

Mphasis Ltd (MPHL)

Information Technology | 3QFY25 Result Update

HOLD

CMP: Rs3,015 | Target Price (TP): Rs3,428 | Upside: 13.7%

January 24, 2025

Steady Q3, improved order book and demand outlook

Key Points

- Q3 delivered a decent overall performance with slight miss in revenue, beat on margins and a strong order book of US\$351mn. Revenues at US\$419mn were -0.5%/+0.2% QoQ in USD/CC terms respectively vs our estimates of US\$421mn. Mphasis anticipates Q4 to be its best quarter in the last three years from a QoQ growth perspective, supported by strong TCV wins, improving TCV to revenue conversion, and reiterated margin guidance in the 14.6-16% range.
- Growth was primarily driven by BFSI and TMT vertical. However, the decline in the logistics and transportation vertical was broad based across clients due to seasonality, global macro uncertainty and supply chain headwinds. Mphasis expects to improve this vertical through new deal wins in the airline, railroad, and logistics sub-segments. Healthcare also needs work to create more consistency, having experienced some payer-related headwinds
- TCV of US\$351mn improved in Q3 of which a large portion came from the traditional deal wins of US\$183mn vs US\$60mn in Q2FY25 and US\$70mn in Q3FY24. New gen deal wins improved on a QoQ level, but the momentum of 3-4 quarters ago is missing. It emphasized its AI-led transformation approach and its impact on deal sizes and client engagements.

Large deal closure: It has already closed a US\$100mn deal in the BFS vertical in January '25. This will be another vendor consolidation deal and is margin accretive despite amortization. This deal is with a new customer and the nature of work includes application and infrastructure transformation using public and private cloud with execution timelines which are well defined and initiating in 2025. It expects such deals to be at or above company average as the idea is to invest in such deals while maintaining margins.

Revenue vs Headcount disconnect: Revenue over last 10 quarters is down by ~5%, while headcount has reduced by ~15%. This non-linearity is due to 3 reasons: a) Utilization improvement from 68% to 74% over this period, b) higher onsite headcount which usually comes at a higher utilization, and c) AI-led ops which are reducing manual effort by ~30-40%.

GenAI commentary: Mphasis is leveraging AI to bundle services, augment human capabilities, and offer faster transformations. Mphasis is implementing AI projects beyond the pilot stage, with scaling up and acceleration. The company's AI platforms, NeoZeta and NeoCrux, are being implemented with large financial services customers and are seeing productivity gains of 30% to 60%. The inclusion of platforms is becoming increasingly important for modernization, ADM, and AMS deals

Valuation and Outlook: The strong order book has positively surprised us along with positive momentum in the BFSI and TMT vertical which is also in line with industry peers. But softness in the logistics & travel along with the healthcare vertical warrant some caution. Post 3QFY25, we have revised downwards our revenue estimates for FY26/FY27 by 2.4%/1.1% with margins and EPS being largely maintained. We reiterate 'HOLD' with a slightly lower target price (TP) of Rs3,428, based on the multiple of ~29x Dec'26E EPS (earlier multiple 30.5x). This represents the last 3-year average mean + 0.5SD.

Est Change	Maintain
TP Change	Downward
Rating Change	Maintain

Company Data and Valuation Summary

Reuters	MBFL.BO
Bloomberg	MPHL IN Equity
Mkt Cap (Rsbn/US\$bn)	553.6 / 6.4
52 Wk H / L (Rs)	3,238 / 2,187
ADTV-3M (mn) (Rs/US\$)	1,557.7 / 18.3
Stock performance (%) 1M/6M/1yr	(2.0) / (0.6) / 15.2
Nifty 50 performance (%) 1M/6M/1yr	(1.6) / (4.0) / 8.2

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	40.4	40.3	40.2
DII's	35.8	36.9	34.4
FII's	18.3	18.3	20.8
Others	5.5	4.6	4.6
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Net Revenue (Rsmn)	FY24	FY25E	FY26E	FY27E
Net Revenue (Rs mn)	1,32,785	1,42,047	1,63,203	1,88,083
YoY %	-3.8	7.0	14.9	15.2
Gross Margin (%)	27.7	28.6	29.0	29.1
EBIT	20,114	21,747	26,141	30,325
EBIT (%)	15.1	15.3	16.0	16.1
Adj. PAT	15,549	16,760	19,658	23,249
PAT Margin (%)	11.7	11.8	12.0	12.4
YoY %	-5.1	7.8	17.3	18.3
FDEPS (Rs)	82.6	88.6	103.6	122.6
ROE (%)	18.6	19.4	22.1	23.2
Post Tax RoCE (%)	16.4	17.4	22.1	22.8
Post tax ROIC (%)	25.5	30.1	50.6	77.2
P/E(x)	36.5	34.0	29.1	24.6
EV/EBITDA	22.5	20.1	16.7	13.9
P/BV (x)	4.0	4.5	4.1	3.6

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links- Latest Sector update: [Sector Update](#)

Last results note: [2QFY25 result update](#)

Please refer to the disclaimer towards the end of the document

Exhibit 1: Quarterly performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25E	FY24	FY25E	3Q25E	Var
Net Sales (USD mn)	398	398	402	411	410	421	419	436	1,609	1,686	421	(0.5)
QoQ Change (%)	-3.4	0.1	1.0	2.1	-0.2	2.7	-0.4	4.0	-	-	0.1	-
Net Sales	32,520	32,765	33,379	34,121	34,225	35,361	35,613	36,848	1,32,785	1,42,047	35,616	(0.0)
YoY Change (%)	-4.7	-6.9	-4.8	1.5	5.2	7.9	6.7	8.0	-3.8	7.0	6.7	-
Software Expenses	23,703	23,984	23,705	24,558	24,519	25,128	25,424	26,346	95,950	1,01,417	25,643	(0.9)
% of Sales	72.9	73.2	71.0	72.0	71.6	71.1	71.4	71.5	72.3	71.4	72.0	-
Gross Profit	8,817	8,781	9,674	9,563	9,706	10,233	10,189	10,502	36,835	40,630	9,972	2.2
Margin (%)	27.1	26.8	29.0	28.0	28.4	28.9	28.6	28.5	27.7	28.6	28.0	-
Operating Expenses	3,822	3,714	4,703	4,482	4,571	4,790	4,731	4,790	16,721	18,882	4,701	0.6
% of Sales	11.8	11.3	14.1	13.1	13.4	13.5	13.3	13.0	12.6	13.3	13.2	-
EBIT	4,995	5,067	4,971	5,081	5,135	5,443	5,458	5,711	20,114	21,747	5,271	3.5
YoY Change (%)	-4.0	-5.8	-7.1	-1.4	2.8	7.4	9.8	12.4	-4.6	8.1	6.0	-
Margin (%)	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.5	15.1	15.3	14.8	-
Interest	-241	-340	-528	-499	-498	-405	-392	-392	-1,608	-1,687	-405	-
Other Income	504	490	542	642	736	574	615	258	2,047	2,155	235	161.5
PBT	5,258	5,217	4,985	5,224	5,373	5,625	5,693	5,590	20,684	22,281	5,114	11.3
Tax	1,297	1,297	1,250	1,291	1,329	1,392	1,413	1,387	5,135	5,520	1,266	11.6
ETR (%)	24.7	24.9	25.1	24.7	24.7	24.7	24.8	24.8	24.8	24.8	24.7	-
Reported PAT	3,961	3,920	3,735	3,933	4,044	4,233	4,280	4,202	15,549	16,760	3,849	11.2
Adj. PAT	3,961	3,920	3,735	3,933	4,044	4,233	4,280	4,202	15,549	16,760	3,849	11.2
YoY Change (%)	-1.5	-6.3	-9.4	-3.0	2.1	8.0	14.6	6.9	-5.1	7.8	3.0	-
Adj. EPS	21.0	20.8	19.8	20.9	21.4	22.4	22.6	22.2	82.6	88.6	20.3	10.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in our estimates

Mphasis	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenues	1,42,047	1,63,203	1,88,083	1,44,898	1,67,293	1,90,205	(2.0)	(2.4)	(1.1)
EBIT	21,747	26,141	30,325	22,251	26,789	30,668	(2.3)	(2.4)	(1.1)
EBIT margin	15.3	16.0	16.1	15.4	16.0	16.1	0bps	0bps	0bps
EPS (Rs/share)	88.6	103.6	122.6	89.0	104.3	121.7	(0.5)	(0.6)	0.8
Revenues (US\$ mn)	1,686	1,904	2,167	1,722	1,952	2,191	(2.1)	(2.4)	(1.1)

Source: Company, Nirmal Bang Institutional Equities Research

Highlights from 3QFY25 results and analyst call

Revenue in line with estimates

- Revenue for 3QFY25 came in at US\$419mn and was in line with NBIE but higher than street estimates. In CC terms, revenue grew by 0.2% and 4.6% on QoQ and YoY basis respectively against our estimate of 0.5% QoQ CC growth.

Verticals and geographies

- The Europe region saw seasonality impacts, BFS saw wallet share gains and continued uptick in the mortgage business, TMT saw continued deal to revenue transition and remains strong on deals, whereas Logistics saw broad based decline across customers and Healthcare was soft due to payer business headwinds.
- The logistics and transportation vertical is a combination of logistics, airlines and railroads. It's a new vertical created over the last 2-3 years. The airline business has grown on a small base and it expects this to become a meaningful portion of this sector over the next 18-24 months. A large number of deals are being seen in this area. The non-airline business is highly exposed to global macro and supply chain headwinds which was a major reason for the decline in this sector.

EBIT margin beats expectations

- In 3QFY25, EBIT margin stood at 15.3% and was in line with consensus but 50bps higher than NBIE estimates. Margin beat can be attributed to lower direct costs, mainly employee cost which was down on QoQ basis.
- The furlough impact for 3Q was ~200bps and it expects to recover a healthy portion in 4Q. It does not expect any material expansion of furloughs in 4Q.
- The depreciation number is high because of an accounting procedure. As part of a vendor consolidation deal won in 2Q where Mphasis invested for rebadging employees, it followed M&A accounting where there was no goodwill or assets taken over and the entire amount paid was amortized in the P/L as depreciation of intangibles. While, another such deal has been signed in 3Q, it expects this to remain in a similar range for 4Q and would taper down only if such deals are not signed.

Demand environment

- The macro continues to turn positive for the BFS sector. There are early signs of recovery in discretionary spending, while there are signs of an uptick in the mortgage business. Despite macro uncertainties, it is seeing visible momentum in pipeline conversions and expects to be above industry growth for the full year.
- It expects 4Q to be the best quarter in the last 3 years from a QoQ perspective, with the best QoQ growth being at 2.7% in 2QFY25.
- It believes that the BFS and TMT verticals will continue to lead growth, while Insurance too will contribute to growth over the next few quarters. It is expecting continued QoQ improvement in the Insurance vertical due to wallet share mining as well as deals that will continue to convert.

Generative AI

- Mphasis is implementing many AI projects that are fast-moving beyond pilot or POC stage. It is starting to scale up and accelerating primarily due to paradigm shifts based on the following few factors; ability to get supersize deals and presenting vendor consolidation opportunities using the same approach. It is also able to augment AI with human capabilities which changes the ROI economics of many deals.
- It also has implementations for large scale BFS customers. Mphasis NeoZeta platform accelerates e-learning productivity much faster and more broadly than was previously possible, completing re-

learning in a matter of days versus weeks. NeoCrux on the other hand is an integral part of all NeoZeta pilots to do forward engineering from re-learned business rules, data dictionaries and business capabilities. It has completed 2 implementations with 9 more in the works. There have been productivity gains of ~30-60% across different phases of the SDLC, including improvement in code quality, generating unit test cases and code documentation, thereby accelerating implementation and reducing project risks.

- The BFS pipeline was up ~58% YoY and non-BFS pipeline was up ~44% YoY due to significant increased traction in AI archetypes including AI Ops and modernization. It has 20+ large deals where Zeta and Crux are in play as well.

Employee metrics

- There was a net reduction of 407 people in 3QFY25. The total employee base now stands at 31,194 employees. The total net reduction of the past 10 quarters stands at 5,705 employees with net addition in only 1 out of 10 quarters.
- Onsite utilization (incl-trainees) for the quarter decreased by 100bps QoQ to 86%. Offshore utilisation (incl-trainees) remained flat QoQ at 74%. Ex-trainees, offshore utilization declined by 100bps QoQ to 75%. It expects utilization to remain stable around these levels.

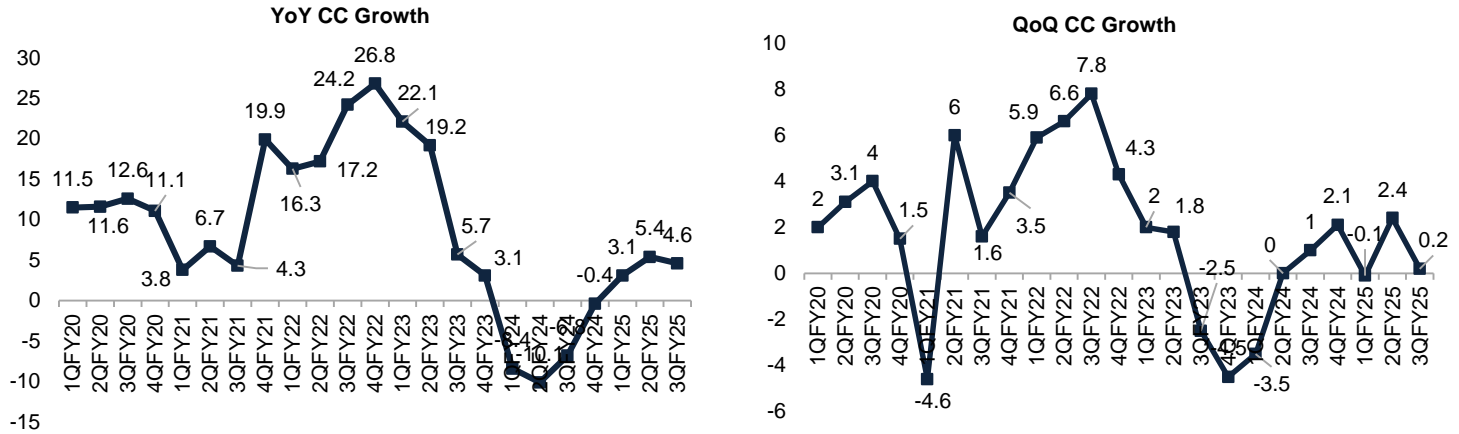
Strong order inflow

- TCV for 3QFY25 came in at US\$351mn and was the highest in the last 6 quarters. It was 69.6% and 45.6% higher on QoQ and YoY basis respectively. TTM TCV at US\$1054mn was down by ~30% YoY. It won 5 large deals during the quarter.
- Mphasis called out an increasing pace of conversion of TCV to revenue; it will continue making investments where it expects demand.

Miscellaneous

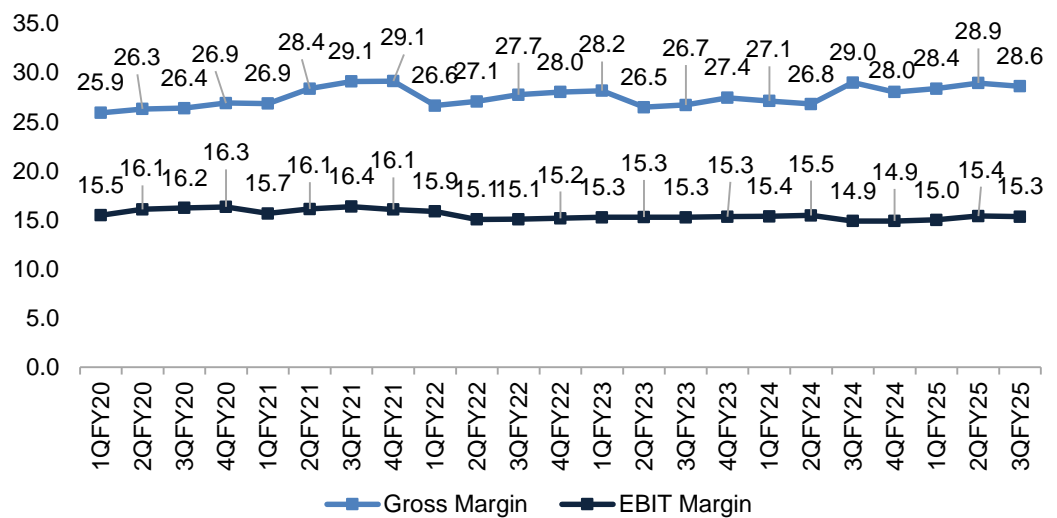
- DSO for 3QFY25 – 72 days vs 73 days in 2QFY25.
- Cash flow generation at US\$55mn for the quarter was 100% of the net income.
- On QoQ basis, Mphasis added 1 client in the US\$75mn+ bucket and 2 clients in the US\$20mn and US\$10mn buckets respectively.
- It has made significant investments in GTM including the Terran Acquisition and appointed Mike Meyer who will spearhead strategic deals in collaboration with various business units enhancing overall growth, alignment and effectiveness. He's also responsible for pipeline development along with the end to end sales cycle management to optimize market opportunities for high-value contracts and large and mega deals.
- Mphasis inaugurated a Cyber Fusion Center in Bangalore which is a state of the art facility representing significant milestone in the commitment to enhancing cybersecurity solutions for global clients across industries. The center is providing 24/7 advanced threat detection, incident response and continuous threat monitoring, leveraging cutting-edge AI, ML and automation capabilities. This will not only improve its efficiency in responding to cyber threats by over 50% but also reduce the attack surface by 45% ensuring high visibility of threat landscapes across IT and operational technology platforms.

Exhibit 3: CC YoY and QoQ USD revenue growth



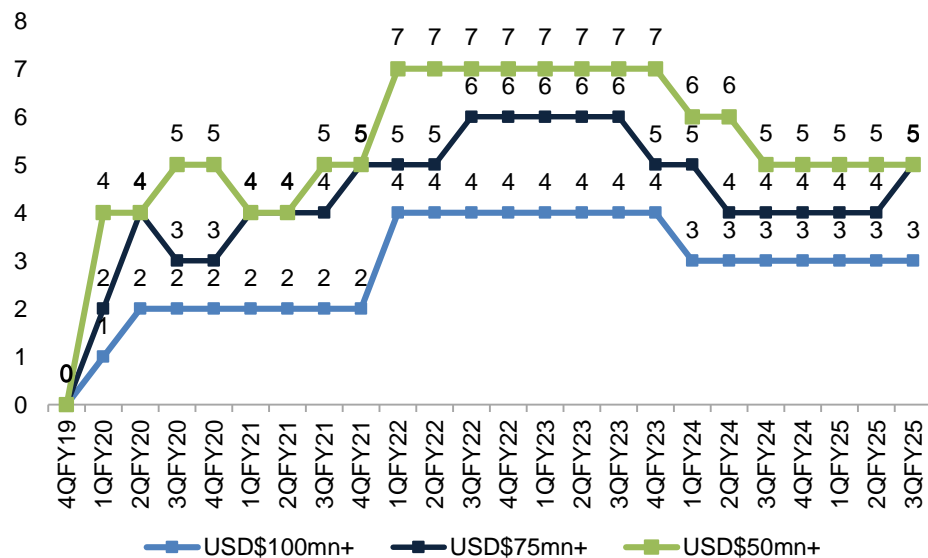
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Gross margin and EBIT margin



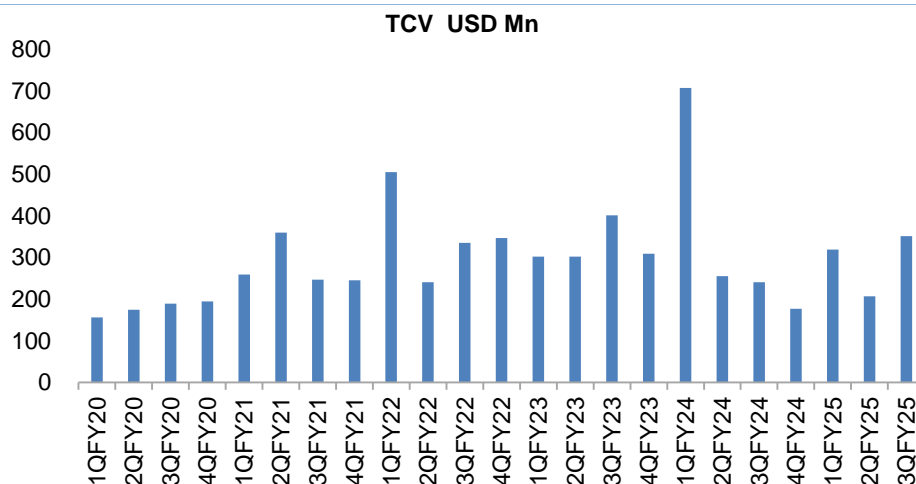
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Number of clients contributing US\$50mn, US\$75mn & US\$100mn+ revenue



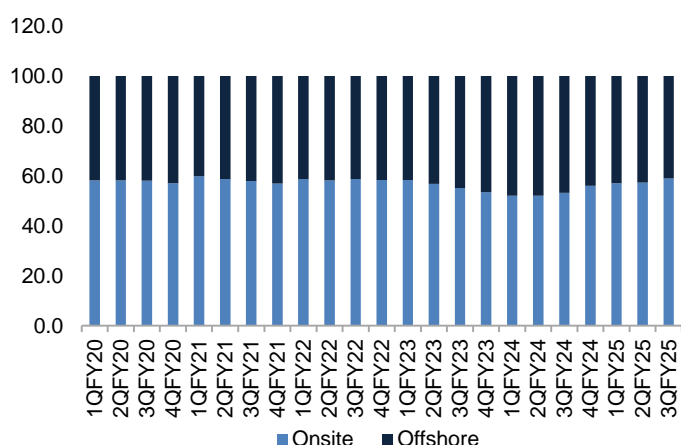
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Order inflow TCV (in US\$mn)



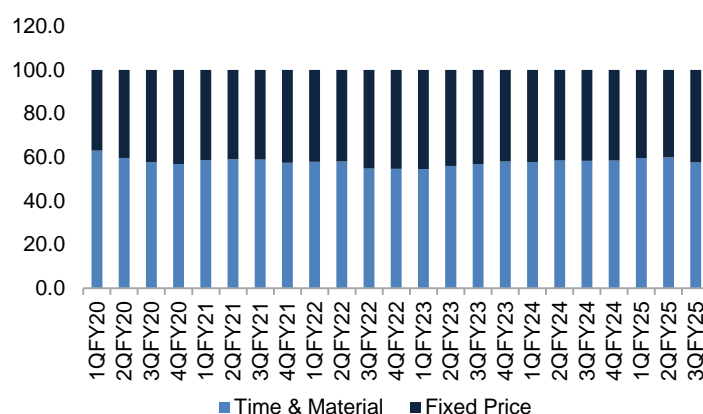
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Onsite and offshore revenue contribution



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Revenue mix by project type



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Key metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
P and L (Rsmn)											
Revenues	34,112	35,198	35,062	33,612	32,520	32,765	33,380	34,120	34,225	35,361	35,613
EBITDA	5,204	5,376	5,354	5,152	4,995	5,067	4,972	5,080	5,135	5,443	5,458
PAT	4,019	4,185	4,123	4,053	3,961	3,920	3,736	3,932	4,045	4,233	4,280
Vertical/Industry											
BFS	53%	54%	54%	53%	49%	47%	47%	47%	48%	48%	49%
Insurance	9%	8%	8%	8%	11%	11%	11%	11%	11%	11%	12%
IT, C and E	13%	13%	13%	13%	15%	17%	16%	16%	16%	16%	17%
Logistics, Transportation	13%	13%	13%	14%	14%	13%	14%	14%	14%	13%	12%
Others	11%	12%	12%	13%	11%	11%	13%	12%	11%	11%	11%
Absolute Numbers											
BFS	18,097	19,128	18,967	17,997	16,121	15,542	15,684	16,076	16,302	16,892	17,306
Insurance	3,003	2,936	2,921	2,590	3,443	3,544	3,813	3,770	3,873	3,964	4,153
IT, C and E	4,539	4,563	4,578	4,301	4,927	5,703	5,219	5,449	5,490	5,820	6,030
Emerging Ind.	4,411	4,478	4,579	4,608	4,630	4,407	4,581	4,668	4,684	4,637	4,336
Total	3,859	4,168	4,311	4,397	3,598	3,768	4,209	4,187	3,861	3,973	3,740
QoQ Growth											
BFS	4%	6%	-1%	-5%	-10%	-4%	1%	2%	1%	4%	2%
Insurance	-3%	-2%	-1%	-11%	33%	3%	8%	-1%	3%	2%	5%
IT, C and E	6%	1%	0%	-6%	15%	16%	-8%	4%	1%	6%	4%
Emerging Ind.	6%	2%	2%	1%	0%	-5%	4%	2%	0%	-1%	-6%
Others	11%	8%	3%	2%	-18%	5%	12%	-1%	-8%	3%	-6%
YoY											
BFS	32%	23%	11%	3%	-11%	-19%	-17%	-11%	1%	9%	10%
Insurance	23%	17%	7%	-16%	15%	21%	31%	46%	12%	12%	9%
IT, C and E	19%	28%	12%	0%	9%	25%	14%	27%	11%	2%	16%
Emerging Ind.	18%	20%	17%	11%	5%	-2%	0%	1%	1%	5%	-5%
Others	26%	33%	38%	26%	-7%	-10%	-2%	-5%	7%	5%	-11%
Regions											
USA	82%	84%	85%	80%	77%	76%	79%	81%	81%	83%	85%
Europe	10%	10%	10%	11%	10%	12%	11%	11%	11%	11%	11%
ROW	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%
India	5%	5%	5%	5%	5%	6%	5%	5%	5%	6%	6%
Total	99%	103%	103%	99%	96%	96%	98%	100%	100%	103%	104%
Delivery type (Rs mn)											
Onsite	58%	57%	55%	53%	52%	52%	53%	56%	57%	57%	59%
Offshore	42%	43%	45%	47%	48%	48%	47%	44%	43%	43%	41%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Project Type											
Time and Material	55%	56%	57%	58%	58%	58%	58%	58%	60%	60%	58%
Fixed Price	45%	44%	43%	42%	42%	42%	42%	42%	40%	40%	42%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Client concentration (%)											
Top client	11%	12%	12%	12%	17%	17%	15%	14%	14%	15%	15%
Top 5 clients	45%	45%	45%	44%	47%	47%	46%	44%	44%	43%	43%
Top 10 clients	60%	60%	59%	59%	59%	58%	55%	54%	53%	53%	53%
Non-Top 10 Clients	40%	40%	41%	41%	42%	42%	45%	46%	47%	0%	0%
\$ 200mn revenues	0	0	0	0	1	0	0	1	1	1	1
\$ 150mn revenues	0	0	0	0	3	0	0	3	3	2	2
\$ 100mn revenues	4	4	4	4	3	3	3	3	3	3	3
\$ 75mn revenues	6	6	6	5	5	4	4	4	4	4	5
\$ 50mn revenues	7	7	7	7	6	6	5	5	5	5	5
\$ 20mn+ clients	11	12	13	13	12	11	10	10	9	9	11
\$ 10mn+ clients	24	24	23	25	26	26	29	29	30	27	29
\$ 5mn+ clients	44	45	46	46	46	46	46	47	48	51	47
\$ 1mn+ clients	105	104	107	112	112	115	134	135	135	140	140
TCV signed(US\$ mn)	302	302	401	309	707	255	241	177	319	207	351
Total headcount	36,899	36,876	35,450	34,042	33,961	33,771	33,992	32,664	31,645	31,601	31,194
Net addition	365	-23	-1,426	-1,408	-81	-190	221	-1,328	-1,019	-44	-407
Utilization (ex trainees)	74%	72%	74%	79%	80%	77%	74%	75%	76%	76%	75%

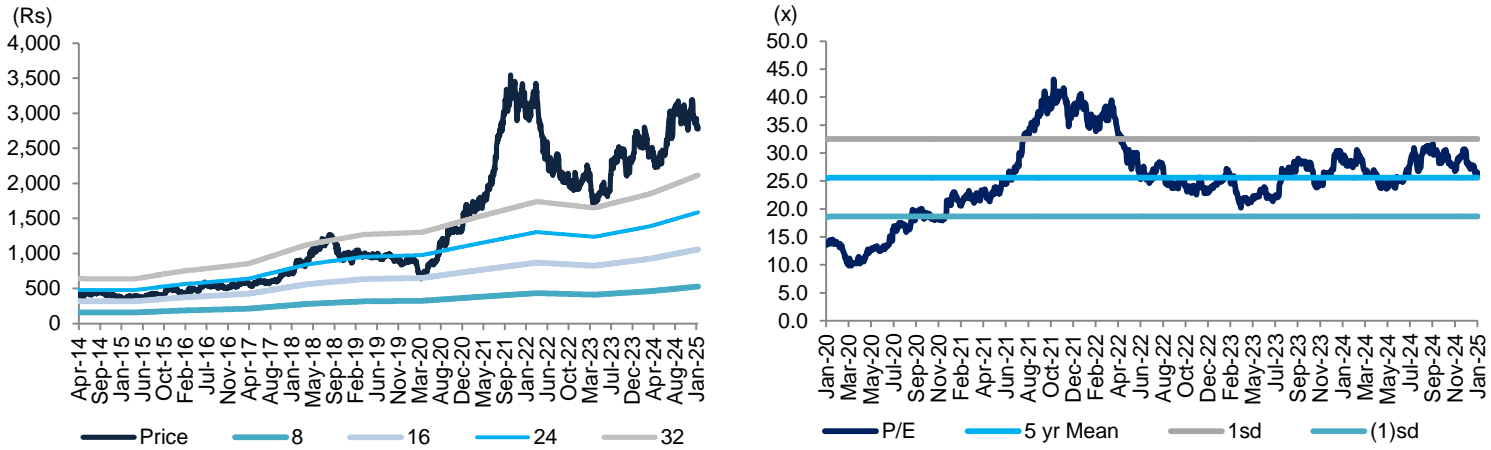
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: QoQ and YoY growth of various parameters

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
QoQ Growth											
Verticals											
Banking and capital markets	4.0	5.7	(0.8)	(5.1)	(10.4)	(3.6)	0.9	2.5	1.4	3.6	2.5
Insurance	(3.1)	(2.2)	(0.5)	(11.3)	32.9	2.9	7.6	(1.1)	2.7	2.3	4.8
IT, Communication and Entertainment	5.6	0.5	0.3	(6.0)	14.6	15.7	(8.5)	4.4	0.8	6.0	3.6
Logistics and Transportation	6.0	1.5	2.3	0.6	0.5	(4.8)	3.9	1.9	0.3	(1.0)	(6.5)
Others	10.7	8.0	3.4	2.0	(18.2)	4.7	11.7	(0.5)	(7.8)	2.9	(5.9)
Total	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7
Service Lines											
Application Services	2.1	3.2	0.4	(2.3)	(3.0)	(0.7)	1.3	2.8	0.2	2.6	0.0
Business Process Services	(3.5)	(6.8)	(14.7)	(12.2)	(4.5)	4.1	(0.6)	1.8	(2.2)	3.7	(0.1)
Infrastructure Services	5.5	3.5	2.2	(2.4)	(4.1)	(0.5)	1.2	(1.3)	0.5	1.9	(3.4)
Total	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7
Regions											
USA	2.3	0.1	(2.3)	(5.3)	(3.0)	(2.2)	2.2	3.1	(0.3)	2.4	0.6
Europe	(7.8)	2.2	0.1	1.5	(6.1)	15.2	(2.3)	(2.6)	0.1	1.9	(8.0)
ROW	(1.1)	7.2	(5.7)	(2.9)	(9.1)	0.1	(5.1)	1.5	(0.3)	(1.4)	(7.0)
India	3.9	(1.2)	1.3	3.6	(0.1)	5.3	(6.5)	(2.3)	0.9	10.2	3.3
Total	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7
Delivery Location (INR Millions)											
Onsite	1.1	(1.6)	(5.3)	(7.0)	(5.9)	0.1	3.1	7.5	1.8	3.0	2.5
Offshore	1.4	4.7	1.2	(0.4)	(0.5)	0.1	(1.4)	(4.0)	(2.7)	2.2	(4.3)
Total	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7
Project Type											
Time and Material	0.9	3.9	(1.2)	(1.9)	(3.9)	1.4	0.7	2.3	1.7	3.5	(4.4)
Fixed Price	1.9	1.5	(0.9)	(3.2)	0.5	(2.5)	2.3	1.5	(4.6)	1.6	6.5
Total	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7
Client Metrics											
Top Client	1.2	10.2	(2.5)	(4.1)	36.9	0.1	(10.9)	(4.7)	(0.2)	10.0	(0.4)
Top 5 clients	3.5	1.0	(2.5)	(6.2)	3.2	0.1	(1.2)	(2.3)	(0.2)	0.4	(0.4)
Top 10 clients	2.9	1.0	(4.1)	(4.1)	(3.4)	(1.6)	(4.3)	0.2	(2.0)	2.7	(0.4)
YoY Growth											
Verticals											
Banking and capital markets	32.0	23.2	10.8	3.4	(10.9)	(18.7)	(17.3)	(10.7)	1.1	8.7	10.3
Insurance	22.8	17.3	7.2	(16.4)	14.7	20.7	30.5	45.6	12.5	11.9	8.9
IT, Communication and Entertainment	19.4	28.1	12.2	0.0	8.5	25.0	14.0	26.7	11.4	2.1	15.5
Logistics and Transportation	17.8	20.2	16.8	10.7	5.0	(1.6)	0.0	1.3	1.2	5.2	(5.3)
Others	26.4	32.9	38.4	26.1	(6.8)	(9.6)	(2.4)	(4.8)	7.3	5.4	(11.1)
Total	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7
Service Lines											
Application Services	28.1	26.1	15.0	3.4	(1.8)	(5.4)	(4.6)	0.3	3.6	7.0	5.7
Business Process Services	(0.5)	(10.3)	(24.9)	(32.6)	(33.4)	(25.6)	(13.3)	0.6	3.1	2.7	3.2
Infrastructure Services	25.4	7.9	4.2	9.0	(0.9)	(4.8)	(5.8)	(4.8)	(0.2)	2.3	(2.3)
Total	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7
Regions											
USA	29.6	19.6	5.7	(5.1)	(10.1)	(12.2)	(8.2)	(0.1)	2.8	7.7	5.9
Europe	(3.6)	(6.8)	(7.3)	(4.2)	(2.4)	10.0	7.3	3.0	9.7	(2.9)	(8.6)
ROW	(48.9)	(21.6)	(5.5)	(3.0)	(10.8)	(16.7)	(16.2)	(12.3)	(3.9)	(5.4)	(7.3)
India	28.1	4.3	4.3	7.8	3.6	10.4	1.9	(3.9)	(3.0)	1.6	12.3
Total	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7
Delivery Location (INR Millions)											
Onsite	19.2	11.5	(2.5)	(12.4)	(18.4)	(17.0)	(9.7)	4.4	12.9	16.3	15.5
Offshore	21.4	18.2	12.6	7.0	4.9	0.4	(2.2)	(5.7)	(7.8)	(5.8)	(8.6)
Total	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7
Project Type											
Time and Material	13.1	10.2	7.3	1.6	(3.3)	(5.6)	(3.8)	0.4	6.3	8.4	3.0
Fixed Price	38.2	32.7	9.3	(0.7)	(2.1)	(6.0)	(3.0)	1.7	(3.5)	0.6	4.8
Total	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7
Client Metrics											
Top Client	20.1	24.7	13.2	4.3	41.1	28.2	17.1	16.3	(15.2)	(6.8)	4.2
Top 5 clients	28.7	22.5	8.6	(4.3)	(4.6)	(5.5)	(4.2)	(0.3)	(3.6)	(3.3)	(2.6)
Top 10 clients	31.0	20.3	5.6	(4.3)	(10.2)	(12.5)	(12.7)	(8.8)	(7.5)	(3.4)	0.4

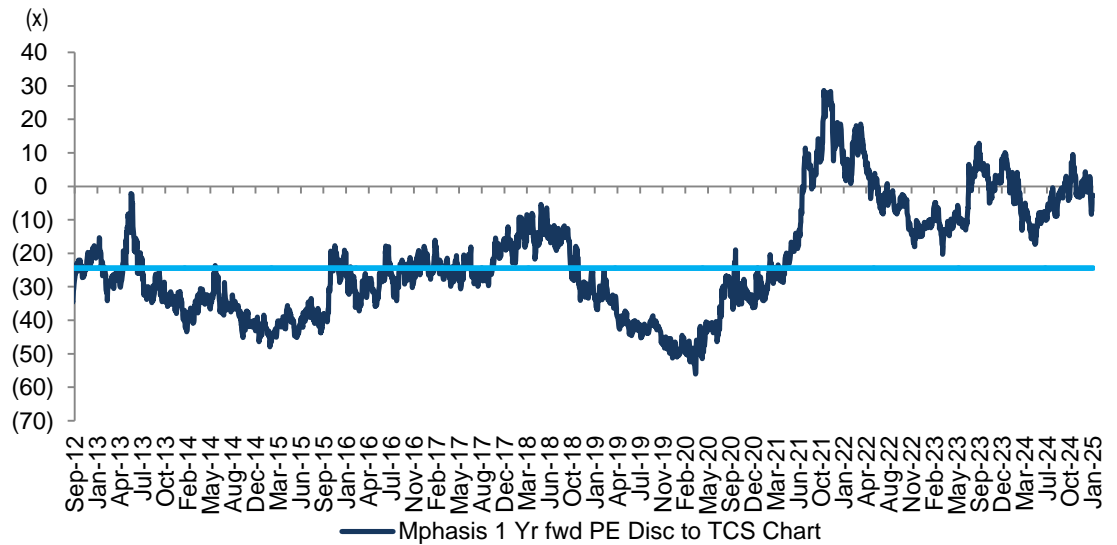
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: P/E charts



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 12: P/E (discount)/premium of Mphasis to TCS



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 13: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Average rate (INR/USD)	80.6	82.8	84.1	85.7	86.8
Net Sales (USD mn)	1,718	1,609	1,686	1,904	2,167
Growth (%)	7.8%	-6.3%	4.8%	12.9%	13.8%
Net Sales (Rs mn)	1,37,984	1,32,785	1,42,047	1,63,203	1,88,083
-Growth (%)	15.4%	-3.8%	7.0%	14.9%	15.2%
Direct Costs	1,00,475	95,950	1,01,417	1,15,845	1,33,307
Gross Profit	37,509	36,835	40,630	47,358	54,775
% of sales	27.2%	27.7%	28.6%	29.0%	29.1%
S&GA expenses	16,423	16,721	18,882	21,216	24,451
% of sales	11.9%	12.6%	13.3%	13.0%	13.0%
EBITDA	24,339	24,172	26,241	30,394	34,982
% of sales	17.6%	18.2%	18.5%	18.6%	18.6%
Depreciation	3,253	4,058	4,493	4,253	4,657
% of sales	2.4%	3.1%	3.2%	2.6%	2.5%
EBIT	21,086	20,114	21,747	26,141	30,325
% of sales	15.3%	15.1%	15.3%	16.0%	16.1%
Other income	1,166	2,047	2,155	1,526	2,120
Financial Expenses	-973	-1,608	-1,687	-1,568	-1,568
PBT	21,731	20,684	22,281	26,147	30,924
-PBT margin (%)	15.7%	15.6%	15.7%	16.0%	16.4%
Exceptional Item	0	0	0	0	0
Provision for tax	5,351	5,135	5,520	6,490	7,675
Effective tax rate (%)	24.6%	24.8%	24.8%	24.8%	24.8%
Net profit	16,380	15,549	16,760	19,658	23,249
-Growth (%)	14.5%	-5.1%	7.8%	17.3%	18.3%
-Net profit margin (%)	11.9%	11.7%	11.8%	12.0%	12.4%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	1,884	1,890	1,897	1,897	1,897
Reserves	77,464	86,056	82,613	91,839	1,04,656
Net worth	79,348	87,946	84,509	93,736	1,06,553
Long term debt	1,985	15,436	0	0	0
Short term debt	0	0	0	0	0
Total debt	1,985	15,436	0	0	0
Net debt	-26,099	-23,513	-41,200	-59,346	-82,250
Other non-current liabilities	9,573	9,899	9,674	9,674	9,674
Total Equity & Liabilities	1,14,818	1,41,302	1,26,869	1,40,712	1,59,013
Gross block	11,481	18,281	22,837	24,837	26,837
Accumulated depreciation	-7,938	-11,996	-16,489	-20,742	-25,399
Net Block	3,543	6,285	6,348	4,095	1,438
CWIP	324	614	300	300	300
Intangible and others	37,055	49,041	48,162	44,598	40,854
Other non-current assets	2,422	11,294	12,903	12,903	12,903
Investments	17,526	30,899	25,413	25,413	25,413
Trade receivables	27,172	27,027	9,582	11,096	12,896
Cash & Cash Equivalents	10,558	8,049	15,788	33,933	56,837
Other current assets	16,218	8,092	8,373	8,373	8,373
Total current assets	71,474	74,067	59,155	78,815	1,03,518
Total current liabilities	23,912	28,021	32,685	37,302	42,786
Total Assets	1,14,818	1,41,302	1,26,869	1,40,712	1,59,013

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	21,731	20,684	22,281	26,147	30,924
Depreciation	3,253	4,058	4,493	4,253	4,657
Interest	-970	-1,403	0	0	0
Other adjustments	1,339	-1,071	-26,774	-30,400	-35,582
Change in Working capital	-5,779	4,028	21,828	3,102	3,685
Tax paid	-5,926	-5,902	-6,174	-6,490	-7,675
Operating cash flow	14,618	21,797	40,273	25,487	29,471
Capex	-1,131	-937	-3,363	1,564	1,744
Free cash flow	13,486	20,860	36,910	27,051	31,215
Other investing activities	2,956	-23,884	6,756	1,526	2,120
Investing cash flow	1,825	-24,821	3,392	3,090	3,864
Issuance of share capital	271	301	-9,765	0	0
Movement of Debt	-3,557	12,965	-15,436	0	0
Dividend paid (incl DDT)	-8,652	-9,427	-10,432	-10,432	-10,432
Other financing activities	-1,493	-1,666	-295	0	0
Financing cash flow	(14,402)	771	(35,928)	(10,432)	(10,432)
Net change in cash flow	2,041	-2,253	7,738	18,146	22,904
Opening C&CE	8,268	10,441	8,049	15,787	33,933
Closing C&CE	10,441	8,049	15,787	33,933	56,836

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Key ratios

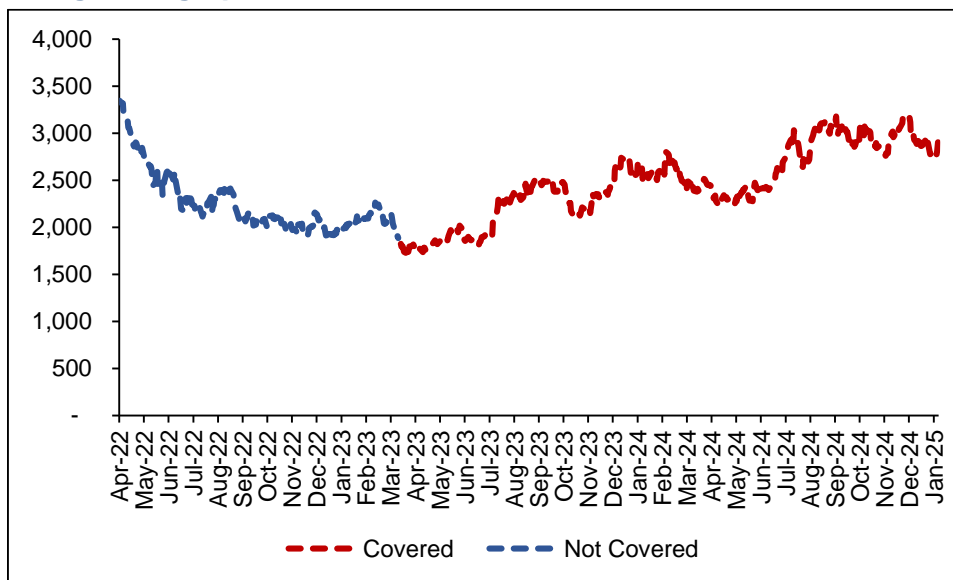
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Per Share (Rs)					
FDEPS	87.1	82.6	88.6	103.6	122.6
Dividend Per Share	50.0	55.0	55.0	55.0	55.0
Book Value	611	751	671	742	838
Valuation (x)					
P/Sales	4.1	4.3	4.0	3.5	3.0
EV/EBITDA	22.2	22.5	20.1	16.7	13.9
P/E	34.6	36.5	34.0	29.1	24.6
P/BV	4.9	4.0	4.5	4.1	3.6
Return ratios (%)					
RoCE	20.4	16.4	17.4	22.1	22.8
RoCE (pre-tax)	27.0	21.8	23.1	29.3	30.3
RoE	22.0	18.6	19.4	22.1	23.2
RoIC	31.4	25.5	30.1	50.6	77.2
Profitability ratios (%)					
Gross margin	27.2	27.7	28.6	29.0	29.1
EBITDA margin	17.6	18.2	18.5	18.6	18.6
PAT margin	11.9	11.7	11.8	12.0	12.4
Liquidity ratios (%)					
Current ratio	3.0	2.6	1.8	2.1	2.4
Quick ratio	3.0	2.6	1.8	2.1	2.4
Solvency ratio (%)					
Net Debt to Equity ratio	-0.3	-0.3	-0.5	-0.6	-0.8
Turnover ratios					
Fixed asset turnover ratio (x)	1.2	0.9	1.1	1.2	1.2
Debtor days	77.0	72.9	25.5	26.5	26.8
Creditor days	27.1	26.7	25.7	23.1	20.1
Net Working capital days	49.9	46.2	-0.2	3.4	6.7

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
20 March 2023	Sell	1,886	1,636
2 May 2023	Sell	1,805	1,429
14 June 2023	Sell	1,890	1,420
23 July 2023	Sell	2,331	1,497
28 August 2023	Sell	2,392	1,619
26 September 2023	Sell	2,484	1,746
22 October 2023	Sell	2,261	1,712
15 December 2023	Sell	2,601	1,788
4 February 2024	Sell	2,560	1,825
19 March 2024	Sell	2,462	2,008
28 April 2024	Sell	2,298	2,053
26 July 2024	Sell	3,064	2,598
03 September 2024	Hold	3,105	3,075
17 October 2024	Hold	3,080	3,474
24 January 2025	Hold	3,015	3,428

Rating track graph



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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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