Mphasis Uses AI Arbitrage to Take on Bigger IT Rivals

Mohit Pandey   September 4, 2025

Amidst all the vibe coding partnerships and heavy enterprise AI adoption, Mphasis has quietly positioned itself as one of the most aggressive adopters of AI in Indian IT. In the June quarter, the company posted modest revenue growth, but secured record contract wins worth $760 million, [68% of which were AI-led](#).

According to chief solutions officer (CSO) [Ramanathan Srikumar,](#) this is the result of nearly a decade of early bets like Next Labs, which was started in March 2015, and has been experimenting with AI and other emerging technologies for a decade. It currently is also focused on quantum computing.

"We started playing with LLMs when it was not in the popular lexicon," Srikumar said. The guiding philosophy at Mphasis has been to maximise productivity of domain experts by cutting down routine work.

Srikumar said that a typical expert like a mortgage processor spends 60% of their time on collecting, cleaning and preparing information and the remaining on skill application. "If I make a mortgage underwriter, instead of 40% he is spending 70%" time on applying real skill, he added. "The one way to do that is to use AI."

Earlier, automation tools like UiPath helped reduce the grunt work. Now, Mphasis is embedding AI agents into these workflows.

Engineering DNA

While Hexaware recently announced its partnership with Replit, [Cognizant conducted the world's largest vibe coding hackathon](#), and HCLTech has partnered with OpenAI. Mphasis, meanwhile, is betting on its long running partnerships with hyperscalers, while also making small bets on few AI startups.

In June, Mphasis signed a strategic partnership with Sixfold, an AI underwriting company, to speed up submission intake and improve risk assessment in insurance.

"Partnerships are extremely important in this field because we can't do everything," said Srikumar, adding that partnerships at Mphasis have been focused and domain-specific to draw the real benefit to the customer. The company also won an AWS Partner award for the airline industry and is co-developing a financial services-oriented product platform with AWS.

Internally, Mphasis has launched two flagship AI platforms. NeoCrux is an SDLC productivity suite that integrates AI agents into developers' existing IDEs, avoiding the need to switch tools. NeoZeta is aimed at modernising enterprise applications by

unlocking hidden knowledge in legacy code and documents.

Mphasis also tested its agents on Hugging Face's DABStep challenge for multi-step data reasoning, briefly topping the leaderboard, even outperforming Google and Microsoft. "The ability to write multi-step reasoning agents and our experience in automating processes helped," Srikumar said.

> *"As our CEO says, we are focused on bringing T back into IT. Because IT was seen more as a talent play rather than a technology play. But we brought the focus back saying we need real solid technology guys because that's the only way we can solve it."*

That matters at a time when mid-sized IT firms are finding AI to be the great equaliser. For decades, scale determined who could dominate "run the enterprise" contracts. Large players used armies of workers to manage infrastructure and applications. Mid-sized firms had little chance.

According to Srikumar, smaller Indian IT firms are focused on building an AI arbitrage rather than scaling the number of employees and revenue. "For us, it's not cannibalisation because we didn't have a huge book of 'run' business," he said, explaining that bigger firms have all of their existing clients seeking AI deals, which is cannibalising a huge part of their business.

AI arbitrage describes a business model where firms leverage AI tools to identify and fulfill client needs for specific AI-driven solutions, effectively arbitraging their expertise against market demand for AI services.

For smaller firms like Mphasis, AI has opened up the space to win new businesses, as customers are also more skeptical now. Mphasis is funding its AI platforms by redeploying margins rather than stretching profits. Returns, Srikumar argued, are already visible.

"For example, NeoZeta is helping us in the modernisation process. By reducing the cost, you are opening up more opportunities to do modernisation, said Srikumar, terming it a return of investment as it expands the firm's capabilities.

Obituary to Indian IT?

Recently, Nandan Nilekani co-founder and chairman of Infosys spoke at a panel discussion with founder NR Narayana Murthy and CEO & MD Salil Parekh about how Indian IT is well prepared for the AI wave.

"I think there have been many times in the past when such obituaries have been written… But I'm very, very confident that in the current environment with the advent of AI, not only will we master this technology capability, but we'll also actually use it to our advantage to again move forward and become even more critical to the world's technology needs," Nilekani said.

Srikumar aligns with this belief. Model makers like OpenAI and Anthropic are now offering services directly that would disrupt IT providers. But he pointed to history. "Even if it is software, services are going to become through software. It's a service as a software rather than software as a service," he reasoned.

Platforms like Salesforce or ServiceNow never killed IT services. "They were building software, so they didn't need anybody, but there is always that focus on building platforms versus delivering it in a different way. That will still continue."

"IT service is not going to die. It's only the nature of service that is going to change," he said.