

**SELL**

TP: Rs 2,164 | ▼ 15%

**MPHASIS**

| IT Services

| 27 April 2025

## Good 4Q: Second order impact sectors could drag in 2H

- **Good quarter from growth and TCV perspective. Expected to see growth QoQ in 1QFY26. Consistency in growth has been a challenge**
- **A larger exposure to second order impacted verticals could mean that weakness if any will be visible only by 2HFY26**
- **Cut estimates modestly and retain our Target PE multiple (20.2x, 5% discount to that of TCS). Stock run up drives downgrade to SELL**

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4QFY25 revenue of US\$430mn grew 2.9% in QoQ CC terms was ahead of our 1% estimate. Highest QoQ growth in 12 quarters; Growth led by BFS and TMT verticals; Insurance vertical turned into a growth engine. The highest TCV wins in the past 7 quarters: at US\$390Mn driven by the setting up of a large deal organization in the last 6 months. EBIT margin at 15.3%, came in a tad below our estimate of 15.5%. Execution rigor delivered continued stable margin. FY25 revenue grew 4.6% in CC.

MPLH stated that it is focused on the micro in an uncertain macro environment. ; Focused on investing in growth initiatives; Strengthening and expanding its AI-led propositions; conversion of pipeline to TCV and TCV to revenue; Expects FY26 performance to be above industry growth. Target operating (EBIT) margin within the band of 14.75% - 15.75

The company is optimistic about outperforming FY25 in FY26, unless macroeconomic or geopolitical conditions worsen from current levels. With large exposure to second order impacted sectors, the visibility for 2H FY26 is unclear. The focus is on managing each deal to minimize macro impacts and maintain growth

The company is aiming for more consistent performance moving forward, after facing challenges over the past few years. With a focus on deal execution and client-specific actions, the goal is to achieve consistent growth in FY26 and beyond.

Growth in the last many quarters has been more onsite driven (revenue share has gone up to ~59% in 4QFY25 versus ~52% 1QFY24). However, ~59% is not too high relative to history. A delivery mix shift back to offshore will probably have an adverse impact on revenue growth but a positive impact on margins. The recent onsite shift has not hurt margins as the company offered Tech driven solutions to clients.

Our concern on Mphasis stems from high exposure to BFSI (~60%) and high client concentration (top 10 at ~55%). Besides we believe its top client relationships are mature where it likely locked into competition with larger service providers with probably higher capabilities (both domain and horizontal).

## Key changes

Target	Rating
▼	▼

Ticker/Price	MPLH IN/Rs 2,539
Market cap	US\$ 5.6bn
Free float	60%
3M ADV	US\$ 17.9mn
52wk high/low	Rs 3,238/Rs 2,045
Promoter/FPI/DII	40%/21%/35%

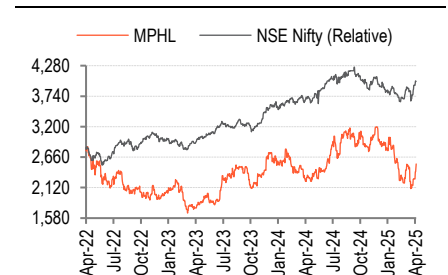
Source: NSE | Price as of 25 Apr 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	142,300	153,303	169,410
EBITDA (Rs mn)	26,471	29,983	33,064
Adj. net profit (Rs mn)	17,024	18,428	20,401
Adj. EPS (Rs)	89.3	96.6	107.0
Adj. ROAE (%)	18.5	18.4	18.9
Adj. P/E (x)	28.4	26.3	23.7
EV/EBITDA (x)	18.2	16.1	14.4
Adj. EPS growth (%)	8.1	8.2	10.7

Source: Company, Bloomberg, BOBCAPS Research |

## Stock performance



Source: NSE



- However, recent BFS growth has largely been driven by wallet share gains in existing accounts (possibly driven by AI platform usage) and continued strong execution in new account wins including large deals.
- MPHL pipeline grew 86% YoY and 26% QoQ in 4QFY25. BFS pipeline is up 70% YoY and non BFS pipeline is up 99% YoY. Its large deals pipeline is up 40% QoQ and 154% YoY. It won two large deals in 4Q, taking the total tally to 13 deals in FY25 it has cumulatively won 75 large deals since FY18 from the time it started reporting it.
- **Revenue cut:** We have cut USD revenue estimates while broadly maintaining EBIT margin for both FY26/FY27 and consequently our EPS estimates change modestly. The revenue cuts have been instituted to factor in the current macro environment. We suspect that there is a downside to our FY26 estimates if the US economic situation takes a turn for the worse in 2H2025.
- **Downgrade to a SELL from HOLD:** We retain our Target PE multiple (20.2x, 5% discount to that of TCS). The stock has run up post our last report and hence we downgrade to SELL from HOLD. We are looking for more consistent revenue performance from the company for both an EPS and a PE target multiple upgrades.

## Key Points from the quarter and the earnings call

### FY25

- FY25 revenue grew 4.6% in CC terms. Direct revenue grew 5.6% in CC terms
- New TCV wins of USD1.27bn in FY25 versus US\$1.38bn in FY24.

### 4QFY25

- Gross Revenue grew 2.9% QoQ and 5.4% YoY in CC terms
- Direct revenue (ex-HP) grew 3.8% QoQ and 6.8% YoY in CC terms
- EBIT margin stable at 15.3% despite macro headwinds
- Highest quarterly growth in 12 quarters
- New TCV wins US\$390mn in Direct; of which 85% in new-gen services
  - 59% of TCV in 4Q was AI-led and TCV wins broad-based across verticals, client segments, and conversion remains steady
- AI-led deal pipeline increased from 25% in 4QFY24 to 55% in 3Q FY25 and 65% in 4Q FY25
- Overall pipeline grew 86% YoY and 26% QoQ
- Growth led by BFS and TMT verticals
- Mortgage business stable

- BFS grew 5.6% QoQ and 11.8% YoY in constant currency; direct BFS grew 7.2% QoQ; BFS growth from wallet share expansion and execution in large deal wins
- Direct TMT grew 9.6% QoQ and 22.1% YoY due to strong deal wins and conversion
- Insurance vertical up 0.3% QoQ, ~9% YoY in direct; strong outlook for FY26
- Logistics and transportation declined by 7.7% QoQ, other verticals declined 3.4% QoQ; macro environment impact noted but strong pipeline opportunities exist

### FY26 Outlook

- Continue executing on micro drivers amidst macro uncertainty
- Strengthening and expanding AI-led propositions
- Sustained focus on converting pipeline to TCV and TCV to revenue
- Expected to grow above industry average in FY26 revenue. Management thinks at the current time that FY26 is going to be a better growth year compared to FY25.
- Target EBIT margin band at 14.75% to 15.75%; This given band allows flexibility for upfront investments in large deals and AI platforms

### Other Points

- Platforms NeoZeta and NeoCrux driving efficiency, cost savings, and reducing project risks
- Strong TCV wins across modernization, AI Ops, SDLC transformation, experience transformation, data strategy, and IT value stream transformation
- BFS pipeline up 70% YoY; non-BFS pipeline up 99% YoY
- Strongest pipeline growth in IT value stream propositions: value stream acceleration, agile IT Ops, modernization tribe-led solutions
- Decline in logistics vertical in 4Q was broad-based and not limited to one account. Impact linked to macroeconomic volatility and client-specific stages in their transformation agendas
- Healthy pipeline observed in logistics and travel verticals
- Strong TMT growth in 4Q driven by ramp-up of large consolidation deals signed in prior quarters
- TCV conversion from past two quarters now contributing to revenue and wallet share expansion
- Client base within TMT spans tech devices, med devices, ISVs, and telecom, reducing dependence on high-tech manufacturing alone
- Despite some uncertainty in high-tech manufacturing, broader client mix supports sustained momentum

- The pipeline in TMT remains broad-based, supporting continued growth expectations into 1Q and 2Q, and further through FY26
- Within TMT, areas of strong positioning include enterprise tech, engineering services, R&D services, cybersecurity, and IT value stream modernization
- No clear visibility on volume uptick in mortgage business despite market discussions on potential interest rate cuts. Current growth driven by customer focus on AI infusion to reduce cost of loan servicing and origination
- A recent deal win in the logistics and travel segment is expected to contribute positively in 1Q and 2Q
- Offshore headcount increased in 4Q, aligning with large deal execution and higher offshoring
- No fixed targets for utilization or hiring; metrics are outcomes of a responsive and agile supply chain approach
- There are no major client-specific issues beyond the usual mix of client situations across verticals
- The increase in segment margins despite a decline in logistics revenues is due to effective cost management, including tighter utilization and better supply chain allocation. This has helped offset revenue drops and maintain margins
- The company is transitioning from a people-based services model to a tech solutions model. This shift challenges the traditional assumption that onshore revenue means lower margins, as the focus now is on providing tech platforms that offer more differentiation. Offshore headcount increased in Q4, indicating a "right shoring" approach that balances service location and tech stack

### Demand Conditions

- Client conversation and deal conversion trends towards March–April impacted by macro volatility, though effects are industry-specific
- Industries like global trade, logistics, supply chain, manufacturing, automotive, energy, and railroads faced direct impact due to uncertainty around tariffs and trade flows
- Tariff flip-flops created indecision in client CapEx and supply chain planning, delaying decision-making processes
- In sectors like BFS, insurance, and healthcare, impact is more second-order, driven by broader economic concerns like interest rates and credit loss provisioning. Mphasis has a higher exposure to second order impact sectors.
- Capital markets firms experiencing mixed signals – higher trading revenues, but IPO and M&A deal activity remains subdued
- No deal cancellations reported, but some delays in decision-making observed, particularly in industries directly affected by trade uncertainty

- ~60% of business exposure in BFSI and an additional 7–8% in healthcare and other non-directly impacted sectors, creating a relatively stable position amidst macro uncertainty
- Delays are account-specific; deals with clear value propositions may close faster, while CapEx-heavy ones may be deferred
- Most of the portfolio is shielded from direct macro uncertainty, supporting continued revenue momentum; ramp-up delays may occur in select cases
- Client-specific behavior and current market volatility impact prioritization and timing of execution
- AI adoption is creating both efficiency gains and new opportunities for clients. In some areas, AI can improve productivity by reducing manual tasks in operations, IT, customer service, and claims underwriting. In other areas, clients are building AI infrastructure, which creates new opportunities in data governance, AI ethics, and privacy

**View on the Indian IT Services sector:** 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 12<sup>th</sup> March 2025 (**FY26 unlikely to be better than FY25**)

While both earnings (less so) and PE multiple (more so) have corrected since 1 Jan 2025, we suspect that there are further cuts possible for both FY26 and FY27 earnings under the current macro conditions which we believe could last longer than companies' sanguine commentary.

We believe the industry's structural USD 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 conditional tax breaks, the immigration push back, DOGE, etc, all point to uncertainty in the coming days which may delay decision making by customers and lead to lower spending.

**Higher for longer interest rate environment:** One of the reasons for optimism around the Indian IT Services sector in late 2024 has been the view that the US would achieve a soft landing in 2025 (which we define as 0.5-1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit (due to economic slowdown concerns, not enough gains from DOGE,etc) US 10-year yields rose. 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.

Since Trump 2.0 took office and the fact that it is putting into effect a lot of structural repair, the market seems to believe that while growth would slow there would not be a commensurate decline in Inflation. This stagflationary set up and the uncertainty induced by the back and forth on tariff pronouncements, we believe, will lead to slower decision making and spending by US/global corporations on IT. The tariff spat with China is particularly concerning. Discretionary spending which was beginning to look up may go back into a shell again.

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 – value compressive in the near term:** Gen AI has significantly boosted revenue in semiconductors, data centres, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arising from heavy investments in surrounding services.

**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.

**Higher competition:** Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

**Weak TCV:** The weaker TCV for most players in 9MFY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a limited set of large clients in FY25 or the need to set off large pass-through items.

**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 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. We have changed this from 24.6x (which is the average PE multiple of TCS over the last five years less 1SD). The changed methodology reflects the changed outlook on growth in FY26. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

## 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**

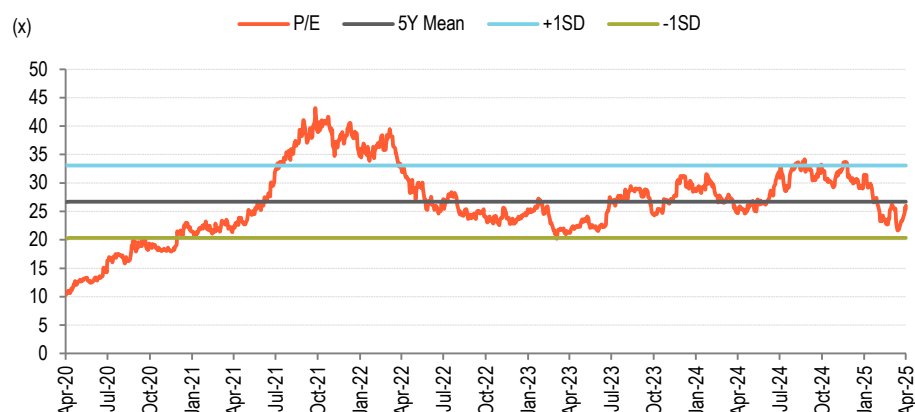
Y/E Mar (Rs mn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	4QFY25E	Dev (%)
USD Revenue (US\$mn)	411	419	430	4.8	2.6	422	2.0
Net sales	34,121	35,613	37,100	8.7	4.2	36,504	1.6
Direct Costs	24,558	25,424	26,451	7.7	4.0	26,705	(1.0)
% of sales	72.0%	71.4%	71.3%			73.2%	
Gross Profit	9,563	10,189	10,649	11.4	4.5	9,799	8.7
% of sales	28.0	28.6	28.7			26.8	
Selling expenses	2,761	2,696	2,790	1.1	3.5	2,382	17.1
% of sales	8.1	7.6	7.5			6.5	
G&A expenses	1,721	2,035	2,187	27.1	7.5	1,760	24.3
% of sales	5.0	5.7	5.9		3.2	4.8	
Provision for doubtful debts	0	0	0			0	
<b>EBIT</b>	<b>5,081</b>	<b>5,458</b>	<b>5,672</b>	<b>11.6</b>	<b>3.9</b>	<b>5,656</b>	<b>0.3</b>
<b>% of sales</b>	<b>14.9</b>	<b>15.3</b>	<b>15.3</b>			<b>15.5</b>	
Other Income	143	235	239	67.1	1.7	303	(21.2)
PBT	5,224	5,693	5,911	13.2	3.8	5,960	(0.8)
Exceptional item	0	0	0			0	
Provision for tax	1,291	1,413	1,446	12.0	2.3	1,479	(2.2)
Effective tax rate (%)	24.7	24.8	24.5		(1.4)	24.8	(1.4)
<b>PAT (reported)</b>	<b>3,933</b>	<b>4,280</b>	<b>4,465</b>	<b>13.5</b>	<b>4.3</b>	<b>4,481</b>	<b>(0.3)</b>
<b>NPM (%)</b>	<b>11.5</b>	<b>12.0</b>	<b>12.0</b>			<b>12.3</b>	

Source: Company, BOBCAPS Research

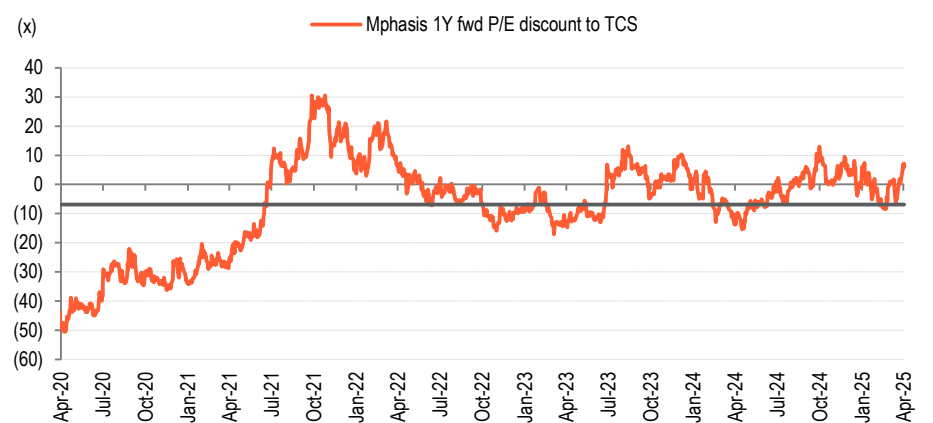
**Fig 2 – Revised Estimates**

Mphasis	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Change in estimates						
INR/USD	87.3	89.3	87.3	89.3	0.0	0.0
USD Revenue (in mn)	1,757	1,898	1,780	1,962	(1.3)	(3.3)
USD Revenue Growth (%)	4.5	8.0	5.6	10.2		
Revenue (Rsmn)	153,303	169,410	155,340	175,162	(1.3)	(3.3)
EBIT (Rsmn)	22,934	25,359	23,501	26,483	(2.4)	(4.2)
EBIT Margin (%)	15.0	15.0	15.1	15.1		
PAT Adjusted (Rsmn)	18,428	20,401	18,341	20,880	0.5	(2.3)
FDEPS-Adjusted (Rs)	96.6	107.0	96.1	109.4	0.5	(2.2)

Source: Company, BOBCAPS Research

**Fig 3 – 5 Year PE trend**

Source: Company, BOBCAPS Research

**Fig 4 – Premium/ Discount to TCS**

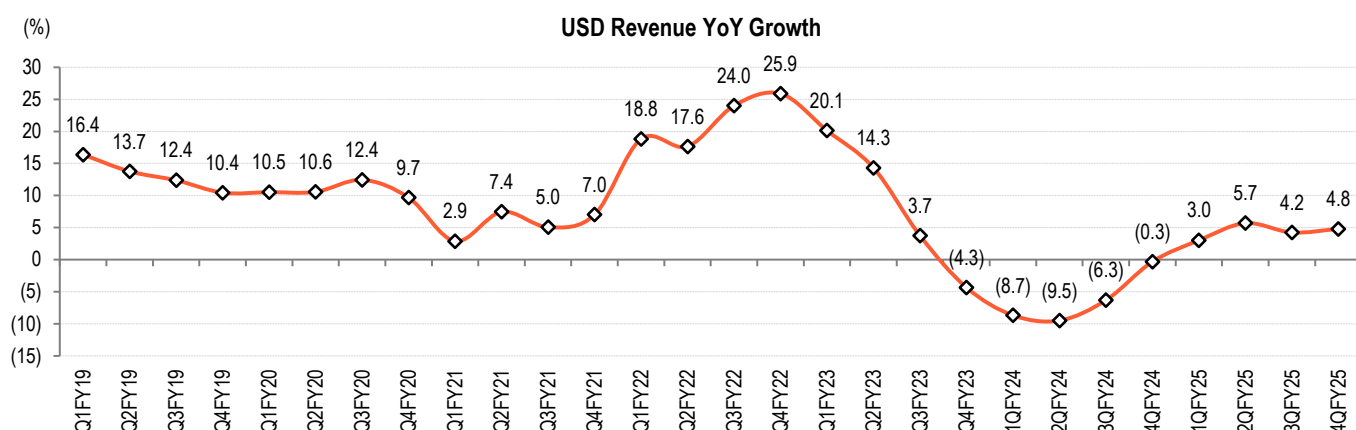
Source: Company, BOBCAPS Research

**Fig 5 – P&L at a glance**

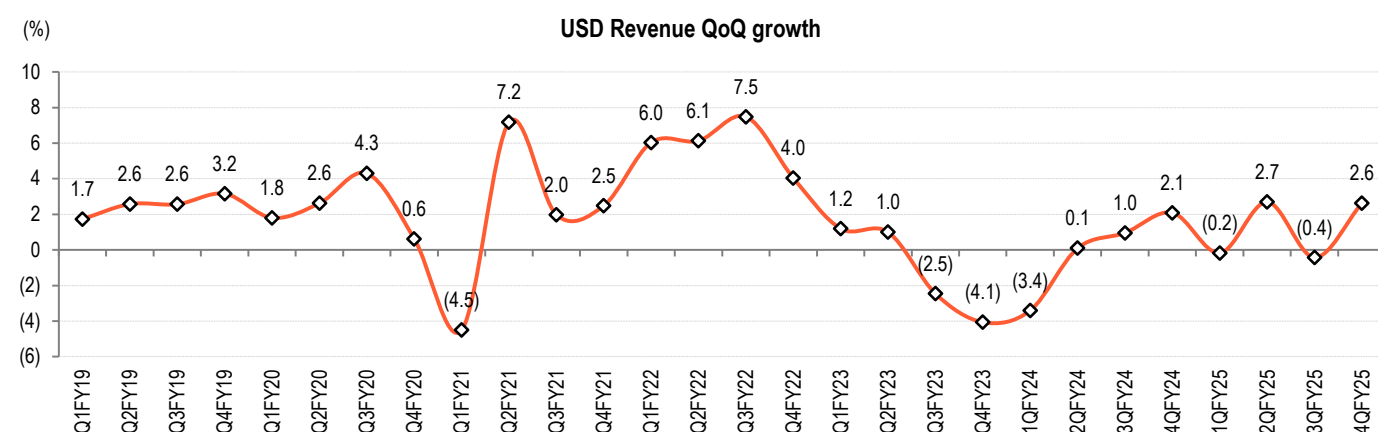
(YE March)	FY13	FY14*	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Average exchange rate (INR/USD)	57.0	134.2	61.4	65.8	68.0	64.5	69.9	71.2	74.1	74.5	80.6	82.8	84.6	87.3	89.3
<b>Net Sales (USD mn)</b>	<b>1,017</b>	<b>427</b>	<b>944</b>	<b>926</b>	<b>894</b>	<b>989</b>	<b>1,119</b>	<b>1,239</b>	<b>1,308</b>	<b>1,593</b>	<b>1,718</b>	<b>1,609</b>	<b>1,681</b>	<b>1,757</b>	<b>1,898</b>
<b>Growth (%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.9)</b>	<b>(3.5)</b>	<b>10.7</b>	<b>13.1</b>	<b>10.8</b>	<b>5.6</b>	<b>21.7</b>	<b>7.8</b>	<b>(6.3)</b>	<b>4.4</b>	<b>4.5</b>	<b>8.0</b>
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	153,303	169,410
-Growth (%)	8.2	-	-	5.1	(0.2)	7.7	18.1	14.4	9.9	23.0	15.4	(3.8)	7.2	7.7	10.5
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	115,009	126,695
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	38,295	42,715
% 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	25.0	25.2
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	8,611	9,729
% 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	5.6	5.7
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	6,750	7,626
% 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	4.4	4.5
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
<b>EBIT</b>	<b>8,888</b>	<b>8,821</b>	<b>7,720</b>	<b>8,226</b>	<b>9,030</b>	<b>9,917</b>	<b>12,481</b>	<b>14,190</b>	<b>15,609</b>	<b>18,270</b>	<b>21,087</b>	<b>20,114</b>	<b>21,709</b>	<b>22,934</b>	<b>25,359</b>
<b>% of sales</b>	<b>15.3</b>	<b>15.4</b>	<b>13.3</b>	<b>13.5</b>	<b>14.9</b>	<b>15.1</b>	<b>16.1</b>	<b>16.0</b>	<b>16.1</b>	<b>15.3</b>	<b>15.3</b>	<b>15.1</b>	<b>15.3</b>	<b>15.0</b>	<b>15.0</b>
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	2,841	2,925
Financial Expenses	(330)	(111)	(279)	(242)	(139)	(130)	(155)	(813)	(634)	(744)	(973)	(1,608)	(1,656)	(1,379)	(1,276)
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	24,395	27,008
-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	15.9	15.9
Exceptional Item	0	(64)	(32)	(548)	(152)	(131)	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	5,968	6,607
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	24.5	24.5
<b>Net profit</b>	<b>7,438</b>	<b>7,954</b>	<b>6,746</b>	<b>6,694</b>	<b>8,048</b>	<b>8,376</b>	<b>10,734</b>	<b>11,851</b>	<b>12,166</b>	<b>14,311</b>	<b>16,380</b>	<b>15,549</b>	<b>17,024</b>	<b>18,428</b>	<b>20,401</b>
<b>-Growth (%)</b>	<b>(6.1)</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>20.2</b>	<b>4.1</b>	<b>28.2</b>	<b>10.4</b>	<b>2.7</b>	<b>17.6</b>	<b>14.5</b>	<b>(5.1)</b>	<b>9.5</b>	<b>8.2</b>	<b>10.7</b>
<b>-Net profit margin (%)</b>	<b>12.8</b>	<b>13.9</b>	<b>11.6</b>	<b>11.0</b>	<b>13.2</b>	<b>12.8</b>	<b>13.9</b>	<b>13.4</b>	<b>12.5</b>	<b>12.0</b>	<b>11.9</b>	<b>11.7</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>

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

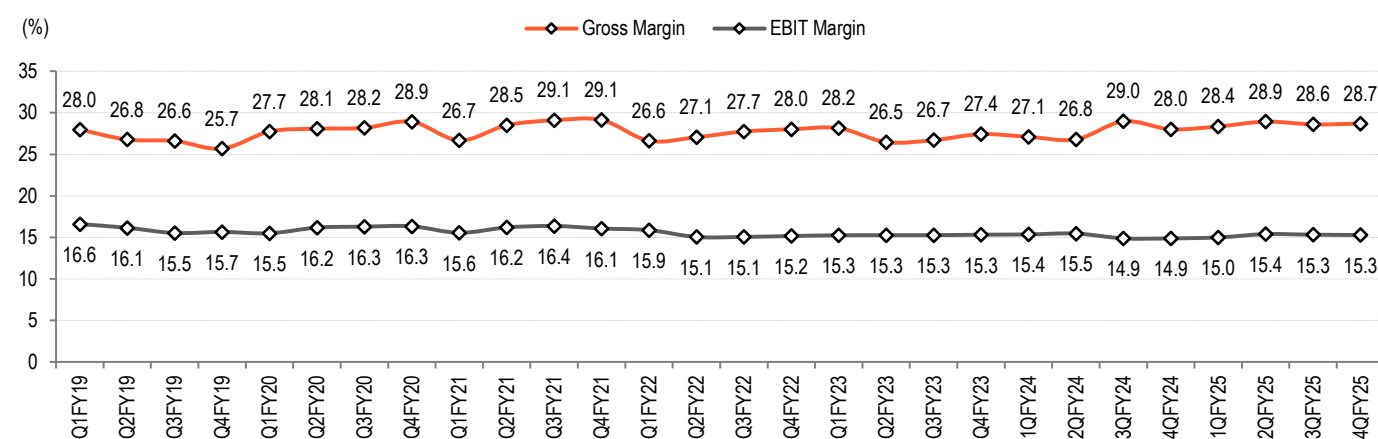


**Fig 6 – USD Revenue YoY Growth**

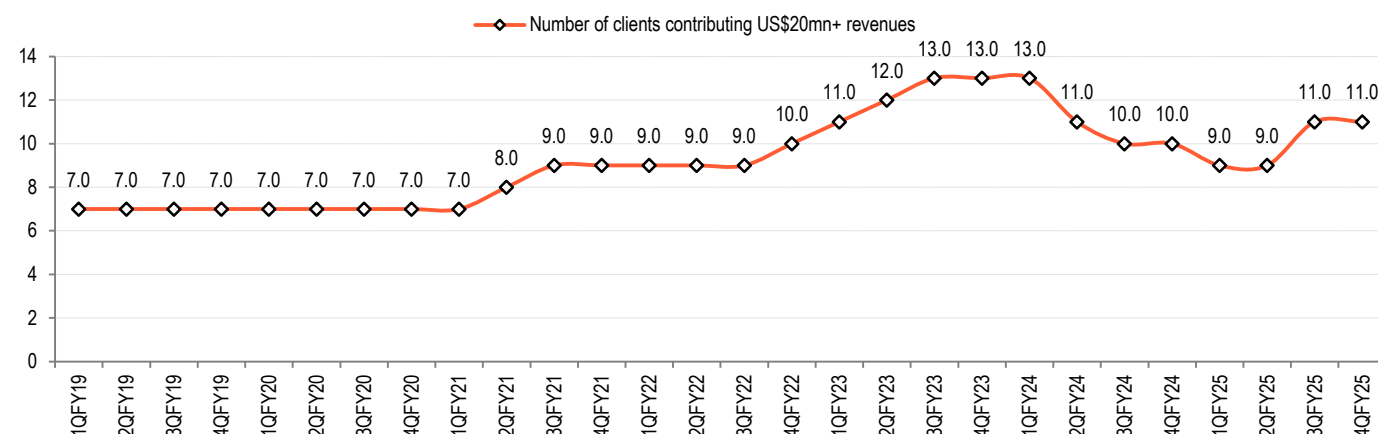
Source: Company, BOBCAPS Research

**Fig 7 – USD Revenue QoQ Growth**

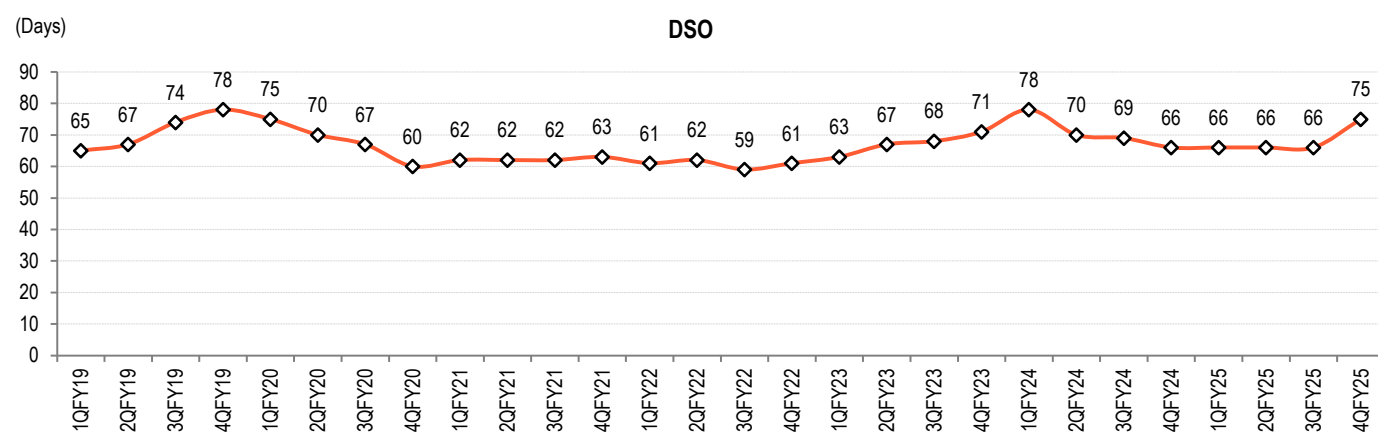
Source: Company, BOBCAPS Research

**Fig 8 – Gross Margin and EBIT margin**

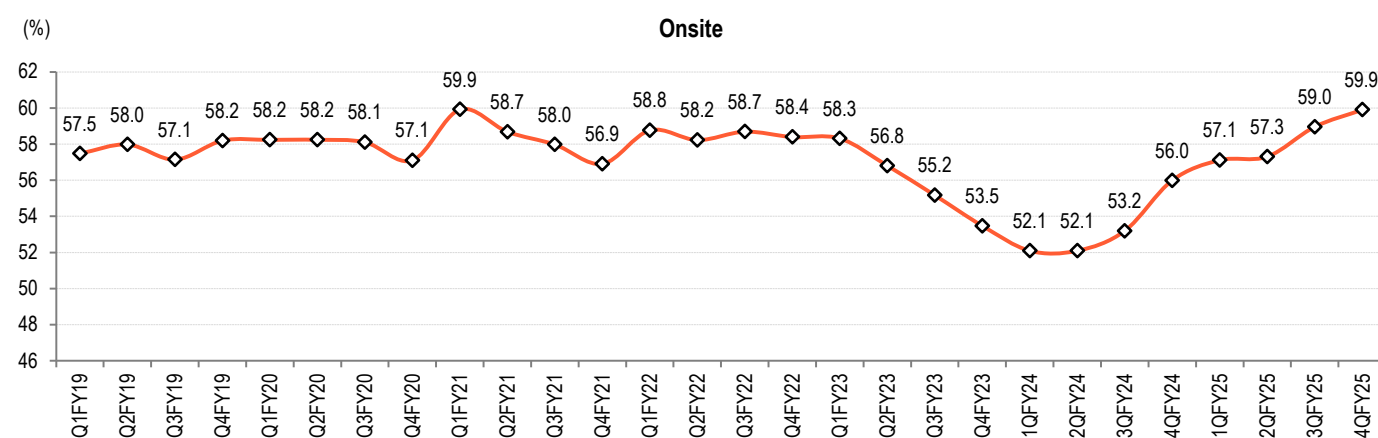
Source: Company, BOBCAPS Research

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

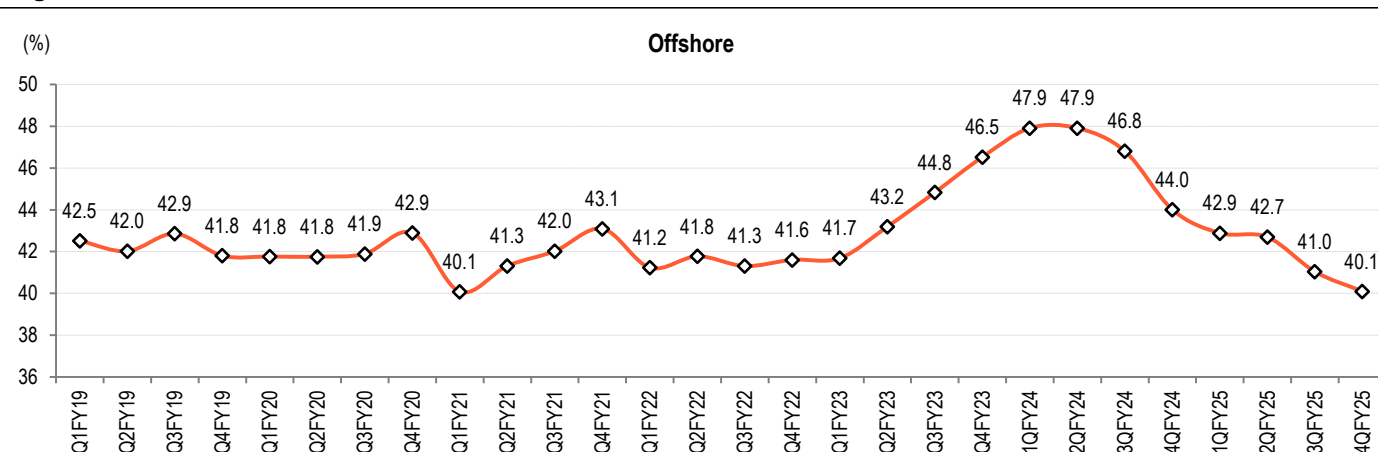
Source: Company, BOBCAPS Research

**Fig 10 – DSO**

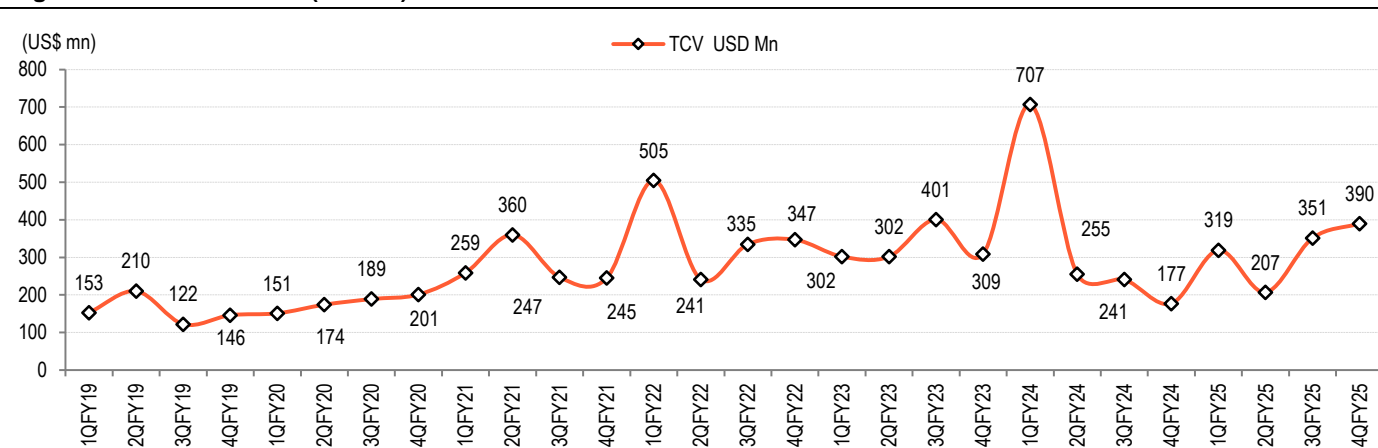
Source: Company, BOBCAPS Research

**Fig 11 – Onsite revenue contribution**

Source: Company, BOBCAPS Research

**Fig 12 – Offshore revenue contribution**

Source: Company, BOBCAPS Research

**Fig 13 – Order Inflow TCV (US\$m)**

Source: Company, BOBCAPS Research

**Fig 14 – Quarterly Snapshot**

YE 31 Mar (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
INR/USD	77.8	80.1	82.3	82.3	82.2	82.7	83.3	83.2	83.4	83.8	84.8	86.4
USD Revenue (USD mn)	436	440	429	412	398	398	402	411	410	421	419	430
INR Revenue	34,112	35,199	35,062	33,612	32,520	32,765	33,379	34,121	34,225	35,362	35,613	37,100
Gross Margin	9,605	9,319	9,365	9,221	8,817	8,781	9,674	9,563	9,706	10,234	10,189	10,649
SGA	4,401	3,942	4,011	4,069	3,822	3,714	4,703	4,482	4,571	4,790	4,731	4,977
EBIT	5,204	5,377	5,354	5,152	4,995	5,067	4,971	5,081	5,135	5,444	5,458	5,672
Other income	357	434	400	426	504	490	542	642	736	587	627	600
PBT	5,329	5,551	5,510	5,341	5,258	5,217	4,985	5,224	5,373	5,626	5,693	5,911
Tax	1,310	1,366	1,387	1,288	1,297	1,297	1,250	1,291	1,328	1,392	1,413	1,446
PAT	4,019	4,185	4,123	4,053	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465
EPS	21.4	22.2	21.9	21.5	21.0	20.8	19.8	20.9	21.4	22.4	22.6	23.5
<b>YOY Growth (%)</b>												
USD Revenue	20.1	14.3	3.7	(4.3)	(8.7)	(9.5)	(6.3)	(0.3)	3.0	5.7	4.2	4.8
INR Revenue	26.8	22.7	12.2	2.5	(4.7)	(6.9)	(4.8)	1.5	5.2	7.9	6.7	8.7
Gross Profit	34.0	20.0	8.0	0.4	(8.2)	(5.8)	3.3	3.7	10.1	16.5	5.3	11.4
EBIT	21.9	24.5	13.8	3.6	(4.0)	(5.8)	(7.1)	(1.4)	2.8	7.4	9.8	11.6
Net Profit	18.3	22.5	15.3	3.4	(1.5)	(6.3)	(9.4)	(3.0)	2.1	8.0	14.6	13.5
<b>QoQ growth (%)</b>												
USD Revenue	1.2	1.0	(2.5)	(4.1)	(3.4)	0.1	1.0	2.1	(0.2)	2.7	(0.4)	2.6
INR Revenue	4.1	3.2	(0.4)	(4.1)	(3.2)	0.8	1.9	2.2	0.3	3.3	0.7	4.2
EBIT	4.7	3.3	(0.4)	(3.8)	(3.0)	1.4	(1.9)	2.2	1.1	6.0	0.3	3.9
Net Profit	2.5	4.1	(1.5)	(1.7)	(2.3)	(1.0)	(4.7)	5.3	2.9	4.7	1.1	4.3
<b>Margins (%)</b>												
Gross Margin	28.2	26.5	26.7	27.4	27.1	26.8	29.0	28.0	28.4	28.9	28.6	28.7
EBIT margin	15.3	15.3	15.3	15.3	15.4	15.5	14.9	14.9	15.0	15.4	15.3	15.3
PAT	11.8	11.9	11.8	12.1	12.2	12.0	11.2	11.5	11.8	12.0	12.0	12.0
SGA	12.9	11.2	11.4	12.1	11.8	11.3	14.1	13.1	13.4	13.5	13.3	13.4

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>P and L (Rsmn)</b>												
Revenues	33,909	35,273	35,356	33,893	32,719	32,964	33,507	34,150	34,208	35,286	35,565	37,174
EBITDA	6,000	6,178	6,175	5,987	5,869	5,956	6,006	6,389	6,185	6,480	6,781	7,025
PAT	4,019	4,185	4,123	4,053	3,961	3,920	3,735	3,933	4,045	4,234	4,280	4,465
<b>Vertical/Industry (%)</b>												
BFS	53	54	54	53	49	47	47	47	48	48	49	50
Insurance	9	8	8	8	11	11	11	11	11	11	12	11
IT, C and E	13	13	13	13	15	17	16	16	16	16	17	18
Emerging Ind.	24	25	25	27	25	25	26	26	25	24	23	21
Total	100	100	100	100	100	100	100	100	100	100	100	100
<b>Absolute Numbers</b>												
BFS	18,097	19,128	18,967	17,997	16,121	15,542	15,684	16,076	16,302	16,892	17,306	18,590
Insurance	3,003	2,936	2,921	2,590	3,443	3,544	3,813	3,770	3,873	3,964	4,153	4,238
IT, C and E	4,539	4,563	4,578	4,301	4,927	5,703	5,219	5,449	5,490	5,820	6,030	6,600
Emerging Ind.	8,270	8,646	8,890	9,005	8,228	8,175	8,790	8,855	8,545	8,610	8,076	7,747
Total	33,909	35,273	35,356	33,893	32,719	32,964	33,506	34,150	34,210	35,286	35,565	37,175
<b>QoQ Growth (%)</b>												
BFS	4	6	(1)	(5)	(10)	(4)	1	2	1	4	2	7
Insurance	(3)	(2)	(1)	(11)	33	3	8	(1)	3	2	5	2
IT, C and E	6	1	0	(6)	15	16	(8)	4	1	6	4	9
Emerging Ind.	8	5	3	1	(9)	(1)	8	1	(4)	1	(6)	(4)
Total	4	4	0	(4)	(3)	1	2	2	0	3	1	5
<b>YoY Growth (%)</b>												
BFS	32	23	11	3	(11)	(19)	(17)	(11)	1	9	10	16
Insurance	23	17	7	(16)	15	21	31	46	12	12	9	12
IT, C and E	19	28	12	0	9	25	14	27	11	2	16	21
Emerging Ind.	22	26	26	18	(1)	(5)	(1)	(2)	4	5	(8)	(13)
Total	27	24	14	4	(4)	(7)	(5)	1	5	7	6	9
<b>Regions</b>												
USA	82	82	82	81	81	79	80	81	81	81	82	82
Europe	10	10	10	11	10	12	12	11	11	11	10	10
ROW	3	3	3	3	3	3	3	3	3	3	2	3
India	5	5	5	5	6	6	6	5	5	6	6	5
Total	100	100	100	100	100	100	100	100	100	100	100	100
<b>Delivery Location (Rs mn)</b>												
Onsite (%)	58	57	55	53	52	52	53	56	57	57	59	60
Offshore (%)	42	43	45	47	48	48	47	44	43	43	41	40
Total (%)	100	100	100	100	100	100	100	100	100	100	100	100
<b>Project Type (%)</b>												
Time and Material	55	56	57	58	58	58	58	58	60	60	58	55
Fixed Price	45	44	43	42	42	42	42	42	40	40	42	45
<b>Client concentration (%)</b>												
Top client	11	12	12	13	13	16	15	14	14	15	15	14
Top 5 clients	45	45	45	44	43	47	46	44	44	43	43	42
Top 10 clients	60	60	59	59	58	58	55	54	53	53	53	54
Non-Top 10 Clients	40	40	41	41	42	42	45	46	47	47	47	46

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
<b>Clients Contributing:</b>												
\$ 200mn revenues	0	1	1	1	1	1	1	1	1	1	1	1
\$ 150mn revenues	3	3	3	3	3	3	3	3	3	2	2	2
\$ 100mn revenues	4	4	4	4	3	3	3	3	3	3	3	3
\$ 75mn revenues	6	6	6	5	5	4	4	4	4	4	5	5
\$ 50mn revenues	7	7	7	7	6	6	5	5	5	5	5	5
\$ 20mn+ clients	11	12	13	13	13	11	10	10	9	9	11	11
\$ 10mn+ clients	24	24	23	25	27	26	29	29	30	27	29	29
\$ 5mn+ clients	44	45	46	46	47	46	46	47	48	51	47	50
\$ 1mn+ clients	105	104	107	112	113	115	134	135	135	140	140	139
<b>(USDmn)</b>												
Revenues	436	440	429	412	398	398	402	411	410	421	419	430
EBITDA	77	77	75	73	71	72	72	77	74	77	80	81
PAT	52	52	50	49	48	47	45	47	48	51	50	52
<b>Productivity metrics</b>												
<b>Per capita (annualised)</b>												
Revenues	56,636	55,921	56,760	56,233	56,284	57,609	57,208	60,590	61,389	63,372	64,157	65,336
EBITDA	10,022	9,794	9,913	9,933	10,096	10,409	10,255	11,335	11,100	11,638	12,233	12,347
PAT	6,713	6,634	6,619	6,725	6,814	6,851	6,377	6,977	7,259	7,604	7,721	7,848
<b>Total contract value signed(US\$ mn)</b>												
Total headcount	36,899	36,876	35,450	34,042	33,961	33,771	33,992	32,664	31,645	31,601	31,194	31,442
Net addition	365	(23)	(1,426)	(1,408)	(81)	(190)	221	(1,328)	(1,019)	(44)	(407)	248
Utilization - Offshore (excluding trainees)	74%	72%	74%	79%	80%	77%	74%	75%	76%	76%	75%	78%

Source: Company, BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Total revenue</b>	<b>137,985</b>	<b>132,785</b>	<b>142,300</b>	<b>153,303</b>	<b>169,410</b>
EBITDA	24,340	24,220	26,471	29,983	33,064
Depreciation	3,253	4,106	4,762	7,050	7,705
EBIT	21,087	20,114	21,709	22,934	25,359
Net interest inc./(exp.)	(973)	(1,608)	(1,656)	(1,379)	(1,276)
Other inc./(exp.)	1,617	2,178	2,550	2,841	2,925
Exceptional items	0	0	0	0	0
EBT	21,731	20,684	22,603	24,395	27,008
Income taxes	5,351	5,135	5,579	5,968	6,607
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>16,380</b>	<b>15,549</b>	<b>17,024</b>	<b>18,428</b>	<b>20,401</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>16,380</b>	<b>15,549</b>	<b>17,024</b>	<b>18,428</b>	<b>20,401</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Accounts payables	0	0	0	0	0
Other current liabilities	19,797	24,910	31,445	33,105	37,811
Provisions	4,115	3,261	833	877	1,002
Debt funds	1,985	15,436	11,159	10,359	9,559
Other liabilities	9,573	9,749	9,346	9,346	9,346
Equity capital	1,884	1,890	1,901	1,901	1,901
Reserves & surplus	77,464	86,056	94,383	101,754	109,915
Shareholders' fund	79,348	87,946	96,284	103,655	111,815
<b>Total liab. and equities</b>	<b>114,818</b>	<b>141,302</b>	<b>149,067</b>	<b>157,342</b>	<b>169,533</b>
Cash and cash eq.	10,558	8,144	16,126	15,114	17,501
Accounts receivables	27,172	27,028	31,604	33,273	38,002
Inventories	0	0	0	0	0
Other current assets	16,218	16,434	18,192	19,152	21,875
Investments	17,526	30,899	22,082	22,082	22,082
Net fixed assets	3,543	6,285	8,463	14,949	16,815
CWIP	324	614	2	2	2
Intangible assets	29,586	41,793	42,907	42,907	42,907
Deferred tax assets, net	2,422	2,857	3,246	3,417	3,903
Other assets	7,469	7,248	6,445	6,445	6,445
<b>Total assets</b>	<b>114,818</b>	<b>141,302</b>	<b>149,067</b>	<b>157,342</b>	<b>169,533</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Cash flow from operations</b>	<b>16,524</b>	<b>25,450</b>	<b>21,215</b>	<b>25,932</b>	<b>26,760</b>
Capital expenditures	(2,859)	(18,094)	(6,328)	(13,536)	(9,571)
Change in investments	(202)	(13,808)	8,428	(171)	(486)
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(3,061)</b>	<b>(31,902)</b>	<b>2,100</b>	<b>(13,707)</b>	<b>(10,057)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,975)	13,720	(3,953)	(800)	(800)
Interest expenses	(973)	(1,608)	(1,656)	(1,379)	(1,276)
Dividends paid	(9,415)	(10,357)	0	(11,057)	(12,241)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(13,363)</b>	<b>1,755</b>	<b>(5,609)</b>	<b>(13,236)</b>	<b>(14,316)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>876</b>	<b>(2,414)</b>	<b>7,982</b>	<b>(1,012)</b>	<b>2,387</b>
<b>Closing cash &amp; cash eq.</b>	<b>10,558</b>	<b>8,144</b>	<b>16,126</b>	<b>15,114</b>	<b>17,501</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25A	FY26E	FY27E
Reported EPS	87.1	82.6	89.9	97.0	107.4
Adjusted EPS	87.1	82.6	89.3	96.6	107.0
Dividend per share	50.0	55.0	0.0	58.2	64.5
Book value per share	421.4	467.1	507.0	545.8	588.8

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25A	FY26E	FY27E
EV/Sales	3.5	3.6	3.4	3.2	2.8
EV/EBITDA	19.6	19.6	18.2	16.1	14.4
Adjusted P/E	29.2	30.7	28.4	26.3	23.7
P/BV	6.0	5.4	5.0	4.7	4.3

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25A	FY26E	FY27E
Tax burden (Net profit/PBT)	75.4	75.2	75.3	75.5	75.5
Interest burden (PBT/EBIT)	103.1	102.8	104.1	106.4	106.5
EBIT margin (EBIT/Revenue)	15.3	15.1	15.3	15.0	15.0
Asset turnover (Rev./Avg TA)	124.7	103.7	98.0	100.1	103.7
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.6	1.5	1.5
<b>Adjusted ROAE</b>	<b>22.0</b>	<b>18.6</b>	<b>18.5</b>	<b>18.4</b>	<b>18.9</b>

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	15.4	(3.8)	7.2	7.7	10.5
EBITDA	14.9	(0.5)	9.3	13.3	10.3
Adjusted EPS	14.0	(5.1)	8.1	8.2	10.7

### Profitability & Return ratios (%)

EBITDA margin	17.6	18.2	18.6	19.6	19.5
EBIT margin	15.3	15.1	15.3	15.0	15.0
Adjusted profit margin	11.9	11.7	12.0	12.0	12.0
Adjusted ROAE	22.0	18.6	18.5	18.4	18.9
ROCE	18.3	14.8	14.2	14.4	15.1

### Working capital days (days)

Receivables	72	74	81	79	82
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

### Ratios (x)

Gross asset turnover	38.9	21.1	16.8	10.3	10.1
Current ratio	2.6	2.1	2.2	2.2	2.2
Net interest coverage ratio	NA	NA	NA	NA	NA
<b>Adjusted debt/equity</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.1)</b>

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

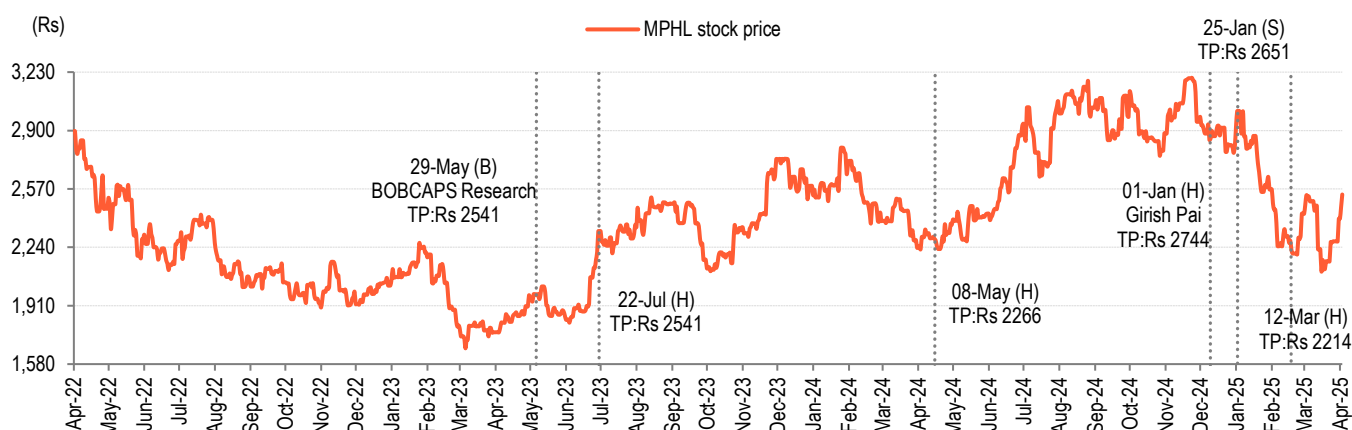
**HOLD** – Expected return from -6% to +15%

**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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