Tech Mahindra Ltd

IT Services Sector

BUY

Target Price
1,775

In-line Performance; Growth Trajectory Continues

Est. Vs. Actual for Q1FY26: Revenue – INLINE ; EBIT Margin – INLINE; PAT – INLINE

Recommendation Rationale

- **Encouraging demand outlook:** The demand environment is expected to stabilise in the coming months across key verticals. While the Telecom vertical has stabilised and grown, BFSI and other verticals show no significant changes. The management expects large deal wins to start accruing revenue from Q2FY26 onwards, provided the business environment remains stable.
- **Deal wins/pipeline**: Total Contract Value (TCV) for the quarter was $809 Mn, a 51% growth YoY. Large deals over $25 Mn make up a higher proportion of total TCV. The Deal wins were broad-based across comms, high-tech, BFSI, and other verticals. This momentum is expected to continue further.
- **Growth aspiration intact:** Despite the challenging environment, the EBIT margin commitments of 15% for FY27 remain intact, led by productivity and cost efficiency programs.

Sector Outlook: Cautiously optimistic

Company Outlook & Guidance: Tech Mahindra focuses on GenAI, which includes autonomous networks and network optimisation for telcos, and Comviva, leveraging AI to reduce churn and increase ARPU.

Current Valuation: 26x FY27E P/E

Current TP: 1,775/share

Recommendation: With a strong deal pipeline across business verticals, AI implementation is expected to deliver better performance and a favourable environment ahead. We believe Tech Mahindra will continue its growth trajectory. **Hence, we resume our coverage with a BUY rating on the stock.**

Financial performance

In Q1FY26, Tech Mahindra reported revenue of Rs 13,351 Cr vs Rs 13,006 Cr, up 2.7% YoY but down 0.2% QoQ. EBIT stood at Rs 1,477 Cr vs Rs 1,102 Cr, up 34% YoY and 7.2% QoQ, led by continuous offshoring, cost optimisation and the ongoing integration of portfolio companies. EBIT margin stood at 11.1%. Net Income stood at Rs 1,128 Cr vs Rs 865 Cr, up 30.4% YoY but down 1.2% QoQ, driven by higher other income. However, in CC terms, revenue was down 1.4% QoQ and 1% YoY. LTM attrition levels were at 12.6% vs 11.8% QoQ, up 80bps. The total contract value (TCV) for the quarter stood at $809 Mn vs $534 Mn YoY (+51.5% YoY, +1.4%QoQ).

Valuation & Recommendation

The management remains optimistic about the improvement and scalability of business operations. Moreover, overall deal pipelines remain strong, with a focus on digital business. We are constructive on the long-term outlook of the company and expect a quick recovery from H2FY26 onwards. Therefore, we resume over coverage with a **BUY rating on the stock** and assign a 26x P/E multiple to its FY27E earnings to arrive at a TP of Rs 1,775/share, implying an upside of 10% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	13,351	(0.2)	2.7	13,461	(0.0)
EBIT	1,477	7.18	34.0	1,478	(0.0)
EBIT Margin	11.1	77bps	259bps	10.9	0.0
Net Profit	1,128	(1.2)	30.4	1,129	(0.0)
EPS (Rs)	11.5	(10.8)	17.8	11.5	(0.0)

Source: Company, Axis Research

(CMP as of 16th July 2025)

CMP (Rs)	1,609
Upside /Downside (%)	10%
High/Low (Rs)	1,808/1,209
Market cap (Cr)	1,54,627
Avg. daily vol. (6m) Shrs.	21,18,250
No. of shares (Cr)	98

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	35.0	35.0	35.0
FIIs	23.7	24.2	23
MFs/UTI	15.8	16.0	17.2
Banks/FIs	0.1	0.0	0.0
Others	25.4	24.8	24.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	52,988	56,080	61,861
EBIT	5,111	6,812	8,699
Net Profit	4,244	5,260	6,734
EPS (Rs)	48	54	69
PER (x)	35.5	31.7	24.8
P/BV (x)	5.5	5.3	4.5
EV/EBITDA (x)	21.0	18.1	14.0
ROE (%)	16	18	20

Relative Performance

Source: AceEquity, Axis Securities

Kuber Chauhan
Research Analyst
kuber.chauhan@axissecurities.in

Abhishek Bhalotia
Research Associate
abhishek.bhalotia@axissecurities.in

Outlook

From a long-term perspective, Tech Mahindra seems to be effectively addressing client-specific engagement issues across various verticals, while maintaining a robust deal pipeline. We believe that the new strategy will facilitate a faster recovery, thereby boosting confidence in near-term growth.

Key highlights

- **Geographical and Segmental Performance:** Geographically, Tech Mahindra reported a 5.9% YoY decline in the Americas, attributed to a slowdown in the automotive and manufacturing verticals. Europe delivered robust growth of 11.7% YoY, while RoW markets posted a moderate 2.9% YoY growth, supported by favourable currency tailwinds.
- On the segmental front, the Communications vertical registered 2.5% YoY growth, aided by stabilisation in client spending across North America, Europe, India, the Middle East, and Africa. BFSI emerged as one of the fastest-growing verticals with 4.7% YoY growth, supported by differentiated offerings in asset and wealth management, payments, and platform capabilities in Guidewire and Temenos. The Hi-tech segment declined 3.3% YoY, primarily due to restructuring in the semiconductor industry, including client-led budget cuts and workforce rationalisation.
- **Margin Performance and Cost Initiatives:** EBIT margin for the quarter stood at 11.1% vs 10.5% QoQ, driven by ongoing cost optimisation under Project Fortius, favourable offshore delivery mix, and benefits from portfolio company integration.
- **Deal Wins and Strategic Pipeline:** TCV for the quarter stood at $809 Mn, marking a 51% YoY increase, with deal wins spread across communications, high-tech, BFSI, and other verticals. Management expects this momentum to strengthen, supporting future growth.
- **AI Capabilities and Talent Readiness:** The company now boasts a portfolio of over 200 enterprise-grade AI agents deployed across industry verticals, many at scale. Over 77,000 employees have been trained in AI and GenAI, with a significant portion having undergone advanced training and certification.
- **Hiring and Workforce Strategy:** Only 250 freshers were onboarded in Q1FY26 due to muted demand. The company is focused on deploying the existing bench of 6,000 freshers hired in FY25 before adding incremental headcount.
- **Strategic Outlook:** Despite a challenging environment, Tech Mahindra reiterated its commitment to delivering 15% EBIT margin by FY27. The company maintains a cautious approach in structuring and pricing large deals relative to peers. FY26 is expected to be stronger than FY25, supported by strategic initiatives focused on expanding key client relationships, onboarding 15 new “must-have” accounts in Q1 (primarily Global 2000/Fortune 500), and increasing profitability through net-new large deal volumes.

Key Risks to our Estimates and TP

- The demand environment is uncertain because of the potential threat of recession from the world’s largest economies.
- The rising subcontracting cost and cross-currency headwinds may impact operating margins negatively.

Results Review (Rs Cr)

Y/E March	Q1FY26	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Net sales	**13,351**	**13,384**	**(0.2)**	**13,006**	**2.7**
Total Expenditure	11,416	11,544	(1.1)	11,441	(0.2)
EBITDA	**1,935**	**1,840**	**5.2**	**1,565**	**23.7**
EBITDA margin (%)	*14.5*	*13.7*	*74bps*	*12.0*	*246bps*
Depreciation	458	462	(0.9)	462	(0.9)
EBIT	**1,477**	**1,378**	**7.2**	**1,102**	**34.0**
EBIT margin (%)	*11.1*	*10.3*	*77bps*	*8.5*	*259bps*
Interest cost	78	85	(8.8)	72	8.8
Other income	218	173	26.4	145	50.9
Exceptional item	-	-1	NA	3	NA
PBT	**1,617**	**1,464**	**10.5**	**1,178**	**37.3**
Tax	489	322	51.8	313	56.2
Profit after tax	**1,128**	**1,142**	**(1.2)**	**865**	**30.4**
Reported EPS	**11.5**	**12.9**	**(10.8)**	**9.8**	**17.8**
Adj. PAT	**1,128**	**1,143**	**(1.3)**	**862**	**30.8**
Adj. EPS	**11.5**	**12.9**	**(10.9)**	**9.8**	**18.1**

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Net sales	**53,290**	**51,996**	**52,988**	**56,080**	**61,861**
Change (YoY, %)	19.4	-2.4	1.9	5.8	10.3
Operating expenses	**45,498**	**47,489**	**46,025**	**47,308**	**50,974**
EBITDA	**7,792**	**4,506**	**6,964**	**8,772**	**10,888**
Change (YoY, %)	-2.8	-42.2	54.5	26.0	24.1
Margin (%)	14.6	8.7	13.1	15.6	17.6
Depreciation	1,957	1,817	1,853	1,960	2,189
EBIT	**5,835**	**2,689**	**5,111**	**6,812**	**8,699**
Interest paid	326	392	322	291	309
Other income	965	917	855	817	928
Pre-tax profit	**6,474**	**3,214**	**5,644**	**7,337**	**9,317**
Tax	1,589	828	1,400	2,076	2,583
Effective tax rate (%)	25	26	25	28	28
Net profit	**4,886**	**2,386**	**4,244**	**5,260**	**6,734**
Exceptional items	-	-	-	-	-
Adjusted net profit	**4,886**	**2,386**	**4,244**	**5,260**	**6,734**
Change(yoy,%)	-13	-51	78	24	28
Adj.EPS	55	27	48	54	69
Dividend per share	**50**	**40**	**12**	**12**	**12**
Dividend Payout (%)	**91**	**151**	**25**	**27**	**27**

Source: Company, Axis Securities

Balance Sheet **(Rs Cr)**

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share capital	440	441	442	442	442
Reserves & surplus	28,715	26,228	26,919	31,153	36,667
Shareholders funds	29,155	26,669	27,362	31,595	37,110
Total Debt	1,486	1,461	471	471	471
Other liabilities	1,782	1,787	2,798	2,798	2,798
Curr Liab & prov	13,321	12,617	13,904	12,937	13,418
Current liabilities	9,792	8,832	12,156	11,188	11,670
Provisions	2,172	2,427	1,277	1,277	1,277
Total liabilities	15,232	14,506	16,703	15,735	16,217
Total equity & liabilities	**44,857**	**41,652**	**44,495**	**47,760**	**53,756**
Net fixed assets	14,857	13,832	14,237	13,177	11,888
Investments	605	458	-	-	-
Other non-curr assets	4,963	4,362	6,579	6,579	6,579
Current assets	24,433	23,000	23,679	28,005	35,290
Inventories	24	38	39	39	39
Sundry Debtors	12,882	11,401	11,547	12,462	13,747
Cash & Liquid	4,255	4,310	4,542	7,953	13,953
Other Curr Assets	7,273	7,251	7,551	7,551	7,551
Total assets	**44,857**	**41,652**	**44,495**	**47,760**	**53,756**

Source: Company, Axis Securities

Cash Flow (Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Pre tax	4,857	2,386	4,253	5,260	6,734
Depreciation	1,957	1,817	1,853	1,960	2,189
Change in working capital.	1,119	784	841	(1,883)	(803)
Other operating activities	(639)	(525)	(534)	(525)	(619)
Cash flow from operations (a)	**7,294**	**4,462**	**6,413**	**4,812**	**7,501**
Capital expenditure	(2,114)	(242)	(2,258)	(900)	(900)
Change in investments	(588)	145	3,379	-	-
Other investing activities	878	1,519	(4,282)	817	928
Cash flow from investing (b)	**(1,824)**	**1,422**	**(3,161)**	**(83)**	**28**
Equity raised/(repaid)	1	1	1	-	-
Debt raised/(repaid)	(1,025)	(21)	909	-	-
Dividend (incl. tax)	(4,435)	(3,596)	(1,063)	(1,411)	(1,838)
Change in minorities	(25)	7	(47)	-	-
Other financing activities	(321)	(942)	(322)	(291)	(309)
Cash flow from financing (c)	**(5,189)**	**(5,829)**	**(3,020)**	**(1,318)**	**(1,529)**
Net change in cash (a+b+c)	280	56	232	3,411	6,000
Opening cash balance	3,975	4,255	4,310	4,542	7,953
Closing cash balance	4,255	4,310	4,542	7,953	13,953

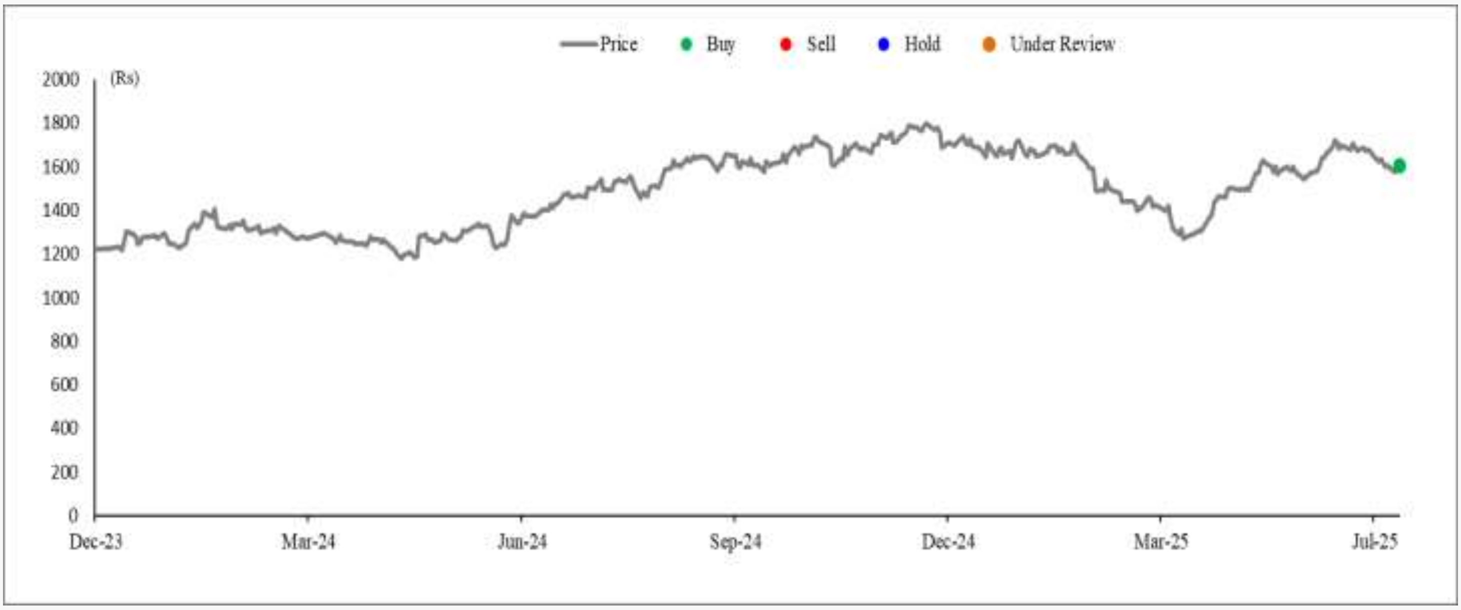
Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	**329**	**297**	**309**	**323**	**379**
Adj EPS (Rs)	55	27	48	54	69
Adj EPS growth (%)	14.9	18.0	18.0	14.6	8.7
EBITDA margin (%)	14.6	8.7	13.1	15.6	17.6
Pre-tax margin (%)	12.1	6.2	10.7	13.1	15.1
Debt/Equity (x)	0.0	0.0	-	-	-
ROCE (%)	16	9	15	17	19
ROE (%)	17	9	16	18	20
Financial leverage ratios					
Debt / Equity (x)	0	0	-	-	-
Interest Coverage (x)	24	11	22	30	35
Interest / Debt (%)	2.4	3.4	6.3	-	-
Working Capital & Liquidity ratio					
Inventory days	0	0	0	0	0
Receivable days	87	79	80	80	80
Payable days	30	26	30	30	30
Valuation ratio					
PER (x)	29	61	34	30	23
Adjusted PER (x)	29	61	34	30	23
P/BV (x)	5	5	5	5	4
EV/EBITDA (x)	18	31	20	17	13
Market Cap. / Sales (x)	3	3	3	3	3

Source: Company, Axis Securities

Tech Mahindra Price Chart and Recommendation History



Date	Reco	TP	Research
17-Jul-25	BUY	1,775	Result Update

Source: Axis Securities Research

Disclaimer:
Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.