Coverage Report

In-person meetings with Mphasis CEO Nitin Rakesh

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Mphasis embracing massive shift in tech consumption

RAJESH KURUP
Mumbai, November 17

THE CONSUMPTION OF IT is moving much faster to a rental model from the ownership basis, putting the onus on cloud and emerging technologies, a massive trend that the technology sector has begun to monetise. However, it is imperative to be on the right side of the trend, according to a top official at IT solutions provider Mphasis.

"The entire value chain of IT consumption is moving away from a fixed mode of consumption on-my premise, with capex money moving to a variable mode of consumption off my premise with opex. That migration is seen on every aspect of technology, on-prem-as-a-service (where the hardware is owned by the service provider), software-as-a-service, infrastructure-as-a-service, security-as-a-service and network and data. Almost everything is available on demand because you don't need to own those assets, you can rent them," Mphasis CEO and MD Nitin Rakesh said in a media interaction.

"This is the reflection of tech consumption by large enterprises. If they change the way they consume tech, they will change the way they consume services too. We are taking a step further and rather than waiting for them to change the way they consume technology, we are helping them make that change," he said.

Enterprises would be investing more in this trend, which is being monetised by the IT sector and Mphasis. IT firms are looking at helping enterprises build new applications that are cloud native and systems are available and resilient.

"Be prepared for relentless prioritisation by customers, and that's why being on the right side of that trend is extremely important," he added.

There is a massive shift in the way enterprises are consuming tech with cloud, data, cybersecurity and application transformation to cloud among others being growth areas. "There is a gap between digital natives and traditional enterprises, which is a huge tailwind for our business," he said, adding, cloud and data are the general themes for enterprises.

Mphasis, in which US private equity firm Blackstone holds a stake, is scouting for inorganic opportunities.

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The Free Press Journal

Radical shift in the way tech is consumed now: Mphasis CEO

PTI / Mumbai

The information technology sector is moving much faster to a rental model from ownership, and the segment is monetising this at a fast pace, a top official of IT solutions provider Mphasis has said.

This fast-emerging trend is opening up more avenues for cloud and emerging technologies, according to Mphasis chief executive Nitin Rakesh.

He, however, warned that companies need to keep in mind that they are on the right side of the trend though.

"The entire value chain of IT consumption is moving away from a fixed mode of consumption on my-premises with my-capex to a variable mode of consumption off-my-premises with operating expenses model.

"This migration is seen in every aspect of technology, on-premise-as-a-service, software-as-a-service, infrastructure-as-a-service, security-as-a-service and network and data," Rakesh said here on Thursday.

Online

ET Prime

Mphasis CEO Nitin Rakesh on recession: No armageddon in tech spending

Twitter, Meta and Amazon's layoff decisions have been ringing the alarm bells for the much-talked about recession.But are we there yet? If yes, what will it bring aside from teary-eyed farewell posts on LinkedIn? What will a possible recession be like for the ones who run IT services businesses, whose growth is tied to the US market? Mphasis CEO, Nitin Rakesh says that the recession won't result in a tech-spend armageddon but clients will prioritise where their money goes.

He believes that unlike past slowdowns, where size and scale helped larger companies, the focus now will be on specialisation and transformation.

Rakesh talks to ET Prime about mergers and acquisitions and the outcome private equity investors are looking for. Here are some edited excerpts from the interaction:

Client budgets have been in focus. What are your clients telling you about their spending decisions for the next year? I think they're all busy in their budgeting cycle, right? The budgeting cycle is a little bit more intense as you can imagine. I asked one client to explain their project budgeting to me and she explained it in two words — relentless prioritisation.

So the big areas are cloud, cybersecurity, modernising data practices, improving customer experience. That is one of the reasons that I am glad we bought Blink — which does experience design services and product design. These are the areas which will continue to get investment. These are also the areas where we will continue to find growth. But overall funding might be flattish.

But flattish also means there is some inflation built in. So I think broadly, the tech environment or spending environment will still be fairly stable. I wouldn't say it will be gangbusters like in 2021. But it's also not, you know, armageddon, like down 30%.

Are there areas in your business where growth will be a concern?

Now there are pockets of customers that will have to take those cuts. Yeah, customers that are highly sensitive to the interest rate cycle and customers that are highly sensitive to global trade, right customers that are highly sensitive to prices.

We are seeing that in our mortgage business. You can build all the flex you want to build, you can build all the diversification you want to win, but when interest rate goes up, it goes down and there is nothing you can do about it. But it's a great business to be in when the cycle turns, because then it grows like a weed. So that's the environment.

In every slowdown, it is generally thought that large companies have an edge. How is Mphasis dealing with this?

In 2020, every analyst took out the playbook they wrote at the time of the financial crisis saying large caps appear to be great, because they have long-term committed managed services contracts.

That did not happen then. And we don't think it will happen now. Managed services contracts will be the first target to be cut — either because they (clients) want to squeeze that and find money through cost cuts or because they want to exit it.

So unlike the last time, discretion is not about managed services versus app development. Discretion is about run versus change. Transformation versus legacy, right? If I can accelerate transformations and cut the legacy, I have a better offering and this will get reflected.
And I think I've been saying this to everybody, but if you've been around for more than 20 years, pretty much since 2000, this is the first year on record where you will see the divergence in growth between best providers and worst players be at an order of magnitude higher than it's ever been.
Companies that are doing well are growing in the mid-to-high trends, healthy double digits. And companies that are the worst performers, not from India, are growing at minus 20% and the reason is this change. It's never been the case before, because in the past there was only one play- scale, size and long-term deals.

I am not saying that the other guys are not good, I am just saying that given the pivot we started five years ago, and that got accelerated in 2020, I think they will get even more accelerated in 2023 because of this.

DXC, your former parent, now contributes under 5% of your revenues. DXC has dominated questions about your business. What are the new questions you want analysts to ask?
We did that by choice. We decided this is not a good part of our business to be in because this is not a good use of my management resources and my investment dollars.

We didn't say it out loud as much but very slowly we started saying that we're exiting that segment. Now we want them to ask us 'Why are you winning so many new logos?' In our industry, getting a new logo is a mug's game.

The hardest thing to do in a mature industry is to go to a customer and say, onboard me, right? Because there is no green field left. It is all brown so that means to get a new logo you have to get on to your hands and knees and fight. We also ask ourselves, why will a customer buy from me?

What is different about what value that we are bringing? What is the purpose, the purpose of our existence? And we ask ourselves this question quite regularly.

You created a new client acquisition strategy a few years ago. How has that played out?
We've added three new verticals that are growing well like high-tech, healthcare and travel. Even banking, while we do business with top 10 banks, there are other large financial services companies that should be a slam dunk for us, where we should be partners.
So we took that approach three years ago, and we said, when a bank asked you the question, why Mphasis, you should say why not Mphasis? Because we're specialists in that area. Then, of course, things are obviously very, very entrepreneurial, we had a small high-tech practice to turn that into a USD1 million business.

We have a small healthcare business which has grown 5x in the last three years. So that's truly a new engine of growth for us. Geography is not so much yet (a driver of growth). It had begun to be, as we saw Europe do really well last year. But this year is going to be a different year because of the issues there. We are growing in Canada. And then we have an emerging business which is very India-centric, that is also growing slowly but growing in relevant clients. 4/4

How will your hi-tech practice manage given the layoffs and slowdown we are seeing in US big tech?

Hi-tech for us was not Facebook and the FAANG companies. For us, it is device makers — medtech, software vendors. Blink did more work with Google and Facebook, so that will take a little longer to monetise. But I think there's more than enough going on for our business there.

Are acquisitions a method of growth? Would you have a pool of capital earmarked for deals?

We just hired a head of M&A. He has a charter of three things — capability, competency and capacity. So there will be opportunities over the next 12 months. The private market still hasn't corrected as much as the public market has, but nothing lasts forever.

About a pool of capital, I would say, we have really rich parents. Capital is not a constraint but everything has to have the right price. Think about our backers — Blackstone, GIC, Abu Dhabi — so it's not that we thought about going to the higher level (USD1 billion deals) but I'm just saying theoretically, we have an unlimited pool of capital backing us so I can raise whatever I need.

Blackstone recommitted last year with these solid investors. So obviously, we have to do something more than just organic growth that we've been doing. We will continue to find ways to bolster our market share.

Financial Express

There is a massive shift in the way enterprises are consuming tech: Mphasis CEO and MD Nitin Rakesh

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Devdiscourse

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''This migration is seen in every aspect of technology, on-premise-as-a-service, software-as-a-service, infrastructure-as-a-service, security-as-a-service and network and data,'' Rakesh said here on Thursday.

This shift is spawned by the fact that almost everything is available on demand now because you don't need to own those assets, but you can rent them, Rakesh explained.

This is the reflection of tech consumption by large enterprises. If they change the way they consume tech, they will change the way they consume services too. And so instead of waiting for them to change the way they consume technology, we are helping them make that change, he said, adding Mphasis is helping enterprises build new applications that are cloud-native and systems are available and resilient. There is a gap between digital natives and traditional enterprises, which is a huge tailwind for our business, he said, adding cloud and data are the general themes for enterprises.

Rakesh also said Mphasis, which is majority-owned by the US private equity firm Blackstone, is scouting for inorganic opportunities. ''One part is to buy capabilities that can tuck in, and another is as the euphoria in the market settles down a bit we will see some interesting valuations globally. These could be a new vertical, a new geography, a service line or could be an addition to our existing service line,'' he said without offering any more details.

The company also provided an Rs 18-crore grant to Ashoka University under its corporate social responsibility initiatives wherein it will help the private varsity strengthen its tech ecosystem for interdisciplinary innovation and industry-academia collaboration by co-creating an advanced computing lab, a startup incubator, and summer boot camps for students.

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