

# Tech Mahindra Q2 2023 Risk Analysis

## Financial Performance Overview

Tech Mahindra Limited has reported its Q2 2023 (July-September) financial results. Here's a brief overview:

- Revenue from Operations: Rs. 128,639 million
- Profit after tax: Rs. 5,053 million
- EPS (Basic): Rs. 5.59

## Risk Factors and Analysis

### 1. Revenue Decline

**Risk:** There's a slight decline in revenue compared to the previous quarter (Q1 2023: Rs. 131,590 million).

**Analysis:** This could indicate market pressures or a slowdown in new business acquisition. If this trend continues, it could impact the company's growth prospects.

### 2. Profit Margin Compression

**Risk:** Profit after tax has decreased significantly compared to both the previous quarter and the same quarter last year.

**Analysis:** This could be due to increased costs or pricing pressures. Sustained margin compression could affect the company's financial health and investor confidence.

### 3. Impairment of Goodwill

**Risk:** The company recognized an impairment of Rs. 1,495 million in Q2 2023.

**Analysis:** This suggests that some of the company's acquisitions or investments may not be performing as expected. It could indicate integration challenges or overvaluation of acquired assets.

### 4. Foreign Exchange Fluctuations

**Risk:** The company reports Other Comprehensive Income/Loss, which includes items that will be reclassified to Profit/Loss. This often includes foreign exchange fluctuations.

**Analysis:** As a global IT services provider, Tech Mahindra is exposed to forex risks. Unfavorable currency movements could impact profitability.

### 5. Legal and Regulatory Risks

**Risk:** The company is involved in ongoing legal proceedings related to the erstwhile Satyam Computer Services Limited.

**Analysis:** While the management believes the claims will not be payable, adverse legal outcomes could have financial and reputational implications.

## 6. Segment Performance Variation

**Risk:** The IT segment shows a decline in profit before tax, interest, and depreciation compared to the previous quarter.

**Analysis:** This could indicate challenges in the core IT services business, which forms the majority of the company's revenue.

## 7. Borrowings and Finance Costs

**Risk:** The company has both long-term and short-term borrowings, with finance costs of Rs. 975 million for the quarter.

**Analysis:** While not alarming, any increase in interest rates or additional borrowings could impact profitability.

## 8. Client Concentration

**Risk:** The financial statements don't provide information on client concentration, but it's a common risk in the IT services industry.

**Analysis:** High dependence on a few large clients could pose risks if there are changes in these client relationships.

## 9. Talent Retention and Acquisition

**Risk:** Employee benefits expense is a significant cost for the company.

**Analysis:** In a competitive IT job market, attracting and retaining talent could lead to increased costs and impact project deliveries.

## 10. Global Economic Conditions

**Risk:** As a global IT services provider, Tech Mahindra is exposed to economic conditions in various countries.

**Analysis:** Economic slowdowns or recessions in key markets could impact the demand for IT services and the company's growth.

## Conclusion

While Tech Mahindra remains a significant player in the IT services industry, the Q2 2023 results indicate some challenges, particularly in terms of revenue growth and profitability. The company needs to address these challenges while navigating the complex global economic environment and ongoing legal issues. Monitoring these risk factors will be crucial for stakeholders in the coming quarters.