

18 January 2026

Strong deal momentum

Tech Mahindra (TECHM IN) Q3 revenue and margin performances were better than our estimates. TECHM is seeing revival in its communications segment on the back of recovery of spending by its top accounts in the US as well as on a mega deal win of USD 500mn from an EU telco this quarter. The company says this further strengthens its position in this vertical. The BFSI vertical witnessed seasonal furlough, but it is likely to see recovery in the next quarter. Margin continues to see further improvement on account of higher mix of fixed price projects as well as pyramid optimization. Orderbook for the quarter sees a sharp jump, due to mega deal; however, it continues to see an upward trajectory in the past few quarters. We retain **Accumulate** and raise our TP to INR 1,840 based on 22x FY27E earnings.

Growth driven by the EU and communications segment: Revenue grew 1.7% QoQ in CC terms. Growth in USD was 1.5% QoQ. Performance in INR terms was better at 2.8% QoQ, due to cross-currency tailwinds. In Q3, the Americas reported revenue growth of 3.1% QoQ, with the EU up 2.2% QoQ, while the RoW market declined 2.3% QoQ. Vertical-wise, the communications vertical saw an uptick, with revenue growth of 2.8% QoQ. Retail grew 4% QoQ, followed by the healthcare and technology verticals, up 3% QoQ while revenue from BFSI contracted 6.2% QoQ in Q3. New deal total contract value (TCV) came in at USD 1,096mn, up 34% QoQ and 47% YoY, the highest since Q3FY20. Last Twelve Months (LTM) attrition was down 50bp QoQ to 12.3%. Headcount decreased by ~3K QoQ based on a higher share of fixed price contracts.

Margin expansion led by Project Fortius: EBIT margin expanded ~100bp in Q3 to 13.1%, largely by fixed-price productivity, volume growth, and operational improvement from Project Fortius, including better utilization, disciplined pricing, and improved revenue mix. TECHM remains on track to achieve a 15% EBIT margin by FY27, underpinned by its pricing discipline and a continued focus on avoiding margin-dilutive large contracts.

Retain Accumulate with a higher TP of INR 1,840: The company's communications vertical, which formed >40% of its revenue mix for the past 2-3 years ago, witnessed continued softness, due to dried-up spending from its top clients in the US as well as no major progress in the EU market. The decline is likely to be arrested, due to recovery in US telecom clients as well as mega deal win in the EU market. BFSI growth is likely to see acceleration on account of new logo wins. The company also saw growth in USD 20mn+ clients, which are growing faster than the company's average and are more profitable, helping it to improve profitability. TECHM retains FY27 EBIT margin guidance of 15%. We factor in numbers from the mega deal into our estimates as well the recovery in the communications vertical, resulting ~5-10% increase in revenue estimates and 7-8% in earnings during FY27-28. The stock has run-up 20% in the past two months vs the index up ~8%; TECHM currently trades at 29x FY26E P/E and 20x FY27E P/E. We increase our TP to INR 1,840 from INR 1,640 based on 22x (from 21x) FY27E EPS based on the improving outlook of its largest vertical as well as strong earnings. We retain **Accumulate**.

Key financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	519,956	529,883	563,848	617,796	671,383
YoY (%)	(2.4)	1.9	6.4	9.6	8.7
EBITDA (INR mn)	49,646	69,911	87,705	109,165	121,498
EBITDA margin (%)	9.5	13.2	15.6	17.7	18.1
Adj PAT (INR mn)	23,578	42,515	51,483	74,325	79,811
YoY (%)	(51.2)	80.3	21.1	44.4	7.4
Fully DEPS (INR)	26.6	47.9	58.0	83.7	89.9
RoE (%)	8.5	15.5	18.4	26.3	27.3
RoCE (%)	9.2	18.0	24.3	31.1	33.9
P/E (x)	62.7	34.8	28.8	19.9	18.6
EV/EBITDA (x)	32.0	22.7	18.1	14.5	13.1

Note: Pricing as on 16 January 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**
 Target Price: **INR 1,840**
 Upside: **10%**
 CMP: **INR 1,671**
 As on 16 January 2026

Key data

Bloomberg	TECHM IN
Reuters Code	TEMLNS
Shares outstanding (mn)	980
Market cap (INR bn/USD mn)	1,637/18,011
EV (INR bn/USD mn)	1,588/17,475
ADTV 3M (INR mn/USD mn)	2,732/30
52 week high/low	1,736/1,209
Free float (%)	65

Note: as on 16 January 2026; Source: Bloomberg

Price chart



Source: Bloomberg

	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Shareholding (%)				
Promoter	35.0	35.0	35.0	35.0
% Pledge	0.0	0.0	0.0	0.0
FII	24.2	22.9	23.3	20.6
DII	31.0	32.4	32.1	34.6
Others	9.8	9.7	9.6	9.8

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(0.1)	2.9	10.7
Tech Mahindra	15.4	6.8	0.6
NSE Mid-cap	0.4	1.5	9.4
NSE Small-cap	(5.1)	(9.5)	(3.0)

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	519,956	529,883	563,848	617,796	671,383
Gross Profit	128,809	149,035	200,341	231,406	251,898
EBITDA	49,646	69,911	87,705	109,165	121,498
EBIT	26,893	51,109	68,936	89,296	100,740
Interest expense	3,922	3,217	3,247	2,537	3,645
Other income	9,274	8,640	4,067	8,785	9,586
Exceptional/ Extra-ordinary items	-	-	2,724	-	-
PBT	32,244	56,532	67,032	95,544	106,681
Tax	8,276	14,002	17,560	21,020	26,670
Minority interest/Associates income	390	15	(30)	200	200
Reported PAT	23,578	42,515	49,502	74,325	79,811
Adjusted PAT	23,578	42,515	51,483	74,325	79,811
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	266,694	273,615	276,090	279,806	295,769
Minority Interest	4,774	4,302	4,272	4,472	4,672
Trade Payables	37,853	44,108	46,344	50,778	55,182
Provisions & Other Current Liabilities	88,313	77,918	84,884	93,456	106,686
Total Borrowings	15,310	4,714	4,714	4,714	4,714
Other long term liabilities	8,988	23,270	23,270	23,270	23,270
Total liabilities & equity	434,236	444,945	456,592	473,514	502,596
Net Fixed Assets	36,193	39,197	28,886	18,284	7,596
Goodwill	75,106	76,993	76,993	76,993	76,993
Intangible assets	28,350	23,491	23,491	23,491	23,491
Business Investments / other NC assets	60,334	68,472	68,472	68,472	68,472
Cash, Bank Balances & treasury investments	47,355	45,422	59,215	74,911	102,930
Inventories	375	394	394	394	394
Sundry Debtors	71,256	65,486	77,271	84,664	92,008
Other Current Assets	115,267	125,490	121,870	126,306	130,713
Total Assets	434,236	444,945	456,592	473,514	502,596
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	63,764	57,857	69,278	95,571	101,939
Capital expenditure	(7,911)	(5,935)	(8,458)	(9,267)	(10,071)
Acquisitions / divestitures	(7,488)	(1,620)	-	-	-
Other Business cashflow	2,262	7,323	-	-	-
Free Cash Flow	50,627	57,625	60,820	86,304	91,868
Cashflow from Financing	(47,672)	(57,992)	(47,027)	(70,608)	(63,849)
Net Change in Cash / treasury investments	2,955	(367)	13,793	15,696	28,019
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	40.0	45.0	53.0	79.5	71.9
Book value per share (INR)	300.5	308.3	311.0	315.2	333.2
RoCE (Pre-tax) (%)	9.2	18.0	24.3	31.1	33.9
ROIC (Pre-tax) (%)	10.8	21.4	29.8	40.6	48.4
ROE (%)	8.5	15.5	18.4	26.3	27.3
Asset Turnover (x)	13.6	14.1	16.6	26.2	51.9
Net Debt to Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)
Net Debt to EBITDA (x)	(0.6)	(0.6)	(0.6)	(0.6)	(0.8)
Interest cover (x) (EBITDA/ int exp)	12.7	21.7	27.0	43.0	33.3
Total Working capital days (WC/rev)	19.7	11.2	15.7	14.9	14.3
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	62.7	34.8	28.8	19.9	18.6
P/Sales (x)	3.1	3.1	2.9	2.6	2.4
EV/ EBITDA (x)	32.0	22.7	18.1	14.5	13.1
EV/ OCF (x)	24.9	27.4	22.9	16.6	15.6
FCF Yield	3.6	4.2	4.5	5.9	6.2
Price to BV (x)	5.6	5.4	5.4	5.3	5.0
Dividend yield (%)	2.4	2.7	3.2	4.8	4.3

Note: Pricing as on 16 January 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Quarterly financials

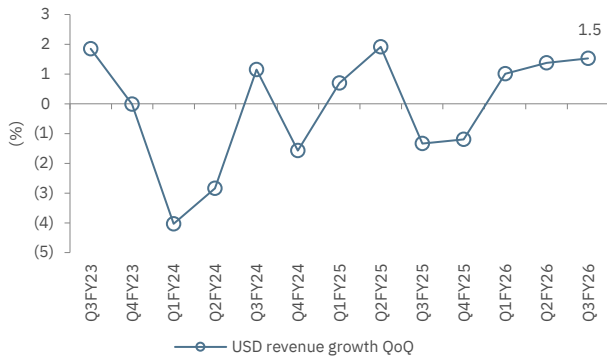
YE March (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
Revenues (in USD mn)	1,610	1,567	2.7	1,586	1.5	1,594	1.0
Revenue	1,43,932	1,32,856	8.3	1,39,949	2.8	1,41,851	1.5
Operating Expenditure	1,20,276	1,14,766	4.8	1,18,269	1.7	1,19,373	0.8
Employee benefit expenses	75,637	74,246	1.9	76,291	(0.9)	77,054	(1.8)
Subcontracting Expense	15,416	14,585	5.7	14,436	6.8	14,364	7.3
Other expenses	29,223	25,935		27,542		27,955	
EBITDA	23,656	18,090	30.8	21,680	9.1	22,478	5.2
Depreciation	4,737	4,588		4,687		4,764	(0.6)
EBIT	18,919	13,502	40.1	16,993	11.3	17,714	6.8
Finance expense	936	759		772		790	
Other Income	(208)	231		372		1,181	
Exceptional items	2,724						
PBT	15,051	12,974	16.0	16,593	(9.3)	18,105	(16.9)
Total Tax	3,865	3,086		4,576		4,255	(9.2)
Reported PAT	11,220	9,832	14.1	11,945	(6.1)	13,800	(18.7)
Reported EPS (INR)	12.6	11.1	14.1	13.5	(6.1)	15.6	(18.7)

Source: Company, Elara Securities Estimate

Conference call highlights

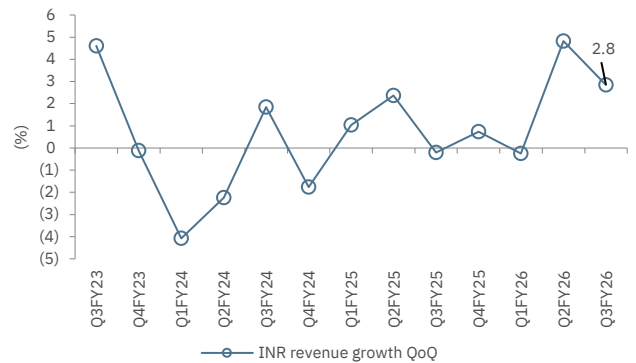
- ▶ **Demand outlook:** TECHM highlighted the macro environment is stabilizing with gradual improvement. Technology spending remains selective, but discretionary demand is incrementally loosening, supporting improved deal flow and conversion. Management expects to outgrow the peer average by end-FY27.
- ▶ **Communications** growth driven by improving stability in the US and the EU, which are poised to shift from stability to growth on the back of large deal wins. USD 500mn net-new EU mega deal revenue ramp-up is set to start in H1FY27. Growth is being fueled by vendor consolidation and TECHM's full-stack differentiation (IT, network, BPS, and Comviva software).
- ▶ **BFSI** performance was temporarily soft in Q3, due to higher furlough and annual productivity pass-throughs in a large multi-year infrastructure contract, rather than demand weakness. Management says underlying demand remains healthy. TECHM added several new BFSI logos, and continues to see strong demand for transformation, data analytics, cybersecurity, payments, and AI adoption. Vendor consolidation in BFSI is happening more slowly than in telecom, due to longer buying and ramp-up cycles, but management expects growth to normalize in subsequent quarters, with no further productivity headwinds expected in Q4.
- ▶ **Vertical-wise breakdown:** Manufacturing growth was led by aerospace and industrial segments in the US and a large EU automotive ramp, while US auto remains cautious but is set to improve in the medium term. Retail, travel, and logistics growth was driven by strong logistics demand and above-normal retail BPS seasonality. High-tech declined 4.6% YoY but posted sequential growth, led by semiconductor engineering services, although volatility may persist amid cost pressures.
- ▶ **BPS** continues to outperform IT services, driven by a shift from seat-based delivery to AI-led, solutions-driven services. Strong leadership, automation, and agentic AI capabilities are enabling wins over pure-play BPO peers while margin, which has been temporarily adversely affected by past integrations, is gradually improving as scale, cross-sell from IT clients, and technology intensity increase.
- ▶ **AI:** TECHM highlighted a shift from experimentation to scaled, embedded execution across enterprise engagements. AI is deeply infused into large multi-year programs spanning business experience, process automation, IT build, and operations, rather than being sold as standalone projects. AI adoption is underway across top clients, supported by strategic initiatives, such as the *Google Gemini* partnership, agentic-AI-driven delivery, and a new digital-labor pricing model that separates human effort from AI token-based consumption.

Exhibit 2: USD revenue growth improves sequentially



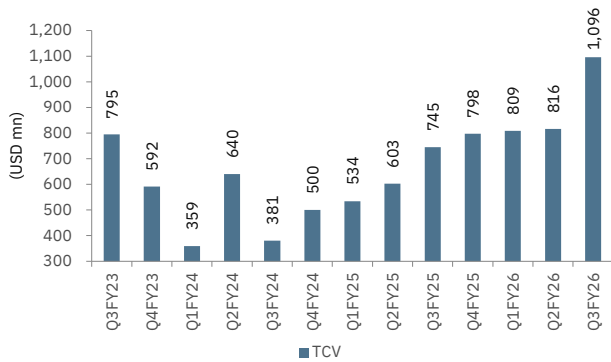
Source: Company, Elara Securities Research

Exhibit 3: INR growth better due to INR depreciation



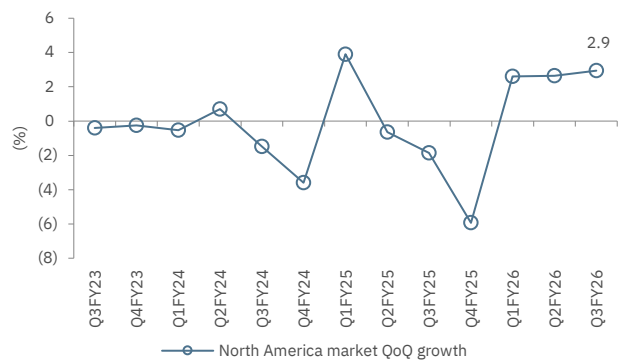
Source: Company, Elara Securities Research

Exhibit 4: TCV growth driven by mega deal wins



Source: Company, Elara Securities Research

Exhibit 5: Steady North America growth



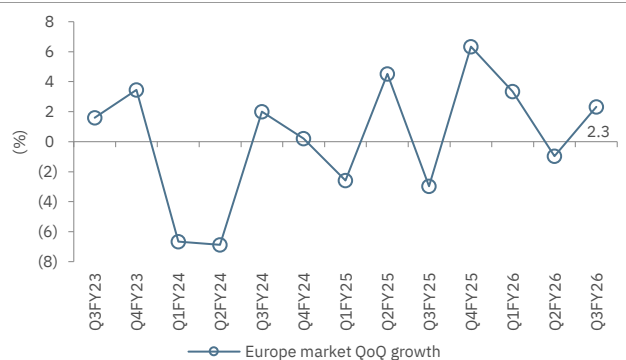
Source: Company, Elara Securities Research

Exhibit 6: RoW declines due to higher-than-expected furlough

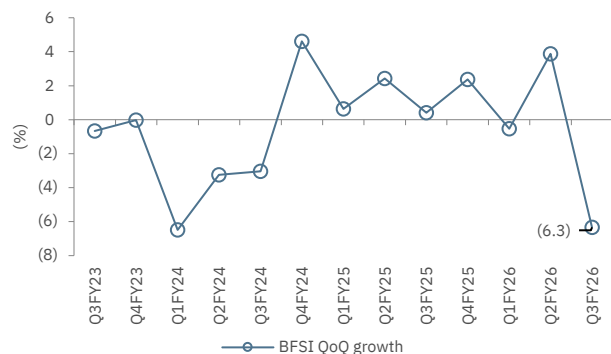


Source: Company, Elara Securities Research

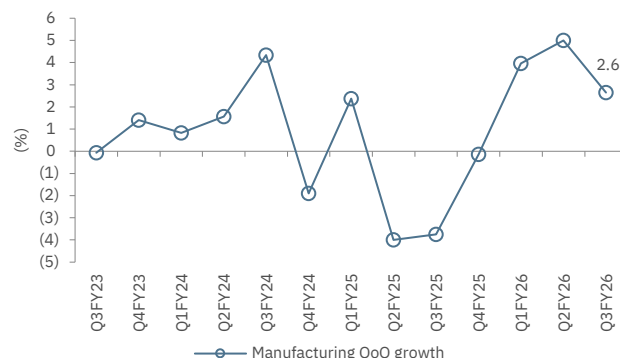
Exhibit 7: EU growth driven by large deal ramp-up issues



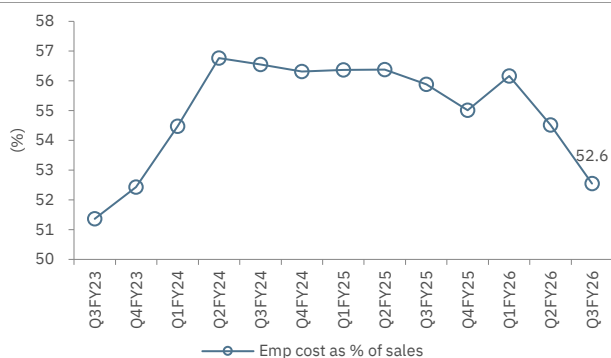
Source: Company, Elara Securities Research

Exhibit 8: BFSI declining from higher furlough and productivity pass-through for a large client in Q3


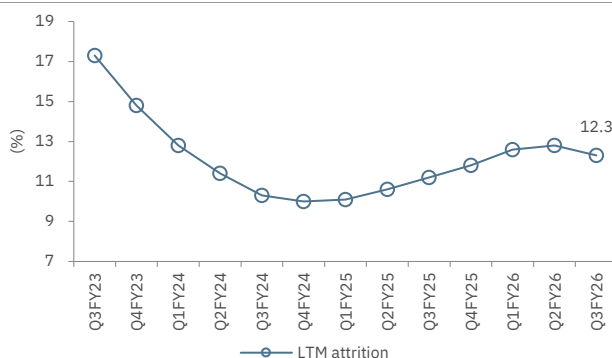
Source: Company, Elara Securities Research

Exhibit 9: Manufacturing driven by strong aerospace and industrials


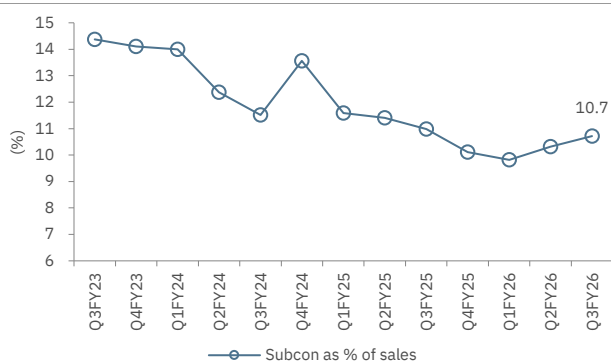
Source: Company, Elara Securities Research

Exhibit 10: Contracting employee cost, as a percentage of sales


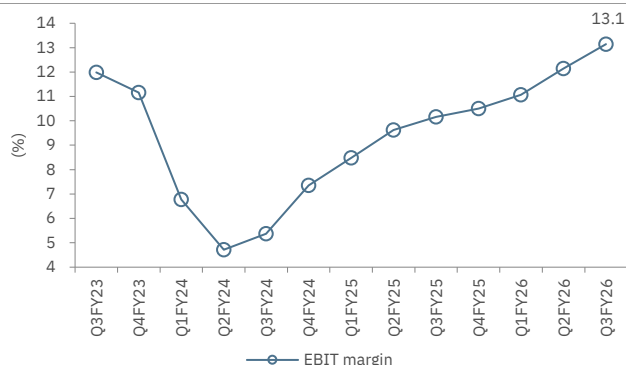
Source: Company, Elara Securities Research

Exhibit 11: Attrition contracts 50bp sequentially


Source: Company, Elara Securities Research

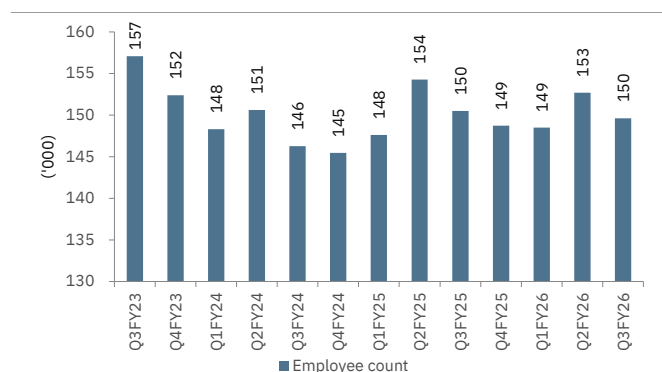
Exhibit 12: Subcontractor cost trending up


Source: Company, Elara Securities Research

Exhibit 13: Margin improves ~100bp sequentially


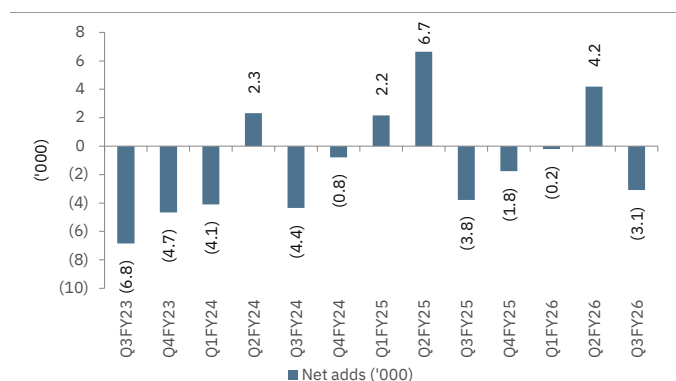
Source: Company, Elara Securities Research

Exhibit 14: Employee count declines...



Source: Company, Elara Securities Research

Exhibit 15: ... due to reduced fresh hiring



Source: Company, Elara Securities Research

Exhibit 16: Valuation

(INR)	
Current trailing 12 months (TTM) EPS	52
Current market price (CMP)	1671
Target EPS	84
Target EPS period	FY27
Target multiple (x)	22
Target price	1,840
Upside (%)	10

Note: Pricing as on 16 January 2026; Source: Elara Securities Estimate

Exhibit 17: TECHM trades at 21.3x, close to its 10-year mean level of 18.2x



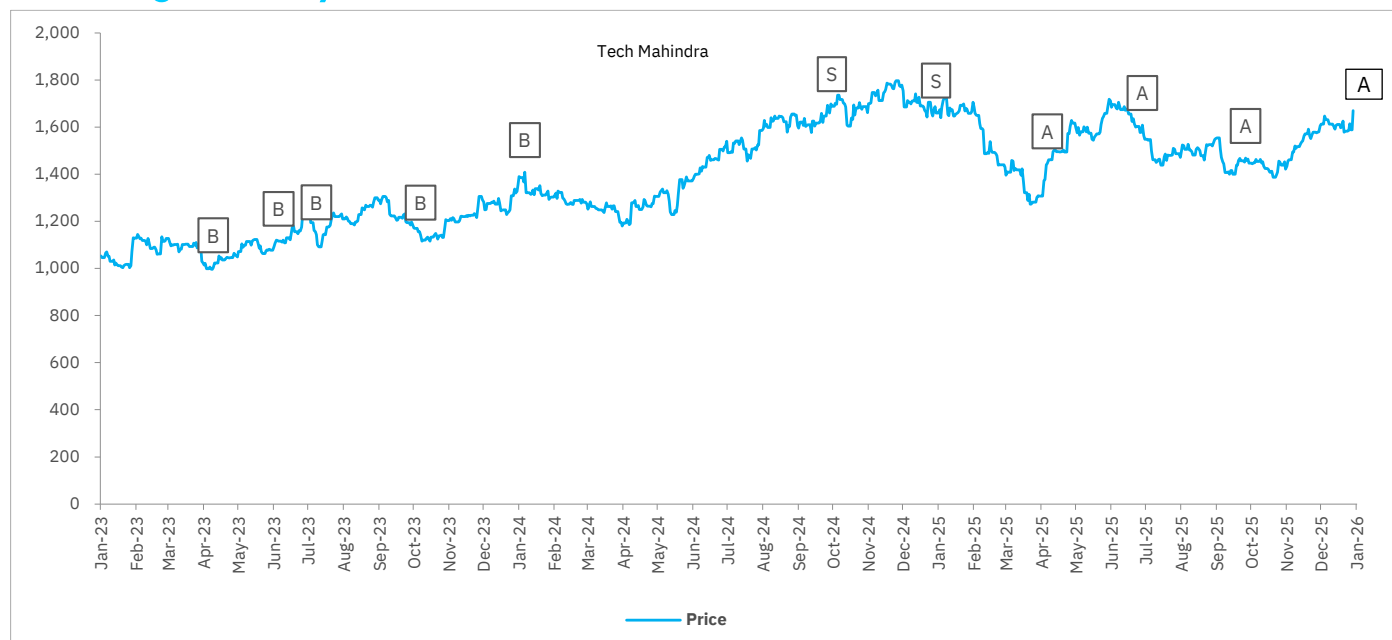
Note: Pricing as on 16 January 2026; Source: NSE, Company, Elara Securities Estimate

Exhibit 18: Change in estimates

(INR mn)	Earlier			Revised			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue in USD	6,373	6,609	6,861	6,406	6,942	7,544	0.5	5.0	10.0
Revenue in INR	5,53,814	5,74,948	5,96,878	5,63,848	6,17,796	6,71,383	1.8	7.5	12.5
EBIT	65,963	83,818	91,590	68,936	89,296	1,00,740	4.5	6.5	10.0
EBIT margin (%)	11.9	14.6	15.3	12.2	14.5	15.0	30 bps	(10) bps	(30) bps
PAT	51,655	69,424	73,633	49,502	74,325	79,811	(4.2)	7.1	8.4
EPS (INR)	58.2	78.2	83.0	55.8	83.7	89.9	(4.2)	7.0	8.4
TP (INR)	1,640			1,840			12.2		

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
27-Apr-2023	Buy	1,220	1,003
23-Jun-2023	Buy	1,340	1,116
26-Jul-2023	Buy	1,380	1,143
25-Oct-2023	Buy	1,360	1,142
24-Jan-2024	Buy	1,660	1,408
18-Oct-2024	Sell	1,370	1,688
17-Jan-2025	Sell	1,410	1,660
24-Apr-2025	Accumulate	1,530	1,445
16-Jul-2025	Accumulate	1,730	1,608
14-Oct-2025	Accumulate	1,640	1,468
16-Jan-2026	Accumulate	1,840	1,671

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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