

Coverage Report

Quarter results - Q1'23

August 03, 2022

The Hindu BusinessLine

[Mphasis net up 18.3 per cent in Q1](#)

Mphasis gross revenue grew by 26.8 per cent (YoY) for the quarter Bengaluru, July 22

IT solutions provider, Mphasis has reported a 26.8 per cent year-on-year (YoY) growth in gross revenue at Rs ₹3,390 crore for the quarter-ended June 30, 2022.

Further, on a sequential basis, the gross revenue grew by 4.5 per cent. In constant currency terms, gross revenue grew by 22.1 per cent YoY and 2 per cent quarter-on-quarter (QoQ). The direct revenue of the IT firm registered a growth of 5 per cent QoQ and 33 per cent YoY on a reported basis and 2.4 per cent QoQ and 28.3 per cent YoY, in constant currency terms.

The net profit for the quarter grew by 2.5 per cent QoQ and 18.3 per cent YoY to ₹ 401.90 crore. Adjusted for the M&A charges, net profit grew 24 per cent YoY to ₹421.30 crore.

Nitin Rakesh, Chief Executive Officer and Managing Director, told BusinessLine “The demand is still good despite all the macro headwinds, our pipeline is up by 6 per cent QoQ. However, we do see caution in some of the segments.” Mphasis continues to stay focused on navigating the current environment with agility, driving growth for the business, while providing margin stability, he added.

EPS in Q1

The earnings per share (EPS) grew 2.4 per cent QoQ and 17.8 per cent YoY to ₹21.4 in the first quarter. Adjusted for the M&A charges EPS grew 23.4 per cent YoY to ₹22.4. During Q1, the company reported new total contract value (TCV) orders of \$302 million in direct, of which 84 per cent in new generation services

Manish Dugar, Chief Financial Officer, said, “Despite making investments to create supply capability, we have maintained the margins in a narrow band and been able to deliver an expansion QoQ. We are fairly confident in our positions and will be able to maintain the range.”

BQ Prime

[Mphasis Q1 Review: Shares Fall On Slower Growth In Direct Segment](#)

Shares of Mphasis Ltd. fell the most in nearly two weeks after its profit missed estimates as direct segment revenue growth slowed.

Profit rose 2.5% at Rs 401.9 crore, according to its exchange filing. That's below the Rs 457-crore consensus estimate of analysts tracked by Bloomberg.

Key Highlights (QoQ, Consolidated)

- Revenue up 4.1% at Rs 3,411.2 crore

- Dollar revenue up 1.2% at \$436 million
- EBIT margin at 15.3% vs 15.2%
- New TCV wins of \$302 million in direct services business, of which 84% in new generation services.

“We continue to stay focused on navigating the current environment with agility, driving growth for the business, while providing margin stability,”

Nitin Rakesh, chief executive officer and managing director at Mphasis, said in the statement. India's IT companies face the risk of slower digital spending by clients amid fears of a recession in the U.S. Shares of Mphasis fell as much as 3.8%, the most since July 11, before reversing losses and ending 0.7% higher. Of the 33 analysts tracking the company, 28 suggest 'buy' and five recommend 'hold', according to Bloomberg data. The 12-month consensus price target implies an upside of 34.1%.

Here's what brokerages made of Mphasis' Q1:

Dolat Capital

- Has a 'buy' rating with target price of Rs 2,670, implying a potential upside of 18%.
- Revenue growth led by tech, media and telecom (up 5.6% QoQ), logistics and transportation (up 6% QoQ).
- EBIT margin increased led by focus on productivity measures.
- Added 365 employees in the quarter to reach 36,899 employees. Excluding trainees, offshore utilization decreased by 300 bps QoQ to 74%.
- Overall, in-line performance on both revenue and margin front. Revenue growth now converges to direct segment revenue growth. Maintains broadly steady margin.
- Details regarding deal booking/deal pipeline key monitorable.

Motilal Oswal

- Has a 'buy' rating.
- Earnings miss due to slower growth in direct segment.
- Profit missed Motilal's estimate by 3.2% on slower growth, lower margin, and lesser other income.
- On-site revenue mix was largely flat.
- Await further clarity on the near-term outlook, DXC channel, and margin.

Morgan Stanley

- Has an 'overweight' rating at a target price of Rs 2,430, implying a potential upside of 8%.
- 2% QoQ constant-currency revenue growth, below our estimate of 3% qoq growth, but in line with consensus. Revenue growth in direct channel (2.4% QoQ constant-currency) and DXC channel (-6.7% QoQ) were both below MS' estimates.
- New deal wins at \$302 million remained strong with an 84% contribution from new generation services.
- Uptick in offshore utilization rates QoQ to 70% could have been better.

Business Standard

[Mphasis consolidated net profit rises 18.31% in the June 2022 quarter](#)

Sales rise 26.77% to Rs 3411.24 crore

Net profit of Mphasis rose 18.31% to Rs 401.88 crore in the quarter ended June 2022 as against Rs 339.69 crore during the previous quarter ended June 2021. Sales rose 26.77% to Rs 3411.24 crore in the quarter ended June 2022 as against Rs 2690.83 crore during the previous quarter ended June 2021. Particulars Quarter Ended Jun. 2022 Jun. 2021 % Var. Sales 3411.24 2690.83 27 OPM % 17.59 18.19 -PBDT 612.44 520.37 18 PBT 532.87 458.05 16 NP 401.88 339.69 18

Moneycontrol

[Mphasis Standalone June 2022 Net Sales at Rs 2,223.40 crore, up 38.71% Y-o-Y](#)

Reported Standalone quarterly numbers for Mphasis are:

Net Sales at Rs 2,223.40 crore in June 2022 up 38.71% from Rs. 1,602.95 crore in June 2021.

Quarterly Net Profit at Rs. 332.97 crore in June 2022 up 8.23% from Rs. 307.64 crore in June 2021.

EBITDA stands at Rs. 513.14 crore in June 2022 up 12.71% from Rs. 455.26 crore in June 2021.

Mphasis EPS has increased to Rs. 17.72 in June 2022 from Rs. 16.44 in June 2021.

Mphasis shares closed at 2,259.65 on July 21, 2022 (NSE) and has given -25.29% returns over the last 6 months and -5.75% over the last 12 months.

Moneycontrol

[Focus on getting around supply-side constraints: Mphasis CEO Nitin Rakesh](#)

Mphasis CEO Nitin Rakesh said the demand environment is fairly robust, and that the industries and geographies the company operates in are conducive to growth.

IT services company Mphasis saw its gross revenue go up by 4.5 percent sequentially and 26.8 percent on a year-on-year basis in Q1FY23. Mphasis' total contract value (TCV) came in at \$302 million during the quarter. The company's net profit for the quarter was up by 2.5 percent QoQ and 18.3 percent YoY.

Speaking to Moneycontrol, CEO Nitin Rakesh said the demand environment is fairly robust, and that the industries and geographies the company operates in are conducive to growth.

"The constraint isn't so much the macroenvironment. There are some signs of some clients being cautious, especially in one or two industries where they are a pretty big COVID boost that's tailing off right now. The constraint isn't so much the demand but smaller supply," he said.

CFO Manish Dugar said that in the sectors the company operates in — primarily BFSI — as well as travel, healthcare, and hi-tech, there are clients who are being cautious and trying to watch corners, but that there has not been an impact on performance.

“We don’t see a slowdown in spending at this point in time-based on the TCV wins, pipeline, or the conversation that we are having with our clients,” he said.

Mphasis added 941 billable employees (355 net addition) during the quarter. Nitin said utilisation is comfortable for the company in the core application outsourcing business.

“We didn’t need to add more people given that we had a blast of intake over the last two quarters. If we bulked up, we have to make sure that we are able to consume the capacity that is at hand and then utilisation in the 70s is still fairly comfortable. We still have room to grow,” he said.

Going forward, Rakesh said the company’s comfortable with the pipeline and the deal wins, and the focus currently is converting deal wins to revenue and getting around supply constraints.

Times Now

[Pipeline Stays At Record Levels; Client Metrics Continue To Improve | Mphasis | ET Now](#)

In Q1FY23, Mphasis’ Revenue grew 4% QoQ to Rs 3411 cr vs Rs 3278 cr. USD Rev at \$436 mn, up 1.2% on a quarter-on-quarter basis. “Our consistent growth is a testimony of continued investments in the right service areas and institutionalization of our Tribes & Squads led competency model. We continue to stay focused on navigating the current environment with agility, driving growth for the business, while providing margin stability,” said Nitin Rakesh, Chief Executive Officer, and Managing Director, Mphasis. Catch Nitin Rakesh, CEO & MD, Mphasis Limited & Manish Dugar, CFO, Mphasis recap the quarter gone by. #ETNow #News #Market

Moneycontrol

[Smaller may be better as IT sector braces for stronger macro headwinds](#)

Consensus earnings estimate for large-cap IT companies have been cut by 3-8 percent for the current financial year and 2-7 percent for the next financial year following the June quarter earnings season

The macroeconomic headwinds for the Indian information technology sector are gathering pace on the back of emerging signs of a slowdown in the US and European Union economies – two of the biggest markets for the rest of the world.

The quarter ended June saw several IT companies miss the Street expectations for their earnings, while a tangible slowdown in hiring momentum pointed to managements preparing for some slowdown in deal wins going ahead.

That said, the concerns for investors appear to be more prominent for large-cap IT companies like Tata Consultancy Services, Infosys, Wipro, Tech Mahindra and HCL Technologies.

While the big five technology companies were able to meet or better analysts' expectations for their topline in the June quarter, they missed the estimates for their bottomline reflecting the impact of weak profitability in the quarter.

Earnings estimate for the five major IT firms for 2022-23 and 2023-24 have taken a sharper downgrade when compared to their rivals from the mid-cap space.

Consensus earnings estimate for large-cap IT companies have been cut by 3-8 percent for the current financial year and 2-7 percent for the next financial year following the June quarter earnings season.

Midcap IT companies, however, have suffered only up to 4 percent downgrade in their earnings estimate for 2022-23 and up to 3 percent for 2023-24. The slightly lesser downgrade reflects the optimism of the mid-cap IT services companies vis-à-vis their larger peers.

"Coming to our FY23 outlook, given the rising macro uncertainties we've taken a closer look at the outlook and we feel confident that the demand trends and tailwinds with current order book give us the visibility to continue to drive growth," said Mphasis in its post-earnings earnings call.

On the contrary, large-cap IT firms such as TCS and Infosys seemed guarded in their outlook for the future. While they showed confidence in the growth momentum likely persisting through 2022, the view on 2023 appeared hazier.

"We of course recognise what is going on in the global environment. And we mentioned a couple of areas, our share within financial services, mortgages. So we see pockets where we see some impact," Infosys told analysts in its post-earnings call last month.

On the profitability front, too, brokerage firm Nomura India sees a better outlook for mid-cap companies owing to their lower exposure to the European market.

"Mid-caps have slightly better margin outlook for FY23, given their lower European exposure which is a good news, both from revenue headwind and margin benefit perspective as they capture higher benefits from rupee's depreciation against US Dollar," Nomura India said in a note.

Going ahead, it is likely that growth-savvy investors may shift attention towards selective companies in the mid-cap and small-cap IT space to generate outperformance as large-cap IT stocks struggle to gain traction amid continued concerns over growth, margins and selling by foreign investors.

Finanzen.net

[Mphasis: Balance sheet figures for the past quarter](#)

Mphasis invited to the financial conference on 21.07.2022 and presented the figures for the quarter ended 30.06.2022.

The EPS was estimated at INR 21.17. In the prior-year quarter, Mphasis earned INR 17.91 per share.

Revenue for the past quarter was INR 34.11 billion, up 26.77 percent from the year-ago quarter, when Mphasis generated INR 26.91 billion.

Analysts had expected earnings per share of INR 21.26. On the revenue side, the experts had expected an average of INR 34.11 billion.

Online

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Date	Publication/ Portal	Headline
July 22, 2022	The Hindu BusinessLine	Mphasis net up 18.3 per cent in Q1
July 22, 2022	BQ Prime	Mphasis Q1 Review: Shares Fall On Slower Growth In Direct Segment
July 22, 2022	Business Standard	Mphasis consolidated net profit rises 18.31% in the June 2022 quarter
July 22, 2022	Moneycontrol	Mphasis Standalone June 2022 Net Sales at Rs 2,223.40 crore, up 38.71% Y-o-Y
July 22, 2022	Moneycontrol	Focus on getting around supply-side constraints: Mphasis CEO Nitin Rakesh
July 22, 2022	Times Now	Pipeline Stays At Record Levels; Client Metrics Continue To Improve Mphasis ET Now
August 03,2022	Moneycontrol	Smaller may be better as IT sector braces for stronger macro headwinds
International		
July 23, 2022	Finanzen.net	Mphasis: Balance sheet figures for the past quarter
Electronic		
July 22, 2022	CNBC TV18	Earnings Central 22 July 2022
July 22, 2022	ET Now	Earnings With ET Now 22 July 2022
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July 22, 2022	BQ Prime	Trade Setup 22 July 2022