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6 May 2022

The Manager, Listing BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001	The Manager, Listing National Stock Exchange of India Ltd Exchange Plaza, Plot No. c/1, G-Block, Bandra-Kurla Complex, MUMBAI – 400 051

Dear Sir/Madam,

Sub: Transcript of the Investor(s)/Analyst(s) call

Further to our intimation dated 29 April 2022, please find enclosed the transcript of the Investor(s)/Analyst(s) call which is hosted on the website of the Company at https://www.mphasis.com/content/dam/mphasis-com/global/en/investors/financial-results/2022/transcript-of-earnings-call-q4-2022.pdf

We request you to kindly take the above on record as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you,

Yours faithfully,

For Mphasis Limited

DocuSigned by:
Subramanian Narayan
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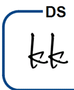
Subramanian Narayan
Senior Vice President and Company Secretary

Encl: As above



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"Mphasis Limited 4th Quarter & FY22 Earnings Conference Call"

April 29, 2022

MANAGEMENT: **MR. NITIN RAKESH – CHIEF EXECUTIVE OFFICER, MPHASIS LIMITED.**
MR. MANISH DUGAR – CHIEF FINANCIAL OFFICER, MPHASIS LIMITED.
MR. SURAJ DIGAWALEKAR – CDR.

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Moderator: Ladies and gentlemen, good day and welcome to Mphasis 4th Quarter and FY2022 Earnings Call.

At this moment all participants are in listen-only mode. Later we will conduct a question-and-answer session. At that time, you may click on the Audio Question Tab below the Media Player. Please note that this conference is being recorded. You can also view the presentation on the Mphasis website, www.mphasis.com, under the Investor section, as well as on the stock exchange websites.

I now hand the conference over to Mr. Suraj Digawalekar from CDR. Thank you. And over to you, sir.

Suraj Digawalekar: Good morning, everyone. And thank you for joining us on Mphasis Limited Q4FY22 Earnings Conference Call. We have with us today Mr. Nitin Rakesh - Chief Executive Officer and Mr. Manish Dugar - Chief Financial Officer.

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 on the Q4 Results Release that has been sent out to all of you earlier. I now hand over the floor to Nitin to begin the proceedings of this call. Thank you and over to you Nitin.

Nitin Rakesh: Good morning, everyone. And thank you for joining our earnings call this morning. We apologize for the slight delay, because we had to wait for the deck to get uploaded to the exchange portal.

As we completed FY22 and moved into FY23, we took stock of key themes shaping our industry, what our clients are saying and the spend patterns. What you see here is the IT forecast from calendar Q1'22. Respondents, which are typically large enterprises, said they expect to increase the 2022 IT budget relative to 2021 actuals. At least three-fourths of the enterprises in every industry group intended to increase their Tech spends in 2022 with spending target strongest in Software and Retail, with over 90% of respondents looking to spend more.

In our view, the macro issues that have surfaced and intensified over the last couple of months are not likely to change the bigger secular picture. That being said, some enterprises may tactically re-examine some portions of their Tech spends depending on the nature and geography of exposure in 2022, and how the macro plays out.

Secular themes that are driving optimism for 2022 spends and beyond include Cloud migration and Cloud Ops, data platforms and analytics, DevOps and SRE, cybersecurity, and digital design and customer experience.

There seems to be a clear linkage between Tech savviness and financial performance. And this study shows that Tech savvy enterprises outperformed their peers by 6% on average during the

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pandemic. At the high-end of the outperformance spectrum are industries where Tech is essential to business model transformation such as Retail, or that have been late digital Tech adopters such as Energy and Utilities, Insurance and Travel.

Increasingly, Cloud and AI are becoming performance differentiators. With established linkages between Tech savviness and revenue/market share performance we believe that the lion's share of Tech spending is not discretionary and is likely among the last places that enterprises will look to curtail spending in response to any macro concerns.

Moving on to our performance for the quarter and the year: Our 4th quarter FY22 revenue at 26.8% YoY growth in constant currency terms is at a decade high at $430.7 million for the quarter, representing a 4.3% sequential growth. Our Direct business has crossed the quarterly run rate of $400 million and it grew 4.7% quarter-on-quarter and 37.6% year-on-year in constant currency terms in the 4th Quarter.

The year-over-year overall and Direct growth of the company has been rising throughout FY22 and ended on a high note in 4th Quarter due to the emerging convergence of overall growth with Direct growth as we have called out through the year.

Our U.S. geography with Direct had robust growth of 43% year-over-year in 4th Quarter FY22 over 4th Quarter FY21 in constant currency terms. Q4 rounds out our strong performance in FY22 where we recorded an overall FY22 revenue growth of 21.2% in constant currency terms, which places us well above the industry average in FY22. Our FY22 Direct revenues grew 34.4% in CC terms, which we believe is industry leading growth amongst our peer group.

On an organic basis, Direct business grew 30% plus in CC terms in FY22. This follows what was our industry leading growth of 17% in FY21 for the Direct business. Our core markets, the U.S., and our investment market, Europe, have both grown well on a full year basis. Direct business accounted for 92% of overall revenue in FY22 and 93% for 4th Quarter FY22.

DXC's contribution to our revenues is 5% as of 4th Quarter. Given the low and declining contribution of DXC to our overall revenue, Direct business' industry leading growth reflects an overall improving YoY revenue growth trend sequentially through FY22.

With regards to geography growth, U.S. and Europe have fared well with an overall growth of 25% and 15% respectively in CC. Excluding DXC, the growth numbers are significantly higher at 34% and 25%, respectively. As mentioned in our earlier calls, Europe continues to be a focus area for us, and we are pleased with the fact that our increased sales efforts and investments in this region are yielding good results. Direct business in Europe has grown at over 20% YoY in constant currency terms for second successive year.

From a services perspective our application service line has been a driver of our growth with 44% growth in Direct apps in FY22, thanks to the secular themes of digitization and transformation. Notably, Direct apps growth in 4th Quarter was 51.4%. We believe this is also a

testament to our continued investments in the right service areas using our unique Tribes and Squads lead competency development model as well as our ability to leverage the repeatability that comes with this highly efficient mode of go-to-market.

All our verticals saw a strong double-digit growth in FY22. We are pleased with the continued growth in our anchor vertical, BFS, which grew 27% in FY22 in constant currency terms. 4th Quarter FY22 marks the 7th straight quarter of 20% plus year-over-year revenue growth in BFS. In 4th quarter BFS grew 40% YoY over 4th Quarter FY21 in constant currency terms. On a full year basis, we believe this is best in class growth in that industry segment. We continue to enjoy market share gains with our key BFS clients.

Logistics & Transportation business in the Direct segment grew 32.6% in FY22 to over FY21 in constant currency terms. Hi-Tech, also a focused vertical for us, continues to deliver strong growth with the Direct TMT vertical having more than doubled in FY22 with 110% growth in constant currency comes following on from a 54% growth in FY21. In our Direct business, 4 out of our 5 verticals grew 30% plus in FY22 in constant currency terms.

Also in the 4th Quarter, our contribution of Fixed Price engagements continues to rise. With the 4th Quarter Fixed Price growth of 64% YoY in constant currency terms. Contribution of FP as a percent of revenue has also risen by 470 basis points YoY in the Direct business. On an annual basis, as I mentioned, 4 out of our 5 verticals have grown 30% plus in 4th Quarter over FY21 constant currency terms.

FY22 also builds on our client mining improvement. As we have said before, we have consolidated our standings with our key clients resulting in continued market share gains. This is also borne out by our client metrics.

The middle chart in the slide shows that our Top 5 and Top 10 clients have grown consistently registering 31% and 35% growth respectively in FY22 in U.S. Dollar terms. Our Top 2 clients contributed $150 million plus of revenue each in FY22. The average contribution of our Top 5 clients exceeds $140 million. All of our Top 6 clients are greater than $75 million, which we continue to believe is quite unique for a company in our category. Our Top 6 to 10 clients grew 48% in FY22, sustaining a trajectory of much higher-than-average growth in this category. Notably, even our Top 11 to 20 clients grew 24% for the year, indicating the increasingly broad-based nature of our growth. Our new client revenue continues to grow rapidly, growing at 60% year-over-year in the 4th Quarter. In short, our strong client performance across the board supports our industry leading growth in Direct.

Several capability and organization-based factors support our consistent and robust performance in the Direct business, namely, our personalized customer engagement model with key clients, where the customer is center of our go-to-market and resource allocation, which allows for a high degree of account specific innovation.

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Secondly, our ability to build ever-growing pipeline on the back of our effective Tribes and Squads model, which provides us good visibility into the future.

Third, our capacity to stitch large integrated deals using our transformation models, such as Front-to-back and Zero Cost Transformation, which we have discussed with you in the past, also gives us the ability to fuel large deals on a regular basis, including five large deals this quarter, a new record.

And finally, the scaling of our digital competencies of our talent with a well-established learning and resourcing platform Talent Next, which has seen rapid adoption through this year, especially in the last two to three quarters. Talent Next provides Mphasis the skill muscle to enable execution of the next gen positioning at scale.

We recorded TCV of $347 million of net new deals in 4th Quarter. Our average TCV metric is trending up over time. FY22 net new TCV at $1.43 billion is up 28% over FY21 crossing a quarterly average of $350 million. 73% of the TCV wins is in new-gen areas.

Our large deals are increasingly coming from non-core/smaller verticals and geographies other than the U.S., while we continue to also mine very well within our chosen marquee verticals. Despite strong TCV wins racked up over the last few quarters, our pipeline is still up suggesting that our pipeline generation engine is firing. We generate a high percentage of our TCV through proactive deal pursuits where win rates are materially higher than in competitive RFP situations.

I am pleased to report this quarter that we have closed more large deals than normal, at 5 large deals versus 1 to 2 large deals on average every quarter. FY22 has also been the best year for large deals with record 12 such deals. As we report our TCV on a net new basis excluding renewals, we find a correlation between our Direct TCV and revenue growth continues to be high, exceeding 0.9.

Coming to our client metrics, our track record in migrating clients from one revenue bucket to the next continues to be healthy. We added 2 clients to the $150 million plus category in FY22. Specifically, our conversion ratio of clients in one revenue tier to the next continues to be high at over 50%, as demonstrated by the growth of Top 2 account into the next category. This ratio increases in the higher categories as we move from $20 million to $50 million, $50 million to $75 million and so on. We continue to see success with our focused account-centric strategies with both our tenured and recent clients. In particular, we are also very pleased with the results of our New Client Acquisition (NCA) engine. Through the NCA and our focus on high-quality scalable logos, we have been able to sign up at least 12 Fortune 500 companies and another 6 via M&A across the verticals in FY22. This is not incidental as we have reinvigorated this program with a dedicated leadership. And as we mentioned before, we have carved out 5 well-considered select verticals to focus on for NCAs, as we now call them Enterprise 5, namely Banking & Financial Services, Insurance, Logistics, TMT and Healthcare. Each of these five

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New Client Acquisition verticals has its respective client acquisition strategies led by dedicated sales, delivery, and leadership.

We have an elaborate operating model in place to transition clients to strategic status with the client engagement structure and investments defined through the phases of this transition. As clients move through the transition phase and become strategic, we progressively bring the full force of our engagement model, dedicated client resources and GTM motions in engaging with such accounts.

What's behind our strong TCV record is our evolving Tribes and Squads model. This model, which has helped us scale our ability to service the growing pipeline and to close more deals, continues to mature. The portfolio squads within each tribe ensured that we constantly evolve our solutions, adopting the newer tools and methodologies. To cater to our customer's need for speed, the tribes have also evolved a composable approach to our offerings. This enables us to combine offerings from multiple tribes effectively to address the typical requirements of our customers. We have also identified over 40 solution archetypes that are typically needed, thus allowing us to build frameworks and accelerators that facilitate faster deployment. These archetypes are then contextualized to the needs of the specific domain, or even specific customer by our deal squads. Almost all of our pipeline is tribe driven. Our Tribe driven pipeline is up 14% year-over-year, despite record conversion from pipeline to new TCV sold in FY22.

Coming to our financial metrics, our margin philosophy affords us the flexibility to manage our profitability in an environment of rising talent cost in a heated market. In this quarter, we were able to absorb our RSU costs fully and manage organic margins in the stated 15.5% to 17% band on an adjusted basis. This has resulted in operating profit growth in line with our revenue growth and adjusted EPS growth ahead of our operating profit growth.

Adjusted for M&A related charges operating profit grew 5.3% sequentially, and 28.7% year-over-year to Rs. 5,217 million in 4th Quarter FY22. Adjusted operating margin was stable quarter-over-quarter and declined 20 bps YoY to 15.9% in 4th Quarter. This is in line with our standard operating margin band of 15.5% to 17%, which remained unchanged despite the RSU ESOP cost we incurred of approximately 120 bps in this quarter, up 40 bps on account of full quarter impact. Our adjusted EPS for the quarter at Rs. 22.1 grew 8.9% sequentially and 30.3% year-over-year.

To sum it up, I will leave you with three points:

1) We closed a strong FY22 marked by above-industry overall revenue growth and industry leading growth in Direct. Direct growth in FY22 is 34.4% marked by 30% plus year-over-year growth in all four quarters. Direct performance has helped us mitigate the declines in DXC, the contribution of which has now reduced to 5% of revenue in the 4th Quarter.

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2) All KPIs are moving in the right direction, namely, our consistently improving track record in large deals with a record 12 deal signed in FY22 and 5 in the 4th Quarter FY 22.

Our FY22 TCV at $1.43 billion is up 28% year-over-year following on a 51% growth in FY21. Our client mining metrics across revenue buckets continue to strengthen our diversifying growth. As I previously stated, our average Top 5 client FY22 contribution is $140 million. Our Top 6 to 10 clients continue to grow well above our Direct revenue growth with 48% growth in FY22, while the top 11 to 20 clients categories has also grown strong, healthy double digits.

3) The broad-based nature of growth with Europe and multiple verticals is additive to our overall strong growth from the anchor vertical of BFS and geography of U.S. 4 out of the 5 verticals registered 30% plus growth in Direct.

4) Our talent management strategy is on course with sustained onshore expansion and capability build-up. Pyramid is a key focus area for FY23. In keeping with this, we have seen robust fresher addition in the second half of FY22.

5) Our operating cash flow generation as a percentage of PAT is 100% plus in FY21 and FY22.

Finally, investing for growth by using operating leverage and operating a stated target operating margin brand continues to be the philosophy. We believe our margin stance ensures margin stability, managing for key workforce retention strategies in a tough supply environment. Our adjusted EBIT margin of 15.9% lies in the stated 15.5% to 17% band, even after including RSU cost of 120 bps for the full quarter.

Coming to our FY23 outlook, given the consistency in outcomes from executing our strategy, we are confident of sustaining our market leading growth trajectory in Direct for the third straight year while maintaining EBIT margins in the 15.25% to 17% range for FY23 on a reported basis. Our confidence stems from our continuing market-share gains with clients across the verticals, robust funding plans for high-quality client base, ongoing addressable market expansion as we extend and deepen our competencies, including through M&A, and the strength of our pipeline and track-record of converting pipeline into TCV and TCV into revenue. FY23 will also see a substantially lower drag to growth from DXC than we had in FY22. Pricing, growth leverage and pyramid support our FY23 margin outlook after providing for rising supply costs.

With that we open the call up for question and answers. Operator, back to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: First of all, just a data point, if you could help me with what was the contribution for Blink in our Direct business for FY22, that's one data point. The second is a two-part question. One is the overall impact of the rising interest rates on US BFSI and the second part will be, what would be the impact on your mortgage business that is the Digital Risk business. If you could just

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highlight if you are seeing any sort of pain there? And given the rising interest rates, do you see banks across, especially the legacy banks in the United States, sort of cutting down spends temporarily or something in FY23?

Nitin Rakesh: So, on the Blink question, the revenue for the quarter is around $11 million. And also, it has grown quite robustly quarter-over-quarter. So, from a sequential growth perspective, this was fully baked into our Q3 numbers as well. So, I think that's a good way to look at sequential growth on an organic basis.

On the other question around the macro environment and the demand situation, it's fair to say that while there have been concerns raised and some of the bank earnings have talked about higher provisions, at this point, the demand is still fairly robust. The programs that many of our clients started in FY21-22 continue to be longer term, secular programs, as I mentioned in my script, unlikely that they will get curtailed very significantly, even if the environment worsens from here. Of course, we will keep an eye on for how that translates into budgets and additional, incremental spend from here on, but at least at this point in time, pipeline, TCV, demand, conversations are very robust. We talked about five large deals this quarter, that's a record ever. Many of those deals are also in-year spend deals. And that's a trend that we have started seeing over the last few quarters as the CAPEX to OPEX conversion happens.

So, in a nutshell, not much to report in terms of tangible shifts in spend. But of course, conversations and cautiousness around interest rate and geopolitics continue to become part of the conversations and we will continue to watch it very closely.

The other question you had was around the interest rate environment and the impact on the mortgage business. I mean, that business is cyclical. There is a part of that in our mortgage bucket that has cyclicality, but we have also diversified that over the last few years in adding new lines of business that are less immune to interest rate cycles, and in some cases even counter to the cycle. For example, it is not just about originations and refinance, its about originations, refinance, servicing, due diligence and most importantly, home equity line, which the last three of them were actually counter cyclical to interest rates.

So, while there will be some short-term impact, but we believe that we have baked that into our outlook for the full year. And we are fairly confident that at a portfolio level we will continue to find ways to drive growth.

Vimal Gohil: Just one clarification, so what was the total contribution for Blink for FY22?

Nitin Rakesh: It was $11 million in Q4.

Manish Dugar: It was $23 million for the full year.

Moderator: Thank you. We have our next question from the line of Mohit from Anand Rathi. Please go ahead.

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Mohit: More on the operational side, so you spoke about this little slowdown potential in the mortgage side which is reflected in BCM in this particular quarter. So, how should we read BFSI growth as a whole, like Insurance is doing well, but BCM what you guys expect, I mean this quarter was a little slower, compared to the previous one?

And second was on the utilization. So, you gave the margin outlook, but the utilization dropped quite sharply in Q4. So, how should we read utilization numbers and where do you expect it to stabilize going forward?

Nitin Rakesh: So, let me answer the utilization question first. Utilization is a direct correlation of the supply chain transformation that we talked about over the last two quarters. We have on-boarded more than 5,500 freshers in the last two quarters alone and that obviously will have an impact on utilization, not only including freshers even excluding freshers, because as they go out of training, they get excluded from the trainee number, but they are still sitting in accounts and still to be deployed into billable roles.

So, I think that the utilization metric will continue to be monitored and managed closely, but at the same time, we don't expect it to improve sharply. Even without that sharp improvement, we do expect it to be a tailwind to margins, because effectively we are constructing the lower half of the pyramid in a very consistent, methodical and sustainable manner. So, I think that's the way to think about the utilization metric. It is definitely planned, conscious effort at diversifying across the pyramid.

In terms of the BFS growth, I think we obviously had a very strong growth through FY22. Even if you look at the 4th Quarter number, it grew 39.3% on a YoY basis. We actually don't call it BCM anymore, it is BFS, Insurance is shown out as separate, had strong sequential growth still recovering on a YoY basis because of the restructuring we did in that over the last 12 to 18 months.

Outlook for the year in BFS continues to be as I mentioned the application lead growth is very strong, yes there will be some impact as I mentioned from the interest rate cyclicality but we believe that the guidance we have given for Direct business growth for the year reflects all of those puts and takes including BFS.

Mohit: And last thing was onsite/offshore, like we are still little far from others in that ratio. So, how should we read it, now you have already increased fresher intake. If you could share any number for FY23 fresher hiring and onsite/offshore, how much shift do you expect to happen over let's say next one to two years?

Nitin Rakesh: The onsite/offshore ratio has moved in favor of offshore this quarter compared to previous quarter as well as previous year. And I think the trajectory and the pipeline suggests that migration should continue. We don't necessarily use market benchmarks because portfolios are different, verticals are different, and service lines and the whole competency model is different.

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And it's not just onshore/offshore, it's also multi-shore right now. So, we are using the best-shore approach given that we have actually added multiple geographies in non-India bucket over the last 18 months, including Taiwan, Mexico, Estonia and more recently, Canada. So, I think for us, the answer is how do we manage the portfolio mix, it's not just one metric and one benchmark.

In terms of the guidance towards fresher hiring, we will continue to optimize a pyramid that's the roadmap we are committed to. How much fresher intake happens is a question of how we are able to manage utilization and how much we can afford, based on demand, as well as the ability to absorb them through the supply chain. So, I think it's not one number I can give you. It's too early in the year to give you a number for the year. But given that we are at 5,500 in the last two quarters, should give you a sense that we are really committed to the supply chain restructuring that we started.

Mohit: And Taiwan, Mexico, etc. would be currently counted as onsite in our reporting?

Nitin Rakesh: Yes.

Mohit: Or would it be part of offshore?

Nitin Rakesh: No, it's all bucketed in the onsite category.

Moderator: Thank you. The next question is from the line of Manik Taneja, from JM Financials. Please go ahead.

Manik Taneja: Just wanted to touch base on something that we used to talk about in the past, in terms of the growth within the Blackstone portfolio set of companies. Could you help us understand how this segment has done over the course of FY22, given the fact that it is a still a smaller piece of contribution to the overall business and how do you see this panning out going forward?

Nitin Rakesh: So, I think you mentioned it, you know, we used to talk about it in the past. And there is a reason why it is in the past. We decided not to break it out as a separate segment, because it sits in the Direct business. I think it's fair to say that we continue to make good progress. While we are selective, the size of the portfolio that we operate in, not just in the Blackstone, but we actually upgraded that to PE channel play is also fairly large. So, I think we continue to make good progress in that. And all I can tell you is that some of those deals are included in the large deal announcements that we made as well.

So, I think it's a very considered and very focused approach, targeted set of customers, targeted set of deals, and we are making good progress and that's one of the drivers for our Direct business growth.

Manik Taneja: So, you spoke about the margin levers being growth, pricing leverage, and the pyramid. With regards to pricing given the concern around increasing interest rates and the possibility that

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banks look to optimize their spends, do you think this impacts the possibility of price increase in this vertical?

Nitin Rakesh: At this point, no, because keep in mind that pricing increase is not just a rate card discussion, there are multiple other ways to construct price increases, value-based pricing, outcome-based pricing, managed services construct. If you look at the fixed price, fixed price construct movement, I gave that metric out in my script, I think all of those gives you the ability to actually have a higher realization and potentially a margin tailwind. For new business, for highly in-demand skills, Cloud architects, data architects, modernization deals, there is definitely a lot of pricing power available. It all depends on the portfolio and the value that you can derive from those constructs. So, I think at this point in time, the environment is pretty comfortable despite the current pressures on inflation that you talked about.

Moderator: Thank you. We have a next question from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: My first question is on the margins front. From the employees -- point of view I know that we do not have a standard cycle of wage increases, but on an average throughout the year, what kind of wage increase are we expecting to happen and the impact of that on margins?

And secondly, on the acquisition front there is a standard cost that was being added, so will that cost remain the same in the coming quarters, as well?

Manish Dugar: So, from a people cost perspective, there is a process what we follow wherein it's a continuous evaluation on the geek quotient, as we call it. And based on that a large part of the team, which is primarily the delivery organization gets evaluated and correction keeps happening. There is no number that we guide to, and we have been doing over the quarters, and we continue to do it. So, it's baked in.

From an acquisition perspective, we had talked about the fact that typically, the acquisition charges come from an accelerated accounting perspective, which means the costs are higher in the beginning, and then they keep reducing as they go forward. And that is what we expect to happen in the next maybe four or five quarters, and we should be able to absorb that. And, it should not have any further impact going forward.

So, to your question on whether that cost is reducing: yes, it is, both in absolute terms and even more in percentage terms, because with the reduction in absolute terms and growth in revenue, the percentage drops even faster.

Nirmal Bari: But the reduction in the lower end of our margin guidance, would that primarily be allocable to employee expenses or how should we look at that?

Manish Dugar: So, the way to think about it is, we are not reducing the lower end, if you remember, our guidance was 15.5% to 17%. And we had talked about an adjustment for M&A charges. Our reported

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margin this quarter is 15.2% after the M&A charges. And the guidance suggests that on a going forward basis, the margin should be higher than this quarter margin, even after accounting for M&A charges. So, if you were to let's say, take M&A charges at 0.8%, this quarter is 16.0%. And we are essentially saying if it remains 0.8%, the next quarter will be 16.05% and so on. So, it's just the adjustment of M&A cost in the guidance range. It's not a reduction in lower end of the guidance.

Nitin Rakesh: If I can just add, I think the way to look at it is that the adjusted margin, adjusting for the M&A charge is 15.9%. So, I think that's like-to-like comparison to the guidance, we started FY22 with. Since we reset it based on the M&A cost, we are basically saying that the 4th Quarter numbers is really the starting point. And hence we are guiding above the 4th Quarter number even on the lower end. That's the way to think about it for our whole year range.

Moderator: Thank you. We have a text question from the line of Nitin Padmanabhan from Investec. How should we think about growth for the Top 5 clients considering you have benefited from significant consolidation in the past two years? The unbilled revenue has increased by $37 million sequentially, while the absolute revenue increased appears to be half of that. Could you give us some context to this?

Nitin Rakesh: So, let me take the first part of that question, which is on the Top 5 clients and then Manish can answer the unbilled question. I think, firstly, we are very pleased with the fact that we managed to grow these Top 5-6 customers very robustly. I think, in fact, all the Top 10 clients have grown robust, as you saw from the metrics in the analyst deck.

The way to think about it is it's not just wallet share gains, it's a combination of increased spend, which is the ability to play in new spend areas is extremely important for that. And that's the reason why keeping an eye and constantly reinventing the whole tribe-based competency model with new areas of competency is extremely important. And that is the reason why every quarter when we present, we actually definitely talk about what are we doing in that space, including the changes that we just announced and then we presented to you a few minutes ago.

So, increased spend, in new areas is one big tailwind. Second is we have also taken action to increase our addressable market. Blink was a great example of how we actually now started playing in new spend areas that we were not playing in earlier. So, that gives you a second vector of growth. And the third vector of growth obviously is wallet-share gains.

So, I think if you look at combination of these three things, we do expect that almost all three will continue to play out, at least in the near to medium term. We don't see any reason to believe that we have actually saturated any account even from wallet share perspective alone, forget the other two engines of growth.

So, I think, long road ahead, very pleased that we have graduated Top 2 clients to our $150 million. Obviously, the teams are fairly focused on making sure that we are able to take as much

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addressable spend as we can, because for many of these clients the spend is in very large numbers. So, that's the reason why we also focus on quality of logos that we bring in. And so that's kind of the way to think about the Top 5 to Top 10 customers.

Manish Dugar: On the unbilled, the primary issues or primary reasons are three. One is, there is typical as you know, the revenue accounting, when you do a fixed price contract is on a percentage of completion, while the invoicing follows a different schedule. So, there is a mismatch between that, but we should be able to catch up, this month or this quarter.

The second thing is about, a large part of our clients requires a PO reference when the invoicing is done, and that PO reference at times, take time to come. And if you take what happened at the end of the quarter, we should be able to get the documents and mail the invoices in this quarter. So, I would say largely, these are admin and invoicing related matters, nothing to, you know, conclude that this had any impact on either collectability or the DSO so to speak.

Moderator: Thank you. We will take the next question from the line of Dipesh Mehta from MK Global. Please go ahead.

Dipesh Mehta: A couple of questions, first about the Logistics & Transportation. Do you think any implication because of energy related uptake which we are seeing across the globe, because this quarter margin seems to be slightly softer as well as the revenue growth? So, if you can provide some sense how you expect this to play out over FY23?

Second question is about the emerging business update. Can you provide some sense how this emerging business is playing out across some subsegments? So, that update would be helpful, which area is doing well, which is not doing well.

And the last question is about BFS-related, because now compliance related some of the companies indicated good opportunity because of some of these things and related work. Do we play in that area, and if yes, then how it is helping us for BFS to negate some of these mortgage related challenges?

Nitin Rakesh: On Logistics & Transportation I think the issue so far, the inflation adjustment or reset of demand is not the real issue, the only reason you are looking at softness probably is base effect. And margin is a reflection of, how much growth and utilization in practice sitting in their vertical because they definitely expect some, they would have done ramp ups in advance of billing and deal closure. So, I think I see that as a growth related or a large deal related ramp up situation versus any impact or pressure from pricing or demand.

On your second question, around BFS-related, I think the Tech spend, especially in applications area is very robust. The actions we have taken around diversifying away from pure interest rate sensitives in our mortgage business is also helping. So, I think we do believe that while as I mentioned, in the short run, you might see some impact, but through the year based on the current scenarios and the movements that we have seen in the forecast on the pipeline we have, it looks

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like we should be able to meet the full year guidance on BFS overall, despite the softness in some parts of the business. And that's the portfolio approach it helped us, it was a tailwind for a while and that's the reason you have a portfolio where you actually have some parts of the business do better than the others. But on an overall net basis, the portfolio growth is robust.

The third question, I think, was around emerging vertical, I presume you are referring to Others. I think the biggest component of others is Healthcare. And there are obviously, a couple of other miscellaneous smaller verticals in there that we can't classify into the other, big four verticals. So, I think from that perspective, we will start thinking about potentially breaking it out into additional verticals just like we carved out Hi-Tech and Logistics from the Others category over the last three years. But I think, at this point in time Healthcare is the other primary focus vertical in the Other segment that we will potentially start to report out and carve out separately in the future.

Dipesh Mehta: How it is doing, that was the question, Healthcare how it is doing? And Logistics, you partly answered but do you think any headwind because of these energy-related updates?

Nitin Rakesh: At this point in time, no, so that's what I said Dipesh no headwind to report at this point in time, we are watching it. It is not just Logistics and Transportation that has an impact from energy, because they also have a lot of pricing power, whether it is ecommerce-related or delivery companies or even if you look at, freight companies, if you look at airlines, significant pricing power in their hands right now. So, they are actually passing a lot of the hikes back to the customer, it is not really a stress on their P&L.

On how Healthcare is doing, I think we, as I mentioned, right, you can see from our deal commentary, we announced a large deal, last quarter, the largest deal was in the Healthcare unit in a new customer, despite being one of the smaller units, we are able to actually leverage the Tribe construct, contextualize it to healthcare and grow it. So, it is actually growing really rapidly, still relatively small compared to some of the other verticals, and hence, we are waiting for it to attain a critical size before we break it out into a separate vertical.

Moderator: Thank you. Next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: First question was basically on DXC, I know it's just a slice of the revenues and probably doesn't matter much in the overall scheme of things. But I think after multiple quarters of significant decline we have seen the revenue kind of stabilizing in this quarter. So, what is the outlook for this piece of business at this point of time? Do you think it might have bottomed out? How's it looking out in terms of the deals and the contracts that we have in this business? Till when is their continuity just maybe some subjective feedback on how should we look at the business going forward?

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Nitin Rakesh: So, I think, we called out maybe over the last quarter or two, that we are somewhere in the ballpark of, where we think this business can stabilize. So, I wouldn't read too much into sequential ups and downs based on projects or engagements. So, I think it's fair to assume that our focus will be to continue to grow the Direct business. And we still believe that we have the ability to have a revenue line with this segment, but I think the prioritization and the focus of growth, given just the nature of our strategy will be to prioritize Direct growth. So, I wouldn't read too much into the quarterly moves. I think 5% is where we kind of guided towards, if you remember two quarters ago the mid-single digit number. But as the Direct business continues to grow, this will obviously continue to get diluted if it doesn't keep up with that growth.

Vibhor Singhal: My next question was basically on the overall supply side environment that you are facing, both onsite and offshore. So, if you could just take us through as to – how is the attrition number looking like in the offshore especially, do you see it coming down or stabilizing or plateauing out maybe this quarter, for the next couple of quarters?

And on similar front, on the onsite, how critical right now is the availability of talent right now, which is leading to basically high salary expectations. And given the high inflationary environment, we believe the onsite salary hike this year could actually be higher than what we have historically given on the onsite front?

Nitin Rakesh: So, I think the right way to think about it is that definitely the demand supply mismatch continues to be, in favor of shortage of supply. That has been the phenomena for the last three or four quarters. That doesn't seem to be any different in the current environment. But given that, over the last, definitely over the last three or four quarters, our focus has not only been acquiring talent, but actually creating talent. And I talked about that in the script as well between Talent Next, trainee offtake and new centers that we call best shoring not just onsite, but it's a near shore, it is offsite, it is new locations, whether it's Taiwan or Mexico or Costa Rica, Canada, even onshore in Europe, we opened Dusseldorf and Leeds in UK.

I think the flexibility that we are trying to create in the supply chain from our best shore perspective is something that is going to help mitigate some of the dependence on just resources available in geography in the U.S. or in the UK market, for example. So, I think that's one way to mitigate, and think about what we are doing. Second is obviously, significant work is happening on pyramid construction, not just offshore, but even onshore. Obviously, the two markets have a different way of constructing the pyramid out. So, yes, there is pressure on supply, yes, there is wage inflation. We baked all of that into our outlook for margin. At this point in time, attrition, I would say at best is stable, we will continue to work towards, whatever measures we have taken in the past and additional measures we can take. Not just wages, it's a lot to do with engagement. It's a lot to do with internal rotation and upward movement, and potentially quality of work.

So, I think it's a work in progress, it will continue to be. I wish I had a crystal ball to tell you it's going to peak in this month, or this quarter, or next month or next quarter, it is impossible to

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predict. So, I think at this point in time, we have a headcount plan, we have a supply chain plan, we have a demand environment, and we will continue to find ways to meet as much as the demand as we can.

Vibhor Singhal: And on the onsite salary hike part, you expect it to be higher than historically it has been?

Nitin Rakesh: You know, again, as I mentioned we are managing it through multiple levers. So, question is, it is not one number that goes out to one set of employees, onsite or offshore. Again, since we don't do it in a particular time, April 1 is not the date for the whole company, we are doing it fairly, based on need skill, skill up movement, and engagement. I think it's a little bit harder to put a number on it, but I don't think I mean, if we expected it to be unusually high, we would have adjusted our margin guidance, given that we are guiding for a margin actually to be on an operating basis, healthier than what it has been in the in the recent past then I think that should tell you about the ability for us to manage, puts and takes on margin and wages.

Moderator: Thank you. The next question is in the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Just wanted to understand in FY22, what was the M&A related cost in terms of basis point and how this will look like in FY23, just some clarity required there.

Manish Dugar: So, first from a concept perspective, once the transaction is done, there is a purchase price allocation that happens, and then the cost comes in. And the cost is typically in an accelerated basis, which is why, it starts with a higher number and then it eventually goes down.

As we had explained, the impact of M&A charges in the P&L was about point 0.8% in the immediate; so, we did the transaction sometime in September, the quarter when the full impact came in was the quarter after that, which is October, November, December. And then in this quarter, which is January, February, March, that number has already come down 0.7%.

And the reason why the percentage moves is twofold. One is the absolute cost reduces and the second is the impact of that on the revenue, as the revenue base grows, becomes lesser, right. So, effectively, we had an impact of 0.8% in October, November, December and 0.7% in Jan, Feb, March. And depending on how the numbers pan out in this year, this number will keep reducing, both in absolute and percentage terms on a quarter-on-quarter basis, from the 0.7% that we had in Jan/Feb/March.

Sandeep Shah: So, roughly what could be the YoY -- in this number in FY23 versus FY22, any color on this?

Manish Dugar: We don't call out specific, absolute numbers on this, unfortunately, but this will become, we had talked about when we did the announcement of the transaction that over a two to two and a half years period, we should be able to absorb all of this, and it should have no impact after that. Of which two and a half quarters have already passed.

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Sandeep Shah: We are doing extremely well, in Direct business, no doubt about that. But I think last few quarters order intake was good. Do you believe this quarter's growth rate is in line with your expectation when you entered in the quarter for the Direct or could have been slightly better because of the order intake, and you believe that there could be a ramp up in the growth going forward in the 1Q and 2Q within Direct?

Manish Dugar: Nitin talked about the cautious optimism, and we would be happier if the supply situation was better. The supply challenges continue, we are investing in creating new sources of supply as well as creating talent through Talent Next. There is enough and more demand, supply is certainly something that we will need to continue working on. And when we got into the quarter, we had talked about being industry leading on the Direct side, which is what we have delivered for the year. And I guess it's difficult to give an absolute number, but relative performance is, I think, what we can talk about, and which is why we have talked about being industry leading on the Direct business for FY23 as well.

Moderator: Thank you. We will take the next question from the line of Harshal Sethia from AUM Fund Advisors. Please go ahead.

Harshal Sethia: Are we pressing to reach a $2 billion run rate in the current year? Or what would be our target?

Manish Dugar: What we have talked about is being industry leading so far as the Direct business is concerned and it all depends on how the industry does. But last year was a coming back year for the industry. So, there is a general assumption that this year will probably be less growth over the previous year than we saw the last year. So, depending on how the numbers go, obviously, the aspiration is to get not just to the $2 billion, but to higher number, but we don't guide a number as you know. We are confident of getting to industry leading on the Direct side.

Harshal Sethia: And I understand that, this year the industry growth would be lower compared to last year. But definitely we would be building internal capabilities and increasing our addressable market size by the Blink acquisition that we had done. So, I think we would be having a better picture in the near term.

Nitin Rakesh: The reason why it's an internal plan is because it's internal. So, unfortunately, we can't, we're not going to give you what the internal plan calls for. And I think you will have to just make your assumptions based on the trajectory that we have shown.

Moderator: Thank you. We will take the last question that is from the line of Abhishek Shindadkar from InCred Capital. Please go ahead.

Abhishek Shindadkar: Three questions, if I may. The first one is, on the Blink growth. Now, when we acquired it was doing 42% CAGR; for the quarter it's now growing at 20%. So, if you can help us understand, what is driving this solid acceleration? And does it change the assumptions for earnout in margins? I heard you in the previous question, but probably would like to understand that again.

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The second is on the margin compression in Logistics & Transportation vertical, how should we read that, I mean, it's not one quarter, but across the four quarters of FY22. And the third question is, a clarification. So, the margin outlook shared, is that excluding M&A and ESOP cost, or it includes both this cost, if you can help us understand that will be great.

Nitin Rakesh: So, I think the last one is pretty straightforward. The margin outlook for FY23 is all-inclusive based on what we know today. If there is a new M&A transaction that happens during the year that's a different discussion. At that point, we will give you what the guidance will look like based on what impact that might have. Based on the current visibility that is a reported margin outlook.

On your first question around Blink, I think the sequential growth is not 20%, but closer to 10%. It is pretty much aligned with the management plan. I don't think there is any dramatic shift in any assumptions or financial impacts, given that one, it is still a very small percentage of revenue. But we are very happy that it's performing, as expected and we constructed a deal thesis based on a certain thesis, and that thesis is playing out both on standalone and more importantly on Direct synergy. So, I think we are very pleased with the progress. Again, I would say still, relatively early in calling victory, but very pleased with the progress we made in two quarters that we have worked with them and very pleased with the performance of that business, the team, the alignment and the client feedback.

And I think on the final question around Logistics and Transportation margins, I think some of it, as I mentioned, is definitely related to the significant ramp up we have seen. We have also invested dramatically in building new capabilities in new sub verticals within Logistics and Transportation. What used to be very much, Logistics and ecommerce driven, now has a very significant element of other sub-verticals within the transportation domain, including airlines, because we have seen a significant resurgence of demand. And I think we announced, if you remember, this time last year, we made public the launch of an Airline Data platform in partnership with AWS. And that has become a significant driver of differentiation, as well as the ability to attract high-quality, new logos in that domain has been very significant. But that has obviously come at a high investment cost.

So, combination of investing with domain and taking obviously an operating hit on that, as well as building up teams in advance of ramp ups, and investing with our customers in potentially long-term strategic programs that give us a stickiness and the strategic intent with their outcomes, is the primary driver of what you are seeing there.

Abhishek Shindadkar: Just a clarification, in the previous earnings call we had mentioned the Blink contribution was 9Mn, and I heard 11Mn today so --

Nitin Rakesh: It is 13.5% sequential growth.

Moderator: Thank you. Ladies and gentlemen, that was our last question for today. I now hand the conference over to Mr. Nitin Rakesh, for closing comments. Thank you and over to you, sir.

Nitin Rakesh: Thank you, everyone for your interest. And thank you for logging in early into the call. I know the time zones create a little bit of a challenge. But we are appreciative of your interest. And we look forward to talking to you after the next quarter earnings as well. Thank you again and have a good day.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Mphasis that concludes today's call. If you have any further questions, please reach out to Mphasis Investor Relations on investor.relations@mphasis.com. Thank you everyone, and you may now disconnect your lines.