

Coverage Report

Quarter results – Q3'23

January 23, 2022

Online

The Economic Times

[Mphasis: We believe TCV wins are fairly sustainable: Nitin Rakesh](#)

"I think the nuance of what is going on in the macro is impacting the cyclical of the mortgage business and that is something that I want to call out separately because that is really what is clouding the overall headline numbers," says Nitin Rakesh, CEO, Mphasis.

Let us start off then by talking about your Q3 revenues because your revenues have been a bit disappointing this time around. Apart from the seasonality, what has been the other factor that had hurt your earnings?

Nitin Rakesh: I think this is kind of what we are calling the duality in the business in Q3. If I look at the core business defined as whole applications, cloud transformation business is actually doing really well, both on a sequential basis more importantly on a Y-O-Y basis.

Our core segment BFSI and our new accounts continue to do well. I think what is really giving the muted outlook to the numbers from Q3 perspective is the extreme weakness coming out of the cyclical in the mortgage services line. Given the environment with the macro that business has really in a way reflecting what is going on in the current residential mortgage and real estate market in the US and volumes have dropped off quite significantly, sharper than anybody expected and that is really what is mudding the overall headline number.

But if you peel the numbers and you look at the non-mortgage business that has actually grown 15% Y-O-Y, if you look at the pipeline that has actually grown 27% Y-O-Y, 6% sequentially.

If you look at the TCV wins they are at 401 million. This is the second highest TCV win quarter for us. A significant contribution from BFSI is there and of course non-BFSI growth is also fairly strong. So I think the nuance of what is going on in the macro is impacting the cyclical of the mortgage business and that is something that I want to call out separately because that is really what is clouding the overall headline numbers.

I just want to understand that, the softness that you pointed out to in mortgage, how long will that trough last and given the interest rates are likely to remain sticky is that going to be a little bit of an issue?

Nitin Rakesh: So let me give you a little bit of context. If you look at the mortgage service line, it is right now comprised of three main segments, originations, both repurchase as well as new originations or first mortgages. That part of the business, the volumes have declined almost 80% Y-O-Y and that is because given the current 30-year mortgage rates running at 40-year highs even though they have softened a little bit in the last few weeks, they are still running north of 6% and they have touched 7% that basically means that buyers are not really rushing to take a mortgage or buy a house.

The second line of business is home equity, which actually did well for a period of time last year, primarily because housing prices had gone up in 2020 and 2021 first half and that meant that people were actually cashing in on the equity that was in their homes because the buying and selling activity has also come to a standstill. Even the housing prices have started to come off a little bit but that business is actually still fairly robust compared to Y-Y trends. And the third piece of the business is the servicing business, I think that servicing business we think will pick up in the next

quarter or two given the fact that this logjam or lockup of the market will not sustain forever. You will either have delinquencies forcing sale of mortgage loans, as that happens, that will open up service line opportunities for us.

Very hard to predict when this cycle will turn precisely but it is fair to say that the current seizing of the market is not likely to sustain for very long and given that the mortgage business is now less than 9% of overall revenue, I think we have already taken a large part of that brunt over the last two quarters. So I think there is definitely some silver linings, we believe that as we head into the peak of the interest rate cycle, the market will turn. But more importantly, even without the market turning on the volumes front, we still think there will be opportunities for us on the servicing side

Let me try and put that question to you. I just want to understand in terms of the outlook, what could the next few quarters look like? Will they remain soft?

Manish Dugar: So as Nitin mentioned, we are at already a significant trough when it comes to volumes. Whether it will mean a further decline from where we are that probably will be very-very limited even if there is some given it is already a small part of the overall revenue.

Whether it will start moving up and we will start seeing increased volumes, I guess that is very much dependent on how the interest rate moves and when it moves in the reverse direction, our view is it is at least two to three quarters away when that happens, we will be brightly positioned to kind of benefit from an upcycle in the revenue coming from that sector.

So, Manish, the silver lining was that despite muted revenues, your margins were held on to, but would it be fair to say that the band of 15% to 15.5% will be maintained by the end of the year, which is at the lower end of your guided range?

Manish Dugar: The three quarters of the year are already passed and we have been at 15.3. So, it is fair to say that the full year will be around that number. Having said that, if we go back to the philosophy that we had articulated, we will continue investing for growth while maintaining margins in a narrow band and remember when we communicated the range of 15.3 to 17 that time we were at 15.25 and the concern was whether the margins will drop, just to signal that we are very confident to maintain the margins at these range.

Our process of investment ensures that we have the flexibility to move in and move out and hence when there is a need, we can kind of pull investments out and when we have the surplus, we can make those investments back again. The good news is this quarter, we had quite a few operating things that came into play. We have been trying to get our fresher engine working right and we are at an all-time high in terms of fresher billability. We also were able to improve our utilisation which over the last three-four quarters were at an all-time low; both of those combined with the improvement in the mix of revenue from onsite offshore gave us tailwinds in margin and we were able to kind of manage all the cost impacts that came with the significant drop in revenues and despite that maintain the margin at the 15.3% range.

We are reasonably confident that as we have been able to do it in the past, we should be able to continue managing the margins going forward as well. As things become better and as the revenue scale starts coming in, there should be an upward bias to the margin.

I want to talk to you about deal wins. You know, it continues to be robust and that is despite so much that is being talked about clients, budgets and you know what is happening, overall recession, soft landing, hard landing. So give us an outlook what is it that is Mphasis' understanding of the situation? Should your shareholders, the analyst community expect deal wins of about \$400 million?

Nitin Rakesh: What we have done is we progressively moved the band of our TCV wins into a higher zone and I think we were in the sub 200 range a couple of years ago and now we are in the 400 range. So given the strength of the pipeline, the fact that the pipeline is up 27% year over year, we do believe that the TCV wins are fairly sustainable.

While client budgets may be under a microscope primarily because everyone is trying to prepare for what they think might be a tough year in the US and in Europe this year, I think they are still spending money in strategic transformation areas where which they believe are good for the long term shift off of the tech stack.

For example, almost every client we know of has a very strong cloud adoption program, mostly public cloud. So the work we are doing with hyper scalars is very handy there. They are all looking at using data strategically, modernising the data state, moving it to the cloud and more importantly they continue to invest in areas like cyber and customer experience transformation.

So I think I would not say that broad brush every part of the tech state will see growth but I think they are going to make focus targeted investments in the areas I talked about and if you play in those areas like we do, you will continue to see deal wins play out in your favour

Business Standard
[Mphasis consolidated net profit rises 15.26% in the December 2022 quarter](#)

Sales rise 12.24% to Rs 3506.21 crore

Net profit of Mphasis rose 15.26% to Rs 412.27 crore in the quarter ended December 2022 as against Rs 357.68 crore during the previous quarter ended December 2021. Sales rose 12.24% to Rs 3506.21 crore in the quarter ended December 2022 as against Rs 3123.72 crore during the previous quarter ended December 2021. Particulars Quarter

Ended	Dec.2022	Dec. 2021	%	Var.	Sales	3506.21	3123.72	12 OPM	%	17.61	17.71 -
PBDT	633.07	562.15	13	PBT	551.00	479.57	15	NP	412.27	357.68	15

The Hindu BusinessLine

[Mphasis Q3 net profit up 15% at ₹412.3 crore](#)

IT solutions provider Mphasis has reported a 15.3 per cent y-o-y rise in net profit at ₹412.3 crore, for the quarter ended December 2022. On a sequential basis, the profits fell by 1.5 per cent from ₹418.5 crore in the last quarter.

The net revenue grew 12.2 per cent y-o-y at ₹35,06.2 crore. On a q-o-q basis, revenue declined by 0.4 per cent. In constant currency terms, the net revenue declined 3.1 per cent q-o-q and grew 3.8 per cent y-o-y. Its net margin declined 10 bps q-o-q and grew 30 bps y-o-y to 11.8 per cent in Q3 FY23.

“This quarter reflects the duality in our current business environment. On one hand, our core business continues to perform well. On the other hand, there are cyclical headwinds due to market hypersensitivity in our mortgage business, with interest rate movements. We continue to have a strong market share and wallet share gains in our chosen segments, as reflected in our TCV wins and pipeline,” said Nitin Rakesh, Chief Executive Officer, and Managing Director, Mphasis.

The earnings per share (EPS) declined 1.6 per cent q-o-q and grew 14.7 per cent y-o-y to ₹21.9 in the third quarter. During the quarter, the company reported net new total contract value (TCV) orders of \$401 million. “We are happy with the optimisation efforts we undertook in 2022, including accelerated fresher adoption and enhancing operational efficiencies, enabling us to invest and still hold the EBIT margins,” Rakesh added.

MoneyControl

[Mphasis Standalone December 2022 Net Sales at Rs 2,418.89 crore, up 24.37% Y-o-Y](#)

Reported Standalone quarterly numbers for Mphasis are:

Net Sales at Rs 2,418.89 crore in December 2022 up 24.37% from Rs. 1,944.97 crore in December 2021.

Quarterly Net Profit at Rs. 371.67 crore in December 2022 up 17.14% from Rs. 317.28 crore in December 2021.

EBITDA stands at Rs. 546.31 crore in December 2022 up 14.28% from Rs. 478.03 crore in December 2021.

Mphasis EPS has increased to Rs. 19.74 in December 2022 from Rs. 16.93 in December 2021.

Mphasis shares closed at 2,067.35 on January 19, 2023 (NSE) and has given -3.70% returns over the last 6 months and -33.06% over the last 12 months.

MPHASIS

STANDALONE QUARTERLY RESULTS IN RS. CR.

DEC'22 SEP'22 DEC'21

Net Sales/Income from operations 2,418.89 2,370.57 1,944.97

Other Operating Income -- -- --

Total Income From Operations 2,418.89 2,370.57 1,944.97

EXPENDITURE

Consumption of Raw Materials -- -- --

Purchase of Traded Goods -- -- --

Increase/Decrease in Stocks -- -- --

Power & Fuel -- -- --

Employees Cost 725.86 740.68 613.86

Depreciation 45.08 42.80 38.04

Excise Duty -- -- --

Admin. And Selling Expenses -- -- --

R & D Expenses -- -- --

Provisions And Contingencies -- -- --

Exp. Capitalised	--	--	--
Other Expenses	1,175.54	1,152.93	879.89
P/L Before Other Inc. , Int., Excpt. Items & Tax	472.40	434.16	413.19
Other Income	28.83	30.20	26.80
P/L Before Int., Excpt. Items & Tax	501.23	464.36	439.99
Interest	19.98	18.76	17.57
P/L Before Exceptional Items & Tax	481.25	445.60	422.41
Exceptional Items	--	--	--
P/L Before Tax	481.25	445.60	422.41
Tax	109.58	112.30	105.13
P/L After Tax from Ordinary Activities	371.67	333.31	317.28
Prior Year Adjustments	--	--	--
Extra Ordinary Items	--	--	--
Net Profit/(Loss) For the Period	371.67	333.31	317.28
Equity Share Capital	188.33	188.15	187.48
Reserves Excluding Revaluation Reserves	4,357.53	3,976.38	3,918.32
Equity Dividend Rate (%)	--	--	--
EPS Before Extra Ordinary			
Basic EPS	19.74	17.72	16.93
Diluted EPS	19.64	17.60	16.73
EPS After Extra Ordinary			
Basic EPS	19.74	17.72	16.93
Diluted EPS	19.64	17.60	16.73
Public Share Holding			
No Of Shares (Crores)	--	--	--

Share Holding (%) -- -- --

Promoters and Promoter Group Shareholding

a) Pledged/Encumbered

- Number of shares (Crores) -- -- --

- Per. of shares (as a % of the total sh. of prom. and promoter group) -- -- --

- Per. of shares (as a % of the total Share Cap. of the company) -- -- --

b) Non-encumbered

- Number of shares (Crores) -- -- --

- Per. of shares (as a % of the total sh. of prom. and promoter group) -- -- --

- Per. of shares (as a % of the total Share Cap. of the company) -- -- --

Source : Dion Global Solutions Limited

MoneyControl

[Mphasis Consolidated December 2022 Net Sales at Rs 3,506.21 crore, up 12.24% Y-o-Y](#)

Reported Consolidated quarterly numbers for Mphasis are:

Net Sales at Rs 3,506.21 crore in December 2022 up 12.24% from Rs. 3,123.72 crore in December 2021.

Quarterly Net Profit at Rs. 412.27 crore in December 2022 up 15.26% from Rs. 357.68 crore in December 2021.

EBITDA stands at Rs. 657.48 crore in December 2022 up 12.63% from Rs. 583.77 crore in December 2021.

Mphasis EPS has increased to Rs. 21.90 in December 2022 from Rs. 19.09 in December 2021.

Mphasis shares closed at 2,067.35 on January 19, 2023 (NSE) and has given -3.70% returns over the last 6 months and -33.06% over the last 12 months.

MPHASIS

CONSOLIDATED QUARTERLY RESULTS IN RS. CR.

DEC'22 SEP'22 DEC'21

Net Sales/Income from operations	3,506.21	3,519.82	3,123.72
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Other Operating Income	--	--	--
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Total Income From Operations	3,506.21	3,519.82	3,123.72
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EXPENDITURE

Consumption of Raw Materials	--	--	--
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Purchase of Traded Goods	--	--	--
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Increase/Decrease in Stocks	--	--	--
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Power & Fuel	--	--	--
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Employees Cost	2,049.82	2,038.96	1,839.92
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Depreciation	82.08	80.15	82.58
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Excise Duty	--	--	--
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Admin. And Selling Expenses	--	--	--
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R & D Expenses	--	--	--
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Provisions And Contingencies	--	--	--
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Exp. Capitalised	--	--	--
Other Expenses	838.89	863.07	730.67
P/L Before Other Inc., Int., Excpt. Items & Tax	535.43	537.64	470.54
Other Income	39.98	43.41	30.65
P/L Before Int., Excpt. Items & Tax	575.40	581.05	501.19
Interest	24.41	26.00	21.62
P/L Before Exceptional Items & Tax	551.00	555.05	479.57
Exceptional Items	--	--	--
P/L Before Tax	551.00	555.05	479.57
Tax	138.72	136.59	121.89
P/L After Tax from Ordinary Activities	412.27	418.46	357.68
Prior Year Adjustments	--	--	--
Extra Ordinary Items	--	--	--
Net Profit/(Loss) For the Period	412.27	418.46	357.68
Minority Interest	--	--	--
Share Of P/L Of Associates	--	--	--
Net P/L After M.I & Associates	412.27	418.46	357.68
Equity Share Capital	188.33	188.15	187.48
Reserves Excluding Revaluation Reserves	7,271.54	6,788.96	6,288.71
Equity Dividend Rate (%)	--	--	--
EPS Before Extra Ordinary			
Basic EPS	21.90	22.25	19.09
Diluted EPS	21.78	22.10	18.85
EPS After Extra Ordinary			
Basic EPS	21.90	22.24	19.09

Diluted EPS 21.78 22.10 18.85

Public Share Holding

No Of Shares (Crores) -- -- --

Share Holding (%) -- -- --

Promoters and Promoter Group Shareholding

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- Number of shares (Crores) -- -- --

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- Per. of shares (as a % of the total Share Cap. of the company) -- -- --

b) Non-encumbered

- Number of shares (Crores) -- -- --

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Source : Dion Global Solutions Limited

Print

The Hindu Business Line

Mphasis net profit up 15% at ₹412.3 crore

Our Bureau
Bengaluru

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Nitin Rakesh,
CEO and MD, Mphasis

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Online		
Date	Publication/ Portal	Headline
January 20, 2023	The Economic Times	Mphasis: We believe TCV wins are fairly sustainable: Nitin Rakesh
January 20, 2023	Business Standard	Mphasis consolidated net profit rises 15.26% in the December 2022 quarter
January 20, 2023	The Hindu BusinessLine	Mphasis Q3 net profit up 15% at ₹412.3 crore
January 20, 2023	Money Control	Mphasis Standalone December 2022 Net Sales at Rs 2,418.89 crore, up 24.37% Y-o-Y
January 20, 2023	Money Control	Mphasis Consolidated December 2022 Net Sales at Rs 3,506.21 crore, up 12.24% Y-o-Y
Print		
Date	Publication/ Portal	Headline
January 21, 2023	The Hindu BusinessLine	Mphasis net profit up 15% at ₹412.3 crore

Electronic		
Date	Publication	Headline
January 20, 2023	CNBC TV18	Earnings Central 20 Jan 2023
January 20, 2023	CNBC TV18	Mphasis Q3 - Midcap IT Q3 Earnings
January 20, 2023	CNBC TV18	Bazaar Morning Calls 20 Jan Mphasis Q3 Review
January 20, 2023	CNBC TV18	Bazaar Corporate Radar 20 Jan 2023 Mphasis Q3 Review
January 20, 2023	ET NOW Earnings	Earnings With ET Now 20 Jan 2023
January 20, 2023	BQ Prime	#Q3WithBQ Mphasis Management Shares Growth Plans Amidst Slowdown Worries BQ Prime
January 20, 2023	Zee Business	Market Top 10 20 Jan 2023 Mphasis Q3 Review