

August 20, 2026

Tata Consultancy Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator [#]
Long-term/ Short-term – Fund based Limits	20.00	20.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed	RBI
Long-term/ Short-term – Non-fund based Limits	7,677.00	6,242.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed	RBI
Long-term/ Short-term – Fund based/Non fund based	1,040.00	1,033.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed	RBI
Long-term/ Short-term- Unallocated	263.00	1705.00	[ICRA]AAA (Stable)/ [ICRA]A1+; reaffirmed	RBI
Total	9,000.00	9,000.00		

*Instrument details are provided in Annexure I

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The reaffirmation of ratings for Tata Consultancy Services Limited (TCS) continues to factor in its established position as one of the leading Indian information technology (IT) services companies in the IT-enabled services (ITeS) outsourcing segment. This is supported by its diversified service offerings, established client relationships, strong execution capabilities and presence across multiple geographies and industry verticals. The ratings also draw comfort from the company's robust financial risk profile, characterised by healthy profitability, strong cash flow generation, sizeable cash and liquid investments and a superior liquidity position.

TCS' operating performance remained moderated in FY2026 amid a challenging demand environment, with IT Services revenues declining by 2.4% in constant currency terms due to delays in discretionary spending, elongated client decision-making cycles and the gradual ramp-up of large transformation programmes. While demand conditions remained weak across several verticals, clients continued to prioritise cost optimisation, vendor consolidation, cloud modernisation and AI-led transformation initiatives. Despite the subdued revenue environment, the company reported healthy annual total contract value (TCV) of \$40.7 billion, including \$12 billion of deal wins in Q4 FY2026, supported by multiple mega deals across geographies and service lines. Maintaining the momentum, TCS reported TCV wins of \$9.5 billion in Q1 FY2027, driven by large transformation and AI-led engagements, with AI annualised revenue increasing to \$2.6 billion in Q1 FY2027. The sustained strength in deal wins and a healthy order book provide revenue visibility over the medium term. However, the conversion of order wins into revenues could continue to see some lag in the near term amid continued macroeconomic uncertainties and the same shall remain monitorable.

The company's operating profitability remained steady in FY2026, supported by operational efficiency initiatives, increasing automation and healthy employee utilisation levels. ICRA expects the company's margins to remain broadly stable over the medium term, aided by productivity improvements and greater adoption of AI-led delivery models. These are expected to partly offset pressures from wage inflation, competitive pricing and continued investments in emerging technologies.

ICRA notes that TCS is transitioning from a digital transformation-led to an AI-led transformation company, with investments spanning AI capabilities, workforce upskilling, proprietary platforms, strategic partnerships and infrastructure development. During FY2026 and Q1 FY2027, the company strengthened its AI ecosystem through partnerships with OpenAI, AMD, NVIDIA, ServiceNow and GitLab, while also securing multiple AI-led transformation engagements across industries. The company has

additionally undertaken strategic investments through HyperVault, its joint venture with TPG¹, aimed at developing large-scale AI-ready data centre infrastructure in India. While the project shall remain monitorable given its long-term investment nature, phased implementation and expected long-term customer contracts mitigate risks to TCS's credit profile.

The increasing adoption of Generative AI presents both opportunities and challenges for IT services companies. While AI-driven productivity gains may exert pressure on pricing in some traditional services, they are also expected to create opportunities in AI deployment, data modernisation, digital and consulting services. The company's investments in such capabilities, proprietary platforms and workforce upskilling are expected to support its competitiveness, operational efficiency and long-term growth.

The ratings continue to derive strength from TCS' strong financial flexibility and conservative capital structure. The company maintained robust credit metrics in FY2026, supported by healthy profitability and operating cash flows, along with sizeable cash and liquid investments. During FY2026, TCS completed the acquisitions of ListEngage and Coastal Cloud, strengthening its Salesforce, AI, cloud consulting and customer experience capabilities. While the acquisitions resulted in a significant increase in goodwill, they are strategically aligned with the company's objective of expanding its presence in high-growth areas such as AI, cloud transformation and enterprise modernisation. ICRA expects the company to continue exploring inorganic growth opportunities. Over the years, despite carrying out acquisitions, the company's dependence on external borrowings has remained limited. Any sizeable acquisition and its impact on liquidity, leverage and cash flows shall be evaluated on a case-to-case basis and remains a key monitorable.

ICRA also notes the competition faced by the company from other prominent players in the global IT services industry, which limits its pricing flexibility to an extent. Besides, the industry is susceptible to challenges in the form of demand uncertainties for IT services in its key markets amid macroeconomic unpredictability, foreign currency fluctuations and talent acquisition and retention.

The Stable outlook on the long-term rating reflects ICRA's opinion that despite modest revenue growth in the near term, TCS' credit profile will continue to remain strong, supported by its leadership position in the industry, strong cash flow generation from operations, comfortable capital structure and robust liquidity position.

Key rating drivers and their description

Credit strengths

Largest Indian company in global IT services outsourcing segment; remains competitive, given its access to large technical talent pool and cost advantages in India – TCS maintains its position as the largest Indian IT services company and among the leading global technology services providers, with an operating income of Rs. 2,67,021 crore in FY2026 and Rs. 72,275 crore in Q1 FY2027, lending scale efficiency. The country's IT services companies, including TCS, continue to benefit from India's massive, educated workforce, which provides a large technical talent pool and results in global competitiveness. TCS provides a wide array of services across the industry value chain and caters to clients across sectors, such as manufacturing, banking and financial services, media, telecommunications, healthcare, technology and public services, among others.

Full-service capability with rising share of digital business; proven ability to secure and handle large-scale projects globally – The company's ability to offer full-service capabilities has helped it win deals across a wide spectrum of verticals, which include artificial intelligence and data analytics, cloud, consulting, enterprise solutions, cybersecurity, digital engineering and sustainability solutions, among others. Its deep domain expertise, strong delivery capabilities and ability to execute large and complex transformation programmes have enabled the company to consistently win marquee contracts globally. This has differentiated it in the marketplace, enabling it to continually gain market share over its competitors. TCS' significant organic investments in manpower training and capability development, along with being at the forefront of adopting new-age technologies such as GenAI, have given it a competitive edge and helped it capture many transformational digital deals across

¹ TPG Inc., previously known as Texas Pacific Group and TPG Capital, is an American private equity firm based in Fort Worth, Texas, with primary offices in New York City and additional offices in Washington, D.C., Miami, San Francisco, and internationally.

the globe. Despite uncertain global macroeconomic conditions, the company's order book and pipeline remain strong, with deal wins of TCV worth \$40.7 billion in FY2026 and \$9.5 billion in Q1 FY2027. Further, increasing traction in AI, cloud modernisation, cybersecurity and enterprise transformation programmes has supported AI annualised revenue increasing to \$2.6 billion in Q1 FY2027. The sustained order book strength provides healthy revenue visibility over the medium-to-long term.

Diversified client base with high repeat business – The company benefits from a large and diversified customer base spread across industries such as BFSI, retail, manufacturing, healthcare, technology, communication and public services. TCS derives a significant portion of its revenues from long-standing client relationships, with repeat business accounting for the substantial majority of revenues. The company has consistently expanded its client base across various revenue buckets, including large clients generating over \$100 million annually. The diversified customer portfolio and strong client retention levels enhance revenue stability and reduce dependence on any single customer, industry or geography.

Robust financial profile, given healthy profitability, cash accruals and strong liquidity position – The company's financial profile remains robust, as reflected in its high operating profitability, strong capital structure with continued external debt-free status and superior liquidity position in the form of cash/bank balances and other investments worth Rs. 48,309 crore as on March 2026. The leverage levels and coverage indicators remain healthy, with a gearing of 0.1 times, total debt/OPBITDA of 0.2 times and interest coverage of 59.0 times for FY2026. The company's revenue declined by 2.4% on a YoY basis (in CC terms) in FY2026 owing to delays in discretionary spending, slower conversion of large deal wins and elongated decision-making cycles across key markets. ICRA expects TCS to report modest revenue growth in FY2027 on account of prevailing demand softness, characterised by lower discretionary spending and delays in project ramp-ups. Nonetheless, the debt protection metrics are expected to remain robust, supported by strong cash flows, healthy margins and a comfortable capital structure, leading to a continued net debt-negative position, despite the expected high shareholder return payout.

Credit challenges

Industry specific challenges like exposure to macroeconomic environment and policies in key operating markets, employee attrition, etc – TCS generates more than around 90% of its revenues from exports and is thus exposed to macroeconomic uncertainties and any adverse regulatory/legislative changes in its key operating markets, particularly the US and Europe (including the UK). This was demonstrated to some extent by moderation in the company's revenue in FY2026, with North America and Europe (including the UK) accounting for more than 80% of its revenues in FY2026, in line with industry trends. Additionally, TCS, along with other industry participants, remains exposed to moderation in demand from key markets amid the proposed imposition of trade tariffs by the US Government. The company is also impacted by other industry-specific factors such as wage cost inflation and challenges related to the retention and reskilling of its talent pool. While employee attrition moderated in Q1 FY2027 to around 13.6%, sustaining a skilled workforce remains critical given the rapid evolution of technologies such as cloud, AI and digital transformation services.

Exposure to intense competition in global IT services industry – The global IT services industry is dominated by several large players, leading to intense margin pressure as the competitive landscape limits pricing flexibility and necessitates continuous investments in technology capabilities, talent development, innovation and client relationships. Despite being the largest Indian IT services company, TCS faces competition from domestic players such as Infosys, HCL Technologies and Wipro, as well as from international players like IBM, Accenture, Cognizant, and Capgemini, among others. There are various smaller, niche technology players, which lead to intense competition in the industry while bidding for new contracts.

Environmental and social risks

Environmental considerations: Given the service-oriented business, TCS' direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material.

Social considerations: Like other Indian IT services companies, TCS faces the risk of data breaches and cyber-attacks that could affect the large volumes of customer data that it manages. Any material lapse on this front could result in substantial liabilities, fines, or penalties, as well as reputational impact. Also, TCS remains exposed to the risk of changes in immigration laws in the

key developed markets where it provides its services. While such changes would be influenced by social and political considerations in those nations, they could increase competition among IT players for skilled workforce, leading to higher attrition rates and potentially having an adverse impact on profitability.

Liquidity position: Superior

TCS' liquidity is superior, supported by consistent generation of strong cash flow from operations, healthy operating profitability and low working capital intensity of the business. Additionally, the liquidity profile is strengthened by sizeable free cash/bank balances and other investments worth Rs. 48,309 crore as on March 31, 2026. Despite the likely high dividend payouts/share buybacks, the company's liquidity is expected to remain robust, given the healthy recurring operating cash flows.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – Pressure on the ratings could arise in case of a material deterioration in the company's credit profile because of a sustained and sharp decline in its operating performance and/or disproportionate dividend payouts/share buybacks and/or a large debt-funded acquisition.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. As on March 31, 2026, TCS had 65 subsidiaries that are listed in Annexure-II.

About the company

Established in 1968 as a division of Tata Sons, TCS is currently the largest Indian IT services company in terms of revenue/employee base. The company pioneered the concept of offshore IT services in 1974 and emerged as an integrated full-services provider with a global footprint. It was listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) in August 2004. It is a part of the Tata Group, with Tata Sons (rated [ICRA]AAA(Stable)/[ICRA]A1+) holding 71.7% equity share (as on June 30, 2026) in the company. TCS is a CMMI Level 5 company.

The services offered by the company include IT solutions and services, infrastructure services, global consulting, engineering and industrial services and IT-enabled services (business process management or BPM solutions). Its portfolio of software products includes financial solutions (BaNCs), health and life science industry solutions and asset leverage solutions. Based on industry verticals, the company is focused on the BFSI segment, with retail, communication and media, manufacturing and technology and services being the other major segments. TCS has a widespread geographical presence, including the US, continental Europe, the UK, India, Asia Pacific and the Middle East and Africa.

Key financial indicators (audited)

TCS – Consolidated	FY2025	FY2026
Operating income	2,55,324	2,67,021
PAT	48,797	49,454
OPBDIT/OI	26.4%	27.1%
PAT/OI	19.1%	18.5%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDIT (times)	0.1	0.2
Interest coverage (times)	84.7	59.0

Source: Company, ICRA Research; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)			Chronology of rating history for the past 3 years						
			FY2027	FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Aug 20, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based Limits	Long term and short term	20.00	[ICRA]AAA (Stable)/ [ICRA]A1+	Aug 25, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 10, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 24, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+
Non-fund-based facilities	Long term and short term	6,242.00	[ICRA]AAA (Stable)/ [ICRA]A1+	Aug 25, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 10, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 24, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+
Fund/non-fund-based facilities	Long term and short term	1,033.00	[ICRA]AAA (Stable)/ [ICRA]A1+	Aug 25, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 10, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 24, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+
Unallocated	Long term and short term	1705.00	[ICRA]AAA (Stable)/ [ICRA]A1+	Aug 25, 2025	[ICRA]AAA (Stable)/ [ICRA]A1+	Sep 10, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jul 24, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term, Fund-based Limits	Simple
Long-term/Short-term, Non-fund-based Limits	Simple
Long-term/short-term, Fund-based/Non-fund based	Simple
Long-term/short-term, Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator [#]
NA	Fund Based Limits	NA	NA	NA	20.00	[ICRA]AAA (Stable)/ [ICRA]A1+	RBI
NA	Non-Fund-Based Facilities	NA	NA	NA	6,242.00	[ICRA]AAA (Stable)/ [ICRA]A1+	RBI
NA	Fund/Non Fund-based Limits	NA	NA	NA	1,033.00	[ICRA]AAA (Stable)/ [ICRA]A1+	RBI
NA	Unallocated	NA	NA	NA	1705.00	[ICRA]AAA (Stable)/ [ICRA]A1+	RBI

Source: Company

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	TCS Ownership (in %)	Consolidation approach
APT Online Limited	89.0	Full consolidation
C-Edge Technologies Limited	51.0	Full consolidation
MP Online Limited	89.0	Full consolidation
TCS e-Serve International Limited	100.0	Full consolidation
MahaOnline Limited	74.0	Full consolidation
TCS Foundation	100.0	Full consolidation
HyperVault AI Data Center Limited	51.0	Full consolidation
ListEngage Midco, LLC	100.0	Full consolidation
ListEngage, LLC	100.0	Full consolidation
TCS North America Corporation	100.0	Full consolidation
Coastal Cloud Holdings LLC	100.0	Full consolidation
CC StructureCo, LLC	100.0	Full consolidation
Coastal Cloud Intermediate, LLC	100.0	Full consolidation
Coastal Cloud, LLC	100.0	Full consolidation
Coastal Cloud Canada Corporation	100.0	Full consolidation
Coastal Cloud NA LLC	100.0	Full consolidation
Diligenta (Europe) B.V.	100.0	Full consolidation
Diligenta Limited	100.0	Full consolidation
Tata Consultancy Services Canada Inc.	100.0	Full consolidation
Tata America International Corporation	100.0	Full consolidation
Tata Consultancy Services Asia Pacific Pte Ltd.	100.0	Full consolidation
Tata Consultancy Services (China) Co., Ltd.	100.0	Full consolidation
Tata Consultancy Services Japan, Ltd.	66.0	Full consolidation
Tata Consultancy Services Malaysia Sdn Bhd	100.0	Full consolidation
Tata Consultancy Services Indonesia PT	100.0	Full consolidation
Tata Consultancy Services (Philippines) Inc.	100.0	Full consolidation
Tata Consultancy Services (Thailand) Limited	100.0	Full consolidation
Tata Consultancy Services Belgium	100.0	Full consolidation
Tata Consultancy Services Deutschland GmbH	100.0	Full consolidation
Tata Consultancy Services Sverige AB	100.0	Full consolidation
Tata Consultancy Services Netherlands BV	100.0	Full consolidation
TCS Italia s.r.l.	100.0	Full consolidation
Tata Consultancy Services Luxembourg S.A.	100.0	Full consolidation
Tata Consultancy Services Switzerland Ltd.	100.0	Full consolidation
Tata Consultancy Services Osterreich GmbH	100.0	Full consolidation
Tata Consultancy Services De Espana S.A.	100.0	Full consolidation
Tata Consultancy Services (Portugal) Unipessoal, Limitada	100.0	Full consolidation
Tata Consultancy Services France (Formerly Tata Consultancy Services France SA)	100.0	Full consolidation
Tata Consultancy Services Saudi Arabia	100.0	Full consolidation

Company name	TCS Ownership (in %)	Consolidation approach
Tata Consultancy Services (Africa) (PTY) Ltd.	100.0	Full consolidation
Tata Consultancy Services (South Africa) (PTY) Ltd.	70.0	Full consolidation
TCS FNS Pty Limited	100.0	Full consolidation
TCS Financial Solutions Australia Pty Limited	100.0	Full consolidation
TCS Iberoamerica SA	100.0	Full consolidation
TCS Solution Centre S.A	100.0	Full consolidation
Tata Consultancy Services Argentina S.A.	100.0	Full consolidation
Tata Consultancy Services Do Brasil Ltda	100.0	Full consolidation
Tata Consultancy Services De Mexico S.A., De C.V.	100.0	Full consolidation
Tata Consultancy Services Chile S.A.	100.0	Full consolidation
TCS Inversiones Chile Limitada	100.0	Full consolidation
TATASOLUTION CENTER S.A.	100.0	Full consolidation
TCS Uruguay S.A.	100.0	Full consolidation
MGDC S.C.	100.0	Full consolidation
Tata Consultancy Services Qatar	100.0	Full consolidation
Tata Consultancy Services UK Limited	100.0	Full consolidation
TCS Business Services GmbH	100.0	Full consolidation
Tata Consultancy Services Ireland Limited	100.0	Full consolidation
TCS Technology Solutions GmbH	100.0	Full consolidation
Tata Consultancy Services Bulgaria EOOD	100.0	Full consolidation
Tata Consultancy Services Guatemala, S.A	100.0	Full consolidation
3-101-951221 S.A.	100.0	Full consolidation
Tata Consultancy Services Maroc SARL AU	100.0	Full consolidation
Tata Consultancy Services Regional Headquarters	100.0	Full consolidation
TRIL Bengaluru Real Estate Five Limited	65.0	Full consolidation
TRIL Bengaluru Real Estate Six Limited	65.0	Full consolidation

Source: TCS annual report FY2026

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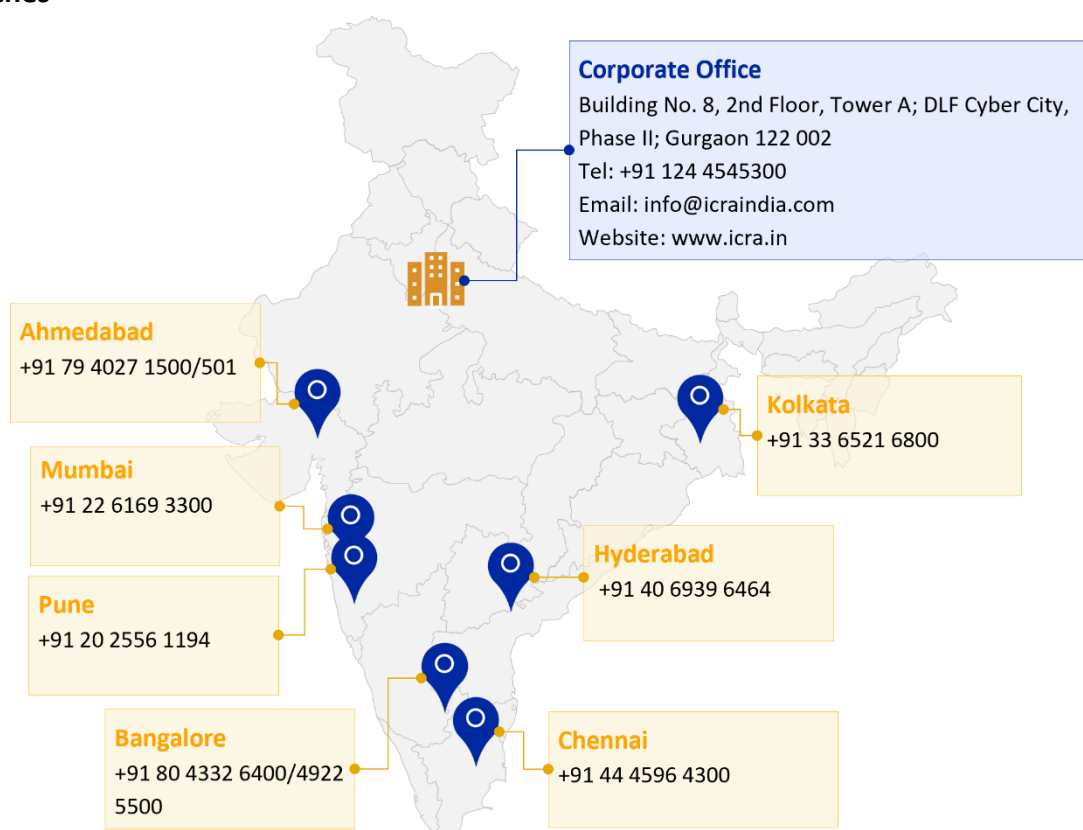
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