



Pick of the week

Tech Mahindra (TECHM)

Recommendation: **BUY**

Date: **11th July 2022**

Current Price: ₹**1027**

Time Period: **12 Months**

Potential Upside: **26.6%**

Target Price: ₹**1300**

Why Invest

- Tech Mahindra's annual report highlights improvement in margins of certain acquired entities.
- The company added 10k+ freshers in FY22 which aided employee pyramid.
- RoE (Return on Equity) has increased to 21.5% in FY22 from 19.2% in FY21.
- Healthy TCV (total contract value) of deal wins in the last 4-5 quarters, US\$101 cr in Q4FY22.
- TechM declared Rs45/share dividend, implying a payout of 63.3%. On cash flow basis payout ratio works out to 71.5%, quite healthy.
- The company is well positioned to benefit from growth engines in enterprise and 5G driven tech investments by telcos.
- Expect earnings (EPS) to grow by 0.6% in FY23E and 12.8% in FY24E.
- Stock trades at 14.4x FY24E EPS. Maintain BUY.