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# STEADY IN EVERY STORM:



**HOW TCS KEEPS COMPOUNDING  
WHILE THE WORLD SLOWS  
DOWN.**

**OCTOBER- 2025**

## STEADY IN EVERY STORM: HOW TCS KEEPS COMPOUNDING WHILE THE WORLD SLOWS DOWN

Tata Consultancy Services (TCS) continues to remind investors that true strength isn't about speed — it's about steadiness. In a quarter marked by subdued global tech spending & macro uncertainty, TCS once again delivered **margin resilience, strong cash flows, and disciplined execution** — proving why it remains one of India's most reliable compounders.



## REVENUE AND GROWTH TRENDS



- TCS reported revenue of **₹65,799 crore**, growing **3.7% quarter-on-quarter** and **2.4% year-on-year** in INR terms.
- In USD, revenue stood at **\$7.47 billion**, reflecting a modest **0.6% sequential growth** despite a challenging demand environment.



- Constant currency (CC) revenue rose **0.8% QoQ**, but declined **3.3% YoY**, highlighting persistent softness in discretionary technology spending across key verticals like retail and communication.



- Even so, TCS managed to sustain steady momentum through **cost optimization**, **digital transformation projects**, and **large platform deals**, reflecting the company's ability to navigate slow cycles without sacrificing profitability.

## PROFITABILITY: MARGINS LEAD THE STORY

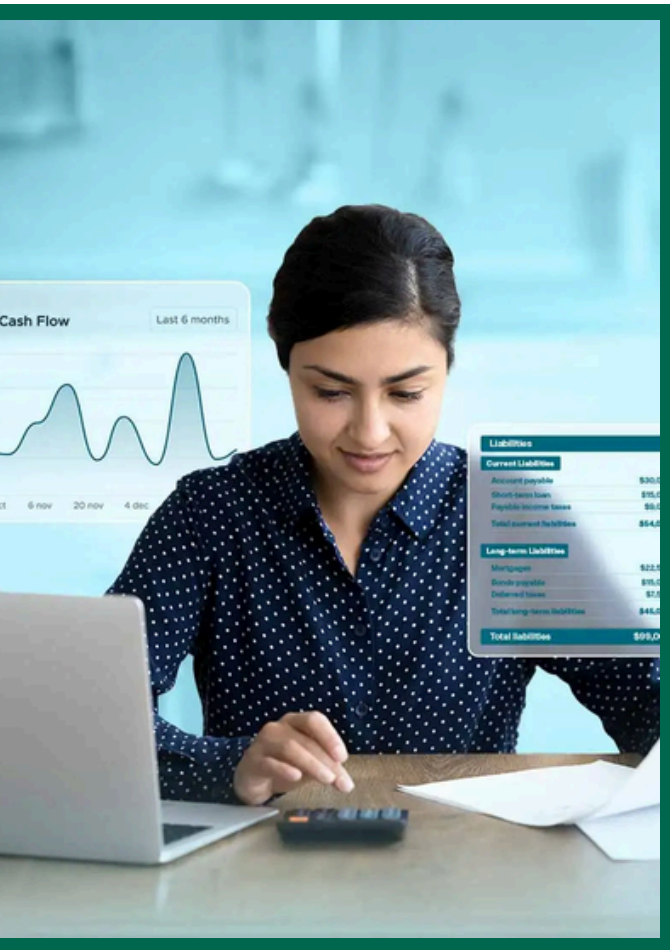


The standout highlight of Q2 was profitability.

- **Operating margin expanded to 25.2%**, up 70 basis points QoQ — a testament to TCS's operational rigor and cost control.
- **Net profit stood at ₹12,904 crore**, maintaining a **strong 19.6% net margin** despite restructuring costs of ₹1,135 crore.
- Excluding this one-time expense, **core margins remained comfortably above 25%**, the highest among large-cap IT peers.

TCS continues to demonstrate **how scale, efficiency, and pricing discipline can coexist** — a balance few in the global IT industry manage this well.

## CASH FLOW & BALANCE SHEET: LIQUIDITY THAT COMMANDS RESPECT



The company's **cash discipline** remains its hallmark.

- **Operating cash flow:** 110% of net profit — up from 100% in the previous quarter.
- **Free cash flow:** ₹1,20,920 crore, up 6% QoQ.
- **Total cash & investments:** ₹55,950 crore, a sharp increase from ₹47,222 crore in March 2025.

TCS remains **debt-free**, giving it unmatched flexibility to return capital to shareholders and invest in future technologies. Its **cash conversion efficiency** continues to set a global benchmark — an often-underappreciated reason behind its long-term compounding ability.

## VERTICAL PERFORMANCE: BFSI HOLDS, HEALTHCARE REBOUNDS

TCS's growth was broad-based across core verticals, led by BFSI, Technology and Healthcare.

Vertical	Q-o-Q Growth	Y-o-Y Growth
BFSI	1.10%	1.00%
Technology &	1.80%	2.80%
Life Sciences &	3.40%	-2.20%
Manufacturing	1.60%	-1.10%
Consumer	-1.00%	-2.90%
Communicatio	0.80%	-5.10%
Energy &	0.60%	0.20%

The **BFSI** segment remains the anchor, driven by regulatory tech, AI integration, and data modernization.

**Life Sciences and Healthcare** saw a sharp rebound, while **Consumer Business & Communication** continue to face discretionary cuts.

The **Technology Services** vertical's steady rise highlights TCS's positioning in AI, automation and analytics.

## GEOGRAPHIC HIGHLIGHTS: GROWTH BEYOND THE WEST

The **Americas** remain TCS's backbone, contributing nearly **49% of total revenue**, with **North America up 0.8% QoQ** in constant currency.

However, **growth leadership came from emerging markets** — especially **MEA (Middle East & Africa)**, which rose **5.9% QoQ** and **12.7% YoY**. **India** rebounded sequentially by **4%**, while Europe remained weak due to macroeconomic headwinds.

Geography	Q-o-Q Growth (CC)	Y-o-Y Growth (CC)
North America	0.80%	-0.10%
UK	-1.40%	-1.90%
Continental Europe	1.40%	-3.00%
India	4.00%	-33.30%
MEA	5.90%	12.70%

The takeaway: **geographic diversification is TCS's unsung advantage.**

Its emerging market exposure continues to buffer global slowdowns and support incremental deal flow.

## CLIENT METRICS & ORDER BOOK: VISIBILITY INTACT

TCS booked **\$10 billion in total contract value (TCV)** this quarter sustaining one of the industry's largest deal pipelines. Breakdown:



- **North America:** \$4.3 billion
- **BFSI:** \$3.2 billion
- **Consumer Business:** \$1.8 billion

The company added **24 new clients in the \$1M+ category, 5 in the \$50M+ range**, while the **\$100M+ segment** dropped by 2 — signaling some consolidation at the top end.

This steady mid-tier client expansion reflects **broad-based trust and execution capability**, which helps smooth revenue volatility across quarters.



## PEOPLE & PRODUCTIVITY: LEANER, SHARPER, FUTURE-FOCUSED



TCS closed Q2 with **593,314 employees**, about **20,000 fewer** than in the prior quarter — a reflection of optimization, not slowdown.

**Voluntary attrition improved to 13.3% (LTM)**, one of the lowest among peers.

The company continues to invest heavily in **AI and digital upskilling**, with:

- **159,000 employees** trained in **AI/ML proficiency**,
- **35.2% women representation**, and
- **149 nationalities** in its workforce.

This ongoing talent realignment strengthens its **margin structure and delivery efficiency**, preparing TCS for the next wave of tech transformation.

## STRATEGIC OUTLOOK: BUILDING STRENGTH IN A SOFT MARKET

The near-term outlook for global IT spending remains tepid, but TCS's strategy remains consistent:



- Prioritize profitable growth over aggressive expansion.
- Invest in GenAI, automation, and platform-led deals.
- Focus on high-value, multi-year contracts that offer revenue visibility and margin consistency.

With \$10 billion in deal wins, zero debt, & industry-leading return metrics, TCS remains a textbook case of how to create value patiently and predictably.

## SUKHANIDHI VIEW: THE POWER OF CONSISTENCY

Markets often reward speed — but over decades, **consistency outperforms aggression.**

TCS exemplifies that philosophy.

Its ability to deliver stable margins, high cash conversion, and strong governance through cycles makes it a **cornerstone holding** for long-term investors.

Even if growth stays muted in the near term, TCS's fundamentals position it perfectly for the next upcycle — whenever it arrives.



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