



“Mphasis Limited
Q3 FY 2026 Earnings Conference Call”
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Moderator

Good evening, ladies and gentlemen, and thanks for joining the Mphasis Q3 FY 2026 Earnings Conference Call. I am Dorwin, 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 Mphasis website, www.mphasis.com, in the Investors section under Financial and Filings as well as on both the BSE and NSE websites. Request you to have the presentation handy. As a reminder, all participant lines will be in 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 star then zero on your touch-tone phone. Please note that this 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 certain risks and uncertainties.

A detailed statement in this regard is available on the Q3 results release that was sent out to all of you earlier. I now hand the floor over to Mr. Nitin Rakesh to begin the proceedings of this call. Thank you, and over to you, Nitin.

Nitin Rakesh

Thank you, Dorwin. Thanks, everyone, for joining the call this evening. Hope you all had a great start to the new year.

The past year has been an interesting one, especially in light of the multiple changes in the environment as well as some exciting developments in the technological landscape with AI leading the way with the new tech stack under deployment. The nature of technological shifts underscore that every business is looking for opportunities not only to get higher efficiency using AI, but more importantly, to reimagine the entire business model to stay relevant to their end customers. Clients are recalibrating the classic managed services constructs as outcomes for plans to become more important than effort-based services. Tech orchestration takes over early solution design and digital AI agents augmenting human workers becoming the norm. While seemingly disruptive, this also brings about one of the most exciting growth opportunities of our generation, especially for companies such as ours. Size and scale is no longer a disproportionate asset for our competitors. Technical competence and the ability to provide solutions that align with client outcomes using the blend of software, for example, AI agents and services, which are people-based become the key differentiator.

We are seeing this duality playing out. While there is deflation of traditional people-based service models, there's an extremely healthy appetite for AI-led tech solutions and AI efficiencies. While there is a strong desire to undertake significant estate reduction and rationalize service partners, there is an extreme focus on bringing in partners to build the AI stack, establish governance and guardrails while doing so. While some clients are already running pilots and Agentic AI, others have progressed to scale deployments. The need of the hour is a platform approach that orchestrates multiple AI capabilities across

the entire enterprise IT value chain; from modernization and deployment, to operations, observability and governance, underpinned by a living, breathing layer of connected enterprise understanding that unifies data, systems and processes to proactively optimize, modernize and transform business and IT operations.

What we are seeing is AI adoption, capability and value creation happening simultaneously. To address this opportunity, we built and launched our flagship market-leading AI platform, Mphasis NeoIP™ that is capable of all this at scale. Before we go to how NeoIP is gaining traction, let's take a moment to reintroduce Mphasis NeoIP, our AI intelligence platform integrating multiple Mphasis.AI Solutions.

NeoIP enables organizations to –

- Continuously evolve rather than engage in a one-time transformation program by making enterprise knowledge machine understandable,
- Automate complex decisions, predictions and prevent issues before they occur and drive sustained innovation,
- Empower CIOs and business leaders to shift left, embedding intelligence early in the software and operations life cycle to create self-healing resource-efficient systems that learn and improve over time,
- And finally, integrate evergreen business intelligence with AI-assisted implementation, fostering continuous learning and evolution with every subsequent initiative.

The platform creates a connected data-centric environment where AI and human teams collaborate to plan, build and manage transformation. NeoIP includes solutions across the relearn-build-run value chain of IT services. To name a few:

Mphasis NeoZeta™ helps organizations overcome challenges of modernization through full transparency of the relearning process and creation of a comprehensive knowledge graph that constantly evolves throughout the lifetime of clients' journey.

Mphasis NeoSaBa™ for agile AI agents for quality product-driven definition and user story elaboration.

Mphasis NeoRaina for discovery and creation of target state architectures.

Mphasis NeoCrux™ for orchestration of AI-driven load generation and quality automation; and

Mphasis AIOps for integrated operations, including proactive incident prediction, root cause analysis and self-healing automation based on deep system observability.

The entire NeoIP suite is supported by Business, Operations, Engineering and Governance agents and are also supported by Ontosphere, which creates a critical enterprise intelligence encoded with contextual knowledge based on domain ontologies. Mphasis NeoIP has accelerated record deal wins along with record pipeline of deals for us.

NeoIP is designed to help enterprises start anywhere and scale everywhere. Whether a client begins by modernizing legacy estates, transforming IT operations, scaling cloud and infrastructure, accelerating application development or rewiring core business operations, every entry point intentionally converges onto a unified agentic fabric. This is what allows NeoIP to accelerate and expand enterprise value rather than creating isolated point solutions. Three core principles differentiate NeoIP:

‘Start anywhere, Converge in one fabric’. Clients can begin with their most urgent need, IT operations, application development, cloud transformation, or any other such platforms and seamlessly expand into a connected enterprise-wide agentic estate without re-platforming.

Second, enterprise knowledge as the foundation. Ontosphere Engine encodes institutional knowledge, enabling agents to operate with deep context, not just prompts. This drives precision, consistency and trust at scale.

And third, plug-and-play within the ecosystem. NeoIP is architected for interoperability with hyperscalers like AWS, Azure and GCP, with AI infrastructure partners, including NVIDIA and with existing enterprise applications and partner ecosystems.

We are already seeing this play out in the market quite nicely. Whether it's a large financial services institution, a global insurer, multinational investment firm, clients begin from very different entry points, yet all expand towards the same unified fabric. And as they do, the platform naturally becomes more sticky, increases wallet share and enhances margin leverage. With NeoIP, enterprises don't have to choose the right starting point. They simply start and every path leads to scalable connected solution, all the while compounding value.

NeoIP is supersizing deals, and we are seeing good customer penetration across existing customers and prospects. To give you a sense of traction, our customer set leveraging the NeoIP platform represents clients that contribute more than 50% of our company revenue.

It's been 12 months since we first spoke about how the AI thesis is playing out, especially in helping expand the total addressable market for Mphasis, primarily through these 4 drivers. We want to give you some concrete indicators of our traction on our agentic platform-based approach.

Our LTM TCV has doubled in the last 4 quarters.

Our modernization pipeline, which was the first AI archetype out of the gate, is still one of our key archetypes, up 4x.

Our large deal pipeline has been supersized and climbed 2x.

In summary, pipeline, differentiation and hence, TCV all speak to the efficacy of our platform, especially driving this to some of our top clients in the ecosystem.

Since the launch of Mphasis.ai pipeline has grown 2.5x, we currently have the largest ever deal pipeline and have strong TCV wins in this quarter as well, led by large deals.

Despite strong TCV conversion over the last 3 quarters, we continue to add deals to the pipeline, which is now 69% AI-led. It is no surprise that AI is supercharging the pipeline, which has grown 66% YoY. BFS pipeline is up 98% YoY and non-BFS pipeline up 44% YoY. Large deal pipeline is up 91% YoY. AI-led modernization continues to be a big theme, as you can see on the chart. The strong growth in the pipeline provides further visibility to sustaining our momentum in deal wins.

We continue to see high share of proactive deal wins as we stay largely focused on deal making and infusing a NeoIP platform into opportunities.

Net new TCV wins for the quarter were at \$428Mn. We won 4 large deals in Q3. And of the 4 large deals, 2 were over \$50Mn deals. On the back of our AI-led propositions, our LTM TCV has doubled and now stands at \$2.1Bn. Our TCV to revenue conversion pace has remained steady as well.

Moving to performance by segment. We continue to push for revenue growth, which is anchored in our strong client mining model and tech-led offerings. Q3FY26 revenue came in at \$451Mn with an annualized run rate of \$1.8Bn+.

Despite seasonality effect, revenues grew 1.5% sequentially and 7.4% YoY in constant currency terms. Our Direct business contributed approximately 98% of the overall revenue for the quarter. We expect the pace of revenue and deal conversion to remain strong, propelled by the Savings-Led Transformation™ theme. Growth momentum in Direct remains strong as well. Direct revenue for the quarter increased 1.9% sequentially and 9.6% YoY in Q3 in constant currency terms. Our anchor geography, the U.S. grew 1.4% sequentially and 10.8% YoY in Direct, driven by ramp-ups in recent large deals. Growth momentum continues in the EMEA region. with a sequential growth of 3.9% in constant currency in Q3FY26. Rest of the world grew 5% sequentially and 17.4% YoY in constant currency terms of the Direct business. This growth is partly driven by increasing presence in the GCC ecosystem with some of the deals with global accounts being structured in the India geography. We are pleased to note that all geographies contributed to strong sequential growth this quarter.

Our core service line, Enterprise Apps, now contributes to 75% of overall revenue and has increased by 3.7% sequentially this quarter. Direct Apps growth is driven by AI led modernization deals. ITO service line for Direct also delivered YoY growth of 9% in CC terms, led by ramp up of deals that have integrated build plus run components.

Moving to our vertical performance: BFS and Insurance verticals continue the growth momentum. At an overall company level, BFS has grown 14.8% YoY. Overall YoY growth for BFS was impacted by the ramp down of our ATM business in India. Direct BFS grew 2.5% sequentially and 18% YoY, largely driven by wallet share gains in existing accounts and continued strong execution in new account wins. Insurance vertical continues the growth momentum with YoY growth of 36%. The vertical grew 8.1% sequentially and 36.6% YoY in constant currency terms. Combined, our BFSI vertical performance was a strong 3.7% sequential growth and contributed to 66% of revenue. TMT vertical sequential performance was impacted by seasonality but still registered a

strong YoY growth of 20%+ in our Direct business. At a portfolio level, our performance is in line with our expectations.

Our client pyramid continues to improve, especially across the middle of the pyramid. On a YoY basis, we've added 1 client in \$100Mn+ category, 1 client in \$75Mn+ category, 3 clients in \$50Mn+ category and 3 clients in the \$20Mn+ categories, respectively. Our client pyramid improvement is driven by wallet share gains in existing accounts, led by a strong account mining approach and large deal wins and successful ramp-ups in new accounts as well.

On an LTM basis, our top 10 accounts grew 11.8% YoY, and the next 20 accounts grew 13.5% YoY. Top 10 accounts grew 3% sequentially and the next 20 accounts grew 5.7% sequentially in Q3FY26. Last quarter, our top client sequential growth was better than the company average. In the current quarter as well, the top client sequential growth is better than the company average.

We are not seeing any AI deflation impact due to our positioning as a transformation partner, leveraging our NeoIP platform, which is helping us participate even more in the customer spends than we did in the past.

Moving to our quarterly financial metrics. We delivered to our philosophy of maintaining margins in a stated band while making investments for growth. EBIT margin remained stable at 15.2%. Operating profit for the quarter grew 2.2% sequentially and 11.6% YoY to INR6,089 million. In Q3FY26, our P&L includes an exceptional item of INR355 million as a result of changes in the labour laws. Excluding the impact of exceptional items, EPS grew 9% YoY to INR24.6. Operating cash flow generation was \$43Mn for the quarter in Q3FY26. DSO for the quarter was 91 days, an increase of 2 days QoQ. This increase is primarily due to unbilled receivables pertaining to milestone contracts. And as highlighted over the past quarters, it is very much controlled and planned to align with deal constructs since we have seen large corresponding TCV win growth rates. We expect DSO to trend progressively down over the course of 2026 calendar year.

In summary, we had good growth momentum in Q3, driven by conversion of our strong deal wins to revenue. We achieved growth of 1.5% sequentially and 7.4% YoY in CC terms, while Direct business grew 1.9% QoQ and 9.6% YoY. Growth was led by BFS and Insurance verticals, supported by a steady ramp-up of large deal wins from the recent quarters. BFS grew 2.5% sequentially, Insurance grew 8% sequentially and the combined BFSI vertical grew 3.7% sequentially in CC terms. We also had strong sequential growth across all our geographies. Pipeline is at record levels with 66% growth YoY, of which 69% is AI-led pipeline, reflecting the strong interest in our NeoIP platform offerings. Despite large conversions, large deals pipeline is up significantly at 91% YoY, further providing us runway for future deal activity and growth. We had strong net new TCV wins of \$428Mn, including 4 large deals, 2 of which are \$50Mn+. LTM TCV at \$2.1Bn also gives us a strong track record to build on. We maintained our margin discipline within the stated band while investing for growth.

We will continue our sustained steady conversion of pipeline of TCV and TCV to revenue. We expect to be greater than 2x of the industry growth on the back of our last

9 months performance and the strong direct correlation between TCV and revenue that's been building back up. We will continue our ramp-up of large deals in the upcoming quarters. And as such, we are maintaining our EBIT margin within the band of 14.75% to 15.75%.

With that, let's open it up for questions moderator.

Moderator

Our first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan

Hi, good evening, wish you a very happy new year, and congrats on a strong print. I had three questions. The first is in the deals that we execute with a combination of humans plus agents, do you believe margins can be higher? And when you think about this longer term, do you think competition eats that away or that's sort of sustained? So, that's the first maybe hypothetical and conceptual question.

The second is, considering the strong deal wins and the ramp-up of those deal wins that need to happen, and the recovery from furloughs, do you think that Q4 could be the strongest sequential quarter for the year?

And finally, just a question on why is the debt sort of consistently increasing? So, that's the final. Yes, thank you.

Nitin Rakesh

Sure, Nitin, thank you for that. I'll take the first two questions and Aravind will answer the third one. If I understood correctly, your first question was that if you're seeing deals being infused with AI, do we have room for margin expansion? Is that correct?

Nitin Padmanabhan

In the context of humans plus agents, in that context, yes.

Nitin Rakesh

Got it. So, I think the short answer is it definitely provides us some operating leverage as we start infusing agentic approach into the deal. Because what we're really doing is eliminating a bunch of human effort and crashing down not just the effort, but also the timeline, complexity and the accuracy rates are helping with that. So, the approach will definitely mean that we have operating leverage. But more importantly, what we're doing today is using that approach to unlock deals that probably were so far either too complex for customers to undertake or too prohibitive from a budget standpoint. As we create enough proof points and lighthouse programs, our confidence and our ability to drive forward a rapid deployment will actually help. I think in some archetypes, especially around modernization, we have a very clear idea of what the value capture path is. And can be moved from the way we used to price these to a different model where theoretically, we have the ability to price them better, and we are seeing that play out already in a few deal archetypes, but I think it's a little bit early to see that across all archetypes. But that's the direction of travel for sure.

Now the next question from that will be, how much of that do we give back to the customer? How much of that do we keep? I think that's a never-ending debate, but reality being, if you have enough value being created, there's definitely going to be some that you will be able to keep back into your own P&L, and then you can choose to either take it in the P&L or continue to invest. So far whatever leverage we are getting, we are investing it back in the buildup of the platform, but I think at some point we'll have

enough critical mass and scale and proof points to be able to drive this in the direction I just talked about.

The second question was around based on the deal wins, will Q4 be the strongest sequential growth quarter? I think directionally it seems like the answer is yes, because if you remember the guidance we did last quarter was greater than 2x and if we trend towards that, simple math will indicate for this to be the strongest growth quarter for financial year '26. Aravind, maybe you can answer the third one.

Aravind Viswanathan So Nitin, if you look at right, while borrowing has gone up, the gross cash balance has also gone up. The reason we do borrowing is more in terms of mismatch in cash flow between the geographies. And we had a couple of payouts from an acquisition purchase consideration, which was deferred, came through in this quarter, and we used temporary financing, short-term borrowing to do that rather than send money from India, given the arbitrage of interest rates vis-a-vis the borrowing cost. So, that's the only reason for the borrowing. And it will keep moving up and down. We've seen kind of similar levels four quarters or six quarters back. We keep coming down and up. So, that's what I would say. It's not a trend per se.

Nitin Padmanabhan Perfect, that's very helpful. Thank you so much and all the very best.

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

Sulabh Govila I have three questions. So, maybe I'll list them out together. So, the first is that in this particular quarter, just wanted to understand that from your own expectations perspective, how did this quarter pan out versus what would you have thought at the start of the quarter? I just wanted to understand if there were any surprises that you witnessed during the quarter. And the second is that with respect to the top 10 client bucket, is there any particular subsegment or any client situation where one should expect any sort of volatility in the coming quarters? So just wanted to check that. And the third bit is the increase in headcount on the BPO front that you saw, should one expect any near-term tailwind because of that?

Nitin Rakesh Sure, Sulabh. I think the question around did Q3 pan out as expected? I think if that's related to the fact that was seasonality in line with expectations, the answer is yes. Other than that, I think every quarter there are some surprises. As you know, managing a business will mean you will have to manage things, but from a seasonality perspective, it panned out pretty much the way we thought it was going to pan out. So, as such, there's nothing to call out in Q3. Again, we are pleased with the fact that following up on two very strong TCV quarters, we had another above-average TCV quarter compared to our historical averages. So, I think we're pretty happy with that. On the client subsegments, at this point, as I mentioned in the last quarter call as well, we are not seeing any significant or even apparent reasons to call out a subsegment that may be in stress or a segment or a client that may be in stress. There are no known headwinds at this point in time, which is why you're seeing all the categories of top 10 and next 20, both on a QoQ and a YoY basis, actually delivering good growth across all geographies as well. So, we feel good about the position we built with our top 25-30 customers, and that is reflecting

again in the client pyramid, which has moved quite well in the last two quarters, and that's showing up in both YoY numbers and sequential numbers in terms of the buckets that clients are progressing through. The third one around headcount increase, again I think we indicated that we are starting to see some life of activity, especially with the interest rate environment. So, that's one part of the segment in the BPO headcount where we have seen some increase in inflow. We also talked about a deal that came out of an existing customer, where we are actually setting up a mortgage origination unit linked very much to an agentic AI approach. Think of that as a first lighthouse client for an agentic AI-based origination platform that we are launching. And as we ramp that up across other customers, we probably see additional benefits. But I think the environment has been stable. A little bit more work to be done to see true tailwinds, but there's definitely upside risk if those tailwinds appear. But we're just making sure that we have the pipelines available to be able to actually capture that demand because we are seeing the indications coming through.

Sulabh Govila

Understood, sir, thanks for taking my question.

Moderator

Thank you. Our next question is from the line of Sudheer Guntupalli from Kotak Mahindra Asset Management Company. Please go ahead.

Sudheer Guntupalli

Hi Nitin, thanks for the opportunity. My first question is, any signs of change or improvement you are seeing in the discretionary spending side with the short-cycle projects and all?

Nitin Rakesh

Sure Sudheer. Again, over the last couple of quarters, maybe a year, I've actually said that discretionary spend, as we knew it, is unlikely to come back in the same shape and form. The way we are seeing spends today is - first and foremost, again it's too early but three weeks into the new year, it is very apparent that spends are going to be stable to slightly up this year. I don't think any clients is in a mode that they will see a reduction in total spends. What is also clear is, there is going to be a reprioritization of spends because they have to free up money in investing in the AI fabric, whether it is stack, whether it is migration to the stack, deploying new agents, software spends etc. So, I think there is new spend available, there is money being spent on buildup of the new stack. If you're aligned to that, to capturing that spend, you will see net new spends available to you as a provider. On the other hand, if you're on the other side of that trend, where you are actually going to lose more than you will gain because efficiency will eat into a lot of the work that you do for that customer. Then it's going to be a difficult situation. In that case, you will have to find a way to get behind where the spends are moving. So, I think the discretionary spend question is a little bit more nuanced at this stage, given just the early phase of deployment of the AI stack and fabric and extreme focus on driving efficiency using AI, while they build up the stack and start spending money on the other side of the house. So, again, based on our numbers and our deal flow, you can clearly see that we are actually gaining more, whether it is consolidation, driving large deals through ADMS, infra transformation, operations transformation, modernizations, and so on. So, I think it's a very interesting time and we are very pleased with the fact that we've been able to use this as an opportunity to play the challenger role

and open up areas where we were not competitive earlier because of price or scale or size.

Sudheer Guntupalli

And secondly, on BFSI, impressive to see very strong performance despite this being the most furlough-impacted quarter. So, your deal ramp-ups that you are expecting over H2, is there any pull-forward impact into the December quarter or it is panning out as expected earlier, so there will be some push-up, buoyancy in terms of BFSI deal ramp-ups in Q4 as well.

Nitin Rakesh

So Sudheer, it's very difficult to kind of look at every quarter and have a straight line. For example, last quarter I think some of you had a question around the fact that BFSI did not grow sequentially but remember it was growing so strongly for the past few quarters. So, I think the direction of travel is very clear. We are very confident based on the pipelines that this will definitely be one of the leading growth verticals for us both across Banking and Insurance. But given just the pipeline and the flow, I think we feel good about where we are. As such there was no pull forward or anything to call out. I think we are just executing the order book and busy in converting the existing pipeline into deals. So, we'll just continue to focus on that. So, as such, based on the question I answered earlier around Q4, I think you can see from there that we are expecting a pretty stable outlook in terms of the direction.

Sudheer Guntupalli

Fair enough. And just last, a bookkeeping question from my end, possible to call out the impacts of furlough this quarter?

Nitin Rakesh

I think it's best we don't call out the exact impact because I think then we risk the assumption that if the furlough was 'X', then it'll be added back to the line as is but that's not how the reality works. I think we'll have to just manage it. We'll have to just make sure that we are able to maximize whatever opportunity we have in Q4.

Sudheer Guntupalli

Fair enough, Nitin. Thank you and all the very best.

Moderator

Thank you. Our next question is from the line of Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal

Thanks for taking my question and congrats on a very solid performance in a seasonally weak quarter. Nitin, I got two questions for you, and then maybe one follow-up for Aravind. Over the past, let's say three, four quarters, our BFSI vertical has stood very tall despite, some hiccups in other verticals. I know your presentation mentions that we've been winning a lot of basically wallet share gains and also new wins and accounts. But in the vertical as such, over the past, let's say, two to three quarters, have you seen any change in the industry dynamics in terms of, let's say, the demand picking up, any green shoots in terms of more discretionary spend coming back? Any specific call out on regulatory spends maybe going up in either Banking or Insurance vertical which could help us sustain this growth momentum in the coming quarters, apart from, of course, the deal wins that we have, but which would maybe further this momentum in terms of deal wins as well as revenue growth. And after that if you can answer that, I'll follow up after that.

Nitin Rakesh

I think that's a fair question. So, it's fair to say that we were probably the first ones to callout growth in BFS. Actually, almost six or seven quarters ago, we called for a bottoming in that business once we saw the macro environment getting stable. And then, of course, in the last four or five quarters, we've seen some strong growth coming out of BFS and now Insurance in the last couple of quarters. Two things have happened there, one is, in general, the banks and financial institutions have been in a pretty strong earnings environment in the US, especially. Even in Europe as well, because the NIMs were so high that they were actually sitting on record spreads. So, that at least, at a macro level, kept a lot of the short-term cost-cutting pressures away. Of course, they were very diligent with the spend. So, it's not like there was the spending faucet was on. And second, the regulatory environment and the deal-making environment has been pretty strong in the last 12 months and is expected to be strong this year as well, whether it is M&A activity, IPO activity, and that has a direct impact on bank earnings and just the regulatory environment. Third, banks in general are early adopters of all new tech trends. And we are starting to see some significant programs; some significant numbers being outlaid. Some of them are coming from internally repurposed spends, and some of them are obviously, additional investments that the banks are going to make in creating a bank-wide AI fabric or adopting capabilities across the value chain. So, I think it's a little bit of a nice complement of things that have happened in the banking space and has been a good space to play in over the last 12-18 months. And positioning wise, having the engineering positioning, having the ability to drive some of these solutions around transformation has definitely helped us gain, I would say, a disproportionate share as this spending has recovered, and we still see room for that as we go forward. Insurance is a little bit different in nuance depending on what segment of Insurance, but Life & Annuities, for example, is very interestingly poised because there is going to be a tremendous amount of effort on integrating the distribution with the wealth distribution. So, that overlap is starting to play out quite nicely. P&C, I think has had a little bit more of a trouble because of the high claim ratios. So, efficiency is number one in focus there. And then, of course, European insurance business has done well as well, purely based on the power of a proposition. So, we feel good about that segment in general as well.

Vibhor Singhal

Got it. That was really helpful. My second question, Nitin, was our deal wins have been very strong over the last four quarters, almost double of the preceding four quarters. Now, your presentation also shows a good correlation between the revenue growth and the deal win growth. But if I look at the absolute amount, I think we've been reporting, even in this quarter, our deal win growth was more than 20%. Last two three quarters it was like almost double on a YoY basis. Shouldn't this kind of a strong deal win, should have led to a much higher growth in terms of YoY. Are there some of the deals that we won over the past couple of quarters - are they yet to basically ramp up and start executing, and we could possibly see an acceleration of growth when those deals start coming in. I know there's a correlation, but I think the gap between the YoY growth rate on deal wins and the revenue growth seems to be quite too high. I know it's not straightaway mathematics, but if you could just explain anything on that front, that would be really helpful.

- Nitin Rakesh** Yeah, I think part of the reason we started publishing the correlation is because we think the correlation is going to continue to improve given that we are not seeing any client-specific issues that we did see in the early part of 2025. So, that's probably the biggest delta between TCV because this is net new TCV growth, not all of it will translate into company growth, because company growth is the net revenue that you see growth based on all your ramp-ups and of course, ramp-downs. So, I think there is some of that playing in. Again, by simple math, you guys can do the same math, you eliminate the impact of one vertical on the overall growth, our actual revenue growth is well past mid-teens already. So, I think we just had to be patient. We have just continued to focus on driving deal wins, so we can grow around that particular issue. That issue is now behind us. We called for bottoming last quarter. It has bottomed. So, we definitely expect the deal wins to continue to accelerate the growth, and I called for that in my script as well.
- Vibhor Singhal** Right. So, the deal wins that we had won, they are progressing as per your expectations, or do you think they could ramp up further in the coming quarters?
- Nitin Rakesh** I think there's more room to go. They are converting, but these are transformation deals, if you sign a \$100Mn deal and it's five-year deal, you may not see the exact \$5Mn in the first quarter of the deal itself. It might take you two or three quarters to get to that run rate. But that's just the nature of the business. I'm not telling anything you don't already know.
- Vibhor Singhal** Fair enough, fair point. Just one last question, a book-keeping question for Aravind. Aravind, in response to Nitin's question in the beginning, about the debt and the cash. While the debt has increased significantly, let's say, in the last four quarters, the cash is almost the same number. So, if there was, let's say, as you mentioned that the debt had increased just to pay for the acquisition, that it was a timing mismatch, the cash should have increased, the cash stands at INR3,600 crores, which was pretty much INR3,500 crores last year. So, I mean in the last four quarters, we haven't added much cash, but we've increased the debt a lot. So, if you could just explain that what am I missing here?
- Aravind Viswanathan** So, we had given a dividend of close to \$130Mn. So, you need to factor that from your cash analysis, and that will kind of give the colour.
- Vibhor Singhal** Of course, but that we gave last year as well.
- Aravind Viswanathan** Obviously when you compare last year to this year, you will see that the dividend has got paid in July end. So, you will see that as a cycle going up and down. We paid more dividend also than the year before. We also increased our dividend. And there is also acquisition payouts that has happened. So, one needs to look at it from an operating cash flow. But if you do M&A and there are certain payouts on contingent considerations of past M&As that are getting paid now, those need to be factored because those will obviously reduce your cash. So, there are two elements you need to look at outside of the norm. One is the incremental dividend, two is all kinds of M&A related payouts that have happened over the past one year, and if you normalize for it, then that will explain. And some of these are contract acquisitions, not just the typical M&A.

- Vibhor Singhal** Got it. I'll probably take the other questions offline, but thank you so much for answering my questions, and wish you all the best.
- Moderator** Thank you. Our next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.
- Sandeep Shah** Yeah, thanks for the opportunity, and congrats on a good execution. Nitin, the first question is what would be the penetration of the client in terms of modernizing the application with GenAI or LLM or the agentic AI? Just wanted to understand, do you believe clients are becoming more confident to touch the legacy, which they were not earlier in terms of modernization, now in the AI world?
- Nitin Rakesh** Order of magnitude difference in the level of confidence and the appetite; for three reasons. One - if you were to do a similar modernization program in 2018-19, and we've done many of those, the typical execution period used to be between five and seven years to retire any decent-sized monolith application. 25-30 million lines of code, 40 million lines of code, or an application that was really old, even if it wasn't that large or monolithic. Because the biggest complexity there used to be relearning or reverse engineering that application from a logic standpoint. The second big impediment obviously was that if you're going to deliver this application back in five years, seven years, the risk is too high. It's like a black box modernization program. You probably won't see any new benefits for the first three years or so. And of course it's expensive. So, complexity, time and cost were all three big impediments. With the approaches that are now being proposed, clients have undertaken significant amount of early adoption work, tested it, validated it, we're still doing it, set it up inside of the production environment, done minimum viable programs to see if that works. Take a million lines of code and parse it and see whether we're getting the right accuracy. Does it work in my integrated ecosystem? Can it work with my stack? Yes, it works with Java, does it work with COBOL? Does it work with TPF? So, there are multiple different nuances to it, but in general, I think the appetite for doing these deals is probably up an order of magnitude. We are seeing it up 4x in our own pipeline in the last one year. And that's definitely opening up a lot of conversations for some really large programs. Now, of course we have to also be diligent because these are complex programs. You don't get paid when you sell, you get paid when you deliver.
- So, it's a combination of making sure that we understand the complexity, and we undertake it in areas where we have a high degree of confidence, whether it's a domain or it is a subdomain, right. So, in Banking, yes, we are comfortable in multiple domains but there are still other areas where it will require a lot more investment for us to be able to have the same level of execution capability. So, that's the way to think about it. Market is absolutely opening up. Partner channels are buzzing as well, whether it is hyperscalers or other partners. And I think it's a good time to take this proposition to customers because there's appetite to listen to new ideas and potentially construct deals.
- Sandeep Shah** Okay, so if demand picks up, especially in BFSI, even application is 75% of our revenue, we could be one of the biggest beneficiaries. And just in the coming quarters, is it fair

to assume that we can have a broad-based growth because there is no portfolio-specific issues even outside furlough. The furlough would be recouped in TMT as well.

And question, Aravind to you, it's good to see that your DSO also includes contract assets. I think none of the many other vendors include in the DSO, the contract assets. And just on the hedging, Aravind, wanted to understand because if I look at your EBIT margin ex of hedging, we are already approaching closer to 16%. Can you guide us what to model in terms of the hedging? I do agree rupee is depreciating, but any view in terms of average hedge rate, its benefit in the near term and in the longer term?

Nitin Rakesh

So, let me just address your comment around the broad-based growth. I think if you look at the current quarter, it was pretty broad-based and across verticals, segments and geographies. I think we have some more work through in a couple other verticals. As we fix that, we are very much focused on driving a broad-based company-wide growth, and again, pipeline to TCV, TCV to revenue. So, all said and done, pipeline is the lead indicator of that, and I think we are quite pleased with the progress we've made in the last three or four quarters on that front. Aravind, can you talk a little bit about the hedge?

Aravind Viswanathan

Yeah. So, Sandeep, we have a reasonably consistent hedging policy, which we hedge about 80% for the next four quarters, and a lower percentage for the four quarters after that. So, I don't think you will see a lot of change in terms of the benefit flowing into the P&L for rupee depreciation at least for the next couple of quarters, and then you will start seeing that play out positively after that. Obviously, from the time you have announced results from a mark-to-market standpoint between December 31 to now, rupee has further moved, right. So, it's becoming a little dynamic. But I think we are sticking to our hedging policy. I would say that you will see over a medium-term, this flow in, but you will not see too much of it flow in, in the next couple of quarters for sure.

Sandeep Shah

Thanks. Just Nitin, the question on the application modernization, if the market opens up, could we be one of the biggest beneficiaries because of the skewness towards application as a portfolio?

Nitin Rakesh

I think the market is really very, very big. I don't know whether we'll be one of the biggest beneficiaries, but we'll definitely be one of the leading contenders to take a lot of that work. We are also very focussed on stitching together the ecosystem that we require to win in that space. That is not something that you can just do by yourself. You will need an ecosystem of tech providers, cloud providers, infra transformation partners and so on. Context and complexity will require us to build that ecosystem. Stay tuned, we will make some further announcements as we go forward on how we are building that ecosystem to tap into the modernization opportunity itself. Thank you. Great question.

Sandeep Shah

Thanks, and all the best.

Moderator

Thank you. Our next question comes from the line of Manik Taneja from Axis Capital. Please go ahead.

Manik Taneja

Just to prod you further with regards to the medium-term growth outlook. Through the course of FY26 you continue to see steady performance in financial services, you did have the headwind of the Logistics in one of the major customers through the year. If

you think about now or the foreseeable future, how should we be thinking about growth construct across industry segments? Does the BFSI momentum hold steady or intensify further? And then how do the other industry segments play out? If you could talk about the fact, especially given in the past, you have provided colour around H2 being better than H1 or FY26 being better than FY25, so that construct would be great to get your views on that.

Nitin Rakesh

Yeah, I think we will give you more colour on FY27 as it compares to '26. I think we were clear that '26 is likely to be better than '25 despite the headwinds that we were seeing. And that should give you confidence in the fact that you can see how the rest of the business has performed. And that's a good template to kind of at least assume will continue to happen in FY27 as well. So, again, too early to tell you what FY27 colour will look like, but you can see over the last two, three quarters of performance that we've truly turned our aspiration into some real numbers. And we continue to focus on conversion of all that sits in the pipeline that we can convert, and hopefully if we can do that in the first half of FY27, then obviously that sets us up really well for the full year as well, just like we did in the first half of FY26. So, I think fair to assume that the template that we have working for the last three quarters is the one that will continue to lean on for the next five, six quarters as well.

Manik Taneja

Great, thank you. And all the best from me too.

Moderator

Thank you. Our next question comes from the line of Girish Pai from BoB Capital Markets Ltd. Please go ahead.

Girish Pai

Yeah, thanks for the opportunity. Nitin and Aravind, just wanted to understand the investments in your AI platforms. What exactly are you doing? Is it OpEx or is it CapEx? Is it capitalized? And I've seen that between March 2025 and 31st December 2025, there's been some incremental growth in the intangibles part, and there is a significant growth in other assets. So, can you just explain these things?

Nitin Rakesh

I think it's fair to assume that the AI strategy is centering on intelligently orchestrating through our own platform, multiple third-party systems, integrating LLMs, proprietary solutions, and third-party assets. So, while there is a build component to what we are doing, a large part of the build component will actually run through our OpEx. But in some cases when we do have to integrate some third-party assets or we need to buy some third-party platforms to integrate in, some of that will definitely get capitalized, and I think we talked about that in the October earnings call as well. And maybe Aravind, you can expand on the second part of the question.

Aravind Viswanathan

So, that is the reason why we had this as an intangible under development as of September 30, and then when we launched the platforms on end of October, we placed it and that's getting charged off to P&L over a period of time. You would have also seen a little bit of a bump in the CapEx line item on the cash flow which also pertains to this, with some to go, but a large portion of that CapEx has also kind of got paid out, right. On the other assets, there are multiple elements to it, right. And we have had a lot of discussion on it between Q1 and Q2, largely around the large deals that we have made upfront investments and also in the nature of contract assets, where as we shift to more

fixed price projects, unbilled in fixed price projects come under contract assets till customer delivery, and we said that that would kind of wind down. And you've seen that in our DSO slide, as we get more and more customers, milestone approval. So that's a big answer. Not much movement on that line item in Q3 vis-a-vis Q2. So, this is frankly a lot of bump up that happened in Q1 and a bit in Q2 on the back of some of the large deals that we won.

Girish Pai Okay. Just on earnout provisions. I think you said that some of the cash went into paying for some of the acquisitions you've done in the past. Just want to understand, over the last 12 months to 24 months, have there been any write-back of provisions that you would have made earlier?

Aravind Viswanathan No, from an earnout standpoint. Not in the last six quarters for sure.

Girish Pai Okay, last question. Nitin, the Trump administration is saying that they're going to buy back or, asking the GSEs to buy out \$200 billion of mortgage-backed securities. Are you seeing any difference that it would make to the mortgage business of ours?

Nitin Rakesh I think that's in a way, an alternate mechanism to bring down interest rates and provide more liquidity into the funding markets. If that happens, the volumes will pick up. If the volume picks up, we will benefit, and other than that, I don't see how it will directly have any correlation to our business. But if the net impact is increase in volumes, increase in home-buying activity and lower interest rates, then definitely we'll benefit.

Moderator Thank you. Ladies and gentlemen, we will now take our last question from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain So, my question is regarding this reprioritization of spend that you mentioned earlier. If you could highlight two, three factors which you think we have, which put us like on the right side of the spectrum on this. Of course, your deal win is a big testimony to that. But I'm asking about the same on a more sustainable basis that would ensure that we are on the right side on a more sustainable basis, beyond the current one year. And secondly, with this positioning and deal win, is it safer to assume that our growth rate from the next 12-month perspective could be meaningfully better than what we have logged in Q3?

Nitin Rakesh Yeah, I think I'll give you the first answer. Second one, a little bit more nuanced. We'll talk more about it in the April call when we have a clearer visibility on FY27. But again, I answered that quite a bit in the sense that the model that is working, the framework of growth, the puts and takes and despite the puts and takes, our direct business is trending to double digit in Q3, potentially giving you a sense of what the template of growth is likely to be for the future.

On the question around reprioritization, if you think about any enterprise now, three years and change after the launch of one of the most successful consumer AI products called ChatGPT, significant work has happened at every enterprise in understanding what this means to an enterprise, what kind of proof of concepts and experimentations that have been done, identification of areas where this can be implemented, and now they're in a mode where again different phases for different types of customers in different

industries, but they're generally in a mode where this is beginning to become real inside of an enterprise. This has a top-down focus, and the easiest way to adopt this at scale is to effectively use it to drive efficiency because you don't necessarily need human labor to the extent you did to do the same tasks. You can upskill people and move them to higher value-added or revenue-generating tasks. Now, if you put that in context of our industry, squeeze the run, feed the change, is the model that has not failed since the digital era. Because you want to be able to automate existing tasks, you want to be able to shift left and eliminate manual operations. We saw that with standalone testing 10 years ago, and we're now starting to see that with areas where you still had eyes on glass, humans monitoring cues, waiting for an incident, and the whole ITSM, IT operations, production assurance model was incident-based. In Cyber, as we have seen a lot of this has gone pre-incident and has to be done in a highly automated manner. So, we are starting to see something very similar play out in the entire ITSM value chain, in the IT Ops value chain. So, if you had a very large run book - production assurance, monitoring or production support operations, either on applications or on infrastructure, that I think is where you will see a lot of efficiency being demanded by customers. And that's what I meant by being on the right side of the trend.

Structurally for us, because we are taking an AI-first approach, we are using AIOps to lead in, we are actually opening that opportunity set for us because we didn't claim that earlier because we weren't really very efficient in the lowest per ticket or per unit cost pricing model because we didn't have the scale in the business. And neither did we want to be in that business because it was people-centric; you needed people in tier 2, tier 3, tier 4 locations to keep the costs low. So, that's just the way to think about what this reprioritization means. Ability to orchestrate tech and use tech to drive outcomes is what's opening up these opportunities. So, for us, we definitely think it is not a one or two or a three-quarter phenomenon. It is something that we are structurally trying to capture using NeoIP as our platform.

Rahul Jain

Yeah, that's pretty helpful. Just one extension to the comment you have made. So, from a purely client spend perspective, do you think that the current trend could be that the spend might go up because you are moving into a current way of doing things to a different way of doing things as you articulated, but on a net basis from a two, three, four year perspective, the absolute spend itself could shrink because of the level of implementation of AI and then it will all be about market share gain rather than gaining from the spend expansion.

Nitin Rakesh

I don't see a scenario where clients will spend less on tech. I think if anything their spend on tech versus spend on people will be in favor of spend on tech. Then it is up to us to decide how to play in that ecosystem. All right, thank you.

Moderator

Thank you. I now hand the conference over to Mr. Nitin Rakesh for closing comments. Over to you, sir.

Nitin Rakesh

Thank you, operator. I think in closing all I'll say is, while strong plans matter, disciplined execution is defining success for us. This new year is not about just setting goals, it's about delivering results, building momentum, and strengthening our position

in a rapidly changing world. I've never been this excited or worked harder to drive results, and I wish you all Happy 2026 and look forward to seeing you all in the next quarter call. Thank you.

Moderator

Thank you. On behalf of Mphasis Limited, that concludes this conference. If you have any further questions, please reach out to Mphasis Investor Relations at investor.relations@mphasis.com. Thank you for joining us. You may now disconnect your lines.