

July 28, 2025

Healthy Q1; Bags record TCV amid macro uncertainty...

About the stock: Mphasis Ltd (Mphasis) offers application services, BPO and infrastructure services, BFSI, technology, communication & logistic services. Mphasis has 30,000+ employees & serves marquee customers across the globe

Q1FY26 Performance: Mphasis reported revenues of US\$ 437 mn, up 1.6% QoQ/ 5% YoY (up 1% QoQ/6.5% YoY in CC terms). Direct Revenue (97.3% of mix) grew 1.6% QoQ/8.1% YoY in CC terms. EBIT margin at 15.3%, was flat QoQ/ up ~30 bps YoY. PAT came at ₹ 442 crore (down 1.1% QoQ/up 9.2% YoY). It won TCV of US\$760 mn (highest-ever), up 95% QoQ/138% YoY.

Investment Rationale

- Strong execution across core verticals:** Despite macro uncertainties, growth was broad-based, led by Insurance (+20.5% QoQ), BFS (+5.9% QoQ) and Technology (+2.4% QoQ) which was offset by a sharp decline in Logistics (-46.5% QoQ) which was impacted by customer-specific investments. However, the management expects gradual recovery hereon in this vertical. With vertical headwinds now largely addressed and a healthy deal pipeline across sectors, Mphasis is well-positioned to maintain revenue momentum through remainder of FY26. **We expect US\$ revenue to grow at 8.9% CAGR over FY25-27E.**
- Margin stability & targeted investments support profitable growth outlook:** Despite upfront investments tied to large deal wins & IP creation, Mphasis maintained EBIT margins at 15.3%, within its guided band of 14.75%-15.75%. **Management continues to emphasize disciplined execution at the account level & guided growth of ~2x industry rate in FY26 (implying 7-8% YoY growth).** This combination of growth visibility, profitability discipline, & investment in next-gen capabilities makes Mphasis an attractive play on enterprise AI transformation wave and we believe the guidance is a bit conservative. **Moreover, the management expects margins to remain in a narrow band & maintained the margin guidance for FY26 at 14.75%-15.75%. Accordingly, we bake in EBIT margins of 15.3%/16.2% for FY26E/27E.**
- Record TCV wins anchored by AI-led transformation capabilities:** Mphasis secured its highest-ever deal wins in Q1, reporting a **record TCV of \$760 mn, up 95% QoQ/138% YoY, with 68% of wins being AI-led.** This momentum is driven by the company's proprietary platforms like **NeoCrux and NeoZeta.** Management highlighted that enterprises are increasingly looking to fund AI programs within existing IT budgets for which Mphasis is emerging as a preferred partner due to its ability to offer contextual, high-value solutions such as **"AI Superhighway"** that accelerate enterprise AI adoption.

Rating and Target Price

- Given Mphasis' differentiated, IP-led approach positions it well to capture market share from traditional incumbents and drive sustainable growth. Thus, we maintain our **BUY rating, at a revised target price of ₹ 3,150; at 27x P/E on FY27E EPS (vs. 3030 earlier).**

Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Net Sales	13,798	13,279	14,230	10.0	15,509	17,483	10.8
EBITDA	2,434	2,422	2,647	9.9	2,870	3,330	12.2
EBITDA Margins (%)	17.6	18.2	18.6		18.5	19.0	
Net Profit	1,638	1,542	1,700	7.5	1,847	2,226	14.4
Diluted EPS (₹)	86.4	81.8	89.4		97.1	117.0	
P/E (x)	31.0	33.1	30.1		27.7	23.0	
RoE (%)	20.6	17.5	17.7		17.8	19.8	
RoCE (%)	25.8	22.3	23.2		22.8	25.0	

Source: Company, ICICI Direct Research



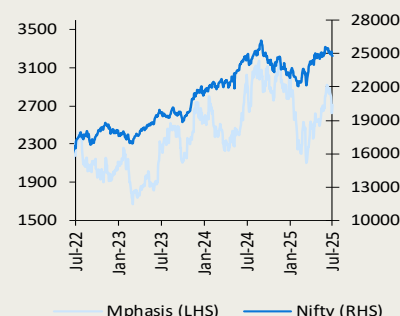
Particulars

Particular	Amount
Market Cap (₹ crore)	51,239
Total Debt (₹ crore)	584
Cash and Inv. (₹ crore)	3,397
EV (₹ crore)	48,426
52 week H/L	3238 / 2044
Equity Capital (₹ crore)	190
Face Value (₹)	10.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	40.3	40.2	40.1	40.1
FII	18.3	20.8	20.6	19.0
DII	37.0	34.6	34.9	36.5
Public	4.5	4.4	4.3	4.4

Price Chart



Key risks

- Lower than expected revenue growth and prolonged weakness in Logistics vertical;
- Lower than expected TCV to deal conversion

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Performance highlights and outlook

- **Revenue Performance:** Mphasis in Q1FY26 reported revenues of US\$ 437 mn, up 1.6% QoQ/ 5% YoY (up 1% QoQ/6.5% YoY in CC terms). In rupee revenue stood at ₹3732 crore, up 0.6% QoQ/9.1% YoY. Direct Revenue (97.3% of mix) was ₹3,635 crore, up 1.6% QoQ/8.1% YoY in CC terms.
- **Margin Performance:** EBIT margin at 15.3%, was flat QoQ/ up ~30 bps YoY. Whereas, PAT for the quarter stood at ₹442 crore, down 1.1% QoQ/ up 9% YoY.
- **Geography Performance:** Geography wise on a QoQ basis, India (5% of the mix) and US (83% of the mix) grew by 5.5% and 2.2% while ROW (3% of the mix) and EMEA (9% of the mix) declined by 12.9% and 12.3%.
- **Vertical Performance:** Vertical wise on a QoQ basis, Insurance (14% of the mix), BFSI (53% of the mix) and Technology (18% of the mix) reported a growth of 20.5%, 5.9% and 2.4% while Logistics (6% of the mix) and Others (9% of the mix) declined by 46.5% and 1.6% respectively.
 - **BFS and Insurance:** The growth in these verticals was driven by wallet share gains in existing accounts and ramp-up of the recently won new large deal wins.
 - **Logistics & Transportation and Others (Healthcare):** The vertical was impacted by some customer specific investments, the impact of which is largely behind as management expects it to gradually recover hereon on the back of healthy deal pipeline across the broad set of clients in this vertical.
- **Deal Wins:** Mphasis recorded its **highest-ever quarterly TCV** at US\$760 million in Q1, marking a robust growth of 95% QoQ and 138% YoY. Of the total TCV, 82% was contributed by NewGen Services, with 68% being driven by AI-focused deals. **The company secured 4 large deals during the quarter—three valued above US\$100 million and one exceeding US\$50 million.** Management anticipates a steady conversion of this TCV into revenues over the next two quarters, although some large engagements are expected to ramp up gradually.
- **Deal pipeline:** BFS pipeline was up 47% year over year and non-BFS pipeline is up 108% YoY. The deal pipeline (68% AI led pipeline) surged 16% QoQ/ 84% YoY, reinforcing visibility for FY26 growth. Large deals pipeline is up 40% QoQ and 154% YoY.
- **AI/GenAI:** Post the launch of its proprietary Mphasis AI platform, the company has made over 250 AI/ML models accessible across cloud marketplaces including Google Cloud, AWS, and Amazon.
- **Guidance/Aspiration and Outlook:** The management highlighted continued macro volatility and prolonged decision-making cycles, primarily due to tariff-related and geopolitical uncertainties. Current IT spending is skewed towards cost optimization, efficiency gains, and vendor consolidation. Despite this, **Mphasis aims to outpace industry growth by 2x, translating into a 7–8% YoY revenue growth target, supported by a strong deal pipeline and focused account-level execution. Margins are expected to remain within a stable range, with the FY26 guidance maintained at 14.75%–15.75%.**
- **Headcount:** The total headcount for the quarter stood at 31,063 employees, a decline of 379 employees from Q4FY25.
- **Investment:** Mphasis invested US\$4mn for 26% stake in Aokah, which is a GCC advisory firm being set up by the ex-founder of the Neo Group. This would provide an opportunity to shape GCC client engagements.

Quarter Performance

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Revenue	3,732	3,423	9.1	3,710	0.6	- Revenue was up 1.0% QoQ / 6.5% YoY in CC terms. - Expect ~2X industry growth, on the back of Q1 performance and steady conversion of TCV to revenue as well as steady ramp-up of large deals in ongoing quarters
Employee expense	2,541	2,369	7.3	2,530	0.5	
Gross Margin	1,191	1,054	13.0	1,180	0.9	
Gross margin (%)	31.9	30.8	111 bps	31.8	10 bps	
Other expense	488	436	12.1	478	2.2	
EBITDA	703	619	13.6	703	0.0	
EBITDA Margin (%)	18.8	18.1	76 bps	18.9	-11 bps	
Depreciation & amortisation	132	105	25.6	135	-2.5	
EBIT	571	514	11.2	567	0.6	
EBIT Margin (%)	15.3	15.0	29 bps	15.3	1 bps	On the margins front, margin guidance for FY26 maintained at 14.75%-15.75%
Other income (less interest)	39	24	64.7	24	64.0	
PBT	610	537	13.5	591	3.2	
Tax paid	168	133	26.7	145	16.5	
PAT	442	405	9.2	447	-1.1	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Revenues	13,279	14,230	15,509	17,483
Growth (%)	(4)	7	9	13
Employee Benefit Expense	9,277	9,760	10,620	12,046
Other Expenses	1,579	1,823	2,019	2,107
EBITDA	2,422	2,647	2,870	3,330
Growth (%)	(0)	9	8	16
Depreciation	411	476	497	490
Other Income	205	253	238	250
Interest	161	166	124	122
PBT before Excep Items	2,055	2,259	2,486	2,968
Growth (%)	(5)	10	10	19
Tax	514	558	639	742
PAT before Excep Items	1,542	1,700	1,847	2,226
Exceptional items	-	-	-	-
PAT	1,542	1,700	1,847	2,226
Growth (%)	(6)	10	9	21
Diluted EPS	82	89	97	117
EPS (Growth %)	(5)	9	9	21

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit before Tax	2,068	2,260	2,486	2,968
Depreciation	410	476	497	490
(inc)/dec in Current Assets	336	(483)	(44)	(681)
(inc)/dec in current Liabilities	67	249	745	672
Income Taxes Paid	(590)	(711)	(639)	(742)
Others	75	86	107	105
CF from operations	2,366	1,877	3,152	2,812
Other Investments	(2,390)	104	17	17
(Purchase)/Sale of Fixed Asset	(92)	(60)	(109)	(123)
CF from investing Activities	(2,482)	44	(92)	(106)
Inc / (Dec) in Equity Capital	30	58	-	-
Inc / (Dec) in sec.loan Funds	1,296	(445)	(30)	(30)
Dividend & Dividend tax	(943)	(1,040)	(1,108)	(1,336)
Interest Paid on Loans	(140)	(152)	(124)	(122)
CF from Financial Activities	244	(1,580)	(1,262)	(1,488)
Net change in cash	128	341	1,798	1,218
Opening cash	1,044	805	986	2,609
Closing cash	805	986	2,609	3,651

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity	189	190	190	190
Reserves & Surplus	8,606	9,438	10,177	11,067
Networth	8,795	9,628	10,367	11,257
Total debt	675	584	554	524
Other liabilities	456	246	529	575
Source of funds	9,926	10,458	11,450	12,357
Net Block	922	822	723	636
CWIP	14	0	0	0
Intangible assets under development	480	669	555	452
Long term Loans and advances	-	-	-	-
Other non current assets	1,904	2,139	2,005	2,206
Current Investments	2,593	1,784	1,784	1,784
Goodwill	4,179	4,291	4,291	4,291
Inventories	-	-	-	-
Debtors	2,426	2,841	2,833	3,194
Cash Balance	805	986	2,609	3,651
Bank Balance	9	626	626	626
Short term Loans and advances	34	39	40	45
Other current assets	766	710	894	1,008
Trade payables	798	978	932	1,051
Other Current liabilities	3,127	3,159	3,652	4,117
Provisions	279	311	326	368
Application of funds	9,926	10,458	11,450	12,357

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Diluted EPS	81.1	89.4	97.1	117.0
BV	466.2	508.9	548.0	595.0
DPS	55	57	58	70
Cash Per Share	43.2	85.2	171.0	226.1
Operating Ratios (%)				
EBITDA Margin	18.2	18.6	18.5	19.0
PAT Margin	11.6	11.9	11.9	12.7
Debtor days	67	73	67	67
Creditor days	22	25	22	22
Return Ratios (%)				
RoE	17.5	17.7	17.8	19.8
RoCE	22.3	23.2	22.8	25.0
RoIC	30.9	30.7	36.9	45.1
Valuation Ratios (x)				
P/E	33.1	30.1	27.7	23.0
EV / EBITDA	20.0	18.3	16.3	13.7
Market Cap / Sales	3.9	3.6	3.3	2.9
Price to Book Value	5.8	5.3	4.9	4.5
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.0
Debt / EBITDA	0.3	0.2	0.2	0.2
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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