COMPANY UPDATE

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MPHASIS | IT Services | 29 May 2026

Mphasis Tria- Trying to drive enterprise AI uptake

- **Mphasis 'Tria' unveiled. A 'governed Enterprise Agency Platform, delivering outcomes'. Moving from Agentic AI to Agency**
- **Mphasis is trying to move from productivity (deflation) driven narrative to 'transformation' (growth) narrative. Peers attempting the same**
- **We believe moving from low-cost execution to delivering business outcomes is a significant shift, where only a few will succeed**

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Mphasis Analyst Day 2026: Company unveiled 'Tria'- 'a governed Enterprise Agency Platform, delivering outcome-led enterprise transformation'. Trying to shift the current AI deflationary narrative and attempting to capture the enterprise AI services market which is expected to be US$500bn by 2028 (McKinsey estimate). At current enterprises' uptake of AI transformation services, we doubt this number.

All players are attempting some variant of Mphasis strategy: Since the ChatGPT moment in November 2022, AI in the enterprise context has been the proverbial 'hammer looking for a nail'. It has been the shiny new technology on which considerable capital has been expended but enterprise uptake has been quite modest except in the context of driving productivity.as that has the clearest ROI and lowest risks. Enterprise-wide AI transformation, involving autonomous AI agents, we think, will probably move slower than 'Digital' did as we believe risks are higher and ROI is not very clear. With market caps of AI technology eco-system players having raced ahead, there is urgency to show faster enterprise adoption and profit pool accretion. We have seen many in the Indian IT services industry attempting to do his through proprietary orchestration platforms. Some AI players themselves have taken the plunge into the services market to force the pace.

Indian Industry is trying to move up the value chain: Over the last 25-30 years, growth of the industry has largely been driven by focusing on the 'cheaper execution' part and moving horizontally from one activity to another – applications to ERP to BPS to Infrastructure management to ERDS. AI is for the first time, forcing industry to move up the value chain (while there has been discussion on this all along) and think of outcomes of the enterprise customer. We do not think this is an easy task. We do not think it is impossible, but it could take time and some may do a better job than others and will therefore show better revenue, profit and market growth.

TAM expansion could provide a surprise: We think 'cheaper execution' could have a longer runway, if enterprises outsource more of their internal operations, which we believe is a larger part of their spend.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MPHL IN/Rs 2,233
Market cap	US$ 4.4bn
Free float	69%
3M ADV	US$ 13.6mn
52wk high/low	Rs 3,037/Rs 2,013
Promoter/FPI/DII	31%/20%/46%

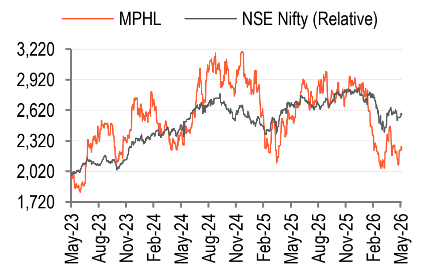
Source: NSE | Price as of 27 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	158,796	182,348	198,528
EBITDA (Rs mn)	29,835	33,506	36,610
Adj. net profit (Rs mn)	18,980	22,227	24,693
Adj. EPS (Rs)	97.5	116.4	129.3
Adj. ROAE (%)	18.6	19.9	20.4
Adj. P/E (x)	22.9	19.2	17.3
EV/EBITDA (x)	14.3	12.8	11.8
Adj. EPS growth (%)	9.2	19.4	11.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Points made at the Mphasis analyst day

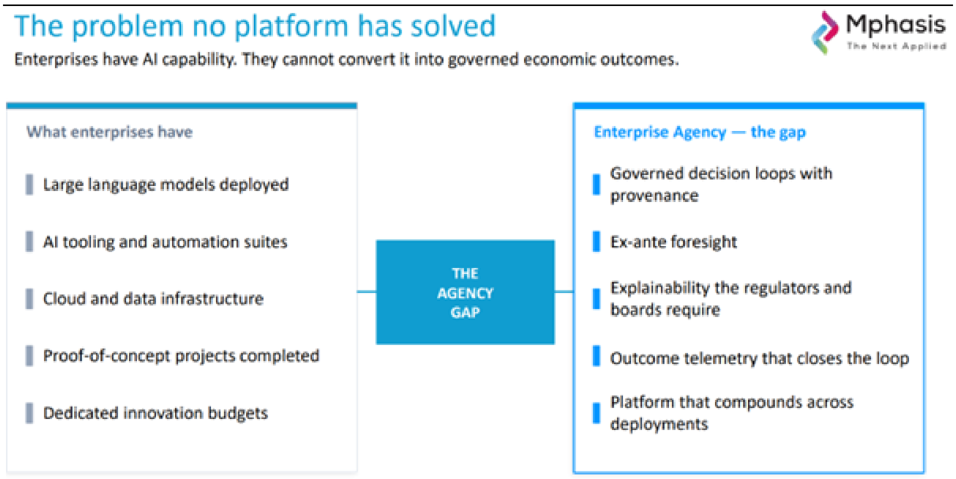
- The question is no longer whether AI will disrupt enterprise IT - that shift is already underway. The question is who will capture the US$500bn+ of enterprise value being created on the other side
  - Management said that companies that solve the enterprise problem, convert AI capability into governed, accountable economic outcomes will see accelerated revenue, deeper client entrenchment, and a structural shift in margins and capture the ~$500bn AI services market opportunity by 2028 (McKinsey estimate)
- MPHL believes new entrants (Anthropic and OpenAI services companies) can deliver quick proof of value but lack enterprise brownfield integration capability and cannot take accountability for those outcomes
- Agency vs. Agentic AI
  - Enterprises have AI capability. They cannot convert it into governed economic outcomes
  - Agentic AI is a technical stack that automates existing tasks; it does not equate to Agency. Agency is the ability of AI to drive autonomous, governed, foresight-driven decisions that measurably improve enterprise outcomes.
  - Enterprise agency (the gap): Governed decision loops with provenance; Ex-ante foresight; Explainability the regulators and boards require; Outcome telemetry that closes the loop; Platform that compounds across deployments
- Mphasis Tria launch - three-layer platform (Knowledge - Decision AI - Execution)
  - Mphasis formally launched 'Mphasis Tria', described as the first enterprise agency platform designed for outcomes. The platform is already deployed at lighthouse clients
  - Three-layer architecture: 1. Insight (Structure data, processes, rules and context) 2. Foresight (Model scenarios, evaluate alternatives and optimize decisions) 3. Execute (Orchestrate action, automation and governed outcome)
  - The secret sauce is how they interact with each other and the feedback loop across all three layers
  - Has the ability to work on top of existing (messy) data platforms without requiring full data cleansing
  - 80% of enterprise AI spend is expected to flow toward business transformation over the next five years
  - The company is intentionally positioning its offering as a platform rather than a simple productivity tool. While tools such as coding assistants can improve workflows, the company's platform strategy is focused on driving 'agency' and delivering measurable business outcomes
- Two product lines launched: Modernize and Optimize
  - Mphasis Tria, the enterprise agency platform, reaches the market through two product lines

  - Mphasis Modernize (Transform how the enterprise operates - Process modernization, Business operations modernization, Technology stack modernization) and Mphasis Optimize (Continuously improve commercial and operational performance - Revenue optimization, Pricing, promotions, and demand, Supply chain and inventory, Operational efficiency)

- FY27 is positioned as a foundational year - from a services-led cost model to a platform + outcomes business with ARR compounding
  - The key shifts would be: 'Platform plus people' over people, 'Recurring' over transactional, 'Outcomes' over effort and 'Quality' over volumes
  - Key operating metrics to track would be ARR, Platform Attach rate and Net Retention rate – these are additional measures the company will start reporting from FY28
  - The company aims to accelerate growth and expand operating margins as we scale up ARR
- Winning larger deals in a combination of superior tech offering, enhanced large deal process and client coverage
  - 63% FY26 NN TCV was Large Deals
  - Significant shift to fixed price driven by large outcome-based deals – scope to deploy the AI platforms to enhance margins
  - NN TCV breakdown shows uplift in both farming and large deal wins - Less than US$20mn TCV grew 38% (indicative of in-client farming) and large deals grew ~90% YoY across existing and new clients
- Conscious strategy on consolidation deals in blue chip clients
  - Buy-out tail vendors to become a strategic partner to large blue-chip clients at attractive commercial constructs
  - Gain wallet share and mindshare to gain seat on the table for large transformational programs
- Management highlighted that margin expansion has occurred, though much of it has been reinvested into the business rather than reflected in reported operating margins. Investments in platforms, infrastructure, sales, and capabilities have been funded through efficiency gains generated internally. The company noted although steady-state operating margins stands at ~15%, the operating margins could have been ~200bps higher had it not chosen to reinvest for future growth
  - Gross margin expansion (not just operating margin) is the true indicator of pricing power
- Mphasis does not use a productivity passback construct in any deal. The preferred model is 'savings-led transformation' - efficiency savings are explicitly linked to and reinvested in transformation, preventing demand destruction
- 80-85% of all deals currently have a transformation element

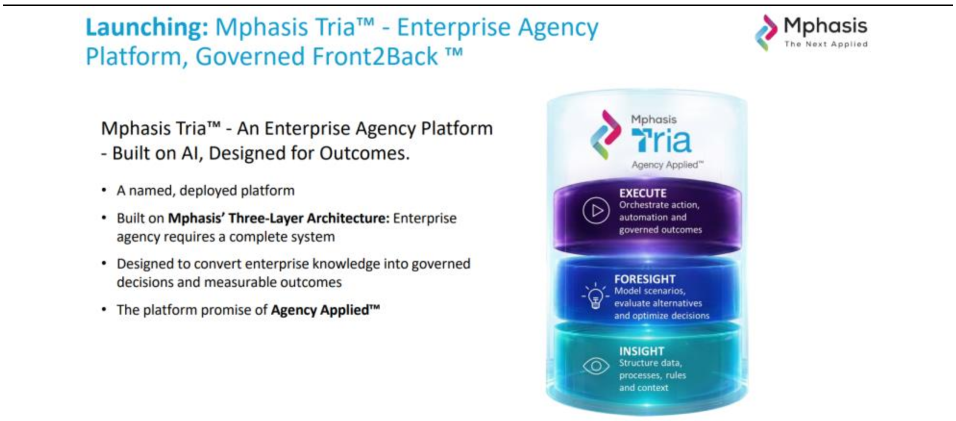
- 70%+ of pipeline as of March has an AI component embedded
- Management highlighted that the company's GTM and solutioning capabilities are being built largely through internal evolution rather than relying entirely on external hiring. At the leadership level, however, the company is selectively hiring leaders with deep industry expertise, strong networks, and an understanding of industry-specific transformation value streams.
- Management indicated that its approach to M&A remains highly selective and opportunistic rather than pursuing large, aggressive acquisitions simply because sector valuations may appear depressed
  - Management highlighted that successful acquisitions also bring high-quality customers and strong leadership talent.

Fig 1 – Enterprise Agency



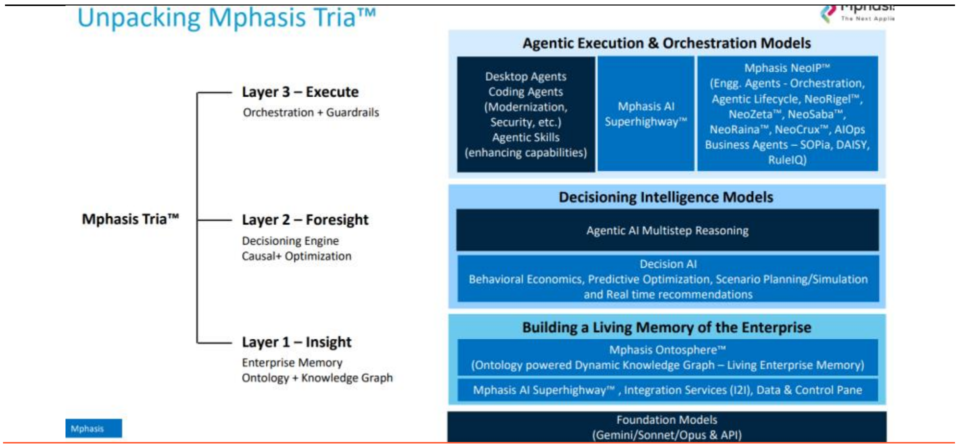
Source: Company, BOBCAPS Research

Fig 2 – Tria- Mphasis' AI platform



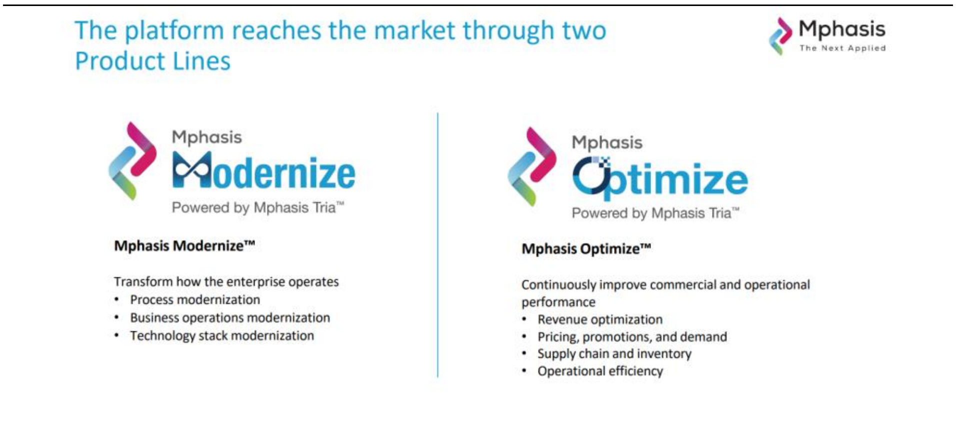
Source: Company, BOBCAPS Research

Fig 3 – Tria- Key elements



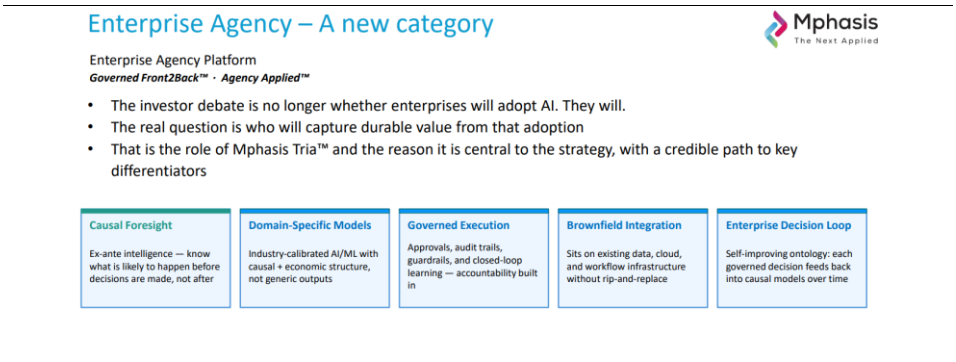
Source: Company, BOBCAPS Research

Fig 4 – Product lines of Tria



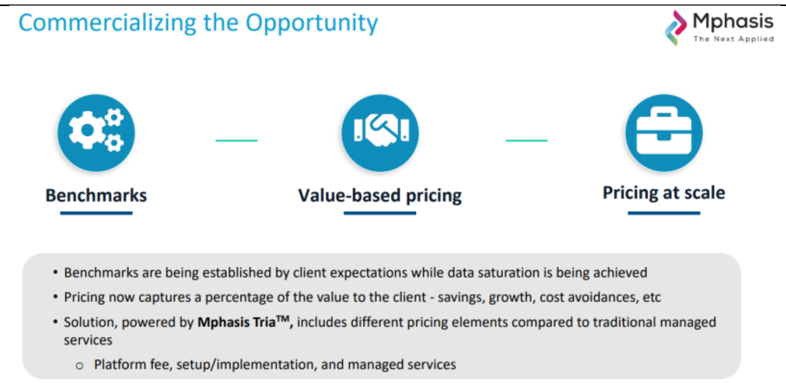
Source: Company, BOBCAPS Research

Fig 5 – Enterprise Agency



Source: Company, BOBCAPS Research

Fig 6 – Elements of the opportunity



Source: Company, BOBCAPS Research

Fig 7 – Dimensions of Delivery

Dimensions of Delivery

Dimension	Past	The Shift
Delivery unit	T&M, FP and Managed Services	~ Outcomes + agent-hours
Knowledge	Tribal - lives in engineers' heads	Machine-readable via Mphasis Ontosphere™
Talent shape	Wide junior base for margin	Diamond - AI absorbs volume work
Deployment profile	Traditional Supply Chain, Interns, AI infused Engineers	Orchestrators, prompt engineers, domain SMEs
Pod structure	Functional silos with handoffs	Cross-functional: domain lead + orchestrator + agents
Client expectation	Vendor executing outputs	Co-creation partner, risk accountable, owning outcomes
Pricing	T&M / fixed-price per feature	Platform + People driving outcomes
Governance	Human review cycles - reactive	AI-in-the-loop - proactive, predictive, self-healing

Source: Company, BOBCAPS Research

We have an Underweight stance on Indian IT Services

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**) and reiterated our view with updates on 12th March 2025 (**FY26 unlikely to be better than FY25**), 10th July 2025 (**Uncertainty stays and 'eating the tariff' may impact even FY27**) and 12 January 2026 (**A fourth slow year?**).

While both earnings and PE multiples have corrected since 1 Jan 2025, the industry's structural organic revenue growth from here on will be much lower vs ~7% CAGR seen during FY15-FY20; possibly ~3-5% CAGR over FY25-FY30 in constant currency (CC) terms. We also believe that release of advanced AI models will cause significant disruption to the industry rendering the sector to be a 'value trap'. We wrote about this in our 17 February 2026 report (**Existential threat, value trap or Temporary blip**) and through our 6 April 2026 report (**Narrative of FY27 being modestly better, set for its first test**).

Multiple speed breakers drive our Underweight stance

Trump policies raise uncertainty: While tariffs drove uncertainty in 2025, Trump's multiple proposals to address affordability crisis in the US ahead of the mid-terms in Nov'26 will be the key monitorable in 2026 (eg: freezing credit card interest rate at 10%, controlling prices of products and services, cash payments to citizens, buying of US$200bn MBSs, etc.). There will be winners/ losers due to this in USA Inc and that could reflect in the IT spending outcomes.

Higher for longer interest rate environment: Lately, based on inflation prints and fears of a higher fiscal deficit, US 10Y yields have remained firm. There are fears of sustained high interest rates potentially reducing IT outsourcing demand; particularly in BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Gen AI and GCCs are going to disrupt growth: We believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months, as companies self-cannibalize to hold on to their existing clients. Rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to Cloud/SaaS and move it away from the ones with lower bargaining power – global IT Services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players and Cognizant, likely slowing their growth vs FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue has reached US$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

How we are valuing companies: We are using PE methodology, as also TCS, as our industry benchmark. Target PE for TCS is 16.8x, which is the average PE multiple of TCS over the last 10 years less 1.5SD. We have been giving subjective premium/discount to the benchmark target PE to arrive at target PE multiples for the rest of our coverage.

Our target PE multiples are lower than those used by consensus/competitors**.** Through our choice of the benchmark target PE multiple, we seek to capture the mortality and relevance risk that players face in this era of advanced AI models.

Tier- 2 valuation reflects growth gap with Tier-1

Tier-2 set has been taking away market share from the Tier-1 set, due to better execution as well as their smaller size. And, unlike previous cycles, they have performed better than the Tier-1 set, largely on better management teams.

However, current PE premium to Tier-1s is excessive for certain stocks, because to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects that are likely to impact margins adversely.

Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**142,300**	**158,796**	**182,348**	**198,528**	**216,599**
EBITDA	26,471	29,835	33,506	36,610	39,473
Depreciation	4,762	5,554	5,816	6,172	6,429
EBIT	21,709	24,281	27,690	30,437	33,044
Net interest inc./(exp.)	(1,656)	(2,040)	(3,006)	(2,868)	(2,730)
Other inc./(exp.)	2,550	3,206	5,032	5,443	6,024
Exceptional items	0	0	0	0	0
EBT	22,603	25,447	29,716	33,012	36,339
Income taxes	5,579	6,467	7,489	8,320	9,158
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**17,024**	**18,980**	**22,227**	**24,693**	**27,181**
Adjustments	0	0	0	0	0
Adjusted net profit	**17,024**	**18,980**	**22,227**	**24,693**	**27,181**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	0	0	0	0	0
Other current liabilities	31,445	39,998	44,274	48,668	52,970
Provisions	833	2,457	2,720	2,990	3,254
Debt funds	11,159	17,929	17,129	16,329	15,529
Other liabilities	9,346	9,998	9,998	9,998	9,998
Equity capital	1,901	1,908	1,908	1,908	1,908
Reserves & surplus	94,383	105,529	114,420	124,297	135,169
Shareholders' fund	96,284	107,437	116,328	126,205	137,077
Total liab. and equities	**149,067**	**177,819**	**190,449**	**204,190**	**218,828**
Cash and cash eq.	16,126	17,527	22,952	24,683	30,844
Accounts receivables	31,604	44,718	49,499	54,411	59,220
Inventories	0	0	0	0	0
Other current assets	18,192	29,504	32,658	35,900	39,072
Investments	22,082	17,366	17,366	17,366	17,366
Net fixed assets	8,463	9,694	8,499	11,877	11,905
CWIP	2	1	1	1	1
Intangible assets	42,907	47,677	47,677	47,677	47,677
Deferred tax assets, net	3,246	4,348	4,813	5,291	5,758
Other assets	6,445	6,984	6,984	6,984	6,984
Total assets	**149,067**	**177,819**	**190,449**	**204,190**	**218,828**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**21,215**	**12,325**	**27,653**	**30,243**	**32,923**
Capital expenditures	(6,328)	(6,784)	(4,621)	(9,551)	(6,457)
Change in investments	8,428	3,614	(465)	(478)	(468)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**2,100**	**(3,170)**	**(5,086)**	**(10,029)**	**(6,924)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(3,953)	6,877	(800)	(800)	(800)
Interest expenses	(1,656)	(2,040)	(3,006)	(2,868)	(2,730)
Dividends paid	0	0	(13,336)	(14,816)	(16,309)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(5,609)**	**4,837**	**(17,142)**	**(18,483)**	**(19,838)**
Chg in cash & cash eq.	**7,982**	**1,401**	**5,425**	**1,731**	**6,161**
Closing cash & cash eq.	**16,126**	**17,527**	**22,952**	**24,683**	**30,844**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	89.9	97.8	116.6	129.5	142.6
Adjusted EPS	89.3	97.5	116.4	129.3	142.3
Dividend per share	0.0	0.0	70.0	77.7	85.5
Book value per share	507.0	563.5	610.2	662.0	719.0

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.0	2.7	2.3	2.2	2.0
EV/EBITDA	16.0	14.3	12.8	11.8	11.1
Adjusted P/E	25.0	22.9	19.2	17.3	15.7
P/BV	4.4	4.0	3.7	3.4	3.1

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.3	73.2	74.8	74.8	74.8
Interest burden (PBT/EBIT)	104.1	104.8	107.3	108.5	110.0
EBIT margin (EBIT/Revenue)	15.3	15.3	15.2	15.3	15.3
Asset turnover (Rev./Avg TA)	98.0	97.2	99.0	100.6	102.4
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.6
Adjusted ROAE	18.5	18.3	19.9	20.4	20.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.2	11.6	14.8	8.9	9.1
EBITDA	9.3	12.7	12.3	9.3	7.8
Adjusted EPS	8.1	9.2	19.4	11.1	10.1
Profitability & Return ratios (%)					
EBITDA margin	18.6	18.8	18.4	18.4	18.2
EBIT margin	15.3	15.3	15.2	15.3	15.3
Adjusted profit margin	12.0	12.0	12.2	12.4	12.5
Adjusted ROAE	18.5	18.6	19.9	20.4	20.6
ROCE	14.2	14.4	14.9	15.4	15.7
Working capital days (days)					
Receivables	81	103	99	100	100
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	16.8	16.4	21.5	16.7	18.2
Current ratio	2.2	2.3	2.4	2.4	2.4
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	(0.1)	0.0	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

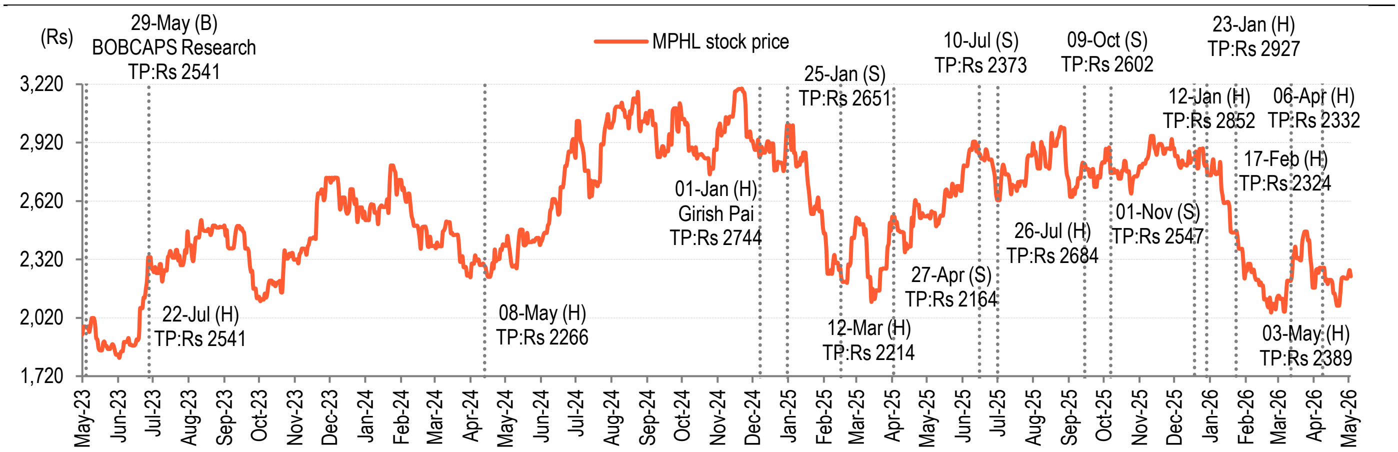
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): MPHASIS (MPHL IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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