Mphasis
The Next Applied

July 28, 2026

The Manager, Listing
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 526299

The Manager, Listing
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
G-Block, Bandra-Kurla Complex,
MUMBAI – 400 051

Scrip Symbol: MPHASIS

Dear Sir/Madam,

Sub: Transcript of the Investors/Analysts call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investors/Analysts Earnings Conference Call held on Friday, July 24, 2026, in connection with the financial results of the Company for the quarter ended June 30, 2026.

The transcript is also uploaded on the website of the Company and can be accessed at the weblink:

https://www.mphasis.com/content/dam/mphasis-com/global/en/investors/financial-results/2027/transcript-of-earnings-call-q1-2027.pdf

The above intimation is also available on the website of the Company at: www.mphasis.com.

We request you to kindly take the above intimation on record.

Yours faithfully,

For Mphasis Limited

MAYANK VERMA Digitally signed by MAYANK VERMA Date: 2026.07.28 13:28:42 +05'30'

Mphasis Limited ★ BANGALORE ★

Mayank Verma
Senior Vice President and Company Secretary
Membership No.: ACS 18776

Encl: As above

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"Mphasis Limited
Q1 FY 2027 Earnings Conference Call"
July 24, 2026

MANAGEMENT: **MR. NITIN RAKESH – CHIEF EXECUTIVE OFFICER – MPHASIS LIMITED**

MR. ARAVIND VISWANATHAN – CHIEF FINANCIAL OFFICER – MPHASIS LIMITED

MR. VINAY KALINGARA – HEAD INVESTOR RELATIONS – MPHASIS LIMITED

Moderator: Good morning, ladies and gentlemen. Thanks for joining the Mphasis Q1 FY 2027 Earnings Conference Call. I'm Neerav, 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 email 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 Filings as well as both on 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 Q1 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, Neerav, and good morning to everyone joining us today.

As we open FY 2027, I want to start with what we are seeing directly in client conversations because it is reshaping both the competitive landscape and our own platform trajectory.

The AI narrative has matured decisively. Twelve months ago, every enterprise conversation began with model access and experimentation. Today, it begins with accountability. Business leaders are asking harder questions: Where is the measurable return on our AI investment? How do we govern AI decisions in regulated environments? How do we convert AI capability into durable economic outcomes - in revenue, cost, and risk - that hold up under scrutiny from the boards?

What we are observing across our client base is what we have come to call the “Agency Gap” - the space between what enterprises can do with AI and what they can actually deploy, govern, and hold accountable at scale. Every large enterprise now has AI tools. Very few have enterprise agency: the ability to make better, faster, governed decisions and convert them into measurable outcomes embedded in the operating model. That gap is the defining AI challenge and is the market problem.

The fit between that problem and our platform is visible in three ways. First, there is a validated market gap: enterprises own data, applications, and pilots, but they have no governed system to turn these assets into accountable decisions at scale. The problem is not a lack of AI capability. It is a lack of governed execution.

Second, Mphasis now has a defensible right to win: this problem sits at the intersection of brownfield enterprise complexity, integration depth, domain-specific decision intelligence, and governance - precisely the territory we have built over thirty years. Not many AI-native startups can replicate that context. Not many hyperscalers wants to own that accountability. Third, the platform economics are designed to compound: Think about landing in one decision loop, proving measurable gain, and then expanding as platform reuse multiplies across deployments. The unit of value is no longer a project or a workstream. It becomes the quality, speed, and accountability of enterprise decisions.

That is why Mphasis Modernize™ and Mphasis Optimize™ are not separate offerings; they are connected product motions on the same Mphasis Tria™ platform. Modernize builds enterprise memory: extracting structured context from systems, rules, workflows, and process history. Optimize uses that memory to continuously improve the decision loops that drive commercial and operational performance - revenue, pricing, demand, supply chain, and risk. The platform converts a one-time transformation engagement into a repeatable, expanding motion. We start with modernization, create structured enterprise knowledge, and then extend into optimization use cases that improve revenue, customer experience, and operating performance - compounding value with each deployment.

I want to spend a moment on what Tria's early traction is telling us - because it validates something larger than a platform launch.

The most important signal is this: within seven weeks of platform launch, multiple opportunities moved from conversation to closure and are now moving to execution. That is not a normal sales cycle. That is demand compression. Clients are recognizing that Tria addresses a problem they have been unable to solve with anything else on the market. Agentic AI, as shipped by every major platform vendor, is not the answer. Clients are now increasingly understanding that agentic AI is a capability. Enterprise Agency is an outcome - governed, explainable, measurable decisioning built into the operating model, not layered on as another tool.

What is changing in client conversations is the altitude. Our Opportunity Maximization approach is elevating us from CIO and CTO conversations to the business agenda - to the CFO asking about revenue cycle performance, the Chief Distribution Officer asking about advisor productivity, and the COO asking about operational efficiency. We are addressing these business problems that sit behind the technology, not just the technology problems themselves.

Several dynamics from Q1 deserve specific attention from an investment thesis perspective. First, we are seeing ARR and managed services opportunities bundled together in Tria deals. That is the revenue quality signal we committed to at Analyst Day - a shift from point-in-time project revenue toward recurring, platform-attached revenue that leverages and expands on the 'reuse-ability' within each client relationship. Second, large deal activity is being influenced by Tria at the evaluation stage. The platform acts as a proof point that converts large-deal conversations by demonstrating governed, measurable outcomes rather than capability alone. Third, we are also seeing new addressable penetration at existing clients; opening use cases and budget pools that were not accessible under our previous service-led model. That is the attach-rate dynamic at the core of our platform revenue thesis, and it is beginning to show up.

Overall, I am pleased to say that Mphasis Tria is off to a stronger start than we anticipated, and the platform thesis is validating faster than the timeline we had projected.

Q1 establishes the foundation, and I want to be direct about what that means for Q2 and the full year. The investments we made in FY26 - in Tria, in the platform operating model, in the TAP acquisition are now converting. The pipeline we built through the investment cycle is now transacting. The deals won over the last several quarters are also ramping to revenue. FY27 is the year that the platform-first thesis begins to show up in the growth trajectory, not just in pipeline metrics.

Q2 is positioned to deliver the best sequential constant currency growth we have delivered in three years. That is a testament about the momentum building in our pipeline and deal conversion. We enter Q2 with both the highest pipeline we have ever carried and the strongest short-cycle deal activity we have seen in several quarters.

We are also maintaining our FY27 guidance: high single-digit to low double-digit growth in constant currency, despite the uncertain macro environment. Margins remain targeted within the band of 14.75% to 15.75% EBIT; not because we are defending a floor, but because we are making deliberate platform investments while holding financial discipline. Operating cash flow conversion is expected to remain at 80% of net income through FY27 as well.

The pipeline data makes the investment case directly. Since the launch of Mphasis.ai, our pipeline has grown to 2.8 times its original size and reached an all-time high at the end of Q1. With the sustained investments in AI, including the launch of Tria, each layer expands the addressable problems set we can solve for clients, and the pipeline reflects that accumulation.

AI-led deals have grown from 12% of pipeline to 70%, where they are now stabilizing. This matters as much as growth; it means AI is no longer a separate deal type. It is how we compete across all verticals, all deal sizes, and all solution archetypes. It is embedded in the model.

Net new TCV for Q1 was $461 million - the fifth consecutive quarter above $400 million. Five consecutive quarters is not a trend. It is a signal that AI-first strategy is not producing just point-in-time spikes, but a higher baseline for what we can close every quarter - and that baseline is the foundation for the revenue acceleration we are guiding to in Q2.

The composition of the pipeline reinforces the platform thesis as much as the headline size. Total pipeline grew 8% sequentially and 28% YoY. Non-BFS pipeline grew 18% sequentially and large deals greater than $20 million pipeline grew 10% sequentially. On a YoY basis, the BFS pipeline grew 100% which reflects the durability of right to win in financial services.

From a solution perspective, Modernization and Everything-as-a-Platform are driving the strongest pipeline growth. These are two archetypes that map directly to our recently launched product lines and platform. The alignment between what is building in pipeline and what we deliver in execution is what we want to see at this stage of platform adoption.

The breadth of growth across verticals, deal sizes, and solution archetypes is also revalidating our platform thesis. It is not a vertical-specific tailwind or a single large deal inflating the picture.

Net new TCV for the quarter is at $461 million, with trailing-twelve-month TCV over $1.8 billion. We closed three large deals in Q1, including one over a $100 million deal. 63% of our TCV wins in Q1 were AI-led. The TCV-to-revenue conversion pace has remained steady, and backlog strength from prior quarters continues to support in-quarter revenue. In some cases, the deployment-ready nature of our stack is also enabling shorter-cycle deals to close and ramp up faster than traditional bespoke delivery.

Q1 FY27 revenue came in at $471 million, growing 2.1% sequentially and 8.3% YoY in constant currency terms. Direct revenues for the quarter were $465 million, growing 2.2% sequentially and 9.9% YoY in constant currency terms, reflecting strong deal conversion and expanding platform momentum in our AI-led offerings.

Americas continued to be our primary growth engine, growing 3.9% sequentially and 11.4% YoY in Direct business. ROW delivered a strong sequential recovery, growing 6.1% QoQ in constant currency, led by the GCC ecosystem. EMEA numbers this quarter were impacted by revenue moving to other geographies for a globally structured deal; the underlying health of the business there remains intact.

Enterprise Applications grew 11.9% YoY in Direct, driven predominantly by AI-led modernization deals. BPO was the standout service line this quarter, growing 12.7% sequentially and 14% YoY in Direct, driven by healthy pipeline conversion and new deal wins closing in quarter, again led by AI-led propositions.

BFS grew 9.4% YoY and 0.8% sequentially in Direct. More meaningfully, BFS has delivered a compound quarterly growth rate of over 3.5% across the past eight quarters - the strongest among our peers. That consistency reflects the depth of our domain context and our right to win in financial services.

Insurance grew a strong 17.8% YoY, down 3.1% sequentially in constant currency terms, following four consecutive quarters of strong growth, and, we expect Insurance to be a key growth driver for us through FY27.

TMT returned to strong growth, up 16.4% sequentially and 13.6% YoY in constant currency terms, as recent deal wins ramped up.

The Others segment grew 5.2% sequentially, driven by new deal wins in Retail. Logistics and Transportation reflect some first-order impact from geopolitical challenges. In summary: BFS is stable on the back of eight quarters of structural growth. Insurance and TMT continue to be drivers of growth through the remainder of the year as well.

The client pyramid tells the story of our intentional focus on driving opportunity maximization, as well as wallet share and market share gains as we open new addressable spends with AI & platform-led growth model.

On a trailing-twelve-month basis, we added five clients in the $20 million-plus band, reflecting wallet-share expansion and successful ramp of large deals won over the last several quarters. We added two new clients in the $5 million-plus band YoY, and one new client in the $10 million-plus band QoQ. The client graduation trend has been consistent over the past few quarters.

The top-client metrics also deserve good attention. Our Top 1 to 10 accounts grew 11.1% YoY. Our Top 11 to 30 accounts grew 21.0%. This is a deliberate outcome of our strategy to build the next tier of $100M+ and $50M+ accounts. On a sequential TTM basis, the Top 11 to 30 grew 6.2% while the Top 10 grew 1.6%. The reduction of one client in the $150 million+ band reflects normal TTM ranking dynamics, as the account moved marginally below the threshold on a trailing-twelve-month basis while continuing to remain healthy.

Moving to our financial metrics performance. Q1 FY27 EBIT margin was down by 60 bps impacted by ramp up costs of new deal wins and the TAP acquisition costs. EPS decreased 4% sequentially to INR 25.6. We will continue to operate in the stated margin band for FY27, while making investments for growth. Operating Cash flow generation was USD 39Mn for the quarter.

We will continue to invest in platform capacity ahead of demand with full visibility into the return. The deal ramp costs are the predictable leading indicator of the revenue growth that follows, and hence the Q2 guidance. We remain committed to operating within the target band of 14.75% to 15.75% for FY27 while making the investments the platform requires.

DSO for the quarter was 95 days. As we have noted previously, we expect DSO trend to progressively improve through the remainder of the year.

In summary: Q1 FY27 delivered solid and broad-based growth momentum. Revenue of $471 million represents 2.1% sequential and 8.3% YoY constant currency growth. Our pipeline continues to be at record levels even after a strong net new TCV signings of $461 million in quarter, with three large deals - one in excess of $100 million. Margins were delivered within the stated band after absorbing acquisition costs.

Q2 is positioned to deliver the best sequential constant currency growth in three years. We maintain FY27 guidance for high single-digit to low double-digit growth as well as the margin guidance within the band that I have stated.

With that, I will open the call for questions.

Moderator: Thank you very much. We'll now begin the question and answer session. First question is from the line of Nitin Padmanabhan from Investec India.

Nitin Padmanabhan: Congratulations, Nitin, on the reappointment. First, I had a couple of questions from a demand environment perspective. Of late, we have seen quite a few companies report client-specific issues. And even in the context of Mphasis, I think we have seen Insurance and Logistics sort of drag for the quarter. Just trying to understand how much of those were something that you didn't really anticipate? And second, in terms of client conversations, are you sort of sensing incremental caution in any form because we have also sort of late in terms of commentaries picked up some caution even from banks' spending and discretionary and so on. So just would be great to sort of have your context around what you're seeing within your client base?

Nitin Rakesh: Sure, Nitin. Thank you again for the congratulations. I think the environment at a macro level is obviously complex, I think, to say the least. What that does is, creates uncertainty. And of course, that leads to a certain degree of caution with clients in committing to programs, not knowing where the cycles are heading. Just look at it from 3 months ago to today, the interest rate cycle seems to be reversing. The upcoming Fed meeting seems to be the most uncertain outcome meeting, so to speak, just to give you a data point.

So, from that perspective, I don't think the environment is any different for us than it is for our peers, right? We are dealing with the same set of macro challenges, same set of uncertainties, both interest rates, geopolitics. We're also dealing with the same set of AI disruption fears.

I think the way to think about the environment and the demand is that, as I mentioned in my script, there's a fair amount of debate in enterprise customers, especially in the U.S., as to what should be the strategy for the second innings of an AI game that is being played like baseball. This is really early innings. Inning one was all about which model to use, what tools to deploy, how to find some efficiency, productivity. It was really all about efficiency and savings. But I think as we transition away from tool deployment, experimentation, use case factory, pilots, POCs, the real questions that are being asked are, are we really gaining ROI from these investments? And if the answer is, it's not measurable economic outcomes, then what should be the pivot that enterprise needs to make in how they think about deployment at scale and how to impact business outcomes.

So, I think the bigger enterprise confusion on deals that - Firstly, all of them must have an AI-led solution. But the biggest question mark is, how do we know that this will stand the test of the 'next new' development that will come out of one of these frontier model companies in 3 months or 6 months. Because the density of launches is obviously increasing.

So, I think the short answer is that the old school way of thinking about discretionary spend has to change. I don't think we will see discretionary spend come back in a way that it used to be 3/4/5 years ago. I think today, there are additional pockets of spend that sit outside of tech because if you show them a business case that we can expand revenue conversion by 1% or improve an underwriting decision or to some extent, give them a better forecast of inventory and demand, that business case gets funded, whether there is tech budget or no.

So, I think that's what we are trying to call through opportunity maximization that it isn't just about playing in the CIO's budget. It's actually about looking at what an enterprise needs to transform and how do you help them get to a point where they can genuinely be an AI-first enterprise. And that mode is just about starting. And the ability to shape those conversations, to lead those clients is probably falling a little bit short from traditional consulting environments as well, primarily because this is a whole new world and everyone is looking for the right answer. So, most of our opportunities are really coming out of those conversations. And of course, we continue to maximize our existing strongholds, whether it's SDLC transformation, legacy modernization and all of those as well.

So, I think a little bit more nuanced answer, Nitin, but the traditional way of thinking about long-term annuity run deals, I think those are highly susceptible to disruption because that's where you will have the narrative of productivity and what the client is asking for a passback.

But the new way of thinking about it really is how do we impact certain strategic initiatives and programs where AI needs to get embedded. And I think most CIOs are now transitioning away from having an AI strategy to actually having a strategy that supports the business while embedding AI at the heart of those strategies.

Nitin Padmanabhan: Got it. Just one quick follow-up there. So, in your conversations with clients, well, from an Mphasis perspective, obviously, we do see that the pipeline is sort of picking up very strongly and Tria is also finding a lot of acceptance. Do you think that even from our portfolio perspective and our clients in the context of macro when the deal wins and visibility are out there? And do you think that the certain level of visibility that you would have otherwise thought of, you would sort of be a little cautious from that perspective, is one. And second is that do you think that it makes sense to sort of sacrifice margins in the near term to really just focus on growth. Those are the 2 things I just wanted your thoughts on?

Nitin Rakesh: Sorry, the second question is clear. I'm still not clear what the question on the first part is.

Nitin Padmanabhan: The first one was around anything that you picked up across client conversations to suggest that the environment could be far more volatile despite the fact that we are finding a lot of acceptance with our services. That despite that, you could still have unforeseen volatility within the portfolio?

Nitin Rakesh: So, I think at this point, Nitin, again, we can only go by our own pipeline and our own client conversations. And hence, we are showing a certain degree of confidence in our next quarter performance. There is always a chance that macro will get really harsh, much harsher. And if we get an interest rate shock on top of the oil shock, then that will create disruption in the economy.

But again, we can't predict that and trying to predict the macro environment is anyways hard enough. But the focus is on micro, client by client, deal by deal, account by account. I think there's a fair amount of opportunity because every time there is this new tech adoption cycle, there is an opportunity to lead the customer if we have the right propositions and the right points of view. And clients are actually looking for partners who are not just willing to execute what they want, but actually willing to argue, debate, discuss, ideate and co-create. And that's the positioning that is very clearly visible to us, at least in our existing verticals and in our existing geographies. And given that U.S. is the frontier market when it comes to adoption of these new tech, I think we seem to have found a good sweet spot with early adopters.

The second question that you asked me around growth margin trade-off. At some level, yes, it's not that we took a trade-off for margin to deliver growth. I think we had a utilization drop because we had to ramp up for expected growth in Q2. And of course, we have some impact from the acquisition announced in third week of April. Those were all conscious decisions, but the idea wasn't to go grab market share by actually playing the price game. That's a very different ball game.

We do expect that as the platform adoption expands and the attach rate starts to show up over the next 2 to 3 quarters, we definitely have an opportunity to expand the gross margin. How much of that we reinvest, how much of that we keep in the P&L is a call we will continue to make.

But we feel fairly good about the fact that we are able to not just sell ARR deals, but we are able to sell deals that have a component of ARR and managed services because that gives us a lot more operating leverage besides just looking at the traditional pricing model.

And just a minute on that model. It is very clear even to our largest clients that their current mode of purchasing services will evolve and change, and it won't just be based on input or capacity, but some form of an outcome in certain areas where it's amenable. And outcome-based pricing is not the same as output-based pricing. So, there's a fairly interesting evolution that, again, we are trying to lead with some of these engagements. And some of those are actually in quarter - already showed up in Q1 in terms of the way we were able to price and construct those deals. And that's really something that's going to continue to evolve as we go forward.

You had also asked me a question around Insurance and Logistics in the previous question. So let me quickly address that, and then we'll take the next question. I think Insurance grew about 35% in FY26. This is coming off of a fairly strong growth year. We had certain project milestone completions. This is not a reflection on the pipeline and the growth potential of the business, and we'll continue to see further expansion. It is not related to any one client impact. We have no client impact to call out as we stand. We are continuously working fairly aggressively to drive that motion so we cannot just protect what we run, but we actually expand using the approach I just explained to you on where clients want to go.

On Logistics, it's a little bit more headwinded given the macro and the geopolitical environment. It's become a smaller unit for us, and small number changes drive high percentage variations. More work to be done, both in Logistics as well as in Airlines and Railroads, and we'll continue to report on that as we go forward.

Moderator: Next question is from the line of Vibhor Singhal from Nuvama.

Vibhor Singhal: Congrats on a solid performance in this quarter. And Nitin, congrats on your reappointment again. Two questions from my side. In terms of the outlook that you have shared for next quarter, just wanted to break it down into a couple of things. There is this consolidation of Red Oak also, which is probably coming up in the next quarter. So how much would that be contributing to the kind of growth in that? And if I remove that also, do you expect the organic, I'm just calling that separate part. The remaining part of the business, the core business that we already have, is that also expected to be as strong as you'd expected? Because, of course, we had a very strong deal wins right up till, leading up to this quarter. So, I'll just wait for your answer for the question and then probably I have another follow-up?

Nitin Rakesh: Sure. Thank you for the kind comments. Aravind, why don't you take the question on Red Oak as well as organic versus...?

Aravind Viswanathan: Yes. So, the Red Oak is baked into our outlook. The timing of that in terms of when it would start, if you look at our notes, the consummation has not happened. The work has not started yet. We expect that maybe it would start sometime towards end of August. So, to that extent, it is baked in, but it will not have possibly the full quarter impact for Q2.

So obviously, given that, the commentary around growth is a little more broad-based than just one transaction, right? So, we do see momentum. We've seen kind of buildup to that in terms of how our TCVs have been and how we have kind of propped up even from a headcount standpoint, the kind of increase and the utilization investment that we have made in Q1, which will play out in the subsequent quarter.

Vibhor Singhal: Got it. So, Aravind, basically, our guidance before this consolidation; for the full year, the guidance was also high single digit to low double digit. Now that we have incremental contribution from Red Oak. So, let's say, if I were assuming X percentage growth earlier, can I assume X plus something more coming from Red Oak for the full year?

Aravind Viswanathan: Very difficult to kind of peel it like that because it is not that large a number, given the range that we give, right? If I had given a specific number, this question is relevant. We have talked about high single digit to low double digit. If you look at the size of the payout and typically, we've talked about these customer consolidation initiatives. The typical payout that we do is between 1x and 1.2x revenue is the consideration that we pay. If you kind of normalize it for half the year, it may not be as meaningful to kind of look at and it is well within the range that is already kind of baked in, in our guidance commentary.

Vibhor Singhal: Got it. And since I have you, can I just ask you about the margins? So, in this quarter, basically, if you could just give us the margin walk, how much was probably the impact of the earn-out for the acquisition, the currency impact? And given that we are almost at the bottom of our guidance, how can we build the margin trajectory for the remaining part of the year? And then I'll have just one more question for Nitin, which I probably should have asked in the beginning, but I just probably wanted to get this out of the way?

Aravind Viswanathan: Sure, Vibhor. So, from a margin walk perspective, obviously, like in any quarter, there are lots of puts and takes. But if I were to look at just the 2, 3 big items that contributed, we had TAP acquisition that kind of had a margin impact of about 0.35%. Point to kind of consider here is that this was an acquisition which we structured where a large portion of the consideration, I would say two-third of the potential consideration was in earn-out and the entire earn-out is flowing through the P&L and not through the purchase accounting. So, it is something which is going to play out over the next couple of years. The other big thing, Vibhor, that contributed was a steep drop in utilization, which is kind of more in anticipation of the growth trajectory that we've been talking about.

So, the first one will kind of continue. The second one should reverse. From a broader direction, Nitin kind of talked about it as a response to the question of the previous caller. But in a way, we think there will be a normalization over the course of the year as some of these investments start to pay off.

Vibhor Singhal: Got it. Nitin, just one last question from my side on the AI adoption that we are seeing in the industry. I think some of our peers have been calling out and we've been reading a lot about how the enterprise adoption, AI adoption is happening and how large enterprises are kind of reluctant to basically take an off-the-shelf large language model and implement it. And rather, they are asking service vendors to customize SLMs, the small language models, as per their requirement, in many cases, looking for token cost optimization as well in other cases. So, what are our conversations with the clients on this? I'm sorry if you touched part of it in your opening remarks, but any color on that, that do you think this could actually open up a bigger opportunity for us on the AI side?

Nitin Rakesh: Sure. I think the frontier model adoption and the token cost issue is a fairly complicated but yet topical question that comes up in almost every client conversation. That sits at the heart of that whole 'ROI from AI investment'. I think a couple of things that are panning out.

Firstly, no large enterprise will go native with any frontier model. They will not go first party, which means that they want to have the ability to plug in and plug out any different kind of models that become available. Two reasons for that. One is cost, as you mentioned. And the second more important reason is the risk of obsolescency. What seemed to be a great strategy 2 years ago suddenly seemed obsolete when the next model came out. And then the explosion that happened, for example, just in coding assistants gave our customers a lot of pause in worrying about what to do next.

And this is what I referred to earlier when I said in the first innings, it was all about model adoption, tool adoption. Now the conversation is how do I build a stack that gives me the ability to do enterprise adoption at scale without creating dependence on a model or a tool. I think there will be a lot of push and pull in this. We've already seen last week's announcements on new models that came out of China.

Many of our large clients are now experimenting with open source and open weight models. That will put definitely a pressure on token costs, because the cost of tokens is dramatically different depending on which model you choose to use. So, the real revolution is not going to be in what model you're using. It's going to get commoditized fairly quickly.

Now what that means for model company economics is a whole different discussion, subject for another time. But it definitely means that there's a tremendous opportunity in not just helping them build SLMs, but actually helping them build the stack that enables them to ingest all new developments that will come over the next 2 to 3 years. And that could include SLMs, that could include governance layers, that could include a whole host of other capabilities, which, by the way, are very neatly fulfilled by Tria as well. So that's truly the game that's going to play out is the bet we are making.

Moderator: Next question is from the line of Sandeep Shah from Equirus Securities.

Sandeep Shah: Congrats on good execution and congratulations, Nitin. The first question I wanted to ask in this customer contract acquisition, which is led through vendor consolidation...

Moderator: Sandeep, sorry to interrupt you. Your audio is not clear. Can you speak through the handset, please?

Sandeep Shah: Yes. The first question I wanted to ask is the acquisition of customer contracts in the vendor consolidation-led deals. Aravind, you articulated the price to sales is 1x to 1.25x. So the TCV which we get, is it that TCV which we won in the vendor consolidation or this is one of the part of the larger TCV which we won in the vendor consolidation? And which event precedes is the larger deal TCV win, which precedes as an event or acquiring a smaller vendor through all vendor consolidation precedes when winning a large deal?

Aravind Viswanathan: So, I would say, Sandeep, look at each of those as more discrete transactions. The vendor consolidation is a larger strategy that the client undertakes, but each of these are discrete transactions. So, it is not a multi deal with different components, it actually happens in phases.

Sandeep Shah: Okay. Okay. Because we disclose this, but if I'm not wrong, peers also does that. So, it is not mandatory to disclose, but we disclose on our discretion?

Aravind Viswanathan: I didn't understand. Sorry, can you repeat?

Sandeep Shah: So, in the notes to accounts, each time we disclose such kind of deals, but my sense is even some of the peers and competitors are also doing such kind of a structured deals, but those announcements are not found in their notes to accounts. So, is it mandatory to announce or how is it?

Aravind Viswanathan: It is mandatory, Sandeep. It also depends on how the accounting construct happens. In these cases, while we don't take over an entity, in none of these, we have taken over an entity; the accounting follows an acquisition accounting. But if you look at and you will see the disclosures on PPA, it is almost entirely customer relationship and customer intangibles. So, the cost gets amortized.

Sandeep Shah: Okay. Good. And second question, Aravind, in terms of the hedge losses, how do you see if the current spot rate continues? The hedge losses may further increase or with the new hedges and the higher strike price, it can reduce on a going forward basis?

And second, on the OCF for this quarter, if we adjust for the delayed collection of fourth quarter debtors, it seems it has been slightly tepid in this quarter. So that means heavy lifting has to be done from 2Q to 4Q. So, are we confident about the same?

Aravind Viswanathan: Yes. 2 things, Sandeep. So, from a hedge loss perspective, I expect, at least if currency remains where it was, right, on closing, which was closer to 95, it's a little higher right now, but I still expect the hedge losses to trend down. If you look at my OCI, which is the cumulative hedge losses for all of my designated cash flows, it is down between March and June by about INR50 crores.

So directionally, you would see an improvement in hedge loss subject to rupee being where it is, right? So that's the point on that. But it will take a couple of quarters for it to substantially start reflecting from an operating margin standpoint. So that's how we see it. It will improve but not go away fully.

From your second point, you are right. But it was largely around expectations because Sandeep, what had happened, you would also notice that our other current liabilities kind of came down because with respect to some of our large contracts where we had accounted contract acquisition cost and we had not made the payment to clients, there was about $14 million or so that was paid as part of that.

As well as our annual component of FY26 variable pay typically gets paid in Q1. So, you would have seen that seasonality in last year also. So, both of those were kind of baked into our estimate when we talked about it, we reiterate our commentary around 80% operating cash flow. So that's really where we stand.

Moderator: Next question is from the line of Dipesh Mehta from Emkay Global.

Dipesh Mehta: A couple of questions. First, on the Insurance segment margin. If I look the segment cost has inched up 18 percentage QoQ. Are there any one-offs in that? And how you expect that segment profitability to play out in coming quarters?

Second question is about the vendor consolidation agreement, which we announced. By when do you expect it to close? Because as per the release, it seems it is yet not consumed. So, if you can give some sense about likely closure of the transaction and what are the pending kind of things there?

And last question is, if I look the correlation which we give between TTM TCV and revenue, it came down this quarter, which is a bit surprising. Can you help us understand how to read that metric?

Nitin Rakesh: So Dipesh, I'll have Aravind answer the consolidation question. But on the Insurance one, we have a transformation program that is being delivered for which we had to ramp up the teams, and we expect that normalization to happen over the next 2 quarters. So structurally, I think we'll get back to the margins that we operate in usually in that business. Because we've seen some unprecedented growth, as I mentioned, 35% growth in FY26, still pretty strong YoY number. These are the conscious choices we make to invest in certain programs with customers that yield further growth as well. On the question around - what was the third question? What was the last question?

Dipesh Mehta: The correlation which we give between deal intake and revenue. From more than 0.9, now it is 0.74 kind of number.

Nitin Rakesh: Yes, I understand. The way to think about that correlation number is if you have short burst deals that you can consume very quickly, the correlation will come down. And that's what's playing out, which is why the third bullet on that chart actually talked about the fact that we had a fairly healthy mix of short burst, early deployment-led deal wins, which are playing out sometimes within a quarter and sometimes within the next 2 quarters.

Those are obviously early start deals that then lead to further additional opportunities. I'll give you an example. I talked about the fact that a lot of clients are thinking about the foundation. Foundation building should typically get done within 12 weeks to 16 weeks. And then scale deployment means you may have 6, 7 different waves of deployment on top of that foundation. So, every time we will see an activity that is expected to be consumed in a short period of time, no matter the size of the deal, you will see the correlation come down.

Aravind Viswanathan: Dipesh, on your second question, I kind of answered it. We expect that to kind of start by end August, early September. The assignment of the contracts is in progress; the takeover of employees is in progress. So, we expect that to complete in that time frame.

Dipesh Mehta: Understood. And last question, just on the EBIT margin, you indicated acquisition-related costs. Whether this includes anything related to transaction-related payment, which will not recur in coming quarter? If yes, what would be the amount of that?

Aravind Viswanathan: No. That we didn't really incur any big - this is not a $1 billion acquisition, Dipesh. So, we really didn't have anything meaningful to talk about from a transaction cost.

Moderator: Next question is from the line of Ashwin Mehta from AMBIT Capital.

Ashwin Mehta: Yes. So, one question. In terms of these contract acquisition deals, typically, what is the initial margin profile? And how do you get to the company average margins? And secondly, have you quantified what comes in from the Red Oak contract?

Aravind Viswanathan: We haven't quantified that. But typically, as part of disclosures, if you look at once consummation happens and you will see in notes to accounts, you will see it. So, it will be visible to you like OKIN was visible to you in Q1, right? From a profitability standpoint, Ashwin, typically - and this is something that we do.

We kind of expense the upfront, a large portion, almost all of the upfront gets expensed. Because it is a deal. It's not really an M&A. Our assessment of the deal presumes that post the expensing of the upfront, you would still be profitable in line with company average. Sometimes you could be a little lower, sometimes you could be a little higher. That's a call that we would take on a case-by-case basis. But it is typically not seasonal, or it is not back-ended from a margin profile perspective. So, the kind of deal margin maybe for 3 months could be higher, could be impacted. But beyond that, your contracted margin is what will play out after that.

Nitin Rakesh: I think the point he's making, Ashwin, is that we are not trying to buy low-margin businesses that we need to transform. We are very, very conscious of the type of deal and the qualification must have robust profitability as part of that whole metric itself. And because these are consolidation deals led by the customer, there is a fair amount of leverage that we can get in those deals in terms of not just the price, but also the longevity of those deals.

Moderator: Ashwin, do you have any follow-up question?

Ashwin Mehta: No, I'm done.

Moderator: Next question is from the line of Girish Pai from BOB Capital Markets.

Girish Pai: I had 2, 3 questions. Can you tell me what is the contribution to this year's revenue, which is going to come from acquisition of these customer contracts?

Aravind Viswanathan: Yes, I think not. See, it will be difficult to say; you got the kind of run rate that we have given. So, again, Girish, these are all land and expand kind of transactions, right? So, if you look at just the transaction we kind of reported, OKIN, for example, in Q1, we disclosed that we got close to $4 million of revenue in Q1. But if you look at the total contract value in terms of payout, including contingent consideration was $5.5 million. So obviously, we have grown in that transaction beyond what was originally envisaged at the time of signing the LOI or equivalent, right?

So, in that sense, we think there is a potential to grow. It's not an acquisition where you have a base, you kind of get an entry and you grow there. So that is how we look at it. You will get that data as and when we report, but not really quantifying it at this time.

Nitin Rakesh: And also, it's hard to quantify what will be the contribution for the full year because we have another 10 months, 8 months to go in the year. And we don't have visibility to do all the deals that might come up, too. So, if they are materially changed, then of course, the guidance will move in accordance. But at this point, given what we know, what deals we have, we have a good idea of where we will end up.

Girish Pai: Okay. My second question has to do with the FDE-based model. Will this be more on-site centric? What could be the gross margin here? And what could be the per capita revenue and the cost metrics here?

Nitin Rakesh: Girish, FDEs, by definition, mean these are elite engineers that are engaged to do forward deployment of the platform. In some cases, they will be experts in Mphasis Tria. In some cases, they may even become experts in platforms that we're deploying inside of a customer because that may be a very specific platform that is Tria++.

It doesn't necessarily have to be all onshore. But of course, the early engagements will require them to be onshore in front of the customer, though not in large team sizes. These are typically small pods of 3 to 5 people, sometimes even smaller, depending on the size of the engagement. Their job is to deliver proof of value and then hand it over to scale delivery for additional execution, which anyways is the onsite offshore model.

Given the recent short burst demand for all things FDEs, I think there is a little bit of a buzzword around it. But in its truest form, the FDE function gets engaged in deploying the platform. As such, the numbers are, as I said, not going to be large team numbers, but there will be high billing rates. But also, these are elite engineers.

And while they will have higher profitability profiles, the real revolution is not in the profitability coming out of the FDE function. The real opportunity is the deployment of the platform because that gives you the stickiness and the scale capability to deliver managed services on it. So, think of that as a starter pack that scales it.

Girish Pai: Okay. There's been a lot of commentary around competitive intensity from various peers of yours, large and small. What are you seeing differently today compared to, say, 3 months back or 6 months back in terms of competitive intensity? That's my last question.

Nitin Rakesh: Sure. No problem. I think competitive intensity in traditional deals will get even more fierce, has gotten more fierce because everyone is trying to protect their turf when renewal cycles come. It's a lot of fun bidding on those cycles from our perspective because we are not competing on price because that's a game that we really don't want to play. And hence, the model we are competing on is - can I bring an AI deployment to life that fundamentally reshapes and transforms the way you run these operations, whether it's IT or business.

So, I think if you stand still, pricing pressure will get more intense. And hence, you have to actually be forward leaning on the deployment model and fundamentally change the shape of that deal. So you don't get caught in this game of productivity that some companies in our industry are forward-forecasting 60%, 70% productivity in outer years because they think that AI will enable that. They just haven't figured out how to.

So I think it's a fairly nuanced approach. And we have to be really careful in making sure that we can play to our strengths versus getting led by the market that is only going to be in a pricing game. And by the way, that game works; that price discounting game only works when you're doing effort-based pricing. But when you change the equation and do outcome-based pricing, it really doesn't make any sense for clients to look at it that way.

Moderator: Next question is from the line of Ravi Menon from Axis Capital.

Ravi Menon: Aravind, the targeted conversion of OCF to PAT, I mean this translates to about 50% OCF to EBITDA. And that's roughly like half the industry norm. How long do you expect this to continue?

Aravind Viswanathan: So a couple of points here, right? Like we mentioned, I think you should see a normalization of that in FY28. The reason FY27 is softer, and we kind of called it probably in FY26 itself is that some of these large deals that we kind of won necessitated certain amount of capital investment and that doesn't happen upfront, but happens over a 12- to 18-month period, right?

So once that kind of stabilizes, what happens is those deals start generating incremental cash because there is a recovery of the upfront effectively and that kind of funds it. So if you look at it, it's a transition into large deals, managed services outcome-based, which has contributed to that. And I think that will kind of normalize from FY28.

Ravi Menon: So, then that means that for any new contracts that you are really not looking at this cost savings upfront being promised and cash being given to customers, right? I mean that deal structuring is not going to be continued?

Aravind Viswanathan: No. That's not the way to look at it, Ravi. So, the way to look at it is that when you start doing it, you don't have a baseline, right? But after a couple of years, what happens is you end up recovering higher amount of cash for those deals where you invested upfront, which kind of compensates even if you kind of end up doing new deals like that, right?

So, the impact is kind of in a baseline once and it doesn't incrementally impact with the same intensity that it does when you first win deals like this. So that's the way you should look at it. So, you'll start seeing unwinding of some of the deals that we have won in the past, which kind of offsets even if you kind of do new deals.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to Mr. Nitin Rakesh for closing comments.

Nitin Rakesh: Thank you all for joining us today and your thoughtful questions. Let me conclude by saying we are seeing something bigger. We are seeing a big opportunity because clients now need partners who can help them solve problems using AI and drive measurable economic outcomes. We are excited about the category we've created called the Enterprise Agency.

We remain focused on deepening our client partnerships and scaling Mphasis Tria™ as we move into the next quarter, and we are confident about the momentum of business that we are seeing right now. I want to thank all our teams globally for their continued execution and our clients and shareholders for their trust and partnership. Thank you again, and we look forward to speaking with you next quarter.

Moderator: Thank you very much. On behalf of Mphasis Limited, that concludes this conference. If you have any further questions, please reach out to the Mphasis Investor Relations at investor.relations@mphasis.com. Thank you for joining us, and you may now disconnect your lines. Thank you.