

Tech Mahindra (TECHM) – BUY

Result Update

Current Market Price (CMP)

Rs.960

Target Price

Rs.1,150

Our fair value of Rs.1,150 offers upside of 19.7% from current market price.

Rationale:

- Weak revenue performance, operating margin increases further in Q4FY21
- Deal wins pick up, set for double-digit growth. Margin can be at 15%+ in FY22E
- Margin expansion catalyst has played out; focus will shift to revenue growth
- Expect earnings to grow by 20% in FY22E and 11.2% in FY23E
- BUY on inexpensive valuation & 5G optionality. Valuing it at 16.5x on FY23E EPS.

Q4FY21 Earnings update:

Positives:

- Constant currency qoq revenue of 0.7% & 1.6% in reported terms to \$133 cr
- Operating margin increased 60 bps qoq led by a tightening of operations
- Deal wins in Q4FY21 stood at US\$104 cr.

Negatives:

- Net profit of Rs.1,132 cr (+10.8% yoy, -13.6% qoq) missed our estimate
- Forex loss of Rs62.8 cr and higher effective tax rate of 31.3%
- Attrition rates picked up to 13.3% in Q4FY21 and will be a key focus area.

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For detailed report dated 27th April 2021. Note: CMP & valuation may differ due to difference in dates.



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