HOLD

TP: Rs 2,195 | ⋎ 4%

MPHASIS | IT Services | 26 July 2026

Steady 1QFY27; Performance of Tria a key monitorable

- **FY27 Targets reiterated - revenue growth of high single digit and low double digit in CC Terms and 14.75-15.75% EBIT margin**
- **1QFY27 revenue in line, margin lower. Tria AI platform uptake a key monitorable. Conservative M&A strategy a key positive within Tier-2**
- **We up estimates a tad and raise TP. Keep Target Multiple at 16.2x (15% premium to benchmark) and maintain HOLD rating**

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1QFY27 revenue in line at 2.1% QoQ in CC terms, margin lower than estimate by 50bps: Growth was driven by TMT vertical which grew 15.5% QoQ. EBIT margin miss was due to lower utilization due in preparation for execution in the rest of FY27 and investment in the TAP acquisition. BFS delivered 3.5%+ CQGR over eight qrtrs.

Tria – its AI platform is in its early stage: MPHL says it has had a stronger start than expected. Usage of Tria (see Trying to drive enterprise AI uptake) could help it win large consolidation deals. We need to see if this takes on the same traction as SASVA platform of Persistent System which has been, in our view, a significant market share expansion catalyst.

Mphasis has been a conservative on M&A thus far: This has been unlike the large acquisition made by PSYS of Nagarro or large and expensive acquisition by COFORGE of Encora. Its strategy has been to take up customer contracts from tail vendors of customers at ~1.2x revenue. In 1QFY27 it signed a definitive agreement to acquire a customer contract from Red Oak Tech, Inc. for up to US$28mn. Red Oak business will be added likely starting from August 2026.

High client and vertical concentration raise risks to growth: Client/vertical concentration risks (top client at 13%, top 10 at 56% and BFSI at 68% in 1QFY27) remain high and in the current hyper competitive environment where the predominant theme is vendor consolidation, we can't be sure that there will be no negative surprises (like in the case of Fedex, possibly a top 5 client, which shifted to Accenture and impacted growth). Many of its top clients (who have been long standing) have multi-vendor relationships.

Mphasis in the middle of the peer set growth bucket with reasonable valuations: In FY27/FY28 we believe it will fall in the high single digit organic growth bucket among Tier-2 IT services set (with PSYS and COFORGE in the >15% bucket and Zensar and Birlasoft in the <5% bucket). Current valuations broadly reflect that. Hence a HOLD. We attribute a 15% premium to the valuation benchmark (inside find our industry view and valuation methodology).

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	MPHL IN/Rs 2,288
Market cap	US$ 4.6bn
Free float	69%
3M ADV	US$ 14.3mn
52wk high/low	Rs 3,037/Rs 2,013
Promoter/FPI/DII	31%/20%/45%

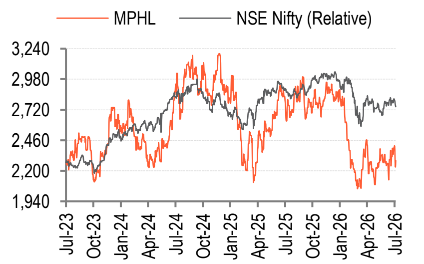
Source: NSE | Price as of 24 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	158,796	185,174	202,960
EBITDA (Rs mn)	29,835	33,721	37,141
Adj. net profit (Rs mn)	18,980	22,390	25,272
Adj. EPS (Rs)	97.5	117.1	132.2
Consensus EPS (Rs)	97.5	113.4	126.4
Adj. ROAE (%)	18.6	19.9	20.6
Adj. P/E (x)	23.5	19.5	17.3
EV/EBITDA (x)	14.7	12.8	11.6
Adj. EPS growth (%)	9.2	20.2	12.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Key Points from the quarter and the earnings call

- Revenue stood at US$471mn, up 2.1% QoQ (broadly in line with our estimate of 2%) and 8.3% YoY in CC terms
  - Direct revenue reached US$465mn, growing 2.2% QoQ and 9.9% YoY in CC terms
- Revenue growth in CC terms:
  - By geography: Americas: 3.8% QoQ and 10.1% YoY, remained the primary growth engine; EMEA: declined 15.4% QoQ and grew 0.9% YoY. EMEA performance was impacted by revenue shifting to other geographies under a globally structured deal, while underlying business remained healthy; Rest of World grew 5.5% QoQ (driven by the GCC ecosystem) and declined 2.8% YoY
  - By Segment: Banking and Financial Services: 0.7% QoQ and 9.5% YoY; Insurance: declined 3.1% QoQ and grew 17.6% YoY; TMT: grew 15.5% QoQ and 9% YoY, as recent deal wins ramped up; Logistics & Transportation declined 15.7% QoQ and 21.9% YoY; Others' vertical grew 5.2% QoQ and 11.4% YoY
  - BFS remains structurally stable while Insurance and TMT are expected to remain key growth drivers through the rest of FY27
  - By Service Type: Application Services: 0.8% QoQ and 11% YoY; Business Process Services: 12.7% QoQ and 14% YoY; Infrastructure Services: declined 3.4% QoQ and 16.1% YoY
- Reduction in one client from the US$150 mn+ band reflected normal TTM ranking movement (as the account moved marginally below the threshold) rather than deterioration in account health
- 1QFY27 EBIT margin stood at 14.8% (against our estimate of 15.3%), declining 60 bps QoQ due to new deal ramp-up costs and TAP acquisition costs
  - TAP acquisition impacted 1Q EBIT margin by about 35 bps. Around two-thirds of the TAP acquisition consideration is structured as earnout, with the earnout flowing through the P&L rather than purchase accounting over the next couple of years
  - Lower utilization in 1Q, driven by investments ahead of expected growth, was another key margin headwind. Utilization headwinds are expected to reverse over the course of FY27
  - Margins expected to remain within the guided FY27 range while continuing growth investments
- Platform investments will continue with visibility on returns, while deal ramp-up costs are viewed as a leading indicator for future revenue growth supporting the 2Q outlook
- Guidance:
  - Maintained FY27 CC revenue growth guidance of high single digit to low double digit
  - Maintained FY27 EBIT margin guidance of 14.75%-15.75%
  - Operating cash flow conversion expected at 80% of net income through FY27
- 2QFY27 is expected to deliver the strongest sequential CC growth in three years, supported by strong pipeline momentum and deal conversion

  - Entered 2Q with the highest pipeline in company history and strongest short-cycle deal activity in several quarters
- Pipeline has expanded to 2.8x since launch of Mphasis AI and reached an all-time high at the end of 1Q
- AI-led deals increased from 12% to 70% of pipeline where they are now stabilizing
- 1Q net new TCV stood at US$461 mn, growing 13% QoQ and a decline of 39% YoY
- Total pipeline grew 8% QoQ and 28% YoY; Non-BFS pipeline grew 18% QoQ; Large deal pipeline above US$20 mn grew 10% QoQ
- TTM TCV exceeded US$1.8 bn
  - AI-led deals accounted for 63% of 1Q TCV wins
  - TCV-to-revenue conversion remained steady
- DSO stood at 95 days, with improvement expected through the remainder of FY27
- AI conversations have shifted from experimentation to accountability.
- Market gap lies in governed execution rather than AI capability
- ARR and managed services opportunities are being bundled together in TRIA deals, supporting the shift from point-in-time project revenue to recurring platform-led revenue through greater reusability within each client relationship
- TRIA is influencing large deal evaluations by demonstrating governed, measurable outcomes rather than capability alone
- TRIA is driving new addressable penetration at existing clients by opening use cases and budget pools that were not accessible under the previous services-led model, with the attach-rate dynamic beginning to emerge
- FY26 investments in TRIA, platform operating model and TAP acquisition are converting, while deals won over previous quarters are ramping up
- Management said that FY27 is expected to be the year that the platform first thesis begins to show up in growth trajectory, not just in pipeline metrics
- Macro environment remains complex with uncertainty around interest rates, geopolitics and AI disruption, creating client caution on committing to programs
- Enterprise AI conversations have shifted from model selection, tools, productivity and experimentation to measurable ROI and business outcomes. Clients are evaluating how to deploy AI at scale to deliver measurable business outcomes rather than AI capability alone
- All enterprise deals are expected to have an AI-led solution, but clients are concerned about technology obsolescence given the rapid pace of frontier model launches
- Traditional long-term annuity run deals are more susceptible to AI-led productivity disruption and client pass backs

- 1Q margin impact reflected lower utilization due to capacity ramp-up for expected 2Q growth and TAP acquisition costs rather than pricing-led market share gains
- Platform adoption and higher attach rates over the next two to three quarters provide an opportunity for gross margin expansion
- Client purchasing models are expected to evolve beyond input or capacity-based pricing towards outcome-oriented pricing where applicable
- Logistics continues to face macro and geopolitical headwinds
- Red Oak contribution is included in the outlook, but transaction closure and work commencement are expected only towards end-August, limiting the 2Q impact to less than a full quarter. Red Oak transaction is not large enough to materially change the guided growth range
- Large enterprises are unlikely to adopt any single frontier model natively and instead prefer the flexibility to switch between models. Model flexibility is driven by cost optimization and the risk of rapid model obsolescence
- Model selection is expected to commoditize over time, reducing the importance of individual frontier models
- Larger opportunities lie in helping enterprises build AI stacks that can continuously incorporate new developments over the next two to three years
- If the rupee remains around current levels (~95), hedge losses are expected to trend down. Improvement in hedge losses will take a couple of quarters to meaningfully reflect in operating margins and will not disappear immediately
- Insurance margins were impacted by ramp-up for a transformation program, with normalization expected over the next two quarters
- Lower TCV-to-revenue correlation reflects a higher mix of short-duration, early deployment-led deals that are consumed within the same quarter or over the next two quarters. Short-duration deals reduce the reported TCV-to-revenue correlation irrespective of deal size
- Forward Deployment teams comprise elite engineers responsible for deploying the platform
    - Early engagements will require customer-facing onsite presence, though not necessarily fully onsite
    - FD teams are typically small, comprising three to five engineers or fewer depending on engagement size
    - Primary role is to deliver proof of value and then hand it over to scale delivery for additional execution
    - FD teams command high billing rates
    - FD model acts as a starter engagement that enables larger-scale platform-led delivery and managed services expansion
- Competitive intensity in traditional deals has increased and is expected to become even more intense

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 ~2-3% CAGR over FY25-FY30 in constant currency (CC) terms.

We believe the 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**).and the 9 July 2026 one (**'Show me the growth' phase will keep valuations compressed**)

Multiple speed breakers drive our Underweight stance

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 12-24 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 FY26, Tier-1 revenue has reached US$ 85bn, double that in FY15 (6.5% CAGR). Due to the higher base now, growth may not be as rapid. In AI reinvention services we see a new set of competitors come in the forms of AI deployment companies from Anthropic, Open AI, Microsoft, Google etc. While professional services companies of software players did not make much of an impact in the past, we believe the situation could be different this time. With the requirement of a large army of offshore bodies being taken away by AI models, we believe players with high technical skills and deep domain and workflow expertise will become competitors. We will have several players from other industries as well senior management personnel from current incumbents to step out and startup companies and compete with the incumbents.

How we are valuing companies: We are using PE methodology. However, we are moving away from the earlier stance that we had taken of using TCS as our industry benchmark and using 16.8x (average PE multiple of TCS over the last 10 years less 1.5SD) as the Target PE multiple. We have been giving subjective premium/discount to this benchmark target PE to arrive at target PE multiples for the rest of our coverage

Considering the underperformance of TCS in terms of growth in FY26 and the likelihood of that repeating in the foreseeable future we have decided to shift from using TCS as the benchmark and move to Tier-1 PE multiple based valuation. That too using the valuation seen in the FY15-FY20 timeframe when the Tier-1 USD revenue CAGR was ~7% in organic terms. Our analysis indicates that Tier-1 (consisting of TCS, Infosys, HCLT, Wipro and Tech Mahindra) were collectively trading at mean multiple of 17.6x forward EPS with an SD of 1.7. We are using 14.1x as the benchmark multiple for the basis of valuation which is mean multiple of Tier-1 companies during this period less 2SD. We have been giving subjective premium/discount to this 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.

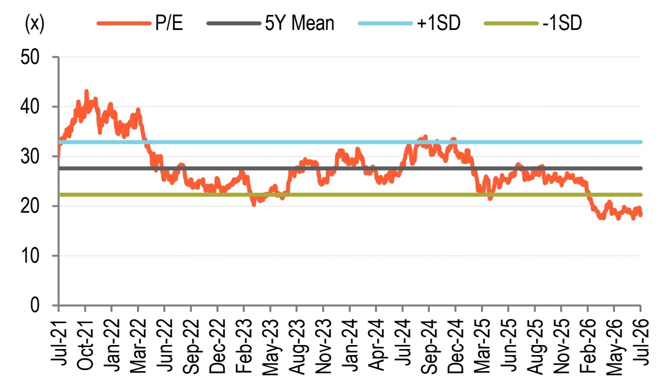
Also, some of the Tier-2s have been underperforming on the growth front, being discretionary project-oriented businesses struggling to pivot to a cost-take-out-driven demand environment.

Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	1QFY26	4QFY26	1QFY27	YoY(%)	QoQ (%)	1QFY27E	Dev(%)
USD Revenue (US$mn)	**437**	**463**	**471**	**7.7**	**1.8**	**471**	**0.1**
Net sales	**37,324**	**42,427**	**43,841**	**17.5**	**3.3**	**44,595**	**(1.7)**
Direct Costs	26,548	30,421	32,047	20.7	5.3	31,954	0.3
% of sales	71.1	71.7	73.1			71.7	
Gross Profit	10,776	12,006	11,794	9.4	(1.8)	12,641	(6.7)
% of sales	28.9	28.3	26.9			28.3	
Selling expenses	2,829	3,263	3,304	16.8	1.3	3,462	(4.6)
% of sales	7.6	7.7	7.5			7.8	
G&A expenses	2,238	2,218	2,009	(10.2)	(9.4)	2,353	(14.6)
% of sales	6.0	5.2	4.6		(12.3)	5.3	
Provision for doubtful debts	0	0	0			0	
EBIT	**5,709**	**6,525**	**6,481**	**13.5**	**(0.7)**	**6,826**	**(5.1)**
% of sales	**15.3**	**15.4**	**14.8**			**15.3**	
Other Income	392	288	347	(11.5)	20.5	318	9.2
PBT	6,101	6,813	6,828	11.9	0.2	7,144	(4.4)
Exceptional item	0	0	0			0	
Provision for tax	1,684	1,717	1,933	14.8	12.6	1,800	7.4
Effective tax rate (%)	27.6	25.2	28.3			25.2	12.3
PAT (reported)	**4,417**	**5,096**	**4,895**	**10.8**	**(3.9)**	**5,343**	**(8.4)**
Margin (%)	**11.8**	**12.0**	**11.2**			**12.0**	

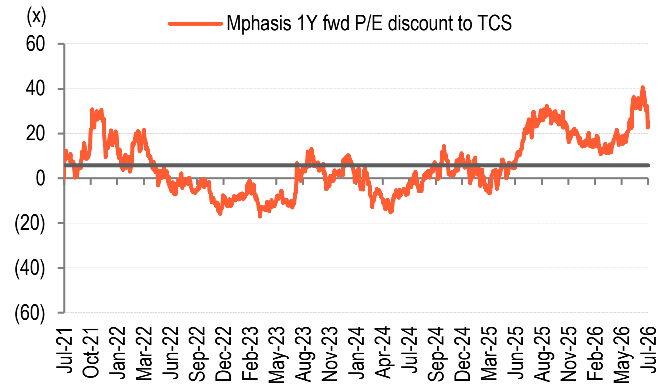
Source: Company, BOBCAPS Research

Fig 2 – 5 Year PE trend



Source: Bloomberg, BOBCAPS Research

Fig 3 – Premium/ Discount to TCS



Source: Bloomberg, BOBCAPS Research

Fig 4 – Revised Estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
INR/USD	95.2	96.2	97.2	95.1	96.1	97.1	0.1	0.1	0.1
USD Revenue (in mn)	1,954	2,110	2,278	1,938	2,088	2,255	0.8	1.0	1.0
USD Revenue Growth (%)	8.8	8.0	8.0	7.9	7.7	8.0			
Revenue (Rs mn)	185,174	202,960	221,402	184,309	200,637	218,871	0.5	1.2	1.2
EBIT (Rs mn)	28,015	31,168	33,862	27,840	30,506	33,262	0.6	2.2	1.8
EBIT Margin (%)	15.1	15.4	15.3	15.1	15.2	15.2			
PAT (Rs mn)	22,390	25,272	27,667	22,280	24,710	27,309	0.5	2.3	1.3
FDEPS (Rs)	117.1	132.2	144.8	116.6	129.4	143.0	0.4	2.2	1.2

Source: BOBCAPS Research

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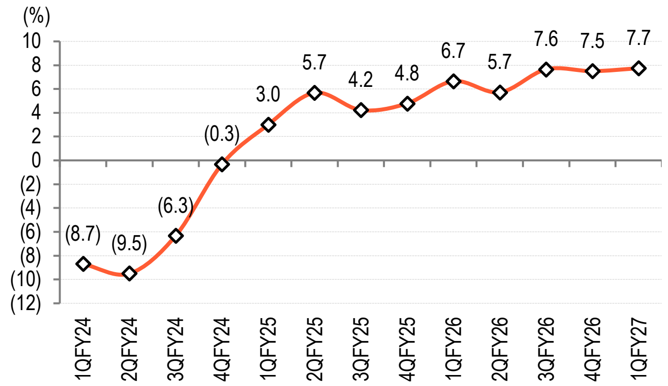
Fig 5 – P&L at a glance

(YE March)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Average exchange rate (INR/USD)	65.8	68.0	64.5	69.9	71.2	74.1	74.5	80.6	82.8	84.6	89.1	95.2	96.2	97.2
Net Sales (USD mn)	**926**	**894**	**989**	**1,119**	**1,239**	**1,308**	**1,593**	**1,718**	**1,609**	**1,681**	**1,796**	**1,954**	**2,110**	**2,278**
Growth (%)	**(1.9)**	**(3.5)**	**10.7**	**13.1**	**10.8**	**5.6**	**21.7**	**7.8**	**(6.3)**	**4.4**	**6.9**	**8.8**	**8.0**	**8.0**
Net Sales (Rs mn)	60,879	60,763	65,459	77,311	88,436	97,222	119,615	137,985	132,785	142,300	158,796	185,174	202,960	221,402
-Growth (%)	5.1	(0.2)	7.7	18.1	14.4	9.9	23.0	15.4	(3.8)	7.2	11.6	16.6	9.6	9.1
Direct Costs	45,362	44,118	47,892	56,407	63,503	69,610	86,829	100,475	95,950	101,522	113,756	133,886	147,226	160,979
Gross Profit	15,517	16,645	17,567	20,904	24,933	27,612	32,786	37,510	36,835	40,778	45,040	51,288	55,733	60,423
% of sales	25.5	27.4	26.8	27.0	28.2	28.4	27.4	27.2	27.7	28.7	28.4	27.7	27.5	27.3
Selling expenses	3,951	4,195	4,238	4,800	5,820	6,851	7,196	8,635	9,260	10,652	11,954	14,473	14,776	16,674
% of sales	6.5	6.9	6.5	6.2	6.6	7.0	6.0	6.3	7.0	7.5	7.5	7.8	7.3	7.5
G&A expenses	3,314	3,419	3,445	3,603	4,923	5,152	7,320	7,788	7,461	8,417	8,805	8,800	9,789	9,886
% of sales	5.4	5.6	5.3	4.7	5.6	5.3	6.1	5.6	5.6	5.9	5.5	4.8	4.8	4.5
Provision for doubtful debts	26.0	1.0	(33.0)	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**8,226**	**9,030**	**9,917**	**12,481**	**14,190**	**15,609**	**18,270**	**21,087**	**20,114**	**21,709**	**24,281**	**28,015**	**31,168**	**33,862**
% of sales	**13.5**	**14.9**	**15.1**	**16.1**	**16.0**	**16.1**	**15.3**	**15.3**	**15.1**	**15.3**	**15.3**	**15.1**	**15.4**	**15.3**
Other income	1,954	2,385	1,620	1,747	1,780	1,330	1,605	1,617	2,178	2,550	3,206	3,896	4,136	4,536
Financial Expenses	(242)	(139)	(130)	(155)	(813)	(634)	(744)	(973)	(1,608)	(1,656)	(2,040)	(1,910)	(1,832)	(1,753)
PBT	9,938	11,276	11,407	14,073	15,157	16,305	19,132	21,731	20,684	22,603	25,447	30,001	33,473	36,646
-PBT margin (%)	16.3	18.6	17.4	18.2	17.1	16.8	16.0	15.7	15.6	15.9	16.0	16.2	16.5	16.6
Exceptional Item	(548)	(152)	(131)	0	0	0	0	0	0	0	0	0	0	0
Provision for tax	2,696	3,076	2,900	3,339	3,306	4,139	4,821	5,351	5,135	5,579	6,467	7,610	8,201	8,978
Effective tax rate (%)	27.1	27.3	25.4	23.7	21.8	25.4	25.2	24.6	24.8	24.7	25.4	25.4	24.5	24.5
Net profit	**6,694**	**8,048**	**8,376**	**10,734**	**11,851**	**12,166**	**14,311**	**16,380**	**15,549**	**17,024**	**18,980**	**22,390**	**25,272**	**27,667**
-Growth (%)	**(0.8)**	**20.2**	**4.1**	**28.2**	**10.4**	**2.7**	**17.6**	**14.5**	**(5.1)**	**9.5**	**9.4**	**20.2**	**12.9**	**9.5**
-Net profit margin (%)	**11.0**	**13.2**	**12.8**	**13.9**	**13.4**	**12.5**	**12.0**	**11.9**	**11.7**	**12.0**	**12.0**	**12.1**	**12.5**	**12.5**

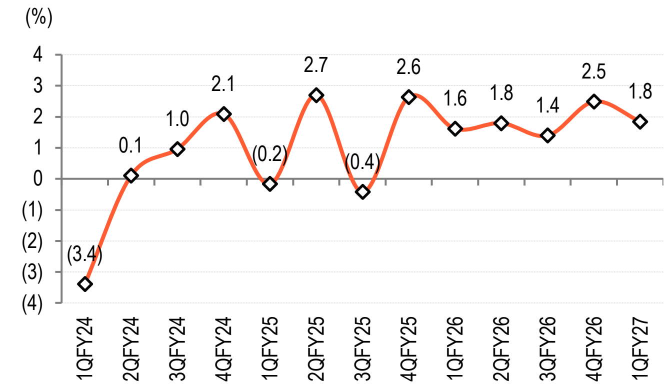
Source: Company, BOBCAPS Research

Fig 6 – USD Revenue YoY Growth



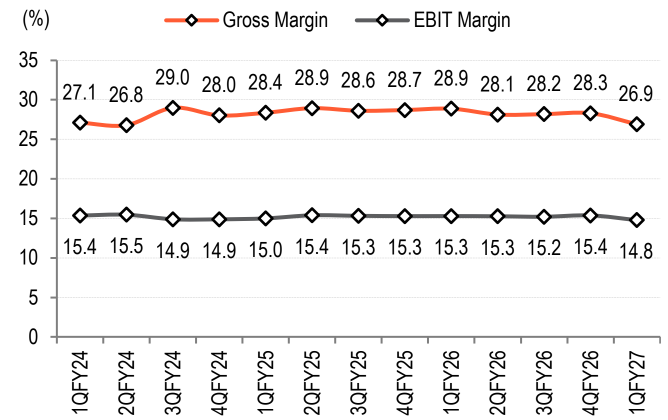
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue QoQ growth



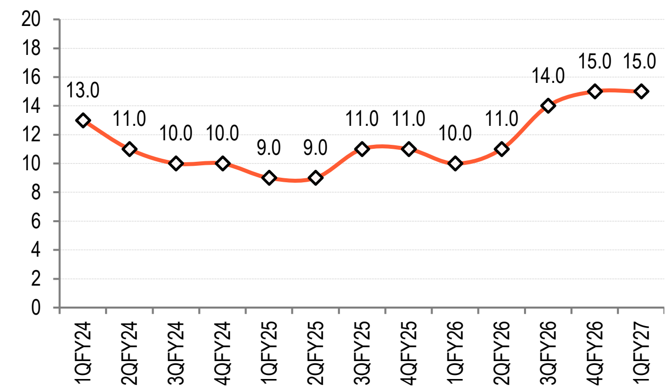
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin



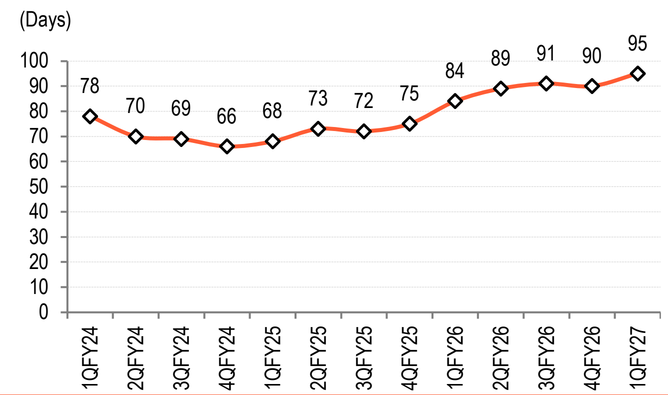
Source: Company, BOBCAPS Research

Fig 9 – Number of clients contributing US$20mn revenues



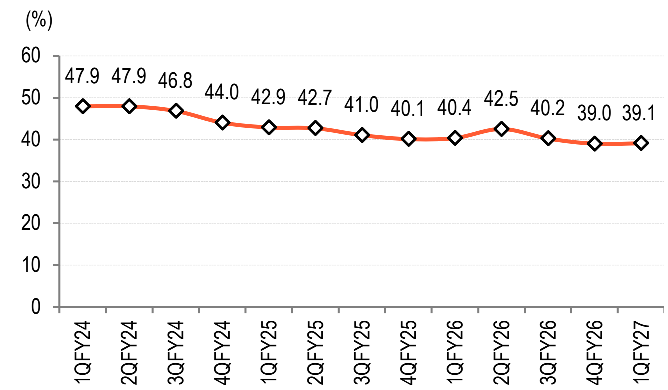
Source: Company, BOBCAPS Research

Fig 10 – DSO trend – OCF is under pressure



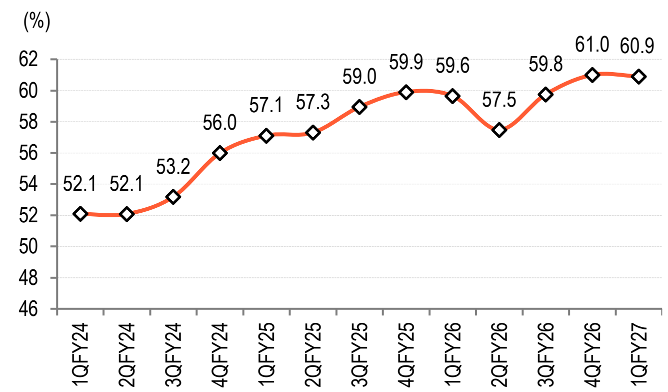
Source: Company, BOBCAPS Research

Fig 11 – Offshore revenue contribution



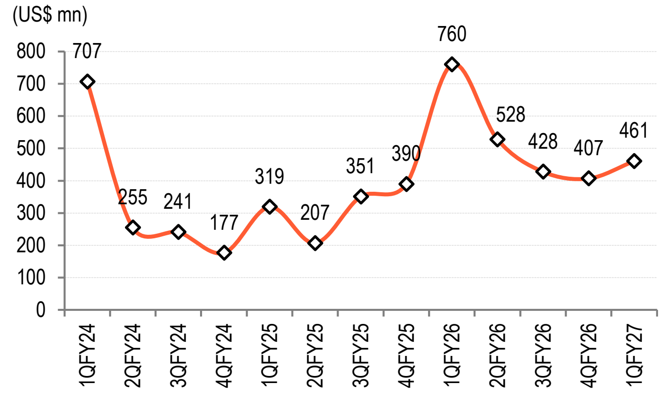
Source: Company, BOBCAPS Research

Fig 12 – Onsite revenue contribution



Source: Company, BOBCAPS Research

Fig 13 – Order Inflow TCV (US$mn)



Source: Company, BOBCAPS Research

Fig 14 – Quarterly Snapshot

Year to 31 March	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Rs Million													
INR/USD	82.2	82.7	83.3	83.2	83.4	83.8	84.8	86.4	85.4	88.3	89.5	93.1	94.8
USD Revenue (USD mn)	398	398	402	411	410	421	419	430	437	445	451	463	471
INR Revenue	32520	32765	33379	34121	34225	35362	35613	37100	37324	39019	40026	42427	43841
Gross Margin	8817	8781	9674	9563	9706	10234	10189	10649	10776	10977	11281	12006	11794
SGA	3822	3714	4703	4482	4571	4790	4731	4977	5067	5018	5193	5481	5313
EBIT	4995	5067	4971	5081	5135	5444	5458	5672	5709	5959	6088	6525	6481
Other income	504	490	542	642	736	587	627	600	810	727	608	1061	832
PBT	5258	5217	4985	5224	5373	5626	5693	5911	6101	6248	6285	6813	6828
Tax	1297	1297	1250	1291	1328	1392	1413	1446	1684	1557	1509	1717	1933
PAT	3961	3920	3735	3933	4045	4234	4280	4465	4417	4691	4421	5096	4895
EPS	21.0	20.8	19.8	20.9	21.4	22.4	22.6	23.5	23.2	24.7	23.2	26.7	25.7
YoY Growth (%)													
USD Revenue	(8.7)	(9.5)	(6.3)	(0.3)	3.0	5.7	4.2	4.8	6.7	5.7	7.6	7.5	7.7
INR Revenue	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7	8.7	9.1	10.3	12.4	14.4	17.5
Gross Profit	(8.2)	(5.8)	3.3	3.7	10.1	16.5	5.3	11.4	11.0	7.3	10.7	12.7	9.4
EBIT	(4.0)	(5.8)	(7.1)	(1.4)	2.8	7.4	9.8	11.6	11.2	9.5	11.5	15.0	13.5
Net Profit	(1.5)	(6.3)	(9.4)	(3.0)	2.1	8.0	14.6	13.5	9.2	10.8	3.3	14.1	10.8
QoQ growth (%)													
USD Revenue	(3.4)	0.1	1.0	2.1	(0.2)	2.7	(0.4)	2.6	1.6	1.8	1.4	2.5	1.8
INR Revenue	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7	4.2	0.6	4.5	2.6	6.0	3.3
EBIT	(3.0)	1.4	(1.9)	2.2	1.1	6.0	0.3	3.9	0.7	4.4	2.2	7.2	(0.7)
Net Profit	(2.3)	(1.0)	(4.7)	5.3	2.9	4.7	1.1	4.3	(1.1)	6.2	(5.8)	15.3	(3.9)
Margins (%)													
Gross Margin	27.1	26.8	29.0	28.0	28.4	28.9	28.6	28.7	28.9	28.1	28.2	28.3	26.9
EBIT margin	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.3	15.3	15.3	15.2	15.4	14.8
PAT	12.2	12.0	11.2	11.5	11.8	12.0	12.0	12.0	11.8	12.0	11.0	12.0	11.2
SGA	11.8	11.3	14.1	13.1	13.4	13.5	13.3	13.4	13.6	12.9	13.0	12.9	12.1

Source: Company, BOBCAPS Research

Fig 15 – Segmental Information

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Segment Revenue													
Banking and Financial Services	16,121	15,542	15,684	16,076	16,302	16,892	17,306	18,590	19,679	20,161	20,912	23,033	23,548
Insurance	3,443	3,544	3,813	3,770	3,873	3,964	4,153	4,238	5,105	5,508	6,040	6,791	6,659
Technology Media and Telecom	4,927	5,703	5,219	5,449	5,490	5,820	6,030	6,600	6,757	7,622	7,423	6,894	8,124
Logistics & Transportation	4,630	4,407	4,581	4,668	4,684	4,637	4,336	4,060	2,171	2,184	2,183	2,182	1,879
Others	3,598	3,768	4,209	4,187	3,861	3,973	3,740	3,687	3,629	3,841	3,817	4,169	4,463
Total Revenues	32,719	32,964	33,506	34,150	34,210	35,286	35,565	37,175	37,341	39,316	40,375	43,068	44,673
QoQ Revenue Growth %													
Banking and Financial Services	(8.9)	(3.6)	0.9	2.5	1.4	3.6	2.5	7.4	5.9	2.4	3.7	10.1	2.2
Insurance	3.4	2.9	7.6	(1.1)	2.7	2.3	4.8	2.0	20.5	7.9	9.7	12.4	(1.9)
Technology Media and Telecom	3.8	15.7	(8.5)	4.4	0.8	6.0	3.6	9.5	2.4	12.8	(2.6)	(7.1)	17.8
Logistics & Transportation	(1.0)	(4.8)	3.9	1.9	0.3	(1.0)	(6.5)	(6.4)	(46.5)	0.6	(0.0)	(0.1)	(13.9)
Others	4.2	4.7	11.7	(0.5)	(7.8)	2.9	(5.9)	(1.4)	(1.6)	5.8	(0.6)	9.2	7.1
YoY Revenue Growth %													
Banking and Financial Services				(9.1)	1.1	8.7	10.3	15.6	20.7	19.4	20.8	23.9	19.7
Insurance				13.2	12.5	11.9	8.9	12.4	31.8	39.0	45.4	60.2	30.4
Technology Media and Telecom				14.8	11.4	2.1	15.5	21.1	23.1	31.0	23.1	4.5	20.2
Logistics & Transportation				(0.1)	1.2	5.2	(5.3)	(13.0)	(53.7)	(52.9)	(49.7)	(46.3)	(13.4)
Others				21.3	7.3	5.4	(11.1)	(11.9)	(6.0)	(3.3)	2.1	13.1	23.0
Segment Profit													
Banking and Financial Services	4,211	3,458	4,361	4,275	4,223	4,544	4,693	5,433	6,309	6,277	6,453	7,852	7,601
Insurance	917	692	1,299	1,147	1,324	1,267	1,285	1,275	1,783	1,787	1,770	1,857	857
Technology Media and Telecom	1,127	2,226	1,195	1,206	1,356	1,538	1,304	1,367	1,305	1,900	1,779	1,169	2,112
Logistics & Transportation	1,411	1,269	1,535	1,543	1,512	1,489	1,602	1,505	126	(116)	321	341	253
Others	1,351	1,334	1,412	1,421	1,275	1,318	1,256	1,144	1,271	1,426	1,308	1,428	1,803
Total Segment Profit	9,017	8,979	9,802	9,592	9,690	10,156	10,140	10,724	10,794	11,274	11,631	12,648	12,626
Gross Margin %													
Banking and Financial Services	26.1	22.2	27.8	26.6	25.9	26.9	27.1	29.2	32.1	31.1	30.9	34.1	32.3
Insurance	26.6	19.5	34.1	30.4	34.2	32.0	30.9	30.1	34.9	32.4	29.3	27.3	12.9
Technology Media and Telecom	22.9	39.0	22.9	22.1	24.7	26.4	21.6	20.7	19.3	24.9	24.0	17.0	26.0
Logistics & Transportation	30.5	28.8	33.5	33.1	32.3	32.1	36.9	37.1	5.8	(5.3)	14.7	15.6	13.5
Others	37.5	35.4	33.5	33.9	33.0	33.2	33.6	31.0	35.0	37.1	34.3	34.3	40.4
Total	27.6	27.2	29.3	28.1	28.3	28.8	28.5	28.8	28.9	28.7	28.8	29.4	28.3

Source: Company, BOBCAPS Research

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Fig 16 – Key Metrics

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
P and L (Rsmn)													
Revenues	32,719	32,964	33,507	34,150	34,208	35,286	35,565	37,174	37,341	39,316	40,375	43,068	44,674
EBITDA	5,869	5,956	6,006	6,389	6,185	6,480	6,781	7,025	7,028	7,236	7,518	8,053	7,952
PAT	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465	4,417	4,691	4,421	5,096	4,895
Vertical/Industry (%)													
BFS	49	47	47	47	48	48	49	50	53	51	52	53	53
Insurance	11	11	11	11	11	11	12	11	14	14	15	16	15
IT, C and E	15	17	16	16	16	16	17	18	18	19	18	16	18
Emerging Ind.	25	25	26	26	25	24	23	21	16	15	15	15	14
Absolute Numbers													
BFS	16,121	15,542	15,684	16,076	16,302	16,892	17,306	18,590	19,679	20,161	20,912	23,033	23,548
Insurance	3,443	3,544	3,813	3,770	3,873	3,964	4,153	4,238	5,105	5,508	6,040	6,791	6,659
IT, C and E	4,927	5,703	5,219	5,449	5,490	5,820	6,030	6,600	6,757	7,622	7,423	6,894	8,124
Emerging Ind.	8,228	8,175	8,790	8,855	8,545	8,610	8,076	7,747	5,800	6,025	6,000	6,350	6,342
Total	32,719	32,964	33,506	34,150	34,210	35,286	35,565	37,175	37,341	39,316	40,375	43,068	44,673
QoQ Growth (%)													
BFS	(10)	(4)	1	2	1	4	2	7	6	2	4	10	2
Insurance	33	3	8	(1)	3	2	5	2	20	8	10	12	(2)
IT, C and E	15	16	(8)	4	1	6	4	9	2	13	(3)	(7)	18
Emerging Ind.	(9)	(1)	8	1	(4)	1	(6)	(4)	(25)	4	0	6	0
Total	(3)	1	2	2	0	3	1	5	0	5	3	7	4
YoY Growth (%)													
BFS	(11)	(19)	(17)	(11)	1	9	10	16	21	19	21	24	20
Insurance	15	21	31	46	12	12	9	12	32	39	45	60	30
IT, C and E	9	25	14	27	11	2	16	21	23	31	23	4	20
Emerging Ind.	(1)	(5)	(1)	(2)	4	5	(8)	(13)	(32)	(30)	(26)	(18)	9
Total	(4)	(7)	(5)	1	5	7	6	9	9	11	14	16	20
Geography-wise Revenue Breakdown (%)													
USA	81	79	80	81	81	81	82	82	83	84	83	84	85
Europe	10	12	12	11	11	11	10	10	9	9	9	10	8
Others	9	9	8	8	8	8	8	8	8	7	7	7	7
Delivery Location (INR Millions)													
Onsite (%)	52	52	53	56	57	57	59	60	60	57	60	61	61
Offshore (%)	48	48	47	44	43	43	41	40	40	43	40	39	39
Project Type (%)													
Time and Material	58	58	58	58	60	60	58	55	49	49	47	45	47
Fixed Price	42	42	42	42	40	40	42	45	51	51	53	46	44
Transaction Based												9	9
Client concentration (%)													
Top client	13	16	15	14	14	15	15	14	13	12	12	13	13
Top 5 clients	43	47	46	44	44	43	43	42	40	39	40	41	40
Top 10 clients	58	58	55	54	53	53	53	54	54	55	55	56	56
Non-Top 10 Clients	42	42	45	46	47	47	47	46	46	45	45	44	44

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Clients Contributing:													
$ 200mn revenues	1	1	1	1	1	1	1	1	1	1	1	1	1
$ 150mn revenues	3	3	3	3	3	2	2	2	1	1	1	2	1
$ 100mn revenues	3	3	3	3	3	3	3	3	4	4	4	4	4
$ 75mn revenues	5	4	4	4	4	4	5	5	6	6	6	6	6
$ 50mn revenues	6	6	5	5	5	5	5	5	7	7	8	7	7
$ 20mn+ clients	13	11	10	10	9	9	11	11	10	11	14	15	15
$ 10mn+ clients	27	26	29	29	30	27	29	29	31	30	28	29	30
$ 5mn+ clients	47	46	46	47	48	51	47	50	50	50	51	52	52
$ 1mn+ clients	113	115	134	135	135	140	140	139	137	136	131	127	133
(USDmn)													
Revenues	398	398	402	411	410	421	419	430	437	445	451	463	471
EBITDA	71	72	72	77	74	77	80	81	82	82	84	86	84
PAT	48	47	45	47	48	51	50	52	52	53	49	55	52
Productivity metrics													
Per capita (annualised)													
Revenues	56,284	57,609	57,208	60,590	61,389	63,372	64,157	65,336	66,639	67,346	67,056	68,483	67,830
EBITDA	10,096	10,409	10,255	11,335	11,100	11,638	12,233	12,347	12,542	12,395	12,486	12,805	12,074
PAT	6,814	6,851	6,377	6,977	7,259	7,604	7,721	7,848	7,883	8,035	7,343	8,103	7,432
Total contract value signed(US$ mn)	707	255	241	177	319	207	351	390	760	528	428	407	461
Total headcount	33,961	33,771	33,992	32,664	31,645	31,601	31,194	31,442	31,063	30,809	31,272	31,179	32,097
Net addition	(81)	(190)	221	(1,328)	(1,019)	(44)	(407)	248	(379)	(254)	463	(93)	918

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**142,300**	**158,796**	**185,174**	**202,960**	**221,402**
EBITDA	26,471	29,835	33,721	37,141	40,021
Depreciation	4,762	5,554	5,706	5,973	6,159
EBIT	21,709	24,281	28,015	31,168	33,862
Net interest inc./(exp.)	(1,656)	(2,040)	(1,910)	(1,832)	(1,753)
Other inc./(exp.)	2,550	3,206	3,896	4,136	4,536
Exceptional items	0	0	0	0	0
EBT	22,603	25,447	30,001	33,473	36,646
Income taxes	5,579	6,467	7,610	8,201	8,978
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**17,024**	**18,980**	**22,390**	**25,272**	**27,667**
Adjustments	0	0	0	0	0
Adjusted net profit	**17,024**	**18,980**	**22,390**	**25,272**	**27,667**

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	41,519	45,633	49,660
Provisions	833	2,457	1,840	2,022	2,201
Debt funds	11,159	17,929	19,095	18,295	17,495
Other liabilities	9,346	9,998	10,008	10,008	10,008
Equity capital	1,901	1,908	1,909	1,909	1,909
Reserves & surplus	94,383	105,529	115,540	125,649	136,716
Shareholders' fund	96,284	107,437	117,449	127,558	138,625
Total liab. and equities	**149,067**	**177,819**	**189,911**	**203,516**	**217,987**
Cash and cash eq.	16,126	17,527	11,961	13,794	19,345
Accounts receivables	31,604	44,718	49,231	54,109	58,883
Inventories	0	0	0	0	0
Other current assets	18,192	29,504	34,340	37,743	41,073
Investments	22,082	17,366	23,832	23,832	23,832
Net fixed assets	8,463	9,694	11,494	14,573	14,986
CWIP	2	1	15	15	15
Intangible assets	42,907	47,677	47,856	47,856	47,856
Deferred tax assets, net	3,246	4,348	4,162	4,574	4,978
Other assets	6,445	6,984	7,019	7,019	7,019
Total assets	**149,067**	**177,819**	**189,911**	**203,516**	**217,987**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**21,215**	**12,325**	**21,561**	**29,091**	**31,680**
Capital expenditures	(6,328)	(6,784)	(7,520)	(9,052)	(6,572)
Change in investments	8,428	3,614	(6,280)	(412)	(404)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**2,100**	**(3,170)**	**(13,800)**	**(9,464)**	**(6,976)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(3,953)	6,877	1,160	(800)	(800)
Interest expenses	(1,656)	(2,040)	(1,910)	(1,832)	(1,753)
Dividends paid	0	0	(13,434)	(15,163)	(16,600)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	**(5,609)**	**4,837**	**(14,184)**	**(17,795)**	**(19,153)**
Chg in cash & cash eq.	**7,982**	**1,401**	**(5,566)**	**1,832**	**5,551**
Closing cash & cash eq.	**16,126**	**17,527**	**11,961**	**13,794**	**19,345**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	89.9	97.8	117.3	132.4	145.0
Adjusted EPS	89.3	97.5	117.1	132.2	144.8
Dividend per share	0.0	0.0	70.4	79.5	87.0
Book value per share	507.0	563.5	615.4	668.4	726.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.1	2.8	2.3	2.1	2.0
EV/EBITDA	16.5	14.7	12.8	11.6	10.9
Adjusted P/E	25.6	23.5	19.5	17.3	15.8
P/BV	4.5	4.1	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	74.6	75.5	75.5
Interest burden (PBT/EBIT)	104.1	104.8	107.1	107.4	108.2
EBIT margin (EBIT/Revenue)	15.3	15.3	15.1	15.4	15.3
Asset turnover (Rev./Avg TA)	98.0	97.2	100.7	103.2	105.1
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.6	1.6
Adjusted ROAE	18.5	18.3	19.9	20.6	20.8

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	7.2	11.6	16.6	9.6	9.1
EBITDA	9.3	12.7	13.0	10.1	7.8
Adjusted EPS	8.1	9.2	20.2	12.9	9.5
Profitability & Return ratios (%)					
EBITDA margin	18.6	18.8	18.2	18.3	18.1
EBIT margin	15.3	15.3	15.1	15.4	15.3
Adjusted profit margin	12.0	12.0	12.1	12.5	12.5
Adjusted ROAE	18.5	18.6	19.9	20.6	20.8
ROCE	14.2	14.4	14.8	15.6	15.9
Working capital days (days)					
Receivables	81	103	97	97	97
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA
Ratios (x)					
Gross asset turnover	16.8	16.4	16.1	13.9	14.8
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	0.0	0.0

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

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SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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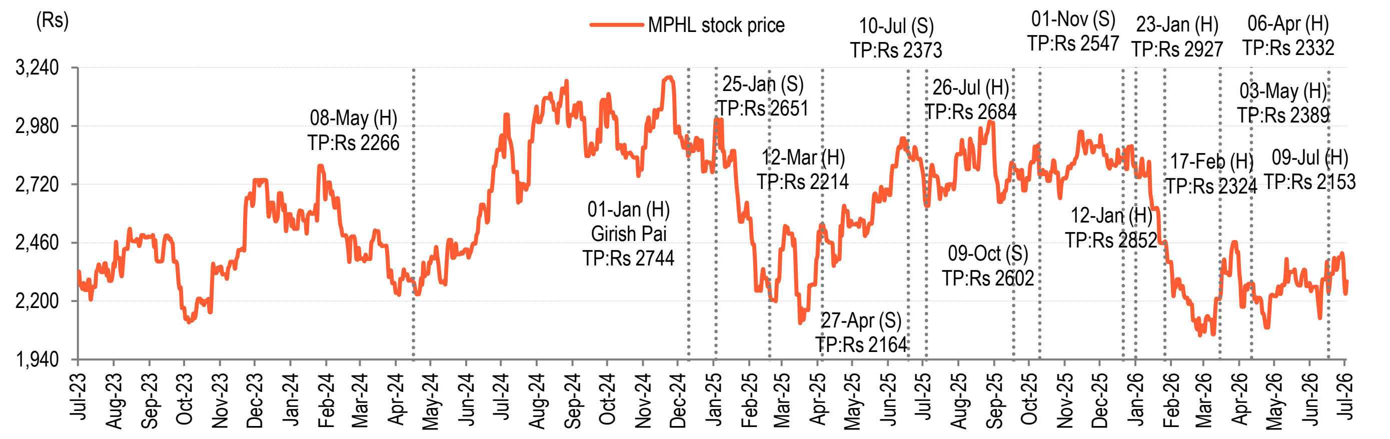

B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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