



Pick of the week

Tech Mahindra (TECHM)

Recommendation: **BUY**

Current Price: ₹1371

Potential Upside: **15.2%**

Time Period: **12 Month**

Target Price: ₹1580

Why invest?

- 📌 Tech Mahindra seems set for solid revenue growth. It has created additional engines of growth around specific horizontal and vertical offerings. Each of the offerings has the potential to achieve US\$10 cr revenues in a few years and each has a dedicated leadership team.
- 📌 It's BPO business of US\$51.4 cr (FY2021) has grown at impressive CAGR (compound annual growth rate) of 14.7% in USD terms (higher in c/c) from FY17-21.
- 📌 Tech's twin propositions of (1) do what is right for the customer even if it involves cannibalizing own revenues using automation, AI and platforms, and (2) deliver on outcome basis have resonated well in the market and have helped drive market share gains.
- 📌 Telecom vertical is showing signs of promise with qualified deal pipeline at an all-time high with deals that are modernization/getting ready for 5G or actual 5G deals.
- 📌 We raise earnings estimates and Fair Value to Rs1,580 valuing the stock at 20x September 2023E EPS.
- 📌 Key risks—extended phase of talent scarcity, where Tech Mahindra is more vulnerable than peers.