

'Focus on prioritising growth in direct biz'

Blackstone-backed IT services player Mphasis on Friday reported a stellar Q1FY22. The company reported revenue growth in its direct business of 9.8% QoQ and 32.5 per cent YoY in constant currency. **NITIN RAKESH**, executive director and CEO, Mphasis, speaks with **Shivani Shinde** on growth drivers, demand scenario in direct business, and supply side concerns. Edited excerpts:

What have been the growth drivers for Q1 numbers and how do you think FY22 growth will pan out?

This has been a stellar quarter for us. Our direct business grew 32.5 per cent YoY, the highest ever. We are seeing growth from across clients, verticals, and geographies. The top-five accounts have grown at 17 per cent and total top-10 accounts grew 24 per cent YoY.

Direct business is growing very well — it's the fourth quarter in a row with double-digit growth. Our banking vertical has grown in the 20 per cent range in the last four quarters. Hi-tech business is growing in triple-digit per cent. In Europe, the growth was 30 per cent. A large part of the growth is also led by application transformation business, which is where we are seeing significant uptick of new platforms, migration and modernization using cloud platforms, etc. Over the \$1.1-billion TCV wins we announced for FY21, in Q1 we had a total TCV of \$505 million.



NITIN RAKESH
Executive director
& CEO, Mphasis

Q1 sets us on a strong start of the financial year, which means you get the run rate benefit for the remainder of the year. For us, direct business will have market leading growth business for FY22. Prioritising growth in the direct business will be our focus.

How much of this growth is sustainable, especially when you see competition from other players?

A number of trends we are talking about are not new. Like customer-focused tech, personalisation needs, application of agile, and the shift to cloud. The pandemic accelerated this. Many of our clients who were sitting on the fence are propelled to take decisions because there is no choice but to embrace this technology shift as businesses moved from being omnichannel to digital. Having said that, from a client's perspective this shift is not trivial. They have been using tech in a certain way for 30-40 years and overnight they cannot make this shift



in one or two quarters. This will be a multi-year tech transformation initiative cycle. We are in a tech spend super cycle and not every vendor will be able to capture this growth. I also believe people/companies who built their business around infrastructure capex, or infrastructure management services segment, will see an adverse impact because that spend is moving away from on-premise to cloud. Companies who made investments early on and are prepared to hand-hold clients in their migration stand to gain. In our own instance, our direct business has grown 32 per cent on a

constant currency basis, it is 2x of the next best growth that industry peers have reported. Clearly, we are gaining from the market shift.

Attrition is an industry issue, how is Mphasis balancing supply and demand scenarios?

Our industry thrives because there is a dearth of talent in global markets. We have to continue to find the supply funnel to fuel this demand. We have to do almost everything to manage supply side issues that include, hiring from campuses, reskilling, lateral recruitment and opening new centres. Rather, we have been expanding into newer geographies, too. We identified five new markets for talent growth, so we expanded into Taiwan, Costa Rica, Mexico, Estonia, and Canada.

Last quarter, you had mentioned that the new set of investors will open doors for new engagements. Any new update on that?

It is still too early for that strategy to work out. This quarter is more of the broad-based growth we are seeing in our geographies and verticals. However, we do have a team and strategy and have decent activity in the pipeline. There will be some development, but there is nothing at present to share.