

Tech Mahindra Limited

BUY

Sector: IT

01st February, 2026

Key Changes	Target ▲	Rating ●	Earnings ▲	Target	Rs. 1,921
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	TECHM:IN	82,270	TECHM	532755	12 Months
				CMP	Rs. 1,743
				Return	+10%

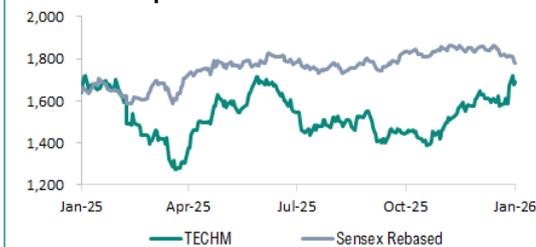
Data as of: 30-Jan-2026, 18:00 hrs

Company Data	
Market Cap (Rs.cr)	170,799
52 Week High — Low (Rs.)	1,777 - 1,210
Enterprise Value (Rs. cr)	168,691
Outstanding Shares (cr)	97.9
Free Float (%)	64.6
Dividend Yield (%)	2.6
6m average volume (cr)	0.2
Beta	0.9
Face value (Rs.)	5.0

Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	35.0	35.0	35.0
FII's	23.3	20.6	17.9
MFs/Institutions	32.1	34.6	37.8
Public	8.8	8.8	8.5
Others	0.8	1.0	0.8
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	16.5%	9.3%	2.9%
Absolute Sensex	-3.0%	-0.4%	8.0%
Relative Return	19.5%	9.7%	-5.1%

*over or under performance to benchmark index



Y.E March (cr)	FY26E	FY27E	FY28E
Sales	56,451	60,944	65,795
Growth (%)	6.5	8.0	8.0
EBITDA	8,928	10,883	11,948
EBITDA Margin (%)	15.8	17.9	18.2
PAT Adjusted	5,470	6,687	7,413
Growth (%)	28.2	22.3	10.9
Adjusted EPS	61.6	75.3	83.5
Growth (%)	27.7	22.3	10.9
P/E	27.4	22.4	20.2
P/B	5.2	4.8	4.5
EV/EBITDA	16.3	13.4	12.1
ROE (%)	18.1	21.6	22.1
D/E	0.1	0.1	0.1

Long-term contracts fuel future success

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

- In Q3FY26, TechM's consolidated revenue rose 8.3% YoY to Rs. 14,393cr, driven by strong growth in the communications, retail and healthcare segments, supported by large-deal ramp-ups and artificial intelligence (AI)-led initiatives.
- IT services revenue increased 8.3% YoY to Rs. 12,076cr & BPO revenue rose 8.3% YoY to Rs. 2,318cr owing to a higher wallet share, renewals and a stronger off-shore delivery mix.
- Geographically, revenue grew 2.1% YoY in the Americas (accounted for 50.6% of total revenue) and 11.2% YoY in Europe (25.6%), driven by improved deal execution and stronger demand for cloud- and AI-led services.
- EBITDA increased 30.8% YoY to Rs. 2,366cr, while EBITDA margin expanded 280bps YoY to 16.4%, driven by higher topline.

Outlook & Valuation

The company delivered a strong performance, driven by robust deal momentum, improved execution and steady demand across key verticals, supported by a solution-led go-to-market strategy and deeper strategic client relationships. Management commentary remained constructive, highlighting continued focus on EBIT improvement through productivity initiatives, cost optimisation and operational efficiencies. The ramp-up of large multi-year deals, increasing adoption of AI-led and digital transformation offerings, and expansion in priority geographies are expected to support sustainable growth. Ongoing investments in innovation, talent upscaling and brand strengthening are expected to further enhance competitiveness. Overall, the outlook remains positive with balanced execution visibility. Therefore, **we maintain our BUY rating on the stock, based on 23x FY28E Adj. EPS, with a rolled-forward target price of Rs. 1,921.**

Quarterly Finance Consolidated

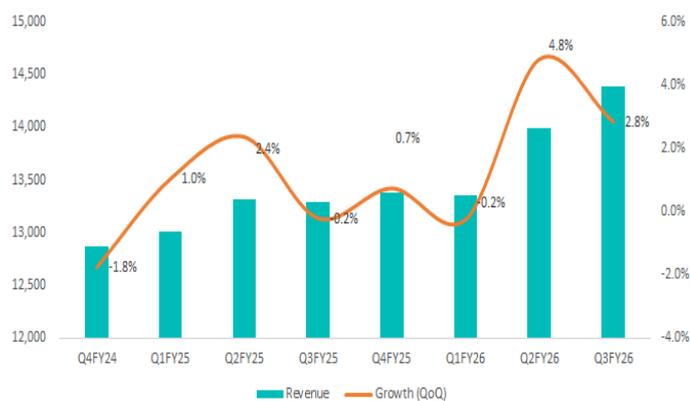
Rs.cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Sales	14,393	13,286	8.3	13,995	2.8	41,739	39,604	5.4
EBITDA	2,366	1,809	30.8	2,168	9.1	6,469	5,124	26.3
Margin (%)	16.4	13.6	280bps	15.5	90bps	15.5	12.9	260bps
EBIT	1,892	1,350	40.1	1,699	11.3	5,068	3,733	35.8
PBT	1,505	1,297	16.0	1,659	-9.3	4,783	4,189	14.2
Rep. PAT	1,119	989	13.1	1,202	-6.9	3,449	3,111	10.9
Adj PAT	1,394	983	41.8	1,195	16.7	3,730	3,085	20.9
Adj. EPS (Rs)	15.7	11.1	41.8	13.5	16.7	42.0	34.8	20.9



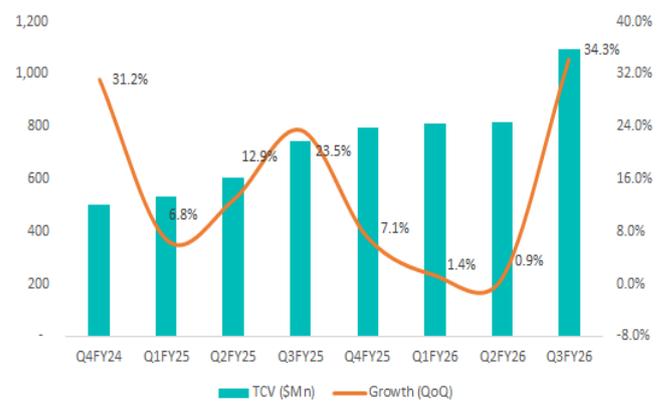
Key concall highlights

- Strong new-deal momentum with total contract value of \$1,096mn, up 47% YoY and 34% QoQ, reflects improving deal conversion, rising large-deal traction and better medium-term revenue visibility.
- The company announced a strategic partnership with Google, accelerating enterprise adoption of Gemini Enterprise and Gemini 2.5 multimodal AI model across global clients.
- Management noted that client concentration remained stable, with the top 20 clients accounting for ~38% of revenue, indicating balanced growth without excessive dependence on few accounts.
- Operational discipline remained strong, with headcount at 149,616 (down 872 YoY), attrition moderating to 12.3% on an LTM basis, DSO stable at ~90 days, and cash balance of Rs. 7,666cr supporting execution stability and strategic flexibility.
- The company also signed a memorandum of understanding (MoU) with the University of Texas to launch a Makers Lab, focusing on AI, quantum computing, cybersecurity, agentic AI, data science and skill development.
- TechM indicated that its strong Q3 performance reinforces its confidence in achieving a targeted 15% EBIT margin by FY27, supported by improved execution delivery and long-term strategic alignment.

Revenue



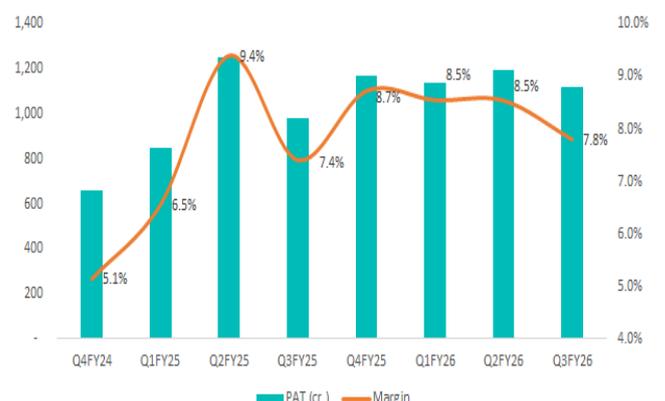
TCV



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change -%	
	FY26E	FY27E	FY26E	FY27E	FY28E	FY26E	FY27E
Revenue	55,665	59,321	56,451	60,944	65,795	1.4	2.7
EBITDA	8,762	10,466	8,928	10,883	11,948	1.9	4.0
Margins (%)	15.7	17.6	15.8	17.9	18.2	10bps	30bps
Adj. PAT	5,207	6,504	5,470	6,687	7,413	5.1	2.8
EPS	58.7	73.3	61.6	75.3	83.5	5.0	2.8



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Sales	51,996	52,988	56,451	60,944	65,795
% change	-2.4	1.9	6.5	8.0	8.0
EBITDA	4,965	6,991	8,928	10,883	11,948
% change	-32.1	30.4	22.3	18.7	8.9
Depreciation	2,275	1,880	1,892	1,954	2,039
EBIT	2,689	5,111	7,036	8,929	9,909
Interest	392	322	352	368	386
Exceptional item	-	-	272	-	-
Other Income	927	864	540	382	390
PBT	3,224	5,653	6,951	8,943	9,913
% change	-50.0	75.3	23.0	28.7	10.9
Tax	828	1,400	1,738	2,236	2,478
Tax Rate (%)	25.7	24.8	25.0	25.0	25.0
Reported PAT	2,397	4,253	5,213	6,707	7,435
PAT att. to common shareholders	2,358	4,252	5,198	6,687	7,413
Adj.*	458	27	272	-	-
Adj. PAT	2,816	4,279	5,470	6,687	7,413
% change	-44.0	49.9	28.2	22.3	10.9
No. of shares (cr)	88.3	88.5	88.8	88.8	88.8
Adj EPS (Rs.)	31.9	48.4	61.6	75.3	83.5
% change	-43.7	49.5	27.7	22.3	10.9
DPS (Rs.)	40.0	30.0	38.1	45.2	50.1

Cash Flow

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net inc. + Depn.	4,214	6,106	7,105	8,662	9,474
Non-cash adj.	1,179	-21	-	-	-
Other adjustments	-	-	-	-	-
Changes in W.C	984	-299	627	27	-217
C.F. Operation	6,376	5,786	7,732	8,689	9,256
Capital exp.	-738	-483	-1,016	-1,219	-1,316
Change in inv.	150	200	-356	-465	-1,001
Other invest.CF	-726	260	-812	-2,480	-1,339
C.F - Investment	-1,314	-23	-2,184	-4,163	-3,656
Issue of equity	24	-84	-	-	-
Issue/repay debt	-523	-1,610	124	72	75
Dividends paid	-3,917	-3,842	-3,715	-4,412	-4,891
Other finance.CF	-351	-264	80	106	64
C.F - Finance	-4,767	-5,799	-3,512	-4,234	-4,751
Chg. in cash	296	-37	2,036	291	849
Closing Cash	4,736	4,542	6,578	6,870	7,719

Balance Sheet

Y.E March (Rs. Cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	4,736	4,542	6,578	6,870	7,719
Accts. Receivable	7,126	6,549	6,943	7,460	8,027
Inventories	38	39	101	109	117
Other Cur. Assets	11,527	12,549	13,103	13,775	15,088
Investments	530	323	338	353	369
Gross Fixed Assets	13,441	14,034	14,964	16,183	17,499
Net Fixed Assets	2,558	2,381	1,502	763	38
CWIP	101	21	24	27	30
Intangible Assets	11,306	11,567	11,644	11,723	12,189
Def. Tax -Net	4,439	4,913	5,648	8,049	8,922
Other Assets	1,065	1,611	1,611	1,611	1,611
Total Assets	43,424	44,495	47,491	50,740	54,109
Current Liabilities	12,084	13,026	14,322	15,097	15,783
Provisions	1,302	1,403	1,428	1,453	1,478
Debt Funds	2,537	2,025	2,149	2,221	2,296
Other Liabilities	354	249	303	384	424
Equity Capital	441	442	442	442	442
Res. & Surplus	26,228	26,919	28,401	30,676	33,198
Shareholder Funds	26,669	27,362	28,844	31,119	33,640
Minority Interest	477	430	446	466	488
Total Liabilities	43,424	44,495	47,491	50,740	54,109
BVPS	302	309	325	351	379

Ratios

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	9.5	13.2	15.8	17.9	18.2
EBIT margin (%)	5.2	9.6	12.5	14.7	15.1
Net profit mgn.(%)	4.5	8.0	9.2	11.0	11.3
ROE (%)	9.0	15.5	18.1	21.6	22.1
ROCE (%)	9.1	17.1	22.4	26.4	27.2
W.C & Liquidity					
Receivables (days)	50.2	45.2	45.0	44.8	44.7
Inventory (days)	2.1	2.5	5.7	5.6	5.5
Payables (days)	207.1	276.5	278.3	279.3	279.6
Current ratio (x)	1.7	1.7	1.8	1.8	1.9
Quick ratio (x)	1.1	1.0	1.1	1.1	1.2
Turnover & Leverage					
Gross asset T.O (x)	3.9	3.9	3.9	3.9	3.9
Total asset T.O (x)	1.2	1.2	1.2	1.2	1.3
Int. covge. ratio (x)	6.9	15.9	20.0	24.3	25.7
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.3	2.6	2.6	2.4	2.2
EV/EBITDA (x)	24.0	19.3	16.3	13.4	12.1
P/E (x)	39.2	29.3	27.4	22.4	20.2
P/BV (x)	4.1	4.6	5.2	4.8	4.5



Recommendation Summary - (last 3 years)



Dates	Rating	Target
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
01-Feb-26	BUY	1,921

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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