

India

**ADD** (no change)

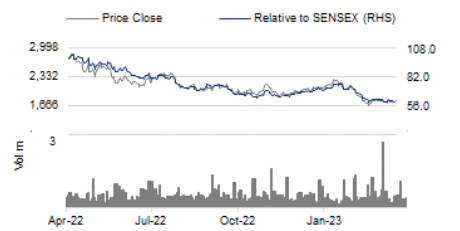
Consensus ratings\*: Buy 19 Hold 11 Sell 6

|                              |            |
|------------------------------|------------|
| Current price:               | Rs1,784    |
| Target price:                | Rs1,981    |
| Previous target:             | Rs2,681    |
| Up/downside:                 | 11.0%      |
| InCred Research / Consensus: | -4.0%      |
| Reuters:                     | MBFL.NS    |
| Bloomberg:                   | MPHL IN    |
| Market cap:                  | US\$4,107m |
|                              | Rs336,140m |
| Average daily turnover:      | US\$13.1m  |
|                              | Rs1072.2m  |
| Current shares o/s:          | 189.9m     |
| Free float:                  | 44.0%      |

\*Source: Bloomberg

**Key changes in this note**

- Expect 6.6% US\$ revenue CAGR over FY23-25F.
- Expect 11.7% EBIT CAGR over FY23-25F.
- Expect 12.2% PAT CAGR over FY23-25F.



Source: Bloomberg

| Price performance | 1M  | 3M     | 12M    |
|-------------------|-----|--------|--------|
| Absolute (%)      | 6.9 | (13.9) | (36.2) |
| Relative (%)      | 1.5 | (15.8) | (39.5) |

| Major shareholders | % held |
|--------------------|--------|
| LIC                | 4.6    |
| Mirae Asset Fund   | 1.8    |
| UTI                | 1.6    |

**Analyst(s)**



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# Mphasis

## The worst seems priced in

- Management commentary suggests weakness in digital risk business is at its fag end while HP/DXC revenue stability is likely.
- Direct core (ex-mortgage) business could witness industry-leading growth in FY24F.
- Trim our estimates but retain ADD rating with a lower target price of Rs1,981.

### 4QFY23 earnings summary

Mphasis' (MPHL IN) 4QFY23 consolidated revenue missed estimates led by continued weakness in digital risk (DR) business (~US\$10m negative impact) and HP/DXC business while client-specific challenges in insurance impacted direct core ex-DR. Management commentary suggests direct core growth could be soft in 1QFY24F led by softness in the banking financial services (BFS) vertical but could witness a sharp rebound starting 2QFY24F, led by and in line with industry growth in direct ex-DR (itself-driven scaling of the non-FSI portfolio and continued market share gains in top clients) and stability in the DR business.

### Deal pipeline up 35% yoy in 4Q with 64% from non-BFSI verticals

Direct business new deal wins declined 22.9% qoq and 11% yoy to US\$309m, taking LTM wins to US\$1,314m, down 7% yoy and 2.8% qoq. Mphasis won two large deals in 4QFY23, with one of them being an US\$150m+ deal from a new BFS customer. On a LTM basis, Mphasis signed 10 large deals, including two >US\$ 100m+ deals. Its commentary suggests an encouraging mix of deal pipeline with 64% from the non-FSI segment (up 52% yoy) vs. 35% yoy growth in the overall deal pipeline and could help derisk the revenue growth profile in the medium term.

### EBIT margin performance in line with expectations but subdued

EBIT margin at 15.3% was up 6bp qoq and 16bp yoy aided by utilization improvement but offset by higher general & administrative cost (up 9.2% qoq). Management expects FY24F EBIT margin in the range of 15.25-16.25% led by pyramid correction (deployment of freshers), increase in utilization and offshore construct of large deals. At 15.7%, we model EBIT margin at the mid-point of the guided range.

### Retain ADD rating but with a lower target price of Rs1,981

We retain ADD rating on Mphasis with a lower target price of Rs1,981 (Rs2,681 earlier) given the material deterioration in earnings driving by digital risk and HP/DXC business and despite rolling forward the valuation to FY25F estimates. We model 6.6% US\$ revenue CAGR over FY23-25F and 12.2% PAT (Rs) CAGR, retaining our target PE/G multiple at 1.5x to arrive at our target P/E multiple of ~18x. Strong cash conversion (avg. OCF/EBITDA at ~75% over FY19-23), net cash (Rs127/share) and a high payout ratio (avg. payout as a % of free cash flow was ~60% over FY20-23) provide cushion. Moderation in deal velocity, material fall in in digital risk and DXC businesses are key downside risks.

| Financial Summary                 | Mar-21A | Mar-22A | Mar-23A | Mar-24F  | Mar-25F |
|-----------------------------------|---------|---------|---------|----------|---------|
| Revenue (Rsm)                     | 97,223  | 119,614 | 137,985 | 145,866  | 163,565 |
| Operating EBITDA (Rsm)            | 18,028  | 21,175  | 24,340  | 26,378   | 30,080  |
| Net Profit (Rsm)                  | 12,167  | 14,456  | 16,380  | 17,761   | 20,610  |
| Core EPS (Rs)                     | 65.0    | 76.4    | 86.2    | 93.5     | 108.5   |
| Core EPS Growth                   | 3.7%    | 17.7%   | 12.8%   | 8.4%     | 16.0%   |
| FD Core P/E (x)                   | 27.47   | 23.34   | 20.69   | 19.08    | 16.44   |
| DPS (Rs)                          | 65.0    | 46.0    | 50.0    | 55.0     | 67.3    |
| Dividend Yield                    | 3.61%   | 2.55%   | 2.80%   | 3.08%    | 3.77%   |
| EV/EBITDA (x)                     | 17.68   | 15.34   | 13.29   | 11.92    | 10.16   |
| P/FCFE (x)                        | 25.16   | 22.82   | 29.46   | 18.21    | 16.48   |
| Net Gearing                       | (23.7%) | (18.3%) | (19.4%) | (28.2%)  | (35.1%) |
| P/BV (x)                          | 5.15    | 4.88    | 4.27    | 3.91     | 3.59    |
| ROE                               | 19.7%   | 21.5%   | 22.0%   | 21.4%    | 22.7%   |
| % Change In Core EPS Estimates    |         |         |         | (10.06%) |         |
| InCred Research/Consensus EPS (x) |         |         |         |          |         |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly performance

| YE Mar (Rs m)       | 4QFY23 | 4QFY22 | YoY (%) | 3QFY23 | QoQ (%)  | 4QFY23F | Var. (%) |
|---------------------|--------|--------|---------|--------|----------|---------|----------|
| Revenue (US\$ m)    | 412.0  | 431.0  | (4.4)   | 429.4  | (4.1)    | 425.4   | (3.1)    |
| Revenue (Rs m)      | 33,612 | 32,777 | 2.5     | 35,062 | (4.1)    | 35,023  | (4.0)    |
| USD-INR realization | 81.6   | 76.0   | 7.3     | 81.7   | (0.1)    | 82.3    | (0.9)    |
| EBITDA              | 5,987  | 5,772  | 3.7     | 6,175  | (3.0)    | 6,164   | (2.9)    |
| EBITDA Margin (%)   | 17.8   | 17.6   | 20 bp   | 17.6   | 20 bp    | 17.6    | 21 bp    |
| EBIT                | 5,153  | 4,973  | 3.6     | 5,354  | (3.8)    | 5,341   | (3.5)    |
| EBIT Margin (%)     | 15.3   | 15.2   | 16 bp   | 15.3   | 6 bp     | 15.3    | 8 bp     |
| Depreciation        | 834    | 799    | 4.5     | 821    | 1.7      | 823     | 1.4      |
| Net other income    | 189    | 183    | 3.4     | 156    | 21.6     | 176     | 7.4      |
| PBT                 | 5,342  | 5,156  | 3.6     | 5,510  | (3.0)    | 5,517   | (3.2)    |
| Provision for tax   | 1,288  | 1,235  | 4.3     | 1,387  | (7.1)    | 1,379   | (6.6)    |
| % tax rate          | 24.1   | 24.0   | 16 bp   | 25.2   | (106 bp) | 25.0    | (88 bp)  |
| Net Profit          | 4,054  | 3,921  | 3.4     | 4,123  | (1.7)    | 4,138   | (2.0)    |
| EPS (Rs)            | 21.4   | 20.6   | 3.8     | 21.8   | (1.8)    | 21.9    | (2.1)    |

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 2: Operating metrics

| Operating trends                     | 4QFY21        | 1QFY22        | 2QFY22        | 3QFY22        | 4QFY22        | 1QFY23        | 2QFY23        | 3QFY23        | 4QFY23        |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross Revenue (US\$ m)               | 342.2         | 362.9         | 385.2         | 414.0         | 431.0         | 435.9         | 440.3         | 429.4         | 412.0         |
| Growth YoY (%)                       | 7.0           | 18.8          | 17.7          | 24.0          | 25.9          | 20.1          | 14.3          | 3.7           | -4.4          |
| Growth QoQ (%)                       | 2.5           | 6.0           | 6.1           | 7.5           | 4.1           | 1.1           | 1.0           | -2.5          | -4.1          |
| CC Growth YoY (%)                    | 4.9           | 16.3          | 17.2          | 24.2          | 26.8          | 22.1          | 16.8          | 5.7           | -3.1          |
| CC Growth QoQ (%)                    | 2.0           | 5.9           | 6.6           | 7.8           | 4.3           | 2.0           | 1.8           | -2.5          | -4.5          |
| Revenue (Rs. m)                      | 25,243        | 26,908        | 28,692        | 31,237        | 32,777        | 34,112        | 35,198        | 35,062        | 33,612        |
| Growth YoY (%)                       | 7.6           | 17.6          | 17.8          | 26.2          | 29.8          | 26.8          | 22.7          | 12.2          | 2.5           |
| Growth QoQ (%)                       | 2.0           | 6.6           | 6.6           | 8.9           | 4.9           | 4.1           | 3.2           | -0.4          | -4.1          |
| EBIT Margin (%)                      | 16.1          | 15.9          | 15.0          | 15.1          | 15.2          | 15.3          | 15.3          | 15.3          | 15.3          |
| US\$-INR realized rate               | 73.2          | 73.7          | 73.9          | 74.8          | 75.3          | 77.8          | 80.1          | 82.3          | 82.3          |
| Headcount                            | 29,473        | 31,454        | 32,295        | 34,915        | 36,534        | 36,899        | 36,876        | 35,450        | 34,042        |
| Onsite utilization - trainees (%)    | 93            | 93            | 91            | 89            | 89            | 90            | 87            | 87            | 89            |
| Offshore utilization -trainees (%)   | 84            | 81            | 80            | 73            | 68            | 70            | 68            | 70            | 75            |
| Offshore utilization ex-trainees (%) | 85            | 83            | 82            | 79            | 77            | 74            | 72            | 74            | 79            |
| <b>Vertical (%)</b>                  | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| BFS                                  | 50.1          | 51.2          | 54.6          | 55.3          | 53.6          | 53.4          | 54.2          | 53.6          | 53.1          |
| Insurance                            | 10.1          | 9.1           | 8.8           | 8.8           | 9.5           | 8.9           | 8.3           | 8.3           | 7.6           |
| Technology, Media & Telecom          | 14.5          | 14.2          | 12.5          | 13.2          | 13.3          | 13.4          | 12.9          | 12.9          | 12.7          |
| Logistics & Transportation           | 13.4          | 14.0          | 13.1          | 12.7          | 12.8          | 13.0          | 12.7          | 13.0          | 13.6          |
| Others                               | 11.9          | 11.4          | 11.0          | 10.1          | 10.7          | 11.4          | 11.8          | 12.2          | 13.0          |
| <b>Vertical (US\$ m)</b>             | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| BFS                                  | 171.6         | 185.9         | 210.2         | 228.9         | 231.0         | 232.6         | 238.7         | 230.4         | 218.8         |
| Insurance                            | 34.5          | 33.2          | 33.9          | 36.4          | 41.1          | 38.6          | 36.6          | 35.5          | 31.5          |
| Technology, Media & Telecom          | 49.8          | 51.6          | 48.2          | 54.6          | 57.1          | 58.3          | 56.9          | 55.6          | 52.3          |
| Logistics & Transportation           | 45.9          | 50.8          | 50.4          | 52.5          | 55.2          | 56.7          | 55.9          | 55.6          | 56.0          |
| Others                               | 40.6          | 41.4          | 42.5          | 41.6          | 46.3          | 49.6          | 52.0          | 52.4          | 53.4          |
| <b>Vertical YoY (%)</b>              | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| BFS                                  | 17.5          | 24.8          | 20.2          | 28.6          | 34.7          | 25.1          | 13.6          | 0.6           | -5.3          |
| Insurance                            | -5.6          | 9.1           | 8.7           | 12.5          | 19.3          | 16.3          | 8.2           | -2.6          | -23.4         |
| Technology, Media & Telecom          | 3.4           | 19.4          | 24.8          | 27.0          | 14.7          | 13.1          | 18.1          | 1.9           | -8.4          |
| Logistics & Transportation           | -2.0          | 18.4          | 25.3          | 24.3          | 20.4          | 11.6          | 10.9          | 6.0           | 1.4           |
| Others                               | -4.3          | 3.7           | 0.1           | 8.7           | 14.1          | 19.8          | 22.5          | 25.7          | 15.5          |
| <b>Vertical QoQ (%)</b>              | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| BFS                                  | -3.6          | 8.4           | 13.1          | 8.9           | 0.9           | 0.7           | 2.6           | -3.5          | -5.0          |
| Insurance                            | 6.4           | -3.7          | 2.1           | 7.6           | 12.8          | -6.1          | -5.1          | -3.2          | -11.3         |
| Technology, Media & Telecom          | 15.9          | 3.6           | -6.5          | 13.1          | 4.6           | 2.2           | -2.4          | -2.4          | -6.0          |
| Logistics & Transportation           | 8.8           | 10.7          | -0.7          | 4.1           | 5.3           | 2.6           | -1.4          | -0.5          | 0.7           |
| Others                               | 5.8           | 2.1           | 2.5           | -1.9          | 11.1          | 7.2           | 4.8           | 0.7           | 2.1           |
| <b>Incremental revenue (US\$ m)</b>  | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| BFS                                  | -6.5          | 14.4          | 24.3          | 18.7          | 2.1           | 1.6           | 6.1           | -8.4          | -11.6         |
| Insurance                            | 2.1           | -1.3          | 0.7           | 2.6           | 4.7           | -2.5          | -2.0          | -1.2          | -4.0          |
| Technology, Media & Telecom          | 6.8           | 1.8           | -3.3          | 6.3           | 2.5           | 1.3           | -1.4          | -1.3          | -3.3          |
| Logistics & Transportation           | 3.7           | 4.9           | -0.4          | 2.0           | 2.8           | 1.5           | -0.8          | -0.3          | 0.4           |
| Others                               | 2.2           | 0.9           | 1.0           | -0.8          | 4.6           | 3.3           | 2.4           | 0.3           | 1.1           |
| <b>Geography (%)</b>                 | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Americas                             | 75.2          | 76.3          | 78.0          | 80.3          | 81.5          | 82.3          | 82.2          | 81.8          | 80.8          |
| EMEA                                 | 13.4          | 12.1          | 12.1          | 11.3          | 10.7          | 9.7           | 9.8           | 10.1          | 10.7          |
| India                                | 5.0           | 4.7           | 5.4           | 5.1           | 4.9           | 5.0           | 4.9           | 5.1           | 5.5           |
| ROW                                  | 6.4           | 6.9           | 4.5           | 3.3           | 3.0           | 2.9           | 3.1           | 3.0           | 3.0           |
| <b>Geography (US\$ m)</b>            | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Americas                             | 257.5         | 276.9         | 300.6         | 332.6         | 351.1         | 358.9         | 361.7         | 351.3         | 332.8         |
| EMEA                                 | 45.8          | 44.0          | 46.5          | 46.8          | 46.0          | 42.4          | 43.3          | 43.4          | 44.1          |
| India                                | 17.0          | 17.0          | 20.7          | 20.9          | 21.0          | 21.8          | 21.6          | 21.8          | 22.6          |
| ROW                                  | 21.8          | 25.0          | 17.4          | 13.6          | 12.9          | 12.8          | 13.7          | 12.9          | 12.5          |
| <b>Geography YoY (%)</b>             | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Americas                             | 5.5           | 18.0          | 17.6          | 27.9          | 36.3          | 29.6          | 20.3          | 5.6           | -5.2          |
| EMEA                                 | 16.2          | 20.7          | 31.1          | 17.3          | 0.4           | -3.6          | -6.8          | -7.3          | -4.3          |
| India                                | 6.4           | 35.6          | 39.1          | 34.7          | 23.4          | 28.1          | 4.3           | 4.3           | 7.7           |
| ROW                                  | 6.7           | 14.5          | -18.5         | -26.1         | -40.9         | -48.9         | -21.6         | -5.5          | -3.1          |
| <b>Geography QoQ (%)</b>             | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Americas                             | -1.0          | 7.5           | 8.6           | 10.6          | 5.6           | 2.2           | 0.8           | -2.9          | -5.3          |

|                                     |               |               |               |               |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EMEA                                | 14.9          | -4.0          | 5.6           | 0.7           | -1.7          | -7.9          | 2.2           | 0.1           | 1.5           |
| India                               | 9.5           | 0.1           | 21.4          | 1.3           | 0.3           | 3.9           | -1.2          | 1.2           | 3.7           |
| ROW                                 | 18.4          | 14.3          | -30.2         | -21.7         | -5.4          | -1.2          | 7.2           | -5.7          | -2.9          |
| <b>Incremental revenue (US\$ m)</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Americas                            | -2            | 19            | 24            | 32            | 18            | 8             | 3             | -10           | -18           |
| EMEA                                | 6             | -2            | 2             | 0.3           | -0.8          | -3.6          | 0.9           | 0.1           | 0.7           |
| India                               | 1             | 0             | 4             | 0.3           | 0.1           | 0.8           | -0.3          | 0.3           | 0.8           |
| ROW                                 | 3             | 3             | -8            | -4            | -1            | 0             | 1             | -1            | 0             |
| <b>Segment (%)</b>                  | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Direct International                | 85.8          | 89.0          | 91.8          | 92.8          | 93.1          | 93.6          | 93.7          | 93.6          | 94.6          |
| HP/DXC Business                     | 12.0          | 9.2           | 6.5           | 5.4           | 5.2           | 4.8           | 4.6           | 4.8           | 3.8           |
| Others                              | 2.3           | 1.8           | 1.7           | 1.8           | 1.7           | 1.7           | 1.6           | 1.7           | 1.7           |
| <b>Segment (US\$ m)</b>             | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Direct International                | 294           | 323           | 354           | 384           | 401           | 408           | 413           | 402           | 390           |
| HP/DXC Business                     | 41            | 33            | 25            | 22            | 22            | 21            | 20            | 20            | 15            |
| Others                              | 8             | 6             | 7             | 7             | 7             | 7             | 7             | 7             | 7             |
| <b>Segment YoY (%)</b>              | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Direct International                | 21.6          | 34.8          | 32.1          | 35.9          | 36.8          | 26.3          | 16.7          | 4.6           | -2.9          |
| HP/DXC Business                     | -43.1         | -45.4         | -53.2         | -49.3         | -45.2         | -38.0         | -18.1         | -8.1          | -31.1         |
| Others                              | 17.5          | 44.2          | 3.1           | 2.2           | -7.9          | 13.1          | 7.3           | -4.0          | -3.5          |
| <b>Segment QoQ (%)</b>              | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Direct International                | 3.8           | 10.0          | 9.5           | 8.7           | 4.5           | 1.6           | 1.2           | -2.7          | -3.0          |
| HP/DXC Business                     | -6.6          | -18.3         | -25.7         | -10.6         | 0.9           | -7.5          | -1.8          | 0.3           | -24.4         |
| Others                              | 5.9           | -16.1         | 3.1           | 11.6          | -4.6          | 3.1           | -2.2          | -0.2          | -4.1          |
| <b>Incremental revenue (US\$ m)</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Direct International                | 10.8          | 29.4          | 30.7          | 30.7          | 17.1          | 6.4           | 4.9           | -11.0         | -12.1         |
| HP/DXC Business                     | -2.9          | -7.5          | -8.6          | -2.6          | 0.2           | -1.7          | -0.4          | 0.1           | -5.0          |
| Others                              | 0.4           | -1.2          | 0.2           | 0.8           | -0.3          | 0.2           | -0.2          | 0.0           | -0.3          |
| <b>Deal wins (US\$ m)</b>           | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| TCV                                 | 245           | 505           | 241           | 335           | 347           | 302           | 302           | 401           | 309           |
| QoQ                                 | -0.8          | 106.1         | -52.3         | 39.0          | 3.6           | -13.0         | 0.0           | 32.8          | -22.9         |
| YoY                                 | 21.9          | 95.0          | -33.1         | 35.6          | 41.6          | -40.2         | 25.3          | 19.7          | -11.0         |
| TTM TCV                             | 1111          | 1357          | 1238          | 1326          | 1428          | 1225          | 1286          | 1352          | 1314          |
| <b>Ex- DXC clients (%)</b>          | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Top                                 | 10            | 11            | 11            | 11            | 11            | 11            | 12            | 12            | 13            |
| Top 2-5                             | 31            | 31            | 31            | 32            | 33            | 34            | 33            | 33            | 31            |
| Top 6-10                            | 12            | 13            | 15            | 15            | 15            | 15            | 15            | 14            | 15            |
| Non top 10                          | 47            | 45            | 43            | 42            | 41            | 40            | 40            | 41            | 41            |
| <b>Ex-DXC clients (US\$ m)</b>      | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Top                                 | 29            | 36            | 39            | 42            | 44            | 45            | 50            | 48            | 51            |
| Top 2-5                             | 91            | 100           | 110           | 123           | 132           | 139           | 136           | 133           | 121           |
| Top 6-10                            | 35            | 42            | 53            | 58            | 60            | 61            | 62            | 56            | 58            |
| Non top 10                          | 138           | 145           | 152           | 161           | 164           | 163           | 165           | 165           | 160           |
| <b>Ex DXC clients YoY (%)</b>       | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Top                                 | -6.4          | 23.5          | 21.0          | 35.9          | 50.3          | 26.3          | 27.3          | 14.1          | 14.8          |
| Top 2-5                             | 50.9          | 54.7          | 51.6          | 50.0          | 45.5          | 38.5          | 24.2          | 7.8           | -8.8          |
| Top 6-10                            | 62.2          | 94.6          | 80.1          | 69.9          | 70.8          | 45.7          | 16.7          | -2.4          | -2.9          |
| Non top 10                          | 7.9           | 16.6          | 13.6          | 18.9          | 19.2          | 12.2          | 8.6           | 2.1           | -2.9          |
| <b>Ex- DXC clients QoQ (%)</b>      | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Top                                 | -5.6          | 21.0          | 9.5           | 8.7           | 4.4           | 1.6           | 10.4          | -2.6          | 5.1           |
| Top 2-5                             | 11.0          | 10.0          | 9.5           | 12.2          | 7.7           | 4.7           | -1.8          | -2.6          | -8.9          |
| Top 6-10                            | 3.8           | 19.2          | 26.3          | 8.7           | 4.4           | 1.6           | 1.2           | -9.1          | 3.9           |
| Non top 10                          | 1.7           | 5.3           | 4.6           | 6.2           | 1.9           | -0.8          | 1.2           | -0.2          | -3.0          |
| <b>Incremental revenue (US\$ m)</b> | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Top                                 | -1.7          | 6.2           | 3.4           | 3.4           | 1.9           | 0.7           | 4.7           | -1.3          | 2.4           |
| Top 2-5                             | 7.2           | 15.3          | 12.9          | 16.7          | 11.3          | 7.0           | 2.2           | -4.9          | -9.4          |
| Top 6-10                            | 8.5           | 22.0          | 23.9          | 21.3          | 13.8          | 8.0           | 2.9           | -10.5         | -7.2          |
| Non-top 10                          | 9.0           | 9.1           | 9.5           | 13.4          | 9.4           | 6.3           | -2.5          | -3.6          | -11.8         |
| <b>Client metrics</b>               | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| US\$ 100 m+                         | 2             | 4             | 5             | 6             | 4             | 7             | 8             | 8             | 8             |
| US\$ 75 m+                          | 5             | 5             | 5             | 6             | 6             | 6             | 6             | 6             | 5             |
| US\$ 50 m+                          | 5             | 7             | 7             | 7             | 7             | 7             | 7             | 7             | 7             |
| US\$ 20 m+                          | 9             | 9             | 9             | 9             | 10            | 11            | 12            | 13            | 13            |
| US\$ 10 m+                          | 18            | 18            | 19            | 21            | 22            | 24            | 24            | 23            | 25            |
| US\$ 5 m+                           | 37            | 39            | 41            | 42            | 42            | 44            | 45            | 46            | 46            |
| US\$ 1 m+                           | 84            | 84            | 88            | 97            | 104           | 105           | 104           | 107           | 112           |
| <b>Per employee analysis</b>        | <b>4QFY21</b> | <b>1QFY22</b> | <b>2QFY22</b> | <b>3QFY22</b> | <b>4QFY22</b> | <b>1QFY23</b> | <b>2QFY23</b> | <b>3QFY23</b> | <b>4QFY23</b> |
| Revenue (US\$ m) - TTM              | 1,313         | 1,375         | 1,434         | 1,516         | 1,607         | 1,680         | 1,731         | 1,739         | 1,712         |
| Employees (average TTM)             | 27,720        | 29,048        | 30,335        | 32,034        | 33,800        | 35,161        | 36,306        | 36,440        | 35,817        |
| Revenue per employee (TTM)          | 47,369        | 47,328        | 47,278        | 47,328        | 47,532        | 47,781        | 47,679        | 47,725        | 47,807        |

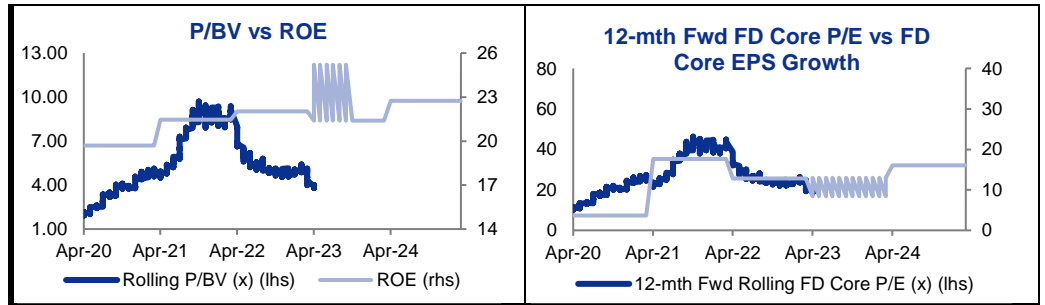
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Change in our earnings estimates

| Y/E, Mar (Rs m) | FY24F    |          |          | FY25F    |
|-----------------|----------|----------|----------|----------|
|                 | New      | Old      | % change | New      |
| US\$ revenue    | 1,757    | 2,019    | -13.0    | 1,947    |
| Revenue         | 1,45,866 | 1,63,570 | -10.8    | 1,63,565 |
| EBIT            | 22,877   | 25,517   | -10.3    | 26,318   |
| EBIT Margin (%) | 15.7     | 15.6     | 8 bp     | 16.1     |
| Net PAT         | 17,761   | 19,673   | -9.7     | 20,610   |
| EPS (Rs)        | 93.5     | 103.6    | -9.7     | 108.5    |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

| (Rs m)                                    | Mar-21A | Mar-22A | Mar-23A | Mar-24F | Mar-25F |
|---|---------|---------|---------|---------|---------|
| <b>Total Net Revenue</b>                  | 97,223  | 119,614 | 137,985 | 145,866 | 163,565 |
| <b>Gross Profit</b>                       | 29,500  | 34,950  | 39,857  | 42,232  | 47,614  |
| <b>Operating EBITDA</b>                   | 18,028  | 21,175  | 24,340  | 26,378  | 30,080  |
| Depreciation And Amortisation             | (2,418) | (2,908) | (3,252) | (3,501) | (3,762) |
| <b>Operating EBIT</b>                     | 15,610  | 18,268  | 21,088  | 22,877  | 26,318  |
| Financial Income/(Expense)                | 493     | 1,008   | 643     | 804     | 1,016   |
| Pretax Income/(Loss) from Assoc.          |         |         |         |         |         |
| Non-Operating Income/(Expense)            | 202     |         |         |         |         |
| <b>Profit Before Tax (pre-EI)</b>         | 16,306  | 19,276  | 21,731  | 23,681  | 27,334  |
| Exceptional Items                         |         |         |         |         |         |
| <b>Pre-tax Profit</b>                     | 16,306  | 19,276  | 21,731  | 23,681  | 27,334  |
| Taxation                                  | (4,138) | (4,820) | (5,351) | (5,920) | (6,724) |
| Exceptional Income - post-tax             |         |         |         |         |         |
| <b>Profit After Tax</b>                   | 12,167  | 14,456  | 16,380  | 17,761  | 20,610  |
| Minority Interests                        |         |         |         |         |         |
| Preferred Dividends                       |         |         |         |         |         |
| FX Gain/(Loss) - post tax                 |         |         |         |         |         |
| Other Adjustments - post-tax              |         |         |         |         |         |
| <b>Net Profit</b>                         | 12,167  | 14,456  | 16,380  | 17,761  | 20,610  |
| Recurring Net Profit                      | 12,167  | 14,456  | 16,380  | 17,761  | 20,610  |
| <b>Fully Diluted Recurring Net Profit</b> | 12,167  | 14,456  | 16,380  | 17,761  | 20,610  |

Cash Flow

| (Rs m)                           | Mar-21A | Mar-22A  | Mar-23A  | Mar-24F  | Mar-25F  |
|----------------------------------|---------|----------|----------|----------|----------|
| <b>EBITDA</b>                    | 18,028  | 21,175   | 24,340   | 26,378   | 30,080   |
| Cash Flow from Invt. & Assoc.    |         |          |          |          |          |
| Change In Working Capital        | (453)   | (1,501)  | (5,779)  | (646)    | (1,598)  |
| (Incr)/Decr in Total Provisions  |         |          |          |          |          |
| Other Non-Cash (Income)/Expense  | 419     |          |          |          |          |
| <b>Other Operating Cashflow</b>  |         |          |          |          |          |
| Net Interest (Paid)/Received     |         |          |          |          |          |
| Tax Paid                         | (3,448) | (3,686)  | (5,926)  | (5,920)  | (6,724)  |
| <b>Cashflow From Operations</b>  | 14,545  | 15,989   | 12,635   | 19,812   | 21,758   |
| Capex                            | (1,262) | (1,200)  | (1,131)  | (1,200)  | (1,200)  |
| Disposals Of FAs/subsidiaries    |         |          |          |          |          |
| Acq. Of Subsidiaries/investments |         |          |          |          |          |
| Other Investing Cashflow         | (6,957) | (1,620)  | 2,956    | 1,750    | 1,963    |
| <b>Cash Flow From Investing</b>  | (8,219) | (2,820)  | 1,825    | 550      | 763      |
| Debt Raised/(repaid)             |         |          |          |          |          |
| Proceeds From Issue Of Shares    |         |          |          |          |          |
| Shares Repurchased               |         |          |          |          |          |
| Dividends Paid                   | (6,527) | (12,177) | (8,652)  | (10,423) | (12,778) |
| Preferred Dividends              |         |          |          |          |          |
| Other Financing Cashflow         | (2,088) | (1,710)  | (5,750)  | (947)    | (947)    |
| <b>Cash Flow From Financing</b>  | (8,615) | (13,887) | (14,402) | (11,370) | (13,725) |
| Total Cash Generated             | (2,288) | (719)    | 58       | 8,992    | 8,796    |
| <b>Free Cashflow To Equity</b>   | 13,284  | 14,788   | 11,503   | 18,612   | 20,558   |
| <b>Free Cashflow To Firm</b>     | 6,327   | 13,168   | 14,460   | 20,362   | 22,521   |

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**BY THE NUMBERS...cont'd**

| <b>Balance Sheet</b>                 |                |                |                |                |                |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>(Rs m)</b>                        | <b>Mar-21A</b> | <b>Mar-22A</b> | <b>Mar-23A</b> | <b>Mar-24F</b> | <b>Mar-25F</b> |
| Total Cash And Equivalents           | 25,968         | 23,846         | 24,213         | 33,205         | 42,001         |
| Total Debtors                        | 18,505         | 22,269         | 25,206         | 27,131         | 29,932         |
| Inventories                          |                |                |                |                |                |
| Total Other Current Assets           | 6,929          | 11,048         | 10,111         | 10,111         | 10,111         |
| <b>Total Current Assets</b>          | <b>51,403</b>  | <b>57,164</b>  | <b>59,530</b>  | <b>70,447</b>  | <b>82,044</b>  |
| Fixed Assets                         | 7,826          | 8,803          | 9,773          | 7,472          | 4,910          |
| Total Investments                    | 4,590          | 4,776          | 5,899          | 5,899          | 5,899          |
| Intangible Assets                    | 22,400         | 29,043         | 31,149         | 31,149         | 31,149         |
| Total Other Non-Current Assets       | 7,770          | 7,775          | 9,744          | 9,744          | 9,744          |
| <b>Total Non-current Assets</b>      | <b>42,587</b>  | <b>50,398</b>  | <b>56,564</b>  | <b>54,264</b>  | <b>51,702</b>  |
| Short-term Debt                      | 5,135          | 5,272          | 1,985          | 1,985          | 1,985          |
| Current Portion of Long-Term Debt    |                |                |                |                |                |
| Total Creditors                      | 5,964          | 8,496          | 8,640          | 9,919          | 11,122         |
| Other Current Liabilities            | 10,339         | 15,332         | 17,353         | 17,353         | 17,353         |
| <b>Total Current Liabilities</b>     | <b>21,437</b>  | <b>29,100</b>  | <b>27,978</b>  | <b>29,257</b>  | <b>30,461</b>  |
| Total Long-term Debt                 |                |                |                |                |                |
| Hybrid Debt - Debt Component         |                |                |                |                |                |
| Total Other Non-Current Liabilities  | 7,285          | 9,030          | 8,768          | 8,768          | 8,768          |
| <b>Total Non-current Liabilities</b> | <b>7,285</b>   | <b>9,030</b>   | <b>8,768</b>   | <b>8,768</b>   | <b>8,768</b>   |
| Total Provisions                     |                |                |                |                |                |
| <b>Total Liabilities</b>             | <b>28,722</b>  | <b>38,130</b>  | <b>36,746</b>  | <b>38,025</b>  | <b>39,228</b>  |
| Shareholders' Equity                 | 65,267         | 69,431         | 79,348         | 86,686         | 94,517         |
| Minority Interests                   |                |                |                |                |                |
| <b>Total Equity</b>                  | <b>65,267</b>  | <b>69,431</b>  | <b>79,348</b>  | <b>86,686</b>  | <b>94,517</b>  |

| <b>Key Ratios</b>         |                |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
|                           | <b>Mar-21A</b> | <b>Mar-22A</b> | <b>Mar-23A</b> | <b>Mar-24F</b> | <b>Mar-25F</b> |
| Revenue Growth            | 9.9%           | 23.0%          | 15.4%          | 5.7%           | 12.1%          |
| Operating EBITDA Growth   | 9.2%           | 17.5%          | 14.9%          | 8.4%           | 14.0%          |
| Operating EBITDA Margin   | 18.5%          | 17.7%          | 17.6%          | 18.1%          | 18.4%          |
| Net Cash Per Share (Rs)   | 82.08          | 67.04          | 81.15          | 128.49         | 174.80         |
| BVPS (Rs)                 | 346.45         | 365.56         | 417.77         | 456.41         | 497.64         |
| Gross Interest Cover      | 24.62          | 30.64          | 21.68          | 24.16          | 27.80          |
| Effective Tax Rate        | 25.4%          | 25.0%          | 24.6%          | 25.0%          | 24.6%          |
| Net Dividend Payout Ratio | 99.8%          | 59.7%          | 57.8%          | 58.7%          | 62.0%          |
| Accounts Receivables Days | 67.95          | 62.21          | 62.79          | 65.48          | 63.67          |
| Inventory Days            |                |                |                |                |                |
| Accounts Payables Days    | 34.04          | 31.17          | 31.87          | 32.68          | 33.12          |
| ROIC (%)                  | 25.2%          | 29.1%          | 28.8%          | 28.6%          | 34.0%          |
| ROCE (%)                  | 16.0%          | 17.5%          | 18.8%          | 18.7%          | 20.0%          |
| Return On Average Assets  | 13.0%          | 13.6%          | 14.2%          | 14.3%          | 15.4%          |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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