Tech Mahindra

India | IT Services | **Result Update**

Elara Capital

17 July 2026

Strong growth led by one-off acceleration

Rating: Accumulate
Target Price: INR 1,620
Upside: 7%
CMP: INR 1,510
As on 16 July 2026

Tech Mahindra's (TECHM IN) Q1 revenue and margin performance were better than our expectations. In the manufacturing vertical, sustained momentum in Aerospace and earlier-than-planned execution of a large European automotive deal helped revenue growth beat expectations in Q1. Per management, accelerated execution of this deal offered a tailwind of 1%, which will taper off in Q2. Communication revenue was hit by Comviva seasonality in Q1, which may be normalized in Q2. Manufacturing may see a sequential decline in Q2, but growth may be visible in the medium term. In BFSI, TECHM may post growth due to deep expertise in asset management, payments and wealth etc. The company reiterated its FY27 revenue growth aspiration, targeting growth above the industry's expected 3-5%. TECHM maintained its FY27 EBIT margin guidance of 15%. We retain Accumulate with a higher TP of INR 1,620 (from INR 1,550 earlier).

Growth driven by Europe and Manufacturing: Revenue grew 2.6% QoQ in CC terms. Growth in USD was 2.2% QoQ. Performance in INR terms was better at +4.2% QoQ, due to INR depreciation. In Q1, growth was led by Europe market that reported a sequential growth of 8.1% in USD terms, while the Americas reported a revenue growth of 0.1% QoQ. The RoW market reported a growth of 0.5% QoQ. Vertical-wise, growth was led by Manufacturing, which grew ~9% QoQ. BFSI grew 2.8% QoQ and Healthcare 2.2% QoQ. Communications and Technology reported a decline of 1.2% and 2.4% on QoQ basis. Deal momentum was strong, with new TCV at USD 1,078mn (+33.3% YoY), the third straight quarter of >USD 1bn TCV. LTM attrition was down 30bps QoQ to 11.8%. Headcount decreased by ~0.8K QoQ, and utilization was up 90bps QoQ to 87%.

Margin expansion led by Project Fortius: TECHM's EBIT margin expanded 60bps in Q1 to 14.4%. Tailwinds for the quarter were better utilization and rupee depreciation while headwinds were Comviva seasonality. The company maintains its FY27 EBIT margin guidance of 15% and reiterated that it aspires to exit FY27 with margin of >15%. TECHM is planning for a wage hike in Q2 but mentioned that wage hike for the year will be staggered.

Maintain Accumulate with a higher TP of INR 1,620: TECHM reiterated its FY27 revenue growth aspiration, targeting growth above the industry's expected 3-5%. We continue to build in ~6%/5% revenue growth in FY27E/28E for TECHM on better outlook for communication and other verticals. Regarding margins, earlier, TECHM maintained 15% exit margins for FY27 but now aspires to exit tad higher at 15%+. Since the company is planning for a staggered wage hike, the impact on margins would also be staggered and with fresher hiring strategy and continued optimization of subcon costs, aspiration of 15%+ exit may not see any risk, in our view. Accordingly, we raise earnings estimates by 1-4% for FY27E/28E, and TP to INR 1,620 from INR 1,550, with an unchanged multiple of 18x. Lower-than-expected earnings are a key risk to our estimates.

Key data	
Bloomberg	TECHM IN
Reuters Code	TEML.NS
Shares outstanding (mn)	980
Market cap (INR bn/USD mn)	1,480/15,362
EV (INR bn/USD mn)	1,422/14,761
ADTV 3M (INR mn/USD mn)	3,933/41
52 week high/low	1,854/1,304
Free float (%)	65

Note: as on 16 July 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26
Promoter	35.0	35.0	35.0	35.0
% Pledge	0.0	0.0	0.0	0.0
FII	23.3	20.6	17.9	18.6
DII	32.3	34.8	38.0	37.5
Others	9.4	9.6	9.1	8.9

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(1.2)	(6.3)	(4.1)
Tech Mahindra	1.3	(9.6)	(6.1)
NSE Mid-cap	2.1	0.2	1.1
NSE Small-cap	10.2	11.7	0.4

Source: Bloomberg

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	529,883	568,154	638,798	671,140	701,589
YoY (%)	1.9	7.2	12.4	5.1	4.5
EBITDA (INR mn)	69,911	90,341	114,217	126,156	137,668
EBITDA margin (%)	13.2	15.9	17.9	18.8	19.6
Adj PAT (INR mn)	42,515	50,152	68,671	79,511	88,641
YoY (%)	80.3	18.0	36.9	15.8	11.5
Fully DEPS (INR)	47.9	56.5	77.3	89.5	99.8
RoE (%)	15.5	17.3	22.7	25.4	26.9
RoCE (%)	18.0	24.3	30.8	33.0	34.7
P/E (x)	31.5	26.7	19.5	16.8	15.1
EV/EBITDA (x)	20.3	15.7	12.5	11.3	10.3

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

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	529,883	568,154	638,798	671,140	701,589
Gross Profit	149,035	202,369	247,286	261,907	272,735
EBITDA	69,911	90,341	114,217	126,156	137,668
EBIT	51,109	71,525	94,731	104,636	116,148
Interest expense	3,217	3,374	3,671	3,355	3,256
Other income	8,640	304	635	3,602	4,004
Exceptional/ Extra-ordinary items	-	2,724	-	-	-
PBT	56,532	65,731	91,695	104,883	116,896
Tax	14,002	17,676	22,662	25,172	28,055
Minority interest/Associates income	15	(54)	362	200	200
Reported PAT	42,515	48,109	68,671	79,511	88,641
Adjusted PAT	42,515	50,152	68,671	79,511	88,641

Balance Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Shareholders' Equity	273,615	296,154	299,588	315,490	333,218
Minority Interest	4,302	4,616	4,978	5,178	5,378
Trade Payables	44,108	50,400	52,504	55,162	57,665
Provisions & Other Current Liabilities	77,918	89,861	94,220	102,554	105,961
Total Borrowings	4,714	4,714	4,714	4,714	4,714
Other long term liabilities	23,270	30,931	30,931	30,931	30,931
Total liabilities & equity	**444,945**	**493,694**	**503,953**	**526,333**	**550,171**
Net Fixed Assets	39,197	44,326	31,228	16,420	1,916
Goodwill	76,993	84,560	84,560	84,560	84,560
Intangible assets	23,491	19,699	19,699	19,699	19,699
Business Investments / other NC assets	68,472	69,362	69,362	69,362	69,362
Cash, Bank Balances & treasury investments	45,422	51,054	67,918	98,015	129,681
Inventories	394	1,042	1,042	1,042	1,042
Sundry Debtors	65,486	75,369	87,542	91,975	96,147
Other Current Assets	125,490	148,282	142,601	145,261	147,764
Total Assets	**444,945**	**493,694**	**503,953**	**526,333**	**550,171**

Cash Flow Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Cashflow from Operations	**57,857**	**61,720**	**88,489**	**100,417**	**109,594**
Capital expenditure	(5,935)	(6,957)	(6,388)	(6,711)	(7,016)
Acquisitions / divestitures	(1,620)	(757)	-	-	-
Other Business cashflow	7,323	3,622	-	-	-
Free Cash Flow	**57,625**	**57,628**	**82,101**	**93,706**	**102,579**
Cashflow from Financing	(57,992)	(51,305)	(65,237)	(63,609)	(70,913)
Net Change in Cash / treasury investments	(367)	6,323	16,864	30,097	31,666

Key assumptions & Ratios	FY25	FY26	FY27E	FY28E	FY29E
Dividend per share (INR)	45.0	51.0	73.5	71.6	79.9
Book value per share (INR)	308.3	333.6	337.4	355.3	375.3
RoCE (Pre-tax) (%)	18.0	24.3	30.8	33.0	34.7
ROIC (Pre-tax) (%)	21.4	29.1	38.2	44.6	52.7
ROE (%)	15.5	17.3	22.7	25.4	26.9
Asset Turnover (x)	14.1	13.6	16.9	28.2	76.5
Net Debt to Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
Net Debt to EBITDA (x)	(0.6)	(0.5)	(0.6)	(0.7)	(0.9)
Interest cover (x) (EBITDA/ int exp)	21.7	26.8	31.1	37.6	42.3
Total Working capital days (WC/rev)	11.2	11.6	15.3	14.2	13.7

Valuation	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	31.5	26.7	19.5	16.8	15.1
P/Sales (x)	2.8	2.6	2.3	2.2	2.1
EV/ EBITDA (x)	20.3	15.7	12.5	11.3	10.3
EV/ OCF (x)	24.6	23.0	16.1	14.2	13.0
FCF Yield	4.1	4.1	5.8	6.6	7.2
Price to BV (x)	4.9	4.5	4.5	4.3	4.0
Dividend yield (%)	3.0	3.4	4.9	4.7	5.3

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

Exhibit 1: Quarterly financials

YE March (INR mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Revenues(in USD mn)	1,660	1,564	6.1	1,625	2.2	1,642	1.1
Revenue	157,119	133,512	17.7	150,761	4.2	154,346	1.8
Operating expenditure	129,694	114,160	13.6	125,108	3.7	127,464	1.7
Employee benefit expenses	78,766	74,989	5.0	77,871	1.1	79,428	(0.8)
Subcontracting expense	17,909	13,108	36.6	18,037	(0.7)	18,398	(2.7)
Other expenses	33,019	26,063		29,200		29,638	
EBITDA	27,425	19,352	41.7	25,653	6.9	26,882	2.0
Depreciation	4,786	4,581		4,811		4,900	(2.3)
EBIT	22,639	14,771	53.3	20,842	8.6	21,982	3.0
Finance expense	1,113	778		888		853	
Other income, net	(1,107)	2,188		(2,048)		581	
PBT	20,419	16,181	26.2	17,906	14.0	21,710	(5.9)
Total tax	5,556	4,893		4,342		5,428	2.4
Reported PAT	14,651	11,406	28.4	13,538	8.2	16,233	(9.7)
Reported EPS (INR)	16.5	12.9	28.3	15.2	8.3	18.3	(9.7)

Source: Company, Elara Securities Estimate

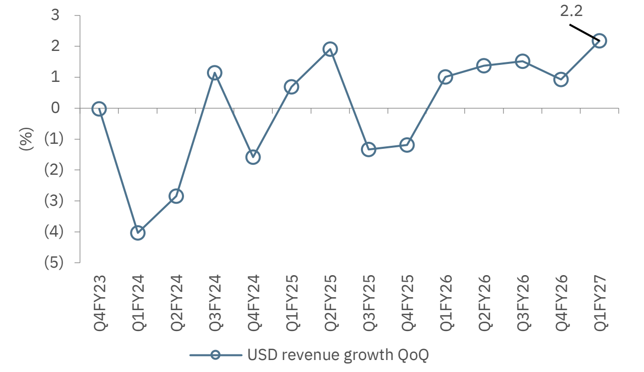
Conference call highlights

- **Sector-wise expertise:** TECHM mentioned that in sectors such as telecom, it has depth in traditional IT services, which is OSS (Operations Support Systems) as well as BSS (Business Support Systems). Also in networks, it has its own software packages. So, TECHM has end-to-end expertise in the vertical. In Financial Services, wherein TECHM is smaller than peers, it has clearly identified sub verticals such as payments, wealth, insurance (TECHM has built very deep expertise). In healthcare, TECHM has identified areas of strength in Lifesciences and the provider space.

- **Competition has been irrational:** Management noted that competition has become irrational, with peers embedding aggressive productivity assumptions into 5-7 year contracts. According to TECHM, competitors are factoring in 70–80% productivity gains over the contract term. TECHM believes these assumptions are unrealistic for two key reasons: (i) clients are undergoing significant changes to their processes and technology systems, making future productivity gains difficult to quantify or realize today; and (ii) rapidly rising memory and chip costs create additional uncertainty, making it challenging to commit to such productivity improvements over the life of the contract.

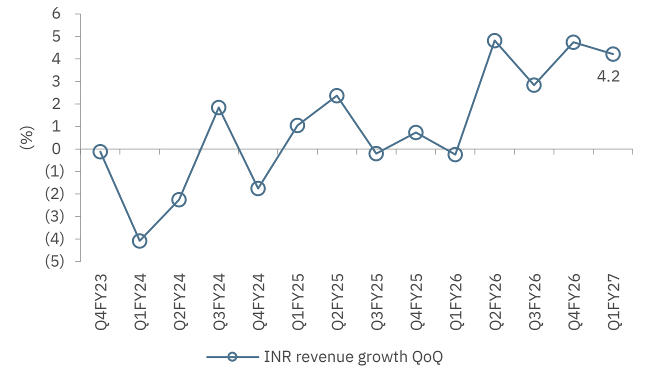
- **Demand areas and challenges:** Per TECHM, platform or the enterprise application demand is strengthening, with strong demand in areas such as ServiceNow and SAP, and Salesforce. Management highlighted continued strength in demand across the Data & AI portfolio, including cloud AI services, data engineering platforms (Databricks and Snowflake), and GenAI frameworks. Demand also remains robust for enterprise platforms such as Guidewire, Temenos, and LabWare LIMS. In contrast, demand remains weak in legacy service areas, including manual testing, traditional big data, standalone e-commerce, and legacy CRM

Exhibit 2: Growth strong, partially led by one-off acceleration



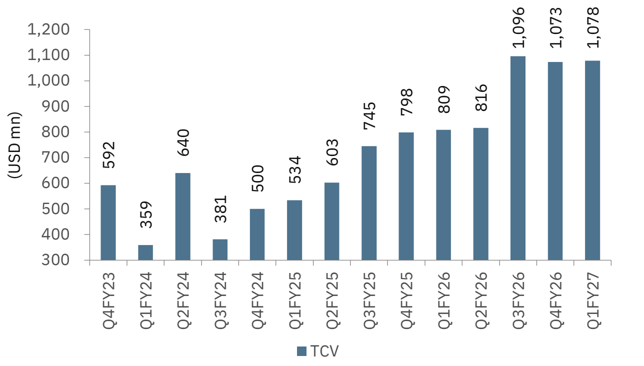
Source: Company, Elara Securities Research

Exhibit 3: INR growth better due to INR depreciation



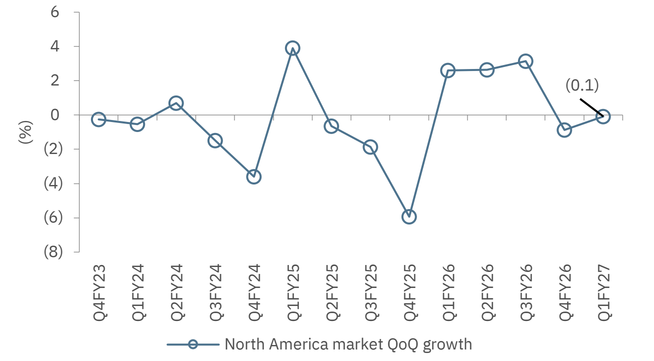
Source: Company, Elara Securities Research

Exhibit 4: TCV growth driven by mega deal wins



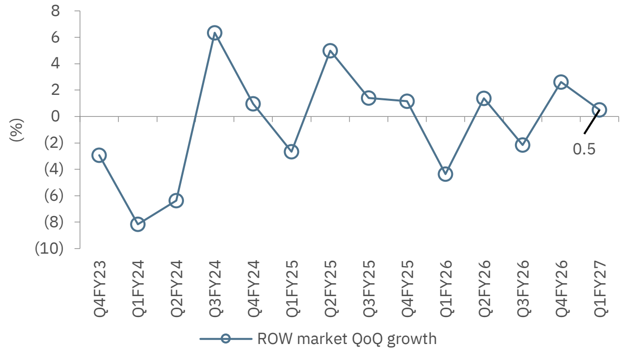
Source: Company, Elara Securities Research

Exhibit 5: America – Growth largely flat



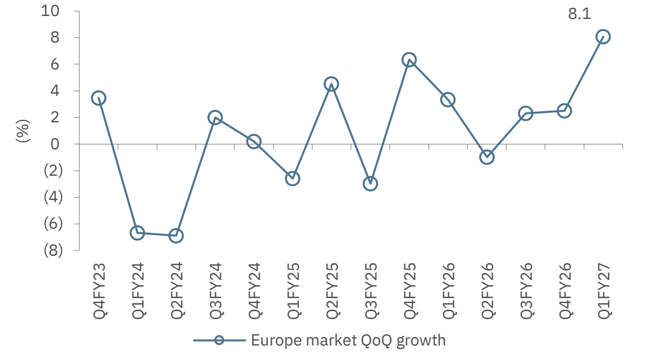
Source: Company, Elara Securities Research

Exhibit 6: RoW growth range-bound



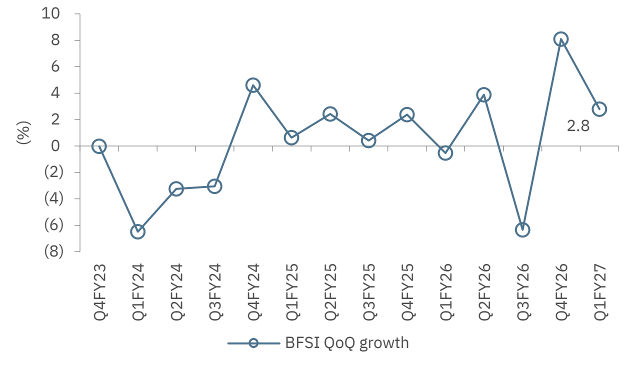
Source: Company, Elara Securities Research

Exhibit 7: Europe growth led by one-off acceleration



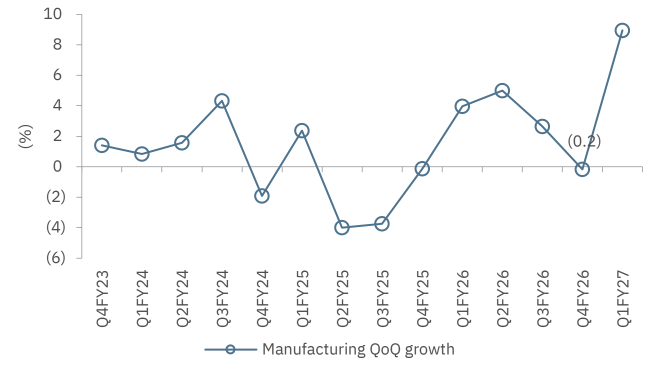
Source: Company, Elara Securities Research

Exhibit 8: BFSI growth moderates after sharp move in Q4FY26



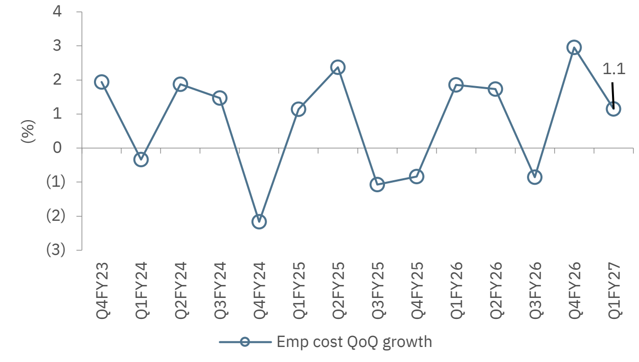
Source: Company, Elara Securities Research

Exhibit 9: Manufacturing likely helped by auto and aerospace



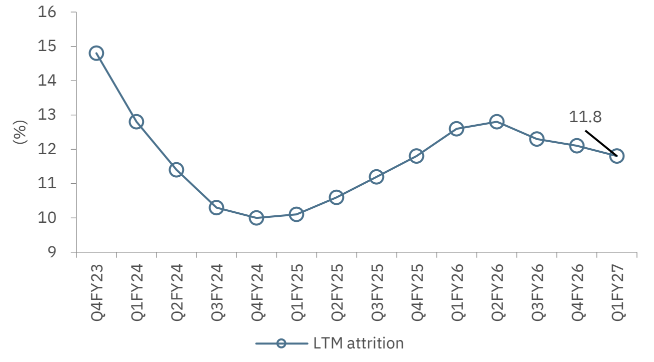
Source: Company, Elara Securities Research

Exhibit 10: Employee cost moderated after spike in Q4FY26



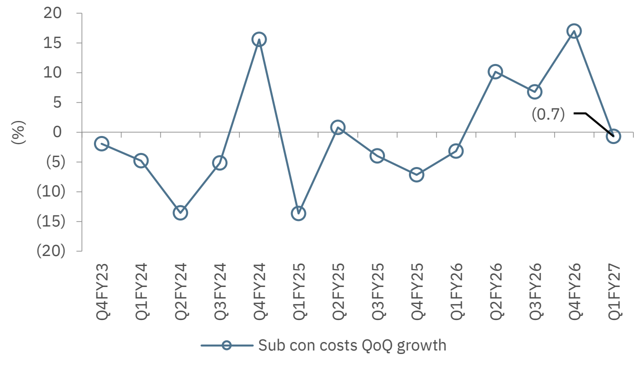
Source: Company, Elara Securities Research

Exhibit 11: Attrition contracted 20bps sequentially



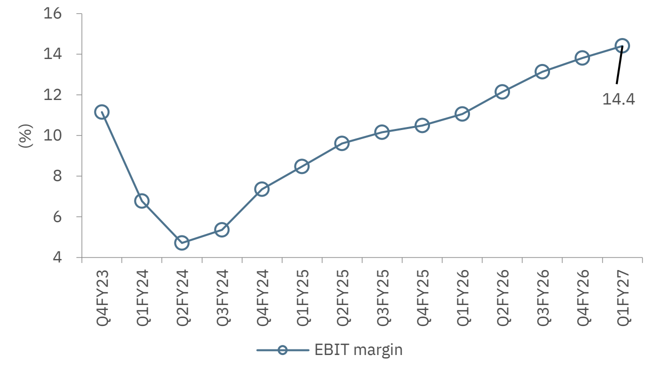
Source: Company, Elara Securities Research

Exhibit 12: Subcontractor moderated after spike in Q4FY26



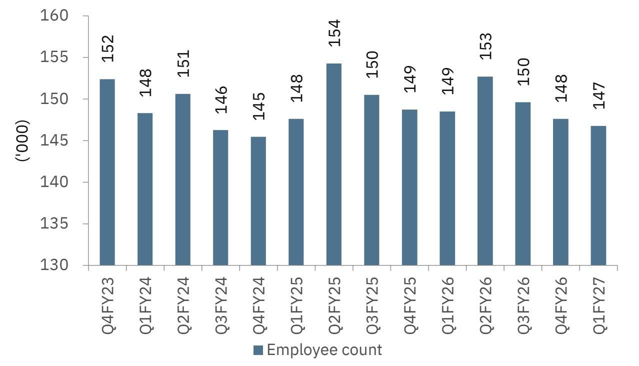
Source: Company, Elara Securities Research

Exhibit 13: Margin improved 60bps sequentially



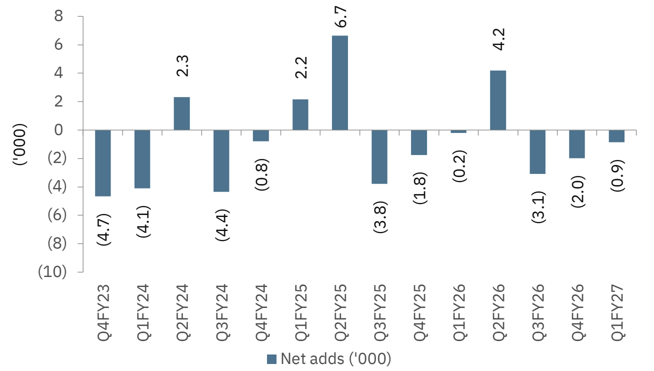
Source: Company, Elara Securities Research

Exhibit 14: Employee count declined...



Source: Company, Elara Securities Research

Exhibit 15: ... due to increased focus on fixed-price contracts



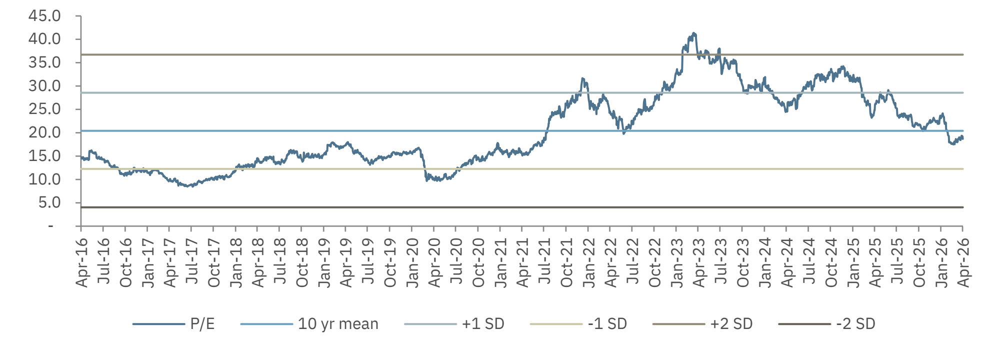
Source: Company, Elara Securities Research

Exhibit 16: Valuation

(INR)	
Current trailing 12 months (TTM) EPS	71
Current market price (CMP)	1510
Target EPS	90
Target EPS period	FY28E
Target multiple (x)	18
Target price (per share)	**1,620**
Upside (%)	7

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

Exhibit 17: TECHM trading at one year forward multiple of ~19x



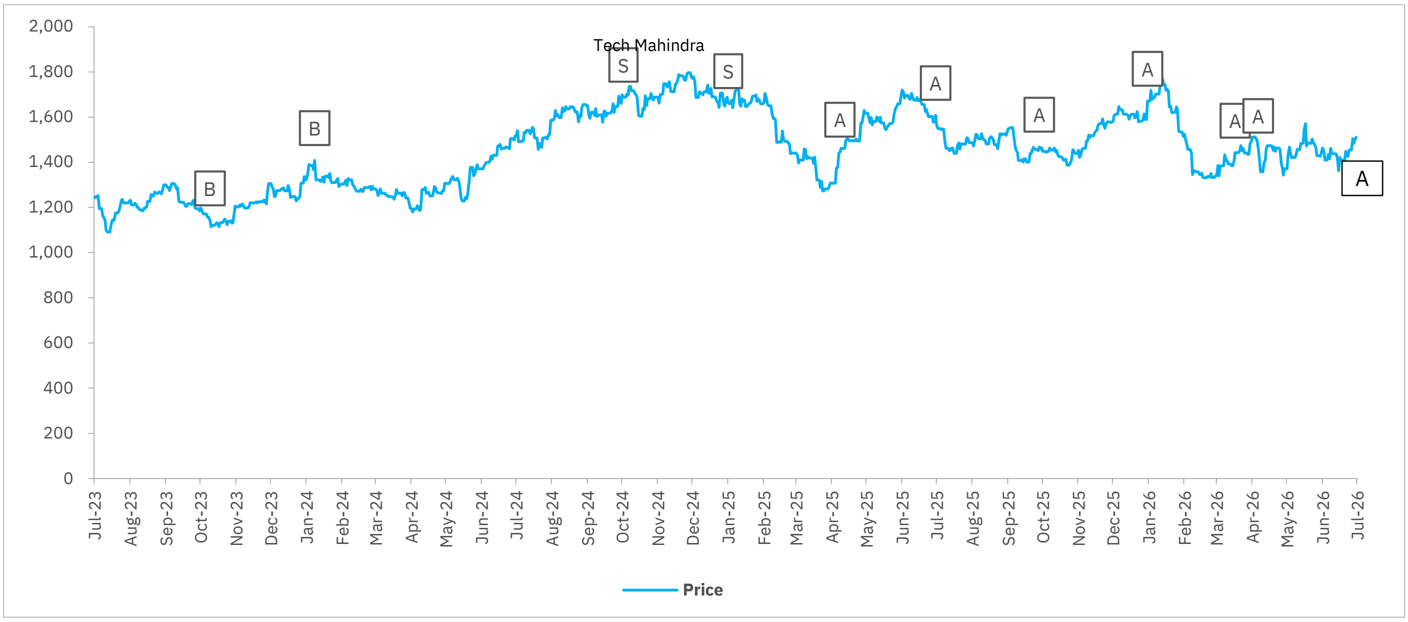
Note: Pricing as on 16 July 2026; Source: NSE, Elara Securities Estimate

Exhibit 18: Change in estimates

(INR mn)	Earlier			Revised			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue in USD terms	6,736	7,091	7,415	6,785	7,140	7,464	0.7	0.7	0.7
Revenue in INR terms	612,992	645,318	674,781	638,798	671,140	701,589	4.2	4.0	4.0
EBIT	90,057	99,572	110,403	94,731	104,636	116,148	5.2	5.1	5.2
EBIT margin (%)	14.7	15.4	16.4	14.8	15.6	16.6	10 bps	20 bps	20 bps
PAT	68,333	76,093	84,671	68,671	79,511	88,641	0.5	4.5	4.7
EPS (INR)	76.9	85.7	95.3	77.3	89.5	99.8	0.5	4.5	4.8
TP (INR)		**1,550**			**1,620**			**4.5**	

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
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
02-Apr-2026	Accumulate	1,600	1,442
22-Apr-2026	Accumulate	1,550	1,463
16-July-2026	Accumulate	1,620	1,510

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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