

Tech Mahindra Limited

BUY

Sector: IT

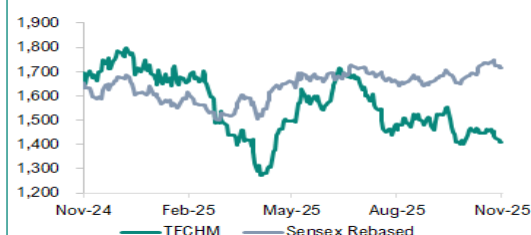
07th November, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 1,613
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	TECHM:IN	83,216	TECHM	532755	12 Months
CMP					Rs. 1,387
Return					+16%

Data as of: 07-Nov-2025, 17:00 hrs

Company Data			
Market Cap (Rs.cr)	135,887		
52 Week High — Low (Rs.)	1,807 - 1,210		
Enterprise Value (Rs. cr)	121,443		
Outstanding Shares (cr)	88.7		
Free Float (%)	64.6		
Dividend Yield (%)	3.2		
6m average volume (cr)	0.1		
Beta	1.0		
Face value (Rs.)	5.0		
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	35.0	35.0	35.0
FII's	23.0	23.0	23.3
MFs/Institutions	32.1	32.1	32.1
Public	9.1	9.1	8.8
Others	0.8	0.8	0.8
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.1%	-5.5%	-16.5%
Absolute Sensex	3.4%	3.3%	3.6%
Relative Return	-6.5%	-8.8%	-20.1%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	52,988	55,665	59,321
Growth (%)	1.9	5.1	6.6
EBITDA	6,991	8,762	10,466
EBITDA Margin (%)	13.2	15.7	17.6
PAT Adjusted	4,279	5,207	6,504
Growth (%)	49.9	22.0	24.9
Adjusted EPS	48.4	58.7	73.3
Growth (%)	49.5	21.6	24.9
P/E	29.3	24.1	19.3
P/B	4.6	4.4	4.0
EV/EBITDA	19.3	13.9	11.6
ROE (%)	15.5	18.1	21.0
D/E	0.1	0.1	0.1

3 year Strategy drives operational efficiency

Tech Mahindra Ltd (TechM) develops and markets computer software for telecommunication (telecom) equipment manufacturers, telecom service providers, software vendors and systems integrators.

- Consolidated revenue in Q2FY26 rose 5.1% YoY to Rs. 13,995cr on growth across manufacturing (+5.2% YoY), banking, financial services and insurance (BFSI, +6.2% YoY), retail, logistics and transport (+7.2% YoY) segments. However, revenue fell from communications (-2.2% YoY), technology, media and entertainment (-8.8% YoY) healthcare and life sciences (-1.2% YoY), and others (-13.3% YoY).
- Revenue from Europe increased 5.5% YoY, but that from the Americas and rest of the world fell 2.7% and 0.5%, respectively.
- EBITDA increased 23.9% YoY to Rs. 2,168cr owing to cost optimisation and operational efficiency achieved under Project Fortius. EBITDA margin also expanded 240bps to 15.5% in the quarter.
- Reported PAT fell 4.4% YoY to Rs. 1,202cr as other income declined 92.3% YoY.
- New deal wins hit \$816 million in the quarter from \$603 million in Q2FY25.

Outlook & Valuation

TechM has a positive outlook driven by operational efficiency and increased demand to improve performance in the second half of the year, based on their three year strategy. With the launch of TechM Orion and participation in India's sovereign LLM development initiative, TechM is enhancing its client stickiness, accelerating adoption of AI-led solutions, thus creating new revenue streams and reinforcing long-term growth potential in next-gen technologies. TechM is focusing on maintaining operational discipline, enhancing cash flow and driving growth, while ensuring profitability. The company is also aiming to explore opportunities for tuck-in acquisitions and transformational acquisitions. Therefore, **we retain our BUY rating on the stock, with a revised target price of Rs. 1,613 based on 22x FY27E adjusted EPS.**

Quarterly Finance Consol.

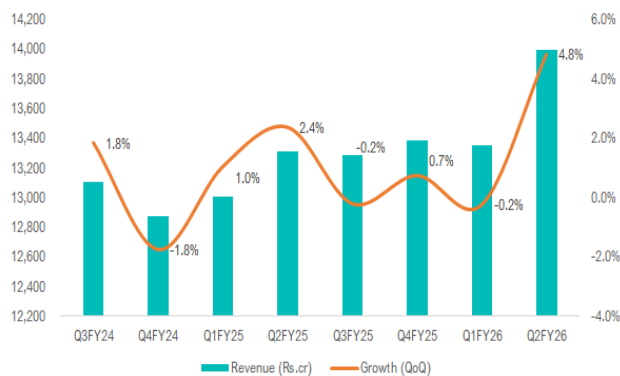
Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales	13,995	13,313	5.1	13,351	4.8	27,346	26,319	3.9
EBITDA	2,168	1,750	23.9	1,935	12.0	4,103	3,315	23.8
Margin (%)	15.5	13.1	240bps	14.5	100bps	15.0	12.6	240bps
EBIT	1,699	1,280	32.7	1,477	15.0	3,176	2,383	33.3
PBT	1,659	1,714	-3.2	1,618	2.5	3,277	2,892	13.3
Rep. PAT	1,202	1,258	-4.4	1,129	6.5	2,331	2,122	9.8
Adj PAT	1,195	1,250	-4.4	1,141	4.7	2,335	2,102	11.1
Adj. EPS (Rs)	13.5	14.1	-4.5	12.9	4.7	26.3	23.7	11.0



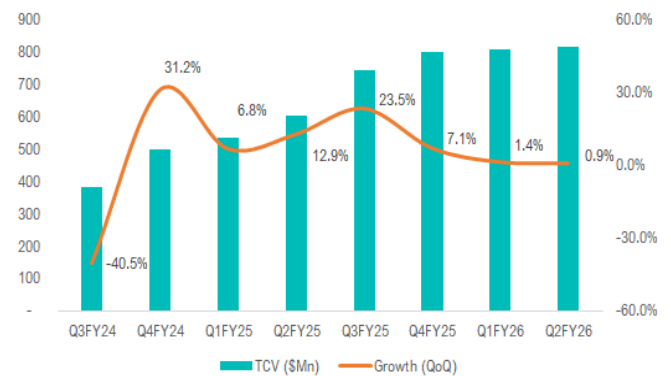
Key concall highlights

- TechM collaborated with a major US-based telecom operator to enhance its network testing and certification through automation and optimisation, aligning with its long-term transformation goals, and leveraging the expertise to increase efficiency, scalability and innovation.
- Its total headcount stood at 152,714, down 1.0% YoY. IT attrition rate increased to 12.8% in Q2FY26 from 10.6% in Q2FY25. In Q1FY26, the metric stood at 12.6%.
- Revenue from the communications segment declined in the quarter, but remained stable, with the largest client's spending stabilised and showing growth above the company average.
- Revenue from the manufacturing segment grew on account of strong demand for smart manufacturing, predictive maintenance and digital twins in the aero and industrial segments, while the automotive segment remained stable.
- Growth in the BFSI segment was driven by focused priorities and partnerships such as with JPMorgan Payment Systems, which enhance the company's domain capabilities and provide a foundation for future growth despite expected volatility.

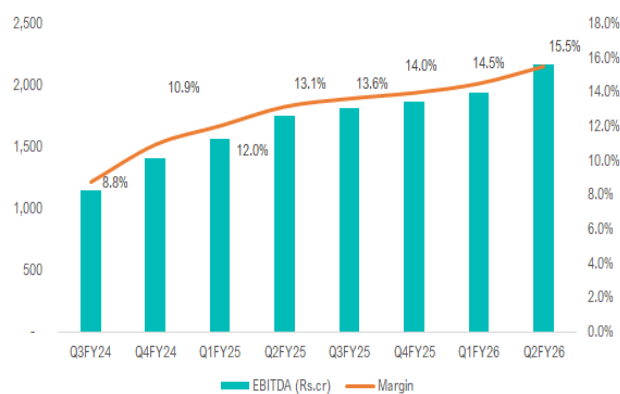
Revenue



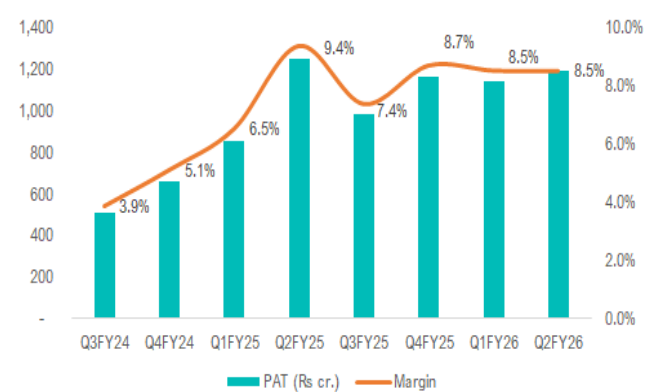
Total Contract Value



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change -%	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	55,803	59,975	55,665	59,321	-0.2	-1.1
EBITDA	8,978	10,708	8,762	10,466	-2.4	-2.3
Margins (%)	16.1	17.9	15.7	17.6	-40bps	-30bps
Adj. PAT	5,693	7,008	5,207	6,504	-8.5	-7.2
EPS	64.1	79.3	58.7	73.3	-8.5	-7.3



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	53,290	51,996	52,988	55,665	59,321
% change	19.4	-2.4	1.9	5.1	6.6
EBITDA	8,029	4,965	6,991	8,762	10,466
% change	4.7	-32.1	30.4	20.5	16.5
Depreciation	2,194	2,275	1,880	1,892	1,950
EBIT	5,835	2,689	5,111	6,870	8,515
Interest	326	392	322	352	372
Other Income	936	927	864	446	555
PBT	6,446	3,224	5,653	6,963	8,698
% change	-13.5	-50.0	75.3	23.2	24.9
Tax	1,589	828	1,400	1,741	2,174
Tax Rate (%)	24.6	25.7	24.8	25.0	25.0
Reported PAT	4,857	2,397	4,253	5,223	6,523
PAT att. to common shareholders	4,831	2,358	4,252	5,207	6,504
Adj.*	237	458	27	-	-
Adj. PAT	5,068	2,816	4,279	5,207	6,504
% change	-9.5	-44.0	49.9	22.0	24.9
No. of shares (cr)	88.6	88.3	88.5	88.7	88.7
Adj EPS (Rs.)	57.2	31.9	48.4	58.7	73.3
% change	-9.5	-43.7	49.5	21.6	24.9
DPS (Rs.)	50.0	40.0	30.0	38.1	44.0

Cash Flow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	6,814	4,214	6,106	7,114	8,474
Non-cash adj.	661	1,179	-21	-	-
Other adjustments	-	-	-	-	-
Changes in W.C	-1,902	984	-299	617	6
C.F. Operation	5,572	6,376	5,786	7,731	8,480
Capital exp.	-969	-738	-483	-1,002	-1,186
Change in inv.	1,597	150	200	-277	-381
Other invest.CF	-907	-726	260	-822	-2,249
C.F - Investment	-279	-1,314	-23	-2,102	-3,817
Issue of equity	44	24	-84	-	-
Issue/repay debt	-602	-523	-1,610	124	72
Dividends paid	-4,263	-3,917	-3,842	-3,745	-4,318
Other finance.CF	-257	-351	-264	80	96
C.F - Finance	-5,078	-4,767	-5,799	-3,541	-4,150
Chg. in cash	215	296	-37	2,089	513
Closing Cash	4,255	4,736	4,542	6,632	7,145

Balance Sheet

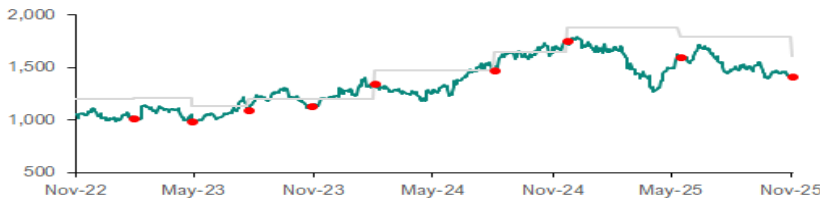
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	4,255	4,736	4,542	6,632	7,145
Accts. Receivable	8,142	7,126	6,549	6,847	7,261
Inventories	24	38	39	99	112
Other Cur. Assets	12,012	11,527	12,549	13,024	13,613
Investments	680	530	323	338	353
Gross Fixed As-sets	13,369	13,441	14,034	15,036	16,222
Net Fixed Assets	2,862	2,558	2,381	1,488	721
CWIP	84	101	21	24	27
Intangible Assets	12,031	11,306	11,567	11,644	11,723
Def. Tax -Net	4,350	4,439	4,913	5,658	7,828
Other Assets	1,714	1,065	1,611	1,611	1,611
Total Assets	46,153	43,424	44,495	47,364	50,393
Current Liabilities	12,730	12,084	13,026	14,214	14,870
Provisions	929	1,302	1,403	1,428	1,453
Debt Funds	2,740	2,537	2,025	2,149	2,221
Other Liabilities	1,359	354	249	304	375
Equity Capital	440	441	442	442	442
Res. & Surplus	27,485	26,228	26,919	28,381	30,568
Shareholder Funds	27,925	26,669	27,362	28,824	31,010
Minority Interest	470	477	430	446	465
Total Liabilities	46,153	43,424	44,495	47,364	50,393
BVPS	315	302	309	325	349

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	15.1	9.5	13.2	15.7	17.6
EBIT margin (%)	10.9	5.2	9.6	12.3	14.4
Net profit mgn.(%)	9.1	4.5	8.0	9.4	11.0
ROE (%)	17.4	9.0	15.5	18.1	21.0
ROCE (%)	18.7	9.1	17.1	21.9	25.3
W.C & Liquidity					
Receivables (days)	55.9	50.2	45.2	45.0	44.8
Inventory (days)	1.1	2.1	2.5	5.7	5.9
Payables (days)	200.6	207.1	276.5	278.3	279.3
Current ratio (x)	1.7	1.7	1.7	1.8	1.8
Quick ratio (x)	1.0	1.1	1.0	1.1	1.1
Turnover & Leverage					
Gross asset T.O (x)	4.2	3.9	3.9	3.8	3.8
Total asset T.O (x)	1.2	1.2	1.2	1.2	1.2
Int. covge. ratio (x)	17.9	6.9	15.9	19.5	22.9
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.0	2.3	2.6	2.2	2.0
EV/EBITDA (x)	13.2	24.0	19.3	13.9	11.6
P/E (x)	19.3	39.2	29.3	24.1	19.3
P/BV (x)	3.5	4.1	4.6	4.4	4.0



Recommendation Summary - (last 3 years)



Dates	Rating	Target
03-May-23	HOLD	1,131
28-Jul-23	HOLD	1,200
03-Nov-23	HOLD	1,196
06-Feb-24	HOLD	1,470
07-Aug-24	BUY	1,645
27-Nov-24	HOLD	1,879
19-May-25	BUY	1,790
07-Nov-25	BUY	1,613

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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