



Tech Mahindra Ltd

Q3FY26



Tech Mahindra Ltd.

Broad-based growth, strong deal momentum, and margin expansion

CMP INR 1,718	Target INR 1,805	Potential Upside 5.1%	Market Cap (INR Mn.) INR 16,75,715	Recommendation ACCUMULATE	Sector Internet Software & Services
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Result Highlights

Revenue stood at INR 1,43,932 Mn, up 2.8% QoQ and 8.3% YoY, ahead of our estimate by 4.1%, driven by broad-based growth across communications, manufacturing, and retail verticals, alongside a strong 11.2% YoY growth in the European market.

EBIT came in at INR 18,919 Mn, up 11.3% QoQ and 40.1% YoY, sequential improvement was supported by improved operating disciplines, pricing discipline, and the ongoing benefits of the Project 40s efficiency program.

EBIT margin stood at 13.1%, as margin expansion was driven by fixed-price project productivity, volume growth, and higher IT utilization, which improved to 86.6% during the quarter.

PAT was at INR 11,220 Mn, down 6.1% QoQ and up 14.1% YoY, due to a one-time exceptional provision of INR 2,724 Mn (USD30 Mn) made in accordance with new wage code notifications.

IT services segment revenue rose to INR 1,20,756 Mn, up 2.6% QoQ, while the BPS segment grew 4.0% QoQ to INR 23,176 Mn; the share of IT stood at ~84% and BPS at ~16% of total revenue.

On geographical mix, growth was led by the Americas (up 3.1% QoQ) and Europe (up 2.2% QoQ); strong traction in the European automotive sector and signs of stability in US communications helped offset a 6.2% QoQ decline in BFSI caused by higher-than-normal furloughs and productivity pass-throughs.

LTM IT attrition rate moderated sequentially to 12.3% vs 12.8% in Q2FY26, reflecting a stabilizing supply environment and the company's focus on internal talent redeployment.

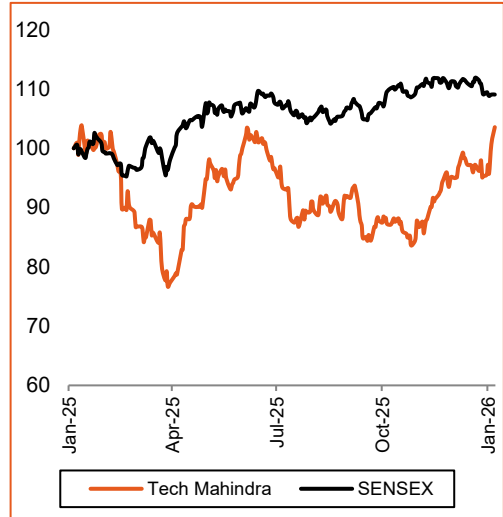
Total new deal wins (TCV) stood at USD 1,096 Mn vs USD 816 Mn in Q2FY26, marking the highest quarterly deal bookings in five years; this was significantly bolstered by a strategic mega-deal win exceeding USD 500 Mn over five years with a leading European telecommunications provider.

Outlook:

The strong rebound in deal wins, expanding EBIT margins, and increasing contribution from large strategic clients provide better earnings visibility into FY27, supporting a gradual re-rating. Management's confidence in outgrowing peers by FY27 and progressing toward ~15% EBIT margin underpins a structurally higher profitability cycle, aided by operating leverage, fixed-price productivity gains, and deeper AI-led execution.

We have rolled our valuation basis to Dec'27 estimates. We value Tech Mahindra at 23.0x implying a target price of INR 1,805 however, given the sharp run-up in the stock price, we downgrade our rating from "BUY" to "ACCUMULATE" at current levels.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	885
Mkt Cap (INR Mn)	16,75,715
52 Wk H/L (INR)	1,736 / 1,209

Based on previous closing

Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	35.0	35.0	35.0
FIIIs	20.6	23.3	23.0
DIIIs	34.6	32.1	32.1
Others	9.8	9.6	9.9
Total	100.0	100.0	100.0

7.4%

Revenue CAGR
between FY25-27E

23.8%

Adj. PAT CAGR
between FY25-27E

KEY FINANCIALS

INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	5,19,955	5,29,883	5,63,411	6,11,297	6,67,390
EBIT	31,474	51,382	70,121	89,143	99,282
EBIT Margin	6%	10%	12.4%	14.6%	14.9%
PAT	23,577	42,515	48,596	65,159	72,588
EPS	26.7	48.1	54.9	73.6	82.0

Source: Company, DevenChoksey Research

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Key Concall Highlights:

Financial Performance & Margin Expansion

- **Fastest Revenue Growth:** Tech Mahindra reported its fastest quarterly growth in three years, with revenue reaching USD 1,610 Mn, up 1.5% QoQ (1.7% in constant currency). In INR terms, revenue stood at 1,43,932 Mn, an 8.3% increase YoY.
- **Consecutive Margin Improvement:** Operating margins expanded by 100 basis points sequentially to 13.1%, marking the ninth consecutive quarter of expansion. This progress was driven by improved operating disciplines, pricing discipline, and a 120bps expansion in gross margins resulting from fixed-price productivity.
- **Exceptional Item:** The company made a one-time provision of USD30 Mn (INR 2,724 Mn) related to new wage code notifications, which impacted Profit After Tax (PAT) for the quarter

Record-Breaking Deal Momentum

- **Historic Deal Bookings:** Total new deal wins (TCV) reached USD1,096 Mn, the highest quarterly booking in five years. This represents a 48% YoY growth on a last-twelve-months (LTM) basis.
- **European Mega-Deal:** A highlight of the quarter was a strategic partnership with a leading European telco exceeding USD 500 Mn over 5 years. This "mega deal" involves comprehensive application modernization across CIO and CTO domains.
- **Strategic Client Growth:** Revenue from USD20 Mn+ clients continued to significantly outpace the company average, reinforcing a focus on scaling deep, long-term partnerships.

Vertical and Regional performance

- **Communications:** The vertical grew 4.7% YoY, with signs of stability in the US and a shift toward a growth phase in Europe supported by large deal ramps.
- **Manufacturing and Retail:** Both sectors delivered strong 11.7% YoY growth. Manufacturing was bolstered by aerospace traction in the US and automotive ramps in Europe.
- **BFSI Challenges:** The vertical declined 1.1% YoY primarily due to higher-than-normal furloughs (notably in Canada) and annual productivity pass-throughs on a large infrastructure contract. However, management noted strong underlying logo momentum with new wins in Japan and Singapore.
- **Priority Markets:** While the broader Rest of the World (ROW) declined, designated "priority markets" (A&Z, Japan, Singapore, and Indonesia) grew 12.9% YoY

Operational Efficiency and AI Strategy

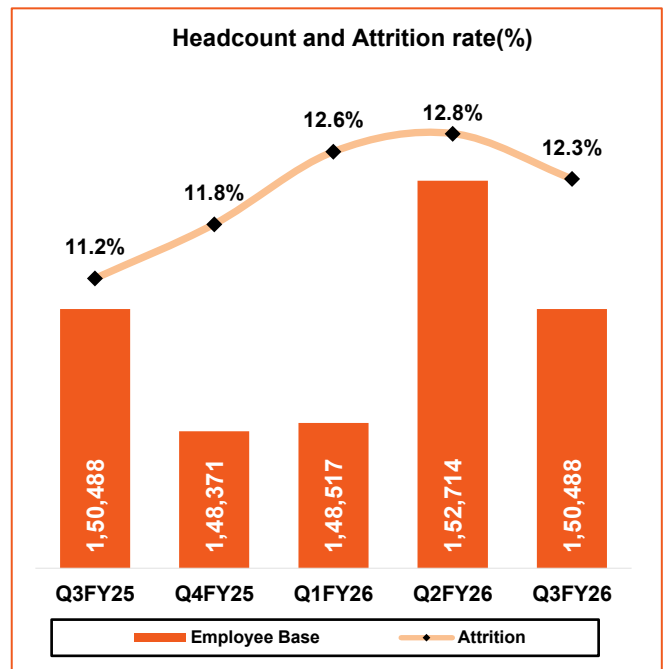
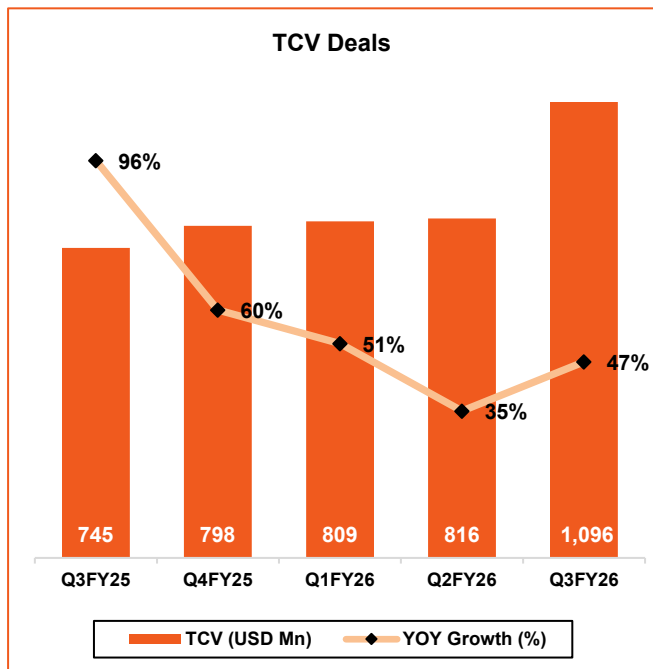
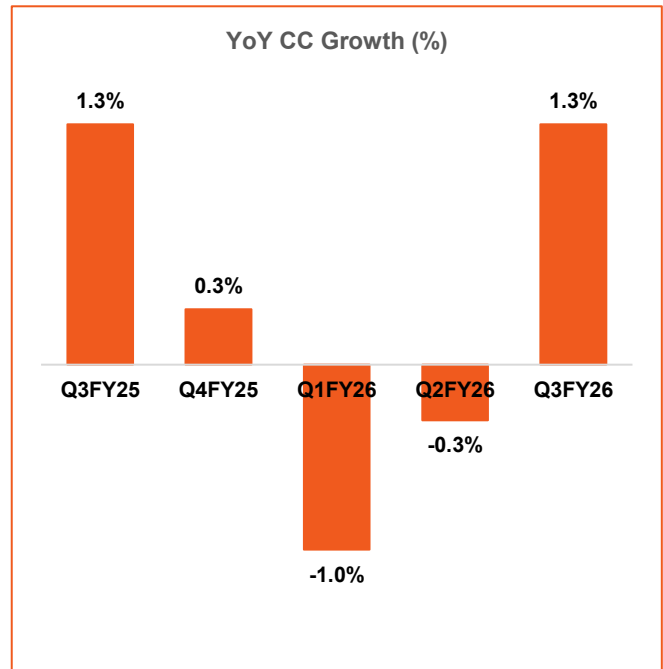
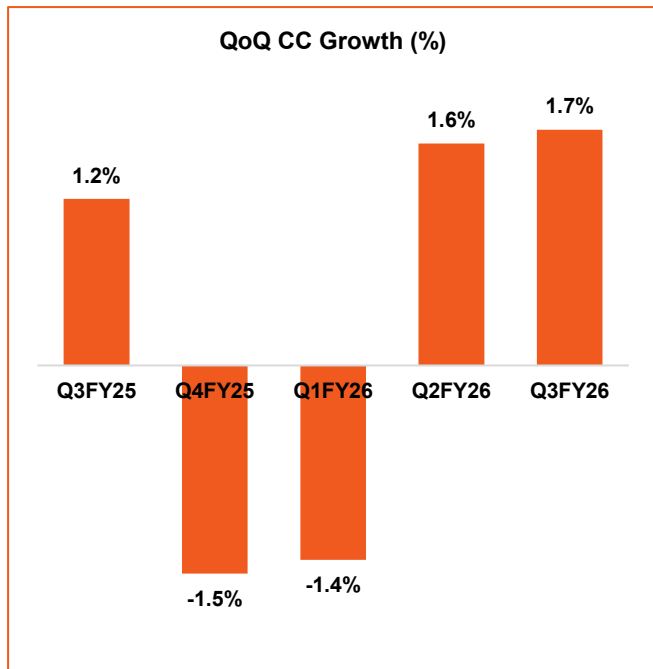
- **Project 40s:** Margin expansion remains heavily supported by "Project 40s," focusing on fixed-price project productivity, delivery-led growth, and utilization improvements.
- **Talent Strategy:** Headcount saw a sequential reduction as the company chose to redeploy existing talent from productivity-enhanced fixed-price projects rather than backfilling attrition. This approach utilized new internal software for better bench visibility.
- **AI Integration:** AI is shifting from pilots to integrated multi-year initiatives. Tech Mahindra published a white paper with Forrester regarding a new pricing model that distinguishes between "human labor" and "digital labor" based on token consumption

Future Outlook

- The management reaffirmed their commitment to their FY27 goals, which include growing higher than the peer average and progressing toward a 15% EBIT margin.
- While the record deal wins provide high visibility, management noted that revenue conversion from large deals will be non-linear and will ramp up progressively starting in the first half of the next financial year.

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Story in Charts



Source: Company, DevenChoksey Research and Analysis

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RESULT SNAPSHOT

INR Mn	Q3FY26	Q2FY26	Q3FY25	QoQ	YoY
Total Revenue	1,43,932	1,39,949	1,32,856	2.8%	8.3%
Employee Costs	84,860	84,723	79,974	0.2%	6.1%
Subcontracting Costs	15,416	14,436	14,585	6.8%	5.7%
Other Costs (including SG&A)	20,000	19,110	20,207	4.7%	(1.0%)
Total operating expenses	1,20,276	1,18,269	1,14,766	1.7%	4.8%
EBITDA	23,656	21,680	18,090	9.1%	30.8%
EBITDA Margin (%)	16.4%	15.5%	13.6%	94bps	282bps
Depreciation & Amortisation	4,737	4,687	4,588	1.1%	3.2%
EBIT	18,919	16,993	13,502	11.3%	40.1%
EBIT Margin (%)	13.1%	12.1%	10.2%	100bps	298bps
Other income (Incl. Forex gain/loss)	-217	400	165	(154.3%)	(231.5%)
Interest expenses	936	772	759	21.2%	23.3%
Exceptional items	2,724	0	0	NA	NA
Share of Profit in Associates	9	-28	66	(132.1%)	(86.4%)
Profit before tax	15,051	16,593	12,974	(9.3%)	16.0%
Tax	3,865	4,576	3,086	(15.5%)	25.2%
Minority Interest	-34	72	56	(147.2%)	(160.7%)
PAT	11,220	11,945	9,832	(6.1%)	14.1%
PAT Margin (%)	7.8%	8.5%	7.4%	-74bps	39bps
EPS	12.6	13.5	11.1	(6.3%)	14.1%

Source: Company, DevenChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Particulars (INR Mn)	FY25	FY26E	FY27E	FY28E
Revenue	5,29,883	5,63,411	6,11,297	6,67,390
Total Operating Cost	4,59,972	4,74,524	5,02,873	5,48,437
EBITDA	69,911	88,887	1,08,425	1,18,953
Depreciation	18,529	18,766	19,282	19,671
EBIT	51,382	70,121	89,143	99,282
Forex Gain/ (loss), Share of Associates	-2,563	-2,441	0	0
Other income	10,930	2,569	2,650	2,600
Finance costs	3,217	3,336	3,200	3,250
Profit Before Tax	56,532	66,913	88,593	98,632
Income tax expense	14,002	18,297	23,034	25,644
Net Profit	42,530	48,616	65,559	72,988
Minority Interest	15	20	400	400
Net profit attributable to shareholders	42,515	48,596	65,159	72,588
EPS	48.1	54.9	73.6	82.0

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	57,857	60,759	77,063	84,733
CFFI	-232	-20,474	-23,339	-25,022
CFFF	-57,992	-42,414	-57,008	-62,106
Closing Cash	43,185	41,056	37,772	35,378

Exhibit 4: Key Ratios

Key Ratios	FY25	FY26E	FY27E	FY28E
EBIT Margin (%)	9.7%	12.4%	14.6%	14.9%
RoE (%)	15.7%	17.5%	22.8%	24.5%
PAT Margin (%)	8.0%	8.6%	10.7%	10.9%
P/E	29.6x	31.4x	23.4x	21.0x

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY27E
Equity Capital	4,424	4,424	4,424	4,424
Other Equity	2,69,191	2,76,088	2,86,238	2,96,720
Non controlling interest	4,302	4,322	4,722	5,122
Total Equity	2,77,917	2,84,834	2,95,384	3,06,266
Long-term Borrowings	0	0	0	0
Other Non-current Liabilities	40,288	40,288	40,288	40,288
Total Non-Current Liabilities	40,288	40,288	40,288	40,288
Short Term Borrowings	4,714	4,000	2,000	2,000
Trade Paybles	44,108	45,503	48,222	52,591
Lease Liabilities	4,066	4,066	4,066	4,066
Other current liabilities	73,852	73,852	73,852	73,852
Total Current Liabilities	1,26,740	1,27,421	1,28,140	1,32,509
Total Liabilities	4,44,945	4,52,543	4,63,812	4,79,064
PPE and CWIP	24,011	22,148	21,205	21,556
Right of use of Assets	15,186	15,186	15,186	15,186
Goodwill	76,993	76,993	76,993	76,993
Intangible Assets	23,491	23,491	23,491	23,491
Other current assets	68,472	68,472	68,472	68,472
Total Non-Current Assets	2,08,153	2,06,290	2,05,347	2,05,698
Investments	28,928	32,500	37,500	42,500
Trade Receivables and Unbilled Revenue	1,15,470	1,23,489	1,33,984	1,46,279
Cash and Bank	43,185	41,056	37,772	35,378
Other current assets	49,209	49,209	49,209	49,209
Total Current Assets	2,36,792	2,46,253	2,58,465	2,73,366
Total Assets	4,44,945	4,52,543	4,63,812	4,79,064

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Date	CMP (INR)	TP (INR)	Recommendation
19-Jan-26	1,718	1,805	ACCUMULATE
15-Oct-25	1,468	1,754	BUY
17-Jul-25	1,608	1800	ACCUMULATE
20-Jan-25	1,660	1,801	ACCUMULATE
19-Oct-24	1,688	1,801	ACCUMULATE
31-Jul-24	1,538	1,684	ACCUMULATE
26-Apr-24	1,279	1,385	ACCUMULATE
25-Jan-24	1,322	1,357	HOLD

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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