HOLD (Maintain)

CMP: **INR 1,463** Target Price: **INR 1,390 (INR 1,320)** ▼ -5%

ICICI Securities

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23 April 2026

India | Equity Research | Results Update

Tech Mahindra

Technology

Turnaround journey progressing well

TechM is progressing well – entering the third year of its turnaround journey – with strong growth in FY26 deal TCV, at 41.6% YoY, higher than company average growth in larger accounts, and 63 must-win client additions. The company has reinforced its leadership position in communications by winning two mega deals and is diversifying well across other verticals. EBIT margin improvement is on track as per guidance despite uncertain revenue growth environment. TechM reiterated its target of growing faster than larger peers and delivering 15% EBIT margin in FY27. We raise our EPS estimates by 5%/4% for FY27/FY28, led by an increase in margin estimates. We continue to value TechM at 16x P/E on FY28E EPS of INR 87 to arrive at a revised TP of INR 1,390. Maintain **HOLD**, as we believe that the turnaround progress is priced in.

Revenue growth was soft in Q4 but above consensus expectations

Revenue growth came in at 0.6% QoQ CC (I-Sec: -0.3%; Cons.: 0.3%) and 2.4% YoY CC. Growth was led by communications (1.8% QoQ CC), BFSI (8% QoQ CC) and technology (2.5% QoQ CC). Retail slipped 5.3% QoQ CC (post positive seasonality in Q3). Healthcare dipped 0.8% QoQ CC and manufacturing slowed 0.1% QoQ CC (post one-time revenue gain of 70bps in Q3).

Reiterated target of growing faster than larger peers in FY27

TechM is progressing well, entering the third year of its turnaround journey with: 1) strong 41.6% YoY growth in deal TCV, USD 3,794mn in FY26; 2) growing 7.7% YoY USD in accounts, with greater than USD 20mn revenue run-rate in FY26; 3) adding 63 must-have accounts in FY26; and 4) organic expansion in aerospace and defence within manufacturing to offset the impact of autos' decline. Aforementioned points also provide comfort that TechM could grow at 4–5% YoY CC in FY27, assuming industry growth of 2–4% for FY27.

TechM won two mega deals in the telecom vertical – one each in Q3 and Q4. A larger peer has called out cuts in discretionary spending in two US-based telecom clients. It may not have a major impact on TechM's revenue due to its diversified revenue base in telecom and the support from the two mega deals. Management mentioned that TechM's pipeline comprises of higher deals in BFSI and healthcare; thus, is tracking well on its efforts to diverse revenue and improve revenue growth consistency.

Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Revenue	5,29,883	5,68,154	6,10,942	6,44,904
EBITDA	69,911	90,341	1,09,992	1,18,618
EBITDA Margin (%)	13.2	15.9	18.0	18.4
Net Profit	43,076	50,779	69,731	76,413
EPS (INR)	48.5	58.7	78.5	86.1
EPS % Chg YoY	29.9	20.9	33.9	9.6
P/E (x)	30.1	24.9	18.6	17.0
EV/EBITDA (x)	17.6	13.1	10.8	9.9
RoCE (%)	13.6	18.2	21.3	21.5
RoE (%)	15.7	17.6	22.6	23.1

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Market Data

Market Cap (INR)	1,433bn
Market Cap (USD)	15,289mn
Bloomberg Code	TECHM IN
Reuters Code	TEML.BO
52-week Range (INR)	1,854 /1,304
Free Float (%)	65.0
ADTV-3M (mn) (USD)	37.4

Price Performance (%)	3m	6m	12m
Absolute	(13.3)	1.0	6.3
Relative to Sensex	(8.7)	8.0	7.6

ESG Score	2024	2025	Change
ESG score	**78.8**	**77.9**	**(0.9)**
Environment	65.3	64.4	(0.9)
Social	81.7	81.2	(0.5)
Governance	84.7	83.6	(1.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
USD Revenue	(0.1)	(1.5)
EBIT	4.7	3.8
EPS	4.8	3.7

Previous Reports

01-04-2026: IT services Q4FY26 preview

17-01-2026: Q3FY26 results review

Consistent improvement in margins; guidance of 15% reiterated

EBIT margin came in at 13.8%, up 70bps QoQ (I-Sec: 13.5%; Cons.: 13.7%) led by gross margin expansion of 70bps QoQ. Margin was supported by tailwinds from Project Fortius, Comviva and favourable currency movement. Sub-con costs increased by 130bps QoQ to 12%. Sharp improvement in revenue per employee in IT (i.e. excluding BPO), is partly due to higher sub-con addition in last two quarters (Exhibit 10)

TechM added 6K freshers in FY25, 950 in FY26 and plans to add more in FY27 vs. last year. Its share of entry-level workforce, as a % of total workforce, has improved 80bps YoY. Its compensation and benefit costs, as % of revenue, have come down by 250bps YoY. Its revenue from high margin service lines has improved 110bps YoY.

The company reiterated its goal of delivering 15% EBIT margin in FY27 largely led by operating efficiencies. Margins of recent larger deal wins are accretive through the period of the deal. There is scope to improve the employee pyramid, share of fixed-price contracts and revenue mix.

Progress on AI initiatives

TechM has infused GenAI/AI offerings across 95% of its key talent and created 350+ service-specific agents leveraging its Orion platform. The company has seen 7% improvement over FY25 in revenue per employee led by AI. TechM has trained 80% of its talent in AI and created various AI certification levels to ensure a continuous AI learning curve for employees.

In Feb'26, TechM launched an upgraded version of a new education-focused LLM under the IndiaAI Mission, specifically for the education sector. TechM developed this using NVIDIA's AI stack (including NeMo and NIM microservices) to ensure production-grade performance.

Change in estimates

We raise our EPS estimates by 5%/4% for FY27/FY28, led by an increase in margin estimates and increase in USD/INR assumptions, which is partially offset by decrease in revenue estimates.

Key upside risks: 1) Faster-than-expected recovery in macros; and 2) expansion in market share in BFSI and healthcare verticals.

Key downside risks: 1) Adverse regulatory changes slowing pace of recovery; and 2) heightened geo-political uncertainty.

Exhibit 1: Q4FY26 performance review

(INR mn)	Q4FY26	Q3FY26	QoQ	Q4FY25	YoY	ISEC	vs our estimates
QoQ CC	0.6%	1.7%		-1.5%		-0.3%	92 bps
Average (USD rate)	92.6	89.4	3.6%	86.5	7.0%	92.3	0.3%
Sales (USD mn)	1,625	1,610	0.9%	1,549	4.9%	1,605	1.3%
Sales	1,50,761	1,43,932	4.7%	1,33,840	12.6%	1,48,149	1.8%
EBIT	20,842	18,919	10.2%	14,053	48.3%	20,025	4.1%
EBIT Margin	13.8%	13.1%	68 bps	10.5%	332 bps	13.5%	31 bps
Adjusted PAT	13,538	14,404	-6.0%	11,667	16.0%	14,005	-3.3%
Adjusted EPS	15.2	16.2	-6.1%	13.2	15.9%	15.8	-3.4%

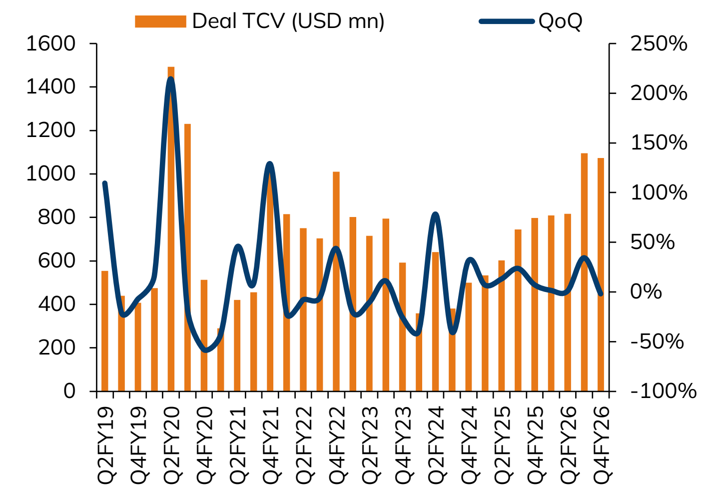
Source: I-Sec research, Company data

Exhibit 2: Change in estimates

	New		Old		New vs. Old	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenues (USD mn)	6,641	6,934	6,646	7,043	-0.1%	-1.5%
Revenue growth YoY CC	3.9%	4.4%	4.6%	6.0%	-70bps	-150bps
Revenue growth YoY USD	4.0%	4.4%	4.4%	6.0%	-40bps	-150bps
USD/INR	92.0	93.0	91.0	92.0	1.1%	1.1%
INR mn						
Revenues	6,10,942	6,44,904	6,04,777	6,47,938	1%	0%
EBIT	90,137	97,659	86,074	94,053	4.7%	3.8%
EBIT margin	14.8	15.1	14.2	14.5	50bps	60bps
Diluted EPS (INR/share)	79.1	86.6	75.5	83.5	4.8%	3.7%

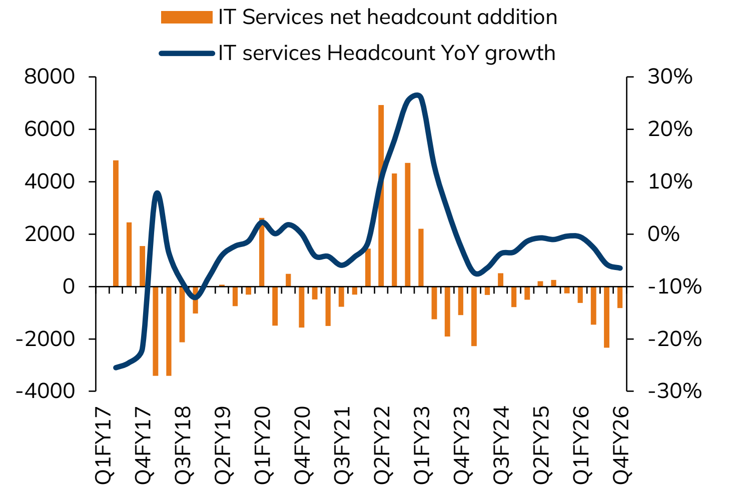
Source: I-Sec research, Company data

Exhibit 3: Deal TCV at USD 1,073 mn (exceeding USD 600–800mn target range)



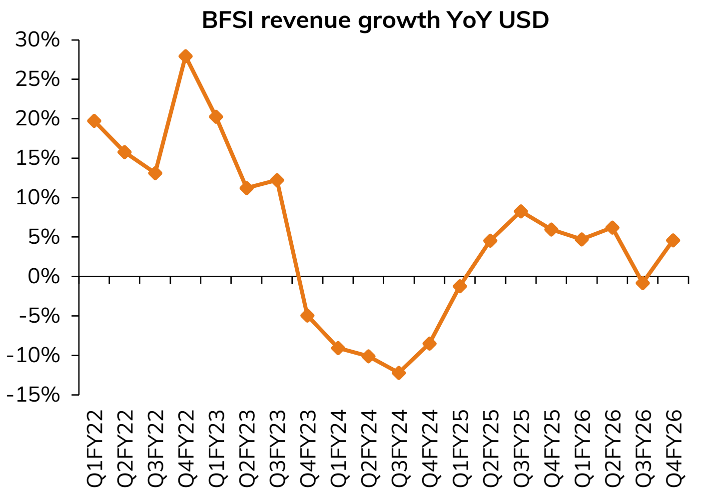
Source: Company data, I-Sec research

Exhibit 4: IT services headcount down % YoY vs. TTM revenue growth of 2.2% YoY USD



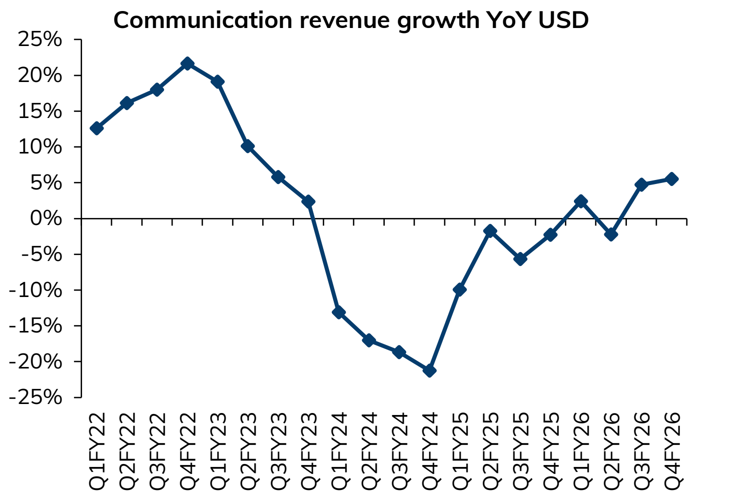
Source: Company data, I-Sec research

Exhibit 5: Strong growth in strategic BFSI vertical



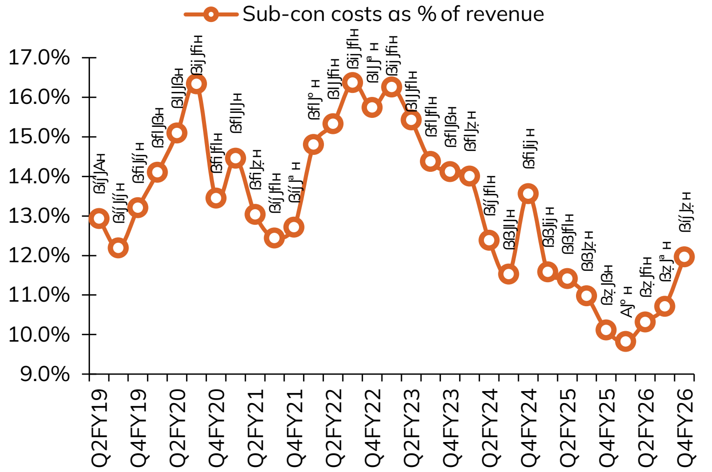
Source: Company data, I-Sec research

Exhibit 6: Improving growth in largest vertical - communication



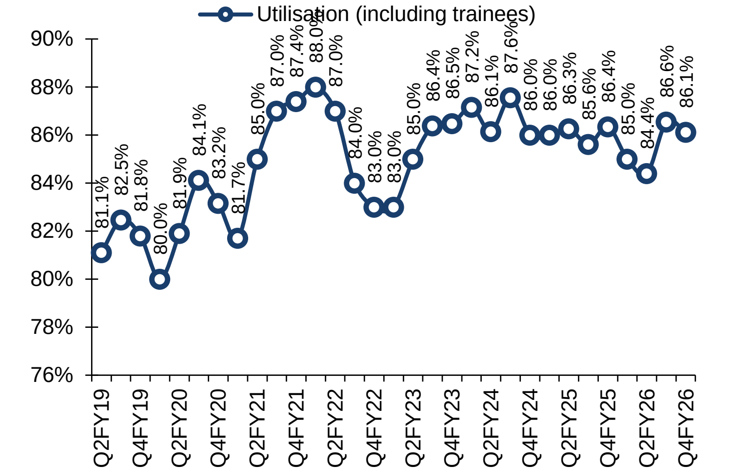
Source: Company data, I-Sec research

Exhibit 7: Sub-con costs inched up substantially in Q4



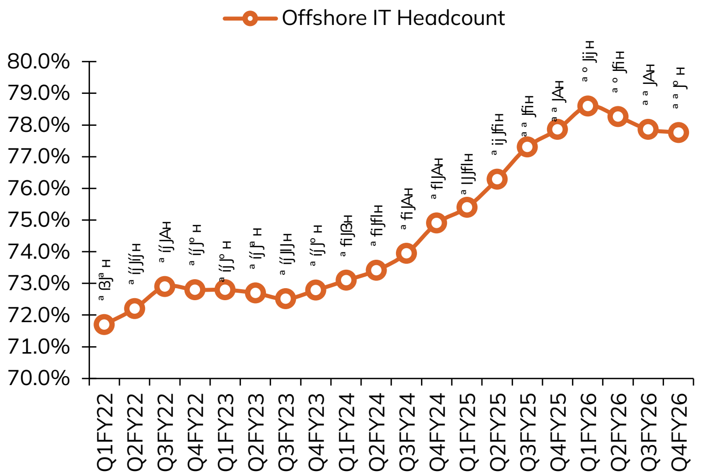
Source: Company data, I-Sec research

Exhibit 8: Utilisation inched down 50bps QoQ



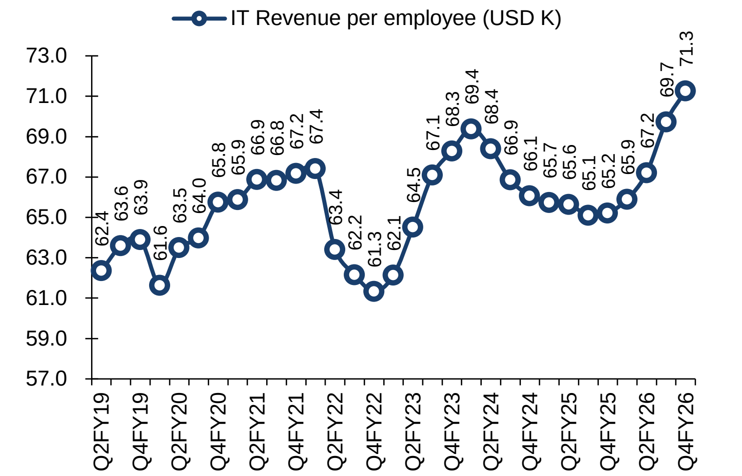
Source: Company data, I-Sec research

Exhibit 9: Offshore headcount trending down over past three quarters



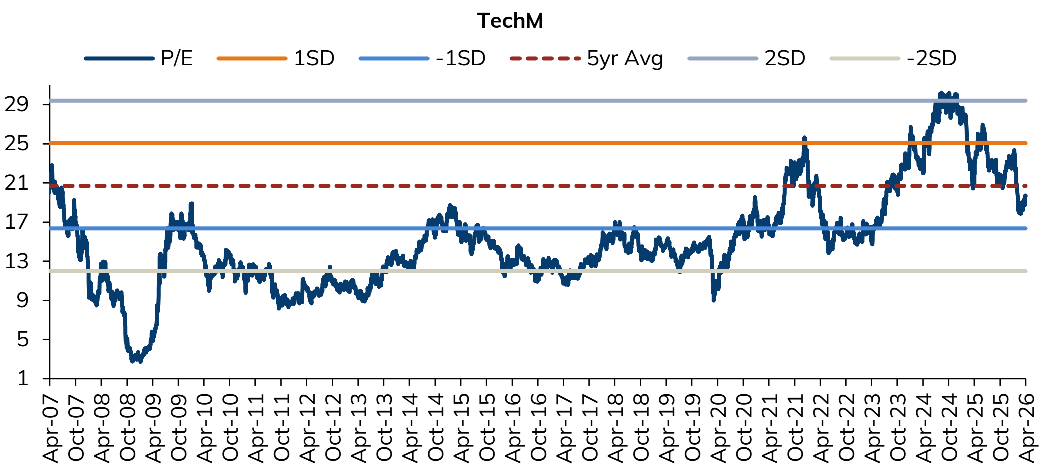
Source: Company data, I-Sec research

Exhibit 10: Sharp improvement in revenue per employee in IT (i.e. excluding BPO), partly due to higher sub-con addition in last two quarters



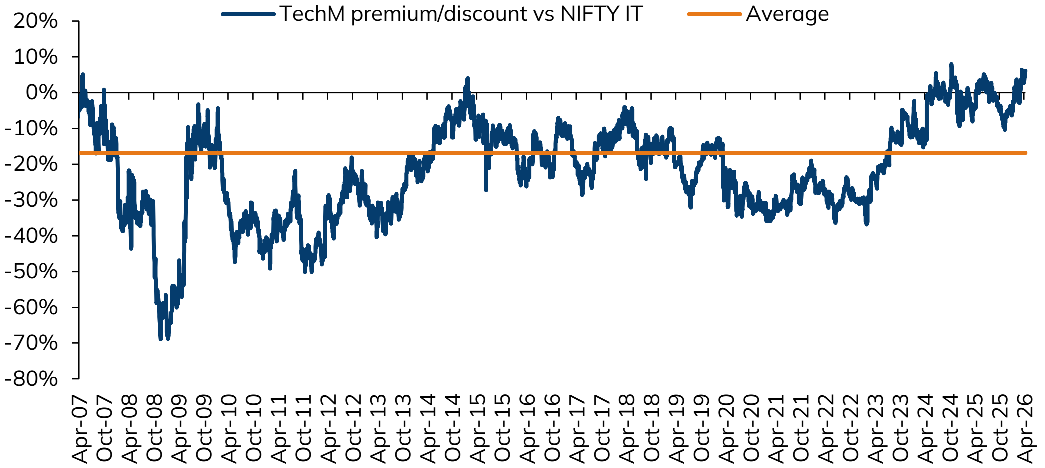
Source: Company data, I-Sec research

Exhibit 11: TechM is trading at 19.6x (one year forward P/E), below its 5-year average of ~21x



Source: Company data, I-Sec research

Exhibit 12: TechM is trading at 6% premium to NIFTY IT vs. its 5-year average discount of 17%



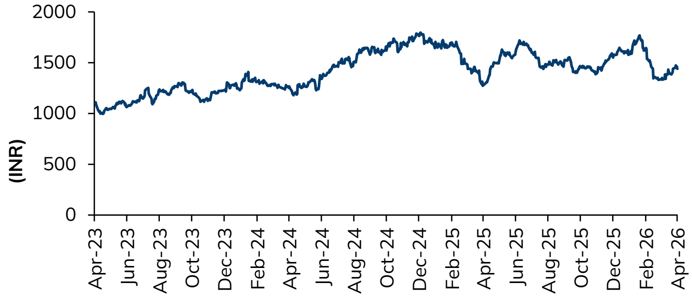
Source: Company data, I-Sec research

Exhibit 13: Shareholding pattern

%	Sep'25	Dec'25	Mar'26
Promoters	35.0	35.0	35.0
Institutional investors	55.2	55.7	55.9
MFs and others	17.6	19.9	19.1
FIs/Banks	1.3	1.0	1.1
Insurance	14.8	16.9	17.2
FIIs	21.5	17.9	18.6
Others	9.8	9.3	9.1

Source: Bloomberg, I-Sec research

Exhibit 14: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Net Sales (USD mn)	**6,264**	**6,385**	**6,641**	**6,934**
Net Sales (INR. mn)	**5,29,883**	**5,68,154**	**6,10,942**	**6,44,904**
Operating Expense	4,59,972	4,77,813	5,00,950	5,26,286
EBITDA	**69,911**	**90,341**	**1,09,992**	**1,18,618**
EBITDA Margin (%)	13.2	15.9	18.0	18.4
Depreciation & Amortization	18,529	18,816	19,855	20,959
EBIT	51,382	71,525	90,137	97,659
Interest expenditure	3,217	3,374	362	362
Other Non-operating Income	8,827	319	5,097	6,666
Recurring PBT	**56,992**	**68,470**	**94,872**	**1,03,964**
Profit / (Loss) from Associates	**86**	**(15)**	**-**	**-**
Less: Taxes	14,002	17,676	25,141	27,550
PAT	42,990	50,794	69,731	76,413
Less: Minority Interest	(15)	54	500	520
Net Income (Reported)	**43,076**	**50,779**	**69,731**	**76,413**
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	**43,147**	**50,818**	**70,231**	**76,933**

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Total Current Assets	2,07,864	2,42,392	2,63,612	2,90,403
of which cash & cash eqv.	43,185	50,461	72,660	91,413
Total Current Liabilities & Provisions	1,17,960	1,39,001	1,39,838	1,43,091
Net Current Assets	**89,904**	**1,03,391**	**1,23,774**	**1,47,312**
Investments	31,821	34,257	34,257	34,257
Net Fixed Assets	23,805	24,256	24,456	24,656
ROU Assets	15,526	20,125	20,125	20,125
Capital Work-in-Progress	206	268	268	268
Goodwill	76,993	84,560	84,560	84,560
Other assets	46,558	46,204	46,204	46,204
Deferred Tax Assets	18,573	21,864	21,864	21,864
Total Assets	**3,14,681**	**3,42,389**	**3,62,972**	**3,86,710**
Liabilities				
Borrowings	**4,714**	**696**	**696**	**696**
Deferred Tax Liability	**2,279**	**2,017**	**2,017**	**2,017**
provisions	14,027	17,159	17,159	17,159
other Liabilities	206	581	581	581
Minority Interest	4,302	4,616	4,616	4,616
Equity Share Capital	4,424	4,428	4,428	4,428
Reserves & Surplus*	2,69,191	2,91,726	3,12,309	3,36,047
Total Net Worth	**2,73,615**	**2,96,154**	**3,16,737**	**3,40,475**
Total Liabilities	**3,14,681**	**3,42,389**	**3,62,972**	**3,86,710**

Source Company data, I-Sec research

Exhibit 17: Quarterly trend

(INR mn, year ending March)

	Jun-26	Sep-26	Dec-26	Mar-26
Net Sales	1,33,512	1,39,949	1,43,932	1,50,761
% growth (YOY)	-0.2	4.8	2.8	4.7
EBITDA	19,352	21,680	23,656	25,653
Margin %	14.5	15.5	16.4	17.0
Other Income	1,410	-400	-1,144	-2,936
Extraordinaries	-	-	2,724	-
Adjusted Net Profit	11,406	11,945	12,361	13,538

Source Company data, I-Sec research

Exhibit 18: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
CFO before WC changes	56,517	68,509	95,372	1,04,484
CFO after WC changes	**72,601**	**78,222**	**1,11,947**	**1,13,990**
Tax Paid	(14,744)	(16,502)	(25,141)	(27,550)
Cashflow from Operations	57,857	61,720	86,806	86,440
Capital Commitments	7,555	6,957	20,055	21,159
Free Cashflow	**50,302**	**54,763**	**66,751**	**65,281**
Other investing cashflow	7,323	2,865	5,097	6,666
Cashflow from Investing Activities	**(232)**	**(4,092)**	**(14,959)**	**(14,493)**
Dividend and Buyback	-	-	-	-
Inc (Dec) in Borrowings	(16,101)	(4,338)	-	-
Others	-	-	-	-
Cash flow from Financing Activities	**(57,992)**	**(51,305)**	**(49,648)**	**(53,195)**
Chg. in Cash & Bank balance	**(368)**	**6,323**	**22,199**	**18,753**
Closing cash & balance	43,183	50,461	72,660	91,413

Source Company data, I-Sec research

Exhibit 19: Key ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	48.5	58.7	78.5	86.1
Diluted EPS	47.9	55.5	79.1	86.6
Cash EPS	69.6	80.4	101.5	110.3
Dividend per share (DPS)	45.0	52.2	55.9	59.9
Book Value per share (BV)	308.9	342.0	356.7	383.5
Dividend Payout (%)	93.8	94.1	70.7	69.2
Growth (%)				
Net Sales	1.9	7.2	7.5	5.6
EBITDA	40.8	29.2	21.8	7.8
EPS	29.9	20.9	33.9	9.6
Valuation Ratios (x)				
P/E	30.1	24.9	18.6	17.0
P/CEPS	21.0	18.2	14.4	13.3
P/BV	4.7	4.3	4.1	3.8
EV / EBITDA	17.6	13.1	10.8	9.9
P/S	2.4	2.2	2.1	2.0
Dividend Yield (%)	3.1	3.6	3.8	4.1
Operating Ratios				
EBITDA Margins (%)	13.2	15.9	18.0	18.4
EBIT Margins (%)	9.7	12.6	14.8	15.1
Effective Tax Rate (%)	24.6	25.8	26.5	26.5
Net Profit Margins (%)	8.1	8.9	11.4	11.8
Inventory Turnover Days	0.3	0.5	0.6	0.6
Fixed Asset Turnover (x)	20.9	23.4	24.8	26.0
Receivables Days	47	45	46	45
Payables Days	28	30	30	30
Working Capital Days	35	32	31	30
Net Debt / EBITDA (x)	(3.6)	(4.4)	(5.3)	(5.9)
Profitability Ratios				
RoCE (%)	13.6	18.2	21.3	21.5
RoIC (%)	22.6	29.2	36.8	38.8
RoNW (%)	15.7	17.6	22.6	23.1

Source Company data, I-Sec research

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