Mphasis (MPHLIM)

CMP: ₹2,544 | Target ₹ 3,000 (18%) | Target Period: 12 months | BUY

November 6, 2026

Revenue growth accelerates; FY27 growth outlook raised!

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.

Q2FY27 performance: Mphasis reported revenues of US$486 mn, up 3.3% QoQ/9.7% YoY in CC terms. Direct Revenue grew 3.5% QoQ/11.3% YoY in CC terms. The EBIT margin stood at 14.8%, flat QoQ and down 50 bps YoY. PAT stood at ₹561 crore, up 14.6% QoQ/19.6% YoY.

Investment Rationale:

- **Improving growth visibility supported by healthy deal conversion:** Mphasis delivered its strongest sequential growth in three years, with Direct Revenue increasing 3.5% QoQ and 11.3% YoY in CC terms. It won TCV of US$466 mn, up 1% QoQ/down 12% YoY, with 66% being AI-led, including five large deals in Q2. **Management raised its FY27 revenue growth guidance to low double-digit CC growth from the earlier high-single-digit to low-double-digit range, supported by a strong H1 performance and visibility from the record pipeline and deal backlog**. Management expects H2FY27 to sustain the momentum, backed by four factors: broad-based pipeline, six consecutive quarters of US$400 mn+ net new TCV, steady deal-to-revenue conversion and an organisation equipped to scale delivery. Short-cycle deal traction further supports near-term revenue visibility across existing and new accounts. **We expect US$ revenue to grow at CAGR of 10.2% over FY26-28E.**
- **Operating leverage potential: Mphasis retained its FY27 EBIT margin band of 14.75–15.75%,** despite Q2 margin of 14.8% (flat QoQ and down 50 bps YoY), reflecting upfront deal ramp-up costs, acquisition amortisation and higher onsite mix in AI programmes. Management is prioritising growth investments and expects Tria-led automation and scaled platform deployment to support gross-margin improvement over time, though timing remains uncertain. **We bake in EBIT margins of 15% and 15.8% in FY27E and FY28E.**
- **AI-led transformation expands addressable opportunity:** Mphasis Tria is strengthening the company's positioning beyond traditional IT budgets by addressing business and operations-led requirements through governed decision-making and measurable outcomes. **AI-led opportunities account for 71% of the record US$9.3 bn pipeline, while 66% of Q2 TCV wins were AI-led.** Management highlighted traction across BFSI, Insurance and Technology, with multiple live deployments and Tria influencing large-deal evaluations. The platform is also enabling larger, multi-year transformation opportunities and reusable capabilities as deployments scale across clients, although revenue contribution remains too early to quantify

Rating and Target Price: Given sustained resilient performance amidst uncertain macro environment**, we maintain our BUY rating with a target price of ₹3,000, valuing it at 22x FY28E EPS.**

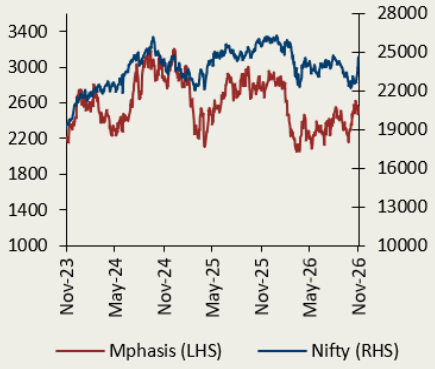
Particulars

Particular	Amount
Market Cap (₹ crore)	48,406
Total Debt (₹ crore)	610
Cash and Inv. (₹ crore)	3,074
EV (₹ crore)	45,942
52 week H/L	2975/2013
Equity Capital (₹ crore)	191
Face Value (₹)	10.0

Shareholding pattern

	Dec-25	Mar-25	Jun-25	Sep-25
Promoters	30.6	30.6	30.5	30.5
FII	19.8	19.5	19.5	19.4
DIIs	45.3	45.7	45.3	45.9
Public	4.4	4.3	4.6	4.2

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	18,580	20,738	14.3
EBITDA	2,422	2,647	2,984	10.6	3,415	3,940	14.9
EBITDA Margins (%)	18.2	18.6	18.8		18.4	19.0	
Net Profit	1,542	1,700	1,872	9.0	2,154	2,582	17.4
Diluted EPS (₹)	81.8	89.4	98.4		113.2	135.7	
P/E (x)	31.1	28.3	25.7		22.4	18.6	
RoE (%)	17.5	17.7	17.4		18.6	20.4	
RoCE (%)	22.3	23.2	23.1		24.7	26.3	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Mphasis reported Q2FY27 revenue of US$486 mn, up 3.3% QoQ/9.7% YoY in CC terms. Direct Revenue grew 3.5% QoQ/11.3% YoY in CC terms marking the strongest sequential growth in three years. Management highlighted healthy deal conversion, ramp-up of large deal wins and increasing contribution from short-cycle opportunities.
- **Margin performance**: EBIT margin stood at 14.8%, flat QoQ and down 50 bps YoY, impacted by upfront ramp-up costs for new deal wins, lower utilisation ahead of anticipated growth, TAP acquisition-related amortisation and higher onsite mix, particularly for AI-led programmes. Management highlighted that investments are being prioritised to capture growth opportunities, with Tria-led delivery efficiencies expected to provide a margin tailwind as engagements scale. PAT stood at ₹561 crore, up 14.6% QoQ/19.6% YoY.
- **Geography performance**: Geography-wise, on a QoQ CC basis, ROW (7% of mix) and Americas (85% of mix) grew 16.4% and 3.1%, respectively, while EMEA (8% of mix) declined 3.3%.
  - **Americas:** Americas remained the primary growth engine, with Direct business growing 3.1% QoQ/12.4% YoY CC, driven by ramp-up of large deal wins and contributions from new logos.
  - **ROW:** led by increasing participation in the GCC ecosystem with global clients
  - **EMEA:** Management clarified that the reported weakness was largely due to revenue from a globally structured engagement being allocated across other geographies, while underlying business health remains intact.
- **Vertical performance**: Vertical-wise, BFSI (53% of mix), TMT (19% of mix) and Insurance (15% of mix) grew 4.5%, 10.9% and 1.8%, respectively, while Logistics (4% of mix) and Others (9% of mix) declined 12% and 6.4%. BFSI continued its steady growth trajectory, while TMT rebounded sharply on ramp-up of recent deal wins.
  - **BFSI:** Management highlighted that BFS has delivered >3.8% CQGR over the past 8 quarters. Growth was supported by continued wallet-share gains in existing accounts and new deal wins, reflecting domain strength & increasing AI-led opportunities. Management highlighted healthy BFS pipeline growth and expects continued traction.
  - **Insurance:** Insurance returned to sequential growth, supported by Tria-led optimisation programmes across underwriting, claims and risk operations. Management expects Insurance to remain an important growth driver.
- **Guidance/ Aspiration and Outlook: Management raised its FY27 revenue growth guidance to low double-digit CC growth from the earlier high-single-digit to low-double-digit range,** supported by a strong H1 performance and visibility from the record pipeline and deal backlog. Management expects H2FY27 to sustain the momentum, backed by four factors: broad-based pipeline, six consecutive quarters of US$400 mn+ net new TCV, steady deal-to-revenue conversion and an organisation equipped to scale delivery. **On the margins front, management reiterated its FY27 EBIT margin guidance of 14.75–15.75%,** while continuing to prioritise growth investments over near-term margin optimisation. The company also retained its target of 80% conversion of net income to operating cash flow in FY27, with cash conversion expected to normalise in FY28.
- **Deal Wins:** The company reported TCV wins of US$466 mn, up 1% QoQ/down 12% YoY, with 66% being AI-led, including five large deals. This marked the sixth 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 of US$9.3 bn, growing 4.4% QoQ/23% YoY.

- **Attrition & Employee addition**: Total headcount stood at 32,920 employees, increasing by 823 employees QoQ.
- **AI/TRIA: AI-led deals now constitute 71% of the pipeline, up from 12% at the launch of Mphasis.ai, while 66% of Q2 TCV wins were AI-led. Mphasis Tria is witnessing stronger-than-anticipated traction, with multiple opportunities progressing to live deployments across clients and verticals. Management highlighted that Tria is increasingly influencing large-deal evaluations and opening new business and operations budgets beyond traditional IT spending, particularly across lending origination, payment exception processing, client onboarding, insurance operations and technology services. Management expects Tria-led opportunities to increasingly scale through reusable assets and platform-led delivery, although it remains too early to quantify revenue contribution. The company will continue investing in Tria, with management expecting scaled adoption and automation to provide a margin tailwind over time.**

Exhibit 1: Quarter performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	4,581	3,902	17.4	4,384	4.5	- Revenue was up up 3.3% QoQ/9.7% YoY in CC terms - Expect to deliver low double-digit growth, despite the uncertain macro environment, on the back of strong pipeline and TCV wins
Employee expense	3,210	2,696	19.0	3,075	4.4	
Gross Margin	1,371	1,206	13.7	1,309	4.8	
Gross margin (%)	29.9	30.9	-97 bps	29.9	8 bps	
Other expense	540	482	12.0	514	5.2	
EBITDA	831	724	14.8	795	4.5	
EBITDA Margin (%)	18.1	18.5	-40 bps	18.1	0 bps	
Depreciation & amortisation	154	128	20.2	147	4.4	
EBIT	677	596	13.7	648	4.5	
EBIT Margin (%)	14.8	15.3	-48 bps	14.8	0 bps	On the margins front, margin guidance for FY27 maintained at 14.75%-15.75%
Other income (less interest)	90	29	212.1	35	159.9	
PBT	768	625	22.9	683	12.4	
Tax paid	207	156	32.6	193	6.8	
PAT	561	469	19.6	490	14.6	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,959	1,975	0.8	2,143	2,183	1.9
Revenue	18,292	18,580	1.6	20,039	20,738	3.5
EBIT	2,809	2,787	-0.8	3,206	3,277	2.2
EBIT Margin (%)	15.4	15.0	-35 bps	16.0	15.8	-20 bps
PAT	2,154	2,154	0.0	2,533	2,582	1.9
Diluted EPS (₹)	113.2	113.2	0.0	133.1	135.7	1.9

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total Revenues	**15,880**	**18,580**	**20,738**
Growth (%)	12	17	12
Employee Benefit Expense	10,894	12,991	14,413
Other Expenses	2,002	2,174	2,385
EBITDA	**2,984**	**3,415**	**3,940**
Growth (%)	13	14	15
Depreciation	555	628	664
Other Income	295	334	320
Interest	204	188	155
PBT before Excep Items	2,519	2,934	3,442
Growth (%)	12	16	17
Tax	647	780	861
PAT before Excep Items	1,872	2,154	2,582
Exceptional items	-	-	-
PAT	**1,872**	**2,154**	**2,582**
Growth (%)	10	15	20
Diluted EPS	**98**	**113**	**136**
EPS (Growth %)	10	15	20

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	**2,509**	**2,934**	**3,442**
Depreciation	555	628	664
(inc)/dec in Current Assets	(1,635)	(1,336)	(1,068)
(inc)/dec in current Liabilities	716	1,064	850
Income Taxes Paid	(700)	(780)	(861)
Others	(193)	171	138
CF from operations	**1,253**	**2,679**	**3,165**
Other Investments	106	17	17
(Purchase)/Sale of Fixed Assets	(316)	(131)	(146)
CF from investing Activities	**(211)**	**(114)**	**(129)**
Inc / (Dec) in Equity Capital	34	-	-
Inc / (Dec) in sec.loan Funds	498	(30)	(30)
Dividend & Divendend tax	(1,084)	(1,292)	(1,549)
Interest Paid on Loans	(185)	(188)	(155)
CF from Financial Activities	**(737)**	**(1,510)**	**(1,733)**
Net change in cash	305	1,056	1,302
Opening cash	986	1,123	1,972
Closing cash	**1,123**	**1,972**	**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	11,414	12,447
Networth	10,744	11,605	12,638
Total debt	610	580	550
Other liabilities	419	460	494
Source of funds	**11,772**	**12,646**	**13,682**
Net Block	892	749	589
CWIP	0	0	0
Intangible assets under development	776	629	477
Long term Loans and advances	-	-	-
Other non current assets	3,079	3,532	3,894
Current Investments	1,321	1,321	1,321
Goodwill	4,768	4,768	4,768
Inventories	-	-	-
Debtors	4,193	4,906	5,476
Cash Balance	1,123	1,972	3,069
Bank Balance	630	630	630
Short term Loans and advances	11	13	14
Other current assets	990	1,158	1,292
Trade payables	1,357	1,587	1,772
Other Current liabilities	4,371	5,115	5,709
Provisions	282	329	368
Application of funds	**11,772**	**12,646**	**13,682**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	98.4	113.2	135.7
BV	567.9	613.4	668.0
DPS	59	68	81
Cash Per Share	92.6	137.5	195.5
Operating Ratios (%)			
EBITDA Margin	18.8	18.4	19.0
PAT Margin	11.8	11.6	12.4
Debtor days	96	96	96
Creditor days	31	31	31
Return Ratios (%)			
RoE	17.4	18.6	20.4
RoCE	23.1	24.7	26.3
RoIC	27.9	32.0	37.8
Valuation Ratios (x)			
P/E	25.7	22.4	18.6
EV / EBITDA	15.4	13.2	11.2
Market Cap / Sales	3.0	2.6	2.3
Price to Book Value	4.5	4.1	3.8
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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