



“Mphasis Limited
Q4 FY 2026 Earnings Conference Call”
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Moderator:

Good morning, ladies and gentlemen. Thanks for joining the Mphasis Q4 FY 2026 Earnings Conference Call. I'm Nirav, 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 Filing as well as both BSE and NSE websites. I request you to have the presentation handy.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q4 results release that was sent out to all of you earlier.

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

Nitin Rakesh:

Thank you, Nirav, and thank you all for joining us today.

As we close another financial year of delivering meaningful value to our clients while strengthening our AI-first capabilities, I want to take a moment to thank all of you for your continued support and partnership. This marks my tenth year at Mphasis, and as I look ahead to the next phase of this journey, it has been a privilege to lead the organization. I remain deeply committed to building on this momentum together.

In my recent conversations with C-suite leaders across industries and geographies, one theme stands out clearly: AI, data, and technology platforms are no longer viewed as standalone initiatives - they are becoming the foundation of enterprise transformation.

Clients increasingly recognize that the true value of AI lies not in isolated use cases, but in systematically embedding intelligence at scale - across applications, processes, and decision flows. This shift is enabling enterprises to re-architect themselves around what we describe as Agentic AI: systems that are not only predictive, but capable of driving decisions and actions in a governed, autonomous manner.

We are also seeing a decisive move from experimentation to scaled deployment. Enterprises are now focused on operationalizing AI - automating end-to-end workflows, accelerating modernization efforts, and embedding intelligence directly into day-to-day operations. Importantly, this is being done with explainability, governance, security, and accountability built in by design.

Another consistent priority is the need to drive structural efficiency in a self-funded way. Enterprises are leveraging technology platforms to automate manual processes, streamline operations, and reduce unit costs - freeing up capacity to reinvest in AI, cloud, and digital innovation while maintaining financial discipline.

At the same time, AI is increasingly viewed not just as a productivity lever, but as a growth engine. It is enabling new business models, enhancing customer experiences, deepening client relationships, and unlocking new monetization opportunities - alongside efficiency gains.

Clients are also prioritizing modernization and simplification of complex technology estates. This includes consolidating fragmented systems into cohesive, scalable architectures and establishing unified, high-quality data foundations - where consumer, enterprise, and operational data can be contextualized, governed, and activated end-to-end.

Overall, what clients are looking for is platform-led execution that simplifies and shrinks the core, accelerates AI adoption at scale, and delivers sustainable productivity and agility. This is what will position them to compete effectively in an environment defined by constant change and volatility.

In this context, clients are increasingly seeking platforms that can orchestrate AI-led execution across the enterprise - moving beyond isolated deployments to coordinated, end-to-end transformation.

Our NeoIP™ platform plays a critical role in enabling this shift. It accelerates the orchestration of modernization, automation, and AI-driven transformation - helping organizations move decisively from experimentation to production. More importantly, NeoIP™ provides the foundational layer of context, traceability, and intelligence across data, processes, and decisions - ensuring that AI outcomes are explainable, trusted, and actionable at scale.

While we continue to build differentiated assets and IP across the IT value stream, our strategy is evolving beyond IT-centric transformation. We are building a stack that enables true business and operational transformation - where AI directly impacts how enterprises create value.

Recent research from McKinsey & Company highlights a powerful and somewhat counterintuitive insight: nearly 80% of AI-driven transformation will occur outside the IT function. Historically, enterprise transformation has largely meant technology transformation - cloud migrations, ERP upgrades, cybersecurity modernization, and data platform investments. These were predominantly IT-led initiatives, with business functions acting as internal stakeholders. AI fundamentally changes this paradigm.

AI does not primarily create value by upgrading systems - it creates value by upgrading work. It transforms how decisions are made, how customers are served, how revenue is generated, and how costs are managed.

We are seeing this play out across domains such as supply chain optimization, revenue growth management, pricing and promotions, as well as demand and inventory planning. Similarly, in areas like underwriting modernization and payments transformation, AI is driving measurable business impact - improving underwriting throughput, reducing fraud, and lowering loss ratios. In many cases, this value is unlocked without replacing core systems, but by layering context-driven orchestration and decisioning on top of existing technology stacks.

This does not diminish the importance of IT - on the contrary, it elevates it. IT becomes the critical enabler: providing secure architecture, robust data foundations, integration frameworks, and governance. However, ownership of value creation increasingly shifts to business functions, where AI-driven decisions directly translate into measurable outcomes.

The build-out of our AI stack has been significantly accelerated through the acquisition of Theory and Practice, and its Decision Intelligence platform, Continuum AI. By integrating Continuum AI into our architecture, we are extending our capabilities beyond system modernization into enterprise decision transformation. Continuum AI is a modular and scalable decision intelligence platform designed to support real-time, high-stakes enterprise decision-making across domains such as demand forecasting, pricing, marketing, and supply chain.

What differentiates Continuum AI, is its ability to move beyond traditional analytics. It spans the full spectrum - from descriptive insights to predictive modeling to prescriptive optimization - enabling enterprises to harmonize intelligence across functions while preserving the complexity of customer behavior and business context.

As a decision intelligence layer, Continuum AI leverages causal modeling, optimization, and behavioral economics to translate business objectives into actionable intervention strategies. It accelerates time to value through prebuilt machine learning models and reusable model ontologies across key areas such as revenue optimization, marketing, and promotions.

With this acquisition, Mphasis brings together the critical layers required to deliver AI at scale - from enterprise memory and data foundations to decisioning and execution - enabling measurable business outcomes.

Importantly, we have also onboarded a set of tier-one enterprise clients in the CPG and Retail sectors who have already validated the platform in production environments.

We are equally excited to welcome a highly specialized team of AI practitioners and domain experts, who will accelerate our product roadmap and further strengthen our ability to deliver differentiated client outcomes.

Turning to our pipeline, we are seeing strong validation of our AI-first strategy. Sustained investments in AI - including our NeoIP platform - have expanded our pipeline to 2.6 times its initial size since the launch of Mphasis.ai, reaching an all-time high at the end of March 2026.

Today, 69% of our pipeline is AI-led, reflecting a structural shift in client demand toward AI-driven transformation. This growth is driven by NeoIP-led solutions embedded across our offerings and supported by our differentiated full-stack AI approach.

Importantly, this pipeline strength is translating into tangible outcomes. Over the past year, we achieved our highest-ever annual net new TCV of over \$2.1 Bn - representing a 68% increase YoY.

Our pipeline growth remains broad-based and well-balanced across multiple dimensions. Overall pipeline increased 38% YoY, with strong momentum across verticals. The BFS segment led with an 89% increase, complemented by continued expansion across non-BFS sectors.

We are also seeing a healthy distribution across deal sizes. Large deals with TCV greater than \$20 Mn grew by 40%, while mid-sized and smaller deals below \$20 Mn increased by 34%. This underscores that AI-driven demand is pervasive across enterprises of all scales and deals of all sizes.

From a solution perspective, Modernization and Everything-as-a-Platform (XaaS) archetypes have driven the strongest pipeline growth, reflecting early-stage AI-led opportunities as clients re-architect their technology and operating models.

As mentioned earlier, our net new TCV for the year reached \$2.1 Bn - our highest ever. We continued this momentum in the quarter, delivering \$407 Mn in net new TCV, including four large deals.

Notably, 64% of our wins were AI-led, further reinforcing the central role AI is playing in driving client demand and deal conversion.

Moving to our revenue performance by segment. Q4FY26 revenue came in at \$463 Mn, reflecting growth of 2.5% quarter-on-quarter and 7.1% YoY in constant currency. For the full year, revenues grew 6.7% in constant currency terms.

Our Direct business continues to be the primary driver of growth. Direct revenues for the quarter were \$456 Mn, crossing an annualized run rate of \$1.8 Bn and contributing 98.6% of total revenue.

Direct revenue grew 3.3% sequentially and 9.2% YoY in constant currency during the quarter, and 8.7% for the full year. We expect this momentum to continue, supported by strong deal conversion and increasing traction in savings-led, AI-driven transformation programs.

From a geographic perspective, our anchor market, the U.S., delivered strong performance with Direct growth of 3.6% sequentially and 10.7% YoY, driven by ramp-ups in recent large deal wins.

EMEA continued to show healthy sequential momentum, growing 6.9% QoQ, while YoY growth was 0.8%. This was impacted by revenue structuring for a large global client in the Logistics vertical. In the Rest of the World, Direct revenues grew 2.6% YoY in constant currency, supported by our expanding presence in GCC markets and increasing participation in globally structured deals.

From a service line perspective, Enterprise Applications remains our core growth engine, contributing 76.5% of total revenue. Direct revenue in this segment grew 5.1% sequentially and 14.8% YoY in constant currency terms, driven again by AI-led modernization programs.

The ITO service line declined 21.6% YoY, reflecting our strategic decision to scale down our non-core ATM business and reallocate toward higher-value, AI-led opportunities.

Moving to our vertical performance. Our BFS and Insurance verticals continue to lead growth, driven by strong execution and increasing adoption of AI-led transformation programs. At the overall company level, BFS grew 5.8% QoQ and 15.0% YoY in Q4 FY26. Growth was partially moderated by the ramp-down of non-strategic ATM business. Within Direct, BFS delivered stronger performance, growing 6.4% sequentially and 17.4% YoY in constant currency. For the full year, Direct BFS grew 18.6%, supported by wallet share expansion in large existing accounts and strong conversion of new wins as well as new logos.

In Insurance, momentum remained robust, with 7.3% sequential growth and 46.5% YoY growth in Direct revenues, in constant currency terms. This reflects increasing traction of AI-driven decisioning use cases across underwriting, claims, and risk operations. The TMT vertical saw some near-term softness due to project completions and delayed decision cycles linked to macro and geopolitical uncertainty. We expect this segment to return to sequential growth in the coming quarters. Others segment grew 5.3% sequentially in constant currency, driven by recent large deal wins in Healthcare. Overall, growth remains broad-based and aligned with expectations, with AI-led transformation increasingly acting as the primary driver across verticals.

Our client pyramid continues to strengthen, particularly across the middle tiers - reflecting both deeper relationships and successful scaling of new wins. YoY, we have added; 1 client in the \$100M+ category, 1 client in the \$75M+ category, 2 clients in the \$50M+ category, 4 clients in the \$20M+ category on a net new basis. In addition, we also

added a new client in the \$150M+ category this quarter. This broad-based expansion is driven by consistent wallet share gains in existing accounts, combined with disciplined ramp-up of large deal wins.

On a last twelve-month basis - our Top 10 accounts grew 13.7% YoY and 3.6% sequentially. The next 20 accounts grew 15.2% YoY and 3.3% sequentially. Notably, our top client has outperformed company-average growth for the third consecutive quarter in Q4.

We are proactively engaging these clients with AI-led propositions, enabling us not only to expand existing engagements but also to participate in emerging spend areas - such as SDLC transformation, AI infrastructure buildouts, and modernization of foundational technology stacks.

Turning to our financial performance. We have continued to execute on our strategy of maintaining margins within our stated band while investing for growth. Q4FY26 EBIT margin expanded by 20 basis points sequentially to 15.4%, while full-year EBIT margin remained stable at 15.3%. Operating profit for the quarter grew 7.2% QoQ and 15.0% YoY to INR 6,525 million. EPS increased 8.6% sequentially and 13.7% YoY to INR 26.7. Operating cash flow for the quarter was \$21 Mn. This was temporarily impacted by approximately \$17 Mn due to system-related delays in customer remittances. These collections were realized in early April, and adjusting for this, normalized operating cash flow for the quarter was approximately \$38 Mn.

Q4 reflected a clear acceleration in growth momentum, supported by disciplined execution. We delivered 2.5% sequential and 7.1% YoY growth in constant currency, alongside a strong operating margin of 15.4%. Our Direct business, now comprising 98.6% of total revenue, grew 9.2% YoY in constant currency. We also delivered strong TCV wins of \$407 Mn in the quarter, with a majority driven by AI-led propositions.

Across FY26, our AI-first strategy drove significant pipeline expansion; 38% YoY, with 69% of the pipeline now AI-led. Consistent conversion of this pipeline has resulted in a record net new TCV of \$2.12 Bn, representing 68% growth over the prior year. This performance reflects the strength of our NeoIP-led differentiation and our ability to deliver IP-led, AI-native solutions at scale. We also strengthened our client pyramid, adding 4 clients in the \$20M+ category; 2 clients in the \$50M+ category; 1 client each in the \$75M+ and \$100M+ categories.

As a result, we exceeded our initial guidance of “better-than-industry” growth, delivering more than 2x industry growth while maintaining margins within our target band of 14.75% to 15.75%. I am also pleased to share that the Board has recommended a dividend of INR 62 per share for FY26.

Turning to the outlook. We will continue to strengthen our competitive differentiation through sustained investments in our Neo platform, with the integration of Theory and Practice accelerating the build-out of our AI stack - particularly in decision intelligence.

We remain focused on maintaining strong pipeline momentum and deal conversion, building on FY26's record TCV performance as we enter FY27. Despite ongoing macro uncertainty, we expect to deliver high single-digit to low double-digit growth, supported by disciplined execution and increasing demand for AI-led transformation in FY27. From a margin perspective, we remain committed to operating within our target band of 14.75% to 15.75%, while continuing to invest in platforms and capabilities. We also expect to maintain an operating cash flow to net income conversion ratio of approximately 80%. With that, I will open the call for questions. Operator, over to you.

Moderator: The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Good morning. Congrats on the quarter. Couple of things. So first, a very high-level question. And then there's a nuanced one. So, you mentioned 80% of the transformation happens outside of IT. And obviously, that requires budgets for clients at the end of the day. How are clients actually sort of managing this? There are thoughts around, whether IT and ops budgets can be combined. But there are nuances to this even happening. So, just your thoughts on when the budget unlocks can really happen? And if you're thinking about the top 100 enterprises, where are they in their thought process on this? And your thoughts on the same as well.

And the second is primarily on the working capital intensity. Obviously, we are in a phase, where you have BFSI, which is growing strongly. They have increasing budgets. And you're growing pretty strongly there as well. So obviously, conversion can be lower. But in that context, when we look forward, you mentioned 80% sort of conversion, if that includes the \$16 million, which passed out from last year to this year, which is FY '27. How are you thinking about free cash flow conversion in the near term? And how should we think about that sort of normalizing longer term? In that context also, this contract assets moving to DSO. What should be your ideal DSO? Because obviously, DSO will come off over a period of time. What should be the ideal DSO one should think about? Yeah, those are the two questions. Thank you.

Nitin Rakesh: Thanks, Nitin. I'll take the first one. And Aravind will address the second one. I think if I rephrase the question you asked, I think it's a little bit around the budgets and the propensity or decision making at a client side on how they make decisions on where to invest. So, if I think about where the client sentiment is, I don't think we have seen any major cuts in pure tech budgets, but that's only part of the story. There's definitely a sense of urgency to act at the enterprise side, given the pace of innovation. Some of it is obviously to do with applying that innovation to get efficient and drive business outcomes, but some of it is also very defensive. We think about the whole Anthropocene case, they will have to invest to make sure that they're able to defend and protect their business and their data.

So, the way I would think about it is, there is urgency to act. What we are seeing is reprioritization or prioritization, where spend is continuing to shift towards AI-led programs with clear ROI. But clients are going to be selective. However, they're not pulling back on spends. For a good ROI, the business is willing to fund, even if it wasn't

in the tech budget. Because the reason it is important to understand that 80% of the AI adoption will happen outside of tech, basically means that many of these programs will be able to drive a certain business outcome that the business wants. I think I gave many examples of that in the script. Revenue optimization, marketing and promotion, supply chain optimization, demand forecasting, even underwriting modernization is not a cost play or a budget play. It's a revenue expansion play. More throughput means you actually underwrite more business, because you're not constrained by underwriting capacity. So to me, the budget discussion of this sector, our industry being on the cost side of the equation. I think we have an opportunity to break out of the cost side and actually play across the entire spectrum of an enterprise transformation playbook. So, hopefully that gives you a sense. Having said that, we haven't really seen top 100 enterprises coming into 2026 by saying, I'm going to cut my tech spend anyways. The tech spend has gone up low single-digits. Some of it will be repurposed. A lot of it is going towards building the stack for AI. That is definitely an area we're playing in very strongly. And there is a very large spend pocket that we will also see opening up, which will again be outside of the typical annual tech budget, because those will be large infrastructure capex-driven spends, because they have to all modernize their compute environment, if they have to compute AI stacks. So, watch out for those. That's probably one of the biggest opportunities that we will see opening up over the next two to three years. We are already having significant momentum in that segment from a dealmaking perspective. Aravind, you can answer the second one.

Aravind Viswanathan: Sure. So, Nitin, a lot of questions on the working capital, right. Let me start from the receivable side. If you look at from a receivable side, DSO improved by a day. You've seen current receivables go up, but you've also seen contract assets come down, which means basically the unbilled on fixed price prior to milestone has actually moved to a situation, where the customers have accepted the milestone. And to us from a DSO standpoint, we anyway include the contract assets.

And you would also see a reasonably steep reduction in non-current receivables, which has again moved to current receivables in some way right, and there is also a currency impact on the receivables as well as the growth impact. Now despite that you see a DSO, which kind of covers all of these and that includes contract assets, so DSO is in the right direction in that sense.

Obviously it would have been better by another three days, if we factored for the \$17 million, we showed the adjusted amount. These are payments, which we usually get by quarter end, and it has been initiated before the quarter end, but in some form due to some kind of banking issue it got credited on first, and therefore, we've not called it in our financials. We've not given you an adjusted DSO days, but if you adjust, the DSO days will probably come down to 86 or something like that.

If you look at from a cash flow standpoint there are two, three elements to keep in mind. We had talked about contract acquisition cost and created a liability against it, some of those have got paid to the clients in this quarter and despite that we would have still been

at, I would say, closer to 80% even in 76% in this year despite all of those. So, it's not very far from the 80% we have talked about in the future. So, I think, we are reasonably confident on that.

Moderator: Sir, one moment, the line has dropped. Please bear with me, while I rejoin the connection. Ladies and gentlemen, thank you for your patience. We have the line for the management reconnected.

Nitin Rakesh: I don't know at what point did we drop, did you actually get the answer, or should we repeat the second answer? Let's go to the next question, Nirav. We will, I'm sure, we'll get the same question again.

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

Sandeep Shah: Yeah. Thanks. Thanks for the opportunity and congrats on a good set of execution and the increasing order book YoY. Nitin, first question is, if I look at your deal pipeline, 26% has been towards modernization. So, we do agree AI is accelerating this side of the spend, but most vendors are turning bullish on this side. So, how one can differentiate to win the wallet share in this side?

Nitin Rakesh: Good question. I think, I probably used the word NeoIP and the AI-led platform approach, quite a few times in my script. And I think that truly is the ability to create a modernization roadmap executed at scale with very fast time to market. Compared to a typical modernization program that would have taken us years, we are now managing to deliver these in a fraction of the time and, of course, much higher complexity, which means the certainty of outcome is higher as well. So, the biggest differentiation really comes out of the stack that we've built and continued investment in deploying that stack at enterprise clients and delivering value that comes out of that stack. And that, I think, is not an easy catch up to make if someone starts making that investment. Of course, there are third-party tools and assets available. You can stitch a solution together. But I think we've had a pretty significant time to market advantage, given that we started on this journey years ago. And even in 2024, we launched the first set of our IP assets. And we codified all of that into a platform called NeoIP last year. So just staying ahead, building on the stack, and now with the recent acquisition, we believe we've created another competitive advantage, because now we're extending the stack to go beyond just systems modernization.

Second thing to note is, you can take an approach of IT modernization or application modernization or legacy modernization. But if you think about modernization in a broader construct, you can actually start doing business transformation using the same stack as well. I think I gave the example of underwriting, in my script. And I think that, that to us is quite a big breakthrough if you manage to break through into some of those conversations, where you're driving more than just tech transformation.

Sandeep Shah: Okay. And just to follow up, is it fair to assume this side of the spend is not that sensitive to the macro headwinds? Because if you want to scale up the AI adoption, this spend is necessary. If yes, then why for the sector as a whole, the growth is not turning net accretive rather it's been dilutive. So, people are asking more savings to have the budget on this side; while spending they are more cautious in terms of release?

Nitin Rakesh: So, I cannot tell you, why the rest of the industry is not tapping into the spend, but I can tell you that we are definitely tapping into that spend. But to tap into the spend, where you're enabling AI at scale, you need to have the capability to actually deliver that to the customer. And you also have to have the maturity of constructing commercial models that are linked to outcomes. And I think a lot of the commentary in the sector has been focused a lot on things like productivity passbacks and AI deflation. I can address those as well, but if you really think about in AI and the impact that is having on businesses, you can play two ways. You can either say, I have increased productivity gains versus last year and hence I need to pass them all back to the customer, particularly in areas like testing or maintenance. However, in our case, the pass-through to clients is very measured and structured because in most cases, we are partially passing it, but we're also using the meaningful portion of the saves in asking the client to reinvest into the expanded scope, additional automation, additional AI layers and modernization work. So, I think, it's a question of not just having the ability to tap into the spend but also having the ability to structure a deal construct and having the ability to demonstrate to the client that you can deliver on the construct. So, I think it's a little bit of, again, a differentiation related question. I wish I could answer it for the rest of the industry, but sitting where I'm sitting in my chair, I can only tell you what Mphasis is doing.

Sandeep Shah: Okay. And last question to Aravind, if I look at the EBIT margin excluding the hedge gain or loss it has expanded by 80 bps in the FY26, but that is not reflected in the reported margin because of the hedge losses. So, how to model this considering the rupees depreciating?

Aravind Viswanathan: Sandeep, our hedge book still continues for the next four quarters. So, I think, you will see continued impact of hedge losses in at least the first half of FY27 and then it will kind of taper down a bit. So, you would still see this headwind in FY27, right. We will not see the full benefit of the rupee depreciation and typically, you know, what happens right. By the time, the hedge losses come off, somewhere, there are adjustments in the business that kind of consumes this. But I think you will see some of it reflect into, in terms of lesser hedge losses only in H2 and not in H1.

Moderator: Thank you very much. Next question is from the line of Vibhor Singhal from Nuvama. Please go ahead.

Vibhor Singhal: Yeah. Hi, thanks for taking my question and congrats to the Mphasis team for a solid results. Nitin, a couple of questions from my side. The BFSI vertical reported very strong growth in this quarter and for the full year also, I think, the vertical has reported very strong growth shielding the company from the kind of sharp reduction that we saw in the logistics revenue. Sitting where we are today at the end of FY26 and given the pipeline

that you see and the deal wins that we have won. Do you believe this growth momentum of BFSI can be sustained in FY27? Do you believe the kind of growth, 17% kind of growth that we have seen would be a little difficult to kind of pull off again in coming quarters? Any headwinds or tailwinds that you're looking at the vertical would be really helpful.

Nitin Rakesh:

Vibhor, firstly, we are very, very happy that we managed to grow our BFS business in healthy double digits and our Insurance business actually grew even more than that. Both of those have been fairly broad-based. I think you saw the client pyramid and the activity; there are clients that sit in those segments that are driving that growth as well. Bulk of this growth is driven through in-account action, deal-making and ramping up those deals. I think the fact that we sold a large chunk of deals in Q1 definitely helped accelerate the growth towards the second half of the year and especially in this segment. If you look at the pipeline that I showed in the deck, where we talk about BFS and non-BFS, you can see that there's a pretty rapid buildup of pipeline in BFS, even after this kind of year. So, for us to be able to grow to the aspiration and the guidance that we are showing, we have to make sure that BFS and Insurance both continue to play a role there. And hence, we are fairly confident that we'll be able to sustain the growth momentum.

Now, whether the segment continues to grow at the same rate or faster than FY26, remains to be seen based on how we convert those deals and how quickly we convert them to revenue. But given the large client segment is very stable. Again, you've seen pretty strong growth in top 10 and next 20 clients. I think at this point, there's nothing to call out that gives us any caution, especially in these sectors.

Vibhor Singhal:

Got it, got it, got it. It's really heartening to hear that. On the logistics vertical, we know basically we took a big hit in the Q1 of this year itself. But for the past three quarters also, the vertical has been hovering at around that \$24-million-mark kind of a number. Anything that you can probably maybe you can probably take us through, any outlook on this vertical, what exactly are we looking at? Any chances for it to basically support the kind of growth that we are looking for BFSI, of course, will be much higher. Any chance if the positive momentum building up in the logistics vertical in FY27?

Nitin Rakesh:

So Vibhor, I think, I can give you the answer in two ways. Firstly, yes, there's been a churn internally within the vertical, because we had to add new customers. We had to win deals outside of the rampdowns. And some of that is the reason, why the business actually stabilized in the second half of the year. Given the size of the vertical, we can actually make it swing pretty quickly with one or two large deal wins. So, for me, it's the glass half full type of discussion, where instead of focusing on whether the growth will come back and whether it will grow faster or slower than the other segment, just given the size, I think, it has a propensity to show an impact with one or two wins. We have high quality logos. We've built them up. In addition to logistics, there is transportation, airlines, and railroads in there. So, quality of customers is not a problem. We definitely have the opportunity to continue to make deals in those segments. And we do expect this to gradually recover through FY27.

Vibhor Singhal: Right. Any sectoral headwinds from the war in Iran that might be visible in initial conversations with maybe airlines or any other companies or nothing as of now?

Nitin Rakesh: I think at this point, given the bulk of the businesses in the U.S., we haven't seen a lot of cross border impact. Yes, of course, we're keeping an eye on what happens to oil prices purely based on the sensitivities in transportation and airlines. But too early to say, whether it's going to have a long-term impact on FY27 or not. I think deal making is continuing to happen. We are still sitting on large deals in the pipeline and hopefully we'll manage to close them with the same propensity that we expect.

Moderator: Thank you. Vibhor, may I request you to rejoin the queue for a follow-up question? The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yeah. Nitin, just to continue to some extent prior question, just want to get your sense on the diversification part. BFS is doing very well for us. Rest of the BFS, even pipeline growth is slower than BFS. I just want to understand to, let's say, get more diversified, more sustainable long-term growth. What kind of investment you envisage and plan in terms of leadership, capability, pipeline buildup in the remaining part of non-BFS business? That is question one. Second question is OCF to profit. We indicated 80%, but if I look your last 10-year average, it's always above 100% kind of number. Now, it is obviously a step different than what we used to operate it. So, if you can provide broad thought process around it, whether the new way of working require relatively weaker cash conversion, so broad thought process on that part. And last question is 'Everything-as-a-Platform'. That pipeline also grown significantly. Whether it is linked with the cannibalization of ERP kind of offerings? Thank you. And your overall thought process on it.

Nitin Rakesh: Sure, Dipesh. I'll answer the first and the third, and then Aravind can throw more light on the OCF and the outlook going forward. I think on diversification, given that a large portion of the business deal-making today is happening with AI-led propositions, you have to understand that most forward-leaning companies in enterprise segment will be banks and to some extent consumer companies, as well as any consumer-facing companies, including Retail, CPG, and Telecom. So, we will go make deals, where deals have to be made. There are obviously certain other segments that will either be fast followers or slow followers, and we'll continue to take propositions to them as well. So I think to me, the color of money is just the same. We will continue to operate the business with a mindset of operating at a micro level. I think the fact that despite the large conversion of \$2.1 Bn, obviously a lot of all of that didn't come in BFSI. There was a pretty healthy mix of non-BFS in there as well, in terms of the deal wins and that obviously showing up. And if you look at TMT, it has grown healthy double-digits YoY for FY26. That segment was basically a very small business for us three or four years ago. We didn't really have an airlines or transportation vertical outside of one customer. So, I think, we will continue to operate in a model, where we add new clients to these industry verticals. We've made significant investments in leadership. We've obviously announced some to the market recently. As early as this Monday we announced the

appointment of a new leader for our global Insurance business. We've also very intentionally talked about adding CPG and Retail into our mix as of two weeks ago, when we announced the acquisition. So, I think, the efforts will continue to operate in a manner that we strengthen our client portfolio, but we're very focused on driving almost every segment of that client portfolio across the pyramid, across industry segments, and across geographies.

On the third question around Everything-as-a-Platform, as we call it XaaP, I think, that is linked to building up of platforms that become the foundational stack for a customer. There is an element of infusing the Neo stack in there. In fact, a large portion of the Neo stack, especially around NeoSaBa™ and a bunch of other assets that were built out of the XaaP tribe, and that gave us the foundation to actually include them in the stack as well. We don't really have a very big ERP business, so I don't think for us that is cannibalizing anything on the ERP side. I think that's probably a little bit of a bigger problem for companies that have big ERP practices, which might get cannibalized, because either through a de-saasification play or shrink the core play, you might see an impact to core systems. But in our case, we're really more a custom application business versus a core platform deployment or integration business. So, that effect is not there on our book. On OCF and outlook, Aravind, you can answer.

Aravind Viswanathan: Sure. So Dipesh, if you look at it, you're right. We used to operate at an OCF to net income at more than 100%. But as we kind of pivoted to a lot more annuity, large deals with savings that we are passing on to clients, that has necessitated certain amount of investments from a working capital standpoint, where customers ask for year one savings and things like that. And therefore, there is a transition period, where you have to make that investment. And we have chosen to make that investment from a cash flow standpoint and a working capital standpoint to drive growth. What happens in subsequent years, Dipesh, is that you start unwinding these. And even when you do fresh ones, you don't see an incremental impact. But right now, we are in that phase, where we are kind of moving, and you've seen this reflect in our enterprise business going up substantially YoY. So, that's a pretty conscious decision. But at the same time, we want to retain a discipline that we will still be at 80%. That's the line we will not cross. And that's what we are targeting. So, it's a little bit of a tradeoff. And right now, this is the level we are comfortable to operate at.

Moderator: Thank you. Next question is from line of Abhishek from InCred. Please go ahead. Abhishek, may I request you to unmute your line and proceed with your question?

Abhishek Shindadkar: Hi. Thank you for the opportunity and congrats on a good quarter. My question is regarding the revenue by delivery location; the on-site number has gone up. So, can you just maybe part of it could be utilization, which probably is not reported this time. But Nitin, I would like to get a color in terms of the nature of services and the nature of projects that is driving this. The reason to ask is, because we have seen an improvement in the gross margins, despite this mix shift towards on-site. So, your thoughts on this would be very helpful.

Nitin Rakesh: Yeah, I think, Abhishek, it's a little bit of a business model transition question versus a metric of, on-site revenue versus on-site utilization question. I think Aravind just talked about the movement we've seen in our fixed price component. Many of the large transformation programs, including deployment of the stack, requires the forward deployed capability. That typically happens in client location onshore. And as we scale, we probably will see a little bit more normalization, but we're not charging by headcount or by effort. So, that kind of gets lost in the translation of numbers. So, I think, as we transition more and more towards these kind of solutions and propositions, as we link more to either outcomes or large programs with milestones, I think, we'll also have to adjust our own understanding of how to value the business and how to evaluate the business from metrics that are probably dated at this point. So, we'll continue to report what we feel is appropriate. At this point, we're still reporting a lot of these metrics. But my view is, you should be mentally prepared that over the next year to two years, we will see addition of new set of metrics. And some of these probably will not be as significant as they used to be five years ago. But that's kind of really what's happening, where most programs are getting kicked off where the clients are. And of course, because we are reporting it and tracking it and capturing it, we're capturing it that way.

Abhishek Shindadkar: Very helpful. Just a follow-up to that, Nitin, most of the companies that reported earnings had highlighted deferrals to project starts. And what you are highlighting and what the data is suggesting is contrary to this thesis. So, just trying to understand, was there anything that, you saw differently versus what the peers that saw?

Nitin Rakesh: So, Abhishek, the environment is the same. The client sets are very similar. I think it all depends on the propositions. And I think I have actually been calling out for this kind of divergence for the last four or five quarters. Again, I cannot answer for the rest of the industry. But the ability to drive value and the ability to do value-based deals, while having the capability and the competency, both from a people's standpoint and from a tech standpoint becomes important. So, it's not an easy environment for sure. There is a lot of noise around AI. There is a lot of noise around macro and geopolitics, but staying very focused on the micro, staying very focused on the value of the propositions, making sure that we invest, so we maintain whatever differentiation we think is appropriate and continue to double down on making those investments is really what's driving a lot of this discipline.

Of course, remember, we made a very intentional investment in building up our large deals capability about 18 months ago, when we brought on a new leader and a team built around it. That's definitely created some scalability and repeatability in our ability to drive these propositions as well. And I think we still don't think the full impact of that team has played out in the numbers, because there is always a ramp up time and that's what excites us about FY27 as well.

Abhishek Shindadkar: Super helpful and thank you for taking my question.

Moderator: Thank you. Next question is from the line of Rishi Jhunjhunwala from IIFL Capital. Please go ahead.

Rishi Jhunjunwala: Yeah, thanks for the opportunity. Nitin if we, from what we understand, when it comes to AI adoption or productivity demand, some of the large BFSI firms are the ones, who are actually asking for it more apart from the hyperscalers. At least that's what we get to understand. Given your exposure to large clients and where you yourself are fairly large, it exposes you to that - both in terms of new growth opportunities as well as the productivity-led compression. So, just wanted to understand, given the kind of growth you have seen in BFS, how are things playing out for you? And how are you seeing those clients behaving, when it comes to asking for productivity? As some of your peers have already mentioned, they had to pass it on. And whether are they ramping up rapidly on AI adoption and you gaining wallet share out of it?

Nitin Rakesh: So, Rishi, I talked about it very briefly earlier on. If you think about AI productivity, we are definitely seeing increased productivity gains versus a year or two ago, especially areas like engineering or testing or maintenance. About the pass-through to clients, at least in our case is very measured and structured. And I'll tell you how it's structured. We may pass a part of the productivity back to the customer, or they may choose to actually shift to a commercial model that incents both parties to operate and align on the outcomes. But a meaningful portion of that productivity gain has to be used and offered in additional automation or AI layers of modernization. So, while productivity is real and increasing, the net effect, at least, for us is not pure deflation. It's driving both efficiency and growth within client accounts.

But again, for that, what's important is the ability to show them a path to driving the transformation. We've seen this in top banking accounts already, where we've gained wallet share, because the delivery of productivity through our teams, through a commercial construct that we believe worked for both, was superior to our peers. And hence, we were able to consolidate a lot of SDLC work that was available in that account to consolidate. So, this is a theme that we have to continue to play out. There are parts of the business that are more exposed and parts that are insulated. But it is less about exposed versus insulated and more about the type of work and the commercial construct. So, to me, I think, if you're able to get more resilient platform-led transformation programs, modernization work around data, and stitch it to outcomes, I think, the ability to then grow the account is much higher.

Rishi Jhunjunwala: Got it. The other thing is, if we look at your margins in this quarter, and if I strip out the hedging losses, which are, of course, temporary, we are probably at multi-year high in terms of EBIT margins, ex-FX. As per my calculations, like 16.5%. Firstly, I mean, how do we think about margins given that you've given a band, otherwise, which I'm assuming includes forex impact, but still, you're effectively running above that? So, are we looking at increase in investments in FY27 that could have some impact on this given that your growth is also accelerating and as a result some of the investments you've been making in large deals and others would also start paying off. So, how do we think about margins going forward within that band?

- Nitin Rakesh:** So, Rishi, I'll give you at least my view and then Aravind can definitely add on that. The way we've constructed the business at least over the last two, three years is, if you can hold margins steady despite all of the pressure and noise around productivity and deflation and passbacks, we should have the ability to invest back in the business. And I think you've seen the amount of AI investment we've made, the amount of sales and GTM investment and now we are actually making leadership investments as well. So, I think, just having that operating leverage gives you the flexibility to either pass it through the P&L or actually have the ability to make these investments. But so far we've managed to maintain the margins, expand them slightly as you said despite all the ups and downs on currency. The thesis hasn't really changed for FY27 either. If this platform-led proposition model continues to operate, I definitely think we have operating leverage that will become available, because the cost of goods sold equation can be impacted very nicely if you can deliver the same outcome without necessarily pricing for the same effort. Which is kind of what I was trying to explain earlier, when it comes to the metrics that we were tracking in the past versus today. On hedge impact, I think, part of the reason we hedge is to not have volatility in the operating margin, but Aravind maybe you can add a little bit more color.
- Aravind Viswanathan:** Yeah. So, Rishi, that sudden depreciation does result in an uplift in margins and sudden appreciation will have a reverse problem and in this kind of environment right, we don't know which, you don't want that kind of volatility in your P&L and that's why we kind of stick to a pretty consistent hedging policy. And when rupee depreciates sharply, the losses are a headwind and you if rupees suddenly were to appreciate, you would ask the same question, saying your margins are probably not moved, despite hedge gains right. So, I think, it's a tricky slippery slope and in general you guys don't like it, if we give anything in our commentary and we don't look at anything ex in that sense. So, forex is a realistic part of the business and that's a reality we have to live with. We don't look at it, saying, if rupee depreciates, we will improve margin and if rupee appreciates, it's okay to drop margins. You've seen situations as early as four quarters back, when rupee went to 85, I don't think, we changed our margin commentary then. So, I think, it is important to give that comfort that rupee is just another variable like utilization and billing rates and things like that, and that's how we approach the business.
- Rishi Jhunjunwala:** Fair enough. So, I was also asking it because this was a year, where you had significant headwinds in the logistics and transportation vertical from a profitability perspective also. And going forward, if rupee stabilizes, ideally these hedging losses will also come down. So, that will be a tailwind on the reported margin. So, that's where I was coming from, but thank you.
- Aravind Viswanathan:** That's true. That's true, Rishi. Yeah, that will play out. I think the only point is we keep discussing that, but rupee never lets you settle down to a point, where we reach stability. So, sometimes it's a pipe dream to think it will stabilize and something will flow in, but yeah, mathematically, yes.

Moderator: Thank you. Next follow-up question is from Nitin Padmanabhan from Investec India. Please go ahead.

Nitin Padmanabhan: Hi, thanks for the follow-up. Aravind, I lost you, while you were explaining. So, just an add-on, as you continue on that, where we lost you is, you essentially mentioned that contract assets have come down, it's moved to DSO, which means customer has accepted the milestone and you were giving context there. Just to add some flavor of what I'm seeking is that, see, there are a lot of questions that we're getting on this. So, just your thoughts around from a strategic perspective, because obviously, when you're growing at BFSI, maybe 18%, for that, it will consume working capital. And strategically, when you're looking at participating on the AI side of things, you need to be there and get market share to be able to participate there. But just to hear your thoughts on a high level and some granularity on a question, which is that the \$16 million is released post this year, which was supposed to come last year. So overall, that 80% looks lower. So, just a high-level view there would be very helpful to sort of assuage some concerns.

Aravind Viswanathan: Sure. So, Nitin, first point, right, \$16 Mn is probably what? Maybe 7%, 8% of your PAT, right? So yeah, you can presume that, this will be 80% excluding that, because that \$16 million you're kind of covering as part of FY26. So, it's not a material number in that sense, but it's semantics and, we are looking at 80 on a consistent basis, right? So, that is the first point. Two is from a contract asset standpoint, it is not coming into DSO, it's coming into debtors, because always part of DSO. So, from our disclosure perspective, we've always been consistent to include contract assets even when it was, when it kind of spiked up, our DSO reflected it and it's just an internal movement between one part of DSO to the other part of DSO. In fact, in general quality of debtors I would say is, is better, because your contract assets have come down and our non-current debtors have come down, right? So, you you've actually seen an improvement in the debtors and you've also seen DSO improve by a day and the improvement by a day is without the \$17 Mn benefit right. If you include that is actually improved by about four, five days.

One of the elements from an operating cash flow standpoint that has played out in Q4 is that, if you remember we had other liabilities go up and I explained it, I think, in our Q1 call, viz-a-viz our contract acquisition cost. Some of those payments have happened to clients, right? And whatever we are showing as operating cash flow for FY26 reflects a reasonable reduction in other liabilities, which were attributed to the contract acquisition cost for large deals. So, there is an element in the base, which already factors in the investments that we have made for large deals. And I think, we will continue to make those investments. But the way to look at is, and I think, Dipesh asked this question, from historic levels of 100% plus, we think we would operate 80% in FY27 and that's largely because of these reasons.

Nitin Padmanabhan: Sure perfect. Very helpful. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen, we will have to take that as the last question. While there are more questions on the queue, we would have to wrap up the call on time. With this, I now hand the call to Mr. Nitin for closing comments.

Nitin Rakesh:

Thank you Nirav. To close, while macroeconomic uncertainty persists, our strategic direction remains unchanged. We will continue to stay focused on execution, accelerating our technology-led differentiation, and scaling our AI capabilities to deliver measurable outcomes for our clients. We will also be scheduling an Investor Day in Mumbai over the next few weeks, and we will be informing you shortly about the exact location and the dates, and look forward to engaging with many of you in person at that time. 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.