9 December 2024

INDIA | IT SERVICES |
COVERAGE INITIATION

JM FINANCIAL

Mphasis

Built to scale



Headwinds abating; improving pipeline and lower leakages to underpin recovery

Improving outlook for US BFSI, stable margins to drive 16% EPS CAGR over FY25-27E

At par valuations with mid-cap basket leave scope for re-rating; Initiate with a BUY and TP of INR 3,590

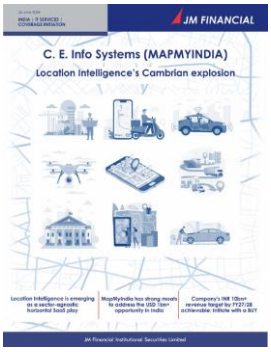
JM Financial Institutional Securities Limited

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Mphasis is built to scale. It has successfully penetrated and scaled top US banking clients - a cohort where competitive intensity is probably the highest. It clearly has wares to sell. Its endeavor to take its US BFS strategy to other verticals should broaden its client/revenue base. Those are strong underpinnings for medium-term growth trajectory. Near-term too, headwinds – large account challenges, lower mortgage volumes etc. - are now receding. That is visible in lower leakages. Improving pipeline should therefore translate into better growth. Margins improvement and EPS should follow. Multiples – at par with mid-cap basket – are not stretched. BUY.

RECENT REPORTS



C. E. Info Systems (MAPMYINDIA)



Auto ER&D: Charged up for a long-range



US Presidential Election – No longer a trump card



BFSI rebound: De-"Banked" 2.0



IT Services A longer winter ahead

JM FINANCIAL

Mphasis

Built to scale

Mphasis is the largest India heritage mid-cap (Rev < USD 2bn) IT Services provider by revenue. It is also unlike the rest (mid-cap peers). Where others struggle to penetrate large US BFSI customers, Mphasis works with all of the top-10 US banks. Similarly, where most struggle to scale accounts beyond USD 75mn, Mphasis has three USD 100mn+ ARR accounts. These reflect Mphasis' "Built to scale" set-up – account-centric sales/delivery, breadth of offerings, repeatable solution blue-print for proactive deal pursuits, and a unique "Tribes-Squads" combination to bring tech-led solutions to clients.

Recently though, Mphasis' growth has underwhelmed. Impact of higher exposure to BFSI (58% of rev), particularly mortgages, on growth is well documented. What is perhaps not appreciated enough is impact of its higher exposure to transformation-leaning discretionary spends. These very factors, we believe, are now turning favourable. Attenuation of US banks' spend normalisation trend (BFSI rebound: De-"Banked" 2.0), uptick in mortgage origination (followed by likely rebound in REFI volumes) and green shoots in discretionary spend bode well.

Macro tailwinds aside, Mphasis is proactively plugging portfolio gaps. Shift from account-led to cluster-led GTM strategy addresses non-BFS growth. New Client Addition (NCA) engine has started chugging, augmenting proven account mining capabilities. Mphasis is strengthening its large deal team to break-out of a stagnant TCV run-rate. Besides, stability in leakage points at better TCV-revenue conversion ahead.

We initiate coverage on the stock with a BUY rating and TP of INR 3,590, implying 16% upside. Better-than-expected pick-up in mortgage volumes/discretionary spend is an upside risk. Potential ramp-downs in non-BFS accounts will be a key risk.

Headwinds abating: Mphasis' growth suffered from both macro – lower spend by US banks, shrinking mortgage volumes – as well as micro – consolidation in two of its top-10 accounts, decline in DXC channel – over the past couple of years. Digital Risk (mortgage) and DXC channel decline alone shaved off c.USD 250mn (15% of revenue) over FY22-24. There are now signs of trend reversal. US banks' services spend is on the mend. Mortgage volumes are stabilising. Client-specific challenges are largely done with. DXC's contribution (3% of rev.) is no longer material. Mphasis' 58% exposure to BFSI (highest in peer group) indexes its growth closely to the improving US macro/rate-cut cycle.

Improving pipeline + reducing leakages = higher revenue visibility: Mphasis' incremental revenue has trailed net new deal TCV (USD 373mn of incremental revenue over FY20-24 vs. TCV of USD c.6bn). This points to elevated leakages/lower renewals – possibly due to factors described above. Our TCV-revenue waterfall model suggests leakages reduced in 2QFY25, implying inflection. Improving deal pipeline (+23% YoY) should revive stagnant deal TCV. Mphasis' non-RFP deal focus likely limited its participation in RFP-led efficiency deals. Arrival of Mike Meyer, a Cognizant veteran on large engagements, should help plug that gap. Improving discretionary spend environment will support its self-curated transformation-led deal pursuits too.

Mphasis – built different: Mphasis' GTM strategy is account-centric (now cluster-led), unique for a provider of its size. Its success reflects in three USD 100mn+ accounts, highest among peers. Its delivery model follows deliverables, not the other way round. This reflects in higher onsite/lower utilisation. Despite, its margin profile is better than peers, implying tight operations (and higher levers). Its offerings are organised around Tribes – specialist teams of ever evolving tech trends – and not static silos of standard practices (Cloud, ERP, etc.). These should manifest into superior growth, given a conducive environment.

Initiate coverage with BUY;TP of INR 3,590: We estimate 8.4% USD revenue growth over FY24-27E, a step-up over 2% growth over FY22-25E. Better growth should aid 70bps margin expansion over the same period, in our view, driving 14% EPS CAGR. We value the stock at 31x (+1 SD above 5 yr avg), at 22.5% discount to our target PER for Coforge. We initiate with a BUY and TP of INR 3,590.

Recommendation and Price Target	
Current Reco	BUY
Current Price Target (12M)	3,590
Upside/(Downside)	16%

Key Data – MPHL IN	
Current Market Price	INR3,105
Market cap (bn)	INR588.4/US$6.9
Free Float	53%
Shares in issue (mn)	190.8
Diluted share (mn)	189.1
3-mon avg daily val (mn)	INR2,316.3/US$27.3
52-week range	3,188/2,180
Sensex/Nifty	81,508/24,619
INR/US$	84.7

Price Performance			
%	1M	6M	12M
Absolute	8.6	25.6	27.9
Relative*	5.9	18.2	9.6

*To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	1,38,415	1,33,340	1,42,246	1,56,116	1,74,359
Sales Growth (%)	16.7	-3.7	6.7	9.8	11.7
EBITDA	24,770	24,775	25,976	29,417	33,375
EBITDA Margin (%)	17.9	18.6	18.3	18.8	19.1
Adjusted Net Profit	16,810	16,104	16,793	19,526	22,916
Diluted EPS (INR)	89.3	85.3	88.8	103.3	121.2
Diluted EPS Growth (%)	17.0	-4.4	4.1	16.3	17.4
ROIC (%)	27.7	22.9	21.7	22.6	22.6
ROE (%)	22.3	19.0	18.1	18.4	18.0
P/E (x)	34.8	36.4	35.0	30.1	25.6
P/B (x)	7.3	6.6	6.1	5.1	4.3
EV/EBITDA (x)	23.9	24.6	22.9	19.9	17.3
Dividend Yield (%)	1.1	1.6	1.8	1.9	2.1

Source: Company data, JM Financial. Note: Valuations as of 09/Dec/2024

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha
You can also access our portal: www.jmflresearch.com
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

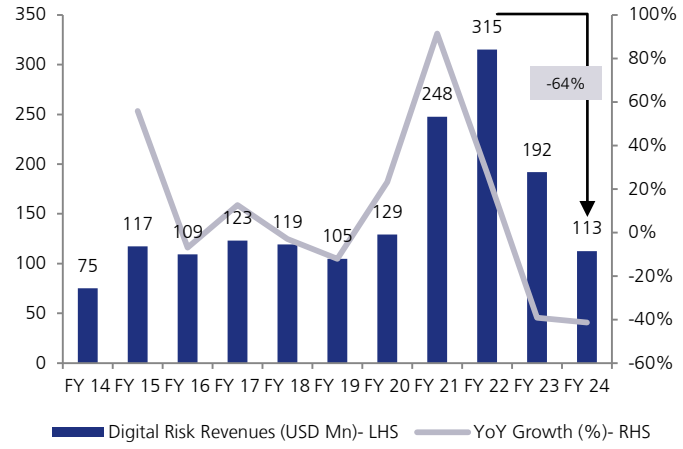
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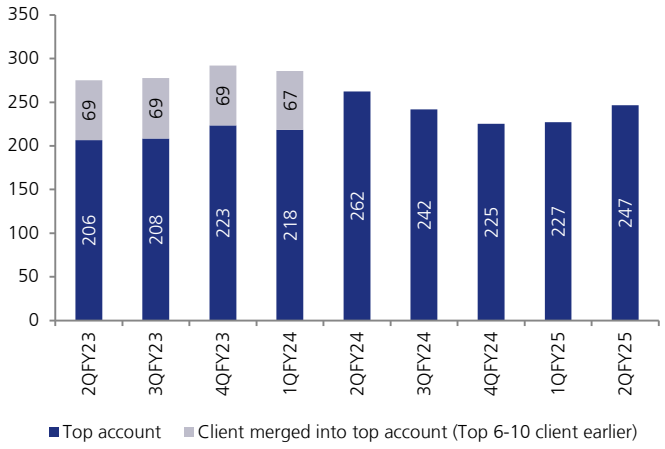
Focus charts

Exhibit 1. Mortgage revenue saw significant erosion over FY22-24



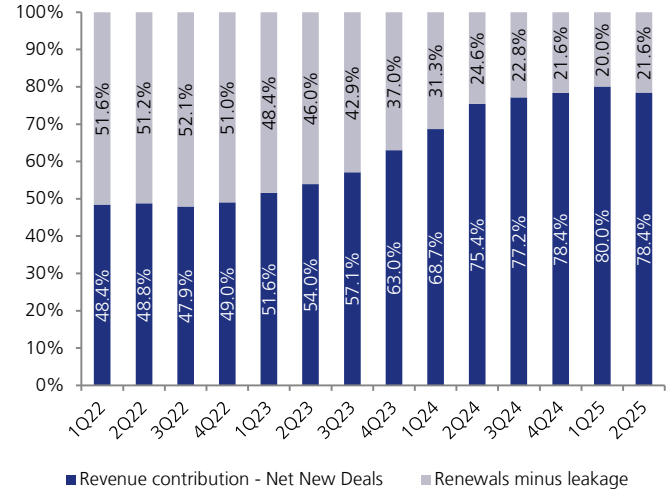
Source: Company, JM Financial

Exhibit 2. Consolidation in two of top-10 accounts also impacted



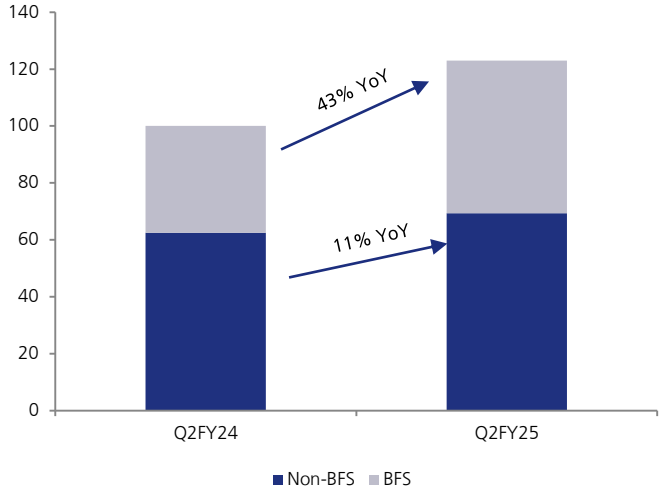
Source: Company, JM Financial

Exhibit 3. TCV-revenue analysis suggests leakage now stable



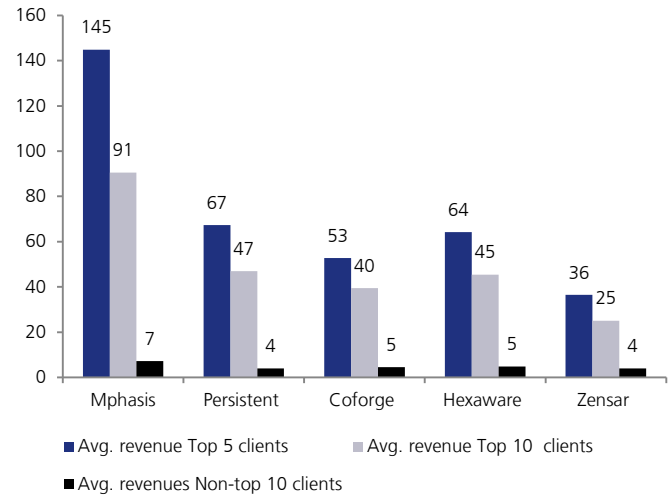
Source: Company, JM Financial estimates

Exhibit 4. Improving pipeline across BFS/non-BFS to aid recovery



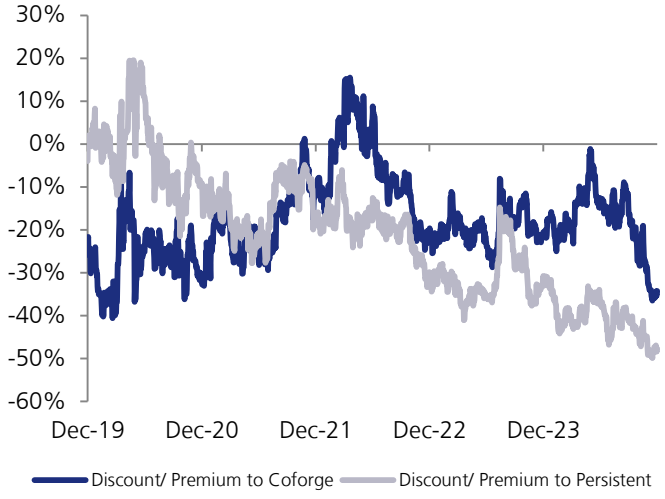
Source: Company, JM Financial

Exhibit 5. Mphasis has better track record of scaling accounts



Source: Company, JM Financial

Exhibit 6. Valuation differential with Coforge/PSYS at all-time low



Source: Bloomberg, JM Financial

Mphasis: Investment Arguments

Growth inflecting

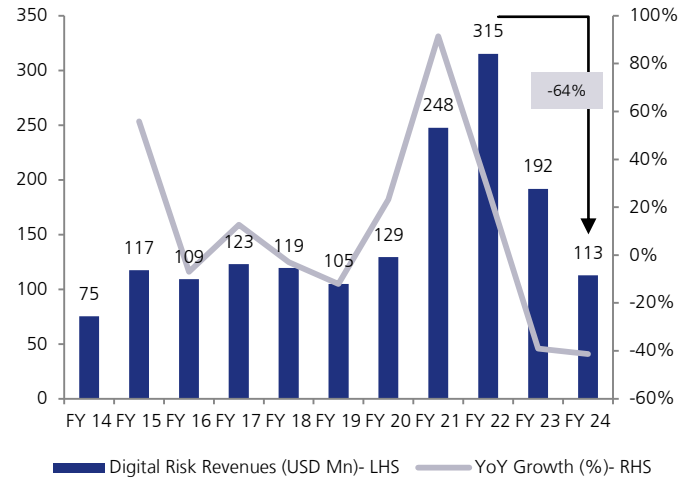
Mphasis' growth has likely inflected. Over the past couple of years, Mphasis weathered multiple growth headwinds. Higher exposure to US BFSI meant impact of lower services spend by US banks got amplified for Mphasis. Higher Fed rates had a direct negative correlation with mortgage volumes. Unsurprisingly, revenue of Digital Risk (DR), Mphasis' mortgage servicing subsidiary, shrank c.64% over FY22-24 (down from 20% to 7% of consolidated revenue). To compound matters, two of Mphasis' top-10 BFSI clients merged following a regional banking crisis in 2023. Consolidation of operations and technology spend of these two accounts led to the combined outlay being lower than the sum of the parts, hitting Mphasis' revenue. Ramp-down in a leading logistics account, another top-10 client, didn't help either.

We believe these very factors which impeded Mphasis' growth are now turning favourable. As we argued in our note (BFSI rebound: De-"Banked" 2.0), US Banks' IT Services spend has likely normalised. Mphasis' higher exposure to discretionary spend (Application services: 71% of revenue), especially within US banks, mean the impact of improving US macro on its growth could be equally amplified. Commencement of rate-cut cycle implies that drag from Digital Risk is now behind, even though the rebound might follow deeper rate cuts. Top-account has started growing again. We elaborate on these factors below:

Digital Risk: A tailwind in the making

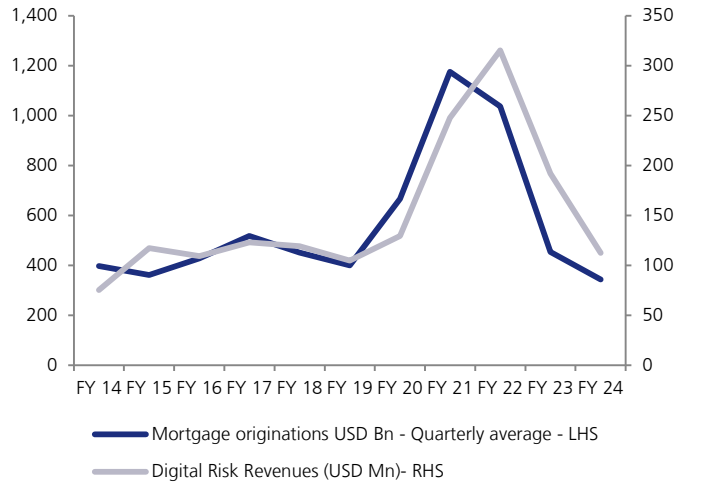
Digital Risk, the mortgage servicing subsidiary of Mphasis, has experienced a significant decline in revenue since peaking in FY22. Mortgage volume-linked revenue of DR makes the business cyclical and linked closely to US Fed rates. Commencement of US Fed rate cut should, therefore, revive new originations, signs of which are visible. REFI volumes, however, will follow deeper rate cuts as a majority of mortgage rates are locked-in between 3% and 5%. Nevertheless, DR as a drag is likely over for now.

Exhibit 7. Annual revenue run-rate of DR fell 64% from its peak
Digital Risk subsidiary revenue – USD mn



Source: Company, JM Financial

Exhibit 8. Digital Risk revenue closely linked to mortgage activity
DR revenues versus US mortgage originations



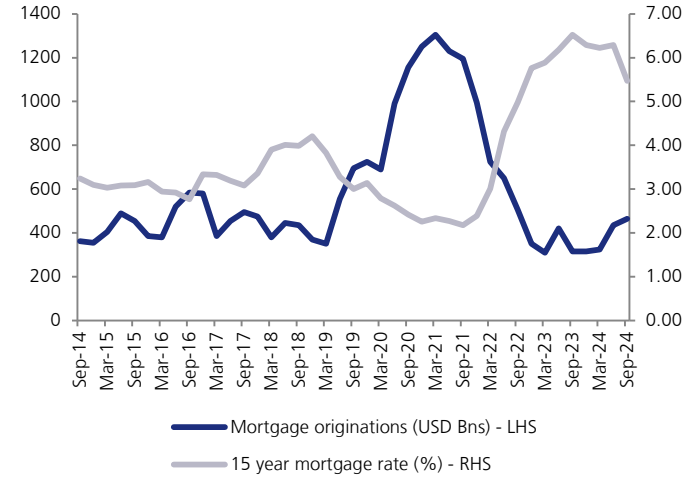
Source: Company, JM Financial

Digital Risk linked to mortgage activity and rates: Digital Risk's revenue is directly linked to mortgage activity and mortgage activity is in turn linked to the borrowing rates. Digital Risk saw a sharp uptick in revenue in FY21-FY22 period when mortgage rates were low at c.2.5% levels. As the rates increased, mortgage activity dwindled to all-time lows, causing Digital Risk's revenue to decline sharply. Revenue dropped from highs of USD 315mn in FY22 to USD 113mn in FY24, a fall of 64%. Mortgage activity currently has bottomed out and mortgage originations are picking up. In 3QCY24, originations grew 7% sequentially and 50% YoY. Despite that, mortgage originations are still below longer-term averages. Home prices have moved up consistently and new home sales have been stable. Therefore, there is still room for an uptick to materialise, in our view. We have elaborated on the expected

Mortgage origination volumes in US grew 7% QoQ and 50% YoY in 3QCY24

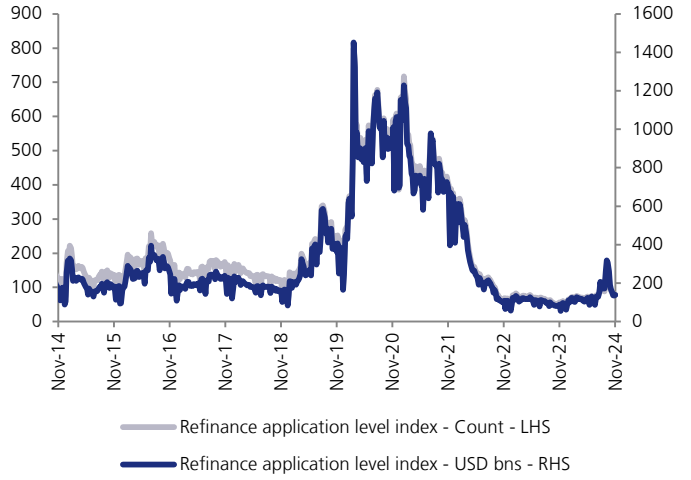
recovery in mortgage activity in the "Mortgages – Macro-economic indicators turning benign" section. Refinance activity however, will require sharper cuts in rates. Most households have locked in long term rates at the 3-5% mark vs. current 15 year/30 year mortgage rates of 6.02/6.52%. Nevertheless, refinance volumes at least seems to have bottomed out.

Exhibit 9. Mortgage originations have bottomed out and is picking up, activity is directly correlated to borrowing rates
Mortgage originations – USD bn, 15 year mortgage rate (%)



Source: Bloomberg, St Louis Fed, JM Financial

Exhibit 10. Refinance activity also at lows; activity to pick up with rates going down
Refinance applications count- Nos and dollar volume – USD bn



Source: St Louis Fed, JM Financial

What is Digital Risk

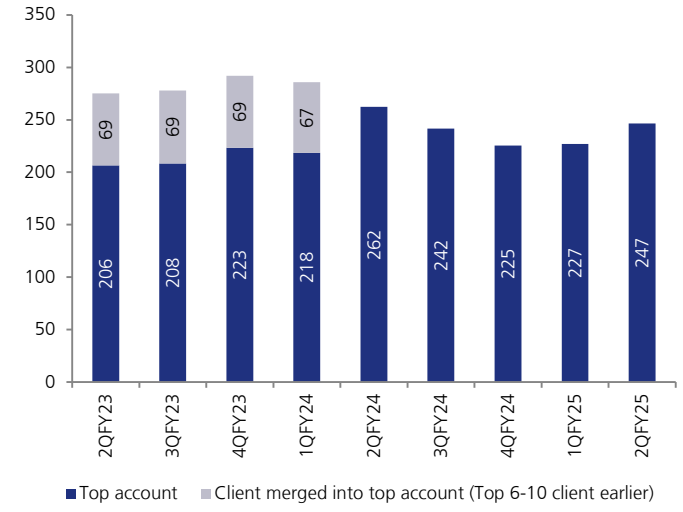
Digital Risk was acquired by Mphasis in 2013 for USD 175mn as part of a strategic initiative to penetrate the U.S. mortgage market. Digital Risk offers scalable end-to-end fulfilment (Processing, Underwriting, Call Centre scheduling), which can be componentised based on client's needs. It also offers Quality Control and Valuation review services for First Mortgage and Home Equity loans and lines of credit. Digital Risk also offers technology platforms such as LoanFx, iVue and Luminate. LoanFx is a fully integrated front-end solution. iVue is a pipeline management tool for loan fulfilment and Luminate is an automated mortgage document processing platform using OCR and RPA technologies. Eight out of the 10 largest banks use these solutions and the company counts US's largest originators, servicers and government agencies as its clients.

Consolidation of top accounts: Total was less than sum of the parts

Two of Mphasis' top-10 accounts consolidated into a single account in May'23. The larger client acquired the smaller one, creating a single client. The ensuing integration of systems of the two entities likely helped Mphasis win some additional revenue. Despite that, curtailment of spend on overlapping areas meant the total overlay of the combined entity was less than sum of the parts of the two individual clients. A like-for-like comparison indicates that Mphasis' revenue contribution from these accounts fell 8% immediately post integration.

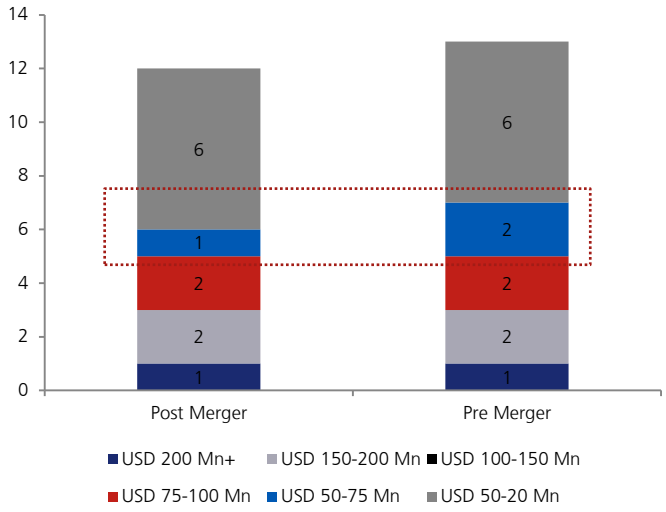
Analysing the reported client metrics pre and post-merger, we see that a top 6 or 7th client at USD 67mn LTM run rate in 1QFY24 was merged into the top client. The combined revenue declined in the initial quarters post-merger. Importantly, combined revenue has now bottomed out and is on a recovery trail.

Exhibit 11. Consolidation of two of Mphasis' top-10 accounts caused transitory blip in revenue, which has now resumed growth
Combined Revenues of Top accounts, LTM (USD mn)



Source: Company, JM Financial

Exhibit 12. Client bucket analysis indicates one of the clients in USD 50mn-75 mn bracket merged with the top client
Number of clients across client buckets, 1QFY24



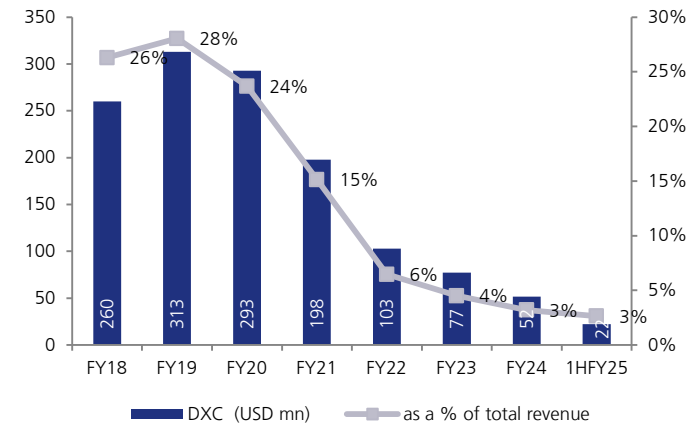
Source: Company, JM Financial

DXC – No longer material to cause incremental drag

DXC Technology: DXC technology formed in 2017 through the merger of Computer Sciences Corporation and Hewlett Packard Enterprise services businesses. They used to be a source of significant revenue for Mphasis. These revenues were part of a revenue commitment that HP had given Blackstone when it sold its majority stake to the latter. HP enterprise services promised a revenue commitment of USD 990mn over 5 years. Post completion of the revenue commitment, DXC's revenue started ramping down. DXC revenue comprised approximately 28% of total revenue in FY19; it has come down to 3% in 1HFY25. Mphasis de-risked from this exposure over time and had allocated resources toward its Direct Core Business. Revenue drag from the slowdown in DXC is now behind, with it contributing only 3% of revenue. This is another drag to growth that is now behind.

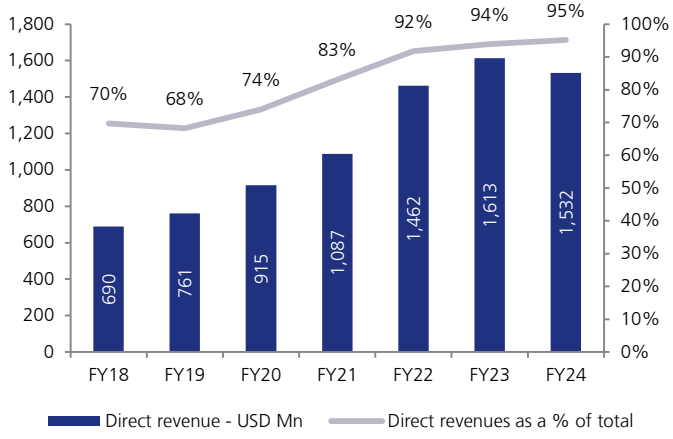
Direct core revenue has grown strongly over the same time period, offsetting the impact of the DXC decline. Direct revenue has grown from USD 761mn in FY19 to USD 1,532mn in FY24, growing at a CAGR of 15%. This was despite the slowdown experienced in FY24. Direct revenue now contributes 95% of revenue; this CAGR might reflect the growth potential, going forward.

Exhibit 13. DXC has been a drag to top line growth, now contributes 3% to revenue vs. 28% in FY22
DXC Revenue (USD mn) and contribution to revenue



Source: Company, JM Financial

Exhibit 14. Direct revenue has grown strongly over the years offsetting decline in DXC , currently contributes 95% of revenue
Direct revenue – USD mn, Direct as a % of total



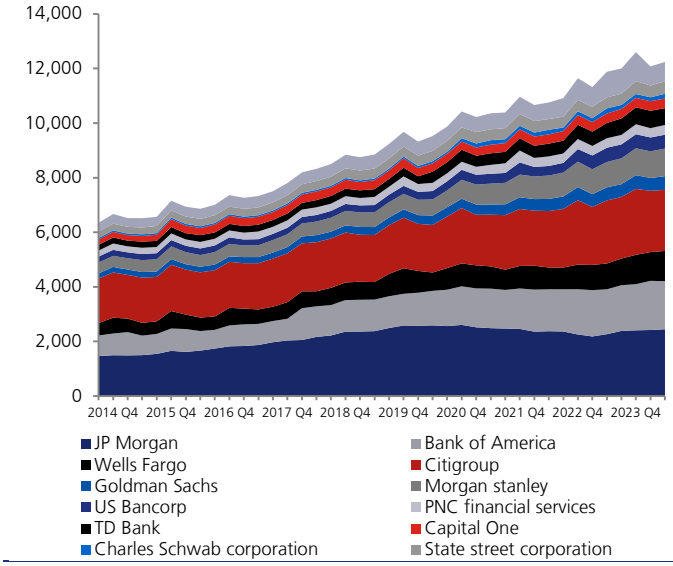
Source: Company, JM Financial

Normalisation of US Banks' excess spend to underpin recovery

We believe the recent recovery witnessed in IT Services' BFSI vertical is sustainable, irrespective of macro. Our confidence is predicated on a likely normalisation of US Banks' services spend, after the sharp uptick post Covid, being now behind. That means the services growth can grow in tandem with a more secular growth in banks' upstream tech spend

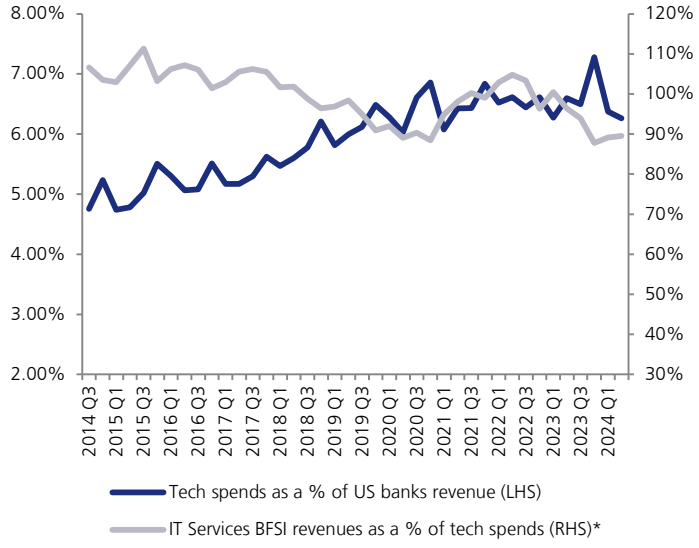
Mphasis' higher exposure to BFSI (58% of revenue) means the impact could be amplified. Mphasis' management has also called out that BFS vertical revenue has bottomed out 9 months back. Additionally, large US banks are doing well; they see continuation of momentum in non-interest income, which bodes well for discretionary spend Further, BFSI vertical revenues for IT services companies as well as that of Mphasis in 2QFY25 indicate a revival is afoot. We discuss this and other macro trends supporting improving outlook in BFSI in detail in the section: BFSI vertical outlook – poised for sustained recovery.

Exhibit 15. Tech spend of Top-15 US banks (our sample for the analysis) has remained fairly resilient in recent past
US banks' tech spends* (USD mn)



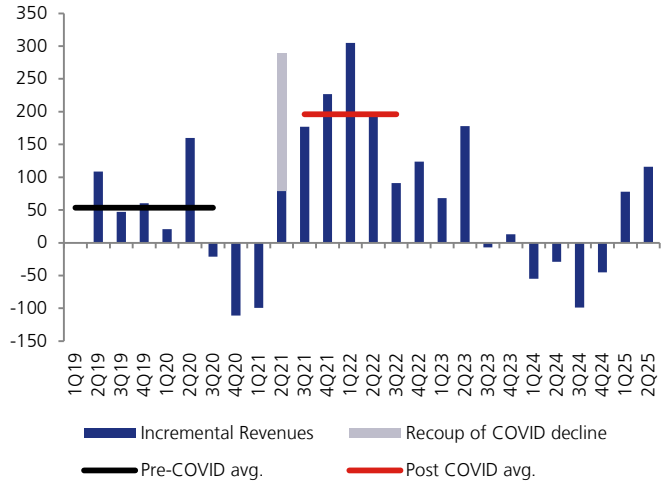
Note: *For details on tech spends refer Appendix IV, Source: Company, JM Financial

Exhibit 16. US banks' tech spend has remained in a narrow range while IT Services revenue has fluctuated
Tech spend and IT Services' BFSI revenues



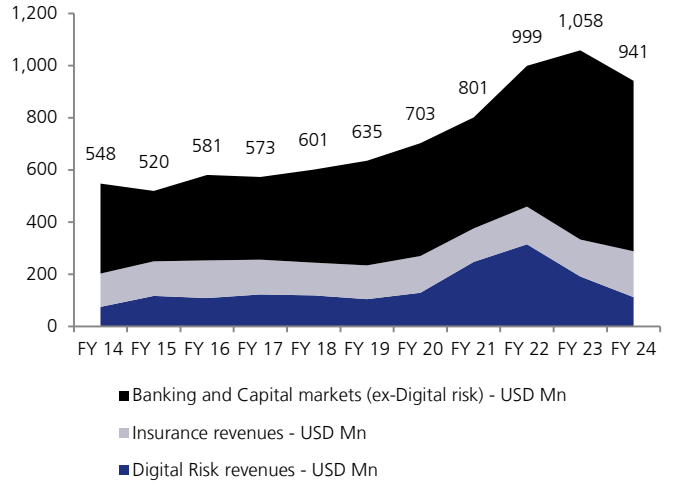
Note: * IT Services includes Infosys, TCS, Wipro, HCL Tech, TechM, Accenture, Capgemini, Cognizant; Source: Bloomberg, company, JM Financial

Exhibit 17. Post Covid excess spend started subsiding post 2QFY23; past 2 quarters suggest this normalization is likely over
Incremental BFSI Revenues for IT services companies, USD mn



Note: Incremental BFSI revenue of Infosys, TCS, Wipro, HCL Tech, TechM. Source: Company, JM Financial

Exhibit 18. Impact on Mphasis' BFSI revenue was amplified due to DR decline and top accounts' challenges
BFSI revenues split, USD mn

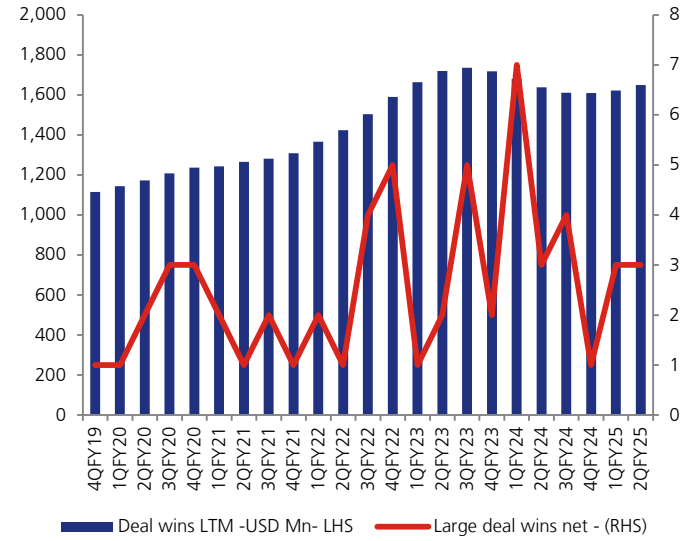


Source: Company, JM Financial

Improving deal pipeline + reducing leakages = higher revenue visibility

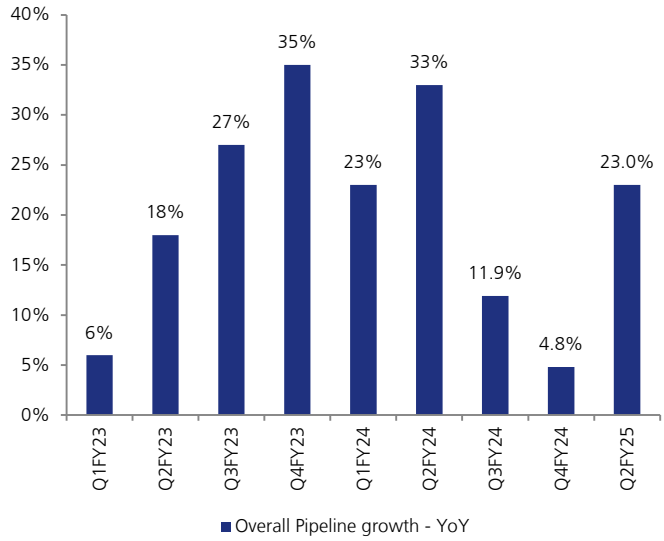
Mphasis' deal win track record in recent past has been patchy. After peaking in 4QFY23, LTM deal TCV has declined consistently. We believe this is attributable to Mphasis' limited participation in large-cost takeout deals. Mphasis has vocally focused its energy on self-curated non-RFP driven deal pursuits. Those constitute c.80% of Mphasis' new deal wins. By extension, that means its participation in RFP-led cost takeout/vendor consolidation deals – the variety which has been predominant in recent times – would have been limited.

Exhibit 19. LTM deal TCV peaked in 4QFY23, large deal wins participation limited
Deal wins LTM – USD mn, Large deal wins net (>20mn) – Nos.



Source: Company, JM Financial

Exhibit 20. Deal pipeline improved significantly in 2QFY25, increasing discretionary should aid transformation approach
Overall deal pipeline growth – YoY (%)



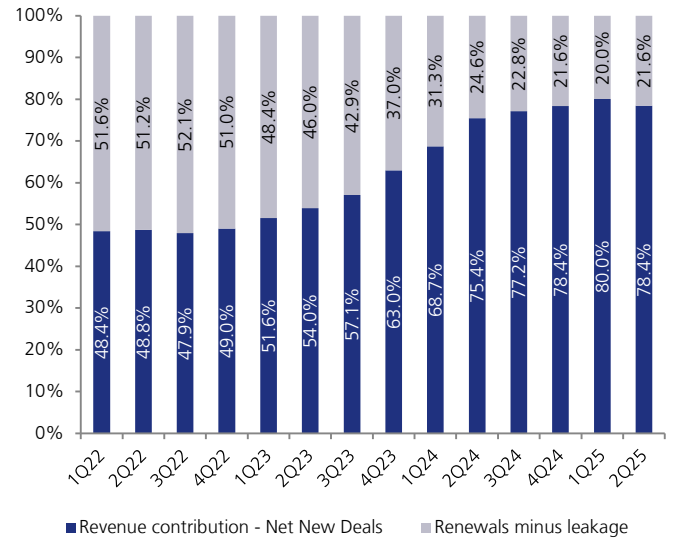
Source: Company, JM Financial

That said, three factors give us confidence that Mphasis' deal wins should improve going forward. One, its deal pipeline improved significantly; it grew 23% YoY in 2QFY25. Two, it has hired Mike Meyer, a two decade Cognizant veteran and global head of Strategic Engagement Team, to lead its large deal pursuits. Three, improving signs of discretionary spend should aid Mphasis' tech-led transformation-centric deal approach.

While improving reported deal TCV will definitely improve revenue visibility, one needs to keep in mind that Mphasis only discloses net new deal wins. That means a handle on deal renewal and leakage is equally important to gauge growth outlook.

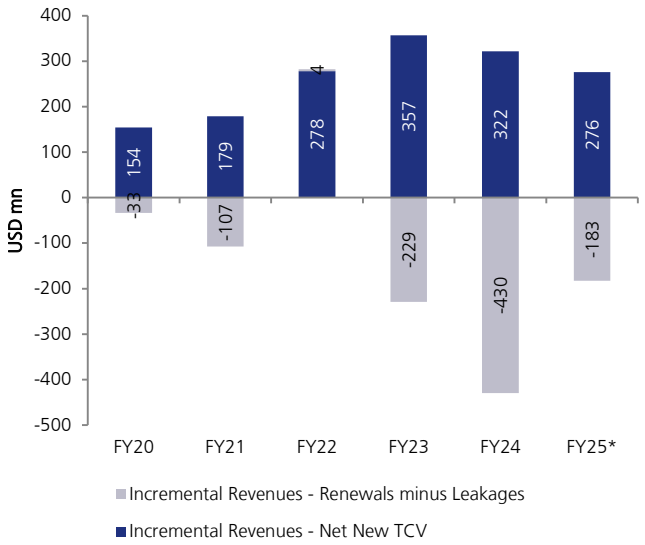
Our TCV-revenue waterfall model indicates that revenue contribution of net new deals for Mphasis has increased from 48% in 1QFY22 to 78% in 2QFY25. In other words, revenue contribution from renewals declined from 52% to 22% over the same period. Importantly, contribution of renewals improved marginally in 2QFY25 from the previous quarter, implying some stability. This, we believe, has two inferences – a) Mphasis suffered immensely from ramp-downs or shrinkage in existing book-of-business over the past 2 years; and b) At just 22% contribution now, incremental drag from renewal shrinkage is now limited. Any improvement in net new should, therefore, translate into better revenue growth.

Exhibit 21. Revenue contribution from net new deals rose sharply, indicating weaker renewals/elevated leakages; this now seems to be stabilising, which implies better TCV-revenue conversion ahead
Revenue contribution, Net new deal TCV



Source: Company, JM Financial estimates

Exhibit 22. Alternate analysis of incremental revenues vs. net new deal TCV contribution offers similar inference – sharper erosion in book of business in FY23/24 followed by stabilisation in FY25
Incremental revenue split, Net new deal TCV vs. renewals, USD mn

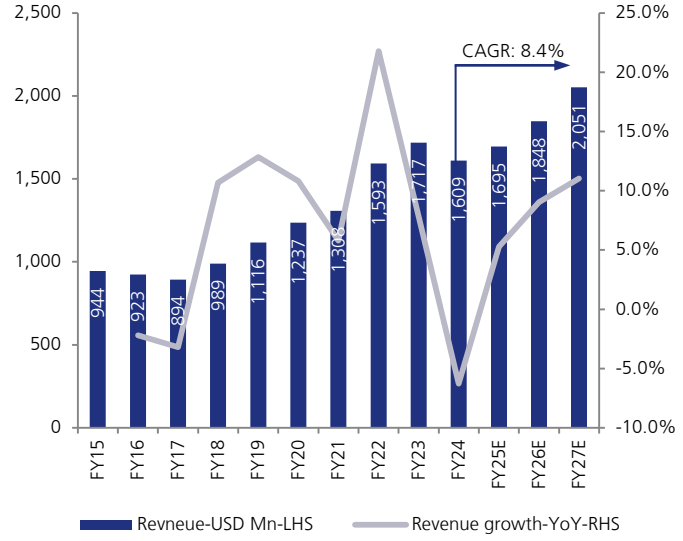


Source: Company, JM Financial estimates

Expect Mphasis revenue growth to be better than large-caps

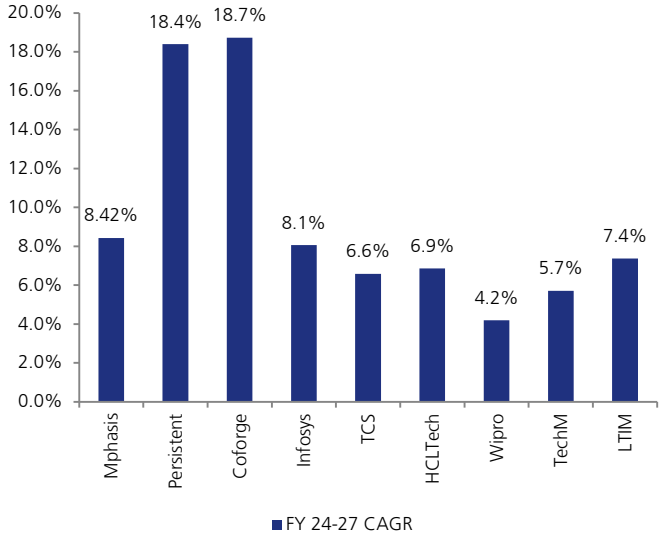
All the factors discussed above inform our expectations of gradually improving growth trajectory for Mphasis. We have built in 9%/11% USD revenue growth for FY26/27E. Faster-than-expected US Fed rate cuts could add incremental upside to these estimates, in our view, as that could uplift both mortgages and capital market revenue.

Exhibit 23. Revenue growth to pick up with headwinds behind and rebound in discretionary and BFSI, FY24-FY27E CAGR – 8.4%
Revenue – USD mn, Revenue growth YoY-%



Source: Company, JM Financial estimates

Exhibit 24. We expect Mphasis revenue CAGR to be better than large caps; though it could lag other midcap peers in coverage
USD revenue CAGR – FY24-FY27E - %

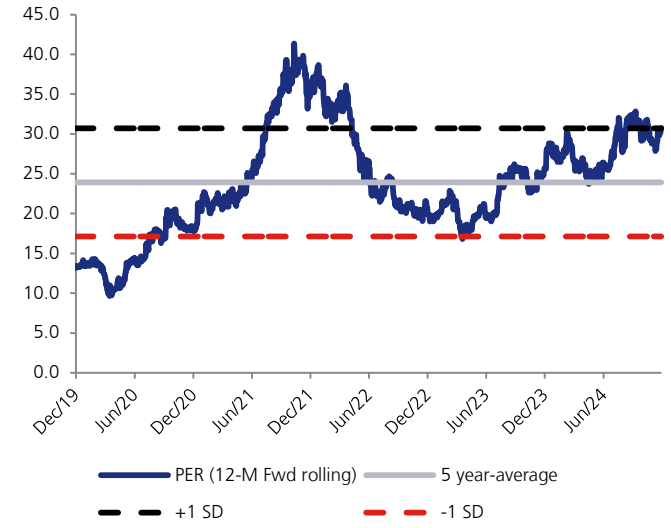


Note: Coforge revenue CAGR includes Cigniti consolidation; Source: Company, JM Financial estimates

Valuation reasonable vis-à-vis mid-cap peers

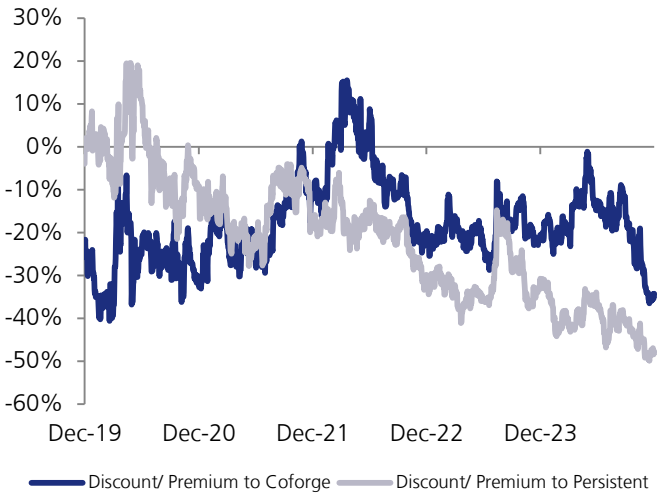
Receding headwinds and improving outlook should support Mphasis' PER multiples. At c.30x FY26E EPS, Mphasis is trading at par with mid-cap basket. In fact, its discount to Coforge/ Persistent is now at an all-time low. We, therefore, believe current valuation levels are sustainable. Though at a target PER of 30x, we are not building any re-rating in the stock, we see upside risk to our multiples. Faster-than-expected pick-up in mortgage volumes and discretionary spend uptick in BFSI are potential upside triggers.

Exhibit 25. 12-M forward PER chart - Mphasis



Source: Bloomberg, JM Financial

Exhibit 26. 12-M forward PER premium/discount of Mphasis over Coforge/PSYS



Source: Bloomberg, JM Financial

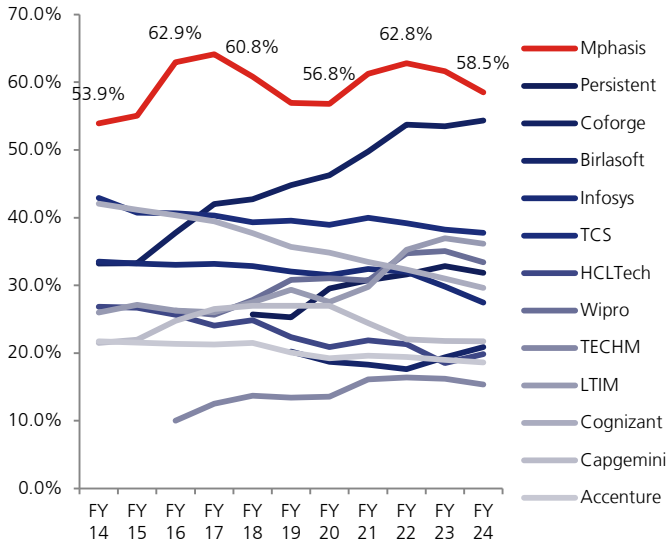
Mphasis: Built different

Mphasis is unlike any of the mid-cap peers. Where others struggle to penetrate large US BFSI customers, Mphasis works with 10 of the top-10 US Banks. Similarly, where most struggle to scale accounts beyond USD 75mn, Mphasis has three USD 100mn+ ARR accounts. These reflect Mphasis' "Built to scale" set-up – account-centric sales/delivery, breadth of offerings, repeatable solution blue-print for proactive deal pursuits, and a unique "Tribes-Squads" combination to bring tech-led solutions to clients. We discuss these in detail below.

Born in banking

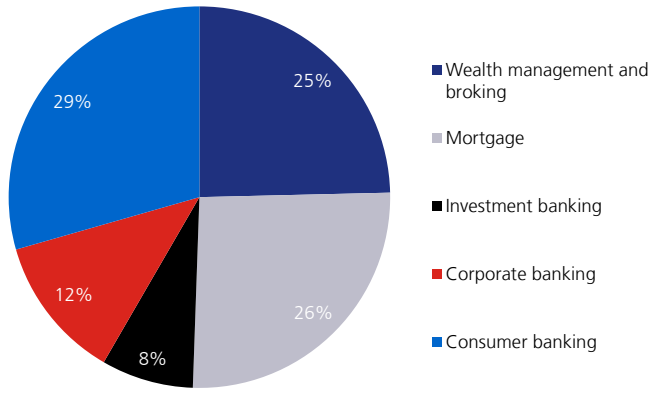
When it comes to the BFSI vertical, Mphasis punches above its weight. Mphasis has 58% exposure to BFSI, highest among the peer group. Its exposure to BFS itself is 48%, mostly to US banks. Importantly, Mphasis' exposure is with the largest banking institution, unlike most mid-cap players who tend to work with smaller regional banks or non-banks. Mphasis works with each of the top-10 US banks. It is in fact, one of top-2 vendors in top-5 BFS accounts. Mphasis' ability to not only penetrate but scale these highly competitive banking accounts make it stand out from most mid-cap IT peers, in our view. This reflects its breadth of service offerings, best-in-class delivery capabilities and deep client relationships. Mphasis' BFS offerings span Wealth Management, Corporate and Consumer banking, Mortgage and Investment Banking. In this report, we have explored in detail (see Section: Mphasis a brief history) how Mphasis' evolution has played an integral role in shaping its outsized presence in the BFS vertical. We also discuss (section: BFSI vertical outlook - poised for sustained recovery), how Mphasis is tightly indexed to a likely rebound in US Bank's spend.

Exhibit 27. High exposure to BFSI vs. Peers
BFSI revenues as a % of total revenue



Source: Company, JM Financial

Exhibit 28. Breadth of services offered in BFS
Banking and Capital markets vertical split- 4QFY20

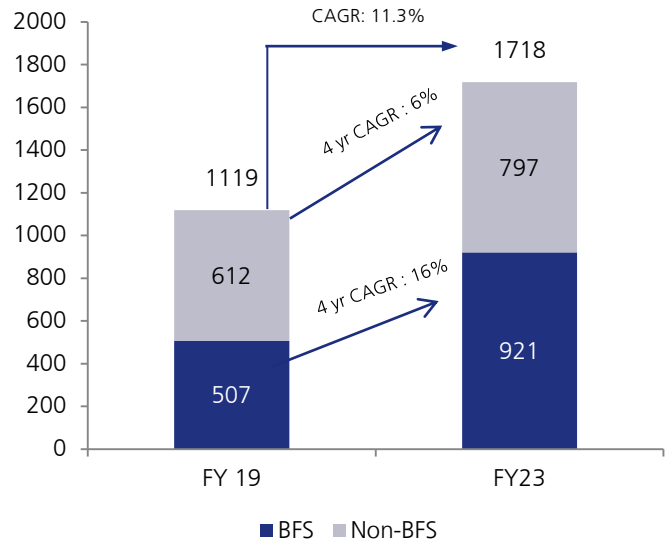


Source: Company, JM Financial

A differentiated Go-To-Market (GTM)

Most mid-cap IT providers are strong at hunting, but struggle to scale accounts beyond a certain size. This is reflected in ratio of USD 10mn+ accounts to USD 1mn+ accounts across players. Limited services offerings and higher competition in larger accounts possibly explain this. Mphasis is an exception. On the one hand, it has scaled three of its top-accounts to USD 100mn+ ARR. On the other hand, growth in USD 1mn-5mn client bucket has been one of the slowest. This is attributable to Mphasis' hitherto account-led GTM strategy and sharper focus on larger strategic accounts. Mphasis, however, is correcting this divergence through its newly adopted Cluster-led account strategy. Scale of its top-accounts offer enough evidence of Mphasis' ability to mine accounts well. We have discussed its GTM strategy in detail in the section: Go-To-Market Strategy – Inch wide, mile deep.

Exhibit 29. Robust pipeline growth in BFS, Non-BFS to grow going forward with new clients and client mining. Using repeatable and scalable archetypes to win new logos
Pipeline FY19-FY23 – USD mn

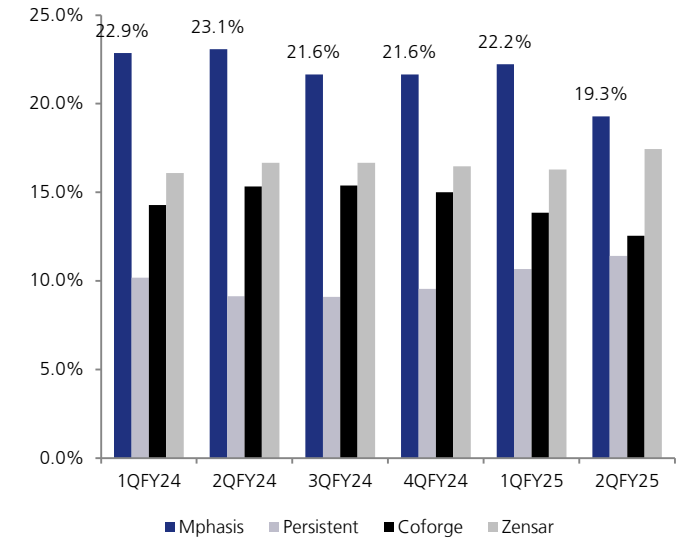


Company extending performance in BFS to other verticals of choice using repeatable and scalable deal archetypes:

- Insurance growth with new clients
- TMT growth with mining anchor accounts of large tech clients
- Logistics and Transport : growth led by large strategic client and new accounts in airline, railroads
- Healthcare to grow on the back of large deals in select new logos

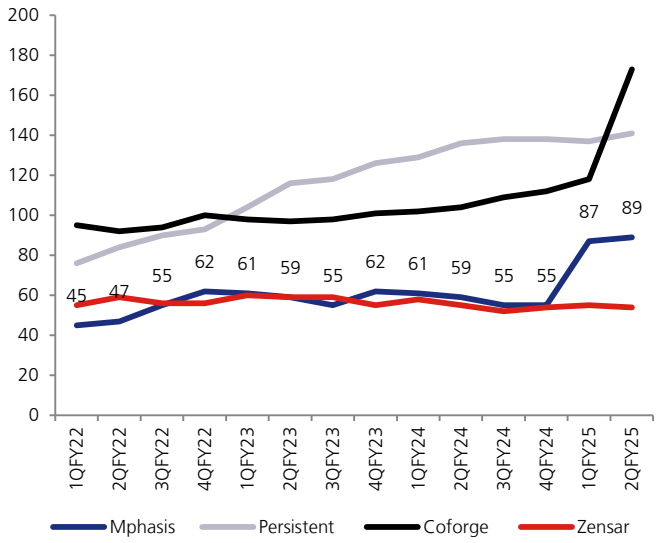
Source: Company, JM Financial

Exhibit 30. Mphasis' client portfolio has a higher share of 10mn+ accounts
Ratio of 10mn+ accounts to 1mn+ accounts



Source: Company, JM Financial

Exhibit 31. Growth in 1mn-5 mn accounts among the slowest, recent uptick aided by Silverline acquisition
Number of clients in 1mn-5mn buckets – Nos

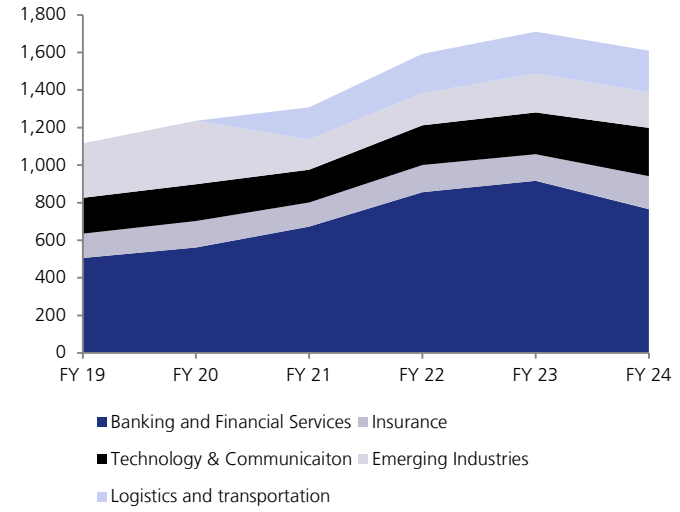


Source: Company, JM Financial

Mphasis is one of the few providers that had an account-led GTM strategy. It has executive sponsorship-driven client mapping, meaning CXO level support for key clients. Apart from such dedicated account management, Mphasis also has dedicated CTOs for its key accounts, which help in providing account-centric thought leadership. These reflect in Mphasis' strong track record to scaling its top-accounts. Mphasis has three USD 100mn+ accounts with the highest average revenue/top-5 accounts among mid-cap peers.

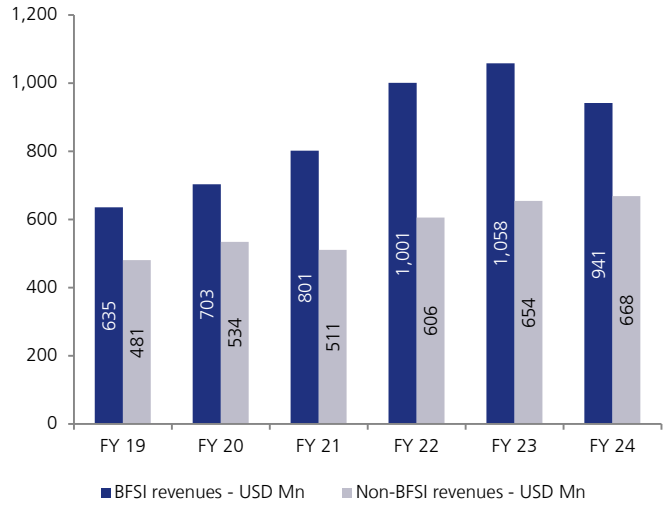
The flip side of such an account-led strategy, however, has been a fat-tail of account revenue distribution. Average revenue/account for Mphasis falls steeply after top-5 accounts. Mphasis has identified and taken pro-active steps to correct this skewness. Its GTM strategy is modified from account to Cluster-led. These clusters are a) Banking – led by Rohit Jayachandran; and b) Enterprise Five (E-5) – led by Elango R. This structure helps Mphasis retain the strength of its account-led strategy while broadening its scope to scale other accounts/verticals.

Exhibit 32. Non-BFSI revenue contributing more to overall revenue, offsetting some of the decline in BFSI
Revenue split by verticals – USD mn



Source: Company, JM Financial

Exhibit 33. Non-BFSI vertical revenue has grown consistently, cluster-led approach should drive further growth
BFSI, Non-BFSI revenue – USD mn

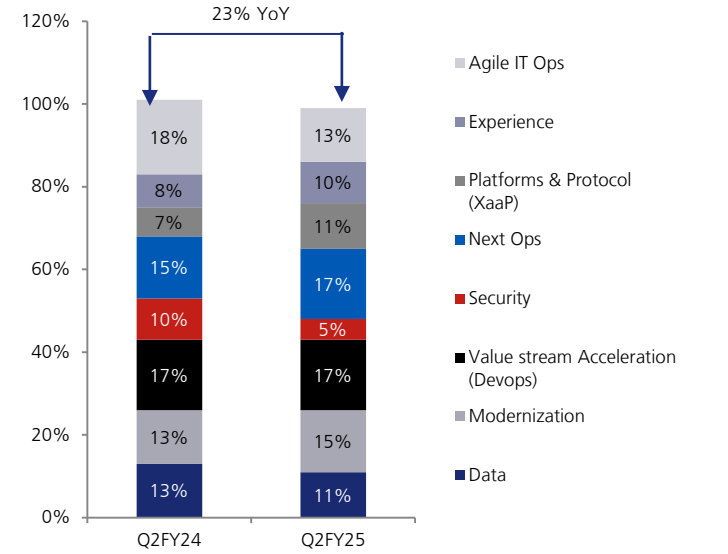


Source: Company, JM Financial

Tech-First service offerings

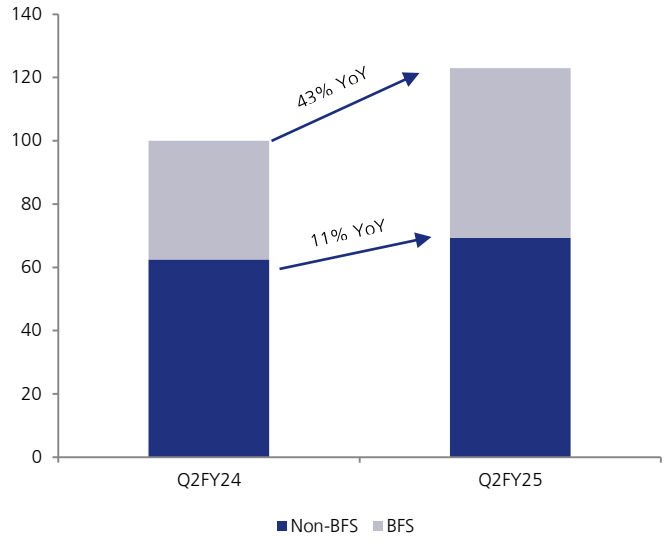
Mphasis is uniquely organised around Tribes rather than specific service lines, e.g., Cloud, Data, Analytics etc. Tribes are specialised teams around high-demand technology themes that act as GTM specialists. These are agile teams who are not wedded to a particular technology. In fact, Mphasis continually creates new Tribes or re-designs existing ones based on what it sees as high potential secular opportunities. It augments this with a repeatable archetype (read solution blueprint). This helps Mphasis in pro-actively pitching for tech-led solutioning model. The result is higher percentage of deal wins through proactive pursuits. c.90% of Mphasis' TCV is through proactive pursuits. We have explained the Tribes and Squads approach in greater detail in the section: Go-To-Market Strategy – Inch wide, mile deep.

Exhibit 34. Mphasis organised into Archetype-led Tribes, helps pro-active pitching for tech-led solutioning model
Archetype driven pipeline



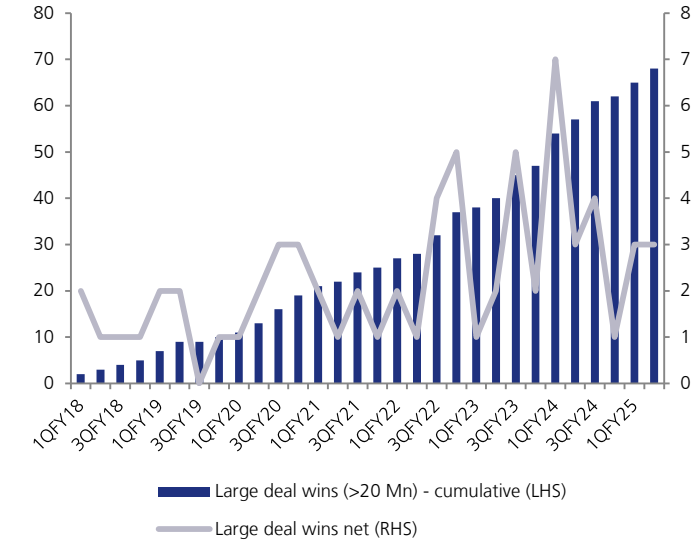
Source: Company, JM Financial

Exhibit 35. Strong YoY growth in pipeline. BFS pipeline saw 43% growth in the quarter
Pipeline YoY – 2QFY25



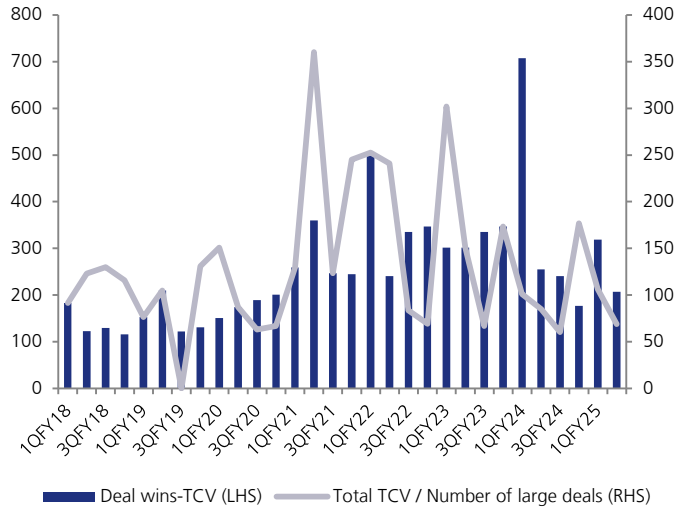
Source: Company, JM Financial

Exhibit 36. Large deal wins led by proactive pursuits
Large deal wins- cumulative and net (Nos.)



Source: Company, JM Financial

Exhibit 37. Deal wins led by tribes, Higher share of large deals with TCV/ large deals trending down
Deal wins TCV and TCV/no. of large deals – USD mn

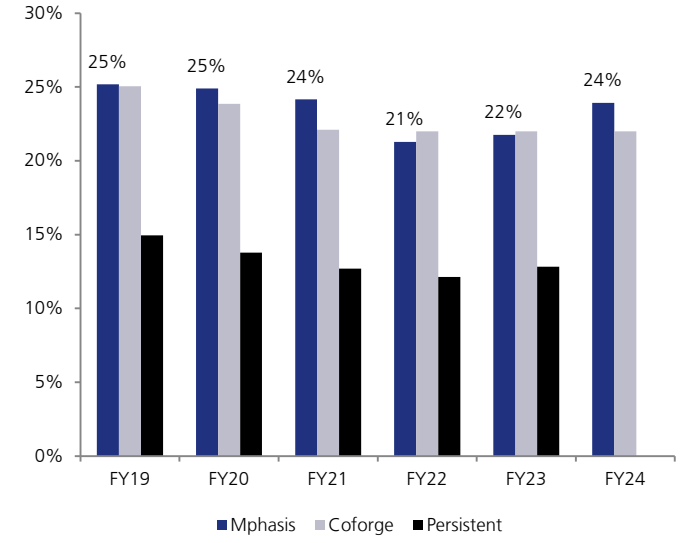


Source: Company, JM Financial

A client-centric global delivery model

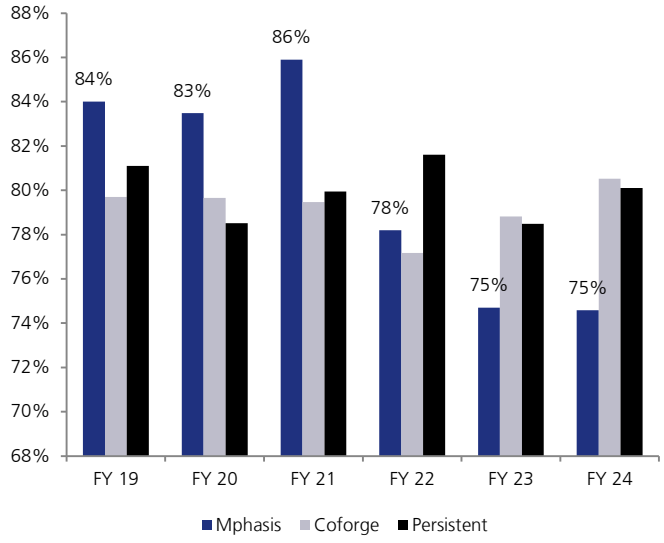
Mphasis' operating model is based around deliverables for a client/solution rather than the other way round. Mphasis maintains that onsite/offshore, utilisation, etc., are the outcome of (and not input for) its account-centric and tribes/squads led solution delivery model. This results in relatively higher onsite effort share (22% in FY24). Even the utilisation levels are not as stretched as compared to some of its peers (78% blended utilisation for Tech Services). It signifies two things: a) Mphasis, unlike most peers, still has operating levers to improve margins; b) it has been able to manage operations despite these sub-optimal delivery parameters to maintain better than peer margins. Part of it is due to its better revenue productivity. Mphasis' revenue/employee is in the top-quartile of IT Services providers, reflecting the quality of work that it delivers.

Exhibit 38. Mphasis' onsite effort share higher due to account-centric delivery model
Onsite effort share Technology services- %



Source: Company, JM Financial

Exhibit 39. Mphasis utilisation not stretched, potential for improved margins with increased utilisation
Blended utilisation - %



Source: Company, JM Financial

Exhibit 40. Mphasis' revenue/employee is higher than most mid-cap peers
Revenue per employee Comparison - USD

Revenue per employee	FY19	FY20	FY21	FY22	FY23	FY24
Mphasis	**45,581**	**46,845**	**44,382**	**43,526**	**50,462**	**49,274**
Persistent	48,280	47,179	41,380	41,161	45,261	49,730
Coforge	51,737	52,840	50,709	38,365	43,229	45,244
Hexaware	34,776	41,542	40,164	40,664	44,419	NM
Firstsource	29,194	27,203	24,456	29,906	32,481	27,380
Infosys	51,722	52,733	52,238	51,940	53,060	58,511
TCS	49,290	49,128	45,378	43,410	45,425	48,342
HCLTech	62,571	66,054	60,213	54,965	55,702	58,333
Wipro	53,360	50,769	46,045	46,230	46,047	49,789
TechM	41,052	41,377	42,222	39,675	43,347	43,152
LTIM	47,893	48,497	46,400	44,136	48,562	52,508

Source: Company, JM Financial

Exhibit 41. Mphasis' EBITDA per employee is the highest among mid-cap peers
EBITDA per employee comparison– USD

Revenue per employee	FY19	FY20	FY21	FY22	FY23	FY24
Mphasis	**8,233**	**8,645**	**8,118**	**7,772**	**8,866**	**8,956**
Persistent	8,317	6,488	6,740	6,908	8,235	8,733
Coforge	9,258	8,734	8,602	6,514	7,640	7,495
Hexaware	5,421	6,510	6,328	5,726	6,934	
Firstsource	4,084	4,151	3,852	4,846	4,455	4,135
Infosys	13,069	12,856	14,501	13,447	12,700	13,869
TCS	13,289	13,140	12,858	12,013	11,961	12,910
HCLTech	14,451	15,530	16,596	13,179	12,427	12,850
Wipro	10,296	10,187	10,941	9,640	8,591	9,453
TechM	7,469	6,398	7,635	7,113	6,537	4,123
LTIM	9,543	9,033	10,221	8,842	8,964	9,449

Source: Company, JM Financial

BFSI vertical outlook – poised for sustained recovery

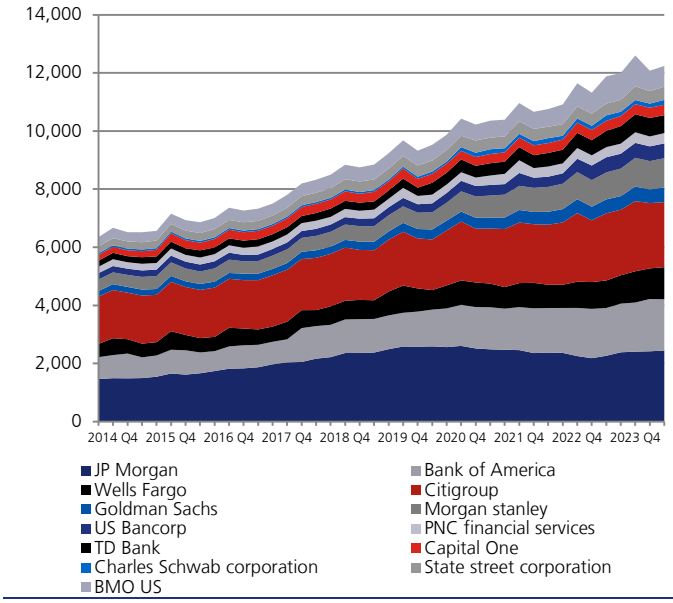
In BFSI rebound: De-"Banked" 2.0, we hypothesised that the BFSI recovery seen in the past couple of quarters can sustain independent of macro. Our statistical analysis revealed that the correlation between the two (Banks' tech spend and IT Services' BFSI revenue), which used to move in lock-step, weakened post Covid. IT Services' BFSI revenue growth outpaced tech spends' immediately post Covid, followed by a phase of deceleration (call it normalisation). This ties in with our excess IT spend hypothesis (New overtakes old, 05th Aug'24). Both analyses suggest the normalisation phase is likely behind. US Banks' professional services fee – another variable closely correlated with IT Services' BFSI growth – has also seen an inflection in 1Q. We, therefore, believe BFSI growth could sustain - at least in line with rising tech spend - irrespective of the macro. This bodes well for Mphasis. Not surprisingly, Mphasis' commentary around BFSI demand (see next section) also points to the same.

For easier reference, we reproduce part of that report here.

Normalisation of banks' tech spend and outsourced services spend correlation

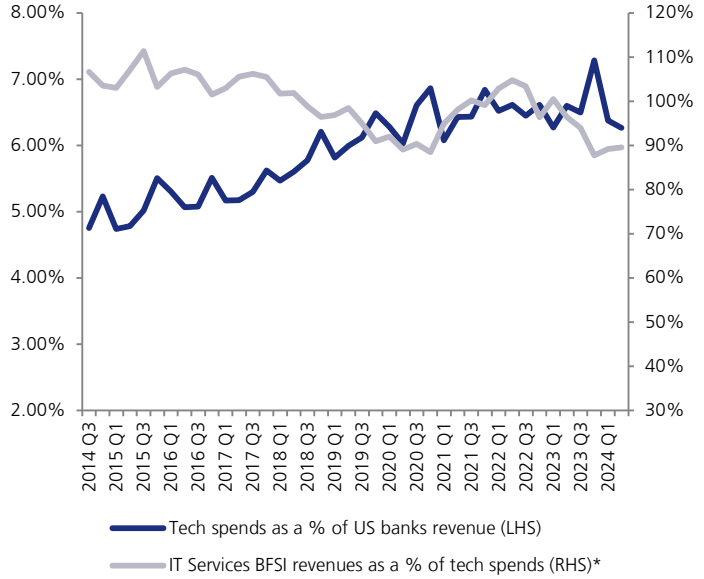
The long-term correlation between tech spend and IT Services' BFSI revenues is fairly high (0.96). Even in terms of CQGR, both have grown almost in tandem over the past 40 quarters. Interestingly, despite a challenging macro, US banks' tech spend has been very resilient throughout the past few years. Despite that, IT Services' BFSI revenue growth fluctuated post Covid. BFSI revenue outpaced tech spend in 8 quarters immediately after Covid. The trend reversed as BFSI revenue decelerated by almost the same quantum in the period thereafter. The charts below depict the movement. From Exhibit 36 below, we can observe that BFSI revenue deviated significantly from tech spends in 2QCY20.

Exhibit 42. Tech spend of Top-15 US banks (our sample for the analysis) has remained fairly resilient in recent past
US banks' tech spends* (USD mn)



Note: *For details on tech spends refer Appendix IV, Source: Company, JM Financial

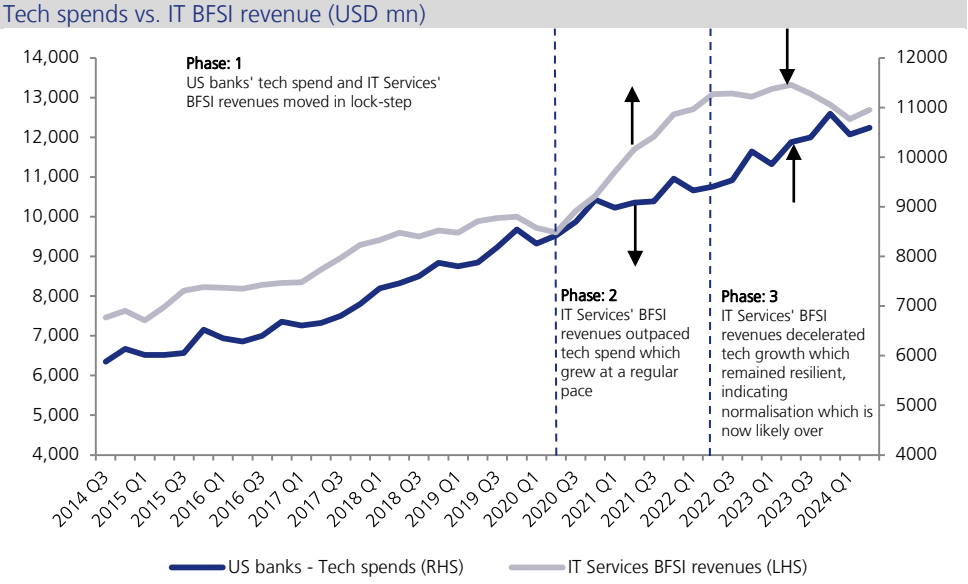
Exhibit 43. US banks' tech spend has remained in a narrow range while IT Services revenue has fluctuated
Tech spend and IT Services' BFSI revenue



Note: * IT Services includes Infosys, TCS, Wipro, HCL Tech, TechM, Accenture, Capgemini, Cognizant; Source: Bloomberg, company, JM Financial

Exhibit 44. Recent decline in IT Services' BFSI revenue is explained more by the acceleration in the preceding phase rather than decline in banks' tech budgets

Tech spends vs. IT BFSI revenue (USD mn)



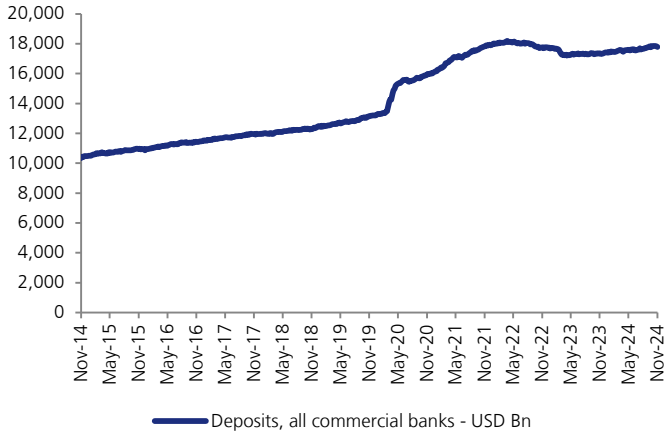
Note: * IT Services includes Infosys, TCS, Wipro, HCL Tech, TechM, Accenture, Capgemini, Cognizant; For details on tech spends refer Appendix III ; Source: Company, JM Financial

Mean reversion possible: It is logical to presume that increased tech spends by banks would necessitate increased spend towards services offerings. Post-Covid deviation in CQGR between IT Services' BFSI revenue and tech spends was unusual, and seems unsustainable. High expenditure towards IT capex, increased insourcing, spend towards upstream (SaaS /hyperscalers) might explain some of this deviation. However, increased spend towards technology should improve demand for surround IT Services offerings. Therefore, we believe that a mean reversion to the longer-term average relationship between tech spends and IT Services' BFSI revenue should materialise, aided by stabilising macro conditions.

Digital adoption and technology investments: The above conclusion is also supported by continued digital adoption among US Banking clients. Investments in technology were highlighted as a priority by most banks, with an emphasis on data quality, compliance with regulatory requirements and transformational goals. Most banks also highlighted technology as a key focus area to invest for continued operational soundness and longer-term competitive positioning. Citibank continued its transformation programme; it retired 450 legacy applications YTD and over 1,250 since 2022. Its major expense drivers in the quarter were transformation initiatives aimed towards modernisation of infrastructure, automation of manual processes and enhanced data and analytics. JP Morgan called out AI and cloud infrastructure as long-term enablers while also highlighting that capital allocation would be disciplined with a focus on growth and return. Goldman Sachs highlighted that technology investments are a critical area, particularly when it comes to data analytics, automation and risk management systems. Morgan Stanley highlighted its commitment to significant investments in technology and infrastructure both to meet regulatory and operational goals. Technology expenses for the top 15 US banks continued to grow; it moved up 4.2% QoQ and 6% YoY in 3QCY24. Professional fees, another indicator of IT services' BFSI revenue, also grew handsomely in 3QCY24; it grew 6% QoQ and 10% YoY.

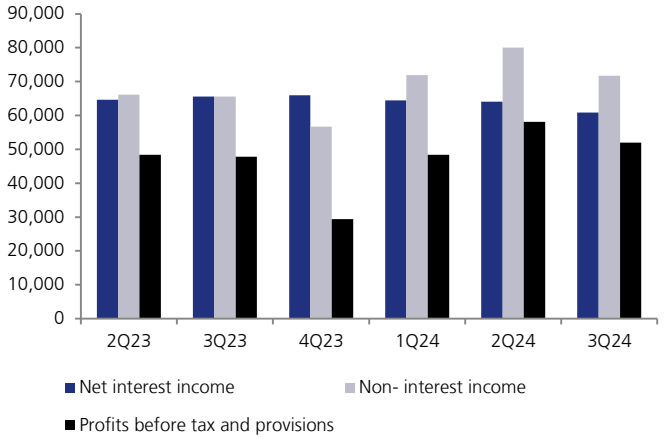
Other US banking metrics support recovery hypothesis

Exhibit 45. Deposits increased in low interest rate period before declined, now back on the rise
Deposits, all US commercial banks – USD bn



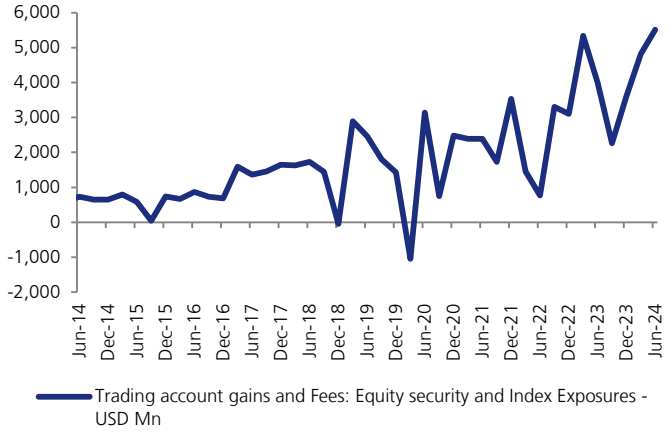
Source: St Louis Fed, JM Financial

Exhibit 46. Top 6 banks' non-interest income outpaced NII, outlook on NII and non-interest income positive
NII, Non-interest income and PPOP for top 6 banks – USD mn



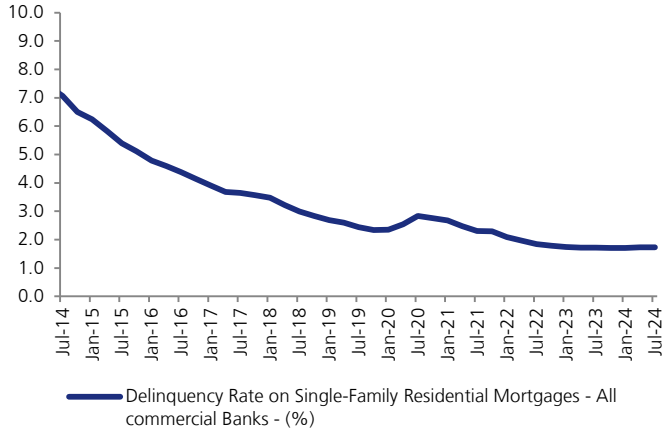
Source: St Louis Fed, JM Financial

Exhibit 47. Trading gains for banks have risen
Trading account gains and fees – USD mn



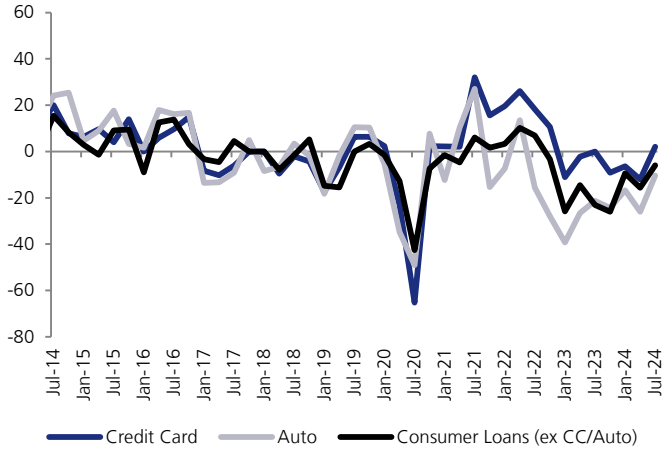
Source: St Louis Fed, JM Financial

Exhibit 48. Mortgage delinquencies have been declining
Delinquency rate on single-family- All commercial banks (%)



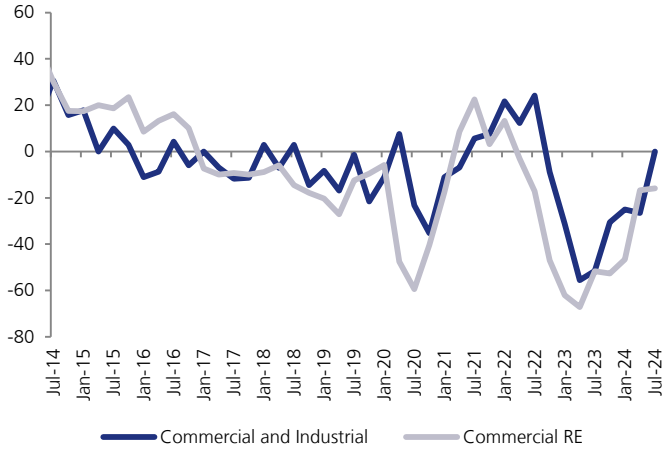
Source: St Louis Fed, JM Financial

Exhibit 49. Demand for consumer loans increasing
Net percentage of banks reporting higher demand for loans (%)



Source: St Louis Fed, JM Financial

Exhibit 50. Demand for commercial loans also on the rise
Net percentage of banks reporting higher demand for loans (%)



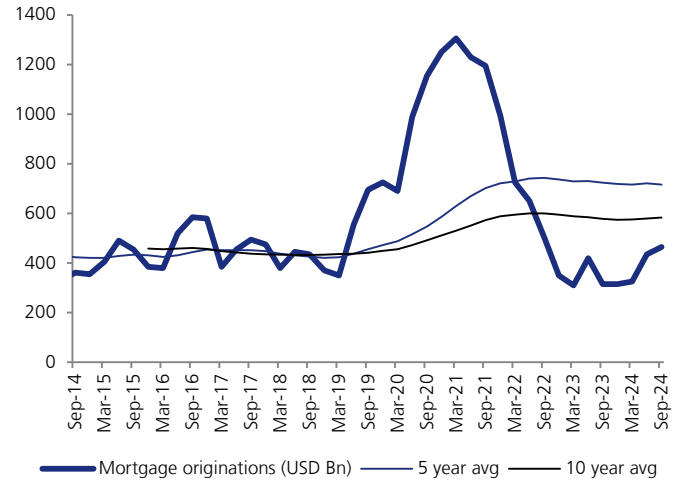
Source: St Louis Fed, JM Financial

Mortgages – Macro-economic indicators turn benign

At its peak, Digital Risk, Mphasis' mortgage servicing arm, contributed 20% to its revenue. Higher rates and consequent drop in mortgage volumes – both originations and re-finance – led to its contribution dropping to 7%. Given such high exposure to this segment, it is critical to understand the outlook of mortgage volumes in US to gauge the future growth trajectory of Mphasis. In this section, we deep dive in the macro-economic lead indicators for mortgages. Interestingly, multiple macroeconomic indicators are pointing toward some pick-up in mortgage activities now. We discuss these in detail below.

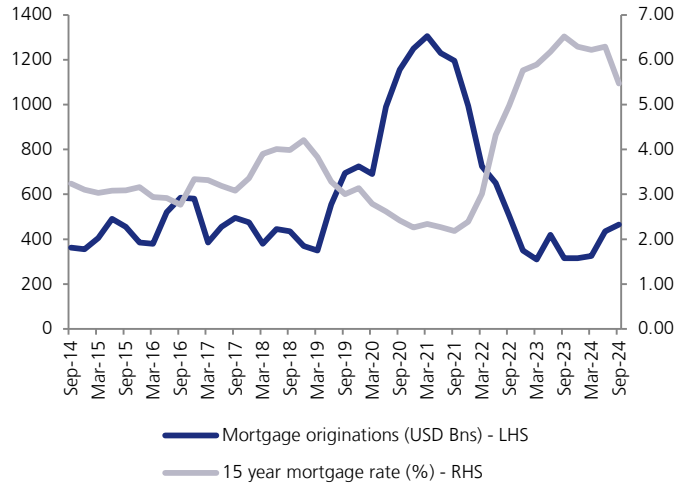
Mortgage originations: Mortgage originations in the third quarter of CY24 stood at USD 465bn. This was an uptick of c.7% from 2QCY24 and an increase of c.50% from 3QCY23. This recovery has a long way to go; the 5-year average stands at USD 716bn, and the current rate of originations is 54% away from this mark. 3QCY23 saw one the lowest levels of originations seen in any quarter in the last 10 years at USD 315bn, and 1QCY23 was the lowest at USD 310bn. New single family home sales have not reduced, they have been stable around the 600k per month mark, and house prices have continued to move up as evidenced by the house price index. The index has increased c.4% YoY and is at all-time highs. Rising home prices, continued sales of homes, lowering of borrowing rates and a strong consumer and economy should allow mortgage originations to recover strongly. The Fannie Mae mortgage index also suggest the same; it is predicting that originations would reach USD 636bn levels by end of CY26. Additionally, even with the current borrowing rates of ~6%, mortgage debt service payments as a % of disposable income is stable at 6% (the 10-year average is around 5.8%); the consumer, therefore, has the ability to service mortgages.

Exhibit 51. Mortgage originations are below longer-term averages, seeing an uptick in recent quarters
Mortgage originations with averages – USD bn



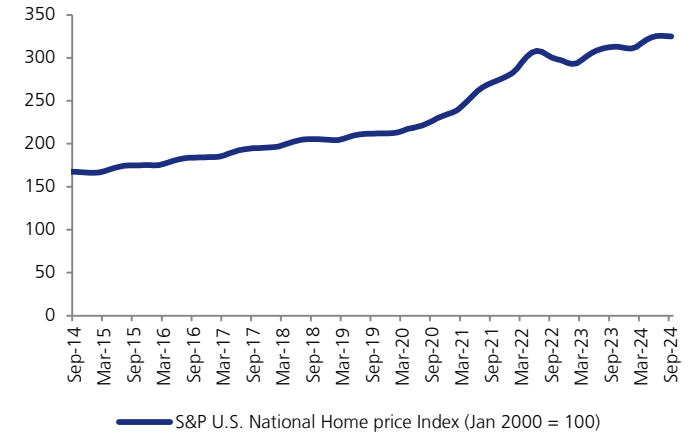
Source: Bloomberg, St Louis Fed, JM Financial

Exhibit 52. Mortgage originations at lows, displays clear negative correlation with rates; recovery expected when rates come down
Mortgage originations – USD bn; 15 year mortgage rate (%)



Source: Bloomberg, St Louis Fed, JM Financial

Exhibit 53. Home prices have gone up consistently, which should drive higher home equity volumes
S&P U.S. National Home price index



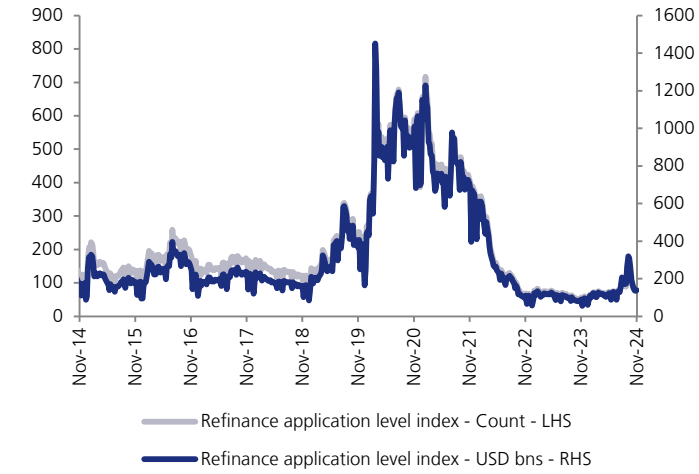
Source: St Louis Fed, JM Financial

Exhibit 54. New homes sales stable at 600k, indicating no reason for volume led decline in mortgages
New single family houses sold



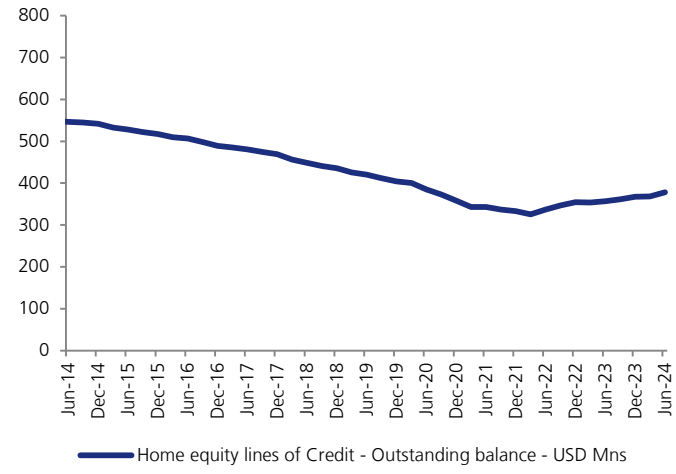
Source: St Louis Fed, JM Financial

Exhibit 55. Refinance activity at lows; meaningful pickup likely when mortgage rates drop below 5% where most rates are locked-in
Refinance application level index, USD bn/Nos.



Source: St Louis Fed, JM Financial

Exhibit 56. HELOC loan activity seems to have inflected, which follows higher home prices – another positive for mortgage volumes
HELOC- Outstanding balances, USD bn



Source: St Louis Fed, JM Financial

BFSI for Mphasis: A step ahead

A positive outlook for both banking and capital markets, as well as mortgage volumes should trickle down to Mphasis as well. In fact, Mphasis was one of the first providers to call out BFS bottoming out – nearly 9 months ago. It expects overall growth to be led by the BFS vertical. The company sees NII expansion of banks, and increased non-interest income from a rebound in market activity helping it win discretionary deals in BFS. It has also stated that mortgage has bottomed out and there are signs of pickup. Mphasis' deal pipeline has grown 23% YoY in the latest quarter; this is a very positive sign, especially with LTM deal TCV also at highs. BFS pipeline has grown 43% YoY, displaying the strength in the vertical and momentum in deals. Additionally, among the 13 deal wins that Mphasis has announced in the recent quarters, nine were from BFSI. This further signals strength in the vertical. These developments re-affirm our hypothesis of BFSI vertical recovering. Mphasis is well placed to benefit.

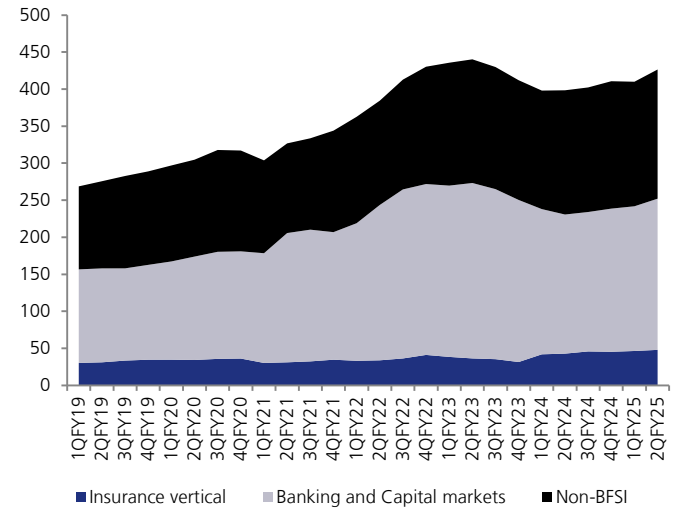
Exhibit 57. Key comments from 2Q25 earnings call

Topic	Comments
Growth	We are seeing improving trajectory of TCV-to-revenue conversion; pace of ramp-ups and steadily improving monetization of order book. We also saw steady growth across our verticals and client cohorts; with BFS and TMT driving the growth
Pipeline	We enter the second half of the fiscal year with a strong pipeline reflecting consolidation opportunities and modernization deals driven by Savings Led Transformation thesis.
	Our pipeline continues to reflect this expanding AI adoption, with 35% of our pipeline being AI led. Our overall pipeline is up 23% YoY. Proactive deal pipeline is strong, with a majority of our pipeline from proactive pursuits.
BFS Vertical	If you look at BFS, we actually called for bottoming in BFS business about nine months ago in the December quarter. We saw uptick in BFS in the last two quarters. And this quarter, obviously it's picked up base, aided by both the non-mortgage and of course a little bit of the mortgage side also helped this quarter, but majority of the growth came outside of the mortgage business in Q2.
	Then, if you look at segments of BFS, I think the consumer banking was pretty stable, the NII expansion helped a lot, but there were parts of the business that were either market-linked. Wealth management was a little bit stressed for a period of time because of high interest rates and the RIA platforms were struggling to make money.
	We've seen gradual reopening of capital markets, not quite on the IPO side yet, but definitely on the secondary side, M&A activity, trading activity, and that's what's reflecting in almost every bank earnings in the last one week as well. So, I think banks have at least called for victory in terms of soft landing.
	Some issues still have to be worked through. Pace of activity, pace of recovery, interest rate decline. I think all of that will go back into this element. Good news is, because of soft lending, the health of consumer and the losses on consumer credit are going to be well contained. We are also seeing increased spend coming out of regtech, KYC, AML, fincrime continues to get a lot of news flow and a lot of investment from banks, given just the amount of work that they have to do to keep up with the sanctions and the activity on that front as well.
	We went from having five out of the top 10 banks to actually having 15 out of the top 15 banks in our client portfolio. A lot of that really is wallet share gain because it's not like they're spending a lot of net new money. Yes, spends are going up, but a lot of that is coming from us gaining share from incumbents, small or big.
Insurance	On the Insurance side, for us, it's a little bit more of a micro, bottoms up play. I am happy it grew 9% YoY this quarter. We've seen sequential growth in that as well and I think deal activity there is pretty good for us to continue to look for growth in the coming quarters as well.
Mortgage	We continue to see signs of recovery in our mortgage business. We do expect continued recovery in our mortgage business.
	And if you look at the lines of business in mortgage, I think the first expected recovery was going to be in the diligence business and that's where it happened in Q2. Volume uptick is barely noticeable. I think there is some uptick in volume. But, especially in the last 30 days since the interest rate cut, I think there's a lot of pickup in conversation with customers around the expected pickup in refi volume in calendar Q1.
	Can it go back to previous levels? Answer is absolutely yes. When it will go back? It all depends on how quickly the rates recover. Because remember, the mortgage business, real estate market, housing is a big portion of the economy. It will have to unlock at some point. I think we've seen the first phase of unlocking with the diligence business and the secondary market volume of MBS securities. I think we'll see more activity on refi and origination because there is a pent-up demand there.

Source: Company

Exhibit 58. BCM, Insurance and Non-BFSI revenue seeing an uptick, BCM bottomed out in 2QFY24

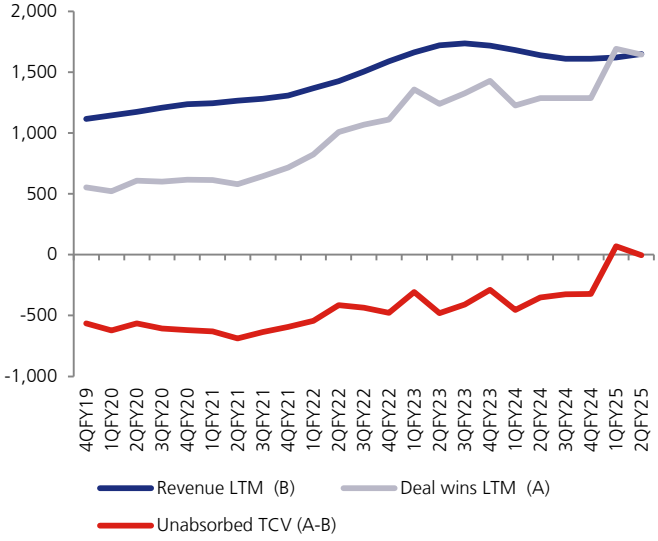
Vertical revenue, USD mn



Source: Company, JM Financial

Exhibit 59. LTM deal wins trending higher, Unabsorbed TCV at highs

LTM revenue, LTM deal TCV, Unabsorbed TCV, USD mn



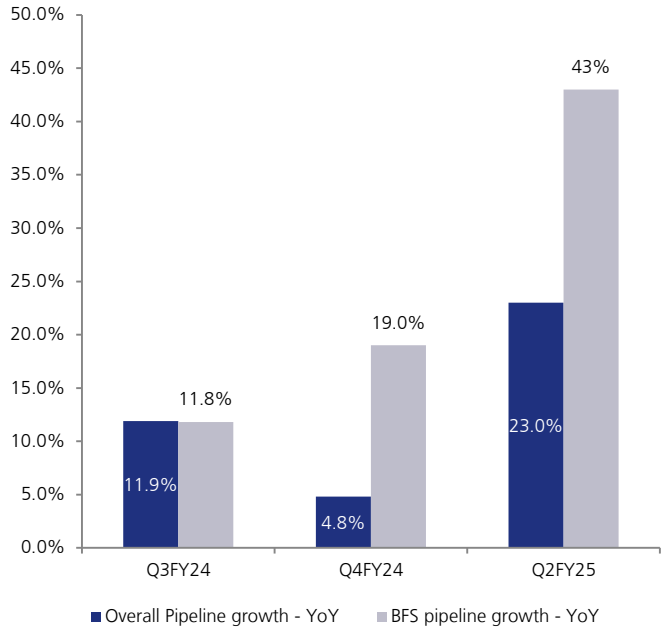
Source: Company, JM Financial

Exhibit 60. Nine out of 13 deals announced were in BFSI
Deal wins announced

Period	Deals
2Q25	Mphasis delivering AI enabled platform implementation to transform operations for a large global asset management firm and leading Canadian bank.
2Q25	NeoCrux platform cut the manual effort by 50% for code quality while fixing security vulnerability issues for a Multinational finance and insurance company
1Q25	KYC, Know your businesses for a large European bank
1Q25	A GenAI enabled Intelligent document processing, IDP for insurance clients servicing FSA and HSA claims as well as IDP solutions for mortgage clients
1Q25	Live call analytics for a large global bank to provide sentiment analysis, compliance check etc.
1Q25	Gen AI for modernization for a large financial institution, leveraging NeoCrux on AWS
1Q25	AI led developer efficiency for a large banking platform company- taken from foundry to a large deal leveraging NeoZeta and NeoCrux
4Q24	Ai driven IT production support engagement to improve reliability and uptime for a top three US bank
4Q24	Announced a Strategic Collaborative Agreement with AWS focused on Gen AI in financial services

Source: Company, JM Financial

Exhibit 61. Pipeline growth in BFSI higher than overall, BFSI pipeline growth in Q2FY25 at 43% YoY
Pipeline growth - YoY



Source: Company, JM Financial

Mphasis: Born in Banking

BFSI is a fiercely competitive vertical for IT Services players. From a service provider perspective, one distinct trend is that this vertical is dominated by scaled players. BFSI is the largest vertical for most of the top-8 global IT Service providers. However, it forms a relatively smaller part of mid-cap players' portfolio. Moreover, most mid-cap peers are engaged with non-banks (asset managers, fintechs, etc.) or regional banks. Mphasis is an exception to that rule. It not only has 58% of revenue coming from BFSI (highest share among peers), it also works with 10 of the top-10 US Banks. Mphasis' genesis and history provides clues of its outsized footprint in BFSI vertical.

It was founded by two Citi bankers. Further, majority control of Mphasis has changed multiple hands throughout its history. It was owned by Barings PE, EDS and HP, before being sold to its current owner, Blackstone. During HP's ownership, the company's growth faltered and it was highly dependent on the HP-led business. Ganesh Ayyar, the then CEO, did a host of acquisitions consciously to diversify from HP. These acquisitions further entrenched Mphasis' BFSI capabilities. For a better perspective, we have put together Mphasis' evolution since its inception below.

Mphasis – a brief history

Mphasis' genesis: Mphasis was created through the merger of BFL software and Mphasis Corporation. Mphasis Corporation was founded by two Citi bankers – Jerry Rao and Jeroen Tas. Jerry Rao served in Citicorp's consumer banking operations in India, the Middle East, Eastern Europe and the UK for 20 years as head of Citicorp's development division. Jerry Rao became the CEO of the merged Mphasis Corporation. Jeroen Tas, prior to being the COO of Mphasis, was head of Transaction Technology Inc., Citigroup's tech lab, responsible for the advancement of the bank's consumer facing systems. Under his leadership, he oversaw the deployment of Citicorp's internet banking platform. It might be safe to assume that two individuals who worked at a financial services group, one running banking operations and the other implementing banking technology, would have built an organisation with significant capabilities in implementing technology for financial services companies. They would have also projected that expertise, helping them win business from BFSI clients globally.

Tandem computing: The company started out as BFL software, which was incorporated in 1992. The entity was promoted by the Bangur group. Between 1993 and 1998, the company worked on a lot of technologies and offered a diverse set of technology offerings. They offered system software, client server technology, networking technology, tandem technology and others. In 1996, the company was set up into 6 independent business units, Compaq Development Centre (software development work done for Compaq), Tandem Solutions, Applications, Systems and networking, Products and Y2K. Tandem Solutions, during that time, dealt with Tandem computers which were fault-tolerant computer systems for ATM networks, banks and stock exchanges and other commercial transaction processing applications requiring maximum uptime and no data loss. The company, therefore, had some degree of exposure to BFSI systems as far back as 3 decades ago.

Mphasis merger with BFL Software: In 1998, ING Barings through its private equity arm acquired a controlling stake in BFL software (52%). BFL Software was merged with Mphasis Corporation in early 2000 by Barings. Mphasis Corporation was an IT services consulting company founded in Santa Monica by Jerry Rao and Jeroen Tas. Both of these entities separately had been struggling with dependence on a few clients and BFL being unable to switch to different lines of business from Y2K.

The merged entity: The combined entity created post merger of BFL Software and Mphasis Corporation provided end to end e-business solution, focused on banking and financial services, retail, media and telecom, tech companies, logistics and supply chain management. At this point in time, in FY01, the company had 70%/20%/10% of its revenue coming from US/Europe/APAC. It had 1,243 software employees and 178 BPO employees. It had 64 clients with 10 clients contributing between 60-80% of its revenue. Some notable clients at this time were a large global airline, world's largest broker, largest credit card companies, fastest growing bank in Japan, largest bank of Middle East, a publishing giant and a large European

bank. We can see the number of large BFSI clients in the top client mix, another indicator of strength in the vertical, even as far back as 2001. In FY02, 45% of the company's revenue came from the financial services segment, and as much as 85% of revenue for Mphasis BPO came from BFSI, with another 12% coming from insurance.

The EDS acquisition: In Jun'06, EDS acquired a majority stake in Mphasis and in Jul'06, EDS India merged with Mphasis. With the merger, EDS's India operations were merged into a single entity, enabling enhanced operational efficiency and presence. EDS was founded in 1962 by H.Ross Perot, and in its early years it was the IT department for many companies, as well as servicing banks and providing support to Medicaid and Medicare. In the 1970s, EDS expanded initially to insurance services and later credit unions. In 1978, the company expanded into financial markets with the arrival of ATM machines and electronic funds transfer and real time POS terminals. EDS, therefore, had some experience in financial services. EDS's acquisition of Mphasis was also a way for it to optimise its business model in India particularly in the financial services domain.

HP's EDS acquisition: On 26th Aug'08, HP announced that it completed acquisition of EDS Corporation. HP's Technology Solutions Group (TSG) shifted to EDS its outsourcing services operations, as well as portions of its consulting and integration activities. Mphasis dropped the EDS identity and became Mphasis after HP retired the EDS brand to become HP Enterprise Services. Mphasis operated as an independent subsidiary of HP and continued to be listed as Mphasis ltd. HP owned close to 62% in Mphasis and Mphasis got more than 50% of its revenue from HP and joint go-to-market initiatives.

In FY08, the company's business had 3 segments - Remote infrastructure management (ITO), Business Process outsourcing (BPO) and Application services (APPS). Applications involved application development, maintenance and legacy modernisation (~65 % of revenue). Business process outsourcing involved offshore contact centre support with expertise in financial services, healthcare and telecom. (22% of revenue). ITO involved remote desktop management, database administration, midrange server management, and service desk and data centre management (12% of revenue).

Moving away from HP: Ganesh Ayyar, who was appointed CEO, in 2009 did a host of acquisitions as part of a conscious strategy to diversify from HP and embarked on a hyper specialisation journey in the BFSI vertical to bolster the expertise the company had in financial services. The hyper-specialisation journey in BFSI was aimed at gaining horizontal expertise in verticals such as adverse analytics, mobility, ERP, CRM, testing and BPO.

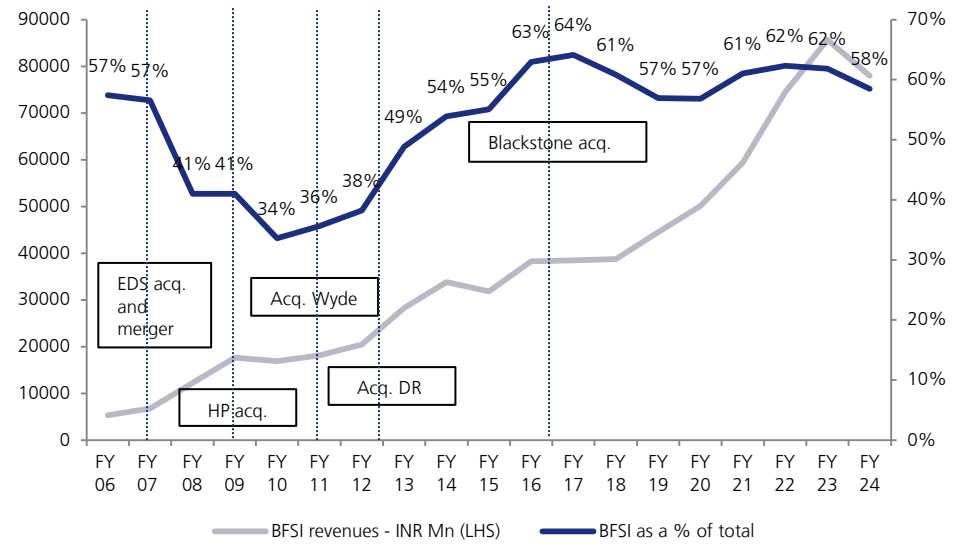
- **AIGSS:** The company acquired AIG System Solutions Pvt. Ltd. (AIGSS) in 2009; this strengthened Mphasis' domain-based solutions in the financial services and insurance industries. AIGSS was an India-based provider of IT services to AIG companies worldwide.
- **Wyde Corporation:** Mphasis acquired Wyde corporation in 2011, a global software vendor and creator of the Wynsure platform - an industry leading insurance policy administration solution. Mphasis, with this acquisition, sought to sure up its insurance business with an opportunity to marry its applications and BPO business with Wyde's software platform Wynsure.
- **Digital Risk:** In 2012, the company acquired Digital Risk, which provided highly specialised Risk, Compliance and Transaction Management solutions for the mortgage industry. Digital Risk's proprietary Making Mortgages Safe solutions suite is deployed by over 15 blue chip clients across key mortgage constituencies – Originators, Insurers, Issuers and Investors.

Blackstone's acquisition: Blackstone acquired majority stake in Mphasis from Hewlett Packard Enterprises (HPE). At the time it was the largest acquisition by Blackstone in India. HPE sold its 60.5% stake in the company to Blackstone. HPE also agreed to a MSA of 5-year duration; under the MSA, HPE proposed to commit a minimum revenue amount escalating YoY and totalling USD 990mn over 5 years.

Nitin Rakesh appointed as CEO: In Jan 2017, Nitin Rakesh was appointed as CEO and director of Mphasis, He was previously the CEO and president of Syntel, Inc. a Nasdaq listed IT

services company. Post joining, he remarked that his focus is on continuity, expansion in geographies especially Europe, leveraging Blackstone group companies and growing the HP MSA and partnership. He also commented that the company would now get stability. Due to frequent change in ownership, the company faced frequent uncertainties, which would now subside.

Exhibit 62. Mphasis and BFSI - Timeline



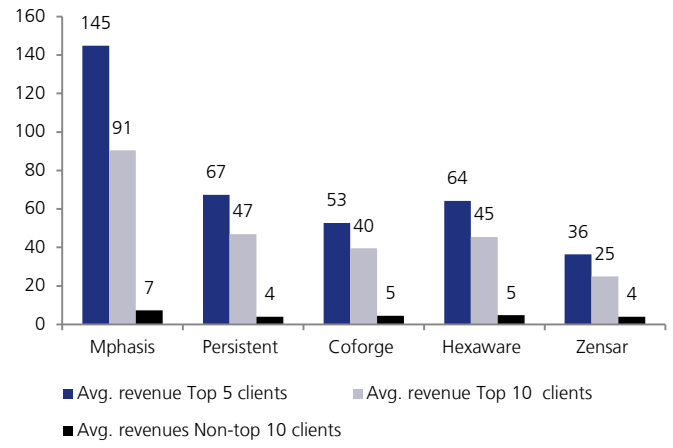
Source: Company, JM Financial

Client Metrics analysis

Mphasis has historically relied on a few large clients. This might be because of its conscious account focused strategy. Till 4QFY24, the company had 97 1mn+ ARR clients (before acquisition), as compared to peers (PSYS, Coforge, Hexaware, Zensar) who have an average of 147 clients in this bucket. Mphasis has a higher share of its revenue coming from top 10 clients at 56.2% in FY 24 as compared to an average of 41.2% for peers. Mphasis has a few extremely large clients; the average revenue of top 5 clients is USD 145mn, which is much higher than the peer average of USD 55mn. Interestingly, the average revenue in the non top-10 bucket is also high for Mphasis as compared to peers, with a lower number of small clients. This shows a conscious strategy of Mphasis to focus on large accounts and mine them. The company has scaled large accounts successfully, From FY19-FY 24, the company has scaled one client to USD 200mn+ ARR, 2 clients to 150mn + ARR, 1 client to 100mn+ ARR and another two to 75mn+ ARR. There are quarterly fluctuations seen in these client buckets but the scale of client ARR and focus on mining is largely evident. The fluctuations make quarterly comparison difficult.

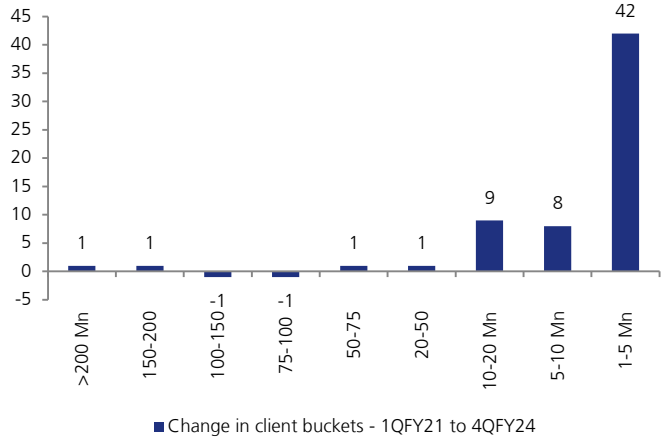
It takes great depth and breadth of solutions and services for clients to be scaled to the high levels that Mphasis has scaled its top clients. The company seeks to market these capabilities to Top 20 and Top 30 clients, for both client hunting and farming. Change in strategy toward New client addition (NCA) can also greatly benefit from this and lead to growth.

Exhibit 63. Mphasis has extremely large clients as compared to other midcap peers.
Average revenue of top 5 and top 10 clients – USD mn (FY24)



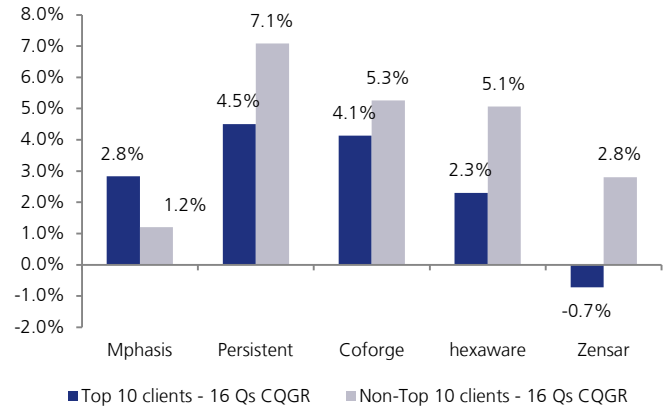
Source: Company, JM Financial

Exhibit 64. 2 Clients scaled to greater than USD 150mn ARR, client additions in the lower buckets as well
Change in client buckets for Mphasis – 1QFY21-2QFY25



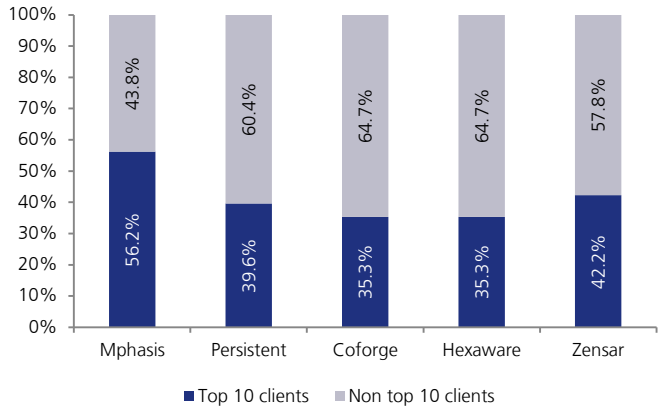
Source: Company, JM Financial

Exhibit 65. Mphasis' account-focused approach has grown its top accounts, might have hampered growth in smaller accounts
Top 10 and non-top 10 CQGR (16 Qs). (1QFY21 – 4QFY24)



Source: Company, JM Financial

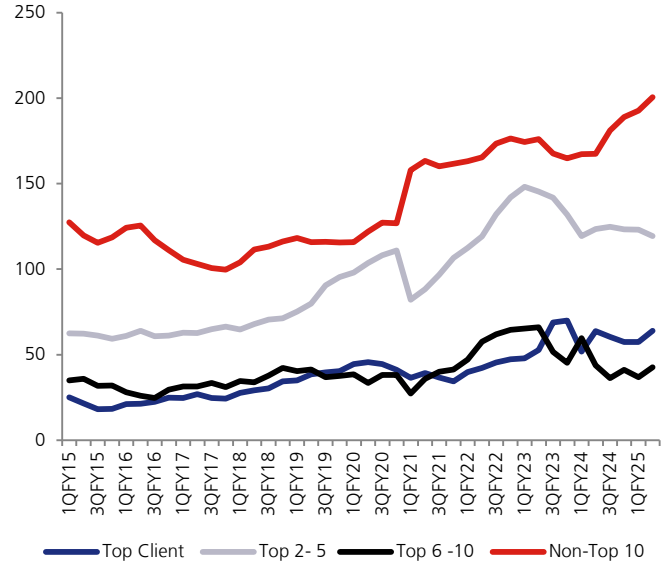
Exhibit 66. Mphasis has higher reliance on top accounts as compared to peers
Top 10 and Non top 10 revenue share - FY 24



Source: Company, JM Financial

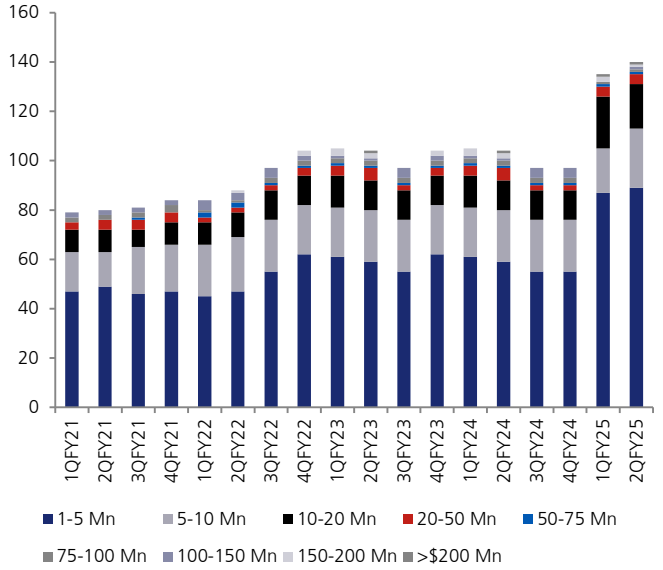
Expansion of client base: Mphasis is seeking to expand its client base. It intends to replicate its archetype based value proposition to different verticals and win new logos. It seeks to win 20-25 new logos per year in the four verticals of Travel & logistics, Hi-tech, Healthcare and Insurance. In these verticals, the company will focus on accounts with an ARR potential of USD 10mn+. It also continues to look at the BFS vertical as the anchor vertical. It sees continued headroom for client wallet share improvement driving growth in the vertical. To win new logos in BFS, the company plans to expand to untapped geographies with their domain strength, capabilities and relationships. It has won new logos in FY25 evidenced by the increase in the 1mn-5mn client bucket, and has scaled revenue in the non-top 10 client category.

Exhibit 67. Client-specific issues led to softness in Top client and Top 6-10 buckets, Top 2-5 and Non Top 10 showed growth
Revenue by client bucket – USD mn



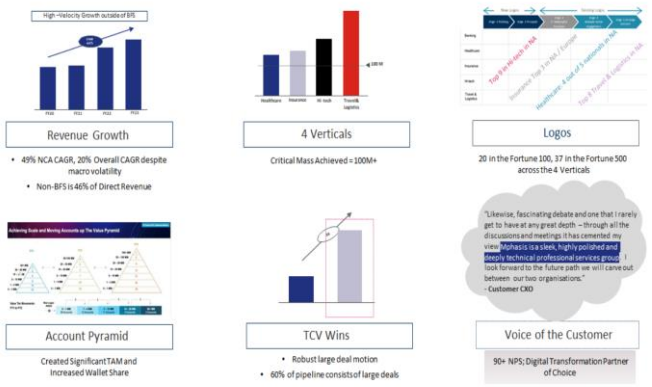
Source: Company, JM Financial

Exhibit 68. Clients added in the 1mn-5mn bucket in recent quarters reflecting a shifting focus towards smaller clients and diversification
Number of clients by client bucket – Nos.



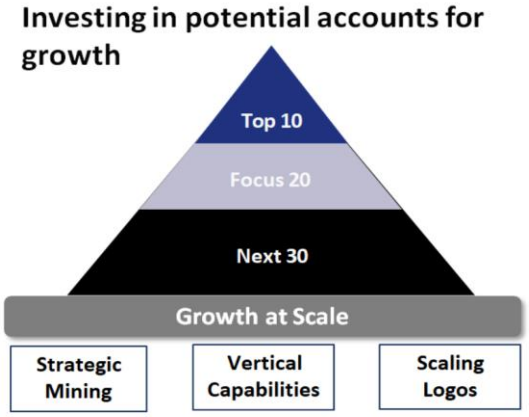
Source: Company, JM Financial

Exhibit 69. Mphasis focusing on Non-BFS client hunting and farming strategy



Source: Company, JM Financial

Exhibit 70. Company prioritising "Focus 20" and "Next 30" and scaling them



Source: Company, JM Financial

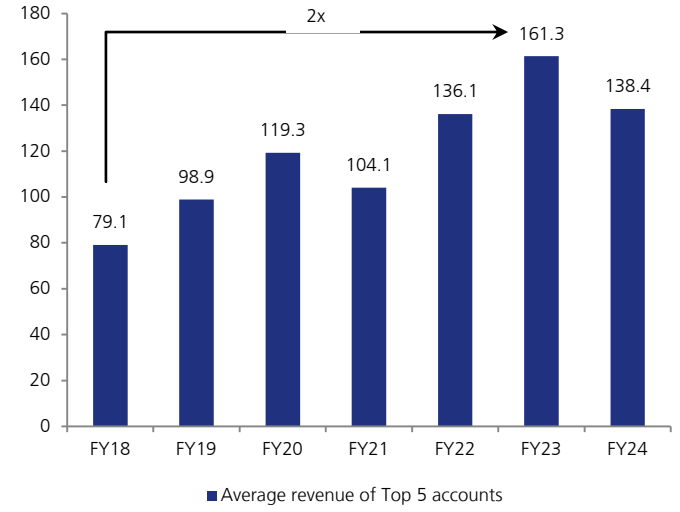
Go-To-Market Strategy – Inch wide, mile deep

Tribes & Squads – Driving scale

Mphasis introduced Tribe and Squad model go-to-market strategy in 2019. Tribes are cross-functional teams built to develop and deliver next-gen tech solutions. Each tribe is made up of various squads, all focused on specific aspects of an offering. Tribes are institutional and repeatable in their design. Furthermore, Mphasis supports the tribes model with a smart surround-and-reinforce strategy that characterises the innovation DNA of Mphasis – including client CTOs, the consulting-oriented Technology Advisory Group (TAG), programmatic innovation (harnessing the start-up ecosystem), focused research and IP (innovation from the labs to the real world) and technology vision provided by the Mphasis Technology Council (MTC). The model has helped the company scale its ability to service the growing pipeline and close more deals by consistently evolving solutions through the adoption of new technology trends, tools, and methodologies. This model brings agility, allowing Mphasis to adapt quickly and align with market demand resulting in delivering better value to the clients.

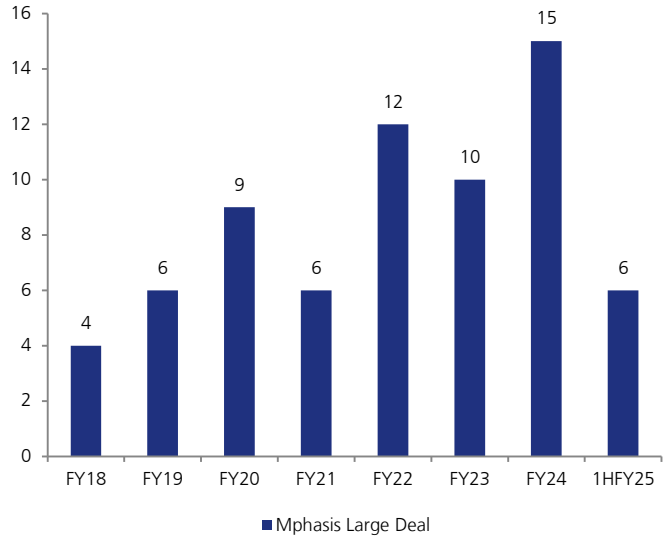
Initially, Mphasis's Go-to-Market (GTM) strategy was primarily account-based, focusing on deepening relationships within named accounts, especially in BFSI. This approach prioritised maximising wallet share and ensuring robust growth within its top clients. While effective for nurturing strong client ties, this model inherently limited scalability, as the focus was largely on expanding business within existing top accounts rather than addressing a broader client base. By 2023, Mphasis transitioned its GTM strategy from an account-based model to a vertical-led approach. This shift was driven by the need to scale operations more effectively and align more closely with industry-specific client needs. The vertical-based strategy allowed Mphasis to focus on sectors such as BFSI, TMT, Healthcare, and Logistics, leveraging shared challenges within each vertical to provide scalable and repeatable solutions.

Exhibit 71. 2x increase in average revenues of top-5 accounts reflect success of Mphasis account led strategy in top-accounts
Average Revenue/top-5 accounts



Source: Company, JM Financial

Exhibit 72. Mphasis has steadily improved number of large deal wins (USD 20mn+); though has trailed its peers
Number of large deal wins



Source: Company, JM Financial

Evolution of GTM

Tribes 1.0 – Product thinking (FY20): The first version of the Tribes model was all about reorganisation. Mphasis built virtual teams—these Tribes—focused on different tech capabilities, while Squads were formed to handle specific delivery projects. It was a shift to being more agile and responsive, with teams structured to work closely with clients and move fast. The approach emphasised industry expertise combined with design thinking to solve problems in an innovative way.

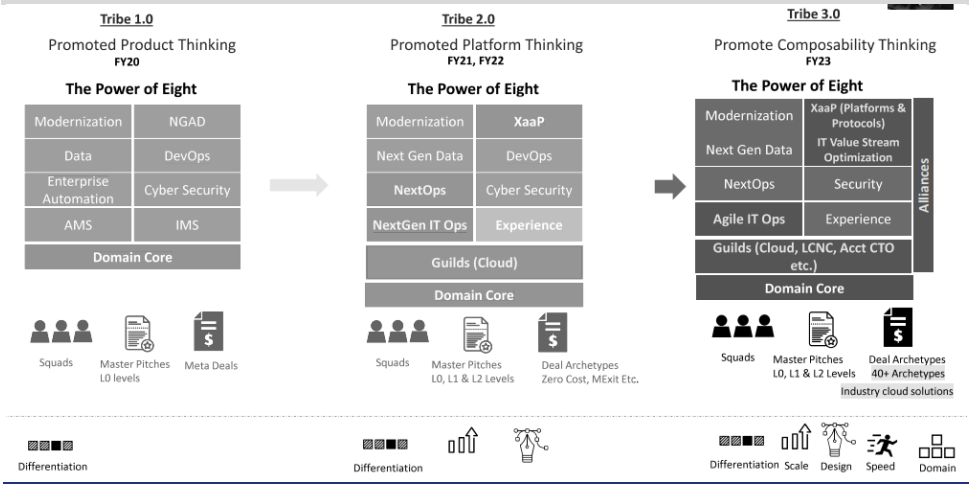
Tribes 2.0 – Platform thinking (FY21-FY22): By 2021, Mphasis took things a step further with Tribes 2.0. This version focused on building offerings that could scale—targeting areas like

Experience, Next Ops, and Next Gen IT Ops. Tribes weren't just functional teams anymore; they were organised around strategic opportunities and value creation. The goal was to develop reusable approaches that could be replicated across clients, and it worked – over 70% of revenue was coming from new-gen services by the end of 2022. The "Power of Eight" also emerged during this time, with eight distinct tribes, including Cyber Security and Next-Gen Data, designed to tackle the big, complex deals.

Tribes 3.0 – Composability thinking (FY23): Tribes 3.0 came in 2023, focusing on mainstream acceptance of emerging technologies. It brought improved collaboration and faster delivery, allowing Mphasis to keep pace with market needs. The tribes expanded their focus to include new areas like IT Value Stream Acceleration and Agile IT Ops. By 2024, over 75% of revenue came from these new-gen offerings. Mphasis also leaned into AI, connecting Mphasis.ai with the tribes to drive more AI-enabled solutions, which required reskilling across teams. The whole approach is about staying adaptable, ensuring teams are ready to tackle the next challenge, and leveraging AI to keep ahead of the curve.

Recent Evolution with AI Focus (2024-2025): Mphasis has continued to evolve its Tribes model, placing AI at the centre of its strategy. The integration of AI capabilities has enabled the tribes to focus on next-gen solutions, including Generative AI (GenAI) for driving more efficient client offerings. Platforms like NeoZeta™ and NeoCrux™ have been introduced to accelerate software transformation and modernisation, cutting costs and improving developer productivity by moving away from traditional labour-intensive methods. Mphasis also launched the "Savings Led Transformation™" approach, focusing on cost efficiency and making client solutions more effective through AI-led transformation. It's part of an "AI-first" shift, pushing away from a manual, and labour-heavy model towards one that's driven by tech. The Tribes model is still about flexibility and collaboration, but now, with AI at its core, it's even more geared towards keeping clients ahead in a rapidly changing tech landscape.

Exhibit 73. Evolution of Tribes model



Source: Company

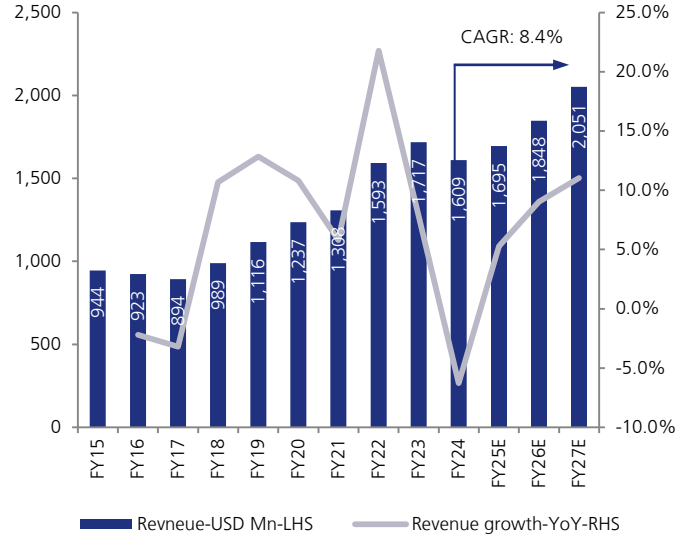
Financial Analysis

Mphasis' revenue was affected by multiple headwinds in recent past that we have already discussed. Top client issues, slowdown in Digital Risk, BFSI slowdown and DXC-related drags have affected consolidated revenue growth. Direct channel, however, has grown faster than overall revenue, and this should be indicative of future growth as it now contributes more than 95% of revenue. Mphasis' strong order book and deal pipeline also should aid growth going forward. Additionally, the company has more than 70% of its revenue from app services, which is discretionary in nature; therefore a meaningful change in the environment is required to drive growth. EBIT margin has improved slightly; it has reached above 15% and the management is confident of staying within the target band. The company has healthy cash conversion and return ratios.

Revenue: Overall revenue grew at a CAGR of 7.6% from FY19-FY24. Revenue declined 6.3% in FY24. Drags from DXC channel, Top client issues, overall BFSI slowdown and slowdown in mortgages have affected the company. However, direct channel has grown well; it has grown at a CAGR of 15% from FY19-FY24. This is a better gauge for growth going forward as 95% of revenue is currently from the direct channel. IN 2QFY25, revenue grew 3.2% sequentially, indicating a revival in growth. We project revenue to grow at a CAGR of 8.4% from FY24-FY27. A significant change in the discretionary environment, rate cuts leading to a pickup in mortgage activity could be upside risks.

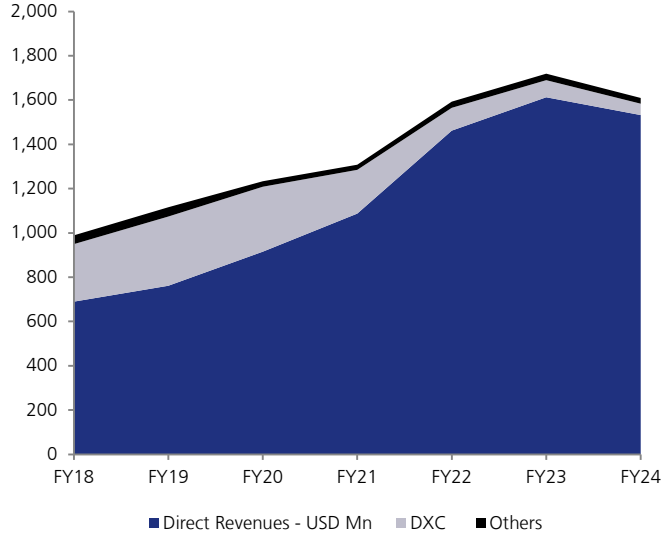
Margins: EBIT margin has improved slightly, reaching 15.2% with a 25 bps sequential improvement in 2QFY25. Margins were aided by onsite-centric utilisation and operating leverage from pickup in Digital Risk. However, EBIT margin had declined 14bps in FY24 and EBIT has declined 4.5%. Utilisation is at 78%; this can be a potential margin lever for the company. The management has indicated a target range of 14.6-16% and is confident to achieve margins within this band.

Exhibit 74. Revenue affected by DXC ramp down, top client issues and slowdown in BFSI and mortgage, these drags now behind
Revenues – USD mn and YoY growth



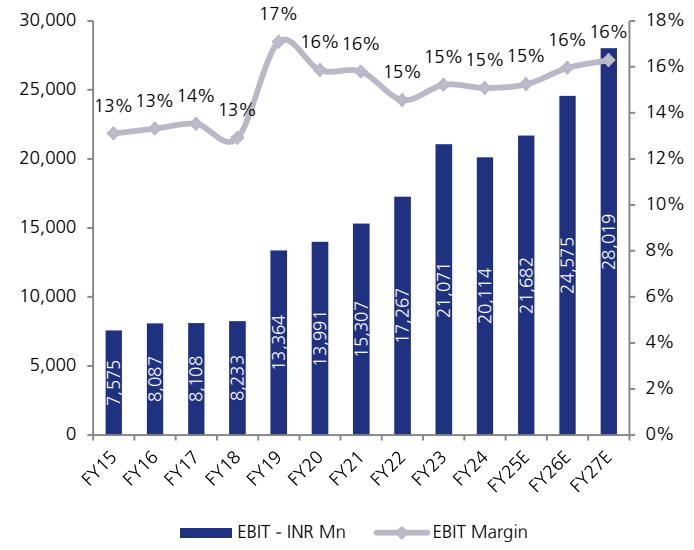
Source: Company, JM Financial estimates

Exhibit 75. Direct revenues have grown much faster at 5-year CAGR of 15%, now contributes 95% of overall revenue
Revenue from Direct, DXC and others – USD mn



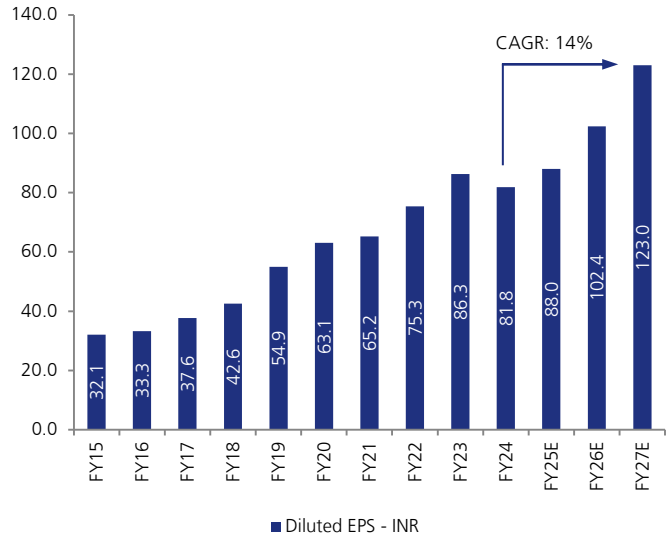
Source: Company, JM Financial

Exhibit 76. EBIT margin has moved above 15%, management has a target band of 14.6-16%
EBIT-INR mn, and EBIT margin - %



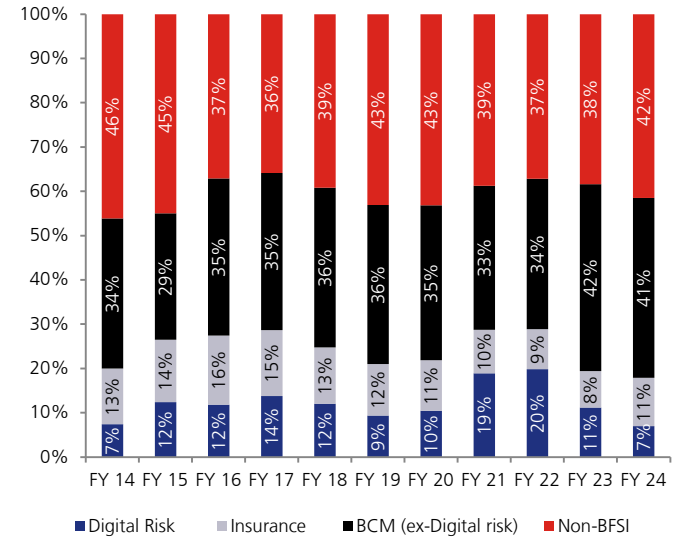
Source: Company, JM Financial estimates

Exhibit 77. Top line growth and margin expansion to aid EPS growth going forward; 5-year EPS CAGR has been 8.3%
Diluted EPS – INR



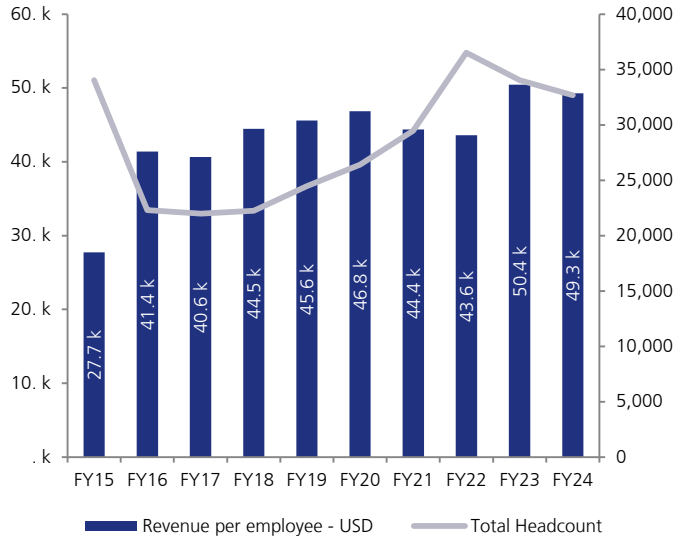
Source: Company, JM Financial estimates

Exhibit 78. BFSI still the anchor vertical, Non-BFS verticals picking up, Digital risk has seen a significant decline
Verticals' share of total revenue



Source: Company, JM Financial

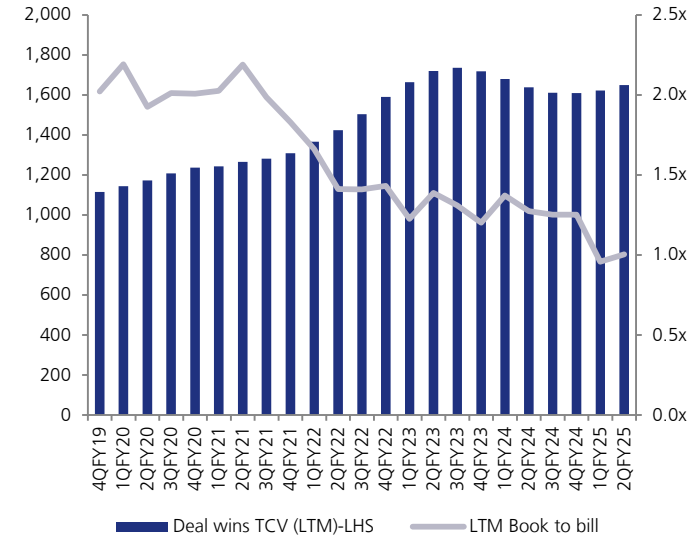
Exhibit 79. Revenue per employee grown, headcount has declined, with room for utilisation to improve
Revenue per employee – USD, Total headcount-Nos.



Source: Company, JM Financial

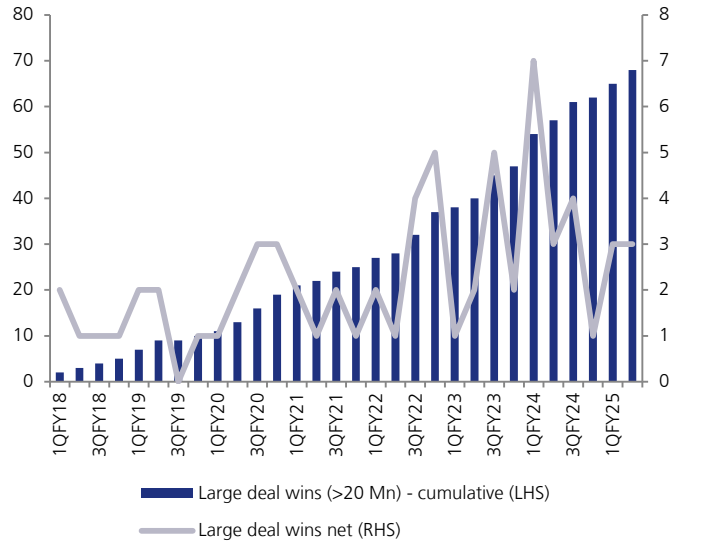
Verticals: BFSI is the most important vertical for the company. It contributed 58% of revenue and has grown at a CAGR of 8.2% over FY19-24. In FY24, BFSI was impacted by macro slowdown and slowdown in mortgages. Overall BFSI revenue declined 11% in FY24. Digital Risk declined 41.3% and BCM ex-Digital risk declined 10%. However, Insurance grew 24%. Non-BFSI revenue has grown at a CAGR of 6.8% over FY19-24 and 1.3% in FY24. Within Non-BFS, the technology and communication vertical grew at a CAGR of 6.2% over FY19-FY24 but grew 15.7% in FY24. The emerging industries vertical (including logistics) grew at a CAGR of 7.2% in the same period. However, it declined 4.4% in FY24. Mphasis is focused on growing the Non-BFSI client portfolio and revenues going forward. In 2QFY25, Banking and capital markets vertical grew 4.5% sequentially, possibly signalling a recovery. The insurance vertical grew 3.2% as well. TMT vertical continued its strong run in 2QFY25, with sequential growth of 7%, emerging industries grew 4%. The company expects BFS and TMT to lead growth.

Exhibit 80. LTM Deal TCV has seen a decline post 4QFY23, book to bill has consistently declined, drag from renewals behind
Deal wins TCV- LTM – USD mn, LTM book to bill



Source: Company, JM Financial

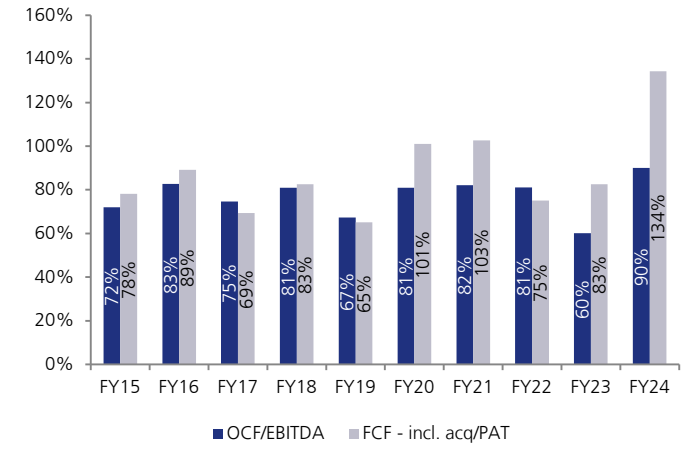
Exhibit 81. The company has focused on winning large deals (>20mn) wins, New deals contribute to greater share of revenue
Large deal wins cumulative and net new large deal wins – Nos



Source: Company, JM Financial

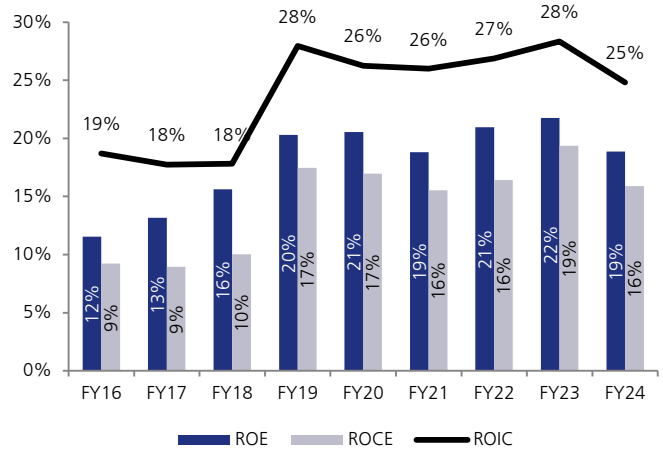
Deal TCV: LTM deal TCV started declining post 4QFY23 for the company. However, 1QFY25 saw strong deal wins, lifting the LTM values for the recent quarters. Deal TCV only includes new deal wins; therefore, continued growth in this value without commensurate increase in the revenue figures indicates that renewals have declined. The LTM book to bill also indicates this as well. Book to bill has declined consistently indicating higher reliance on new deals and new deal ramp-ups than renewals. Additionally, the company has consciously focused on large deal wins. Given that deals in the current environment, have been focused on cost takeout and vendor consolidation, where the company is not particularly strong. The deal wins have been slightly soft. However, the company's unique archetype approach, proactive deal hunting strategy, an aggressive focus towards new logos, a cluster-led approach rather than an account-led one, and strengthening of the management team should drive better deal wins going forward.

Exhibit 82. Healthy cash conversion, 5-year average of OCF/EBITDA & FCF/PAT at 80% and 100%
OCF/EBITDA and FCF/PAT-%



Source: Company, JM Financial

Exhibit 83. Healthy Return Ratios, RoE and RoCE subdued due to high cash and investments on balance sheet
ROE, ROIC and ROCE -%



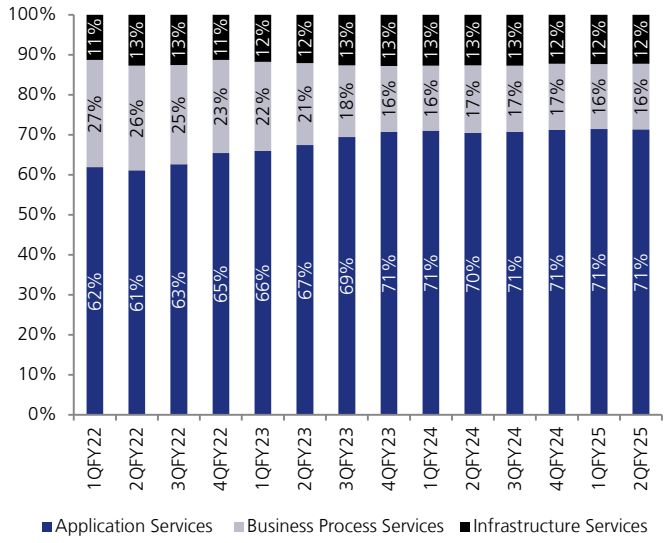
Source: Company, JM Financial

Cash conversion and Return ratios: Cash conversion for the company has been strong, the 5-year average OCF/EBITDA has been at 80%. Working capital, other assets and liabilities and provisions affected cash conversion during this period. In FY24, OCF/EBITDA was at 90%,

with favourable movement in other assets, provisions and financial liabilities. The 5-year average FCF/PAT (incl. acquisition) was 100%; this is extremely healthy. However, this number is skewed higher by the FY24 number, which was at 134%. Healthy OCF, low capex and lack of acquisition led to this bump. Overall, the company has healthy cash generation and conversion. RoE and RoCE are healthy at 19% and 16% respectively; however, they are subdued due to high cash and investments on the balance sheet. The RoIC figure is more indicative of the real return potential; it is at 25%, which is healthy.

Exhibit 84. High share of Application services, discretionary in nature. pickup expected when environment improves, BPS has declined

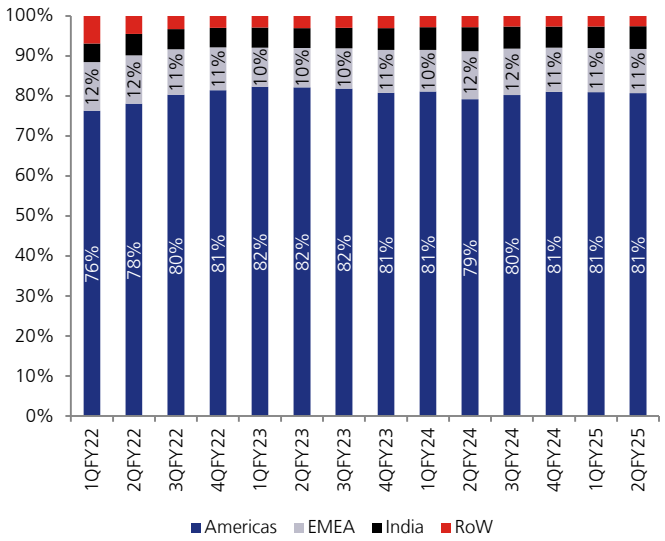
Revenue contribution from each service line - %



Source: Company, JM Financial

Exhibit 85. High share of revenues from Americas, geographic distribution has been stable

Revenue disaggregation based on geography - %



Source: Company, JM Financial

Revenue disaggregation: Mphasis has higher share of its revenue (c.70%) coming from Application services. This shows its strength in this service line as well as indicating its exposure to discretionary spends of clients. App services and modernisation deals are generally discretionary in nature. This might also explain the increased demand volatility that Mphasis experienced post Covid, where there was a sudden increased demand for such services followed by a slowdown. BPS's share in revenues has decreased; this might be due to the slowdown in Digital Risk. In 2QFY25, App services grew 4% and BPS services grew 5%. This might be a signal that both discretionary and mortgage activity have started recovering.

Peer Comparison

Mphasis' revenue growth is below peers for FY24, because of the reasons already discussed. EBITDA margin is around peer average, and higher compared to midcap peers despite having lower offshore effort share. Revenue per employee is higher than most midcap peers; this can move higher with revenue growth as utilisation in FY24 was low. The company has a higher dividend pay-out as compared to midcap peers signalling its cash conversion capabilities. The return ratios of the company are lower than peers; this is because of higher goodwill on the balance sheet. Debt-to-equity increased for Mphasis in FY24, on account of an increase in borrowing for acquisitions. Net debt, however, is at comfortable levels, at INR 15bn. The US contributes to a larger share of revenue relative to peers, and as already stated, BFSI has a larger share of revenue for the company among verticals.

Exhibit 86. Peer comparison table – INR mn, all figure for FY24

	Mphasis	Coforge	Persistent	LTIM	TECH M	Wipro	HCL Tech	Infosys	TCS
Revenue USD Mn	1,609	1,119	1,186	4,287	6,277	10,805	13,270	18,562	29,080
Growth YoY (FY23-24)	-6%	14.5%	17.6%	7.0%	-2.4%	-0.8%	8.3%	4.7%	6.8%
EBITDA USD Mn	299	186	208	771	599	2,044	2,922	4,400	7,762
EBITDA margin	19%	16.7%	17.6%	18.0%	9.5%	18.9%	22.0%	23.7%	26.7%
Total Headcount	32,664	24,726	23,850	81,650	145,455	232,614	227,481	317,240	601,546
Revenue per employee- USD	49,259	45,244	49,732	52,508	43,152	46,450	58,333	58,511	48,342
EBITDA per employee	9,153	7,540	20,116	9,443	4,120	8,789	12,843	13,869	12,903
Diluted EPS growth YoY	-5%	-4.6%	22.0%	3.7%	-51.2%	3.1%	5.7%	1.4%	11.6%
Dividend Payout	67%	40.8%	42.1%	41.9%	148.6%	4.9%	89.9%	65.2%	56.5%
ROE	19%	24.2%	24.9%	25.0%	8.7%	15.1%	23.5%	32.1%	51.0%
ROCE	21%	28.5%	28.7%	28.7%	10.3%	15.1%	26.9%	34.2%	59.2%
ROIC	24%	24.0%	29.3%	41.6%	10.2%	21.0%	29.5%	37.5%	82.8%
D/E Ratio	0.27	0.19	0.09	0.08	0.09	0.22	0.08	0.09	0.09
Net Debt	-15,131	3,908	-10,519	-99,633	-51,767	57,160	-214,460	-310,500	-370,270
Verticals									
BFSI	58.5%	54.4%	31.8%	36.2%	15.4%	33.4%	22.1%	27.4%	32.0%
Non-BFSI	41.5%	45.6%	68.2%	63.8%	84.6%	66.6%	77.9%	72.6%	68.0%
Geography									
Americas	80.4%	48.0%	79.6%	73.2%	49.9%	60.1%	64.7%	60.1%	53.0%
Europe	11.3%	39.0%	9.0%	14.9%	24.9%	28.4%	28.4%	27.6%	31.4%
ROW	8.4%	24.0%	11.4%	11.9%	25.1%	11.5%	7.6%	12.3%	15.5%

Source: Company, JM Financial

Valuation reasonable: Initiate with BUY and TP of INR 3,590

Mphasis is one of the best plays on US BFSI recovery, in our view. With the headwinds now receding, as we have discussed earlier, growth rates can improve from hereon. We are building 9%/11% USD revenue growth for FY26/27E. Faster-than-expected US Fed rate cuts could add incremental upside to these estimates, in our view, as that could uplift both mortgages and capital market revenues. We expect Mphasis to remain within its EBIT margin guide of 14.6% to 16%, albeit move towards the upper end as growth recovers. Consequently, we forecast 14% FY24-27E EPS CAGR.

24% upmove over the past 6 months reflect improved outlook. But current PER multiple, at c.36% discount to Coforge, still appears reasonable to us. We value the company at 31x, c.22.5% discount to our target multiple for Coforge, given divergence in recent performances. This is also in line with current FY26 multiple for the stock. We see upside to both our EPS and target multiple. We initiate coverage with BUY and target price of INR 3,590.

Client specific ramp-downs in non-BFS large accounts is a key risk. Faster-than-expected pick-up in mortgage volumes and discretionary spend rebound in BFS present upside risk to our target price.

Exhibit 87. JMFe vs. Consensus

	Consensus estimates			JMFe			Difference		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Sales (USD mn)	1,690	1,891	2,132	1,695	1,848	2,051	0.3%	-2.3%	-3.8%
Sales (INR mn)	142,556	159,515	179,788	142,246	156,116	174,359	-0.2%	-2.1%	-3.0%
EBITDA (INR mn)	26,055	29,499	33,479	25,976	29,417	33,375	-0.3%	-0.3%	-0.3%
EBITDA margin	18.3%	18.5%	18.6%	18.3%	18.8%	19.1%	-2bp	35bp	52bp
EBIT (INR mn)	22,014	25,313	28,974	21,682	24,575	28,215	-1.5%	-2.9%	-2.6%
EBIT margin	15.4%	15.9%	16.1%	15.2%	15.7%	16.2%	-20bp	-13bp	7bp
EPS (INR)	90.2	103.4	118.8	88.0	102.3	120.1	-2.5%	-1.1%	1.1%

Note: Consensus estimates as of 9th Dec 24. Source: Visible Alpha, JM Financial estimates

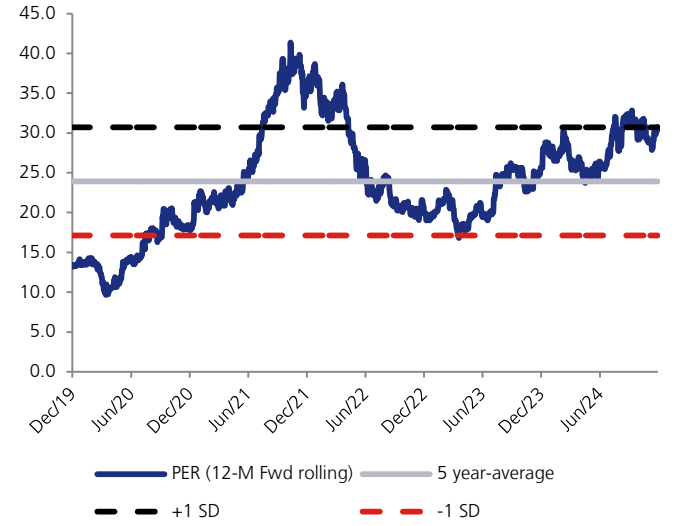
Exhibit 88. Key assumptions

	1QFY25	2QFY25	3QFY25E	4QFY25E	FY25E	FY26E	FY27E
P&L Assumptions							
Revenue (USD Mn)	**410**	**421**	**427**	**437**	**1,695**	**1,848**	**2,051**
Growth (QoQ/YoY)	-0.2%	2.7%	1.3%	2.4%	5.3%	9.0%	11.0%
Revenue (INR Mn)	34,208	35,286	35,840	36,912	142,246	156,116	174,359
Growth (QoQ/YoY)	0.2%	3.2%	1.6%	3.0%	6.7%	9.8%	11.7%
Technology services Revenue (USD Mn)	343	352	360	369	1,429	1,562	1,741
Growth (QoQ/YoY)	0.2%	2.5%	2.1%	2.7%	6.4%	9.3%	11.4%
As a % of total revenue	83.8%	83.6%	84.3%	84.5%	84.3%	84.5%	84.9%
BPO services Revenue (USD Mn)	67	69	67	68	270	286	311
Growth (QoQ/YoY)	-2.2%	3.7%	-2.8%	0.7%	1.3%	5.8%	8.8%
As a % of total revenue	16.2%	16.4%	15.7%	15.5%	15.9%	15.5%	15.1%
Total delivery manpower	27057	26578	26,843	27,163	27,163	28,938	31,338
Net addition (QoQ/YoY)	1628	-479	265	320	49	1,775	2,400
Effort share (Tech services)- Onsite	26.3%	26.9%	27.4%	27.4%	27.0%	27.4%	27.6%
Effort share (Tech services)- Offshore	73.7%	73.1%	72.6%	72.6%	73.0%	72.6%	72.4%
Cost of Revenue (as a % of Revenue)	69.3%	68.9%	69.1%	69.6%	69.2%	65.6%	70.8%
S&M expenses (as a % of Revenue)	7.3%	7.4%	7.3%	7.4%	7.3%	7.3%	7.4%
G&A expenses (as a % of Revenue)	12.7%	13.0%	12.8%	12.8%	12.8%	12.8%	12.8%
Gross Margin	**30.8%**	**31.1%**	**31.1%**	**31.4%**	**31.1%**	**31.6%**	**31.9%**
Change (QoQ/YoY)	-50bp	35bp	-5bp	32bp	66bp	51bp	35bp
EBITDA Margin	**18.0%**	**18.1%**	**18.3%**	**18.6%**	**18.3%**	**18.8%**	**19.1%**
Change (QoQ/YoY)	-76bp	12bp	11bp	32bp	10bp	58bp	30bp
EBIT Margin	**15.0%**	**15.2%**	**15.2%**	**15.5%**	**15.2%**	**15.7%**	**16.2%**
Change (QoQ/YoY)	bp	25bp	3bp	14bp	16bp	50bp	44bp
Balance Sheet assumptions							
DSO	72	75	75	75	75	72	72
Gross Fixed asset turnover	1.79	1.78	1.70	1.70	6.6	6.2	5.8
Current liabilities as a % of revenue	82.0%	83.8%	82.0%	82.0%	21.3%	21.2%	21.0%

Source: JM Financial estimates

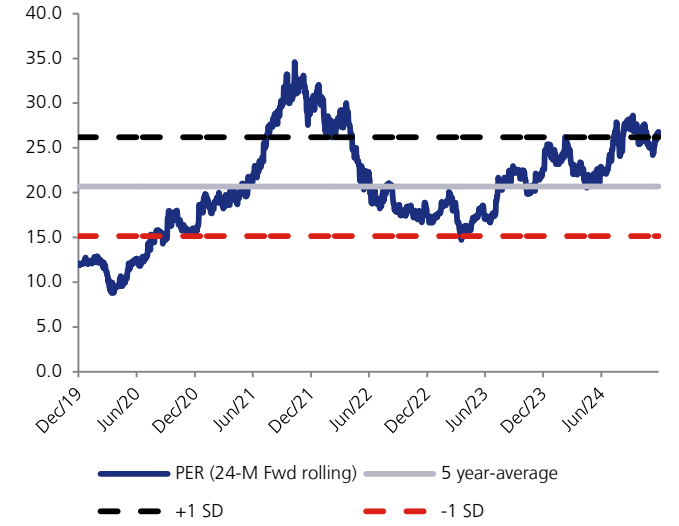
Valuation charts

Exhibit 89. MPHL: 12-M Forward PER



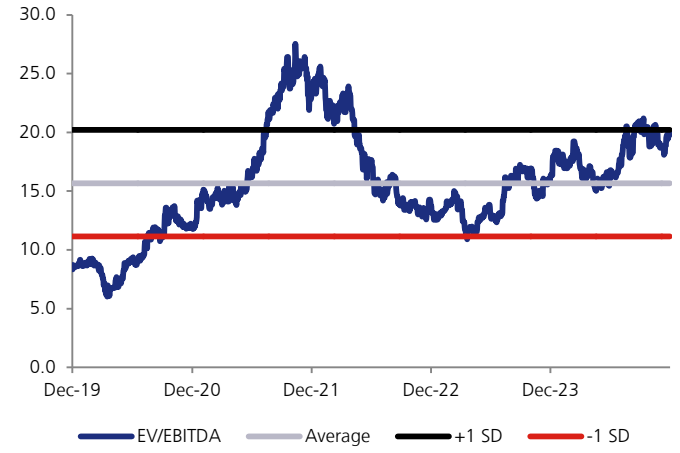
Source: Bloomberg, JM Financial

Exhibit 90. MPHL: 24-M Forward PER



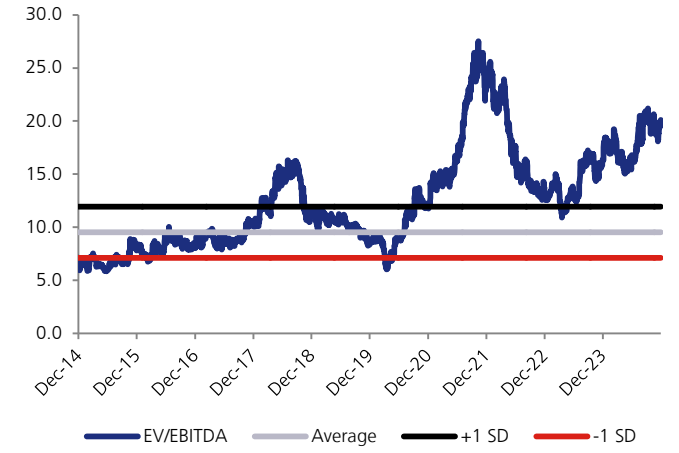
Source: Bloomberg, JM Financial

Exhibit 91. MPHL: 12M Forward EV/EBITDA, 5 Year



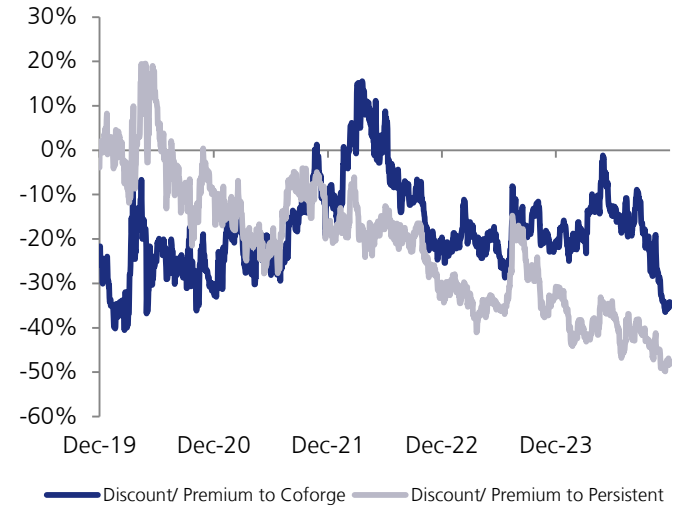
Source: Bloomberg, JM Financial

Exhibit 92. MPHL: 12M Forward EV/EBITDA, 10 Year



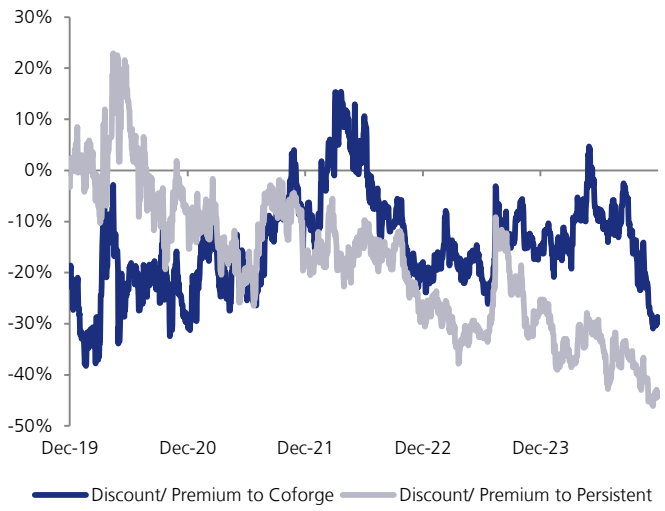
Source: Bloomberg, JM Financial

Exhibit 93. PER 12M Forward: MPHL – Discount/Premium to Coforge and Persistent



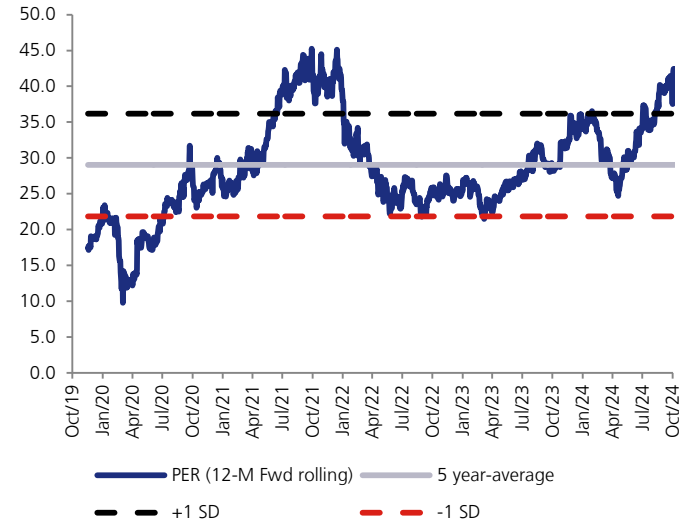
Source: Bloomberg, JM Financial

Exhibit 94. PER 24M Forward: MPHL – Discount/Premium to Coforge and Persistent



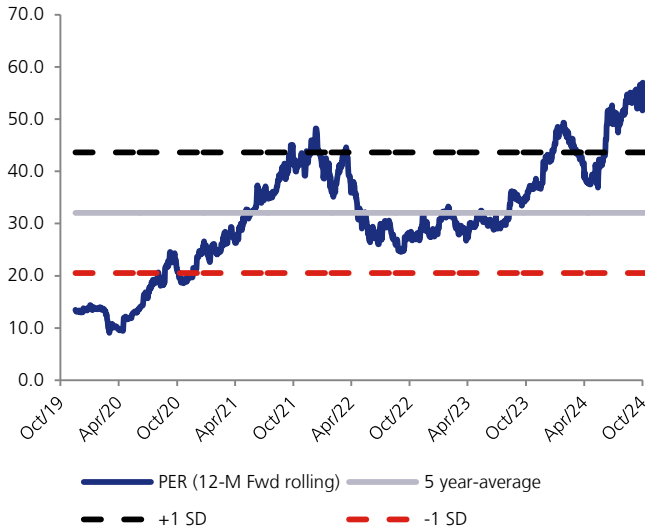
Source: Bloomberg, JM Financial

Exhibit 95. Coforge: 12M Forward PER



Source: Bloomberg, JM Financial

Exhibit 96. Persistent: 12M Forward PER



Source: Bloomberg, JM Financial

Exhibit 97. Coforge: EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 98. Persistent: EV/EBITDA



Source: Bloomberg, JM Financial

Exhibit 99. Valuation Comparables

Company	Reco	CMP	Mcap (INR Mn)	P/E FY25 E	P/E FY26 E	P/E FY27 E	EPS CAGR FY25-27E	PEG	EV/EBITDA FY25 E	EV/EBITDA FY26 E	EV/EBITDA FY27 E
Mid-cap IT Services											
Mphasis	BUY	3,067	5,88,449	35.0x	30.1x	25.6x	16.8%	2.6x	23.3x	20.5x	18.1x
Coforge	BUY	8,919	5,96,292	55.3x	46.4x	38.9x	19.2%	2.2x	30.7x	25.8x	22.3x
Persistent	BUY	6,234	9,71,608	70.9x	55.9x	44.0x	26.9%	2.3x	47.5x	38.0x	30.5x
Birla Soft	Not Rated	609	1,68,312	30.2x	24.6x	20.6x	21.0%	1.2x	21.1x	17.3x	14.4x
Firstsource	Not Rated	371	2,58,897	41.4x	31.7x	25.6x	27.2%	1.2x	22.5x	18.8x	16.1x
eClerx	Not Rated	3,670	1,74,884	32.7x	27.6x	23.5x	17.9%	1.5x	20.4x	17.6x	15.3x
Zensar	Not Rated	786	1,78,323	27.9x	23.9x	20.0x	18.2%	1.3x	20.0x	18.3x	15.9x
Sonata	Not Rated	671	1,88,025	37.8x	27.9x	23.1x	27.9%	1.0x	23.8x	18.2x	15.8x
Mastek	Not Rated	3,230	99,734	27.6x	23.0x	19.7x	18.4%	1.3x	17.4x	14.5x	12.8x
R Systems	Not Rated	496	58,631	44.3x	34.9x	27.2x	27.5%	1.3x	22.2x	18.8x	15.5x
Average Mid-caps				40.3x	32.6x	26.8x		1.6x	24.9x	20.8x	17.7x
Average Mid-caps (ex Coforge & Persistent)				34.6x	28.0x	23.2x		1.4x	21.3x	18.0x	15.5x
Large-cap IT Services											
TCS	HOLD	4,452	1,61,08,268	32.5x	30.0x	26.4x	11.0%	3.2x	22.7x	21.1x	19.0x
Infosys	BUY	1,924	79,87,470	30.3x	26.9x	23.9x	12.6%	2.4x	19.6x	17.4x	15.5x
HCL Technologies	HOLD	1,910	51,82,829	31.4x	28.6x	25.4x	11.1%	3.2x	19.5x	18.1x	16.3x
Wipro	BUY	304	31,78,497	25.2x	23.5x	19.0x	15.1%	1.6x	16.4x	15.9x	13.5x
Tech Mahindra	BUY	1,778	17,39,978	37.1x	28.2x	21.6x	31.1%	0.6x	24.6x	18.7x	14.9x
LTIMindtree	SELL	6,389	18,92,334	38.6x	32.3x	29.2x	15.1%	2.6x	26.6x	23.2x	21.0x
Average Large-caps				32.5x	28.2x	24.3x		2.3x	21.6x	19.1x	16.7x

Note; As on 9th December 2024. Valuation on JM estimates for TCS, Infosys, HCL Tech, Wipro, TechM, LTIM, Coforge, Persistent and Mphasis, rest all on Bloomberg estimates. Source: Bloomberg, JM Financial estimates

Appendix - I

Mphasis' capabilities

Capabilities: Leader in Digital Transformation service for mid-market enterprises

Mphasis is recognised as a Leader among 21 service providers as per Everest Group Digital Transformation Services for Mid-market Enterprises PEAK Matrix® Assessment 2024 and a leader in client satisfaction with an industry leading CX score of 87.3 according to ISG. The company's proprietary platforms, strong industry expertise, and strategic cloud partnerships make it a preferred choice for enterprises seeking transformative, scalable, and ROI-driven solutions. This highlights the company's strengths in delivering impactful solutions through modernised application transformation strategies. Its key differentiators and value proposition include:

1. Innovative Modernisation Strategies: **Front2Back™ Modernization Strategy:** Focuses on minimising reliance on legacy systems while enhancing agility and operational efficiency. This approach integrates zero-based design and modern technologies, enabling organisations to rethink their processes comprehensively. **Service Transformation Strategy**: Aimed at delivering zero-cost transformations, helping clients achieve significant cost efficiencies while modernising their IT landscapes.

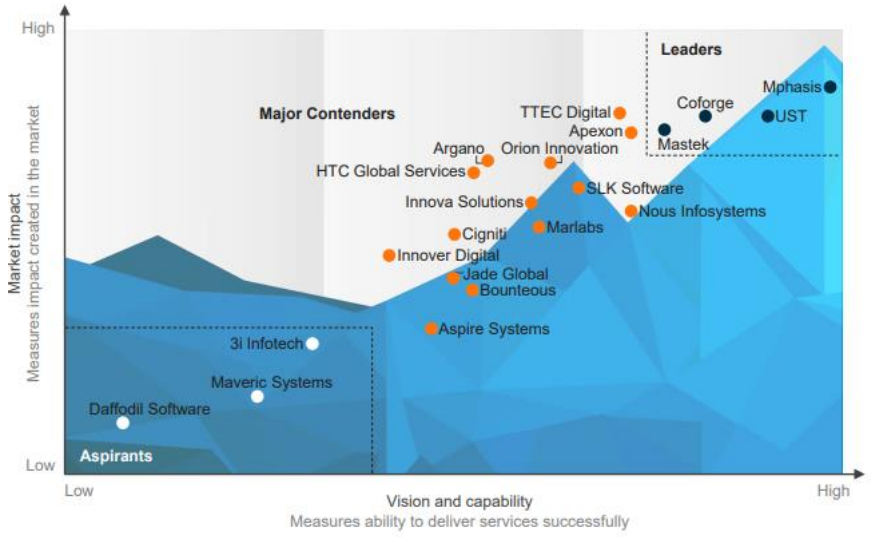
2. Proprietary Tools and Platforms: Mphasis has developed a suite of cutting-edge solutions to accelerate modernisation and drive efficiency. **Autocode.AI:** Leverages deep learning to automate code generation and streamline development cycles, enabling faster prototyping and delivery. **InfraGenie:** Ai powered platform for service management and automation, achieving up to 30% reduction in TCO and 50% decrease in manual issue resolution. **NGTrans and Doc2code:** Simplify the conversion and modernization of legacy systems with automated workflows, reducing complexity and time-to-market. **DeepInsights:** A cognitive intelligence platform powered by AI/ML, natural language processing, and predictive analytics, providing actionable insights and enabling hyper-personalized experiences.

3. Agile Go-to-Market Approach: Mphasis employs a tribe/squad model, integrating cross-functional teams across modernisation, experience, data, and XAAP to foster innovation and speed. This approach enhances agility and allows for co-creation with clients, addressing specific business challenges effectively.

4. Client-centric approach: Mphasis places exceptional emphasis on collaboration and transparency, making client satisfaction a cornerstone of its service delivery. Mphasis fosters trust by building strong partnerships, enhancing local and onshore presence where required, and providing clients with equal access to performance data, ensuring transparency in meeting SLAs. The company's ability to integrate seamlessly with client teams and its use of innovative workshops to align goals ensures that solutions are not only effective but also co-created.

5. Partnership Ecosystem and Cloud Expertise: Mphasis partners with leading cloud providers to offer tailored cloud-native, private, and hybrid solutions. These partnerships enhance Mphasis' ability to deliver robust, scalable, and future-ready solutions across industries. **AWS:** Industry-specific modernization and CloudOps solutions. **Microsoft Azure:** Comprehensive Everything-as-a-Platform (XAAP) offerings for multi-cloud environments. **Google Cloud Platform (GCP):** Advanced data migration and composable digital platforms using Anthos.

Exhibit 100. Everest Group Digital Transformation services for mid-market enterprises PEAK Matrix Assessment 2024



Source: Everest Group 2024

Exhibit 101. Mphasis' strengths and weaknesses

Category	Strengths	Weakness
Strategy	Front2Back and Service Transformation strategies for cost-efficient and agile IT modernization	Limited depth in partnerships with technology vendors and niche start-ups
Innovations	Proprietary tools like Autocode.ai , Doc2code, and Deep Insights for automations and analytics	Needs broader innovation to address non-core verticals
Partnerships	Strong alliance with AWS, Azure, and GCP for cloud-native and hybrid solutions	Partnership ecosystem lacks breadth compared to market leaders
Industry Focus	Expertise in BFSI, Healthcare, travel and transport vertical with demonstrated impact	Over-reliance on BFSI and travel sectors, limited diversification into other verticals
GTM Model	Agile tribe/squad model enables customized, cross-functional client solutions	Relatively narrower service breadth and delivery footprint on North America
Client Impact	Proven success in reducing cost and improving system	Limited presence in mid-sized and smaller enterprise segments globally
Client Impact	High CX ratings (87.3 vs. 77.6 global averages) through a collaborative approach, trust - building, and AI-driven insights.	Scaling narrower delivery footprint, especially in North America, compared to competition.

Source: Everest Group 2024, JM Financial

Appendix - II

Capabilities in the BFSI vertical

Banking and Capital Markets

Asset Management: Mphasis provides **research** repositories and advanced analytics engines to support asset and portfolio managers. In **order management**, it offers integration and testing services for order management systems. It develops AI-based **portfolio management** tools aimed at achieving superior returns. It delivers enterprise **data management** solutions encompassing reference, static, transaction, and risk data. In **distribution**, it creates intelligent online distribution applications to reach new markets and cater to informed investors. In **middle office** services, it provides end-to-end technology development and integration services, including AI and robotics-driven operations in **fund accounting**. It develops platforms for **securities lending** across various asset classes and markets and offers enterprise **risk management** technology covering credit, market, operational, and compliance risks.

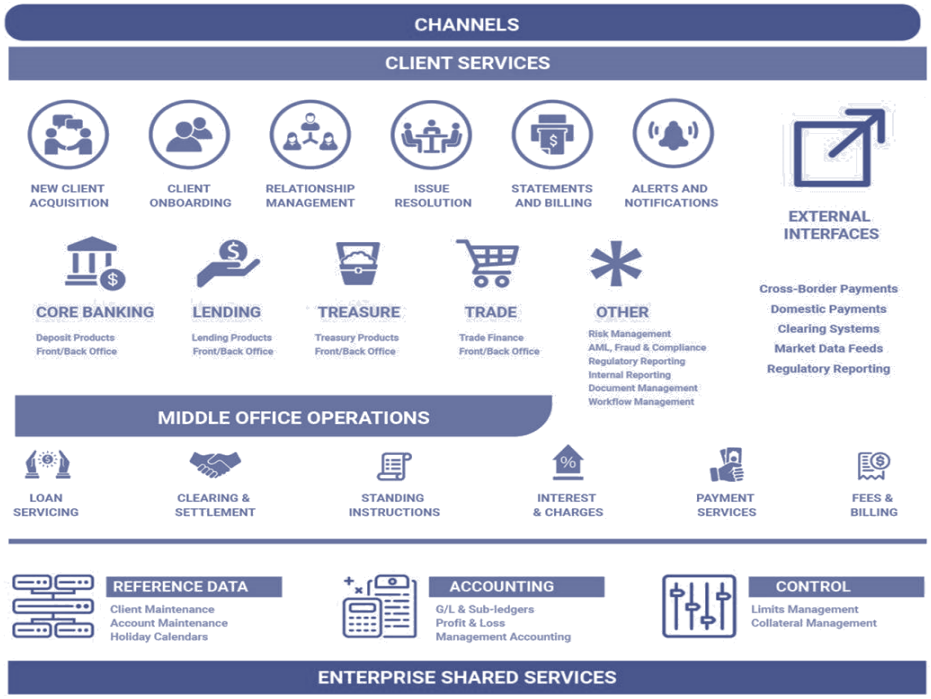
Exhibit 102. Services offered in Asset Management



Source: Company

Corporate banking: Mphasis offers various solutions and services in corporate banking which increase ease of operations and increase efficiencies. It implements solutions to capture real-time **deal and pipeline information**, enhancing the deal pursuit process. It assists banks in providing corporate clients near **real-time liquidity positions**, integrating data across multiple systems. It provides **document verification and validation** solutions using AI for trade finance, reducing manual effort. It offers comprehensive workflow solutions to streamline the **onboarding** of corporate customers, ensuring regulatory compliance. It develops systems that automate the **credit appraisal process** using AI, integrating with core lending systems and CRM platforms. It provides secure and efficient **payment solutions**, including mobile and contactless payment technologies. It delivers solutions for managing financial risks and ensuring **compliance**. It specialises in integrating and rolling out **core banking** and commercial lending systems globally. In **credit risk management**, it develops applications to manage exposure and collateral in real time across entities. It offers solutions for treasury management and interest efficiency products.

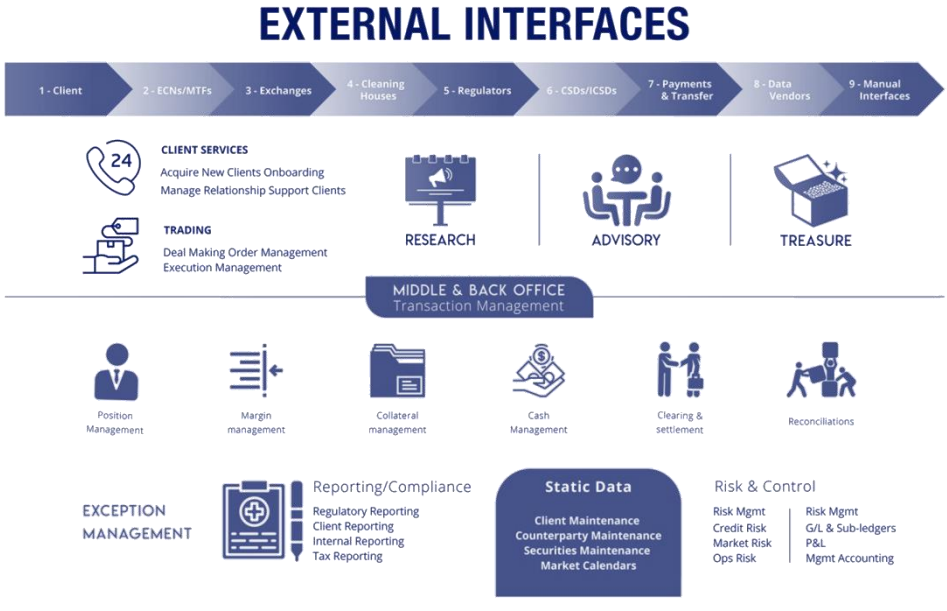
Exhibit 103. Services offered in Corporate Banking



Source: Company

Investment Banking: The company provides **market data and analytics platform** which supports a leading investment bank. It has expertise in developing research content and **distribution technology**, with complementary **knowledge process outsourcing** (KPO) services. It provides CRM systems for investment bank sales trading, with KPO solutions for campaign management. It develops **systems for counterparty credit and market risk** across assets, including OTC derivatives managing rules. It provides integration and testing services for **trading and execution management** systems. It offers an end-to-end suite for **custody and prime services**. Its **compliance technology services** revolve around trade reporting, capital adequacy, disclosures and market manipulation, and it provides services across the entire value chain of fund accounting and reporting for traditional and alternative trading systems.

Exhibit 104. Services offered in Investment banking



Source: Company

Retail Banking: In retail banking, the company facilitates **on-boarding** for new customers. In customer service, it does **query management and complaint-handling**. The company also assists **collections**. In **branch experience**, the company offers queue management, intelligent kiosks and video tellers. They provide technical framework and accelerators for **cloud migration**. Apart from this, the company was involved in deals such as modernisation of core banking system, migration of customers to a new system for a large bank post acquisition of another bank, and setting up retail banking operations.

Wealth Management and brokerage: Through Mphasis Digital advice, the company offers **robo advisor** service capabilities and support for the same. It provides tools to increase **productivity** of advisors across font, **middle and back office**. It reduces costs across middle and back office for clients. It delivers back office solutions with a **BPO** specialised for wealth management practice and provides governance, risk and compliance services.

The company handles 25mn accounts in brokerage and wealth management; it enables 7mn customers to trade (AUM of USD 1trln), services 1 in 3 accounts in the US RIA industry and manages 8% of all 401k assets in the US.

Exhibit 105. Services offered in Wealth management and brokerage



Source: Company

Mortgage: With Digital Risk, the company provides **end-to-end mortgage solutions**. It offers origination support, by providing scalable **processing, underwriting, closing** and specialised services. It provides **risk and compliance** tools, **KYC/AML optimisation** and **quality assurance** through pre-fund reviews and loan audit. Some of the technology solutions Digital Risk offers are **LoanFx** – Digital mortgage front-end encompassing customer experience, **iVue** – workflow platform reducing cycle times and enhancing process quality and **Luminate** – a quality control platform with RPA and document automation.

Exhibit 106. Services in Mortgage

Strategy and Consulting	Over 30 BPO and tech consulting engagements over the last year
Digital Mortgage Technology	Point-of-sale and customer-facing technology solutions-including LoanFX™
Automation	Future-proofed automation solutions-including Luminate™ QC and Virtual Workforce (RPA)
Origination Fulfillment	11th largest originator per application volume in the industry
Origination Support Services	Fully-licensed facilities: Four ops centers and two onshore
Quality Control	Largest tech and service provider for GSEs
Due Diligence	Key loan attribute reviews
Risk in Governance, Risk, and Compliance	First line and second line testing for all regulation and control types

Source: Company

Exhibit 107. Solutions in Mortgage

LoanFX™	▪ Digital mortgage ▪ Point-of-sale platform ▪ Intelligent virtual agent (IVA)/chatbots
LUMINATE™	▪ ADR (Automated document recognition) ▪ OCR (Optical Character recognition) ▪ RPA (Robotic process automation)
QCynergy	▪ Due diligence portal ▪ Quality control portal
Amplify	▪ Business intelligence ▪ Fulfillment workflow enhancement ▪ Call center integration & call analytics
DeepInsights™	▪ Cognitive computing platform

Source: Company

Insurance

Life, Annuity and Benefits: Mphasis provides digital transformation, cloud solutions, data and analytics, Wynsure-policy admin system, Underwriting solutions and Business process services in this segment.

Property and Casualty (P&C): In P&C the company offers digital transformation, document processing through Deepinsights, Broker connect platform offering customer connect, underwriter unified dashboard and workplace and interaction management through chat, chatbots, calls etc.

Speciality Insurance: In specialty insurance as well, the company offers similar services that enhance efficiency and ease business processes.

Brokerage services: Mphasis offers solutions to reduce complexity in on-boarding and managing new broker and producer leads, eliminate front/mid and back office manual procedures, and provide unified data for insights.

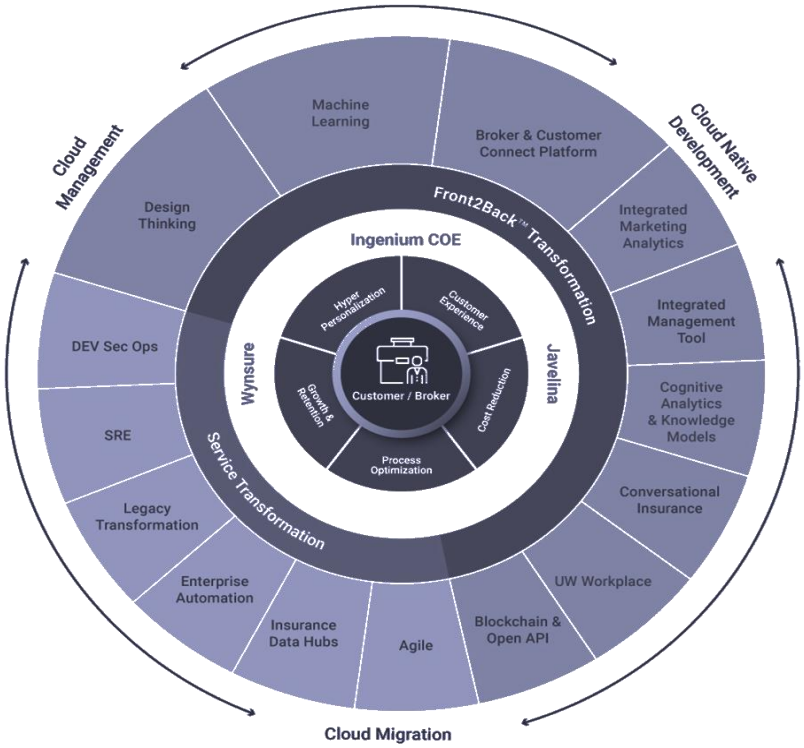
Technology solutions in Insurance: **Wynsure** – Wynsure product suite supports business functions across insurance life cycle with end to end ecosystem. It has solutions for product, underwriting, policy admin and servicing, enrolment platform for group and member, billing and reconciliation and claims tool. It also caters to front office operations such as broker management and sales management.

CognitiveGuru – CognitiveGuru (CG) is an AI-based chatbot development platform, built using Microsoft AI and popular opensource technologies to enable enterprises design, build, establish and deploy chatbots in an easy manner

HyperGraf - A 360-degree solution that generates customer insights by correlating data from multiple internal and external customer touchpoints and open data. It is a cloud-based solution.

DeepInsights - Cognitive intelligence platform, enabling enterprises to access insights from data. This helps inferences and decision making.

Exhibit 108. Unified solution ecosystem in insurance

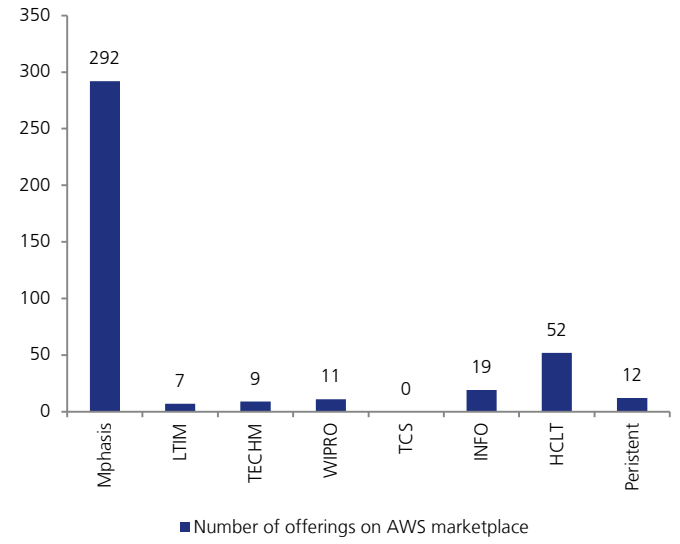


Source: Company, JM Financial

Appendix III: Mphasis.AI

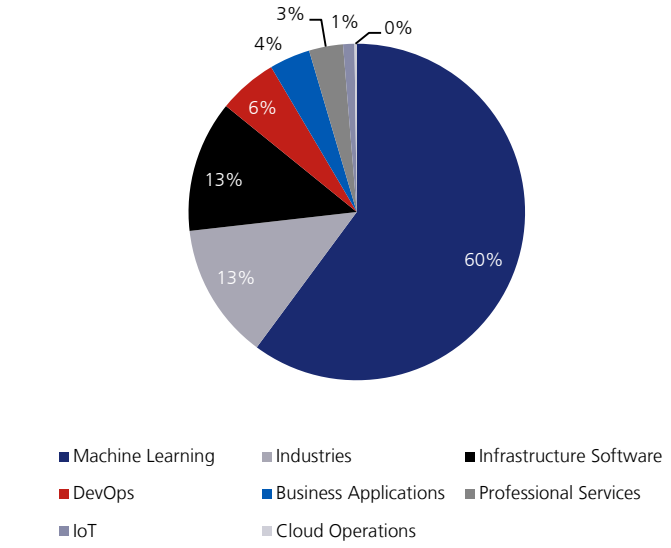
Mphasis.ai is a dedicated AI business unit established by Mphasis to help enterprises seamlessly integrate artificial intelligence (AI) into their technology ecosystems. During 2018-19, Mphasis laid the groundwork for Mphasis.ai through its NEXT Labs, an innovation hub focused on developing machine learning algorithms and AI-driven solutions. The unit leverages over 250 patented AI models and solutions hosted on leading hyperscaler marketplaces, offering scalable and customisable options for clients. Platforms like NeoZeta™ and NeoCrux™ differentiate Mphasis.ai by addressing modernisation and productivity challenges, delivering immediate cost savings and enhanced operational efficiency. Mphasis.ai fits well with the "Savings Led Transformation" approach, as it uses AI to cut costs and speed up projects.

Exhibit 109. Mphasis has 290 offerings listed on AWS marketplace vs. an average of 15 for peers
Number of offerings on AWS marketplace – Nos .



Source: AWS marketplace, JM Financial

Exhibit 110. Mphasis has listed multiple solutions in the space of document management using AI and ML
Percentage share of AWS product by category



Source: AWS marketplace, JM Financial

Evolution of Mphasis.ai

Foundation phase (2018-2020): Mphasis established its AI capabilities through NEXT Labs, deploying AI-driven platforms like DeepInsights™ to deliver actionable insights and operational efficiencies. AI integration in the Front2Back™ Transformation framework allowed Mphasis to offer hyper-personalised, scalable solutions for BFSI and Logistics clients.

Institutionalisation (2021-2022): Recognising the demand for AI-led solutions, Mphasis.ai was formalised as a dedicated business unit. The company launched the Savings-Led Transformation™ framework, using AI to deliver immediate cost efficiencies while enabling enterprise-wide scalability. These efforts targeted verticals like BFSI and Healthcare with use cases such as fraud detection and document processing.

Innovation era (2023-2024): Mphasis.ai unveiled NeoZeta™ and NeoCrux™, transformative platforms for legacy modernisation and developer productivity. These platforms use GenAI to accelerate time-to-market and cut costs, addressing clients' growing need for agility and scalability. Strategic partnerships with hyperscalers like AWS through the GenAI Foundry expanded Mphasis.ai's reach across BFSI, TMT, and Healthcare.

Appendix IV: US bank tech spend & professional services

US bank tech-spend data used in section:"BFSI vertical poised for a sustained recovery" and section:"Mphasis: Investment arguments" above is the sum of these expenses reported as below by the respective banks.

Exhibit 111. Tech expenditure reported by US banks

US bank	Tech expenditure item reported as:
JP Morgan	Technology, communications and equipment expense
Bank of America	Information processing and communications
Wells Fargo	Technology, telecommunications and equipment
Citigroup	Technology / communication
Goldman Sachs	Communications and technology
Morgan stanley	Information processing and communications
US Bancorp	Technology and communications
PNC financial services	Equipment
TD Bank	Total technology and equipment
Capital One	Communications and data processing
Charles Schwab corporation	Communications
State street corporation	Information systems and communications
BMO US	Computer and equipment

Source: Company, JM Financial

Exhibit 112. MPHL: Key Management Personnel and recent senior level exits

Name	Date Joined	Designation	Past Experience
Nitin Rakesh	Jan-17	Chief Executive Officer and Managing Director	• President of Syntel (2012 to 2016 ; 2002 and 2008). • CEO and Managing Director of Motilal Oswal Asset Management Company.
Aravind Viswanathan	August 16, 2024	Chief Financial Officer	• Finance Leader with ~22 years of global experience in shareholder value creation, M&A, financial planning, and corporate governance. • CFO of Tanla Platforms (April 2021–present), a listed CPaaS leader in India. • 19 years at Wipro Limited in various leadership roles. • Awards: CFO India Treasury 20 (2016, 2017); Top 3 in 2011 All-Asia Executive Team rankings (Sell-side, Best IR Professional).
Ayaskant Sarangi	October 16, 2023	Chief Human Resource Officer	•Chief Human Resources Officer (CHRO) at Wipro Enterprises. •Held roles at General Electric, Infosys Technologies, and Larsen & Toubro.
Elango R	2006	President – Enterprise 5 (E5), North America	•Set up offshore captive for Bank of America; held roles across various industries.
Eric Winston	November 1, 2017	EVP, General Counsel & Ethics Compliance Officer	•Nearly 20 years of experience in guiding international, market-leading, public, and private equity-owned IT companies. •Vice President - Legal at Syntel, Inc. for two years. •Senior Vice President, General Counsel, and Corporate Secretary at INTTRA, Inc. (2002–2015). •Private practice in New York City (1996–1999), specializing in complex civil litigation.
Veda Iyer	2016	Global Chief Marketing Officer, and Head Hyperscalers & Strategic Partnerships I Head Sales– APAC	•Vice President, CEO's Office & Head - Strategic Marketing Group at Syntel Inc. •Associate Vice President at ICICI Prudential AMC Ltd., Head of the Banking and National Distributor Channels.
Srikumar Ramanathan	2011	Chief Solutions Officer	•Regional CIO at Citibank, leading consumer banking technology for Citibank in Asia.
Ravi Vasantraj	May-19	Global Delivery Head	•Global Head of BFSI practice for Tech Mahindra, focusing on top-line growth and business growth opportunities.
Rohit Jayachandran	2005	Head of Banking & Financial Services	•Led the Strategic Accounts Business at Mphasis, promoting the HiTech, HiTouch, HiTrust value proposition; held multiple roles at Mphasis. •Developed complex trading systems at Bank of New York Mellon.
Ashish Devalekar	January 3, 2024.	Senior Vice President and Head of Europe	•Led the £2Bn+ Financial Services business at Capgemini UK; served on the UK Country Board and championed diversity and inclusion. •Secured multi-million dollar deals with BFSI industry leaders. •Built and led high-performing teams, focusing on talent development. Established Polaris operations across 12 European countries, driving regional revenue growth.
Mike Meyer	November 13, 2024.	Head of Strategic Sales	•Led provider-side service offerings at Capto Consulting, focusing on building go-to-market strategies. •Served as Cognizant's Global Head for Strategic Engagements, building the Strategic Engagements Team (SET) practice that became a multi-billion-dollar contributor of closed annual contract value. •Over 25 years of experience driving top-line growth for Global 2000 enterprises, with expertise in market development, global sales leadership, large deal pursuits, and M&A.
Paul Duvall	Jul-05	Chief AWS Evangelist	•Founded Stelligent •6X AWS certified including AWS Certified DevOps Engineer Professional and AWS Certified Security - Specialty •Over 20 years of experience architecting, implementing, and managing software and systems solutions •Named AWS Hero in 2016 for significant knowledge-sharing contributions to the AWS community •Authored multiple books and publications on DevOps and Continuous Integration, including "Continuous Integration: Improving
Andres Ricuarte	Feb-19	Senior Vice President and Global Head of Payments.	•Over fifteen years of global experience in payments and financial services innovation •Served as Vice President - Global B2B Digital Platforms for American Express before joining Mphasis
Jayant Chauhan	Nov-22	Head of Mergers & Acquisitions	•Held leadership positions at high growth companies such as OYO and Upstox, and with global investment banks J.P. Morgan and BMO Capital Markets before joining Mphasis •Involved in M&A transactions totaling over $15 billion across India, EU, and the US, and raised $3.5 billion in capital across equity, debt, and joint ventures
Dave Cassie	Feb-22	Head of Canada	•Managing Director, Financial Services Advisory at PwC, led PwC Canada Asset and Wealth Management practice before joining Mphasis •Executive at TD Bank in Toronto, Canada and Cherry Hill, USA, led transformation programs in operational efficiency, outsourcing, and platform renewal •Previously partnered with Mphasis, led EDS' and HP's Financial Services Consulting and Solutioning for North America, overseeing $200M+ in new deals and delivery
Ajay Arya	Sep-24	Head of Mergers & Acquisitions (M&A)	•Oversaw acquisitions, divestitures, ventures, and investments for a $35B+ publicly traded Aerospace & Defense firm, closing 30+ deals valued at nearly $40B since 2011 •Gained extensive leadership experience across reputable organizations such as Carrier, GeneDX, and L3Harris Technologies before joining Mphasis •Existing M&A organization will roll up into Ajay
Vinay Kalinagra	Jun-24	Head of Investor Relations	•Previously led Investor Relations at Mindtree and Hexaware •Co-founded a boutique Investor Relations advisory firm, serving prominent clients across technology and consumer sectors

Some recent Leadership exits at Mphasis				
Name	**Date Joined**	**Designation**	**Background**	**Date Left**
Anurag Bhatia	May-19	Head of Europe	•Over 20 years of technology services experience, spearheading multiple large outsourcing projects globally •Joins the European team from Mphasis US, where he spent five years in the GTM unit •Led Service Transformation in his most recent role at Mphasis US	Jul-24
Manish Dugar	Mar-20	e Chief Financial Officer	•Qualified Chartered Accountant (CA), Cost & Works Accountant (CWA), Company Secretary (CS), and holds a Diploma in Business Finance from ICFAI •Holds an MBA in Finance from the Indian Institute of Management (IIM), Calcutta •Served as CFO of Wipro Technologies and CEO of Wipro's BPO business, taking on large and challenging roles in IT services •Led M&A initiatives and fund-raising efforts with FIIs, banks, and other institutional investors •Held leadership roles at Practo Technologies, inMobi, RPG Enterprises, and Agnus Capital LLP	Aug-24

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	1,38,415	1,33,340	1,42,246	1,56,116	1,74,359
Sales Growth	16.7%	-3.7%	6.7%	9.8%	11.7%
Other Operating Income	0	0	0	0	0
Total Revenue	**1,38,415**	**1,33,340**	**1,42,246**	**1,56,116**	**1,74,359**
Cost of Goods Sold/Op. Exp	98,128	92,772	98,029	1,06,793	1,18,667
Personnel Cost	0	0	0	0	0
Other Expenses	15,517	15,793	18,242	19,906	22,318
EBITDA	**24,770**	**24,775**	**25,976**	**29,417**	**33,375**
EBITDA Margin	17.9%	18.6%	18.3%	18.8%	19.1%
EBITDA Growth	22.8%	0.0%	4.8%	13.2%	13.5%
Depn. & Amort.	3,253	4,106	4,293	4,842	5,160
EBIT	21,517	20,669	21,682	24,575	28,215
Other Income	644	570	639	1,460	2,339
Finance Cost	0	0	0	0	0
PBT before Excep. & Forex	22,161	21,239	22,321	26,035	30,554
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	22,161	21,239	22,321	26,035	30,554
Taxes	5,351	5,135	5,528	6,509	7,639
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	16,810	16,104	16,793	19,526	22,916
Adjusted Net Profit	**16,810**	**16,104**	**16,793**	**19,526**	**22,916**
Net Margin	12.1%	12.1%	11.8%	12.5%	13.1%
Diluted Share Cap. (mn)	188.2	188.7	189.1	189.1	189.1
Diluted EPS (INR)	**89.3**	**85.3**	**88.8**	**103.3**	**121.2**
Diluted EPS Growth	17.0%	-4.4%	4.1%	16.3%	17.4%
Total Dividend + Tax	50	55	60	65	75
Dividend Per Share (INR)	35.0	50.0	55.0	60.0	65.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	80,378	89,245	96,568	1,16,095	1,39,010
Share Capital	0	0	0	0	0
Reserves & Surplus	80,378	89,245	96,568	1,16,095	1,39,010
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	10,528	23,886	18,202	18,202	18,202
Def. Tax Liab. / Assets (-)	-2,422	-2,857	-3,215	-3,215	-3,215
Total - Equity & Liab.	**88,484**	**1,10,274**	**1,11,555**	**1,31,082**	**1,53,997**
Net Fixed Assets	40,922	55,940	55,305	53,953	53,914
Gross Fixed Assets	11,336	14,147	13,149	11,797	11,758
Intangible Assets	29,586	41,793	42,156	42,156	42,156
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	0	0	0	0	0
Investments	17,526	30,899	21,230	21,230	21,230
Current Assets	53,948	51,606	63,339	74,545	86,617
Inventories	0	0	0	0	0
Sundry Debtors	27,172	27,028	29,229	30,796	34,394
Cash & Bank Balances	10,558	8,144	17,106	26,745	35,219
Loans & Advances	16,202	16,434	17,004	17,004	17,004
Other Current Assets	16	0	0	0	0
Current Liab. & Prov.	23,912	28,171	30,268	33,066	36,615
Current Liabilities	0	0	0	0	0
Provisions & Others	23,912	28,171	30,268	33,066	36,615
Net Current Assets	30,036	23,435	33,071	41,479	50,001
Total – Assets	**88,484**	**1,10,274**	**1,09,606**	**1,16,661**	**1,25,145**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	21,731	20,683	22,321	26,035	30,554
Depn. & Amort.	3,252	4,105	4,293	4,842	5,160
Net Interest Exp. / Inc. (-)	622	1,081	-415	-415	-2,089
Inc (-) / Dec in WCap.	-5,779	4,028	-969	1,231	-49
Others	718	-2,198	-224	-180	-250
Taxes Paid	-5,926	-5,902	-5,528	-6,509	-7,639
Operating Cash Flow	**14,618**	**21,797**	**19,479**	**25,005**	**25,687**
Capex	-1,112	-916	-3,658	-3,490	-5,121
Free Cash Flow	13,506	20,881	15,821	21,515	20,566
Inc (-) / Dec in Investments	2,936	-23,905	12,000	2,389	3,118
Others	0	0	0	0	0
Investing Cash Flow	**1,825**	**-24,821**	**8,342**	**-1,101**	**-2,002**
Inc / Dec (-) in Capital	271	301	0	0	0
Dividend + Tax thereon	-8,652	-9,427	-11,346	-12,291	-14,182
Inc / Dec (-) in Loans	-3,557	12,965	-5,632	-5,632	-5,632
Others	-2,463	-3,068	-1,788	-1,788	-1,788
Financing Cash Flow	**-14,402**	**771**	**-18,765**	**-19,711**	**-21,602**
Inc / Dec (-) in Cash	**2,041**	**-2,253**	**9,055**	**4,193**	**2,083**
Opening Cash Balance	8,402	10,304	8,051	8,051	8,051
Closing Cash Balance	10,443	8,051	17,106	12,244	10,134

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	12.1%	12.1%	11.8%	12.5%	13.1%
Asset Turnover (x)	1.5	1.3	1.3	1.3	1.4
Leverage Factor (x)	1.2	1.2	1.2	1.1	1.0
RoE	22.3%	19.0%	18.1%	18.4%	18.0%

Key Ratios

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	423.9	469.7	506.0	608.3	728.4
ROIC	27.7%	22.9%	21.7%	22.6%	22.6%
ROE	22.3%	19.0%	18.1%	18.4%	18.0%
Net Debt/Equity (x)	0.0	0.2	0.0	-0.1	-0.1
P/E (x)	34.8	36.4	35.0	30.1	25.6
P/B (x)	7.3	6.6	6.1	5.1	4.3
EV/EBITDA (x)	23.9	24.6	22.9	19.9	17.3
EV/Sales (x)	4.3	4.6	4.2	3.7	3.3
Debtor days	72	74	75	72	72
Inventory days	0	0	0	0	0
Creditor days	0	0	0	0	0

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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