



Mphasis SAP ERP Cloud Migration Services

Vendor Assessment
Report Abstract

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Who Is This Vendor Assessment For?

NelsonHall's SAP ERP Cloud Migration Services Vendor Assessment for Mphasis is a comprehensive assessment of Mphasis' SAP ERP Cloud Migration services offerings and capabilities designed for:

- Sourcing managers monitoring the capabilities of existing suppliers of IT services and identifying vendor suitability for SAP ERP Cloud Migration services
- Vendor marketing, sales and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the experience consulting services sector.

Key Findings & Highlights

Mphasis has ~26k employees across 16 countries globally. It maintains a focused set of target industries, including:

- Wealth management
- Insurance
- Retail banking
- Telecom
- Travel and logistics.

Its client base of large FSI enterprises includes six large global banks, eleven large mortgage lenders, and three global insurance companies.

From 2006 to 2013, EDS and then HPE (which acquired EDS in 2008) held a significant ownership interest in Mphasis, starting at 40% and rising to 60%. In April 2016, PE Blackstone acquired a 60.5% share of Mphasis from DXC for ~\$1bn. Blackstone-owned companies make up a proportion of Mphasis' client base today, where it is helping companies transform in response to digital threats and opportunities.

Mphasis is placing significant corporate focus on enabling client digital transformations, aligning its offerings to help drive this. The core of Mphasis' digital service offerings is an approach called Anything to Cloud Powered by Cognitive (X2C2). As part of this, it undertakes a transformation approach called Front to Back Transformation (F2B).

In regards to its SAP offerings, Mphasis is taking a focused approach with scope narrowed to specific offerings and services where it feels it has a particular strength. It is also looking to apply the company-wide focus on user experience and digital transformation to SAP clients, helping clients migrate legacy environments and enhance capabilities. Rather than attempting to rapidly grow its skilled workforce, it is instead targeting slower 10-15% headcount growth while building up certifications across the organization.

Mphasis groups its SAP services into four families:

- Implementation projects: dedicated projects to implement ERP or SAP cloud offerings as well as migrating legacy environments to S/4HANA
- Support services: on-going administration and monitoring of production SAP environments
- Development services: development of new Fiori based applications as well as the migration of legacy ECC interfaces to Fiori apps. Development services also includes integration / interface development between SAP and Non-SAP applications
- Country roll-outs: expansion of geo-specific SAP environments to new geographies within a client organization.

Mphasis is pursuing the expansion of its client base through three channels:

- PE Channel: leveraging its parent company as well as relationships with other private equity firms, Mphasis offers services in support of activity by PE firms such as acquisitions and divestitures. For example, as part of acquiring a divested business unit, a PE firm can use Mphasis to carve-out the relevant portion of the SAP environment of the former parent company
- DXC/HPE: due to the historical relationship with HP, Mphasis continues to provide services in support of DXC and HP
- Direct channel: in addition to leveraging relationships, Mphasis also pursues new clients directly and through partnerships (such as with SNP).

NelsonHall estimates that CY 2019 revenues for Mphasis were ~\$1,218m. NelsonHall estimates that ~3% (~\$37m) of these revenues are associated with SAP services, and ~25% of these revenues are associated with SAP ERP cloud migration capabilities (\$9m).

Mphasis' SAP ERP cloud migration approach is rooted in its broader corporate focus on X2C2: Anything to Cloud Powered by Cognitive (X2C2). As part of this, it undertakes a transformation approach called Front to Back Transformation (F2B), whose core component is building cloud-native applications & migration to the cloud.

Leveraging these tools and this broad approach, Mphasis tailors its migration methodology based on the current and target databases: whether the current and/or future database is HANA or another database.

NelsonHall estimates that Mphasis has an SAP-skilled workforce of 350, including ~50 holding SAP certifications. A majority of the team possesses technical skills (BASIS, ABAP, NetWeaver) rather than functional skills.

To date, Mphasis doesn't have a large amount of client experience in migrating SAP ERP to cloud environments. However, with a broad corporate directive focused on cloud migration for clients and automated tools developed that accelerate the modernization of SAP ERP environments, it is positioned well to grow this practice going forward.

The mSwift HANA migration tool, which has been in use with clients since 2017, provides it a strong foundational asset on which to build this growing practice and, when combined with the help of cloud migration methodologies that have been refined across the organization, provides high potential delivery capabilities. These are also supported by the new SNP Group partnership, which provides access to a strong portfolio of tools and capabilities. The continued maturation and tailoring of these capabilities to the specific requirements of SAP ERP cloud migration will be an important investment area for Mphasis.

While Mphasis is taking a deliberate approach to growing its SAP business, one key area it should target to grow is its client-proximate resources. Building a larger stable of employees that can work directly with clients in the early stages of migration and project planning will be important to help clients along the cloud journey.

Another challenge is the mismatch between the industries seeing strong SAP ERP cloud adoption and Mphasis' core client footprint. Nearly half of Mphasis' revenues come from banking and capital markets clients, which has a limited SAP footprint and is moving slow to adopt cloud. Building out a differentiated set of cloud migration assets, capabilities, and client success stories will be important to grow the business in sectors where Mphasis has less of an installed client base.

Scope of the Report

The report provides a comprehensive and objective analysis of Mphasis' SAP ERP Cloud Migration service offerings, capabilities and market and financial strength, including:

- Analysis of the company's offerings and key service components
- Revenue estimates
- Identification of the company's strategy, emphasis and new developments
- Analysis of the profile of the company's customer base including the company's targeting strategy and examples of current contracts
- Analysis of the company's strengths, weaknesses and outlook.



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