

# Tech Mahindra Limited - Q1 FY2023-2024 Risk Analysis

## 1. Financial Performance Risks

### Revenue Decline

- Q1 FY2023-2024 revenue (Rs. 131,590 million) decreased by 4.1% compared to Q4 FY2022-2023 (Rs. 137,182 million) and increased by 3.5% year-over-year.
- Risk: Continued revenue decline could impact profitability and market position.

### Profit Margin Pressure

- Q1 FY2023-2024 profit after tax (Rs. 7,036 million) decreased by 37.5% compared to Q4 FY2022-2023 (Rs. 11,250 million) and by 38.7% year-over-year.
- Risk: Declining profit margins may indicate cost pressures or pricing challenges.

### Segment Performance

- IT segment profit before tax, interest, and depreciation decreased by 39% quarter-over-quarter.
- Risk: Weakening performance in the core IT segment could impact overall company growth.

## 2. Operational Risks

### Employee Costs

- Employee benefits expense remained relatively stable quarter-over-quarter but increased year-over-year.
- Risk: Rising employee costs without corresponding revenue growth could pressure margins.

### Subcontracting Expenses

- Subcontracting expenses decreased slightly quarter-over-quarter but remain significant.
- Risk: Heavy reliance on subcontractors may impact service quality and margins.

## 3. Market and Competition Risks

### IT Services Market

- The global IT services market is highly competitive and rapidly evolving.
- Risk: Failure to adapt to market changes or intense competition could lead to market share loss.

### Geographic Concentration

- While not explicitly stated, there may be risks associated with geographic concentration of revenues.
- Risk: Over-reliance on specific markets could expose the company to regional economic fluctuations.

## **4. Currency Risks**

### **Foreign Exchange Fluctuations**

- As a global company, Tech Mahindra is exposed to currency fluctuations.
- Risk: Adverse currency movements could impact reported revenues and profits.

## **5. Legal and Compliance Risks**

### **Erstwhile Satyam Computer Services Limited Matter**

- Ongoing legal proceedings related to alleged advances of Rs. 12,304 Million.
- Risk: Potential financial liability and reputational damage if the case is decided unfavorably.

## **6. Technological Risks**

### **Rapid Technological Changes**

- The IT industry is characterized by rapid technological advancements.
- Risk: Failure to keep pace with technological changes could result in loss of competitiveness.

## **7. Talent Management Risks**

### **Skill Shortages**

- The IT industry often faces shortages of skilled professionals.
- Risk: Inability to attract or retain key talent could impact service delivery and growth.

## **8. Macroeconomic Risks**

### **Global Economic Conditions**

- The IT services sector is sensitive to global economic conditions.
- Risk: Economic slowdowns in key markets could lead to reduced IT spending and impact revenues.

## **Conclusion**

While Tech Mahindra shows some signs of financial pressure in Q1 FY2023-2024, it maintains a strong market position. The company needs to address declining revenues and profits, manage operational costs effectively, and navigate ongoing legal challenges. Continuous innovation, diversification, and efficient cost management will be crucial for mitigating these risks and maintaining competitiveness in the dynamic IT services market.

