RESULT REVIEW

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TECH MAHINDRA | IT Services | 15 October 2025

Steady progress towards its FY27 margin goal

- **Midway through its 3-year journey, TML is on track to achieve its margin goals despite demand environment not being supportive**
- **TML stated that while FY27 may be better off than FY26 in revenue growth, it does not appear as strong as when the journey began**
- **Broadly maintain estimates, Target PE multiple and rating. Believe consensus is still skeptical of TML hitting the 15% goal in FY27**

Girish Pai
Research Analyst
Lopa Notaria, CFA
Research Associate
research@bobcaps.in

Midway through its 3-year journey more confident on margins than on the revenue growth part: It had set itself the goal of achieving 15% EBIT margin and peer set beating revenue growth in FY27. Six quarters into the journey, the new management seems to be more confident about the margin part than the revenue part. While it stated that it expects both industry and Tech Mahindra (TML) to grow faster in FY27 versus FY26, it does not expect a sharp pick up.

2QFY26 broadly in line: 1.6% QoQ CC growth (strongest in the last 10 quarters) was in line while 12.1% EBIT margin was 60bps stronger than our estimate. Growth QoQ was driven by manufacturing, BFSI and Retail, logistics and transport verticals Communication and Technology, Media and Entertainment (TME) verticals were drags.

TCV is at the upper end of guidance: US$815mn is flat QoQ but up 35% YoY and is at the upper end of the US$600-800mn range indicated by TML. This number (all of it net new) is commendable considering the muted demand environment. It should also be seen in the context of new management's emphasis on better quality deals from both a margin and risk perspective to deliver consistent and profitable growth.

Not much impact from H1-B: TML stated that only 1% of its employee base and 30% of its US employees are on H1-B visas and it does not see a material impact on it from the issue.

AI – has better credentials that some its peers: It is the only Indian company working on LLMs, has 300 plus AI agents and Tech M Orion, the AI platform – all of which we believe has created a differentiated positioning.

Consensus still does not expect TML to deliver 15% EBIT margin in FY27: We think that is quite possible through the various internal initiatives that the company has taken despite the demand environment not being as supportive as was initially planned.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TECHM IN/Rs 1,468
Market cap	US$ 14.7bn
Free float	65%
3M ADV	US$ 31.1mn
52wk high/low	Rs 1,808/Rs 1,209
Promoter/FPI/DII	35%/23%/32%

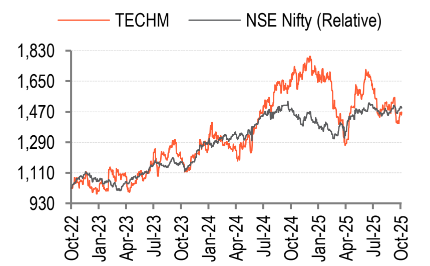
Source: NSE | Price as of 14 Oct 2025

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)	30.7	24.0	17.3
EV/EBITDA (x)	19.7	15.8	12.3
Adj. EPS growth (%)	80.6	28.0	38.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenues stood at US$1,586 mn, up 1.6% QoQ (in line with our estimate of 1.5% QoQ CC growth) and down 0.3% YoY on a CC basis
- Operating margins increased by 108 bps to 12.1% (against our estimate of 11.5%),
  - Margin expansion this quarter was primarily driven by improvement in fixed-price project productivity, volume growth, and savings from SG&A optimization. Early progress observed in value-based price optimization contributing to margin expansion
  - Currency benefit contributed ~40 bps to margin expansion
- New deal wins for the quarter were US$816mn (flat QoQ and up 35% YoY)
- Vertical wise:
  - Communications vertical declined 2.2% YoY but remained largely stable, with the largest client stabilizing spend and delivering growth above company average
  - Manufacturing vertical posted 5.2% YoY growth. The aero and industrial segments showed good traction driven by smart manufacturing, predictive maintenance, and digital twins. Automotive is broadly stable but commercial vehicle segment is facing headwinds and passenger vehicles is showing early stabilization signs
  - Banking and financial services vertical grew 6.2% YoY, reflecting prioritized growth areas. Partnerships have been forged to deepen domain capabilities in this vertical.
  - Retail, transport, and logistics grew 7.2% YoY, benefiting from e-commerce expansion, automation, warehousing, and last-mile delivery optimization
  - Technology, Media and Entertainment declined 8.8% YoY and Healthcare and Life sciences has declined 1.2% YoY
- Geography wise: Europe grew 5.5% YoY, Americas declined 2.7% YoY due to macroeconomic challenges, and Rest of World declined marginally by 0.5% YoY
- Clients with annual revenue above US$20 mn continued to grow above company average, surpassing US$1 bn in contribution for the quarter, a strategic focus area with 57 must-have accounts added in FY25 and 21 more in 1HFY26, 17 of which have generated over US$1 mn each
- Current macroeconomic environment is slow, creating skepticism about significant growth returning in the next year. Uncertainty exists regarding availability of excess margin flexibility for incremental investments beyond the budgeted roadmap. Future approach will balance investments in the business with margin returns to investors
- AI impact on overall company expected to be initially deflationary

- Customer expectations around AI-driven productivity are higher than traditional automation but remain realistic
- Realization that AI benefits require simplification, modernization, and building common, consistent data infrastructure

- Going forward, margin improvements will come from both gross margin and SG&A. However, the bigger improvement is expected to come from gross margin over the next six quarters. SG&A reduction will continue but within a certain range, as there is still ongoing integration of portfolio companies. Specific productivity and efficiency initiatives in G&A will also contribute. A key driver of margin improvement is productivity in fixed-price projects, which make up about 55-60% of the portfolio
- Less than 1% of Tech Mahindra's global workforce is on H-1B visas. Visa dependence in the US is under 30%
  - The company views the H-1B issue as manageable given the relatively low visa dependence and US revenue exposure (~45% of total)
- TML has a three-pronged strategy to handle the emerging H1-B situation. The first is to identify and firewall key talent in the US. The second piece is to better the US Offer to employees, in terms of savings or healthcare plans or training or learning and to diversify further the sources for US Recruitment. And the third piece is to strengthen capability to deliver from Americas locally, whether it is from Canada, Mexico, or Brazil.
- The company expects the communications portfolio to return to stability and growth in the second half of the year, factoring in seasonal furloughs in 3Q. Comviva, part of the telecom segment, continues to perform well and is on track for a second consecutive record year of growth
- The company remains optimistic about vendor consolidation opportunities in the European communications sector. While some decisions have been delayed and others are still in progress, outcomes are expected over the next few quarters. The regional team is strong, and more developments are expected soon
- In manufacturing, the aerospace business has seen strong growth due to recent plant acquisitions. The automotive segment is stabilizing in the passenger vehicle space, though there are some concerns in the commercial vehicle segment
- On margins, the company remains committed to its Project Fortius roadmap, which focuses on talent, automation, productivity, and pricing. While initial plans assumed modest growth in year one and an industry beating trajectory by year three, the macro environment has remained challenging. The team is adjusting plans and doubling down where needed, maintaining its goal of steady margin improvement
- At the midpoint of the three-year transformation journey, the company is progressing well across its three strategic pillars: focus, operational rigor, and organizational development
  - Focus: The company has deepened its presence in core verticals like telecom and manufacturing, while making meaningful progress in healthcare, retail, and

BFSI. Service lines like data & AI, cloud, and engineering are showing above-average growth

- Operational rigor: Strong improvements in fixed-price project profitability, tool usage, and talent structure are driving better execution. This has led to increased day-to-day visibility and confidence in both revenue and margin outlooks
- Organizational development: This area has seen the most notable progress. The leadership bench has been significantly strengthened with internal and external talent. Investments in training are on track. Cultural transformation, brand building, and tighter integration with Mahindra Group entities are also advancing well

- The first half of its 3-year journey was about strengthening its foundation, building resilience and creating an organization capable of sustained performance. The second half TML believes will turn into further decisive action and further comparative gains as per our strategic plan.
- The company remains committed to its current capital allocation strategy for the next six quarters. While early discussions have begun around future programmatic M&A, any acquisitions in the near term will be limited to smaller, tuck-in deals
- TML launched TechM Orion, its next-generation agentic AI platform built on NVIDIA-accelerated computing that enables intelligent, autonomous execution of complex business workflows. It enables global enterprises to deploy AI solutions faster, whether in assisted or fully autonomous environments, while maintaining control and transparency throughout the AI lifecycle. Tech Mahindra also unveiled TechM Orion Marketplace, an agentic AI marketplace that offers a robust ecosystem of intelligent, autonomous, and action-oriented AI agents that collaborate, evolve, adapt, and scale.

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**).and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBB), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture,Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-

FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

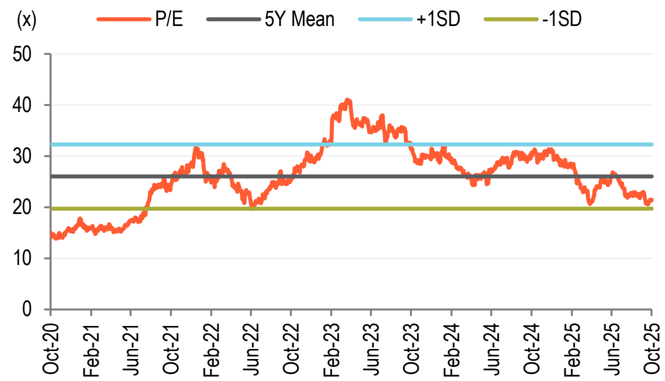
However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E March (Rs mn)	2QFY25	1QFY26	2QFY26	YoY(%)	QoQ (%)	2QFY26E	Dev(%)
Net Sales (USD mn)	**1,589**	**1,564**	**1,586**	**(0.2)**	**1.4**	**1,593**	**(0.4)**
Net Sales	**133,132**	**133,512**	**139,949**	**5.1**	**4.8**	**138,400**	**1.1**
Direct Cost	95,957	95,236	99,159	3.3	4.1	97,246	2.0
Gross Margin	37,175	38,276	40,790	9.7	6.6	41,154	(0.9)
% of Sales	27.9	28.7	29.1			29.7	
SG&A	19,673	18,924	19,110	(2.9)	1.0	20,508	(6.8)
% of Sales	14.8	14.2	13.7			14.8	
EBITDA	17,502	19,352	21,680	23.9	12.0	20,646	5.0
EBITDA Margin (%)	13.1	14.5	15.5			14.9	
Depreciation & Amortisation	4,698	4,581	4,687	(0.2)	2.3	4,755	(1.4)
EBIT	**12804**	**14,771**	**16,993**	**32.7**	**15.0**	**15,892**	**6.9**
EBIT Margin (%)	**9.6**	**11.1**	**12.1**			**11.5**	
Interest	890	778	772	(13.3)	(0.8)	778	(0.8)
Other Income	5,215	2,183	400	(92.3)	(81.7)	3,155	(87.3)
Amortisation of goodwill	0	0	0			0	
PBT	17,129	16,176	16,621	(3.0)	2.8	18,269	(9.0)
Exceptional Item (as Reported)	6	5	(28)			0	
Provision for Tax	4,560	4,893	4,576	0.4	(6.5)	4,933	(7.2)
Effective Tax Rate	26.6	30.2	27.5			27.0	
Minority share in Profit / Loss	(74)	118	(72)	(2.7)	(161.0)	118	(161.0)
PAT (Reported)	**12,501**	**11,406**	**11,945**	**(4.5)**	**4.7**	**13,455**	**(11.2)**
NPM (%)	**9.4**	**8.5**	**8.5**			**9.7**	

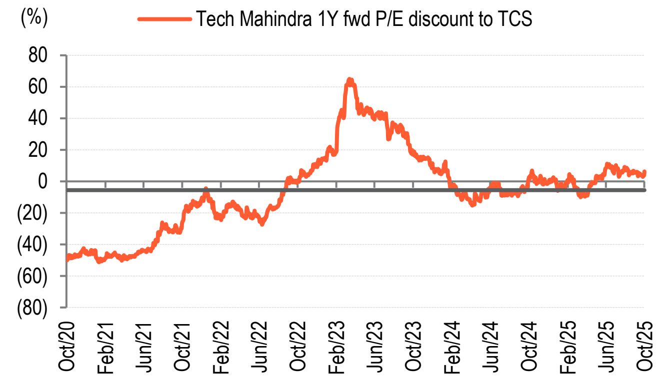
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

Change in estimates	New			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	87.3	89.3	91.1	86.9	89.3	91.1	0.4	-	-
USD Revenue (USD mn)	6,386	6,751	7,344	6,397	6,759	7,353	(0.2)	(0.1)	(0.1)
USD Revenue Growth (%)	1.9	5.7	8.8	2.1	5.7	8.8			
Revenue (Rsmn)	557.4	602.6	668.8	556.2	603.3	669.6	0.2	(0.1)	(0.1)
EBIT (Rsmn)	68.1	92.1	104.3	65.8	91.8	104.7	3.5	0.3	(0.4)
EBIT Margin (%)	12.2	15.3	15.6	11.8	15.2	15.6			
PAT (Rsmn)	54.3	75.3	84.5	54.3	74.7	84.1	0.1	0.8	0.4
EPS (Rs)	61.2	84.8	95.2	61.2	84.1	94.7	0.1	0.8	0.4

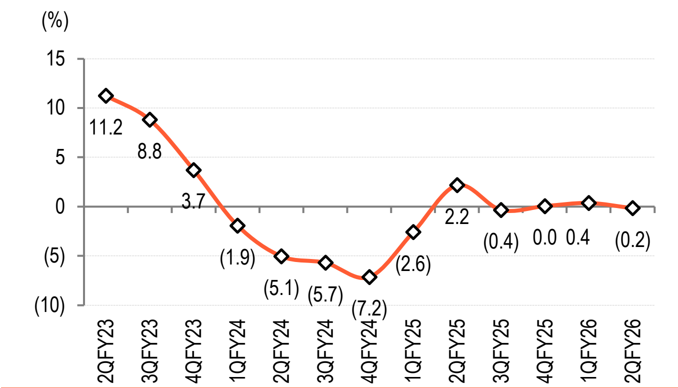
Source: BOBCAPS Research

Fig 5 – P&L at a glance

(YE March)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.4	60.7	61.3	65.6	67.0	64.5	69.9	71.0	74.1	74.4	80.6	82.8	84.6	87.3	89.3	91.1
Net Sales (US$m)	**2,633**	**3,098**	**3,664**	**4,037**	**4,351**	**4,771**	**4,971**	**5,182**	**5,111**	**5,998**	**6,607**	**6,277**	**6,264**	**6,386**	**6,751**	**7,344**
-Growth (%)		**17.7**	**18.3**	**10.2**	**7.8**	**9.6**	**4.2**	**4.3**	**(1.4)**	**17.3**	**10.1**	**(5.0)**	**(0.2)**	**1.9**	**5.7**	**8.8**
Net Sales	143,320	188,313	224,779	264,941	291,408	307,730	347,421	368,677	378,551	446,460	532,902	519,955	529,883	557,391	602,552	668,818
-Growth (%)		31.4	19.4	17.9	10.0	5.6	12.9	6.1	2.7	17.9	19.4	(2.4)	1.9	5.2	8.1	11.0
Cost of Sales & Services	90,007	117,001	150,734	183,316	205,661	215,299	233,590	259,743	258,555	309,719	381,197	391,146	380,848	394,195	413,788	466,520
Gross Profit	53,313	71,312	74,045	81,625	85,747	92,431	113,831	108,934	119,996	136,741	151,705	128,809	149,035	163,196	188,763	202,298
% of sales	37.2	37.9	32.9	30.8	29.4	30.0	32.8	29.5	31.7	30.6	28.5	24.8	28.1	29.3	31.3	30.2
SG& A	22,682	29,476	32,901	38,289	43,904	45,261	50,463	51,673	51,525	56,540	71,418	79,163	79,124	76,254	76,440	76,060
% of sales	15.8	15.7	14.6	14.5	15.1	14.7	14.5	14.0	13.6	12.7	13.4	15.2	14.9	13.7	12.7	11.4
EBITDA	30,631	41,836	41,144	43,336	41,843	47,170	63,368	57,261	68,471	80,201	80,287	49,646	69,911	86,941	112,323	126,238
% of sales	21.4	22.2	18.3	16.4	14.4	15.3	18.2	15.5	18.1	18.0	15.1	9.5	13.2	15.6	18.6	18.9
Depreciation	3896	5,221	6,079	7,620	9,781	10,849	11,292	14,458	14,577	15,204	19,567	18,171	18,529	18,809	20,220	21,971
% of sales	2.7	2.8	2.7	2.9	3.4	3.5	3.3	3.9	3.9	3.4	3.7	3.5	3.5	3.4	3.4	3.3
EBIT	**26735**	**36,615**	**35,065**	**35,716**	**32,062**	**36,321**	**52,076**	**42,803**	**53,894**	**64,997**	**60,720**	**31,475**	**51,382**	**68,132**	**92,102**	**104,267**
% of sales	**18.7**	**19.4**	**15.6**	**13.5**	**11.0**	**11.8**	**15.0**	**11.6**	**14.2**	**14.6**	**11.4**	**6.1**	**9.7**	**12.2**	**15.3**	**15.6**
Amortisation of goodwill	0	0	0	0	0	0	0	2,175	0	0	2,370	4,582	0	0	0	0
Interest expenses	922	797	297	871	1,286	1,624	1,332	1,919	1,740	1,626	3,256	3,922	3,217	3,094	3,088	3,088
Other income (net)	2,121	1,130	1,006	5,322	7,776	14,093	5,342	11,924	7,871	11,123	9,650	9,169	8,554	7,840	11,021	11,132
Share of profit from associate							(655)	(55)								
PBT	27,934	36,948	35,774	40,167	38,552	48,790	55,431	50,578	60,025	74,494	64,744	32,140	56,719	72,878	100,036	112,311
-PBT margin (%)	19.5	19.6	15.9	15.2	13.2	15.9	16.0	13.7	15.9	16.7	12.1	6.2	10.7	13.1	16.6	16.8
Provision for tax	6,479	7,524	9,472	8,600	10,021	10,925	12,544	11,604	15,999	18,220	15,885	8,276	14,002	18,688	25,009	28,078
Effective tax rate (%)	23.2	20.4	26.5	21.4	26.0	22.4	22.6	22.9	26.7	24.5	24.5	25.7	24.7	25.6	25.0	25.0
Minority Interest	301	336	310	412	389	(136)	88	1,356	750	(640)	(257)	(390)	(15)	166	240	240
Net profit	**20,756**	**29,122**	**26,062**	**31,160**	**28,136**	**38,001**	**43,194**	**40,166**	**44,272**	**55,637**	**48,531**	**23,511**	**42,451**	**54,350**	**75,267**	**84,473**
-Growth (%)	**263.3**	**54.9**	**(13.2)**	**18.7**	**(9.8)**	**35.1**	**13.1**	**(6.2)**	**7.3**	**31.5**	**(15.2)**	**(51.2)**	**81.6**	**26.1**	**38.5**	**12.3**
-Net profit margin (%)	**14.5**	**15.5**	**11.6**	**11.8**	**9.7**	**12.3**	**12.4**	**10.9**	**11.7**	**12.5**	**9.1**	**4.5**	**8.0**	**9.8**	**12.5**	**12.6**

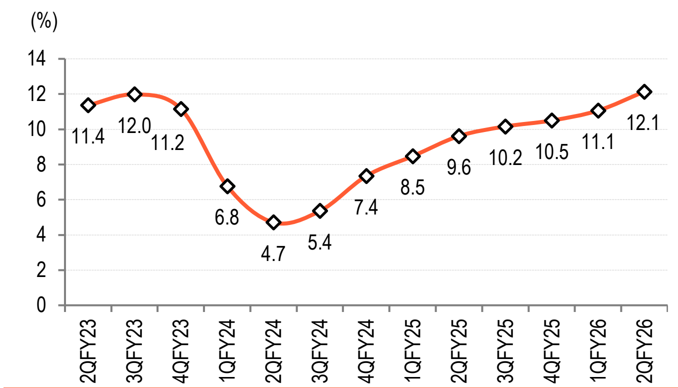
Source: Company, BOBCAPS Research

Fig 6 – YoY USD Revenue growth



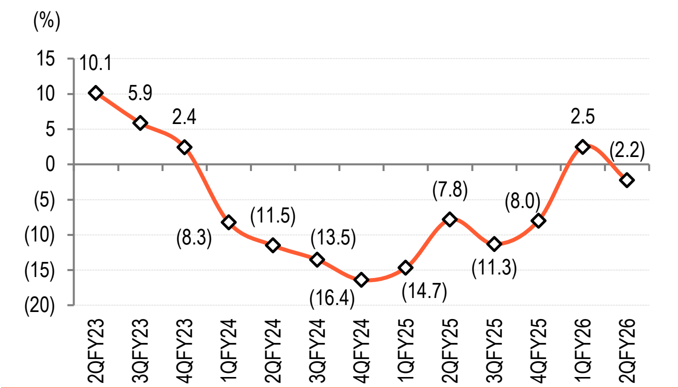
Source: Company, BOBCAPS Research

Fig 7 – EBIT Margin trend



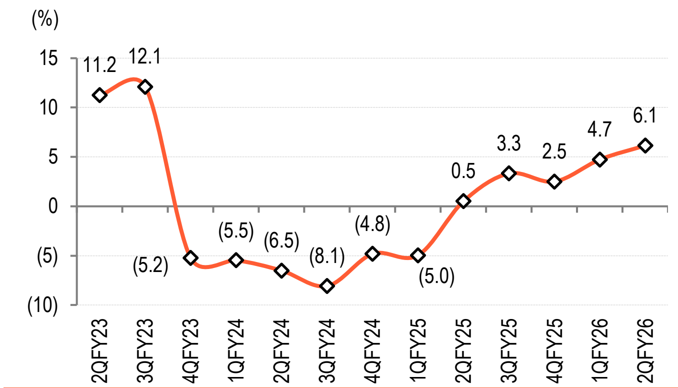
Source: Company, BOBCAPS Research

Fig 8 – Communication (Telecom) Growth (YoY)



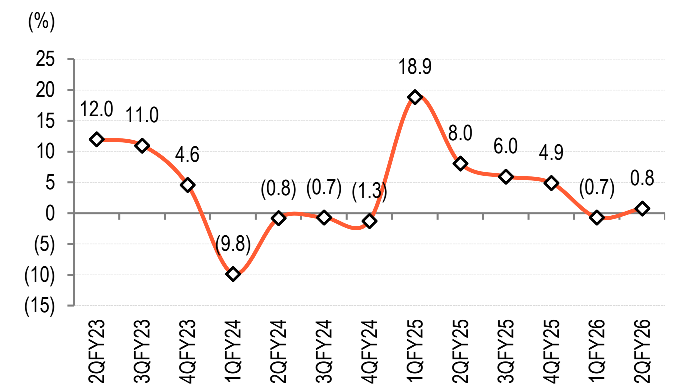
Source: Company, BOBCAPS Research

Fig 9 – BFSI Growth (YoY)



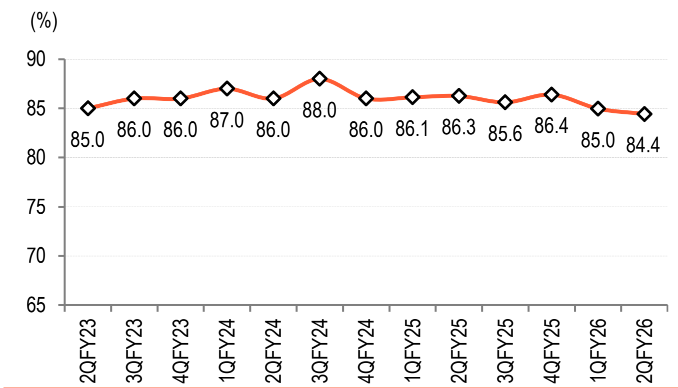
Source: Company, BOBCAPS Research

Fig 10 – Enterprise side Growth (YoY)



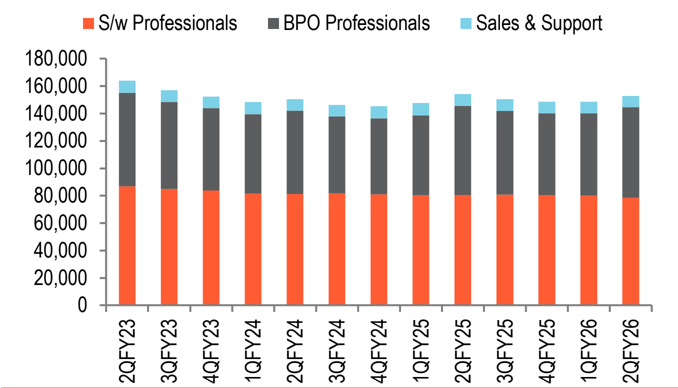
Source: Company, BOBCAPS Research

Fig 11 – IT Utilization (%) (including trainees)



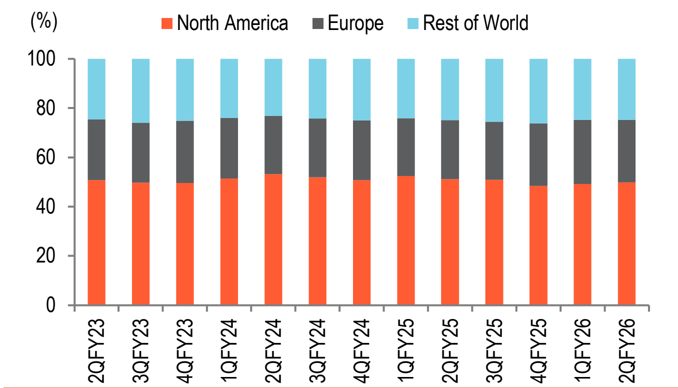
Source: Company, BOBCAPS Research

Fig 12 – Total Headcount trend QoQ



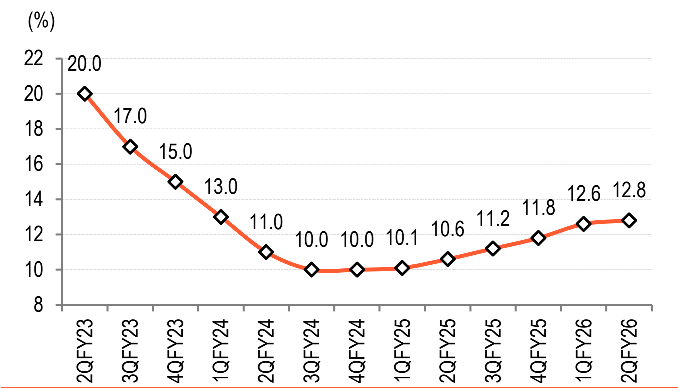
Source: Company, BOBCAPS Research

Fig 13 – Revenue contribution in terms of Geographies



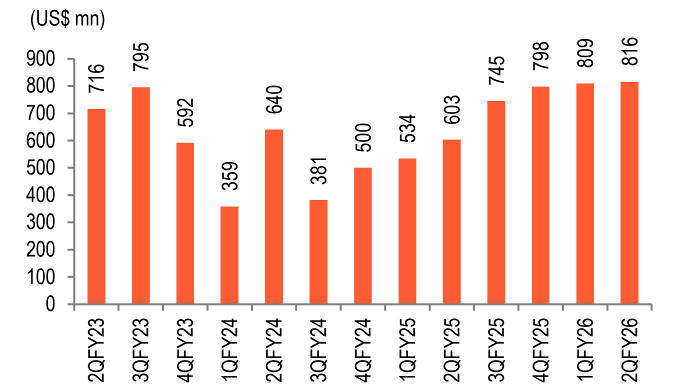
Source: Company, BOBCAPS Research

Fig 14 – TTM Attrition Rate (%)



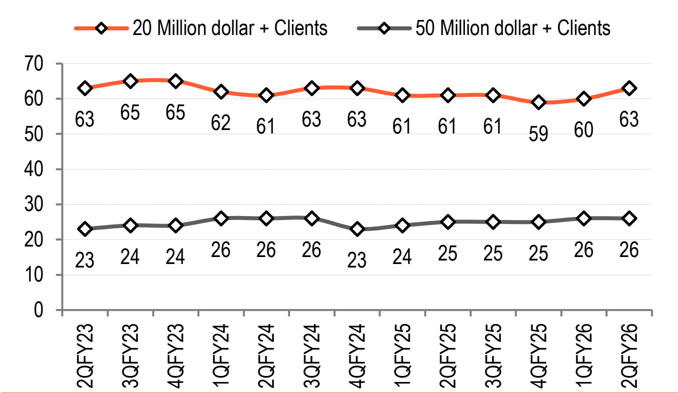
Source: Company, BOBCAPS Research

Fig 15 – Net new deal wins (TCV) trend QoQ



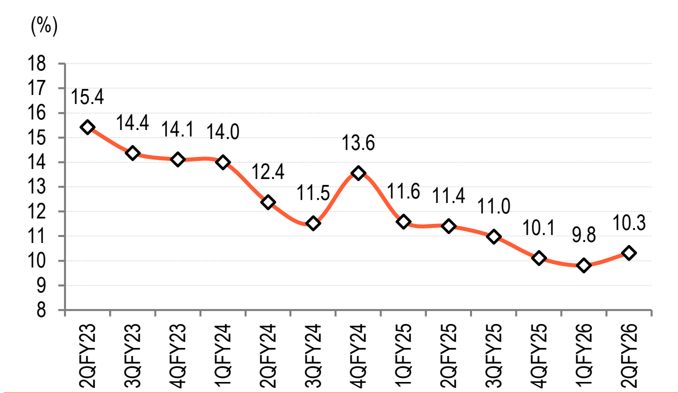
Source: Company, BOBCAPS Research

Fig 16 – Number of clients: >US$20mn and >US$50mn bucket



Source: Company, BOBCAPS Research

Fig 17 – Subcontracting costs as % of revenue



Source: Company, BOBCAPS Research

Fig 18 – Quarterly Snapshot

Year to 31 March	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Rs mn													
INR/USD	80.0	82.3	82.3	82.2	82.7	83.3	83.1	83.4	83.8	84.7	86.5	85.3	88.2
USD Revenue (USD mn)	1638	1668	1668	1601	1555	1573	1548	1559	1589	1567	1549	1564	1586
INR Revenue	131,295	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949
Gross Margin	36,681	39,409	39,698	33,785	28,887	31,365	34,772	34,523	37,175	38,297	39,040	38,276	40,790
SGA	16,840	17,969	19,493	20,405	18,164	19,900	20,694	18,878	19,673	20,207	20,366	18,924	19,110
EBITDA	19,841	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680
Depreciation	4,917	4,981	4,902	4,466	4,657	4,434	4,614	4,622	4,698	4,588	4,621	4,581	4,687
EBIT	14,924	16,459	15,303	8,914	6,066	7,031	9,464	11,023	12,804	13,502	14,053	14,771	16,993
Other income (net)	2,902	2,472	3,055	1,917	2,642	875	3,735	1,447	5,215	165	1,727	2,183	400
PBT	16,639	17,712	15,248	9,712	6,153	6,789	9,591	11,781	17,135	12,974	14,642	16,181	16,593
Tax	3,647	4,859	3,999	2,676	1,100	1,551	2,949	3,133	4,560	3,086	3,223	4,893	4,576
Minority Share in profit/Loss	(138)	113	(73)	(111)	(114)	(133)	(32)	(133)	(74)	(56)	248	118	(72)
Exceptional Item	(153)	(90)	(50)	78	(85)	48	64	26	6	66	(12)	5	(28)
PAT	12,854	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945
YoY Growth (%)													
USD Revenue	11.2	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.4)	0.0	0.4	(0.2)
INR Revenue	20.7	19.9	13.2	3.5	(2.0)	(4.6)	(6.2)	(1.2)	3.5	1.4	4.0	2.7	5.1
Gross Profit	6.4	14.5	11.6	(5.9)	(21.2)	(20.4)	(12.4)	2.2	28.7	22.1	12.3	10.9	9.7
EBITDA	(0.6)	4.1	(3.3)	(28.8)	(46.0)	(46.5)	(30.3)	16.9	63.2	57.8	32.6	23.7	23.9
EBIT	(9.7)	(3.1)	(4.6)	(36.5)	(59.4)	(57.3)	(38.2)	23.7	111.1	92.0	48.5	34.0	32.7
Net Profit	(4.0)	(5.3)	(25.8)	(38.8)	(61.6)	(60.6)	(40.9)	23.0	153.1	92.6	76.5	34.0	(4.5)
QoQ Growth (%)													
USD Revenue	0.3	1.8	0.0	(4.0)	(2.8)	1.1	(1.6)	0.7	1.9	(1.3)	(1.2)	1.0	1.4
INR Revenue	3.3	4.6	(0.1)	(4.1)	(2.2)	1.8	(1.8)	1.0	2.4	(0.2)	0.7	(0.2)	4.8
EBITDA	5.5	8.1	(5.8)	(33.8)	(19.9)	6.9	22.8	11.1	11.9	3.4	3.2	3.6	12.0
EBIT	6.3	10.3	(7.0)	(41.7)	(31.9)	15.9	34.6	16.5	16.2	5.4	4.1	5.1	15.0
Net Profit	13.6	0.9	(13.8)	(38.0)	(28.7)	3.4	29.5	28.8	46.8	(21.4)	18.7	(2.2)	4.7
Margins (%)													
Gross Margin	27.9	28.7	28.9	25.7	22.5	23.9	27.0	26.5	27.9	28.8	29.2	28.7	29.1
EBITDA	15.1	15.6	14.7	10.2	8.3	8.8	10.9	12.0	13.1	13.6	14.0	14.5	15.5
EBIT	11.4	12.0	11.2	6.8	4.7	5.4	7.4	8.5	9.6	10.2	10.5	11.1	12.1
PAT	9.8	9.4	8.1	5.3	3.8	3.9	5.1	6.5	9.4	7.4	8.7	8.5	8.5
SGA	12.8	13.1	14.2	15.5	14.1	15.2	16.1	14.5	14.8	15.2	15.2	14.2	13.7

Source: Company, BOBCAPS Research

Fig 19 – Key Metrics

Key Metrics	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P and L (Rs mn)													
Revenue	131,295	137,346	137,182	131,590	128,639	131,013	128,713	130,055	133,132	132,856	133,840	133,512	139,949
EBITDA	19,841	21,440	20,205	13,380	10,723	11,465	14,078	15,645	17,502	18,090	18,674	19,352	21,680
PAT	12,854	12,966	11,176	6,925	4,939	5,105	6,610	8,515	12,501	9,832	11,667	11,406	11,945
Vertical Mix (%)													
Communication (Telecom)	39.7	39.8	40.1	37.8	37.0	36.5	36.1	33.1	33.4	32.5	33.2	33.8	32.7
Manufacturing	16.0	15.7	15.9	16.9	17.8	18.1	18.2	18.3	17.2	16.8	17.0	17.5	18.1
Technology,media & entertainment	10.1	10.3	10.3	10.7	11.0	10.5	10.7	13.8	14.3	14.3	13.2	13.3	13.1
Banking,financial services & insurance	16.3	15.9	15.9	16.1	16.1	15.5	16.3	15.7	15.8	16.1	16.7	16.4	16.8
Retail, transport & logistics	8.1	8.5	7.6	7.1	8.2	8.6	7.3	7.7	7.9	8.1	8.1	7.9	8.5
Healthcare and Life sciences							7.2	7.7	7.4	7.7	7.3	7.3	7.3
Others	9.8	9.9	10.2	4.0	10.0	10.8	4.0	3.8	4.0	4.6	4.5	3.9	3.5
Geographical Mix (%)													
North America	50.8	49.7	49.6	51.4	53.3	51.9	50.8	52.4	51.1	50.8	48.4	49.2	49.8
Europe	24.5	24.4	25.3	24.6	23.6	23.8	24.2	23.4	24.0	23.6	25.4	26.0	25.4
Rest of World	24.7	25.9	25.1	24.0	23.2	24.3	25.0	24.2	24.9	25.6	26.2	24.8	24.8
IT Headcount Mix (%)													
Onsite	27.3	27.5	27.3	26.9	26.6	26.1	25.2	24.6	23.7	22.7	22.1	21.4	21.7
Offshore	72.7	72.5	72.7	73.1	73.4	73.9	74.8	75.4	76.3	77.3	77.9	78.6	78.3
IT Utilization (%) (including trainees)	85.0	86.0	86.0	87.0	86.0	88.0	86.0	86.1	86.3	85.6	86.4	85.0	84.4
Clients Concentration (%)													
Top 5 Clients	19.0	18.0	17.0	17.0	17.0	16.0	16.0	15.5	15.1	14.8	16.0	15.6	15.6
Top 10 Clients	28.0	27.0	26.0	27.0	27.0	26.0	26.0	25.1	24.9	24.2	25.0	25.2	24.3
Top 20 Clients	40.0	40.0	40.0	39.0	39.0	39.0	39.0	38.4	38.6	38.0	38.0	39.0	37.1
Number of Client													
1 USD mn +	562	574	582	580	568	558	553	545	545	540	540	529	520
5 USD mn +	184	185	186	190	186	185	190	191	195	191	195	193	194
10 USD mn +	108	109	112	115	114	118	114	113	109	104	106	108	106
20 USD mn +	63	65	65	62	61	63	63	61	61	61	59	60	63
50 USD mn +	23	24	24	26	26	26	23	24	25	25	25	26	26
Employees	163,912	157,068	152,400	148,297	150,604	146,250	145,455	147,620	154,273	150,488	148,731	148,517	152,714
Net employee added	5,877	(6,844)	(4,668)	(4,103)	2,307	(4,354)	(795)	2,165	6,653	(3,785)	(1,757)	(214)	4,197
TTM Attrition (%)	20	17	15	13	11	10	10	10	11	11	12	13	13
Financial Metrics (USD mn)													
Revenue	1,638	1,668	1,668	1,601	1,555	1,573	1,548	1,559	1,589	1,567	1,549	1,564	1,586
EBITDA	246	260	245	163	129	138	169	188	209	213	217	226	245
EBIT	184	200	186	108	73	84	114	132	153	159	163	172	192
PAT	162	157	137	85	62	62	79	103	150	115	133	131	136
Per Capita (Annualised) - USD													
Revenue	39,975	42,486	43,769	43,176	41,306	43,022	42,575	42,241	41,192	41,664	41,654	42,134	41,539
EBITDA	5,991	6,626	6,441	4,388	3,437	3,766	4,653	5,082	5,414	5,661	5,831	6,081	6,416
EBIT	4,493	5,086	4,877	2,924	1,942	2,311	3,127	3,581	3,961	4,221	4,395	4,634	5,024
PAT	3,963	3,998	3,601	2,279	1,644	1,707	2,172	2,800	3,888	3,070	3,572	3,540	3,562
Per capita operating cost	35,482	37,400	38,892	40,252	39,364	40,711	39,449	38,661	37,232	37,442	37,259	37,500	36,515

Source: Company, BOBCAPS Research

Fig 20 – QoQ and YoY growth of various parameters

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
QoQ Growth													
Total Company	0.3	1.9	(0.1)	(11.1)	4.9	1.1	(1.8)	0.9	1.9	(1.3)	(1.2)	1.0	1.3
By Geography(%)													
North America	2.8	(0.4)	(0.2)	(0.5)	0.7	(1.4)	(3.7)	3.9	(0.7)	(1.9)	(5.9)	2.6	2.6
Europe	(3.6)	1.4	3.6	(6.7)	(7.0)	2.2	0.1	(2.6)	4.5	(3.0)	6.3	3.6	(1.2)
Rest of World	(0.5)	6.8	(3.1)	(8.2)	(6.1)	5.9	1.3	(2.7)	5.0	1.4	1.2	(4.5)	1.5
By Industry (%)													
Communications, Media and Entertainment	(1.4)	2.1	0.7	(9.5)	(4.9)	(0.2)	(2.7)	(7.6)	2.7	(4.0)	1.0	2.9	(2.0)
Manufacturing	4.9	(0.1)	1.2	2.0	2.0	3.1	(1.0)	1.1	(4.0)	(3.7)	(0.0)	3.8	5.2
Technology	4.5	3.9	(0.0)	(0.3)	(0.1)	(3.5)	0.3	29.7	5.7	(1.6)	(8.5)	1.7	(0.4)
Banking,financial services & insurance	(2.1)	(0.7)	(0.0)	(2.8)	(3.1)	(2.3)	3.5	(3.0)	2.4	0.4	2.7	(0.8)	3.8
Retail, transport & logistics	2.9	6.9	(10.6)	(10.3)	12.2	6.1	(16.5)	5.5	5.6	0.9	(1.3)	(1.3)	9.0
Healthcare and Life sciences								7.3	(1.8)	2.1	(5.7)	0.3	2.2
Others	(1.7)	2.9	3.0	(62.4)	142.9	9.2	(63.5)	(4.6)	7.8	14.2	(4.2)	(13.2)	(9.1)
By Client classification (%)													
Top 5 Clients	(9.2)	(3.5)	(5.6)	(4.0)	(2.8)	(4.8)	(1.6)	(2.5)	(0.4)	(3.9)	7.2	(1.7)	1.3
Top 10 Clients	(6.3)	(1.8)	(3.7)	(0.3)	(2.8)	(2.6)	(1.6)	(2.8)	1.0	(4.1)	2.2	1.8	(2.3)
Top 20 Clients	(2.1)	1.8	(0.0)	(6.4)	(2.8)	1.1	(1.6)	(0.9)	2.5	(2.9)	(1.2)	3.6	(3.5)
YoY Growth													
Total Company	11.2	8.8	3.7	(1.9)	(5.1)	(5.7)	(7.2)	(2.6)	2.2	(0.3)	0.0	0.4	(0.2)
By Geography(%)													
North America	18.2	10.6	6.5	1.6	(0.5)	(1.5)	(4.9)	(0.7)	(2.0)	(2.4)	(4.7)	(5.9)	(2.8)
Europe	5.2	4.1	(0.6)	(5.4)	(8.7)	(8.0)	(11.2)	(7.3)	4.2	(1.1)	5.0	11.7	5.6
Rest of World	4.5	10.1	2.9	(5.5)	(10.8)	(11.5)	(7.5)	(2.0)	9.6	4.9	4.8	2.9	(0.5)
By Industry (%)													
Communications, Media and Entertainment	10.1	5.9	2.4	(8.3)	(11.5)	(13.5)	(16.4)	(14.7)	(7.8)	(11.3)	(8.0)	2.5	(2.2)
Manufacturing	11.2	8.0	10.7	8.3	5.3	8.7	6.3	5.3	(0.9)	(7.5)	(6.6)	(4.1)	5.2
Technology	24.8	32.8	14.9	8.2	3.4	(3.9)	(3.6)	25.4	32.7	35.2	23.4	(3.3)	(8.8)
Banking,financial services & insurance	11.2	12.1	(5.2)	(5.5)	(6.5)	(8.1)	(4.8)	(5.0)	0.5	3.3	2.5	4.7	6.1
Retail, transport & logistics	15.5	8.5	3.7	(11.9)	(3.9)	(4.6)	(10.8)	4.9	(1.2)	(6.0)	11.0	3.8	7.1
Healthcare and Life sciences								NA	NA	NA	1.4	(5.1)	(1.3)
Others	0.9	(1.1)	3.7	(60.8)	(3.1)	2.9	(63.6)	(7.7)	(59.0)	(57.2)	12.5	2.4	(13.6)
By Client Classification (%)													
Top 5 Clients	(3.9)	(13.6)	(19.9)	(20.6)	(15.1)	(16.2)	(12.6)	(11.3)	(9.0)	(8.1)	0.0	0.9	2.6
Top 10 Clients	0.5	(6.5)	(13.0)	(11.8)	(8.5)	(9.2)	(7.2)	(9.5)	(5.9)	(7.3)	(3.8)	0.8	(2.5)
Top 20 Clients	3.5	2.7	(3.5)	(6.7)	(7.4)	(8.1)	(9.5)	(4.1)	1.2	(2.9)	(2.5)	1.8	(4.1)

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**519,955**	**529,883**	**557,391**	**602,552**	**668,818**
EBITDA	49,646	69,911	86,941	112,323	126,238
Depreciation	18,171	18,529	18,809	20,220	21,971
EBIT	31,475	51,382	68,132	92,102	104,267
Net interest inc./(exp.)	(3,922)	(3,217)	(3,094)	(3,088)	(3,088)
Other inc./(exp.)	9,169	8,554	7,840	11,021	11,132
Exceptional items	(4,582)	0	0	0	0
EBT	32,140	56,719	72,878	100,036	112,311
Income taxes	8,276	14,002	18,688	25,009	28,078
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(285)	(101)	189	240	240
Reported net profit	**23,579**	**42,818**	**54,001**	**74,787**	**83,993**
Adjustments	0	0	0	0	0
Adjusted net profit	**23,579**	**42,818**	**54,001**	**74,787**	**83,993**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	126,166	126,740	135,148	145,979	164,356
Provisions	0	0	0	0	0
Debt funds	1,570	160	1,352	1,352	1,352
Other liabilities	39,806	44,430	45,520	45,520	45,520
Equity capital	4,413	4,424	4,427	4,427	4,427
Reserves & surplus	262,281	269,191	270,570	279,358	284,056
Shareholders' fund	266,694	273,615	274,997	283,785	288,483
Total liab. and equities	**434,236**	**444,945**	**457,018**	**476,636**	**499,711**
Cash and cash eq.	75,149	74,350	77,857	80,605	76,651
Accounts receivables	114,011	115,470	122,209	132,002	148,620
Inventories	375	394	961	961	961
Other current assets	45,179	47,117	50,164	54,184	61,006
Investments	7,092	7,836	4,862	4,862	4,862
Net fixed assets	54,640	47,636	42,271	42,050	40,080
CWIP	1,011	206	230	230	230
Intangible assets	75,106	76,993	80,319	80,319	80,319
Deferred tax assets, net	14,396	18,573	20,536	20,536	20,536
Other assets	47,277	56,370	57,609	60,886	66,447
Total assets	**434,236**	**444,945**	**457,018**	**476,636**	**499,711**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**59,607**	**61,621**	**74,149**	**95,352**	**104,230**
Capital expenditures	(7,600)	(10,899)	(13,468)	(20,000)	(20,000)
Change in investments	5,805	(8,433)	1,302	(3,277)	(5,561)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(1,795)**	**(19,332)**	**(12,166)**	**(23,277)**	**(25,561)**
Equities issued/Others	13	11	3	0	0
Debt raised/repaid	(7,774)	3,686	2,095	0	0
Interest expenses	(3,922)	(3,217)	(3,094)	(3,088)	(3,088)
Dividends paid	(35,264)	(39,857)	(44,320)	(66,479)	(79,775)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(46,947)**	**(39,377)**	**(45,316)**	**(69,567)**	**(82,863)**
Chg in cash & cash eq.	**4,770**	**(799)**	**3,507**	**2,748**	**(3,954)**
Closing cash & cash eq.	**75,149**	**74,350**	**77,857**	**80,605**	**76,651**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.9	47.9	61.3	84.9	95.3
Adjusted EPS	26.5	47.8	61.2	84.8	95.2
Dividend per share	40.3	45.0	50.0	75.0	90.0
Book value per share	304.6	308.9	310.2	320.2	325.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.6	2.6	2.5	2.3	2.1
EV/EBITDA	27.5	19.7	15.8	12.3	10.9
Adjusted P/E	55.4	30.7	24.0	17.3	15.4
P/BV	4.8	4.8	4.7	4.6	4.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.4	75.5	74.1	74.8	74.8
Interest burden (PBT/EBIT)	102.1	110.4	107.0	108.6	107.7
EBIT margin (EBIT/Revenue)	6.1	9.7	12.2	15.3	15.6
Asset turnover (Rev./Avg TA)	163.4	169.2	174.2	184.7	200.8
Leverage (Avg TA/Avg Equity)	1.2	1.2	1.2	1.2	1.2
Adjusted ROAE	8.6	15.8	19.7	26.8	29.4

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(2.4)	1.9	5.2	8.1	11.0
EBITDA	(38.2)	40.8	24.4	29.2	12.4
Adjusted EPS	(51.6)	80.6	28.0	38.5	12.2
Profitability & Return ratios (%)					
EBITDA margin	9.5	13.2	15.6	18.6	18.9
EBIT margin	6.1	9.7	12.2	15.3	15.6
Adjusted profit margin	4.5	8.1	9.7	12.4	12.6
Adjusted ROAE	8.6	15.8	19.7	26.8	29.4
ROCE	7.3	12.4	15.8	21.2	23.5
Working capital days (days)					
Receivables	80	80	80	80	81
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	9.5	11.1	13.2	14.3	16.7
Current ratio	1.9	1.9	1.9	1.8	1.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
Trade Name: **www.barodaetrade.com**
CIN: **U65999MH1996GOI098009**

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

BUY – Expected return >+15%

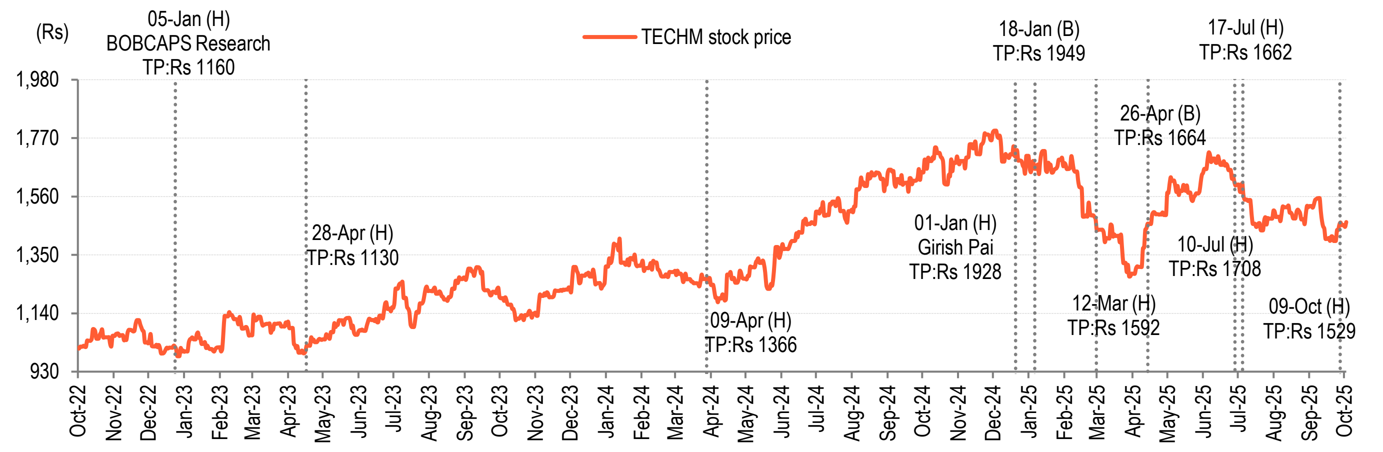
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): TECH MAHINDRA (TECHM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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