Mphasis (MPHLIM)

ICICI Direct

CMP: ₹2,250	Target ₹ 2,700 (20%)	Target Period: 12 months	BUY

July 24, 2026

Steady growth; strong deal pipeline supports acceleration ahead

About the stock: Mphasis Ltd (Mphasis) offers application services, BPO and infrastructure services, BFSI, technology, communication & logistic services. Mphasis has 30,000+ employees & serves marquee customers across the globe.

Q1FY27 performance: Mphasis reported revenues of US$ 471 mn, up 2.1% QoQ/ 8.3% YoY in CC terms. Direct Revenue grew 2.2% QoQ/ 9.9% YoY in CC terms. The EBIT margin stood at 14.8%, down ~60 bps QoQ. PAT stood at ₹490 crore, down 4% QoQ/ up 11% YoY.

Investment Rationale:

- **Strong deal pipeline provides visibility for growth acceleration:** Mphasis' growth trajectory remains encouraging, with Q1FY27 revenue growing 2.1% QoQ/8.3% YoY CC and Direct business up 9.9% YoY CC. Net-new TCV remained robust at US$461 mn (+13% QoQ), marking the fifth consecutive quarter above US$400 mn, while TTM TCV exceeded US$1.8 bn. With pipeline at an all-time high (+8% QoQ & +28% YoY) and prior deal wins ramping up, **management expects Q2FY27 to deliver its strongest sequential CC growth in three years, supporting FY27 guidance of high-single-digit to low-double-digit growth. Accordingly, we expect US$ revenue to grow at CAGR of 9.2% over FY26-28E.**
- **Broadening growth engines provide confidence despite near-term margin investments:** Americas (85% of mix) remains the key growth engine, while BFS has sustained structural momentum with >3.5% CQGR over the past eight quarters. Insurance, despite a sequential decline following ~35% FY26 growth, is expected to reaccelerate and remain a key FY27 growth driver, while TMT rebounded strongly as recent wins ramped up. Q1 margin pressure largely reflects upfront deal ramp-up and acquisition investments; as utilisation normalises and platform-led revenues scale, operating leverage should improve, with **management retaining its 14.75–15.75% FY27 EBIT margin guidance. We bake in EBIT margins of 15.4% & 16% in FY27E & FY28E.**
- **AI-led strategy and TRIA strengthen medium-term growth opportunity:** Mphasis' early investments in AI are translating into tangible business momentum, with AI-led opportunities now constituting ~70% of pipeline and 63% of Q1 TCV. TRIA has witnessed faster-than-anticipated traction, with opportunities moving from conversations to closure within weeks and opening incremental business budgets beyond traditional CIO spending. Importantly, bundling platform ARR with managed services and outcome-based engagements could improve revenue quality, client stickiness and wallet share, while supporting operating leverage as adoption scales over the medium term.

Rating and Target Price: Given Mphasis currently stands out on the combination of visible revenue acceleration + sustained US$400 mn+ quarterly bookings + AI/TRIA-led pipeline expansion, despite the broader uncertain demand environment, **we maintain our BUY rating with a target price of ₹2,700, valuing it at 20x FY28E EPS.**

Mphasis
The Next Applied

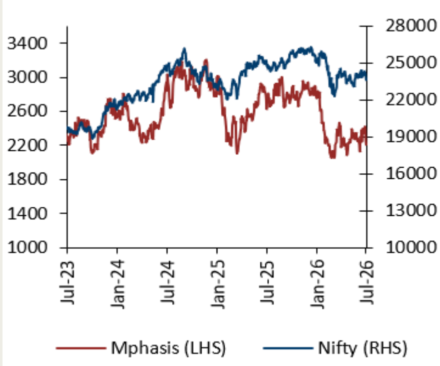
Particulars

Particular	Amount
Market Cap (₹ crore)	42,812
Total Debt (₹ crore)	610
Cash and Inv. (₹ crore)	3,074
EV (₹ crore)	40,348
52 week H/L	3037/2013
Equity Capital (₹ crore)	191
Face Value (₹)	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	40.1	30.6	30.6	30.5
FII	19.0	19.8	19.5	19.5
DIIs	36.5	45.3	45.7	45.3
Public	4.4	4.4	4.3	4.6

Price Chart



Key risks

- Lower than expected revenue growth;
- Lower than expected pipeline to TCV to revenue conversion

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	13,279	14,230	15,880	10.3	18,292	20,039	12.3
EBITDA	2,422	2,647	2,984	10.6	3,401	3,847	13.6
EBITDA Margins (%)	18.2	18.6	18.8		18.6	19.2	
Net Profit	1,542	1,700	1,872	9.0	2,154	2,533	16.3
Diluted EPS (₹)	81.8	89.4	98.4		113.2	133.1	
P/E (x)	27.5	25.0	22.7		19.8	16.8	
RoE (%)	17.5	17.7	17.4		18.6	20.1	
RoCE (%)	22.3	23.2	23.1		24.4	25.8	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Mphasis reported revenues of US$471 mn, up 2.1% QoQ/8.3% YoY in CC terms. Direct Revenue grew 2.2% QoQ/9.9% YoY in CC terms. **Management indicated that Q2FY27 is positioned to deliver the strongest sequential CC growth in the last three years, supported by deal ramp-ups, short-cycle opportunities and the record pipeline.**
- **Margin performance**: EBIT margin stood at ~14.8%, down ~60 bps QoQ, primarily impacted by upfront ramp-up costs for new deal wins, lower utilisation ahead of anticipated Q2 growth and TAP acquisition-related costs. TAP acquisition impacted margins by ~35 bps. Management expects utilisation-related pressure to reverse as revenues ramp, while acquisition costs will continue. PAT stood at ~₹490 crore, down 4% QoQ/up 11% YoY.
- **Geography performance**: Geography wise on a QoQ CC basis, Others (7% of mix) and Americas (85% of mix) grew by 5.5% and 3.8%, respectively, while EMEA (8% of mix) declined by 15.4%.
  - **Americas:** Americas remained the primary growth engine, with Direct business growing ~3.9% QoQ/11.4% YoY CC.
  - **EMEA:** Management indicated that EMEA's reported weakness was largely due to revenue from a globally structured deal moving to other geographies, while underlying business health remains intact
- **Vertical performance**: Vertical wise on a QoQ CC basis, TMT (18% of mix), Others (10% of mix) and BFSI (53% of mix) grew by 15.5%, 5.2% and 0.7%, respectively, while Logistics (4% of mix) and Insurance (15% of mix) declined by 15.7% and 3.1%. BFSI continued its structural growth trajectory, while TMT rebounded sharply as recent deal wins ramped up.
  - **BFSI:** BFSI remained resilient. Management highlighted that BFS has delivered >3.5% CQGR over the past eight quarters, supported by domain depth, wallet-share gains and AI-led opportunities. BFS pipeline has also doubled YoY, supporting continued growth visibility.
  - **Insurance:** Insurance declined 3.1% QoQ CC due to project milestone completions following four consecutive quarters of strong growth and ~35% growth in FY26. Management clarified that weakness was not attributable to any specific client and expects Insurance to remain a key FY27 growth driver, with margins also expected to normalise over the next two quarters.
  - **TMT:** TMT rebounded strongly, growing 15.5% QoQ CC, supported by ramp-up of recent deal wins. Management expects TMT, along with Insurance, to remain an important growth driver through the remainder of FY27.
  - **Logistics:** Logistics remained weak amid macroeconomic and geopolitical headwinds. Management indicated that the business has become relatively small, making percentage movements volatile, and acknowledged that further work is required across logistics, airlines and railroads.
- **Guidance/ Aspiration and Outlook**: Management maintained its **FY27 revenue growth guidance of high-single-digit to low-double-digit CC** growth, despite an uncertain macro environment. Q2FY27 is expected to deliver the best sequential CC growth in three years, driven by ramp-up of prior deal wins, strong short-cycle deal activity and record pipeline. Red Oak (contribution is baked into the outlook but is expected to commence only around end-August/early September, implying growth commentary is broader-based rather than dependent on the transaction. **On the margins front, management reiterated its FY27 EBIT margin guidance of 14.75–15.75%.**
- **Deal Wins:** The company **reported TCV wins of US$461 mn, up 13% QoQ/down 39% YoY on a higher base, with ~63% being AI-led, including 3 large deals with one >US$100 mn**. This marked the fifth consecutive quarter of US$400 mn+ net-new TCV, while TTM TCV stood at >US$1.8 bn. **Total pipeline reached an all-time high, growing 8% QoQ/28% YoY**.

- **Attrition & Employee addition**: The total headcount for the quarter stood at 32,097 employees, a jump 918 employees QoQ.
- **AI/TRIA:** AI-led deals now constitute ~70% of the pipeline, up from ~12% since the launch of Mphasis AI, indicating that AI has increasingly become embedded across deal types and verticals. Mphasis TRIA has seen stronger-than-anticipated initial traction, with multiple opportunities moving from conversations to closure within seven weeks of launch. Management is also witnessing TRIA influence large-deal evaluations and open new budget pools within existing clients, while ARR/platform revenues bundled with managed services could improve revenue quality and stickiness over time.

Exhibit 1: Quarter performance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue	4,384	3,732	17.5	4,243	3.3	- Revenue was up 2.1% QoQ/8.3% YoY in CC terms - Expect to deliver high single digit to low double-digit growth, despite the uncertain macro environment, on the back of strong execution - Q2FY27 is expected to deliver the best sequential CC growth in three years
Employee expense	3,075	2,541	21.0	2,906	5.8	
Gross Margin	1,309	1,191	9.9	1,337	-2.1	
Gross margin (%)	29.9	31.9	-206 bps	31.5	-165 bps	
Other expense	514	488	5.2	531	-3.3	
EBITDA	795	703	13.1	805	-1.3	
EBITDA Margin (%)	18.1	18.8	-69 bps	19.0	-84 bps	
Depreciation & amortisation	147	132	11.5	153	-3.7	
EBIT	648	571	13.5	653	-0.7	
EBIT Margin (%)	14.8	15.3	-51 bps	15.4	-60 bps	On the margins front, margin guidance for FY27 maintained at 14.75%-15.75%
Other income (less interest)	35	39	-11.5	29	20.1	
PBT	683	610	11.9	681	0.2	
Tax paid	193	168	14.8	172	12.6	
PAT	490	442	10.8	510	-4.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,937	1,959	1.1	2,105	2,143	1.8
Revenue	17,825	18,292	2.6	19,366	20,039	3.5
EBIT	2,842	2,809	-1.2	3,157	3,206	1.6
EBIT Margin (%)	15.9	15.4	-59 bps	16.3	16.0	-30 bps
PAT	2,237	2,154	-3.7	2,493	2,533	1.6
Diluted EPS (₹)	117.6	113.2	-3.7	131.0	133.1	1.6

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Total Revenues	**15,880**	**18,292**	**20,039**
Growth (%)	12	15	10
Employee Benefit Expense	10,894	12,787	13,767
Other Expenses	2,002	2,104	2,425
EBITDA	**2,984**	**3,401**	**3,847**
Growth (%)	13	14	13
Depreciation	555	592	641
Other Income	295	278	320
Interest	204	177	149
PBT before Excep Items	2,519	2,910	3,377
Growth (%)	12	16	16
Tax	647	755	844
PAT before Excep Items	1,872	2,154	2,533
Exceptional items	-	-	-
PAT	**1,872**	**2,154**	**2,533**
Growth (%)	10	15	18
Diluted EPS	**98**	**113**	**133**
EPS (Growth %)	10	15	18

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	**2,509**	**2,910**	**3,377**
Depreciation	555	592	641
(inc)/dec in Current Assets	(1,635)	(1,193)	(865)
(inc)/dec in current Liabilities	716	950	688
Income Taxes Paid	(700)	(755)	(844)
Others	(193)	160	132
CF from operations	**1,253**	**2,663**	**3,130**
Other Investments	106	17	17
(Purchase)/Sale of Fixed Assets	(316)	(129)	(141)
CF from investing Activities	**(211)**	**(112)**	**(124)**
Inc / (Dec) in Equity Capital	34	-	-
Inc / (Dec) in sec.loan Funds	498	(30)	(30)
Dividend & Divendend tax	(1,084)	(1,293)	(1,520)
Interest Paid on Loans	(185)	(177)	(149)
CF from Financial Activities	**(737)**	**(1,500)**	**(1,699)**
Net change in cash	305	1,052	1,307
Opening cash	986	1,123	1,968
Closing cash	1,123	1,968	3,069

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet		₹ crore	
(Year-end March)	FY26	FY27E	FY28E
Equity	191	191	191
Reserves & Surplus	10,553	11,415	12,428
Networth	10,744	11,605	12,619
Total debt	610	580	550
Other liabilities	419	456	483
Source of funds	**11,772**	**12,641**	**13,652**
Net Block	892	771	624
CWIP	0	0	0
Intangible assets under development	776	640	493
Long term Loans and advances	-	-	-
Other non current assets	3,079	3,484	3,777
Current Investments	1,321	1,321	1,321
Goodwill	4,768	4,768	4,768
Inventories	-	-	-
Debtors	4,193	4,830	5,291
Cash Balance	1,123	1,968	3,069
Bank Balance	630	630	630
Short term Loans and advances	11	13	14
Other current assets	990	1,140	1,249
Trade payables	1,357	1,563	1,712
Other Current liabilities	4,371	5,035	5,516
Provisions	282	324	355
Application of funds	**11,772**	**12,641**	**13,652**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios			
(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	98.4	113.2	133.1
BV	567.9	613.4	667.0
DPS	59	68	80
Cash Per Share	92.6	137.3	195.5
Operating Ratios (%)			
EBITDA Margin	18.8	18.6	19.2
PAT Margin	11.8	11.8	12.6
Debtor days	96	96	96
Creditor days	31	31	31
Return Ratios (%)			
RoE	17.4	18.6	20.1
RoCE	23.1	24.4	25.8
RoIC	27.9	32.2	37.1
Valuation Ratios (x)			
P/E	22.7	19.8	16.8
EV / EBITDA	13.5	11.6	10.0
Market Cap / Sales	2.7	2.3	2.1
Price to Book Value	4.0	3.7	3.4
Solvency Ratios			
Debt / Equity	0.1	0.0	0.0
Debt / EBITDA	0.2	0.2	0.1
Quick Ratio	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Sell: <-15%

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