

Mphasis Ltd

ACCUMULATE

Sector: Computers - Software & Consulting

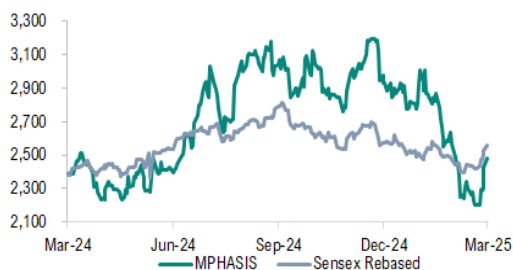
25th March, 2025

Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	Target	Rs. 2,842
Mid cap	MPHASIS:IN	78,017	MPHASIS	526299	12 Months	CMP	Rs. 2,530
						Return	+12%

Data as of: 24-Mar-2025

Company Data			
Market Cap (Rs.cr)	48,092		
52 Week High — Low (Rs.)	3,240 - 2,171		
Enterprise Value (Rs. cr)	48,876		
Outstanding Shares (cr)	19.0		
Free Float (%)	59.6		
Dividend Yield (%)	2.2		
6m average volume (lacs)	6.4		
Beta	1.6		
Face value (Rs.)	10.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	40.4	40.3	40.2
FII's	18.3	18.3	20.8
MFs/Institutions	35.9	37.0	34.6
Public	5.0	4.1	4.0
Others	0.4	0.4	0.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-15.3%	-19.2%	3.8%
Absolute Sensex	-0.6%	-8.2%	7.1%
Relative Return	-14.6%	-11.1%	-3.2%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	14,235	15,900	17,840
Growth (%)	7.2	11.7	12.2
EBITDA	2,719	3,069	3,443
EBITDA Margin (%)	19.1	19.3	19.3
PAT Adjusted	1,712	1,957	2,246
Growth (%)	10.1	14.4	14.8
Adjusted EPS	90.2	103.2	118.4
Growth (%)	9.7	14.4	14.8
P/E	27.5	24.1	21.0
P/B	4.9	4.5	4.0
EV/EBITDA	17.3	15.1	13.3
ROE (%)	17.9	18.6	19.1
D/E	0.1	0.1	0.1

Steady Q3, with BFS and TMT leading the way

Mphasis Ltd is a global IT solutions provider specialising in cloud and cognitive services. It focuses on customer centricity and next-generation technology to help enterprises transform businesses globally.

- In Q3FY25, Mphasis' consolidated revenue increased 6.7% YoY to Rs. 3,561cr, driven by the Banking and Financial Services (BFS) and Technology, Media and Telecom (TMT) verticals.
- Revenue from the BFS segment grew 10.3% YoY to Rs. 1,731cr, driven by wallet share gains in existing accounts and strong execution in new account wins. BFS growth was also supported by ramp-up of new clients, including one client crossing \$100mn deal on a quarterly annualised basis.
- The TMT segment's revenue increased 15.5% YoY to Rs. 603cr, driven by continued deal wins and conversion of recent large deal wins to revenue. New accounts in TMT are showing good traction, with a high-tech account ramped up to an approximately \$50mn annual revenue run-rate.
- EBITDA rose 12.9% YoY to Rs. 678cr, with a 100bps expansion in EBITDA margin to 19.0%. The growth was driven by topline growth and low employee benefit expense growth (+1% YoY). The BFS and TMT verticals led the growth, with execution rigour and AI-led operations contributing to the margin expansion.

Outlook & Valuation

Mphasis demonstrated strong performance in Q3FY25, driven by significant growth in its BFS and TMT verticals. The growth is attributable to the company's focus on customer centricity, next-generation technology and AI-led operations, resulting in a considerable uptick in AI adoption and deal wins. Mphasis' pipeline has seen significant growth, with a 50% increase YoY and 23% sequential growth, driven by large deal opportunities and increased traction in AI archetypes. With a strong outlook for Q4FY25 and expected above-industry growth, the company is well-positioned for long-term growth, driven by its tech-led strategy and improving TCV to revenue conversion. Therefore, **we assign an ACCUMULATE rating on the stock, with a target price of Rs. 2,842 based on 24x FY27E adjusted EPS.**

Quarterly Financials Consol.

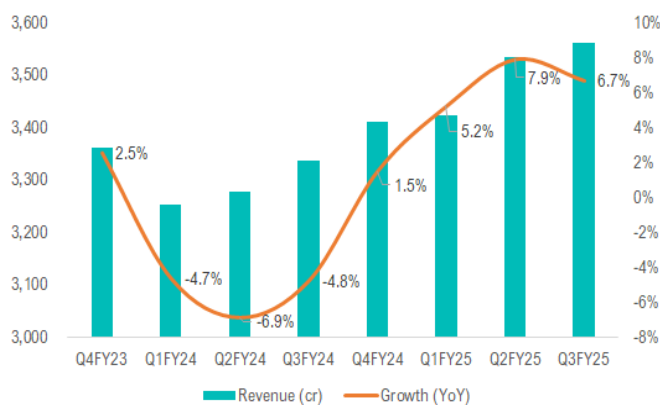
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	3,561	3,338	6.7	3,536	0.7	10,520	9,866	6.6
EBITDA	678	601	12.9	648	4.6	1,944	1,783	9.0
Margin (%)	19.0	18.0	100bps	18.3	70bps	18.5	18.1	40bps
EBIT	546	497	9.7	544	0.2	1,603	1,503	6.7
PBT	569	499	14.2	563	1.2	1,669	1,546	8.0
Rep. PAT	428	374	14.5	423	1.1	1,256	1,162	8.1
Adj PAT	428	374	14.5	423	1.1	1,256	1,162	8.1
Adj. EPS (Rs)	22.6	19.6	14.8	22.4	0.8	66.2	61.1	8.4



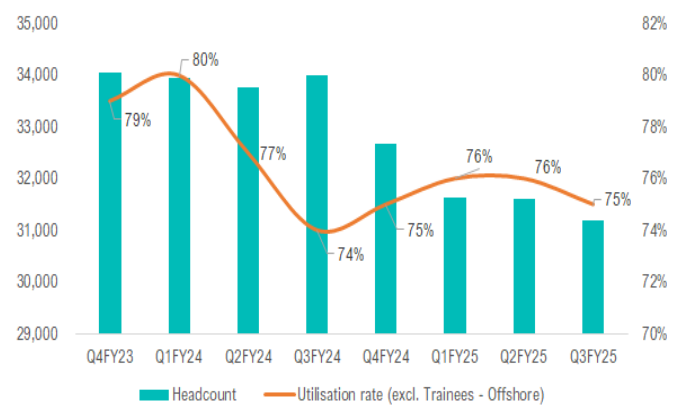
Key Concall Highlights

- TCV closure for Q3FY25 was \$351mn—the highest in the past six quarters. There were five large deals in Q3FY25 and 11 large deals in YTD FY25. Further, a \$100mn deal in the BFS vertical was closed in January 2025, which would reflect in Q4FY25 TCV wins.
- The deal pipeline has seen significant growth, with a 50% increase YoY and 23% sequential growth. The pipeline is broad-based, with large deals up 49% sequentially and increased traction in AI archetypes. BFS pipeline is up 58% YoY and non-BFS pipeline up 44% YoY, with over 20 large deals where NeoZeta and NeoCrux are in play.
- Mphasis is implementing many AI projects that are fast-moving beyond the pilot or proof-of-concept (POC) stage, with a focus on service-led transformation and AI platforms such as Mphasis NeoZeta and NeoCrux. The company's AI thesis is starting to play out, with significant investments in AI platforms and a considerable uptick in AI adoption, as evidenced by deal wins and pipeline growth.
- Revenue from the Logistics and Transportation vertical declined 5.3% YoY to Rs. 434cr, mainly due to a combination of seasonality, cyclicity, and global macro and supply-chain issues. The non-airline business in this segment is particularly affected, and the decline is broad-based, not related to a single large customer.
- Management expects Q4FY25 to be the strongest quarter in the last three years from a sequential growth perspective, with a good healthy portion of the decline in Q3FY25 to be recovered.

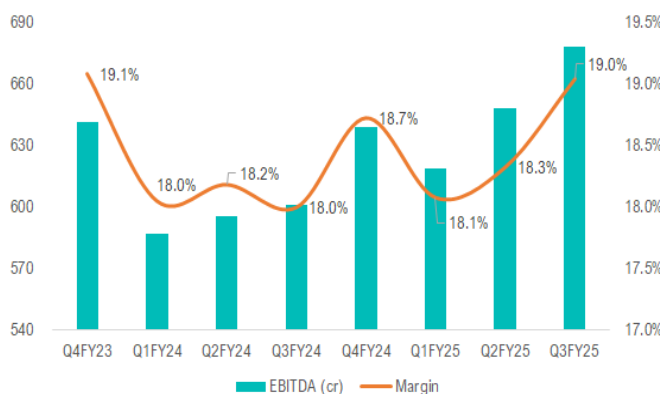
Revenue



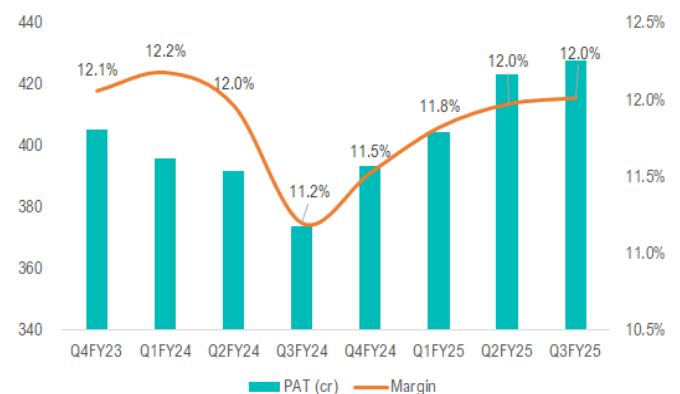
Headcount & Utilisation rate



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change -%	
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	-	-	14,235	15,900	17,840	-	-
EBITDA	-	-	2,719	3,069	3,443	-	-
Margins (%)	-	-	19.1	19.3	19.3	-	-
Adj. PAT	-	-	1,712	1,957	2,246	-	-
EPS	-	-	90.2	103.2	118.4	-	-



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	13,798	13,279	14,235	15,900	17,840
% change	15.4	-3.8	7.2	11.7	12.2
EBITDA	2,434	2,422	2,719	3,069	3,443
% change	14.9	-0.5	12.3	12.9	12.2
Depreciation	325	410	512	563	597
EBIT	2,109	2,011	2,207	2,506	2,846
Interest	97	161	164	159	154
Other Income	162	218	240	264	303
PBT	2,173	2,068	2,282	2,610	2,995
% change	13.6	-4.8	10.3	14.4	14.8
Tax	535	514	571	652	749
Tax Rate (%)	24.6	24.8	25.0	25.0	25.0
Reported PAT	1,638	1,555	1,712	1,957	2,246
PAT att. to common shareholders	1,638	1,555	1,712	1,957	2,246
Adj.*	-	-	-	-	-
Adj. PAT	1,638	1,555	1,712	1,957	2,246
% change	14.5	-5.1	10.1	14.4	14.8
No. of shares (cr)	18.8	18.9	19.0	19.0	19.0
Adj EPS (Rs.)	86.4	81.8	90.2	103.2	118.4
% change	14.1	-5.4	9.7	14.4	14.8
DPS (Rs.)	50.0	55.0	57.8	60.6	63.7

Cash Flow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	1,963	1,965	2,224	2,521	2,843
Non-cash adj.	-97	276	-621	-377	-562
Other adjustments	-	-	-	-	-
Changes in W.C	-404	-62	-87	-173	-182
C.F. Operation	1,462	2,180	1,516	1,970	2,099
Capital exp.	-111	-92	-100	-112	-126
Change in inv.	265	-1,190	549	-139	-148
Other invest.CF	29	-1,200	-	-	-
C.F - Investment	182	-2,482	448	-252	-273
Issue of equity	27	30	1	-	-
Issue/repay debt	-356	1,296	-580	-19	-19
Dividends paid	-865	-943	-1,095	-1,150	-1,208
Other finance.CF	-246	-307	-30	41	43
C.F - Finance	-1,440	77	-1,704	-1,129	-1,184
Chg. in cash	204	-225	261	590	642
Closing Cash	1,053	814	1,075	1,665	2,307

Balance Sheet

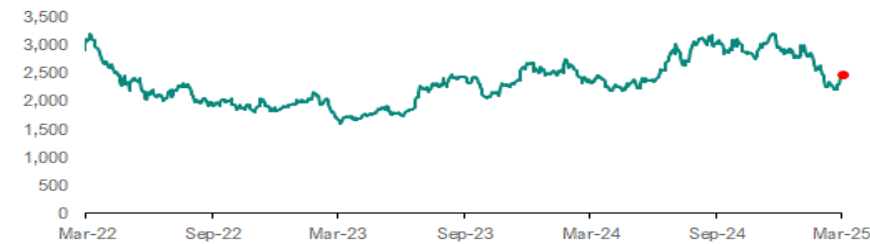
Y.E March (Rs. Cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	1,053	814	1,075	1,665	2,307
Accts. Receivable	2,521	2,426	2,591	2,878	3,193
Inventories	-	-	-	-	-
Other Cur. Assets	2,379	3,392	3,150	3,192	3,373
Investments	385	497	245	270	297
Gross Fixed Assets	1,774	1,939	2,039	2,152	2,278
Net Fixed Assets	972	922	869	813	761
CWIP	5	14	13	12	11
Intangible Assets	3,115	4,659	5,104	5,359	5,627
Def. Tax -Net	242	286	365	383	403
Other Assets	937	1,121	1,191	1,250	1,326
Total Assets	11,609	14,130	14,602	15,823	17,298
Current Liabilities	2,599	2,661	2,981	3,200	3,444
Provisions	242	279	291	306	321
Debt Funds	198	1,544	964	944	926
Other Liabilities	635	852	791	830	872
Equity Capital	188	189	190	190	190
Res. & Surplus	7,746	8,606	9,386	10,353	11,546
Shareholder Funds	7,935	8,795	9,576	10,542	11,735
Minority Interest	-	-	-	-	-
Total Liabilities	11,609	14,130	14,602	15,823	17,298
BVPS	421	465	505	556	619

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	17.6	18.2	19.1	19.3	19.3
EBIT margin (%)	15.3	15.1	15.5	15.8	16.0
Net profit mgn.(%)	11.9	11.7	12.0	12.3	12.6
ROE (%)	20.6	17.7	17.9	18.6	19.1
ROCE (%)	25.9	19.5	20.9	21.8	22.5
W.C & Liquidity					
Receivables (days)	66.7	66.9	66.4	66.1	65.3
Inventory (days)	-	-	-	-	-
Payables (days)	31.4	30.5	31.1	31.5	31.8
Current ratio (x)	2.1	1.6	1.7	1.9	2.0
Quick ratio (x)	1.8	1.4	1.5	1.7	1.8
Turnover & Leverage					
Gross asset T.O (x)	8.3	7.2	7.2	7.6	8.1
Total asset T.O (x)	1.2	1.0	1.0	1.0	1.1
Int. covge. ratio (x)	21.7	12.5	13.4	15.7	18.4
Adj. debt/equity (x)	0.0	0.2	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.3	3.4	3.3	2.9	2.6
EV/EBITDA (x)	12.9	18.5	17.3	15.1	13.3
P/E (x)	19.7	28.4	27.5	24.1	21.0
P/BV (x)	4.1	5.0	4.9	4.5	4.0



Recommendation Summary - last 3 years



Dates	Rating	Target
25-Mar-25	ACCUMULATE	2,842

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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