"Mphasis Limited Q3FY22 Earnings Conference Call"

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Moderator

Good Morning Ladies and Gentlemen, Welcome to Mphasis Limited Q3 FY 2022 Earnings Conference Call.

Please note, the Management would be showcasing a presentation that is available on the webcast link shared in the invite as well as on the Mphasis website, www.mphasis.com.

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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shiv Muttoo from CDR. Thank you and over to you, Sir.

Shiv Muttoo

Thanks. Good morning everyone and thank you for joining us on Mphasis Q3 FY '22 Results Conference Call. We have with us today Mr. Nitin Rakesh – CEO, and Mr. Manish Dugar – CFO.

Before we begin, I would like to state that some of the statements made in today's discussion maybe forward-looking in nature and may involve certain risks and uncertainties. Detailed statement in this regard is available on the Q3 FY '22 Results Release that has been sent out to all of you earlier.

I now invite Nitin to begin the proceedings of this call. Over to you, Nitin.

Nitin Rakesh

Thank you, Shiv. Good morning everybody. Happy 2022 to all of you. Thank you for joining our earnings call this morning. If 2020 was a year of resilience and accelerated digital adoption, 2021 was a rollercoaster with great business momentum, yet the year had its dark moments. As a leader, this has also been a year of many personal learnings and tectonic shifts, the top three of them being: The employer-employee relationship has changed forever with the future of work that will be very different, requiring a very different engagement model as well as a very modern take on management.

Mphasis recently announced a "Hybrid First" work model with "Work from anywhere, Collaborate in the office" as the core theme. We will continue to embrace this hybrid model in active participation with our clients. We are also reconfiguring our office workspaces where possible, to create collaboration workspaces to foster the culture of collaboration with clients as well as within our teams.

Secondly, Empathy, Inclusion and ESG are here to stay, and we must continue to reinvent every part of our value chain to be able to become more inclusive and diverse, starting of course with Diversity of Thought. The past year highlighted beyond all doubt the importance of making your business resilient to weather any storm that come our way. Building this tenacity, sustainability, and social responsibility has always been the foundation for Mphasis. Our efforts are underpinned by a four-fold approach aimed at reducing our environmental footprint, building sustainable supply chains, inculcating a diverse and inclusive professional culture and adhering to the highest standards of ethical governance as well as leveraging the power of technology for solving societal challenges. I am happy to report that Mphasis has moved up from 37th to 69th percentile year-over-year in the S&P Global's Dow Jones Sustainability Indices Corporate Sustainability Assessment annual review for 2021. We showed major improvement

across all areas, Environment, Social, and Governance. The Company scored high in the Corporate Governance areas of Code of Business Conduct, Privacy Protection Practices, Board Diversity, and Identification of Emerging Risks. Human Capital Development and Talent Retention are categories under social performance that scored high. Mphasis' climate change strategy as well as Management of Scope - Greenhouse Gases has also scored well above Environment related performance criteria.

Being early adopters of renewable energy, we have set a year-on-year target for the reduction of energy consumption and carbon footprint.

Finally, acceleration in tech adoption is a great tailwind, but it brings with it a higher risk of obsolescence. Metaverse, Crypto such as Decentralized Finance also known as DeFi, NFTs, AI and so on. This is something that will continue to push the boundaries, and 2021 has turned out to be a breakout year in terms of these trends, much sooner and much bigger than expected.

As 2022 is kicking in, clients too are increasing focused investment to counter the threat of startups in NFT and DeFi space. For example, the CEO one of the largest banks just announced a huge tech spend increase to compete and win against Fintechs. This is not an isolated incident. Today, we also announced a partnership with CrossTower, one of the world's leading crypto exchanges to build a CoE or Center of Excellence focused on Web 3.0 and a series of block chain-based products that will be launched and traded on the CrossTower platform. The partnership between Mphasis and CrossTower will accelerate and scale the Web 3.0 talent within Mphasis, providing new avenues for application of innovative block chain-based solutions in public and private industries including financial services, supply chain, healthcare, life sciences, insurance, logistics, retail and so on.

Moving onto our performance, our Direct business growth continues to accelerate on larger revenue base. In the third quarter of FY'22, our overall gross revenue was $ 414 million, which represents a dollar growth of 7.5% sequentially and 24% on a year-over-year basis, and 7.8% sequentially and 24.2% year-over-year in constant currency terms. This is a quarterly decade-high annual growth. The Direct segment continues to power our growth, growing 9% sequentially and 36.1% YOY in constant currency terms. On an organic basis, Direct has grown 6.3% sequentially and 32.4% YOY in constant currency terms. The trajectory of our Direct annual growth is consistently rising with YOY growth topping 30% for the third straight quarter.

Year-to-date Direct growth stands at 33.5% YOY in constant currency. This is the highest recorded YOY constant currency growth for Direct in a quarter. For the first time, Direct's absolute quarterly revenue has increased by USD100 million+ on a year-over-year basis. The contribution of Direct is at 93% and continues to rise; and we continue to prioritize our growth and investments in the Direct business. This showing has helped us manage the decline in the DXC channel, the contribution of which is now reduced to 5% of revenue. DXC revenue declined 10.4% sequentially and 49.2% YOY in constant currency terms. This is in line with our guided commentary of DXC dropping to within mid-single digit as a percentage of revenue by end of FY '22. Given the overwhelming contribution of Direct core business which now exceeds 90%, we expect that our overall revenue growth will continue converging with growth in the Direct business.

Geography wise, all our markets fared well. Our core market, the US, grew 36% year-over-year for Direct. Direct in EMEA grew 26% year-over-year. Our pipeline in Europe continues to be strong as well especially with new clients and as mentioned before, we continue to expect this region to be a growth driver beyond FY'22.

From a service line perspective, application services, our larger service offering, grew 39% overall and 55% year-over-year for the Direct segment sustained by the theme of digitization and cloud powered transformation of apps.

Specifically, I would like to call out our constant growth performance in the Direct business. Market share gains with our top 10 clients and beyond have helped drive growth there. Growth contribution from our key clients has been consistent, reflecting increasing depth of key relationships and share gains. While our top 10 clients as a block have grown at 30% in last 12 months, what is equally heartening is the consistent growth coming through from beyond top 10 clients, including new clients, a theme that we have highlighted in the earlier calls and we will double click on that shortly.

Thanks to our broad-based success with clients across tiers and our year-to-date consistency, we reiterate our industry leading growth stance in the Direct business for FY'22 on top of industry leading growth for Direct in FY'21, in line with our FY'22 guidance articulated at the start of the fiscal year.

With our tech-led positioning, we are replicating our performance in our flagship vertical, Banking and Financial Services, in other verticals as well. BFS growth has accelerated to 29% YOY in constant currency for this quarter representing the sixth straight quarter of over 20% annual growth. Direct BFS grew 8.9% quarter-on-quarter and 31.6% year-over-year in USD terms. This growth is broad based across sub-segments of BFS. We continue to enjoy market share gains with our key banking customers.

This quarter also has seen robust growth in the TMT vertical, and the Logistics and Transportation vertical within Direct, with TMT growing at 24.2% sequentially and 112% year-over-year, and Logistics and Transportation growing 5.2% sequentially and 35.7% year-over-year. Insurance is also tracking double-digit YOY growth trajectory.

Our client stats reflect the strengthening positioning with several top clients post vendor consolidation. We continue to believe that our wallet-share gains originate from our competency-driven positioning. As our top clients prioritize and execute their spending plans, our preferred partner status places as well to capture additional market share especially in new areas of tech spend as articulated in the earlier part of my remarks. Notably, we continue to see strong growth from the lower half of our top 10 clients, as well as robust growth beyond our top 10 clients. Our top five and top 10 clients have grown consistently registering 25% and 30% growth, respectively on third quarter trailing 12-month basis. The average contribution of our top five clients is USD 130 million per client on a trailing 12-month basis as well. Our top 6 clients are all USD 75 million plus on a trailing 12-month basis with top four at USD 100 million plus and we have five USD 100 million plus customers on quarterly annualized basis. We believe these client related data points are unique for a company of our size.

Our 6-10 clients have grown at 48% for trailing 12 months basis, and this repeated much-higher-than-average growth of 6 to 10 indicates ongoing strong growth diversification among our key clients beyond the top five. Our clients in the 11-20 bucket have also grown at 21% for trailing 12 months basis, with the quarter year-on-year growth for this tier much higher at35%. Notably, all of seven top clients over USD50 million plus grew sequentially for the third straight quarter. In short, our strong client performance across the board supports our industry leading growth in Direct. Our New Client revenue continues to grow rapidly growing at 80% YOY in Q3.

We recorded TCV of $ 335 million of new deals won in third quarter of FY '22. This marks the eighth straight quarter of 200 million plus net new TCV not including renewal deals. Our TCV is up 25% financial year-to-date. Despite strong TCVs racked up over the last three quarters, our pipeline is still up suggesting that our pipeline generation engine is firing well. We generated high percentage of our TCV through proactive deal pursuits where win rates are materially higher than in the competitive RFP situations. As we report our TCV on net new basis excluding renewals, we find the correlation between our Direct TCV and revenue growth to be high, exceeding 0.9. The correlation is also improving as we are able to substantially retain our wins of renewals.

Coming to our client metrics, our track record in migrating clients from one revenue bucket to the next continues to be healthy. Specifically, our conversion ratio of clients in one revenue tier to the next is solid and improving at well over 50%, one of the best rates in the industry as mentioned before as well. The count of 75 million and above at six is significantly up with two new clients in this category on a YOY basis. $ 50 million plus client at 7 is up by 2 from the five clients we had in this category a year back. On the quarterly run rate basis, we had five clients in the $ 100 million plus bucket. I am also pleased to report that in this quarter, we have closed more large deals than normal. We won four large deals vis-à-vis one or two large deals on average every quarter, and this is marked by increasing deal sizes as the slide indicates. The average deal size on a trailing 12-month basis at $ 71 million is well over twice what it was two years ago.

As mentioned in our prior calls, our large deals are increasingly multi-tower, transformation-based, and longer tenure, touching multiple parts of the digital tech value chain. The growing size reflects this capability evolution as mentioned before. As an example, one of the largest US banking clients entered into a more comprehensive multi-year deal with us to replace a shorter duration contract. This contract is over $ 300 million estimated TCV with both renewal and net new components.

Our tribes-led pipeline addressing the Change imperatives of clients tech program is up by 7% sequentially and 10% year-over-year despite pipeline to TCV conversion of $ 1.3 billion over the last 12 months. Our pipeline is well distributed among our eight tribes indicating our traction across various digital tech stacks. It also comprises an increasing portion of pursuits and opportunities in smaller verticals. For example, it is encouraging for us to see the pipeline progression in sectors like airlines and healthcare, non-mainstream verticals for us, but giving us good growth now.

Blink in its first full quarter post acquisition has enabled large number of leads for our core client base. We already have two deals won through this: thanks to Blink with momentum building from smooth initial integration.

Q3 FY'22 also witnessed the highest ever fresher addition in a quarter by far. In FY'22, we are likely to close with the highest ever fresher addition in a year of over 5500. This hiring is concentrated in second half of this fiscal. Over the past few quarters, we have worked through substantially utilizing the internal workforce capacity created by the DXC downsizing. With this behind us, we are now expanding our muscle in campus hiring and have increased our targets going forward. Our improving pyramid, together with initiatives on pricing improvement, sub-contractor rehaul and other optimization initiatives will provide us cost leverage in the coming quarters.

We are also pleased to see scaling up of the digital competencies of our talent with our well-established key learning resource platform Talent Next. This has seen rapid adoption since its inception three years ago. Talent Next provides Mphasis with the skill muscle to enable execution on the next gen positioning at scale. It is well positioned to develop and strengthen digital competencies of incoming freshers as well. There is growing emphasis on obtaining relevant certification, the certification to learning participation ratios on Talent Next is also consistently rising. Talent Next suitably identifies the roadmap for employees to higher positions and promotions. Of the record, 12,700 plus employees trained on TalentNext in this quarter, more than 40% have obtained certifications. In addition, we are also aggressively actioning our plans to expand in non-metro, Tier-2 cities in line with the "Hybrid First" work model.

Our margin philosophy allows us the flexibility to manage our profitability in an environment of rising cost of talent in a heated market. In this quarter, we were able to increase our headcount 8% sequentially with strong hiring at junior and trainee levels towards capacity creation. It reflects in the higher bench and lower utilization in this quarter. Despite the strong hiring numbers and much larger than usual bench, we improved our overall gross margin sequentially by 60 BPS and on an organic basis by 120 basis points. Notably, we incurred RSU & ESOP stock charges in this quarter as well, as we executed our stock grant plans subsequent to our shareholder approval at our recent AGM.

Our reported metrics included the M&A related charges of 80 bps for the quarter. Adjusted for M&A related charges, operating profit grew 9.5% sequentially and 22.4% year-over-year to ₹ 4,956 million in Q3 FY'22. Adjusted operating margin inched up 10 BPS QOQ and declined 50 BPS YOY to 15.9% in Q3 FY'22. This is in line with our stated operating margin band of 15.5% to 17%, which remains unchanged despite increased stock grant cost as alluded earlier.

To reiterate, we retain our stated organic operating margin band despite stock grant costs starting this quarter. Our adjusted EPS for the quarter at 20.3 grew 16.4% YOY. Our DSO further improved to 59 days, a multi-year low DSO position, achieved despite strong growth. This has resulted in record collections. Third quarter operating cash does not fully reflect record collections as there has been some lumpy annual statutory payouts made in this quarter. This will normalize in fourth quarter.

To sum up, I will leave you with three points:

One, our strong Direct growth is consistent and for the third straight quarter, we have grown at over 30% year-over-year in constant currency on an organic basis. Financial year-to-date Direct growth is at 33.5% in CC terms. This performance has helped us mitigate the decline in DXC, the contribution of which is now reduced to 5% of revenue in Q3'22 basis.

Secondly, all KPIs are moving in the right direction namely, our growth is getting broad based with Europe, TMT, Logistics and Transportation aiding growth in addition to the anchor verticals of BFS and anchor geography of the US. We continue to drive market share gains with our key clients. Our client mining metrics across revenue buckets continue to strengthen. As mentioned before, the average top five clients' contribution is USD 130 million per client. Our six to 10 client category continues to grow well above our Direct revenue growth with 48% growth in trailing 12 months basis As does the top 11 to 20 client category, growing strongly on a YOY basis. Our robust people addition in this quarter is due to record fresher and trainee intake, which will provide us the pyramid leverage in the coming quarters. Our cash flow generation as a percentage of EBITDA stays healthy. Our DSO position is at a multi-year low despite strong growth enabling record collections in the quarter. YTD operating cash flow is at $ 147 million representing over 71% of our EBITDA in FY'22.

Thirdly, investing for growth by using operating leverage and operating in a stated target operating margin band, we believe that our margin stance ensures stability and critical workflow retention through stock incentive plans in an environment of supply headwinds. Thus, our revenue growth translates into sustainable EPS and PAT growth and consistently rising free cash flow generation complemented by improving DSO.

In summary, our growth strategy envisages us making sustained investments in line with our Continuity and Acceleration theme along the four vectors, geography expansion, leadership breadth and depth expansion, buildup of digital competencies including M&A and New Account scale up. Together with the increasingly diversified nature of our client base and metrics and pipeline buildup, we believe this will help us sustain the magnitude and drive consistency of our Direct growth. Our strong performance in the first three quarters of FY '22 reinforces our confidence in retaining our guidance for the industry leading growth in Direct for FY '22 on top of industry leading performance in FY '21. We also expect to see greater convergence of our overall revenue growth with Direct growth.

On that note, I request the operator to open the line for questions please.

Moderator Thank you. Ladies and Gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Nitin Padmanabhan from Investec.. Please go ahead.

Nitin Padmanabhan Good Morning everyone and congratulations on the quarter and the deal wins. Just couple of questions, one, it is good to hear on the fresher additions, I think that is something what we are looking out for. Just wanted your thoughts on how we should think about margins considering relative to the industry as we're a little later in the cycle in terms of fresher additions, but do you think that in the near term

there will be some pressure on margins and then sort of pickup later? Second, if you think of all the headwinds that have come through from the acquisition this year, what are the one-offs out there that you think will not possibly repeat next year, those are the two things on margins?

Manish Dugar As we had stated earlier in all our conversations, margin for us is something that we want to operate within a narrow band of 15.5% to 17% and Blink acquisition did translate to some charges because of amortization of intangibles and the retention bonus. We are expecting the impact of that to be near to 1%. As you would see, we have been able to contain it to 0.5% to 0.6%, this quarter it is at its peak at 0.8%. Taking your second part of the question first, these expenses are going to remain constant or actually reduce going forward in absolute term quarter-on-quarter and as the revenue grows, the impact on the margins are going to be lesser and lesser and as we have indicated in our Blink announcement, this over a period of time will get neutralized and we should get back to our reported numbers as it relates to the impact of acquisition. From a cost of stock grant perspective, we just wanted to call it out saying we have made an investment, which helps us in retention of key talent like we have done in fresher hiring. As you would know over the last two years, we have had significant reduction in our DXC revenues and that led to a significant number of those employees coming out of the execution, which we needed to kind of retrain and then deploy back. That not only increased the cost as we were training them and maintaining them on the bench, but it also meant our ability to onboard freshers was limited to that extent. As that get lesser and lesser and as we are able to now kind of push our pedal on the fresher hiring, we have decided to kind of make sure that we take advantage of that position and build our trainee bench as it was reflected in the trainee utilization. Going forward as the impact of DXC cost keeps coming down, the cost of redeployment, and as the fresher pool gets into billability, it will reflect and improve utilization as well as lower cost of execution. So I guess these will help us in terms of tailwinds that we can then define whether we will use that for reported improved margins or we will do that to continue investing in growth which is what our stated philosophy has been. As we get to next year, we will give you better visibility to what that range of EBIT margin we should look forward too, however, at this point in time we believe we have made investments in almost every bucket that you can think of whether retention of key talent, whether investing for creating talent pool which will help us grow at good cost structures and our Talent Next platform, which is where we primarily depend on for creation of talent rather than depending on lateral is helping us in terms of when we look at the throughput that we had got from what it was before. So overall I think it is a very positive place to be.

Nitin Padmanabhan That is helpful, the second one was on the broader deal wins, I think we have done very well there, but I just wanted to understand that you mentioned the deal sizes have increased but can you throw some light in terms of the deal tenures right now, has this sort of come off a bit, has it reduced or it continues to be in the close to four-year kind of bracket? Second, I think lot of players are benefiting from a lot of short cycle flow of business, are you seeing that in meaningful measure within our business and do you think that correlation chart which you have shown, do you think that dot will sort of remain at the higher end of the line?

Nitin Rakesh On the deal cycle, deal duration I think this quarter was an interesting one, we had four large deals. The largest deal though came from a new customer in the multiyear transformation deal in healthcare

segment, I think that is very interesting to us as well because a lot of the muscle we built in solutioning deals in other industries are now starting to get applicable in other industries as well. We also have and as we mentioned that we signed a large deal with an existing banking customer where the total value of the deal including renewal is 300 million, so there is a large component that came out and that is a three-year deal. The other two deals that we announced in the large segment are probably much shorter cycle quick consumption deals because they require ability to deliver product and software in a year, I think for us it is an interesting mixed bag. There is definitely some sense of urgency that is leading to short cycle deals, but they are still pretty chunky, but at the same time, there is also need for multi-year transformation deals especially the ones that relate to application transformation using cloud or data platforms, they are not going to get down in short cycle sizes so I think, some of them are getting broken into short cycle deals with the multi-year program in mind, but they are still getting multi-year deals in the next year as well. I think that is kind of the way we are seeing the business develop.

Nitin Padmanabhan Anything to call out on the tenures?

Nitin Rakesh I would say there is a little bit more short cycle deals in the recent last couple of quarters, because the sense of urgency was high, but that does not mean that there are no longer term large deals. I think the fact that the largest deal is 92 million is multi-year deal, also means that there is, then there are still those three- to five-year deals that you can find, but you know on an average I do not think the duration would have shifted dramatically lower even though we are seeing some short burst in in-year spend cycles.

Moderator Thank you. We will move onto the next question that is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta Thanks for the opportunity and congrats for a very strong results, couple of questions from my side. First, just want to understand how we manage talent supply because if I look at our employee addition, we added around 2 percentage quarter-on-quarter billable, subcon expanded 50 percentage and overall revenue is around 7.8 percentage, but if I look at your utilization it dipped 300 BPS quarter-on-quarter ex-trainee, so I just want to understand because few percentage organic business headcount addition, at 8 percentage and still utilization declined, so if you can help us understand what played out from utilization perspective and overall talent supply management perspective, that is first question? Second question which I have is about onsite BPO headcount, if you see it is showing steady decline, whether anything to read with Digital Risk business there?

Manish Dugar First of all, we explained in our earlier comment this was our quarter of making sure that we push the pedal on getting fresher onboarded, get them trained, and you would see in one of the slides that Nitin talked about how our throughput on talent mix platform has almost doubled, so talent creation is what we were focusing on with DXC redeployment behind us, that is what has caused the utilization specially the training utilization number looking that lower. It is an investment which would yield result going forward both in terms of our ability to scale and our ability to make sure that we are able to deliver scale at profit. To your question on BPO, as we had mentioned earlier, Digital Risk business has now been completely transformed in terms of complementary services and a different go to market, cross selling

to those customers, which is what has got to large scale clients. What you see as headcount reduction onsite in BPO is due to the pace of the projects and it is not reflective of any specific or unidirectional movement either because of interest rates or because of digital.

Dipesh Mehta I will just follow up on both parts, I was referring to utilization ex-trainee only, so I do not think it has implication because of fresher addition, obviously with trainee utilization drop is even higher, but if ex-trainee 300 BPS decline is there, so whether anything related to hiring on campus?

Manish Dugar I would say it is partly investment for growth plan. As you scale accounts, you need to make sure that it is time for the deployment of people. In my mind, it is just an investment so that we can make sure revenues on the table are not let go. It is not to be seen in any other way.

Dipesh Mehta If I try to get sense, employee addition anything to do with higher attrition because 2 percentage seems to be lower than let us say the way we expect business to grow and whether anything to read with attrition which might have a little higher than what we might have planned?

Nitin Rakesh Most of this Dipesh is really people who have been hired, but they are going through onboarding process, so I do not think this is a linkage to attrition, I think the attrition backfill planning obviously happens in advance as well because we have a pretty decent lead time to control that. I think the combination of the fact that we are in some cases hiring ahead of demand, in some cases people are getting on for onboarding, background check, ID creation. Also keep in mind this was a furlough quarter for that also sometime has an impact because what you are seeing is period end, average utilization will give you a different number as well. So, I think there is not much correlation between utilization number ex-trainee and attrition. It is really a reflection of how many people do we have that are onboarded and waiting to be absorbed into the equation. I think, the same thing is applied to the trainee concept that is clearly under deployment training for deliver projects, so I think that will give us a fuel over the next two quarters, so our dependence on that will be lower than in the past.

Dipesh Mehta Last question from my side is I think you indicated one large deal from healthcare, so if you can help us understand because now, we are doing very well on BCM side and now even Hitech side consistently and we are creating new growth engines, if you can provide some update on the healthcare and other part of emerging industries how the traction is, if you can provide some details?

Nitin Rakesh I think Dipesh that is the reason I provided the details. The $ 92 million deal is actually in the healthcare segment, it is a re-platforming deal where we are entering into a contract with the customer with an intent to re-platform their core system and restructure the operation that runs on the core platform. So it is a transformation deal that runs over three years. As you know, again it is early days, our healthcare business is roughly around 5% of revenues right now. We do expect this to be a turnkey deal as you can replicate some of the learnings. I think our pipeline of new logos and healthcare also is interestingly poised. So we will give you more updates as we go forward, but it is definitely one of our chosen areas and we talked about it for the last couple of years.

Moderator Thank you. The next question is from the line of Vibhor Singhal from Phillip Capital. Please go ahead.

Vibhor Singhal Thanks for taking my question and congrats on great quarter again, couple of questions from my side, one is, just wanted to basically understand our growth trajectory going forward for the Direct business, it would be really great this year we should at least do 30% kind of growth which of course comes from a low base of last year, how do you see maybe next few quarters panning out, of course there will be a high base of FY'22 which has come in to play, but do you believe that the demand environment is strong enough for us to be able to deliver strong growth going forward as well, I know it is not possible to quantify that in any manner, but just a subjective outlook would be good enough?

Nitin Rakesh I will give you two data points that you can think about as you construct the viewpoint on future and sustainability of growth. Number one, I think while YOY numbers you may think is skewed because of low base effect, remember we actually only had one quarter of decline in FY'21, which was the June 2020 quarter. After that in September quarter, we had a very sharp recovery and from thereon we have constantly grown in high single digit sequentially. In addition to that, each quarter this financial year also our sequential growth has been very strong. So, I think for us the constant currency sequential quarter-on-quarter, constant currency revenue, organic revenue growth is the baseline that we live and die by, and I think that has been very healthy and that should give you a sense of the fact that on a run rate basis, there is a very strong momentum and tailwind. Second data point is on the TCV and pipeline. I think in this business, pipeline is the biggest lead indicator followed by TCV, followed by TCV to revenue conversion, and of course all the other operating metrics come from there. The fact that we closed USD 1.3 million TCV in the last four quarters, the fact that we are still sitting at a pipeline that is 10% higher than this time last year and the fact that we have a very decent order book position with a strong TCV in this quarter, at least gives me the confidence that we have the momentum and growth; does not seem to be trailing away anytime in the short run. If I then triangulate that with the data points we are hearing from customers where they do expect elevated levels of spending as is referenced by some of the very public big bank announcements in the last couple of weeks since the start of the new year, that also gives us the confidence that we are in, I would say, a fairly strong secular tech spending environment and should give us the opportunity to continue to grow at elevated levels.

Vibhor Singhal Got it, that is really heartening to hear that, my next question was on the pricing front, so if I were to let us say take a cue from the data that the earlier participants have shown, it seems that our headcount addition is significantly lower than our revenue growth despite T&M being almost 50% of our revenues, so are we seeing some kind of a pricing positive development in our business, is there some semblance of pricing power coming into business proposal, it might be quite small in nature as well, but do you think there is something like that which we are able to call out right now and if yes, how sustainable is that going forward?

Nitin Rakesh Almost two quarters ago, we actually proactively called out the fact that we are seeing pricing leverage and the ability to actually right price the deal, not necessarily having to bid with below market prices. That has continued to play out in the last two quarters, and I think the environment currently also is fairly conducive for right pricing. Of course, we cannot do across the board price hike on overnight basis, so what we are doing really is making sure that we are able to price the value and wherever we have an opportunity, we can price based on not just pure rate card basis but create other unique pricing construct as well so I think the environment for pricing is tail winded. There is appetite for us to continue

to see the right pricing. Of course, we are in long-term relationship with customers, so we will have to continue to do the right thing to ensure that we do price to value and not just price hikes. I think we have seen good price increases in existing business as well as on a new business basis. So, I think it is a good environment for pricing and we have seen some benefit of that as we pointed out.

Vibhor Singhal Just a bit more on that, any specific service lines or specific part of business where you feel there is more pricing power than the other ones?

Nitin Rakesh I think again keep in mind the highest demand for sales will drive the highest mismatch between supply and demand and that is where we have the highest pricing power, so by definition almost all things vis-a-vis transformation whether it happens to be cloud competency, public cloud hyperscaler certified capabilities, ability to apply application transformation using hyperscaler platforms, data. Of course, lot of work is getting done on the new age platforms such as Snowflake and Salesforce. I think that is where the pricing power is. It is not going to be in maintenance contracts, , It is really a combination of where you can find unique solutions, construct those unique deal archetypes and then of course price them in a way that will give you little leverage.

Moderator Thank you. The next question is from the line of Manik Taneja from JM Financial Limited. Please go ahead.

Manik Taneja Thank you for the opportunity, Nitin I wanted to pick your brains around both the industries' move as well as your move to essentially expand to Tier-3, Tier-4 locations and go where the talent comes from, but do you think this at some point of time helps the industry manage its cost much better and thereby defend margins in the wake of some supply side segments in general?

Nitin Rakesh Sorry, I am not very clear, you are asking about going to new location? Manik, can you repeat the first part of your question, is it about going to new location?

Manik Taneja I wanted to understand from you given the expansion in Tier-3, Tier-4 locations that happen across the industry, do you think this is a lever that helps manage the cost of talent given whatever one has been hearing about the salary increases in the last 12-18 months?

Nitin Rakesh Absolutely Manik, I think it is a very concerted effort of course at an industry level, but more importantly at an individual Company level to go find areas of next Tier, non-metro Tier-2, Tier-3 towns where in conjunction with education infrastructure that is available, local state and city governments and of course there is a very concerted effort even by the Central Government to promote this. So, I think next new talent creation across the entire value chain is the only way we will sustain this level of growth for the industry. Of course, each Company will have a different strategy. We are also following our own strategy that works for us clearly based on the needs that we have in our business, so that is one definite lever that will create net new talent that will effectively over a period of next three-four, five quarters start meeting the supply demand mismatch. I do not think supply-demand mismatch is going to go away any other way. Second lever also is you have to start looking at some global talent pools because that also gives you some leverage because yes we can create new

talent pools in India, but there is also always need for certain onshore talents. So we are also starting to see what we can do with the locations outside of India whether it is near shore, same time zone, within Mexico and Costa Rica, we are expanding into Canada. We have done some onshore in Europe. We are very interested in looking at what we can do in Eastern Europe in addition to what we already have there, we have done Taiwan. So, I think it is a combination of globalization and going down the value chain in terms of non-metro, Tier-2, Tier-3 towns, that is really, really good news for the long-term growth of the industry.

Moderator Thank you. The next question is from the line of Sulabh Govila from Morgan Stanley. Please go ahead.

Sulabh Govila Thanks for the opportunity, I had a couple of questions, so Nitin you mentioned on Blink interactive that we won two synergy deals this quarter and this is within three months of closure of the deal sometime in September, so if you could throw some light on what went on well for you guys over there and was this faster than your own expectations?

Nitin Rakesh I think a great question, so this is definitely a high need area. Most of our client base, which obviously is enterprise fortune 500, clearly is now pivoting towards what the big tech companies have done in terms of customer experience and design. So there was a lot of initial excitement and interest generated by the field as we announced the transaction and I think we ended up creating a very long list, prioritized long list of inbound needs to our channel and it was not a surprise to me that we had two early quick names and there is an interesting list of plans right next to that, that we will continue to convert So I think right now the need for that skill set is high. It validates our acquisition thesis that we will expand our addressable market that we tap and of course that will lead into increased pipeline in our TCV report, so I think that is the way it was, the TCV was conceptualized and that is the way it is playing out, still early days to be honest, it has only been three months. I think we have lot of opportunities still ahead of us. Scaling that talent is not as easy as scaling some of the parts of our business, so there is a very concerted effort underway in terms of how we can actually create more scalability in that talent pool without diluting the quality of work and at the same time without diluting the brand that Blink has created in the market over the last 20 years. So, I think it is a good place to be in, very pleased with the initial success because it is important to create early wins, because that creates more momentum for us to do continued work.

Sulabh Govila The other bit is on the growth within the segments, so application growth versus BPO and ITO, so BPO and ITO are clearly lagging the applications growth, so if you could highlight nature of business there and the mix of new gen services versus applications?

Nitin Rakesh I think bulk of it again it is won partly by design, partly by the demand pattern that bulk of the growth is in application whether it is net new AppDev or very large projects coming out of application transformation, migration of data platforms, restructuring and migrating to cloud whether using GCP, AWS or Azure to restructure legacy platforms using optimal cloud mix - private, public, hybrid. I think that is really what is driving a lot of that growth and pipeline as well, so again not a surprise, I think very, very linked to the tribe construct that we have created and I do not expect that to change dramatically going forward as well.

Sulabh Govila One last bit from me is if you could highlight on the attrition rates where are they for you and directionally versus last few quarters and any?

Nitin Rakesh I think they are still elevated compared to historical level. I think I would say in the very short run, they are probably stable at best, but they still continue to be elevated. We do expect that with some of the action we just announced whether it was from a stock grant perspective or overall engagement that we are creating through our new workflow future and employee value proposition and of course the quality of work that we are bringing in to the team, we will potentially see improvement, I think we are undertaking all the initiatives that is why we broke out all the supply chain and talent initiatives in a little bit of detail this time., But my expectation is that this situation will improve as supply catches up and of course as we continue to invest in understanding of this new workforce models in the client.

Moderator Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah Thanks for the opportunity and congratulations on a very great set of numbers, Nitin. Just wanted to ask as we scale up, we are also scaling up our average TCV win each quarter, so last year we were between 250-275 million odd quarter, now this year we are comfortably above close to $ 330 million, So do you believe pipeline is enough and our efforts are enough that this numbers with the scale up will continue to keep up and that will help us in terms of the momentum in terms of sustaining the growth year after year?

Nitin Rakesh By definition, large deals are lumpy. It is in some quarters you will have one, some quarters this will not be helpful, so it is hard to kind of give you a number, but I think the average trajectory in the first nine months of the year, we have seen 25% growth in TCV we sold. I think again I will guide you back to the data that we gave on the pipeline. As soon as the pipeline continues to stay strong which means we are originating deals, we are creating new opportunities and we are pricing them and we are willing as many as we can, that will give us the best deal for what will happen with the TCV win every quarter. We typically do not target a number every quarter, I think it is really what percentage of the pipeline can we convert and how many more deals can we bring in, so I am very, very focused on making sure the pipeline continues to grow and the conversion rate continues to be strong, I think that is the only way we can manage it.

Sandeep Shah You said pipeline is up by 10% YOY, right?

Nitin Rakesh YOY despite USD 1.3 billion of that being the last year's pipeline having been converted in the last 12 months and it is also up about 7% sequentially, so keep in mind the trajectory of both pipeline and TCV wins.

Sandeep Shah Just on DXC, as you said the target was to achieve at mid-single digit, we are already there, so do you believe worst is getting behind in DXC where most of the remaining business is stickier annuity based where further decline may not be that big?

Nitin Rakesh Directionally, we just said given the trajectory we were seeing in Direct by end of FY'22, so I think of course Direct growth has and of course the Blink acquisition helped there as well, so we are going to achieve that 5.4%-5.5% number this quarter. Again, I think we will probably, we are already seeing little bit more stabilization compared to what percentage decline was on a sequential basis early part of the year. But I think all I can tell you is the focus for us really is on growing Direct as fast as we can, but from that perspective I think the directionally the growth will still really, really come from Direct.

Manish Dugar Just to add to that I think the comment that we had made earlier that MRC is not the end of it and this is a relationship that goes way beyond that. So, this quarter revenue will reflect that, however, even if not an investment category for us and Direct is delivering what we aspire to, it will continue to mean that mathematically DXC will become lesser and lesser at the percentage level.

Sandeep Shah Whichever DXC led clients are coming off because of the decline in the business as a whole; contractually we are allowed to tap them directly or we may be restricted to do that, and if you do that, are we gaining traction out of that as a whole?

Nitin Rakesh That is a question that I would like to keep away from going into details. We respect the relationship, we want to make sure we do right by every client relationship directly or indirectly and I think we follow their protocol really, really intently over the last many years of the relationship because it is not in our DNA to really violate any principles, forget what's in the contracts. So, I think that is a question that I would like to just avoid having discussion on.

Sandeep Shah Fair enough, just last question, Manish, is this EBIT margin of 15.5% to 17% is we are talking about organic margin excluding Blink, right?

Manish Dugar That is right, the guidance was 15.5 to 17 before we did the Blink transaction and Blink was expected to cost about 1%. We are currently at 15.1 with the Blink charges and without that we are at about 15.9, so that is how we are calling it well within that range.

Moderator Thank you. The next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg Nitin, I think it is quite heartening to see the broad-based client growth which you have had this quarter. But I just wanted to narrow down to your key BFSI client, you also hinted earlier about their increase in tech budget which they have announced, if you can just help drill down to, A) whether you have already started seeing some benefit of that come in your relationship with them, and B) how much of your business comes under their run the bank or change the bank category and how do you see the potential gains flow down to you?

Nitin Rakesh Without going into specific client relationship, all I will tell you is that for the third quarter in a row, we had sequential growth in all top seven clients that are over 50 million. So by definition that should tell you the answer is what you are asking me. We have definitely seen benefit coming out of the expanded tech spending. We do very little run the business type of work, 90%-95% of it is really all change related primarily given the fact that is where the trend is and that is where they would like help. Otherwise, many of our clients have their own large teams globally and they would not really need us

if all we could do was execute day-to-day business. So I think the focus really for us to be thought partners, change partners, focus is for us to make sure that we are able to give them capabilities where they are looking to acquire new platform builds, new transformation projects, new modernization capabilities and this is not just for one client, it is across the board and that is the nature of the strategy that we follow with the tribe construct. So I think we are seeing of course very strong share gains across all top seven customers. That is reason why you are seeing that level of growth in the top five, top 10, and top 20 as well.

Mukul Garg Another way to ask this is if you look at the commentary which is coming out of big banks in US, do you expect that to kind of migrate down to other institutions as well in the banking space and the spend to materially jump or increase going forward as the competitive intensity kind of runs through the whole spectrum of the banking ecosystem and naturally that should help us accelerate our growth there?

Nitin Rakesh The short answer is yes, it is not just in retail banking, it is in payments, retail banking, life management, asset management, stock broking, almost every segment is going through a very significant re-investment secular trend. I mean if you just look at the value that has been created with the new age exchanges and the new age trading platforms, that is really, really putting a lot of pressure on making sure that everybody in this ecosystem is able to step up and invest. By definition, Dollar amount for large banks are much larger, so that is where the bulk of the incremental Dollar spending is visible to us. But that does not mean that this is not going to percolate down to the next 10 or 20 financial institutions and that is why you know one of the heartening thing for us in the NCA business a lot of that growth is actually coming out of banks that we have acquired in the recent last 12-18, 24 months. In a financial institution, the asset manager and wealth managers, the entire cohort is actually growing very strongly for us on the new business side as well, so I think I am very pleased with the shape of the client pyramid, very pleased with the fact that we have some very strong names in that mix. We gave out a breakup of, in the last earnings call, how many fortune 500 names we have acquired. We can assume a definition of 50% of our business is banking, 50% of those names would also be from that segment. I think it is really a broad-based approach to spend growth. And the announcement we made earlier today around setting up about Web 3.0 block chain CoE with crypto exchange also goes further in capturing another spend area that is beginning to pick up because every large bank is starting to build infrastructure for actually managing this opportunity for their customers.

Moderator Thank you. The next question is from the line of Nitin Jain from Fairview Investments. Please go ahead.

Nitin Jain Thank you for the opportunity, so my question is regarding the deal wins. So, it seems to be playing out a little differently from us and by different, I mean positive different like we have announced four large deal wins this quarter So I want to know what we are doing differently from the industry that we are still able to garner a good number of large deals, and have we started tapping into Blink's fortune 500 clientele?

Nitin Rakesh I think what we are doing is really, we are being very consistent with making sure that we are taking the deal archetypes that work with one customer over next customer because there is a lot of repeatability in those transformation construct that have been created. I think we gave out a detailed

explanation of the fact that we are not waiting for clients to define the problem, we are taking a very proactive approach within the tribe-led construct. Then investing in the customer to understand what their strategic direction is and how we can align with that, and really, really then creating a very high quality delivery infrastructure that delivers to the, concerting high touch, high trust is really the way we think about creating a client relationship and that really is the reason why the client metrics on the client pyramid have also improved, so I think the real secret sauce is really in execution, but also is in building competency and getting this capability design, architecture, and engineering which I think is the need of the hour and that is a call we took four-five years ago and that is bringing rich dividends to us.. At the same time, we are also looking around corners to see which other areas we keep investing in, that is another time I will remind you of the partnership we announced, I think it is a combination of many such things.

Nitin Jain Just a follow up on that, when can we expect it to start reflecting in the margins, because last two quarters, I know discounting the Blink acquisition, we do not see the positive leverage playing out in terms of margin, so any comment on that?

Nitin Rakesh Let me just do the math for you again, 15.1 reported, 80 BPS impact from the Blink acquisition 15.9. We also said, we have actually taken utilization down significantly. You can assume that probably a 100 to 150 BPS impact of that. In addition to that, we announced the ESOP RSU award stock grants and that itself is another 80-basis points impact, so that is where the leverage is. Despite all of these increased expenses, we are still directly maintaining and sustaining that margin and growing at 30 plus percent three quarters in a row on an organic basis. I think, to me, that strength in operating leverage is right there.

Moderator Thank you. The next question is from the line of Kshitij S. from Tusk Investments. Please go ahead.

Kshitij S. Thank you for taking my question, it is around the TMT growth on a sequential basis. So how much of the sequential growth is attributed to the Blink acquisition and the two new deals, one is in TMT, could you throw some light on the price of those?

Nitin Rakesh I do not think we announced the two new deals in TMT this quarter. I think the one large deal we announced was in healthcare and the other deals are not in TMT. I think the impact of Blink sequentially is about 9 million, but even if you take that out, if you see the YOY number, you will see a pretty significant growth in TMT almost to the tune of high 80% to 90%. I think it is pretty broad-based growth within TMT as well and it has been growing for the last, I would say, six quarters or so at the back of deals that we won in FY'21 as well as in the more recent past. I think, while Blink has a role to play there, it is not only Blink that is driving that growth.

Manish Dugar Just to add to what Nitin said, the 9 million incremental in Blink is not all TMT, only a part of that is TMT.

Moderator Thank you. Ladies and Gentlemen, we will be taking the last question that is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan Just wanted your thoughts on our onsite-offshore mix, where most companies have sort of seen very strong shifts albeit within the range and possibly driven by the large deal strategy as well. So just wanted your thoughts on how we should think about the onsite/offshore mix as we go forward?

Manish Dugar If you look at even a very long-term data points of Mphasis, it has been consistent in terms of the kind of work that we do and the onsite/offshore mix. As you rightly mentioned, digital work working on changing the business side of things where we are consultative and where we do not go behind RFP responses, do tend to have onsite centricity. I think the important thing to remember is we look at the business with the customer first in terms of what adds the maximum value to the client and onsite/offshore is an outcome of that. As long as the deal makes sense from the delivery of value to the customer perspective and our bottom line perspective, we do not necessarily want to push for offshore centricity especially when we now see the talent pool quite a bit dispersed across the globe and anything outside of India for us is onsite, so even if we were to take talent from other markets, it will get classified as onsite, so the kind of work that we do and the talent pool diversity from a geographic perspective I think we are quite happy with what we are at this point in time in terms of onsite/offshore.

Nitin Rakesh The only thing I will add to that Nitin is that if we look at the recent additions and headcount in the MD&A as well as the fact that we added significant number of trainees and we will continue to do that in Q4, should give you a sense that a lot of the incremental headcount addition will be offshore centric. Of course, we want to make sure that we invest in having the right talent wherever needed purely because if the program needed, we would have it, but I think the tailwinds for offshore adoption will be a bit higher than we have seen in the previous last five or six quarters or so.

Nitin Padmanabhan Just a quick follow up there, when you look at onsite headcount and you think about attrition in those markets and you think about the inflation in those markets overall, do you think that whatever COLA is there and that sort of completely offsets the sort of headwinds, or do you think that onsite cost inflation sort of from an industry perspective itself becomes a bigger sort of a worry and anyway you have been sort of diversifying geographically there, but just wanted your thoughts broadly on onsite wage inflation, attrition from an industry perspective and whether onsite costs increases are a big risk from an industry perspective and our perspective overall?

Nitin Rakesh I would not say just the onshore wage inflation is an issue, I think the issue is really the talent, demand-supply mismatch. There is definitely work to be done in creating this new talent in almost every market that we are operating in, so to me I think the only answer I can give you is to take you back to the pricing tailwind and the price to value discussion. I think we are going to use that very effectively. We continue to meet all headwinds on cost of labor and of course the Direct cost and that is the reason why I'm quite pleased with the way the margin is actually sequentially improved at a gross level by applying many of the same levers. So, I think it is a reality that we are all living with, our clients are living with it and the ability to just continue to price to value that we can manage.

Moderator Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Nitin Rakesh for his closing comments.

Nitin Rakesh Thank you guys. Of course, we are very pleased with our performance and the strong growth in our Direct business, so our operating metrics, client metrics, and KPIs are all operating at very healthy levels. We continue to be very excited about the opportunity that the market presents especially with the new expanded plans coming out of new spend areas as well as the digitalization of the entire value chain for most enterprises. With that momentum, we do believe the industry as well as our opportunity is in a fairly strong position. We look forward to talking to you next quarter and we continue to deliver responsible growth. Thank you for your continued interest in Mphasis.

Moderator Thank you. Ladies and Gentlemen, if you have any further questions, please write to investor.relations@mphasis.com. With that, on behalf of Mphasis Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines.