



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

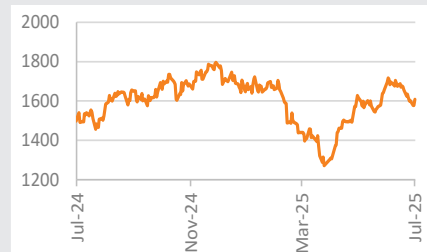
Company details

Market cap:	Rs. 1,57,417 cr
52-week high/low:	Rs. 1,807/1,210
NSE volume: (No of shares)	20.9 lakh
BSE code:	532755
NSE code:	TECHM
Free float: (No of shares)	63.63 cr

Shareholding (%)

Promoters	35.0
FII	23.0
DII	32.1
Others	9.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.1	22.8	-4.8	6.1
Relative to Sensex	-6.1	15.6	-12.1	3.7

Source: Mirae Asset Sharekhan Research, Bloomberg

Tech Mahindra Ltd

Decent Quarter, consistent improvement in margin trajectory

IT & ITES	Sharekhan code: TECHM		
Reco/View: Buy	↔	CMP: Rs. 1,608	Price Target: Rs. 1,950 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Reported revenues stood at \$1,564 million, down 1.4% q-o-q in CC terms, missing our estimate of a 0.7% sequential decline in CC terms.
- EBIT margin expanded by ~60 bps q-o-q to 11%, beating our estimate of 10.1%. New deal win TCVs stood at \$809 million, up 51% y-o-y.
- Company expects to bridge historical growth gap with peers in FY26 and aims to exceed peer-average growth in FY27.
- We maintain Buy rating with an unchanged PT of Rs. 1,950(25x FY27E EPS). At CMP, the stock trades at 26.7/20.7x its FY26/27E EPS.

Tech Mahindra's (TechM's) reported revenues stood at \$1,564 million, up 1% q-o-q/0.4% y-o-y in-line with our estimate. In CC terms, revenue declined 1.4% q-o-q, missing our estimate of 0.7% decline. Rupee revenues stood at Rs. 13,351 crore, down 0.2% q-o-q/ up 2.7% y-o-y. IT services revenue was up 0.7% q-o-q, while BPS revenue was up 2.9% q-o-q. EBIT margin expanded by ~60 bps q-o-q to 11.1%, beating our estimates of 11%, driven by savings from Project Fortius, reduced sub-contracting costs, offshoring, and portfolio company integration. Adjusted net profit stood at Rs. 1,141 crore, up 0.1% q-o-q/34% y-o-y missing our estimates of Rs 1,206 crore. New deal TCVs for the quarter stood at \$809 million, up 51% y-o-y and 44% y-o-y on LTM basis. Net headcount declined 214 q-o-q, taking total headcount to 1,48,517. LTM attrition inched up 80 bps q-o-q to 12.6%. Utilisation (including trainees) declined 130 bps q-o-q to 85.1%. The company expects to bridge the historical growth gap with peers in FY26 and aims to exceed peer-average growth in FY27. We believe the stabilising of the telecom vertical, consistent trajectory of large deal wins and strong deal pipeline should aid in improving revenue momentum in the quarters ahead. We maintain a Buy with an unchanged PT of Rs. 1,950 (25x FY27E EPS) At CMP, the stock trades at 26.7/20.7x F26/FY27E EPS.

Key positives

- New deal win TCVs stood at \$809 million, up 51% y-o-y and 44% y-o-y on an LTM basis.
- EBIT margin expanded 60 bps q-o-q to 11.1%, seventh consecutive quarter of expansion
- Added one client each in \$50 million+ and \$20 million+ categories

Key negatives

- Net headcount declined by 214 q-o-q, taking the total to 148,517.
- LTM attrition rose 80 bps q-o-q to 12.6%.
- Utilisation (including trainees) declined 130 bps q-o-q to 85.1%.

Management Commentary

- TechM expects to bridge the historical growth gap with peers in FY26 and aims to exceed peer-average growth in FY27.
- Management expects FY26 growth to be better than FY25. They expect revenue momentum to improve from Q2FY26 onwards, driven by previously won deals
- The company remains on track to achieve its FY27 margin. Future margin improvements to come from productivity in fixed-price programs, offshoring, and portfolio company integration.
- Manufacturing (especially automotive) and Hi-tech saw declines. Automotive segment faced reduced discretionary spending, and Hi-tech had client-specific issues. The telecom sector stabilised, with no significant changes in other verticals like BFSI or Retail.
- Manufacturing and hi-tech verticals remain weak, with potential for further slowdown if macro conditions deteriorate.

Revision in earnings estimates – We have revised our estimates to factor in Q1FY26 performance.

Our Call

Valuation – Maintain Buy with unchanged PT of Rs. 1,950: Tech Mahindra reported soft quarter largely in-line, on reported revenue and margin front. The steady progress since past seven consecutive quarters in EBIT margins keeps it's well aligned to achieve FY27 margin goals. We believe the stabilising of the telecom vertical, consistent trajectory of large deal wins and strong deal pipeline should aid in improving revenue momentum in the quarters ahead. We maintain BUY with an unchanged price target (PT) of Rs. 1,950 (25x FY27E EPS) At CMP, the stock trades at 26.7/20.7x F26/FY27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. Macro headwinds and recession in the US can moderate the pace of technology spending.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	Rs cr FY27E
Revenue	51,995.5	52,988.3	55,420.2	60,178.5
OPM (%)	9.5	13.2	15.5	17.6
Adjusted PAT	2,816.0	4,339.3	5,305.9	6,836.5
YoY growth (%)	-44.4	54.1	22.3	28.8
Adjusted EPS (Rs.)	32.0	49.3	60.3	77.7
P/E (x)	50.2	32.6	26.7	20.7
P/B (x)	5.2	5.1	4.7	4.2
EV/EBITDA (x)	30.0	21.2	16.9	13.3
RoNW (%)	8.6	16.1	18.5	21.6
RoCE (%)	12.1	18.4	21.8	25.2

Source: Company; Mirae Asset Sharekhan estimates

Key Earnings Highlights

- ♦ **Revenue growth:** Reported revenue stood at \$1,564 million, up 1% q-o-q/0.4% y-o-y in-line with our estimate. In CC terms, revenue declined 1.4% q-o-q, missing our estimate of a 0.7% degrowth. Rupee revenues stood at Rs. 13,351 crore, down 0.2% q-o-q/ up 2.7% y-o-y. IT services revenue was up 0.7% q-o-q, while BPS revenue was up 2.9% q-o-q.
- ♦ **Margins:** EBIT margin expanded by 60 basis points QoQ to 11.1% beating our estimates of 11%. Headwinds on margin came from seasonality in Comviva business, the higher visa cost, and lower utilization which was offset by saving from Project Fortius, reduced subcontracting costs, offshoring, and portfolio company integration.
- ♦ **Vertical-wise performance:** The Manufacturing, Technology, Media & Entertainment and Healthcare & Lifesciences, and Others declined 4%/3.3% and 5.2% y-o-y, respectively. Communications, Retail and others, grew 2.5%/4.7%/3.8 and 2.5% y-o-y respectively.
- ♦ **Geography-wise performance:** Europe and RoW grew 11.7%/2.9% y-o-y, respectively. Revenues from the Americas declined 5.9 % y-o-y.
- ♦ **Order booking:** New deal TCV stood at \$809 million, up 1% q-o-q/51% y-o-y.
- ♦ **Attrition and utilisation:** Net headcount declined 214 q-o-q, taking total headcount to 1,48,517. LTM attrition inched up by 80 bps q-o-q to 12.6%. Utilization (including trainees) declined 80 bps q-o-q to 85.1%
- ♦ **Client metrics:** Revenue from the Top 10 and Top 20 client categories grew 3.9% and 3.1% q-o-q, respectively while revenue from Top 5 declined 1.5% q-o-q. Sequentially, the company added one client each in \$50 million+ and \$20 million+ category and 2 clients in \$10 million+ category but lost two clients in \$5 million+ category.
- ♦ **Cash generation:** FCF stood at \$86 million, down 43% q-o-q with FCF to net income ratio at 65%. Cash & cash equivalent stood at Rs. 8072 crore vs Rs. 7,656 crore versus Q4FY25.

Results (Consolidated)

Particulars						Rs cr
	Q1FY26	Q1FY25	Q4FY25	YoY (%)	QoQ (%)	
Revenues In USD (mn)	1,564.4	1,559.0	0.3	1,549.0	1.0	
Revenues In INR	13,351.2	13,005.5	2.7	13,384.0	-0.2	
Cost of Services	9,523.6	9,553.2	-0.3	9,480.0	0.5	
Gross profit	3,827.6	3,452.3	10.9	3,904.0	-2.0	
SG&A	1,892.4	1,887.8	0.2	2,036.6	-7.1	
EBITDA	1,935.2	1,564.5	23.7	1,867.4	3.6	
Depreciation	458.1	462.2	-0.9	462.1	-0.9	
EBIT	1,477.1	1,102.3	34.0	1,405.3	5.1	
Other Income	218.3	144.7	50.9	172.7	26.4	
PBT	1,617.6	1,175.5	37.6	1,492.7	8.4	
Provision for taxes	489.3	313.3	56.2	322.3	51.8	
Adjusted net profit	1,140.6	851.5	34.0	1,194.0	-4.5	
Non Recurring / Exceptional Items	0.0	0.0	-	27.3	-	
Reported net profit	1,140.6	851.5	34.0	1,166.7	-2.2	
EPS (Rs) Excl Treasury Shares	12.9	9.6	34.0	14.3	-10.2	
Margin (%)			BPS		BPS	
EBITDA Margins	14.5	12.0	247	14.0	54	
EBIT Margin	11.1	8.5	259	10.5	56	
PAT Margin	8.5	6.5	200	8.9	-38	
Tax rate	30.2	26.7	360	21.6	866	

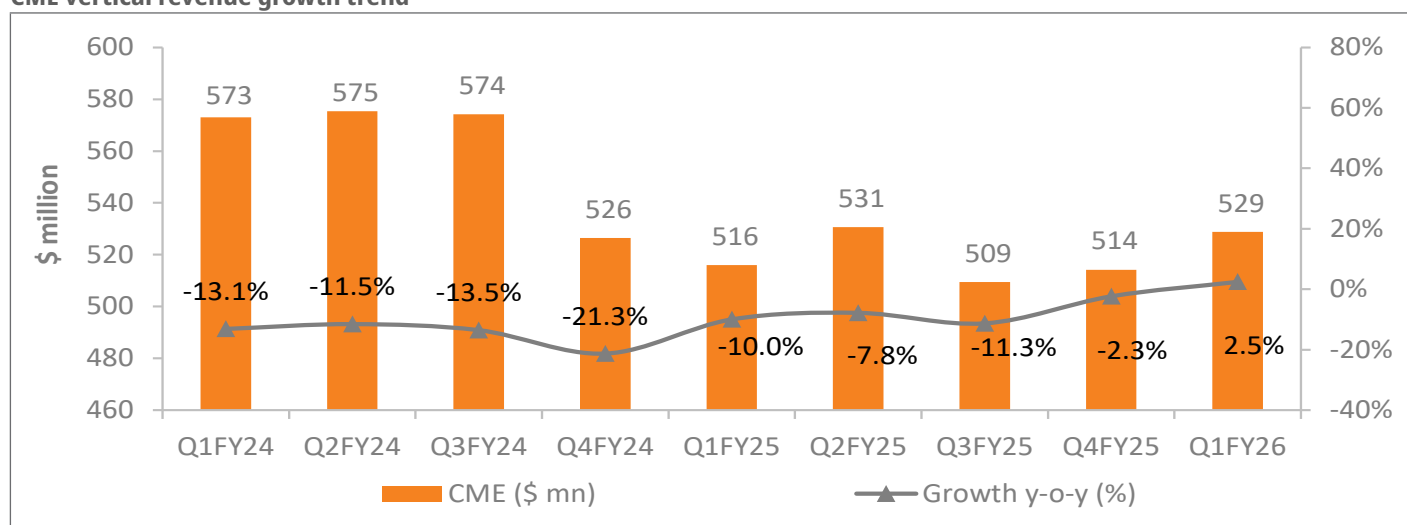
Source: Company; Mirae Asset Sharekhan Research

Revenue mix: Geographies, industry verticals, and other operating metrics

Particulars	Revenues	Contribution	CC growth (%)	
	(\$ mn)	(%)	Q-o-Q (%)	Y-o-Y (%)
Revenues (\$ mn)	1,564	100	1.0	0.4
Geographic mix				
America	770	49.2	2.7	-5.8
Europe	407	26.0	3.4	11.5
RoW	388	24.8	-4.4	2.8
Industry verticals				
CME	529	33.8	2.8	2.5
Manufacturing	274	17.5	4.0	-4.0
Technology	208	13.3	1.8	-3.3
BFSI	257	16.4	-0.8	4.8
Retail, transpost and logistics	124	7.9	-1.5	3.0
Healthcare & lifescience	114	7.3	1.0	-4.9
Others	61	3.9	-12.5	5.8
Clients contribution				
Top 5	244	15.6	-1.5	4.4
Top 10	394	25.2	3.9	1.2
Top 20	610	39.0	3.1	3.0
Revenue by services		(%)	q-o-q	y-o-y
IT	1,321	84.2	0.9	1.3
BPO	245	15.6	3.0	-4.0

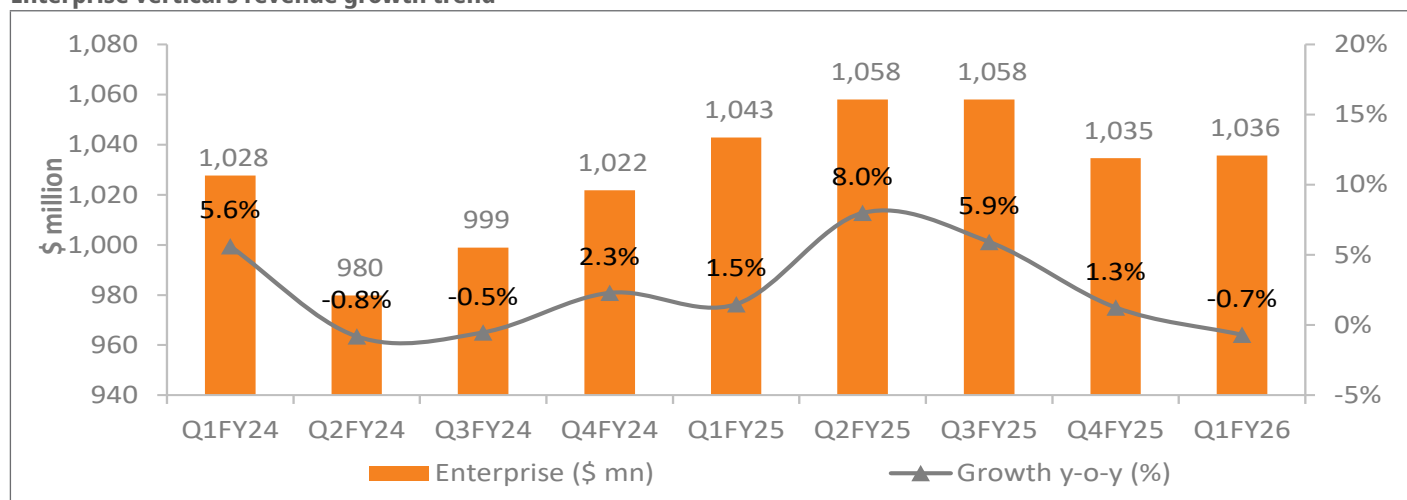
Source: Company; Mirae Asset Sharekhan Research

CME vertical revenue growth trend



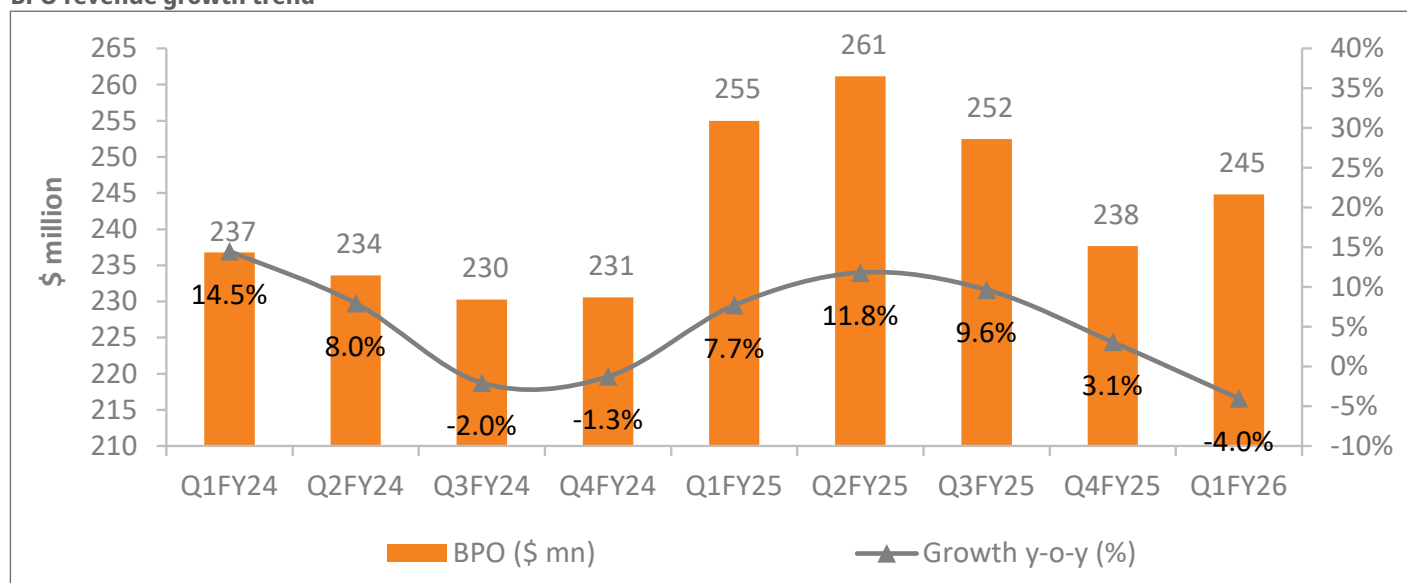
Source: Company; Mirae Asset Sharekhan Research

Enterprise vertical's revenue growth trend



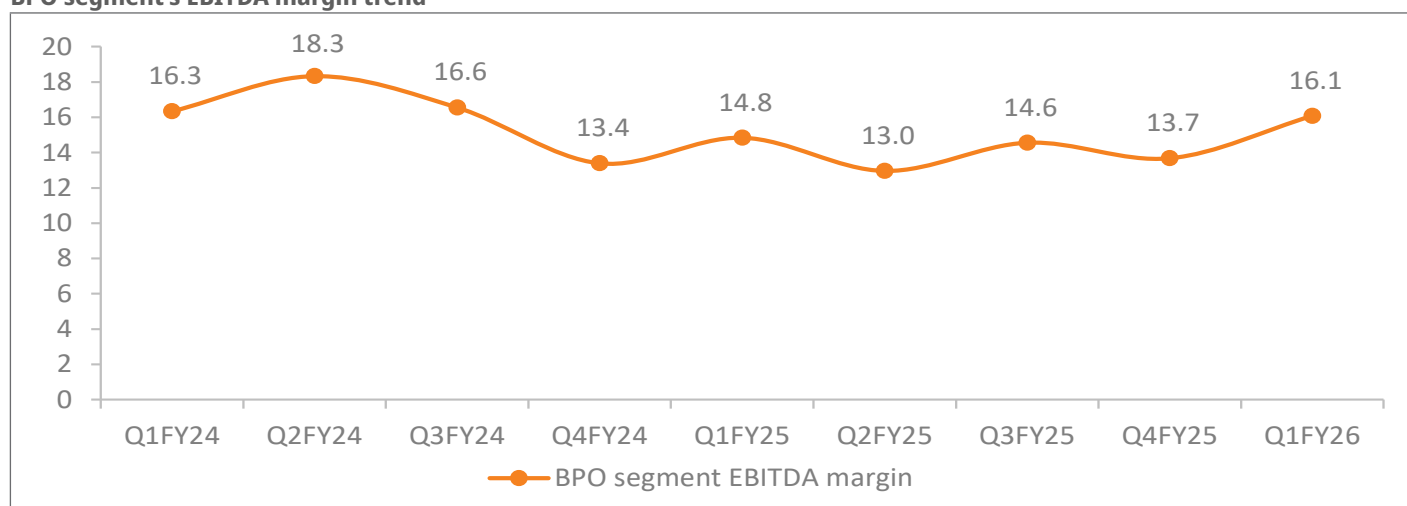
Source: Company; Mirae Asset Sharekhan Research

BPO revenue growth trend



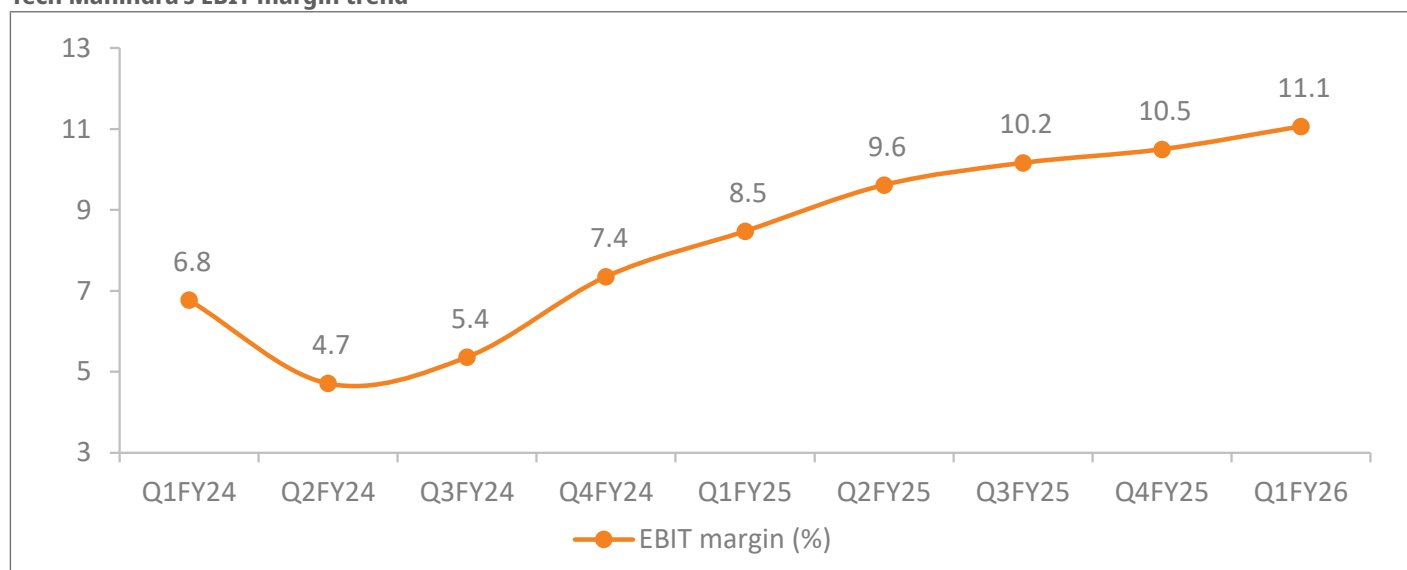
Source: Company; Mirae Asset Sharekhan Research

BPO segment's EBITDA margin trend



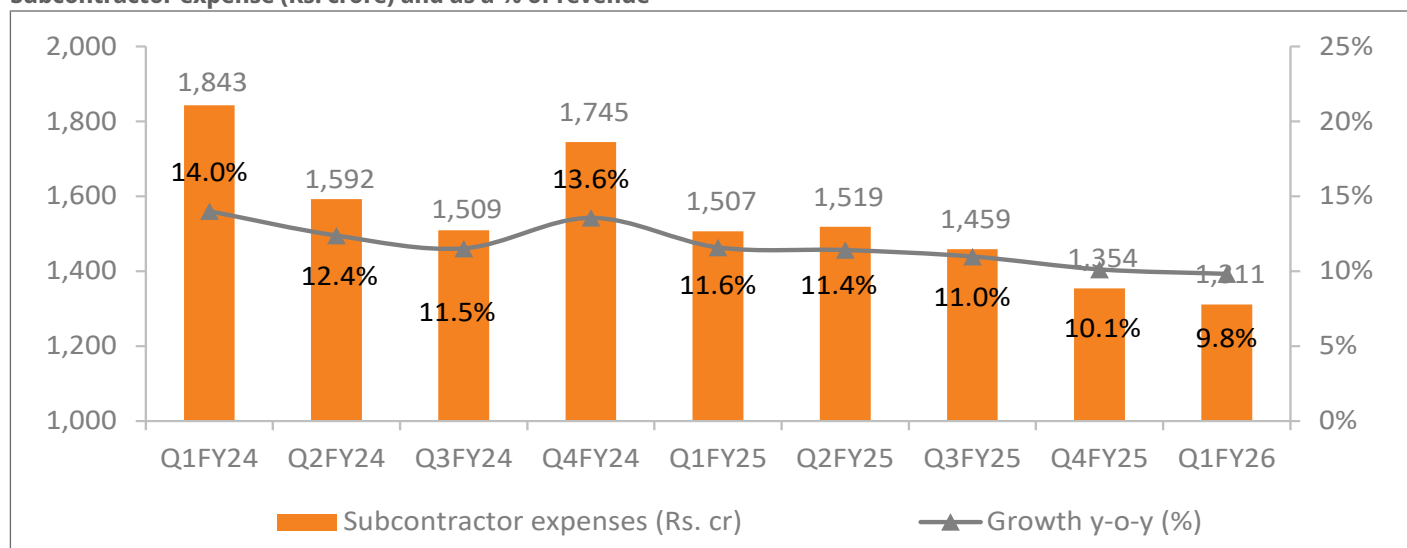
Source: Company; Mirae Asset Sharekhan Research

Tech Mahindra's EBIT margin trend



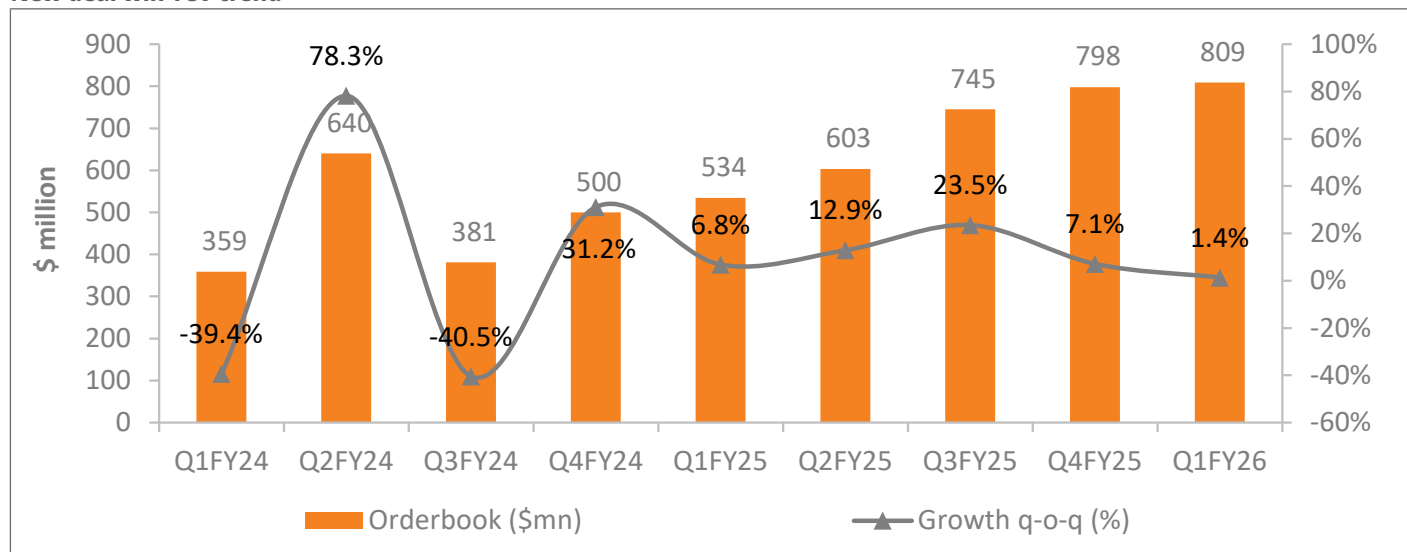
Source: Company; Mirae Asset Sharekhan Research

Subcontractor expense (Rs. crore) and as a % of revenue



Source: Company; Mirae Asset Sharekhan Research

New deal win TCV trend



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets such as the US and Europe, alongside increasing demand for AI, Cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays, and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation initiatives.

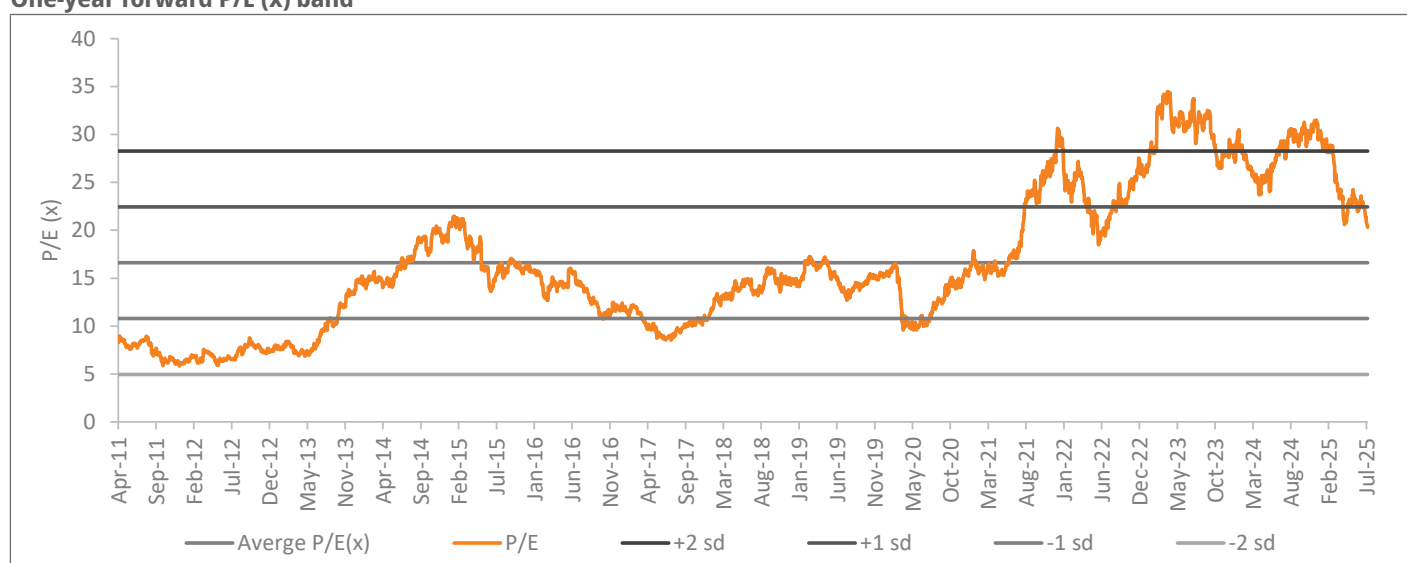
■ Company Outlook – Steadily progressing towards FY27 goals

Tech Mahindra is well placed to capture 5G-related spending from TSPs and OEMs, given its early investments in network capabilities through LCC, investments in IPs, platforms, and investments/partnerships to develop an ecosystem. We remain positive on the company, considering strong demand in the telecom vertical, a strategic focus on digital acquisitions, steady pace of deal intake, and a continuous focus on diversifying the business. Better execution, led by efficient capital allocation is expected to augur well for the company. For FY26, the company focuses on accelerating towards FY27 goals through disciplined execution and a resilient delivery model, navigating macro volatility with a high-quality deal pipeline. For FY27, the company aims for above-peer-average growth, a 15% EBIT margin, and targeted return on capital, driven by its TechM flywheel and AI strategy.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 1,950

Tech Mahindra reported soft quarter largely in-line, on reported revenue and margin front. The steady progress since past seven consecutive quarters in EBIT margins keeps it's well aligned to achieve FY27 margin goals. We believe the stabilising of the telecom vertical, consistent trajectory of large deal wins and strong deal pipeline should aid in improving revenue momentum in the quarters ahead. We maintain BUY with an unchanged price target (PT) of Rs. 1,950 (25x FY27E EPS) At CMP, the stock trades at 26.7/20.7x F26/FY27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Tech Mahindra, is a global IT services and consulting company within the Mahindra Group, delivering digital transformation, consulting, and business process outsourcing to over 1,250 clients across 90+ countries. With a workforce of approximately 150,000 professionals, it serves industries like telecommunications, BFSI, healthcare, and retail, leveraging next-gen technologies such as AI, 5G, blockchain, and cloud computing. The company reported FY25 revenue of US\$ 6.27 billion driven by strong deal wins.

Investment theme

Tech Mahindra is one of the leading players in providing end-to-end services and solutions to telecom OEMs and major global service providers in the communication space (contributes ~ 34% to its total revenue). Historically, this has helped the company whenever there is any uptick in technology spends, led by the adoption of new technology. As the pace of spending from the roll-out of 5G network is likely to accelerate across the globe, Tech Mahindra is well positioned to capitalise on the 5G opportunity across networks and IT services, given its investments in network capabilities, IPs, platforms, and partnerships. This has enabled the company to compete with large peers by striving for large deals in the enterprise segment.

Key Risks

1) Rupee appreciation and/or adverse cross-currency movements. 2) Macro headwinds and recession can moderate the pace of technology spending.

Additional Data

Key management personnel

Name	Designation
Anand Mahindra	Chairman
Mohit Joshi	Managing Director and Chief Executive Officer
Rohit Anand	Chief Financial Officer
Atul Soneja	Chief Operating Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp	10.14
2	TML BENEFIT TRUST	9.62
3	SBI Funds Management	3.9
4	Vanguard Group Inc	2.83
5	Blackrock Inc	2.39
6	Kotak Mahindra Asset	2.27
7	ICICI Prudential Ass	1.91
8	Mitsubishi UFJ Finan	1.69
9	First Sentier Invest	1.58
10	Aditya Birla Sun Life	1.54

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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