

Mphasis - Analyst Day Meet Note

May 29, 2026 | CMP: INR 2,233 | Target Price: INR 2,625

Expected Share Price Return: 17.5% | Dividend Yield: 2.5% | Expected Total Return: 20.0%

BUY

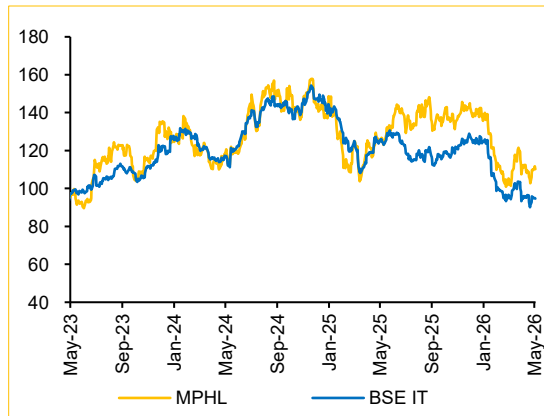
Sector View: Neutral

Company Info	
BB Code	MPHL IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	3,037/2,013
Mkt Cap (Bn)	INR 429.0/ \$5.2
Shares o/s (Mn)	192.72
3M Avg. Daily Volume	6,35,559

Key Financials					
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	142.3	158.8	182.5	205.2	224.0
YoY (%)	7.2	11.6	14.9	12.4	9.2
EBITDA	21.7	24.3	28.4	32.9	36.3
EBITDAM %	15.3	15.3	15.6	16.0	16.2
Adj PAT	17.0	18.6	21.2	25.1	27.8
EPS	89.4	97.5	111.1	131.3	145.3
ROE %	17.7	17.7	17.6	18.2	19.6
ROCE %	29.8	28.5	30.7	32.9	33.4
PE(x)	25.2	22.7	20.2	17.1	15.5

Shareholding Pattern (%)			
	Mar-26	Dec-25	Sept-25
Promoters	30.55	30.59	40.10
FIIIs	19.51	19.79	18.52
DIIIs	45.65	45.26	37.08
Public	4.28	4.36	4.31

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE IT	(2.6)	(19.1)	(243)
ALDS	13.1	(8.7)	(12.0)



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Key management meet takeaways:

We attended Mphasis's Analyst Day and the key takeaways are: (1) Mphasis is repositioning itself as an **AI-led, outcome-oriented enterprise transformation player**, with the management viewing GenAI as a larger growth opportunity despite near-term deflation in legacy delivery; (2) Enterprise Agency emerged as the core theme, with **focus on governed, explainable AI-led decisioning for regulated industries**; (3) **Launch of Mphasis Tria, an enterprise AI platform, which helps Mphasis's transition toward platform-led, IP-driven transformation engagements**; and (4) A gradual shift towards outcome-linked pricing and vendor consolidation-led wallet share gains, which supports better revenue quality and margin resilience over time. While monetisation remains an execution watchpoint, improving large-deal momentum reinforces confidence in the medium-term growth narrative. **We maintain a 'BUY' on Mphasis with a TP of INR 2,625 on the basis of FY28E EPS.**

AI-led Repositioning; Execution Key to Monetisation: Mphasis is strategically repositioning from a traditional IT services vendor toward an AI-led, outcome-driven enterprise transformation player, aiming to monetise enterprise AI deployment and decision intelligence rather than competing in commoditising foundation model infrastructure. In our view, **Mphasis is positioning itself to monetise AI deployment and enterprise decisioning rather than competing in commoditising foundation model infrastructure that is, a strategically superior and potentially more scalable positioning.**

Enterprise Agency: Moving Beyond AI Automation to Governed Decision Intelligence: The central theme of the event was the "Enterprise Agency", where AI moves beyond automation to govern business decisions. The management highlighted that despite rising enterprise AI experimentation, measurable business outcomes remain limited due to concerns around explainability, governance, and workflow control. **Mphasis aims to address this through governed AI-driven decisioning, predictive intelligence, and outcome-focused delivery, positioning the company strongly in regulated sectors such as BFSI, healthcare, and insurance where compliance and explainability remain critical barriers to AI adoption.**

Mphasis Tria: Driving the Shift Towards Platform-Led Enterprise AI Transformation: The key strategic announcement was Mphasis Tria, the company's enterprise AI platform built across three layers that is, Insight (knowledge), Foresight (decision intelligence) and Execute (workflow orchestration). **We view Tria as a key step in Mphasis' transition toward a platform-led, IP-driven transformation model. Its focus on governed "Enterprise Agency" could help build differentiated capabilities in complex industries while improving client stickiness and wallet share over time.**

Evolving Commercial Models and Deeper Strategic Client Mining: Importantly, management highlighted an evolving commercial model shifting from traditional T&M contracts toward platform-led, managed service, and outcome-linked pricing structures, which could improve revenue quality, deepen account mining, and support better margin resilience over time. **Additionally, Mphasis continues to pursue selective vendor consolidation within large blue-chip accounts to strengthen delivery control and improve positioning for large transformation deals, with management indicating meaningful scaling potential in select relationships over the next 2-3 years.**

Industry Shift: From Traditional IT Services to Platform-led AI Transformation: From an industry perspective, Mphasis' strategy reflects the broader shift in IT services from labour-arbitrage-led models toward platform-led, AI-driven, and outcome-oriented transformation, with a differentiated focus on governed AI solutions for regulated industries.

View: We remain constructive on Mphasis's medium-term positioning, with the 'Analyst Day' reinforcing a differentiated AI-led growth narrative supported by platformisation, regulated vertical focus and wallet-share expansion opportunities. That said, near-term monetisation, scalability of Tria-led engagements and conversion of conceptual AI adoption into meaningful revenue remain key watchpoints. Sustained large-deal momentum and evidence of improving revenue quality will be critical for a structural re-rating.

Important Disclosure
Analyst's Coverage Transfer: The analyst's responsibility for IT Services coverage has been transferred to Kunal Bajaj. For Mphasis, the target price and recommendation remains unchanged.

Exhibit 1: Enterprise AI Hits an Adoption Wall; Governance Emerging as the Missing Layer

The problem no platform has solved

Enterprises have AI capability. They cannot convert it into governed economic outcomes.

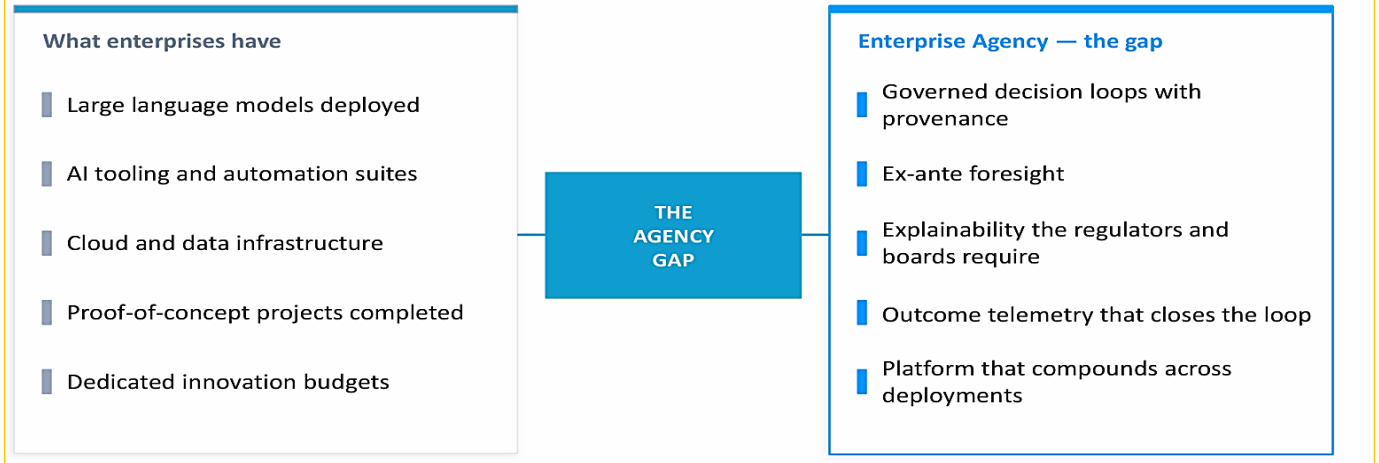


Exhibit 2: Mphasis Building an ‘Enterprise Agency’ Stack to Convert AI into Measurable Outcomes

Unpacking Mphasis Tria™



The Mphasis Tria™ Architecture: Insight, Foresight, Execute

The power of Tria™ is not any one layer in isolation. The power is the closed loop: understand, decide, act, measure, and improve.

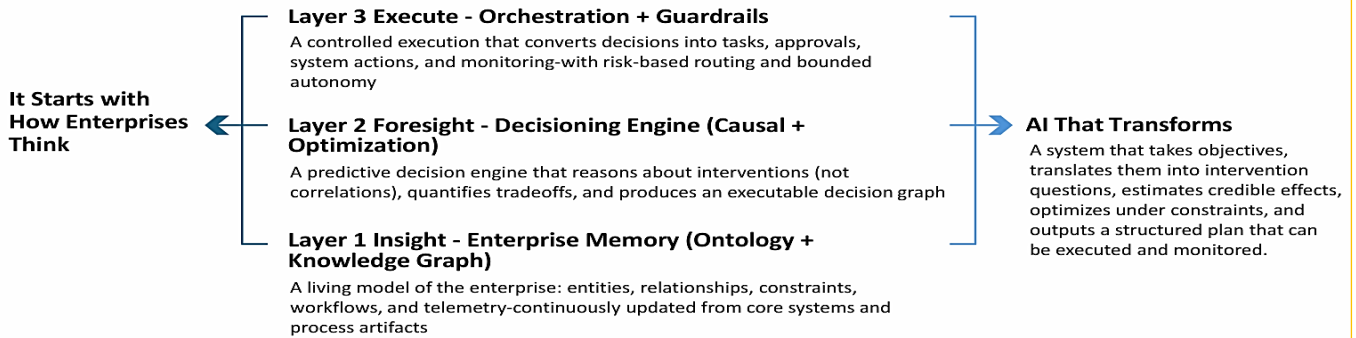
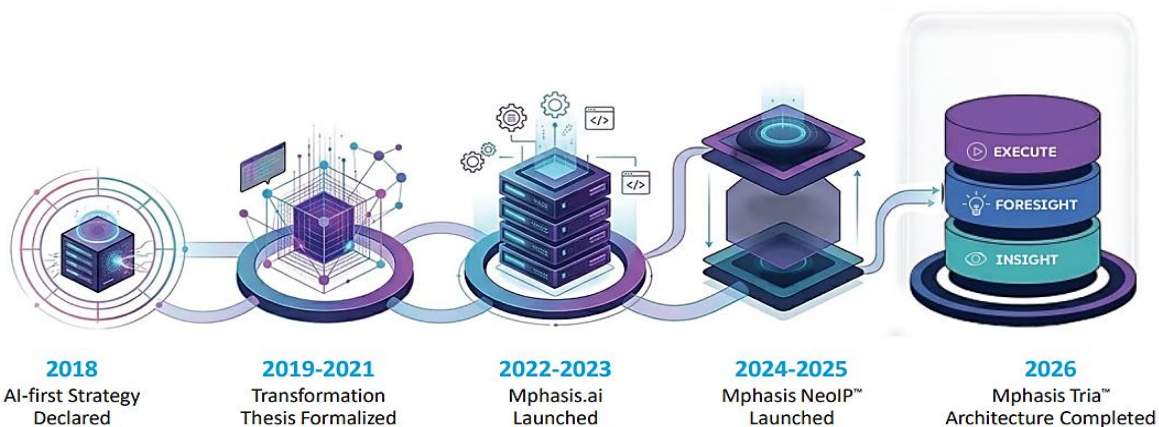


Exhibit 3: Evolution Toward an AI-Native Enterprise Agency Platform Architecture Complete

Mphasis Tria™ – Evolution to Agency Applied™



Source: MPHL, Choice Institutional Equities

Exhibit 4: Tria Deepens Mphasis's AI Moat Through Full-Stack Decisioning & Orchestration

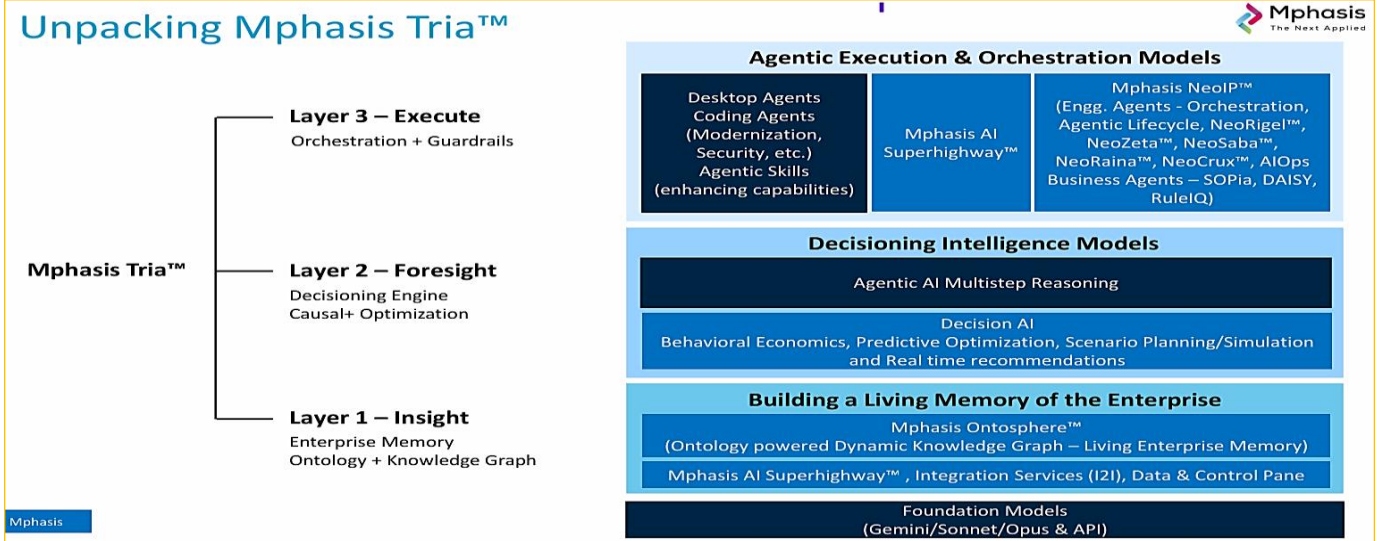


Exhibit 5: Legacy Modernisation Shifts from Code Migration to AI-led Business Re-Architecture

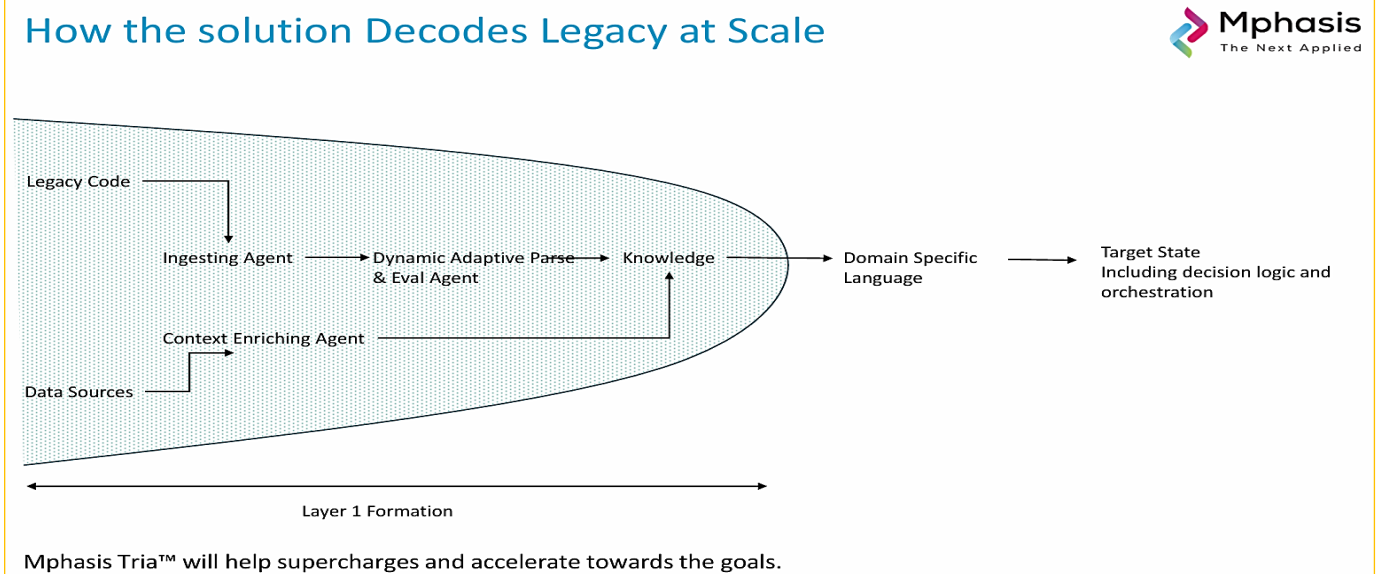
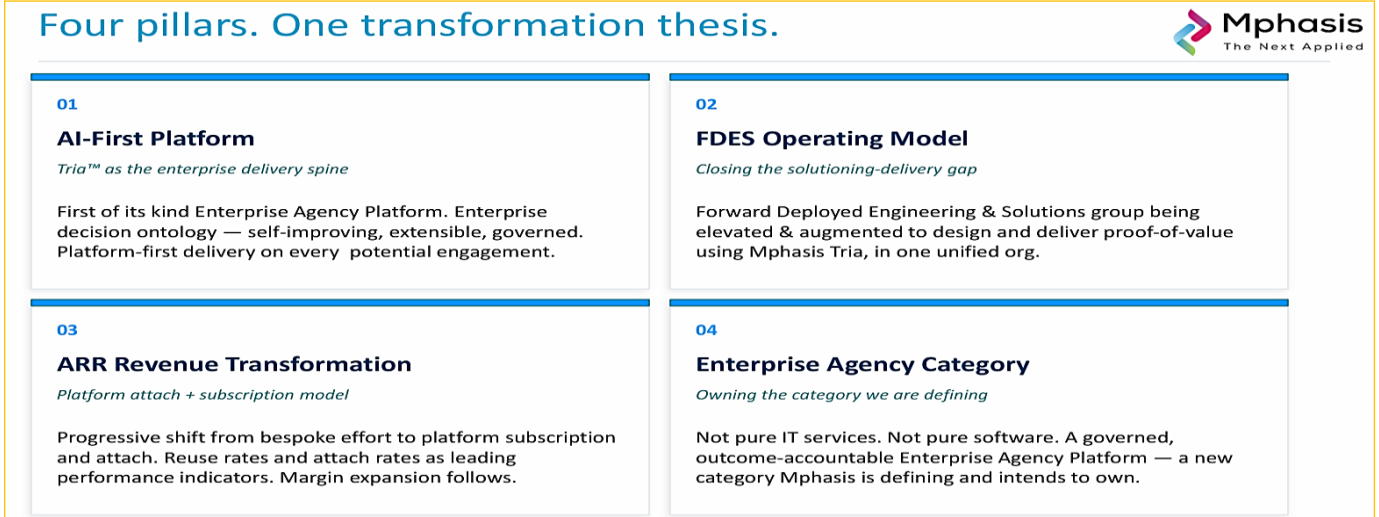


Exhibit 6: From Services Vendor to AI Platform Partner: Mphasis Positioning for Structural Shift



Source: MPHL, Choice Institutional Equities

Exhibit 7: Early Proof of Value Strengthens Confidence in Scalable Enterprise AI Adoption

Client Case Study

\$18+ Bn company servicing insurance customers across multiple lines of business and managing ~ US\$ 1 Tn AUM

Mphasis
The Next Applied

Strategic Transformation goals + Challenges in Current Operating Model (Multiple vendor existence and non synergy) → Mphasis proposed solution of integrated ADMS model → modern target operating model, key transformation and technology levers to advance service performance, quality, efficiency and speed in an outcome-based model → As part of Strategic Expense and Program Management - T7 transformation strategic initiative, the client selected Mphasis as a single services partner

Client Objectives

- Business Enablement**
- Outcome-based delivery with optimized cost**
- Transform to modern and digital application portfolio**
- Drive efficiencies, speed of resolution and time-to-market**
- Improve security, resiliency and operational excellence**
- Drive improved performance, effectiveness and service quality**

Our Solution Tenets

- Tailored modern Target Operating Model**
- Flexible contract with committed outcomes**
- Co-invest in developing NextGen Digital chassis and platforms**
- Integrated AD + AMS delivery model**
- Improve operational resilience, application security and hygiene**
- Digital delivery and dashboards**

How do we Enable Solutions

- Product-aligned agile teams to deliver improved velocity, turnaround time, and responsiveness to business**
- KPI-driven performance measurement for predictable cost, quality, productivity and velocity**
- Leverage Mphasis' Gen AI platforms (Mphasis NeoCrux™, Mphasis NeoZeta™) and CAST tools to modernize, build NextGen platforms and drive SDLC productivity**
- BU-dedicated AMS and AD teams powered by Enablement Team (SMEs) to ensure predictable delivery**
- Leverage Mphasis' DevSecOps platform to improve Application Security posture**
- Zero-touch resolution through self-heal, predictive and preventive solutions**

Exhibit 8: Vendor Consolidation Emerging as a Powerful Wallet Share Expansion Lever

Conscious Strategy on Consolidation Deals in Blue chip clients

Mphasis
The Next Applied

Sample Deal Assumptions

Target Revenue **\$20 Mn p.a.**
 Acquisition Price **\$25 Mn (1.25x Rev)**
 EBITDA Margin **40% (\$8 Mn)**
 Payment Terms **60% Yr1 / 40% Yr2**
 Amortization **\$5 Mn/yr (5-yr SL)**
 Valuation **Rev multiple of 1.25X and EBITDA multiple of 3.1X**
 Payback period **3.1 years**

Business Rationale

- Buy-out tail vendors to become a strategic partner to large blue-chip clients at attractive commercial constructs
- Gain wallet share and mindshare to gain seat on the table for large transformational programs
- Created a relationship which was sub \$10 Mn to \$75 Mn+ in 2 years

Financial Rationale – An Illustration

Metric (\$ Mn)	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	20	20	20	20	20
EBITDA	8.0	8.0	8.0	8.0	8.0
Amortization (5-yr SL)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
EBIT% (post amortization)	15%	15%	15%	15%	15%
ROIC (EBIT / Opening IC)	12.0%	15.0%	20.0%	30.0%	60.0%

Exhibit 9: Vendor Consolidation Emerging as a Powerful Wallet Share Expansion Lever

Deal Mix Evolution: Winning Larger Deals

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63%
FY26 NN TCV is Large Deals

\$1,267 Mn

FY25

44% (<\$20 Mn)
38% (\$20 Mn - \$100 Mn)
18% (>\$100 Mn)

\$2,123 Mn

FY26

37% (<\$20 Mn)
34% (\$20 Mn - \$100 Mn)
29% (>\$100 Mn)

Revenue \$ Mn: Fixed-Price

+48%
FY26 Growth

- Winning larger deals in a combination of superior tech offering, enhanced large deal process and client coverage
- Significant shift to fixed price driven by large outcome-based deals – scope to deploy our AI platforms to enhance margins
- Our NN TCV break down shows uplift in both farming and large deal wins - Less than \$20 Mn TCV grew 38% (indicative of in-client farming) and large deals grew ~90% YoY across existing and new clients

Source: MPHL, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	1,42,300	1,58,796	1,82,534	2,05,222	2,24,023
Gross profit	44,698	49,852	57,973	65,291	70,325
EBITDA	26,471	29,833	34,605	39,228	42,665
Depreciation	4,763	5,553	6,200	6,300	6,380
EBIT	21,707	24,281	28,405	32,928	36,285
Other income	2,549	3,155	3,279	3,828	3,924
Interest expense	1,655	2,041	3,200	3,100	2,950
PAT	17,021	18,626	21,220	25,074	27,758
EPS	89.4	97.5	111.1	131.3	145.3

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenues	7.2	11.6	14.9	12.4	9.2
Gross Profit	11.7	11.5	16.3	12.6	7.7
EBITDA	9.3	12.7	16.0	13.4	8.8
EBIT	7.9	11.9	17.0	15.9	10.2
Margin Ratios (%)					
Gross Profit Margin	31.4	31.4	31.8	31.8	31.4
EBITDA Margin	18.6	18.8	19.0	19.1	19.0
EBIT Margin	15.3	15.3	15.6	16.0	16.2
Profitability (%)					
ROE	17.7	17.3	18.2	19.6	19.7
ROIC	20.1	17.6	19.0	20.3	21.0
ROCE	29.8	28.5	30.7	32.9	33.4
Valuation					
OCF / Net profit (%)	111.9	66.2	83.5	95.4	102.0
BVPS (x)	506.5	563.0	612.5	671.6	737.1
Free Cash Flow Yield(%)	3.8	2.6	2.7	4.1	5.1

Source: MPHL, Choice Institutional Equities

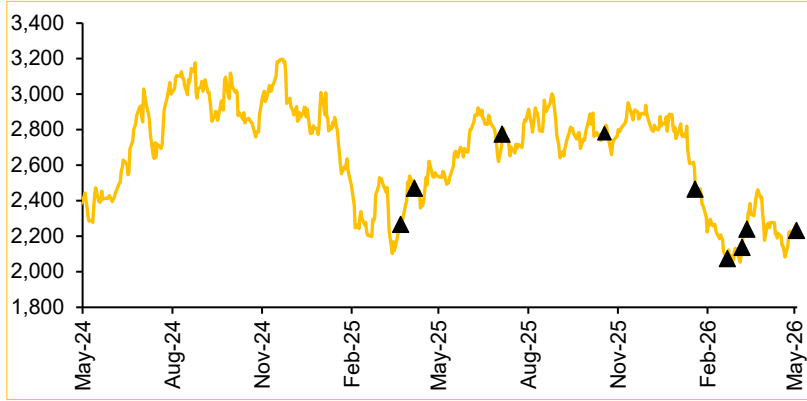
Balance Sheet (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Tangible fixed assets	1,773	1,933	2,002	2,102	2,202
Goodwill & intangible assets	49,599	55,438	55,438	55,438	55,438
Investments	7,435	6,945	6,945	6,945	6,945
Cash & Cash equivalents	33,970	30,739	31,614	33,052	37,169
Other non-current assets	20,399	30,832	32,832	37,832	42,832
Other current assets	35,891	51,932	58,514	64,543	68,926
Total Assets	1,49,066	1,77,819	1,87,345	1,99,912	2,13,512
Shareholder's funds	96,284	1,07,437	1,16,880	1,28,163	1,40,654
Borrowings	18,882	26,197	26,197	25,797	25,397
Other non-current liabilities	2,456	4,187	4,187	4,187	4,187
Other current liabilities	31,444	39,999	40,081	41,766	43,274
Total Equity & Liabilities	1,49,066	1,77,819	1,87,345	1,99,912	2,13,512

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flow From Operations	19,052	12,533	17,721	23,928	28,314
Cash Flow From Investing	441	(2,107)	(8,471)	(11,400)	(11,480)
Cash Flow From Financing	(17,678)	(9,060)	(8,577)	(11,090)	(12,717)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
ROE	17.7	17.3	18.2	19.6	19.7
Net Profit Margin	12.0%	11.9%	11.6%	12.2%	12.4%
Asset Turnover	1.0	0.9	1.0	1.0	1.0
Financial Leverage	1.5	1.7	1.6	1.6	1.5

Historical share price chart: Mphasis Ltd.



Date	Rating	Target Price
April 09, 2025	BUY	2,625
April 28, 2025	ADD	2,805
July 25, 2025	ADD	2,935
November 3, 2025	ADD	2,935
January 23, 2026	ADD	3,040
March 02, 2026	BUY	2,750
April 06, 2026	BUY	2,888
April 30, 2026	BUY	2,625
May 29, 2026	BUY	2,625

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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