

CMP: ₹ 2,766

Target: ₹ 3,250 (18%)

Target Period: 12 months

BUY

January 23, 2026

Healthy performance...

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

Q3FY26 Performance: Mphasis reported revenues of US\$ 451 mn, up 1.4% QoQ/ 7.6% YoY (up 1.5% QoQ/7.4% YoY in CC terms). Direct Revenue (97.9% of the mix) grew 1.9% QoQ/ 9.6% YoY in CC terms. Reported EBIT margin at 15.2%, was down ~6 bps QoQ/ ~11 bps YoY. Adjusted PAT (ex-one off from new labour code) stood at ₹468.7 crore, down 0.1% QoQ/ up 9.5% YoY.

Investment Rationale

- BFSI & Insurance momentum anchors growth visibility:** Mphasis continues to deepen its positioning in BFSI (+3.7% QoQ) & Insurance (+9.7% QoQ), driven by wallet-share gains, steady ramp-up of recent large deals, & strong traction in new accounts. These verticals remain structurally resilient as clients increasingly prioritise AI-led modernization & outcome-driven engagements, areas where Mphasis has built strong credentials. Management commentary indicates sustained demand across financial services (52% of mix) through FY26, with **FY26 tracking better than FY25 & momentum extending into FY27**. Management maintained its **growth expectation of >2x industry rate in FY26, based on 9MFY26 performance & steady conversion of TCV wins to revenue**. Accordingly, we expect **US\$ revenue to grow at 10.5% CAGR over FY26–28E**.
- Strong TCV & pipeline conversion; Margins guidance maintained:** Mphasis' deal momentum remains robust, with Q3 TCV of US\$428 mn, (-18.9% QoQ/+22% YoY). LTM TCV doubling to US\$2.1 bn and the large-deal pipeline expanding materially by 91% YoY, further provide strong revenue visibility over the medium term. Notably, BFS deal pipeline is up 98% YoY and non-BFS is up 44% YoY. On the margins front, while margins are being reinvested to support growth, **EBIT is expected to remain within the guided 14.75–15.75% band**, balancing scale-up investments with profitability discipline. Accordingly, we **bake in EBIT margins of 15.3%/16%/16.5% for FY26E/27E/FY28E**.
- AI-led platform strategy strengthens competitive differentiation:** The rapid scaling of Mphasis' **NeoIP platform** is emerging as a key differentiator. We see that **TCV is increasingly skewed toward AI-led (62%) and New Gen services (64%)**, reflecting client preference for platform-driven, outcome-based solutions over traditional effort-based models. Management highlighted that 69% of the pipeline is AI-led and large-deal opportunities continue to expand sharply. This strategic shift positions Mphasis well to capture enterprise AI and application modernization spend cycles.

Rating and Target Price

- Basis the sustained growth momentum and positive growth commentary, we maintain our **BUY rating, at a revised target price of ₹ 3,250; at 24x P/E on FY28E EPS (vs. 3,240 earlier)**.

Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	5 Year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	13,798	13,279	14,230	10.0	15,816	17,750	19,804	11.6
EBITDA	2,434	2,422	2,647	9.9	2,968	3,354	3,842	13.2
EBITDA Margins (%)	17.6	18.2	18.6		18.8	18.9	19.4	
Net Profit	1,638	1,542	1,700	7.5	1,884	2,254	2,572	14.8
Diluted EPS (₹)	86.4	81.8	89.4		99.0	118.4	135.2	
P/E (x)	32.3	34.4	31.3		28.3	23.6	20.7	
RoE (%)	20.6	17.5	17.7		18.1	20.0	20.9	
RoCE (%)	25.8	22.3	23.2		23.5	25.3	26.6	

Source: Company, ICICI Direct Research



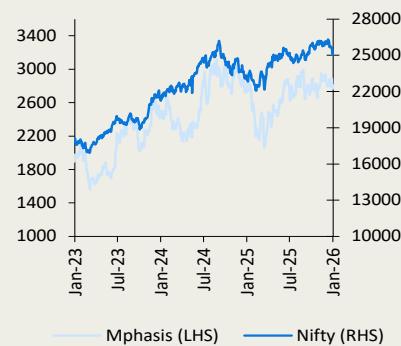
Particulars

Particular	Amount
Market Cap (₹ crore)	52,630
Total Debt (₹ crore)	584
Cash and Inv. (₹ crore)	3,397
EV (₹ crore)	49,817
52 week H/L	3078 / 2045
Equity Capital (₹ crore)	190
Face Value (₹)	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	40.1	40.1	40.1	30.6
FII	20.6	19.0	19.0	19.8
DII	34.9	36.5	36.5	45.3
Public	4.3	4.4	4.4	4.4

Price Chart



Key risks

- Lower than expected revenue growth;
- Lower than expected pipeline to TCV to revenue conversion

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Performance highlights and outlook

- **Revenue Performance:** Mphasis reported revenues of US\$ 451 mn, up 1.4% QoQ/ 7.6% YoY (up 1.5% QoQ/7.4% YoY in CC terms). In rupee revenue stood at ₹4,002.6 crore, up 2.6% QoQ/12.4% YoY. Direct Revenue (97.9% of the mix) grew 1.9% QoQ/ 9.6% YoY in CC terms.
- **Margin Performance:** EBIT margin at 15.2%, was down ~6 bps QoQ/ ~11 bps YoY, despite growth led investments. Reported PAT was at ₹442 crore, down 5.7% QoQ/ up 3.4% YoY while adjusted PAT (ex-one off from new labour code) stood at ₹468.7 crore, down 0.1% QoQ/ up 9.5% YoY.
- **Geography Performance:** Geography wise on a QoQ basis, growth was led by India (5% of the mix), EMEA (9% of the mix), US (83% of the mix) and ROW (2% of the mix) which grew by 6.1%, 4.8%, 2.3% and 1.9%.
- **Vertical Performance:** Vertical wise on a QoQ basis, growth was led by Insurance (15% of the mix) and BFSI (52% of the mix) which grew by 9.7% and 3.7% while Technology (18% of the mix), Others (9% of the mix) reported a de-growth of 2.6% and 0.6% respectively and Logistics (5% of the mix) was flat.
 - **BFSI:** Banking and insurance continue to show resilient demand, aided by regulatory initiatives, AI adoption, and efficiency-led transformation programs, reinforcing the sector's role as a key growth engine. BFSI saw increase in wallet share gains and growth in new wins/accounts while insurance growth was driven by ramp up in recent large deal wins
- **Deal Wins:** Mphasis It won TCV of US\$428 mn, down 18.9% QoQ/ up 22% YoY, of which 64% were New Gen Services and 62% were AI led. **Deal TCV included 4 large deals, including 2 >US\$50 mn deals. LTM TCV grew 2x to US\$2.1 bn lending revenue visibility into coming quarters.**
- **Deal pipeline:** The deal pipeline (69% AI led) surged 4% QoQ/ 66% YoY, with BFS pipeline up 98% YoY and non-BFS is up 44% YoY and & significant large-deal pipeline up ~91% YoY. Large deals pipeline is up 91% YoY.
- **Guidance/Aspiration and Outlook:** Management indicated confidence that **Q4 could be the strongest QoQ growth quarter for FY26**, supported by deal ramp-ups, easing seasonality, and stable client spending. **Management maintained its >2X industry growth in FY26 expectation on the back of Q1-Q3FY26 performance and steady conversion of strong TCV wins to revenue and expects FY26 to be better than FY25 and FY27 to continue the growth momentum. On the EBIT margins front it guided for 14.75% - 15.75% band.**
- **Headcount:** The total headcount for the quarter stood at 31,272 employees, an addition of 463 employees QoQ.

Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue	4,003	3,561	12.4	3,902	2.6	- Revenue was up 1.5% QoQ / 7.4% YoY in CC terms. - Expect >2X industry growth, on the back of our Q1-Q3FY26 performance and steady conversion of strong TCV wins to revenue + steady rampup of large deals in upcoming quarters
Employee expense	2,751	2,431	13.2	2,696	2.0	
Gross Margin	1,252	1,130	10.8	1,206	3.8	
Gross margin (%)	31.3	31.7	-46 bps	30.9	37 bps	
Other expense	500	452	10.6	482	3.7	
EBITDA	752	678	10.9	724	3.9	
EBITDA Margin (%)	18.8	19.0	-26 bps	18.5	24 bps	
Depreciation & amortisation	143	132	8.0	128	11.8	
EBIT	609	546	11.6	596	2.2	
EBIT Margin (%)	15.2	15.3	-11 bps	15.3	-6 bps	On the margins front, margin guidance for FY26 maintained at 14.75%-15.75%
Other income (less interest)	20	24	-15.7	29	-31.5	
PBT	593	569	4.2	625	-5.0	
Tax paid	151	141	6.7	156	-3.1	
PAT	442	428	3.4	469	-5.7	Adjusted PAT stood at ₹468.7 crore, down 0.1% QoQ/ up 9.5% YoY

Source: Company, ICICI Direct Research

Exhibit 2: Quarter Performance

(₹ Crore)	FY26E			FY27E			FY28E
	Old	New	% Change	Old	New	% Change	Introduced
Revenue (USD mn)	1,804	1,801	-0.2	2,031	1,983	-2.3	2,200
Revenue	15,653	15,816	1.0	17,869	17,750	-0.7	19,804
EBIT	2,394	2,427	1.4	2,903	2,839	-2.2	3,268
EBIT Margin (%)	15.3	15.3	6 bps	16.2	16.0	-25 bps	16.5
PAT	1,864	1,884	1.1	2,281	2,254	-1.2	2,572
Diluted EPS (₹)	98.0	99.0	1.1	119.9	118.4	-1.2	135.2

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total Revenues	14,230	15,816	17,750	19,804
Growth (%)	7	11	12	12
Employee Benefit Expense	9,760	10,855	12,231	13,605
Other Expenses	1,823	1,993	2,166	2,357
EBITDA	2,647	2,968	3,354	3,842
Growth (%)	9	12	13	15
Depreciation	476	541	515	574
Other Income	253	268	290	300
Interest	166	167	124	139
PBT before Excep Items	2,259	2,528	3,005	3,429
Growth (%)	10	12	19	14
Tax	558	644	751	857
PAT before Excep Items	1,700	1,884	2,254	2,572
Exceptional items	-	-	-	-
PAT	1,700	1,884	2,254	2,572
Growth (%)	10	11	20	14
Diluted EPS	89	99	118	135
EPS (Growth %)	9	11	20	14

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit before Tax	2,260	2,528	3,005	3,429
Depreciation	476	541	515	574
(inc)/dec in Current Assets	(483)	(150)	(667)	(708)
(inc)/dec in current Liabilities	249	850	658	699
Income Taxes Paid	(711)	(644)	(751)	(857)
Others	86	150	107	122
CF from operations	1,877	3,275	2,867	3,258
Other Investments	104	17	17	17
(Purchase)/Sale of Fixed Asset	(60)	(112)	(125)	(140)
CF from investing Activities	44	(95)	(108)	(123)
Inc / (Dec) in Equity Capital	58	-	-	-
Inc / (Dec) in sec.loan Funds	(445)	(30)	(30)	(30)
Dividend & Dividend tax	(1,040)	(1,131)	(1,352)	(1,543)
Interest Paid on Loans	(152)	(167)	(124)	(139)
CF from Financial Activities	(1,580)	(1,327)	(1,506)	(1,712)
Net change in cash	341	1,853	1,252	1,424
Opening cash	805	986	2,664	3,740
Closing cash	986	2,664	3,740	4,989

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity	190	190	190	190
Reserves & Surplus	9,438	10,192	11,093	12,122
Networth	9,628	10,382	11,284	12,312
Total debt	584	554	524	494
Other liabilities	246	536	582	630
Source of funds	10,458	11,472	12,389	13,437
Net Block	822	696	593	458
CWIP	0	0	0	0
Intangible assets under development	669	541	430	306
Long term Loans and advances	-	-	-	-
Other non current assets	2,139	2,036	2,233	2,443
Current Investments	1,784	1,784	1,784	1,784
Goodwill	4,291	4,291	4,291	4,291
Inventories	-	-	-	-
Debtors	2,841	2,889	3,242	3,617
Cash Balance	986	2,664	3,740	4,989
Bank Balance	626	626	626	626
Short term Loans and advances	39	41	46	51
Other current assets	710	912	1,023	1,142
Trade payables	978	951	1,067	1,191
Other Current liabilities	3,159	3,725	4,180	4,664
Provisions	311	333	373	416
Application of funds	10,458	11,472	12,389	13,437

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Diluted EPS	89.4	99.0	118.4	135.2
BV	508.9	548.8	596.4	650.8
DPS	57	59	71	81
Cash Per Share	85.2	173.9	230.8	296.8
Operating Ratios (%)				
EBITDA Margin	18.6	18.8	18.9	19.4
PAT Margin	11.9	11.9	12.7	13.0
Debtor days	73	67	67	67
Creditor days	25	22	22	22
Return Ratios (%)				
RoE	17.7	18.1	20.0	20.9
RoCE	23.2	23.5	25.3	26.6
RoIC	30.7	37.9	45.5	54.1
Valuation Ratios (x)				
P/E	31.3	28.3	23.6	20.7
EV / EBITDA	19.2	16.5	14.3	12.1
Market Cap / Sales	3.8	3.4	3.0	2.7
Price to Book Value	5.5	5.1	4.7	4.3
Solvency Ratios				
Debt / Equity	0.1	0.1	0.0	0.0
Debt / EBITDA	0.2	0.2	0.2	0.1
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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