



“Mphasis Limited  
Q1 FY 2026 Earnings Conference Call”  
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**Moderator:** Good morning, ladies and gentlemen, and thank you for joining the Mphasis Q1FY26 Earnings Conference call. I am Neerav, your moderator for the day.

We have with us today, Mr. Nitin Rakesh, CEO of Mphasis; Mr. Aravind Viswanathan, CFO; and Mr. Vinay Kalingara, Head of Investor Relations. As a reminder, there is a webcast link in the call invite mail that the Mphasis management team will be referring to today. The same presentation is also available on the website of Mphasis i.e. [www.mphasis.com](http://www.mphasis.com) in the Investors section under the Financial and Filing as well as both on BSE and NSE websites. I request you to have the presentation handy.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. A detailed statement with regard to this is available in the Q1 results release that was sent out to all of you earlier.

I now hand over the floor to Mr. Nitin to begin the proceedings of this call. Thank you. And over to you, Nitin.

**Nitin Rakesh:** Thank you, Neerav. Good morning, everyone. Good to have you all on the call again.

The tech industry is evolving rapidly, driven by innovation, while global uncertainty, macroeconomic complexities, and geopolitical tensions shape a cautious business environment. Technology remains a top priority for enterprises navigating this environment while balancing growth with operational resilience. The rise of GenAI is driving a global shift toward AI-first, digital-native business models, enabled by the democratization of intelligence. Both legacy enterprises and digital-native companies are accelerating investments in future-ready technology.

Over the past quarter, the demand environment has demonstrated some resilience, but only selective strength, despite sustained macroeconomic uncertainties. Decision-making continues to be more deliberate as enterprises navigate the current environment. With the overhanging threat of sophisticated cybercrimes and need to comply with legislation, it is an urgent priority for organizations to defend and protect.

Clients are reprioritizing their spending, focusing on must-have capabilities, and creating efficiencies and cost-savings through programs that demonstrate a clear ROI, while at the same time minimizing project execution risk. Business teams are wanting to move forward with at-scale AI programs, embedding AI into products, decision-making, and customer experience within tight budgets, since there is now an imperative to fund these AI programs from within the existing overall budgets. The demand for enhanced value at a reduced cost continues. At the same time, they seek continuous release of new

features, faster time to market, and the ability to quickly launch innovative products and services to stay ahead in a competitive environment.

Technology teams are looking for the means to modernize their legacy monolithic systems with disjointed data architectures, while servicing the high technology debt that has built-up over decades. At the same time, technology teams are under constant pressure to deliver enhanced value at a reduced cost, while moving forward with their transformation agenda. GCC is an evolving theme, with multiple models at play including carveouts, buildouts and managed captives.

Traditional people-based service models are under pressure to reinvent and survive. AI is recalibrating how IT services operate. By broadly published estimates, it is believed that to 25-30% of all working hours could be impacted by Large Language Models. It is fast becoming an imperative for businesses to move beyond experimentation and establish the structures and processes needed to turn AI into tangible impact reality.

At Mphasis, we understand that differentiation and investments are needed to pursue large AI-led opportunities. We continue to drive deal making that needs planned investments as rapid changes in AI tech are leading to ‘Services being delivered as Software’. We continue to invest in areas where we see long-term demand. Even in the face of economic uncertainty, we remain committed to disciplined execution at a micro level, ensuring that every client’s engagement is solutioned holistically to capture efficiencies, accelerate speed to market and reduce risk.

New developments in AI, particularly in Gen AI, are radically recalibrating the costs and benefits of modernizing legacy and reducing technology debt as part of a larger set of changes in how IT operates. This is resulting in opportunities where multiple initiatives are brought under a unified transformation program, leading to larger, outcome-driven deals with a ‘self-funded’ approach to transformation. This is an integral part of our Savings-led Transformation™ thesis and platform-led constructs, that we discussed over the last few quarters.

As we drive our growth initiatives forward at Mphasis, we are expanding and deepening our AI-led offerings. Instead of applying broad strategies across entire industries or regions, we focus on the specific needs of individual clients, particular deals, and meaningful conversations. This clarity at the micro level, combined with our commitment to innovation and IP-led platforms, positions us to navigate today’s challenges effectively and support our clients in successfully doing the same.

As AI-led deals take center stage, we are doubling down our proprietary next-gen platforms, Mphasis NeoZeta™, Mphasis NeoCrux™ and Mphasis NeoSaBa™ to name a few from the Neo Suite of platforms. These solutions combine Generative and Agentic AI to boost human performance, modernize critical systems, and accelerate next-gen application development for business transformation. Through AI, we’re shaping forward-looking deals and reinforcing the value of our platform-led strategy, which is clearly evident in our AI-led deal pipeline and TCV wins.

We are early adopters and implementers of AI-based solutions for our clients, which has positioned us well to help with their AI journey, create efficiencies, cost-savings and minimize project risks, while at the same time, accelerating our business. This is reflected in our highest-ever quarterly TCV win of \$760 million, of which 68% is AI-led. Since the launch of Mphasis.ai, we have over 250+ of our AI/ML models available on Amazon, Microsoft and Google marketplace. As I said in my previous slide, clients are interested in 'seeing' solutions, and the value Mphasis.ai brings to our end-to-end expertise helps organizations to strategize, build & institutionalize these solutions. The timeline of milestones and our development of AI assets listed at the bottom of this slide are all a testament to Mphasis' long history of AI innovation and our unique positioning to deliver innovation to clients at scale.

To give you a sense of how we are making this real, as an example, we took on a Core Cards Platform Modernization for a Large Financial Firm. Our AI Interventions boosted overall efficiency by >40%.

- We took a big monolithic platform using COBOL, Assembler, VSAM and a growing MIPS environment in a high-tech debt situation and modernized it into a composable, business capability driven architecture that is cloud ready.
- We took a single code base platform built over 40+ years ago, with 50Mn LOC using Complex Sysplex architecture and modernized it into a New Core design based on BIAN with ISO 20022 compatibility.
- We transformed 1.4Bn accounts on file, 900+ APIs, 25Bn authorizations processed annually, extremely low latency of <40ms and re-engineered it into an event architecture with real-time, event-driven streaming to replace targeted batch processing.
- In a sense, we transformed bespoke implementations requiring specialized domain & mainframe talent into faster building of composable capabilities & value streams using modern engineering platforms.

On the back of this program approach and AI led delivery, this has been one of our fastest growing relationships in the company and has already crossed \$50mn annual revenue threshold.

Since the launch of Mphasis.ai, our pipeline has grown 2.2x. We currently have the largest ever deal pipeline - driven by these platforms as well as largest ever TCV wins in this quarter, led by large deals.

As I have previously mentioned, AI is table stakes for us. Whether it is for new deals that are AI-led, or AI-infused, existing clients or even for our own employee productivity.

We have solutioned what we call the 'Mphasis AI Superhighway', which accelerates enterprise AI enablement and adoption of AI at scale, securely delivering models from experimentation to production with organizational guardrails. This enables 50% to 60%

faster time to market, upto 90% accuracy rates, and a 50% increase in productivity at times.

Mphasis AI Superhighway comprises of prefabricated AI strategies, methodologies, innovation lab, and operating models. It includes orchestration of cloud, data and security platforms, plus our own proprietary accelerators. It delivers an agentic workforce, integrated LLMs, predictive decisions and knowledge graphs, model testing for ethics, trust, explainability, security, end-to-end value stream observability and synthetic data creation.

It is no surprise that AI is supercharging our pipeline which in Q1 of FY26 was 68% AI-led with: BFS pipeline up 47% YoY and non-BFS is up 108% YoY, Large deals pipeline up 40% sequentially and 154% YoY, Traction in AI archetypes includes AI Ops and AI Modernization as you can see on the chart.

We continue to see a higher share of proactive deal wins, as we largely stay focused on deal-making. As I said earlier, TCV wins for the quarter were at \$760 Mn, our highest ever new TCV wins in a quarter. We won 4 large deals in Q1FY26; for a cumulative of 14 large deal wins in the last twelve months. Of the four large deals, three are \$100Mn+ and one is a \$50M+ deal. TCV wins have been led by BFS, Insurance and TMT verticals. Our TCV to revenue conversion pace has remained steady. Customer propensity to spend budgets on cost take outs, efficiency and vendor consolidation is increasing. And we continue to make investments in the right areas where we expect customer demand.

To give you a sense of the kind of deals we have won, I will specifically call out one large win.

A large North American life insurance company chose Mphasis as their sole provider to consolidate Application Development and Application Management vendors to achieve alignment to a new operating model, managed outcome-based delivery, improve performance and service quality, and predictable cost while driving significant savings. Mphasis will be deploying its Neo Suite of AI platforms as a part of this transaction.

We have, in the recent past, called out the fact that AI is a great leveller, especially in areas where we did not historically see a right to win, such as large run engagements. This deal is a testimony to that thesis starting to play out, and we expect it to repeat across multiple other deals as well.

Moving to revenue performance by Segment. We continue to push for revenue growth, which is anchored in our strong client mining model and tech-led offerings. Our Q1FY26 revenue was \$437 million, reflecting a growth of 1.0% QoQ and 6.5% YoY in constant currency terms. We had an impact of a decrease in revenue from our non-strategic ATM business which is reflected in the 'Others' secondary market segment.

Our Direct business contribution continues to inch higher and accounted for about 97% of our overall revenue for the quarter. We expect the pace of revenue and deal conversion to remain strong, propelled by our Savings-led Transformation™ theme.

Our Direct revenue for the quarter increased by 1.6% QoQ and by 8.1% YoY in Q1FY26 in constant currency terms. Growth momentum in Direct continues to be strong.

Our anchor geography, the U.S., grew 3.2% sequentially and 10.3 % YoY in Direct. EMEA region declined 15.5% QoQ in constant currency terms. The impact seen in EMEA is due to a ramp down of a global customer in this region. In our RoW segment, we grew 6.8% QoQ and 30.0% YoY in constant currency terms in Direct. This metric also includes our increasing presence in the GCC play, since many of these deals are structured in the India geography. Our overall reported revenue for Q4FY25 and Q1FY26 for RoW includes the impact of decrease in our non-strategic ATM business.

The revenue contribution from our core service line, Enterprise Apps, has increased by 2 percentage points this quarter. We grew Application by 3.6% sequentially in constant currency terms in Direct. The BPO and ITO service lines for Direct declined 2.7% and 5.3% sequentially.

Moving to vertical performance, our BFS, Insurance and TMT verticals continue the growth momentum. Specifically in Direct, all the three verticals delivered a 20%+ YoY growth in constant currency terms. At an overall company level, BFS has grown 6.7% sequentially and 18.0% YoY in Q1FY26. Direct BFS grew 8.1% sequentially. BFS growth was largely driven by wallet share gains in existing accounts, ramp up of new deals won in recent quarters, including early in Q1 and continued strong execution in new account wins.

As called out in our previous earnings call, our insurance vertical turned into a growth engine and is expected to continue the momentum in FY'26. The Insurance vertical grew 20+% sequentially and 27.5% YoY in constant currency terms. Direct TMT vertical grew by 2.4% sequentially and 20.6% YoY driven by continued deal wins and conversion from recent large deal wins to revenue. The Logistics & Transportation vertical was impacted by some customer-specific investments. We believe the impact from these is largely behind us, and we expect this vertical to gradually recover through the remainder of the year. We have significant new deals in the pipeline across a broad set of clients in this vertical and across a broad set of sub-verticals to support this growth. Overall, at a company portfolio level, our performance has demonstrated resilience and is in line with our expectations.

Our client pyramid continues to improve across the board: YoY we have added 1 client in \$100M+, 2 clients in \$75M+, 2 clients in \$50M+ and 1 client in \$20M+ categories respectively. We have successfully ramped up a couple of new accounts we signed recently into the \$50M+ accounts category. With additions to multiple customer bands, the middle of the client pyramid has expanded, gaining from deal wins, and our keen focus on the next category of growth accounts. On an LTM basis, Top 10 accounts grew 7.6% YoY, and the next 20 accounts grew 7.4% YoY.

Moving to our quarterly financial metrics: We delivered to our philosophy of maintaining margin in the stated band, while making investments for growth. Our EBIT margin

remained stable at 15.3%. Reported operating profit for the quarter grew 0.7% QoQ and grew 11.2% YoY. Our EPS of Rs 23.2 represents an 8.5% YoY growth. Sequentially, there was an impact from higher ETR due to certain 'Minimum tax expenses' in certain subsidiaries, which we believe will normalize through the remainder of FY26.

Operating Cash flow generation was at \$24Mn for the quarter. Cash flow for the quarter was impacted by a marginal delay in collections from one of our customers due to changes in their internal systems, which has since been resolved, and due to the annual incentive payouts, which are typical in Q1. Adjusting for these, normalized cash flow is around \$46Mn for the quarter. As noted, the delay in collections has impacted our DSO which increased 9 days to 84.

In summary, we are seeing growth momentum through resiliency and deal wins which was led by the BFS, Insurance and TMT verticals. We are also seeing ramp ups from our recent large deal wins playing into this outcome. We are focused on investing in AI-driven growth initiatives. As I mentioned, our pipeline is at record levels: 16% growth QoQ and 84% growth YoY growth in pipeline. We are very pleased with our highest-ever TCV wins of \$760Mn; which included Three \$100+Mn, and one \$50+Mn deal. We also continued to deliver stable margins.

Coming to the outlook, we remain steadfast in our commitment to client centricity and technology-led transformation - an approach that has consistently delivered results for us. We will continue to focus on the virtuous cycle grounded in micro level execution - pursuing, winning and executing at the account level, while continuing to build the propositions using our Tech Tribes & Mphasis.ai investments. This model has been instrumental in driving momentum - evidenced by robust deal wins and consistent execution across quarters, even as the macro environment remains uncertain.

As we focus on investing in AI-driven growth initiatives, we continue to strengthen and expand our AI-led offerings and propositions. We will continue our efforts on conversion of pipeline to TCV, and TCV to revenue.

For FY26, we expect to be at ~2X industry growth, on the back of our Q1 performance and steady conversion of TCV to revenue, and the steady ramp-up of large deals in ongoing quarters.

Our target EBIT operating margin would be within the band of 14.75% to 15.75%.

With this, I would like to open it up for questions pls.

**Moderator:**

Thank you very much. We will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sudheer from Kotak Mahindra. Please go ahead.

**Sudheer Guntupalli:**

Thanks for the opportunity, and Nitin, congrats on great deal wins and outlook. First question, it looks almost like 80% of your revenue seems to have grown at 20% plus on an average, probably the highest growth rate in the industry on an organic basis. Now

that you are calling out that in Logistics and Transportation also will be growth recovery going ahead, do you think with the current very good order intake in this quarter, do you think we'll have a real shot at converging with the growth rates of some of our similar sized peers, where their growth rate has been significantly higher in the last couple of years compared to us?

**Nitin Rakesh:**

Sudheer, I think the way I would address that is that the direction of travel is absolutely in the right direction. I think we've recovered the business. We've had some headwinds to deal with in the last couple of years. Most of them, at least as we stand today, seem to be behind us. So, there's no reason to believe that this trajectory will not continue. The only reason why we are at this point guiding to what we are guiding to is that the environment hasn't really changed. There is still a bunch of uncertainties. There are still things that require a significant push. But at a micro level, I think we're very pleased with where we are. And as I mentioned in the last quarter call leading indicator of pipeline turned into a great quarter close for TCV. And if that execution continues, then I think we will potentially be in a better place this time next quarter. But we want to take that time to make sure that we have the same rigor and the same outcome to drive that confidence as we go forward through the remainder of the year. Still too early in the year for us to have a definitive view on what the next three quarters will bring, but the direction of travel is absolutely what you just mentioned.

**Sudheer Guntupalli:**

Sure. And so, while you are guiding for a growth recovery in Logistics, are there any, weak spots in BFS or Insurance or TMT at this stage, where we are concerned that some of these macro uncertainties will push these weak spots into a slippage kind of a situation?

**Nitin Rakesh:**

As we stand today, the answer is no, we don't see any of those weak spots. And I think our approach to dealing with any headwinds has been just sell our way out of that by actually creating deals using the propositions and differentiation and using that momentum to work around these issues. But as we stand, nothing is imminent.

**Sudheer Guntupalli:**

Sure, Nitin. And \$760 million kind of net-new TCV wins this quarter, almost 2x that of your run rate in the last two quarters. So, are there any signs of a fatigue in terms of deal booking or given that especially these two, three verticals, BFS, Insurance and Tech have been doing well in the last few quarters, any fatigue of client spending here that you're picking up or things are still going on strongly in these areas?

**Nitin Rakesh:**

Sudheer, again lead indicator is pipeline. We've broken out the pipeline by BFS, non-BFS. We've broken out the pipeline by top 10, non-top 10. And I don't think we use the word fatigue in dealmaking in our lexicon because that's just not the way we can sustain the growth. Remember, when we bottomed our business in December '23, we called for BFS and TMT to lead growth. Then a couple of quarters ago, we called for Insurance turnaround visible, and as you can see, Insurance has grown 20% plus sequentially this quarter because we converted deals. I think pipeline is fairly active across multiple segments including Logistics, including Healthcare. So, all we have to do is just diligently work. Each of these verticals operates at a different rhythm. But I would not



say that we are at a point where despite converting \$760 million in the quarter, our sequential growth in pipeline is 16%, which means our propensity of originating conversations, turning them into qualified deals and running them through the solutioning process continues to be fairly high. So that virtual cycle of originate, solution, sell and execute is something that we're very focused on.

**Sudheer Guntupalli:** Sure, sir. One last bookkeeping question to Aravind. So, what is this other assets increase? It increased very sharply during the quarter. Any color on this?

**Aravind Viswanathan:** Sure. There are two, three factors coming in, right? One is that under IFRS 15, where you have a fixed price project, where you have completed deliverable on a percentage of completion, until the deliverable is accepted, it comes as contract cost. And as you know, you've seen a sharp increase in our fixed price revenue. So that is one of the big contributors for this. This will get translated to unbilled as soon as the deliverable happens. Most of these are completed projects and we expect that to move to unbilled in Q2. The second element is some of the large deals requires savings to be kind of given upfront, which ends up being a contract acquisition cost. You've seen the kind of TCVs that we have declared in this quarter. So that has kind of come in, but there is not the similar level of cash outflow. So, if you really look at it, you would see the other liabilities also go up because it's more a balance sheet item in that sense both from an asset standpoint as well as the liability standpoint.

**Sudheer Guntupalli:** Yeah. Thanks, Nitin. Thanks, Aravind. All the very best.

**Operator:** Thank you very much. A request to all the participants, kindly restrict to one question per participant and one follow-up question. The next question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** Hi, good morning. Congrats on a solid quarter. It looks like a very tightly executed quarter and quite impressive at that, because if you look at EMEA sort of declined, we have had the top customer decline, we have the ATM business has declined and still we sort of delivered this solid growth. Just if you could just contextualize the growth that we saw in both BFS and Insurance. All of these are just closures of the earlier wins, or they were something that incrementally came through the quarter, which surprised positively? And just as a follow-up is from a deal win perspectives overall, I know you said this in different tids and bits over the quarters, what's driving this change for us structurally? Wherein our deal wins are extremely solid, our pipeline still continues to grow. So, from an organizational perspective, if you could just quickly summarize the changes that you made that's sort of really driving this in a quick short summary would be very helpful.

**Nitin Rakesh:** Thanks, Nitin. Both great questions. On the first one, as I mentioned in my script, it was expected that we should be able to mitigate any headwinds because we saw the momentum of deal closures even in Q4, early in Q1 and some of that's definitely played into the conversion of revenue. Now every deal is not the same. Some deals convert quicker than the others. If there's an element of large-scale transition, you will see that

deal will have some element of one to two quarters of conversion. If there is an element of taking over an existing asset i.e. a set of applications that move to you as a provider or you consolidate a bunch of providers out, then the revenue impact is much quicker. So, I think that's played into the revenue impact that you've seen in all the three verticals that grew more than 20% YoY.

The only correction I want to make to your comment is that the large client decline and EMEA decline are actually linked. That's really what's driving the EMEA because we classify geos by origin of contract. So, it could be a global customer, but if there is a bunch of work that we do for them out of Europe, it will go under EMEA. It's an anomaly, but from a consistency standpoint, that's just the way we've continued to report. So in net-net, the reason we were fairly comfortable in giving you a certain outlook three months ago and all through the quarter was based on the fact that we had a visibility into the pipeline and the deal conversions and we did execute it very tightly as you rightly said through the quarter.

The second question that you asked me around what's changed and what is driving the growth. The reason I geeked out a little bit on this call when I explained to you what we did with a large financial services customer was to give you a peek of what kind of technical expertise is driving these kind of opportunities. I think gone are the days where clients had a need, you would meet that need through potentially a series of engagements that were in one shape or form, a combination of capacity, right-shoring, and even if it was a fixed price or a managed services contract, it was really P times Q plus margin pricing. Today I think we are bundling a fairly sophisticated technology solution into every proposition. This doesn't happen overnight. It's taken us seven or eight years using our Tribes and Squads construct starting 2018, 2019, infusing our Next Labs starting 2017, 2018, and then 2023, we announced Mphasis.ai. I think they're all coming together combined with the extreme account-based focus that we've been talking about for many years now, where we have a three-in-a-box model at every account. We have a high touch model; a high-tech model and we make sure that we have to deliver to what we commit to the customer as well. So, there's a high trust aspect of that as well. So, bunch of things that we've done over the years, bringing them all together, making it real for the customer in solving a problem that sometimes a customer didn't see or many times we co-created or co-ideated into creating the right set of problems to solve for.

So, the shift left that we talked about with Front2Back™ is actually playing into our strengths today. And the proactive dealmaking is what's really driving a change and a differentiation. There is a certain degree of fatigue with customers, where they have incumbent providers, large providers, the quote-unquote Tier 1 providers, who have really in a way started to become a lot more stale because they haven't kept up with the level of investment and the level of high touch and intimacy required for transformation programs. I gave you a long answer but it's a bunch of things that have come together. But at heart, it's the tech depth and the ability to bundle that tech capability into a proposition that the client sees value in.

- Nitin Padmanabhan:** Perfect. That's helpful. I have a lot of questions but if I can just slip in one more. From a margin perspective, I think this quarter has been pretty solid. We have had utilization move up like 400 basis points and then we also have these large deals coming through. So, is it fair to assume that one should, at least from a modelling perspective, assume the lower end of the band or do you think you still have room to sort of deliver on margins as well?
- Aravind Viswanathan:** See, we've given a range, Nitin, right? And we've largely operated in the midpoint of the range. I think there are always puts and takes, right? We had utilization go up, but we had made some investments with clients, which kind of set each other off, right? Growth is good, if you hear what Nitin talked about, there are a lot of investments that we are also doing on areas, which are important for growth, right? We built a large deal team. We've done a lot of investments in our platforms. So, I think, it will be range bound, is what we think at this point of time.
- Nitin Rakesh:** The philosophy doesn't change, Nitin. The prioritization for growth by holding margins, that's the kind of the North Star that we're still following. So that philosophy doesn't change.
- Nitin Padmanabhan:** Got it. Very helpful. Thanks, Nitin, and all the very best.
- Operator:** Thank you. Next question is from the line of Rishi Jhunjunwala from IIFL Capital. Please go ahead.
- Rishi Jhunjunwala:** Yeah, thanks for the opportunity. Two questions here, Nitin. Firstly, on the deal pipeline, right? So we have won \$760 million this quarter and still we are talking about pipeline swelling up on a QoQ basis. I know we formed a large deal team and there's been a lot of focus around that. But given where the macro is and what the other peers are suggesting in terms of deal pipeline as well as conversion, what do you think is specifically driving this significant growth for us?
- Nitin Rakesh:** So, Rishi, again, I think Nitin asked a very similar question. Answer is not very different except that at this point in time, at least for the last four to six quarters, we've been trying to focus on individual account-based activity, highly contextualized solutions, while making sure that at a broad level, we continue to invest in areas where we think there's going to be broad adaptability. Themes like application transformation using cloud-native tech, legacy modernization, mainframe exit, infusing AI into the way you run operations, both IT and business operations, right, predictive, preventive, self-healing. So I think investing in broad themes that we think will cut across segments and customers, but then customizing those very highly into the account using our account CTO model, I think that level of intimacy and customized solution to the customer is very attractive. Combine that with the fatigue that they have with some of the legacy providers, that actually makes it a very happy, fertile hunting ground for us. And the role that the large deals team has played really is in institutionalizing the process of ideation, deal origination, deal qualification, deal solutioning, pricing, price benchmarking and then of course, the deal dynamics of how you actually run the deal through a process

including reactive deals. So, we've seen an uptick in win rate on the reactive side as well, where we participate in RFPs because not every segment or every industry or every geography is conducive to proactive only. You may originate a deal but that will go to RFP. So, I think it's the culmination of all the work that we've done over the quarters and over the years. And we finally kind of managed to get that virtual cycle going and we want to just keep feeding it as much as we can. And by the way, what you're seeing in the pipeline growth is the qualified pipeline, right? We obviously have a top of the funnel pipeline that we start the deal discussions with. So, I think that's the best way for me to explain it to you. I know it's a little bit of a qualitative answer, but our business is services, our product is trust and we are expanding that product by actually infusing platforms and repeatability and execution capability into it.

**Rishi Jhunjunwala:** Got it. And second question, if you look at last three, four years, right, I mean, we've had issues around DXC, DR, SVB and then this overhang around the Logistics client. Is it safe to say that as things stand today, we do not have any major risk around any parts of the businesses and from here on growth would be normal and completely based on how we are executing on our overall business?

**Nitin Rakesh:** Yeah, I think that's fair to assume. I think I answered to Sudheer also earlier. As we stand today, we don't see any of that. Again, that's a point in time today. And part of the reason why despite this kind of deal wins, we are still focusing on executing in Q2, Q3 and Q4 is because of the environment. So, it's not like there's any tailwind in the environment at all. It's really we have to go and create those opportunities and run them through. And as more and more clients adopt these kind of solutions, we just have to make sure that we keep refreshing our existing contracts and engagements with them as well.

**Rishi Jhunjunwala:** Got it. So, I guess from next quarter onwards we don't have to look at business ex of any other concern?

**Nitin Rakesh:** No, we never looked at it that way, but I guess so.

**Rishi Jhunjunwala:** We did, sir.

**Nitin Rakesh:** I know, I know. I said we don't.

**Rishi Jhunjunwala:** All right. Thank you. All the best.

**Operator:** Thank you. Next question is from the line of Sulabh from Morgan Stanley. Please go ahead.

**Sulabh Govila:** Yeah, hi, thanks for taking my question and congrats on the strong deal win number. My first question is on the revenue conversion of these deal wins, the ramp-up schedule that you expect on the deals that you won. So, should we expect the best-ever deal win reflecting in a strong bunched up quarter in the coming quarters or would you say that the benefit of these deals would be spread out through this year in FY26?

- Nitin Rakesh:** Sorry, I didn't catch your name, so excuse me for that. But the way to think about it is that it depends on the type of deal. There is a nuance to certain deals can ramp quick, certain deals require a period before they can ramp. And I think this is a fairly balanced set of deals that we won. If you look at the four large deals, not all of them will have the same trajectory of ramp-up while some of them already actually contributed to Q1 as well. So, it's fair to assume that on an average one to two quarters is a decent assumption to take for conversion from this TCV to revenue.
- Sulabh Govila:** Understood. And then my second question is with respect to some of the operating metrics. So, your headcount seems to be largely flat on a sequential basis and the utilization levels have sort of inched up quite a bit and which is sort of a level which we've not operated in the last many quarters. So, in the context of the deal wins, which are very strong, how should one think about the divergence between the two?
- Aravind Viswanathan:** We've been kind of talking about the increasing divergence between headcount and revenue growth, right? If you look at there are a couple of shifts that have happened. One is that we've seen a significant shift towards fixed prices, right, compared to what used to be only T&M.
- Operator:** Sir, sorry to interrupt you. Your audio is not coming clearly.
- Aravind Viswanathan:** One second. Is it better now?
- Operator:** Yes, sir, go ahead.
- Aravind Viswanathan:** So Sulabh, if you look at it, like I said, this is not something that is new in terms of a divergence between revenue growth and headcount. If you've seen our business, we've seen a significant shift towards fixed price, which kind of lends itself towards more productivity and ability to drive revenues with lesser headcount. Supply chain parameters are a little different than how we have historically looked at, right? It is a little more nuanced. It's not a single strategy of just hiring freshers and you playing the entire pyramid in that sense, right? So, you may have to invest in very differentiated skill sets, but that may not be at scale. And so, to that extent, it's a pretty dynamic approach that we take to supply chain. So, I don't think our growth will be limited from a headcount. It's no longer a lead indicator. We will do what it takes on the supply chain to deliver what our customers need at the most efficient cost price.
- Nitin Rakesh:** And also keeping in mind the environment from a supply standpoint, I think it's fairly conducive for us to run this rolling 90-day plan on supply chain with a certain element of internal rotation combined with just-in-time onboarding. I don't think we need to run a large bench as we used to do historically because the model itself is shifting from just being people-based services to platform or technology-induced services. So that gives us a little bit more operating leverage.
- Sulabh Govila:** Understood. Very clear. Thanks for taking my question.
- Nitin Rakesh:** Thank you.

**Operator:** Thank you. Next question is from the line of Manik Taneja from Axis Capital. Please go ahead.

**Manik Taneja:** Hi. Thank you for the opportunity. I actually had a clarification question on the Logistics segment, while you talked about expectations of recovery from here on, there was some large transaction that you are chasing outside of the large customer or the top customer there. If you could talk about progress on that front? And the second question is how should we be thinking while you alluded to the change in our hiring or the delivery models? But given some of the newer opportunities that we are essentially trying to target to a combination of AI and the legacy modernization piece, should we probably be thinking about our utilization rates being sustainably better compared to what we've seen in the past? So that's the question.

**Nitin Rakesh:** Yeah, On the first one, I don't recall that we talked about any specific deal. Normally we don't talk about deals before they actually close. So maybe there is a little bit of confusion as to whether it was us or somebody else. But reality is that pipeline continues to be pretty robust, and we have visibility into deals that exist in verticals including Logistics and Travel. Part of the reason why we believe that we will see a gradual recovery through the remainder of the year is because we think we should be able to move the needle with some of these deals that are in the pipeline, and they have been for the last few months.

On the second question, I think it's fair to assume that utilization will probably be elevated compared to the last three-year average. But as I mentioned earlier, it is not a control metric for us. It is actually an outcome of the actions we take on how we onboard and how we manage the supply chain. We typically don't manage to a utilization. We manage to the visibility of demand on a rolling 90-day basis. And between internal rotation, reskilling, upskilling and external hiring, we try to meet the 90-day rolling basis through our supply chain teams. So again, utilization is a metric that has been important for the last 25 years, but I think it's not going to be as important. Not that we will not have people or we will not add people but it's just that it's not going to be a linear correlation between utilization and revenue growth.

**Manik Taneja:** Sure. Thank you.

**Operator:** Thank you. Next question is from the line of Abhishek Gupta from Axis Mutual Fund. Please go ahead.

**Abhishek Gupta:** Congratulations, sir, for the strong quarter. Just wanted to get clarification on the deal wins. Like what were the components from the new clients or from the existing clients or the GCC's part in the deal. What is the nature of this deal win? Just some clarification over there.

**Nitin Rakesh:** Actually, we have called out the four deals in our press release as well. And they are quite widely spread between existing customers in the top 10 category, customers that we acquired over the last two years, and potentially, the pipeline also is fairly widespread across BFS and non-BFS as well as top 10 and non-top 10. So, it's not one vertical, one

customer or any specific item. I think it's been an attempt for us to broad base that over the last many quarters and that's kind of what's playing in, right? But again, given that BFS, TMT and Insurance have led it, you can assume that that's kind of been the growth drivers from a deal win perspective as well. And we'll hopefully, as I said, expand that to other segments soon.

**Abhishek Gupta:**

Got it. And sir, lastly, like you might have answered this question, but we saw huge uptick in the Insurance vertical in this quarter. So, what led to that growth? If you can just clarify that. Sorry.

**Nitin Rakesh:**

You know, it's okay. Our business is very simple here. You sell more, you bill more, you bill more, you grow more. So, we've sold more deals and we managed to convert them to revenue over the last three months, and I think we have a lot more in the pipeline that we'll continue to focus on closing in that segment as well. Both combination of existing client giving us a large deal as well as new logos that being signed, which again give us the confidence that we will see some more growth in the coming quarters. And of course, the quantum of growth on a sequential basis may not look as much because now we're already at the new baseline for Q1.

**Abhishek Gupta:**

Got it. Thank you so much. Operator Thank you. Next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:**

Thanks. Thanks for the opportunity and congratulations on a great execution especially on deal wins consistently. The first question is on the logistics sector. I think, Nitin, your initial remarks indicated we have made some investment in few top clients within this segment. So that could have resulted into a gross margin decline in this sector versus gross margin improvement in the others. So just wanted to understand with this investment, do you believe the worst in this segment and our top client is behind not just in the near to medium term but beyond one to two years in the terms of longer-term outlook?

**Nitin Rakesh:**

I broadly answered it. Fortunately, or unfortunately, long-term is very difficult to call given just the dynamic nature of the environment and every customer going through their own journey of change and transformation. But I think it's fair to assume that bulk of the impact is behind us. And I think your assumption around gross margin and investment is fairly concise and reflective of what the status is. So again, we'll take it quarter by quarter. We'll continue to operate in every account with a view that we should be able to grow, create those opportunities that I talked about in terms of adding value and showing the value to those customers, and that approach doesn't change for this vertical and all clients in this segment.

**Sandeep Shah:**

Okay. And just a question in terms of your outlook growing 2x the industry. So if I look at the large peers, they may be growing at 3% to 4% and for us the kind of deal wins to go to 7%, 8%, we just require 1.8% to 2.2% compounded QoQ. So that number looks conservative looking at the deal wins, or you believe the deal wins will have a greater impact next year rather than this year because it may take some time to transition?

And Aravind, just wanted to understand in the margin, despite a gross margin decline being massive in Logistics, margin has been stable. So, is there any one-off which we should be aware? And there are some investments which we highlighted on 3rd July as per the notes to the accounts. Can you brief the nature of these investments?

**Nitin Rakesh:**

So let me take the first one which is your question around CQGR growth. Again, I think we are just trying to make sure that the fact that we had to thread a needle this quarter and have pretty tight execution, we just want to make sure that we continue to find ways to keep that execution up, especially in an environment where things change on a daily basis. So, as this visibility improves over the next quarter or two quarters, you will get a pretty good idea of how this ramp-up is happening. But it's also fair to assume that not every deal will convert very quickly just because some of those will require setup time, transition time, ramp-up time. So, we're just baking all of that in an environment where most of our peers are seeing pressure either on top line or on bottom line or on both as well as deal decision times. We just want to make sure that we don't go out on a limb and try to be brave. We just want to make sure that we continue to execute. And as execution-led visibility improves, you will see that. On the margin and other questions, Aravind.

**Aravind Viswanathan:**

So, Sandeep, we've seen a drop in gross margin at the Logistics level but we've also seen improvements in every other vertical in many ways, right? So, one of the things that has happened is while there has been some kind of investment in the vertical, we've been able to, on the back of growth, kind of use our internal talents to fulfil a lot of the project-based growth, right? So effectively you've been able to offset that impact through better utilization in rest of the BUs. And given that some of those has come in, at a whole, you've seen higher revenue at marginally higher cost, right, which means margins are effectively flat. There is no one-time in nature. There is no reversal of sort which is other than the usual anomalies that happen, but not meaningful at a collective level.

**Sandeep Shah:**

Okay. And just the investment on 3rd July, though those are small, but just wanted to understand the nature.

**Aravind Viswanathan:**

So that is an investment of a capital nature, Sandeep. It's not a P&L kind of investment.

**Nitin Rakesh:**

Let me take that one. So, Sandeep, we made a strategic investment in a venture called 'Aokah' which is essentially a GCC advisory firm being setup by the ex-founder of the Neo Group. He still is a shareholder in the Neo Group, but they've decided to set up a separate venture to advise enterprises in the global GCC space. We made a minority investment. We put in \$4 million for a 26% stake, with a view that we will essentially have an opportunity to shift left in helping shape deals as clients start thinking about GCCs and the various shapes and forms that it takes. That is not a business that we think will fit well if it was within Mphasis. So, we decided to take a strategic investment approach and use that opportunity to create new client engagements, not just in the GCC advisory, but then in the follow-up execution of those deals as well. I think we made a detailed press release on that earlier today. You should be able to find more details in the press release.



- Sandeep Shah:** And there was a second investment in Locate Software. So, is it M&A?
- Aravind Viswanathan:** So that is one of the other consolidation deals, Sandeep, that we've done as a customer. It's a very small deal, right?
- Aravind Viswanathan:** It's not an acquisition. It's basically a vendor consolidation initiative where we have taken over the people and the contract has been given by the customer to us. So of course, the accounting treatment and the disclosure follows an M&A accounting. Typically, we don't take over an entity. We are not even rebadging. We are hiring people, and the contract comes with the customer. And there is a contingent consideration for the person who used to run that business. And therefore, it takes the nature of M&A accounting. There will be no goodwill. It all flows through the P&L, and the deal economics factors this cost which gets amortized and meets the margin threshold. So, it's something that we've done in the past and it's one more of that.
- Sandeep Shah:** All right. Thanks. Thanks. Congratulations again and all the best.
- Operator:** Thank you. The next question is from the line of Kawaljeet Saluja from Kotak Securities. Please go ahead.
- Kawaljeet Saluja:** Congrats on fantastic deal wins here. My question is for Aravind. Aravind, is the INR12 billion increase in the current quarter in other assets entirely deferred contract costs?
- Aravind Viswanathan:** So, like I told Kawal, there is a split between what I would call will go into an unbilled revenue, right? Because it is unbilled revenue of the fixed price projects, which goes into contract cost right now and the rest of it would be a combination of some of the investments we have made on building IP as well as contract acquisition cost.
- Kawaljeet Saluja:** And Aravind, what will be your receivables if you include the contract costs as well for the quarter?
- Aravind Viswanathan:** The only point I will make with respect to that, Kawal, is there is also a liability against contract acquisition because these are accounted but not paid, okay?
- Kawaljeet Saluja:** So, let's basically take on a net basis, gross and net basis.
- Aravind Viswanathan:** Well, actually it doesn't change, to be honest, because you will see the same kind of increase on the liability side with respect to contract acquisition cost.
- Kawaljeet Saluja:** And the third thing is, Aravind, there is a massive increase in contract other assets in the noncurrent part, which means that there are certain fixed price contracts in which maybe it will remain unbilled or remain in contract assets for more than 12 months. So, what's the nature of engagements which is causing such a big shift on a one quarter basis?
- Aravind Viswanathan:** So typically, the fixed price unbilled that I talked about, that comes in the current assets. Typically, a contract acquisition cost comes in non-current assets. So, these are deal savings which gets spread over the term of the deal, and therefore, that gets into non-

current. The fixed price kind of example is much more the contract cost and not the contract acquisition cost. So, the nomenclature is a little similar, both come in other assets, but what was in non-current is more what is the amount tagged to, which will get recovered over the deal value as a contract acquisition cost, the other one will be more on the current side.

**Kawaljeet Saluja:** Right. And the other financial liabilities is just the other part of the, what I would say, revenue in which there are unearned and etc, lying in presumably. Is that correct?

**Aravind Viswanathan:** Yeah. That would be correct.

**Kawaljeet Saluja:** Okay, fantastic. Thank you so much. Yeah. And congrats once again on great deal wins.

**Nitin Rakesh:** Thanks, Kawal.

**Operator:** Thank you very much. Ladies and gentlemen, we will take that as a last question. I now hand the conference over to Mr. Nitin Rakesh for closing comments.

**Nitin Rakesh:** Thank you again for another interactive call and your interest in Mphasis. We really appreciate the early login, and we do believe that we had a good start to the year and that sets the stage for the year ahead. Our achievements are a direct result of the dedication and talent of our incredible employees and leadership team and the continued trust of our clients and shareholders. I'm deeply grateful for their unwavering commitment to excellence. Thank you again and we look forward to talking to you next quarter.

**Operator:** Thank you very much. On behalf of Mphasis Limited, we conclude this conference. If you have any further questions, please reach out to the Mphasis Investor Relations at [investor.relations@mphasis.com](mailto:investor.relations@mphasis.com). Thank you for joining us. And you may now disconnect your lines. Thank you.