CMP: ₹ 2,277 Target: ₹ 2,620 (15%) Target Period: 12 months

BUY

May 4, 2026

Result Update

ICICI Securities – Retail Equity Research

Steady quarter; Healthy FY27 outlook!

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

Q4FY26 & FY26 Performance: Mphasis reported revenues of US$ 463 mn, up 2.5% QoQ/ 7.1% YoY in CC terms. Direct Revenue (98.6% of the mix) grew 3.3% QoQ/ 9.2% YoY in CC terms. The EBIT margin stood at ~ 15.4%, up 20 bps QoQ. The company reported PAT of ~ ₹ 510 crore, up 15% QoQ/ 14% YoY. For FY26, revenue stood at US$ 1796 mn, up 6.7% YoY CC. EBIT margin came at 15.3%, flat YoY while PAT stood at ₹1,898 crore, up 12% YoY.

Investment Rationale

- **Strong BFS & Insurance-led growth with wallet share gains:** Mphasis steady growth was driven by its core BFSI (53% mix) & Insurance (15.7% mix) verticals, which grew 5.8% & 7.2% QoQ CC, supported by strong wallet share gains & ramp-up of recent deal wins. Direct business (98.6% mix) remains a key growth driver (+9.2% YoY CC). Management highlighted sustained momentum in large accounts & a strengthening client pyramid, positioning Mphasis well to drive consistent growth despite near-term softness in TMT and logistics verticals. **It guided to deliver high single-digit to low double-digit growth, supported by disciplined execution & increasing transformation demand in FY27. Accordingly, we expect US$ revenue to grow at 8.2% CAGR over FY26–28E.**

- **Margin stability with continued investments in AI-led capabilities:** Mphasis maintained stable margins at 15.4% in Q4 & 15.3% for FY26, reflecting disciplined execution despite ongoing investments in AI platforms, sales and leadership. **Management reiterated focus on balancing growth & profitability, targeting margins within the 14.75–15.75% band while reinvesting operating leverage into capability building. Increasing mix of platform-led/outcome-based deals, margin trajectory is expected to remain stable**, although near-term expansion may be gradual as Mphasis continues to prioritize growth & differentiation in AI-led opportunities. **Accordingly, we bake in EBIT margins of 15.9%/16.3% for FY27E/FY28E**.

- **Robust deal pipeline with high AI-led mix supporting visibility:** Mphasis' TTM net-new TCV exceeded US$2.1 bn with strong conversion visibility, supported by a 38% YoY increase in pipeline for FY26, of which ~69% is AI-led. Despite a slight QoQ moderation in quarterly TCV (-4.9% QoQ at US$407 mn), deal wins remain broad-based with four large deals in Q4 and strong correlation between bookings & revenue conversion. Management emphasized increasing enterprise focus on AI-led transformation and platform-driven execution, supported by its **NeoIP platform and Continuum AI capabilities**, which strengthen differentiation and provide medium-term growth visibility.

Rating and Target Price

- We maintain our **BUY rating, at a revised target price of ₹ 2,620; at 20x P/E on FY28E EPS (vs. 2,550 earlier).**

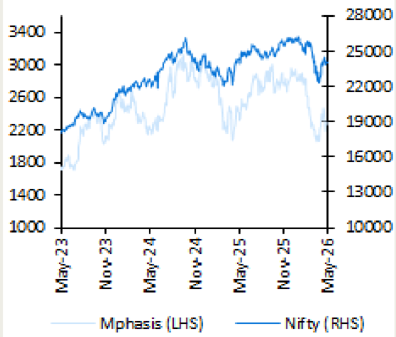
Particulars

Particular	Amount
Market Cap (₹ crore)	43,326
Total Debt (₹ crore)	584
Cash and Inv. (₹ crore)	3,397
EV (₹ crore)	40,513
52 week H/L	3037 / 2013
Equity Capital (₹ crore)	190
Face Value (₹)	10.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	40.1	40.1	30.6	30.6
FII	19.0	19.0	19.8	19.5
DII	36.5	36.5	45.3	45.7
Public	4.4	4.4	4.4	4.3

Price Chart



Key risks

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

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

CA Anjini Sharma
anjini.sharma@icicisecurities.com

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	13,279	14,230	15,880	10.3	17,825	19,366	10.4
EBITDA	2,422	2,647	2,984	10.6	3,368	3,718	11.6
EBITDA Margins (%)	18.2	18.6	18.8		18.9	19.2	
Net Profit	1,542	1,700	1,872	9.0	2,237	2,493	15.4
Diluted EPS (₹)	81.8	89.4	98.4		117.6	131.0	
P/E (x)	27.9	25.3	23.0		19.3	17.3	
RoE (%)	17.5	17.7	17.4		19.2	19.7	
RoCE (%)	22.3	23.2	23.1		24.6	25.4	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Mphasis reported revenues of US$ 463 mn, up 2.5% QoQ/ 7.1% YoY in CC terms. In rupee revenue stood at ₹4,243 crore, up 6% QoQ/14.4% YoY. Direct Revenue (98.6% of the mix) grew 3.3% QoQ/ 9.2% YoY in CC terms.
- **Margin Performance:** The EBIT margin stood at ~ 15.4%, up 20 bps QoQ, despite ongoing investments in AI platforms, sales and leadership. The company reported PAT of ~ ₹ 510 crore, up 15% QoQ/ 14% YoY. For FY26, EBIT margin came at 15.3%, flat YoY while PAT stood at ₹1,898 crore, up 12% YoY.
- **Geography Performance:** Geography wise on a QoQ CC basis, EMEA (9.8% of the mix) and Americas (84% of the mix) grew by 6,8% and 2.9% while Others (6.5% of the mix) declined by 7.8%.
- **Vertical Performance:** Vertical wise on a QoQ CC basis, Insurance (15.7% of the mix), BFSI (53% of the mix) and Others (9.7% of the mix) grew by 7.2%, 5.8% and 5.1% while TMT (16% of the mix) and Logistics (5% of the mix) declined 10.3% and 3.7%.
  - **TMT:** Saw softness due to project completions and delayed decision cycles owing to macro and geopolitical uncertainties. Management expects this vertical to return to sequential growth in coming quarters.
- **Deal Wins:** The company reported TCV wins of US$ 407 mn, down 4.9% QoQ/ up 4% YoY with ~ 64% being AI-led and included 4 large deals. TTM net-new TCV exceeding US$2.1 bn with strong conversion visibility, supported by a 38% YoY increase in pipeline for FY26, of which ~69% is AI-led.
- **Guidance/Aspiration and Outlook:** Management is confident of sustaining pipeline momentum and deal wins building on the record TCV momentum of FY26 and continue to execute on the conversion and deal wins in FY27. **It expects to deliver between high single digit to low double-digit growth, despite the uncertain macro environment, on the back of strong execution. On the margins front, it maintained margin guidance for FY27 at 14.75%-15.75%.**
- **Headcount:** The total headcount for the quarter stood at 31,179 employees, a decline of 93 employees QoQ.
- **Dividend:** The company declared a final dividend of ₹62 per share.

Exhibit 1: Quarter Performance

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY (%)
Revenue	4,243	3,710	14.4	4,003	6.0	- Revenue was up 2.5% QoQ / 7.1% YoY in CC terms. - Expect to deliver high single digit to low double-digit growth, despite the uncertain macro environment, on the back of strong execution.	15,880	14230	11.59
Employee expense	2,906	2,530	14.9	2,751	5.7		10,894	9760	11.62
Gross Margin	1,337	1,180	13.3	1,252	6.8		4,985	4,470	11.5
Gross margin (%)	31.5	31.8	-31 bps	31.3	22 bps		31.4	31.4	-2 bps
Other expense	531	478	11.2	500	6.2		2,002	1,823	9.82
EBITDA	805	703	14.6	752	7.1		2,984	2,647	12.70
EBITDA Margin (%)	19.0	18.9	4 bps	18.8	20 bps		18.8	18.6	18 bps
Depreciation & amortisation	153	135	12.9	143	6.9		555	476	16.63
EBIT	653	567	15.0	609	7.2		2,428	2,171	11.84
EBIT Margin (%)	15.4	15.3	9 bps	15.2	17 bps	On the margins front, margin guidance for FY27 maintained at 14.75%-15.75%	15.3	15.3	3 bps
Other income (less interest)	29	24	20.9	20	46.0		117	89	30.65
PBT	681	591	15.3	629	8.4		2,545	2,261	12.58
Tax paid	172	145	18.7	151	13.8		647	558	15.85
PAT	510	447	14.1	478	6.7		1,898	1,702	11.51

Source: Company, ICICI Direct Research

Exhibit 2: Quarter Performance

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,928	1,937	0.5	2,095	2,105	0.5
Revenue	17,258	17,825	3.3	18,854	19,366	2.7
EBIT	2,760	2,842	3.0	3,073	3,157	2.7
EBIT Margin (%)	16.0	15.9	-5 bps	16.3	16.3	0 bps
PAT	2,197	2,237	1.8	2,431	2,493	2.6
Diluted EPS (₹)	115.5	117.6	1.8	127.8	131.0	2.6

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total Revenues	**15,880**	**17,825**	**19,366**
Growth (%)	12	12	9
Employee Benefit Expense	10,894	12,282	13,304
Other Expenses	2,002	2,175	2,343
EBITDA	**2,984**	**3,368**	**3,718**
Growth (%)	13	13	10
Depreciation	555	526	562
Other Income	295	280	312
Interest	204	139	144
PBT before Excep Items	2,519	2,983	3,324
Growth (%)	12	18	11
Tax	647	746	831
PAT before Excep Items	1,872	2,237	2,493
Exceptional items	-	-	-
PAT	**1,872**	**2,237**	**2,493**
Growth (%)	10	19	11
Diluted EPS	**98**	**118**	**131**
EPS (Growth %)	10	19	11

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	**2,509**	**2,983**	**3,324**
Depreciation	555	526	562
(inc)/dec in Current Assets	(1,635)	(962)	(762)
(inc)/dec in current Liabilities	716	766	607
Income Taxes Paid	(700)	(746)	(831)
Others	(193)	122	127
CF from operations	**1,253**	**2,689**	**3,027**
Other Investments	106	17	17
(Purchase)/Sale of Fixed Assets	(316)	(126)	(137)
CF from investing Activities	**(211)**	**(109)**	**(120)**
Inc / (Dec) in Equity Capital	34	-	-
Inc / (Dec) in sec.loan Funds	498	(30)	(30)
Dividend & Divendend tax	(1,084)	(1,342)	(1,496)
Interest Paid on Loans	(185)	(139)	(144)
CF from Financial Activities	**(737)**	**(1,511)**	**(1,670)**
Net change in cash	305	1,069	1,237
Opening cash	986	1,123	1,986
Closing cash	**1,123**	**1,986**	**3,017**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity	191	191	191
Reserves & Surplus	10,553	11,448	12,445
Networth	10,744	11,639	12,636
Total debt	610	580	550
Other liabilities	419	449	473
Source of funds	**11,772**	**12,667**	**13,659**
Net Block	892	812	715
CWIP	0	0	0
Intangible assets under development	776	661	540
Long term Loans and advances	-	-	-
Other non current assets	3,079	3,406	3,664
Current Investments	1,321	1,321	1,321
Goodwill	4,768	4,768	4,768
Inventories	-	-	-
Debtors	4,193	4,706	5,113
Cash Balance	1,123	1,986	3,017
Bank Balance	630	630	630
Short term Loans and advances	11	12	13
Other current assets	990	1,111	1,207
Trade payables	1,357	1,523	1,655
Other Current liabilities	4,371	4,907	5,331
Provisions	282	316	343
Application of funds	**11,772**	**12,667**	**13,659**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	98.4	117.6	131.0
BV	567.9	615.2	667.9
DPS	59	71	79
Cash Per Share	92.6	138.2	192.7
Operating Ratios (%)			
EBITDA Margin	18.8	18.9	19.2
PAT Margin	11.8	12.6	12.9
Debtor days	96	96	96
Creditor days	31	31	31
Return Ratios (%)			
RoE	17.4	19.2	19.7
RoCE	23.1	24.6	25.4
RoIC	27.9	32.6	36.3
Valuation Ratios (x)			
P/E	23.0	19.3	17.3
EV / EBITDA	13.7	11.9	10.5
Market Cap / Sales	2.7	2.4	2.2
Price to Book Value	4.0	3.7	3.4
Solvency Ratios			
Debt / Equity	0.1	0.0	0.0
Debt / EBITDA	0.2	0.2	0.1
Quick Ratio	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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