

SELL

TP: Rs 2,547 | ▼ 8%

MPHASIS

| IT Services

| 01 November 2025

2x Industry growth likely in FY26. But lags Tier-2 leaders

- The likely loss of a top 5 customer (in the logistics space) has impacted growth but offset to an extent by BFSI and Technology verticals
- We think some of the headwinds have likely peaked. However, we remain concerned about high client/vertical concentration risk
- Broadly maintain estimates and PE multiple (20.9x, 10% premium to that of TCS' PE multiple) and retain our SELL rating

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2QFY26 broadly in line: Net revenue CC QoQ growth was at 1.2% coming below the 2% we estimated though EBIT margins were a tad better than we anticipated. Mphasis has been able to offset the loss of business from a likely top 5 customer (in the logistics space) by growing its BFSI and Technology verticals.

Client concentration bites: We believe the client/vertical concentration risks (top client at 12%, top 10 at 55% and BFS at 51% in 2QFY26) remain high and in the current environment where the predominant theme is vendor consolidation, we can't be sure that there will be no negative surprises which could impact revenue growth and earnings. Many of its top clients (who have been long standing) have multi-vendor relationships. This risk has manifested in what we believe is the loss of Fedex – a top 5 client with potentially ~7-8% exposure to revenue at the peak. This has been – in our view- a big drag on growth in 2HFY25 and 1HFY26.

Deals wins are good but need to step up conversion for top quartile growth within the Tier- 2 set: While deal TCV numbers have been robust over the last two quarters, the logistics client drag and what we believe was weak conversion in 2QFY26, hit growth. Both TCV inflow and conversion to revenue must be strong for it to hit growth that is in Tier-2 leaders quadrant.

Wanting to grow at 2x industry rate in FY26 puts it just above the weaker Tier- 2 set: For the last two quarters Mphasis had aspired to grow at 2x industry rate. When we look at our coverage universe of Tier-2 companies we believe Coforge, Persistent Systems, Firstsource and Eclerx are in the mid-teen plus USD revenue growth category over FY25-FY28 and Zensar and Birlasoft are in the low-mid single digit growth cohort. We believe Mphasis is likely to be somewhere in between these two cohorts tending towards the weaker one. While Mphasis has shrugged off weaker growth in FY24 and FY25 (largely due to higher interest rates in the US impacting its mortgage business) in FY26 it has been hit by loss of Fedex (logistics client). We believe we have been generous by giving it a 10% premium to the Target PE multiple of TCS when we have accorded 25% and 15% premium to Persistent Systems and Coforge respectively – both consistent and strong growth players.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	MPHL IN/Rs 2,764
Market cap	US\$ 5.9bn
Free float	60%
3M ADV	US\$ 13.4mn
52wk high/low	Rs 3,238/Rs 2,045
Promoter/FPI/DII	40%/19%/37%

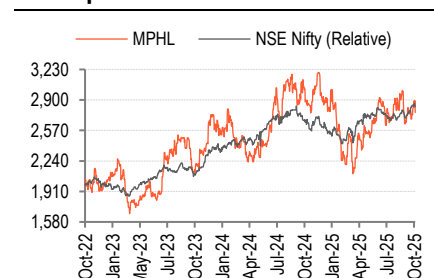
Source: NSE | Price as of 31 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	142,300	156,829	176,673
EBITDA (Rs mn)	26,471	29,705	32,956
Adj. net profit (Rs mn)	17,024	19,163	21,835
Adj. EPS (Rs)	89.3	100.3	114.2
Adj. ROAE (%)	18.5	20.1	22.0
Adj. P/E (x)	31.0	27.6	24.2
EV/EBITDA (x)	19.8	17.8	16.1
Adj. EPS growth (%)	8.1	12.3	13.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key Points from the quarter and the earnings call

- 2QFY26 net revenue grew 1.2% QoQ (slower than our estimate of 2%) and 6% YoY in CC terms.
- Vertical Performance (growth in CC terms):
 - BFS segment (51% of revenue in 2QFY26) declined 0.7% QoQ and grew 13.8% YoY; Growth driven by wallet share gains and growth in new wins/accounts but growth was also impacted by the ramp down of the ATM business. Impact of ATM business on BFS segment primarily YoY. Sequential variations in BFS performance driven by project deliverables and timing of realization.
 - Insurance segment (14%) grew 4.4% QoQ and 31.5% YoY; Growth driven by ramp up in recent large deal wins
 - TMT segment (19%) grew 9.1% QoQ and 24.3% YoY in CC terms; Growth driven by continued wins and conversion
 - Logistics & Transportation (5.6%) segment declined 2.7% QoQ and 55.1% YoY; expected to return to sequential growth from 3Q. Double-digit YoY growth may take longer due to prior ramp-downs in some segments. Segment margin for travel and logistics turned to loss in 2Q from mid-single-digit margin in prior quarter due to a specific one-time investment in the vertical. Margins expected to return to normal from 3Q onward with a sharp uptick as one-time impact reverses
 - Others (10%): grew 2.4% QoQ and declined 8.3% YoY
- Geographical performance (growth in CC terms): US geography grew 2.1% QoQ and 10% YoY, driven by ramp ups and increase in deal wins; EMEA grew 7.5% QoQ and declined 13.4% YoY; Rest of World declined 3.5% QoQ and grew 15.5% YoY
- EBIT margin stood at 15.3% (against our estimate of 15.1%), in line with previous quarter and down ~12 bps YoY. Margin performance was supported by high utilization and offshore shift of work and possibly INR depreciation.
- Total headcount stood at 30,809 (QoQ headcount decline: 259) and total billable headcount stood at 26,440 (QoQ headcount increase of 191)
- Utilization rate including trainees (Technology services business): Onsite - 92%; Offshore - 86%. These were up 500bps and 1200bps YoY respectively and down 100bps and up 400bps QoQ respectively.
- DSO at 89 days, up 5 QoQ due to increase in debtors from milestone contracts and movement of prior-quarter contract assets to debtors, partially offset by new contracts; Fixed-price revenue contribution is up 50%+ YoY which has also contributed to DSO increase. The company expects normalization in 3-4 quarters
- TCV (net new) for 2QFY26 stood at US\$528mn; it won 6 large deals in 2QFY26. 10 in 1HFY26
 - 2QFY26 TCV was up 155% YoY but down 30% QoQ

- 42% of 2Q TCV wins AI-led; 1H FY26 TCV at US\$1.3bn surpassing full-year FY25 TCV
- Of the six large deals one was a \$100+Mn with a new BFS client and two were \$50+Mn deals
- LTM TCV at US\$2.03bn (up 115% YoY)
- 1H TCV wins broad-based across verticals
- Pipeline is up 9% QoQ and 97% YoY with 69% AI-led. The AI pipeline has expanded 2.4x since launch
- The company expects growth to be >2x industry growth in FY26 driven by strong H1 TCV and large deal ramp-ups in the upcoming quarters. We are building in ~2% CQGR over the next two quarters in CC terms.
- Target operating margin maintained in the 14.75%–15.75% range
- Large deals from 1Q have begun converting and will continue to convert through remainder of FY26
- Deal conversion pace varies by deal nature—faster where existing operations or employees are taken over, slower (3–6 months) where client consolidation and transition required. Conversion of both 1Q and 2Q deals on track
- Mphasis it is too early to assess impact of furloughs; mix shift toward fixed-price projects may provide optimization opportunity versus prior year
- Portfolio exposure to regional banks minimal; management confident of no significant impact or systemic risk; large banking clients and private credit sponsors not indicating any material risk
- Largest customer grew sequentially above company average growth; growth trend expected to continue through 2HFY26
- Some clients in mortgage and refinance segments proactively reaching out to create capacity in anticipation of volume recovery. Timing of refinance volume pickup uncertain due to macro factors especially around movement of 10-year yield in the US
 - Healthy sequential growth is already seen in mortgage business driven by new deal wins and AI-enabled efficiencies. Base case expectation remains continued wallet share gains from clients
- Large deals expected to remain lumpy in nature and hence cannot predict TCV in the upcoming quarters.
- Higher 4QFY26 revenue exit run rate expected to set a stronger platform for FY27 growth, subject to macro environment stability
- The immediate focus is on lighthouse programs across verticals and large clients to learn about commercialization, pricing, margin leverage, and client readiness for people-plus-software services. This approach enables competition on savings-led transformation rather than pricing alone, preserving profitability.

- Revenue growth is now partially delinked from headcount growth. The company uses a dynamic staffing model with a rolling 90-day forecast to align supply with demand, making utilization an outcome rather than an input. This model will continue over the next 2–3 quarters.
- Mphasis says that the H1B changes have minimal short-term impact and are less severe than initially feared. Clients haven't reacted significantly, as they have mature operations and existing H1B workforces. Over the next 24 months, this will lead to a more resilient H1B supply chain, greater globalization of work, and accelerated adoption of automation and AI to reduce dependence on local workforces.
- Majority of AI-related work combines cost optimization and innovation. Savings-led transformation is the primary approach, delivering both operational efficiency and process transformation
- Vendor differentiation in AI is driven by the ability to demonstrate solutions in live sandbox environments rather than just presentations. Platform strength and creation of reusable assets that address known or latent client problems serve as significant differentiators
- AI-related solutions involve a human in the loop approach to mitigate risks from hallucinations or errors. Solutions are not fully black-box and require intelligent engineering and expert oversight. Even with 60%-70% automation, checks and balances are implemented to ensure reliability. Standard market contractual processes are used to protect the company in customer agreements

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 that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal and legal immigration (the latter through the major new hurdles put in for H1-B visas), etc all point to uncertainty in the coming days which may delay decision making

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

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also 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. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the 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 those who have lower bargaining power – the 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 compared to 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 and using TCS as our industry benchmark. The target PE used for TCS now is 19x, which is the average PE multiple of TCS over the last 10 years less 1SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus EPS expectations for FY27.

Tier- 2 valuation reflects growth gap with Tier-1

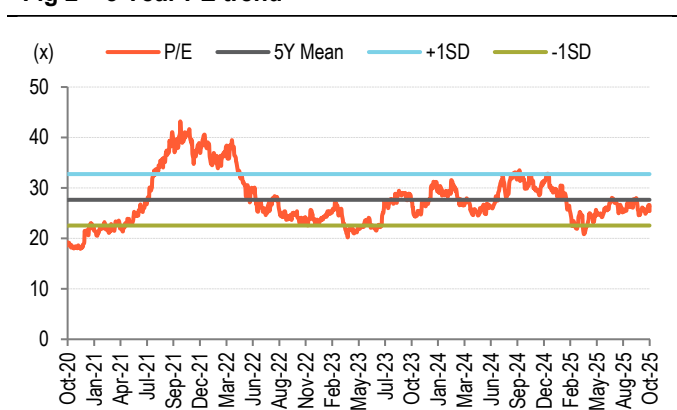
The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

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

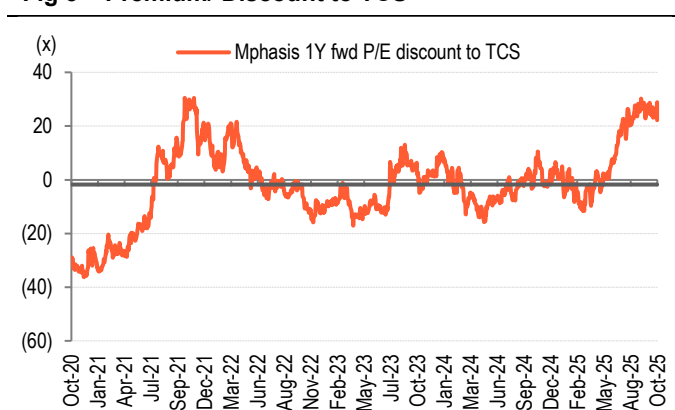
Fig 1 – Quarterly results: Comparison of actuals with estimates

Y/E Mar (Rs mn)	2QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)	2QFY26E	Dev (%)
USD Revenue (US\$mn)	421	437	445	5.7	1.8	446	(0.3)
Net sales	35,362	37,324	39,019	10.3	4.5	38,800	0.6
Direct Costs	25,128	26,548	28,042	11.6	5.6	27,465	2.1
% of sales	71.1	71.1	71.9			70.8	
Gross Profit	10,234	10,776	10,977	7.3	1.9	11,335	(3.2)
% of sales	28.9	28.9	28.1			29.2	
Selling expenses	2,639	2,829	2,879	9.1	1.8	3,048	(5.5)
% of sales	7.5	7.6	7.4			7.9	
G&A expenses	2,151	2,238	2,139	-0.6	-4.4	2,411	(11.3)
% of sales	6.1	6.0	5.5		-8.6	6.2	
Provision for doubtful debts	0	0	0			0	
EBIT	5,444	5,709	5,959	9.5	4.4	5,875	1.4
% of sales	15.4	15.3	15.3			15.1	
Other Income	182	392	289	58.8	-26.3	362	(20.1)
PBT	5,626	6,101	6,248	11.1	2.4	6,237	0.2
Exceptional item	0	0	0			0	
Provision for tax	1,392	1,684	1,557	11.9	-7.5	1,591	(2.1)
Effective tax rate	24.7	27.6	24.9		-9.7	25.5	(2.3)
PAT (reported)	4,234	4,417	4,691	10.8	6.2	4,647	1.0
NPM (%)	12.0	11.8	12.0			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

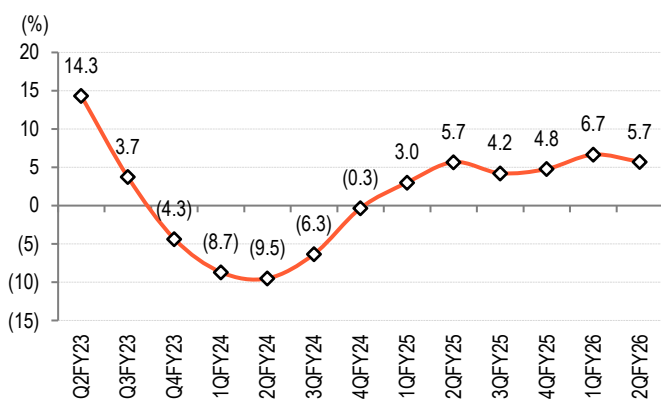
	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY27E
INR/USD	87.3	89.3	91.1	86.9	89.3	91.1	0.4	0.0	0.0
USD Revenue (in mn)	1,800	1,979	2,178	1,804	1,985	2,184	(0.2)	(0.3)	(0.3)
USD Revenue Growth (%)	7.1	10.0	10.0	7.3	10.1	10.0			
Revenue (Rsmn)	156,829	176,673	198,304	156,852	177,204	198,900	(0.0)	(0.3)	(0.3)
EBIT (Rsmn)	24,297	27,332	30,758	24,429	27,407	30,861	(0.5)	(0.3)	(0.3)
EBIT Margin (%)	15.5	15.5	15.5	15.6	15.5	15.5			
PAT Adjusted (Rsmn)	19,163	21,835	24,757	19,436	22,287	25,234	(1.4)	(2.0)	(1.9)
FDEPS-Adjusted (Rs)	100.3	114.2	129.5	101.8	116.8	132.2	(1.5)	(2.2)	(2.0)

Source: BOBCAPS Research

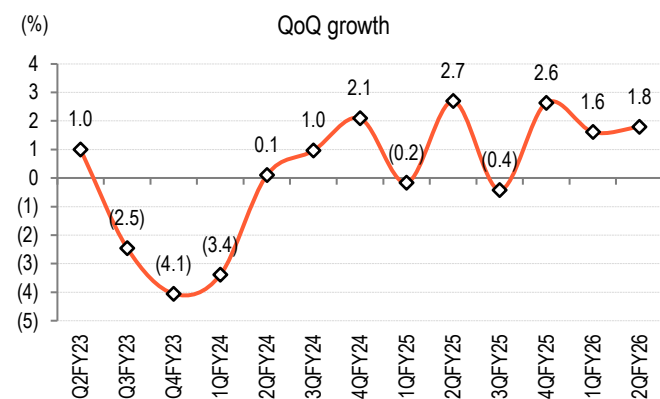
Fig 5 – P&L at a glance

(YE March)	FY13	FY14*	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average exchange rate (INR/USD)	57.0	134.2	61.4	65.8	68.0	64.5	69.9	71.2	74.1	74.5	80.6	82.8	84.6	87.3	89.3	91.1
Net Sales (USD mn)	1,017	427	944	926	894	989	1,119	1,239	1,308	1,593	1,718	1,609	1,681	1,800	1,979	2,178
Growth (%)	-	-	-	(1.9)	(3.5)	10.7	13.1	10.8	5.6	21.7	7.8	(6.3)	4.4	7.1	10.0	10.0
Net Sales (Rs mn)	57,963	57,276	57,948	60,879	60,763	65,459	77,311	88,436	97,222	119,615	137,985	132,785	142,300	156,829	176,673	198,304
-Growth (%)	8.2	-	-	5.1	(0.2)	7.7	18.1	14.4	9.9	23.0	15.4	(3.8)	7.2	10.2	12.7	12.2
Direct Costs	43,396	42,464	43,424	45,362	44,118	47,892	56,407	63,503	69,610	86,829	100,475	95,950	101,522	113,189	127,972	143,754
Gross Profit	14,567	14,812	14,524	15,517	16,645	17,567	20,904	24,933	27,612	32,786	37,510	36,835	40,778	43,640	48,702	54,550
% of sales	25.1	25.9	25.1	25.5	27.4	26.8	27.0	28.2	28.4	27.4	27.2	27.7	28.7	27.8	27.6	27.5
Selling expenses	3,052	3,220	3,654	3,951	4,195	4,238	4,800	5,820	6,851	7,196	8,635	9,260	10,652	11,020	12,261	13,650
% of sales	5.3	5.6	6.3	6.5	6.9	6.5	6.2	6.6	7.0	6.0	6.3	7.0	7.5	7.0	6.9	6.9
G&A expenses	2,401	2,685	2,940	3,314	3,419	3,445	3,603	4,923	5,152	7,320	7,788	7,461	8,417	8,324	9,109	10,142
% of sales	4.1	4.7	5.1	5.4	5.6	5.3	4.7	5.6	5.3	6.1	5.6	5.6	5.9	5.3	5.2	5.1
Provision for doubtful debts	226.0	86.0	210.0	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
EBIT	8,888	8,821	7,720	8,226	9,030	9,917	12,481	14,190	15,609	18,270	21,087	20,114	21,709	24,297	27,332	30,758
% of sales	15.3	15.4	13.3	13.5	14.9	15.1	16.1	16.0	16.1	15.3	15.3	15.1	15.3	15.5	15.5	15.5
Other income	1,394	500	1,968	1,954	2,385	1,620	1,747	1,780	1,330	1,605	1,617	2,178	2,550	2,988	3,036	3,378
Financial Expenses	(330)	(111)	(279)	(242)	(139)	(130)	(155)	(813)	(634)	(744)	(973)	(1,608)	(1,656)	(1,618)	(1,447)	(1,345)
PBT	9,952	9,210	9,409	9,938	11,276	11,407	14,073	15,157	16,305	19,132	21,731	20,684	22,603	25,667	28,921	32,791
-PBT margin (%)	17.2	16.1	16.2	16.3	18.6	17.4	18.2	17.1	16.8	16.0	15.7	15.6	15.9	16.4	16.4	16.5
Exceptional Item	0	(64)	(32)	(548)	(152)	(131)	0	0	0	0	0	0	0	0	0	0
Provision for tax	2,514	1,191	2,631	2,696	3,076	2,900	3,339	3,306	4,139	4,821	5,351	5,135	5,579	6,504	7,086	8,034
Effective tax rate (%)	25.3	12.9	28.0	27.1	27.3	25.4	23.7	21.8	25.4	25.2	24.6	24.8	24.7	25.3	24.5	24.5
Net profit	7,438	7,954	6,746	6,694	8,048	8,376	10,734	11,851	12,166	14,311	16,380	15,549	17,024	19,163	21,835	24,757
-Growth (%)	(6.1)	-	-	(0.8)	20.2	4.1	28.2	10.4	2.7	17.6	14.5	(5.1)	9.5	12.6	13.9	13.4
-Net profit margin (%)	12.8	13.9	11.6	11.0	13.2	12.8	13.9	13.4	12.5	12.0	11.9	11.7	12.0	12.2	12.4	12.5

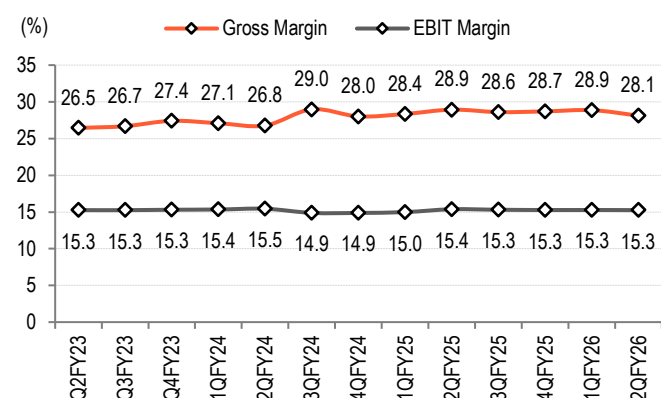
Source: Company, BOBCAPS Research; *FY14 is a 5-month period due to change in financial year by the company from Oct to Mar

Fig 6 – USD Revenue YoY Growth

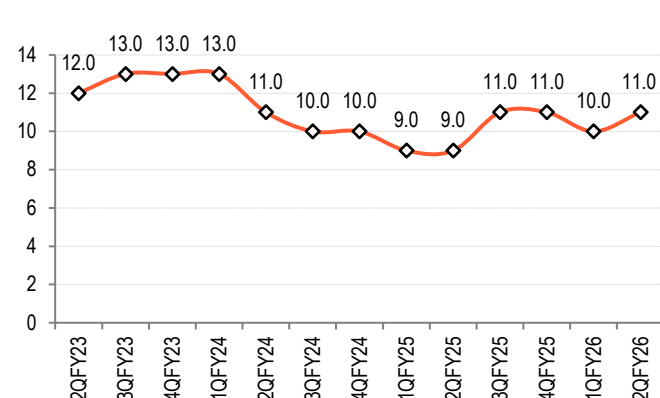
Source: Company, BOBCAPS Research

Fig 7 – USD Revenue QoQ growth

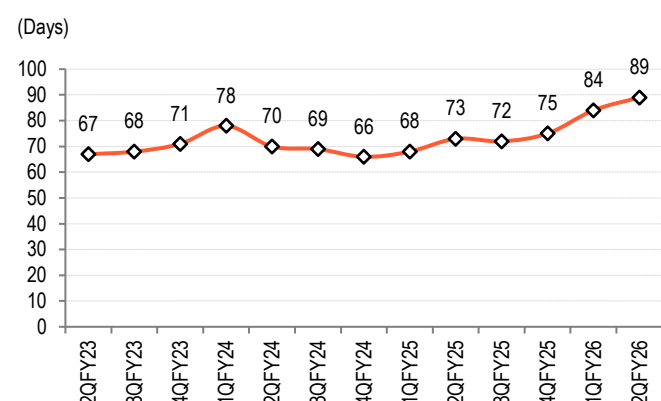
Source: Company, BOBCAPS Research

Fig 8 – Gross Margin and EBIT Margin

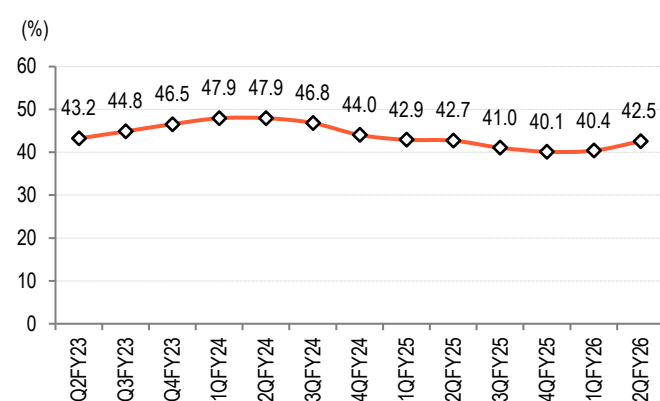
Source: Company, BOBCAPS Research

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

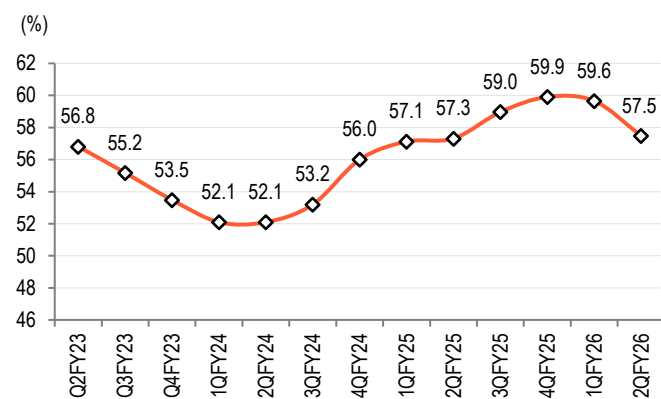
Source: Company, BOBCAPS Research

Fig 10 – DSO trend

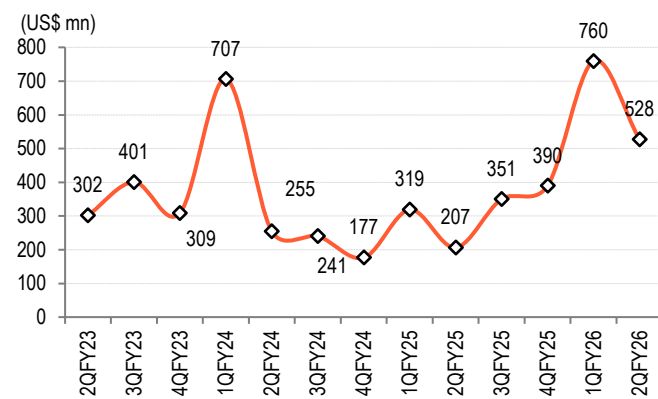
Source: Company, BOBCAPS Research

Fig 11 – Offshore revenue contribution

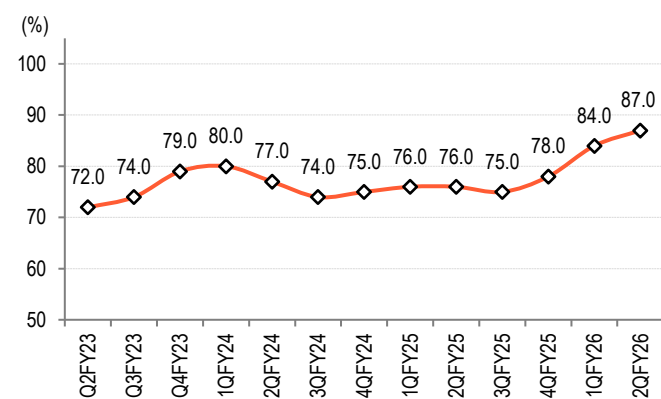
Source: Company, BOBCAPS Research

Fig 12 – Onsite revenue contribution

Source: Company, BOBCAPS Research

Fig 13 – Order Inflow TCV (US\$mn)

Source: Company, BOBCAPS Research

Fig 14 – Offshore Utilisation (excl trainees) (%)

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	Q2FY23	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Rs mn													
INR/USD	80.1	82.3	82.3	82.2	82.7	83.3	83.2	83.4	83.8	84.8	86.4	85.4	88.3
USD Revenue (USD mn)	440	429	412	398	398	402	411	410	421	419	430	437	445
INR Revenue	35199	35062	33612	32520	32765	33379	34121	34225	35362	35613	37100	37324	39019
Gross Margin	9319	9365	9221	8817	8781	9674	9563	9706	10234	10189	10649	10776	10977
SGA	3942	4011	4069	3822	3714	4703	4482	4571	4790	4731	4977	5067	5018
EBIT	5377	5354	5152	4995	5067	4971	5081	5135	5444	5458	5672	5709	5959
Other income	434	400	426	504	490	542	642	736	587	627	600	810	727
PBT	5551	5510	5341	5258	5217	4985	5224	5373	5626	5693	5911	6101	6248
Tax	1366	1387	1288	1297	1297	1250	1291	1328	1392	1413	1446	1684	1557
PAT	4185	4123	4053	3961	3920	3735	3933	4045	4234	4280	4465	4417	4691
EPS	22.2	21.9	21.5	21.0	20.8	19.8	20.9	21.4	22.4	22.6	23.5	23.2	24.7
YoY Growth (%)													
USD Revenue	14.3	3.7	(4.3)	(8.7)	(9.5)	(6.3)	(0.3)	3.0	5.7	4.2	4.8	6.7	5.7
INR Revenue	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7	8.7	9.1	10.3
Gross Profit	20.0	8.0	0.4	(8.2)	(5.8)	3.3	3.7	10.1	16.5	5.3	11.4	11.0	7.3
EBIT	24.5	13.8	3.6	(4.0)	(5.8)	(7.1)	(1.4)	2.8	7.4	9.8	11.6	11.2	9.5
Net Profit	22.5	15.3	3.4	(1.5)	(6.3)	(9.4)	(3.0)	2.1	8.0	14.6	13.5	9.2	10.8
QoQ growth (%)													
USD Revenue	1.0	(2.5)	(4.1)	(3.4)	0.1	1.0	2.1	(0.2)	2.7	(0.4)	2.6	1.6	1.8
INR Revenue	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7	4.2	0.6	4.5
EBIT	3.3	(0.4)	(3.8)	(3.0)	1.4	(1.9)	2.2	1.1	6.0	0.3	3.9	0.7	4.4
Net Profit	4.1	(1.5)	(1.7)	(2.3)	(1.0)	(4.7)	5.3	2.9	4.7	1.1	4.3	(1.1)	6.2
Margins (%)													
Gross Margin	26.5	26.7	27.4	27.1	26.8	29.0	28.0	28.4	28.9	28.6	28.7	28.9	28.1
EBIT margin	15.3	15.3	15.3	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.3	15.3	15.3
PAT	11.9	11.8	12.1	12.2	12.0	11.2	11.5	11.8	12.0	12.0	12.0	11.8	12.0
SGA	11.2	11.4	12.1	11.8	11.3	14.1	13.1	13.4	13.5	13.3	13.4	13.6	12.9

Source: Company, BOBCAPS Research

Fig 16 – Segmental Analysis

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Segment Revenue											
Banking and Financial Services	17,689	16,121	15,542	15,684	16,076	16,302	16,892	17,306	18,590	19,679	20,161
Insurance	3,331	3,443	3,544	3,813	3,770	3,873	3,964	4,153	4,238	5,105	5,508
Technology Media and Telecom	4,745	4,927	5,703	5,219	5,449	5,490	5,820	6,030	6,600	6,757	7,622
Logistics & Transportation	4,675	4,630	4,407	4,581	4,668	4,684	4,637	4,336	4,060	2,171	2,184
Others	3,453	3,598	3,768	4,209	4,187	3,861	3,973	3,740	3,687	3,629	3,841
Total Revenues	33,893	32,719	32,964	33,506	34,150	34,210	35,286	35,565	37,175	37,341	39,316
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
Insurance		3.4	2.9	7.6	(1.1)	2.7	2.3	4.8	2.0	20.5	7.9
Technology Media and Telecom		3.8	15.7	(8.5)	4.4	0.8	6.0	3.6	9.5	2.4	12.8
Logistics & Transportation		(1.0)	(4.8)	3.9	1.9	0.3	(1.0)	(6.5)	(6.4)	(46.5)	0.6
Others		4.2	4.7	11.7	(0.5)	(7.8)	2.9	(5.9)	(1.4)	(1.6)	5.8
YoY Revenue Growth (%)											
Banking and Financial Services					(9.1)	1.1	8.7	10.3	15.6	20.7	19.4
Insurance					13.2	12.5	11.9	8.9	12.4	31.8	39.0
Technology Media and Telecom					14.8	11.4	2.1	15.5	21.1	23.1	31.0
Logistics & Transportation					(0.1)	1.2	5.2	(5.3)	(13.0)	(53.7)	(52.9)
Others					21.3	7.3	5.4	(11.1)	(11.9)	(6.0)	(3.3)
Segment Profit											
Banking and Financial Services	5,019	4,211	3,458	4,361	4,275	4,223	4,544	4,693	5,433	6,309	6,277
Insurance	830	917	692	1,299	1,147	1,324	1,267	1,285	1,275	1,783	1,787
Technology Media and Telecom	1,093	1,127	2,226	1,195	1,206	1,356	1,538	1,304	1,367	1,305	1,900
Logistics & Transportation	1,435	1,411	1,269	1,535	1,543	1,512	1,489	1,602	1,505	126	(116)
Others	1,126	1,351	1,334	1,412	1,421	1,275	1,318	1,256	1,144	1,271	1,426
Total Segment Profit	9,503	9,017	8,979	9,802	9,592	9,690	10,156	10,140	10,724	10,794	11,274
Gross Margin (%)											
Banking and Financial Services	28.4	26.1	22.2	27.8	26.6	25.9	26.9	27.1	29.2	32.1	31.1
Insurance	24.9	26.6	19.5	34.1	30.4	34.2	32.0	30.9	30.1	34.9	32.4
Technology Media and Telecom	23.0	22.9	39.0	22.9	22.1	24.7	26.4	21.6	20.7	19.3	24.9
Logistics & Transportation	30.7	30.5	28.8	33.5	33.1	32.3	32.1	36.9	37.1	5.8	(5.3)
Others	32.6	37.5	35.4	33.5	33.9	33.0	33.2	33.6	31.0	35.0	37.1
Total	28.0	27.6	27.2	29.3	28.1	28.3	28.8	28.5	28.8	28.9	28.7

Source: Company, BOBCAPS Research

Fig 17 – Key Metrics

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
P and L (Rs mn)													
Revenues	35,273	35,356	33,893	32,719	32,964	33,507	34,150	34,208	35,286	35,565	37,174	37,341	39,316
EBITDA	6,178	6,175	5,987	5,869	5,956	6,006	6,389	6,185	6,480	6,781	7,025	7,028	7,236
PAT	4,185	4,123	4,053	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465	4,417	4,691
Vertical/Industry (%)													
BFS	54	54	53	49	47	47	47	48	48	49	50	53	51
Insurance	8	8	8	11	11	11	11	11	11	12	11	14	14
IT, C and E	13	13	13	15	17	16	16	16	16	17	18	18	19
Emerging Ind.	25	25	27	25	25	26	26	25	24	23	21	16	15
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
Geography-wise Revenue Breakdown (%)													
USA	82	82	81	81	79	80	81	81	81	82	82	83	84
Europe	10	10	11	10	12	12	11	11	11	10	10	9	9
ROW	3	3	3	3	3	3	3	3	3	2	3	3	2
India	5	5	5	6	6	6	5	5	6	6	5	5	5
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
Delivery Location (Rs mn)													
Onsite (%)	57	55	53	52	52	53	56	57	57	59	60	60	57
Offshore (%)	43	45	47	48	48	47	44	43	43	41	40	40	43
Total (%)	100	100	100	100	100	100	100	100	100	100	100	100	100
Project Type (%)													
Time and Material	56	57	58	58	58	58	58	60	60	58	55	0	0
Fixed Price	44	43	42	42	42	42	42	40	40	42	45	51	51
Total	100	100	100	100	100	100	100	100	100	100	100	51	51
Client concentration (%)													
Top client	12	12	13	13	16	15	14	14	15	15	14	13	12
Top 5 clients	45	45	44	43	47	46	44	44	43	43	42	40	39
Top 10 clients	60	59	59	58	58	55	54	53	53	53	54	54	55
Non-Top 10 Clients	40	41	41	42	42	45	46	47	47	47	46	46	45
Clients Contributing:													
\$ 200mn revenues	1	1	1	1	1	1	1	1	1	1	1	1	1
\$ 150mn revenues	3	3	3	3	3	3	3	3	2	2	2	1	1
\$ 100mn revenues	4	4	4	3	3	3	3	3	3	3	3	4	4
\$ 75mn revenues	6	6	5	5	4	4	4	4	4	5	5	6	6
\$ 50mn revenues	7	7	7	6	6	5	5	5	5	5	5	7	7
\$ 20mn+ clients	12	13	13	13	11	10	10	9	9	11	11	10	11
\$ 10mn+ clients	24	23	25	27	26	29	29	30	27	29	29	31	30
\$ 5mn+ clients	45	46	46	47	46	46	47	48	51	47	50	50	50
\$ 1mn+ clients	104	107	112	113	115	134	135	135	140	140	139	137	136
(USDmn)													
Revenues	440	429	412	398	398	402	411	410	421	419	430	437	445
EBITDA	77	75	73	71	72	72	77	74	77	80	81	82	82
PAT	52	50	49	48	47	45	47	48	51	50	52	52	53
Productivity metrics													
Per capita (annualised)													
Revenues	55,921	56,760	56,233	56,284	57,609	57,208	60,590	61,389	63,372	64,157	65,336	66,639	67,346
EBITDA	9,794	9,913	9,933	10,096	10,409	10,255	11,335	11,100	11,638	12,233	12,347	12,542	12,395
PAT	6,634	6,619	6,725	6,814	6,851	6,377	6,977	7,259	7,604	7,721	7,848	7,883	8,035
Total contract value signed (US\$ mn)	302	401	309	707	255	241	177	319	207	351	390	760	528
Total headcount	36,876	35,450	34,042	33,961	33,771	33,992	32,664	31,645	31,601	31,194	31,442	31,063	30,809
Net addition	(23)	(1,426)	(1,408)	(81)	(190)	221	(1,328)	(1,019)	(44)	(407)	248	(379)	(254)
Utilization - Offshore (excluding trainees) (%)	72	74	79	80	77	74	75	76	76	75	78	84	87

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	132,785	142,300	156,829	176,673	198,304
EBITDA	24,220	26,471	29,705	32,956	36,727
Depreciation	4,106	4,762	5,408	5,624	5,969
EBIT	20,114	21,709	24,297	27,332	30,758
Net interest inc./(exp.)	(1,608)	(1,656)	(1,618)	(1,447)	(1,345)
Other inc./(exp.)	2,178	2,550	2,988	3,036	3,378
Exceptional items	0	0	0	0	0
EBT	20,684	22,603	25,667	28,921	32,791
Income taxes	5,135	5,579	6,504	7,086	8,034
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	15,549	17,024	19,163	21,835	24,757
Adjustments	0	0	0	0	0
Adjusted net profit	15,549	17,024	19,163	21,835	24,757

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	24,910	31,445	46,054	52,423	58,163
Provisions	3,261	833	1,630	1,856	2,059
Debt funds	15,436	11,159	11,806	11,006	10,206
Other liabilities	9,749	9,346	9,172	9,172	9,172
Equity capital	1,890	1,901	1,903	1,903	1,903
Reserves & surplus	86,056	94,383	92,877	101,611	111,514
Shareholders' fund	87,946	96,284	94,780	103,514	113,417
Total liab. and equities	141,302	149,067	163,443	177,971	193,017
Cash and cash eq.	8,144	16,126	14,704	18,741	22,468
Accounts receivables	27,028	31,604	34,643	39,433	43,751
Inventories	0	0	0	0	0
Other current assets	16,434	18,192	32,751	37,280	41,362
Investments	30,899	22,082	14,638	14,638	14,638
Net fixed assets	6,285	8,463	10,993	11,579	13,972
CWIP	614	2	500	500	500
Intangible assets	41,793	42,907	44,683	44,683	44,683
Deferred tax assets, net	2,857	3,246	4,228	4,813	5,340
Other assets	7,248	6,445	6,303	6,303	6,303
Total assets	141,302	149,067	163,443	177,971	193,017

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	25,450	21,215	23,998	26,181	29,614
Capital expenditures	(18,094)	(6,328)	(8,436)	(6,211)	(8,361)
Change in investments	(13,808)	8,428	6,462	(585)	(527)
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(31,902)	2,100	(1,974)	(6,796)	(8,888)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	13,720	(3,953)	612	(800)	(800)
Interest expenses	(1,608)	(1,656)	(1,618)	(1,447)	(1,345)
Dividends paid	(10,357)	0	(11,498)	(13,101)	(14,854)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	1,755	(5,609)	(12,504)	(15,348)	(16,999)
Chg in cash & cash eq.	(2,414)	7,982	(1,422)	4,037	3,727
Closing cash & cash eq.	8,144	16,126	14,704	18,741	22,468

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	82.6	89.9	100.7	114.7	130.1
Adjusted EPS	82.6	89.3	100.3	114.2	129.5
Dividend per share	55.0	0.0	60.4	68.8	78.1
Book value per share	467.1	507.0	498.0	543.9	596.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.0	3.7	3.4	3.0	2.7
EV/EBITDA	21.7	19.8	17.8	16.1	14.6
Adjusted P/E	33.5	31.0	27.6	24.2	21.3
P/BV	5.9	5.5	5.6	5.1	4.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.2	75.3	74.7	75.5	75.5
Interest burden (PBT/EBIT)	102.8	104.1	105.6	105.8	106.6
EBIT margin (EBIT/Revenue)	15.1	15.3	15.5	15.5	15.5
Asset turnover (Rev./Avg TA)	103.7	98.0	100.4	103.5	106.9
Leverage (Avg TA/Avg Equity)	1.5	1.6	1.6	1.7	1.7
Adjusted ROAE	18.6	18.5	20.1	22.0	22.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(3.8)	7.2	10.2	12.7	12.2
EBITDA	(0.5)	9.3	12.2	10.9	11.4
Adjusted EPS	(5.1)	8.1	12.3	13.9	13.4

Profitability & Return ratios (%)

EBITDA margin	18.2	18.6	18.9	18.7	18.5
EBIT margin	15.1	15.3	15.5	15.5	15.5
Adjusted profit margin	11.7	12.0	12.2	12.4	12.5
Adjusted ROAE	18.6	18.5	20.1	22.0	22.8
ROCE	14.8	14.2	15.6	17.2	18.1

Working capital days (days)

Receivables	74	81	81	81	81
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	21.1	16.8	14.3	15.3	14.2
Current ratio	2.1	2.2	1.9	1.9	1.9
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.1	(0.1)	0.0	(0.1)	(0.1)

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

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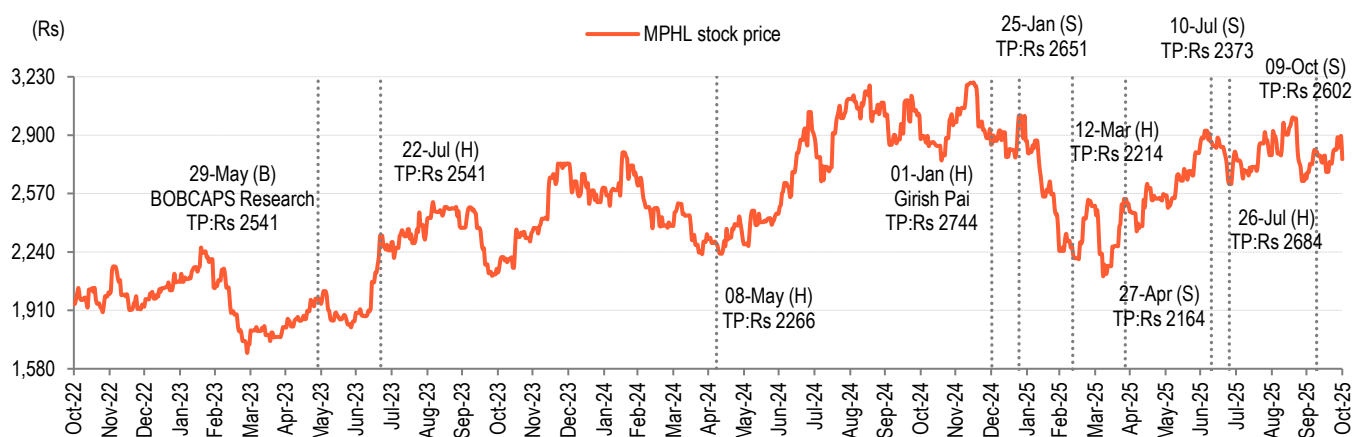
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

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