FIRST LIGHT

21 November 2025

RESEARCH

TECH MAHINDRA | TARGET: Rs 1,539 | +6% | HOLD

CEO hints at only a modest industry growth pick up in FY27

METALS & MINING | Q2FY26 REVIEW

Growth in demand continued; weak realisation hit EBITDA/t

SUMMARY

TECH MAHINDRA

- At Mahindra group investor meet, TML held on to 15% EBIT margin in FY27 despite weaker revenue growth expectation
- Expect steady growth and margin improvement in the next 6 quarters. Sticks to above peer-average revenue growth in FY27
- Maintain estimates, Target PE multiple and HOLD rating. It is our top picks in the Tier-1 coverage. Further scope for margin expansion exists

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METALS & MINING: Q2FY26 REVIEW

- Overall, the industry reported a decent growth of 9.0%. However, weakness in steel prices surprised negatively on higher imports
- Among our coverage universe, JSW Steel reported 14.0%YoY domestic growth due to the ramp-up of new capacity and SAIL reported 19.8%
- Post Q2FY26, we reduce rating to HOLD from BUY in Jindal Steel and Tata Steel. Retain at HOLD for JSW Steel and SELL for SAIL

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HOLD
TP: Rs 1,539 | 6%

TECH MAHINDRA | IT Services | 21 November 2025

CEO hints at only a modest industry growth pick up in FY27

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Mahindra Group Investor Day held on 20 November 2025: Tech Mahindra (TML) was among the entities that presented at the event. TML commentary remained largely similar to that post its 2QFY26 results (**Result Review**). It expects modest industry growth pick up in FY27, likely increasing by a couple of percentage points from the 0-2% range expected in FY26. We think consensus is expecting higher.

Unlike FY24 and FY25 the sense we get is that 4QFY26 should see a positive revenue growth exit rate: That should set up TML to grow faster than the Tier-1 peer set in FY27 even if CQGR is modest (1-2%). It should also mean that the TCV (all net new) should hold on to US$800mn or higher in the coming quarters. TML is among the few companies among Indian Tier-1 set that have indicated that 2HFY26 would be better than 1H.

15% EBIT margin guidance held on despite lower growth expectation in FY27: When the 3-year journey started in April 2024, the expectation was that FY27 should see materially stronger TML revenue growth. With pared revenue growth expectation, the EBIT margin goal will still be achieved due to disciplined contracting, better margins on fixed price projects, extracting synergies from portfolio companies, pyramid, right rate for right roles, lower subcontracting costs, etc. A 15% EBIT margin in FY27 would mean that TML must exit FY26 with a 13.5%-14% EBIT margin number from the 12.1% clocked in 2QFY26.

CEO Mohit Joshi on the sidelines of the event: (1) He indicates very competitive bidding on some large deals with annual productivity pass back (2) While TML has been able to break through some key BFSI accounts, the deal flow has not been up to his own expectation. Believes in the current vendor consolidation environment it becomes harder for a new vendor. (3) believes on the Telecom side no other player has the breadth of capabilities that TML has.

Group synergies visible: Going by what we saw at the showcases during the event, TML benefits from the work that it does with its auto parent on the engineering services and manufacturing side which it can take to its clients.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TECHM IN/Rs 1,456
Market cap	US$ 14.5bn
Free float	65%
3M ADV	US$ 29.8mn
52wk high/low	Rs 1,808/Rs 1,209
Promoter/FPI/DII	35%/23%/32%

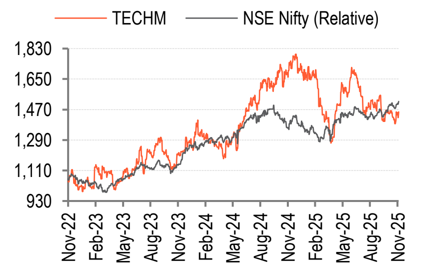
Source: NSE | Price as of 20 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	529,883	557,391	602,552
EBITDA (Rs mn)	69,911	86,941	112,323
Adj. net profit (Rs mn)	42,818	54,001	74,787
Adj. EPS (Rs)	47.8	61.2	84.8
Consensus EPS (Rs)	47.8	59.6	74.1
Adj. ROAE (%)	15.8	19.7	26.8
Adj. P/E (x)	30.4	23.8	17.2
EV/EBITDA (x)	19.5	15.7	12.2
Adj. EPS growth (%)	80.6	28.0	38.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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METALS & MINING | Q2FY26 Review | 20 November 2025

Growth in demand continued; weak realisation hit EBITDA/t

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Decent volumes performance: Industry reported decent volume growth of 9.0% YoY for Q2, following 8.0% growth in Q1FY26. Growth was driven by incremental demand from construction & Infrastructure segments and retail housing.

Among all companies, JSW Steel benefitted due to the ramp-up of new capacity at Bhushan Power & Steel and at Vijayanagar asset (5.0mn t). JSW Steel reported domestic volume growth of 14.0%YoY. Jindal Steel volume growth was minimal at 1%YoY due to maintenance shutdown taken during the quarter.

Domestic pricing surprised negatively: Average realisation was weak and decreased by 2.8%YoY and 4.4%QoQ. QoQ decline was despite safeguard duty, as imports spiked QoQ by 36%; owing to the tariff imposed by various countries. Spot prices are 3-4% lower than Q2 average. Weak pricing had an impact on EBITDA/t. Management expects prices to improve from Nov-Dec 2025 period due to a pickup in construction activity.

Cost performance: Cost was stable in terms of iron ore and coking coal cost.

EBITDA per tonne performance: Weak pricing on QoQ had an impact on EBITDA per tonne. For Jindal Steel - EBITDA/t was Rs11,129 - lower by 30%QoQ. Tata Steel - EBITDA/t was Rs14,681 – lower by 2%QoQ. JSW Steel – EBITDA/t was lower by 20.5% and SAIL - EBITDA/t was lower by 15.3%QoQ

Management commentary: Management of companies are positive on demand outlook in H2FY26E on seasonally better period for construction activity and expects the pricing to improve from Nov – Dec 2025.

Prefer Jindal Steel: We prefer Jindal Steel in our pack – maintain TP at Rs1,213 (upside of +13%) with reduced rating to HOLD from BUY, owing to improved stock performance. We reduce rating to HOLD from BUY for Tata Steel and TP to Rs190 from Rs202, due to a delay in the profitability of Europe business. We maintain HOLD for JSW Steel with TP of Rs1,121 and SELL for SAIL with TP of Rs121.

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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