

| | |
|---------------------|---------------|
| CMP | : INR 1,608 |
| Reco | : HOLD ↔ |
| Target Price | : INR 1,725 ↔ |
| Target Price Change | : No Change |
| Target FY27 P/E (x) | : 24 |
| EPS Change FY26/ 27 | : No Change |

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| Market data | |
|-----------------------|-------------|
| Sensex | : 82,634 |
| Sector | : IT |
| Market Cap (INR bn) | : 1,574.5 |
| Market Cap (USD bn) | : 18.320 |
| O/S Shares (mn) | : 979.2 |
| 52-wk HI/LO (INR) | : 1808/1209 |
| Avg. Daily Vol ('000) | : 2,284 |
| Bloomberg | : TECHM IN |

Source: Bloomberg

| Valuation | | | |
|--------------------|------|-------|-------|
| | FY25 | FY26e | FY27e |
| EPS (INR) | 47.9 | 57.9 | 71.6 |
| P/E (x) | 33.5 | 27.8 | 22.5 |
| P/BV (x) | 5.2 | 5.6 | 5.8 |
| EV/EBITDA (x) | 19.5 | 16.0 | 13.4 |
| Dividend Yield (%) | 2.8 | 4.0 | 4.4 |

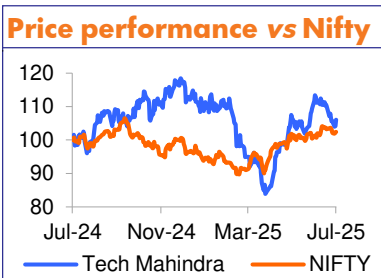
Source: Company, Antique

| Returns (%) | | | | |
|-------------|-----|----|------|-----|
| | 1m | 3m | 6m | 12m |
| Absolute | (6) | 23 | (3) | 6 |
| Relative | (8) | 17 | (10) | 4 |

Source: Bloomberg

| Shareholding pattern | |
|----------------------|-------|
| Promoters | : 35% |
| Public | : 65% |
| Others | : 0% |

Source: Bloomberg



Source: Bloomberg Indexed to 100

1QFY26 RESULT REVIEW

Tech Mahindra

Weathering weak demand with execution discipline

Tech Mahindra (TechM) reported a 1QFY26 revenue decline of 1.4% QoQ in CC terms, below our estimate of 0.8%, owing to continued weak discretionary tech spending and delay in deal ramp ups. The company remain cautiously optimistic expecting revenue accretion from previously won deals starting 2Q and further in 2H. Management witnessing continued weakness in automotive, hi-tech, and manufacturing verticals as clients scaled back discretionary spending, impacted by macro uncertainties and tariff-related pressures. Conversely, telecom has stabilized and demand in the US BFSI market remained resilient. During the quarter, the company reported strong and broad-based deal wins of USD 809 mn vs. an average of USD 570 mn for the last eight quarters. EBIT margin expanded sequentially by 60 bps QoQ to 11.1%, in line with our expectation. Management reiterated their commitment to reaching 15% EBIT margin by FY27 with continued focus on profitable growth and operational rigor. Further, they continue to expect FY26 to be better than FY25 with close to industry average growth. Overall, we believe TechM’s strong bookings, enterprise resilience, and strategic restructuring efforts suggest potential recovery in 2HFY26. We maintain HOLD rating on the stock with a TP of INR 1,725 as we keep our FY26/ 27 EPS estimates unchanged at a target P/E multiple of 24x.

1QFY26 result highlights

TechM reported a revenue of USD 1,564 mn, down 1.4% QoQ in CC terms versus our estimate of 0.8%. EBIT margin improved 60 bps to 11.1%, in line with our expectation, supported by cost levers under Project Fortius, offshore mix, and G&A optimization, partially impacted by higher visa costs and lower utilization. Deal win momentum continued with USD 809 mn vs. an average of USD 570 mn for the last eight quarters, which was broad-based across verticals, including telecom, BFSI, and hi-tech. Among verticals, Other vertical was down 12.5% QoQ, Retail, Transport & Logistics (down 1.5%), BFSI (down 0.8%), while Manufacturing (up 4.0%), Technology (up 1.7%), Communications (up 2.8%), and Healthcare (up 1%). Among geographies, Americas was down 5.9% QoQ, while Europe was up 11.7% and RoW was up 2.9%. Headcount declined by 0.1% QoQ to 148,517. LTM attrition increased by 80 bps QoQ to 12.6%, while utilization declined 130 bps QoQ to 85%. The offshore revenue mix increased by 70 bps to 78.6%.

Investment Summary

TechM’s maintained its FY27 guidance of achieving 15% EBIT margin and delivered above average revenue growth. However, with the demand environment continuing to remain muted, we believe achieving the margin target would be difficult. We currently have a 7% CC revenue growth estimate for FY27 and the margin improving to 14% versus the company’s guidance of 15%. We maintain HOLD rating on the stock with a TP of INR 1,725 as we keep our FY26/ 27 EPS estimates unchanged at a target P/E multiple of 24x. Our valuation multiple is in line with its large peers Infosys and HCLT.

Table 1: Financial summary

| INR mn | 1Q26 | 4Q25 | QoQ (%) | 1Q25 | YoY (%) | FY23 | FY24 | FY25 | FY26e | FY27e |
|-----------------------------|----------|----------|---------|----------|---------|----------|----------|----------|----------|----------|
| Revenues (US\$ mn) | 1,564 | 1,549 | 1.0 | 1,559 | 0.3 | 6,607 | 6,277 | 6,264 | 6,403 | 6,885 |
| Revenues | 1,33,512 | 1,33,840 | (0.2) | 1,30,055 | 2.7 | 5,32,902 | 5,19,955 | 5,29,883 | 5,47,103 | 5,88,483 |
| Gross Profit | 38,276 | 39,040 | (2.0) | 34,523 | 10.9 | 1,51,705 | 1,28,808 | 1,49,035 | 1,59,384 | 1,75,425 |
| EBIT | 14,771 | 14,053 | 5.1 | 11,023 | 34.0 | 60,720 | 31,474 | 51,382 | 67,245 | 82,587 |
| EBIT Margin | 11.1% | 10.5% | | 8.5% | | 11.4% | 6.1% | 9.7% | 12.3% | 14.0% |
| PAT after minority Interest | 11,406 | 11,667 | (2.2) | 8,515 | 34.0 | 48,602 | 23,579 | 42,534 | 51,354 | 63,502 |
| EPS | 12.9 | 13.1 | (2.2) | 9.6 | 33.9 | 54.9 | 26.7 | 47.9 | 57.9 | 71.6 |

Source: Company, Antique

Table 2: Operating metrics

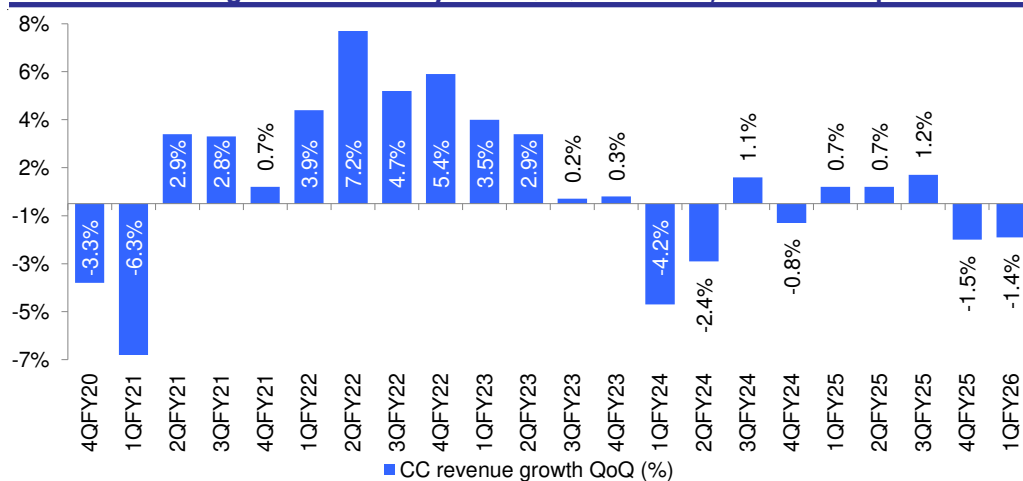
| | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue (USD mn) | 1,601 | 1,555 | 1,573 | 1,548 | 1,559 | 1,589 | 1,567 | 1,549 | 1,564 |
| QoQ growth (%) | (4.0) | (2.9) | 1.1 | (1.6) | 0.7 | 1.9 | (1.4) | (1.2) | 1.0 |
| CC QoQ growth (%) | (4.2) | (2.4) | 1.1 | (0.8) | 0.7 | 0.7 | 1.2 | (1.5) | (1.4) |
| YoY growth (%) | (1.9) | (5.1) | (5.7) | (7.2) | (2.6) | 2.2 | (0.4) | 0.0 | 0.3 |
| EBIT Margin (%) | 6.8 | 4.7 | 5.4 | 7.4 | 8.5 | 9.6 | 10.2 | 10.5 | 11.1 |
| Net Profit Margin (%) | 5.3 | 3.8 | 3.9 | 5.1 | 6.5 | 9.4 | 7.4 | 8.7 | 8.5 |
| Geography-wise (%) | | | | | | | | | |
| America | 51.4 | 53.3 | 51.9 | 50.8 | 52.4 | 51.1 | 50.8 | 48.4 | 49.2 |
| Europe | 24.6 | 23.6 | 23.8 | 24.2 | 23.4 | 24.0 | 23.6 | 25.4 | 26.0 |
| ROW | 24.0 | 23.2 | 24.3 | 25.0 | 24.2 | 24.9 | 25.6 | 26.2 | 24.8 |
| Geography-wise QoQ growth (%) | | | | | | | | | |
| America | (0.5) | 0.7 | (1.5) | (3.7) | 3.9 | (0.6) | (2.0) | (5.8) | 2.7 |
| Europe | (6.7) | (6.8) | 2.0 | 0.1 | (2.6) | 4.5 | (3.0) | 6.4 | 3.4 |
| ROW | (8.2) | (6.1) | 5.9 | 1.3 | (2.5) | 4.9 | 1.4 | 1.2 | (4.4) |
| Vertical break up (%) | | | | | | | | | |
| Communications | 34.7 | 34.3 | 34.0 | 34.0 | 33.1 | 33.4 | 32.5 | 33.2 | 33.8 |
| Manufacturing | 17.5 | 18.0 | 18.0 | 18.0 | 18.3 | 17.2 | 16.8 | 17.0 | 17.5 |
| Hi-Tech and Media | 14.3 | 13.7 | 13.8 | 13.8 | 13.8 | 14.3 | 14.3 | 13.2 | 13.3 |
| Banking, Financial services & Insurance | 15.4 | 14.8 | 15.7 | 15.7 | 15.7 | 15.8 | 16.1 | 16.7 | 16.4 |
| Retail, Transport & Logistics | 7.7 | 8.1 | 7.3 | 7.3 | 7.7 | 7.9 | 8.1 | 8.1 | 7.9 |
| Healthcare & Life Sciences | 7.2 | 7.5 | 7.2 | 7.2 | 7.7 | 7.4 | 7.7 | 7.3 | 7.3 |
| Others | 3.2 | 3.5 | 4.0 | 4.0 | 3.8 | 4.0 | 4.5 | 4.5 | 3.9 |
| Revenue by Vertical | | | | | | | | | |
| Communications | 555.6 | 533.5 | 534.7 | 526.4 | 516.2 | 530.4 | 509.3 | 514.2 | 528.6 |
| Manufacturing | 280.0 | 280.6 | 282.8 | 278.7 | 285.0 | 273.6 | 263.3 | 263.3 | 273.7 |
| Hi-Tech and Media | 228.2 | 213.4 | 217.2 | 213.7 | 214.8 | 227.1 | 224.1 | 204.4 | 208.0 |
| Banking, Financial services & Insurance | 247.0 | 230.0 | 247.2 | 243.1 | 244.9 | 250.9 | 252.3 | 258.6 | 256.5 |
| Retail, Transport & Logistics | 123.9 | 126.3 | 115.2 | 113.0 | 119.3 | 126.0 | 126.9 | 125.5 | 123.6 |
| Healthcare & Life Sciences | 115.7 | 116.4 | 112.6 | 111.9 | 119.6 | 117.4 | 120.7 | 113.1 | 114.2 |
| Others | 50.6 | 55.0 | 63.3 | 61.9 | 59.1 | 63.7 | 70.5 | 69.7 | 61.0 |
| Vertical break up QoQ growth (%) | | | | | | | | | |
| Communications | (9.5) | (4.0) | 0.2 | (1.5) | (1.9) | 2.8 | (4.0) | 1.0 | 2.8 |
| Manufacturing | 2.0 | 0.2 | 0.8 | (1.5) | 2.3 | (4.0) | (3.8) | 0.0 | 4.0 |
| Hi-Tech and Media | (0.3) | (6.5) | 1.8 | (1.6) | 0.6 | 5.7 | (1.3) | (8.8) | 1.7 |
| Banking, Financial services & Insurance | (2.8) | (6.9) | 7.5 | (1.7) | 0.8 | 2.4 | 0.6 | 2.5 | (0.8) |
| Retail, Transport & Logistics | (0.2) | 1.9 | (8.7) | (1.9) | 5.5 | 5.7 | 0.7 | (1.2) | (1.5) |
| Healthcare & Life Sciences | - | 0.5 | (3.3) | (0.6) | 6.9 | (1.8) | 2.8 | (6.3) | 1.0 |
| Others | (0.2) | 8.7 | 15.0 | (2.1) | (4.6) | 7.8 | 10.7 | (1.2) | (12.5) |

Table 2: Operating metrics (continue...)

| | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Client composition (%) | | | | | | | | | |
| Top 5 | 17.0 | 17.0 | 16.0 | 16.0 | 15.5 | 15.0 | 15.0 | 15.5 | 15.6 |
| Top 10 | 27.0 | 27.0 | 26.0 | 26.0 | 25.1 | 25.0 | 24.0 | 24.5 | 25.2 |
| Beyond Top 10 | 73.0 | 73.0 | 74.0 | 74.0 | 74.9 | 75.0 | 76.0 | 75.5 | 74.8 |
| Top 20 | 39.0 | 39.0 | 39.0 | 39.0 | 38.4 | 39.0 | 38.0 | 38.2 | 39.0 |
| Client data | | | | | | | | | |
| Active client (nos.) | 1,255 | 1,252 | 1,228 | 1,172 | 1,165 | 1,178 | 1,175 | 1,162 | NA |
| US\$ 1 Mn Clients | 580 | 568 | 558 | 553 | 545 | 545 | 540 | 540 | 529 |
| US\$ 5 Mn Clients | 190 | 186 | 185 | 190 | 191 | 195 | 191 | 195 | 193 |
| US\$ 10 Mn Clients | 115 | 114 | 118 | 114 | 113 | 109 | 104 | 106 | 108 |
| US\$ 20 Mn Clients | 62 | 61 | 63 | 63 | 61 | 61 | 61 | 59 | 60 |
| US\$ 50 Mn Clients | 26 | 26 | 26 | 23 | 24 | 25 | 25 | 25 | 26 |
| Deal wins | | | | | | | | | |
| Net new (USD mn) | 359 | 640 | 381 | 500 | 534 | 603 | 745 | 798 | 809 |
| Utilization (IT) | | | | | | | | | |
| Including trainees | 87.0 | 86.0 | 88.0 | 86.0 | 86.0 | 86.0 | 86.0 | 86.0 | - |
| Excluding trainees | 87.0 | 86.0 | 88.0 | 86.0 | 86.1 | 86.0 | 86.0 | 86.3 | 85.0 |
| Employee Metrics | | | | | | | | | |
| Total employees (nos) | 1,48,297 | 1,50,604 | 1,46,250 | 1,45,455 | 1,47,620 | 1,54,273 | 1,50,488 | 1,48,731 | 1,48,517 |
| Net additions | (4,103) | 2,307 | (4,354) | (795) | 2,165 | 6,653 | (3,785) | (1,757) | (214) |
| IT Attrition % (LTM) | 13.0 | 11.0 | 10.0 | 10.0 | 10.0 | 10.6 | 11.0 | 12.0 | 12.6 |

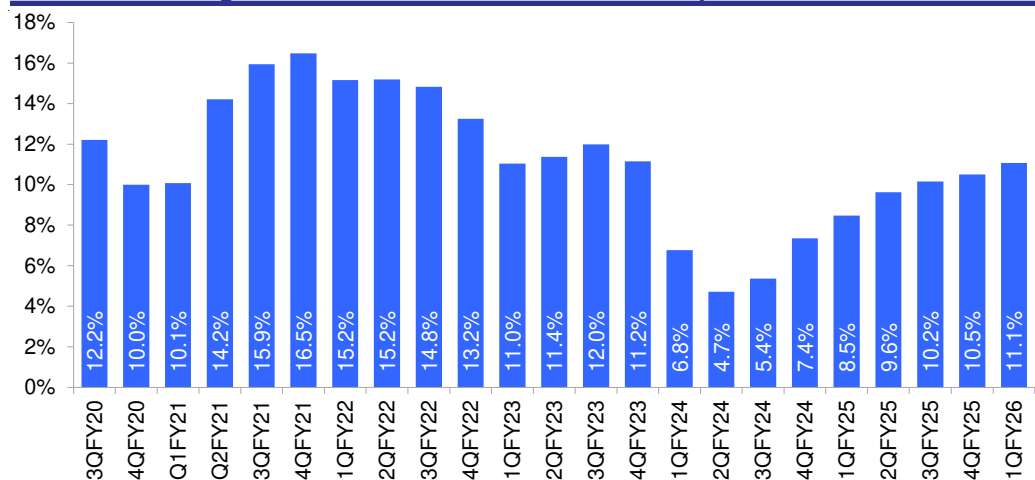
Source: Company, Antique; Vertical breakup changed in 1Q25, Others & Healthcare were reported separately. And client distribution across verticals were arranged

Exhibit 1: Revenue growth declined by 1.4% QoQ in CC terms, below our expectation



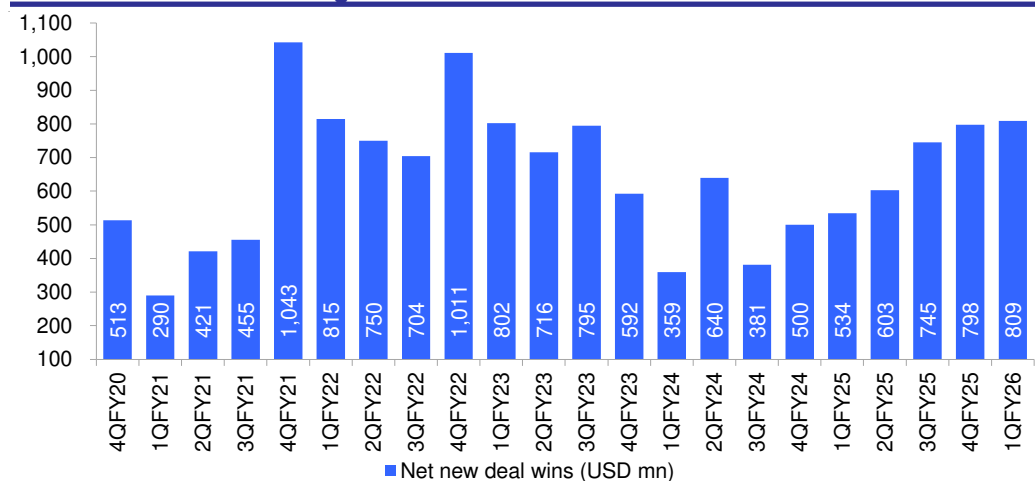
Source: Company, Antique

Exhibit 2: EBIT margin came in at 11.1%, in line with of our expectation



Source: Company, Antique

Exhibit 3: Deal win TCV strong at USD 809 mn



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INR mn)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Revenue | 5,32,902 | 5,19,955 | 5,29,883 | 5,47,103 | 5,88,483 |
| Op. Expenses | 4,52,615 | 4,70,310 | 4,59,972 | 4,61,086 | 4,85,703 |
| EBITDA | 80,287 | 49,645 | 69,911 | 86,017 | 1,02,779 |
| Depreciation | 19,567 | 18,171 | 18,529 | 18,772 | 20,192 |
| EBIT | 60,720 | 31,474 | 51,382 | 67,245 | 82,587 |
| Other income | 9,650 | 9,170 | 8,554 | 6,383 | 6,800 |
| Interest Exp. | 3,256 | 3,922 | 3,217 | 3,448 | 3,560 |
| Reported PBT | 67,114 | 36,722 | 56,719 | 70,180 | 85,827 |
| Tax | 15,885 | 8,276 | 14,002 | 18,664 | 21,886 |
| Reported PAT | 51,229 | 28,446 | 42,717 | 51,516 | 63,941 |
| Minority Int./Profit (loss) From Asso. | (257) | (390) | (15) | (162) | (439) |
| Net Profit | 50,972 | 28,056 | 42,702 | 51,354 | 63,502 |
| Adjusted PAT | 48,602 | 23,579 | 42,534 | 51,354 | 63,502 |
| Adjusted EPS (INR) | 54.9 | 26.7 | 47.9 | 57.9 | 71.6 |

Balance sheet (INR mn)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Share Capital | 4,400 | 4,413 | 4,424 | 4,424 | 4,424 |
| Reserves & Surplus | 2,74,845 | 2,62,281 | 2,69,191 | 2,51,379 | 2,40,396 |
| Networth | 2,79,245 | 2,66,694 | 2,73,615 | 2,55,803 | 2,44,820 |
| Debt | 15,782 | 15,310 | 4,714 | 4,714 | 4,714 |
| Minority Interest | 4,702 | 4,774 | 4,302 | 4,302 | 4,302 |
| Net deferred Tax liabilities | (12,965) | (14,396) | (18,573) | (18,573) | (18,573) |
| Capital Employed | 2,86,764 | 2,72,382 | 2,64,058 | 2,46,246 | 2,35,263 |
| Net Fixed Assets | 30,206 | 27,301 | 24,351 | 19,257 | (935) |
| Goodwill | 1,09,334 | 1,03,456 | 1,00,484 | 1,00,484 | 1,00,484 |
| Investments | 33,881 | 32,377 | 31,821 | 24,321 | 16,821 |
| Non Current Investments | 6,049 | 4,583 | 2,893 | 2,893 | 2,893 |
| Current Investments | 27,832 | 27,794 | 28,928 | 21,428 | 13,928 |
| Current Assets, Loans & Adv. | 2,75,147 | 2,56,753 | 2,69,682 | 2,62,776 | 2,82,418 |
| Inventory | 236 | 375 | 394 | 394 | 394 |
| Debtors | 81,424 | 71,256 | 65,486 | 67,614 | 72,728 |
| Cash & Bank balance | 40,563 | 43,518 | 43,151 | 34,116 | 48,645 |
| Loans & advances and others | 1,52,924 | 1,41,604 | 1,60,651 | 1,60,651 | 1,60,651 |
| Current Liabilities & Provisions | 1,61,804 | 1,47,458 | 1,62,384 | 1,60,695 | 1,63,990 |
| Liabilities | 1,12,792 | 97,051 | 1,12,505 | 1,13,301 | 1,13,301 |
| Provisions | 49,012 | 50,407 | 49,879 | 47,394 | 50,689 |
| Net Current Assets | 1,13,343 | 1,09,295 | 1,07,298 | 1,02,081 | 1,18,429 |
| Application of Funds | 2,86,764 | 2,72,382 | 2,64,058 | 2,46,246 | 2,34,648 |

Per share data

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|----------------------------|-------|-------|-------|-------|-------|
| No. of shares (mn) | 880 | 883 | 887 | 887 | 887 |
| Diluted no. of shares (mn) | 880 | 883 | 887 | 887 | 887 |
| BVPS (INR) | 317.3 | 302.0 | 308.6 | 288.5 | 276.1 |
| CEPS (INR) | 80.4 | 52.8 | 69.1 | 79.3 | 94.9 |
| DPS (INR) | 50.0 | 40.0 | 45.0 | 65.0 | 70.0 |

Source: Company, Antique

Cash flow statement (INR mn)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PBT | 67,114 | 36,722 | 56,719 | 70,180 | 85,827 |
| Depreciation & amortization | 19,567 | 18,171 | 18,529 | 18,772 | 20,192 |
| (Inc)/Dec in working capital | (34,274) | (26,812) | (17,406) | (1,332) | (1,332) |
| Tax paid | 15,885 | 8,276 | 14,002 | 18,664 | 21,886 |
| Other operating Cash Flow | (14,474) | 25,349 | (14,975) | (37,490) | (45,058) |
| CF from operating activities | 55,720 | 63,764 | 57,857 | 68,794 | 81,515 |
| Capital expenditure | (10,152) | (7,911) | (5,935) | (13,678) | - |
| Inc/(Dec) in investments | 15,972 | 1,502 | 1,999 | 7,500 | 7,500 |
| Add: Interest/Div. Income Recd. | (8,605) | (6,728) | 3,704 | - | - |
| CF from investing activities | (2,785) | (13,137) | (232) | (6,178) | 7,500 |
| Inc/(Dec) in share capital | 442 | 238 | 90 | - | - |
| Inc/(Dec) in debt | 337 | (263) | (325) | - | - |
| Dividend Paid | (42,633) | (39,170) | (38,418) | (69,166) | (74,486) |
| Others | (8,927) | (8,477) | (19,339) | (2,485) | - |
| CF from financing activities | (50,781) | (47,672) | (57,992) | (71,651) | (74,486) |
| Net cash flow | 2,154 | 2,955 | (367) | (9,035) | 14,529 |
| Opening balance | 38,409 | 40,563 | 43,518 | 43,151 | 34,116 |
| Closing balance | 40,563 | 43,518 | 43,151 | 34,116 | 48,645 |

Growth indicators (%)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|-------------------|--------|--------|------|-------|-------|
| Revenue | 19.4 | (2.4) | 1.9 | 3.2 | 7.6 |
| EBITDA | 0.1 | (38.2) | 40.8 | 23.0 | 19.5 |
| Adj PAT | (12.7) | (51.5) | 80.4 | 20.7 | 23.7 |
| Adj EPS | (13.2) | (51.4) | 79.5 | 20.8 | 23.6 |

Valuation (x)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|--------------------|------|------|------|-------|-------|
| P/E (x) | 29.3 | 60.2 | 33.5 | 27.8 | 22.5 |
| P/BV (x) | 5.1 | 5.3 | 5.2 | 5.6 | 5.8 |
| EV/EBITDA (x) | 17.2 | 27.7 | 19.5 | 16.0 | 13.4 |
| EV/Sales (x) | 2.6 | 2.6 | 2.6 | 2.5 | 2.3 |
| Dividend Yield (%) | 3.1 | 2.5 | 2.8 | 4.0 | 4.4 |

Financial ratios

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|---------------------|-------|-------|-------|-------|-------|
| RoE (%) | 17.7 | 8.6 | 15.7 | 19.4 | 25.4 |
| RoCE (%) | 24.8 | 14.5 | 22.3 | 28.9 | 37.1 |
| Asset/T.O (x) | 4.0 | 3.7 | 4.0 | 4.3 | 4.9 |
| Net Debt/Equity (x) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) |
| EBIT/Interest (x) | 21.6 | 10.4 | 18.6 | 21.4 | 25.1 |

Margins (%)

| Year-ended 31 Mar | FY23 | FY24 | FY25 | FY26e | FY27e |
|-------------------|------|------|------|-------|-------|
| EBITDA Margin (%) | 15.1 | 9.5 | 13.2 | 15.7 | 17.5 |
| EBIT Margin (%) | 11.4 | 6.1 | 9.7 | 12.3 | 14.0 |
| PAT Margin (%) | 9.0 | 4.5 | 7.9 | 9.3 | 10.7 |

Source: Company, Antique