



TCS Financial Model & Valuation

DCF & Comparable Company Analysis

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About Tata Consultancy Services (TCS)

TCS is a global leader in IT services, consulting, and business solutions, operating across diverse industries including Banking, Financial Services, and Insurance (BFSI), Retail, Manufacturing, and Healthcare. With a strong focus on innovation, digital transformation, and client-centricity, TCS has established itself as a cornerstone in the technology landscape, helping clients navigate complex digital shifts and achieve business agility.

Founded in 1968 as a division of Tata Sons, TCS has grown to become one of the largest IT service providers globally, serving clients in over 46 countries with a vast talent pool exceeding 600,000 employees. The company's comprehensive portfolio of services includes application development and maintenance, enterprise solutions, infrastructure services, and pioneering work in emerging technologies like Cloud, Artificial Intelligence, Cybersecurity, and the Internet of Things (IoT). TCS is renowned for its commitment to delivering measurable business value and fostering long-term client relationships through its unique Global Network Delivery Model



Financial Model Approach



Revenue Projections

Our revenue projection is based on historical growth trends and adjusted for recent industry dynamics, including workforce optimization and billing rate assumptions. Over the forecast period, revenue is expected to grow at a CAGR of 3.98%.



Operating Expenses

Operating expenses are projected considering historical cost structures and efficiency improvements, with employee costs remaining the major component. Over the forecast period, expenses are expected to increase at a CAGR of 4.38%.



Capital Expenditures

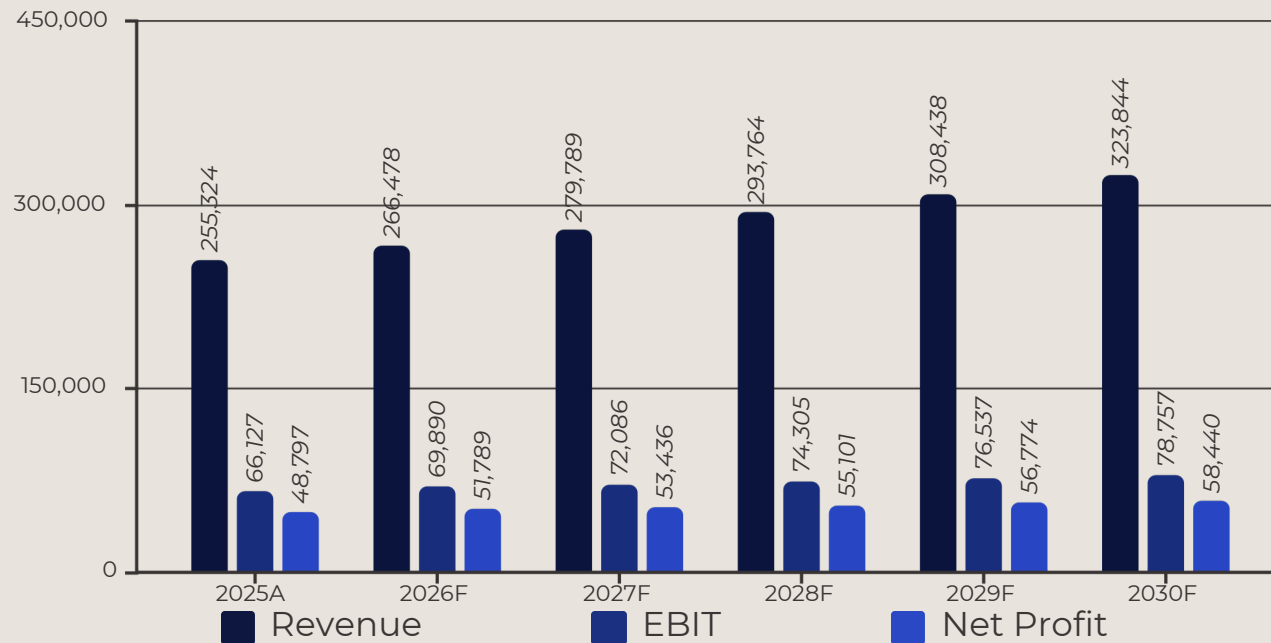
CapEx projections are driven by consistent investments in technology and infrastructure, supporting long-term scalability. Over the forecast period, capital expenditure is expected to grow at a CAGR of 3.98%.



Working Capital

Working capital assumptions remain aligned with historical trends in receivables and payables cycles to maintain operational efficiency.

Financial Forecast: Revenue, EBIT & Net Profit



Our financial projections demonstrate consistent growth in revenue EBIT and net profit over the forecast period.

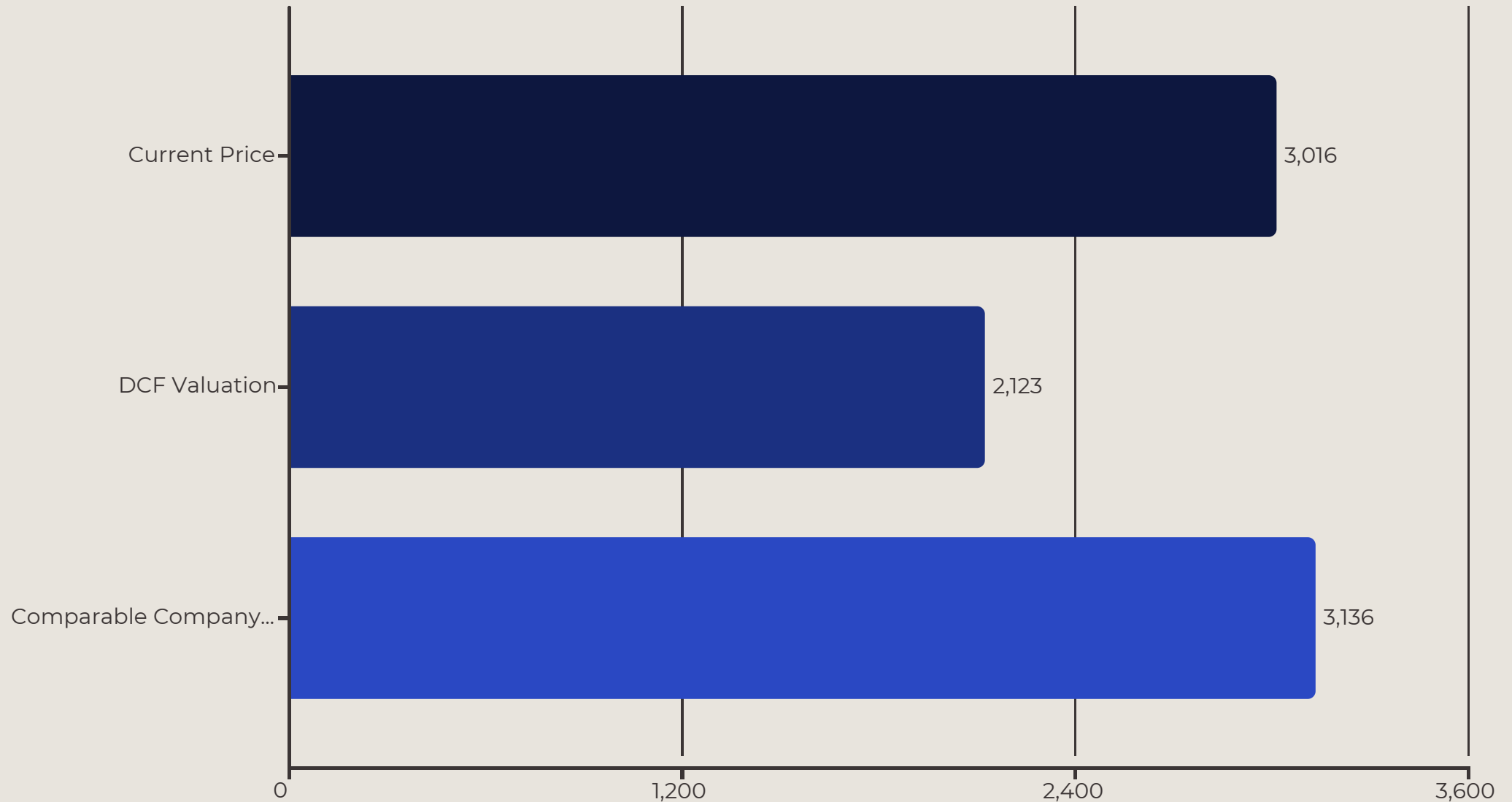
Consistent Revenue Growth

Revenue continues to rise steadily year after year, driven by strong client demand, digital service adoption, and expanding global presence.

Strong Profitability Trend

EBIT and Net Profit show consistent growth over time, reflecting better cost management, operational efficiency, and a focus on high-margin services.

Valuation Summary: Target Share Price Analysis



Our valuation analysis presents a range of outcomes. While the Discounted Cash Flow (DCF) valuation suggests a downside value, the Comparable Company Analysis indicates a slight upside compared to the current market price.

Scenario Analysis: Implied share price



Bear Case

Assumptions: Slower industry growth and rising competition lead to pressure on pricing and margins..

INR 1,414

(-53% vs. Current)



Base Case

Assumptions: Moderate market growth with stable pricing and consistent margins supports steady performance.

INR 2,123

(-29% vs. Current)



Bull Case

Assumptions: Strong demand, successful cross-selling, and higher profitability drive accelerated growth.

INR 4,898

(+62% vs. Current)

This scenario analysis illustrates the potential range of implied share values under varying market and operational conditions.

Key Takeaways



Robust Growth Outlook: TCS is expected to keep growing in sales and profits because of strong demand for its digital services.



InnovationFocus: The company invests in AI, cloud, cybersecurity, and other advanced technologies to stay competitive and deliver cutting-edge solutions.



Resilient Business Model: TCS serves many industries and clients, which makes it strong even if the economy slows down.



Strategic Investments: The company is putting money into new technologies and training people to stay ahead in the IT industry.

Let's Connect

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