CMP: ₹ 1,537 | Target: ₹ 1,800 (17%) | Target Period: 12 months | BUY

July 17, 2026

Healthy quarter as growth outpaces peers!

About the stock: Tech Mahindra (TechM) has over 1.50 lakh+ employees across 90 countries serving 1000+ clients in the Communication, BFSI, Manufacturing, Hi-tech, Healthcare & Retail sectors.

Q1FY27 Performance: TechM reported revenue of US$1,660 mn, up 2.2% QoQ/ 6.1% YoY (up 2.6% QoQ/ 6.6% YoY in CC terms) while organic revenue grew 2.5% QoQ CC and 6.2% YoY CC. EBIT margin was up ~ 60 bps QoQ/~335 bps YoY at 14.4%. Reported PAT stood at ₹1,465 crore, up 8.2% QoQ/ 28.4% YoY.

Investment Rationale

- **Growth momentum strengthens across key verticals:** TechM delivered 6.1% QoQ CC revenue growth, with broad-based traction across Manufacturing (+9% QoQ), BFSI (+2.7%) and Healthcare (+2.2%), while Communications remained stable (-1.3% QoQ) despite Comviva seasonality and insourcing of cloud revenue by a client. **The growth in Q1 was primarily driven by accelerated ramp up in a European automotive client (~1.3% contribution) which is expected to lead to a topline headwind in Q2 due to absence of this one-time benefit. However, this shall be offset by the ramp up of a communication deal.** Management expects growth momentum to continue, supported by ramp-up of recent large deals, healthy **TCV of US$1.08 bn (+33% YoY),** improving client mining and healthy demand across AI transformation, payments modernization and engineering services and thus, **maintained its aspiration of outperforming industry growth & delivering above peer-average revenue growth in FY27. Accordingly, we expect US$ revenue to grow at CAGR of 6.3% over FY26-28E vs 5.2% earlier.**

- **Margin expansion story remains intact with target of 15%:** EBIT margin improved 60 bps QoQ to 14.4%, marking the 11th consecutive quarter of margin expansion, driven by Project Fortius-led efficiencies, operating leverage and disciplined execution. **However, management also cautioned that margins could face near-term headwinds from wage hikes planned in a phased manner from Q2, investments in AI capabilities and go-to-market initiatives which are expected to be largely offset by operational efficiencies and productivity improvements. Thus, management remains confident of delivering ~15% EBIT margin in FY27. We bake in EBIT margins of 14.7%/15.1% for FY27E/FY28E.**

- **AI-led transformation positions TechM for sustainable growth:** TechM continues to strengthen its AI capabilities through Project Helix, with over 350 deployable AI agents, deeper hyperscaler partnerships and increasing enterprise adoption of agentic AI solutions. AI is now driving larger transformation engagements across IT and BPS.

Rating and Target Price

- Given the strong revenue growth momentum coupled with strong TCV and margin expansion, we remain constructive on TechM and maintain our **BUY rating, with target price of ₹1,800 (vs ₹1,700 earlier); valuing it at 20x P/E on FY28E EPS.**

Tech Mahindra

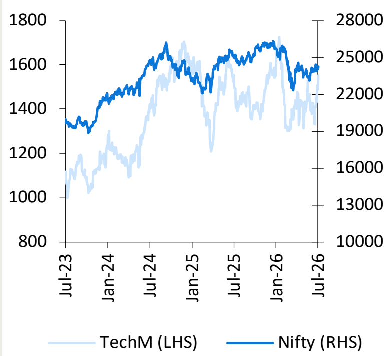
Particulars

Particulars	Amount
Market Cap (₹ Crore)	1,36,341
Total Debt (₹ Crore)	70
Cash & Inv. (₹ Crore)	8,441
EV (₹ Crore)	1,27,970
52 week H/L	1854 / 1304
Equity capital	443
Face value (₹)	5

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	35	35	35	35
FII	23	21	21	19
DII	32	35	35	37
Public	10	10	10	9

Price Chart



Key risks

- Lower than expected revenue growth and margin expansion;
- Slower than expected TCV to revenue conversion

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY24	FY25	FY26	5 Years CAGR (FY21-26)	FY27E	FY28E	2 years CAGR (FY26-28E)
Net sales	51,996	52,988	56,815	8.5	63,461	67,045	8.6
EBIT	3,147	5,138	7,153	6.0	9,317	10,124	19.0
EBIT Margin (%)	6.1	9.7	12.6		14.7	15.1	
Adj. Net Profit	2,358	4,252	5,083	2.8	6,743	7,855	24.3
EPS (₹)	26.7	48.0	57.3		76.2	88.8	
P/E	57.7	32.0	28.3		20.2	17.3	
RoNW (%)	8.8	15.5	17.2		20.7	21.4	
RoCE (%)	12.6	18.6	20.6		25.1	25.9	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** TechM reported revenue of US$1,625 mn, up 0.9% QoQ/ 4.9% YoY (up 0.6% QoQ/ 2.4% YoY in CC terms). In rupee terms, the revenue stood at ₹15,076 crore, up 4.7% QoQ/ 12.6% YoY. For FY26, revenue came at US$6,385 mn, up 1.9% YoY (up 0.6% YoY CC).
- **Geography performance**: Geography wise on a QoQ basis Europe (27.5% of mix) and ROW (23.9% of the mix) grew by 8% and 0.6% while America (48.6% of mix) de-grew by 0.1%.
- **Segment performance**: Segment wise on a QoQ basis, Others (3.4% of the mix), Manufacturing (19% of the mix), BFSI (17% of the mix), Healthcare & Lifesciences (7.3% of the mix) and Retail transport & logistics (8% of the mix) grew by 18.9%, 9%, 2.7%, 2.2% and 1.2% while Hi-Tech & Media (13% of the mix) and Communications (32% of the mix) declined by 2% and 1.3%.
  - **Manufacturing:** The growth was **driven by accelerated ramp up in a European automotive client which is expected to lead to a headwind of ~1.3% in Q2 due to absence of this one-time benefit seen in this quarter. However, this shall be offset by the ramp up of a communication deal.**
  - **Communication:** The vertical de-grew due to Comviva seasonality an insourcing of cloud consumption revenues in a client.
- **Margin performance**: EBIT margin was up ~ 60 bps QoQ/~335 bps YoY at 14.4% led by volume growth and savings from Project Fortius, partially offset by Comviva seasonality and business mix. Reported PAT stood at ₹1,465 crore, up 8.2% QoQ/ 28.4% YoY.
- **Outlook: Management maintained its aspiration to drive EBIT margins toward ~15% over FY27 and maintained its aspiration of outperforming industry growth & delivering above peer-average revenue growth in FY27,** supported by ramp-up of recent large deals, improving client mining and sustained benefits from Project Fortius (margin improvement). However, management also cautioned that margins could face near-term headwinds from wage hikes planned in a phased manner from Q2, investments in AI capabilities and go-to-market initiatives which are expected to be largely offset by operational efficiencies and productivity improvements.
- **TCV Performance:** It won a new deal TCV of US$ 1,078 mn, up 0.5% QoQ/ up 33.3% YoY.
- **Headcount & Attrition**: The total headcount decreased by 863 employees to 1,46,760. The attrition rate at 11.8%, was down ~30 bps QoQ.

Exhibit 1: Quarter Performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue (₹ crore)	15,712	13,351	17.7	15,076	4.2	Revenue inched up by 0.6% QoQ/ 2.4% YoY in CC terms
Employee expenses	10,926	9,524	14.7	10,402	5.0	
Gross Margin	4,786	3,828	25.0	4,674	2.4	
Gross margin (%)	30.5	28.7	179 bps	31.0	-54 bps	
SG&A expenses	2,044	1,892	8.0	2,109	(3.1)	
EBITDA	2,743	1,935	41.7	2,565	6.9	
EBITDA Margin (%)	17.5	14	297 bps	17.0	44 bps	
Dep. & amort.	478.6	458.1	4.5	481.1	(0.5)	
EBIT	2,264	1,477	53.3	2,084	8.6	
EBIT Margin (%)	14.4	11	335 bps	13.8	58 bps	EBIT margin was up ~ 60 bps QoQ/~335 bps YoY at 14.4% led by volume growth and savings from Project Fortius, partially offset by Comviva seasonality and business mix
Other income (less int.)	(218)	141	(254.9)	(293)	(25.8)	
PBT	2,046	1,618	26.5	1,791	14.3	
Tax paid	556	489	13.5	434	28.0	
PAT	1,465	1,141	28.4	1,354	8.2	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

		FY27E			FY28E	
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	6,663	6,767	1.6	7,063	7,209	2.1
Revenue	61,298	63461	3.5	64,984	67,045	3.2
EBIT	8,827	9317	5.6	9,618	10,124	5.3
EBIT Margin (%)	14.4	14.7	28 bps	14.8	15.1	30 bps
PAT	6,665	6743	1.2	7,454	7,855	5.4
Diluted EPS (₹)	75.4	76.2	1.2	84.3	88.8	5.4

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Net sales	**56,815**	**63,461**	**67,045**
Growth (%)	7	12	6
COGS (empl. exp.)	39,869	44,222	46,731
Gross profit	16,947	19,239	20,315
S,G&A expenses	7,913	7,931	8,045
Total Operating Exp.	47,781	52,153	54,776
EBITDA	**9,034**	**11,308**	**12,269**
Growth (%)	29	25	8
Depreciation	1,882	1,991	2,145
Interest	337	336	260
Other Income	32	216	778
PBT	6,847	9,197	10,642
Total Tax	1,768	2,415	2,767
Exceptional item	(272)	-	-
PAT	**4,811**	**6,743**	**7,855**
Growth (%)	13	40	16
EPS (₹)	54.3	76.2	88.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	6,847	9,197	10,642
Add: Depreciation	1,882	1,991	2,145
(Inc)/dec in Current Assets	(2,942)	(2,227)	(1,201)
Inc/(dec) in CL and Provisions	1,455	1,688	910
Taxes paid	(1,650)	(2,415)	(2,767)
CF from operating activities	**6,172**	**8,140**	**9,212**
(Inc)/dec in Investments	(161)	-	-
(Inc)/dec in Fixed Assets	(546)	(711)	(751)
Others	125	430	778
CF from investing activities	**(409)**	**(280)**	**27**
Issue/(Buy back) of Equity	1	-	-
Inc/(dec) in loan funds	(434)	-	-
Dividend paid & dividend tax	(4,026)	(3,732)	(3,732)
Inc/(dec) in debentures	-	-	-
Finance charges	(208)	(336)	(260)
CF from financing activities	**(5,131)**	**(4,418)**	**(4,342)**
Net Cash flow	632	3,442	4,897
Cash by acquisition	-	-	-
Opening Cash	4,542	5,105	8,547
Cash carried to B/S	**5,105**	**8,547**	**13,444**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Liabilities			
Equity Capital	443	443	443
Reserve and Surplus	29,173	32,184	36,308
Total Shareholders funds	29,615	32,627	36,751
Minority Interest	462	498	522
Total Debt	70	70	70
Other long term liabilities	4,795	4,795	4,795
Total Liabilities	**34,942**	**37,990**	**42,137**
Assets			
Net Block	4,406	3,476	2,431
Capital WIP	27	27	27
Investments	3,426	3,423	3,427
Deferred tax assets	2,186	2,186	2,186
Goodwill on consolidation	8,456	8,456	8,456
Debtors	13,358	14,920	15,763
Loans and Advances	-	-	-
Other non-current assets	4,627	4,628	4,629
Cash	5,105	8,547	13,444
Other current assets	5,672	6,335	6,693
Total Current Assets	27,575	33,242	39,340
Trade payables	5,040	5,630	5,947
Current liabilities	8,179	9,136	9,652
Provisions	1,209	1,350	1,426
Total Current Liabilities	14,428	16,116	17,026
Net Current Assets	13,147	17,127	22,314
Application of Funds	**34,942**	**37,990**	**42,137**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
EPS	54.3	76.2	88.8
BV	333.9	367.8	414.3
DPS	46	42	-
Cash Per Share	57.6	96.4	151.6
Operating Ratios (%)			
EBIT Margin	12.6	14.7	15.1
PAT Margin	8.9	10.6	11.7
Return Ratios (%)			
RoE	17.2	20.7	21.4
RoCE	20.6	25.1	25.9
RoIC	27.0	35.7	40.0
Valuation Ratios (x)			
P/E	28.3	20.2	17.3
EV / EBITDA	14.2	11.0	9.8
EV / Net Sales	2.3	2.0	1.8
Market Cap / Sales	2.4	2.1	2.0
Price to Book Value	4.6	4.2	3.7
Solvency Ratios			
Debt/EBITDA	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0
Current Ratio	1.3	1.3	1.3
Quick Ratio	1.3	1.3	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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