

# How Mphasis is bucking IT sector deal trend by winning large orders

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**Order wins for Mphasis, as measured by the total contract value, increased 39 percent sequentially and include four large deals.**

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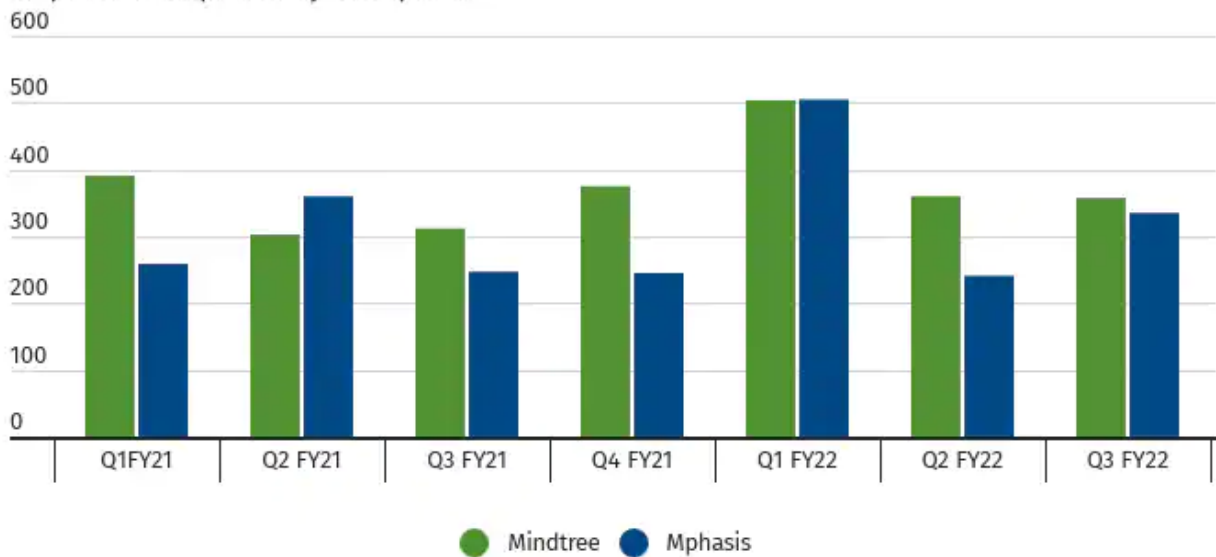
Mid-tier IT services company Mphasis reported impressive growth for the December 2021 quarter (Q3 FY22). Constant currency revenue is up 7.8 percent sequentially and 24.2 percent from the year ago. Robust order wins were a key highlight of its results.

Order wins, as measured by the total contract value (TCV), are up 39 percent sequentially and 35 percent from the year ago quarter. Notably, Mphasis won four large deals in the December quarter. Large deals provide better revenue visibility and are tracked to gauge future growth outlook. Of the four, the TCV of the largest deal is pegged at \$92 million.

Comparatively, deal flow at Mindtree is flat on a sequential basis. TCV is up 14.7 percent from a year ago and Mindtree's deal win rate has improved significantly under the current management. Even then, the order inflow growth is stronger at Mphasis last quarter. See the chart.

## STEADY RISE

Mphasis maintained the order win momentum over the last two years. Order inflows rose 39 percent sequentially last quarter



Source: Companies, total contract value in \$ million



Another midcap IT services company L&T Infotech, which has been a growth leader, did not specifically highlight large deal wins or value of total deal wins. But the company said it won a new client in the pharmaceutical industry with a TCV of \$32 million.

The robust order inflows, particularly the positive momentum in large deal wins at Mphasis, is in variation to the current deal trends in the IT services sector.

Deal sizes are getting smaller. Clients are slicing large projects into smaller deals for ease of execution and better cost efficiencies. Smaller projects attract more vendors. This infuses competition, lowering rates, goes the thought process among clients.

Consequently, even as managements of IT services companies continue to indicate strong demand for their services, few are winning large deals consistently. Mphasis is one of them. The company has seen a steady expansion in deal sizes as well. The average size of large deals rose from \$31 million in Q3 FY20 to \$71 million last quarter on a trailing twelve months basis.

“Even as large deals have tapered with increased activity in smaller deals, the (L&T Infotech) management expects strong demand trend, backed by technology upcycle likely lasting for the next 3-5 years,” Elara Securities said in a L&T Infotech results review note.

Apurva Prasad of Elara Securities clarifies that project or order recognition metrics varies across the IT companies. Mphasis quantifies contracts with TCV of more than \$20 million as large deals against \$15 million TCV by another firm. Similarly, the composition of deal wins varies (net new versus renewals) across companies. Still, one cannot deny the strength in order inflows at Mphasis.

TCV in first nine months of the current fiscal year is up 24.7 percent. “Mphasis’s deal wins (rate) have doubled over the past two years,” adds Elara.

So, what is helping Mphasis? Several factors. The company is winning market and wallet share in top accounts. Compared to peers, Mphasis derives a greater portion of its revenues from banking, financial services and insurance aka BFSI. This may be helping the company’s order book.

Thanks to ultra-loose monetary policies by central banks, this sector saw limited impact from COVID-19. Moreover, good earnings aid technology spends at global banks. This is reflective in superior growth rate of Mphasis’s banking and financial services business vertical vis-à-vis peers. The segment clocked a compound quarterly growth rate of 5.2 percent versus ~2.5 percent at Tier-1 IT peers over the past three years, as per Elara calculations.

The other set of reasons are management specific. The company attributes steady large orders to three reasons. One is a proactive approach. Second is a tribes-led model. The third is customisable comprehensive digital transformation solutions. Project win rates are higher in proactively shaped deals, particularly compared to the request for proposal (RFP) situations, says the company.

“Our go-to-market (GTM) tribes specialising in key and multiple digital areas of the tech stack work well in fashioning integrated deals,” says the company.

Tribes are GTM specialists organised around high-demand tech themes and are instrumental in driving clients’ next-generation tech agendas. The results are visible in order inflows. Mphasis needs to back this up with execution and good profit margins.

*(Please write in with your views on the Mphasis to [rimalapudi.ram@nw18.com](mailto:rimalapudi.ram@nw18.com))*

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