

October 31, 2025

## Robust TCV and pipeline to drive growth ahead...

**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

**Q2FY26 Performance:** Mphasis reported revenues of US\$ 445 mn, up 1.8% QoQ/ 3.6% YoY (up 2% QoQ/6% YoY in CC terms). Direct Revenue (97.5% of the mix) 2.2% QoQ/ 7.9% YoY in CC terms. The EBIT margin at 15.3%, was flat QoQ/ down ~10 bps YoY. PAT came at ₹ 469 crore (up 6.2% QoQ/ 10.8% YoY). It won a broad based TCV of US\$528 mn, down 30.5% QoQ/ up 155% YoY, of which 42% was AI led.

### Investment Rationale

- **Strong and broad-based growth momentum; Robust TCV & Pipeline:** The growth this quarter was broad based across verticals, led by Technology (+12.8% QoQ) and Insurance (+7.9% QoQ). Moreover, it secured a robust **TCV of US\$528 mn (+155% YoY), of which 87% was contributed by NewGen Services. The company's deal pipeline surged 9% QoQ/ 97% YoY, reinforcing visibility for FY26 growth, with BFS pipeline up 45% YoY and non-BFS pipeline up 139% YoY, reflecting successful diversification beyond BFSI. Notably, Mphasis secured 6 large deals during the quarter, including one US\$100+ million BFS deal and two \$50+ million engagements** which supports revenue visibility and sustainable growth momentum. **Management continues to expect growth of >2x industry rate in FY26, based on H1 performance and steady conversion of TCV wins to revenue. Accordingly, we expect US\$ revenue to grow at 9.4% CAGR over FY25–27E.**
- **Maintain stable margins:** In Q2, Mphasis EBIT margins were largely stable at 15.3%. Amidst clients' behaviour driven by value propositions, the management indicated that it continues to play on the savings led transformation strategy which combines cost efficiency with technological transformation based on their AI and platform capabilities, instead of pricing. **The EBIT margin guidance was maintained at 14.75%–15.75% for FY26. Accordingly, we bake in EBIT margins of 15.3%/16.2% for FY26E/27E.**
- **Strengthening for next phase of innovation:** The key highlight of Q2 was **the disclosure that 42% of TCV and 69% of the deal pipeline was AI led.** The company also launched **NeoIP**, an AI-powered unified platform designed to drive continuous enterprise transformation through intelligent automation, modernization, and contextual insights. The platform, integrates Mphasis' AI solutions across modernization, application development, IT operations, and business operations. **It indicated that early client deployments have shown up to 60% efficiency gains and 50% faster incident resolution.**

### Rating and Target Price

- Given the consistent execution, we maintain our **BUY rating, at a revised target price of ₹ 3,240; at 27x P/E on FY27E EPS (vs. 3,150 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	15,653	17,869	12.1
EBITDA	2,434	2,422	2,647	9.9	2,902	3,404	13.4
EBITDA Margins (%)	17.6	18.2	18.6		18.5	19.0	
Net Profit	1,638	1,542	1,700	7.5	1,864	2,281	15.8
Diluted EPS (₹)	86.4	81.8	89.4		98.0	119.9	
P/E (x)	32.1	34.1	31.0		28.3	23.1	
RoE (%)	20.6	17.5	17.7		18.0	20.2	
RoCE (%)	25.8	22.3	23.2		23.4	25.8	

Source: Company, ICICI Direct Research



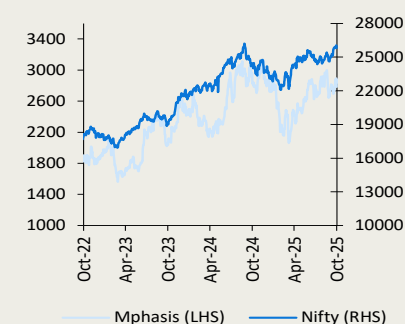
### Particulars

Particular	Amount
Market Cap (₹ crore)	52,339
Total Debt (₹ crore)	584
Cash and Inv. (₹ crore)	3,397
EV (₹ crore)	49,526
52 week H/L	3238 / 2044
Equity Capital (₹ crore)	190
Face Value (₹)	10.0

### Shareholding pattern

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

### Price Chart



### Key risks

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

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## Performance highlights and outlook

- **Revenue Performance:** Mphasis reported revenues of US\$ 445 mn, up 1.8% QoQ/ 3.6% YoY (up 2% QoQ/6% YoY in CC terms). In rupee revenue stood at ₹3,901.9 crore, up 4.5% QoQ/10.3% YoY. Direct Revenue (97.5% of the mix) 2.2% QoQ/ 7.9% YoY in CC terms
- **Margin Performance:** EBIT margin at 15.3%, was flat QoQ/ down ~10 bps YoY. Whereas, PAT for the quarter stood at ₹ 469 crore, up 6.2% QoQ/ 10.8% YoY.
- **Geography Performance:** Geography wise on a QoQ basis, EMEA (9% of the mix) and US (84% of the mix) grew by 10.7% and 5.5% while India (5% of the mix) and ROW (2% of the mix) declined by 4.1% and 0.6%.
- **Vertical Performance:** Vertical wise on a QoQ basis, Technology (18% of the mix), Insurance (14% of the mix), Others (9% of the mix), BFSI (53% of the mix) and Logistics (6% of the mix) reported a growth of 12.8%, 7.9%, 5.8%, 2.4% and 0.6% respectively.
  - **Logistics & Transportation:** The management expects QoQ growth within this vertical Q3 onwards as the impact from customer specific investments is behind now.
- **Deal Wins:** Mphasis won a broad based TCV of US\$528 mn, down 30.5% QoQ/ up 155% YoY, of which 42% was AI led and 87% was contributed by NewGen Services. **The company secured 6 large deals during the quarter - including one US\$100+ million BFS deal and two \$50+ million engagements.**
- **Deal pipeline:** The deal pipeline (69% AI led pipeline) surged 9% QoQ/ 97% YoY, reinforcing visibility for FY26 growth, with BFS pipeline up 45% YoY and non-BFS is up 139% YoY. Large deals pipeline is up 180% YoY.
- **AI/GenAI:** The company launched **NeolP, an AI-powered unified platform** designed to drive continuous enterprise transformation through intelligent automation, modernization, and contextual insights. The platform, built around the Ontology-Powered Knowledge Graph “Ontosphere”, integrates Mphasis’ AI solutions across modernization, application development, IT operations, and business operations. **Early client deployments have shown up to 60% efficiency gains and 50% faster incident resolution.**
- **Guidance/Aspiration and Outlook:** The management highlighted continued macro volatility is the new normal in the business environment. Despite this, management reiterated that **they aim to outpace industry growth by >2x, 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 30,809 employees, a decline of 254 employees QoQ.

## Quarter Performance

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
Revenue	3,902	3,536	10.3	3,732	4.5	- Revenue was up 2% QoQ / 6% YoY in CC terms. - Expect >2X industry growth, on the back of our H1 performance and steady conversion of strong TCV wins to revenue
Employee expense	2,696	2,431	10.9	2,541	6.1	
Gross Margin	1,206	1,106	9.1	1,191	1.2	
Gross margin (%)	30.9	31.3	-36 bps	31.9	-101 bps	
Other expense	482	458	5.4	488	-1.2	
EBITDA	724	648	11.7	703	3.0	
EBITDA Margin (%)	18.5	18.3	22 bps	18.8	-28 bps	
Depreciation & amortisation	128	104	23.4	132	-3.1	
EBIT	596	544	9.4	571	4.4	
EBIT Margin (%)	15.3	15.4	-13 bps	15.3	-3 bps	On the margins front, margin guidance for FY26 maintained at 14.75%-15.75%
Other income (less interest)	29	18	58.8	39	-26.3	
PBT	625	563	11.0	610	2.4	
Tax paid	156	139	11.8	168	-7.5	
PAT	469	423	10.8	442	6.2	

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	15,653	17,869
Growth (%)	(4)	7	10	14
Employee Benefit Expense	9,277	9,760	10,739	12,312
Other Expenses	1,579	1,823	2,013	2,153
<b>EBITDA</b>	<b>2,422</b>	<b>2,647</b>	<b>2,902</b>	<b>3,404</b>
Growth (%)	(0)	9	10	17
Depreciation	411	476	508	500
Other Income	205	253	283	290
Interest	161	166	167	152
PBT before Excep Items	2,055	2,259	2,510	3,041
Growth (%)	(5)	10	11	21
Tax	514	558	646	760
PAT before Excep Items	1,542	1,700	1,864	2,281
Exceptional items	-	-	-	-
<b>PAT</b>	<b>1,542</b>	<b>1,700</b>	<b>1,864</b>	<b>2,281</b>
Growth (%)	(6)	10	10	22
<b>Diluted EPS</b>	<b>82</b>	<b>89</b>	<b>98</b>	<b>120</b>
EPS (Growth %)	(5)	9	10	22

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Profit before Tax</b>	<b>2,068</b>	<b>2,260</b>	<b>2,510</b>	<b>3,041</b>
Depreciation	410	476	508	500
(inc)/dec in Current Assets	336	(483)	(94)	(764)
(inc)/dec in current Liabilities	67	249	795	754
Income Taxes Paid	(590)	(711)	(646)	(760)
Others	75	86	150	135
<b>CF from operations</b>	<b>2,366</b>	<b>1,877</b>	<b>3,223</b>	<b>2,906</b>
Other Investments	(2,390)	104	17	17
(Purchase)/Sale of Fixed Asset	(92)	(60)	(110)	(126)
<b>CF from investing Activities</b>	<b>(2,482)</b>	<b>44</b>	<b>(93)</b>	<b>(109)</b>
Inc / (Dec) in Equity Capital	30	58	-	-
Inc / (Dec) in sec.loan Funds	1,296	(445)	(30)	(30)
Dividend & Dividend tax	(943)	(1,040)	(1,119)	(1,369)
Interest Paid on Loans	(140)	(152)	(167)	(152)
<b>CF from Financial Activities</b>	<b>244</b>	<b>(1,580)</b>	<b>(1,315)</b>	<b>(1,550)</b>
Net change in cash	128	341	1,815	1,247
Opening cash	1,044	805	986	2,625
<b>Closing cash</b>	<b>805</b>	<b>986</b>	<b>2,625</b>	<b>3,696</b>

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	10,184	11,096
Networth	8,795	9,628	10,374	11,287
Total debt	675	584	554	524
Other liabilities	456	246	532	585
<b>Source of funds</b>	<b>9,926</b>	<b>10,458</b>	<b>11,460</b>	<b>12,395</b>
Net Block	922	822	716	623
CWIP	14	0	0	0
Intangible assets under development	480	669	552	446
Long term Loans and advances	-	-	-	-
Other non current assets	1,904	2,139	2,020	2,245
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	2,859	3,264
Cash Balance	805	986	2,625	3,696
Bank Balance	9	626	626	626
Short term Loans and advances	34	39	40	46
Other current assets	766	710	902	1,030
Trade payables	798	978	941	1,074
Other Current liabilities	3,127	3,159	3,686	4,208
Provisions	279	311	329	376
<b>Application of funds</b>	<b>9,926</b>	<b>10,458</b>	<b>11,460</b>	<b>12,395</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
Diluted EPS	81.1	89.4	98.0	119.9
BV	466.2	508.9	548.3	596.6
DPS	55	57	59	72
Cash Per Share	43.2	85.2	171.9	228.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	18.2	18.6	18.5	19.0
PAT Margin	11.6	11.9	11.9	12.8
Debtor days	67	73	67	67
Creditor days	22	25	22	22
<b>Return Ratios (%)</b>				
RoE	17.5	17.7	18.0	20.2
RoCE	22.3	23.2	23.4	25.8
RoIC	30.9	30.7	37.3	46.2
<b>Valuation Ratios (x)</b>				
P/E	34.1	31.0	28.3	23.1
EV / EBITDA	20.7	18.9	16.7	13.9
Market Cap / Sales	4.0	3.7	3.4	3.0
Price to Book Value	6.0	5.5	5.1	4.7
<b>Solvency Ratios</b>				
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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