080	30,179	30,718	33,096	35,859
Net Sales	634.37	626.13	1.3	644.79	(1.6)	2,408.93	2,553.24	2,637.90	2,879.36	3,155.62
EBIT	155.14	154.42	0.5	156.01	(0.6)	593.11	621.65	652.45	733.95	809.49
APAT	127.60	120.40	6.0	122.24	4.4	466.35	485.53	514.17	567.69	625.96
Diluted EPS (INR)	35.3	33.3	6.0	33.8	4.4	128.9	134.2	142.1	156.9	173.0
P/E (x)						26.2	25.2	23.8	21.6	19.5
EV / EBITDA (x)						18.3	17.5	16.7	14.9	13.6
RoE (%)						51.6	52.4	54.4	59.3	63.0

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)	30,826	30,718	(0.3)	33,053	33,096	0.1	35,814	35,859	0.1
Revenue	2,647.98	2,637.90	(0.4)	2,875.65	2,879.36	0.1	3,151.61	3,155.62	0.1
EBIT	664.20	652.45	(1.8)	738.73	733.95	(0.6)	806.03	809.49	0.4
EBIT margin (%)	25.1	24.7	-35bps	25.7	25.5	-20bps	25.6	25.7	8bps
APAT	519.72	514.17	(1.1)	575.54	567.69	(1.4)	628.37	625.96	(0.4)
EPS (INR)	143.6	142.1	(1.1)	159.1	156.9	(1.4)	173.7	173.0	(0.4)

Source: Company, HSIE Research

ADD

CMP *(as on 10 Jul 2025)*	INR 3,382
Target Price	INR 4,020
NIFTY	25,355

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 4,070	INR 4,020
EPS %	FY26E	FY27E
	-1.1	-1.4

KEY STOCK DATA	
Bloomberg code	TCS IN
No. of Shares (mn)	3,618
MCap (INR bn) / ($ mn)	12,236/1,42,866
6m avg traded value (INR mn)	9,651
52 Week high / low	INR 4,520/3,056

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.2	(19.5)	(12.1)
Relative (%)	(8.5)	(27.0)	(16.2)

SHAREHOLDING PATTERN (%)	Dec-24	Mar-25
Promoters	71.77	71.77
FIs & Local MFs	10.92	11.56
FPIs	12.68	12.04
Public & Others	4.63	4.63
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Tata Elxsi

Margin under pressure; growth rebound likely

Tata Elxsi (TELX) reported its second consecutive quarterly revenue decline, with Q1FY26 revenue down 3.9% QoQ in CC terms. This was primarily driven by a significant slowdown in the Media & Communication and Healthcare segments. Margin pressures persisted due to the revenue contraction; however, management expects EBITDA margins to rebound with growth. TELX anticipates FY26 growth to be fueled by the Transportation and Media & Communication verticals. The Transportation segment, which contributes around 50% of total revenue, is showing signs of stabilization, particularly with its largest client, JLR. Continued strong demand for ADAS, SDV, infotainment systems, and electrification is expected to support growth beyond Q2FY26 in Transportation. Recent large deal wins (Mercedes-Benz, a European OEM, and Suzuki) have bolstered confidence in a revenue rebound in Q2FY26E. However, global macroeconomic uncertainties remain a key risk. EBIT margins are likely to stay under pressure due to two main factors: (1) lower utilization and (2) pricing challenges arising from vendor consolidation deals. We downgrade our earnings estimated 8-11% for FY26/27E due to pressure on revenue and gross margins. We maintain a REDUCE rating on TELX, with a target price of INR 5,075, based on a valuation of 32x FY27E EPS.

- **Q1FY26 highlights:** (1) TELX posted a revenue of USD 104.3mn (lower than our estimate of USD 105.7mn), which declined -3.9/-9.0% QoQ/ YoY in CC terms. (2) Transportation vertical remained flat QoQ CC, supported by ramp-up of the deal won earlier (USD 50mn SDV deal). (3) Media & Communication vertical declined -5.5% QoQ, impacted by transition investments related to large consolidation deals announced at the end of Q4FY25 and subdued business environment globally. The company expects growth in Communication from Q2FY26E onwards, supported by deal ramp-ups and a healthy pipeline. (4) Healthcare & Lifesciences vertical reported sharp de-growth of -6.7% QoQ due to tariff-related impact on medical devices with two key US customers. The company expects this segment to recover by H2FY26. (5) TELX's EBITM came in at 18.2%, -193bps QoQ (lower than our estimate of 20.6%), impacted by decline in revenue and consolidation deals signed in earlier despite no wage hike (expected in Q3 w.e.f. Oct). The aspiration of the management is to operate at EBITDA margins of about 29-30%.
- **Outlook:** We have factored in Transportation vertical growth at 4/19/17% for FY26/27/28E, Media & Communication growth at -9/+11/+12% and Healthcare & Lifesciences at -9/+13/+15% over the same period. Revenue growth of -2/+16/15% and EBITM of 23/26/26% over FY26/27/28E translate to an EPS CAGR of 14% over FY25-28E.

Quarterly Financial summary

YE Mar (INR bn)	Q1 FY26	Q1 FY25	YoY (%)	Q4 FY25	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (USD mn)	104	111	-6.1	105	-0.6	429	441	432	501	577
Net Sales	8.92	9.26	-3.7	9.08	-1.8	35.52	37.29	37.11	43.55	50.82
EBIT	1.62	2.25	-27.9	1.83	-11.2	9.47	8.68	8.71	11.32	13.20
APAT	1.44	1.84	-21.6	1.72	-16.3	7.92	7.85	7.58	9.61	11.19
Diluted EPS (INR)	23.2	29.6	-21.6	27.7	-16.3	127.2	122.9	121.7	154.3	179.7
P/E (x)						48.2	49.9	50.4	39.8	34.2
EV / EBITDA (x)						35.1	37.3	37.1	28.6	24.4
RoE (%)						34.5	29.3	25.2	28.6	29.6

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)	460	432	*(6.0)*	539	501	*(7.1)*	607	577	*(4.9)*
Revenue	39.49	37.11	*(6.0)*	46.88	43.55	*(7.1)*	53.43	50.82	*(4.9)*
EBIT	9.94	8.71	*(12.4)*	12.43	11.32	*(8.9)*	14.49	13.20	*(8.9)*
EBIT margin (%)	25.2	23.5	*-171bps*	26.5	26.0	*-52bps*	27.1	26.0	*-113bps*
APAT	8.50	7.58	*(10.8)*	10.43	9.61	*(7.9)*	12.14	11.19	*(7.8)*
EPS (INR)	136.5	121.7	*(10.8)*	167.5	154.3	*(7.9)*	195.0	179.7	*(7.8)*

Source: Company, HSIE Research

REDUCE

CMP *(as on 10 Jul 2025)*	**INR 6,138**
Target Price	**INR 5,075**
NIFTY	**25,355**

KEY CHANGES	**OLD**	**NEW**
Rating	REDUCE	REDUCE
Price Target	INR 5,500	INR 5,075
EPS %	FY26E	FY27E
	-10.8	-7.9

KEY STOCK DATA	
Bloomberg code	TELX IN
No. of Shares (mn)	62
MCap (INR bn) / ($ mn)	382/4,463
6m avg traded value (INR mn)	1,469
52 Week high / low	INR 9,083/4,601

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	29.1	2.3	(13.8)
Relative (%)	16.4	(5.2)	(17.9)

SHAREHOLDING PATTERN (%)

	Dec-24	**Mar-25**
Promoters	43.91	43.91
FIs & Local MFs	7.51	8.54
FPIs	13.27	12.73
Public & Others	35.31	34.82
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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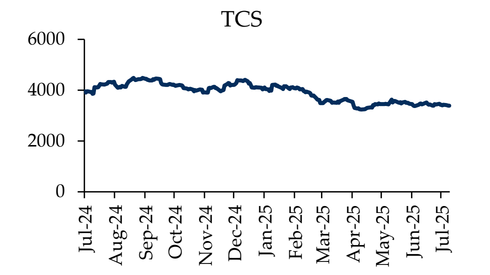
Rating Criteria

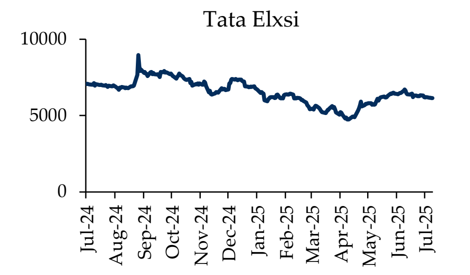
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

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

1 Yr Price movement





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