

### About the Company

Established in 1986, Tech Mahindra Ltd is a global specialist in digital transformation, consulting, and business re-engineering, with strong digital competencies across next-generation technologies. The company operates through two segments: Information Technology (IT) Services and Business Processing Outsourcing (BPO). Its geographical presence spans the Americas, Europe, India, and the Rest of the World. The company's offerings include Strategy & Consulting, Application Services, Cloud & Infrastructure Services, Engineering Services, and Network Services, among others. It caters to industries such as communications, energy and utilities, healthcare and life sciences, insurance, manufacturing, media and entertainment, oil and gas, private equity, and professional services.

### Investment Rationale

- **Strong Business Verticals with Diversified Client Mix:** Tech Mahindra has strong product and service capabilities across verticals such as Communication, Media and Entertainment (CME), Manufacturing, BFSI, Technology, Healthcare and Retail, and Transport and Logistics (RTL), with an operational presence in 90+ countries. As of FY25, the company served 1,100+ clients, including several Fortune 500 companies. It continues to benefit from a well-diversified clientele, with the top 10 clients contributing 25.2% of revenue in Q1FY26. Currently, around 84% of revenue is generated from the IT services segment, while 16% is contributed by the BPO segment.
- **Significant Investments and Strategic Initiatives to achieve Aspirational Growth:** In FY26, the company will continue to focus on strengthening key accounts, driving full integration of portfolio companies, and advancing Project Fortius (launched in FY25 for cost optimisation) to achieve further cost savings. With these initiatives, along with strong cash generation, a disciplined capital allocation policy, and an improved structural mix, Tech Mahindra aspires to deliver a higher growth rate than peers and achieve EBIT margins of 15% by FY27E.
- **Deal Wins and AI Innovation to Lead Operational Efficiency:** The Total Contract Value (TCV) for Q1FY26 stood at ₹809 Mn, registering a 51% YoY increase, driven by broad-based deal wins across communications, BFSI, and high-tech verticals. Large deals now account for a higher share of TCV, reflecting stronger client confidence and increased wallet share. This momentum is expected to sustain going forward. Additionally, with 77,000+ employees trained in GenAI and 200+ AI agents deployed at scale, Tech Mahindra is well-positioned to accelerate operational growth over the long run.

### Valuation & Analyst recommendation

- Tech Mahindra appears to be effectively addressing client-specific engagement challenges across verticals while sustaining a healthy deal pipeline. Although Q1FY26 witnessed muted fresher hiring due to subdued demand, the company's focus on improving bench utilisation is expected to aid margin expansion. The outlook for H2FY26 remains stronger than H1FY26, supported by better deal conversions and signs of sectoral recovery. **At current levels, the stock is attractively valued. We recommend a BUY rating with a TP of Rs 1,660/share, implying an upside of 10% from CMP.**

### Financial Summary

Y/E	Sales	EBIT	PAT	EPS	P/E	RoE	RoCE	EV/EBITDA
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs)	(x)	(%)	(%)	(x)
FY24	51,996	2,689	2,386	27	57	9%	9%	29
FY25	52,988	5,111	4,244	48	32	16%	15%	19
FY26E	56,080	6,812	5,260	54	28	18%	17%	16
FY27E	61,861	8,699	6,734	69	22	20%	19%	12

Source: Axis Securities; CMP as on 2<sup>nd</sup> September, 2025

Duration: 3-6 Months

CMP (Rs)	1,509
Target Price (Rs)	1,660
Upside (%)	10%

### | Why Tech Mahindra Ltd

- ✓ **Significant Investments and Strategic Initiatives**
- ✓ **Focus on Deal Wins & AI Innovation**
- ✓ **New Launches and Partnerships**

### | Key risks

- ✓ **Foreign Currency Volatility**
- ✓ **Regulatory Challenges for IT Players**
- ✓ **Global Uncertainties Affecting IT Spends**

### MARKET DATA

No. of Shares	98 Cr
Market Cap (Rs)	1,48,325 Cr
52-week High / Low	1,808/1,209
BSE Code	532755
NSE Code	TECHM

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Axis Punch is designed to generate solid returns in the short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets a return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

## | Axis PUNCH is a strong, research-based idea based on



**Events-Based:** Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

**Strategic Insights:** Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

**Informed Decisions:** Make well-informed investment decisions backed by the expertise of our dedicated research team.

**Medium-term Horizon:** Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

## | Why to choose Axis PUNCH



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