

Sep 20, 2013

Mphasis Ltd.

BSE Code: 526299 NSE Code: MPHASIS Reuters Code: MBFL.NS Bloomberg Code: MPHL:IN

Mphasis Ltd (MPHASIS) is a \$1 billion global service provider, delivering technology based solutions to clients across the world. Mphasis services clients in Banking & Capital Markets, Insurance, Manufacturing, Communications, Media & Entertainment, Healthcare & Life Sciences, Transportation & Logistics, Retail & Consumer Packaged Goods, Energy & Utilities, and Governments around the world.

Investor's Rationale

Topline grew 13.6% YoY on the back of strong organic volume growth – MPHASIS registered a healthy growth in its topline by 13.6% YoY at ₹15,397.7 mn in Q3FY'13 against ₹13,551.2 mn on consolidated basis. The traction in the segment extended in the quarter on strong momentum in the digital risk business. Organic business growth was also above expectation, primarily on account of robust growth across verticals (Banking and Capital market by 70.00% at ₹6186.9 mn and Insurance business by 11.30% at ₹1792.9 mn.

EBITDA margin contracted 148bps due to higher Employee cost – The EBITDA of the company increased by 5.1% YoY at ₹2,799.2 mn. While, OPM declined 148bps at 18.2% against 19.70% mainly due to higher Employee cost by 21.70% at ₹9,684.8 mn. The company has hiked salaries by 5-7% for offshore employees and 2-3% for onsite staffers. MPHASIS added 100 employees during the quarter, taking its total headcount to about 39,000 people.

Bottom-line decreased 7.7% YoY due to higher tax – Net profit declined by 7.7% to ₹1,926.4 mn in Q3FY'13 on account of wage hikes and higher tax at ₹701.3 mn, increased by 14.27% against ₹613.7 mn.

Focused towards new technologies as per client needs - The Company further expect bottoming of HP revenue decline and exit from the Indian Government contracts which would means secular positive QQ growth here on with upward bias on OPM trend. The company is more focusing towards emerging technologies around mobility, cloud and analytics in additions to traditional services. On the client addition front, the company is witnessing good traction in the demand and added 16 clients in the quarter.

Market Data

Rating	BUY
CMP (₹)	429
Target Price	520
Stop Loss	390
Duration	Short-term
52-week High-Low (₹)	514.05/337.20
Rise from 52WL (%)	27.3
Correction from 52WH (%)	16.5
Beta	0.35
1 year Average Volume (mn)	1.2
Stock Return (%)	3M- 8.6 6M- 8.8 1Y- 8.4
Market Cap (₹bn)	87910.3
Book Value (₹)	1728.3

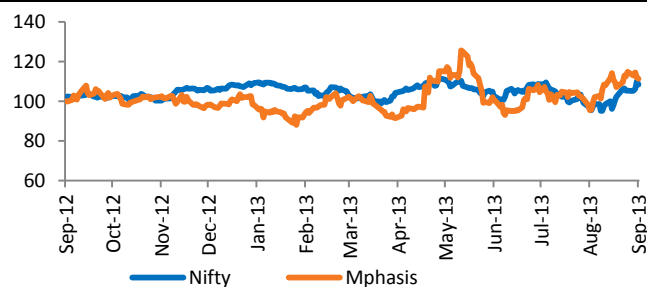
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	60.49	60.49	0.00
FII (%)	27.28	26.4	0.88
DII (%)	3.49	3.43	0.06
Public & Others (%)	8.74	9.68	(0.94)

Quarterly Performance (Consolidated)

(₹Mn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change (%)
Sales	15,398	13,551	14,054	13.6	9.6
Op. exp	12,599	10,887	11,636	15.7	8.3
EBITDA	2,799	2,665	2,418	5.1	15.7
OPM (%)	18.2	19.7	17.2	(148bps)	97.2
Net profit	1,926	2,087	1,765	(7.7)	9.1
NPM (%)	12.3	14.9	12.3	(259bps)	2.4
EPS (₹)	9.2	9.9	8.4	(7.8)	9.1

One Year Price Chart





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