

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	✗	↔	✗

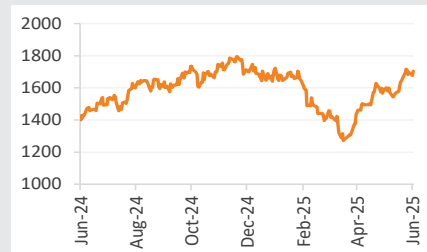
Company details

Market cap:	Rs. 1,66,823 cr
52-week high/low:	Rs. 1,807/1,210
NSE volume: (No of shares)	20.4 lakh
BSE code:	532755
NSE code:	TECHM
Free float: (No of shares)	63.57 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	7.9	17.0	-0.1	19.4
Relative to Sensex	6.6	10.9	-5.5	13.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Tech Mahindra Ltd

On the trajectory to achieve FY27 goals

IT & ITes	Sharekhan code: TECHM
Reco/View: Buy	CMP: Rs. 1,705 Price Target: Rs. 1,950
↑ Upgrade ↔ Maintain ↓ Downgrade	

Summary

- We maintain a Buy with a revised PT of Rs. 1,950, (26x FY27E EPS) to factor steady recovery across multiple fronts and on track to achieve FY27 goals. At CMP, the stock trades at 27.5/22.7x FY26/FY27E EPS.
- The verticals such as BFSI, retail, healthcare and geographies (Europe, APJ) are expected to provide resilience while signs of stabilizing of the telecom spend in Europe and in APAC augurs well for its key telecom vertical.
- Management expects to maintain TCV at \$600-800 million per quarter, sufficient to support mid-to-high single-digit revenue growth, aligning with FY27 goals of above-peer-average growth.
- Continued focus on Project Fortius such as fixed-price productivity, utilisation, onsite-offshore optimization, portfolio integration, and pricing strategies are expected to drive margins.

Tech Mahindra (Tech M) through disciplined execution has steered a turnaround in FY25 with EBIT growing 60% y-o-y in US Dollar terms and margins rising 360 bps y-o-y to 9.7%. For FY26 diversified verticals (BFSI, retail, healthcare) and geographies (Europe, APJ) are expected to provide resilience while signs of stabilizing of the telecom spend in Europe and in APAC augurs well for its key telecom vertical. The company reported strong order wins in FY25 with total Contract Value (TCV) of \$2.7 billion, up 42.5% y-o-y, which was broad-based across key industries and markets. Deal wins of \$600-800 million TCV range per quarter is seen as sufficient to support healthy growth, with a focus on disciplined, profitable deals. Project Fortius has delivered significant savings through operational efficiencies, fixed-price productivity gains, and portfolio rationalisation (20-30 bps from exiting non-core business). FY26 is a stabilization year with focus on sustaining margin gains through continued rigour in Project Fortius and deeper portfolio integration. The company remains committed to the 15% EBIT margin target by FY27, driven by levers such as productivity, pricing, portfolio mix, and operational discipline. We maintain a Buy with a revised price target of Rs. 1,950 (26x FY27E EPS) to factor steady recovery across multiple fronts and is on track to achieve FY27 goals. At CMP, the stock trades at 27.5/22.7x FY26/27E EPS.

Steady progress towards FY27 goals: After a dismal FY24, the company successfully steered a turnaround in FY25 with EBIT growing 60% y-o-y in dollar terms and margins expanding 360 bps y-o-y to 9.7%. Despite macro uncertainties, the company delivered modest 0.3% y-o-y growth in FY25. The modest growth was despite a 1% top-line reduction due to the strategic exit from non-core and loss-making businesses. Although macro uncertainties persist, with softness in automotive and hi-Tech, but diversified verticals (BFSI, retail, healthcare) and geographies (Europe, APJ) are expected to provide resilience. Signs of stabilising of the telecom spend in Europe and in APAC augurs well for its key telecom vertical (revenue mix ~33% in FY25). Further, consolidation opportunities in telecom and GCC-focused strategies are expected to drive growth.

Strong surge in order wins: The company reported strong order wins in FY25 with total Contract Value (TCV) of \$2.7 billion, up 42.5% y-o-y, which was broad-based across key industries and markets. A significant portion of these wins are multi-year strategic as well as across the geography aiding the company from diversification standpoint. Management believes that a \$600-800 million TCV range per quarter is seen as sufficient to support healthy growth, with a focus on disciplined, profitable deals.

Margin Levers: Project Fortius has delivered significant savings through operational efficiencies, fixed-price productivity gains, and portfolio rationalisation (20-30 bps from exiting non-core business). Continued focus on the Project Fortius (fixed-price productivity, utilization, onsite-offshore optimization), portfolio integration, and pricing strategies are expected to drive margins upwards while aiming to achieve a 15% EBIT margin by FY27. Scaling down non-core businesses is expected to provide full year margin benefit. The company is also likely benefit to margin from support functions consolidation of the portfolio companies in FY26.

Our Call

Valuation – Maintain Buy with PT of Rs. 1,950: Tech Mahindra through disciplined execution is driving strategic transformation and is on track to achieve envisaged FY27 goals. The company's 42.5% y-o-y deal win growth, strong margin expansion and focus on high-growth verticals such as BFSI, along with key Telecom vertical and markets (APJ, Europe) position it to outperform peers despite macro challenges. The company is on track for FY26 stabilization, leveraging fixed-price productivity, portfolio integration, and high-margin service lines to achieve the 15% EBIT margin goal by FY27, despite macro uncertainties. We maintain a Buy with a revised price target of Rs. 1,950 (26x FY27E EPS) to factor steady recovery across multiple fronts and is on track to achieve FY27 goals. At CMP, the stock trades at 27.5/22.7x FY26/27E EPS.

Key Risks

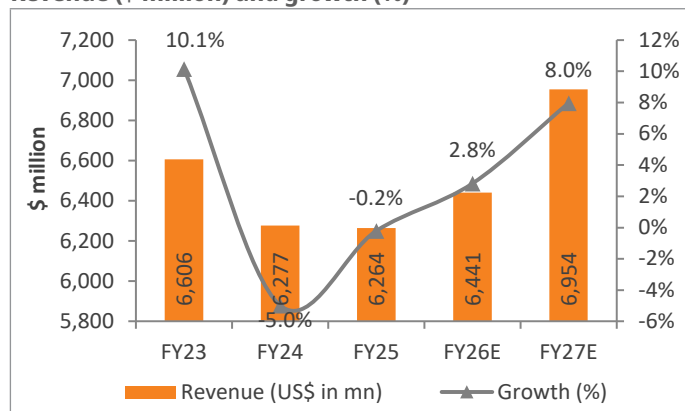
Rupee appreciation and/or adverse cross-currency movements. Macro headwinds and recession in the US can moderate the pace of technology spending.

Valuation (Consolidated)

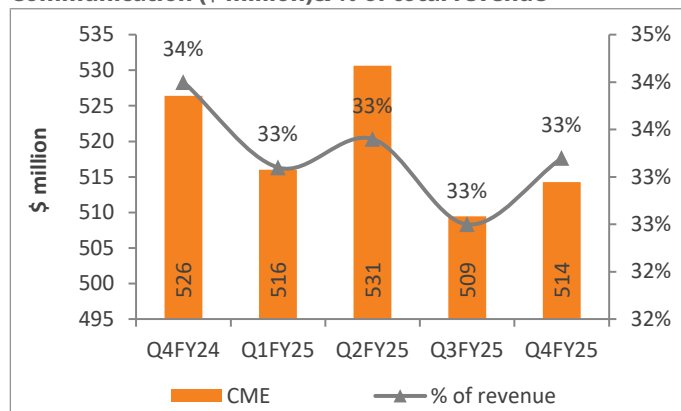
Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	53,290.2	51,995.5	52,988.3	55,392.6	60,153.2
OPM (%)	15.1	9.5	13.2	15.5	16.9
Adjusted PAT	5,068.4	2,816.0	4,339.3	5,449.6	6,600.1
% YoY growth	-8.9	-44.4	54.1	25.6	21.1
Adjusted EPS (Rs.)	57.6	32.0	49.3	61.9	75.0
P/E (x)	29.6	53.3	34.6	27.5	22.7
P/B (x)	5.3	5.6	5.4	4.9	4.4
EV/EBITDA (x)	19.8	31.9	22.5	18.0	14.8
RoNW (%)	17.6	8.6	16.1	19.0	20.8
RoCE (%)	20.5	12.1	18.4	21.6	24.1

Source: Company; Mirae Asset Sharekhan estimates

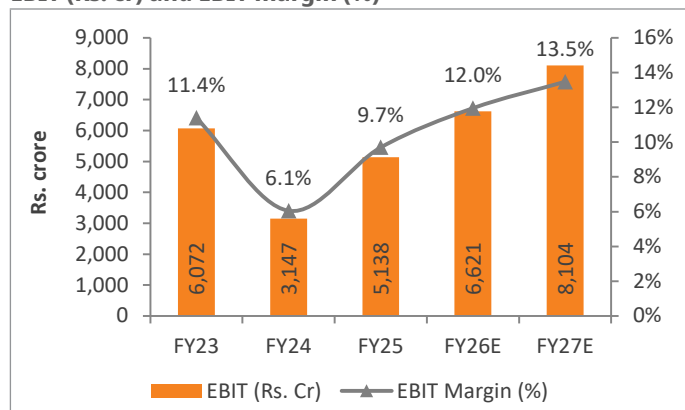
Financials in charts

Revenue (\$ million) and growth (%)


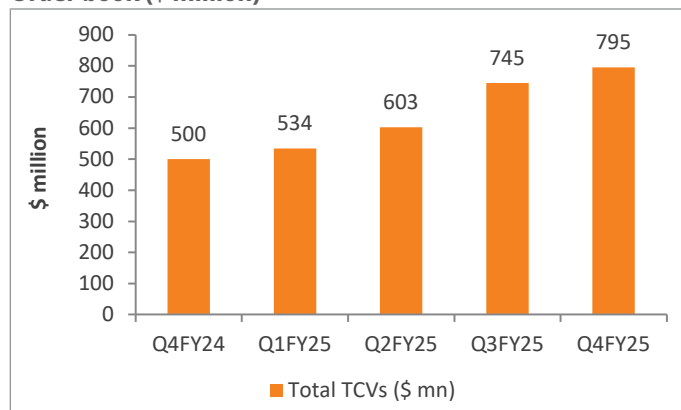
Source: Company; Mirae Asset Sharekhan Research

Communication (\$ million) & % of total revenue


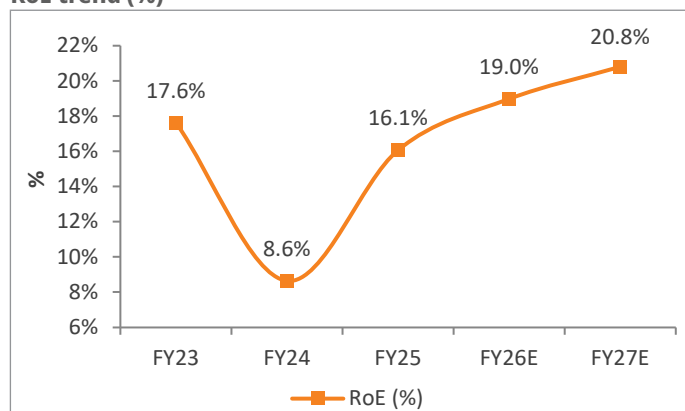
Source: Company; Mirae Asset Sharekhan Research

EBIT (Rs. cr) and EBIT margin (%)


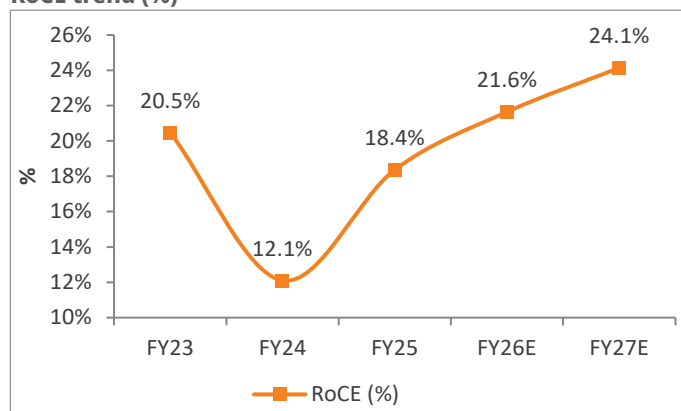
Source: Company; Mirae Asset Sharekhan Research

Order book (\$ million)


Source: Company; Mirae Asset Sharekhan Research

RoE trend (%)


Source: Company; Mirae Asset Sharekhan Research

RoCE 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 like 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.

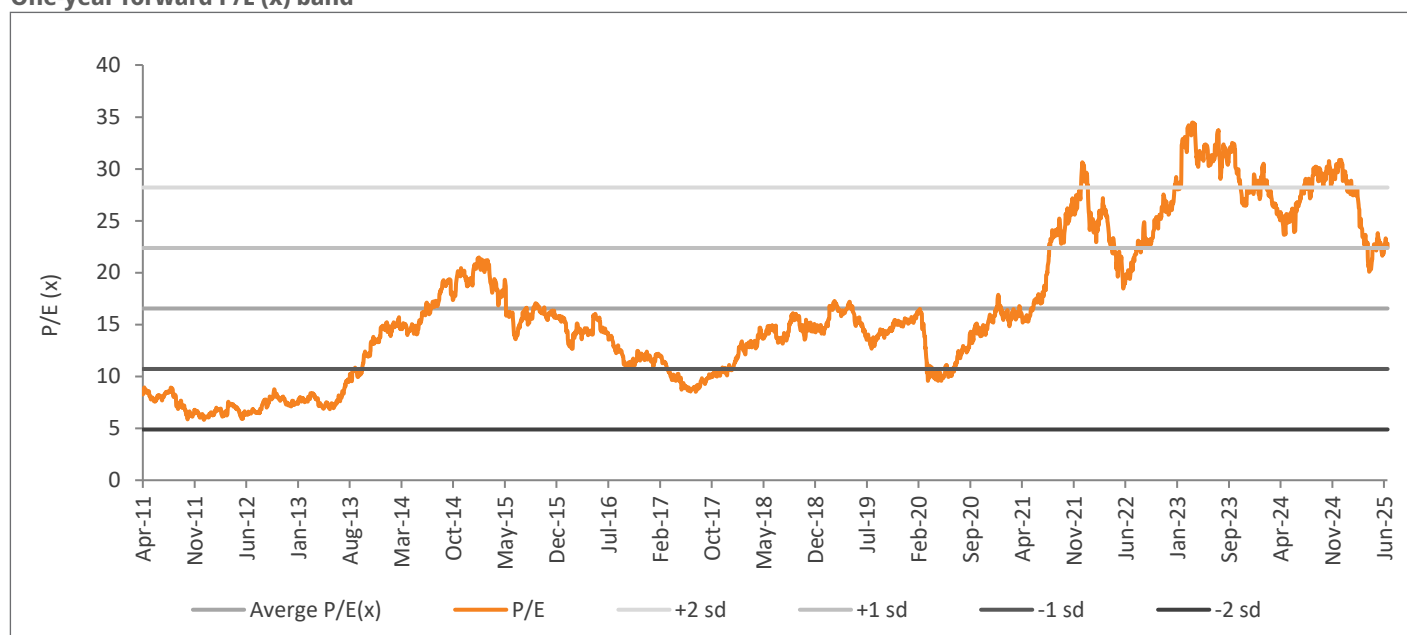
■ Company Outlook – Steadily progressing towards FY27 goals

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. Improvement in 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 revised PT of Rs. 1,950

Tech Mahindra through disciplined execution is driving strategic transformation and is on track to achieve envisaged FY27 goals. The company's 42.5% y-o-y deal win growth, strong margin expansion and focus on high-growth verticals such as BFSI, along with key Telecom vertical and markets (APJ, Europe) position it to outperform peers despite macro challenges. The company is on track for FY26 stabilization, leveraging fixed-price productivity, portfolio integration, and high-margin service lines to achieve the 15% EBIT margin goal by FY27, despite macro uncertainties. We maintain a Buy with a revised price target of Rs. 1,950 (26x FY27E EPS) to factor steady recovery across multiple fronts and is on track to achieve FY27 goals. At CMP, the stock trades at 27.5/22.7x FY26/27E 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 ~ 33% 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

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	10.14
2	TML BENEFIT TRUST	9.62
3	SBI Funds Management Ltd	3.79
4	Vanguard Group Inc	2.73
5	Blackrock Inc	2.36
6	Kotak Mahindra Asset Management Co	2.22
7	ICICI Prudential Asset Management	1.85
8	Mitsubishi UFJ Financial Group Inc	1.70
9	First Sentier Investors ICVC	1.65
10	Aditya Birla Sun Life Asset Manage	1.53

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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